

## Marex: Niche Leader in Consolidating Financial Services Market

Daniel Gladiš of Vltava Fund presented his investment thesis on Marex Group (US: MRX) at European Investing Summit 2025.

### *Thesis summary:*

Marex is a UK-based global financial services platform providing essential market access, liquidity, and infrastructure for institutional clients in the energy, commodity, and financial markets. The company operates four interconnected segments: Clearing Services, Agency & Execution, Market Making, and Hedging & Investment Solutions. Marex serves ~5,000 active clients and is positioned as a key provider for medium-sized funds, occupying a niche underserved by the largest banks (who require high commission minimums) and smaller independents (who lack global coverage).

The investment thesis rests on high barriers to entry and a favorable, consolidating competitive landscape. It took Marex nearly a decade from its founding to build its initial, small business, highlighting the difficulty of scaling in this space. Competitive intensity has declined, with the number of Futures Commission Merchants (FCMs) falling by about 50% since 2002 while client assets have grown. This consolidation has allowed Marex to become a top-10 FCM in the U.S. by client assets. Unlike most peers, Marex and its closest competitor, StoneX, are among the few players offering a comprehensive suite across all four service segments.

Marex benefits from long-term secular trends, including the increasing demand for cleared products and derivatives and the general expansion of financial and commodity markets. Near-term business drivers include higher interest rates and market volatility, making the stock an effective bet on future volatility. Growth is achieved through a combination of organic initiatives and a disciplined M&A strategy, with a target 60/40 organic/inorganic mix. Transformative acquisitions like ED&F Man and the TD Cowen prime brokerage business have expanded its customer base and service offering, driving strong client growth; clients generating >\$1M in revenue grew at a 54% CAGR from 2021-2024.

The company has a 10-year track record of strong profit growth through varied market conditions, growing Adjusted PBT from \$16 million in 2014 to \$321 million in 2024. The business is also becoming more stable; while average monthly PBT has grown, its standard deviation has not grown proportionally, making earnings more predictable. The balance sheet appears highly leveraged, but ~80% of assets are driven by client activity and net out, leaving a modest residual balance sheet. Marex maintains an investment grade rating and strong regulatory capital ratios (2.42x the requirement). FCF conversion is high, in the mid-90% range.

The opportunity exists because Marex is a UK-based, financial small-cap (\$2.2 billion market cap) with a short public history, making it ignored by passive strategies and difficult for outsiders to assess. A recent short report, viewed by the presenter as a “non-issue”, has also applied pressure to the stock. Based on UBS projections, the shares recently traded around \$30, or approximately 7.7x 2025E earnings. These consensus estimates forecast ~10% annual EPS growth based only on organic expansion, and crucially, they do not include any

contribution from future M&A . This omission suggests current earnings projections may underestimate the company's true growth potential.

*The following transcript has been edited for space and clarity.*

**Daniel Gladiš:** This is my 14th consecutive presentation at the European Investing Summit, and it's always a highlight of the year for me.

The company I'm going to talk about is called Marex, or Marex Group. It's a small UK company with a market capitalization of about 2.2 billion. It's listed on Nasdaq and it was started 20 years ago, but it's been listed only for 18 months, so it's a relatively unknown company. I watched their Investors Day six or seven months ago and they had very detailed presentations. I used some of those slides to accompany my talk.

During their presentation, they used this quote from one of their investors saying that it is extremely rare to see a small-cap financials company that has a genuine source of sustainable competitive advantage. I completely agree with that, and it summarizes what I think about Marex.

What does Marex do? Marex is a global financial services platform. It provides access to markets, provides liquidity, provides infrastructure services, and not only in financial markets but also for markets in commodities and energy markets. It has about 5,000 clients, so it's not a retail broker or retail service company. It services only institutions. It has offices in 40 countries around the world. It covers 60 exchanges, all the main exchanges in the world. In the first half of the year, it had about 1 billion dollars of revenues and about 200 million of pre-tax profit.

