

Coinbase Global, Inc.
Fourth Quarter and Full Year 2024 Earnings Call
February 13, 2025

Anil Gupta, Vice President, Investor Relations: Good afternoon and welcome to the Coinbase fourth quarter and full year 2024 earnings call. Joining me on today's call are Brian Armstrong, Co-Founder and CEO; Emilie Choi, President and COO; Alesia Hass, CFO; and Paul Grewal, Chief Legal Officer.

I hope you've all had the opportunity to read our shareholder letter, which was published on our Investor Relations website earlier today. Before we get started, I'd like to remind you that during today's call we may make forward-looking statements, which may vary materially from actual results. 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 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.

We are once again using Say to enable our shareholders to ask questions. In addition, we'll take live questions from our research analysts. And with that, I'll turn it over to Brian for opening comments.

Brian Armstrong, Co-Founder and CEO: All right. Thanks, Anil. Crypto's voice was heard loud and clear in this recent U.S. election, and it's the dawn of a new era for crypto. President Trump is moving fast to fulfill his promise of making the U.S. the crypto capital of the planet.

And the most pro-crypto congress we've ever seen is now leading the charge on stablecoin and market structure legislation. Given the U.S.' leadership here, the rest of the world is taking notice and will be under pressure to embrace crypto adoption. So it's hard to overstate the significance of this change that's happened in the last few months. We have a number of new opportunities in front of us now to go build in 2025.

Let's talk about our financial performance in 2024, though, just to get started here. And it's incredible. I mean Coinbase had an amazing 2024. I'm very, very optimistic on this next few years. In 2024, our total revenue more than doubled to \$6.6 billion, with \$3.3 billion in Adjusted EBITDA, making two straight years of positive Adjusted EBITDA. By the way, if you look back five of the last six years, we had positive Adjusted EBITDA now. So we're completing this transition to being an all-weather company that can show a positive Adjusted EBITDA.

And -- our subscription and services revenue had an outstanding 64% year-over-year to \$2.3 billion, driven by USDC, staking, and Coinbase One. Our international revenue share reached 19% in Q4, and this is due to the improved payment rails and localization.

We've got a repeatable playbook now that we can launch in these new markets and get them to contribution margin positive. And so we're going to keep doing that in more markets.

And finally, we're just so well positioned to capitalize on these new regulatory tailwinds. It's been incredibly validating of this long-term strategy we've taken at Coinbase to be the most trusted and compliant, and it's finally paying off.

All right, so let's talk for a minute about how crypto is now going mainstream, the regulatory environment, there's clarity on the horizon. Every time you think about that, you should think that this is really TAM expansion for Coinbase. Coinbase is going to be the platform that's going to power many of these companies that are coming in and trying to integrate crypto.

And we like to say that onchain is the new online. It's a little bit like the early 2000s when every company had to figure out how to adapt to the Internet. Up to 10% of global GDP could be running on crypto rails by the end of this decade and Coinbase is going to be the preferred partner to come in and build this for many of the companies out there because we have the most trusted and scalable infrastructure with the longest track record.

Let's talk a little bit about our priorities in 2025. So, 2025 is going to be about growing revenue with our existing products. It's going to be about driving utility in these new categories where crypto is getting to scale. And it's going to be about building the foundations to power this next decade of growth.

So first, we're going to be driving more revenue in our core businesses. Let's deep dive into that. Trading is often where we start with here. That's the earliest thing that we got into in crypto with Coinbase. And we're going to continue to expand

on that leadership position. So we'll be delivering best-in-class derivatives trading as part of our global offering. We're going to be accelerating asset addition as clarity emerges there.

We're winning more and more advanced traders on our platform. And I'm really proud to share actually that we reached an all-time high for both U.S. spot and global derivatives market share in Q4, an incredible outcome due to the hard work of the team.

So 2025 is looking very good. It's off to a very good start here.

We also have a stretch goal to make USDC the number one dollar stablecoin. We're very bullish on stablecoins. We think USDC has a network effect behind it and the compliant approach that they've taken is, I think, going to be really defensible long term. So we'll be accelerating the market cap growth of USDC with more partnerships and leaning into new use cases like adding payment support across our product suite.

We'll be accelerating our international expansion by replicating that successful playbook that I mentioned in these new high-growth markets and growing subscription and services revenue by going on offense with insto and retail staking growing our assets under custody for our custody business.

I expect it will be a banner year for Coinbase One as well especially in our international markets. So that's our first prong of growing revenue with our existing products.

Next, we really want to drive utility to get this next wave of mass adoption going for crypto.

We think crypto is much, much more than just an asset class that people want to trade. There's going to be daily use cases for everybody in the world as crypto updates the global financial system. And one of those big categories is payments. We're already at scale, I'd say, on stablecoin payments. There was \$30 trillion of crypto stablecoin volume last year. That was up 3x year-over-year. And so we're moving with haste to integrate crypto payments across our entire suite of products.

