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# Q1 2020 Results

April 2020

# SAFE HARBOR STATEMENT

## Forward Looking Statements

In addition to historical information, this earnings presentation contains "forward-looking" statements that reflect management's expectations for the future. A variety of important factors could cause results to differ materially from such statements. These factors are noted throughout GAIN Capital's annual report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on March 16, 2020, and include, but are not limited to, the actions of both current and potential new competitors, fluctuations in market trading volumes, financial market volatility, evolving industry regulations, errors or malfunctions in GAIN Capital's systems or technology, rapid changes in technology, effects of inflation, customer trading patterns, the success of our products and service offerings, our ability to continue to innovate and meet the demands of our customers for new or enhanced products, our ability to successfully integrate assets and companies we have acquired, our ability to effectively compete, changes in tax policy or accounting rules, fluctuations in foreign exchange rates and commodity prices, adverse changes or volatility in interest rates, as well as general economic, business, credit and financial market conditions, internationally or nationally, and our ability to continue paying a quarterly dividend in light of future financial performance and financing needs. The forward-looking statements included herein represent GAIN Capital's views as of the date of this release. GAIN Capital undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.

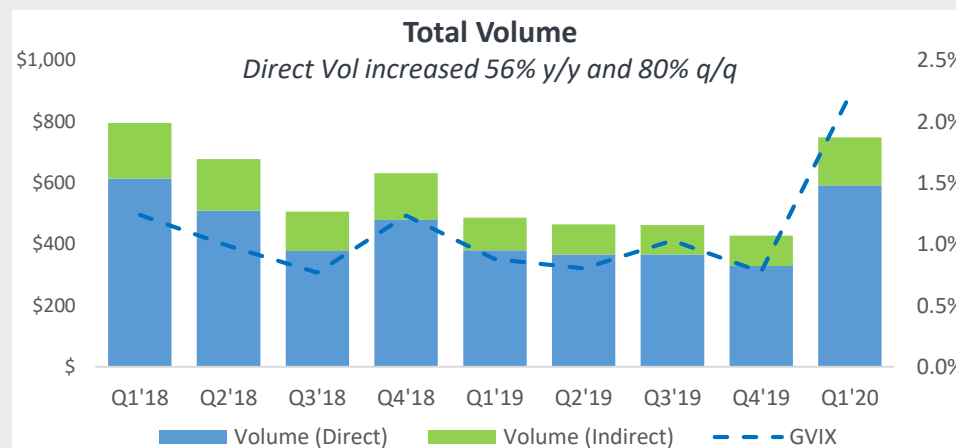
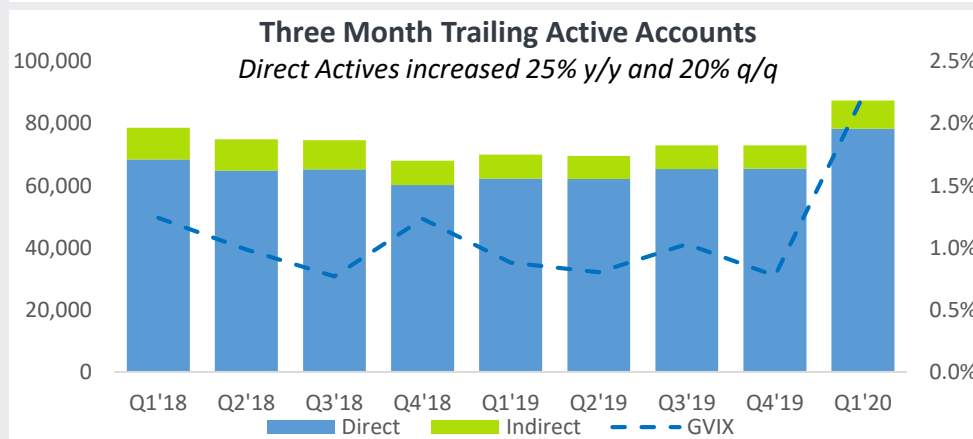
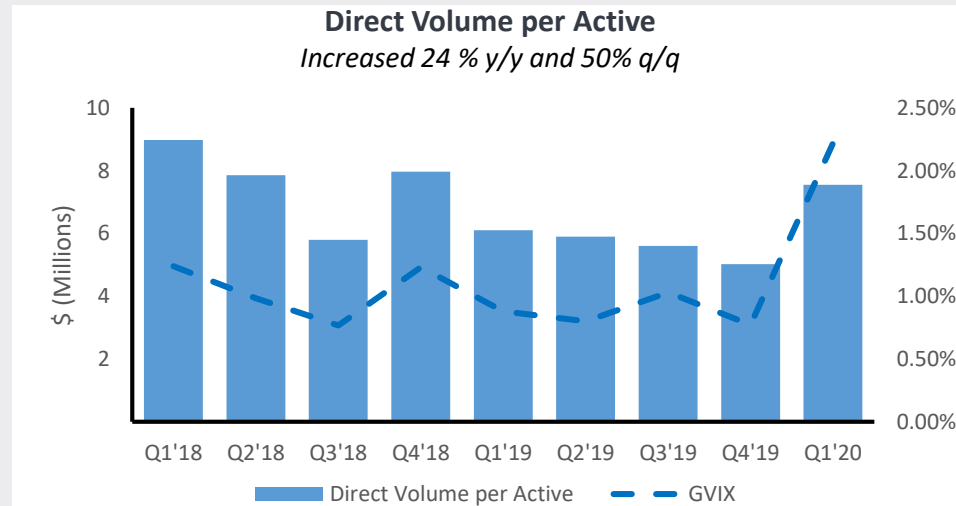
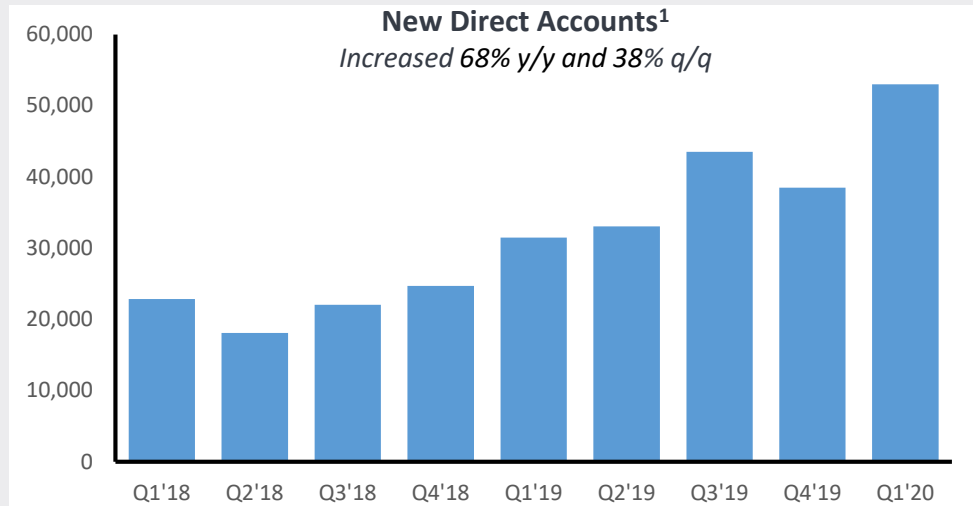
## Non-GAAP Financial Measures

