



# 1Q24 Earnings Conference Call

May 7, 2024

# Strategic Update

❖ Chris Concannon, CEO

# 1Q24 Highlights

## Continued Expansion of the Client Franchise

- **Record 2,118** active client firms
- **Record 1,066** active international firms
- **Record 231** active automation client firms

## Strong Commission Revenue Generation (ex. HY)

- **+8%** U.S. high-grade
- **+11%** emerging markets (*record*)
- **+6%** Eurobonds (*record*)
- **+15%** municipal bonds (*record*)

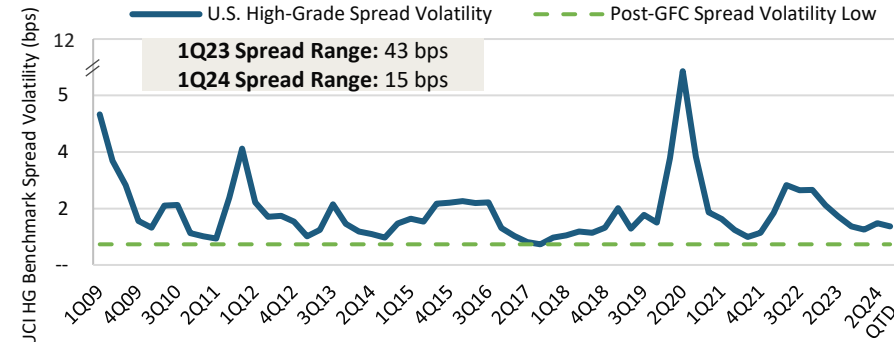
## Continued Geographic / Product Diversification

- **+8%** information services
- **+8%** post-trade services
- **~\$8 million** Pragma revenue contribution
- **Record** non-U.S. credit commission revenue of **\$92 million**; **record 44%** of total revenue

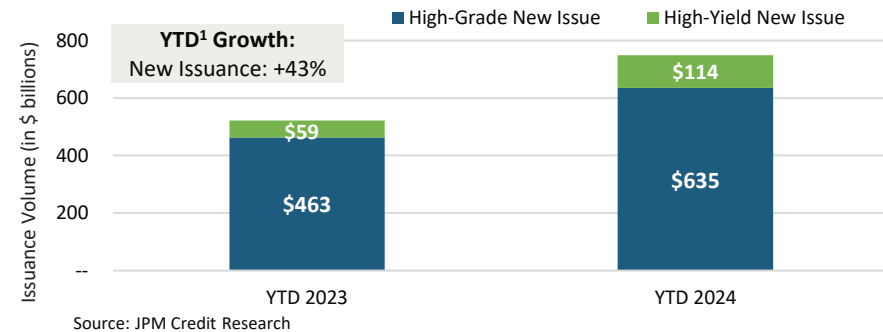
## Disciplined Expense Management

- 1Q24 total expenses up only **9%**, including Pragma
- FY 2024 expenses now tracking **to the low-end of the range** (\$480 million to \$500 million)

## U.S. HIGH-GRADE CREDIT SPREAD VOLATILITY NEAR POST-GLOBAL FINANCIAL CRISIS LOWS



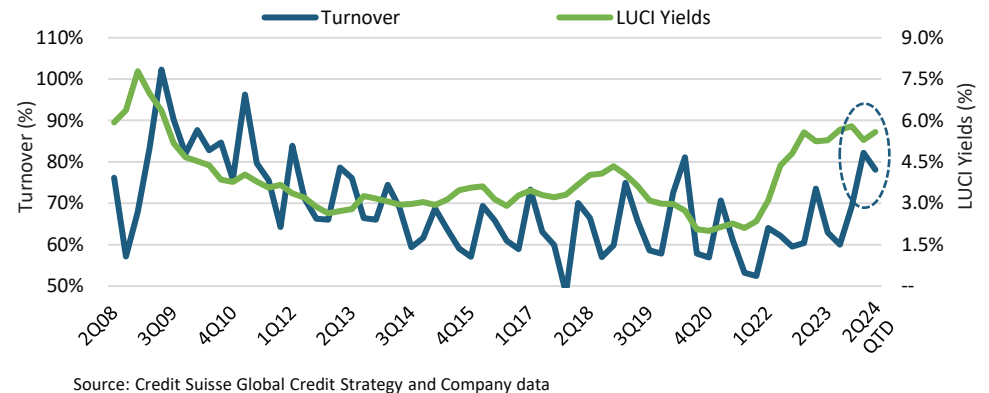
## ELEVATED U.S. CREDIT NEW ISSUE ACTIVITY



