GAIN Capital Holdings

Fourth Quarter 2015 Results

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CORPORATE PARTICIPANTS

Glenn Stevens - *Chief Executive Officer*

Nigel Rose - *Chief Financial Officer*

PRESENTATION

Operator
Good morning everyone, and welcome to the GAIN Capital Fourth Quarter and Full Year 2015 Earnings Conference Call. Today's call is being recorded. At this time I would like to turn the call over to Andrew Guido, Head of Investor Relations. Please go ahead.

Andrew Guido
Thank you, Operator. Good morning and thank you to everyone for joining us for our fourth quarter and full year 2015 earnings call. Speaking today will be GAIN Capital's CEO, Glenn Stevens, and CFO, Nigel Rose. Following this, 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 can cause actual events and results to differ materially and I refer you to the Company's press release and the Company's filings with the SEC for discussions of those risks. In addition, statements during this call including statements related to market conditions, the integration of City Index, changes in 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 this light. 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, Andrew, and thanks again for everybody joining us for our fourth quarter and full year overview. As we normally do, Nigel Rose and myself will walk through some of the general overview and some specific business details and then take your questions after that.

If you're referring to our deck, starting on Slide 3, our fourth quarter and full year overview finished up 2015 on a bright note. Our fourth quarter and full year results continue to reflect a successful execution of GAIN's strategic plan and our company's ability to generate significant EBITDA and cash flow. Also, for the first time we're introducing segment reporting to provide a more comprehensive view of the value of all of GAIN's businesses. We're highlighting our fixed operating cost reductions also stemming from the City Index integration and showing benefits, particularly in the retail segment. Our institutional ECN continued to gain market share, resulting in margins of north of 30%, that's the institutional segment, and our GAIN futures' segment continues to show strong growth and stable revenues, and we continue to return capital to shareholders with dramatically increased buyback activity in the fourth quarter.

Specifically on the next slide for our financial results, GAIN had net revenue of just under $103 million, adjusted EBITDA of $21.5 million, net income of $15.5 million, earnings per share of $0.32, and an adjusted EPS of $0.42. For some operating metrics, our average daily OTC trading volume was $12.5 billion, our average daily futures contract was just over 31,000, our active retail accounts just about 147,000, and our ETN platform had daily volume of over $9 billion.

For the full year 2015, financial and operating results are as follows: Net revenue, $435.4 million, adjusted EBITDA $80.5 million, net income of $10.2 million, and adjusted EPS of $0.71, and unadjusted earnings per share of $0.22, and our free cash flow per share was $1.17. For full year operating metrics, the average daily OTC trading volume, $15.4 billion; average daily futures contracts, 34,000, a little over that; customer assets of over $920 million, and our GTX average daily volume was over $10 billion per day.

Nigel Rose
So turning to Slide 6, as mentioned, for the first time, we've introduced segmental reporting, splitting our business into three operating segments together with a corporate and another revenue and expense section. We are confident that this enhanced view of our organization will provide greater transparency and insight into the inherent value of those cornerstones of our global enterprise. Each segment contains all of the directly attributable revenues and costs associated with each of those operations.

Our first and largest segment is retail, which services our retail client base trading in FX of CFDs, through both our FOREX.com and City Index offerings. Institutional covers our institutional clients trading for the GTX platform and our Swap Dealer offering. And finally, Futures, which relates to both the direct and indirect clients who trade Futures to one of our brands, those being GAIN, Daniels Trading, and Top Third. Corporate includes aspects of our business which cannot be directly attributable to any single one of the three segments. Those costs would necessarily include exec, along with costs associated with finance, legal, HR, internal audit, and similar functions, including net interest revenue from holding client and corporate cash. As mentioned, the introduction of these three segments will provide a much more comprehensive picture of our results, the profitability associated with each segment, and thereby, greater transparency and accuracy of the value of the overall enterprise.

