



**2<sup>nd</sup> Quarter 2012**  
**Financial and Operating Results**

*July 31, 2012*

# Special Note Regarding Forward-Looking Information

*In addition to historical information, this 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, as filed with the Securities and Exchange Commission on March 15, 2012, 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, including changes in regulation of the futures companies, errors or malfunctions in our 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, including the successful closing and integration of Open E Cry, our ability to effectively compete in the futures industry, 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.*

# Overview

*Glenn Stevens, CEO*

# Q2 Summary

- Significant rebound from Q1 results
- Capitalized on modest increase in market volatility to drive higher retail revenue
- GAIN GTX institutional platform continued to increase market share
- Invested in growth areas
  - Organic: New product offerings (CFDs) and expanded geographic footprint
  - Acquisition: Open E Cry – online futures
- Reduced expense run-rate for H2 2012

# 2<sup>nd</sup> Quarter 2012 Results Overview

## Financial Results

- Net Revenue: \$45.7 million
- Adjusted EBITDA<sup>(1)</sup>: \$8.8 million
- Net Income: \$4.4 million
- Adjusted Net Income<sup>(2)</sup>: \$5.0 million
- EPS (Diluted): \$0.11
- Adjusted EPS (Diluted)<sup>(3)</sup>: \$0.13

## Strong Balance Sheet<sup>(4)</sup>

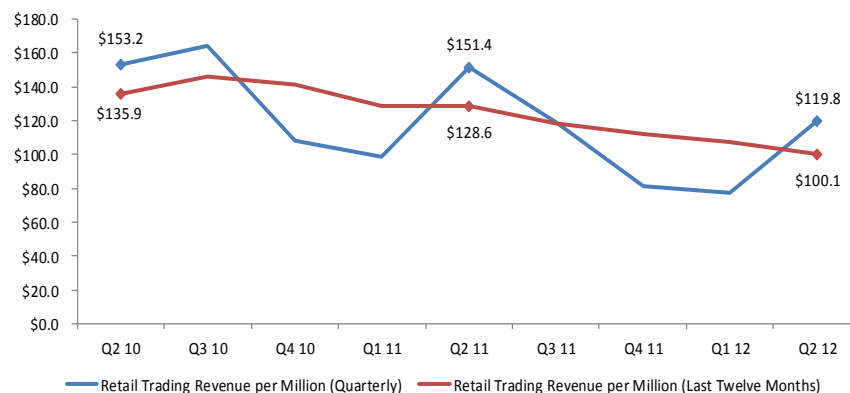
- \$95.6mm of free cash available as of June 30, 2012
  - \$145.6mm of liquidity including revolver

## Operating Metrics<sup>(5)</sup>

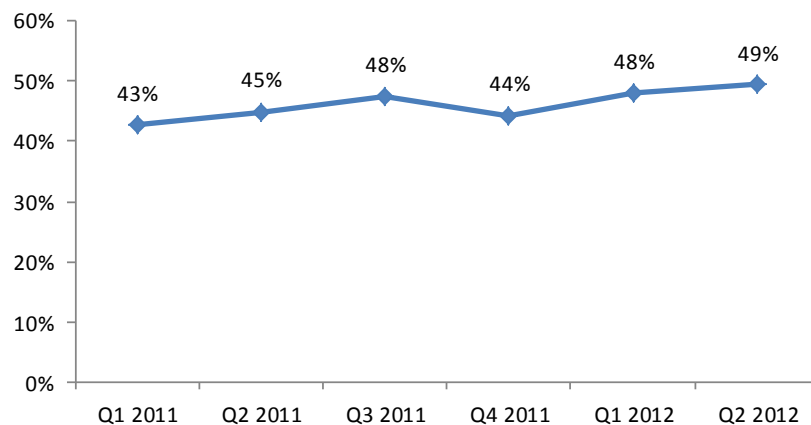
- Total trading volume up 72% to \$783.3 billion
  - Retail volume declined 5% to \$340.8 billion
  - Institutional volume increased to \$442.5 billion from \$97.4 billion
- Client assets up 9% to \$320.2 million as of June 30, 2012

**All comparisons based on Q2 2011**

Retail Trading Revenue per Million



Active Account Yield



(1) Adjusted EBITDA is a non-GAAP financial measure that represents our earnings before interest, taxes, depreciation, amortization and non-recurring expenses. A reconciliation of net income to adjusted EBITDA and adjusted EBITDA margin is available in the appendix to this presentation.

