



# Q2 2021 Conference Call and Webcast

July 21, 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).

# 2Q21 Summary<sup>1</sup>

## FINANCIAL HIGHLIGHTS

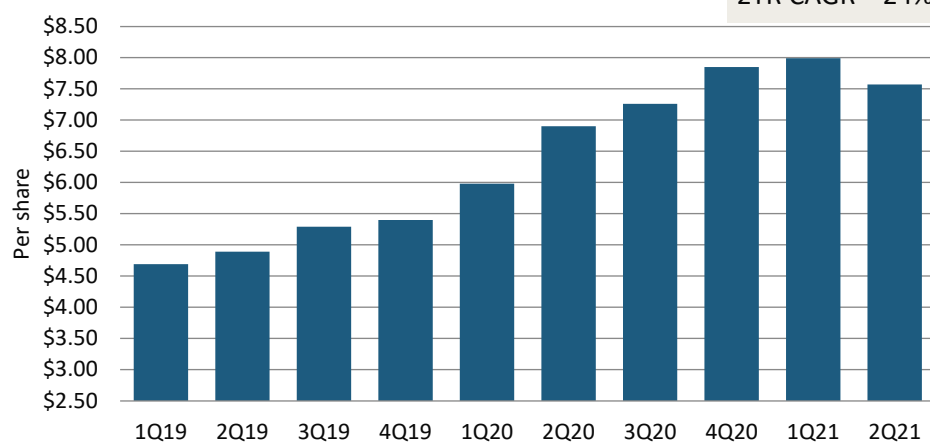
- Revenues of \$176.3 million, down 5%; 2-year CAGR of 19%
- Operating income of \$87.2 million, down 16%; 2-year CAGR of 20%
- Operating margin of 49.4%
- EBITDA of \$99.3 million, down 12%; 2-year CAGR of 20%
- Diluted EPS of \$1.77, down 20%; 2-year CAGR of 18%

## BUSINESS HIGHLIGHTS

- Estimated U.S. high-grade market share of 21.1%, down from 21.5% and estimated U.S. high-yield market share of 14.3%, up from 14.0%
- Open Trading<sup>®</sup> credit volume of \$216 billion and estimated total system-wide cost savings of \$127 million<sup>2</sup>
- Emerging Markets volume \$157.2 billion, up 11%; estimated market volumes down 17%
- Record municipal bond volume of \$6.1 billion, up 89%; closed on the MuniBrokers acquisition on April 9<sup>th</sup>
- Record active total client firms of 1,842 and international client firms of 930
- Charles Li, the former Chief Executive of Hong Kong Exchanges and Clearing Ltd (HKEX), joins the Board of Directors

