



# Q1 2021 Conference Call and Webcast

April 22, 2021

# 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. The Company's actual results in future periods may differ materially from those currently expected or desired because of a number of risks and uncertainties, including: global economic, political and market factors; risks relating to the COVID-19 pandemic, including the possible effects of the economic conditions worldwide resulting from the COVID-19 pandemic; risks related to the U.K. exit from the European Union; the level of trading volume transacted on the MarketAxess platform; the rapidly evolving nature of the electronic financial services industry; 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; our ability to introduce new fee plans and our clients' response; our ability to attract clients or adapt our technology and marketing strategy to new markets; risks related to our growing international operations; our dependence on our broker-dealer clients; the loss of any of our significant institutional investor clients; our exposure to risks resulting from non-performance by counterparties to transactions executed between our clients in which we act as an intermediary in matched principal trades; risks related to self-clearing; the effect of rapid market or technological changes on us and the users of our technology; our dependence on third-party suppliers for key products and services; our ability to successfully maintain the integrity of our trading platform and our response to system failures, capacity constraints and business interruptions; the occurrence of design defects, errors, failures or delays with our platforms; our vulnerability to cyber security risks; our actual or perceived failure to comply with privacy and data protection laws; 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 dependence on our management team and our ability to attract and retain talent; limitations on our flexibility because we operate in a highly regulated industry; the increasing government regulation of us and our clients; our exposure to costs and penalties related to our extensive regulation; our risks of litigation and securities laws liability; 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 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).

# 1Q21 Summary<sup>1</sup>

## FINANCIAL HIGHLIGHTS

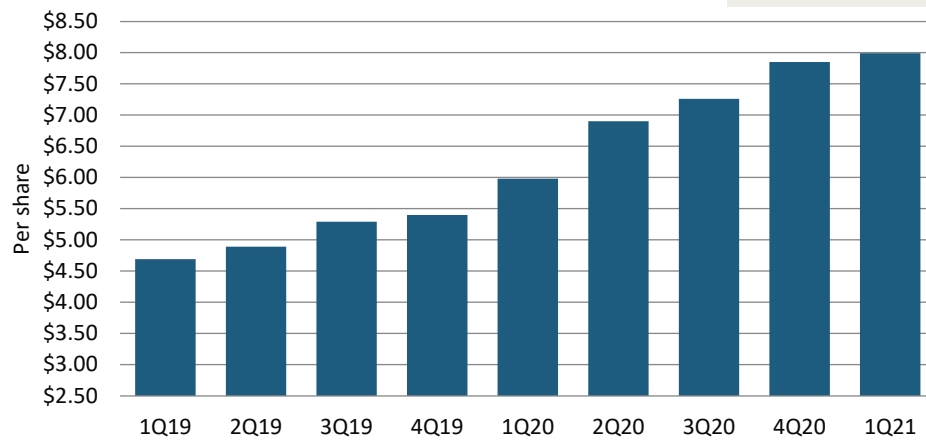
- Record revenues of \$195.5 million, up 16%
- Operating income of \$103.5 million, up 14%
- Record EBITDA of \$113.8 million, up 14%
- Diluted EPS of \$2.11, up 8%

## BUSINESS HIGHLIGHTS

- Record total credit trading volume of \$754 billion, up 14%
- Record U.S. high-yield, emerging markets, Eurobonds and munis volume
- Estimated U.S. high-grade market share of 20.5%, up from 20.0% and estimated U.S. high-yield market share of 15.6%, up from 12.2%
- Record Open Trading™ credit volume of \$246 billion, up 20%, and estimated total system-wide cost savings of \$197 million<sup>2</sup>
- Record international client credit volume of \$237 billion, up 18%<sup>3</sup>

