

MARKETAXESS

3Q17

# CONFERENCE CALL & WEBCAST

October 25, 2017

# Forward Looking Statements



**This presentation may contain forward-looking statements, including statements about the outlook and prospects for Company and industry growth, as well as statements about the Company's future financial and operating performance. These and other statements that relate to future results and events are based on MarketAxess' current expectations. Actual results in future periods may differ materially from those currently expected or desired because of a number of risks and uncertainties, including: the volatility of financial services markets generally; the level of trading volume transacted on the MarketAxess platform; the absolute level and direction of interest rates and the corresponding volatility in the corporate fixed-income market; the level and intensity of competition in the fixed-income electronic trading industry and the pricing pressures that may result; the variability of our growth rate; the rapidly evolving nature of the electronic financial services industry; our ability to introduce new fee plans and our clients' response; our exposure to risks resulting from non-performance by counterparties to transactions executed between our clients in which we act as an intermediary in matching back-to-back trades; our dependence on our broker-dealer clients; the loss of any of our significant institutional investor clients; our ability to develop new products and offerings and the market's acceptance of those products; the effect of rapid market or technological changes on us and the users of our technology; our ability to successfully maintain the integrity of our trading platform and our response to system failures, capacity constraints and business interruptions; our vulnerability to cyber security risks; our ability to protect our intellectual property rights or technology and defend against intellectual property infringement or other claims; our ability to enter into strategic alliances and to acquire other businesses and successfully integrate them with our business; our ability to comply with new laws, rules and regulations both domestically and internationally; our ability to maintain effective compliance and risk management methods; the strain of growth initiatives on management and other resources; our future capital needs and our ability to obtain capital when needed; limitations on our operating flexibility contained in our credit agreement; and other factors. The Company's actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition in any such forward-looking statements. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. More information about these and other factors affecting MarketAxess' business and prospects is contained in MarketAxess' periodic filings with the Securities and Exchange Commission and can be accessed at [www.marketaxess.com](http://www.marketaxess.com).**

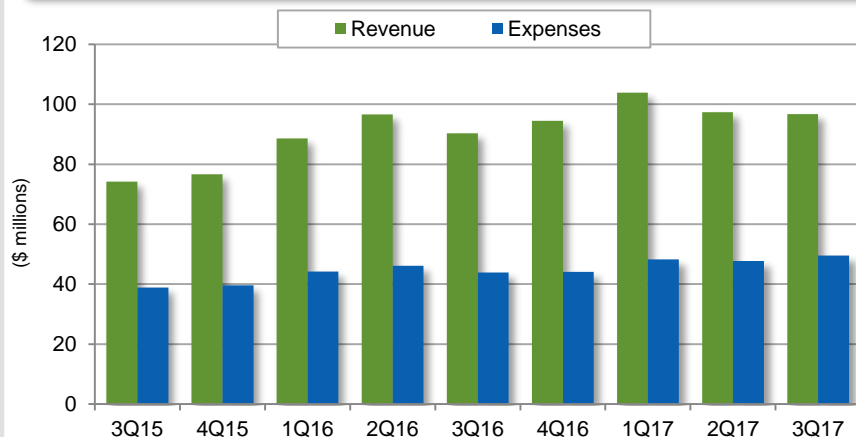
## Earnings

- Revenues of \$96.7 million, up 7.1%
- Expenses of \$49.5 million, up 12.7%
- Pre-tax income of \$47.2 million, up 1.9%
- Diluted EPS of \$0.90, up 9.8%