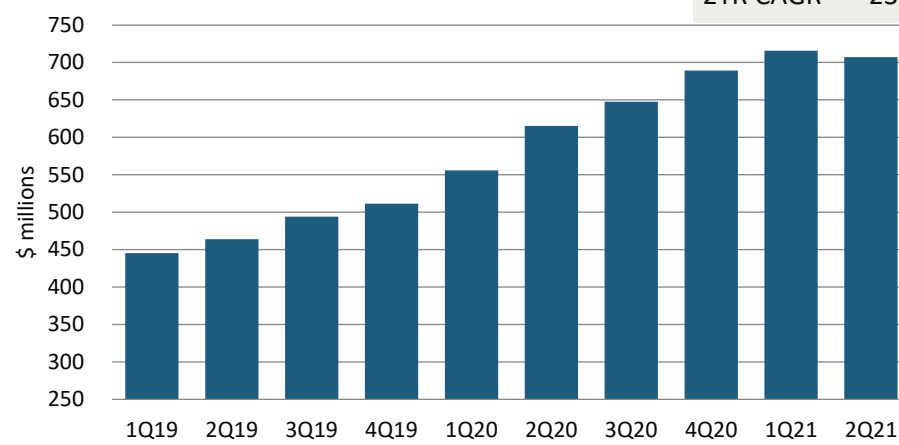
## TRAILING TWELVE MONTHS EPS

**Q2 TTM Growth**  
YoY 10%  
2YR CAGR 24%



## TRAILING TWELVE MONTHS REVENUE

**Q2 TTM Growth**  
YoY 15%  
2YR CAGR 23%



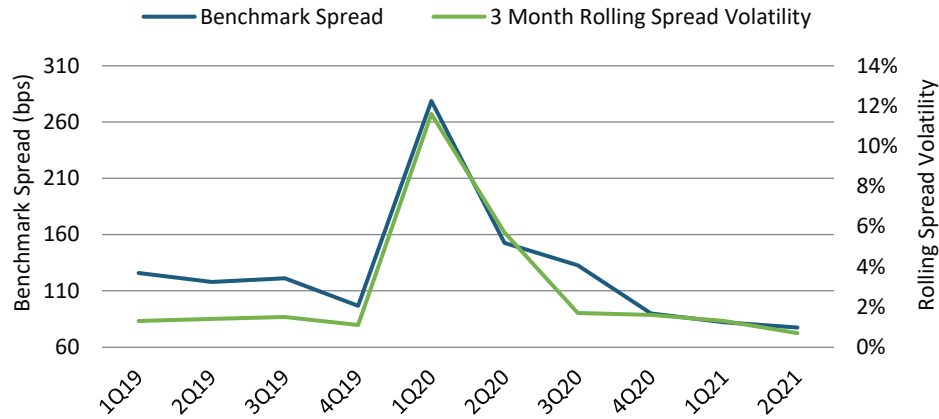
1. All period comparisons versus 2Q20 unless otherwise stated. 2-year compound annual growth rate "CAGR" compared to 2Q19.

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.

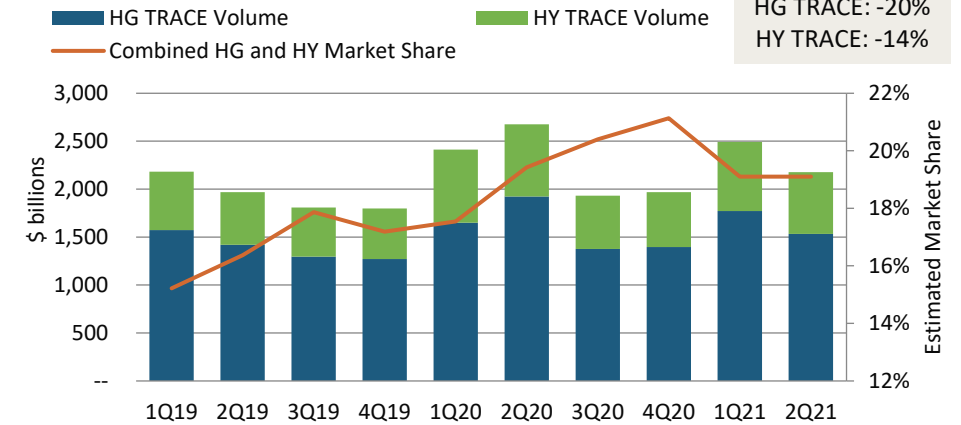
# Market Conditions

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



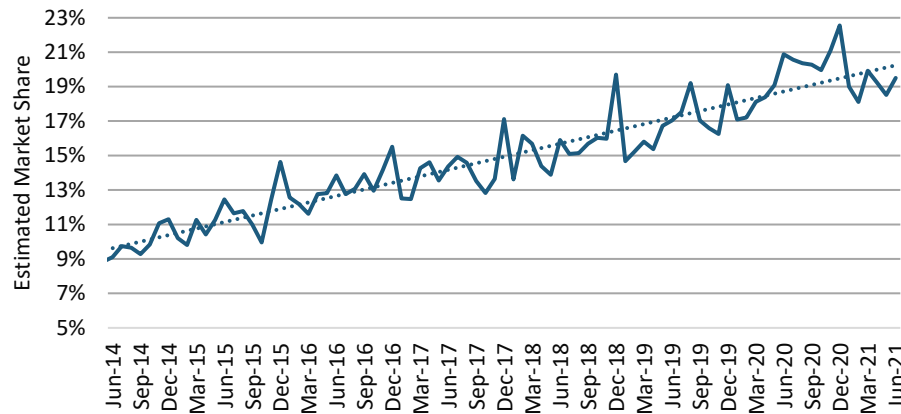
Source: Credit Suisse Global Credit Strategy

