

# Brokerage Firm Strategic Profitability & Scale Framework

Roadmap to 20-25% Operating Margins through 2026/2030



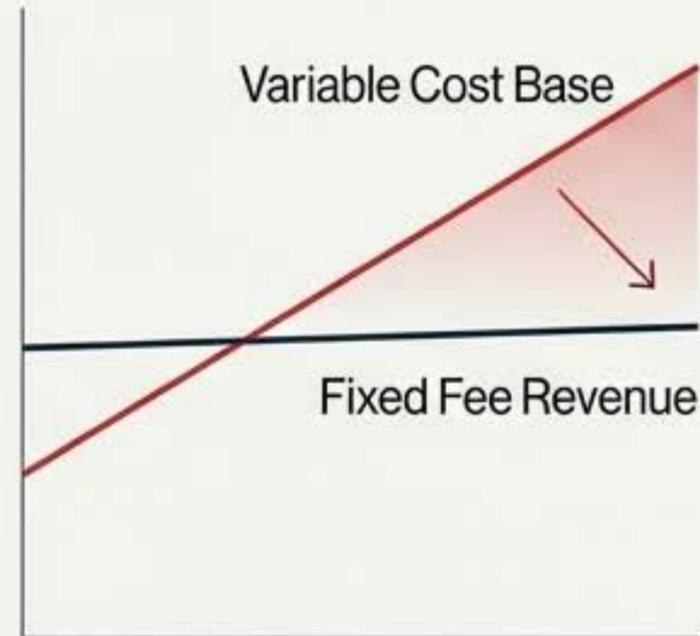
Strategic Turnaround Plan | Internal Distribution Only

# Executive Summary: Bridging the Profitability Gap

## The Challenge

Current £8 fixed fee structure is insufficient to cover a variable cost base running at **120% of revenue** on low-dollar trades.

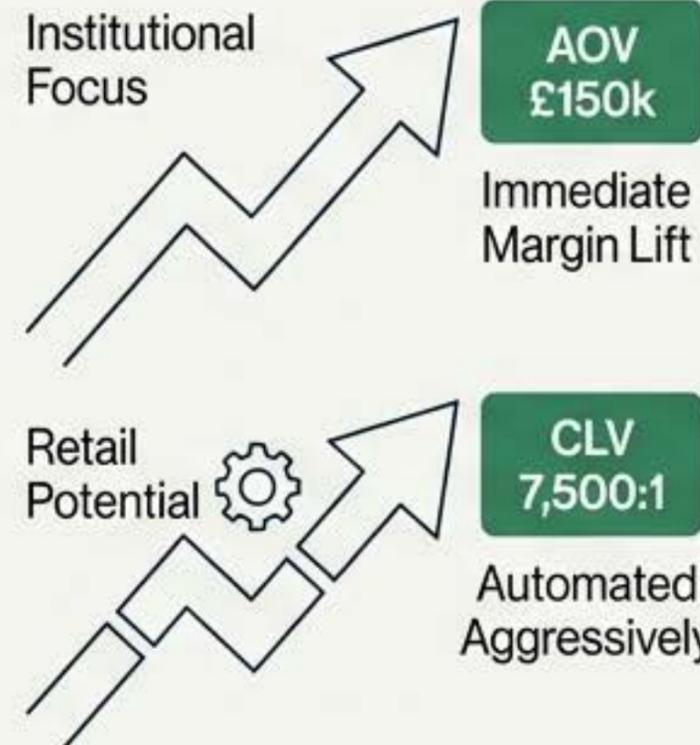
We are effectively **subsidising low-value activity**.



## The Opportunity

Shifting focus to Institutional clients (AOV £150k) offers **immediate margin lift**.

Retail offers **high CLV potential** (7,500:1) only if automated aggressively.



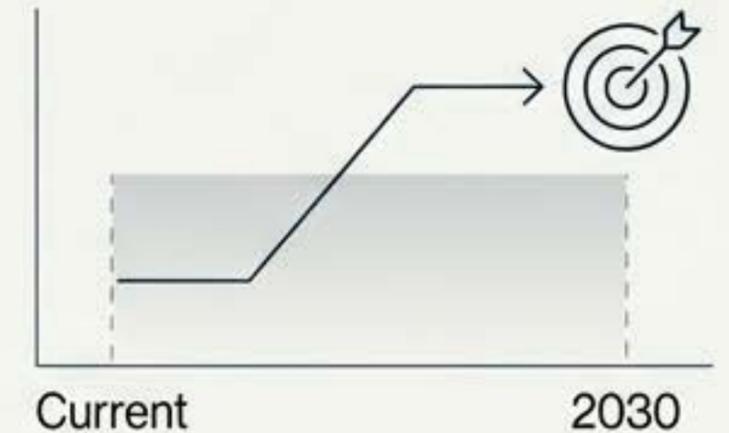
## The Solution

Execute 7 core strategies across three pillars:

- 1. Revenue Quality:** Pricing elasticity & Institutional focus.
- 2. Cost Transformation:** Vendor negotiation & Automation.
- 3. Capital Efficiency:** CAC optimisation & Speed to Revenue.

