

# BGC PARTNERS, INC.

NASDAQ: BGCP

General Investor Presentation

May 2020

Based on results through 1Q2020



## Discussion of Forward-Looking Statements about BGC

Statements in this document regarding BGC that are not historical facts are “forward-looking statements” that involve risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements. These include statements about the effects of the COVID-19 pandemic on the Company’s business, results, financial position, liquidity and outlook, which may constitute forward-looking statements and are subject to the risk that the actual impact may differ, possibly materially, from what is currently expected. Except as required by law, BGC undertakes no obligation to update any forward-looking statements. For a discussion of additional risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see BGC’s Securities and Exchange Commission filings, including, but not limited to, the risk factors and Special Note on Forward-Looking Information set forth in these filings and any updates to such risk factors and Special Note on Forward-Looking Information contained in subsequent reports on Form 10-K, Form 10-Q or Form 8-K.

## Note Regarding Financial Tables and Metrics

Excel versions of certain tables in this document are available for download online. The Excel tables may include other useful information that may not be contained herein, including certain of BGC’s financial results and metrics from the current period dating back to 2018. These excel tables are accessible in the various financial results press releases at the “Investor Relations” section of <http://www.bgcpartners.com>. They are also available directly at <http://ir.bgcpartners.com/news-releases/news-releases>.

## Other Items of Note

Unless otherwise stated, all results provided in this document compare the first quarter of 2020 with the year-earlier period. Certain reclassifications may have been made to previously reported amounts to conform to the current presentation and to show results on a consistent basis across periods. With the exception of reporting Newmark as a discontinued operation and the previously announced new non-GAAP presentation, any such reclassifications would have had no impact on consolidated revenues or earnings under GAAP and would leave consolidated pre- and post-tax Adjusted Earnings for the prior periods essentially unchanged all else being equal. Certain numbers and percentage changes listed throughout this document may not sum due to rounding.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This standard requires lessees to recognize a right-of-use (“ROU”) asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. The amendments also require certain quantitative and qualitative disclosures. These impacts were approximately \$161.4 million and \$179.5 million in Total Assets and Total Liabilities, respectively, as of March 31, 2020. These impacts were approximately \$169.1 million and \$187.4 million in Total Assets and Total Liabilities, respectively, as of December 31, 2019. For additional information regarding the adoption of ASC 842, please see the section titled “New Accounting Pronouncements” in BGC’s Annual Reports on Form 10-K as filed with the Securities and Exchange Commission.

## Newmark Spin-Off

The Spin-Off included the shares of Newmark Class A and Class B common stock owned by BGC, as well as the shares of Newmark common stock into which the limited partnership units of Newmark Holdings, L.P. and Newmark Partners, L.P. owned by BGC were exchanged prior to and in connection with the Spin-Off. For more information, see the press release titled “BGC Partners Announces Completion of Spin-Off of Newmark” dated November 30, 2018, and the related filing on Form 8-K filed before market open on December 6, 2018. Unless otherwise stated, all the tables and financial results in this document through the Outlook section reflect continuing operations of BGC and will not match the results and tables in the Company’s press release for certain periods. The financial results from continuing operations of BGC do not present a distinct corporate segment and are generally comparable to the stand-alone results for BGC Partners excluding Newmark Group, referred to as “post-spin BGC” in previous documents. Post-spin BGC represented what BGC financial results would have been had the Spin-Off of Newmark occurred prior to the Distribution date of November 30, 2018. Post-spin BGC can also be defined as the results for BGC’s Financial Services segment plus its pro-rata portion of corporate items.

## Non-GAAP Financial Measures

This presentation should be read in conjunction with BGC's most recent financial results press releases and filings or reports on Form 10-K, Form 10-Q or Form 8-K. Throughout this presentation, BGC refers to certain non-GAAP financial measures, including Adjusted Earnings, Adjusted EBITDA and Liquidity. All non-GAAP results discussed herein are comparable to and reconciled with the most directly comparable GAAP figures. For an updated complete description of Adjusted Earnings, Adjusted EBITDA and Liquidity, and how, when, and why management uses these and other non-GAAP measures, as well as reconciliations of these measures to the comparable GAAP measures, and more information regarding GAAP and non-GAAP results, see the "Appendix" section of this presentation. Below under "Highlights of Consolidated Results" is a summary of certain GAAP and non-GAAP results for BGC. Results on a GAAP and non-GAAP basis are included towards the end of this presentation, with appropriate reconciliations provided in the "Appendix" section noted above and also in our most recent financial results press release and/or are available at <http://ir.bgcpartners.com>.

<b>Highlights of Consolidated Results (USD millions)</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Change</b>
Revenues	\$603.2	\$544.8	10.7%
GAAP income (loss) from operations before income taxes	29.7	117.1	(74.6)%
GAAP net income (loss) for fully diluted shares	20.3	90.8	(77.7)%
Adjusted Earnings before noncontrolling interest in subsidiaries and taxes	112.1	106.2	5.6%
Post-tax Adjusted Earnings	99.8	93.5	6.7%
Adjusted EBITDA	117.4	161.6	(27.3)%

<b>Per Share Results</b>	<b>1Q20</b>	<b>1Q19</b>	<b>Change</b>
GAAP fully diluted earnings (loss) per share	\$0.04	\$0.18	(77.8)%
Post-tax Adjusted Earnings per share	\$0.19	\$0.18	5.6%

In the first quarter of 2020, BGC's GAAP results were negatively impacted by various non-cash, non-operating items totalling to a net loss of \$5.0 million. In the first quarter of 2019, BGC's GAAP results benefitted from non-operating gains of \$42.0 million primarily related to a divestiture and fair value adjustments of investments. Excluding these non-operating items from both quarters, the delta in pre-tax GAAP earnings would have improved by approximately \$47.0 million in the first quarter of 2020. First quarter 2020 pre-tax GAAP earnings also reflect restructuring charges of \$22.7 million that were not recorded a year earlier, as well as a \$30.1 million year-on-year increase in equity-based compensation and allocations of net income to limited partnership units and FPU's. The latter two items together totalled \$52.7 million.

BGC PARTNERS, INC.



# INTRODUCTION



## BGCP

### Voice/Hybrid

- Key products include:
  - Rates
  - Foreign Exchange (“FX”)
  - Credit
  - Energy & Commodities
  - Equities
  - Insurance Brokerage
- 2,900+ brokers & salespeople
- In 30+ cities

#### TTM IQ2020

Revenues<sup>1</sup> = \$1,886 MN

### Fenics / Electronic Transactions

- Key products include:
  - Interest Rate Derivatives
  - Credit
  - FX
  - Global Gov’t Bonds
  - Market Data
  - Software Solutions
  - Post-trade Services
- Proprietary network connected to the global financial community

#### TTM IQ2020

Revenues<sup>2</sup> = \$365 MN

1. TTM IQ2020 voice/hybrid revenues include \$65.5 million in revenues from fees from related parties, interest income and other revenues and \$1,820.6 million in brokerage revenues.

2. Fenics revenues include data, software, and post-trade (inter-company) revenues of \$88.7 million for TTM IQ2020, which are eliminated in BGC’s consolidated financial results. Excluding these amounts, Fenics net revenues for the period were \$276.5 million. BGC’s consolidated revenues were \$2,162.6 million over the same period.

- Best-in-class intermediary within wholesale financial markets
- Stable cash flow generating low-risk business model
- Proven track record of accretive acquisitions and profitable hiring
- History of successfully building new brokerage verticals
  - Newmark spin-off
  - Entry into insurance in 2017 with acquisition of Besso Insurance followed by acquisition of Ed Broking in 2019
- Significant revenue diversity by geography and product across voice/hybrid and electronic brokerage
- Positioned to benefit from:
  - Secular trend towards electronification and automation
  - Ongoing and future government and corporate debt issuance
- Continue to grow our fully electronic (Fenics) businesses
  - Established Fenics businesses operate at higher margins
  - New Fenics offerings are expected to improve their profitability<sup>1</sup>
- BGCP earnings and revenue growth expected to continue over time

1. As of BGC's IQ2020 earnings call on 5/5/2020

BGC PARTNERS, INC.

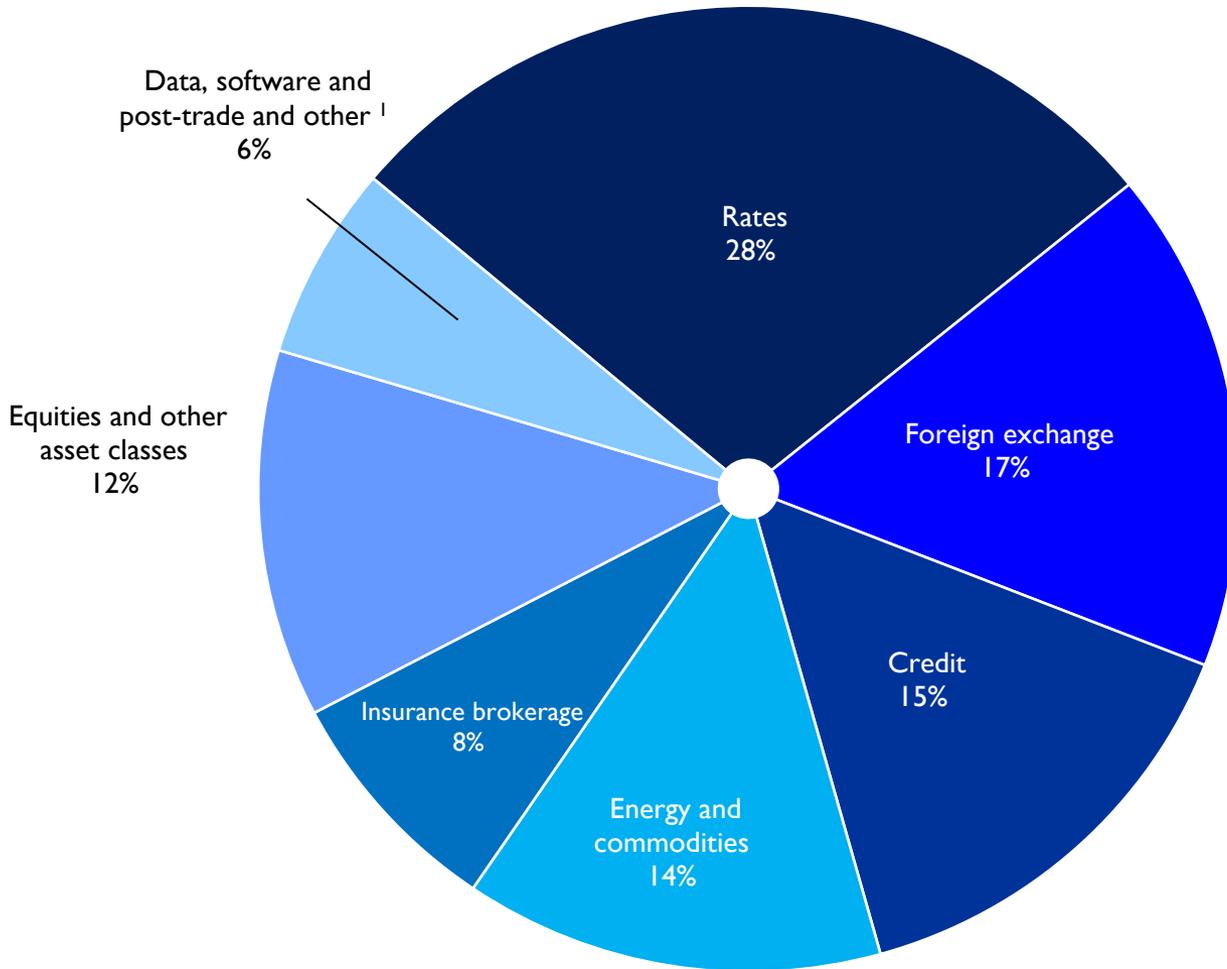


# BUSINESS OVERVIEW



# TTM IQ2020 REVENUE BREAKDOWN BY ASSET CLASS

TTM IQ2020 total revenues were \$2.2 billion



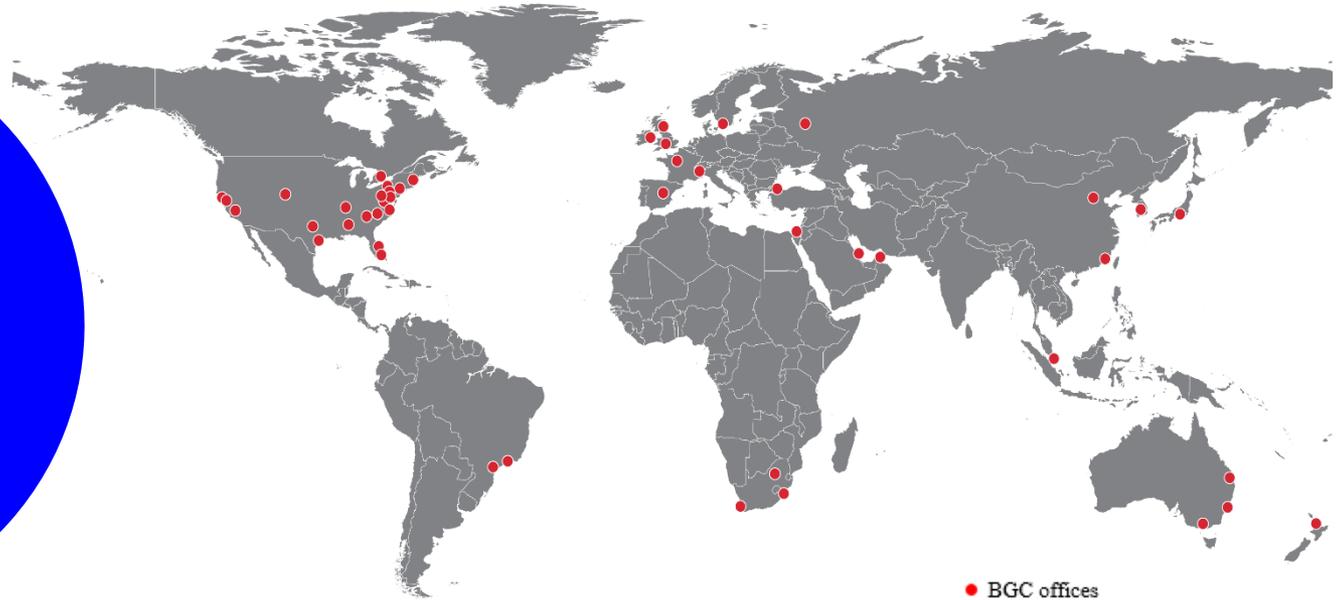
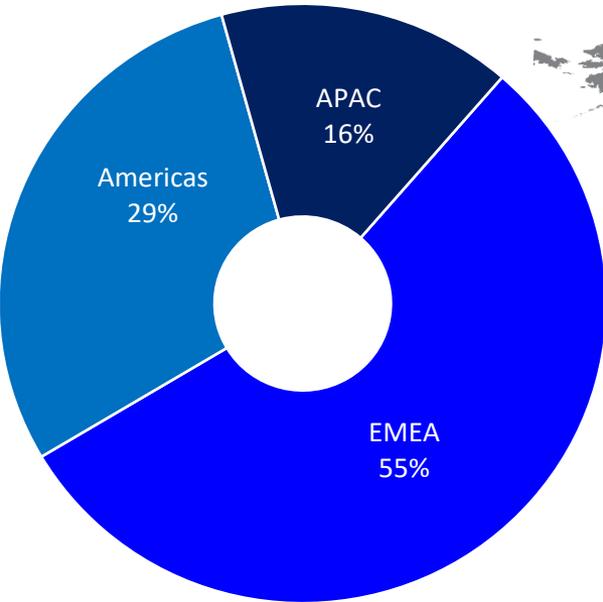
## BGC's Businesses at a Glance

- BGC maintains a highly diverse revenue base
- Overall industry volumes have historically been seasonally in 1st quarter, weakest in 4th quarter
- Revenues increased across energy and commodities, insurance, rates, as well as credit

<sup>1</sup>. Other includes fees from related parties, interest and other revenues.  
Note: Percentages may not sum to 100% due to rounding.

