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Q4 2023 Robinhood Markets Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 13, 2024 / 10:00PM GMT

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PRESENTATION

Operator

Thank you for standing by, and welcome to the Robinhood Markets Fourth Quarter and Full Year 2023 Earnings Conference Call. (Operator Instructions). As a reminder, today's program is being recorded.

And now I'd like to introduce your host for today's program, Chris Koegel, Vice President of Corporate FP&A and Investor Relations. Please go ahead.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Thank you, Jonathan, and thank you to everyone for joining Robinhood's Q4 earnings call. With us today are CEO and Co-Founder Vlad Tenev and CFO, Jason Warnick.

Before getting started, I want to remind you that today's call will contain forward-looking statements. Actual results could differ materially from our expectations, and we have no duty to provide updates unless legally required. Potential risk factors that could cause differences, including regulatory developments 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. Reconciliation to the GAAP results we consider most comparable can be found in the earnings presentation.

With that, let me turn it over to Vlad.

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

Thanks, Chris. Hi, everyone. We're going to try something a little bit different today. I'm going to keep my remarks brief so that we can spend more time on Q&A. Robinhood is focused on 3 things: number one, winning the active trader market; two, increasing wallet share as we deepen relationships with our customers; and three, expanding internationally.

First off, I want to congratulate our team for a strong 2023. Trading market share was up 14% for equities and 19% for options year-over-year. Gold subscribers were up 25% to 1.4 million and assets under custody exceeded \$100 billion, fueled by the strength of our 27% organic growth in net deposits. And we've launched brokerage in the U.K. and crypto in the EU.

A couple of points to call out. In Q4, we finished with \$1.3 billion of net positive brokerage account transfers into Robinhood, and we've already exceeded that total halfway through Q1. We've been taking trading market share for some time, and now we're winning net asset inflows from every one of our major competitors, averaging over \$100,000 per transfer.

And as for funded customers, we've already grown more in the first half of Q1 than we did in each of the last 8 quarters. So I love the momentum we're building, and I'm excited about 2024.

Before I discuss our road map, let's have Jason review our financial results.

Jason Warnick *Robinhood Markets, Inc. - CFO*

Thanks, Vlad. It's good to speak with everyone today. We had a strong Q4 and 2023, and we have a lot of momentum starting 2024. Looking at 2023, we delivered significant profitable growth with record full year revenues, record adjusted EBITDA and record adjusted EBITDA margins.

We grew revenues 37% to \$1.9 billion, delivered adjusted EBITDA of \$536 million, which is more than 3x our prior high. We drove 124% incremental margins as revenues grew by more than \$500 million, even while we lowered costs, and we expanded adjusted EBITDA margin to 29% as we make progress over time towards the 50%-plus levels we see from incumbents.

And looking at Q4, we delivered \$0.03 of positive GAAP EPS. Aside from the regulatory charges last quarter, Q4 would have been our third straight quarter of positive earnings per share. Q4 was also our sixth straight quarter of positive adjusted EBITDA. We're pleased with our results in 2023 and aim to continue delivering profitable growth in 2024.

Let's move to our fourth quarter business results. Assets under custody finished Q4 back over \$100 billion for the first time since 2021. We delivered strong Q4 net deposit growth at a 21% annualized rate, and we're focused on driving net deposits even higher by improving our user experience and value proposition.

When we look at historical customer cohorts, we see they have consistently added to their net deposits over time, which we think provides a strong foundation for sustainable long-term asset growth. And newer cohorts are starting with balances 1.5x to 2x higher, which is even more encouraging.

We're also delivering growth in Robinhood Gold. Compared to our average customer, Gold subscribers in Q4 had more than 8x the assets with an average of about \$40,000, grew net deposits more than twice as fast, and have adopted our products at higher rates. Gold subscribers are up 25% year-over-year to 1.42 million. Gold ARPU is multiples of our average customer, which includes Q4 annualized recurring subscription revenue of \$85 million.

This gold growth brings our adoption rate up to 6.1%, and we're working to take this even higher as we keep improving the value proposition. We also have strong momentum to start the year, as we added another 60,000 gold subscribers in January alone -- that is nearly 3x the monthly average we saw in 2023. Our team is also hard at work on new credit cards for Robinhood customers, starting with something special for gold customers. Currently, for funded customers with our historical X1 credit card, they have an ARPU of over \$300 on credit alone. That's nearly 4x our current average. This represents another opportunity for us to diversify our business and introduce new products to our customers who have a median credit score of about 720, and 2/3rds of whom are prime or prime Plus. We look forward to sharing more about our plans with you soon.

