



 Market Axess®

# INVESTOR PRESENTATION

4<sup>th</sup> Quarter 2018

# 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).

# Investment highlights

- **Large fixed income market undergoing major structural shift** due to regulatory and market trends.
- **We are the leading electronic trading network** for the institutional market in U.S. credit products.
- **Electronic trading market share is growing but still in early stages** of market penetration.
- Growth strategy focuses on:
  - **Increasing penetration of existing and new markets.**
  - **Promoting Open Trading protocols.**
  - **Continuing to invest in and grow our international business.**
- **Superior financial model** with strong cash flow and significant operating leverage

## GROWTH FROM 2012 - 2017<sup>1</sup>

REVENUE GROWTH  
**13% CAGR**

OPERATING INCOME  
GROWTH  
**18% CAGR**

EBITDA GROWTH  
**18% CAGR**

1. Pro forma to include historical Xtrakter results prior to acquisition in February 2013.

# Our global electronic platform provides credit trading services to the largest network of Institutional participants

## PRE-TRADE PRICE DISCOVERY

- MarketAxess BondTicker™
- AxessAll
- Multi-dealer streaming prices
- Multi-dealer product inventories
- Composite Price
- Bond Liquidity Scores

## TRADE EXECUTION

- Open Trading™
- Patented multi-dealer request-for-quote (RFQ)
- Streaming price and live market execution

Over 1,400  
active institutional  
investor  
and dealer firms

## POST-TRADE SERVICES: TRAX®

- European regulatory transaction reporting and trade matching

## STRAIGHT THROUGH PROCESSING (STP)

- Electronic audit trails and trade blotters
- Post Trade APIs for trade capture and TRACE reporting
- Transaction Cost Analysis (TCA)

## CORE PRODUCTS

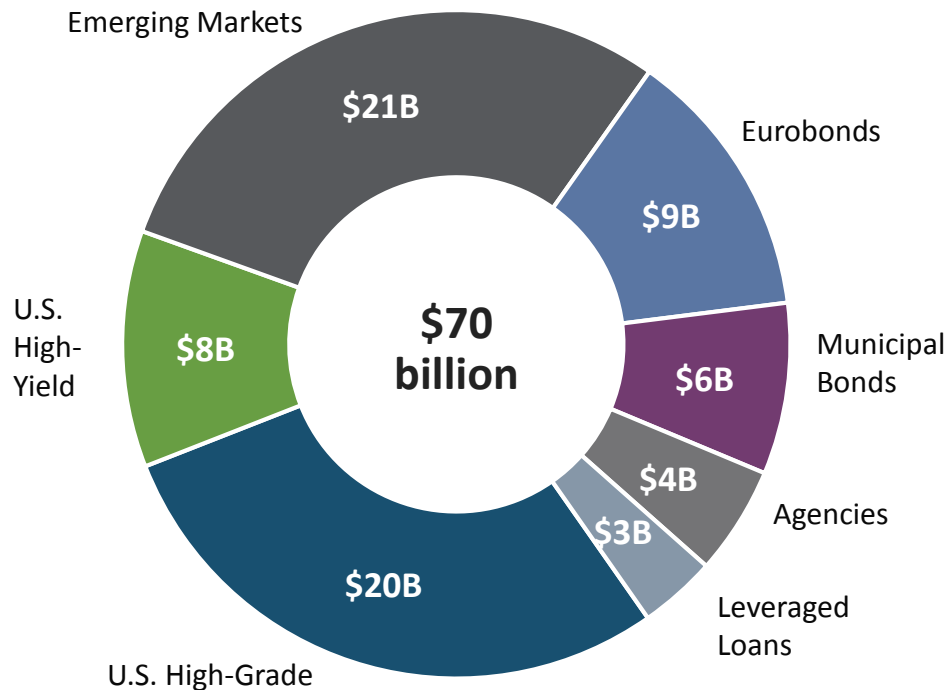
Agency	Municipals	Emerging Markets	U.S. High Grade	U.S. High Yield	Eurobond	Leveraged Loans	CDS
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# Our focused growth strategy

- ❖ 1. Increase penetration of existing and new markets
- ❖ 2. Leverage our client network to promote Open Trading protocols
- ❖ 3. Continue to invest in and grow our business through product and geographic diversification

# 1. Increase penetration of existing and new markets

ESTIMATED AVERAGE DAILY VOLUME FOR ADDRESSABLE MARKETS<sup>1</sup>

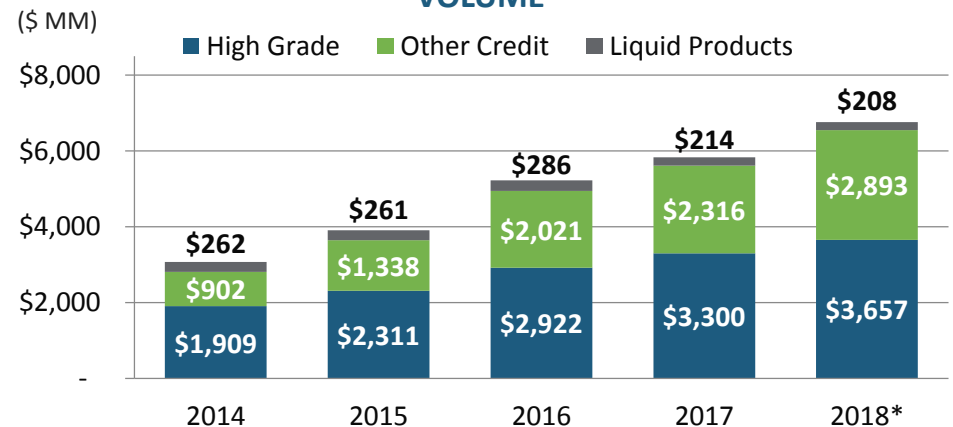


**1% Change in Estimated Market Share Results in \$33-\$39 million in Additional Revenue**

EXPANDING GLOBAL CLIENT NETWORK

- Over 1,485 active firms, up 10% from 3Q17
- Approximately 850 active firms trading 3 or more products, up 14% from 3Q17
- Approximately 1,025 active firms trading emerging markets, up 15% from 3Q17
- Over 650 active international client firms, up 18%