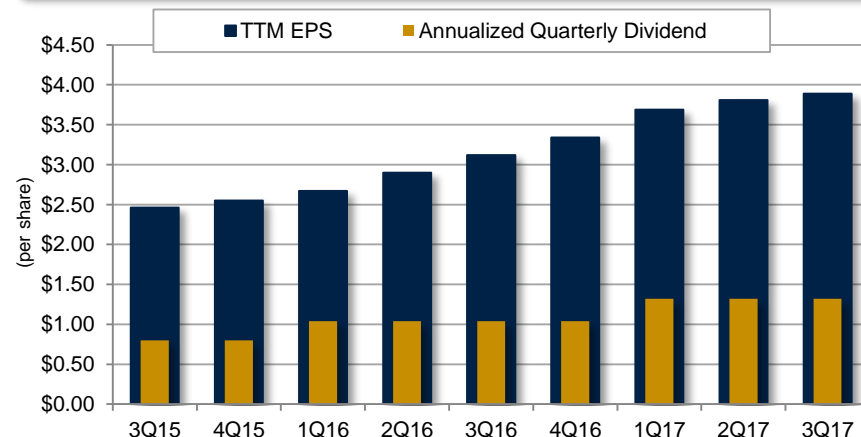
## Business Highlights

- Total trading volume of \$346.8 billion, up 7.6%
- Estimated U.S. high-grade market share of 17.2%, up from 16.0%; high-grade trading volume of \$200.8 billion, up 12.5%
- International client trading volume of \$88.8 billion, up 24.5%
- Emerging market trading volume of \$71.5 billion, up 21.8%
- Record Open Trading™ client participation

## Quarterly Revenue & Expense Trend

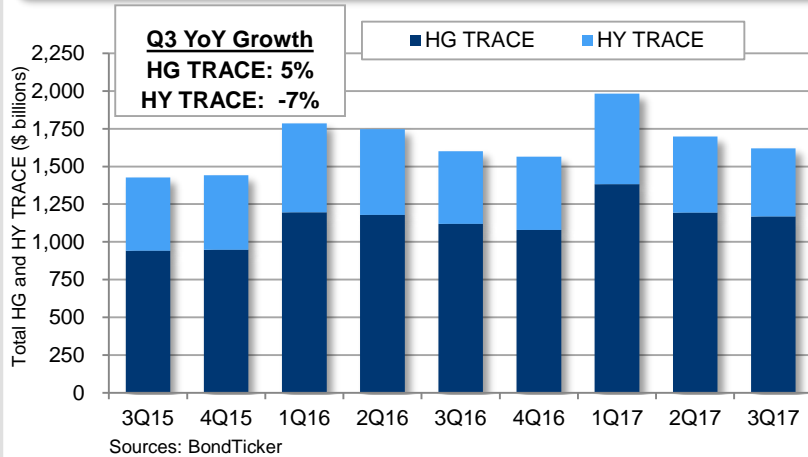


## EPS & Dividend Trend

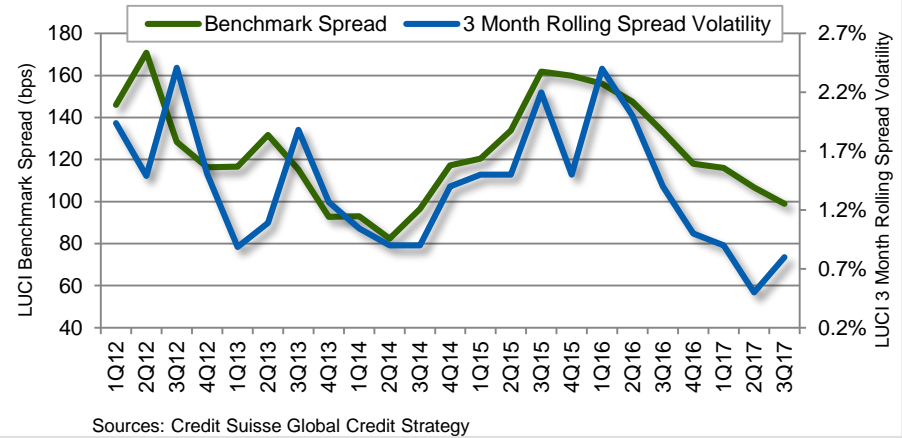


<sup>1</sup> All period comparisons versus 3Q16 unless otherwise stated.

