



Q3 2023 Webcast Transcript – September 29th, 2023 at 3:30pm EST

PARTICIPANTS

Kris Merkel – Host

JP Richardson – CEO and Co-Founder

James Gernetzke – CFO

KRIS MERKEL

Welcome everyone to the Exodus third quarter 2023 earnings conference call. Joining us today are co-founder and CEO JP Richardson and Chief Financial Officer James Gernetzke.

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 would cause results to differ from these forward-looking statements is included in our SEC filings available on the Investor Relations portion of our website.

Please visit our social media, Twitter or Reddit, to submit your questions for the quarter after our call. You can expect a response from our Investor Relations team within 24 hours.

And with that, let's go to JP for a third quarter review.

JP RICHARDSON

Thank you Kris. And to everyone watching, thank you for joining us today for Exodus' third quarter call.

We talked about Wallet-as-a-Service last quarter. Building a resilient business requires sector dominance, and Wallet-as-a-Service embodies our commitment to a blue ocean strategy. What sets us apart is our active involvement in the development process. Wallet-as-a-Service is not just about providing software; it's about crafting unparalleled, secure, and visually captivating wallet mainstream experiences for Web3 dApps. This is not merely a B2B revenue avenue. It's a gateway to partnerships and distribution channels for our B2B infrastructure, our white-label Aggregator, Swap, and Fiat services.

Exodus is proud to announce our first Wallet-as a-Service deal, with Magic Eden as our first customer. We are thrilled to partner with Magic Eden to provide wallet software, as well as infrastructure access to our Fiat and Swap services.

Let's zoom out more broadly and talk about macro. In the third quarter, Bitcoin and U.S. crypto companies continued their walk towards the mainstream. The United States SEC delayed its decision on a spot Bitcoin ETF for all applicants, including Blackrock and Fidelity. Bitcoin and Ethereum prices declined slightly in the quarter, with Bitcoin down 12% and Ethereum down 16%, with both assets remaining well above their prices at the beginning of the year. All of this was before the fourth quarter, when continued speculation about a potential Bitcoin ETF sent crypto prices generally higher.

On the regulatory front, Exodus has been proactive in preparing for the new regulations which recently took effect in the United Kingdom. Last month, the UK Financial Conduct Authority set strict guidelines regarding how financial services can be advertised. We prepared for these guidelines and worked to ensure we were in compliance before they went into effect. Unfortunately, when it comes to enforcement, the UK FCA appears to have cast a wide net for many crypto companies, utilizing the broad language of the regulations to place companies on a warning list for unauthorized firms. Exodus is one

of the companies that has been named by the UK FCA on that list. Now, Exodus is invited to register with the FCA to clear everything up – but there's currently no way for a self-custodial crypto wallet to register, because the laws are focused on asset custodians. Our best legal minds are working on this problem currently.

The most immediate impact on our U.K. customers is that Exodus Mobile is not currently available through their U.K. App Store. And we're working to get that back for them. From a corporate perspective, our users are widely distributed globally, which includes the United Kingdom. There's not an immediate effect on our current expected revenues, but the situation could reasonably impact our future revenues if it continues without any resolution or improvement. So this matter is something we have taken seriously in the past, and we continue to work on today. And to be clear, the application is still working for those in the UK who have already downloaded Exodus. It's just those that are located in the UK and are trying to download Exodus and have not used Exodus before, because Exodus is not available on the UK App Store currently.

This broadly applied government regulation is another reminder of the importance of self-custody. I will always urge you to take custody of your own Bitcoin and digital assets using a self-custodial wallet like Exodus. Those who control their own wealth will not find themselves at the mercy of their custodian. They have the best chance of adapting successfully to an unpredictable future.

Our CFO, James, is here to review our third quarter finances. Take it away, James.

JAMES GERNETZKE

Thanks JP. Let's discuss Q3 briefly before thinking about what the full year might look like for Exodus.

Digital asset markets took a short breather in Q3 as prices and activity decreased. As such revenue is down versus Q2 but is up from a year ago when the bear market was

going full bore. And in Q3 of this year our revenue was \$12.0M, down 3% from \$12.4M in the previous quarter and up 8% from Q3 2022.

Moving along. Swap volume saw similar trends to revenue. We ended at \$569M on the quarter, down 3% from the prior quarter and up 4% as compared to Q3 2022.

MAUs for the third quarter also followed the downward trend, at 741,000 that's down 4% from the prior quarter. The interesting thing here is that our user base has shown us many times that while they may not be active in any given month, they usually do not leave Exodus. We have seen direct evidence of this in Q4 which I will talk about later.

