

**Robinhood Markets, Inc.**

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William Nance: All right. So next up, we have Vlad, CEO and Co-Founder of Robinhood. Vlad, you cofounded the company in 2013 -- the year I graduated college, so you've been busier than me -- successfully bringing the company to the public markets in 2021 and have since developed a suite of innovative and disruptive brokerage products while also generating GAAP profitability. So Vlad, thanks for joining us today, and looking forward to the discussion.

Vladimir Tenev: Thanks for having me. And thank you all for joining. I know it's late in the afternoon. So hopefully, we'll keep it entertaining as well as informative.

William Nance: So look, Robinhood's mission has been to democratize finance for all. It's been a few years since the IPO now. You have continued to scale the company. What are some of the problems in personal finance for everyday people that you are focused on today to achieve that vision?

Vladimir Tenev: Yes. I think if you look at our focus areas, it's really 3 things. Number one, it's winning the active trader market. That's been the core of the business. We're building great tools for active traders. And we've been growing our market share. We aim to be #1 across all assets. Last year, we grew our options market share at 20%, equities by over 10% and there's still room to run. But we don't want to just be an active trader company, which takes us to the second focus.

There's \$70 trillion of wealth that's going to be passed down from baby boomers to Gen X and millennials and subsequent generations. I think Robinhood can be the primary

beneficiary of that. We've got more millennial users of our mobile app than pretty much all of the incumbent discount brokerages combined. The same holds for Gen Z. And so there's a huge tailwind if we can be the platform of choice for millennial and Gen Z wealth, and we believe we have the opportunity to be that platform. And then, of course, expanding what we're doing internationally and expanding it to other customers, including institutions and businesses. And so it's kind of roughly in that priority.

In the near term, we're investing a lot in the active trader business. That's options trading, it's adding new asset classes like futures, new product innovations like 24 Hour Market, which has been very, very popular and meaningful recently. We've seen a lot of growth in that. And investments there translate to revenue in the near term. In the more medium term, building wallet share and serving the comprehensive needs of millennials and Gen Z. That's where our retirement offering comes in, our Gold offering, our credit card, which we launched earlier this year.

And that's more of a medium-term opportunity, but I think it can be ultimately bigger. And then, of course, there's an addressable market of hundreds of millions, even larger internationally. And I think in the time span of decades, you're going to see the rest of the world getting wealthier. They're looking more to the U.S. and adopting U.S. products. And I think that can be a long-term tailwind to the business as well.

William Nance: Yes. So the company grew extremely rapidly, particularly during the pandemic. The user base has been more stable since then, although the ARPUs have expanded rapidly. So going forward, how do you think about the balance between ARPU expansion and user growth?

Vladimir Tenev: I think we can do both, in short. I mean there's just so many different vectors by which this business can grow. ARPU has been over \$100, which has grown significantly since 2022 when we had the introduction of high rates. And we've also been adding users as well. Gold subscribers reached an all-time high, in the last quarter, and it exceeded the subscriber count during the market mania towards the beginning of 2021.

But it's been much more -- the investments there have been much more sustainable in the sense that we're relying on high yield, the credit card, obviously, the introduction has had an impact, retirement products. And so as the business has diversified, we've been less reliant on idiosyncratic market events to grow and the growth has been more consistent and more stable. And now we have 8 business lines that generate \$100 million in revenue. A lot of people still think of Robinhood as a place for active speculative trading, but over half of our revenue has been net interest and with 8 business lines at \$100 million and more, we think we can continue to diversify.

William Nance: Yes. I'm thinking back when I cover the online brokers, NNA growth was really the all important metric that people focused on. I hadn't done much ARPU calculations before the Robinhood IPO. And I think now the NNA growth has really been the metric that a lot of people have been focused on because that's been so strong over the past couple of years. So what do you think the main factors are that are driving users to consolidate assets on to Robinhood? And just how do you think about NNA growth going forward?