Turning to look at the results of those segments on Slide 7, you'll see the financial numbers for each of the three segments along with the corporate sector. You will notice today, we have filed an 8-K where we made amendments to 2013 and 2014 tax provisions as a result of a technical tax item. Those amendments do not impact the results shown on this slide. The figures presented here are on an as-reported basis and, therefore, only include City Index from Q2 of 2015. So starting with retail in the top left hand corner, fourth quarter revenues were $83 million with a revenue per million of $99.00, above both 2015's full year $86.00 per million and 2014's $96.00 per million. This represented the highest quarterly revenue per million for 2015, however, the comparative fourth quarter of 2014 was particularly strong with RPM of $111.00 per million. Retail EBITDA for the quarter was $24.8 million, which equates to a margin of 30%.

Turning to the full year, retail revenues were $351.5 million, an improvement of 18% over the prior year through a combination of 40% higher volumes, partly offset by 15% lower RPM. Operating costs increased 21%, year-on-year, the net effect of including all of City Index's costs less the synergies we secured through integration during 2015. The net outcome was an 11% increase in retail EBITDA to $94 million, equating to a margin of 27% for the year. Our profit margins have shown improvement during 2015 as the impact of our cost reductions have taken effect, evidenced by Q4's 30% margin. We expect retail margins to continue to improve during 2016 as the full year impact of 2015 synergy action flows through with further cost reductions anticipated during the course of this year.

Moving to the bottom left corner, we set out the performance of our institutional segment. As with retail, this segment also had a challenging prior year Q4 comparative for similar reasons. Quarter-on-quarter revenues were down $1.9 million to $7.4 million. However, a 21% reduction in operating costs meant that margins were maintained at 28%, equivalent to $2.1 million of EBITDA. Looking at the full year, revenues were flat at $35 million, masking the growth of our ECN business, which saw revenues increase 16%, year-on-year, driven by volume growth of 24%, this at the time when several of our competitors saw either limited growth or a decline in volumes. ECN growth was offset by the Swap Dealer performance, but with operating costs held flat, year-on-year, overall EBITDA was maintained at just over $10 million. This equates to a margin of 29% and, as with retail, we're looking to target 30% plus during the current year.

The top right corner details our futures segment performance. Q4 '15 saw revenues grow 4% to almost $11 million, compared to the same period last year. This was driven by a change in business mix, resulting in an improved revenue per contract of $5.50. This operating cost held flat, EBITDA for Q4 was 3.5 times higher than the prior year's quarter at $0.7 million. It should be noted that the fourth quarter is typically a quieter trading period for futures, reflected by lower revenues and EBITDA margins.

Turning to the full year performance, revenues improved 27% to nearly $46 million, driven by a 22% growth in volumes, coupled with a 4% improvement in revenue per contract. Operating costs increased by $8.5 million, caused in part by higher referral fees driven by increased indirect volume. In addition, 2015 reflected the inclusion of a full year of operating expenses relating to GAA and Top Third. The combination of these factors led to EBITDA improving by 50%, year-over-year, to $3.9 million, equivalent to a margin of 9% with a target of 10% for 2016.

Glenn Stevens
Hopefully, some of this additional detail per segment will highlight some of the value we’re creating across different business lines at GAIN. But to drill on a little bit further, next slide talks about some additional information on the retail segment, and you’ll notice some highlights in terms of the whole year. Our revenue diversification continues. There’s pie charts there showing how over the last half year, just as a highlight, our FX revenue was 48%, derived 48% from FX in the second half of 2014. That number is 35% for the second half of '15, again, demonstrating our ability to diversify revenue amongst many products that we offer, particularly our global customers.

Our overall revenue on the retail segment grew 18% year-over-year. That reflects the acquisition of City Index and also our ability to continue to improve our marketing spend and efficiency across two primary brands, the FOREX.com brand and the City Index brand. The partnership optimization program that we’ve mentioned in previously calls continued through Q4 and continues to bear fruit. We're showing our referral fee down to $43.00 per million, compared to $75.00 per million from that quarter of, fourth quarter of '14. We also expect to continue to realize targeted synergies from the City Index integration, our fourth quarter '16 run-rate savings target of $45 million is well at hand, and something we’re pushing towards achieving. And our target EBITDA margins, with some of the cost control that we continue to focus on, is expected to be north of 30% for the year of '16. That leaves us in the retail segment well positioned to grow our market share, both in FX and CFD trading, with two market leading brands that I mentioned, with FOREX.com and City Index.