## The Goal

Secure a sustainable 20-25% operating margin before projected fee compression in 2030.

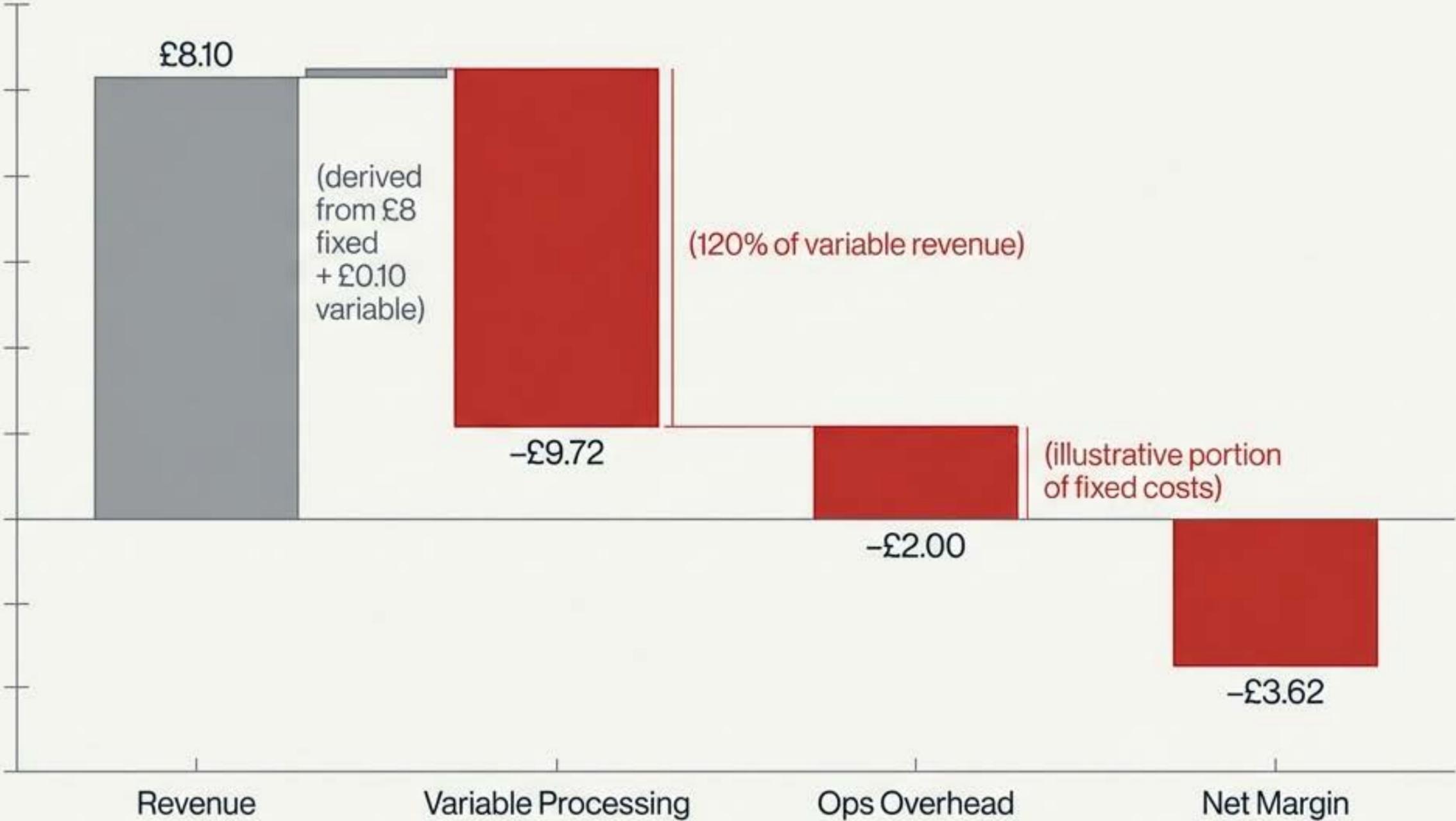


**Target: 25% Margin**

A bar chart with three bars of increasing height, with a large green arrow pointing upwards to the right.

