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EDITED TRANSCRIPT

Q3 2023 Robinhood Markets Inc Earnings Call

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CORPORATE PARTICIPANTS

Chris Koegel *Robinhood Markets, Inc. - VP of Corporate FP&A and IR*

Jason Warnick *Robinhood Markets, Inc. - CFO*

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

CONFERENCE CALL PARTICIPANTS

Christopher Mark O'Brien *Barclays Bank PLC, Research Division - Research Analyst*

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*

John Todaro *Needham & Company, LLC, Research Division - Senior Analyst*

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

Michael Anthony Anagnostakis *Wolfe Research, LLC - Research Analyst*

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

PRESENTATION

Operator

Good day and thank you for standing by. Welcome to Robinhood's Third Quarter 2023 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to turn the call over to Chris Koegel, Vice President of Corporate FP&A and Investor Relations.

Chris Koegel *Robinhood Markets, Inc. - VP of Corporate FP&A and IR*

Thank you, Carmen, and thank you to everyone for joining Robinhood's Q3 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, our Form 10-Q filed this afternoon and in our other SEC filings. Today's discussion will also include non-GAAP financial metrics. 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. It's been nearly 10 years since Baiju and I first launched the waitlist for Robinhood. Back then, nobody had heard of fintech, and

customers were paying \$7 to \$10 every time they placed a trade at one of the discount brokerages. And people were generally skeptical about using their smartphones for serious financial matters. Investors were also skeptical about Robinhood's prospects as a business. They viewed the idea of us entering a highly regulated market with large, entrenched competitors as a fool's errand. Even if we were to succeed in bringing our product to market, would anyone want it? The conventional wisdom at the time was that individual stock investing was dead and that all anyone needed was index funds. We spoke to nearly 100 investors before we closed our initial seed round at a \$10 million valuation.

Almost 10 years later, we're serving over 23 million customers in the U.S. Our surviving competitors have been forced to adopt our business model, and even to adapt their user interfaces to be similar to ours. And Robinhood is no longer just a trading app. We've been rapidly evolving into a broad financial services platform serving multiple financial needs, including spending, savings and retirement.

Our ambition and the opportunity ahead of us has expanded greatly, and so it still feels like we are at the beginning of our journey. We're still #2 in retail trading market share in the U.S. We're at the very early stages of expanding beyond trading with just over \$1 billion of retirement assets on our platform out of the over \$12 trillion U.S. IRA market. We are also just now beginning to take our first steps to serve customers outside the U.S., where we believe the need and opportunity for innovation in financial services is even greater than it is domestically.

As we continue to execute on our strategy, we believe we can grow into one of the largest and most profitable financial companies in the world. I'm excited to talk to you about our progress. But first, let's review our Q3 high-level business and financial results.

It goes without saying that the macro environment of the past few years has been challenging for investors. Geopolitical tensions are continuing to increase. Interest rates are at 30-year highs and household savings are being depleted at a rapid clip. I want to explain the three things I look at, at a company level to ensure Robinhood emerges from this challenging environment stronger than ever.

First, financial health. You've heard me mention over the past year that I want to ensure Robinhood is a sustainable business, not just in bull markets, but in all market conditions. We put in a lot of work to make this a reality. We had our first quarter of GAAP profitability as a public company in Q2. And in Q3, total net revenues were up 29% from a year ago. And by keeping our costs lean, we more than doubled our adjusted EBITDA margin year-over-year. This is all while making big investments across product, customer service and international expansion.

Second, company culture. I believe very strongly that small groups of highly motivated and talented people can out-execute incumbents with over 10x the head count and resources. I believe we have the highest concentration of talent in the history of the company. And over the past year, we have turned the crank even more on ensuring we are hiring, retaining and motivating the highest caliber people across all of our positions.

Third, product velocity. We use a number of metrics to track this. And right now, by several key metrics, our product velocity is the highest in our recorded history. We move fast, and we've been simultaneously improving our service quality.

Now let's turn to our 2023 roadmap, which as you know, we've organized into three areas: deepening relationships with our customers, innovating for our active traders and launching new growth opportunities.

Let's first talk about how we're deepening relationships with our customers. Success in this part of our strategy means that Robinhood becomes the most important financial relationship for a large portion of our customers. This will lead to a healthier and more diversified business, and you should track our progress here by Gold subscribers and net deposits.

