Robinhood Markets, Inc.

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Brian Bedell: All right. Great. Great. Thanks, everyone. So, I think we'll get started.

I'm Brian Bedell, and I cover the online brokers and asset managers and exchanges here at Deutsche Bank. And we're very happy to have Jason Warnick, the CFO of Robinhood, with us today.

Just real quick on the company for those of you who don't know, Robinhood was founded in 2013, and the company has gained substantial momentum and popularity with investors over the past decade and now has about 24 million customer accounts and $130 billion of assets in custody. Robinhood has achieved many important milestones recently, including record adjusted EDITDA and GAAP EPS in 1Q.

So, with that, I would like to introduce Jason Warnick, Chief Financial Officer at Robinhood. And just prior to joining Robinhood in 2018, Jason held a variety of finance, accounting, strategy, and compliance leadership positions during his 20-year career at Amazon, where he was most recently Vice President of Finance and Chief of Staff to the CFO.

So, Jason, thanks for joining us today.

Jason Warnick: Thanks, Brian. Great to be here.

Brian Bedell: Great. Well, maybe just to start off at a high level, can you talk about the drivers of the recent strong momentum you are seeing in new account and asset growth this year? And to what extent do you think this is being driven by the market environment versus all of the initiatives in the 2024 product road map that are starting to bear fruit?

Jason Warnick: We're seeing really strong Net Deposit growth at the company. For some time now, we've been running in the 20%-plus zone of organic growth in Net Deposits. And we saw a meaningful step-up in Q1. We said we had a record of over $11 billion of Net Deposits. And if you compare that to kind of the quarterly run rate that we saw in 2023, that was in the zone of kind of $4 billion to $4.5 billion. So, a big step up to over $11 billion in Q1.

And I think it's several things. Customers are really responding to the great value proposition that we offer at Robinhood. But when we look at the Net Deposits, they're really diversified across the platform.

One way to cut it is to look at where the deposits went inside the platform. About half of it went to brokerage; about 25% were taking advantage of the great 5% interest rate on our sweep program; and 20% went into retirement, which is an area that's continuing to grow. You may have noticed Vlad tweeted that we've crossed over $8 billion now. And so, we were just over $4 billion two months ago at earnings. So, really great growth rate there as well. It's fun to see retail engagement, and it's picking up, but it's really quite diversified.

Brian Bedell: That's great and it's pretty impressive growth in just a really short period of time.

Maybe just – and we'll get into some of the segments and everything a little bit more, but maybe just on that, the recent acceleration of growth, just can you give us a sense of the actual customer profiles coming to Robinhood in recent months? And any major differences versus the traction that you've had over the last one or two years?

Jason Warnick: I mean, one of the things that we're seeing is customers are bringing in larger balances. In Q1, the average balance was over $90,000 coming in, taking advantage of the retirement offer. So, $90,000 accounts, on average, coming in. And so, really encouraging to see customers kind of in all stages of their financial journey and Robinhood earning the trust of even larger balances.

We have three priorities, strategic priorities, of the company. One is to be #1 in active traders. Two is increasing wallet share with our customers. And three is expanding internationally. And I think the retirement product is really resonating on the increasing wallet share, and it's showing up in the larger accounts.

Brian Bedell: That's great. Maybe just let's talk a little bit about the retirement match and then also the ACAT match. Just in terms of how you're generating that, maybe if you can go into some of the drivers. Is it more of advertising? Do you think it's more of word of mouth? More of risk-on behavior? And to what extent are you getting switches from competing brokerages that might be going through integration conversions?

Jason Warnick: I mean, Robinhood has nearly 24 million funded accounts and a really vibrant network. And so, word of mouth has always historically been a really strong way for Robinhood products and offerings to be communicated to the general public, and I'm sure that's certainly part of it as well.

We've been stepping up our marketing as well. And just in my day-to-day life I'm hearing people say, "Gosh, I hear that you're matching 3% on retirement. That's incredible." And so, it's fun to watch the message get out there and customers respond.

Brian Bedell: So, maybe just that's a good segue into the marketing spend. I think you've said you want to spend $100 million more on marketing this year versus last year. Can you talk about the different types of marketing strategies that you're embarking on? And how are you viewing customer acquisition costs with the new spend? Is it going up or being scaled? Or, is it actually going down?

