



# Q4 2020 Conference Call and Webcast

January 27, 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: risks relating to the COVID-19 pandemic, including the possible effects of the economic conditions worldwide resulting from the COVID-19 pandemic; global economic, political and market factors; 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 matched principal trades; risks related to self-clearing; 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 and existing 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 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).

# 4Q20 Summary<sup>1</sup>

## FINANCIAL HIGHLIGHTS

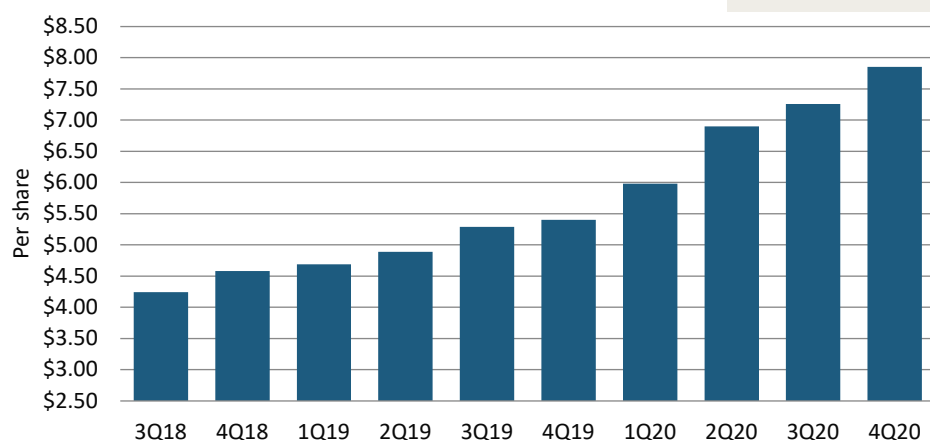
- Revenues of \$171.3 million, up 32%
- Operating income of \$91.7 million, up 51%
- Operating margin of 53.5%, up from 46.9%
- EBITDA of \$101.0 million, up 45%
- Diluted EPS of \$1.91, up 45%

## BUSINESS HIGHLIGHTS

- Total credit trading volume of \$640 billion, up 31%
- Record estimated U.S. high-grade market share of 22.8%, up from 19.9% and record estimated U.S. high-yield market share of 17.1%, up from 10.6%
- Open Trading™ credit volume of \$218 billion, up 63%, and estimated total system-wide cost savings of \$225 million<sup>2</sup>
- Board of Directors approved an increase to the regular quarterly dividend to \$0.66 per share, up from \$0.60 per share
- Acquisition of Deutsche Börse's Regulatory Reporting Hub closed November 30, 2020

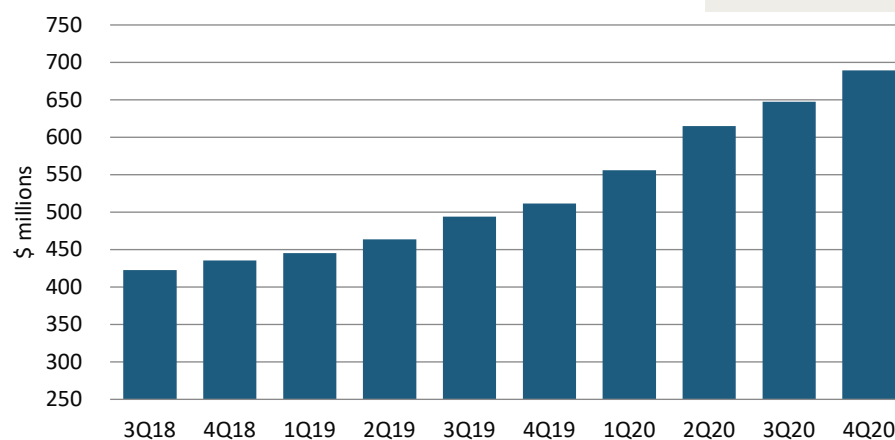
## TRAILING TWELVE MONTHS EPS

45%  
Q4 TTM YoY  
Growth



## TRAILING TWELVE MONTHS REVENUE

35%  
Q4 TTM YoY  
Growth

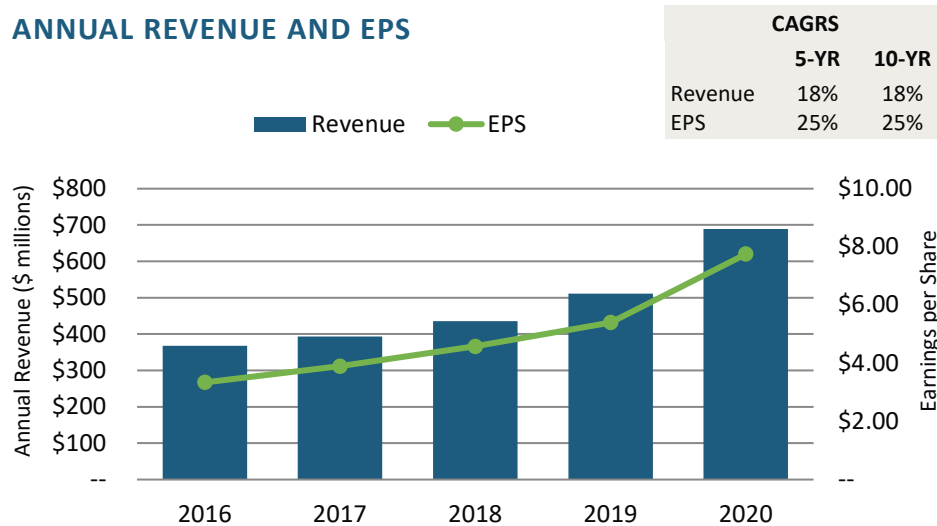


1. All period comparisons versus 4Q19 unless otherwise stated.

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 6 for the definition of liquidity taker cost savings and liquidity provider cost savings.

