



Q4 and Full Year 2004 Earnings Call and Webcast

February 9, 2005



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. Actual results in future periods may differ materially from the those currently expected or desired because of a number of risks and uncertainties, including: our dependence on our broker-dealer clients; 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 limited operating history; the level of trading volume transacted on the MarketAxess platform; the absolute level and direction of interest rates and the corresponding volatility in the corporate fixed-income market; our ability to develop new products and offerings and the market's acceptance of those products; our ability to enter into strategic alliances and to acquire other businesses and successfully integrate them with our business; our future capital needs and our ability to obtain capital when needed; and other factors. The Company's actual results and financial condition may differ, perhaps materially, from the anticipated results and financial condition in any such forward-looking statements. 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.



Agenda

- Introduction
 - Eric Scro, *Investor Relations*
- Financial Results
 - Jim Rucker, *CFO*
- Strategic Direction
 - Rick McVey, *Chairman and CEO*
- Question & Answer
 - Rick McVey and Jim Rucker
- Close
 - Rick McVey



Q4 '04 and 2004 Highlights

- ❑ Revenue growth of 14% in Q4 '04 compared to the same period last year
- ❑ Increase of 55% in Q4 '04 net income compared to the same period last year
- ❑ Improvement in operating margin:
 - Increase to 26% in Q4 '04 from 11% in Q4 '03
- ❑ Cash and short-term investments of \$103.4 million at December 31, 2004



Earnings Performance Q4 '04 vs. Q4 '03

(\$ in thousands, except per share amounts)

	<u>Q4 2004</u>	<u>Q4 2003</u>	<u>% Change</u>
Total Revenues	\$19,673	\$17,252	14%
Total Expenses	14,595	15,382	(5%)
Operating Income	5,078	1,871	171%
Operating Margin	26%	11%	136%
Net Income	\$ 2,600	\$ 1,681	55%
Diluted EPS	\$ 0.08	N/A	N/A
Diluted Shares (1)	32,791	N/A	N/A

Note (1) – Represents a weighted average of fully-diluted common stock equivalents using the treasury stock method including shares of non-voting common stock and shares issuable upon the exercise of options and warrants.



Earnings Performance 2004 vs. 2003

(\$ in thousands, except per share amounts)

	<u>FY 2004</u>	<u>FY 2003</u>	<u>% Change</u>
Total Revenues	\$75,797	\$58,460	30%
Total Expenses	58,481	54,058	8%
Operating Income	17,316	4,402	293%
Operating Margin	23%	8%	188%
Net Income	\$58,646 ⁽¹⁾	\$ 4,212	NM
Diluted EPS ⁽²⁾	\$ 1.91	N/A	N/A
Diluted Shares ⁽³⁾	30,639	N/A	N/A

Notes:

(1) The Company realized a \$48.2 million deferred tax benefit relating to prior years' net operating loss carryforwards.

(2) Diluted EPS is not shown for 2003 as the conversion of preferred stock was anti-dilutive.

(3) Represents a weighted average of fully-diluted common stock equivalents using the treasury stock method including shares of non-voting common stock and shares issuable upon the exercise of options and warrants.



Revenue Highlights Q4 '04 vs. Q4 '03

(\$ in thousands)

	<u>Q4 2004</u>	<u>Q4 2003</u>	<u>% Change</u>
Revenues			
Commissions			
U.S. high-grade (1)	\$11,441	\$11,392	--
European high-grade	3,348	2,538	+32%
Other (2)	<u>2,009</u>	<u>1,761</u>	+14%
Total Commissions	16,798	15,690	+ 7%
 All other revenues (3)	<u>2,875</u>	<u>1,562</u>	+84%
 Total Revenues	<u>\$19,673</u>	<u>\$17,252</u>	+14%

Notes:

(1) U.S. high-grade commissions include \$4.6 million and \$4.5 million in fixed distribution fees for Q4 2004 and Q4 2003, respectively.

(2) "Other" commissions include emerging markets, new issues, crossovers and U.S. Treasury securities.

(3) "All other revenues" primarily include new dealer license fees and information and user access fees.



