
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): 5/8/2018

INTL FCStone Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

000-23554
(Commission File Number)

59-2921318
(IRS Employer ID No.)

708 Third Avenue, Suite 1500, New York, NY 10017

(Address of principal executive offices, including Zip Code)

(212) 485-3500

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition**Item 7.01. Regulation FD Disclosure**

The following information is furnished under Item 2.02, “Results of Operations and Financial Condition” and Item 7.01 “Regulation FD Disclosure”. This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On May 8, 2018, the Company issued a news release on the subject of the Company's results of operations and financial condition for the fiscal quarter ended March 31, 2018.

The press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits

[Exhibit 99.1 Press release dated May 8, 2018.](#)

Signature

Pursuant to the Requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the Undersigned hereunto duly authorized.

May 8, 2018

(Date)

INTL FCStone Inc.

(Registrant)

/s/ WILLIAM J. DUNAWAY

William J. Dunaway
Chief Financial Officer

INTL FCStone Inc. Reports Fiscal 2018 Second Quarter Financial Results***Record Operating Revenues of \$260.2 million, up 33%******Record Net Income of \$22.7 million, up 106%******EPS of \$1.18 per share, ROE of 19.9%***

New York, NY – May 8, 2018 – INTL FCStone Inc. (the ‘Company’; NASDAQ: INTL), a diversified global financial services organization providing execution, risk management and advisory services, market intelligence and clearing services across asset classes and markets around the world, today announced its financial results for the fiscal year 2018 second quarter ended March 31, 2018.

Sean M. O’Connor, CEO of INTL FCStone Inc., stated, “The return of volatility in some of our markets combined with higher short term interest rates created a favorable operating environment for us, resulting in both record operating revenues and net income, with an annualized ROE of nearly 20%. All of our segments increased profitability over the prior year led by record performance in both our Commercial Hedging and CES segments, up 48% and 61%, respectively, versus the prior year quarter.”

“We believe our year to date core earnings validate our goals of expanding our clearing and execution platform across nearly all markets and asset classes while focusing on growing our customer base.”

INTL FCStone Inc. Summary Financials

Condensed consolidated financial statements for the Company will be included in our Quarterly Report on Form 10-Q to be filed with the SEC. The Quarterly Report on Form 10-Q will also be made available on the Company's website at www.intlfcstone.com.

(Unaudited) (in millions, except share and per share amounts)	Three Months Ended March 31,			Six Months Ended March 31,		
	2018	2017	% Change	2018	2017	% Change
Revenues:						
Sales of physical commodities	\$ 6,255.8	\$ 5,273.3	19 %	\$ 13,970.2	\$ 11,169.3	25 %
Trading gains, net	107.7	84.0	28 %	193.5	167.0	16 %
Commission and clearing fees	97.2	70.3	38 %	175.0	139.5	25 %
Consulting, management, and account fees	18.3	15.5	18 %	34.9	31.2	12 %
Interest income	27.9	17.7	58 %	51.9	28.1	85 %
Other income	0.1	—	n/m	0.1	0.1	— %
Total revenues	6,507.0	5,460.8	19 %	14,425.6	11,535.2	25 %
Cost of sales of physical commodities	6,246.8	5,265.0	19 %	13,952.8	11,153.9	25 %
Operating revenues	260.2	195.8	33 %	472.8	381.3	24 %
Transaction-based clearing expenses	50.7	33.7	50 %	87.6	67.3	30 %
Introducing broker commissions	36.2	28.2	28 %	67.3	56.9	18 %
Interest expense	19.0	10.0	90 %	33.3	18.9	76 %
Net operating revenues	154.3	123.9	25 %	284.6	238.2	19 %
Compensation and other expenses:						
Compensation and benefits	88.2	76.6	15 %	165.4	147.2	12 %
Trade systems and market information	8.9	8.5	5 %	17.1	17.4	(2)%
Occupancy and equipment rental	4.2	3.8	11 %	8.3	7.2	15 %
Professional fees	3.9	3.4	15 %	8.6	8.2	5 %
Travel and business development	3.0	3.0	— %	6.5	6.6	(2)%
Non-trading technology and support	3.4	2.8	21 %	6.5	5.7	14 %
Depreciation and amortization	2.9	2.4	21 %	5.6	4.8	17 %
Communications	1.4	1.2	17 %	2.8	2.4	17 %
Bad debts	0.2	1.3	(85)%	1.3	3.8	(66)%
Other	8.7	6.6	32 %	14.4	12.2	18 %
Total compensation and other expenses	124.8	109.6	14 %	236.5	215.5	10 %
Income before tax	29.5	14.3	106 %	48.1	22.7	112 %
Income tax expense	6.8	3.3	106 %	32.3	5.4	498 %
Net income	\$ 22.7	\$ 11.0	106 %	\$ 15.8	\$ 17.3	(9)%
Earnings per share:						
Basic	\$ 1.20	\$ 0.58	107 %	\$ 0.83	\$ 0.92	(10)%
Diluted	\$ 1.18	\$ 0.58	103 %	\$ 0.81	\$ 0.92	(12)%
Weighted-average number of common shares outstanding:						
Basic	18,559,849	18,404,236	1 %	18,502,795	18,325,383	1 %
Diluted	18,859,333	18,661,418	1 %	18,836,213	18,637,480	1 %

