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<<Devin Ryan, Analyst, Citizens JMP>>

Good morning, everyone. I'm Devin Ryan, Head of Financial Technology Research here at Citizens. I couldn't be more pleased to be having this conversation today with Vlad Tenev, the Founder, CEO and Chairman of Robinhood. And Robinhood, obviously, I think, has been a great story in the public markets. But in our view, the best is still to come. And so, I think, that's really the basis of the start of this conversation.

So Vlad, first of all, thanks so much for joining us this year.

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Thanks for having me, always a pleasure and you guys have been early to the story, which I always appreciate.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. Thank you. So to kick things off, Vlad, I want to start with a question that hopefully sets the stage for people to think about the philosophy of Robinhood and kind of as a manager as well. So you started the company a little bit over 10 years ago, and I've covered the space for over 20 years. And I remember when Robinhood was just getting going, a lot of the incumbents had be sitting in meetings and they'd say, well, this is just another trading platform. We've seen this before, so they can't disrupt the industry. And obviously, here we are over a decade later, and I think everybody has taken notice.

And now you're going into other industries where there's large incumbents. And I think in some cases, people are being dismissive of those new industries, but in other cases, I think, you've built this track record. So the first question is just kind of 10 years ago or over 10 years ago, what gave you the confidence that going to this industry with huge mature incumbents that there was really a need for a new player that you guys could actually come in and do something different that hasn't been done before?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

I think our approach in the beginning was we saw a gap in the market. And the gap took on two forms. One was just the pricing. So every other brokerage at the time was charging $7 to $10 per transaction, which seems a little bit silly now because we're in year six since the industry adopted Robinhood's model and removed commissions on equity trades. But yes, $7 to $10 was what it used to cost to place a trade, which basically meant that if you had $100 or less, it didn't make sense to get started because you'd be paying 10% of the total value of your account in transaction fees each way and 20% to get in and out. So trading and really investing with small amounts was not practical under that structure.

And the second observation that we made was that there was a new paradigm shift happening in consumer products. The iPhone had come out in 2007 and the App Store came shortly thereafter. And there were new products. It took a couple of years, but there were new products that were being created that actually took advantage of that form factor. So you had Instagram, which was the first mobile native social network that got to scale. You had Uber that actually could not be done on desktop. It used the location capabilities of the device to give you this great experience of a car coming and getting you.

And our bet was that this would be big for financial services. The phone would be the primary interface that you engage with your finances through. And I think that was a contrarian bet. So I look at our success, and we were able to do two very difficult things simultaneously. One is change the business model of the industry and remove commissions, which has since become the default model. And then the second was kind of changed the user interface and the primary platform for trading to mobile.

And now if you look at our competitors, the ones that have managed to survive Robinhood's entry into the space, all had to adapt their interfaces to resemble Robinhood. Now if you look at all the big brokers, the ones where they kind of make it look more like Robinhood are the ones that have survived and the other ones have had a lot of difficulty. And I think at the core of it, it's actually the combination of my co-founder and I's experience in the algorithmic trading industry in New York, which made it possible for us to understand that the cost could be brought down to 0.

In fact, we saw it in the institutional world. If you're an algorithmic trading firm, you're placing millions of trades per day at effectively no cost. And we were able to see that it didn't take much to adapt that to the retail world as well. And we were also in Silicon Valley in San Francisco at that time, where we saw these new companies and new start-ups forming that were start-ups like Uber and Instagram that were taking advantage of the mobile form factor to build a new business. So, I think, we were very fortunate that we were able to cross these two worlds at a time where not very many people were operating across both.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. So flash forward to today, you had your first Investor Day in December where you outlined, I think, a big vision, $600 billion kind of addressable market. And so there is kind of a massive addressable opportunity. You just reported a record year, momentum across so many parts of the business in our opinion, but you kind of have outlined kind of three priorities. And so where I want to start is on the first one on active trader. I think you launched the Legend offering not too long ago, and it seems like you're having a lot of success there. You've gained market share in active trading. Can you talk a little bit about how you feel like your platform is differentiated? And just talk about where your market share is today relative to where you think you can take it in the future?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes. So as Devin mentioned, there's three arcs to our business and you can kind of think of them as arcs of development that climax at different times. So active traders is kind of our near term arc and we're basically in its heyday right now. So, improvements in the product and new features immediately translate to more customer value and more revenue. And you – really one way to describe this is it's kind of like our Tesla Roadster. Success in our active trader arc gives us the tools and the resources to pursue our other two arcs, which are more longer term.

