



Q4 2018 Conference Call and Webcast

January 30, 2019

Forward Looking Statements

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4Q18 Summary¹

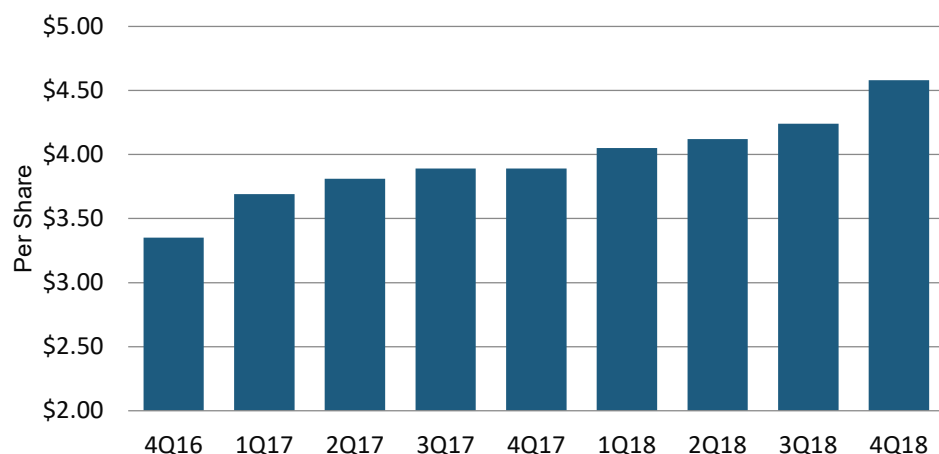
EARNINGS

- Revenues of \$112.4 million, up 14.1%
- Expenses of \$58.5 million, up 17.6%
- Operating income up 14.7%, excluding duplicate occupancy expense
- Diluted EPS of \$1.21, up 37.5%

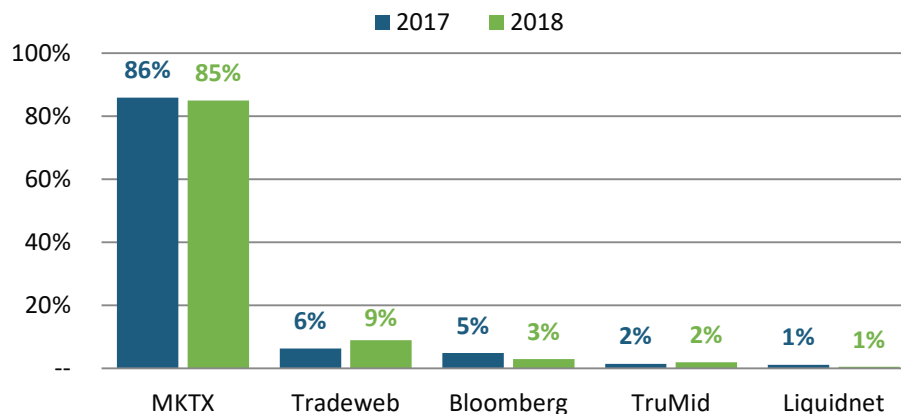
BUSINESS HIGHLIGHTS

- Total trading volume of \$442.3 billion, up 24.4%
- Record estimated U.S. high-grade market share of 19.3%, up from 17.6%
- Record U.S. high-yield market share of 10.9%, up from 6.3%
- Record Open Trading™ volume of \$117.5 billion, up 96.5%