Impact of Tax Reform and Bad Debt on Physical Coal, Net of Incentive Recapture

The table below presents income (loss) before tax, income tax expense, net income (loss), diluted earnings (loss) per share and return (loss) on average stockholders' equity as reported, on a GAAP basis. The table below also presents adjusted income before tax, adjusted income tax expense, adjusted net income, adjusted diluted earnings per share and adjusted return on average stockholders' equity, which are non-GAAP measures. The "adjusted" non-GAAP amounts reflect each item after removing the impacts of H.R. 1, the Tax Cuts and Jobs Act ("Tax Reform") and the bad debt on physical coal, net of incentive recapture for the last six fiscal quarters. Management believes that presenting our results excluding Tax Reform and the bad debt on physical coal, net of incentive recapture is meaningful, as it increases the comparability of period-to-period results.

(in millions)	Three Months Ended					
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
As reported, GAAP:						
Income (loss) before tax	\$ 29.5	\$ 18.6	\$ (22.5)	\$ 15.0	\$ 14.3	\$ 8.4
Income tax expense	(6.8)	(25.5)	(1.1)	(2.3)	(3.3)	(2.1)
Net income (loss)	\$ 22.7	\$ (6.9)	\$ (23.6)	\$ 12.7	\$ 11.0	\$ 6.3
Diluted earnings (loss) per share	\$ 1.18	\$ (0.37)	\$ (1.27)	\$ 0.66	\$ 0.58	\$ 0.34
Return (loss) on average stockholders' equity	19.9%	(6.2)%	(20.5)%	10.9%	9.8%	5.8%
Adjusted (non-GAAP) ^(a) :						
Adjusted income before tax	\$ 29.5	\$ 19.6	\$ 20.2	\$ 15.0	\$ 14.3	\$ 8.4
Adjusted income tax expense	(7.6)	(4.6)	(4.4)	(2.3)	(3.3)	(2.1)
Adjusted net income	\$ 21.9	\$ 15.0	\$ 15.8	\$ 12.7	\$ 11.0	\$ 6.3
Adjusted diluted earnings per share	\$ 1.15	\$ 0.78	\$ 0.83	\$ 0.66	\$ 0.58	\$ 0.34
Adjusted return on average stockholders' equity	17.0%	12.1%	13.2%	10.9%	9.8%	5.8%

^(a) Adjusted income before tax, adjusted income tax expense, adjusted net income, adjusted diluted earnings per share and adjusted return on average stockholders' equity are non-GAAP measures. A reconciliation between the GAAP and non-GAAP amounts listed above is provided in Appendix A.

Interest Income/Expense

Overall interest income increased \$10.2 million to \$27.9 million in the second quarter, as a result of an increase in short term interest rates, as well as increased activity in our domestic institutional fixed income and securities lending businesses. Average customer equity in the Financial Ag & Energy and Exchange-traded Futures & Options components of our Commercial Hedging and Clearing and Execution Services ("CES") segments was \$2.1 billion, increasing 3% in the second quarter compared to the prior year, which combined with an increase in short-term interest rates resulted in an aggregate \$3.3 million increase in interest income in these businesses. Our domestic institutional fixed income business had an increase in interest income of \$2.3 million in the second quarter over the prior year. In addition, interest income increased \$3.7 million from securities lending started up during fiscal 2017 in our Equity Market-Making business.

We currently maintain U.S. Treasury bills, interest earning cash deposits with banks, clearing organizations and counterparties as part of our interest rate management strategy.

