

MARKETAXESS

4Q17

CONFERENCE CALL & WEBCAST

January 31, 2018

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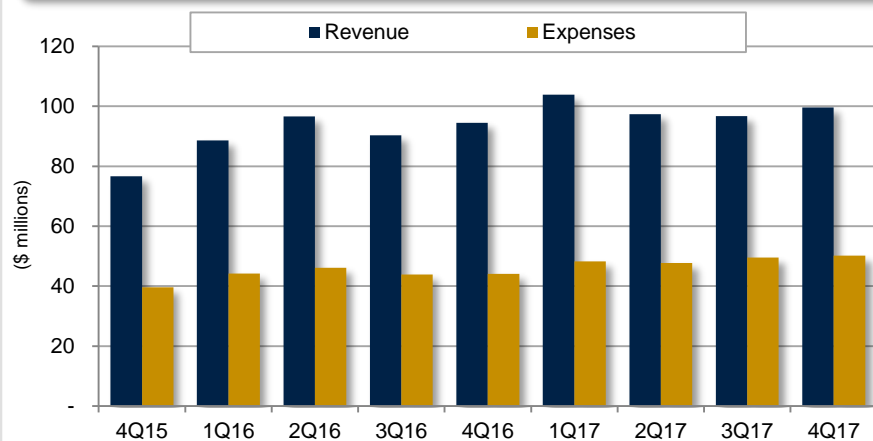
Earnings

- Revenues of \$99.6 million, up 5.4%
- Expenses of \$50.2 million, up 13.8%
- Pre-tax income of \$49.4 million, down 1.9%
- One-time tax charge of \$11.7 million related to the Tax Cuts and Jobs Act
- Diluted EPS of \$0.88, consistent with prior year

Business Highlights

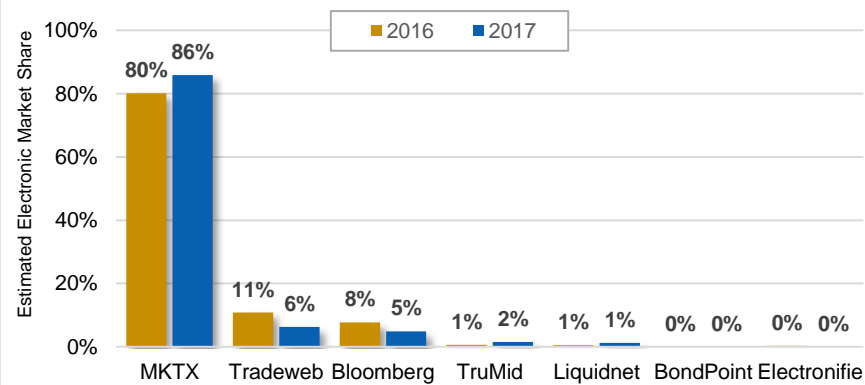
- Total trading volume of \$355.6 billion, up 5.1%
- Record estimated U.S. high-grade market share of 17.6%, up from 17.2%
- Record emerging market trading volume of \$79.8 billion, up 26.1%
- Record Open Trading™ volume

Quarterly Revenue and Expense



Competitive Landscape – Greenwich Associates Survey

Estimated U.S. High-Grade and High-Yield Electronic Market Share²



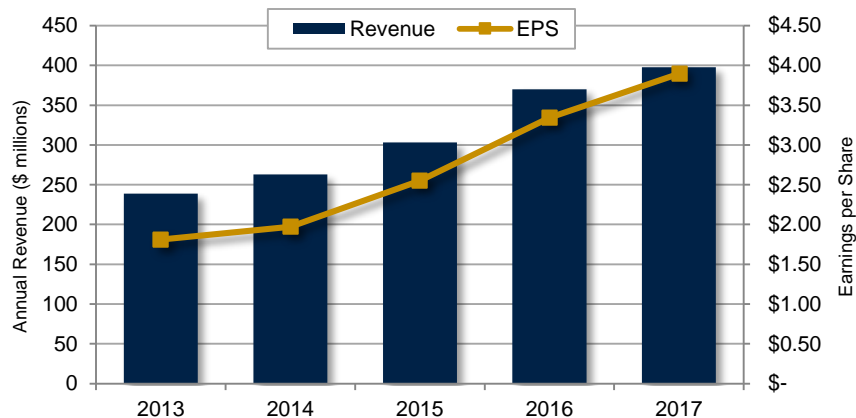
¹ All period comparisons versus 4Q16 unless otherwise stated.

