Robinhood Markets, Inc. (HOOD)

Equity research note | Interim review | Prepared 26 August 2026

WATCHLIST Unchanged from previous report		
	Last close (25 Aug 2026)	**$112.09**
	Change since 5 Aug note	**+19.9%**
	P/E on annualised clean EPS	**~58.4x**
	EV / annualised adj. EBITDA	**~33.1x**
	Probability-weighted fair value	**$94.66**
	Implied downside to fair value	**-15.5%**

What Has Changed Since the Last Note

The 5 August note put Robinhood on Watchlist at $93.51 and named two things that would move the rating to Buy: a third quarter showing event-contract revenue holding up after the World Cup, or a retreat toward the hundred-day average near $87 that would restore a margin of safety. Neither has happened. Instead the shares went the other way, closing at $112.09 on 25 August, 19.9% higher in fifteen sessions and within 4% of the 15 July high of $116.60.

The move is explicable. Bitcoin returned to the $77,000-$80,000 area during the month, and Robinhood led the crypto-sensitive brokerage complex higher, gaining more than 4% on 24 August and a further 8.2% on 25 August. Three company-specific developments accompanied the rally: an acceleration of publicly traded closed-end funds tied to private companies, a United Kingdom crypto rollout through Bitstamp UK, and reports that the Securities and Exchange Commission is drafting tailored rules for crypto and tokenised securities that could eventually permit tokenised United States stock trading. Sell-side targets moved with the price rather than ahead of it: Goldman Sachs to $124 from $123, Needham to $123 from $120.

None of that is a change in reported fundamentals. The most recent disclosed quarter remains Q2 FY2026, reported 29 July. What has changed is the price paid for those fundamentals, and the direction of the one revenue line that was shrinking.

Do the Published Levels Still Hold?

Level from the 5 August note	Then	Now (25 Aug)	Status
Last close	$93.51	$112.09	Price is 19.9% higher
Buy trigger: retreat toward the 100-day average	~$87	SMA100 $90.58	Not reached; price now 23.8% above it
Probability-weighted fair value	$87.45	$94.66	Raised, but price rose faster
Base-case fair value	$88	$99	Price is 13% above the base case
Bull-case fair value	$117	$124	Price is now within 11% of it
P/E on annualised clean EPS	~48.7x	~58.4x	De-rating reversed into a re-rating

The published levels have not been invalidated so much as overtaken. The entry area the last note identified never arrived, and the stock now trades above the base-case fair value and inside the bull case. An investor who waited has not missed a thesis; they have watched the price move into the part of the range where the last note explicitly said the risk-reward was unattractive, and move further into it.

The Crypto Line Turns

The single most important development for the fundamental case is that cryptocurrency revenue, which fell 38% year on year to $100 million in the June quarter and was the principal drag on an otherwise 32% revenue expansion, is facing a materially better backdrop. Management guided on the July call to third-quarter crypto volumes running slightly slower early in the month with take rates near the Q2 average. Bitcoin's recovery toward $80,000 through late August, and the accompanying rise in retail engagement that drove 278,200 Robinhood option contracts on 25 August against 1.6 million of open interest, points to a September-quarter crypto line that is at worst flat sequentially rather than down another leg.

That matters more for the multiple than for the earnings. Crypto revenue of $100 million a quarter is roughly 7.6% of total net revenue; a 20% swing in it is about 1.5 points of consolidated growth. What it changes is the narrative that Robinhood's highest-margin legacy business is in structural decline. A stabilising crypto line alongside prediction markets, subscriptions and options makes the revenue mix look additive rather than substitutional, and the market has repriced accordingly.

The open question from the last note is untouched. Event contracts printed $156 million in a quarter containing the FIFA World Cup Final, more than ten times the year-ago figure, and management could not tell analysts what the post-World-Cup run rate looks like. The American football season began in September; the third-quarter release will be the first observation of whether prediction markets are a structural line or an event-driven one. Nothing published between 5 and 26 August advances that question, and the shares have re-rated 20% while it remains open.

