

What a Robinhood takeover could bring to FTX

Article

The news: Cryptocurrency exchange **FTX** is reportedly looking into buying trading app **Robinhood**, according to Bloomberg, which cited people with knowledge of the matter.

- FTX CEO Sam Bankman-Fried was quick to [downplay](#) a potential takeover, saying, “There are no active M&A conversations with Robinhood.” But he also hinted at future tie-ups: “We are

excited about Robinhood’s business prospects and potential ways we could partner with them.”

- Takeover rumors have been circulating since Bankman-Fried **bought** a 7.6% Robinhood stake worth \$648 million in May.

What makes Robinhood a good target?

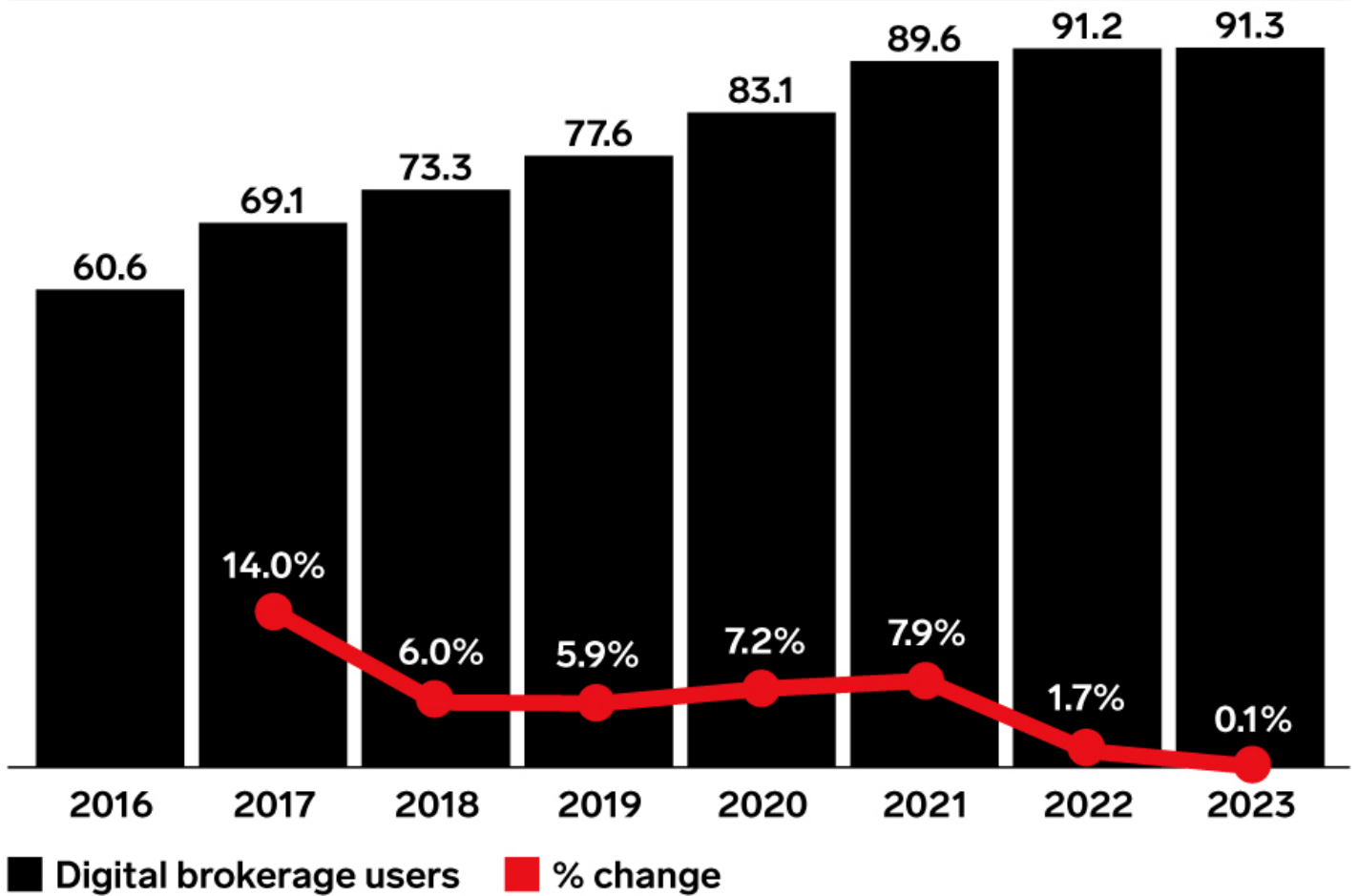
1. **Value for money:** Robinhood could be a bargain purchase for the right buyer. Shares peaked at \$70 last August and have since fallen fairly consistently to the current price of around \$9. Robinhood also has ample cash reserves, which Bloomberg **reported** earlier this month exceed its market cap. Put simply, the digital broker may be undervalued.
2. **Large customer base:** Robinhood boasted 17.3 million monthly active users as of last December. FTX can take advantage of this reach to enlarge its own customer base and boost trading volumes.
3. **Diversification:** Robinhood already has a successful offering that **combines crypto** and stock trading options in one place. FTX recently **expanded into stock trading** and adding Robinhood’s existing products would fit with its plans to build a trading super app.