# The Math Does Not Work on Small Trades

## Unit Economics of a £100 Notional Trade

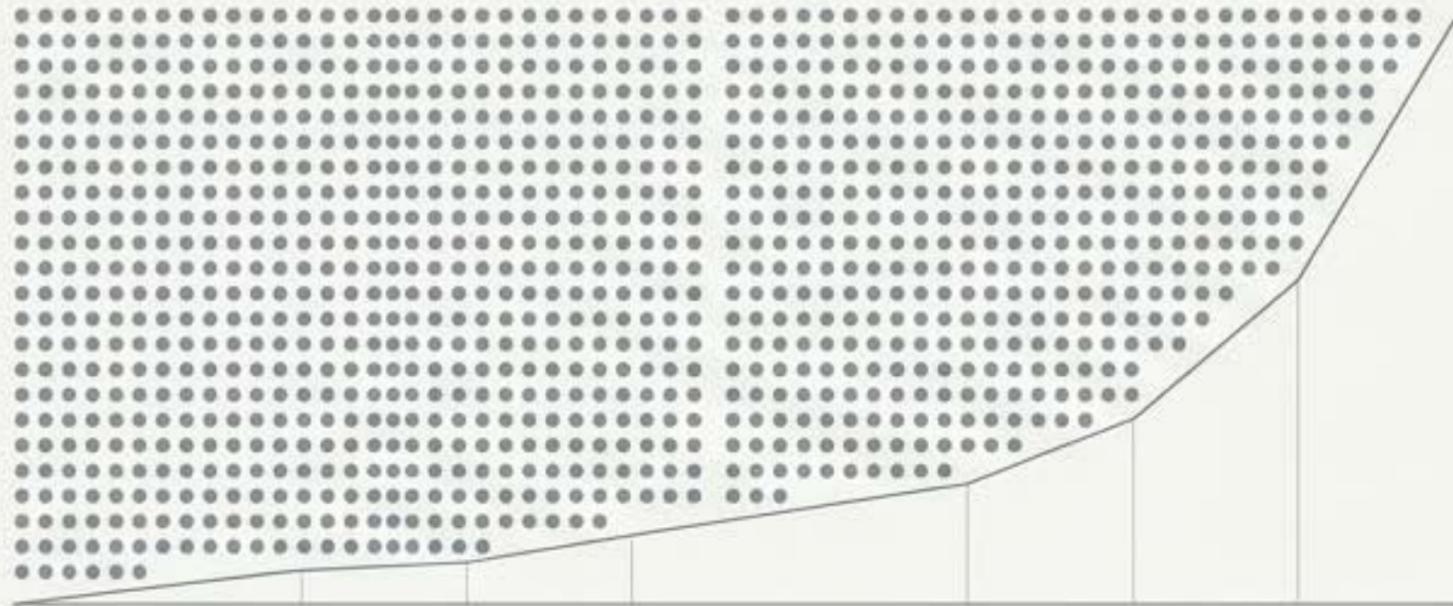


### Key Insight:

Low-frequency retail users drive the lowest effective take-rate margins. The £8 fixed fee cannot cover the overhead of Clearing, Data, and Regulatory costs for the "long tail" of small trades.

# Tale of Two Segments: Volume vs. Value

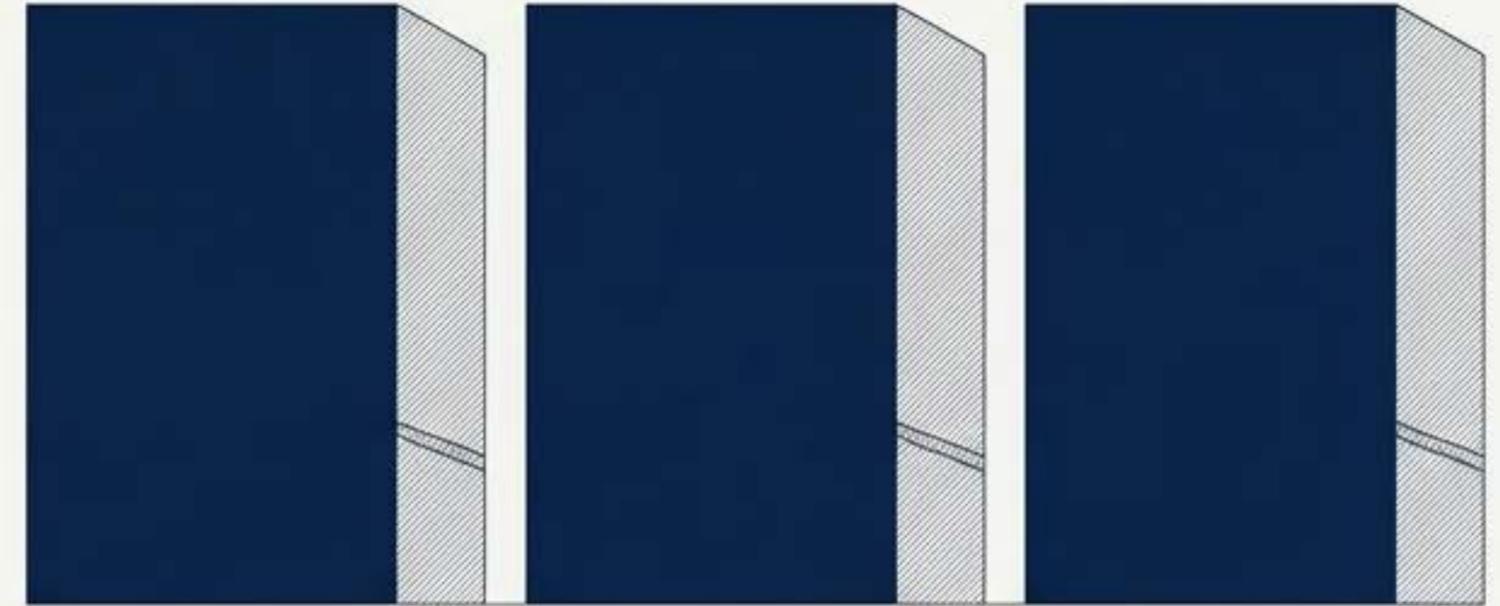
## Segment A: The Retail Investor



AOV: **£1,500**      CAC: **£100**      Gross CLV Ratio: **7,500:1**

High volume of support tickets.  
Strategic Verdict: **Must be automated.**

## Segment B: The Institutional Fund



AOV: **£150,000**      CAC: **High** (Relationship driven)      Support: **White-Glove**