GLOBAL ELECTRONIC AVERAGE DAILY TRADING VOLUME



\* 2018 volume year to date through September 2018

1. Market volumes calculated using the most recently available market data for TRACE, Trax, Emerging Markets Trade Association, Municipal Securities Rulemaking Board, and Loan Syndications and Trading Association for the trailing twelve month period

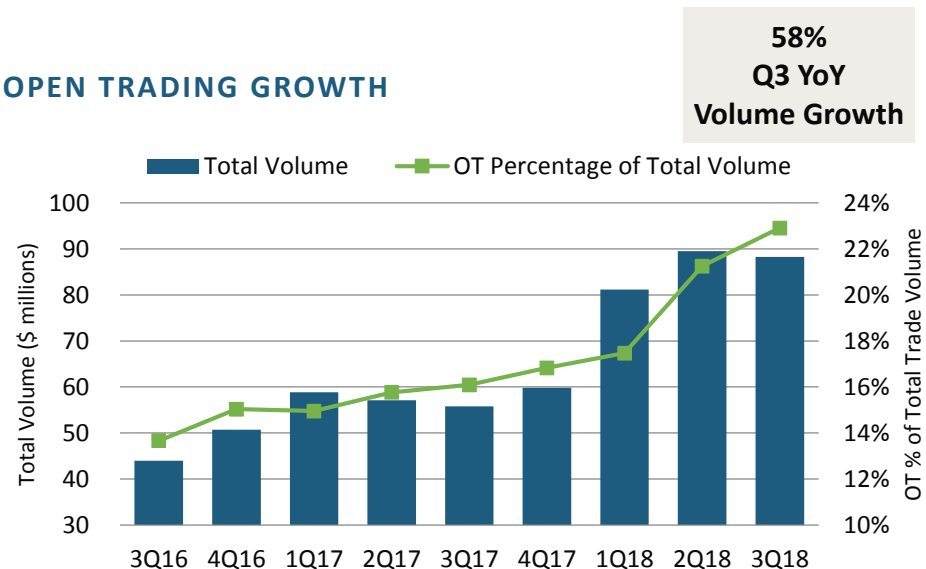
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# 2. Leverage our client network to promote Open Trading™ protocols

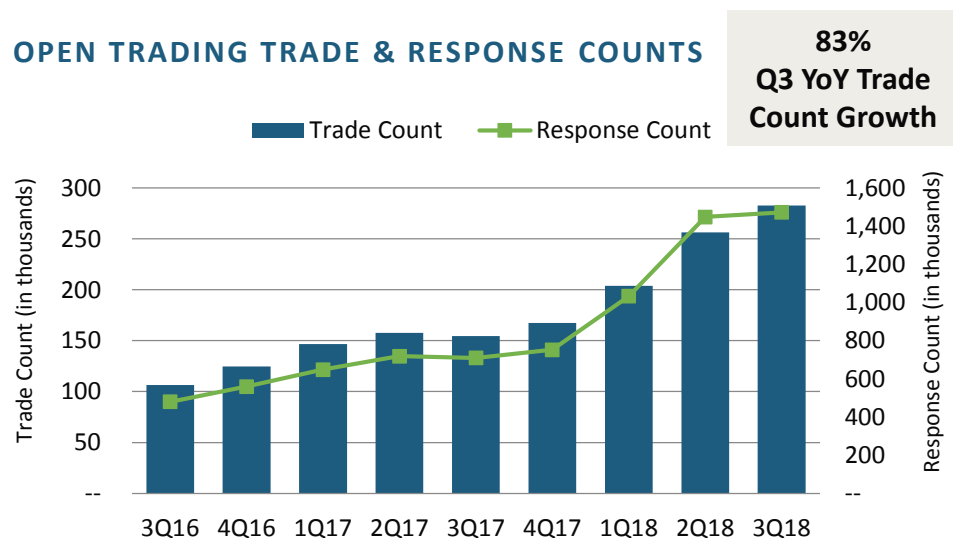
## HIGHLIGHTS

- \$1.4 billion average daily volume, up 58.2% from 3Q17.
- Over 282,000 total Open Trading transactions completed in 3Q18, up from 155,000 in 3Q17.
- Approximately 1,473,000 price responses in 3Q18, up 107% from 3Q17.
- Estimated system-wide liquidity taker total cost savings of \$35.6 million in 3Q18, up 67.8% from 3Q17<sup>1</sup>.

