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Zacks Small-Cap Research

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DeFi Technologies Inc. (DEFT- NASDAQ)

DEFT: 3Q25 Earnings Review – Revenue/EPS Miss on DeFi Alpha Delay

DEFT reported 3Q25 IFRS EPS of $0.01. On an Adjusted basis, the company reported EPS of essentially breakeven vs. our $0.18 estimate, with the miss largely a function of lower revenues related to a lack of DeFi Alpha contribution and non-recurring financing expenses. Lowering our 2025 and 2026 EPS estimates from $0.44/$0.52 to $0.14/$0.25 reflecting a flatter revenue trajectory. Taking down our price target by $1 to $6.00.

Current Price (11/14/25)	$1.25
Valuation	**$6.00**

OUTLOOK

Key 3Q25 takeaways include: 1) management remains proactive in continuing to broaden the franchise, with the launch sovereign debt vehicles wherein coupon payments convert into Bitcoin within ETPs issued by Valour, investments in local companies in Canada and Africa to support the development of regulated stablecoin frameworks, ongoing engagements for DeFi Advisory's DAT solutions, and the development of an institutional dark trading pool for digital assets; 2) Valour launched 23 new ETPs on the Spotlight Stock Market to further expand the company's product suite; 3) DEFT recently raised $100M from the sale of 45.7M shares of common stock at $2.19/share to institutional investors, with the proceeds earmarked for funding new business initiatives, seeding new ETPs, financing trading/lending/staking transactions, and/or capitalizing on incremental M&A opportunities; and 4) the company announced the initiation of a Normal-Course Issuer Bid (NCIB) stock buyback program in late August to efficiently capitalize on market dislocations and/or return excess capital to shareholders.

SUMMARY DATA

52-Week High	**$4.95**
52-Week Low	**$1.00**
One-Year Return (%)	**-38.84%**
Beta	**N/A**
Average Daily Volume (sh)	**8,211,485**
Shares Outstanding (mil)	**384**
Market Capitalization ($mil)	**$481**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**10**
Insider Ownership (%)	**33**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**20.8**
P/E using 2025 Estimate	**8.9**
P/E using 2026 Estimate	**5.0**

Risk Level	**Above Average**
Type of Stock	**Small Growth**
Industry	**Financial Services**

ZACKS ESTIMATES

Revenue
(in thousands of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	(8,386) A	5,579 A	4,418 A	6,269 A	7,816 A
2024	(3,640) A	97,294 A	17,884 A	3,970 A	38,362 A
2025	44,116 A	13,412 A	22,528 A	36,574 E	116,630 E
2026					175,165 E

Earnings/Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	-$0.06 A	-$0.00 A	-$0.01 A	-$0.00 A	-$0.07 A
2024	-$0.05 A	$0.20 A	$0.05 A	-$0.03 A	-$0.08 A
2025	$0.08 A	-$0.00 A	$0.01 A	$0.05 E	$0.14 E
2026					$0.25 E

Quarterly revenues/EPS may not equal annual revenues/EPS due to FX rates/rounding and/or restatements.

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3Q25 EARNINGS: REVENUE/EPS MISS ON DEFI ALPHA DELAY

Pre-market open on 11/14/25, DeFi Technologies reported 3Q25 earnings results. On an IFRS basis, DEFT reported net income per share of $0.01, or below our $0.18 estimate. While mark-to-market noise make actual vs. estimate analysis a bit more challenging, we note core revenue (staking and lending income, management fees, trading commissions, research, and advisory revenue) came in at $12.8 million, or a bit below our $14.9 million estimate, with most of the shortall related to lower staking/lending income. To the point, 58% of the company's digital assets were staked as of the end of 3Q25, down from 75% a year ago due to temporary rebalancing. As such, we look for a step up in related yields assuming the staking percentage rises to a level consistent with prior periods. Furthermore, DeFi Alpha contributions were limited, as management navigated a more competitive backdrop given the step up in the number of Digital Asset Treasury (DAT) companies in the market resulting in fewer arbitrage trading opportunities and tighter spreads. Finally, AUM as of September 30, 2025, totaled $989 million, shy of our $1.1 billion forecast (mostly a function of crypto market depreciation since we last marked-to-market our model). Total operating expenses of $13.5 million came in slightly ahead of our $13.1 million forecast, with higher operating, general and administrative costs partially offset by lower share-based payments.

