

MARKETAXESS

4Q16

CONFERENCE CALL & WEBCAST

January 25, 2017

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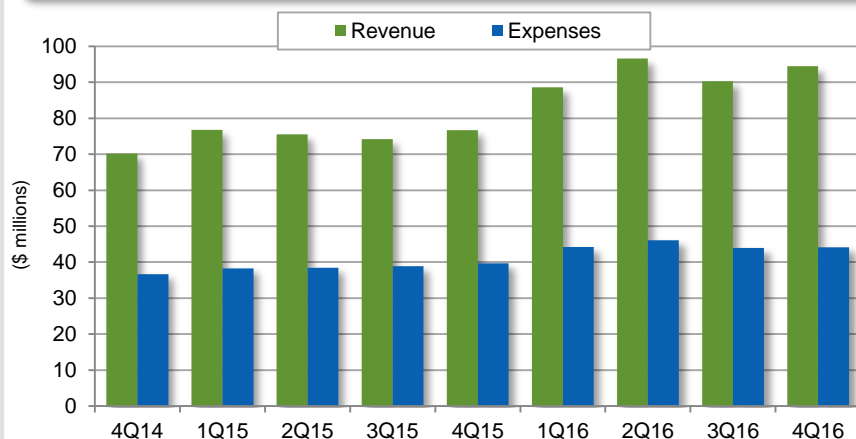
Earnings

- Revenues of \$94.4 million, up 23.2%
- Expenses of \$44.1 million, up 11.2%
- Pre-tax income of \$50.3 million, up 36.1%
- Diluted EPS of \$0.88, up 35.4%

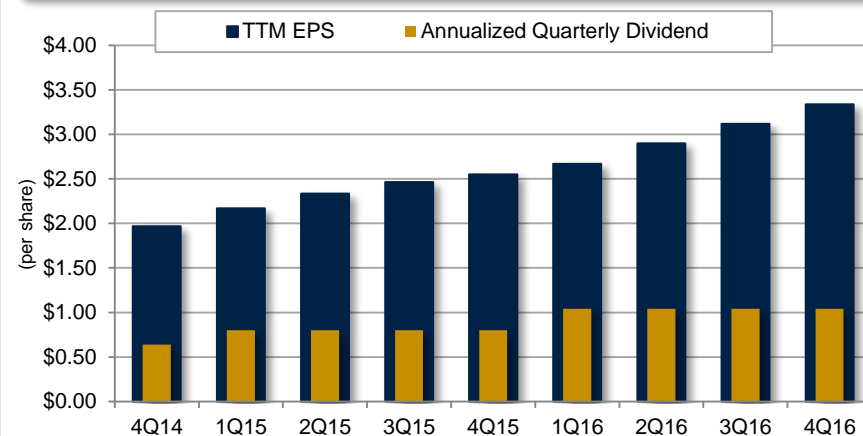
Business Highlights

- Total trading volume up 35.1%
- Record adjusted estimated U.S. high-grade² market share of 17.2%, up from 15.1%
- Record quarter for U.S. high-grade, Eurobond and emerging market bond average daily volumes
- Record Open Trading™ volume and participation

Quarterly Revenue & Expense Trend



EPS & Dividend Trend



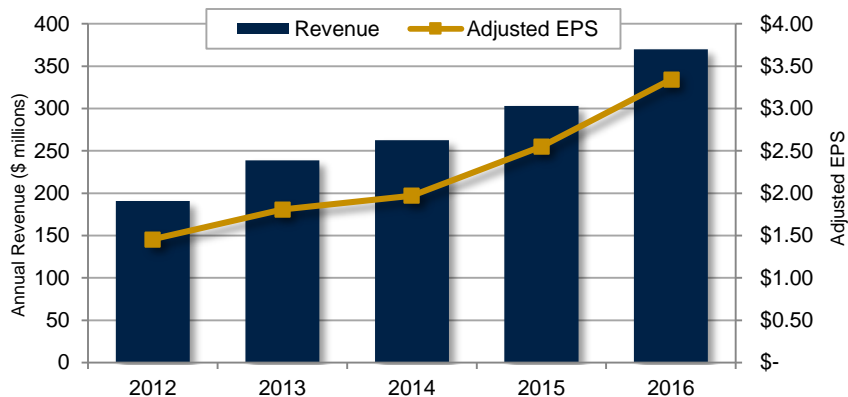
¹ All period comparisons versus 4Q15 unless otherwise stated.