Jason Warnick: I mean, historically, word of mouth and the Robinhood referral program, where if you, as a referrer, refer a friend, you get on average $5 in stock, and the person who joins would get $5 in stock. And it was a very viral and effective method.

Since that time, over the last year or so, we've been testing throughout 2023 at smaller scale our ability to be more data-driven and target users that we think would be higher value. And we've been quite effective. And we watch this very closely.

But the CACs are going up as we are targeting higher-value customers. But the thing that we really look at is the relationship between the LTV of the customers that we bring in relative to CAC, and we love the relationship there.

Brian Bedell: And just on that, how do you view the breakeven timelines from the CAC versus the revenue attribution? And on average, when do new customers become profitable after the related (inaudible)?

Jason Warnick: Kind of roughly in that one-year zone. And again, we're being very data-driven in the way that we target these customers, and we watch their behavior to validate that our assumptions that are feeding into the data-driven marketing engine is, in fact, verified.

Brian Bedell: Okay. Great. Maybe just to sort of stay with that theme, how do you balance the investment spend on new initiatives that may be either riskier or less certain versus marketing spend that's really well known, where you have a demonstrable ability to tell those meeting your true guidelines?

Jason Warnick: I mean, I think we need to do both. I think it's important to market and to increase awareness of the Robinhood brand and the Robinhood value proposition. But at the same time, we need to invest in the business. We've made a lot of progress, but we have a very full road map and a lot of things to build for customers. And I don't see that changing in the near future.

So, lots to do, lots to build. And we have a really great position with a strong balance sheet and we're generating earnings and cash flow. So, we're well positioned to do things like market as well as continue to invest for growth, which is super important.

Brian Bedell: Makes sense. And I've got lots of questions to go on, but we do you want to leave it open to the room. And anyone can jump in at any time and we're certainly up for having a free-flowing discussion if anyone has questions.

Unidentified Audience Member: Maybe if you could just talk a little bit about product road maps, some of the products you're most excited about over the next, call it, 12 to18 months.

Jason Warnick: There's a lot going on at Robinhood. First of all, kind of a newer product for us is retirement, as I just mentioned, and it's been really fun to see customers invest their dollars for the long term with us.

This year, across the three strategic areas, we have a number of aspects. Maybe I'll focus on being #1 in active trading. First, we're adding selection. So, futures is on the road map and cash-settled index options. Both are products that our customers are excited about and we've been hearing from them. And we've been taking market share in active trading, even without cash-settled index options, which is one of the hottest market segments in that area.

Another area we're really excited about is the pro trader experience for the desktop, and that's coming out later this year and the team's hard at work. When you look at the active trader segment, about half of the activity for active traders happens on mobile, where we have a presence. But the other half is on desktop, where traders want more features, more data, all visible on a larger screen space. And we're excited to bring that to customers later this year.

Brian Bedell: Maybe along that theme, you mentioned on the active trader side and certainly on the desktop, but can you talk a little bit sophistication of the tools, how you're evolving that? And then, do you still think there's a very long way to go? Or do you see it getting actually close to some of the leading peers? And then, I guess, just broadly, what proportion of your customers do you view as active traders? And how do you define active?

Jason Warnick: We define our customers basically based on their trading activity. And I think our internal designations are not, like, a standard industry terminology, but we follow kind of a reverse power law, where a smaller portion of our 24 million customers account for the majority of the trading activity, as you'd expect.

In terms of what they're looking for, they want to be able to have multiple charts. They want to be able to trade from the chart. Have data readily accessible to them. And I think that there's a number of core features that our traders would expect. But as I've talked to our product manager who's leading the effort, I think that you'll find that there'll be moments of delight that Robinhood will bring that kind of up-levels the experience that the traders have interacting on the desktop.

Brian Bedell: Okay. Maybe I'll continue, but any other questions? I can continue...

Unidentified Audience Member: Maybe just talk about the Gold Card a little? Can you talk about kind of the ramp there?

Jason Warnick: Yes. So, the Robinhood Gold Card is our new credit card offering. It offers 3% cash back. A great, easy, intuitive app to interact with that can do things like create temporary cards or create an additional card for a family member and very simply move your rewards right into your Robinhood brokerage account with just a push of the button. So, super seamless and intuitive.

And we're really excited about that. We announced this at a Gold event recently and have a waitlist that's now over a million people that are have expressed interest in the card. So, really excited about that.

