

Interactive Brokers Group's (IBKR)

Q1 2022 Results - Earnings Call Transcript

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Executives

Thomas Peterffy – Chairman

Milan Galik - CEO

Paul Brody - CFO

Nancy Stuebe - Director, IR

Analysts

Kyle Voigt, *KBW*

Rich Repetto, *Piper Sandler*

Chris Allen, *Compass Point Research*

Craig Siegenthaler, *Credit Suisse*

Daniel Fannon, *Jefferies*

Operator

Good day, and thank you for standing by. Welcome to the Interactive Brokers Group First

Quarter Financial Results conference call. Please be advised, this call is being recorded.

(Operator Instructions) I would now like to hand the conference over to your host today, Nancy Stuebe, Director of IR. Please go ahead.

Nancy Stuebe

Good afternoon, and thank you for joining us for our first quarter 2022 earnings conference call.

Once again, Thomas is on the call, but asked me to present his comments on the business. Also joining us today is Milan Galik, our CEO. After prepared remarks, we will have a 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.

The first quarter was one in which the only thing predictable was how unpredictable it would be, except for our continued growth. In the first 3 months of this year, the markets absorbed news on geopolitical issues that included the war in Europe and its impacts, both humanitarian and economic, as well as continuing supply chain issues, product shortages, levels of inflation not seen since the 1970s and the first Fed funds rate hike since 2018, with expectations of many more to come.

Persistent deficit spending in this country has limited the government's ability to respond to high inflation with high interest rates, as for each 1% rise, interest on U.S. debt increases by \$300 billion as it gets refinanced. So inflation is likely to stay with us.

Few markets were unaffected by these events, and most market indices worldwide were down in the first quarter.

Despite this, we are very pleased with how our business performed even with the headwinds we faced in the quarter. We ended the quarter with a record 1,809,000 accounts, a net increase of over 480,000 from last March. We saw account growth in all client segments in all geographic regions, with particular strength, 40% and 48% in Europe and Asia, which together represent 3/4 of our accounts.

As our client base grows, DARTs have risen as well. In the first quarter, our DARTs were over 2.5 million, the second highest in our company's history. Volumes were up particularly this quarter in futures and options, products which carry a higher commission, though in the case of futures, they also carry a higher cost, with 56% of futures commissions taken up by exchange, clearing and regulatory fees, likely due to a lack of competition in the largest futures market in

the U.S.

Higher DARTs led to commission revenues rising to \$349 million, also the second highest in company history, behind only the unusually active trading period last year.

As I mentioned on our fourth quarter call, options volumes continue to be strong. In the first quarter, in the U.S., listed options volume for the industry saw average daily volume of over 42 million contracts, a record. In an unpredictable environment, vertical option spreads give traders the ability to take on a very specific and limited risk/reward profile for a specific period of time. This appeals to many traders looking to invest in companies whose business and prospects they believe in at less cost than if they had to buy those shares outright.

While in 2022 the impact of the coronavirus has faded, the resulting reliance by the public on electronic communications, meeting from a distance and gathering and sharing ideas in larger asynchronous groups, including groups of investors, remains. The net effect of this trend as far as IBKR and the online brokerage industry is concerned, is that even millennial, and less technologically oriented people, have become more friendly with online activities.

As you may know, the average age of our customers is 42. Unexpectedly, this opens up a new segment of potential customers for us, 50 and above, wealthier people. Most of these people have their investments managed by advisers on the conventional wealth management platforms of the larger brokers. Now that they are at ease with online activities, many of them would like to be able to see their accounts live, online and sometimes would even like to do a trade by themselves and see it landing in their accounts. At Interactive Brokers, this is something they can do. Our task is to let them know that, so that they would ask their advisers to move their accounts to IBKR.

Interactive Brokers has become better at enabling our customers to navigate through our numerous high-quality features at ever greater efficiency, helping them to establish their own personalized work environments and tools.

The superior customer experience our platform offers has become better known worldwide,

spread by word of mouth as well as by our institutional sales team, as we continue to add customers at a rate of over 30%.

In addition, our capital base has grown even stronger during this period, with total equity reaching \$10.5 billion this quarter, up \$1 billion since this time last year. This base funds our business, helps us to attract larger customers and reassures the increasing number of clients looking to participate in the markets.

We saw account growth once again in all 5 of the client types that we service. Individual account growth was fastest at 45%, followed by proprietary traders at 35%, introducing brokers at 23%, financial advisers at 16% and hedge funds at 8%.