This presentation contains various non-GAAP financial measures, including adjusted EBITDA, adjusted net income, and adjusted EPS. These non-GAAP financial measures have certain limitations, including that they do not have a standardized meaning and, therefore, our definitions may be different from similar non-GAAP financial measures used by other companies and/or analysts. Thus, it may be more difficult to compare our financial performance to that of other companies. We believe our reporting of these non-GAAP financial measures assists investors in evaluating our historical and expected operating performance. However, because these are not measures of financial performance calculated in accordance with GAAP, such measures should be considered in addition to, but not as a substitute for, other measures of our financial performance reported in accordance with GAAP, such as net income. See the Appendix for a reconciliation of the non-GAAP financial measures used herein to the most directly comparable GAAP measure.

## FIRST QUARTER 2020 REVIEW

- Q1 2020 net revenue of \$185.7 million, compared to \$38.4 million in Q1 2019
- Q1 2020 net income of \$77.3 million, compared to net loss of \$(28.4) million in Q1 2019
- Q1 2020 adjusted EBITDA of \$114.4 million, compared to a loss of \$(23.5) million in Q1 2019
- A quarter of exceptionally high volatility caused by economic concerns over COVID-19 which drove Retail performance:
  - ADV of \$11.7bn, up 52% compared to Q1 2019
  - RPM of \$231, a quarterly record
  - Trailing 3-month direct active accounts increased 25% over prior year to 87,349, a record since reporting of this metric commenced
- Acquisition by INTL FCStone Inc. remains on track to complete during the 3<sup>rd</sup> quarter of 2020