Their business has four parts. The first one is clearing services, where they provide connectivity to main global exchanges for their customers. On top of that, there's the agency and execution business, where they act as an agent between buyers and sellers. Then they have a market-making business and hedging and investment solutions, which are smaller segments but with bigger markets and require either more risk in terms of market making or more creativity in terms of hedging and investment solutions. Their clients are not only investment funds and asset managers and participants in the financial markets, but also commodity consumers, commodity producers, and large banks.

They are spread all over the world. They are connected to 60 exchanges, pretty much all the important ones. Their revenues are split roughly 50/50 between Americas and Europe and Middle East and Africa, with some small remainder coming up from APAC countries.

It gives you a 10-year track record of their profit growth under a variety of conditions. But what I find interesting is what is not on this slide. If you look at the beginning and think that the company was started in 2005, it took them nine years to go from nothing to about 16 million of pre-tax profit. It takes almost a decade to build some business, which is still very small. It was a startup in the beginning, and it took nine years to build a business that brought only 16 million of revenues.

The 10 years after that, the growth has picked up. It's exponential as they were able to redeploy their capital both towards organic growth and to acquisitions. From 16 million of pre-tax profit 10 years ago, the business generated 321 million a year ago. When you realize how long it takes to build a business like that, part of my thesis is that it's a business where

barriers to entry are very high. The barriers to succeed are even much higher.

The business is successful under a variety of conditions. If you think about the last 10 years, most of the time we had positive global GDP growth, but we had one year, 2020, when there was a severe global recession during COVID. For the beginning of the period, we had Fed fund rates or interest rates close to zero, and then they went up fast. We had record low volatility in 2017, and then three years later, the volatility was very high. The commodity prices were all over the place. In each of these years, in each different combination of all these environments, Marex was not only profitable but was also able to grow the business every year.

When you think about what drives their business, it generally is the general growth of the size of the financial markets, number of participants, number of assets, and volumes on the exchanges. Number two, it's the interest rates. Higher interest rates are good for them because they are able to earn higher interest income on customers' balances. Volatile markets are also good because higher volatility brings more trading volume, bigger spreads, and bigger margins. I view Marex, in one way, as a bet on the future volatility in markets.

We are a client of Marex. Our fund was started in 2004, and for the first 15 years or so, we used Newedge and Fimat in London as our prime broker. Fimat was owned by the French bank Société Générale. After Brexit, SocGen decided to cut down on this business and refocus it. We looked for another prime broker and five years ago, we switched to Cowen, which two years ago was acquired by Marex. Two years ago, we became a Marex customer by way of acquisition. We were able to appreciate the prime brokerage part of their business for a couple of years before that. At the time when we became a Marex customer, Marex was still a private company. It was only listed about six or nine months later.

When you look for a prime broker and you are a medium-sized fund—a medium-sized in Marex's definition is a fund with assets between 25 and 500 million—it's quite difficult to find a good prime broker. If you want someone that has global coverage and offers all the services that you want, you can try to go to J.P. Morgan or Goldman or Morgan Stanley, but they would require you to guarantee, let's say, a minimum of \$1 million of commissions. For many smaller funds, medium-sized funds, this is too high.

On the other hand of the spectrum, there are many smaller independent brokers which are happy to take smaller customers, but they do not provide global coverage and they do not offer all the services. If you are a medium-sized fund, if you want global coverage and good quality of services, Marex is one of very few choices that are available. Their closest peer would be a U.S. company called StoneX, which is of similar size, of similar services, and is also listed in the U.S. Marex is one of very few choices that you have. They're not competing as much on pricing, although their prices are competitive, as much as they compete on just being there and being able to service medium-sized customers.

When I look at the competitive environment, not only does Marex have a strong moat because it's on the other side of the barrier, but the competition, in one way, is weakening. It can be demonstrated that over the last 22 years or so, the number of FCMs (which is the futures commission merchants) that cover all the exchanges where Marex is active, is down by about 50%, while at the same time, the futures funds are up about four or five times. You have less brokers to cover many times more assets.

Marex is now a top 10 FCM company with about 8.7 billion of segregated funds. It's bigger than companies like BNP, Mizuho, UBS, Wells Fargo, etc. The top players, of course, are J.P.

