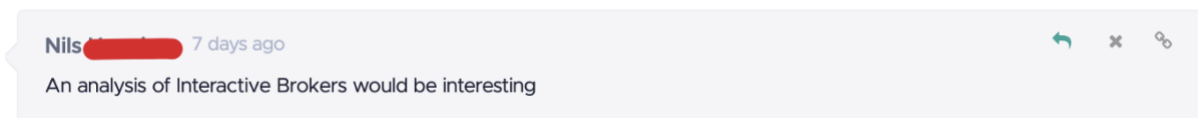


## Interactive Brokers Stock Analysis - NASDAQ: IBKR

### Table of Contents

- Interactive Brokers Stock Overview - IBKR..... 1**
- Interactive Brokers - The Business - Leading Global Online Brokerage ..... 3**
- Interactive Brokers financials..... 9**
- Investing in Interactive Brokers Now and Tomorrow..... 14**
- My Take ..... 15**



### Interactive Brokers Stock Overview- IBRK

Over the last decade the stock and the broker did well.

Market Summary > Interactive Brokers Group, Inc.

**82,02** USD

+ Follow

+50.72 (162.04%) ↑ all time

9 Nov, 16:00 GMT-5 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	-	Mkt cap	35,01B	52-wk high	95,59
High	-	P/E ratio	14,94	52-wk low	68,23
Low	-	Div yield	0,49%		

Of course, everything related to financial businesses had the zero interest rate tailwind and all was emphasized by the pandemic money printing boom. However, that was in the past, and the company managed to build a leading global broker position, looks still a step ahead over the competition and isn't expensively priced with a PE ratio of 15.

For those who want to check the broker, please use the following link as I get a small fee for every unique click (thanks for your support). [INTERACTIVE BROKERS LINK](#)

Let's check the business, financials and then conclude with a risk and reward analysis for current investing alongside a watch list perspective for future, possibly better opportunities.

## Interactive Brokers- The Business- Leading Global Online Brokerage

I think their advantage is that they can offer global trading on more than 150 markets, low fees and you can use them from whatever country you are from, which is something very few brokers can offer.

### Company Overview

#### We Are a Highly Automated Electronic Broker

We use our proprietary technology and international market-maker experience to offer the **lowest cost**,<sup>1</sup> **seamless global access** to multiple types of securities for both institutional and individual investors.

**2.3mil**  
Client Accounts<sup>2</sup>      **+19%**  
YoY<sup>2</sup> Account Growth

**\$365B**      **2.0mil**      **\$12.7B**  
Client Equity<sup>2</sup>      DARTs<sup>3,4</sup>      Total Equity<sup>2</sup>

Stocks | Bonds | ETFs | Mutual Funds | Futures  
Options | Currencies | Commodities | Crypto

**150+**      **34**      **27**  
Market Centers      Countries      Currencies

1. For more information see [ibkr.com/info](http://ibkr.com/info). Lower investment costs will increase your overall return on investment, but lower costs do not guarantee that your investment will be profitable.  
2. 06/30/23  
3. DARTs are based on client orders  
4. YTD through 06/30/23



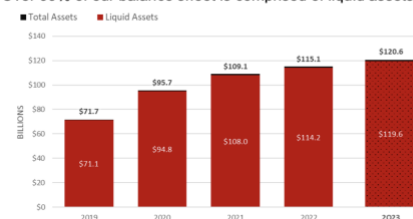
Source: [Investor Relations](#)

When it comes to online brokers where the assets are held in the street's name, not yours, you also want that your assets are safe. The company has no long term debt, the equity of the business is \$13.3 billion and they are working on having more equity to increase safety.

