**Coinbase Global, Inc.**
**First Quarter 2025 Analyst Call**
**May 8, 2025**

**Anil Gupta, Vice President, Investor Relations:** Good afternoon, and welcome to the Coinbase First Quarter 2025 Analyst Q&A Call. Joining me on today's call is Alesia Haas, CFO.

Before we get started, I'd like to remind you that 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 could cause these results to differ is included in our SEC filings.

Our discussion today will also include references to certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are provided in the Shareholder Letter on our Investor Relations website. Non-GAAP financial measures should be considered in addition to, not as a substitute for, GAAP measures.

With that, Erik, let's take our first question.

**Operator**: Your first question comes from the line of Chris Brendler with Rosenblatt.

**Chris Brendler, Rosenblatt:** So I would like to just narrow in on the blockchain revenue this quarter. I was expecting a bigger sequential decline because the asset levels, based in US dollars, were down so significantly for both Ethereum and Solana, which I believe would be the two largest tokens that would be staked. And so the positive, in my view, surprise there, is that indicative of increased staking activity or was I thinking about it wrong in terms of the asset level being down so sharply during the quarter?

**Alesia Haas, CFO:** We did see a decline in total native units staked early in January and February as people were looking to take advantage of the higher price environment that we saw very early in the quarter. However, we returned to native units being added late in the quarter. So the drivers as you note are total and native units, the underlying price of the blockchains, and then the reward rates in your model might have been slightly high or higher than your model.

**Chris Brendler, Rosenblatt:** Yes, that's another change, but yeah, it still seems like not nearly as bad as I thought. Something was positive in the quarter relative to…

**Alesia Haas, CFO:** I won't be able to diagnose it particularly, but we did not change our commission rates, and the total native units was not materially changed quarter over quarter.

**Chris Brendler, Rosenblatt:** The other question I had was which may have already been answered. I'm multitasking with phone calls, but the acquisition, Deribit, is it immediately available in the United States or is that going to take some time to roll those products out in this country?

**Alesia Haas, CFO:** Great question. So we anticipate closing Deribit later this year. Closing is our goal for 2025. Working on the integration for early 2026. But what I want to zoom out and share with you is our broader derivatives strategy, and with that our broader trading strategy. This acquisition gives us the opportunity to bring options trading alongside with listed futures, perpetual futures, and our spot trading.

Our ambition is to have that entire suite of products available to all customers around the world. That will take time. What this acquisition brings is it marries our licenses in the US. So we have a US DCM, a derivatives license in the US with their technology, they are options experts, and we can bring those building blocks together and build forward a US options trading strategy. This is not going to happen this year. This will be a journey to bring us all of this global suite of products to all customers around the world, but that is the ambition and we will take incremental steps to do so.

**Operator:** Your next question comes from the line of Gustavo Galá with Moness, Crespi, & Hardt.

**Gustavo Galá, Moness, Crespi, & Hardt:** Hey just wanted to ask a little bit about how we bake to the guidance in subscription and services. How do we think about perhaps the growth in USDC? What's the market cap, how do we think about the market cap assumptions around that? Do we kind of take the most recent quarter extrapolate that? Maybe BPM velocity of that?

And then on staking similar to the prior question, just any color on the competitive environment there? Are you maybe seeing peers tweak their commission pricing or anything there? I mean the quarter clearly healthier it seems than industry, but just curious what you're seeing in the competitive environment, just thinking there are other companies that perhaps are less diversified versus you? Just anything around that. Thank you.

**Alesia Haas, CFO:** We don't provide any more color on our outlook than what we provided in our shareholder letter and my opening comments around the range of subscription and services revenue that we anticipate seeing. The added color that we gave is we do see momentum and growth in USDC in that overall market cap, and we do see at least quarter to date the decline in Solana and Ethereum price. These are dynamic markets. The price has changed a lot over the last 24 hours, and so we always plan for a wide range of market outcomes which is why we have a generally wide range on our subscription and services. So we do capture the ability for price to move positive or negative within that range.