Interest expense increased 90% to \$19.0 million in the second quarter compared to \$10.0 million in the prior year. The increase in expense is primarily related to the trading activities of our institutional dealer in fixed income securities, which resulted in higher interest expense of \$4.3 million. Also, an increase in short-term rates resulted in higher costs in our Exchange-traded Futures & Options component, as well as higher costs related to our securities lending business started up during fiscal 2017 in our Equity Market-Making business. Additionally, higher average borrowings outstanding on the credit facility available for our physical commodity financing resulted in increased expense.

Non-interest Expenses and Key Operating Metrics

The following table reflects a breakout of total non-interest expenses by variable and non-variable components, which is used by management in evaluating our non-interest expenses, for the periods indicated.

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2018	2017	% Change	2018	2017	% Change
Variable compensation and benefits	\$ 46.2	\$ 36.2	28 %	\$ 83.1	\$ 70.7	18 %
Transaction-based clearing expenses	50.7	33.7	50 %	87.6	67.3	30 %
Introducing broker commissions	36.2	28.2	28 %	67.3	56.9	18 %
Total variable expenses	133.1	98.1	36 %	238.0	194.9	22 %
Fixed compensation and benefits	42.0	40.4	4 %	82.3	76.5	8 %
Other fixed expenses	36.4	31.7	15 %	69.8	64.5	8 %
Bad debts	0.2	1.3	(85)%	1.3	3.8	(66)%
Total non-variable expenses	78.6	73.4	7 %	153.4	144.8	6 %
Total non-interest expenses	\$ 211.7	\$ 171.5	23 %	\$ 391.4	\$ 339.7	15 %

The following table reflects key operating metrics used by management in evaluating our product lines, for the periods indicated.

Volumes and Other Data:	Three Months Ended March 31,			Six Months Ended March 31,		
	2018	2017	% Change	2018	2017	% Change
Exchange-traded - futures and options (contracts, 000's)	36,696.0	25,460.0	44%	62,558.2	49,572.7	26%
OTC (contracts, 000's)	410.5	350.8	17%	738.3	652.7	13%
Global Payments (# of payments, 000's)	153.0	153.7	—%	309.3	300.3	3%
Gold equivalent ounces traded (000's)	54,999.0	27,239.4	102%	88,502.1	51,568.6	72%
Equity Market-Making (gross dollar volume, millions)	\$ 32,010.2	\$ 23,631.3	35%	\$ 56,744.5	\$ 45,986.6	23%
Debt Trading (gross dollar volume, millions)	\$ 28,459.1	\$ 37,429.2	(24)%	\$ 61,692.8	\$ 70,474.8	(12)%
FX Prime Brokerage volume (U.S. notional, millions)	\$ 122,869.1	\$ 171,593.1	(28)%	\$ 237,171.0	\$ 341,465.7	(31)%
Average assets under management in Argentina (U.S. dollar, millions)	\$ 469.8	\$ 548.9	(14)%	\$ 471.7	\$ 529.4	(11)%
Average customer equity - futures and options (millions)	\$ 2,070.9	\$ 2,015.6	3%	\$ 2,098.4	\$ 2,046.9	3%

Balance Sheet Summary

The following table below provides a summary of asset, liability, and stockholders' equity information for the periods indicated.

(in millions, except for share and per share amounts)	March 31, 2018	September 30, 2017
Summary asset information:		
Cash and cash equivalents	\$ 336.0	\$ 314.9
Cash, securities and other assets segregated under federal and other regulations	\$ 1,251.4	\$ 518.8
Securities purchased under agreements to resell	\$ 604.7	\$ 406.6
Securities borrowed	\$ 519.9	\$ 86.6
Deposits with and receivables from broker-dealers, clearing organizations and counterparties	\$ 1,914.1	\$ 2,625.1
Receivables and notes receivable from customers, net	\$ 232.8	\$ 243.3
Financial instruments owned, at fair value	\$ 1,889.7	\$ 1,731.8
Physical commodities inventory	\$ 286.3	\$ 124.8
Goodwill and intangible assets, net	\$ 57.1	\$ 59.4
Other	\$ 111.7	\$ 132.1
Summary liability and stockholders' equity information:		
Payables to customers	\$ 3,231.6	\$ 3,072.9
Payables to broker-dealers, clearing organizations and counterparties	\$ 79.7	\$ 125.7
Payables to lenders under loans	\$ 340.5	\$ 230.2
Accounts payable and other accrued liabilities	\$ 129.6	\$ 135.6
Securities sold under agreements to repurchase	\$ 1,562.5	\$ 1,393.1
Securities loaned	\$ 559.1	\$ 111.1
Financial instruments sold, not yet purchased, at fair value	\$ 822.9	\$ 717.6
Income taxes payable	\$ 11.2	\$ 7.3
Stockholders' equity	\$ 466.6	\$ 449.9
Common stock outstanding - shares	18,860,717	18,733,286
Net asset value per share	\$ 24.74	\$ 24.02

Segment Results

The following table reflects operating revenues by segment for the periods indicated.