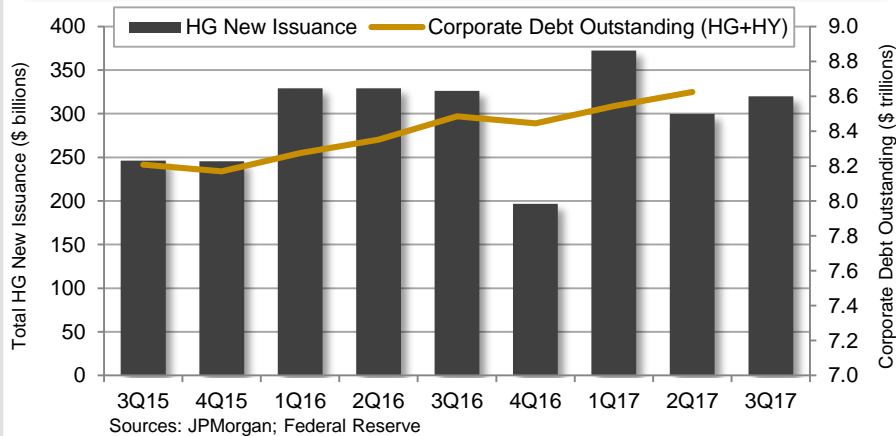
## U.S. High-Grade & High-Yield TRACE<sup>1</sup>



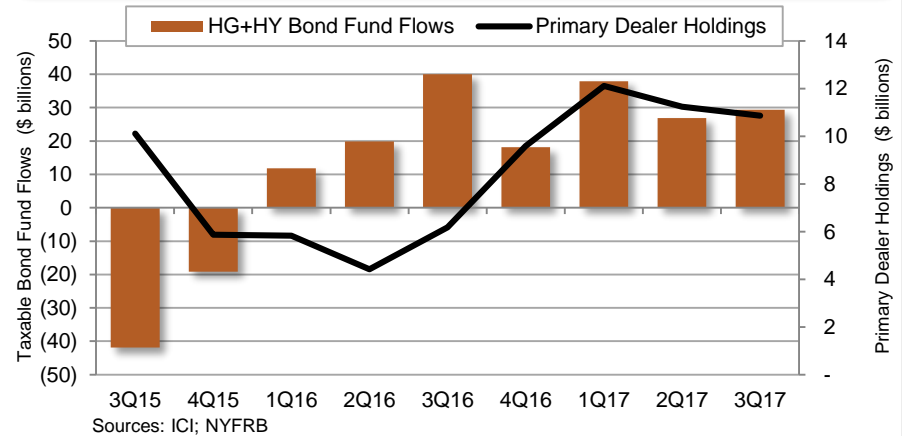
## Liquid U.S. Corporate Index (LUCI)



## New Issuance & Corporate Debt Outstanding



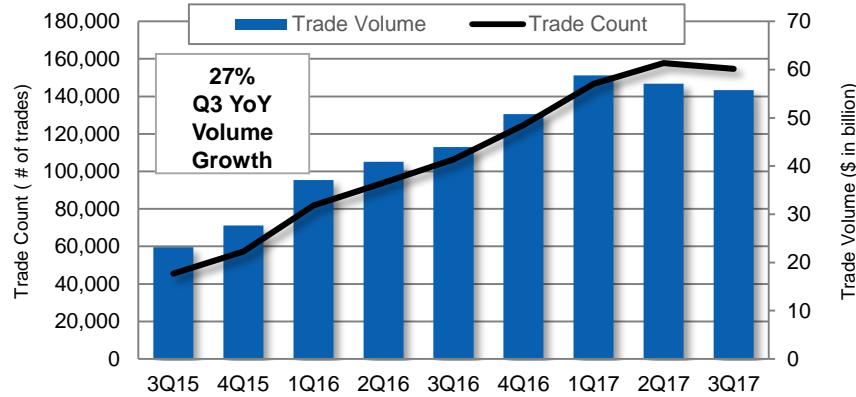
## Corporate Bond Fund Flows & Primary Dealer Holdings<sup>2</sup>



<sup>1</sup> FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trades from April 2014 to October 2015. See Investor Relations-Volume section of Company website.

