



## **Q1 2022 Live Webcast Transcript – May 11, 2022, at 3:30pm EST**

### **PARTICIPANTS**

Kris Merkel – Host

JP Richardson – CEO and Co-Founder

James Gernetzke – CFO

**Kris Merkel** So welcome to Exodus' first quarter 2022 earnings conference call. I'm your host, Kris Merkel. And today we have our CEO and co-founder JP Richardson and CFO James Gernetzke. JP and James will review the financial and operating results after which will host a Q&A session. I hope you had an opportunity to review our shareholder letter, which you should have received via email and is currently available on the Access website.

And 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 the risks, uncertainties and other factors that could cause results to differ from these forward looking statements is included in our SEC filings available on the Investor Relations portion of our website. And with that. I'm turning it over to you.

**JP Richardson, CEO** Thank you, Kris. And thank you, everybody, for being here today. We're excited to share a recap of our first quarter results and what's to come in 2022. But first, let's talk a bit about the state of the world. Well, and as you know, inflation is at a 40 year high. The US stock market is in turmoil and crypto is trading at 90% correlation. But we have the second country to adopt Bitcoin as legal tender. As you know, the first was El Salvador and the second was the Central African Republic. And so it leads us to think how many other countries are going to adopt Bitcoin as legal tender? Who is going to be the third, fourth and fifth? Speaking of El Salvador, El Salvador recently bought 500 more Bitcoin on Monday and California's Gavin Newsom signed an Executive Order about state institutions adopting crypto. Mass adoption of NFTs is happening with Starbucks, Disney and major brands. Instagram is on the cusp of allowing NFTs on its platform.

Regulatory views continue to evolve, but "not your keys, not your coins" continues to hold true. You may have seen it in the news yesterday. Recently, a centralized exchange has made it clear that any custodial assets could be seized in a bankruptcy proceeding. Exodus will always remain self custodial so that you have control of your wealth. Our business is strong, even with the state of the market: over \$100 million, today, is on our balance sheet and our Q1 revenue was \$15.4 million. Now we have 287 full time team members.

Exodus is entering a new era, an era that is a shift from speculation to an era of utility for cryptocurrency to go mainstream. We cannot think about cryptocurrency to be just speculation. It must have utility and be useful. And so in this new era, we have created a new logo that represents an evolution of excess as we move towards the focus of Web3. This logo is going to be iconic. When people think of Web3, we want them to think of Exodus. This logo is futuristic because we envision a future where you control your wealth and this logo is going to confer strength so that you feel safe with Exodus. And today on this call, you will have a sneak peek of the logo.

As I've mentioned in previous earnings calls, our 2022 goal is that Exodus will be the go to app to experience all that Web3 has to offer and we're delivering and enhancing multiple products to fulfill this. Our NFT offering is expanding. We're going to enable more people to easily buy crypto with a credit card or bank account. And our focus is going to be on Web3, and more on that later. Before that, I'm going to pass over the mic to our CFO, James Gernetzke. James over to you.

**James Gernetzke** Thanks JP. Having just hit my three year mark at Exodus, I can safely say that there is never a dull moment in crypto. Now that said, the finance portion of these calls is probably the duller, and, unfortunately, it's going to be a little bit longer than normal today. So I will apologize in advance. But bear with me and let's get into this. Okay.

So, you know, as we mentioned on the last call, Q1 revenue came in closer to Q3 than to Q4 of 2021 at the \$15.4 million JP mentioned. So that's 35% lower year over year. And that was caused by the expected decrease in exchange volume. Now, the bright side of this is that the volume decrease we saw, it was smaller than what we're seeing in the rest of the industry. And that really highlights our loyal and engaged user base.