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

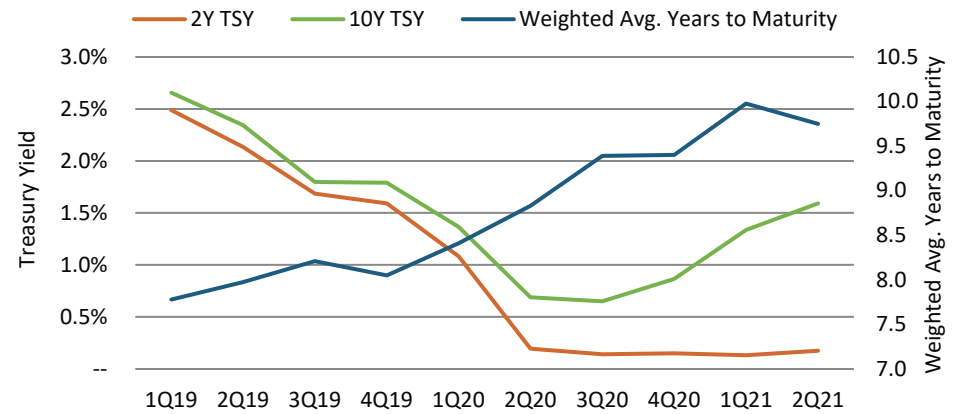


Source: BondTicker

## COMBINED ESTIMATED U.S. HIGH-GRADE AND U.S. HIGH-YIELD MARKET SHARE



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



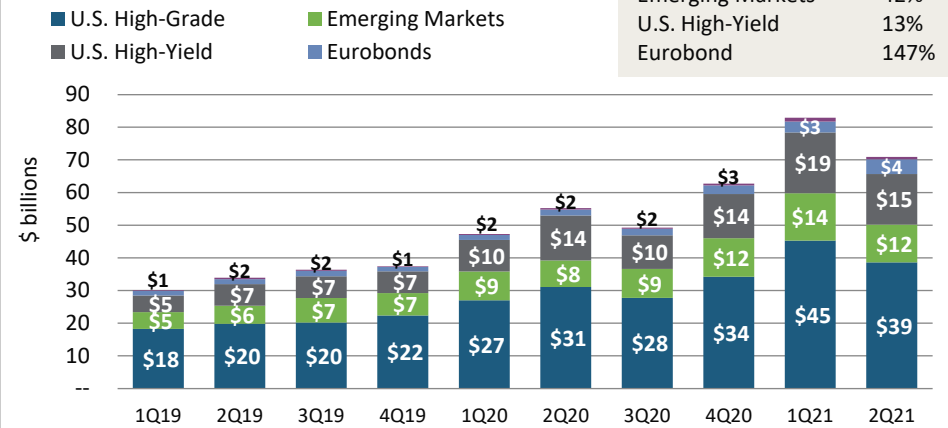
Source: Federal Reserve

# Open Trading<sup>®</sup> Expansion

## HIGHLIGHTS

- Over 29,000 orders and \$15 billion notional value available through Open Trading central marketplace on average per day in 2Q21
- 97% of total platform orders available in the Open Trading all-to-all liquidity pool
- \$3.4 billion average daily volume, down 10% from 2Q20
- Open Trading credit revenue of \$39.7 million
- Estimated system-wide cost savings of \$71.1 million for liquidity takers and \$56.0 million for liquidity providers<sup>1</sup>
- Dealer initiated Open Trading volume of \$70.9 billion, up 28% from 2Q20

## DEALER INITIATED OPEN TRADING VOLUME



28% Q2 YoY Growth	
U.S. High-Grade	24%
Emerging Markets	42%
U.S. High-Yield	13%
Eurobond	147%

## DIVERSITY DEALER INITIATIVE

- Launched a series of technology enhancements that will enable leading buy-side institutions and minority-, women- and veteran-owned broker dealers to increase trading interaction and revenue with the broad base of the MarketAxess client network
- Supports trading in investment grade bonds, high yield bonds and municipal securities available through the Open Trading marketplace
- Currently 12 dealers on-boarded
- Almost 1,000 trades and volume of \$2.2 billion traded during the quarter, up 90% from 1Q21

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.

# New Products and Protocols

## PORTFOLIO TRADING

- Enriched portfolio trading solution delivered in late-May to add new functionality and workflow enhancements
- Support for multi-directional lists and multi-currency lists added, designed to sit seamlessly alongside existing list RFQ functionality
- 27 unique investor firms and 10 dealers traded during the quarter
- Estimated total portfolio trading volume comprises approximately 4% of U.S corporate bond TRACE

## MID-X SESSIONS

- Launched Mid-X sessions protocol for Eurobonds in October 2020
- Over 100 buy-side and sell-side firms have participated in Mid-X sessions since go-live, with over 260,000 interests submitted
- Record volumes of \$2.5 billion traded, up 79% from 1Q21
- Expect to launch trading in U.S. corporates in 2H21

