

Robinhood Markets, Inc. (NASDAQ: HOOD)

Retail brokerage and financial technology | Equity research update | 20 October 2026 | Price of record \$96.52 (close 19 October 2026)

Verdict: Watchlist, from fundamentals. Interesting at **\$82 to \$87**. Weighted fair value **\$102**; base case \$105.50. Investment Score **63.5 / 100**.

Technical read (chart only): Neutral. The stock is pulling back toward a 200-day average near \$93.70 while the 50-day average still rises; a hold of the 200-day would steady the chart, a close below it would bring it in line with waiting.

Metric	Value	Metric	Value
Price (19 Oct close)	\$96.52	52-week range	\$63.52 - \$150.47
Weighted fair value	\$102.40 (+6.1%)	Base / bull / bear	\$105.50 / \$147.40 / \$60.20
Interest band	\$82 - \$87	Next results	27 Oct 2026, after the close
2026 / 2027 consensus EPS	\$2.55 / \$3.43	P/E on our 2027 clean EPS (\$2.85)	33.9x
Q2 2026 revenue	\$1,308m (+32% y/y)	Average analyst target	about \$134 (31 analysts)

Price of record and range from daily exchange data; consensus figures as of mid-October 2026; fair values are this report's own estimates.

Summary

Robinhood fell 11.5% in the six sessions after the last report, from \$109.02 to \$96.52, and closed below the \$97 level that report named as the point where the name became interesting. The fall came with a hot September CPI print and a Nasdaq sell-off on 14 October, a downgrade by Wolfe Research to Peer Perform the same day, and a lower Wells Fargo target. The question is whether \$97 is still the right level. It is not, because the regulatory picture for sports event contracts is worse than that level assumed.

The High development is jurisdiction, and it has moved against the product. Robinhood agreed on 9 September to stop offering new sports event contracts in Michigan, with positions closed by 9 October. On 25 September the Sixth Circuit ruled that Ohio and Tennessee may apply their gambling laws to sports event contracts, siding with the Ninth Circuit against the Third. Ohio then reasserted its 2025 cease-and-desist against Robinhood, with a 16 October compliance deadline. The direct earnings effect is small, about \$0.02 a share for the two states on our estimate, but the trend lifts the probability of a wider restriction before the Supreme Court can settle the split, and that weighs on the multiple more than on 2027 earnings.

On the other side, the SEC approved Cboe's KPI options, which Robinhood plans to offer first among retail brokers with no fees to year end, and perpetual futures remain on the announced slate. Neither has launched. The base case is worth \$105.50, on 2027 clean EPS of \$2.85 at 37 times. Weighted for a heavier bear case, fair value is \$102.40, about 6% above the price. That is not enough margin for a business with a bear case near \$60, so the rating stays Watchlist. The band at which the name becomes interesting moves down to \$82 to \$87, where the base case pays 21% to 29%.

What changed since the last report

Item	Last report (12 Oct)	This report (20 Oct)	Why
Price	\$109.02	\$96.52	Hot CPI, sector sell-off, Wolfe downgrade, state actions
Verdict	Watchlist	Watchlist	Upside to fair value still too thin for the risk
Interest level	\$97 or below	\$82 - \$87	Lower multiple and heavier bear case
Fair value (weighted)	\$110	\$102.40	Base multiple cut to 37x from 43x; bear weight 30% from 23%

Item	Last report (12 Oct)	This report (20 Oct)	Why
Base case	\$114 (FY27 clean EPS \$2.65 at 43x)	\$105.50 (FY27 clean EPS \$2.85 at 37x)	Higher EPS on Q3 consensus; lower multiple on jurisdiction risk and a sector de-rating
Bull / bear	\$143 / \$57	\$147.40 / \$60.20	EPS inputs higher, multiples lower
Probabilities (bull/base/bear)	32 / 45 / 23	25 / 45 / 30	Sixth Circuit, Michigan and Ohio
Investment Score	67.0	63.5	Growth -1, Competitive Advantage -1, Risk -1, Valuation +1; weights changed

Previous figures from the 12 October 2026 report.