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

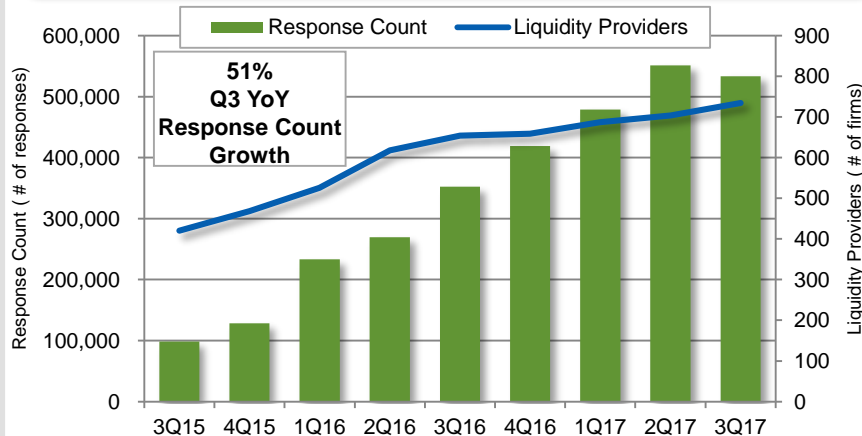
## Open Trading Growth



## Highlights

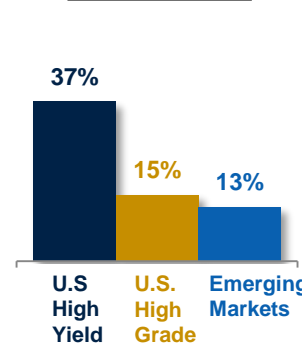
- \$884 million average daily volume, up 29% from 3Q16
- Approximately 155,000 total Open Trading transactions completed in 3Q17, up from 106,000 in 3Q16
- Over 533,000 price responses in 3Q17, up 51% from 3Q16
- Estimated system-wide liquidity taker total cost savings of \$21.2 million in 3Q17<sup>1</sup>
- Dealer initiated trades now represent 24% of all Open Trading trade volume, up from 19% in 3Q16

