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<<Patrick Moley, Analyst, Piper Sandler>>

All right, everybody. Welcome back to the 2024 Piper Sandler Global Exchange and Trading Conference. I'm Patrick Moley, Senior Research Analyst covering the exchanges, online brokers and trading companies. Happy to be joined by our next guest, Mr. Steve Quirk, Chief Brokerage Officer at Robinhood.

Steve is a veteran in the brokerage industry over 35 years of industry experience, some in brokerage, some in market-making. Joined Robinhood in 2022 from TD. Prior to TD, he was at Thinkorswim and was part of that acquisition back in the late 2000s.

<<Steve Quirk, Chief Brokerage Officer>>

That guy over there, back there, that you just had on, acquired me.

<<Patrick Moley, Analyst, Piper Sandler>>

Yeah, yeah. But thanks for joining us. This should be a good one. I'm going to start it off a week or two ago, you lowered margin loans from 8% to somewhere between 5.7% and 6.5%, I think. Can you talk about that decision, share some of the success that you've seen recently, if you're willing to share?

<<Steve Quirk, Chief Brokerage Officer>>

Yeah. So we've been doing a series of things to deliver more value to the engaged, really engaged investors that we've started to see come to Robinhood. We started an ACAT match program, which basically gives people a 1% match if they bring over their assets. And the customers that we've seen come over, and I think you heard it in a couple of panels this morning, we're net positive ACATs to every single publicly traded broker.

But the customers that are coming over, our average account size for 24 million accounts [customers] is \$5,000. They're over \$100,000. And so it's very clear we need to deliver value for them across the entire offering. So one of the areas that – one of the most recent areas where we're trying to compress the margins and let them generate better yields is in margin. And we launched that 10 days ago, and we've seen 10% growth in 10 days, over 10% growth. Half of

those – so 3/4 of that is coming from existing users who have increased their margin balances, about 1/4 of that is coming from our competitors, and the margin balances they're bringing over between \$100,000 and \$1 million. And we haven't started marketing it yet. So when we do, we anticipate that we're going to get some nice traction.

<<Patrick Moley, Analyst, Piper Sandler>>

So I think that's now the lowest in the industry.

<<Steve Quirk, Chief Brokerage Officer>>

We are the lowest in the industry in virtually every segment.

<<Patrick Moley, Analyst, Piper Sandler>>

Yeah. You mentioned the matching incentive, that's maybe a good place to move next. Your – the big key focus areas from your CEO are increasing wallet share with customers, winning with active traders, expanding internationally. You've seen a lot of success with these matching programs.

Can you talk about how much of those deposit inflows are coming from new and existing customers and maybe just parse out a little bit more like where that's coming from and how sustainable you think it can be?

<<Steve Quirk, Chief Brokerage Officer>>

Yeah. I should – I think it would be helpful to sort of set up our thinking because we got – we get a lot of questions on the match program. Is this something you're going to do episodically? Is it sustainable? Are you getting the associated yield necessary to pay for acquiring these customers?

I'll kind of start there. We've shared publicly that we look at every single cohort every week that comes in. We look at the size of the account, we look at their yield every single week, and we are covering that in less than a year. So it's definitely working out quite well. But what prompted it was really an evolution.

The evolution is, listen, Robinhood started as a self-directed trading app. And our customers were very young. They're close to 30 years old, half of them first-time brokerage clients, very diverse, very young, but they're growing up. And so they need retirement accounts. They need yield. They need securities lending. They need other ways to be able to continue on their financial journey.

And when you start delivering those things, we get rewarded by having more engagement. Our attrition used to be like 85. Now it's – or sorry, our attrition used to be about 15%. Now it's like 4%, right? So they're sticking with us in a much better way than they used to because they have no reason to leave us. We have all the things necessary.

So once you enhance the offering, let me take – I'll pick on something that doesn't exist anymore, so I don't insult anybody besides Fred back there, TD Ameritrade – a TD Ameritrade client who has been with them for 20 years, and says, I think of Robinhood as a self-directed shop and nothing else, and I have many financial needs. We're not that anymore. That's changed dramatically.

Now we have a holistic offering, but I need to give you a reason to come and take a look. So a 1% match gives you a reason to come and take a look. It's quite lucrative. And when they take a look, they say, oh my gosh, wow, with these margin rates, with a complete offering, and I would argue really a better experience overall, it kind of becomes a pretty much a no-brainer.

So the deposits that we're seeing now, as I said, we're net ACAT positive against every single competitor. And I mentioned the average account [customer] size is \$5,000, this is over \$100,000 – the people that are coming over. The deposits are coming from both existing customers and from new customers.