² 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.

Full Year 2016 Results Reflect Acceleration of Growth Rates



Annual Revenue & Adjusted EPS¹ Trend

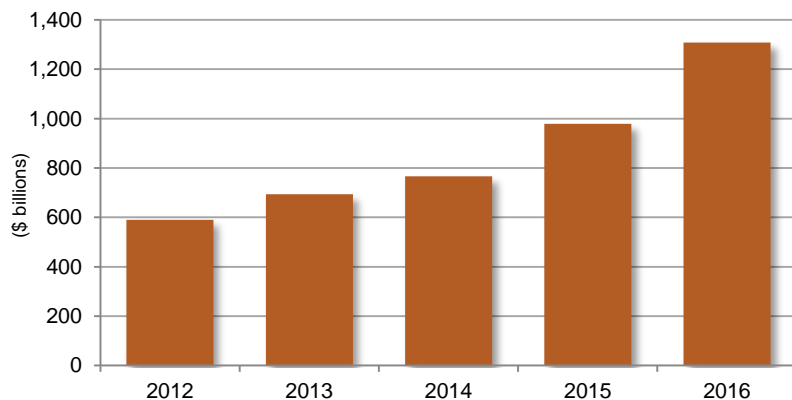


Full Year 2016 Compound Annual Growth Rate

	1-Year	3-Year	5-Year
Total Revenue	22.0%	15.7%	16.6%
Total Expenses	14.9%	10.7%	14.5%
EPS	31.0%	22.7%	21.7%
Total Volume	33.7%	23.6%	20.0%

Xtrakter results included since February 2013 acquisition date

Total Global Trading Volume



Comments

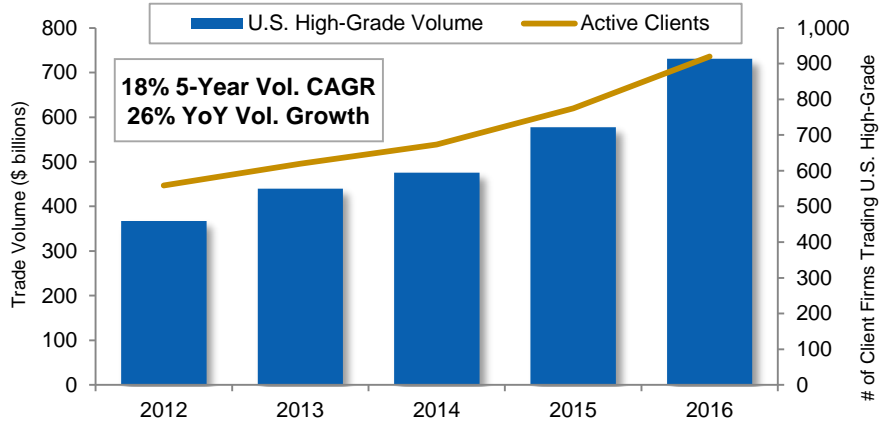
- Record full year trading volume, transaction revenue and EPS
- Acceleration in market share gains across core products
- Board of Directors approved a regular quarterly dividend of \$0.33 per share.