Factor weights changed on 18 October 2026, so part of the change in the Investment Score reflects the new weights. The previous report already scored Risk on the scale where 10 is lowest risk, so the factor scores compare directly. The \$97 level was meant as an entry with the operating case intact. The price reached it while the legal case for sports contracts weakened, which is a reason to lower the level rather than act on it.

Company developments

Development	Status and date	What is known	What is forecast (and by whom)	Impact
State action on sports event contracts	Michigan halt 9 Sep (positions closed by 9 Oct); Sixth Circuit ruling 25 Sep; Ohio deadline 16 Oct	Michigan stipulation stays until the Sixth Circuit resolves the appeals. The Sixth Circuit held the contracts are not swaps and that federal law does not displace state gaming law. Ohio reasserted its March 2025 order to Robinhood and sent orders to nine others.	Our estimate: about \$0.02 of 2027 EPS for Michigan and Ohio; about \$0.11 if every state in the Sixth and Ninth Circuits acts.	High
Supreme Court petitions	Robinhood petition filed 10 Sep; Kalshi response to New Jersey due about 9 Nov	Robinhood asked the Court to review the Ninth Circuit's Nevada ruling. Neither case was on the first order list of the term.	Legal commentators expect the Court to decide whether to hear the issue after the November responses; a ruling may not come until 2027 or later.	High (part of the item above)
Cboe KPI options	SEC approval reported 14 Oct; launch targeted for October, not yet live	Binary contracts that settle on reported company metrics, \$1 payout, cash-settled. About 100 metrics across 23 companies. Robinhood plans to be the first retail broker, with no fees to year end.	Launch timing depends on clearing registration (pending).	Medium
Crypto perpetual futures	Announced 29 Sep; not yet launched	Eight coins, up to 10x on BTC and ETH, through Bitstamp, in the coming months.	Our earlier estimate of \$100m to \$250m of 2027 revenue across the summit slate stands.	Medium
Insider sale notices	15 Oct	A director filed notice to sell about \$33m of stock and an officer about \$4m.	None.	Low
Q3 2026 results	27 Oct, after the close	Date set by the company on 1 Oct.	Consensus: EPS about \$0.55 on revenue about \$1.43bn.	Low (dated catalyst)

Company releases, court and regulator documents, and established press. Forecasts are attributed in the table.

State action on sports contracts: what it means for the thesis

What is known. Robinhood Derivatives agreed with Michigan's regulator to stop offering new sports-related event contracts from 9 September and to close remaining positions by 9 October. The agreement concedes neither side's legal position and stays in force until the Sixth Circuit resolves the related appeals. On 25 September the Sixth Circuit, in cases brought by Ohio and Tennessee against Kalshi, held that sports event contracts are not swaps and that, even if they were, the Commodity Exchange Act does not pre-empt state regulation. That aligns the Sixth Circuit with the Ninth and against

the Third. Ohio's Casino Control Commission then reasserted its March 2025 cease-and-desist to Robinhood and set a 16 October deadline; Robinhood's response is not known at the time of writing. Robinhood itself petitioned the Supreme Court on 10 September to review the Ninth Circuit's Nevada ruling.

Why it matters here. Event contracts produced \$156m of Q2's \$1,308m revenue, about 12%, and were the fastest-growing line, up more than tenfold. The company does not disclose the sports share of that line; this report assumes 60% to 80%. Prediction markets also act as a customer-acquisition channel, which management has described as a top-of-funnel driver, so a restriction costs more than the contract fees.

What success and failure look like. Success is a Supreme Court ruling for federal jurisdiction or a CFTC framework that states accept, with event-contract revenue holding at or above Q2's \$156m. Failure is a run of further state orders inside the Sixth and Ninth Circuits (Kentucky, Tennessee, California, Arizona, Washington and others), or an adverse national ruling. The first hard data is Q3 event-contract revenue on 27 October; the next legal marker is the Kalshi response to New Jersey's petition, due about 9 November.

