

BGC Partners Updates Its Outlook For The Third Quarter Of 2017

Sep 29, 2017 6:00 AM

NEW YORK, Sept. 29, 2017 /PRNewswire/ -- BGC Partners, Inc. (NASDAQ: BGCP) ("BGC Partners", "BGC", or the "Company"), a leading global brokerage company servicing the financial and real estate markets, today updated its outlook with respect to its financial results for the quarter ending September 30, 2017.

Outlook Towards High-end of Previous Range, Excluding Positive Impact of Berkley Point¹

BGC expects both its revenues and its pre-tax distributable earnings for the third quarter of 2017 to be towards the high-end of the range of its previous outlook,² excluding any effect related to the Berkeley Point acquisition or the associated borrowing.

Updated Outlook for the Third Quarter of 2017 Including Berkeley Point

- Including Berkeley Point's results for both periods, BGC now anticipates revenues of between approximately \$805 million and \$820 million in the third quarter of 2017, an increase of between 10 and 12 percent compared with \$735 million in the year earlier period.
- On the same basis, BGC expects pre-tax distributable earnings before noncontrolling interest in subsidiaries and taxes to be in the range of between approximately \$152 million and \$158 million, an increase of between 25 and 30 percent compared with \$122 million in the third quarter of 2016.
- BGC's provision for taxes for distributable earnings in the third quarter of 2017 is expected to be proportionately consistent with or slightly higher than historical levels.

This new outlook includes the effect of increased interest expense with respect to the financing of the BPF acquisition. In addition, BGC's financial statements will be presented to include the results of Berkeley Point for all periods from April 10, 2014 onward, because the transaction involved a reorganization of entities under common control.

Conference Call and Webcast Information

BGC plans to issue an advisory press release regarding the availability of its consolidated

quarterly financial results by 8:00 a.m. ET on Thursday, October 26, 2017. Please see below for details regarding this planned release and the subsequent conference call.

The advisory release will notify the public that a full-text financial results press release will be accessible at any of the following pages:

<http://ir.bgcpartners.com> (an HTML version with Excel financial tables or PDF)

<http://ir.bgcpartners.com/news-releases> (an HTML version with Excel financial tables or PDF)

<http://bgcpartners.com/category/bgc-releases/> (PDF only)

BGC will host a conference call on Thursday, October 26, 2017 at 10:00 a.m. ET to discuss these results.

WHO:	BGC Partners, Inc. (NASDAQ: BGCP)
WHAT:	Third Quarter 2017 financial results conference call
WHEN:	Thursday, October 26, 2017 at 10:00 a.m. ET
WHERE:	http://ir.bgcpartners.com
HOW:	A list of minimum system requirements can be found here:
	http://event.on24.com/view/help/ehelp.html? text_language_id=en&fh=true&flashconsole=true&ngwebcast=true

A webcast replay of the conference call is expected to be accessible at **<http://ir.bgcpartners.com>** within 24 hours of the live call and will be available for 365 days following the call. Additionally, call participants may dial in with the following information:

LIVE CALL:	
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Date - Start Time:	10/26/2017 at 10:00 a.m. ET
U.S. Dial In:	1-844-309-0609
International Dial In:	1-574-990-9937
Passcode:	8852-2767
REPLAY	
Available From – To:	10/26/2017 1:00 p.m. ET – 11/2/2017 1:00 p.m. ET
U.S. Dial In:	1-855-859-2056
International Dial In:	1-404-537-3406
Passcode:	8852-2767#

(Note: If clicking on the above links does not open up a new web page, you may need to cut and paste the above urls into your browser's address bar.)

Distributable Earnings Defined

BGC Partners uses non-GAAP financial measures including, but not limited to, "pre-tax distributable earnings" and "post-tax distributable earnings", which are supplemental measures of operating results that are used by management to evaluate the financial performance of the Company and its consolidated subsidiaries. BGC believes that distributable earnings best reflect the operating earnings generated by the Company on a consolidated basis and are the earnings which management considers available for, among other things, distribution to BGC Partners, Inc. and its common stockholders, as well as to holders of BGC Holdings partnership units during any period.

As compared with "income (loss) from operations before income taxes", and "net income (loss) per fully diluted share", all prepared in accordance with GAAP, distributable earnings

calculations primarily exclude certain non-cash compensation 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, as described below. In addition, distributable earnings calculations exclude certain gains and charges that management believes do not best reflect the ordinary operating results of BGC.

Adjustments Made to Calculate Pre-Tax Distributable Earnings

Pre-tax distributable earnings are defined as GAAP income (loss) from operations before income taxes and noncontrolling interest in subsidiaries excluding items, such as:

- Non-cash equity-based compensation charges related to limited partnership unit exchange or conversion.
- Non-cash asset impairment charges, if any.
- Non-cash compensation charges for items granted or issued pre-merger with respect to certain mergers or acquisitions by BGC Partners, Inc. To date, these mergers have only included those with and into eSpeed, Inc. and the back-end merger with GFI Group Inc.