² Source: Greenwich Associates 2017 U.S. Fixed-Income Study

Full Year 2017 Results Reflects Continued Strong Growth



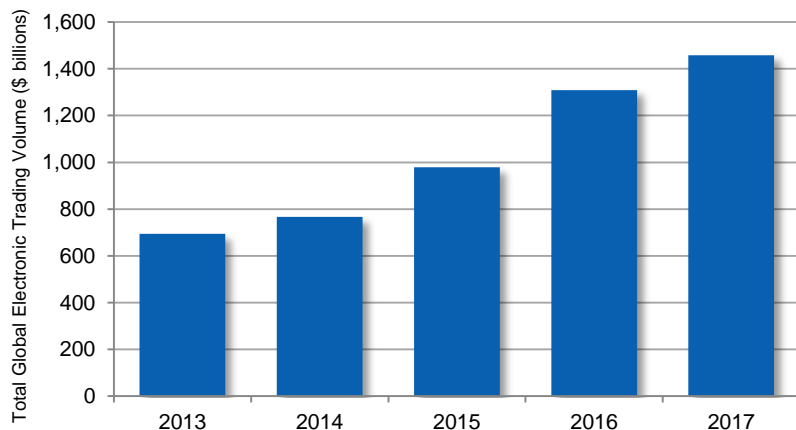
Annual Revenue & EPS Trend



Full Year 2017 Compound Annual Growth Rate

	1-Year	3-Year	5-Year ¹
Total Revenue	7.4%	14.8%	13.1%
Total Expenses	9.8%	10.7%	9.2%
EPS	16.4%	25.4%	21.9%
Total Volume	11.4%	23.9%	19.9%
Total Shareholder Return²	39.6%	186.0%	505.0%

Total Global Electronic Trading Volume



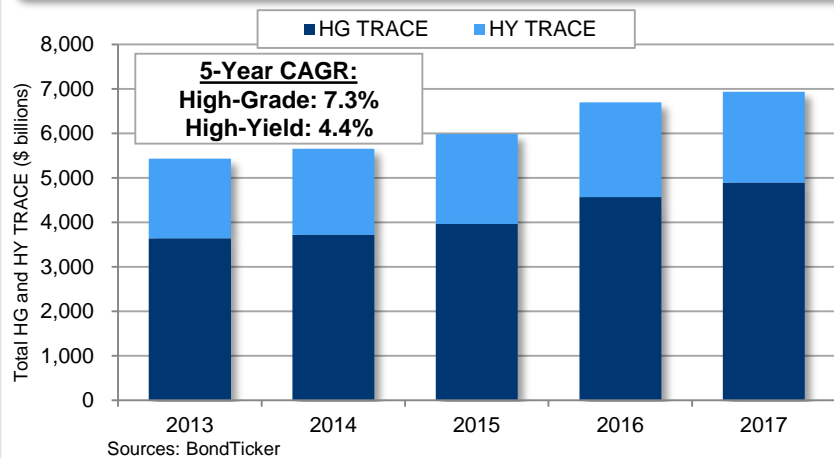
Comments

- 9th consecutive year of record full year trading volume, revenue and operating income
- Record estimated U.S. high-grade market share and record emerging markets volume
- Free cash flow of \$160 million in 2017
- Board of Directors approved a 27% increase to the regular quarterly dividend to \$0.42 per share

