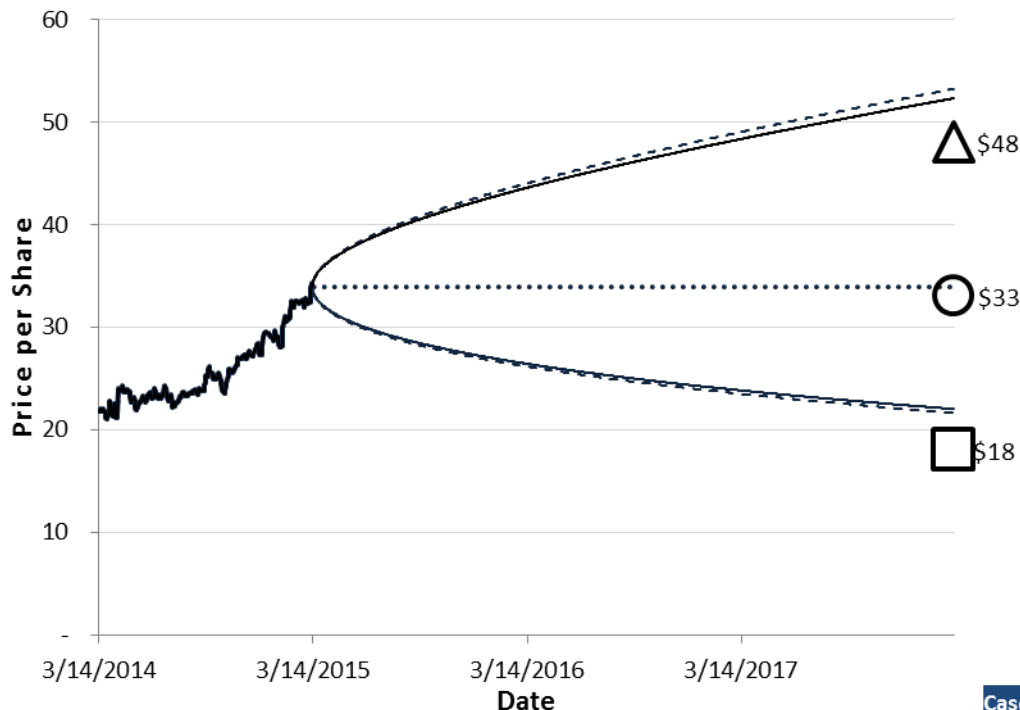


Investment Plan: The option and stock markets have it about right with IBKR. All else held equal, we would be sellers of puts in the low-\$20 range, seller of calls in the high-\$50s, and investors in a levered long position in the high-teens.



Valuation & Return

IOI Conviction Rating: Low to Moderate

	Low	Likely	High
Stock Fair Value (\$)	18	33	48
Stock Return (%)	-47	3	41
Option Period Return (%)	NA	NA	NA
Option Annual Return (%)	NA	NA	NA

Valuation Metrics

	Projection Avg		Historical Median	
	Worst	Best	5-year	10-year
Revenue Growth (%)	7	17	-5	-3
Profit Margin (%)	45	60	52	58
Med-term Growth (GDP±)	-	+7ppts	-1ppt	+5ppt

IOI Tear Sheet : Interactive Brokers (IBKR)

Valuation and Investment Plan

Data as of 10 April, 2015

IOI's Take

Interactive Brokers is an incredible company—a cutting edge technology company in the guise of a financial services firm and a prodigious producer of cash flows. It has shifted focus from market making operations to the brokerage business. Brokerage is a good business, dependent on high volumes and efficient operations—IBKR's operations focus intently on both.

Drivers

Revenues	Growth of brokerage revenue due to white-label sales to introducing brokers. Brokerage offsets shrinking market making revenues.
Profitability	Consistently in the 50% range and moving up to the 60% range with increases in trade processing volumes on the brokerage side. Market making profitability increases as volatility increases, making IBKR more valuable in times of market uncertainty.
Investment Level / Eff.	Unwinding of market making business masks extremely high efficacy of brokerage investments. In general, a very low capital intensity business.

Balance Sheet

No material hidden assets / liabilities.

Case / Scenario	Value
7% 45% 5%	18
252-day Low	21
7% 45% 12%	23
7% 60% 5%	24
17% 45% 5%	28
7% 60% 12%	31
252-day High	34
17% 45% 12%	36
17% 60% 5%	37
17% 60% 12%	48

1-year Trading Range

Probability / Materiality