What’s the downside?

1. **Tumbling volumes:** Robinhood has endured a decline in trading volumes and **Q1 revenues** missing guidance with a 43% year over year drop. Its moves to add new services—including **cryptos**, **extended trading hours**, and **pensions**—have seemed increasingly desperate.
2. **Reputation:** Though FTX seems undeterred by it, Robinhood’s involvement in the GameStop saga, which **almost forced it to default**, did little to cement a respectable brand image.

US Digital Brokerage Users, 2016-2023

millions and % change



Source: Insider Intelligence, Sep 2021

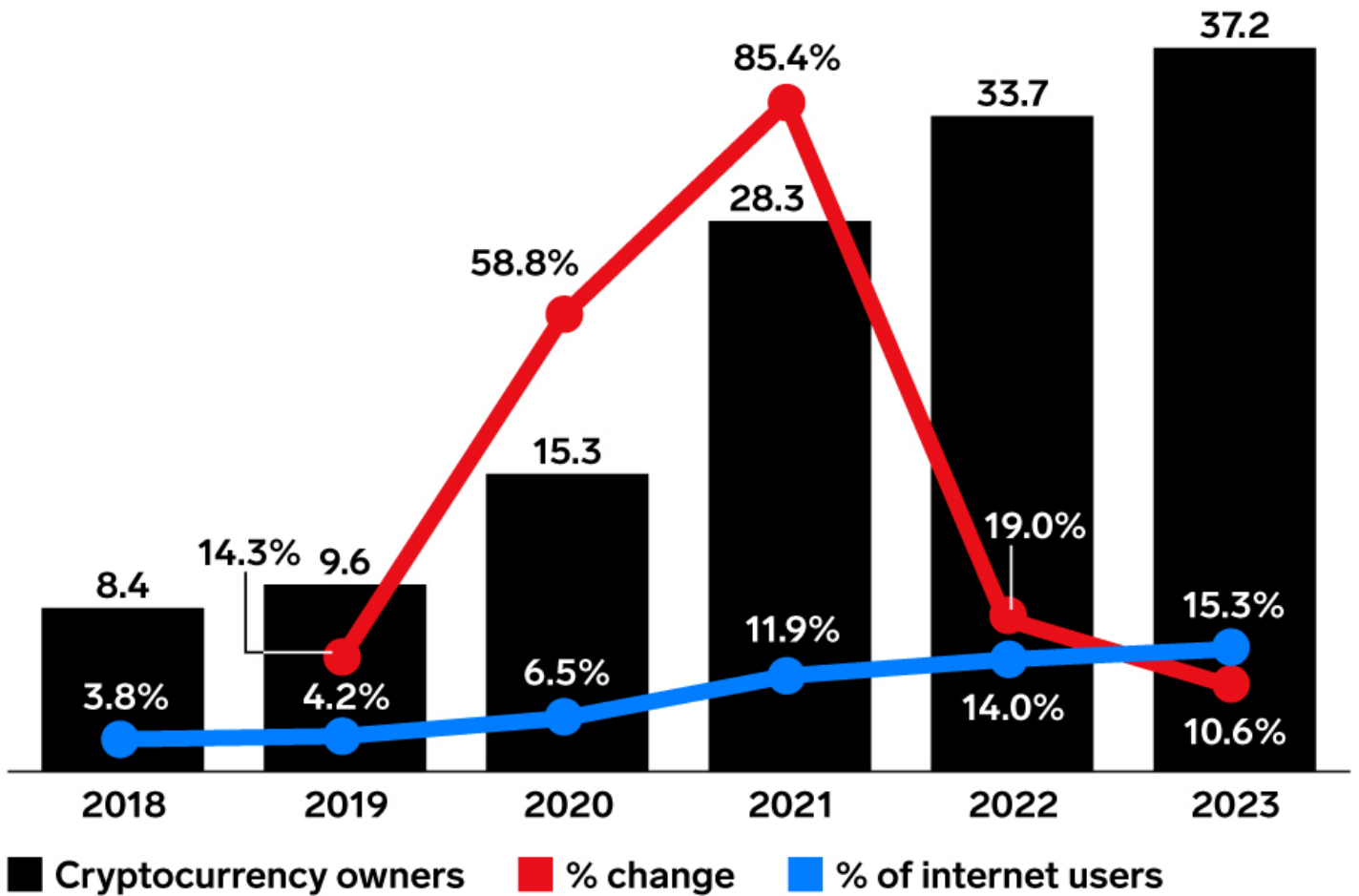
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The big takeaway: Even if FTX decides not to make an offer for Robinhood, future partnerships and closer ties between the two seem likely. FTX could reach a larger customer base through the digital broker while widening its product offering and gaining greater exposure to stock trading. Robinhood could benefit from the stabilizing influence and positive momentum of a crypto giant that has achieved considerable growth in the past two years and has ambitions to build a trading super app.

US Cryptocurrency Owners, 2018-2023

millions, % change, and % of internet users



Note: individuals ages 18+ who own cryptocurrency (such as Bitcoin, Ether, Dogecoin, etc.) in digital storage/an account
 Source: Insider Intelligence, April 2022

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