



Q1 2023 Conference Call and Webcast





April 26, 2023

Business Update

❖ Chris Concannon, CEO

1Q23 Results* – Executing Our Growth Strategy

(in \$ millions, except EPS data)

Revenue  +9% \$203.2 <i>(+11% ex. FX)</i>	Operating Expenses +10% \$107.8 <i>(+12% ex. FX)</i>	Operating Income  +8% \$95.4
Operating Margin 46.9%	NI¹ & EBITDA²  +14% \$73.6 +5% \$110.5	EPS  +15% \$1.96

Key Themes

- **Record revenues up 9%, (+11% ex. FX)** including impact of **4%** decline in total credit fee per million on lower duration of bonds traded in U.S. high-grade.
- **Strong estimated market share gains** across most products drove **record \$13.7 billion in total credit ADV, up 14%**.
- **Record Open Trading ADV of \$4.5 billion, up 21%**, with **record Open Trading share³ in U.S. high-grade of 34% (+350 bps)**, reflecting the increasing strength of our differentiated liquidity pool.
- **Record commission revenue** in U.S. high-yield, emerging markets, and Eurobonds.
- **Record** quarter for international commission fee and ADV contribution of **32%** and **33%**, respectively, reflecting the strength of our global diversification strategy.
- **20%** increase in U.S. high-grade TRACE to **record \$31.9 billion; higher secondary market velocity** supportive of our model - turnover of **74%** on an annualized basis in the quarter, up from **64%** in the prior year.
 - **U.S. high-grade TRACE trade count up 59%** compared to the prior year.
- Favorable macro backdrop creating attractive operating conditions for 2023.

*All comparisons versus first quarter 2022 unless otherwise noted.

1. "NI" is net income.

2. See "Disclosures – Non-GAAP Financial Measures and Other Items" for a discussion of changes made to the calculation of EBITDA beginning in the first quarter of 2023.

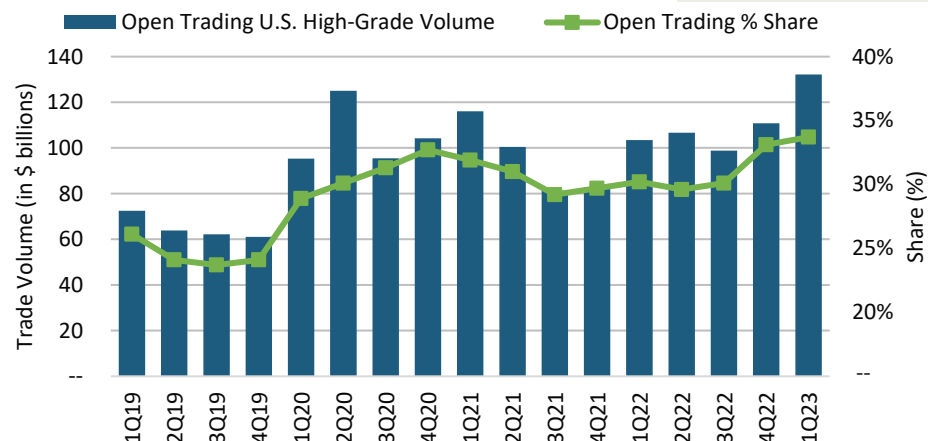
3. Open Trading share at the product level is derived by taking total Open Trading volume in the product divided by the total product trading volume. Total credit Open Trading share is derived by taking total Open Trading volume across all credit products where Open Trading is offered and dividing by total credit trading volume across all credit products where Open Trading is offered.

Open Trading – Our Differentiated Liquidity Pool

1Q23 OPEN TRADING HIGHLIGHTS

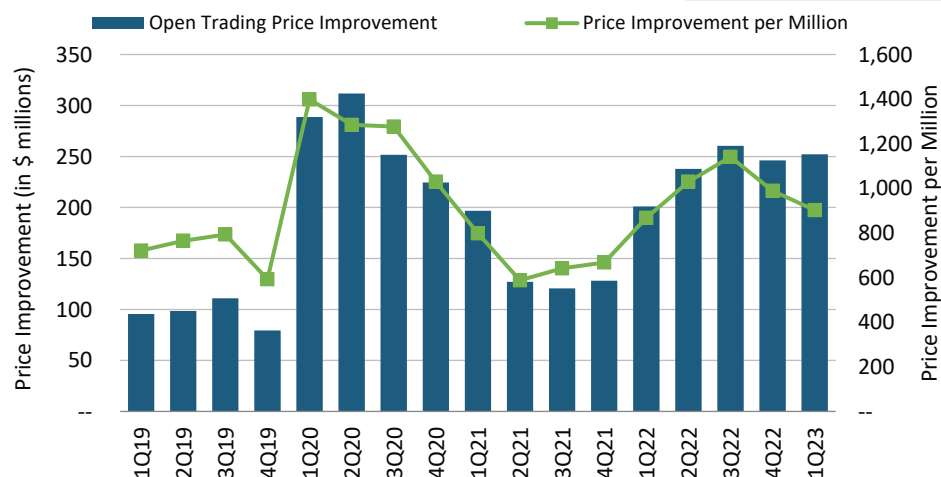
- Record Open Trading ADV of \$4.5 billion, up 21%, with 13 thousand trades executed per day
- 37% (+210 bps) total credit Open Trading share¹
- Record U.S. high-grade Open Trading share¹ of 34% (+350 bps)
- \$252 million in estimated price improvement² via Open Trading, up 25% versus prior year