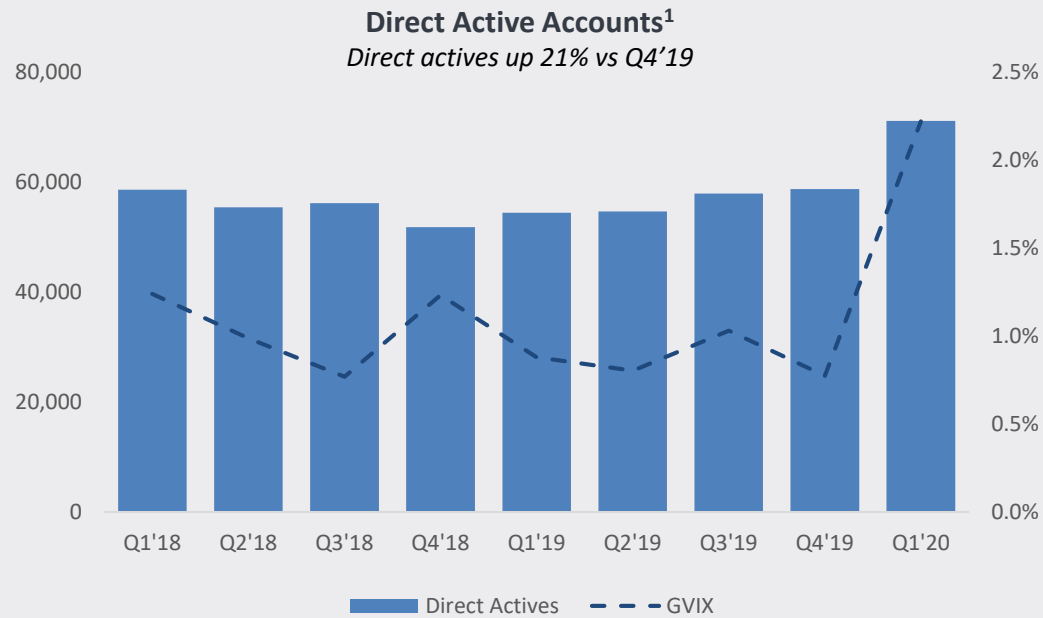
# ORGANIC EFFORTS ARE SHOWING RESULTS



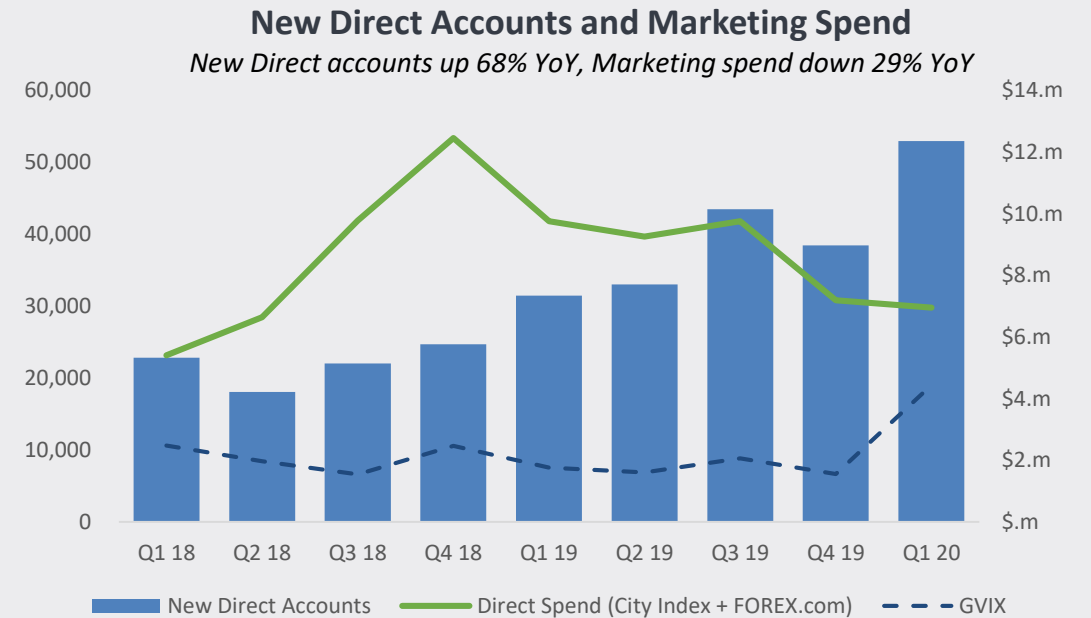
- Retail marketing spend down 9% QoQ.
- Three month trailing active accounts up 20% QoQ and 25% YoY driven by heightened market volatility and marketing efficiency
- Direct volume increased 80% q/q and 56% y/y due to increase in volatility (GVIX up 153% y/y)

1. New direct accounts are defined as organically acquired clients that opened an account during the corresponding period. By definition this figure will exclude the FXCM clients that were inorganically acquired in February 2017.  
 2. GVIX, GAIN's volatility indicator, is a metric calculated daily by volume weighting the 5-Day % average true ranges (ATR) of 6 of our major products (Dax, EUR/USD, GBP/USD, USD/JPY, Dow and Gold). The volume weights are based on the relative monthly volumes across these 6 markets.