Demands regulatory scrutiny per transaction.  
Strategic Verdict: **Prioritise for margin lift.**

**Staffing Implication:** £2.2m fixed cost structure requires immediate definition of service mix.

# Strategy 1: Margin Defence

Raising Variable Rates to Counter Fee Compression

## The Threat:

Planned reduction of fixed commission from £8 to £5 by 2030 creates a revenue hole.

## The Fix:

Implement a variable rate hike of 25 basis points on Institutional trades immediately.

## Scenario Model

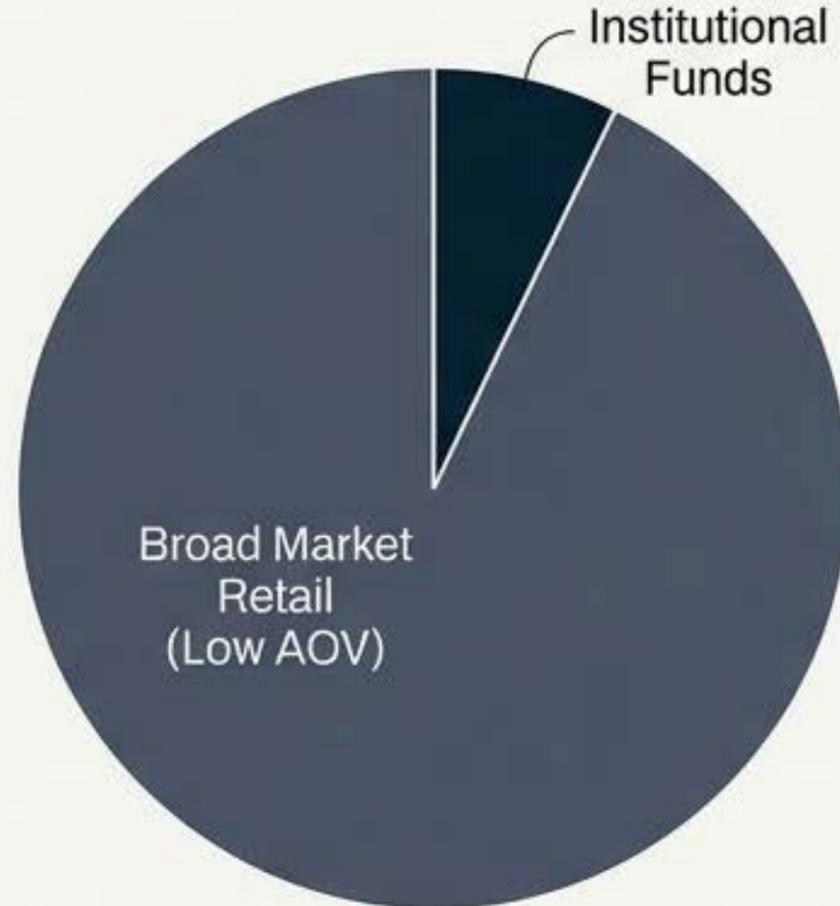
—	Loss from Fixed Fee Drop:	<b>-£3.00 per trade</b>
+	Gain from 25bps Hike on £150k Trade:	<b>+£3.75 per trade</b>
≡	<b>Net Impact:</b>	<b>+£0.75 Surplus</b>

**Result:** This margin defence play neutralises the fee compression without requiring a drastic increase in volume.

# Strategy 2: Pivoting Acquisition Spend

£500,000 Marketing Budget

## Current Allocation



Inefficient spend on low-density revenue.