U.S. HIGH-GRADE OPEN TRADING VOLUME AND RECORD SHARE¹



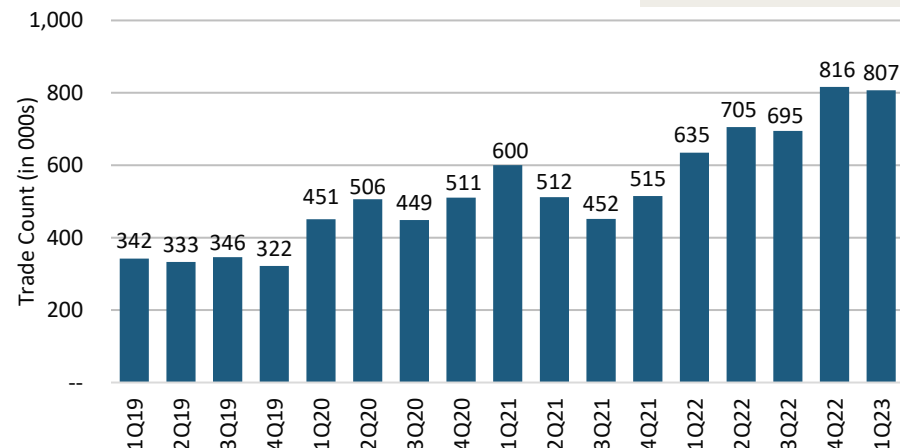
OPEN TRADING PRICE IMPROVEMENT² AND AVERAGE PRICE IMPROVEMENT PER MILLION

Price Improvement Up 25% vs. Prior Year



TOTAL CREDIT OPEN TRADING TRADE COUNT

Q1 YoY Growth: 27%
3-Year CAGR: 21%

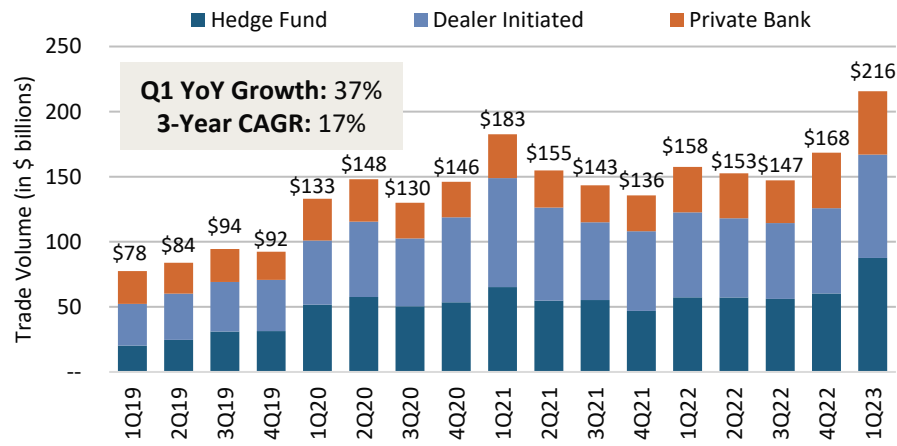


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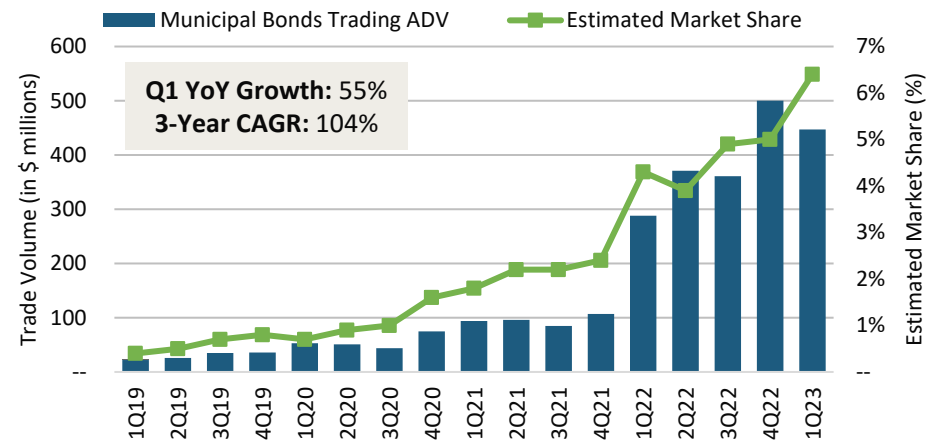
2. Estimated price improvement consists of estimated liquidity taker price improvement (defined as the difference between the winning price and the best disclosed dealer cover price) and estimated liquidity provider price improvement (defined as the difference between the winning price and then current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

