Company: Coinbase Global Inc. (COIN)
Industry: Cryptocurrency Trading and Exchange

Recommendation: 2026 Convertibles Bond to buy at ~45 after SEC filed complaint within the next 8 weeks Date: 4/16/2023

Investment Thesis

COIN has a strong liquidity position (~USDbn 4.4 as of Q1 2023) with a Cashflow positive (~USDbn 1.5-2 by Q1 2026) outlook that is mainly driven by interest from USDC. The 0.5% 2026 Convertible Bond is expected to be paid back in full resulting in a Yield to Maturity (YTM) of 14.6% (as of 04/15/2023). Nevertheless, the current trading level of 66.5 does not provide sufficient upside considering the downside risk of a worst-case recovery of 48 cent on the dollar (liquidation). We believe that a ~ 45 trading level (YTM ~30%) is a more attractive price for investors and the SEC complaint, that is expected to be filed in May 2023, may be the catalyst to stress bond prices to this level.

2026 Convertible Bond Price History

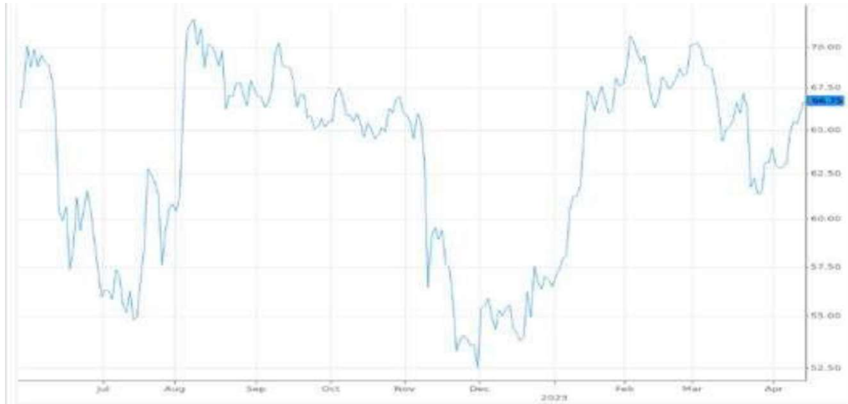


Figure 1 - Source: Factset

	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E
Cash end of period	*4407*	*4556*	*4677*	*4814*	*4941*	*4787*	*4977*	*5172*	*5365*	*5568*	*5785*	*5987*	*6188*
Debt - for comparison	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438
Debt / Cash	**78%**	**75%**	**74%**	**71%**	**70%**	**72%**	**69%**	**66%**	**64%**	**62%**	**59%**	**57%**	**56%**

Company Overview

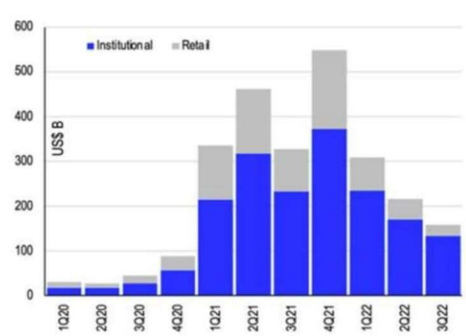
COIN is a leading cryptocurrency exchange platform that enables users to buy, sell, and trade various cryptocurrencies such as Bitcoin, Ethereum, Litecoin, and many others. The company was founded in 2012 and co-founder, Brian Amstrong, still operates as Chief Executive Officer (CEO), controlling 59.5% of the equity votes. COIN's mission is to become the most trusted and easy-to-use provider of financial services in the crypto economy and its business model is based on earning revenue through fees charged to users for each transaction made on the platform and interest earned on custodied cash and stable coin (USDC). Coinbase does not engage in retail client lending activities that could expose it to material asset-liability mismatch, misappropriation of customer assets, related liquidity risk or other bank-like concepts or risks.

