

Coinbase Global, Inc.
Fourth Quarter and Full Year 2021 Earnings Call
February 24, 2021

Anil Gupta, Vice President, Investor Relations: Thank you. Good afternoon and welcome to the Coinbase Fourth-Quarter and full year 2021 earnings call. Joining me on today's call are Brian Armstrong, Co-Founder and CEO, Emilie Choi, President and COO, and Alesia Haas, CFO.

I hope you've all had the opportunity to read our shareholder letter, which was published on our IR site earlier today.

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 and shareholder letter available on our IR website. Our discussion today will include references to Adjusted EBITDA, a non-GAAP financial measure. Non-GAAP financial measures should be considered in addition to not as a substitute for, or in isolation from, gap measures, you can find additional disclosures regarding Adjusted EBITDA, including a reconciliation to net income, the comparable GAAP measure in our shareholder letter. We are once again using Say Technologies to enable all shareholders to post questions to management. In addition, we will take some live questions from our research analysts.

Before we get started with opening comments, I wanted to start with a question for Brian. Brian, looking back at 2021, it was an incredible year of growth for crypto and for Coinbase. And looking ahead, some people are suggesting we might be entering a crypto winter. So what's your view of the crypto market today and what's Coinbase's position broadly.

Brian Armstrong, Co-Founder & CEO: Yeah, thanks Anil. So I don't think we're entering a crypto winter. In fact, we don't really think about it like that anymore. I think early on in crypto's history there was this trend of going through summers and winters. And the thing is, crypto is kinda working now. And so I don't expect it to be anything quite that pronounced over time. I think we basically have no idea what's going to happen in the next quarter, the next couple of quarters, or at any moment in our history with crypto, it's like trying to predict what the S&P 500 is going to be next quarter or something like that.

And so what we do in the absence of that is we just consistently build great products and grow the business because long-term, we're incredibly bullish about the potential of this industry. I mean, I think we're just in the very earliest days of this industry and it has a massive potential TAM. There's a ton of capital being injected into this industry and a lot of the smartest young people are all rushing to build companies in this space. And then, with all those thousands of new companies, I think you're just going to see a ton of innovation. So I guess unlike in past crypto cycles where we might have had summers and winters, crypto is working. We've got major use cases now outside of people just trading it. DeFi has tens of billions of dollars locked up in it. NFT's have been a massive trend and continue to grow. People are building gaming and social media apps and DAOs and identity systems. And I think what we're really seeing is that Web3 is kinda the future of how people are going to build all kinds of applications on the Internet, even non-financial services applications.

So the biggest problem we have is not to think about what's going to happen in any given quarter, it's how do we actually capture the size of this and scale this opportunity in front of us when there's so many kind of multi-billion dollar business opportunities around us. So honestly, we would love the chance to get it like, catch our breath, right? If things weren't growing quite so quickly, it would almost be better because

we have to focus all of our time on scaling when things grow so quickly. Having a chance to invest more in some of these upcoming business opportunities would be the best outcome. So hopefully that gives you a little bit of a sense of how we think about it.

Anil Gupta, Vice President, Investor Relations: Great, thanks, helpful perspective. So let's start off the call with some opening comments about our results. Brian, back over to you.

Brian Armstrong, Co-Founder & CEO: Yeah. So I'll give a quick summary of the letter and then I'll turn it over to Alesia to give more detail.

So obviously 2021 was just an incredible year for Coinbase, the kind of thing that you see very rarely in your lifetime and in a business career. Not only did crypto obviously do well, and we can talk about that. You know, we hit three trillion in total market cap. Bitcoin and Ethereum hit all-time highs. Now one in four US households, according to some third party research, now own crypto. So this is becoming mainstream and of course, Coinbase is not just in the US.

So the crypto did well, but I think Coinbase did incredibly well also, maybe even better. And we're really helping drive this adoption, I think, by making crypto safer and easier to use for people all over the world. Just to give you one metric at least, we'll go into more details. So we hit an all time high in our monthly transacting users, 11.4 million, which is 4x year over year, 400% and pretty incredible. And we're continuing to add assets really quickly. We have a diligent process that we go through to look at what assets we can add from a cybersecurity and legal point of view. We can't add all the ones that are out there, but the ones that we can add, we added 95 new ones for trading, and 72 for custody. More than 50 percent of all our trading volume this year is on assets other than Bitcoin and Ethereum. So we just saw this industry really flourish last year. And Coinbase really, I think capitalize on that opportunity and help lead it.