Moving on to the next slide, this is where we demonstrate our commitment to delivering profitability during all phases of our company's growth. Adjusted EBITDA was \$2.0M for the quarter despite the market taking a breather. I'll repeat last quarter's expectation that we will remain Adjusted EBITDA positive in each quarter of 2023. And as such, we have managed significant increases in profitability versus 2022 and are in a position to scale even further should 2024 see a bull run.

As always, our balance sheet comes in strong with no debt and \$106 million in cash and digital assets at quarter end. As mentioned in previous quarters, we are always open to and looking for opportunities to deploy this capital to accelerate our mission.

Now JP mentioned earlier in the call that cryptocurrency prices increased early in the fourth quarter and have stayed elevated thus far.

Having taken that breath in Q3, the market is back to running and our Exodus users who may have taken September off are back as well. Our monthly active users metric has measured over 850,000 MAUs the past few days and November is shaping up to be the highest swap volume month so far this year.

While it remains to be seen exactly where MAUs will be at the end of Q4 and what December will bring for volumes, the increases have been a great trend to see.

Overall on the year, Exodus expects full year 2023 revenues to land in a range between \$51 million and \$54 million. Of course, those predictions are our best expectations at this point, and the final numbers for Q4 will be released next quarter.

With that, back to you JP.

JP RICHARDSON

Thanks James. As a reminder, our mission is to help the world exit the traditional financial system. And to me, that has always meant innovation – creating new products and new experiences. Even the oldest cryptocurrency, Bitcoin, has yet to turn 15 years old. Innovation was at the heart of our 2021 crypto-only Regulation A stock offering that solidified Exodus' finances and put us on the path to becoming a fully public company. Many of you may recall that \$75 million was raised - 100% in crypto, and all of it by using the Exodus wallet. And I'm sure many of you know that Exodus shares can be digitally represented on the Algorand blockchain, an industry first.

Now the time has come to find our company stock a home where it can trade efficiently. And as a first step towards that goal, Exodus has applied for an OTC Markets uplisting and our application is in progress. An OTC Markets listing will allow Exodus stock to trade on many popular stock brokerage websites. For those of you who prefer to keep your blockchain-based shares in your Exodus wallet, that's no problem. You'll still be able to do so and we know you'll be happy in our flagship product, Exodus.

Listing on OTC Markets is a solid first step towards an eventual listing on the NYSE or NASDAQ. A lot of those listing requirements are taken care of during the OTC Markets listing process. So with our work in current quarters, we are laying the foundation for future moves to benefit the company and its shareholders. And as our company learns

and grows from these moves, it brings Exodus one step closer to being the only wallet you'll ever need, as we can imagine a future where traditional markets trade inside of Exodus.

Today, I'm excited to unveil a game-changing addition that will propel us towards that vision. In Q4, we'll be introducing XO Pay, our new fiat service for the Exodus ecosystem. Before I delve into details, let's explore why XO Pay is not just another payment solution, but a revolutionary force within Exodus. Our journey towards XO Pay began with a realization. We acknowledge that mainstream customers prioritize a frictionless experience. XO Pay is designed to provide the most frictionless experience for buying and selling crypto. We're not just aiming for a one-click solution. We're crafting an environment where users can easily navigate the crypto landscape with unparalleled ease. As we embark on this journey with XO Pay, we're not just introducing a service, we're creating a competitive advantage. XO Pay aims to exceed mainstream expectations with a phased approach to market on-ramps and integration with platforms like Apple Pay and Google Pay.

Looking ahead, XO Pay represents a strategic move aligning seamlessly with our vision of guiding the world toward an exit from the traditional financial system. It all comes down to making this easy for the mainstream. The mainstream consumer should be able to use the world of Web3 directly from their credit card or bank account, and that's what XO Pay is going to help unlock.

Shifting gears, for those who have questions or need help – Exodus' support team remains the industry's most helpful, by solving any problems that arise quickly and effectively. They can act as your trusted friends in crypto and are standing by, around the clock, to support you. Please feel free to reach out! Our Support staff makes an excellent reason to share Exodus with family and friends this holiday season.

And as always I'd like to send my heartfelt thanks to our loyal customers and investors. You have empowered yourselves, and you have supported our mission to help the world exit traditional finance.

Folks, that's all from me this quarter, so Kris, please take us to the finish line.

KRIS MERKEL

Thanks JP. Please visit our social channels to submit your questions for management for the third quarter. You can expect direct responses from our Investor Relations team to each of your inquiries within 24 hours. Thanks for joining us today.