

Robinhood Markets (HOOD) / 12 Feb 25 / 2024 Q4 Earnings call transcript

Company Profile

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Operator

Thank you to everyone for joining Robinhood's Q4 and Full Year 2024 Earnings Call.

Joining today are CEO and Co-Founder Vlad Tenev, CFO Jason Warnick and Senior Manager of Investor Relations, Jack Freeman. Vlad and Jason will offer opening remarks and then open the call to Q&A.

During the Q&A portion of the call, we will answer questions from institutional research analysts and will also answer questions from retail analysts who may hold an ownership position in Robinhood.

As a reminder, 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 and our SEC filings, all of which can be found at investors.robinhood.com.

Today's discussion will also include non-GAAP financial measures. Reconciliations to the GAAP measures we consider most comparable can be found in the earnings presentation. With that, please welcome Vlad and Jason.

Vladimir Tenev

All right. Good to see everyone. Thank you for being here for our first live video earnings call. Hopefully, this is both informative but also entertaining for everyone.

Let me first start by saying that this was a big quarter for us.

So we did over \$1 billion in revenue for the first time as a public company, really for the first time in the history of the company, and that capped off what was a record-breaking year with over \$3 billion in revenue for the whole year. And yes, I would say that -- this was driven by a lot of things.

And let me remind you the three priorities we have as a public company.

So the first one is being -- #1 in active traders, second one is being #1 in wallet share for the next generation and our long-term arc being the #1 global financial ecosystem. I'm really proud of the product velocity in 2024.

So the team executed unbelievably well. And there's a couple of things to point out. We began scaling the Robinhood Gold Card, and Robinhood Gold Card, it wasn't just a me-too credit card.

I think we did a nice job building a revolutionary credit card, and it has both best-in-class rewards and user experience.

Robinhood Legend, which we announced at the Hood Summit event just a couple of months ago, our first desktop platform built from the ground up just for active traders. And I think what's been even more amazing than the initial launch is we not only rolled it out, but the team has been executing really well and adding new things on a weekly basis. It's been energizing to see the customer feedback and to see the team respond to that, new things are landing, new indicators, new features pretty much every week. And -- as a result -- I should mention one other exciting thing. We added a whole new Derivatives business.

So Robinhood Derivatives launched also last year at the Hood Summit, and we're offering both futures outright and event contracts, which is an innovative new asset class that our customers are super excited about.

So we're excited to do more there.

As a result of this product velocity, we saw fantastic business results. I mentioned the \$1 billion in revenue quarter, \$3 billion for the full year, which, by the way, up 58% from 2023 almost 2x from 2 years ago.

And some of the things we track on a more input oriented basis, market share up 30% year-over-year, both for equities and options, record net deposits of over \$50 billion, which is over 50% -- nearly 50% growth rate multiples of what traditional brokerages are seeing. And Gold subscribers also had a banner year up to a record of 2.6 million, which is 80% growth year-over-year. And now we're at over 10% attach rate, if you look at the overall customer base, over 10% Gold attach rate. And we've continued to see strength actually through 2025. We're closing in on 3 million Gold subscribers.

And perhaps the thing that I'm most excited by -- is if you look at the net new customer funded accounts in -- in Q4. Of those new customers that joined Robinhood in Q4, over 30% have adopted Gold.

So that 10% attach rate increases to well north of 30% if you look at new customers.

So the team has been really executing well and -- there's more to do, but we're proud of the progress we've made there. There's going to be 3 events in 2025, 3 new product events and the agendas are already packed.

So we're very excited for them.

Gold event is coming up in March in San Francisco. We're going to be launching a bunch of new products and features for the Gold program, including advisory, which we've been working on in and I think you guys are going to like what you see there.

Our first Crypto event in June, which will be in France. And then, of course, Hood Summit, our active trader event. We got great feedback. We're going to bring that back, and that will be later this year.

So I'll talk a little bit about what you can expect in 2025. But first, let me turn it over to Jason for business and finance results.

Jason Warnick

Thanks, Vlad. Q4 was a record setting quarter and 2024, a record-setting year. In both, we reached new highs for many of our financial measures and KPIs, including Assets Under Custody, net deposits, Gold subscribers, revenues, adjusted EBITDA and earnings per share.

Here are some of the full year 2024 highlights.

Revenues, up 58% to nearly \$3 billion adjusted EBITDA up over 160% to \$1.4 billion, and adjusted EBITDA margin grew to 48%. This really shows the operating leverage in our business with over 80% of top line growth dropping to the bottom line. And in our first full year of positive net income, earnings per share was \$1.56. We've built strong momentum entering 2025, and we're staying focused on delivering another year of profitable growth.

So let's talk a bit about Q4. Revenues more than doubled year-over-year to \$1 billion, driven by strong revenue growth -- strong growth across the board, including transaction volumes, interest-earning assets, securities lending and Gold subscriptions.