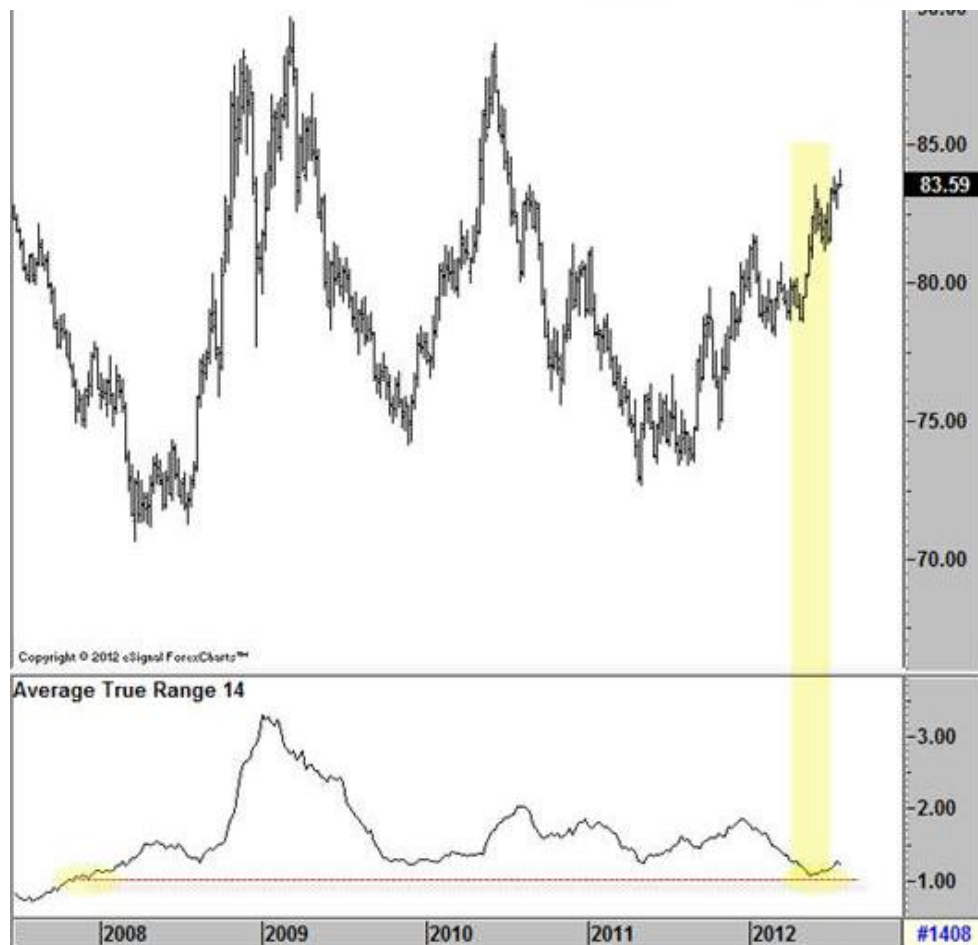
(2) Adjusted net income is a non-GAAP financial measure that represents our net income excluding purchase intangible amortization. A reconciliation of net income to adjusted net income and adjusted net income margin is available in the appendix to this presentation.

(3) Reconciliation of EPS to adjusted EPS is available in the appendix to this presentation.

(4) Calculation of balance sheet liquidity is available in the appendix to this presentation.

(5) Definitions for all our operating metrics are available in the appendix to this presentation.

