



**VIRTU FINANCIAL**



## **Fourth Quarter 2016 - Supplemental Materials**

February 2, 2017

## **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

This presentation may contain “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements regarding Virtu Financial, Inc.’s (“Virtu’s” or “our”) business that are not historical facts are forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. The Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, and if the Company does update one or more forward-looking statements, no inference should be drawn that the Company will make additional updates with respect thereto or with respect to other forward-looking statements. Forward-looking statements are based on information available at the time and/or management’s good faith belief with respect to future events, and is subject to risks and uncertainties, some or all of which are not predictable or within Virtu’s control, that could cause actual performance or results to differ materially from those expressed in the statements. Those risks and uncertainties include, without limitation: fluctuations in trading volume and volatilities in the markets in which we operate; the ability of our trading counterparties and various clearing houses to perform their obligations to us; the performance and reliability of our customized trading platform; the risk of material trading losses from our market making activities; swings in valuations in securities or other instruments in which we hold positions; increasing competition and consolidation in our industry; our belief that cash flow from our operations and other available sources of liquidity will be sufficient to fund our various ongoing obligations, including operating expenses, capital expenditures, debt service and dividend payments; regulatory and legal uncertainties and potential changes associated with our industry, particularly in light of increased attention from media, regulators and lawmakers to market structure and related issues; potential adverse results from legal or regulatory proceedings; our ability to remain technologically competitive and to ensure that the technology we utilize is not vulnerable to security risks, hacking and cyber-attacks; risks associated with third party software and technology infrastructure. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in forward-looking statements, see Virtu’s Securities and Exchange Commission filings, including but not limited to Virtu’s Annual Report on Form 10-K.

## **GAAP AND NON-GAAP RESULTS**

This presentation includes certain non-GAAP financial measures, including Normalized Adjusted Net Income, Normalized Adjusted Pre-Tax Net Income, Normalized Adjusted Free Cash Flow, Net Cash and Trading Capital. Non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate such measures. Accordingly, our non-GAAP financial measures may not be comparable to similar measures used by other companies. We caution investors not to place undue reliance on such non-GAAP measures, but instead to consider them with the most directly comparable GAAP measure. Non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation, or as a substitute for our results as reported under GAAP. A reconciliation of non-GAAP measures to the most directly comparable financial measure prepared in accordance with GAAP is included in Appendix hereto.

# GAAP to Non-GAAP Reconciliation



## Virtu Financial, Inc. and Subsidiaries (Unaudited)

(in millions, except for per share data)

	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015
Net Income	\$ 34.9	\$ 33.0	\$ 39.3	\$ 51.4	\$ 42.9	\$ 69.5	\$ 7.6
Diluted EPS (GAAP)	\$ 0.22	\$ 0.18	\$ 0.21	\$ 0.26	\$ 0.23	\$ 0.35	\$ 0.01

