

# US EQUITY RESEARCH

28 May 2025

## Coinbase Global Inc

Profit compression amid shift from consumer to institutions

### Company Overview

Coinbase Global, Inc. is a financial technology company that provides end-to-end financial infrastructure and technology for the crypto economy. The company offers retail users the primary financial account for the crypto economy, provides a marketplace with liquidity for transacting in crypto assets, and utilises ecosystem partners' technologies and services that enable it to build crypto-based applications and accept crypto assets as payment.

### Investment Overview

**User-friendliness the key edge.** Coinbase is one of the top two crypto exchanges in US by volume, well known for its compliant and easy-to-use offerings. These enable the firm to charge higher-than-peers commissions from its retail customers, which accounts for a vast majority of its revenue. The company also possesses Base, the Layer 2 solution that is one of the cheapest with most transactions processed, improving the speed and effectiveness of cryptoeconomy.

**TAM expansion underway.** Management has been looking at product and geographical expansion initiatives to broaden its total addressable market (TAM). It has launched derivatives in US and is on track to unlock the offering in EU upon its completion of MiFID license expected by yearend. Since derivatives accounted for 75% of total crypto trading volume, this sets to be a high-potential long-term driver. The proposed acquisition of Deribit should speed up the expansion.

**Retail transaction volume declined from peak but showed signs of stabilisation.** This should remain critical share price driver in near-term given retail transaction fees accounted for over half of 1Q25 total revenue. The retail trading interest has cooled down sharply from the peak in Dec'24, and we expect the decline in retail trading frequency to be structural, due to lower volatility as a result of the pickup of institutional investors and the existence of ETF as low-cost convenient alternatives. That said, it reached a near-term bottom lately as Bitcoin tested all-time high.

**HOLD rating with USD270 TP.** Our TP is based on 8.5x FY26F EV/sales, above its 6.8x of trading average since IPO, reflecting (1) expanded TAM, (2) improved regulatory outlook with possible setup of Bitcoin strategic reserves, (3) recent bottoming out of crypto trading activities as Bitcoin reaching all-time-high. Our target multiple also implies 37x FY26F PE.

### Risks

(1) Crypto asset price and volatility risk, (2) regulatory risk, (3) TAM expansion being slower than expected, and (4) margin compression due to heightened competition.

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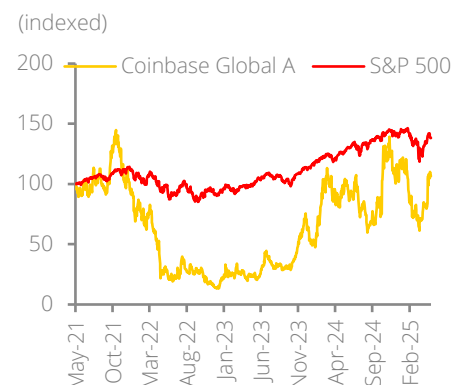
### Key Financial Data

Bloomberg Ticker	COIN US
Sector	Financials
Share Price (USD)	271.95
DBS Rating	HOLD
12-mth Target Price (USD)	270.00
Market Cap (USD\$)	69.3
Volume (m shares)	15.6
Free float (%)	96.9
Dividend yield (%)	-
Net Debt to Equity (%)	-39.0
Fwd. P/E (x)	51.0
P/Book (x)	6.6
ROE (%)	15.8

Closing Price as of 22 May 2025

Source: Bloomberg, DBS

### Indexed Share Price vs Composite Index Performance



Source: Bloomberg

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## Financial Summary (USD MN)

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
Sales	3,194	3,108	6,564	7,276	7,781
% y/y	(59.3)	(2.7)	111.2	10.8	6.7
Gross Profit	-	-	-	-	-
% y/y	-	-	-	-	-
EBITDA	(371.4)	977.7	3,348	3,006	3,500
% y/y	(109.1)	163.2	242.4	(15.1)	15.5
Net Profit (Loss)	(1,237)	287.9	2,065	1,488	1,952
% y/y	(130.6)	(58.8)	702.8	(29.0)	31.9
FCF	(1,588)	923.0	2,557	1,795	2,674
% y/y	(114.8)	(41.9)	177.0	(29.8)	88.9
CAPEX	2.93	0.610	16.52	50.98	54.98
% y/y	0.8	(100.0)	2,978.8	(34.1)	27.9
EBITDA Margin (%)	(11.6)	31.5	51.0	41.3	44.8
Net Margin (%)	(38.7)	9.3	31.5	20.2	24.6
ROA (%)	(3.3)	1.2	1.8	6.2	7.9
ROE (%)	(23.6)	3.6	24.9	12.9	15.0
Tax Rate (%)	(14.3)	(223.5)	12.4	19.4	20.1

Source: Visible Alpha

## Valuation Metrics

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
P/E	nm	448.7	26	59.6	41.4
P/B	1.5	6.7	6.4	5.9	5
Dividend Yield	-	-	-	-	-
EV/EBITDA (x)	nm	40.6	17.6	21.1	18.1
FCF Yield %	-20.2	2.1	3.8	2.5	3.6

Source: Visible Alpha

## Credit &amp; Cashflow Metrics

FY Dec	FY2022A	FY2023A	FY2024A	FY2025F	FY2026F
Debt / Equity	1,447.60	3,114.20	44.1	447.2	31
Net Debt / Equity	-0.2	-0.3	-0.4	-0.4	-0.5
Debt / Assets	88	94.5	20.1	19.2	16.7
Net Debt / Assets	0	0	-0.2	0	0
EBITDA / Int Exp	nm	nm	nm	nm	nm
Debt / EBITDA	-	-	-	-	-
ST Debt / Total Debt (%)	212.6	3.1	1.4	24.4	1.2
[Cash + CFO] / ST Debt	nm	nm	nm	nm	nm
Receivables Days	-	-	-	-	-
Days Payable	-	-	-	-	-
Inventory Days	-	-	-	-	-

Source: Visible Alpha

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