# ORGANIC GROWTH INITIATIVES



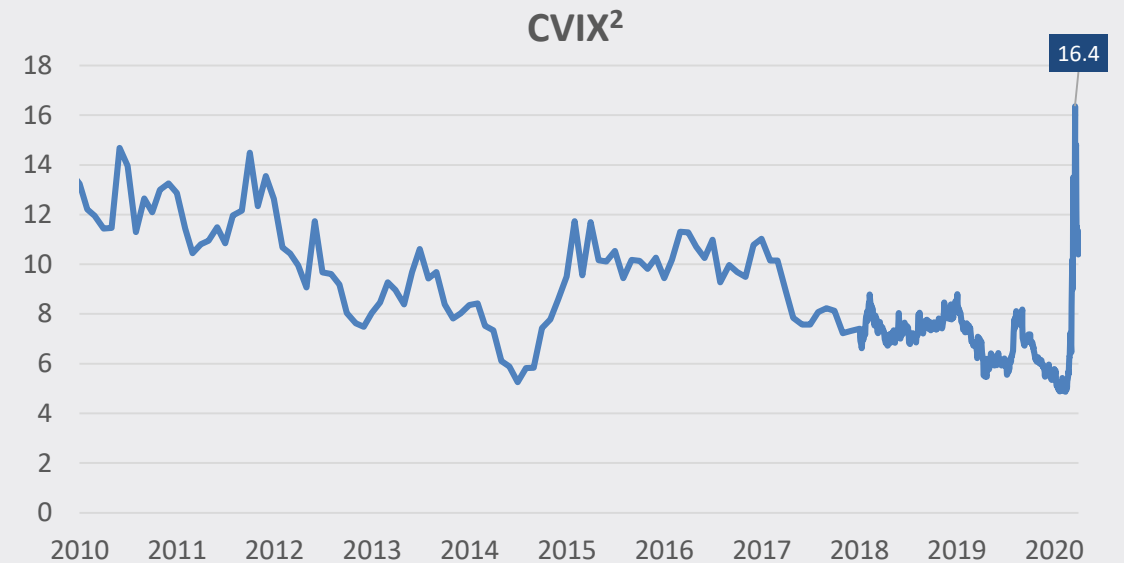
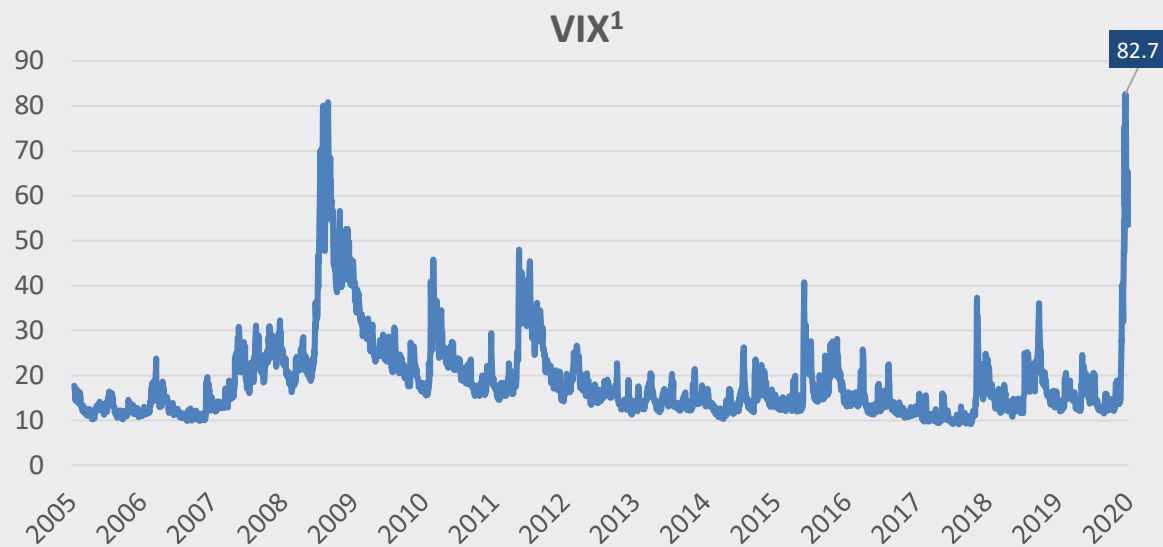
- Trailing 3-month direct active accounts have increased driven by heightened market volatility and steady acquisition of new clients through 2019.



- Steady growth in New Direct Accounts driving growth in Direct Actives driven by market conditions and continuous optimisation of Marketing spend.

1. Excludes acquired FXCM US accounts as these accounts are not impacted by increased marketing spend and are only expected to decrease

## 2020 Q1 EXCEPTIONAL MARKET CONDITIONS



After multi-year lows in 2019, Q1 2020 experienced extraordinary spikes in volatility, driven by the COVID-19 outbreak and its economic impact, specifically in equity markets :

- VIX closed at a record high of 82.7 on Mar 16 2020 which surpassed the previous peak of 80.9 on Nov 20 2008
  - Average VIX during March was 57.7 compared with the Q1'20 average of 31.2, and March 2019 average of 14.5
- CVIX also recorded multi-year highs during Q1'20
  - CVIX peaked at 16.4 during March, levels not observed since the global financial crisis

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# Financial Review

## KEY FINANCIAL RESULTS & OPERATING METRICS

	Three Months Ended March 31,		\$ Change
	2020	2019	
Net revenue	\$ 185.7	\$ 38.4	\$ 147.3
Operating expenses <sup>(3)</sup>	(71.3)	(61.9)	(9.4)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 114.4</b>	<b>\$ (23.5)</b>	<b>\$ 137.9</b>
<i>Adjusted EBITDA margin %</i>	<i>62%</i>	<i>(61)%</i>	<i>123%</i>
Net income/(loss)	\$ 77.3	\$ (28.4)	\$ 105.7
Adjusted net income/(loss) <sup>(1)</sup>	\$ 78.6	\$ (28.4)	\$ 107.0
GAAP diluted EPS	\$ 2.06	\$ (0.76)	\$ 2.82
Adjusted diluted EPS <sup>(1)</sup>	\$ 2.09	\$ (0.76)	\$ 2.85
<b>Operating Metrics<sup>(2)</sup></b>			
Retail OTC ADV (bns)	\$ 11.7	\$ 7.7	\$ 4.0
Retail RPM	\$ 231	\$ 50	\$ 181
Avg. daily futures contracts	32,949	28,785	4,164
Futures RPC	\$ 4.59	\$ 4.55	\$ 0.04