We are excited about the opportunities we see in 2022. We continue to place enhanced focus on our marketing efforts, and we increased spending in this area over the past year and expect to continue again this year.

We recently introduced GlobalTrader, a simple mobile trading app that allows investors to open an account in minutes, and start trading on over 80 stock exchanges around the world in 23 different currencies, allowing for global diversification. It is integrated with our GlobalAnalyst scanner, which helps investors identify investment opportunities worldwide, allowing GlobalTrader users to quickly take advantage of them.

We also started Traders' Insight Radio, a new podcast series featuring interviews with thought leaders across financial services, and that is available for free on our Trader Workstation, client portal and IBKR Mobile, as well as via the popular podcasting services.

Our leading ESG efforts continue, and now include carbon offsets. Our clients can select from a list of preset activities, estimate their carbon footprint and purchase the carbon credits to offset them, which we source and retire, all from their IBKR account.

We believe in 2022, with the potential for higher inflation, that more people will come to the realization that holding onto their money as cash is a losing proposition. They will turn to

equities worldwide to earn a return, and Interactive Brokers will serve them, with our innovative platform and educational materials.

We aim to be the platform of choice for the best-informed, most successful investors.

With that, I will turn the call over to our CFO, Paul Brody, who will go through the numbers for the quarter. Paul?

Paul Brody

Thank you, Nancy. And as usual, thanks, everyone, for joining the call. I'll first review the first quarter operating results, and then we'll open it up for questions.

Starting with our revenue items on Page 3 of the release. We're pleased with the strength of our results this quarter, and we believe our robust growth in customer accounts positions us well for both commission and interest revenues in the quarters ahead. Commissions were strong, reaching their second highest quarterly revenue ever at \$349 million. Options and futures volumes outpaced the first quarter of 2021, while stock volumes declined from last year's so-called "meme" stock spike.

Net interest income of \$282 million reflected higher margin loan interest on greater loan balances, as well as higher interest earned on our segregated cash portfolio as U.S. rates have recently moved up from near 0. These gains were offset by lower securities lending revenue, which reflected fewer opportunities in the marketplace.

Other fees and services generated \$53 million, with market data fees of \$20 million, up 5%; and risk exposure fee revenue tripling to \$15 million. Exchange liquidity payments remained at \$10 million on consistent options volume. Declines in IPO fees and account activity fees, which we discontinued for most account types in 2021, reduced the total in this line item.

Other income includes gains and losses on our investments, our currency diversification strategy and principal transactions. Note that many of these noncore items are excluded in our adjusted earnings. And without these excluded items, other income was \$8 million for the quarter.

Turning to expenses. Execution, clearing and distribution costs rose 4% from last year, led by futures volumes, which carry higher fees. As a percent of commission revenues, execution and clearing costs, which are driven by a combination of trading volume, exchange rebates and changing fee schedules, were 16% this quarter, meaning that 84% of incremental commission revenue dropped to the bottom line.

While this cost ratio will fluctuate over time with product mix and trading volumes, the factors that drive it lower over time remain in place, with exchanges offering rebates and competing on costs, which gives our Smart Router the opportunity to improve on execution quality for our IBKR Pro clients.

Compensation and benefits expense, while up in dollar terms for the quarter as we expanded hiring to support our strong growth, was 16% of our adjusted net revenues, consistent with its historical level. Our headcount at quarter end was 2,683.

G&A expenses were down versus last year, driven by a nonrecurrence of \$18 million in Brexit-related costs and lower legal expenses. This quarter also included a \$1 million donation towards humanitarian aid in Ukraine.

Our adjusted pretax margin was a robust 64%. Automation remains our key means of maintaining high margins, as well as continued expense control, while we hire talented people and invest in the future of our business. \$28 million of income taxes reflect the sum of the operating company's \$11 million and the public company's \$17 million.

Moving to our balance sheet on Page 5 of the release. Our total assets were \$114 billion at the end of the quarter, with growth over the last year driven by increases in our segregated cash and securities and margin loan. Our consolidated equity capital was \$10.5 billion, and we have no long-term debt.

Turning to our operating data on Pages 6 and 7. Our contract volumes for all customers were

especially strong, reaching the second highest ever in options, up 6% on the year; and the highest ever in futures, up 31% on the year. Stock share volume was down significantly versus last year's active first quarter, and the drop-off is largely attributable to trading in pink sheet and other very low-priced stock.