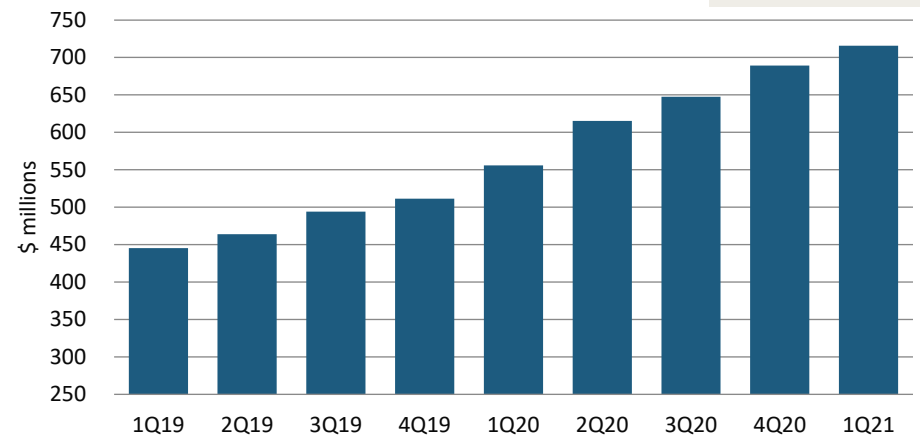
## TRAILING TWELVE MONTHS EPS

**34%**  
Q1 TTM YoY  
Growth



## TRAILING TWELVE MONTHS REVENUE

**29%**  
Q1 TTM YoY  
Growth



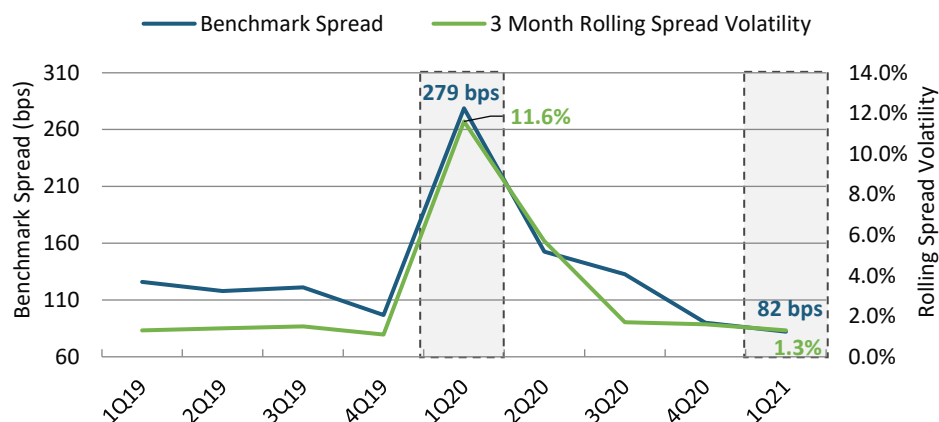
1. All period comparisons versus 1Q20 unless otherwise stated.

2. Estimated total system-wide cost savings represents the combination of liquidity taker and liquidity provider estimated cost savings. Please see footnote 1 on slide 5 for the definition of liquidity taker cost savings and liquidity provider cost savings.

3. International firms include all firms outside of the United States and Canada.

# Market Conditions

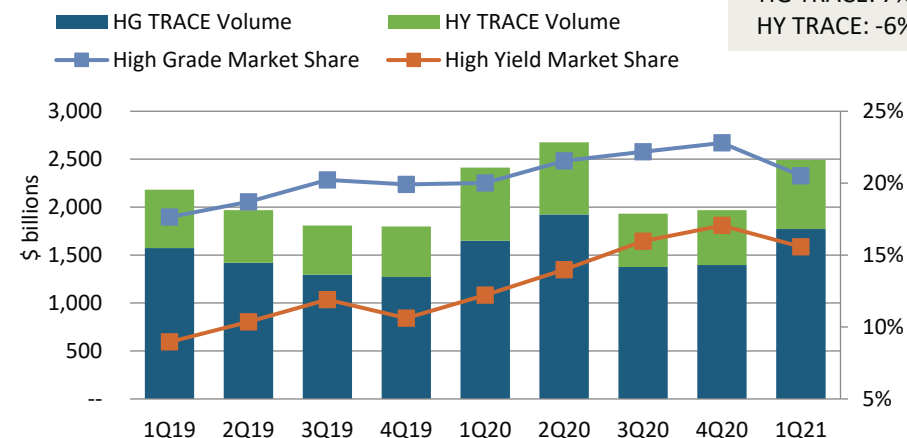
## LIQUID U.S. CORPORATE INDEX (LUCI)



Source: Credit Suisse Global Credit Strategy

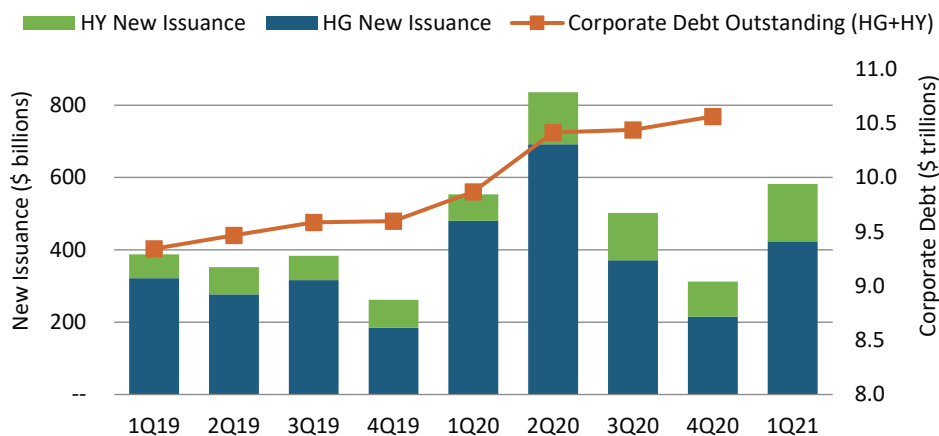
## U.S. HIGH-GRADE & HIGH-YIELD TRACE VOLUME

