



# 2Q24 Earnings Conference Call

August 6, 2024

# Strategic Update

❖ Chris Concannon, CEO

# 2Q24 Highlights<sup>1</sup>

## Financial Performance

- **10%** growth in revenue<sup>2</sup>
- **8%** growth in commission revenue<sup>2</sup>
  - **22%** growth in emerging markets and **11%** growth in Eurobonds
- **22%** growth in services revenue<sup>2,3</sup>
- **\$1.72** in diluted earnings per share
- **\$298 million** in TTM free cash flow<sup>4</sup> generation

## Operational Strength

- Strong international growth with **17%** increase in emerging markets and Eurobonds ADV
- **Record** portfolio trading volume, up **143%**
- **Record** municipal bonds estimated market share
- **Record** information services revenue
- **10%** growth in post-trade services revenue

## Disciplined Expense and Capital Management

- **12%** growth in expenses<sup>2</sup>; continuing to invest to drive growth
- Board approved new share repurchase program of **\$200 million**; total current aggregate outstanding authorization of **\$250 million**
- Repurchased **243K shares** for **\$50 million** year-to-date July 2024
- **59%** payout ratio (dividends & repurchases) on TTM net income

1. All period comparisons are 2Q24 vs. 2Q23 unless otherwise noted.

2. Includes the impact of the Pragma acquisition.


3. Includes information services, post-trade services, and technology services revenue line items.

4. Non-GAAP metric; 2Q24 net cash provided by operating activities of \$119 million represents closest comparable GAAP metric. Please refer to “Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow” in the appendix of this presentation.

# Strategic Priorities to Drive Market Share Growth

## Key Milestones / Execution Timing

Key Components of Our Strategy to Grow Market Share

	Completed	Near-Term <sup>1</sup>
<b>X-Pro</b> 	<ul style="list-style-type: none"> <li>✓ Phased in roll-out of X-Pro to our largest clients with emphasis on high ticket volume traders and simplified workflow</li> <li>✓ Launched X-Pro for portfolio trading with enhanced pre-trade analytics</li> </ul>	<ul style="list-style-type: none"> <li>• Roll-out of X-Pro to international clients across Eurobonds and Emerging Markets</li> <li>• Roll-out of X-Pro to our Muni and Rates clients</li> </ul>
<b>High Touch Solutions</b> <b>(AI Assistance for Sensitive or Complex Trades)</b> <ul style="list-style-type: none"> <li>• Increase share of larger trade sizes</li> <li>• AI powered pre-trade analytics</li> <li>• Designed to minimize market impact while maintaining efficiency</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enhanced portfolio trading protocol driving initial share gains</li> <li>✓ Launched our global, multi-product portfolio trading solution</li> <li>✓ Launched Tradability Data, our AI-driven proprietary market depth data set</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of targeted block trading solutions that minimize market impact</li> <li>• Launch of AI-driven dealer selection tool to optimize trade success</li> <li>• Launch of CP+ Inquiry data set to support block trade pricing</li> </ul>
<b>Low &amp; No Touch Solutions</b> <b>(Rule-Based Automation and AI Powered Algos)</b> <ul style="list-style-type: none"> <li>• Increase share of smaller / liquid trades</li> <li>• Rule-based RFQ automation</li> <li>• AI powered order routing and algos</li> </ul>	<ul style="list-style-type: none"> <li>✓ Automated RFQ fully integrated into X-Pro</li> <li>✓ Launched Auto-X for dealer RFQ (DRFQ)</li> <li>✓ Launched Adaptive Auto-X with “passive” and “liquidity seeking” algos</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of a new algo suite designed to support “liquidity seeking” across multiple protocols</li> <li>• Enhanced Adaptive Auto-X Algos designed for dealers</li> <li>• International expansion and broadened product coverage</li> </ul>

Note: “DRFQ” is dealer request-for-quote.

1. “Near-Term” defined as 3Q24 through next 12 months.

# Driving Growth: Diversification Through Our Global Network

Regional / Product View	North America	EMEA	APAC	LATAM	Volume Growth <sup>1</sup>
High-Grade					+15%
High-Yield					(21)%
Emerging Markets					+20%
Eurobonds					+9%
Municipals			-	-	+13%
Volume Growth <sup>1</sup>	+10%	+11%	+23%	+11%	+11%

■ = Double-Digit Increase

■ = Single-Digit Increase

■ = Double-Digit Decline

■ = Single-Digit Decline

□ = Product currently not traded / available in region.

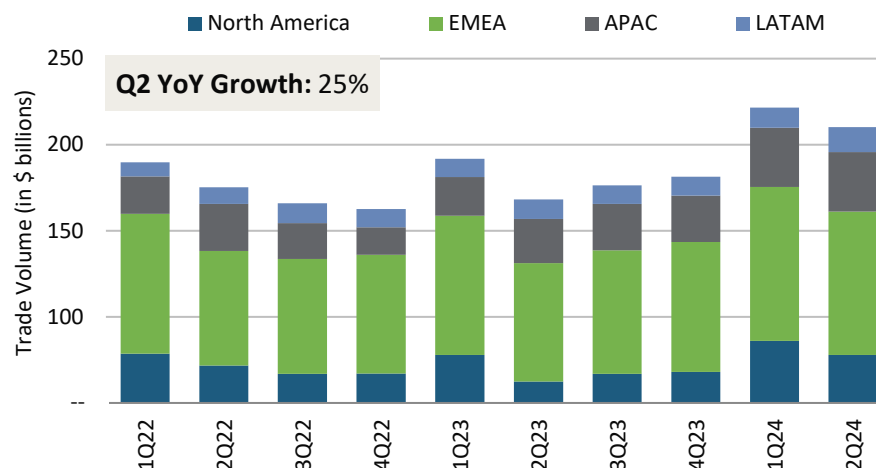
1. Regional / product growth rate is based on YTD 2Q24 trading volume.

