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# Investor Presentation

September 2018

# SAFE HARBOR STATEMENT

## Forward Looking Statements

In addition to historical information, this presentation contains "forward-looking" statements that reflect management's expectations for the future. A variety of important factors could cause results to differ materially from such statements. These factors are noted throughout GAIN Capital's annual report on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on March 14, 2018, and include, but are not limited to, the actions of both current and potential new competitors, fluctuations in market trading volumes, financial market volatility, evolving industry regulations, errors or malfunctions in GAIN Capital's systems or technology, rapid changes in technology, effects of inflation, customer trading patterns, the success of our products and service offerings, our ability to continue to innovate and meet the demands of our customers for new or enhanced products, our ability to successfully integrate assets and companies we have acquired, our ability to effectively compete, changes in tax policy or accounting rules, fluctuations in foreign exchange rates and commodity prices, adverse changes or volatility in interest rates, as well as general economic, business, credit and financial market conditions, internationally or nationally, and our ability to continue paying a quarterly dividend in light of future financial performance and financing needs. The forward-looking statements included herein represent GAIN Capital's views as of the date of this release. GAIN Capital undertakes no obligation to revise or update publicly any forward-looking statement for any reason unless required by law.

## Non-GAAP Financial Measures

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

## WHAT WE DO

Provide retail traders and institutions with exceptional liquidity, service and technology to trade OTC forex, CFD and exchange-traded markets

## INVESTMENT HIGHLIGHTS



Proven Leader in a Large, Attractive and Growing Market



Diverse and Scalable Business Model



Multiple Levers to Drive Growth and  
Operational Efficiency



Risk Management Controls Limit  
Market Volatility Headwinds



Strong Financial and Credit Profile



## A LEADER IN MULTI-ASSET TRADING SOLUTIONS

Global markets

**12,500+**

OTC and exchange traded markets

Retail traders

**130,000+**

Customers across 180 countries

Institutional partners

**1,000+**

Institutional partners from 4 continents

Retail trading volume

**\$10.4bn**

TTM average daily volume at the end of Q2'18

Strong global regulatory protection

**8 jurisdictions**

US, Canada, UK, Australia, Hong Kong, Singapore, Japan and Cayman Islands

Staff

**600+**

Across 4 continents with Headquarters in Bedminster, NJ



# OPERATING IN A TRULY GLOBAL, GROWING ASSET CLASS

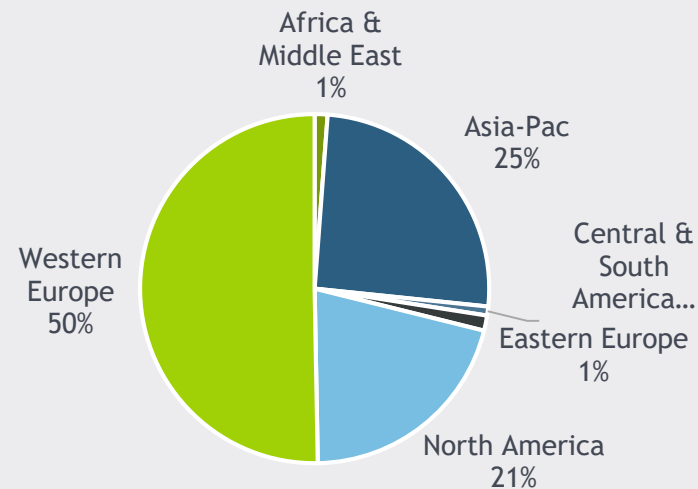
\$5.1 trillion FX market<sup>1</sup> is the world's largest, most liquid financial market



**32% increase**  
in FX market size since  
IPO in 2010 driven by:

- Globalization
- Political activity
- Monetary decisions

FX Value Traded by Region



Over **20x**  
size of equity  
market in terms  
of notional  
value traded<sup>2</sup>

Source: 2016 Triennial Bank Survey from the Bank for International Settlements.

1. Reflects average daily volume for 2016.

2. Equity market average daily volume for 2016 was \$336.8 billion, according to World Federation of Exchanges Annual Statistics Guide.



# LEADING PROVIDER OF MULTI-ASSET TRADING SOLUTIONS

## RETAIL

CITYINDEX

FaradayResearch

FOREX.com

- #1 Retail FX trading platform in the US
- Access to over 12,500 FX and CFD products globally
- Clients consist of retail traders and partners

Total Revenue	\$276.9 mm
Profit Margin	36%
ADV (bns)	\$10.4
Active Accounts	130,018

## FUTURES

dt Daniels Trading  
INDEPENDENT. OBJECTIVE. RELIABLE.