## Market List Response Count & Liquidity Providers

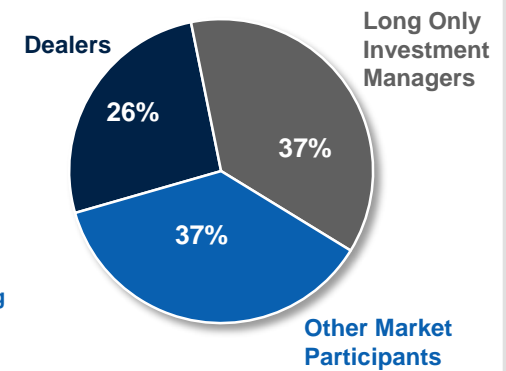


## 3Q17 Open Trading Breakdown

### OT Volume as Percent of Product Volume



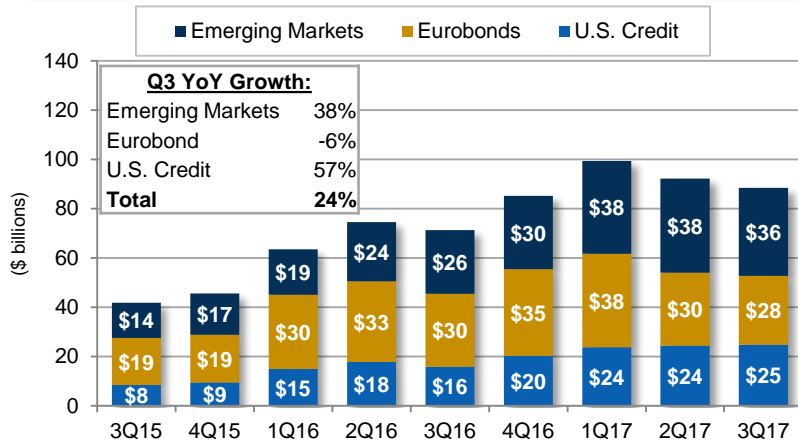
### OT Liquidity Providers



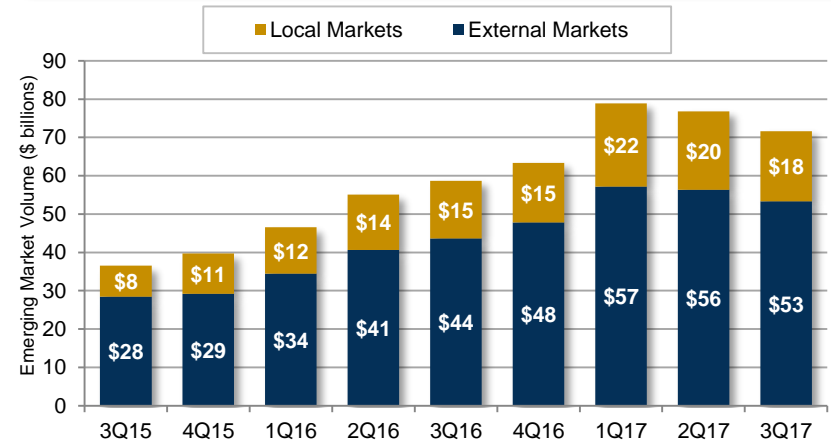
Note: Client segment based on 3Q17 trade volume of firms winning Market List trades

<sup>1</sup> Activity is for Market List-winning trades only. Cost Savings is defined as the difference between the best cover (non-winning) level from a disclosed dealer and the winning level times the quantity across all anonymous trades. Products include U.S. high-grade, high-yield, emerging markets and eurobonds.

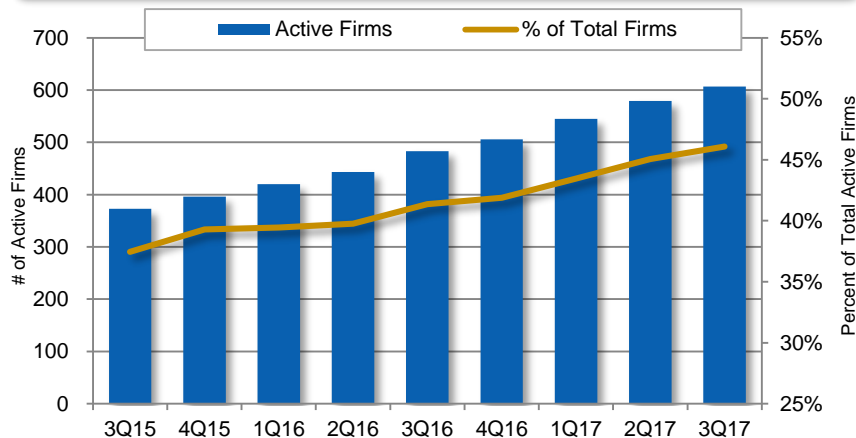
## International Client Volumes



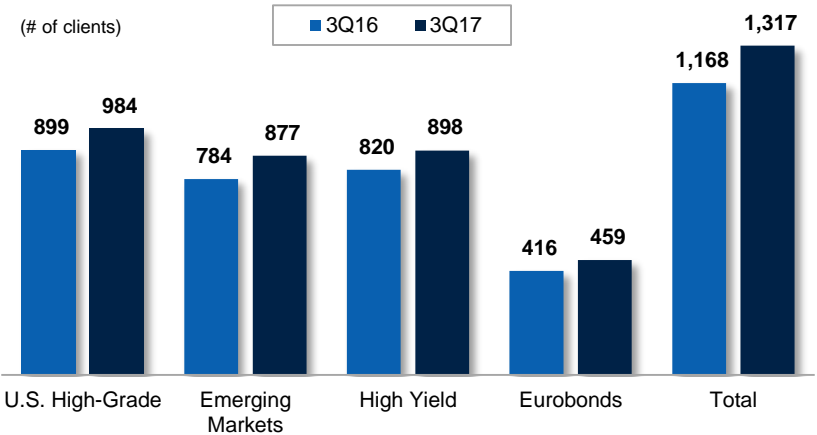
## Emerging Market Volume Region and Client Count



