

## Coinbase

## Robust 4Q print, but shares are pricey

Maintain Rating: UNDERPERFORM | PO: 79.00 USD | Price: 165.67 USD

## COIN up after hours after clean 4Q print

COIN shares are trading up after hours following a solid top-line and Adjusted EBITDA beat. Transaction revs came in better than expected largely due to another quarter of take-rate outperformance. That said, we maintain our U/P rating given crypto market unpredictability, lack of revenue diversification, valuation, and continued legal overhang.

## Take-rates/mix drives revenue beat

Transaction volumes were \$154B in 4Q vs. BofAe/Street at \$150B/\$137B. The blended take-rate of 34bps came in above BofA/Street forecast of 30bps, driving the transaction revs beat at \$529M (BofAe/Street was \$444M/\$413M). 4Q OpEx of \$838M came in above ests, but Adj EBITDA beat expectations at \$305M (BofAe/Street \$266M/\$252M).

## Limited effects of ETF cannibalization so far

BTC price is up 22% QTD following BTC spot ETF approvals and COIN disclosed strong transaction revenues through Feb 13 of \$320M. CoinGecko COIN transaction volume data estimates transaction volumes for same period of ~\$97B, which implies a ~33bp blended take rate, slightly below 4Q's 34bp. Coinbase indicated on the call they have not yet seen ETF cannibalization of trading volumes. Spot volumes have, however, ticked down a bit since the ETF approvals. If the average volume for the beginning of February were to continue through the month, Feb volumes would be ~\$54B, down 27% m/m.

## Limited visibility on 2024

As anticipated, COIN gave very little guidance for full-year 2024. The company says in 2024 it strives to generate positive Adj EBITDA in all market conditions, as it did in 2023. The company guided for expenses to be up y/y on an absolute basis, driven higher stock-based comp expense and modest headcount growth. On the call, mgmt said they may choose to increase expenses to reinvest in the business if a bull market develops but would make that decision later in the year and provide an update if so.

## More on Q1 outlook

For Q1, COIN expects transaction expenses to remain flat as a percentage of net revs at mid-teens. Tech and development + G&A expenses are expected to be \$600M-\$650M, up slightly from \$604M in 4Q. Sales and marketing expenses are expected to be \$85M-\$100M. Q1 S&S revenues are expected to be \$410M-\$480M, with where the actuals fall within the range depending on crypto asset prices for the remainder of the quarter.

## SEC lawsuit update

On January 17<sup>th</sup>, oral arguments for COIN's motion to dismiss the SEC's lawsuit occurred. No timeline has been given for a decision on the motion but COIN outlined several scenarios. 1. COIN's motion to dismiss the case is granted in full, in which case the SEC would likely appeal, 2. The motion is granted in part, in which case discovery will proceed on the claims not dismissed, or 3. The motion is denied in full and all claims proceed to discovery. In our view, the lawsuit continues present an element of uncertainty for the stock.

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12660472

Timestamp: 15 February 2024 11:55PM EST

15 February 2024

## Equity

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## Stock Data

Price	165.67 USD
Price Objective	79.00 USD
Date Established	12-Jan-2024
Investment Opinion	C-3-9
52-Week Range	46.43 USD -187.39 USD
Mrkt Val / Shares Out (mn)	39,309 USD / 237.3
Free Float	81.5%
Average Daily Value	2203.88 USD
BofA Ticker / Exchange	COIN / NAS
Bloomberg / Reuters	COIN US / COIN.OQ
ROE (2023E)	13.9%
ESGMeter™	Medium

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BTC- Bitcoin

COIN- Coinbase

## Q1 Guide

### Exhibit 2: 1Q24 guidance

COIN's 1Q guidance vs current Street ests

#### Metric

Subscription & Services Revenue  
Transaction Expenses  
Tech & Development + G&A Expenses  
Sales and Marketing Expenses  
Transaction revenue through 2/13