**Q1 YoY Growth**  
 HG TRACE: 7%  
 HY TRACE: -6%



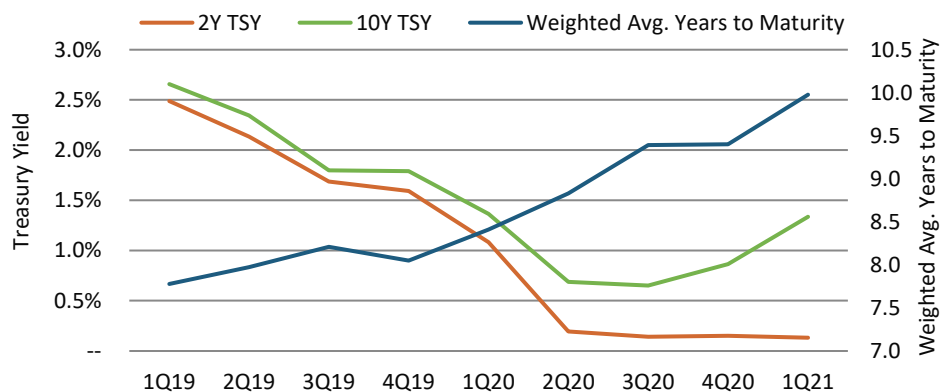
Source: BondTicker

## NEW ISSUANCE & CORPORATE DEBT OUTSTANDING



Source: JPMorgan; Federal Reserve

## 10 YEAR & 2 YEAR TREASURY YIELD & MKTX U.S. HIGH GRADE WEIGHTED AVG. YEARS TO MATURITY



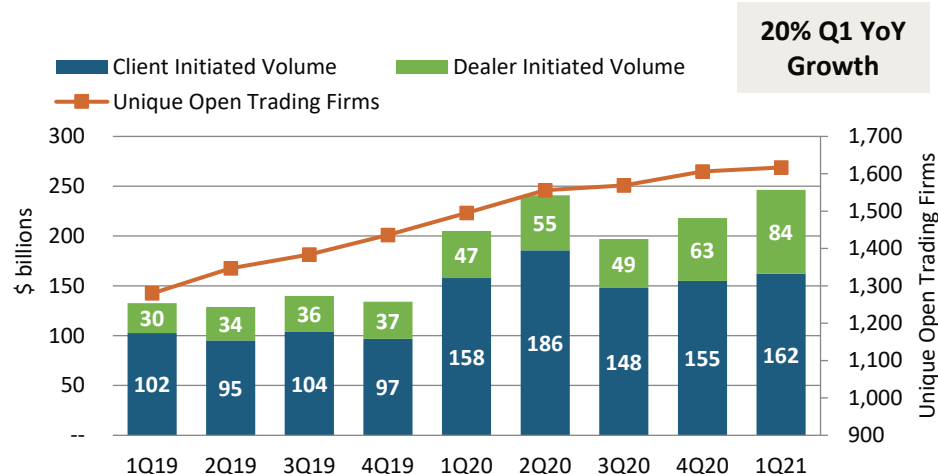
Source: Federal Reserve

# Open Trading™

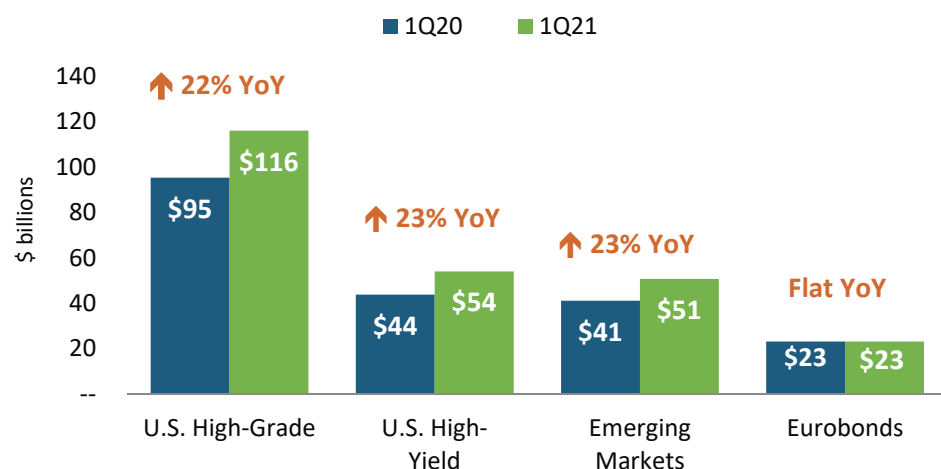
## HIGHLIGHTS

- Record 34,000 orders and \$19 billion notional value available through Open Trading on average per day in 1Q21
- Record \$4.0 billion average daily volume, up 22% from 1Q20
- Open Trading credit revenue of \$46 million, up 14% from 1Q20
- Estimated system-wide cost savings of \$105 million for liquidity takers and \$91 million for liquidity providers<sup>1</sup>
- Dealer initiated Open Trading volume of \$84.1 billion, up 78% from 1Q20
- Open Trading % of volume of 33% in 1Q21, up from 31% in 1Q20

