

INTL FCSTONE INC.
Form 10-Q
February 10, 2014
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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 December 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 000-23554

INTL FCStone Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
708 Third Avenue, Suite 1500
New York, NY 10017
(Address of principal executive offices) (Zip Code)
(212) 485-3500
(Registrant's telephone number, including area code)

59-2921318
(I.R.S. Employer
Identification No.)

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 305 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, or smaller reporting company.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 7, 2014, there were 19,072,274 shares of the registrant's common stock outstanding.

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INTL FCStone Inc.

Quarterly Report on Form 10-Q for the Quarterly Period Ended December 31, 2013

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTL FCStone Inc.

Condensed Consolidated Balance Sheets

(in millions, except par value and share amounts)	December 31, 2013 (Unaudited)	September 30, 2013
ASSETS		
Cash and cash equivalents	\$ 194.9	\$ 156.1
Cash, securities and other assets segregated under federal and other regulations (including \$33.5 and \$107.6 at fair value at December 31, 2013 and September 30, 2013, respectively)	215.0	449.4
Deposits and receivables from:		
Exchange-clearing organizations (including \$1,353.5 and \$1,371.7 at fair value at December 31, 2013 and September 30, 2013, respectively)	1,706.1	1,576.6
Broker-dealers, clearing organizations and counterparties (including \$(5.1) and \$(13.1) at fair value at December 31, 2013 and September 30, 2013, respectively)	163.9	168.3
Receivables from customers, net	74.6	93.3
Notes receivable, net	46.2	37.4
Income taxes receivable	13.7	15.5
Financial instruments owned, at fair value	169.0	158.5
Physical commodities inventory	26.6	59.0
Deferred income taxes, net	28.6	25.5
Property and equipment, net	17.2	17.5
Goodwill and intangible assets, net	58.8	59.1
Other assets	29.3	31.8
Total assets	\$ 2,743.9	\$ 2,848.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and other accrued liabilities (including \$9.1 and \$9.6 at fair value at December 31, 2013 and September 30, 2013, respectively)	\$ 98.6	\$ 114.0
Payables to:		
Customers	1,983.1	2,091.8
Broker-dealers, clearing organizations and counterparties	3.6	17.0
Lenders under loans	60.2	61.0
Senior unsecured notes	45.5	45.5
Income taxes payable	4.1	3.4
Financial instruments sold, not yet purchased, at fair value	211.4	179.9
Deferred income taxes	0.1	—
Total liabilities	2,406.6	2,512.6
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$0.01 par value. Authorized 30,000,000 shares; 19,675,192 issued and 19,182,219 outstanding at December 31, 2013 and 19,638,330 issued and 19,209,157 outstanding at September 30, 2013	0.2	0.2
Common stock in treasury, at cost - 492,973 shares at December 31, 2013 and 429,173 shares at September 30, 2013, respectively	(9.1) (7.8

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Additional paid-in capital	225.6	224.0	
Retained earnings	127.9	125.4	
Accumulated other comprehensive loss, net	(7.3) (6.4)
Total stockholders' equity	337.3	335.4	
Total liabilities and stockholders' equity	\$ 2,743.9	\$ 2,848.0	

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.
 Condensed Consolidated Income Statements
 (Unaudited)

(in millions, except share and per share amounts)	Three Months Ended December 31,	
	2013	2012
Revenues:		
Sales of physical commodities	\$7,830.3	\$12,421.2
Trading gains, net	51.9	79.9
Commission and clearing fees	42.2	40.0
Consulting and management fees	12.0	8.3
Interest income	1.4	3.3
Other income	0.2	0.1
Total revenues	7,938.0	12,552.8
Cost of sales of physical commodities	7,824.6	12,427.1
Operating revenues	113.4	125.7
Transaction-based clearing expenses	25.2	24.6
Introducing broker commissions	11.6	8.4
Interest expense	2.7	3.5
Net operating revenues	73.9	89.2
Compensation and other expenses:		
Compensation and benefits	46.4	46.7
Communication and data services	6.3	5.3
Occupancy and equipment rental	3.0	2.9
Professional fees	4.4	3.7
Travel and business development	2.8	3.0
Depreciation and amortization	1.9	1.8
Bad debts and impairments	0.4	0.4
Other	4.7	6.6
Total compensation and other expenses	69.9	70.4
Income from operations, before tax	4.0	18.8
Income tax expense	1.5	5.5
Net income	\$2.5	\$13.3
Basic net income per common share	\$0.13	\$0.70
Diluted net income per common share	\$0.12	\$0.68
Basic weighted-average number of common shares outstanding	18,657,678	18,266,338
Diluted weighted-average number of common shares outstanding	19,358,442	18,778,675
See accompanying notes to condensed consolidated financial statements.		

