

MARKETAXESS

3Q16

# CONFERENCE CALL & WEBCAST

October 26, 2016

# 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).**

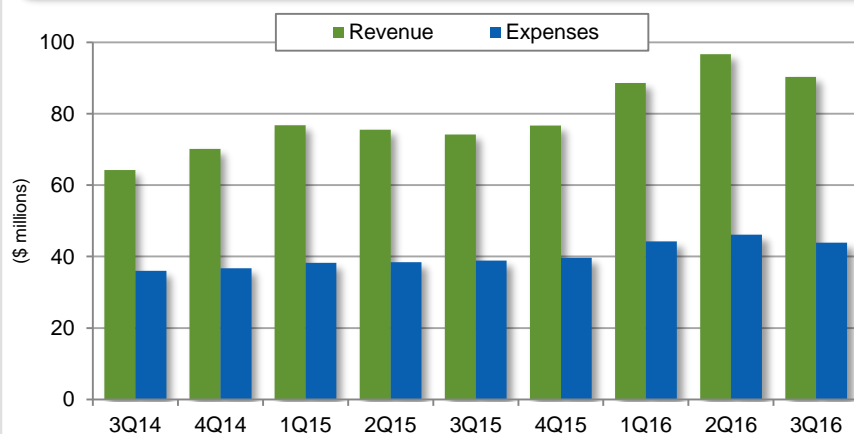
## Earnings

- Revenues of \$90.3 million, up 21.7%
- Expenses of \$43.9 million, up 13.1%
- Pre-tax income of \$46.4 million, up 31.1%
- Diluted EPS of \$0.82, up 36.7%

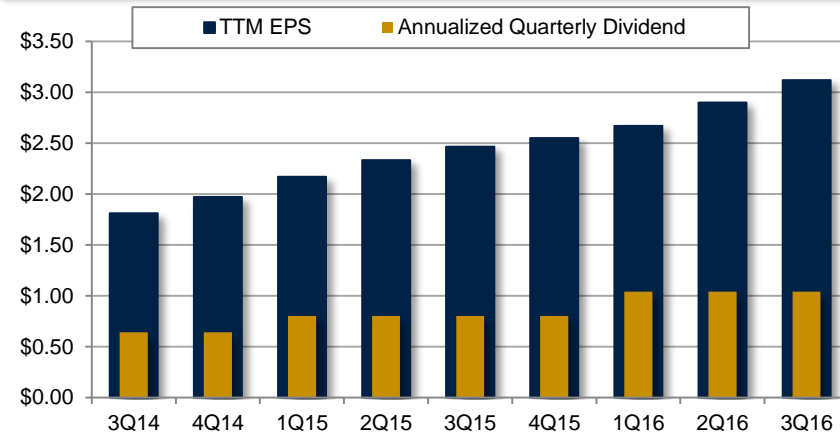
## Business Highlights

- Total trading volume up 34.4%; record quarter for emerging markets volume
- Record Open Trading™ volume and participation
- Estimated market share for U.S. high-grade of 16.0%<sup>2</sup> and high-yield of 7.0%
- Record trailing twelve months free cash flow of \$124 million