- Market conditions had a significant impact upon financial performance in the quarter, a total contrast to those of a year ago
- Net revenue of \$185.7 million versus prior year's \$38.4 million
- Net income of \$77.3 million against prior year's loss of \$(28.4) million
- Adjusted EBITDA of \$114.4 million compared to prior year's loss of \$(23.5) million
- EPS of \$2.06 with adjusted EPS of \$2.09
- Quarterly dividend of \$0.06 per share approved
  - Record date: June 23, 2020
  - Payment date: June 26, 2020

Note: Dollars in millions, except per share data. Columns may not add due to rounding.

(1) This is a non-GAAP financial measure. Please see the appendix to this presentation for a reconciliation to the corresponding GAAP financial measure.

(2) Definitions for operating metrics are available in the appendix to this presentation.

(3) Operating Expenses excludes Depreciation and Amortization, Purchased Intangible Amortization, and certain one-off costs.



## OPERATING SEGMENT RESULTS: RETAIL

Retail Financial & Operating Results				
	Three Months Ended March 31,			TTM 3/31/20
	2020	2019		
Trading revenue	\$ 173.1	\$ 24.3		\$ 326.5
Other retail revenue	3.2	3.9		15.9
<b>Total revenue</b>	<b>\$ 176.3</b>	<b>\$ 28.2</b>		<b>\$ 342.4</b>
Employee compensation and benefits	14.4	13.0		51.0
Selling and marketing	6.9	10.0		34.5
Referral fees	9.5	4.4		23.3
Other operating expenses	22.1	18.2		72.6
<b>Segment profit/(loss)</b>	<b>\$ 123.4</b>	<b>\$ (17.4)</b>		<b>\$ 161.0</b>
<i>Margin %</i>	<i>70%</i>	<i>(62%)</i>		<i>47%</i>
<b>Operating Metrics</b>				
ADV (bns)	\$ 11.7	\$ 7.7		\$ 8.1
12 month trailing active OTC accounts	132,841	120,641		132,841
Client assets	\$ 597.1	\$ 652.6		\$ 597.1
RPM	\$ 231	\$ 50		\$ 155

- Market conditions saw quarterly ADV increase 52% year-over-year to \$11.7 billion
- RPM of \$231 for the quarter, well above our long-term expectation, and above Q1'19 RPM of \$50, due to market conditions
- Combined impact of ADV and RPM saw Q1'20 total retail revenue increase 525% year-over-year
- Marketing investment down 31% for the first three months of 2020 as compared to prior year period
- Overheads<sup>1</sup> for the quarter up 17% compared to prior year driven by variable component

## OPERATING SEGMENT RESULTS: FUTURES

Futures Financial & Operating Results				
	Three Months Ended March 31,			TTM 3/31/20
	2020	2019		
Trading revenue	\$ 9.4	\$ 8.0	\$	36.2
Other futures revenue	0.8	1.4		4.3
<b>Total revenue</b>	<b>\$ 10.2</b>	<b>\$ 9.4</b>	<b>\$</b>	<b>40.5</b>
Employee compensation and benefits	2.9	2.2		10.2
Selling and marketing	0.2	0.3		0.8
Referral fees	3.0	2.7		11.4
Other operating expenses	3.1	3.2		12.5
<b>Segment Profit</b>	<b>\$ 0.9</b>	<b>\$ 1.1</b>	<b>\$</b>	<b>5.5</b>
<i>Margin %</i>	<i>8%</i>	<i>11%</i>		<i>14%</i>
<b>Operating Metrics</b>				
Avg. daily contracts	32,949	28,785		30,086
12 month trailing active futures accounts	7,146	7,387		7,146
Client assets	\$ 188.1	\$ 217.1	\$	188.1
Revenue/contract	\$ 4.59	\$ 4.55	\$	4.75

- Futures average daily contracts were up 14% to 32,949 during Q1'20
- Revenue per contract increased slightly to \$4.59 due to a shift in product mix
- Overheads<sup>1</sup> for the quarter were 11% higher over the prior year period caused by variable component
- Quarter profit margin decreased slightly to 8%, due to impact of Fed rate reductions on interest income
  - Trading revenue increased \$1.4 million
  - Operating expenses increased \$0.8 million