Most of the revenues generated by Coinbase today derive from transaction fees charged on the exchange of crypto assets (~70% of the revenue). These fees are highly correlated with crypto currency's market volatility as the fee is calculated based on the underlying asset prices. We believe that there will be less transactions and lower asset prices. In addition, interest received from USDC will increase due to higher interest rates. As a result, we expect transaction revenue to account for 40% of the revenue and Subscription and Services Revenue increases to 50%. This includes the USDC interest (~3%) but also COIN's staking business. Moreover, Coinbase's revenue generated from institutional trading volume dropped 67% in 2022 from $300 million to just $100 million. Perhaps, as a result, Coinbase acquired crypto hedge fund One River Digital, its latest move in its ongoing efforts to attract institutional investors.

COIN faces significant competition from a variety of companies around the world – ranging from crypto native companies, including other centralized exchanges, decentralized exchanges and non-custodial platforms, to large traditional financial services incumbents and financial technology providers (e.g., Binance, Kraken, Gemini, DEXs and Bitstamp).

Industry Overview

Chart 27. Trading volume on platform (US$B)



Source: Coinbase.

The crypto economy has endured four highly volatile price cycles, including the current 2022 'crypto winter'. Currently the market capitalization for cryptocurrencies is approx. USDbn 835, - 62% from USDt 2.2 at the end of 2021. The crypto economy is in its early days as technology supporting digital assets continues to further improve. In 2023, there could be a greater shift to quality, digital assets like Bitcoin and Ether whose token omics, including the supply, distribution, utility, governance, and incentives will provide more safety and value relative to other digital assets. Relative market liquidity and more mature ecosystems for these higher quality coins should also help fuel demand from retail investors as well as pave a clearer path for more institutional investor adoption. This might lead to higher retail transaction volume and ultimately support COIN's revenue and cashflow.

Institutional adoption has slowed in recent months due to crypto market volatility and greater macroeconomic concerns. However, a survey by *Institutional Investor* indicated that 72% of institutional investors believe digital assets are here to stay and they will continue to invest. These investors believe there are future opportunities for achieving higher returns, investing in new technology and potential for long-term price appreciation. This supports our stable outlook for institutional trading volume. The latest reports from COIN indicate that their institutional client base accounts for USDbn 52 of their USDbn 101 assets on the platform. Even though this is only 50% of the assets, institutional investors are responsible for 84% of all trading volumes; thereby supporting COINs cashflow.

The fallout from major crypto businesses such as FTX have forced regulators and investors to seek greater governance and framework surrounding cryptocurrencies, specifically on issues such as collateral transparency. The challenge facing lawmakers will be finding a balance between effective regulatory oversight to mitigate problems caused by human beings and poor management and / or fraud (i.e., FTX collapse) and policy which hinders more innovation surrounding crypto technology. The future crypto market cycle will be shaped significantly by upcoming regulations imposed by lawmakers. Currently, there is high uncertainty and no clear outlook of new regulations which increases the risk of a potential investment.

Why is Coinbase in trouble? Crypto Winter

2022 was a challenging year for crypto markets in light of weakening market conditions. Crypto's market cap declined along with broader equity markets. These conditions were exacerbated by two events. The first was the depegging of $LUNA in Q2'22 which contributed to a ~60% crypto market cap decline in that quarter and exposed poor risk management practices in crypto, which helped drive the credit related bankruptcies of Three Arrows Capital, Voyager and Celsius. The second event was the collapse of FTX in Q4'22, which was the result of fraud, and resulted in additional credit related bankruptcies.

Figure 2 - Source: Coinbase public filings

The main drivers of the crypto market cap, which refers to the total market value of all cryptocurrencies, are broadly categorized into three categories:

I. **Adoption and acceptance**: This includes factors such as the number of merchants accepting cryptocurrencies as payment, the number of users using cryptocurrencies for transactions, and the regulatory environment surrounding cryptocurrencies. The more widespread the adoption and acceptance of cryptocurrencies, the higher the market cap is likely to be.