So looking ahead for 2022, the opportunity is just as big, if not bigger. I think we're continuing to invest in our suite of products. So we're a multi-product company. We do a 70/20/10 resource allocation with 70 percent on our core, 20 percent on these strategic bets and 10 percent on these venture bets and kind of bigger moonshot efforts or more ambitious moonshot efforts. And so building that suite of products and thinking about how they can all be tied together is really powerful. And I think our fundamental belief is that crypto, it's not just going to be an investment, although that's a massive use case and the first pillar of our strategy. It's not just going to be a new financial system, which is the second pillar of our strategy, and we have lots of products helping make that happen. It's also going to be the new default way that people build applications on the Internet. It's the new application platform. That's what people are calling Web3.

And they're going to be building all kinds of applications, not just financial service applications. So we believe Coinbase is the best positioned company in the world to help drive that change. And our goal is really to be the primary account where people access the cryptoeconomy and Web3. And we have this really great customer base and brand and infrastructure that all nicely integrates. And we can make crypto easy and, and trusted and safe to use. So with that, Alesia, let me turn it over to you to give a bit more detail on our 2021 results and the outlook for 2022.

Alesia Haas, CFO: Thanks Brian. So we put a lot of detail into our shareholder letter, and so I encourage you all to read it, but I want to call out a few highlights. As Brian shared, we had a lot of great wins in 2021. First one I want to call out is we expanded our trading volume market share. Our trading volumes increased 8.5x versus 2020. And this was higher growth and crypto spot markets which grew at 7.5x. This means that our trading volume market share increased in virtually every asset that we support on our

platform. Second, we made significant progress at diversifying our revenues and we significantly increased our revenues. Our 2021 transaction revenue increased more than 6x a year every year to 6.8 billion, including 2.3 billion in Q4. In our emerging revenue streams, which we call our Subscription and services revenues, became more significant. We generated more than \$500 million dollars of Subscription and services revenues this year, including \$214 million in the fourth quarter. This was a 10x increase from 2020. And importantly, this now comprised 7% of our net revenue in 2021, up from 4% in 2020.

We're anticipating massive industry growth to continue over the long-term. And this really informs the backdrop of our 2022 investment plan. So switching gears and turning more towards our outlook, I'm going to start with Q1. So we noted in our letter that Q1 is trending softer than Q4. And this is driven by lower crypto asset prices and lower volatility than we saw last quarter, both of which are significantly correlated with our Monthly Transacting Users in our trading volumes.

Quarter to date, our retail MTUs have averaged roughly 10 million. On our trading volume quarter-to-date, we've seen approximately \$200 billion. And so we expect Q1 to have lower MTUs and lower trading volume than Q4 2021. In terms of Subscription and services revenues, we do anticipate the price effects, i.e. lower crypto prices, will drive lower revenue in Q1 as compared to Q4. We're excited about the prospect of this revenue stream nonetheless, and continue to build new products and grow our native units on our platform.

On the expense side, we're anticipating transaction expenses to be in the low to mid 20s, driven primarily by the growth of Blockchain rewards, revenue, and our operating expenses, excluding other expenses – and there's detail about this in letter – will be in the range of \$1.2 to \$1.3 billion.

Turning to full-year 2022, I want to just start with – we are very difficult to forecast our business and we're entering this year with more unknowns which make it even more difficult to forecast than what I would have said last year. And so it is too early in the year to take a very precise view. This informs our approach where we said we will be transparent with you all. But we've provided for an average annual retail MTU range that spans from 5 to 15 million for full year 2022. And importantly, we're prepared to manage our business through either end of this range, through any of the outcomes and permutations in between.

Our 2022 expense outlook reflects an ambitious headcount growth plan to build the product experiences and infrastructure to drive user adoption higher throughout the world and through increased marketing investments and international expansion. And as Brian alluded to earlier, we're really excited about the options ahead of us.

Given this wide range of MTUs – 5 to 15 million – which could in turn drive a wide range of revenue outcomes. I wanted to provide some more color on what you might expect. If we performed to the middle or the high end of this range, we expect to be profitable. If we perform on the low end of this range, we plan to manage our business such that our Adjusted EBITDA loss would be no more than \$500 million. Against our \$7 billion of cash that we ended the year with, we think this is a very manageable loss if we choose to take it because the investment for the long-term is the most important thing we can do because we're in the early days of crypto.

So notwithstanding short-term lack of predictability, we're so excited about the progress we made in 2021 and our plans for building out further this year. With that, I'll turn it to Anil and we can take some questions.

Anil Gupta, Vice President, Investor Relations: Sounds good. So before getting into Q&A wanted to clearly lay out some principles for our Q&A session today, similar to last quarter. First, we will answer the most upvoted questions determined by the number of shares and we may group some questions together that touch on the same themes. Second, we don't plan on answering questions related to the potential listing of new assets. And third, we will avoid answering questions that we've done so in the past, if there are no updates. For example, we still do not plan to issue a dividend. So with that, we'll go to the first question.

The first question comes from several users including Akash S., who expressed concern about our share price performance recently and since Coinbase went public. How can we add some context for investors about our share price performance to date?