And -- like you said, Vlad, Robinhood Gold subscribers are closing in on 3 million driving annual Gold subscription revenue higher to now above \$170 million.

We also stayed disciplined on expenses in Q4. This brought full year adjusted OpEx and SBC to \$1.94 billion, up 7% year-over-year and within our original outlook.

You may recall a couple of years ago, we set a goal to bring share-based compensation as a percentage of revenue into the zone of 10%, down from higher levels in the past.

So it feels really great. We achieved that milestone in 2024, and we're seeing focused on managing this even lower over time.

And as you saw, we had a large tax benefit in Q4.

Given our recent strong performance and forecast of continued profits, we released most of our valuation allowance. We now expect our long-term tax rate to be normal -- more normalized in the mid-20% zone before any quarterly items.

Now as we look to 2025, we want to keep investing for profitable growth while driving efficiency.

So for revenues, we're planning on another year of double-digit growth, driven by product innovation, market share gains and expanding into new markets. And on expenses, we'll keep managing our existing businesses to low single-digit growth or even lower and then make focused investments for growth for both new products on our road map and increasing marketing by another \$100 million or so this year. And we're keeping our hands on the wheel as we monitor the environment, and evaluate potential investment opportunities.

So our outlook for adjusted OpEx and SBC is a range of \$2.0 billion to \$2.1 billion.

Now it's important to note that this does not include provisions for credit losses, any large regulatory charges or anything related to our acquisitions of TradePMR or Bitstamp. And the midpoint of our outlook range is up about 10% from 2024.

As for provisions for credit losses, these have been in the zone of about \$20 million for the past couple of quarters, and we expect they'll gradually increase over time from here.

As you know, this will really depend on balancing how quickly we onboard more customers and the underwriting risk, which we continue to manage closely. There's a couple of other areas I'd like to highlight.

First, we're now more than 1/4 of the way through our \$1 billion share buyback program, and we're on track for a 2- to 3-year total time line.

As a result of repurchases and other actions that we've taken over the past couple of years, we anticipate our diluted share count will be roughly flat in 2025, this means shareholders will benefit even more as we grow earnings and free cash flow over time.

Second, we have a strong momentum, to start the year.

In January, Net Deposits were our second highest month ever. And Equities, Options and Crypto trading volumes were all up double to triple digit growth rates from 1 year ago.

In fact, January Option volumes were all-time high. It's also great to see January margin balances crossed \$8 billion, doubling in the 8 months since we moved to industry-leading pricing. And while it's early, we love the progress we're seeing with new products that we launched in the past few months.

For example, looking at annualized trading revenue, Legend is now up to \$50 million and Index Options are up to \$15 million, and both are showing nice incrementality and strong week-over-week growth rates.

So we feel great about our business and financial results and remain focused on driving another year of profitable growth in 2025. We're continuing to work to maximize earnings per share and free cash flow per share over time. Back to you, Vlad.

Vladimir Tenev

It's really amazing to see how quickly Legend has become the \$50 million business. I mean, that launched and rolled out about 2 months ago.

So Index Options to have \$15 million, incredibly strong. Many of you joined us for Investor Day just in December in New York, where we outlined the long-term strategy.

So in a nutshell, we believe there are multiple ways to grow Robinhood 10x over the next 10 years. And it's an ambitious plan, but we believe we have the right team, the right talent and the right culture to deliver upon that.

So let me tell you a little bit about what you can expect throughout 2025.

So on the active trader front, we're going to keep pushing to make Legend the best platform for active traders on the market today. our active traders should feel like they would be at a disadvantage using any other platform. We're also going to continue to add selection and a comprehensive platform for event contracts is top of mind. It's a new innovative asset class. Robinhood is going to be front and center in leading the way offering that to customers.

On the share of wallet front, we're going to grow the Robinhood Gold Card from about 100,000 cardholders today to multiples of that size. And that's very exciting.

You'll hear more about that and a bunch more Gold products for our members at our Gold event in March. And for global financial ecosystem, our [tenure arc], there's actually a lot that we're going to get done this year.

So maybe I'll go a little bit deeper here.

So one; more selection of Crypto tokens.

So in the existing app, the Robinhood main app, we're going to keep adding and we're going to continue to accelerate -- in fact, we've added 7 new assets since the election. And as we continue to get more and more regulatory clarity, you should expect to see that continue and accelerate.

We're also investing in the Robinhood Wallet which is a separate app, and it's our noncustodial crypto wallet. And that's the gateway to thousands of additional coins for our customers. We've seen a lot of good signs increased engagement, increased usage, and we're going to keep making it better and better. And then we have Bitstamp.

So as we integrate Bitstamp, it both allows us access to the exchange market, which is an institutional market. And we really see an opportunity there to drive the same sort of Robinhood effect that we've brought to retail to the institutional space with Crypto. It also allows us to tap into Bitstamp's global reach, where they're live in 50-plus countries.

