GAIN Capital Holdings, Inc

First Quarter Earnings Conference Call

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CORPORATE PARTICIPANTS

Glenn Stevens - *Chief Executive Officer*

Nigel Rose - *Chief Financial Officer*

Lauren Tarola - *Investor Relation, Senior Accounts Supervisor*

PRESENTATION

Operator
Good afternoon, everyone, and welcome to GAIN Capital's First Quarter Earnings Conference Call. Today's call is being recorded.

At this time, I would like to turn the call over to GAIN Investor Relations representative, Lauren Tarola, Senior Accounts Supervisor. Please go ahead.

Lauren Tarola
Thank you, operator. Good afternoon and thank you to everyone for joining us for our first quarter 2017 earnings call.

Speaking today will be GAIN Capital CEO, Glenn Stevens and CFO, Nigel Rose. Following the remarks, we will open the call to questions. During this call, we may make forward-looking statements to assist you in understanding our expectations for future performance.

These statements are subject to a number of risks that could cause actual events and results to differ materially. I refer you to the company's Investor relations website to access the press release and the filings with SEC for discussions of those risks.

In addition, statements during this call, including statements related to market conditions, conditions and regulation, operating performance and financial performance, are based on management's views as of today. And it is anticipated that future developments may cause these views to change.

Please consider the information presented in the slide. The company may, at some point, elect to update the forward-looking statements made today, but specifically disclaims any obligation to do so.

I'd now like to turn the call over to Glenn.

Glenn Stevens
Thanks Lauren. And thanks all to all of you for joining us today for our Q1 review. Overall during the first quarter we experienced strong customer acquisition metrics despite poor market conditions. While January and February were particularly challenging months from a revenue generation standpoint, fundamentals improved in March and has continued to improve in April pointing towards a more normalized RPM level as we move to Q2.

In a similar way that Q4 generated unusually strong results based on market conditions, Q1 was also [indiscernible] combining the two revenue capture was 107 in the six months ended March 31st directly in line with our trailing 12-month average. Looking ahead at Q2, market catalysts including the pending French election, US tax reform, escalating geo-political concerns amongst others has helped boost volatility recently and training activity across our global platforms has been picking up.

We remain optimistic about growth prospects for the company and are focused on our strategic initiatives and core competencies. On the cost efficiency front as Nigel will address in more detail, we have identified 15 million in six cost savings across G&A, comps in tech and trading expenses for the remainder of 2017 which will translate into 20 million in a run rate savings for 2018. Building on our role as a leading consolidator in the industry this quarter represented a significant milestone for GAIN, with the acquisition of FXCMs US client assets which propelled FOREX.com to the # 1 retail [indiscernible] trading platform in the US market. We executed a seamless transition, and I am very pleased with the results so far highlighted by an 18% increase year-over-year in client assets in our retail segment.

Also, we have maintained a strong balance sheet with 135 million in liquidity to put towards our strategic initiatives, and future acquisition opportunities. Also, we had the flexibility to return capital to investors through buybacks which we believe benefit shareholders as our shares traded at a discount.

During the quarter we repurchased over 600,000 shares for a total value of approximately 5 million. Our acquisition of FXCM US client assets which closed on February 24th cemented GAIN Capital as the largest provider of retail FOREX in the United States with over 70,000 customer accounts.

Following the completion of that transaction over 140 million in client assets were transferred to GAIN's FOREX.com platform. As at the quarter end, there were nearly 13000 former FXCM clients active on our platform with an average daily volume of 1.1 billion.

As we noted last quarter the structure of the deal required GAIN to pay FXCM only for those accounts that had become active within a given timeframe and to date we have paid 6.5 million. We believe the transaction benefits both customers and GAIN by increasing GAIN's leading FX market share position to over 50% in the US and volume on our platform and for our customers. They are offered higher consumer protection, safeguarding of their customer assets and increased transparency making brokers more effective in meeting customer needs and we remain confident in the estimated incremental revenue from the FXCM deal, roughly 15 to 20 million for 2017 with minimal cost to GAIN as previously outlined in our last quarter recall.