KEY TAKEAWAYS

Following our review of 3Q25 results, we highlight the following key takeaways:

1. **Continuing to broaden the franchise:** Following last quarter's launch of DeFi Advisory, a separate vertical providing digital asset treasury solutions (including custody and Stillman Digital trade execution) leveraging the company's existing Reflexivity research and domain expertise, management recently announced the business's second client engagement with TenX Protocols, a Layer 1-focused DAT company. Related economics include $600,000 in advisory revenue in addition to trade execution commissions, as well as performance fees. Next, the company invested in local companies in Canada and Africa to support the development of regulated stablecoin frameworks as rails for e-commerce payments, treasury operations, and remittances. Furthermore, DeFi and SovFi plan to launch sovereign debt vehicles wherein coupon payments convert into Bitcoin within ETPs issued by Valour, thereby enhancing capital-appreciating potential. From an economic perspective, the model incorporates bond and BTC sleeve fees, along with related staking income translating into an outsized revenue opportunity, as the products capture incremental share of the $100+ trillion market. Finally, Stillman Digital joined forces with market leaders to develop GoDark, an institutional dark trading pool for digital assets, with a focus on executing large, price-sensitive block trades off exchange, while preserving discretion and institutional-grade execution.

2. **Building ETP scale:** Valour reached management's goal of offering 100 ETPs by the end of this year following the recent launch of 23 new products on the Spotlight Stock Market in Sweden to further expand the company's European product suite. Separately, Valour recently introduced the 1Valour Bitcoin Physical Staking ETP, the first physically-backed BTC Staking ETP on the London Stock Exchange offering investors yield-enhanced exposure in a transparent and regulated exchange-traded structure. In total, Valour now manages 100 listed ETPs across major European exchanges across Sweden, Germany, Switzerland, the United Kingdom, France, and the Netherlands.

3. **Enhanced liquidity:** In September, DEFT raised $100 million of gross proceeds from a securities purchase agreement with a group of institutional investors including Galaxy Digital (GLXY, Not Rated). Under the agreement, DEFT sold 45.7 million shares of common stock at $2.19 per share, as well as warrants to purchase 34.2 million incremental shares at $2.63 per share. Proceeds are earmarked for funding new business initiatives, seeding new ETPs, financing trading/lending/staking transactions, and/or capitalizing on incremental M&A opportunities.

4. **Accelerating capital management:** The company announced the initiation of a Normal-Course Issuer Bid (NCIB) stock buyback program in late August to repurchase shares on the Nasdaq and/or the CBOE Canada. Management plans to utilize the 12-month authorization to efficiently capitalize on market dislocations and/or return excess capital to shareholders. Through September 30, 2025, management repurchased 935,900 shares.

5. **CEO transition:** In conjunction with the 3Q25 earnings release, the company announced Olivier Roussy Newton resigned as Chief Executive Officer and Executive Chairman of the Board. Co-Founder Johan Wattenström assumes both roles, while Mr. Newton remains as a Strategic Advisor to the company, as well as a meaningful shareholder.

LOWERING EPS ESTIMATES/PRICE TARGET

After updating our model for 3Q25 results, we are taking down our 2025 and 2026 forecasts from $0.44/$0.52 to $0.14/$0.25. Our revisions primarily reflect a flatter revenue growth trajectory, with our model now calling for total revenues of $116.6 million for 2025 – consistent with management's updated guidance, but down from $219 million last quarter reflecting fewer arbitrage trading opportunities for DeFi Alpha given stepped up competition/liquidity and narrowing spreads. Furthermore, broader crypto market declines thus far in 4Q25 have likely pressured AUM levels, thereby impacting management, staking, and lending fees, all else equal. To be sure, our back-of-the-envelope math suggests Valour's AUM are down 20%+ on a weighted-average basis since September 30, 2025, based solely on market depreciation.

Turning to valuation, we continue to believe DeFi Technologies is uniquely positioned to capitalize on the burgeoning digital assets ecosystem, with a diversified and differentiated portfolio of asset management, trading, infrastructure, venture capital, and research businesses. We see further room to run, as awareness and appreciation of the company's unique business model, durable competitive advantages, considerable growth prospects, and unsustainable valuation disconnect continue to build, particularly following the stock's more recent uplisting to the Nasdaq Capital Market. Indeed, management recently engaged service providers to better understand trading anomalies in DEFT shares across exchanges.

As a result of our lower earnings outlook, we are taking down our DCF-derived price target by $1 to of $6.00, still representing considerable upside potential from current levels. From a relative perspective, DEFT is currently trading at just 5.0x our 2026 forecast, or well below other asset managers with meaningful crypto ETF offerings. While we recognize most peers are significantly larger and more mature, with considerable infrastructure, resource, and financial advantages, DEFT maintains a sizeable advantage in terms of projected growth, thereby justifying a comparable (if not higher) P/E multiple, in our minds. On top of that, we expect DEFT's more recent uplisting to the Nasdaq Capital Market to drive an upward revaluation for the stock over time reflecting stepped up liquidity and pent-up institutional investor demand.