TOP THIRD  
AG MARKETING

GAIN CAPITAL FUTURES

- Innovative online futures broker with proprietary trading technology
- Clients consist of retail traders, institutional clients and agricultural hedgers

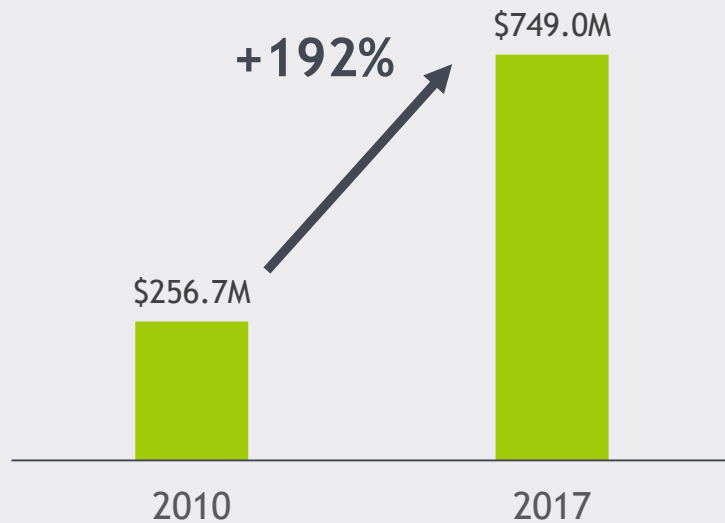
Total Revenue	\$42.9 mm
Profit Margin	13%
Avg. Daily Contracts	29,386
Active Accounts	7,881

Total Net Revenue: \$319.8 mm

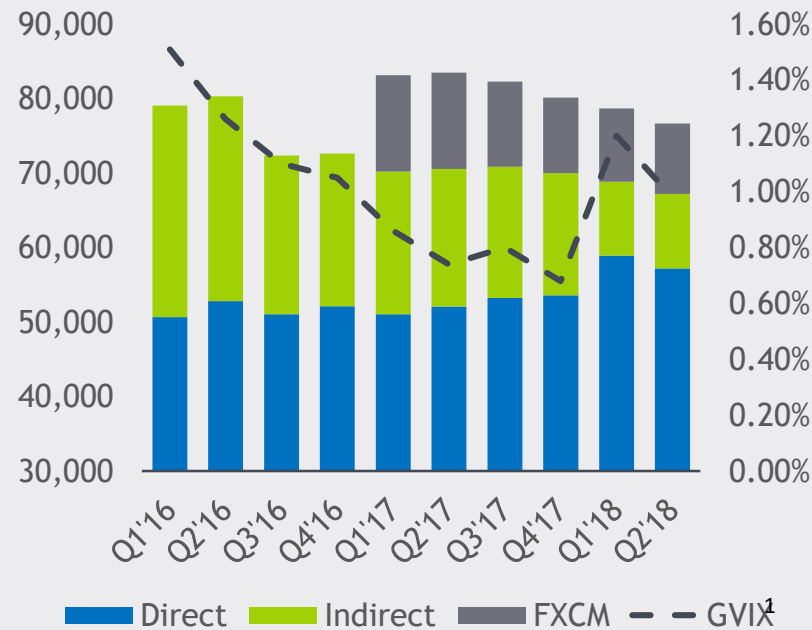


# FOCUSING ON OUR DIRECT CUSTOMERS LEADING TO INCREASED CLIENT ENGAGEMENT

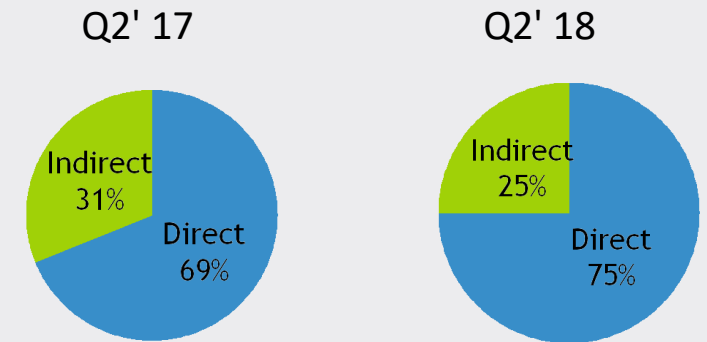
## Retail Client Asset Growth Since 2010



## Trailing 3-Month Active Accounts



## Volume Mix



1. GVIX, GAIN's volatility indicator, is a metric calculated daily by volume weighting the 5-Day % average true ranges (ATR) of 6 of our major products (Dax, EUR/USD, GBP/USD, USD/JPY, Dow and Gold). The volume weights are based on the relative monthly volumes across these 6 markets.