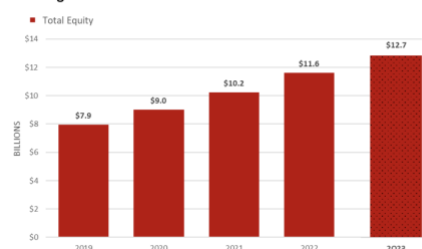
### Financial Strength – Liquid and Growing<sup>1</sup>

	June 2023
<b>Total Membership Interests</b>	<b>421.0 million</b>
Held by management & their affiliates	316.6 <b>75.2%</b>
Publicly held	104.4 <b>24.8%</b>
<b>Total Market Capitalization</b>	<b>\$35.0 billion</b>
Public float	\$8.7
Cash and Equivalents	\$3.7
Total Debt	\$0.02
Total Equity	\$12.7
<b>Total Assets</b>	<b>\$120.6 billion</b>

• Over 99% of our balance sheet is comprised of liquid assets.



• No long-term debt.

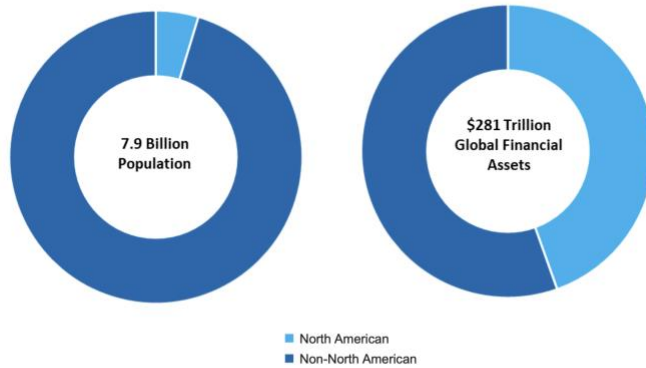


1. "Interactive Brokers Group" and "IBKR" include the Group's operating subsidiaries.

The total assets owned by the customers push the asset side of the balance sheet to \$120 billion. Given the \$140 trillion bond market and \$60 trillion global stock market, plus other, there is plenty of room to grow there.

## Broad, Global Addressable Market

- Interactive Brokers operates globally, in multiple currencies across multiple client segments, which significantly enhances our addressable market size
- IBKR currently has customers in over 200 countries and territories, with over three-quarters located internationally<sup>1</sup>
- Non-North American markets have the majority of global population, with many regions showing accelerating financial asset growth<sup>2</sup>



1. Information as of 06/30/2023. "Interactive Brokers Group" and "IBKR" include the Group's operating subsidiaries.  
 2. Source: Credit Suisse Global Wealth Report 2022

The advantages are the following:

## Cost Comparison

### IBKR Continues to be the "Lowest Cost Broker"<sup>1</sup>

- IBKR clients recognize that they can **maximize returns** by **minimizing their costs**
- Barron's has recognized Interactive Brokers as the low-cost broker 2002 through 2023<sup>1</sup>

US Margin Loan Rates Comparison<sup>2</sup>

	\$ 25K	\$ 300K	\$ 1.5M	\$ 3.5M
<b>Interactive Brokers</b>	<b>6.83%</b>	<b>6.50%</b>	<b>6.28%</b>	<b>6.17%</b>
E-Trade	13.70%	12.20%	N/A	N/A
Fidelity	13.08%	11.83%	9.25%	9.25%
Schwab	13.08%	11.83%	N/A	N/A
TD Ameritrade	14.00%	12.50%	N/A	N/A

Margin borrowing is **only for experienced investors** with high risk tolerance. You may lose more than your initial investment.

For additional information about margin trading including risks please see the Margin Risk Disclosure at [ibkr.com/info](http://ibkr.com/info)


1. For additional information, see [ibkr.com/awards](http://ibkr.com/awards)  
 2. Annual Percentage Rate (APR) on USD margin loan balances for IBKR Pro as of 08/01/2023. Interactive Brokers calculates the interest charged on margin loans using the applicable rates for each interest rate tier listed on its website. For additional information on margin loan rates, see [ibkr.com/marginrates](http://ibkr.com/marginrates)

## Earn Interest on Instantly Available Cash Balances

- The U.S. credit interest rate is up to **4.83%** for **IBKR Pro** and **3.83%** for **IBKR Lite** <sup>1</sup>
- Clients can earn market rate interest on their **instantly available cash balances** <sup>2,3</sup>