Alesia Haas, CFO: Thank you Akash for the question. And I think this is something a lot of investors have questions about, so I'm glad you gave us the opportunity to respond. I'm going to answer in two ways.

So let's start with a textbook answer. There are a number of factors at play with regards to the COIN stock price right now. First, there's been a significant sell off in the market since the November FOMC meeting for many high-growth companies and Coinbase is no exception. This is driven by broad macroeconomic factors at play. Inflation, interest rate concerns, and geopolitical tension that we unfortunately saw in the headlines this morning.

So beyond macro factors, we've also observed that our stock has been highly correlated with crypto prices, which are down roughly 20% year to date. We honestly don't truly understand this as this correlation does not take into account the growth in our market share that I spoke about previously. The diversification of our business beyond investing and let alone the future potential of our business as we expand into new assets and new product streams.

We're focused on building towards revenue diversification. And we think this will trend will decouple over time. But that is a little bit of what's impacting our stock at this moment. The non textbook answer, now. When I look at the market today, I cannot help but reflect back on prior risk off markets where we saw investors move capital out of risk assets. And those historic windows honestly were the best times to invest in my lifetime.

So when I look at the crypto market today and we see the innovation, the diversification, the growth vectors, there's just so much to be excited about and I'm really optimistic about the opportunity to enter crypto asset investment, that these price levels, in fact, we just increased our own corporate crypto investments by nearly \$350 million in the last few weeks. Brian, do you want to add anything here before I go on?

Brian Armstrong, Co-Founder & CEO: Yeah. I think that was a great answer. I mean, look, I'm in the same boat. I have to scratch my head a little bit, looking at some of the revenue multiples, and I think we're very bullish about the future. I think it's really rare to see a company that has high growth, profitability, and a massive TAM in front of it. That's kind of the trifecta. And it's really hard for me to imagine an industry that has more growth potential in front of it. If I look at the next decade and so I look, I think a lot of this is just human psychology. I think even just a few months ago there was people I saw lamenting like, I wish I bought crypto sooner or COIN stock sooner and they didn't think they would ever get a chance to buy something like if these prices again and then, of course, by some stroke of luck, when that opportunity does arise that they, now they may feel pessimistic or something on it. So I think it's just human psychology. Like Alesia said, this is kind of when fortunes are made of people. Some are

greedy when others are fearful. But honestly, I think we try to ignore this stuff. I think a lot of it is just short-term effects that are macro things happening out there in the world. And 95% of our effort should just be on building great products that help our customers and help grow this industry. And I think the next 10 years are going to be great. So we really try to think about it too much and just have a long-term view.

Alesia Haas, CFO: I just want to reinforce that point. I think one of the questions is, what are we doing about this? And first, we're in good company as I think many companies are asking this question of themselves right now, watching the stock price declines over the last few months. But crypto has prepared us well for volatility. And as Brian said, we've learned to focus on what is in our control. And for us that means building safe, trusted, and easy to use products for our customers, investing in innovation, and trying to clearly articulate our story and our business problem value to our employees, and to you, our investors. And we believe if we continue to focus on these basic principles that will drive our long-term business success and that stock price will take care of itself.

Anil Gupta, Vice President, Investor Relations: All right, Our next question comes from Milton M. and Jeff C. who were both focused on our revenue mix. What avenues of revenue are we exploring beyond trading and do we have any ambitions to help businesses with NFTs, for example? And will diversification of revenue help decouple the share price from the price of crypto assets.

Alesia Haas, CFO: Great questions Milton and Jeff, a little to unpack here. So you are right. The transaction revenue has historically may have the lion's share of our revenue. But as I shared my comments earlier, we're taking steps to diversify this revenue and also grow our non-transaction revenue streams. One of the big takeaways of last year was the increasing amount of utility in the crypto economy beyond investing and the growth of this Subscription and services I spoke about earlier reflects this as we saw 10x growth year over year. We have 3.6 million users earning yield on their assets at year end, which is more than 5x the number that we were doing in 2020. A lot of these users are staking their assets, many of them on Ethereum. And so we plan to open up assets for like ETH2 for institutions later this year. And we also plan to add more assets, more proof-of-stake chains for users to participate in.

Beyond that, we're really excited to launch our NFT platform. We view this is a very large, total addressable market with new and existing users who are clamoring for a different NFT experience, a simpler NFT experience – it still tends to be a little bit complex. And what we liked right now and we're observing the market is that NFT volume and price appear less correlated with other crypto assets. And so you're seeing new crypto projects that have less correlation and it's just that general theme of diversification whether NFTs fall to our transaction revenue or not, you're going to see different trends that will lead to a more sticky revenue stream with time.

And I commented on this earlier, but as far as share price goes, it's difficult to predict the future. But we do hope to see that investors recognize that we're a diversified platform and start to see our price decouple from overall crypto prices. Anil, back to you.