TRAILING TWELVE MONTHS EPS



GREENWICH ASSOCIATES SURVEY: ESTIMATED U.S. INSTITUTIONAL CORPORATE BOND ELECTRONIC MARKET SHARE²

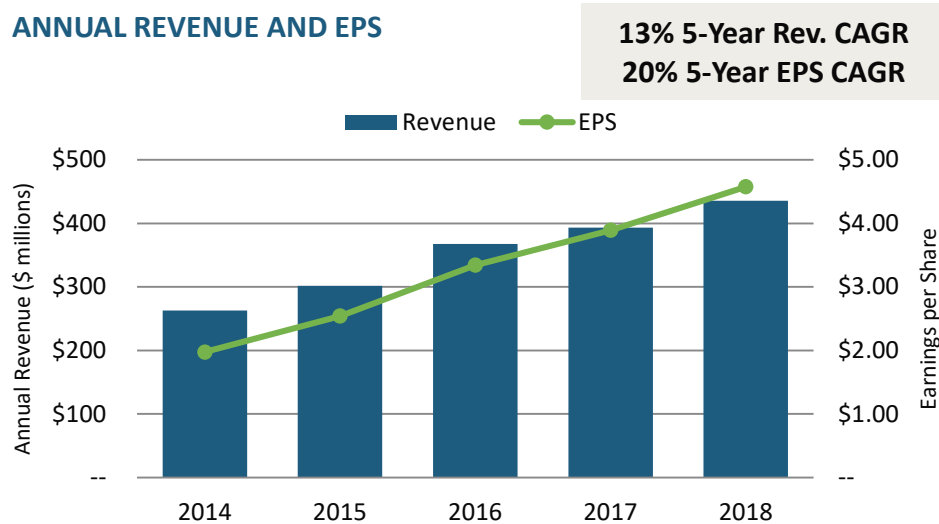


1. All period comparisons versus 4Q17 unless otherwise stated.

2. Source: Greenwich Associates 2018 and 2017 U.S. Fixed-Income Survey.

Full Year 2018 Results Reflect Continued Strong Growth

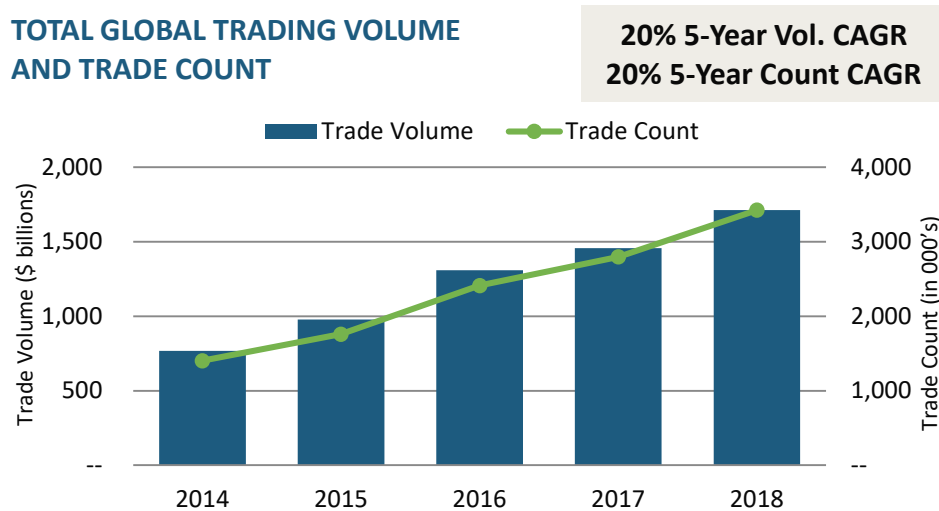
ANNUAL REVENUE AND EPS



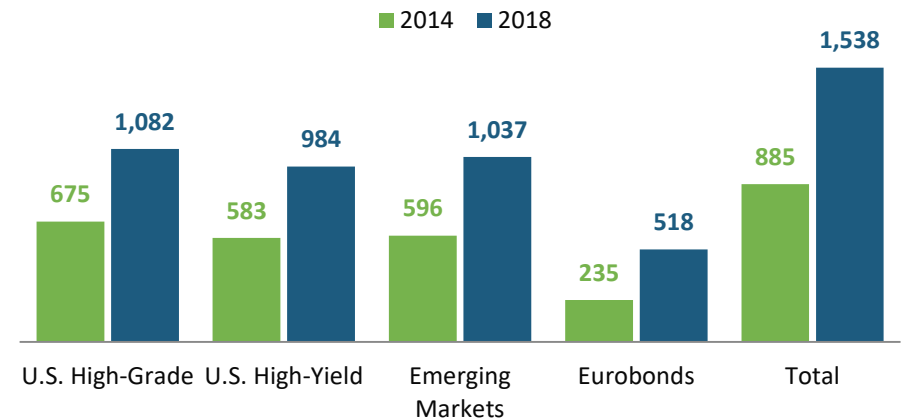
COMMENTARY

- 10th consecutive year of record full year trading volume, revenue and operating income
- Record estimated U.S. high-grade and U.S. high-yield market share and record volumes across core products
- Over 1,500 active client firms in 2018 with 850 client firms trading 3 or more products
- Record total trade volume and trade count, up 17.5% and 22.4%, respectively