And so you should expect that to continue to accelerate this year.

But what I'm perhaps most excited about is tokenization.

So I think Robinhood is uniquely positioned at the intersection of traditional finance and DeFi. We're one of the few players that has scale, both in traditional financial assets and Crypto-currencies. And what that means for us is bringing real assets onto Crypto technology and giving people access to real-world productive assets using Crypto rails, where they benefit from the liquidity and the other advantages of that technology. And what that means is equities, private investments and more should be brought on to Crypto technology to really unleash the true power of the crypto -- of the crypto revolution. I talk a lot more about this in my OpEd in the Washington Post.

So I encourage you guys to check out.

And I think we can make a lot of progress on that, not just globally outside the U.S., but even in the U.S. as well.

So with that, just close by saying teams have been working incredibly hard. The road map is full. There's so much to do and -- let's open it up to questions.

Unknown Executive

Thanks, Vlad.

For the Q&A session, we'll start by answering the top few shareholder questions from Say Technologies ranked by number of votes. We passed over questions that we already addressed on this call or in prior quarters and group together questions that shared a common theme. After The Say questions, we'll turn to live questions from our analysts.

So I'll kick it off with our first question from Say.

First question is from Ellie Dee, who asks, when will the Gold Credit Card be available to a broader audience. Vlad?

Vladimir Tenev

Thanks, Ellie. Very soon.

So thank you, by the way, to all the customers who have expressed interest and continue to express interest in the Gold Card. The demand for the card has been extreme. And I think that's really been driven by the product experience.

So it's not just offering customers great rewards with 3% cash back, but the virtual cards and the digital features have gotten really amazing reviews, and we hear from customers every day how much they [indiscernible] and how they can't believe that other credit cards don't have these features.

So today, we have a little over 100,000 cardholders. We're working to roughly double that number in the next few months, and that's going to be on the way to growing that multiples of the 100,000 level this year.

So we'd love to move even faster here. But this is about the speed at which successful credit card programs in recent years have rolled out. And I think it's just important to balance the speed of rollout and satisfying the demand with being incredibly prudent regarding the spending and borrowing activity.

Jason, do you want to add anything to that?

Jason Warnick

Yes, I'd just say Vlad, you and I have both heard Ravi, who runs credit at Robinhood several times say how important it is that we'd be cautious in the short term so that we can be ambitious in the long term. And I think we're striking the right balance. But obviously, we want to move as quickly as possible for customers.

Vladimir Tenev

Yes. And the rollout is increasing.

So hopefully, you'll get one soon.

Unknown Executive

Our next question comes from Alex B, who asks, will Robinhood offer the ability to do deeper analysis on individual stocks within the app? Will it have charts for financial data over time such as revenue, net income, et cetera, and have a feature to compare metrics versus other companies?

Vladimir Tenev

Yes. Thank you. I recognize that, Alex B. Congrats on having the 2 of the top 3 voted questions. In short, yes, so one of our goals is for Robinhood is to have the very best information, research and tools in app.

I think we started out offering the best service for you to actually place the transaction. And over time, we've been moving more upstream and the goal is to not just be the best place to complete the transaction, but also the best place to do your research and to generate ideas.

And over the past year, we've really been focusing on furthering that across the charting and the technical analysis experience across the product.

You've seen that with Robinhood Legend, which as we mentioned earlier, is already up to a \$50 million annualized revenue rate just after a few months.

So we've been focusing on making the charting experience really, really good. Customers are now asking us to bring that into mobile and the team is continuing to execute constantly shipping new features, but there's more to do.

You mentioned fundamental analysis in some of these more fundamental indicators. Those are on the list as well. There's plenty more to do. And the team is on it. We're excited to share more later this year at HOOD Summit, which is our active trader event.

Unknown Executive

Thanks, Vlad. [indiscernible] Say Q&A, we have another question from Alex B, who asks, will Robinhood offer loans such as micro loans, auto loans, et cetera?

Vladimir Tenev

So over the long term, the company will -- the company seeks and aims to fill all of our customers' financial needs.

So we want to be the place where you can buy, sell or hold any financial asset and conduct any financial transaction. And that's a big part of our second arc, which is being #1 in wallet share for the next generation.

So of course, lending needs are a big part of that. Customers need to -- customers have borrowing needs. And we're going to address that in a number of ways.

So first, we've really been focusing on the margin product.

So we a little bit under, I guess, 1 year ago, about 6 to 7 months ago. We revamped our margin offering. And we started offering industry-leading rates. Since then, the margin book has more than doubled.

So we've really made tremendous progress there. Even after that doubling, we're -- we've got a long way to go to -- being competitive in terms of size with some of our incumbent competitors.

So I think margin has a lot of room to run. We're going to continue to invest there.

On the Credit Card side, which as well as a lending product, we've been making tremendous progress. That loan book has been growing as we get more and more customers on-boarded. And as you guys know, we've got a lot more customers to go.

