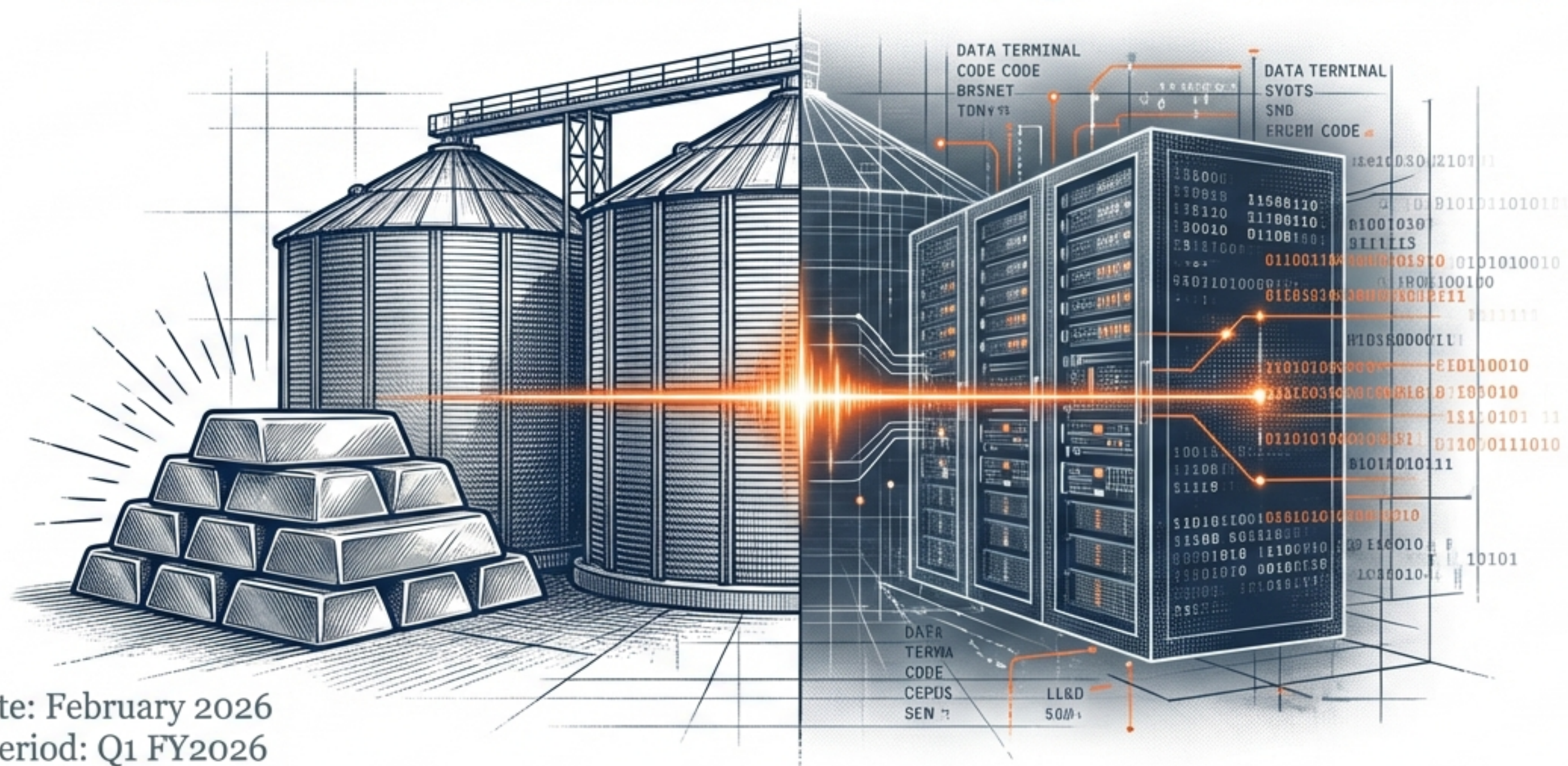


StoneX Group Inc. (SNEX): The Paradox of the ‘Un-Bank’

Investment Analysis of the Market’s Largest Non-Bank FCM



Report Date: February 2026
Analysis Period: Q1 FY2026

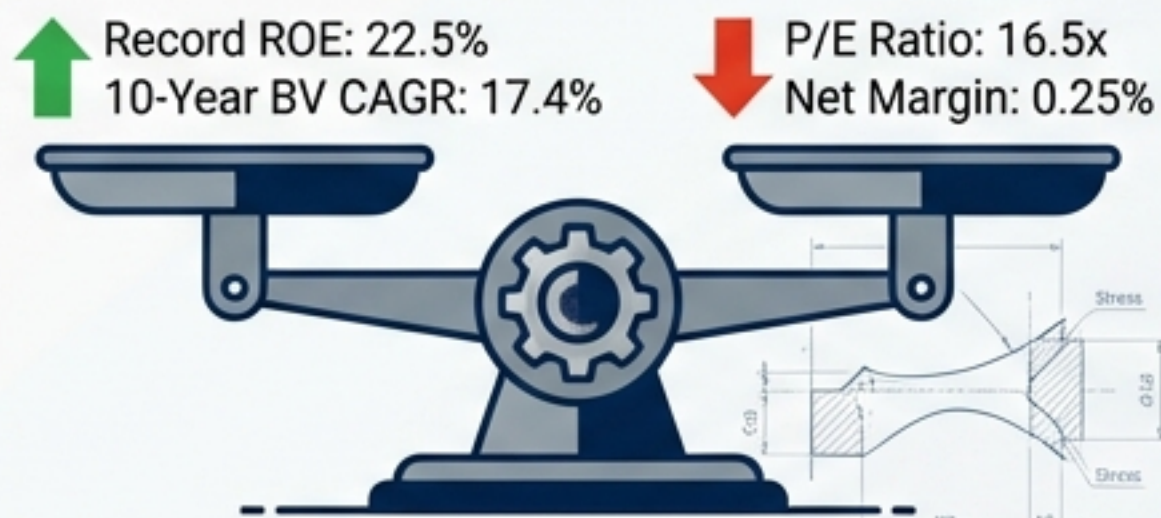
A complex financial ecosystem capitalizing on the retreat of global banks, currently trading at a conglomerate discount.