Revenue Highlights 2004 vs. 2003

(\$ in thousands)

	<u>FY 2004</u>	<u>FY 2003</u>	<u>% Change</u>
Revenues			
Commissions			
U.S. high grade (1)	\$45,465	\$40,310	+ 13%
European high grade	15,142	7,126	+112%
Other (2)	<u>7,565</u>	<u>5,364</u>	+ 41%
Total Commissions	68,172	52,800	+ 29%
All other revenues (3)	<u>7,625</u>	<u>5,660</u>	+ 35%
Total Revenues	<u>\$75,797</u>	<u>\$58,460</u>	+ 30%

Notes:

(1) U.S. high-grade commissions include \$18.5 million and \$7.0 million in fixed distribution fees for 2004 and 2003, respectively.

(2) "Other" commissions include emerging markets, new issues, crossovers, and U.S. Treasury securities.

(3) "All other revenues" primarily include new dealer license fees and information and user access fees.



Operating Expenses

- ❑ **Decrease of 5% in operating expenses from \$15.4 million in Q4 '03 to \$14.6 million in Q4 '04:**
 - **Employee compensation and benefits increased by \$1.1 million**
 - **Professional and consulting fees increased by \$1.0 million**
 - **No warrant expenses (\$2.1 million in Q4 '03) as warrant program ended in Q1 '04**
 - **General and administrative expenses decreased by \$0.9 million**
- ❑ **8% increase in operating expenses from \$54.1 million in 2003 to \$58.5 million in 2004**
- ❑ **As a percentage of total revenues:**
 - **Q4 2004: Decreased from 89% in Q4 2003 to 74% in Q4 2004**
 - **Full Year 2004: Decreased from 92% in 2003 to 77% in 2004**



Balance Sheet Data – December 2004

- ❑ Cash and short-term investments - \$103.4 million
- ❑ Deferred Tax Asset - \$41.4 million
- ❑ No Debt
- ❑ Stockholders' Equity: \$156.3 million
- ❑ Book value: \$4.77 per share
- ❑ Capital Expenditures
 - Q4 '04- \$0.9 million
 - Full year 2004 - \$7.0 million



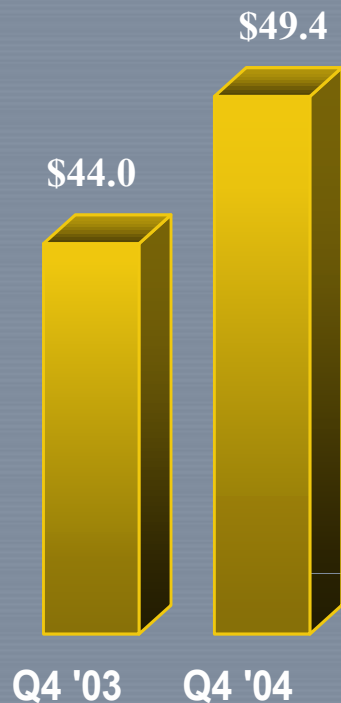
Quarterly Volume Results

Total Trading Volume

(\$ billions)

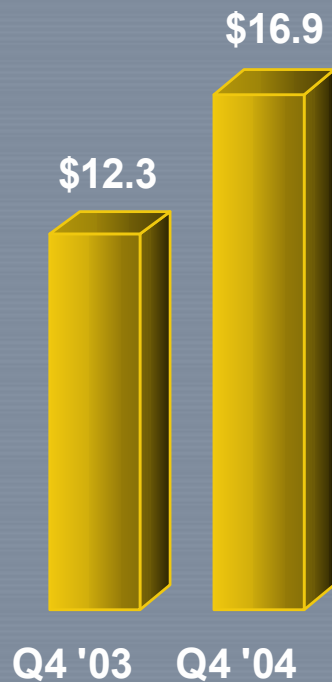
U.S. High-Grade

12% Growth



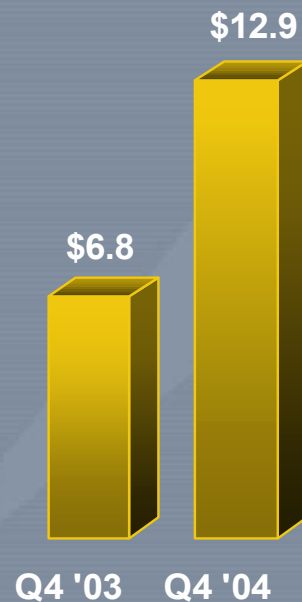
European High-Grade

37% Growth



Other

90% Growth



Total

25% growth





Annual Volume Results

Total Trading Volume

(\$ billions)

