

GAIN Capital Holdings, Inc.

Q2 2018 Earnings Conference Call

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**CORPORATE PARTICIPANTS**

**Glenn Stevens** - *Chief Executive Officer*

**Nigel Rose** - *Chief Financial Officer*

**Lauren Tarola** - *Investor Relations*

## **PRESENTATION**

### **Operator**

Good afternoon, everyone, and welcome to GAIN Capital's Second Quarter 2018 Earnings Conference Call. Today's call is being recorded.

At this time, I would like to turn the call over to the GAIN Investor Relations representative, Lauren Tarola, Vice President at Edelman. Please go ahead, ma'am.

### **Lauren Tarola**

Thank you, operator. Good afternoon and thank you to everyone for joining us for our second quarter 2018 earnings call.

Speaking today will be GAIN Capital's CEO, Glenn Stevens and CFO, Nigel Rose. Today's commentary will be accompanied by our earnings slide deck, which can be accessed via webcast on our IR website now or at a later time. Following their 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 the SEC for discussions of those risks.

In addition, statements during this call, including statements related to market conditions, 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 the slides. 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 to all of you for joining us today. During this last quarter, we announced and completed the sale of our institutional business, GTX, to Deutsche Börse Group and reaffirmed our commitment to invest in our core retail FX trading business. The sale of GTX has positioned us to invest in our organic growth opportunities, return capital to shareholders and consider a wider set of M&A opportunities.

Today, I will walk through a review of the financial and operational highlights for the quarter, our progress against our strategic priorities, and a regulatory update. I will then turn the call over to Nigel for a more in-depth review of our financial results and business metrics.

For Q2, net revenue for our continuing operations decreased 7% year-over-year to \$84.2 million as compared to \$90.6 million in Q2 of 2017. However, looking at the first half of the year, net revenue for our continuing operations increased 29% year-over-year to \$182.5 million as compared to \$141.8 million in the first half of 2017.

Q2, 2018 adjusted EBITDA from continuing operations was \$19 million, which resulted in a margin of 23%. For the first six months of this year, adjusted EBITDA of \$50.8 million improved over the first six months of last year, which was \$11 million.

As we move into the second half of 2018, we continue to focus on three strategic priorities. One, driving organic growth; two, creating greater operational efficiencies; and three, reducing revenue volatility. In addition, we are further investing in our data analytics capabilities to power all three of these pillars, which are aimed to drive top line growth, improve our bottom line results, and ultimately result in increased shareholder value.

For delivering organic growth, we are focused on leveraging our brand assets and broad global footprint, significantly increasing our marketing spend to drive growth in our direct client business, enhancing our suite of products and services, and optimizing client onboarding to increase customer conversions.

We are also working to achieve greater operational excellence by increasing automation and reducing service costs, rationalizing and refocusing our brands, and streamlining our technology platforms using global instead of regional applications. Our final pillar is reducing the variability of our revenue from period-to-period with the goal of stabilizing earnings, using our expanded AI capabilities to increase the correlation between our volumes and our revenues.

Taking a closer look at our organic initiatives, we are focused on growing our direct client accounts, which will lead to higher value per client, given our more efficient marketing efforts as compared to indirect client acquisition.

On a year-over-year basis, we are seeing the benefit of this focus with direct new accounts up 8%. On a sequential basis, we saw a short-term dip in new accounts as the GVIX was down 20% quarter-over-quarter, also we didn't see the added benefit previously experienced from the cryptocurrency demand that we saw in the latter part Q4 and the early part of Q1.

Moving forward, we continue to see value in pursuing our direct business and we see plenty of room to grow even further through our marketing initiatives. Over the last several months, we've completed a deep dive in our marketing ROI and have identified opportunities to efficiently increase marketing spend across all of our regional markets.

Our marketing spend is highly efficient at current levels with a typical payback period of only three-to-six months and an internal rate of return of over 400% in all markets based on the three-year Customer Lifetime Value or LTV.