TOTAL GLOBAL TRADING VOLUME AND TRADE COUNT

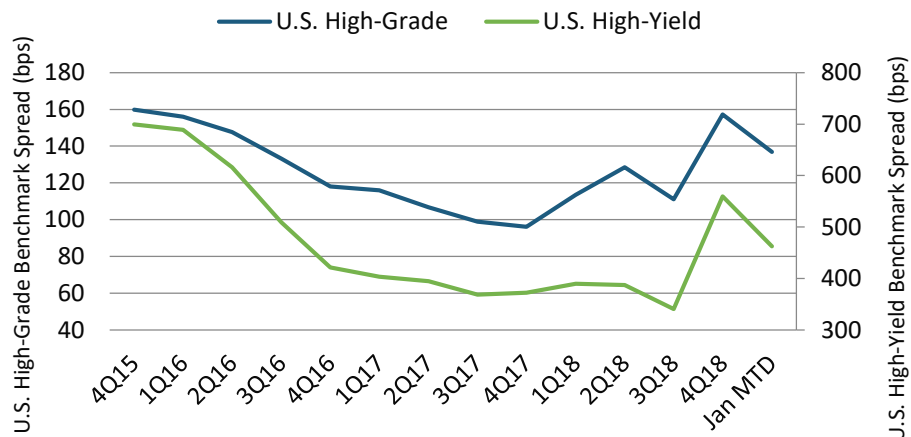


TOTAL ACTIVE CLIENT FIRMS BY PRODUCT



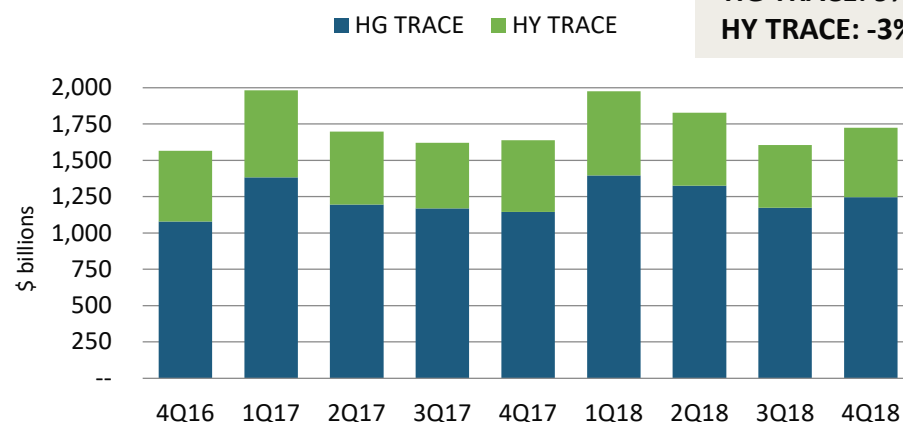
Market Conditions

LIQUID U.S. CORPORATE INDEX (LUCI) BENCH SPREADS



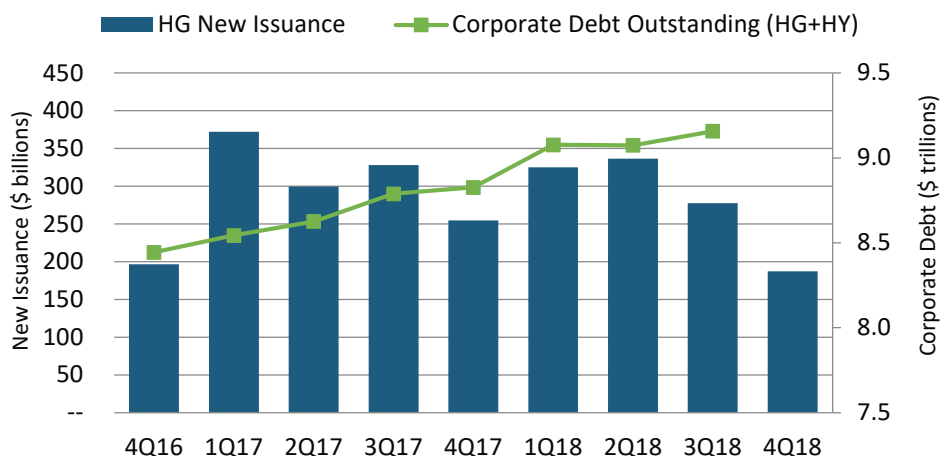
Source: Credit Suisse Global Credit Strategy; January MTD through January 28th, 2019.