# International Momentum: Growth in Our EM Franchise

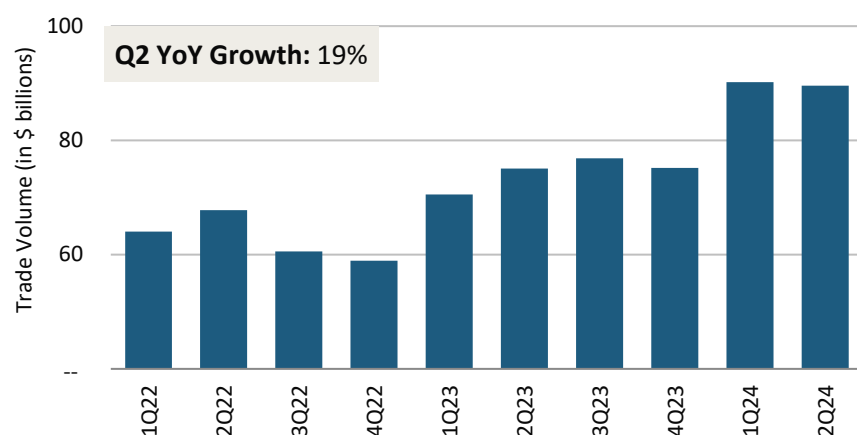
## 2Q24 COMMENTARY<sup>1</sup>

- Emerging markets commission revenue up **22%**
- Record 1,507** emerging markets active client firms, up **5%**.
- Record** LATAM and APAC emerging markets trading volume, up **27%** and **35%**, respectively.
- Emerging markets local currency trading volume of **~\$90 billion**, up **19%**.
- Record** emerging markets RFM activity of **~\$30 billion**, up **45%**.
- Record** emerging markets block trade volume of **~\$28 billion**, up **21%**

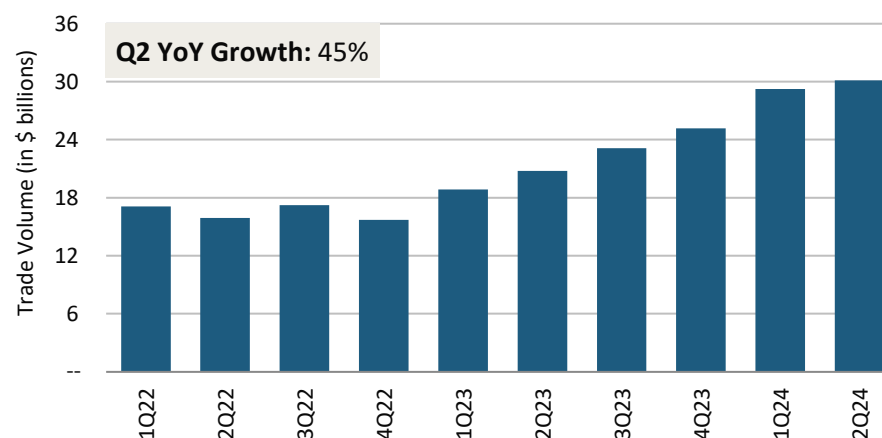
## EMERGING MARKETS TRADE VOLUME BY REGION



