

# ETORO GROUP: BUILDING A GLOBAL LEADER FOR "SOCIAL INVESTING"



Nasdaq-listed eToro Group is a global trading platform, well-known for its 40m-strong online community and its "Copytrader" social investing tool.

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Post-IPO, the stock has nearly halved, largely due to the company's past focus on crypto.

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eToro is well positioned to further expand its services, deepen engagement with existing clients, and win new ones. The stock is currently trading at a single-digit p/e. The current weak patch offers an opportunity to buy into a secular growth story at value prices.

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# Don't trade markets – own the trading platforms!

Dear Member,

I have long been a fan of investing in trading platforms.

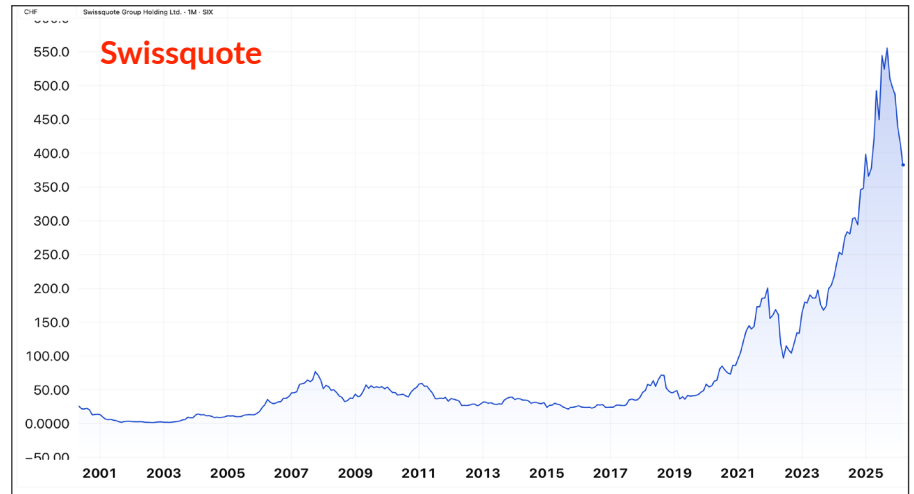
In May 2024, I published an [in-depth research report](#) on **flatexDEGIRO** (ISIN DE000FTG1111, DE:FTK), the largest European online broker measured by its number of customers. The company had hit a weak patch after management ran out of ideas and markets turned against it. The stock experienced a 75% drawdown and was trading like a value investment. My thesis was that a shake-up of management would turn it into a growth stock again, ahead of markets eventually providing tailwinds. Two years later, following a change in leadership, the share has delivered a 3x and reached a new record level.



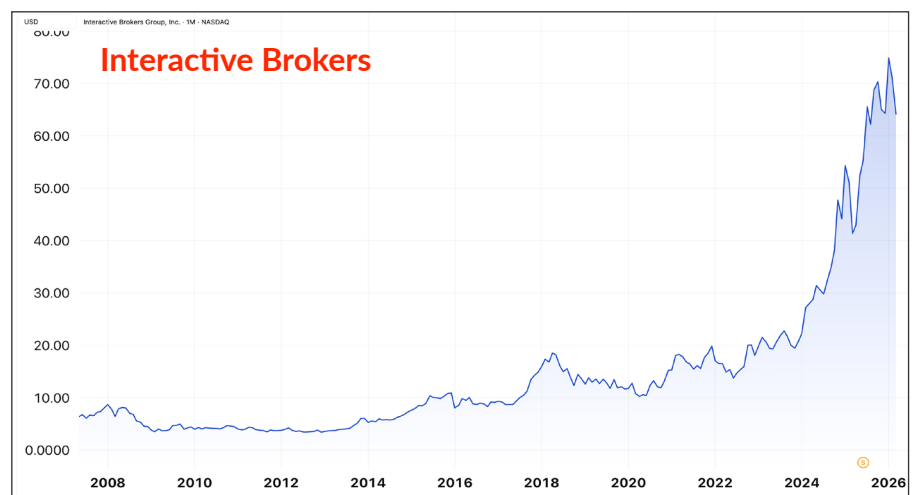
Trading platforms are incredibly scalable. Operationally, it doesn't make much difference whether a brokerage platform has 1m or 5m clients since everything is digital nowadays. Where client numbers matter most is the bottom line: each incremental client can disproportionately boost profits.

One stock that "got away" is **Swissquote** (ISIN CH0010675863, SWX:SQN), a Switzerland-based brokerage platform set up to serve a global clientele without requiring clients to deal with traditional Swiss bankers or pay eye-watering private banking fees. I first opened an

account with Swissquote around 2000 when it was new to the market. For years, I recommended the platform to Undervalued-Shares.com readers because I view it as one of THE online brokerage platforms for internationally minded private investors. Unfortunately, I never followed through on writing about the company as an investment. The stock is up 250x since I first became a customer – a frustrating missed opportunity given my firsthand knowledge of the platform's quality.



Another example is **Interactive Brokers** (ISIN US45841N1072, Nasdaq:IBKR), now the #1 brokerage platform for sophisticated private investors and smaller asset managers. Growing to nearly 5m brokerage clients has helped the company surpass a market cap of USD 100bn. Over the past 15 years, the stock is up 20x.



