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EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

Jason Warnick *Robinhood Markets, Inc. - CFO*

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

CONFERENCE CALL PARTICIPANTS

Alexander Wexler Markgraff *KeyBanc Capital Markets Inc., Research Division - Associate*

Dan Dolev *Mizuho Securities USA LLC, Research Division - MD & Senior Equity Research Analyst*

Devin Patrick Ryan *JMP Securities LLC, Research Division - MD, Director of Financial Technology Research & Equity Research Analyst*

Kenneth Brooks Worthington *JPMorgan Chase & Co, Research Division - MD*

Mark Robert McLaughlin *BofA Securities, Research Division - Research Analyst*

Matthew Casey O'Neill *Financial Technology Partners LP - Co-Director of Research & MD*

Michael J. Cyprys *Morgan Stanley, Research Division - Executive Director and Senior Research Analyst*

Richard Henry Repetto *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

William Alfred Nance *Goldman Sachs Group, Inc., Research Division - Research Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Robinhood First Quarter 2023 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Chris Koegel, Vice President of Investor Relations for Robinhood. Please go ahead.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

Thank you, Liz, and thank you, everyone, for joining Robinhood's first quarter earnings call. With us today are CEO and Co-Founder Vlad Tenev; and CFO, Jason Warnick.

Before getting started, I want to remind you that today's call will contain forward-looking statements. Actual results could differ materially from our expectations, and we have no duty to provide updates unless legally required. Potential risk factors that could cause differences, including regulatory developments that we continue to monitor are described in the press release we issued today. The earnings presentation on our Investor Relations website at investors.robinhood.com or Form 10-Q filed this afternoon and in our other SEC filings.

Today's discussion will also include non-GAAP financial measures. Reconciliations to the GAAP results we consider most comparable can be found in the earnings presentation.

With that, let me turn it over to Vlad.

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

Thanks for the intro, Chris, and thanks to everyone for joining us today. We had a strong quarter.

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I want to call out 3 things that I'm especially proud of. First, our product velocity continued to accelerate with several innovative products delivered to customers, and we're not slowing down. We're enabling 24 Hour individual stock trading for customers by launching 24 Hour Market next week.

Second, we're continuing to see significant growth from the new products we launched last year. And third, in the face of uncertainty in the banking sector, we're continuing to see strong net deposits and improving customer satisfaction. All this is leading to financial results that keep getting better as we move closer to GAAP profitability. I'm excited to tell you about all this.

So let's start with our business results. In Q1, customer assets under custody were up 26% sequentially to \$78 billion, driven by rebounding stock and crypto evaluations as well as continuing net deposits. If we look at net deposits, we saw \$1.5 billion in March and \$4.4 billion for all of Q1, which translates to a 29% annualized growth rate. And perhaps most importantly, all the new products and features we've launched in the past year are continuing to drive higher customer satisfaction, with Q1 Net Promoter Scores improving more than 20 points from a year ago.

Now if you look at financial results, Q1, we grew total net revenues by 16% from Q4. And by keeping our costs lean, we drove nice operating leverage in our business with adjusted EBITDA up 40% sequentially. I'd also highlight that 2 new products I mentioned last quarter continue to accelerate: Stock Lending and Instant Withdrawals.

Each of these had Q1 annualized revenues that grew 30% to 50%, 50% above their January levels. If you combine the Q1 revenue from these 2 products, it's approaching the size of our equity trading business. And that's very exciting, and I'm incredibly proud of how well the team is executing.

Now let's turn to our 2023 road map. Since we launched over 8 years ago, Robinhood has introduced several innovations that have become industry standard today. Mobile trading, seamless digital onboarding, 0 commissions and no-account minimums and fractional shares. With these innovations, we've disrupted the U.S. brokerage market and grown our business.

We're now broadening our offering to include areas like retirement, advisory and payments, and we're expanding outside the U.S. This is not only good for customers, but it also expands our addressable market. And as you know, we've organized our 2023 road map into 3 areas: deepening relationships with our customers, innovating for our active traders, and launching new growth opportunities.

Let me talk about how we're deepening our relationships with our more than 23 million existing customers. Our goal is to serve the entirety of our customers' critical financial needs. We started with trade and investing. And more recently, we've launched spending, saving and retirement products. We track our progress here by looking at net deposits and ARPU.

In Q1, net deposits grew at a 29% annualized growth rate and ARPU increased to \$77, the highest level since 2021. Our focus has been on helping customers save and invest their long-term money. In January, we launched Robinhood Retirement, the first IRA with a 1% match, no employer necessary. We've continued to

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enhance the product. Customers have already invested over \$0.5 billion into their IRAs. It's great to see this early customer response. Team's road map is full, and we think retirement has a ton of growth potential.

We also love what we're seeing in Robinhood Gold. At the end of Q1, Gold subscribers continue to increase up to \$1.2 million and Gold cash sweep balances were up to \$8 billion. Our Gold yield is now 4.65%, and we're offering up to \$2 million in FDIC insurance starting June 1. We see a big opportunity here to provide differentiated value to customers, and we're working hard to get the word out even more, including by launching a new marketing campaign across multiple channels. You may have seen our TV ads during the NBA playoffs.

What we've seen from Gold in the past 6 months gives us a lot of confidence to increase our investment. And we're looking forward to unveiling some new Gold features in the coming months that provide our Gold customers even more differentiated value.

