



Description

Interactive Brokers (IBKR) is an electronic brokerage firm based in the US, with clients in 200 countries across the globe. They offer trade execution and clearance services across 150 exchanges for over 2.5 million institutional and retail accounts.

Strengths

- They pay much higher rates on cash balances than competitors, maintaining >70% operating margins
- Net interest income margin barely fluctuates with rates
- Extremely broad product range including global stocks, futures, options, FX, ETFs
- Low-cost execution
- Real-time evaluation of client accounts that can pre-credit check trades and liquidate positions with insufficient margin
- Founder operated company with high insider ownership
- Strong international footprint with clients in over 200 countries
- Excellent growth of client equity
- Very low capital intensity

Risks

- IBKR’s FCF growth is a function of client equity, which would decline in a broad market sell-off.
- If Central Bank rates were pinned at 0%, it would impact net interest income and reduce the attractiveness of a competitive advantage.

Competitive advantages

IBKR focuses purely on electronic brokerage and doesn’t offer (expensive) additional wealth/tax/investment advisory services like Schwab or Fidelity. As such, they can offer very low-cost execution and high rates on customer cash. IBKR’s net interest income margin barely changes with rates. For perspective, Fidelity and Schwab would be loss-making if they tried to pay 4% on USD cash. For customers who are comfortable managing their own accounts, my view is that IBKR has limited strong competition. Competitors: Schwab, Fidelity

Management

Thomas Peterffy is the Chairman and founder of Interactive Brokers, and owns 75% of the company. He began applying automated market making systems as an equity options trader in the 1980s and these systems formed the basis of IBKR when it was founded in 1993.

Market Cap	\$80.1 bn
Revenue 2023	\$4.3 bn
Operating profit (loss) 2023	\$3.1 bn
Profit (loss) after tax 2023	\$2.8 bn
Dividend yield	0.5%
Average Daily Trading Volume	957,696
Inside ownership	75%
Client accounts (000s)	2562
Client equity	\$426 bn

CAGR since IPO	10.2%
P/E (TTM)	29.2
P/E (FWD)	28.8
Operating margin	70.7%
FCF yield	5.6%
Capex / sales	1.1%
ROE	20.0%
ROIC	

Client equity CAGR (5yr)	19.6%
Client account CAGR (5yr)	30.0%
Revenue CAGR (5yr)	17.5%
FCF CAGR (5yr)	11.6%

Debt / equity	0%
P/B	4.9



Source: tradingview.com