

EQUITY VALUATION · ROBINHOOD MARKETS, INC. (NASDAQ: HOOD)

Robinhood (HOOD): The Price Is a Growth Commitment

Robinhood broke its dependence on the crypto cycle — a real achievement, done mid-winter. At \$110 the stock banks the achievement and several years of the next act. A valuation of what the platform earns, what the price already assumes, and what would change our mind.

TON618 CAPITAL RESEARCH · HOOD \$109.86 · BTC \$62,352 · AS OF 13 JUL 2026 ·

≈\$87

PROBABILITY-WEIGHTED FAIR
VALUE / SHARE · VS \$109.86
MARKET

At \$110, HOOD prices an uninterrupted 20% -compounding platform as the base case.

Our scenario model — normalized FY2028 earnings capitalized, plus ≈\$5.2B net corporate cash — supports **≈\$87 (bear \$32 / base \$78 / bull \$160)**. The reported ≈53× P/E understates the true multiple: FY25's 10.7% tax rate flatters it, and on normalized earnings the stock trades at ≈62×. To justify \$110, earnings must roughly double in four years — an 18–24%/yr compound rate — through a crypto winter and a Fed easing cycle, with the fastest-growing line (event contracts) awaiting a Supreme Court petition. That is the bull case, not the base case.

+15%

Q1'26 total revenue YoY — even as crypto revenue HALVED (–47%). Demonstrated decoupling.

≈62×

P/E on normalized (24% tax) earnings — vs the ≈53× reported headline the 10.7% FY25 rate flatters.

18–24%

Compound EPS growth, four years uninterrupted, that \$110 requires in the reverse valuation.

≈13%

Crypto as a share of revenue, down from ≈27% a year ago — HOOD is no longer a crypto proxy.

1 Executive Summary

At \$110, Robinhood is priced as a platform that will compound earnings at 20%+ for years without interruption — and our probability-weighted fair value is ≈\$87 (range \$32 bear / \$78 base / \$160)

bull), roughly 20% below the market. The bull thesis is not wrong about the company; it is aggressive about the price. Robinhood has done something genuinely impressive: it broke its dependence on the crypto cycle. In the quarter just reported, crypto revenue *halved* year-over-year — the same -47% collapse that gutted Coinbase's consumer line — and Robinhood's total revenue still *grew 15%*, because four other engines (options, event contracts, net interest, and Gold subscriptions) more than filled the hole. That is the achievement the stock is celebrating. Our disagreement is narrow and specific: the current price already banks the celebration and several years of the next act. To justify \$110, an investor must underwrite roughly a 20% compound earnings growth rate, sustained through a full crypto winter and a Fed easing cycle, with the single fastest-growing revenue line resting on contested legal ground. We think that is the bull case, not the base case — and we weight it accordingly.

The Current State of Robinhood's Story

Robinhood is a brokerage, but it is more useful to think of it as an attention-and-balance-sheet machine. It has built one of the most engaged young customer bases in American finance — about 27 million funded accounts holding roughly \$307 billion — and it monetizes that base three different ways at once. First, it earns fees when customers trade: options, stocks, crypto, and now event contracts (bets on real-world outcomes). Second, it earns interest on the cash and securities those customers leave behind — margin loans, idle cash, securities lending. Third, it sells a subscription, Robinhood Gold, that a growing share of customers now pay for. The genius of the model is that each new thing to trade is a nearly costless addition to the same base: once you have the customer, offering them options, then crypto, then prediction markets costs almost nothing and drops almost entirely to the bottom line.

Data shows the machine is working and, importantly, diversifying. A year ago crypto was roughly 27% of revenue and the market treated Robinhood as a crypto-and-meme proxy that would live or die with Bitcoin. Today crypto is about 13% of revenue, and the business grew right through the coin's 50% drawdown. **We believe** this is real and the market is right to re-rate the company out of the pure-crypto bucket — that is why Robinhood trades near \$110 while Coinbase sits 63% below its high. Our caution is about magnitude, not direction. At \$110 the stock carries roughly 53 times trailing earnings — and that headline understates the true multiple, because last year's earnings were flattered by a 10.7% tax rate that will not persist; on a normalized tax rate the multiple is closer to 62 times. A number like that is an explicit forecast: it says this company will grow into it, fast, and keep growing. Our job is to ask what has to be true for that forecast to pay, and to weigh it honestly against the outcomes where it doesn't.

The strongest argument against our caution deserves a fair hearing, and we give it one in Section 8: Robinhood keeps *inventing* new high-margin revenue lines. Event contracts went from a rounding error to 10% of revenue in twelve months. If the company attaches a new vertical like that every year or two — banking, advisory, tokenized assets, international via the Bitstamp acquisition — then any fixed forecast of its earnings is too low by construction, and the stock is cheap. That is a coherent view. But it asks the buyer to pay today, in full, for verticals that do not yet exist, while the one that does exist and matters most (event contracts) sits in front of a Supreme Court petition due in weeks.

