

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	