Morgan, Goldman, Morgan Stanley, Bank of America, etc. If you look at the closest peers, they compete in various segments that Marex services, but only StoneX is the one that covers all the four segments that Marex is covering.

The main long-term secular driver is the size of the financial markets. You can try to demonstrate it using various statistics. One of those that Marex is using shows how fast the number of contracts that are traded on the exchanges that Marex covers has been growing. Between 2014 and 2021, the number of contracts went up from 7.9 to 10.1 billion. That's only about 4% per year. But then in the three following years, it went up by 11% per year. The demand for all these products and derivatives for clearing services is increasing faster and faster. There's also increasing demand for energy and commodities for hedging.

The financial markets are covering more and more products, not only in financial markets itself, but also in cryptocurrencies, derivatives, commodities markets, etc. The size of the markets continues to grow not only with GDP but much faster because there's more and more participants, more products being created, more trading, etc. I think this long-term secular driver will probably be here for a very long time. Volatility, with interest rates, and the number of customers that Marex is serving are the main business drivers for their future.

Marex has four lines of businesses, and the two biggest ones are clearing and agency and execution. They are relatively stable, and the expectations are you can forecast them. They don't require too much risk, and this is the base of their business. The other two segments, market making and hedging and investment solutions, are much smaller, but they do require certain market risk books and creativity.

The size of the business of Marex has about tripled over the last three years in terms of revenues, and also in terms of customers. It's also interesting to note, and this is very important, that the business of Marex over time is not only growing, but it's also becoming more predictable and more stable. If you go back to 2021, their average monthly profit before tax of the whole Marex Group was about 6.6 million with a standard deviation of 3 million. Two-thirds of the months, the monthly profit was between 3.6 and 9.6 million. In the first half of this year, the average monthly profit before tax was 30.4 million, about five times bigger, but the standard monthly deviation was only 5 million. That was only 60% higher than four years ago.

In the first half of this year, two-thirds of the months were between 25 and 35 million of pre-tax profit, and Marex had only five small negative profit days in the first six months of this year. Not only the business is growing, but it's also becoming a lot more predictable and stable, which I think in this business is very important.

Marex has been growing over time by a combination of organic growth and acquisitions. They've been doing quite a lot of acquisitions. Every year they do a couple of them. The two really transformative ones were the acquisition of ED&F Man brokerage business in 2022, which brought them a lot of brokerage customers and access to various markets. The second one was the acquisition of prime brokerage business from TD Cowen two years ago in December 2023. This enables them to complete their product offering and attract more business.

They try to show how much of this business is coming from acquisitions and how much is coming from organic growth, but it's difficult in practice to differentiate. I'll give an example. When they acquired TD Cowen prime brokerage two years ago, the prime brokerage business itself had about 80 million of annual revenues. Now, the running rate is about 210 million of

revenues. Two years later, the business is two and a half times bigger. It's difficult to say how much of that is because of the acquisition and how much of it is because of the organic growth. Of course, the initial impact was from the acquisition, but after they were able to integrate the prime brokerage business to Marex Group, they were able to offer it to their existing customers and they were also able to attract new customers because they had a broader service offering. In general, it's a combination of organic growth and acquisitions, but it's difficult to say which is which.

When Marex does acquisitions, they're of course very careful in how much they pay. Usually, the acquisitions are not, I would say, house-betting or transformative. Usually, they just add on bits and pieces to their existing strategy. They always look at acquisitions and their success in two ways. First, how much they pay above the financial net assets that they acquire. Because we are talking in the financial business, the balance sheet of all these firms, Marex and the acquired firms, consists mostly of financial items. What is important is how much financial net worth you're acquiring and how much goodwill you're paying above that. That's one measure. Historically, the goodwill is very small. The second metric that they look at is how much run-rate profit after tax the acquisition contributes immediately and in subsequent years.

For example, in 2023, they spent 50 million on acquisitions, and in that one year, they brought 10 million of profit after tax. In subsequent two years, they spent another 15 and another 85 million, so cumulatively 150 million. The actual contribution of profit after tax is about 70 million and the run rate is about 150 million. They always try to look at those metrics, and they also publish them during their presentations. I think they are very careful about what they buy and how much they pay.