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# Appendix

# CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended March 31,	
	2020	2019
<b>REVENUE</b>		
Retail revenue	\$ 173.1	\$ 24.3
Futures revenue	9.4	8.0
Other revenue	1.0	2.5
<b>Total non-interest revenue</b>	<b>183.4</b>	<b>34.8</b>
Interest revenue	2.7	4.3
Interest expense	0.5	0.6
<b>Total net interest revenue</b>	<b>2.3</b>	<b>3.7</b>
<b>Net revenue</b>	<b>\$ 185.7</b>	<b>\$ 38.4</b>
<b>EXPENSES</b>		
Employee compensation and benefits	\$ 24.2	\$ 20.3
Selling and marketing	7.1	10.2
Referral fees	12.5	7.1
Trading expenses	4.9	5.5
General and administrative	13.8	12.8
Depreciation and amortization	4.3	4.3
Purchased intangible amortization	1.8	3.3
Communications and technology	4.5	5.7
Bad debt provision	4.2	0.4
Restructuring expenses	1.4	0.0
Transaction costs	1.0	0.0
<b>Total operating expenses</b>	<b>\$ 79.9</b>	<b>\$ 69.5</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>105.8</b>	<b>(31.1)</b>
Interest expense on long term borrowings	3.4	3.3
<b>INCOME/(LOSS) BEFORE INCOME TAX</b>	<b>102.4</b>	<b>(34.4)</b>
Income tax expense/(benefit)	25.1	(6.1)
<b>NET INCOME/(LOSS)</b>	<b>\$ 77.3</b>	<b>\$ (28.4)</b>

Note: Dollars in millions, except share and per share data. Columns may not add due to rounding.

(1) Total shares outstanding at March 31, 2020 was 37,787,196

## CONDENSED CONSOLIDATED BALANCE SHEET

	As of	
	3/31/2020	12/31/2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 293.3	\$ 190.1
Cash and securities held for customers	785.2	929.3
Receivables from brokers	53.1	112.3
Property and equipment, net	29.1	30.6
Intangible assets, net	21.2	24.2
Other assets	50.0	64.0
<b>Total assets</b>	<b>\$ 1,231.8</b>	<b>\$ 1,350.4</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Payables to customers	\$ 785.2	\$ 929.3
Payables to brokers	5.9	0.0
Accrued compensation and benefits	6.4	5.5
Accrued expenses and other liabilities	45.0	43.1
Income tax payable	11.8	0.6
Convertible senior notes	80.3	137.2
<b>Total liabilities</b>	<b>\$ 934.7</b>	<b>\$ 1,115.7</b>
<b>Shareholders' Equity</b>	<b>297.1</b>	<b>234.7</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,231.8</b>	<b>\$ 1,350.4</b>

# LIQUIDITY

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	TTM
<b>Cash and Cash Equivalents Prior Period</b>	\$ 190.1	\$ 200.7	\$ 208.5	\$ 218.0	\$ 218.0
Adjusted EBITDA	\$ 114.4	\$ (0.2)	\$ 6.0	\$ 13.0	\$ 133.2
Capital expenditures	(4.2)	(4.4)	(4.8)	(4.0)	(17.4)
Tax and convertible interest	(4.1)	(1.8)	(4.3)	(2.5)	(12.7)
Dividends, buybacks and convertible principal	(60.8)	(3.7)	(2.2)	(5.0)	(71.7)
Receivables from brokers	59.2	(4.5)	3.2	(12.2)	45.7
Working capital	(1.3)	4.0	(5.7)	1.2	(1.8)
<b>Total Cash Inflow/(Outflow)</b>	<b>\$ 103.2</b>	<b>\$ (10.6)</b>	<b>\$ (7.8)</b>	<b>\$ (9.5)</b>	<b>\$ 75.3</b>
<b>Cash and Cash Equivalents Current Period</b>	<b>\$ 293.3</b>	<b>\$ 190.1</b>	<b>\$ 200.7</b>	<b>\$ 208.5</b>	<b>\$ 293.3</b>

## GROUP ADJUSTED EBITDA & ADJUSTED NET INCOME

	Three Months Ended March 31,	
	2020	2019
Net revenue	\$ 185.7	\$ 38.4
<b>Operating expenses:</b>		
Employee compensation and benefits	\$ 24.2	\$ 20.3
Selling and marketing	7.1	10.2
Referral fees	12.5	7.1
Trading expenses	4.9	5.5
General and administrative	13.8	12.8
Communication and technology	4.5	5.7
Bad debt provision	4.2	0.4
Total operating expenses	71.3	61.9
<b>Adjusted EBITDA</b>	<b>\$ 114.4</b>	<b>\$ (23.5)</b>
<i>Margin %</i>	<i>62%</i>	<i>(61)%</i>
Depreciation and amortization	\$ 4.3	\$ 4.3
Purchased intangible amortization	1.8	3.3
Interest expense on long term borrowings	3.4	3.3
<b>Adjusted Pre-Tax Income/(Loss)</b>	<b>104.9</b>	<b>(34.4)</b>
Adjusted income tax expense/(benefit)	26.3	(6.1)
<b>Adjusted Net Income/(Loss)</b>	<b>\$ 78.6</b>	<b>\$ (28.4)</b>

## ADJUSTED EBITDA & MARGIN RECONCILIATION

	Three Months Ended March 31,	
	2020	2019
Net revenue	\$ 185.7	\$ 38.4
Net income/(loss)	77.3	(28.4)
<i>Net income/(loss) Margin %</i>	42%	(74)%
Net income/(loss)	\$ 77.3	\$ (28.4)
Depreciation and amortization	4.3	4.3
Purchase intangible amortization	1.8	3.3
Interest expense on long term borrowings	3.4	3.3
Income tax expense/(benefit)	25.1	(6.1)
Restructuring expenses	1.4	0.0
Transaction costs	1.0	0.0
<b>Adjusted EBITDA</b>	<b>\$ 114.4</b>	<b>\$ (23.5)</b>
<i>Adjusted EBITDA Margin %<sup>(1)</sup></i>	62%	(61)%

Note: Dollars in millions. Columns may not add due to rounding.