II. **Supply and demand:** This includes factors such as the number of cryptocurrencies in circulation, the rate of new coin issuance, and the overall demand for cryptocurrencies as an investment asset. If the supply of cryptocurrencies increases faster than the demand, the market cap is likely to decrease, and vice versa.

III. **Market sentiment:** This includes factors such as media coverage, investor sentiment, and geopolitical events that may impact the overall perception of cryptocurrencies. Positive news and sentiment can drive up the market cap, while negative news and sentiment can drive it down.

Other factors, such as technological advancements, government policies and regulations, and overall economic conditions certainly impact the crypto market cap as well and might play a more dominant role going forward. These different forces have a significant impact on the market and cause the market to be highly volatile and subject to rapid changes. This resulted in a 70% decrease in transaction revenue for COIN and illustrates the many factors that impact COINs revenue.

High Uncertainty Related to Regulation

With the recent collapse of several large crypto institutions, new government regulations and increased oversight are expected. This will ultimately favor COIN to become the most trusted crypto platform in the U.S. considering that COIN has gained a reputation for regulatory compliance and maintains a dialog with regulators. Eventually, regulation will lead to a more mature and compliant crypto asset platform with increased customer trust and confidence. However, the development of a regulatory framework remains highly uncertain and could prove disruptive to crypto market participants in the short-term and reveal surprises in the long-term. It will most certainly result in more volatile markets and additional costs for COIN to adhere to (new) regulations.

a) Short-Term

In January of 2023, COIN reached a USDm 100 settlement with the New York State Department of Financial Services (NYSDFS) ; specifically, COIN agreed to pay a USDm 50 million in fine as well as invest another USDm 50 to bolster its compliance program. In addition, COIN received a Wells notice from the U.S. Securities and Exchange Commission (SEC) in March 2022 and a formal complaint is expected within the next two months. This complaint is expected to have two components: 1) a request for injunctive relief, which could be focused on a narrow aspect of COIN's staking business, and 2) broader allegations that Altcoins traded on COIN's exchange are securities. The short-term effect of the Wells notice received by COIN on March 20, 2023 caused an immediate drop in COIN stock by 13.8%. It is expected that COIN will bring the expected formal complaint to court to determine if coins are securities or not. Any decisions will be precedential and will have an impact on the entire industry. Assuming that ~25% of alt-coin registration applications are denied, coupled with a lack of staking revenue, COIN's revenue is projected to decrease by 15-20% in the short-term.

The regulatory uncertainly has also led to rash of litigation in several districts which adds a cost burden to the company an increases costs. Example of such litigation are: *Coinbase Inc. v. Bielski* (Supreme Court); *In re Coinbase Global Securities Litigation* (U.S. District Court for the Northern District of California); *Underwood et al. v. Coinbase Global, Inc.* (U.S. District Court for the Southern District of New York) – dismissed as of Feb 2023; *Shin v. Coinbase Global, Inc.* (NY State Court).

Nevertheless, COIN is not the only company facing these challenges. Several of COIN's top competitors, including Kraken, Binance, have faced regulatory actions as well. Specifically, the SEC took action against crypto exchange Kraken and imposed a $30 million fine for failing to register the offer and sale of their crypto asset staking-as-a-service program in February 2023. They also charged Beaxy for failing to register as a national securities exchange, broker and clearing agency in March 2023 and Bittrex, a leading cryptocurrency exchange is closing US operations due to 'regulatory uncertainty' in the country. Most glaringly, on March 20, 2023, the White House released its Economic Report of the President criticizing crypto and the industry's noncompliance with regulations.