The second one, which is more of our five plus year arc, is becoming number one in wallet share for the next generation. Then the long-term arc is building the number one global financial system, which means going from retail only to business and institutional and U.S. primary to global.

So on the active trader front, one of the big recent updates was we had an event in Miami where I unveiled Robinhood Legend, as well as futures and index options. And those are just – we were actually pretty far behind on desktop, which is where 50% of the trading volume today still resides. You can do a lot on your phone, but for our customers who want to do deep research and technical analysis, it's very, very important to have the data on the same screen as placing the trade and that's just very hard to do on mobile.

So that kind of obviated – that made it clear to us that we needed – to do better on desktop. Our market share on mobile is – we're clearly winning on mobile. But on desktop we weren't really on the map up until Legend.

Now, since we launched it just a few months ago, Robinhood Legend, has grown rapidly and it's at a $50 million plus run rate, over $50 million as of the quarterly earnings results. And it went live to 100% actually relatively recently. And when we've rolled out products in the past, usually it takes a year if not more for them to permeate our entire customer base and become more widely known. Now we think we can accelerate that, but the upshot is there is a lot more growth that we see ahead for Robinhood Legend and it appears to be nicely incremental. So, it's not just that these customers are taking their mobile activity and moving it to Legend, they're doing more with us.

We also announced index options which we said was at a $15 million annualized revenue run rate. And the CBOE issued a statement saying, wow, we hit a record in [index] options activity a couple of days ago and they actually went and attributed it to us. It was like the biggest needle mover was Robinhood entering the index options market and kind of their impact there. So we're still very early days there.

And actually futures, which we launched in November as well, or actually we announced in November, launched it just a couple weeks ago to our customers to 100%, that's been inflecting and growing incredibly well. That's actually at a faster ramp than index options. So I mean exceeding our expectations in many ways there. I'd say we're well on our way. Before we launched it, we said that would be a nine-figure business for Robinhood and what we're seeing gives us a lot of confidence that we've got a lot of growth there.

And we're also learning, I'd say the most exciting thing is when I talk to the engineers and product managers across all of these teams, there is many ways in which customers are still dissatisfied with these products. And so there is just like a clear one year plus roadmap across all three where we just see low-hanging fruit. It's not even – I don't even have to be creative to find the growth in those over the next year. There is just obvious things that we have to fix and improve. And I think the inflection will continue to rise and we'll continue digging into the market share.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. And talk about, event contracts are getting a lot of attention in the market obviously.

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes.

<<Devin Ryan, Analyst, Citizens JMP>>

Clearly people are also wondering about the connection to sports betting. But I think the event contracts to me is something much bigger than simply sports. And obviously the election was a great launchpad for seeing the influence of those both in the markets, but then also how that information is valuable to making trades and other aspects of asset classes, whether it's in equities or other asset, like options.

So how do you see that playing out? And how big of a piece of the story could that be for Robinhood over the long-term?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes, I'm glad you asked that because when I just finished talking about active traders, I realized that we had our active trader event, the HOOD Summit in Miami. And then a couple of weeks later, it was the election. And we launched a new active trading product, which is the Presidential Election Market, which, as you said, is a prediction market. So it's CFTC-regulated event contracts on the election where people could trade on the results of Trump versus Harris. And what we saw was the demand for that product was extreme. We had over 0.5 billion contracts traded in right around a week, and that's a very large number. That's a very large number of contracts.

And basically, that – we were already planning on having prediction markets be one of the zero to one kind of big new features that we've rolled out for our active traders this year. And this gave us a lot more confidence actually that not only do we believe in it, and we think it's a cool product, but customers actually want it. And it's legitimately useful, and it could fit in alongside all of the other trading assets that they'd like to trade with us.

So, the plan this year is to launch a comprehensive events offering. I think prediction markets are the future. I think they're the future of trading. They're also the future of news. And I think a lot of people focus on, well, this is like speculation, people are trading. But what you get as an outcome of that because it's a regulated marketplace where buyers and sellers are meeting, you get great price discovery and you get what I think is the best mechanism for distilling information down to an accurate prediction.

