Interactive Brokers Group's (IBKR)

Q1 2026 Results - Earnings Call Transcript

April 21, 2026 4:30 PM ET

Executives

Thomas Peterffy - Chairman

Milan Galik - President, CEO & Director

Paul Brody - CFO

Nancy Stuebe - Director, IR

Analysts

Patrick Moley, *Piper Sandler*

James Yaro, *Goldman Sachs*

Ben Budish, *Barclays*

Brennan Hawken, *BMO*

Chris Allen, *KBW*

Kareem Seif, *Bank of America*

Operator

Thank you for standing by. Welcome to the Interactive Brokers Group First Quarter 2026 earnings call. (Operator Instructions) Now it's my pleasure to hand the conference over to the Director of Investor Relations, Nancy Stuebe. Please proceed.

Nancy Stuebe

Good afternoon, and thank you for joining us for our first quarter 2026 earnings call. Joining us today are Thomas Peterffy, our Founder and Chairman; Milan Galik, our President and CEO; and Paul Brody, our CFO. I will be presenting Milan’s comments on the business, and all three will be available at our Q&A.

As a reminder, today's call may include forward-looking statements, which represent the company's belief regarding future events, which by their nature are not certain and are outside of the company's control. Our actual results and financial condition may differ, possibly materially, from what is indicated in these forward-looking statements. We ask that you refer to the disclaimers in our press release. You should also review a description of risk factors contained in our financial reports filed with the SEC.

In the first quarter, markets began with a strong January, supported by solid equity performance, optimism around corporate earnings, expanding market breadth, and resilience despite geopolitical risks. However, that momentum did not persist. Most global market indices declined in February and fell further in March, broadly mirroring the kind of price movement we saw in the first quarter of 2025.

The S&P 500 ended the quarter down 5%. Notably, each of the "Magnificent 7" technology stocks declined by more than the broader market, resulting in relative outperformance by the rest of the index.

Despite this backdrop, we continued to see strong interest from both institutional and individual investors globally in opening and funding accounts. Client engagement remained healthy. Trading activity increased, and clients gradually took on more risk since last year's tariff-driven market decline, as reflected in higher DARTs and increased risk exposure fees over the past several quarters.

We continued to set records across key metrics, including net revenue, total accounts, and account adds.

Growth in new accounts has driven higher clients' uninvested cash balances, which increased 35% year-over-year to a record $169 billion. Client equity rose 38% to $789 billion and was up 1% sequentially, despite the 5% decline in the market, as continued account funding offset market performance.

Across products, stocks, options, and futures all delivered double-digit year-over-year growth. Of note, futures contract volumes increased 20% to a quarterly record, driven by higher volatility and increased demand for hedging.

Turning to our strategic initiatives, we have been incorporating AI across the organization. We had introduced Investment Themes and Connections, tools which use AI to streamline research and visualize relationships among trends, companies and securities, to give our clients actionable investment ideas. This quarter we expanded international company coverage and integrated Themes into market screeners, watchlists and news summaries. We continued enhancing our "Ask IBKR" tool, which enables clients to query their portfolios for insights such as sector exposure, performance, tax lots, corporate actions, and fundamentals; it now provides more direct and relevant responses. We also expanded the number of news sources we are authorized to summarize using AI.

Within Client Service, our AI-powered chatbot continues to improve, successfully addressing a growing share of client inquiries in multiple languages. We continue to increase its accuracy and coverage, while enabling our reps to focus on more complex issues.

We are also applying AI to further automate processes across areas like onboarding, compliance, and other operational areas. Expanding the use of AI remains a priority across the firm—both to enhance the client experience and to improve internal efficiency. While we have made meaningful progress, we see significant opportunities to extend it further.

Our efforts translated into strong financial performance.

Quarterly commission revenue and total net revenues both reached record levels. At the same time, we remain disciplined on expenses. Our pretax profit margin was 77%, maintaining our position as an industry leader, and marking the sixth consecutive quarter with margins above 70%.

In recognition of this, and as a sign of confidence in the strength of our business model, its growth potential, and of our capital base, we revisited our allocation of capital and decided to increase the amount of dividend we pay to $0.35 a year.

Turning to our customer segments, our introducing broker pipeline remains exceptionally strong. We continue to maintain a robust pool of prospects while onboarding a substantial number of new introducing brokers and supporting the growth of existing ones.

For larger introducing brokers, we offer customized solutions and have made it easier for them to launch, with a wide range of configurable features. Many international brokers require specialized functionality to address their local investment, tax, and regulatory requirements. We have user interface enhancements in development that we look forward to discussing in future quarters.