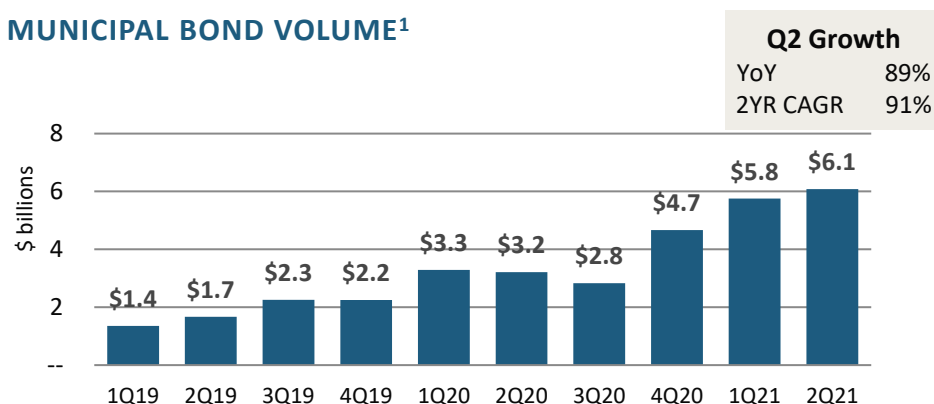
## LIVE MARKETS ORDER BOOK

- Barclays joins Goldman Sachs and another systematic dedicated market maker as a streaming liquidity provider
- Over 1,300 unique CUSIPs quoted during the quarter with an average trade size of \$2.8 million
- 60 Liquidity takers and 13 liquidity providers active during the quarter

## MUNICIPAL BONDS

- Record municipal bond volume of \$6.1 billion, up 89% from 2Q20<sup>1</sup>
- MuniBrokers transaction closed on April 9<sup>th</sup>; approximately \$330 million average daily volume transacted through the system

## MUNICIPAL BOND VOLUME<sup>1</sup>



1. Volume does not include MuniBrokers trading activity

## U.S. TREASURIES

- 200 institutional clients approved for U.S. Treasury Click-to-Trade Offering
- Launch of U.S. Treasury RFQ in July 2021, supplements the streaming liquidity and support unique client workflows
- Launch of All-to-All market for U.S. Treasuries in 2H21, opportunity in Rates to leverage Open Trading to improve access to liquidity

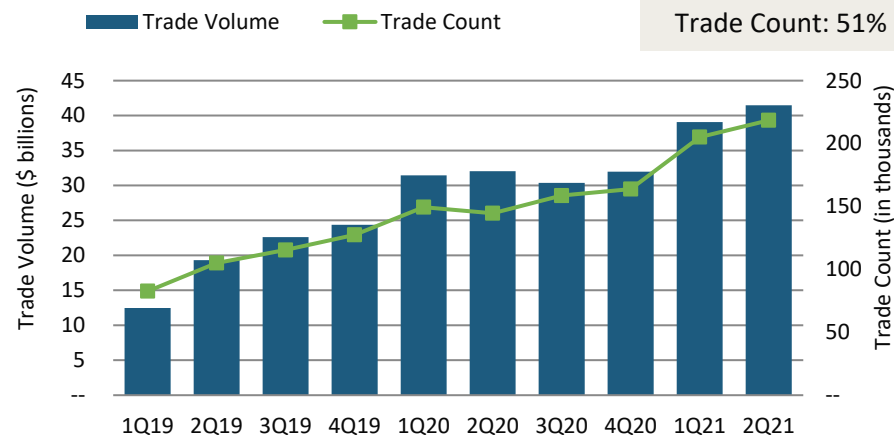
# Trading Automation Continues to Grow

## HIGHLIGHTS

- Record of over 218,000 trades completed using automated execution, up from 145,000 trades in 2Q20
- Over 356,000 algo trades in 2Q21, up 18% from 2Q20<sup>1</sup>
- Auto-X represents 17% of total trade count and 6% of trade volume in 2Q21
- Record \$41 billion in Auto-X volume in 2Q21, up 29% from 2Q20
- 98 firms using Auto-X, up from 86 in 2Q20