We've identified several opportunities to increase marketing spend across the majority of our markets by leveraging our investments in customer segmentation and LTV modeling, by spending more money on marketing technology and analytics, by enhancing our global affiliate program, and by hiring digital marketing talent.

These investments to-date have improved our media targeting capabilities, expanding our available marketing channels and enabling the automation of prospect nurturing and early identification of high-value clients. We've also put real-time tracking and reporting in place to support rapid optimization as well as ongoing ROI measurement.

We've established marketing ROI targets based on a three-year LTV and our analysis shows that long tail of customer activity continues well beyond three years that provides further revenue upside over the long term.

Given this increased focus on marketing, we expect to spend approximately \$18 million during the second half of 2018, or an increase of approximately 50% compared to the \$12.4 million we spent in the first half of this year. The goal of this increased investment is to drive a material improvement in new accounts during the second half of 2018 and on into 2019 while also increasing awareness and building the foundation for additional customer acquisitions in the future.

In addition, our optimization efforts will help improve conversion rates of applicants, which will also help monetize these increases in spend in 2019 and beyond. As mentioned in my opening remarks, we see a big opportunity to continue to focus our resources on growing our retail business. We're working to foster growth by continuing to invest in new products and innovation to enhance our customer experience and drive new client acquisition.

During the first half of the year, we executed on several relevant initiatives including the introduction of new web-based trading platform in the UK, which will officially go live in August. The launch of new versions of our mobile apps, which represent about 60% of our customer volume, and we expanded our cryptocurrency offering by adding crypto versus non-dollar currency pairs, all of which are now available to our partners as well.

Looking ahead, we have an exciting path forward with a planned launch MT5, which is a popular trading platform in the Asia Pac markets. We also continue to enhance our global service for high value clients including a premium account package and a bespoke professional client offering for UK and EU customers and the launch of our direct market access initiative, which includes agency execution for high-volume FX traders, which is scheduled to launch in the US market first in Q3.

Last quarter, we began implementing our new AI-driven hedging model, which aims to reduce the variability in our RPM. The new model uses automation, improved price discovery, and smart order routing with the goal of decreasing the trading costs associated with hedging our exposure. We're very pleased with the results we've seen during Phase 1. These results include an increasing correlation between revenue and volume, a reduction of the standard deviation of our daily P&L by 11%, and an improvement in the Sharpe ratio of our results by 20% during Q2 compared to the trailing 12-month period.

As you can see from the chart, we've seen a continued reduction in the variability of our RPM. And Q2 was an example, as RPM came in at \$106, in line with the prior quarter. To-date, we've rolled out the AI model to our FX asset class, but next steps include applying it across all the other asset classes that we offer our customers. This is a multi-phase initiative and will extend throughout the remainder of this year and into next.

During the quarter, we announced and completed the sale of our GTX business with the official sale closing on June 29. GAIN intends to use the approximately \$85 million of net proceeds to invest in organic growth, increase our share repurchase program, and maintain additional flexibility for liquidity and the consideration of M&A opportunities.

Before I turn the call over to Nigel for a deeper review of our second quarter results, I would like to provide an update on a regulatory environment. During Q1, ESMA and the FCA announced

regulatory changes in the provision of CFDs, which will apply to all retail clients in the UK and EU and will go into effect on August 1.

As discussed on previous calls, clients classified as professional will not be subject to the new leverage rules. Consistent with our previous guidance, we expect this to have an immaterial impact on our business. However, as a result of the new leverage restrictions under the ESMA-FCA rules, we will be temporarily withdrawing GetGo from the UK/EU market so we can reposition that offering appropriately.

However, it's important to highlight that as planned, GetGo will be launched in other jurisdictions, including Australia, and we will leverage that apps underlying technology to enhance our core trading platforms by integrating GetGo's signals offering and the experience that it offers into our existing services.

In addition, the new ESMA regulations are expected to decrease the number of providers operating in the UK and EU. And given our strong brands, we're confident we're well positioned to increase our market share.