Our Growth Strategy is Multi-Dimensional

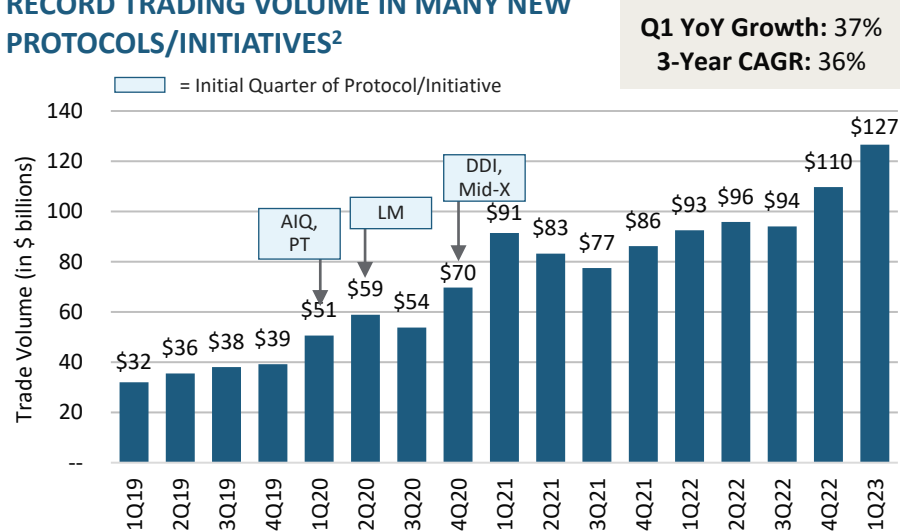
INCREASING GROWTH IN HEDGE FUND, DEALER INITIATED, AND PRIVATE BANK TRADING VOLUME