The next segment is the institutional segment, and again complementing our retail segment, the primary focus and effort there on the ECN continues to show improvement, particularly amongst our peers, as Nigel mentioned. We had a year-over-year average daily volume and revenue growth, respectively, of 24% and 16%. That business is entirely scalable, and the margins will continue to improve as we’re able to build more market share. We have a strategic plan that's well in place to complement our existing technology and our existing platform by adding new products, developing further our SEF registration and our Swap Dealer offering, and continuing to hire talent form other companies, our targeted margins there also north of 30%.

The combination of GAIN’s ECN institutional offering gaining traction with hedge funds, banks, and other professional investors and being able to deploy our owned intellectual property, if you will, puts us in a great position to leverage that segment. And finally, the futures segment is a story of steady progress and in that case it's continued to scale that business. It's been a multi-year plan, which we embarked on in 2013. We continue to layer in complementary businesses. Again, as Nigel mentioned, there is some cyclicality and some seasonality to it, but we continue to see metric improvement across the board. Increased customer assets, increased revenue or stability of revenue per contract, increased volume of contract, broadening our audience in terms of who the users are in the futures' business, and for us on the listed version in the U.S. it's a great opportunity for us to complement our OTC products in the retail side with the listed products in the futures side. So the focus there is to keep building our U.S. market share and leverage our global network by pursuing international expansion opportunities using our Daniels Trading, using our Top Third house brands, as well as intermediaries.

Nigel Rose
So, turning to Slide 11, this sets out our quarterly pro forma operating expenses over the past two years, incorporating City Index within each of those periods. Fixed operating expense in Q4 of 2015 was $54.3 million, demonstrating our fourth consecutive decline in fixed costs since the $68.1 million seen in Q4 of last year. This represents a 20% quarter-on-quarter reduction with staff cost accounting for over half of the $13.8 million decline. Including variable costs, which fell 44%, total operating expenses for Q4 '15 was $79 million, some 30% lower than the same period last year. The decline in variable costs is largely being driven by the focus in 2015 on optimizing referral fees, as Glenn mentioned earlier, together with a closure of our sales trader operations. Referral fees now are running at around $40.00 per million of indirect volume, compared to the sort of $60.00 to $75.00 per million we saw during the course of last year. For the full year, fixed costs were $236.7 million, 10% lower than 2014, with staff costs accounting for just under half of the reduction.

With synergy benefits arising during the second half of 2015, the year-on-year impact has been diluted compared to the fourth quarter comparatives. Variable cost fell 6% as the impact of the referral fee reductions and sales traded closures crystallized during Q3 and Q4, in particular, of 2015. The combined effect of the reduction of fixed and variable costs meant that total operating costs were 8% lower in 2015. Actions in relation to the integration of City Index accounted for $21 million of the $35 million reduction. We remain on target to achieve the $45 million of run-rate synergies, as Glenn mentioned earlier, from the City Index integration by the end of this current year. In addition, we will continue to focus on looking to reduce non-synergy related expenses. This will allow us to maximize the operational leverage inherent in our business, thereby expanding both EBITDA and profit margins.

Turning to look at Slide 12, we touch on here the return of capital and actually our use of cash within the business, where we recheck our first priority, being ensuring we're able to fund customer trading across our three operating segments, which drives our earnings. Secondly, to acquire businesses that we can integrate to deliver scale and further operational leverage to continue to reduce our fixed operating expenses. Our next use of cash is for our dividend and buyback. During the quarter, we purchased more than 388,000 shares at an average price of $7.57. This is the most active we have been in any quarter, having brought over 70% more shares than we saw during Q3. The buyback has continued into Q1 across the capital structure, involving both equity and convertible debt. Finally, GAIN will pay its quarterly dividend of $0.05 per share on March 29 for holders of record as of March 25.