Within our hedge fund segment, our high-touch prime brokerage offering continues to gain traction and we are particularly encouraged by referrals to new clients from existing clients. We have also received positive feedback on our ability to handle complex requirements, and several clients have launched additional strategies on our platform.

We had a productive quarter for new product introductions.

In cryptocurrency, we expanded our offering to clients in the EEA, significantly broadening our footprint. We also introduced crypto transfer-in capabilities, allowing clients to consolidate external holdings into their IBKR-linked accounts. In addition, we launched access to the Coinbase Derivatives Exchange, providing trading in nano-sized crypto contracts and perpetual-style futures.

Our prediction markets have been live and trading 24/7. In anticipation of increased interest ahead of the 2026 U.S. midterm elections, we introduced Election Board, a discovery and trading tool that helps clients browse and trade political event contracts.

You may also have seen our “Client Outperformance” advertising campaign. As we shared previously, in 2025, the average account across each of our client segments outperformed the S&P 500 on a net basis, after fees and commissions. Our average individual account returned 19.2% versus 17.9% for the S&P, while our average hedge fund account returned 28.9%. The campaign began with digital channels and has since expanded into print and television globally.

These outperformance results reflect our low cost offering and high interest paid on client cash, the strength of our platform and our focus on best execution. This focus means that we seek to maximize client outcomes by routing orders directly to the venues offering the best price, rather than selling order flow to third parties.

We continue to see growth in overnight trading, which is increasingly important for our global customer base. Overnight trading volumes nearly tripled year-over-year in the first quarter, increasing to 8.1 million trades from 2.8 million, and up from 6.2 million in the fourth quarter.

We remain highly active across all areas of the business, with multiple initiatives underway across platforms and client segments. We look forward to sharing further updates in the coming quarters.

With that, I will turn the call over to Paul Brody. Paul?

Paul Brody

Thank you, Nancy and good afternoon. Thanks, everyone, for joining the call.

We will start with our Revenue items on page 3 of the release. We are pleased with our financial results this quarter, as we again produced record net revenues and strong results in our key operating metrics.

Commissions rose 19% versus last year's first quarter, reaching over $600 million dollars for the first time. We saw robust trading volumes from our growing base of active customers across stocks, options and futures.

Net interest income rose 17% year-on-year to $904 million, driven by higher balances and partially offset by lower benchmark interest rates. We saw strength from margin borrowing and from our segregated cash portfolio, partially offset by interest we paid on our customers' cash balances.

Other fees and services generated $86 million, up 10%, primarily driven by higher market data and FDIC sweep fees, as well as higher payments for order flow from options exchange-mandated programs.

Other income includes gains and losses on our investments, our currency diversification strategy and principal transactions. Note that many of these non-core items are excluded in our adjusted earnings. Without these excluded items, Other income was $77 million for the quarter.

Turning to expenses, Execution, Clearing and Distribution costs were $106 million in the quarter, down 12% over the year-ago quarter driven by lower SEC regulatory fees, which were set at zero in last year's second quarter. Versus the fourth quarter, Execution & Clearing was higher due to exchange fees on greater futures trading volumes. Because they are largely passed-through, these fees increase both our commission revenue and execution costs.

Execution & Clearing costs were 13% of commission revenues in the first quarter for a Gross Transactional Profit margin of 87%.

We calculate this by excluding from "Execution, Clearing and Distribution" $24 million of non-transaction-based costs, predominantly market data fees, which do not have a direct commission revenue component.

As a reminder for the upcoming quarters, the SEC raised its fee rate for securities from 0 to $20.60 per million, effective April 4th. For comparison, based on our volume in the first quarter of 2025, SEC fees then totaled $24 million when the fee rate was $27.80. And again, these fees are a pass-through for us, increasing both Commission revenue and Execution & Clearing expense equally, with no impact on the income we earn.

Compensation & Benefits expense was $167 million for the quarter, for a ratio of Compensation expense to Adjusted Net Revenues of 10%, down slightly from 11% last year. Note there are several calendar-based components that tend to increase Comp & Benefits expense modestly, such as additional U.S. FICA tax on salaries in the first quarter and on the vesting of Stock Incentive Plan shares in the second quarter.

Our headcount at March 31st was 3,232.

G&A expenses were $68 million, up from the year-ago quarter mainly on expansion of advertising.

Our pretax margin was 77% for the quarter as reported and as adjusted.