Finally, we're going to deepen relationships with our customers even more by taking our first steps in advisory. Our goal is to provide a personalized advisory experience much like what high net worth individuals have traditionally received from human advisers, but at a much lower price point by using technology. We believe this can help a lot of people who want access to advice, but have been deterred by the traditional 1% annual fee. We're excited to share more with you later this year.

Now let's discuss active traders. Over the past year, our work on options including advanced charts, cash accounts and strategy builder helped drive Q1 option contract volumes up 16%, and Q1 Active Trader NPS up over 30 points year-over-year. We feel like we're on a good trajectory with options, and we have now turned our focus to our core equities offering.

In April, we started rolling out Stock Screeners a powerful research tool with a simple and beautiful user experience our customers have come to expect from Robinhood. We really love what we've built here, and we're excited to get it into more of our customers' hands.

And just ahead of this call, we announced the launch of 24 Hour Market, which will make us the first U.S. retail brokerage to offer 24/5 trading of single-name stocks. This is an exciting upgrade to our stock trading product. It allows our customers to better manage their risk and take advantage of opportunities, no matter what time of day they arise. We're starting with over 40 well-known stocks and ETFs and plan to expand from there.

And as we look ahead, we're also working to add a broader selection of assets to Robinhood. In March, we applied for a futures commission merchant license. Pending regulatory approval, we hope to launch futures trading around the end of this year. There's so much more to build for our active traders, and we're excited to continue to innovate for them.

The third part of our 2023 road map is exploring new growth opportunities to broaden the scope and geographical reach of our products, so we can add more customers and increase our revenues over time.

In Q1, we rolled out our noncustodial Robinhood Wallet, which customers have downloaded in over 130

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countries around the world. Customers love having total control of their crypto and NFTs as well as the no gas fees for coin swaps on the Polygon chain. There's a lot more to build here, and we're encouraged by the early user feedback.

As we brought Robinhood Wallet to market, we found that one of the biggest problems was that the fiat-to-crypto on-ramp solutions available in market were too cumbersome and expensive to use. So we built our own that we're calling Robinhood Connect, and it leverages the multiple payment rails and robust trading infrastructure we've developed at Robinhood.

2 weeks ago at Consensus, our Crypto GM, Johann Kerbrat announced that we're offering Robinhood Connect to third-party developers. We're pleased by the early response we've seen and believe we're well positioned to take market share versus early entrants.

Finally, we're making progress towards our ambitious goal of launching brokerage operations in the U.K. by the end of the year. We have an existing license in place, a brand that resonates and experienced leaders running the effort. So we're excited to launch and start driving innovation in the U.K. market like we've done in the U.S. over the past 8 years. We're really excited about the road map ahead of us, and there's so much to do.

With that, I'll turn the call over to Jason.

Jason Warnick *Robinhood Markets, Inc. - CFO*

Thanks, Vlad. It's good to speak with everyone today.

In the first quarter, we stayed focused on serving customers, growing our business and driving long-term shareholder value. Our team continued to execute on our product road map, scale products we launched over the past year, and drive adjusted EBITDA higher.

As I look back over the past year, I'm incredibly proud of how our team executed to transform the financial profile of our business. While a year ago, we had our lowest quarter of adjusted EBITDA, in Q1, we matched our all-time high. We grew revenues for 4 quarters in a row, while getting to a leaner operating model.

As a result, our Q1 adjusted EBITDA of \$115 million is up over \$250 million from a year ago. On an annualized run rate basis, that's an increase of more than \$1 billion, and our Q1 adjusted EBITDA margin of 26% was an all-time high. And we aren't stopping here, we are committed to becoming profitable on a GAAP basis, and we're making good progress on that front.

Looking at our Q1 GAAP results. EPS was negative \$0.57. This included a onetime noncash charge from our founders, who canceled their 2021 equity awards that significantly reduces our SBC quarterly run rate going forward. EPS prior to the 2021 founder reward cancellation was negative \$0.03, so we're getting much closer to GAAP profitability.

Now let's look at our first quarter business results. Customer assets under custody increased 26% sequentially in Q1 to \$78 billion, as growth stock and crypto valuations rebounded, and customers continue to deposit

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money into Robinhood.

Looking at net deposits, they were \$4.4 billion in Q1, which translates to a 29% annualized growth rate relative to Q4 AUC. These resilient customer net deposits position us really well for continued asset growth as markets rise over time.

Turning to net funded accounts, which represent unique users on our platform, they increased by 120,000 in Q1 to 23.1 million. Additionally, we now have over 250,000 retirement accounts that already have an average balance of over \$2,000. The vast majority of these retirement accounts were funded by existing customers, who are significantly increasing their average AUC at Robinhood by making these IRA contributions.

We're continuing to work on new disclosures to highlight progress like this as we deepen our relationships with customers. As for monthly active users, they were 11.8 million at the end of Q1, up from 11.4 million a quarter ago.

Now let's review Q1 revenues. Total net revenues were \$441 million, a 16% increase from Q4 as transaction and net interest revenues increased during the quarter. Q1 ARPU was \$77, up from \$66 last quarter and the highest level since 2021. Transaction-based revenues were \$207 million in Q1, up 11% sequentially. Equity and options volumes picked up from Q4 and crypto volumes were in line with Q4.