Moving on to Slide 13, you will notice that for the first time we have synchronized our quarterly earnings announcement with the announcements of our monthly metrics. The key aspects are set out in the first press release earlier today, so I don't intend to go into detail on this call. However, it's worth noting the trend in volume growth evidenced across all segments since

November, whilst recognizing January was unusual, with market conditions driving a spike in volume. Retail February volumes are up 18% on November, whilst ECN and futures have both increased by 30% since that period.

Glenn Stevens
So, before we go on to questions, in terms of some wrap-up points, to some it may seem a while ago, to some it may seem like yesterday, but for many, '15 was a tumultuous year in some of the markets and some of the participants in this industry. And so some degree to the contrary, it was about the opposite for GAIN and that it represented a strong year for us. We were able to stay focused on our ability to scale our business, improve our margins, integrate brands, and pull together lots of efforts and we're fully expecting to continue that success rate into '16.

For '15 as a wrap-up, we ended up the $435 million of revenue and adjusted EBITDA of $81 million. As I said, we fully expect margins to improve for 2016 as we continue to execute on our synergy plan and really start to ramp and leverage the brands that we have as global properties. The introduction of segment reporting is to highlight some of those efforts in a more individual basis so it becomes clearer to people how we're executing on several levels in parallel paths. While that happens, we're trying to actively return capital to shareholders via buybacks, both in the equity space and the debt space, and are continuing of our dividends. And, it puts us in a great position to continue to explore M&A opportunities to further drive shareholder value. Again, we look back at '15 only briefly and be satisfied with the progress and the success, but really look forward to '16 and continuing to execute on our plan. With that, I'll turn it over to the operator to take questions.

QUESTIONS AND ANSWERS

Operator
Yes, thank you. We will now begin the question and answer session. To ask a question, you may press star (*), then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*), then two (2). At this time, we will pause momentarily to assemble our roster. And the first question comes from Mike Adams with Sandler O'Neill.

Mike Adams
Good morning, everyone. Congrats on a strong finish to the year.

Glenn Stevens
Thanks, Mike. How are you?

Mike Adams
Good. So apologies for some of these questions, just because we haven't had too much time to digest the results here. But first off, when looking at the release, this $0.42 adjusted EPS number; it looks like this includes the tax benefit. Do I have that straight and what does that look like with a more normalized tax rate?

Nigel Rose
Yeah, that's right. So we had a tax credit in the year, so that has affected the EPS number for the year and the quarter, actually, because there was a tax credit in the quarter, and that's added probably around about $0.10, I believe, to the EPS number.

Mike Adams
Okay, thanks, and then appreciate a lot of the color that you guys were giving on the expense side of the equation here, but looking at all the moving pieces, City Index looks like there's still $23 million, $24 million of cost to come out this year. You talked about winding down GFT. You shed some partnerships, unprofitable partnerships during the year. So can you just help us think about like the absolute level of expenses? What should that look like in the back half of the year versus, maybe, the front half of the year versus the back half of the year, the quarterly run rate?

Nigel Rose
So the, if you take the Q4 2015 number of $54 million, I think I said that, that reflects roughly $21 million of synergies as well as some other savings that we've made that we touched on around referral fees in the variable cost components. And with a target of $45 million of exit run rate synergies, then in theory, that should mean we will see another $23 million of savings in fixed costs by the time we're exiting Q4 of 2016.

Glenn Stevens
So, Mike, on some of the operational side with these things in terms of platform retirements and a lot of the trappings that are associated with that, you have to kind of plant the seed for these over time, so you do it in a very un-impactful way to your customers and we've been doing that for a while as being an active participant in the M&A market for quite a few years now. We're trying to continue to hone our craft in terms of avoiding any major disasters when it comes to that kind of stuff. So ultimately the reality is that we keep going with the numbers, but it's also on the execution of the plan, that's why these things have a timeframe associated with them.

