



# KCG Holdings, Inc. (NYSE: KCG)

Barclays Global Financial Services Conference

September 17, 2015

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# Safe Harbor

Certain statements contained herein may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “target,” “estimate,” “continue,” “positions,” “prospects” or “potential,” by future conditional verbs such as “will,” “would,” “should,” “could” or “may,” or by variations of such words or by similar expressions. These “forward-looking statements” are not historical facts and are based on current expectations, estimates and projections about KCG's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Any forward-looking statement contained herein speaks only as of the date on which it is made. Accordingly, readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict including, without limitation, risks associated with: (i) the strategic business combination (the “Mergers”) of Knight Capital Group, Inc. (“Knight”) and GETCO Holding Company, LLC (“GETCO”); (ii) difficulties and delays in fully realizing cost savings and other benefits of the Mergers and the inability to manage trading strategy performance and sustain revenue and earnings growth; (iii) the sale of KCG Hotspot; (iv) changes in market structure, legislative, regulatory or financial reporting rules, including the increased focus by Congress, federal and state regulators, the SRO's and the media on market structure issues, and in particular, the scrutiny of high frequency trading, alternative trading systems, market fragmentation, colocation, access to market data feeds, and remuneration arrangements such as payment for order flow and exchange fee structures; (v) past or future changes to KCG's organizational structure and management; (vi) KCG's ability to develop competitive new products and services in a timely manner and the acceptance of such products and services by KCG's customers and potential customers; (vii) KCG's ability to keep up with technological changes; (viii) KCG's ability to effectively identify and manage market risk, operational and technology risk (such as the events that affected Knight on August 1, 2012), legal risk, liquidity risk, reputational risk, counterparty and credit risk, international risk, regulatory risk, and compliance risk; (ix) the cost and other effects of material contingencies, including litigation contingencies, and any adverse judicial, administrative or arbitral rulings or proceedings; (x) the effects of increased competition and KCG's ability to maintain and expand market share; and (xi) the announced plan to relocate KCG's global headquarters from Jersey City, NJ to New York, NY. The list above is not exhaustive. Because forward looking statements involve risks and uncertainties, the actual results and performance of KCG may materially differ from the results expressed or implied by such statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Unless otherwise required by law, KCG also disclaims any obligation to update its view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward-looking statements made herein. Readers should carefully review the risks and uncertainties disclosed in KCG's reports with the U.S. Securities and Exchange Commission (“SEC”), including those detailed under “Certain Factors Affecting Results of Operations” in the MD&A and in “Risk Factors” in Part I, Item 1A of KCG 's Annual Report on Form 10-K for the year ended December 31, 2014, and in other reports or documents KCG files with, or furnishes to, the SEC from time to time. This information should be read in conjunction with KCG's Consolidated Financial Statements and the Notes thereto contained in the Quarterly Report on Form 10-Q for the quarter-ended June 30, 2015, and in other reports or documents KCG files with, or furnishes to, the SEC from time to time.

For additional disclosures, please see <https://www.kcg.com/legal/global-disclosures>.



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# Investment Rationale

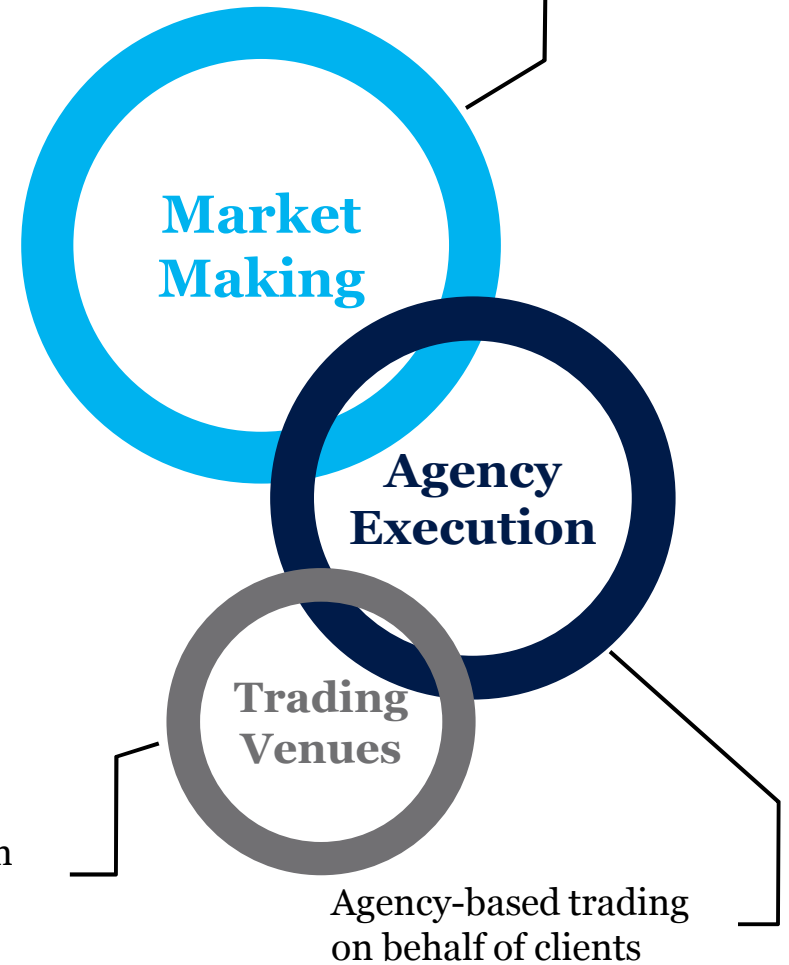
1. A better model for the emerging competitive landscape – pure-play, execution-only, scalable, non-bank, non-SIFI
2. A developer of advanced technologies driving the shift in trading from analog to digital across asset classes
3. Prospects for multiyear organic growth direct from core capabilities
4. Strong cash flow generation and demonstrated record of capital return
5. Long-term growth opportunities from the continuing after effects of new regulations instituted in response to the global financial crisis of 2008

# The KCG Model

KCG helps retail and institutional investors efficiently buy and sell liquid financial assets around the world.