## LIQUID U.S. HIGH-YIELD BENCHMARK SPREAD PROGRESSION



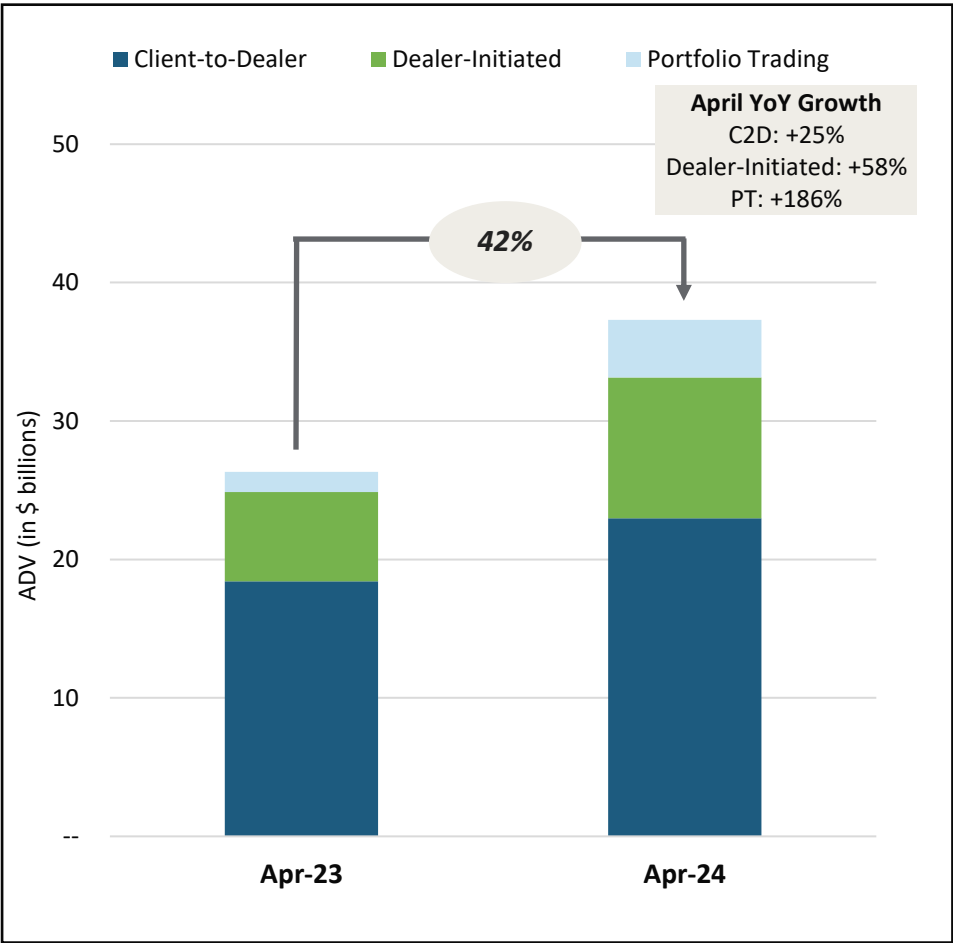
## VELOCITY OF TRADING HAS INCREASED SIGNIFICANTLY WITH HIGHER YIELDS



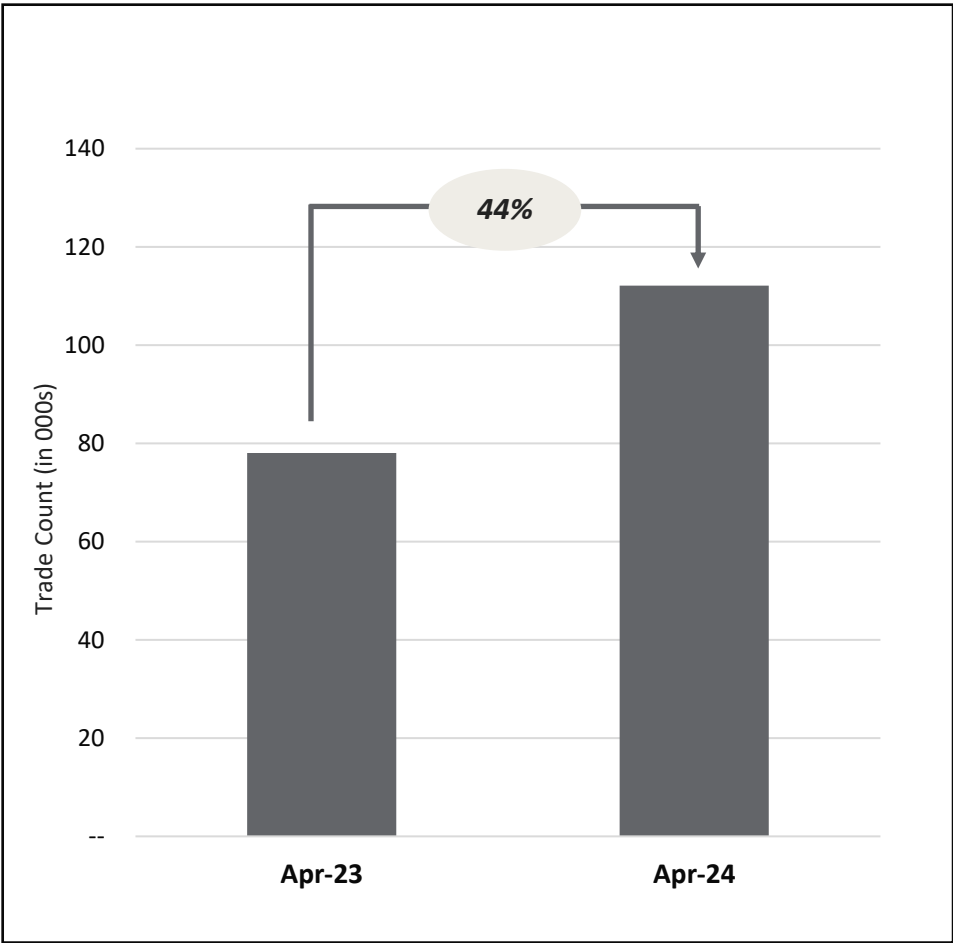
1. YTD growth compares January - April 2024 to January - April 2023.

# Growth in the U.S. High-Grade Market in April 2024...

**Strong Growth in U.S. High-Grade TRACE Market Average Daily Trading Volume...**



**...Coupled with Elevated U.S. High-Grade TRACE Market Average Daily Trade Count**



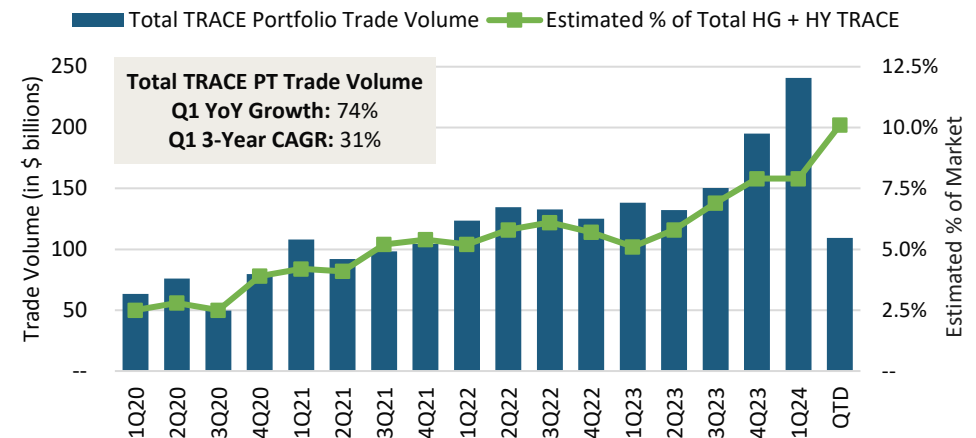
Note: "C2D" is client-to-dealer, "PT" is portfolio trading.

# ...Was Driven In Part By Strong Growth in Portfolio Trading

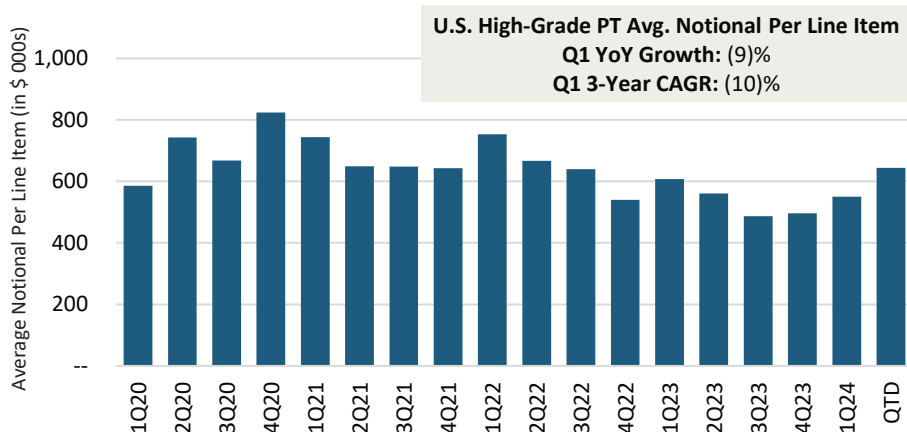
## COMMENTARY

- Strong increase in portfolio trading volume in April to approximately 10% of U.S. high-grade and U.S. high-yield TRACE
- Market trending to lower average notional per line item in U.S. high-grade portfolio trading; April spike driven in part by large, single-dealer trades
- MKTX estimated share of U.S. high-grade portfolio trading ~40% on last day of trading in April
- Growth in portfolio trading supported by lower levels of volatility

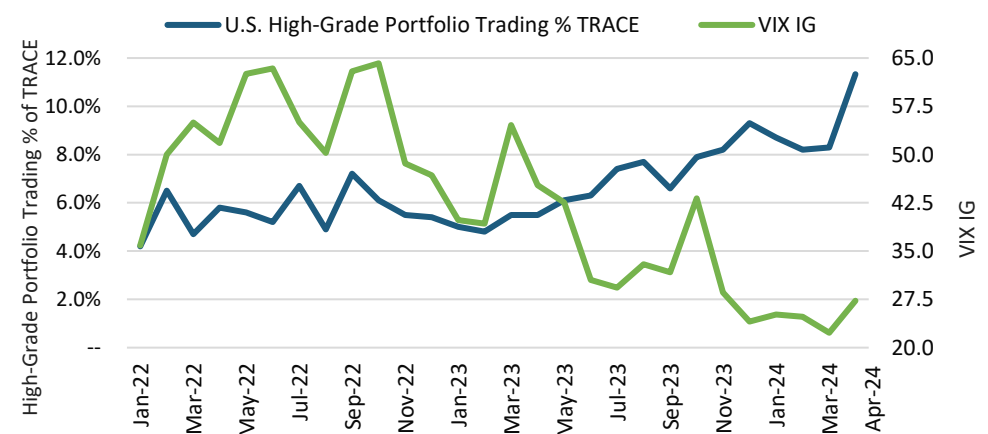
## ESTIMATED PORTFOLIO TRADING MARKET<sup>1</sup> VOLUME AND ESTIMATED SHARE OF MARKET



