N.Y. Times Roughs Up Killian for ITG's 1994 Performance—But What About 1995?

DESPITE a recent New York Times article that branded him as "overpaid," Investment Technology Group Inc. (ITG) may just be getting its money's worth from chief executive officer Raymond Killian. A recent Times business-section page-one story characterized Killian's $15.5 million in salary, stock and benefits compensation as being vastly out of line with ITG's lackluster 1994 performance. However, while ITG posted a loss last year (*IMT*, Feb. 17, 1995), the electronic equity trading service vendor scored a big turnaround in 1995 (*IMT*, Feb. 16). What's more, the vendor's share price—and the share price of its primary stockholder—have lately enjoyed big gains.

While the Times story made much of the fact that ITG recorded a $7.9 million loss on $56.5 million in revenues in 1994, the vendor did much better in 1995—recording $14.9 million in profits on $72.4 million in revenues. The Times article also failed to take note of a one-time charge ITG recorded against earnings in 1994—nor did it mention the elimination in 1994 of certain management employment agreements, stock options and a so-called Performance share plan. (The latter events would likely have driven executive compensation up on a one-year basis, while lowering it on an ongoing basis.)

ITG attributed the increases to 42 percent growth in quarterly Posit volume and $1.9 million in additional revenues from other trading services. On the whole year, Posit's volume grew by 18.8 percent over the previous year.

Further testimony to the theory that the company is headed in the right direction is the fact that ITG logged $19.9 million in revenues in the fourth quarter of 1995 alone—a 55 percent increase over the same quarter the year before.

Meanwhile, according to a Dow Jones wire service report, ITG's performance has given a big boost to Los Angeles-based brokerage Jefferies Group Inc., which owns some 80 percent of ITG. The story described both ITG and Jefferies as "good plays" for investors and noted that Jefferies has received positive reviews from analysts, and has seen its own stock price grow 20 percent, as a direct result of its ownership of ITG. The report also said ITG is expected to earn 94 cents a share this year, leaving the company valued at 12.25 times expected earnings—well above norms. ITC earned 81 cents a share in 1995.