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Will Nance: So, next up, we've got Robinhood Markets. Very excited to have co-Founder and CEO, Vlad Tenev, here. Vlad, thanks so much for joining us here again.

Vlad Tenev: Thanks for having me. Always a pleasure to be here with you.

Will Nance: Vlad, let's kick it off high level. Most people are probably familiar with the Robinhood platform. Maybe you could spend time on how you view the market opportunity for Robinhood from here and just high-level strategy on the business.

Vlad Tenev: The market opportunity for Robinhood is tremendous, and I truly believe we're going to look back and these will be the early days of Robinhood. I mean, we've got – we're in a space where the main competitors are multiple-decades old, and we launched our product in 2015.

So, zooming out a little bit, our mission is to democratize finance for all. And what that means to us is taking all the people who have been underserved in the financial services space in the U.S. and giving them access to every tool that the big guys get. A lot of the people in this room have access to high-quality financial services, good investing, wealth management, great retirement benefits, and we want to deliver that to as many people as possible.

So, that started out with commission-free investing and trading in equities, and then we expanded to options for the active trader audience. We added commission-free crypto trading as well.

And more recently, I think a great example of that is our retirement product, which is the first IRA with a built-in 1% match. And for Gold customers, recently we announced the 3% match for that.

So, lots and lots of people, especially folks that make under \$100,000 in annual income, are underserved by the existing players. They don't want them as customers. We see an opportunity to serve that group and to grow with them over time.

Will Nance: And so, I mean, you quickly ramped to be one of the largest user bases, 23 million users already, on a similar order of magnitude to some of the peers that you mentioned have been around a lot longer. When you think about the growth algorithm going forward for Robinhood, how do you think about the makeup of growth between user growth and ARPU expansion?

Vlad Tenev: It's a great question. And over the past year, it's certainly been – so, Robinhood has a large funnel, right? You can talk about the 23 million, north of 23 million, customers that have funded accounts. You can also talk about the Gold

customers, where we crossed 1.3 million paid Gold subscribers quite recently, and that product has been on a great trajectory.

So, in the past year we've been really very successful at driving monetization, or ARPU. ARPU in 2022 was at times under \$50 per customer, and then in the recent quarter you see it north of \$80. And it's just the tremendous focus on new products, getting them cross-sold and adopted by our customers, and really the driving of Gold subscribers. So, we've been making a lot of progress at the bottom of the funnel.

And then we also see opportunities to move up funnel. We haven't really done much marketing at all. We recently hired a new leader, and we're starting to do more experiments, and you're starting to see a little bit more there. We're expanding into other countries overseas, starting with the U.K.

But yes, the business that you see right now is very much kind of U.S.-focused and a business that has grown organically and gotten to the position that we've had to with very little reliance on marketing. So, there's just so many opportunities. And as we've done well in monetization, I'm increasingly turning my focus to sort of taking advantage of the opportunities upstream, driving things like user growth and cross-sell.

Will Nance: Got it. That makes a lot of sense. Just to level-set, I think you've recently put out monthly metrics a little bit ago. How have activity levels held up? And is there anything to kind of call out on current trends in the business?

Vlad Tenev: One of the things we really look at and have been looking at is market share in equities options and crypto. And I think that's particularly important when the markets are moving sideways or down, volatility is a little bit lower, because it really gives us a sense for how we're performing relative to peers.

We recognize that the market backdrop is tough and not like it was in 2020, where everyone was coming into investing and opening brokerage accounts, and it was easy. But I think it's in these times that the product improvements and the NPS and customer satisfaction improvements that we've made with active traders really start to pay dividends. And if you look at our market share on equities year over year in Q2, we gained 15 percentage points relative market share. Options, it was over 20[%]. So, the progress has been outstanding.