### Reconciliation of Net Income to Normalized Adjusted Net Income

<b>Net Income</b>	<b>\$ 34.9</b>	<b>\$ 33.0</b>	<b>\$ 39.3</b>	<b>\$ 51.4</b>	<b>\$ 42.9</b>	<b>\$ 69.5</b>	<b>\$ 7.6</b>
Provision for Income Taxes	4.0	4.9	5.1	7.3	4.3	9.4	2.0
Amortization of purchased intangibles and acquired capitalized software	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Reserve for legal matter	-	-	-	-	5.4	-	-
Debt issue cost related to debt refinancing	5.6						
Severance	0.9	0.1	-	0.2	0.4	0.3	-
Transaction advisory fees and expenses	0.3	0.5	0.2	-	-	-	-
Termination of office leases	-	-	-	(0.3)	-	-	-
Equipment write-off	-	-	-	0.4	-	0.3	-
Trading related settlement income	-	(3.0)	-	-	-	-	-
Other losses (revenues)	(0.1)	0.1	-	-	-	-	-
Share-based compensation including IPO related awards	5.3	6.7	6.3	7.2	3.9	6.0	48.3
<b>Normalized Adjusted Net Income before taxes</b>	<b>\$ 51.0</b>	<b>\$ 42.4</b>	<b>\$ 51.0</b>	<b>\$ 66.3</b>	<b>\$ 57.0</b>	<b>\$ 85.6</b>	<b>\$ 58.0</b>
Normalized provision for income taxes <sup>1</sup>	18.1	15.0	18.1	23.6	20.2	30.4	20.7
<b>Normalized Adjusted Net Income</b>	<b>\$ 32.9</b>	<b>\$ 27.4</b>	<b>\$ 32.9</b>	<b>\$ 42.7</b>	<b>\$ 36.8</b>	<b>\$ 55.2</b>	<b>\$ 37.3</b>
Weighted average shares outstanding <sup>2</sup>	139.7	139.7	139.7	139.9	138.9	138.9	138.7
<b>Normalized Adjusted EPS</b>	<b>\$ 0.24</b>	<b>\$ 0.20</b>	<b>\$ 0.24</b>	<b>\$ 0.31</b>	<b>\$ 0.27</b>	<b>\$ 0.40</b>	<b>\$ 0.27</b>

# GAAP to Non-GAAP Reconciliation (Continued)



(in millions, except for per share data)

	4Q 2016		3Q 2016		2Q 2016		1Q 2016		4Q 2015		3Q 2015		2Q 2015	
	Total	/Share	Total	/Share	Total	/Share	Total	/Share	Total	/Share	Total	/Share	Total	/Share
<b>Normalized Adjusted Net Income</b>	<b>\$ 32.9</b>	<b>\$ 0.24</b>	<b>\$ 27.4</b>	<b>\$ 0.20</b>	<b>\$ 32.9</b>	<b>\$ 0.24</b>	<b>\$ 42.7</b>	<b>\$ 0.31</b>	<b>\$ 36.8</b>	<b>\$ 0.27</b>	<b>\$ 55.2</b>	<b>\$ 0.40</b>	<b>\$ 37.3</b>	<b>\$ 0.27</b>
+ Normalized provision for Income Taxes <sup>1</sup>	18.1		15.1		18.1		23.5		20.3		30.4		20.5	
<b>Normalized Adjusted Pre Tax Net Income</b>	<b>51.0</b>		<b>42.4</b>		<b>50.9</b>		<b>66.2</b>		<b>57.1</b>		<b>85.6</b>		<b>57.9</b>	
Depreciation and Amortization	7.1		7.1		7.8		7.7		7.6		8.2		8.2	
Capital expenditures <sup>3</sup>	(5.3)		(4.3)		(6.5)		(3.3)		(3.7)		(2.8)		(11.5)	
Tax benefit <sup>4</sup>	1.8		2.1		2.3		2.7		2.7		2.7		2.6	
Transaction Fees and Expenses <sup>5</sup>	(0.3)		(1.2)		(0.2)		-		(1.0)		-		-	
Principal Payments on Debt <sup>6</sup>	-		(1.3)		(1.3)		(1.3)		(1.3)		(1.3)		(0.4)	
Other Sources (Uses) of Cash <sup>7</sup>	(6.0)		1.3		(0.5)		(0.7)		(4.7)		(0.8)		(0.5)	
<b>Normalized Adjusted Free Cash Flow</b>	<b>\$ 30.1</b>	<b>\$ 0.22</b>	<b>\$ 31.1</b>	<b>\$ 0.22</b>	<b>\$ 34.5</b>	<b>\$ 0.25</b>	<b>\$ 47.9</b>	<b>\$ 0.34</b>	<b>\$ 36.4</b>	<b>\$ 0.26</b>	<b>\$ 61.1</b>	<b>\$ 0.44</b>	<b>\$ 35.8</b>	<b>\$ 0.26</b>
<b>Pro Forma Dividends</b>	<b>\$ 33.5</b>	<b>\$ 0.24</b>	<b>\$ 33.5</b>	<b>\$ 0.24</b>	<b>\$ 33.5</b>	<b>\$ 0.24</b>	<b>\$ 33.6</b>	<b>\$ 0.24</b>	<b>\$ 33.3</b>	<b>\$ 0.24</b>	<b>\$ 33.3</b>	<b>\$ 0.24</b>	<b>\$ 33.3</b>	<b>\$ 0.24</b>
<b>% FCF to Pro Forma Dividends</b>	<b>90%</b>	<b>90%</b>	<b>93%</b>	<b>93%</b>	<b>103%</b>	<b>103%</b>	<b>143%</b>	<b>143%</b>	<b>109%</b>	<b>109%</b>	<b>183%</b>	<b>183%</b>	<b>108%</b>	<b>108%</b>
 Weighted average shares outstanding <sup>2</sup>	 139.7		 139.7		 139.7		 139.9		 138.9		 138.9		 138.7	