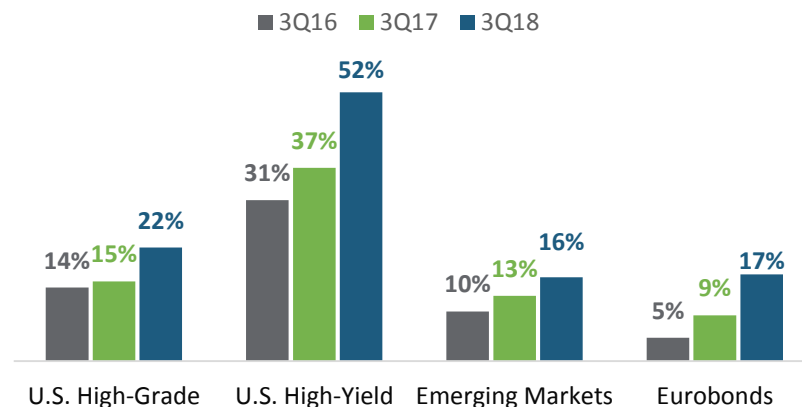
## OPEN TRADING GROWTH



## OPEN TRADING TRADE & RESPONSE COUNTS



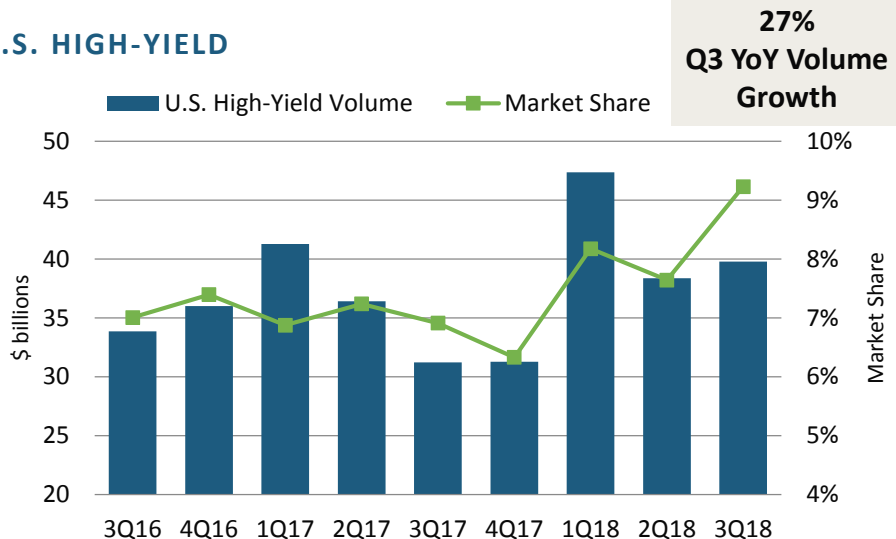
## OPEN TRADING VOLUME AS PERCENT OF TOTAL PRODUCT VOLUME



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, Eurobonds and municipal bonds.