Economics. Sports contracts carry a per-contract fee with little marginal cost, so lost revenue falls almost straight to pre-tax profit. A state exit also removes a funnel into options, equities and Gold. Against that, KPI options and non-sports contracts (economics, politics, company metrics) do not depend on state gaming law in the same way, which limits the damage.

Precedent and competitors. Kalshi, Coinbase, Webull, Polymarket and others offer similar contracts and received the same Ohio orders, so Robinhood is not singled out. Kalshi lost in the Sixth Circuit and is seeking rehearing in the Ninth. In Michigan, Kalshi was enjoined before Robinhood withdrew.

Input (our estimate unless stated)	Value
2027 event-contract revenue, base case	\$750m (Q2 annualised \$624m, grown)
Sports share of event-contract revenue	70% (range 60% - 80%)
Incremental pre-tax margin / tax rate	80% / 22%
Diluted shares	about 900m (Q2: 912m weighted)
Base 2027 clean EPS / multiple	\$2.85 / 37x

Our calculation. Population shares from US Census estimates.

Outcome	States affected (population share)	Revenue lost	2027 EPS effect	Value at 37x
Base: Michigan and Ohio only	6.5%	\$34m	-\$0.02 (0.8%)	-\$0.87
Wider: all Sixth and Ninth Circuit states	29.7%	\$156m	-\$0.11 (3.8%)	-\$4.00
Failure: national loss of sports contracts	100%	\$525m	-\$0.36 (12.8%)	-\$13.47

Our calculation. Excludes the funnel effect on other lines and any change in the multiple.

What the price already assumes. The earnings effect of the two states is small. The market's repricing has been larger: part of the \$12.50 fall since the last report coincided with a broad sell-off and a downgrade, and the legal news cannot be shown to explain a specific share of it. This report treats the item mainly through the multiple (37x in the base case against 43x before) and through a bear-case weight raised to 30%. Without the item (a 39x base multiple and 28/47/25 weights) the weighted fair value would be about \$108.60 and the interest band about \$86 to \$92; the verdict would be the same.

What is still unknown. Whether Robinhood complied in Ohio, whether Tennessee and Kentucky follow, and whether the Supreme Court takes the issue this term. The 27 October release should show how much sports volume moved to non-sports contracts.

Business and financials

Robinhood earns from transactions (options, equities, crypto, event contracts), from net interest on customer cash and margin loans, and from Gold subscriptions. Q2 2026 revenue rose 32% to \$1,308m, with transaction revenue up 44% to \$776m and net interest up 9% to \$389m. Diluted EPS of \$0.62 included investment gains, so the clean figure used for valuation is lower. Adjusted EBITDA margin was 57%, and management lowered its 2026 outlook for adjusted operating expenses and stock pay to \$2.675bn to \$2.775bn. August showed the mix shift: equity notional up 68% and margin balances up 72% year on year, crypto notional down 38% and event contracts down 23% month on month after July.

Metric	Q2 2026	Change	Metric	Aug 2026
Total net revenue	\$1,308m	+32% y/y	Funded customers	28.6m (+7% y/y)
Options / equities	\$342m / \$129m	+29% / +95%	Platform assets	\$383.7bn (+26%)
Event contracts	\$156m	over 10x	Equity notional	\$335.4bn (+68%)
Crypto	\$100m	-38%	Crypto notional	\$17.5bn (-38%)
Net interest	\$389m	+9%	Event contracts traded	4.7bn (-23% m/m)
Net income / diluted EPS	\$573m / \$0.62	+48% / +48%	Margin book	\$21.5bn (+72%)
Adjusted EBITDA	\$741m (57%)	+35%	Cash sweep	\$31.2bn (-9%)
Gold subscribers / ARPU	4.8m / \$187	+39% / +24%	Net deposits	\$4.0bn

Company Q2 2026 results release and August 2026 operating data.