### USD Interest Rate Comparison<sup>4</sup>

<b>Interactive Brokers</b>	<b>4.83%</b> <sup>5</sup>
Bank of America	0.04%
Citi	0.12%
E-Trade	0.01%
JP Morgan	0.02%
Schwab	0.45%
TD Ameritrade	0.35%
Wells Fargo	1.00%



1. Credit Interest rate as of 08/01/2023  
 2. Accounts with a Net Asset Value (NAV) of \$100,000 (or equivalent) or greater are paid interest at the full rate. Accounts with a NAV lower than \$100,000 (or equivalent) receive interest payments at rates proportional to the account size, and no interest is paid on the first \$10,000 of cash in the account. Please note that interest is earned on positive settled cash balances held in the securities segment of an account but not on cash held in the commodities segment of the account.  
 3. Restrictions apply. For additional information, see [ibkr.com/interestrates](http://ibkr.com/interestrates)  
 4. Interactive Brokers LLC is a U.S. Broker/Dealer and not a Bank, as such Interactive Brokers' accounts are not eligible for FDIC coverage, but are insured through SIPC. For additional information about SIPC coverage please visit [www.sipc.org](http://www.sipc.org).  
 5. Rate shown applies to IBKR Pro clients only.



8

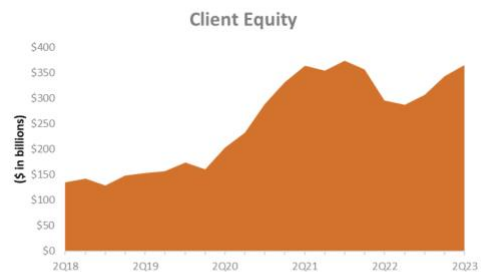
and I think the key is that the above is offered globally and that has allowed for strong growth in clients and investments:

## IBKR Growth Continues<sup>1</sup>

Multiple factors, including increased interest in the financial markets and the growing interconnectedness of investors worldwide, have propelled account growth.



More accounts on our platform have led to more client assets held at IBKR.



1. "Interactive Brokers Group" and "IBKR" include the Group's operating subsidiaries.



12

It is clear the company has a great onboarding strategy during the pandemic when people were getting money while sitting on the couch and there was a stock market bonanza. They actually quadrupled the number of accounts since 2020. Of course, we can't expect similar growth going forward, but the base is pretty large there for good profitability. Plus, the broker is voted as best on many investment platforms:

## Recognized Industry Leader

**IBKR's Multiple Trading Platforms, Extensive Suite of Advanced Trading Tools, Algos and Order Types Continue to Earn Awards, Year After Year.<sup>2</sup>**

**BARRON'S**  
**2023 Barron's Award<sup>1</sup>:**  
 Rated #1 - Best Online Broker (5 out of 5 stars)

**BENZINGA**  
**2023 Benzinga Awards:**  
 Best Online Brokers for Bonds  
 Best Overall Broker for Mutual Funds

**Investopedia**  
**2022 Investopedia Awards:**  
 4.6 out of 5 stars Overall  
 Best Broker for International Trading  
 Best Online Broker for Advanced Traders

**PREQIN**  
**2022 Preqin Awards:**  
 Top Prime Broker  
 Top Hedge Fund Custodian



**2023 ForexBrokers.com Awards:**  
 #1 Offering of Investments  
 #1 Professional Trading  
 #1 Institutional Clients  
 #1 ESG Offerings  
 5 out of 5 stars Overall  
 5 out of 5 stars Commissions & Fees  
 5 out of 5 stars Offering of Investments  
 5 out of 5 stars Platforms and Tools  
 5 out of 5 stars Research



**2023 BrokerChooser Best Online Brokers:**  
 Best Online Broker  
 Best Stock Broker  
 Best Broker for Day Trading  
 Best Broker for Investing  
 #1 for Best Online Broker in Singapore  
 #1 for Online Brokers & Trading Platforms in the UK  
 #1 for Best Online Brokers in India  
 #1 for Best Brokers for ESG Investing



