



# Acquisition of LiquidityEdge

August 13<sup>th</sup>, 2019

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# Transaction Highlights

## TRANSACTION OVERVIEW:

- MarketAxess Holdings Inc. (“MKTX”) announces the acquisition of LiquidityEdge LLC (“LiquidityEdge”), a fast-growing electronic U.S. Treasury trading venue that launched in 2015
- LiquidityEdge offers a direct streaming U.S. Treasury platform of both on and off-the-runs for over 100 institutions, including primary dealers, regional dealers, professional market makers and institutional investors
- LiquidityEdge reached a record \$14.7 billion of average daily volume in 2Q 2019 and accounted for an estimated 4.7% of electronic trading market share in July 2019<sup>1</sup>, with recent daily records in excess of \$25 billion

## STRATEGIC RATIONALE:

- Launches MKTX into U.S. Treasury trading with meaningful initial market share and broad connectivity
- Potential to leverage unique protocols in conjunction with organic MKTX initiatives
- Supports MKTX’s U.S. Treasury hedging initiative with an established liquidity pool

## DEAL TERMS AND FINANCIAL PROFILE

- The purchase price is \$150 million, including \$100 million in cash and \$50 million in MKTX stock, subject to customary purchase price adjustments
- Closing expected in the 4Q19, subject to regulatory approvals, among other customary closing conditions
- LiquidityEdge FY 2018 revenue of \$9.2 million, up from \$2.3 million in FY 2017
- Not expected to have a material impact on MKTX earnings, before deal costs and amortization of intangibles

1. Source: Greenwich Associates Greenwich MarketView July 2019

# Strategic Rational

## Diversify Trading Products

- Provides entry into the U.S. Treasury market via an established player with growing market share and broad connectivity
- U.S. Treasury market is a natural extension of MarketAxess' core credit market with significant client overlap and sizeable cross-selling opportunities
- Ability to electronically trade and stream market maker liquidity in both on-the-run and off-the-run U.S. Treasuries