U.S. High-Grade

European High-Grade

Other

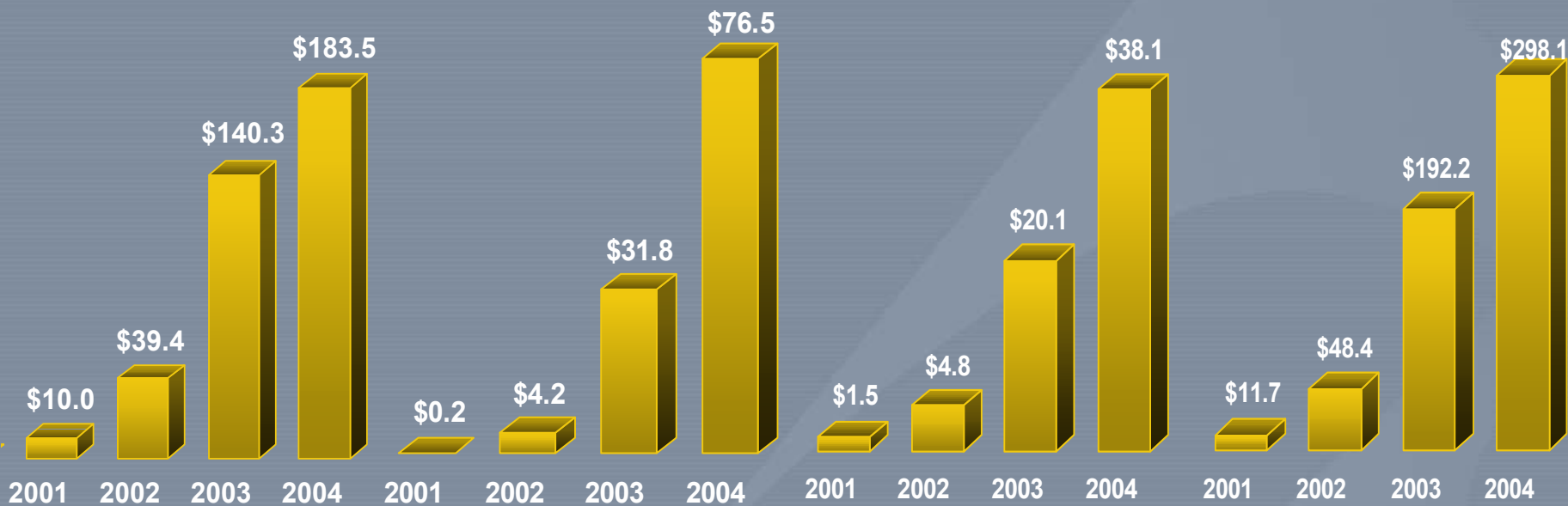
Total

31% YoY Growth

141% YoY Growth

89% YoY Growth

55% YoY Growth





January Volume Update

(in 000s)	<u>Jan 05</u>	<u>Jan 04</u>	<u>% Change</u>	<u>Dec 04</u>	<u>Dec 03</u>	<u>% Change</u>
U.S. high-grade	\$16,566	\$14,016	18%	\$ 18,406	\$15,880	16%
European high-grade	\$7,896	\$ 8,120	(3%)	\$ 5,163	\$ 3,706	39%
Other	\$3,961	\$ 1,970	101%	\$ 4,296	\$ 1,882	128%
Total	\$28,423	\$24,106	18%	\$ 27,865	\$21,468	30%

