



PENSON WORLDWIDE, INC. (NASDAQ: PNSN)

## *Investor Presentation*

*December 2008*

“We are building the best clearing and execution services firm

**in the world.”**

## Please Note

- This presentation and/or webcast contains certain forward-looking statements about management's goals, plans and expectations which are subject to various risks and uncertainties outlined in the 'Risk Factors' section of Penson's filings with the Securities and Exchange Commission. Actual results could differ materially from those currently anticipated and we disclaim any obligation to update information discussed in this presentation and webcast
- Revenue data and all related measurements are presented on a net interest revenue basis
- Expenses, operating margin, and net income are pro forma from continuing operations, excluding 3Q07's \$10.8 million Sentinel expense and 3Q08's \$2.4 million litigation charge
- Adjusted EBITDA calculated as net revenues less total expenses, adding back interest expense, stock-based compensation expense, D&A and non-recurring expenses that were applicable in 2005, 2007 and LTM

# Overview

**Largest independent provider of integrated outsourcing solutions  
for the global securities industry**

- Integrated, flexible business model provides differentiation in the industry
- Highly attractive, diverse customer base
- Scalable, recurring revenue model
- Strong financial performance and free cash flow generation
- Positive industry dynamics
- Experienced management team



# What We Do

## Products and Services

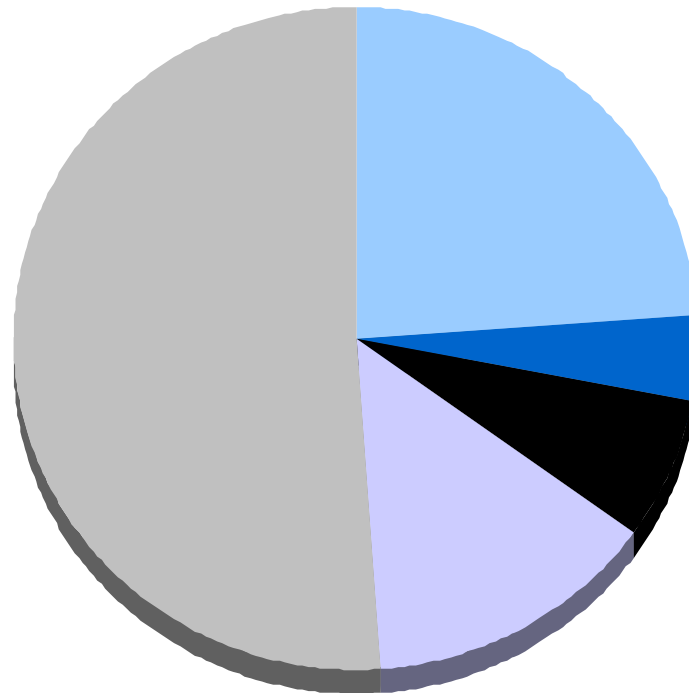
- Clearing and execution
  - Multi-asset class platform
- Only listed securities
  - Equity      – Options
  - Futures    – Foreign exchange
- Custody and safe keeping
- Financing and cash management
- Technology platforms (Nexa)
  - Trade entry
  - Research
  - Execution

## Customers (Correspondents)

- Broker-dealers
  - Online brokers
  - Direct access brokers
- Professional traders
- Hedge funds
- Futures Commission Merchants
- Banks
- Financial technology firms
- Exchanges