It's been a busy six months. We've pivoted to focusing even more on direct clients, which has created a foundation for us to ramp up our marketing efforts. We implemented AI hedging, which is reducing variability in our RPM. And we completed this successful sale of our GTX business, which has monetized our value creation in that business unit and improved our financial flexibility and through prudent capital allocation will help us return more value to our shareholders.

With that, I'll turn the call over to Nigel for a deeper review of our second quarter results. Nigel...

### **Nigel Rose**

Thanks, Glenn. With the sale of our GTX business at the end of the quarter consistent with accounting standards for Q2 and going forward, we will be presenting our results split between continuing operations, which reflects retail and features and discontinued operations representing the GTX business that we sold.

The income statement in our 10-Q will reflect the continuing operations with the net income on loss from discontinued operations boring as a single-line item at the bottom of the income statement. Our segment footnote will no longer include GTX and instead this will be reflected within a new footnote for discontinued operations.

During the second quarter 2018, net revenue from continuing operations decreased 7% year-over-year to \$84.2 million as compared to \$90.6 million in Q2 2017. Q2 2018 GAAP net income from continuing operations was \$6.8 million and adjusted net income was \$4.4 million. This resulted in Q2, GAAP EPS of \$1.47 as compared to \$0.31 in Q2, 2017, driven by the gain on the sale of GTX.

Whilst cash net proceeds were \$85 million, as Glenn described, due to the write-down of certain assets as part of the sale including goodwill and intangibles, the net gain from an income statement perspective was approximately \$70 million.

Adjusted EPS for continuing operations was \$0.10 compared to \$0.24 in Q2 2017 whilst for the combined business it was \$0.12 compared to \$0.25 in the prior year. Q2 2018 adjusted

EBITDA was \$19 million as compared to \$25.7 million in Q2 2017, whilst for the half year it was \$50.8 million versus \$11 million for the first half of 2017.

In terms of our operating costs, on past calls we've used the term fixed costs, which encompassed employee compensation, trading, comms and tech and G&A costs. Recognizing within those categories there is an element of variable costs such as commission, bonuses, clearing fees, etc., going forward our intention is to refer to these as overhead costs, which will reference both the variable and fixed components on these line items.

At the start of the year, we guided to a range of \$195 million to \$205 million. In our first quarter earnings, we recognized the overheads were trending towards top of that range driven by the improved financial performance and the impact that had on the variable component of overheads.

The sale of GTX is expected to reduce overheads this year. Taking into consideration the impact of the performance driven variable component in the first quarter as well as some minor one off costs, we believe we'll be comfortably within the range previously provided.

The increase in variable costs has largely been driven by performance-related bonuses within employee compensation costs, clearing fees within trading expenses, and betting duty and bank processing charges within G&A. By way of perspective below those variable costs are now likely to be higher this year. The improvement in EBITDA for six months is significantly greater.

Turning to our retail segment, during the second quarter, we saw continued growth in average daily volume which increased 7% year-over-year to \$10.6 billion. ADV for the first half of 2018 increased 19% year-over-year to \$11.5 billion. Additionally, despite the quarter-over-quarter downturn in market volatility, Q2 RPM was \$106, in line with the prior quarter and above the trailing 12 months \$100.

Total revenue decreased 8% year-over-year to \$74.5 million with margins similar to prior year at 39%. For the half year, revenues were 33% higher at \$160 million with improved margins of 43% being ahead of the trailing 12-month margin of 36%.

Referral fees decreased both on absolute and per-million basis as a share of indirect volume fell from 31% in Q2 of 2017 to 25% in this quarter. The increase in other operating cost for the half year, as previously mentioned, was driven by performance-related variable costs with segment profits improving \$48 million in the first half versus the same period last year.

Turning to the futures business, revenues were \$12.1 million for the quarter, up 21% from \$10 million in Q2 2017. Q2's average daily contracts increased 23% to \$32,401 during Q2, a 10% improvement over the trailing 12 months. Profit margins for our futures business improved to 17% in the quarter, up from 6% in Q2 2017. For the first half of 2018, profit margins for the segment were 14%, up from 4% during the first half of last year.