# Full Year 2020 Results Reflect Accelerated Growth

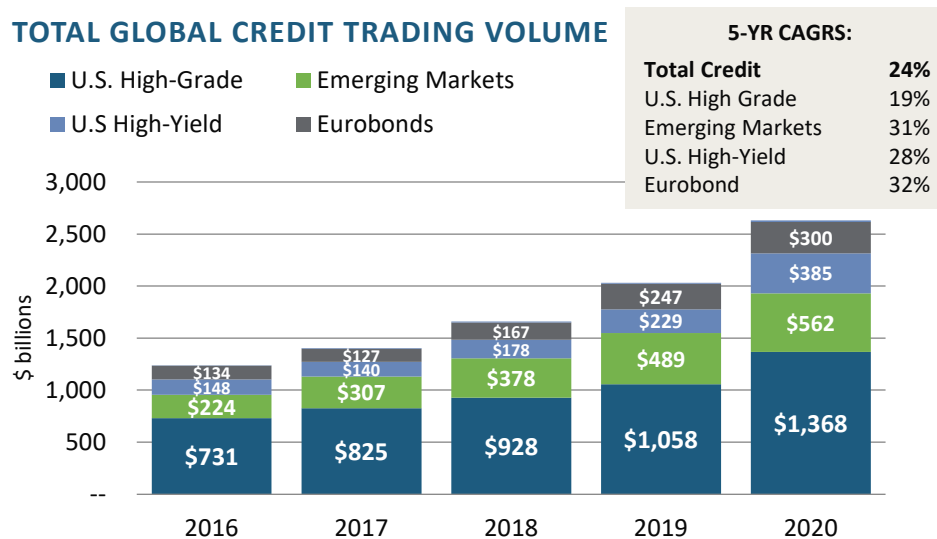
## ANNUAL REVENUE AND EPS



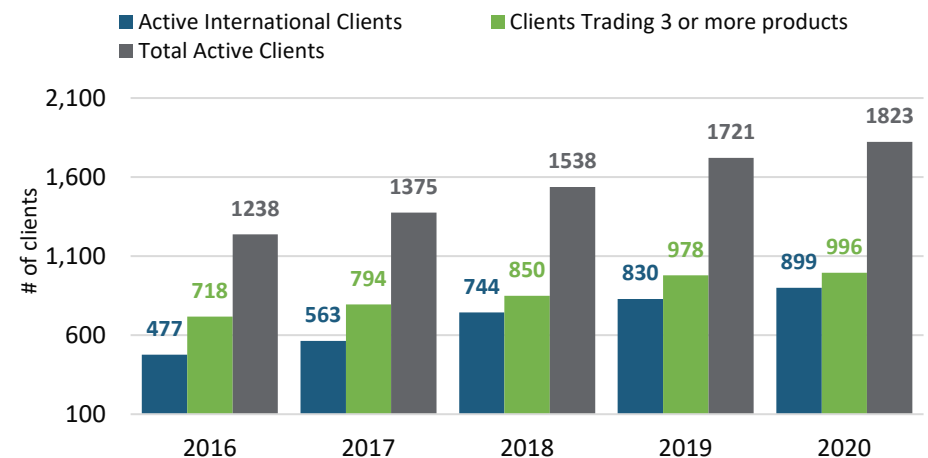
## COMMENTARY

- 12th consecutive year of record full year trading volume, revenue and operating income
- Record estimated U.S. high-grade, U.S. high-yield, emerging markets and Eurobond market share
- Record estimated transaction cost savings of \$1.1 billion delivered through Open Trading solutions
- Increase in active clients across all geographies and products
- Record total credit trade volume and trade count, up 29% and 24%, respectively

