

Initiating Coverage:

Robinhood Markets Inc (\$HOOD)

HOODwinked by Volatility

Key Take-away: Robinhood's revenue is dominated by two rate-sensitive streams: net interest income and transaction-based trading revenue. These two often move in opposite directions as interest-rate policy and market volatility changes. This structural split makes HOOD a macro-levered business: the same policy move (e.g., rate cuts) can either depress net interest income or lift trading volumes (sometimes both). Therefore, outcomes are scenario dependent. Their recent acquisition of Bitstamp— a Luxembourg based cryptocurrency exchange and the world's longest running crypto platform— Trade PMR, and their agreement to acquire WonderFi— a leading Canadian digital asset services provider— during the second half of 2025 signals strong growth potential, helping materially diversify Robinhood beyond U.S. equities. These transactions bring institutional clients and expand cross-border distribution, generating non-transactional fee income and lower dependence on U.S. commission cycles.

Access to IPOs: Robinhood's IPO Access allows its users to request shares of a company at its initial public offering price, something originally reserved for large institutions. Customers sign up to place a conditional offer to buy before the IPO pricing, and the order only becomes official when the IPO price is set. Although allocations and order fulfillment are random, this provides a way for the average person to get involved in the financial market, contributing to its mission to “democratize finance”. Since 2021, Robinhood has offered IPO Access for dozens of deals, giving retail investors early upside potential— often with rapid first day gains. In May 2021, FIGS allocated roughly 1% of its 22.5 million shares to Robinhood users, with a 36% jump in price on day one. This access gives users the rare opportunity to buy at IPO price, and Robinhood has placed regulations to try and keep users to hold in the long term (selling IPO shares within 30 days triggers a 60-day ban from future IPOs).

Cryptocurrency and Stablecoins: Robinhood allows for commission free trading of cryptocurrencies like Bitcoin and Ethereum whilst supporting stablecoins like USDC— providing their users with a less volatile option to park funds during market swings. It also permits seamless trading and transfers through Robinhood Wallet. Stablecoins play a key role in crypto market trading, payments, and decentralized finance. Although Robinhood has not announced plans to launch their own stablecoin, the acquisition of Bitstamp hint at possibility of token offerings in the future. Users benefit from reduced volatility exposure, faster trades, and potential future opportunities, strengthening Robinhood's platform engagement. Recent U.S. regulations (e.g. GENIUS Act) can help speed up mainstream crypto adoption, which would be a positive for Robinhood Crypto. However, it's still unclear when or if these rules will be finalized.

Valuation: We initiate coverage with a \$100.00 PT.



Consortium Research Group
FIG | Fintech
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Stock Rating: Underweight

Price Target: \$100.00

Price: \$115.01

Potential Upside/Downside: -12.28%

Ticker: SHOOD



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Company Overview

Company Description: Robinhood's mission is to democratize finance for all, making investing accessible through issuing a commission free trading model and having no account minimums. Although their user base consists primarily of millennials and Gen Z, Robinhood has diversified its services to attract a broader audience and multiple revenue streams. These include options trading, cryptocurrencies, retirement accounts, debit cards, and early access to IPOs, which was originally exclusive to institutional investors.

Democratizing Finance: Robinhood provides commission free trading on a mobile app, with the goals for making investing as accessible as possible. They have no fees for stocks, ETFs, options, and cryptocurrencies, which are traditional barriers to entry, and attract millions of first-time investors. Their app is easy for new users to use, with features like push notifications, fractional shares, and a simple interface that encourages engagement— especially with younger users.

Crypto and Stablecoin Integration: Robinhood is currently diversifying its services through the integration of cryptocurrencies and stablecoins. Users can hold stablecoins (e.g. USDC) and trade Bitcoin and Ethereum. This offers a lower-risk way to enter or exit the crypto market, while creating a potential stream of fee income. They have a self-custody wallet, enabling cross chain swaps and decentralized finance interactions. Future expansions like potential proprietary stablecoins or staking services can also capture bigger market share in the digital asset economy.