## EMERGING MARKETS LOCAL CURRENCY TRADE VOLUME



## RECORD EMERGING MARKETS LOCAL CURRENCY RFM<sup>2</sup> ACTIVITY



1. All period comparisons are 2Q24 vs. 2Q23 unless otherwise noted.  
 2. "RFM" = Request for market

# Strategic Priorities: Driving Our Future Success

**1**

**Grow Core Fixed Income Trading Revenue**

**2**

**Enhance Client Network Experience**

**3**

**Deliver Innovative Technology & Data Solutions**

**4**

**Drive a High-Performing Team / Culture**

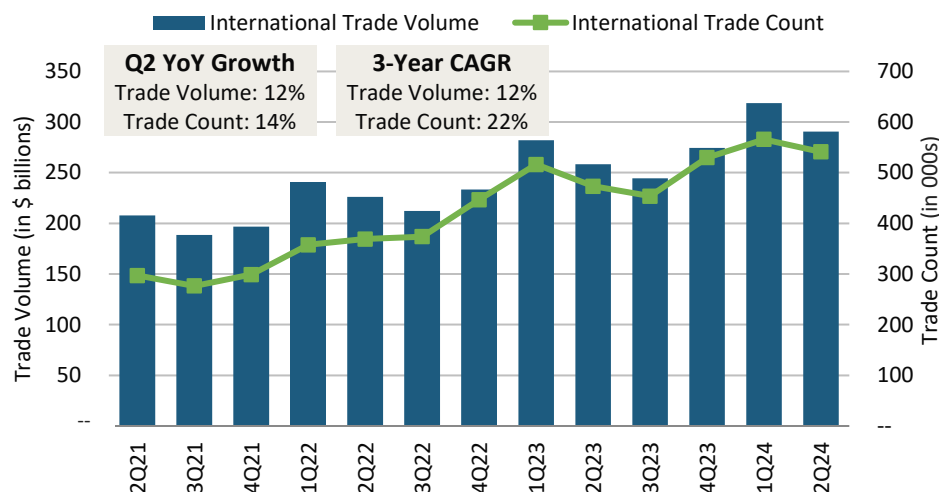
# Update on Our Markets

❖ Rich Schiffman, Global Head of Trading Solutions

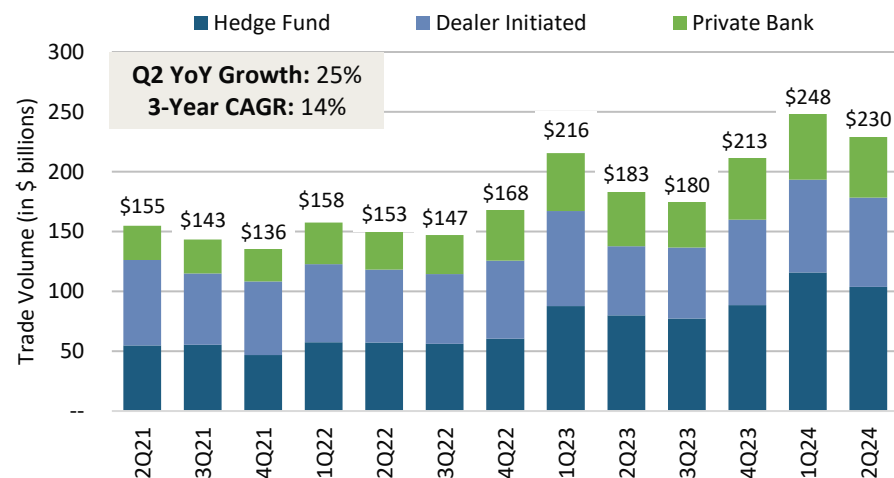


# Strong Geographic and Product / Protocol Expansion

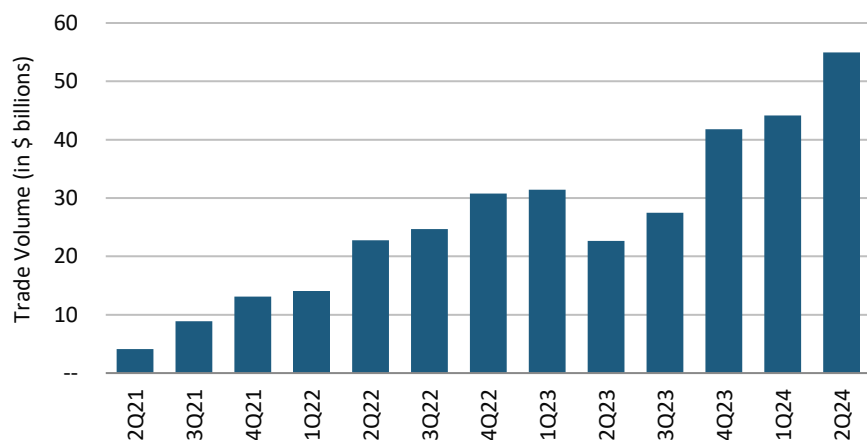
## INTERNATIONAL<sup>1</sup> CLIENT TRADE VOLUME AND TRADE COUNT



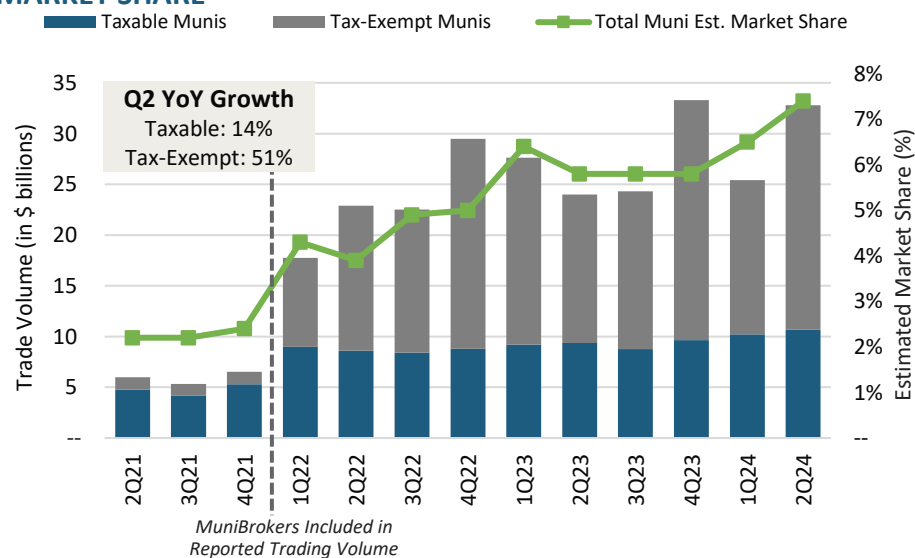
## HEDGE FUND, DEALER INITIATED, AND PRIVATE BANK TRADE VOLUME



## RECORD PORTFOLIO TRADE VOLUME



## MUNICIPAL BOND TRADE VOLUME AND RECORD ESTIMATED MARKET SHARE



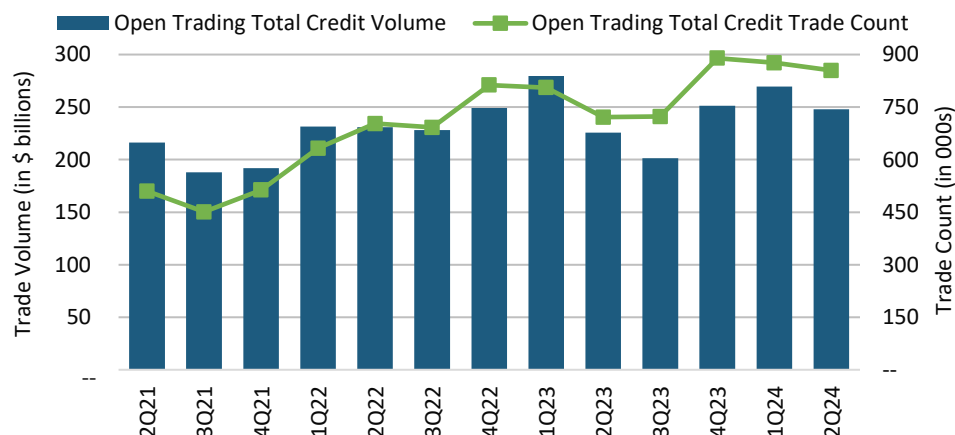
1. International client trade volume and trade count based on location of aggressor client outside the U.S.

# Leveraging Open Trading as a Liquidity Destination

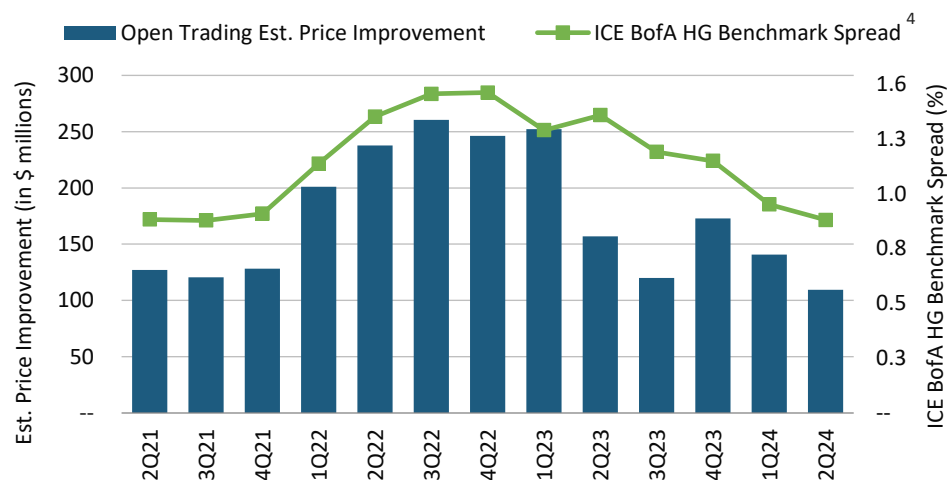
## 2Q24 COMMENTARY<sup>1</sup>

- Open Trading ADV of **~\$4 billion**, up **8%**.
- Total credit Open Trading share<sup>2</sup> of **34%**, in-line with prior year.
- Continued strength in Open Trading trade count, up **18%**.
- **Record 204** hedge fund clients providing liquidity on Open Trading