## U.S. HIGH-GRADE PORTFOLIO TRADING MARKET AVERAGE NOTIONAL PER LINE ITEM



## GROWTH IN U.S. HIGH-GRADE PORTFOLIO TRADING RELATIVE TO VOLATILITY



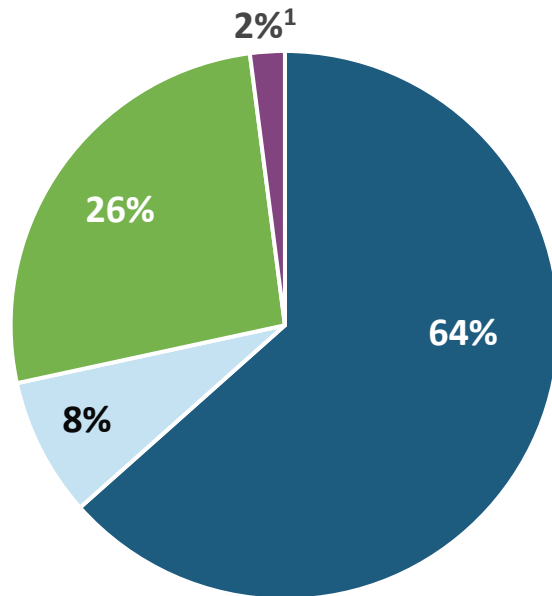
Notes: "PT" is portfolio trading.

1. Estimated portfolio trading market volume defined as U.S. high-grade, U.S. high-yield and emerging markets TRACE.

# Framing the U.S. High-Grade Market Opportunity

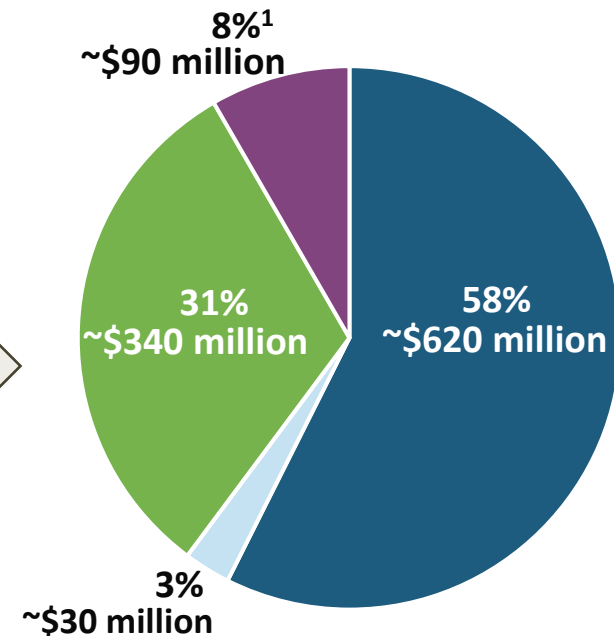
## The U.S. High-Grade Market

~\$39 Billion in U.S. High-Grade TRACE ADV in 1Q24



## The U.S. High-Grade E-Opportunity

~\$1.1 Billion Total U.S. High-Grade Revenue Opportunity<sup>2</sup>



■ Client-to-Dealer
 ■ Portfolio Trading
 ■ Dealer-Initiated
 ■ Retail<sup>1</sup>

### Goal / Objective

### Solution

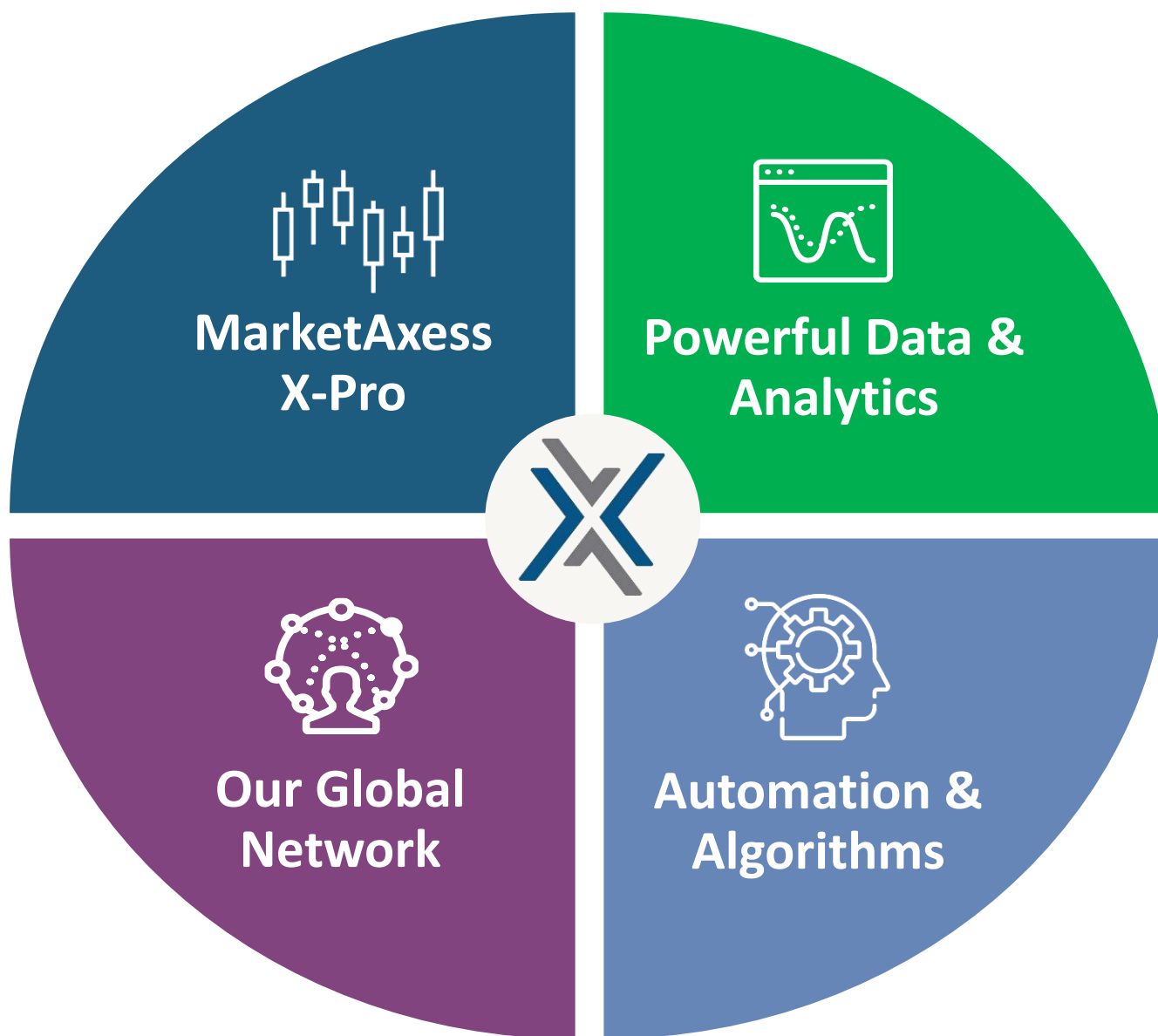
- |   |   |   |
|---|---|---|
| • <b>Increase share of larger-sized trades</b>      | → | <b>X-Pro/Analytics, AI Dealer Select, OT, Adaptive Auto-X</b> |
| • <b>Continued focus on smaller-sized trades</b>    | → | <b>X-Pro/Analytics, C2D RFQ, OT, Automation, Axess IQ</b>     |
| • <b>Increase share of portfolio trading</b>        | → | <b>X-Pro/Analytics</b>  |
| • <b>Increase share of dealer-initiated segment</b> | → | <b>Live Markets, Dealer RFQ, Mid-X, Automation</b>            |

Notes: "C2D" is client-to-dealer, "OT" is Open Trading.