# REVENUE BREAKDOWN BY GEOGRAPHY

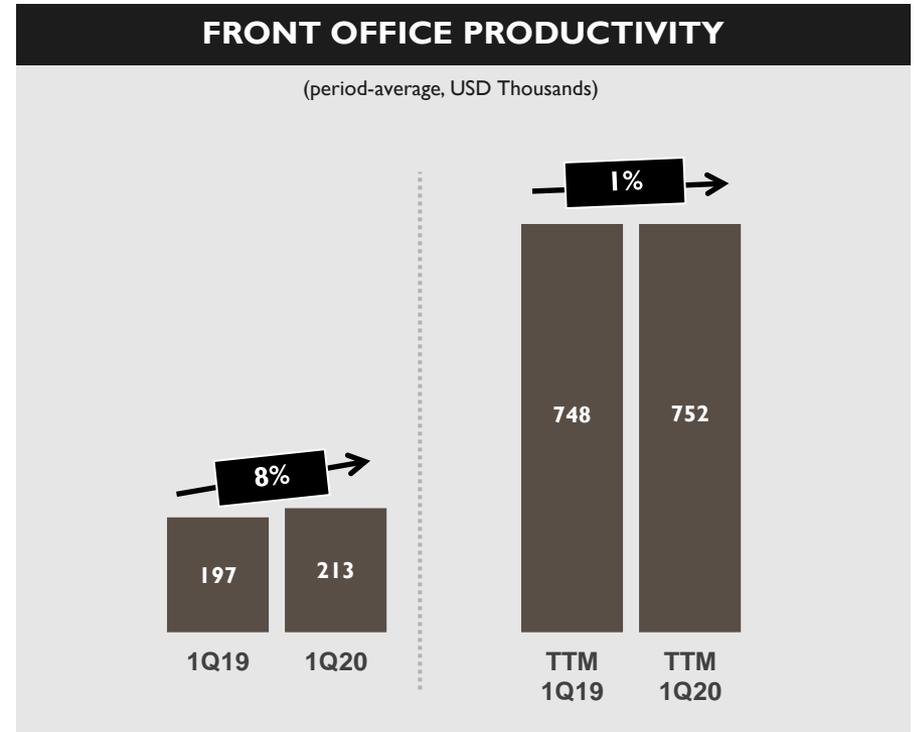
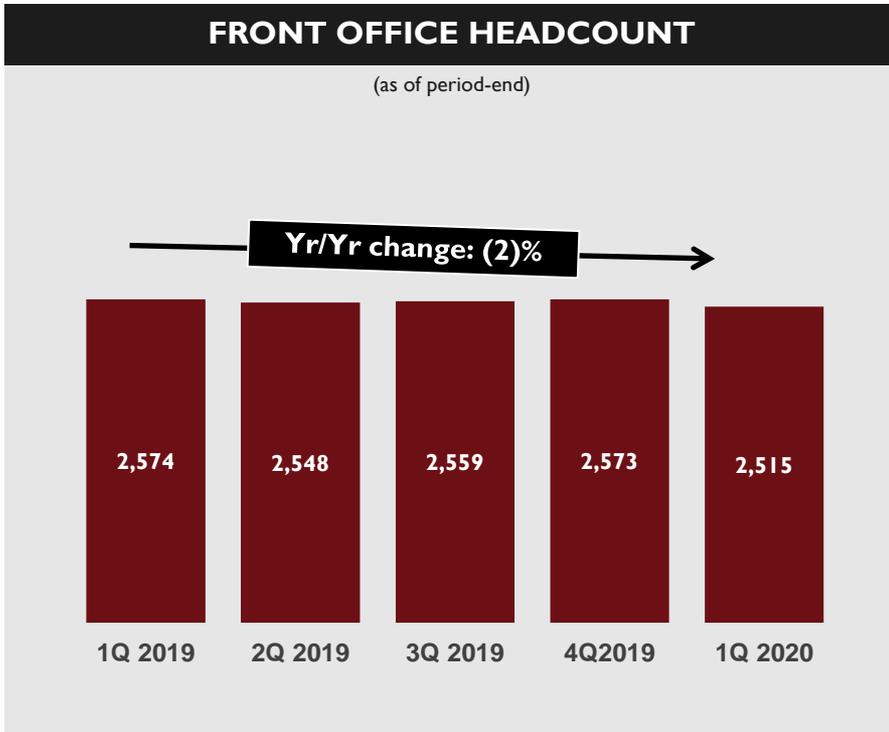
**TTM IQ2020 Global Revenues of \$2.2 billion**



- Asia Pacific revenue up 17% in TTM IQ2020
- Europe, Middle East & Africa revenue up 11% in TTM IQ2020
- Americas revenue up 6% in TTM IQ2020

Note: Percentages may not sum to 100% due to rounding.

# BGC'S FRONT OFFICE HEADCOUNT & PRODUCTIVITY (EXCLUDING INSURANCE BROKERAGE)



- As stated in our 4Q2019 financial results presentation, revenue per broker is not a widely used or relevant statistic for the insurance brokerage industry and BGC will provide statistics with respect to front office staff excluding this business
- BGC's non-revenue generating technology headcount was up 5% sequentially and up 20% year-over-year to 726, due mainly to the continued investments in Fenics newer stand-alone offerings
- As BGC invests in and grows its Fenics business and technology and makes the traditional voice/hybrid business more efficient, BGC expects front office productivity to improve over time

Note: The figures in the above table include total brokerage revenues and revenues from data, software and post-trade. The average revenues for all producers are approximate and based on the relevant revenues divided by the average number of producers for the period.

# BUSINESS OVERVIEW | Q2020 VS. | Q2019

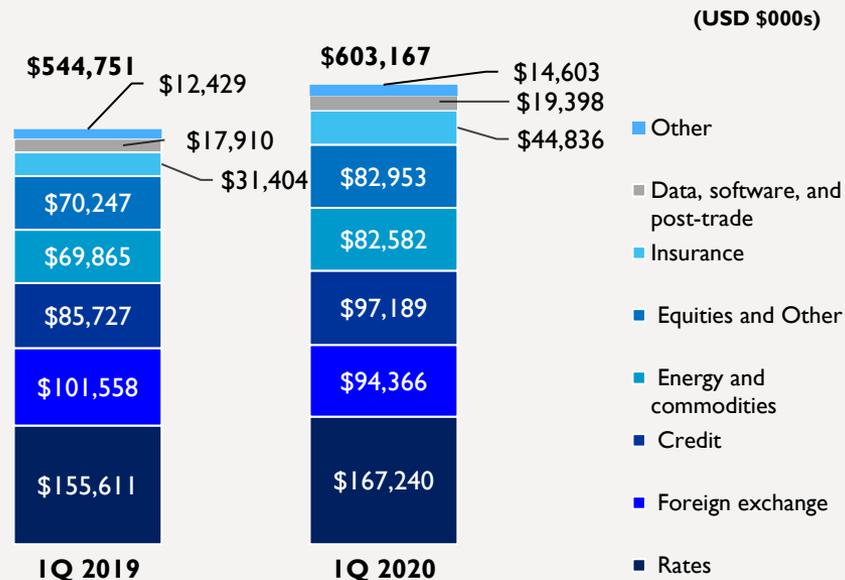
## Revenue Highlights

- Total revenues increased 11% YoY
- Top line driven by organic growth
- Insurance brokerage revenues up 43%<sup>2</sup>
- Energy and commodities and equities revenues were both up 18%
- Credit business grew by 13%
- BGC's brokerage revenues, excluding insurance, increased 9%, while March grew by more than twice this rate
- Revenues would have been at least \$10 million higher, but for the relative strengthening of the U.S. dollar

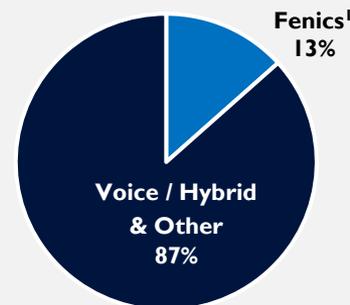
## Drivers

- Insurance brokerage revenues up primarily due to the acquisition of Ed Broking
- Benefit from generally higher industry volumes partially offset by the dislocation faced by the BGC's employees and clients due to COVID-19
- Temporary shift by traders toward voice execution in many markets due to extreme levels of volatility and disruptive physical dislocations

## Revenue Breakdown



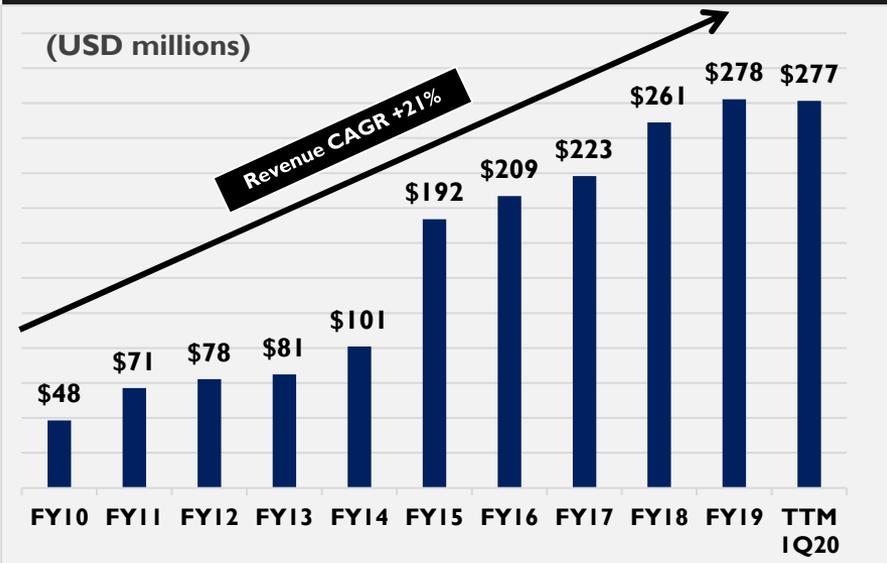
## IQ2020 Revenue Breakdown (excluding insurance brokerage revenues)



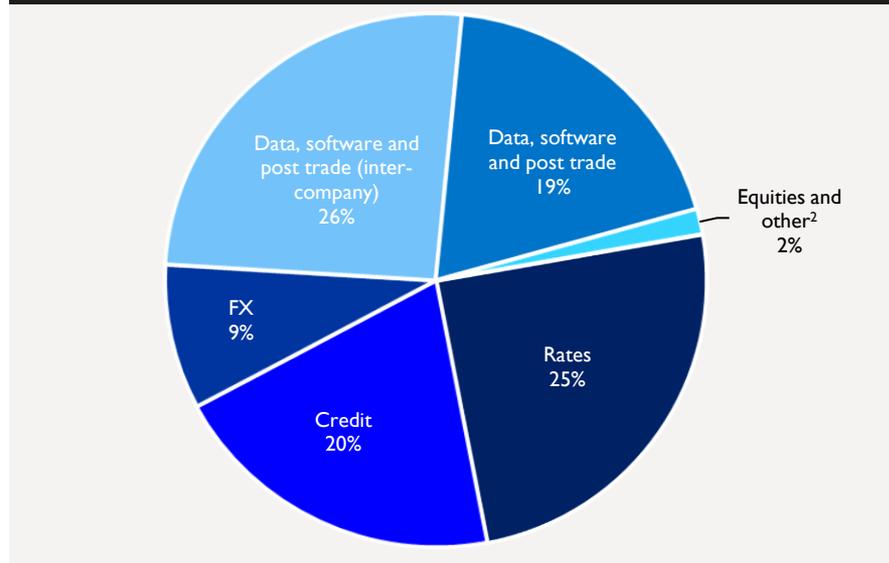
1. Data, software, and post-trade excludes inter-company revenues.

2. Including interest income and other revenues, which are included in "Interest, fees from related parties, and other revenues", revenues related to insurance brokerage were \$45.1 million in IQ2020.