On Page 7, you can see that our account growth remains robust with over 132,000 net account adds in the quarter, and total accounts reaching 1.8 million, up 36% over the prior year. We are now adding accounts at a quarterly pace that is greater than our annual pace prior to 2020.

Total customer DARTs were over 2.5 million trades per day, second highest in company history, surpassed only by last year's extreme first quarter activity, but up 4% from strong fourth quarter trends.

Our cleared IBKR Pro customers paid an average of \$2.57 commission per cleared commissionable order, up 11% from last year, as our clients' volume mix included proportionately more futures than last year. These products carry higher pass-through fees charged by exchanges and clearinghouses.

Page 8 presents our net interest margin numbers. Total GAAP net interest income was \$282 million for the quarter, down 8% on the year-ago quarter, reflecting strength in margin lending, offset by fewer opportunities in securities lending. The Federal Reserve raised interest rates by 25 basis points with about 2 weeks left in the quarter, which had a minor positive impact in a 12-week quarter, but will have a full positive impact in the next quarter.

Margin loan interest was up 27% to \$149 million, as average margin loan balances grew 18% over last year's first quarter. The higher Fed funds rate bodes well for our U.S. dollar-denominated balances, which are roughly 3/4 of the total.

Net interest on segregated cash turned positive this quarter, and we earned \$7 million on these balances, due both to our opportunistic investment strategy as well as the mid-March Federal Reserve rate hike.

Securities lending net interest was \$110 million, down from \$175 million in the unusually active year-ago quarter. There were fewer hard-to-borrow names that investors sold short in the first couple of months of the quarter, particularly in January and early February, though we began to see more opportunities open up in March.

Interest from customer credit balances, or the interest we pay our customers, continues to be positive, because in currencies where rates are negative, we pass through some of the increased costs to customers. We earned \$9 million on these balances.

Now for our estimate of the impact of increases in interest rates: we expect the next 25 basis point rise in rates to produce an additional \$124 million annually.

Note that our starting point for this estimate is March 31 when the first 25 basis point increase in Fed funds had already occurred. The \$124 million estimate is for a second rate increase and is in addition to the \$165 million increase for the first rate hike that we estimated last quarter.

As current market expectations include larger rate increases, we note that a 50 basis point rise in rates would produce an additional \$175 million annually. This does not take into account any change in how we may adjust our investment strategy to take advantage of newly higher rates or any change in our assets.

About 28% of our customer cash balances are not in U.S. dollars, so estimates of U.S. rate change impacts exclude those currencies.

In conclusion, the first quarter produced a solid start to the year, reflecting our continued ability to grow our customer base, take advantage of opportunities as they arise, while managing the business effectively with strong expense control.

And with that, we'll turn it over to the moderator, and we will open up for questions.

Question and Answer Session

Operator

(Operator Instructions) And our first question comes from Rich Repetto from Piper Sandler.

Rich Repetto

I guess the first question has to do with the -- just trying to understand, Paul, the interest rate sensitivity you just went through. When you say the next 50 basis points that we've had rate hike one and then the second one would be \$124 million. This 50 basis points, can we consider that -- this year, it looks like there's going to be -- at least the Fed futures continue to forecast 8 additional, so would that be hikes, what do you call it, 3 through 8? Could we apply that sort of sensitivity?

Paul Brody

Right. So we haven't mapped it all the way out, but I can tell you that the incremental numbers stabilize after maybe about 3 rate hikes. And that's because the rates are high enough that we're now paying customers credit -- interest on their credit balances. And so we're earning our spread. And the incremental amount we earn as the rates go up is on what we call fully interest rate-sensitive balances, in other words, balances that -- on which customers are not earning.

And after about 3 rate hikes of 25 basis points, that level has added about \$50 million incrementally per year for each 25 basis point increase. So we had \$124 million. Now we're looking at the incremental, as I said, 50 basis points, that \$175 million was equivalent to the \$124 million would be for 25 basis points, \$175 million would be for 50 basis points, hence about \$50 million extra for that next 25 basis points.

Rich Repetto

Got it. The clarification is helpful. I just wanted to get your view -- people are trying to understand and grasp where the retail investor is. And it looks like if I had to -- if you could sort of guide us, it looks like the more sophisticated trader, is still pretty strong, given the size of your

trades went up and a little bit more tilted towards futures. Would you size up retail engagement, who is trading these days? And is it sort of bifurcated between the sophisticated and sort of some of the newer investors we saw in the first quarter of last year?