And so I think that what it will look like is it will be kind of like the newspaper. You'll have a front page, which will be all the relevant news and events that you want predictions on that are trending right now. But then there will be a sports section. There'll be a style section. There will be business and economic news. And essentially, the next iteration of news and information will be integrated with markets so that you get a clear picture of all the information that's out there in real-time and what it means for the future. So it's kind of like the news before it happens, which I think is extremely valuable to society.

<<Devin Ryan, Analyst, Citizens JMP>>

Before we move on, I just want to get a sense of the current trading market. Obviously, markets are volatile, and there's information coming left and right macro-wise, but I think company wise as well coming off the earning season. So I'm curious how you would frame it because trading has been phenomenal over the last couple of quarters. Is that continuing? And have you seen just even in this recent kind of bout of volatility around tariffs and other interest rate uncertainty, how are your customers navigating that?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

We have lots of different customers. I would say the majority of customers tend to be buying the dip in technology and innovation stocks. They look for opportunities where you can get their favorite stocks, which tend to be highly correlated with the number one innovation industries. So, AI, electric vehicles. They're interested in quantum computing and some of those frontier sectors as well. And you can tell, we publish our most commonly held stocks by our customers on a regular basis.

And so, when there's broad interest in volatility in those sectors, you see that kind of disproportionately reflected in our trading volume. For active traders, I think what we found is somewhat counterintuitively, that's more of a stable business. So, it accelerates during times of extreme volatility. And when there's a lot of new investors coming into the market – but because active traders tend to be more sophisticated and they can go long and short via options and futures, it tends to be more stable.

So, it's less volatile than spot crypto and equities trading. But – as I'm sure you've seen in the numbers, that's continued to be strong. And what we really look at since we're the low-cost provider of all the assets that we offer is our market share. And the market share tends to drown out the noise when you look at retail because we feel good about ourselves if we're growing market share even in bear markets or times when things are less volatile.

<<Devin Ryan, Analyst, Citizens JMP>>

Yeah. The second priority that you outlined at Investor Day, and I think talked about with earnings was share of wallet and increasing share of wallet and that being a $180 billion revenue opportunity, so just a massive new opportunity. Obviously, cards are an area to connect there, the cash sweep, U.S. advisory, which you're just getting into and other opportunities.

I'd love to get your sense of why you think Robinhood has a right to win in these new markets or additional markets beyond trading? And what gives you the confidence that the people want to do more with Robinhood beyond just maybe where they initially came to Robinhood years ago for a trading experience?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yeah. I mean I think that we have some good early data showing that this thesis is valid. So, you can look at Gold Subscribers. The way we measure our success across the second arc, which is being number one in wallet share for the next generation is we look at Gold Subscribers and Net Deposits into the platform, which is aggregate of how much money is coming in minus how much is being withdrawn.

And what we've seen is Gold Subscribers has hit a record attach rate of over 12%. We've got over 3.1 million paid Gold Subscribers. And a lot of people were telling me that subscription just doesn't work in the financial services industry. But we've been able to do a very, very nice job putting together a great subscription product with increasing attach rates. We've got more to do, but I think now we have the confidence that it's very, very clearly working.

And then we're also seeing that up until now, two months into Q1, we've hit over $10 billion in Net Deposits, and that's for the fifth straight quarter. So last year, we had around $50 billion, which is a growth rate multiples higher than incumbent competitors. And what we're seeing is that that's continuing. And we see many more ways that we can continue to drive that.

And I haven't even talked about the Gold Card, our Gold credit card, which customers really love. It's rapidly becoming top of wallet. And what we're seeing is when people adopt the Gold Card, it becomes top of wallet. They're also signing up for Robinhood Gold as a result of doing that. Then a large portion of their discretionary income starts making its way into Robinhood and the growth of Net Deposits reaches an inflection point.

So we think as we continue to rollout the Gold credit card, which is still at a pretty small scale, a little bit over 100,000 cardholders, but we're getting to multiples of that this year. And I think that not only will be reflected in the Gold Card business itself, but across the entire platform. What we're clearly seeing is that our retail customers love having everything in one place.