Now let's turn to financial results. In the fourth quarter, we generated net income of \$30 million as total net revenues increased 1% sequentially to \$471 million, and total expenses came in better than our outlook.

Looking at Q4 revenues, transaction revenues increased as crypto notional volumes nearly doubled. And other revenues grew as we saw early traction in Sherwood Media and added more gold subscribers. These increases were partially offset by the anticipated decline in net interest revenues from lower securities lending demand across the industry.

I'd also note that our monthly metrics now include total sec lending revenues, so investors have even more visibility into the drivers of our net interest revenues through the quarter.

Looking at fourth quarter expenses. Adjusted Opex was \$364 million, performing better than our outlook even while we increased our growth investments. And for share-based compensation, it was \$81 million, in line with our outlook. This combination drove Q4 adjusted EBITDA of \$133 million, up 62% from a year ago.

Now let's move to our 2024 outlook. We aim to deliver another year of revenue growth and margin expansion. Looking at revenues. With the current macro backdrop, we're planning for strong growth in 2024, driven by continued 20-plus percent net deposit growth, increasing gold adoption, double-digit gains in trading market share, exciting new product introductions, and our diversified revenue model. And the year is off to a great start. January net deposits were nearly \$4 billion, of which about 1/3 was

net positive transfers in from other brokers. That January result was the highest monthly total since the first half of 2021, and we're seeing continued strength in early February.

Looking at expenses, we plan to continue investing across new products, features, marketing and international - while getting more efficient in our existing businesses - and managing headcount growth all-in to low single digits.

Our 2024 outlook for combined adjusted Opex and share-based compensation is \$1.85 billion to \$1.95 billion, which is up 5% at the midpoint from last year's \$1.81 billion excluding the founder award cancellation. This range includes about \$85 million of quarterly share-based compensation, similar to our run rate for the back half of 2023.

As for timing, we anticipate Q1 will likely be in the upper half of our implied range as we lean into marketing investments to start the year. We also continue to closely manage our share count. In 2023, diluted share count decreased nearly 5% due to the purchase of 55 million shares in Q3. And in 2024, we expect to manage dilution to 2% or less.

We believe this plan positions us to drive profitable growth again in 2024 as we grow revenues and expand margins. We'll have to see how the year plays out, but so far, we like the growth we're driving to start the year.

I also wanted to share some perspective on the interest rate backdrop in 2024.

First, when we look at the forward curve, the implied average Fed funds rate in 2024 is roughly the same as it was in 2023, making rates of fairly neutral input for revenue year-over-year. Second, of our \$30-plus billion of interest-earning assets, less than half of that is rate sensitive because we pass the vast majority of cash sweep interest onto our customers. So as rates move, we do not anticipate a significant change in the yield we earn on cash sweeps. And third and most importantly, declining interest rates tend to support growth in assets, balances and trading. So we think 2024 is the year when we'll see interest rates shift from being a headwind for our business growth into a tailwind.

In closing, we had a strong Q4 and 2023, and we have a lot of momentum to start the year. We remain focused on driving profitable growth for shareholders as we work to maximize EPS and free cash flow per share in 2024 and the years to come.

Now I'll turn the call back to Vlad.

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

Thanks, Jason. As we enter the year, I want to highlight some of the areas we're most excited about to drive growth in 2024 and beyond. First, for winning the active trader market, we're going to continue to invest in our user experience on mobile, where we're currently #1 in market share. In addition, we will be launching a more feature-rich professional offering on the web for active traders, and we're also

working on expanding our selection of tradable assets, in particular, with index options and futures coming later this year.

Second, to grow wallet share. We're focused on increasing gold memberships and net deposits. We plan to keep investing to make Robinhood Gold even more valuable for our customers and build off the early success of our retirement offering. At the same time, we also plan to launch new products like credit cards and add new account types such as joint accounts.

And third, for international expansion, after launching crypto in the EU and brokerage in the U.K., we have tens of thousands of international customers so far. What we're hearing from customers is that they want more of the full Robinhood product suite. So we're working to build that for them. We're also pursuing opportunities to expand into more jurisdictions.