# 3. Continue to invest in and grow our business through product and geographic diversification

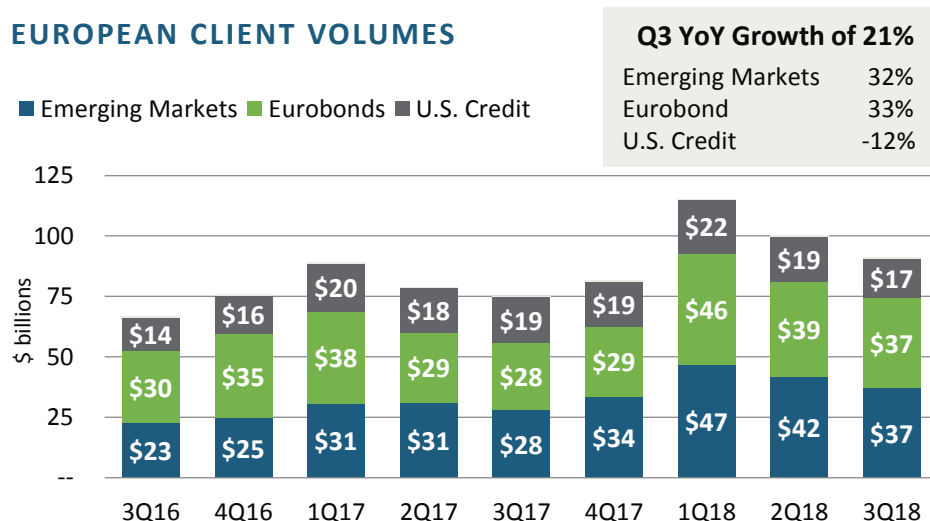
## U.S. HIGH-YIELD



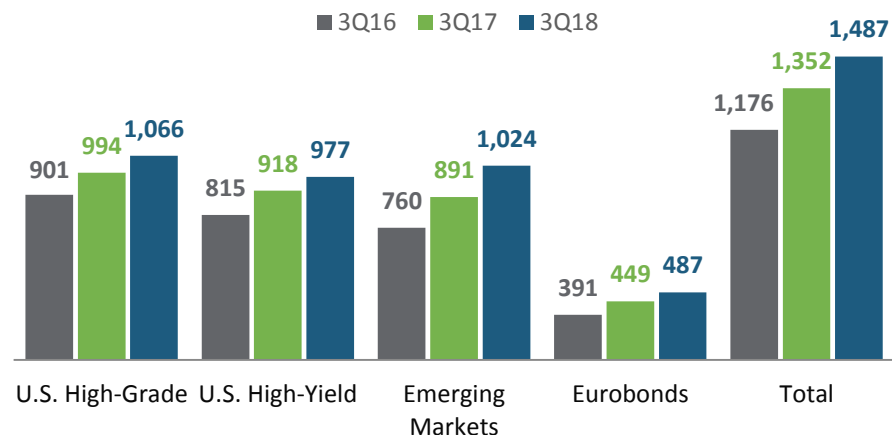
## EMERGING MARKET VOLUME BY PRODUCT



## EUROPEAN CLIENT VOLUMES



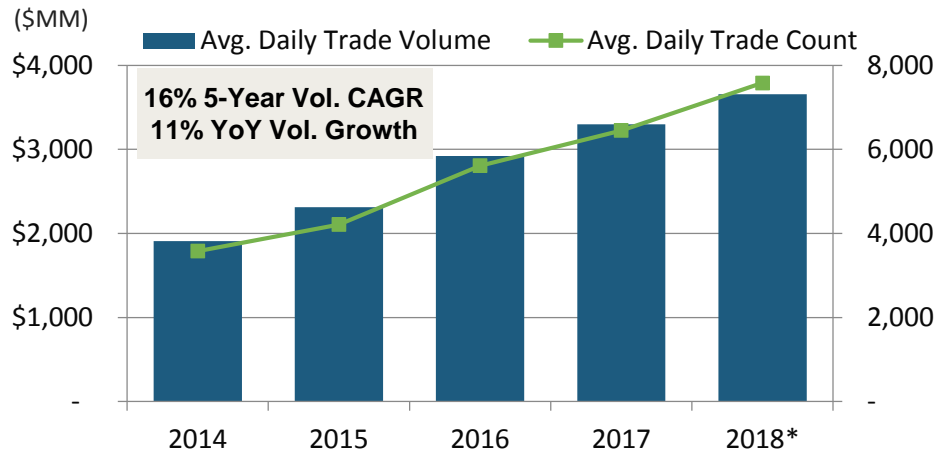
## TOTAL ACTIVE CLIENT FIRMS BY PRODUCT



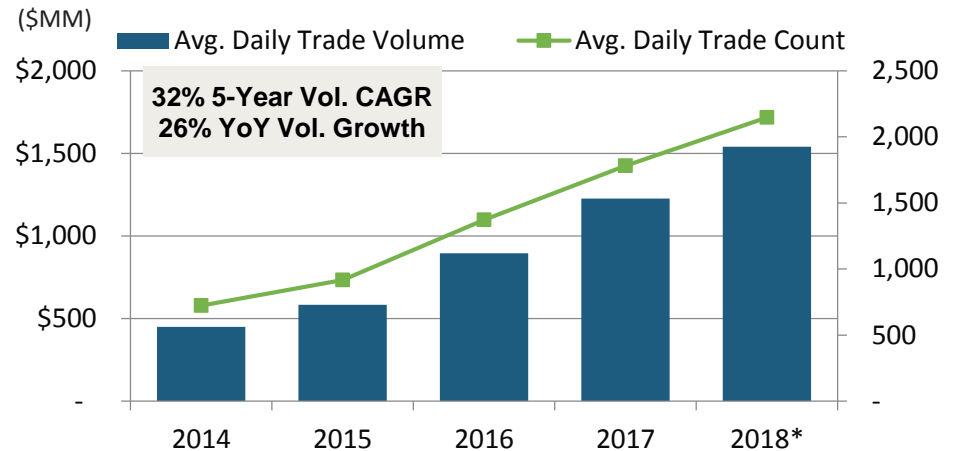


# Our growth in overall trading activity has been driven by share gains with new and existing clients

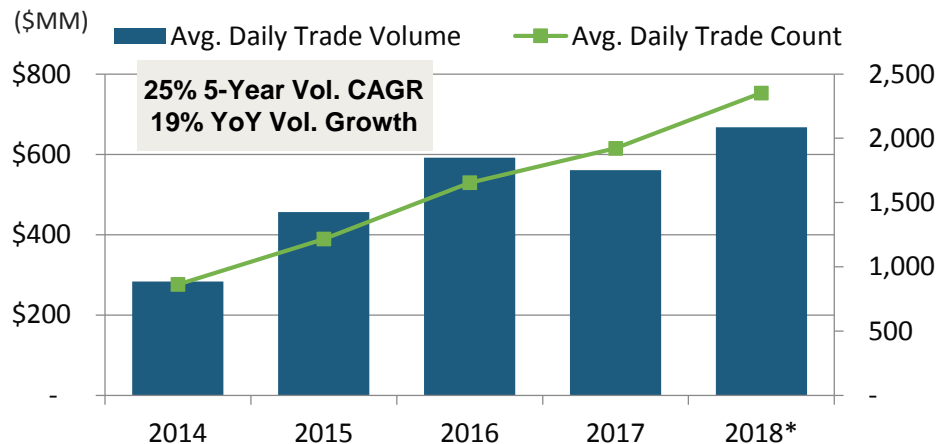
## U.S. HIGH-GRADE



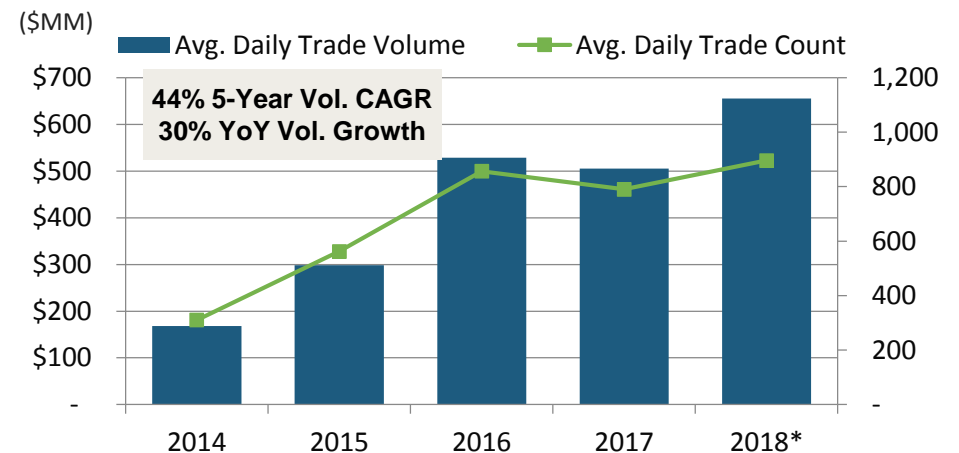
## EMERGING MARKETS



## U.S. HIGH-YIELD



## EUROBOND



\* 2018 volume year to date through September 2018

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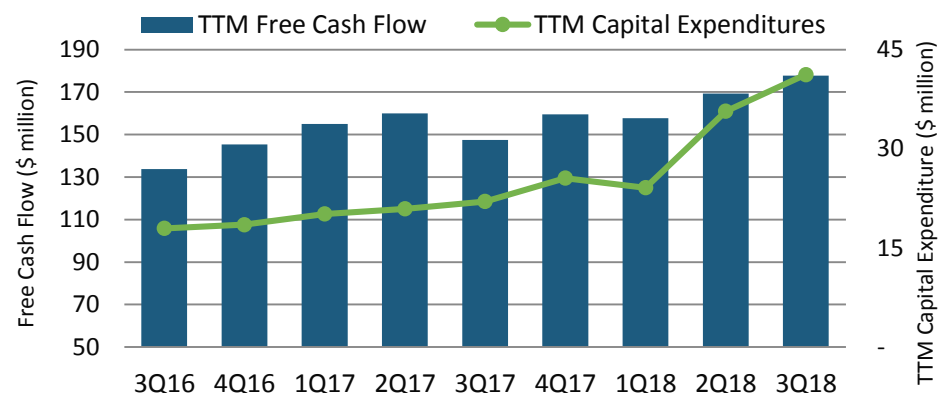
# Strong cash flow generation with focus on investing in business and returning capital to shareholders