Income Taxes of $117 million reflects the sum of the public company's $56 million and the

operating companies' $61 million. This quarter, the public company's adjusted effective tax rate was 17.2%, within its usual range.

Moving to our balance sheet on page 5 of the release, the consistent strength of our business and our healthy balance sheet support our raising the dividend from $0.32 to $0.35 per year, returning capital to shareholders while still maintaining an ample capital base for the current business and future opportunities.

Our total assets were 39% higher than the prior year at $219 billion, with growth driven by higher margin lending and segregated cash and securities balances. New account growth also helped drive our record customer credit balances.

We continue to have no long-term debt. Profit growth drove our firm equity up 22% to $21.3 billion. We maintain a balance sheet geared towards supporting growth in our existing business and helping us win new business by demonstrating our strength to prospective clients and partners, while also considering overall capital allocation.

Turning to operating data. We had near-record customer activity in options, with our contract volumes up 16% over the prior-year. Futures contract volumes rose 20% for the quarter to a new quarterly record, and stock share volumes were up 25%. All were in line with industry volumes.

Stock share volumes generally increased versus last year as clients gravitated to larger, higher quality names, and traded relatively less in pink sheet and some other very low-priced stocks. Growth in the notional dollar value of shares traded in the quarter was significantly higher than the growth in share volumes.

On page 7, you can see that Total Customer DARTs were 4.4 million trades per day in the quarter, up 24% from the prior year. Commission per Cleared Commissionable Order of $2.69 was off slightly from last year, when the full SEC fee rate was being charged.

Page 8 shows our Net Interest Margin numbers. Total GAAP net interest income was $904 million for the quarter, up 17% on the year-ago quarter and our NIM table net interest income was $953 million, up 20%. We include for NIM purposes certain income that is more appropriately considered interest, but that for GAAP purposes is classified as Other Fees & Services or as Other

Income.

Our net interest income reflects strong annual increases in balances, as well as reductions in benchmark rates in most major currencies, including the full-quarter impact of December's cuts in the US. The growth in balances resulted in a rise in interest income on margin loans and customer cash balances, partially offset by higher interest expense on customer cash balances.

This quarter, central banks in most major markets held their benchmarks constant. Year-on-year the average US Fed Funds rate fell 69 basis points, or by 16%. Despite this decline, our margin loan interest was up 17%, and our segregated cash interest was up 3%, both bolstered by higher balances.

The average duration of our investment portfolio remained at less than 30 days. During the quarter, the US dollar yield curve inversion from the short to medium term substantially flattened, though we continued to maximize what we earn by focusing on short-term yields, rather than accept the uncertainty and higher duration risk of longer maturities. This strategy also allows us to maintain a relatively tight maturity match between our assets and liabilities.

Securities lending net interest was higher than last year, though we did not see as much activity in hard-to-borrow names as in the fourth quarter. Contributors to annual growth include several factors:

- Our growing account base, which increases our inventory of attractive stocks to lend, including international securities.
- The interest we pay on short cash balances, which makes us attractive to investors who utilize short selling.
- Our fully-paid lending program shares proceeds with clients generally on a 50/50 basis, which appeals to investors looking to maximize the return on their portfolios. And finally,
- More activity in some of the typical drivers of securities lending, including IPOs and M&A activity.

A portion of what we earn from securities lending is classified as interest on "segregated cash". We estimate that if the additional interest earned and paid on cash collateral were included under "Securities Borrowed and Loaned", then total net revenue related to securities lending would have been $270 million this quarter, up 45% over the prior year quarter.

Fully rate-sensitive customer balances ended the current quarter at $27.8 billion, versus $20.3 billion in the year-ago quarter.

Now, for our estimates of the impact of changes in rates. We estimate the effect of a 25-basis point decrease in the benchmark Fed Funds rate to be an $82 million reduction in annual net interest income.

Note that our starting point for this estimate is March 31st, with the Fed Funds effective rate at 3.64%, and balances as of that date. Any growth in our balance sheet and interest-earning assets would reduce this impact.

About a third of our customer interest-sensitive balances is not in US dollars, so estimates of a US rate change exclude those currencies. We estimate the effect of a 25-basis point decrease in all the relevant non-USD benchmark rates would reduce annual net interest income by $35 million.

In conclusion, we started the year with another financially strong quarter, reflecting our continued ability to grow our customer base and deliver on our core value proposition to customers while simultaneously scaling the business. Our business strategy continues to be effective: Automating as much of the brokerage business as possible, continuously improving and expanding on what we offer while minimizing what we charge.