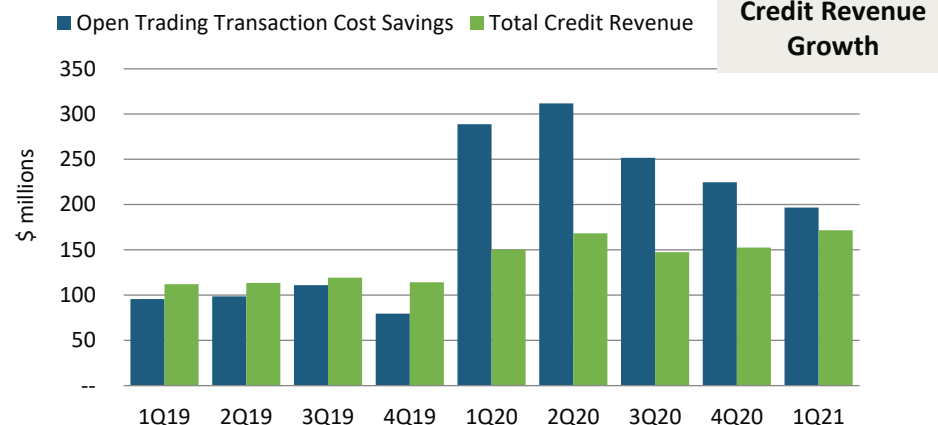
## DEALER AND INVESTOR OPEN TRADING VOLUME



## OPEN TRADING VOLUME BY PRODUCT



## OPEN TRADING ESTIMATED COST SAVINGS AND TOTAL CREDIT REVENUE<sup>1</sup>



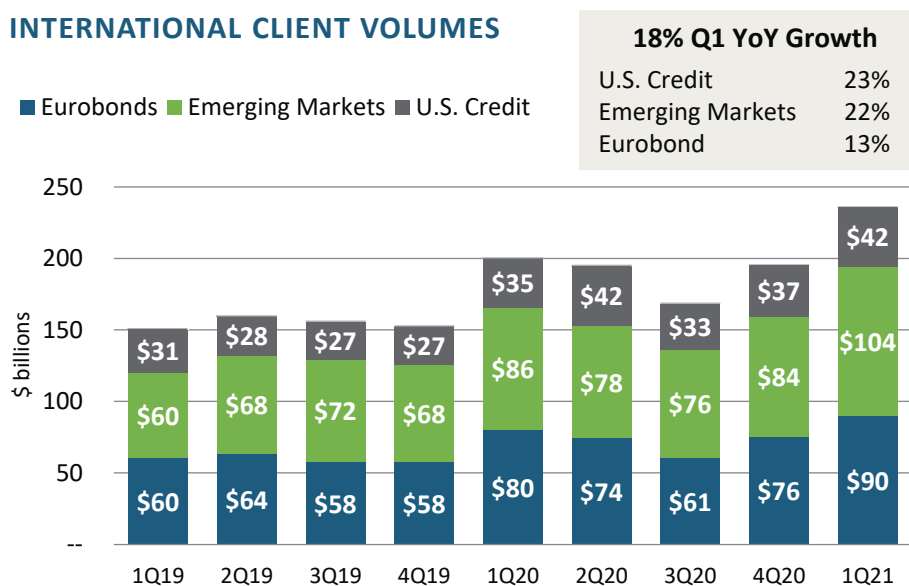
1. Estimated liquidity taker cost savings is defined as the difference between the winning price and the best disclosed dealer cover price. Estimated liquidity provider cost savings is defined as the difference between the winning price and then current Composite+ bid or offer level (offer if the provider is buying, bid if provider is selling) at the time of the inquiry.

# Product and Client Expansion

## INTERNATIONAL GROWTH

- Global emerging markets client volume of \$178 billion, up 18%; estimated market volumes down 10%
- Over 905 active international client firms<sup>1</sup>
- International client volume of \$237 billion, up 18%<sup>1</sup>
- Asia-Pacific client credit volume of \$29 billion, up 57% from 1Q20; APAC: 190 clients, up 14% from 1Q20

## INTERNATIONAL CLIENT VOLUMES

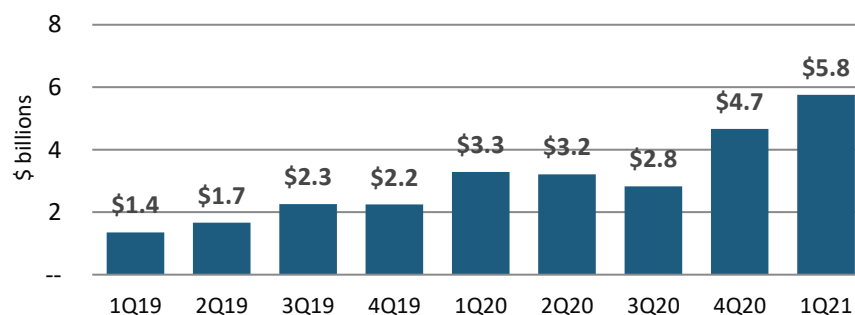


1. International firms include all firms outside of the United States and Canada.

## MUNICIPAL BONDS

- Record volume of \$5.8 billion, up 75% from a year ago
- Acquisition of MuniBrokers closed April 9th