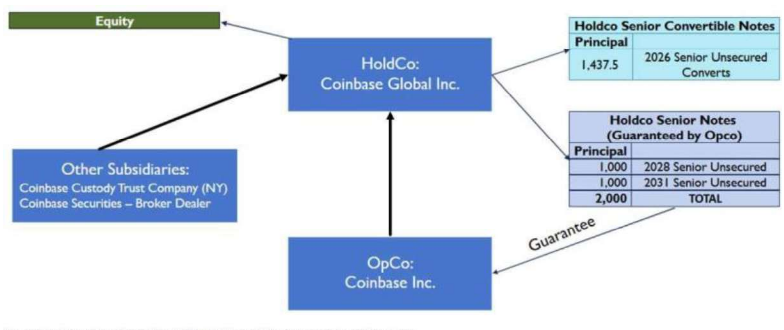
b) Long-Term

The long-term effects of regulation on COIN are difficult to predict. In the US, it is generally agreed that the actions by the Federal Reserve (FED), Internal Revenue Service (IRS), Office of the Comptroller of the Currency (OCC), SEC and the Department of Justice have curtailed the crypto industry's growth. The SEC popped the initial coin offering bubble, brought over 130 enforcement actions against crypto entities, and has yet to lose a single one. The Federal Reserve Board and Federal Deposit Insurance Corporation (FDIC) have firmly restricted the interactions between banks and crypto markets. It is widely acknowledged that the increased regulatory burden faced by US companies due to regulators in the US have hurt the nascent crypto industry as more innovators seek to move to friendlier jurisdictions such as Singapore or Hong Kong.

Moreover, the fact that COIN is a public company has become a double-edged sword at times. It is the most recognized and has gained a reputation for regulatory compliance. On the other end, regulators have paid particularly high attention to COIN as a test case for the crypto industry and COIN might have to fight some 'battles' for the industry. Despite the immediate effects of any regulatory injunctions and fines as well as the resulting legal fees, we believe that COIN will be positioned to benefit from a more regulated industry.

Organizational Structure and Subsidiaries

In 2014, the company reorganized itself, whereby Coinbase Inc. (Opco) become a wholly owned subsidiary of Coinbase Global Inc. (Holdco). Coinbase Global (Holdco) is also the parent company to other operating subsidiaries. The other subsidiaries of Coinbase are wholly owned by Coinbase Global Inc. (Holdco). The company does not file information on these subsidiaries as according to the 2022 10K "in aggregate, they would not constitute a significant subsidiary". We see this as a risk due to lack of information and in the case one of these subsidiaries were to suffer legal or trading-based liabilities greater than their respective assets. Nevertheless, COIN uses Deloitte, a well-respected auditor, which give us sufficient comfort to rely on the 10k.



- Coinbase Custody Trust Company: operates as a New York State chartered limited purpose trust company, subject to NYDFS regulation.
- Broker Dealer (Coinbase Capital Markets, Coinbase Securities): SEC and FINRA registered broker dealers.
- International Entities: Coinbase operates subsidiaries in Canada, Ireland, Germany, the United Kingdom, and India. These entities are mostly used for payment and to abide by country specific regulations.

COIN Notes

	Issuer	Issue Date	Maturity	Principal Outstanding as of 12/31/2022 (in millions)	Coupon Rate	Effective Interest Rate from 2022 10K	Interest Payment	Price (As of 4/14)	YTM (Calc using Effective Rate)	Current Yield (Calc using Effective Rate)	Position	Secured?	Guaranteed?	Guarantor	In Compliance as of 12/31/2022?	Next 12-month Interest (in millions)
2026 Convertible Notes	Coinbase Global, Inc.	5/21/2021	6/1/2026	1,437.50	0.500%	0.98%	Semi-annually 6/1 and 12/1, beginning on 12/1/2021	66.00 66.50	15.0%	1.5%	Senior	Unsecured	No	NA	Yes	7.19
2028 Senior Notes	Coinbase Global, Inc.	9/17/2021	10/1/2028	1,000.00	3.375%	3.57%	Semi-annually on4/1 and 10/1, beginning on 4/1/2022	61.75 62.25	13.8%	5.8%	Senior	Unsecured	Yes (Full repayment)	**Coinbase, Inc.**	Yes	33.75
2031 Senior Notes	Coinbase Global, Inc.	9/17/2021	10/1/2031	1,000.00	3.625%	3.77%	Semi-annually on4/1 and 10/1, beginning on 4/1/2022	54.75 55.25	12.6%	6.9%	Senior	Unsecured	Yes (Full repayment)	**Coinbase, Inc.**	Yes	36.25

Rating: Currently rated at BB- by S&P and Ba2 by Moody's, downgraded twice in 2022-2023 due to weak earnings, market share loss and rising regulatory risks. There is a negative Outlook based on uncertainties about the duration of the crypto market downturn and the company's ability to operate efficiently by managing operating expenses prudently.