- A leading, independent global securities firm dedicated exclusively to trading
- Developer of advanced technologies applicable to market making, agency execution and trading venues in multiple asset classes
- Delivers consistent, high-quality trade executions that drive trading performance for retail and institutional investors
- Contributes to better price discovery, deeper liquidity, tighter spreads and lower costs for all market participants

Direct-to-client and non-client, exchange-based market making

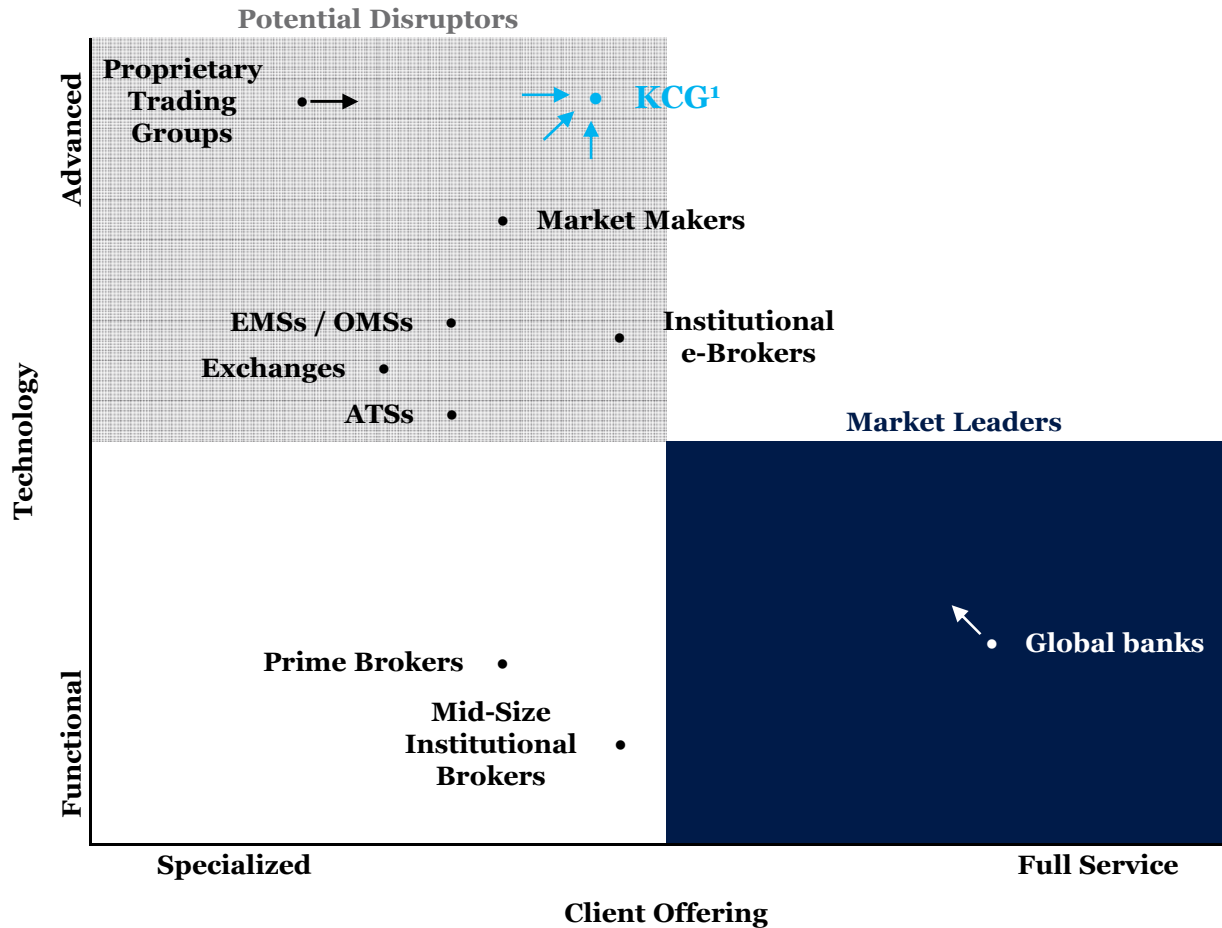


Agency-based trading between principals to transactions

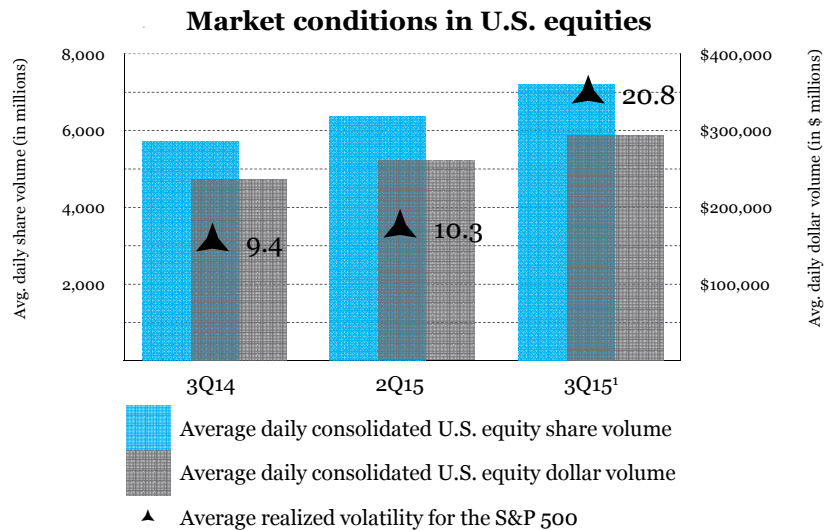
Agency-based trading on behalf of clients

# The Competitive Landscape

## Getting to the Right Strategic Spot in U.S. Trade Execution



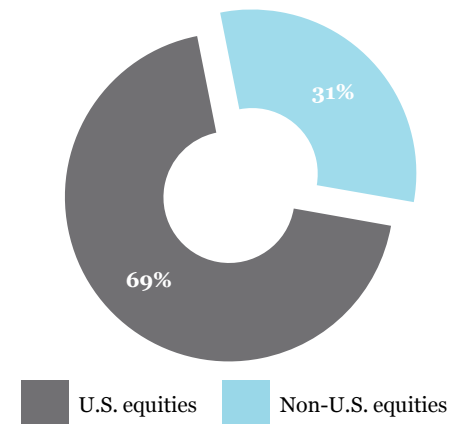
# 3Q15 Intra-Quarter Updates



- Strong market conditions in U.S. equities