Another bright spot is staking. We saw a 231% increase in staking revenue year over year. Our API providers processed \$730 million of exchange volume for the quarter and while softer than quarters in 2021, this does highlight the overall growth, as this volume would have been an incredibly strong quarter as recently as 2020. And the strength of

our customer base is demonstrated by our monthly active users, increasing 11% year over year to 875,000. And while MAUs use decreased slightly quarter over quarter, the small decrease again shows our users have remained engaged in our platform despite the recent market conditions. And as you may have noticed, those market conditions, they've continued to struggle in Q2 and the last few days. And certainly we're starting to see the impact on our revenue and we recognize that the scale of our plans will need to adjust if these market struggles continue. Now, obviously, we hope they don't, but if they do we're ready at a high level.

Now that means a couple of things. First, we're not slowing down the delivery of our product. Our product pipeline has been performing above expectations. And a prime example of this is the Fiat on ramp, it launched in Q2 and it has yielded promising results. Our customers have moved just under \$2.75 million dollars. That's \$2.74 million that came out of the traditional financial system and onto our platform in just the past couple of months. And that's just the beginning. And we've got some great plans to keep improving this product and making it even more accessible and functional for our users over the next few quarters. So really excited about that one.

From an expense perspective, our calculations do reflect the softer market, and this will raise the hurdle by which we judge our spending plans while overall plans have not changed. So we do remain committed to growing our team and increasing our marketing spend. The pace of this spending might be slower than anticipated. And we continue to be well positioned with a war chest of over \$100 million and no debt. The financial strength, along with our leadership team that has experienced many market cycles, means that our team is able to focus on what's really important. We're able to stay focused on our customers. And as I mentioned earlier, our customers have remained engaged throughout the past few months and past few days of market turmoil. And our roadmap calls for a number of valuable new products that will help us not only maintain that engagement, but grow our user base and our revenue. Additionally, this will position us well for when the markets that inevitably turn around, and they will turn around.

Finally, for Exodus, market cycles bring opportunities. Our strong balance sheet, our experienced management team, our vision not only allows us to stay focused, but it also provides a potential to be greedy when others are fearful. Now I know the Warren Buffett quote, I really think Warren Buffett is a wise man. Just as long as you just ignore anything he says about technology and don't follow any technology advice that he might give you. Other than that, I think he's great. But the spirit of that quote, so "we can be greedy when others are fearful", it really does apply to us. And if there is a protracted market downturn, it could bring opportunities for us to add great products to our team

inorganically. And for my last slide, I just want to talk about some things that were in the news just yesterday. These stories completely reinforced a major advantage that Exodus has for our customers by screaming the importance of Self-Custody of your assets. Let's take a look at that first quote. Now the Exodus advantage here is we do not custody your assets. We don't market make, we don't even touch your funds ever. So co-mingling customer funds with Exodus' funds is just not possible. We do not have your keys. Self-Custody. Not Exodus custody. If you go on in the next quote: Again, since we never touch your funds, if anything were to happen to Exodus, your funds are still your funds. You have your keys. You control your wealth, not Exodus. And aside from the customer advantage, which is obviously the most important thing here. The Self-Custody model that we have, it also impacts our financial statements. So we look a little differently than a custodial exchange.

None of your money shows up on our balance sheet, so none of your money shows up on our balance sheet as a liability. And we do not have any custodial risk since we don't custody anything. So, sorry that took so long. JP, back to you.

**JP Richardson** Thanks, James. Yeah, there we go. Wow. Warren Buffett, I can say still being from Nebraska. I am not a fan of Warren Buffett, but I understand why many are, especially though when he's saying that bitcoin is "rat poison squared". Get out of here with that.

"Not your keys, not your coins." The recent announcement yesterday really I think goes to demonstrate how important that phrase is, that belief, that statement, "not your keys, not your coins", is critical. Now, our leadership team has been through multiple crypto cycles, and our relentless focus on customers is unchanged. As James mentioned, we're going to continue to deliver beautifully designed, easy to use products. Our customer support is the best in the industry. How many of you have written into customer support and you will get a response in less than 10 minutes. Do it. Try right now.