# Q2 Trading Conditions



- Modest uptick in market volatility from Q1 4-year low
- Level remains significantly lower than prior years

US Dollar Index Chart

# Retail Business

- Enhanced CFD offering
  - New platform; launching with 200+ CFD products
    - Indices, commodities, sectors & FX
  - Beta testing began
  - Full release on schedule for September 2012
- FOREX.com Canada launch
  - Licensed to offer forex, CFDs and futures
  - One of a small group of regulated firms approved to offer these products
  - 5-7% of our current retail trading volume without direct marketing currently
- Continuing to invest in our higher-growth regions
  - Asia-Pacific (SE Asia & China) and Middle East
- Mobile volumes continue to ramp
  - Over 2x increase between Q2 2011 and Q2 2012
  - 18% of Q2 2012 active accounts traded via mobile
- Actively pursuing M&A opportunities

# Open E Cry Acquisition

- On June 28, 2012 Gain announced its acquisition of Open E Cry from optionsXpress, a subsidiary of the Charles Schwab Corp.
  - Purchase price: \$12mm
  - Expected to close in Q3 2012
- Company Overview
  - Online retail provider of exchange-traded futures
  - FY 2011 revenue: \$13.6mm
  - Customers<sup>(1)</sup>: 8,101
  - Assets<sup>(1)</sup>: \$95.9mm
- Transaction Rationale
  - New commission revenue stream generated on a per trade basis
  - Global expansion of OEC's geographic footprint
  - Cross-selling between futures and FX

(1) As of June 30, 2012.



# Institutional Business

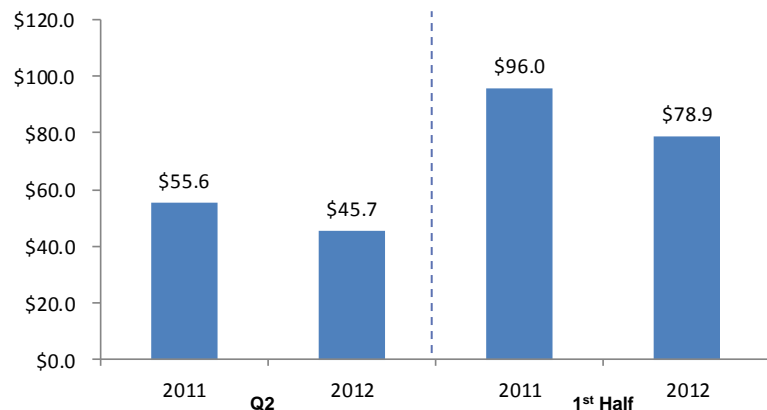
- Institutional business increasing share and strong revenue growth
  - Q2 2012: \$4.2mm
  - Q2 2011: \$0.9mm
- Expanding 24-hour execution desk, hired a 10-person team
  - More than doubles size of existing team
  - Specializes in FX options and emerging markets
  - Significantly scales client base and product coverage
- Successful traction providing liquidity & technology services to exchanges in emerging markets