It is a new product for us, though. And so, we're going to be very mindful about how we roll out the card to our customers. We're starting with tens of thousands off the waitlist, and we're going to watch their spending behavior, their borrowing behavior, how they repay. And we'll take those learnings and apply it for the broader rollout later this year.

Unidentified Audience Member: Is it fair to think about the card maybe on an interchange basis is close to break even with the rewards? And then you monetize via Gold, via borrow, and via the money going back into the ecosystem?

Jason Warnick: Yes, I think that's roughly right. Roughly break-even and maybe slightly negative. But with the revolve, with Gold memberships that are part of the process for getting a Gold Card, we think we have an opportunity here over time to generate meaningful earnings.

Unidentified Audience Member: Is it secured by the deposits in the brokerage account?

Jason Warnick: Not yet, but that's an aspect that I'm really excited about. I think there's a few benefits with us being a brokerage and offering a credit card to our customers. One is if you secure it from a customer's perspective, you could potentially get an even better interest rate. Obviously, it would help us with anticipated loan losses. And then the third aspect of that could be thin-file customers that maybe wouldn't otherwise qualify for a card - this would be an opportunity for them to qualify and to begin building credit through Robinhood.

Unidentified Audience Member: Could you externalize the revolve piece? Maybe have someone – put it on someone else's balance sheet and get, like, a fee for it?

Jason Warnick: The way that we're approaching it now is we have the direct relationship. We're facilitating it through a couple of banking relationships. And over time, the capital markets team will look at ways to handle the balance sheet aspect.

Unidentified Audience Member: Just out of curiosity, your issuer was Coastal?

Jason Warnick: Coastal Bank.

Unidentified Audience Member: And how did you come to them?

Jason Warnick: They were the issuer for X1, which was the company that we recently acquired to jump-start the credit card product.

Brian Bedell: Maybe along the lines of that rollout, so tens of thousands have it now, correct?

Jason Warnick: We've just started rolling it off. So, in the first several months that's the plan, is to get to tens of thousands and then watch their behavior closely and learn from that.

Brian Bedell: Got it. Is the rollout planned to be staged? Or is it flexible depending on how you see the activity tracking?

Jason Warnick: Well, it will be ultimately staged, but the idea is tens of thousands probably relatively soon so that we maximize the amount of time that we can observe behavior and apply those learnings.

Brian Bedell: Right. And then on the time of observation, is that months or quarters?

Jason Warnick: It would be measured in months.

Brian Bedell: Months. Okay. And do you have a sense of when the whole full million might be able to roll off?

Jason Warnick: I think we'll be in a position after we learn and observe later this year to be able to answer that better. But certainly, we would look to as fast as prudently possible get the cards in all the qualified users' hands.

Brian Bedell: Right. Okay. And then maybe just on the balances. I guess, how do you think about – are the balances fairly standardized at this stage? Or are they customized to the cardholder?

Jason Warnick: In terms of the credit limit?

Brian Bedell: Credit limits, yes.

Jason Warnick: The underwriting process would determine an appropriate credit limit for the customer.

Brian Bedell: Okay. Got it. Got it. Okay. Maybe just pivoting to some other initiatives. Let's just talk about maybe trading and the trading after market hours. We've heard obviously more conversations about this notion being adopted more broadly. Talk about – I think we got some stats on growth and volumes, and maybe just talk about how you're seeing the revenue contribution coming through from overnight hours. I think you have 900 tickers now?

Jason Warnick: Yes, 900 tickers. Our customers love the ability to trade 24/5, particularly when there's breaking news or earnings post-regular market hours. And customers love it and they're engaging with it more and more.

In context, it's still early relative to the overall trading volume. It's still a relatively small amount of overall trading. But I think as we're able to expand this program and it becomes more common to trade in afterhours, it can become a meaningful portion of trading.

It's also particularly helpful for our customers in the U.K. and as we expand internationally. That gives them 24-hour access to trading U.S. equities.

Brian Bedell: And just maybe talk about – that's a good segue to the U.K. brokerage. How is that going? Are they mostly trading U.S. stocks?

Jason Warnick: Yes, that is the offering. We also offer the 5% interest on the cash sweep program, including FDIC insurance over $2 million. So, customers there love that.

I think what we're hearing is that they want to see more of the full product suite that we have available in the U.S. made available to them, and that's something that we're working on.

But good, strong early signals, but it is early, and the main focus right now is rounding out the products for them.

Brian Bedell: And is that mostly a 2024 road map? Or that takes a little bit longer?