Other examples include **Robinhood** (ISIN US7707001027, Nasdaq:HOOD), which rose as much as 15x following the post-pandemic crash, and **Coinbase Global** (ISIN US19260Q1076, Nasdaq:COIN), which serves a crypto-centric clientele and also delivered a 15x post-pandemic run.

Why make the effort to trade markets when you can effectively sell "shovels to gold diggers"?

All these firms have scalable business models and operate in markets with high barriers to entry. These traits make them attractive to investors, which is why they usually trade at premium valuations. Occasionally, though, they do trade at value prices. Recognising these windows and being ready to act is the key.

**The next opportunity for such a re-rating may be eToro Group, the global social trading platform based in Israel and listed on Nasdaq.** While it is fairly well-known among retail investors in several countries, the stock has not yet caught broader investor attention. The firm remained private until its IPO in May 2025. Media coverage has been relatively limited compared with other famous platforms in the sector.

Since the IPO, the share price has mostly declined. It has effectively halved, recently languishing below USD 30. The IPO was priced at USD 52, and the stock briefly traded as high as USD 76.

Is this current level a good entry point? This report examines that question, while also exploring the next generation of investors and how they engage with financial markets.

Best regards



Swen Lorenz  
Undervalued-Shares.com

# Executive summary

**eToro Group** (ISIN VGG320891077, Nasdaq:ETOR) is a **global trading platform** that enables retail investors to trade across equities, crypto assets, derivatives, and commodities. The company has **3.9m customers** ("funded accounts") across 75 countries and holds around **USD 18bn of client assets**, with a **strong focus on the UK/EU**.

eToro differentiates itself by operating at the **intersection of social media and finance**. Its "Copytrader" service allows users to replicate the trades of successful investors, helping drive engagement and client acquisition. The **eToro social platform** now has around **40m users**, and conversion to funded accounts has increased materially in recent years, contributing to **strong growth since 2019**.

Following its heavily oversubscribed **IPO in May 2025**, the stock has declined significantly, largely due to its association with **crypto during a downturn**. However, **revenue is already diversified**, with the majority generated from equities, commodities, currencies, and other services rather than crypto alone.

At current levels, eToro trades at a **low valuation** relative to its growth potential. With **USD 1.2bn of net cash** and an enterprise value that translates into a **valuation of just USD 307 per customer**, the stock appears priced more like a declining financial institution than a growth fintech. Based on current 2026-2028 estimates, it trades at just **2-4x adjusted EBITDA or a p/e of 8-10**, with a projected free cash flow yield of 14-18%.

While earnings are inherently volatile due to dependence on market activity, eToro has **multiple levers for growth**, including increasing customer engagement, expanding product offerings, and further monetising its existing user base. Share buybacks since November 2025 also signal management's confidence in the current valuation.

Although further downside cannot be ruled out, the current share price already reflects a cautious outlook. For investors who believe in the long-term growth of social investing platforms, eToro offers exposure to a **secular growth story** that is currently **trading at value prices**.

eToro Group at a glance	
Share price:	USD 28.90
ISIN:	VGG320891077
Ticker symbol:	ETOR (Nasdaq)
Outstanding shares:	83.5m (year-end 2025)
Market cap:	USD 2.4bn
Major shareholders:	Employees (38%)
Website:	<a href="http://www.etoro.com">www.etoro.com</a>

Source: UBS, 12 February 2026  
(multiples based on a share price of then USD 27.50)

Highlights (US\$m)	12/24	12/25E	12/26E
Revenues	788	854	909
EBIT (UBS)	259	269	278
Net earnings (UBS)	192	239	250
EPS (UBS, diluted) (US\$)	1.95	2.41	2.54
DPS (net) (US\$)	0.00	0.00	0.00
Net (debt) / cash	532	1,061	1,234
Profitability/valuation	12/24	12/25E	12/26E
EBIT (UBS) margin %	32.9	31.4	30.6
ROIC (EBIT) %	-	85.6	86.0
EV/EBITDA (UBS core) x	-	5.2	3.8
P/E (UBS, diluted) x	-	11.4	10.8
Equity FCF (UBS) yield %	-	11.7	14.2
Dividend yield (net) %	-	0.0	0.0
Highlights (US\$m)	12/27E	12/28E	12/29E
Revenues	990	1,090	1,203
EBIT (UBS)	315	368	429
Net earnings (UBS)	282	329	383
EPS (UBS, diluted) (US\$)	2.88	3.38	3.95
DPS (net) (US\$)	0.00	0.00	0.00
Net (debt) / cash	1,438	1,689	1,992
Profitability/valuation	12/27E	12/28E	12/29E
EBIT (UBS) margin %	31.8	33.7	35.7
ROIC (EBIT) %	99.7	119.3	141.8
EV/EBITDA (UBS core) x	2.8	1.8	0.9
P/E (UBS, diluted) x	9.5	8.1	7.0
Equity FCF (UBS) yield %	16.0	18.4	21.2
Dividend yield (net) %	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$ 27.46 on 13-Feb-2026

# Chapter 1: The vast global retail investor space

What you are going to learn in this chapter:

- What prompts large numbers of retail investors to participate in financial markets.
- How Gen Z researches investments.
- Why the market for trading platforms is a "winner takes it all" situation.