  - Consolidated U.S. equity volume and realized volatility for the S&P 500 quarter to date are elevated in comparison to prior reporting periods
  - Retail trading activity QTD is tracking +12% compared to 2Q15 and +21% to 3Q14
- Increased activity in global equities QTD
  - Year over year, European equity notional volume up 17% while Asian equity share volume is up 10%

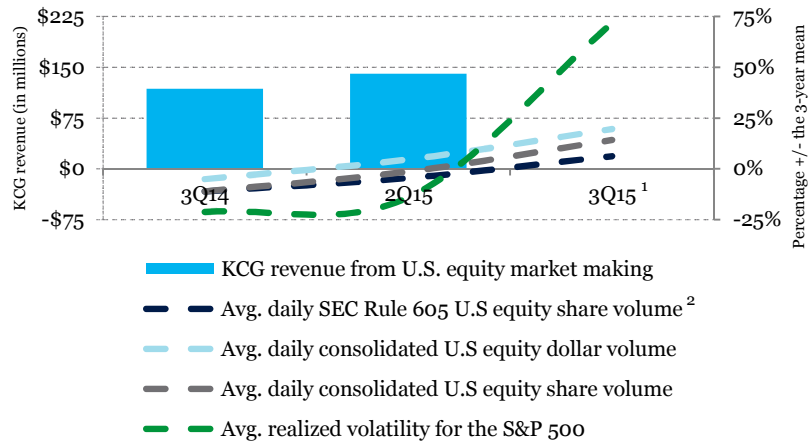
- Mixed market conditions in fixed income, currencies and commodities QTD
  - Year over year, U.S. Treasuries are essentially flat while currencies are slightly lower
- As previously disclosed, during 3Q15, KCG will record non-recurring real-estate charges of \$25 to \$30 million as well as additional Depreciation and amortization of \$4.5 to \$5 million related to the corporate relocation

**KCG consolidated revenues for the trailing four quarters<sup>2</sup>**



# Market Making

Primary drivers of revenues from U.S. equities



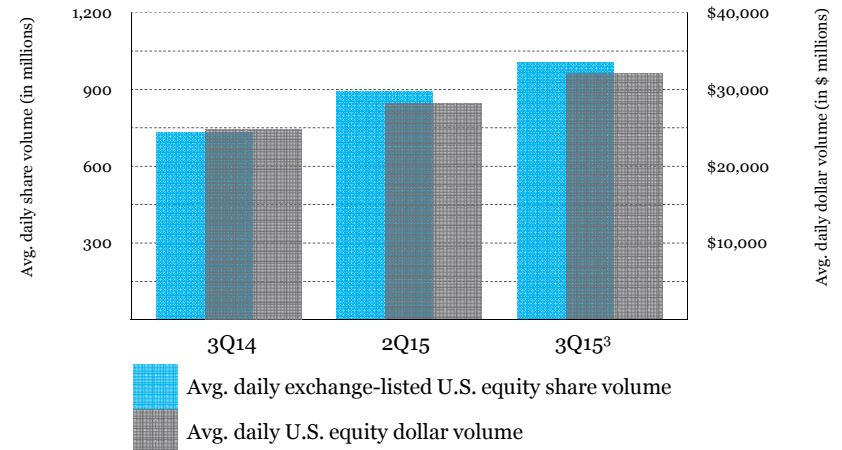
## Non-client, exchange-based market making