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2018	2017	% Change	2018	2017	% Change
Segment operating revenues (loss) represented by:						
Commercial Hedging	\$ 78.3	\$ 62.7	25 %	\$ 139.8	\$ 120.2	16%
Global Payments	23.4	21.5	9 %	48.0	44.6	8%
Securities	55.5	37.9	46 %	98.5	75.3	31%
Physical Commodities	15.5	11.2	38 %	26.1	21.0	24%
Clearing and Execution Services	88.0	64.2	37 %	160.2	127.8	25%
Corporate unallocated	(0.5)	(1.7)	(71)%	0.2	(7.6)	n/m
Operating revenues	\$ 260.2	\$ 195.8	33 %	\$ 472.8	\$ 381.3	24%

The following table reflects segment income by segment for the periods indicated.

(in millions)	Three Months Ended March 31,			Six Months Ended March 31,		
	2018	2017	% Change	2018	2017	% Change
Segment income represented by:						
Commercial Hedging	\$ 27.6	\$ 18.7	48%	\$ 48.7	\$ 34.1	43%
Global Payments	13.5	11.7	15%	28.1	24.9	13%
Securities	12.8	11.7	9%	23.8	24.6	(3)%
Physical Commodities	5.6	3.9	44%	6.7	6.9	(3)%
Clearing and Execution Services	12.7	7.9	61%	23.2	13.6	71%
Total segment income	\$ 72.2	\$ 53.9	34%	\$ 130.5	\$ 104.1	25%
Reconciliation of segment income to income before tax:						
Segment income	\$ 72.2	\$ 53.9	34%	\$ 130.5	\$ 104.1	25%
Net costs not allocated to operating segments	42.7	39.6	8%	82.4	81.4	1%
Income before tax	\$ 29.5	\$ 14.3	106%	\$ 48.1	\$ 22.7	112%

Commercial Hedging

In our Commercial Hedging segment, we provide risk management consulting services in which we assist our customers in the execution of their hedging strategies through a wide range of products from listed exchange-traded futures and options on futures contracts, to basic over-the-counter (“OTC”) instruments that offer greater flexibility and structured OTC products designed for customized solutions. These services span virtually all traded commodity markets, with the largest concentrations in agricultural and energy commodities (consisting primarily of grains, energy and renewable fuels, coffee, sugar, cotton, and food service) and base metals products listed on the LME.

Operating revenues increased 25% to a record \$78.3 million in the second quarter compared to \$62.7 million in the prior year. Exchange-traded revenues increased 18%, to \$41.1 million in the second quarter, resulting primarily from an increase in agricultural market revenues driven by an increase in both volatility and underlying prices, particularly in the domestic grain markets. In addition, agricultural exchange-traded revenues benefited from increased activity from customers in both food service and dairy markets as well as soft commodities which were both driven by increased market volatility. Energy and renewable fuels customer volumes more than doubled versus the prior year as a result of increased activity from institutional customers in both our domestic and London offices. Uncertainty surrounding the effect of potential U.S. tariff’s on global metals markets drove volatility and activity in our LME metals business in the second quarter. Finally, reflected in the ‘Other’ category above we saw an increase in exchange-traded revenues from omnibus relationships introduced by our commercial hedging employees in the second quarter. Overall exchange-traded contract volumes increased 23%, however the rate per contract declined 3% versus the prior year to \$5.52, with the decline primarily as a result of the increase in activity from institutional customers and omnibus relationships which have a lower rate per contract than our commercial business.

OTC revenues increased 34%, to \$28.0 million in the second quarter, driven by both a 17% increase in OTC volumes and a 16% increase in the average rate per contract compared to the prior year. These increases were driven by increases in agricultural commodities, primarily with Brazilian grain customers as well as increased activity in food service, dairy and cotton. These increases were offset by lower interest rate swap activity as well to a lesser extent lower energy and renewable fuels revenues.