Following the completion of the sale of our GTX business on June 29, we've updated our tax rate assumptions for the full year 2018. Excluding the GTX business in the second six months and for the first half, we expect the tax rate for the full year for our continuing operations to be approximately 27% to 28%. Including the GTX results from the first half of 2018 and accounting for one-off cost related to the sale of the business, we expect the full year rate for 2018 for the combined business to be approximately 14%.

Bridging from our previous tax guidance of 18% for full year 2018, we've adjusted to our account for 9% to 10% increase for two reasons. Firstly, the US is turning profitable this year as compared to previous expectation of a small loss and secondly, the sale of our GTX Bermuda operations, which was taxed at 0%. We're currently looking to identify how we might lower our global tax rate in the future and will keep you informed of our expectations as we approach 2019.

Moving to our capital deployment strategy, we continue to focus on four key priorities: required liquidity reserves, strategic acquisitions, quarterly dividends, and our share buyback program. GAIN continues to maintain a strong liquidity position, which as of June 30 was \$344 million. This represents a 43% improvement over Q1 2018 and 154% improvement over Q2 2017, supported by the implementation of our \$50 million credit revolver and the net proceeds from the sale of GTX.

We also remain committed to actively returning capital to shareholders, including through dividend payments and share buybacks. And as such, our quarterly dividends of \$0.06 will be paid on September 18. Share buybacks continue to be a strong focus, particularly as we still feel our shares remain undervalued. During the second quarter 2018, we repurchased 518,816 shares at an average share price of \$7.85. This leaves approximately \$30 million available for additional repurchases during 2018.

And with that, I'll turn it to the operator for questions.

## **QUESTION AND ANSWER**

### **Operator**

Thank you. We will now begin the question-and-answer session. To ask a question, you may press "\*" and then "1" on your touchtone phone. To withdraw your question, you may press "\*", then "2" to withdraw your name from the list. If you are using speakerphone, please make sure you pick up your handset to ensure good sound quality. Please hold, for a moment while we assemble the roster.

And this afternoon's first question comes from Rich Repetto with Sandler O'Neill.

### **Rich Repetto**

Yes, hi Glenn, hi Nigel. I guess the first question is on the increase marketing, and I see the direct volume...the new direct accounts, but how do you balance that to, I guess, the net accounts, because there is some attrition as well. How are you going to evaluate the effectiveness of the dollar, is this purely on the gross new accounts?

### **Glenn Stevens**

Correct, I think that the conservative approach is to base the success of future increase marketing spend on the return analysis based on chunks of time. So in other words, you will look at your spend, you will look at your new accounts. We are actually not looking to disperse new marketing spend on existing customers. Now, it's possible you get a halo where customers might be more deeply engaged. They might trade more with you. They might become more valuable. That's only a benefit, we actually didn't factor that into what's going to determine how we ramp up spending. This way, I would argue that they are much more conservative hurdle to make work instead of assuming that...well some of that benefit from the increased marketing also applied to some residual benefit you got from existing customers. I think that would be convenient, but the other one makes it a little bit more kind of reliable.

**Rich Repetto**

Okay. And then on the hedging, and the chart does you know, clearly show the...I guess, reduce volatility. Can you go through again sort of more specifically how you...what are things that the program does to reduce the volatility?

**Glenn Stevens**

Its several pieces that fold together, one of them is increasing the automation that we use to execute the hedging in such a way that we are able to actually hedge more frequently throughout a 24-hour cycle. We are also able to hedge more efficiently because we are accessing markets in a way that takes out even more of the kind of human component if you will. And then the other way is to constantly rebalance the risk return on the way that we are able to evaluate positions that are...or inventory that's given to us and be able to...to be able to hedge almost constantly optimizing it versus kind of sticking to the same routine regardless of how positions emerge.

