

Virtu Financial, Inc.  
Form 10-Q  
May 07, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-37352

Virtu Financial, Inc.

(Exact name of registrant as specified in its charter)

Delaware

32-0420206

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

300 Vesey Street

10282

New York, New York 10282

(Address of principal executive offices) (Zip Code)

(212) 418-0100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company) Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

No

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. Yes  No

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Class of Stock	Shares Outstanding as of May 7, 2018
Class A common stock, par value \$0.00001 per share	91,512,582
Class C common stock, par value \$0.00001 per share	17,043,963
Class D common stock, par value \$0.00001 per share	79,610,490

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Unless the context otherwise requires, the terms “we,” “us,” “our,” “Virtu” and the “Company” refer to Virtu Financial, Inc., a Delaware corporation, and its consolidated subsidiaries and the term “Virtu Financial” refers to Virtu Financial LLC, a Delaware limited liability company and a consolidated subsidiary of ours.



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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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Condensed Consolidated Statements of Financial Condition

(in thousands, except share and interest data)	March 31, 2018	December 31, 2017
<b>Assets</b>		
Cash and cash equivalents	\$637,308	\$532,887
Securities borrowed	1,232,048	1,471,172
Securities purchased under agreements to resell	602	—
Receivables from broker dealers and clearing organizations	1,434,039	972,018
Trading assets, at fair value:		
Financial instruments owned	2,297,070	2,117,579
Financial instruments owned and pledged	610,536	595,043
Property, equipment and capitalized software (net of accumulated depreciation of \$373,232 and \$375,656 as of March 31, 2018 and December 31, 2017, respectively)	128,675	137,018
Goodwill	836,583	844,883
Intangibles (net of accumulated amortization of \$130,246 and \$123,409 as of March 31, 2018 and December 31, 2017, respectively)	104,387	111,224
Deferred tax assets	123,289	125,760
Assets of business held for sale	—	55,070
Other assets (\$100,811 and \$98,364, at fair value, as of March, 31, 2018 and December 31, 2017, respectively)	353,394	357,352
<b>Total assets</b>	<b>\$7,757,931</b>	<b>\$7,320,006</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Short-term borrowings	\$20,944	\$27,883
Securities loaned	936,061	754,687
Securities sold under agreements to repurchase	265,401	390,642
Payables to broker dealers and clearing organizations	648,788	716,205
Trading liabilities, at fair value:		
Financial instruments sold, not yet purchased	2,846,453	2,384,598
Tax receivable agreement obligations	147,040	147,040
Accounts payable and accrued expenses and other liabilities	313,305	358,825
Long-term borrowings	1,121,464	1,388,548
<b>Total liabilities</b>	<b>\$6,299,456</b>	<b>\$6,168,428</b>
<b>Virtu Financial Inc. Stockholders' equity</b>		
Class A common stock (par value \$0.00001), Authorized — 1,000,000,000 and 1,000,000,000 shares, Issued — 92,687,589 and 90,415,532 shares, Outstanding — 91,512,582 and 89,798,609 shares at March 31, 2018 and December 31, 2017, respectively	—	1
Class B common stock (par value \$0.00001), Authorized — 175,000,000 and 175,000,000 shares, Issued and Outstanding — 0 and 0 shares at March 31, 2018 and December 31, 2017, respectively	—	—
Class C common stock (par value \$0.00001), Authorized — 90,000,000 and 90,000,000 shares, Issued — 17,066,564 and 17,880,239 shares, Outstanding — 17,066,564 and 17,880,239, at March 31, 2018 and December 31, 2017, respectively	—	—
Class D common stock (par value \$0.00001), Authorized — 175,000,000 and 175,000,000 shares, Issued and Outstanding — 79,610,490 and 79,610,490 shares at March 31, 2018 and	—	1

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December 31, 2017, respectively		
Treasury stock, at cost, 1,175,007 and 616,923 shares at March 31, 2018 and December 31, 2017, respectively	(25,485 )	(11,041 )
Additional paid-in capital	930,954	900,746
Retained Earnings (Accumulated deficit)	90,242	(62,129 )
Accumulated other comprehensive income	4,232	2,991
Total Virtu Financial Inc. stockholders' equity	\$999,945	\$ 830,569
Noncontrolling interest	458,530	321,009
Total equity	\$1,458,475	\$ 1,151,578
Total liabilities and equity	\$7,757,931	\$ 7,320,006

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Virtu Financial, Inc. and Subsidiaries

Condensed Consolidated Statements of Financial Condition

See accompanying notes to the condensed consolidated financial statements.

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Condensed Consolidated Statements of Comprehensive Income

(in thousands, except share and per share data)	For Three Months Ended March 31,	
	2018	2017
<b>Revenues:</b>		
Trading income, net	\$406,162	\$139,574
Interest and dividends income	17,949	4,874
Commissions, net and technology services	53,844	2,779
Other, net	337,098	60
Total revenue	815,053	147,287
<b>Operating Expenses:</b>		
Brokerage, exchange and clearance fees, net	87,824	52,770
Communication and data processing	49,486	18,207
Employee compensation and payroll taxes	64,670	21,347
Payments for order flow	16,256	—
Interest and dividends expense	33,624	12,280
Operations and administrative	19,919	4,846
Depreciation and amortization	15,339	6,757
Amortization of purchased intangibles and acquired capitalized software	6,851	53
Termination of office leases	19,970	—
Debt issue cost related to debt refinancing	6,021	—
Transaction advisory fees and expenses	7,496	132
Charges related to share based compensation at IPO	14	185
Financing interest expense on long-term borrowings	19,047	6,828
Total operating expenses	346,517	123,405
Income before income taxes and noncontrolling interest	468,536	23,882
Provision for income taxes	58,514	2,808
Net income	410,022	21,074
Noncontrolling interest	(235,271 )	(16,494 )
Net income available for common stockholders	\$174,751	\$4,580
<b>Earnings per share</b>		
Basic	\$1.89	0.10
Diluted	\$1.86	0.10
<b>Weighted average common shares outstanding</b>		
Basic	90,699,321	40,398,381
Diluted	92,406,318	40,398,381
Net income	\$410,022	\$21,074
<b>Other comprehensive income</b>		
Foreign exchange translation adjustment, net of taxes	2,529	785
Comprehensive income	412,551	21,859
Less: Comprehensive income attributable to noncontrolling interest	(236,559 )	(17,044 )
Comprehensive income attributable to common stockholders	\$175,992	\$4,815

See accompanying notes to the condensed consolidated financial statements.

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Virtu Financial, Inc. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

	Class A Common Stock	Class C Common Stock	Class D Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings (Accumula Deficit)	
(in thousands, except share and interest data)	Shares	Am Shares	Am Shares	Am Shares	Amounts	Amounts	
Balance at December 31, 2017	90,415,532	\$ 17,880,239	\$ -79,610,490,000	\$ 1 (616,923,000)	\$(11,041)	\$ 900,746	\$(62,129)
Share based compensation	744,536	—	—	—	—	16,632	—
Repurchase of Class C common stock	—	(18,154 )	—	—	—	(332 )	—
Treasury stock purchases	—	—	—	(558,084,000)	(14,444 )	—	—