(\$ in thousands)

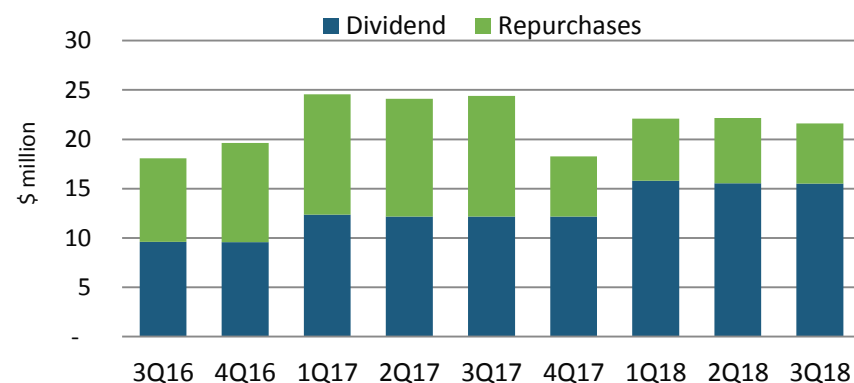
	<u>9/30/2018</u>	<u>12/31/2017</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 210,085	\$ 167,014
Investments	236,101	239,521
Accounts Receivable, net	62,004	52,636
All Other Assets	137,941	122,061
<b>Total Assets</b>	<b>\$ 646,131</b>	<b>\$ 581,232</b>
<u>Liabilities and Stockholders' Equity</u>		
Total Liabilities	\$ 67,513	\$ 66,464
Total Stockholders' Equity	578,618	514,768
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 646,131</b>	<b>\$ 581,232</b>

- Continued investment in our employees, trading platform, new products, geographic expansion and infrastructure
- Trailing twelve months free cash flow was a record \$178 million.

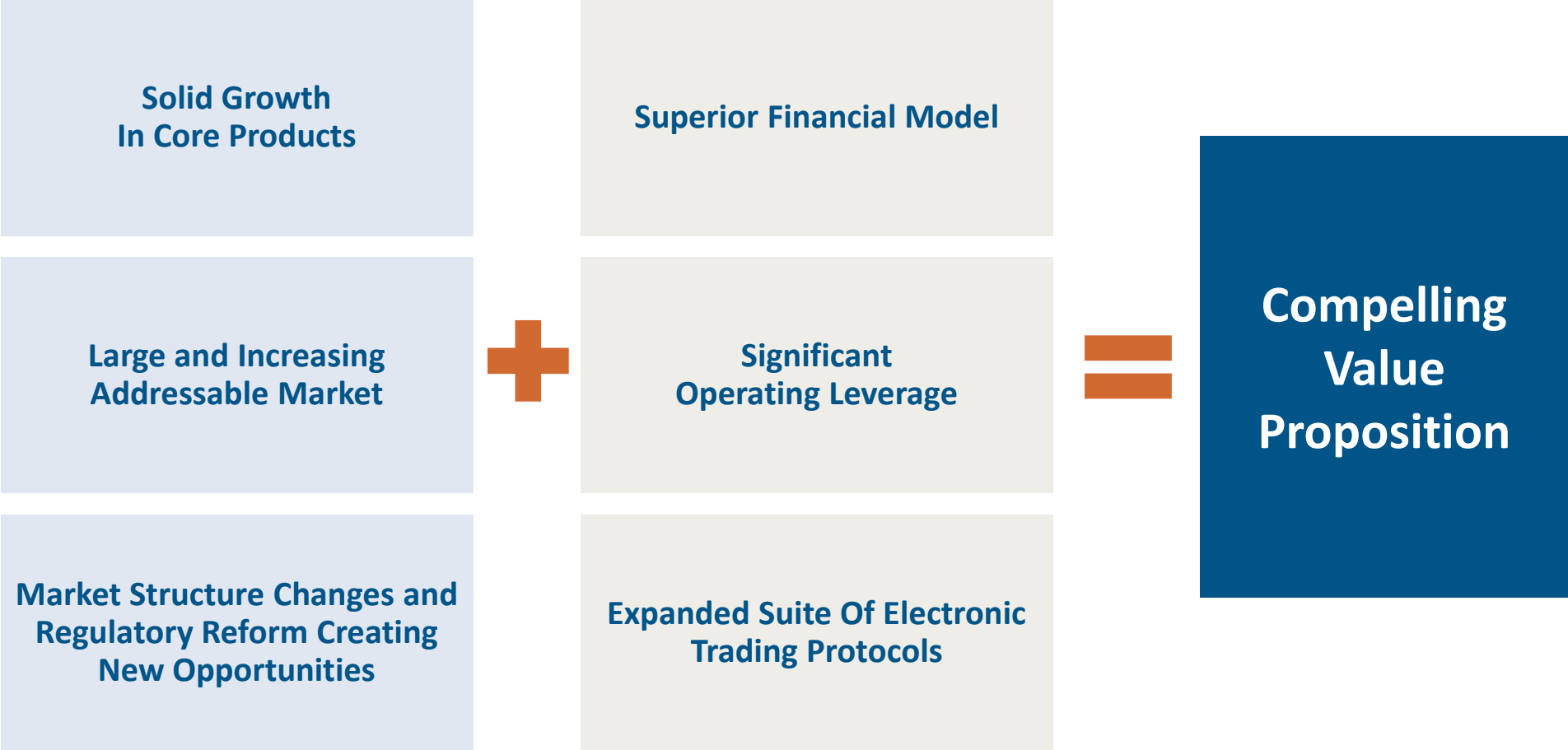
## TTM FREE CASH FLOW AND CAPITAL EXPENDITURES