Robinhood Gold continues to be our #1 focus in deepening relationships with our customers. Over the past year, as the environment evolved and customers were looking for new ways to save and invest, we put a lot more value in Gold by adding a 4.9% APY on uninvested cash and a 3% match on IRA contributions. As a result, subscriptions are now over 1.3 million, and growth is accelerating as we added 100 thousand in Q3 alone and 240 thousand over the past year. Today, 6% of Robinhood customers are Gold subscribers and new customers are joining Gold at more than double that rate. Gold customers have tens of thousands of dollars in average assets under custody, up more than 60% year-over-year, and they've opened IRAs with us at 7x the rate of non-gold customers.

As we look ahead, we want the majority of our customers to be Gold subscribers, and we're taking a number of steps to make that a reality. I'll tease one of them right now. After acquiring X1 in July, our team has been hard at work creating an awesome credit card, and we've got something special planned for Gold customers. You'll hear more about this early next year.

Now let's discuss active traders. We are laser-focused on being the #1 platform for active traders, and we track our progress here by market share. Our focus has been on systematically removing any limitation that would lead an active trader to consider using another platform with a particular emphasis on pricing, speed and app usability. In the past quarter, we streamlined our equities trading flow, introduced options chain customization and an option P&L simulator and more than doubled the number of stocks and ETFs available to trade 24/5 on Robinhood 24 Hour Market. For our crypto customers, we've rolled out some changes to the user interface on mobile so that customers can clearly see the spreads that we offer on our crypto transactions. This makes it easier for customers to see their all-in cost of execution, compare it against other platforms and see how great of a deal Robinhood is giving them. As we deliver for our active traders, we continue to see our market share of retail trading grow. In Q3, both our equities and options market share increased from Q2 and year-over-year.

Let me now talk about futures. We're getting closer to unveiling our offering there and we have been hard at work building what we believe is the best designed futures product, particularly on mobile. Competitors generate hundreds of millions of annual revenue from futures trading, so as we continue to

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execute, we believe we have a real opportunity to expand the market, take market share and build a 9-figure revenue business over time.

The third part of our 2023 roadmap is exploring new growth opportunities.

Here, we have been laser focused on international expansion. In the U.S. alone, we built a business with 23 million customers that serves nearly 10% of American adults. But there are billions more potential customers across the globe. And as we serve them, we believe our business can evolve into one where the majority of our customer base is outside the U.S. in the years to come.

Our approach has been to build the capabilities for international expansion organically. This allows us to scale in a capital-efficient manner, while easily sharing our capabilities across multiple geos. For example, with the launch of Robinhood 24 Hour Market, we became the first U.S. broker to offer around-the-clock trading of individual stocks. Our customers in the U.K. will benefit from this and other platform enhancements as 24 Hour Market will be available in the U.K. at launch.

Two major things are happening in the coming weeks: first, we'll launch brokerage operations in the U.K. We look forward to eliminating commissions in that market just like we did in the U.S. Also in the coming weeks, we will launch crypto trading in the EU. Crypto benefits from a relatively clear regulatory framework in the EU, and we're excited to bring our capabilities across the pond to better serve that market.

As I reflect on all that Robinhood has in front of us, I'm energized by our long-term potential to innovate for our customers, grow assets, gain market share and continue to disrupt our industry. We're really excited about the roadmap ahead, 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 third quarter, we stayed focused on serving customers, growing our business and driving long-term shareholder value. Our team continues to execute on our product roadmap while growing revenues and delivering strong operating leverage in the business. In a very different macro environment than 2 years ago, we believe we have a good shot of delivering record annual revenue in 2023, and our adjusted EBITDA this year is on track to be roughly 3x our prior record.

We're also excited to see momentum continuing to build with growing market share of retail trading and increased customer adoption of our new products. Taking a look at new products -- Robinhood Retirement has over \$1 billion of AUC and our new 3% contribution match for Gold members is making us really excited for IRA season. Securities lending enrolled nearly 400,000 customers in Q3, bringing our total to nearly 2 million customers with over \$10 billion of balances. Robinhood Gold grew by 100,000 subscribers in Q3 alone, bringing the total to 1.3 million subscribers, roughly double the pace we've seen in the past few quarters and the biggest increase in over 2 years. And we're also pleased to see over 10% of withdrawals are done through instant. So we love that our revenue drivers keep moving higher.

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Let's look at our business results in the third quarter. Net deposits remained strong in what is typically a seasonally slow quarter. They were \$4 billion in Q3, which translates to an 18% annual growth rate, and over the past 12 months, they grew at 27%. AUC ended the quarter at \$87 billion, up 34% from a year ago. While equity markets were challenging in Q3, we're optimistic that the continued strength of customer net deposits and long-term market appreciation will be a powerful tailwind to our business over time.