Jason Warnick: Well, I mean, even like the U.S., we're constantly building. So, the work will never be done, but we're eager to roll out products as fast as we can.

Unidentified Audience Member: Is it only U.S. stocks right now?

Jason Warnick: It is, yes.

Unidentified Audience Member: And so, like, you'd build out to trade U.K. or European stocks? And what has to happen there? And then, how does that work without the order flow revenue? Like, how does the structure look?

Jason Warnick: In terms of how we'll monetize, most of the revenue sources that are available in the U.S. are available in the U.K. So, things like margin lending, we'd anticipate that to be rolled out. Securities lending. Interest on uninvested cash. So, a variety of ways. And certainly, an opportunity to introduce the Robinhood Gold subscription as well. But you're right that payment for order flow is not allowed in the U.K. But it's early and we're really excited about the momentum there.

Unidentified Audience Member: The trading fees there are still so shockingly high. It seems like such a – the market is still ripe...

Jason Warnick: It's really exciting to us. Our approach is always a simple and intuitive and delightful user experience, paired with great value proposition. And we find that that resonates. And so, we'll seek to find ways to deliver that kind of experience in the U.K. and, over time, more broadly.

Unidentified Audience Member: And the tax wrappers and all of that would be on the time scale of?

Jason Warnick: Those are shorter to medium term.

Unidentified Audience Member: Short or medium term.

Jason Warnick: In the U.K., the tax wrapper account, the ISAs and SIPPs, are definitely desired by the customers.

Unidentified Audience Member: The $100 million marketing spend, does that contemplate losses within the credit card product? Or what are kind of the big pieces within that?

Jason Warnick: So, not in the marketing spend, but the costs associated with credit card are included in our overall OpEx guidance for the year, which at the midpoint is up 5%.

Brian Bedell: Maybe just one more in the U.K. brokerage. The profile of the customers that you're getting in the U.K., is that similar to the general type of customers that you're getting in the U.S.?

Jason Warnick: Roughly similar. I think it's probably a little too early to draw conclusions on the U.K. Again, with the focus rounding out the product suite. And we haven't turned on marketing yet in the U.K. as we work on offering more products available to customers.

Brian Bedell: Maybe switching to the EU, with the crypto offerings across the continent. Maybe if you can talk about how that's going in terms of what kind of adoption you're seeing there. I know that's also very early stage.

Jason Warnick: Yes, it is. Brian, it is also early stage, but we like what we're seeing. Tens of thousands of customers across Europe and the U.K. And in Europe, I think there's a bit more clarity on the regulatory front. And so, it gives us a bit more opportunity to innovate and roll out products. For example, we have staking on Solana, we offer additional coins. And you should expect that we'll continue to innovate there. But we like what we see in the early days.

Brian Bedell: That's interesting because, I mean, there's a lot of debate about the regulatory evolution of crypto here, obviously. Do you see maybe over – I guess, it depends – maybe over the intermediate term – one, two, three years – the EU market developing exponentially faster than your U.S. crypto?

Jason Warnick: That seems to be the path that we're on. I think you've heard from industry that there is a desire for greater clarity from the regulatory front here in the U.S. We seem to be making some incremental progress with the ETFs for Bitcoin. And now, Ethereum ETFs seem to be queued up. So, that's encouraging.

But I think there's more work to be done to allow for the innovation, and I think it's right that protecting individual investors is top of mind for the regulators. We want to do that, too. And we just need to find a way to clarify the regulations so that we really untether us and allow us to innovate faster.

Brian Bedell: Are you optimistic that that will improve in the U.S.?

Jason Warnick: I'm optimistic by nature, Brian. We'll have to see how it plays out. But you've seen us over the last several years really be the responsible crypto platform. In response to indications from the SEC, we've curated our coin selection, been willing to take coins down. We've been very careful about the coins that we offer. We've avoided products and services that the SEC has indicated that they have concern about, things like staking or lending. These are all things that our customers are interested in, but we've really taken the experience that we have as a regulated brokerage and applied it to our crypto entity, and I think it positions us really well to be that kind of safe and trusted place to buy crypto. Not to mention the lowest cost. I mean, we have incredibly low costs. So, if you're buying crypto elsewhere, you're likely paying more.

Brian Bedell: Similar to the theme of your business model.

Jason Warnick: Exactly right.