With regard to staking, we recently produced a blog that talked about our Ethereum staking and shared our market share about what percent of overall Ethereum staking that we were, and gave a lot of transparency on our staking operations. We are a leading staking infrastructure provider, and one of the few that offers the ability to stake to all customers (retail & institutions) where we operate a delegated staking service and stake on their behalf. We have unique technology in this way that we can run 24/7 staking nodes, and we've had no slashing experience (i.e. we have not lost funds or had any penalties on our staking operations) which we think is unique and differentiated. So customers choose us because of our trust, our experience, and the breadth of staked offerings that we provide.

I would note to you that we had had states that prevented us to grow staking coming out of the SEC lawsuit and the subsequent state actions. We're really pleased that five of those states dropped their action in this quarter, and we are slowly making momentum to be able to grow staking now in more and more states and make it available to more and more customers. We think we have a unique offering in this way in what we do and what we support. And we also then offer tools through our developer platform to allow other people to stake using our technology. And so we are a service provider direct to customers, and also to other companies who want to offer staking to their end customers.

**Operator:** Your next question comes from the line of Mike Colonnese with HC Wainwright.

**Mike Colonnese, HC Wainwright:** Hi, good afternoon. Thank you for taking my question. Curious how you guys are monetizing your Bitcoin backed…tail side, and given the early success you've seen, do you have any plans or thoughts about extending that offering to other assets in the future?

**Alesia Haas, CFO:** I'm sorry, you cut out a teeny bit. Are you talking about the Bitcoin backed loans that we announced the DeFi loans?

**Mike Colonnese, HC Wainwright:** Yes.

**Alesia Haas, CFO:** So yes, early on in the year, we launched a product where customers can take the Bitcoin that is stored on Coinbase and get a USDC loan on Morpho, and we offer this connectivity through a dapp that is built on Base. So we are not directly monetizing that loan. We don't take credit risk. We don't have exposure for the underlying loan or credit. But what we do benefit from is the indirect revenue. Base sequencer fees as morpho was built on Base. USDC on-platform and off-platform revenue share because USDC is the collateral issued in return for the bitcoin that is lent.

So we are benefiting from the growth of the ecosystem and offering our customers on our platform more and more ways to use their crypto. Whether through first-party products that we build, or third party products in the case of Morpho who is offering this lending product. And yes, we would look to extend this. We're building an increasing amount of connectivity to DeFi and opportunities for customers to engage with multiple transaction types and experiences in the DeFi universe.

**Operator:** Your next question comes from the line of Patrick Moley with Piper Sandler.

**Patrick Moley, Piper Sandler:** Thanks for taking the follow up. So not to beat a dead horse on the Deribit acquisition, I understand that we're all hoping and waiting for favorable regulatory developments in the US, but as we sit here today, what products does Deribit offer, outside of the spot crypto trading that is available and regulatory compliant that you could cross-sell to your US customer base today? Thanks

**Alesia Haas, CFO:** Today there is no product that there offers that we could immediately introduce upon close in the US market. The path to the US would be bringing our licenses and their product expertise together, and building an options exchange in the US and leveraging our DCM. So there's a path…we have a clear path on how we would do it and that will take time and sequencing within our product roadmap to bring options to the US customer base.

**Operator:** Your next question comes from the line of Benjamin Budish with Barclays.

**Ben Budish, Barclays:** Hi, thanks for taking the question. I had maybe two. First again on Deribit and sorry to ask it again because I know it came up a little bit on the call, but could you clarify your comments around the enhancing of profitability? I'm curious both from the context of what does it mean for Coinbase's EBITDA or EBITDA margin when Deribit is part of the P&L, and also kind of how you think about the multiple paid for the business like what your return hurdles are just given this is such a sizable one versus other M&A you've done.

**Alesia Haas, CFO:** We'll be able to share a lot more information as we get closer to close and we'll share the financial impact as we close later this year.