And with that, we will turn it back to the moderator and open up the line for questions.

Question and Answer Session

Operator

(Operator Instructions) Our first question comes from the line of Patrick Moley with Piper Sandler.

Patrick Moley

So last week, the SEC eliminated the pattern day trader rule. It seems like it could be a pretty significant structural change for the industry, and it will make more active day trading available to far more retail investors. So I was just curious how you're thinking about the strategic opportunity

here, if you think that there is any avenue for increased account growth because of this, and how you're just thinking about the overall opportunity to attract some of these smaller wallet retail investors?

Milan Galik

Well, we welcome the change. The regulators are basically replacing an outdated concept of counting trades and an arbitrary equity threshold or account size with a risk-based system, real-time intraday margin requirements. The expectation is that it will broaden the retail access, increase the trading frequency and engagement, and also liquidity in the markets.

The rule will probably speed up the outcomes. The disciplined participants who have experienced some well-tried trading methodology will probably end up growing their accounts faster, whereas those that trade in a more haphazard fashion will probably realize their losses faster.

Patrick Moley

Okay. So you're viewing this as an opportunity for IBKR, I guess. Any color on the strategic opportunity here?

Milan Galik

It is an opportunity in the sense that majority of our accounts are individual accounts. Many of these individual accounts are smaller accounts, and they will be able to trade frequently. So, in that sense, it is an opportunity.

Patrick Moley

Okay. All right. And then maybe just if you could help us break down the account growth that you saw in the first quarter. It seems like it's a pretty two-sided market for the business. On one hand, you have the war and you have an energy market volatility that I think is bringing people to the market and wanting to trade.

And then on the other hand, I think that there's some concern about what this could mean for the rest of the year and whether it could create some frictions, I guess, in terms of new account formation, particularly internationally. So, any thoughts on just the current environment and just account growth through the storm here as we enter into the back half of the year?

Milan Galik

No, I don't think we need to expect anything different from what we have seen in the past. What tends to happen is that as the equity market prices are increasing, more and more of the public want to participate on the run-up, and we see strong account openings.

Whereas as the volatility increases, that may discourage newcomers from joining the market, but that gets offset by an increase in the DARTs, increase in the trading. So as I said, the increased volatility is something that we have seen before for different reasons. So I would expect things to continue the way we have seen over the past several years.

Operator

Our next question is from James Yaro with Goldman Sachs.

James Yaro

I wanted to return to a topic discussed on last quarter's call, on your focus on accelerating marketing spend to support account growth. Is there any way you could provide a bit more detail on what marketing spend trends might have looked like either historically or perhaps both historically and today? And maybe if you could just provide a little bit more color on how you would think about scaling marketing going forward.

Thomas Peterffy

Well, we are hell-bent on trying to increase our marketing spend, but we are also very strict about getting the required minimum return on every additional marketing dollar. So as a result, while we keep trying to increase the spend, it is going very slowly. So what we are really doing is we are trying to find additional marketing outlets that are going to hopefully give us more opportunity to spend more.

James Yaro

That's very clear. As my follow-up, there has been discussion among US brokers and banks recently around potential AI-enabled cash optimization tools, which I think the idea is that they could ensure that customers receive yields on their deposits that are closer to Fed funds. I'm curious if you have any views on these sorts of tools, and I guess, are there -- is there any consideration that this could affect your pricing on deposits?

Thomas Peterffy

So we're not happy about these tools because we have always been paying close to market rates. And if these tools force other brokers to do the same, we're going to have more competition. But I don't think they will do that.

Milan Galik

I mean, it is somewhat ironic that we hear these noises about using AI in the area of cash optimization from the banks— banks that have been paying very, very little on the uninvested cash. And if you think about it, there isn't that much that AI needs to do here.

It's really the broker's or the bank's decision of how much of the interest income they want the client to enjoy versus how much of it they want to keep to themselves. And we have historically been on the forefront of the industry. Our costs have been low, and that has helped us maximize the outcome for our clients.

Operator

Our next question is from Ben Budish with Barclays.

Ben Budish

Maybe to start following up on Patrick's second question. I'm just curious, I remember a year ago, the markets were selling off quite a bit in April, and you gave us an update on your margin balances, which tend to follow the S&P. It seems like we're seeing the opposite this month where end of March -- since then, the markets are up fairly meaningfully.

I'm just curious if you can give any more of a detailed update. What are margin balances looking like intra-month? Are we seeing the sort of S&P growth - supported reacceleration of account growth? Particularly curious on the margins because that seemed to be such an interesting topic last year, and I would think you'd see a bit of a rebound, but just curious, any details you can share there?