Reflecting on the past 4 years, we've tripled our customer base and grown revenues nearly 7 times. And when we look at all that's in front of us, we're excited by the opportunity to continue growing Robinhood significantly from here. And we have a ton of momentum to start 2024.

I want to thank our customers and team for a great 2023. The team has been working incredibly hard. The road map is full. There's so much to do.

Now let's move on to questions.

QUESTIONS AND ANSWERS

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

For the Q&A session, we'll start by answering the top 5 shareholder questions from the Say Technologies ranked by number of votes.

We passed over several questions that we already addressed on this call or in prior quarters, and group together questions that share 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. This one is for Jason. Your stock price is down 70% since the IPO. What do you have in place to get your stock price back up -- is a dividend in the works to at least provide some return on investment?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Thanks for the question. We're hard at work on the inputs to driving value for shareholders. In 2023, we increased revenue by over \$500 million and grew adjusted EBITDA even faster. And we're focused on driving revenues and profits higher in 2024.

Over time, as we deliver on these inputs to the business, I think the stock price should follow. As for capital returns to shareholders, last year, we bought back about 6% of our shares, and we'll continue to look for efficient ways to deploy our capital, including investments in growth, M&A to accelerate our road map and returns of capital to shareholders over time. But right now, to your question, we don't have any plans for dividends.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Thank you, Jason. The next question is for Vlad. Vlad, what will it take to get Robinhood to the next level to start competing with Fidelity and the rest of the most common brokers?

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

Thanks for the question. So for starters, I think Robinhood is already competing with Fidelity and the rest of the common brokers. If you look at active traders, we've been growing trading market share by double digits. So that's not just volume, but market share. We won head-to-head net asset transfers from all the other major brokerages in Q4, and that includes Fidelity. So that means that more assets actually flowed from Fidelity to Robinhood in Q4 than the other way around.

And so to take it to the next level, we're really excited about our strategy. We think there's so much more to do for active traders. The road map is full and that includes investments across a slew of areas. One, making sure that the user experience remains best-in-class and continuing to invest there, adding new product innovations that our competitors don't offer such as 24-hour market, new asset classes, like futures, which are active traders have been really excited about and asking for and new account types and more of the table stakes features that we just still have to get to. So there's a lot to do.

And I should also mention -- not a lot of the brokers have adopted new technologies like crypto and that's an area where we're continuing to invest, and I see us extending our lead throughout 2024 and beyond.

Next is increasing wallet share. We've talked a little bit about the success we're seeing in driving net account transfers from other brokers. We think that there's a lot of headroom. There's a lot of improvements in our passive offerings like retirement. The road map there is full, and we're very excited about the credit card.

And finally, international. We did launch in the U.K. for brokerage and crypto for EU which expands the addressable market quite dramatically. Not a lot of the common brokers even have an international presence to note. And I think over the next few years, we're making significant investments there. So I think if we're successful executing on our strategy, you could see Robinhood winning by even larger margins going forward.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Thank you, Vlad. The next question is for Jason. Jason, Robinhood has been profitable off and on, do you see Robinhood joining the S&P 500 by qualifying and being profitable 4 quarters in a row?

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Jason Warnick *Robinhood Markets, Inc. - CFO*

We'd love to join the S&P 500. And I think we're focused on the right things to do that, delivering consistent profitability, growing revenues even higher, remember, though, there are only 500 spots on this, and this is a committee decision. So it's not completely in our control, but we'll keep focused on our business. And over time, it would be great to be part of that index.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. The next question is for you, Vlad. What kind of progress should we expect from the company in 2024?

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

So I'll break it down into the 3 areas we're focused on. For winning in the active trader market, there's user experience improvements, new assets like futures and index options, as well as -- I mentioned in my remarks earlier today, we've been doing very well on mobile. We're #1 in market share there. Frankly, on web, we haven't been doing as well. And so we're making a big investment there, and we're going to be launching more professional offering geared toward active traders. So we're very excited about that. And as we continue to execute here, you should be able to track the progress and continued market share gains across all the assets that we offer, including equities, options and crypto.

For increasing wallet share, the credit card is something we're very excited about, including a special credit card for gold customers. There's more to do on Robinhood Gold in general and in retirement, and we'll also be building and offering new account types like joint accounts. And there you should be able to track progress there by looking at our net deposits and our gold subscribers.