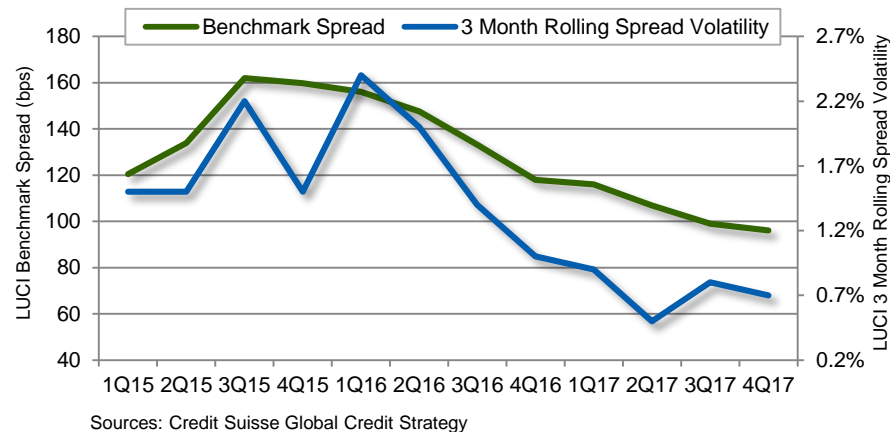
¹ Pro forma to include historical Xtrakter results prior to acquisition in February 2013

² Total Shareholder Return provided by NASDAQ, calculated using Factset's Total Shareholder Return metrics

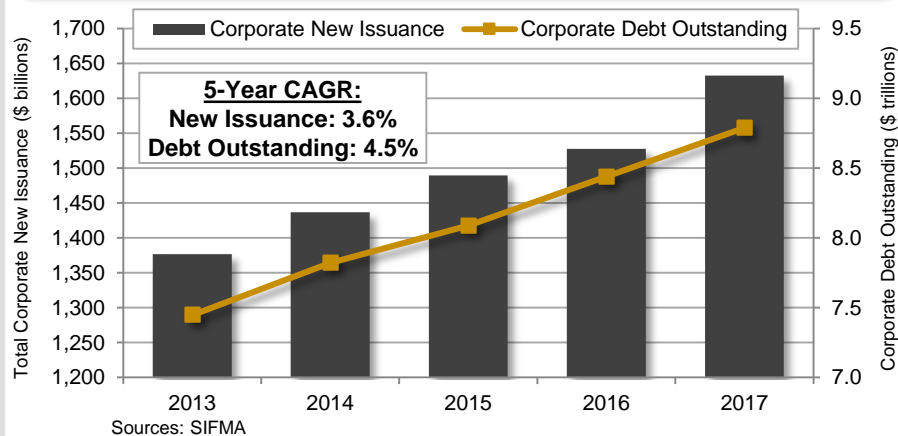
U.S. High-Grade & High-Yield TRACE¹



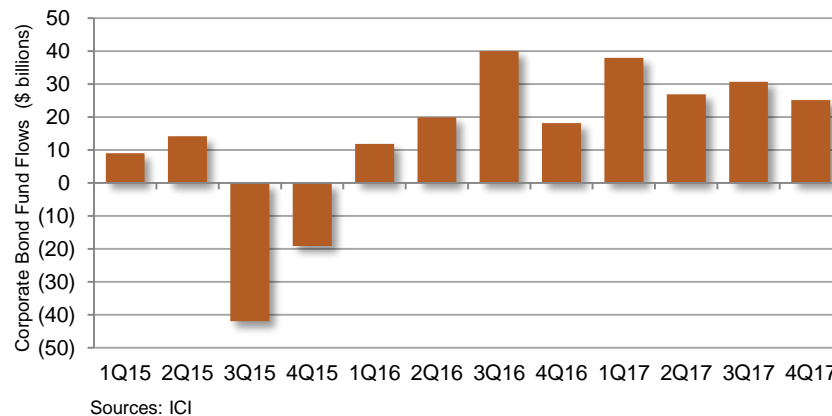
Liquid U.S. Corporate Index (LUCI)