The other part is that...and we mentioned this environment that we're in, which is slightly muted volatility and not an emergence of extended trends and things like that does actually suit this type of...from our own back testing and studies definitely favors this kind of hedging that we're doing now. That doesn't mean that across all measures it outperforms, because it does, but it actually particularly outperforms in this kind of an environment. So we're not going to be disappointed if its outperformance is less. Now... make sure you get those words, the outperformance is less, I am still in the outperformance realm, because that's the expectation that across all measures it outperforms, but in this kind of environment it actually has the tendency to outperform even more.

So some of this is a...it's not a pleasant surprise, but we've seen a buy back testing over seven years worth of data, in our own data and in actual data or different types of market conditions. So it's really a combination of just kind of bringing our hedging strategies to the next level. And that's why we said, it kind of had a start with hiring a bunch of specialist on the data side, applying a lot of number crunching and AI, pushing it through all the back testing, and then having an expectation. And then of course starting to roll it in. This started in earnest in 2017, and then got even closer to being used and only now we are starting to apply it across the board, and for now it's just FX and other products will follow.

**Rich Repetto**

Okay, and Glenn just or Nigel. The very last thing would be, you do have a nice chunk of cash now with the sale of GTX, and it appears if you look...if you combine these things--the marketing...increased marketing spend you have plenty of cash. It looks like the choice is more of the build versus the buy, and I guess, just want to verify that, that there isn't the properties out there to purchase in an acquisition versus...it seems like you are making decision to grow organically. And then, even between these, if you make that...if that assumption is correct, then could you just get a little bit more granular, how you will decide what you do between debt reduction, dividend, and share repurchase et cetera.

**Glenn Stevens**

Okay. So first question, first piece of that question first. Yes, I think in an order of preference build versus buy as you said it is accurate, it's doesn't preclude us from considering



opportunities when they arise, but I wouldn't categorize us as feeling swollen with cash to have to go and pursue some things. So I think that, given the opportunity, building our organic strength and leveraging some of our market positions in some key markets is something you think we can channel our efforts, resources, and financial flexibility to be effective at. It doesn't mean we won't consider opportunities as they come, but you are right in inferring that we are not you know, hot on the tail of trying to consider opportunities when they are there.

And I guess the other point of this...the second part you said about getting a little bit more granular. I think that, looking at opportunities to be more aggressive on the buyback is what we would like to be signaling. And I think it's that...that's probably our first order of priority and that we want to be more aggressive on a buyback, and there is certainly plenty of headroom as we've identified on the authorized/approved capacity to do that given our flow, given our turnover, and given our price. And on the other parts, we are considering our other options, whether it be dividend/debt or whatever, and haven't made any determinations on those that we would announce now.

**Rich Repetto**

Got it. That's helpful, thanks. Thank you.

**Glenn Stevens**

Rich, thank you.

**Operator**

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

**Kyle Voigt**

Hi, good evening guys. I guess with the newer information coming in August, you officially put the slide out on it and said it probably be immaterial. But can you provide some updated detail on the percentage of your revenue that could be impacted. So I guess that would exclude the revenue from pro-traders, but it includes those UK and EU non-pro traders, and if you could give that on a pro forma basis excluding GTX, that would be helpful.

**Glenn Stevens**

Yes, sure. So maybe we will tag team on this one Nigel and I. But, yes, with the eminent rollout August 1<sup>st</sup>, as we put in our slide there, we haven't changed our stance. This is immaterial, we would categorize this is immaterial, kind of, low single-digit, as long as 3% is still considered immaterial that's why we had categorized this as such.

The math that we are using is taking the amount of revenue that comes from our UK/EU-generated business coupled with the ability of...that we've already witnessed in converting a sizable amount of that revenue from retail account into professional account, and then also hair cutting, what the remaining retail accounts will be cut for. So in other words, we've accommodated for a material reduction in revenue from the remaining retail customer group. We've accommodated for almost zero impact to the professional group, because there isn't any leverage impact there. And, but we've actually used, observed conversion, because we are not waiting for August 1<sup>st</sup> to convert these customers. We have been doing that for months now, and we expect even more to convert once they are kind of reminder in August 1<sup>st</sup>, to say hey, here is how you do it and you create the journey so that they can do it.