Moving to net interest revenues. They were \$208 million in Q1, up 25% sequentially. The increase was driven by higher securities lending activity, cash sweep balances and short-term interest rates versus Q4 levels, partially offset by lower average margin balances. Q1 interest-earning assets were \$22 billion, up 21% or \$4 million sequentially, primarily driven by Gold customers continuing to bring more deposits to Robinhood.

Looking ahead, we anticipate Q2 net interest revenues will be up roughly \$15 million from Q1. This outlook assumes the Q1 level of securities lending revenue and today's levels of balances, deposit rates and Fed fund rates. Of course, our Q2 results could be higher or lower depending on how the quarter plays out.

Moving on to other revenues. They were \$26 million in Q1, roughly flat from Q4. Gold subscribers increased for the second quarter in a row to 1.2 million, up about 40,000 sequentially. We love that more customers are benefiting from Gold, and this is also good news for our revenues.

Gold subscribers have ARPU that is multiples of our average customer, as they bring more assets and use more of our services. This is also true for newer cohorts that joined to take advantage of our high yield offer. This gives us a lot of confidence to keep investing in the Gold value proposition.

Looking ahead, as you know, Q2 is proxy season, which drives a seasonal increase in other revenue, and our Say Technologies team is managing Robinhood's proxy services this year. Because of this, we continue to expect a sequential increase of around \$30 million for other revenues in Q2, with Q3 returning to roughly Q1 levels.

I also wanted to note that with April being tax month, it's typical across the brokerage industry to see lower net deposits and trading. For us, it was great to see customers add another \$1.4 billion of net deposits in

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April, in line with our Q1 average. This drove cash sweep balances to a new high of \$10 billion earlier this week.

For MAUs, they declined about 3% in April. And for trading, while options and equities were off 17% and 27%, respectively, versus the Q1 monthly average, crypto volumes were in line with Q1. We hope this color is helpful ahead of providing our monthly metrics next week.

Now let's review Q1 expenses. At a high level, we really like the operating leverage we're generating as we stay disciplined on expenses. One measure we track is annualized revenue per employee. In Q1, it was \$760,000, which is more than double from a year ago. It was also great to see Q1 adjusted EBITDA grew 40% from Q4, more than twice as fast as total net revenue growth.

Looking more closely at our costs, let's first review OpEx prior to [Share Based Compensation]. It was \$352 million in Q1, slightly below the lower end of our full year 2023 outlook range. Looking forward, there is no change to our full year outlook. We continue to expect 2023 OpEx prior to SBC to be in the range of \$1.42 billion to \$1.48 billion. And as a reminder, our annual employee merit increases were in March, so you'll see that full effect in Q2.

Turning to SBC. It was \$598 million in Q1, which included the onetime \$485 million noncash charge from the founder award cancellation. This Q1 result was about \$30 million better than our previous first quarter outlook. We're flowing this through into our full year 2023 SBC outlook to improve it to \$925 million to \$1.005 billion.

I also wanted to highlight that over the long-term, we think it's important to manage share-based compensation as a percentage of revenue to lower levels. In Q1, apart from the founder reward cancellation, SBC was 26% of total revenues, down significantly from a year ago. And as we look ahead, we're working to lower that percentage more over time.

Now turning to capital management. In Q1, our balance sheet remains strong with about \$6 billion of corporate cash and investments. This includes about \$500 million that we moved in Q1 from cash into a laddered portfolio of treasuries and other high-quality assets with an average duration of less than a year.

As for capital deployment, I wanted to briefly note that we are making some progress on discussions to purchase most or all of the 55 million Robinhood shares that were acquired last summer by Emergent Fidelity Technologies. We don't have any specifics to share yet, but we look forward to providing updates when we can.

In closing, I'm really pleased with the financial progress we've made over the past year, while continuing to deliver new capabilities and enhancing customer experience. Q1 was the fourth consecutive quarter of revenue and adjusted EBITDA growth, and we continue to focus on driving profitable growth over time.

With that, Chris, let's move to Q&A.

QUESTIONS AND ANSWERS

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

Thank you, Jason. For the Q&A session, we'll start by answering shareholder questions from Say Technologies. These are ranked by number of votes. We'll pass over any questions that were already answered on the call or in prior quarters. We'll also group together questions that share a common theme. After that, we'll turn to live questions from our analysts.

So I'll kick it off with our first question from Say. This one is for Jason.

So 2 questions we're combining here. The first is Suroj P. asks what is the plan to be a profitable company? And Gregory P. asks, what are the primary ways management plans to return value to shareholders in 2023?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Great. Thanks for the questions. We're really focused on 3 things to drive shareholder value. First, we want to keep launching new products and improve upon our existing products. We've made a lot of momentum here and our product velocity as fast as we've seen it so far as a company. So we feel really good about that.

The second is we want to drive profitable growth, and we're going to keep our costs lean and find ways to drive even more efficiency over time. This quarter, it was nice to see our adjusted EBITDA grow twice the rate of our revenue growth and we're working on driving leverage in our business even more over time.

And then lastly, what I'd say is we want to efficiently deploy our capital. This would include how we deploy capital for organic growth opportunities for possible M&A growth. And as well, over time, could include returning some capital to shareholders. And I think if we do these 3 things really well over time, it should create a lot of shareholder value.

In terms of reaching profitable growth, I don't want to predict any particular time line on that, but we are getting really close. Excluding the founder award cancellation, our EPS was minus \$0.03 per share. So we're going to keep focusing on rolling out new products and keeping our costs lean, and we should get there over time.

