

MARKETAXESS

4Q15

CONFERENCE CALL & WEBCAST

January 27, 2016

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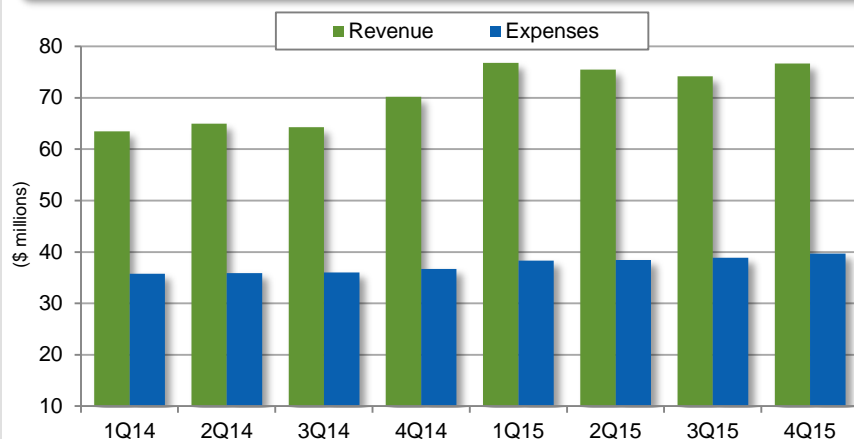
Earnings

- Revenues of \$76.6 million, up 9.2%
- Expenses of \$39.7 million, up 8.1%
- Pre-tax income of \$37.0 million, up 10.4%
- Diluted EPS of \$0.65, up 14.0%

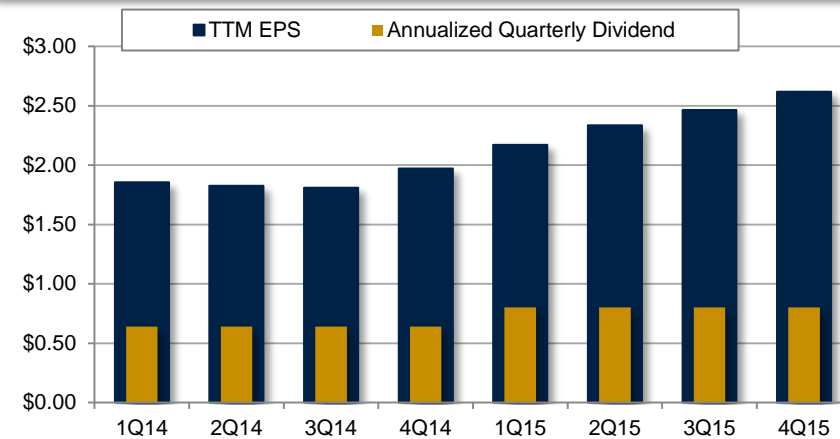
Business Highlights

- Record total trading volume up 18.5%
- Record adjusted estimated U.S. high-grade² market share of 17.6%, up from 16.1%
- Record quarter for U.S. high-yield and emerging market bond volumes
- Record Open Trading™ volume and participation
- Volume from European clients up 52%

Quarterly Revenue & Expense Trend



EPS & Dividend Trend



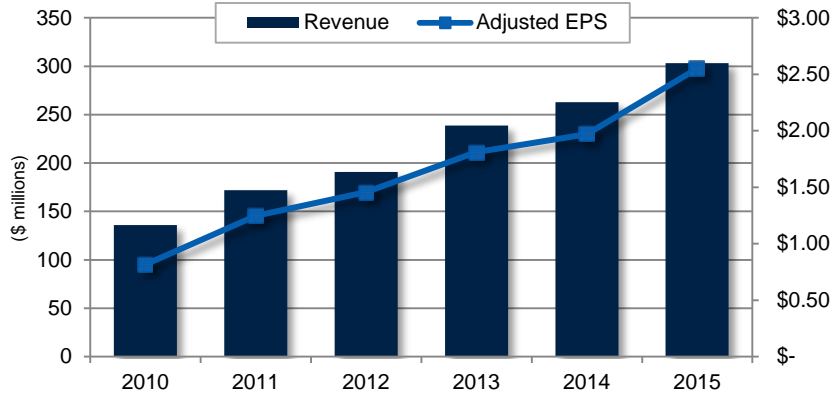
¹ All period comparisons versus 4Q14 unless otherwise stated.

² FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trades and exclude 144A securities. See Investor Relations-Volume section of Company website.

Full Year 2015 Results Reflect Continued Strong Growth Rates



Annual Revenue & Adjusted EPS¹ Trend

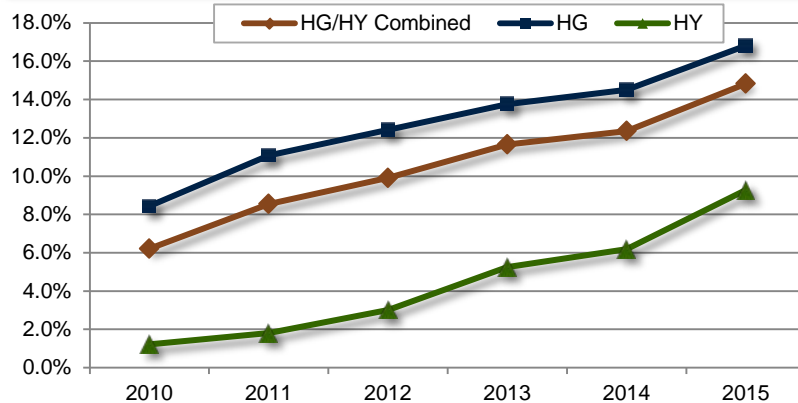


Full Year 2015 Compound Annual Growth Rate

	1-Year	3-Year	5-Year	10-Year
Total Revenue	15.3%	16.7%	17.4%	14.5%
Total Expenses	7.6%	15.2%	13.0%	8.8%
EPS	29.4%	17.1%	26.1%	27.2%
Total Volume	27.6%	18.4%	19.5%	12.6%

Xtrakter results included since February 2013 acquisition date

Market Share Trend²



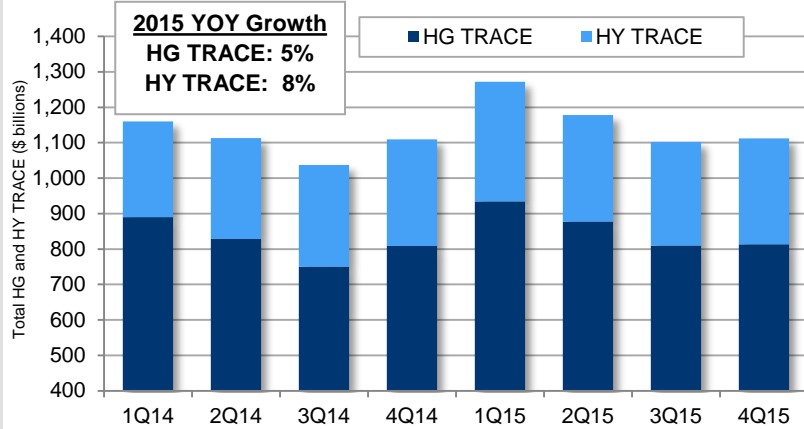
Comments

- Record full year trading volume, transaction revenue and EPS
- Acceleration in market share gains across core products
- 2015 free cash flow of \$105 million; Board of Directors approved a regular dividend of \$0.26 per share.

¹ 2012 EPS adjusted for one time tax benefit recognized in the 4th quarter of 2012

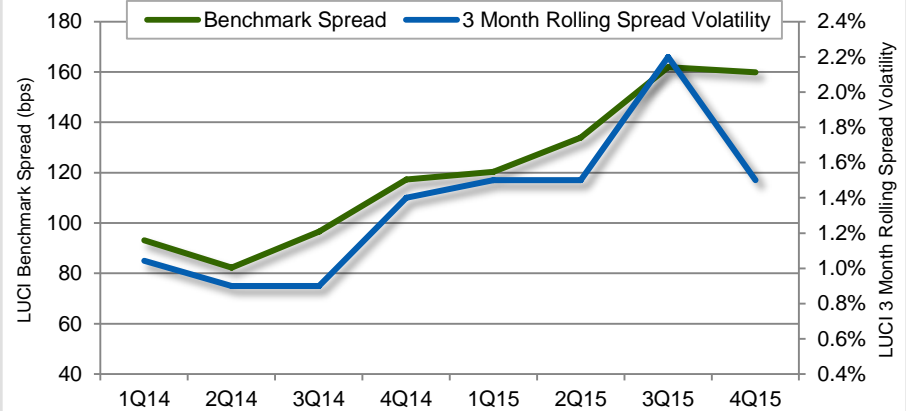
² FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trade and exclude 144A securities. See Investor Relations-Volume section of Company website