Now let's turn to our financial results. As a reminder, last quarter, we reached GAAP profitability for the first time as a public company, generating \$25 million of net income or \$0.03 of EPS. This quarter, we recorded a \$104 million regulatory accrual for historical matters, as we previously disclosed. This led to Q3 results moving back to a loss with net income of negative \$85 million or a loss of \$0.09 per share. Q3 net income prior to this accrual would have been positive \$19 million or \$0.02 per share, which would have been similar to last quarter.

In Q3, we generated adjusted EBITDA margins of 29%, up 16 points from a year ago. Adjusted EBITDA was \$137 million in Q3 and \$485 million over the past year, which is nearly a \$900 million improvement compared to our first year as a public company.

So the natural question is how do we drive profitability even higher over time? We're focused on two things: first, growing revenues. We want to serve more of our customers' financial needs become #1 in active trading and expand internationally. Second, we want to stay lean as we scale. Our cost structure is roughly 90% fixed, which supports high incremental margins and operating leverage and we will continue to push on our fixed costs wherever we can. So we think we have a good path to higher levels of profitability over time, and we look forward to sharing our progress as we go.

Now let's review Q3 revenues. Total net revenues were \$467 million, up 29% from a year ago. Revenues were down 4% from Q2 as growth in net interest revenue was offset by lower transaction revenues and seasonally lower proxy revenues.

Transaction-based revenues in Q3 were \$185 million, down 4% sequentially, primarily due to lower crypto volumes.

Moving to net interest revenues. They were \$251 million in Q3, up 7% sequentially. The increase was driven by higher interest-earning assets and short-term interest rates, partially offset by lower securities lending.

Looking ahead, we are watching a couple of areas that, so far in Q4, are in the lower part of their cyclical ranges. Specifically, Q4-to-date securities lending activity is well below the third quarter average. Additionally, Q3 net buying was the highest level we've seen in over a year, which drove free credit balances lower in the third quarter. So far in Q4, net buying has moderated, so free credit balances have increased by a few hundred million dollars. But if the current levels of securities lending and free credit

balances continue, we anticipate Q4 net interest revenue will be roughly \$20 million lower than Q3 levels. Looking beyond Q4, we have a much more constructive outlook for net interest revenue as we continue to attract customer cash and net deposits, enroll customers and securities lending and prepare to grow our credit card business.

Moving on to other revenues. They declined sequentially to \$31 million in Q3 as seasonally lower proxy revenues were partially offset by growth in Gold subscriptions and Sherwood Media advertising revenue.

I also want to share some additional color on what we saw in October. We added another 30 thousand funded accounts and customers contributed another \$1 billion of net deposits to Robinhood. Additionally, October trading volumes picked up from September. Relative to Q3 monthly averages, October options and crypto were roughly in line and equities were about 10% below. I also wanted to note that we often see lower trading volumes in November and December around the holidays.

Looking at expenses, we continue to make significant progress investing for long-term growth while driving efficiency by lowering our full year costs from 2022 levels.

Starting with adjusted OpEx, which reflects total operating expenses, less SBC and the regulatory accrual, it was \$353 million in Q3, below our prior outlook range. This brings our year-to-date total to \$1.06 billion or 76% of revenues. As we invest for the long term and scale our business over time, we are focused on leveraging our highly fixed cost base to drive adjusted OpEx lower as a percentage of revenue.

Reflecting on our progress year-to-date, we feel good about our expense discipline while continuing to invest for the long term. So in Q4, while we plan to keep driving efficiency across our business, we plan to make some targeted growth investments in marketing and product launches, including for the U.K., futures and credit card. We also anticipate some short-term elevated legal expenses related to the historical regulatory matters I mentioned earlier. Given this, we're planning for Q4 adjusted OpEx in the range of \$375 million to \$395 million, which slightly lowers the midpoint of our full-year outlook and brings our 2023 adjusted OpEx range to \$1.435 billion to \$1.455 billion. This full-year outlook has us on track to save around \$75 million from our 2022 level.

Turning to share-based compensation. It was \$83 million in Q3, below our prior outlook range. SBC, as a percentage of revenue, was 18% in Q3, down from 30% a year ago. We're managing SBC costs closely, so as we scale our business over the coming years, we're focused on driving it closer to 10% of revenue. Looking ahead to Q4, we're lowering our 2023 SBC outlook again by an additional \$50 million. Our updated outlook for full year 2023 SBC is a range of \$860 million to \$880 million, which implies a Q4 range of \$70 million to \$90 million. Just to put that in context, if we look at the midpoint of our Q4 range on an annualized basis, that's about \$320 million, which represents an annual savings of over \$300 million versus 2022. Looking at dilution, prior to our Q3 share purchase, diluted shares were up 1.2% through the first 3 quarters, well below our initial full-year outlook of 4% or less.