## PATH TO VALUE CREATION

### Deliver Organic Growth

- Focus on direct business, leveraging brand assets & existing global footprint
- Significantly increase marketing spend to drive growth in direct clients
- Enhance products and services
- Optimize client onboarding

### Increase Operational Excellence

- Increase automation and reduce service costs
- Simplify technology “stack”
- Automation of operational processes
- Rationalize and refocus brands
- Optimize insource vs. outsource

### Reduce Revenue Volatility

- Increase efficiency of revenue capture
- Implement AI-driven hedging program
- Decrease cost of hedging
- Further optimize trade flow from indirect business



## PATH TO VALUE CREATION:

# DELIVERING ORGANIC GROWTH – FOCUS ON TWO DISTINCT CUSTOMER SEGMENTS

Well-positioned to target two distinct market segments by leveraging GAIN's strengths, global footprint, brand assets and leading proposition

### Experienced Active Traders

- Sophisticated, high value client base
- Gravitates to trusted, well-capitalized providers and develops long term relationships
- Trades multiple asset classes and demand high quality tools, competitive pricing and personalized & service
- The GAIN Capital brand best positioned to meet these customers' needs

### Retail Investors

Large numbers of retail investors can be served efficiently with global, low-touch offering that leverages strength of FOREX.com brand

- High quality, easy to use offering for self-directed traders
- Tend to prefer DIY approach to trading and service
- High volume, cost efficient acquisition via digital and affiliate channels

- Efficiently utilize **one technology stack** to present two tailored offerings
- GAIN Capital and FOREX.com **brands**
- **Highly automated** onboarding & funding - with innovative KYC techniques & expanded payment methods
- Nearly 20 years of **operating experience**
- Public-company **status and transparency**



## PATH TO VALUE CREATION:

# BRAND AND PRODUCT STRATEGY FOR EACH TARGET CUSTOMER SEGMENT

### EXPERIENCED ACTIVE TRADERS



- Premium service for experienced active traders
- Full range of 10k+ FX/CFD markets, including equities and options
- Robust proposition for active traders - tools, pricing, etc.
- Higher touch, personalized support model
- Allows for future product extension to attract wider investor audience

### RETAIL INVESTORS



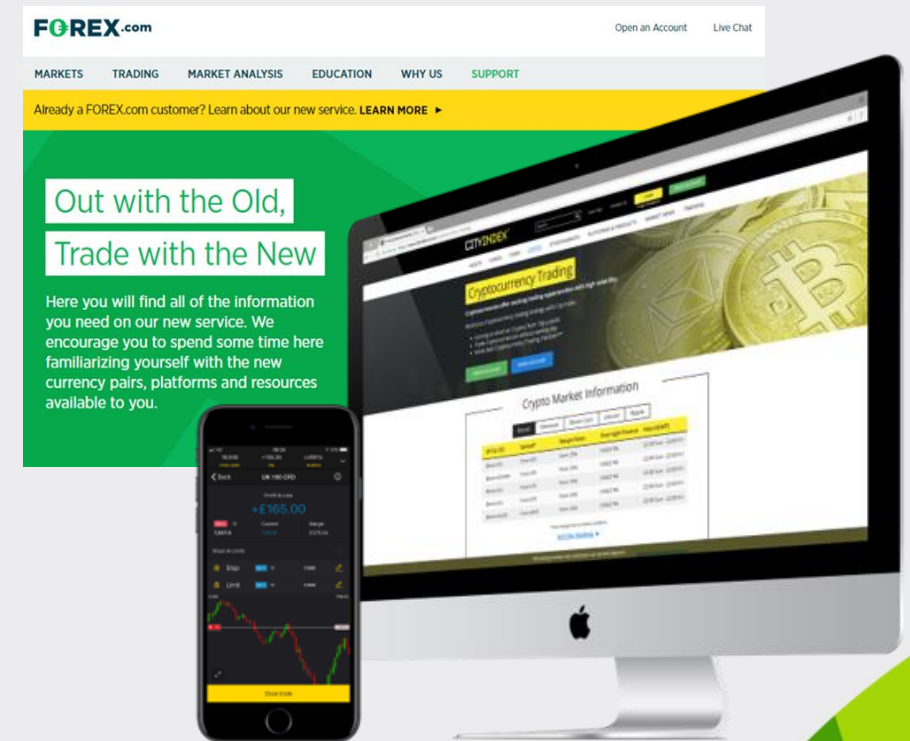
- User friendly experience for global retail audience, emphasis on mobile
- Focus on FX, cryptos and most popular global markets
- High volume, cost efficient customer acquisition model via digital & affiliate marketing channels
- Highly automated onboarding & funding
- Enhanced, AI-powered customer service model