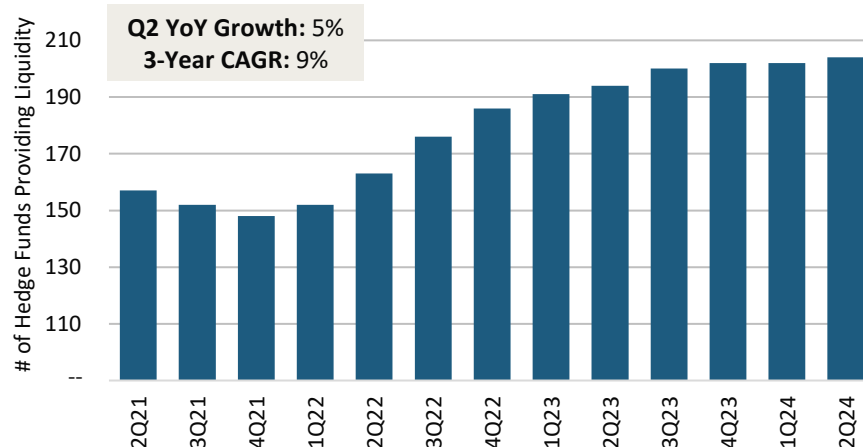
## TOTAL CREDIT OPEN TRADING TRADE VOLUME AND TOTAL CREDIT OPEN TRADING TRADE COUNT



## OPEN TRADING PRICE IMPROVEMENT<sup>3</sup> CONTINUES TO DRIVE SIGNIFICANT BENEFIT FOR CLIENTS



## RECORD NUMBER OF HEDGE FUND CLIENTS PROVIDING LIQUIDITY ON OPEN TRADING



### Notes:

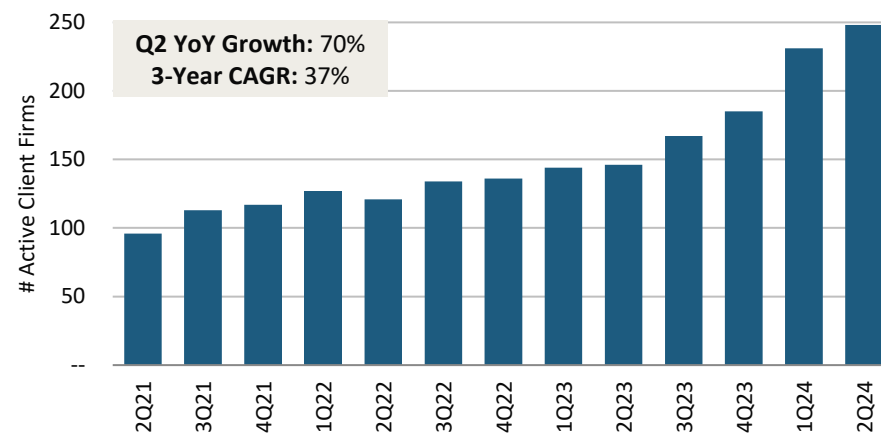
1. All period comparisons are 2Q24 vs. 2Q23 unless otherwise noted.
2. Total credit Open Trading share is derived by taking total Open Trading volume across all credit products where Open Trading is offered and dividing by total credit trading volume across all credit products where Open Trading is offered. Open Trading share at the product level is derived by taking Open Trading volume in the product divided by the total trading volume in the product.
3. Estimated price improvement consists of estimated liquidity taker price improvement (defined as the difference between the winning price and the best disclosed dealer cover price) and estimated liquidity provider price improvement (defined as the difference between the winning price and then current CP+ bid or offer level, offer if the provider is buying, bid if provider is selling) at the time of the inquiry.
4. Data based on quarterly average.

# Integrating Our Full Ecosystem Through Automation

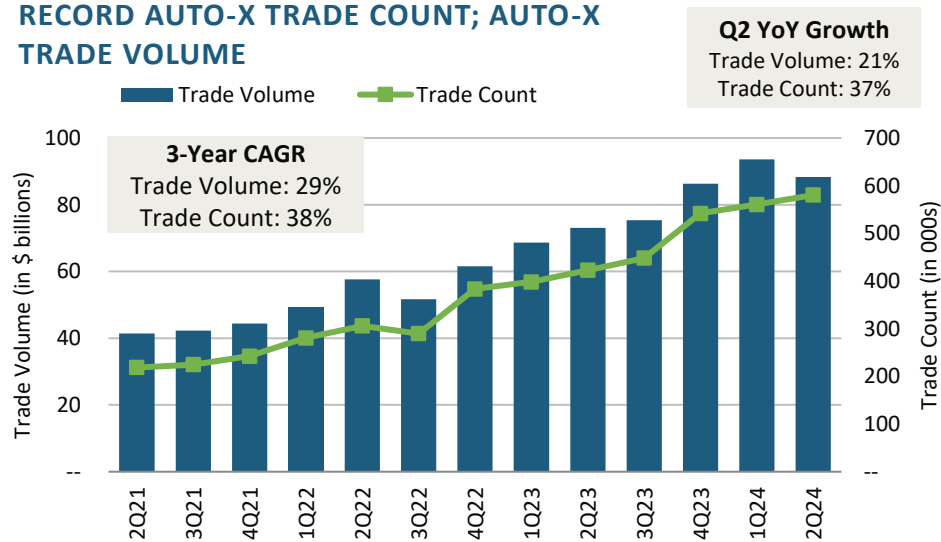
## 2Q24 COMMENTARY<sup>1</sup>

- **Record 248** automation active client firms, up **70%**.
- **~\$88 billion** automation volume, up **21%**; **record ~580 thousand** trade count, up **37%**.
- Automation represented **10%** of total credit trading volume and a **record 27%** of total credit trade count.
- **65 clients** enabled for Adaptive Auto-X.