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

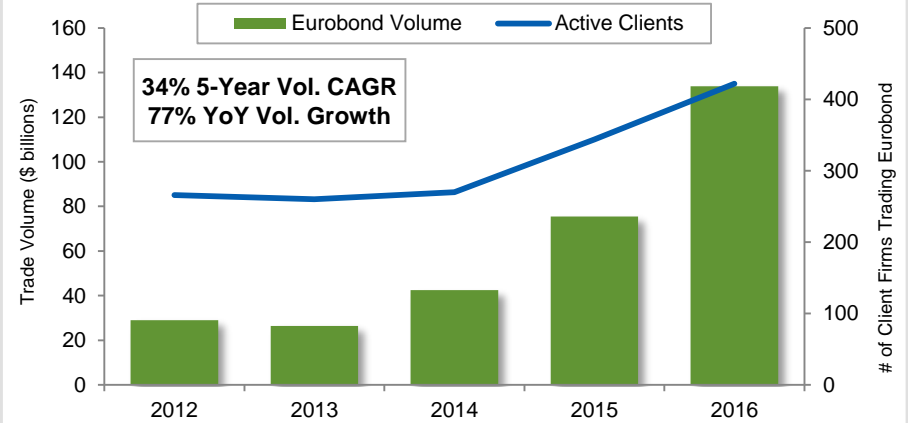
Annual Volume and Active Clients by Product