Now let's turn to capital management. We are focused on maintaining a strong balance sheet while deploying capital into opportunities that drive growth and shareholder value. Over the past year, we generated nearly \$500 million of adjusted EBITDA. And in Q3, we deployed over \$700 million to purchase 55 million shares of our stock and to acquire X1. We still finished the quarter with nearly \$5.5 billion of cash and investments. We know we still have a lot of cash on hand, but in this macro backdrop, we like the balance sheet strength and optionality it provides.

In closing, I'm excited about the momentum we're building and believe we have a huge opportunity ahead of us. We believe we can deliver new capabilities and enhance customer experience while producing great financial outcomes for our shareholders.

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

QUESTIONS AND ANSWERS

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

All right. 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 we already addressed on this 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. I'm going to put two together here, and these are for Jason.

Masih R. asks, "Your stock price has been floating between \$9 and \$12 for over 2 years. What will it take to bring it back to the IPO price?"

And Phuong N. asks, "With all these new incentives happening on Robinhood, why has Robinhood not been able to raise its stock price back to the IPO level?"

Jason Warnick Robinhood Markets, Inc. - CFO

Thanks for the questions. So first of all, we hear you. It feels like we've made a ton of progress, and we just haven't seen it translate yet to a higher stock price. On a macro level, interest rates are up, which generally isn't good for stock prices, and it hasn't been good for fintech companies. But we're staying focused on things that are in our control, like growing our business and driving profits higher. Over the long term, we think this is the approach that'll move our share price up, and we appreciate your questions.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

All right. Thanks, Jason. The next question is for Vlad. I'm going to put together 2 here as well. So Brandt C. asks, "Would it be possible to add a dividend information tab?"

And Jeremy J. asks, "We continue to ask for a dividend forecasting management tool. When will that

feature come to fruition?"

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

Yes. Thank you. We're always looking for ways to improve our customer experience, so thank you for these suggestions around dividends. I actually reached out to the team and asked them to make sure this is added to the roadmap, so it'll be done.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

Thanks, Vlad. The next question is from William W. who asks, "The biggest thing that seems to be driving your turn to profitability is the high interest rate on your cash pile. What will be the plan to maintain profits when the Fed reduces those rates?" Jason?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. So one of the nice things about our business is that it's naturally hedged for changes in interest rates. Trading revenues and interest income tend to move in opposite directions. So we think we're pretty well positioned to perform financially regardless of the rate environment.

We've seen this play out over the last few years. In the lower rate environment, trading revenues were strong. But with rates moving higher, trading revenue abated some, but interest income has picked up. So at the same time, we're continuing to invest to grow our business through the cycle. So for higher rate environments, we've launched things like Gold, high-yield, as well as fully paid stock lending. And for when higher trading environments come along, it's great to see that our market share is up in equities and options as we continue to invest in our platform. So overall, we feel really good about our position regardless of what interest rates do.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

Thanks, Jason. The next question is for Vlad and it's from Malcolm D. who asks, "What will Robinhood do to grow market share and expand operations?"

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

Yes, happy to answer that. So to start with, our market share has been growing. If we look at equities and options, market share is up year-over-year and also sequentially for the past three quarters in a row. And as we look at opportunities to grow even faster, right now, we can see we're winning in mobile. And we think that's great because clearly, that's the fastest-growing part of our industry.

I think the long-term trend will continue to be more and more of the legacy brick-and-mortar based and web activity moving in the direction of mobile. I think it's also important to note that a couple of our key competitors are going through merger-related integrations right now. So we've got TD Ameritrade merging with Schwab and E*TRADE through Morgan Stanley.

And we've seen a lot of customers complaining about those integrations being forced to abandon some of the user interfaces that they like, and they're not really satisfied with the mobile products that they're

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being asked to convert to. And we've been seeing really, really healthy and growing inflows from both of those competitors.

And right now to accelerate that even further, we're running a 1% match on ACATs, not just into retirement accounts but also into taxable accounts. And so we're excited to share even more value with customers through that offer, so doubling down on our leadership in mobile. And also, we're continuing to expand and improve the product experience across the board.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

Right. Thank you, Vlad. The next question's also for you. Todd Z. asked, "What is Robinhood doing to convince long-term investors to stay and grow with Robinhood rather than transfer to other accounts when they reach a higher net worth?"

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

Absolutely. Thank you for that question. This is a key part of our strategy. When I say deepening relationships with customers, that really starts with making sure, as they grow and as their needs evolve, Robinhood is the platform for them and can serve the wide variety of the financial needs that they have. So our biggest investment and area of focus here is around Robinhood Gold.