Consulting, management, and account fees increased 11% compared to the prior year, while interest income, increased 50%, to \$5.1 million compared to the prior year. The increase in interest income was primarily driven by an increase in short-term rates, as average customer equity declined 5% versus the prior year to \$892.3 million in the second quarter.

Segment income increased to \$27.6 million in the second quarter compared to \$18.7 million in the prior year, primarily as a result of the increase in operating revenues and a \$1.5 million decline in bad debt expense. The prior year period included \$1.3 million bad debt expense in our LME metals business, while the current period includes a \$0.2 million recovery on a previously recorded bad debt. This decline was partially offset by a \$0.6 million increase in non-variable compensation and benefits. Variable expenses, excluding interest, expressed as a percentage of operating revenues increased to 42% compared to 41% in the prior year, primarily as the result of an increase in transaction-based clearing expenses due to product mix.

Global Payments

Our Global Payments segment provides global payment solutions to banks and commercial businesses as well as charities, non-governmental organizations and government organizations. We offer payments services in more than 175 countries and 140 currencies, which we believe is more than any other payments solution provider, and provide competitive and transparent pricing.

Operating revenues increased 9% to \$23.4 million in the second quarter compared to \$21.5 million in the prior year. The volume of payments made was flat with the prior year period while the average revenue per trade increased by 9% as compared to the prior year period. Similar to the first quarter of 2018, the volume of payments declined and the average revenue per trade increased as compared to the third and fourth quarters of fiscal 2017, as certain commercial customers who had previously transacted their individual high volume but low value payments through our platform, opened their own bank accounts in certain countries to which we had made payments into on their behalf. However, we still made the foreign currency funding payments into their accounts on an aggregated basis in these countries. Ultimately we were able to capture higher operating revenues as compared to the third and fourth quarters of fiscal 2017 and the number of payments made were reduced which drove an increase in the average revenue per trade. Operating revenues declined \$1.2 million versus the immediately preceding first quarter of 2018 as the first quarter of our fiscal year benefits from strong transactional volumes from our non-governmental charitable organizations during the holiday season.

Segment income increased 15% to \$13.5 million in the second quarter compared to \$11.7 million in the prior year. This increase primarily resulted from the increase in operating revenues, partially offset by a \$0.5 million increase in non-variable direct expenses versus the prior year period, primarily driven by higher non-variable compensation and trade system costs. Variable expenses, excluding interest, expressed as a percentage of operating revenues were decreased to 25% in the second quarter as compared to 28% in the prior year, primarily as a result of a decrease in introducing broker commissions.

Securities

In our Securities segment, we provide value-added solutions that facilitate cross border trading in the equity markets as well as act as an institutional dealer in fixed income securities, including U.S. Treasuries, Federal Agency, Agency Mortgage-Backed and Asset-Backed Securities to a customer base including asset managers, commercial bank trust and investment departments, broker-dealers, and insurance companies. In addition, we also originate, structure and place debt instruments in the international and domestic capital markets as well as operate an asset management business in Argentina.

Operating revenues increased 46% to \$55.5 million in the second quarter compared to \$37.9 million in the prior year.

Operating revenues in our Securities segment are comprised of activities in four product lines, Equity Market-Making, Debt Trading, Investment Banking and Asset Management. Operating revenues in Equity Market-Making increased 81% in the second quarter compared to the prior year period. Gross dollar volume traded increased 35% driven by increased market volatility, the on-boarding of new customers and an increase in market share, while the average revenue per \$1,000 traded increased 17% versus the prior year. Equity Market-Making operating revenues include the trading profits we earn before the related expense deduction for ADR conversion fees. These ADR fees are included in the consolidated income statements as 'transaction-based clearing expenses'.

Operating revenues in Debt Trading increased, \$4.4 million or 22% in the second quarter compared to the prior year, driven by increases in our domestic institutional fixed income business as well as in our Argentina and municipal securities businesses. Asset Management operating revenues increased 5% in the second quarter as compared to the prior year, despite a 14% decline in average assets under management to \$469.8 million in the second quarter compared to \$548.9 million in the prior year.