#### Outlook

\$410M-\$480M  
Mid-teens as a % of net revenue  
\$600M-\$650M  
\$85M-\$100M  
~\$320M

#### Street

\$373M  
15%  
\$605M  
\$89M  
\$107M

#### Notes

Depends on rev mix  
Including ~\$215M of SBC  
Including ~\$17M of SBC

Source: Company Reports, BofA Global Research, Visible Alpha

BofA GLOBAL RESEARCH

## 4Q metrics & performance

- **Net revenues** - \$905M vs. Street at \$758M, BofA at \$779M
  - **Transaction revenues** – \$529M vs. Street at \$413M, BofA at \$444M
  - **Volume split (retail/institutional)** – 18.8% / 81.2% vs. Street / BofA at 15.0% / 85.0%
  - **Take Rates** – blended: 0.34%
    - **Retail** – 1.70% vs. Street at 1.97%, BofA at 1.85%
    - **Institutional** – 0.03%, vs. Street / BofA at 0.02%
  - **Transaction volumes** – \$154B vs. Street at \$137B, BofA at \$150B
  - **S&S Revenues** – \$375M vs. Street at \$346M, BofA at \$335M

**Adjusted EBITDA** – \$305M vs. Street at \$252M, BofA at \$266M

## Price objective basis & risk

### Coinbase (COIN)

We calculate our price objective of \$79 based on a 5.1x multiple to our 2024E revenues. The multiple represents an approximately 20% discount to COIN's comp group (due to elevated crypto risk/volatility and regulatory uncertainty), which includes a mix of exchanges, brokers, crypto-centric platforms, and high-growth consumer-facing Fintech platforms.

Upside risks to our price objective are 1) rising cryptocurrency prices, 2) market share gains as current crypto headwinds causes industry consolidation, and 3) regulatory clarity

Downside risks are 1) lower volatility and pricing for cryptocurrencies, 2) intensifying competitive landscape that could accelerate pressure on pricing/take rates, 3) increasing global crypto regulation, and 4) cyber-attacks.

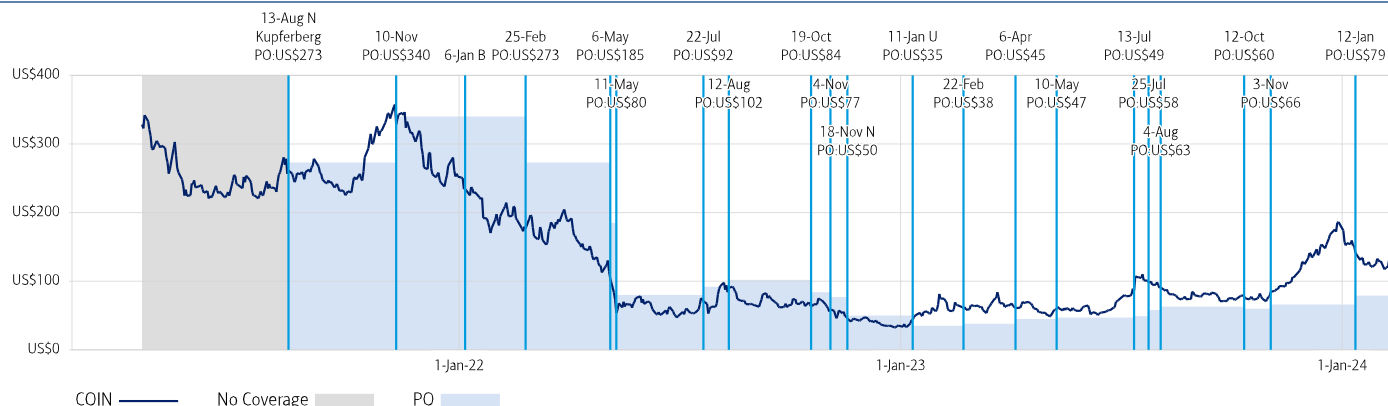
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### Coinbase (COIN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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