Our balanced strategy of organic growth complemented by strategic M&A remains the cornerstone of our go forward plan. For several years now acquisitions have provided GAIN with increased scale, a wider product offering, diversity of revenue streams and a broader geographic footprint. As a result, we are well positioned to invest in our organic growth.

Specifically our organic growth plan is focused on diversification and margin enhancement through the following channels. First we will grow share in markets where we already operate as we currently operate in eight different regulatory jurisdictions and have an opportunity to build on our global reach and extract additional value in the markets we are currently operating in. Second, we are introducing new products, new services to diversify into new markets for new client bases. Third we aim to improve our operating leverage by driving process efficiency allowing us to reduce costs and increase scalability. We will do this by automating processes and increasing the self-service capabilities for our clients to lower our support costs.

In parallel, we remain disciplined in our review of strategic acquisition opportunities as evidenced through our recent FXCM acquisition. We are particularly focused on acquisitions that expand our product set, provide additional distribution channels, expand our geographic reach and scale and complement our existing products and services.

Also, impending regulatory changes will likely produce industry volatility during the course of this year and beyond primarily impacting second and third tier providers and presenting heavy implementation challenges. But as with all regulatory change it also represents opportunities for companies like GAIN. A few examples of these upcoming changes of the new proposals from the FCA, European regulation including MiFID 2 to the Brexit impact for UK providers amongst others.

GAIN has a very successful track record of navigating regulatory change and is helped by operating a diversified business across multiple geographies. I'd like to take a few minutes to update you on the specific progress we have made on the key organic initiatives identified towards the end of 2016 and aimed at increasing customer engagement and improving our platform experience overall.

We are working to redesign the trading experience by upgrading our mobile apps, enhancing the tools available to our customers and offering trade ideas. Mobile usage is increasing steadily with over 50% of our trading activity done on a hand-held device. We expect this trend to continue and will provide the best experience for our customers.

Further to that point, we are improving the process around opening a new account and adding more funding options for our clients. By optimizing every aspect of our on-boarding experience we expect to see increased conversion rates of our mobile applicants, better yields from our leads, more new account openings and an overall efficiency increase for our customer acquisition funnels.

Next, in the U.K., we launched the first phase of our cross-brand affiliate marketing program. We plan to roll the program out across other major regions during Q3. This is a lower cost acquisition channel and it aims to tap into new audiences. In addition, we are expanding into digital advisory by developing a new product clients seeking personal advice for trading.

Digital Advisory is a new investment area for us, our goal here and how we intend to differentiate ourselves from the other advisory products is that we are keeping the focus on clients who are looking to actively participate in the markets.

Earlier this quarter, we launched a new trade alerts product in the U.K., which we are marketing independently and cross-selling into our existing retail customer base. We expect this to extend the tenure and consequently the lifetime value of our existing and new customers.

With that, I will turn it over to Nigel now for more in-depth review of our financials. Nigel?

Nigel Rose
Thanks Glenn. Revenue in the quarter was $59.6 million, down 48% year-over-year reflecting the lack of volatility in the market. This is evidenced by VIX reducing by almost half, from 21 in Q1, '16 to 12 for Q1, and '17.

Adjusted EBITDA of negative $13.4 million was down from $31.7 million in Q1, 2016 and adjusted earnings per share of negative $0.39, was down from a gain of $0.35 in Q1 of last year. Our quarterly average daily OTC trading volume was $9.5 billion in retail, down 29% from last year.

Institutional segment saw average daily volume improve to $15.2 billion a 36% increase from $11.2 billion last year, driven by strong performance from both the ECN and swap dealer platforms.

Looking first at the retail segment, amid a quarter marked by very low volatility, we realized revenue of $40.1 million and a segment loss of $11 million. RPM for the quarter came in at $62, which is trading below the trailing 12-month average of $107. However, as Glenn mentioned, when taken in conjunction with Q4 ‘16 RPM across that six-month period was exactly in line with a trailing 12-month average of $107.