And even though the crypto market backdrop has been difficult, we've been solidifying and growing market share based on us continuing to offer the best value to customers and a great customer experience. And then, even the new more asset-based products that allow us to deepen relationships with customers – so, things like Robinhood Gold and retirement – those have been doing really well, with 1.3 million paid Gold subscribers – that's been on a nice upward trend – and we've also crossed over \$1 billion in retirement assets under custody, and that product launched to the public earlier this year.

So, yes, we're incredibly pleased with all the market share gains and kind of the adoption of these new products. And month over month you see the fluctuations, but over the long run I think we're building the foundations to solidify the business and diversify it. And I think the August metrics should come out next week. So, you'll see more detail about the activity month to month through that.

Will Nance: Got it. I look forward to that. Maybe you can talk a little bit about the macro environment. Is there anything kind of on your mind over the next six to 12 months on the macro perspective? I know you have a different demographic than a lot of the legacy brokerages in the space; it's younger. How are you thinking about how the macro impacts that customer cohort?

Vlad Tenev: So, a typical Robinhood customer median is in their 30s. I know there's been talk about student loan payments and how those are resuming. But one thing I think the broader public doesn't recognize about Robinhood is nearly half of the assets under custody are in accounts of customers over the age of 40. So, we have a lot of young customers, for sure. But sort of the older customers that we do have do tend to put significant assets on the platform. So, we're going to continue to diversify. We have been diversifying.

And we think every environment presents a unique set of opportunities. I'm really proud of how the team has been able to capitalize on the high-interest rate environment. Remember, Robinhood a couple of years ago, the question was, "How would you guys do when rates start going up?" Clearly, when rates are low and everyone's investing, we were doing very, very well. But did we have the products and the tools to succeed in a high-rate environment. And I think, definitively, we've turned that from a weakness to a strength.

And then, with the X1 acquisition and us integrating consumer credit into our offerings, that gives us another way to deepen relationships with customers and also a huge opportunity to generate bottom line impact for the business.

Will Nance: We've really seen that classic, like, internal hedge in the brokerage business between activity levels and rates. So, it's been great to see that offset.

Maybe we could switch gears to product. Since you went public in '21, you've kept your foot on the gas, with new products and features. Starting with retirement – you brought it up several times already – you're matching 1% of users' contributions, 3% match for Gold members, and you recently crossed \$1 billion. So, it seems like you've got some decent momentum. How are you going to build on that?

Vlad Tenev: When we think about our retirement offering, as we talk to our customers a lot of the customers, especially younger ones, don't want to work for anyone else. They want to work for themselves. They're taking advantage of multiple streams of income.

And the way retirement offerings have traditionally worked just doesn't work for them. The typical 401(k) has worked great for single-employer, long-term relationship with that employer. That employer offers those that are fortunate with a match. And it's been a great tool for people to start investing and building wealth.

But if you are an independent contractor, you want to work for yourself, that's not available to you. So, for those customers we built this product that we're very, very proud of. We're the first ones to offer a 1% built-in match on contributions. We followed that up with a 1% match on rollovers and ACATS. So, if you bring your entire portfolio from a discount broker, we'll match that entire amount. And now with 3% match on Gold contributions, we really see that picking up steam.

And I think one thing that is a little bit underappreciated is I think the product is great, but it's also a big step forward for the brand of the company.

Robinhood is turning into a brand that represents not just kind of active trading and investing, but also a place where you should feel safe and comfortable and secure to park your long-term wealth. And there's communities like r/Bogleheads on Reddit and long-term investing subreddits that they wouldn't really talk about Robinhood before, but now you see every fifth or sixth post there is about Robinhood and the great offer that we have.

And I think it's not lost upon people – and of course, we could do a better job marketing and communicating it – that Robinhood is the lowest-cost, best place to be an investor and to build that long-term portfolio. So, I think as that product continues to grow, we'll see that brand perception continue to shift gradually, and you'll have more and more people that have the lion's share of their net worth and their wallet safe with Robinhood.