As you know, Robinhood Gold launched a competitive rate on uninvested cash, which allows customers to take advantage of the high-rate environment we're in and earn a high yield on cash even when they're not investing. So right now, that's 4.9% APY. And a nice bonus is you get up to \$2.25 million in FDIC insurance protection, so it's actually superior to a traditional savings product that you might find at a bank in the level of protection, not to mention the yield.

We recently rolled out an unprecedented 3% retirement match for Gold customers. So basically, with the new IRA contributions limits slated to increase to \$7,000, that's an extra over \$200 a year in bonus that you could be getting just by fully funding your retirement account, which is a deal that you can't find anywhere else. And so the sort of confluence of this is once you become a Robinhood customer, we're seeing more and more of those customers adopt Gold.

Once you're in Gold, you get an industry-leading value and the user experience across a wide plethora of our products. So if you want to retire with us, you can't get a better deal elsewhere. If you want to generate cash, even if you're not investing it, yield on the cash, we offer that. And we're continuing to add more and more features and value in Gold over time. The upshot of that is Gold balances have been increasing at a very healthy rate. You've seen the progress we've made in Gold subscribers. Our churn and retention, particularly of our most valuable customers continues to improve.

And we think we're just getting started. We're hard at work making this better and better. But I do think we're actually seeing our strategy paying off, and you're seeing demonstrated progress in increasing wallet share and actually creating these relationships with customers that are significantly deeper.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

The next question is for Jason from Radley S. who asks, "What can Robinhood do in order to become consistently profitable throughout each quarter?"

Jason Warnick Robinhood Markets, Inc. - CFO

It was great to achieve GAAP profit last quarter. It was our first time as a public company. This quarter, but for the regulatory accrual, we would have seen another quarter of GAAP profits. But looking over the long run, we're going to keep investing for growth. But we think we've got a good opportunity to invest for growth and grow revenues faster than costs, which should deliver nice leverage and profitability for the bottom line over time. We're a tech company. A vast majority, 90% of our costs are fixed costs. And so we think we're well-positioned to have high incremental margins as we grow the top line.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

The next question is for Vlad and it's a two-parter. Masih R. asks, "When are you going international?"

And Thomas B. asks, "When will Robinhood come to Europe?"

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

Great questions. The answer to both of those is basically now. So I'm excited to say we're getting really close to launching our brokerage in the U.K. We should be live in the coming weeks. I'll actually be there knocking on doors in the U.K., maybe not literally, but with the team for the launch.

And we also announced earlier, in my opening prepared remarks, that we will be offering crypto trading across the pond in the EU and that's going to come right on the heels of the U.K. brokerage launch. So both of these launches are exciting. They expand the addressable market of customers we can serve with our financial products. And they're really the first steps in what we see as a big opportunity for us growing the business internationally.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

All right. Thank you, Vlad. That concludes our shareholder questions from Say Technologies. We appreciate our shareholders taking time to ask these questions of Vlad and Jason and look forward to more next quarter. Now I'll turn the call over to Carmen to lead Q&A from our analysts.

Operator

(Operator Instructions) Our first question is coming from Dan Dolev with Mizuho.

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

Great results despite the difficult environment. I have two questions, two quick ones. So maybe Vlad, can you tell us what makes you gain so much share? I know it's a difficult environment, but you guys are gaining tremendous amount of share. Can you give us some color on what makes Robinhood gain so much share? And then I have a very quick follow-up.

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

Yes. Thanks, Dan. So yes, talking about our active trader offerings. As I mentioned earlier, our goal is to be the #1 platform for active traders, and we have been gaining share. You're right that I pointed out year-over-year, and for the last three quarters sequentially, we've seen our market share of options and equity transactions continue to increase. And part of that is just the work that we've been doing systematically to improve the pain points that customers have for the product.

And yes, more recently, you can see we've continued to make improvements in options trading. We added things that customers have been asking us for, like the ability to customize options chains and better picture their P&L. We're looking at the experience for equities trading across the board and as we sort of used it and dug deeply into it, we noticed that in the past, we'd really optimized it toward more of a novice customer. So there was a lot of explanation for how to place different types of orders.

And for someone that was more active and more of an active trader, we saw an opportunity to streamline it and reduce a lot of the unnecessary steps in the process. And we've been doing that across the board, not just in the in the trading flows, but across the experience. We're also turning our attention to giving more data to customers to make more informed decisions. And you're going to start to see a lot of our work there rolling out in the coming weeks.

And I've got to mention also, not just kind of table stakes features. We've got a ways to go to continue to close the gap, but we're leading in pricing. Obviously, for options, most of our competitors are charging \$0.65 per contract for typical trades and the hundreds of contracts, that adds up to lots and lots of money that is coming out of their pockets. And our pricing advantage is strong and continuing to drive value for us.