2 Investment Context

- **What the security is:** HOOD is a high-beta equity claim on retail financial *activity* — trading volumes across asset classes, plus a rate-sensitive balance-sheet spread, plus a subscription annuity. It is no longer, on the evidence, a claim on the crypto *price*: crypto is $\approx 13\%$ of revenue and falling as a share.
- **The repricing has already happened — upward.** HOOD is +72% over its 52-week low (\$63.52), trading near \$110 vs a 52-week high of \$153.86, with the stock having *outperformed* Coinbase by more than 100 points during the same Bitcoin drawdown. The easy money in the "Robinhood is not just a crypto stock" trade has been made.
- **Cycle position:** BTC peaked $\approx \$126k$ in October 2025 and sits at \$62.4k, -50%. Crypto trading revenue is in the trough; the question the valuation turns on is whether the *other* engines can carry a \$100B valuation while crypto is quiet, and what happens to those engines when the Fed cuts.
- **Structural changes this cycle:** the launch and rapid scaling of event contracts (prediction markets); the Bitstamp acquisition (closed June 2025, \$224M cash — global/institutional crypto infrastructure); the Rothera/MIAXdx joint venture giving Robinhood its own CFTC-licensed exchange and clearinghouse; a credit card and banking push; and a demonstrated ability to hold operating margins near 47% while growing.

3 Business & Revenue Architecture

Revenue disaggregation (SEC EDGAR, 10-K FY2025 / 10-Q Q1'26):

REVENUE LINE (\$M)	Q1'25	Q1'26	YOY	FY2024	FY2025	CYCLICALITY
Options	240	260	+8%	760	1,123	Moderate — resilient through the bear
Cryptocurrencies	252	134	-47%	626	901	Extreme (price × volume × retail engagement)
Event contracts	3	104	+34×	—	(in other tx)	New; regulatory tail risk
Equities	56	82	+46%	177	302	Moderate
Other transaction	32	43	+34%	84	302	Moderate
Transaction subtotal	583	623	+7%	1,647	2,628	
Net interest revenue	290	359	+24%	1,109	1,514	Rate-sensitive
Gold subscriptions	38	50	+32%	109	179	Low — sticky annuity
Proxy + other	16	35		86	152	Low
Total revenue	927	1,067	+15%	2,951	4,473	

The one fact that carries the note. Crypto revenue fell 47% and total revenue rose 15%. In the 2022 winter, a comparable crypto collapse took Robinhood's whole business down with it; this time it did not. Event contracts alone (\$3M → \$104M) added more revenue than crypto lost. Options grew through a falling tape. Net interest — now the single largest line at \$359M/quarter — grew 24% on a margin book that nearly doubled (+92%) to ≈\$16.9B. **This is demonstrated diversification, not a promise of it**, and it is the empirical core of the bull case. Our valuation accepts it fully; the disagreement is entirely about what to pay for it.

The three engines, and their very different qualities:

- 1. Flow monetization (transaction revenue, ≈\$623M/qtr).** PFOF and spreads on options (the largest), crypto, equities, and event-contract fees. High-margin and cyclical, but *expanding in surface area* — each new tradable product is a near-costless attach to the same 27M customers. This is the compounding-platform engine.
- 2. Balance-sheet spread (net interest, ≈\$359M/qtr).** Margin interest (\$193M, +75%), interest on segregated cash and sweep, securities lending, and a fast-growing credit card (\$32M, +220%). Steady and large — but the only engine with a *macro headwind*: Robinhood discloses that a 100bp move in rates shifts annual net revenue by ≈\$294M pre-tax, and management explicitly warns Fed cuts will pressure this line.
- 3. Subscription annuity (Gold, ≈\$50M/qtr, +32%).** 4.34M subscribers, +36% YoY. Small in dollars but strategically central: Gold drives deposit capture, higher ARPU, and retention — the flywheel that turns a trader into a primary-account relationship.

The key performance metrics (10-Q/10-K): 27.4M funded customers (+6% YoY); 29.1M investment accounts (+8%); Total Platform Assets \$307.3B (+39%), of which equities \$207.5B, crypto \$30.5B (+11%), RIA-advised \$42.6B, customer cash \$41.6B; net deposits \$17.7B in the quarter ($\approx 22\%$ annualized); ARPU \$157 (Q1'26, +8% YoY) and \$171 (FY2025, +40% YoY); Gold subscribers 4.34M.

What Robinhood Gold actually offers

Gold is a $\approx \$5$ /month (or $\approx \$50$ /year) membership, and understanding what it bundles explains why 4.34M customers now pay for a service whose competitors give the pieces away. The offering has evolved, but as of this writing it centers on turning cash and balances into yield and perks:

- **A higher yield on uninvested cash** swept to partner banks (the Gold rate has run several hundred basis points above the non-Gold sweep rate — the single biggest draw, and highly rate-sensitive).
- **A retirement-contribution match** (a 3% match on IRA contributions for Gold members vs 1% for non-members) and a **deposit/transfer boost** on money brought onto the platform.
- **A lower margin rate** (a reduced APR on borrowed funds, with a small first tranche included) and **larger instant deposits**.
- **Professional-grade tools**: Level II market data (Nasdaq TotalView) and third-party research (Morningstar).