We think that will be a big business over time. And we're also solidifying Base as the number one chain for building -- for start-ups to build onchain and large companies. We're going to continue to lower transaction fees on Base.

We're going to accelerate the flywheel with retail users and there's a really nice tie-in here where CDP, our Coinbase Developer Platform, can provide a lot of the tools to help these companies integrate with Base. And so that's been a great tie in.

On CDP, specifically, we're going to keep making sure that it's the leading platform for any company to develop applications onchain. And I think that will allow hopefully thousands of companies to come integrate and Coinbase can power a lot of that behind the scenes for them.

Okay. So we talked about growing revenue. We talked about driving utility. The third prong here for 2025 is about scaling our foundations. And we've got a world-class policy team. They're laser-focused on getting some landmark crypto legislation passed.

We're going to continue to support StandWithCrypto.org, hopefully get that to 4 million advocates by the 2026 midterms. So we're not taking our foot off the gas there. We're also -- we announced further donations to Fairshake Super PAC to support pro crypto candidates in 2026 and beyond.

So there'll be lots of policy efforts continuing and not just in the U.S., by the way, this will be taking place in a number of countries. And then we're also going to continue to scale our back-end services as crypto continues to reach new all-time highs in transaction volumes, we -- every time we hit a new order of magnitude, we have to rearchitect our back-end systems and this is what supports our own products, but it also is supporting many, many third parties now.

So all of the above is how we're going to expand our lead and define the future of crypto. And in closing, I just want to remind everybody. I hope everybody appreciates this. I mean we're really entering a golden age for crypto here. The opportunity in front of us is unprecedented to update the financial system and increase economic freedom around the world.

The regulatory overhang is lifting. Governments are leaning in, and we're shaping the next chapter of crypto from trading to payments to consumer apps and beyond. 2025 is going to be a very good year.

And I'll turn it over to Alesia now.

Alesia Haas, CFO: Thanks, Brian. And good afternoon, everyone. As Brian shared, the fourth quarter was a strong quarter for Coinbase and we wrapped up a great year.

I'm proud that we executed on our three financial priorities: we diversified our revenue, we generated positive Adjusted EBITDA, and we maintained operating discipline, while we invested opportunistically to achieve our business goals.

So let's dive into our results. All comparisons I make will be on a quarter-over-quarter basis, unless I note otherwise.

Starting with the macro backdrop, crypto markets rallied subsequent to the U.S. elections, given the election of the most pro-crypto Congress and President in history. Underpinning this, in the quarter, we saw average crypto market cap increase 33% and crypto asset volatility increase 27%.

With this backdrop, our Q4 total trading volume was \$439 billion, up 137%. Our consumer trading volume was \$94 billion, up 176%, and we outperformed the U.S. spot market, which increased 126%. As Brian shared, this was an all-time high.

Consumer transaction revenue was \$1.3 billion, up 179%. We saw strong growth in both simple and advanced trading volume. Our mix of consumer trading volume was very similar in Q4 as compared to Q3.

During the quarter, we listed 13 new assets including popular mean coins like PEPE and WIF. Further, we invested in trading experience improvements, platform stability, and collectively these efforts, in addition to the market conditions, drove our MTU growth of nearly 24%, up to 9.7 million MTUs. Nearly half of our trading customers in the fourth quarter were either new to Coinbase or resurrected from over a year ago, and we're pleased to see these market participants come into the space.

Our institutional trading volume was \$345 billion, up 128%, also outperforming the U.S. spot market.

Institutional transaction revenue was \$141 million, up 156%. In the fourth quarter, we saw strong adoption of the Prime product suite across custody, trading, financing and staking. Our top clients are engaged with most of these products in 2024, and our onboarding pipeline remains robust.

Our Prime Financing product had all-time high loan balances in the fourth quarter in connection with the strong market conditions, and we see elevated trading amongst clients who are using financing.

Turning to our subscription and services revenue, which reached \$641 million, up 15%. Our revenue growth was driven by higher asset prices and USDC market cap, as well as native unit inflows across staking, custody, and the USDC within our products.

I want to touch on two points within subscription and services. First, our stablecoin revenue declined \$21 million or 9%. We are super pleased to see USDC market cap increase and our on-platform balances grew substantially during the quarter. However, the lower interest rate environment and the impact of new USDC ecosystem participants more than offset this growth. Second, other subscription and services revenue grew \$33 million or 56%, this was largely driven by Coinbase One. In early December, we announced Coinbase One exceeded 600,000 paid members, and we continue to see strong growth since then.

Switching to expenses. Total Q4 operating expenses were \$1.2 billion, up 19%.

Our expense growth primarily was driven by higher transaction expenses in connection with higher trading activity. Technology and development, general and administrative, and sales and marketing collectively grew by over \$84 million or 10% quarter-over-quarter due to high performance marketing spend, higher USDC rewards, and some policy-related spend in the quarter as we pursued advocacy efforts within the crypto space.

