

MARKETAXESS HOLDINGS INC  
Form 10-Q  
July 26, 2013  
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**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, 2013

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)

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|                                                                                                   |                                                           |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| <b>Delaware</b><br>(State or other jurisdiction of<br>incorporation or organization)              | <b>52-2230784</b><br>(IRS Employer<br>Identification No.) |
| <b>299 Park Avenue, 10th Floor New York, New York</b><br>(Address of principal executive offices) | <b>10171</b><br>(Zip Code)                                |
| <b>(212) 813-6000</b><br>(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 Web site, 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 25, 2013, the number of shares of the Registrant's voting common stock outstanding was 37,561,966.

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**MARKETAXESS HOLDINGS INC.**

**FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013**

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**Table of Contents****PART I Financial Information****Item 1. Financial Statements****MARKETAXESS HOLDINGS INC.****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(Unaudited)**

|                                                                                                                                                                                                                                       | <b>June 30,<br/>2013</b>                                      | <b>As of<br/>December 31,<br/>2012</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------|
|                                                                                                                                                                                                                                       | <b>(In thousands, except share<br/>and per share amounts)</b> |                                        |
| <b>ASSETS</b>                                                                                                                                                                                                                         |                                                               |                                        |
| Cash and cash equivalents                                                                                                                                                                                                             | \$ 135,468                                                    | \$ 128,908                             |
| Securities available-for-sale, at fair value                                                                                                                                                                                          | 14,479                                                        | 51,208                                 |
| Accounts receivable, net of allowance of \$131 and \$75 as of June 30, 2013 and December 31, 2012, respectively                                                                                                                       | 41,826                                                        | 31,044                                 |
| Goodwill and intangible assets, net of accumulated amortization                                                                                                                                                                       | 71,447                                                        | 33,134                                 |
| Furniture, equipment, leasehold improvements and capitalized software, net of accumulated depreciation and amortization                                                                                                               | 26,443                                                        | 18,009                                 |
| Prepaid expenses and other assets                                                                                                                                                                                                     | 11,204                                                        | 8,096                                  |
| Deferred tax assets, net                                                                                                                                                                                                              | 4,511                                                         | 9,442                                  |
| <b>Total assets</b>                                                                                                                                                                                                                   | <b>\$ 305,378</b>                                             | <b>\$ 279,841</b>                      |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                                                                                                                                                                                            |                                                               |                                        |
| <b>Liabilities</b>                                                                                                                                                                                                                    |                                                               |                                        |
| Accrued employee compensation                                                                                                                                                                                                         | \$ 12,509                                                     | \$ 19,916                              |
| Deferred revenue                                                                                                                                                                                                                      | 5,437                                                         | 4,864                                  |
| Accounts payable, accrued expenses and other liabilities                                                                                                                                                                              | 16,868                                                        | 12,344                                 |
| <b>Total liabilities</b>                                                                                                                                                                                                              | <b>34,814</b>                                                 | <b>37,124</b>                          |
| Commitments and Contingencies (Note 11)                                                                                                                                                                                               |                                                               |                                        |
| <b>Stockholders equity</b>                                                                                                                                                                                                            |                                                               |                                        |
| Preferred stock, \$0.001 par value, 4,855,000 shares authorized, no shares issued and outstanding as of June 30, 2013 and December 31, 2012                                                                                           |                                                               |                                        |
| Series A Preferred Stock, \$0.001 par value, 110,000 shares authorized, no shares issued and outstanding as of June 30, 2013 and December 31, 2012                                                                                    |                                                               |                                        |
| Common stock voting, \$0.003 par value, 110,000,000 shares authorized, 39,057,125 shares and 38,902,294 shares issued and 37,561,966 shares and 37,407,135 shares outstanding as of June 30, 2013 and December 31, 2012, respectively | 119                                                           | 118                                    |
| Common stock non-voting, \$0.003 par value, 10,000,000 shares authorized, no shares issued and outstanding as of June 30, 2013 and December 31, 2012                                                                                  |                                                               |                                        |
| Additional paid-in capital                                                                                                                                                                                                            | 286,816                                                       | 283,609                                |
| Treasury stock Common stock voting, at cost, 1,495,159 shares as of June 30, 2013 and December 31, 2012                                                                                                                               | (32,273)                                                      | (32,273)                               |
| Retained earnings (deficit)                                                                                                                                                                                                           | 19,467                                                        | (5,644)                                |
| Accumulated other comprehensive loss                                                                                                                                                                                                  | (3,565)                                                       | (3,093)                                |
| <b>Total stockholders equity</b>                                                                                                                                                                                                      | <b>270,564</b>                                                | <b>242,717</b>                         |

|                                                  |            |            |
|--------------------------------------------------|------------|------------|
| <b>Total liabilities and stockholders equity</b> | \$ 305,378 | \$ 279,841 |
|--------------------------------------------------|------------|------------|