1. Retail segment defined as trade sizes <\$100K notional.

2. The opportunity for each segment is estimated based on an average fee per million of \$143 for C2D trades, \$57 per million for portfolio trading, \$224 per million for dealer-initiated and \$500 per million for retail and assumes overall estimated electrification level of ~90% across U.S. high-grade.

# We Are Building the Complete Client “Toolkit” for the Future



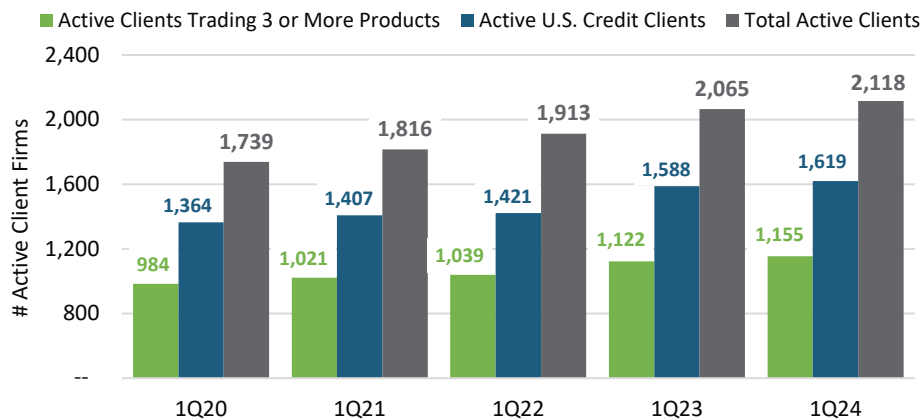
# Update on Our Markets

❖ Rich Schiffman, Global Head of Trading Solutions

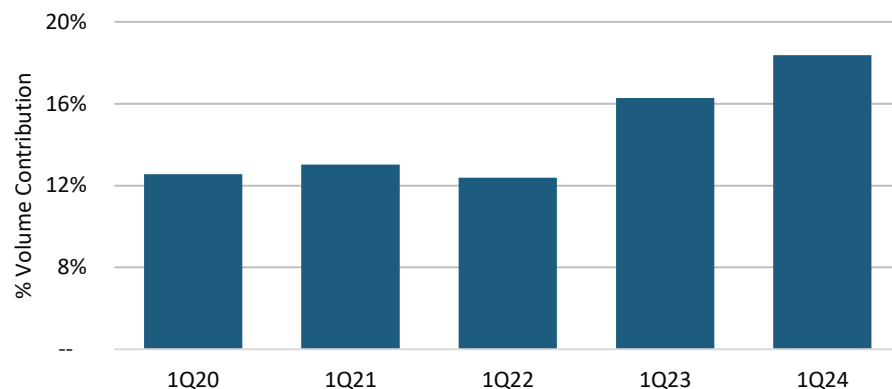


# Continued Strong Expansion of the Client Network

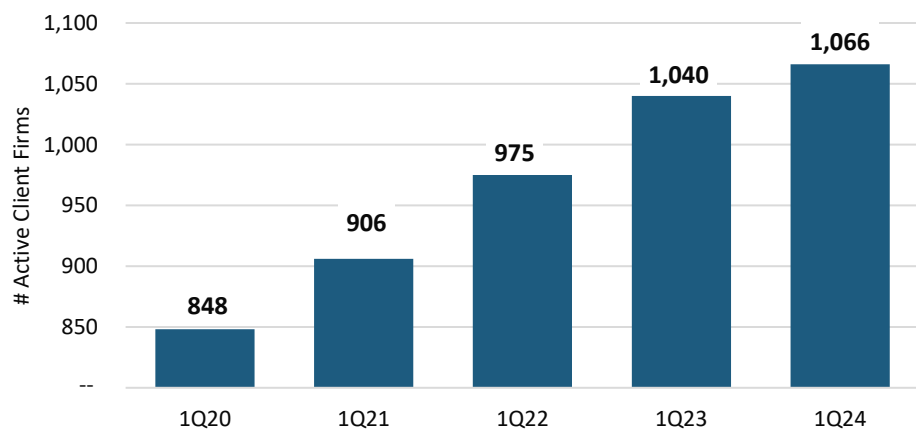
## RECORD ACTIVE CLIENT FIRMS; ACTIVE U.S. CREDIT AND CLIENT FIRMS TRADING 3 OR MORE PRODUCTS



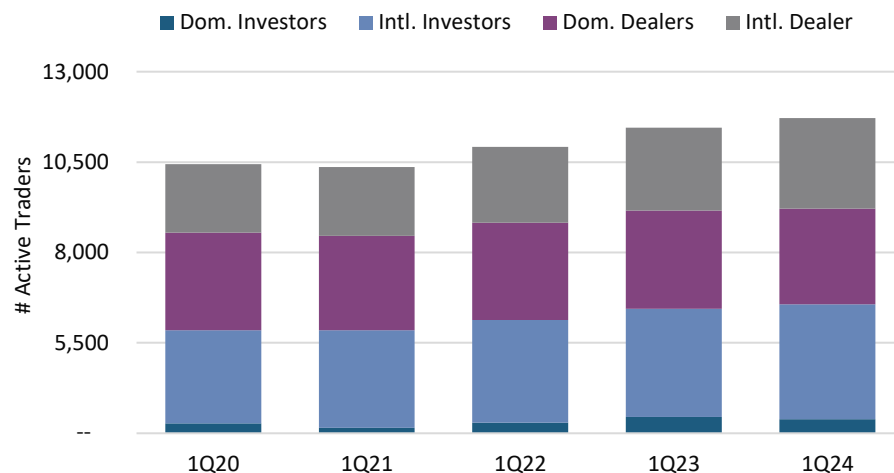
## RECORD PERCENT CONTRIBUTION FROM HEDGE FUND AND PRIVATE BANK CLIENTS TO TOTAL CREDIT TRADE VOLUME