And so it's very attractive for both our current customers who, by the way, are accumulating wealth at the age – young age of 30 something, at a faster pace than the industry, which is naturally going to grow our deposit base. But we're also attracting so many other people from our competitors.

<<Patrick Moley, Analyst, Piper Sandler>>

So on the active trader front, you're someone who probably for the majority of your career has focused on web-based traders. And you say that you have this holistic offering, but I would challenge you a little bit there and say, I think your web offering compared to others, maybe you have more work to do there.

<<Steve Quirk, Chief Brokerage Officer>>

Yes, it does.

<<Patrick Moley, Analyst, Piper Sandler>>

But that's a big part of the market that you haven't even tapped into yet.

<<Steve Quirk, Chief Brokerage Officer>>

Yes.

<<Patrick Moley, Analyst, Piper Sandler>>

So in your thinking and your experience how important do you think it is and how much of a step function could it be in having a more robust web interface where traders maybe have a little more real estate. It seems like that to me could be the thing that really allows you to attract traders from other platforms.

<<Steve Quirk, Chief Brokerage Officer>>

Yeah. So I should start by saying if eight years ago, you would have told me that there is a company that was number two in market share in options trading and equity trading, and it was all being done on that little device, I would have told you, you're crazy. Like, I just didn't think it would be – we would not think that would be possible with that amount of real estate, but that's where Robinhood sits today, which is quite interesting.

So when I first arrived at Robinhood, one of the challenges we had was the most engaged users we had had the lowest NPS score of all of our users. That's an upside down model that really doesn't resonate with the highly engaged active trader. So we went on a journey to change that. Now, it's the highest NPS.

But there is – to your point, there's a missing component. So 95% to 99% of the trades that Robinhood customers do is on a mobile device. In order to attract – and by the way, the industry is headed that way. So I would like – I'm glad to be in that position because that's where the industry is coming.

But in order to bring over people who are highly engaged with large accounts and need more capabilities, they're going to want a complement, or they're going to want a primary, which is a web-based application. That's what we're building right now. And in doing so, now we can accommodate – let's take the total market share of all retail trading. Probably 50% of that is done on a web-based application or a software-based application and we don't get any of that.

To your point, our web is not very attractive right now. So we're building a web-based application that will roll out in H2. And I think you'll see we will have an ability to attract a lot of customers as a result of that. And even have our own customers who graduate up to a larger need than a mobile application, we'll have an accommodating product for them.

<<Patrick Moley, Analyst, Piper Sandler>>

And with that, I think another thing in attracting users of other platforms will be offering futures, index options, how important do you think those will be to kind of winning active traders from other platforms? And is that still planning to do that in the fourth quarter this year?

<<Steve Quirk, Chief Brokerage Officer>>

Yeah. We still plan to do that in H2. I got Fred staring at me right now back there.

<<Patrick Moley, Analyst, Piper Sandler>>

Yeah, so I try to get him there.

<<Steve Quirk, Chief Brokerage Officer>>

By the way – he already knows this, and the CBOE team knows this, that's our number one request from our active engaged traders. That's coming in H2. A whole bunch of other capabilities are coming as well, like joint accounts. Again, our customers are growing up. And so their needs are evolving, and we're just delivering on those.

But yeah, we will have index options. We have futures coming. So all the things that I need as a sophisticated investor are being delivered along with the technologies associated to be able to use them.

<<Patrick Moley, Analyst, Piper Sandler>>

I want to touch on the environment that we're seeing. We sort of seen these like many meme-stock rallies Roaring Kitty fellow is coming back. I hear it's actually one of JJ's aliases. But do we – what are you seeing? I mean, is it the same as it was last time? I think I saw you on CNBC, you said it was like a 1/4 of the volume you're doing before. What are you kind of seeing from that?

<<Steve Quirk, Chief Brokerage Officer>>

Yeah. It's – so the question that they asked me on CNBC was number one, what is – what's the behavior going on? Like – is it crazy town over there again? Everybody is trading these. The overall volumes, at least within Robinhood were probably 1/4 of the peak during the first GameStop episode. I think – and I think there have been quite a few articles written about it. A lot of – more of it was institutional. I just think there was – it was a bigger mix. Maybe they're protecting themselves. Again, I don't know. I don't want to speculate.

But we didn't really see – we saw an uptick, but we didn't really see a massive uptick in volumes. The other point that we made because I think where they were trying to go was, hey, does this like take us back to the days where we're viewed as a meme-stock brokerage.

And the point that I made to them is 80% of the people who started during that era are still with us, and they've evolved. They've grown up and they're investing and trading in other ways. They've opened retirement accounts and just become customers that have sort of continued on in their investing journey.