# **Financial Review**

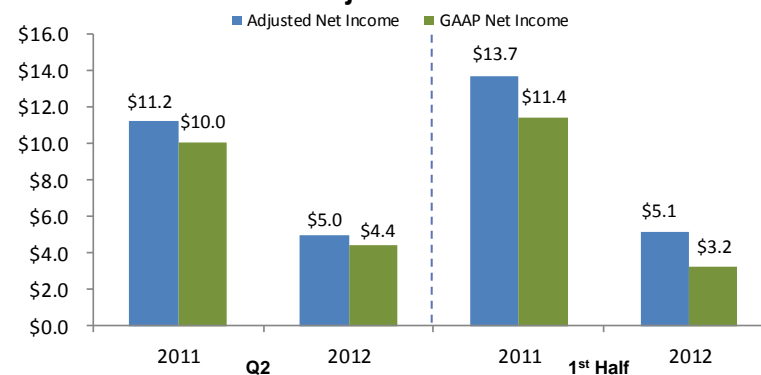
*Daryl Carlough, Interim CFO*

# Q2 & 1H 2012 Financial Results

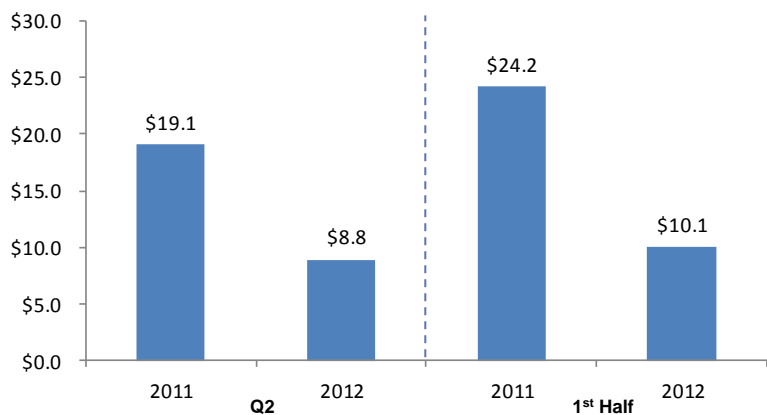
## Net Revenue



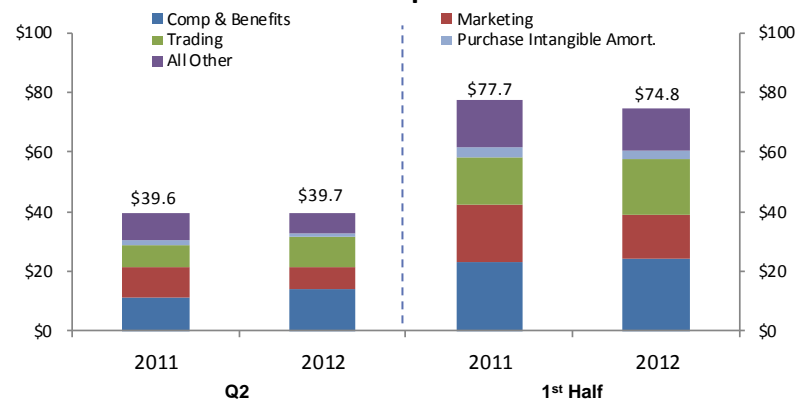
## GAAP & Adjusted Net Income<sup>(1)</sup>



## Adjusted EBITDA<sup>(2)</sup>



## Total Expenses



Note: Dollars in millions.

(1) Reconciliation of net income to adjusted net income available in appendix.

(2) Adjusted EBITDA is a non-GAAP financial measure that represents our earnings before interest, taxes, depreciation, amortization and non-recurring expenses. A reconciliation of net income to Adjusted EBITDA is available in the appendix to this presentation.

# Quarterly Dividend

- \$0.05 per share quarterly dividend approved
  - Record Date: September 12, 2012
  - Payment Date: September 21, 2012

# Closing Remarks

- Executing on growth and diversification strategy
  - **Retail:**
    - Expanded CFD offering & new platform
    - Canadian service taps new market opportunity
  - **Institutional:**
    - New hires to grow GAIN GTX product portfolio and accelerate market share gains
  - **Acquisitions:**
    - OEC acquisition adds exchange-traded futures and source of commission-based revenue
- Continue to manage expenses by increasing operating efficiency in core business in order to invest in growth areas

# Appendix

# Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue				
Retail trading revenue	\$ 40.8	\$ 54.1	\$ 70.3	\$ 93.9
Institutional trading revenue	4.2	0.9	8.0	1.9
Other revenue	0.7	0.7	0.7	0.7
Total non-interest revenue	45.7	55.7	79.0	96.5
Interest revenue	0.2	0.2	0.3	0.3
Interest expense	(0.2)	(0.3)	(0.4)	(0.8)
Total net interest revenue/(expense)	-	(0.1)	(0.1)	(0.5)
Net revenue	45.7	55.6	78.9	96.0
Expenses				
Employee compensation and benefits	13.2	12.2	23.5	23.3
Selling and marketing	7.2	9.0	14.4	19.2
Trading expenses and commissions	9.2	8.4	17.9	15.6
Bank fees	0.9	1.1	1.7	2.1
Depreciation and amortization	1.0	1.0	2.1	1.9
Purchased intangible amortization	1.0	2.0	2.9	3.7
Communication and data processing	0.8	0.8	1.5	1.4
Occupancy and equipment	1.1	1.1	2.3	2.3
Bad debt provision	0.2	0.1	0.2	0.6
Professional fees	1.2	1.1	2.0	2.0
Product development, software and maintenance	1.1	1.1	2.2	2.0
Restructuring <sup>(1)</sup>	0.6	-	0.6	-
Other	2.2	1.7	3.5	3.6
Total	39.7	39.6	74.8	77.7
Income before income tax expense and equity in earnings of equity method investment	6.0	16.0	4.1	18.3
Income tax expense	1.6	6.0	0.9	6.9
Net income	\$ 4.4	\$ 10.0	\$ 3.2	\$ 11.4
Earnings per common share:				
Basic	\$ 0.13	\$ 0.29	\$ 0.09	\$ 0.33
Diluted	\$ 0.11	\$ 0.26	\$ 0.08	\$ 0.29
Weighted averages common shares outstanding used in computing earnings per common share:				
Basic	34,945,835	34,544,643	34,710,915	34,156,494
Diluted	38,677,417	39,086,435	38,605,108	38,978,908

Note: Unaudited. Dollars in millions, except per share data.