U.S. High-Grade & High-Yield TRACE¹



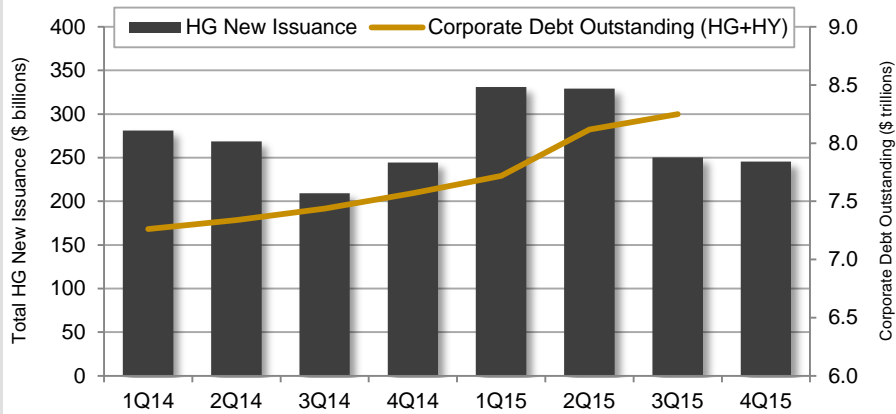
Sources: BondTicker

Liquid U.S. Corporate Index (LUCI)



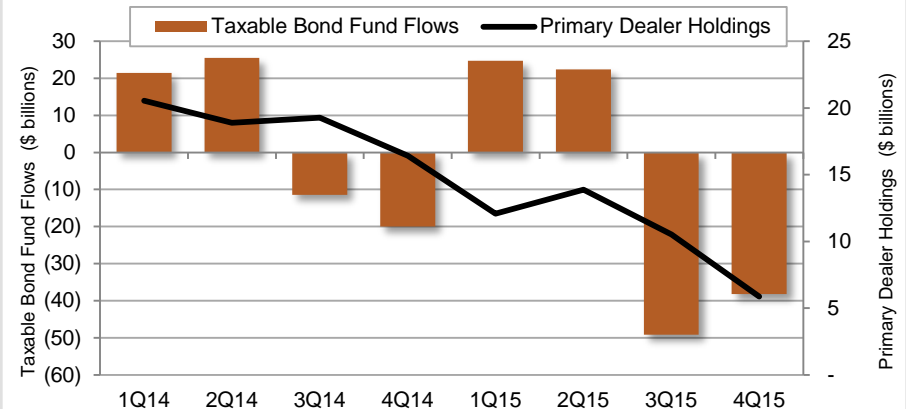
Sources: Credit Suisse Global Credit Strategy

New Issuance & Corporate Debt Outstanding



Sources: JPMorgan; Federal Reserve

Taxable Bond Fund Flows & Primary Dealer Holdings²



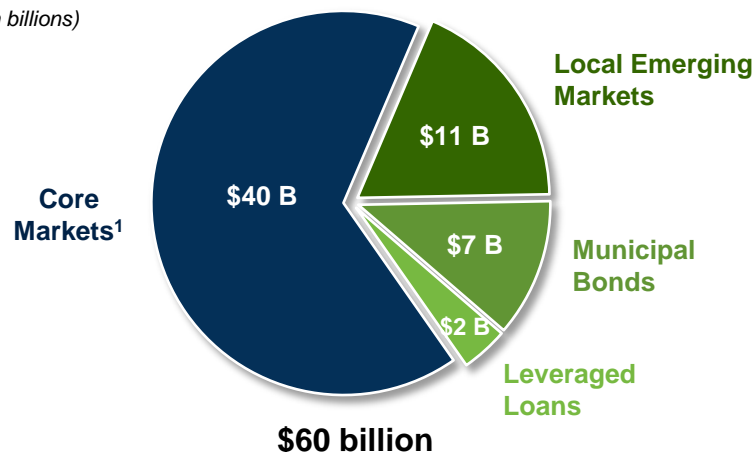
Sources: ICI; NYFRB

¹ FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trades and exclude 144A securities. See Investor Relations-Volume section of Company website.