Our fourth quarter Adjusted EBITDA was \$1.3 billion, and net income was also \$1.3 billion. Net income benefited by a \$476 million in pretax gains on our crypto asset investment portfolio. The vast majority of this gain was unrealized.

I want to note that on an after-tax basis, this represented \$357 million of gains. Lastly, our USD resources grew to \$9.3 billion by the end of the quarter.

Our strong balance sheet gives us the resources and flexibility to invest in the business, provides capacity for acquisitions, enables us to invest in more crypto assets or opportunistically address the capital structure by a share or debt

repurchases. Generally, we believe building a strong balance sheet provides us maximum optionality to capitalize on whatever opportunity we find as they arise. Before we get to outlook, I want to highlight one important change in disclosure.

In January, the SEC issued Staff Accounting Bulletin 122, which rescinded the Gensler-era SAB 121, which in turn required us to record customer crypto assets and liabilities on our consolidated balance sheet.

We early adopted SAB 122, which repealed SAB 121, and it reverses that requirement. As such, we are no longer reporting safeguarded customer assets and safeguarded customer liabilities on our balance sheet.

In its place, we've reinstated Assets on Platform as a Key Business Metric, which reports the amount of crypto and USDC we are securely storing on behalf of our customers. The only material change is the location of where we disclose customer assets in our audited financial statements. No change to our operational and legal processes of securely storing customer assets, no change to our obligations or risks.

As of December 31, we had \$404 billion in total assets on platform, approximately 12% of total crypto market cap. You can see our Assets on Platform is included in an audited footnote within our 10-K.

Finally, I'll close with a few comments on our outlook for Q1. We've had a strong start to the year. and have generated roughly \$750 million in transaction revenue year-to-date. We expect Q1 subscription and services revenue to grow sequentially and be in the range of \$685 million to \$765 million.

We expect growth to be driven by higher stablecoin revenue, continued growth of Coinbase One subscribers, and the higher average crypto asset prices we've seen so far in the quarter. With regards to stablecoin revenue, Brian mentioned earlier our stretch goal to make USDC the number one dollar stablecoin. I think it's important to note that we hope to achieve this over the next few years.

We expect Q1 technology and development and general and administrative expenses to be in the range of \$750 million to \$800 million.

On sales and marketing, we expect the range to be between \$235 million to \$375 million. Where we fall in this range will largely depend on whether we continue to see attractive performance marketing opportunities, and the product USDC balances, which drives USDC Rewards.

With that, Anil, let's go to questions.

Anil Gupta, Vice President, Investor Relations: Okay. So we'll take the top three questions from the Say portal. The first one is how did the liquidation event that took place in early February affect Coinbase users? Were Coinbase users mostly buyers of that -- or have you lost users as a result of the violent price action that took place. Alesia?

Alesia Haas, CFO: Well I need to laugh at this question a little bit because volatility has been inherent in crypto. The price actions we saw in February are no different than the price actions we see on an average week or an average month within our industry. So the markets recovered quickly. And I think it's really important to note that our retail users are long-term HODL'ers. We tend to see them hold for long periods of time and opportunistically come in and out in the markets when they see market conditions that are attractive to them. So there was no meaningful impact to our business as a result of the February volatility and market dislocation we saw in the broader market.

Anil Gupta, Vice President, Investor Relations: Second question, regulatory headwinds are shifting to tailwinds, Base is skyrocketing to be the top Layer 2, broad USDC adoption, international perps business is booming, AI leader, CDP is the AWS of crypto, and the inclusion of Coinbase in the S&P 500 potentially coming soon. Any other promising growth drivers to highlight, Brian?

Brian Armstrong, Co-Founder and CEO: Thanks for the question. I promise I didn't plant that or upvote it myself. But I think what -- the question is touching on here is that we are a multiproduct business. We have a diverse stream of revenue from different revenue -- different product lines that we have out there.

It's something I'm really proud of, actually, that shift that we've made to having a retail platform, an institutional platform, a developer platform. And so that bodes well for, I think, the TAM of what we can get to over time. You asked about promising growth drivers to highlight. One of the things we try to do in these earnings calls is only talk about things which are now live, and I don't like that of announcing vaporware, but I can assure you there's a lot of things we're working on internally, which I'm not ready to announce today.

I guess I'll just go back to a couple of things that I am particularly excited about that I mentioned previously. And one is just this next act for crypto. It's no longer just an asset class. People are using it daily utility for more and more things.

Base is powering crypto utility across a whole wide range of apps, payments are taking off with stablecoins, as I mentioned, things like prediction markets are providing real-world utility, lots of people who they weren't previously specifically interested in crypto are trading, but they're finding it as a new source of truth out there.