Executive Summary: Record Performance Meets Market Skepticism

The Investment Thesis

StoneX is the beneficiary of a structural “Great Bank Retreat.” By acquiring R.J. O’Brien (RJO) for \$900M, it has cemented itself as the dominant non-bank Futures Commission Merchant (FCM). It has created a “financial ecosystem” that mimics Tier 1 bank capabilities without the regulatory straitjacket of a Bank Holding Company.

The Valuation Tension



Performance is at record highs, yet the market assigns a discount compared to peers like IBKR (23.5x), fearing a “conglomerate discount” and complexity risk.

The Verdict Preview

The company is a rational capital allocator effectively consolidating a fragmented market. However, current returns are buttressed by a “sugar high” of interest income (\$581M annualized). We view this as a “Picks and Shovels” play on financial fragmentation, heavily levered to interest rates.

Thesis: A “Picks and Shovels” play on financial fragmentation, heavily levered to interest rates and subject to integration execution risk.

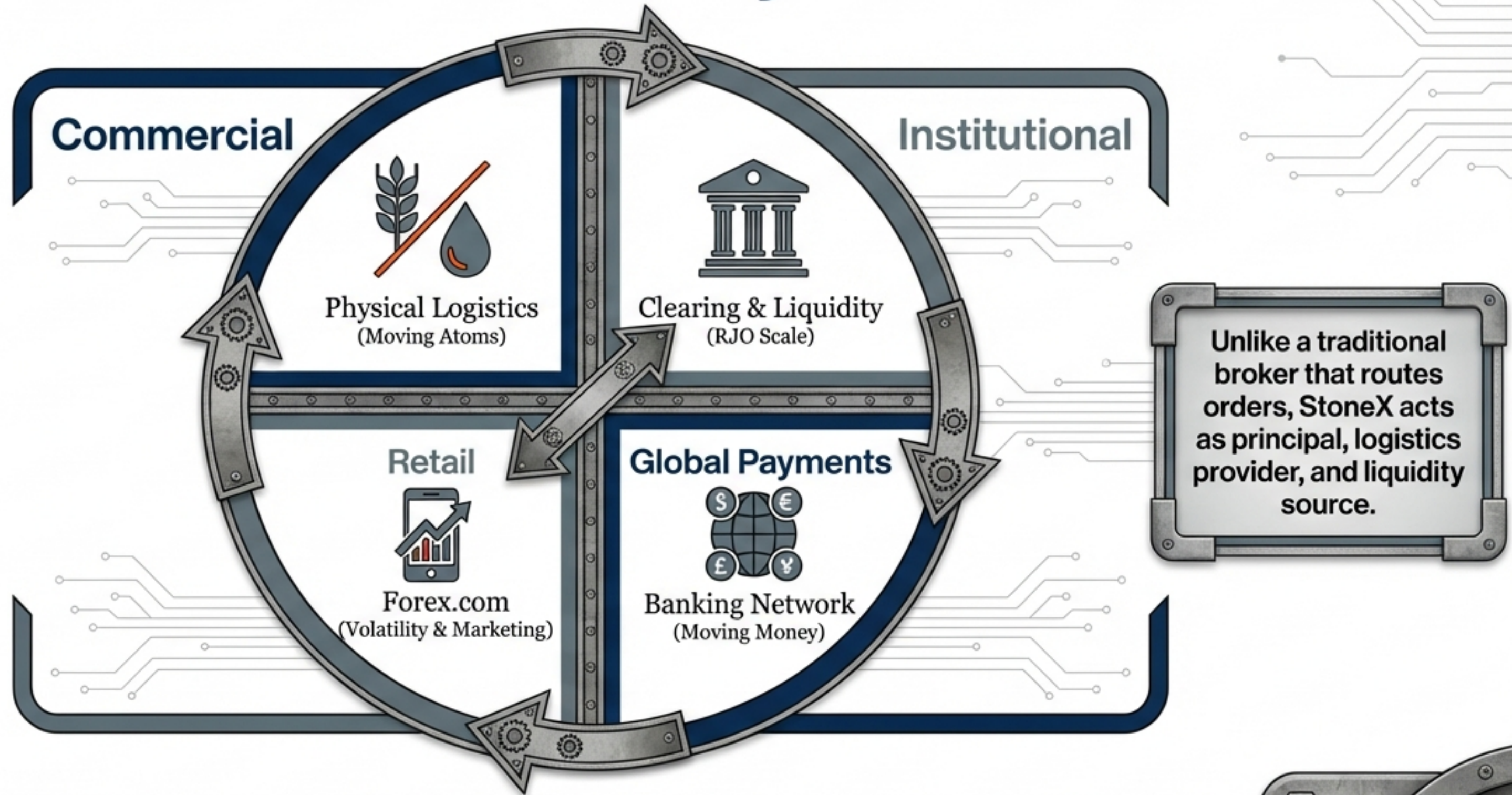
The Macro Context: Capitalizing on the Great Bank Retreat

The Void Analysis



Key Takeaway: StoneX exists to service the "messy" middle market that global banks abandoned and tech-brokers cannot service.