Thomas Peterffy

So aside of the semi-sophisticated, the more sophisticated, I think, are -- just are trading away. They basically tend to focus more and more on options. And within that, they tend to do more and more vertical spreads. And what we like about vertical spreads, of course, is that it's very strategic just as much in down markets as it is in up markets. So we expect that even if the market starts going down, we will not suffer too heavily from lack of trading.

Operator

And our next question comes from Craig Siegenthaler from Bank of America.

Craig Siegenthaler

So in the prepared remarks, Paul, you commented how much stronger the organic growth rate is today versus before 2020. And that's continuing here into a more challenging backdrop in 1Q. Overall, what do you attribute this to? And Thomas, I know you've had target out there, I believe, around 40% going forward. But what gives you conviction and confidence that this strong organic growth trajectory will continue here?

Thomas Peterffy

Well, I think my target was 30%. But -- so I certainly don't believe that we will get 40%. It's possible, but extremely unlikely. And I'll be very happy with 30% account growth. And even that is -- those new accounts, as we keep going over, the fact that the new accounts tend to be somewhat smaller, although we do have several prospects -- larger prospects in the pipeline, but they tend to be basically in the introducing broker space, and they are likely to be, more and more, omnibus accounts.

In other words, when they join us, they will not show up in the account growth. So somebody could join us with, say, 100,000 accounts, but it will just show up as 1 account, because it is

going to be 1 omnibus account.

Craig Siegenthaler

That makes sense. And then just turning to capital return, you have \$10.5 billion of equity capital now. Is there a level where you can accelerate the return of capital to shareholders? And is one reason you have so much capital also because you're trying to win hedge fund prime business where the size of the balance sheet is critical?

Thomas Peterffy

You're absolutely right. We are going to keep on accumulating capital and firming up our credibility in the eyes of the investing public.

Operator

And our next question comes from Dan Fannon from Jefferies.

Dan Fannon

Just want to clarify, Paul, one thing on the rate sensitivity. So in addition to what you said for the next 2 hikes, but every 25 basis point hike after what would be the first 3, it will be a \$50 million benefit? Is that the way to think of it?

Paul Brody

Roughly. But of course, that's assuming no change in balances. And if our balances grow over time, those numbers will go up.

Dan Fannon

Right. And given you haven't changed your investment philosophy, but obviously, the backdrop for rates is a lot different today than it was 3 months ago. How are you thinking about that potentially as the year progresses and the rate backdrop changes? Should we see a shift? Or should we anticipate a shift in investment strategy based upon that backdrop?

Thomas Peterffy

No, no. So look, I very strongly believe that Fed rate hikes will have to go much higher to slow down inflation. That's basically -- we still have a negative 8%, right? I think that just going up 2% or 3%, and being a negative 6% or 5% is not going to be good enough. So I think that rates could go as high as 4% or 5%, and we are not going to lend money out for any further than for the very, very short term.

Operator

And our next question comes from Kyle Voigt from KBW.

Kyle Voigt

I just want to clarify, I think Nancy mentioned that Milan has joined the call. Is that correct? Is he on?

Milan Galik

That's correct.

Kyle Voigt

Just because you haven't historically had, I guess, much exposure to IBKR investors in this forum before. Just wondering if you could share a few maybe high-level thoughts on the state of the business, what opportunities you're spending the most time on operationally? And then what segments or initiatives that kind of excite you the most as you look out over the next 3 or 5 years for the company?

Milan Galik

So thanks for your question. I feel like Interactive Brokers is firing on all cylinders. We have a lot of projects that we are currently working on. We are still spending quite a bit of time on increasing our scalability. Our goal is to be able to service 10 million accounts, 10 million trades a day. We're getting close to be able to hit those numbers. So scalability continues to be part of our work.

We focus on the retail investors. As you might have seen, we have released the IMPACT app not that long ago. We have put online the GlobalTrader, which we just started marketing. So we are doing work that should appeal most to the retail client, if you will.

There is a substantial amount of effort we are putting into servicing the financial advisers. We are making it easier for them to onboard their clients. We're making it easier for them to service those clients. We're going to be gradually allowing the financial advisers to do more work for their clients than we previously allowed.

Our sales force is doing a great job in getting us institutional accounts, for example, the i-broker accounts, introducing brokers accounts. So we have a few in the pipeline that we're going to be onboarding this year.

We are working on a facelift of our MobileTrader. We are designing a brand new desktop trading platform, and I could go on. We're going to be adding products as we usually do. We're going to be adding new geographies for our international traders.