# Diversified Sources of Revenue

## 9M08 Net Revenues of \$224 Million



### Clearing & Commissions (51%)

- Trade, options & futures
- Execution, clearing, settlement

### Other (14%)

- FX, fixed income and other trading
- Execution services

### Technology (7%)

- Revenue from development and recurring transactions

### From Customer Assets (24%)

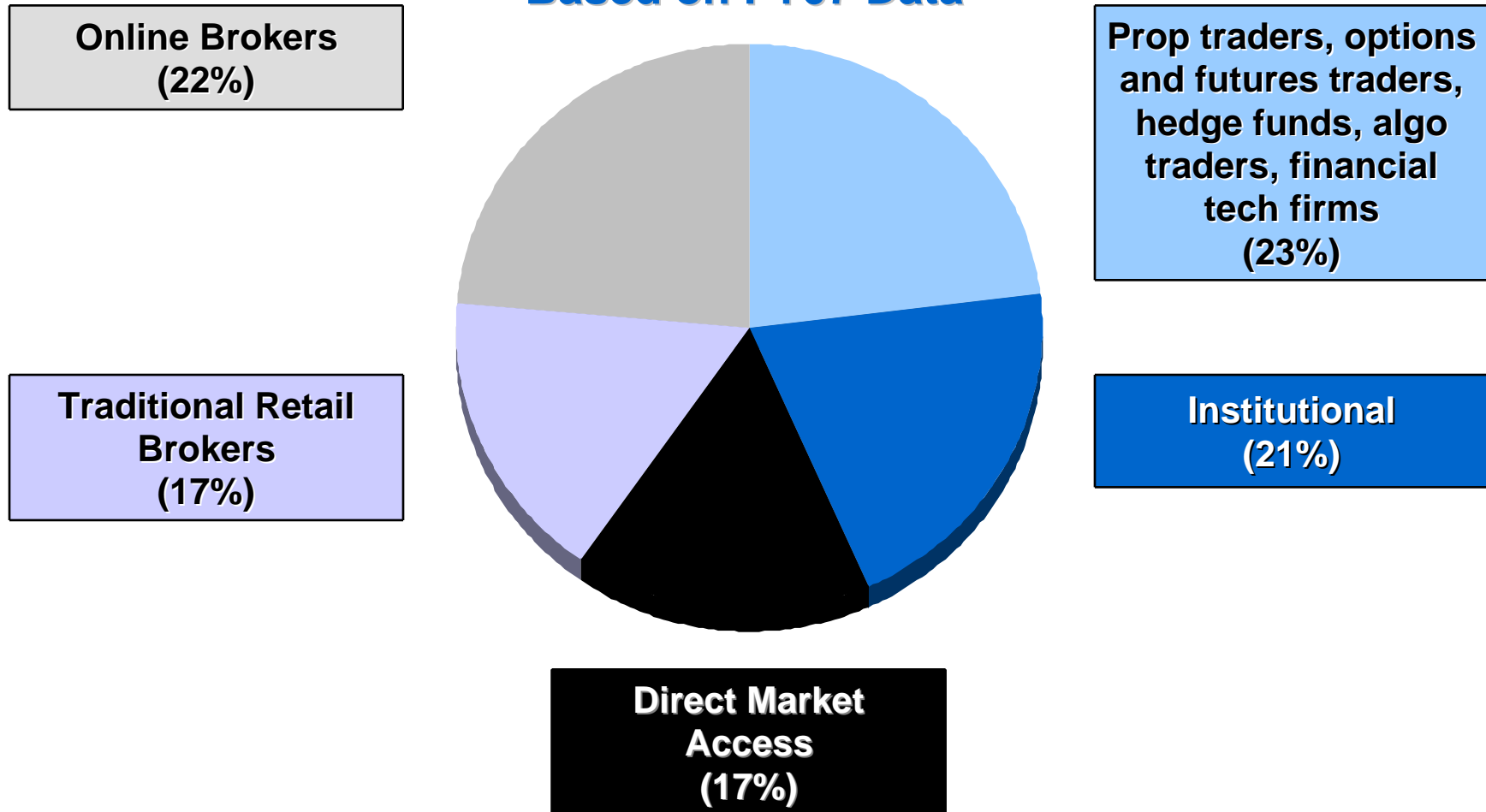
- Margin lending
- Stock borrowing
- Money market sweep

### Conduit (4%)

- Stock lending to non-correspondents
- High ROE

# Revenue Diversified by Correspondent Type

Based on FY07 Data



# Market Leading Positions



- #1 clearing broker in Canada
- #2 clearing broker in the U.K.
- #3 clearing broker in the U.S.
- Top 40 Futures Commission Merchant
- 300 correspondents – up from 3 in 1995
- 9M08 Volume
  - 226 million equity and options tickets
  - 135 million options contracts
  - 106 million futures contracts