## A growing force in financial markets

For many years, "retail investors" were not something the finance industry was overly keen on. They were seen as unsophisticated and having too little money to invest. Many large corporations viewed them as a nuisance rather than a lucrative target group.

How that has changed!

By now, there is an entire sector of highly profitable companies catering primarily to retail investors. Their target group has been rebranded: today, they are usually called "self-directed investors". These are investors who do not leave the management of their finances to others. Instead, they make their own decisions on where and how to invest.

Oftentimes, they chase alpha. Most self-directed investors are not yet rich enough to live off a safe, boring 7% annual return. Most are looking for much higher returns, and many are seeking transformative home-run investment that can take their finances to the next level.

## The world is learning from America

In many regards, private investors worldwide are learning from their counterparts in the US. US investors have always shown a stronger interest in the stock market: 60% of Americans have exposure to equities, and only 10% of their assets are held in cash or bank deposits. This compares to just 10% of Continental European households investing in equities and 33% of assets kept in cash and bank deposits. Even the

UK lags behind the US, with only 20% of the population investing in equities.

Historically, this was due to Europeans saving more and relying on generous social safety nets. However, Europeans have lately had a wake-up call. These safety nets are increasingly viewed as anything but safe, and Europeans feel increasingly poor relative to their American cousins, giving rise to the social media term "Europoor". Europeans clearly want better returns on their savings and have started flocking to financial markets to make their own investment decisions. Europe may lack growth, but Europeans sit on an enormous amount of savings.

Elsewhere, similar tendencies are emerging. For example, the number of Indians investing in the stock market has risen from 40m to 120m over the past five years. Much of this has been enabled by the Internet and platforms that actively help private investors enter markets.

### **Social media as a major driver**

Using the Internet to manage finances and investing is particularly prevalent among younger generations. Baby Boomers typically began investing at age 35, and Gen X at age 32. Gen Z, however, often starts at 19.

Social media has been a major factor in this change. Younger investors can easily find information, inspiration, and education online. Rather than paying "experts", they often copy peers' actions. A recent study found that over 60% of younger investors use social media as a primary source of investment information, rather than traditional financial media or advisors.

All of this matters even more when factoring in the generational transfer of wealth. According to the UBS Global Wealth Report 2024, almost USD 85tr in assets will be transferred to younger generations over the next 20-25 years. As Baby Boomers pass on the baton, Gen X and Gen Z are becoming a formidable clientele for financial services firms that know how to reach them.

### **Gamification of investing**

Firms that capture this younger, more active market stand to achieve years (or even decades) of growth. However, they must engage investors via their preferred channels.

Since 2019, the number of people globally using stock trading apps has increased from 50m to 120m. These apps allow investors to trade equities, crypto, derivatives, and commodities, and investing has become increasingly gamified.

Low-cost trading platforms have accelerated this trend. Advances in technology have made platforms more streamlined and user-friendly, while also providing education for investors. This has made financial markets less intimidating and more accessible.

The next 5-10 years are likely to bring more of the same:

- More private investors will start investing independently, gradually catching up with US-level market participation.
- Investing will increasingly take place online, using information from peers and executing trades on gamified platforms.
- Existing larger players will benefit the most, as barriers to entry make it nearly impossible to set up a new firm from scratch.

This raises the question: which companies are well-positioned to benefit from the increased participation of self-directed "retail investors"?

Chapter 2 is going to introduce you to one firm that taps into these trends.

# Chapter 2: How eToro built a global brand through "social investing"

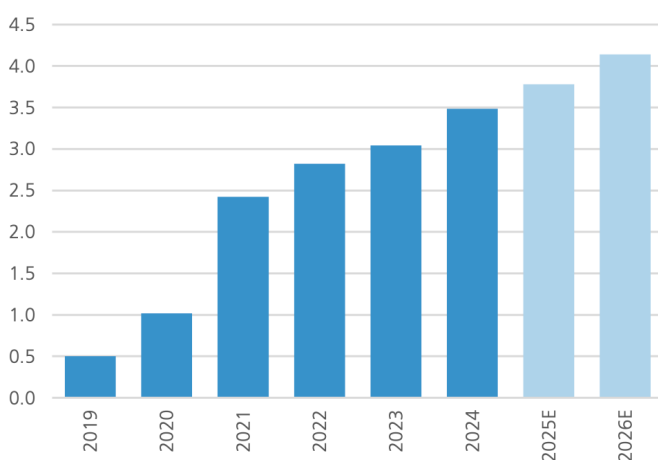
What you are going to learn in this chapter:

- How eToro taps into Gen Z's habit of learning from peers.
- What the company is making money from.
- Why its marketing has been so successful (and lucrative).

## A 20-year overnight success story

eToro Group is a global platform enabling retail investors to trade equities, crypto, derivatives, and commodities. With 3.9m customers ("funded accounts") in 20 languages across 75 countries, it has become one of the world's largest online investing platforms. In 2019, it had only 0.5m funded accounts.