² Primary dealer holdings includes U.S. High-Grade and U.S. High-Yield positions greater than 13 months

Estimated ADV for Core and Expanded Markets

(\$ in billions)



¹ Core Markets include U.S. High Grade, U.S. High Yield, External Emerging Markets and Eurobonds

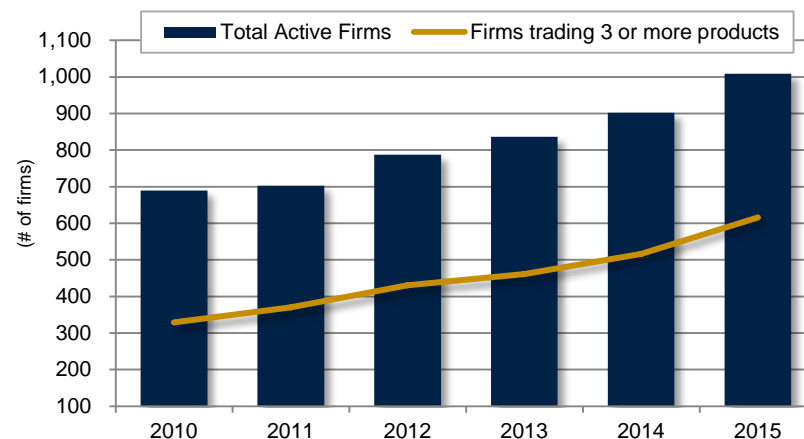
Expanded Markets Opportunity

- **Local Emerging Markets**
 - Trading available in 22 global local currency bond markets
 - Local markets trading volume up 238% in 4Q15
- **Municipal Bonds**
 - 2Q16 expected launch date
 - Expect to have more than 250 institutional clients and 60 dealers connected by launch date
- **Leveraged Loans**
 - 2Q16 expected launch date
 - Natural extension of our high-yield trading capabilities

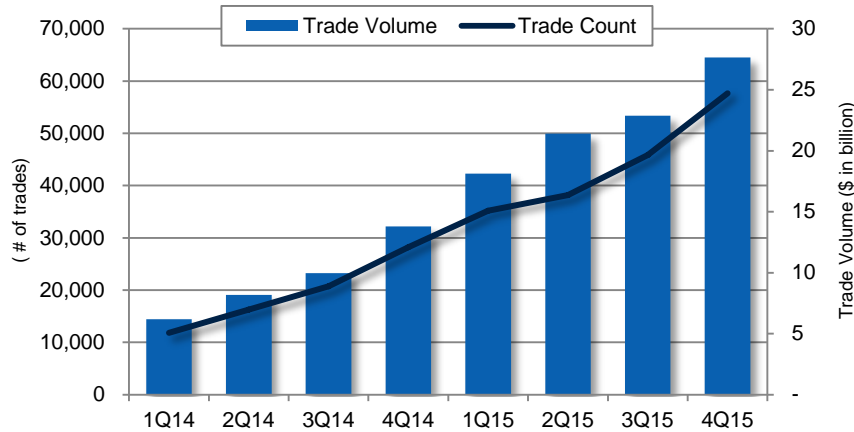
1% Change in Estimated Market Share

Product	Estimated Annual Revenue Sensitivity
Core Markets	\$22 - \$26 million of additional revenue
Core and Expanded Markets	\$35 - \$39 million of additional revenue