The “Un-Bank” Ecosystem Model



Key Takeaway: A diversified revenue mix: Moving “atoms” in Commercial, moving “risk” in Institutional, and moving “money” in Payments

Commercial Segment: The “Physical Moat”

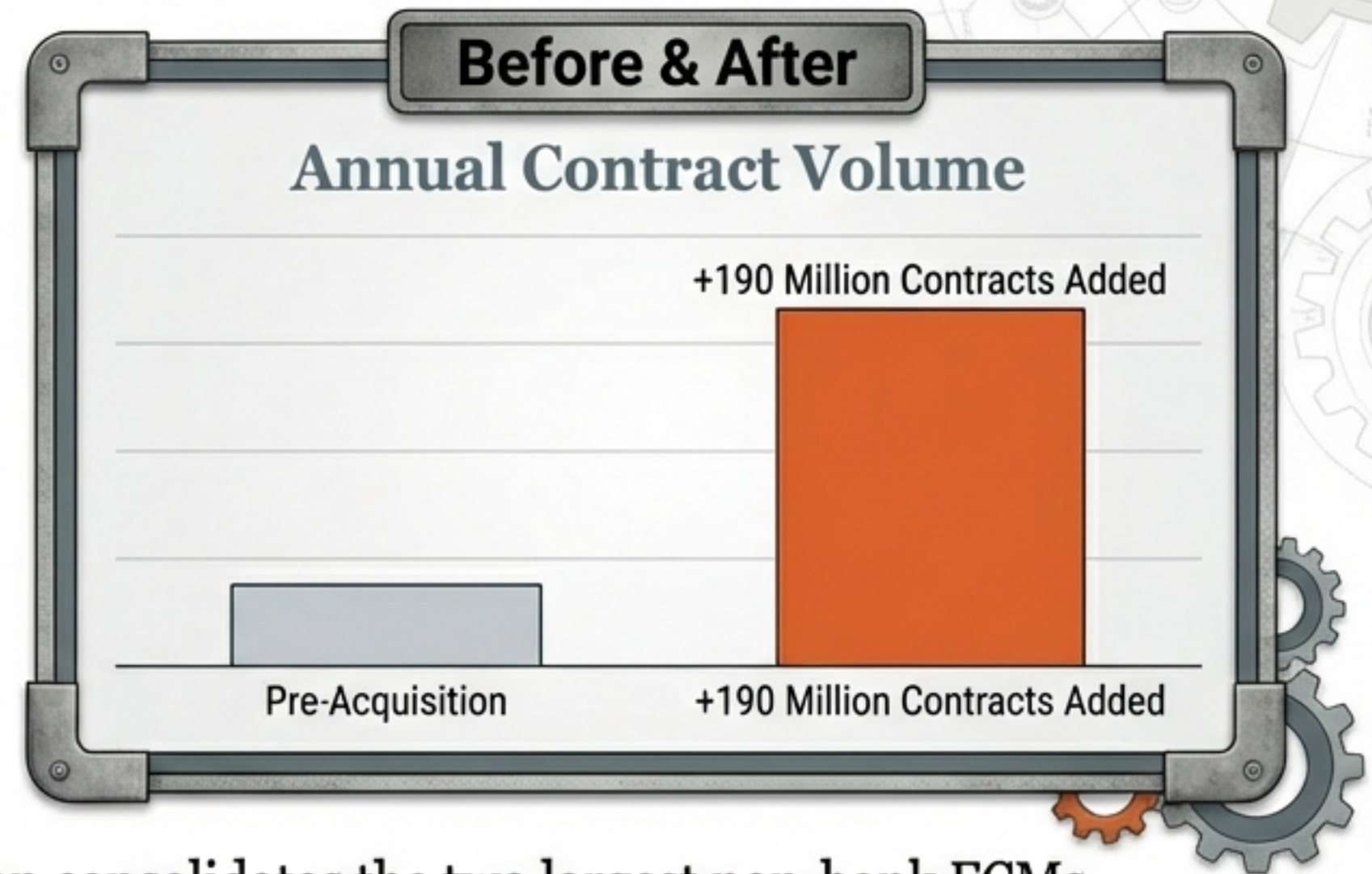
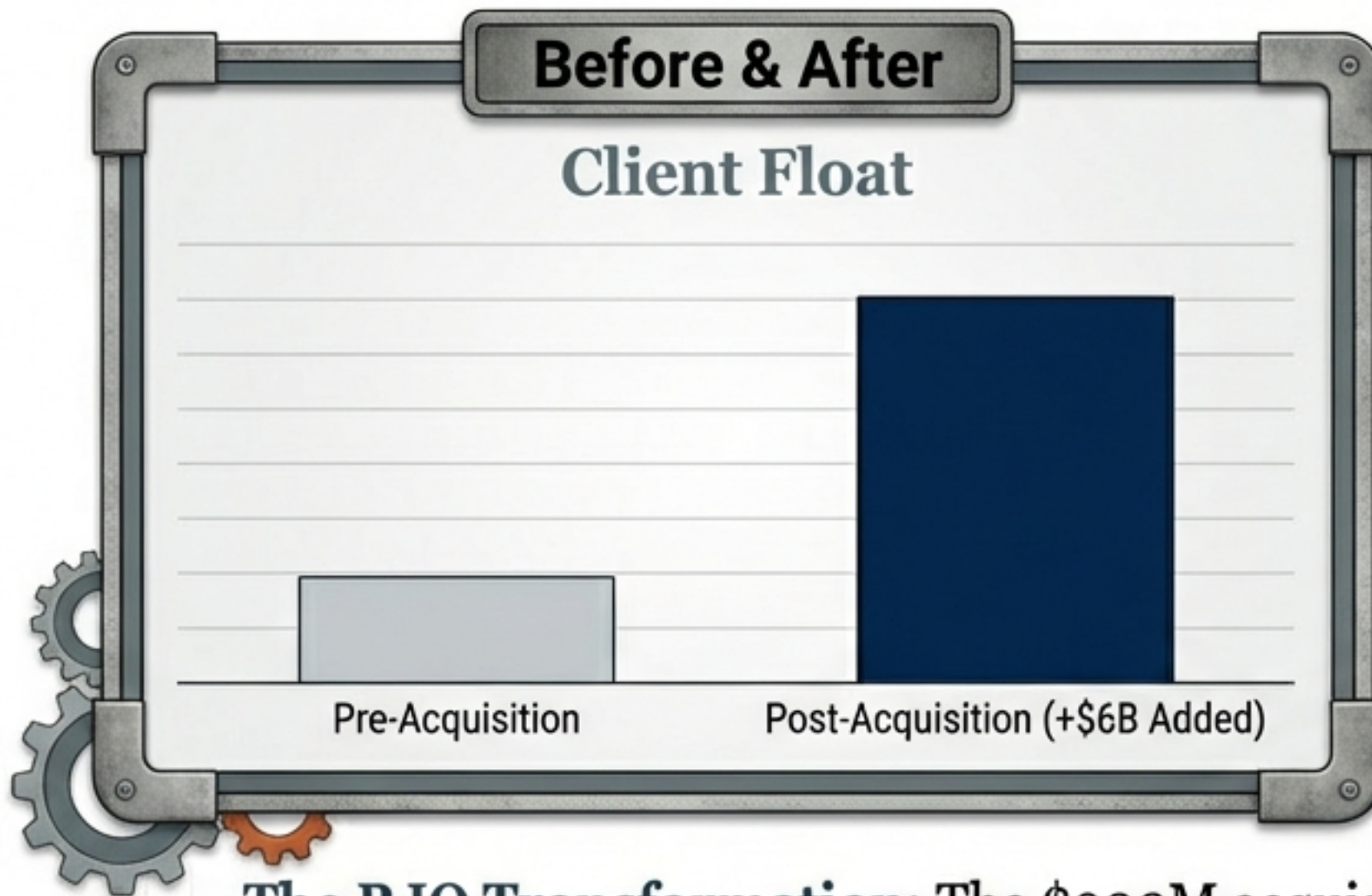
		StoneX (The Physical)	Interactive Brokers / Tech Peers (The Digital)
1	Assets	Owns vaults, leases trucks, refines silver (JBR Recovery).	Server farms, Code.
2	Capabilities	Physical Arbitrage & Delivery.	Electronic Execution Only.
3	Recent Performance	\$75M Windfall in Q1 FY26 from precious metals locational arbitrage.	N/A