- A provider of bilateral liquidity – best prices for buy and sell orders – on public and private markets
- Active globally in select asset classes that are largely electronic, fairly liquid and centrally cleared
- Anticipated future growth from the modernization of markets for global equities, fixed income, currencies and commodities

## Direct-to-client market making

- A leading direct-to-client market maker serving retail brokers and banks globally in an expanding number of asset classes
- A scale operation with competition based on market coverage, execution quality, reliability and payment for order flow
- Currently offer liquidity in U.S. equities, listed U.S. options, European equities, U.S. fixed income and currencies

KCG U.S. equity market making trade volumes



Sources: KCG, RegOne, BATS Global Markets, Bloomberg

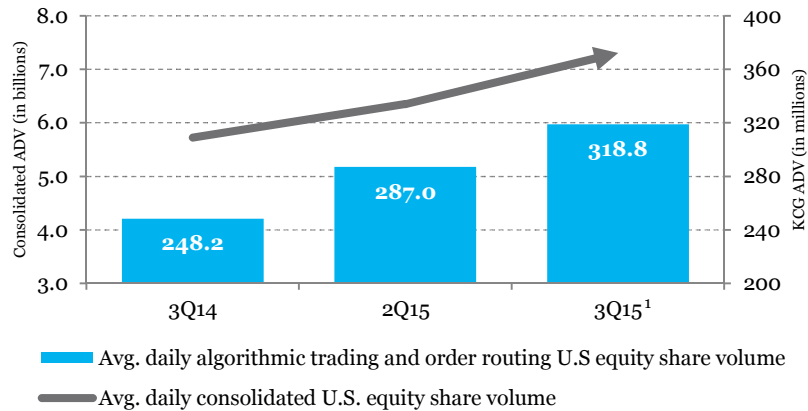
<sup>1</sup> 3Q15 data as of September 15, 2015 unless otherwise noted

<sup>2</sup> 3Q15 SEC Rule 605 U.S. equity share volume includes estimates of August and month-to-date September 2015 activity based on public and proprietary data

<sup>3</sup> 3Q15 KCG U.S. equity market making trade volumes represent quarter-to-date activity through August 2015

# Agency Execution and Trading Venues

**KCG algorithmic trading and order routing  
U.S. equity share volume**



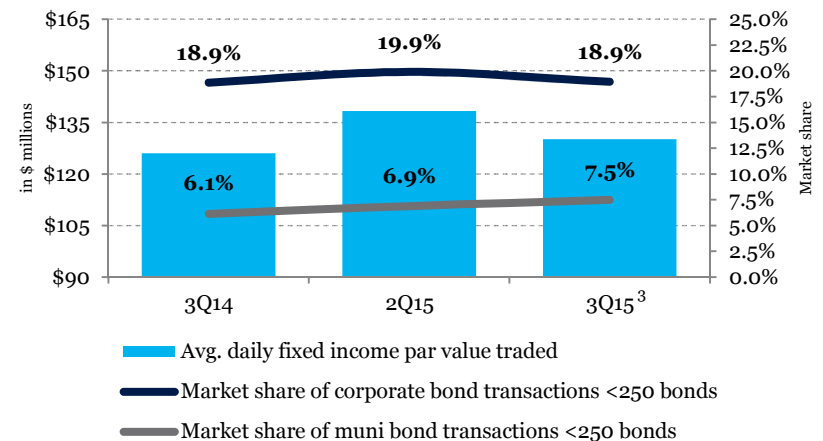
## Agency execution

- A leading execution-only broker serving mutual funds, hedge funds and pension funds in global equities
- Offer algorithmic trading as well as sales trading for more complex trades
- Anticipated future growth from increasing penetration of KCG algorithms among the leading asset managers

## Trading venues

- A developer and operator of marketplaces in strategic asset classes
- Anticipated future growth from the modernization of markets – in particular fixed income – that remain manual, non-transparent and illiquid
- A 16.7% stake in global exchange BATS<sup>2</sup>

**KCG BondPoint trade volume and market share**



Sources: KCG, BATS Global Markets, TRACE

<sup>1</sup> 3Q15 consolidated U.S. equity share volume represents quarter-to-date activity through September 15, 2015 while KCG algorithmic trading and order routing volume is through August 31, 2015

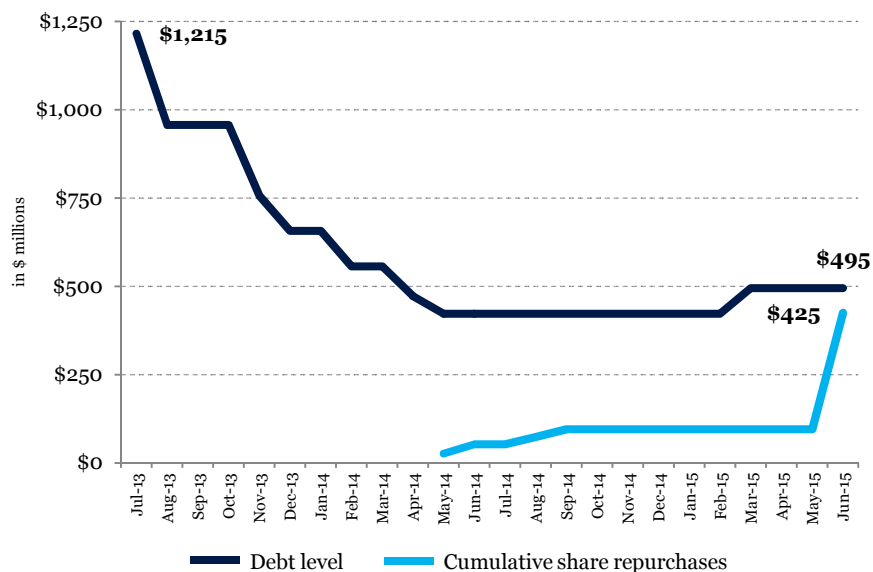
<sup>2</sup> KCG's strategic investment in BATS Global Markets, Inc. is contained in the Corporate and Other segment

