

Analyst Ben Jones
Website <https://benjonesinvestments.com/>
Email ben@benjonesinvestments.com
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Ticker IBKR (Nasdaq)
Price USD 59.43
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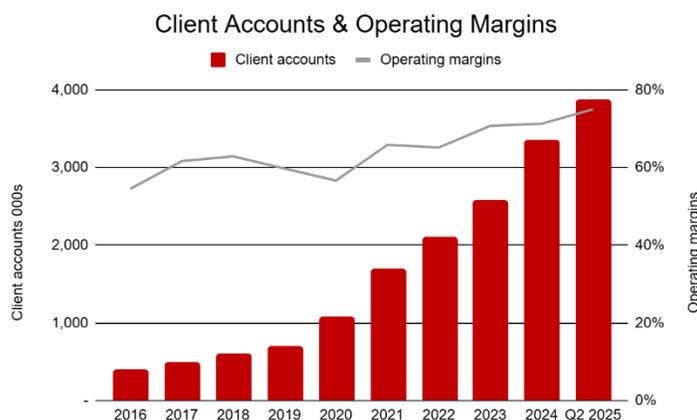


Interactive Brokers (IBKR) is an electronic brokerage firm based in the US, with clients in 200 countries across the globe. They offer trade execution and clearance services across 160 exchanges for over 3.8 million institutional and retail accounts.

Q2 2025 earnings

USD millions	Q2 2025	Q2 2024	% change
Client equity (USD bn)	665	497	33.8%
Client accounts (millions)	3.87	2.92	32.5%
Net interest income	860	792	8.6%
Commissions revenue	516	406	27.1%
Revenue	1480	1230	20.3%
Operating income	1104	880	25.4%
Net income	1006	809	24.4%
EPS common shareholders	0.51	0.41	24.4%
Operating margin	74.6%	71.5%	3.1%
Equity	18,518	15,184	22.0%
RoE (annualised)	21.7%	21.3%	0.4%

Quarterly Results Trend



Financial Highlights

- Client accounts grew 32.5% YoY and client equity grew 33.8% YoY
- Revenue grew at 20.3% YoY driven by both higher net interest income (NII) and commissions. Commission revenue increased 27% to 516 million on higher customer trading volumes. Customer trading volume in stocks, options and futures increased 31%, 24% and 18%, respectively.

- Operating margins hit an all-time high at 74.6%. This is an extraordinary result, and whilst the marginal cost of revenue generation can be close to 0, we would expect that growth in tech personnel and infrastructure required to continue business growth will limit operating margins to little higher than where they are now.
- Other fees and services decreased 9% to \$62 million, led by a decrease of \$7 million in risk exposure fees, which was partially offset by a \$2 million increase in FDIC sweep fees.
- Overnight trading volumes in Q2 2025 increased 170% YoY, largely driven by Asian investors accessing US markets during their own trading day.
- Customer margin loans increased 18.2% YoY, with risk appetite from clients levelling off in Q2 relative to Q1. The more cautious tone on investor risk explains slower NII growth in the short-term but bears no relevance to long-term NII as risk appetite fluctuates over time.
- Balance sheet remains strong with \$8m of short-term borrowings and \$0 long-term debt against \$18.5bn of equity

Operational Highlights

- IBKR launched InvestMentor, a new mobile microlearning app which offers free, accessible educational content to beginner and aspiring investors through short, interactive lessons that build foundational knowledge in economics and investing.
- IBKR expanded their predictor market offering to nearly 24 hours a day, 7 days a week. The predictor market allows traders to bet on outcomes to economic questions with odds. For example, will the Fed cut 2 or more times in 2025, yes or no.
- IBKR added new cryptocurrency tokens to its trading platform: Chainlink (LINK), Avalanche (AVAX), and Sui (SUI). These new tokens join Bitcoin (BTC), Ethereum (ETH), Litecoin (LTC), Bitcoin Cash (BCH), Solana (SOL), Cardano (ADA), Ripple (XRP), and Dogecoin (DOGE)

Management Comments

- Chairman Thomas Peterffy mentioned that the pipeline for introducing brokers is very strong, and noted that brokers who had previously shunned IBKR in favour of other competitors or an in-house job had since come back to IBKR given their superior offering and pricing.
- Peterffy also acknowledged his surprise and disappointment at IBKR's market share in crypto trading given they're among the lowest cost brokers, but expects to win market share going forward.
- IBKR will engage in M&A if opportunities present themselves. However, they currently see no targets at an attractive price.

Ben Jones Investments Outlook

- The share price rallied 9% on the day following the earnings announcement. Market reactions can always be volatile, and we maintain that IBKR's extraordinary growth can continue.
- Revenue is a function of client equity, and as long as IBKR can continue to deliver exceptional client equity and client account growth, they will continue to deliver exceptional revenue and net income growth.
- IBKR can provide the highest rates on cash, lowest rates on margin loans, and among the lowest commissions, all while maintaining operating margins at 75%.
- IBKR have a wide moat as a low-cost broker. If any competitor attempted to compete on cash and margin rates, they would go under. This is because IBKR employ a low-touch, low-cost, highly electronic approach to brokerage. Major competitors (other brokers like Charles Schwab, Fidelity or large investment banks) all offer a high-touch service at a higher price point. These are essentially two different business models, and nobody competes effectively with IBKR in the low-touch space.

- Given the wide moat in the low-touch brokerage space, we think IBKR can consistently generate annual double-digit growth in client equity and client accounts.
- IBKR have \$665bn in client equity despite the global securities markets being worth an estimated \$290tn – that's 0.2% of the market. Securities markets will continue to grow, and we believe IBKR are more than capable of picking up market share.
- IBKR are returning capital to investors via dividends. We would like to see share buybacks prioritised given growth potential and current valuation. Share buybacks have been shunned over management's concerns around stock liquidity given the float is about 25% of the business. Chairman Thomas Peterffy owns nearly all the remaining 75%. We think there is scope to repurchase stock without damaging liquidity.