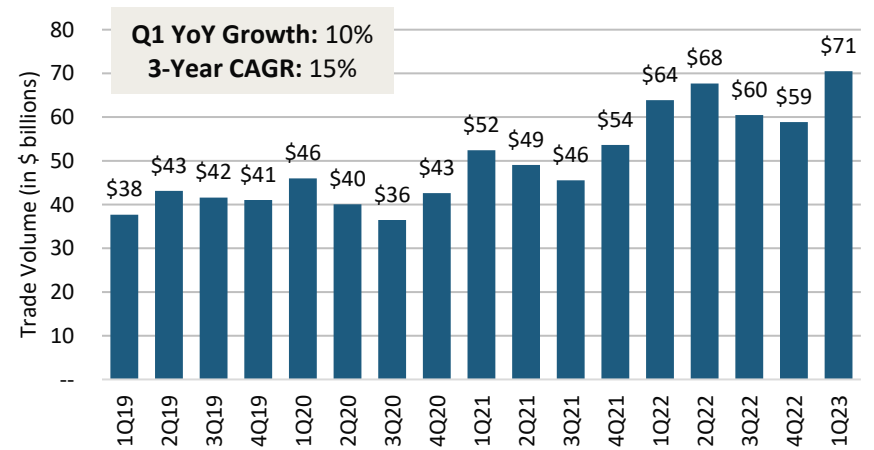
MUNICIPAL BONDS TRADING ADV AND RECORD ESTIMATED MARKET SHARE¹



RECORD TRADING VOLUME IN MANY NEW PROTOCOLS/INITIATIVES²



RECORD EMERGING MARKETS LOCAL MARKETS TRADING VOLUME

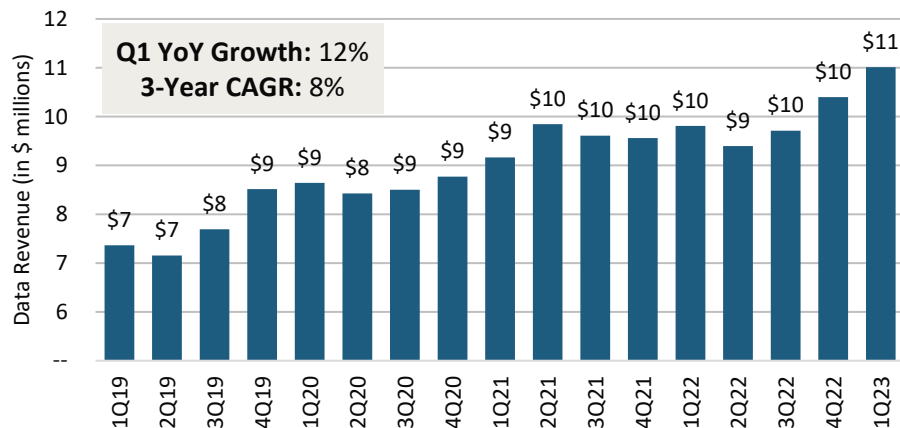


1. Municipal bonds trading ADV includes MuniBrokers beginning in 1Q22.

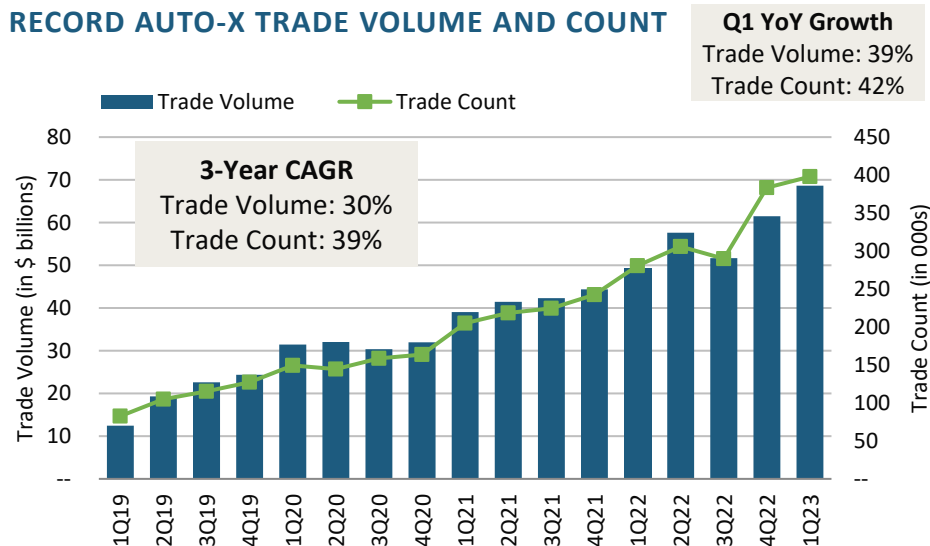
2. New protocols/initiatives include Dealer RFQ (DRFQ), Portfolio Trading (PT), Diversity Dealer Initiative (DDI), Mid-X, AxxessIQ (AIQ), and Live Markets (LM).

Automation – Driver of Increased Trading Velocity

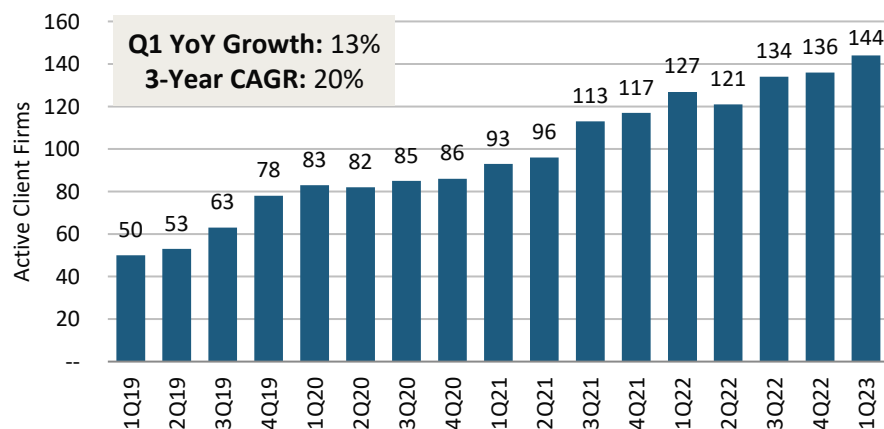
RECORD DATA REVENUE DRIVEN BY CP+ ADOPTION



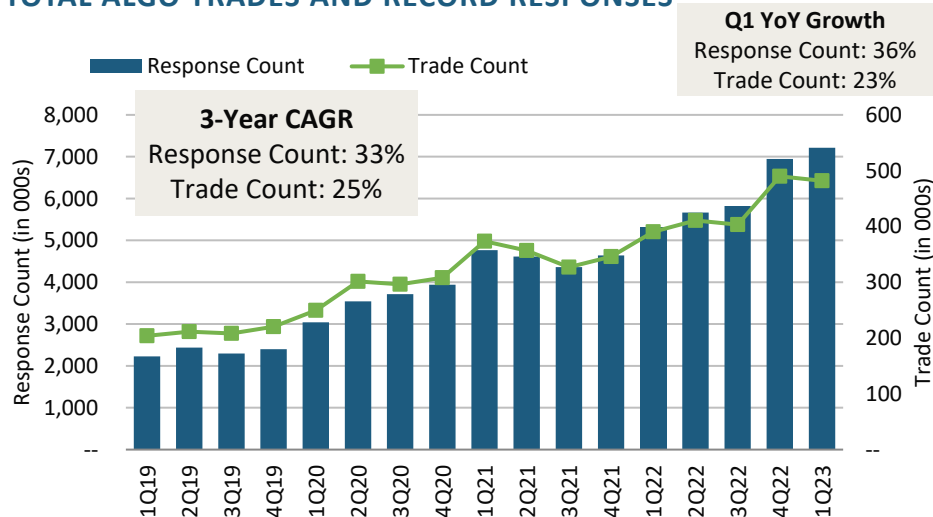
RECORD AUTO-X TRADE VOLUME AND COUNT



RECORD AUTO-X ACTIVE CLIENT FIRMS



TOTAL ALGO TRADES AND RECORD RESPONSES¹



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

Financial Review

◆ Chris Gerosa, CFO

1Q23 Financial Summary

(in \$ thousands, except EPS data)

Financial Results	1Q23	4Q22	1Q22	1Q23 vs. 1Q22
Commissions	\$ 181,991	\$ 158,443	\$ 166,113	9.6%
Information Services	11,010	10,398	9,809	12.2%
Post-trade Services	9,980	8,821	9,912	0.7%
Other	188	240	223	(15.7)%
Total Revenues	203,169	177,902	186,057	9.2%
Expenses	107,813	100,229	97,953	10.1%
Operating Income	95,356	77,673	88,104	8.2%
Other income (expense)	2,839	1,755	2,315	22.6%
Income Before Taxes	98,195	79,428	90,419	8.6%
Provision for Income Taxes	24,567	20,202	25,650	(4.2)%
Net Income	73,628	59,226	64,769	13.7%
Operating Margin	46.9%	43.7%	47.4%	(0.5) pts
Net Income Margin	36.2%	33.3%	34.8%	1.4 pts
EBITDA ¹	110,537	91,916	105,707	4.6%
EBITDA Margin ¹	54.4%	51.7%	56.8%	(2.4) pts
Effective Tax Rate	25.0%	25.4%	28.4%	(3.4) pts
Diluted EPS	\$ 1.96	\$ 1.58	\$ 1.71	\$ 0.25
Diluted Shares	37,645	37,573	37,824	(0.5)%

Notes: Net income margin derived by dividing net income by total revenues.