## International Active Firms and Percent of Total Firms



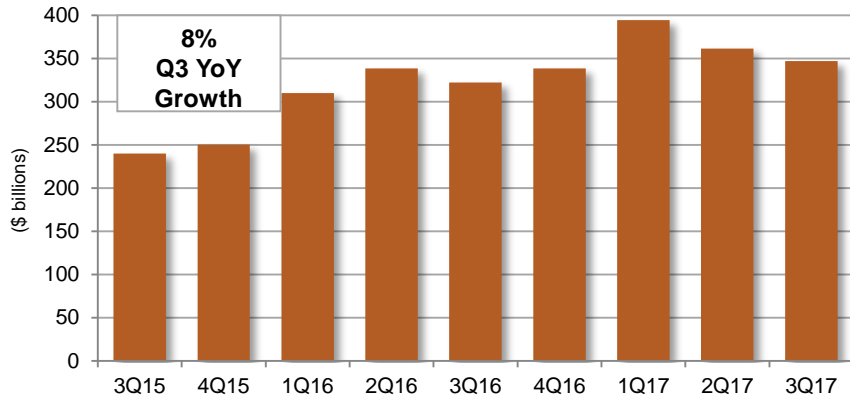
## Active Client Firms by Product



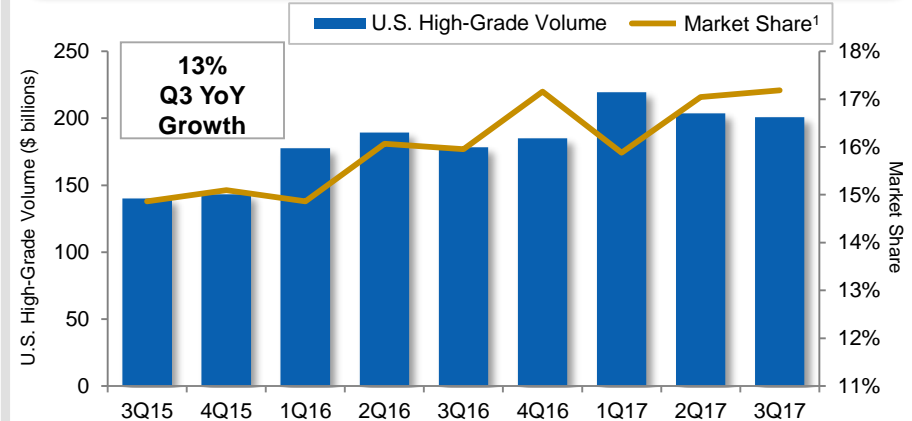
# Quarterly Volume



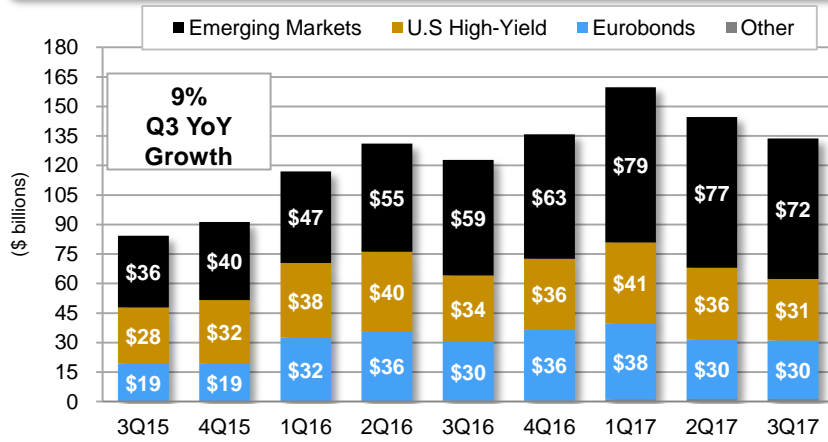
## Global



## U.S. High-Grade

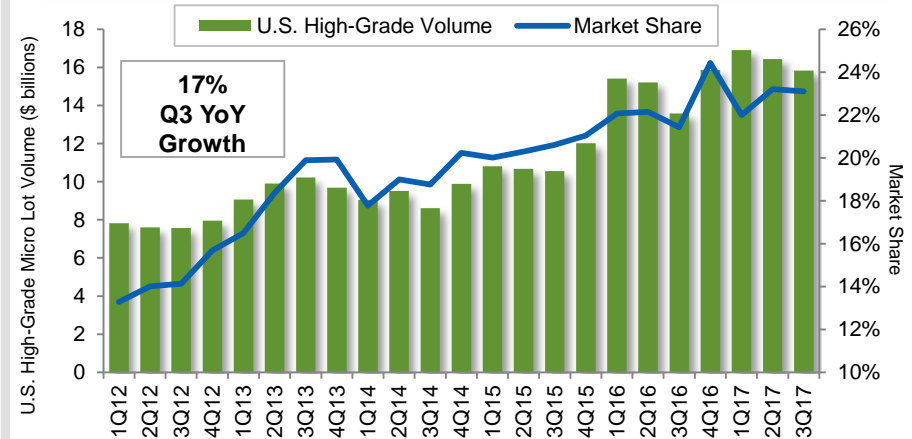


## Other Credit



Note: includes high-yield, emerging markets, eurobonds and municipal bonds

## U.S. High-Grade Micro Lot Volume (<\$250K Trade Size)



<sup>1</sup> FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trades from April 2014 to October 2015. See Investor Relations-Volume section of Company website.

# Earnings Performance



(In thousands, except per share data)

	<u>3Q17</u>	<u>2Q17</u>	<u>3Q16</u>	$\Delta$ <u>3Q17 vs.</u> <u>3Q16</u>
<b>Revenues</b>				
Commissions	\$ 86,270	\$ 87,015	\$ 81,456	5.9%
Information and Post-trade Services	8,372	8,272	7,322	14.3%
Investment and Other Income	2,059	2,027	1,493	37.9%
<b>Total Revenues</b>	<u>96,701</u>	<u>97,314</u>	<u>90,271</u>	7.1%
<b>Expenses</b>	<u>49,484</u>	<u>47,741</u>	<u>43,917</u>	12.7%
<b>Income Before Taxes</b>	<u>47,217</u>	<u>49,573</u>	<u>46,354</u>	1.9%
Provision for Income Taxes	13,087	11,550	15,436	(15.2%)
<b>Net Income</b>	<u>\$ 34,130</u>	<u>\$ 38,023</u>	<u>\$ 30,918</u>	10.4%
<b>Operating Margin</b>	48.8%	50.9%	51.3%	-2.5 pts
<b>EBITDA<sup>1</sup></b>	\$ 51,800	\$ 54,363	\$ 50,679	2.2%
<b>Diluted EPS</b>	\$ 0.90	\$ 1.00	\$ 0.82	9.8%
<b>Diluted Shares<sup>2</sup></b>	38,019	38,077	37,792	0.6%

<sup>1</sup> See third quarter 2017 earnings release and the Investor Relations section of the Company's website for reconciliation of net income to EBITDA

