

## **Robinhood First Quarter 2022 Earnings Conference Call**

**April 28, 2022**

### **Corporate Speakers:**

- Irvin Sha; Robinhood Markets, Inc.; Head of IR & Capital Markets
- Vladimir Tenev; Robinhood Markets, Inc.; Co-Founder, President, CEO & Chairman of the Board
- Jason Warnick; Robinhood Markets, Inc.; CFO

### **Participants:**

- Devin Ryan; JMP Securities LLC; Analyst
- Kenneth Worthington; JPMorgan Chase & Co; Analyst
- Richard Repetto; Piper Sandler & Co.; Analyst
- William Nance; Goldman Sachs Group, Inc.; Analyst
- Eli Molin; Bank of America; Analyst
- Michael Anagnostakis; Wolfe Research, LLC; Analyst
- Trevor Young; Barclays Bank PLC; Analyst
- Josh Beck; KeyBanc Capital Markets Inc.; Analyst

## **PRESENTATION**

Operator^ Thank you for standing by, and welcome to Robinhood's First Quarter 2022 Earnings Conference Call. (Operator Instructions) Please be advised that today's call may be recorded. (Operator Instructions) I would now like to hand the call over to your host for today, Irvin Sha, Head, Investor Relations and Capital Markets. Please go ahead.

Irvin Sha^ Thanks, Latif. Welcome, everyone, and thank you for joining us for Robinhood's First Quarter 2022 Earnings Conference Call. With us today are CEO and co-Founder, Vlad Tenev; and CFO, Jason Warnick.

Before getting started, I want to remind you that today's presentation will contain forward-looking statements about our financial outlook and our strategic and operational plans. Actual results could differ materially from our expectations. We continue to monitor regulatory developments relating to market structure matters, such as statements from the SEC on payment for order flow and digital engagement practices. Other potential risk factors that could cause differences are described in our press release issued this afternoon, the related slide presentation on our Investor Relations website, our Form 10-K filed February 24, 2022, and in our other SEC filings.

We remind you that from time to time, we intend to use the Overview page of our Investor Relations website and our blog, Under the Hood, as means of disclosing material information to the public, and investors should routinely monitor those sites as information posted there could be deemed to be material information. All information on

the call is as of today, April 28, 2022, and we undertake no duty to update it for subsequent events, except as required by law.

As we discuss our results, all percentage growth comparisons will be to the same period in the prior year unless otherwise noted. Today's discussion will also include non-GAAP financial measures. Reconciliations to the GAAP results we consider most comparable can be found in the earnings presentation on our Investor Relations website at [investors.robinhood.com](https://investors.robinhood.com). And with that, let me turn it over to Vlad.

Vladimir Tenev^ Thanks, Irv, and thanks to everyone for joining. So this quarter was the story of two competing forces, our accelerating product development juxtaposed against a difficult macroeconomic climate. On the last call, I laid out an ambitious road map that will expand the ecosystem of financial products Robinhood offers to our customers. We made tremendous progress on it this quarter and we built a strong foundation for our future growth.

At the same time, we face a challenging macro environment, one most of our customers have never experienced in their lifetimes. While we were pleased to see strong net deposits and our lowest level of churn in years, we also saw decreased trading volumes, monthly active users and assets under custody, and our financial results reflect this. Our Company has been in a period of hypergrowth, and we hired and scaled to keep pace with the business, but we're at a place where it's important to stay focused on efficiency and optimize our business for the long term.

So I've challenged the team to dig deeper on cost discipline and get us to adjusted EBITDA profitability by the end of the year. We're moving back towards a leaner operating model, starting with the reduction in force that we announced earlier this week. But make no mistake, Robinhood is still playing offense and charging ahead. We are continuing to execute on our 2022 road map. And we've got several new products in flight that we believe will add value to customers while generating significant revenues.

I know there's a lot to unpack here and we'll walk through all of this over the course of the call. So let's start with the product updates. So in short, our product engine is humming and I'm super excited about that. Just since we last spoke, we introduced the Robinhood Cash Card. We extended our trading hours. We began the rollout of our fully paid securities lending product. We began the rollout of instant debit card funding and withdrawals. We completed the rollout of our Crypto Wallets. We added four new crypto currencies to our crypto selection, and we entered into an agreement to acquire Ziglu, which will help accelerate our international expansion.

There's a lot here for us to be proud of and we're still just getting started. Now let me get into the details on what we've delivered, starting with the Robinhood Cash Card. It's one of the few debit cards to offer rewards similar to what you'd expect from a credit card. We're also giving customers who direct deposit access to their money two days early, and we're letting them automatically invest a portion of their paycheck. We view the Cash Card as a simple way to bring in new customers that are interested in investing but have

less disposable income. And as the product scales, we'll start to see additional revenues from interchange, which we expect to be roughly 130 basis points of transaction volume.

We also expect to see more customers direct depositing their paychecks directly into Robinhood and using Robinhood for anything they would use their bank for, except with lower fees and a much better user experience. We're still in the early stages here, rolling out slowly to ensure we understand user behavior and points of friction. We're happy with what we're seeing so far, bright spots around adoption of direct deposit and repeat card usage, and we'll expand access to all of our customers by midyear. So with the coming anticipated rate hikes, we will also be bringing back high yield on uninvested brokerage cash for our customers. Stay tuned for more on that.