(1) Non-recurring expenses relating to cost savings effected in Q2 2012.

# Consolidated Balance Sheet

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 22.4	\$ 60.3
Cash and cash equivalents, held for customers	320.2	310.4
Short term investments	0.1	0.1
Receivables from banks and brokers	115.7	85.4
Property and equipment - net of accumulated depreciation	9.5	7.5
Prepaid assets	9.6	9.9
Goodwill	3.1	3.1
Intangible assets, net	7.4	10.8
Other assets	19.0	18.1
<b>Total assets</b>	<u>\$ 507.0</u>	<u>\$ 505.6</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Payables to brokers, dealers, FCM'S and other regulated entities	\$ 18.4	\$ 17.3
Payable to customers	301.8	293.1
Accrued compensation & benefits payable	4.4	4.9
Accrued expenses and other liabilities	13.3	14.9
Income tax payable	1.6	2.6
Notes payable	-	7.9
<b>Total liabilities</b>	<u>\$ 339.5</u>	<u>\$ 340.7</u>
<b>Shareholders' Equity</b>	<u>\$ 167.5</u>	<u>\$ 164.9</u>
Total liabilities and shareholders' equity	<u>\$ 507.0</u>	<u>\$ 505.6</u>



# Current Liquidity

	<u>6/30/2012</u>	<u>12/31/2011</u>
Cash & cash equivalents	\$22.4	\$60.3
Cash & cash equivalents held for customers	320.2	310.4
Short term investments	0.1	0.1
Receivable from banks and brokers <sup>(1)</sup>	115.7	85.4
Total Operating Cash	<u>\$458.4</u>	<u>\$456.2</u>
Less: Cash & cash equivalents held for customers	<u>(320.2)</u>	<u>(310.4)</u>
Free Operating Cash	\$138.2	\$145.8
Less: Minimum regulatory capital requirements	(42.6)	(35.8)
Less: Note payable	<u>-</u>	<u>(7.9)</u>
<b>Free Cash Available<sup>(2)</sup></b>	<b>\$95.6</b>	<b>\$102.1</b>
Add: Available credit facility	<u>50.0</u>	<u>50.0</u>
<b>Available Cash &amp; Liquidity</b>	<b><u>\$145.6</u></b>	<b><u>\$152.1</u></b>

Note: Dollars in millions.

(1) Reflects cash that would be received from brokers following the close-out of all open positions.

(2) Excludes current liabilities of \$17.7mm and capital charges associated with open positions.

# Adjusted Net Income & Margin Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Revenue	\$ 45.7	\$ 55.6	\$ 78.9	\$ 96.0
Net income	4.4	10.0	3.2	11.4
Plus: Purchase intangible amortization (net of tax)	0.6	1.2	1.9	2.3
Adjusted Net Income	<u>\$ 5.0</u>	<u>\$ 11.2</u>	<u>\$ 5.1</u>	<u>\$ 13.7</u>
Adjusted Earnings per Share				
Basic	<u>\$ 0.14</u>	<u>\$ 0.33</u>	<u>\$ 0.15</u>	<u>\$ 0.40</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.29</u>	<u>\$ 0.13</u>	<u>\$ 0.35</u>
Net Income Margin %	9.6%	18.0%	4.1%	11.9%
Adjusted Net Income Margin %	10.9%	20.2%	6.5%	14.3%