Mike Adams
Okay, and then on the variable side here, the referral fee optimization, you guys have made a ton of progress now that we've guided down to $43 per million. Do you think the work is done or could we see some further improvement there?

Glenn Stevens
I think, [multiple voices] go ahead. Sorry.

Nigel Rose
I think we probably feel there is not a lot more to come out of that now. There was an awful lot of work went into that area during the course of last year, throughout the year. It was towards the end of the year we started to see the actions bear fruit, but I don't think there's any belief internally that we'll see much of an improvement beyond where we currently run at.

Mike Adams
Got it. And then the last question for me, touched on it, but in terms of the capture environment in 1Q to date, all the measures that we're looking at, volatility measures, average trading ranges, they all seem to show improvement versus the fourth quarter, which obviously was a very strong one for you guys. So, would you mind just us giving us a little bit of color on what you're seeing, quarter to date?

Glenn Stevens
I think the general color there is that you probably on a qualified basis, you'll notice that some of the quarter has certainly seen increased levels of volatility, price action across various asset classes, generally, in a good trend, if you will. So, yeah, I think that, if you were to categorize the quarter in general, we're seeing some pretty decent environmental factors come into play.

Mike Adams
Got it. Thanks, guys.

Glenn Stevens
Yes.

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

Kyle Voigt
Hi, good morning, guys.

Glenn Stevens
Hi, Kyle.

Kyle Voigt
Sorry if there's any background noise here, and sorry I missed the first five minutes of the call, but can you just explain, I don't mean to harp on this, but what was the tax benefit related to during the quarter and, sorry, did you say $0.10 per share? Is that what the tax benefit accounted for during the quarter? I missed that.

Nigel Rose
Yes, so, Kyle, as you might know, we have businesses in various tax jurisdictions around the world which generate profits that are, therefore, taxed at differing rates, and depending on the mix of where those profits arise, the tax rate can vary. What we saw more recently in the last quarter or two, was that the one-off costs that we were incurring were largely arising in the U.S., so we're in a position where once the one-off costs have been accounted for, we had a loss in the U.S. pre tax versus profits elsewhere.

Glenn Stevens
I think, overall [multiple voices]

Nigel Rose
So as a result, it meant that, although we had a pretax income, because of the losses in the U.S. of 35% versus profits elsewhere around the group at much less than 35%, we ended up with a tax credit for the year. But that's not something we would anticipate going forward. It's largely driven by where the profits arose and where the one-off costs were incurred.

Kyle Voigt
So what's the best normalized tax rate to use for 2015?

Nigel Rose
At this stage, based on our forecast, I would suggest 22%. But again depending on how those profits move. So for example, in the U.S. it has a reasonable reliance on the FOREX products, so if we have a good FOREX quarter, it would trend higher than that. If we have a good equity index quarter, which is more around the U.K. business, it would trend lower than that, but 22% is probably a reasonable guide.

Kyle Voigt
Great and then just one more for Nigel. Are you restating prior year EPS numbers, and I just saw some headlines around that, I didn't get to look into it yet, but are you restating any prior year EPS numbers and what is that related to, if you are?

Nigel Rose
Yes, we are and that relates to the information we announced this morning in the 8-K where [technical difficulty]

Glenn Stevens
It's strictly related to the tax aspect and so part of the details that Nigel was going through, it's a 100% encapsulated in that tax impact in terms of the jurisdiction details and things like that. So there's no other items and we pretty much went through all the detail in terms of how it's related to tax and part of that tax restatement has to go back to previous periods. So that's the reason we're doing that.

Kyle Voigt
All right, thanks, and last one for me and I'll get back in line. It's really just more on the strategic part of it as getting into the payments business, and sorry if I missed it again, but if you just touch on the strategic rationale and then what the expected incremental costs will be from kind of launching this new initiative. I don't know if there is significantly more that you're going to have to spend on marketing and G&A, at least on what the initial kind of costs of launching that business, perhaps.