**Ganadores de los Premios Rankia 2023 para Mejores Brokers:**  
 Best Multiproduct Broker



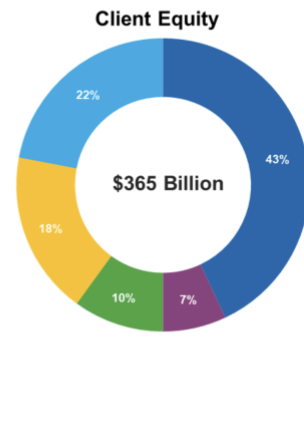
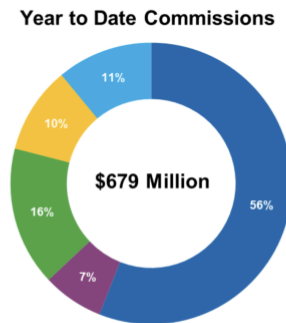
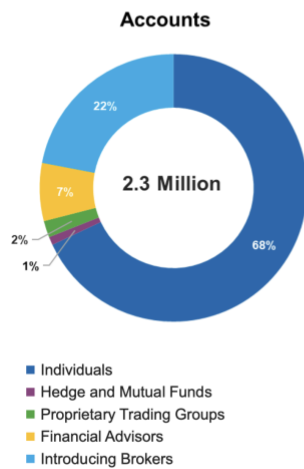
**2022 StockBrokers.com Awards:**  
 #1 for Professional Tools  
 #1 for Futures Trading  
 #1 for Offering of Investments  
 #1 International Trading  
 5 out of 5 stars Offering of Investments  
 5 out of 5 stars Research

1. Barron's is a registered trademark of Dow Jones & Co. Inc.  
 2. See [ibkr.com/awards](https://ibkr.com/awards)

The company is working on diversifying the client base, going from the current focus on individual investors to others like hedge funds.

## Diversified Client Base – by Client Type<sup>1</sup>

As of June 30, 2023



1. "Interactive Brokers Group" and "IBKR" include the Group's operating subsidiaries.

Last quarter results indicate stability, and I would expect slow and steady ahead, far from the 2020-2022 exuberance, but still a good business underneath.

# Interactive Brokers Group Reports Brokerage Metrics and Other Financial Information for October 2023, includes Reg.-NMS Execution Statistics

Nov. 01, 2023 12:34 PM ET | [Interactive Brokers Group, Inc. \(IBKR\)](#)

GREENWICH, Conn.--(BUSINESS WIRE)-- Interactive Brokers Group, Inc. ([IBKR](#)) an automated global electronic broker, today reported its Electronic Brokerage monthly performance metrics for October.

Brokerage highlights for the month included:

- 1.934 million Daily Average Revenue Trades (DARTs)<sup>1</sup>, 2% lower than prior year and 8% higher than prior month.
- Ending client equity of \$367.2 billion, 24% higher than prior year and 1% lower than prior month.
- Ending client margin loan balances of \$42.1 billion, 7% higher than prior year and 3% lower than prior month.
- Ending client credit balances of \$96.7 billion, including \$3.5 billion in insured bank deposit sweeps<sup>2</sup>, 2% higher than prior year and 1% lower than prior month.
- 2.48 million client accounts, 22% higher than prior year and 2% higher than prior month.

The management is constantly working on new things and creating a larger and larger offering platform in order to scale over time.

On the hedge fund side, the most recent Preqin statistics show us moving into the number 5 position in terms of number of hedge funds for which we serve as prime broker. We were once again the fastest-growing of the top prime brokers this year. We plan to be #4 next year, behind only Goldman Sachs, Morgan Stanley, and JP Morgan. Our developers have been extremely busy with new products and tools, and have a full plate for the remainder of the year.

This quarter, we: Introduced fractional shares trading for Canadian stocks and ETFs; Launched a Securities Lending dashboard for our more sophisticated clients to be able to assess short selling activity for specific securities and inform their decision-making; Introduced the next-generation IBKR Desktop trading platform; Launched the "Discover" tool, to help clients find opportunities based on their own customized settings and trading preferences; Started our "Cents of Security" podcast, designed to help improve financial literacy for newer investors; and Introduced long-term investment accounts in Hungary.