Going forward, we expect the revenue capture run rate to remain in line with this trailing 12-month average. Consistent with our efficiency agenda operating costs for the quarter were below prior year. Benefiting from the acquisition of the FXCM US client assets in February, overall retail client assets increased 18% year-on-year to $755 million. Even excluding the impact of those clients, the lead indicator of client acquisition in the quarter was particularly strong some 20% to 25% above historical levels.

Turning to the institutional segment, we continue to view this business unit as a long term growth driver with revenues of $8.6 million for the quarter and a profit margin of 15%. Volume increases on both the ECN and swap dealer platforms enabled the revenue generation with total volume up 36% year-over-year.

A bright spot compared to the main peer group we saw volumes increase 12% on average, as our ECN set a new volume record in the quarter being the previous high set in Q4 ‘16 by 25%. Demand remained strong for the product with a robust client pipeline and a diverse mix of clients in the queue to begin trading.

As part of our geographic expansion, this quarter saw us fire up a new data center in Tokyo to add to the one that went live in London last quarter, as we look to tap into the significant market in that region.

Turning to the Futures segment, revenue for the quarter was $11 million down 10% from Q1 2016 due to quiet equity in commodity markets. However, despite a more than 40% drop in volatility, contract volumes held up reasonably well and the revenue for contract improved.

Client assets were up 22% year-over-year closing the quarter at $288 million as we brought on some large clients during the year. Through our commitment to expense management, we have seen a decline in fixed operating expenses down 14% year-over-year to $47.3 million. The cost synergies realized helped reduce fixed costs and the continued focus on partnership optimization will ensure we remain efficient in that area.

Through our focus and the Board's dedication to our cost management, we plan to continue the trend evidenced this quarter. We remain focused on cost efficiencies and driving margin improvements irrespective of market conditions. We have identified $15 million in fixed cost savings across G&A, comms [ph] and tech and trading expenses. This will translate into $20 million of annualized run rate savings going into 2018.

We will continue to identify areas where we can improve efficiencies thereby reducing overall expenses for the company streamlining our business operations, expanding margins and lowering our breakeven revenues.

Finally, our capital deployment strategy remains intact. The four pillars being required liquidity reserves, strategic acquisitions, quarterly dividends and our share buyback program. All lines of managing risk and increasing shareholder value.

We have flexibility within our balance sheet to capitalize on future acquisition opportunities as they become available, this coupled with our organic growth initiatives is a core growth strategy for GAIN in the long term.

Return of capital to shareholders is another prominent use of capital through by dividend payment and share buybacks. A quarterly dividends of $0.6 will be paid in June and share buybacks continue to be a focus, particularly as we feel they remain undervalued.

During the quarter, we purchased over 600,000 shares at an average price of $7.59 leaving approximately $70 million of authorized funds remaining for future opportunistic share repurchase.

I will now turn it back to Glen for closing remarks.

Glenn Stevens
Great. Thanks Nigel. Before we go on to questions, I will take this opportunity to reiterate our go forward plan for the remainder of this year and beyond. Despite market fundamentals weighing on our results for this quarter, we remain strongly optimistic about the growth prospect for our Company and believe our status as a large global leader in the multi asset trading space positions us well for future organic and acquisition-driven growth.

As mentioned earlier, we are already seeing a reversion to a more normal environment that began in March and has continued through April. This combination of investments in our customer acquisition and retention efforts as well as opportunistic M&A and integration will continue to be the cornerstones of our long term strategic plan for growth. We are executing on our $15 million cost reduction plan for 2017 and continuing to identify other areas where we can improve efficiencies going forward.

Finally, our dedication and focus on driving shareholder value make GAIN an attractive option for investors. With that I'll turn it over for questions.

QUESTION AND ANSWER

Operator
Yes, thank you. We will now begin the question and answer session. To ask a question press "*" then "1" on your touchtone phone. In a speakerphone please pick up your handset before pressing the key.

And the first question comes from Rich Repetto with Sandler O'Neill.

Rich Repetto
Yes good evening guys. You know, Glenn I guess the first question is on the revenue capture, I mean this does seem more volatile than prior and I guess is the message to say that the volatility is all driven by environmental, there is nothing I guess that isn't…that's non-environmental and I guess is the question.