## MUNICIPAL BOND VOLUME



## POST-TRADE

- Organic post-trade revenue up 50% driven by new client additions and SFTR reporting services
- Regulatory Reporting Hub integration underway; contributed \$4.0 million of revenue in 1Q21
- Over 950 unique post-trade clients

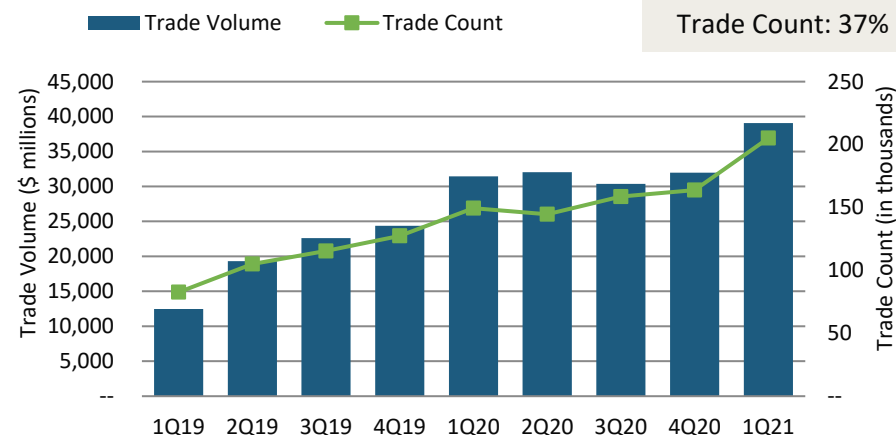
# Trading Automation Continues to Grow

## HIGHLIGHTS

- Over 205,000 trades completed using automated execution, up from 149,000 trades in 1Q20
- Over 370,000 algo trades in 1Q21, up 50% from 1Q20<sup>1</sup>
- Auto-X represents 14% of total trade count and 5% of trade volume in 1Q21
- \$39 billion in Auto-X volume in 1Q21, up 24% from 1Q20
- 95 firms using Auto-X, up from 84 in 1Q20; 22 firms using Auto-Responder