The other question they ask because it's actually an interesting question is, is this a good thing or a bad thing for the market? Now again, I don't – I'm not going to speculate on what's driving it and all the things behind it. There's plenty of things happening in the financial media that you can look at there. But my point is, if it brings more people into the marketplace and they evolve and become more sound investors than just speculating on meme stocks, it's an awesome thing.

There's a reason why we're sitting at 58% of U.S. households. We're the envy of the world right now. U.S. households, 58% of them are participating in the market. We explore internationally, they would kill for that. Europe, Asia, they would kill for it. They want that participation. So my argument back is like, sure, you might have made a mistake in your early days of investing. But if you evolve and become a more, what I'll call, a suitable investor, it's awesome. It's great.

<<Patrick Moley, Analyst, Piper Sandler>>

And let's talk about international expansion. You launched in the UK late last year. Can you update us on how that's going and where you are in the overall product roadmap? Have you started even marketing over there?

<<Steve Quirk, Chief Brokerage Officer>>

Not really. We've been – we want to get the offering to a point where – we started light marketing – but we want to get the offering to a point where we think we can put our foot on the gas. As I said, UK elected officials, even the regulators are very receptive. They welcome – Robinhood is very good at compressing margins and making it a more competitive marketplace and making it a lot easier to understand how to invest and giving them the facilities to do so.

So even at our earliest meetings when we were talking about self-directed, they're like, please come into the ISA and SIPP market, which we intend to do, the retirement market there. So we've had good traction and early traction, but we intend to continue there. But more broadly, on the international front, I've also been in international in my prior career. And when I've been around the globe, there's a Robinhood of every single country or region, every single one.

So why wouldn't we just be the original, right? Why wouldn't be the OG, the real one instead of the fake. And that's kind of what we're – like we have the ability to go and do what we did in the U.S. Adena said it on a panel, the FIA. She's like every country, every region wants a Robinhood effect. They want it. They want that to happen. So, that's our mission.

<<Patrick Moley, Analyst, Piper Sandler>>

So taking a step back, you've seen significant growth in the Robinhood Gold subscriber count. You reached 1.7 million at the end of the first quarter of 2024.

<<Steve Quirk, Chief Brokerage Officer>>

Can I drop them a new number, Chris? He'll kill me if I do.

<<Patrick Moley, Analyst, Piper Sandler>>

Yes. Let me – So I mean, you've been in the – if you want to drop a number...

<<Steve Quirk, Chief Brokerage Officer>>

I can't. I can't. They'll come up here and strangle me.

<<Patrick Moley, Analyst, Piper Sandler>>

Yes. I'm sure it's higher than 1.7 million. Can we agree on that?

<<Steve Quirk, Chief Brokerage Officer>>

We can agree on that.

<<Patrick Moley, Analyst, Piper Sandler>>

So you've been in the industry a long time. What are your thoughts on the subscription model and the competitive advantage that offers you? And is it something that you think competitors will start to offer? It's just – help me understand like how you think about it in the overall industry.

<<Steve Quirk, Chief Brokerage Officer>>

The – so it's more prevalent in Europe than it is in the U.S. But I think what we noticed when we look at – and it's a nice bundle. So there's yield, there's a whole bunch of things in there that have nice value. And as a result of that, the people that go in there, they become more engaged with us. So – if I'm a Gold member, I have twice the deposits [growth rate]. I have 5 times the adoption of our other products, [like] retirement accounts, everything else, securities lending, et cetera, et cetera. My account is 8 times the size.

It's a great value for them, and it's a great value for us as a publicly traded company because it's recurring revenue and it's a value. So every time we do anything, we always think about how we can add something to Gold that will continue to make that such a valuable experience because these are your engaged customers who want to interact and do more things with you. Most recent thing we did is the credit card with the 3% back. And so we don't want to stop at self-directed at wealth management. We want to continue on basically all your financial needs.

<<Patrick Moley, Analyst, Piper Sandler>>

I don't know if he'll kill you if I ask you this question.

<<Steve Quirk, Chief Brokerage Officer>>

He's going to kill me for most of the things I've said.

<<Patrick Moley, Analyst, Piper Sandler>>

If we – you keep adding features and bringing more value to Robinhood Gold, it's remained at \$5 a month. How are you feeling about pricing? Do you think that's where you want to be? Or do you think that when you – when we add a web platform, we had a credit card, we add these futures index options, do you think you can start adjusting pricing higher? Or how do you feel about that?