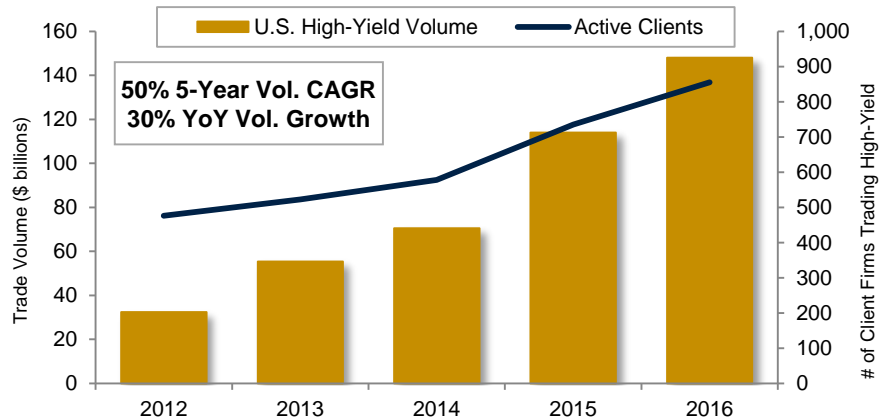
U.S. High-Grade



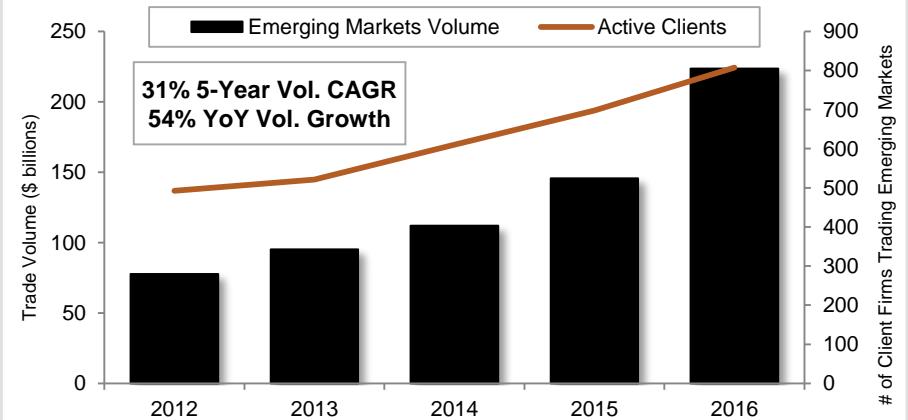
Eurobond



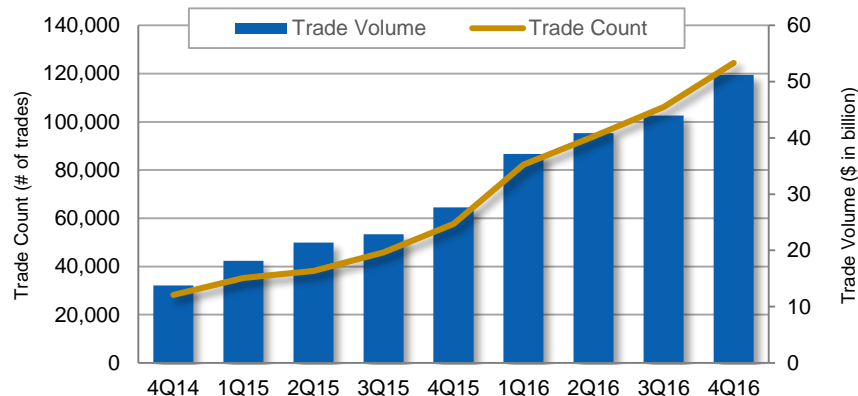
U.S. High-Yield



Emerging Markets



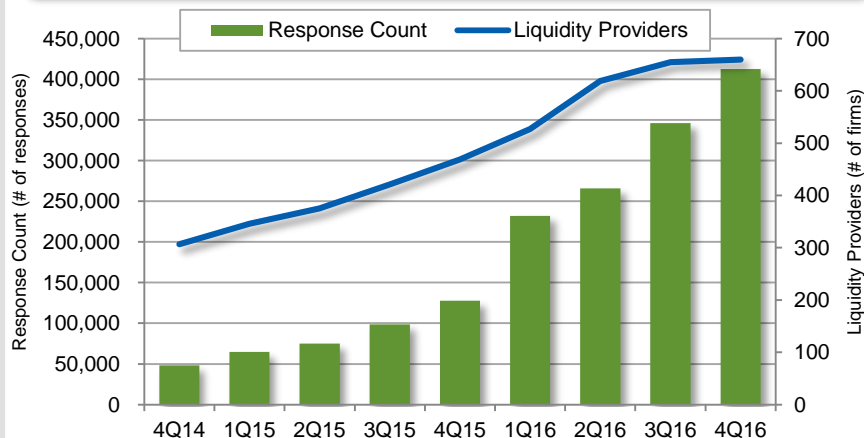
Open Trading Growth



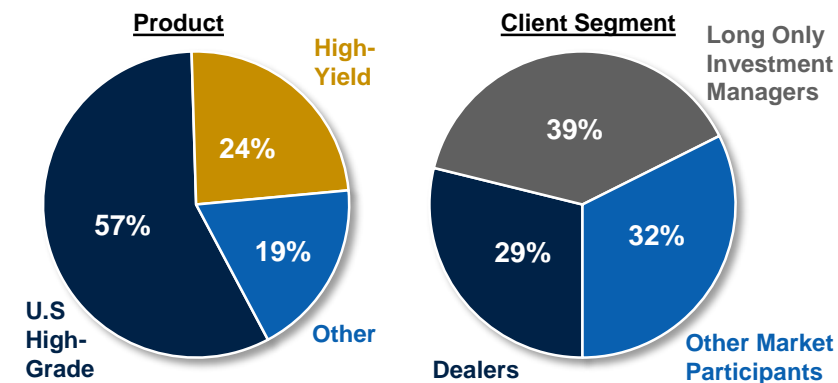
Highlights

- \$831 million average daily volume, up 86% from 4Q15
- Approximately 125,000 total Open Trading transactions completed in 4Q16, up from 58,000 in 4Q15
- Over 412,000 price responses in 4Q16, up 223% from 4Q15
- Estimated system-wide liquidity taker total cost savings of \$29 million in 4Q16¹

Market List Response Count & Liquidity Providers



4Q16 Market List Liquidity Provider Trade Volume Breakdown



Note: Based on 4Q16 trade volume of firms winning Market List trades

¹ 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.

MarketAxess is actively engaged with clients and regulators regarding MiFID II implementation, while monitoring Brexit and potential changes in U.S. regulations.

U.S. Regulatory and Tax Landscape

- Bank capital requirements are not likely to be reduced; however, an incremental rollback of the most controversial post-financial crisis rules, such as the Volcker Rule, is possible.
- We are monitoring various tax proposals that could impact corporate earnings and debt issuance such as lower U.S. corporate tax rates, lower tax rates for repatriation of earnings, corporate interest payment deductibility, and immediate tax deduction of capital expenditures.

MiFID II Implementation

- Our MiFID II implementation is well underway in advance of January 2018 effective date.
- We have been working closely with clients to integrate new regulatory requirements for trade execution, trade reporting, and transaction cost analysis.

