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OPERATOR

Good morning and welcome to Tradeweb's third quarter 2019 earnings conference call. As a reminder, today's call is being recorded and will be available by playback.

To begin, I'll turn the call over to Head of U.S. Corporate Development and Investor Relations, Ashley Serrao. Please go ahead.

ASHLEY SERRAO

Thank you and good morning.

Joining me today for the call are our Chief Executive Officer Lee Olesky, who will review the highlights for the quarter and provide a business update, our President Billy Hult who will dive a little deeper into some growth opportunities and Bob Warshaw, our Chief Financial Officer who will review our financial results.

Our third quarter earnings release, accompanying presentation and October volumes report are available on the Investor Relations portion of our website.

I'd like to remind you that certain statements in this presentation and during the Q&A may relate to future events and expectations, and as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from these forward-looking statements. Information concerning factors that could cause actual results to differ from forward-looking statements is contained in our earnings release and periodic reports filed with the SEC.

In addition, on today's call we will reference certain non-GAAP measures, including Free Cash Flow, adjusted EBIT, adjusted EBITDA, adjusted net income, adjusted expenses and certain measures presented on a constant currency basis. More information regarding these non-GAAP measures, including reconciliations to the most comparable GAAP measures, as applicable, are included in our earnings release and earnings presentation posted on our website, and will be included in the Form 10-Q to be filed with the SEC.

To recap, this morning's results were consistent with our recent earnings pre-announcement. Specifically, we reported GAAP earnings per diluted share of $0.20. Excluding certain non-cash stock-based compensation expense, acquisition and Refinitiv related D&A and certain FX items, and assuming an effective tax rate of 26.4%, we reported adjusted net income per diluted share of $0.27. Please see the earnings release and the Form 10-Q to be filed with the SEC for additional information regarding the presentation of our historical results.

Now, let me turn the call over to Lee

LEE OLESKY

Thanks Ashley. Good morning everyone and thank you all for joining our third quarter earnings call.

Turning to slide 4, we reported record third quarter results and set multiple new volume records as the secular drivers of our business, and various investments, continued to fuel growth. Serial innovation has been a recurring theme at Tradeweb since our inception. We will continue to invest to drive growth and make it easier for our clients to enhance their workflows.

Specifically, *record* gross revenues of $201 million during 3Q19 were up 22% yr/yr on a reported basis, and 23% on a constant currency basis which is supported by strong growth, both domestically, and internationally. We are especially pleased by our international growth and see a lot of potential ahead in both Europe and Asia. This translated to improved profitability as our adjusted EBITDA margin expanded by over 600 bps to 46.5% year over year and by a similar amount on a constant currency basis. As we look ahead, we continue to be laser focused on balancing both investments to drive future revenue growth and margin expansion to create greater value for our shareholders.

Turning to slide 5, you can see the diversity of our revenue growth, with all of our asset classes recording double-digit top-line growth. That's on both a reported and constant currency basis. Our data business reported 7% and 8% growth on a reported and constant currency basis, respectively.

Moving on to slide 6—let me provide a brief update on our four main growth areas--global interest rate swaps, U.S. Treasuries, U.S. credit and global ETFs.

Starting with our largest rates product by both volume and revenue, interest rate swaps— our total volumes were up over 100% yr/yr during 3Q with swaps greater than one year in duration growing by over 40%. This is an exciting and fast growing area at Tradeweb, as we believe there is lots of room for electronification to grow globally, especially in Europe over the next few years and across emerging markets over the long run. We are very focused on driving electronification higher in this market by partnering with our clients to broaden our product set, enhance our features and functionality and improve workflows.

Moving on to U.S. Treasuries—our volumes were up 25% yr/yr during 3Q. We continue to take share here using a variety of trading protocols in both the institutional and wholesale sectors. Our share today stands at over 12% of the market. We hit a new record for direct streams as we continue to leverage our proprietary technology to innovate and create new ways for customers to source liquidity. We also partnered with ICE to introduce closing prices for U.S. Treasuries adding to our successful closing price initiative with FTSE for Gilt Bonds in the UK.