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



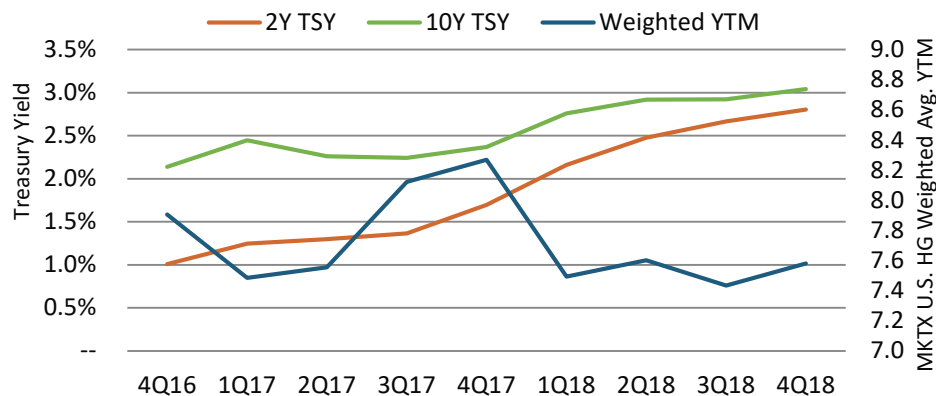
Source: BondTicker

NEW ISSUANCE & CORPORATE DEBT OUTSTANDING



Source: JPMorgan; Federal Reserve

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



Source: Federal Reserve

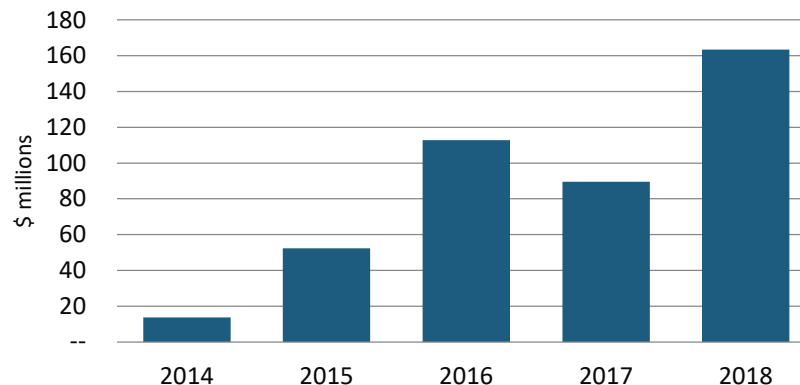
Open Trading™

HIGHLIGHTS

- \$1.9 billion average daily volume, up 99.1% from 4Q17
- Estimated transaction cost savings of \$57.3 million in 4Q18, up 174.7% from 4Q17¹
- Approximately 790 firms provided liquidity through Open Trading during 4Q18, up 15.5% from 4Q17
- Over 344,000 total Open Trading transactions completed in 4Q18, up 105.3% from 4Q17
- Approximately 1.7 million price responses in 4Q18, up 127.8% from 4Q17