Thanks for the question.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Thanks, Jason. Next question is also for you.

Philip S. asks, what does Robinhood's financial position look like after all the recent regional bank failures, what does Robinhood do to ensure that it doesn't find itself in the same position as those from SBB Signature Bank and First Republic Bank?

And a similar question comes from -- not sure, with so many banks going under, what is the Robinhood exposure?

Jason Warnick *Robinhood Markets, Inc. - CFO*

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Yes. Thanks for these questions.

First, I think it's really important to clarify that Robinhood is not a bank. We keep our customer cash liquid, and we don't have the risk of asset liability mismatch that banks have to manage. Also, it's great to see that our customers continue to deposit funds with us. Gold cash sweep balances were up 67% from last quarter, up to \$8 billion.

And in March, when all the banking turbulence happened, our customers deposited \$1.5 billion with us. So we think we're in a really good position and particularly as customers respond to our great offerings for Gold members. So thanks for the question.

Chris Koegel Robinhood Markets, Inc. - VP of IR

All right. Thanks, Jason. The next question from -- is for Vlad.

It's from Edward O. who asks, any plans to add custodial accounts to allow parents to teach their children about investing?

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Yes. In short, absolutely. This is part of our longer-term road map. And we recently launched Retirement as you're probably aware. And we now have hundreds of thousands of customers that have multiple accounts with us. So with retirement it was really the first time that a customer could open multiple brokerage accounts within our product. And it took a lot of work to build the infrastructure for that and build the product affordances necessary. So now it's much easier for us to add different account types.

And we hear from customers, they want to teach their children about investing. They also are interested in joint accounts and would like to collaborate with their finances and manage them with their partner. So these things are definitely part of the longer-term road map. We want to make sure we continue deepening relationships with our customers as we've been doing with the launch of Retirement. Keen to do it. No specific time line to share, but stay tuned.

Chris Koegel Robinhood Markets, Inc. - VP of IR

All right. Thanks, Vlad.

The next question is also from Edward O. who asks Robinhood launched IRAs about 6 months ago, how has adoption been? How does it compare to leadership expectations? And our retirement accounts a key part of strategy going forward?

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Yes. We're really pleased with the contributions we've seen so far. Over \$0.5 billion in assets, leading to \$5 million in matches for customers. And we're seeing customers continuing to bring more of their cash onto the platform. The feedback that we're hearing has been really good as well. Customers love the match. They also love the fact that we're providing recommendations, and the recommendations are now being used by 2/3 of customers that onboard onto retirement.

And we're excited about that, especially when we think about what that means for the future of advisory and providing personalized ongoing advice to our customers to help them manage their investments.

Jason Warnick Robinhood Markets, Inc. - CFO

One thing that I'd add is if you look at total accounts that we added this year between brokerage and retirement, it was about the same number of total accounts that we opened in all of last year. So it's really nice to see this kind of acceleration in new account growth.

Chris Koegel Robinhood Markets, Inc. - VP of IR

Great. Thank you, Vlad. Thank you, Jason. The next question is for Jason. And Richard S. asks, can Robinhood shareholders have free access to Gold?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. Thanks for the question, and thanks for letting me answer this one instead of Vlad.

We want to make Gold the best deal in financial services. We think it's a great deal at \$5 per month, just a great value overall. We're going to keep investing in the product to make it even better. And for now, we don't have any plans to give it away for free.

Chris Koegel Robinhood Markets, Inc. - VP of IR

All right. Thanks, Jason. Next question is for Vlad and it's from Saajan P. who asks, on the last call, it was mentioned that Robinhood was looking into adding an advisory program to their services. What will this look like? And are there plans to work with a seasoned wealth management company? Or will it be kept in-house?

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Saajan, yes, we mentioned it on the last call, and we are getting very excited about what we can do in advisory. We've hired some great people, in particular, our Head of Investment Strategy, Steph Guild, who's an industry vet with 20 years of experience at large financial institutions.

You might have seen she's got a weekly column where she talks about the markets that's quite good. And we really think that in Robinhood, we can build the expertise necessary to give our customers amazing advice.

And we've got teams hard at work building a great advisory product, and we believe that we can deliver that to customers using the teams we have in-house. So more to come, obviously, as the work progresses, but we think we can build something really great for customers here.

Chris Koegel Robinhood Markets, Inc. - VP of IR

Awesome. Thanks, Vlad. The next question is also for you.

Gee C. asks is Robinhood exploring ways to leverage AI into its services?

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Yes. I think that over the next few decades, every company will have to transform into an AI company. I mean looking at the past 20 years and how sort of the companies that have been able to move ahead and create

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differentiated value have been technology companies in the same way that every company sort of has needed to become a technology company. I think AI will sort of be embedded into the fabric of all companies, and that's how we're thinking about it.

Robinhood has always been early to adopt new technologies like data science and machine learning, both to lower our costs and deliver product experiences and value for our customers. And we're really excited to continue to embed AI as a tool, both internally and helping us ship products even faster and incorporating into existing products and new products. So we think that the impact of AI and other tools that we've seen thus far is going to be extraordinary.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Thank you, Vlad. The next question is also for you.

It's from Justin P. who asks, when will Robinhood support an official trading API for creating trade automation like other brokers?