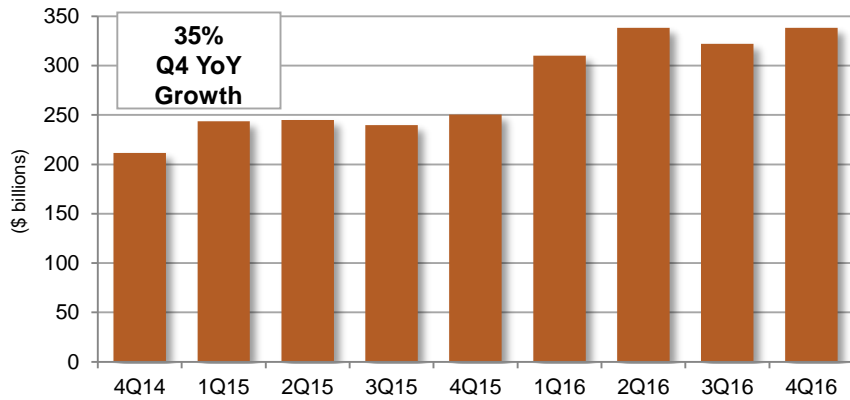
Brexit

- Potential impact of the U.K. leaving the E.U. single market would include loss of our regulatory passport to the E.U.
- We have been evaluating various strategic alternatives that would allow us to seamlessly continue to serve our European client firms in the event of Brexit.