Valuation After the Move

Metric	Value	Assessment
Price (25 Aug 2026 close)	$112.09	3.9% below the 15 Jul high of $116.60
Implied market capitalisation	~$103.6bn	On ~924m diluted shares
P/E on annualised headline EPS	~45.2x	Flattered by the $0.14 deconsolidation gain
P/E on annualised clean EPS	~58.4x	The figure this note uses; was 48.7x on 4 Aug
EV / annualised adjusted EBITDA	~33.1x	Was ~27x; the friendliest framing has also stretched
Adjusted EBITDA margin	57%	Unchanged and genuinely exceptional
Street average price target	~$124.7	Roughly 11% above the current price
Probability-weighted fair value	$94.66	15.5% below the current price

Annualised clean EPS of $1.92 derives from the Q2 figure of approximately $0.48, which is this note's own calculation from reported diluted EPS of $0.62 less the $0.14 per share attributable to gains on the deconsolidation of Robinhood Ventures Fund I. It is not a company-reported measure. Adjusted EBITDA is annualised from the reported quarterly $741 million; enterprise value is adjusted for $5.4 billion of cash.

The arithmetic is unforgiving. At 58 times annualised clean earnings, the price no longer merely requires the new businesses to work; it requires them to work and to be awarded a premium multiple while doing so. The consolation is that the sell-side average target of roughly $124.73 sits above the price, so the market is not alone in its optimism. The complication is that those targets were raised after the move, not before it, which is the ordinary pattern of price targets following prices.

Technical Position

Indicator (25 Aug 2026)	Value	Reading
Close	$112.09	Above every computable moving average
SMA20	$95.24	Price 17.7% above
SMA50	$100.92	Price 11.1% above
SMA100	$90.58	Price 23.8% above; nearest structural support

Indicator (25 Aug 2026)	Value	Reading
SMA200	not computed	Insufficient history in the 100-session series; not estimated
RSI(14)	63.5	Firm but not yet overbought
MACD / signal / histogram	1.67 / -0.33 / 2.00	Bullish crossover completed since the last note
ATR(14)	$6.37	5.7% of price
20-day range	$83.68 - $112.45	Closing at the top of it

Indicators computed from 100 daily OHLCV sessions (2 April to 25 August 2026). The 200-day average could not be derived from that window and has deliberately not been estimated.

The technical picture has inverted since the last note, which described a price below the twenty- and fifty-day averages with a negative and narrowing MACD histogram. That histogram is now positive at 2.00 and the moving-average stack has flipped to bullish. Taken alone the chart argues for momentum continuation toward the July high. Taken with the valuation it argues that the entry the last note wanted is now 24% below the market, and the technical improvement is precisely what removed it.

Risks

Risk	Probability	Severity	Comment
Valuation	High	High	~58x annualised clean earnings on a beta above 2 leaves no cushion for a disappointment
Event contracts normalising	High	Medium	The post-World-Cup run rate is still unobserved and the shares have re-rated while it is
Crypto reversal	Medium	Medium	The August rally rests on Bitcoin near $80,000; the same sensitivity works downward
Slowing customer growth	High	Medium	Funded customers grew 7%; revenue growth depends on monetising a base that is barely expanding
Regulatory	Medium	High	Tokenisation, prediction markets and perpetual futures all await rules still being drafted
Earnings quality	Medium	Medium	Headline EPS still carries the deconsolidation gain in trailing comparisons
Execution breadth	Medium	Medium	Banking, cards, Chain, Social, Rothera, Bitstamp UK and closed-end funds all in flight at once

Scorecard

Category	Score	Comment
Business Quality	7/10	Thirteen lines above $100m annualised; 57% adjusted EBITDA margin
Financial Strength	8/10	$5.4bn cash, active buyback, full-year cost guidance revised down
Competitive Advantage	7/10	Strong brand and product velocity; switching costs remain low
Management	7/10	Excellent cost discipline; headline EPS presentation still leans on a one-off
Growth Potential	8/10	Prediction markets, tokenisation, UK crypto and private-market funds
Valuation	3/10	~58.4x annualised clean earnings, down from 4/10 at 48.7x

Category	Score	Comment
Risk (10 = lowest risk)	4/10	Beta above 2, 5.7% daily ATR, three lines awaiting regulation
Technical Setup	7/10	Above all computable averages; MACD crossed positive

Scored 1-10, where 10 is always best, including Risk. Weightings: valuation 17, growth 16, risk 15, business quality 14, competitive advantage 12, financial strength 11, management 10, technicals 5. Overall Investment Score: **61 / 100**, against 62 in the 5 August note. The prior note scored Risk on the same direction as this one (its label read "higher = safer"), so no restatement was required for comparability. Valuation fell from 4 to 3 and Technical Setup rose from 5 to 7; the two changes almost cancel.