**Figure 2: eToro Group– Annual Funded Accounts**

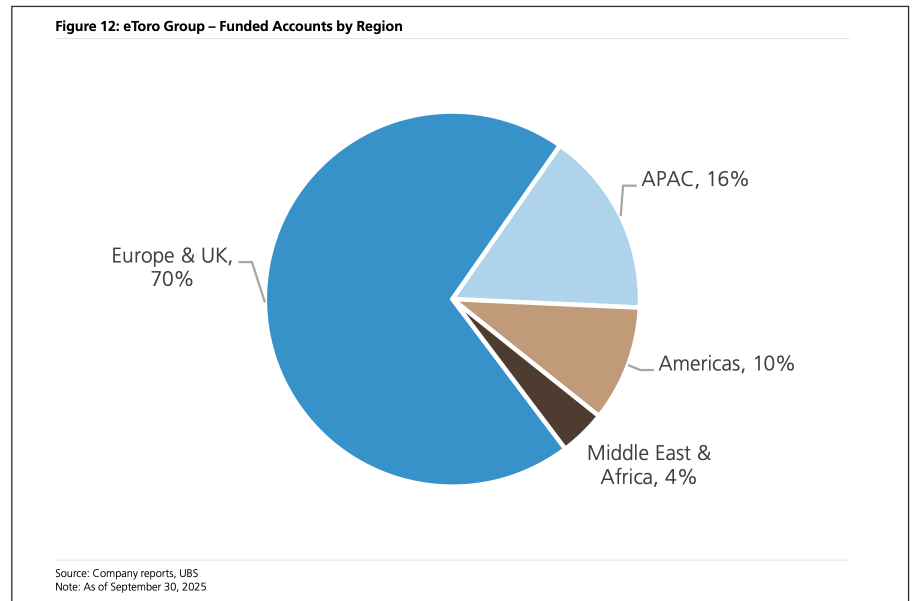


Source: Company reports, UBS  
Note: Number of accounts in millions.

Source: UBS, 25 November 2025

The Israel-based company started in 2007 offering foreign exchange trading through contracts for difference (CFDs). Early success in CFDs set eToro on a path that focused on Europe, the Middle East, and parts of Asia, as CFDs were not allowed in the US. Today, European clients account for 70% of its business, while Americans make up just 10% of the client base.

Source: UBS, 25 November 2025



Source: Goldman Sachs, 8 June 2025

**Exhibit 17: ETOR has best-in-class, comprehensive product and geographic brokerage offerings**

		Offering Comparison							
		Product							
Region	Peer	Crypto	Commodities	Currencies	Futures	CFDs	Options	Equities	
	ETOR	✓	✓	✓	✓	✓	✓	✓	✓
US	COIN	✓	✓	✗	✓	✗	✓	✗	✗
	HOOD	✓	✓	✓	✓	✗	✓	✓	✓
	IBKR	✓	✓	✓	✓	✓	✓	✓	✓
	SCHW	✓	✓	✓	✓	✗	✓	✓	✓
EU	AJB-GB	✗	✗	✗	✗	✗	✗	✓	✓
	IGG-GB	✓	✓	✓	✓	✓	✓	✓	✓
	PLUS-GB	✓	✓	✓	✓	✓	✓	✓	✓
	SQN-CH	✓	✓	✓	✓	✓	✓	✓	✓
	SAVE-SE	✗	✗	✗	✓	✗	✓	✓	✓
	AZA-SE	✗	✗	✗	✓	✗	✓	✓	✓
	FBK-IT	✓	✓	✓	✓	✓	✓	✓	✓
	BSD-FR	✗	✗	✗	✓	✗	✓	✓	✓
	INGA-NL	✗	✗	✗	✓	✗	✗	✓	✓
	FTK-DE	✓	✓	✗	✓	✓	✓	✓	✓
		Geography							
		Europe						Asia	USA
Region	Peer	France	UK	Germany	Italy	Spain	EU Periphery		
	ETOR	✓	✓	✓	✓	✓	✓	✓	✓
US	COIN	✓	✓	✓	✓	✓	✓	✗	✓
	HOOD	✓	✓	✓	✓	✓	✓	✓	✓
	IBKR	✓	✓	✓	✓	✓	✓	✓	✓
	SCHW	✗	✓	✓	✗	✓	✓	✓	✓
EU	AJB-GB	✗	✓	✗	✗	✗	✗	✗	✗
	IGG-GB	✓	✓	✓	✓	✓	✓	✓	✓
	PLUS-GB	✓	✓	✓	✓	✓	✓	✓	✓
	SQN-CH	✗	✓	✗	✗	✗	✗	✓	✗
	SAVE-SE	✗	✗	✗	✗	✗	✓	✓	✗
	AZA-SE	✗	✗	✗	✗	✗	✓	✓	✗
	FBK-IT	✗	✗	✗	✗	✗	✓	✓	✗
	BSD-FR	✗	✗	✗	✗	✗	✓	✓	✗
	INGA-NL	✓	✓	✓	✓	✓	✓	✓	✓
	FTK-DE	✓	✓	✓	✓	✓	✓	✓	✗

Source: Company data, Goldman Sachs Global Investment Research

## The "Copytrader" success story

A large part of eToro's growth to 3.9m funded accounts comes from building and leveraging a community. Around 2010, the company added a social network to its platform. Naturally, a few successful members emerged, and eToro monetised this through the "Copytrader" service.