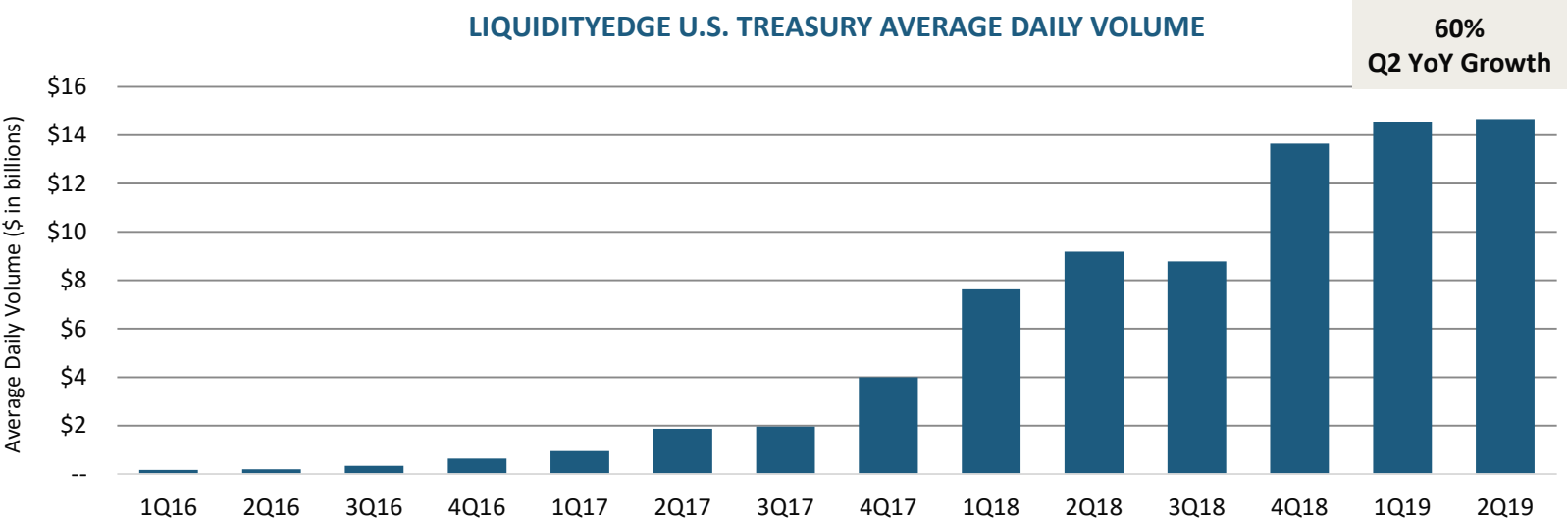
## Unique Trading Protocols

- Highly flexible trading model that allows firms to customize between one-to-one or many-to-many liquidity providers
- Combination of anonymous and/or disclosed streaming of executable prices, creating a bespoke order book for each participant
- Potential for MKTX to leverage unique protocols in the corporate bond market through the Open Trading™ Live Markets™ order book initiative

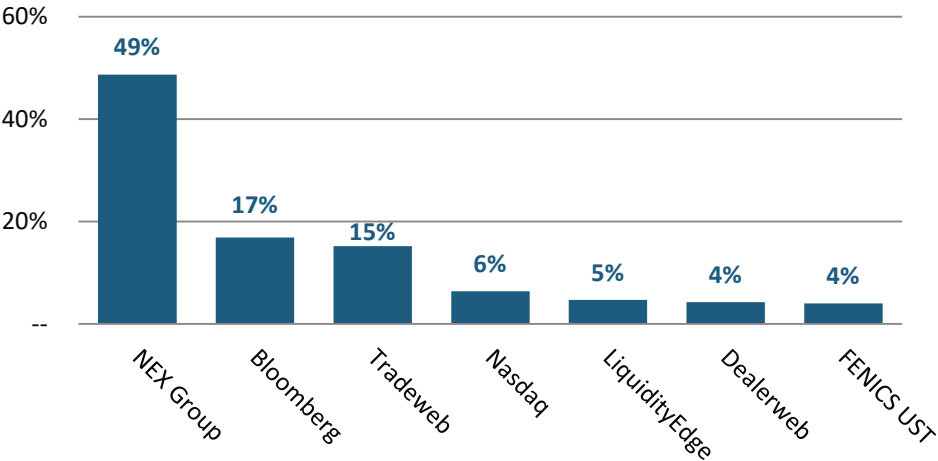
## U.S. Treasury Hedging Solution

- Developing U.S. Treasury net hedging solution utilizing LiquidityEdge's technology and liquidity network
- Will provide firms with the ability to simultaneously hedge a credit spread transaction within the same trading workflow, maximizing efficiency and reducing rate movement risk
- Expected rollout beginning in 4Q19

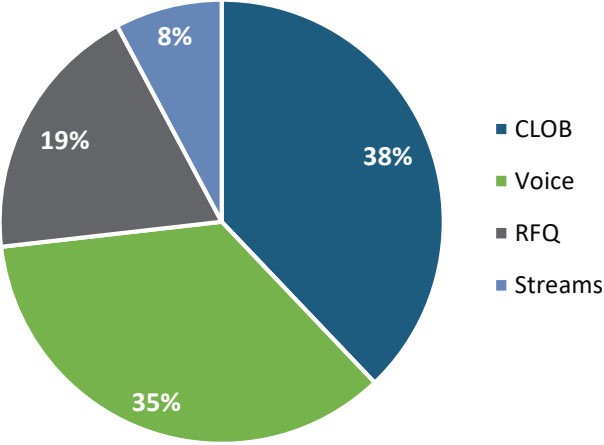
# U.S. Treasury Market Dynamic



## GREENWICH ASSOCIATES SURVEY: ESTIMATED U.S. TREASURY ELECTRONIC MARKET SHARE – JULY 2019<sup>1</sup>



## GREENWICH ASSOCIATES SURVEY: U.S. TREASURY TRADING BY PROTOCOL – JULY 2019<sup>1</sup>



1. Source: Greenwich Associates Greenwich MarketView July 2019

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