Active Firms and Cross Selling



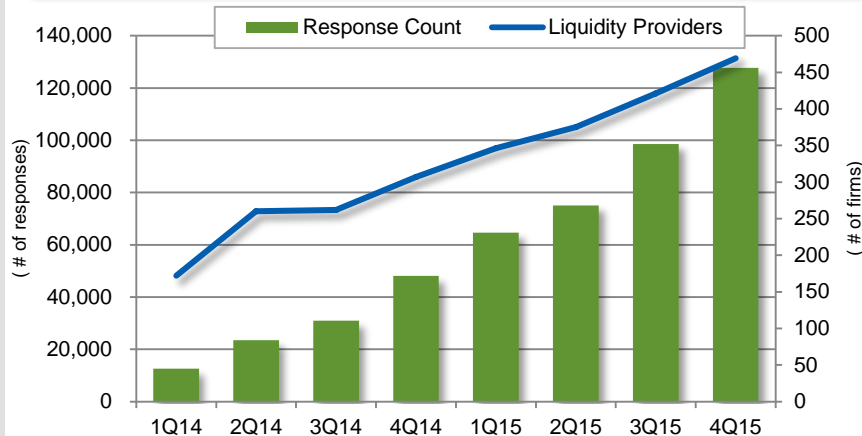
Open Trading Growth



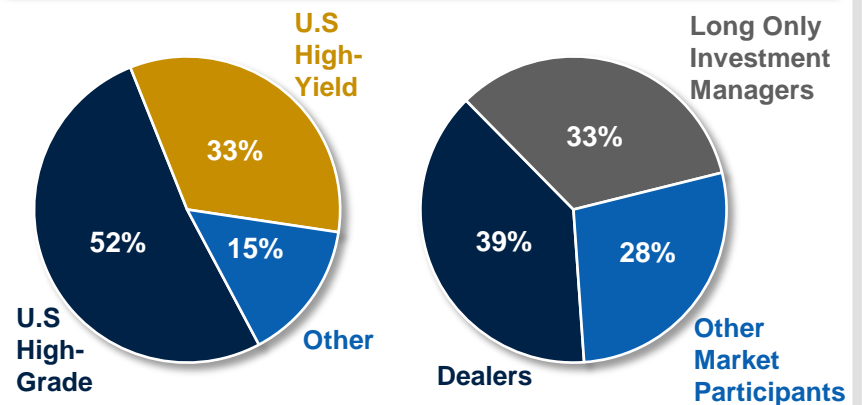
Highlights

- \$446 million average daily volume, up 100% from 4Q14 and up 25% from 3Q15
- Over 57,000 total Open Trading transactions completed in 4Q15, up from 28,000 in 4Q14
- Approximately 130,000 price responses in 4Q15, up 165% from 4Q14
- Average transaction cost savings of more than 4bp in yield through U.S. high-grade Open Trading in 4Q15