## Fenics Net Revenue Growth<sup>1</sup>



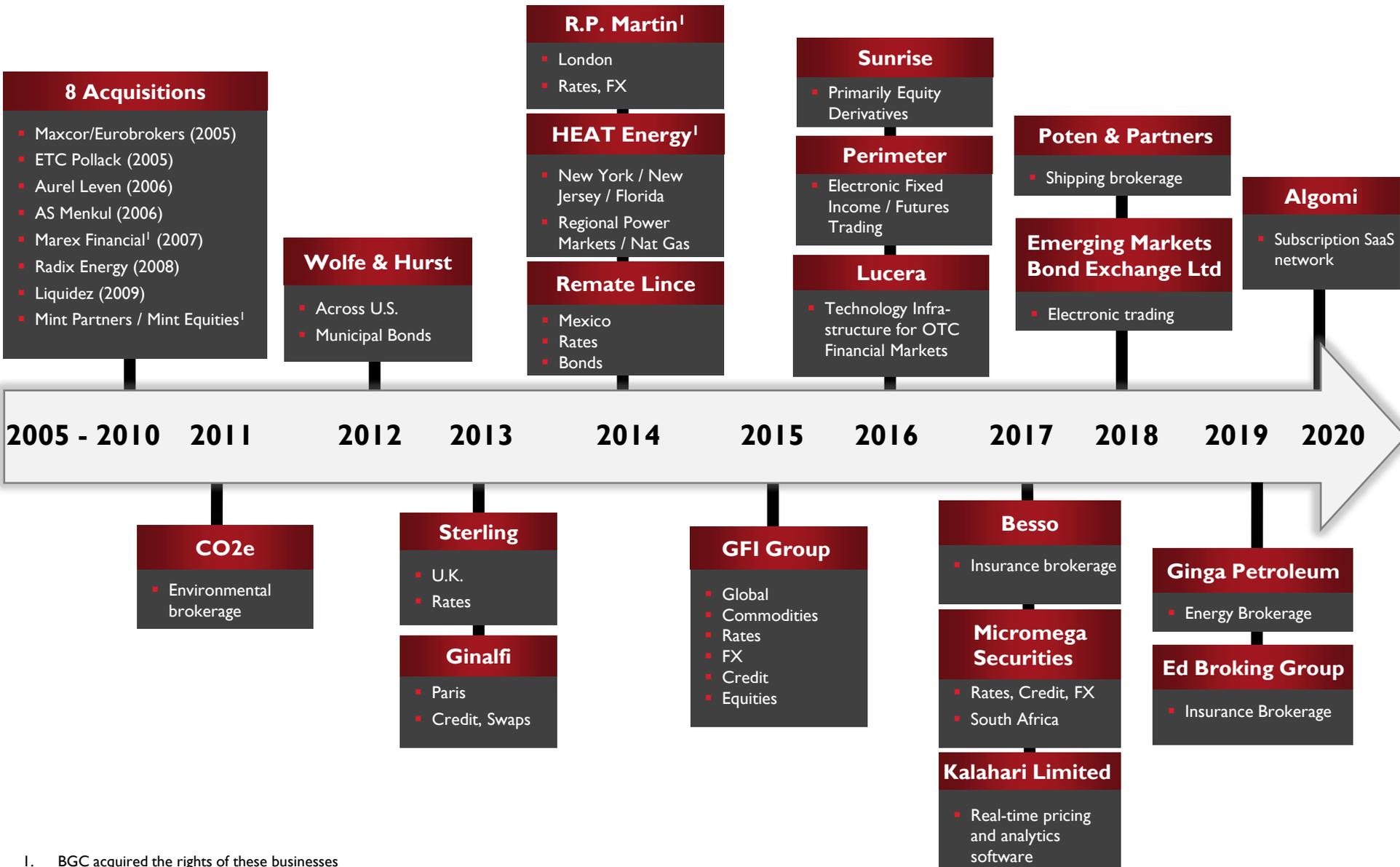
## IQ2020 Fenics Total Revenue Breakdown



- Fenics net revenues comprised 14% of BGC’s revenues, excluding its insurance brokerage business, in TTM IQ2020 versus approximately 4% in 2010 (net of inter-company eliminations)
- Fenics generated strong year-on-year growth from FX as well as data, software, and post-trade during IQ2020
- BGC’s data and software businesses include a large percentage of recurring and predictable revenues
- Fenics acquired Algomi in March.<sup>3</sup> Algomi provides technology aggregating buy-side clients’ access to venues, trading counterparties and exchanges
- Temporary shift to voice execution in certain markets across the industry due to extreme volatility and disruptive physical dislocations. As a result, voice brokers recaptured market share in the second half of IQ2020 in many areas where clients had a choice of execution methods
- IQ2020 Fenics net revenues decreased 2% year-over-year and total Fenics revenues (including inter-company) were up 9%

1. Excludes inter-company revenues, revenues related to eSpeed (sold in June 2013), and revenues related to Trayport (sold in December 2015). Inter-company revenues are eliminated in consolidation.  
 2. Includes a relatively small amount of revenues related to energy and commodities.  
 3. See additional details later in this document.  
 Note: Percentages may not sum to 100% due to rounding.

# STRONG RECORD OF SUCCESSFUL, ACCRETIVE ACQUISITIONS



<sup>1</sup> BGC acquired the rights of these businesses

# CONCLUSION



- Best-in-class intermediary within wholesale financial markets
- Stable cash flow generating low-risk business model
- Proven track record of accretive acquisitions and profitable hiring
- History of successfully building new brokerage verticals
  - Newmark spin-off
  - Entry into insurance in 2017 with acquisition of Besso Insurance followed by acquisition of Ed Broking in 2019
- Significant revenue diversity by geography and product across voice/hybrid and electronic brokerage
- Positioned to benefit from:
  - Secular trend towards electronification and automation
  - Ongoing and future government and corporate debt issuance
- Continue to grow our fully electronic (Fenics) businesses
  - Established Fenics businesses operate at higher margins
  - New Fenics offerings are expected to improve their profitability<sup>1</sup>
- BGCP earnings and revenue growth expected to continue over time

1. As of BGC's IQ2020 earnings call on 5/5/2020

BGC PARTNERS, INC.

# GAAP FINANCIAL RESULTS



 **bgc**

# BGC PARTNERS, INC. CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED) (UNDER GAAP)



	March 31, 2020	December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 455,016	\$ 415,379
Cash segregated under regulatory requirements	202,346	220,735
Securities owned	57,529	57,525
Marketable securities	245	14,228
Receivables from broker-dealers, clearing organizations, customers and related broker-dealers	2,302,726	551,445
Accrued commissions and other receivables, net	820,887	778,415
Loans, forgivable loans and other receivables from employees and partners, net	339,259	315,590
Fixed assets, net	203,015	204,841
Investments	38,966	40,349
Goodwill	552,001	553,745
Other intangible assets, net	302,424	303,224
Receivables from related parties	6,589	14,273
Other assets	447,156	446,371
Total assets	<u>\$ 5,728,159</u>	<u>\$ 3,916,120</u>
<b>Liabilities, Redeemable Partnership Interest, and Equity</b>		
Short-term borrowings	\$ 3,847	\$ 4,962
Repurchase agreements	512	—
Securities loaned	2,973	13,902
Accrued compensation	234,826	215,085
Payables to broker-dealers, clearing organizations, customers and related broker-dealers	2,178,000	416,566
Payables to related parties	8,511	72,497
Accounts payable, accrued and other liabilities	1,191,856	1,283,046
Notes payable and other borrowings	1,368,221	1,142,687
Total liabilities	<u>4,988,746</u>	<u>3,148,745</u>
Redeemable partnership interest	23,457	23,638
<b>Equity</b>		
Stockholders' equity:		
Class A common stock, par value \$0.01 per share; 750,000 shares authorized; 361,583 and 358,440 shares issued at March 31, 2020 and December 31, 2019, respectively; and 311,058 and 307,915 shares outstanding at March 31, 2020 and December 31, 2019, respectively		
	3,616	3,584
Class B common stock, par value \$0.01 per share; 150,000 shares authorized; 45,884 shares issued and outstanding at March 31, 2020 and December 31, 2019, convertible into Class A common stock		
	459	459
Additional paid-in capital	2,293,065	2,271,947
Treasury stock, at cost: 50,525 and 50,525 shares of Class A common stock at March 31, 2020 and December 31, 2019, respectively	(315,308)	(315,308)
Retained deficit	(1,277,956)	(1,241,754)
Accumulated other comprehensive income (loss)	(44,082)	(33,102)
Total stockholders' equity	<u>659,794</u>	<u>685,826</u>
Noncontrolling interest in subsidiaries	56,162	57,911
Total equity	<u>715,956</u>	<u>743,737</u>
Total liabilities, redeemable partnership interest and equity	<u>\$ 5,728,159</u>	<u>\$ 3,916,120</u>

# BGC PARTNERS, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED) (UNDER GAAP)



	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenues:</b>		
Commissions	\$ 455,855	\$ 430,182
Principal transactions	113,311	84,230
Total brokerage revenues	<u>569,166</u>	<u>514,412</u>
Fees from related parties	5,521	5,795
Data, software and post-trade	19,398	17,910
Interest income	4,161	3,665
Other revenues	4,921	2,969
Total revenues	<u>603,167</u>	<u>544,751</u>
<b>Expenses:</b>		
Compensation and employee benefits	344,749	288,000
Equity-based compensation and allocations of net income to limited partnership units and FPU's	42,204	12,141
Total compensation and employee benefits	<u>386,953</u>	<u>300,141</u>
Occupancy and equipment	51,074	46,002
Fees to related parties	5,435	2,927
Professional and consulting fees	19,956	20,005
Communications	30,521	30,411
Selling and promotion	18,699	18,402
Commissions and floor brokerage	19,277	14,618
Interest expense	17,334	13,198
Other expenses	19,188	24,015
Total non-compensation expenses	<u>181,484</u>	<u>169,578</u>
Total expenses	<u>568,437</u>	<u>469,719</u>
<b>Other income (losses), net:</b>		
Gains (losses) on divestitures and sale of investments	—	20,054
Gains (losses) on equity method investments	1,023	783
Other income (loss)	(6,015)	21,202
Total other income (losses), net	<u>(4,992)</u>	<u>42,039</u>
Income (loss) from operations before income taxes	29,738	117,071
Provision (benefit) for income taxes	8,706	29,897
Consolidated net income (loss)	<u>\$ 21,032</u>	<u>\$ 87,174</u>
Less: Net income (loss) attributable to noncontrolling interest in subsidiaries	<u>6,718</u>	<u>25,306</u>
Net income (loss) available to common stockholders	<u>\$ 14,314</u>	<u>\$ 61,868</u>

# BGC PARTNERS, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - CONTINUED

(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED) (UNDER GAAP)



19

	Three Months Ended March 31,	
	2020	2019
<b>Per share data:</b>		
<i>Basic earnings (loss) per share</i>		
Net income (loss) available to common stockholders	\$14,314	\$61,868
Basic earnings (loss) per share	\$0.04	\$0.18
Basic weighted-average shares of common stock outstanding	358,001	338,403
<i>Fully diluted earnings (loss) per share</i>		
Net income (loss) for fully diluted shares	\$20,259	\$90,765
Fully diluted earnings (loss) per share	\$0.04	\$0.18
Fully diluted weighted-average shares of common stock outstanding	538,442	516,066

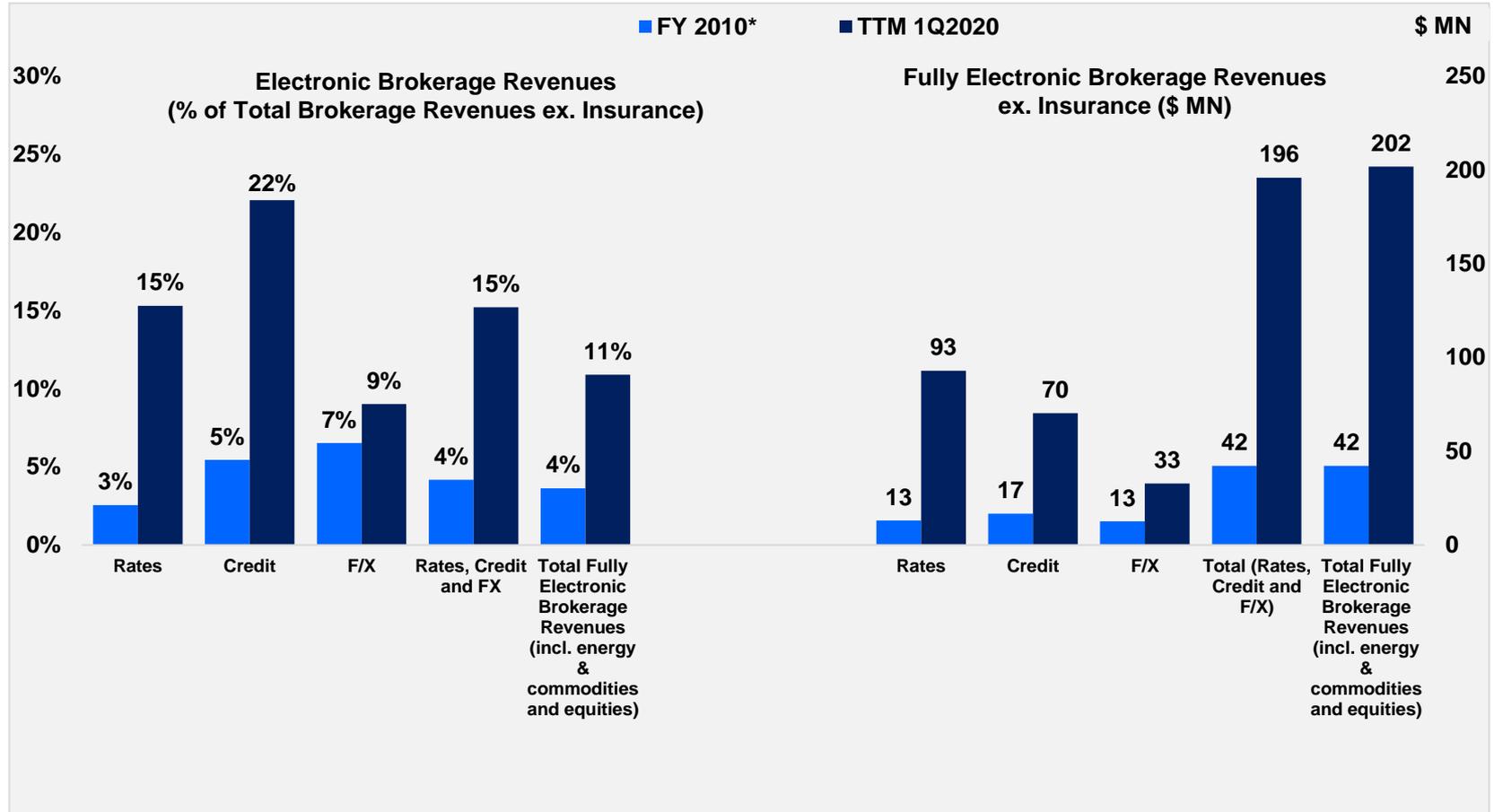
BGC PARTNERS, INC.