## Proposed 2026 Allocation



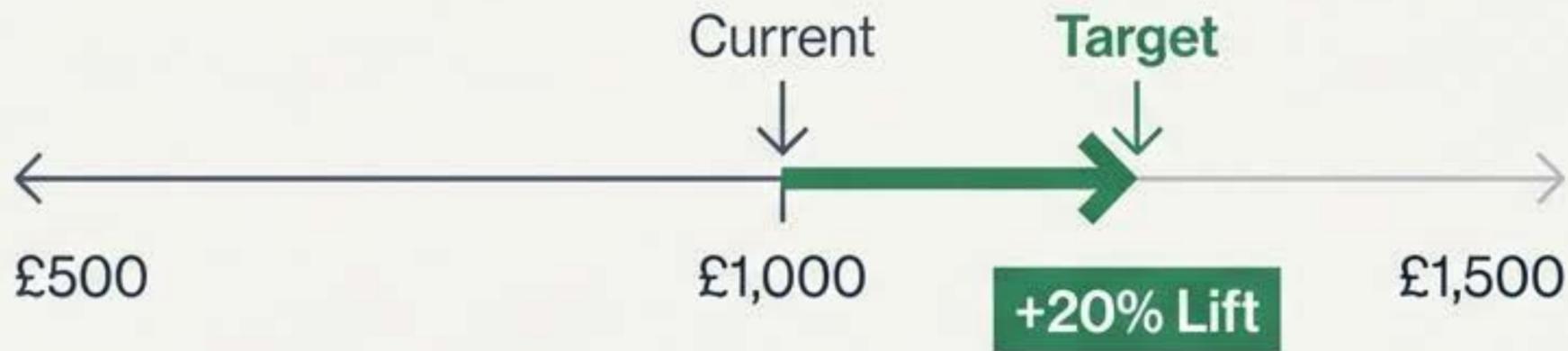
Maximising revenue density per acquisition.

## Rationale

An Institutional AOV of £150,000 dwarfs the £1,500 Retail AOV. We must shift the £500k budget to chase 'Whales' to cover the £96,600 monthly fixed overhead.

# Strategy 4: Maximising Seller Yield & Recurring Revenue

## Market Maker Monthly Subscription Fee



## Churn Risk Ceiling



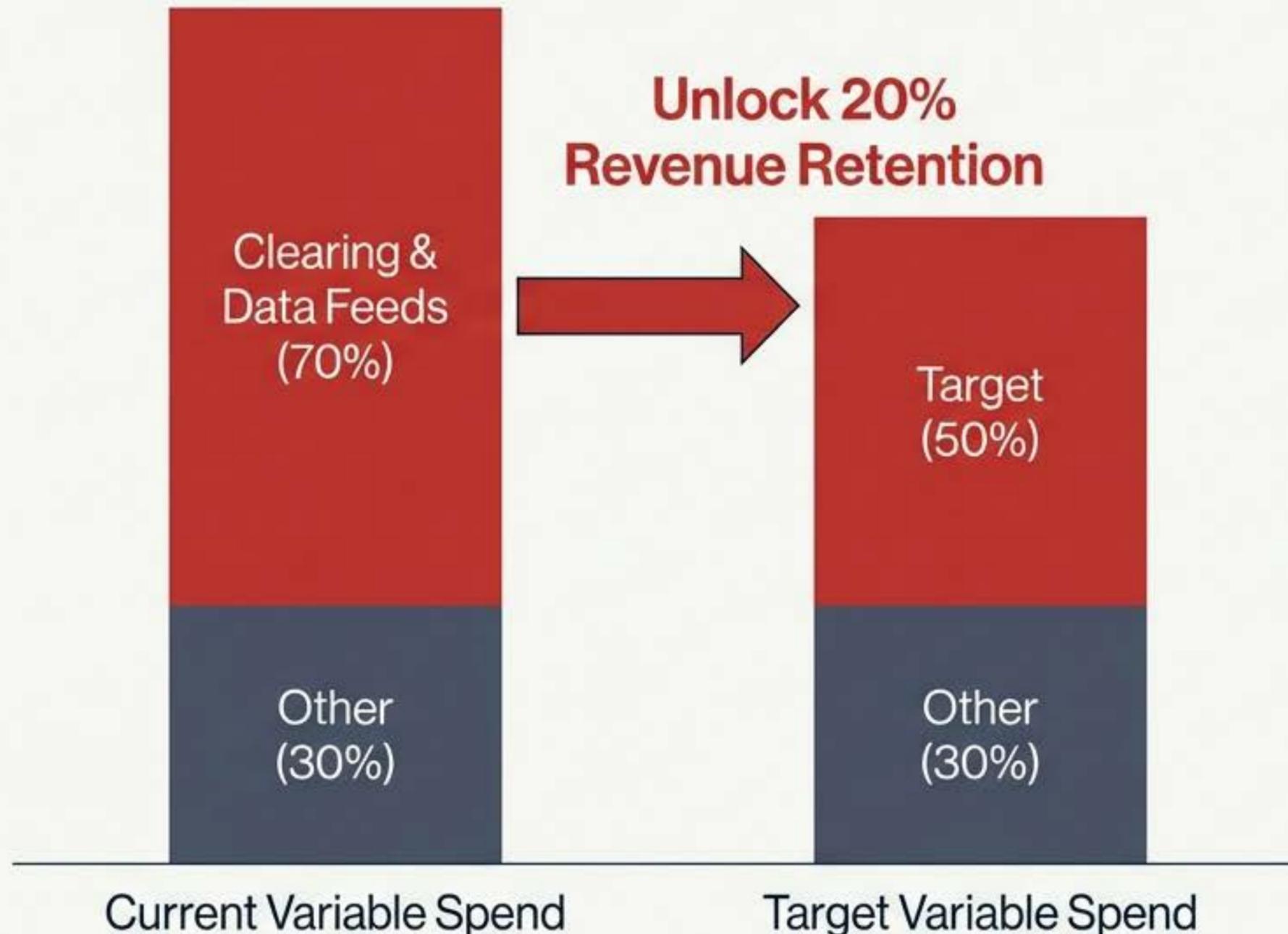
## Strategic Imperatives

**Action:** Increase Market Maker monthly subscription fees from £1,000 to ~£1,250

### Value Proposition

Bundle 'premium data access' and 'customised tools' to justify the hike. Market Makers provide liquidity and have the highest willingness to pay.