Balance sheet: \$5.4bn of corporate cash at 30 June after a \$2.0bn convertible due 2029, and \$414m of buybacks in Q2. Robinhood's brokerage and clearing subsidiaries are regulated and capitalised separately. Financial strength is not the constraint on this name; the cyclicity of retail activity and the legal standing of the newest product are.

Growth drivers

Driver	Status	Likelihood	Impact	Comment
Event contracts (non-sports)	Shipped	High	Medium	Economics, politics and KPI-style contracts are less exposed to state gaming law
Cboe KPI options	Approved, launch pending (Oct target)	Medium	Low-Medium	No fees to year end, so revenue starts in 2027
Crypto perpetual futures	Announced 29 Sep	Medium	Medium	Depends on crypto activity, which fell 38% y/y in August
Gold and net interest	Shipped	High	Medium	A higher policy rate supports interest income on \$31bn of sweep cash
International and tokenisation	Partly shipped (EU)	Low-Medium	Low	US route requires full shareholder rights, which current tokens are reported not to meet

Status as announced by the company; likelihood and impact are this report's judgement.

Competitive position

Robinhood leads US retail options and has the broadest retail product set in prediction markets, but the Ohio orders listed nine other firms offering similar contracts, including Coinbase and Webull. Distribution of event contracts is therefore not exclusive, and the edge rests on user base, product speed and cost. Interactive Brokers and Schwab compete for larger accounts, Coinbase for crypto, and Kalshi and Polymarket for event traders. Competitive Advantage is scored 7 rather than 8 for that reason.

Company	Focus	Overlap with Robinhood
Charles Schwab	Full-service and self-directed brokerage	Equities, options, cash; larger and older accounts
Interactive Brokers	Global active traders	Options, margin, ForecastEx event contracts
Coinbase	Crypto exchange	Crypto spot and derivatives, event contracts

Company	Focus	Overlap with Robinhood
Kalshi / Polymarket	Prediction markets	Event contracts, including sports
Webull and other app brokers	Retail brokerage apps	Equities, options, event contracts

Business descriptions from company disclosures.

Management

Management has delivered a fast product cadence and held costs, cutting the 2026 expense outlook in July. Q2 revenue and EPS beat consensus. Its legal strategy on sports contracts has been to keep offering them where it can while settling state by state where it must, as in Michigan, and to seek a national ruling. That keeps revenue running but leaves the line exposed to each new state order. Insider sale notices continued in October; past CEO sales ran under a pre-arranged plan.

Risks

Risk	Probability	Severity	Comment
State action on sports contracts	High	High	Michigan and Ohio acted; the Sixth Circuit joined the Ninth; a national ruling is not near
Valuation and volatility	High	High	34x our 2027 clean EPS, a beta above 2 and a 6% average daily range
Retail risk appetite	Medium	High	Margin balances up 72% y/y; a sell-off would hit volumes and margin income together
Crypto activity	Medium	Medium	Crypto notional down 38% y/y in August; the market-structure bill failed in September
Rate path	Medium	Medium	The Fed raised to 3.75%-4.00% in September; a second rise helps interest income but weighs on trading
Leverage products	Medium	Medium	10x perpetual futures and 4x intraday margin raise customer-loss and conduct risk
Earnings quality	Medium	Medium	Reported EPS includes investment gains; valuation uses clean EPS
Insider selling	High	Low	Regular sale notices from directors and officers

Probability and severity are this report's judgement.

Valuation

Earnings multiples suit a profitable broker; EV to sales would flatter a business whose margin swings with activity. Consensus 2026 EPS is \$2.55 and 2027 EPS \$3.43, but reported figures include investment gains, and a normalised forward estimate near \$2.96 is also quoted. This report uses 2027 clean EPS of \$2.85 in the base case, about 30% above a clean 2026 run rate, and 37 times, roughly 1.2 times the expected growth rate. That multiple sits above Interactive Brokers and Schwab for faster growth, and below the 43 times used before, because the newest growth line now faces a split between federal circuits and the broker group has de-rated this year. At \$96.52 the stock trades at 33.9 times that estimate.