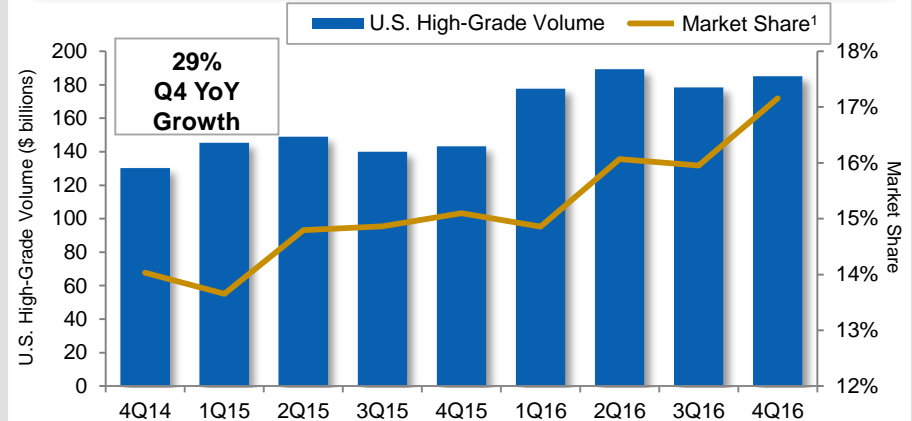
Quarterly Volume



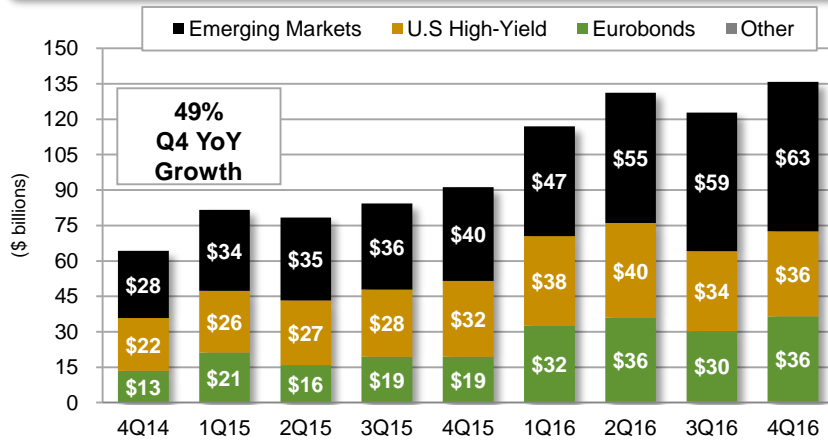
Global



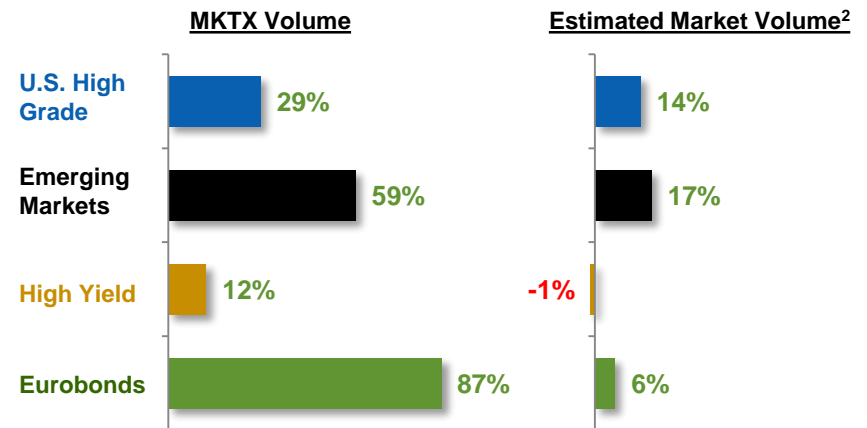
U.S. High-Grade



Other Credit



4Q16 YoY Change in MKTX and Overall Market Volumes



¹ 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.

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

Earnings Performance



(In thousands, except per share data)

	<u>4Q16</u>	<u>3Q16</u>	<u>4Q15</u>	Δ <u>4Q16 vs.</u> <u>4Q15</u>
Revenues				
Commissions	\$ 85,519	\$ 81,456	\$ 67,613	26.5%
Information and Post-trade Services	7,538	7,322	7,678	(1.8%)
Investment and Other Income	1,379	1,493	1,353	1.9%
Total Revenues	<u>94,436</u>	<u>90,271</u>	<u>76,644</u>	23.2%
Expenses	<u>44,109</u>	<u>43,917</u>	<u>39,658</u>	11.2%
Income Before Taxes	<u>50,327</u>	<u>46,354</u>	<u>36,986</u>	36.1%
Provision for Income Taxes	<u>17,162</u>	<u>15,436</u>	<u>12,495</u>	37.4%
Net Income	<u>\$ 33,165</u>	<u>\$ 30,918</u>	<u>\$ 24,491</u>	35.4%
Operating Margin	53.3%	51.3%	48.3%	5.0 pts
EBITDA¹	\$ 54,619	\$ 50,679	\$ 41,671	31.1%
Diluted EPS	\$ 0.88	\$ 0.82	\$ 0.65	35.4%
Diluted Shares²	37,742	37,792	37,638	0.3%

¹ See fourth quarter 2016 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>4Q16</u>	<u>3Q16</u>	<u>4Q15</u>	<u>% Δ</u> <u>4Q16 vs.</u> <u>4Q15</u>
Commissions				
Transaction Fees				
U.S. High-Grade	\$ 34,191	\$ 33,765	\$ 24,686	38.5%
Other Credit ¹	35,048	30,181	26,002	34.8%
Liquid Products ²	699	798	606	15.3%
Total Transaction Fees	<u>69,938</u>	<u>64,744</u>	<u>51,294</u>	36.3%
Distribution Fees				
U.S. High-Grade	15,107	15,077	14,665	3.0%
Other Credit ¹	346	1,466	1,439	(76.0%)
Liquid Products ^{2,3}	128	169	215	(40.5%)
Total Distribution Fees	<u>15,581</u>	<u>16,712</u>	<u>16,319</u>	(4.5%)
Total Commissions	<u>\$ 85,519</u>	<u>\$ 81,456</u>	<u>\$ 67,613</u>	26.5%
Trading Volume				
U.S. High-Grade	\$ 185,066	\$ 178,446	\$ 143,249	29.2%
Other Credit ¹	135,799	122,821	91,257	48.8%
Liquid Products ²	17,393	20,880	15,864	9.6%
Total Trading Volume	<u>\$ 338,258</u>	<u>\$ 322,147</u>	<u>\$ 250,370</u>	35.1%
Transaction Fees per Million				
U.S. High-Grade	\$ 185	\$ 189	\$ 172	7.2%
Other Credit ¹	258	246	285	(9.4%)
Liquid Products ²	40	38	38	5.5%
Total	\$ 207	\$ 201	\$ 205	0.9%