Glenn Stevens
That's right Rich. There isn't anything specifically changed internally for us from either the way we conduct our marker making business manage the flows or anything of that sort. That's part of the reason we try to point to put in Q4 and Q1 together and also pointing to the chart that we put in the beginning part of the deck and is also in the appendix of the deck which shows that

although you see variability from Q4 to Q1 in the RPM you compare it to where it nets out to and the trailing 12 and again like I've always said trailing 12, trailing 24 or more is quite actually smooth and so in that respect nothing's changed.

We did to be fair have particular fits and starts collected around Q4 with elections and with elections globally even we still had ramifications and reverb in the UK, obviously you had Trump. You had a bunch of things coming on, interest rate changes and in Q1 whereas I believe quite of bit of the market including our constituents expected a continuation of that. You know, you saw anything from metals to energy to equities to interest rates to currencies particularly all go kind of quiet generally speaking, so yes, nothing really changes. This is a particularly volatile period only in that first we have an anomalous move up coupled by an anomalous move down and so the gap between the two looks stark.

Rich Repetto
Okay. And then the next question Glenn is on the futures segment. If I am looking at this correctly that the client assets if you look quarter over quarter, I know you are reporting in the deck year over year but quarter…I thought the year end was 346 million and reporting 287 now is that…am I looking at the wrong way or did something happen here or?

Glenn Stevens
You are looking at it correctly. There is several large clients that doesn't necessarily create a concentration risk but does move around from period to period because some of those clients use the Futures in particular for hedging. So for example we all have money manager-type clients, be it a mutual fund or CTA which essentially don't leave their funds in a seg account during quiet periods because it is not their primary vehicle, it's a hedging vehicle, so nothing is too much into the weeds but if you look at an equity mutual fund, they will use interest rates so they will use in-deck Futures on CME for example to trade to hedge and when they have kind of either made their year which in some cases...in Q4, they got to the point where they wanted to actually dial back risk with what was going on during the US election. They will commensurately pull those funds out of their brokers which we saw that and essentially repatriate them into their custodian account through the mutual fund.

So there is going to be a little bit of ebb and flow there. They tend to be larger accounts and I wouldn't necessarily call it seasonal because it is not always near year end but generally speaking, we saw that's why we highlighted the year over year because net net those numbers are improved year over year but there are some moves. I mean if you look at the end of Q1 in '16 versus end of Q1 in '17 we went from roughly 237 million to 288 million, that's you know 20% plus over but there are gyrations within that.

Rich Repetto
Okay and then I guess the last question has to do with the FXCM accounts so it looks like you know you got the majority of the assets, if I got my numbers right, 140 million and I thought you said last quarter there was 142, so you got the majority of the assets but what was peculiar is it, does it like…I believe you say there's 13,000 accounts, and wasn't there 47,000 accounts in the…

Glenn Stevens
No. Again, your facts are straight, part of it lies in the definition. There were 47,000 accounts which essentially had the ability to trade then that number we reported 13,000 active accounts were traded in the period. And so some of those 47,000 accounts had been dormant with FXCM even in the fourth quarter, even in the third quarter and fully transferred over. So they

transferred over but we executed the transfer of a full complement of their accounts. Some of them were dormant, some of them were active. So we are actually pleased with the transfer process and still maintaining process there.

They had about 26,000 active accounts in Q4, right? And so ultimately in terms of the customers that traded in Q4 a little more of a 40% of the clients who traded in Q4 also traded in Q1 with us, but this is important to measure that. You are talking about a Q4 environment quite interesting, quite alluring versus a Q1 environment, not. We want to be able to look at this over a subsequent quarter or two. We will look at three quarters and we will say, hey, did a high enough percentage of first that active percentage so if there was 26,000 actives, and we look at that and we say how did we do over two or three quarters' worth and if we got a high percentage there, we've done a good job.