The strategic point matters more than any single perk: Gold converts a commission-free trader into a *paying, deposit-holding, primary-account* relationship. It is the mechanism behind the rising ARPU and net-deposit numbers, and it is the clearest evidence for the "platform, not brokerage" thesis — a customer who pays a subscription and parks their cash is far stickier and more monetizable than one who only trades. *(Specific rates and match percentages change with the rate environment and promotions; treat the categories above as the durable structure, not fixed figures.)*

The business model's central controversy: payment for order flow

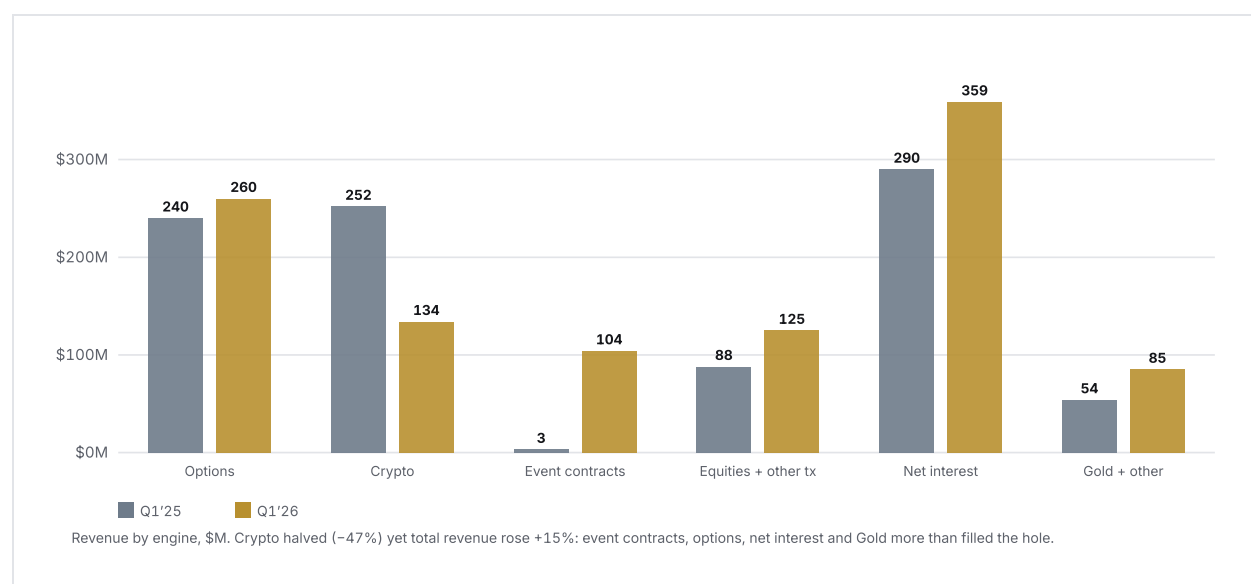
Robinhood pioneered zero-commission trading, and a fair question follows: if the customer isn't paying, how does the flow engine make money — and at whose expense? The answer is **payment for order flow (PFOF)**. Robinhood routes customer orders to wholesale market makers (Citadel Securities and others), who execute them and pay Robinhood a rebate for the flow. This is the bulk of the transaction-revenue line, and it drives a real critique worth stating plainly:

- **The "you are the product" objection.** Because the market maker — not the customer — pays Robinhood, the incentive is to route orders to whoever pays the most rebate, which is not necessarily whoever gives the customer the best price. "Commission-free" does not mean cost-free; the cost is embedded in the execution quality of the fill (a slightly worse price, or a slower fill), where it is invisible to the user.
- **This is not merely anecdotal.** In December 2020 the SEC charged Robinhood and settled for **\$65 million**, finding the firm had misled customers about PFOF and failed its duty of best execution — and that, even accounting for zero commissions, customers were collectively worse off by tens of millions of dollars on execution quality. PFOF has drawn repeated regulatory scrutiny since (the SEC has periodically floated proposals to restrict it or force order-by-order competition), and it remains a standing regulatory-and-reputational overhang, not a settled matter.
- **The counter-argument, for balance.** PFOF is legal, disclosed, and standard across the zero-commission industry (Schwab, Fidelity's model differs but most retail brokers use it); retail orders

routinely receive *price improvement* versus the public best bid/offer, and the wholesale-execution model genuinely lowered the all-in cost of trading for small investors. The honest debate is not "free or a scam" but **whether the price improvement customers receive is as good as it could be** if the incentive were aligned differently — a question on which the evidence is mixed and the disclosure is imperfect.

For valuation, PFOF sits in the risk stack two ways: as a **regulatory tail** (a ban or an order-competition mandate would compress the options/equities flow economics — see Section 8) and as a **franchise-trust question** (the model's optics are a recurring reputational vulnerability for a company whose brand is "democratized finance"). We do not haircut the base case for a PFOF ban — none is imminent — but a buyer should know the flow engine's economics rest on an arrangement that regulators have penalized once and continue to eye.

EXHIBIT 1 · SIX ENGINES, ONE BASE: THE DIVERSIFICATION MADE VISIBLE



4 Financial Statement Analysis & Quality of Earnings

We screened the statements against a standard earnings-quality checklist before valuing. The business is financially clean; the one issue that matters is a tax rate that flatters the reported multiple.