# Adjusted EBITDA & Margin Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net Revenue	\$ 45.7	\$ 55.6	\$ 78.9	\$ 96.0
Interest expense	0.2	0.1	0.4	0.3
Net Revenue (ex. Interest expense)	<u>\$ 45.9</u>	<u>\$ 55.7</u>	<u>\$ 79.3</u>	<u>\$ 96.3</u>
Net income	\$ 4.4	\$ 10.0	\$ 3.2	\$ 11.4
Plus: Depreciation & amortization	1.0	1.0	2.1	1.9
Plus: Purchase intangible amortization	1.0	2.0	2.9	3.7
Plus: Interest expense	0.2	0.1	0.4	0.3
Plus: Restructuring <sup>(1)</sup>	0.6	-	0.6	-
Plus: Income tax expense	1.6	6.0	0.9	6.9
Adjusted EBITDA	<u>\$ 8.8</u>	<u>\$ 19.1</u>	<u>\$ 10.1</u>	<u>\$ 24.2</u>
Adjusted EBITDA Margin % <sup>(2)</sup>	19.2%	34.3%	12.7%	25.1%

Note: Dollars in millions.

(1) Non-recurring expenses relating to cost savings effected in Q2 2012.

(2) Adjusted EBITDA Margin calculated as Adjusted EBITDA/Net Revenue (ex. Interest on Note).

# Adjusted EPS (Diluted) Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
GAAP Earnings per Share (Diluted)	\$ 0.11	\$ 0.26	\$ 0.08	\$ 0.29
Plus: Purchase intangible amortization <sup>(1)</sup>	0.02	0.03	0.05	0.06
Adjusted Earnings per Share (Diluted)	<u>\$ 0.13</u>	<u>\$ 0.29</u>	<u>\$ 0.13</u>	<u>\$ 0.35</u>

(1) Net of tax.

# Q2 & 1H 2012 Financial Summary

	3 Months Ended June 30,		6 Months Ended June 30,		'12 v '11 % Change	
	2012	2011	2012	2011	Q2	1H
Net Revenue	\$45.7	\$55.6	\$78.9	\$96.0	(18%)	(18%)
Interest Expense	0.2	0.1	0.4	0.3	100%	33%
Net Revenue (ex. Interest expense)	\$45.9	\$55.7	\$79.3	\$96.3	(18%)	(18%)
Operating Expenses	37.1	36.6	69.2	72.1	1%	(4%)
Adjusted EBITDA <sup>(1)</sup>	\$8.8	\$19.1	\$10.1	\$24.2	(54%)	(58%)
GAAP Net Income	\$4.4	\$10.0	\$3.2	\$11.4	(56%)	(72%)
Adjusted Net Income <sup>(2)</sup>	5.0	11.2	5.1	13.7	(55%)	(63%)
GAAP EPS (Diluted)	\$0.11	\$0.26	\$0.08	\$0.29	(58%)	(72%)
Adjusted EPS (Diluted) <sup>(3)</sup>	0.13	0.29	0.13	0.35	(60%)	(62%)
Adjusted EBITDA Margin % <sup>(1)(4)</sup>	19.2%	34.3%	12.7%	25.1%	(15 pts)	(12 pts)
Net Income Margin %	9.6%	18.0%	4.1%	11.9%	(8 pts)	(8 pts)
Adjusted Net Income Margin % <sup>(2)</sup>	10.9%	20.2%	6.5%	14.3%	(9 pts)	(8 pts)

Note: Dollars in millions, except per share data.

(1) See page 19 for a reconciliation of GAAP net income to EBITDA.

(2) See page 18 for a reconciliation of GAAP net income to adjusted net income.

(3) See page 20 for a reconciliation of GAAP EPS to adjusted EPS.

(4) Adjusted EBITDA Margin calculated as Adjusted EBITDA/Net Revenue (ex. Interest on Note).