	4Q 2016		3Q 2016	
	Normalized Adj. Net Income	Normalized Adj. Free Cash Flow	Normalized Adj. Net Income	Normalized Adj. Free Cash Flow
<b>Cumulative Per Share Dividends</b>	<b>\$ 1.90</b>	<b>\$ 1.99</b>	<b>\$ 1.67</b>	<b>\$ 1.77</b>
<b>Dividends Payout Ratio</b>	<b>88%</b>	<b>85%</b>	<b>86%</b>	<b>81%</b>

## ■ Cash flow characteristics:

- Our trading revenues are realized as cash within a trade settlement cycle, typically 1-3 days
- Low capital expenditure profile – run-rate is below depreciation and amortization
- Positive net cash impact from Tax Receivable Agreement (TRA)
- Liquid balance sheet with \$181.4 million of Cash and cash equivalents (\$156.4 million Net Cash<sup>8</sup>) and \$385.7 million of Trading Capital<sup>8</sup> at 12/31/16

# GAAP to Non-GAAP Reconciliation (Continued)



**(1) Normalized provision for income taxes:** Reflects U.S. federal, state, and local income tax rate applicable to corporations of approximately 35.5%

**(2) Weighted average shares outstanding:** Assumes conversion of all vested and unvested Virtu Financial LLC Units into Class A common stock on a one-for-one basis, including additional shares from dilutive impact of options and restricted stock units outstanding under the 2015 Management Incentive Plan

**(3) Capital expenditures:** Includes costs associated with the purchase of networking and communication equipment plus internally developed software

**(4) Tax benefit:** Represents cash tax savings realized from the amortization of deferred tax assets created from the tax basis step-up on a pro-forma basis, assuming conversion of all Virtu Financial LLC Units into Class A common stock, net of payment obligations under the tax receivable agreements

**(5) Transaction Fees and Expenses:** Includes transaction costs associated with the Secondary Offerings of our Class A common stock in Q4 2015 and Q3 2016, respectively, and minority investment in SBI Japannext in Q3 2016

**(6) Principal Payments on Debt:** Represents mandatory principal payments on our Senior Secured Credit Facility

**(7) Other Sources (Uses) of Cash:** Includes other miscellaneous items including one-time trading related settlement income, severance, and payments associated with net settlement of Class A shares awarded pursuant to the 2015 Management Incentive Plan, net of withholding taxes

**(8) Net Cash / Trading Capital:** Refer to the next page for reconciliations to from GAAP measures

# GAAP to Non-GAAP Reconciliation (Continued)



## Virtu Financial, Inc. and Subsidiaries

### Reconciliation of Statement of Financial Condition to Net Cash

(Unaudited)

<i>(in millions)</i>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
From Statement of Financial Condition:		
Cash and cash equivalents	\$ 181.4	\$ 146.0
(-) Short-term borrowings	(25.0)	(17.6)
(=) <b>Net Cash</b>	<u><u>\$ 156.4</u></u>	<u><u>\$ 128.4</u></u>

### Reconciliation of Statement of Financial Condition to Trading Capital

(Unaudited)