## PATH TO VALUE CREATION: DELIVERING ORGANIC GROWTH - PRODUCTS AND INNOVATION

### Continued investment in new products and services:

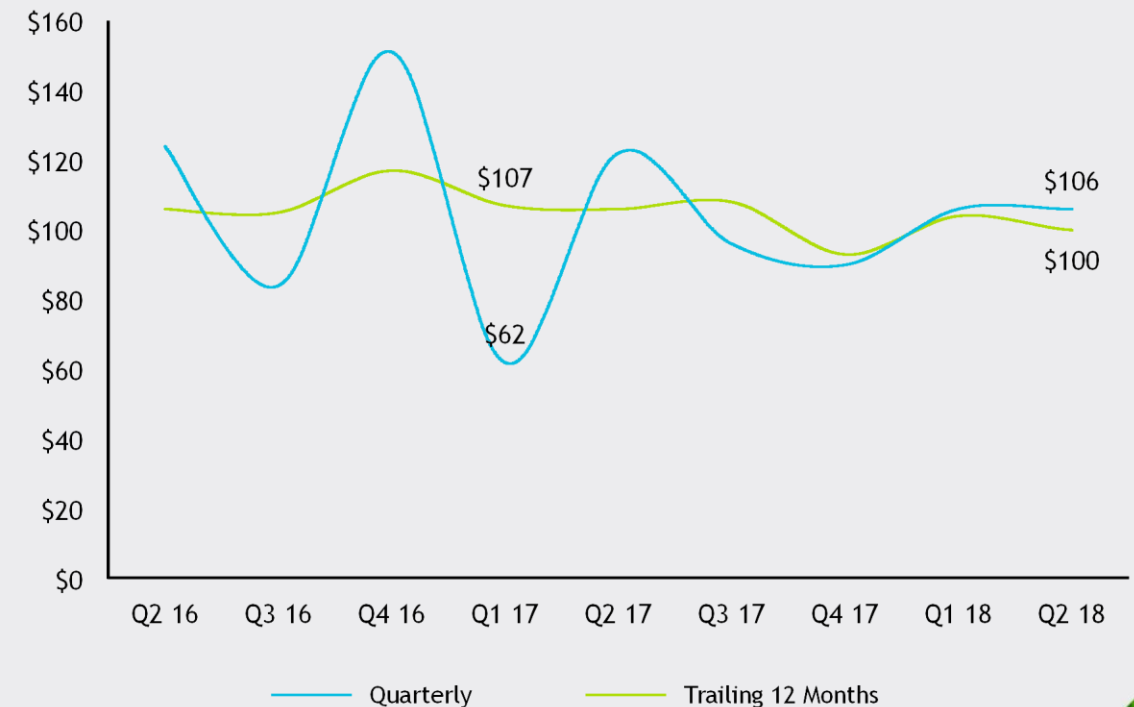
- ✓ New web trading platform launched in August
- ✓ Ongoing enhancements to mobile apps, which account for 57% of customer volume
- ✓ Robust cryptocurrency offering including Bitcoin, Ethereum, Litecoin, Ripple & Bitcoin Cash
- ✓ Upgrading existing Metatrader offering to include support for MT5, a popular trading platform in APAC markets
- ✓ Global service enhancements for high value clients, including Premium Account package and bespoke Professional Client offering for UK/EU
- ✓ Direct Market Access (DMA) FX initiative, Prime of Prime agency execution for high volume FX traders. Launching in US market in Q3





# REDUCING REVENUE VOLATILITY

- Began implementing new AI-driven hedging model in late Q1 to reduce variability in quarterly RPM
- Early days, but some encouraging results:
  - Increasing correlation between revenue and volume
  - Reduced standard deviation of daily P&L by 11%<sup>1</sup>
  - Improved Sharpe ratio<sup>2</sup> by 20%
- Q2 RPM of \$106 in line with the prior quarter
  - RPM for TTM of \$100
- Rolling out initially for FX as Phase 1 of a multi-phase plan which will extend throughout 2018 and into 2019



1. Q218 compared to the trailing twelve months to March 2018 across all asset classes.  
 2. The Sharpe ratio is a measure of risk v return, the higher the ratio the better the return per unit of risk. Calculated as daily revenue / standard deviation of revenue.