Now let's talk about crypto. As you can tell, we've been making major investments here. We believe that crypto is more than just an asset class. By allowing anyone with a smartphone and an Internet connection to create and utilize powerful financial tools, the technology behind crypto has the potential to become the operating system that powers the future of financial services. However, crypto is complicated, and the fees on other platforms are so high that a lot of the products are mainly serving wealthy early adopters. In the coming months, you'll see more from us on our plans to contribute to this ecosystem.

Now here are a few updates on the progress in crypto we've already made. First, we're so excited to have completed the rollout of Crypto Wallets to all of our customers. The Wallet is an important primitive that enables our customers to engage with the broader crypto ecosystem. Just like with crypto trading, customers using our Wallets can expect low fees and a simple user experience.

Second, we recently announced our planned integration with the Lightning Network, which will power near-instantaneous Bitcoin transfers globally, with transaction fees of less than \$0.01, hugely beneficial to our customers. While we don't have specific updates on timing yet, we'll share more in the coming months as we build out the integration. Eventually, once we're fully integrated, we expect this technology will accelerate our ability to serve Bitcoin remittances on a global scale at virtually no cost and will be an important component of our international expansion.

Third, we added four new coins - Compound, Polygon, Shiba Inu and Solana. We feel good about the listing framework we're using to evaluate new coins and expect to add more over time. Behind the scenes, we've also been refining our core crypto infrastructure to effortlessly custody and support new coins, tokens and chains. This is part of a process that began last year, and we'll soon be able to add new coins with relatively minimal effort.

Lastly, we recently entered into an agreement to acquire Ziglu for \$170 million, primarily in cash. Ziglu is a U.K.-based crypto platform that lets customers transact in 11 different cryptocurrencies, earn yield on Bitcoin and pound sterling through Ziglu Boost products and move and spend money even abroad without fees. Over the past few months, I've had

the pleasure of getting to know Mark and the Ziglu team. They share our love for building great products. They bring years of financial services and crypto expertise, and they have local knowledge that will be incredibly helpful as we expand our operations in the U.K. and beyond. They've also demonstrated a real commitment to regulatory compliance, being one of the first U.K. companies to obtain a Crypto Asset Registration from the FCA. Together, we believe we'll be well positioned to move even faster on our international expansion plans once we close, which is expected to be later this year.

Last but not least, we've been laser-focused on serving our more advanced customers, a large and critical customer segment. These customers, while relatively small in number, drive a significant portion of our revenue. They love the simplicity of the interface and the ability to trade with no commissions, particularly in options where we also have no contract fees. But they want more, the flexibility to dive deeper and get more information through advanced charting and screening tools as well as improvements to the core trading flows. Providing all of this while making the simplicity of the platform continue to stay that way is the type of design challenge that we excel at solving.

We've recently introduced two important features for advanced customers, extended trading hours, which we launched earlier this quarter, was one of their top requests. And earlier this week, we rolled out fully paid securities lending to a small set of customers. This will give advanced customers a great way to enhance the yield on their portfolios, and we look forward to sharing it more broadly in the next few weeks. There's so much more that we're doing for our advanced customers in the coming months, and we're confident this work will not only benefit all of our customers but also increase our top line revenue.

Now at the top of the call, I mentioned the challenges presented by the macro environment. For most of our history, Robinhood has operated in a period of low interest rates, low inflation and rising markets. Our customers are now experiencing all three of these trends going in the opposite direction, perhaps for the first time in their lives. As a result, some are engaging with us less regularly and reducing their trading activities. We've been watching customer behavior and let me tell you what we're seeing.

So overall, our customers are continuing to engage with us. But the total numbers have come down a bit with MAUs falling to 15.9 million in March. When we look a level deeper, our larger customers are still remaining active but we are seeing more pronounced declines from those that have lower balances. With the uncertainty in the market, our customers became more cautious with their portfolios, trading less frequently and in smaller amounts across all asset classes, although crypto activity, in particular, came down pretty significantly.

But we've seen some encouraging signs. Net deposit levels are continuing to rise and churn has reached its lowest point in years. So how are we responding to the environment we're in? We're going to remain focused on building for the long term. We're in a great position. We have nearly 23 million customers, a strong team, great technology and

strong product momentum. Together with our focus on operational efficiency, the future ahead of us remains bright. And with that, let me turn it over to Jason.

Jason Warnick^ Thanks, Vlad. Before we get to the numbers, I'd like to talk about how we're thinking about getting back to positive adjusted EBITDA. As you just heard from Vlad, he has challenged us to achieve a positive run rate by year-end. So how do we get there? It's critical that we execute on our 2022 road map and be more lean. From where we stand today, we see top line upside from delivering better service to our advanced customers, rolling out fully paid securities lending, generating stronger net interest revenue and monetizing instant withdrawals.