Major Covenants

a) Limitation on sub debt, liens, and sale and lease-back transaction for the 2028 and 2031 senior notes: Aggregate Debt amount does not exceed the greater of $ $8Bn and 3.0x Consolidated EBITDA of the Company. Indebtedness of a finance subsidiary and guarantees in an aggregate principal may not exceed $1Bn outstanding at any time.
b) Redemption of the 2028 and 2031 notes: Redemption price is subject to a make-whole premium (U.S. Treasury rates + a fixed spread + accrued and unpaid interest) prior to 10/1/2024 for 2028 notes and 10/1/2026 for 2031 notes. COIN may redeem up to 40% of the aggregate principal amount of the senior notes with net cash proceeds from certain equity offerings at a price equal to 103.375% of the 2028 notes principal and 103.625% of the 2031 notes principal plus any accrued and unpaid interest.
c) Special Interest for the 2026 convertible notes: Upon 6 months of report filing failure or notes being not freely tradable, 0.25% interest will accrue for the first 90 days and 0.5% thereafter.

Guarantees

The 2028 and 2031 Senior Notes are held at Coinbase Global Inc. (Holdco) with guarantees from the Coinbase Inc. (Opco). The convertible senior unsecured 2026 notes are held at the Holdco but are **not guaranteed** by the Opco.

2026 Convertible Ownership

Top 20 holders make up 85% of 2026 convertible ownership: These holders are largely large insurance companies (Voya), credit managers (Fidelity), and hedge funds (D.E.Shaw). Hedge fund ownership has increased over the past 6 months, tied mostly to FTX collapse when bonds traded in the low 50s. We believe hedge funds would continue to buy the convertibles were the price to return to the low 50s.

Key Risks

Risk 1: No covenants related to liquidity increases risk of cash spend e.g., dividend, acquisition etc.: Nevertheless, management is aware of the high volatility of the crypto markets and its impact on COIN's revenue but also has a significant part of its wealth in COIN equity and therefore, has an interest to keep a high cash balance. In addition, 6 out of 8 board members are independent directors and interest on USDC provides additional ~USDbn 3 of liquidity within the next 3 years.
Risk 2: High regulatory uncertainty: Regulatory changes could deem Coinbase's business no longer viable (e.g., Money Laundry), or new regulations could significantly impact customers incentives to invest in coins thereby, increasing the cost base to comply with regulations and decreasing revenue. We believe this is unlikely as Coinbase is at the forefront of compliance in the crypto space and maintains an adequate dialog with regulators. They continue to work with regulators to create new regulations, and we believe they will have an edge against other exchanges were regulation to become more burdensome.
Risk 3: New secured / more senior debt could reduce recovery. COIN has a high cash balance and there is no need to issue new debt ahead of 2026. Further, COIN is cashflow positive. There is a risk that crypto current prices decrease which might have a significant impact on COINs revenue and cashflow, requiring new debt has to be raised.