This is the defensible core. Competitors can code software, but few can replicate a global logistics network for grain and gold.

Key Takeaway: The ability to handle physical delivery creates a barrier to entry that digital-first competitors cannot cross.

Institutional Segment: R.J. O'Brien & The Scale Advantage



The RJO Transformation: The \$900M acquisition consolidates the two largest non-bank FCMs.

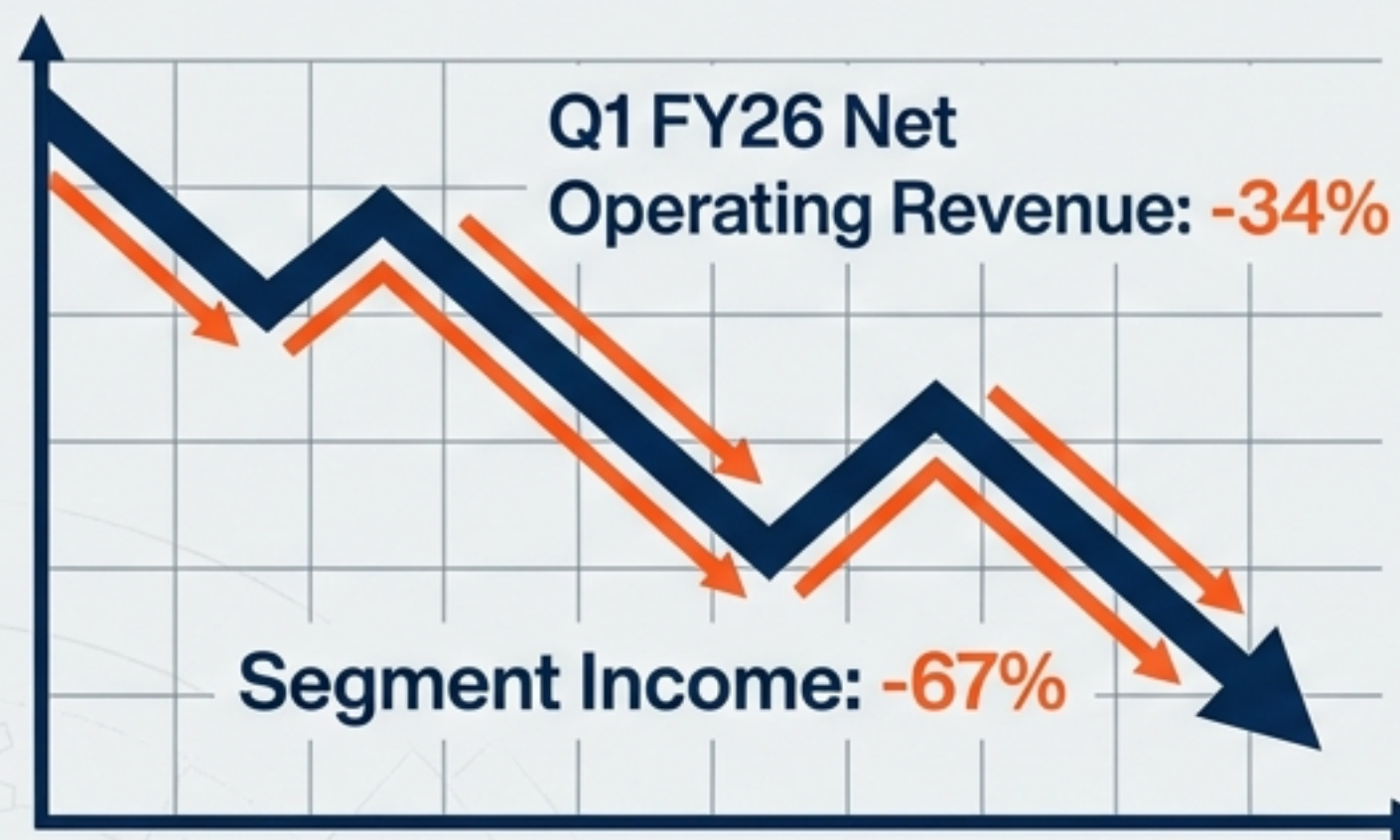
Network Effects: In clearing, volume = liquidity. Massive flow increases allow StoneX to internalize spreads.

Strategy: Targeting mid-sized hedge funds (\$50M-\$500M AUM) offboarded by Goldman/Morgan Stanley.

Key Takeaway: RJO transforms StoneX from a niche player into a market utility, providing the critical mass needed to compete for institutional flow.

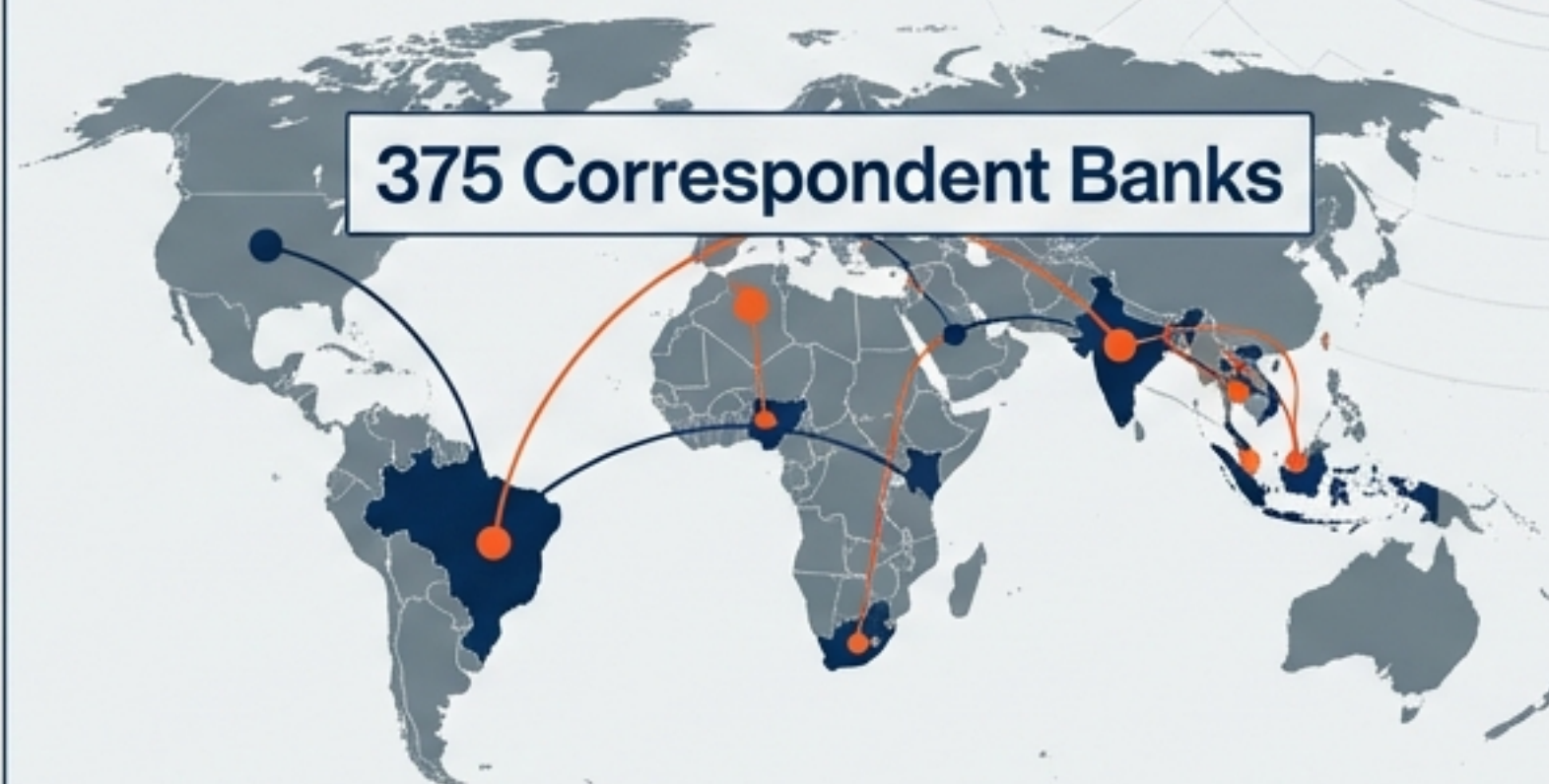
Retail vs. Payments: The Funding Engine & The Hidden Jewel

