



Q3 2024 Webcast Transcript – November 12th, 2024 at 5:00pm EST

PARTICIPANTS

Kris Merkel – Host

JP Richardson – CEO and Co-Founder

James Gernetzke – CFO

KRIS MERKEL Welcome, everyone to Exodus' third quarter 2024 earnings conference call. I'm Kris Merkel, and joining us today are co-founder and CEO JP Richardson and CFO James Gernetzke. During today's call, we may make forward-looking statements. Actual results may vary materially from today's statements. Information concerning risks, uncertainties and other factors that would cause results to differ from these forward looking statements is included in our SEC filings available on the Investor Relations portion of our website. Please visit our social media, X or Reddit, to submit your questions for the quarter after our call. You can expect a response from our Investor Relations team within 24 hours. And with that, let's go to JP for the third quarter review.

JP RICHARDSON Thank you, Kris. Hello, everyone, and thank you for joining us today. Q3 marks another milestone quarter for Exodus. We delivered strong revenue growth and profitability, while also extending key partnerships within the industry.

In Q3, we grew revenue 68% year over year to \$20.1 million and achieved net income of \$0.8 million. We launched an exciting new partnership with Ledger, whose customers span millions. We expanded our partnership with Magic Eden to mobile; Magic Eden Wallet in the App Store and Google Play. And we continue to innovate with the launch of Passkeys, a powerful tool for developers to embed a best-in-class digital wallet into their

decentralized applications. Enabling a seamless onboarding experience. These achievements reflect the strength of our product innovation and our reputation as a trusted brand in the market.

While across our society, crypto adoption and influence are on the rise, as public support for crypto continues to increase. The United States President-Elect Trump spoke at a Bitcoin conference during this campaign. BlackRock's spot, Bitcoin ETF, has seen impressive inflows, and Bitcoin is drawing the attention and capital of traditional investors. Finally, Stablecoins are drawing capital to the crypto space. In fact, total Stablecoin issuance exceeded \$100 billion for the first time this year. Stablecoins are widespread in cryptocurrency and trading used all across global commerce.

Here at Exodus, we are working to make it easier for everyone to own digital assets. This starts with self-custody, the cornerstone of our wallet, which puts consumers in control of their funds. Not Exodus, not a third party. As a multichain wallet, Exodus supports many blockchains. Whether it's Bitcoin, Ethereum, Solana or beyond. Our Exchange Aggregator technology extends the multichain capabilities of our wallet by bringing together third-party API providers to offer services to consumers, including connections to digital asset exchanges, with competitive pricing and fulfillment time.

Earlier this year, we decided to launch a partnerships strategy to enable our platforms to use our exchange aggregator and wallet technology. In Q3, we made several exciting announcements that further expanded this strategy.

In July, we took our product offering to the next level with the launch of our Passkeys product. Passkeys enables developers to easily embed our wallet capabilities into their applications. With Passkeys, developers are able to onboard their users using Face ID, Touch ID, PIN or password. This eliminates the need for their users to have to leave their platforms or remember 12-word secret phrases. We gotta make crypto easy for people to use. With early partners such as Rarible and Magic Square, users have the

benefit of easily onboarding decentralized applications, without the friction of setting up a wallet.

In August, we helped Magic Eden expand their popular Magic Eden wallet offering to include mobile, bringing the wallet experience of the browser extension directly to mobile devices. With this offering, we're making it even easier for more users to own, sell, and purchase NFTs.

In September, we announced our partnership with Ledger, which integrates our Exchange Aggregator infrastructure into the Ledger platform. Ledger is a major manufacturer serving the crypto industry, and its Ledger Live software serves millions of users around the world. While we're still early days of our rollout, we are excited to enable Ledger users to perform swaps through our API providers on the Exodus platform. The early momentum of our partnership is very encouraging, and we have an exciting roadmap ahead as we continue to focus on making self-custody simple and safe.

Now to update you on our New York Stock Exchange American uplisting. We recently received our fifth comment letter. We will continue to work with the SEC as we did in connection with our Regulation A offering in 2021, and we are confident we can provide all the necessary information to clear the SEC review process to enable us to complete the listing.

Finally, I would be remiss if I did not mention the excitement in the digital asset markets leading up to and especially after the U.S. election. Bitcoin hitting over \$70K, over \$80K. The momentum is unstoppable. This has translated to a strong start to Q4 for Exodus as well.

So I want to thank all of our customers, partners and team members for another great quarter. And as we finish out the year, we are laser-focused on our growth in our industry and making it easier for people to own digital assets. We look forward to

updating you on our 2025 plans on our next call. Now I'll hand it over to James for a financial update.

JAMES GERNETZKE Thank you. Thank you, everybody, for joining us.

So as JP mentioned, Q3 was a strong milestone quarter for Exodus and the market. While it's still early in our partner strategy, we are excited by our pipeline of new partners and the expansion of our relationships with our existing partners. But before jumping into the results of the quarter, I'd just like to remind everybody that we recognize the large majority of our revenue from fees we charge third-party API providers for access to our users. Revenue generated from our exchange aggregation API providers makes up the core of our business. We also have our non-exchange aggregation revenue, which comes from API providers with other capabilities such as staking and fiat onboarding, as well as the revenue from our partnerships. Given our model, our business performance has historically been affected by the cryptocurrency market cycles, which can be volatile in the short term. However, when looking over a longer period of time, we have been able to scale our business across those cycles. So in the future we expect to further capture our addressable market through strategies such as our partnerships.