Their closest peer, StoneX, has acquired R.J. O'Brien, which is the U.S. futures and brokerage and clearing, for 900 million this year, which is about 5.3 times EBITDA. Marex was also looking at it but decided that it's too expensive and would not fit ideally into what they already have. They are perfectly, I think, willing to walk away from opportunities if the opportunities are not attractive enough.

The business is not only growing, but as I said, is also becoming more stable and predictable. Over the last three years, the number of customers that they have went up two and a half times. The number of clients that pay over 1 million of annual revenues is up about three and a half times. Three years ago, they had 73 customers that were bringing more than 1 million of revenues annually, and now, at the end of last year, it was 269. If you go back to the past, maybe to a year like 2018, the number of clients that were bringing 1 million a year was maybe 15. The business is really growing and becoming more robust. The risk exposure towards individual clients is also very diversified, with no single client representing a lot of risk exposure. The number of clients that are bringing between a quarter million and 1 million is also up nicely over the last year.

Of course, because we are talking about a financial company, it's not only about revenues and earnings and earnings growth, but it's also about risk and balance sheet. When you look at the balance sheet of Marex Group, it looks to be inflated. At the end of June '25, it shows net assets of 1.1 billion and total assets of 31 billion. It looks like almost 30 times leveraged. But it is important to see that a lot of this balance sheet, about 80% of it, is driven by client activity. The assets and liabilities on both sides are driven by client activities, and they net each other out. When you take them out, you see that the residual balance sheet is much smaller. The residual balance sheet shows, for example, only about 5 and 1/2 times leverage. 5.9 billion of total assets, which is made mainly of short-term, short-duration, highly liquid

instruments with relatively low debt. Marex has an investment grade rating.

For example, when we hedge a currency in our fund, we use forex swaps and forwards with Marex. When we hedge 100 million of currencies, on Marex's balance sheet, it shows up as 100 million both on the assets and liabilities side, but the real market risk, because these contracts are only a couple of months long, is only a small fraction of those 100 million. On top of that, they are many times covered by our own balance sheet. This is an example of how the balance sheet of the whole group should be viewed. The client balances, the repos, securities lending, derivatives, a lot of that on the balance sheet cancels itself out.

From the regulatory point of view, Marex is viewed as a bank. It has certain capital requirements. The required capital, which is smaller than for a bank, is still significant. Presently, the capital requirement is 342 million, and the regulatory capital is 827 million. It's two and a half times bigger than the requirement. It's also very liquid.

When you look at the risk, of course, every company like that would tell you that their risk management is superb and that it's all excellent, everything is well covered, etc., etc. This is usually the case also for companies that shortly after that go bankrupt. You should think about where the risk in a business like this comes from. The two main sources of risk come from clearing services; especially, there's a credit risk towards their counterparties. The second main source of risk comes from their market making because although Marex doesn't really do proprietary trading, market making always requires some inventories, and even if you try to be neutral, from time to time you always end up with positions which carry some sort of risk.

When you look at the historical track record, over the last 3 1/2 years, beginning 2022 and ending in June of '25, their total cumulative credit losses were about \$7 million. \$7 million is less than 0.2% of revenues. This number is very low. The credit losses were 1 million in 2022, 1 million in '23, 4 1/2 million last year, and 0.7 million in the first half of this year. Of course, it's expected that the absolute number would grow because the business is now much bigger than three years ago, but as a percentage of revenues, I think it will remain as low as it has been in the last several years.

When you look at the cash flow generation, the cash flow conversion is very strong. It's in the mid-90s. That's because as a financial company, it doesn't really have much capex. Marex does have some capital expenditures, which are mainly directed towards technology investments, but they are relatively very small. Most of the net income shows up as free cash flow.

In terms of the capital allocation policy, it's pretty standard. They, of course, try to support the existing business, support the customers' balance sheet. They support organic growth opportunities. They started paying a quarterly dividend. They're looking, of course, all the time at potential acquisitions. They never talked about buybacks until recently, because the stock price has been declining. The IPO was in spring of 2024, a year and a half ago. The stock IPO'd at around 20. The stock went higher and peaked above 50 in spring of this year, and then kept declining towards 30, which is where it is at the moment. At the last call, a couple of weeks ago, the management said because the price is so low, they are now going to look at buybacks as one of the potential ways to put their capital. They haven't done any, but I think the stock is really attractive and probably much more attractive than most potential acquisitions.