## TOTAL GLOBAL CREDIT TRADING VOLUME



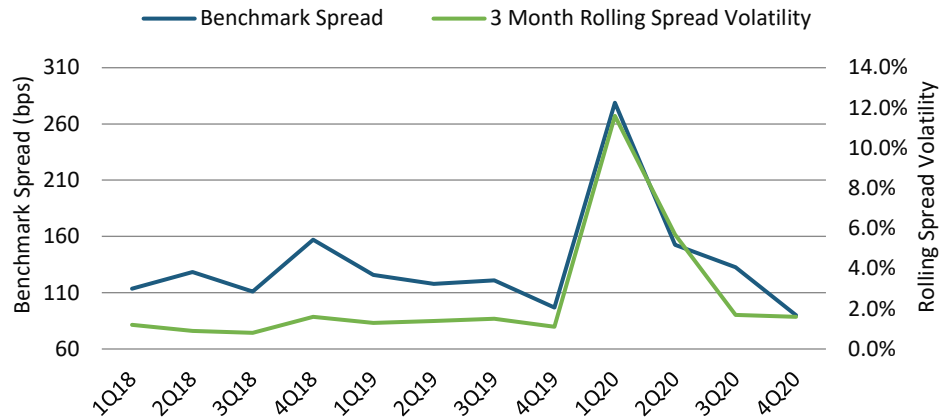
## ACTIVE CLIENT FIRMS



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

# Market Conditions

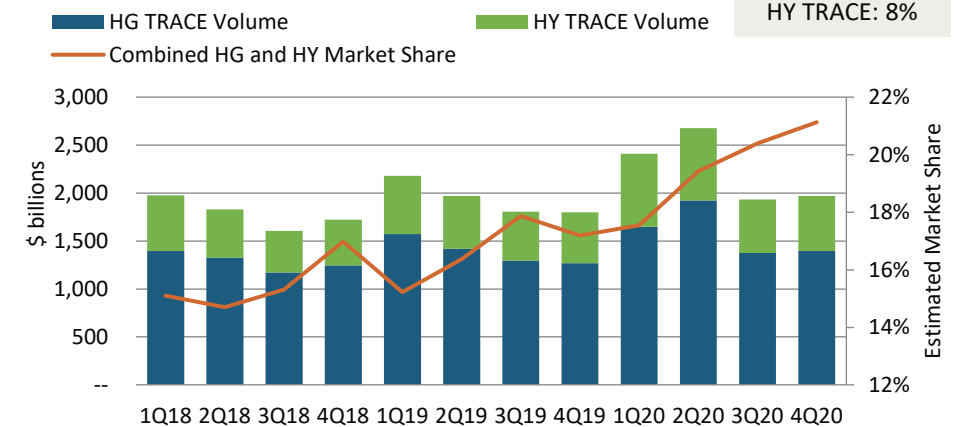
## LIQUID U.S. CORPORATE INDEX (LUCI)