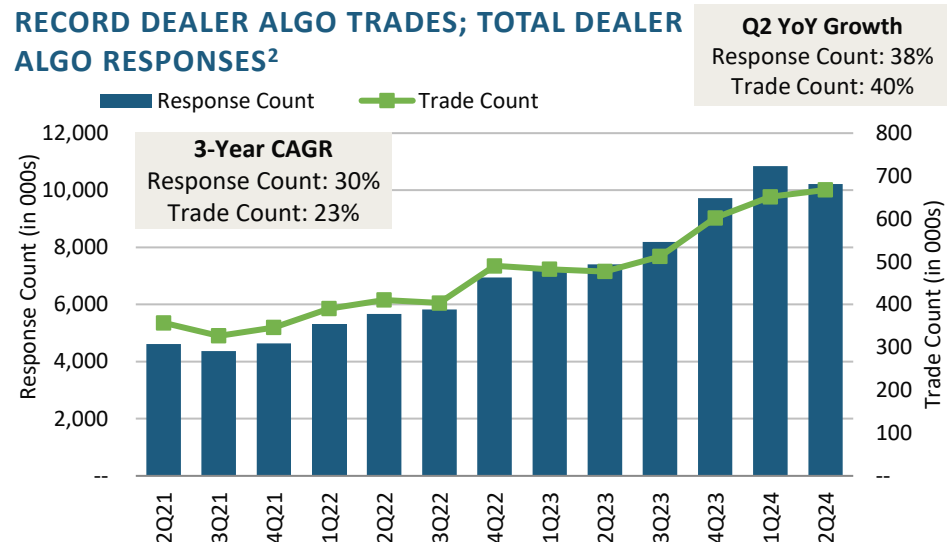
## RECORD AUTO-X ACTIVE CLIENT FIRMS



## RECORD AUTO-X TRADE COUNT; AUTO-X TRADE VOLUME



## RECORD DEALER ALGO TRADES; TOTAL DEALER ALGO RESPONSES<sup>2</sup>



1. All period comparisons are 2Q24 vs. 2Q23 unless otherwise noted.  
 2. Algorithmic responses for U.S. high-grade and U.S. high-yield spread-based trades only.

# Financial Review

❖ Ilene Fiszler Bieler, CFO

# 2Q24 Financial Summary

(in \$ thousands, except EPS data)

Financial Results	2Q24	1Q24	2Q23	2Q24 vs. 2Q23
Commissions	\$ 171,679	\$ 184,873	\$ 158,586	8 %
Information Services	12,544	11,881	11,655	8 %
Post-trade Services	10,400	10,730	9,415	10 %
Technology Services	3,037	2,834	190	NM
<b>Total Revenues</b>	<b>197,660</b>	<b>210,318</b>	<b>179,846</b>	<b>10 %</b>
Expenses	116,321	117,818	104,119	12 %
Operating Income	81,339	92,500	75,727	7 %
Other income (expense)	4,998	4,217	3,223	55 %
<b>Income Before Taxes</b>	<b>86,337</b>	<b>96,717</b>	<b>78,950</b>	<b>9 %</b>
Provision for Income Taxes	21,399	24,102	19,091	12 %
<b>Net Income</b>	<b>\$ 64,938</b>	<b>\$ 72,615</b>	<b>\$ 59,859</b>	<b>8 %</b>
Operating Margin	41.2%	44.0%	42.1%	(1) pt
Net Income Margin <sup>1</sup>	32.9%	34.5%	33.3%	(0) pts
EBITDA <sup>2</sup>	98,913	109,260	90,696	9 %
EBITDA Margin <sup>2</sup>	50.0%	51.9%	50.4%	(0) pts
Effective Tax Rate	24.8%	24.9%	24.2%	1 pt
<b>Diluted EPS</b>	<b>\$ 1.72</b>	<b>\$ 1.92</b>	<b>\$ 1.59</b>	<b>8 %</b>
Diluted Shares	37,689	37,790	37,588	- %

Notes: "NM" = not meaningful

1. Net income margin derived by dividing net income by total revenues.

2. See "Disclosures – Non-GAAP Financial Measures and Other Items" for a discussion of non-GAAP measures.

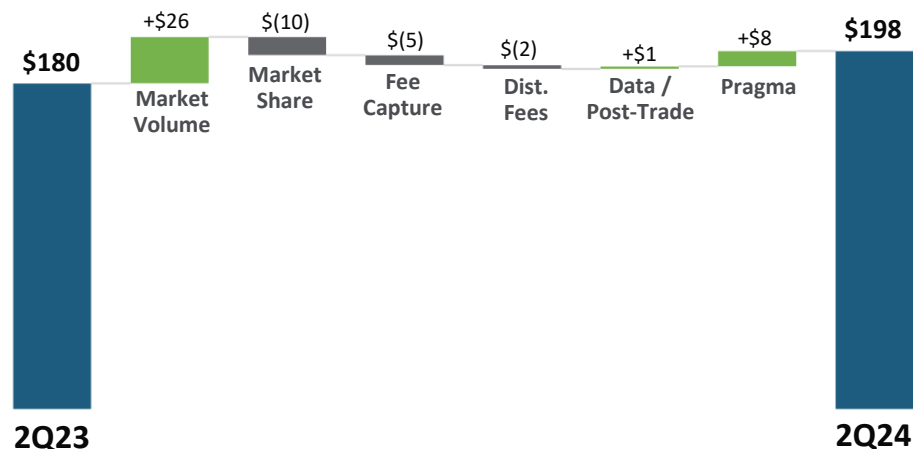
3. All period comparisons are 2Q24 vs. 2Q23 unless otherwise noted.

## COMMENTARY<sup>3</sup>

- Commission revenue benefited from strong ADV across emerging markets, U.S. high-grade and Eurobonds, and the acquisition of Pragma **(\$5.1 million)**; mostly offset by the impact of lower estimated U.S. high-yield market share, lower total credit fee capture due to product/protocol mix, and lower credit fixed distribution fees.
  - Second highest level of quarterly commission revenue.
- Record** information services revenue was driven by new data contracts.
- The increase in post-trade services revenue principally driven by fee increases and net new contract revenue.
- Technology services now includes non-commission related revenue from Pragma of **\$2.9 million**.
- Increase in other income was largely driven by a **21%** increase in interest income.

## REVENUE MIX ANALYSIS (2Q23 to 2Q24)

(in \$ millions)



# 2Q24 Commission Revenue Detail

(in \$ thousands, except transaction fees per million data)

Commissions	2Q24	1Q24	2Q23	2Q24 vs. 2Q23
Variable Transaction Fees				
Credit	\$ 127,645	\$ 141,504	\$ 118,710	8 %
Rates	5,719	5,166	4,547	26 %
Other <sup>1</sup>	5,076	4,849	-	NM
Total Variable Transaction Fees	138,440	151,519	123,257	12 %
Fixed Distribution Fees				
Credit	33,177	33,288	35,268	(6)%
Rates	62	66	61	2 %
Total Fixed Distribution Fees	33,239	33,354	35,329	(6)%
<b>Total Commissions</b>	<b>\$ 171,679</b>	<b>\$ 184,873</b>	<b>\$ 158,586</b>	<b>8 %</b>
Average Variable Transaction Fees per Million				
Credit	\$ 148.16	\$ 154.15	\$ 157.42	(6)%
Rates	\$ 4.45	\$ 4.79	\$ 4.70	(5)%

Notes: "NM" = not meaningful

1. "Other" includes revenue from the Pragma acquisition.