Macro drivers. Two variables matter. The first is the policy rate, which cuts both ways: the Federal Reserve raised its target range to 3.75%-4.00% on 16 September, and September CPI ran at 3.7% with producer prices up 1.3% on the month, so a further rise is possible at the 28 October meeting. That lifts interest on \$31bn of sweep cash and \$21bn of margin loans, but a 10-year yield above 5% weighs on the multiples of growth stocks and on retail risk appetite. The second is retail activity itself. Retail sales rose 0.8% in September and jobless claims stayed near 199,000, so the consumer is not yet the problem; a sell-off in risk assets is the more likely route to lower volumes.

Case	Probability	What has to happen	2027 clean EPS	Multiple	Fair value
Bull	25%	Event-contract revenue grows through the football season; KPI options and perps launch; no further state orders; a path to a federal ruling. Assumes the High item resolves in Robinhood's favour.	\$3.35	44x	\$147.40
Base	45%	Q3 confirms event-contract revenue near Q2; Michigan and Ohio stay out; litigation runs into 2027 without a national ruling. Assumes the base outcome of the High item.	\$2.85	37x	\$105.50
Bear	30%	More states inside the Sixth and Ninth Circuits act or an adverse ruling arrives; crypto stays weak; a rate rise and a risk-off market cut volumes. Assumes the failure outcome of the High item.	\$2.15	28x	\$60.20
Weighted	100%				\$102.40

Our estimates. Weighted value computed from the three cases.

The bull weight of 25% reflects that federal resolution is unlikely before 2027 and that the bull case needs both a strong Q3 and no further state action. The base weight of 45% rests on Q3 consensus and on August volumes that held up in equities and options. The bear weight of 30% is higher than before because two more states acted and a second circuit sided with the states within a month; a stock with a beta above 2 also falls further when the market turns.

Sentiment

Analysts remain positive: 31 cover the stock with an average target of about \$134, and recent notes were mixed. Evercore ISI initiated at Outperform with a \$130 target on 12 October, Truist raised its target to \$134, Bank of America to \$156, while Wells Fargo cut to \$120 and Wolfe Research moved to Peer Perform, saying the bullish drivers were in the price. Insider sale notices continued, with a director filing to sell about \$33m on 15 October.

Institutional positioning reads **Mixed** (moderate confidence), as of 30 June 2026, filings through 19 August 2026. Three quarters of net reduction by active managers gave way to a net addition of about 4.6% of reported shares in the June quarter, leaving about +1.0% over four quarters, with 33 managers adding and 17 cutting. One quarter is a possible turning point rather than a trend. Based on reported holdings filed by the cutoff. Late filers are not included, and passive, strategic and mixed holders are left out of the flow measure.

Investment scorecard

Criterion	Score	Weight	Change	Basis
Business Quality	7/10	15%	unchanged	Thirteen revenue lines above \$100m annualised, 57% adjusted EBITDA margin, \$384bn of platform assets.
Financial Strength	8/10	15%	unchanged	\$5.4bn corporate cash, buybacks, lower 2026 cost outlook.
Competitive Advantage	7/10	15%	-1	Nine other firms offer similar event contracts; the edge rests on users and product speed.
Management	7/10	10%	unchanged	Product cadence and cost control intact; legal exposure handled state by state.
Growth Potential	7/10	15%	-1	Sports contracts out of two more states and at risk in more; crypto activity weak.
Valuation	5/10	20%	+1	33.9x our 2027 clean EPS against 39x before; price about 6% below weighted fair value.

Criterion	Score	Weight	Change	Basis
Risk (10 = lowest risk)	3/10	10%	-1	A second circuit sided with the states; Michigan and Ohio acted; high beta.

Scored 1–10, where 10 is always best, including Risk. Investment Score = sum of score × weight.

Investment Score: 63.5 / 100 (previous 67.0). The developments item moved three factors: Growth Potential and Competitive Advantage because the fastest-growing line is now restricted in two more states and shared with many distributors, and Risk because the legal split deepened. Valuation rose one point on the lower price.