Retail (The Problem Child)



Context: Forex.com / City Index. High churn, high marketing spend. Useful for Free Cash Flow, but commoditized and volatility-dependent.

Global Payments (The Jewel)

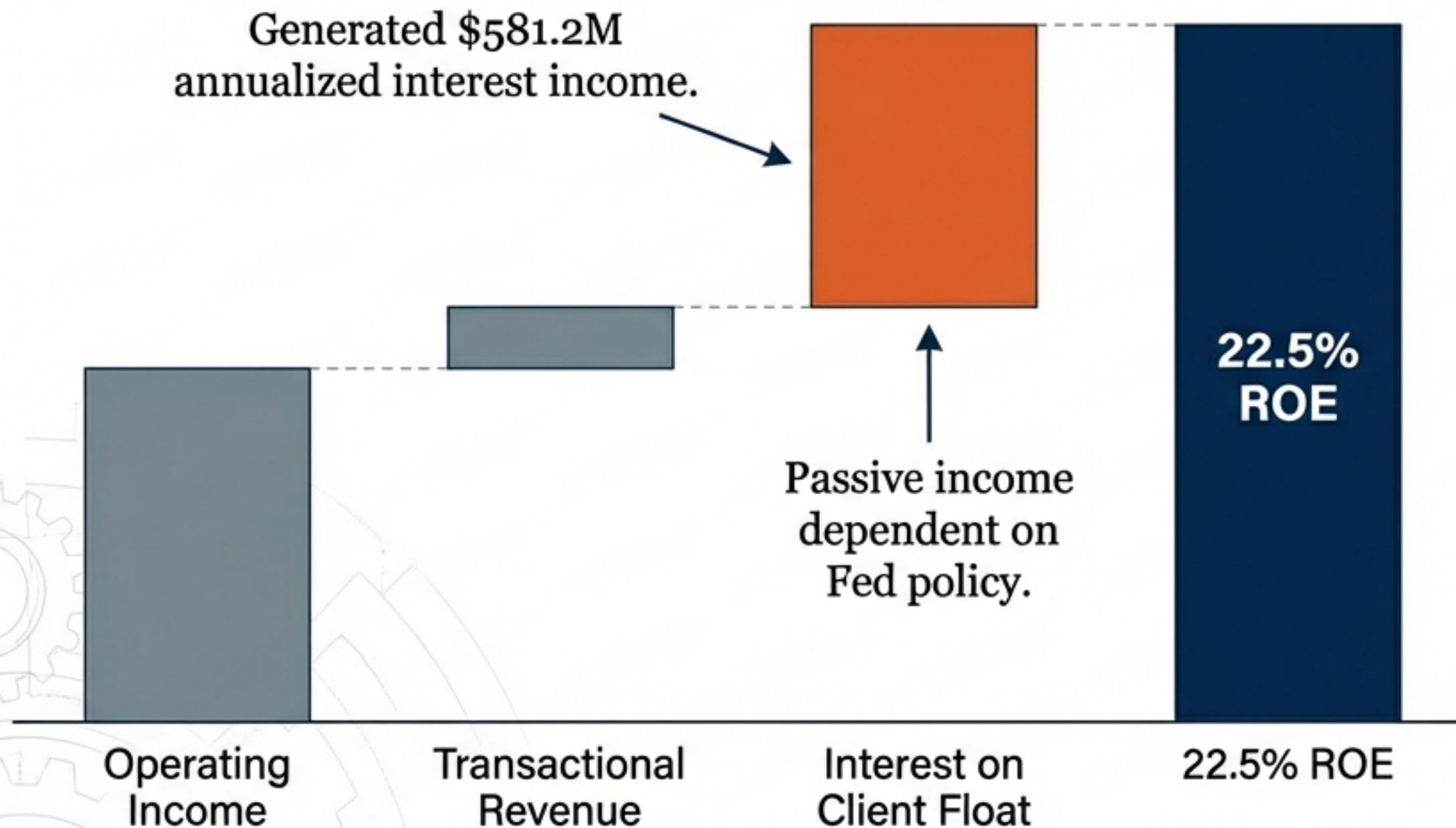


Context: Niche B2B payments to emerging markets. High barrier to entry due to compliance vetting.