## PATH TO VALUE CREATION:

# MONETIZING OUR INSTITUTIONAL SEGMENT WITH SALE OF GTX ECN BUSINESS

- GAIN initially launched GTX in 2010 as a venue for trading in FX and precious metals by institutional investors
  - GAIN grew the business to over 150 unique clients, including banks, brokers, hedge funds, non-bank market makers, commodities trading; and over 700 users by the end of 2017
  - ECN set a single-day volume record of nearly \$26 billion on February 6, 2018
  - For full year 2017, GAIN's institutional business represented approximately 10% of the Company's total revenue and 14% of EBITDA
- Following the completion of the sale of GAIN's GTX ECN business to Deutsche Börse Group for \$100 million, the Company received approximately \$85 million, net of taxes and transaction-related expenses and fees
- GAIN intends to use the approximately \$85 million of net proceeds to:
  - Invest in organic growth
  - Increase active share repurchase program
  - Maintain additional flexibility for M&A opportunities



# RISK PREVENTION SYSTEMS IN PLACE

## Our Philosophy on Risk Management

- ✓ Work within the local regulatory framework
- ✓ Report directly to the Risk Committee at each quarterly board meeting
- ✓ Manage the market vs. credit dynamic on a real-time basis
- ✓ Focus specific attention on tail risk
- ✓ Create management systems to communicate critical data and concepts
- ✓ Measure progress

### Key Focus Areas

- Market risk
- Liquidity risk
- Counterparty risk
- Credit risk
- Operational risk

### Structures & Systems

- Group Risk Committee
- Reporting / monitoring systems
- Daily risk report
- Position limits and hedging
- Concentration limits
- Tiered margins



# POSITIONED TO WEATHER INDUSTRY HEADWINDS

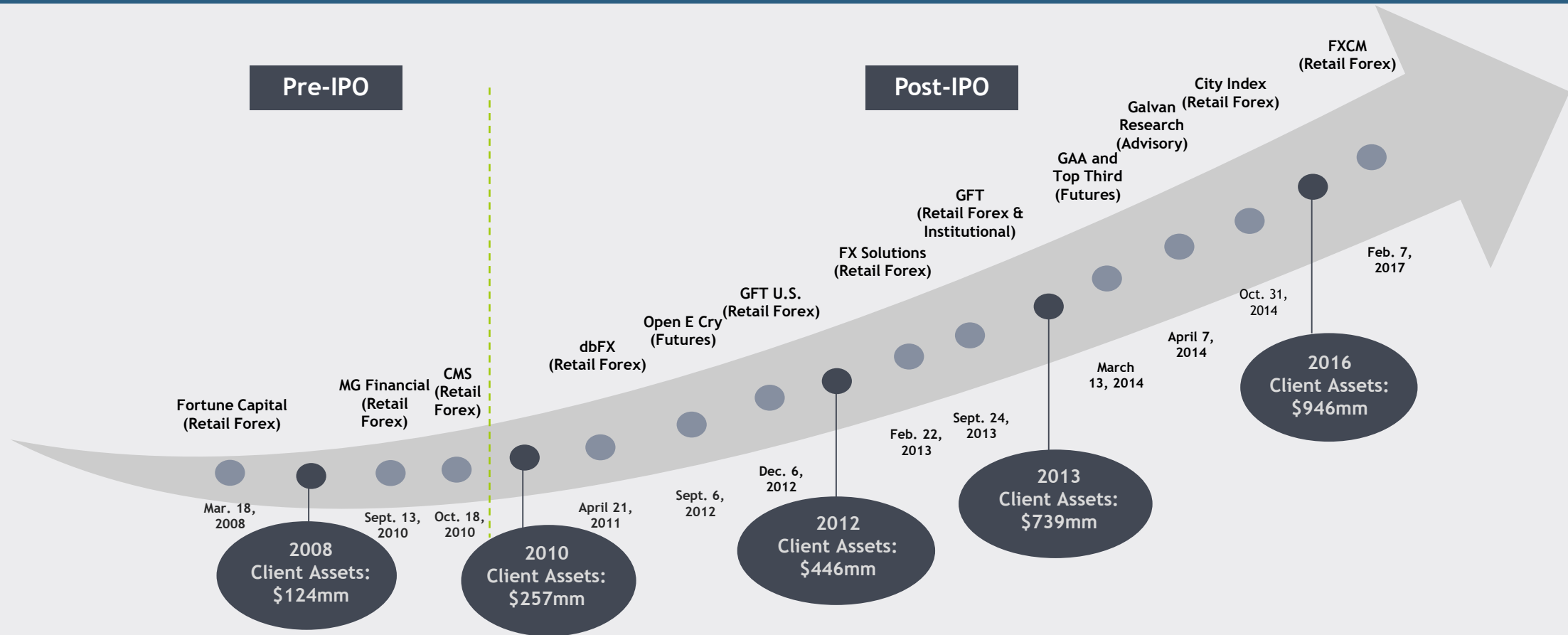
Proven track record of protecting our balance sheet during market disruptions and improving our future processes