## RECORD INTERNATIONAL ACTIVE CLIENT FIRMS



## GROWTH IN ACTIVE INVESTOR TRADERS AND ACTIVE DEALER TRADERS

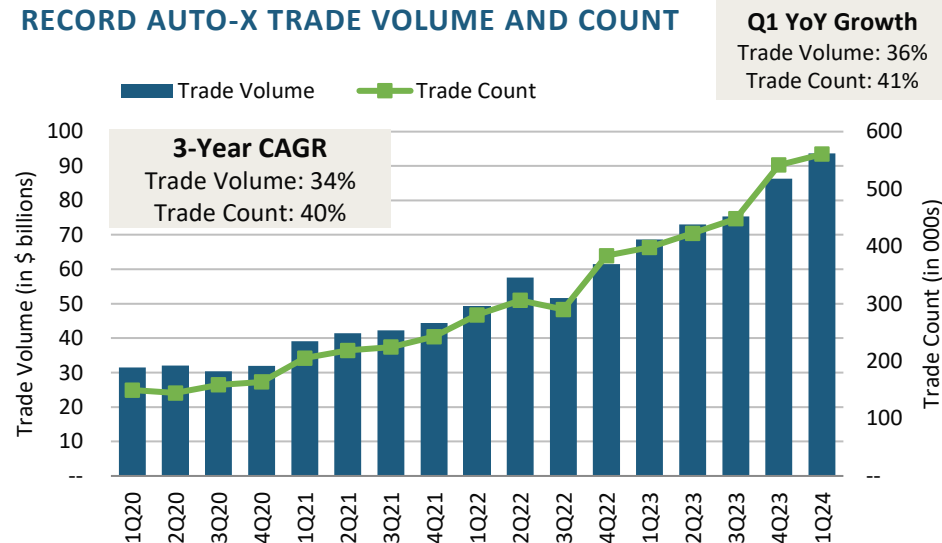


# Integrating Our Full Ecosystem Through Automation

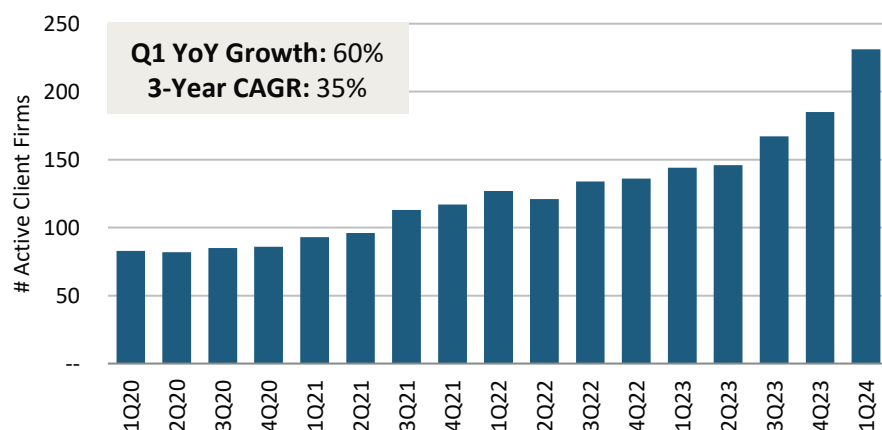
## 1Q24 COMMENTARY

- **Record ~\$94 billion** automation volume, up **36%**; **record ~561 thousand** trade count, up **41%**.
- Automation represented **10%** and a **record 25%** of total credit trade volume and trade count, respectively.
- **Record 231** automation active client firms, up **60%**.

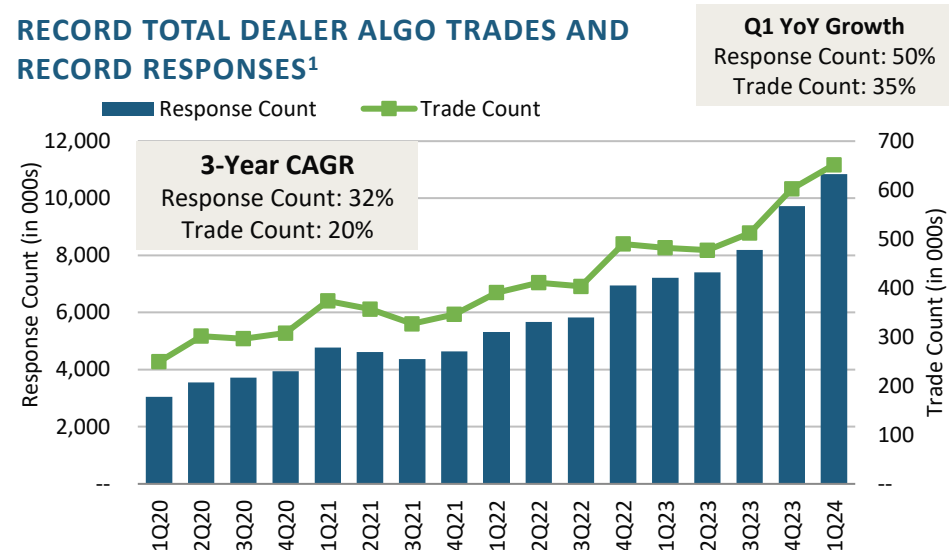
## RECORD AUTO-X TRADE VOLUME AND COUNT



## RECORD AUTO-X ACTIVE CLIENT FIRMS



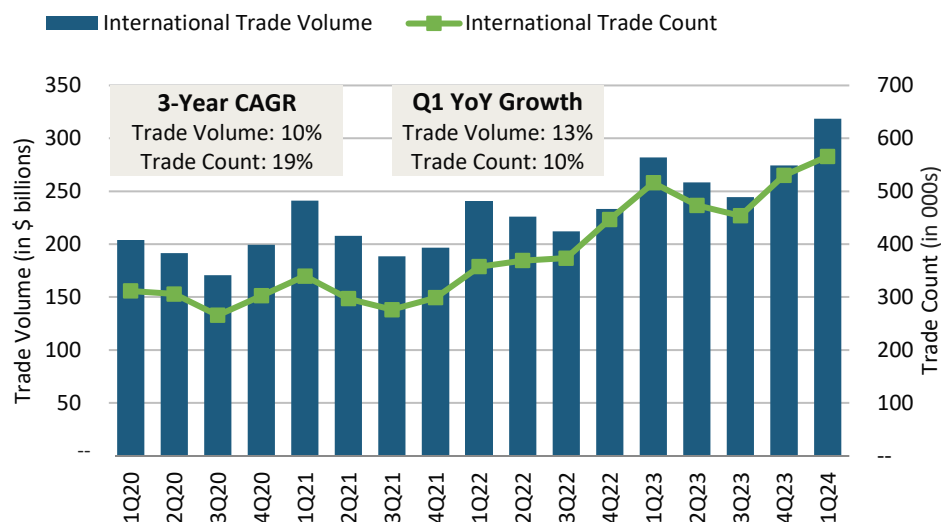
## RECORD TOTAL DEALER ALGO TRADES AND RECORD RESPONSES<sup>1</sup>



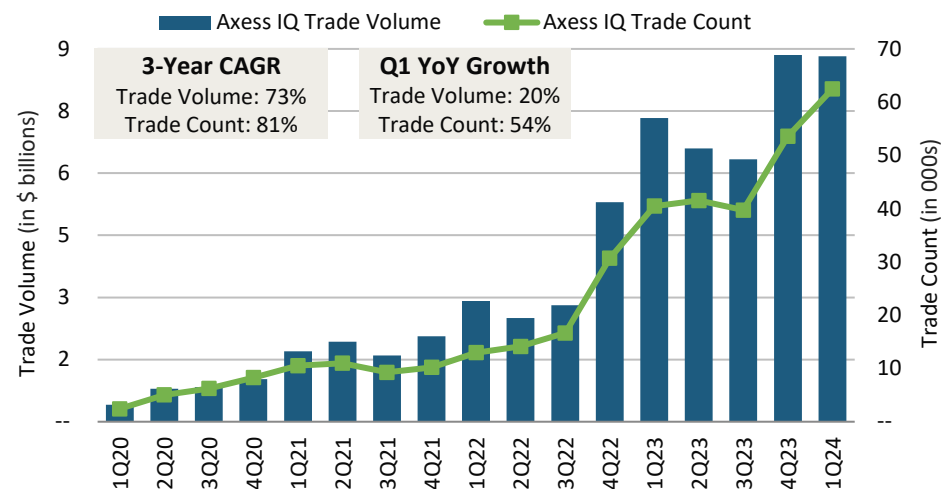
1. Algorithmic responses for U.S. high-grade and U.S. high-yield spread-based trades only.