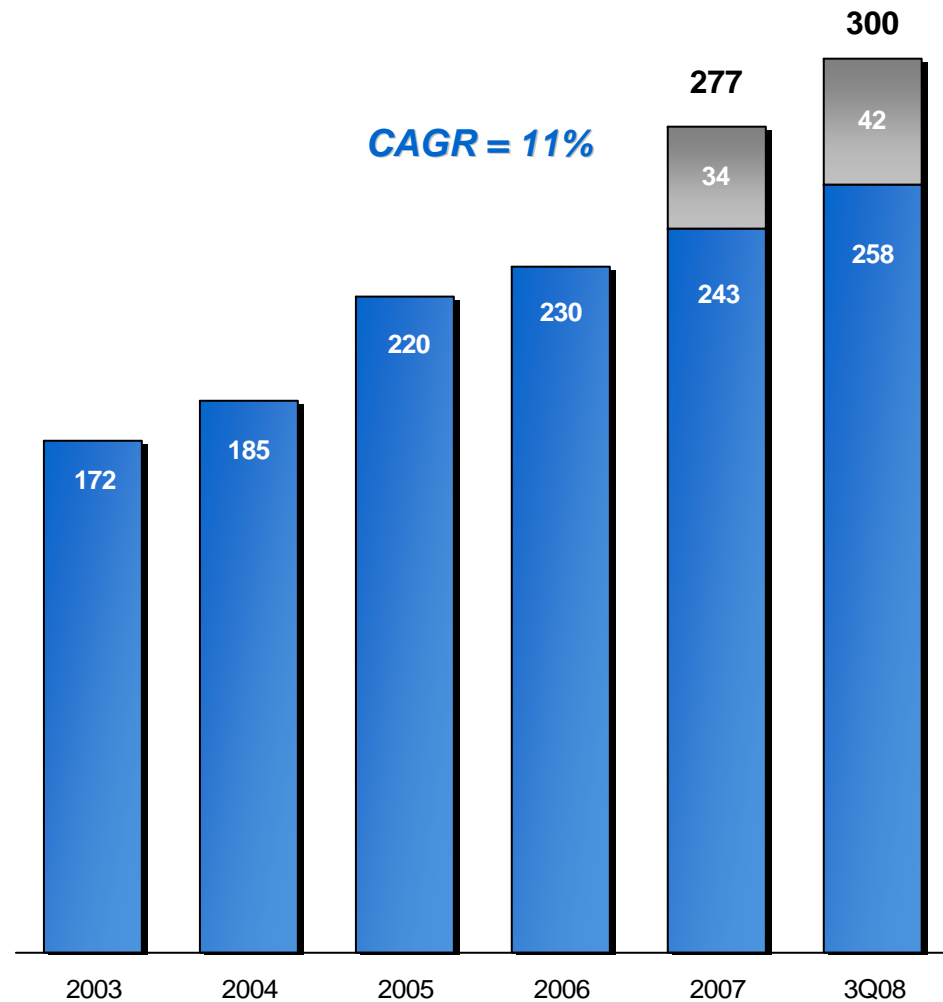
# Market Leading Correspondents

Category	Representative Correspondent	Key Characteristics
Online		<ul style="list-style-type: none"> <li>• High transaction volume</li> <li>• Rapid account growth</li> <li>• Cutting edge customers</li> <li>• Technology driven</li> </ul>
Options		
Futures		
Direct Market Access		
Professional Trader		
Institutional		

# Strong Customer Growth

## Key Points

- Blue: Equity-options correspondents
- Grey: Futures introducing brokers
- Top 10 clients = 23% of FY07 revenues
- 29 in pipeline as of 9/30/08



# Strong Operating Management Team

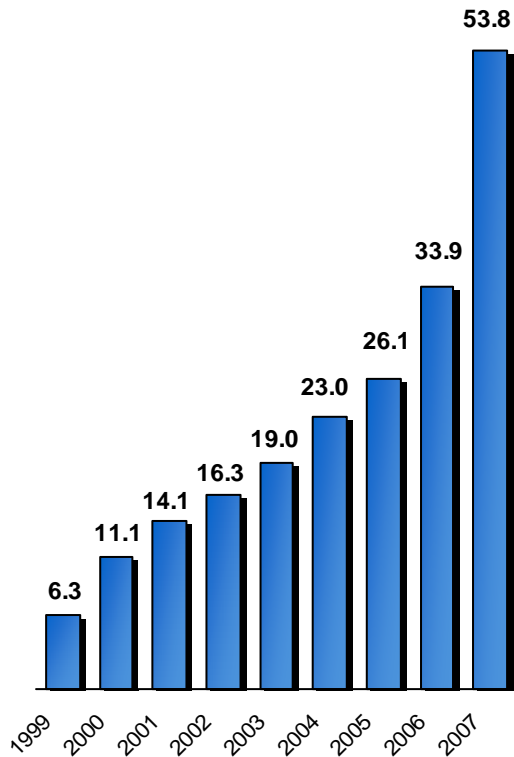
Operating Unit	Chief Executive	Background
Penson Financial Services, Inc. <b>Dallas</b>	Bill Yancey	Former Chairman, Security Traders Association; Former President, Automated Trading Desk
Penson Financial Services Canada, Inc. <b>Montreal</b>	Terry Bourne	Former Head of Merrill Lynch Canada's Correspondent Services Business
Penson GHCO <b>Chicago</b>	Chris Hehmeyer	Co-Founder Goldenberg, Hehmeyer & Co.; Director, National Futures Association
Penson Financial Services Limited <b>London</b>	Alan Philpot	Former Head of Back Office Operations at Robert Fleming Securities
Nexa Technologies, Inc. <b>Irvine</b>	Eric Stoop	Founded Nexa in 1999; Former Securities Lawyer