We also think over a longer time horizon, there will be even more benefits coming from interchange, on the Robinhood Cash Card, investments we're making in crypto and several other new initiatives that we have in the works. We're also focused on costs. We recently went through a period of "get big fast" as we hired to keep up with the pace of our business. We grew our headcount from about 700 at the end of 2019 to nearly 3,900 in just two years. We needed to grow that fast but it resulted in inefficiencies in the organization, duplicate roles and sometimes just more headcount than is needed, particularly as we deliver on optimizing our workflows.

So earlier this week, we announced a reduction in force, affecting 9% of our team. But as we look at our aggressive product plans for the year, we believe we can accomplish our goals with an even leaner team than we were previously planning. So in addition to our reduction in force, we have significantly cut our plans for hiring this year. Last quarter, I guided 2022 operating expenses, excluding share-based compensation, to grow between 15% and 20%. We now expect these costs to increase between 2% and 5% versus 2021. We're aiming to keep headcount roughly flat versus the end of last year. We're also looking at all of our other costs and believe we have opportunity there as well. We have a lot to do to reach this goal on profitability but I've got confidence in the team.

Now let's talk about corporate cash, specifically how much is needed to run the business and how much is true excess. We're currently holding about \$6 billion in cash on our balance sheet. During most days, we use only a small fraction of this for working capital. We also hold some liquidity for high-stress scenarios such as last year's meme stock and doge rallies. Including credit facilities, we currently have about \$2.5 billion of excess liquidity beyond our stress scenarios. We also have line of sight to free up an additional \$1 billion by optimizing the way we move our money. And why do we have this excess cash? We think it's prudent to have a strong balance sheet while we are growing our business, and it also gives us flexibility to grow inorganically when it makes sense to do so.

I'd also like to talk about the effects of rate hikes by the Fed. With this first rate change, we captured an annual run rate effect of about \$40 million. Looking ahead, we think the incremental effect from each of the next several rate hikes will be in the range of \$30 million to \$35 million and will be determined by the size of our margin book, the value our banking partners pass to us and how much we pass along to customers.

Now let's move to the numbers for the first quarter of 2022. As a reminder, Q1 is lapping a very strong quarter in the prior year, owing to the meme stock rally last year. Cumulative net funded accounts reached 22.8 million, up 27% year-over-year. During the quarter, we had 500,000 new accounts, 100,000 resurrections and 500,000 churned accounts. Churn continues to improve and has reached one of the lowest rates we've seen in the past several years. We had 15.9 million monthly active users, down 10% year-over-year and 8% sequentially. In this market, we're seeing customers with lower balances engaging less, which is driving the significant majority of our sequential decline in MAUs.

Assets under custody were \$93.1 billion, up 15% year-over-year, and net deposits were \$5.7 billion in the quarter. Total revenues were \$299 million for the quarter, down 43% year-over-year and down 18% versus Q4. Revenues came in softer than our expectations. We anticipated some incremental improvement to the trading environment from what we had seen during the first several weeks of the quarter, but trading volumes remained soft across all asset categories.

Transaction-based revenues were \$218 million for the quarter, down 48% year-over-year and 17% sequentially. This was driven by declines in the number of customers trading as well as the average notional size of their trades, a pattern that we saw across all asset classes. Equities revenue was \$36 million, down 73% year-over-year and 31% sequentially. Customers placing trades were down 46% year-over-year, while notional volumes per trader were down 24%.

Options revenue was \$127 million, down 36% year-over-year and 22% sequentially. Customers placing trades were down 44% year-over-year and options contracts per trader were down 33%. And crypto revenue was \$54 million, down 39% year-over-year but up 13% sequentially. Customers placing trades were down 61% year-over-year and notional volumes per trader decreased by 22%. These declines significantly offset the recent increase in venue rebate rates.

Moving to assets under custody. Equities was \$68.5 billion, up 5% year-over-year. Options was \$1.1 billion, down 45% year-over-year. Crypto increased to \$19.7 billion, up 70% year-over-year, and customer cash increased to \$9.2 billion, up 21% year-over-year, offset by \$5.4 billion of receivables from users. And for net interest revenues, they were \$55 million for the quarter, down 11% year-over-year and 13% sequentially. Primary components include securities lending and margin interest.

Securities lending was \$24 million, down 31% year-over-year and 17% sequentially as we saw lower demand for hard-to-borrow securities. Margin interest was \$35 million, up 25% year-over-year but down 10% sequentially. Over the course of the quarter, we saw our margin users actively managing their borrowing. As a result, our margin book declined to \$5.3 billion, putting it roughly flat with the prior year. As of March 23, we increased our margin rates to 3%, up 50 basis points, and we anticipate floating this rate

along with Fed rate changes moving forward. And offsetting interest revenue was interest expense, which was \$6 million.

Moving to other revenues. They were \$26 million this quarter, a 35% decrease versus the prior year and 26% decline sequentially. The year-over-year decline was driven by an 87% reduction in our ACATS Out fees as we experienced elevated churn last year.

Before closing out, I'd like to note that starting this quarter, we'll begin providing monthly metrics for our top KPIs. These disclosures will include information about user growth, engagement and trading, including trading volumes and DARTs by asset class. We'll post these metrics to the Investor Relations website at [investors.robincap.com](https://investors.robincap.com) mid-month after the end of each of the first two months of the calendar quarter. The metrics for the last month of each quarter will be shared at earnings.