<sup>3</sup> 3Q15 KCG BondPoint trade volume and market share represents quarter-to-date activity through August 31, 2015



# Cash Management: Deleveraging to Capital Return

KCG debt level and cumulative share repurchases



Cash (in \$ millions)

	Sources	Uses
Approximate cash and cash equivalents at July 1, 2013 <sup>1</sup>	\$ 730	
Asset sales <sup>2</sup>	448	
Free cash flow <sup>3</sup>	300	
Debt repayments <sup>4</sup>		857
Funds received from issuance of debt, net <sup>5</sup>	482	
Distributions from investments, net <sup>6</sup>	58	
Share repurchases <sup>7</sup>		95
Tender offer <sup>8</sup>		330
Income taxes paid		80
Other, net <sup>9</sup>		115
Cash and cash equivalents at June 30, 2015		541
Targeted liquidity pool of cash and highly liquid financial instruments <sup>10</sup>		350
Cash in excess of targeted liquidity pool <sup>11</sup>		\$ 191

NOTE: Totals may not add due to rounding

<sup>1</sup> Represents the aggregate cash and cash equivalents held by GETCO Holding Company, LLC and Knight Capital Group, Inc. at June 30, 2013; also factors in cash activity related to the Mergers on 7/1 including issuance of \$535 million First Lien Credit Facility, contribution of \$55 million from GA offset by payment to Knight shareholders of \$720 million, funding of escrow account to paydown Knight Convertibles of \$375 million, payment of debt (and interest on debt) on GETCO's books and fees on Merger-related debt issuances

<sup>2</sup> Asset sales represent aggregate cash received to date from the sales of Urban Financial of America, KCG's futures commission merchant (FCM) and KCG Hotspot; the value is a gross amount and is not net of taxes payable on the applicable gains; amount also excludes all future consideration

<sup>3</sup> Free cash flow represents income from continuing operations less capital expenditures plus non-cash items such as depreciation and amortization, stock-based compensation and non-GAAP adjustments included in Regulation G tables through 2Q15

<sup>4</sup> Debt repayments represents total cash used to redeem 8.25% \$305 million Senior Secured Notes plus its make-whole premium plus \$535 million First Lien Credit Facility (\$117 million of the paydown of this facility came from the Collateral Account funded on 7/1; \$117 million of KCG's cash was then used for the repayment of the remaining principal outstanding of Knight's Convertible Notes

<sup>5</sup> Funds received from issuance of debt, net represents issuance of 6.875% \$500 million Senior Secured Notes, net of issuance discount and fees paid to third parties directly attributable to the debt issuance

<sup>6</sup> Distributions from investments, net represents cash received as returns on capital related to KCG's investments, net of additional investments made

<sup>7</sup> Represents share repurchases under the \$400 million share repurchase program authorized by the KCG Board of Directors and announced on May 1, 2015

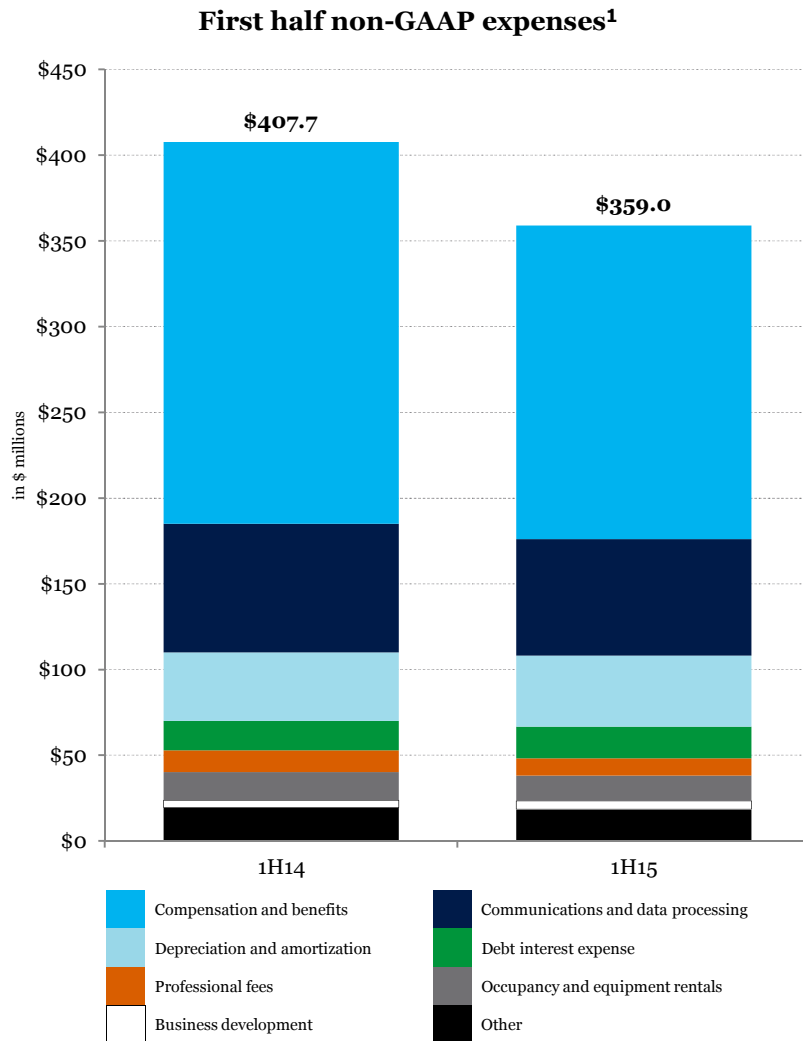
<sup>8</sup> Represents the dollar value of shares repurchased and retired under the modified Dutch auction tender offer completed on June 9, 2015