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

Yes. This is something we're excited about, and we hear from our active traders about, but we don't offer it today. If you look at Robinhood Connect, which we announced and started rolling out recently, that leverages some of the trading infrastructure on our crypto side for a developer and B2B targeted product. Making it easier for our active traders and innovating for them is top of mind. So this is definitely something we would look to offer over time. So stay tuned.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Next question is also for you, Vlad.

Tarun G. asks, there's a perception that Robinhood is not as safe as other older brokerage firms like Fidelity and Schwab. Is Robinhood doing anything to change this perception?

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

Robinhood safety is our top company value. And when I think about what that means, several things come to mind. First is great customer support. And we made tremendous progress over the past few years, adding more channels, improving the quality of customer support, overall making it much better, and the progress there continues.

The second thing is making sure that our app and our infrastructure is reliable and available to customers when they need us the most. And we made tremendous progress there too.

The third is the safety of customers' assets within Robinhood. And as we announced earlier in the call, with Robinhood Gold, we're offering a 4.65% APY on customer uninvested cash. And we're also offering \$2 million of FDIC insurance starting June 1. So your money is going to have higher insurance in Robinhood Gold and in our cash sweep than you would get at a typical bank.

I should also mention, as with every brokerage account, your brokerage assets are SIPC insured, and we also

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have excess SIPC coverage. So what does this mean? When we look at kind of how customers are engaging with the service, we're seeing higher NPS indicative of increasing customer trust. And the results speak for themselves. Customers are continuing to trust us with their deposits.

When we see a lot of institutions in the banking sector and elsewhere seeing outflows in this quarter, we're continuing to see strong inflows with \$1.4 billion in net deposits and \$4.4 billion in Q1. So we feel really, really good about customers increasingly trusting us.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Last question from Jesus A. and this is for Vlad.

Jesus A. asks, how is Robinhood better or different from other platforms? What moves will Robinhood be making to become the top trading platform?

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

Well, in my opinion, we are the most innovative trading platform in the marketplace. We've introduced several new industry innovations that have become norms, not just 0 commission, no account minimum trading, but also recently retirement with a 1% embedded match, which we're very excited about. And with the announcement of 24/5 trading, we're leading the industry once again.

So we're going to continue to focus on our customers. We're going to make progress launching products in a way that emphasizes customer safety, but we're going to continue to innovate. And I'm very, very excited about the things that we're launching, and we have launched in the past few months.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Thank you, Vlad. Thank you, Jason. And that concludes our shareholder questions from Say Technologies. We really do appreciate all our shareholders taking time to ask these questions for Vlad and Jason, and we're looking forward to more next quarter.

Now I will turn the call over to Liz to lead Q&A from our analysts.

Operator

(Operator Instructions) Our first question comes from the line of Rich Repetto with Piper Sandler.

Richard Henry Repetto *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*

Yes. And congrats on the improved profitability in the quarter and great disclosures too.

So my questions Vlad and Jason, is on the net interest income and improved 25% quarter-over-quarter. And Jason, I know you talked about a \$20 million increase, but this turned out to be \$41 million. And I guess I'm trying to see what surprised you. I could see the fully paid securities lending was a little bit better, but what surprised you to give you that bump up in NII quarter-over-quarter?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. Thanks for the question, Rich, and we were pleased to see the pickup in NII. I mean there's a few things

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that I'd call out. You highlighted securities lending. You'll recall that last quarter was a particularly soft quarter for sec lending. And at the time of the call, we were cautious in the way that we were evaluating the outlook for Q1, and the activity for sec lending in Q1 was strong.

And in addition to the strength of just the activity, which increased the rebates as well as the interest we earn on collateral, we also saw rebate rates tick up meaningfully in the quarter. And so this led to some outperformance.

We also saw strength in customer deposits and also the flow-through of interest rate on those incremental deposits beyond kind of what we were anticipating. So overall, really pleased. It was higher than we expected, and we were pleased with that.

Richard Henry Repetto Piper Sandler & Co., Research Division - MD & Senior Research Analyst

Got it. And my follow-up will be on sort of the product innovation side, Vlad. And you talked a lot about advisory and hiring a new person. But I would expect, when you talk that Robinhood could do with technology driven, I would expect. So any color is it going to be more of a robo adviser type platform? Or any insight into what the product will look like?

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Yes. I don't want to share too much, but what I'll tell you is we want to go beyond just being a robo adviser, and we really want to use technology to give personalized advice at scale, much like what a high-net-worth individual would come to expect from a financial adviser that they'd be paying 1% AUM advisory fee for.

And Robinhood can build a great experience for that, that's mobile first. And of course, we'll plan to use every technology that we think is going to be useful in the market to make that happen and deliver it in a scalable way.

Operator

Our next question comes from Dan Dolev with Mizuho.

Dan Dolev Mizuho Securities USA LLC, Research Division - MD & Senior Equity Research Analyst

Excellent results. Excuse if I missed it, but you might provide a April trend in -- can you give us a sense of what is going on? Is this seasonal? Or how should we integrate and then I have a follow-up.

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

April. Thank you. Yes, the connection is a little poor, Dan, but I think we got your question.

So April, as you know, is tax months. And across the industry, you tend to see customer dollars flowing for taxes and less in trading and engagement and deposits. We actually had a really strong April from a deposit perspective, \$1.4 billion coming in. The trading was softer than what we saw in Q1. That's normal as expected we saw it last year. And as we look across industry results, it's pretty much in line with what others are seeing as well.