**Ben Budish, Barclays:** Another question that maybe you may not answer because you haven't in the past, but I'll ask anyway. Just on the futures side, given the volumes have grown so significantly into Q4 of last year, anything you can share just in terms of the revenue contribution? As I understand it, those revenues are reported in transaction revenues, but the volumes are not, those are just your spot volumes. And so for us trying to kind of figure out what are the various mix impacts, just curious if there's anything you can share in terms of the size. It looks from your pricing disclosures it's maybe like a low single-digit basis point fee rate. Perhaps lower with some of the rebates and incentives, but any kind of sizing commentary would be helpful.

**Alesia Haas, CFO:** You're absolutely right. So one, derivatives revenue is reported in our institutional transaction revenue and you're correct that it's not reported in our trading volume. So those are really important data points. Our focus right now is actually driving open interest, driving trading volume, gaining market share, and so we are not focused on monetization. And so my comments that I shared in my opening comments, we are providing incentives and rebates to multiple market participants to drive and build the liquidity and the open interest in this product right now. So I wouldn't look at revenue. We're not sharing the revenue, but it is not material because the rebates are contra revenue and offset the revenue in that line item.

**Operator:** Your next question comes from the line of Pete Christensen with Citi.

**Pete Christiansen, Citi:** Hi, thanks again for doing this, Alesia and Anil. I want to touch upon I think it was Brian who mentioned it, the B2B payments product that you're bringing live. I'm assuming that's through Circle's recently announced CPN network. I'm just curious if you think you have clientele that this would be really useful for at first, a use case specific that you think would be really prime for this type of offering and anything you can talk about in terms of monetization that would be helpful. Thank you.

**Alesia Haas, CFO:** Thank you. So just to echo Brian's comments, we are beginning to build a B2B payment product using our own infrastructure. These are our products, our engineers, our build. We have many infrastructure pieces already because we can have wallets, we have Base, we have USDC partnership and revenue share, and now we're building the front end and abilities to leverage our banking rails around the world to build B2B payment products.

The majority of this monetization will come from holding the USDC on our platform or through the ecosystem through our commercial arrangement. That is the path that we see monetizing most directly. We are going to be leveraging permissionless blockchains and enabling these peer-to-peer instant settlement, low cost, very fast global payment rails to offer this product to our customers over time. But importantly, early days, this is a pilot that we're working on in Q2 to really start engaging with customers and we will learn more and build this out over the course of the year.

**Operator:** Your next question comes from the line of Owen Lau with Oppenheimer.

**Owen Lau, Oppenheimer:** Your second quarter tech and development, G&A, and marketing expense guidance could be flat sequentially compared to the first quarter. Could you please talk about how much you can flex or expand when the trading revenue and crypto market cap are under further pressure? What other levers can you pull to defend positive adjusted EBITDA or GAAP EPS?

**Alesia Haas, CFO:** Thanks Owen. So as I noted in our comments, what grew the expenses quarter-over-quarter, was the majority of the growth quarter quarter, was the three biggest buckets of variable expense within our tech and dev and G&A are our infrastructure costs, the our customer support costs, which is a BPO model, business process outsourcing, where we do have the ability to build that up or bring that down depending on market volume, depending on customer call levels. Then marketing is really the third bucket. So that's outside of tech and dev and G&A. We do see variability depending on trading volume. It is not one for one, there is a bit of a lag both in terms of as those expenses ramp post volume and then they come down as volume comes down but we will be looking to make changes.

And then as I shared earlier, the range of outcomes we still anticipate this year, we definitely see variability in revenue month-to-month as we see different headlines and macro events impacting overall consumer sentiment and, therefore, our retail trading volume predominantly, but zooming out looking big picture we are still well within the scenarios that we anticipated for 2025 and feel confident that we'll continue our hiring plans at this time given what we know about the markets today. We see great near-term opportunities as we talked about on the call to build out some of these new products, expanding on the USDC momentum that we see, building out the derivatives growth opportunities, both our own platform and then with the future of combining options onto the platform.

So we do see nice growth opportunities that we'll continue to invest behind. But as we've learned through past markets, we are prepared to be nimble and financially disciplined if the markets further dislocate and change based on more than what we anticipate them changing today.