Vladimir Tenev: Yes. NNA growth has been really strong. Thus far this year, and it's been about 8 months in, we've had \$32 billion of net deposits into the platform. And that's our biggest year ever. 2020 was a big year and that was \$31 billion, and that was over 12 months. And we had COVID and unprecedented stimulus to customers. So to have such high net deposit growth into the platform has really been great to see. I mean it's exceeded the expectations that we had in the beginning of the year.

It's driven by a few things. One is new product innovations and improving the customer experience. I mentioned 24 Hour Market. That's had over \$30 billion of volume, and it's something that Robinhood's the leader in. So, if you're an active trader, and you want to trade after hours, there's no experience better than Robinhood. And I think that's attracted a lot of people.

We've added new account types. As a matter of fact, we just added joint accounts. And a lot of our customers have partners, and they want to consolidate their finances. And up until we rolled this product out, they weren't able to do that. We've added more assets and we continue to do that. Superior economics and of course, layering on the incentives like the 1% matches, where we're basically taking the improved economics and passing that on to customers.

As a matter of fact, we just restarted. I know a lot of customers have been anxiously awaiting the next match because we didn't really run any in August. And we had strong net deposits of over \$3 billion despite not running any of these promotions. But last night, yesterday, we actually kicked off 1% match to commemorate the launch of joint accounts. So now if you're a Robinhood customer, you have an individual account and another broker, or a joint account, we can give you a 1% boost for moving over those assets. And those historically have done very, very well for us. I mean we see a big increase in inflows when we roll out one of these offers.

William Nance: That makes sense. I think another successful initiative on the asset gathering side has been retirement, rolling out IRAs. So what is the long-term vision for the retirement space? How do you kind of differentiate yourselves from other players in the market?

Vladimir Tenev: Yes. I think retirement is a very important product for our customers. They take their retirement savings extremely seriously. And I think for us being able to get such a large deposit growth into the retirement product, was by no means a certainty. End of last year, we had around \$1.7 billion in assets in retirement accounts. And as of the recent release, it's getting close to \$10 billion. So over 5x growth in assets there in less than a year.

And the value prop is really, it's the first retirement product that has a built-in match on contributions. So in the same way that an employer-sponsored 401(k) would match, we can do that in an IRA and it doesn't depend on an employer. You don't even have to have an employer. It just involves us sharing the economics with our customers.

So we're planning to continue to invest in it. Our customers are asking for more hands-off options, and we've been doing a lot of thinking about advisory. And in particular, I think that's one of the areas where artificial intelligence can play a big defining role in our space because people pay human advisors quite a bit. And if we can augment that with

AI, then you can actually deliver high-quality advice to the mass market in a way that wasn't available to anyone but the extreme high net worth side of the segment before. So we're interested in that, making a lot of investments.

But I think for the brand, it's been a big step because it's gotten people to think about Robinhood in a different way. And not just as a speculative investment vehicle, but really as a way to putting your most serious long-term assets into the platform. And I think that's been really good to see, and we're going to keep investing in it and I think the growth will continue to be there.

William Nance: So I wanted to ask about just your thoughts on monetization in the retirement space, either as it relates to retirement or to some of the matches. How do you think about monetization over time? I think the market has kind of thought about retirement as being a less trading-centric customer base. So is there anything you can share about what the initial cohorts that you've brought in have told you about what the retirement product could kind of mean for the P&L over time?

Vladimir Tenev: Yes. One thing that's been really great to see about the retirement product is somewhat counterintuitively, the more customers put into retirement, the more we've seen activity increase in their non-retirement account. So you might think that there'd be some cannibalization and the retirement assets are taking away from assets that would go into your taxable brokerage account or your trading account. But we actually haven't been seeing that. We've been seeing overall a lifting of the tide across the entire ecosystem.

