



# Robinhood Markets, Inc.

## Robinhood – Riding with the \$HOOD

After years of limited functionality and slowing growth, **Robinhood (HOOD)** is redefining itself through diversification. Its expansion into retirement accounts, crypto, and new trading products marks a shift toward becoming a “super finance app” that empowers users to manage all aspects of their wealth under one roof. We view this transformation as a catalyst for long-term upside and **initiate with a BUY rating and a \$160 price target.**

**Thesis Point 1** Robinhood’s platform generates all its revenue from trading activity it facilitates, although it has begun introducing new revenue streams. Robinhood has diversified its trading platform by introducing Robinhood Gold, a subscription service, retirement accounts, and cash management, making Robinhood a fast-growing competitor to traditional brokerages. Robinhood introduced retirement accounts in late 2022, offering a tax advantage and a 1% match on contributions to entice users. Robinhood retirement accounts now hold over \$19-20 billion in assets as of mid-2025, compared to just \$10 billion at the end of 2024, highlighting the rapid growth in this segment. Robinhood’s ideal customer is the younger generation of investors who are just starting their financial journey. As this group continues to build wealth and assets, Robinhood is preparing to capitalize on recurring revenue from trading activity, retirement accounts, and other financial products by securing customers’ loyalty at the beginning of their investing journey. This diversification in Robinhood’s revenue stream will strengthen its stability and encourage long-term growth.

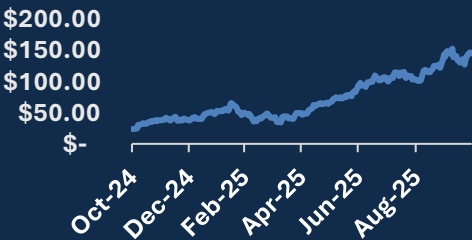
**Thesis Point 2** Robinhood is well-positioned to evolve into a financial super app, and its move into prediction markets could unlock a substantial new revenue stream, accelerating long-term growth. With over 2 billion contracts in Q3 2025, double the number from the prior quarter, Robinhood is rapidly scaling into a multi-hundred-million-dollar revenue stream in the next couple of years. Even at a \$0.02 fee per contract, the growth from the prediction market gives it vast potential to contribute significantly to Robinhood’s total revenue soon, while also allowing for more activity across Robinhood’s ecosystem. By leveraging its massive retail user base and trusted platform, Robinhood is positioned to dominate prediction markets and expand far beyond its roots as a brokerage and crypto service.

**Company Overview** Robinhood is a U.S.-based financial Technology company founded in 2013, known for its popular trading platform for retail investors. Robinhood’s easy-to-use platform has made investing approachable for millions, revolutionizing the brokerage industry by introducing a convenient and straightforward way to enter the financial system, along with eliminating trading fees. The company offers trading in equities, options, ETFs, cryptocurrencies, and cash management services, providing a diverse range of investment options. What differentiates Robinhood compared to other brokerages is its customer-first approach. Robinhood aims to democratize financial markets by letting retail investors access IPO’s, fractional shares, 24-hour trading, Recurring Investments, and have commission-free trading all under one roof, giving them an edge in the brokerage industry. By removing traditional barriers, it empowers users to begin investing with limited capital and develop long-term financial literacy, encouraging customers to become long-term investors and take greater control of their finances.

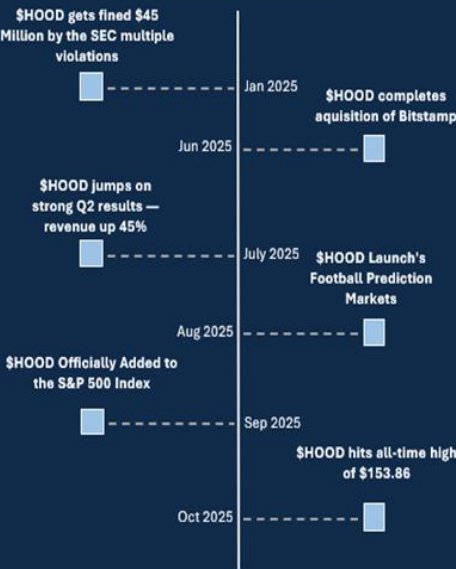


TICKER:	\$HOOD
RATING:	BUY
PRICE:	\$138.07
PRICE TARGET:	\$164.00
MARKET CAP:	\$122 b
52-W RANGE:	\$23.00 - \$153.86
P/E:	70.0x
IMPLIED UPSIDE:	20%

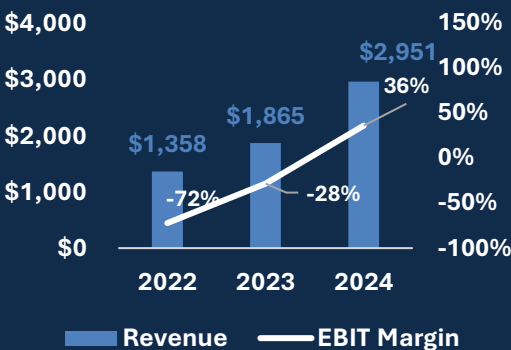
### 1 Year Price History



### Recent Events Timeline



### EBIT Margin with Annual Revenue



**Risk 1** Robinhood faces near term risk due to its reliance on transaction- based revenue, particularly payment for order flow (PFOF) and the retailing trading volumes in equities, options, crypto, and futures. The company’s transaction-based revenue takes up roughly 65% of total net revenues in FY 2024, really highlighting how dependent Robinhood is to the market’s performance, trading activity, and user base volume. The company could experience a slowdown in user engagement or a weak market, causing margins to compress through 2025.