And then I'd say our international expansion is also really exciting right now – lots of M&A opportunities. But some of it will just do organically as well. We have this playbook now where we've been able to get contribution margin positive and I think all the countries we've launched in actually at this point. And so that just tells me we should be doing more of them. And we're going to go build out this world-class trusted trading and financial services infrastructure in as many countries as we can.

Anil Gupta, Vice President, Investor Relations: Great. Final question, what are some initiatives that are now possible to explore under the new regulatory regime? Brian?

Brian Armstrong, Co-Founder and CEO: Yes. It's really been a sea change, and it's been great. I feel we have access to all the relevant decision makers and folks and government now. And it doesn't mean they're all going to do what we want, but at least we can get meetings and share our point of view. They can take input from all the relevant parties to come up with clear rules.

So one that I'm really excited about is perpetual futures. Most crypto trading actually happens with perpetual futures outside the U.S. and the U.S. was really far behind on this. We made this point to folks many times in the last administration, we couldn't actually get approval to do it in the U.S.

I'm hopeful there's a path to do that now in the U.S., which would bring a lot of the trading volume back onshore in this new regulatory regime.

I'm also pretty interested in tokenized securities and equities, the traditional securities and equities out there. I think that it offers a lot of promise to consumers around being able to trade 24/7. People internationally who maybe don't have easy access to this being able to trade and trading fractions of a share. The clearing and settlement could happen real time. A number of kind of fee takers in the middle could be -- it could be the whole thing could be simplified and optimized if it was happening onchain because crypto is a way to update the financial system.

So that's a pretty promising area that I think could be exciting over time for the whole industry. Prediction markets I mentioned, there's sort of the loss of trust in our institutions around the media and what's happening in the world. And so people are trying to figure out what's true. And I think prediction markets are a pretty interesting way to get truth about what's actually happening in the world, not just around elections, but all kinds of things.

Yes. And then we're seeing more and more partnership opportunities, traditional financial firms, tech players are all reaching out in 2025 with this new regulatory environment. M&A is legal again in the United States, sort of jokingly I'm saying that, but there's an incredible pipeline of companies out there that could make sense to purchase as well. So yes. A lot of good things on the horizon.

Anil Gupta, Vice President, Investor Relations: Thank you. So with that, Sarah, let's take our first question from the line, please.

Operator: Your first question comes from Owen Lau with Oppenheimer.

Owen Lau, Oppenheimer: Good evening, thank you for taking my questions and congratulations on a great quarter. So when I look at your December and January market shares for U.S. spot crypto, it looks like you started to take share away from your competitors. There have been many lower-cost products out there since 2021, like FTX and now spot ETF.

Could you please talk about how you can still gain shares, not just one month or two months, but through the cycle? And what makes Coinbase different from other platforms?

Brian Armstrong, Co-Founder and CEO: Yes. Well thanks for noticing that. We were really proud to see that we did hit an all-time high for both U.S. spot and global derivatives market share in Q4. And look, crypto is on the rise. There's going to be lots of companies that are integrating crypto. We think that's a good thing.

We think that that's -- to get more and more global GDP running on crypto rails, we're going to have to have every bank, every fintech, every payment platform around the world begin to integrate here.

And so Coinbase, we want to do that on our platform, but we also want to power this across all the other countries and companies out there. And so we're very focused on playing a role in that with our developer platform.

So our share did grow quite a lot. I think that just speaks to the trust that people have in Coinbase as a platform, but we don't see it as a zero-sum game. We're trying to grow the size of the pie 100x for everyone.

Alesia Haas, CFO: Owen, I might just add on, we've seen a very strong start to Q1. And we believe that the underlying efforts that we're making to add assets, to continue to improve the user experience, our platform stability and effective marketing, will continue to position us well to gain share over the long term.

We've always had experiences where a certain week, a certain month, that our share falls after due to different trading pairs being popular in the market that we may not have either on our platform or the right pricing for, but what we see is, over the long term, we can durably gain share and retain and grow users on our platform.

Operator: The next question comes from Devin Ryan of Citizens JMP.

Devin Ryan, Citizens JMP: I have a question on international derivatives. Obviously just gaining kind of massive traction there and another great quarter of growth. It seems like the fees there are quite a bit lower, obviously. And so I also appreciate that might make sense as you're taking share at this type of rate.

But I'm curious as you think about take rates in derivatives kind of longer term, should we expect that they would kind of hold the line with where they are now? Or could there be an opportunity to actually increase the take rates as you get to kind of a more mature share? Just curious kind of how to think about this opportunity longer term as you continue to grow it.

Alesia Haas, CFO: Thanks, Devin. So right now we're focused on building liquidity and building trading volume. And we are providing incentives to various market participants in order to focus on building that depth of liquidity in each of the order books as we put them on the platform. So yes, I do believe that over time our fees will evolve and become more mature as we gain to the scale and market position that we seek to have and that right now we are not focused on monetizing at the top of the range.