And we can see this on the active trader front as well. If you talk to our Crypto GM, Johann, he'll say, the best feature for me is the brokerage business. And I'm sure Steve Quirk, our Chief Brokerage Officer, would say the same thing, like people coming to Robinhood for crypto discover brokerage and adopt those features and become very valuable and sticky customers and vice-versa. And we're seeing that extend to the non-trading products, including the Gold Card, including retirement.

And that gives us confidence that as we continue to add more products and diversify, the whole is going to continue to be greater than the sum of the parts. And the long-term opportunity, I'd say, in product building is taking advantage of the $100 trillion plus that's going to be handed down from the silent generation and baby boomers down to younger generations.

And I talk to a lot of people. I talked to some folks who are incumbents in the space. I don't think anyone's got a real product strategy to tackle this. I think right now, 70% of people fire their parents' advisors when there's an inheritance event. And I think if we can get that down to a much lower percentage, I mean, the impact of that is going to be tremendous. But over the next few years, you'll see Robinhood putting together the pieces of a multi-generational financial platform. So it will get better for you as your kids sign up and onboard to Robinhood accounts, as your spouse does that, and even your parents. Your parents should benefit from having Robinhood accounts and the experience for the whole family will be better as you add an additional family member to the platform, and it will be cohesive and it will just be high quality. I think that will make a big difference. And I don't think anyone is actually thinking about it besides us.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. Yes. And then just on the Gold, it seems like that's kind of the tip of the spear to really add value for customers as you're going in with the high cash rate or the high rate on cash or low margin rate. How should we think about it? Is there a lot more to do with that Gold offering? The attach rates are obviously really accelerating. So how do you think about what else there is to do with that Gold offering? And should we expect more products coming through on that as well?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes, absolutely. I think there's still some gaps in terms of product offerings that we have that don't really have a Gold value prop. We've added Gold value props for our active trading products recently. So you get a discount on the commission fees for futures and for index options, which, by the way, customers love already. When we talk to our customers, they can't believe how low the commissions on those products are.

And the capital efficiency as a percentage of exposure is really, really good. So it's – they're aware of it, which we're very happy about, and they're also aware of how much lower it is with Robinhood Gold. There will be a Gold value prop for the vast majority, if not all, of our products. And already the list of benefits is quite long. I think it will get longer. I mean, we've been hearing from customers that a Gold benefit for crypto is long awaited. So, we're looking into that and then options as well. So yes, we continue to see opportunity in growing Gold and increasing the retention, increasing the attach rate. We've got a ton of things coming on that front.

<<Devin Ryan, Analyst, Citizens JMP>>

Great. So, I want to move on to the other big priority that you've been talking about and probably the biggest addressable market. I think you highlighted at $400 billion, which is kind of that 10-year arc of being the number one global financial ecosystem. So that's a huge ambition. There's a lot within that, that I want to go through. But something that we're obviously very focused on is the opportunity in crypto. And the firm has been kind of a leader. You guys were early to get into the space in terms of offering access to crypto trading. You've expanded the offering.

But when I think about crypto, I think about it as a much broader opportunity for Robinhood. How do you integrate blockchain technology into your business model and offer other capabilities, whether it's connectivity with stablecoins, which you guys are starting to do or the tokenization of markets. And you guys seem like you're going to be in a great spot for that.

So how do you think about as we're kind of going to this new age of crypto, which in my mind is kind of going from speculation – a lot of speculation to utility? How do you feel like Robinhood is positioned to participate in that? And as you think about crypto as a percentage of revenues or contribution to the firm, do you think there's a bigger opportunity maybe from all the other ancillary connection points of crypto beyond just trading of tokens?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes. Yes, I think you put it well when you said that this isn't – I think we have to transition from sort of like the speculative phase of crypto where a lot of people just think of it as Bitcoin and meme coins and go to a place where there's utility. And now I think that there has been a little bit of an unfair criticism of the crypto industry because the problem is we have not been allowed in the U.S. up until now to connect crypto to real-world productive assets because that's where the security laws have come in. But there is a ton of advantage in doing so.

