



VIRTU FINANCIAL



Virtu Financial Agrees to Acquire KCG Holdings

Creating the Leading Global Electronic Market Making and Agency Execution Firm

April 20, 2017

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Disclaimer (Continued)



GAAP AND NON-GAAP RESULTS

This presentation includes certain non-GAAP financial measures, including Adjusted Net Trading Income, EBITDA, Adjusted EBITDA, Normalized Adjusted Net Income, Normalized Adjusted Pre-Tax Net Income, Normalized Adjusted Free Cash Flow, Net Cash and Trading Capital (collectively, the “Non-GAAP Measures”), which are used by management in evaluating operating performance and in making strategic decisions. In addition, the Non-GAAP Measures or similar non-GAAP financial measures are used by research analysts, investment bankers and lenders to assess the Company’s operating performance. Management believes that the presentation of the Non-GAAP Measures provide useful information to investors regarding the Company’s results of operations because they assist both investors and management in analyzing and benchmarking the performance and value of the Company’s business. The Non-GAAP Measures provide indicators of general economic performance that are not affected by fluctuations in certain costs or other items. Accordingly, management believes that these measurements are useful for comparing general operating performance from period to period. Moreover, our senior secured credit facility contains covenants and other tests based on metrics similar to Adjusted EBITDA. Other companies may define the Non-GAAP Measures differently, and as a result the Non-GAAP Measures may not be directly comparable to those of other companies. Although we use the Non-GAAP Measures as financial measures to assess the performance of the Company’s business, such use is limited because they do not include certain material costs necessary to operate our business. 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 the Company calculates such measures. Accordingly, the Non-GAAP Measures may not be comparable to similar measures used by other companies. We caution investors not to place undue reliance on the 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 the Non-GAAP Measures to the most directly comparable financial measure prepared in accordance with GAAP is included in Appendix hereto.

Virtu Leverages its Core Strengths in KCG Acquisition



Combines Virtu's scale, efficiency and operational excellence with KCG's leading client franchises

Benefits of Combination

- Combines KCG's wholesale market making and independent agency execution franchises with Virtu's extensive liquidity and order routing capabilities
- Greater scale and cost efficiencies in an increasingly competitive environment

Significant Growth Opportunities

- Provide KCG's extensive institutional client base with direct access to Virtu's liquidity in multiple asset classes and geographies
- Potential for meaningful revenue enhancement not included in base model
- Upside from natural cycle of volume and volatilities

Meaningful Value Creation

- Over 25% accretion to Virtu earnings per share with fully-phased cost savings and capital synergies
- Significant value creation: \$208mm¹ in identified net cost savings and \$440mm in capital synergies

¹ Cost savings net of foregone revenues from rationalized business lines

Transaction Summary



Terms and conditions

- \$20.00 per share, or approximately \$1.4bn equity value¹
- 100% cash consideration
- Offer represents 1.08x KCG's tangible book value of \$18.61 at 03/31/2017

Strategic Financing

- Virtu has entered into a commitment with J.P. Morgan Securities LLC to provide up to \$1.65 billion of debt financing for the transaction
- \$750mm will be financed through the issuance of Virtu common stock at \$15.60 per share
 - Commitments from Temasek and North Island (managed by Robert Greifeld and Glenn Hutchins) with investments from GIC and PSP

Board of Directors

- Robert Greifeld, former CEO of NASDAQ, and Glenn Hutchins, founder of Silver Lake to join Virtu's Board