And then expanding internationally. We launched in the EU for crypto and in the U.K. for brokerage. Really what we're focusing on is delivering more features, making those experiences more feature-rich and building on the initial U.K. and EU momentum that we've generated. And then what you should see there is an increase in the percentage of our funded customers that come from international markets as well as new funded customer growth over time.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

All right. Thank you, Vlad. And Vlad, this last Say question is also for you. Please offer a yearly realized gain and loss tracker showing short- and long-term gains. I've asked this in multiple earnings and currently have to track it manually in Excel.

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

Well, thank you for the feedback, and thanks for continuing to ask. There is an impact to you asking because this is something that the team has actually been working towards. We're working hard to make great improvements to our tax lots and P&L tracking this year, and we hope you'll like them. So stay tuned.

Chris Koegel *Robinhood Markets, Inc. - VP of IR*

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

Operator

And our first question for today comes from the line of Dan Dolven from Mizuho.

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

So I was actually really, really impressed by your comment about the \$1.3 billion of net positive brokerage account transfer. To me, it looks like you're gaining massive share. I know in the past, other brokers have said that they're taking share away from you, looks like the tide is turning. Like what are you seeing now?

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

Yes. I mean, we've been investing a lot in the user experience. We've been investing in the service. The product results speak for themselves. In Q4, we were net positive -- so positive on a net basis for account transfers from every one of our major competitors. And these are big accounts coming in. So what's really amazing is I think the new functionality that we've been offering and the service quality improvements have led to people being comfortable moving in hundreds of thousands of dollars into Robinhood, which people wouldn't really talk about as much, but now it's becoming a destination for people's serious money.

We're going to continue to double down on that. Again, I want to emphasize we're not getting complacent. There's a ton of work that remains to be done and to be able to deliver these types of results and see customers coming to us from all of our major competitors in Q4. And what we've announced in so far in Q1 has just been really positive. And it's taken a ton of work from the team to both improve the product and service and get to where that's happening.

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

I know it's early days, but how -- can you talk a little bit about progress in terms of accounts and traction you're getting in the U.K. Because this is, I think, a huge opportunity for Robinhood. I just want to see how the traction has been going? And congrats again.

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

Yes. No, we're very excited about that. A big part of our strategy is making Robinhood available to hundreds of millions of additional customers. And so I think we've talked about tens of thousands of customers in the EU and the U.K. already.

The U.K. is still rolling out. So we're working towards the app being generally available to any customer in

the coming months. And we know we've got a lot of work to do. There's a lot of features that exist in the U.S. that our customers expect in these markets. And especially on the crypto side, there's going to be things that we can deliver in those markets that are not available in the U.S. So the road map is full and both of the teams have been grinding exceptionally hard to improve the product at a very fast clip there.

Operator

And our next question comes from the line of Devin Ryan from JMP Securities.

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

A question just on kind of interest rates and trading. And I appreciate kind of the inverse correlation that you talked about obviously, sitting here today with materially higher customer cash balances. And as you mentioned, you're passing along the majority of that benefit to customers. So if rates eventually do start to move lower, how are you guys thinking about the magnitude that could move back into the market from kind of those cash balances? And then just what the implications are on ARPU? Is that a net positive to ARPU? Or how should we think about the interplay to revenues?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. Devin, this is Jason. When we've looked at kind of the movement of trading activity relative to interest rates moving up and down, we've seen a pretty strong inverse correlation there. And so we feel really good that we've got a nice natural hedge in the business between interest rates falling and interest in trading picking up. And so in my comments, I talked a bit about the passing along a big portion of the interest rates to customers on gold sweep, looking at the average interest rates expected for '24 being roughly in line with '23. So we feel really good about that.

And then as I mentioned, kind of most importantly, we think that falling interest rates create a tailwind for the business. So overall, we feel really good about delivering strong revenue growth in this current macro environment.

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

And then just a follow-up here just on expenses. Obviously, I think the expense guide, 5% of the midpoint is very good. And you guys sound confident you can still fund all of your growth initiatives. So how do you guys think about maybe core growth in expenses over the intermediate term, maybe next 3 to 5 years? I would assume that it would be higher than that 5%. Maybe just walk us through some of the moving parts there?