Anil Gupta, Vice President, Investor Relations: Great. Next question comes from Tom W, who asked about the timing of the ability to trade ETH2.

Emilie Choi, President & COO: Great. Thanks for the question, Tom. Generally, we don't comment on the listing of new assets, but this is a unique case because we already list ETH and then we allow staking for ETH2. Trading of ETH2 is dependent on the merge which is going to combine the original Ethereum blockchain, which is proof-of-work, with the ETH2 chain, which is proof-of-stake. The timing of this merge is out of our control and it will be driven by the Ethereum community, but we expect to see it at some point

later this year. And we think this is a really exciting event for the crypto community and are working to support our customers before and after the merge. We recognize that customers are seeking liquidity on their ETH2 and we're working on solutions to provide this, such as a wrapped ETH token in advance of the merge. And we believe that once ETH2 has liquidity available, it is going to drive more demand for ETH2 staking. We're also working to extend this capability to institutional clients for the first time later this year.

Anil Gupta, Vice President, Investor Relations: Thank you, Emilie. Next question comes from Gerardo D, who asks if there's a roadmap for Coinbase to support traditional securities such as stocks.

Alesia Haas, CFO: Not as time. Over the long term, our view is that everything will eventually migrate to blockchain technology. So we'll see security tokens as an example. And we're excited, support those in the future. We're investing in the infrastructure to power that future. But we do not see that a near-term roadmap item.

Brian Armstrong, Co-Founder & CEO: Yeah. Just to add to that, I think there's so much greenfield opportunity in front of us with the cryptoeconomy and Web3. And frankly, we've got our hands full, I think, just trying to keep up with all the various opportunities emerging there. So to me it would be a little bit of a step backwards to try to launch maybe a traditional brokerage or something like that. I think there's many good companies out there already serving that use case. So I would rather lean into the future and kind of build to where things are going.

Anil Gupta, Vice President, Investor Relations: Great. Next question comes from Kyle R., who asked about how we plan to beat OpenSea for the NFT market share.

Emilie Choi, President & COO: Yeah, this is an important question. So clearly, there's a significant and growing amount of volume across NFT marketplaces today. But the industry is still so nascent that we see a lot of opportunity for innovation. We definitely don't believe that this is a zero sum game. We're huge fans of OpenSea and in fact we've been investors and their platform as members of Coinbase Ventures.

And we're always going to ultimately, as Coinbase, double-down on the value props that got us to the place where I'm today, which are based on ease of use, trust and safety. For our own NFT marketplace, we're also focused on a social experience, building a community. So the person who is architecting this came from Instagram and has social roots, exclusive content and partnerships, and then distribution. So today people can buy on Coinbase, transfer to a wallet and then go to the marketplace. If they can do that all in one app with a few clicks, that's a win. And it feeds into the ease of use that we think we're quite good at. Brian, anything to add that?

Brian Armstrong, Co-Founder & CEO: Yeah. I agree with that 100% percent. I think look, it's not really about beating OpenSea. I think this is a new market. There's going to be a lot of winners. Oftentimes, if you put out a product in, and another product looks similar in the early days, they tend to diverge over time and find their own niches after at some point. So I think just generally, we're really bullish on NFTs. It's going to be much larger than just, you know, digital artwork or something which a lot of people are thinking of it as. There's going to be all kinds of in-game items in the metaverse, there's domain name and like ENS name type assets that are being created out there. There's citizenship and governance and like, you know, various novel fundraising mechanisms. So this segment is going to be really big and it's so early I think it's not really about beating any of the other smaller players or – we're a small player today too – I think it's all about building the future. How do we, how do we 100x the size of the opportunity?

Anil Gupta, Vice President, Investor Relations: Our next question comes from Ashwin N. who asks when Coinbase will release infrastructure and tooling for buildings, for building like AWS for crypto. And similarly, John D. Asks how our offering and market share stack up to services like Alchemy and Infura?

Emilie Choi, President & COO: Great question, So just for context, in many cases, we are offering APIs and tools that we initially built to use for our own products. And we're competing by offering tools that can operate significant scale. And this in many ways mimics the path of AWS. So Coinbase Cloud is our product suite to provide infrastructure and tools for Web3 builders and other companies to accelerate building their own crypto products. And we see strong adoption of our staking services, which has reached tens of billions and assets staked across 25 protocols. We now support more than 60 thousand nodes for participate, delegate, query, and transact products. And in Q4, we launched a prime API which augments and unifies existing services for staking, exchange, commerce and other products were definitely in the early days and we see meaningful opportunities to expand our suite, developer focused products. And then to comment on the competition and our product offerings. Like I shared earlier when we talked about NFTs, we don't believe this is a zero-sum game. In fact, Coinbase Ventures was an early investor in Alchemy. So we think that this is an area that's ripe for development and growth. And again, are at the beginning of the kind of trajectory at that. Brian, anything to add on that?