# Strong Industry Fundamentals (Equities)

Avg. Daily U.S. Equities Transactions (MM)

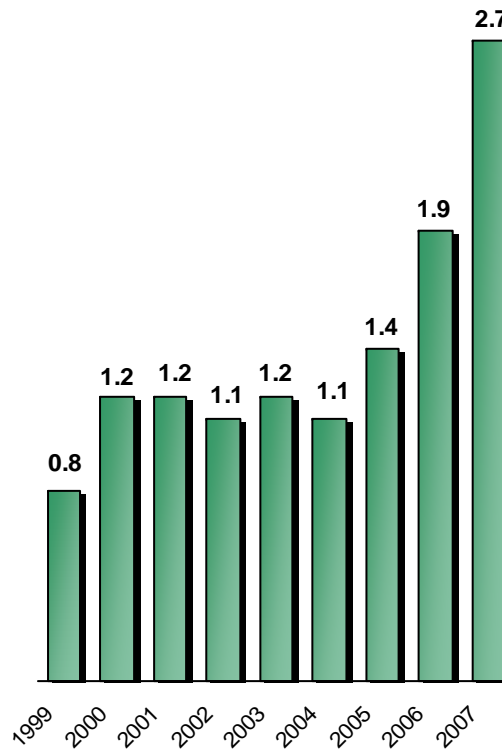
**CAGR = 31%**



Source: Depository Trust & Clearing Corporation

Avg. Daily Europe<sup>1</sup> Equities Transactions (MM)

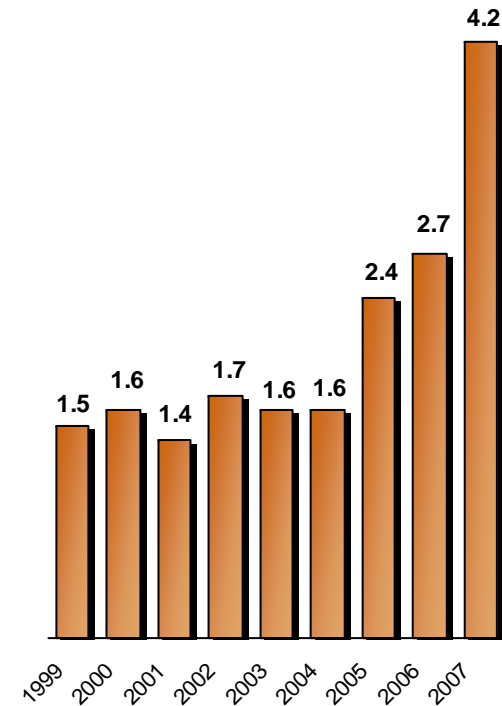
**CAGR = 16%**



Source: World Federation of Exchanges

Avg. Daily Asia<sup>2</sup> Equities Transactions (MM)