# Q2 & 1H 2012 Operating Metrics

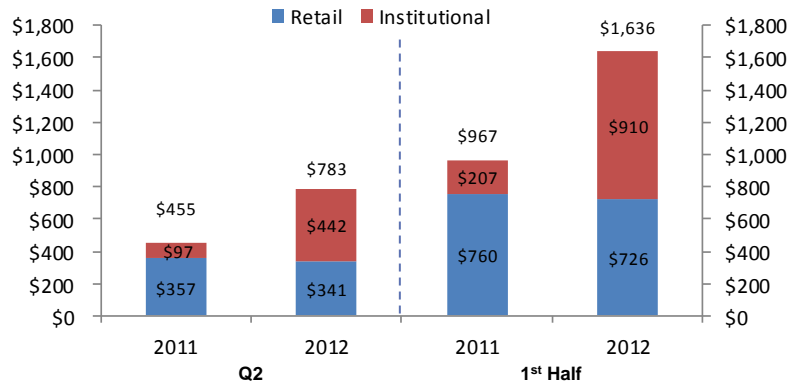
	2nd Quarter		1st Half		'12 v '11 % Change	
	2012	2011	2012	2011	Q2	1H
<u>For Period Ending June 30,</u>						
Total Trading Volume (billions)	\$783.3	\$454.6	\$1,636.4	\$967.1	72%	69%
Retail	340.8	357.2	725.9	759.7	(5%)	(4%)
Institutional	442.5	97.4	910.5	207.4	354%	339%
Traded Retail Accounts (Period)	36,660	36,868	45,349	47,395	(1%)	(4%)
Traded Retail Accounts (Last 12 Months)	61,746	65,463	61,746	65,463	(6%)	(6%)
New Retail Accounts	6,862	8,004	13,734	16,914	(14%)	(19%)
Trades	8,976,010	9,363,640	18,267,732	18,389,468	(4%)	(1%)
Retail Trading Revenue per Million	\$119.8	\$151.4	\$97.8	\$123.6	(21%)	(21%)
Average Excess Net Capital <sup>(1)</sup>	\$56.3	\$60.5	\$60.7	\$52.8	(7%)	15%
<u>As of June 30,</u>						
Funded Retail Accounts	74,621	78,395	74,621	78,395	(5%)	(5%)
Client Assets	\$320.2	\$293.1	\$320.2	\$293.1	9%	9%

Note: Dollars in millions, except retail trading revenue per million.

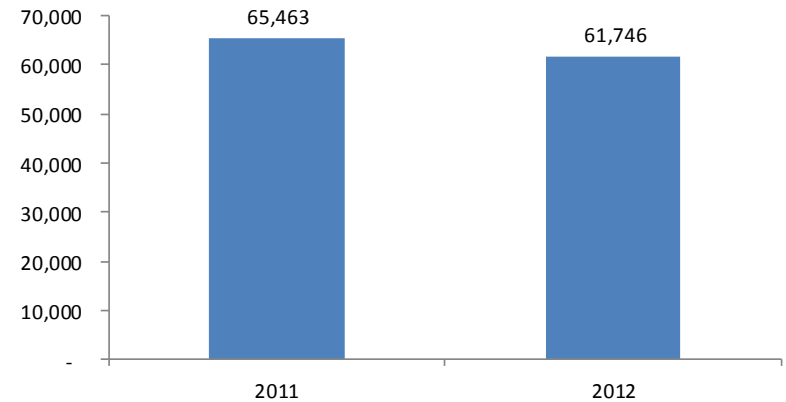
(1) Average calculated using excess net capital balance at each month-end during the relevant period.