Due Diligence

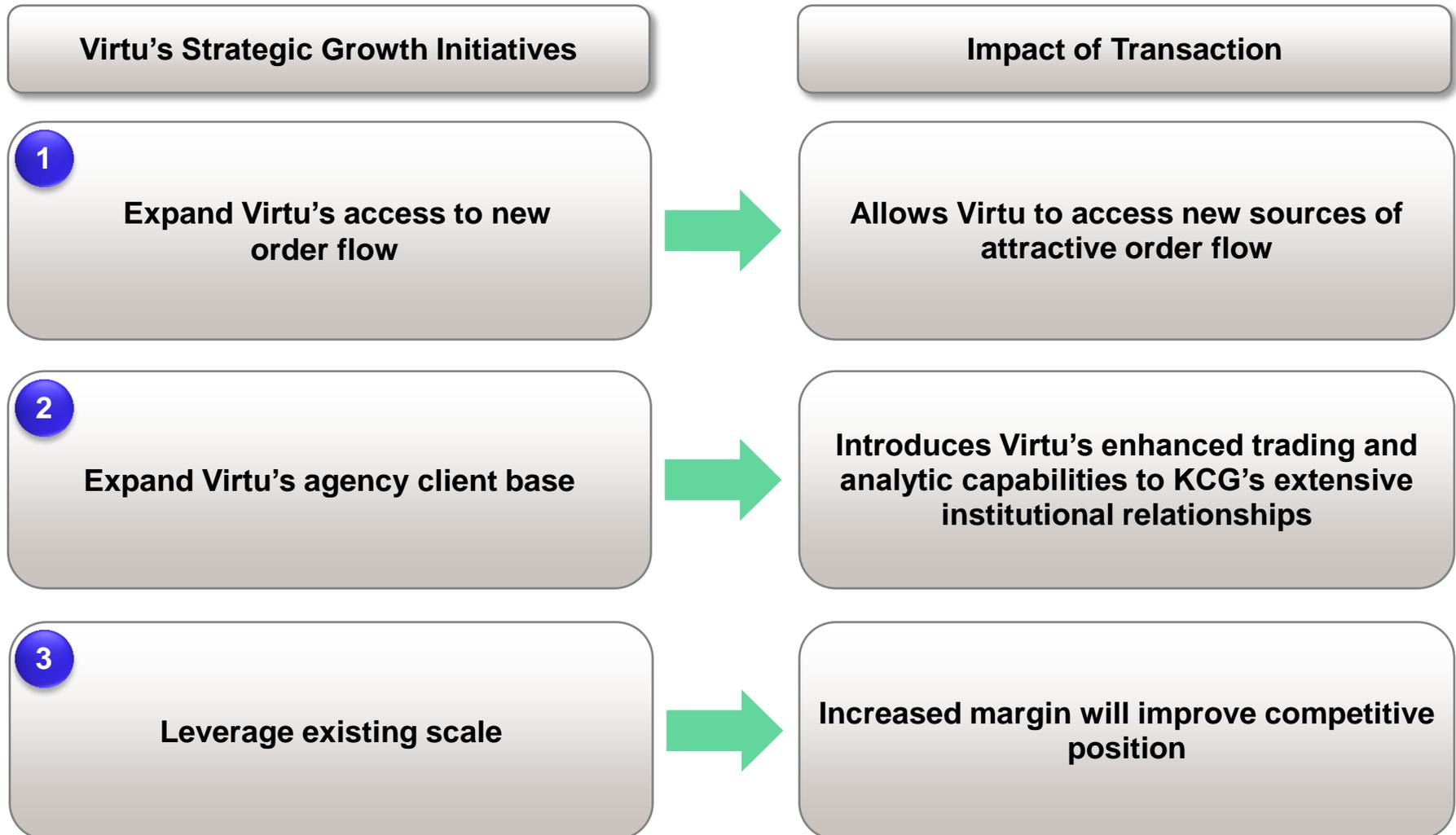
- Extensive due diligence, including a comprehensive and detailed review of each KCG business, function and legal entity