New Issuance & Corporate Debt Outstanding



Corporate Bond Fund Flows

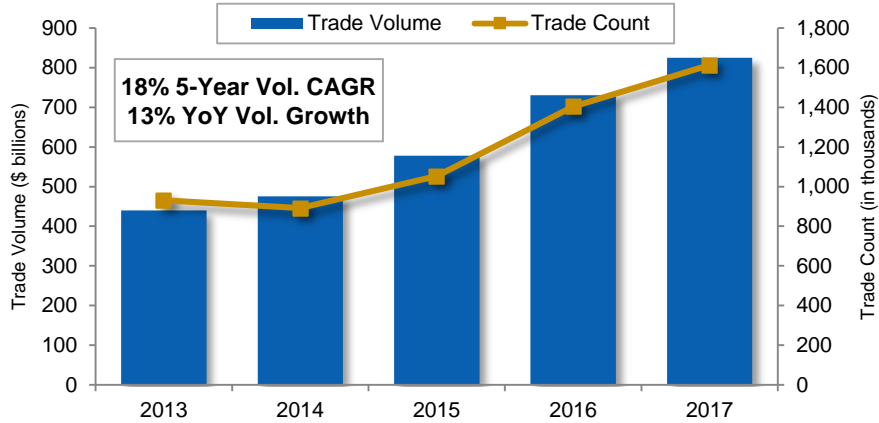


¹ FINRA TRACE volumes have been adjusted to eliminate the increased reporting of affiliate back-to-back trades from April 2014 to October 2015. See Investor Relations-Volume section of Company website.

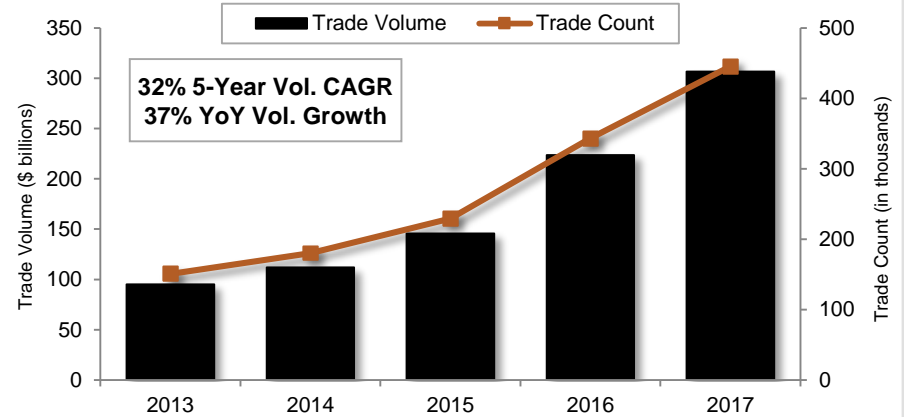
Annual Volume and Trade Count by Product