That said, we're going to monetize this competitive with the market, and this is a lower-priced product than spot trading. And so you can see us be in a competitive market position here but not at the current levels that we are today.

Operator: The next question comes from Benjamin Budish with Barclays Capital.

Benjamin Budish, Barclays: I was wondering if you could unpack a little bit of some of the activity, the trends you're seeing in some of the either kind of new to Coinbase or resurrected customers. Can you talk about what is the sort of activity level? Are they coming over with large accounts? Are they engaging in a lot of trading? Or is a lot of the trading coming from your sort of back book of existing customers. So what does that cohort look like? And maybe similarly with Coinbase One, what is the activity level like of the new traders, how would you describe that group?

Alesia Haas, CFO: I will start this and Brian, please feel free to add on - we don't break out details on our customer cohorts in general. What I would say is that new users tend to come on for either new coins that we list or they come on as first-time users of crypto, where they're typically buying Bitcoin or Ethereum or large market cap assets, those tend to be two waves of new user adoption, new product or new into crypto. We're actually seeing those as the benefits of our effective marketing program, and we are really proud to say, over time our marketing has always been effective at getting a very good return on customer acquisition. It's a one-year return on investment, that cost of customer acquisition, we get paid back within a year - that's the trading activity that really typically drives that return.

Resurrected users. These were users that we've always had on the platform that have already said, oh, I'm interested in crypto, but I'm not a daily active user. I'm just someone who was buying and hodling. They tend to reengage whenever you see higher volatility, higher price and crypto in the news. Those tend to be similar trends we've seen over time with our users on our platform. They're more engaged in these peaky market conditions.

With regards to Coinbase One, we opened this product up internationally, a lot of our growth has come from making Coinbase One more attractive around the world, more available around the world with new benefits. These are users who are actively trading typically every single month because they benefit from the trading fees by having this monthly

payment that they make to us. These tend to be more active users, and we tend to see Coinbase One users more deeply engaged with all products on our platform.

Brian Armstrong, Co-Founder and CEO: I think just to add to that, people who are holding crypto and they're not checking it that often, maybe -- and then the price ticks up, they'll resurrect, they'll come back to check on their balance.

But every time they do that, there's an opportunity to put other products in front of them. Maybe they want to get a loan on their bitcoin, maybe they want to have a Coinbase Card. Maybe they want to earn staking rewards. Maybe do payments -- peer-to-peer payments, anything.

So there's more and more products we can put in front of them every time they come back. And so it's all of the above, I think it's really the short answer to your question. Those users coming back are doing everything.

Operator: The next question comes from Ken Worthington of JPMorgan.

Kenneth Worthington, JPM: We have a more friendly administration, which you noted. The White House repealed SAB 121 right out of the gate.

As we look forward, what are the more or most important pieces that Congress and regulators have to get right in order to get a constructive market for developers that were hoping -- actually developers and markets that we're hoping to see?

Brian Armstrong, Co-Founder and CEO: Yes. I'll share a few thoughts on that, and then maybe, Paul, if you want to add anything. So the first part of it is really market structure legislation being passed. And in other word, people use for this is token classification, which is essentially answering this age old question of which of these are commodities, which are from our securities, which of them are payments or currency, stablecoins and which of them are something else entirely, it's not regulated like artwork or collectibles.

And so if we can get that token classification clarified, in new legislation or if Congress can really do that, I think it would open up huge pools of capital to flow into crypto. All kinds of good things happen. Startups start to build. So the first piece is market structure or token classification.

The second piece is around stablecoins, and we really want to see a clear framework emerge to have dollar back stablecoins be issued in the United States with clear legislation behind it. We want to make sure that there's a state pathway for those. It doesn't have to just be done federally.

We want to make sure that you don't have to be a bank, although you could to issue a stablecoin. I think if you're not doing fraction reserve, you shouldn't need a banking license, you could be, for instance, a trust company.

You need to pass audits that show you have 100% reserves, things like that. So that would be -- those would be key pillars of a stablecoin bill. Beyond that, I think it would also be great to see a strategic bitcoin reserve in the United States.

We need to make sure that there's fair access to banking services, things like Operation Choke Point don't happen again. And just I'd say broadly, there's almost like a bill of rights for the American citizens that they -- the right to sell custody and to own crypto and to use it. These are foundational principles that we're hoping would come out of any legislation. Paul, anything I missed?

Paul Grewal, Chief Legal Officer: I would just underscore the need for a functional bill of rights. And fortunately, I think the executive order that the President issued provides a really nice foundation for that. You saw things like statements that commit to protecting lawful blockchain activities and promoting dollar-backed stablecoins critically ensuring fair access to banking services.

So I think the bones are in place to support that. And we're also quite encouraged by the early work of the crypto task force, the SEC, in which -- under which or by which Commissioner Peirce, I think, has made it very clear she intends to move and move fast on providing real guidance to the market and especially to builders on what they can expect and what process they can expect when they come in and meet with the SEC in the months and years ahead.