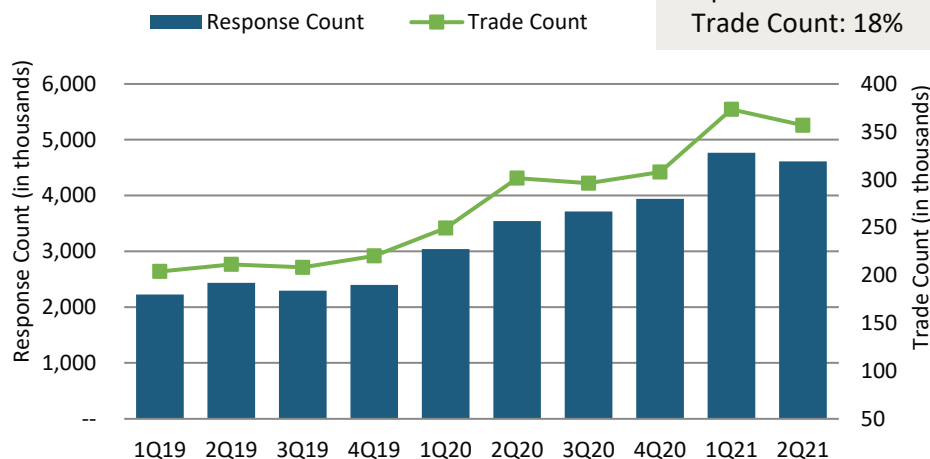
## AUTO-X TRADE VOLUME AND COUNT

**Q2 YoY Growth**  
Trade Volume: 29%  
Trade Count: 51%

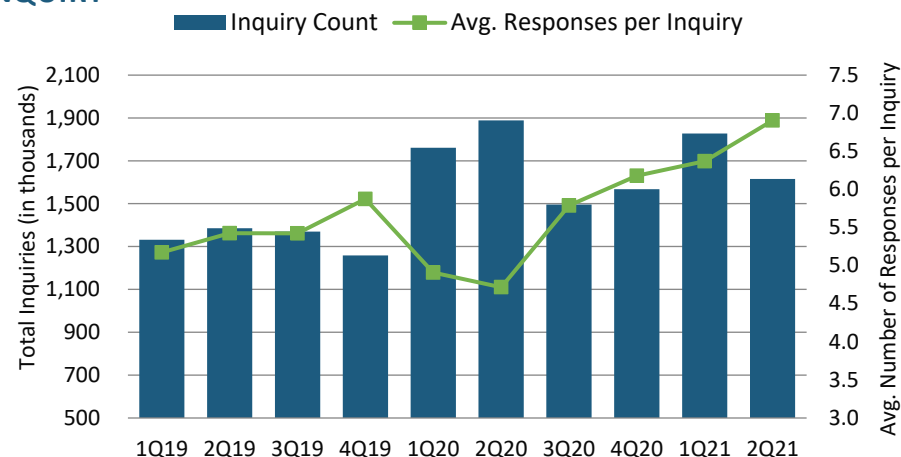


## TOTAL ALGO TRADES & RESPONSES<sup>1</sup>

**Q2 YoY Growth**  
Response Count: 30%  
Trade Count: 18%



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



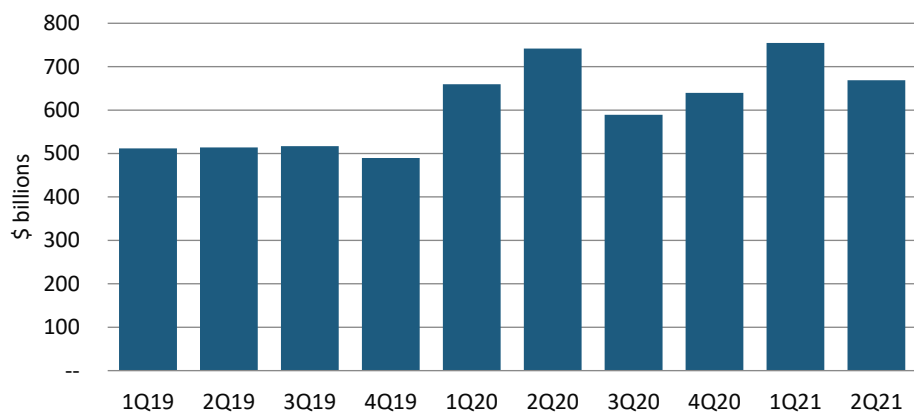
1. Algorithmic trades for U.S. high-grade and U.S. high-yield spread based trades only.