Source: Credit Suisse Global Credit Strategy

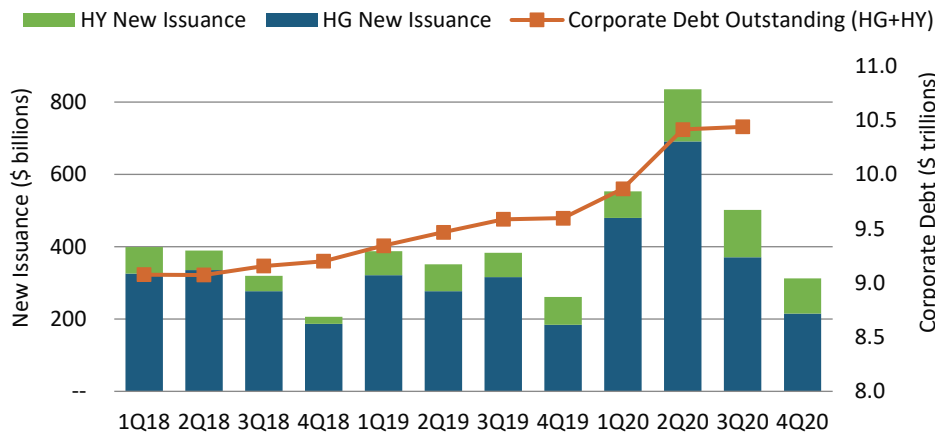
## U.S. HIGH-GRADE & HIGH-YIELD TRACE VOLUME AND ESTIMATED MARKET SHARE

**Q4 YoY Growth**  
 HG TRACE: 10%  
 HY TRACE: 8%



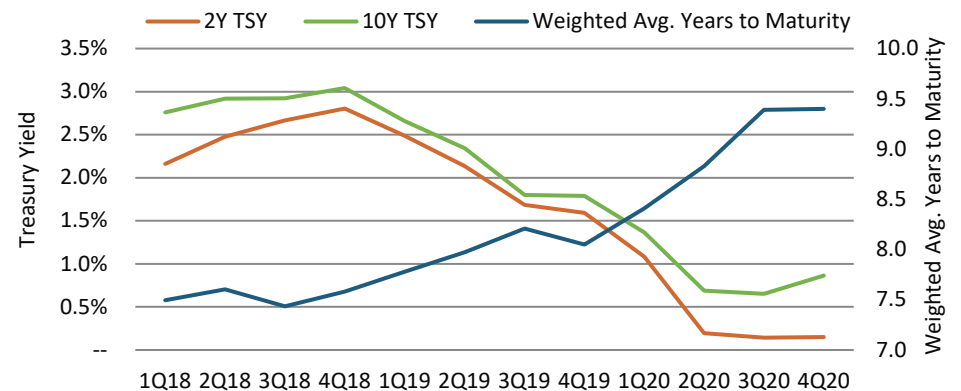
Source: BondTicker

## 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



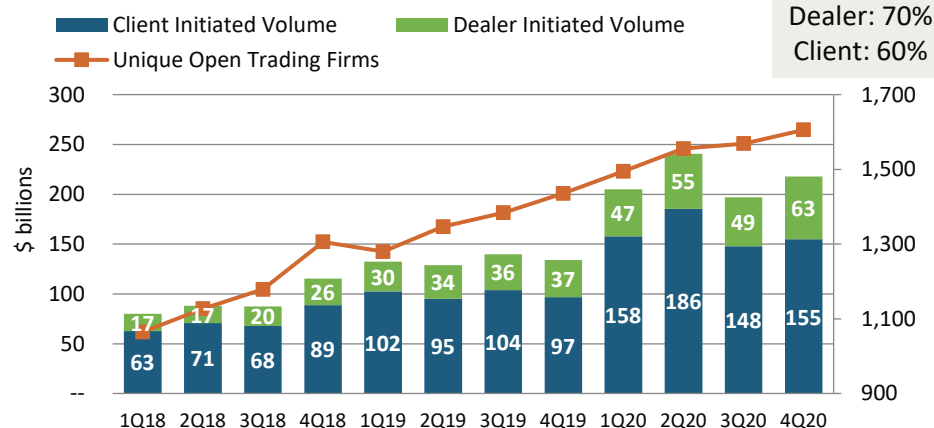
Source: Federal Reserve

# Open Trading™

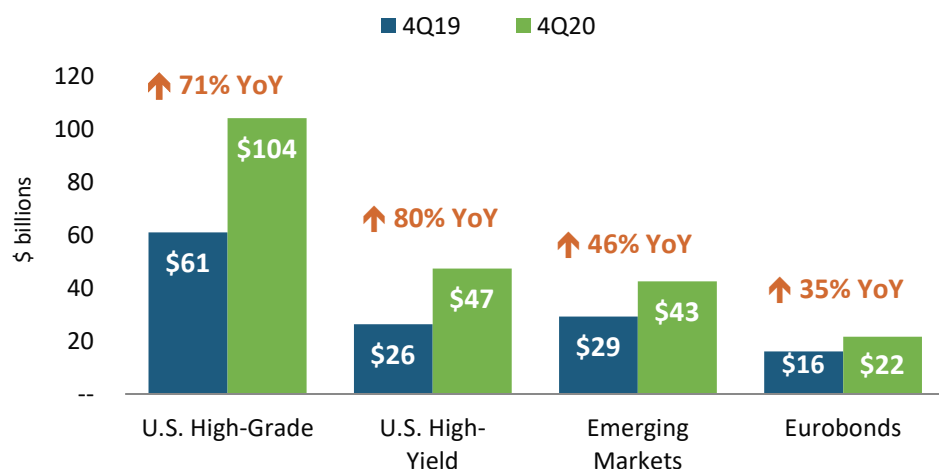
## HIGHLIGHTS

- Over 28,000 orders and \$15 billion notional value available through Open Trading on average per day in 4Q20
- \$3.5 billion average daily volume, up 61% from 4Q19
- Open Trading credit revenue of \$42.1 million, up 68% from 4Q19
- Estimated system-wide cost savings of \$118 million for liquidity takers and \$107 million for liquidity providers<sup>1</sup>
- Dealer initiated Open Trading volume of \$63.2 billion, up 70% from 4Q19
- Open Trading % of volume of 33% in 2020, up from 26% in 2019

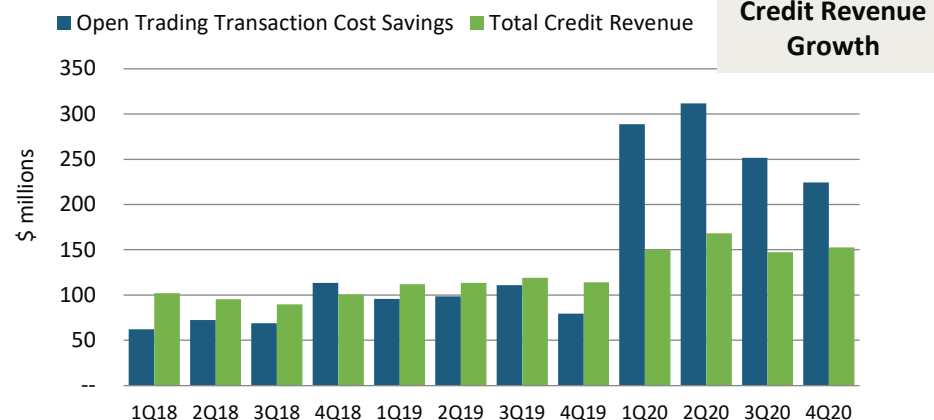
## DEALER VS. CLIENT INITIATED OPEN TRADING VOLUME



## OPEN TRADING VOLUME BY PRODUCT



## OPEN TRADING COST SAVINGS AND TOTAL CREDIT REVENUE



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.

