

DALALBYTES RESEARCH · FIVE-PILLAR ANALYSIS · NASDAQ: HOOD

Robinhood Markets

Five-Pillar Analysis: Three Pass, Two Partial

Sunrise, Leadership, and Iron Fortress pass. Moat and Free Cash Flow grade partial: assets per account are thin, and the cash flow is float arithmetic. Score 66/100, Selective Positive.

OCTOBER 28, 2026

Reference price \$94.56 (Nasdaq close, October 27, 2026). Companion to the Robinhood Markets investment report of the same date. Educational purposes only, not financial advice.

1 THE SCORECARD

Moderate-to-good fit: 3 of 5 pillars pass, 2 partial. Score 66/100, Selective Positive.

PASS

Sunrise industry, Leadership, Iron
Fortress

PARTIAL

Moat, Free Cash Flow

66/100

Overall DalalBytes score

Pillar	Grade	One-line evidence
1. Sunrise industry	PASS	Digital brokerage, prediction markets, and tokenization are all in early adoption curves, and Robinhood is taking share in each
2. Leadership	PASS	Dated commitments on deposits, expenses, and launches were beaten or met across two years, with the guide restated honestly three times
3. Moat	PARTIAL	Distribution to 28.7M customers and a 14-cylinder product web are real; assets per account of about \$13.8K and low switching costs cap the grade
4. Iron Fortress	PASS	\$5.83B of corporate cash against \$2.7B of principal debt, zero-coupon converts to 2029, \$10.08B of equity, and no dividend leakage
5. Free Cash Flow	PARTIAL	Adjusted EBITDA of \$2,083M in 9M 2026 at a 55% margin; operating cash flow is float arithmetic and the company defines no free cash flow measure

2 PILLAR 1, SUNRISE: PASS

The sunrise test asks whether the industries themselves are rising. Robinhood now operates in three at once. Digital self-directed brokerage continues to take wallet share from branch and phone models, and Robinhood's funded customers grew from 23.4M to 28.7M in under three years while platform assets went from \$102.6B to \$396B. Prediction markets are the clearest sunrise in US finance: Bernstein models the industry revenue pool growing from about \$2.5B in 2026 to \$10.8B in 2030, with sports and a Robinhood-led non-sports expansion doing the work, and dollar volumes on the leading venues are compounding at rates no mature financial market matches. Tokenization is the earliest curve of the three, with a formal SEC innovation exemption dated September 17, 2026 and the largest retail distribution in the country building the on-ramp. The counter-evidence is that two of the three sunrises are legally contested at the state level (event

contracts) or structurally unsettled (tokenized securities need rulemaking for certainty, in the CEO's own words). A sunrise with litigation is still a sunrise; the pillar grades the industry, and the industries are rising. Pass.

3 PILLAR 2, LEADERSHIP: PASS

The leadership test is whether they do what they said, in order, on dates. Vladimir Tenev's audited record across the last two years, detailed in the companion report, is the strongest in this library:

- **Deposits, beaten.** The 20% plus net deposit growth goal for 2026 was declared beaten on the Q3 2026 call with two months left: year-to-date deposits over \$68B passed the entire prior year. The Dell \$6B one-off inside October is disclosed by the company itself and noted in our grading.
- **Expenses, restated honestly three times.** The FY2026 adjusted opex and SBC guide was set at \$2.600B to \$2.725B, raised \$100M with the reason named (Trump Accounts), then trimmed twice on efficiency gains. A management team that explains each restatement is grading itself in public.
- **Launches, on the dates given.** Chain mainnet on July 1, 2026 as targeted, with first-quarter scale above internal expectations. Rothera live for the World Cup window as promised. Trump Accounts live July 4, 2026 with auto-enrollment delivered.
- **Finance leadership, promoted from within.** CFO Shiv Verma, at the company since 2018, succeeded Jason Warnick on February 6, 2026 in a planned transition, and introduced an adjusted EPS definition that keeps ordinary stock compensation inside the number, the conservative choice.

The debits are recorded, not footnoted. Banking general availability, implied for 2025 to 2026, is still pending with no new date. The founder sold about \$220M of stock in 2026 under a 10b5-1 plan adopted in September 2025, legal and disclosed, and he retains a stake worth roughly \$5.2B, but the selling cadence into a falling stock is a fair question. Dual-class entrenchment, 58.6% of votes with the founders, means shareholders cannot correct leadership if the delivery record ever breaks. Net: dated promises kept at a rate no peer in this library matches, with governance structure as the standing deduction. The pillar passes on delivery.

I do think more needs to be done to give people a little bit of certainty because as we talk to customers, I think the uncertainty of what happens in 5 years is likely to be an impediment to putting serious assets onto this technology.