Anticipated Closing

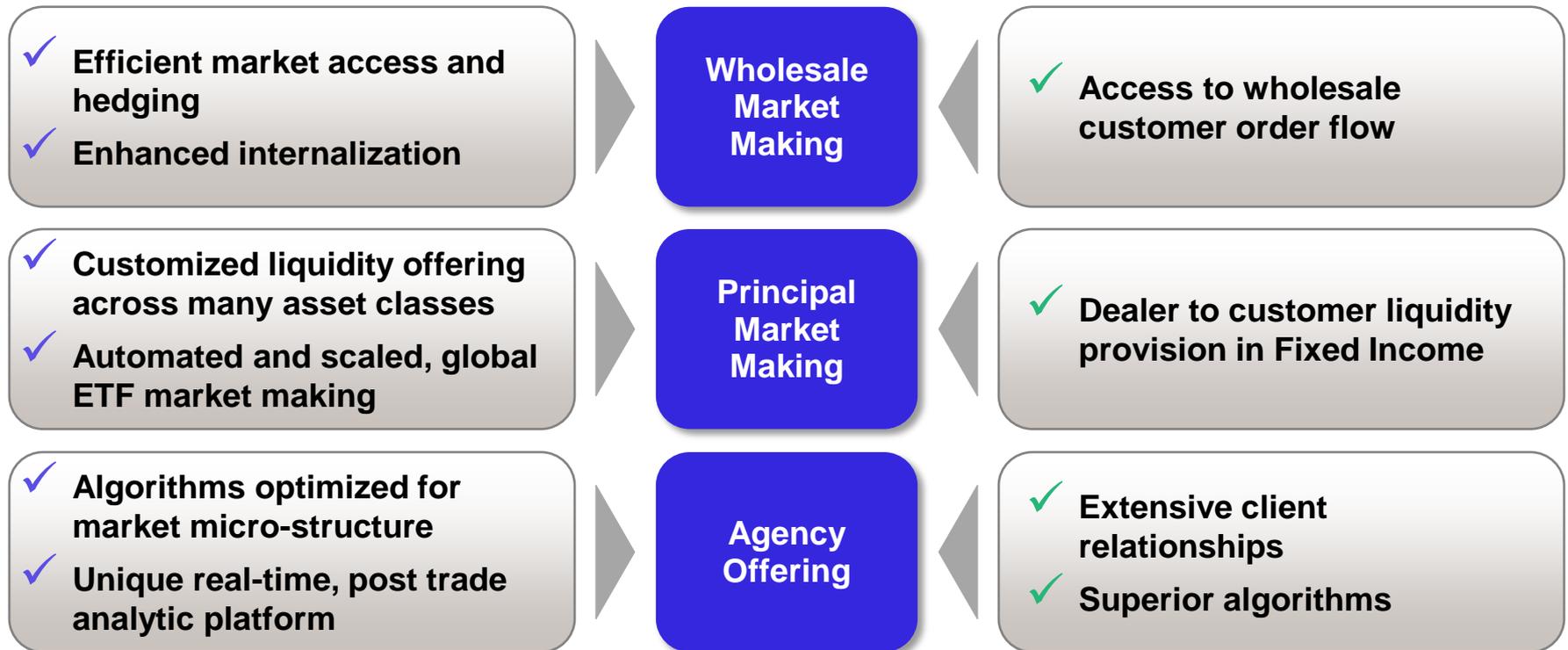
- In the third quarter of 2017 following receipt of KCG stockholder approval and all applicable regulatory clearances and approvals

¹ Fully diluted share count of 68.7mm

KCG Acquisition is Aligned with Virtu's Strategic Initiatives



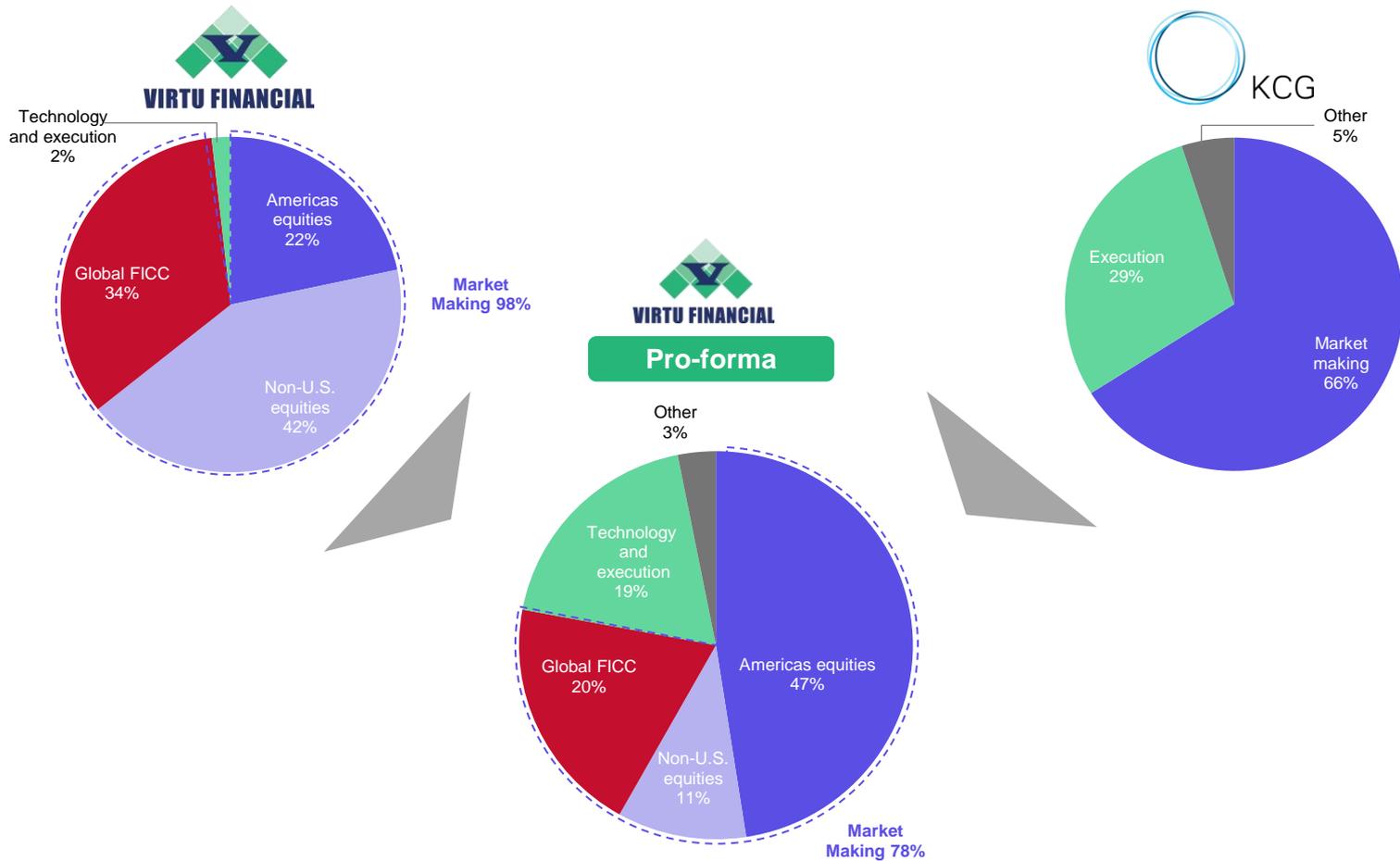
Combination Benefits Both Market-Making and Agency Businesses