And we are going to continue though, outside of customer support, focus on Web3. We expect to add even more customers. Put our balance sheet to work. Enable people to easily buy crypto with the credit card and bank account. We've already done that. We're going to continue to do that in jurisdictions all around the world. We're going to continue to add more and more assets in chains. We're going to expand our NFT marketplace. But the big focus is that of Web3, as I mentioned before. Early days, crypto was mostly about speculating "I'm going to buy Bitcoin and I'm going to get rich by selling it later". But for a cryptocurrency to go mainstream, it must be useful. And I think this is the importance of Web3. So later this year we're going to introduce wallet connect support

in the phone so you can connect directly to DeFi from the Exodus mobile app. We're also going to introduce a mobile-that-browsers so you can experience DeFi and Web3 on the go.

But the big aspect of what we're really excited about is our browser extension. This is the next evolution of Exodus. In early 2015, I had multiple wallets on the computer. I had a Bitcoin wallet. And I am shamed to admit, a Dogecoin wallet. While I had a number of different wallets on my computer to manage a portfolio of cryptocurrency, I teamed up with Daniel and we asked ourselves, "what if we could build one application to manage your portfolio of cryptocurrency and allow people to easily swap between assets?" And we've proved that people love the product that we have created today. When I think about today, though, and I think about how I personally interact with Web3 decentralized applications, I personally have five browser extensions, and it reminds me back to those early days of Exodus. There should only be one browser extension, one place to navigate the entire world of Web3. So. Would you like to see this browser extension? I've been warned that I should not do a live, real-time demo. But I'm going to do it. I'm going to do a live, real time demo right now. But before we do this, like a real time demo, let's talk about the logo. As I mentioned before, I want to give you this sneak peek of this new logo that we have created. So as you see, this is the logo that you know and love and that represents our brand Exodus. Everybody loves this logo. And it's been an amazing, beautiful logo that was designed here in-house. We thought, okay, we are moving to the world of Web3 and our brand is evolving. So let's go out and let's hire a number of agencies and people to help us create a new logo. And so we stacked all the logos that they had created together, 50-some logos. And we compared them with the logos that we had created. And of course, this will not surprise you. We ended up choosing one of the logos that our design here in-house at Exodus has created. So I am pleased to show you the new logo, the new brand that represents Exodus and our focus of Web3. Do you see its iconic feel and its futuristic look? Do you see any of this symbolism in this logo? There will be an article coming out next week that's going to highlight all the features and symbolism. But this gives you that sneak peek today so you can see where we're going with our brand.

Now let's take a look at the Exodus browser extension. So again, I'm doing a live demo here. I am connected to Radim and I'm going to open up the Exodus browser extension. And as you see, the browser extension takes you to a home screen that allows you to explore the world of Web3. Right now, today, if you want to experience the world of Web3, you have to hear it through word of mouth. And so we want to provide an easy way for all of the hot Web3 apps to come directly inside of access to give our customers that quick access to those applications. In addition, you see all of your assets, as you would expect in the familiar Exodus look. And, we support Solana to start on May 17,

and then the Ethereum is coming on June 15th, with more and more chains supported throughout this summer. Directly inside of Exodus you can swap your assets for any other asset. And you can buy cryptocurrency easily, right within Exodus. And of course, as you would expect, Exodus supports NFTs. And we're going to do this across chain. So this morning, I picked up and purchased a party parrot because I felt affinity to that party parrot. It's a lovely bird. So what do you think? What do you think about this browser extension? I think it's really important to highlight that Multi-asset Multi-chain is in our DNA.

When you go out and you lend assets to DeFi products, say if you lend assets to Orca or Uniswap and you're looking to get yield, it can be very easy to forget, what those positions were. And so Exodus is going to solve that problem. It's going to make it so easy so that you can see in one unified interface all of your positions across multiple chains, across multiple asset, multiple apps. In addition to that, you're going to be able to view and feast across chains as well. And we're going to be introducing other features that browser extensions just have not thought of yet. But this is set up something for something really great and big that we're going to tell you more about in future calls. You're going to have to stay tuned for that.