The stock is covered by only a few analysts so far, and that's because it's a smaller company

and it has a short history. It's also a UK company which is listed on Nasdaq. What I'm using here as future projections are projections from UBS, which is probably the only major house that is covering Marex. They also came up most recently with a very detailed research note. According to their expectations, the stock is now trading—the stock price is around 30—at around 7.7 times this year's expected earnings. UBS expects the earnings per share to grow by about 10% per year and expects the ROE to converge from mid-20s currently to mid-teens over time. The P/E would go towards five.

What is important... the stock is definitely very cheap. What is also important to realize here is that it's usually an analytic consensus to not include potential future acquisitions in the forecast. The acquisitions are typically included in the forecast not even when they're announced, but when they are settled. This forecast only assumes about 10% organic earnings growth, which I think hugely underestimates the potential of the company, because the company can probably grow twice as fast if they continue deploying capital towards certain acquisitions. If they don't, then 10% earnings growth still would justify a higher valuation. If they are able to grow faster, which I think they will, not only will the earnings grow faster, but the multiple should probably also be much higher than it is.

Why is there an opportunity here? I think I can think of several arguments. The stock has a short history on the stock exchange. It's been listed for only 18 months. It's a UK company listed on Nasdaq. It's UK, it's the financial industry, it's a small cap. In the world where most of the money is being invested passively, the passive flows ignore companies like that. It's difficult for an outsider to assess the quality of the business.

If you compare it to, for example, Interactive Brokers, which is a different business, but it does a lot of retail customers, it has millions and millions of customers. It has become almost a household name. Marex is probably a more sophisticated and developed business than Interactive Brokers, but it has only thousands of customers because it only services institutions. For the average investor, it's more unknown. It's difficult to assess the quality of the business.

We as customers of Marex, are extremely happy with what they do. We have met with them a number of times. Of course, our knowledge is very good of the prime brokerage business and smaller of the other parts of the business, but we have a very good opinion of the business in itself. I think the barriers to entry in this particular business are very high. It takes a lot of time, a lot of money, and a lot of effort to build the business and the customers that Marex already has.

The stock price was helped two or three months ago, when some anonymous entity that calls itself NINGI Research published a short report on Marex, and the stock price reacted, not dramatically, but it did react negatively, moving from, I think, mid-30s or high-30s to about low-30s or to 30, where it is now. I think it creates an opportunity. You can Google... I don't know who the NINGI Research people are. No one seems to know, but I've read the report in great detail. I talked to the company, I talked to UBS, I talked to some other shareholders, and I think it's basically a non-issue, but it pushed the price temporarily lower, which I think is good.

**John:** Great. Daniel, thank you so much for the thesis. Since you just finished up with the short report, what's, in a nutshell, their main contention?

**Daniel:** They mentioned about eight or nine points. They talk about, five years ago, that Marex had some hidden structure in Luxembourg that was not properly disclosed. They talk

about the leadership history, pointing out the fact that the CEO 20 years ago was working for Lehman Brothers. They say that their market-making profits seem to be too high. They criticize the fact that the private equity funds which financed Marex when it was private have mainly sold the stock since the IPO, which you would expect. They also criticize something on the audit side, but I think it was basically a non-issue because some of these things were wrong, some of it completely immaterial. I studied it a lot because it surprised me, but I think it's a non-issue. It's about 40 pages, and if you look up NINGI Research on their website, you can download it.

**John:** What do we know about the customer experience and how happy customers are with the firm? For example, with Interactive Brokers, there's tons of evidence out there that customers are very happy with the value proposition and what they get. What do we know here?

**Daniel:** It's a bit of a different business. I can judge from our experience using the prime brokerage services. Their customer service is on a different level. Interactive Brokers is more of a take-it-or-leave-it service, where even if you are an institution, it's quite difficult to get attention from them, to get coverage, to deal with any issues. It's like you buy the package and you use it. The service is very good, it's competitive, it's cheap, but the service attention from Marex is completely different.