Successful users can become "eToro Pro Investors", allowing others to copy their trades in near real-time. The platform splits fees with these Pro Investors. About one third of eToro's customer base uses Copytrader. Of the 4,000 Pro Investors, 65% have been active for over five years, 125 have more than USD 1m in client assets following them, and 17 have over USD 10m in assets copied. In total, eToro has about USD 1.5bn of assets on its platform that "copy" these traders.

Source: eToro Group, [17 February 2026 investor presentation](#)



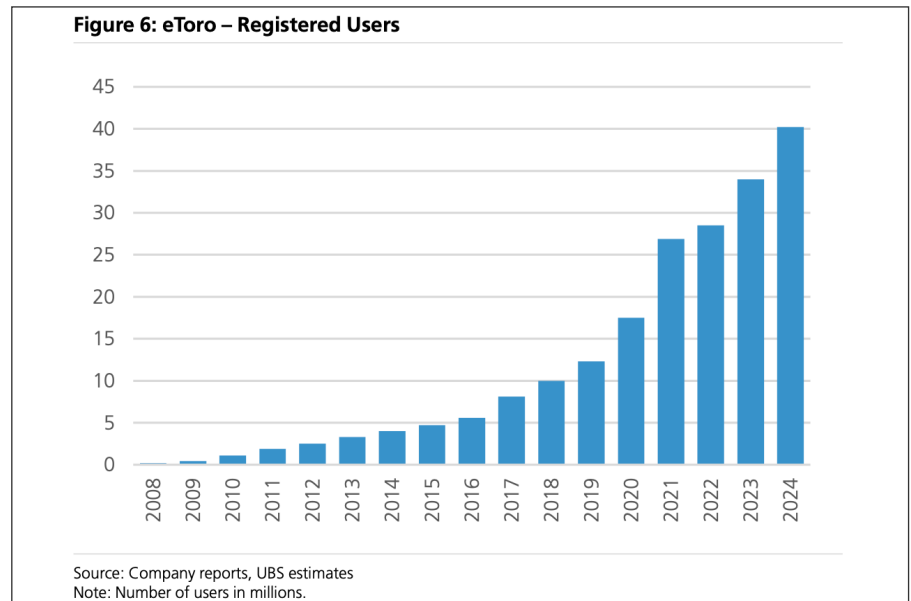
The social network now has 40m users. Between 2019 and 2024, the conversion rate of social network members to funded accounts increased from 4% to 9-10%. In any given year, 30-40% of eToro's new clients come not through conventional marketing, but via its social network. Interestingly, about half of these new customers have never held a brokerage account before – a testament to the company's ability to tap into the growing trend of private investors entering the market.

eToro makes money from:

- Trading spreads and commissions across equities, crypto, FX, and commodities.
- Interest on uninvested cash.
- FX conversion fees, withdrawal fees, overnight financing on leveraged CFDs, and other smaller items.

The increasing addition of conventional banking features to eToro's platform, such as debit cards, increase client retention and "share of

Source: UBS, 9 June 2025



wallet", while also supporting marketing efforts. The more of a user's cash sits on the platform, the more likely they are to trade. In that sense, eToro's gradual evolution into a global financial "super app" helps deepen engagement and increase the amount of capital each client allocates to the platform.

### Further growth through conventional marketing

Even outside of its online community, eToro has long been very adept at marketing.

In 2018, the company spent USD 96m on conventional marketing measures. The users it acquired through these efforts generated USD 103m of revenue in 2018 alone. The same cohort generated another USD 328m of revenue between 2019 and 2025. In other words, eToro's marketing investments produced a return on investment of 4.5x over seven years.

At last count, eToro's client acquisition costs remained at about USD 250 per client, with the company earning back these costs within two or three quarters.

It is not enough to create a product; it is just as important to market it effectively. eToro has repeatedly demonstrated that it understands how to execute paid-for client acquisition. Of course, even the most successful business model in financial services experiences occasional macro headwinds. Outside of those periods, eToro's management has shown that it can consistently deliver growth through conventional marketing.

## Many small accounts that add up to billions in client assets

Anyone looking to criticise eToro's model will likely point to the relatively small amount of money its clients hold in their accounts.