Brian Armstrong, Co-Founder & CEO: No, I think that's right. I mean, the question really asked about when we will release these infrastructure and developer tools. And I think what you're hearing is that some of those already live today. There's a lot more we're going to add in the future.

Anil Gupta, Vice President, Investor Relations: Your next question is from John D., who asked about our progress internationally. He called out Singapore and Japan specifically noting that it feels like Coinbase is behind. Any thoughts here to share?

Emilie Choi, President & COO: Thanks John for the question. I think it's a valid observation. At the same time, we weren't first-movers in these markets. And our strategy is not necessarily to be the first to launch in every market, but we want to be the first to do it right. Now that said, global expansion has a top priority for us as a company. Historically, we've built products for the US first, international second. And now we are transitioning to a new model and mindset where we ship products globally by default. We made a big hire this past quarter by hiring Nana Murugesan. He is the VP of International Operations and Business Development. Last week we did a blog post about lighting up the map, which is a new two-pronged approach to how we are going to go after global expansion.

So one is going broad. We're going to launch foundational products that are a gateway to Web3 and crypto in every country. And then also we're going deep. So we're going to launch localized infrastructure and public facing products with a full suite of services.

Specifically with respect to your question on Singapore and Japan, we have started to build local teams. We've hired our local country directors based in Singapore and Japan. We have set up engineering hubs in APAC to help localize our products for the region. And in Japan, we've made good progress working with regulators and have secured our license. We launched an early version of our retail product and now we're in the testing phase. We've built a really strong foundation. We were the only crypto player to provide a banking rail with the nation's largest bank, MUFG.

And in Singapore, we're focusing on institutional and are already seeing substantial interest in adoption. Our Singapore team has also focused on developing the large retail opportunity in Indonesia, Philippines, and the broader Southeast Asia region.

So, we have a long-term strategy in place and winning markets takes time. We expect it's going to take several years to build a market leading position across the markets in the Americas, EMEA and APAC, just like we've done in our US and European businesses. Brian, anything to add?

Brian Armstrong, Co-Founder & CEO: I mean, I'm glad you asked about international expansion. It's definitely something I'm really passionate about if you just go back to our mission about increasing economic freedom. A lot of places in the world, certainly outside of the US, have major challenges around economic freedom. And that's something that we feel like crypto is this incredible invention that can be creating this new, more global, more free, more fair financial system for the world.

So international expansion is a big priority for us. You're going to see us. There's really, it's really a two-pronged approach because if you're going to large markets that, have as a regulated financial service business like we're doing in Japan, you're going to see that move slower because it's a lot about getting the right licenses and right being partners and localizing the product. And that's, that's a country by country kind of slower approach, but it's great when you, when you can land it.

When you want to, if you want to go for more of a self custodial wallet or that product can be distributed globally quicker. You don't have to go country by country. It's more of a software product. And so we're seeing that product do well in some emerging markets. And so I think we're going to have our custodial products do well in regulated markets. We're going to have, like major markets, we're going to have our self custodial wallet do better in a bunch of emerging markets. And I think we'll get a lot of global coverage out of that, that two-pronged approach.

So glad that we're getting more and more people in crypto on, on the platform globally. And I think from an economic freedom point of view, a lot of barriers happen when people tried to do remittance and FX and things like that. And so that's kind of the dream, the vision behind this crypto generally is, how can the world have one decentralized global, transnational financial system that's more efficient, more fair, and more free.

Anil Gupta, Vice President, Investor Relations: Great. We'll take two more questions before opening up to the analysts. The next one comes from Jason K and John D. who both observe that many competing platforms are offering attractive yields on assets through staking or lending. So, what are Coinbase's plans to offer yield generating products. And is Coinbase facing more regulatory scrutiny around these features or is it simply just not a priority right now?

Alesia Haas, CFO: Thank you for this question. I'll take this one. So yes, yield products are one of the top requested products by our customers. And today we do offer staking products which are compelling yield generation opportunities. We drove more than \$200 million of blockchain rewards this year, which is really rooted largely in our staking revenues as we added a number of proof-of-stake assets, notably ETH2, in mid 2021. We hope to support more users to generate rewards for many more proof of stake assets this year. And we'll be looking to make that a large growth area for our customers and revenue streams.

You're right to note that yield products are also a significant area of focus by regulators. So there was some noise earlier this year about a lend product that we had in market and we've talked about on prior calls. And we have always taken the approach to embrace regulation and think of that as thoughtfully done – it is a business enabler. So we've seen recent actions in the market that have taken both at the state and federal rate level to curtail certain products that offer yield. But there appears now to be a path to registration as a result of some of the recent enforcement actions. And so we will see how that plays

out. But our objective is to continue to offer more and more choice to consumers and institutions as we possibly can, while remaining compliant with regulations in each market that we operate in.