We remain very optimistic about what our business model – international market access, a strong and secure balance sheet, and multiple features and tools, all at low prices with high interest paid on cash balances – offers to clients and potential clients around the world. In an increasingly uncertain world, the greater degrees of freedom our clients have to manage their portfolios as they wish, the better their ability to educate themselves as events change and economies increasingly fluctuate and diverge, the better off they will be. With that, I will turn the call over to our CFO, Paul Brody, who will go through the numbers for the quarter. Paul?

Source: [SA - transcript from conference call](#)



## Interactive Brokers financials

The revenues have usually been mostly about commissions, especially in a zero-interest rate environment. However, since interest rates went up, the broker managed to still offer higher rates to clients but not immediately, thus enjoying a large spread as you can get more than 5% by owning Treasuries or on deposits in good banks.

INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
	(in millions, except share and per share data)	
Revenues:		
Commissions	\$ 357	\$ 349
Other fees and services	43	53
Other income (loss)	19	(39)
Total non-interest income	419	363
Interest income	1,347	332
Interest expense	(710)	(50)
Total net interest income	637	282
Total net revenues	1,056	645
Non-interest expenses:		
Execution, clearing and distribution fees	95	71
Employee compensation and benefits	128	111
Occupancy, depreciation and amortization	24	22
Communications	9	8
General and administrative	36	38
Customer bad debt	3	1
Total non-interest expenses	295	251
Income before income taxes	761	394
Income tax expense	61	28
Net income	700	366
Net income attributable to noncontrolling interests	552	293
Net income available for common stockholders	\$ 148	\$ 73
Earnings per share:		
Basic	\$ 1.44	\$ 0.74
Diluted	\$ 1.42	\$ 0.74
Weighted average common shares outstanding:		
Basic	102,958,660	98,226,147
Diluted	104,042,571	99,224,776

However, as the broker currently offers 4.83% while the US 1 month bill offers 5.3%, the spread is 0.5% points. The key is the margin interest income, that also benefits from higher rates. As \$40 billion of client assets is under margin, it amounts to something at 6.5%. However, that is also a risk as things on margin can revert in case of a bad market.

## Cost Comparison

### IBKR Continues to be the "Lowest Cost Broker"<sup>1</sup>

- IBKR clients recognize that they can **maximize returns** by **minimizing their costs**
- Barron's has recognized Interactive Brokers as the low-cost broker 2002 through 2023<sup>1</sup>

#### US Margin Loan Rates Comparison<sup>2</sup>

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E-Trade	13.70%	12.20%	N/A	N/A
Fidelity	13.08%	11.83%	9.25%	9.25%
Schwab	13.08%	11.83%	N/A	N/A
TD Ameritrade	14.00%	12.50%	N/A	N/A

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For additional information about margin trading including risks please see the Margin Risk Disclosure at [ibkr.com/info](https://ibkr.com/info)

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2. Annual Percentage Rate (APR) on USD margin loan balances for IBKR Pro as of 08/01/2023. Interactive Brokers calculates the interest charged on margin loans using the applicable rates for each interest rate tier listed on its website. For additional information on margin loan rates, see [ibkr.com/marginrates](https://ibkr.com/marginrates)

### INTERACTIVE BROKERS GROUP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

	March 31, 2023	December 31, 2022
	(in millions)	
<b>Assets</b>		
Cash and cash equivalents	\$ 3,214	\$ 3,436
Cash - segregated for regulatory purposes	24,354	25,167
Securities - segregated for regulatory purposes	36,987	31,781
Securities borrowed	5,306	4,749
Securities purchased under agreements to resell	6,699	6,029
Financial instruments owned, at fair value	383	485
Receivables from customers, net of allowance for credit losses	39,491	38,760
Receivables from brokers, dealers and clearing organizations	1,666	3,469
Other assets	1,369	1,267
<b>Total assets</b>	<b>\$ 119,469</b>	<b>\$ 115,143</b>

## Business Highlights

(All comparisons are to the year-ago quarter.)