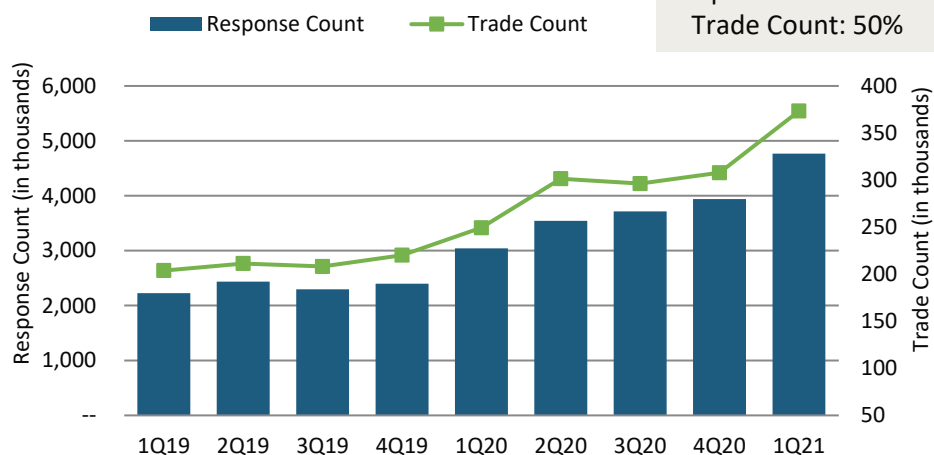
## AUTO-X TRADE VOLUME AND COUNT

**Q1 YoY Growth**  
Trade Volume: 24%  
Trade Count: 37%

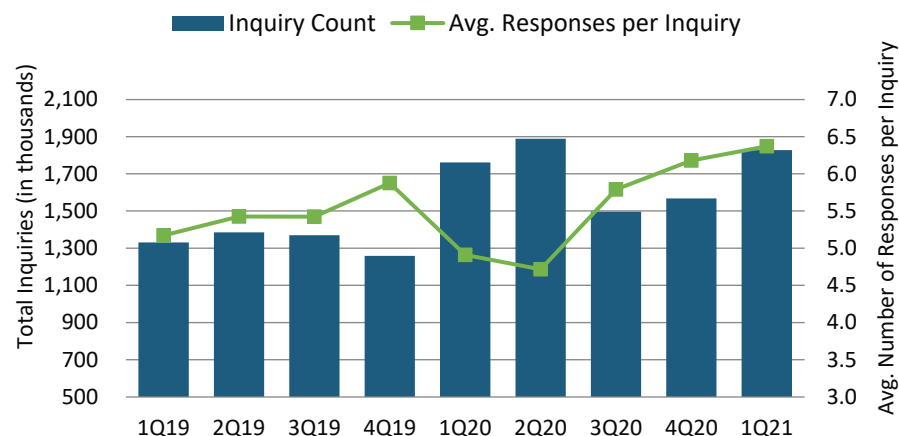


## TOTAL ALGO TRADES & RESPONSES<sup>1</sup>

**Q1 YoY Growth**  
Response Count: 57%  
Trade Count: 50%



## TOTAL INQUIRY AND AVERAGE NUMBER OF RESPONSES PER INQUIRY<sup>2</sup>



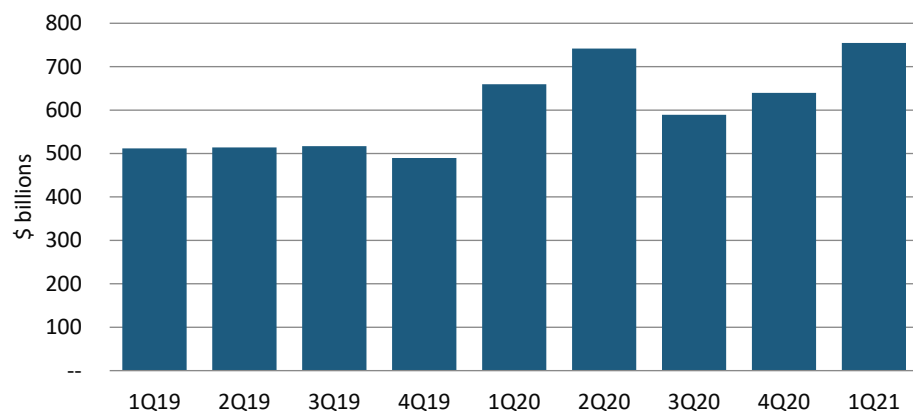
1. Algorithmic trades for U.S. high-grade and U.S. high-yield spread based trades only.