Industry Overview

Regulatory Trends: The SEC classifies most cryptocurrencies as securities, resulting in compliance challenges for exchanges and issuers. There are concerns raised among traditional firms about transparency. One way that Robinhood makes profits despite offering zero commission is through payment for order flow (PFOF), accounting for over \$1.1 billion in transaction revenue during the first half of the fiscal year. However, regulators cracked down on this, and Robinhood had to pay \$45 million in SEC penalties for operational failings. Recent lawsuits against Ripple and Coinbase also showcase enforcement risks in the cryptocurrency and tokenization sectors. Though tokenization opens new markets, it also brings regulatory issues and uncertainty.

Elevated Retail Trading: In the year of 2025, there has been a surge in retail participation, surpassing the meme-stock frenzy in 2021. This resulted in delivering massive inflows into stocks and ETFs that have powered transaction-based brokerages like Robinhood. Robinhood's trading revenue rose by 65% during Q2, with profits more than doubling to \$386 million, pushed by options and crypto trading. Announcements like employment figures fuel high volatility trading and therefore trading volume and commissions.

Technological Behavior Shift: Although Robinhood grew on active, speculative trading, its user base is shifting. Assets in IRA and Roth IRA accounts have increased to over \$13 billion, signaling a growing adoption of passive, long term investment. Robinhood is also utilizing AI through *Cortex*, which should streamline customer services, automate processes for financial advisors, and provide better tools for technical analysis. This pivot to AI enabled services and passive investing tools reflect the broader consumer preferences for accessibility and automation, expanding Robinhood's role beyond day trading.

Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
COIN	\$79,850	\$74,720	58.0x	\$6,710	\$2,384	
SOFI	\$26,210	\$26,263	46.0x	\$3,030	\$900	
SCHW	\$174,410	\$154,950	27.0x	\$21,630	\$11,810	
IBKR	\$108,960	\$23,930	33.0x	\$5,640	\$3,989	
HOOD	\$98,850	\$97,950	65.0x	\$3,570	\$1,346	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
COIN	31.3x	84.5%	34.3%	24.5%		52.0%
SOFI	35.7x	82.2%	29.0%	10.4%		44.0%
SCHW	41.0x	83.0%	52.0%	45.9%		17.0%
IBKR	29.6x	88.5%	98.0%	96.0%		20.0%
HOOD	58.1x	91.5%	55.0%	41.0%		59.0%

High	58.08x	91.5%	98.0%	96.0%		59.0%
75th Percentile	45.27x	88.5%	55.0%	45.9%		52.0%
Average	41.53x	85.9%	53.7%	43.6%		38.4%
Median	38.35x	84.5%	52.0%	41.0%		44.0%
25th Percentile	34.61x	83.0%	34.3%	24.5%		20.0%
Low	31.34x	82.2%	29.0%	10.4%		17.0%

General Dynamics Valuation	
Implied Enterprise Value (25th Percentile)	\$ 46,586
Implied Enterprise Value (Median)	\$ 51,619
Implied Enterprise Value (75th Percentile)	\$ 60,933

Implied Share Price (25th Percentile)	\$ 46.83
Implied Share Price (Median)	\$ 52.49
Implied Share Price (75th Percentile)	\$ 62.97

Source: CapIQ

Investment Theses

Crypto and Global Expansion: Robinhood's crypto M&A de-risks its dependence on U.S. interest rate cycles by providing exchange and custody revenue, cross-border customers, and stablecoins: creating a growing non-transactional revenue stream. Robinhood closed its Bitstamp acquisition in June 2025, adding a long-running Luxembourg-based exchange with global licenses and institutional customers. This is a direct and strategic boost to Robinhood Crypto's international footprint. Robinhood has also acquired WonderFi, which is based in Canada, and closed the Trade PMR deal earlier in 2025. This expands crypto product distribution, targeting higher assets under management (AUM) and stickier customers. With the U.S. stablecoin framework– the GENIUS Act– providing regulatory clarity, Robinhood could offer USDC-like rails for faster fiat on/off ramps and capture fee pools outside equities commissions. However, a potential risk is slower-than-expected integration and regulatory limits on cross-border product offerings. Additionally, an adverse crypto market drawdown that compresses exchange volumes also introduces some downside risk.