INVESTMENT THESIS

DeFi Technologies Inc. (DEFT) is a diversified technology company primarily focused on the digital assets/decentralized finance ecosystem. DEFT provides digital asset-focused asset management, trading, infrastructure, and research services, while the company's venture capital business invests in early-stage decentralized finance and Web3 companies. Our investment thesis revolves around DeFi Technologies':

1. **Diversified Platform Focused on Digital Assets, DeFi, and Web3:** DeFi Technologies' mission is to provide investor access to and capitalize on the innovation, value, and high growth of leading decentralized technologies primarily through introducing and managing digital asset ETPs, as well as identifying, investing in, and developing companies focused on the decentralized finance and Web3 ecosystems. Stepping back, decentralized finance (DeFi) applies the model of digital assets (decentralized blockchains to validate and track transactions/ownership) to the world of traditional financial services. Decentralized applications (dApps) run on public blockchains and provide financial services without centralized gatekeeps/toll takers. As a result, decentralized finance apps provide banking, borrowing, lending, trading, and insurance (amongst other services) within a more accessible, timely, cost efficient, secure, and transparent platform. Web3 takes the concept a step further and applies the decentralized blockchain groundwork to the internet.

2. **Crypto Going Mainstream:** The successful launches of Bitcoin (BTC) and Ethereum (ETH) Exchange Traded Funds (ETFs) here in the U.S. garnered massive media attention/exposure, with a favorable narrative developing for the crypto industry more broadly. In turn, rising awareness and demand combined with improving accessibility continues to drive higher adoption/allocation rates across the digital assets landscape.

   Despite the surge in demand for cryptocurrencies via BTC ETFs, a majority of Bitcoins remains held by retail investors. The key to a step function in growth remains rising crypto allocations from institutional investors (pensions, Sovereign Wealth Funds, and insurance companies). While we are still seemingly in the very early stages, a sustainable Bitcoin bull market likely facilitates a shift in institutional allocations. We expect BTC and other cryptocurrencies to continue to broadly outperform more traditional asset classes over time reflecting several powerful tailwinds/catalysts including ongoing ETF inflows, a more favorable interest rate backdrop, and fixed supply.

3. **ETP Head Start:** DeFi Technologies' subsidiary Valour Asset Management is a leading ETP issuer in Europe, with a broad array of single-asset and multi-asset class products. From a competitive positioning perspective, Valour focuses on niche markets, with investment performance track records and trading/issuance capabilities in local currencies. Despite rising competition, Valour remains well positioned to continue to gain market share reflecting in-house management expertise, regulatory approvals to list ETPs on major exchanges across Europe, and a focus on Alt Coins.

   Looking ahead, we expect Valour ETP AUM to continue to grow fueled by ongoing new product development. Incremental ETP launches likely extend beyond digital assets, with thematic and active strategies key areas of focus. Furthermore, management remains focused on broadening Valour's geographic footprint, particularly in jurisdictions maintaining favorable regulatory frameworks and high crypto adoption rates (see the Middle East and Asia), via organic initiatives and/or strategic partnerships and joint ventures.

4. **Supercharged Asset Manager Revenue/Margin Model:** Unlike traditional asset managers that rely almost exclusively on management fees to drive the top line (and are subject to ongoing fee pressures), DeFi Technologies generates revenue across multiple streams including staking, lending, and trading underlying digital assets in addition to ETP management fees. All in, DEFT can earn 8%+ on ETP assets, with staking/lending yields on top of management fees of 1.9% on most ETPs. Moreover, our model assumes operating income margins step function higher reflecting limited expense growth, with senior executives remaining focused on increasingly leveraging a more efficient overhead structure.

INVESTMENT RISKS

1. **Cryptocurrency volatility:** Near-term cryptocurrency pricing volatility directly impacts DEFT's ETP AUM, management fees, and staking and lending income, and therefore earnings power. That said, we expect ongoing net inflows reflecting accelerating demand/higher allocations to work as an offset.

2. **Challenging regulatory backdrop:** Given the breadth and depth of the U.S. equities market, it makes sense for DeFi to list Exchange-Traded Products on an exchange here in the U.S. Having said that, the U.S. regulatory environment remains uncertain, with any meaningful market penetration likely necessitating considerable time, effort, and resources. Stepping back, the ongoing lack of a comprehensive and consistent regulatory framework here in the U.S. threatens to restrict market access, slow innovation, and trigger operational and financial inefficiencies.