## Quarterly Revenue & Expense Trend



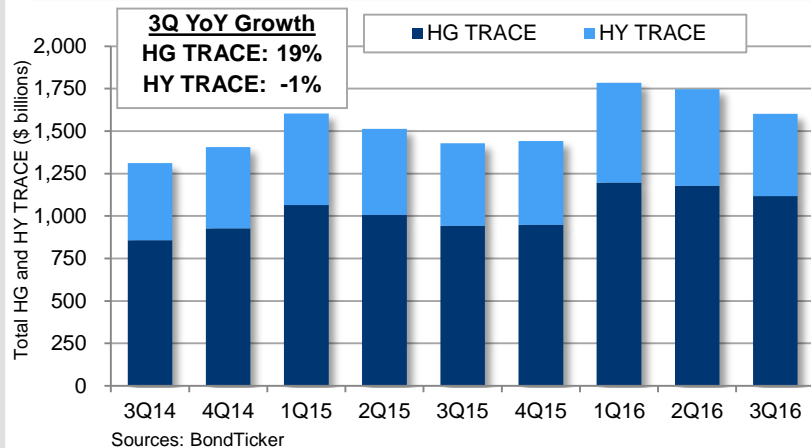
## EPS & Dividend Trend



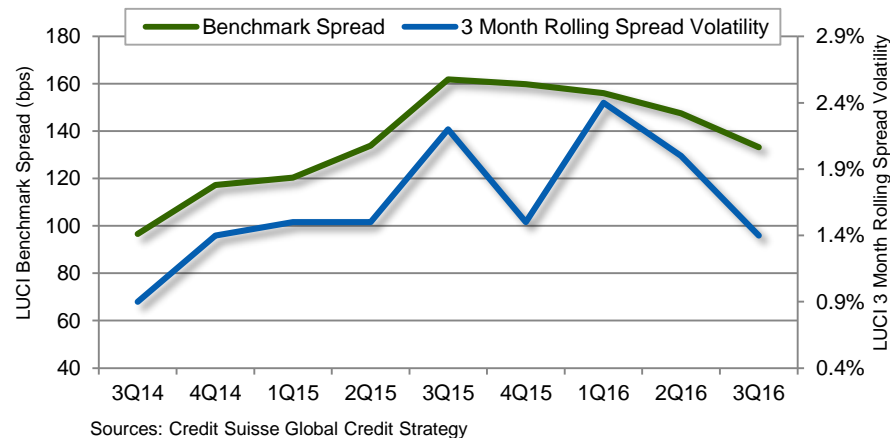
<sup>1</sup> All period comparisons versus 3Q15 unless otherwise stated.

<sup>2</sup> 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.

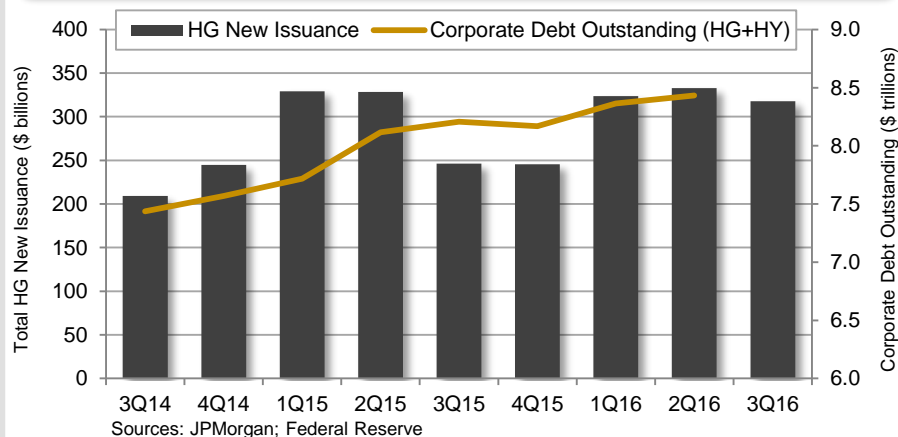
## U.S. High-Grade & High-Yield TRACE<sup>1</sup>



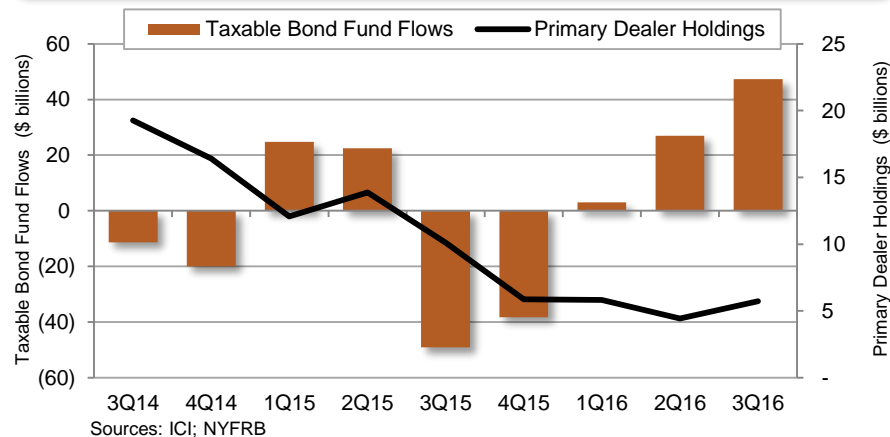
## Liquid U.S. Corporate Index (LUCI)