Will Nance: I mean, I'd just follow up because I think it's interesting. If I'm hearing you right, it sounds like the opportunity in independent contractors and the rise of the gig economy seems like an opportunity for you guys. Are there opportunities to do partnerships with some of the gig economy platforms to kind of enhance the distribution?

Vlad Tenev: Absolutely. And we've had interest and conversations. We're exploring some of those ideas. And I think even if you're not a contractor or a gig worker at these companies or if you are, we don't need the partnership necessarily. You should come to Robinhood and we can open up an IRA for you. And it's an extremely frictionless and smooth process. And if you're a Gold member, you get a 3% contribution match, which is just this, like, jaw-dropping number when we talked to customers and we hear that and we kind of tested things. At 3%, it kind of starts resembling what you would get from a 401(k) match from a typical employer. So, I think that product we're very, very excited about.

And it's sort of good for the customer, good for sort of the retirement business, which has crossed \$1 billion in assets, but also an important part of our Gold strategy. The way we see it playing out, looking forward, is we'll have multiple reasons for customers to come to Robinhood. Of course, we'll have customers for equities trading, options trading where we have no contract fees, and that's just an undeniable proposition for an active trader. Crypto trading, where we're also the cost and user experience leader. And then, people come in for retirement, for the credit card, which we're going to be excited to launch.

Then once we get them in and once they try us, we've been having really good progress in making them Gold members. And once you're a Gold member, we want to offer sort of unbeatable value propositions across all of the products that we offer. And then we start seeing that cross-sell working. Once you're a Gold member, the cohort behavior is also really, really positive. We see them depositing more money and depositing a significant amount of wallet share, that continuing over time. And so, once we get people to Gold member status, then we kind of see a path towards those accounts growing and us being their primary financial relationship over time.

And you can see that working. Gold subscriptions are up. Gold ARPU is, like, very, very healthy compared to typical customer ARPU. We're going to keep doubling down and investing in that.

Will Nance: Got it. Maybe switching over to your recent acquisition of X1, a modern credit card offering, very sleek looking card. How are you thinking about cross-selling this product with the existing customer base?

Vlad Tenev: I think it's right in the sweet spot of our customers. So, for someone who's making less than \$100,000, but still credit primary, we think the value proposition of a really delightful credit card that's no-fee, coupled with a really kind of differentiated technology-first features – like, they have a great way for you to bring your family members onto the card and if you have kids, help them build credit from an early age – the rewards are really, really compelling, especially if you're under the age of 40. They have relationships with a lot of the brands that can give you boosted rewards.

And then, virtual cards. There's a lot of really compelling things that they do with virtual cards. You can have, like, a self-destruct, 24-hour life cycle card that you can use for a free trial. How annoying is it, like, you sign up for a free trial, you put in your credit card, you forget to cancel it, and you just end up being a lifelong customer of this thing that you never use, because you forget to cancel it later.

So, just the way they think about product and solving key customer pain points I think is very aligned with the Robinhood DNA. And the team has integrated very well, and we think we can deliver a great product to customers. And customers want this product. A large portion of our customers are credit primary, and this is another way for us to deepen relationships with them and be their primary financial provider.

Will Nance: Got it. You mentioned the success you've had in driving more Gold subscriptions. One area where that's been particularly noticeable has been in the sweeps. Obviously, a very attractive offering. How does that impact your customer acquisition for new Gold members? And just how do you think, maybe strategically, about that large amount of money that's come in through the Gold sweep side?

Vlad Tenev: I mean, it was really – it's like I was saying before. In the past, a relatively small percentage of customers would actually join Gold on the first day of signing up for a Robinhood account. Now we've seen that attach rate increase over time. And what that's indicating is a lot of customers are actually coming to Robinhood with the intent of signing up for Gold.