Distributable earnings calculations also exclude certain unusual, one-time or non-recurring items, if any. These charges are excluded from distributable earnings because the Company views excluding such charges as a better reflection of the ongoing, ordinary operations of BGC.

In addition to the above items, allocations of net income to founding/working partner and other limited partnership units are excluded from calculations of pre-tax distributable earnings. Such allocations represent the pro-rata portion of pre-tax earnings available to such unit holders. These units are in the fully diluted share count, and are exchangeable on a one-to-one basis into common stock. As these units are exchanged into common shares, unit holders become entitled to cash dividends rather than cash distributions. The Company views such allocations as intellectually similar to dividends on common shares. Because dividends paid to common shares are not an expense under GAAP, management believes similar allocations of income to unit holders should also be excluded when calculating distributable earnings performance measures.

BGC's definition of distributable earnings also excludes certain gains and charges with respect to acquisitions, dispositions, or resolutions of litigation. This includes the one-time gains related to the Nasdaq and Trayport transactions. Management believes that

excluding such gains and charges also best reflects the ongoing operating performance of BGC.

However, the payments associated with BGC's expected annual receipt of Nasdaq stock and related mark-to-market gains or losses are anticipated to be included in the Company's calculation of distributable earnings for the following reasons:

- Nasdaq is expected to pay BGC in an equal amount of stock on a regular basis for a 15 year period beginning in 2013 as part of that transaction;
- The Nasdaq earn-out largely replaced the generally recurring quarterly earnings BGC generated from eSpeed; and
- The Company intends to pay dividends and distributions to common stockholders and/or unit holders based on all other income related to the receipt of the earn-out.

To make period-to-period comparisons more meaningful, one-quarter of each annual Nasdaq contingent earn-out amount, as well as gains or losses with respect to associated mark-to-market movements and/or hedging, will be included in the Company's calculation of distributable earnings each quarter as "other income".

The Company also treats gains or losses related to mark-to-market movements and/or hedging with respect to any remaining shares of Intercontinental Exchange, Inc. ("ICE") in a consistent manner with the treatment of Nasdaq shares when calculating distributable earnings.

Investors and analysts should note that, due to the large gain recorded with respect to the Trayport sale in December 2015, and the closing of the back-end merger with GFI in January 2016, non-cash charges related to the amortization of intangibles with respect to acquisitions are also excluded from the calculation of pre-tax distributable earnings. In order to present results in a consistent manner, this adjustment was made with respect to all acquisitions completed for the periods from the first quarter of 2015 onward.

Adjustments Made to Calculate Post-Tax Distributable Earnings

Since distributable earnings are calculated on a pre-tax basis, management intends to also report post-tax distributable earnings to fully diluted shareholders. Post-tax distributable earnings to fully diluted shareholders are defined as pre-tax distributable earnings, less noncontrolling interest in subsidiaries, and reduced by the provision for taxes as described below.

The Company's calculation of the provision for taxes on an annualized basis starts with the GAAP income tax provision, adjusted to reflect tax-deductible items. Management uses this non-GAAP provision for taxes in part to help it to evaluate, among other things, the overall performance of the business, make decisions with respect to the Company's operations, and to determine the amount of dividends paid to common shareholders.

The provision for taxes with respect to distributable earnings includes additional tax-deductible items including limited partnership unit exchange or conversion, employee loan amortization, charitable contributions, and certain net-operating loss carryforwards.

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 operates principally through subsidiary corporations subject to local income taxes. For these reasons, taxes for distributable earnings are presented to show the tax provision the consolidated Company would expect to pay if 100 percent of earnings were taxed at global corporate rates.

Calculations of Pre-tax and Post-Tax Distributable Earnings per Share

BGC's distributable earnings per share calculations assume either that:

- The fully diluted share count includes the shares related to any dilutive instruments, such as the Convertible Senior Notes, but excludes the associated interest 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 interest expense, net of tax.

The share count for distributable earnings excludes shares expected to be issued in future periods but not yet eligible to receive dividends and/or distributions.

Each quarter, the dividend to BGC's common stockholders is expected to be determined by the Company's Board of Directors with reference to a number of factors, including post-tax distributable earnings per fully diluted share. In addition to the Company's quarterly dividend to common stockholders, BGC Partners expects to pay a pro-rata distribution of net income to BGC Holdings founding/working partner and other limited partnership units,

as well as to Cantor for its non-controlling interest. The amount of this net income, and therefore of these payments, is expected to be determined using the above definition of pre-tax distributable earnings per share.