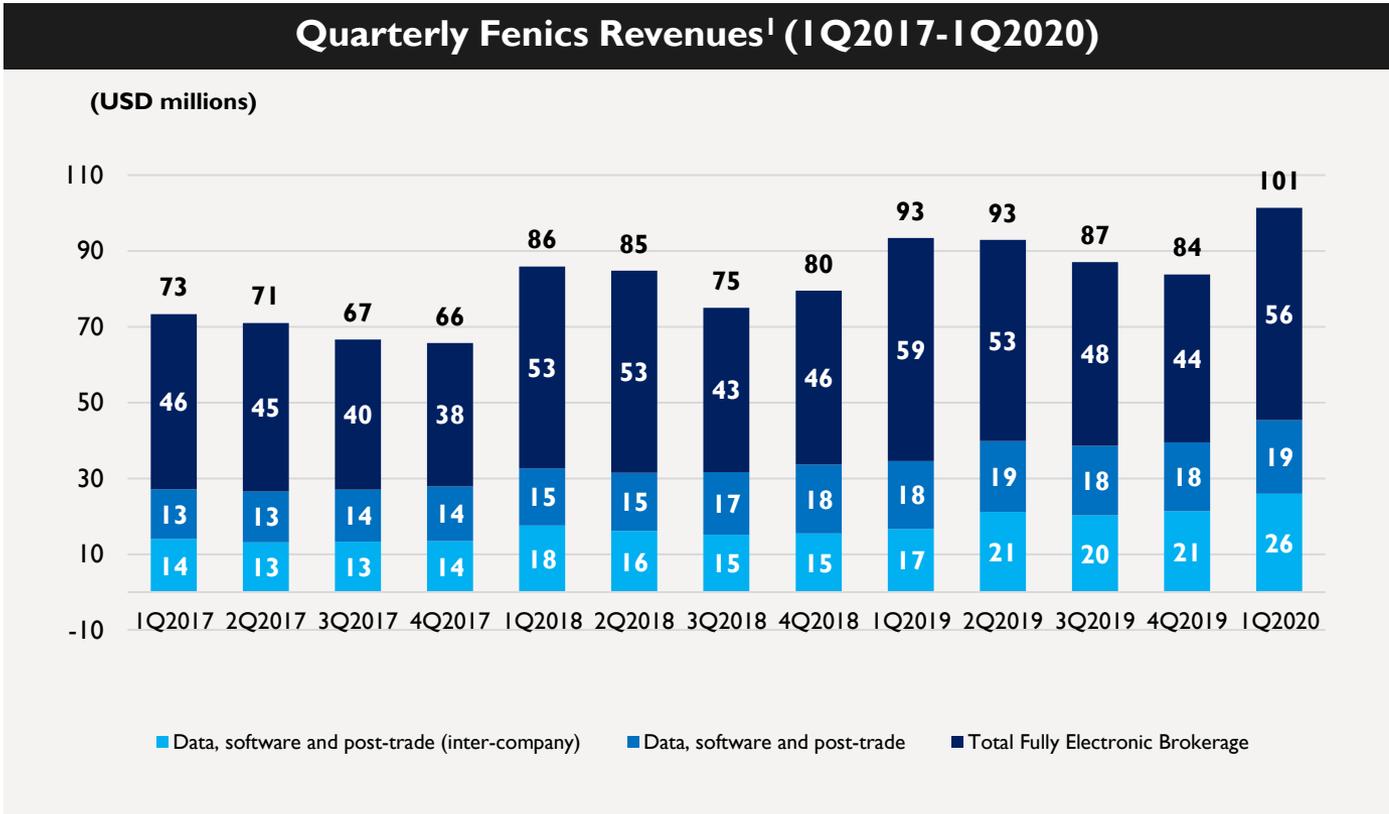
# MIGRATION TO FULLY ELECTRONIC BUSINESSES



# CONVERSION TO FULLY ELECTRONIC BROKERAGE BY ASSET CLASS (EX. INSURANCE)



\* 2010 excludes eSpeed



- BGC’s medium- to longer-term strategy with respect to Fenics not expected to be impacted by COVID-19

<sup>1</sup> “Fenics” results include data, software, and post-trade (inter-company) revenues, which are eliminated in BGC’s consolidated financial results.  
 Note: Certain numbers may not add due to rounding.

- Fenics acquired Algomi in March this year<sup>1</sup>
- Algomi provides technology aggregating buy-side clients' access to venues, trading counterparties and exchanges
- This subscription software as a service – or “SaaS” improves their workflow and liquidity through data aggregation, pre-trade information analysis, and execution facilitation
- BGC expects to integrate this business with its existing Lucera SaaS connectivity subscription service in order to provide both data and execution capabilities directly between banks/dealers and their buy-side customers

1. The acquisition of Algomi Limited by the Company's subsidiary, Lucera Connectivity Limited closed on March 6, 2020.

- Expanding Fenics FX platforms, which includes MidFX for fully electronic trading of Spot and FX Options
  - Fenics fully electronic FX volumes increased by 23% YoY in IQ2020 as the market continued to embrace electronic execution and as our FX offerings such as Fenics FX, MidFX, and Fenics Direct gained further market share
- Fenics GO, BGC's new fully electronic trading platform for the arrangement and execution of exchange listed equity futures and options
  - Launched Eurex listed Euro Stoxx 50 Index Options in partnership with three industry leading liquidity providers, Optiver, IMC and Maven Securities
  - Leading broker for certain Euro Stoxx 50 options contracts on some days during April 2020

- Lucera, which is BGC’s software-defined network, offering the trading community direct connectivity to each other
- Capitalab’s Nikkei 225 options compression service, which is in partnership with the Singapore Exchange
- Fenics UST generated substantial growth YoY, with notional volumes up by more than 300% in 1Q2020<sup>1</sup>
  - Compared to 14% for primary dealer volumes<sup>2</sup>
  - BGC believes that Fenics UST has gained significant market share and is distinguishing itself as the clear number two among central limit order book (“CLOB”) trading platforms<sup>1</sup>

1. Volumes based on Greenwich Associates data. CLOB market share is based on BGC’s estimates and data from Greenwich Associates with respect to US Treasury volumes for Fenics UST, CME BrokerTec, Nasdaq Fixed Income, and Tradeweb’s Dealerweb platform. Including these CLOB platforms as well as those using other fully electronic US Treasury trading protocols, Fenics UST increased its overall market share from 1.8% to 6.0% year-on-year in March 2020, per Greenwich Associates.

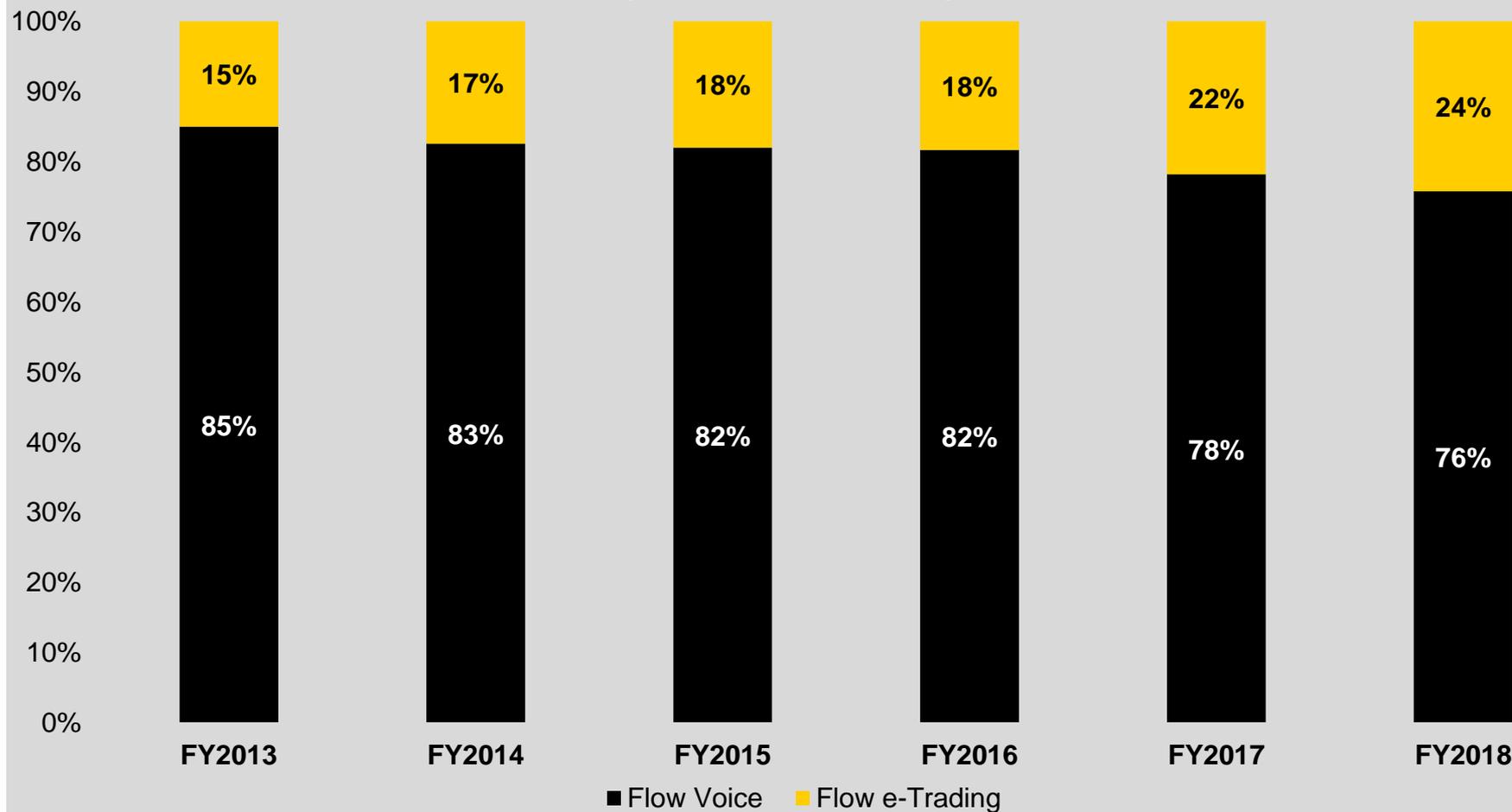
2. Primary dealer volumes are based on data from the Securities Industry and Financial Markets Association (“SIFMA”).

- Newer Fenics offerings are not yet fully up to scale, or are not yet generating significant revenues
- As of the date of BGC's IQ2020 financial results press release, the Company expected these newer financial technology businesses to breakeven during 2021
- Over time, BGC expects these new Fenics products and services to become profitable, high-margin businesses as their scale and revenues increase, all else equal

- Fenics Market Data launched its enhanced FX data package, which it expects will be one of the most comprehensive data packages commercially available for FX pricing
- Fenics Market Data also launched its US dollar data service, FENICSMD 20/20, a premium service that combines the precision pricing of Fenics USTreasuries ("Fenics UST") with real-time interest rate swaps data from BGC, as well as US Treasuries implied spreads to secured overnight financing rate ("SOFR")
- Our kACE software business released an updated version of its award-winning platform, kACE Pro, which enables clients to stream FX Options prices to internal and external clients, single dealer platforms, execution venues, and third-party platforms

# LARGE BANKS ARE INCREASINGLY TRADING ELECTRONICALLY

## FICC & Equities Flow Trading Revenues<sup>1</sup>



1. Total revenues include FICC and Equities flow trade revenue but excludes IBD, Structured, & Financing revenue.

Source: Crisil's Coalition IB Index – FY18 Report (banks included are BoAML, BARC, BNP, CITI, CS, DB, GS, HSBC, JPM, MS, SG, and UBS).

## Electronic Bond Trading Gains Ground

Source: Bloomberg, February 15, 2018

**Bond trading: technology finally disrupts a \$50tn market**

Fixed income is being dragged into the 21st century with a shift towards electronic trading on exchanges

Source: Financial Times – May 9, 2018

## Morgan Stanley's President Can't Wait for Electronic Bond Trading

Source: Bloomberg, March 20, 2018

## Bond Traders Aren't Immune to Automation, Goldman's CFO Says

Source: Bloomberg – January 17, 2018

EQUITIES, SELL SIDE April 17, 2018 11:14 AM GMT

## JP Morgan sees surge in European electronic trading as MiFID II takes effect

CFO Marianne Lake says JP Morgan has witnessed 'material increase' in electronic trading in the first quarter this year. Source: The Trade – April 17, 2018

## The Robots Are Coming for the Bond Market

Source: Greenwich Associates – February 6, 2018

## JPMorgan Arms Coders With Trading Licenses as Quants Push Ahead

Viren Vaghela, Bloomberg News

## Increase in share of Cash Equities volumes driven by Low Touch

Source: JPMorgan Chase 2019 Investor Day Corporate & Investment Bank presentation, February 26, 2019

## Bond-Trading Bots on Verge of Becoming Masters of the Universe

Source: Bloomberg – October 8, 2019

## Robots Conquered Stock Markets. Now They're Coming for Bonds and Currencies

Source: Bloomberg – March 7, 2019

## Goldman Plans Hiring Spree in Trading (Only Coders Need Apply)

By [Sridhar Natarajan](#)  
August 21, 2019 10:36 AM

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Finance & economics

Mar 5th 2020 edition >

Corporate-bond trading

## Electronic platforms are challenging bond broker-dealers

Finance

## Morgan Stanley's 126% Bond-Trading Surge Is Electric

Electronification of fixed income most likely helped Wall Street deliver a blowout quarter.

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By [Brian Chappatta](#)

January 16, 2020 10:51 AM

U.S.