**CAGR = 14%**



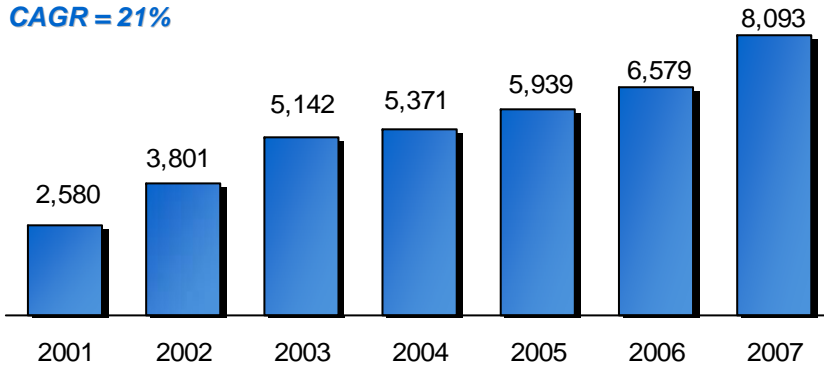
Source: World Federation of Exchanges

<sup>1</sup> Europe includes Athens, BME (no data on Valencia in 1999), Borsa Italiana, Deutsche Börse, Euronext, Ljubljana, London, Luxembourg, Malta, OMX (Helsinki and Stockholm up to 2003), Oslo, Switzerland and Warsaw stock exchanges  
<sup>2</sup> Asia includes Colombo, Hong Kong, Jakarta, Korea, Malaysia, Philippines, Taiwan and Thailand stock exchanges

# Strong Industry Fundamentals (Options & Futures)

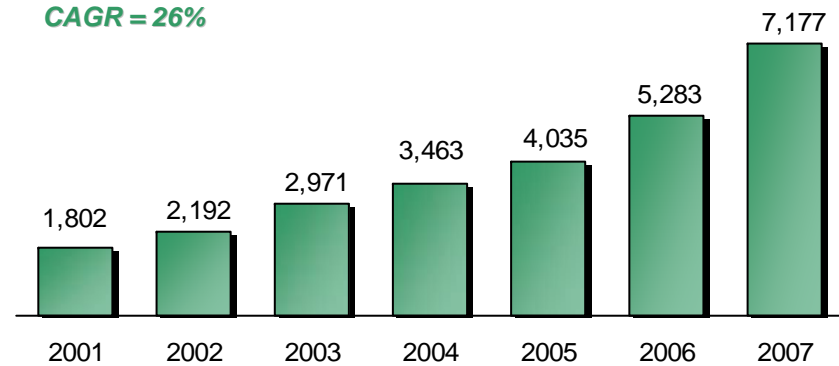
## Global Options Contracts Per Year (MM)

CAGR = 21%



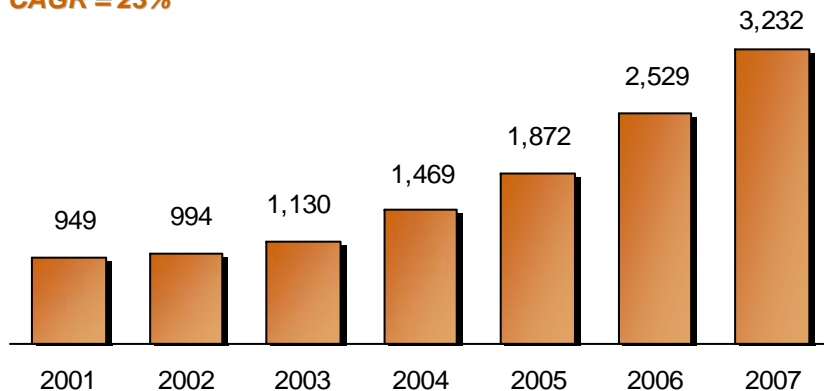
## Global Futures Contracts Per Year (MM)

CAGR = 26%



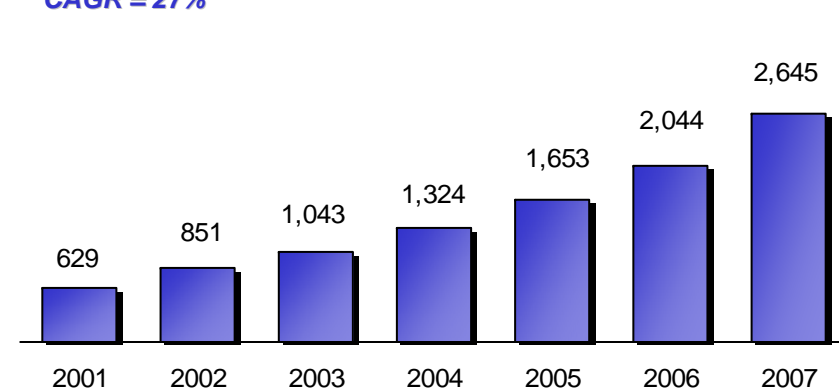
## U.S. Options Contracts Per Year (MM)