So in particular, crypto by its nature is 24/7. It's running on blockchain technology that doesn't close on weekends. So 24/7 trading of stocks becomes very simple. Right now, Robinhood offers 24 Hour Market, which allows 24/5 trading of stocks. And we were one of the first to do that and really expanded that product to the point where now we have 1,000-plus stocks available on the platform. And I think one of the reasons that others haven't matched is because it's a challenging engineering problem. It's a lot of build to stitch together these various market centers in a way that's seamless and move orders from one to the other, give people a great experience.

It’s an engineering build. And 24/7 is going to be tough because now we’re kind of bottlenecked by the DTCC being open on weekends. Now all of this in crypto world is being done by software – transfer agency, central clearing, settlement, movement of money, even market making increasingly is being done on DeFi protocols. And that makes it cheaper, more efficient and ultimately, a much better user experience.

So you get fractionalization for free, which was a complex build. You get 24/7 trading. And you imagine if this was permissible, two or three engineers from MIT who have knowledge in building these tools, for example, can build something like Robinhood very, very easily and have stocks and a whole bunch of other assets available on non-custodial wallets and DeFi infrastructure.

And I think I tell my team that should be a scary thought to you, but also a huge opportunity because we're incredibly well positioned to actually be the first to adapt this new technology to traditional assets. And we should be putting private companies, start-ups on the blockchain.

There's no reason why you should be able to invest in a meme coin freely as much as you want, but SpaceX and OpenAI are too risky. That doesn't make any sense. So I think we'll have to fix that. And I think there's huge advantages in crypto technology being the underlying infrastructure behind all types of assets, securities, commodities, other real-world assets. So that's one of the things we're going to be working to make sure that the U.S. is the leader in.

And I'd have to say, this administration, they're embracing the crypto industry. They're super excited about making sure America is the leader, and they're not trying to push this offshore. And I think it's really amazing that the administration has picked AI and crypto as the two most important strategic priorities because as you heard in Investor Day, those are Robinhood's top two strategic technology priorities. We think that crypto and AI are going to be the two things that shape the financial industry.

And so there's going to be a crypto summit in D.C. this Friday. I'm going to be there making sure that the U.S. is at the forefront of this along with a bunch of other great people. So we're moving forward. And I think it's going to be good for Robinhood, also good for the future of the financial industry.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. Yes, it's exciting. And obviously, you're buying an exchange Bitstamp, so that will connect you even deeper into the ecosystem. But with that acquisition, something that I think is interesting is it expands your international breadth. So that helps there. But it also expands, I believe, connectivity into institutions, institutional clients. And so people historically think of Robinhood as this retail offering.

But long-term, how big of an opportunity do you see there to be with institutional customers just across the ecosystem because a lot of what you're building would seem to be relevant for institutions as well and in that big addressable market, prime brokerage is an area that you guys are talking about. So how do you think about institutions connecting with Robinhood over intermediate-term or long-term?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes. I think it's a big opportunity. We talk to a lot of institutions just in our day-to-day operations. I mean, on the crypto side, also on the equity side. And the same benefits that retail really values in Robinhood accrue to institutional as well. So for example, a huge pain point right now for institutions is they want to hold crypto, and they have to use two separate systems. Their legacy prime broker doesn't support crypto.

So now they're kind of – they have to deal with these two systems that don't really interoperate. And that was a huge retail pain point that we solved. I mean we're the first really to let you have crypto assets and traditional assets in one place. And that's a very valuable thing, valuable for institutions as well.

They love rock bottom margin rates and flexibility with how to use leverage. They want futures with the lowest possible fees. They love the idea of 24 hour markets, too, because if you're – let's say, it's one of those things where if your competitors have access to 24 hour markets, then they can hedge their risk or offload at times where you cannot. And eventually, if there's enough of those instances, you start feeling that you're at a disadvantage using other platforms. And so, I think that's going to continue to be adopted more and more widely.