## QUARTERLY DIVIDENDS AND SHARE REPURCHASES



# MarketAxess opportunity set is growing

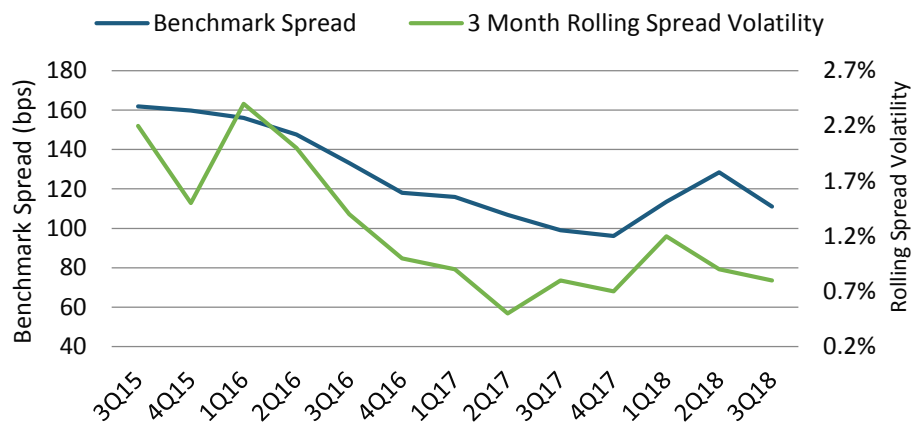


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# APPENDIX

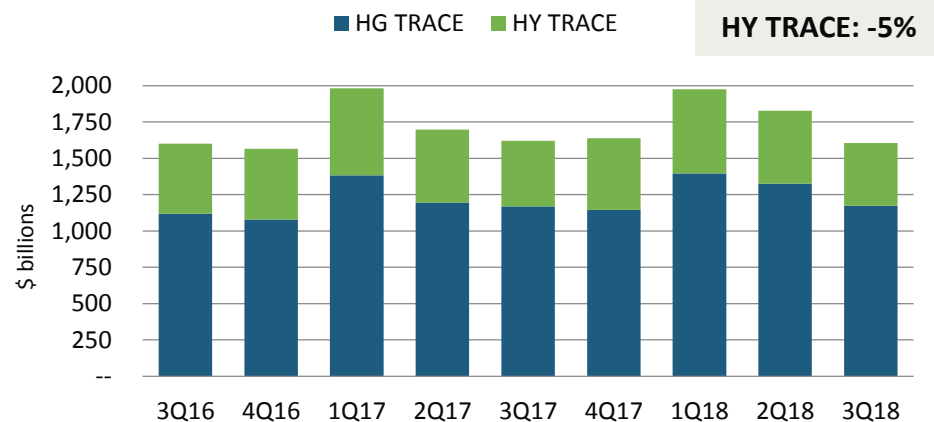
# Market Conditions

## LIQUID U.S. CORPORATE INDEX (LUCI)



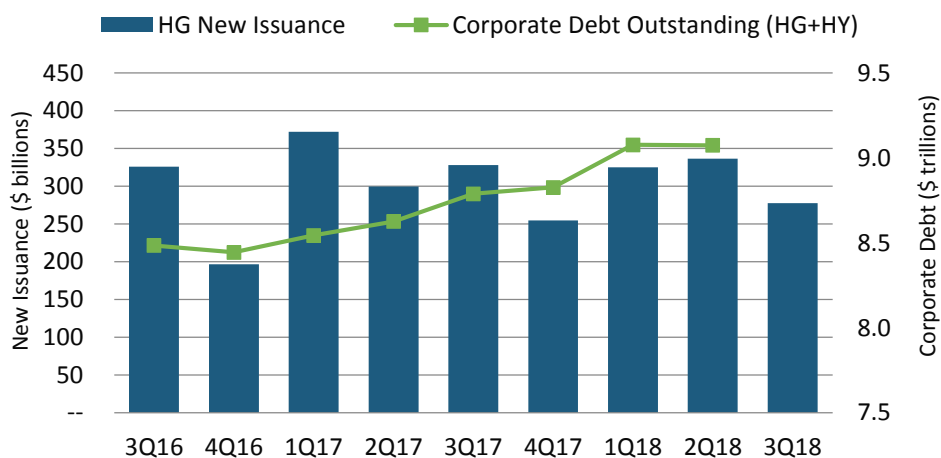
Source: Credit Suisse Global Credit Strategy