2. All period comparisons are 2Q24 vs. 2Q23 unless otherwise noted.

## COMMENTARY<sup>2</sup>

### Credit

- **12%** increase in total credit ADV, partially offset by a **6%** decrease in total credit fee per million.
  - Lower total credit fee capture on product/protocol mix.
- Strong growth in emerging markets **(+22%)** and Eurobonds **(+11%)**, with solid growth in U.S. high-grade **(+4%)** total commission revenue.
- Decrease in distribution fees principally driven by consolidation of two global dealers and migrations to variable fee plans, partially offset by new dealer fixed fee plans.

### Rates

- **31%** increase in total rates ADV, partially offset by **5%** decrease in fee capture due to mix.

### Other

- Includes commission revenue of **\$5.1 million** from Pragma.

# 2Q24 Expense Detail

(in \$ thousands)

Expense Summary	2Q24	1Q24	2Q23	2Q24 vs. 2Q23
Employee Compensation and Benefits	\$ 56,790	\$ 61,264	\$ 48,383	17 %
Depreciation and Amortization	18,356	18,200	17,005	8 %
Technology and Communications	17,771	17,051	15,235	17 %
Professional and Consulting	7,669	6,395	8,023	(4)%
Occupancy	3,714	3,425	3,199	16 %
Marketing and Advertising	3,010	1,833	3,308	(9)%
Clearing Costs	4,122	4,911	4,182	(1)%
General and Administrative	4,889	4,739	4,784	2 %
<b>Total Expenses</b>	<b>\$ 116,321</b>	<b>\$ 117,818</b>	<b>\$ 104,119</b>	<b>12 %</b>

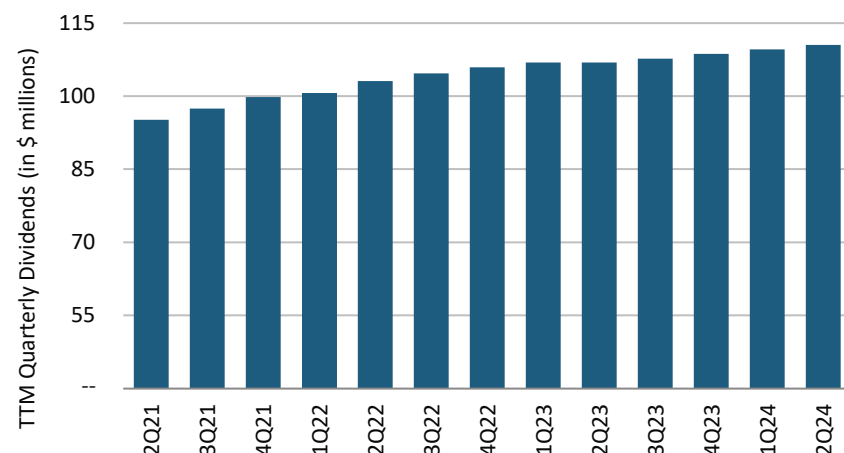
## COMMENTARY<sup>1</sup>

- Total expenses of **\$116.3 million**, including **\$7.8 million** impact from Pragma.
  - Pragma technologists working on several strategic priorities.
- Increase of **\$8.4 million (+17%)** in employee compensation and benefits driven largely by headcount from Pragma.
- Technology and communications expenses increased **\$2.5 million** due to **\$1.7 million** from Pragma.
- Depreciation and amortization expense increased **\$1.4 million** mainly due to **\$1.5 million** from Pragma.

1. All period comparisons are 2Q24 vs. 2Q23 unless otherwise noted.

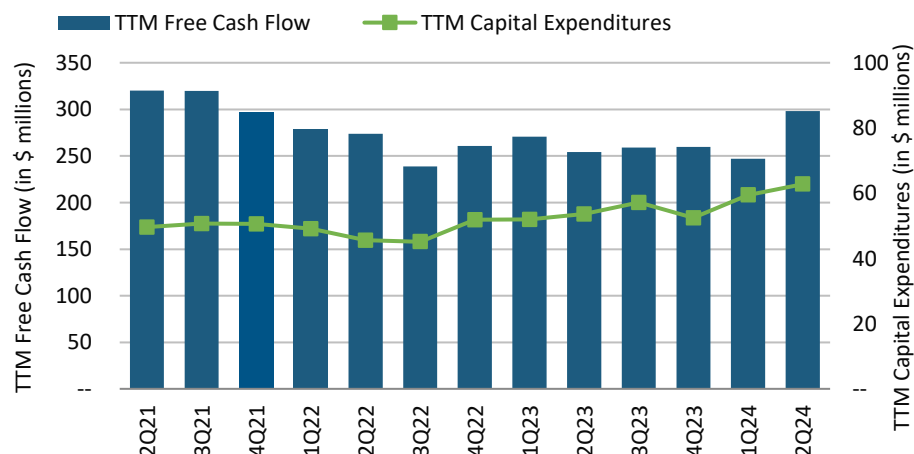
# Capital Management and Cash Flow

## TTM QUARTERLY DIVIDENDS



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

**Q1 TTM FCF<sup>2</sup>**  
5-Year CAGR: 9%



### Notes:

1. See 2Q24 earnings release and the Investor Relations section of the Company's website for a reconciliation of net cash provided by operating activities to free cash flow.
2. 5-year compound annual growth rate ("CAGR") calculated on a trailing twelve months basis.

## CAPITAL MANAGEMENT

- Board of Directors approved new share repurchase authorization of **\$200 million**; total aggregate outstanding authorization of **\$250 million**.
- Total of **242,890 shares repurchased** year-to-date through July 2024 at a cost of **\$50 million**.
- Board of Directors declared a regular quarterly cash dividend of **\$0.74** per share.
- TTM **\$110 million** in capital returned to investors through dividends.
- No outstanding debt on credit facility.
- Total cash, cash equivalents, corporate bond and U.S. treasury investments of **\$559 million** as of June 30, 2024.

## CASH FLOW

- TTM capital expenditures of **\$63 million** to support trading system enhancements.
- TTM free cash flow of **\$298 million**.