Operator: Next question is from Pete Christiansen with Citi.

Peter Christiansen, Citi: Congrats on the outstanding quarter and results. Brian, I'm curious, I want to take a little bit more into the consumer acquisition strategy for Coinbase. I'd love to hear your thoughts on how crypto natives build up

the value proposition for consumers to trade on crypto native solutions? How does that value proposition or the differentiation evolve versus all-in-one TradFi kind of solutions that are out there?

Brian Armstrong, Co-Founder and CEO: Well, a lot of people come to the platform initially—they're curious about crypto, Coinbase has the most trusted brand, we've been around the longest, we're dedicated to crypto—and so that's the entry point for a lot of folks. We also do a lot of traditional marketing. We do a lot of referral marketing and growth programs within the company, which are very effective and positive ROI. We try to target that 1-year payback period that Alesia mentioned.

And so as they come in and that sort of often people's first foray into crypto, they start to learn a little bit more about it and then they start adding on other products, right? This is where they might do payments or staking or borrowing and lending or Coinbase Card.

And eventually, we see businesses onboarding as well and they're using it for their own purposes: treasury management, hedge against inflation, maybe starting to pay vendors overseas. And so you can see, there's often the thing that gets them in the front door to start with, but then they start to realize there's a broader potential here, and they start to think about Coinbase as a primary financial account where they can participate in this new economy.

Today, only about half of 1% of global GDP is running on crypto rails, but we think that that could expand dramatically by the end of the decade. And that starts—where things start to get really exciting as this is a foundational account you might have for your participation in the global economy.

So I'm not sure if I answered your question directly. We can talk about—there's crypto-native competitors. There's traditional TradFi competitors. There are some that are specific to each category out there. But if you have any further follow-ups, just let me know.

Emilie Choi, COO: I think just to double down on that. The way that we look at the competitive set is, we are a crypto-native competitor that plays deeply in and has leaned into the values of leaning into regulatory, leaning into security, leaning into ease of use. And I think one of the things that Brian realized very early on was that being crypto-native was akin to being digital native back in the day.

If you look at something like traditional retailers who added digital as a feature, it was never nearly as impactful as building from the ground up digital native the way a company like Amazon did. And I think that that benefits us because even if you are, as Brian described, somebody who is curious about crypto, you come in, perhaps you're curious about Bitcoin.

You're then—you come into Coinbase, you have a good experience. Perhaps you try other assets. Perhaps you try staking and are exposed to other crypto-native features. And having the rails and building blocks for that including things like Base and Wallet and USDC, I think, provides us with a much stronger durable competitive advantage over time.

Operator: The next question is from Patrick Moley of Piper Sandler.

Patrick Moley, PSC: So Brian, a few weeks ago, you posted on X and said you felt like Coinbase needed to rethink its listing process given the sheer volume of tokens that are being created on a daily basis, a lot of which I would assume are kind of these meme tokens, where you're seeing a lot of trading being done. So could you maybe just expand on those comments and talk about how you see your listed token offering evolving from here?

Brian Armstrong, Co-Founder and CEO: Thanks for reading that and bringing it up. I do think it's an important transition that the industry is going through. We're seeing more and more tokens being created, and I think that's a really good thing. It means people are using crypto for lots of different use cases. And it's actually—by some estimates, we're at about 1 million tokens a week here. And many of those are lower quality or meme coins. But it speaks to just the volume of what's happening here.

It's a little bit like the early days of the Internet, you could list all the major websites on a single directory. And eventually, you needed Google Search to sort through because the Internet just got so big. And it's a little bit what we're seeing with crypto. So what this means for Coinbase is that we need to deeply integrate decentralized exchanges into our product where I think the customer won't really know or need care about whether it's trading on a centralized exchange or a decentralized exchange. They just want to look up an asset and maybe participate in that.

But we also need to balance giving people—the customers access to what they want with appropriate disclosures and consumer protection so that they know that they're trading the appropriate asset; it's not something pretending to be that asset. It's a little bit like again, searching through—there might be 100,000 results in Google, but you kind of want to only

look at the first page. Or if you search for some product on Amazon, there might be thousands of them, but you want to buy the one with the best reviews.

So I think there's a variety of ways that we can balance that consumer protection with giving customers access to the broad range of assets out there.

Operator: The next question comes from John Todaro with Needham.

John Todaro, Needham: Congrats on the really strong quarter. Brian, I have a broader question about the overall vision for Coinbase to maybe become something a lot bigger than a crypto brokerage. The two areas I see are stablecoins and the tokenized real-world assets, which you've discussed some, you could see a world where a lot of that transfer activity ultimately happens on Base. So one, just do you agree with that vision? And then two, is there anything more specifically you guys can do to push both of those segments?