(1) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by net revenue.



## ADJUSTED NET INCOME AND EPS RECONCILIATION

	Three Months Ended March 31,	
	2020	2019
Net income/(loss)	\$ 77.3	\$ (28.4)
Income tax expense/(benefit)	25.1	(6.1)
<b>Pre-tax income/(loss)</b>	<b>\$ 102.4</b>	<b>\$ (34.4)</b>
Adjustments:		
Restructuring expenses	1.4	0.0
Transaction costs	1.0	0.0
<b>Adjusted pre-tax income/(loss)</b>	<b>104.9</b>	<b>(34.4)</b>
Adjusted income tax <sup>(1)</sup>	26.3	(6.1)
<b>Adjusted net income/(loss)</b>	<b>\$ 78.6</b>	<b>\$ (28.4)</b>
<b>Adjusted earnings/(loss) per Common Share:</b>		
Basic	\$ 2.09	\$ (0.76)
Diluted	\$ 2.09	\$ (0.76)
<b>Weighted average common shares outstanding used in computing adjusted earnings/(loss) per common share: <sup>(2)</sup></b>		
Basic	37,554,579	37,525,073
Diluted	37,585,806	37,525,073

Note: Dollars in millions, except per share and share data. Columns may not add due to rounding.

(1) The company's forecast tax rate reconciliation is included in this presentation.

(2) Total shares outstanding at March 31, 2020 was 37,787,196

## ADJUSTED INCOME TAX (EXPENSE)/BENEFIT RECONCILIATION

	Three Months Ended March 31,	
	2020	2019
GAAP pre-tax income/(loss)	\$ 102.4	\$ (34.4)
<i>GAAP tax rate</i>	<i>24.5%</i>	<i>17.6%</i>
<b>Initial adjusted tax expense/(benefit)</b>	<b>25.1</b>	<b>(6.1)</b>
Tax law changes	0.7	0.0
One off adjustments	0.5	0.0
<b>Adjusted tax expense/(benefit)</b>	<b>\$ 26.3</b>	<b>\$ (6.1)</b>
Adjusted pre-tax income/(loss)	\$ 104.9	\$ (34.4)
<i>Adjusted tax rate</i>	<i>25.0%</i>	<i>17.6%</i>

## EPS COMPUTATION

	Three Months Ended March 31,	
	2020	2019
<b>Net income/(loss)</b>	\$ 77.3	\$ (28.4)
<b>Earnings/(loss) per common share</b>		
Basic earnings/(loss)	\$ 2.06	\$ (0.76)
Diluted earnings/(loss)	\$ 2.06	\$ (0.76)
<b>Weighted average common shares outstanding used in computing earnings/(loss) per common share:<sup>(1)</sup></b>		
Basic	37,554,579	37,525,073
Diluted	37,585,806	37,525,073

Note: Dollars in millions, except per share and share data. Columns may not add due to rounding.

(1) Total shares outstanding at March 31, 2020 was 37,787,196

## RECONCILIATION OF SEGMENT PROFIT TO INCOME BEFORE INCOME TAX EXPENSE

	Three Months Ended March 31,	
	2020	2019
Retail segment	\$ 123.4	\$ (17.4)
Futures segment	0.9	1.1
Corporate and other	(9.9)	(7.2)
<b>Segment profit/(loss)</b>	<b>\$ 114.4</b>	<b>\$ (23.5)</b>
Depreciation and amortization	4.3	4.3
Purchased intangible amortization	1.8	3.3
Restructuring expense	1.4	0.0
Transaction costs	1.0	0.0
<b>Operating profit/(loss)</b>	<b>\$ 105.8</b>	<b>\$ (31.1)</b>
Interest expense on long term borrowings	3.4	3.3
<b>Income/(loss) before income tax expense/(benefit)</b>	<b>\$ 102.4</b>	<b>\$ (34.4)</b>

## RETAIL REVENUE PER MILLION



## OPERATING SEGMENT RESULTS: CORPORATE & OTHER

Corporate & Other Financial & Operating Results						
	Three Months Ended March 31,			TTM 3/31/20		
	2020	2019				
(Loss)/revenue	\$	(0.7)	\$	0.9	\$	(1.7)
Employee compensation and benefits		6.9		5.1		20.8
Other operating expenses		2.2		2.9		10.9
<b>Loss</b>	<b>\$</b>	<b>(9.9)</b>	<b>\$</b>	<b>(7.2)</b>	<b>\$</b>	<b>(33.5)</b>