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

# Quarterly Volume Growth

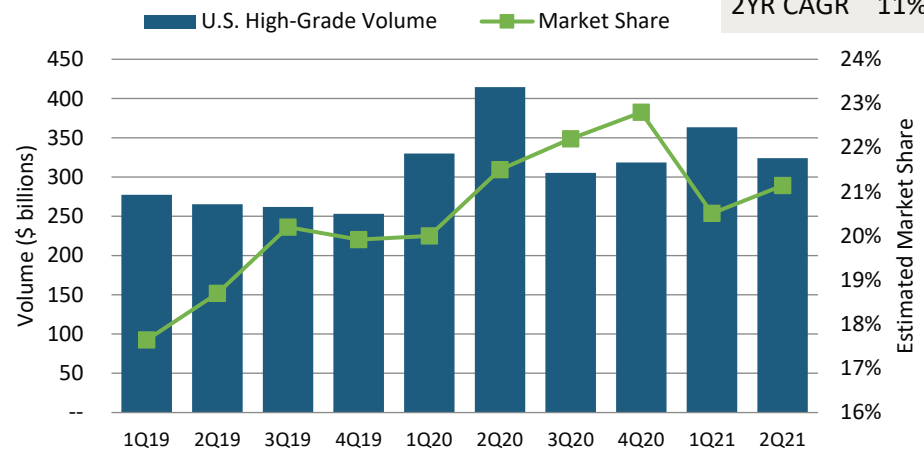
## TOTAL CREDIT

**Q2 Change**  
YoY -10%  
2YR CAGR 14%



## U.S. HIGH-GRADE

**Q2 Change**  
YoY -22%  
2YR CAGR 11%

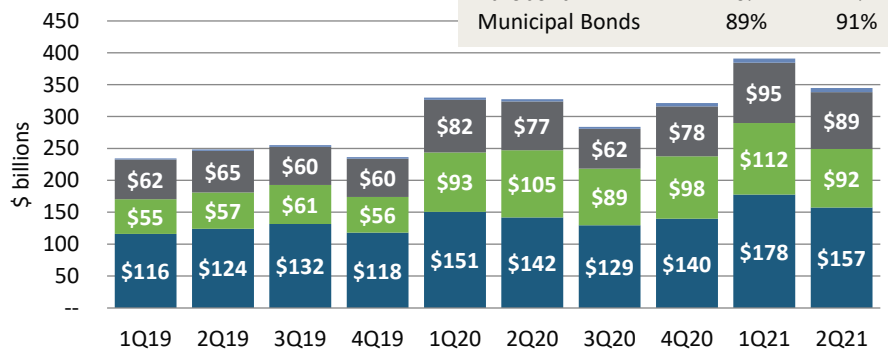


## OTHER CREDIT

**5% Q2 YoY Growth**

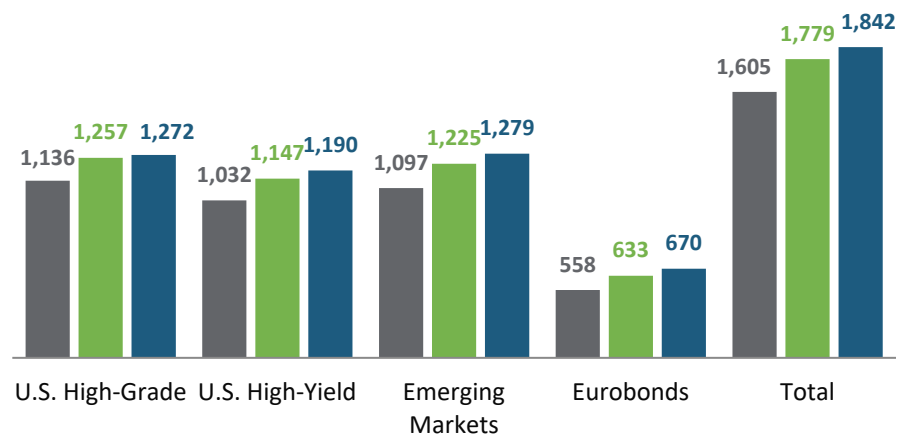
Emerging Markets U.S. High-Yield  
Eurobonds Other

	YOY	2YR CAGR
Emerging Markets	11%	13%
U.S. High-Yield	-13%	27%
Eurobond	16%	17%
Municipal Bonds	89%	91%



## GLOBAL ACTIVE CLIENT FIRMS BY PRODUCT

2Q19 2Q20 2Q21



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



# Earnings Performance

	<u>2Q21</u>	<u>1Q21</u>	<u>2Q20</u>	<u>Δ</u> <u>2Q21 vs.</u> <u>2Q20</u>
	<i>(\$ in thousands, except per share data)</i>			
Revenues				
Commissions	\$ 156,431	\$ 175,838	\$ 172,092	(9.1%)
Information Services	9,844	9,162	8,427	16.8%
Post-trade Services	9,848	10,261	4,054	142.9%
Other Income	211	203	222	(5.0%)
Total Revenues	<u>176,334</u>	<u>195,464</u>	<u>184,795</u>	<u>(4.6%)</u>
Expenses	<u>89,157</u>	<u>91,990</u>	<u>80,660</u>	<u>10.5%</u>
Operating Income	<u>87,177</u>	<u>103,474</u>	<u>104,135</u>	<u>(16.3%)</u>
Investment Income	107	107	714	(85.0%)
Interest Expense	(171)	(191)	-	NM
Other, net	(1,060)	(1,589)	(446)	137.7%
Income Before Taxes	<u>86,053</u>	<u>101,801</u>	<u>104,403</u>	<u>(17.6%)</u>
Provision for Income Taxes	<u>18,765</u>	<u>21,344</u>	<u>20,549</u>	<u>(8.7%)</u>
Net Income	<u>\$ 67,288</u>	<u>\$ 80,457</u>	<u>\$ 83,854</u>	<u>(19.8%)</u>
Operating Margin	49.4%	52.9%	56.4%	-7.0 pts
EBITDA <sup>1</sup>	\$ 99,321	\$ 113,771	\$ 112,708	(11.9%)
Diluted EPS	\$ 1.77	\$ 2.11	\$ 2.20	(19.5%)
Diluted Shares <sup>2</sup>	38,104	38,155	38,153	(0.1%)