# Strong Geographic and Product Expansion

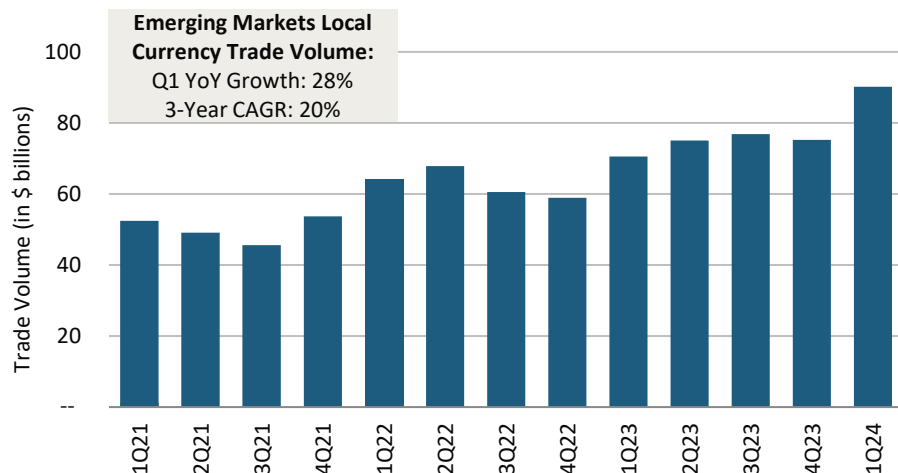
## RECORD INTERNATIONAL CLIENT TRADE VOLUME AND TRADE COUNT



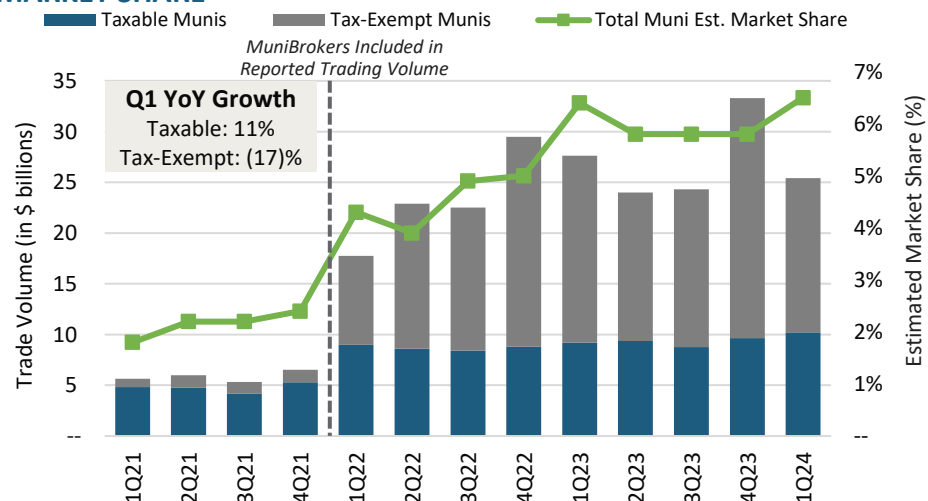
## AXESS IQ (PRIVATE BANK TRADING SOLUTIONS) TRADE VOLUME AND RECORD TRADE COUNT



## RECORD EMERGING MARKETS LOCAL CURRENCY TRADE VOLUME

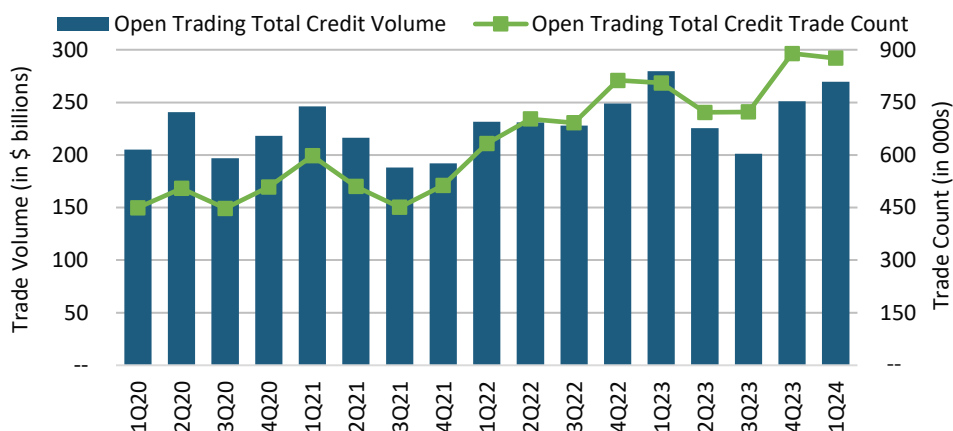


## MUNICIPAL BOND TRADE VOLUME AND RECORD ESTIMATED MARKET SHARE

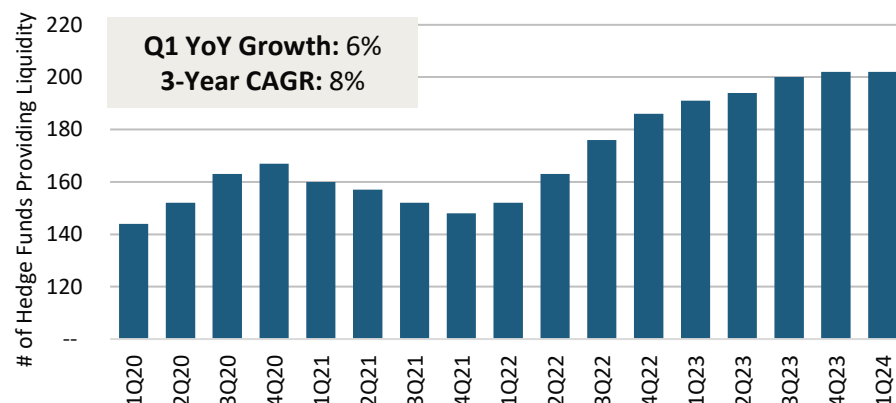


# Leveraging Open Trading as a Liquidity Destination

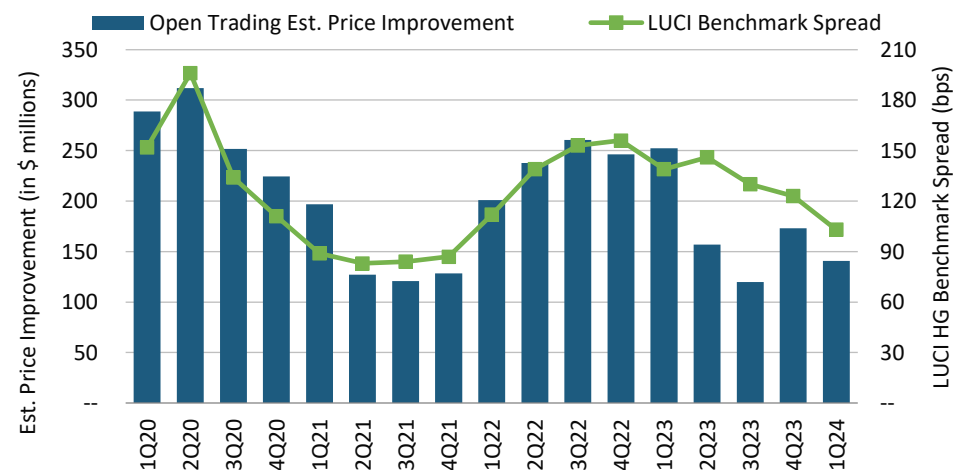
**TOTAL CREDIT OPEN TRADING TRADE VOLUME AND TOTAL CREDIT OPEN TRADING TRADE COUNT**