## New Issuance & Corporate Debt Outstanding



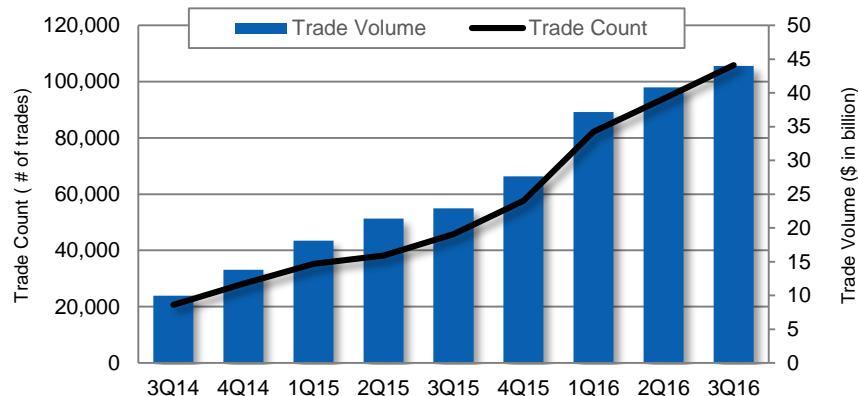
## Taxable Bond Fund Flows & Primary Dealer Holdings<sup>2</sup>



<sup>1</sup> 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.

<sup>2</sup> Primary dealer holdings includes U.S. High-Grade and U.S. High-Yield positions greater than 13 months

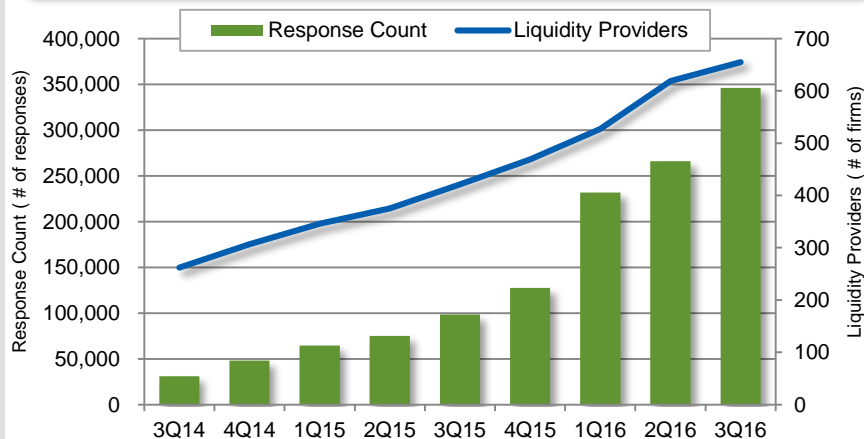
## Open Trading Growth



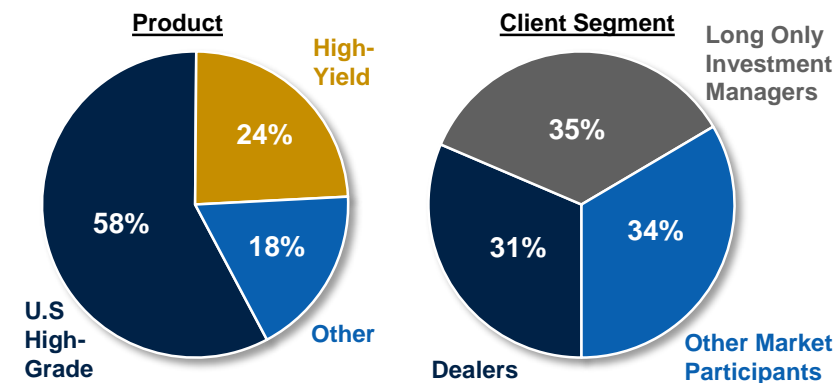
## Highlights

- \$687 million average daily volume, up 90% from 3Q15
- Over 105,000 total Open Trading transactions completed in 3Q16, up from 45,000 in 3Q15
- Over 346,000 price responses in 3Q16, up 251% from 3Q15
- Estimated system-wide liquidity taker total cost savings of \$26 million in 3Q16<sup>1</sup>
- Reduced per ticket clearing costs with third-party clearing brokers

