

INTL FCSTONE INC.
Form 10-Q
August 09, 2011
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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, 2011

OR

☐ 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 000-23554

INTL FCStone Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

708 Third Avenue, Suite 1500

New York, NY 10017

(Address of principal executive offices) (Zip Code)

(212) 485-3500

(Registrant's telephone number, including area code)

59-2921318

(I.R.S. Employer
Identification No.)

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 305 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 smaller reporting company.

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 ☒

As of August 5, 2011, there were 18,221,218 shares of the registrant's common stock outstanding.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTL FCStone Inc.

Condensed Consolidated Balance Sheets

(in millions, except par value and share amounts)	June 30, 2011 (Unaudited)	September 30, 2010
ASSETS		
Cash and cash equivalents	\$144.1	\$ 81.9
Cash, securities and other assets segregated under federal and other regulations (including \$25.2 and \$0.8 at fair value at June 30, 2011 and September 30, 2010, respectively)	64.7	15.3
Securities purchased under agreements to resell	0.9	342.0
Deposits and receivables from:		
Exchange-clearing organizations (including \$1,120.5 and \$906.4 at fair value at June 30, 2011 and September 30, 2010, respectively)	1,817.8	903.4
Broker-dealers, clearing organizations and counterparties (including \$(2.5) and \$56.1 at fair value at June 30, 2011 and September 30, 2010, respectively)	182.7	173.9
Receivables from customers, net	104.7	78.0
Notes receivable, net	23.1	29.2
Income taxes receivable	8.7	9.4
Financial instruments owned, at fair value	123.2	159.8
Physical commodities inventory, at cost	247.9	125.0
Deferred income taxes	19.7	21.0
Property and equipment, net	12.6	7.3
Goodwill and intangible assets, net	56.6	53.4
Other assets	24.0	22.1
Total assets	\$2,830.7	\$ 2,021.7
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and other accrued liabilities (including \$27.7 and \$32.3 at fair value at June 30, 2011 and September 30, 2010)	\$117.1	\$ 99.4
Payables to:		
Customers	1,973.6	1,351.0
Broker-dealers, clearing organizations and counterparties	4.5	3.9
Lenders under loans and overdrafts	120.5	114.9
Income taxes payable	7.1	2.8
Financial instruments sold, not yet purchased, at fair value	314.6	189.6
	2,537.4	1,761.6
Subordinated debt	—	0.5
Convertible subordinated notes payable	9.0	16.7
Total liabilities	2,546.4	1,778.8
Commitments and contingencies (see Notes 12 and 13)		
Equity:		
INTL FCStone Inc. stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$.01 par value. Authorized 30,000,000 shares; 18,195,217 issued and 18,183,960 outstanding at June 30, 2011 and 17,612,792 issued and 17,601,535	0.2	0.2

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outstanding at September 30, 2010

Common stock in treasury, at cost - 11,257 shares at June 30, 2011 and September 30, 2010	(0.1) (0.1)
Additional paid-in capital	195.4	184.6	
Retained earnings	89.5	59.7	
Accumulated other comprehensive loss	(2.0) (3.1)
Total INTL FCStone Inc. stockholders' equity	283.0	241.3	
Noncontrolling interests	1.3	1.6	
Total equity	284.3	242.9	
Total liabilities and equity	\$2,830.7	\$ 2,021.7	

See accompanying notes to condensed consolidated financial statements.