So our focus is on nailing those 2 products, which obviously have a sizable lending component. But once we do that, you should expect to see us cover the wide range of customer borrowing needs.

So I encourage you guys once again -- Robinhood Gold customer event in March is -- going to be exciting.

Unknown Executive

That concludes our shareholder in 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 we will open the call to Q&A. [Operator Instructions] Our first question comes from Mike Cyprys from Morgan Stanley. Mike?

Michael Cyprys

So you guys outlined an ambitious here to be #1 in wallet share for the next generation and to broaden our services beyond trading.

Given the early success that you've had so far with retirement and the wait list for credit card, can you just maybe talk about what hurdles you might face to achieve this ambitious goal? How you might overcome them and the progress you expect to make here in '25?

Vladimir Tenev

Yes. I'll take that one, Mike. Thanks for the question.

I think we have a huge opportunity. The goal is over the long run to be the place where customers can buy, sell or hold any financial asset or conduct any financial transaction and to not get stuck with what worked for millennials, but also make sure that we're relevant as the financial home for the next generation.

Now there's a couple of things that we have to continue to do.

Number one; this opportunity isn't one that we're alone in wanting to pursue.

I think that everyone wants to be the home for their customers' financial needs.

And so it's going to involve us continuing to innovate, invest in technology, continue to pick the right products to focus on and make sure we're well positioned relative to our competitors in the two big technological shifts that are going to transform the financial industry, which are artificial intelligence, and crypto technology. And I think we're well positioned. We've got the team, the culture and the people to do this.

So and you should see us accelerate more products, more features to further wallet share and put us in a position where I think relatively few companies are in to capture the \$84-plus trillion in assets that are going to be flowing down to the younger generations in the next few decades.

Unknown Executive

Our next question comes from Dan Dolev at Mizuho. Dan?

Dan Dolev

Good job is always epic results again. I have a quick question on sports contracts.

You mentioned it at the Analyst Day, picked our interest. We did our own internal survey work, which showed massive opportunity with a significant amount of your users also engaged in sports betting.

You started it out, it was shut down temporarily.

So can you maybe lay out some of the long-term plans or medium-term plans for this very important part of the universe? Appreciate it.

Vladimir Tenev

Thanks, Dan. Yes, I'll field that one.

I think prediction markets are the future.

I think they're the future not just as an active trading asset, but also news and information. And Robinhoods' going to be right there leading the way.

I think we're going to continue to innovate and -- you saw this last year when we launched the presidential election market.

So we were one of the few platforms that offered the ability to trade the election. And that was very successful for us.

We had over [0.5 billion] contract traded in right around a week leading up to the election.

And so what you should expect from us is a comprehensive events platform that will give access to prediction markets across a wide variety of contracts later this year.

So the team has been hard at work at that.

As with any new innovative asset class, we're pushing the boundaries here, and there's not regulatory clarity across all of it yet, in particular, sports, which you mentioned. But we believe in it, and we're going to be a leader.

So you should expect us to not just offer it, but continue to drive and push for regulatory clarity industry-wide.

Unknown Executive

Our next question comes from Patrick Moley at Piper Sandler. Patrick?

Patrick Moley

Yes. I have kind of a two-parter guys. Don't get mad at me. But first, both on the crypto offering.

First, in terms of -- Vlad you mentioned that the available tokens on the platform you're going to accelerate the rollout of tokens as we get more regulatory clarity. Can you maybe just specify what you mean by regulatory clarity? Are we waiting for comprehensive legislation? Or do you feel like there's going to be something else that can give you the green light to expand that offering.

And then secondly, I noticed that you didn't mention staking, I think in your remarks. Is that still something that you're looking into on the crypto front?

Vladimir Tenev

Yes, absolutely. I mean, let me just say that we don't have any technological barriers to adding tokens or services like staking. They're live in the EU, for example, where we've been seeing great adoption in we have the engineering and the infrastructure capability to add tokens remarkably quickly.

You guys might have seen that we were able to list the Trump token very quickly while maintaining the rigor and the approach around inauguration date.

So yes, more regulatory clarity is needed across multiple domains.

We have been adding more assets. But as I mentioned earlier, I think the real power of crypto technology is when it's able to be applied to real-world productive assets, which would be under the securities regime.

So we still need a comprehensive set of rules and regulations for listing crypto acid securities. That will allow us to tokenize private companies as well as public securities. And that's one of those things that we're going to be continuing to work on both overseas and in the U.S.

Jason Warnick

A couple of things that I would just add in.

In terms of clarity, that would be helpful, particularly for coins that have the characteristics of the security, I think it would be helpful to get additional guidance on being able to safely list those coins. And I know the SEC has had remarks recently suggesting that they're looking at that. And I think that there's also a need for additional clarity on staking as well. And again, it's encouraging to see the improved backdrop. The administration appears very supportive of innovation in the crypto space which I think is going to be great for customers as well as great for the companies like Robinhood, they are competing in this space.