So I think the bulk of the guess work for this is out, because we've accommodated for things, like a negative impact from the retail business. We've also accommodated by converting

customers and then, when you couple that altogether...coupled with the fact that how much UK/EU revenue we have to begin with before even all this started, that's how we get to kind of an immaterial number. And I'd say that, the good news is, this is consistent and in line with the guidance we've provided over the last kind of six months, a couple of times about this ESMA stuff. In a good way, we've been tracking to what we guided to track to, and what we expected to track to. So the implementation is there to. I don't know Nigel, if you would add anything to that.

**Nigel Rose**

Yes, I think that's essentially right, Glenn as you say. Our conversion to professional clients has been in track in line with our expectations. And as a result, you know, our original estimates of potential impact, therefore, remain in line with our previous guidance we've given.

**Kyle Voigt**

Yes, just a follow-up there, I guess, you know, if you are assuming the range of 3%...from a potential impact using all the different haircuts, it's still like \$10 million to \$15 million, which as part of your revenue it's not that material. But I guess, I'm wondering, are there ways for you to reduce the fixed expenses in those jurisdictions, by an equal amount. I guess, I am just wondering in terms of the margin on the way down, if there are some revenue headwinds. There is only a limited amount of variable fees that's kind of built into your expense base. Are there things that you are doing on the fixed expense side in those jurisdiction to maybe divert less and less investment spend or reduce headcount in any of those jurisdictions?

**Nigel Rose**

Good question, Kyle. I mean, I think, as we spoken about on previous earning calls now for a couple of times here, our focus on operational excellence and driving down our cost base. It's been something we've been working on for a while, and it's a multi-year project, but it will also help to compensate for that small loss of revenue that you describe there, Kyle. And as much as we are already working on getting our cost base down, so to the extent we lose any of that revenue, then our cost base should be in the right trajectory that over some period of time, that will be more than compensated for.

**Glenn Stevens**

And I think I add on that note, Kyle, that the part that we haven't factored in, but isn't zero, is that there are a fair amount of providers in the UK and EU, that are going to find the burden of compliance here too much too bear to make sense financially and ultimately will leave us in an environment where we are competing with fewer participants. And so, that's got some positive impact for us.

The timing and the amount, we didn't factor in. But to Nigel's point and to your point about saying, hey, it might be immaterial globally but it's still a material amount of money. There is some or more of that that's going to come back, because a bunch of these providers, it doesn't scale well, when you have to do all the work that you have to do with you know, ESMA is a multi-layered set of requirements that you have to adhere to, and whether it's wrapped around other things like GDPR and PRIIPS and MiFID II and all that. There is a lot of work and a lot of hurdles to do, which doesn't work well if you are small shop and need to kind of resources to make it work. Now, that won't happen overnight, but I think that will happen sooner than later, and we haven't factored it in at all, but it's a generally positive driver that will also offset some of the...so those customers that are being served by those shops...some of them will come to GAIN. And so, that will offset some of the reduction that we've guided to.

**Kyle Voigt**

Okay, alright, fair enough. I guess one more from more, I guess just on the updated tax rate guidance. It is just a little bit surprising just getting that, you had an 18% normalized tax rate just a quarter ago. And I guess, a little bit of my confusion is just coming from the fact that, GTX line made up 14% of your EBITDA. So even if that was paying no taxes which is hard to see, the 9 or 10 percentage point increase in the tax rate guidance. And I guess, and part of that could be the US turning profitable and maybe that's the rest of it, but I guess what are the dynamics there? I guess, if you just help me bridge the 9 or 10 percentage point gap that would be helpful.