And new innovative things that you can't find anywhere else really besides Robinhood, things like Robinhood 24 Hour Market are also continuing to play there. And all of this is adding up to the share gains that you're seeing and active trader NPS across -- and that's Net Promoter Score for those that aren't familiar -- across options, equities and crypto, seeing significant gains that are just continuing to accrue.

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

Terrific. I do have a quick follow-up. I mean, it looks to me like Robinhood could be a great place for traders to benefit from the future Bitcoin ETF. Can you maybe talk a little bit about the opportunity if it exists?

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

Yes. I think that what you're seeing is Bitcoin continuing to become attractive to more and more stakeholders as a mainstream asset for diversification. There has been a long-held thesis that it's a good inflation hedge. And obviously, in a high inflation environment, people are interested in ways to diversify their exposure. Robinhood has been early to offer Bitcoin in its native form.

And maybe you heard me mention in the prepared remarks that we've actually made a lot of improvements in the crypto user interface. We're showing customers the spread and their all in cost of execution. And I think we've talked about, Dan, in the call before, how Robinhood has really, really competitive pricing, but maybe customers aren't aware of that. There's not a lot of transparency around it, so we're looking to solve that problem.

We believe we have solved it. And I think that more and more customers will see just how great of a deal they're getting with their ability to diversify their portfolio into crypto currencies. So we want to continue to be a leader there. And I think that -- yes, we're excited about the progress we've made, and there's a lot more to do.

Operator

One moment for our next question, and it's come 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*

So looking forward to international launch, a lot to be excited about there. I just want to think about the opportunity or how you guys think about the opportunity, either near or long term to build your own market-making capabilities to participate in more of the economics. And particularly as you scale the offering, I suspect that could be an opportunity, but I just want to get some thoughts there. And then if that's not something that would make sense, just how you're thinking about the unit economics internationally, appreciating that trading's just going to be one part of the longer-term game plan of making a relationship with customers.

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

Yes. And you're referring to international, specifically when you're talking about market-making?

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

Right now, I am, yes.

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

Yes. Yes, look, I think our focus right now, there's obviously lots and lots to do in our business. As you pointed out, there's all the stuff we're doing on the consumer side to win an active trading. There are obviously ways to leverage that infrastructure that we're building to process our customers' trades as a B2B offering and market-making is kind of in that category. Where we stand now is we're just laser-focused on consumer. We want to make sure we're the best consumer offering out there, particularly internationally where we're kind of new to market.

We want to make sure that as many of our resources as possible are pointed towards product market fit of the consumer offering. And there's lots of ways that we can monetize Gold subscription. You've heard that, that product, we have a lot of confidence in, and it's just in the early stages. We think that can be

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just as powerful, if not more so, in the U.K., securities lending and other interest-based revenues.

So yes, we're not really focused on diversifying into B2B or market-making for the near term. But it's obviously something we're familiar with. Once we start getting to the point where that makes sense as a priority, we'd certainly be open to considering.

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

Okay. And then just a follow-up here on X1 and the kind of the credit card strategy. I appreciate the new -- net new interest disclosure around cards. And so I just want to maybe hear a little more about the scaling strategy of excellence business across Robinhood and kind of time line that you guys are thinking. And then also maybe on the other side, whether there's any consideration of growing a little bit slower, just to get some data around customer behavior and also just thinking about potential for credit risk as well.

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

Yes. I'll be happy to field that. I think we're going to build a great product. We actually just reviewed and approved the final designs for what's going to become the Robinhood credit card last week, so we've been making good progress. The team is super motivated to launch it. And we do anticipate there will be a period of learning.

Of course, X1 has had some data from their customer base. But we anticipate once we release this new product -- the scale of Robinhood's customer base is much bigger, and so we'll want to make sure that we're rolling it out prudently. But the thing that I'm most excited about is you guys seeing it, customers seeing it. I think we've spent a lot of time getting the user experience and the design just right and I think you're really going to love it.

Operator

Our next question comes from the line of Steven Chubak with Wolfe Research.

Michael Anthony Anagnostakis *Wolfe Research, LLC - Research Analyst*

This is Michael Anagnostakis on for Steven. Maybe just one for Jason here on expense. You had noted that you will continue to be disciplined on the expense front. You highlighted the largely fixed expense base. As we think about expense beyond '23, what do you see as a reasonable core expense growth rate to sustain that 20% organic growth that you consistently delivered recently?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. Thanks, Michael, appreciate the question. We've made a ton of progress on operating costs and running lean and driving for productivity and efficiency across our platform over the last 1.5 years, and I'd say that we're not done. We've got more work to do there to be even more efficient and more lean in the way that we operate. That said, we're going to continue to invest for growth.