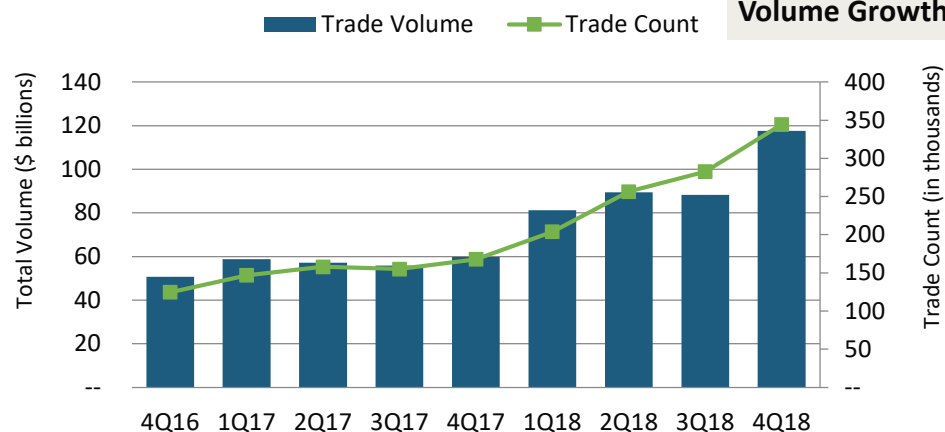
OPEN TRADING TRANSACTION COST SAVINGS¹

**82%
2018 YoY Growth**

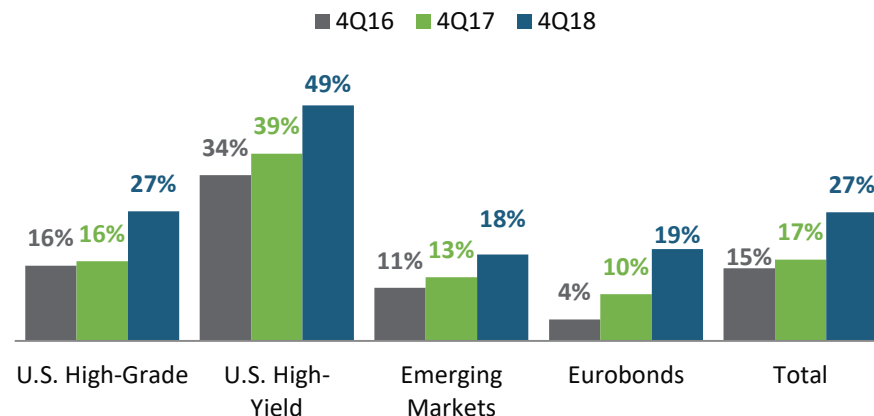


OPEN TRADING VOLUME & COUNT

**96%
Q4 YoY Trade
Volume Growth**



OPEN TRADING VOLUME AS PERCENT OF TOTAL PRODUCT VOLUME



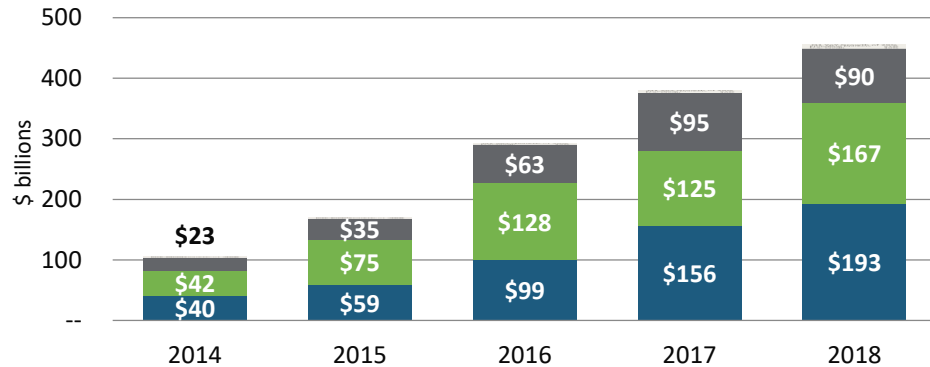
1. Liquidity taker cost savings is defined as the difference between the winning price and the best disclosed dealer cover price.

International Progress

INTERNATIONAL CLIENT VOLUMES

5-Year CAGR of 45%	
Emerging Markets	53%
Eurobond	45%
U.S. Credit	33%

■ Emerging Markets ■ Eurobonds ■ U.S. Credit

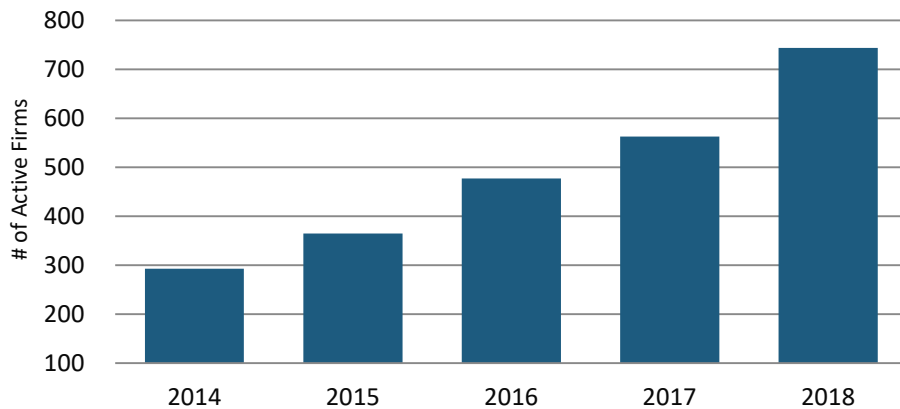


INTERNATIONAL PROGRESS IN 2018

- International client volume of \$456 billion, up 20.1%
- Emerging market volume of \$378 billion, up 23.3%
- EM local markets trading volume up 35.0%; Bonds in 26 different EM local currency bond markets traded in 2018
- Over 740 active international client firms, up 32.1%