But I want to close out and talk about how Exodus is set up for success and how I think us as a company were different. As I mentioned before, our customer service, we will. We're the best in the industry and we'll help you in less than 10 minutes. As a company, we think about our employees first and remote only. We've been remote only since day one. Our salaries are 100% of the salaries of everybody in the companies paid in Bitcoin. Our products, as you can see there, are the most beautiful wallet products in this ecosystem. And we continue to ship value every two weeks, and we've done this since 2015. In fact, I'll never forget our co-founder Daniel's wedding that fell on a day that we were supposed that we that we shipped. And we did not let his wedding stop us shipping value to customers. In fact, we've even coined a mantra internally that "shipping is our religion and dates are gods", and we've demonstrated that since 2015. We are the only company where our stock is digitally represented on the blockchain and it's available to the public. So this provides unique opportunities for us. And we have brought a person internally to focus just on this to provide more value here. So this could open up the world of potential loyalty and stock, maybe NFT airdrops. We were the only wallet company with a desktop app, that supports hardware wallets, mobile app, and now a browser extension. And so we can build a cohesive Web3 experience. So now I'm going to turn it over to Kris for your investor questions.

**Kris Merkel** All right, JP, thank you so much, James. It wasn't long and it was actually very insightful. I'm pretty jazzed. Like, I don't know for everybody who's watching this

call, like we've gone over this a little bit and today I am more excited than I have been that even more excited than yesterday for Exodus. So we're going to flip over to Q&A now. These are actually questions that investors have sent in to us. So with that, let's go ahead and just start rolling. The first question is some of the users in the Exodus community passionately hate Solana, but "what drives the interest over at Exodus in Solana? Is there something that Solana offers that makes it especially pertinent towards developments?"

**JP Richardson** I'll take this. Yeah. Look, I understand that recently with some of this lot of blockchain woes, how it's gone down as a blockchain, that's been problematic for for customers and for people that want to use the blockchain. But what we admire about Solana is that they have put performance as their number one goal and that they're going to create a blockchain that is targeted towards the mainstream. This is why we like both Solana and Algorand. Both Solana and Algorand have focused on optimizing their Layer one and providing cheap fees for people to interact with the blockchain. So it was I think it was about a year ago when Daniel and I first experience both Algorand and Solana. So it was a lot of the Solana dApps looked just absolutely beautiful and we experienced it and, and it was the first time we were like, "Oh my gosh, this is how a DeFi and dApp Web3 experience should feel." instant experiences. So yes, there are roadblocks right now, and Solana is facing a lot of scaling challenges. But we believe in time they will figure this out. And so but that's why we started with with Solana first.

**Kris Merkel** All right. Thank you, J.P.. This next question "How is Exodus achieving the goal of increasing EXIT shares Class A price? Is there any news about the strategy and actions you've taken recently?"

**JP Richardson** So I'll take this outside of outside of of us delivering more products and services and focusing on customers. As I mentioned earlier, we have a unique differentiator across any American company, and that is that our stock is digitally represent the blockchain. And so we can do a lot of things with that that no other company has done. Like I said, whether it's a loyalty program, whether it's NFT drops, maybe it's dividends paid every minute. I don't know what it's going to be yet, but we have that ability because of the technology. And so, as I mentioned before, we have a person in-house now that is going to focus exclusively on this and making the blockchain stock experience the best, because we think the future is blockchain stocks. So that's one really important key aspect. In addition to that, on previous calls, we have mentioned that it is our intent and plan to uplift on a major national exchange, whether it's the New York Stock Exchange or the NASDAQ. This is still our intent and plan. And, and again, this will give us another opportunity, being the only American company to be able to say to the public and say, hey, look, we're going to list on "x" date, whatever that

is. But today you can still go buy the stock on whether it's tZero or Securitize Marketplace. And so you can buy the stock today before we up-list on the New York Stock Exchange or NASDAQ. And there will be no other American company that will be able to make this claim. So I think the focus on these things, to focus on making our blockchain stocks a success remains. And I think long term, as we focus on the fundamentals of product development and customers, the stock price will follow.

