# MarketAxess Holdings Inc (MKTX)

*Updated February 13th, 2025 by Quinn Mohammed*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $191 | **5 Year CAGR Estimate:** | 15.2% | **Market Cap:** | $7.3 B |
| **Fair Value Price:** | $229 | **5 Year Growth Estimate:** | 10.0% | **Ex-Dividend Date:** | 02/19/2025 |
| **% Fair Value:** | 84% | **5 Year Valuation Multiple Estimate:** | 3.7% | **Payment Date:** | 03/05/2025 |
| **Dividend Yield:** | 1.6% | **5 Year Price Target** | $369 | **Years of Dividend Growth:** | 15 |
| **Dividend Risk Score:** | D | **Retirement Suitability Score:** | F | **Rating:** | Buy |

## Overview & Current Events

MarketAxess Holdings is a fintech company operating an electronic trading platform for fixed income, such as corporate bonds, using patented trading technology. MarketAxess' platform promotes price transparency, more competition, and greater choice which has led to over 2,000 institutional participants utilizing the service. These participants are broker-dealer clients, investment advisers, mutual funds, insurance companies, pension funds, banks, and hedge funds. The products traded on the platform are U.S. high-grade corporate bonds, emerging market bonds, U.S. crossover and high-yield bonds, Eurobonds, U.S. agency bonds, municipal bonds, and others. MarketAxess trades on the NASDAQ under the ticker symbol MKTX and has a market capitalization of $7.3 billion. MKTX is headquartered in New York and has offices in London, Amsterdam, Boston, Miami, Hong Kong, and other U.S. states.

MarketAxess completed the acquisition of Pragma, a quantitative trading technology provider specializing in algorithmic and analytics services for equities, forex, and fixed income, on October 2nd, 2023. In 2022, Pragma processed more than $2 trillion of algorithmic order flow across multiple asset classes.

On February 6th, 2025, MarketAxess announced a 3% increase to the quarterly dividend to $0.76 per share.

MarketAxess reported fourth quarter results on February 6th, 2025. Revenues for the quarter increased 3% year-over-year to $202 million. Operating income rose 4% to $80 million, but diluted EPS of $1.73 decreased 6% from the same prior year period.

The company's estimated U.S. high-grade market share amounted to 18.4% for the quarter, down 250 basis points from the prior year's market share estimates. Its estimated high-yield market share also declined 380 basis points from 17.2% in the fourth quarter of 2023 to 13.4% in Q4 2024.

As of the end of 4Q24, total assets were $1.79 billion, including $544 million in cash and cash equivalents.

For FY 2025, leadership expects MarketAxess could grow its services revenue by a mid-single digit percent.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $2.55 | $3.34 | $4.19 | $4.57 | $5.40 | $7.85 | $6.77 | $6.65 | $6.85 | $7.28 | ***$7.64*** | ***$12.30*** |
| **DPS** | $0.80 | $1.04 | $1.32 | $1.68 | $2.04 | $2.40 | $2.64 | $2.80 | $2.88 | $2.96 | ***$3.04*** | ***$4.47*** |
| **Shares[1]** | 37.4 | 37.5 | 37.6 | 37.9 | 38.0 | 38.0 | 38.0 | 37.6 | 37.8 | 37.6 | ***37.5*** | ***39.0*** |

MarketAxess is truly a growth stock, with a nine and five year compound annual growth rate in the EPS of 12.4% and 6.2%, respectively. The company has succeeded in growing its trading volume and market share at a strong pace over the last decade, and we see it continuing to grow earnings-per-share at a double-digit clip, by 10% in the medium term. The dividend has also grown by nearly 16% annually in the last nine years, and we forecast 8% growth as being fair going forward.