TOTAL ACTIVE INTERNATIONAL CLIENT FIRMS

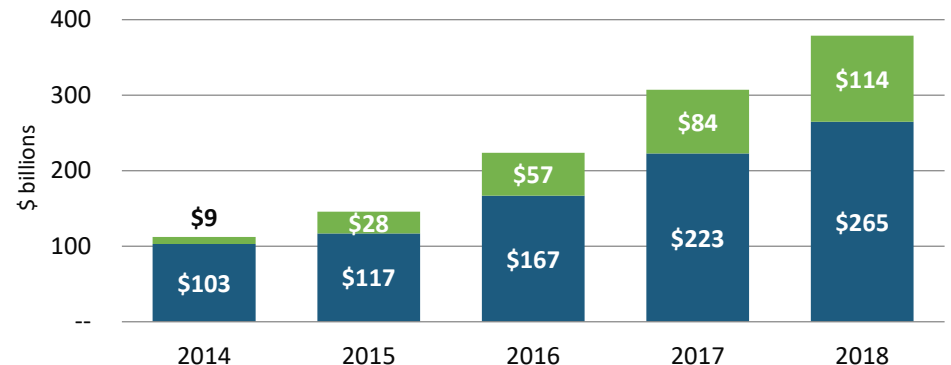
23% 5-Year Client Firm CAGR	
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EMERGING MARKET VOLUME BY PRODUCT

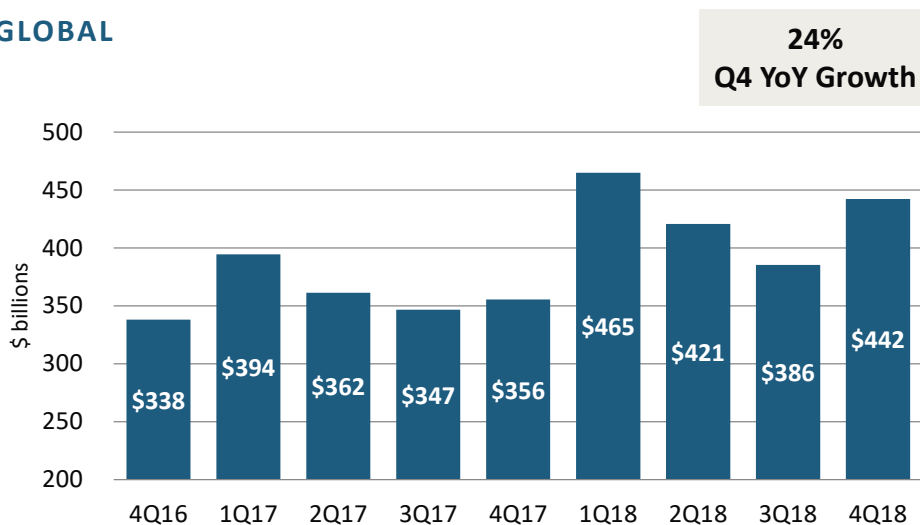
5-Year CAGR of 32%	
External Markets	24%
Local Markets	108%