<i>(in millions)</i>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
From Statement of Financial Condition:		
Cash and cash equivalents	\$ 181.4	\$ 146.0
(+) Securities borrowed	220.0	394.8
(+) Receivables from broker-dealers and clearing organizations	449.8	513.3
(+) Trading assets, at fair value	1,960.1	1,440.0
(-) Short-term borrowings	(25.0)	(17.6)
(-) Securities loaned	(222.2)	(481.9)
(-) Payables to broker-dealers and clearing organizations	(828.2)	(305.3)
(-) Trading liabilities, at fair value	(1,350.2)	(1,318.6)
(=) <b>Trading Capital</b>	<u><u>\$ 385.7</u></u>	<u><u>\$ 370.7</u></u>

# Market Metrics



Americas Equities											Q4 2016 vs.	Q4 2016 vs.
	Type	Units	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q3 2016	Q4 2015
<b>Volume Benchmarks (ADV)</b>												
U.S. Equity Consolidated ADV	Shares	M	6,916	6,352	7,321	7,188	8,552	7,251	6,585	7,059	7.2%	(1.8%)
US Notional Value ADV	\$USD	B	286	260	294	279	305	264	250	274	9.9%	(1.6%)
<b>Volatility Benchmarks (ADV)</b>												
VIX: CBOE SPX Volatility Index	#	#	16.56	13.74	19.31	17.09	20.49	15.68	13.23	14.10	6.5%	(17.5%)
SPX Realized Volatility - QTD	#	#	14.02	10.04	20.93	14.79	18.38	13.62	9.80	8.83	(9.9%)	(40.3%)
Ratio: Realized Volatility / VIX	Ratio	%	84.6%	73.1%	108.4%	86.6%	89.7%	86.9%	74.1%	62.6%	(15.4%)	(27.6%)
SPX Intraday Volatility - QTD	#	%	1.10%	0.82%	1.41%	1.09%	1.52%	0.93%	0.69%	0.69%	(0.4%)	(36.8%)
EMEA Equities											Q4 2016 vs.	Q4 2016 vs.
	Type	Units	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q3 2016	Q4 2015
<b>Volume Benchmarks (ADV)</b>												
Pan-EU Equity Shares (incl auction)	Shares	M	6,581	6,083	5,448	5,723	6,659	6,145	5,127	5,339	4.1%	(6.7%)
Pan-EU Notional Value (incl auction)	€	B	54.68	54.65	49.72	47.75	53.69	46.64	39.79	44.45	11.7%	(6.9%)
<b>Volatility Benchmarks (ADV)</b>												
EURO VSTOXX Index (V2X Index)	#	#	22.68	23.17	26.69	23.41	28.61	25.78	20.73	19.43	(6.3%)	(17.0%)
VSTOXX Realized Volatility - QTD	#	#	19.20	21.23	29.69	20.28	27.06	28.12	15.71	11.75	(25.2%)	(42.0%)
Ratio: Realized Volatility / VSTOXX	Ratio	%	85%	92%	111%	87%	95%	109%	76%	60%	(20.2%)	(30.2%)
SX5E Index Intraday Volatility - QTD	#	%	1.54%	1.74%	1.89%	1.66%	2.32%	1.80%	1.35%	1.11%	(17.5%)	(32.9%)
APAC Equities											Q4 2016 vs.	Q4 2016 vs.
	Type	Units	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q3 2016	Q4 2015
<b>Volume Benchmarks (ADV)</b>												
TSE ADV	Shares	M	2,705	2,741	2,834	2,482	2,901	2,452	2,229	2,533	13.7%	2.0%
TSE Notional Value ADV	¥	B	2,807	2,964	3,052	2,726	2,914	2,458	2,450	2,783	13.6%	2.1%
<b>Volatility Benchmarks (ADV)</b>												
VNKY Implied Volatility - QTD	#	#	21.93	19.29	25.10	23.62	31.18	28.85	24.37	20.38	(16.4%)	(13.7%)
NKY Realized Volatility - QTD	#	#	16.06	14.40	31.25	17.84	34.71	31.00	18.85	24.38	29.3%	36.7%
Ratio: Realized NKY Volatility / VNKY	Ratio	%	73%	75%	124%	76%	111%	107%	77%	120%	54.7%	58.4%
NKY Index Intraday Volatility - QTD	#	%	1.04%	0.84%	1.64%	1.16%	2.15%	1.82%	1.14%	0.95%	(16.2%)	(17.8%)