2. Total Inquiry and responses for U.S. high-grade, U.S. high-yield price based, emerging markets, and Eurobonds only.

# Quarterly Volume Growth

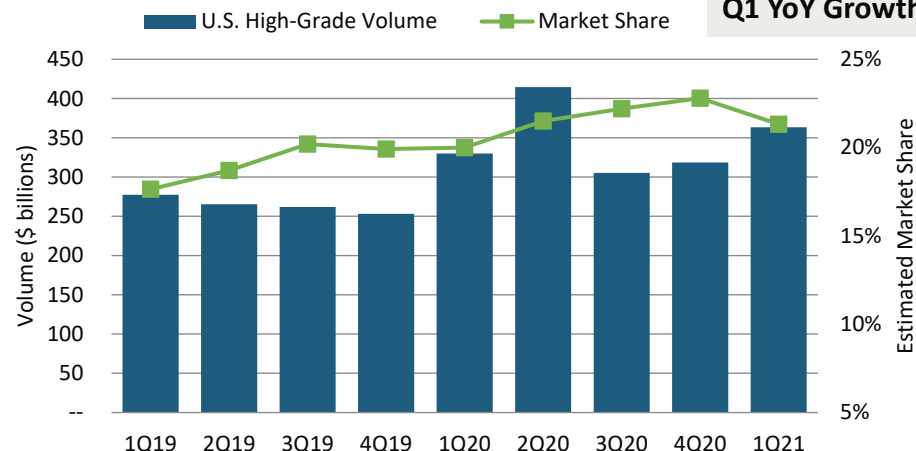
## TOTAL CREDIT

**14%**  
Q1 YoY Growth



## U.S. HIGH-GRADE

**10%**  
Q1 YoY Growth

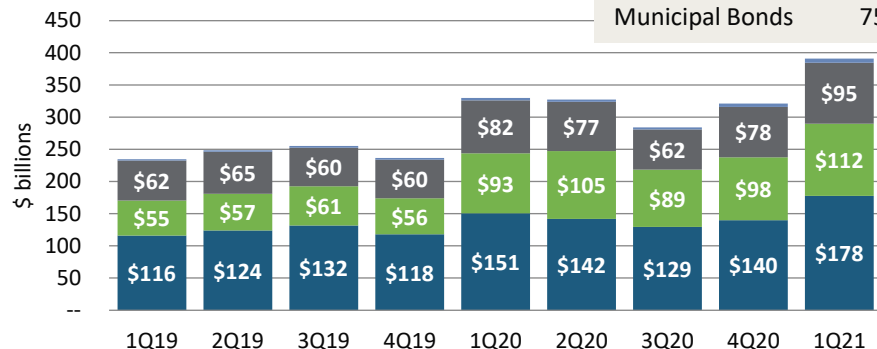


## OTHER CREDIT

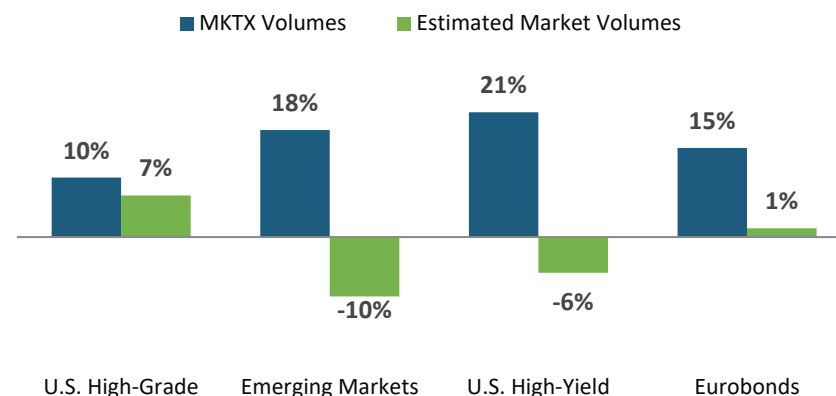
**19% Q1 YoY Growth**

- Emerging Markets
- U.S. High-Yield
- Eurobonds
- Other

Emerging Markets	18%
U.S. High-Yield	21%
Eurobond	15%
Municipal Bonds	75%



## 1Q21 YOY CHANGE IN MKTX VOLUMES AND ESTIMATED MARKET VOLUMES<sup>1</sup>



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



# Earnings Performance

	<u>1Q21</u>	<u>4Q20</u>	<u>1Q20</u>	$\Delta$ 1Q21 vs. 1Q20
	<i>(\$ in thousands, except per share data)</i>			
Revenues				
Commissions	\$ 175,838	\$ 155,813	\$ 155,954	12.7%
Information Services	9,162	8,771	8,642	6.0%
Post-trade Services	10,261	6,564	4,153	147.1%
Other Income	203	198	229	(11.4%)
Total Revenues	<u>195,464</u>	<u>171,346</u>	<u>168,978</u>	15.7%
Expenses	<u>91,990</u>	<u>79,649</u>	<u>77,889</u>	18.1%
Operating Income	103,474	91,697	91,089	13.6%
Investment Income	107	119	1,269	(91.6%)
Interest Expense	(191)	(96)	-	NM
Other, net	(1,589)	(1,431)	(656)	142.2%
Income Before Taxes	101,801	90,289	91,702	11.0%
Provision for Income Taxes	21,344	17,358	16,886	26.4%
Net Income	<u>\$ 80,457</u>	<u>\$ 72,931</u>	<u>\$ 74,816</u>	7.5%
Operating Margin	52.9%	53.5%	53.9%	-1.0 pts
EBITDA <sup>1</sup>	\$ 113,771	\$ 100,977	\$ 99,769	14.0%
Diluted EPS	\$ 2.11	\$ 1.91	\$ 1.96	7.7%
Diluted Shares <sup>2</sup>	38,155	38,188	38,075	0.2%

1. See first quarter 2021 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

	<u>1Q21</u>	<u>4Q20</u>	<u>1Q20</u>	% Δ 1Q21 vs. 1Q20
<b><u>Commissions</u></b> (\$ in thousands)				
Transaction Fees				
U.S. High-Grade	\$ 65,356	\$ 59,645	\$ 57,970	12.7%
Other Credit <sup>1</sup>	<u>78,899</u>	<u>65,045</u>	<u>65,610</u>	20.3%
Total Credit	<b>144,255</b>	124,690	123,580	16.7%
Rates <sup>2</sup>	<u>4,143</u>	<u>3,267</u>	<u>5,586</u>	(25.8%)
Total Transaction Fees	<b>148,398</b>	127,957	129,166	14.9%
Distribution Fees				
U.S. High-Grade	20,970	21,524	19,974	5.0%
Other Credit <sup>1</sup>	<u>6,404</u>	<u>6,261</u>	<u>6,658</u>	(3.8%)
Total Credit	<b>27,374</b>	27,785	26,632	2.8%
Rates <sup>2</sup>	<u>66</u>	<u>71</u>	<u>156</u>	(57.7%)
Total Distribution Fees	<b>27,440</b>	27,856	26,788	2.4%
Total Commissions	<b>\$ 175,838</b>	\$ 155,813	\$ 155,954	12.7%
<b><u>Trading Volume</u></b> (\$ in millions)				
U.S. High-Grade	\$ 363,441	\$ 318,493	\$ 329,994	10.1%
Other Credit <sup>1</sup>	<u>391,020</u>	<u>321,135</u>	<u>329,753</u>	18.6%
Total Credit	<b>754,461</b>	639,628	659,747	14.4%
Rates <sup>2</sup>	<b>1,120,868</b>	826,276	1,444,878	(22.4%)
<b><u>Transaction Fees per Million</u></b>				
U.S. High-Grade	\$ 179.83	\$ 187.27	\$ 175.67	2.4%
Other Credit <sup>1</sup>	<b>201.78</b>	202.55	198.97	1.4%
Total Credit	<b>191.20</b>	194.94	187.31	2.1%
Rates <sup>2</sup>	<b>3.70</b>	3.95	3.87	(4.4%)