■ External Markets ■ Local Markets



Quarterly Volume Growth

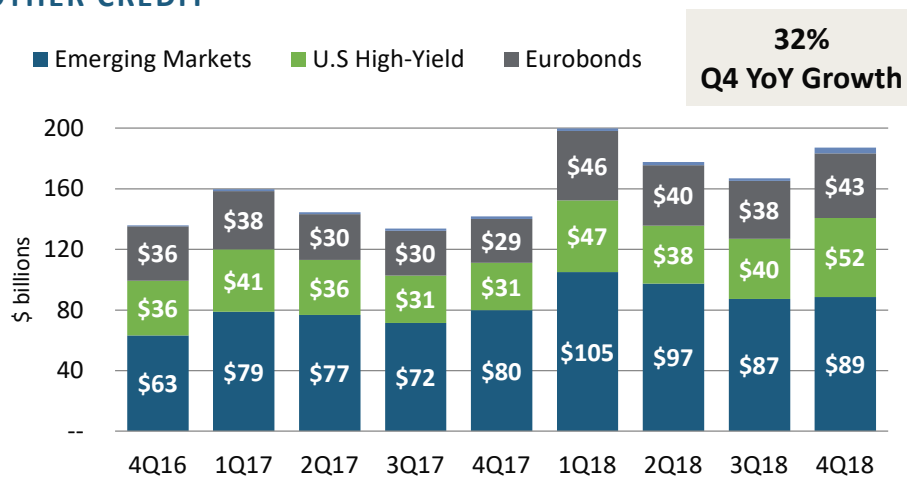
GLOBAL



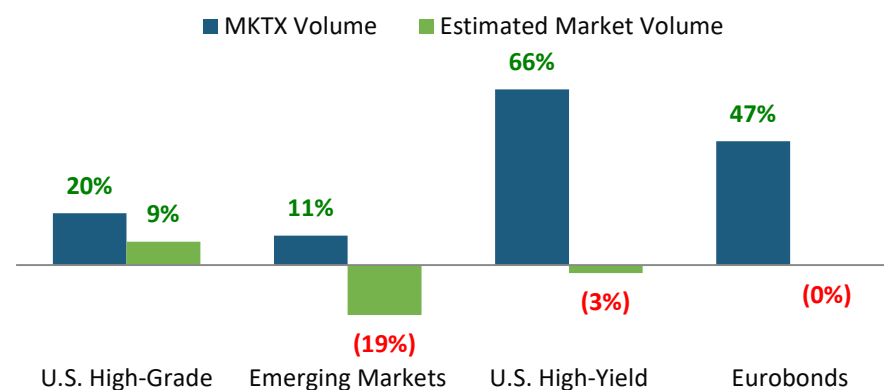
U.S. HIGH-GRADE



OTHER CREDIT



4Q18 YOY CHANGE IN MKTX AND ESTIMATED MARKET VOLUMES¹



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>4Q18</u>	<u>3Q18</u>	<u>4Q17</u>	% Δ 4Q18 vs. 4Q17
Revenues				
Commissions	\$ 101,436	\$ 90,513	\$ 87,975	15.3%
Information Services	7,057	7,174	6,793	3.9%
Post-trade Services	3,675	3,475	3,467	6.0%
Other Income	276	281	325	(15.1%)
Total Revenues	<u>112,444</u>	<u>101,443</u>	<u>98,560</u>	14.1%
Expenses	<u>58,479</u>	<u>55,031</u>	<u>49,723</u>	17.6%
Operating Income	<u>53,965</u>	<u>46,412</u>	<u>48,837</u>	10.5%
Investment Income and Other, net	<u>2,101</u>	<u>1,385</u>	<u>534</u>	293.4%
Income Before Taxes	<u>56,066</u>	<u>47,797</u>	<u>49,371</u>	13.6%
Provision for Income Taxes	<u>10,235</u>	<u>9,203</u>	<u>15,898</u>	(35.6%)
Net Income	<u><u>\$ 45,831</u></u>	<u><u>\$ 38,594</u></u>	<u><u>\$ 33,473</u></u>	<u><u>36.9%</u></u>
Operating Margin	48.0%	45.8%	49.6%	-1.6 pts
EBITDA ¹	\$ 61,914	\$ 53,970	\$ 54,579	13.4%
Diluted EPS	\$ 1.21	\$ 1.02	\$ 0.88	37.5%
Diluted Shares ²	37,845	37,828	37,943	(0.3%)

1. See fourth quarter 2018 earnings release and the Investor Relations section of the Company's website for a 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)	4Q18	3Q18	4Q17	% Δ 4Q18 vs. 4Q17
<u>Commissions</u>				
Transaction Fees				
U.S. High-Grade	\$ 37,089	\$ 32,385	\$ 34,623	7.1%
Other Credit ¹	38,868	33,088	30,271	28.4%
Liquid Products ²	593	482	531	11.7%
Total Transaction Fees	76,550	65,955	65,425	17.0%
Distribution Fees				
U.S. High-Grade	18,615	18,032	16,724	11.3%
Other Credit ¹	6,110	6,385	5,648	8.2%
Liquid Products ²	161	141	178	(9.6%)
Total Distribution Fees	24,886	24,558	22,550	10.4%
Total Commissions	\$ 101,436	\$ 90,513	\$ 87,975	15.3%
(\$ in millions)				
<u>Trading Volume</u>				
U.S. High-Grade	\$ 240,652	\$ 206,016	\$ 201,226	19.6%
Other Credit ¹	187,274	166,990	141,857	32.0%
Liquid Products ²	14,345	12,505	12,543	14.4%
Total Trading Volume	\$ 442,271	\$ 385,511	\$ 355,626	24.4%
<u>Transaction Fees per Million</u>				
U.S. High-Grade	\$ 154	\$ 157	\$ 172	(10.5%)
Other Credit ¹	208	198	213	(2.3%)
Liquid Products ²	41	39	42	(2.4%)
Total	\$ 173	\$ 171	\$ 184	(6.0%)

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.