## Electronic Trading Surges to 34% of Corporate Bond Market

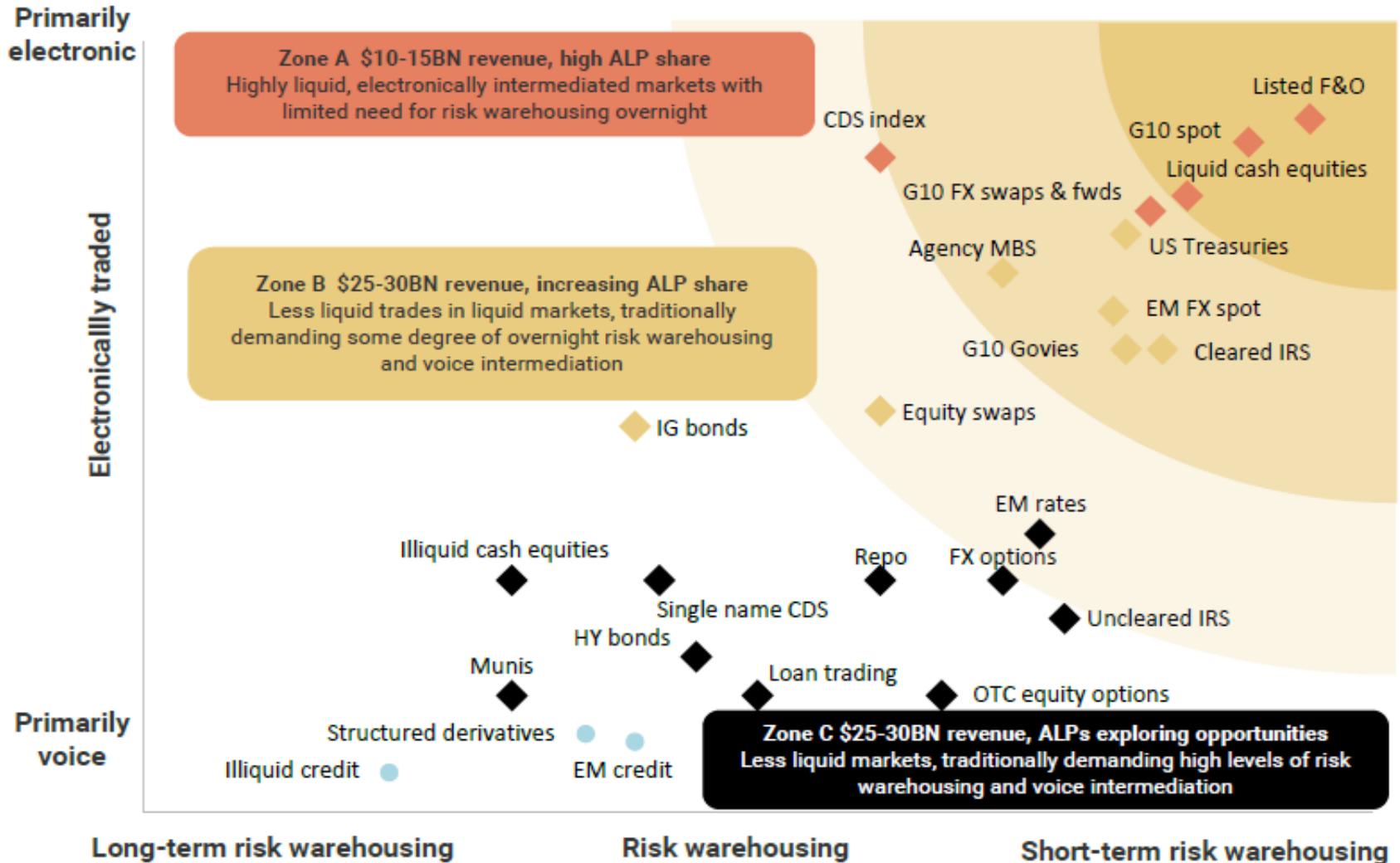
Boom in algorithmic trading boosts volume of small trades

By [Matt Wirz](#)

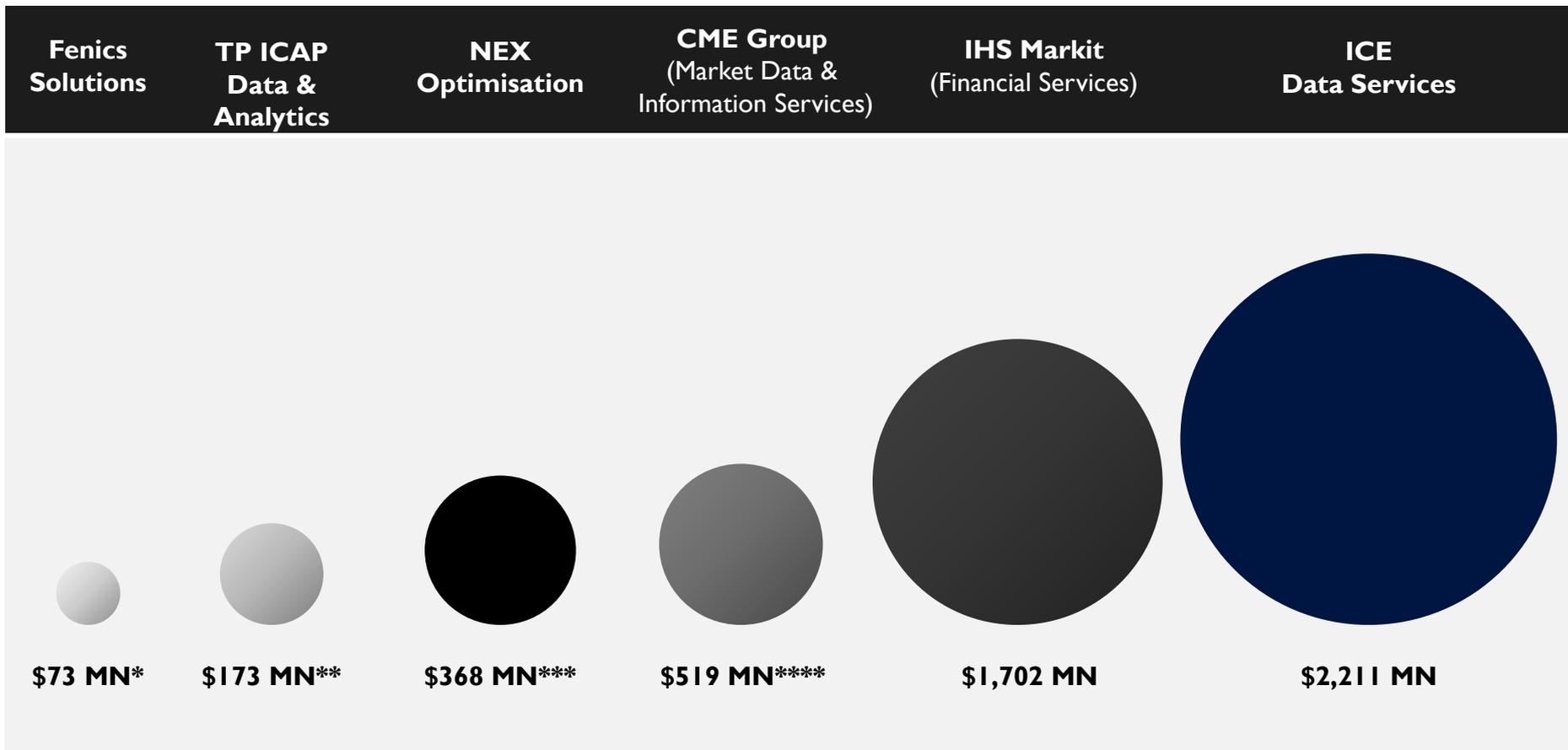
Jan. 14, 2020 9:00 am ET



## Product trading characteristics and coverage by Alternative Liquidity Providers (ALP)



# OPPORTUNITY (REPORTED 2019 REVENUE)



\* BGC's data, software and post-trade revenues

\*\* Converted at a £/\$ exchange rate of 1.28

\*\*\* Legacy NEX revenues excluding EBS and BrokerTec

\*\*\*\* Includes market data revenues generated by NEX

# APPENDIX



# IMPACT OF COVID-19 ON EMPLOYEES

As a global intermediary to financial markets, BGC has been considered an essential business in many of its various global locations where key employees are thus able to operate out of its primary offices around the world. The Company has nonetheless taken proactive measures intended to protect its employees and clients during this global pandemic. These policies and practices seek to protect the health, safety and welfare of the Company's workforce while enabling employees to maintain a high level of performance in compliance with applicable "shelter-in-place" orders. Certain of these items are summarized below.<sup>1</sup>

- The Company activated its Business Continuity Plan, and a majority of BGC staff members are working from home, while many other employees work from back-up locations. In all cases, the Company has mandated appropriate social distancing measures.
- The Company provides ongoing informational COVID-19 related messages and notices.
- Where applicable, BGC is applying more frequent and vigorous cleaning and sanitation measures and providing personal protective equipment (PPE)
- Internal and external meetings are generally conducted virtually or via phone calls.
- There is a ban on nonessential business travel since the beginning of March this year while personal travel is discouraged.
- BGC has and is deferring corporate events and participation in industry conferences.
- BGC is deploying clinical staff internally to support its employees and requiring self-quarantine.
- The Company's medical plans have waived applicable member cost sharing for all diagnostic testing related to COVID-19.
- BGC continues to pay medical, dental, vision, and life insurance contributions for furloughed employees.
- The Company also introduced zero co-pay telemedicine visits for general medicine for participants in the U.S. medical plans and their dependents. BGC has encouraged the use of telemedicine during the pandemic.
- The Company has reminded employees about its Employee Assistance Program and the ways it can assist them during this challenging time.
- BGC provides paid leave in accordance with its policies and applicable COVID-19-related laws and regulations.

<sup>1</sup>. The above statements are true only as of May 4, 2020. BGC's policies are intended to protect staff and others and to comply with multiple government and global health authority guidelines and regulations. While seeking to keep its staff safe as possible BGC also seeks to ensure the success, continuation, integrity and efficient functioning of the markets in which it operates.

BGC has recorded and is likely to record amounts for certain GAAP items that could be higher than they otherwise would have due to the overall impact of the pandemic. Some of these items include:

- Non-cash amortization of intangibles with respect to acquisitions;
- Non-cash asset impairment charges with respect to goodwill or other intangible assets;
- Non-cash mark-to-market adjustments for non-marketable investments;
- Certain severance charges incurred in connection with headcount reductions as part of broad restructuring plans;
- Certain compensation and non-compensation-related charges incurred as part of broad restructuring plans. Such GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives;
- Expenses relating to setting up and maintaining remote and/or back-up locations; and
- Communication expenses related to additional voice and data connections.

Some of the above items may be partially offset by certain tax benefits. It is difficult to predict the amounts of any these items or when they might be recorded because they may depend on the duration, severity, and overall impact of the pandemic.

# IMPACT OF COVID-19 ON THE COMPANY'S RESULTS - CONTINUED

In addition, the uncertain macroeconomic environment and the overall impact of the pandemic may affect the Company's revenues in the following ways:

<b>Voice/Hybrid and/or Fully Electronic Brokerage</b>	<ul style="list-style-type: none"><li>• Revenues across rates, credit, FX, equities, energy, and commodities are correlated with corresponding industry volumes</li><li>• BGC benefitted from higher industry volumes from mid-February through the end of March in 2020, and may further benefit from higher industry volumes in the future. However, there can be no assurance that such conditions will continue.</li><li>• The long-term tailwind from government and corporate debt issuance currently underway is expected to benefit BGC's rates and credit businesses.</li><li>• Conversely, additional quantitative easing measures taken by central banks around the world may lower market volumes.<sup>1</sup></li><li>• An extended period of historically low oil prices and demand for commodities could lead to lower demand for hedging and increased risk aversion, which may lower market volumes across energy and commodities.</li></ul>
<b>Overall Fenics</b>	<ul style="list-style-type: none"><li>• Fenics is expected to benefit from secular trend towards electronic execution and opportunities created by algorithmic trading and automation.</li><li>• BGC's clients have indicated that the dislocations caused by COVID-19 has resulted in an even greater demand for the Company's electronic execution. The driver of this demand is the best-in-class market liquidity that only integrated global firms like BGC can provide.</li><li>• This benefit may be tempered by temporary shifts by traders toward voice execution in certain markets during periods of market turbulence.</li><li>• The pace of adoption of certain financial technology offerings may slow in the short-term due to physical dislocations experienced by BGC's employees and clients. The Company's medium-to longer-term overall strategy with respect to Fenics is not expected to be impacted.</li><li>• BGC's data, software, connectivity, and post-trade business includes a large percentage of predictable and recurring revenues.</li></ul>
<b>Insurance Brokerage</b>	<ul style="list-style-type: none"><li>• This industry typically generates significant amounts of predictable revenues at specific times of the year as different categories of clients sign or renew policies.</li><li>• Although certain clients may be facing financial hardship or dislocation due to the pandemic, the insurance brokerage industry has generally performed well during past economic downturns.</li><li>• BGC expect certain insurance market participants to have an even greater demand for the types of policies it brokers.</li></ul>

1. For reference, as of April 30, 2020, the G4 balance sheet represented 44.3% of the G4 GDP reported as a weighted average of the Federal Reserve, ECB, BOJ, and BOE balance sheets reported as a percentages of their respective nominal GDP, compared to 35.8% a year earlier and 11.3% at year-end 2007, as per Bloomberg.

# STRONGLY CAPITALIZED; INVESTMENT GRADE CREDIT PROFILE

(USD \$000s)

<b>BGC Partners, Inc.</b>	<b>As of 3/31/2020</b>
Cash and Cash Equivalents	\$455,016
Repurchase Agreements	(512)
Securities Owned	57,529
Marketable Securities	245
<b>Total Liquidity</b>	<b>\$512,278</b>

	<b>Maturity</b>	
Unsecured senior revolving credit agreement	02/26/2023	297,158
5.125% Senior Notes	05/27/2021	298,913
Collateralized Borrowings	5/31/2021, 4/8/2023, and 4/19/2023	30,272
5.375% Senior Notes	07/24/2023	445,581
3.750% Senior Notes	10/01/2024	296,297
<b>Total notes payable and other borrowings</b>		<b>\$1,368,221</b>
<b>Total notes payable and other borrowings (after adjusting for Liquidity)</b>		<b>\$855,943</b>
<b>Total Capital</b>		<b>\$739,413</b>

## **Credit Ratios (Adj. EBITDA / Adj. EBITDA for Credit Agreement Financial Covenants as of TTM 1Q2020)**

Adjusted EBITDA / Adjusted EBITDA for Credit Agreement Financial Covenants <sup>1</sup>	\$403,808 / \$521,253
Leverage Ratio: Total Notes payable and other borrowings / Adjusted EBITDA	3.4x / 2.6x
Net Leverage Ratio: Net Notes payable and other borrowings / Adjusted EBITDA	2.1x / NM
Interest Coverage Ratio: Adjusted EBITDA / Interest Expense	6.4x / 8.3x
Total notes payable and other borrowings / Total Capital <sup>2</sup>	1.9x

- **BGC's Adjusted EBITDA is higher under its credit agreement**

<sup>1</sup> BGC's credit agreement is subject to financial covenants that do not permit the Company to have: (a) a gross leverage ratio of greater than 3.25x; or (b) an interest coverage ratio of less than 4.0x. BGC's credit agreement financial covenant metrics are based on TTM Adjusted EBITDA of \$521 million as calculated under BGC's credit agreement. Interest expense under this agreement excludes interest on securities financing transactions. A previous version of this slide showed a preliminary figure of \$485 million and leverage and interest coverage ratios of 2.8x and 7.7x, respectively, based on this Adjusted EBITDA figure. Credit metrics in this slide have been updated to reflect the final figure of \$521 million. As of March 31, 2020, there was \$50 million of available undrawn capacity under BGC's revolving credit facility. The Company has paid down \$75 million of borrowings outstanding since 3/31/2020 and currently has available undrawn capacity of \$125 million under its revolving credit facility.