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

**Table of Contents****MARKETAXESS HOLDINGS INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

|                                                 | <b>Three Months Ended<br/>June 30,</b> |                  | <b>Six Months Ended<br/>June 30,</b> |                  |
|-------------------------------------------------|----------------------------------------|------------------|--------------------------------------|------------------|
|                                                 | <b>2013</b>                            | <b>2012</b>      | <b>2013</b>                          | <b>2012</b>      |
| <b>(In thousands, except per share amounts)</b> |                                        |                  |                                      |                  |
| <b>Revenues</b>                                 |                                        |                  |                                      |                  |
| Commissions                                     | \$ 54,198                              | \$ 42,690        | \$ 101,384                           | \$ 87,592        |
| Information and post-trade services             | 7,192                                  | 1,790            | 10,895                               | 3,661            |
| Technology products and services                | 3,537                                  | 3,220            | 6,676                                | 6,128            |
| Investment income                               | 44                                     | 268              | 176                                  | 571              |
| Other                                           | 588                                    | 857              | 1,985                                | 1,608            |
| <b>Total revenues</b>                           | <b>65,559</b>                          | <b>48,825</b>    | <b>121,116</b>                       | <b>99,560</b>    |
| <b>Expenses</b>                                 |                                        |                  |                                      |                  |
| Employee compensation and benefits              | 15,927                                 | 15,305           | 32,280                               | 31,146           |
| Depreciation and amortization                   | 4,504                                  | 1,961            | 7,073                                | 3,815            |
| Technology and communications                   | 4,099                                  | 3,015            | 7,290                                | 5,970            |
| Professional and consulting fees                | 4,726                                  | 2,837            | 9,327                                | 5,861            |
| Occupancy                                       | 1,287                                  | 757              | 2,219                                | 1,516            |
| Marketing and advertising                       | 1,432                                  | 1,732            | 2,417                                | 3,179            |
| General and administrative                      | 2,073                                  | 2,018            | 4,686                                | 4,125            |
| <b>Total expenses</b>                           | <b>34,048</b>                          | <b>27,625</b>    | <b>65,292</b>                        | <b>55,612</b>    |
| <b>Income before income taxes</b>               | <b>31,511</b>                          | <b>21,200</b>    | <b>55,824</b>                        | <b>43,948</b>    |
| <b>Provision for income taxes</b>               | <b>12,168</b>                          | <b>8,571</b>     | <b>21,155</b>                        | <b>17,826</b>    |
| <b>Net income</b>                               | <b>\$ 19,343</b>                       | <b>\$ 12,629</b> | <b>\$ 34,669</b>                     | <b>\$ 26,122</b> |
| Net income per common share                     |                                        |                  |                                      |                  |
| Basic                                           | \$ 0.52                                | \$ 0.35          | \$ 0.94                              | \$ 0.72          |
| Diluted                                         | \$ 0.51                                | \$ 0.34          | \$ 0.92                              | \$ 0.69          |
| Cash dividends declared per common share        |                                        |                  |                                      |                  |
|                                                 | \$ 0.13                                | \$ 0.11          | \$ 0.26                              | \$ 0.22          |
| Weighted average common shares                  |                                        |                  |                                      |                  |
| Basic                                           | 36,868                                 | 36,128           | 36,821                               | 36,531           |
| Diluted                                         | 37,819                                 | 37,440           | 37,746                               | 38,067           |

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

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## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

|                                                                                   | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|-----------------------------------------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
|                                                                                   | 2013                           | 2012      | 2013                         | 2012      |
|                                                                                   | (In thousands)                 |           |                              |           |
| <b>Net income</b>                                                                 | \$ 19,343                      | \$ 12,629 | \$ 34,669                    | \$ 26,122 |
| Cumulative translation adjustment and foreign currency exchange hedge, net of tax | (73)                           | (148)     | 43                           | (280)     |
| Unrealized net loss on securities available-for-sale, net of tax                  | (9)                            | (56)      | (515)                        | (255)     |
| <b>Comprehensive Income</b>                                                       | \$ 19,261                      | \$ 12,425 | \$ 34,197                    | \$ 25,587 |

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

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## MARKETAXESS HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Unaudited)

|                                                                                      | Common<br>Stock<br>Voting | Additional<br>Paid-In<br>Capital | Treasury<br>Stock -<br>Common<br>Stock<br>Voting | Retained<br>(Deficit)<br>Earnings | Accumulated<br>Other<br>Comprehen-<br>sive Loss | Total<br>Stockholders<br>Equity |
|--------------------------------------------------------------------------------------|---------------------------|----------------------------------|--------------------------------------------------|-----------------------------------|-------------------------------------------------|---------------------------------|
|                                                                                      | (In thousands)            |                                  |                                                  |                                   |                                                 |                                 |
| Balance at December 31, 2012                                                         | \$ 118                    | \$ 283,609                       | \$ (32,273)                                      | \$ (5,644)                        | \$ (3,093)                                      | \$ 242,717                      |
| Net income                                                                           |                           |                                  |                                                  | 34,669                            |                                                 | 34,669                          |
| Cumulative translation adjustment and foreign currency<br>exchange hedge, net of tax |                           |                                  |                                                  |                                   | 43                                              | 43                              |
| Unrealized net (loss) on securities available-for-sale, net of tax                   |                           |                                  |                                                  |                                   |                                                 |                                 |