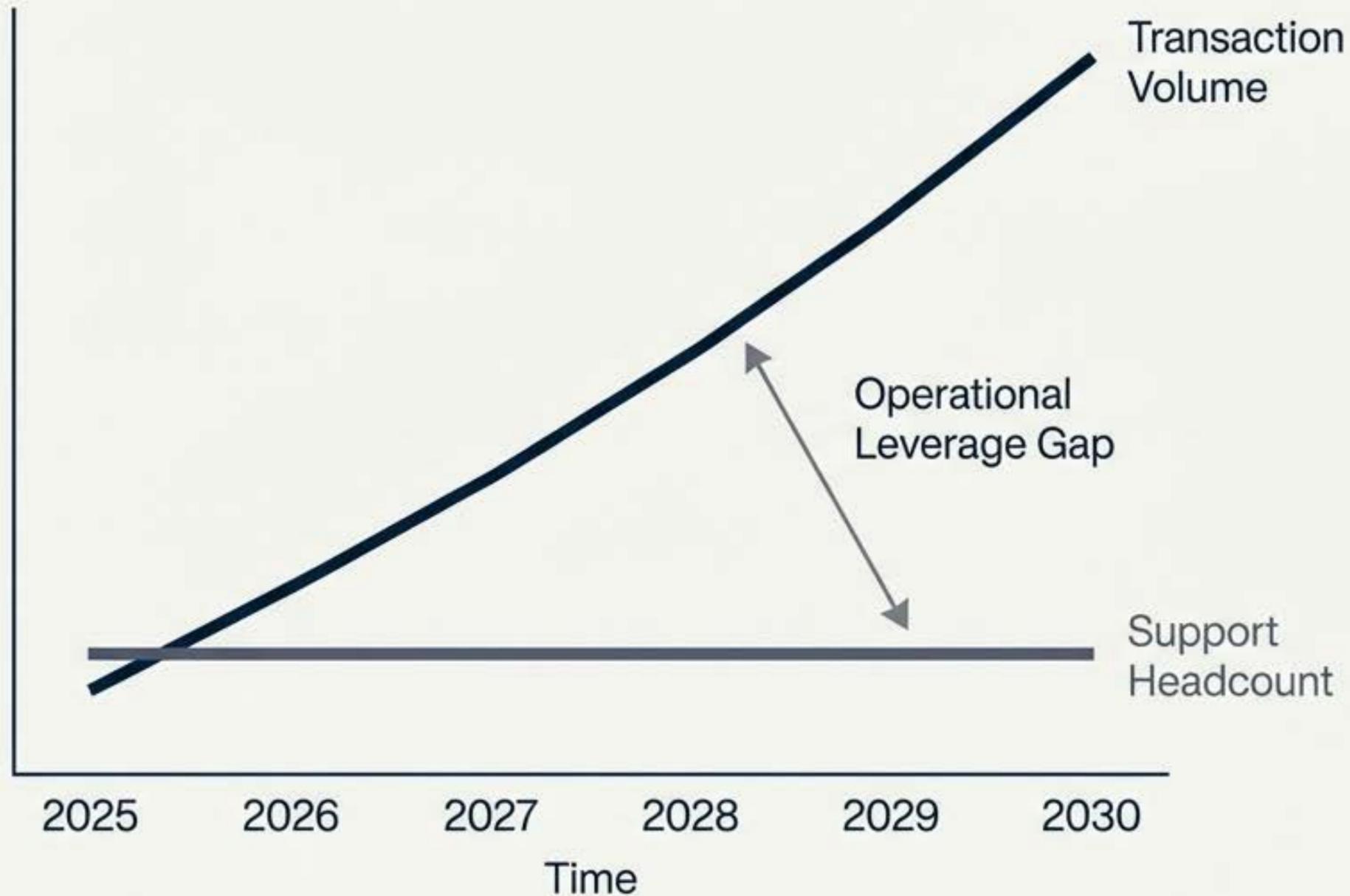
# Strategy 3: Attacking the Variable Cost Base