Dan Dolev Mizuho Securities USA LLC, Research Division - MD & Senior Equity Research Analyst

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Perfect. And really quick follow-up. Point base said that they raised prices for small ticket items on crypto. Have you seen any of that on your platform? Great results again.

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. We've kept the rebates on our crypto offering the same. And we've been pleased by the market share that we have in the retail U.S. crypto offering. We want to make sure that we offer great pricing to customers. And we think that over time, keeping the pricing very competitive is going to lead to increased market share gains over time.

So it's really -- we want to make sure our pricing is awesome, and the user experience continues to be great for the crypto offering. And we think that it's got a bright future, and we see potential to grow our market share there.

Operator

Our next question comes from the line of Alex Markgraff with KeyBanc Capital Markets.

Alexander Wexler Markgraff KeyBanc Capital Markets Inc., Research Division - Associate

Just maybe a couple. First on Robinhood Connect. Just kind of curious how you see this product scaling just considering kind of the external nature of the product? And then any kind of comments on monetization of Connect would be helpful.

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Yes, absolutely. I can field that one. So really, Robinhood Connect is an on-ramp for third-party developers to integrate fiat-to-crypto into their apps. And we see a big opportunity for us in this space because the infrastructure that we've developed for the Robinhood app and the Robinhood Wallet to not just move money into the platform, but also integrate with various trading partners and get great trade execution allows us to offer not just great customer experience to developers but great pricing.

So as we look at kind of the space, we see that other on-ramps don't have great funding options. They either offer only card or some of them that offer bank linking are just prohibitively expensive. And in general, the costs are quite high, like north of 5% per transaction. And so we see an opportunity to take what we built on the consumer side and really offer a differentiated product for customers.

In terms of monetization, we believe that we can offer the product at lower prices and still monetize with taking a percentage of every transaction and earn healthy margins for the business over time.

Alexander Wexler Markgraff KeyBanc Capital Markets Inc., Research Division - Associate

That's great. And then just around 24/5 trading. Just kind of curious any thoughts in terms of what sort of engagement uplift you might kind of expect or anticipate around that?

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Yes. It's very hard to predict what's going to happen with 24/5 trading. Since this is fundamentally new in the market, and Robinhood is going to be the first retail broker in the U.S. to offer this for individual names.

I think that what we'd like to see is sort of good liquidity available for these symbols and liquidity to be a little bit smoother and not as much sort of happening on the open and the close. And I think that would be really, really interesting for the markets.

In terms of engagement, we have seen with hyper extended hours, which we launched last year that we saw increased volumes, but I think it's probably a little bit early to give estimates for what we'd see in terms of volumes there.

Operator

Our next question comes from the line of Devin Ryan with JMP Securities.

Devin Patrick Ryan JMP Securities LLC, Research Division - MD, Director of Financial Technology Research & Equity Research Analyst

Start with one for Jason on just the corporate cash. So obviously, the firm continues to sit on a lot of cash and liquidity here. Adjusted EBITDA is now very solidly positive. So it would seem like you're in an improving position to play offense.

And so I appreciate you're looking into repurchasing the shares from emerging technologies is one use, but just love to maybe talk about or get an update on what the other top priorities are?

And then on the M&A front, the type of opportunities that you're seeing in the market today? And Jason, if you can just remind us on those financial hurdles that you need, and maybe how that's interplayed with some of the recent deals that you've done for context?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. Thanks, Devin. Great question. So first of all, in this market backdrop, I do like having a really strong balance sheet. And as you mentioned, \$6 billion in cash and investments. Given this market backdrop, I think, has been a source of strength for us. So I like that. But it's not an ideal capital structure. And over time, I think you'll see us continue to work on that to be even more efficient.

My mind goes to the M&A front when I think about use of capital beyond just kind of running our business. And I'd say that the environment is becoming more constructive. The bid-ask spread has been incredibly wide, as public markets corrected, and I think private markets were a bit slow to face that reality. And I think it's been more constructive now. And it's up to us to look at opportunities.

You talked about hurdle rates. It's looking at things like what's the return on invested capital. Will it be accretive to our business? And then in terms of the business itself, is it going to accelerate our road map and does the team that we require kind of share the values that we have around a culture around safety and compliance, as well as an obsession for customer experience.

So these are all the things that we are looking at. And like I said, I'd say that the backdrop is improving there.

Devin Patrick Ryan JMP Securities LLC, Research Division - MD, Director of Financial Technology Research & Equity Research Analyst

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Okay. Great color. Just a follow-up here, I want to dig in a little bit on the futures offering and just get a sense of what the time line is going to look like to get into that business. And then in terms of the target audience here, how much demand are you seeing from your existing customers for this product? Or is this is more about kind of accelerating the push with active traders?

And just kind of sizing the opportunity, could this actually be more than 10% of DARTs over time? We've seen what it is for some others, but just love to get a sense of the addressable market for you?

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

I'd be happy to field that one. We're very excited about launching futures trading to our customers. And as I mentioned in the call, the goal is to launch it around the end of this year, pending, of course, regulatory approvals on our application.

I think as we think about it, we see 2 opportunities. One is making a really great product for our active traders. As we've talked about a little bit over the past few quarters, active traders have been an increasing area of focus for us. We've been able to drive active trader NPS significantly higher in the past year. We love that.

