

Interactive Brokers Group, Inc.
Form 10-Q
August 08, 2008

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, 2008.

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)

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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 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 Smaller reporting company
(Do not check if a 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 August 8, 2008, there were 40,602,415 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, 2008

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

Financial Statements Introductory Note

Interactive Brokers Group, Inc. ("IBG, Inc." or the "Company") is a holding company whose primary asset is its ownership of approximately 10.4% of the membership interests of IBG LLC (the "Group").

We are an automated global electronic market maker and broker specializing in routing orders and executing and processing trades in securities, futures and foreign exchange instruments on more than 70 electronic exchanges and trading venues around the world. In the U.S., our business is conducted from our headquarters in Greenwich, Connecticut as well as from Chicago, Illinois and Lake Forest, California. Abroad, we conduct business through offices located in Canada, England, Switzerland, Hong Kong, India and Australia. At June 30, 2008 we had 713 employees worldwide.

On May 3, 2007, IBG, Inc. priced its 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 10.0% of the membership interests in IBG LLC, and became the sole managing member of IBG LLC, the holding company for our businesses, and began to consolidate IBG LLC's financial results into its financial statements. When we use the terms "we," "us," and "our," we mean IBG LLC and its subsidiaries for periods prior to the IPO, and IBG, Inc. and its subsidiaries (including IBG LLC) for periods from and after the IPO. Such transactions, collectively referred to herein as the "Recapitalization," are described in greater detail in Note 4 to the unaudited condensed consolidated financial statements. Unless otherwise indicated, the term "common stock" refers to the Class A common stock of IBG, Inc.

The unaudited condensed consolidated financial statements as of and for the three and six month periods ended June 30, 2008 and the unaudited condensed consolidated statement of financial condition as of December 31, 2007 reflect IBG, Inc. and its subsidiaries. The unaudited condensed consolidated statements of income and of cash flows for the interim periods ended June 30, 2007 presented reflect the historical results of operations of IBG, Inc., including consolidation of its investment in IBG LLC subsequent to the May 4, 2007 IPO. Prior to May 4, 2007, the unaudited condensed consolidated financial statements included herein represent the financial statements of IBG LLC and its subsidiaries.

The 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 prior to May 4, 2007. 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 reflect only net income available for common stockholders for the period subsequent to May 3, 2007, as detailed in Note 4 to the unaudited condensed consolidated financial statements.

Interactive Brokers Group, Inc. and Subsidiaries
Condensed Consolidated Statements of Financial Condition
(Unaudited)

(in thousands, except share data)	June 30, 2008	December 31, 2007
Assets		
Cash and cash equivalents	\$ 431,264	\$ 521,776
Cash and securities - segregated for regulatory purposes	5,246,897	5,232,557
Securities borrowed	5,418,307	6,862,028
Securities purchased under agreements to resell	52,802	35,001
Trading assets, at fair value:		
Financial instruments owned	8,857,999	11,018,613
Financial instruments owned and pledged as collateral	4,405,345	5,838,900
	13,263,344	16,857,513
Other receivables:		
Customers, less allowance for doubtful accounts of \$3,614 and \$1,999 at June 30, 2008 and December 31, 2007	2,484,077	1,916,076
Brokers, dealers and clearing organizations	2,296,752	2,484,163
Receivable from affiliate	5,791	--
Interest	57,818	85,478
	4,844,438	4,485,717
Other assets	536,798	547,494
June		
Total assets	\$ 29,793,850	\$ 34,542,086
Liabilities and stockholders' equity		
Liabilities:		
Trading liabilities - financial instruments sold but not yet purchased, at fair value	\$ 12,874,194	\$ 14,315,853
Securities loaned	2,816,966	4,968,863
Short-term borrowings	627,682	1,415,725
Other payables:		
Customers	7,672,441	7,630,703
Brokers, dealers and clearing organizations	930,403	1,568,620
Payable to affiliate	323,698	323,901
Accounts payable, accrued expenses and other liabilities	250,117	231,008
Interest	38,985	53,133
	9,215,644	9,807,365
Senior notes payable	180,734	160,456
Senior secured credit facility	50,000	300,000
Minority interest (Note 1)	3,553,577	3,165,421
Commitments, contingencies and guarantees		
Stockholders' equity:		
Common stock, \$0.01 par value per share		
Class A – Authorized- 1,000,000,000, Issued- 43,270,823, Outstanding– 40,602,415 and 40,143,760 at June 30, 2008 and December 31, 2007	433	433
Class B – Authorized- 100, Issued- 100, Outstanding– 100	--	--
Additional paid-in capital	450,667	450,667