Anil Gupta, Vice President, Investor Relations: All right, so the last question we'll take from Say today before we go into the analysts is from Scott W, who asked a great question. He's curious about DAOs, how do DAOs figure into the Coinbase product roadmap for retail and institutional users?

Emilie Choi, President & COO: Thanks for the question, Scott. Let me start by quickly defining a DAO. A DAO is a decentralized autonomous organization and it's currently being used as a catch-all term that describes the broad range of emerging organizations that are powered by crypto at their core. It's one of the more exciting ideas in the crypto community right now. These range from investment DAO's that buy assets to social communities to protocol DAOs that manage the infrastructure of the crypto economy. And DAO's unlocking new ways of working that weren't previously possible and they offer the potential to improve organizational efficiency. This is innovation that could disrupt the long established business forums and organize the c-corps and LLCs.

So taking a step back for Coinbase, we're building a platform to create trusted, easy to use crypto experiences for customers across their entire crypto journey. And this would include developers who are creating DAOs or users transacting with DAOs. We're making some early investments here in building the picks and shovels for DAOs that can help them succeed. Our initial focus is unlocking existing products like Coinbase Cloud and Prime to serve this new segment.

Over time, we hope to better explore these innovations and to expand our products to meet the evolving needs of our customers. But it's very early days. Brian, anything on DAOs that you want to add?

Brian Armstrong, Co-Founder & CEO: Yeah, I mean, we think DAOs are very exciting. I think it's potentially the Delaware c-corp of the cryptoeconomy, right? I think in terms of what products we can offer our retail and institutional users. Yeah, I mean, we would follow the same approach that we deal with all of our products, which is, how do we make it the most trusted and easiest to use? And so you could imagine many scenarios where a retail user or a business institution wants to go create a DAO, we can help them do that. We could help them provide ancillary services to participants in the DAO, like around how to conduct votes and how people submit proposals and maybe how payroll happens on the DAO. Taxes, like you name it. So I think there's going to be a lot of opportunities to help people create DAOs and to manage them. And yeah, we'd love to build it out.

Anil Gupta, Vice President, Investor Relations: Great. Okay, so with that, we'll switch and take a few live questions from our analysts. Mel, I will turn it over to you for the first question, please.

Operator: Thank you sir. Your first question comes from the line of Ken Worthington of JP Morgan, your line is now open. You may ask your question.

Ken Worthington, JP Morgan: Hi. Good evening. Thank you for taking my question. Coinbase's plans are ambitious and increase in investments spending guidance is significant compared to the fourth-quarter run rate. Can you help us feel more comfortable with your comments that the pace of investment could in fact drive Coinbase to be unprofitable in 2022? Help us feel confident in the investments you're making in the new products, new services, and new geographies that are driving the G&A and technology costs so much higher. And how much of the 2022 investments that you're making could actually result in higher 2022 revenue versus the investments you're making today that's going to benefit the business over the next five to ten years?

Alesia Haas, CFO: I'm going to take a start at this and then Brian and Emilie feel free to add on. So Ken, just to unpack that a little bit, yes, 22 is an investment year. As we shared in our outlook, it's too early to call with precision where we think the revenue or MTUs of 2022 will land, which is why we gave a range of 5 to 15 million.

As I said in my earlier remarks, if we're in the midpoint or the high end of that range we'll continue to be profitable, but there's a scenario where if we're at the low end of that range that we're prepared to drive a loss up to a \$500 million loss in Adjusted EBITDA. We believe that many of the investments that we're making this year are going to the products that we articulated in our looking ahead.

The investments that we're making in our investment platform, for example, of adding new assets, adding payment rails, those we expect to impact our 2022 revenue as we've seen, the continued diversification of assets on our platform contribute very near term to the revenue that we're able to generate, for example, in 2021, where we saw more revenue come from the long tail of crypto than from Bitcoin and Ethereum.

Other investments that we're making, for example, in the dApp platform and NFTs. I think that that's going to not have as material of an impact in 2022. And those are more long-term bets that we think will have significant impacts on the longer term revenues of our company. Similar with international, it'll take us, as Emilie said earlier, quarters or years to see those investments turn into meaningful revenue streams. So we think that the right long-term investments to make.

Last, we're putting a lot of effort into just increasing the reliability, the stability, and the infrastructure on our platform. As Brian started in his comments earlier, the volume pickup from 2020 to 2021 was extraordinary. It sort of, you don't see these moments very often in your business career where you have 5x, 10x kind of volume multiples on your users, on your volume on your platform. And what we've seen in crypto is that you do see the step functions and growth.

And so we want to make sure that we can offer great experiences to our customers and meet the volume that is coming to our platform, and so that requires investments in infrastructure. So it's investing in near-term revenue opportunities, long-term, as well as infrastructures, is how we bucket that investment.