Segment income increased 9% to \$12.8 million in the second quarter compared to \$11.7 million in the prior year. This was driven by the increase in operating revenues, which was partially offset by a \$6.2 million increase in transaction-based clearing fees in Equity Market-Making as well as a \$8.2 million increase in interest expense, driven by both increases in short term interest rates in our Debt Trading business and an increase in securities lending activities. Variable expenses, excluding interest, expressed as a percentage of operating revenues increased to 39% in the second quarter compared to 36% in the prior year, primarily as the result of an increase in transaction-based clearing expenses.

Physical Commodities

In our Physical Commodities segment, we provide a full range of trading and hedging capabilities, including OTC products, to select producers, consumers and investors in precious metals. Additionally, we act as principal to facilitate financing, structured pricing and logistics services to clients across the commodity complex, including energy commodities, grains, oil seeds, cotton, coffee, cocoa, edible oils and feed products.

Operating revenues for Physical Commodities increased 38% to \$15.5 million in the second quarter compared to \$11.2 million in the prior year.

Precious Metals operating revenues increased 53% to \$8.9 million in the second quarter compared to \$5.8 million in the prior year as a result of a 102% increase in the number of ounces traded, which was partially offset by a 24% decline in the average revenue per ounce traded as compared to the prior year. Second quarter operating revenues include a \$1.3 million reversal of a first quarter 2018 unrealized loss on derivative positions held against precious metals inventory carried at the lower of cost or net realizable value in our non-broker dealer subsidiaries.

Operating revenues in Physical Ag & Energy increased 22% to \$6.6 million in the second quarter compared to the prior year. The increase in operating revenues is primarily due to business expansion in our U.S. subsidiary FCStone Merchant Services, LLC, highlighted by an increase in physical cotton transactions in the current period.

Segment income increased 44% to \$5.6 million in the second quarter compared to \$3.9 million in the prior year, primarily as a result of the increase in operating revenues, which was partially offset by a \$0.3 million increase in non-variable compensation and benefits, a \$0.2 million increase in professional fees incurred related to our exit of our physical coal business and a \$0.5 million increase in bad debt expense. The increase in bad debt expense related to a \$0.7 million bad debt in our Precious Metals business which was partially offset by a \$0.2 million recovery of previously recorded bad debt expense in our Physical Ag & Energy business.

Clearing and Execution Services

Our CES segment provides competitive and efficient clearing and execution in all major futures and securities exchanges globally as well as prime brokerage in all major foreign currency pairs and swap transactions. Following our acquisition of the Sterne Agee correspondent securities clearing business, we are an independent full-service provider to introducing broker-dealers (“IBD’s”) of clearing, custody, research, syndicated and security-based lending products and services, including a proprietary technology platform which offers seamless connectivity to ensure a positive customer experience through the clearing and settlement process. Also as part of this transaction, we acquired Sterne Agee’s independent wealth management business which offers a comprehensive product suite to retail customers nationwide.

Operating revenues increased 37% to \$88.0 million in the second quarter compared to \$64.2 million in the prior year.

Operating revenues in our Exchange-traded Futures & Options business increased 77% to a record \$49.6 million in the second quarter compared to \$28.0 million in the prior year as a result of a 51% increase in exchange-traded volumes and a 21% increase in the average rate per contract compared to the prior year period. In addition, interest income in the Exchange-traded Futures & Options business increased \$1.8 million to \$3.9 million in the second quarter primarily as a result of an increase in short-term rates and a 10% increase in average customer equity to \$1.2 billion.

Operating revenues in our FX Prime Brokerage increased 16% compared to the prior year to \$5.0 million in the second quarter, despite a 28% decline in foreign exchange volumes, as market volatility drove a widening of spreads in this business.

Correspondent Clearing operating revenues declined 1% as compared to the prior year to \$6.8 million in the second quarter, while operating revenues in Independent Wealth Management increased 2% versus the prior year to \$18.8 million. Included within these operating revenues, Correspondent Clearing and Independent Wealth Management businesses had interest income of \$1.8 million and \$0.1 million, respectively. Operating revenues in Derivative Voice Brokerage increased 20% to \$7.8 million in the second quarter as compared to the prior year.

Segment income increased to \$12.7 million in the second quarter compared to \$7.9 million in the prior year, primarily as a result of the increase in operating revenues. Segment income in the second quarter includes a \$0.9 million quarterly charge to compensation and benefits per the terms of the acquisition of the Derivative Voice Brokerage business which will continue to be expensed through the end of fiscal 2018 based upon the employees’ continued employment. Variable expenses, excluding interest, as a percentage of operating revenues were 71% in the second quarter compared to 69% in the prior year.