So, I think we can do very well there. And I think the focus is on retail and making sure we win there. That's obviously the biggest near-term opportunity. But as you look at our 10-year arc, I think we can get to a world where institutional is perhaps an even bigger business than retail and outside of the U.S. is even bigger than in U.S. And I don't think it's make believe. You look at a company like Interactive Brokers, they've gotten to that level, right? More than half their revenue is outside of the U.S. So, it's possible. And I think the way to do it is to make sure you have one unified technology platform that can serve all customers at its core, international, institutional, retail. So that's what we're building towards. I think that's the right approach.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. And just on the international front, obviously, you're already international, but how has the brand been received in the relatively early days of being international? And then as you think about you've laid out some other geographies you want to go to, how should we think about kind of the next international launches coming? Is that this near term? Or is that just more of a longer-term focus after you get, say, Europe correct?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes. So in Europe and the UK, we've launched. So we've got brokerage in the UK and crypto in Europe. And the brand has been received very, very well. We announced a couple of months ago that for a while, we were saying we're at tens of thousands of ex-U.S. international customers. And then we crossed into 100,000. And that was very nice. I think every order of magnitude increase is sort of worth celebrating because it took us a while to get to 1 million customers in the U.S. as well. So, I think that it's small as a percentage of our overall customer base. But in not too long, I think we'll be crossing into the millions and then hopefully, the tens of millions after that.

What people want in the UK are more of the things that we have here, including crypto and futures. And we've been doing well there. We see our market share going up. I just had the second customer conference where we get together customers from the UK. The first one was shortly after launch, and it was like 10 people showed up sort of thing. So, it was a small intimate gathering, great people. And this one last week was we had to rent out a whole building, and it was just packed. And I was joking in my team, next time we need to book Wembley. You got to fill up Wembley with customers. Yes. But what we're seeing there is really, really good. And we've been growing market share. We've been growing downloads. And it's a long game. But now with options, we're starting to generate real revenues. And I feel very good about the business there.

In the EU, it's going to be about rounding out the suite and it'd be no surprise to you guys, people want equities there. They want stocks, they want options. They love crypto, but they're seeing all this great news about Robinhood Legend. They just want more of that. So, we're going to bring that over. And then we also picked Singapore as our APAC headquarters. We're going to be launching there, and that allows us to serve hundreds of millions of people in that region. And the team is looking at other regions as well. So, you should expect to see not just rounding out the product suite in these existing regions and launching in Singapore, but us to announce new markets as well.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. That's great. Artificial intelligence, there's been kind of obviously a big theme just over the last couple of days at our conference here. And I feel like Robinhood is going to be at the front and center of how artificial intelligence gets integrated into investing, managed products, now digital advice, something that you're going to be launching. Talk about how you think about the opportunity with artificial intelligence and how you guys are going to potentially be a leader integrating that because it just seems like there's so much more to do leveraging this technology?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yeah. I would say at Investor Day with artificial intelligence, I kind of outlined that technology arc. And it starts from basically using it to improve and automate more and more of our internal operations. And at this point, across the engineering side, across product design, everyone is kind of using these AI tools at Robinhood. And that probably started a couple of years ago. I mean, we were pretty early in adopting and just plugging everything into our unified AI and machine learning platform.

The second phase is user-facing copilots. So, things that can actually help make existing things that you're doing on Robinhood better. And probably the first example there was customer support. Right now, if you use Robinhood and you go to customer support, which hopefully not many of you will encounter because you'll never run into issues.

But if you do, your query is most likely to be handled by a generative AI-powered agent. And so that's been helping out tremendously, particularly when we get to huge volatility spikes, which lead to an increase in daily active users and consequently downstream an increase in tickets.

And then the final stage is what I'm calling sophisticated autonomous financial agents. So this is, can you take that intelligence, turn it from a copilot into an agent that can actually do tasks on your behalf. And we're making rapid progress there, too. And we've gone – I think the technology for this is extremely critical. And we've owned our technology and kind of built it from the ground up from the beginning.

And now we're at the point where we're fine-tuning models, we're distilling our own models. And I think the incumbents are going to have a hard time to be competitive there. A lot of them are still using mainframes where it's very difficult to fine-tune an AI model on mainframes. It might be impossible. At the very least, it's going to be very, very expensive.

So I think this is one of those things, both on AI and crypto, where if you're not already at the technological frontier, it's very, very hard to be competitive. And I think the gap is going to widen over time.

