

KNIGHT CAPITAL GROUP, INC.

Form 10-Q

May 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

001-14223

Commission File Number

KNIGHT CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

22-3689303

(I.R.S. Employer Identification Number)

545 Washington Boulevard, Jersey City, NJ 07310

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (201) 222-9400

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Class A Common Stock, \$0.01 par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

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 (§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 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of May 3, 2013, the number of shares outstanding of the Registrant's Class A Common Stock was 374,779,671 and there were no shares outstanding of the Registrant's Class B Common Stock or Series A-1 Cumulative Perpetual Convertible Preferred Stock.

KNIGHT CAPITAL GROUP, INC.
 FORM 10-Q QUARTERLY REPORT
 For the Quarter Ended March 31, 2013
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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

KNIGHT CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended March 31,	
	2013	2012
	(In thousands, except per share amounts)	
Revenues		
Commissions and fees	\$ 125,225	\$ 141,295
Net trading revenue	148,838	153,134
Interest, net	6,390	5,611
Investment income and other, net	4,703	2,432
Total revenues	285,156	302,472
Expenses		
Employee compensation and benefits	107,823	112,269
Execution and clearance fees	50,450	52,330
Payments for order flow	35,093	21,688
Communications and data processing	22,225	20,284
Interest	13,052	13,154
Professional fees	13,030	4,948
Depreciation and amortization	9,709	11,577
Occupancy and equipment rentals	5,398	5,388
Business development	3,973	4,214
Other	6,499	5,522
Total expenses	267,252	251,374
Income from continuing operations before income taxes	17,904	51,098
Income tax expense	6,890	19,878
Income from continuing operations, net of tax	11,014	31,220
(Loss) income from discontinued operations, net of tax	(20,371) 1,886
Net (loss) income	\$(9,357) \$33,106
Basic earnings per share from continuing operations	\$0.04	\$0.35
Diluted earnings per share from continuing operations	\$0.03	\$0.34
Basic (loss) earnings per share from discontinued operations	\$(0.08) \$0.02
Diluted (loss) earnings per share from discontinued operations	\$(0.06) \$0.02
Basic (loss) earnings per share	\$(0.04) \$0.37
Diluted (loss) earnings per share	\$(0.03) \$0.36
Shares used in computation of basic (loss) earnings per share	253,007	89,764
Shares used in computation of diluted (loss) earnings per share	361,053	92,175

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

KNIGHT CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Unaudited)

	For the three months ended March	
	31,	
	2013	2012
Net (loss) income	\$ (9,357) \$33,106
Other comprehensive (loss) income:		
Cumulative translation adjustment	(1,110) 325
Comprehensive (loss) income	\$ (10,467) \$33,431

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

KNIGHT CAPITAL GROUP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	March 31, 2013	December 31, 2012
	(In thousands)	
Assets		
Cash and cash equivalents	\$439,182	\$413,926
Cash and securities segregated under federal and other regulations	172,962	166,992
Financial instruments owned, at fair value, including securities pledged to counterparties that had the right to deliver or repledge of \$5,188,944 at March 31, 2013 and \$4,605,155 at December 31, 2012:		
Equities	1,538,856	1,463,916
Debt securities	146,518	111,157
Listed equity options	231,044	202,091
Loan inventory	152,349	191,712
Other financial instruments	3,778	237
Securitized HECM loan inventory	4,792,350	4,054,905
Total financial instruments owned, at fair value	6,864,895	6,024,018
Collateralized agreements:		
Securities borrowed	1,414,794	1,008,720
Receivable from brokers, dealers and clearing organizations	1,107,202	868,805
Fixed assets and leasehold improvements, at cost, less accumulated depreciation and amortization	92,277	94,226
Investments	79,052	78,348
Goodwill	213,900	213,900
Intangible assets, less accumulated amortization	53,234	55,654
Income taxes receivable	122,980	152,576
Assets of business held for sale	145,674	449,509
Other assets	206,628	251,773
Total assets	\$10,912,780	\$9,778,447