Then we want to be able to look at that other set of customers who were dormant with FXCM. How were we able to retain or more importantly reactive them which is the upside. And then the retention of assets is another telling fact. We have done quite well with retaining. You said it right, brining over 140 of 142 is not bad for government work, and we then have continued to retain that and so we want to be able to activate those funds. Part of that activation effort will translate in a more alluring environment and as I mentioned we started to see that in March. We see that continuation in April. You are seeing some moves now in energies and some FX moving around a little bit so we expect that to continue which is by the way why we posted a point of saying our original estimates on the additional revenue coming from there are intact. Even though we didn't monetize on schedule quarterly for Q1, all the metrics are in place for that to continue.

Rich Repetto
Okay. And if I can squeeze one last quick one, the 50% trading I though you said comes from…generated from handhelds that is a little to me surprising like you certainly don't see that in the other….not that high a percentage in the e-brokers…

Glenn Stevens
That's a great…good…good question and I tell you what Rich, it's has been growing and I think a couple of reasons why, one of them is that the nature of the business being so 24 hours is that it's harder to rely on a desktop when you are in transit, at home, Sunday evening eastern time the market's already opened. All those types of thing really lends itself to that.

Also, our customer happens to be slightly kind of skewing towards younger and technically savvy, so that demographic if you will, says that if they are in their late 30s or early 40s they are already accustomed to having much of their life conducted on a mobile device and so it skews that way for us. I would argue that some of those e-brokers I know for a fact actually have a materially older demographic and so they just don't have as much of their lives conducted on a handheld. So, that's parts of the reason why in our verbiage in the deck, we are allocating the bulk of our efforts in terms of customer acquisition and retention into our mobile experience that's why we, it sounds like it's intricate, but when you talk about mobile funding and mobile application and mobile kind of seamless transitioning to become a live account, we expect to get more bang for the buck that way because I wouldn't be surprised that 50% close to 60% sooner than later and beyond that because that's really what's geared up for our business. And the last piece of this is when you trade multiple assets, let's go outside the US for a second. Lets go UK, Europe, let's go Asia, if they are watching US market, energies, interest rates, equity indices globally they have to have that handy in their hand versus at a desktop.

Rich Repetto
Got it, okay. That's helpful Glenn. Thank you, that's all I I have.

Glenn Stevens
Okay, thanks Rich.

Operator
Thank you. And the next question comes from the Kyle Voigt with KBW.

Glenn Stevens
Hey, Kyle.

Operator
Mr. Voigt is your phone on mute? And then, moving on the next question comes from Dan Fannon with Jefferies.

Dan Fannon
Hi, good afternoon guys.

Company Representative
Hi Dan.

Dan Fannon
So, I just wanted to kind of clarify the improvement in March and April. I get that because you mentioned on the capture, getting back to the 12-month averages. But if I look at the volumes, they are still down rather significantly based on the April stats you gave in the press release. So, I guess this way, you want to think about, kind of what that means overall for kind of where things sit today, you talked about a breakeven level for revenues, obviously you are taking down costs. So, first, I guess talk about the current volume environment and then also remind us where the breakeven level for revenue is for you guys?

Glenn Stevens
So, a couple of things, obviously focusing on the retail volumes, some of the volumes in the institutional business actually improved and have continued to improve. So, I am separating that a little bit but I get in the plug for our institutional platform, which in spite of the lacklustre or soft environment continues to grab market share. On the retail side, the volume numbers for April as you kind of look back if they were, if they had an ABB of about 9 and 9.5 billion and that puts it, ahead of Feb. and kind of in line with Jan. a little bit off of March, but what becomes important is the mix of that volume as well. And so, some of the higher value products for us non-G10FX whether its indices or metals or energies, contributes to a better revenue story than just dollar for dollar volume whether if it was just FX. So, it's hard to pack too much into a volume update or metric but the color around it would really be dazzling, so when we talk about more normal levels, it's across the board as we…again we are kind of try to guide if you will the audience into saying that we do have these outsized quarters, it's more as I said in the past enjoyable to talk about a quarter that sticks out on the plus side when we have our RPM for Q4 but it's just as likely to have one on the negative side. The idea is to create that skew towards the more possible breakeven level and that's part of the cost initiative that we harped on. But, to answer to your question, yes, volumes continue to show tis kind of 75, 80 is where these breakeven RPMs can make sense for us at these volume levels. But, it's important to know that a lot of the initiatives are to actually increase those volumes and of course when we get the tailwind of a more alluring markets that helps too.