- **The reported P/E understates the true multiple.** FY2025 net income was \$1,883M (\$2.05 diluted EPS) on a **10.7% effective tax rate** — depressed by a -8.7pt share-based-compensation benefit and a -3.1pt R&D credit, with the prior-year valuation-allowance release already behind it. Normalizing to a ~24% mid-cycle rate cuts FY25 EPS from \$2.05 to **≈\$1.75**, and lifts the trailing P/E from ≈53× to **≈62×**. FY2024's \$1,411M net income was *worse* on this dimension — it carried a net tax *benefit* (-32.6% rate) from the DTA valuation-allowance release, so year-over-year EPS growth optically overstates operating progress. **Anchor on normalized, not reported, earnings.**
- **Fortress, and unusually clean, balance sheet.** Corporate cash ≈\$5.0B against **no funded corporate debt** (only undrawn revolvers). The ≈\$45B total-asset base is customer and segregated assets, matched by liabilities — not corporate leverage. Net corporate cash ≈\$5.2B (\$5.64/share) is a real floor under the equity.

- **Provision for credit losses is rising** (\$24M → \$36M/qtr) with the margin and credit-card books — worth monitoring but small and consistent with growth, not a red flag.
 - **Dilution** from share-based compensation runs $\approx 1.5\text{--}2\%$ /yr; we value on 915M diluted shares.
 - **The event-contracts line has no history through a stress event** and rests on the legal outcome in Section 7 — an earnings-durability question, not an accounting one.
 - Auditor Ernst & Young; timely filings; no restatements. **Robinhood's earnings question is durability and price, not integrity.**
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5 Valuation

5.1 What model the business dictates

Robinhood is not one cash flow to normalize; it is three engines with different cyclicalities, margin, and durability. And unlike Coinbase — which we value by normalizing a crypto cycle — Robinhood's earnings variance comes from *growth durability*, not the coin. So the workhorse is a six-engine revenue build to a normalized FY2028, capitalized at a justified multiple; the discipline is a reverse valuation that asks what the current price already assumes; and the floor is net corporate cash. We calibrate a fixed-plus-variable cost model to FY2025 (operating expense \$2,379M on revenue \$4,473M, $\approx 47\%$ operating margin) and tax at 24%.

5.2 Scenario valuation (normalized FY2028, \$M except per share)

	BEAR (25%)	BASE (50%)	BULL (25%)
Setup	Crypto winter persists; event contracts geofenced by an adverse ruling; Fed cuts -150bp; growth stalls and the multiple re-rates toward broker comps	Crypto troughs then recovers mildly; event contracts survive at ≈\$0.8B; Fed cuts -75bp	New crypto leg; event contracts scale to \$1.6B with sports; rates hold; new verticals attach
Revenue	4,280	6,670	9,830
EBIT	1,518	3,104	5,464
Net income (24% tax)	1,154	2,359	4,153
Normalized EPS	\$1.26	\$2.58	\$4.54
Multiple	21×	28×	34×
Franchise value	24,227	66,053	141,190
+ Net corporate cash	5,165	5,165	5,165
Per share	≈\$32	≈\$78	≈\$160

Probability-weighted fair value ≈ \$87, roughly 20% below the \$110 market. The base case (\$78) already embeds net income of \$2.36B — up 25% on FY25's reported figure and 47% on normalized — capitalized at a premium 28×. The bull case (\$160, above the all-time high) requires earnings to more than double *and* a 34× multiple to hold. Note the bear (\$32) is a genuine downside: it pairs stalled earnings with a re-rating toward the ≈20× that mature brokers command — the specific risk of paying a platform multiple for a business whose growth can pause.

5.3 Reverse valuation — what \$109.86 requires

Stripping out net cash, the market pays ≈**\$95.3B** for the franchise. At a terminal 25×, that requires ≈**\$3.8B of normalized net income** (\$4.17 EPS); at 30×, ≈\$3.2B. Against normalized trailing earnings of ≈\$1.6B, those are **compound growth rates of ≈24%/yr (at 25×) or ≈18%/yr (at 30×) sustained for four years** — with no cyclical interruption, through a Fed easing cycle, and with the event-contracts line intact. It is *achievable* — Robinhood has grown faster than that in bursts — but it is a demanding, conjunctive forecast being priced as the base case. This is the single most important exhibit in the note: **\$110 is not a valuation, it is a growth commitment.**

5.4 Relative valuation cross-check

PEER	P/E (TTM)	NOTE
SCHW (Schwab)	≈19×	Mature retail brokerage at scale; ≈0.35% revenue/assets
IBKR (Interactive Brokers)	≈40×	Higher-growth, high-margin electronic broker — the richest broker comp
HOOD	≈53× reported / ≈62× normalized	≈1.5% revenue/assets — 4× Schwab's monetization rate

The 4× gap between Robinhood's ≈1.5% revenue-to-assets and Schwab's ≈0.35% is the crux of the long-run question (Section 8): it exists because Robinhood's base is young and hyper-active, and the bull case's own engine — asset growth as customers age and deposit more — is also the mechanism by which per-dollar monetization *mean-reverts down*. We flag honestly what the comps do and do not prove: IBKR — the richest broker in the set — trades at ≈40× trailing earnings, so HOOD's ≈53×/≈62× is a premium *even to the most expensive comparable*, but not a screaming one; applying IBKR's ≈40× to HOOD's own base-case normalized EPS (\$2.58) plus net cash lands near ≈\$108 — close to the market price. Relative valuation, in other words, does **not** carry our sub-fair-value conclusion; on base-case earnings HOOD is priced roughly in line with the richest broker comp. Our ≈\$87 comes from the *probability weighting* across bear/base/bull and from the reverse-valuation growth hurdle (\$5.3), not from a claim that the multiple is obviously excessive versus peers. That is the honest location of the disagreement.