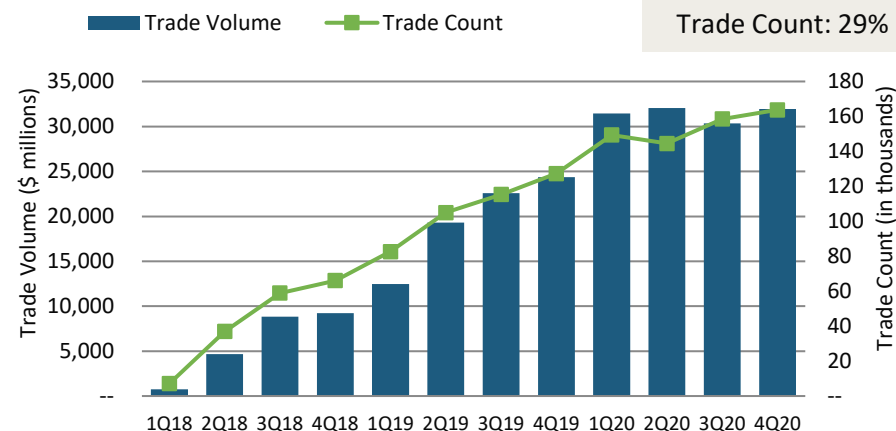
# Trading Automation Continues to Grow

## HIGHLIGHTS

- Over 163,000 trades completed using automated execution, up from 127,000 trades in 4Q19
- Auto-X represents 13% of total trade count and 5% of trade volume in 4Q20
- \$126 billion in Auto-X volume in 2020, up 60% from 2019
- U.S. high grade Auto-X average trade size up 14% in 2020
- Approximately 3.9 million algo responses in 4Q20, up 64% from 4Q19<sup>1</sup>

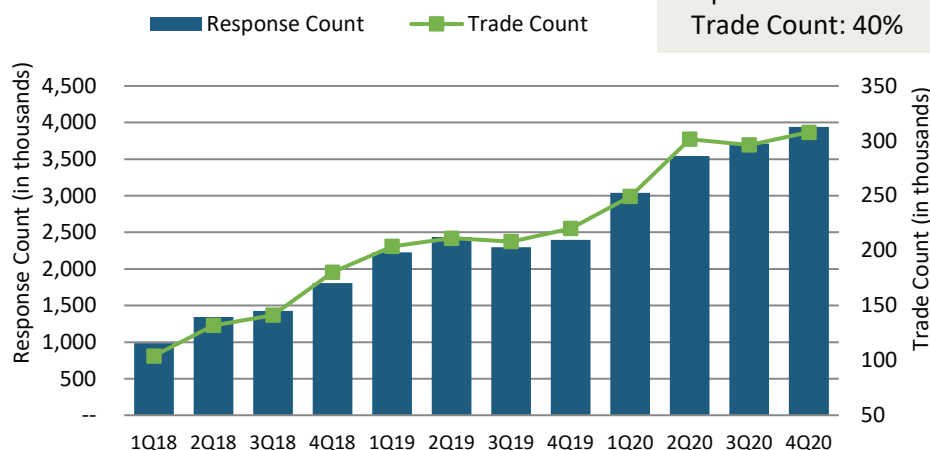
## AUTO-X TRADE VOLUME AND COUNT

**Q4 YoY Growth**  
Trade Volume: 31%  
Trade Count: 29%

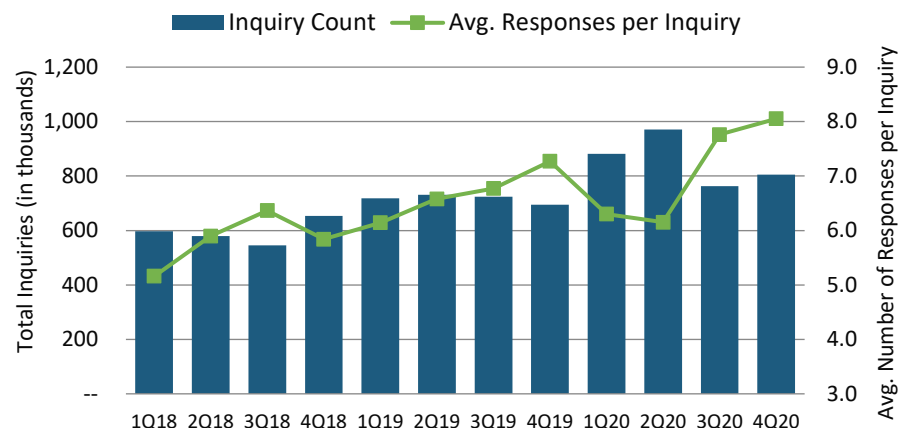


## TOTAL ALGO TRADES & RESPONSES<sup>1</sup>

**Q4 YoY Growth**  
Response Count: 64%  
Trade Count: 40%



## U.S. HIGH-GRADE TOTAL INQUIRY AND AVERAGE NUMBER OF RESPONSES PER INQUIRY



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

# Investing in Long Term Growth Through Diversification

## INFORMATION SERVICES

- 2020 Data Services revenue of \$34.3 million, up 12% YoY; 5-year CAGR of 11% on a constant currency basis
- \$6.5 million in net new annualized contract value in 2020, up 14%
- Over 16,000 individual users utilize award-winning Composite+ data product
- AxessAll trade tape for European fixed income markets adding valuable transparency to opaque markets

## POST-TRADE SERVICES

- 2020 Post-trade services revenue of \$19.5 million, up 23%; 5-year CAGR of 15% on a constant currency basis
- Launch of new Securities Financial Transactions Regulation (SFTR) services in 2020, in addition to trade matching and MIFID II ARM and APA reporting suite
- Nearly 1,000 active post-trade clients, including over 500 new firms added with the acquisition of Deutsche Börse's Regulatory Reporting Hub