<<Steve Quirk, Chief Brokerage Officer>>

Yes. So Robinhood is such a data-driven company. We do a lot of testing, and we've tested this as well. I mean we're continuing to test it. So I don't want to – I don't want to get ahead of myself and say that we are going to move that price point or not, but it's something we think about a lot. The thing we think more about is what can we continue to add in terms of driving value there, so that it becomes something that people are willing to pay more for. Because then those tests become a much easier exercise.

<<Patrick Moley, Analyst, Piper Sandler>>

Let's talk about retail options trading. We've obviously seen a big spike over the last several years. There is sort of growing discussions about seeing 0DTE broaden out into single stocks. How do you think about that? I know there's some market structure hurdles that maybe need to be overcome before we get there. Just what are your overall thoughts on that?

<<Steve Quirk, Chief Brokerage Officer>>

I love this topic because it's in every panel anybody ever does. And I think what gets missed is like people are assuming that the products are driving the behavior, the behavior is driving the products. What I mean by that is, go look at the duration of an investment in any asset class 10 years ago and look at it today. It's shorter today, right? So it's not because somebody put out products that are shorter dated. It's because – that's the way people are investing. And if you look at it on an even longer time horizon, a lot of publicly traded companies don't last. Like it's not 1970, you don't buy IBM and hold it for 40 years. A lot of these companies are gone.

And so, I have to change the duration of my investing to match what's happening in the environment. And I think with shorter dated options, the ability to – if you told me that I owned a home and I knew exactly what day a storm could happen, but I only had to buy insurance for one day. And I said, but you can buy it for a month or a week. I'd kind of be an idiot to do that, wouldn't I?

So again, I'm using an extreme example, but, if I know – if I have healthy gains in NVIDIA, and I know when their earnings date is, and I want to protect that portfolio, I don't want to tip the capital gains hit, it's an awesome way to account and to take care of that. So I think it's a product that, in my mind, is basically evolving to the behaviors of the people who want to use it.

<<Patrick Moley, Analyst, Piper Sandler>>

So if we talk about – do you think – I asked Vlad about this on the call, but when you do introduce zero days to expiration trading and index options overall – do you think it will cannibalize your SPY option volume at all or any other sort of index options that your customers are trading? Or you think it will be additive?

<<Steve Quirk, Chief Brokerage Officer>>

I think it will be additive. Every time we had the same conversation in my previous life about futures trading, and we measured it every single month, every single week. It's additive. It's –

like what generally happens, you'll see people graduate. They'll take their portfolio – core portfolio, they'll use options to generate some income and then they'll use futures to be more pointed in any investment thesis that they have. So, we don't anticipate that it will be cannibalizing. And that's – same question came up around the ETFs, the Bitcoin ETFs, will they cannibalize, and from everything we saw, all it's doing is creating a larger marketplace.

<<Patrick Moley, Analyst, Piper Sandler>>

So I think we have time for one more. I'll end on a big picture question. You've done a lot to, I think, change the perception of what a Robinhood user is from 2021 in the meme stock era. If we look out in five years, what do you think – how do you think that compares today? What do you think the public perception of Robinhood is?

<<Steve Quirk, Chief Brokerage Officer>>

I think that Robinhood customer will be heavier, older, five years does that to people. But more seriously, I do think they'll be – they'll be a customer that is doing more. And I don't mean more – I mean more in individual self-directed investing, more in wealth management, more in spending, more – like what we strive to accomplish is having those customers be – having Robinhood be a destination where they want to do everything they do from a financial standpoint, whether that's depositing a check to spending, to investing. And we make it super seamless.

Like when you have the new credit card, you get rewards and you click a button and boom, it goes right into a high-yield account where you're earning 5% if you want to do that. I also would say they're global. Like, we won't be thought of as a domestic company exclusively. It will be a global company, and that's going to be really cool.

<<Patrick Moley, Analyst, Piper Sandler>>

Maybe one last one because we have some time, but we had dinner with Vlad last month. I think it was the first day that you had launched the credit card and the cash back for the test group. What have you seen in terms of customers getting cash back, are they immediately turning around and trading it? And do you think that's a big growth driver going forward when you do roll that out?

<<Steve Quirk, Chief Brokerage Officer>>

It's really early. So we haven't really seen – like it's probably too early to say is there any one behavior that we're seeing. But having that in the ecosystem is really powerful, because these are big customers, that even if they're just credit card customers, are big customers, and they're part of Gold. So again, they go back into the ecosystem where it's 5 times the products, 8 times the account size, 2 times the deposits, and it sort of feeds on itself and it's an ecosystem where they can do pretty much anything they want.

<<Patrick Moley, Analyst, Piper Sandler>>

Sure. All right, Steve, thanks so much for joining us here today.

<<Steve Quirk, Chief Brokerage Officer>>

Yes. Thanks for the time. Appreciate it.