Recommendation

Watchlist. Robinhood is a strong, profitable platform, but at \$96.52 the weighted fair value of \$102.40 offers about 6% upside against a bear case 38% lower. The name becomes interesting at **\$82 to \$87**, where the base case of \$105.50 pays 21% to 29%; the top of that band sits near the 60-day closing low of about \$86.60. A Q3 release on 27 October showing event-contract revenue at or above Q2's \$156m, with no further state orders, would justify a fresh look at a higher level. The recommendation is unchanged from the last report, but it now rests on different grounds: the price fell to the old level while the legal case for sports contracts weakened, so the level moved down. Without the state actions the band would sit about \$4 to \$5 higher and the verdict would be the same. No cut-loss or take-profit is published for a non-Buy rating.

What would change the view

Condition	Direction	Why
Price in the \$82 - \$87 band with the operating case intact	Toward Buy	Base case pays 21% to 29%
Q3 event-contract revenue at or above \$156m on 27 October, with no further state orders	Toward Buy	Shows the line can grow despite state exits
Supreme Court takes a prediction-market case, or a CFTC framework states accept	Toward Buy	Opens a path to federal jurisdiction
Tennessee, Kentucky or Ninth Circuit states issue orders, or Robinhood exits Ohio	Toward Avoid	Moves the bear case toward the base
Crypto trading volume keeps falling year on year	Toward Avoid	Weakens a line with high margins
A second rate rise followed by a sustained fall in retail trading and margin balances	Toward Avoid	Volume falls faster than net interest rises
Price above about \$140 without Q3 confirmation	Toward Avoid	Would price in the bull case

Conditions are directional unless a level is derived from this report's scenarios.

Technical read

Chart as of 19 October 2026 close. Verdict: Watchlist, from fundamentals. Technical read (chart only): **Neutral**. The stock is in a pullback: it trades 11% below a still-rising 50-day average and 3% above the 200-day average near \$93.70, with RSI near 35 and MACD below its signal. A hold of the 200-day and the 20-session low near \$94.50 would steady the chart; a close below them would point toward the 60-day closing low near \$86.60, the top of the interest band.

Indicator	Value	Reading
SMA 20 / EMA 20	\$111.40 / \$108.07	price 13.4% / 10.7% below
SMA 50 / EMA 50	\$108.69 / \$107.75	price 11.2% / 10.4% below; SMA 50 rising
SMA 100 / EMA 100	\$103.51 / \$103.70	price 6.8% / 6.9% below
SMA 200 / EMA 200	\$93.68 / \$104.78	price 3.0% above / 7.9% below
RSI (14)	34.8	weak, not oversold
MACD line / signal / histogram	-2.91 / -0.87 / -2.04	negative, below signal
ATR (14)	\$5.82	6.0% of price
Volume 20-day / 50-day	18.8m / 20.8m	participation fading (-9.9%)
Support	\$94.52 (20-day low), \$93.68 (SMA 200), \$86.56 (60-day closing low)	
Resistance	\$103.50 (SMA 100), \$108.70 (SMA 50)	
100-session / 52-week range	\$73.53 - \$126.74 / \$63.52 - \$150.47	

Computed from 300 completed daily sessions (raw closes, split-adjusted) to 19 October 2026; distances measured against the \$96.52 price of record.

The Technical read looks only at the price chart. It does not change the verdict or the Investment Score, and it only guides entry timing.

Final verdict

Would this be a purchase with personal money today? Not yet. The business is earning well and Q3 may be strong, but the stock still prices growth from a product whose legal footing has weakened in the past month, and its bear case is far below the price. The single biggest concern is a further run of state orders before any national ruling. What must change is either the price, into the \$82 to \$87 band, or the evidence, through a Q3 release that shows event-contract revenue holding without new restrictions. The state actions shaped the lower band but not the verdict.

Disclaimer

This report is for informational purposes only and is not financial advice or a recommendation to buy or sell any security. Estimates and fair values are opinions as of the date shown and may change. Past performance does not guarantee future results.

Sources

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