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



# Commission Revenue Detail



	<u>3Q17</u>	<u>2Q17</u>	<u>3Q16</u>	<u>%Δ</u> <u>3Q17 vs.</u> <u>3Q16</u>
(\$ in thousands)				
<b>Commissions</b>				
Transaction Fees				
U.S. High-Grade	\$ 34,020	\$ 32,868	\$ 33,765	0.8%
Other Credit <sup>1</sup>	31,381	37,145	30,181	4.0%
Liquid Products <sup>2</sup>	545	570	798	(31.7%)
Total Transaction Fees	<u>65,946</u>	<u>70,583</u>	<u>64,744</u>	1.9%
Distribution Fees				
U.S. High-Grade	16,305	15,930	15,077	8.1%
Other Credit <sup>1</sup>	3,844	384	1,466	162.2%
Liquid Products <sup>2,3</sup>	175	118	169	3.6%
Total Distribution Fees	<u>20,324</u>	<u>16,432</u>	<u>16,712</u>	21.6%
Total Commissions	<u>\$ 86,270</u>	<u>\$ 87,015</u>	<u>\$ 81,456</u>	5.9%
(\$ in millions)				
<b>Trading Volume</b>				
U.S. High-Grade	\$ 200,826	\$ 203,587	\$ 178,448	12.5%
Other Credit <sup>1</sup>	133,757	144,574	122,821	8.9%
Liquid Products <sup>2</sup>	12,189	13,345	20,880	(41.6%)
Total Trading Volume	<u>\$ 346,772</u>	<u>\$ 361,506</u>	<u>\$ 322,149</u>	7.6%
<b>Transaction Fees per Million</b>				
U.S. High-Grade	\$ 169	\$ 162	\$ 189	(10.6%)
Other Credit <sup>1</sup>	235	257	246	(4.5%)
Liquid Products <sup>2</sup>	45	43	38	18.4%
Total	\$ 190	\$ 195	\$ 201	(5.5%)

<sup>1</sup> Other Credit includes high-yield, emerging markets, Eurobonds and municipal bonds.

<sup>2</sup> Liquid Products includes U.S. agencies and European government bonds.

<sup>3</sup> Includes CDS SEF-related revenue

# Expense Detail



(\$ in thousands)

<u>Expenses</u>	<u>3Q17</u>	<u>2Q17</u>	<u>3Q16</u>	<u>%Δ</u> <u>3Q17 vs.</u> <u>3Q16</u>
Employee Comp. and Benefits	\$ 25,595	\$ 25,421	\$ 23,914	7.0%
Depreciation and Amortization	4,583	4,790	4,325	6.0%
Technology and Communications	5,035	4,822	4,245	18.6%
Professional and Consulting	5,547	4,086	4,342	27.8%
Occupancy	1,795	1,422	1,220	47.1%
Marketing and Advertising	2,089	2,782	2,140	(2.4%)
Clearing Costs	1,476	1,517	1,035	42.6%
General and Administrative	<u>3,364</u>	<u>2,901</u>	<u>2,696</u>	24.8%
<b>Total Expenses</b>	<b><u>\$ 49,484</u></b>	<b><u>\$ 47,741</u></b>	<b><u>\$ 43,917</u></b>	<b>12.7%</b>

# Balance Sheet Data



(\$ in thousands)

	<u>9/30/2017</u>	<u>12/31/2016</u>	<u>% Δ vs. 12/31/2016</u>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 138,992	\$ 168,243	(17.4%)
Investments	237,221	194,404	22.0%
Accounts Receivable, net	63,027	50,668	24.4%
All Other Assets	<u>123,107</u>	<u>114,727</u>	7.3%
<b>Total Assets</b>	<b><u>\$ 562,347</u></b>	<b><u>\$ 528,042</u></b>	<b>6.5%</b>
<b><u>Liabilities and Stockholders' Equity</u></b>			
Total Liabilities	\$ 51,439	\$ 60,029	(14.3%)
Total Stockholders' Equity	<u>510,908</u>	<u>468,013</u>	9.2%
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 562,347</u></b>	<b><u>\$ 528,042</u></b>	<b>6.5%</b>

- **Challenging quarter for fixed income trading in low volatility climate**
- **Continued strong growth in our active client network**
- **Emerging markets momentum continues**
- **Record Open Trading client participation**
- **Regulatory changes, including MiFID II, likely to be a catalyst for future growth in electronic trading**