

MARKETAXESS HOLDINGS INC

Form 10-Q

July 27, 2017

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, 2017

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 July 26, 2017, the number of shares of the Registrant's voting common stock outstanding was 37,537,075.

MARKETAXESS HOLDINGS INC.

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

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, 2017 and December 31, 2016</u>	3
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2017 and 2016</u>	4
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2017 and 2016</u>	5
<u>Consolidated Statement of Changes in Stockholders' Equity for the Six Months Ended June 30, 2017</u>	6
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2017 and 2016</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>	20
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	36
Item 4. <u>Controls and Procedures</u>	37
<u>PART II — Other Information</u>	
Item 1. <u>Legal Proceedings</u>	38
Item 1A. <u>Risk Factors</u>	38
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
Item 3. <u>Defaults Upon Senior Securities</u>	38
Item 4. <u>Mine Safety Disclosures</u>	39
Item 5. <u>Other Information</u>	39
Item 6. <u>Exhibits</u>	39

PART I — Financial Information

Item 1. Financial Statements

MARKETAXESS HOLDINGS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	As of	
	June 30, 2017	December 31, 2016
	(In thousands, except share	
	and per share amounts)	
ASSETS		
Cash and cash equivalents	\$ 128,143	\$ 168,243
Investments, at fair value	237,361	194,404
Accounts receivable, net of allowance of \$84 and \$82 as of		
June 30, 2017 and December 31, 2016, respectively	55,215	50,668
Goodwill and intangible assets, net of accumulated amortization	63,251	63,443
Furniture, equipment, leasehold improvements and capitalized		
software, net of accumulated depreciation and amortization	34,643	31,104
Prepaid expenses and other assets	21,058	11,618
Deferred tax assets, net	7,370	8,562
Total assets	\$ 547,041	\$ 528,042
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accrued employee compensation	\$ 23,080	\$ 34,783
Income and other tax liabilities	4,686	7,582
Deferred revenue	3,076	2,515
Accounts payable, accrued expenses and other liabilities	14,971	15,149
Total liabilities	45,813	60,029
Commitments and Contingencies (Note 10)	—	—
Stockholders' equity		
Preferred stock, \$0.001 par value, 4,855,000 shares authorized,		
no shares issued and outstanding as of June 30, 2017 and		
December 31, 2016	—	—

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Series A Preferred Stock, \$0.001 par value, 110,000 shares authorized, no shares issued and outstanding as of June 30, 2017 and December 31, 2016	—	—
Common stock voting, \$0.003 par value, 110,000,000 shares authorized, 40,242,102 shares and 40,106,360 shares issued and 37,554,123 shares and 37,543,775 shares outstanding as of June 30, 2017 and December 31, 2016, respectively	121	120
Common stock non-voting, \$0.003 par value, 10,000,000 shares authorized, no shares issued and outstanding as of June 30, 2017 and December 31, 2016	—	—
Additional paid-in capital	343,085	342,311
Treasury stock - Common stock voting, at cost, 2,687,979 and 2,562,585 shares as of June 30, 2017 and December 31, 2016, respectively	(141,477)	(117,330)
Retained earnings	310,777	255,140
Accumulated other comprehensive loss	(11,278)	(12,228)
Total stockholders' equity	501,228	468,013
Total liabilities and stockholders' equity	\$ 547,041	\$ 528,042

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,	
	2017	2016	2017	2016
	(In thousands, except share and per share amounts)			
Revenues				
Commissions	\$87,015	\$86,239	\$181,037	\$165,332
Information and post-trade services	8,272	8,586	16,088	16,365
Investment income	840	517	1,587	935
Other	1,187	1,297	2,493	2,580
Total revenues	97,314	96,639	201,205	185,212
Expenses				
Employee compensation and benefits	25,421	25,815	52,822	50,342
Depreciation and amortization	4,790	4,540	9,483	9,221
Technology and communications	4,822	4,277	9,407	8,581
Professional and consulting fees	4,086	4,245	8,365	8,107
Occupancy	1,422	1,225	2,826	2,386
Marketing and advertising	2,782	1,824	4,668	3,602
Clearing costs	1,517	1,953	2,844	3,719
General and administrative	2,901	2,209	5,610	4,333
Total expenses	47,741	46,088	96,025	90,291
Income before income taxes	49,573	50,551	105,180	94,921
Provision for income taxes	11,550	17,425	24,694	32,832
Net income	\$38,023	\$33,126	\$80,486	\$62,089
Net income per common share				
Basic	\$1.03	\$0.90	\$2.18	\$1.69
Diluted	\$1.00	\$0.88	\$2.11	\$1.65
Cash dividends declared per common share	\$0.33	\$0.26	\$0.66	\$0.52
Weighted average shares outstanding				
Basic	36,853	36,876	36,852	36,826
Diluted	38,077	37,748	38,095	37,710

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,	
	2017	2016	2017	2016
	(In thousands)			
Net income	\$38,023	\$33,126	\$80,486	\$62,089
Net cumulative translation adjustment and foreign currency exchange hedge, net of tax of \$(1,106), \$2,089, \$(1,634) and \$4,101, respectively	1,325	(1,804)	960	(4,041)
Net unrealized (loss) gain on securities available-for-sale, net of tax of \$(20), \$21, \$(6) and \$136, respectively				