EXHIBIT 2 · SCENARIO VALUATION VS THE MARKET PRICE

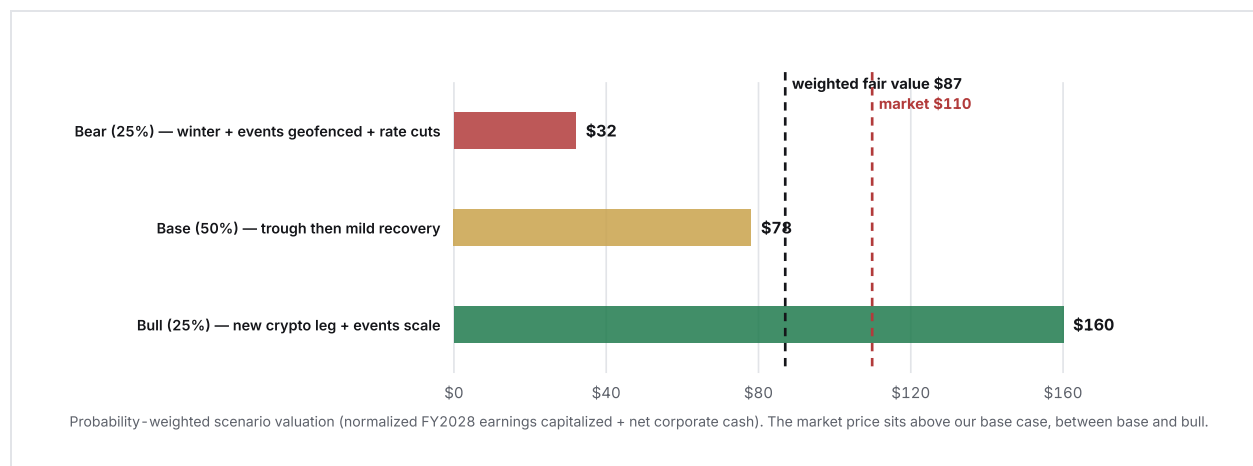
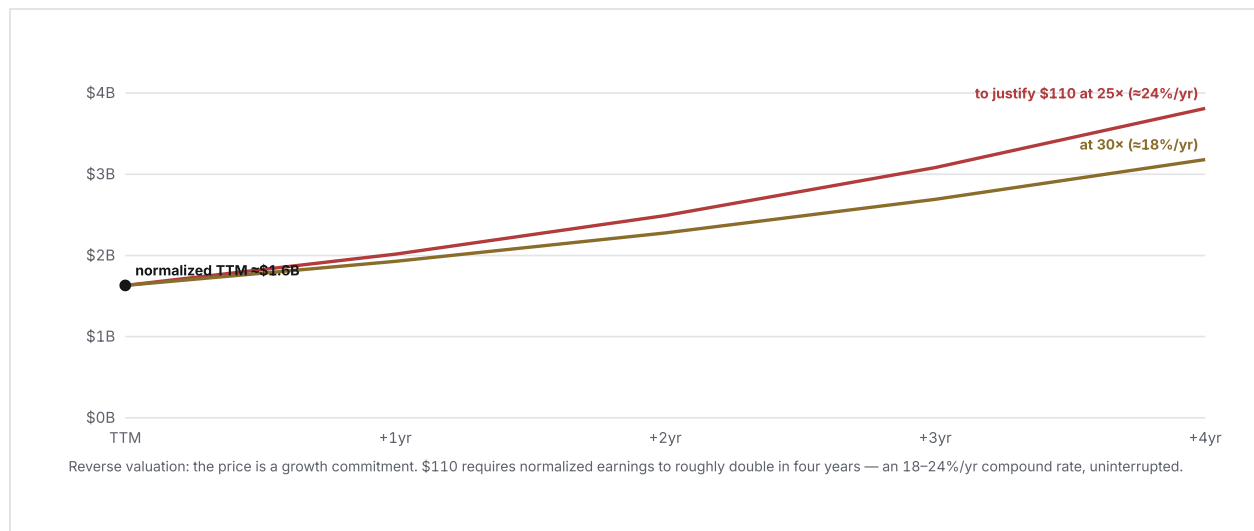