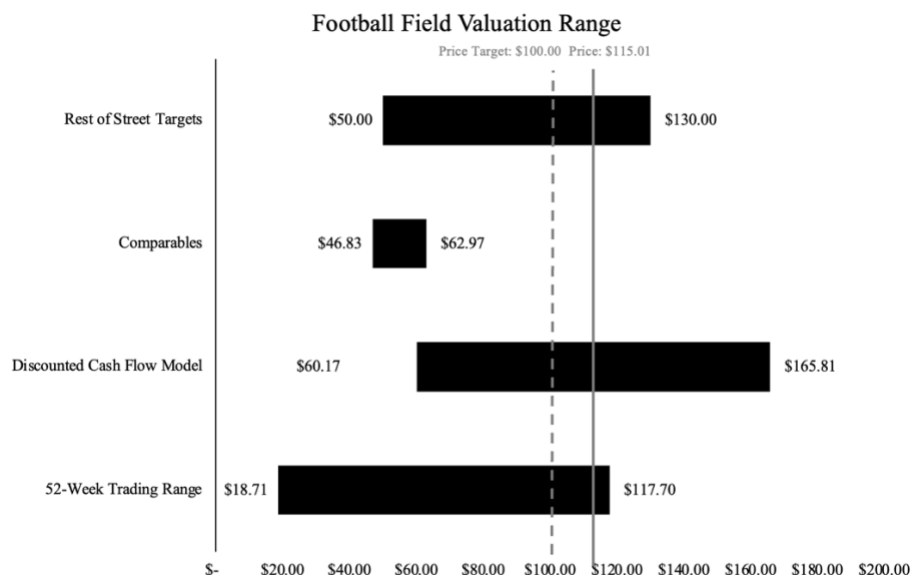
Retail Volatility Equates to Cyclical Upside: Market volatility, driven by macro factors, is the main short-term influence on HOOD's share price. Higher retail trading (especially in options and crypto) boosts transaction revenue, but changes in interest rates can have different effects on the two. Currently, markets expect about two Fed cuts this year. If the Fed is more aggressive than expected with three cuts (bull case), higher trading would offset net interest income decline. With two cuts (base case), the

impact would be more balanced—modestly higher trading but with lower yields. If only one cut occurs (bear case), less people will be inclined to trade, which would result in lower net interest income. Additionally, regulatory risks around PFOF remain a key downside—potentially compressing margins regardless of macro trends. Robinhood's Q2 2025 results show transaction-based revenues increasing 65% year over year, driven by options and crypto. In January 2025, Robinhood paid \$45 million in SEC penalties for violating trade reporting regulations, showcasing how regulatory enforcement is costly. If the SEC tightens PFOF regulations, Robinhood's zero-commission model will need pricing changes or alternate revenue sources.

Customer mix & recurring revenue expansion: Robinhood is actively shifting toward more recurring, AUM-linked revenue (IRAs, custody, subscriptions) through Trade PMR and other deals. If Robinhood succeeds in growing IRA/AUM and custody fees, its earnings will become less transaction-dependent, and therefore less volatile. That transition mitigates macro sensitivity and changes the distribution of outcomes across rate scenarios, a win-win for Robinhood.

Price Target & Valuation

Our analysis gives (\$HOOD) a price target of \$100 and an Underweight rating.