Conference Call & Web Cast

A conference call will be held tomorrow, Wednesday, May 9, 2018 at 9:00 a.m. ET. A live webcast of the conference call as well as additional information to review during the call will be made available in PDF form on-line on the Company’s corporate web site at <http://www.intlfcstone.com>. Participants can also access the call by dialing 1-844-466-4112 (within the United States and Canada), or 1-408-337-0136 (international callers) approximately ten minutes prior to the start time.

A replay of the call will be available at <http://www.intlfcstone.com> approximately two hours after the call has ended and will be available through May 16, 2018. To access the replay, dial 1-855-859-2056 (within the United States and Canada), or 1-404-537-3406 (international callers) and enter the replay passcode 8835857.

About INTL FCStone Inc.

INTL FCStone Inc., through its subsidiaries, is a leading provider of execution, risk management and advisory services, market intelligence, and clearing services across asset classes and markets around the world.

Serving more than 20,000 customers in 130 countries on five continents, the company provides products and services across five market segments: commercial hedging, global payments, securities, physical commodities, and clearing and execution services. Our customers include the producers, processors and end users of virtually every major traded commodity, as well as asset managers, introducing broker-dealers, insurance companies, brokers, institutional and retail investors, commercial and investment banks, and governmental, non-governmental and charitable organizations. A Fortune 500 company headquartered in New York City, the company is listed on the Nasdaq under the ticker symbol "INTL".

Further information on INTL is available at www.intlfcstone.com.

Forward Looking Statements

This press release includes forward-looking statements including statements regarding the combined company. All statements other than statements of current or historical fact contained in this press release are forward-looking statements. The words "believe," "expect," "anticipate," "should," "plan," "will," "may," "could," "intend," "estimate," "predict," "potential," "continue" or the negative of these terms and similar expressions, as they relate to INTL FCStone Inc., are intended to identify forward-looking statements.

These forward-looking statements are largely based on current expectations and projections about future events and financial trends that may affect the financial condition, results of operations, business strategy and financial needs of the company. They can be affected by inaccurate assumptions, including the risks, uncertainties and assumptions described in the filings made by INTL FCStone Inc. with the Securities and Exchange Commission. In light of these risks, uncertainties and assumptions, the forward-looking statements in this press release may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. When you consider these forward-looking statements, you should keep in mind these risk factors and other cautionary statements in this press release.

These forward-looking statements speak only as of the date of this press release. INTL FCStone Inc. undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements.

INTL FCStone Inc.

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Appendix A

The “adjusted” non-GAAP amounts reflect each item after removing the impacts of Tax Reform and the bad debt on physical coal, net of incentive recapture for the last six fiscal quarters. Management believes that presenting our results excluding Tax Reform and the bad debt on physical coal, net of incentive recapture is meaningful, as it increases the comparability of period-to-period results.

(in millions)	Three Months Ended					
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Reconciliation of income (loss) before tax to adjusted non-GAAP amounts:						
Income (loss) before tax, as reported (GAAP)	\$ 29.5	\$ 18.6	\$ (22.5)	\$ 15.0	\$ 14.3	\$ 8.4
Bad debt on physical coal, net of incentive recapture ^(a)	—	1.0	42.7	—	—	—
Adjusted income before tax (non-GAAP)	<u>\$ 29.5</u>	<u>\$ 19.6</u>	<u>\$ 20.2</u>	<u>\$ 15.0</u>	<u>\$ 14.3</u>	<u>\$ 8.4</u>
Reconciliation of income tax expense to adjusted non-GAAP amounts:						
Income tax expense, as reported (GAAP)	\$ (6.8)	\$ (25.5)	\$ (1.1)	\$ (2.3)	\$ (3.3)	\$ (2.1)
Tax effect of bad debt on physical coal, net of incentive recapture	—	—	(3.3)	—	—	—
Impact of tax reform ^(b)	(0.8)	20.9	—	—	—	—
Adjusted income tax expense (non-GAAP)	<u>\$ (7.6)</u>	<u>\$ (4.6)</u>	<u>\$ (4.4)</u>	<u>\$ (2.3)</u>	<u>\$ (3.3)</u>	<u>\$ (2.1)</u>
Reconciliation of net income (loss) to adjusted non-GAAP amounts:						
Net income (loss), as reported (GAAP)	\$ 22.7	\$ (6.9)	\$ (23.6)	\$ 12.7	\$ 11.0	\$ 6.3
Bad debt on physical coal, net of incentive recapture, net of tax	—	1.0	39.4	—	—	—
Impact of tax reform	(0.8)	20.9	—	—	—	—
Adjusted net income (non-GAAP)	<u>\$ 21.9</u>	<u>\$ 15.0</u>	<u>\$ 15.8</u>	<u>\$ 12.7</u>	<u>\$ 11.0</u>	<u>\$ 6.3</u>

