

PART II

ITEM 8 Financial Statements and Supplementary Data

Consolidated Balance Sheets

<i>(in millions, except par value and share amounts)</i>	September 30, 2019	September 30, 2018
ASSETS		
Cash and cash equivalents	\$ 471.3	\$ 342.3
Cash, securities and other assets segregated under federal and other regulations (including \$306 and \$643.3 at fair value at September 30, 2019 and September 30, 2018, respectively)	1,049.9	1,408.7
Collateralized transactions:		
Securities purchased under agreements to resell	1,424.5	870.8
Securities borrowed	1,423.2	225.5
Deposits with and receivables from broker-dealers, clearing organizations and counterparties, net (including \$626.9 and \$517.4 at fair value at September 30, 2019 and September 30, 2018, respectively)	2,540.5	2,234.5
Receivable from clients, net	422.3	288.0
Notes receivable, net	2.9	3.8
Income taxes receivable	5.2	0.3
Financial instruments owned, at fair value (includes securities pledged as collateral that can be sold or repledged of \$478.8 and \$123 at September 30, 2019 and September 30, 2018, respectively)	2,175.2	2,054.8
Physical commodities inventory, net (including \$151.9 and \$156.9 at fair value at September 30, 2019 and September 30, 2018, respectively)	229.3	222.5
Deferred income taxes, net	18.0	19.8
Property and equipment, net	43.9	42.4
Goodwill and intangible assets, net	67.9	59.8
Other assets	62.0	51.5
Total assets	\$ 9,936.1	\$ 7,824.7
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and other accrued liabilities (including \$1.8 and \$0 at fair value at September 30, 2019 and September 30, 2018, respectively)	\$ 157.5	\$ 145.4
Payables to:		
Clients	3,589.5	3,639.6
Broker-dealers, clearing organizations and counterparties (including \$5.6 and \$0 at fair value at September 30, 2019 and September 30, 2018, respectively)	266.2	89.5
Lenders under loans	202.3	355.2
Senior secured term loan, net	167.6	—
Income taxes payable	10.4	8.6
Collateralized transactions:		
Securities sold under agreements to repurchase	2,773.7	1,936.7
Securities loaned	1,459.9	277.9
Financial instruments sold, not yet purchased, at fair value	714.8	866.5
Total liabilities	9,341.9	7,319.4
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$0.01 par value. Authorized 30,000,000 shares; 21,297,317 issued and 19,075,360 outstanding at September 30, 2019 and 21,030,497 issued and 18,908,540 outstanding at September 30, 2018	0.2	0.2
Common stock in treasury, at cost - 2,221,957 shares at September 30, 2019 and 2,121,957 shares at September 30, 2018	(50.1)	(46.3)
Additional paid-in-capital	276.8	267.5
Total retained earnings	402.1	317.0
Accumulated other comprehensive loss	(34.8)	(33.1)
Total equity	594.2	505.3
Total liabilities and stockholders' equity	\$ 9,936.1	\$ 7,824.7

See accompanying notes to consolidated financial statements.

Consolidated Income Statements

<i>(in millions, except share and per share amounts)</i>	Year Ended September 30,		
	2019	2018	2017
Revenues:			
Sales of physical commodities	\$ 31,830.3	\$ 26,682.4	\$ 28,673.3
Principal gains, net	415.8	354.1	297.0
Commission and clearing fees	372.4	391.8	318.6
Consulting, management, and account fees	79.6	71.1	65.0
Interest income	198.9	123.3	69.7
Total revenues	32,897.0	27,622.7	29,423.6
Cost of sales of physical commodities	31,790.9	26,646.9	28,639.6
Operating revenues	1,106.1	975.8	784.0
Transaction-based clearing expenses	183.5	179.7	136.3
Introducing broker commissions	114.7	133.8	113.0
Interest expense	154.7	80.7	42.1
Net operating revenues	653.2	581.6	492.6
Compensation and other expenses:			
Compensation and benefits	393.1	337.7	295.7
Trading systems and market information	38.8	34.7	34.4
Occupancy and equipment rental	19.4	16.5	15.2
Professional fees	21.0	18.1	15.2
Travel and business development	16.2	13.8	13.3
Non-trading technology and support	20.1	13.9	11.6
Depreciation and amortization	14.0	11.6	9.8
Communications	6.6	5.4	5.0
Bad debts	2.5	3.1	4.3
(Recovery) bad debt on physical coal	(12.4)	1.0	47.0
Other	28.4	26.3	25.9
Total compensation and other expenses	547.7	482.1	477.4
Other gains	5.5	2.0	—
Income before tax	111.0	101.5	15.2
Income tax expense	25.9	46.0	8.8
Net income	\$ 85.1	\$ 55.5	\$ 6.4
Earnings per share:			
Basic	\$ 4.46	\$ 2.93	\$ 0.32
Diluted	\$ 4.39	\$ 2.87	\$ 0.31
Weighted-average number of common shares outstanding:			
Basic	18,738,905	18,549,011	18,395,987
Diluted	19,014,395	18,934,830	18,687,354

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in millions)	Year Ended September 30,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	\$ 85.1	\$ 55.5	\$ 6.4
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
(Recovery) bad debt on physical coal	(2.4)	1.0	47.0
Depreciation and amortization	14.0	11.6	9.8
Provision for bad debts	2.5	3.1	4.3
Deferred income taxes	3.7	22.3	(9.8)
Amortization and extinguishment of debt issuance costs	1.5	1.0	1.9
Actuarial gain on pension and postretirement benefits	(0.3)	(0.3)	(0.3)
Amortization of share-based compensation expense	8.1	6.6	6.3
Gain on sale of property and equipment	—	—	(0.3)
Gain on acquisition	(5.5)	—	—
Changes in operating assets and liabilities, net:			
Cash, securities and other assets segregated under federal and other regulations	337.2	(626.7)	570.8
Securities purchased under agreements to resell	(553.7)	(464.9)	203.0
Securities borrowed	(1,197.7)	(138.8)	(79.7)
Deposits with and receivables from broker-dealers, clearing organizations, and counterparties	(241.7)	(292.9)	186.3
Receivable from clients, net	(134.3)	(24.3)	(116.4)
Notes receivable, net	0.9	6.8	8.3
Income taxes receivable	(4.2)	(1.3)	0.5
Financial instruments owned, at fair value	(113.3)	(308.7)	(125.6)
Physical commodities inventory	3.0	(98.7)	(1.7)
Other assets	(8.3)	(3.3)	(16.0)
Accounts payable and other accrued liabilities	6.7	18.6	(19.6)
Payable to clients	(46.8)	520.0	290.9
Payable to broker-dealers, clearing organizations and counterparties	176.4	(27.8)	(124.1)
Income taxes payable	1.8	3.2	0.2
Securities sold under agreements to repurchase	837.0	543.7	226.0
Securities loaned	1,182.0	166.8	93.6
Financial instruments sold, not yet purchased, at fair value	(156.1)	153.9	(124.4)
Net cash provided by (used in) operating activities	195.6	(473.6)	1,037.4
Cash flows from investing activities:			
Cash paid for acquisitions, net	(28.9)	(3.7)	(6.0)
Purchase of exchange memberships and common stock	—	—	(0.2)
Sale of clearing organization common stock	—	0.8	—
Purchase of property and equipment	(11.9)	(12.5)	(16.1)
Net cash used in investing activities	(40.8)	(15.4)	(22.3)