Appendix - Downside Case

Assuming that management will use the current cash position for equity dividends, acquisitions etc., COIN might default in Q1 or Q2 2026. As a result, COIN could either liquidate or go through a successful restructuring. The 2026 Convertible Bond is the only bond that is not guaranteed. This results in a lower recovery of 42% or 63% respectively. In addition, there is a possibility that COIN would suggest a debt exchange for 2026 Convertible Holders with beneficial terms and a haircut above 63%.

a) **Continued Business:** *Using our 2026 estimates, we expect a recovery of* ***63%***

Value of Opco			
	Sales	3,027	
	EBITDA	513	
	EBITDA margin	17%	
	EBITDA multiple	4.0	
	TEV of Opco	2,051	
Plus:			
	Excess cash at Opco	937.6	
	Payables build at Opco	60.1	
	Cash build from ops	341.2	
	Value from rejecting leases	-	
Value of Opco		**3,390**	
Less:			
	Interest on sponsor loan	-	
	Bankruptcy fees	(12)	
Value available for 3rd party creditors		3,378	
Secured claims at Opco			
	Leases	(76)	
Value available for Unsecured		3,302	3,302
Unsecured claims at Opco (guarantees)			
	Crypto asset borrowings	152	
	Other Liabilities	20	
	3.38% 2028 Senior Notes	1,000	
	3.63% 2031 Senior Notes	1,000	
Claims at Legal Entity 1		2,171	2,171
	Implied recovery at Opco		*152%*
	Intercompany owed to Holdco	1,131	
Value of Holdco			
	Value from Opco	1,131	
	Payables build	-	
	Bankruptcy fees	(228)	
Value of Holdco		903	
Less:			
	Off-balance sheet AR financing	-	
	Leases	-	
	Underfunded amount on the pension	-	
Value available for creditors		903	903
Claims secured			
	N/A	-	
Claims unsecured			
	0.5% 2026 Convertible Notes	1,437.5	
	3.38% 2028 Senior Notes, residual	-	
	3.63% 2031 Senior Notes, residual	-	
Total Claims		1,438	1,438
	Implied recovery at Holdco		*63%*

b) **<u>Assets and Recovery in Potential Liquidation:</u>** *Using our 2026 estimates, we believe creditors would recover **4.6%** of assets in liquidation. This number is misleading, as much of their assets are client assets custodied at the exchange. If you take out these assets, we expect a recovery of **43%**, made up largely of cash and their crypto stable coins that are fully backed by cash and short dated treasuries.*

Value of Opco	2022 Actuals	2026E	Recovery Estimates	Recovery
Cash and Equivalents	4,425	910	90.0%	819
Restricted Cash	26	28	100.0%	28
Customer Custodial Funds	5,041	8,377	0.0%	-
Customer Crypto Assets	75,413	52,796	0.0%	-
USDC	861	1,431	100.0%	1,431
AR Net of Allowance	404	434	80.0%	347
Income Tax Receivable	60	60	0.0%	-
Prepaid Expenses and Other	217	233	0.0%	-
Total current assets	**86,448**	**64,269**		**2,625**
Crypto Assets Held	424	455	50.4%	229
Lease right-of-use assets	69	74	0.0%	-
PP&E Net	172	172	100.0%	172
Goodwill	1,074	1,074	0.0%	-
Intangible Assets (Net)	135	135	50.0%	68
Other Non-current assets	1,402	1,503	0.0%	-
Total assets	**89,725**	**67,683**		**3,094**
Check Total Liabilities + Equity	*89,725*	*67,683*		

I. **<u>Cash:</u>** There is some concern as they hold cash at other trading facilities for the purpose of ease of trading. This has been a problem in the past with cash held at FTX and Silicon Valley Bank. We believe COIN will look to move more cash to banks with stronger balance sheet, but there will continue to be risk from cash held at other exchanges used in operations.

II. **<u>Customer Custodial Funds and Customer Crypto Assets:</u>** We believe customer crypto assets held at COIN will be returned to customers based on both Article 9 and the retail nature of COIN's clients. It is unlikely that a judge would rule against retail consumers and allow creditors to receive equal recovery.

a. In bankruptcy custodial held crypto asset may be considered property of a bankruptcy estate and could be treated as **general unsecured creditors.** In 2022 COIN updated their retail user agreement to clarify the applicability of UCC Article 8: "UCC Article 8 provides that financial assets held by COIN are not property of COIN and not subject to claims of our general creditors."