We see a lot of opportunity ahead of us rather than behind us in terms of the business, including international. So we're going to place some smart investments in a number of areas. I'm sure you can appreciate this is the time of the year when the teams are huddled doing 2024 planning, so it's a bit early for me to comment specifically on the growth rate we expect to see in OpEx next year. But you should expect that over a longer horizon, our intention is to grow revenue faster than OpEx. And we think that there's -- even while making investments, there's opportunity for us to be lean in the way that we manage our costs.

Michael Anthony Anagnostakis Wolfe Research, LLC - Research Analyst

Great. And then my follow-up, I just wanted to touch on crypto, again, here. We've seen some stronger performance in Bitcoin and Ethereum, for example, but the volume trends have remained pretty subdued, both industry-wide and at Robinhood, but can you speak to what's driving that divergence there? And what do you think needs to happen for activity to pick back up in crypto?

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

Yes. I think it's hard for me to speculate on activity predictions in the broader cryptocurrency market. I can tell you what we're focused on. We're focused on using this as an opportunity to build our capabilities, build the platform. You've heard me talk in this call about how we want to make sure customers who are using Robinhood for crypto know that they're getting terrific pricing, and so we've continued to make progress there.

We are improving the customer experience and the team is hard at work launching in the EU, which will expand the addressable market of customers that we serve by hundreds of millions, so we're excited about that. We're going to continue to innovate and improve the offering in the space. I think there's lots of promising signs. Lots of people are spending time building the industry. We're going to continue to be a leader there.

Jason Warnick Robinhood Markets, Inc. - CFO

I think the one thing that I'd add is I think it'd be helpful to continue to get some regulatory clarity in the various markets that we're going to be operating in, and that'll allow us to innovate even faster.

Operator

One moment for our next question please, it's from the line of Michael Cyprys with Morgan Stanley.

Chris Koegel Robinhood Markets, Inc. - VP of Corporate FP&A and IR

Are you there, Mike?

Operator

One moment for our next question. It comes from the line of John Todaro with Needham.

John Todaro Needham & Company, LLC, Research Division - Senior Analyst

Vlad, you mentioned earlier that the EU had a clearer regulatory framework around crypto than the U.S.,

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just trying to understand in that context, what kind of products or services that you could tangibly point to there. Would you envision kind of more assets for trading in the EU than in the U.S.? Just anything that we can kind of tangibly look to?

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

I really don't want to get ahead of the launch that's coming in a couple of weeks and tell you what the value props are going to be. But yes, in general, we do expect given the clarity, to be able to offer a different set of assets and capabilities in Europe as in the U.S.

John Todaro *Needham & Company, LLC, Research Division - Senior Analyst*

Okay. And I guess just quickly if I can add another one on. Taking the other side of that and looking at the U.S. market, you guys recently delisted some of the crypto assets. What would give you comfortability to relist some? Is it some of these ongoing -- suits ongoing with Coinbase that need to get resolved? Any clarity there?

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

Yes. I think that, yes, it's hard to say what specifically we're waiting for to give us comfort. I think that rules -- rule-making, court case data, that all helps. And of course, we'll continue to push for regulatory clarity. Because I think it would be a shame for the innovation that we've been seeing in crypto to be co-opted overseas. I think it's very, very important for the U.S. to remain a leader in every new technology in the industry that we possibly can.

Operator

One moment for our next question please, and it's from the line of Ken Worthington with JPMorgan.

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

One of the footnotes in the release today talked about ACATs in and out, and you mentioned getting inflows from former Ameritrade and E*TRADE customers. I'd love you to compare and contrast where ACATs to Robinhood are coming from generally and where ACATs going out of the firm are generally going to. And then you mentioned the 1% match. When did that go into effect? And then maybe lastly, what sort of ACAT activity are you seeing from firms that are more traditionally known for active trading?

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

Yes. As I mentioned earlier in the call, we have been seeing elevated ACATs from the firms that are going through integrations. I mean, the active trading firms, TD Ameritrade has been very strong with active traders, and we've been seeing really healthy and growing inflows there. The 1% match, as you probably know, that started out being a retirement offering. We've expanded it to ACATs in taxable accounts.

And I think that's currently in the process of rolling out and being communicated to customers, so it's pretty new. But what we're seeing there has been really, really good. I think that just gives customers an added incentive, the ones that were already thinking about it and using Robinhood to consolidate their

assets here. We've been really happy at the trends there.