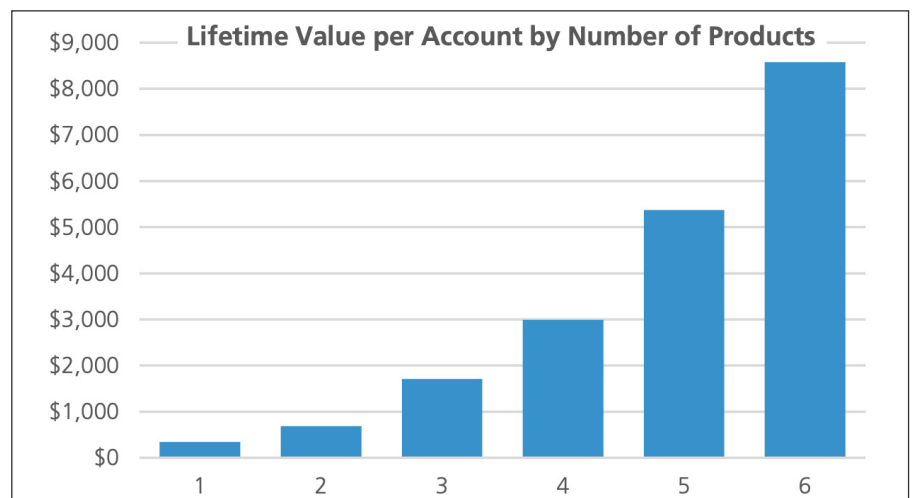
Opening deposits typically range from USD 700-1,000 and the average account size stands at USD 6,000. In that sense, eToro cannot be compared directly with a player like Interactive Brokers. However, this also highlights the company's growth potential if it succeeds in increasing the amount of capital existing clients hold on the platform.

How might the company achieve that?

Adding new products and services is a key part of the strategy, and it is often underestimated how much of an impact this can have on the bottom line.

Currently, 40% of eToro's funded accounts hold only one asset class. For eToro, the Lifetime Value (LTV) of such a client is around USD 500. However, if that increases to six asset classes, the LTV of the client rises by a factor of 17 to USD 8,500.

Source: UBS, 9 June 2025



This is why the company continues to expand its range of asset classes, products, and services. As early as 2013, eToro was among the first regulated brokers in the European Union to offer Bitcoin trading. The company understands that members of its social platform discuss a wide range of investment ideas. If eToro adds those asset classes to its platform, the community itself often drives adoption.

The company's current product initiatives include 24-hour trading on five days per week, tokenised securities, recurring investments, and fixed income products. It is also expanding its offering of asset management products through partnerships with firms such as BlackRock

and Franklin Templeton. In addition, it introduced stock lending in 2025, which contributes to interest income.

Source: eToro Group, [17 February 2026 investor presentation](#)



In that sense, eToro does not need to reinvent itself. It simply needs to continue executing the strategy that has driven its growth over the past 15 years. Given that there are over 1bn retail investors globally, there remains substantial room for expansion.

## Challenges and setbacks

To be clear, eToro still faces a long road ahead and a number of challenges.

One area of weakness is its position in the US market. While this is the largest market for trading platforms globally, eToro only entered it in 2019 and currently serves around 300,000 clients in North America. Expanding in the US may prove difficult, as the market is highly competitive and margins are relatively low. There is a risk that eToro could overspend on growth initiatives in the US without achieving sufficient returns.

In its European core markets, the firm could also be criticised for building more brand awareness than actual market share. In the seven European markets where eToro ranks as the #1 or #2 brand by recognition, it has only captured a 7% market share.

The company may also have placed too much emphasis on attracting a crypto-centric clientele. This drove growth in 2024, when crypto-related trading accounted for the majority of the company's 46% revenue growth. However, as the price of Bitcoin declined, this focus has weighed on both growth and margins. Trading equities or ETFs generally offer higher margins than crypto.

Setbacks of this kind are not unusual, and dealing with them is part of management's day-to-day responsibilities. The key question is whether

investors will regain confidence in eToro's ability to execute on its growth strategy.

### Pillars of its growth strategy

In many ways, eToro simply needs to continue doing what it has already proven it does well. The company has demonstrated its ability to build a community, acquire new clients, and generate revenue from an expanded range of products and services.

While it is currently facing macro headwinds, these are likely to be cyclical. At other times, the company will benefit from macro tailwinds. In the meantime, it remains highly profitable and effectively debt-free, with over USD 1bn of net cash on its balance sheet.

Beyond its existing strategy, eToro is also pursuing several new initiatives:

- In its key European markets, the company is introducing more localised products and content. Previous attempts by US players to enter Europe have largely failed, highlighting the importance of adapting to local market conditions.
- eToro is expanding into the APAC region, with a particular focus on Singapore, Japan, and India. Growth may also come through acquisitions. In 2024, the company acquired Spaceship in Australia for AUD 80m (USD 68m). The acquired platform's client base grew by 50% in the first year post-acquisition. eToro continues to explore further opportunities in the region.
- The Middle East may represent a longer-term opportunity. The company launched a subsidiary in the UAE in November 2023, targeting a young and tech-savvy population.

These initiatives also highlight what eToro is NOT to become. It is not a US-centric growth story. While North America remains relevant, the primary driver of growth lies in international markets.

As outlined in chapter 1, these markets may offer even greater growth potential due to lower levels of retail investor participation. According to Oliver Wyman, European trading platforms are expected to grow their client base by 11% p.a. between 2023 and 2028. With only 7% of EU households and 20% of UK households holding brokerage accounts – compared to 60% in the US – the catch-up potential is significant. Never mind markets like India.

The key question is how these dynamics will affect the currently depressed share price of eToro.