Thomas Peterffy

So our margin loans are— precisely at the end of the quarter, $86.6 billion, but that's part of our -- every month’s end, we release our margin balances. So if anybody cares to look at that, they could see what's happening.

Ben Budish

All right. Fair enough. And then maybe just a higher-level topic on prediction markets. Just curious, any updates you can share in terms of – I know you've always bring this up as a very long-term opportunity. Any updates you can share in terms of conversations with institutions that may be interested in onboarding to ForecastEx, any progress there?

Thomas Peterffy

ForecastEx is receiving more and more inquiries from people who have sworn months ago that they will never enter the prediction market, and now more and more of them are curious and are considering becoming members. Yes. So I think this is going to be a huge thing, as I have said before, and it's going to be a lot of prediction trading.

Operator

Our next question comes from the line of Brennan Hawken with BMO Capital Markets.

Brennan Hawken

You touched on the non-US dollar sensitivity to rates, with a third of those balances there. Is it possible to get a currency breakdown for those balances and maybe which of those currencies are growing the fastest?

Paul Brody

Yes, we don't really get into it at that granular level, Brennan. But we make that differentiation between USD and non-USD because, of course, the bulk is in USD, but we want to make sure that in your mind, there's a differentiation when you see the benchmark rates change, what can you expect.

Brennan Hawken

Okay. And then is it still fair to assume, you framed the changes in rates as a drop in those policy rates. But are the upside and downside scenarios symmetrical, or do they differ if rates move up?

Paul Brody

They're roughly symmetrical. There are some low-rate, non-US dollar currencies. As we saw when rates here went near zero, there's a little bit of asymmetry when you go from positive to negative

territory, but that's fairly minor. So other than that, they are pretty symmetrical.

Operator

(Operator Instructions) Our next question is from Chris Allen with KBW.

Chris Allen

I just wanted to ask about crypto. You continue to build out capabilities there. You announced the transfer capabilities in crypto. I know it's just been a few weeks, but I'm wondering if you've seen any clients actively -- proactively transfer positions to IBKR since you offered that capability?

Milan Galik

We indeed have released it only a couple of weeks ago. We do see amounts coming in. It's mostly United States, but internationally, we see that as well. And the other thing that we announced not long ago was launching our European offering. We have done that in cooperation with our partner, zerohash. We have so far been under soft release. We have issued a press release about it. We have sent an e-mail notification to existing clients. We have not yet been marketing it externally.

Chris Allen

Got it. And maybe just following up on that. Anything else you think you need to offer right now to increase or accelerate your digital asset penetration, or do you think you're kind of already there with your product solution offering? I know you can always add coins, things along those lines.

Milan Galik

There are a couple of things we still need to do. We are not covering all the geographies. We are working on that, in Singapore, for example. And the other thing that we need to work on is the staking. As you know, some of the currencies -- cryptocurrencies use the proof-of-stake concept, which allows the holders of those currencies to earn very significant interest income.

And our partner, zerohash is working on that capability. And as soon as they have it, we're going to integrate it into our offering.

Operator

Our last question comes from Kareem Seif with Bank of America.

Kareem Seif

Just one question actually on the crypto business. If you could talk a little bit more about that agreement or partnership that you've had with Coinbase derivatives, maybe around like the client demand there and how we should kind of think about the potential revenue opportunity and any of the economics that you could share with us?

Milan Galik

So the agreement that we have with them is very simple. The Coinbase derivatives exchange lists a number of cryptocurrency futures. Most of them are different in terms of size from what the large exchanges offer. They are significantly smaller contracts. So, they are geared towards retail traders.

There is one particular instrument type that is interesting to the traders. Those are the so-called perpetual futures. That was the main reason why we have decided to integrate that offering into ours.

The perpetual cryptocurrency futures, they command very, very significant volumes, and that is why we joined the exchange and are now offering it to our clients. Our clients trade it. It's not a very large number of accounts yet, but the ones that are trading it are trading it in big numbers.

Operator

Thank you. And ladies and gentlemen, this concludes our Q&A session, and I will pass it back to Nancy Stuebe for closing comments.

Nancy Stuebe

Thank you, everyone, for participating today. As a reminder, this call will be available for replay on our website, and we will also be posting a clean version of our transcript on our site tomorrow. Thank you again, and we will talk to you next quarter end.

Operator

And this concludes our conference. Thank you for participating, and you may now disconnect.