**Risk 2** Robinhood operates within one of the most regulated segments in the financial industry, making it highly exposed to changes in securities, crypto, and consumer protection laws. The company is currently facing ongoing investigation from regulators such as the SEC, FINRA, and state agencies, posing a direct threat to Robinhood’s business model. Robinhood recently paid a \$30 million FINRA settlement in early 2025, highlighting the financial and reputational risks associated with regulatory scrutiny.

**Catalysts** Robinhood’s upcoming Q3 2025 earnings report, scheduled for November 5, 2025, is a key near-term catalyst that could drive the stock higher. With bullish expectations after strong past quarters, results in trading volume, margin interest income, or user growth could reinforce confidence in the company’s expansion beyond brokerage into prediction markets and retirement services. A positive earnings surprise may cause a bullish run in the stock as investors price in sustained profitability and stronger engagement trends.

Valuation

DCF Analysis (\$mm)							
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Revenue	2,951	3,750	5,250	6,431	7,718	9,068	10,428
Revenue Growth	58%	27%	40%	23%	20%	18%	15%
United States	2,951	4,200	5,250	6,431	7,718	9,068	10,428
International	0	0	0	0	0	0	0
EBIT	1,056	1,700	2,100	2,653	3,280	3,967	4,693
EBIT Margin	36%	45%	40%	41%	43%	44%	45%
Tax Expense	(347)	20	420	550	705	883	1,079
Effective Tax Rate	-33%	1%	20%	21%	22%	22%	23%
NOPAT	1,403.00	1,680.00	1,680.00	2,102.42	2,574.75	3,084.56	3,613.40
D&A	34	65	105	121	135	147	156
Capex	13	35	53	80	116	159	209
Changes in NWC	(1,656)	500	420	466	502	521	521
UFCF	3,080	1,210	1,313	1,676	2,092	2,552	3,040
PV of FCF		1,203	1,242	1,454	1,664	1,861	2,032

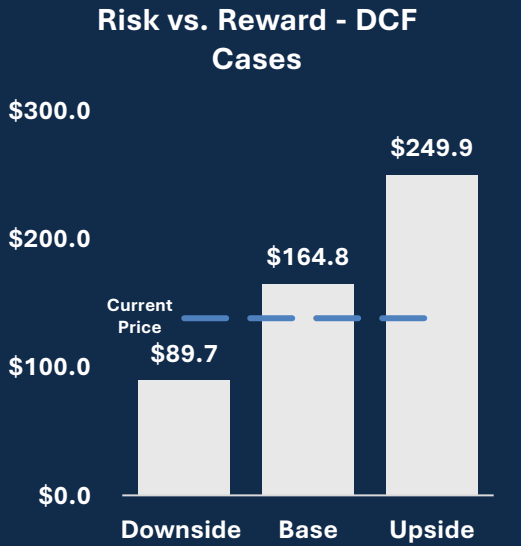
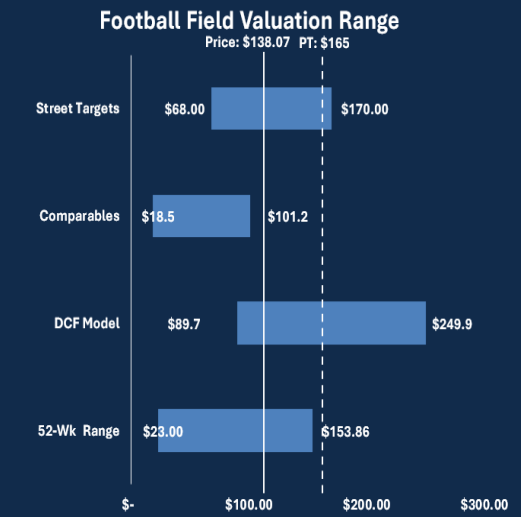
Our 5-year DCF Model assumes revenue growth at a 23% CAGR through FY2030, driven by new revenue streams such as Robinhood Gold, retirement accounts with a 1% match, and prediction markets. We forecast EBIT margins expanding from 36% in FY2024 to 45% by FY2030, supported by substantial operating leverage and rising profitability from new revenue streams. At an exit multiple of 45x EV/EBITDA, our model implies an intrinsic value of \$164.77, representing a 20% upside.