## Market List Response Count & Liquidity Providers



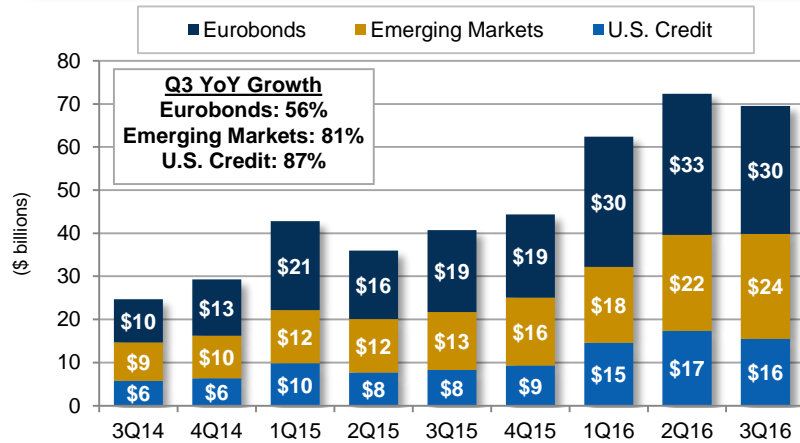
## 3Q16 Market List Liquidity Provider Trade Volume Breakdown



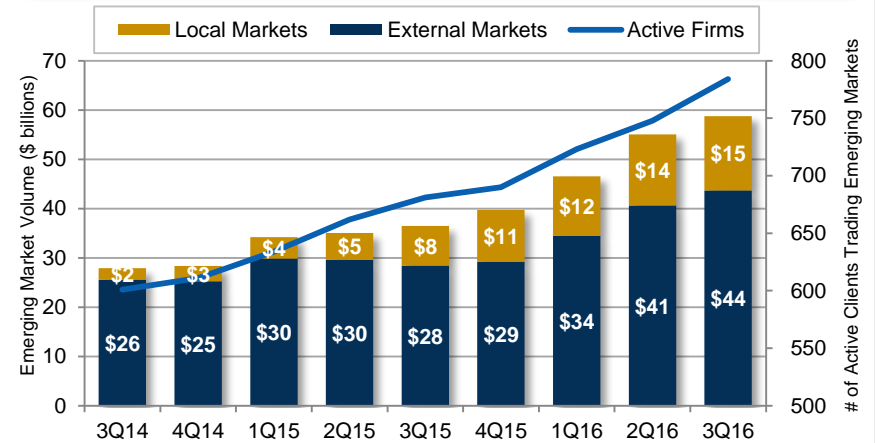
Note: Based on 3Q16 trade volume of firms winning Market List trades

<sup>1</sup> 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.