And I think that gives us confidence that offering more products to customers across their financial needs is actually going to accrue value to the ecosystem, and that we will have an advantage there because we already have a scaled active trader business. And I think that's even more important when it comes to the credit card. I think that we'll see the same thing with the credit card. Customers using us as a top-of-wallet spending account will likely increase the deposits that they put into our brokerage account, the retirement account as well.

And us wrapping all of these products under the Gold subscription, I think creates a powerful flywheel. The more Gold subscribers they have, the more assets they bring onto the platform, the stronger the cross-sell, and I think we're going to spin this flywheel faster and faster. I think that's really been the untold story of the Robinhood business this year.

William Nance: Yes. So sticking with the idea of monetization. I think when we kind of look at Robinhood versus some of the traditional peers in the space, kind of today, 2 legs of the classic brokerage stool. You've got interest income, the margin, the customer cash. You've got kind of the trading-oriented revenues. I think asset-based or AUM-based fees is still an opportunity. And particularly, you already mentioned advisory. So I guess how are you thinking about the launch of a robo or an automated device product or however you kind of envision the Robinhood version of advisory looking? How do you kind of do that in a way that differentiates it from the other products that are out there?

Vladimir Tenev: I mentioned before, advisory is one of those areas that I think is ripe for disruption, particularly with artificial intelligence tools that we're seeing develop at a breathtaking rate. I think AI advice has traditionally meant robo to people, which I think robo has given -- it's kind of colored the term in a negative light in the sense that there's really not that much intelligence in what robo does. It's just a simple asset allocation. There have been tools that have automated that for a really long time.

But what -- if you think about what a high net worth individual gets from a private banker or a family office, they get a whole suite of services. They can help you with your asset allocation, of course, but they can also help with insurance, tax planning, budgeting and they can kind of put everything together for you. It's sort of like a financial concierge. And of course, when you have a need or an issue, they give you very hands-on service and make sure everything is resolved.

And now the problem is not everyone can afford that and not everyone can get a Wharton educated financial adviser. And I think that's where the potential of AI is, if we can kind of deliver that experience to the mass market in a way that would not be possible with the current model.

William Nance: That makes sense. You could see some interesting things you could do on the Gold side with that as well. I wanted to maybe switch -- you mentioned the credit card already. You have -- I think you've had one of the most high-profile credit card launches in recent memory. You've talked about amassing a very large wait list. The customers so far, how has the card performed so far relative to expectations? And then how do you think about the cadence of working through the backlog of applications that you've already received?

Vladimir Tenev: Yes. So far, we like what we're seeing, caveating that it's early, and we've had a few statement cycles and it's really not until statement cycle 6 and 7 that you get a full idea of how the cohorts are going to behave. But that said, our initial thesis is still strong and is holding in the sense that by offering great rewards, we believe that we could actually save on the cost of customer acquisition and lower that to zero.

Credit card companies are spending upwards of hundreds of dollars to acquire every single customer. And we had a wait list of over 1 million within a month of announcement. And so the customer acquisition for this product for the next several years is basically already taken care of. So that part seems to be validated.

The borrowing behavior, customers seem to be borrowing, which is good. And we also believe that there's going to be a strong second order effect, and we're going to see activity in the Robinhood ecosystem. That thesis seems to be holding. So while it's early, I think the credit card is extremely promising and customers are loving it. If you look on the App Store, it's 5-star average reviews, I think, upwards of 10,000 reviews. So the reception is better than even the free trading product.

And so we're looking to expand it as quickly and methodically as possible while making sure that as with any new credit business, the economics are managed and monitored very, very closely. So we feel good about it, but it's still early.

William Nance: You mentioned kind of like the intersection between what the credit card will do to the activity levels. I think there's not a lot of focus on the rewards rate, but those rewards rates are paid directly into the brokerage account. So how do you think about that kind of mechanism for generating activity off the back of spending behavior and what it can do for engagement levels?