**Kris Merkel** All right. Thank you, J.P.. Good news for us stockholders. We've got a question from a Doge fan. It gets pretty technical, too. So whoever's got some technical hats, put them on because this question gets pretty deep. It says "it's been over a year since the Dogecoin 1.14.5 network update was released and reducing network fees to .01 for all transactions. This has not been implemented in Exodus. Exodus users that use dogecoin are paying 100x more fees than if I used any other wallet. This is unacceptable to see. Well this ever get fixed or even have the possibility of getting looked at?"

**JP Richardson** This sounds like a financial question, James. You want to take that? Kidding, kidding, kidding. Yes, we will. We will fix this. In fact, let actually let me just publicly commit right now in the vein of "shipping is our religion and dates being our gods," we will have this fixed by Friday, May 27th. We will improve the fees on it on the doge network. So hopefully that will make this person happy.

**Kris Merkel** And a lot of other doge-holders that love to trade doge and send doge in Exodus. Next question: "it is a significant portion of your treasury is in Bitcoin. How do you think about holding crypto with the downturn in market as of late?"

**James Gernetzke** Everybody wants to hear me again after that long one. Look, we are a cryptocurrency wallet, so you know how we feel about it. You know, we have both philosophical and practical reasons for holding crypto, especially Bitcoin, right?

Philosophically, if you think about crypto, if you think about Bitcoin and think about the massive inflation that we're seeing, I mean, just news today came in worse than expected, again. And the amount of vast amounts of money that's just printed just out of thin air in the past couple of years, especially in the United States, but around the world as well. So every dollar that we would have sitting in a bank account is a depreciating asset. Right. Everyone knows Bitcoin is essentially inflation proof. So, that's the overall philosophical reason.

From the practical perspective, look, we are a cryptocurrency wallet. And if there is a cryptocurrency company out there that doesn't have some crypto on their balance sheet



or was late to put in it on their balance sheet, I mean, for shame. But we run our business with crypto so JP mentioned we pay our all of our salaries in Bitcoin. That's our biggest expense by far. Our revenue is earned primarily in Bitcoin and other cryptocurrencies. 100% crypto, all of our revenue. So we will always, no matter what, have some portion of our balance sheet in crypto because like I said, our revenue and our major expenses are paid in that way.

Finally, there is a kind of a more esoteric financial reason and that is the basis of our Bitcoin from a U.S. tax perspective is actually still well below the market. So even if we were to decide which we are, but if we were to decide that we were going to liquidate all of our crypto holdings, we would suffer a tax hit. And there's just really no reason for us to do that. So there you go, Kris.

**Kris Merkel** Deep explanations for why we're not going to sell crypto. Your BTC crypto was made for this. Next question is, speaking of which, since we're kind of looking into the future, the next question's a pretty simple one. It says, "Where do you see Exodus five years from today?"

**JP Richardson** How much time do we have? Everybody's got to get cozy for this one. So as we've said before, our mission is to help people exit the traditional financial system. And so when we think of centralized exchanges, I mean, again, the announcement yesterday by a popular centralized exchange shows that "not your keys, not your coins" really matters. And so we have to make self-custody simple and safe. It should be easy.

And when we think about the traditional financial system, traditional dollar transfers are slow. It takes 1 to 3 days. And due to currencies like the Dollar and Euro being governed by the whims of central bankers, these people govern how money works. You lose 8% of your wealth year over year because the decisions that they've made and there are people all over the world that can even access the global economy. And so we believe that the solution is to build a world on an open, transparent, beautiful, permissionless and censorship resistant ledger where crypto is at the center of your life. But you don't have to think about it much like how the Internet is today. You don't think about the Internet today.

So Exodus should give you complete control over your digital life. Complete control over your wealth. Not banks, not Apple. Not Google. And for this to happen, self custodial wallets must be easier and safer than exchanges. So I say we stand by "not your keys, not your coins". It's our duty to make it safe. You should not have to worry about remembering a 12 word secret phrase. Should I have to worry about losing your phone?