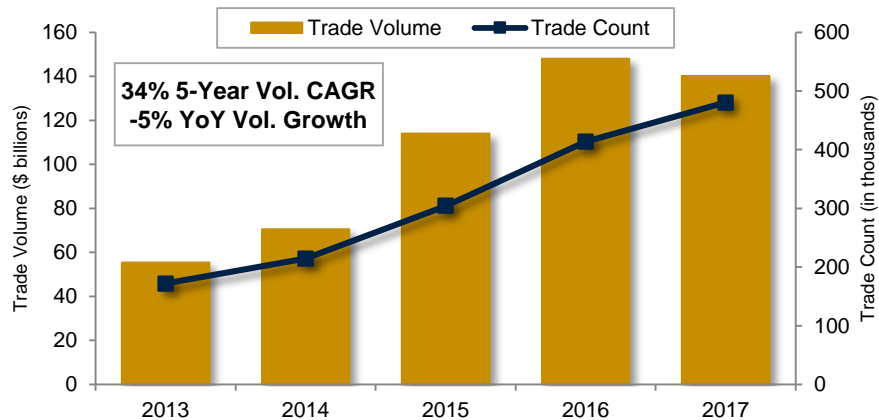
U.S. High-Grade



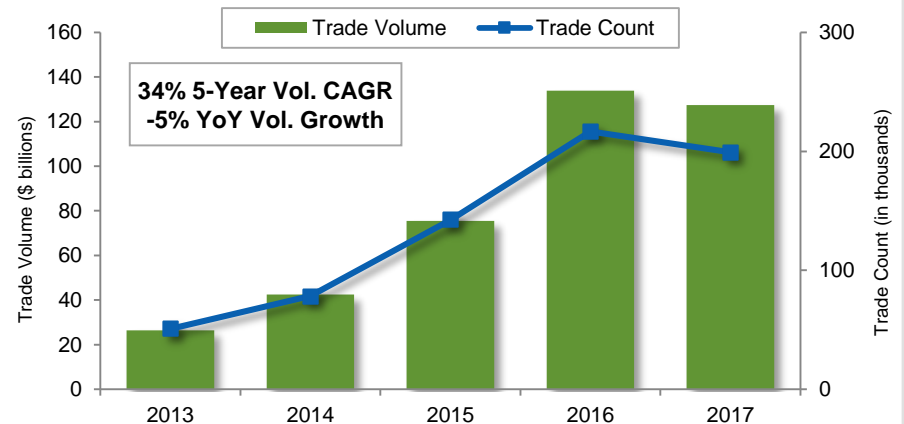
Emerging Markets



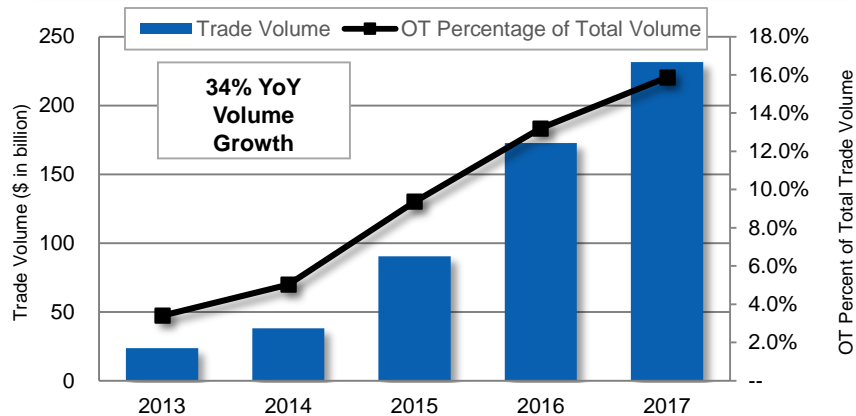
U.S. High-Yield



Eurobond



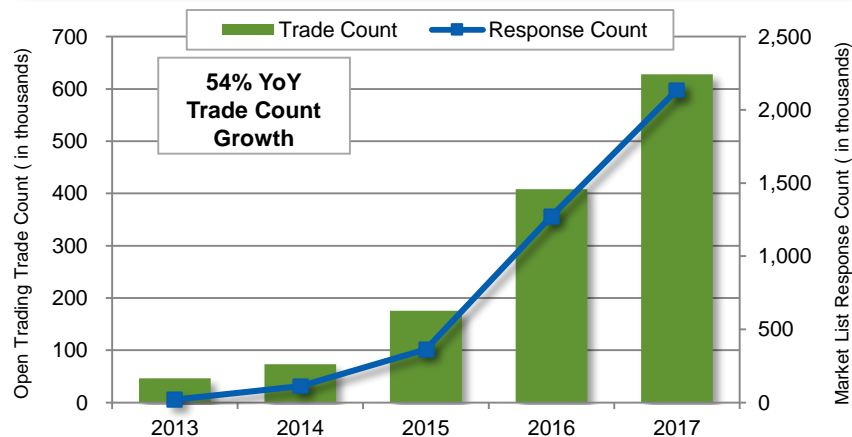
Open Trading Growth



Highlights

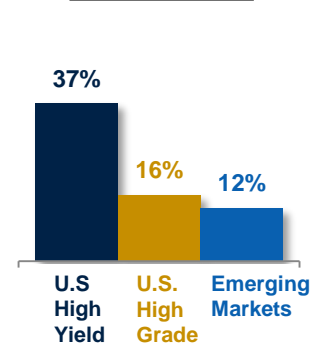
- \$926 million average daily volume, up 34% from 2016
- Approximately 627,000 total Open Trading transactions completed in 2017, up 54% from 407,000 in 2016
- Approximately 2.1 million price responses in 2017, up 68% from 2016
- Estimated liquidity taker total cost savings of \$89.6 million in 2017¹
- Dealer initiated trades now represent 24% of all Open Trading trade volume, up from 17% in 2016