Trading volumes will be posted on www.marketaxess.com showing monthly, quarterly and annual statistics



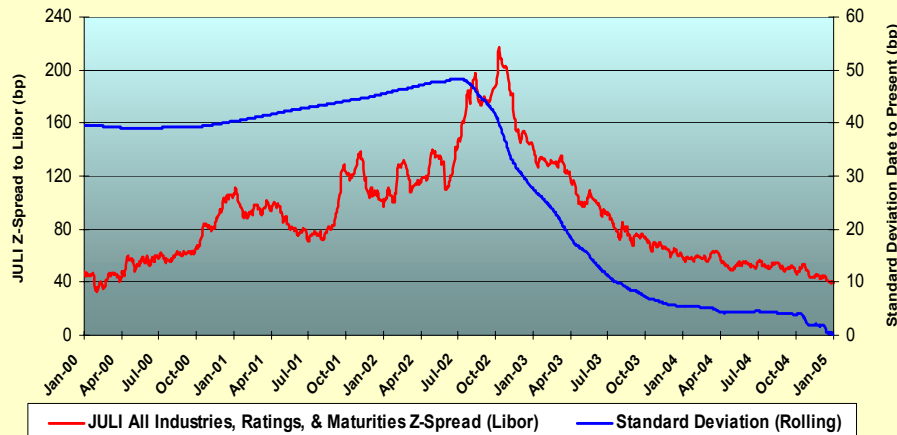
Outlook for 2005

- ❑ Total operating expenses expected to increase 11% to 16% vs. 2004 levels
- ❑ Capital Expenditures: \$7.0 million - \$9.0 million in 2005
- ❑ Fully-diluted shares outstanding: 35.5 million to 36.0 million shares for Q1 2005 on a weighted-average basis under the treasury stock method including shares of non-voting common stock and shares issuable upon the exercise of options and warrants



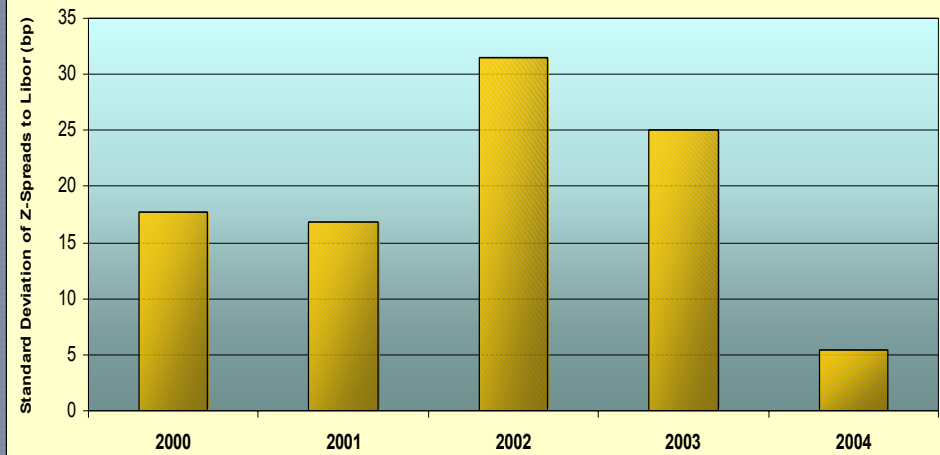
Historical Perspective: Corporate Bond Volatility

JULI Z-Spread to Libor vs. Volatility



Source: JPMorgan

Annual Volatility of JULI Z-Spreads to Libor (All Ratings & Maturities)



Source: JPMorgan

- Corporate bond volatility and credit spreads are at five-year lows
- Institutional investor client trading has decreased compared to 2003 levels
- Despite the tough credit environment, MKTX continues to grow the business and enjoys momentum coming out of Q4 '04