<sup>9</sup> Other represents net uses of cash not included in the other categories, including financing of our financial instruments

<sup>10</sup> Targeted liquidity pool, as described in KCG's quarterly report on Form 10-Q for the quarter ended June 30, 2015 within Item 3 'Quantitative and Qualitative Disclosures About Market Risk'

<sup>11</sup> Represents cash and other highly liquid financial instruments in excess of the targeted liquidity pool and included within Cash and cash equivalents on the June 30, 2015 balance sheet

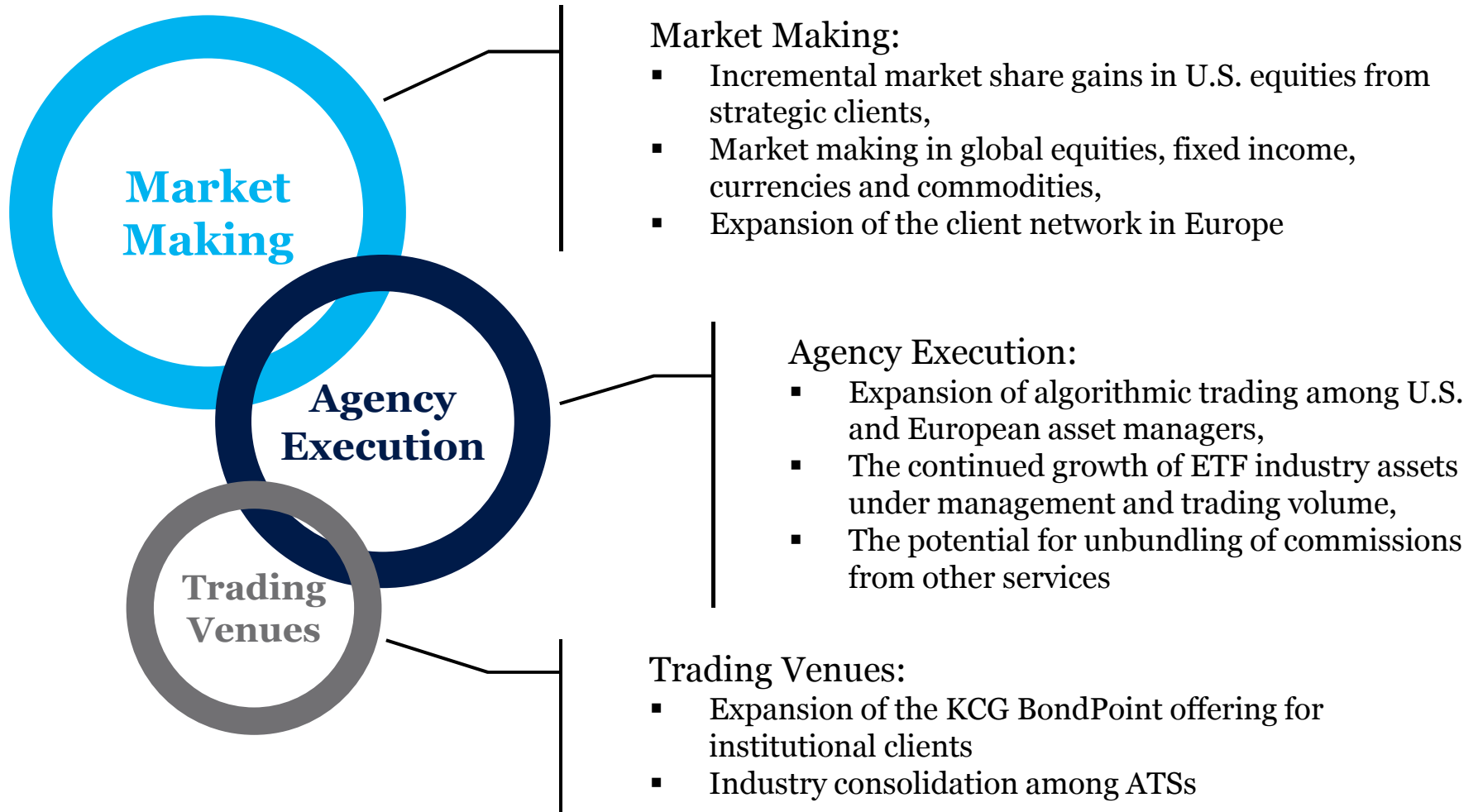
# Consolidated Expenses



- Compensation and benefits declined \$39.8 million due to decreased headcount and reduced discretionary bonus accruals
- Communications and data processing decreased \$7.1 million due to reduced market data and terminal fees, connectivity costs and maintenance expenses
- Among transaction-based expenses not included in the chart, Execution and clearance fees declined \$17.7 million – amid an increase in KCG trade volumes – due to better tiered exchange pricing and reduced regulatory transaction fees
- Among future corporate relocation and other real estate-related expenses
  - Depreciation and amortization will increase approximately \$4.5 to \$5 million per quarter from 3Q15 through 4Q16
  - Occupancy and equipment rentals will increase approximately \$1.5 million per quarter from 4Q15 through 4Q16