**Operator:** Your next question comes from the line of Alex Markgraff with Key Bank Capital Markets.

**Alex Markgraff, KBCM:** First, the derivatives volume number that was shared in the shareholder letter. Is there a compare for that from the prior quarter or another period?

**Alesia Haas, CFO:** We did not share that number in a prior quarter, but what I would share with you is roughly for the full year 2024 we were at $800 billion, and also for Q1 we were at $800 billion. So it is scaling nicely though we have not shared a quarter-to-quarter trend.

**Alex Markgraff, KBCM:** Then maybe just a product one. Would you mind commenting on x402 and just sort of the vision for that and how you scale something like that?

**Alesia Haas, CFO:** What I'll share about x402, this is a venture product for us. I'm really proud of this product because this came from an internal product process we call Next Bets, where employees pitch ideas and then we fund small teams to drive product innovation and growth. We have taken a policy to not talk about early stage venture products with investors at this time because they are too young to be able to make a material impact to our business. So we have high hopes that all of our venture products scale and grow. But as they get legs and as they kind of mature, we will talk to you about them more publicly.

**Operator:** Your next question comes from the line of Bo Pei with US Tiger.

**Bo Pei, US Tiger:** For the sequential decline in institutional transaction revenue, how much of this is due to increased rebates and incentives? Do you see this is temporary or is a structural shift in the pricing model?

**Alesia Haas, CFO:** Are you speaking about Q4 to Q1 or my comments on going from Q1 to Q2?

**Bo Pei, US Tiger:** The sequential decline from Q4 to Q1, and the kind of structural change.

**Alesia Haas, CFO:** Yes. The quick answer is the incentive and rebates had the most material impact to the sequential decline in institutional transaction revenue and the change in the fee rate quarter over quarter. So we did increase our incentive and rebate campaigns and programs as we enter 2025, and we think this is critical to building market share, the open interest, the customers onboarding onto this platform. So we made a strategic decision to move in that direction. So it's not a structural fee change in the underlying products. But it is driven by these rebate and incentive programs.

**Bo Pei, US Tiger:** Gotcha. So it is reasonable to assume that the fee rate is going to stay relatively low in the next couple quarters, I guess?

**Alesia Haas, CFO:** That is fair, and that's why we shared with you that in Q2 we anticipate about $30 to $40 million of rebates and incentives impacting that line item to kind of scope what that impact could be for

**Anil Gupta, Vice President, Investor Relations:** I think we have one more question in the queue.

**Operator**: Our final question comes from the line of Joe Vafi with Canacord Genuity.

**Joseph Vafi, Canaccord Genuity:** Good afternoon again and thanks for squeezing me in. Just wanted to circle back Alesia to Brian's commentary on infrastructure. Obviously, people are going to start looking at this market more. You've got some good infrastructure solutions. Do you envision exploiting the infrastructure market more broadly by offering the services yourselves or do you see maybe a white label solution where your technology platforms could be something like as a service that you could say custody a big bank doesn't want to develop their own custody solution you could as-a-service it, sell it to them something like that is that part of the roadmap and the view on infrastructure or is it a little different? Thanks.

**Alesia Haas, CFO:** You nailed it. Yes, we absolutely will white label our services. We refer to this product as crypto as a service. And as I mentioned, we have over 200 institutional customers already using and leveraging our products. They're leveraging our liquidity pools. They're leveraging ramps that we have. So, we are crypto experts and we are totally happy to be B2B and have businesses build their end customer crypto solutions on our infrastructure.

**Joe Vafi, Canaccord Genuity:** And then at what point would that get broken out do you think as a revenue line?

**Alesia Haas, CFO:** We don't break it out as a revenue line because it monetizes in the way that (i.e. custody as an example) will monetize through custodial fees. Trading monetizes through trading. And so if we change the pricing structure such that it would be described in a different way in our financial statements, we will evaluate that over time. But for now, it would not be broken out separately.

**Anil Gupta, Vice President, Investor Relations:** Okay, that'll do it for today. Thank you all for joining and we look forward to speaking with you next quarter.

**Operator:** This concludes today's conference call. Thank you for joining us. You may now disconnect your lines.