Potential Downsides to Our Rating

Overpricing: Robinhood's share price results from expectations for growth in trading activity, interest income, and new markets like crypto. Nonetheless, trading volumes linked to macroeconomic developments are cyclical. The market can quickly adjust its growth expectations and compress the stock's valuation multiple if the macro environment changes to one with less volatility. Even though they have diversification in crypto and international markets, these revenue streams are also sentiment driven.

Macroeconomic Sensitivity: Robinhood makes the majority of its money from trading activity and interest income, so its stock is highly sensitive to the overall economy. It tends to rise when interest rates fall and retail investors are active, but it can drop if rate cuts are limited and trading slows down. The Bull case assumes three Fed rate cuts combined with elevated retail trading volumes, boosting both interest income and transaction-based revenue. The Base case assumes two cuts with stable but moderate activity, and the Bear case reflects a single cut with lower investor engagement, which would pressure both of Robinhood's key revenue streams.

Regulatory & Execution Risk: Robinhood's two main growth pillars, crypto and zero-commission trading supported by PFOF, are under heavy regulatory scrutiny, creating both direct revenue risk and execution risk for new products. U.S. lawmakers are currently debating stricter execution rules. Different countries also have

Our Price Target: \$100.00

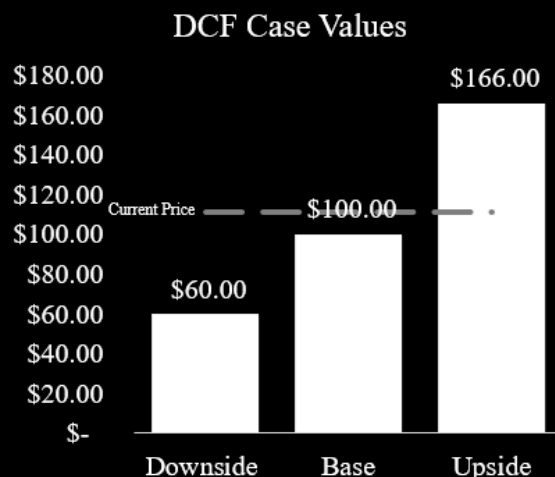
Our PT is based on a balanced view of Robinhood's growth opportunities and risks. It assumes steady retail trading activity and gradual benefits from the company's new acquisitions in crypto and wealth management. It also factors in potential headwinds from regulatory scrutiny but expects Robinhood's diversification to help offset them.

Our Upside Case: \$166.00

Our upside case is based on market volatility staying high and assumes 3 interest rate cuts. If Robinhood's recent acquisitions in crypto and wealth management integrate smoothly, it will be able to capture significant market share both in the U.S. and abroad. Strong crypto adoption and stable or rising interest rates would both support transaction and interest based income.


Our Downside Case: \$60.00

Our downside case is based on the market conditions calming down. This case assumes 1 interest rate cut, which would shrink net interest income and remove an important earnings cushion. Stricter regulations on payment-for-order-flow could limit Robinhood's ability to monetize its core products and slow the benefits from its new acquisitions.



conflicting rules, and make expanding in different countries difficult for Robinhood. Delays can also weaken the intended growth boost.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	2,951	3,685	5,286	7,572	10,812	54.2%
EBITDA	1,070	1,072	1,506	2,205	3,217	44.3%
EBIT	1,056	880	1,321	1,912	2,757	37.7%
NOPAT	7	(1,643)	(982)	(539)	1,403	485.2%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	36.3%	29.1%	28.5%	29.1%	29.8%	30.5%
EBIT Margin	35.8%	23.9%	25.0%	25.3%	25.5%	27.1%
Revenue Growth	58.2%	24.9%	43.4%	43.2%	42.8%	42.5%
EBIT Growth	-298.9%	-16.7%	50.2%	44.7%	44.2%	-35.3%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	33.1x	73.4x	71.9x	50.8x	36.0x	53.0x
EV/Sales	35.2x	28.2x	19.6x	13.7x	9.6x	21.3x
EV/EBITDA	97.0x	96.8x	68.9x	47.1x	32.3x	68.4x
FCF Yield	3.0%	1.4%	1.4%	2.0%	2.8% 	#REF!