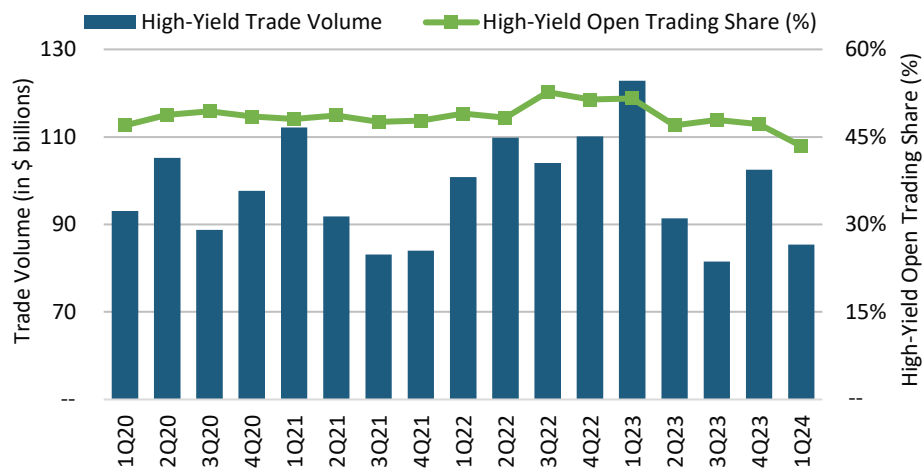
**HEDGE FUND CLIENTS PROVIDING LIQUIDITY ON OPEN TRADING**



**OPEN TRADING PRICE IMPROVEMENT<sup>1</sup> DRIVING SIGNIFICANT BENEFIT FOR CLIENTS**



**HIGH-YIELD TRADE VOLUME AND OPEN TRADING SHARE<sup>2</sup>**



**Notes:**

- 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.
- 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.

# Financial Review

❖ Stephen Davidson, Head of Investor Relations

# 1Q24 Financial Summary

(in \$ thousands, except EPS data)

Financial Results	1Q24	4Q23	1Q23	1Q24 vs. 1Q23
Commissions	\$ 184,873	\$ 171,891	\$ 181,991	1.6 %
Information Services	11,881	11,917	11,010	7.9 %
Post-trade Services	10,730	10,950	9,980	7.5 %
Technology Services	2,834	2,490	188	NM
<b>Total Revenues</b>	<b>210,318</b>	<b>197,248</b>	<b>203,169</b>	<b>3.5 %</b>
Expenses	117,818	120,221	107,813	9.3 %
Operating Income	92,500	77,027	95,356	(3.0)%
Other income (expense)	4,217	6,785	2,839	48.5 %
<b>Income Before Taxes</b>	<b>96,717</b>	<b>83,812</b>	<b>98,195</b>	<b>(1.5)%</b>
Provision for Income Taxes	24,102	14,185	24,567	(1.9)%
<b>Net Income</b>	<b>\$ 72,615</b>	<b>\$ 69,627</b>	<b>\$ 73,628</b>	<b>(1.4)%</b>
Operating Margin	44.0%	39.1%	46.9%	(2.9) pts
Net Income Margin <sup>1</sup>	34.5%	35.3%	36.2%	(1.7) pts
EBITDA <sup>2</sup>	109,260	98,704	110,537	(1.2)%
EBITDA Margin <sup>2</sup>	51.9%	50.0%	54.4%	(2.5) pts
Effective Tax Rate	24.9%	16.9%	25.0%	(0.1) pts
<b>Diluted EPS</b>	<b>\$ 1.92</b>	<b>\$ 1.84</b>	<b>\$ 1.96</b>	<b>(2.0)%</b>
Diluted Shares	37,790	37,809	37,645	0.4 %

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.

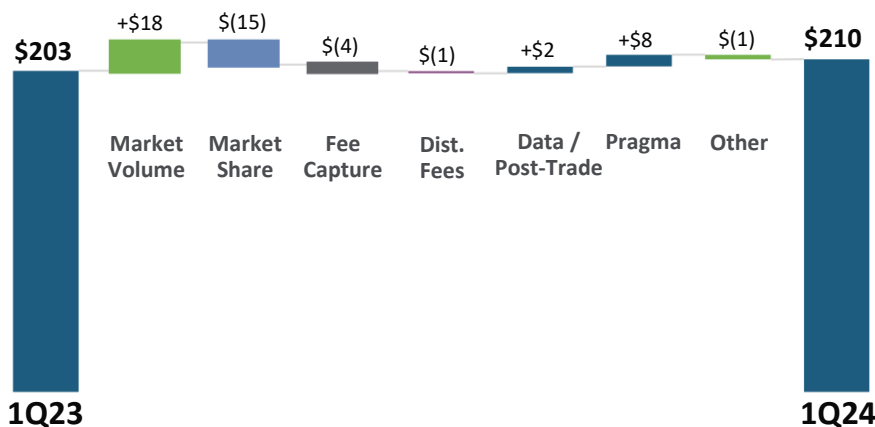
3. All period comparisons are 1Q24 vs. 1Q23 unless otherwise noted.

## COMMENTARY<sup>3</sup>

- Commission revenue benefited from strong U.S. high-grade market volumes, **record** ADV across emerging markets, Eurobonds and municipal bonds and the acquisition of Pragma (\$4.8 million); mostly offset by the impact of lower estimated U.S. high-yield market share, lower total credit fee capture (product mix) and lower credit fixed distribution fees
- Information services revenue increase was driven by new data contracts and the impact of foreign currency fluctuations
- The increase in post-trade services revenue principally driven by fee increases, net new contract revenue, and the impact of currency fluctuations
- Technology services now includes non-commission related revenue from Pragma of \$2.7 million
- Other income net gain of \$4.2 million, compared to prior year net gain of \$2.8 million
  - The current quarter included interest income of \$6.0 million, compared to \$4.2 million in the prior year

## REVENUE MIX ANALYSIS (1Q23 to 1Q24)

(in \$ millions)



# 1Q24 Commission Revenue Detail

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

Commissions	1Q24	4Q23	1Q23	1Q24 vs. 1Q23
Variable Transaction Fees				
Credit	\$ 141,504	\$ 127,283	\$ 140,970	0.4 %
Rates	5,166	4,735	6,258	(17.4)%
Other <sup>1</sup>	4,849	4,979	-	NM
Total Variable Transaction Fees	151,519	136,997	147,228	2.9 %
Fixed Distribution Fees				
Credit	33,288	34,581	34,684	(4.0)%
Rates	66	57	79	(16.5)%
Total Fixed Distribution Fees	33,354	34,894	34,763	(4.1)%
<b>Total Commissions</b>	<b>\$ 184,873</b>	<b>\$ 171,891</b>	<b>\$ 181,991</b>	<b>1.6 %</b>
Average Variable Transaction Fees per Million				
Credit	\$ 154.15	\$ 156.28	\$ 164.98	(6.6)%
Rates	\$ 4.79	\$ 4.62	\$ 4.12	16.3 %

Notes: "NM" = not meaningful

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

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

## COMMENTARY<sup>2</sup>

### Credit

- Increase in total credit variable transaction fees principally due to strong growth in U.S. high-grade market volumes and **record** ADV across emerging markets, Eurobonds and municipal bonds; mostly offset by lower U.S. high-yield estimated market share, lower total credit fee capture on product mix and lower fixed distribution fees
- Decrease in distribution fees principally driven by consolidation of two global dealers and lower unused minimums in U.S. high-grade on increased activity, partially offset by dealer migrations to fixed fee plans