Market List Response Count & Liquidity Providers



4Q15 Market List Trade Count By Product & Client Segment

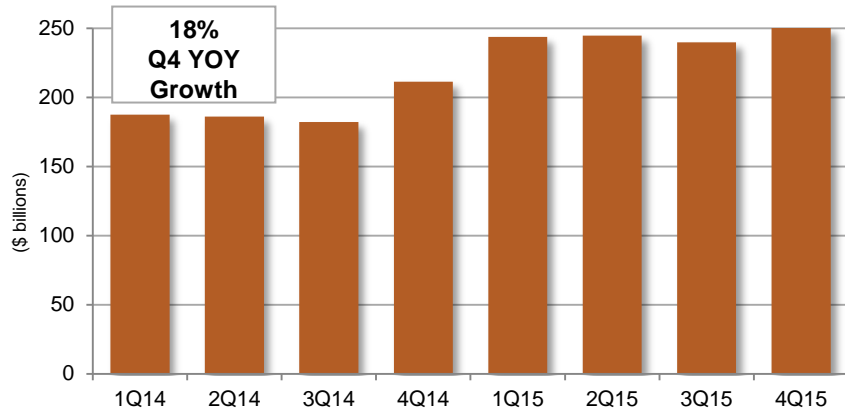


Note: Based on 4Q15 trade count of firms winning Market List trades

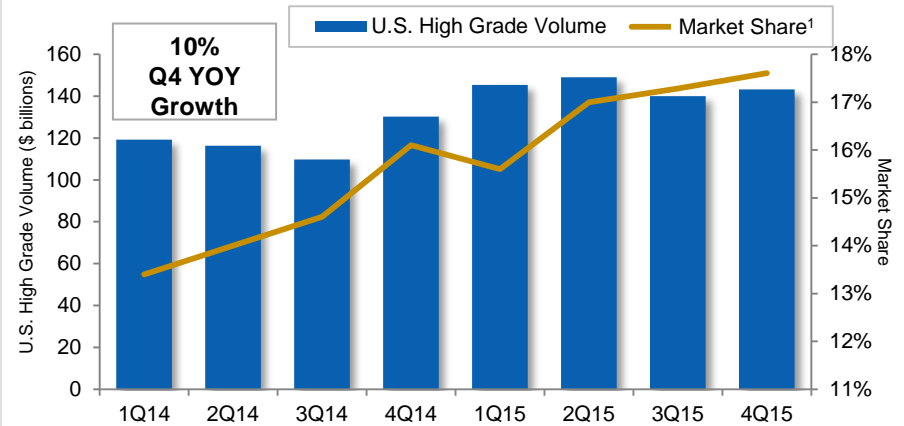
Quarterly Volume



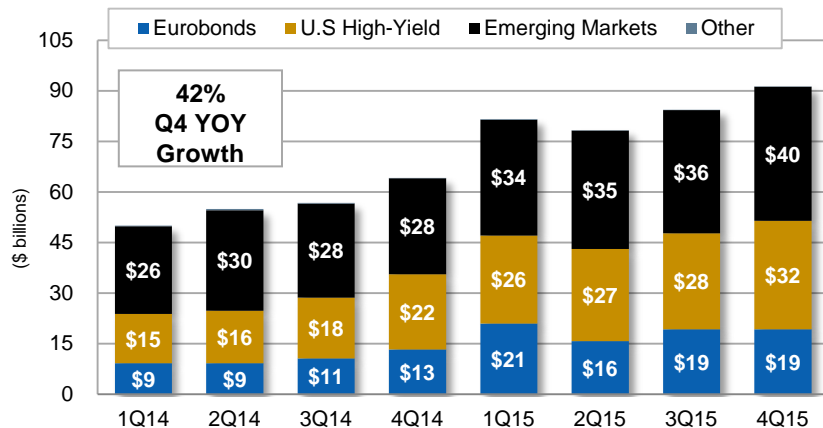
Global



U.S. High Grade



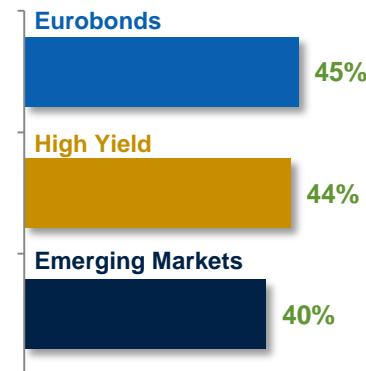
Other Credit



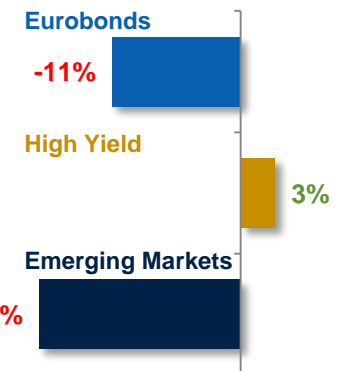
Note: includes high yield, emerging markets, eurobonds and structured products

4Q15 Other Credit Market and MKTX YOY Volume Change

MKTX Volume



Estimated Market Volume²



¹ FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trades and exclude 144A securities. See Investor Relations-Volume section of Company website.

² Estimated market volumes based on FINRA TRACE and TRAX reported volumes.

Earnings Performance



(In thousands, except per share data)

	<u>4Q15</u>	<u>3Q15</u>	<u>4Q14</u>	Δ <u>4Q15 vs.</u> <u>4Q14</u>
Revenues				
Commissions	\$ 67,613	\$ 65,178	\$ 60,372	12.0%
Information and Post-trade Services	7,678	7,671	7,869	(2.4%)
Technology Products & Services	708	683	1,289	(45.1%)
Investment and Other Income	645	660	637	1.3%
Total Revenues	<u>76,644</u>	<u>74,192</u>	<u>70,167</u>	9.2%
Expenses	<u>39,658</u>	<u>38,839</u>	<u>36,678</u>	8.1%
Income Before Taxes	<u>36,986</u>	<u>35,353</u>	<u>33,489</u>	10.4%
Provision for Income Taxes	<u>12,495</u>	<u>12,638</u>	<u>11,853</u>	5.4%
Net Income	<u>\$ 24,491</u>	<u>\$ 22,715</u>	<u>\$ 21,636</u>	13.2%
Operating Margin	48.3%	47.7%	47.7%	0.5 pts
EBITDA¹	\$ 41,671	\$ 39,995	\$ 37,914	9.9%
Diluted EPS	\$ 0.65	\$ 0.60	\$ 0.57	\$ 0.08
Diluted Shares²	37,638	37,643	37,711	(0.2%)

¹ See fourth quarter 2015 earnings release and the Investor Relations section of the Company's website for reconciliation of net income to EBITDA

² Represents the weighted average number of share of common stock including the dilutive effect of outstanding securities.