And then just the second part of the question is just thoughts on leaning in more on marketing spend. I mean you had a fantastic quarter. It sounds like you're having a lot of success with these promotions. And I'm just curious if maybe it makes sense to even lean in more there because it would seem the payoff is very good with all the momentum you have there?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Great question. So first of all, when we look at core expense growth this year, we actually have a plan to take that down high single digits, perhaps even 10%, and redirecting that spend to fund new growth initiatives. And then kind of looking out over the mid- to longer term, in terms of core growth, we think that could be low single digits, perhaps even lower. There's still a lot of opportunity for us to drive efficiency in this business. And we think we can maintain our core business and redirect the savings into growth initiatives over time.

On your question about leaning more into marketing, you're on the same page as the management team. That is the plan this year, and we are planning to spend up to about \$100 million more in marketing in 2024, which is baked into this guidance. The team is really focused on bringing in high LTV customers with that spend, and we're liking kind of the early signals that we're seeing, and so we want to lean in more there.

Operator

And our next question comes from the line of Alex Markgraff from KBCM.

Alexander Wexler Markgraff *KeyBanc Capital Markets Inc., Research Division - Associate*

Just wanted to come back to the account transfer and some of the disclosure around the 1% bonus offering. Just wanted to understand how the average balance transfer, I think it was \$100,000 kind of stacked up against your expectations for that campaign? And then glad with some of your comments earlier. I mean is that directionally kind of the new normal in some of these transfer campaigns? Or how should we think about that?

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

Yes. So I would just say, looking back, over the past 10 years, we've taken market share of the trading activity. Now we're coming for the assets, too. So our focus is increasingly going to be on driving asset growth. We just completed the 1% promo for ACATS in taxable brokerage accounts. We saw over \$3 billion in ACATS in from that. And now we're turning our focus on the 3% retirement promotion on rollovers and transfers. For retirement accounts that runs through tax season. On average, as you pointed out, the customers transferring assets over are much larger than kind of the average account size. And we're really excited about the momentum that's giving us to start the year.

Alexander Wexler Markgraff *KeyBanc Capital Markets Inc., Research Division - Associate*

And maybe if I could just squeeze in one more. Any sort of color or observations you could share with us on the interplay between some of the spot bitcoin ETFs that were made available in the early part of the year as opposed to direct bitcoin ownership?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Alex, this is Jason. I'll go ahead and take that. So we're really pleased to be offering all 11 of the Bitcoin ETFs on the first day of trading. I think that was a great outcome for customers. So far, we're seeing nice interest in the ETFs, but we think it's additive. About 5% of our overall trading in crypto is through the

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ETF with 95% still being on spot trading through the crypto business. And that's stabilized.

So we feel really good to offer the selection for customers. We think it increases overall market interest in crypto and also brings liquidity to the market. So net-net, we're really pleased with the Bitcoin ETFs.

Operator

And our next question comes from the line of Will Nance from Goldman Sachs.

William Alfred Nance *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Just I know in the prepared remarks, we're talking about continued revenue growth and margin expansion for the year. And it sounds like that's -- the assumption is it's probably coming on the revenue side, more from the trading side than from NII, given the commentary around rates sort of being a push. So correct me if I'm wrong there, if you -- if there's like an assumption around better earning asset growth. But I guess my thought -- my question would be, in the earlier response to one of the questions, it sounds like there's actually a lot more growth-related investments happening underneath the surface in this expense guide, and you guys are funding that with continued operational efficiencies and doing what you guys have done an amazing job over the past 2 years of doing and rightsizing the expense base. So just -- maybe can you talk about sort of how much of that growth related investments is sort of discretionary? And if we do see some kind of reduction in either near-term trading activity? I know we saw a very nice increase and it seems like both options and crypto towards the end of the year. How -- what kind of flex is there in those growth-related investments?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. I mean I think marketing is almost always considered a discretionary spend. And so as I mentioned in my earlier response that we're leaning into marketing, that is always up to reevaluation, up or down, depending on the macro backdrop, how that changes and also how effective the marketing spend is. And so we'll continue to see how that plays out. and update as we go.

In terms of the cost savings that we're realizing in our core business, I said high single digits to perhaps even 10% of cost reduction there. And we're redeploying that into new areas of our business areas that Vlad was highlighting earlier.

