

GAIN Capital Holdings, Inc.  
Form 10-Q  
May 10, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the Quarterly Period Ended March 31, 2013

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 001-35008

**GAIN CAPITAL HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-4568600**  
(I.R.S. Employer  
Identification No.)

**Bedminster One**  
**135 Route 202/206**

**Bedminster, New Jersey**  
(Address of principal executive offices)

**07921**  
(Zip Code)

**Registrant's telephone number, including area code: (908) 731-0700**

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 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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

As of May 4, 2013, the registrant had 35,683,613 shares of common stock, \$0.00001 par value per share, outstanding.

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**GAIN Capital Holdings, Inc.**

**FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2013**

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	As of March 31, 2013	As of December 31, 2012
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 12,062	\$ 36,820
Cash and securities held for customers	456,927	446,311
Short term investments, at fair value	1,409	1,437
Receivables from banks and brokers (\$967 at fair value)	124,657	89,916
Property and equipment, net of accumulated depreciation	10,749	11,023
Prepaid assets	7,710	7,704
Goodwill	9,030	9,030
Intangible assets, net	9,210	9,868
Other assets, net	18,741	17,804
<b>Total assets</b>	<b>\$ 650,495</b>	<b>\$ 629,913</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY:</b>		
<b>Liabilities</b>		
Payables to customers, brokers, dealers, FCMs and other regulated entities	\$ 456,927	\$ 446,311
Accrued compensation and benefits	5,455	6,055
Accrued expenses and other liabilities	11,535	12,585
Income tax payable	2,967	1,275
Notes payable	10,000	
<b>Total liabilities</b>	<b>486,884</b>	<b>466,226</b>
<b>GAIN Capital Holdings, Inc. Shareholders equity</b>		
Common stock (\$0.00001 par value; 60 million shares authorized; 37,214,408 shares issued and 35,501,371 shares outstanding as of March 31, 2013; 36,486,036 shares issued and 34,924,095 shares outstanding as of December 31, 2012)		
Accumulated other comprehensive (loss)/income	(1,884)	1,249
Additional paid-in capital	86,433	85,089
Treasury stock, at cost (1,713,037 shares at March 31, 2013 and 1,561,941 at December 31, 2012, respectively)	(8,916)	(8,280)
Retained earnings	87,978	85,629
<b>Total GAIN Capital Holdings, Inc. shareholders equity</b>	<b>163,611</b>	<b>163,687</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 650,495</b>	<b>\$ 629,913</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.



**Table of Contents****GAIN CAPITAL HOLDINGS, INC.****Condensed Consolidated Statements of Operations and Comprehensive Income / (Loss)****(Unaudited)****(in thousands, except share and per share data)**

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>REVENUE:</b>		
Trading revenue	\$ 35,313	\$ 29,434
Commission revenue	10,833	3,805
Other revenue	3,608	70
<b>Total non-interest revenue</b>	<b>49,754</b>	<b>33,309</b>
Interest revenue	118	88
Interest expense	(107)	(151)
<b>Total net interest revenue (expense)</b>	<b>11</b>	<b>(63)</b>
<b>Net revenue</b>	<b>49,765</b>	<b>33,246</b>
<b>EXPENSES:</b>		
Employee compensation and benefits	13,278	10,313
Selling and marketing	5,440	7,127
Trading expenses and commissions	15,726	8,733
General and administrative	5,510	4,105
Depreciation and amortization	1,613	1,053
Purchased intangible amortization	636	1,932
Communications and technology	2,235	1,815
Bad debt provision	187	27
<b>Total</b>	<b>44,625</b>	<b>35,105</b>
<b>INCOME / (LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>5,140</b>	<b>(1,859)</b>
Income tax expense / (benefit)	861	(612)
<b>NET INCOME / (LOSS) APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.</b>	<b>4,279</b>	<b>(1,247)</b>
<b>Other comprehensive income /(loss), net of tax:</b>		
Foreign currency translation adjustment	(3,133)	495
<b>NET COMPREHENSIVE INCOME / (LOSS) APPLICABLE TO GAIN CAPITAL HOLDINGS, INC.</b>	<b>\$ 1,146</b>	<b>\$ (752)</b>

Earnings / (loss) per common share:

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Basic	\$	0.12	\$	(0.04)
Diluted	\$	0.11	\$	(0.04)
Weighted average common shares outstanding used in computing earnings per common share:				
Basic		35,052,375		34,480,705
Diluted		37,331,592		34,480,705

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Table of Contents****GAIN CAPITAL HOLDINGS, INC.****Condensed Consolidated Statement of Changes in Shareholders' Equity****(Unaudited)****(in thousands, except share data)**

	Common Stock		Treasury	Additional	Accumulated	Accumulated	Total
	Shares	Amount	Stock	Paid in	Retained	Other	
				Capital	Earnings	Comprehensive	
						Income/(loss)	
<b>BALANCE December 31, 2012</b>	34,924,095	\$	\$ (8,280)	\$ 85,089	\$ 85,629	\$ 1,249	\$ 163,687
Exercise of options	544,168			587			587
Conversion of restricted stock into common stock	167,377						
Shares issued under employee stock purchase plan	16,827			58			58
Repurchase of shares	(151,096)		(636)				(636)
Stock compensation expense				856			856
Foreign currency translation adjustment						(3,133)	(3,133)
Tax benefit of stock options exercises				(79)			(79)
Other				(78)	(154)		(232)
Dividend payment (\$0.05 dividend per share)					(1,776)		(1,776)
Net income					4,279		4,279
<b>BALANCE March 31, 2013</b>	35,501,371	\$	\$ (8,916)	\$ 86,433	\$ 87,978	\$ (1,884)	\$ 163,611

The accompanying notes are an integral part of these condensed consolidated financial statements.



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**GAIN CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

**(in thousands)**

**For the Three Months Ended  
March 31,**

**Revised  
(See Note 1)  
2012**

**2013**

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