Vladimir Tenev: I think the bigger thing is actually, if you use a credit card as a top-of-wallet spending device, then you start thinking, okay, well, I'm using this product, this company every single day. And if you're a Gold member in particular, you're starting to look at what else we have to offer and you'll see the 3% IRA match. You'll see the high yield, which now we're offering 5% APY on your cash. Of course, if you're an active trader, I mean you'll become familiar with our options trading products, and that's going to grow over time.

So I think the interesting thing about the top-of-wallet credit card is it's a daily tool that a customer can use even when they're not trading. Not all customers will want to trade every day, but it builds a relationship with the company and the brand. And I think that, that relationship is very, very valuable and we'll see revenue from the credit card business, but also as we've seen with Gold, the revenue across the entire suite of Robinhood customers will be much higher.

William Nance: Yes. Okay. Speaking of Gold, it's continued to grow. You mentioned hitting an all-time high in subscribers. I think it's been instrumental in augmenting the attach rates of other products in the business, Gold savings balances, the card, the original use case of course, around margin trading. How do you think about the evolution of the program, adding more benefits and use cases? And when we think about the customer base becoming more affluent over time at the age of that kind of transition from boomers to Gen X and millennials plays out -- can this be a wedge to create more -- a higher touch way of interacting with customers as their financial needs evolve?

Vladimir Tenev: Yes. Kind of the brand idea behind Gold is that it's sort of a premium brand, but available to everyone. So we should be able to deliver and replicate the same type of experience that you would get from a private banker or a private wealth manager, but for a low subscription, as low as \$5 a month in this case. And that's what you see with the credit card, the retirement offering, of course, the high-yield product with \$2.5 million of FDIC insurance protection. These are sort of like premium offers that you would have to have multiple millions managed at a competitor to be able to get, but they're available for a low subscription.

And then for the business, what it does is once you're a subscriber, there's a natural human tendency to look at what else you get from the subscription. And so as long as we provide really compelling value propositions across all of the things in Gold, we have high confidence that they'll be adopted. And we're starting to see that. Gold customers have 7x the ARPU. They adopt retirement at 5x the rate as non-Gold. And now subscribers, again, all-time high, balances in Gold [Cash Sweep] over \$20 billion and growing. And every new product, we're starting to think about what can we do that's like extra special for Gold customers.

So I think you'll see more and more. And if it wasn't clear already how great of a deal it is for customers, it will become increasingly clear over time. And I think I see a world where the majority of our customers will be Gold subscribers. I think if you look at the great subscription services of our time, they have that high attach rate. And it might take us a while, but that's kind of the ultimate North Star.

William Nance: Yes, makes sense. So sticking with the idea of value prop for customers. Earlier this year, you reduced margin rates to attract new users, you put out monthly metrics last night, I believe, and it showed continued progress on growing margin balances. How did you evaluate the price versus volume trade-off? And how would you characterize the customer response so far?

Vladimir Tenev: Yes. The customer response has been fantastic. And you mentioned the August metrics. We announced margin balances of \$5.5 billion. That's up [over] 30% since we announced the new rates. And frankly, this was an area we weren't very competitive on previously. We didn't have the best rates, and we saw that operationally, we got to a point with our risk management and our systems that we felt confident competing. And the economics we felt like we could make work and so far, that seems to be holding. And there's more work to do.

But if you look at margin, we started getting more and more customers who have high balances in over the past couple of years. And we tend to see that as the customers balance with Robinhood increases, the contribution of margin to their activities and ultimately the revenue they generate, increases as well. So margin is particularly important for the high-balance customers. And so there's more to do. Early signs are good. But the goal is to be the leader in user experience and price across every asset and product that we offer. And now with margin, we feel like we're there.

William Nance: So maybe broadening out the discussion a little bit. Price competition in the online brokerage space has always been very competitive. They used to call it the discount brokerage space. When you look out at the industry, what are the profit pools in the ecosystem that you think are still ripe for disruption? And what do you kind of see as an opportunity for Robinhood?