## RATES

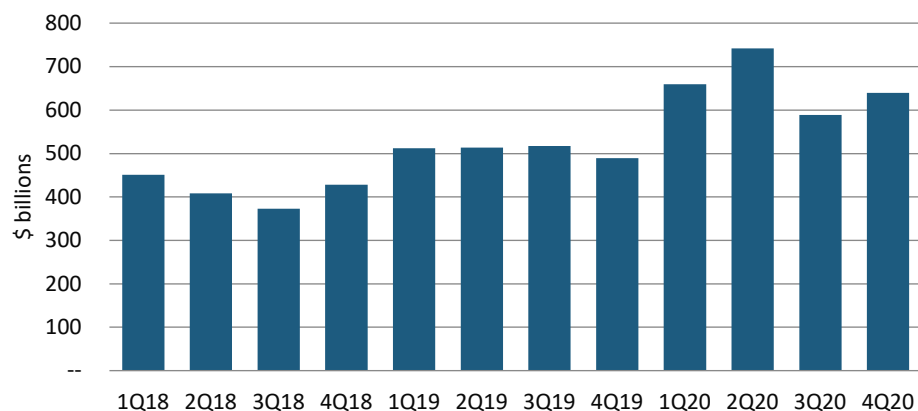
- Launch of integrated rates trading capabilities within the MarketAxess trading system in 4Q20
- Net-hedging capabilities live in 2H20, allowing clients to seamlessly hedge corporate bond transactions
- 46 new client firms added to trade Rates in 2020
- Further enhancements in development including Request-for-Quote alongside click-to-trade streams