Brian Bedell: Maybe sticking with the regulatory backdrop, how do you see market structure changes evolving in the future for payment for order flow for equities, given some of the market structure proposals?

Jason Warnick: I think payment for order flow has been something for literally decades that has kind of come up and we've moved past several times in recent history. I think we're at a point where there have been a number of market structure proposals put out. We've responded, as well as other members of the industry. It looks like we're past the ban on payment for order flow conversation, which is encouraging, and we'll continue to advocate for our customers and respond.

But in terms of the three proposals that haven't yet been approved, it looks like it's on a track that it wouldn't be approved as written. And so, probably some revisions would be necessary. We'll continue to work with and provide our feedback on those.

Brian Bedell: That makes sense. We just have T-plus-1 settlement starting this week. Any issues? Or so far, so good?

Brian Bedell: So far, so good. It is relatively new for the marketplace, and it appears that it has gone off without a hitch. We certainly were very diligent in the transition plan, and all systems are green at Robinhood.

Brian Bedell: Okay. Great. Maybe just to switch to – I have a number of different topics here, but maybe let's go back to the Gold subscriptions. And there's obviously a lot of initiatives firm-wide to get more Gold subscribers; the credit card rollout being one of the latest ones. You're still charging $5 a month, and you've added a lot more value, including higher payment for cash balances. You advanced that over the last year. Any thoughts of increasing that pricing given you've added so much value?

Jason Warnick: I think the point you're making, Brian, is it's a great deal. Five dollars a month, and it's amazing value of the Gold proposition. One of the things that we're very mindful of is when a customer is a Gold customer, they have eight times the assets, on average, they deposit funds twice as fast, and they adopt more of our products faster. In fact, if you look at retirement, Gold members are five times more likely to have a retirement account than non-Gold members. And so, we're very mindful of the downstream effects of being a Gold member.

That said, we don't have a philosophy that would be opposed to increasing price. We're certainly adding a lot of value into the bundle: 5% interest; soon access to the Gold credit card, with 3% rewards on all purchases.

So, it's something that we'll experiment with over time, but certainly no plan in the short term.

And ultimately, we want all of our customers to be Gold members. And we're at 7% attach rate right now. New customers are attaching at a much higher rate, in the zone of 20%, which is encouraging. But given how valuable the Gold bundle is, we think we've got a lot of room to go.

Brian Bedell: Why wouldn't everyone just [become Gold]?

Jason Warnick: It should be a no-brainer. And that's really the approach that we're taking.

Brian Bedell: Are there marketing – I guess, is that part of the marketing spend? Or is it just...?

Jason Warnick: Yes.

Brian Bedell: Okay.

Jason Warnick: So, when I talk about, like, higher-LTV customers, that's really talking about Gold and targeting customers that are likely to join Gold and engage with us across our platform.

Brian Bedell: And just thinking about the subscription revenue that comes from Gold customers, the greater usage across your platform for the Gold customers, and thinking just about the revenue mix for the company, obviously, crypto trading is probably the most volatile aspect of the P&L. Taking out who knows what crypto volumes are going to do at any given period, of course, thinking out over the long term – three to five years – how do you strategically think about making that revenue mix a little bit more stable? Obviously, keeping the growth profile. Are there areas that you're investing in, such as Gold customers or potentially raising that subscription price or whatever it would be, to make that revenue stream a little bit more consistent and help the earnings profile?

Jason Warnick: I mean, I think, first of all, we're long-term bulls for crypto and are going to continue to innovate both domestically wherever possible as well as internationally. And I think there's a lot of room to go for crypto.

On the question of kind of a more steady revenue stream, I think really the approach that we're taking is diversifying our business. And you're seeing that really take form here in the last couple of years, where if you would have gone back a couple of years ago, most of our revenue was highly concentrated in trading activity and now it's much more balanced. That's things like growing Gold, investing in new product categories like credit cards or retirement. Over time, it's things like going into AUM-based fee models, things like advisory, possibly RIA platform. These are all things that are on our minds and over a longer term.

But I think there's a lot of opportunity for us to continue to advance the products that we offer to our customers and we get the benefit of a more diversified revenue model.

Brian Bedell: On the advisory side, that would be like a fee subscription type of model?

Jason Warnick: Well, I don't want to get too far ahead and declare how we would handle that, but we're certainly interested in advisory over time.

Unidentified Audience Member: Is there any correlation between crypto revenues and securities lending revenues?