With this change, we will no longer be providing revenue guidance. Given the volatility of our revenue, particularly transaction-based revenues from trading activity, we believe providing monthly disclosures of our top KPIs is preferable to forward-looking guidance. So far in April, we're seeing trading volumes in line with what we were seeing throughout most of Q1. With that, Irv, let's move to Q&A.

## QUESTIONS AND ANSWERS

Irvin Sha^ Thanks, Jason. Leading into this quarter's Q&A session, we'll start by answering the top questions from Say, ranked by number of votes. We'll pass over any questions that were already addressed, and we'll group together questions that share a common theme. After that, we'll turn it over to live questions from the analyst community. And with that, our first question is from Andrew K. echoed a couple of times by and Abdul CRM. The question is, what are management's plans to grow and/or regain market cap?

Vladimir Tenev^ Sure, I'll field that one. Thank you, Andrew. So first, let me say that we all know this is a challenging time in the markets. And our focus during this time is on building a great Company for the long term. You've heard us talk about several large areas of investment throughout the beginning of this call. And we're going to continue to invest in new product areas. Our product momentum and velocity across both our core business and these new developments is going to continue to accelerate.

You also heard we're going to be focused on operational discipline and getting to positive adjusted EBITDA by the end of the year. I think throughout the course of this year, deepening the relationships with our customers, especially the most engaged customers that use Robinhood a lot, will lead to greater monetization over time and will allow us to get to positive adjusted EBITDA by the end of the year. But have to completely reiterate that we're going to continue to invest in new products. And over time, we believe that building a great Company for the long term will lead increases in market cap and smoothing out variations in market activity over time.

Irvin Sha^ Thanks, Vlad. The next question comes from Sunny P who asks, when is Hood going to pay a dividend? Jason?

Jason Warnick^ Thanks, Sunny. This is Jason. It's too early for us to be paying out dividends. We think it's better right now to be investing in the business. We've got a lot of opportunity ahead of us as we've been talking about today, and we think that's the best use for our capital right now. But I appreciate the question.

Irvin Sha^ Great. Next up from Daniel L. What will Robinhood do to combat declining monthly active users?

Vladimir Tenev^ Sure, I'll take that one. So we have seen recent declines but I think it's important to look at the broader context. Robinhood has grown very quickly over the last few years. For instance, if you look at monthly active users, over the past two years, we've nearly doubled MAUs from 8.6 million to right around 15.9 million. So looking ahead, we're going to continue to innovate and roll out new products.

And we see our customers engage with us in new ways. A good example is the recently rolled out Cash Card, which we're rolling out to our customers. I think it's a great way to have customers using us for more than just investing, direct depositing their paychecks into Robinhood and using us for anything that they would use their local bank for, except with lower cost and a much better customer experience. So as we continue to add these new products while also adding more products to investing and in crypto, we're confident in our ability to not only retain our existing customers but significantly grow new ones over time.

Irvin Sha^ Great. Next up from Kevin L. What is the number one focus this year?

Vladimir Tenev^ Yes, I'll field that one. The number one focus for us is focusing on our customers, building products that our customers love. And of course, we'll balance that with focusing on operating lean and making smart decisions with our capital. As we said last quarter, you look to our road map and there's lots of ambitious things that we know customers could benefit from.

So there's more that we have to do for retirement and long-term investing; securities lending, which allows customers to get additional yield on their portfolios, which started rolling out earlier this week and of course, crypto. So what we saw this quarter is demonstrating a lot of momentum in execution. And I think that's really, really exciting, and we're excited to continue that moving forward.

Irvin Sha^ Okay. Next up, we've got a couple of questions on retirement accounts from Ryan B and Sering L. Basically, will retirement accounts be available soon?

Vladimir Tenev^ Yes. So retirement accounts have been a focus for us this year and we've been making great progress. I think that when customers see what we have in store,

they'll be really excited. It will bring the same design and user experience that customers have come to expect from Robinhood customers -- from Robinhood products, and it will be a great product, and we're excited to roll it out later this year.

Irvin Sha^ Excellent. From Abhinav S. What are the next top three big changes Robinhood is bringing to customers this year?

Vladimir Tenev^ Sure. So I've mentioned a lot about our product velocity accelerating, and we've made lots of improvements to our customer experience and feature set across the board. Three themes to mention - one, the active investor experience. We're really excited to better serve our active investors, the people that are most engaged into our platform. And we've seen the experience getting better and better with new products and also a lot of small improvements to the day-to-day process of trading and setting up an account on Robinhood. So it's been a huge area of focus, valuable for these customers but also valuable to the top line of the Company. So that's one.

Number two, the Cash Card. We, I've talked a little bit about this, are excited to see customers engaging with us in different ways. This is one of the only debit cards on the market that gives customers rewards for spending, similar to what they would get from a credit card. And our experience around direct deposits is also incredibly high quality, where we not only give customers the ability to get paid two days early, but we also make it easy to invest your paycheck and direct deposit into securities as well as crypto.