1. See second 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

	2Q21	1Q21	2Q20	% Δ 2Q21 vs. 2Q20
<b>Commissions</b> ( <i>\$ in thousands</i> )				
Transaction Fees				
U.S. High-Grade	\$ 56,413	\$ 65,356	\$ 75,208	(25.0%)
Other Credit <sup>1</sup>	<u>67,074</u>	<u>78,899</u>	<u>66,977</u>	0.1%
Total Credit	<u>123,487</u>	144,255	142,185	(13.2%)
Rates <sup>2</sup>	<u>3,612</u>	<u>4,143</u>	<u>3,846</u>	(6.1%)
Total Transaction Fees	<u>127,099</u>	148,398	146,031	(13.0%)
Distribution Fees				
U.S. High-Grade	21,373	20,970	19,635	8.8%
Other Credit <sup>1</sup>	<u>7,895</u>	<u>6,404</u>	<u>6,329</u>	24.7%
Total Credit	<u>29,268</u>	27,374	25,964	12.7%
Rates	<u>64</u>	<u>66</u>	<u>97</u>	(33.6%)
Total Distribution Fees	<u>29,332</u>	<u>27,440</u>	<u>26,061</u>	12.6%
Total Commissions	<u>\$ 156,431</u>	<u>\$ 175,838</u>	<u>\$ 172,092</u>	(9.1%)
<b>Trading Volume</b> ( <i>\$ in millions</i> )				
U.S. High-Grade	\$ 324,011	\$ 363,441	\$ 414,580	(21.8%)
Other Credit <sup>1</sup>	<u>344,865</u>	<u>391,020</u>	<u>327,266</u>	5.4%
Total Credit	<u>668,876</u>	754,461	741,846	(9.8%)
Rates <sup>2</sup>	<u>888,267</u>	1,120,868	955,594	(7.0%)
<b>Transaction Fees per Million</b>				
U.S. High-Grade	\$ 174.11	\$ 179.83	\$ 181.41	(4.0%)
Other Credit <sup>1</sup>	194.49	201.78	204.66	(5.0%)
Total Credit	184.62	191.20	191.66	(3.7%)
Rates <sup>2</sup>	4.07	3.70	4.02	1.0%

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>2Q21<sup>1</sup></u>	<u>1Q21<sup>2</sup></u>	<u>2Q20</u>	<u>% Δ</u> <u>2Q21 vs.</u> <u>2Q20</u>
		<i>(\$ in thousands)</i>		
<u>Expenses</u>				
Employee Compensation and Benefits	\$ 40,732	\$ 48,088	\$ 41,636	(2.2%)
Depreciation and Amortization	13,097	11,779	8,305	57.7%
Technology and Communications	10,544	10,036	8,592	22.7%
Professional and Consulting	10,704	9,640	8,065	32.7%
Occupancy	3,300	3,317	3,286	0.4%
Marketing and Advertising	3,128	1,204	1,810	72.8%
Clearing Costs	4,372	4,694	5,713	(23.5%)
General and Administrative	<u>3,280</u>	<u>3,232</u>	<u>3,253</u>	<u>0.8%</u>
Total Expenses	\$ 89,157	\$ 91,990	\$ 80,660	10.5%

## Expense Details

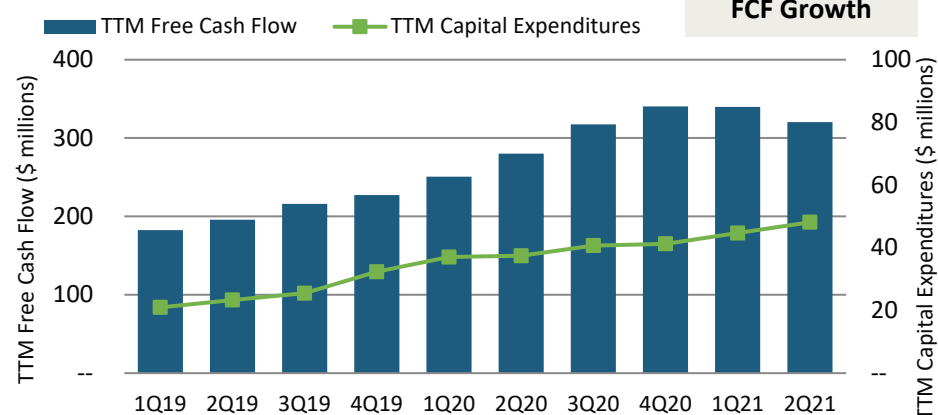
- 2Q21 MuniBrokers and Regulatory Reporting Hub expenses totaled \$5.1 million, including non-recurring integration costs of \$1.3 million and amortization of acquired intangibles expense of \$2.1 million. Excluding the MuniBrokers and Regulatory Reporting Hub expenses, total expenses for the quarter were up 4.2%.
- 1Q21 Regulatory Reporting Hub expenses totaled \$3.6 million, including non-recurring integration costs of \$1.3 million and amortization of acquired intangibles expense of \$1.4 million.