### Rates

- Lower trading volumes partially offset by higher average fees per million

### Other

- Includes commission revenue of \$4.8 million from Pragma

# 1Q24 Expense Detail

(in \$ thousands)

Expense Summary	1Q24	4Q23	1Q23	1Q24 vs. 1Q23
Employee Compensation and Benefits	\$ 61,264	\$ 57,356	\$ 52,315	17.1%
Depreciation and Amortization	18,200	19,530	16,461	10.6%
Technology and Communications	17,051	17,228	14,999	13.7%
Professional and Consulting	6,395	7,604	7,127	(10.3%)
Occupancy	3,425	3,903	3,611	(5.2%)
Marketing and Advertising	1,833	2,646	2,995	(38.8%)
Clearing Costs	4,911	4,610	4,545	8.1%
General and Administrative	4,739	7,344	5,760	(17.7%)
<b>Total Expenses</b>	<b>\$ 117,818</b>	<b>\$ 120,221</b>	<b>\$ 107,813</b>	<b>9.3%</b>

## COMMENTARY<sup>1</sup>

- Total expenses of \$117.8 million, including \$7.9 million impact of Pragma and \$0.6 million negative impact from currency fluctuations
- Increase of \$8.9 million in employee compensation and benefits driven by 13% increase in headcount, including impact of Pragma
- Depreciation and amortization expense increased \$1.7 million mainly due to \$1.4 million from Pragma
- Technology and communications expenses increased \$2.1 million due to \$1.6 million from Pragma

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

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



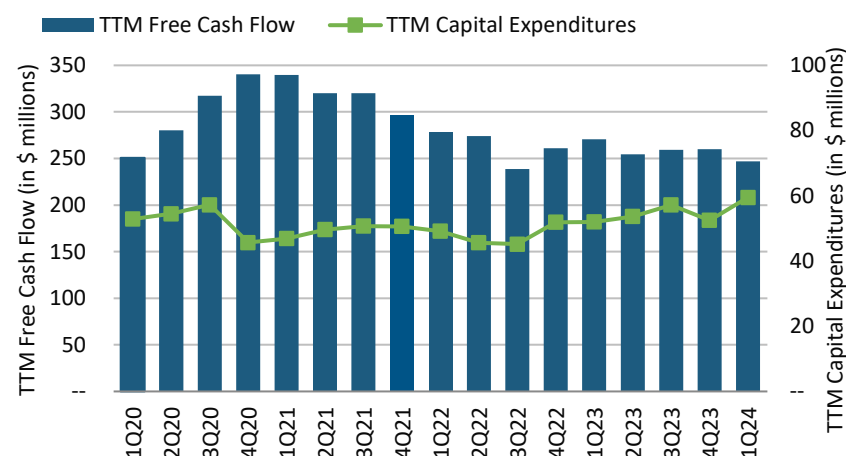
# Cash Flow and Capital Management

## QUARTERLY OVERVIEW

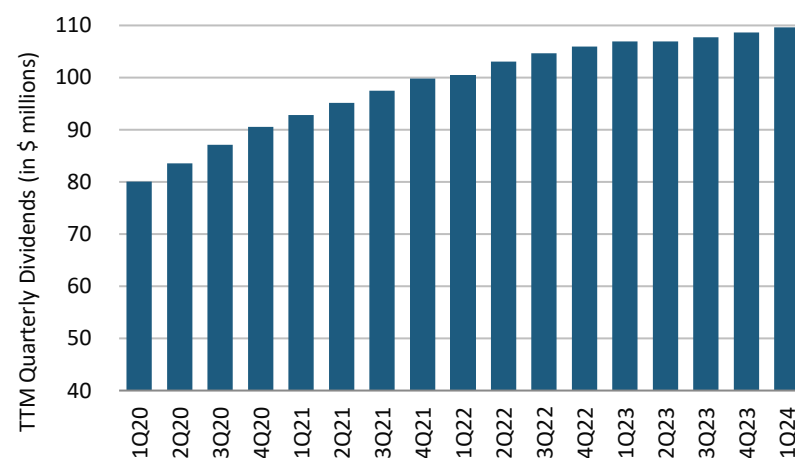
- Total cash and investments of \$513 million as of March 31, 2024
- Trailing 12-month capital expenditures of \$59 million to support trading system enhancements
- Trailing 12-month free cash flow of \$247 million
- Total of 46,844 shares repurchased in the quarter at a cost of \$10 million; \$90 million remaining on outstanding repurchase authorization as of March 31, 2024
- \$110 million in capital returned to investors through dividends on a trailing 12-month basis
- No outstanding debt on credit facility
- Board of directors declared a regular quarterly cash dividend of \$0.74 per share

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

**Q1 TTM FCF<sup>2</sup>**  
5-Year CAGR: 6%



## TTM QUARTERLY DIVIDENDS



### Notes:

1. See first quarter 2024 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.

# Key Takeaways

- Stronger new issuance, higher rates and higher velocity of trading are indicators of a strong and growing market
- We are disappointed with recent trends in estimated market share, and we recognize the importance of being equally strong in the faster growing areas of the market
- We have a strategy to attack these areas led by our launch of X-Pro, which is completely re-tooling the delivery of our trading offering
- While adoption of X-Pro is building, we are maintaining our leadership in the institutional investor client e-trading space
- Our focus continues to be on the largest, most attractive parts of the credit markets, that we believe will only become larger as block trades are broken down over the long-term
- We are building the client “toolkit” of the future to help clients do more with less

# Appendix

## 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	1Q24	4Q23	1Q23
<b>Net income</b>	<b>\$ 72,615</b>	<b>\$ 69,627</b>	<b>\$ 73,628</b>
Add back:			
Interest income	(5,973)	(6,274)	(4,249)
Interest expense	316	1,636	130
Provision for income taxes	24,102	14,185	24,567
Depreciation and amortization	18,200	19,530	16,461
<b>EBITDA</b>	<b>\$ 109,260</b>	<b>\$ 98,704</b>	<b>\$ 110,537</b>
<b>Net income margin<sup>1</sup></b>	<b>34.5%</b>	<b>35.3%</b>	<b>36.2%</b>
Add back:			
Interest income	(2.8)	(3.2)	(2.1)
Interest expense	0.2	0.8	0.1
Provision for income taxes	11.4	7.2	12.1
Depreciation and amortization	8.6	9.9	8.1
<b>EBITDA margin<sup>2</sup></b>	<b>51.9%</b>	<b>50.0%</b>	<b>54.4%</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	1Q24	4Q23	1Q23
<b>Net cash provided by operating activities</b>	<b>\$ (4,949)</b>	<b>\$ 79,161</b>	<b>\$ 7,527</b>
Exclude: Net change in trading investments	(255)	24,771	419
Exclude: Net change in fail-to-deliver/receive from broker-dealers, clearing organizations and customers	51,288	(13,099)	46,767
Less: Purchases of furniture, equipment and leasehold improvements	(1,197)	(5,983)	(217)
Less: Capitalization of software development costs	(13,963)	(10,087)	(10,690)
<b>Free cash flow</b>	<b>\$ 30,924</b>	<b>\$ 74,763</b>	<b>\$ 43,806</b>

# Disclosures

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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).

Beginning with January 2024, the Company no longer provides Emerging Markets or Eurobonds market ADV or estimated market share. The Company is currently reviewing its methodology for calculating such statistics, which historically have been derived from MarketAxess Trax data, to ensure that the statistics presented provide a complete and accurate view of the market.

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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