Open Trading Trade Count & Response Count

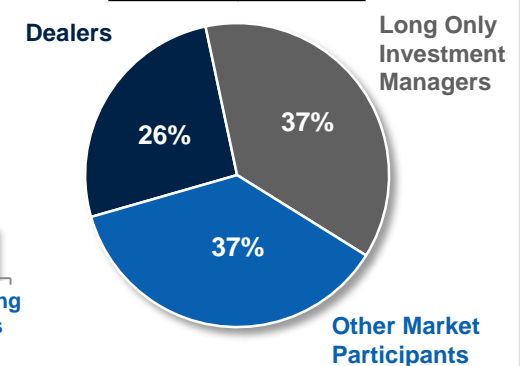


2017 Open Trading Breakdown

OT Volume as Percent of Product Volume



OT Liquidity Providers



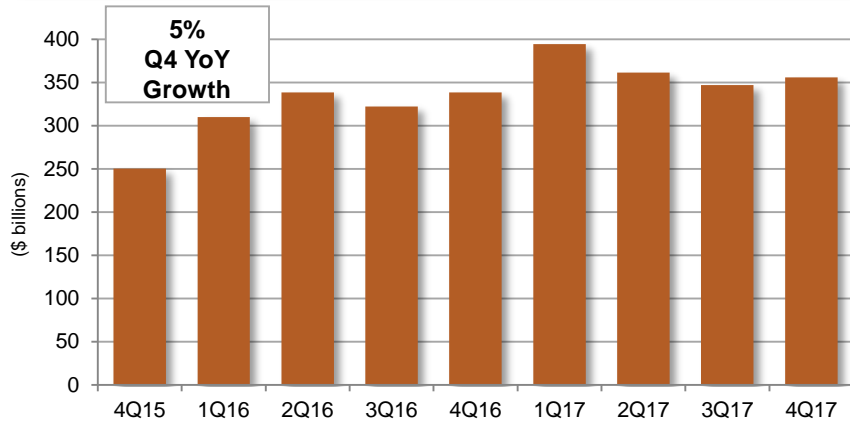
Note: Client segment based on 2017 trade volume of firms winning Market List trades

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, eurobonds and municipal bonds.