**Nigel Rose**

Yes, absolutely and maybe just to clarify on the 18%. As I think we may have discussed before with the new tax legislation that came into the US at the end of the 2017 and the rate dropping from 35% to 21%, there was also additional legislation, which effectively for US domicile customers who had overseas profits, I think to be double tax those overseas profits. And so, we built that into the 18% rates. And if we strip that impact out, that 18% would have been 12%, because as I said, we had forecast loss in the US because that has to bear the \$13 million plus of the convertible loan notes and coming out of 2017 we had a pretty conservative forecast for 2018, and that was really a big lever in terms of how we are going from 2018 to 27% to 28%. But because of that as well, Bermuda also accounted for a higher proportion of total profits, because the US had a loss, but that was all...all of those components and dynamics were built into the 2018, and so the real move between the 2018 in this latest guidance is we've had a much stronger first half. So the US is now...we are forecasting a profit in the US, so we've flipped from a 21% tax credit to a 21% tax charge, which is the bulk of the move, and we have lost zero percent tax jurisdiction profit stream which is the rest of the move.

**Kyle Voigt**

Okay, thanks.

**Nigel Rose**

Okay.

**Operator**

Thank you. And the next question comes from Dan Fannon with Jefferies.

**Dan Fannon**

Thanks, I guess just another question around the marketing spend and kind of the opportunities. I guess, why now and kind of what you are seeing, I guess, competitively that makes you think that it's a good time to be kind of stepping up this program?

**Glenn Stevens**

I think the strongest driver for our feeling confident that this is the right time is less to do with kind of the soft stuff environment, market movement, general volatility, because I think I would argue that there isn't a particularly positive driver that says, oh, now the timing is right, that we've been waiting for the set of circumstances to do this. It's actually more about deploying a better insight into our own knowledge, when it comes to data analytics and potential marketing returns that by stepping up our ability to model more reliably. We feel more confident in being able to deploy more assets, and then actually measure their deployment on a relatively short leash to make sure that we are tracking favorably.

So I know, it might sound a little bit convoluted, but instead of treading water cautiously and then seeing the returns, what we've been spending a fair amount of time on...almost a year, was coming up with a much better foundation and much better framework for deploying additional assets. And look...if you look at some of the levels of spend by some of our peers across the pond, they are much more material than GAIN is anyway. And so to some degree this isn't about a catch up me too, but we are saying, hey, we feel like we can do this well, and we can track it well. So it makes sense, particularly as we've come into having more resources and kind of do it.

So the whole concept of this deployment of data analytics on the one hand works well for the pricing and hedging as we've already alluded to and had start to see success from that, and also saying that look, when we look at the efficiency and the leverage our existing marketing spend levels, again using data analytics, we want to be able to do that. So I guess, the disconnect here is to say, we don't necessarily think it's the greatest opportunity time wise, environment wise, like that's what's kicking it off. It's more about feeling much more confident about our ability to spend well and measure well.

**Dan Fannon**

Got it. And then, I guess, you kind of implied about the current environment and still being relatively light on volatility. I guess, kind of just, some commentary about July, and kind of we can see from the monthly metrics how the second quarter progressed. But just any differences you are seeing in the market currently?

**Glenn Stevens**

So I think that again, having a fairly diversified product set, you will often see pockets of movement, whether it's in metals, whether it's in indices, or whether it's in currencies. And, yes, I think it's pretty easy to look at current level of GVIX and VIX and things like that, that you can certainly see that there is some tepidness to some of the VIX numbers, unlike what we refer to as our GVIX. But again, there have actually some movements in some of the esoteric currencies. We've seen things in some of the non-major currencies moving. We've seen some of the metals moving. So, I guess, I am giving you a mixed answer, because it's been a mixed market, it certainly is clear that it isn't a super-robust, high-GVIX environment, but that doesn't mean that it is gone flat line either.

**Dan Fannon**

Great, thank you.

**CONCLUSION**

**Operator**

Thank you. And that question does conclude the question-and-answer session. So thank you very much for attending today's presentation. The conference has now concluded and you may now disconnect your lines.