**The Leak:** Clearing House Fees and Platform Data Feeds consume 70% of variable spend.

**The Leverage:** Use projected 2030 Institutional volume to negotiate per-user minimums and bundled clearing rates.

# Strategy 5: Cap Labour Costs Through Automation



## The Investment:

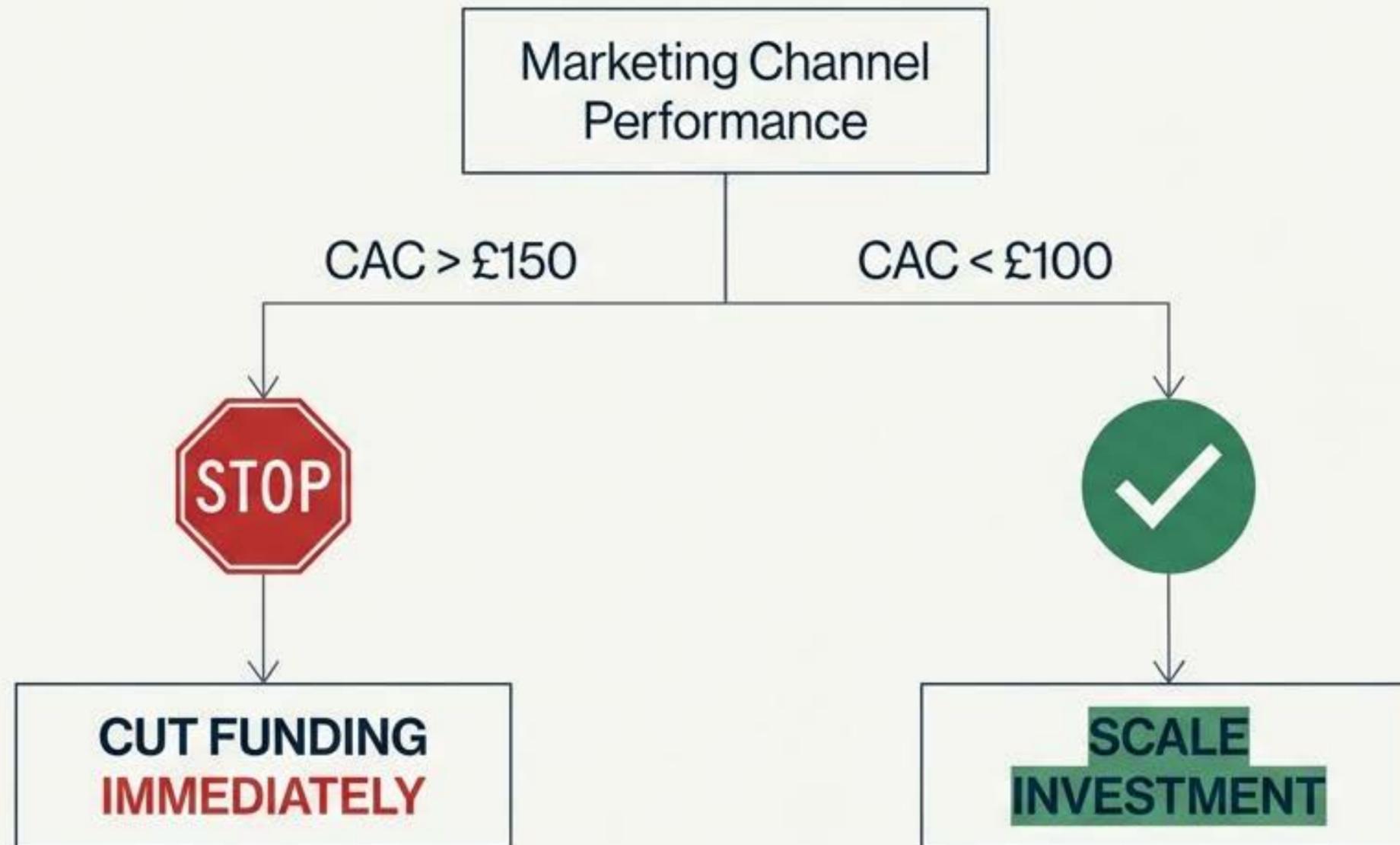
The £170k CTO salary is for leverage, not just IT.

## Action Plan:

1. Automate Compliance: Build KYC/AML workflows.
2. Automate Support: Use bots to handle 70% of Retail FAQs.

**Result:** Reserve expensive human capital for complex Institutional needs.

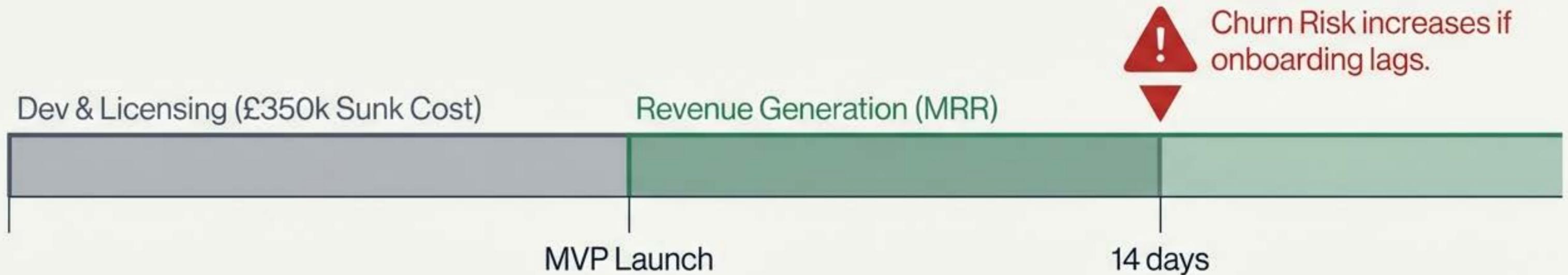
# Strategy 6: The 'Kill Switch' for Retail CAC



**The Rule:** Retail Buyer CAC must be <£100.

**The Logic:** With a Retail AOV of £1,500, any CAC above £100 destroys the payback period. We must avoid broad campaigns that deliver low-quality leads.