And I think we've been working on that and improving it and making sure that it's easy to get into Gold, but it's becoming a bigger and bigger part of the core user journey with Robinhood. And once we get someone in Gold, we see that they're a committed customer. They do more and more. They use more of our products. They put more of our assets into us. And I think that that's really positive for the customer and for the business, because they're getting not just a great deal on interest, but now with retirement and, in the future, more products as well.

Will Nance: You made a lot of progress kind of domestically on the product front. You talked about maybe switching your focus to be more on the top of funnel, customer acquisition. International has also been a big priority for you guys. And we were talking before we got up here about the upcoming launch of the U.K. brokerage. Can you talk about your expectations for that platform and maybe hit on monetization, how you think about monetization given the different market structure overseas?

Vlad Tenev: First of all, I think that there's a big opportunity overseas. I know right now it's a little bit of a contrarian time to be expanding internationally. And back in 2020 and 2021, where everyone was – where commission-free trading was all the rage globally and you see Robinhood clones or competitors popping up

worldwide, now that's sort of died down a little bit. And that creates an opportunity for us to come in as a GAAP-profitable company from a position of strength and really take a lot of the improvements that we've been making in the product and offer them to that customer base.

So, when you look at the U.K., specifically, I think there is still a lack of access to U.S. markets. Most customers are using these legacy brick-and-mortar (inaudible) institutions, like Hargreaves Lansdown and others. 24 Hour Market, which we just launched in the U.S. recently, that was us the first brokerage firm that offered round-the-clock trading of individual names. So, Apple, Amazon, Tesla, others, you can trade them in the U.S. 24/5. Very useful for active traders who want to respond and manage their risk around market-moving events.

But if you think about going into a market like the U.K., there's very little overlap between U.S. trading hours and kind of typical U.K. hours when people are awake. And so, 24 Hour Market is even more important and even more differentiated.

Couple that with products like cash sweep, where we can deliver a very, very competitive rate, you don't see that as much in the U.K., especially outside of, like, the high net worth, ultra high net worth segment.

So, I think we can take a lot of these value propositions with which we've found success here and they're even more differentiated. And so, we want to bring the best of American markets and American financial services to that market and, as time goes on, integrate more fully and kind of build things that are U.K.-specific that'll allow us to deepen relationships with those customers even more.

And I think one of the other things that makes me very excited about why Robinhood can be the company that does this exceptionally well is we are a technology-first company. So, it's not like we have to open a massive brick-and-mortar presence in every market that we serve. We can do it from a very capital efficient manner, where we build the core infrastructure; we extend the platform that we've built here, which is largely vertically integrated and sort of under our control; and make sure that we plan for not just the U.K., but expanding all over the world.

And we're building that way, and I think you'll start to see the benefits of that once we're in dozens of countries in the world. We'll be able to do it without stapling platforms, without kind of having to acquire companies in order to serve markets, although we might do that opportunistically, of course. But we really think that the investment in the platform and doing it in a vertically integrated manner is going to pay huge advantages when it comes to the long-term profitability of those businesses.

Will Nance: Got it. So, maybe just kind of a forward look on products. You've had a lot of product velocity. We've talked about all the different things you've added since the IPO. How is the company kind of measuring success of these enhancements? And what are you hearing from customers about what they want next?

Vlad Tenev: I mean, one of the things that we've been really proud of is we measure customer satisfaction across a wide variety of different ways. We look at it overall. We look at it by segment; so, I can tell you the customer satisfaction of our active traders versus overall customers. We look at it by product.

And we also spend a lot of time talking to our customers. I think one of the big unique things about Robinhood is we'll actually go to customers in their homes who are active options traders and check out their setup and take notes. We'll see what they're doing on Robinhood, what they're doing on their battle station desktops, what they're doing on pen and paper, and try to build things that make their trading process smoother and easier. And I think that – we call it radical customer focus – the sort of intense desire to kind of deeply understand and listen to our customers is a big differentiator for us.