Segment Margin: 58% (Highest in Portfolio)

Key Takeaway: Valuation disconnect: The market prices SNEX like a volatile retail broker, ignoring the high-margin, wide-moat payments franchise.

Deconstructing ROE: The Interest Rate 'Sugar High'



Sensitivity Analysis

Risk Reality: A 100bps drop in rates = \$43.2M hit to Annual Net Income.

Conclusion: StoneX is an asset-sensitive bank in disguise.

Caution: Current record profitability is heavily subsidized by interest income. A Fed pivot is a material risk to the P&L.

Capital Structure: Leverage, Efficiency, & Synergies

Gross Leverage

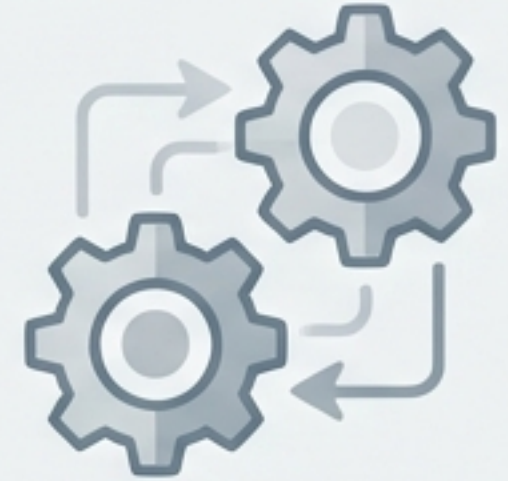
18.8x

High, but typical for clearing business.



Adjusted Leverage

Significantly lower when adjusting for 'Matched Book' and segregated client funds (pass-through risk).



Debt Profile

\$625M Senior Secured
Notes due 2032 @ 6.875%.



The Capital Synergy Play



Goal: Consolidate RJO entities.

Target: Release \$50M in trapped capital.

Impact: Improves ROIC (currently ~7.75% vs 6.76% WACC) and funds buybacks.

High headline leverage masks a matched book.
The real value creation lies in post-merger capital release.

Comparative Valuation: The Complexity Discount

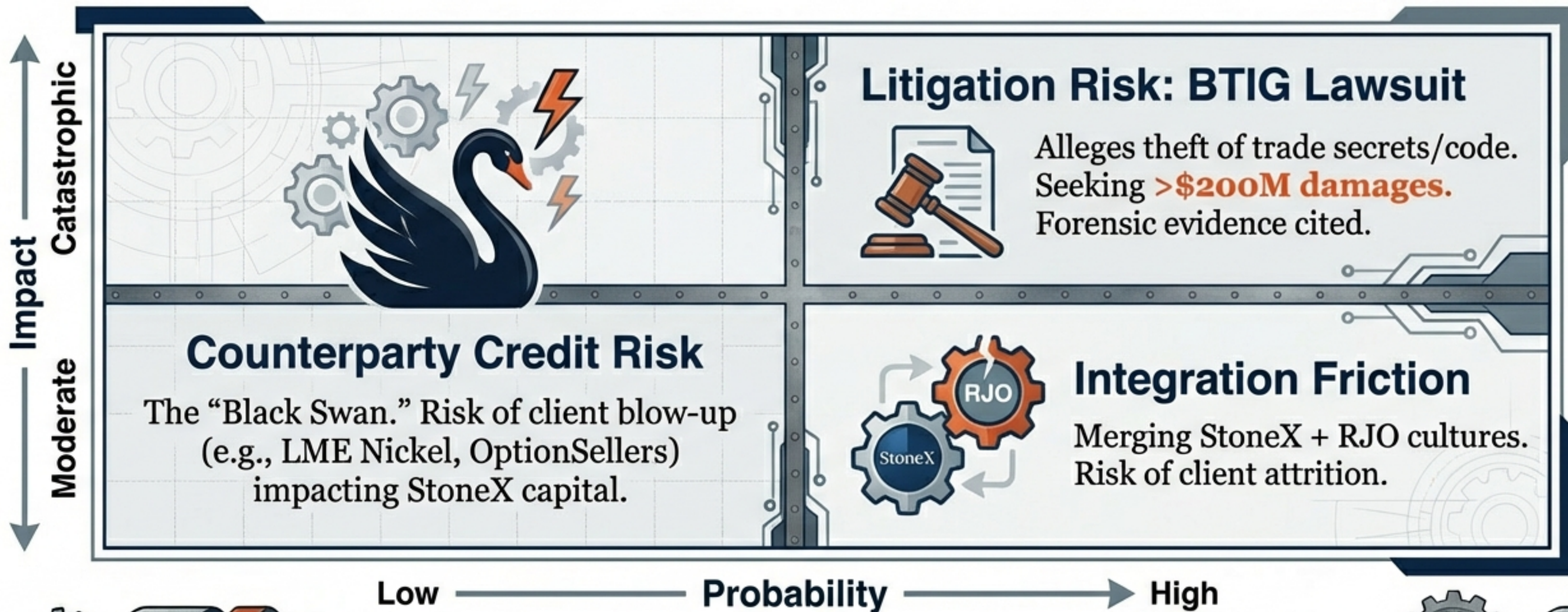
	P/E	ROE	Net Margin	Trait
StoneX (SNEX)	16.5x	22.5%	0.25%	Complex / Manual / Physical
Interactive Brokers (IBKR)	23.5x	20.4%	29.0%	Automated / Tech / Transparent
Jefferies (JEF)	13.0x	10.4%	12.0%	Cyclical Banking