In Q3, we generated \$20.1 million of revenue. That's up 68% year over year and down 10% from the prior quarter. Our year over year revenue growth was driven by strength in both our exchange aggregation and non exchange aggregation revenue. This was attributable to a number of factors, including increased user activity on our platform, which was driven by continued strength in the cryptocurrency market, as well as the ramping up of our partnerships like the one we have with Magic Eden. Exchange aggregation, which drives a majority of our revenue, made up 90.1% of total revenue versus 89.4% in Q2 of 2024. Non-exchange aggregation revenue, primarily composed of our fiat on boarding and staking revenue made up 9.9% of total revenue in Q3. The sequential decline in total quarterly revenue was due to seasonally slower market activity in late summer and the early fall, particularly in September, compared to an

exceptionally strong first half of the year that was driven by increased volatility and strong price appreciation in cryptocurrencies. Our exchange provider processed volumes for the third quarter came in at \$962 million, up 69% year over year and down 9% from Q2, for the reasons I mentioned earlier.

Our monthly active users in Q3 were 1.6 million versus 1.1 million a year ago and 1.5 million in Q2. Year-over-year growth was largely driven by the reasons I mentioned earlier, including increased user activity on our platform, driven by the continued strength in the cryptocurrency market and the ramping up of our partnerships.

In Q3, we had an operating loss of approximately \$52,000 compared to an operating loss of approximately \$713,000 in the prior year and an operating loss of \$14.7 million in Q2 of 2024. As a reminder, we hold digital assets in our treasury and operate our business with some digital assets. The adoption of new mark-to-market accounting for 2024 has resulted in some swings in our operating and net income. In Q3 of 2024, we had net loss on digital assets of approximately \$370,000 compared to net losses on digital assets of \$17.2 million in Q2 of 2024 and net loss on our digital assets of approximately \$357,000 in Q3 of 2023. If you look over the last nine months, though, you can see that our operating income was \$52.3 million and net income was \$46 million, driven largely by higher gains on our digital asset holdings in Q1. In recent quarters, we've invested in our headcount and product offering to scale the business over time. While we have not relied heavily on traditional marketing and advertising platforms, instead focusing on growing our number of users through word of mouth and our high quality YouTube channel, we have also begun to invest in marketing campaigns in recent quarters. All told, we have a strong history of scaling our business responsibly with a focus on profitability, and we expect to continue to do so in the foreseeable future.

We ended the quarter with \$194.6 million of digital and liquid assets in line with Q2, mainly Bitcoin and Ethereum, but also U.S. dollars, dollar-denominated stablecoins, and Treasury bills – but no debt. A reminder that we are early adopters of ASU 2020-308, so

our digital assets are now held at fair value. While we expect some fluctuation with our balance sheet due to its makeup, we have years of experience balancing our operational digital asset and fiat currency needs with our treasury holdings. Our healthy corporate treasury provides us the flexibility to invest in our technology and services, including opportunities in M&A, as well as marketing initiatives. And again, remember that these are prices as of September 30th, 2024. We have seen significant appreciation on our digital asset holdings of late.

So to close, Q3 was a continuation of our strong performance this year. We believe that with our innovative products, strategic partnerships and strong business model, we are in a unique position to capture a large and growing opportunity in the digital asset market. Along with our efforts to improve liquidity in our stock, we seek to create a long runway to maximize shareholder value. And with that, we'll take some questions.

KRIS MERKEL Thanks, James. Singular research analyst Edward Engel has submitted questions for management and asks, "What has been the user feedback on the integration of XO Swap with Ledger Live? Are you seeing an increase in overall user base or engagement on the platform as a result?"

JP RICHARDSON We have taken a staged approach to this launch and have only recently achieved full deployment with Ledger. The results there, they're pretty encouraging right now. I feel really good about it and we've received some really great feedback from the Ledger team about the value we're providing. So overall, we're really excited about the future prospects of XO Swap and looking to partner with other major crypto companies out there.

KRIS MERKEL Next question: "In light of the election outcome, do you anticipate any changes to regulatory policies that may impact your operations, or the cryptocurrency sector broadly?"

JP RICHARDSON Overall, we expect a lot of change to come for the industry. In the industry, we fought really hard to get pro-crypto politicians elected, and we think that it's going to bring regulatory clarity over the years and an end to the regulation by enforcement. But for Exodus specifically, we don't see any impact directly to our current operations. But we remain excited for what opportunities lie ahead, especially due to regulatory clarity.

KRIS MERKEL And our final question, "How has the adoption rates for the Passkeys Wallet grown since launch? Are there more partnerships in the pipeline?"

JP RICHARDSON We're still very early in the Passkeys launch, so it's a bit early to discuss the details. But needless to say, we are pleased with the traction so far, having signed key partners like Rarible and Magic Square, and our pipeline continues to grow. So we expect to see big things come from this product because it's all about making onboarding simple for the mainstream. And that's why we're so excited about this. So watch for more to come.

KRIS MERKEL Thanks, JP. Please visit our social channels to submit your questions for management for the third quarter. And as always, you can expect a direct response from our Investor relations team within 24 hours. Thanks for joining us today.