# Q2 & 1H 2012 Operating Metrics<sup>(1)</sup> (cont.)

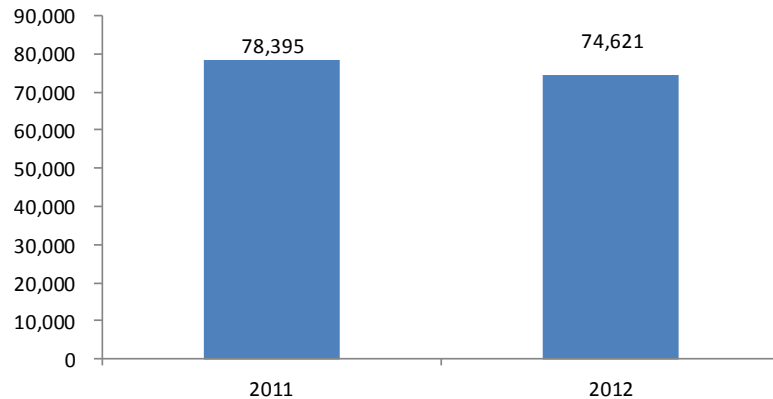
### Total Trading Volume<sup>(2)</sup>



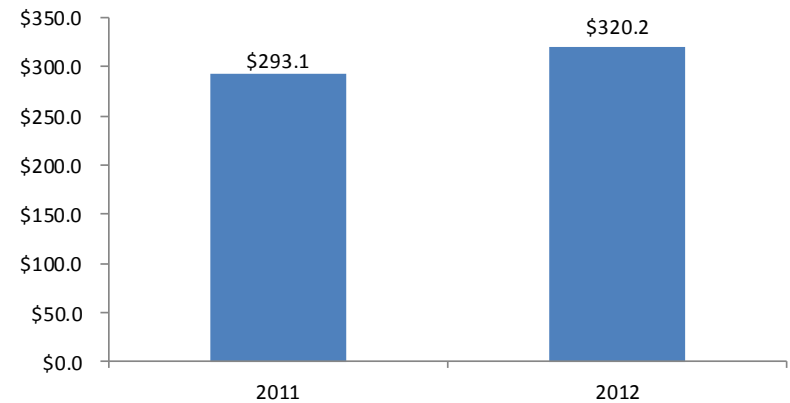
### Traded Retail Accounts (Last 12 Months)<sup>(2)</sup>



### Funded Retail Accounts<sup>(3)</sup>



### Client Assets<sup>(3)</sup>



Note: Trading volume in billions. Client assets in millions.

(1) Definitions for all our operating metrics are available in the appendix to this presentation.

(2) For periods ending June 30.

(3) As of June 30.

# Monthly Operating Metrics<sup>(1)</sup>

<b>Month</b>	<b>Funded Retail Accts.<sup>(2)</sup></b>	<b>New Retail Accounts<sup>(3)</sup></b>	<b>Client Assets<sup>(2)</sup></b>
Jul 2011	78,082	2,350	\$283.4
Aug 2011	77,140	2,886	303.7
Sep 2011	77,013	2,616	286.4
Oct 2011	76,496	2,372	311.8
Nov 2011	76,647	2,330	319.3
Dec 2011	76,485	2,195	310.4
Jan 2012	76,847	2,145	313.6
Feb 2012	75,904	2,371	320.2
Mar 2012	73,844	2,356	325.9
Apr 2012	73,996	2,260	332.4
May 2012	74,452	2,463	300.5
June 2012	74,621	2,139	320.2

Note: Dollars in millions.

(1) Definitions for all our operating metrics are available in the appendix to this presentation.

(2) As of period ended.

(3) For period ended.



# Quarterly Operating Metrics<sup>(1)</sup>

<u>Quarter</u>	<u>Volume</u>		<u>Traded Retail Accts. (Period)</u>	<u>Trades</u>
	<u>Retail</u>	<u>Institutional</u>		
Q3 11	\$447.9	\$260.0	36,927	10,949,800
Q4 11	366.4	386.4	34,019	9,852,951
Q1 12	385.1	468.0	36,041	9,291,722
Q2 12	340.8	442.5	36,660	8,976,010

Note: For period ended. Volume in billions. Net deposits in millions.

(1) Definitions for all our operating metrics are available in the appendix to this presentation.

# Definition of Metrics

- **Total Trading Volume**
  - Represents the U.S. dollar equivalent of notional amounts traded
- **Traded Retail Accounts**
  - Retail accounts who executed a transaction during a given period
- **Funded Retail Accounts**
  - Retail accounts who maintain a cash balance
- **Active Account Yield**
  - Represents the percentage of average funded retail accounts who executed a transaction during a given period
- **Client Assets**
  - Represents amounts due to clients, including customer deposits and unrealized gains or losses arising from open positions
- **New Retail Accounts**
  - The number of customer accounts that have initially opened and funded their accounts
- **Net Deposits from Retail Customers**
  - Represents customers' deposits less withdrawals for a given period
- **Trades**
  - The number of transactions retail customers have completed for a given period
- **Retail Trading Revenue per Million**
  - The revenue we realize from our forex, CFDs and metals trading activities per one million of U.S. dollar-equivalent trading volume
- **Excess Net Capital**
  - Represents the excess funds held over the regulatory minimum capital requirements, as defined by the regulatory bodies that regulate our operating subsidiaries



**2<sup>nd</sup> Quarter 2012**  
**Financial and Operating Results**

*July 31, 2012*