Our active traders are feeling the love and seeing improvements in the customer experience for the product. And we think that futures trading is an innovative new asset that will allow them to manage their risk in new ways.

The second thing that we think we have an opportunity to do is if you look at what we've done with fractional shares and options trading. Robinhood historically brought new investors to the market who haven't been investing and haven't had access to these products in the past.

With futures trading, we see a lot of complexity in the existing products and interfaces, which I think makes them less accessible. So one thing we'd like to do is just simplify that and make that really, really useful and easy to use in mobile. And we think that there's a lot of white space ahead of us there.

And I want to give a special shout out to JB McKenzie, who joined as the GM of our futures business. And I know that he's very, very excited to launch this as quickly as possible. And maybe this question provides a little bit extra motivation, not that he needs any.

Operator

Our next question comes from the line of Michael Cyprys with Morgan Stanley.

Michael J. Cyprys *Morgan Stanley, Research Division - Executive Director and Senior Research Analyst*

Great to see the progress inching towards GAAP profitability here.

So the question is how do you think about sustaining GAAP profitability once you cross there. You benefited from interest rates having gone higher. So if the Fed were to cut, how do you think that impacting revenues at this point? And which products and revenue pools do you think have the most compelling profitable growth over the next 12 to 24 months?

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Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. Thanks, Mike. It's Jason. I'll start, and we'll see if Vlad wants to add any color.

In terms of reaching and ultimately sustaining GAAP profitability, there's a couple of elements that are really important. The first is continuing to improve our user experience on our existing products, expand the service capability of existing products, and then also keep rolling out new products for customers.

And we're seeing a lot of traction here. Our product velocity is only getting faster, and customers are really responding. We're seeing that in our NPS score being up over 20 points overall and up over 30 points for our most active customers. So really encouraging signals.

To your point, our revenue is diversifying. Interest income is becoming a larger portion of that. Things like securities lending is also contributing, but also interest on cash as well. When we think about the dynamic between rising rates and falling rates and the effect on revenue, there's a couple of things that I'd point out.

First, there is a bit of a natural offset between changes in interest rates and demand for equities or trading activity. And so while it's not a perfect correlation, they do tend to move in opposite directions, and we think that's good for kind of the balance of our business.

I'd also say that as we continue to roll out new products that, that's just going to further diversify and really strengthen the revenue profile of our business.

The last thing we're looking at, and I mentioned it last quarter, is we are evaluating whether we want to use any kind of hedging for significant rate drops to manage our sensitivity to interest rates. We've been looking at whether an option floor strategy, for example, could be a way to maintain liquidity, do it at a modest cost and not introduce any P&L variability. We haven't made a decision there yet, but it's something that we're continuing to look at.

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

Yes. The only thing I'd add is just that I think the team has done a fantastic job over the past year, diversifying our business so that we can be sustainable in a high interest rate environment. I think before the fear that we were getting from analysts and the community was doing great in a low interest rate environment, but what if rates tick up, how will you do that?

And I think we've shown that this is a resilient business. The team moves fast and innovates, and we're really pleased with how diversified the business has become, and we see opportunities to keep pulling on that and do it even further.

Michael J. Cyprys *Morgan Stanley, Research Division - Executive Director and Senior Research Analyst*

Great. Just a follow-up question on crypto. The regulatory environment in the U.S. continues to tighten around crypto. So just curious your perspective there on the regulatory landscape. What steps are you taking to protect Robinhood? And what risks do you see?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. So the crypto environment has faced increasing regulatory scrutiny. The things that I'd point out is that we've been a safety-first company for a long time. It's been a core value. In fact, it's our core company value, and Vlad talked about it on these calls in the past. What this has meant is that we've been very deliberate in the way that we expand our coin offering. We've got a rigorous coin framework, and we're very careful in the way that we evaluate those coins.

I'd say if you compare Robinhood to perhaps others across the industry, we consistently demonstrate that we have respect for the securities regulations of the country. And this has led to us making tough decisions on product selection. We don't offer staking. That's something that's been under scrutiny as well. And so we'll continue to operate with that mindset. We want to be on the right side of these decisions. At the same time, we want to innovate for customers. And I think additional regulatory clarity would be super helpful on that front.

Operator

Our next question comes from Will Nance with Goldman Sachs.

William Alfred Nance Goldman Sachs Group, Inc., Research Division - Research Analyst

I wanted to follow-up on the earlier question on the securities lending. It sounds like fully paid adoption was a partial driver there. And it sounds like that's -- you're baking in kind of consistent securities lending revenue in the current quarter. When I look at the fully paid versus margin, fully paid definitely up more than margin sequentially, but even the base level of margin, I think, was up 70% sequentially.

So I was just wondering, if you can maybe talk about how much of this was sort of environmental to the demand and what kind of rates, you're able to get on that? And how much of this you think is -- maybe just talk about the sustainability in the current macro environment, particularly in light of some of the reduced engagement levels that we've seen that your kind of referencing in the month of April?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. And I'd say that -- thanks for your question, Will. I'd say that the securities lending business is less behold to kind of monthly engagement metrics. It's based more on how many of our customers have opted in, whether or not they're engaging on a monthly basis with us.

We've seen overall strength in the market for securities lending this quarter. I'd say Q4 was unusually soft. It was one of the softest quarters that I've seen in the years that I've been here, but there was a strong backdrop in Q1 that continues here into Q2. So demand was higher. It allowed us with the backdrop of adding more customers to the fully paid securities program.