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INTL FCStone Inc.
 Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)

(in millions)	Three Months Ended December 31,	
	2013	2012
Net income	\$2.5	\$13.3
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(1.2) (0.3
Pension liabilities adjustment	0.1	0.4
Net unrealized gain or loss on available-for-sale securities	0.2	(0.2
Reclassification of adjustment for gains included in net income:		
Realized gain on available-for-sale securities (included in trading gains, net)	—	(8.3
Income tax expense from reclassification adjustments (included in income tax expense)	—	2.0
Reclassification adjustment for gains included in net income:		
Other comprehensive loss	(0.9) (6.4
Comprehensive income	\$1.6	\$6.9

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.

Condensed Consolidated Cash Flows Statements

(Unaudited)

(in millions)	Three Months Ended	
	December 31,	2012
	2013	
Cash flows from operating activities:		
Net income	\$2.5	\$13.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1.8	1.8
Provision for bad debts and impairments	0.5	0.4
Deferred income taxes	(3.2)	(0.4)
Amortization of debt issuance costs and debt discount	0.3	0.3
Amortization of share-based compensation expense	1.1	1.6
Loss on sale of property and equipment	0.2	—
Gain on sale of exchange memberships and common stock	—	(9.2)
Changes in operating assets and liabilities, net:		
Cash, securities and other assets segregated under federal and other regulations	233.3	(24.2)
Deposits and receivables from exchange-clearing organizations	(129.8)	141.1
Deposits and receivables from broker-dealers, clearing organizations, and counterparties	4.8	1.4
Receivable from customers, net	18.3	(75.2)
Notes receivable, net	(8.9)	13.7
Income taxes receivable	1.6	4.2
Financial instruments owned, at fair value	(11.9)	11.6
Physical commodities inventory	32.4	(2.3)
Other assets	2.4	(2.0)
Accounts payable and other accrued liabilities	(14.3)	(20.0)
Payable to customers	(107.4)	(8.0)
Payable to broker-dealers, clearing organizations and counterparties	(13.4)	(31.8)
Income taxes payable	0.9	0.8
Financial instruments sold, not yet purchased, at fair value	31.4	12.1
Net cash provided by operating activities	42.6	29.2
Cash flows from investing activities:		
Sale of exchange memberships and common stock	—	10.1
Purchase of property and equipment	(1.3)	(1.2)
Net cash (used in) provided by investing activities	(1.3)	8.9
Cash flows from financing activities:		
Net change in payable to lenders under loans	(0.8)	23.2
Payments related to earn-outs on acquisitions	(0.3)	(0.3)
Debt issuance costs	(0.3)	—
Exercise of stock options	0.5	—
Share repurchases	(1.3)	(2.0)
Income tax expense on stock options and awards	—	(0.3)
Net cash (used in) provided by financing activities	(2.2)	20.6
Effect of exchange rates on cash and cash equivalents	(0.3)	(0.3)
Net increase in cash and cash equivalents	38.8	58.4
Cash and cash equivalents at beginning of period	156.1	236.3
Cash and cash equivalents at end of period	\$194.9	\$294.7
Supplemental disclosure of cash flow information:		

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Cash paid for interest	\$2.6	\$2.5
Income taxes paid, net of cash refunds	\$1.5	\$1.3
Supplemental disclosure of non-cash investing and financing activities:		
Identified intangible assets and goodwill on acquisitions	\$—	\$3.1
Additional consideration payable related to acquisitions, net	\$0.2	\$3.4
See accompanying notes to condensed consolidated financial statements.		

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INTL FCStone Inc.
 Condensed Consolidated Statement of Stockholders' Equity
 (Unaudited)

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances as of September 30, 2013	\$0.2	\$(7.8)	\$224.0	\$125.4	\$ (6.4)	\$335.4
Net income				2.5		2.5
Other comprehensive loss					(0.9)	(0.9)
Exercise of stock options			0.5			