III. **<u>USD Coin (USDC):</u>**

a. We expect 100% recovery on USDC owned by COIN as these assets are fully backed by cash and short dated treasuries.

IV. **<u>Crypto Assets Held</u>**:

a. The company can invest up to 10% of their quarterly net income into a diversified portfolio of crypto assets. We believe this is a relic from the past, when crypto companies used the rapidly increasing crypto market as a leveraged bet on the industry and provide further capital to fund operations. In 4Q 2022 BTC and Ethereum made up \$151 Mn and \$91 Mn respectively, with \$67.5 Mn of crypto assets held for operations. In determining our estimated recovery, we took out all crypto asset used for operations and estimated another 40% decrease in the crypto market.

V. **<u>Accounts Receivable:</u>** Made up of trade finance receivables, custodial account receivables, interest receivables, and crypto asset receivables.

a. There is concern that these receivables could be written down under the assumption that crypto prices decrease substantially. In higher rate markets, these receivables are mostly interest, which should receive 100% recovery, we are marking down the recovery for AR to 80% based on a potential decrease of the overall crypto Market, which will decrease receivables awarded for lending.

VI. **<u>Intangible Assets:</u>** Intangible assets are 60% IP and technology and 40% customer relationships. We believe that these assets are valuable and that in bankruptcy they will retain some of their value.

VII. **<u>Other Non-Current Assets:</u>** Deferred Tax assets make up roughly \$1B of the \$1.4B of Other Non-Current Assets in 2022, with the other \$400 Mn attributed to "strategic investments". These "strategic investments" pertain to COIN Ventures ownership of private businesses. Last year they took a \$100 million impairment on this portfolio. Under our liquidation scenario, we are assuming a general destruction of the crypto industry and therefore we have decided to write down these assets to 0.

Value of Opco		**3,094**	
Less:			
	Interest on sponsor loan	-	
	Bankruptcy fees	(12)	
Value available for 3rd party creditors		3,082	
Secured claims at Opco			
	Leases	(76)	
Value available for Unsecured		3,006	3,006
Unsecured claims at Opco (guarantees)			
	Crypto asset borrowings	152	
	Other Liabilities	20	
	3.38% 2028 Senior Notes	1,000	
	3.63% 2031 Senior Notes	1,000	
Claims at Legal Entity 1		2,171	2,171
	Implied recovery at Opco		*138%*
	Intercompany owed to Holdco	835	
Value of Holdco			
	Excess cash	-	
	Value from Opco	835	
	Payables build	-	
	Bankruptcy fees	(228)	
Value of Holdco		607	
Less:			
	Off-balance sheet AR financing	-	
	Leases	-	
	Underfunded amount on the pension	-	
Value available for creditors		607	607
Claims secured			
	N/A	-	
Claims unsecured			
	0.5% 2026 Convertible Notes	1,437.5	
	3.38% 2028 Senior Notes, residual	-	
	3.63% 2031 Senior Notes, residual	-	
Total Claims		1,438	1,438
	Implied recovery at Holdco		*42%*

Appendix – Resources

Factset, Capital IQ, Company Filings and Investor Calls, JP Morgan, Cowen, Goldman Sachs, Jefferies, Barclays, Forbes.com, Bloomberg, Fidelity, Moody's, Mizuho Securities, S&P, Morgan Stanley, and Credit Suisse.