About \$HOOD

Robinhood (\$HOOD), founded in 2013, is a fintech pioneer offering commission-free trading, crypto, and fractional shares via its mobile app. Known for its user-friendly design and disruptive model, it aims to democratize investing for retail traders. Core revenue comes from brokerage, subscriptions (Gold), and cash management—all geared toward making finance accessible.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Robinhood

Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$107.94

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Stub						0.60	1.60	2.60	3.60	4.60	5.60
Discount Period						0.20	0.90	1.90	2.90	3.90	4.90
Revenue	958	1,815	1,358	1,865	2,951	3,685	5,348	7,826	11,520	17,024	25,219
Revenue Growth	0%	89%	-25%	37%	58%	25%	45%	46%	47%	48%	48%
Net Interest Income	177	256	424	929	1,109	1,260	1,726	2,378	3,293	4,586	6,420
Brokerage Commission	720	1,402	814	785	1,647	2,050	3,198	4,965	7,671	11,794	18,045
Other Revenue	61	157	120	151	195	375	424	483	556	644	754
EBIT	13	(1,641)	(981)	(531)	1,056	880	1,390	2,113	3,225	4,937	7,566
EBIT Margin	1%	-90%	-72%	-28%	36%	24%	26%	27%	28%	29%	30%
Tax Expense	6	2	1	8	(347)	106	167	301	532	926	1,589
Effective Tax Rate	46%	0%	0%	-2%	-33%	12%	12%	14%	17%	19%	21%
NOPAT	7.00	(1,643.00)	(982.00)	(539.00)	1,403.00	774.00	1,223.61	1,811.87	2,693.28	4,011.32	5,976.85
D&A	6	16	17	16	14	192	187	303	490	787	1,261
Capex	24	63	28	2	13	22	53	94	161	272	454
Changes in NWC	1,640	(1,186)	(531)	461	(1,586)	(402)	(80)	(108)	(144)	(192)	(252)
UFCF	(1,651)	(504)	(462)	(986)	2,990	1,346	1,438	2,129	3,166	4,718	7,036
PV of FCF						1,317	1,304	1,734	2,314	3,096	4,145

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.60%
Beta	1.70
Risk Free Rate	4.39%
Cost of Equity	11.36%
Weighted Average Cost of Debt	5.07%
Tax Rate	12.00%
Cost of Debt	0.05%
Total Equity	\$98,847
Total Debt	\$4,973
Equity/Total Capitalization	93.00%
Debt/Total Capitalization	1.04%
WACC	11.40%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$7,036
Growth	6.00%
Terminal Value	\$130,189
PV of Terminal Value	\$76,692
PV of Projection Period	\$13,911
PV of Terminal Value	\$76,692
Implied TEV	\$90,603
(-) Debt	\$9,389
(+) Cash	\$4,416
Implied Equity Value	\$85,630
Basic Shares Outstanding	889
Implied Share Price	\$96.36
Upside/Downside	-10.73%

Implied Exit BF EV/EBIT	12.0x
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Terminal Value	
Exit Multiple Method	
2034 EBIT	\$7,566
EV/EBIT Exit Multiple	18.0x
Terminal Value	\$136,181
PV of Terminal Value	\$80,222
PV of Projection Period	\$13,911
PV of Terminal Value	\$80,222
Implied TEV	\$94,133
(-) Debt	\$9,389
(+) Cash	\$4,416
Implied Equity Value	\$89,160
Diluted Shares Outstanding	889
Implied Share Price	\$100.33
Upside/Downside	-7.1%

Implied PGR	2.4%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$100.33
Upside/Downside	-7.05%