Dan Fannon
Okay. And then, just what's your breakeven level from the revenue perspectives?

Glenn Stevens
The RPM level I gave you that range is 75 to 80 would be where we would be breaking even…

Dan Fannon
Okay, great. And then, yes, just looking at the quarter and expenses, I guess I was little surprised the sensitivity around some of the more discretionary things like selling and marketing wasn't as flexible maybe to the downside. Also on trading expense, you know how much of that is fixed versus the function of, you know, is the component of volumes because there obviously wasn't a lot of moment in that line of quarter-over-quarter either?

Glenn Stevens
So, Nigel will bolster what I am saying but kind of thematically the concept of discretionary spending being flexible is also reflective to some degree of us [indiscernible] by that. Is that when you come out of Q4 where its markets are roiling, opportunity seems on high side of averages, your intention is to go into the next quarter with a heavier bet on taking advantage of alluring markets. And that's very much where we came out. And in a non-defensive way I think if I had to do it all over again, I would, because if we had a crystal ball that said we were going to really back off on [indiscernible] and trading ranges, and just general movement, then yes, we did have the capacity to pull back spending. We can't pull it back on a day's notice, you can't pull it back kind of hourly and we did actually start to make moves intra-quarter, we didn't wait to the quarter to end, we got into March and said, you know what? We've got to get out in front of this, and that's also the reason why we had kind of a two-pronged effort. One was to get on the short-term actually start to realize some of these cost savings now, and then another one was to say where are other areas with intensified search to become more efficient and more cost effective which is still to come and that's where we provided some guidance on the 20 million run rate reduction for 18, 15 happening this year.

So, ultimately really it starts out with saying, we sign up for a four quarters of spend. And those four quarters of spend can kind of move around. The goal is to kind of look at our ability to be efficient and part of its feedback, part of it is a feedback loop that changes whether it's our Asia market or UK product set or certain type of US situation, whatever it might be, we have done a lot of metrics internally, we look at yield, we look at kind of cost per dollar spent ROI and dollar spent in marketing per se and initiatives that are beyond just ad spending but also how do you staff up or how do you invest with vendors in certain types of products like our digital advisory or mobile platform or you what have you. So ultimately, the retention part is important as well because those customers you already bring in, you might spend to keep them active for longer and extend their tenure. Anyway, Nigel will add, but the bottom line is on this one that I would argue, we wanted to be convinced into Q1 that wasn't going to look like Q4 before we start to make some changes. I don't know I told you…

Nigel Rose
Yes, no I think that's right and it does take time. So, we went into Q1, looking at Q4 expecting the same sort of run rate. And looking at efficiency of marketing spend and where the opportunities were and as we saw the quarter begin to unwind, and not look as much like Q4 as we perhaps might have expected, we pulled back on the marketing spend, but aside, that takes a little time to identify and then it takes a little time to turn off. When we are entering in March, that the spend was running at a lower level than we entered January, but over the quarter it kind

of averages out and you don't see that what you might have expected to see from Q4 to Q1 and then on the trading expense number to the specific question there, It's a mix, some of its variables, some of its fixed.

Within the retail space, it's pretty much fixed and it's to do with being able to deliver exchange prices, index prices and the [indiscernible] go with that and on the institutional Futures side, it's very much variable. So you get a combination of two moving parts. The institutional business as we said, so substantial volume growth year-over-year, so that pushed the trading expenses up and the clearing fees up year-over-year. Whilst in the retail space we've been reducing those costs and when you look at the combination of the two, it appears flat but it's actually a couple of moving parts within there.

Dan Fannon
Great. That's helpful. Thank you

Operator
Thank you. And once again, please press "*" then "1", if you would like to ask a question. And we do have another attempt from Kyle Voigt with KBW.

Matt Mernon
Hi, guys. This is actually Matt Mernon for Kyle Voigt. I apologize for the mishap earlier. How're you guys doing this evening?