New growth is certainly discretionary. I'd say that we've decided, though, that we're pursuing these growth opportunities. And so I wouldn't expect us to pull back there certainly in 2024.

And Will, you did say rates are a push, and I agree with that. I would say that we also continue to see strong kind of double-digit growth in net deposits. And so assets continue to improve year-over-year, and we're certainly starting with a higher balance at the beginning of '24 than what we saw in '23.

William Alfred Nance *Goldman Sachs Group, Inc., Research Division - Research Analyst*

All that makes sense. And then just questions around -- your thought process around the European expansion over the course of this year. What does that play into expectations, if any? And what's the

latest thinking on when this could be a more meaningful part of the story over time?

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

Yes, I'll take that one. While it's still early, we really like the initial traction we're seeing. We're already seeing a healthy portion of our user growth coming from outside of the U.S. And our focus now is really rounding out the product suite, bringing more services to customers across the globe. We think there's a huge opportunity for international to become a big part of our business.

Operator

And our next question comes from the line of Steven Chubak from Wolfe Research.

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

This is Michael Anagnostakis filling in for Stephen. I just wanted to -- Just want to touch on Fully Paid Stock Lend here. Could you give us an update on where you are in the journey for the fully paid program; how much incremental penetration you think you can drive? And given the uptick has been obscured by what's a challenging backdrop, can you remind investors what you think that business can deliver from a revenue perspective in a more normal environment?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. Thanks, Michael, for the question. We're really pleased with the progress that we're making on the inputs of the securities lending business, particularly fully paid securities lending equities enrolled in the program increased from Q3 to Q4 from \$10 billion to \$14 billion. So really, really pleased with that, and we added 500,000 customers into the program on a sequential quarter basis.

I still think that there's quite a bit of headroom for us to continue to penetrate and get securities lending fully paid into the hands of our customers. It's a great way to augment yield, as we all know, and the team is hard at work to make sure customers understand that. I think that's showing up in the progress that we're making.

At the moment, the rebate rates that we're seeing are lower across the industry. But over time, I think as that normalizes a bit, the progress that we're making on inputs is really going to show through from a revenue basis.

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

Yes, we think we still have room to run and we could make meaningful progress towards heightened penetration this year.

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

Got it. And then I guess my follow-up, I wanted to briefly hit on expenses again, maybe in a different vein. Now that the head count reductions are largely in the rear view, how should we be thinking about the direction of travel for expense per head given the scalability of Robinhood coupled with the investments you're making, particularly international, where I imagine that may drive some incremental

head count growth?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes. So the plan on head count is to be roughly flat to slightly up this year. So we feel really good about the head count posture that we have. In terms of the expense per head, there does continue to be opportunity for us to get even more efficient. Today, the vast majority of our head count is in higher cost U.S. geographies, and there's opportunity there over time.

I think the real opportunity for us on head count is really just increasing revenue per employee. And there, we feel like we're just getting started. There's a lot of opportunity for us to leverage the fixed cost infrastructure that we have at the company as we grow the business over time.

Operator

And our next question comes from the line of Michael Cyprys from Morgan Stanley.

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

I wanted to ask about crypto. An area you guys continue to invest in. I was hoping you could elaborate on the investments you're looking to make here in '24 and beyond? As well as how you envision crypto contributing to your business as you look out over the next 3 to 5 years?

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

Yes. I mean we're investing a large amount into crypto, both in the EU and domestically. I think there's a ton of improvements left to make. Last year, we were really focusing on the trader experience and providing clarity, which we believe we've made significant progress on in just how much better our pricing is than that of our competitors, and we've seen that reflected in crypto trading market share.

We've also seen, and you probably caught this announcement just in the past couple of days. Our on-ramp technology, Robinhood Connect, we've been making meaningful progress there. And so if you think about all that we have to be really, really good at to power our retail crypto offering, we've gotten really good at quick money movements, getting your fiat dollars into crypto as seamlessly as possible through building out our transfers products, delivering those funds into noncustodial wallets seamlessly. And so Robinhood Connect really leverages that and turns that into a powerful B2B product.

We announced a partnership with MetaMask a couple of days ago, and they've been one of the market leaders in noncustodial wallets. And they do a really nice thing where you can actually compare the use of different on-ramps. And they sort it by which one is the most cost effective. And when you kind of look on that page, you see Robinhood at the top. So I think it really shows the investments that we've made in our platform and it's reflected in us being able to offer lower cost, not just for our consumers, but for business partners as well.