<sup>2</sup> Total Capital includes total equity and redeemable partnership interest and therefore is representative of what debt to equity would be on a fully diluted basis, all else equal.

# BGC'S FULLY DILUTED SHARE COUNT SUMMARY AS OF MARCH 31, 2020

(share count in millions)

<b>BGC Partners, Inc. Fully Diluted Share Count Summary (as of March 31, 2020)</b>	<b>Fully-diluted Shares (MN)</b>	<b>Ownership (%)</b>
Class A owned by Public	293.0	54%
Class A owned by executives, board members and employees <sup>(1)</sup>	18.1	4%
Partnership units owned by employees <sup>(2)</sup>	124.1	23%
Other owned by employees <sup>(3)</sup>	5.2	1%
Class A owned by Cantor	0.0	0%
Class B owned by Cantor	45.9	8%
Partnership units owned by Cantor <sup>(4)</sup>	52.3	10%
<b>Total</b>	<b>538.6</b>	<b>100%</b>

<b>BGC Partners, Inc. Fully Diluted Share Count Summary (as of March 31, 2020)</b>	<b>Fully-diluted Shares (MN)</b>	<b>Ownership (%)</b>
Public	293.0	54%
Employees	147.4	28%
Cantor	98.2	18%

1. Class A shares owned by board members or executives and restricted shares owned by other employees. Any Class A share owned by an employee without restriction is included in the "Class A owned by Public".
2. Partnership units owned by employees include founding/working partner units and limited partnership units. In conjunction with the spin-off of Newmark, the limited partnership units are owned by employees of both Newmark and BGC. Over time, virtually all of the partners of Newmark are expected to only own units and/or shares of Newmark and virtually all of the partners of BGC are expected to only own units and/or shares of BGC. From 1Q 2018 onwards, partners of Newmark are compensated with Newmark partnership units and partners of BGC are compensated with BGC partnership units.
3. These primarily represent contingent shares and/or units for which all necessary conditions have been satisfied except for the passage of time.
4. Includes 15.8 million Cantor distribution rights.

# CORRELATION BETWEEN BGC'S BROKERAGE REVENUES AND CERTAIN INDUSTRY METRICS

Asset Class	Industry Metric	Correlation	R <sup>2</sup>
Rates	BGC Rates Revenues vs. Fed UST Primary Dealer Volume	60.4%	36.5%
	BGC Rates Revenues vs. EUREX Interest Rate Derivatives	62.8%	39.4%
	BGC Rates Revenues vs. BrokerTec (NEX/CME) Volume	47.4%	22.5%
FX	BGC FX Revenues vs. CME FX Futures Volume	57.8%	33.4%
	BGC FX Revenues vs. EBS (NEX/CME) Volume	30.8%	9.5%
Equities*	BGC Equities and Other Asset Classes Revenues vs. OCC Total Industry Equity Option Volume	71.0%	50.4%
Credit	BGC Credit Revenues vs. Fed Primary Dealer Corporate Bond Inventory	41.3%	17.1%

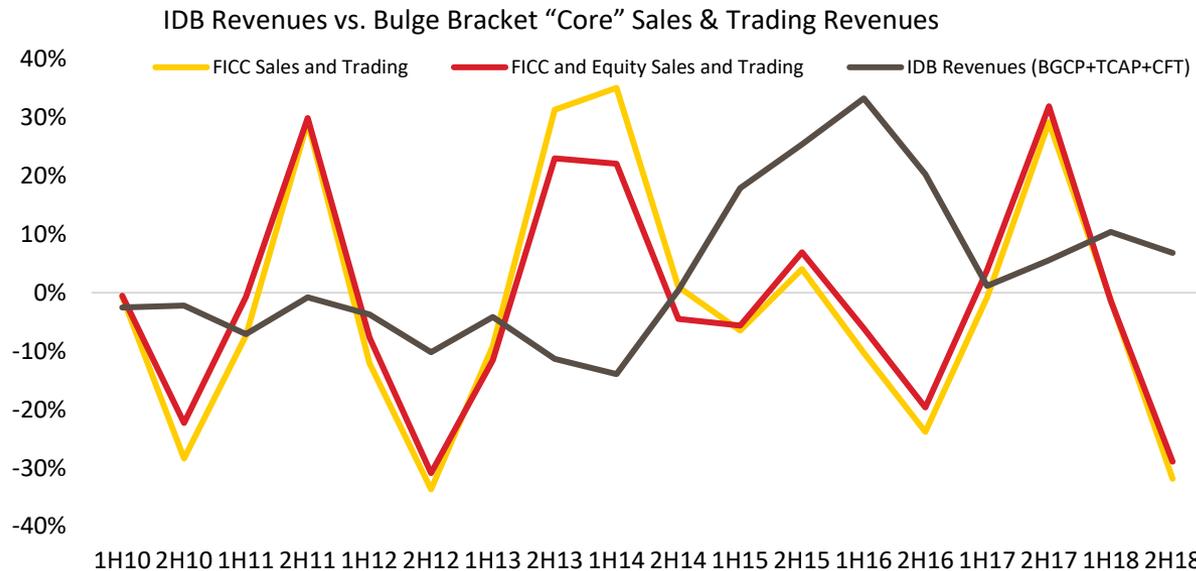
Small correlation or R squared 0.1 - 0.3, medium 0.31 - 0.5, large if above 0.5.

\* Equities excludes insurance brokerage revenues

Note: Correlation and R-Squared periods measured are quarterly from 1Q2007 through 4Q2019 except for CME FX Futures (1Q2008 through 4Q2019) and Fed Primary Dealer Positions for Corporate Securities (1Q2009 through 4Q2019). Correlation and R-Squared between rates and FX revenues of BGC and NEX/CME are measured based on quarterly revenues from 2015-2019 and 2016-2019, respectively.

Sources: Bloomberg, Eurex, CME, OCC and Federal Reserve

# TRADITIONAL IDB REVENUES HAVE BEEN LESS VOLATILE AND MORE PREDICTABLE THAN THOSE OF THE LARGE BANKS



- IDB revenues were less volatile and more predictable than bank FICC and FICC + equity sales & trading revenues\*
  - The standard deviation for IDB revenues was 13%
  - The standard deviation for FICC sales & trading revenues was 21%
  - The standard deviation for FICC + equity sales & trading revenues was 18%

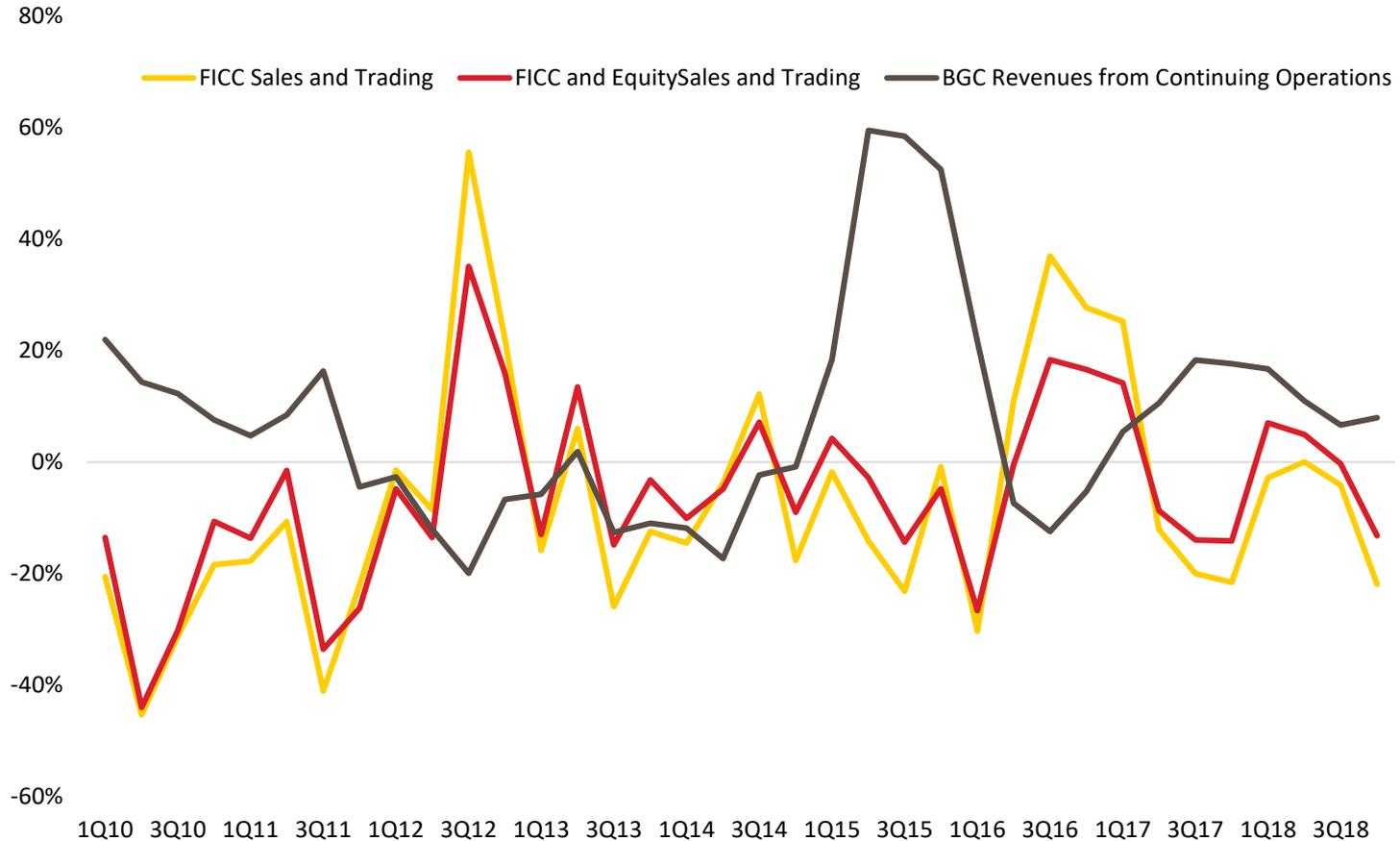
\* Based on the standard deviation (using deviations from the mean) of the y-o-y change in semi-annual revenues from 2010

Source: Citi (for FICC and Equity Sales and Trading data), companies

Note: BGC's revenues prior to 2014 are Financial Services segment revenues. BGC's revenues from 2014 are from Continuing Operations

# BGC'S REVENUES HAVE BEEN NEGATIVELY CORRELATED WITH THOSE OF THE LARGE BANKS

## BGCP Revenues vs. Bulge Bracket "Core" Sales & Trading Revenues

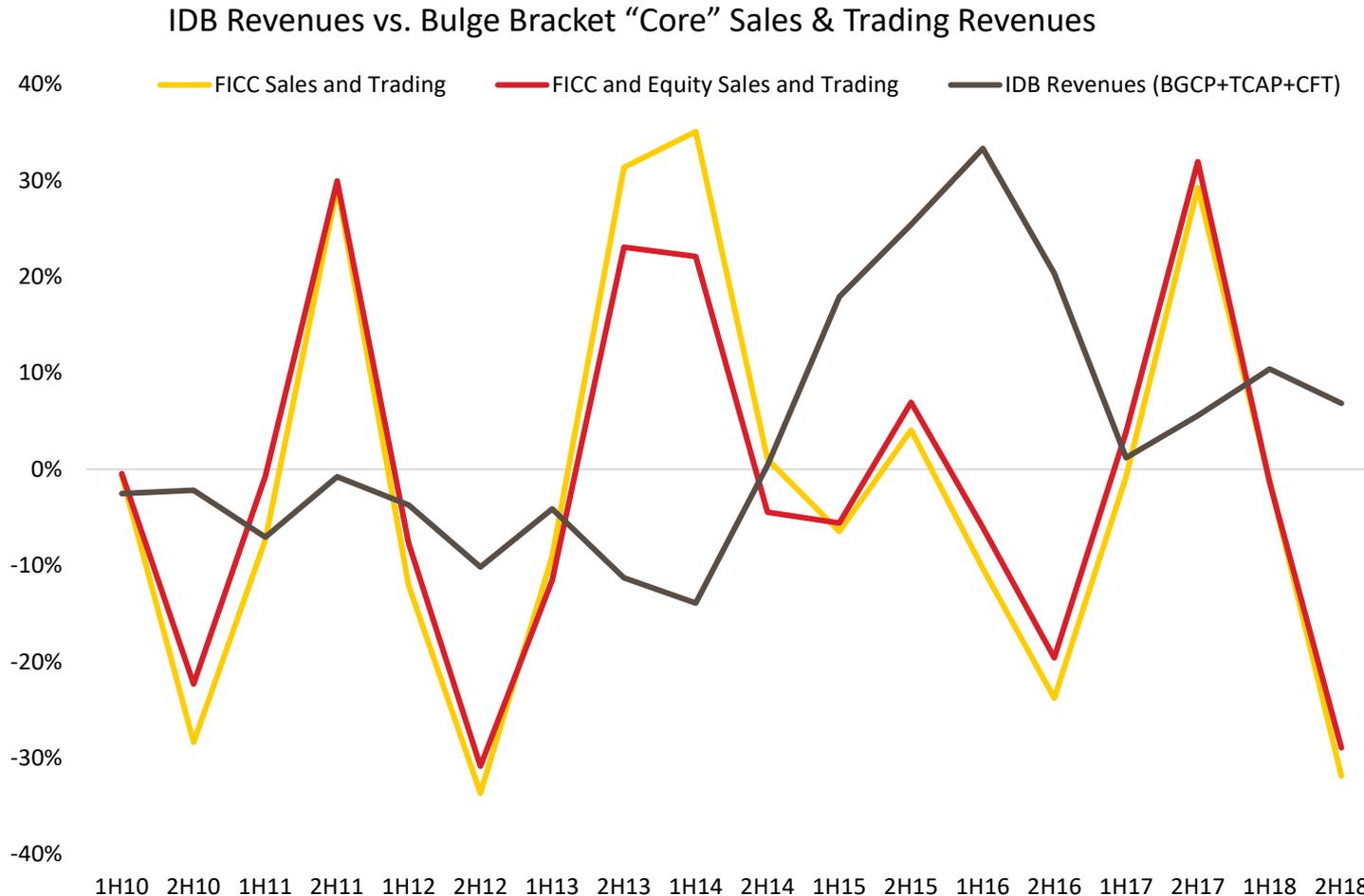


- BGCP's revenues had a correlation of negative 0.38 and negative 0.28 with bank FICC and FICC + equity sales & trading revenues, respectively, from 2010

Source: Citi (for FICC and Equity Sales and Trading data)

Note: BGC's revenues prior to 2014 are Financial Services segment revenues. BGC's revenues from 2014 are from Continuing Operations

# TRADITIONAL IDB REVENUES HAVE BEEN NEGATIVELY CORRELATED WITH THOSE OF THE LARGE BANKS



- IDB revenues had a correlation of negative 0.23 and negative 0.15 with bank FICC and FICC + equity sales & trading revenues, respectively, from 2010

Source: Citi (for FICC and Equity Sales and Trading data), companies

Note: BGC’s revenues prior to 2014 are Financial Services segment revenues. BGC’s revenues from 2014 are from Continuing Operations. TP ICAP’s revenues prior to 2017 are Tullet Prebon’s revenues.