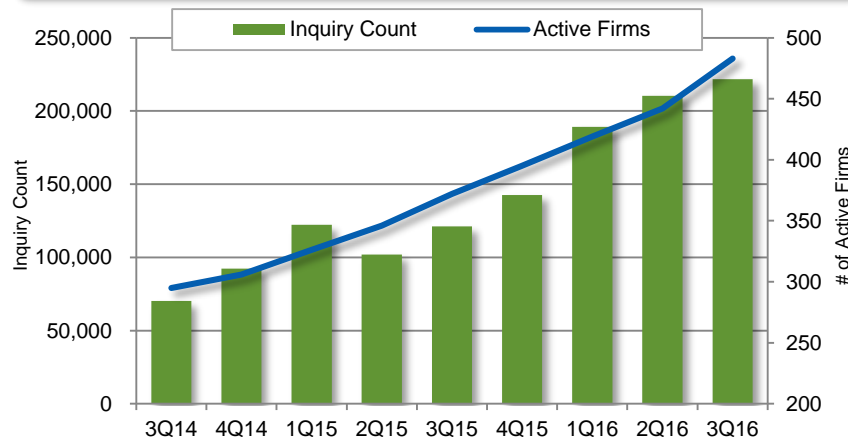
## European Client Volumes



## Emerging Market Volume Region and Client Count



## Inquiry Count and Active Firms Outside of North America



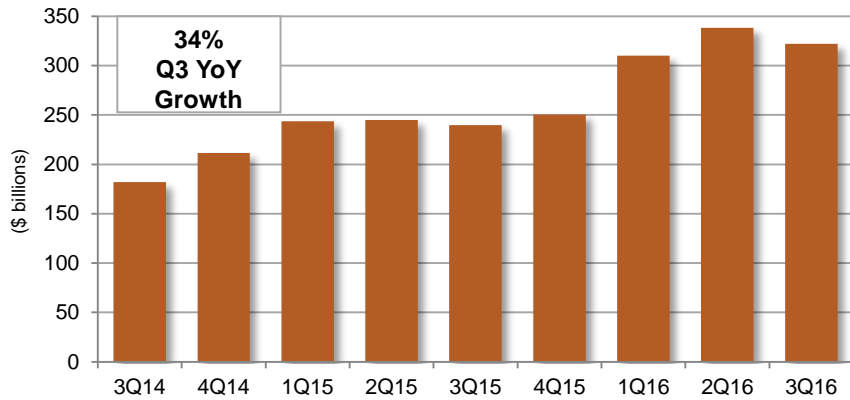
## International Growth

- European client volume up 70%; 400 active client firms, up 30%
- 784 active client firms trading EM, up 15%
- EM Local Markets trading volume up 86%; Bonds in 22 EM Local Markets currencies available for trading
- Growing global participation with 483 active client firms outside of North America; Inquiry count up 83% in 3Q16
- Exempt market status recently granted in Australia