Chapter 3 examines this in more detail.

## Chapter 3: Growth company (temporarily) trading at value prices

What you are going to learn in this chapter:

- eToro's real valuation after factoring in net cash. Why the dividend is likely to remain at least at its current level.
- How the investment case stacks up based on common valuation metrics.
- Why the company is aggressively buying back stock.

### The (brief) IPO hype

eToro went public in May 2025 at an initial price of USD 52. The IPO was oversubscribed by a factor of 10x, and the company used the listing to raise USD 250m of equity (in addition to allowing existing shareholders to cash out USD 250m, which included founder/CEO Yoni Assia cashing out a relatively modest USD 25m and retaining 9.5% of the company). Goldman Sachs published a detailed initiation report and predicted the share price would reach USD 76 – a level it briefly touched within a month of listing.

Less than a year later, the stock is trading below USD 30.

What happened?

Crypto markets started to implode just as eToro's latest marketing push focused heavily on crypto. As a result, growth rates fell short of the ambitious targets communicated at the time of the IPO. Overall projections for eToro had to be revised downward.

Not only were projections cut, but the market also began assigning lower valuation multiples to those reduced expectations.

The resulting sell-off has led to an interesting valuation.

## eToro's valuation based on common metrics

At a share price of USD 28.9, the company has a market cap of USD 2.4bn. eToro is projected to finish the year with USD 1.2bn of net cash (factoring in minor liabilities to clients), resulting in an enterprise value of USD 1.2bn.

Each of the company's 3.9m clients is currently valued at USD 307 – a fraction of their likely Lifetime Value, as described in chapter 2.

The market is effectively valuing the entire operating business of eToro – including its 3.9m funded accounts, global regulatory licenses, proprietary technology (such as "Copytrader"), and its 40m-user social network – at just USD 1.2bn. Relative to firms like Robinhood, Interactive Brokers, and Coinbase Global, eToro is trading at a fraction of the valuation.

The stock also appears cheap in absolute terms. Based on projections updated by UBS on 12 February 2026, the stock is currently trading at 4x adjusted EBITDA and 11x earnings. For 2027 and 2028, continued growth reduces the valuation further to 2x-3x adjusted EBITDA and a p/e of 8-10, respectively. Over this period, the adjusted free cash flow yield is projected to increase from ≈14% to ≈18%.

Source: UBS, 12 February 2026  
(multiples based on a share price of then USD 27.5)

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EV/EBITDA (UBS core) x	-	5.2	3.8
P/E (UBS, diluted) x	-	11.4	10.8
Equity FCF (UBS) yield %	-	11.7	14.2
Dividend yield (net) %	-	0.0	0.0
Highlights (US\$m)	12/27E	12/28E	12/29E
Revenues	990	1,090	1,203
EBIT (UBS)	315	368	429
Net earnings (UBS)	282	329	383
EPS (UBS, diluted) (US\$)	2.88	3.38	3.95
DPS (net) (US\$)	0.00	0.00	0.00
Net (debt) / cash	1,438	1,689	1,992
Profitability/valuation	12/27E	12/28E	12/29E
EBIT (UBS) margin %	31.8	33.7	35.7
ROIC (EBIT) %	99.7	119.3	141.8
EV/EBITDA (UBS core) x	2.8	1.8	0.9
P/E (UBS, diluted) x	9.5	8.1	7.0
Equity FCF (UBS) yield %	16.0	18.4	21.2
Dividend yield (net) %	0.0	0.0	0.0

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$ 27.46 on 13-Feb-2026

## What's the catch?

A key risk with eToro is the low visibility of its earnings. The company's revenue is closely tied to sentiment in financial markets, which can shift quickly and unpredictably. The macro headwinds recently experienced could intensify further, weighing on earnings and putting additional pressure on the share price.

One can also argue with how analysts nowadays "adjust" projections to eliminate one-off items and focus on "core" earnings.

Then again, how much lower is the stock supposed to fall?

If the share price were to drop to USD 20, the company (excluding cash) would be valued at just USD 470m – a scenario that seems unlikely outside of extreme circumstances. Were that to happen, management would likely call off any M&A plans and instead deploy hundreds of millions into share buybacks.

At the same time, it is clear that eToro has multiple levers it can pull to create additional shareholder value:

- Increase revenue from existing clients by encouraging higher trading activity and diversification across asset classes.
- Convert more users from its social media platform, which has 10x as many members as the company has funded accounts.
- Continue its proven strategy of paid client acquisition.
- Execute value-enhancing acquisitions, as demonstrated in Australia.

These are all initiatives within the company's control, with the necessary assets and capabilities already in place.

Macro factors, of course, remain outside its control and could deteriorate further. However, at some point, macro tailwinds are likely to turn.

In the meantime, eToro's management believes that the best use of capital is to buy back stock.

## Stock buyback programme to bolster the share price

Could anyone realistically recreate a global business like eToro for USD 1.2bn?

Probably not – and certainly not within a short timeframe.

From that perspective, eToro currently looks very cheap.