3. **Black swan events:** Black swan events including unanticipated regulatory shifts, technology failures, widespread fraud, or other company collapses would likely trigger step-ups in crypto market volatility and investor uncertainty.

4. **Rising competition:** We expect more players to enter the digital asset management business following the successes of BTC and ETH ETF launches. Furthermore, stepped up competition is unlikely to be limited to the U.S. market, with select managers increasingly focusing on Europe.

5. **Reliance on third-parties:** DeFi's asset management, staking, and lending businesses are all subject to risks related to third-party service providers. More specifically, Valour buys/sells digital assets which the company's ETPs track on crypto exchanges, with any operational issues potentially impacting liquidity and tracking error. Furthermore, digital assets held and staked by third-party custodians are subject to market, liquidity, and loss risks.

PROJECTED INCOME STATEMENT (USD)

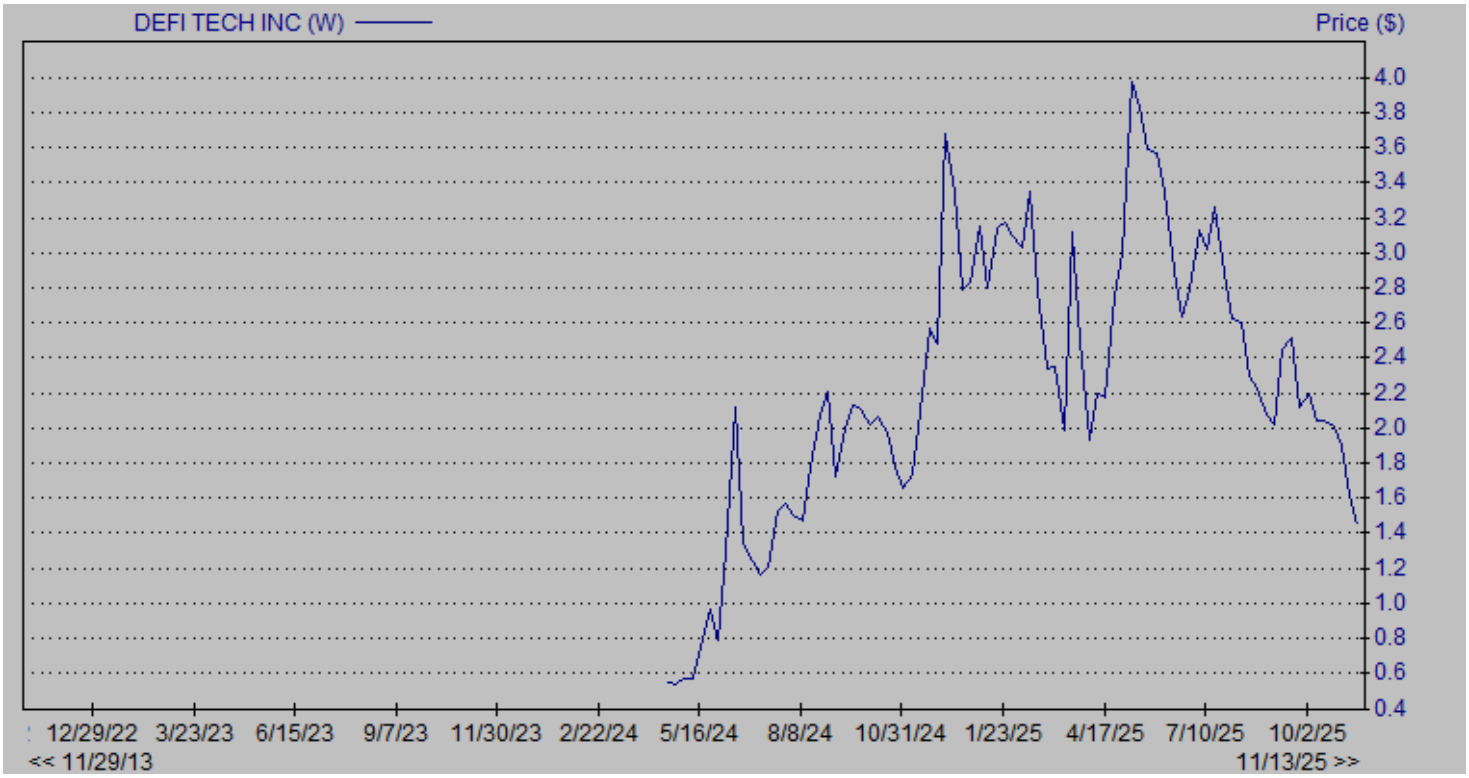
DeFi Technologies Inc.
($ thousands)