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

2. Rates includes U.S. Treasury bonds, U.S. agencies and European government bonds.

# Expense Detail

	<u>1Q21</u>	<u>4Q20</u>	<u>1Q20</u>	% Δ 1Q21 vs. <u>1Q20</u>
		<i>(\$ in thousands)</i>		
<u>Expenses</u>				
Employee Compensation and Benefits	\$ 48,088	\$ 36,472	\$ 41,194	16.7%
Depreciation and Amortization	11,779	10,592	8,067	46.0%
Technology and Communications	10,036	8,922	8,161	23.0%
Professional and Consulting	9,640	10,295	5,675	69.9%
Occupancy	3,317	3,220	3,474	(4.5%)
Marketing and Advertising	1,204	2,307	2,675	(55.0%)
Clearing Costs	4,694	4,997	5,510	(14.8%)
General and Administrative	<u>3,232</u>	<u>2,844</u>	<u>3,133</u>	<u>3.2%</u>
Total Expenses	\$ 91,990	\$ 79,649	\$ 77,889	18.1%

## Expense Details

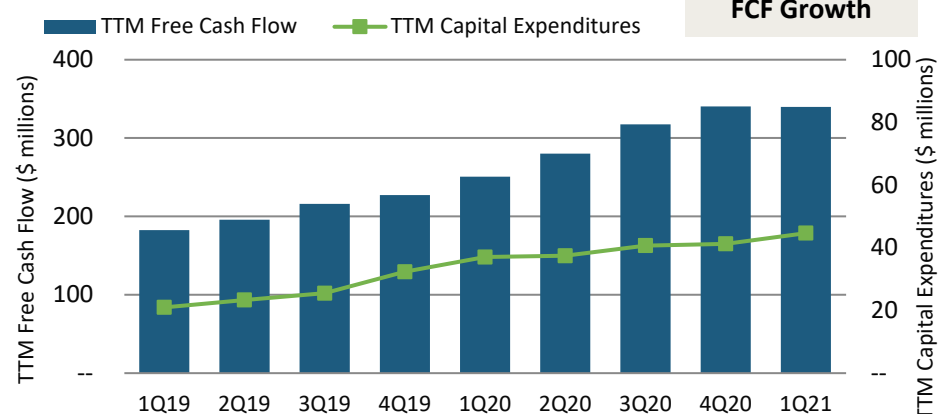
- Updated expense guidance for full year 2021 of \$370.0 million to \$386.0 million includes the impact of the MuniBrokers acquisition.
- 1Q21 Regulatory Reporting Hub expenses of \$3.6 million including non-recurring integration costs of \$1.3 million and amortization of acquired intangibles expense of \$1.4 million.

# Balance Sheet Data

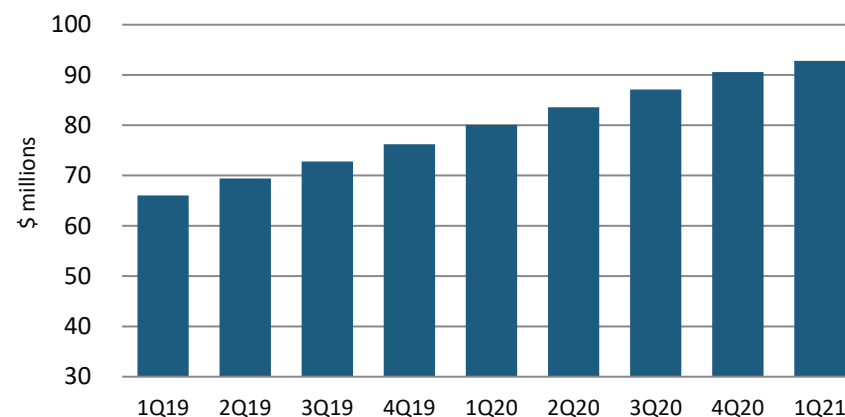
(\$ in thousands)	3/31/2021	12/31/2020
<u>Assets</u>		
Cash, Cash Equivalents and Investments	\$ 415,223	\$ 488,969
Cash segregated under federal regulations	50,083	50,059
Accounts Receivable, net	87,452	79,577
Receivables from broker-dealers, clearing organizations and customers <sup>1</sup>	564,957	279,915
Goodwill and intangible assets, net	238,333	242,742
Operating Lease Right-of-use Assets	75,223	75,924
All Other Assets	114,598	114,243
<b>Total Assets</b>	<b>\$ 1,545,869</b>	<b>\$ 1,331,429</b>
<u>Liabilities and Stockholders' Equity</u>		
Payables to broker-dealers, clearing organizations and customers	\$ 308,268	\$ 133,326
Operating Lease Liabilities	92,750	93,612
All Other Liabilities	156,618	149,430
<b>Total Liabilities</b>	<b>557,636</b>	<b>376,368</b>
<b>Total Stockholders' Equity</b>	<b>988,233</b>	<b>955,061</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,545,869</b>	<b>\$ 1,331,429</b>

- Includes deposits with clearing organizations and broker-dealers of \$111.6 million
- TTM capital expenditures exclude office buildout costs.

## TTM FREE CASH FLOW AND CAPITAL EXPENDITURES<sup>2</sup>



## TTM QUARTERLY DIVIDENDS



## Summary

- Record quarter for credit trading volume, Open Trading volume and revenue
- Continued market share gains despite more normal market conditions
- Growth opportunities expanding with new products and trading protocols on the network
- Global liquidity network continues to expand



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