

Interactive Brokers Group, Inc.
Form 10-Q
August 13, 2007

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 June 30, 2007.

**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: 001-33440

INTERACTIVE BROKERS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

30-0390693
(I.R.S. Employer
Identification No.)

One Pickwick Plaza

Greenwich, Connecticut 06830

(Address of principal executive office)

(203) 618-5800

(Registrant's telephone number, including area code)

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

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to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 August 13, 2007, there were 40,187,953 shares of the issuer's Class A common stock, par value \$0.01 per share, outstanding and 100 shares of the issuer's Class B common stock, par value \$0.01 per share, outstanding.

INTERACTIVE BROKERS GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2007

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Introductory Note

On May 3, 2007, Interactive Brokers Group, Inc., a Delaware corporation (IBG, Inc.), priced an initial public offering (the IPO) of shares of its Class A common stock, par value \$0.01 per share (the Common Stock). In connection with the IPO, IBG, Inc. purchased 10% of the membership interests in IBG LLC, a Connecticut limited liability company, from IBG Holdings LLC, a Delaware limited liability company, became the sole managing member of IBG LLC and began to consolidate IBG LLC s financial results into its financial statements. Such transactions, collectively referred to herein as the Recapitalization, are described in greater detail in Note 4 to the unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements reflect the historical results of operations and financial position of IBG, Inc., including consolidation of its investment in IBG LLC since May 4, 2007. Prior to May 4, 2007, the date of IBG, Inc. s IPO, the unaudited condensed consolidated financial statements included herein represent the financial statements of IBG LLC and subsidiaries (the Group). The historical unaudited condensed consolidated financial statements do not reflect what the financial position, results of operations or cash flows of IBG, Inc. or the Group would have been had these companies been stand-alone public companies for the periods presented. Specifically, the historical financial statements of the Group do not give effect to the following matters:

- The Recapitalization;
- U.S. corporate federal income taxes; and
- Minority interest held by IBG Holdings LLC.

As a consequence, earnings per share information reported in the unaudited condensed consolidated statements of income for the three months and six months ended June 30, 2007 reflect only the net income available for common stockholders for the period from May 4, 2007 through June 30, 2007, as detailed in Note 4. The unaudited pro forma earnings per share data for the full three month and six month periods ended June 30, 2007 reported in Part 1, Item 2 of this Quarterly Report on Form 10-Q entitled MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS present earnings per share giving pro forma effect to income taxes and minority interest as if the Recapitalization and the IPO had been completed as of January 1, 2006 with respect to the unaudited condensed consolidated statements of income data.

Interactive Brokers Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Financial Condition

(Unaudited)

(in thousands)	June 30, 2007	December 31, 2006
Assets		
Cash and cash equivalents	\$ 868,586	\$ 669,271
Cash and securities - segregated for regulatory purposes	4,416,956	3,111,795
Securities borrowed	8,117,883	10,479,231
Securities purchased under agreements to resell		97,740
Trading assets, at fair value:		
Financial instruments owned	9,284,718	7,485,879
Financial instruments owned and pledged as collateral	5,597,448	8,331,923
	14,882,166	15,817,802
Other receivables:		
Customers, less allowance for doubtful accounts of \$969 at June 30, 2007 and \$1,031 at December 31, 2006	1,295,173	848,448
Brokers, dealers and clearing organizations	3,474,928	856,957
Interest	73,520	62,772
	4,843,621	1,768,177
Other assets	415,611	136,502
Total assets	\$ 33,544,823	\$ 32,080,518
Liabilities, redeemable members interests and stockholders equity		
Liabilities:		
Trading liabilities - financial instruments sold but not yet purchased, at fair value	\$ 15,938,278	\$ 14,785,617
Securities loaned	5,184,986	8,026,468
Short-term borrowings	1,246,085	1,296,909
Other payables:		
Customers	5,740,710	3,914,037
Brokers, dealers and clearing organizations	1,660,773	743,339
Payable to affiliate	211,095	-
Accounts payable, accrued expenses and other liabilities	173,872	161,812
Interest	51,801	49,821
	7,838,251	4,869,009
Senior notes payable	154,698	150,598
Senior secured credit facility	150,000	150,000
Minority interest	2,688,042	
Commitments, contingencies and guarantees		
Redeemable members interests, including accumulated other comprehensive income of \$98,568		2,801,917
Stockholders equity, including accumulated other comprehensive income of (\$114)	344,483	
Total liabilities, redeemable members interests and stockholders equity	\$ 33,544,823	\$ 32,080,518

See accompanying notes to the condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(Unaudited)

(in thousands, except for shares or per share amounts, unless otherwise noted)	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenues:				
Trading gains	\$ 150,298	\$ 176,214	\$ 349,101	\$ 401,583
Commissions and execution fees	60,285	45,777	116,620	85,141
Interest income	205,091	160,489	389,610	292,564
Other income	22,605	21,009	47,293	46,573
Total revenues	438,279	403,489	902,624	825,861
Interest expense	143,547	112,701	277,083	206,504
Total net revenues	294,732	290,788	625,541	619,357
Non-interest expenses:				
Execution and clearing	81,374	82,809	171,494	154,117
Employee compensation and benefits	28,880	27,120	61,674	55,807
Occupancy, depreciation and amortization	6,461	6,137	12,418	11,717
Communications	3,471	3,175	6,935	5,866
General and administrative	9,893	7,124	18,029	12,068
Total non-interest expenses	130,079	126,365	270,550	239,575
Income before income taxes and minority interest	164,653	164,423	354,991	379,782
Income tax expense	5,504	6,569	11,647	15,753
Minority interest subsequent to May 3, 2007	(84,006))	(84,006))
Net income	\$ 75,143	\$ 157,854	\$ 259,338	\$ 364,029
Net Income and earnings per share for the period from May 4, 2007 through June 30, 2007:				
Net income available for common stockholders	\$ 7,006		\$ 7,006	
Earnings per share (Note 4):				
Basic	\$ 0.17		\$ 0.17	
Diluted	\$ 0.17		\$ 0.17	
Weighted average common shares outstanding:				
Basic	40,188,053		40,188,053	
Diluted	401,363,708		401,363,708	

See accompanying notes to the condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)	Six months ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 7,006	\$ 364,029
Adjustments to reconcile net income to net cash provided by in operating activities:		
Translation (gains) losses	(26,444)	58,753
Deferred income taxes	5,467	
Depreciation and amortization	5,951	6,745
Minority interest (income allocable to members of IBG LLC prior to May 4, 2007)		