It would look even cheaper if (or when) the company's growth initiatives begin to deliver. As chapter 2 described, 40% of eToro's clients are currently invested in just one asset class. If the company succeeds in moving even a portion of these clients into a second or third asset class, it could significantly increase revenue and margins – without acquiring a single additional customer.

The key question is whether you trust management to execute.

Management clearly does. Otherwise, it would not have made sense to aggressively buy back stock since November 2025. When the share price fell toward USD 30, the company announced a buyback programme of up to USD 150m, equivalent to about 5% of its outstanding share capital. Over the following three months, it bought back USD 100m worth of stock.

In February 2026, the company announced an additional USD 150m buyback authorisation, potentially bringing the total to USD 250m.

According to the most recent update, eToro has already bought back 2.94m shares for USD 101.3m, representing 3.78% of the share capital. In effect, management determined that at an average price of USD 34.4, buying back stock was a better use of capital than reinvesting in the business.

Does management have perfect foresight regarding the business or the share price?

Of course not. However, deploying such a significant portion of the company's cash toward share buybacks sends a strong signal. At a current price of USD 28.90, the stock is now trading an additional 16% below the level at which the initial USD 100m was repurchased.

Why, then, is management so confident in committing such a large amount of cash to buybacks?

## **The plan for 2026-2030**

eToro's adjusted EBITDA margins have recently been in the range of 32-35%, compared to more established trading platforms generating margins well above 50%.

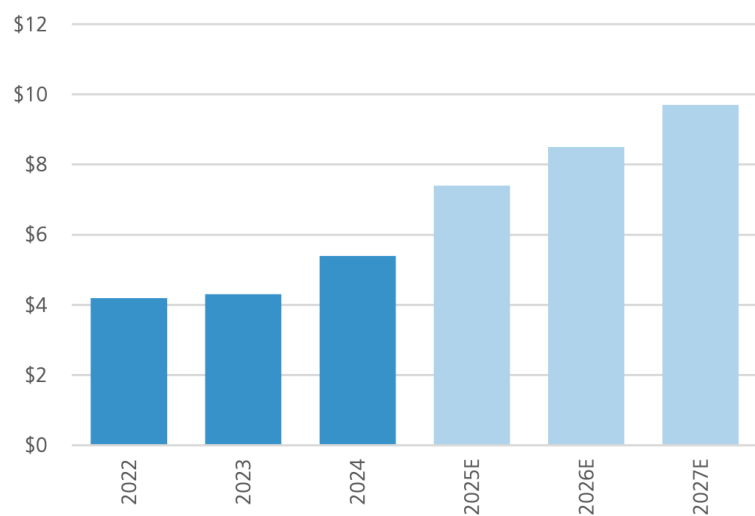
Management has previously stated its goal of increasing EBITDA margins to 50%+ by 2030.

Given market volatility, margins could decline further in the short term. However, based on what is known about the company's operations, strategy, and total addressable market, it appears realistic that eToro can reach – or at least move significantly closer to – this target. After all, the company has executed successfully over more than 15 years.

Now that the market has absorbed the decline in crypto-related activity, the share price could receive support from other parts of the business. With interest rates rising again, eToro may benefit from a higher net interest margin. Like other brokers, the company effectively operates as a "semi-bank", earning a spread on billions of dollars of client cash held on its platform. This interest income is a relatively stable revenue stream and accounted for 23% of total revenue in 2024. It could further reduce the company's reliance on crypto-related revenues.

Source: UBS, 25 November 2025

**Figure 10: eToro Group – Interest-Earning Assets (Annual)**



Source: Company reports, UBS estimates  
Note: \$ in billions

eToro's share price has been so heavily discounted that it likely would not take much to trigger a positive surprise.

Timing such a turnaround is difficult. However, the current valuation suggests that a company with clear growth characteristics is now being priced like a value stock – a rare occurrence among trading platform operators.

The key question remains: do you trust management to continue executing in what is ultimately a secular growth market?

Given eToro's track record of growing accounts within the vast global retail investor space, it would be unwise to bet against them.

## Risks and challenges

**Crypto volatility:** the market cap and trading volume of crypto assets are highly volatile. As recently demonstrated, sharp downturns can significantly impact revenue and earnings.

**Retail trading cycle:** retail participation follows pronounced cycles. During downturns, trading activity declines and new client acquisition slows. In 2022, this even led to a temporary loss. While cost rationalisation since then should mitigate this risk, it remains unproven.

**Lower interest rates:** although rates are currently rising, the opposite scenario remains possible. Lower interest rates would reduce net interest income earned on client cash balances.

**Expansion difficulty:** while eToro has a strong track record in entering new markets, success is not guaranteed in regions such as Japan, Singapore, India, or the Middle East. There is also a risk of overspending in highly competitive markets like the US.

**Credit risk:** the company offers margin lending and derivatives exposure. Client defaults could result in write-offs.

**Regulatory changes:** changes in financial regulation – particularly around crypto assets – could negatively impact the business.

**Deal integration:** following the successful integration of Spaceship in Australia, eToro is considering acquisitions of up to USD 500m. Execution risk increases with deal size.

**Earnings visibility:** given its dependence on market conditions, earnings visibility remains limited. The market may continue to assign lower valuation multiples to such earning streams.

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