Jason Warnick: I haven't really thought through the correlation between crypto and securities lending. Because with securities lending, it's really based on the equities in the brokerage side of the house. And there's some market cyclicality around the securities lending business, particularly on the rebates that we'll earn. Sometimes there'll be a handful of names that are in much higher demand that will drive some excess earnings. But so far, I haven't seen anything that would draw a correlation with crypto.

Unidentified Audience Member: What would be kind of the way to think about the outlook for securities lending? Just natural growth in the business, it grows with it? Or is there anything that's a driver outside of that?

Jason Warnick: The main inputs are continuing to improve the data and tooling that's available to the trading desk and enrolling customers into the program, and we're making a lot of progress on enrolling customers in the program. Probably the best way to look at that is assets enrolled, and I think it's something like $14 billion [$19 billion] as of Q1.

Brian Bedell: What type of yields improvement enhancement do customers see if they're enrolled in the securities lending program? Clearly, it depends on the markets and the hard-to-borrows.

Jason Warnick: It depends on the customer and what they're holding, but we give them a share of the revenue, which is a nice way for them to augment their yield.

Brian Bedell: Okay. And it's meaningful enough for them to be enticed?

Jason Warnick: We're seeing really nice adoption and growth in assets enrolled in the program. So, I think the answer is yes.

Brian Bedell: Just one last thought on the crypto question that I had before. Another way to think about reducing the volatility of earnings, would there be a way to? I imagine incremental crypto volumes come in with very high margins, given you have a fixed cost base on it and the revenue just simply comes in. Would there be a way that you'd flex expenses to – not that you would try to reduce your margins at all – therefore reduce the volatility of crypto on the earnings stream by expensing more against that?

Jason Warnick: Well, first of all, we've provided a range of OpEx guidance that's $100 million in the range. I think that gives us a lot of flexibility to flex up and down based on what we're seeing.

I love our fixed-cost OpEx structure; 90% fixed costs. We've managed our costs incredibly closely. And it is kind of demonstrated in Q1, when we saw outperformance on the top line and most of that drops to the bottom line, with incremental margins above 70%, even while we're investing across so many different new initiatives. And this led to $0.18 of earnings when the Street was expecting $0.06. And that's really the power of the model, that as we grow the business and we tightly manage our OpEx, we have a lot of leverage potential to deliver profitable growth, which is just incredibly exciting to me as the CFO.

Unidentified Audience Member: How do you think about that, like, the medium term? Obviously, the product road map is exciting and there's a lot in multiple geographies. So, like, how do you think about OpEx growth on a medium-term basis? On one hand, you want to continue to deliver like you did in 1Q. On the other hand, could you hire a lot more and maybe accelerate some of these product rollouts? Like, how do you weigh those two?

Jason Warnick: So, first of all, I like where we're at in terms of our headcount. I mean, there's certainly opportunities around the edges to add some resources. But when we look at our product road map this year, it's pretty ambitious, and there's a lot going on against all three of our priorities, whether it's international, active trading, rolling out a new credit card.

So, I think that growth is incredibly important and we are investing for growth. But part of the opportunity is when we look at our fixed-cost structure each year, finding opportunities to be even more efficient, and then taking those savings and applying it to the growth initiatives. And so, that really takes hold and is demonstrated by the OpEx guidance of up 5%, even while we're investing across the various strategic priorities and increasing our marketing spend by $100 million year over year.

So, I think we're really well positioned to manage our costs prudently, but also aggressively go after our growth opportunities.

Unidentified Audience Member: And so, when we look at '25, '26, '27 road maps, there's no reason why that fixed cost base would have to jump significantly. Because this is a pretty big, a pretty active year and you're handling it with the current OpEx.

Jason Warnick: This is an active year. We haven't given guidance to the future, but what I would tell you is that our management approach is to diligently question all our costs constantly and find out ways to self-fund new asks. And so, I think in the last couple of years the operators of the company are very used to having to answer the question, "How can I self-fund the asks that I have for something incremental?" And nine times out of ten, they find a way to self-fund, which is just really exciting.

We have a company value called Lean and Disciplined. And I think company values are a great way to get everybody on the same page. And we're all on the same page on being lean and disciplined in the way that we manage our costs.

Brian Bedell: That's comprehensive. Maybe just talk about interest rate sensitivity a little bit. So, first of all, you reduced some pricing on margin loans recently. Maybe you can – a two-part question, maybe start off with that. What kind of impact are you seeing in activity? And then, secondarily, if we do get rate cuts at some point, how do you think about your sensitivity? It's easy to do on the corporate cash side, but how would that play into your philosophy on the rates that you're giving customers on the cash deposits?