Then the third area is crypto. No surprise that we've been investing a lot here. We've increased our selection and we've also improved cost for customers as well. And I'll throw a bonus number four. You've heard me talk about retirement. I think that this is a very, very important need for our customers to get help investing for the long term with the same low cost and user experience customers have grown to love and expect from Robinhood. So we're very excited to deliver that for our customers, and we think you'll really like it.

Irvin Sha^ Awesome. Thanks, Vlad. I think maybe we have time for just one last question and then we'll shift to the analyst community. So the last one from Eduardo V. is when is Robinhood going global?

Vladimir Tenev^ Well, we're excited to have announced the acquisition of Ziglu. We expect to have the acquisition closed later this year. And we think it's a great accelerant. We intend to build from that base and roll out an awesome product to our customers in the U.K. first and then Europe and the rest of the world.

Irvin Sha^ Awesome. Thanks to everyone who posted questions on Say. And with that, I will ask the operator to open up the line. Thank you.

Operator^ (Operator Instructions) Our first question comes from Devin Ryan of JMP Securities.

Devin Ryan^ Thanks for the monthly disclosure. I think that will be very helpful moving forward. I guess, first question here. Appreciate expectations around getting through breakeven by year-end. I think what a lot of folks are trying to kind of figure out here is you've launched a lot of new products and hopefully you see traction around them. But can you help us maybe think about just the revenue contribution from some of the larger initiatives and how you expect those might scale, given that they weren't in the prior quarter's results?

And then the second part of that question is, if you succeed in getting to kind of profitability, how do you expect to manage from there? Should we think about just kind of maintaining around that level, that breakeven or should it inflect through? And then to the extent revenues continue to expand, there's a lot more operating leverage from there.

Jason Warnick^ Thanks, Devin. This is Jason. I'll take it and Vlad can contribute if he has some additional thoughts. The biggest contributors from where we are today and where we need to get by the end of the year to kind of achieve this goal of adjusted EBITDA breakeven or better. We had ARPU of about \$53 for this quarter. We need to get to kind of mid-\$80s by the end of the year to be able to get to that goal.

The biggest contributors, you heard Vlad talk about the improvements that we're just making to the platform, primarily listening to some of our more active customers. We think it's going to serve them incredibly well. It's going to have a halo effect to all of the customers that we have on the platform. We just started out -- started rolling out fully paid securities lending. We talked a bit last quarter about the revenue opportunity there. It's about 1 to 2x what we have for margin securities lending, depending on the attach rate of our customers.

The rising interest rates by the Fed, we're going to be able to capture meaningful NIM as that continues to progress. And then instant withdrawals is another contributor. All in, we think that we can get there. It's an aggressive goal. It's going to take, I think, a lot of focus on operating costs, and we've got the commitment of the whole team to get there.

In terms of how are we going to manage it going forward, what I'll tell you is that we're going to continue to invest aggressively for long-term growth. But I think as we continue to roll out products that add monetization to the platform, you're going to see that the investments that we're making are relatively less relative to the overall profitability of the Company as we gain momentum. But we'll -- it's not a one-year thing for maintaining operational discipline. We want to be a lean Company. We want that to be part of our DNA and I would expect that to continue beyond this year.

Vladimir Tenev^ Yes. And I would just add, Devin, that it's very much part of Robinhood's DNA to operate lean and efficient. And over the past year, we've made a lot of improvements to our technology and infrastructure. So what we expect is we want to make sure we demonstrate that the business model works very, very well during slow economic times. And so when volatility does come back to equities markets and to crypto, we should see upside from that. But we also want to make sure that in hard

economic times, our business remains resilient and strong. And I think the DNA of efficiency and the fact that we've improved our infrastructure tremendously is going to help with that.

Devin Ryan^ Okay, great. I appreciate that. And then I'll just ask one quick follow-up here. You gave the interest rate sensitivity on, I think, a couple of hikes here. Are you not providing it kind of in a maybe more normalized rate environment because of kind of maybe the earlier comments around reinstating kind of high-yield opportunities on cash? Or how should we -- should we continue to roll those types of revenues forward if we normalize to 200 basis points or higher on the short end of the curve?

Jason Warnick^ Yes. Appreciate that question. What I'd say there is that there's some variability in the interest-earning accounts that we have. If you look at the margin balances, for example, this quarter, came down meaningfully during the quarter as our customers managed their borrowing levels. It also depends on how much we're able to realize from the banking partners, and depending on the balances involved, we're able to realize more or less. And then to the point that you just raised, we do intend to pass some back to customers as well.

Operator^ Our next question comes from Ken Worthington of JPMorgan.

Kenneth Worthington^ You have a number of initiatives underway, and I think it would be helpful to get a sense of the opportunity for these future initiatives by seeing how some of your past initiatives have gone. I thought of a couple, maybe there's some others, but I think you guys had rolled out incoming ACATS. How much engagement are you seeing there? And if you could, where is the money coming from?

I think you've offered direct deposits for some time. How many clients are sort of utilizing those? I know during the IPO, you guys told us about Gold accounts and the number of members there. If you could just update us on how that initiative continues to grow. I know debit cards are new but you've had a waiting list, I think, for some time. How many clients were on that waiting list and how many are using the card in the early days of usage?