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# Prospects for Multiyear Organic Growth



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**KCG**  
**LISTED**  
**NYSE**<sup>®</sup>

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended June 30, 2015

	Market Making	Global Execution Services	Corporate and Other	Consolidated
<b>Reconciliation of GAAP pre-tax to non-GAAP pre-tax:</b>				
<b>GAAP income (loss) from continuing operations before income taxes</b>	\$ 4,402	\$ (9,937)	\$ (51,579)	\$ (57,114)
Accelerated stock-based compensation	19,844	8,202	803	28,849
Debt make-whole premium	-	-	16,500	16,500
Writedown of capitalized debt costs	-	-	8,506	8,506
Other real estate related charges	-	-	6,327	6,327
<b>Non-GAAP income (loss) from continuing operations before income taxes</b>	\$ 24,246	\$ (1,735)	\$ (19,443)	\$ 3,068

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended March 31, 2015

	Market Making	Global Execution Services	Corporate and Other	Consolidated
<b>Reconciliation of GAAP pre-tax to non-GAAP pre-tax:</b>				
<b>GAAP income (loss) from continuing operations before income taxes</b>	\$ 39,340	\$ 381,058	\$ (14,270)	\$ 406,128
Gain on sale of KCG Hotspot	-	(385,026)	-	(385,026)
Professional fees related to sale of KCG Hotspot	-	6,736	-	6,736
Compensation expense related to sale of KCG Hotspot	-	4,457	-	4,457
Other real estate related charges	-	-	132	132
<b>Non-GAAP income (loss) from continuing operations before income taxes</b>	\$ 39,340	\$ 7,225	\$ (14,138)	\$ 32,427

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended December 31, 2014

	Market Making	Global Execution Services	Corporate and Other	Consolidated
<b>Reconciliation of GAAP pre-tax to non-GAAP pre-tax:</b>				
<b>GAAP income (loss) from continuing operations before income taxes</b>	\$ 42,710	\$ 9,968	\$ (26,147)	\$ 26,531
Gain on sale of FCM	-	(2,116)	-	(2,116)
Other real estate related charges	-	-	6,117	6,117
<b>Non-GAAP income (loss) from continuing operations before income taxes</b>	\$ 42,710	\$ 7,852	\$ (20,030)	\$ 30,532

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended September 30, 2014

	Market Making	Global Execution Services	Corporate and Other	Consolidated
<b>Reconciliation of GAAP pre-tax to non-GAAP pre-tax:</b>				
<b>GAAP loss from continuing operations before income taxes</b>	\$ (8,033)	\$ (1,664)	\$ (5,538)	\$ (15,235)
Net gain related to tradeMONSTER combination with OptionsHouse	-	-	(15,105)	(15,105)
Compensation related to reduction in workforce and other employee separations	2,786	3,577	4,158	10,521
Other real estate related charges	-	-	301	301
<b>Non-GAAP (loss) income from continuing operations before income taxes</b>	<b>\$ (5,247)</b>	<b>\$ 1,913</b>	<b>\$ (16,184)</b>	<b>\$ (19,518)</b>



# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended June 30, 2014

	Market Making	Global Execution Services	Corporate and Other	Consolidated
<b>Reconciliation of GAAP pre-tax to non-GAAP pre-tax:</b>				
<b>GAAP income (loss) from continuing operations before income taxes</b>	\$ 36,004	\$ 736	\$ (22,233)	\$ 14,507
Writedown of capitalized debt costs	-	-	1,995	1,995
Compensation related to reduction in workforce	383	1,886	800	3,069
Other real estate related charges	452	-	1,489	1,941
<b>Non-GAAP income (loss) from continuing operations before income taxes</b>	<b>\$ 36,839</b>	<b>\$ 2,622</b>	<b>\$ (17,949)</b>	<b>\$ 21,512</b>

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended March 31, 2014

	Market Making	Global Execution Services	Corporate and Other	Consolidated
<b>Reconciliation of GAAP pre-tax to non-GAAP pre-tax:</b>				
<b>GAAP income (loss) from continuing operations before income taxes</b>	\$ 76,032	\$ 2,016	\$ (18,664)	\$ 59,384
Writedown of capitalized debt costs	-	-	7,557	7,557
Income resulting from the merger of BATS and Direct Edge, net	-	-	(9,644)	(9,644)
Other real estate related charges	359	-	(93)	266
<b>Non-GAAP income (loss) from continuing operations before income taxes</b>	<b>\$ 76,391</b>	<b>\$ 2,016</b>	<b>\$ (20,844)</b>	<b>\$ 57,563</b>

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended June 30, 2015

	GAAP	Adjustments for non-GAAP presentation	KCG non-GAAP, normalized expenses
<b>Reconciliation of GAAP expenses to KCG non-GAAP, normalized expenses:</b>			
Employee compensation and benefits	109,471	28,849	80,622
Communications and data processing	34,240	-	34,240
Depreciation and amortization	20,726	-	20,726
Debt interest expense	9,989	-	9,989
Professional fees	5,694	-	5,694
Occupancy and equipment rentals	7,474	-	7,474
Business development	3,025	-	3,025
Other real estate and debt extinguishment charges	31,333	31,333	-
Other	10,652	-	10,652
<b>Total expenses<sup>1</sup></b>	<b>\$ 232,604</b>	<b>\$ 60,182</b>	<b>\$ 172,422</b>



<sup>1</sup> Total expenses exclude transaction-based expenses which fluctuate based on market conditions and client activity.