Jason Warnick: So, first, on margin rates, yes, last week we announced that we were lowering our margin rate table across the board to make it competitive. I think IBKR has historically been the lowest published rates. I think, that said, the other brokerages would have a process to offer similar rates to that to their customers through you just have to call and ask for it.

What we decided is we want to be competitive across the market in this space, and frankly, we weren't. And we've been taking market share gains across most aspects of our business, but margin loan and margin lending has been an area that we have been falling behind. And frankly, we just want to take a reason off the table why customers wouldn't bring their business to Robinhood, and I think this is another important step.

And you pair that together with competitive margin rates, a desktop pro trader web experience, adding futures, adding cash-settled index options, you start to see a coming-together of the strategic priority of being #1 for active traders. So, I would just say that's a part of that overall strategy.

And it's only been a week, but we're already seeing positive signs on the margin book. So, feeling really good about that, and we'll update when we have more data.

Unidentified Audience Member: Do you have a desktop product now? Or that's going to be, in effect, a new launch?

Jason Warnick: It is a new launch. We do have a website, but it's essentially what you'd experience on the mobile app. And so, this is a completely new launch, new product, and it's meant for more sophisticated traders.

Brian, you had a second piece on interest rate cuts and sensitivity. So, there's probably a few points to make on interest rates. The first is that when we look at interest rates this year and the forward rate curve, we expect rates to be probably, on average, neutral to slightly positive versus last year.

The second point I would make is of the $35 billion in interest-earning assets, a relatively smaller portion of that is actually sensitive. And you mentioned the Gold sweeps. For example, we're approaching $20 billion of balances in the Gold sweep program. We have a spread of around 60-plus basis points. And that spread is fairly firm. And so, as rates go up or down, we've been maintaining kind of that spread.

And we're always mindful of where we are relative to the overall market because we want our customers to have a great deal, but we feel really good about the spread that we have there. So, it really desensitizes a big piece of the interest-earning assets from rate cuts.

And some balances, as rates go down, tend to go up; things like margin lending. And so, it's not that the rates go down and the balances would stay the same or fall. Some of those balances would increase.

And then probably the last thing I would say is that an environment of increasing interest rates has been a bit of a headwind for our business. And so, we're excited to see as the rates come down, interest rates move from a headwind into a tailwind for our business. And we do believe there's a natural hedge between rates and trading activity. And we're already starting to see that. You saw it in Q1 as retail engagement was picking up. And that was a bit of we've reached the top of the interest rate cycle and there's some anticipation for rates to start coming down again, which is encouraging.

Brian Bedell: That'd be good. We have time for one more question, if anyone has one.

I can finish up with the capital deployment. You just announced a $1 billion stock repurchase program to be executed over two to three years, I think.

Jason Warnick: That is correct.

Brian Bedell: Maybe just update us on the capital priorities, how you view that stock buyback in terms of other alternatives. You've been doing a number of small acquisitions over time.

Jason Warnick: Yes, we have.

Brian Bedell: How do you rank those two?

Jason Warnick: Probably in priority order, I would say investing for organic growth; opportunistically deploying capital through M&A to accelerate our product road map; and then, lastly, returning some capital to shareholders.

And I think we're incredibly well positioned to really provide capital in all three of those buckets. We have a balance sheet with over $5 billion of cash and investments. We're in a position where we're generating positive earnings and cash flows. And so, we think it's prudent to have a share repurchase program.

What I would say is when I look at shareholder value creation, I really love the algorithm of increasing earnings and increasing cash flows and decreasing shares over time. And I think that delivers a lot of value to shareholders and it's a pretty powerful formula and something I'm excited to say that we're embarking upon with this announcement.

And then of course, last year we bought back a little over 5% of our shares in a single transaction as well.

And so, combined with prudent management of shares that we give under the employee stock program, we think our dilution prior to this announcement would be 2% or less. And I think we're well positioned with this announcement over time to manage that down and possibly lower the shares.

Brian Bedell: Okay. Great. That was my follow-up question on that, but you answered it.

Great. Well, thanks. Jason, thanks so much for being with us today. Really appreciate it.

Jason Warnick: Thanks, Brian. Always a pleasure. Thanks for the questions.