

MARKETAXESS HOLDINGS INC

Form 10-Q

April 26, 2018

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 March 31, 2018

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)

52-2230784  
(IRS Employer  
Identification No.)

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299 Park Avenue, 10th Floor New York, New York 10171  
(Address of principal executive offices) (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, smaller reporting company, or an "emerging growth company". See definition of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth 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  
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 April 24, 2018, the number of shares of the Registrant's voting common stock outstanding was 37,606,455.

MARKETAXESS HOLDINGS INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

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## PART I — Financial Information

## Item 1. Financial Statements

## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	As of	
	March 31,	December 31,
	2018	2017
	(In thousands, except share	
	and per share amounts)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 156,169	\$ 167,014
Investments, at fair value	244,271	239,521
Accounts receivable, net of allowance of \$96 and \$178 as of		
March 31, 2018 and December 31, 2017, respectively	67,529	52,636
Goodwill and intangible assets, net of accumulated amortization	62,963	63,059
Furniture, equipment, leasehold improvements and capitalized		
software, net of accumulated depreciation and amortization	39,623	38,548
Prepaid expenses and other assets	17,888	18,717
Deferred tax assets, net	830	1,737
<b>Total assets</b>	<b>\$ 589,273</b>	<b>\$ 581,232</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accrued employee compensation	\$ 15,611	\$ 36,502
Income and other tax liabilities	18,412	13,061
Deferred revenue	3,554	2,660
Accounts payable, accrued expenses and other liabilities	14,532	14,241
<b>Total liabilities</b>	<b>52,109</b>	<b>66,464</b>
<b>Commitments and Contingencies (Note 10)</b>		
<b>Stockholders' equity</b>		
Preferred stock, \$0.001 par value, 4,855,000 shares authorized,		
no shares issued and outstanding as of March 31, 2018 and		
December 31, 2017	—	—

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Series A Preferred Stock, \$0.001 par value, 110,000 shares authorized, no shares issued and outstanding as of March 31, 2018 and December 31, 2017	—	—
Common stock voting, \$0.003 par value, 110,000,000 shares authorized, 40,423,765 shares and 40,402,059 shares issued and 37,614,420 shares and 37,620,736 shares outstanding as of March 31, 2018 and December 31, 2017, respectively	121	121
Common stock non-voting, \$0.003 par value, 10,000,000 shares authorized, no shares issued and outstanding as of March 31, 2018 and December 31, 2017	—	—
Additional paid-in capital	327,669	331,081
Treasury stock - Common stock voting, at cost, 2,809,345 and 2,781,323 shares as of March 31, 2018 and December 31, 2017, respectively	(166,059)	(159,791 )
Retained earnings	385,725	353,583
Accumulated other comprehensive loss	(10,292 )	(10,226 )
Total stockholders' equity	537,164	514,768
Total liabilities and stockholders' equity	\$589,273	\$ 581,232

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

## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(In thousands, except share  and per share amounts)	
Revenues		
Commissions	\$102,772	\$94,022
Information services	7,066	6,185
Post-trade services	4,576	2,456
Other	300	301
Total revenues	114,714	102,964
Expenses		
Employee compensation and benefits	28,834	27,284
Depreciation and amortization	5,269	4,693
Technology and communications	5,779	4,585
Professional and consulting fees	5,057	4,279
Occupancy	3,337	1,404
Marketing and advertising	2,065	1,886
Clearing costs	1,725	1,327
General and administrative	2,475	2,348
Total expenses	54,541	47,806
Operating income	60,173	55,158
Other income (expense)		
Investment income	1,168	747
Other, net	(328 )	(298 )
Total other income	840	449
Income before income taxes	61,013	55,607
Provision for income taxes	13,073	13,144
Net income	\$47,940	\$42,463
Net income per common share		
Basic	\$1.30	\$1.15
Diluted	\$1.27	\$1.11
Cash dividends declared per common share	\$0.42	\$0.33
Weighted average shares outstanding		
Basic	36,954	36,850
Diluted	37,886	38,112

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

## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Net income	\$47,940	\$42,463
Net cumulative translation adjustment and foreign		
currency exchange hedge, net of tax of \$(823) and \$(527), respectively	268	(365 )
Net unrealized (loss) gain on securities available-for-sale,		
net of tax of \$(107) and \$14, respectively	(334 )	23
Comprehensive income	\$47,874	\$42,121

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

## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock - Additional Common		Treasury Stock - Common	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Common Stock Voting (In thousands)	Additional Paid-In Capital	Common Stock Voting	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2017	\$ 121	\$ 331,081	\$(159,791)	\$ 353,583	\$ (10,226 )	\$ 514,768
Net income	—	—	—	47,940	—	47,940
Cumulative translation adjustment and foreign currency exchange hedge, net of tax	—	—	—	—	268	268
Unrealized net loss on securities available-for-sale, net of tax	—	—	—	—	(334 )	(334 )
Stock-based compensation	—	3,951	—	—	—	3,951
Exercise of stock options	—	258	—	—	—	258
Withholding tax payments on restricted stock vesting and stock option exercises	—	(7,621 )	—	—	—	(7,621 )
Repurchases of common stock	—	—	(6,268 )	—	—	(6,268 )