You have your own... you have people, they cover you. You can talk to them at any time. If you have any issues with reporting, with pricing, with settlement, with anything, with products that you want to be offered, with access to exchanges, etc., you get it done immediately. It's completely different. It's also more tailored. They have 5,000 customers, not millions. They are able to focus on customers really well. The pricing is very competitive. I can compare it to the pricing that we had before with Newedge and Fimat. We introduced several other funds to them, and they have all been using them. As far as I can tell, they've been quite happy. I'm very happy. For me, the best thing is that everything runs smoothly and I don't even have to think about it. That's the relationship I'd like to imagine.

**John:** Can you talk a little bit more about why they went public? What are the advantages of that?

**Daniel:** They were started in 2005, and I can imagine that they were started as a really small company by a couple of individuals, and they started by providing just one simple, single service and they kept widening it. As the business grew, they needed more and more capital. They turned to private equity funds as a source of capital. I think it was envisioned from the very beginning that the exit strategy would be to list the company on the exchange because the private equity funds would expect something like that to happen. Of course, you can in theory look for financing from companies that would indefinitely be your owner and provide financing. But I think it's much easier to find the financing if you provide the carrot of a future listing.

The private equity funds are now mostly gone. The management owns a material stake. They were buying two weeks ago. One of their reactions to the short report was that they pre-announced the three-quarter earnings, which was very good. The earnings were very strong. The business keeps growing. The customers' balances keep growing. It also allowed the management to start buying the shares shortly after that because otherwise they would have to wait for the full announcement, which I think comes next week or the week after next. I think it was planned from the very beginning that there would be an IPO at some point.

**John:** Makes sense. Could you provide a bit more color on the insiders and how you feel they're treating the minority shareholders here?

**Daniel:** The public history is only 18 months old, so you don't have much to talk about. The management seems to be very experienced. The CEO joined Marex in 2012, was previously in Barclays and Lehman. The COO also joined many years ago. All these people have decades of experience in the industry, and they all own a material amount of shares in the stock.

When you look at the compensation, 75% of their bonuses are tied to financial performance, which is split 50/50 between pre-tax profit and EPS growth. One quarter of their bonus is tied to strategic goals, which I'm not sure what they are, but 75% are to earnings and EPS growth. I'm pretty happy with that.

But, of course, the question that many people will ask in a business like that is, what do you want to look at if you want to make sure that a business like that doesn't blow up? If you look at history, there were a number of institutional broker collapses: MF Global, Refco, Knight Capital, of course, Lehman Brothers, etc. I researched them and I tried to look for patterns. I think the most typical ones are that companies disguise proprietary trading as client flow. I think that would apply to MF Global or Barings. Another example would be where the business has a liquidity and leverage mismatch, which I think would be the case for Lehman, Refco, or MF Global. Then there might be an operational failure. I think that would be the case for Knight Capital, when I think there was a software glitch which sent millions of erroneous orders to the market, etc. I'm trying to look for the patterns to watch and to identify them in the behavior and in the accounts.

Of course, operational failure, you cannot detect up front. But the things like proprietary trading disguised, the liquidity mismatch, inadequate segregation of client funds, concentration on a single client, etc., that would be something that you might be able to detect. These would be the most important things, I think, to watch in businesses like that.

**John:** That's a good note to end it on. Daniel, thank you so much for taking the time to join us again and articulate this thesis to fellow members. We truly appreciate it.

*About the instructor:*

Daniel Gladiš, based in the Czech Republic, has amassed a market-beating track record since starting VLTAVA Fund in 2004. VLTAVA Fund is a value-oriented, research-driven investment fund focused on investing in good companies run by quality management. Previously, Daniel was Director and Chairman of the Board of Directors of ABN AMRO Asset Management (Czech) from 1999–2004. He was also Director and founder of Atlantik finanční trhy, a.s., a member of the Prague Stock Exchange. Daniel is a graduate of VUT Brno and has authored the best-selling books *Naučte se investovat* (Learn to Invest) and *Akciové investice* (Stock Investments).