MKTX's growth strategy focuses on increasing its penetration of existing and new markets, promoting Open Trading protocols, and continuing to invest in and grow its international business. The electronic trading market share is growing

[1] In millions

*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*

but it's still in its early stages of market penetration, so there is plenty of room to expand. International client volume will continue to increase, and the company will grow its list of active international client firms (firms outside of the USA and Canada) above the current 1,095+ active firms. Municipal bonds volume is also growing, hitting records in the last four years, bolstered by its acquisition of MuniBrokers.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | 35.9 | 42.5 | 44.7 | 44.5 | 57.7 | 59.0 | 59.9 | 44.2 | 42.3 | 34.3 | ***25.1*** | ***30.0*** |
| **Avg. Yld.** | 0.9% | 0.7% | 0.7% | 0.8% | 0.7% | 0.5% | 0.6% | 0.9% | 1.0% | 1.3% | ***1.6%*** | ***1.2%*** |

MarketAxess trades at a lofty PE ratio, in-line with fast growing technology stocks. Shares currently trade at 25.1 times 2025 forecasted earnings, which is below our fair value estimate, implying a potential valuation tailwind. Historically, MKTX has traded at an average valuation of 46.5 and 47.9 times earnings over the last ten and five years.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | 31% | 31% | 32% | 37% | 38% | 31% | 39% | 42% | 42% | 41% | ***40%*** | ***36%*** |

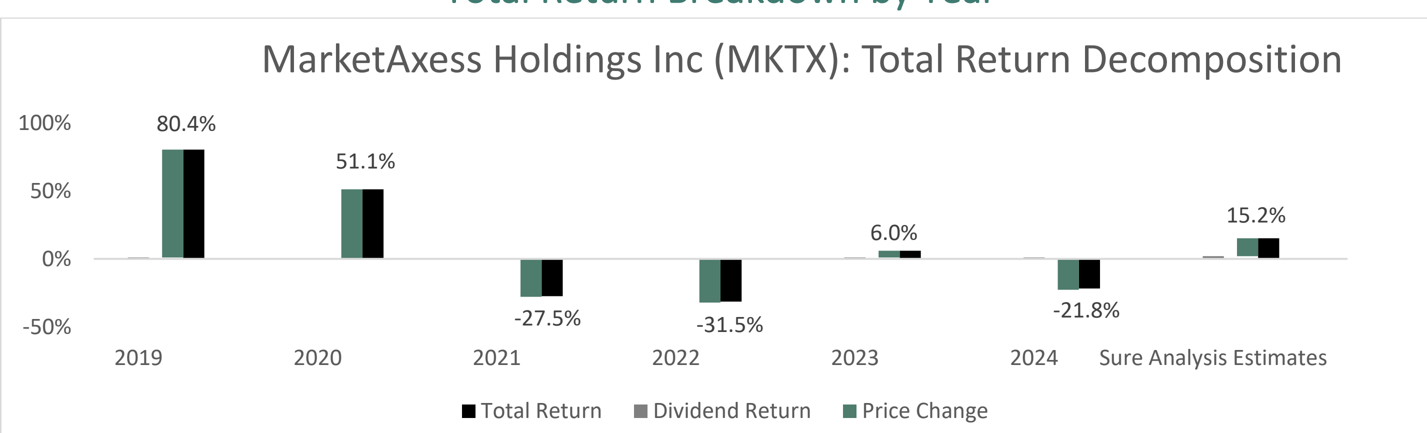
MKTX has had a very stable payout ratio below 40% over the last decade, supported by strong cash flows and operating leverage due to its financial model. We see continued double digit earnings growth which will fuel significant dividend increases without gravely affecting the payout ratio in the future.

MarketAxess made it through the Great Financial Crisis fairly unscathed. While earnings did fall by nearly 30% in 2008, the company remained profitable, and had no dividends to pay at the time (the dividend was initiated in 2009). By 2009, the company had already recovered, and earnings rose 40% above their peak earnings pre-crisis, and since then have actually grown every single year, until 2021. MKTX's competitive advantage is its position as the leading electronic trading network for the institutional market in U.S. credit products, which is made up of roughly two thousand active institutional investor and dealer firms.