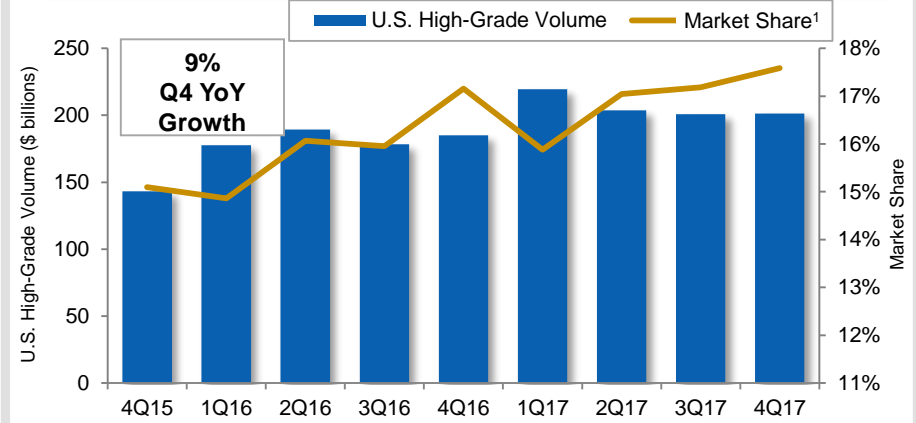
Quarterly Volume



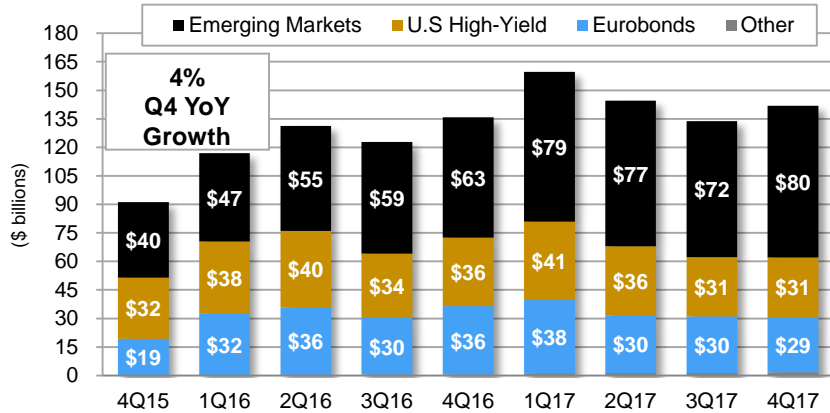
Global



U.S. High-Grade

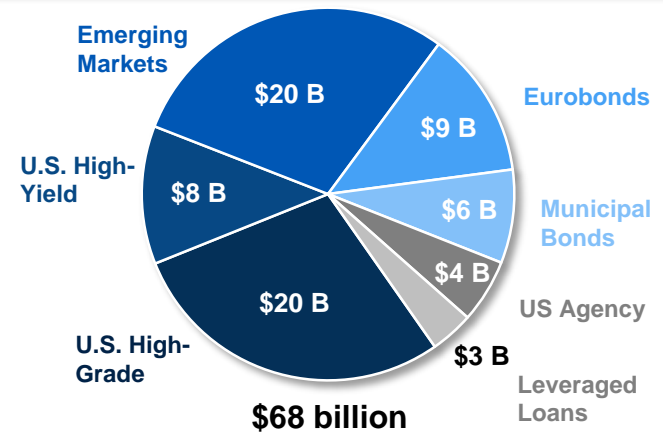


Other Credit



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

Estimated ADV for Addressable Markets²



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 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

Earnings Performance



(In thousands, except per share data)

	<u>4Q17</u>	<u>3Q17</u>	<u>4Q16</u>	<u>4Q17 vs.</u> <u>4Q16</u>
Revenues				
Commissions	\$ 87,975	\$ 86,270	\$ 85,519	2.9%
Information Services ¹	6,793	6,331	5,667	19.9%
Post-trade Services ¹	3,467	2,678	2,544	36.3%
Investment Income	1,068	964	668	59.9%
Other Income ¹	262	458	38	589.5%
Total Revenues	<u>99,565</u>	<u>96,701</u>	<u>94,436</u>	5.4%
Expenses	<u>50,194</u>	<u>49,484</u>	<u>44,109</u>	13.8%
Income Before Taxes	<u>49,371</u>	<u>47,217</u>	<u>50,327</u>	(1.9%)
Provision for Income Taxes	15,898	13,087	17,162	(7.4%)
Net Income	<u>\$ 33,473</u>	<u>\$ 34,130</u>	<u>\$ 33,165</u>	0.9%
Operating Margin	49.6%	48.8%	53.3%	-3.7 pts
EBITDA²	\$ 54,579	\$ 51,800	\$ 54,619	(0.1%)
Diluted EPS	\$ 0.88	\$ 0.90	\$ 0.88	0.0%
Diluted Shares³	37,943	38,019	37,742	0.5%

¹ The Company reclassified "Information and post-trade services" revenues on the consolidated statements of operations to separately reflect "Information services" revenues and "Post-trade services" revenues. "Information services" revenues includes technology product and service revenue of \$0.8 million, \$0.6 million and \$0.7 million for the three months ended December 31, 2017, September 30, 2017 and December 31, 2016, respectively, that was previously reported within "Other" revenue.

² See fourth quarter 2017 earnings release and the Investor Relations section of the Company's website for reconciliation of net income to EBITDA

³ Represents the weighted average number of share of common stock including the dilutive effect of outstanding securities.

Commission Revenue Detail



	<u>4Q17</u>	<u>3Q17</u>	<u>4Q16</u>	<u>% Δ</u> <u>4Q17 vs.</u> <u>4Q16</u>
(\$ in thousands)				
<u>Commissions</u>				
Transaction Fees				
U.S. High-Grade	\$ 34,623	\$ 34,020	\$ 34,191	1.3%
Other Credit ¹	30,271	31,381	35,048	(13.6%)
Liquid Products ²	531	545	699	(24.0%)
Total Transaction Fees	<u>65,425</u>	<u>65,946</u>	<u>69,938</u>	(6.5%)
Distribution Fees				
U.S. High-Grade	16,724	16,305	15,107	10.7%
Other Credit ¹	5,648	3,844	346	1532.4%
Liquid Products ^{2,3}	178	175	128	39.1%
Total Distribution Fees	<u>22,550</u>	<u>20,324</u>	<u>15,581</u>	44.7%
Total Commissions	<u>\$ 87,975</u>	<u>\$ 86,270</u>	<u>\$ 85,519</u>	2.9%
(\$ in millions)				
<u>Trading Volume</u>				
U.S. High-Grade	\$ 201,226	\$ 200,826	\$ 185,066	8.7%
Other Credit ¹	141,857	133,757	135,799	4.5%
Liquid Products ²	12,543	12,189	17,393	(27.9%)
Total Trading Volume	<u>\$ 355,626</u>	<u>\$ 346,772</u>	<u>\$ 338,258</u>	5.1%
<u>Transaction Fees per Million</u>				
U.S. High-Grade	\$ 172	\$ 169	\$ 185	(6.9%)
Other Credit ¹	213	235	258	(17.3%)
Liquid Products ²	42	45	40	5.3%
Total	\$ 184	\$ 190	\$ 207	(11.0%)