Commission Revenue Detail



(\$ in thousands)	<u>4Q15</u>	<u>3Q15</u>	<u>4Q14</u>	<u>% Δ</u> <u>4Q15 vs.</u> <u>4Q14</u>
Commissions				
Transaction Fees				
U.S. High-Grade	\$ 24,686	\$ 23,337	\$ 23,146	6.7%
Other Credit ¹	26,002	24,091	20,245	28.4%
Liquid Products ²	606	598	725	(16.4%)
Total Transaction Fees	<u>51,294</u>	<u>48,026</u>	<u>44,116</u>	16.3%
Distribution Fees				
U.S. High-Grade	14,665	15,376	14,441	1.6%
Other Credit ¹	1,439	1,487	1,609	(10.6%)
Liquid Products ^{2,3}	215	289	206	4.4%
Total Distribution Fees	<u>16,319</u>	<u>17,152</u>	<u>16,256</u>	0.4%
Total Commissions	<u>\$67,613</u>	<u>\$65,178</u>	<u>\$60,372</u>	12.0%
Trading Volume				
U.S. High-Grade	\$ 143,249	\$ 140,039	\$ 130,194	10.0%
Other Credit ¹	91,257	84,333	64,211	42.1%
Liquid Products ²	15,864	15,353	16,964	(6.5%)
Total Trading Volume	<u>\$ 250,370</u>	<u>\$ 239,725</u>	<u>\$ 211,369</u>	18.5%
Transaction Fees per Million				
U.S. High-Grade	\$ 172	\$ 167	\$ 178	(3.1%)
Other Credit ¹	285	286	315	(9.6%)
Liquid Products ²	38	39	42	(9.3%)
Total	\$ 205	\$ 200	\$ 209	(1.8%)

¹ Other Credit includes high-yield, emerging markets, Eurobonds and structured products bonds.

² Liquid Products includes U.S. agencies and European government bonds.

³ Includes CDS SEF-related revenue

Expense Detail



(\$ in thousands)

<u>Expenses</u>	<u>4Q15</u>	<u>3Q15</u>	<u>4Q14</u>	<u>%Δ</u> <u>4Q15 vs.</u> <u>4Q14</u>
Employee Comp. and Benefits	\$ 21,087	\$ 21,002	\$ 19,376	8.8%
Depreciation and Amortization	4,685	4,642	4,425	5.9%
Technology and Communications	3,720	3,891	4,385	(15.2%)
Professional and Consulting	3,540	3,210	3,463	2.2%
Occupancy	1,215	1,246	1,063	14.3%
Marketing and Advertising	1,888	1,304	1,429	32.1%
General and Administrative ¹	<u>3,523</u>	<u>3,544</u>	<u>2,537</u>	38.9%
Total Expenses	<u>\$ 39,658</u>	<u>\$ 38,839</u>	<u>\$ 36,678</u>	8.1%

¹ Includes clearing costs of \$1.1 million, \$0.8 million and \$0.5 million for the three months end December 31, 2015, September 30, 2015, and December 31, 2014, respectively.

Balance Sheet Data

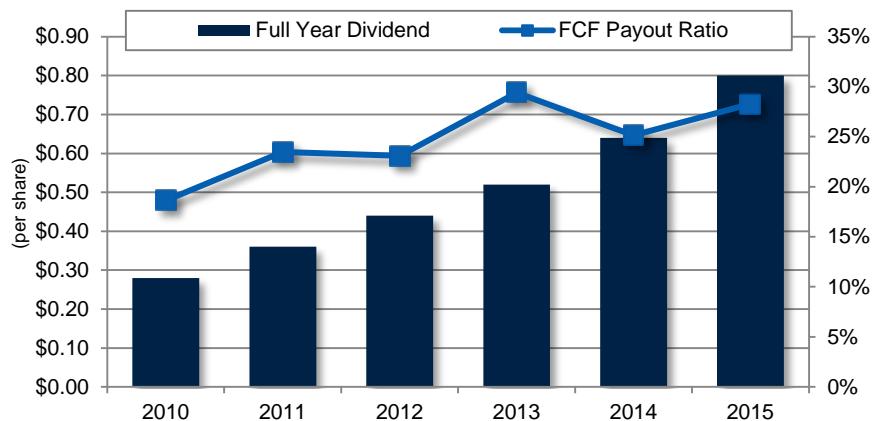


(\$ in thousands)