- See "Disclosures – Non-GAAP Financial Measures and Other Items" for a discussion of changes made to the calculation of EBITDA and EBITDA margin beginning in the first quarter of 2023.
- Revenue mix analysis based on estimated market volumes; other includes the impact of FX and other revenue.

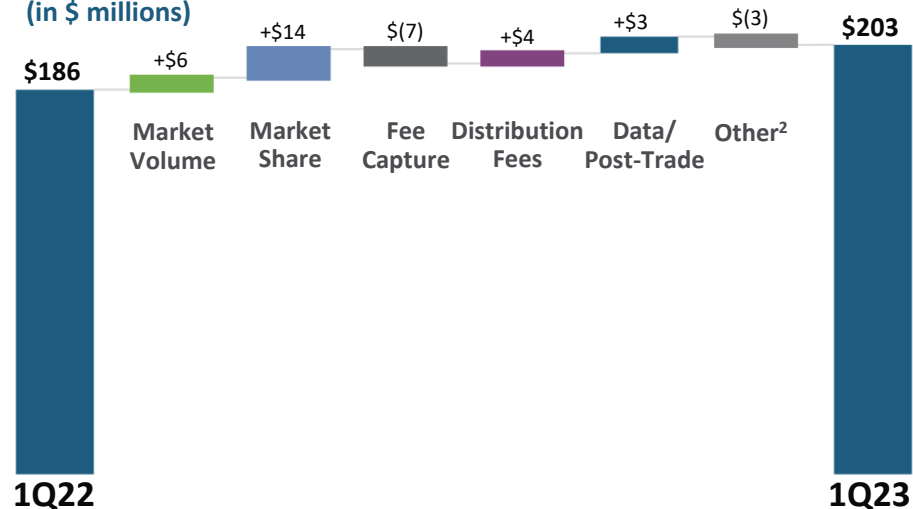
COMMENTARY*

- Commission revenue benefited from strong estimated market share gains and higher volumes, partially offset by lower average fees per million, principally in U.S. high-grade
- Record information services revenue was mainly driven by new data contract revenue, partially offset by foreign currency fluctuations; up 18% on a constant currency basis
- Post-trade revenue higher on net new contract revenue mostly offset by foreign currency fluctuations; up 8% on a constant currency basis
- Other income net gain of \$3 million, compared to prior year net gain of \$2 million
 - Current quarter included higher interest income (+\$4.2 million). Prior year included \$1.6 million benefit from revaluation gain on contingent liability and \$1.3 million FX translation gain (\$0.06 per diluted share)
- Higher effective tax rate in the prior year driven by \$3 million charge related to tax settlement (\$0.08 per diluted share)

*All comparisons versus first quarter 2022 unless otherwise noted.

REVENUE MIX ANALYSIS² (1Q22 to 1Q23)

(in \$ millions)



1Q23 Commission Revenue Detail

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

Commissions	1Q23	4Q22	1Q22	1Q23 vs. 1Q22
Variable Transaction Fees				
Credit	\$ 140,970	\$ 120,887	\$ 128,682	9.5%
Rates	6,258	4,667	6,191	1.1%
Total Variable Transaction Fees	147,228	125,554	134,873	9.2%
Fixed Distribution Fees				
Credit	34,684	32,817	31,178	11.2%
Rates	79	72	62	27.4%
Total Fixed Distribution Fees	34,763	32,889	31,240	11.3%
Total Commissions	\$ 181,991	\$ 158,443	\$ 166,113	9.6%
Average Variable Transaction Fees per Million				
Credit	\$ 165	\$ 164	\$ 173	(4.4)%
Rates	\$ 4.12	\$ 4.16	\$ 3.92	5.1%

COMMENTARY*

Credit

- Record credit commission revenue due to strong market share gains and higher volumes, partially offset by lower average fees per million in U.S. high-grade driven principally by the lower duration of bonds traded over the platform.

- Increase in distribution fees principally due to new dealers on fixed fee plans and upgrades in existing fixed fee plans

Rates

- Increase in transaction fees due to higher average fees per million which offset lower market volumes

*All comparisons versus first quarter 2022 unless otherwise noted.