Conclusion

We rate Robinhood (HOOD) a BUY, supported by its ongoing transition into a diversified “super finance app.” The company that was once reliant on stock trading has now expanded into options, futures, crypto, retirement accounts, and prediction markets. With more users joining and assets growing fast, Robinhood looks to be in a great position to take advantage of new opportunities and become one of the top financial platforms. Although regulatory scrutiny and market volatility remain risks, we believe continued product innovation and platform diversification will fuel steady growth. We initiate coverage with a **BUY rating and a \$164 price target**, implying a **19% upside** from current levels.



Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$4,849
EV/EBITDA Exit Multiple	45.0x
Terminal Value	\$218,212
PV of Terminal Value	\$145,866
PV of Projection Period	\$9,446
PV of Terminal Value	\$145,866
Implied TEV	\$155,312
(-) Debt	\$13,010
(+) Cash	\$4,162
Implied Equity Value	\$146,464
Diluted Shares Outstanding	889
Implied Share Price	\$164.81
Upside/Downside	19.4%



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	10,588	11,220	11,902	12,616	13,338	8.0%
EBITDA	2,949	2,770	3,011	3,182	3,354	4.4%
EBIT	2,506	2,300	2,500	2,649	2,801	3.8%
NOPAT	582	1,016	1,248	1,585	1,744	44.2%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	27.9%	24.7%	25.3%	25.2%	25.2%	25.6%
EBIT Margin	23.7%	20.5%	21.0%	21.0%	21.0%	21.4%
Revenue Growth	10.1%	6.0%	6.1%	6.0%	5.7%	6.8%
EBIT Growth	13.3%	-8.2%	8.7%	6.0%	5.7%	5.1%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	15.4x	19.9x	17.7x	15.9x	14.3x	16.6x
EV/Sales	2.2x	2.1x	2.0x	1.9x	1.8x	2.0x
EV/EBITDA	8.0x	8.5x	7.8x	7.4x	7.0x	7.7x
FCF Yield	6.5%	5.0%	5.7%	6.3%	7.0%	6.1%

**Comparable Companies**

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Interactive Brokers Group, Inc. (NASDAQ:IB)	\$30,807	\$26,910	33.4x	\$5,948	\$8,000
Coinbase Global, Inc. (NASDAQ:COIN)	\$89,571	\$86,728	33.6x	\$6,706	\$2,020
The Charles Schwab Corporation (NYSE:SCH)	\$171,738	\$168,270	22.2x	\$22,914	\$12,550
LPL Financial Holdings Inc. (NASDAQ:LPLA)	\$27,491	\$27,490	23.5x	\$13,758	\$2,500
Robinhood Markets, Inc. (NASDAQ:HO)	\$128,680	\$128,580	73.9x	\$3,567	\$2,300

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	Yr Rev Growth	Rate LF
Interactive Brokers Group, Inc. (NASDAQ:IB)	3.4x	91.8%	86.0%	75.0%		20.3%
Coinbase Global, Inc. (NASDAQ:COIN)	42.9x	84.5%	30.1%	28.2%		49.2%
The Charles Schwab Corporation (NYSE:SCH)	13.4x	97.3%	45.0%	28.2%		21.7%
LPL Financial Holdings Inc. (NASDAQ:LPLA)	11.0x	32.7%	15.9%	11.8%		28.5%
Robinhood Markets, Inc. (NASDAQ:HO)	55.9x	91.5%	53.0%	19.3%		59.4%

High	55.90x	97.3%	86.0%	75.0%		59.4%
75th Percentile	42.93x	91.8%	53.0%	28.2%		49.2%
<b>Average</b>	25.32x	79.6%	46.0%	32.5%		35.8%
<b>Median</b>	13.41x	91.5%	0.0%	28.2%		28.5%
25th Percentile	11.00x	84.5%	30.1%	19.3%		21.7%
Low	3.36x	32.7%	15.9%	11.8%		20.3%

**Robinhood**

Implied Enterprise Value (25th Percentile)	\$	25,291
<b>Implied Enterprise Value (Median)</b>	<b>\$</b>	<b>30,838</b>
Implied Enterprise Value (75th Percentile)	\$	98,750

Implied Share Price (25th Percentile)	\$	18.50
<b>Implied Share Price (Median)</b>	<b>\$</b>	<b>24.75</b>
Implied Share Price (75th Percentile)	\$	101.16

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	2.41
Risk Free Rate	4.39%
<b>Cost of Equity</b>	<b>5.68%</b>
Weighted Average Cost of Debt	6.75%
Tax Rate	20.00%
<b>Cost of Debt</b>	<b>3.33%</b>
Total Equity	\$128,680
Total Debt	\$8,848
Equity/Total Capitalization	38.30%
Debt/Total Capitalization	61.70%
<b>WACC</b>	<b>9.01%</b>

**Downside Case:** Our downside case assumes tighter regulations that could limit trading activity and hurt revenue and engagement. Slower growth in new products and shrinking margins would also pressure cash flow. At a 40x EV/EBITDA multiple, this scenario points to about a 35% downside, with a \$90 price target.

**Upside Case:** Our upside case assumes Robinhood grows its active user base and successfully scales prediction markets, boosting engagement and trading volume. Strong adoption and better monetization could lift margins and revenue, leading to roughly an 80% upside with a \$250 price target.

**Disclosures and Ratings:** Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.