# Quarterly Volume Growth

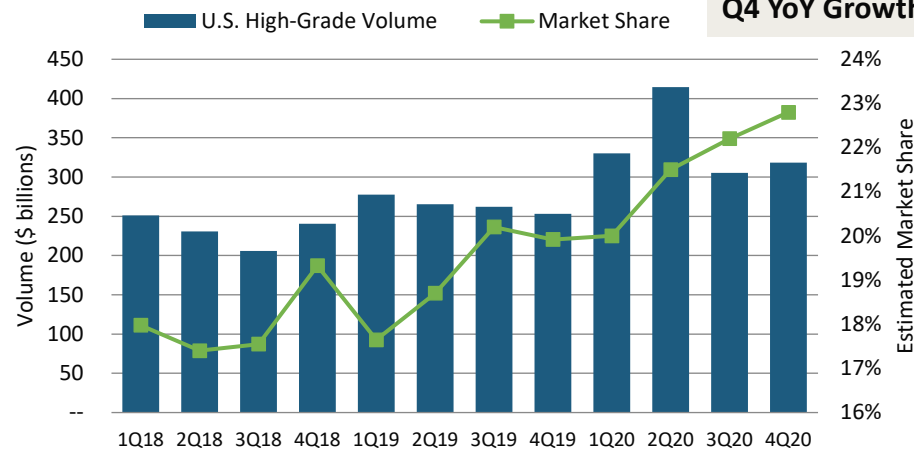
## TOTAL CREDIT

**31%  
Q4 YoY Growth**



## U.S. HIGH-GRADE

**26%  
Q4 YoY Growth**

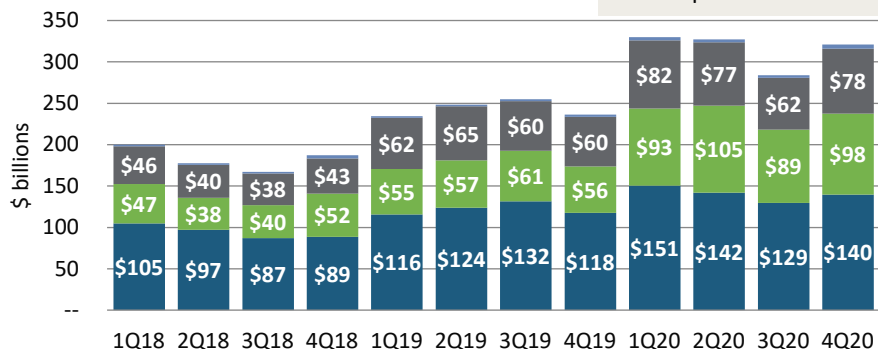


## OTHER CREDIT

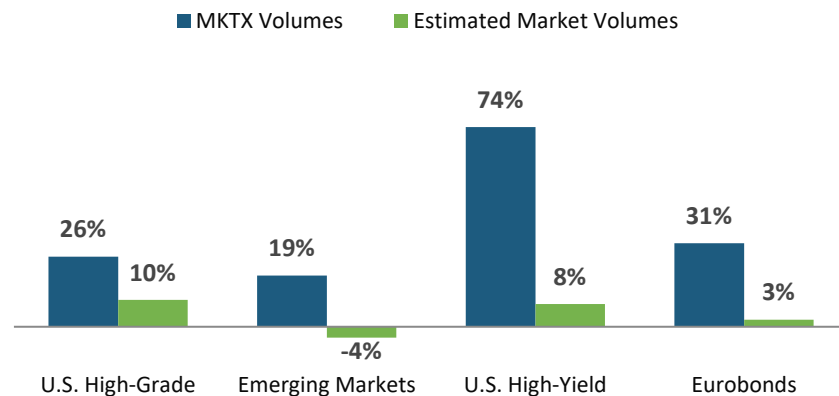
**36% Q4 YoY Growth**

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

Emerging Markets 19%  
U.S. High-Yield 74%  
Eurobond 31%  
Municipal Bonds 108%



## 4Q20 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>4Q20</u>	<u>3Q20</u>	<u>4Q19</u>	<u>% Δ 4Q20 vs. 4Q19</u>
	<i>(\$ in thousands, except per share data)</i>			
Revenues				
Commissions	\$ 155,813	\$ 150,586	\$ 117,103	33.1%
Information Services	8,771	8,501	8,515	3.0%
Post-trade Services	6,564	4,689	3,923	67.3%
Other Income	198	230	233	(15.0%)
Total Revenues	<u>171,346</u>	<u>164,006</u>	<u>129,774</u>	32.0%
Expenses	<u>79,649</u>	<u>76,199</u>	<u>68,923</u>	15.6%
Operating Income	<u>91,697</u>	<u>87,807</u>	<u>60,851</u>	50.7%
Investment Income and Other, net	<u>(1,408)</u>	<u>158</u>	<u>1,106</u>	(227.3%)
Income Before Taxes	<u>90,289</u>	<u>87,965</u>	<u>61,957</u>	45.7%
Provision for Income Taxes	<u>17,358</u>	<u>20,189</u>	<u>11,684</u>	48.6%
Net Income	<u>\$ 72,931</u>	<u>\$ 67,776</u>	<u>\$ 50,273</u>	45.1%
Operating Margin	53.5%	53.5%	46.9%	6.6 pts
EBITDA <sup>1</sup>	\$ 100,977	\$ 98,043	\$ 69,687	44.9%
Diluted EPS	\$ 1.91	\$ 1.78	\$ 1.32	44.7%
Diluted Shares <sup>2</sup>	38,188	38,160	38,091	0.3%

1. See fourth quarter 2020 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

	4Q20	3Q20	4Q19	% Δ 4Q20 vs. 4Q19
<b>Commissions</b> (\$ in thousands)				
Transaction Fees				
U.S. High-Grade	\$ 59,645	\$ 60,861	\$ 43,120	38.3%
Other Credit <sup>1</sup>	<u>65,045</u>	<u>59,131</u>	<u>45,238</u>	<u>43.8%</u>
Total Credit	<b>124,690</b>	119,992	88,358	41.1%
Rates <sup>2</sup>	<u>3,267</u>	<u>3,191</u>	<u>2,983</u>	<u>9.5%</u>
Total Transaction Fees	<b>127,957</b>	123,183	91,341	40.1%
Distribution Fees				
U.S. High-Grade	21,524	20,760	18,647	15.4%
Other Credit <sup>1</sup>	<u>6,261</u>	<u>6,586</u>	<u>7,029</u>	<u>(10.9%)</u>
Total Credit	<b>27,785</b>	27,346	25,676	8.2%
Rates <sup>2</sup>	<u>71</u>	<u>57</u>	<u>86</u>	<u>(17.4%)</u>
Total Distribution Fees	<b>27,856</b>	27,403	25,762	8.1%
Total Commissions	<b>\$ 155,813</b>	\$ 150,586	\$ 117,103	33.1%
<b>Trading Volume</b> (\$ in millions)				
U.S. High-Grade	\$ 318,493	\$ 305,231	\$ 253,109	25.8%
Other Credit <sup>1</sup>	<u>321,135</u>	<u>283,920</u>	<u>236,403</u>	<u>35.8%</u>
Total Credit	<b>639,628</b>	589,151	489,512	30.7%
Rates <sup>2</sup>	<b>826,276</b>	760,676	620,437	NM
<b>Transaction Fees per Million</b>				
U.S. High-Grade	\$ 187.27	\$ 199.39	\$ 170.36	9.9%
Other Credit <sup>1</sup>	<b>202.55</b>	208.27	191.36	5.8%
Total Credit	<b>194.94</b>	203.67	180.50	8.0%
Rates <sup>2</sup>	<b>3.95</b>	4.19	4.81	NM

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

	4Q20	3Q20	4Q19	% Δ 4Q20 vs. 4Q19
	<i>(\$ in thousands)</i>			
<u>Expenses</u>				
Employee Compensation and Benefits	\$ 36,472	\$ 37,583	\$ 33,117	10.1%
Depreciation and Amortization	10,592	9,032	7,730	37.0%
Technology and Communications	8,922	8,417	7,155	24.7%
Professional and Consulting	10,295	8,269	6,389	61.1%
Occupancy	3,220	3,445	3,090	4.2%
Marketing and Advertising	2,307	1,148	3,087	(25.3%)
Clearing Costs	4,997	4,838	3,345	49.4%
General and Administrative	2,844	3,467	5,010	(43.2%)
Total Expenses	\$ 79,649	\$ 76,199	\$ 68,923	15.6%

## Regulatory Reporting Hub

- Acquisition of Regulatory Reporting Hub closed on November 30, 2020
- Regulatory Reporting Hub expenses in the fourth quarter of 2020 were \$2.4 million, including integration costs of \$1.2 million, amortization of acquired intangibles expense of \$0.8 million and deal-related transaction costs of \$0.4 million.
- Excluding 2020 transaction related costs total expenses for the quarter were up 12.1%.