U.S. cash credit is another big focus for us. Our share for third quarter in HG and HY increased to a record 12.5% and 4.1%, respectively. We are building on what we believe to be a next generation credit market place powered by our integrated multi-sector approach that is resonating with our clients. Going forward, we will continue to invest aggressively to compete and differentiate our venue with our liquidity and ability to respond to client demands quickly. Billy will provide more color here momentarily.

Finally, within institutional ETFs—volumes were up 74% due to a combination of organic growth efforts and broader market volatility. Going ahead, we remain well positioned to benefit from the continued growth of ETFs globally. We recently announced a partnership with Euro CCP, which we believe will help reduce settlement risk for European ETFs, help our clients navigate new settlement discipline rules and make the product accessible to new customers. We expect this to go live in the coming months.

With that I will turn it to Billy to give you some more color on a few of our growth initiatives and trading automation.

BILLY HULT

Thank you Lee. Moving to slide 7, the increased adoption of automated trading solution AiEX continues. We have paired Aiex with our market leading composite pricing benchmarks and evaluated pricing tools like AiPrice in credit which prices over 18,000 bonds. Our volumes and client counts are up nicely and it's encouraging to note that there is plenty of room to grow even within our top 100 and most sophisticated clients.

Moving to slide 8, another key growth area for us is global interest rate swaps. Our market share continues to increase and we believe our offering is resonating across currencies. It's important to note that ADV growth is not just confined to European currencies; we are seeing broad-based growth. We continue to invest in the platform. We recently linked the interest rate swaps market to the government bond market, thereby, electronifying the complex and traditionally voice-traded asset swaps market. We also integrated interest rate swap collateral optimization analytics from Open Gamma and Cassini to help clients satisfy their margin and best execution margin requirements in advance of upcoming uncleared margin rules.

Turning to credit, the message here is clear—our strategy to build a differentiated credit platform is working. Our network is growing and we believe we have significant runway to add more clients as our market share grows across both high grade and high yield. Leading advances in technology and getting clients to form new habits on our platform has been our mantra across all of our products and credit is no different. A few years ago we innovated with net spotting and today we are now the leading platform for portfolio trading. It's encouraging to see clients increasingly turn to our platform to not just electronically process their trades but also electronically execute their trades using a variety of protocols spanning traditional RFQs to more recent innovations like streams, session trading and all to all. We are also encouraged by the fact that clients are increasingly using our platform to electronify transacting blocks—we believe this speaks volumes about the progress we are making in taking our platform to the next level.

With that, let me turn it over to Bob to discuss our financials in more detail.

BOB WARSHAW

Thanks Billy and good morning. All comparisons will be to the prior year period, unless otherwise noted.

Let me begin with an overview of our volumes on Slide 9

- We reported record quarterly ADV of $815 billion, up 53%--as you can see the growth was broad-based.
- Our investments led to new ADV records in European government bonds, swaps, mortgages, Chinese bonds, credit derivatives and European ETFs.

Slide 10 provides a summary of our quarterly earnings performance

- The strong volume growth I just described translated into gross revenues increasing by nearly 22% and by 23% on a constant currency basis. We derived 37% of our revenues from international customers and ~30% of our revenue base is denominated in currencies other than dollars, predominantly in Euros.
- Trading revenue increased by 23% and 25% on a constant currency basis as well.
- Fixed revenues related to our 4 major asset classes continued to grow as expected—we continue to expect a low single digit growth rate growing forward
- Refinitiv market data grew by 6% primarily due to the renewed market data license agreement.
- Other information services increased by 18% due to growth in our APA reporting business
- Adjusted EBITDA margin came in at 46.5% and expanded by nearly 700 bps on a constant currency basis.
- The increased margin was a result of continuing to benefit from scale.
- All in, we reported adjusted net income per diluted share of $0.27.