Recommendation: Watchlist (reaffirmed, on changed grounds)

The rating is unchanged, and it is worth being explicit that the reasoning behind it is not. On 5 August the case for waiting rested on earnings quality, an untested event-contract line, and a price of roughly 49 times clean earnings. Two of those three are unchanged. The third has deteriorated: the same shares now cost 58 times the same earnings.

Working against that, the crypto backdrop has improved materially, which addresses the one genuine fundamental weakness in the June quarter, and the technical setup has flipped from a de-rating to a confirmed uptrend. Those are real improvements and they are the reason this is a reaffirmed Watchlist rather than a downgrade to Avoid. A business compounding revenue at 32% with a 57% adjusted EBITDA margin, falling cost guidance and thirteen revenue lines above $100 million does not become uninvestable because its multiple expanded; it becomes a worse purchase at this price than it was three weeks ago.

The conditions for an upgrade are now harder to satisfy than they were, because one of the two routes has closed. A retreat toward the hundred-day average, now $90.58, would still restore a margin of safety, but that is 19% below the market and would require a meaningful drawdown. The remaining route is evidence: a third-quarter release showing event-contract revenue holding near the June level without a World Cup, together with crypto revenue stabilising, would justify paying closer to the current price. A downgrade to Avoid would follow a move above roughly $125 without that evidence, or a third quarter in which event contracts fall by half and crypto resumes its decline.

Scenario Analysis

Scenario	Prob.	FY27 clean EPS	Multiple	Fair value	Conditions
Bull	30%	~$2.75	45x	$124	Prediction markets prove structural, crypto recovery persists, tokenised US equities approved
Base	45%	~$2.35	42x	$99	Event contracts normalise but options, Gold and international offset; crypto flat
Bear	25%	~$1.75	30x	$52	Crypto rolls over with Bitcoin, event contracts halve, a regulatory setback in tokenisation

Probabilities sum to 100%. Probability-weighted fair value: $94.66, approximately 15.5% below the 25 August close of $112.09. The weighted figure is up from $87.45 in the 5 August note, reflecting the improved crypto backdrop, but the price rose 19.9% over the same period against an 8.2% increase in estimated fair value.

Final Verdict

Robinhood has done nothing wrong in the last three weeks. It has, if anything, done several things right: a United Kingdom crypto rollout, an acceleration of private-market closed-end funds, and a regulatory environment turning friendlier toward tokenised securities. The company that looked expensive at $93.51 looks marginally better as a business and considerably worse as a purchase at $112.09.

The central question is unchanged and unanswered. Robinhood's fastest-growing revenue line printed its best possible quarter for a structural reason that recurs in 2030, and the market has now paid up 20% in advance of finding out what the line does without it. Paying 58 times annualised clean earnings for that resolution, when the same resolution was available at 49 times three weeks ago and at roughly 40 times in June, is a worse bet at each step. The third-quarter release will supply the evidence. There is still no cost to waiting for it beyond the risk of the shares continuing to run, which is a real risk and not one this note attempts to talk anybody out of.

The honest summary is that this is a good company with an unresolved question and a price that has moved as though the question were already resolved. Watchlist, with the entry level unchanged in principle and considerably further away in practice.

Sources

Alpha Vantage - daily OHLCV series, 2 April to 25 August 2026 (TIME_SERIES_DAILY) • Robinhood Markets, Inc. Q2 2026 results release, 29 July 2026 • moomoo news search - Robinhood news flow, 19 to 26 August 2026, including Goldman Sachs and Needham price-target revisions and option volume data • StocksToTrade and Timothy Sykes market coverage of the 20 to 25 August rally, closed-end fund plans and Bitstamp UK rollout • Prior Beating The Bull research note on Robinhood Markets, 5 August 2026