(in millions)	Three Months Ended					
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Calculation of adjusted diluted earnings per share:						
Adjusted net income (non-GAAP)	\$ 21.9	\$ 15.0	\$ 15.8	\$ 12.7	\$ 11.0	\$ 6.3
Less: Allocation to participating securities ^(c)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.1)
Adjusted net income allocated to common stockholders (non-GAAP)	<u>\$ 21.6</u>	<u>\$ 14.7</u>	<u>\$ 15.5</u>	<u>\$ 12.4</u>	<u>\$ 10.8</u>	<u>\$ 6.2</u>
Divided by diluted weighted-average common shares used in the calculation of adjusted diluted earnings per share	18,859,333	18,786,145	18,768,660	18,702,128	18,661,418	18,484,995
Adjusted diluted earnings per share (non-GAAP)	<u>\$ 1.15</u>	<u>\$ 0.78</u>	<u>\$ 0.83</u>	<u>\$ 0.66</u>	<u>\$ 0.58</u>	<u>\$ 0.34</u>

(in millions)	Three Months Ended					
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Calculation of diluted weighted-average common shares used in the calculation of adjusted diluted earnings per share:						
Weighted-average number of common shares outstanding, as reported	18,559,849	18,419,072	18,485,150	18,447,053	18,404,236	18,248,244
Effect of dilutive securities ^(d)	299,484	367,073	283,510	255,075	257,182	236,751
Diluted weighted-average common shares used in the calculation of adjusted diluted earnings per share	<u>18,859,333</u>	<u>18,786,145</u>	<u>18,768,660</u>	<u>18,702,128</u>	<u>18,661,418</u>	<u>18,484,995</u>

(in millions)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Reconciliation of stockholders' equity to adjusted non-GAAP amounts:						
Stockholders' equity, as reported	\$ 466.6	\$ 443.2	\$ 449.9	\$ 469.1	\$ 455.7	\$ 442.6
Bad debt on physical coal, net of incentive recapture, net of tax	40.4	40.4	39.4	—	—	—
Impact of Tax Reform	20.1	20.9	—	—	—	—
Adjusted stockholders' equity (non-GAAP)	<u>\$ 527.1</u>	<u>\$ 504.5</u>	<u>\$ 489.3</u>	<u>\$ 469.1</u>	<u>\$ 455.7</u>	<u>\$ 442.6</u>

^(a) During the three months ended September 30, 2017, fiscal 2017 incentive accruals for the executive team were reversed as a direct result of the bad debt on physical coal.

^(b) Impact of Tax Reform includes tax (benefit) expense of (\$0.1) million and \$8.9 million for the three months ended March 31, 2018 and December 31, 2017, respectively, related to the remeasurement of deferred tax assets and liabilities to the lower U.S. federal corporate income tax rate. Additionally, Impact of Tax Reform includes a provisional transition tax obligation of \$12.0 million in the three months ended December 31, 2017 and a beneficial revision of \$0.7 million in the three months ended March 31, 2018, related to the one-time mandatory repatriation transition tax on previously untaxed accumulated and current earnings and profits of certain of our foreign subsidiaries.

^(c) For the three months ended December 31, 2017 and September 30, 2017, there were no amounts allocated to participating securities, as reported, due to net losses in each of the periods. In conjunction with the consideration of adjusted net income (non-GAAP), amounts allocated to participating securities has now been included for the periods. For the three months ended March 31, 2018, June 30, 2017, March 31, 2017 and December 31, 2016, the amounts allocated to participating securities are included as reported.

^(d) For the three months ended December 31, 2017 and September 30, 2017, there were no amount of dilutive securities, as reported, due to net losses in each of the periods. In conjunction with the consideration of adjusted net income (non-GAAP), an amount of dilutive securities has now been included for the periods. For the three months ended March 31, 2018, June 30, 2017, March 31, 2017 and December 31, 2016, the dilutive securities are included as reported.