	2016 BREXIT	2015 Swiss National Bank	2015 GREXIT
Planning	<ul style="list-style-type: none"> <li>• Committee established in May 2016</li> <li>• Extensive scenario-based stress testing before vote</li> <li>• Proactive margin policy management</li> </ul>	<ul style="list-style-type: none"> <li>• Planning for potential Swiss depegging began months in advance, recognizing potential risk</li> <li>• Operational procedures formalized in the event that the 1.2 floor was removed</li> <li>• Market and credit exposure assessed weekly</li> </ul>	<ul style="list-style-type: none"> <li>• Daily assessment of market and credit risk</li> <li>• Tiered margin was increased for larger positions</li> </ul>
Execution	<ul style="list-style-type: none"> <li>• Fully staffed risk desk, commercial team, customer service and compliance throughout the night</li> <li>• Trading systems performed extremely well in face of record volumes</li> <li>• Hedging program effectively utilized to remain market neutral</li> </ul>	<ul style="list-style-type: none"> <li>• Planned procedures were implemented:                             <ul style="list-style-type: none"> <li>• Position and PL calculation</li> <li>• Suspension of all relevant markets</li> <li>• Liquidation of clients at one price across all platforms once markets were back online</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Market and credit risk were reduced over several weekends using a digital options hedging strategy</li> </ul>
Results	<ul style="list-style-type: none"> <li>• Record daily trading PnL: \$14.2M</li> <li>• Highest single day trading volume</li> <li>• Protected balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>• Ultimately posted positive PL, whereas other providers incurred terminal levels of bad debt</li> <li>• All products were reviewed, resulting in increases to pegged and exotic FX margins</li> </ul>	<ul style="list-style-type: none"> <li>• No major issues</li> <li>• Reverted back to our daily stress tests, but incorporated more detailed options probability analysis</li> </ul>





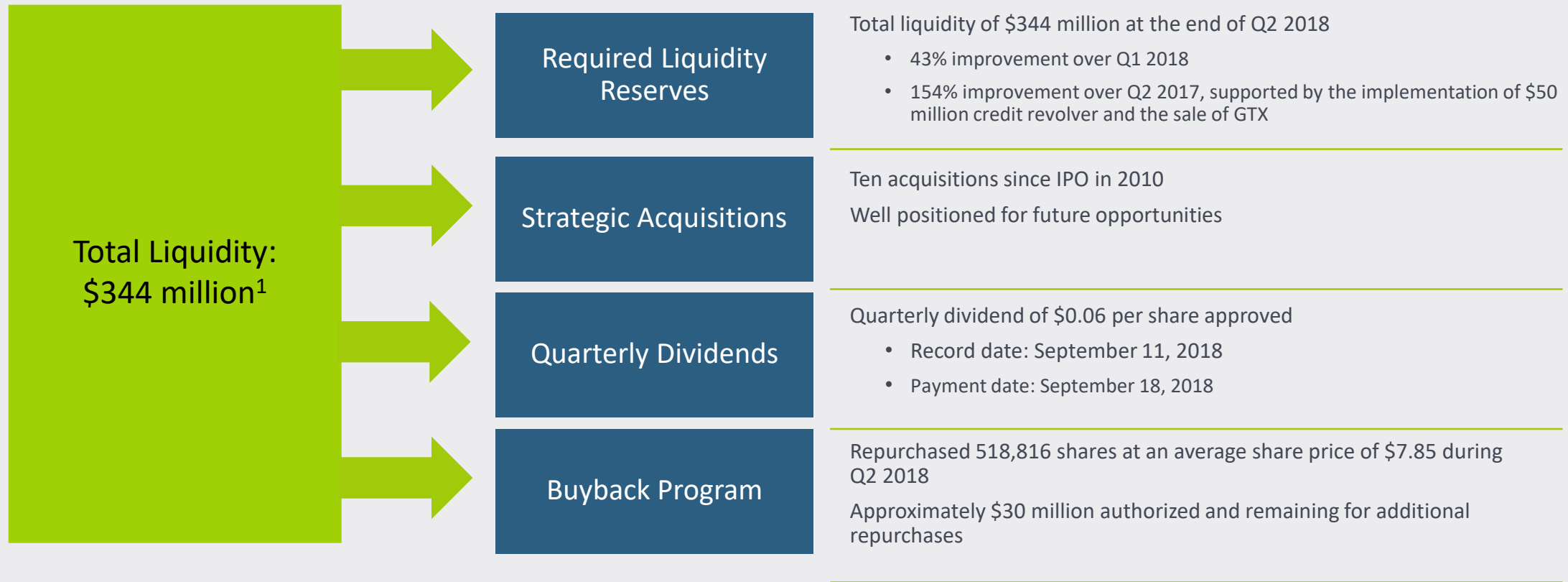
# PROVEN SUCCESS AS AN INDUSTRY CONSOLIDATOR