Jason Warnick *Robinhood Markets, Inc. - CFO*

In terms of the more active trader locations, the ins and outs are actually pretty modest overall. So nothing really to call out there.

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

Okay. And then so are the -- you've got ACATs going out as well. Are they going to the same firms where you're getting assets coming in? Or is it a different sort of set of firms where clients are heading out towards?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes, it's really pretty broad-based across inflows and outflows and common firm names as you'd expect. One thing we like is that the trends are improving for us as we continue to improve user experience.

Operator

We have time for 1 more question, one moment please, and it's from the line of Benjamin Budish from Barclays.

Christopher Mark O'Brien *Barclays Bank PLC, Research Division - Research Analyst*

This is Chris O'Brien on for Ben. I wanted to ask you about the options take rate. It looks like it came down 4 basis points or so quarter-over-quarter. Is there anything you can share regarding the drivers here as to what's driving the change in the take rate?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. So first of all, the take rate was \$0.41 this quarter. There are 2 primary things that go into the take rate that we realized on option contracts. What I'd point to is volatility and then it's also a mix of contracts, specifically we're seeing increasing mix, as we have for some time now, of SPY contracts over individual name contracts, and that has been a headwind for us on the take rate.

Christopher Mark O'Brien *Barclays Bank PLC, Research Division - Research Analyst*

Okay. Very helpful. And I also just wanted to follow up on the international expansion. When we think about the launch of the U.K. product, like, what kind of products will be available on day one? How long of a ramp will it take to kind of fully get capabilities up to something like we might see in the U.S.?

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

Yes, I'll field that one. So I did mention that equities trading, in particular, 24 Hour Market will be available at launch. In terms of the other value props, again, would rather not run ahead of the announcement. Like, we'll find out very soon. The benefits of doing our international expansion organically is we can leverage the same platform. That's why Robinhood 24 Hour Market is available at launch.

It's all on the same platform. So there's really no technical limitation to making our services available anywhere that we operate. It's all just a matter of licensure and making sure that we have the appropriate licenses for all the different products we offer. And I think you're really going to start to see the organic strategy paying dividends as we continue to expand across multiple jurisdictions, and we add things here in the U.S. and we add -- we connect to different market centers overseas. You'll see that the value accrue to both to our U.S. customers and the customers in new jurisdictions.

Jason Warnick *Robinhood Markets, Inc. - CFO*

And Chris, one more follow-up on the options take rate. We've seen that mix continue into October and actually accelerate just a little bit and the take rate moved to \$0.39 a contract in October. We'll see how the rest of the quarter plays out, but I thought I would highlight that for you.

Operator

One moment please for one more question, it's from the line of Michael Cyprys, please proceed, from Morgan Stanley.

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

Having some technical difficulties with the phone before. Not sure if you answered this question just around index options. I think you had mentioned previously that was coming in the first half of '24. Just wondering if you had a more specific update there that you could share. And just more broadly on that, I was hoping you could maybe share your thoughts around the opportunity set, how you see that playing out with index options.

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

Yes. I mean, one of the things that we're focused on, on our path to #1 -- being #1 in active trader market share is systematically going through all of the product gaps, making sure that if customers want a particular asset, that we make that available. This includes index options, things like shorting, multiple account types like joint accounts. There's just a long list of things that we're prioritizing and building. As for index options in particular, right now, that's slated for about mid-year 2024.

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

Got it. Okay. And then just a follow-up question, if I could, just on advice. Just curious if you're thinking about the opportunity set there for providing customers with financial advice. How do you think about where there's sort of space in the marketplace? What are the pain points that you might look to address? And how do you think about what the right level of pricing should be?

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

Yes. These are important questions. And what I can tell you is that Robinhood has historically been, like, a company that values the individual and their autonomy and making decisions in controlling their finances. I think as a self-directed platform, one of the things we pride ourselves in is putting people in the driver seat and in control over their finances. And I think as we think about advisory, we definitely don't want to build another me-too robo that just puts you into a basket of ETFs and does tax loss

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harvesting and things like that.

We think there's a real opportunity to give customers the type of high-end financial advice that, if you're the CEO of a company or a high net worth individual, you could get by paying a lot of money, except we want to offer that at a really attractive price point using modern technology and make that available to everyone. So that's kind of the ethos behind the product and we'll definitely share more as we get closer to unveiling that.

Operator

And this concludes the Q&A period. I will turn it back to Vladimir Tenev for final remarks.

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

Yes. Thank you, everyone. Very excited to have you listening to this call. And we're only at the beginning of our journey. So much more to build, so we're going to get back to work. Thank you.

Operator

Thank you all for joining. You may now disconnect.

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