And I think you'll see us chipping away at this bit by bit we think we can be the leading player in bridging the worlds of traditional finance and crypto. So there's a lot more where that came from.

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

And just a follow-up question, if I could. On the expense side, you guys continue to drive efficiency in the business or you mentioned you can reduce underlying costs in '24 by up to 10% or so, understanding you look to reinvest that elsewhere. But over the medium term, you could potentially look to grow expenses at a low single-digit pace. I was hoping you could maybe elaborate on the top contributors to that level of efficiency? The specific steps you're taking here in '24? And how those may -- those steps may differ as you look out over the medium term to hit those particular targets If you would?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes, sure. I mean we've been really kind of fine-tuning our skills over the last couple of years in terms of efficiency. We were focused on business process efficiency using technology. We have a team that we've spun up that helps the business find opportunities to improve efficiency. One project we just finished was on recruiting. And we think we can save 20% to 40% of our time just on the recruiting process from optimizing our business steps that are involved.

As I mentioned earlier, I think there's an opportunity for us over time in terms of place of work with the vast majority of our employees working in high-cost locations within the U.S. That's something that we can make progress on in '24 as well as beyond. So those are the big levers that I'd point to.

Operator

And our next question comes from the line of John Todaro from Needham & Company.

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

I guess I have 2 here, both on the crypto components. The Bitcoin ETF versus buying Bitcoin directly on the platform, you mentioned earlier about 5% of overall crypto you thought was flowing into the ETFs. So was that 5% that migrated away from buying Bitcoin directly? Or was that an additive percent?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. We saw it was mostly additive. There were some traders that sold out of spot and got to ETF, but that was really more of the exception. And we also offer the ETFs in our retirement accounts, which accounted for some of the pickup as well. So overall, we don't view this as cannibalization. It's additive, and we think it's really good for customers as well.

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

And then just one more. On the MetaMask integration, I think that's really interesting. It does kind of pivot Robinhood to be more of that Fiat on-ramp to the ecosystem, DeFi on chain stuff. Just curious, though, what is kind of the monetization strategy with that integration short term and then longer term?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. So we collect fees on the activity of the on-ramp. So that's the primary source of monetization and then any trading on our platform for that on-ramp also would show up in our transaction-based

revenues.

Operator

And our next question comes from the line of Patrick Moley from Piper Sandler.

Patrick Malcolm Moley Piper Sandler & Co., Research Division - Research Analyst

I just had one on Robinhood Gold. Just hoping you could update us kind of on how you think about pricing there, with the expanded offerings that you're adding for \$5 a month seems like an inexpensive price to pay. So just hoping you could update us on your thoughts there. And then maybe as we look internationally, how you sort of think about taking the subscription model overseas and how you see that playing out with a different kind of geographic customer mix?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. This is Jason. I'll start and we'll see if Vlad has any additional color. We love the Gold program. Gold members have an ARPU that's multiples of our average ARPU. And you're right, the \$5 a month is just a screaming deal. We want it to be obvious for every customer that they should be a Gold subscriber.

So we're paying close attention to the behavior of Gold. They're bringing in more net deposits. They're using more of our products and they do all of that with a relatively modest monthly subscription. We'll evaluate pricing over time. But all in, we just love the economics of the gold subscription. And I do think, over time, there's an opportunity for us to take Robinhood Gold internationally.

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

Yes. I don't have much to add there. I think that other financial service companies offer these Gold perks to their high net worth customers. And usually, there's balance requirements. You have to have millions of dollars in your account. And so we think it's very mission aligned to provide those same types of services to any customer for such a small monthly fee. I think it really has the potential to disrupt the wealth management industry just in the same way that we've been disrupting trading. And our focus has been on making the experience even better, getting the adoption rate up making it easy for new customers, in particular, to onboard onto the product we've seen really healthy improvements in sort of like the first week attach rate of Gold among new customers. And we think that there's further improvements, and we've got a lot slated for this year to make the gold offering even better.

Patrick Malcolm Moley Piper Sandler & Co., Research Division - Research Analyst

And then just a follow-up. On the equities and options take rate. Those have been coming down for the last couple of quarters, options fee capture seemed to stabilize somewhat in the fourth quarter. Equities declined again. So just kind of as we look out to the next year, how do you think -- or how do you see the take rates there? Kind of what's the trajectory over the next couple of quarters, I guess, is the question?