EXHIBIT 3 · THE PRICE IS A GROWTH COMMITMENT



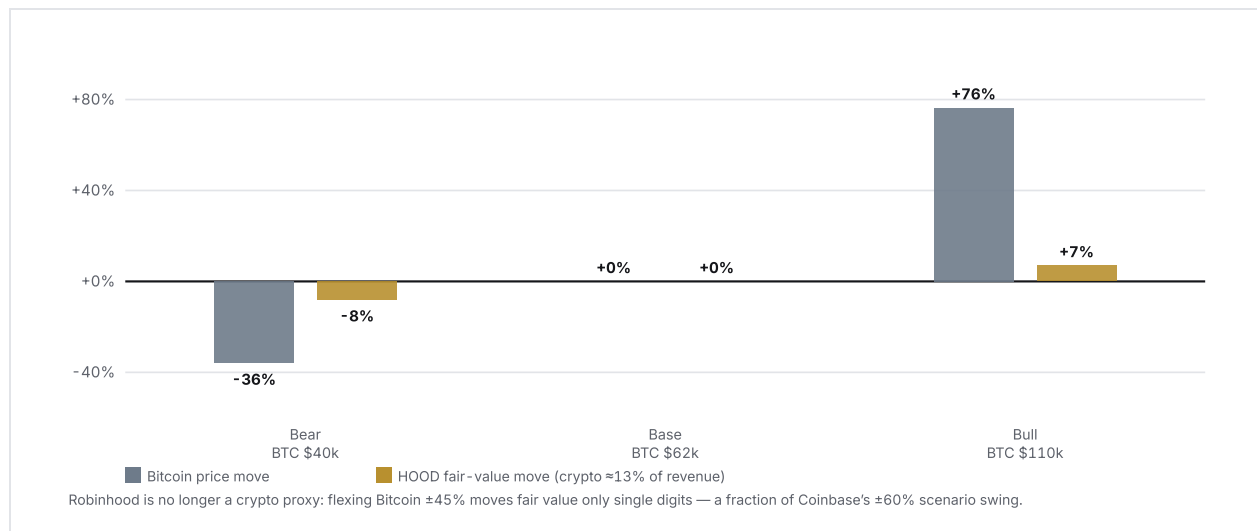
6 HOOD Versus Direct Bitcoin Ownership

The question a crypto allocator should ask about Robinhood has changed. For Coinbase, the question is "does the equity beat the coin?" (it does not, in any scenario we modeled). For Robinhood, the question is now "**is this even a crypto instrument anymore?**" — and the answer is largely no.

- Crypto is $\approx 13\%$ of revenue at high incremental margin. Flexing Bitcoin across our scenarios ($\approx \$40k / \$62k / \$110k$) while holding everything else fixed moves Robinhood's fair value by only **single-digit percentages** — a fraction of Coinbase's $\pm 60\%$ swing. The crypto engine matters, but it no longer *is* the company.
- Robinhood holds **zero Bitcoin on its balance sheet** — its exposure is pure flow monetization, not treasury. (Contrast: Coinbase 16,492 BTC; Block $\approx 9,000$ BTC.)
- The one vector that *re-couples* Robinhood to crypto is Bitstamp — global/institutional crypto infrastructure — but its revenue contribution was disclosed as immaterial.
- **The market's own verdict, in the data:** Robinhood's rolling 90-day beta to Bitcoin *peaked* at ≈ 1.22 in April 2025 — when crypto was $\approx 27\%$ of revenue — and has fallen to ≈ 0.88 as crypto halved to $\approx 13\%$. Robinhood's crypto beta is essentially a live readout of its crypto revenue share, and it is falling in real time. (See the synthesis note for the full three-name comparison.)

Verdict, the mirror image of our Coinbase conclusion: buying HOOD as levered crypto exposure is now largely a category error — but buying it while *fearing* crypto is no longer disqualifying, because the coin is only a modest part of what you own.

EXHIBIT 4 · NO LONGER A CRYPTO PROXY: FAIR VALUE BARELY MOVES WITH BITCOIN



7 Special Situation: The Event-Contracts Regulatory Showdown

The fastest-growing line in the model — event contracts, \$3M → \$104M in a year, now ≈10% of revenue — sits on contested legal ground, and its fate is the swing factor between our base and bear cases. Robinhood offers the contracts through Robinhood Derivatives, LLC (a CFTC-registered Futures Commission Merchant), cleared via CFTC-regulated venues (ForecastEx, Kalshi), and has begun vertically integrating by acquiring a CFTC-licensed exchange and clearinghouse (the Rothera/MIAXdx JV). The legal question is whether federal commodity law preempts state gambling regulators for sports-event contracts.

Conditional-gate read (24-month horizon):

GATE	STATUS (AS OF JULY 2026)	READ
Federal appellate precedent	Third Circuit ruled 2 - 1 (Apr 2026) that the CFTC has exclusive jurisdiction and preempts state gambling law — first industry appellate win	Favorable, but not yet controlling nationally
Circuit split risk	Ninth Circuit (argued Apr 2026, Nevada) panel appeared to lean toward Nevada; denied stay requests May 2026	A ruling for Nevada creates a split → raises SCOTUS-review odds
Supreme Court	New Jersey's cert petition due Aug 4, 2026 (extension granted by Justice Alito); a grant is possible but, on current prediction-market pricing, a minority probability (well under even odds) for 2026	The binary event; nearest-dated hard catalyst
Robinhood's own posture	Agreed to cease new sports-event contracts in Nevada as of Dec 1, 2025 ; injunctions/agreements in NJ, MA; new suits in MI, WA; cooperating with regulatory investigations	Already geofencing; demonstrates the line is not nationally secure