CAGR = 23%



## U.S. Futures Contracts Per Year (MM)

CAGR = 27%



Source: Futures Industry Association



# Plan for Growth

## Financial Goals

- Increase net revenues 15-25% annually
- Expand margins to 28% of net revenues
- Variables
  - Market volumes
  - Acquisitions
  - Prevailing interest rates
- Acquisitions
  - “Bolt on’s” or businesses that add new capabilities
  - Neutral to additive with significant earn outs

## Business Strategies

1. Grow customer base
2. Fill out asset classes to attract more correspondents
3. Expand execution services to increase wallet share per correspondent
4. Expand international activities
5. Service larger correspondents

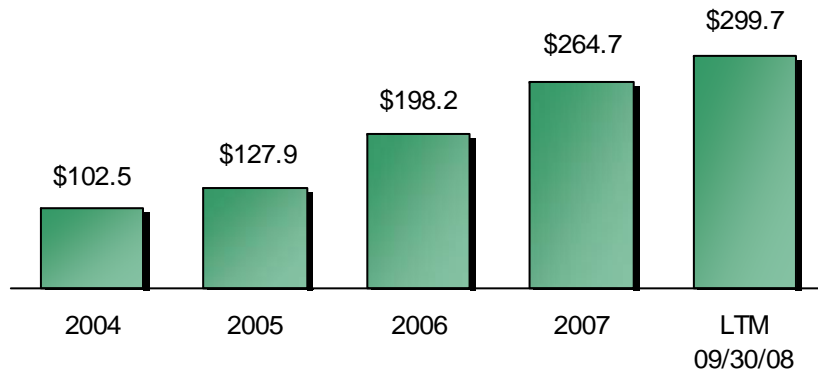
# Challenges in Today's Market

Challenge	Response
<b>Falling Interest Rates</b>	<ul style="list-style-type: none"> <li>• Reduced quarterly interest rate sensitivity 50% to \$750K per 25 basis points change from \$1.5MM since 12/31/07</li> <li>• Customer net interest income as percent of net revenues has fallen 25% (24% as of 9M08 vs. 32% as of 9M07)</li> </ul>
<b>Reduced Trading Volumes</b>	<ul style="list-style-type: none"> <li>• Our correspondents' customer base thrives on volatility</li> <li>• Expanded products and services provide our correspondents' customers with more to trade in down market</li> </ul>
<b>Short Ban / Asset Levels</b>	<ul style="list-style-type: none"> <li>• While short balances have come down, spreads are rising</li> <li>• Margin loans declined only 5% from 2Q08 to 3Q08</li> <li>• Assets up 14% to \$7.5 BN at 9/30/08 from 9/30/07</li> </ul>

# Proven Financial Performance

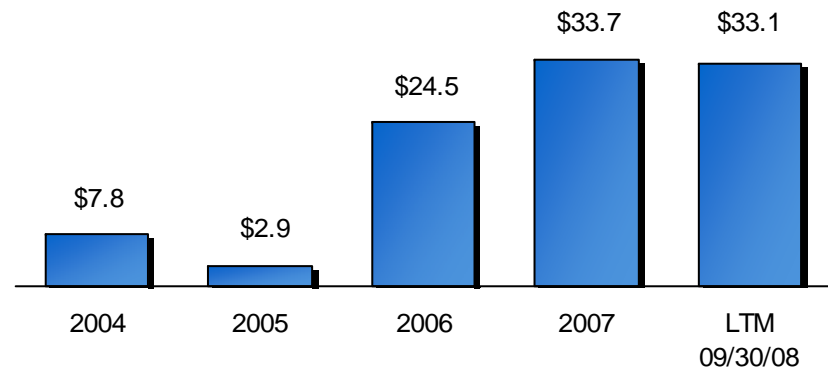
## Net Revenues (\$MM)

CAGR = 31%



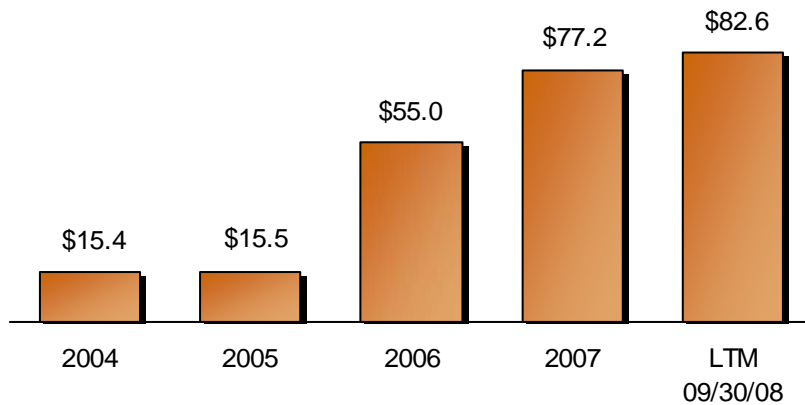
## Net Income (\$MM)