Brian Armstrong, Co-Founder & CEO: Yeah. I think that was great. You remind me of just when we did the direct listing, I think we've repeated that message a handful of times that we're going to continue to invest through up and down cycles. But roughly, we feel like we're so early in this stage of this industry, we roughly want to operate the business at break-even, smoothed out over multiple years if there's up and down cycles. So far we've been profitable every quarter as a public company. But we just want to repeat that message again that we're going to continue to invest through up and down cycles because it's the early days and we're investing for the long term. So hopefully that gives good context on our thinking.

Ken Worthington, JP Morgan: Great. Thank you very much.

Operator: The next question comes from the line of Will Nance of Goldman Sachs. Your line is now open. You may ask a question.

Will Nance, Goldman Sachs: Thank you for taking the question. I wanted to ask another question on the investments and you've seen a lot of the competitors with the large crypto exchanges, make pretty significant investments in brand advertising – stadiums, things like that, everyone was at the Super Bowl this year. And I guess when you look at the competitive environment and the amount that your

competitors are spending on maybe the less visible things that we can see from the outside – how much of the investment that you're making this year, um, would you say is a response? Or are you trying to keep up with the market? Or you feel like you're pulling it out of the market in terms of the amount of money that you're spending on the ecosystem.

Emilie Choi, President & COO: Thanks Will for the question. I'll try to tackle this and Alesia, Brian, please add on.

So I think that we are going to probably just take a different approach to the way that we do marketing. And for us we want to do things in an authentic way that we feel are representative of Coinbase and Web3. Historically, we had a lot of organic growth. And then we started experimenting with high ROI paid acquisition and saw great success with that. And we continue to build on top of that with great product marketing and then you saw our Super Bowl ad.

In general, we like to be a very ROI driven company. And so to that end, the marketing efforts that we embark upon are going to be very kind of quantitative, measured, as with the Superbowl ad. I think that's one of the first Super Bowl ads that ever was kind of in that direct response mold. So we're going to do things that are natural to Coinbase. We're going to do things that we think are differentiated to Coinbase. And we feel like that's the only way for us to operate.

Brian, Alesia, anything else to add on that?

Brian Armstrong, Co-Founder & CEO: Not too much to add. I think I think you nailed it. I mean, we, I think the number one thing we're focused on is building great products. And then we're at a scale now with the number of users and brand awareness where I do think it makes sense to invest in marketing. But you're probably going to see us do it a little differently than other crypto companies. We want to do something that's more authentic to us. We want to be, want to be rigorous about it, as Emilie mentioned.

And I think we have an opportunity to kinda go tell the world more about the vision for the company, the mission of the company, what we're all about, why are we doing this? Why do we think this is good for the world with this kind of brand campaigns. We have an option to do, just talk about the products with great product marketing. And the performance marketing and we might just create kind of fun stuff too that's creative. But you're not going to see us probably do, really, I don't know, I don't know what you'd call the rest of it, but it's going to look a little different.

Alesia, anything else you want to add?

Alesia Haas, CFO: I think you guys have nailed the marketing side. The only other comment, Will, I think not a thought or a little in your question about how much of our spend is doing things to catch up to what others are doing versus staying true to our own roadmap. And I think most of us spend true to our own roadmap and that's beyond marketing, but that's also in, we want to offer products for our customers that we see customer demand for. So we're not always gonna be the first to market with a product. But once we see customer demand, we're going to fast follow and make sure that we can leverage the strengths of our platform, which is distribution, which is the security and trusted nature of the products we build to tack on more and more product experiences to create a better experience for customers.

Will Nance, Goldman Sachs: Great, really helpful, and maybe have a follow-up. Just a little bit more about the institutional business from a revenue contribution it's relatively small today, but obviously, like I think they kind of understates the scale of the business. When you think about new product initiatives for

the institutional side, do you guys envision a scenario where the institutional business can contribute to a much larger share of the revenues over time. And I'm thinking specifically about product initiatives around derivatives and client financing. I think you made a couple of moves recently and for the acquisitions and licensing around derivatives. How significant do you think that could be and could we be looking at a step function in institutional revenues at some point when those things come online?

Brian Armstrong, Co-Founder & CEO: We're very excited about institutional as well. I think it's got a ton of potential and there's some synergies there with retail and institutional. So I expect it to grow quite a bit over time, but yeah, Emilie, go ahead, then Alesia.

Emilie Choi, President & COO: Sure. I think the plan is for our entire business to grow and institutional will grow as a part of that. And we think it's going to be a large part of it. I think what the contribution is going to be over time is still TBD. But remember that we only kind of began building this about two years ago, and it's already showing such promise and legs. I think the cool thing about the institutional business is that there's a bit of a roadmap in terms of what you've seen in the traditional institutional world. And so our team who's building this, can kind of look to that and see the products that existed in the traditional world and say, how can we envision that in a crypto oriented world? And to your point, Will, things like financing and other products that are just loved by institutions, including derivatives, are areas that are just no-brainers and that's why we're making big investments.