Glenn Stevens
No worries Matt. How you are doing?

Matt Mernon
Very well. So I know you guys have touched on in the prepared remarks, but it appears that we have yet to hear an FCA regarding the final ruling on leverage to retail CFD trading. So we are just wondering if there is any further progress has been made here and if you have any further update as for the timeline of when we can expect a final measure. And I guess maybe if you can touch on how these talks are progressing between both the industry and the FCA?

Glenn Stevens
So on a couple of levels, there are actually some positives to glean from the process so far and some of them don't necessarily point to a conclusion. Let me go in reverse order and say that, it's looking very likely that the originally guided timing….timeline has been extended. There are over 4000 pieces of feedback to the UK regulator that they are dutifully processing, reviewing and considering, and considering it was a consultation period I believe they referred to it, they are being responsible about it frankly and so it looks like they probably got more feedback than expected that just takes more time. It doesn't hurt that there is a whole thing called Brexit going on around them and so I think all that full mixture probably means that the timing we expected, which we could have been as early as summer is probably looking back at least Q4 at this stage, it could be end of the year.

Again, I don't know, we don't have guidance on that but at least from the feedback we are getting the dialogue we are having and the dates that we are seeing then we certainly can expect things to ratchet back a quarter or two I'd say at this point whereas before I think we guided kind of late Q2, early Q3. Now we will be saying Q4 for sure. I say for sure until something probably changes.

As far as we know now. Now that said, as far as we know GAIN as a company, has, I used the word successfully navigated regulatory and compliance as far as the landscape very well for over a decade and we've continued to do so and I would consider ourselves in a privileged position to some degree as we speak to regulators globally and really when you come through these difficult situations where it's S&B or bad active problems or what have you. When you come through those repeatedly, it's a clear indication that it's not being lucky that it actually means its part of your core competency and its part of your ability to kind of consider it as part of your….as your business, standard business practice.

And so because of that, I think that our dialogue and our ability to interact with regulators up in the US in the UK, Europe, in Asia has been quite good. It doesn't mean you get a free pass, it doesn't mean you are completely immune to any kind of push back but it does mean that we are very often central to the conversation and that's the case here too. We are part of large groups; we are part of small groups.

We are part of individual audiences where we are getting that situation to do that. So I think being able to develop these strong relationships as we have, they don't happen overnight. They happen over time. This is years of trying to be a responsible actor and providing feedback and transparency, it's an opportunity for us to put ourselves in an advantage position. So in terms of when I'm able to give you feedback on the UK process it's kind of from a decent source if you will versus saying I don't know, we're totally in the dark. We're not, and so that's the guidance that we are getting and I think it's beneficial and we are fortunate that the regulators are willing to engage, you know, with the industry but they don't engage with everybody in the industry. So we are on the right side of that discussion table if you will at this point.

Matt Mernon
Okay. Great. And I think one more from me. We're just curious as to if there is any update of the interest rate sensitivity of your business. I think on the last call, that you guys disclosed that a 1% increase in interest rates globally would drive [indiscernible] increase through EPS. I mean, I guess, does that still stand and then maybe if you could go into the components geographically maybe of that sensitivity as in how much would be generated from an increase in US interest rates versus other international rates? That will be helpful. Thanks.

Nigel Rose
Yes, I think our views remains pretty much unchanged from when we announce that full year results, 1% global move would be $0.10 to $0.12 somewhere in that region in terms of EPS. How it breaks out, it's a little difficult because there are a number of moving parts, I think it's going to be, you could almost argue between the US and the UK maybe 85% to 90% of it is where the cash sits. So, if you look to the cash on the balance sheet and took 45% and put it in the US 45% in the UK and moved 1% right there, I think that approach and that mathematical calculation will be get you something in the right ballpark.

Matt Mernon
Great. Thanks guys.

Glenn Stevens
Thanks Matt.

CONCLUSION

Operator
Thank you. As there are no more questions, this concludes today's question and answer session as well as today's conference. Thank you for attending today's presentation. You may now disconnect your lines.