Jason Warnick^ Thanks, Ken. So I'm just kind of ticking through some of these. So for ACATS In, we've seen that be one of the channels where customers are inflowing deposits into Robinhood. It's simply a portion of the channel, I guess, is what I'd say. Last quarter, we had \$5.7 billion in net deposits come in, a portion of that from ACATS In. We do have thousands of customers using it.

I'd tell you that, that particular functionality is going to be really helpful as we roll out new account types like retirement in the future as well as for customers that are just joining with us. And the feedback has been good, but we kind of view that as just a foundational functionality that we just needed to have on the platform.

Direct deposits, while we've had the functionality, hasn't been something that we've been really pushing until more recently. We wanted to have a great offering around the Cash Card so that when customers do direct deposit their paycheck, they're able to spend as well as invest. And it's really early but the early signal on the Cash Card is that we're seeing a nice adoption of the direct deposit.

In terms of Gold, the overall attach rate is about 5.5%. That subscription product today largely appeals to more advanced customers. And we have a small team working on the Gold subscription product to add value propositions that are going to appeal to a larger swath of our customers. And that's something that we'll update you on later this year.

And then debit cards, we've just started rolling out the new Robinhood Cash Card. So rolling it out slowly. We had hundreds of thousands on the waitlist of customers. And the prior cash card that we had, debit card, reached about 6 million customers on it. And so we feel really good about the value proposition of this card as we continue to roll it out, that it will appeal to our customers.

Vladimir Tenev^ I'll just throw in there one that you didn't ask about, extended trading hours. So during our rollout, we were seeing some lift in trading behavior versus the control group. But I would say that it's still pretty early. We have to determine that it's not just the novelty of the new feature. But we've been really pleased with the customer response. As you probably know, it's been one of the most asked-about features for advanced users. And it's a huge step along the way into our goal of allowing 24/7 trading in equities markets.

Kenneth Worthington^ Awesome. I knew I missed at least something so thank you for that.

Irvin Sha^ Thanks for your question, Ken.

Operator^ Our next question comes from Rich Repetto of Piper Sandler.

Richard Repetto^ So I guess my question, you talked a lot about focusing on advanced users. And traditionally, if you look at the e-brokerage industry from what we understand about it, that there was sort of an 80-20 rule where 20% of the accounts generated 80% of trades and generally the revenue.

So I guess my question is, how are you defining the uses? It may be different by asset class, whether it's crypto or option, but any sort of feel for how you define it so we get some sort of feeling of how many advanced users? And does this 80-20 rule, does it bring home to the way you're looking at it, advanced users to your overall customer base?

Jason Warnick^ Thanks, Rich. It's Jason. I'll take this one. So we do have a power law where a smaller portion of the customers do contribute more of the revenue. This is one of the reasons why we're rolling out new products that we're excited about like the

Robinhood Cash Card, for example, that is going to help customers, particularly those that don't feel like they're able to really set aside extra money to start investing.

With roundups and the roundup matches that Robinhood provides, it's giving them an opportunity to contribute. But the -- in terms of like how many, we haven't said that it is hundreds of thousands of customers, so it's a big portion of our customer base.

Richard Repetto^ But I guess, have you sought to have some internal definition of how -- what an advanced user is or cutoff?

Jason Warnick^ We do have ways to look at it internally but it's not something that we've shared outside the Company.

Vladimir Tenev^ Yes. A lot of it is based on engagement with different products. So we have some advanced customers that are trading options. We have ones that are utilizing our competitive margin rates. And we also have customers that love Robinhood for our low crypto fees and our great user experience and are trading crypto quite a bit on our platform.

And the way -- the reason we're saying that we believe improvements to the experience for advanced customers will help everyone is whenever there's an issue, since these customers are more engaged, they're more likely to run into them than a typical customer. So by making the experience really, really good for them as well as adding new features, we think the experience for the typical customer will be pristine and more flawless. So we think there's high leverage here, and there's a lot more to do for our more advanced customers.

Richard Repetto^ Okay. And just one quick follow-up. Jason, when you said 2% to 5% on the expense growth now, I believe that's what you said in the beginning. So the way to build this out would be, you build out the expenses, sort of back out what that expenses would be in -- on an EBITDA basis and then that's the goal for revenues and all the new products?

Jason Warnick^ Yes, the primary thing that you back out on operating expenses would be share-based compensation. We have a relatively small restructuring-related charge as well on the reduction in force that we just announced, but that's the right way to think about it, about 2% to 5% year-over-year increase in OpEx.

Operator^ Our next question comes from Will Nance of Goldman Sachs.

William Nance^ First, I want to say thanks for all the new disclosures. Echo the earlier comments. I think the monthlies will be very helpful going forward and looking forward to following that. I also wanted to ask a question on some of the trends in net cumulative deposits or net new assets.

I mean, despite the slowdown in trading activity, the last three months have actually been quite strong in terms of new flows, and it seems like you're growing the asset base at something like a 15% to 20% annualized clip. So maybe could you talk about strategies in place to continue to deepen the wallet share with customers from just an overall AUM perspective?

And then as you think about monetization going forward, be it through increased cash monetization, asset-based fees from third parties or investment advisory relationships, it seems like tying revenue to AUM levels is a solid long-term opportunity for the Company. Just how do you kind of size that on the opportunity set?