Unknown Executive

Our next question comes from Tanner from Future Investing.

Unknown Analyst

I just wanted to say, you guys have some of the best pricing for Crypto in the market for retail. And yet even then your take rate is essentially going up quite substantially. Can you give us some insight on your pricing strategy and where you foresee the pricing will settle over time?

Jason Warnick

Sure. Thanks Tanner, I'll start and Vlad you can feel free to add in.

If you go back far enough, our take rate was only 10 basis points and it was just a starting point. And since then, what you've seen is that we've been experimenting over time, balancing ensuring customers continue to get a great value proposition, but we balance that with shareholder returns. And we have been experimenting, and we have been giving customers a great price even as the take rate has increased.

I think it's up 9 basis points this quarter versus last quarter. We're not done experimenting. It doesn't mean that it's going to keep going up.

One of the areas that we're focused on is how to give more compelling pricing to the highest volume traders.

And so we'll be experimenting there as well. But when we think of take rates for crypto, when we look at January, take rates are pretty much in line with what we saw in Q4.

Vladimir Tenev

Yes. And the only thing I would add is one of the things we're pretty excited about is a feature called Smart Exchange Routing that we rolled out just a couple of weeks ago. And this was really preparing for -- when we integrate Bitstamp and we have an Exchange business and also part of the integration with Robinhood Legend, which is our active trader platform, a lot of active traders on the crypto side want to engage directly with the order book.

So giving customers an option to route to exchange, see the exact exchange pricing and pay a fee on top of that rather than rebate, I think, is something that people have been requesting.

So we're going to continue to work on that. Early results are promising, and we want to give customers more options while still maintaining industry-leading pricing across the board.

Unknown Executive

Our next question here comes from Steven Chubak of Wolfe Research. Steven?

Steven Chubak

So I wanted to double-click into the crypto discussion and the evolving competitive landscape.

As you've both noted, just given the strength of your crypto offering enable your view to grow meaningfully while still flexing some pricing power like once we have regulatory clarity, how would you frame the incremental revenue opportunity from launching additional [indiscernible] coins and leaning into opportunities or just staking and lending. And I was hoping you could also speak to the risks.

One of the questions we get quite often is how do you handicap the risk of larger competitors entering the space and potentially at more competitive price points?

Jason Warnick

Yes, I'd maybe take the risk point first.

I think consistent with more competitors entering the space, I think it's right to assume that crypto is becoming more mainstream and more excited.

I think we're beginning to see that -- you saw the strength of crypto in the quarter, a lot more customers were trading crypto.

So while there may be more competition over time, I do expect that there will be greater demand for crypto as well. And, this first part of the question you had for me?

Vladimir Tenev

Yes. I mean maybe I would just add that -- what customers really love about trading crypto on Robinhood is that they not only have access to crypto, but they can trade equities, options, now futures, soon a comprehensive suite of event contracts all in one place.

And so I think, obviously, we see some opportunity from continuing to roll out the offering, and we've invested a lot in the technology. And tokenization once permissible in the U.S., I think, is going to be a huge opportunity that Robinhood is going to be front and center in.

Unknown Executive

Our next question comes from Brian Bedell at Deutsche Bank.

Brian Bedell

If i can bundle one question in here on the new initiative. The Legend platform, the Index Options and also futures just in terms of the revenue that you quoted. How should we think about how that is pacing in terms of a growth rate? I guess, in other words, did you get a lot of take up initially and then the growth rate slowed? Or do you see that growth accelerating? And if you can comment on all three of those areas?

Vladimir Tenev

You want to take that? .

Jason Warnick

Sure. I mean as we mentioned, Legend is now up to a \$50 million annual revenue run rate. Index Options, \$15 million. Index Options just recently rolled out -- to everyone. And then Futures, we've just started rolling out.

In terms of the growth rates, these are strong week-over-week growth rates. We feel really good about that. Stepping back, looking at the long term, I would say each of these represent pretty substantial portions of the overall market. And we're demonstrating, I think, an ability to take market share and compete.

And so early signals are strong. The week-over-week growth rates are strong, and we've got really positive feedback from customers.

So where I'm sitting today, I'm really optimistic.

Vladimir Tenev

Yes. And I'd say these things are compounding upon one another.

So we rolled out Index Options on Robinhood Legend and that further accelerated the growth. And we see continued opportunities that I think will be tailwinds, not only is it going to continue to penetrate the customer base. But I think we see more opportunities on the option side for Robinhood Legend.

Our customers are really happy with the equities trading experience.

I think that's world-class on Legend. And I think we see some more opportunity on options to make it even better.

Unknown Executive

And our next question comes from Devin Ryan at Citizens JMP. Devin?