# Cash Flow and Capital Management

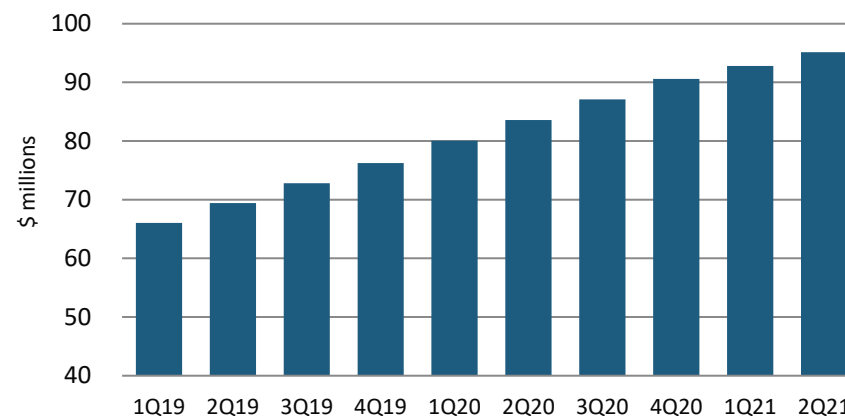
## QUARTERLY OVERVIEW

- Total cash and investments of \$440 million
  - Excludes \$132 million of cash deposits supporting self-clearing obligations
- Trailing 12-month free cash flow of \$320 million, up \$40 million from June 30, 2020
- Continued investment in trading system enhancements
  - Maintaining full year Capex guidance of \$50 million to \$55 million
- Returned \$100 million in capital during 1H 2021 through dividends and share repurchases
  - Board approved \$0.66 dividend to be paid in August 2021
- No outstanding debt on borrowing facilities
  - \$500 million 365-day credit agreement
  - \$200 million secured facility

## TTM FREE CASH FLOW AND CAPITAL EXPENDITURES<sup>1</sup>



## TTM QUARTERLY DIVIDENDS



1. TTM capital expenditures exclude office buildout costs.

## Summary

- Two-year compound growth rates show revenue and earnings growth consistent with long term averages
- Growing international client business is creating a strong global footprint for future growth
- Emerging markets estimated market share reaching new highs
- New products and new trading protocols expand the growth cylinders



Now you're in the market™

# Disclosures

©2021 MarketAxess Holding Inc. (the "Company"). MarketAxess Corporation and LiquidityEdge LLC are members of FINRA and SIPC. MarketAxess Canada Company is a member of IIROC. MarketAxess Europe Limited (04017160), MarketAxess Capital Limited (09777893), and Xtrakter Limited (01917944) are incorporated in England and Wales, and each authorised and regulated by the Financial Conduct Authority. MarketAxess NL B.V. (69592888) and Trax NL B.V. (69597774) are incorporated in the Netherlands, and each licensed by the Autoriteit Financiële Markten. MarketAxess Singapore Pte. Limited is recognised by the Monetary Authority of Singapore. MarketAxess is a trading name of the aforementioned entities. Trax is a trading name of Xtrakter Limited and Trax NL B.V.

This information is for institutional investor use only, does not constitute investment advice and may not be redistributed without the prior written consent of the Company or its subsidiaries. Under no circumstances may this information be distributed to retail investors.

To the fullest extent permitted by applicable law, all warranties and representations are disclaimed. All information presented herein is considered to be accurate at the time of writing, provided "as is" with no express or implied representations or warranties—including without limitation in relation to fitness for purpose, accuracy, or completeness of contents—and is only intended to provide an overview of the subject matter and not an exhaustive treatment thereof. Whilst sources of information are believed to be reliable, MarketAxess does not independently verify information obtained from third party sources. Any information presented is not intended to represent an offer or solicitation of any financial instrument.

Proprietary and confidential information of the Company—all forms of copying prohibited. Further information on MarketAxess can be found on our website at [marketaxess.com](https://marketaxess.com).