Glenn Stevens
Oh, sure, Kyle, so I'm glad you brought that up on the payments business because it's part of a kind of a '16 initiative. We spent some time in '15 putting in some of the groundwork, and the specific licensing and certain key individuals that have been put in place dedicated to that business, and that's been done. We sent out a press release earlier that we were launching that business at this stage in the coming weeks. And so the good news is that we were able to leverage a lot of our existing infrastructure and global network, if you will, for customer transactions, for licensing, for regulatory. At this stage, the incremental cost is extremely low, and I even classify it as immaterial because of the fact that we're leveraging off of gains established infrastructure. I think if you were going from scratch, it would be a different story, and we're not as an entrant to this market and the strategic rationale is also that. It's a complementary business for us.

When you own properties like FOREX.com on the website, being able to offer people other [unintelligible] services, including owning foreignexchange.com, then you have a scenario where customers can come, leverage the brand name, leverage the infrastructure, leverage the regulatory status that we maintain at a very high level, and frankly, be able to compete I think a lot more quickly than some new entrants are going to be able to do. So that's why it made sense for us internally. We've launched it in a very measured way. It's going to be centered out of the U.K. to start and then we'll push the circles out from there with a U.K. start in the coming weeks.

Kyle Voigt
All right, thank you.

Glenn Stevens
Sure.

Operator
Thank you and the next question comes from Patrick O'Shaughnessy with Raymond James.

Patrick O'Shaughnessy
Hi, good morning, guys.

Glenn Stevens
Hi, Patrick

Patrick O'Shaughnessy
A question for you on your futures segment, so your target EBITDA margins of around 10% for fiscal 2016, obviously that's near term target. Where do you think they can get long term and if it is 10% long term, is that kind of an acceptable return on a business or is that relative to the other segments? It just it seems like, what's the point if it's going to be 10% EBITDA margin business?

Glenn Stevens
Totally fair. So there's a couple of factors that come into play when it comes to futures. Some of them are quantitative, like interest rates. You get any kind of a pop, and you're going to hear this from some of our brethren in the discount brokerage business or what have you, but you get any kind of pop in interest rates straight to the bottom line, as people know. Mid teens are quite achievable there in short order. The reality is that that's one of those scenarios that doesn't take a lot to move the needle. But by the same token, we get the ability to sell into our customers, right? So if you're cross-selling those customers in the lower margin products like futures, you're able to bring them in for other products and vice versa.

Also, there is an opportunity globally, and I think, again, very few of our peers are able to juxtapose listed futures with OTC products. We're part of an extremely small fraternity in that--being able to have a compliance infrastructure, regulatory infrastructure, and technology to offer that. And so globally, there's a situation where some customers actually feel more comfortable trading listed products, whether it would be in Hong Kong, whether it be in Europe, and so, we're connected on our futures business to over 50 exchanges, globally. It's not just a U.S. exchange product. It primarily is now, but again it's kind of a footprint that we're expanding on. So I think in a vacuum, a 10% hurdle is ho-hum, agreed with you. But the ancillary benefits you get of having that product and the ability to ramp it, and don't forget, there's a capital efficiency built into that business, too. It doesn't, didn't require, because of the way we're set up, it doesn't require a lot of its own dedicated capital. So, if you wanted to go back and say what's its return to our business on capital, it's actually much higher than 10%. So as a singular metric, yes--not impressive. But everything else, it's kind of nice that it complements our market-making business, and that it's a strictly commission based stable revenue stream, other than seasonality. So I think that's why the stand-alone business, I'm not so sure it would be the first thing I'd launch, but as part of our portfolio, that's how we believe it fits.

Patrick O'Shaughnessy
All righty. There was a new story today in Bloomberg talking about how China is drafting the rules for Tobin tax on currency transactions. Obviously, I think it's still a relatively new topic. Is your understanding that this would apply to retail as well as institutional trades, and if so, is there a risk to your business from that?

Glenn Stevens
We're studying that, as well. We're not studying it with concern at this stage. We're studying it with just interest, as we would. As you know, the Tobin tax is at least a quarterly item that seems to pop up in one country or another and so, at this stage, it's pretty early. It's just a story. We're paying attention to it, but frankly we don't have a lot of stock in it and the details yet.