- BGC won Risk Magazine's Interdealer Broker of the year in 2019
- Financial News awarded BGC as their IDB of the year in 2019
- Global Capital announced BGC as the Interdealer broker of the year at their Global Derivatives Awards in 2019
- BGC was the IDB of the year at the FOW awards in 2018
- In 2018, BGC was ranked #1 in foreign exchange products (all votes combined for swaps, forwards, options and other foreign exchange products) by Risk Magazine
- In 2018, Sunrise was ranked #1 for OTC single-stock equity options for U.S., Europe and Asia; for equity and exotic index options; and for Delta One by Risk Magazine
- In 2018, GFI was ranked #1 for overall natural gas and coal in the Energy Risk Commodity Rankings
- Capitalab was named Compression Service of the Year by GlobalCapital in their Global Derivatives Awards in 2018
- kACE won the Best Vendor for risk management/options pricing software at the FX Week Best Bank Awards in 2018
- In 2018, kACE won the Best e-FX software provider at the FX Week e-FX Awards

BGC PARTNERS, INC.

# NON-GAAP DEFINITIONS AND RECONCILIATION TABLES



# DIFFERENCES BETWEEN NON-GAAP AND GAAP CONSOLIDATED RESULTS

## **Non-GAAP Financial Measures**

This document contains non-GAAP financial measures that differ from the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles in the United States (“GAAP”). Non-GAAP financial measures used by the Company include “Adjusted Earnings before noncontrolling interests and taxes”, which is used interchangeably with “pre-tax Adjusted Earnings”; “Post-tax Adjusted Earnings to fully diluted shareholders”, which is used interchangeably with “post-tax Adjusted Earnings”; “Adjusted EBITDA”; and “Liquidity”. The definitions of these terms are below.

## **Adjusted Earnings Defined**

BGC uses non-GAAP financial measures, including “Adjusted Earnings before noncontrolling interests and taxes” and “Post-tax Adjusted Earnings to fully diluted shareholders”, which are supplemental measures of operating results used by management to evaluate the financial performance of the Company and its consolidated subsidiaries. BGC believes that Adjusted Earnings best reflect the operating earnings generated by the Company on a consolidated basis and are the earnings which management considers when managing its business.

As compared with “Income (loss) from operations before income taxes” and “Net income (loss) for fully diluted shares”, both prepared in accordance with GAAP, Adjusted Earnings calculations primarily exclude certain non-cash items and other expenses that generally do not involve the receipt or outlay of cash by the Company and/or which do not dilute existing stockholders. In addition, Adjusted Earnings calculations exclude certain gains and charges that management believes do not best reflect the ordinary results of BGC. Adjusted Earnings is calculated by taking the most comparable GAAP measures and adjusting for certain items with respect to compensation expenses, non-compensation expenses, and other income, as discussed below.

## **Calculations of Compensation Adjustments for Adjusted Earnings and Adjusted EBITDA**

### ***Treatment of Equity-Based Compensation Line Item for Adjusted Earnings and Adjusted EBITDA***

The Company’s Adjusted Earnings and Adjusted EBITDA measures exclude all GAAP charges included in the line item “Equity-based compensation and allocations of net income to limited partnership units and FPU’s” (or “equity-based compensation” for purposes of defining the Company’s non-GAAP results) as recorded on the Company’s GAAP Consolidated Statements of Operations and GAAP Consolidated Statements of Cash Flows. These GAAP equity-based compensation charges reflect the following items:

- Charges with respect to grants of exchangeability, which reflect the right of holders of limited partnership units with no capital accounts, such as LPUs and PSUs, to exchange these units into shares of common stock, or into partnership units with capital accounts, such as HDUs, as well as cash paid with respect to taxes withheld or expected to be owed by the unit holder upon such exchange. The withholding taxes related to the exchange of certain non-exchangeable units without a capital account into either common shares or units with a capital account may be funded by the redemption of preferred units such as PPSUs.
- Charges with respect to preferred units. Any preferred units would not be included in the Company’s fully diluted share count because they cannot be made exchangeable into shares of common stock and are entitled only to a fixed distribution. Preferred units are granted in connection with the grant of certain limited partnership units that may be granted exchangeability or redeemed in connection with the grant of shares of common stock at ratios designed to cover any withholding taxes expected to be paid. This is an alternative to the common practice among public companies of issuing the gross amount of shares to employees, subject to cashless withholding of shares, to pay applicable withholding taxes.
- GAAP equity-based compensation charges with respect to the grant of an offsetting amount of common stock or partnership units with capital accounts in connection with the redemption of non-exchangeable units, including PSUs and LPUs.
- Charges related to amortization of RSUs and limited partnership units.
- Charges related to grants of equity awards, including common stock or partnership units with capital accounts.
- Allocations of net income to limited partnership units and FPU’s. Such allocations represent the pro-rata portion of post-tax GAAP earnings available to such unit holders.

# DIFFERENCES BETWEEN NON-GAAP AND GAAP CONSOLIDATED RESULTS [CONTINUED]

The amounts of certain quarterly equity-based compensation charges are based upon the Company's estimate of such expected charges during the annual period, as described further below under "Methodology for Calculating Adjusted Earnings Taxes."

Virtually all of BGC's key executives and producers have equity or partnership stakes in the Company and its subsidiaries and generally receive deferred equity or limited partnership units as part of their compensation. A significant percentage of BGC's fully diluted shares are owned by its executives, partners and employees. The Company issues limited partnership units as well as other forms of equity-based compensation, including grants of exchangeability into shares of common stock, to provide liquidity to its employees, to align the interests of its employees and management with those of common stockholders, to help motivate and retain key employees, and to encourage a collaborative culture that drives cross-selling and revenue growth.

All share equivalents that are part of the Company's equity-based compensation program, including REUs, PSUs, LPUs, HDUs, and other units that may be made exchangeable into common stock, as well as RSUs (which are recorded using the treasury stock method), are included in the fully diluted share count when issued or at the beginning of the subsequent quarter after the date of grant. Generally, limited partnership units other than preferred units are expected to be paid a pro-rata distribution based on BGC's calculation of Adjusted Earnings per fully diluted share. However, out of an abundance of caution and in order to strengthen the Company's balance sheet due the uncertain macroeconomic conditions with respect to the COVID-19 pandemic, BGC Holdings, L.P. will reduce its distributions of income from the operations of BGC's businesses to its partners.

Compensation charges are also adjusted for certain other cash and non-cash items, including those related to the amortization of GFI employee forgivable loans granted prior to the closing of the January 11, 2016 back-end merger with GFI.

## ***Certain Other Compensation-Related Adjustments for Adjusted Earnings***

BGC also excludes various other GAAP items that management views as not reflective of the Company's underlying performance in a given period from its calculation of Adjusted Earnings. These may include compensation-related items with respect to cost-saving initiatives, such as severance charges incurred in connection with headcount reductions as part of broad restructuring plans.

## ***Calculation of Non-Compensation Adjustments for Adjusted Earnings***

Adjusted Earnings calculations may also exclude items such as:

- Non-cash GAAP charges related to the amortization of intangibles with respect to acquisitions;
- Acquisition related costs;
- Certain rent charges;
- Non-cash GAAP asset impairment charges; and
- Various other GAAP items that management views as not reflective of the Company's underlying performance in a given period, including non-compensation-related charges incurred as part of broad restructuring plans. Such GAAP items may include charges for exiting leases and/or other long-term contracts as part of cost-saving initiatives, as well as non-cash impairment charges related to assets, goodwill and/or intangibles created from acquisitions.

## ***Calculation of Adjustments for Other (income) losses for Adjusted Earnings***

Adjusted Earnings calculations also exclude certain other non-cash, non-dilutive, and/or non-economic items, which may, in some periods, include:

- Gains or losses on divestitures;
- Fair value adjustment of investments;
- Certain other GAAP items, including gains or losses related to BGC's investments accounted for under the equity method; and
- Any unusual, one-time, non-ordinary, or non-recurring gains or losses.

# DIFFERENCES BETWEEN NON-GAAP AND GAAP CONSOLIDATED RESULTS [CONTINUED]

## Methodology for Calculating Adjusted Earnings Taxes

Although Adjusted Earnings are calculated on a pre-tax basis, BGC also reports post-tax Adjusted Earnings to fully diluted shareholders. The Company defines post-tax Adjusted Earnings to fully diluted shareholders as pre-tax Adjusted Earnings reduced by the non-GAAP tax provision described below and net income (loss) attributable to noncontrolling interest for Adjusted Earnings.

The Company calculates its tax provision for post-tax Adjusted Earnings using an annual estimate similar to how it accounts for its income tax provision under GAAP. To calculate the quarterly tax provision under GAAP, BGC estimates its full fiscal year GAAP income (loss) from operations before income taxes and noncontrolling interests in subsidiaries and the expected inclusions and deductions for income tax purposes, including expected equity-based compensation during the annual period. The resulting annualized tax rate is applied to BGC's quarterly GAAP income (loss) from operations before income taxes and noncontrolling interests in subsidiaries. At the end of the annual period, the Company updates its estimate to reflect the actual tax amounts owed for the period.

To determine the non-GAAP tax provision, BGC first adjusts pre-tax Adjusted Earnings by recognizing any, and only, amounts for which a tax deduction applies under applicable law. The amounts include charges with respect to equity-based compensation; certain charges related to employee loan forgiveness; certain net operating loss carryforwards when taken for statutory purposes; and certain charges related to tax goodwill amortization. These adjustments may also reflect timing and measurement differences, including treatment of employee loans; changes in the value of units between the dates of grants of exchangeability and the date of actual unit exchange; variations in the value of certain deferred tax assets; and liabilities and the different timing of permitted deductions for tax under GAAP and statutory tax requirements.

After application of these adjustments, the result is the Company's taxable income for its pre-tax Adjusted Earnings, to which BGC then applies the statutory tax rates to determine its non-GAAP tax provision. BGC views the effective tax rate on pre-tax Adjusted Earnings as equal to the amount of its non-GAAP tax provision divided by the amount of pre-tax Adjusted Earnings.

Generally, the most significant factor affecting this non-GAAP tax provision is the amount of charges relating to equity-based compensation. Because the charges relating to equity-based compensation are deductible in accordance with applicable tax laws, increases in such charges have the effect of lowering the Company's non-GAAP effective tax rate and thereby increasing its post-tax Adjusted Earnings.

BGC incurs income tax expenses based on the location, legal structure and jurisdictional taxing authorities of each of its subsidiaries. Certain of the Company's entities are taxed as U.S. partnerships and are subject to the Unincorporated Business Tax ("UBT") in New York City. Any U.S. federal and state income tax liability or benefit related to the partnership income or loss, with the exception of UBT, rests with the unit holders rather than with the partnership entity. The Company's consolidated financial statements include U.S. federal, state and local income taxes on the Company's allocable share of the U.S. results of operations. Outside of the U.S., BGC is expected to operate principally through subsidiary corporations subject to local income taxes. For these reasons, taxes for Adjusted Earnings are expected to be presented to show the tax provision the consolidated Company would expect to pay if 100 percent of earnings were taxed at global corporate rates.

# DIFFERENCES BETWEEN NON-GAAP AND GAAP CONSOLIDATED RESULTS [CONTINUED]

## Calculations of Pre- and Post-Tax Adjusted Earnings per Share

BGC's pre- and post-tax Adjusted Earnings per share calculations assume either that:

- The fully diluted share count includes the shares related to any dilutive instruments, but excludes the associated expense, net of tax, when the impact would be dilutive; or
- The fully diluted share count excludes the shares related to these instruments, but includes the associated expense, net of tax.

The share count for Adjusted Earnings excludes certain shares and share equivalents expected to be issued in future periods but not yet eligible to receive dividends and/or distributions. Each quarter, the dividend payable to BGC's stockholders, if any, is expected to be determined by the Company's Board of Directors with reference to a number of factors, including post-tax Adjusted Earnings per share. BGC may also pay a pro-rata distribution of net income to limited partnership units, as well as to Cantor for its noncontrolling interest. The amount of this net income, and therefore of these payments per unit, would be determined using the above definition of Adjusted Earnings per share on a pre-tax basis.

The declaration, payment, timing and amount of any future dividends payable by the Company will be at the discretion of its Board of Directors using the fully diluted share count. For more information on any share count adjustments, see the table titled "Fully Diluted Weighted-Average Share Count under GAAP and for Adjusted Earnings".