Alesia, anything to add on that?

Alesia Haas, CFO: I think in the interest of time we can go to the next question.

Operator: The next question comes from the line of Richard Repetto of Piper Sandler. Your line is now open, you may ask your question.

Richard Repetto, Piper Sandler: Yeah. Good evening, Brian and Alesia and Emilie. This sort of goes back to an earlier question when you talked Alesia, about near term investments and [?] term and long-term. But it does seem like you have a lot of opportunities that Brian is laid out in the strategy section of the pillars. So I guess could you help us at least identify some of the shorter term things that we can see that could actually contribute to revenues on the shorter term basis.

Alesia Haas, CFO: Sure, thanks for the question, Rich. So as Brian also shared earlier, one of the things that we look at is the 70/20/10 model, where 70 percent of the investment goes to our core, 20 percent to adjacencies and 10 percent to ventures. That maps somewhat closely also to the way that we think about our pillars of our strategy, where the bulk of our investment is still going into the investment platform. Adding assets, adding payment rails, going global, adding marketing, and a lot of innovation there. And then the ventures is more of the 10 percent side, which is the newer, newer products.

So when we think of that, I think you'll see a lot of growth from the near term as we expect a lot of growth from existing Subscription and services. Staking is going to see a lot of growth. We're adding institutional access to ETH2 this year, we're adding new staking protocols and we see a lot of user interest in the yields generated by staking by proof of stake assets. So I expect that as more near term type revenue.

And I think that we're excited about the potential of NFTs and derivatives. These are going to take a while to get right and to add meaningfully to our revenue. There could be some surprises, quite candidly, but I wanted to be more cautious when we see that coming into our revenue this year.

Richard Repetto, Piper Sandler: Got it. Very helpful. And Brian, just one follow-up question. Emilie mentioned that you do have a I think you mentioned you had an investment in OpenSea. And I'm just trying to understand the strategy and philosophy in the venture investments, like the purpose. And I think they just raised money at a pretty good valuation. Is there an exit strategy for those types of investments like OpenSea?

Brian Armstrong, Co-Founder & CEO: You cut out for the first part of the question, but I think the question was about ventures and what's the exit strategy? I mean, our plan is to hold those. We again, we feel it's very early days and so I expect coinbase ventures will turn out to be incredibly valuable over time. We're not planning to trying to liquidate anything there and short-term.

Emilie, anything you want to add?

Emilie Choi, President & COO: Rich, we were actually in that seed of OpenSea. So one of the things like the way that we think about the goals there is it's an incredible way for us to stay close to the ecosystem, see what's popping, get great differentiated insights. Build relationships in the crypto ecosystem that potentially lead to M&A as we did with Bison Trails. And then ROI is an IRR is more of a third criteria. And yet at the same time, the returns have been quite impressive and so it's a really nice side benefit. So again, we're holders of all these assets, we think they're going to be quite valuable.

Anil Gupta, Vice President, Investor Relations: Mel, I think we have time for one last question, please.

Operator: Our final question comes from the line of Lisa Ellis of MoffettNathanson. Your line is now open, you may ask a question.

Lisa Ellis, MoffettNathanson: Terrific. Thank you. Thanks for squeezing me in. I had a question about the competitive environment in the US market where some of the global players have been investing more heavily in their US subsidiary. Can you just help crystallize for us how Coinbase shines or differentiates itself relative to the, you know, the handful or so of other crypto native brokerage and exchanges operating in the US. Thank you.

Brian Armstrong, Co-Founder & CEO: Yeah, I can take that quickly. So far we haven't seen meaningful volume from, I guess, foreign exchanges that are now trying to enter the US. But I think we have to be mindful of it. If you can think of it as Coinbase really has the opposite challenge, which is we started in the US. We're very, we're doing really well there, but we've increasingly turned our attention to international. So I think the way we've differentiated over time as we've leaned into regulation, we've sought to be the most trusted player in the space, whether that comes to cybersecurity or legal efforts and that kind of thing.

And then we've tried to make crypto easier to use as well. So, you know, we're not trying to make a product for super technical people or super professional, super pro traders or whatever. We're trying to make a product for everybody. And actually I think even to technical people, impro traders prefer interfaces that are easy to use. And so being the most trusted, being easiest to use, That's the way we've differentiated over time.

Emilie, Alesia, anything you want to add?

Emilie Choi, President & COO: Agree.

Alesia Haas, CFO: Same.

Anil Gupta, Vice President, Investor Relations: Okay. Well, that does it for today. Thank everybody for joining us on our call today and we look forward to speaking with you on our next call.

Operator: Thank you, ladies and gentlemen. That concludes today's conference call. Thank you all for participating. You may now disconnect.