## Final Thoughts & Recommendation

MarketAxess has managed to grow its earnings-per-share at a healthy double digit clip, and even more, it has managed to increase EPS every year from 2009 to 2021. These earnings have supported strong growth in the dividend, which has been increased for fifteen consecutive years. MKTX trades below our fair value estimate, implying a valuation tailwind. We see the potential for 10% growth in earnings. Overall, we forecast MKT will produce 15.2% in annualized total returns, and thus reiterate our buy rating.

## Total Return Breakdown by Year

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## Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 303 | 368 | 393 | 436 | 511 | 689 | 699 | 718 | 753 | 817 |
| Gross Profit | 219 | 271 | 291 | 326 | 380 | 532 | 528 | 536 | 546 | 563 |
| Gross Profit % | 72.3% | 73.7% | 74.0% | 74.9% | 74.4% | 77.2% | 75.5% | 74.6% | 72.5% | 68.9% |
| SG&A Exp. | 49 | 57 | 66 | 83 | 91 | 100 | 121 | 130 | 143 | 148 |
| D&A Exp. | 19 | 18 | 19 | 23 | 33 | 43 | | | | NA |
| Operating Profit | 148 | 190 | 200 | 213 | 251 | 375 | 337 | 327 | 315 | 340 |
| Op. Margin | 48.8% | 51.7% | 50.7% | 48.8% | 49.1% | 54.4% | 48.2% | 45.5% | 41.8% | 41.0% |
| Net Profit | 96 | 126 | 148 | 173 | 205 | 299 | 258 | 250 | 258 | 274 |
| Net Margin | 31.7% | 34.3% | 37.6% | 39.7% | 40.1% | 43.4% | 36.9% | 34.8% | 34.3% | 33.0% |
| Free Cash Flow | 109 | 71 | 142 | 176 | 231 | 359 | | | | NA |
| Income Tax | 52 | 65 | 54 | 45 | 53 | 75 | 76 | 88 | 75 | 86 |

## Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 439 | 528 | 581 | 696 | 955 | 1,331 | 1,530 | 1608 | 2015 | 1789 |
| Cash & Equivalents | 200 | 168 | 167 | 246 | 270 | 461 | 507 | 431 | 451 | 544 |
| Acc. Receivable | 40 | 51 | 53 | 58 | 62 | 80 | 64 | 78 | 778 | 449 |
| Goodwill & Int. | 64 | 63 | 63 | 63 | 208 | 243 | 271 | 253 | 356 | 334 |
| Total Liabilities | 48 | 60 | 66 | 88 | 185 | 376 | 489 | 527 | 722 | 400 |
| Accounts Payable | 12 | 15 | 14 | 29 | 23 | 44 | 71 | 55 | 574 | 256 |
| Total Equity | 391 | 468 | 515 | 608 | 770 | 955 | 1,041 | 1081 | 1293 | 1389 |

## Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 23.5% | 26.1% | 26.7% | 27.1% | 24.8% | 26.2% | 18.0% | 15.9% | 14.3% | 14.4% |
| Return on Equity | 26.5% | 29.4% | 30.1% | 30.8% | 29.7% | 34.7% | 25.8% | 23.6% | 21.7% | 20.4% |
| ROIC | 26.5% | 29.4% | 30.1% | 30.8% | 29.7% | 34.7% | 25.8% | 23.6% | 21.7% | 20.4% |
| Shares Out. | 37.4 | 37.5 | 37.6 | 37.9 | 38.0 | 38.0 | 38.0 | 37.6 | 37.7 | 37.7 |
| Revenue/Share | 8.05 | 9.74 | 10.34 | 11.51 | 13.47 | 18.07 | 18.35 | 19.08 | 19.99 | 21.7 |
| FCF/Share | 2.90 | 1.89 | 3.75 | 4.66 | 6.09 | 9.41 | | | | NA |

*Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.*