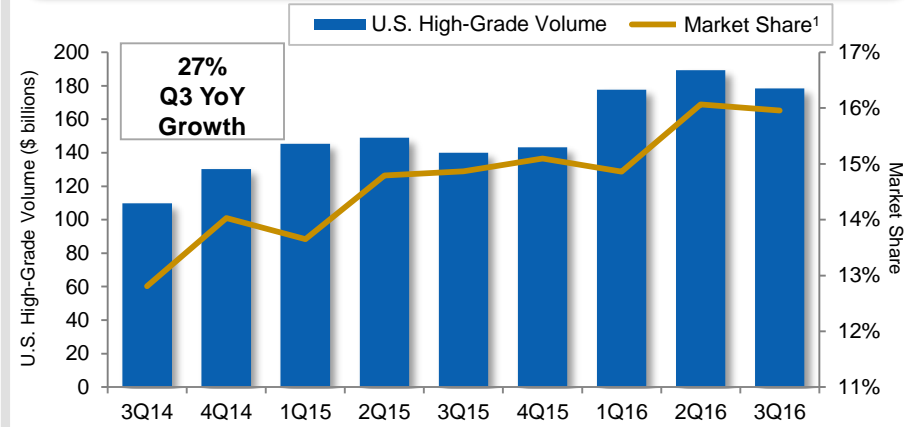
# Quarterly Volume



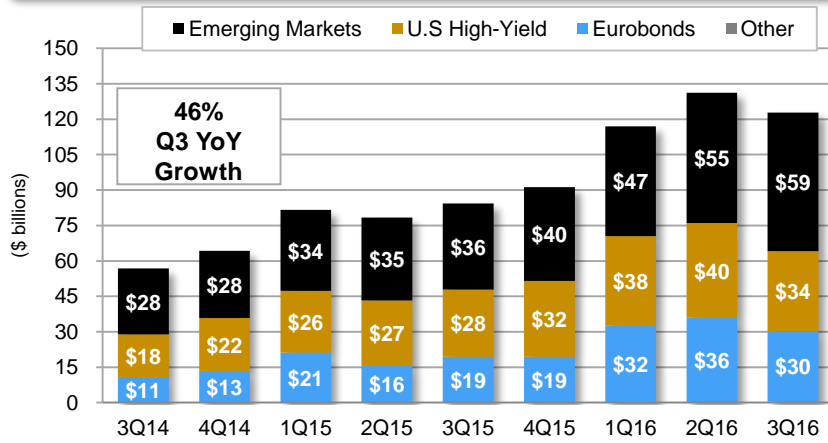
## Global



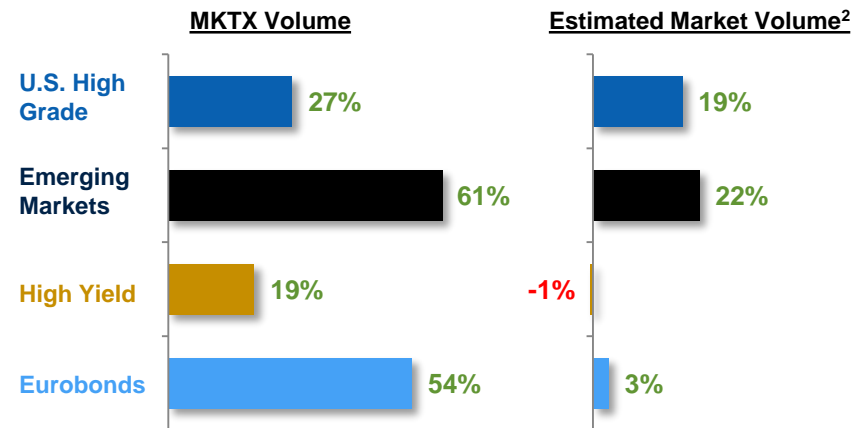
## U.S. High-Grade



## Other Credit



## 3Q16 YoY Change in MKTX and Overall Market Volumes



<sup>1</sup> 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.

<sup>2</sup> Estimated market volumes based on FINRA TRACE and TRAX reported volumes reported in US dollars.

# Earnings Performance



(In thousands, except per share data)

	<u>3Q16</u>	<u>2Q16</u>	<u>3Q15</u>	<u>Δ</u> <u>3Q16 vs.</u> <u>3Q15</u>
<b>Revenues</b>				
Commissions	\$ 81,456	\$ 86,239	\$ 65,178	25.0%
Information and Post-trade Services	7,322	8,586	7,671	(4.5%)
Investment and Other Income	1,493	1,814	1,343	11.2%
<b>Total Revenues</b>	<u>90,271</u>	<u>96,639</u>	<u>74,192</u>	21.7%
<b>Expenses</b>	<u>43,917</u>	<u>46,088</u>	<u>38,839</u>	13.1%
<b>Income Before Taxes</b>	<u>46,354</u>	<u>50,551</u>	<u>35,353</u>	31.1%
Provision for Income Taxes	<u>15,436</u>	<u>17,425</u>	<u>12,638</u>	22.1%
<b>Net Income</b>	<u>\$ 30,918</u>	<u>\$ 33,126</u>	<u>\$ 22,715</u>	36.1%
<b>Operating Margin</b>	51.3%	52.3%	47.7%	3.7 pts
<b>EBITDA<sup>1</sup></b>	\$ 50,679	\$ 55,091	\$ 39,995	26.7%
<b>Diluted EPS</b>	\$ 0.82	\$ 0.88	\$ 0.60	36.7%
<b>Diluted Shares<sup>2</sup></b>	37,792	37,748	37,643	0.4%

<sup>1</sup> See third quarter 2016 earnings release and the Investor Relations section of the Company's website for reconciliation of net income to EBITDA

<sup>2</sup> Represents the weighted average number of share of common stock including the dilutive effect of outstanding securities.