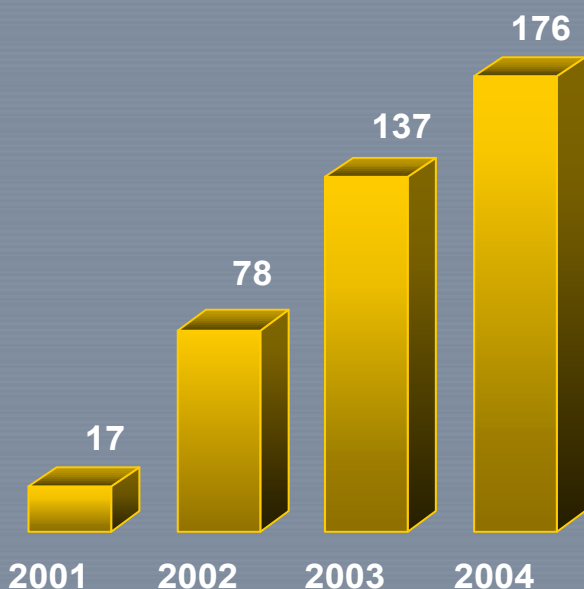


Strengthening Our Position in Europe

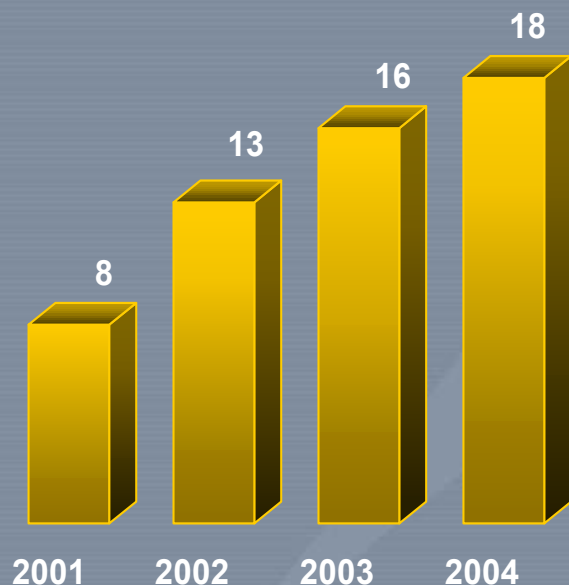
European Statistics

(Period ending numbers)

U.K. Institutional Investor Clients

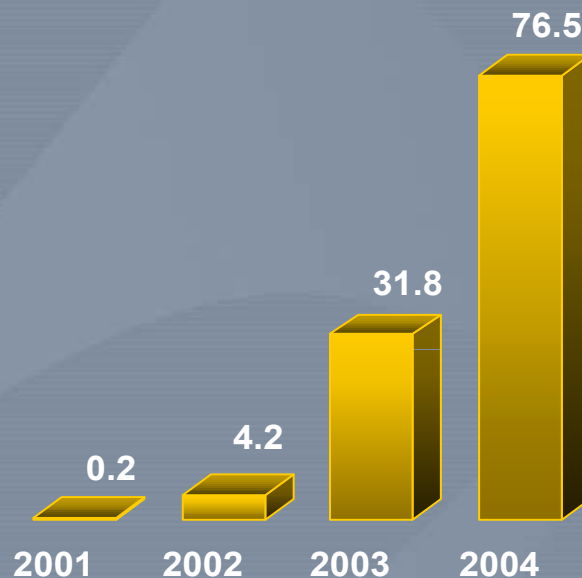


U.K. Broker-Dealer Clients



European High-Grade Volume

(\$ in billions)





Technology Advantages

- ❑ Seamless and competitive multi-dealer credit trading
 - ❑ Corporate bonds
 - ❑ Crossovers
 - ❑ Emerging markets
- ❑ Portfolio trading with bid and offer lists of up to 25 securities in one inquiry
- ❑ Large source for aggregated dealer corporate bond inventory
- ❑ Floating rate note functionality
- ❑ Short maturity corporate bond trading in money market yield equivalents
- ❑ High grade corporate bond swap trading capability
- ❑ Expansion of BondTicker service
- ❑ Enhanced order upload and straight through processing features
- ❑ Transaction details for compliance reporting



Question & Answer

Question & Answer Session

For more information about MarketAxess or
a replay of the webcast, please visit:

www.marketaxess.com