Patrick O'Shaughnessy
Okay and the last one from me, FXCM has obviously been shopping their institutional ECN [unintelligible] for a while and it seems like maybe the bidders are not materializing maybe as they would hope for. And you guys obviously have GTX, and it competes in a similar space. What do you think is the rationale for the lack of appetite maybe for potential buyers for a franchise like this? And I think people like to say, hey, look at this asset that GAIN has, and it's probably worth so much more, but it seems like that secondary marketplace is not really materializing.

Glenn Stevens
So a couple of things, I mean, number one, my understanding, without commenting specifically, is that the price expectation was quite high. The way that, first of all, that structure is a little complicated with there being several owners, and the concept of how the technology would work for a buyer, and, as I said, my understanding is the price expectation was pretty fulsome, if you will, in terms of that. We certainly were part of participants that took a look. It's important for us to take abreast and consider opportunities as they come up. But as we noticed, as I mentioned earlier in the segment, we also kind of bucked the trend in that our year-over-year progress was a positive one in terms of volume, in terms of revenue, in terms of market share relative to some of the more established players. Albeit they're at higher levels, we outperformed in that respect. So we want to be able to be smart about it and you didn't ask specifically, hey, what about you guys? But I guess it doesn't dampen our happiness about having that move, because ultimately, we can have an organic success here, because we have the technology, we have the kind of infrastructure build around it, and the people, the human capital that's required for it, and so if something makes sense to complement it, great. I think, frankly, it's a combination of factors on that. If you look, again, as part of the complicated ownership structure plus the price expectation, plus maybe there are other factors at play, but again, I don't think it necessarily has a negative connection with our institutional business, which I believe is on the other track, which is a positive one.

Patrick O'Shaughnessy
All right, great, thank you very much.

Glenn Stevens
Thanks, Patrick.

Operator
Thank you. Again, if you have a question, please press star (*), then one (1). And our next question comes from Gerald O'Hara with Jefferies.

Gerald O'Hara
Great, thanks, and thanks for that color on the quarter to-date retail revenue per million. But could you also potentially remind us on what some of the drivers were for a relatively strong 4Q capture number, as well?

Glenn Stevens
So a couple of things. We had a little bit of a tail of two quarters in Q4, if you will. I think if you even just take away topical observance of price action, it was pretty much across the board in almost every asset type, whether it was equity indices or currencies, major currencies, interest rates. The first part of Q4 was pretty ho-hum in terms of being, just volatility for customers to trade off. And then as we trended into the back end of the year, we started to see some movement, whether people started to anticipate movements in Q1 of this year or whether there was just a little bit of heat that built up, it had to be blown off. We certainly saw the backend of the quarter pick up with activity. And so even if you look at our metrics, our volumes went up, volatility went up in many asset classes. And I think a lot of it had to do with some of the fear that started to trickle in, too. If you think about how equity markets started to gyrate pretty nuts in the first couple of weeks of this quarter that started in December. And so I think that was one of the trickles, and look, one of the side benefits of, and it's not a small one, but one of the side benefits of us continuing to diversify our product mix, is that in the past when we would have 70%, 80%, 90% of our reliance in FX, then you wait until that gain comes online. But now, even when FX didn't heat up as much as maybe it had in the past, we saw equity indices, we saw commodities, we saw metals really starting to kick in, oil moving around. And so, again, the concept of having different products be able to complement our success, I think that's when that portfolio diversification started to show. As you saw movement, it wasn't just on the CVIX, it was VIXs in general.

Gerald O'Hara
That's helpful and then one more, just with the integration of City Index well underway at this point, can you perhaps discuss the current appetite for deals or M&A and maybe how this would compare to maybe a year ago?