## U.S. HIGH-GRADE & HIGH-YIELD TRACE



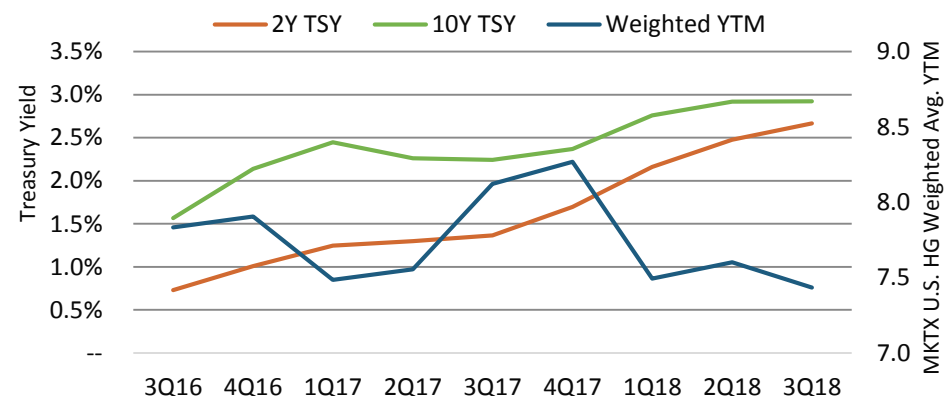
Source: BondTicker

## NEW ISSUANCE & CORPORATE DEBT OUTSTANDING



Source: JPMorgan; Federal Reserve

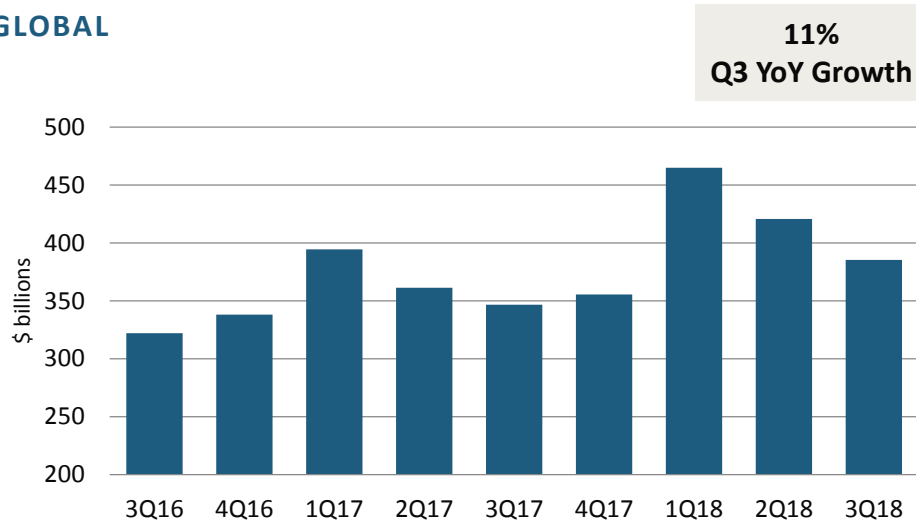
## 10 YEAR & 2 YEAR TREASURY YIELD & MKTX U.S. HIGH GRADE WEIGHTED AVG YTM



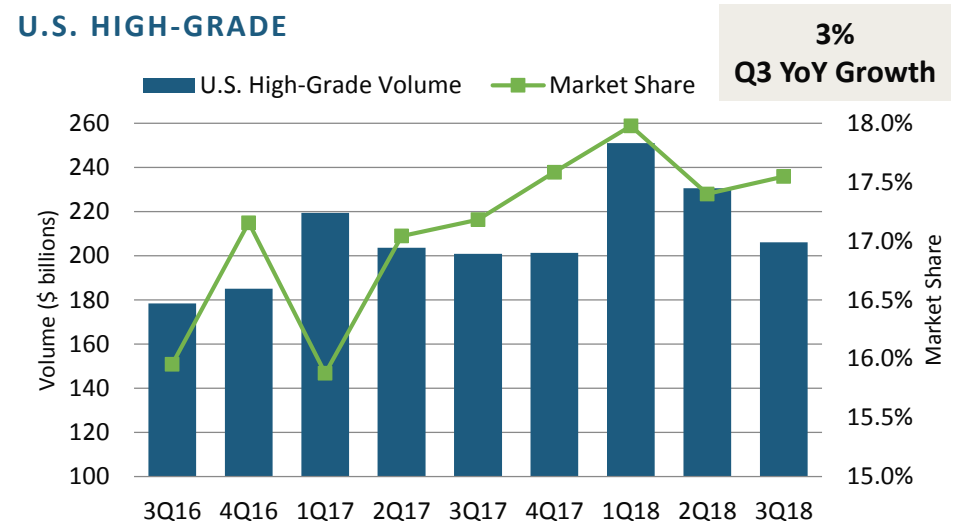
Source: Federal Reserve

# Quarterly Volume

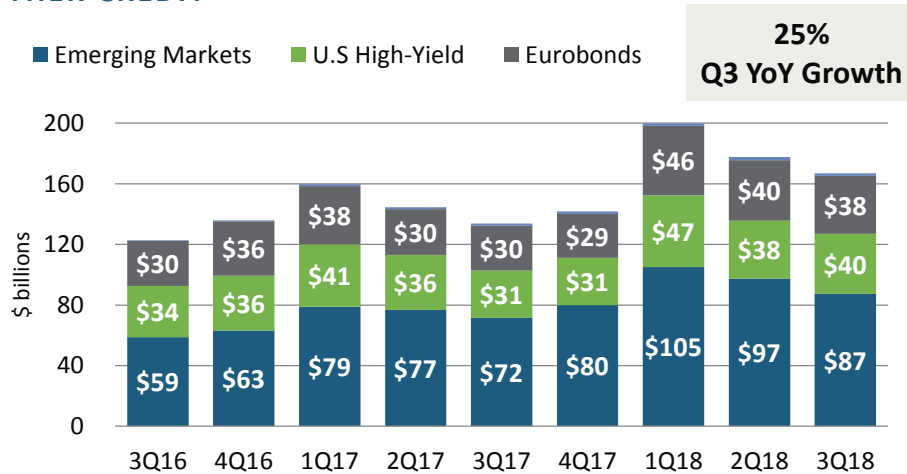
## GLOBAL



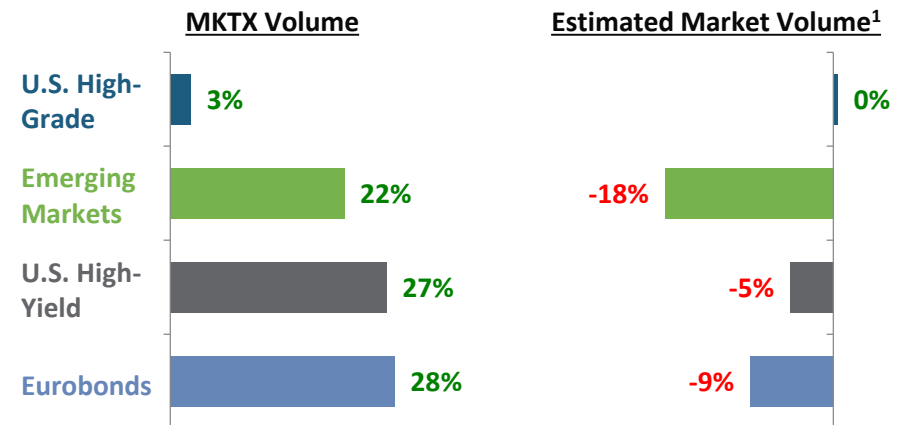
## U.S. HIGH-GRADE



## OTHER CREDIT



## 3Q18 YOY CHANGE IN MKTX AND ESTIMATED MARKET VOLUMES



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

# Earnings Performance

(In thousands, except per share data)