1Q23 Expense Detail

(in \$ thousands)

Expense Summary	1Q23	4Q22	1Q22	1Q23 vs. 1Q22
Employee Compensation and Benefits	\$ 52,315	\$ 44,108	\$ 47,756	9.5%
Depreciation and Amortization	16,461	15,730	15,174	8.5%
Technology and Communications	14,999	14,113	12,192	23.0%
Professional and Consulting	7,127	7,848	9,621	(25.9)%
Occupancy	3,611	3,653	3,387	6.6%
Marketing and Advertising	2,995	3,442	1,789	67.4%
Clearing Costs	4,545	4,614	4,575	(0.7)%
General and Administrative	5,760	6,721	3,459	66.5%
Total Expenses	\$ 107,813	\$ 100,229	\$ 97,953	10.1%

COMMENTARY*

- Total expenses of \$108 million, up 10% on continued investment, up 12% excluding the impact of foreign currency fluctuations
- Year-over-year increase in operating expenses due to continued investments to drive revenue diversification through trading system enhancements, product and protocol expansion
- Increase of \$5 million in employee compensation and benefits driven by 12% increase in headcount
- Technology and communications expenses increased \$3 million due to higher subscription costs and data center hosting expenses
- \$2 million decrease in professional and consulting expenses driven by decrease in acquisition related consulting fees and other consulting and recruiting fees
- \$2 million increase in general and administrative expenses due in part to an increase in sales related activity

*All comparisons versus first quarter 2022 unless otherwise noted.

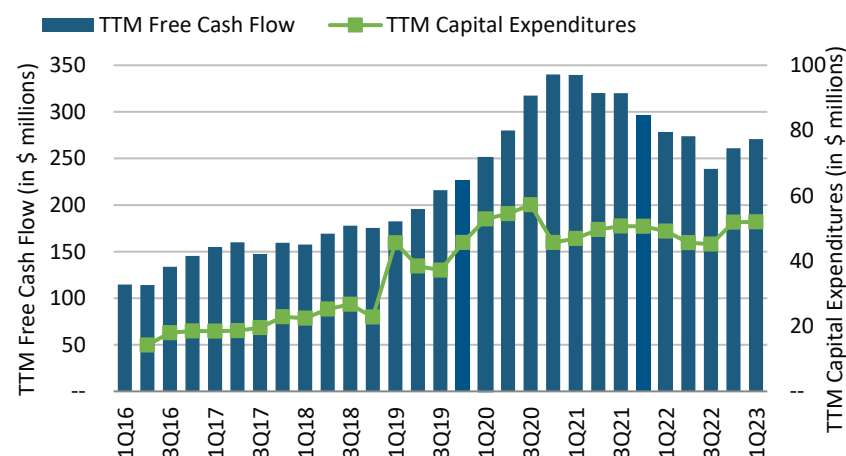
Cash Flow and Capital Management

QUARTERLY OVERVIEW

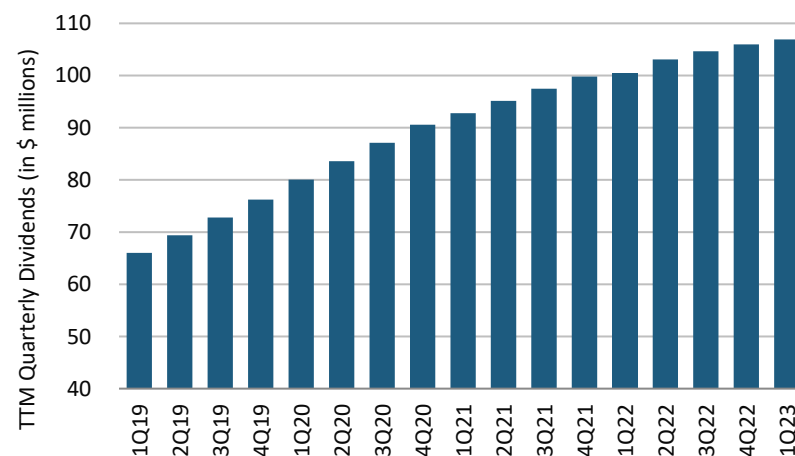
- Total cash and investments of \$440 million
- Trailing 12-month capital expenditures of \$52 million to support investment in trading system enhancements
- Trailing 12-month free cash flow of \$271 million
- \$100 million remaining on outstanding repurchase authorization
- \$107 million in capital returned to investors through dividends (TTM)
- No outstanding debt on borrowing facilities
- Board of directors declared a regular quarterly cash dividend of \$0.72 per share.

TTM FREE CASH FLOW¹ AND CAPITAL EXPENDITURES

Q1 TTM FCF²
5-Year CAGR: 11%



TTM QUARTERLY DIVIDENDS



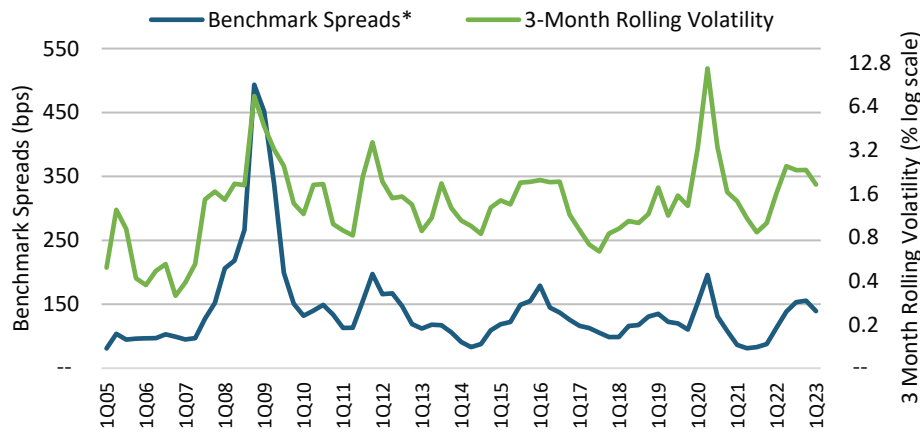
1. See first quarter 2023 and full-year earnings release and the Investor Relations section of the Company's website for a reconciliation of net cash provided by operating activities to free cash flow.
2. 5-year compound annual growth rate "CAGR" calculated on a trailing twelve months basis.

