Ben Jones Investments
Equity Research

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Ticker IBKR (Nasdaq)
Price USD 68.52
Sector Broker, Financials
Website https://investors.interactivebrokers.com

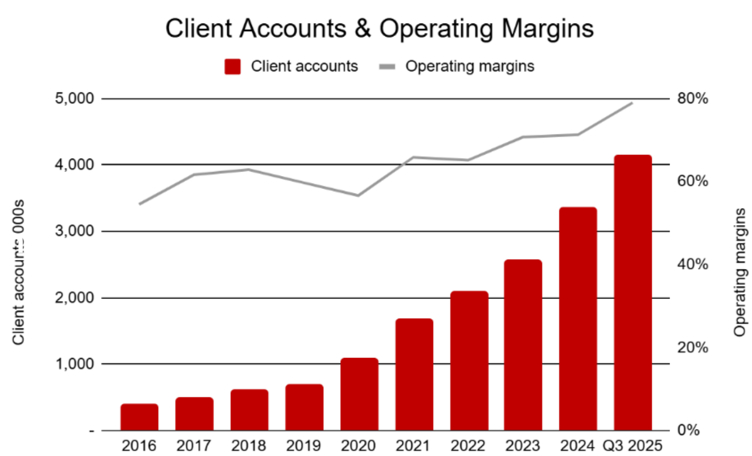
InteractiveBrokers

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 4.1 million institutional and retail accounts.

Q3 2025 earnings

USD millions	Q3 2025	Q3 2024	% change
Client equity (USD bn)	**758**	**542**	**39.9%**
Client accounts (millions)	**4.13**	**2.92**	**41.4%**
Net interest income	**967**	**802**	**20.6%**
Commissions revenue	**537**	**435**	**23.4%**
Revenue	**1,655**	**1,365**	**21.2%**
Operating income	**1,312**	**909**	**44.3%**
Net income	**1,186**	**834**	**42.2%**
EPS common shareholders	**0.59**	**0.42**	**40.4%**
Operating margin	**79.3%**	**66.6%**	**12.7%**
Equity	**19,480**	**16,597**	**17.4%**
RoE (annualised)	**24.4%**	**20.1%**	**4.3%**

Quarterly Results Trend



Financial Highlights

- Client accounts grew 41.4% YoY and client equity grew 39.9% YoY.
- Revenue grew at 21.2% YoY driven by both higher net interest income (NII) and commissions. Commission revenue increased 23.4% to $537m on higher customer trading volumes.
- Customer trading volume in stocks and options increased 67% and 27% respectively, while futures volumes declined 7%. Crypto volumes rose 87% on Q2, and are up over 5x from last year.

- Operating margins hit an all-time high at 79.3%. 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.
- Commission revenue and fees were both lower since the SEC fee rate was reduced to zero in May. The impact is small but will be reflected in slightly lower commission revenues and slightly lower transaction fees in operating costs. For context, SEC fees were $20m in Q3 2024 and $24m in Q1 2025.
- Other fees and services decreased 8% to $66 million, led by a decrease of $12 million in risk exposure fees, which was partially offset by a $3 million increase in FDIC sweep fees.
- Overnight trading volumes increased 90% from 2024, largely driven by Asian investors accessing US markets during their own trading day.
- Customer margin loans increased 39% YoY, with risk appetite from clients remaining fairly firm. However, the increase is proportionate to the growth in client equity and keeps the risk profile to IBKR in line with last year.
- Balance sheet remains strong with $10m of short-term borrowings and $0 long-term debt against $19.5bn of equity.

Operational Highlights

- IBKR launched new tax-efficient savings accounts in Sweden (ISK) and in Japan (NISA).
- IBKR launched Connections: a new tool that allows investors to connect different investment themes and ideas across the market. It uses known data to link competitors to equities, or hedging options, or macro themes related to stocks, as examples.
- IBKR expanded their predictor market offering to a variety of 8,200 forecast contracts, 27% more than Q2. Contract volumes were up 165% from Q2.
- IBKR's prime broker offering rose to number 4 in the Preqin hedge fund rankings; behind GS, MS and JPM. Their improving prime broker offering will help unlock large hedge fund and real money accounts.
- IBKR was added to the S&P 500 for the first time.

Management Comments

- CEO Milan Galik mentioned that the pipeline for introducing brokers remains strong globally.
- Management estimate that a 25bps reduction in the Fed Funds rate will have a $77m negative impact on net interest income, all else equal.
- IBKR will engage in M&A if opportunities present themselves. However, they currently see no targets at an attractive price.

Ben Jones Investments Outlook

- 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. Account and client equity growth of 40% YoY is superb, and compounds on a 24% client account CAGR since 2008, and 30% client equity CAGR since 2008.
- IBKR can provide the highest rates on cash, lowest rates on margin loans, and among the lowest commissions, all while maintaining operating margins above 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 Shwab, 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.

- IBKR can also compete effectively in the high-touch space via white labelling. Essentially high-touch brokers outsource execution to IBKR while focusing on value-add services like wealth management, financial advice, research or pension advice.
- 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 $757bn in client equity despite the global securities markets being worth an estimated $290tn – that's 0.3% of the market. Securities markets will continue to grow, and we believe IBKR are more than capable of picking up market share.
- IBKR's new prime broker offering will help attract large hedge fund and real money accounts. Their major advantage over incumbent investment banks is cost, the drawback (for now) is 'too big to fail' status. That said, if IBKR can continue to grow at such elevated rates, 'too big to fail' status can one day be achieved.
- 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.