# Commission Revenue Detail



(\$ in thousands)	<u>3Q16</u>	<u>2Q16</u>	<u>3Q15</u>	<u>%Δ</u> <u>3Q16 vs.</u> <u>3Q15</u>
<b><u>Commissions</u></b>				
Transaction Fees				
U.S. High-Grade	\$ 33,765	\$ 35,771	\$ 23,337	44.7%
Other Credit <sup>1</sup>	30,181	33,826	24,091	25.3%
Liquid Products <sup>2</sup>	798	678	598	33.4%
Total Transaction Fees	<u>64,744</u>	<u>70,275</u>	<u>48,026</u>	34.8%
Distribution Fees				
U.S. High-Grade	15,077	14,297	15,376	(1.9%)
Other Credit <sup>1</sup>	1,466	1,471	1,487	(1.4%)
Liquid Products <sup>2,3</sup>	169	196	289	(41.5%)
Total Distribution Fees	<u>16,712</u>	<u>15,964</u>	<u>17,152</u>	(2.6%)
Total Commissions	<u>\$ 81,456</u>	<u>\$ 86,239</u>	<u>\$ 65,178</u>	25.0%
<b><u>Trading Volume</u></b>				
U.S. High-Grade	\$ 178,448	\$ 189,327	\$ 140,039	27.4%
Other Credit <sup>1</sup>	122,821	131,168	84,333	45.6%
Liquid Products <sup>2</sup>	20,880	17,781	15,353	36.0%
Total Trading Volume	<u>\$ 322,149</u>	<u>\$ 338,276</u>	<u>\$ 239,725</u>	34.4%
<b><u>Transaction Fees per Million</u></b>				
U.S. High-Grade	\$ 189	\$ 189	\$ 167	13.5%
Other Credit <sup>1</sup>	246	258	286	(14.0%)
Liquid Products <sup>2</sup>	38	38	39	(1.9%)
Total	\$ 201	\$ 208	\$ 200	0.3%

<sup>1</sup> Other Credit includes high-yield, emerging markets, Eurobonds and municipal bonds.

<sup>2</sup> Liquid Products includes U.S. agencies and European government bonds.

<sup>3</sup> Includes CDS SEF-related revenue

# Expense Detail



(\$ in thousands)

<u>Expenses</u>	<u>3Q16</u>	<u>2Q16</u>	<u>3Q15</u>	<u>%Δ</u> <u>3Q16 vs.</u> <u>3Q15</u>
Employee Comp. and Benefits	\$ 23,914	\$ 25,815	\$ 21,002	13.9%
Depreciation and Amortization	4,325	4,540	4,642	(6.8%)
Technology and Communications	4,245	4,277	3,891	9.1%
Professional and Consulting	4,342	4,245	3,210	35.3%
Occupancy	1,220	1,225	1,246	(2.1%)
Marketing and Advertising	2,140	1,824	1,304	64.1%
General and Administrative <sup>1</sup>	<u>3,731</u>	<u>4,162</u>	<u>3,544</u>	5.3%
<b>Total Expenses</b>	<b><u>\$ 43,917</u></b>	<b><u>\$ 46,088</u></b>	<b><u>\$ 38,839</u></b>	<b>13.1%</b>

<sup>1</sup> Includes third-party clearing costs of \$1.0 million, \$2.0 million and \$0.8 million for the three months ended September 30, 2016, June 30, 2016, and September 30, 2015, respectively.

# Balance Sheet Data



(\$ in thousands)

	<u>9/30/2016</u>	<u>12/31/2015</u>	<u>% Δ vs. 12/31/2015</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 161,444	\$ 199,728	(19.2%)
Investments	170,655	84,706	101.5%
Accounts Receivable, net	56,583	40,459	39.9%
All Other Assets	<u>113,469</u>	<u>114,148</u>	(0.6%)
<b>Total Assets</b>	<b><u>\$ 502,151</u></b>	<b><u>\$ 439,041</u></b>	<b>14.4%</b>
<u>Liabilities and Stockholders' Equity</u>			
Total Liabilities	\$ 50,451	\$ 48,328	4.4%
Total Stockholders' Equity	<u>451,700</u>	<u>390,713</u>	15.6%
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$ 502,151</u></b>	<b><u>\$ 439,041</u></b>	<b>14.4%</b>

- **Cash, Cash Equivalents & Investments represented \$8.79 per share on a diluted basis as of September 30, 2016**
- **Total Shareholders' Equity was \$11.95 per share on a diluted basis as of September 30, 2016**

- **Significant growth in trading volume, revenue and earnings**
- **Strong market share gains across each of our core products**
- **Open Trading growth continues**
- **Growing momentum in our international business**