Market Update

❖ Rick McVey, Founder and Executive Chairman

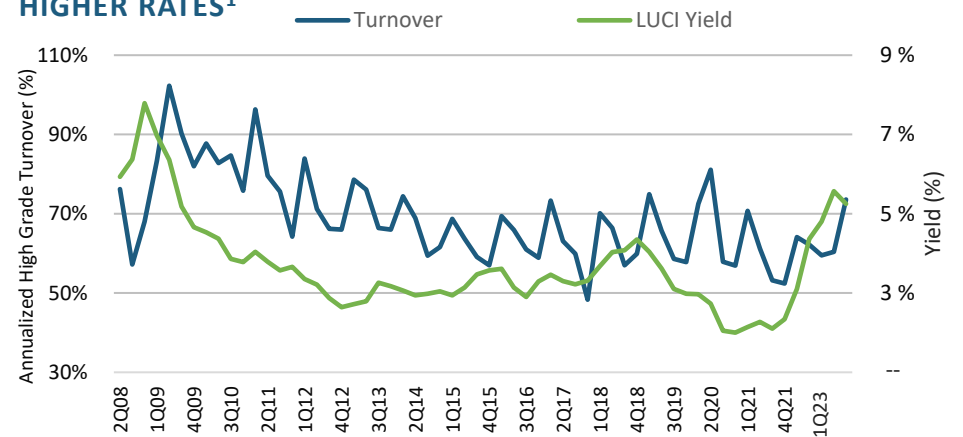
Market Conditions and U.S. Credit

LIQUID U.S. CORPORATE INDEX (LUCI)



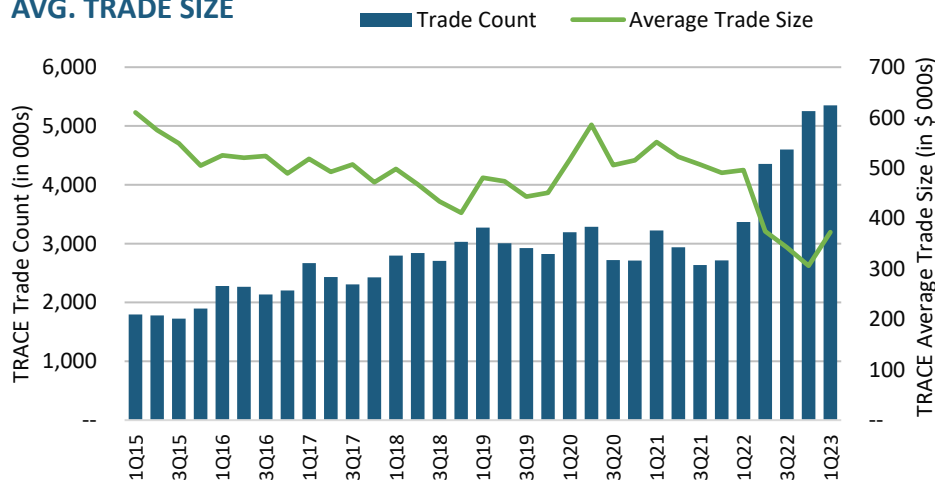
Source: Credit Suisse Global Credit Strategy
*Data based on quarterly average

INCREASE IN HIGH-GRADE TRADING VELOCITY ON HIGHER RATES¹



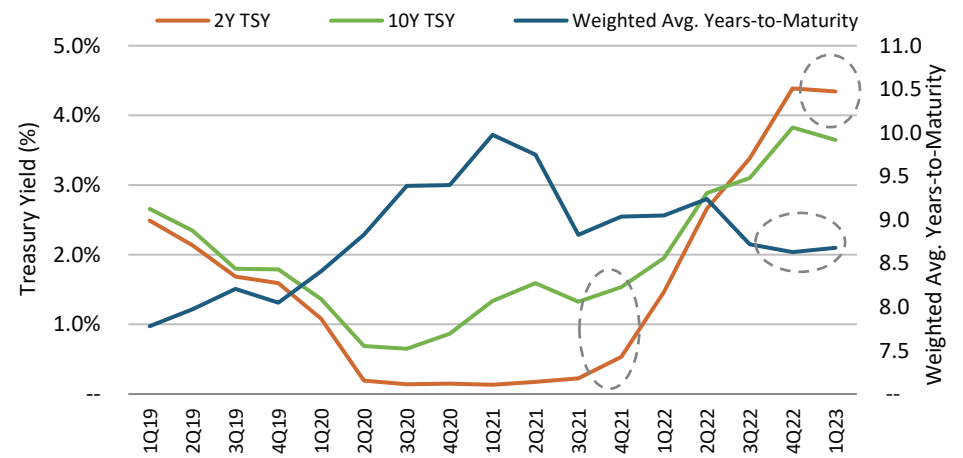
Source: BondTicker, Credit Suisse Global Credit Strategy