<<Devin Ryan, Analyst, Citizens JMP>>

Yeah. Yeah. And something that we've – we get a question from investors frequently, how can Robinhood grow at the rate they're growing, but also be as profitable, especially as you guys have gotten the business into profitability. And then this past quarter, I think the GAAP margins were like 55%. So you have this massive top line growth, net new deposit growth rate of 50%, but you're very committed to "profitable growth." And I think the market is trying to reconcile because they're looking at old models and saying, the unit economics don't work like that, but you guys are setting, I think, a new standard without the bureaucracy, you don't have the branches, very efficient, modern infrastructure.

So – and it sounds like there's still more to do. I know you've been talking about there's still more room for efficiencies in the model. And so how do you think about Robinhood's maybe competitive differentiation from a unit economic perspective? Because to us, that's kind of the secret sauce of how you guys are winning because you are growing at such a rapid rate, but can drop so much to the bottom line, especially with a 90%, I think, fixed expense base?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yeah. I think it really comes down to technology. I mean if you boil down what we do to its very essence, we're a technology company that happens to be active in the domain of financial services. So of course, there's regulatory, where we're incredibly strong. But we actually think of things from the standpoint of how can we automate as much as possible.

And where you do have to interact with a person, by and large, how do we make that a value-added interaction where hopefully, you actually learn something. And I think that will become very critical when advisory is integrated. What you'll see at that point is a marketplace within

Robinhood, where if you're one of our 25 million customers or more, you can select from an advisor or you can have an automated solution if you don't need an advisor. But a lot of customers, particularly those that are a little bit older and have more complicated financial lives, they like to have a human to talk to someone that's overseeing that account. And you’ll be able to select from an advisor and pick someone to help you.

And I think the technology will allow those advisors to serve many, many more customers. So, it's not just going to be good for our customers, but the advisors themselves who are entrepreneurs, our technology will help them grow their businesses. And I think that's why the possibility of integrating with Robinhood is so exciting to them.

<<Devin Ryan, Analyst, Citizens JMP>>

Yeah. I guess maybe the flip side of everything, there's so much momentum right now, but there's obviously always risks in the market. And so as a manager, what are the risks that you're most focused on, whether it be competitive or maintaining customer trust? Where is the business is doing so well, what are things that are keeping you up and just making sure that you guys are in control of those?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yeah. I mean I think that the two – the risks of disruption are always at the frontier, right? So, I tell the team, we're not really thinking about the incumbent so much, but we're, I mean, the incumbents, I think are an opportunity for us to grow our wallet share and assets. So I mean, we have to think about them. But really, disruption happens at the frontier when there's technology shifts. And its AI and cryptocurrency where things are advancing the most quickly.

And I like our positioning. I mean we're obviously investing a lot. We're already a leader in those. And my thoughts – I think if you look at AI, there's sort of two perspectives one can take. One is that just like any technological revolution it's going to create new jobs. And things will be automated away, but there will be new opportunities.

Now the flip side of that is there are some people that say, well, the actual substrate of knowledge work is being automated away with AI. And that's something we haven't seen before. So that might lead to significant labor market displacement. And so, there's these two opposing viewpoints.

But I think Robinhood is well positioned actually because no matter what happens with the technology, I think if you look out 10 years, money will still be important, it will be more important than it is today. Investing and managing your finances and being a capital allocator will be more important. And I think self-directing will be more important. I think it's been like a multi-millennia trend really of more and more power given to individuals with technology to self-direct their finances, and I think Robinhood is just in the center of all these things.

So, we at the same time, want to embrace all this technology, use it to accelerate our business and make sure we continue to grow market share. But I think we'll do very, very well in the future regardless of which of the many branches the technology revolution can play out in.

<<Devin Ryan, Analyst, Citizens JMP>>

Yeah. Interesting. From a financial perspective, you're building cash, very cash generative. You have a lot of liquidity on the balance sheet already. What kind of M&A is interesting for Robinhood? You've been doing M&A, but how do you think about your M&A strategy? And what should we expect in M&A for the firm over the next couple of years?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yeah. We have a great corporate development team. I mean, really, they look at everything. They've been firing on all cylinders. We like deeply analyze and talk to a lot of companies that we think are interesting. When we think about what can join – what makes sense to integrate with Robinhood, we look at the team. Can the team mesh with our culture? Are they technology first? We also look at whether it's a new capability that can accelerate what we're doing by 18-plus months.