- Customer accounts increased 21% to 2.20 million.
- Customer equity decreased 4% to \$343.1 billion.
- Total DARTs<sup>2</sup> decreased 19% to 2.05 million.
- Cleared DARTs decreased 17% to 1.85 million.
- Customer credits increased 4% to \$96.6 billion.
- Customer margin loans decreased 18% to \$39.4 billion.

If there is any surprising market move, that could erase part of the margin, it could look ugly from all points of view. Of course, the weaker are the margin limits, the more money does the broker make.

### Long Position

Margin	
Initial Margin	25% <sup>1</sup> * Stock Value (minimum of \$2,000 or 100% of the purchase price, whichever is less)
Maintenance Margin	25% * Stock Value
Reg T End of Day Initial Margin	50% * Stock Value
Cash or IRA Cash	100% * Stock Value
IRA Margin	Same as Cash

### Short Positions

Margin	
Initial Margin	30% <sup>2</sup> * Market Value of Stock, if Stock Value > \$16.67 per share \$5.00 per share, if Stock Value < \$16.67 and > \$5.00 100% of Market Value of Stock, if Stock Value < \$5.00 \$2.50 per share, if Stock Value <= \$2.50
Maintenance Margin	Same as Initial Margin
Reg T End of Day Initial Margin	Same as Reg T End of Day for Long Positions.
Cash or IRA Cash	N/A
IRA Margin	Same as Cash

### Non-Marginable Long or Short Positions

Margin	
Initial Margin	100% * Stock Value
Maintenance Margin	Same as Initial Margin
Reg T End of Day Initial Margin	Same as Initial Margin
Cash, Individual or IRA	Same as Initial Margin, Only Long Positions
IRA Margin	N/A

I don't think there is a worry here that the broker goes bust as the limits should cover for anything, but still, so much margin is a risk. On \$40 billion, that is \$2.8 billion on income per year. If the margin goes down, and it will in a weaker market, there goes 50% of revenues and 75% of profits which would be a big hit but would also make this broker a very interesting one.

On net income, you will see this huge charge for non-controlling interests:

Income before income taxes	761	394
Income tax expense	<u>61</u>	<u>28</u>
Net income	700	366
Net income attributable to noncontrolling interests	<u>552</u>	<u>293</u>
Net income available for common stockholders	<u>\$ 148</u>	<u>\$ 73</u>
Earnings per share:		
Basic	<u>\$ 1.44</u>	<u>\$ 0.74</u>
Diluted	<u>\$ 1.42</u>	<u>\$ 0.74</u>
Weighted average common shares outstanding:		
Basic	102,958,660	98,226,147
Diluted	104,042,571	99,224,776

That is because the business is mostly owned by the management and affiliates, which is not bad per se and the public float is reflected on the net income:

