

MARKETAXESS HOLDINGS INC  
Form 10-Q  
July 24, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34091

MARKETAXESS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of

incorporation or organization)

299 Park Avenue, 10th Floor New York, New York  
(Address of principal executive offices)

52-2230784  
(IRS Employer

Identification No.)

10171  
(Zip Code)

(212) 813-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 23, 2015, the number of shares of the Registrant's voting common stock outstanding was 37,298,256.

MARKETAXESS HOLDINGS INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

TABLE OF CONTENTS

	Page
<u>PART I — Financial Information</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	3
<u>Consolidated Statements of Financial Condition as of June 30, 2015 and December 31, 2014</u>	3
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2015 and 2014</u>	4
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2015 and 2014</u>	5
<u>Consolidated Statement of Changes in Stockholders' Equity for the Six Months Ended June 30, 2015</u>	6
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	32
Item 4. <u>Controls and Procedures</u>	33
 <u>PART II — Other Information</u>	
Item 1. <u>Legal Proceedings</u>	34
Item 1A. <u>Risk Factors</u>	34
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	34
Item 3. <u>Defaults Upon Senior Securities</u>	34
Item 4. <u>Mine Safety Disclosures</u>	34
Item 5. <u>Other Information</u>	35
Item 6. <u>Exhibits</u>	35

## PART I — Financial Information

## Item 1. Financial Statements

## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	As of	
	June 30, 2015	December 31, 2014
	(In thousands, except share and	
	per share amounts)	
<b>ASSETS</b>		
Cash and cash equivalents	\$169,263	\$168,924
Securities available-for-sale, at fair value	67,517	64,863
Accounts receivable, net of allowance of \$99 and \$3 as of		
June 30, 2015 and December 31, 2014, respectively	46,938	33,836
Goodwill and intangible assets, net of accumulated amortization	65,281	66,419
Furniture, equipment, leasehold improvements and capitalized		
software, net of accumulated depreciation and amortization	31,290	32,185
Prepaid expenses and other assets	12,596	6,685
Deferred tax assets, net	6,061	6,972
<b>Total assets</b>	<b>\$398,946</b>	<b>\$379,884</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accrued employee compensation	\$16,109	\$25,310
Income and other tax liabilities	7,059	5,940
Deferred revenue	2,650	2,465
Accounts payable, accrued expenses and other liabilities	13,271	11,961
<b>Total liabilities</b>	<b>39,089</b>	<b>45,676</b>
<b>Commitments and Contingencies (Note 10)</b>	<b>—</b>	<b>—</b>
<b>Stockholders' equity</b>		
Preferred stock, \$0.001 par value, 4,855,000 shares authorized,		
no shares issued and outstanding as of June 30, 2015 and		
December 31, 2014	—	—

Edgar Filing: MARKETAXESS HOLDINGS INC - Form 10-Q

Series A Preferred Stock, \$0.001 par value, 110,000 shares authorized, no shares issued and outstanding as of June 30, 2015 and December 31, 2014	—	—
Common stock voting, \$0.003 par value, 110,000,000 shares authorized, 39,630,201 shares and 39,460,066 shares issued and 37,308,457 shares and 37,318,722 shares outstanding as of June 30, 2015 and December 31, 2014, respectively	120	120
Common stock non-voting, \$0.003 par value, 10,000,000 shares authorized, no shares issued and outstanding as of June 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	313,586	307,059
Treasury stock - Common stock voting, at cost, 2,321,744 and 2,141,344 shares as of June 30, 2015 and December 31, 2014, respectively	(84,711 )	(70,247 )
Retained earnings	135,721	101,813
Accumulated other comprehensive loss	(4,859 )	(4,537 )
Total stockholders' equity	359,857	334,208
Total liabilities and stockholders' equity	\$398,946	\$379,884

The accompanying notes are an integral part of these consolidated financial statements.

## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per share amounts)			
<b>Revenues</b>				
Commissions	\$66,412	\$54,315	\$133,430	\$106,304
Information and post-trade services	7,632	7,962	15,311	16,041
Technology products and services	762	1,987	2,182	4,023
Investment income	190	138	373	284
Other	495	562	966	1,710
<b>Total revenues</b>	<b>75,491</b>	<b>64,964</b>	<b>152,262</b>	<b>128,362</b>
<b>Expenses</b>				
Employee compensation and benefits	20,593	18,421	41,767	37,030
Depreciation and amortization	4,603	4,351	9,215	8,472
Technology and communications	3,967	4,449	8,305	8,941
Professional and consulting fees	3,011	3,426	6,293	7,398
Occupancy	1,232	1,102	2,224	2,191
Marketing and advertising	1,764	1,800	2,956	3,009
General and administrative	3,262	2,344	5,941	4,542
<b>Total expenses</b>	<b>38,432</b>	<b>35,893</b>	<b>76,701</b>	<b>71,583</b>
Income before income taxes	37,059	29,071	75,561	56,779
Provision for income taxes	12,821	10,880	26,730	21,113
<b>Net income</b>	<b>\$24,238</b>	<b>\$18,191</b>	<b>\$48,831</b>	<b>\$35,666</b>
<b>Net income per common share</b>				
Basic	\$0.66	\$0.49	\$1.33	\$0.96
Diluted	\$0.64	\$0.48	\$1.30	\$0.94
<b>Cash dividends declared per common share</b>				
	\$0.20	\$0.16	\$0.40	\$0.32
<b>Weighted average shares outstanding</b>				
Basic	36,699	37,015	36,703	37,068
Diluted	37,642	37,942	37,634	38,019

The accompanying notes are an integral part of these consolidated financial statements.



## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands)			
Net income	\$24,238	\$18,191	\$48,831	\$35,666
Net cumulative translation adjustment and foreign currency exchange hedge, net of tax of \$(166), \$(91), \$(160) and \$(237), respectively	(266 )	(147 )	(316 )	(381 )
Net unrealized (loss) gain on securities available-for-sale, net of tax of \$(43), \$2, \$(4) and \$35, respectively	(69 )	4	(6 )	56
Less: reclassification adjustment for realized gain from securities available-for-sale included in Other Income, net of tax of \$0, \$0, \$0 and \$(13), respectively	—	—	—	(22 )
Net change in unrealized (loss) gain on securities available-for-sale, net of tax	(69 )	4	(6 )	34
Comprehensive Income	\$23,903	\$18,048	\$48,509	\$35,319

The accompanying notes are an integral part of these consolidated financial statements.



## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock Voting (In thousands)	Additional Paid-In Capital	Treasury Stock - Common Stock Voting	Retained Earnings	Accumulated Other Comprehen- sive Loss	Total Stockholders' Equity
Balance at December 31, 2014	\$ 120	\$ 307,059	\$(70,247)	\$ 101,813	\$ (4,537 )	\$ 334,208
Net income	—	—	—	48,831	—	48,831
Cumulative translation adjustment and foreign currency						
exchange hedge, net of tax	—	—	—	—	(316 )	(316 )
Unrealized net gain on securities available-for-sale,						
net of tax	—	—	—	—	(6 )	(6 )
Stock-based compensation	—	6,025	—	—	—	6,025
Exercise of stock options	—	990	—	—	—	990
Withholding tax payments on restricted stock vesting						
and stock option exercises	—	(4,243 )	—	—	—	(4,243 )
Excess tax benefits from stock-based compensation	—					