And we have been seeing results. So, a year ago, a year and a half ago, the net promoter score, which is a measure of customer satisfaction, was lower for our active traders than for the typical Robinhood customer. And we weren't happy with that. Because if you think about it, the people that use us the most should be the happiest and, like, the biggest advocates of our service. And we were able to turn that around within a few quarters, and kind of the increase in net promoter scores for our active traders has been just incredible.

And the team has been really motivated. They've been sort of finding more and more ways to make the experience better. And the goal is to kind of double down on that and continue to grow market share and eventually get to the #1 position, not just in the U.S., but also worldwide, across all the assets and products we offer.

Will Nance: Got it. I wanted to maybe switch over towards the profitability discussion. I can't really think of a company that's been so successful at increasing the efficiency of the organization without impacting product velocity. I think you and Jason probably deserve a lot of credit for that. How has that changed the operations of the business internally as a result of those streamlining initiatives?

Vlad Tenev: I think it's been very, very positive. And like you said, I mean, huge kudos to Jason and the team. And it takes sort of commitment from a large group of people to operate more efficiently, because there's some really tough decisions and trade-offs to make there.

But the positive, the really positive things are that it sort of got us back to our roots as a technology company. We were lean and scrappy, and that was kind of a part of the DNA. And in 2020 and 2021, through some combination of just, like, outside market pressure and having to deal with all of the growth that came in and just kind of holding on and making sure that things were stable and the fact that it was kind of boom times and we saw all these opportunities, it became easy to kind of move away from that a little bit.

And being a public company going through this downturn and these more recessionary times I think has allowed us to rebuild that muscle. And in some ways, you look at the product velocity. It's never been faster, even though we have had to, like, trim headcount and get more efficient. And I think the efficiency has been a big part of that. Like, we're actually automating more things, operating better, making better decisions with the constraints. And I'm very proud of the work that the team has done to get there, because it was hard work.

Will Nance: I mean, how do you think about margins in this business over time? You are unique in building a modern cloud-native stack. We don't see that much in financial services at all. There are some kind of even legacy players and the pure brokerages that operate at 60%, 70% margins. But how do you think about the scalability of the platform from here?

Vlad Tenev: Over the long term, I see no reason why our business shouldn't meet or exceed the margins of the legacy players. I think right now we're in an interesting position where we see a lot of opportunity. We've been building a ton of products. We're expanding internationally. We have a fortress balance sheet, with \$6 billion in cash. GAAP-profitable last quarter, right?

So, I think we certainly could optimize for profitability. But given where we are, we want to be aggressive and keep our foot on the gas and actually continue to deliver differentiated products. And I think over the long term there will be plenty of opportunities to grow more efficient and get to kind of that margin level. But I think in the near term, this is kind of the moment to continue to be aggressive and gain market share at a more rapid pace.

Will Nance: I mean, the market seems to be cooperating. The message from the Fed seems to be "higher for longer." And that's obviously been a significant tailwind. It's allowed you to invest in the business, even in a time of maybe lower activity levels. What are some of the ways that you think about managing profitability over the cycle?

Vlad Tenev: I mean, you know that wasn't always the story, right? I remember before the Fed started raising rates there was a lot of questions that we got about whether Robinhood can succeed in a higher-rate environment in the same way that we did well in a low-rate environment. Because typically, what you see is in a higher-rate environment, people invest less. If you can get a 4.9% yield on your cash just sitting there, and a typical stock market returns after inflation are 7% and you can get that 4.9% relatively risk-free, that's a tough trade-off, and that pulls capital away from investing and trading into cash.

And so, it was certainly not guaranteed that we would be as successful in this climate. But through focusing on active traders through products like Robinhood Gold, with a 4.9% yield, through retirement, we've been able to offer customers the products that they need – and those have been, fortunately, getting some traction for us – while also investing in the active trader business, which tends to be more resilient. I mean, active traders on the options side and equity side, they're a little bit more sophisticated and they trade through different environments and they know how to utilize complex strategies that can sort of, like, capture bearish moves and also sideways moves and things like that.