## Management Rationale for Using Adjusted Earnings

BGC's calculation of Adjusted Earnings excludes the items discussed above because they are either non-cash in nature, because the anticipated benefits from the expenditures are not expected to be fully realized until future periods, or because the Company views results excluding these items as a better reflection of the underlying performance of BGC's ongoing operations. Management uses Adjusted Earnings in part to help it evaluate, among other things, the overall performance of the Company's business, to make decisions with respect to the Company's operations, and to determine the amount of dividends payable to common stockholders and distributions payable to holders of limited partnership units. Dividends payable to common stockholders and distributions payable to holders of limited partnership units are included within "Dividends to stockholders" and "Earnings distributions to limited partnership interests and noncontrolling interests," respectively, in our unaudited, condensed, consolidated statements of cash flows.

The term "Adjusted Earnings" should not be considered in isolation or as an alternative to GAAP net income (loss). The Company views Adjusted Earnings as a metric that is not indicative of liquidity, or the cash available to fund its operations, but rather as a performance measure. Pre- and post-tax Adjusted Earnings, as well as related measures, are not intended to replace the Company's presentation of its GAAP financial results. However, management believes that these measures help provide investors with a clearer understanding of BGC's financial performance and offer useful information to both management and investors regarding certain financial and business trends related to the Company's financial condition and results of operations. Management believes that the GAAP and Adjusted Earnings measures of financial performance should be considered together.

For more information regarding Adjusted Earnings, see the sections of this document and/or the Company's most recent financial results press release titled "Reconciliation of GAAP Income (Loss) from Operations before Income Taxes to Adjusted Earnings and GAAP Fully Diluted EPS to Post-Tax Adjusted EPS", including the related footnotes, for details about how BGC's non-GAAP results are reconciled to those under GAAP.

# DIFFERENCES BETWEEN NON-GAAP AND GAAP CONSOLIDATED RESULTS [CONTINUED]

## Adjusted EBITDA Defined

BGC also provides an additional non-GAAP financial performance measure, “Adjusted EBITDA”, which it defines as GAAP “Net income (loss) available to common stockholders”, adjusted to add back the following items:

- Provision (benefit) for income taxes;
- Net income (loss) attributable to noncontrolling interest in subsidiaries;
- Interest expense;
- Fixed asset depreciation and intangible asset amortization;
- Equity-based compensation and allocations of net income to limited partnership units and FPU’s;
- Impairment of long-lived assets;
- (Gains) losses on equity method investments; and
- Certain other non-cash GAAP items, such as non-cash charges of amortized rents incurred by the Company for its new UK based headquarters.

The Company’s management believes that its Adjusted EBITDA measure is useful in evaluating BGC’s operating performance, because the calculation of this measure generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions, which would include impairment charges of goodwill and intangibles created from acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. As a result, the Company’s management uses this measure to evaluate operating performance and for other discretionary purposes. BGC believes that Adjusted EBITDA is useful to investors to assist them in getting a more complete picture of the Company’s financial results and operations.

Since BGC’s Adjusted EBITDA is not a recognized measurement under GAAP, investors should use this measure in addition to GAAP measures of net income when analyzing BGC’s operating performance. Because not all companies use identical EBITDA calculations, the Company’s presentation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA is not intended to be a measure of free cash flow or GAAP cash flow from operations because the Company’s Adjusted EBITDA does not consider certain cash requirements, such as tax and debt service payments.

For more information regarding Adjusted EBITDA, see the section of this document and/or the Company’s most recent financial results press release titled “Reconciliation of GAAP Net Income (Loss) Available to Common Stockholders to Adjusted EBITDA”, including the footnotes to the same, for details about how BGC’s non-GAAP results are reconciled to those under GAAP.

## Timing of Outlook for Certain GAAP and Non-GAAP Items

BGC anticipates providing forward-looking guidance for GAAP revenues and for certain non-GAAP measures from time to time. However, the Company does not anticipate providing an outlook for other GAAP results. This is because certain GAAP items, which are excluded from Adjusted Earnings and/or Adjusted EBITDA, are difficult to forecast with precision before the end of each period. The Company therefore believes that it is not possible for it to have the required information necessary to forecast GAAP results or to quantitatively reconcile GAAP forecasts to non-GAAP forecasts with sufficient precision without unreasonable efforts. For the same reasons, the Company is unable to address the probable significance of the unavailable information. The relevant items that are difficult to predict on a quarterly and/or annual basis with precision and may materially impact the Company’s GAAP results include, but are not limited, to the following:

# DIFFERENCES BETWEEN NON-GAAP AND GAAP CONSOLIDATED RESULTS [CONTINUED]

- Certain equity-based compensation charges that may be determined at the discretion of management throughout and up to the period-end;
- Unusual, one-time, non-ordinary, or non-recurring items;
- The impact of gains or losses on certain marketable securities, as well as any gains or losses related to associated mark-to-market movements and/or hedging. These items are calculated using period-end closing prices;
- Non-cash asset impairment charges, which are calculated and analyzed based on the period-end values of the underlying assets. These amounts may not be known until after period-end;
- Acquisitions, dispositions and/or resolutions of litigation, which are fluid and unpredictable in nature.

## **Liquidity Defined**

BGC may also use a non-GAAP measure called “liquidity”. The Company considers liquidity to be comprised of the sum of cash and cash equivalents, reverse repurchase agreements (if any), securities owned, and marketable securities, less securities lent out in securities loaned transactions and repurchase agreements (if any). The Company considers liquidity to be an important metric for determining the amount of cash that is available or that could be readily available to the Company on short notice.

For more information regarding Liquidity, see the section of this document and/or the Company’s most recent financial results press release titled “Liquidity Analysis”, including any footnotes to the same, for details about how BGC’s non-GAAP results are reconciled to those under GAAP.

**RECONCILIATION OF GAAP (LOSS) FROM OPERATIONS BEFORE INCOME TAXES TO ADJUSTED EARNINGS AND GAAP FULLY DILUTED EPS TO POST-TAX ADJUSTED EPS  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)**



	<u>Q1 2020</u>	<u>Q1 2019</u>
<b>GAAP income (loss) from operations before income taxes</b>	\$ 29,738	\$ 117,071
Pre-tax adjustments:		
Compensation adjustments:		
Equity-based compensation and allocations of net income to limited partnership units and FPU's (1)	42,204	12,141
Other Compensation charges (2)	23,063	699
<b>Total Compensation adjustments</b>	<u>65,267</u>	<u>12,840</u>
Non-Compensation adjustments:		
Amortization of intangibles (3)	8,196	7,237
Acquisition related costs	268	734
Certain rent charges (4)	—	2,567
Impairment charges	4,776	32
Other (5)	2,483	5,160
<b>Total Non-Compensation adjustments</b>	<u>15,723</u>	<u>15,730</u>
Other income (losses), net adjustments:		
Losses (gains) on divestitures	—	(20,054)
Fair value adjustment of investments (6)	40	(20,376)
Other net (gains) losses (7)	1,351	983
<b>Total other income (losses), net adjustments</b>	<u>1,391</u>	<u>(39,447)</u>
<b>Total pre-tax adjustments</b>	<b>82,381</b>	<b>(10,877)</b>
<b>Adjusted Earnings before noncontrolling interest in subsidiaries and taxes</b>	<b><u>\$ 112,119</u></b>	<b><u>\$ 106,194</u></b>
GAAP net income (loss) available to common stockholders	\$ 14,314	\$ 61,868
Allocation of net income (loss) to noncontrolling interest in subsidiaries (8)	7,269	24,626
Total pre-tax adjustments (from above)	82,381	(10,877)
Income tax adjustment to reflect adjusted earnings taxes (9)	(4,188)	17,855
<b>Post-tax adjusted earnings</b>	<b><u>\$ 99,776</u></b>	<b><u>\$ 93,472</u></b>
<i>Per Share Data</i>		
<b>GAAP fully diluted earnings (loss) per share</b>	<b>\$ 0.04</b>	<b>\$ 0.18</b>
Less: Allocations of net income (loss) to limited partnership units, FPU's, and noncontrolling interest in subsidiaries, net of tax	0.01	(0.01)
Total pre-tax adjustments (from above)	0.15	(0.02)
Income tax adjustment to reflect adjusted earnings taxes	(0.01)	0.03
<b>Post-tax adjusted earnings per share</b>	<b><u>0.19</u></b>	<b><u>0.18</u></b>
Fully diluted weighted-average shares of common stock outstanding	538,442	516,066
Dividends declared per share of common stock	\$ 0.14	\$ 0.14
Dividends declared and paid per share of common stock	\$ 0.14	\$ 0.14

Please see footnotes to this table on the next page.

**RECONCILIATION OF GAAP INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES TO ADJUSTED EARNINGS AND GAAP FULLY DILUTED EPS TO POST-TAX ADJUSTED EPS  
(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)**

(1) The components of equity-based compensation and allocations of net income to limited partnership units and FPU's are as follows (in thousands):

	<u>Q1 2020</u>	<u>Q1 2019</u>
Issuance of common stock and exchangeability expenses	\$ 23,034	\$ 3,536
Allocations of net income	1,279	4,546
Equity-based amortization	17,891	4,059
Equity-based compensation and allocations of net income to limited partnership units and FPU's	<u>\$ 42,204</u>	<u>\$ 12,141</u>

(2) GAAP expenses in the first quarter of 2020 included certain one-off compensation restructuring costs of \$16.6 million in addition to certain loan impairments related to the restructuring of \$6.0 million.

(3) Includes non-cash GAAP charges related to the amortization of intangibles with respect to acquisitions.

(4) Includes certain rent charges incurred by the Company during the build-out phase of the Company's new UK based headquarters.

(5) Includes various other GAAP items. This is consistent with BGC's normal practice of excluding certain GAAP gains and charges from Adjusted Earnings that management believes do not best reflect the ordinary results of the Company, including with respect to acquisitions, dispositions, and/or resolutions of litigation.

(6) Includes non-cash gains of (\$20.4) million related to fair value adjustments of investments held by BGC in the first quarter of 2019.

(7) For the first quarters of 2020 and 2019, includes non-cash gains of (\$1.0) million and (\$0.8) million, respectively, related to BGC's investments accounted for under the equity method. The first quarter of 2020 also includes a net loss of \$2.5 million related to an investment impairment. The first quarter of 2019 also included net losses of \$1.8 million for various other GAAP items.

(8) Primarily represents Cantor's pro-rata portion of net income.

(9) BGC's GAAP provision for income taxes is calculated based on annualized methodology. The Company's GAAP provision for income taxes was \$8.7 million and \$29.9 million for the first quarters of 2020 and 2019, respectively. The Company includes additional tax-deductible items when calculating the provision for taxes with respect to Adjusted Earnings using an annualized methodology. These include tax-deductions related to equity-based compensation with respect to limited partnership unit exchange, employee loan amortization, and certain net-operating loss carryforwards. The non-GAAP provision for income taxes was adjusted (\$4.2) million and \$17.9 million for the first quarters of 2020 and 2019, respectively. As a result, the provision for income taxes with respect to Adjusted Earnings was \$12.9 million and \$12.0 million for the first quarters of 2020 and 2019, respectively. The calculation of taxes for Adjusted Earnings excluded the effect of the 2017 U.S. Tax Cuts and Jobs Act.

Note: Certain numbers may not add due to rounding.

# RECONCILIATION OF GAAP NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS TO ADJUSTED EBITDA

(IN THOUSANDS) (UNAUDITED)

	Q1 2020	Q1 2019
GAAP net income (loss) available to common stockholders	\$ 14,314	\$ 61,868
<b>Add back:</b>		
Provision (benefit) for income taxes	8,706	29,897
Net income (loss) attributable to noncontrolling interest in subsidiaries (1)	6,718	25,306
Interest expense	17,334	13,198
Fixed asset depreciation and intangible asset amortization	21,923	18,464
Impairment of long-lived assets	4,775	357
Equity-based compensation and allocations of net income to limited partnership units and FPU's (2)	42,204	12,141
(Gains) losses on equity method investments (3)	1,455	(783)
Other non-cash GAAP items (4)	—	1,130
<b>Adjusted EBITDA</b>	<b>\$ 117,429</b>	<b>\$ 161,578</b>

(1) Primarily represents Cantor's pro-rata portion of net income.

(2) Represents BGC employees' pro-rata portion of net income and non-cash and non-dilutive charges relating to equity-based compensation. See Footnote 1 to the table titled "Reconciliation of GAAP Income (Loss) from Operations before Income Taxes to Adjusted Earnings and GAAP Fully Diluted EPS to Post-Tax Adjusted EPS" for more information.

(3) For the first quarters of 2020 and 2019, includes non-cash gains of (\$1.0) million and (\$0.8) million, respectively, related to BGC's investments accounted for under the equity method. The first quarter of 2020 also includes a net loss of \$2.5 million related to an investment impairment.

(4) Non-cash charges of amortized rents incurred by the Company during the build-out phase of the Company's new UK based headquarters.

Note: BGC's Adjusted EBITDA for Financial Covenants is defined under the amended Revolving Credit Agreement, which the Company entered into on February 26, 2020. For TTM 1Q2020, Adjusted EBITDA for Financial Covenants was \$485 million.

# LIQUIDITY ANALYSIS

(IN THOUSANDS) (UNAUDITED)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 455,016	\$ 415,379
Repurchase agreements	(512)	—
Securities owned	57,529	57,525
Marketable securities (1)	245	326
<b>Total Liquidity</b>	<b><u>\$ 512,278</u></b>	<b><u>\$ 473,230</u></b>

(1) As of December 31, 2019, \$13.9 million of Marketable securities on our balance sheet had been lent in a Securities loaned transaction and, therefore, are not included in this Liquidity Analysis.

# FULLY DILUTED WEIGHTED-AVERAGE SHARE COUNT UNDER GAAP AND FOR ADJUSTED EARNINGS

(IN THOUSANDS) (UNAUDITED)

	<u>Q1 2020</u>	<u>Q1 2019</u>
Common stock outstanding	358,001	338,403
Limited partnership units	113,705	111,184
Cantor units	52,363	52,363
Founding partner units	12,325	12,525
RSUs	708	179
Other	1,340	1,412
<b>Fully diluted weighted-average share count under GAAP and Adjusted Earnings</b>	<b><u>538,442</u></b>	<b><u>516,066</u></b>

Note: BGC's fully diluted weighted-average share count under GAAP may differ from the fully diluted weighted-average share count for Adjusted Earnings in order to avoid anti-dilution in certain periods.



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