Vladimir Tenev^ Yes. I mean, we've certainly seen a correlation between assets under custody and revenue on the platform. And we think that wallet share and assets under custody are correlated with deepening our relationships with customers and kind of the long-term health of the business and some of the things that we're doing there.

On the new Cash Card side, you've heard us talk about direct deposits and getting customers to deposit their paychecks into Robinhood. And we see them depositing those and using our Cash Card for their day-to-day spending and also using the Paycheck Auto Invest feature to automatically and seamlessly invest a portion of their paychecks directly into stocks, in crypto.

Retirement accounts, obviously, a big one. Tax-advantaged accounts are really valuable to customers. And we think that that's a great long-term opportunity and also a building block for other passive products down the road. And on the crypto side, we also see a correlation between new asset additions and assets under custody over the long term. So as we continue to expand our selection there and look out over a longer time horizon, we think that, that will drive assets under custody pretty significantly as well.

Jason Warnick^ In terms of well, monetizing some of these asset gathering activities, obviously, there'll be some trading. Securities lending should be available, interest on uninvested cash. And then over time, we can layer on value-added services.

William Nance^ Got it. That's super helpful. I appreciate all the color. And just maybe if I can follow up with one quick technical question on the interest rate modeling. As you're thinking about the margin loan repricing as interest rates rise, could you talk about how much of the margin balances would actually be subject to that interest rate rise? And because I know a decent or some amount of the margin balances are interest-free under the Robinhood Gold program, so I just wanted to get a sense for how significant that is.

Jason Warnick^ Yes. So the first -- if you're a Gold member, you get your first \$1,000 of margin borrowing for free. And so what I would do, Will, is just look at average borrowing per customer, which is disclosed, and you can kind of get a pretty good sizing there of how much is interest earning above the \$1,000.

Operator^ Our next question comes from Craig Siegenthaler of Bank of America.

Eli Molin^ This is Eli filling in for Craig. I had a question on your digital wallet. So what's the timetable for launching it to the entire client base, not just from the waitlist? And then also, can you help us quantify the magnitude of the impact that you expect the digital wallet to have, wallet share account growth and trading activity?

Vladimir Tenev^ So yes, we're very excited about the rollout of our wallet. We think that this is an important primitive for customers who are engaging with crypto. We think it's a long-term driver of new customers onto our crypto platform, less so revenue because very few customers actually utilize deposit and withdrawal functionality.

They just like to see that it's there, especially early adopters because crypto is all about having control of your own assets. And so being a legitimate crypto platform for our customers involves giving customers that control. And we think that over time, we're going to add more things, more ways for our customers to engage in the broader ecosystem. So Wallet's enabled that, but at this point, on a stand-alone basis, we actually don't view wallets as a revenue driver.

Jason Warnick^ Yes, I would say, so Eli, you asked about the timetable for full rollout. It is actually fully rolled out, not just the waitlist but it's now general availability as well. And probably remiss not to mention that customers get an amazing deal on the coins that we offer. No commission, absolutely fantastic deal there. And so having Robinhood offer that kind of pricing to our customers, and if they want to be able to come to Robinhood, buy and then interact with the broader ecosystem through the wallet functionality, we're super happy to provide that.

Operator^ Our next question comes from Steven Chubak of Wolfe Research.

Michael Anagnostakis^ This is Michael Anagnostakis on Steven. My question is, your largest competitors announced rather substantial hiring efforts, and other public peers are continuing to invest in talent at a rapid pace to support growth. How confident are you in your ability to win market share over the long term after rationalizing your headcount, particularly given the war for talent in the industry and your orientation of growing the business over the long term?

Vladimir Tenev^ Yes, I can field that one. So it's no surprise. We grew very fast in terms of headcount. So we were 700 full-time employees at the end of 2019, grew to 3,900 at the end of Q1. And at the time, we thought that this was right to keep up with the pace of the business, but it also led to some inefficiency, some redundant roles. And we've shown that we've been able to execute rather quickly on the product road map in the past couple of quarters.

And we actually think that despite rightsizing our headcount and reducing kind of the planned hiring progression, we're still going to hire in key roles and we're still going to accelerate our pace of innovation and achieve our goals. So I think that while it was hard, this was a necessary step for the long-term health of the business.

Jason Warnick^ I'd also just add in that Robinhood at its core is a tech Company. And so over time, I would expect revenue per employee to be an advantage for this Company. So we're going to seek to be nimble, lean and just drive for innovation.

Michael Anagnostakis^ Great. As my follow-up, could you provide some detail around the drivers of the sequential movement in the crypto rebate, given that renegotiation you disclosed and some of the mix dynamics? And could you give some color as well around the go-forward impact you're expecting with the new coins? Secondly, with the rollout of those coins, are you seeing any early indications that these launches are driving increased interest in your platform from those -- from prospective customers, understanding it's only been a few weeks?

Jason Warnick^ Yes, you bet. So Michael, last quarter, we talked a little bit about slightly more than doubling the rebate rate that we were getting from our venues. In that context, we had added an additional venue so more competition, which we think is great for customers. We also just rationalized our share of the profitability between ourselves and the venues and felt really good about the increase that we got there.