Combination Creates the Leading, Global, Electronic Market Maker on a Single Global Infrastructure



Net revenues (%)¹



¹ Represents sum of 2016A adjusted net trading income as reported of \$414mm and technology services revenue of as reported of \$10mm for Virtu and 2016A net revenues as reported by KCG

Achievable Cost Savings Identified through a Rigorous Diligence Process



\$208mm of net cost savings¹ and \$440mm of capital release
Minimal disruption to KCG's or Virtu's core businesses

- Rationalize non-core businesses and strategies that currently do not generate acceptable returns; estimated revenue foregone of \$42mm
- Combine broker-dealers, systems and trading operations
- Does not account for any potential revenue synergies
- Time to achieve estimated at 2 years

Expected Fully-Phased Cost Savings (\$mm)²

Technology, communications & data processing	\$70mm	■ Cost savings associated with redundant technology, infrastructure, and data processing
Occupancy, overhead & redundancies	\$180mm	■ Integration of middle / back office and support functions
		■ Integration of corporate, regulatory and compliance departments
		■ Optimization of real estate and other costs
Revenues foregone	-\$42mm	■ Rationalization of non-core businesses
Total	\$208mm	

Note: Actual cost savings including cost to achieve may differ materially from the current expectations

¹ \$208mm net expense savings net of foregone revenues from rationalized business lines of \$42mm

² Reflects gross cost savings; impact of lost revenue not shown

2019E Modeled Base Case Incremental Earnings



KCG stand-alone net income¹	~\$23mm
Plus: Net cost savings (\$208mm pre-tax)	~\$129mm
Less: Incremental interest expense²	~(\$5mm)
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Total after-tax earnings contribution	~\$147mm



Over 25% earnings accretion across range of modeled scenarios

¹ Burdened by stock-based compensation; assumes 38% tax rate

² Interest expense on expected average pro-forma 2019 debt less sum of standalone expected interest expense

Significant Unmodeled Upside Potential



A combination with KCG could yield sizeable trading revenue synergies *Not included in Virtu's synergy estimates*

Exchange and Brokerage Fee Tiers

- \$10-15mm of exchange and prime broker fee synergies from combining flow

Internalization

- Virtu and KCG market making activities will both benefit from increased internalization of order flow and improved market data knowledge from combined order information

Strategy Combination

- Virtu has extensive experience from the Madison Tyler Holdings integration in how to efficiently integrate complimentary trading strategies

Execution Improvements

- Combined business will benefit from low latency connectivity and order routing to 230+ markets globally

Enlarge Footprint

- Virtu's market presence in geographies and asset classes that KCG's clients have incumbent execution needs in will drive increased revenue opportunities

Rapid Reduction of Deal-Related Leverage



Long-Term Capital Structure

- Virtu intends to return to its pre-acquisition capital structure of approximately 2.5x gross debt to EBITDA in 2019