CAGR = 44%



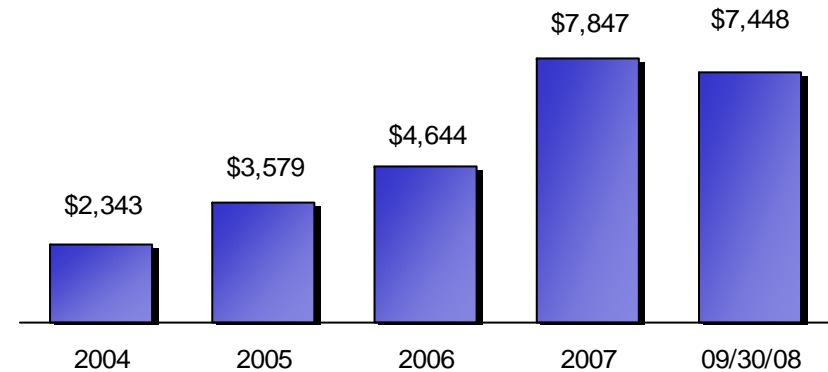
## Adjusted EBITDA (\$MM)

CAGR = 60%



## Total Assets (\$MM)

CAGR = 34%

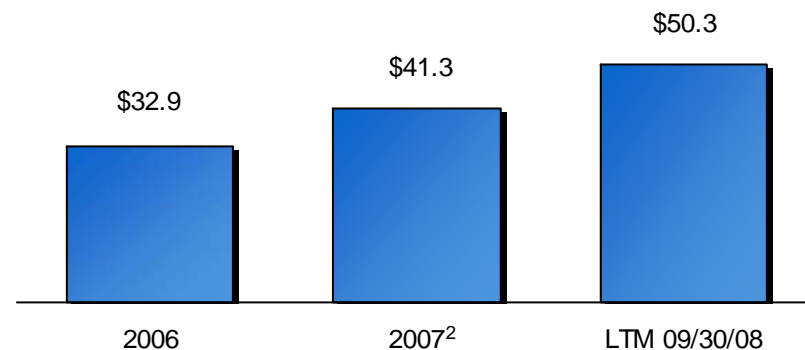


# Strong Free Cash Flow Generation

## Key Points

- Recurring revenue model
  - Clients enter into long-term contracts
- Highly scalable
  - System designed to accommodate volume growth with low incremental cost
- No dividends
  - Internal capital formation averaging 16% over 4 years<sup>1</sup>
- Strong growth opportunities
- Modest capital expenditures

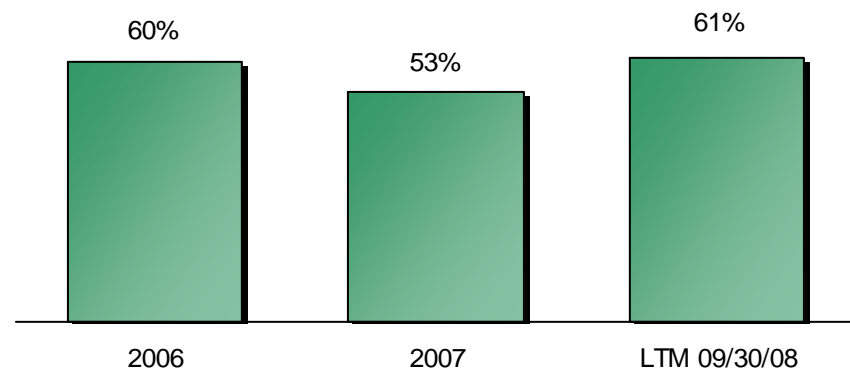
## Free Cash Flow (\$MM)



Note: Defined as Adj. EBITDA minus Capex and Cash income taxes

<sup>2</sup> Adjusted for one time Vendor-related asset impairment

## Free Cash Flow Conversion (%)



<sup>1</sup> Net income less dividends, divided by average Stockholders' equity (2003 – 2007)

Note: Defined as FCF as a percentage of Adj. EBITDA



# Contacts

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