Vladimir Tenev, on tokenization, Q3 2026 call

4 PILLAR 3, MOAT: PARTIAL

Three moat layers are verifiable. **Distribution:** 28.7M funded customers acquired at consumer-app economics, with 30.4M investment accounts and a brand that is the default first brokerage for its cohort. **The product web:** 14 business lines above \$100M in annualized revenue means the customer who arrives for options meets the card, the IRA match, the banking account, and the event contracts without leaving, and Gold converts that web into a loyalty loop (5.2M subscribers, 18% adoption, about 40% of new customers, with members depositing and trading more than non-members on the company's account). **Owned**

infrastructure where it counts: a licensed exchange and clearinghouse through Rothera, its own chain, and the Treasury trusteeship for Trump Accounts are regulated positions competitors cannot copy with a feature release.

Why partial, not pass. Assets per funded customer of about \$13.8K against Schwab's roughly \$274K and Interactive Brokers' roughly \$173K say the relationships are wide and shallow: the moat is attention, not yet assets, and attention migrates faster than assets do. Switching costs remain low across the core brokerage, and 55% of FY2025 revenue ran through market makers the company does not control, Citadel Securities alone at 13%: the toll road is rented. In prediction markets, the dollar-volume share belongs to Kalshi (76% on aggregator data) and Robinhood's own exchange carries 4.6%, so the infrastructure moat is being built, not built. A moat under construction with the widest top of funnel in the industry grades partial, trending pass if assets per account compound as the roadmap assumes.

5 PILLAR 4, IRON FORTRESS: PASS

The fortress evidence is at the corporate level, which is where this pillar is graded. Corporate cash and equivalents of \$5,829M at September 30, 2026 against total principal debt of \$2.7B: the \$2.2B of convertible notes pay a 0.00% coupon, mature in October 2029, and convert at about \$174.42, with capped calls purchased to neutralize dilution to a \$237.85 cap; the \$500M balance is asset-backed notes secured by, and repaid from, the credit card receivables they fund. Total stockholders' equity is \$10,078M, the accumulated deficit narrowed from \$2,152M to \$773M in nine months, and there is no dividend and no maturity before 2029. Tangible book value per share computes to \$10.27, up from \$9.53 at year-end 2025.

The caveats are stated so the grade is not misread. The consolidated balance sheet is mostly customer float: \$58.3B of total assets against \$18.5B of payables to users and \$19.5B of securities loaned, balances that expand and contract with markets and are not corporate strength in either direction. Regulatory capital sits in the subsidiaries where the licenses live, and the regulatory file carries real tail risk: cumulative confirmed penalties of about \$246.9M across 2020 to 2025, and a live state-litigation campaign against the newest business line. The card book's credit costs are young and rising. None of that breaches the wall as graded: a net-cash corporate core, no near-term maturities, and interest expense of effectively zero on the main debt instrument. Pass.

6 PILLAR 5, FREE CASH FLOW: PARTIAL

The earnings power is not in doubt. Adjusted EBITDA was \$2,522M in FY2025 at a 56% margin and \$2,083M in 9M 2026 at 55%, GAAP net income was \$1,883M in FY2025, and the business runs on trivial capex, \$54M in FY2025, because its fixed assets are software and licenses.

The deduction is conversion and definition. The company publishes no free cash flow measure, and operating cash flow is dominated by customer balance flows rather than earnings conversion: it printed negative \$157M in FY2024 against \$1,411M of net income as margin receivables grew, then \$3,983M in 9M 2026, 285% of net income, as customer payables grew. Both numbers are float arithmetic, and a pillar that grades cash generation cannot pass a company whose cash statement requires a paragraph of explanation every year. Stock-based compensation, the other leakage, has genuinely improved: \$277M in 9M 2026 is

7.3% of revenue, against 46.7% in FY2023, and buybacks of \$689M in 9M 2026 held the total share count flat at 901M. Cash generation is real and improving; its measurement is hostage to the float. Partial, trending pass if the company adopts and sustains a defined free cash flow disclosure.

7 WHAT WOULD CHANGE THE GRADES

Pillar	Upgrade trigger	Downgrade trigger
Sunrise	CFTC rulemaking finalizes with preemption intact; tokenization exemption produces live US issuance	A Supreme Court ruling for the states on sports event contracts
Leadership	Banking general availability delivered with a date kept; 2027 plan lands inside its first guide	A dated consumer promise missed without explanation, or founder selling accelerating outside the plan
Moat	Assets per funded customer compounding above 15% a year; Rothera dollar share above 10%	Deposit growth stalling below 10% while Gold adoption flattens
Iron Fortress	Converts refinanced or retired from cash at maturity with the net cash position intact	Regulatory penalties reaching a scale that touches capital planning, or card losses forcing a funding repricing
Free Cash Flow	A defined free cash flow measure adopted, with conversion above 70% of adjusted EBITDA across a full year	SBC re-accelerating above 10% of revenue, or buybacks funded by new debt at scale

The five-pillar read and the report verdict agree: Robinhood is the strongest business file in this library on delivery, 66/100, Selective Positive, held back from a higher score by a moat still under construction, a cash statement that grades as float arithmetic, and a share price that capitalizes the bull case for its most contested business before the courts have ruled.