Insight Box

- **The Margin Disconnect:** IBKR converts 29% of revenue to profit; SNEX converts only 0.25%. The market pays a premium for efficiency and transparency.
- **The Opacity Penalty:** Discount for “black box” physical trading books (Level 2/3 assets).

SNEX trades at a discount due to complexity and thin margins. A re-rating requires sustained ROE >18% through a rate cycle.

The Risk Matrix: Black Swans and Legal Shadows



Key Takeaway: The BTIG lawsuit is a tangible overhang on book value, while counterparty risk remains the existential threat for any FCM.

Management Scorecard & Capital Allocation



Sean O'Connor,
Executive Chairman

The Architect.
Owner-operator
mindset. Focus on
compounding
Book Value (30%
YOY growth in Q1
FY26).

M&A Strategy Grading

Gain Capital (2020)

A-

Bought at tangible book value. Provided the retail cash engine.

R.J. O'Brien (2025)

B+ (Provisional)

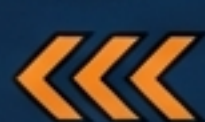
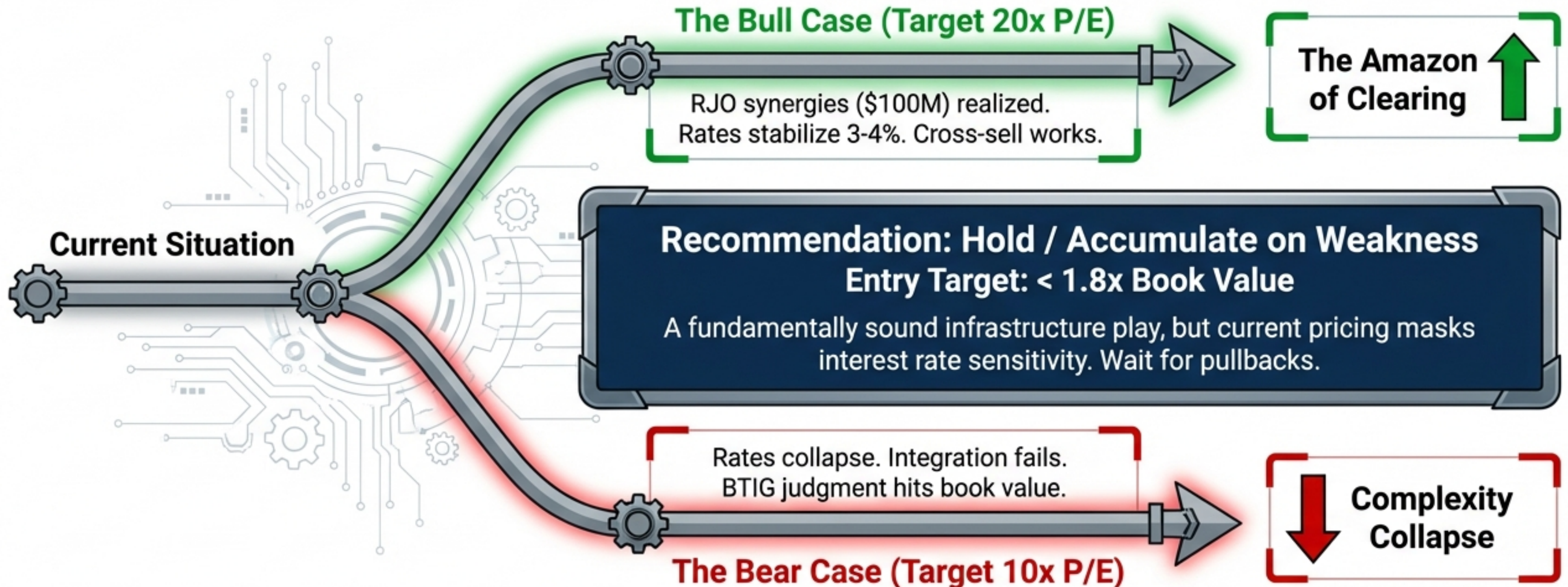
Strategic logic sound (Scale), but price (\$900M) demands \$100M in realized synergies.



Red Flag: Recent insider selling by CEO Philip Smith signals potential near-term valuation cap.

Key Takeaway: Strong track record of compounding book value (17% CAGR), but recent insider selling warrants caution at current price levels.

The Verdict: Scenario Planning & Recommendation



Key Takeaway: A high-quality business at a fair price. Wait for a pullback or clarity on the BTIG litigation before aggressive sizing.