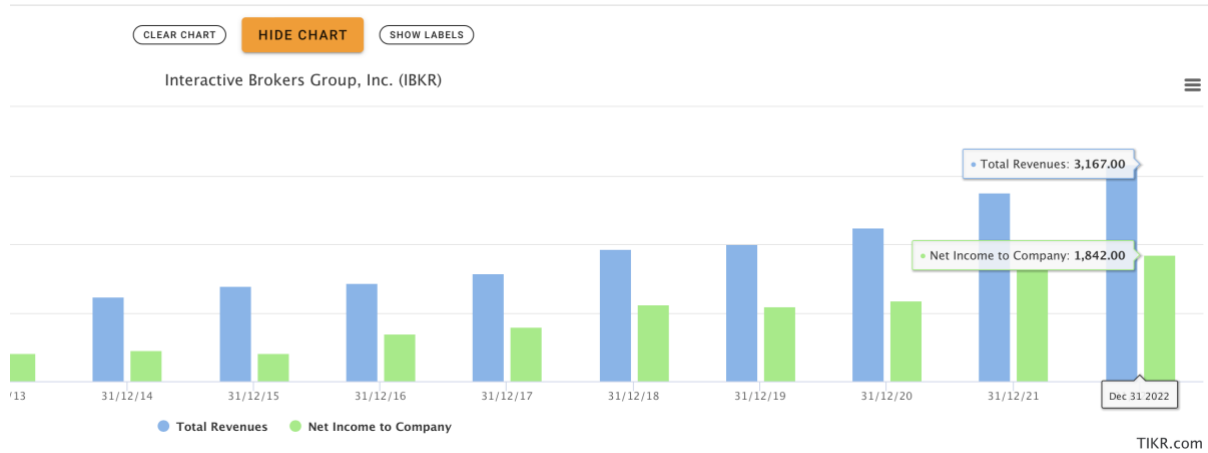
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<b>Total Membership Interests</b>	<b>421.0 million</b>
Held by management & their affiliates	314.0 <b>74.6%</b>
Publicly held	107.0 <b>25.4%</b>
<b>Total Market Capitalization</b>	
	<b>\$36.4 billion</b>
Public float	\$9.3
Cash and Equivalents	\$3.8
Total Debt	\$0.01
Total Equity	\$13.3
<b>Total Assets</b>	<b>\$120.6 billion</b>

### Investing in Interactive Brokers Now and Tomorrow

Now, it looks good, but if customers get scared and lower their margins, where I think the lower margin rates compared to the competition is also what attracts customers, as most people want to get rich fast, there is also a risk there.

The broker would definitely survive a bad year or two given the margins are staggering, but the stock might not do the same, which would create an opportunity.



I would say net income could half in a bad environment and go back to 2018/2019 levels, at around \$1 billion, which would then with a big of the market having a negative sentiment and a PE ratio of 10, offer a very interesting buy. Of course, that would mean a 70% stock price drop and a bad scenario, but that is what would make it a great buy (keep in mind the stock was trading there not a long time ago).

#### Market Summary > Interactive Brokers Group, Inc.

81,77 USD

+ Follow

+50.47 (161.25%) ↑ all time

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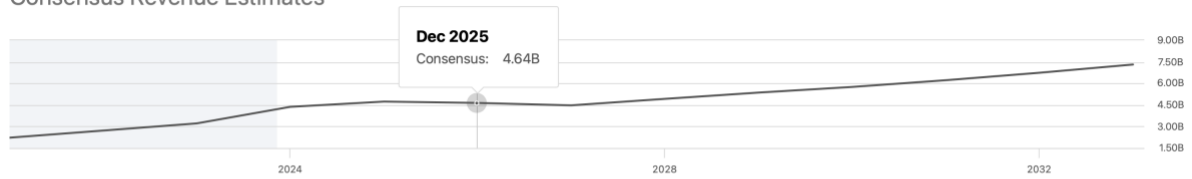
1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	-	Mkt cap	35,01B	52-wk high	95,59
High	-	P/E ratio	14,94	52-wk low	68,23
Low	-	Div yield	0,49%		

Of course, all else equal and with no changes in the environment, the stock looks fairly priced. I am looking at estimates and analysts see a drop in the next two year, or better to say stability.

Consensus Revenue Estimates



Fiscal Period Ending	Revenue Estimate	YoY Growth	FWD Price/Sales	Low	High	# of Analysts
Dec 2023	4.37B	35.89%	2.01	4.34B	4.41B	6
Dec 2024	4.73B	8.41%	1.85	4.49B	5.02B	6
Dec 2025	4.64B	-2.00%	1.89	4.01B	5.03B	6
Dec 2026	4.47B	-3.61%	1.96	4.47B	4.47B	1

As said, growth ahead is hard to expect, but this could be one to watch as it is a very interesting business from the business quality perspective with extreme margins and a leading global position.

My Take

I like the extremely high margin position, the correlation with assets (keep in mind inflation over time), the commission business, the global leading and growing position.

I don't like that the current earnings seem a bit inflated thanks to the environment and high risk taking from clients, if and when that reverts and the market's sentiment falls, this could be interesting due to the above things I mentioned.

Goes on the covered stocks list!