Appendix – Income Statement

	Full Year (FY) 20	FY 21	FY 22	FY 23E	FY 24E	FY 25E
Transaction Revenue	1096	6837	2356	1223	1128	1231
Growth Year / Year		5	-1	0	0	0
Subscription and Services Revenue	46	517	793	1471	1341	1598
Growth Year / Year		10	1	1	0	0
Net Revenue	1142	7355	3149	2694	2469	2830
Growth Year / Year		5	-1	0	0	0
Other Revenue	136	485	45	180	146	163
Growth Year / Year		3	-1	3	0	0
Total Revenue	**1278**	**7839**	**3194**	**2874**	**2615**	**2993**
Growth Year / Year		5	-1	0	0	0
Transaction Expense	136	1268	630	187	172	188
% of transaction revenue	0	0	0	0	0	0
% of total revenue	0	0	0	0	0	0
Gross Profit	**1142**	**6571**	**2564**	**2687**	**2442**	**2805**
% of revenue	1	1	1	1	1	1
Sales and Marketing	57	664	510	259	235	269
% of total revenue	4%	8%	16%	9%	9%	9%
Tech and Development	272	1292	2326	1637	1281	1240
% of total revenue	21%	16%	73%	57%	49%	41%
General and Administrative	280	909	1601	1101	903	898
% of total revenue	22%	12%	50%	38%	35%	30%
Restructuring	0	0	41	300	700	0
% of total revenue	0%	0%	1%	10%	27%	0%
Other	125	630	797	0	0	0
% of total revenue	10%	8%	25%	0%	0%	0%
Total Operating Expense	**869**	**4763**	**5904**	**3484**	**3292**	**2596**
% of total revenue	68%	61%	185%	121%	126%	87%
EBIT	**409**	**3077**	**-2710**	**-610**	**-678**	**398**
Depreciation and Amortization	31	64	154	170	184	199
Non-recurring and other	18	88	612	0	0	0
Crypto asset borrowing costs	0	12	7	11	11	11
Stock-Based Compensation	70	821	1566	1000	1000	1000
Adj. EBITDA	**528**	**1590**	**2677**	**3165**	**4061**	**2963**
% of revenue	41%	20%	84%	110%	155%	99%
Interest expense	0	0	89	86	86	86
Other Expense (Income)	0	50	277	0	0	0
Income Before Taxes	410	3027	-3076	-696	-764	312
Provision for (Benefit from) Taxes	87	-597	-440	-139	-153	62
Net income (loss)	**323**	**3624**	**-2636**	**-557**	**-611**	**249**

Appendix – Cash Flow

	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E
Revenue	703	712	724	735	676	625	644	670	699	730	764	801	840
Transaction Expenses	45	46	47	48	50	40	41	42	44	46	48	50	53
Technology and Development	422	413	406	397	352	312	309	308	307	307	306	320	336
Sales and Marketing	63	64	65	66	61	56	58	60	63	66	69	72	76
General and Admin	288	274	265	273	265	225	213	201	210	219	229	240	252
others incl. restructuring, stock based comp, SEC fine	-50	-250	-200	-200	-250	450	-250	-250	-250	-250	-250	-250	-250
Cash Adj EBITDA	**-66**	**164**	**141**	**151**	**199**	**-458**	**274**	**308**	**325**	**343**	**362**	**368**	**374**
CAPEX	-39	9	9	9	14	-99	12	16	17	17	22	23	25
Interest	21	21	21	21	21	21	21	21	21	21	21	21	21
Taxes	-68	-21	-26	-24	-14	-146	0	7	11	14	18	19	20
Working Capital	37	6	16	6	51	-81	51	68	82	87	84	101	107
Others	0	0	0	0	0	0	0	0	0	0	0	0	0
Free Cash Flow	**-18**	**150**	**121**	**137**	**127**	**-154**	**189**	**195**	**194**	**203**	**216**	**202**	**200**
Cash beginning of period	*4425*	*4407*	*4556*	*4677*	*4814*	*4941*	*4787*	*4977*	*5172*	*5365*	*5568*	*5785*	*5987*
Cash end of period	*4407*	*4556*	*4677*	*4814*	*4941*	*4787*	*4977*	*5172*	*5365*	*5568*	*5785*	*5987*	*6188*
Check Balance Sheet	*4407*	*4556*	*4677*	*4814*	*4941*	*4787*	*4977*	*5172*	*5365*	*5568*	*5785*	*5987*	*6188*
Debt - for comparison	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438	3438
Debt / Cash	**78%**	**75%**	**74%**	**71%**	**70%**	**72%**	**69%**	**66%**	**64%**	**62%**	**59%**	**57%**	**56%**