	<u>3Q18</u>	<u>2Q18</u>	<u>3Q17</u>	$\Delta$ 3Q18 vs. 3Q17
Revenues				
Commissions	\$ 90,513	\$ 96,113	\$ 86,270	4.9%
Information Services	7,174	6,930	6,331	13.3%
Post-trade Services	3,475	3,620	2,678	29.8%
Other Income	281	301	305	(7.9%)
Total Revenues	<u>101,443</u>	<u>106,964</u>	<u>95,584</u>	6.1%
Expenses	<u>55,031</u>	<u>54,930</u>	<u>48,949</u>	12.4%
Operating Income	<u>46,412</u>	<u>52,034</u>	<u>46,635</u>	(0.5%)
Investment Income and Other, net	<u>1,385</u>	<u>1,176</u>	<u>582</u>	138.0%
Income Before Taxes	<u>47,797</u>	<u>53,210</u>	<u>47,217</u>	1.2%
Provision for Income Taxes	<u>9,203</u>	<u>12,723</u>	<u>13,087</u>	(29.7%)
Net Income	<u><u>\$ 38,594</u></u>	<u><u>\$ 40,487</u></u>	<u><u>\$ 34,130</u></u>	<u>13.1%</u>
Operating Margin	45.8%	48.6%	48.8%	-3.0 pts
EBITDA <sup>1</sup>	\$ 53,970	\$ 59,000	\$ 51,800	4.2%
Diluted EPS	\$ 1.02	\$ 1.07	\$ 0.90	13.3%
Diluted Shares <sup>2</sup>	37,828	37,862	38,019	(0.5%)

1. See third quarter 2018 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 shares of common stock, including the dilutive effect of outstanding securities.

# Commission Revenue Detail

(\$ in thousands)

	<u>3Q18</u>	<u>2Q18</u>	<u>3Q17</u>	<u>% Δ 3Q18 vs. 3Q17</u>
<b><u>Commissions</u></b>				
Transaction Fees				
U.S. High-Grade	\$ 32,385	\$ 36,401	\$ 34,020	(4.8%)
Other Credit <sup>1</sup>	33,088	34,765	31,381	5.4%
Liquid Products <sup>2</sup>	482	488	546	(11.7%)
Total Transaction Fees	<u>65,955</u>	<u>71,654</u>	<u>65,947</u>	0.0%
Distribution Fees				
U.S. High-Grade	18,032	18,261	16,305	10.6%
Other Credit <sup>1</sup>	6,385	6,042	3,842	66.2%
Liquid Products <sup>2,3</sup>	141	156	176	(19.9%)
Total Distribution Fees	<u>24,558</u>	<u>24,459</u>	<u>20,323</u>	20.8%
Total Commissions	<u>\$ 90,513</u>	<u>\$ 96,113</u>	<u>\$ 86,270</u>	4.9%

(\$ in millions)

<b><u>Trading Volume</u></b>				
U.S. High-Grade	\$ 206,016	\$ 230,519	\$ 200,826	2.6%
Other Credit <sup>1</sup>	166,990	177,681	133,757	24.8%
Liquid Products <sup>2</sup>	12,505	12,550	12,189	2.6%
Total Trading Volume	<u>\$ 385,511</u>	<u>\$ 420,750</u>	<u>\$ 346,772</u>	11.2%
<b><u>Transaction Fees per Million</u></b>				
U.S. High-Grade	\$ 157	\$ 158	\$ 169	(7.1%)
Other Credit <sup>1</sup>	198	196	235	(15.7%)
Liquid Products <sup>2</sup>	39	39	45	(13.3%)
Total	<u>\$ 171</u>	<u>\$ 170</u>	<u>\$ 190</u>	(10.0%)

1. Other Credit includes U.S. high-yield, emerging markets, Eurobonds and municipal bonds.

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

3. Includes CDS SEF-related revenue.

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# Expense Detail

(\$ in thousands)

	3Q18	2Q18	3Q17	% Δ 3Q18 vs. 3Q17
<u>Expenses</u>				
Employee Comp. and Benefits	\$ <b>26,282</b>	\$ 26,199	\$ 25,485	3.1%
Depreciation and Amortization	<b>6,173</b>	5,790	4,583	34.7%
Technology and Communications	<b>5,879</b>	5,793	5,035	16.8%
Professional and Consulting	<b>5,685</b>	5,426	5,547	2.5%
Occupancy <sup>1</sup>	<b>3,528</b>	3,467	1,795	96.5%
Marketing and Advertising	<b>2,980</b>	3,535	2,089	42.7%
Clearing Costs	<b>1,760</b>	2,012	1,476	19.2%
General and Administrative	<b>2,744</b>	2,708	2,939	(6.6%)
Total Expenses	\$ <b>55,031</b>	\$ 54,930	\$ 48,949	12.4%

1. Occupancy costs in the first, second and third quarters of 2018 includes \$1.7 million, \$1.8 million and \$1.9 million, respectively, in duplicate expense recognized during the build-out phase of the Company's new corporate offices in New York.

# 2018 Guidance

## EXPENSES

- **Expected range of \$220.0 million to \$232.0 million:** Includes duplicate occupancy costs of approximately \$8 million for new corporate offices during the build-out phase

## CAPITAL EXPENDITURES

- **Expected range of \$43.0 million to \$50.0 million:** Includes approximately \$26 million of build-out costs for the new corporate offices

## EFFECTIVE TAX RATE

- **Expected to be between 21.0% to 22.0%:** Includes the estimated impact of tax reform and excess tax benefits on share awards expected to vest in 2018