# Strategy 7: Maximising CapEx Velocity



## Imperative:

Every day of delay is lost Monthly Recurring Revenue.

## Action:

Launch MVP immediately. Focus on core payment processing and trade execution. Do not wait for perfect features.

# Integrated Financial Targets: 2026

## Profitability Equation

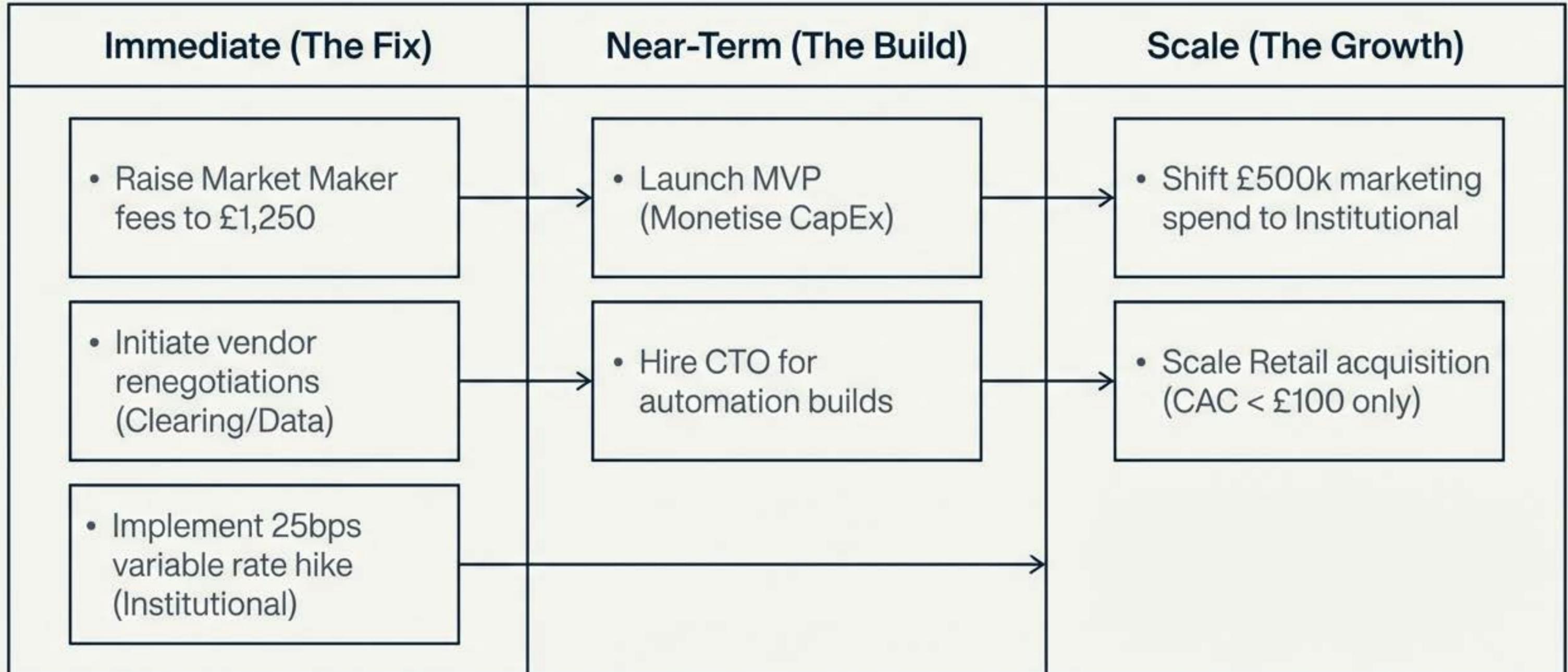


- Fixed Overhead:  
~£96.6k / month

- Staffing Burden:  
£2.2M / year

- Requirement: Rapid revenue scaling to absorb fixed costs.

# Strategic Execution Roadmap



# Immediate Next Steps

## 01

### Price

Notify Market Makers of fee restructure.  
Implement 25bps Institutional variable rate lift.

## 02

### Cost

Issue RFPs to vendors to drive variable data/clearing costs down from 70% to 50%.

## 03

### Tech

Greenlight MVP launch.  
Hire CTO to cap future labour liabilities.

Summary: Sustainable profitability relies on reducing Buyer CAC below £100 while simultaneously enhancing seller subscription tiers.