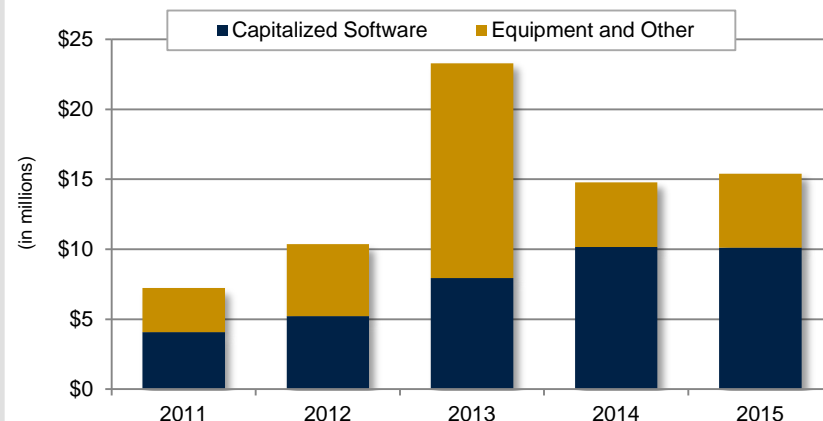
	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>% Δ vs. 12/31/2014</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 199,728	\$ 168,924	18.2%
Securities Available-For-Sale	84,706	64,863	30.6%
Accounts Receivable, net	40,459	33,836	19.6%
All Other Assets	<u>114,148</u>	<u>112,261</u>	1.7%
Total Assets	<u>\$ 439,041</u>	<u>\$ 379,884</u>	15.6%
<u>Liabilities and Stockholders' Equity</u>			
Total Liabilities	\$ 48,328	\$ 45,676	5.8%
Total Stockholders' Equity	<u>390,713</u>	<u>334,208</u>	16.9%
Total Liabilities and Stockholders' Equity	<u>\$ 439,041</u>	<u>\$ 379,884</u>	15.6%

- **Cash, Cash Equivalents & Securities Available-For-Sale represented \$7.56 per share on a diluted basis as of 12/31/15**
- **Total Shareholders' Equity was \$10.38 per share on a diluted basis as of 12/31/15**

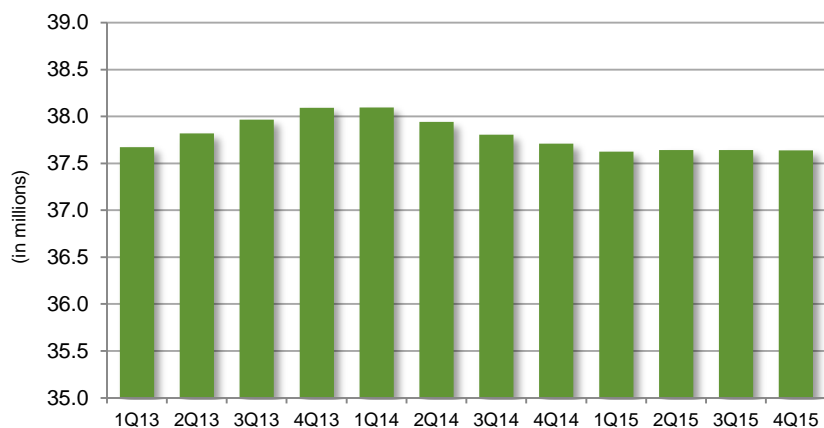
Dividends and Free Cash Flow



Capital Expenditures



Diluted Shares Outstanding



Comments

- Regular quarterly cash dividend increased to \$0.26, up from \$0.20
- New \$25 million share repurchase plan authorized, expected to be effective March 1, 2016 through February 28, 2018.
- Continued investment in organic growth initiatives and technology infrastructure

Expenses

- Total expenses ranging from \$168 million to \$176 million

Capital Expenditures

- Total capital expenditures ranging from \$18 million to \$22 million

Income Tax Rate

- Estimated effective tax rate ranging from 34.0% to 36.0%

- **Record trading volumes, revenues and EPS in 2015**
- **Acceleration in market share gains across core products**
- **Open Trading momentum continues**
- **Expanding global credit footprint**

ALT CREDIT
INTELLIGENCE
EUROPEAN SERVICES
AWARDS 2015
WINNER