	Quarterly				Annual			Y/Y Growth		
	1Q25	2Q25	3Q25	4Q25E	2024	2025E	2026E	2024	2025E	2026E
	Mar-25	Jun-25	Sep-25	Dec-25	Dec-24	Dec-25	Dec-26	Dec-24	Dec-25	Dec-26
Revenues										
Digital assets realized/unrealized gains/(losses)	(159,834)	70,904	118,261	22,500	239,869	51,831	100,000	-2%	-78%	93%
ETP payables realized/unrealized gains/(losses)	280,224	(106,415)	(179,811)	0	(335,505)	(6,002)	0	NM	NM	NM
Unrealized gain on equity investments at FVTPL	(90,857)	37,829	71,235	0	92,041	18,207	0	NM	-80%	-100%
Staking and lending income	9,782	6,875	7,423	8,264	24,816	32,345	46,801	825%	30%	45%
Management fees	2,533	2,129	2,885	2,953	6,133	10,501	14,705	456%	71%	40%
Trading commissions	2,085	1,913	2,233	2,456	2,005	8,687	11,791	NM	333%	36%
Research revenue	183	176	110	112	1,364	580	483	NM	-58%	-17%
Advisory revenue	0	0	192	289	0	481	1,385	NM	NM	188%
Total Revenues	**44,116**	**13,412**	**22,528**	**36,574**	**30,723**	**116,630**	**175,165**		**280%**	**50%**
Expenses										
Operating, general and administration	6,323	7,791	8,954	9,134	34,962	32,202	36,534	364%	-8%	13%
Share based payments	5,115	3,435	2,208	2,252	18,320	13,010	9,728	731%	-29%	-25%
Depreciation - property, plant and equipment	0	1	1	1	5	2	4	-46%	-53%	43%
Amortization - intangibles	373	332	459	459	1,469	1,623	1,834	-4%	10%	13%
Amortization - right of use assets	0	0	51	51	0	102	205	NM	NM	100%
Fees and commissions	1,641	2,483	1,812	1,848	4,724	7,785	7,985	508%	65%	3%
Foreign exchange gain/(loss)	(659)	281	11	0	(306)	(367)	0	-104%	NM	NM
Impairment loss	0	0	0	0	3,448	0	0	NM	-100%	NM
Total Expenses	**12,793**	**14,324**	**13,496**	**13,744**	**62,622**	**54,357**	**56,290**	**215%**	**-13%**	**4%**
Operating Income/(Loss)	**31,323**	**(913)**	**9,032**	**22,830**	**(31,899)**	**62,273**	**118,875**		**NM**	**91%**
Loss on settlement of debt	0	0	0	0	(178)	0	0	NM	NM	NM
Realized gain/(loss) on investments, net	(478)	0	177	0	108	(301)	0	NM	-380%	NM
Unrealized gain/(loss) on investments, net	3	0	0	0	7,527	3	0	-26%	-100%	-100%
Interest income	18	12	35	37	4	102	178	287%	2251%	75%
Finance costs	(119)	(115)	(142)	(142)	(2,688)	(517)	(566)	-186%	NM	NM
Financing expense	0	0	(4,675)	0	0	(4,675)	0	NM	NM	NM
Pre-Tax Income/(Loss)	**30,746**	**(1,016)**	**4,428**	**22,726**	**(27,125)**	**56,884**	**118,487**		**NM**	**108%**
Income tax	746	272	492	2,526	0	4,037	13,171	NM	NM	226%
Net Income/(Loss)	**30,000**	**(1,288)**	**3,936**	**20,199**	**(27,125)**	**52,847**	**105,316**		**NM**	**99%**
Foreign currency translation gain/(loss)	(69)	2,155	(943)	0	3,410	1,143	0	236%	-66%	-100%
Net comprehensive gain/(loss)	29,931	867	2,993	20,199	(23,716)	53,989	105,316		NM	95%
Earnings per share, diluted	**$0.08**	**($0.00)**	**$0.01**	**$0.05**	**($0.08)**	**$0.14**	**$0.25**		**NM**	**79%**
Weighted average shares outstanding, basic	323,887	330,104	343,999	389,661	295,591	346,913	394,661	33%	17%	14%
Weighted average shares outstanding, diluted	366,974	362,049	373,628	419,290	334,408	380,485	424,290	44%	14%	12%

Source: Company reports and Zacks SCR estimates and calculations.

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