Glenn Stevens
So, look, part of our growth strategy has always been a disciplined approach towards M&A. And we have pretty much consummated a deal on a regular basis for at least the last five years. And to answer your question, on the one hand, when you are able to successfully integrate an extension of a business, whether it be in a product line to a customer type or in a geography, then the need or the want or the hurdle for another target in that area goes up, right? So every time you want to have an opportunity that you consider, you think to yourself, well, if I have one of those and its working and we're ramping it, to put in another one might be the more disruptive that it's worth.

However, if it's a complimentary business and, for example, like how we're in the payment space now, we say, hey, if there's an opportunity to augment our organic growth with M&A, we should consider it. If there is a geo region that we think we could accelerate our penetration in, then we would consider it. If it's a product extension that you say, boy, we should stronger there, we consider it. But the good news now is that we really have all the ingredients of success. We really have a pretty broad diversified base across fields, across products, across customer segments. Look, an institutional ECN appeals to a certain customer segment. They're not going to be a bank or a hedge fund, if you will. It's not going to use our retail platform. By the same token, our retail customer in OTC isn't going to be able to login and use a centrally cleared model to conduct FX business over an ECN. So there's a reason to segment those, which is why we also went into segment reporting because these are different businesses enough where you should see how they're doing well.

So long answer to your question is: We continue to be active in the space. We continue to consider all alternatives. But we certainly feel like we've reached enough critical mass now where we can really start to focus on implementing, executing and in '16 is really laid out for us to execute and implement, and if you see our expectation for margin improvement and for delivery, that's really what we're focused on. But, I have to caveat that with never say never, and the good news about being in a very solid cash position and a very good position when it comes to knowing how to do integration, it lets us to be opportunistic. Gerry?

Gerald O'Hara
That's great, thank you. That's it from me.

Glenn Stevens
Good, okay, thanks.

Operator
Thank you and the next question is a follow-up from Mike Adams with Sandler O'Neill.

Mike Adams
Hi, guys, I just wanted to follow up on a prior line of questioning where you brought up your interest-rate sensitivity. Was hoping you could quantify that for us again today, just given where interest earning assets are and can you remind us where the majority of that cash is held? Like, is it more; is the net interest revenue more sensitive to changes in U.S. or U.K. rates? What should we be focused on?

Glenn Stevens
So, good question. In the U.S., there's more cash focused in our futures business than there is our OTC business. So we'd be highly sensitive to interest-rate changes and I say changes because I'm not so sure they can get any lower, so how about positive changes, and so the relationship there is almost like a one-to-one where any movement up will see the positive. Outside features in terms of OTC, it's more heavily weighted toward the U.K., and so U.K./European interest rates would affect us more directly than they would our U.S. rate change. But I guess that my takeaway would be we're kind of straddling in this respect that if U.S. rates improve, we'll see the benefit coming out of our futures business and if, let's call it rest of world rates improve, we'll see the benefit come out of that.

And then most importantly, with interest rate moves, just to remind, is the concept of the carry trade, right? When you see interest rates diverge, it just pulls people into the market, because as everybody knows, you put on a carry trade, you don't keep it for two years, you keep it for two days or two weeks and all of a sudden, you can end up with quite a few more active traders because of that perceived interest rate differential or that carry trades. That's the real one that we don't quantify, but that has the impact. The other one is somewhat modest. It's great having nearly a billion of customer assets and we can benefit from it. And that certainly is a material driver for our EBITDA, but it's that other kind of knock-on effect that we root interest change for, as well.

Mike Adams
Got it, thanks Glenn. And of the billion of customer assets, what's the split between the U.S. and U.K.? Ballpark.

Nigel Rose
So of the billion, it's probably around 70% would be more U.K. based versus the U.S.

Mike Adams
Great, thanks, guys.

Operator
Thank you. And I'm showing no further questions at this time. I'd like to turn the conference back over to Mr. Guido for any closing remarks.

CONCLUSION

Andrew Guido
Thank you, everyone, for participating today. Just a reminder that this call will be available for replay on our website and via telephone. We will also be posting a version of our transcript on the website tomorrow. Thanks again for your time.

Operator
Ladies and gentlemen, that concludes today's presentation. We do thank you, everyone, for your participation. You may now disconnect.