Sensitivity through the model: event contracts at $\approx \$0$ (adverse SCOTUS/geofencing) vs $\approx \$0.8B$ (base) vs $\approx \$1.6B$ (bull, sports scale) swings fair value by roughly \$15–25/share of franchise value. This is simultaneously the special situation *and* a load-bearing wall of the bull case: much of the "Robinhood keeps inventing new verticals" narrative rests on the single vertical whose legality is, as of this writing, in front of the Supreme Court's door. We treat it probability-weighted, not at face run-rate — and a buyer at \$110 is, whether they price it or not, taking the long side of that legal bet.

Secondary situations, briefly: PFOF fee-compression (a dormant-but-not-dead SEC threat to the options/equities flow economics), and tokenized equities / market-structure legislation (shared optionality with the Coinbase note — supportive but slow-burn).

8 Risk Factors (to this view — what makes our estimate too low, and too high)

What would make $\approx \$87$ too low (the bull's case):

1. **The serial-vertical machine (highest-impact upside risk).** If Robinhood attaches a new high-margin business every year or two — banking, advisory/Cortex, tokenized assets, international via Bitstamp — our FY2028 engine list is incomplete and every scenario understates revenue. This is the same "compounding-platform" risk our Coinbase note flagged, and Robinhood has *more* evidence for it (event contracts are the proof of concept). It is the best reason to own the stock.
2. **A faster crypto cycle.** If BTC bottoms early and 2027 is a full bull year, the crypto engine re-inflates and a 34 $\times$ multiple on \$4B+ of earnings supports \$160+. We weight this 25%; the market implicitly more.
3. **Take-rate durability.** If the young base keeps trading actively as balances grow — Gold's success suggests willingness to *pay* rather than trade less — the monetization mean-reversion below may not bite.

What would make $\approx \$87$ too high (our residual caution, and the bear):

1. **Monetization mean-reversion.** Robinhood earns $\approx 1.5\%$ of client assets vs Schwab's $\approx 0.35\%$. As the cohort ages and balances grow — the bull's own thesis — monetization per dollar tends to compress. Asset growth and take-rate decay partially cancel; terminal-state Robinhood on \$1T of assets may earn far less than a linear extrapolation implies.
2. **The Fed.** Net interest is the largest revenue line and rate-sensitive: $\approx \$294M$ pre-tax per 100bp. An easing cycle mechanically pressures it — usually alongside the risk-on conditions that help the flow engines, but not always in the same quarter.
3. **Event-contract legal reversal** (Section 7) removes $\approx 10\%$ of revenue and the fastest grower.
4. **Multiple risk.** At 53–62 $\times$ the valuation is acutely sensitive to sentiment; a growth stumble re-rates hard toward broker multiples (the bear).

Framework note. As with Coinbase, our disagreement with the market is about *earnings* (what Robinhood normally earns and how fast it can grow), not *multiples* (what the market pays). We hold a compounding-platform lens here — not the mean-reversion lens we applied to Coinbase — precisely because Robinhood's mid-winter revenue *creation* is direct evidence for it. The remaining gap to \$110 is that even a generous platform view struggles to clear a 20%+ four-year growth commitment priced as the base case.

9 Catalyst Calendar

WHEN	EVENT	WHAT TO WATCH	DIRECTION / MAGNITUDE
≈Jul 30, 2026	Q2'26 earnings	Crypto trend, event-contract run-rate, net-interest trajectory into rate cuts, Gold subs, net deposits	Two-sided; the diversification thesis is re-tested each quarter
Aug 4, 2026	New Jersey SCOTUS cert petition deadline (event contracts)	Whether NJ petitions; any Ninth Circuit ruling creating a split	The nearest-dated hard catalyst; binary for ≈10% of revenue
H2 2026	Fed rate path	Each 100bp of cuts ≈ -\$294M pre-tax to net interest	Negative for the largest line; usually bundled with risk-on offsets
Q4 2026	Crypto cycle - bottom window	BTC trend/momentum, flows	Large but undated — re-inflates or extends the crypto trough
Ongoing	New -vertical launches (banking, advisory, tokenization, Bitstamp integration)	Real product with real revenue vs announcements	The compounding-platform test; positive but we pay for none of it in the base case
Event-driven	Event-contract appellate rulings (9th Cir., 1st Cir., possible SCOTUS grant)	Circuit split; scope of any adverse ruling	The special-situation swing (Section 7)

10 Ten Open Questions, Answered Against the Model

1. Is Robinhood still a crypto stock? Largely no. Crypto is ≈13% of revenue and falling; fair value moves single-digit percentages across our BTC scenarios; the balance sheet holds no Bitcoin; and the market's own beta (peaked 1.22, now 0.88) tracks the shrinking crypto revenue share. It is a diversified retail-finance platform with a crypto option attached, not a crypto proxy.

2. Why is the real P/E higher than the 53× headline? Because FY25's 10.7% tax rate (SBC and R&D benefits, post valuation-allowance release) will not persist. Normalized at 24%, EPS falls from \$2.05 to ≈\$1.75 and the multiple rises to ≈62×.