## QUARTERLY OPERATING METRICS

	Three Months Ended,				
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
<b>Retail Segment</b>					
OTC Trading Volume <sup>(1)(2)</sup>	\$ 487.3	\$ 464.3	\$ 463.1	\$ 428.3	\$ 748.7
OTC Average Daily Volume	\$ 7.7	\$ 7.1	\$ 7.0	\$ 6.6	\$ 11.7
12 Month Trailing Active OTC Accounts <sup>(3)</sup>	120,641	118,320	118,751	122,532	132,841
3 Month Trailing Active OTC Accounts <sup>(3)</sup>	70,051	69,556	72,909	72,916	87,349
<b>Futures Segment</b>					
Number of Futures Contracts	1,755,873	1,978,251	2,041,253	1,549,323	2,042,824
Futures Average Daily Contracts	28,785	31,401	31,895	24,208	32,949
12 Month Trailing Active Futures Accounts <sup>(3)</sup>	7,387	7,406	7,406	7,019	7,146

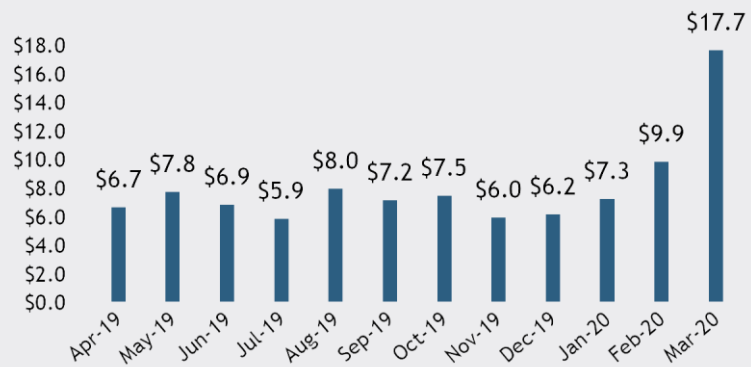
<sup>1</sup> US dollar equivalent of notional amounts traded.

<sup>2</sup> For Q1 2020, indirect volume represented 21% of total retail OTC trading volume.

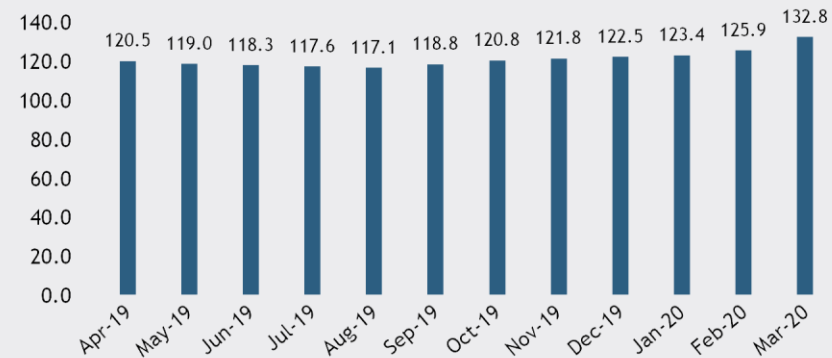
<sup>3</sup> Accounts that executed a transaction during the relevant period.

# OPERATING METRICS

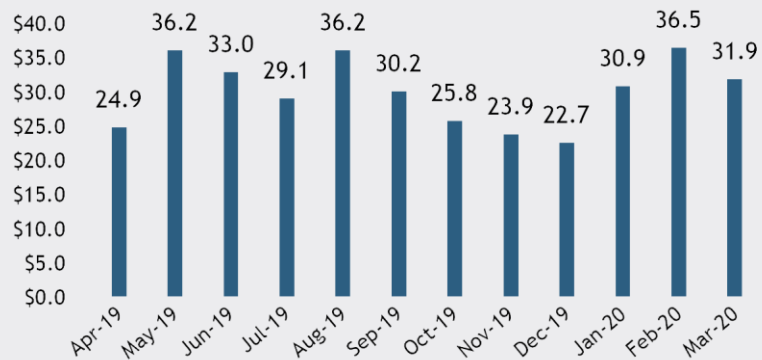
### OTC Average Daily Volume (\$ bns)



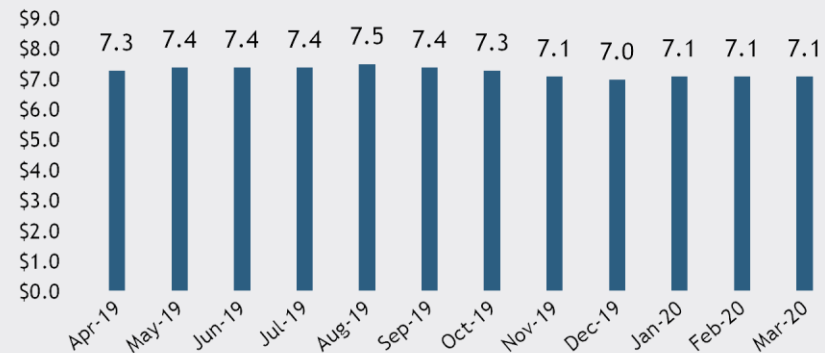
### TTM Active OTC Accounts (000s)



### Futures Average Daily Contracts (000s)



### TTM Active Futures Account (000s)





## DEFINITION OF METRICS

- Active Accounts: Accounts that executed a transaction during the period
- Trading Volume: Represents the U.S. dollar equivalent of notional amounts traded
- Customer Assets: Represents amounts due to clients, including customer deposits and unrealized gains or losses arising from open positions