Securities lending program to be able to lend out even more, help our customers optimize their own yield by participating. And the rebates that we saw were particularly strong. So far, in Q2, we continue to see levels kind of consistent with what we were seeing in Q1.

William Alfred Nance Goldman Sachs Group, Inc., Research Division - Research Analyst

Got it. That's super helpful. And just maybe a kind of detailed modeling question on the options take rate. It

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seems like that's been coming down a little bit over the past several quarters and kind of came in a little bit lower than what we were looking for. Just wondering if you could talk about drivers of that? It seems like it's been more on the rebate side and less on the actual volume.

Jason Warnick Robinhood Markets, Inc. - CFO

Yes, sure. So the take rate is really just an effect of mix. So no change in the pricing structure, but the tier that includes SPY contracts has just been increasing as an overall percentage in this market backdrop, and that's shown up in a reduced blended rate.

Operator

Our next question comes from Ken Worthington with JPMorgan.

Kenneth Brooks Worthington JPMorgan Chase & Co, Research Division - MD

Can you give us an update on the new Cash Card? What has been the uptake on the new card? And any color on what transaction activity looks like there?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes, sure. I mean the Cash Card is off to a good start. I'd say it's really early, Ken. And the uptake is a few hundred -- a couple of hundred thousand customers. And what we're really working on is continuing to iterate on the value proposition. We want that card to be kind of top of wallet, and we're not there yet.

So the team is hard at work. We're talking to customers. We're evaluating the value proposition. I think longer term, this has potential to be a meaningful engagement driver for us, and will help us deepen our relationships. But we're not there yet, but it's early.

Kenneth Brooks Worthington JPMorgan Chase & Co, Research Division - MD

And then maybe following up on options. Trading there continues to represent the majority of transaction revenue for Robinhood. We've seen index options trading dominate certain parts of retail, particularly 0-day options. Any color you can give us on what portion either index options are or if 0-day options has been a driver of some of the growth that you've seen?

And then maybe just to help size Options for us. You had 23.1 million accounts, MAUs of 11.8 million. What portion of your customers are trading options for you in this quarter over the last year?

Jason Warnick Robinhood Markets, Inc. - CFO

Sure, Ken. I'll start, and we'll see if Vlad adds any colors.

So first, I'd say hundreds of thousands is the order of magnitude on options traders, so a relatively small portion of our customers are engaged in options trading every month.

In terms of 0-day options, we don't currently offer those. It's something that we do hear from customers that they're interested in. But...

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

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We don't offer cash settled index options. We had 0-day, but they're ETF options traded on the platform.

Jason Warnick Robinhood Markets, Inc. - CFO

Thanks, Vlad. And so in terms of expanding that to cash settled, it's something that we'll evaluate over time.

Operator

Our next question comes from Matthew O'Neill with FT Partners.

Matthew Casey O'Neill Financial Technology Partners LP - Co-Director of Research & MD

I just wanted to confirm the April -- one of the April trends. I believe it was mentioned that the MAUs were down after it was nice to see them increase in sort of both the trend this past quarter. Anything to sort of take into account there? I know there's a lot of discussion already on some of the April dynamics with tax season and so forth?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. Thanks for the question. So yes, we saw MAUs go from 11.8 to 11.4 in April. And really, what I'd point to, it's in the zone of where we were -- sorry, 11.5. It's in the zone of where we were in Q1. It's nice to see this kind of stabilize, and I just point to the seasonal dynamics of April that I referred to earlier in my comments.

Operator

Our next question comes from Mark McLaughlin with Bank of America.

Mark Robert McLaughlin BofA Securities, Research Division - Research Analyst

I had -- for the first one, I was curious the decision behind the reallocation of, I assume, cash to held to maturity securities because I know you guys had mentioned earlier, you're not taking on a lot of duration risk. So I just kind of wanted to know the accounting reason behind that?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. It's more -- thanks for the question. So first of all, in the broader context, we've got \$6 billion of cash on our balance sheet, and it just was good hygiene for us to take a small portion of that and extend the duration a bit.

So it's held to maturity. It's a laddered portfolio that's rolling. So it's highly liquid. And that was the logic behind it. Just looking at the fair value, it's right on kind of what the purchase price was of the portfolio.

Mark Robert McLaughlin BofA Securities, Research Division - Research Analyst

Awesome. And then for a quick follow-up, I know in quarters past, you guys have kind of talked about expansion, especially starting kind of in the U.K. Not obviously trying to monetize client cash balances with the bank charter helps when moving abroad makes things a lot less complicated. Any updates on international expansion? Or kind of how are you guys thinking about that going forward?

Vladimir Tenev Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board

Yes. We're making progress towards the goal of launching brokerage in the U.K. by the end of the year. As I mentioned in the past, we've got an existing license in place. We think that our brand is very strong and will

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resonate very well in the U.K. and experienced leaders running the effort. So stay tuned, but we're excited to make it happen.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to Vlad Tenev for closing remarks.

Vladimir Tenev *Robinhood Markets, Inc. - Co-Founder, President, CEO & Chairman of the Board*

Yes. Thank you, guys, so much for listening and asking questions. We're very excited by the progress and checkout 24 Hour Market. Very excited for that to be launching next week.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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