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>4Q16</u>	<u>3Q16</u>	<u>4Q15</u>	<u>%Δ 4Q16 vs. 4Q15</u>
Employee Comp. and Benefits	\$ 22,529	\$ 23,914	\$ 21,087	6.8%
Depreciation and Amortization	4,292	4,325	4,685	(8.4%)
Technology and Communications	4,449	4,245	3,720	19.6%
Professional and Consulting	4,726	4,342	3,540	33.5%
Occupancy	1,075	1,220	1,215	(11.5%)
Marketing and Advertising	3,192	2,140	1,888	69.1%
General and Administrative ¹	3,846	3,731	3,523	9.2%
Total Expenses	\$ 44,109	\$ 43,917	\$ 39,658	11.2%

¹ Includes clearing costs of \$1.3 million, \$1.0 million and \$1.1 million for the three months end December 31, 2016, September 30, 2016, and December 31, 2015, respectively.

Strong Cash Flow Generation With Focus on Investing in Business and Returning Capital to Shareholders

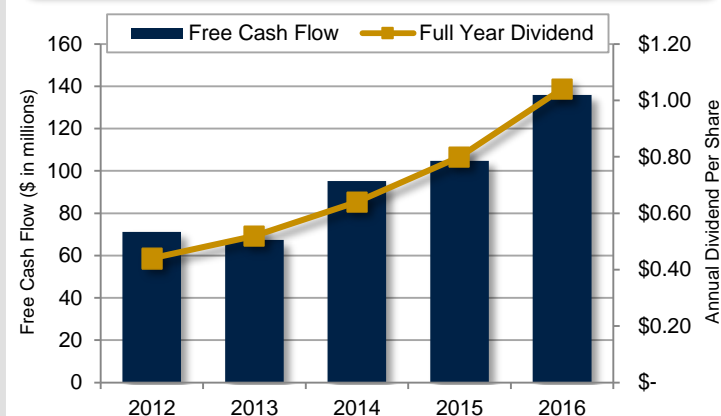


(In thousands)

	<u>12/31/2016</u>	<u>12/31/2015</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 168,243	\$ 199,728
Investments	194,404	84,706
Accounts Receivable, net	50,668	40,459
All Other Assets	<u>114,727</u>	<u>114,148</u>
Total Assets	\$ 528,042	\$ 439,041
<u>Liabilities and Stockholders' Equity</u>		
Total Liabilities	\$ 60,029	\$ 48,328
Total Stockholders' Equity	<u>468,013</u>	<u>390,713</u>
Total Liabilities and Stockholders' Equity	\$ 528,042	\$ 439,041

- **Cash, Cash Equivalents & Investments represented \$9.61 per share on a diluted basis as of December 31, 2016**
- **Total Shareholders' Equity was \$12.40 per share on a diluted basis as of December 31, 2016**

Free Cash Flow and Dividends



Commentary

- Record free cash flow of \$136 million
- \$51 million of share repurchase capacity under existing share repurchase program
- Continued investment in our trading platform, new products and infrastructure

Guidance

Expenses

- Total expenses ranging from \$192 million to \$208 million

Capital Expenditures

- Total capital expenditures ranging from \$25 million to \$30 million

Income Tax Rate

- Estimated effective tax rate ranging from 32.0% to 34.0%

New Standard for Employee Share-Based Accounting

- Windfall tax benefits or decrements:
 - Will be recognized through the income tax provision
 - Will be classified within operating cash flows instead of financing cash flows
 - Will no longer be considered “proceeds” in the computation of diluted share count under the treasury method

Potential Impact of U.S. Federal Tax Rate Reduction

Impact on 2016 Reported Earnings		
U.S. Federal Tax Rate	EPS Benefit	% Change in EPS
25%	\$0.36	11%
20%	\$0.56	17%
15%	\$0.77	23%

- **Record trading volumes, revenues and EPS in 2016**
- **Acceleration in market share gains across core products**
- **Open Trading momentum continues**
- **Expanding global credit footprint**
- **Regulatory changes likely to be net positives**