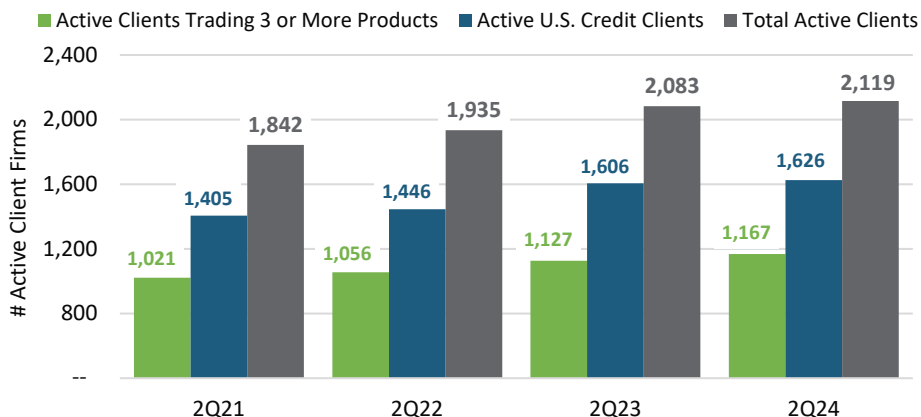
## Key Takeaways

- Solid financial performance
- Key indicators pointing to improved macro backdrop for MarketAxess
- Roll-out of X-Pro is continuing; expanding to global client base
- Executing plan to grow market share in U.S. credit
- Client franchise continues to expand
- Well positioned to deliver higher levels of growth in the coming quarters

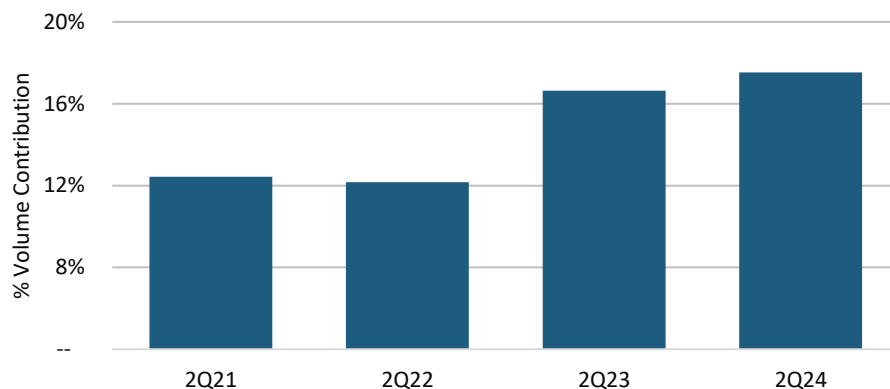
# Appendix

# Continued Strong Expansion of the Client Network

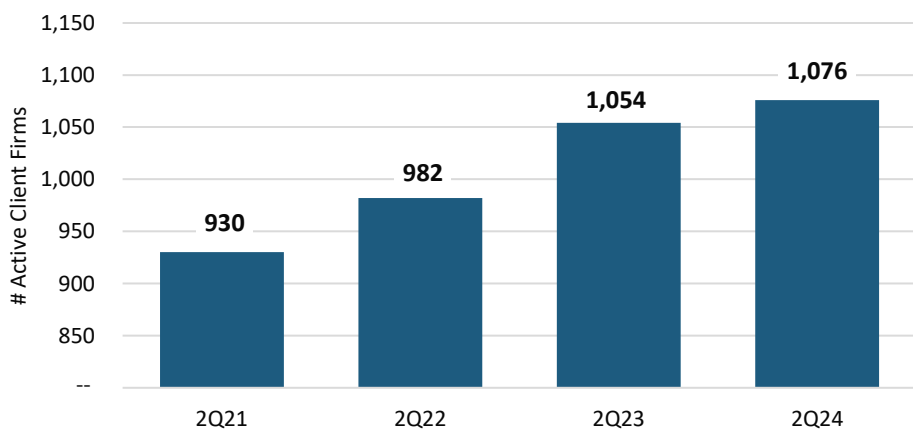
## RECORD ACTIVE CLIENT FIRMS; ACTIVE U.S. CREDIT AND CLIENT FIRMS TRADING 3 OR MORE PRODUCTS



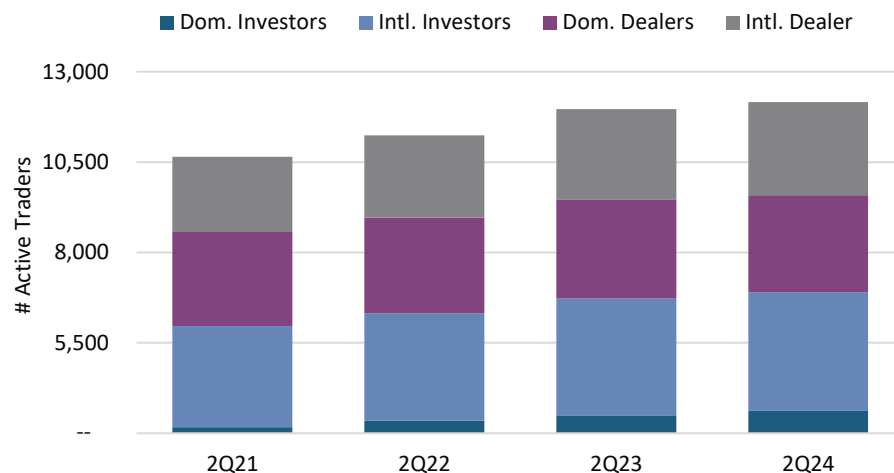
## PERCENT CONTRIBUTION FROM HEDGE FUND AND PRIVATE BANK CLIENTS TO TOTAL CREDIT TRADE VOLUME



## RECORD INTERNATIONAL ACTIVE CLIENT FIRMS



## GROWTH IN ACTIVE INVESTOR TRADERS AND ACTIVE DEALER TRADERS



## Reconciliation of Net Income to EBITDA and Net Income Margin to EBITDA Margin

Reconciliation of Net Income to EBITDA and Net Income Margin to EBITDA Margin	2Q24	1Q24	2Q23	YTD 2024	YTD 2023
<b>Net income</b>	<b>\$ 64,938</b>	<b>\$ 72,615</b>	<b>\$ 59,859</b>	<b>\$ 137,553</b>	<b>\$ 133,487</b>
Add back:					
Interest income	(6,401)	(5,973)	(5,312)	(12,374)	(9,561)
Interest expense	621	316	53	937	183
Provision for income taxes	21,399	24,102	19,091	45,501	43,658
Depreciation and amortization	18,356	18,200	17,005	36,556	33,466
<b>EBITDA</b>	<b>\$ 98,913</b>	<b>\$ 109,260</b>	<b>\$ 90,696</b>	<b>\$ 208,173</b>	<b>\$ 201,233</b>
<b>Net income margin<sup>1</sup></b>	<b>32.9%</b>	<b>34.5%</b>	<b>33.3%</b>	<b>33.7%</b>	<b>34.9%</b>
Add back:					
Interest income	(3.2)	(2.8)	(3.0)	(3.0)	(2.5)
Interest expense	0.3	0.2	-	0.2	-
Provision for income taxes	10.7	11.4	10.6	11.1	11.4
Depreciation and amortization	9.3	8.6	9.5	9.0	8.7
<b>EBITDA margin<sup>2</sup></b>	<b>50.0%</b>	<b>51.9%</b>	<b>50.4%</b>	<b>51.0%</b>	<b>52.5%</b>