Other Matters with Respect to Distributable Earnings

The term "distributable earnings" should not be considered in isolation or as an alternative to GAAP net income (loss). The Company views distributable 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 distributable earnings are not intended to replace the Company's presentation of GAAP financial results. However, management believes that they help provide investors with a clearer understanding of BGC Partners' 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 distributable earnings and the GAAP measures of financial performance should be considered together.

BGC anticipates providing forward-looking quarterly guidance for GAAP revenues and for certain distributable earnings measures from time to time. However, the Company does not anticipate providing a quarterly outlook for other GAAP results. This is because certain GAAP items, which are excluded from distributable earnings, are difficult to forecast with precision before the end of each quarter. The Company therefore believes that it is not possible to forecast quarterly GAAP results or to quantitatively reconcile GAAP results to non-GAAP results with sufficient precision unless BGC makes unreasonable efforts.

The items that are difficult to predict on a quarterly basis with precision and which can have a material impact on the Company's GAAP results include, but are not limited, to the following:

- Allocations of net income and grants of exchangeability to limited partnership units and founding partner units, which are determined at the discretion of management throughout and up to the period-end.
- The impact of 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.

Pre-Tax Distributable Earnings Following the Berkeley Point Transaction

Following the closing of the Berkeley Point transaction, additional GAAP items are now excluded in order to calculate pre-tax distributable earnings for the Real Estate Services segment and the consolidated Company. The most material items excluded for both historical and future period results are non-cash GAAP gains attributable to originated mortgage servicing rights ("OMSRs") and non-cash GAAP amortization of mortgage servicing rights ("MSRs"). BPF recognizes OMSR gains equal to the fair value of servicing rights retained on mortgage loans originated and sold. BPF amortizes MSRs in proportion to the net servicing revenue expected to be earned. Subsequent to the initial recording, MSRs are amortized and carried at the lower of amortized cost or fair value. However, it is expected that cash received with respect to these servicing rights, net of associated expenses, will increase pre-tax distributable earnings in future periods.

In addition, pre-tax distributable earnings for the Real Estate Services Business and for the consolidated Company will exclude any non-cash provision or benefit related to risk-sharing obligations, net of charge-offs.

Additional Information about Distributable Earnings

For more information on this topic, please see certain tables in BGC's most recent quarterly financial results press release including "Reconciliation of GAAP Income (Loss) to Distributable Earnings". These tables provide summary reconciliations between pre- and post-tax distributable earnings and the corresponding GAAP measures for the Company.

About BGC Partners, Inc.

BGC Partners is a leading global brokerage company servicing the financial and real estate markets. BGC owns GFI Group Inc., a leading intermediary and provider of trading technologies and support services to the global OTC and listed markets. The Company's Financial Services offerings include fixed income securities, interest rate swaps, foreign exchange, equities, equity derivatives, credit derivatives, commodities, futures, insurance brokerage, and structured products. BGC provides a wide range of services, including trade execution, broker-dealer services, clearing, trade compression, post trade, information, and other services to a broad range of financial and non-financial institutions. Through brands including FENICS, BGC Trader, Capitalab, Lucera, and FENICS Market Data, BGC offers financial technology solutions, market data, and analytics related to numerous financial instruments and markets.

Real Estate Services are offered through brands including Newmark Knight Frank, Newmark Cornish & Carey, Berkeley Point, ARA, Computerized Facility Integration, Newmark Knight Frank Valuation & Advisory, and Excess Space. Under these names and others, the Company provides a wide range of commercial real estate services, including leasing and corporate advisory, investment sales and financial services, consulting, project and development management, property and facilities management, the origination and sale of multifamily loans through government-sponsored and government-funded loan programs, as well as the servicing of commercial real estate loans, including those it originates.

BGC's customers include many of the world's largest banks, broker-dealers, investment banks, trading firms, hedge funds, governments, corporations, property owners, real estate developers, and investment firms. BGC's common stock trades on the NASDAQ Global Select Market under the ticker symbol (NASDAQ: BGCP). BGC also has an outstanding bond issuance of Senior Notes due June 15, 2042, which trade on the New York Stock Exchange under the symbol (NYSE: BGCA). BGC Partners is led by Chairman and Chief Executive Officer **Howard W. Lutnick**. For more information, please visit <http://www.bgcpartners.com>. You can also follow the Company at <https://twitter.com/bgcpartners> and/or <https://www.linkedin.com/company/bgc-partners>.

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¹ The acquisition of Berkeley Point Financial LLC included its wholly owned subsidiary Berkeley Point Capital LLC, which together may be referred to as "Berkeley Point" or "BPF". See the Company's press release and Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC"), both dated September 8, 2017, for previously disclosed information about the closing of the BPF and related transactions and financing.

² See the Company's financial results press release and related Current Report on Form 8-K filed with the SEC, both dated July 26, 2017, for BGC's previous outlook.



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