# Market Metrics (Continued)



Global Commodities											Q4 2016 vs.	Q4 2016 vs.
	Type	Units	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q3 2016	Q4 2015
<b>Futures Contract Volume (ADV)</b>												
CME Energy ADV	Contracts	M	2.142	1.748	1.965	2.098	2.536	2.321	2.293	2.585	12.7%	23.2%
ICE Energy ADV	Contracts	M	2.780	2.197	2.293	2.511	2.801	2.418	2.353	2.725	15.8%	8.5%
<b>Volatility Benchmarks (ADV)</b>												
J.P. Morgan Commodity Volatility	#	#	189.08	189.71	178.24	174.76	160.13	163.34	161.79	162.15	0.2%	(7.2%)
CBOE Energy Sector Vol	#	#	27.28	19.23	28.93	30.16	34.73	24.78	21.49	22.34	3.9%	(25.9%)
CBOE Oil ETF VIX Index	#	#	54.68	36.47	43.80	46.80	58.78	42.38	39.96	38.25	(4.3%)	(18.3%)
CBOE/COMEX Gold Vol Indx	#	#	18.80	15.51	17.39	17.11	18.87	18.03	16.18	16.60	2.6%	(3.0%)
Global Currencies											Q4 2016 vs.	Q4 2016 vs.
	Type	Units	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q3 2016	Q4 2015
<b>Spot and Futures Volume (ADV)</b>												
Hotspot ADV FX	\$USD	M	30,360	26,975	25,504	23,301	29,265	25,931	25,660	26,705	4.1%	14.6%
Reuters ADV FX	\$USD	M	127,286	112,031	109,394	95,077	112,234	102,415	91,121	92,631	1.7%	(2.6%)
EBS ADV FX	\$USD	M	113,316	97,897	90,230	77,956	96,183	85,177	75,818	88,995	17.4%	14.2%
CME FX Notional ADV	\$USD	M	88,511	82,412	77,721	70,450	80,186	73,499	68,220	76,003	11.4%	7.9%
CME FX ADV	Contracts	K	951	884	855	779	914	825	772	883	14.5%	13.3%
<b>Volatility Benchmarks (ADV)</b>												
Deutsche Bank FX Volatility Index (CVIX)	#	#	10.52	9.57	9.06	9.10	10.13	10.08	9.87	9.50	(3.7%)	4.4%
JPMorgan G7 Volatility Index	#	#	10.40	10.06	9.92	9.81	10.61	11.13	10.19	10.40	2.1%	6.1%
JPMorgan Emerging Market Volatility	#	#	10.54	9.63	10.65	11.34	11.99	10.81	10.06	10.80	7.3%	(4.7%)
CBOE/CME FX € Vol Index	#	#	12.14	13.09	11.68	11.64	10.60	10.33	8.25	9.51	15.3%	(18.3%)
CBOE/CME FX ¥ Vol Index	#	#	10.85	9.17	10.05	9.67	12.26	12.94	13.65	12.32	(9.7%)	27.5%
CBOE/CME FX £ Vol Index	#	#	9.75	10.43	7.93	7.80	10.23	16.21	11.24	10.24	(8.9%)	31.3%
Options, Fixed Income, and Other Securities											Q4 2016 vs.	Q4 2016 vs.
	Type	Units	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q3 2016	Q4 2015
<b>Futures and Options Contract Volume (ADV)</b>												
OCC ADV	Contracts	M	16.28	15.34	18.13	16.32	17.11	15.79	15.45	16.20	4.8%	(0.7%)
VIX futures volume	Contracts	#	187,215	182,920	260,940	191,542	216,404	258,126	243,561	235,906	(3.1%)	23.2%