Vladimir Tenev: I think advisory is pretty interesting in the brokerage space. And in the broader financial services space, lending is interesting, too. Advisory, I think you have this interesting thing where customers are deeply unsatisfied at both ends of the spectrum. So sort of like on the low end of the market, if you're a customer that goes to a traditional brick-and-mortar financial advisor and you have, say, under \$250,000 in assets, you're paying upwards of 2% and you're not getting the greatest advisors. Because some of these folks, they have hundreds of clients and they're kind of servicing those clients in a very traditional way, and you just don't get the best quality service.

And on the top end, you're talking like ultra high net worth, they're also unhappy because they might be paying a lower rate, 50 basis points on assets. But the feeling when you talk to some of these people is I'm putting more and more money in here, and I'm paying more despite the advisor doing the same exact thing. So paradoxically, the more they use

the advisor, the more they're kind of looking around for other options. And so I think the space has a lot of potential to be disrupted.

William Nance: Interesting. Let's pivot to crypto. You're the only major brokerage that offers a full crypto offering. What are you excited about in the crypto ecosystem today? And where do you see the greatest opportunities for Robinhood?

Vladimir Tenev: Yes. We're also the only major crypto platform with a brokerage offering, which our crypto GM would like me saying. No, we've been growing market share across all assets. And of course, with crypto we see it not just as an asset that our active traders want to trade, but also as an underlying technology. So, if you think about all the advantages that crypto as a technology has -- you get instant clearing and settlement, self custody, which really hasn't existed in financial services since cash, right? We've gone from cash to kind of centralized custody and now crypto reintroduces that, which is valuable to some customers.

And then all sorts of technologies that can decentralize things like market makers, clearing houses, transfer agents. And what that means, the potential I see in that is to dramatically reduce the cost. Like every time you can reduce intermediaries and replace humans and entities with software, the cost to consumers goes down. And I think where that becomes interesting is tokenization. I think given that the U.S. has a system that works by and large -- you can do 24-hour trading through Robinhood, even though it's a little bit clunky, capital markets work, we have vibrant market makers -- I think you'll see tokenization take off outside of the U.S. first.

But then the advantages will become clear, and I think you'll see that adopted in the U.S. as well. And I think Robinhood has a unique position because precisely we're so deep in the traditional brokerage space as well as in crypto that we can kind of help bridge the gap between crypto technology and traditional financial services that customers use.

William Nance: So then I guess that brings us to regulation. This has been the year of Bitcoin ETFs, ECTFs. There seems to be some thawing in the regulatory environment, I would overstate it. But from a policy and regulatory perspective, where do you think we are today and where are your biggest areas of focus?

Vladimir Tenev: Yes. I think that we haven't been in a great spot recently. I think there's been a huge increase in regulation by enforcement, which I think is certainly negative for U.S. leadership in crypto. A lot of crypto activity has been moving outside of the U.S. And by and large, that has accelerated our expansion abroad as well. But I do think you're seeing some positive signs. I think that repeal of Chevron is an interesting development that kind of puts limits on how much interpretation the agencies are left to take with these more ambiguous questions. And I think over time, you're seeing that there's a lot of voters that are supportive of the U.S. being a leader in this technology.

So Robinhood's approach is to continue to push for clarity in the U.S. while also expanding in jurisdictions where there is more clarity, like the European Union, which is funny when you juxtapose kind of the approach with AI, but like the European Union has decided to regulate. And through that, you actually see some clarity in how to operate and



conduct initial coin offerings and things of that nature. And so we're kind of in a weird spot where the EU has somehow become a more clear place to operate for this industry. But yes, I don't think that will be the case forever. I think the U.S. will get there, and we'd like to help that happen as soon as possible.

William Nance: Makes sense. One last on this one. You also have the outstanding acquisition of Bitstamp, one of the largest and oldest crypto exchanges in the world. I know it's not closed yet. Can you share any insights on what attracted you to that asset and just how it fits into the crypto vision and roadmap?

