

Virtu Financial, Inc. (NASDAQ: VIRT; New York, NY) has agreed to acquire KCG Holdings, Inc. (NYSE: KCG; New York, NY)

Deal Value: Approximately \$1.4 billion

Leverages Virtu's global scale, efficiency and market structure expertise with KCG's strong client franchises in market making and independent agency execution.

Sandler O'Neill served as financial advisor and provided a fairness opinion to Virtu Financial in this transaction. This represents Sandler O'Neill's 152nd financial services transaction since January 1, 2015, more than any other investment bank during that time.¹

NEW YORK, NEW YORK, April 20, 2017 – Virtu Financial, Inc. (NASDAQ: VIRT) today announced that it has entered into a definitive agreement to acquire KCG Holdings, Inc. (NYSE: KCG), which has been unanimously approved by the Board of Directors of each company. Virtu has agreed to acquire KCG in a cash transaction valued at \$20.00 per KCG share, or a total of approximately \$1.4 billion.

The transaction will extend Virtu's scaled operating model to KCG's wholesale market making businesses and broaden the distribution of Virtu's technology and execution services to KCG's extensive institutional client base. Virtu expects to migrate trading of the combined company onto a single, proven technology, risk management, and analytics platform.

"KCG fits perfectly with Virtu's strategic priorities to apply our market making and technological expertise to customer wholesale order flow and expand Virtu's growing agency execution business by offering clients a combination of Virtu and KCG's superior algorithms and proprietary analytical tools. In addition, there is immediate opportunity for revenue growth and significant cost savings," said Douglas A. Cifu, Virtu's Chief Executive Officer. Mr. Cifu continued, "Virtu and KCG both have a heritage of using technology to make markets more efficient. The combination of talented, dedicated professionals from KCG and Virtu will allow us to achieve more together than either firm could achieve alone."

The transaction is expected to provide significant further scale and financial benefits to Virtu. Within two years of the completion of the transaction, Virtu expects to realize approximately \$208 million of net pre-tax expense savings, in addition to \$440 million of capital synergies. These savings do not include any revenue enhancements that Virtu anticipates to result from the transaction.

Virtu intends to fund the cash transaction and debt refinancing with new gross borrowings of \$1.65 billion and the sale of \$750 million of common stock, priced at \$15.60 per share. North Island, whose principals are Robert Greifeld and Glenn Hutchins, will invest \$625 million in Virtu common stock, in partnership with GIC, Singapore's sovereign wealth fund, and Public Sector Pension Investment Board (PSP Investments), one of Canada's largest pension investment managers. Temasek, an existing Virtu shareholder, has committed to invest an additional \$125 million in Virtu common stock. The sale of shares is conditioned upon the closing of the transaction. Virtu has also entered into a commitment with J.P. Morgan Securities LLC, to provide up to \$1.65 billion of debt financing for the transaction.

Virtu intends to maintain its annual dividend of \$0.96 per share after the close of the transaction.

The transaction is expected to close during the 3rd quarter in 2017 after receipt of KCG shareholder approval and all required regulatory approvals.

Following the close of the transaction, Douglas A. Cifu, Virtu CEO, will remain CEO of the combined company. Joseph A. Molluso, Virtu CFO, will remain the CFO of the combined company. In addition, 2 new members from North Island, Robert Greifeld and Glenn Hutchins, will join Virtu's Board of Directors.

¹) Includes all geographies; Includes minority transactions; Excludes terminated transactions and self-advisory roles
Source: SNL Financial; Company press release

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