Jason Warnick Robinhood Markets, Inc. - CFO

Yes, you bet. I'd zero in on options for that. For the back half of the year, both Q3 and Q4, we were running at \$0.41 per contract. And in January, we're in that zone, but the mix is improving a bit. So we'll

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have to see how the year plays out. And nothing really to highlight on the equity side.

Operator

And our next question comes from the line of Ken Worthington from JPMorgan.

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

As we look to election season in the SEC, do you expect the SEC will execute on the market structure changes proposed last year for equity markets? And if so, do you think that equity market structure changes will differ from the original proposals or are they likely to stay on track? And which are you -- are kind of most important to Robinhood here?

Jason Warnick *Robinhood Markets, Inc. - CFO*

So we think a fair amount will probably be executed heading up into the election season. I think best ex is an important aspect to that. We participated in the comment process and we feel like a fair number of our comments were incorporated and that's baked into really the expectations that we have for 2024.

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

And then on TOAs, you mentioned that the TOAs are positive for the major brokers. Are you seeing positive transfer of assets from the major crypto providers as well?

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

So it's a little bit difficult to reconcile the crypto activity in that way because a lot of people use crypto or Robinhood as an on-ramp to transfer to purchase crypto and then kind of use it in the web 3 ecosystem. So it's a little bit different of a behavior than brokerage ACAT transfers, where those assets tend to sit and accumulate. So I don't think you can make really apples-to-apples comparison.

Jason Warnick *Robinhood Markets, Inc. - CFO*

The one thing, Ken, that I'd highlight is that the crypto volume on Robinhood nearly doubled in Q4. So really seeing strong engagement and increasing market share.

Operator

And our next question comes from the line of Benjamin Budish from Barclays.

Benjamin Elliot Budish *Barclays Bank PLC, Research Division - Research Analyst*

I wanted to follow up on an earlier question about taking the subscription model overseas. Maybe can you talk a little bit about now that you're rolling out in the U.K., what the revenue model looks like over there? I mean, I think we all understand it will look somewhat different than the U.S. can you kind of give us -- any kind of color on what that should look like as the platform ramps over there? What are the kind of main sources of revenues?

Jason Warnick *Robinhood Markets, Inc. - CFO*

Yes, Ben, I'd say in the U.K., we know that payment for order flow isn't allowed. But really, all of the

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other income streams are available there over time. So margin, fully paid securities lending, certainly interest on cash. And so I would say as we look internationally, the revenue characteristics and ARPU in some jurisdictions, it will be a little higher than the U.S., some a little lower. But on average, we think that the income potential is pretty much on par with what we're seeing in the U.S.

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

And we know that, that market, in particular, is very used to subscription products. So we're definitely hard at work crafting a great Gold experience for international.

Jason Warnick Robinhood Markets, Inc. - CFO

Yes. And remember that payment for order flow is actually a pretty modest portion of our revenue for equities trading in the U.S. And so not having that in the U.K. is not a big concern.

Benjamin Elliot Budish Barclays Bank PLC, Research Division - Research Analyst

And maybe one follow-up, maybe sort of connected. Can you talk about the activity you're seeing in your 24-hour markets? I know some of the appeal is for overseas investors who are far away in different time zones, but you've talked in the past about expanding access outside of the traditional trading hours. So what sort of activity are you seeing there? What kind of uplift might you see as you kind of continue to roll out more stock to that offering?

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

Yes. I think the team has done tremendous work, making the 24-hour market offering better and better. We started with a pretty limited set of names roughly a year ago. They've been adding names by the hundreds. So we have somewhere around 900 tickers available in the overnight trading session. Hundreds of thousands of our customers have used the product. And we've seen particularly strong activity around earnings, when really Robinhood is among the only places available to trade some of these tickers.

So we're going to continue to invest there. I think there's a lot to do, particularly as we improve the active trading tooling and offerings because product is resonating particularly well among our key active trader customers.

Operator

Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Vlad Tenev for any further remarks.

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

Yes. Thank you all. Great questions. And the team is already hard at work getting 2024 started. So not much holiday rest here for Robinhood. We look forward to seeing you next quarter.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the

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program. You may now disconnect. Good day.

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