Notes:

1. Net income margin is derived by dividing net income by total revenues for the applicable period.
2. EBITDA margin is derived by dividing EBITDA by total revenues for the applicable period.

## Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow	2Q24	1Q24	2Q23	YTD 2024	YTD 2023
<b>Net cash provided by operating activities</b>	<b>\$ 118,849</b>	<b>\$ (4,949)</b>	<b>\$ 105,394</b>	<b>\$ 113,900</b>	<b>\$ 112,921</b>
Exclude: Net change in trading investments	100	(255)	(890)	(155)	(471)
Exclude: Net change in fail-to-deliver/receive from broker-dealers, clearing organizations and customers	(3,151)	51,288	(46,010)	48,137	757
Less: Purchases of furniture, equipment and leasehold improvements	(7,695)	(1,197)	(1,055)	(8,892)	(1,272)
Less: Capitalization of software development costs	(10,496)	(13,963)	(11,025)	(24,459)	(21,715)
<b>Free cash flow</b>	<b>\$ 97,607</b>	<b>\$ 30,924</b>	<b>\$ 46,414</b>	<b>\$ 128,531</b>	<b>\$ 90,220</b>

# Definitions

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**AI-driven dealer selection tool**

Trading work-flow tool that helps clients access liquidity on the platform for larger sized trades leveraging tradability data (see below) and artificial intelligence (“AI”) to determine the counterparties that have historically traded the bond.

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**Dealer solutions**

Product and service area focused on the dealer-initiated segment of the market.

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**RFM**

Request-for-quote protocol where a client does not indicate their desired direction for buying or selling a bond when requesting pricing from a dealer. This protocol is used to prevent information leakage for larger sized trades.

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**Tradability proprietary data**

Next generation proprietary data offering by the Company that provides clients with indicative levels that they can expect if they are interested in buying or selling a specific bond. This data set is available only through X-Pro, the Company’s new platform for institutional investor clients.

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## General Notes Regarding the Data Presented

Reported MarketAxess volume in all product categories includes only fully electronic trading volume. MarketAxess trading volumes and TRACE reported volumes are available on the Company's website at [investor.marketaxess.com/volume](https://investor.marketaxess.com/volume).

Due to variances in how portfolio trading market participants utilized the portfolio trading TRACE "flag," the Company previously used its own internal methodology for calculating portfolio trading as an estimated percentage of TRACE volume and the Company's estimated market share. The Company is reviewing recent improvements in the TRACE data, but it now believes that the portfolio trading TRACE "flag" more accurately reflects the true size of the portfolio trading market. As such, at this time, the Company is not presenting portfolio trading as an estimated percentage of TRACE volume or the Company's portfolio trading estimated market share for June 2024.

In addition, for periods beginning with January 2024, the Company has made changes to the market volume data used to calculate estimated market share for Municipal and U.S. Government Bonds. For Municipal Bonds, the Company previously used estimates, derived from data issued by the Municipal Securities Rule Making Board ("MSRB"), including estimates for new issuance, commercial paper and variable-rate trading activity, and excluded these volumes from the estimated market volume data. While the Company still uses estimates, the new methodology for identifying and excluding these volumes from the market volume data is now based on MSRB "flags" to identify new issuance, commercial paper, and variable-rate volumes. For U.S. Government Bonds, the previous data source for estimated market volumes was the Federal Reserve Bank's Reported Primary Dealer U.S. Treasury Bond Trading Volumes, which was reported on a one-week lag. The new source for U.S. Government Bond trading volumes is FINRA's U.S. Treasury TRACE data. The Company believes that the refined methodology used for Municipal Bonds, and the new data source for U.S. Government Bonds, provides more accurate measures of estimated market volumes and estimated market share. Prior comparable periods have been recast retrospectively for both Municipal and U.S. Government Bonds to conform to the updated presentation of the data. The new estimated market volume data is also available on the Company's website at [investor.marketaxess.com/volume](https://investor.marketaxess.com/volume).

## Cautionary Note Regarding Forward-Looking Statements

This presentation may contain forward-looking statements, including statements about the outlook and prospects for Company, market conditions 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; 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; risks related to sanctions levied against states or individuals that could expose us to operational or regulatory risks; 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, products or services; our vulnerability to malicious cyber-attacks and attempted cybersecurity breaches; 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; risks related to the divergence of U.K. and European Union legal and regulatory requirements following the U.K.'s exit from the European Union; our exposure to costs and penalties related to our extensive regulation; our risks of litigation and securities laws liability; adverse effects as a result of climate change or other ESG risks that could affect our reputation; our future capital needs and our ability to obtain capital when needed; limitations on our operating flexibility contained in our credit agreement; our exposure to financial institutions by holding cash in excess of federally insured limits; 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](https://www.marketaxess.com).

## Non-GAAP Financial Measures and Other Items

To supplement the Company's unaudited financial statements presented in accordance with generally accepted accounting principles ("GAAP"), the Company uses certain non-GAAP measures of financial performance, including earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA margin and free cash flow. We define EBITDA margin as EBITDA divided by revenues. We define free cash flow as cash flow from operating activities excluding the net change in trading investments and net change in securities failed-to-deliver and securities failed-to-receive from broker-dealers, clearing organizations and customers, less expenditures for furniture, equipment and leasehold improvements and capitalized software development costs. The Company believes that these non-GAAP financial measures, when taken into consideration with the corresponding GAAP financial measures, provide additional information regarding the Company's operating results because they assist both investors and management in analyzing and evaluating the performance of our business. See the "Appendix" for a reconciliation of GAAP net income to EBITDA and GAAP net income margin to EBITDA margin and GAAP cash flow from operating activities to free cash flow.



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