Slide 11 lays out the trends in fees per million

- In sum, our blended fee per million declined 11% yr/yr. Excluding lower FPM short duration tenor swaps, our blended fee per million was stable yr/yr.
- Let's spend a minute reviewing the underlying trends by asset class
- Starting with rates
    - Average fees per million for rates decreased 9% due to volume of short duration tenor swaps
    - Excluding short duration tenor swaps, FPM was up yr/yr primarily due to elevated mortgage activity and increase in duration in government bonds
- Continuing to credit

  - Average fees per million for credit decreased 18%
  - This was primarily driven by higher concentration of CDS activity which carries a much lower fee per million and a decline in municipal trading volumes. Recall 1Q and 3Q tend to see seasonally higher CDS activity due to the timing of roll activity
- Continuing with equities
  - Average fees per million increased 8%
  - There has continued to be a slight uptrend due to the growth of institutional ETFs
- Finally within Money markets
  - Fee per million decreased 2%
  - Fee per million has been hovering in this range for a while, and the quarterly decline was driven by mix shift within repo from wholesale to institutional

Slide 12 details our expenses

- At a high level, we continue to invest for growth—there has been no change to our philosophy here.
- Adjusted operating expenses, excluding non-cash stock-based compensation expense related to the special option award, Acquisition and Refinitiv related D&A and certain FX related gains and losses, grew at about 9% on both a reported and constant currency basis. Recall ~15% of our expense base is denominated in currencies other than dollars, predominantly in Sterling.
- Compensation and benefits expense grew 12.4%, primarily due to performance based compensation as well as an increase in headcount to 926 employees from 896 a year ago
- Adjusted non-comp expense grew 2.0% or 1.0% on a constant currency basis.
- Specifically, Technology and communications expense increased due to increased third party fees associated with higher trading volumes
- Depreciation and Amortization increased due to capital expenditures related mostly to cyber security investments
- Professional fees decreased slightly as we incurred higher fees in 2018 associated with preliminary work for our initial public offering

Slide 13 details capital management and our guidance

- First on our dividend policy and cash position
  - With this quarter's earnings, the Board declared a quarterly dividend of $0.08 per Class A and Class B share
  - We ended 3Q holding about $390 million in unrestricted cash and cash equivalents and trailing 12 month free cash flow reached $257 million.
  - We still expect to spend $42-48 million on capex in 2019
- Turning to our revolver and interest income
  - Recall, in conjunction with the IPO, we installed a $500 million revolver that currently remains undrawn.
  - Net interest income remained relatively flat year over year, as higher interest income was offset by fees incurred due to our revolving credit facility.
- With respect to our other guidance
  - Of note, our adjusted operating expense guidance is unchanged. We continue to expect adjusted expenses to trend to lower end of our $460-$475 million range.
  - For forecasting purposes, we are using an assumed non-GAAP tax rate of 26.4% for the year
- Finally, let me discuss our share count
  - We have updated our quarterly share count sensitivity for the balance of 2019 to help you calibrate your models for fluctuations in our share price

Now I'll turn it back to Lee.

LEE OLESKY

Thanks Bob. We are pleased with the progress Tradeweb is making. Our results demonstrate that there is a lot of opportunity across all our asset classes. We released October volumes this morning. ADV of $705 billion increased 21% yr/yr despite tougher comparisons given the slower trading environment versus an exceptionally volatile period in October 2018. Of note:

- We set new records for overall share in U.S. high grade credit exceeding 14% of the market for the first time
- We also set records for electronic share in high-yield

Looking ahead, we are focused on capitalizing on the various growth opportunities across our businesses and continuing to strike the right balance between investing for the future and margin expansion.

I would like to conclude my remarks by thanking our clients for their business and partnership in the quarter and I want to thank my colleagues for their efforts that contributed to another record quarter for Tradeweb.

With that, I will turn it back to Ashley for your questions.

ASHLEY SERRAO

Thanks Lee. As a reminder, please limit yourself to one question only. Feel free to hop back in the queue and ask additional questions at the end. Q&A will end at 9:30 Eastern time. Operator, you can now take our first question.