Devin Ryan

And congratulations on the great end of the year and the business momentum. I want to shift gears a little bit and dig in on the custody opportunity for advisers. We're obviously now a few months removed from the TradePMR announcement. I know you still need to close that deal. But it would be great to get any anecdotes on how that deal has been received in the market, what the feedback has been from those advisers, whether you're seeing demand from other advisers in the market? And just really kind of big picture, how you're planning to differentiate in the RIA custody market? Obviously, a massive TAM, but just love an update on that as well.

Vladimir Tenev

Yes, yes. I'll field that one.

I think we see advisory as a missed opportunity, and we're going to tackle it very, very aggressively. When we talk to advisers, including TradePMR customers, I think by far, the #1 thing that gets everyone very excited is access to the Robinhood customer base. And I think what gets Robinhood customers excited is being able to talk to a human adviser.

I think in particular, for customers that are a little bit older, closer to retirement, and have a lot of assets being able to access a human adviser to help them with their financial needs is absolutely critical.

So I think we can solve both problems.

I think we can appeal to customers that may be a little bit older, they have more comprehensive needs, and they love the digital experience of Robinhood, but would love a human adviser. And for a lot of these advisers, including TradePMR customers, these guys are entrepreneurs, and they see an opportunity for Robinhood to help them tap into the 25 million customers in the U.S., that are going to have their -- their wealth growing tremendously over the next several decades, particularly as they inherit tens of trillions of dollars from older generations.

So we see this as a big part of being the #1 platform for wallet share for the next generation and really being the first truly multigenerational platform. We think that our customers' parent should be using Robinhood, their children should be using Robinhood, and nobody has really nailed that product experience, for what investment management and financial services looks like for the entire family. And I think not a lot are trying. We're having some success. The initial rollout there will be of the Credit Card, where it's actually a wonderful experience for the entire family, and you should expect to see us bringing more of that into Investment Management and Advisory.

Unknown Executive

Our next question comes from Amit from Amit Is Investing.

Vladimir Tenev

Never heard of them.

Unknown Analyst

Congrats again on incredible quarter. Last year, you all told investors that as rates come down, you can expect more trading volumes, and that thesis has basically played out.

I think right now, we're in a kind of a [goldilocks] zone where rates are strong enough for your net interest income to sustain itself, but not low enough to take away that income.

So is the guide for 2025 similar to rates coming down would lead to an increase in trading volumes? Or is there a diversified view that investors should have on the impact of rates on the business?

Jason Warnick

Yes, I'll go ahead and take that. Thanks for the question.

So the comments I gave on revenue is that we expect another year of double-digit revenue growth.

So -- the precision that we were providing on guidance was really around OpEx at \$2 billion to \$2.1 billion.

We are seeing that relationship, that natural hedge play out where rates go one direction and trading goes the other. And just looking at the print this morning and the updated expectations around rate cuts, I think there's still room for rates to come down this year.

Maybe perhaps it's one cut or maybe two. But I feel like our business is really designed to thrive regardless of the macro backdrop on interest rates. And we've seen the pickup in trading, rates have come down, we're still, to your point, making strong interest. And we've been diversifying our business.

As I mentioned at Investor Day a couple of months ago, we now have 9 business areas with revenues over \$100 million.

So we feel like we're really well positioned, and it has been nice to see our thesis play out that there's a natural hedge in this business, and it's really been playing out and showcased in Q4.

Vladimir Tenev

Yes. I just want to add there. We're building a business that's intended to not be reliant on external factors for revenue.

So that's why even with our yield products like the Gold Sweep the goal would be to operate with a certain margin and vary that with the rates, but we want to be competitive and offer customers a great deal regardless of the rate environment and generate a small but healthy margin regardless of the environment as well. Same goes for margin on the other side. That will become more compelling with rates going down. But it's still going to be a great business for us that we think we can continue to grow market share very quickly in.

Unknown Executive

Our next question comes from Alex Markgraff at KeyBanc. Alex?

Alexander Markgraff

Maybe just as we think about some of the growth drivers for '25, I would be curious to get your thoughts on how you're thinking about the approach to deposit incentive offerings in '25? I think, proved pretty successful in '24.

So any updated thinking there for '25 would be great.

And then, Jason, if you could just clarify on the Legend revenue account or the Legend revenue number of \$50 million. Is that viewed as entirely incremental at this point?

Jason Warnick

Yes, I'll start with the incrementality.

So the data is still pretty early. We've seen enough to be confident that there's strong incrementality here on Legend. We're going to let it play out a little bit more before we provide additional clarity, but it's nice to see.

We are seeing a very strong uptake on Legend from existing customers. We're also seeing new customers. And I think over time, there's going to be -- particularly as we round out the product suite and the user experience an opportunity to really grow incrementally with existing customers and bringing on more new customers. Vlad, do you want to take deposit incentives?

Vladimir Tenev

Yes. Yes.