Brian Armstrong, Co-Founder and CEO: Well, that is definitely the plan. I think, like I said, people are coming into crypto, I think of it as an asset class they could trade. And over the last 10 years, it was the best performing asset class out there, but it's already become much, much more than that. And for people who don't use crypt every day, they sometimes don't fully wrap their heads around that.

But if you look at that stablecoin volume, \$30 trillion of volume last year, it grew 300—or 3x year-over-year. If that continues, it's going to be really a meaningful portion of global GDP. And so that's a huge one that you mentioned. And tokenizing real-world assets or traditional securities. I mean eventually, real estate, the debt markets like private credit, everything should come onchain.

It's really just a more efficient way of transferring value and it can do real-time settlement and eliminate various risks that are out there in the ecosystem. So I mean, there's lots that we can do on this front. I mean the broadest sense of the thing that we're doing is we're trying to make all these products trusted and easy to use. I think that's where we differentiate the most on our brand. People, we see in surveys that they do trust the Coinbase brand the most.

It comes from our track record of compliance, security, design, customer support, a variety of things go into that trust. And then we're trying to make it easy to use for the average person. So they may not understand quite how to access a decentralized exchange through DeFi and worry about private keys and addresses and bridging and all these complex topics. But if we make it simple, we think there's an order of magnitude more people who will come and use our products.

On stablecoin, specifically, for instance, I think we can really fuel a lot of that growth by just driving more partnerships with global and local players like Stripe and Yellow Card to do more global adoption. We've been adding a number of additional stablecoin trading pairs on our platform. We've been offering rewards to our customers when they hold USDC.

So it's almost like having a checking account in a—not even a savings account, it'd be like—I guess, like something that pays much more, like owning short-term treasuries or something. But you can have that in just one account. And these are things we can do to help drive adoption of these various things.

So yes, I mean longer term, we want to be the primary financial account for many people in the global economy. And so you could compare that to a brokerage, you can compare it to banking, you can compare it to a payments company. I think it has aspects of all of those things in the limit here. That's the aspiration. And so that's a pretty exciting opportunity and one can think about what the value of that might be over time.

Operator: The next question comes from Dan Dolev of Mizuho.

Dan Dolev, Mizuho: Great results out there. I just wanted to ask about—I think you mentioned kind of global contracts earlier. So I think your competitor was talking about sort of this is a big market of political betting or any betting. Is there any view here to use Coinbase as a platform globally to do something similar?

Brian Armstrong, Co-Founder and CEO: I think you're referring to prediction markets. So, we have nothing to announce today on that front, but I do think prediction markets are very exciting. I touched on it a little bit in my opening remarks. But I think the—really the United States, but the world kind of got a wake-up call on these prediction markets in this recent election. I think it was—some of these were like that in the top few downloaded apps in the app stores during the election. And they called the election correctly far in advance of every other traditional source that was just flat wrong.

And so this is answering a big—crypto is like the answer to this major question people have in society today, which is how do I know what's true? Everybody is worried about misinformation. They're worried about bias. And the beautiful thing

about these prediction markets is that people have real skin in the game. And so I actually think it's a better source of truth than what we're seeing in many traditional media publications.

And if you look at the surveys around people's trust and institutions—it's like the traditional media, et cetera, it's at an all-time low. So it's just one more example where I think crypto can provide an interesting solution. We're interested in looking at it more over time.

Emilie Choi, COO: One of the things about Coinbase is that we're not necessarily always first to market with the cutting-edge products, and we're actually comfortable with that position. We've watched for example, international markets that are more deregulated launch products that then we can adopt here, especially with the good favorable regulatory climate here.

Or there's just a swath of different products that come out, and we can watch as they resonate or don't resonate with users. That's one of the reasons that we've invested so much in Coinbase Ventures. It allows us to get ahead, to have multiple plays, to plant many seeds. And then as those things potentially sprout, we can take advantage of them either by buying, building, or acquiring or partnering over time.

Operator: The next question comes from Bo Pei of U.S. Tiger Securities.

Bo Pei, US Tiger: Congrats on the strong result. Two questions, if I may. So first is about retail trading fee rate. So historically, the retail trading fee rate has tended to decline during periods of surging trading volume. However this quarter, despite trading volume nearly tripling, the retail fee rate actually increased slightly sequentially. So could you just provide more insight into this dynamic? Was this primarily driven by a rapid increase in derivatives revenue or changing stablecoin trading phase or other factors? That's my first question.

Alesia Haas, CFO: This quarter, we just saw strong growth at both simple and advanced trading. And so we didn't see any disproportionate contribution from either one of them, which is why the fee rate was largely similar quarter-over-quarter. So we just saw growth across the board.

Bo Pei, US Tiger: And second question is about competition. So yesterday, an online trading platform reported, I think, 400% year-over-year growth in crypto trading volume. How do you view the competitive landscape in this environment, specifically, how do you plan to compete with peers that offer a broader range of trading products beyond crypto?