Significant Capital Release

- Substantial portion of the debt will be repaid via release of capital in KCG's and Virtu's combined businesses:
 - Rationalizing non-core businesses and trading strategies that do not earn sufficient returns
 - Consolidating certain KCG trading subsidiaries with Virtu operations
 - More efficient management of trading capital and liquidity requirements
- Virtu's diligence included detailed identification and planning for the release of this capital
- The majority of this capital should be released within a year after the acquisition subject to local regulatory approvals

Enhanced EBITDA and Free Cash Flow

- Post-integration EBITDA and free cash flow expected to improve meaningfully



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Appendix

Summary Pro Forma Financial Combination



	 VIRTU FINANCIAL	 KCG	Pro-forma	Adjustments	Pro-forma with full cost savings
LTM Net Revenue ²	\$387mm	\$595mm	\$982mm	(\$42mm)	\$940mm
LTM Adj. EBITDA ³	\$235mm	\$93mm	\$328mm	\$185mm ¹	\$513mm
LTM EBITDA Margin %	61%	16%	33%		55%
Debt / LTM Adj. EBITDA	2.3x	5.0x	5.1x		3.3x

Note: Financial data as of latest available

¹ Cost savings of \$250mm net of foregone revenues from rationalized business lines of \$42mm, excludes \$24mm of D&A savings

² Represents sum of LTM adjusted net trading income as reported of \$376mm and technology services revenue of as reported of \$11mm for Virtu and LTM net revenues as reported by KCG

³ Unburdened by stock-related compensation; reflects fully phased-in cost savings

Virtu First Quarter 2017 Flash Results



GAAP Measures:

Revenues:	(\$mm)
Trading income, net	\$ 139.6
Interest and dividends income	4.9
Technology Products and Services	2.8
Other revenues (losses)	0.1
Total Revenues	147.3
Total Operating Expenses	123.5
Income before Income Taxes	23.8
Net Income	21.3
EBITDA	37.4

Non-GAAP Measures:

Adjusted Net Trading Income	\$ 79.4
Pro-forma Adjusted Net Income	\$ 21.9
Pro-forma shares outstanding (millions)	140.9
Adjusted EBITDA	\$ 47.5
Margins	
Net Income Margin	25.2%
Pro-forma Adjusted Net Income Margin	26.7%
EBITDA Margin	44.7%
Adjusted EBITDA Margin	57.8%

Virtu First Quarter 2017 Flash Results



Reconciliation of Trading income, net to Adjusted Net Trading Income

Trading income, net	\$ 139.6
Interest and dividends income	4.9
Brokerage, exchange and clearance fees, net	(52.8)
Interest and dividends expense	(12.2)
Adjusted Net Trading Income	<u>\$ 79.4</u>

Reconciliation of Net Income to Pro-Forma Adjusted Net Income

Net Income	\$ 21.3
Amortization of purch intangibles & acq cap software	0.1
Non-recurring employee expenses	0.9
Transaction advisory fees and expenses	0.1
Other losses (revenues)	(0.1)
Share-based compensation	9.2
Adjusted Net Income	<u>\$ 31.4</u>
Add: Actual Provision for Income Taxes	2.5
Less: Pro-forma Provision for Income Taxes @ 35.5%	(12.1)
Pro-forma Adjusted Net Income	<u>\$ 21.9</u>

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

Net Income	\$ 21.3
Financing interest exp on sr secured credit facility	6.8
Depreciation and amortization	6.8
Provision for Income Taxes	2.5
EBITDA	<u>\$ 37.4</u>
Non-recurring employee expenses	0.9
Transaction advisory fees and expenses	0.1
Other losses (revenues)	(0.1)
Share-based compensation	9.2
Adjusted EBITDA	<u>\$ 47.5</u>
Margins	
Net Income Margin ¹	25.2%
Pro-forma Adjusted Net Income Margin ²	26.7%
EBITDA Margin ³	44.7%
Adjusted EBITDA Margin ⁴	57.8%

¹ Calculated by dividing net income by the sum of Adjusted Net Trading Income and technology services revenue

² Calculated by dividing Pro-forma Adjusted Net Income by the sum of Adjusted Net Trading Income and technology services revenue

³ Calculated by dividing EBITDA by the sum of Adjusted Net Trading Income and technology services revenue

⁴ Calculated by dividing Adjusted EBITDA by the sum of Adjusted Net Trading Income and technology services revenue