In terms of new coins, our customers are thrilled that we added more coins. Response has been good. I'm not going to share specifically how that's doing. We will provide our monthly metrics about mid-month next week, so just -- or next month, so just a couple of weeks away, and we'll be able to see kind of the progress that we're doing there. But the overall sentiment has been very, very strong and customers are happy that we've added more selection there.

Operator^ Your next question comes from Trevor Young of Barclays.

Trevor Young^ Vlad, just dovetailing on that last question. Could you talk a little bit about the listing framework that you alluded to in selecting the four new coins that were recently added? And now that this framework is in place, should we expect the cadence of new coins to kind of accelerate from here? And then lastly on this point, should the eight or nine coins that have real-time data but aren't tradable yet on the platform be viewed as the road map for new coins going forward?

Vladimir Tenev^ Sure, yes. So we do have a comprehensive evaluation framework for new coins, and we're comfortable with our listing protocol. So the framework looks at things like the technology behind the coin, the security of the protocol, obviously, legal considerations around the coin; and liquidity, making sure that customers can get into and out of positions flexibly. And of course, customer demand based both on kind of our internal research and external.

We do expect that we'll be continuing to add more coins over time. I think you heard us say that we've also been, under the hood, improving our infrastructure to make it easier to safely add new coins. In terms of the timelines and how many, I won't be able to share that with you guys at this time. But I will say that to your question on should we expect

coins that we have market data to be listed by the platform, I think we've said that there's no connection.

So it's certainly -- yes, you shouldn't expect that a coin listed for just market data and price tracking will have any likely -- any higher likelihood of eventually being listed on the platform relative to an arbitrary coin.

Trevor Young^ That's really helpful. And just a quick follow-up for Jason. Just any color on marketing spend and strategy in this current environment to either attract new users or to reengage dormant users. And relatedly, any details on how you're thinking about CAC in light of the higher ARPU goal later in the year?

Jason Warnick^ Yes. So thanks for the question on that. Pretty lean on marketing this past quarter. I'd expect some increase to marketing throughout the end of the year to support awareness of our new products, general brand awareness. So we'll increase our spending a bit there on marketing and I think that's the right thing to do.

We are very mindful of our CAC and have done a lot of experiments over the past to understand diminishing return by channel and the quality of customers that we get. And so we've taken that learning and we've been mindful of that in this particular market environment where the interest in investing has generally cooled off from prior periods.

Vladimir Tenev^ Yes. And I'd also just add that one of the things we're proud of is despite our low marketing spend this past quarter, Robinhood still remained number one for self-directed brokerages when you look at weekly downloads. So that's something that makes us feel very confident. We like our position. We love the product road map, and we look forward to creating more ways for our customers to engage with us and get more value from the offering.

Jason Warnick^ Probably just to add to that most of our customers come to us either organically or through referrals from their friends. And the more that we improve the platform and add more products that our customers love, I think the more that will spin that flywheel of referrals.

Operator^ Our next question comes from Josh Beck of KeyBanc.

Josh Beck^ I wanted to go back to, I believe, it was Jason's comment about ARPU and kind of the waterfall between say, the low [50s] and the mid-80s. Certainly, it sounds like what's happening with sec lending, what's happening with the rates are big contributors of that gap. I'm just curious if there's other components, whether it's perhaps the Cash Card or activity, or if there's other factors there that we should be thinking about just in terms of bridging that gap.

Jason Warnick^ Yes. So improvements that we've been talking about for advanced traders that will give a halo effect to just the user experience on the platform, that's a big piece of it. Fully paid securities lending, increases in NIM as the Fed increases their rates, instant

withdrawals, those are the big ones. The interchange revenue that we get on the Cash Card, I think that's more of a longer-term opportunity for us. So the other areas are the bigger ones bridging where we are today to where we need to get to.

Josh Beck^ Okay, very helpful. And then one of the other comments that I picked up on was certainly trying to garner more direct deposits within the Cash Card. Obviously, winning those inflows are, I think, really important to having that holistic financial relationship. So just curious, tactically, what you're thinking about in terms of being able to gain some of those direct deposit flows.

Vladimir Tenev^ Yes. Well, I'd tell you, we've had some experience with this because even prior to the Cash Card, we had cash management, which we rolled out as an added feature to the investment account. And when we talk to customers, we heard a couple of things. One was that they really like their spending and investing to be sort of in their own lane. So separating out into a different balance was something that was very important as we rolled out the Cash Card.

The other thing is just they need to have a reason to direct deposit into Robinhood. And I think having no fees with the Cash Card and having just a great customer experience is table stakes. We wanted to go beyond that and add a really compelling debit card rewards as well as two-day early pay for the paycheck and the ability to seamlessly invest the paycheck into not just stocks but also crypto.

So I think as the equities and crypto offerings continue to mature and progress over time and as we continue to add new products, this will -- this should spin the direct deposit flywheel as well, and there will be more compelling reasons for customers to deposit their paychecks onto the platform.

Operator^ And ladies and gentlemen, that does conclude today's conference call. Thank you for participating. You may now disconnect.

Vladimir Tenev^ Thank you, everyone.

Jason Warnick^ Thank you.