And so, the improvements in market share have also tremendously moved the needle on the overall picture. If we hadn't kind of pivoted to that and made the product much, much better for active traders, I don't think the picture of the profitability would be as good as it now looks in hindsight.

So, I think it took a tremendous amount of work to get there. We weren't just kind of the beneficiary of this environment changing. When the rates started going up and volumes went down, a lot of people would ask us, "Well, are you just going to hunker down and wait for conditions to improve?" And I would say, "No, of course not. I'm not content just, like, hunkering down and waiting for conditions to improve. This is an opportunity. Let's capture it and use it to accelerate the business."

Will Nance: Makes a lot of sense. The regulatory environment is always top of mind in financial services. When we think about market structure reform, crypto regulation, international expansion, maybe you could talk about what's top of mind for you from a regulatory perspective and then maybe for Robinhood, specifically. You guys have made a lot of investments to invest in your

regulatory relationships over the past couple of years. I'd love to hear about how that's evolved.

Vlad Tenev: I mean, we have invested a lot, and we take those relationships very seriously. It's my goal for our relationships with our regulators to be a differentiator for the firm going forward and to be kind of a source of strength and stability for customers.

I think what we've seen is customers want to know that their financial services companies take regulation seriously and they behave in the proper way and are compliant with the law. And that's very, very important to us. And I think it's important to our customers, especially when they start thinking about where to put their money for the long term.

And I think where it gets interesting is there's, obviously, policies that get put out by the SEC and others that we disagree with. And we go through the comment process, and we share why we disagree and how they could be improved. And there's several of those policies that we do, in fact, disagree with. But we think that, over time and in the long run, for a company to serve a large portion of the customers in the world with their financial needs, that's going to have to be a company that's highly regulated and very, very stable. And that's why we've been investing so much.

Will Nance: You've talked a little bit about capital allocation, but what's kind of top of mind after your first quarter of GAAP profitability? How are you thinking about incremental investment?

Vlad Tenev: I love the position that we're in. Like you mentioned, we've got a very large balance sheet that gives us the flexibility to do acquisitions. And of course, we're not going to do anything imprudent, but the X1 acquisition – where we bring this great team, product first, that has a credit card offering that's really delightful – I think that's the type of acquisition that gets us very excited.

The business that you see with Robinhood today, we basically didn't have – our marketing team is brand new. So, we just hired a head of marketing recently. He's been building a great team. And there's opportunities. Right now you see a largely organic business. And we've been doing experiments, getting the word out about Gold and 24 Hour Market and other things, but that hasn't really scaled to a significant degree. So, we love having the flexibility to do that.

And of course, the Emergent Fidelity shares, which we completed the purchase of recently, taking out 55 million shares from the share count, I think has been a great outcome for shareholders.

So, I like where we're at, and the balance sheet gives us a great opportunity to continue to be aggressive and invest in this climate.

Will Nance: And maybe just on that note, before we close it out, you started – I think you even called it – an ambitious product agenda at the beginning of this year. We're getting close to planning season for 2024. Anything you want to give us a sneak peek on for next year?

Vlad Tenev: Well, I think we have been making tremendous progress there. And I think that you'll see us launching in the U.K. and scaling that out. You'll see us continuing to roll out new products like the credit card that deepen relationships with customers. And I think we've got some surprises in store for active traders as well. We've talked about futures. I still think, like, if you look at the futures

market today, there's nobody that's done a really good job in making a product that is delightful and useful, particularly on mobile. So, I think if when we do for futures what we did for options and equities, that's going to really open up the market to a whole new set of people. So, there's a lot to be excited about, and I think we'll have some surprises in store as well.

Will Nance: Awesome. Well, looking forward to it. Unfortunately, we are out of time. But thank you so much for joining us. Really appreciate it.

Vlad Tenev: Thanks, Will. And thank you, everyone, for listening.