Ten acquisitions since IPO in 2010



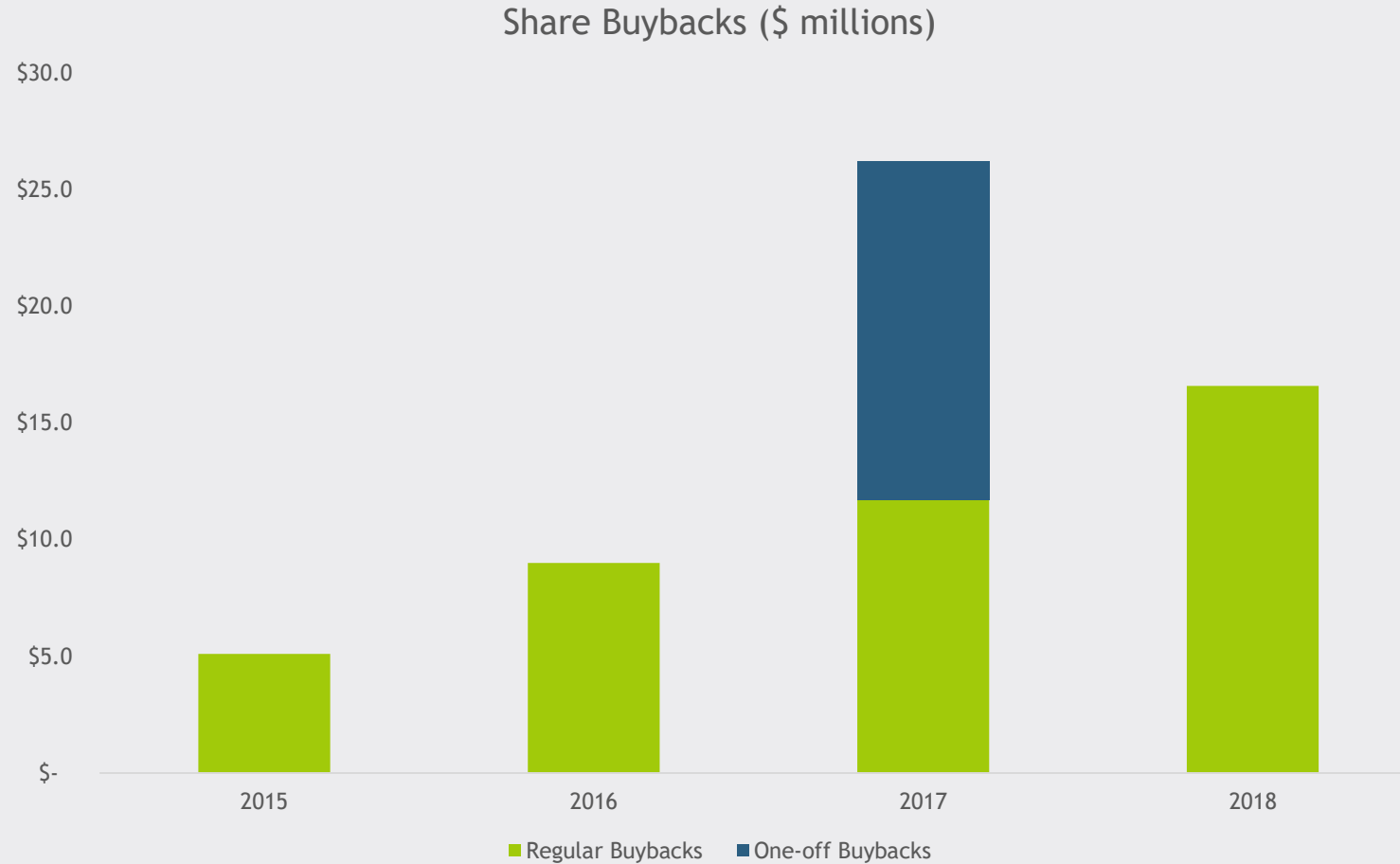
# STRONG LIQUIDITY POSITION



1. Includes \$50 million credit revolver. Liquidity table available in appendix to this presentation.



## INCREASED FOCUS ON SHARE BUYBACKS

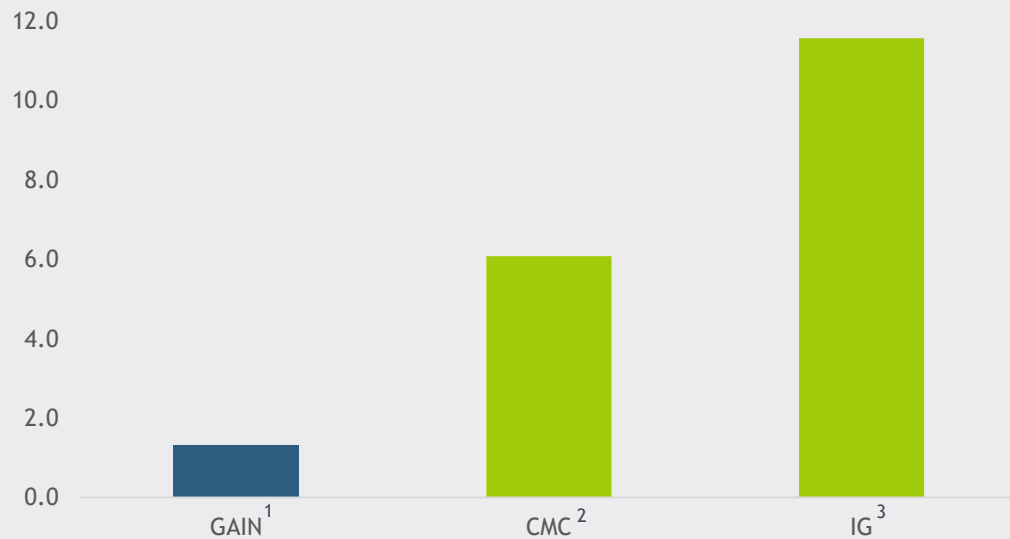




# GAIN CAPITAL OFFERS AN ATTRACTIVE INVESTMENT OPPORTUNITY

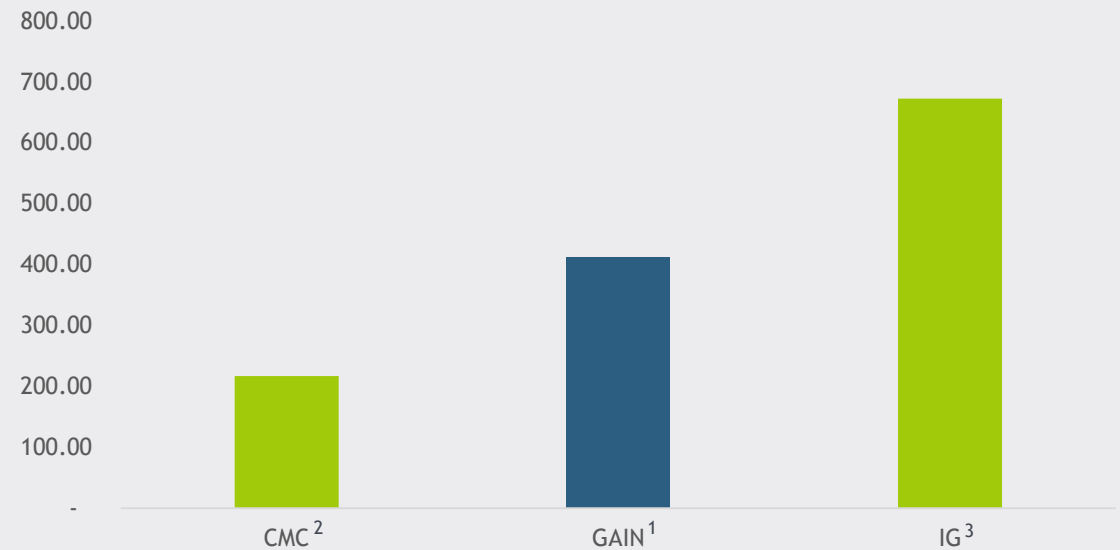
## EV / Earnings

GAIN trades at a lower multiple than its peers, representing an attractive upside opportunity



## Total Liquidity

With a strong balance sheet, GAIN is better positioned to invest in organic growth & opportunistic M&A



1. TTM June 2018 (NYSE: GCAP)  
 2. TTM March 2018 (LSE: CMCX)  
 3. TTM May 2018 (LSE: IGG)

## INVESTMENT HIGHLIGHTS



Proven Leader in a Large, Attractive and Growing Market



Diverse and Scalable Business Model



Multiple Levers to Drive Growth and  
Operational Efficiency



Risk Management Controls Limit  
Market Volatility Headwinds



Strong Financial and Credit Profile