Yeah. And X1, which is a team that is now running our credit card business, a great example. We always had a plan to build a credit card. We knew that customers wanted it. But if we had built it ourselves, we would have had to build the credit function, the underwriting. There are a lot of pieces that we need to put together, and they accelerated us tremendously with that.

And then, of course, the third thing is we look at price. I mean we're very patient. We tend to bias towards building things ourselves. So the reason to acquire something would have to be very, very strong because our product velocity is good. We have so many ideas in front of us. Digestion always has to – we always have to make sure we can digest companies and actually integrate them well. And so that leads us to be very, very selective generally. So, we're selective, we guard the capital extremely diligently and we do go after opportunities, but we want to make sure they're great for the business and for shareholders ultimately.

<<Devin Ryan, Analyst, Citizens JMP>>

Yeah. To bring this together, you've been talking about 10x-ing Robinhood over the next 10 years. And so on one hand, that sounds like a really ambitious thought to say the firm because $3 billion plus of revenues right now to grow 10x is obviously tremendous. Is that a real goal? Do you really want to – do you think you can actually get 10x growth over the next 10 years?

<<Vlad Tenev, Chairman & Chief Executive Officer>>

I think – I mean, you've seen the numbers, right? We think that there's a lot more to do in active trading, where we're not yet even number 1 in market share across all the assets. Wallet share, there's over $100 trillion changing hands. And as of the last quarterly results, Robinhood has grown earnings, but we're not yet even at $0.25 trillion in assets on the platform. So, we're not even in the trillions and we're talking about $100 trillion plus changing hands.

And then we're making our first steps in international, but there's a lot more to do there. And we've been talking about all these great products that would be useful for institutional, but we don't have any institutional customers yet. So I see a lot of tailwinds. I think it's going to take really great execution as with anything, but I actually see multiple ways in which we can 10x the business. And I think we're going to pursue all of them.

<<Devin Ryan, Analyst, Citizens JMP>>

Yeah. As we hopefully get to do this again in the year, as you look forward, what would define success for Robinhood over the next year? Like what do you...

<<Vlad Tenev, Chairman & Chief Executive Officer>>

An even bigger room. No, I remember it was funny. Yes, it's funny how like you go through the ups and downs of the stock price and everything. And for a while, I go to these conferences and not that many people would be interested in the story, frankly. So yes, I think success for us is keeping the momentum, continuing to execute. There's just a lot to do. Like we start the year with a big list of ambitious initiatives. And I always think to myself, okay, what are the things that I would be proud of if I look backward upon either the quarter or the year and can we do those things? And I think we've had good execution, good momentum. In 2024, we sort of like got the list. And the products landed, and they were successful.

We're going to have three product events this year, at least, three that we've announced already, a Gold event that's going to be here in San Francisco in March, which I'm very excited about. I think there's going to be new products announced that people aren't expecting. There's a crypto event. So we're doing our first ever crypto event in France in the middle of the year. And I was reviewing the agenda for the crypto event yesterday actually. And I got giddy. I started pacing. I was like, my God, are we announcing all these products? This is going to be awesome. So, there's a lot of excitement there.

And then active trader, which is really just – I mean, that's the core of our business. And the active trader folks have been just – there's a ton of momentum. And we don't have prediction markets live yet. That's coming. I think that's going to be really, really good. But there's going to be some new stuff, too. And we're going to continue to innovate on the active trader front.

You asked about AI earlier. I think there's a huge opportunity in the same way that AI transformed the workflow of software engineering and being a coder and how these tools have completely transformed with AI and the workflows transformed. I think it's going to do the same for active trading as well. And I don't think anyone is actually working on that besides Robinhood. I mean our competitors are legacy platforms, by and large, that haven't changed very much. So one of the benefits of building from scratch and coming out with something like Legend on modern technology is we can think about these things from the beginning.

<<Devin Ryan, Analyst, Citizens JMP>>

Yes. Well, it's obviously been an exciting story. It's been a lot as an analyst to keep up with the pace of everything you guys are doing, but it's been a lot of fun. And I know that there's a lot more to come in 2025. So Vlad, thank you so much for spending the time and giving us the update today, and we really appreciate seeing you. It was great.

<<Vlad Tenev, Chairman & Chief Executive Officer>>

Yes. Thanks, Devin. Thank you all for listening.