Brian Armstrong, Co-Founder and CEO: I can share a little bit how we think of it. So we really want everyone to come into crypto. And I keep saying this and maybe people don't fully believe me, but it's really true. We're trying to get the global financial system updated and have more and more global GDP run on crypto rails. We think that's a more efficient, fair and free world will accelerate progress and it creates economic freedom. And we're going to have to have every bank, every payment company, every brokerage, et cetera, integrate crypto into their platforms.

Now Coinbase can be the primary financial account. We can be the most trusted product out there for many people. We can also power a lot of this for other companies. And so we're genuinely not that worried about the competitive landscape. I mean we have to make sure we're meeting our customers' needs, but the way we do that is by going and talking to our customers. We don't necessarily look at what other people are doing.

We want more and more people to participate here. We want to power those solutions for them. And it's just, whenever you see new companies coming into crypto, you should think that is great for Coinbase. It's TAM expansion.

Emilie Choi, COO: It goes back to my thing about—that we think being crypto-native and having been here for this long is a huge competitive advantage. We actually weirdly welcome everybody coming into the space. We think it's good for the whole ecosystem when there are free markets, when TradFi competitors and others further validate the industry for their customers. And I think one of the things Brian said, I remember at the IPO roadshow was we zig where they zag. We've always been about crypto first, and we think it benefits our customers and it benefits us over the longer term.

Brian Armstrong, Co-Founder and CEO: I think to your question about just other trading products, et cetera. We sort of mentioned earlier, the study of tokenizing traditional securities or other real-world assets. Like, all of these categories, I think, are eventually going to get tokenized and put onchain. And so we're focused on the onchain economy here and the crypto aspect of it, but that's going to grow to include more and more of the total financial system in all asset classes.

Anil Gupta, Vice President, Investor Relations: Sarah, we'll take one more question.

Operator: Our final question will come from Alex Markgraff of KBCM.

Alexander Markgraff, KBCM: I'll try to squeeze in two here if I can. Maybe just one model one first. As it relates to the sales and marketing outlook—understand the logic in terms of the wider than usual range. Just curious, is that wider than usual range, is that a new approach to forecasting that line or how you're communicating that to us? Or is it more a function of market conditions as you're going through the planning process?

Alesia Haas, CFO: This outlook is a function of the current market conditions. We saw wider opportunities to deploy marketing dollars post election. We've seen great variance week-to-week as we've gone through the last eight weeks. And we wanted to recognize that the next six weeks of the quarter could be quite volatile. And so we wanted to capture an outlook that didn't give us any restraints on the business if we saw great opportunities to put money to work to acquire new customers but also communicated that it could be wide. So just a function of what we see today.

Alexander Markgraff, KBCM: And then, Brian, maybe one on CDP. When you talk about company building onchain, maybe just could you paint a picture of sort of non-crypto native participation today and how you would expect that to evolve in a backdrop where there is clearer regulation and legislation in the near term?

Brian Armstrong, Co-Founder and CEO: Well, a lot of the early adopters of CDP are start-ups, but if you're talking about—and they're doing interesting things with AI and payout solutions and a lot of things sort of more native onchain—but if you're asking about non-crypto-native adoption—and by the way, Coinbase Prime has a great API solution, a lot of parties are using that—so there's various ways we can serve them. It's not only CDP.

Like, various institutional clients can automate pieces of their Coinbase Prime account with an API as well. But I think what it will look like over time for the non-crypto-natives, the Fortune 500s of the world, et cetera: first, they'll come in and they'll say, okay, for just good treasury management, inflation, risk mitigation, we should hold percentage of our balance sheet in Bitcoin. That's just the new gold standard, right? It's just going to become like a best practice. And we can help them with that.

I think then they'll start to think about, okay, how much am I paying in B2B payment fees, paying various vendors, and where might there be like, financing opportunities? So cross-border payments, these kinds of things are areas where crypto can really provide a better solution. And so I think they'll integrate from like treasury management, payments, like those sort of things from the Fortune 500.

Now some of them will actually go even further than that, I think, and they'll start to say, okay, how do we issue our rewards points onchain? How do we allow members of our community that are—like some new products they're launching to participate in a sense of ownership around it or governance around it, right?

Others might—like if you were building Reddit or Uber or Airbnb today, you'd probably—you'd want the early users on that platform, or Wikipedia or anybody contributing to a community or a product, you'd want to have the early users of that platform earn rewards or have governance rights over it, just like the employees working on it, right? And so you can imagine new products being launched in those categories.

So yes, I think eventually, it will integrate into many different companies in different ways. Crypto is many different things, and we can provide those services through CDP, Coinbase Prime, et cetera.

Anil Gupta, Vice President, Investor Relations: Great. That's it for today. Thank you all for joining us, and we look forward to talking to you again next quarter.

Operator: This concludes today's call. You may now disconnect.