On the deposit incentives front, we've got one going right now for retirement. That's going to be on incoming transfers and rollovers. And that's very exciting. Actually, we've been seeing a lot of rollovers. The rollovers experience is much smoother than -- than it was last year.

So there's been tremendous improvement there.

We also are offering and experimenting with APY boost incentives on the Gold program and those are much more personalized.

So I think the future is more personalization where we actually really lean into our strengths as a technology organization -- and yes, we expect to continue to make great progress.

I mean, \$50 billion in net deposits over 2024, was a big number, multiples of how fast incumbents are growing, and we see plenty more opportunity to grow our business.

Jason Warnick

Yes. And I would just add that we love the economics on these deposit matches. The payback periods and the overall economics are very attractive and growing assets is just great for business.

So we'll keep that going.

Unknown Executive

And our next question here comes from Ben Budish at Barclays.

Benjamin Budish

I was wondering if you could unpack a little bit more detail around your new Gold members. How many of them are net new to Robinhood? What's the sort of activity associated with the -- the credit card. How many of them are net new to Robinhood, how many of them are new gold members? And what sort of activities are you seeing sort of associated with the adoption of the card itself, are you seeing bigger balances, stronger deposits? How should we think about that as sort of a -- [indiscernible] kind of your platform approach to the customer?

Vladimir Tenev

Yes. I mean, first off, we're investing a lot in the Gold program. And I think you guys are seeing the fruits there. When someone becomes a Gold subscriber, they grow AUC, assets under custody much more rapidly, net deposits more rapidly, and they adopt our products at a much higher rate.

So the journey is basically someone joins Robinhood. They become a gold member relatively quickly and then their rate of assets under custody, net deposit growth and multiproduct adoption increases.

And so we've really made a ton of progress growing the attach rate, particularly early on in the customer's journey with Robinhood.

I think we mentioned in Q4, out of the new net funded accounts to Robinhood, 30% -- north of 30% into the quarter as Gold subscribers, which I think is just tremendous as an attach rate -- and I think we can continue to work on that.

With the Gold Card, in particular, one of the really interesting things, and I think we're actually one of the few that are capable of measuring this as an integrated platform. But we are seeing strong second order effects between users of the credit card and the core brokerage business, which I think validates our thesis that there's a Gold flywheel. And if we sort of like make each of the individual pieces better the overall customer value to the Robinhood ecosystem benefits tremendously.

Jason Warnick

And in terms of the cardholders, so we're a little over 100,000 cardholders at this point. We plan to increase that by several hundred thousand this year.

In terms of the mix between kind of new customers or new to Gold customers, there's a healthy portion of our wait list that are not currently Gold members.

So we see that as a big opportunity.

Unknown Executive

Our next question comes from Roy from Crossroads Investing.

Unknown Analyst

I love seeing the rollout of Options at the U.K. this week. And I'd really like to hear more about the international expansion, specifically if future international expansions are going to follow a similar road map as the U.K. launched, starting with equities, building on products from there. And then specific country products such as [indiscernible] and [indiscernible] in the U.K. And I'd also like to know if those are coming out later this year in the U.K. as well?

Vladimir Tenev

Roy, short answer, yes. Yes, we're spending a lot of -- we're going to make a lot of progress internationally this year. We were extremely happy with the Options launch. That makes us one of the few brokers that are offering Options trading in the U.K. And the response to that from customers, maybe you saw in social was quite positive.

So customers in the U.K. wanted it, we're happy to deliver -- and I think in the future, we're going to continue to round out the offering and the benefits of having an integrated platform with a single technology stack is as we continue to roll out things in the U.S. they'll accrue to international markets. 24-hour market is an example.

Now that we have Futures, once we get regulatory clear, you will look to be offering that in the U.K. as well. And in the EU, the focus is, again, on rounding out the product suite as well. And we're also looking ahead to other markets. The goal is for Robinhood to be everywhere, be -- be anywhere where customers have smartphones, you should be able to open up a Robinhood account and benefit from our suite of best-in-class financial services.

So you should expect us to not just round out the product suite in our current Geos. But expand from there. And the team has been doing a nice job accelerating that.

Jason Warnick

Yes. And I think in terms of the sequence of products, if you look to the EU, we started with crypto in the U.K., we started with brokerage. I don't think that there's necessarily a set playbook on what goes first. It's going to depend on the market that we enter.

Vladimir Tenev

Yes. I tell you, yes, look out for that.

I think we've been talking a lot about the Gold event, but we're going to have our first Crypto event, which is going to be in France around midyear.

So we've got that agenda already packed.

Operator

Our next question comes from Ken Worthington of JPMorgan. Ken?

Kenneth Worthington

I wanted to dig in a little bit deeper on the credit card.

You have balances, I think, both on and off balance sheet. How do the economics work between on and off balance sheet, and what happens with credit risk between those 2 buckets?

Jason Warnick

Yes.