Vladimir Tenev: Yes. It's really 2 things. international and institutional. They have a scaled global business, licenses in a lot of jurisdictions and also institutional customer relationships that we think, are quite valuable. And as we talk to a lot of these institutional customers, I think there is a need for new players entering the space. There have been a lot of players that have been leaving. There's been a lack of innovation.

And I think that we've been thinking a lot about a Robinhood exchange. And we think a Robinhood exchange is going to be good and useful and necessary. Not just because of the way that it will interact with our retail platform and the more choices and kind of like competition for our customers, but also because it opens up a whole new class of institutional customers. And I think there's a tailwind -- as we get more clarity globally, I think institutional adoption will increase and I think having a business there will be very valuable for Robinhood.

William Nance: Makes sense. You touched on the international a bit just now. Access and participation in other markets around the world with financial markets is a lot lower than what it is in the U.S. Your mission is probably even more relevant abroad. There's more democratizing to do outside of the U.S. What does the roadmap look like for expanding into new regions?

Vladimir Tenev: Yes. So a bit under a year ago, we expanded into the U.K. and to the EU. And with the U.K., we launched our brokerage product. EU is our crypto product. And what we're seeing is that customers really like it initially, and they're asking for us to take the other features that we have available and make them available in those markets.

And I think that was a bet that we made. We wanted to see this, but we didn't know if customers would be fundamentally different and would want pension products or something like that in the U.K. but it turns out they want access to margin lending and options trading. And in the EU, they want access to stocks. And so the focus will be on rounding those out.

And then we're also looking forward to expanding to more areas in the future. And I think our approach -- which also kind of speaks to the advantage that we have as a technology platform, expanding in all these markets -- is first, we're going to prioritize products and functionality that we have available in the U.S. already and just roll out a uniform platform that has very little customization to each market to as many places as possible.

Then we'll look at adding platform level improvements that actually benefit all markets. And these are things like local execution, the ability to execute on the London Stock

Exchange or other markets around the world because as we add that, that's not only useful in the U.K., but also to active traders in the U.S. Also things like multicurrency accounts.

And then kind of the third thing would be sort of like deep, market-specific customization, which we'll do a little bit of as well. So that's like tax wrappers, for example, SIPP's and ISAs in the U.K., where it's useful for that market, conforms to the specific tax rules of each region, but might not be super useful in other markets. So that's generally our approach. But the idea is with this approach, we can expand in a very capital-efficient manner and not have to do super deep customization early on as we go to more markets.

William Nance: Yes. Makes sense. Got about a minute left here. I wanted to maybe end on just how you're thinking about the macro environment. Fed is set to begin cutting rates. Obviously, there are implications to that on net interest income. I'm curious how you think about just the internal hedge in the business. How you think about kind of the push/pull between the level of interest rates and the overall levels of activity in trading in the business?

Vladimir Tenev: I think Robinhood is very strong in a low interest rate environment. I think we've proven that it's perhaps even better for the business than a high-rate environment. And you probably remember, we went public about 3 years ago. At that point, rates were zero. And one of the big questions as we were talking to investors is this is great in zero interest rates, but how are you guys going to do when rates go up and there's less interest in trading.

And it took work, and we had to pivot our roadmap and really focus on the unique needs of customers in a high interest time, like things like yield. We focused on like the most sophisticated advanced types of traders who are more resilient, and they can trade regardless of what the market is doing. And we diversified the business to the point where we now have 8 revenue streams, 8 independent businesses that generate \$100 million in annual revenue and more than half of the revenue of the business is net interest.

So I think the focus areas remain the same. I think active traders and being #1 in that market and continuing to diversify the business is going to continue to be important in a declining interest rate environment. And some business lines will do well. Others might not do as well but I think, by and large, the impact to the business will be positive. Robinhood will continue to grow and take market share in a lower rate environment.

William Nance: Great. Well, unfortunately, with that, we are out of time. Join me in thanking Vlad. Vlad, thanks for the time today.

Vladimir Tenev: Thank you.