Kyle Voigt

That's great color. For a follow-up question maybe for Paul on the expense side. I think fixed expenses in aggregate were \$179 million in the first quarter. If we compare that to the first quarter of last year and even excluding the, I think, \$19 million or so of onetime Brexit expenses last year, the fixed expense growth rate was still only 8% or so year-on-year, which is lower than your historical growth rate as well as, I think, the guidance range, which is closer to that 15% type range for fixed expenses.

So just wondering how we should think about year-on-year growth in fixed expenses as we move through the remainder of this year?

Paul Brody

So by design, we've been increasing staff to accommodate our growing business, especially in Client Services, but also, we've ramped up Compliance over the last several years. So that's by design. And so when you see those numbers increasing, we're expecting that impact. And in fact,

we're hitting our targets, I think. And really, the rest are fairly stable.

When you see the G&A go up and down, it's because there's items in there that come and go. As we mentioned, there was about \$18 million that we spent last year related to Brexit and getting regulated in Europe that didn't repeat this year, hence those numbers came way off. So it's a little hard to pin down the overall growth rate, but probably the largest contributor may continue to be the employee compensation and benefits.

Kyle Voigt

Got it. So it seems like this type of growth rate is fairly good to assume for the remainder of the year. Is that fair? Is it now high single digits or low double digits? Just trying to get a sense of the growth rate we should be assuming in our models.

Thomas Peterffy

I think that low double digits are closer to the target than high single digits. So we are continuing to expand in Customer Service and in the number of geographies where we are establishing subsidiaries. So I would think that a 15% increase is probably a good guess.

Operator

And our next question comes from Chris Allen from Compass Point.

Chris Allen

I wanted to ask about the yields on margin balances, so a nice increase sequentially and year-over-year. I know you had some pricing changes in there. I'm just wondering if you could parse out what was driven by pricing changes and also what was driven by the recent Fed hike?

Thomas Peterffy

So what we used to do quite a long time ago was that our margin rates were between 0.5 point and 1.5 points over Fed funds. We have increased the bottom of that so that we are between 75 basis points and 150 basis points over Fed funds. That's the only change we have made.

Chris Allen

Understood. Was that impact for the full quarter?

Thomas Peterffy

Sorry?

Chris Allen

Was that impact felt for this full first quarter?

Thomas Peterffy

Yes.

Paul Brody

Yes.

Chris Allen

And then maybe a quick one just on execution and clearing costs. In addition to higher futures activity, the loss of the OCC fee waiver going away that impacted it - was that also a factor just in higher execution and clearing costs relative to where they had been running?

Paul Brody

I'm sorry. Can you repeat that, Chris?

Chris Allen

Yes. I mean I'm trying to figure out with the execution and clearing costs obviously ramped higher from where it had been running. You attributed some of that to futures activity, but the OCC fee waiver, which had been in effect for the tail end of 2021, that went away. So I'm just trying to figure out the differences both the 2, what's the driving factor there?

Paul Brody

Yes. Most of it was driven by the futures. There was an impact from the OCC fee holiday at the

end of the year coming back. It didn't come back at the full rate that they started last year at. Last year, they started at a higher rate, dropped it toward the middle of the year and then put a fee holiday on for part of the end of the year.

They reinstated it around -- somewhere in the middle, which is probably reasonable for them because they're doing such higher volume now. That impact was something like \$3 million to \$4 million in the quarter over the prior quarter.

Operator

And we have a follow-up question from Rich Repetto from Piper Sandler.

Rich Repetto

Yes. Now that we know we have Milan on the call as well, I want to get a question in for him as well, Milan. So Thomas has placed, I guess, the highest priority, the highest standard on technology driving Interactive Brokers' success. And I guess, from your standpoint, which of the areas in the technology really differentiate your platform? How do you see your platform and how it sets you apart from some of your peers?

Milan Galik

I think what sets us apart is the fact that I view our company as a technology company that applies its skill set to the financial industry. So we have a lot of programmers, a lot of technologists working for the company. As you may know, Interactive Brokers started as an options market-making firm. And what we were doing was building computer systems for trading options at the various exchanges.

So our mindset is technology. That is how we approach the problems. We look at workflows, the task flows that our clients have to execute on the platform, and we ask ourselves the question, how can we automate the process that they are executing, how can we make the process the most intuitive and the simplest for them? So that is our nature.