U.S. HIGH GRADE TRACE TRADE COUNT AND TRACE AVG. TRADE SIZE



Source: Company data

10YR & 2YR TREASURY YIELDS & MKTX U.S. HIGH-GRADE WEIGHTED AVG. YEARS TO MATURITY

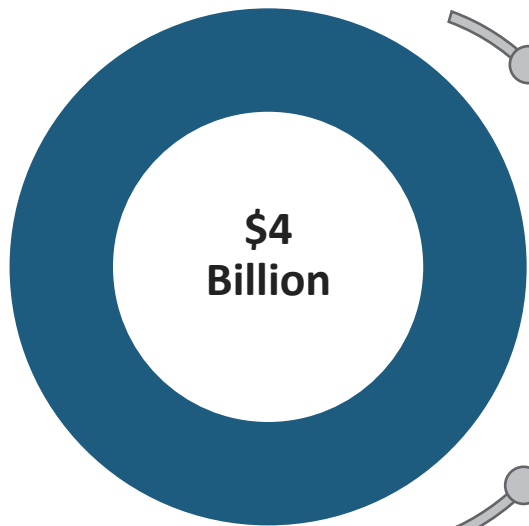


Note: Data based on quarterly average
Source: Federal Reserve

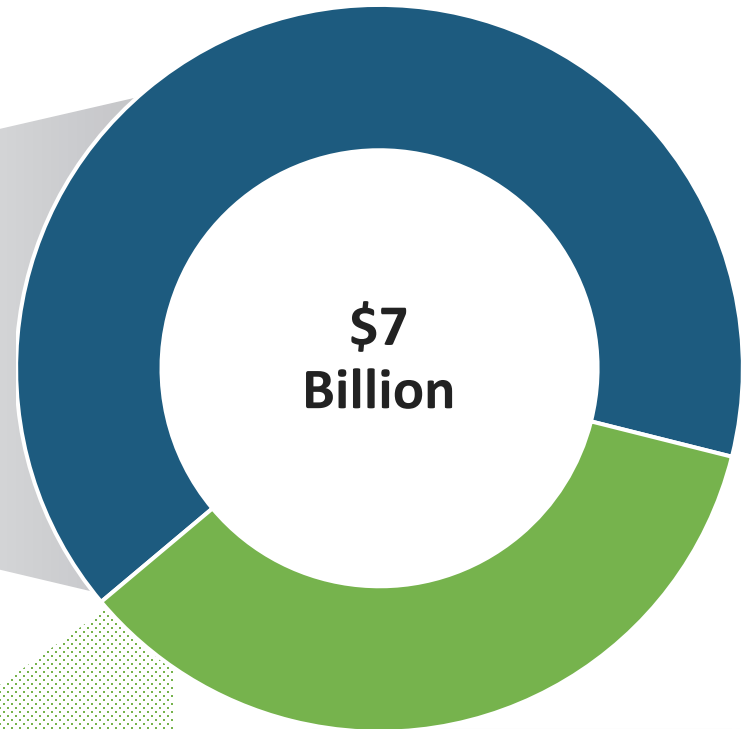
1. Trading velocity is based on annualized quarterly data.

Expanding Our Addressable Market Opportunity

2018 ESTIMATED REVENUE OPPORTUNITY



CURRENT ESTIMATED REVENUE OPPORTUNITY¹



CORE PRODUCT SET
U.S. High Grade
U.S. High Yield
Emerging Markets
Eurobonds
Post-Trade / Data

EXPANDED REVENUE OPPORTUNITIES
U.S. Treasuries
Municipal Bonds
ETFs
Post-Trade / Data

NEW PROTOCOLS / WORKFLOWS	
Portfolio Trading	
Live Markets	Mid-X
DDI ²	AxessIQ
Automation	

Sources: MarketAxess estimates; TRACE, TRAX, MSRB, SIFMA, LSTA, NYFRB, ISDA, BondConnect, SSGA

1. Estimated revenue opportunity assumes constant fee capture.

2. Diversity Dealer Initiative

Key Takeaways

- Continued strong execution of our growth strategy
- Fourth consecutive quarter of improving financial metrics on higher levels of estimated market share, Open Trading activity and stronger industry volumes
- Global diversification continues across products, protocols and regions
- Strong pipeline of new products and trading protocols; increased client diversification with hedge funds, private banks and dealer-initiated order flow
- Favorable macro backdrop for fixed income in 2023; attractive operating environment for MKTX

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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. Starting with the first quarter of 2023, our calculation of EBITDA has been revised to adjust for interest income in addition to interest expense. In prior periods, we only adjusted for interest expense because interest income amounts were insignificant. Prior comparable periods have now been recast to conform to the current presentation. Likewise, starting with the first quarter of 2023, EBITDA margin is calculated by adjusting for interest income in addition to interest expense and prior comparable periods have been recast to conform to the current presentation. 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 attached schedule for a reconciliation of GAAP net income to EBITDA, GAAP net income margin to EBITDA margin and GAAP cash flow from operating activities to free cash flow. The Company also presents revenue and expense growth rates excluding the impact of foreign currency fluctuations. The Company believes that it is useful to provide investors with this framework that is also used by management to assess how our business performed excluding the effect of foreign currency fluctuations. To present this information, current and comparative prior period results for product areas reporting in currencies other than U.S. dollars are converted into U.S. dollars using the average exchange rates from the comparative period rather than the actual exchange rates in effect during the current period.



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