So credit risk is very similar between the 2. We're holding the risk and the economics are also very similar as well. And I think as we go forward, this is something that the team is evaluating and we'll be optimizing over time.

Unknown Executive

Our next question comes from John Todaro for Needham. John?

John Todaro

Congrats on a great quarter. A question on the Crypto side. Vlad, I remember you called out Stable Coins pretty positively back in December, and they've obviously grown a ton over the last few months.

Just wondering if there's more possibilities of kind of doing some direct product launches around Stable Coins and monetizing that adoption a bit more?

Vladimir Tenev

Yes, absolutely.

As you guys probably know, we entered into -- we have USDG that we partnered with a few other great companies on the global dollar network, which is going to be a stable coin that passes back yield to holders, which we think is the future.

I think many of the leading Stable Coins don't have a great way to pass yield to holders. And that makes them not ideal for holding in that form.

So you see a lot of use for transaction, moving money back and forth.

But in terms of actually like holding dollars in Stable Coin form, yield is an important piece. I should say that we're -- we see the power of that of the Stable coin ourselves as a company.

So I don't think it's just interesting for retail, but there's benefits to the technology in the 24-hour instant settlements for us as a business. And in particular, we're using Stable Coin to power a lot of our [indiscernible] settlements now, and we're using it increasingly. And I think Robinhood's going to be an early adopter of that, but we should expect that those benefits that we're seeing other companies will eventually come to realize, and that will be a tailwind for institutional Stable Coin adoption industry-wide.

So stay tuned. There's going to be a lot more on the dollar global network. And yes, we're going to be investing in this space.

Unknown Executive

Our next question comes from Evan from Stock Market News.

Unknown Analyst

Awesome. I appreciate you guys for having me. Congratulations to you guys on the quarter. We've talked about a lot of very different opportunities here, and I appreciate a good job passing \$1 billion.

You talked about a lot of different opportunities for crypto, active traders, international opportunities, prediction markets. How do you go about ranking these different opportunities, maybe in both the scale of them and how immediate you might be deploying these finite resources [indiscernible]? And do you guys think you need more people or more resources to go in and attack all of these opportunities you guys see?

Vladimir Tenev

Yes, yes. Capital allocation is kind of the job, right, resource allocation, capital allocation is what we do. I'd say these are the 3 arcs of our business.

So if you look at being #1 in active traders, that's the near-term arc.

So improvements that we make to the products and new features immediately or very, very quickly generate more revenue.

I think you're seeing that with Robinhood Legend and Index Options where a handful of months after launch, Legends already had a \$50 million annualized revenue rate, which is pretty amazing, and Active Traders were skilled, new product enhancements immediately result in more revenue for the business, more business value. That gives us fuel to pursue our other 2 arcs, which are longer term.

So

I would think about it not as we're going to nail active traders, then we're going to be #1 in wallet share. And then 10 years from now, we'll start working on international. We're pursuing these independently. They're going to build off of each other -- and the tool -- the revenue and the resources we get from Active Traders are going to fuel expansion into bigger and broader markets.

So I think it's exciting.

What's even more exciting, and I'm sure Jason agrees with this. is being able to do all of this and execute while keeping OpEx growth to a minimum.

So keeping our hands on the wheel, as you would say, and I think that just comes down to our embrative technology.

I think we've seen a lot of benefits from adopting AI technologies becoming more efficient. We've seen that on the software engineering side, but really across the board. And I think there's more tailwinds there. There's a lot more we can do, but we do believe we can continue to increase product velocity, roll out more features and grow while keeping OpEx growth in check.

I think that's just from any good company, leveraging AI, you should expect to see that in the future.

Jason Warnick

Yes. There's no shortage of ambitions to drive growth, and we've been allocating head count where necessary. But you saw the tremendous growth that we drove in 2024, yet the OpEx did not go up that much. And that's not an accident.

We have a very expense light business model. I've talked a lot in the past about how 90% of our -- our OpEx is fixed cost, and that was really showcased this quarter in Q4 as over 8% of the incremental revenue dropped to the bottom line, in terms of profit.

But when we look around, we're not constraining the business from -- with resources. We're really doing as much as we think we can prudently manage and roll out with a high-quality product for customers.

Unknown Executive

That concludes the Q&A portion of our call.

Before we end the stream, I'd like to give it back to Vlad for any closing remarks. Vlad?

Vladimir Tenev

Well, I'd like to thank Jack. I know we promised Chris in the flash, but he was under the weather. Jack, I think you did a very, very nice job with that. Yes, I think that I want to thank you guys. Hopefully, you enjoyed the new format, both retail analysts and institutional analysts who've been along for the journey. It's been a strong quarter, but we're nowhere close to done. This is going to be a big intense year for us. And I think the team is super energized at the opportunity ahead and delivering even more for our customers. Thank you.

Jason Warnick

Thanks, everyone.