We obviously have a very strong sales force. But at the core, we are a tech company. And I

believe that's what sets us apart, the high level of automation, which you can clearly see in the 65-plus percent profit margin that we are running as a company. And that will never change. That is what we are counting on going forward, building new features for our clients, reviving the older ones, increasing the stability and scalability of our systems. That is what we are into. That is what we will continue to do.

Rich Repetto

Understood. Very helpful. And I got one last one for Thomas, getting back to the retail investor, Thomas. So we did see some deleveraging, or margin balances contracting a bit in a couple of months, I believe. And just trying to understand, we saw futures go up. We've seen the Russia-Ukraine event sort of stall, I guess.

So it appears that there was a lot of trading maybe in February with derivatives, but it seems like it's more stalled now. And just trying to understand who -- again, who is trading as we get into this period, if market conditions pretty much stay the same for the next couple of quarters?

Thomas Peterffy

So look, I mean, the way it works for us is half of our customers practically never trade. So something like 52% of the customers do 3 or less trades a year. Now set that up against the remaining 48% where the average customer with \$100,000 of assets in these accounts trades 230 times a year. And from there on, for every 60% increase in funds in the account, the trading volume doubles. And it surprisingly is a very straight line.

Rich Repetto

Okay. So the very sophisticated traders or semi-sophisticated traders, the ones with more assets, are more active?

Thomas Peterffy

Right.

Operator

(Operator Instructions) And we have a follow-up question from Craig Siegenthaler from Bank of America.

Craig Siegenthaler

I had a question on the mix of new account growth with 133 million accounts by geography. Any commentary on what it looked like on the way in? And I was particularly interested in Asia and Eastern Europe. And also any commentary on clients closing accounts or redemptions on the other side of that?

Thomas Peterffy

So we didn't really have redemptions other than Futu and Tiger Brokers going away, right? And there were some European introducing brokers who were extremely active last year, and they have -- their activity has drastically diminished this year. But -- so tell me again, what is it that you would exactly try to find out?

Craig Siegenthaler

I just wanted to understand what the inflow looked like by geography, if there were any regions that were outhitting their weight?

Thomas Peterffy

Inflow by geography, well, it's basically due to the -- so I'm looking at annual numbers here. And I -- and due to the, as I said, the going away of Futu and Tiger, our inflow from Asia is basically unchanged for the year. While for the Americas, it's up 11%. And from Europe, it's up 17%. So that's roughly -- those are the numbers.

Craig Siegenthaler

Thank you, Thomas. And I'd follow up to question on Kyle's question on expenses. But last year, the operating margin was high at 67%. It was a good commission backdrop. This quarter, it dipped to 64%. You talked about expense growth, I think, in the low double-digit zone. But also, how should we think about operating leverage? Should we really think about the margin really

capped kind of in the high 60s and really a ceiling where we are here?

Thomas Peterffy

Well, we find it very difficult to go over that hurdle. We keep thinking that one of these days, the growth will just exceed the continuous hunger to build new things, and the growth on the backbone that we have built up, to that point is going to exceed the continuing spending on new investments. But we haven't seen that happen yet. So we just keep thinking that may happen in the future, but it hasn't so far, and it certainly is not likely to happen this year, maybe later on.

Operator

And we have a follow-up from Kyle Voigt from KBW.

Kyle Voigt

I guess a follow-up question for Milan. You spoke about how IBKR has been and always will be a technology-first firm. But the company has also been putting a lot more focus on marketing. And in the prepared remarks, you spoke about growing marketing spend.

Just wondering if you could talk a little bit more about the marketing strategy, the shift in that strategy over the past couple of years? It seems like there's certainly more emphasis on that now. And then the trajectory, I guess, in terms of that marketing spend as we look ahead beyond this year over the medium term?

Milan Galik

So marketing is obviously extremely important. It doesn't matter what kind of technology we build for our clients and how low cost a provider we are if we don't tell anybody about it. So we have to explain ourselves very well and make ourselves attractive to the investors. So marketing is extremely important. We have been increasing our marketing spend, but we have been doing it gradually and responsibly.

At all times, we pay a lot of attention at what type of return we receive from the various marketing channels. And the ones that work for us well, we put more money into. And the ones

that do not pan out, do not work well enough, we take our spending back. And this will gradually continue.

Operator

And I am showing no further questions. I would now like to turn the call back over to Nancy Stuebe for closing remarks.

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 the site tomorrow. Thank you again, and we will talk to you next quarter-end.

Operator

Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.