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Expense Detail

(\$ in thousands)

	<u>4Q18</u>	<u>3Q18</u>	<u>4Q17</u>	% Δ 4Q18 vs. 4Q17
<u>Expenses</u>				
Employee Compensation and Benefits	\$ 27,802	\$ 26,282	\$ 24,225	14.8%
Depreciation and Amortization	5,848	6,173	5,208	12.3%
Technology and Communications	6,415	5,879	5,606	14.4%
Professional and Consulting	5,353	5,685	5,455	(1.9%)
Occupancy ¹	3,844	3,528	1,504	155.6%
Marketing and Advertising	3,534	2,980	3,005	17.6%
Clearing Costs	2,257	1,760	1,477	52.8%
General and Administrative	3,426	2,744	3,243	5.6%
Total Expenses	\$ 58,479	\$ 55,031	\$ 49,723	17.6%

1. Occupancy costs in the third and fourth quarters of 2018 includes \$1.9 million and \$2.1 million, respectively, in duplicate expense recognized during the build-out phase of the Company's new corporate offices in New York.

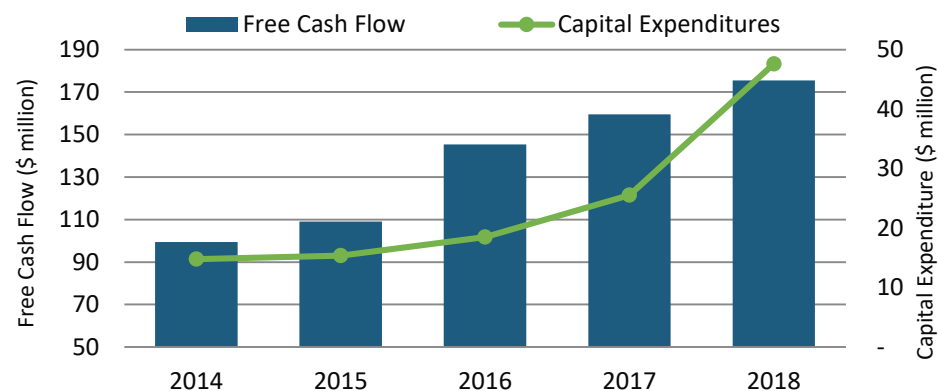
Balance Sheet Data

(\$ in thousands)

	<u>12/31/2018</u>	<u>12/31/2017</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 246,322	\$ 167,014
Investments	240,105	239,521
Accounts Receivable, net	57,535	52,636
All Other Assets	151,577	122,061
Total Assets	<u>\$ 695,539</u>	<u>\$ 581,232</u>
<u>Liabilities and Stockholders' Equity</u>		
Total Liabilities	\$ 87,661	\$ 66,464
Total Stockholders' Equity	<u>607,878</u>	<u>514,768</u>
Total Liabilities and Stockholders' Equity	<u>\$ 695,539</u>	<u>\$ 581,232</u>

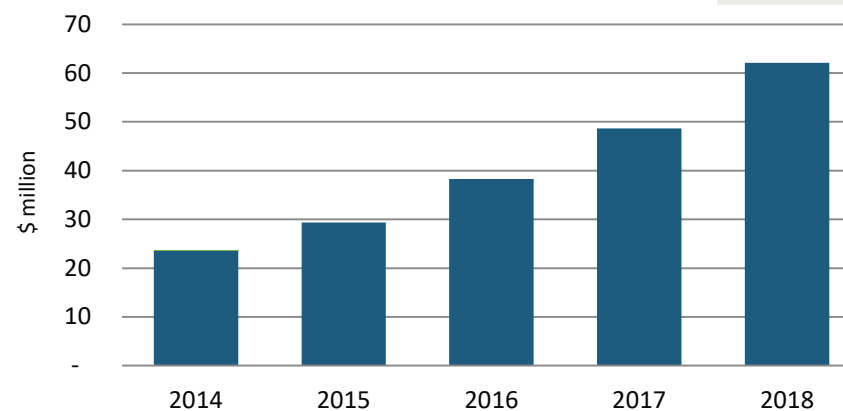
ANNUAL FREE CASH FLOW AND CAPITAL EXPENDITURES

19% 5-Year FCF CAGR
15% 5-Year CapEx CAGR



ANNUAL DIVIDENDS

26%
5-Year CAGR



2019 Guidance

EXPENSES

- Expected range of \$244.0 million to \$256.0 million

CAPITAL EXPENDITURES

- Expected range of \$25.0 million to \$30.0 million

EFFECTIVE TAX RATE

- Expected to be between 20.5% to 22.5%
 - Including the estimated impact of excess tax benefits on share awards

Summary

- Strong market share gains across U.S. High-Grade, U.S. High-Yield, Emerging Markets and Eurobonds
- Open Trading volume surged 96% YoY, driving estimated transaction cost savings of \$57 million, up from \$21 million in 4Q 2017
- Tenth straight year of record volume, revenue, and EPS
- Client breadth growing across products and regions
- Adding senior leadership to invest in future growth opportunities



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