3. What does \$110 actually require? Roughly \$3.2–3.8B of normalized net income within four years — an 18–24%/yr compound growth rate, uninterrupted, through a rate-cut cycle. Achievable but conjunctive; priced as the base case.

4. Can the diversification survive a Fed easing cycle? Partly. Net interest (≈\$294M per 100bp) is the exposed line, but rate cuts usually accompany the risk-on conditions that lift options and crypto volumes.

The net effect is a headwind to the steadiest engine, cushioned but not offset.

5. Do event contracts survive the courts? Uncertain and binary. A Third Circuit win favors the industry; a Ninth Circuit loss creates a split and a likely Supreme Court fight (NJ petition due Aug 4). Robinhood already exited Nevada sports contracts. We model the line probability-weighted, not at run-rate.

6. Where does monetization go as the base ages? Down per dollar (toward broker norms), up in aggregate (more assets). The two partly cancel; the bull needs asset growth to outrun take-rate decay, which is unproven at scale.

7. What is the balance sheet worth? ≈\$5.2B net corporate cash, no funded debt — \$5.64/share of hard floor, and optionality to fund buybacks or acquisitions.

8. Is crypto's 13% a trough or a decline? Cyclical trough in our base/bull (it re-inflates with the next BTC leg), structural decline only in the bear. Either way it is no longer the swing factor for the whole equity.

9. How real is the ARPU story? Real: ARPU reached \$157 in Q1'26 (+8% YoY) and \$171 for FY2025 (+40% YoY), on rising Gold penetration (4.34M, +36%) and a near-doubling margin book. The base is monetizing more per user even as it diversifies away from any single product.

10. What would change our mind toward the bull? A second and third "event-contracts-style" vertical scaling to material revenue; take-rate holding as assets compound; and the crypto trough proving to be a floor above which the other engines keep growing. If those appear, fair value migrates toward \$110–140 without a crypto bull required — and we will update on the evidence.

11 Conclusion

Robinhood has earned its re-rating: it broke the crypto dependency that defined it, and it did so in the middle of a crypto winter, on the strength of engines that did not exist or did not matter a cycle ago. That is a better company than the market gave it credit for two years ago, and our note is not a bear case on the business. It is a valuation discipline on the price. At \$110 — ≈62× normalized earnings — the stock prices an uninterrupted 20% compounding machine as the base case, with its fastest-growing line awaiting a Supreme Court petition. Our probability-weighted fair value of ≈\$87 says: pay for the platform Robinhood has *proven*, weight the platform it *might become*, and do not pay in full today for verticals that do not yet exist. The single cleanest signal to watch is not Bitcoin — it is whether the next new vertical scales the way event contracts did, and whether the courts let the last one survive. **If Robinhood keeps inventing engines faster than its take rate mean-reverts, we are too conservative; until it proves the next one, ≈\$87 is our estimate and \$110 is a growth commitment we would not underwrite at par.**

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DATA, METHODS & LIMITATIONS

Data as of 2026-07-13: SEC EDGAR (Robinhood 10-K FY2025 acc. 0001783879-26-000023; 10-Q Q1'26 acc. 0001783879-26-000062), FMP (quotes and ratios), and dated financial-press / legal-industry reporting for the event-contracts litigation status (Third Circuit, Ninth Circuit, and Supreme Court cert timeline). Revenue disaggregation, the FY25 effective-tax-rate components, the net-interest rate sensitivity, corporate cash, and share counts are taken from the primary filings; scenario probabilities and normalized multiples are analyst judgment. The event-contracts revenue line is subject to unresolved litigation and is modeled probability-weighted, not at face run-rate. Normalized earnings restate FY25/TTM at a 24% tax rate (vs the reported 10.7%). An adversarial claim-verification pass against the primary filings was completed prior to publication; every SEC-sourced figure (revenue disaggregation, tax reconciliation, KPIs, balance sheet, NII sensitivity, share counts) reconciled to the filings, and three items were corrected as a result — the Interactive Brokers peer P/E (to $\approx 40\times$ TTM, which the note now treats as weakening rather than supporting its relative-value point), the removal of an unverifiable prediction-market odds figure for Supreme Court review, and disambiguation of the +8% Q1 versus +40% FY2025 ARPU growth.

SELECTED SOURCES

- Robinhood Markets, Inc. Form 10-K FY2025 (CIK 1783879, accession 0001783879-26-000023); Form 10-Q, period 2026-03-31 (accession 0001783879-26-000062) — SEC EDGAR.
- Event-contract litigation: Third Circuit (*KalshiEx v. New Jersey*, Apr 2026); Ninth Circuit consolidated appeals (argued Apr 2026); Supreme Court cert timeline (NJ petition due Aug 4, 2026) — Holland & Knight, Paul Weiss, Nevada Current, Legal Sports Report, CFTC press releases (Apr–Jun 2026).
- Financial Modeling Prep (quotes; HOOD P/E and margin ratios); rolling 90-day BTC beta computed from Schwab daily closes vs CoinMetrics BTC reference rate (see the TON618 synthesis note).

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