But that's not all there is to it. Exodus must be at the center of your financial life. One experience where if you go to the grocery store to buy food, it shouldn't matter if you have bitcoin, dollars, doge or whatever. You have value on your phone. You should be able to spend it without thinking about it. When you want to buy stocks, save for retirement, it's all within one experience. When you want to earn yield on your assets all within one experience. When you want to buy that silly dolphin with a sombrero NFT, it shouldn't matter to you whether it's Solana, Ethereum, Dollars, whatever it is, you should not to think about the crypto aspect. You want to move your money into the whole world of Web3? It should just be in one click. You want to send money to a friend? You should. You'll do it all within. Want an experience? One experience is the gateway to your digital and financial life where you have complete control over your wealth. Something far fetched to think. One the world's most valuable taxi companies, Uber, owns no taxis. The world's most valuable hotel, Airbnb, owns no hotels. We believe in the future. One of the world's most valuable banks, Exodus, will not custody any customer's money. So that's kind of how we think about Exodus, five years from now.

**Kris Merkel** Thank you, JP, and got a lot out of that. I'm a little concerned that, you know, that I have a dolphin with a sombrero NFT in my portfolio. But I appreciate the call out there. Hopefully in five years it'll be it'll be worth a quite, quite a bit. The next question is about marketing. It says, "Do you still plan on spending \$40 million in marketing this year if the crypto winter is prolonged?"

**James Gernetzke** There's a couple of things here to think about. First, we are very deliberate with our spending, whether that's in a bull or any other type of crypto cycle. The founders, J.P. mentioned he's a Nebraska guy. Nebraskans, you know, their values don't necessarily relate to just throwing money all around. So that doesn't quite fit in JP's DNA. So that's a normal no matter what cycle we're in. And, with that, that means that we didn't have to change and we don't have to change any of our overall plans just because of a down or a sideways or an up-market. We are still going to increase our marketing spend this year. However, the caveat there is that if the markets do cause a decrease in ROIC of the return that we're getting from the marketing spend that we're seeing in the market because of conditions or whatever other reasons might not be where we want it to be. We might not hit that full \$40 million this year. But again, that all still remains to be seen. Kris.

**Kris Merkel** All right. Thank you, James. Next question we have, kind of answered this in the demo, but it'd be good to hear it again. "So what other chains are you adding to the browser extension besides Solana? And why Solana first?"

**JP Richardson** I've already answered why Solana first. Well, just again, we believe that's going to be one of the best chains for mainstream user experiences because they focused on the L1 performance. And so that's why we started with Solana first. So that's going to be on not your keys. Browser extensions going to be released on May 17 and then on June 15th, we're going to release support for Ethereum. Then after that, we're going to follow up with support on all major popular DeFi chains, which is going to be Avalanche, Binance Smart Chain, Algorand, Cosmos, and all major popular chains we will all support, this year.

**Kris Merkel** Excellent. One Web extension browser wallet to rule them all. Excellent. That's coming from the marketing department. I thought I'd get that in there before we hit our next question. And this is going to be the last question for you guys. It says, "I hold some crypto with Bitfinex and some with Exodus. Given the news that hit overnight, I'm wondering what happens if Exodus goes bankrupt or is no longer around? Will I lose my crypto?"

**JP Richardson** You will not because the beauty of Exodus is that it is self-custody. And so you will always have that 12 word phrase if you want it. That secret phrase, if you want it, is at your disposal and so that you can take it to any other platform and access your wealth. And so that's one of the key powerful features of Self-Custody. Again, "not your keys, not your coins". So you are safe inside of Exodus with that 12 word secret phrase.

**Kris Merkel** Yeah. That's what everybody wants to hear. Thank you, guys. That brings us to the end of the Q&A. It was an amazingly informative call this week. And since we're at the close, JP, I'm going to turn it over to you to close us out.

**JP Richardson** Thank you, everybody, for joining us here today. And remember, that browser extension is released on May 17th, and we're going to follow up with more releases throughout the year, June 15th. Will will support Ethereum. Now, we are looking for the best people, always, to join us. And if you love what you heard today, and you want to help us with our mission, to help people exit the traditional financial system head on over to [Exodus.com/Careers](https://Exodus.com/Careers). And thank you again, everybody, for joining us here today.