¹ Other Credit includes 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

Expense Detail



(\$ in thousands)

<u>Expenses</u>	<u>4Q17</u>	<u>3Q17</u>	<u>4Q16</u>	<u>% Δ</u> <u>4Q17 vs.</u> <u>4Q16</u>
Employee Comp. and Benefits	\$ 24,334	\$ 25,595	\$ 22,529	8.0%
Depreciation and Amortization	5,208	4,583	4,292	21.3%
Technology and Communications	5,606	5,035	4,449	26.0%
Professional and Consulting	5,455	5,547	4,726	15.4%
Occupancy	1,504	1,795	1,075	39.9%
Marketing and Advertising	3,005	2,089	3,192	(5.9%)
Clearing Costs	1,477	1,476	1,306	13.1%
General and Administrative	<u>3,605</u>	<u>3,364</u>	<u>2,540</u>	41.9%
Total Expenses	<u>\$ 50,194</u>	<u>\$ 49,484</u>	<u>\$ 44,109</u>	13.8%

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

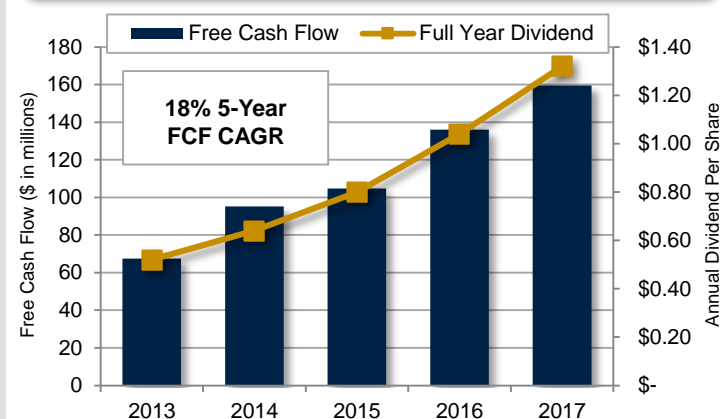


(In thousands)

	12/31/2017	12/31/2016
Assets		
Cash and Cash Equivalents	\$ 167,014	\$ 168,243
Investments	239,521	194,404
Accounts Receivable, net	52,636	50,668
All Other Assets	122,061	114,727
Total Assets	\$ 581,232	\$ 528,042
Liabilities and Stockholders' Equity		
Total Liabilities	\$ 66,464	\$ 60,029
Total Stockholders' Equity	514,768	468,013
Total Liabilities and Stockholders' Equity	\$ 581,232	\$ 528,042

- Cash, Cash Equivalents & Investments represented \$10.71 per share on a diluted basis as of December 31, 2017
- Total Shareholders' Equity was \$13.57 per share on a diluted basis as of December 31, 2017

Free Cash Flow and Dividends



Comments

- Free cash flow of \$160 million in 2017
- Continued investment in our employees, trading platform, new products, geographic expansion and infrastructure
- \$94 million of share repurchase capacity under existing share repurchase program

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 \$25 million of build-out costs for the new corporate offices

Effective Tax Rate

- Expected to be between 23.0% to 25.0%
 - Includes the estimated impact of tax reform and excess tax benefits on share awards expected to vest in 2018

- **Challenging year for fixed income trading in low volatility climate**
- **Continued strong growth in our client network**
- **Emerging markets momentum continues with record trading volumes**
- **Record Open Trading volume delivering meaningful transaction cost savings**
- **Regulatory changes, including MiFID II, likely to be a catalyst for future growth in electronic trading**
- **January month-to-date trading results show a strong start to the year**