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended March 31, 2015

	GAAP	Adjustments for non-GAAP presentation	KCG non-GAAP, normalized expenses
<b>Reconciliation of GAAP expenses to KCG non-GAAP, normalized expenses:</b>			
Employee compensation and benefits	106,718	4,457	102,261
Communications and data processing	33,764	-	33,764
Depreciation and amortization	20,615	-	20,615
Debt interest expense	8,463	-	8,463
Professional fees	11,181	6,736	4,445
Occupancy and equipment rentals	7,340	-	7,340
Business development	1,857	-	1,857
Other real estate related charges	132	132	-
Other	7,808	-	7,808
<b>Total expenses<sup>1</sup></b>	<b>\$ 197,878</b>	<b>\$ 11,325</b>	<b>\$ 186,553</b>



<sup>1</sup> Total expenses exclude transaction-based expenses which fluctuate based on market conditions and client activity.

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended December 31, 2014

	GAAP	Adjustments for non-GAAP presentation	KCG non-GAAP, normalized expenses
<b>Reconciliation of GAAP expenses to KCG non-GAAP, normalized expenses:</b>			
Employee compensation and benefits	116,214	-	116,214
Communications and data processing	36,945	-	36,945
Depreciation and amortization	21,224	-	21,224
Debt interest expense	7,721	-	7,721
Professional fees	5,695	-	5,695
Occupancy and equipment rentals	8,514	-	8,514
Business development	2,308	-	2,308
Other real estate related charges	6,117	6,117	-
Other	9,822	-	9,822
<b>Total expenses<sup>1</sup></b>	<b>\$ 214,561</b>	<b>\$ 6,117</b>	<b>\$ 208,444</b>



<sup>1</sup> Total expenses exclude transaction-based expenses which fluctuate based on market conditions and client activity.

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended September 30, 2014

	GAAP	Adjustments for non-GAAP presentation	KCG non-GAAP, normalized expenses
<b>Reconciliation of GAAP expenses to KCG non-GAAP, normalized expenses:</b>			
Employee compensation and benefits	95,307	10,521	84,786
Communications and data processing	38,576	-	38,576
Depreciation and amortization	20,298	-	20,298
Debt interest expense	7,714	-	7,714
Professional fees	7,161	-	7,161
Occupancy and equipment rentals	7,672	-	7,672
Business development	3,163	-	3,163
Other real estate related charges	301	301	-
Other	10,580	-	10,580
<b>Total expenses<sup>1</sup></b>	<b>\$ 190,772</b>	<b>\$ 10,822</b>	<b>\$ 179,950</b>



<sup>1</sup> Total expenses exclude transaction-based expenses which fluctuate based on market conditions and client activity.

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended June 30, 2014

	GAAP	Adjustments for non-GAAP presentation	KCG non-GAAP, normalized expenses
<b>Reconciliation of GAAP expenses to KCG non-GAAP, normalized expenses:</b>			
Employee compensation and benefits	103,430	3,069	100,361
Communications and data processing	38,279	-	38,279
Depreciation and amortization	19,823	-	19,823
Debt interest expense	7,497	-	7,497
Professional fees	7,337	-	7,337
Occupancy and equipment rentals	8,235	-	8,235
Business development	2,609	-	2,609
Other real estate and debt extinguishment charges	3,936	3,936	-
Other	10,767	-	10,767
<b>Total expenses<sup>1</sup></b>	<b>\$ 201,913</b>	<b>\$ 7,005</b>	<b>\$ 194,908</b>



<sup>1</sup> Total expenses exclude transaction-based expenses which fluctuate based on market conditions and client activity.

# Regulation G Reconciliation of Non-GAAP Financial Measures (Continuing Operations)

3 months ended March 31, 2014

	GAAP	Adjustments for non-GAAP presentation	KCG non-GAAP, normalized expenses
<b>Reconciliation of GAAP expenses to KCG non-GAAP, normalized expenses:</b>			
Employee compensation and benefits	122,319	-	122,319
Communications and data processing	36,796	-	36,796
Depreciation and amortization	20,103	-	20,103
Debt interest expense	9,524	-	9,524
Professional fees	5,402	-	5,402
Occupancy and equipment rentals	8,285	-	8,285
Business development	1,683	-	1,683
Other real estate and debt extinguishment charges	7,823	7,823	-
Other	8,643	-	8,643
<b>Total expenses<sup>1</sup></b>	<b>\$ 220,578</b>	<b>\$ 7,823</b>	<b>\$ 212,755</b>



<sup>1</sup> Total expenses exclude transaction-based expenses which fluctuate based on market conditions and client activity.