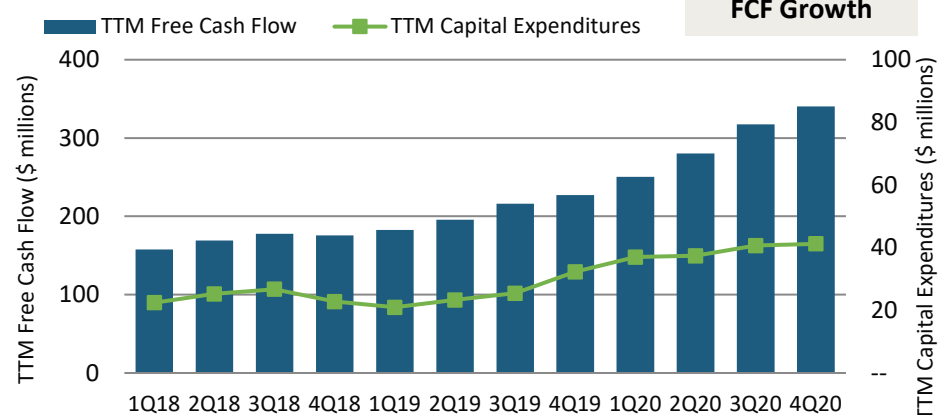
# Balance Sheet Data

(\$ in thousands)

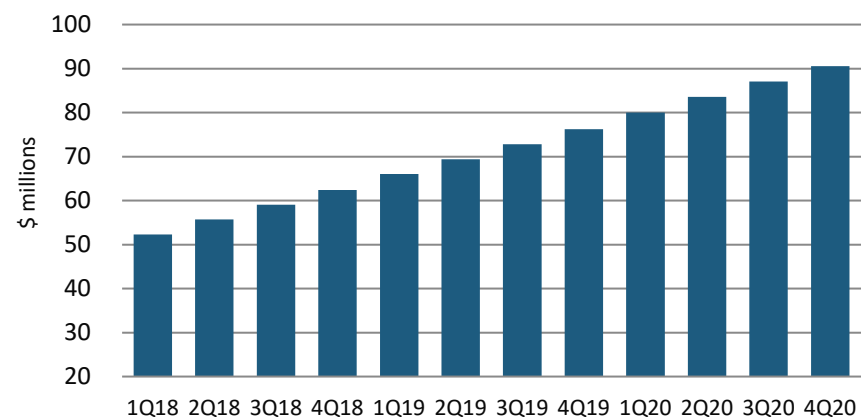
	<u>12/31/2020</u>	<u>12/31/2019</u>
<b>Assets</b>		
Cash, Cash Equivalents and Investments	\$ 488,969	\$ 500,601
Cash segregated under federal regulations	50,059	-
Accounts Receivable, net	79,577	62,017
Receivables from broker-dealers, clearing organizations and customers <sup>1</sup>	279,915	-
Goodwill and intangible assets, net	242,742	207,847
Operating Lease Right-of-use Assets	75,924	81,399
All Other Assets	114,243	103,066
<b>Total Assets</b>	<b>\$ 1,331,429</b>	<b>\$ 954,930</b>
<b>Liabilities and Stockholders' Equity</b>		
Payables to broker-dealers, clearing organizations and customers	\$ 133,326	\$ -
Operating Lease Liabilities	93,612	97,991
All Other Liabilities	149,430	86,848
<b>Total Liabilities</b>	<b>376,368</b>	<b>184,839</b>
<b>Total Stockholders' Equity</b>	<b>955,061</b>	<b>770,091</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,331,429</b>	<b>\$ 954,930</b>

- Includes deposits with clearing organizations and broker-dealers of \$97.0 million
- TTM capital expenditures exclude office buildout costs.

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



## TTM QUARTERLY DIVIDENDS



# 2021 Guidance

## EXPENSES

- Expected range of \$362.0 million to \$382.0 million
  - Excluding Regulatory Reporting Hub expenses, the midpoint in the guidance range would represent an approximate 13% year-over-year increase in expenses on a constant currency basis
  - Reflects Regulatory Reporting Hub expenses estimated to range between \$15.0 million to \$18.0 million, including amortization expense on acquired intangible assets of approximately \$5.0 million and non-recurring integration costs of approximately \$5.0 million

## CAPITAL EXPENDITURES

- Expected range of \$50.0 million to \$55.0 million
  - Includes an expected increase in capitalized software development

## EFFECTIVE TAX RATE

- Expected to be between 22.0% to 24.0%
  - Increase in tax rate principally due to lower estimated excess tax benefits on share awards

## Summary

- Accelerating market share gains in core products driving revenue and earnings growth.
- Growth opportunities expanding with new products and trading protocols on the network.
- Institutional client network growing globally
- Long term revenue and earnings growth rates show consistent track record of execution.



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