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INTL FCStone Inc.
Condensed Consolidated Income Statements
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
(in millions, except share and per share amounts)	2011	2010	2011	2010
Revenues:				
Sales of physical commodities	\$20,464.7	\$14,122.0	\$51,179.9	\$31,067.4
Trading gains	70.0	33.5	117.9	61.0
Commission and clearing fees	31.1	30.3	105.6	87.8
Consulting and management fees	5.2	4.7	15.2	12.7
Interest income	2.3	1.6	7.8	4.7
Other income	0.1	0.3	0.8	0.4
Total revenues	20,573.4	14,192.4	51,427.2	31,234.0
Cost of sales of physical commodities	20,468.0	14,114.2	51,112.1	31,030.9
Operating revenues	105.4	78.2	315.1	203.1
Interest expense	2.0	2.7	9.1	7.5
Net revenues	103.4	75.5	306.0	195.6
Non-interest expenses:				
Compensation and benefits	44.0	25.9	129.6	73.0
Clearing and related expenses	18.0	17.9	58.4	51.7
Communication and data services	4.2	2.6	11.1	7.9
Introducing broker commissions	6.3	5.2	17.7	14.1
Occupancy and equipment rental	2.1	1.5	6.1	4.5
Professional fees	2.9	1.9	6.9	5.6
Depreciation and amortization	1.3	0.4	3.4	0.8
Bad debts and impairments	1.2	2.1	5.7	2.3
Other	6.1	4.6	20.6	13.1
Total non-interest expenses	86.1	62.1	259.5	173.0
Income from continuing operations, before tax	17.3	13.4	46.5	22.6
Income tax expense	7.0	4.8	17.1	8.1
Income from continuing operations	10.3	8.6	29.4	14.5
(Loss) income from discontinued operations, net of tax	—	(1.1)	0.2	(0.7)
Income before extraordinary loss	10.3	7.5	29.6	13.8
Extraordinary loss	—	(0.8)	—	(4.2)
Net income	10.3	6.7	29.6	9.6
Add: Net loss attributable to noncontrolling interests	0.1	—	0.2	0.3
Net income attributable to INTL FCStone Inc. common stockholders	\$10.4	\$6.7	\$29.8	\$9.9
Basic earnings per share:				
Income from continuing operations attributable to INTL FCStone Inc. common stockholders	\$0.58	\$0.50	\$1.67	\$0.85
(Loss) income from discontinued operations attributable to INTL FCStone Inc. common stockholders	—	(0.06)	0.01	(0.04)
Extraordinary loss attributable to INTL FCStone Inc. common stockholders	—	(0.05)	—	(0.24)
Net income attributable to INTL FCStone Inc. common stockholders	\$0.58	\$0.39	\$1.68	\$0.57
Diluted earnings per share:				

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Income from continuing operations attributable to INTL FCStone Inc. common stockholders	\$0.55	\$0.48	\$1.56	\$0.83
(Loss) income from discontinued operations attributable to INTL FCStone Inc. common stockholders	—	(0.06)	0.01	(0.04)
Extraordinary loss attributable to INTL FCStone Inc. common stockholders	—	(0.04)	—	(0.24)
Net income attributable to INTL FCStone Inc. common stockholders	\$0.55	\$0.38	\$1.57	\$0.55
Weighted-average number of common shares outstanding:				
Basic	17,901,613	17,335,362	17,714,916	17,293,058
Diluted	19,280,696	18,527,376	19,308,661	17,841,999
Amounts attributable to INTL FCStone Inc. common stockholders:				
Income from continuing operations, net of tax	\$10.4	\$8.6	\$29.6	\$14.8
(Loss) income from discontinued operations, net of tax	—	(1.1)	0.2	(0.7)
Extraordinary loss	—	(0.8)	—	(4.2)
Net income	\$10.4	\$6.7	\$29.8	\$9.9
See accompanying notes to condensed consolidated financial statements.				

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INTL FCStone Inc.
Condensed Consolidated Cash Flows Statements
(Unaudited)

(in millions)	Nine Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net cash provided by operating activities	\$79.6	\$148.2
Cash flows from investing activities:		
Cash paid for acquisitions, net	(13.5) (6.6
Purchase of exchange memberships and common stock	(3.4) —
Sale of exchange memberships and common stock	1.3	—
Deconsolidation of affiliates	—	(0.3
Purchase of property and equipment	(7.0) (2.7
Net cash used in investing activities	(22.6) (9.6
Cash flows from financing activities:		