



## **Q4 2023 Webcast Transcript – February 29th, 2023 at 3:30pm EST**

### **PARTICIPANTS**

Kris Merkel – Host

JP Richardson – CEO and Co-Founder

James Gernetzke – CFO

**KRIS MERKEL** Welcome everyone to Exodus' fourth 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, X 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 the fourth quarter review.

**JP RICHARDSON** Thank you Kris. And thank you to all viewers for joining us today on Exodus' fourth quarter call.

The Magic Eden wallet is the first iteration of our Wallet-as-a-Service strategy. Wallet-as-a-Service went from first thought, to business partnership, to live product in less than a year's time. Watching users and adoption of the Magic Eden wallet grow has

been great to see and we're thrilled to continue development of the premier wallet for the NFT collector.

Exodus looks forward to signing and announcing future partnerships, as we are proving our economic value today, everyday alongside Magic Eden, who is an amazing partner, they're a talented crew and we invite you to check out all their magic and creativity in the Magic Eden wallet.

Exodus is also building new Wallet-as-a-Service products and tools. We see opportunities not only in the digital asset and Defi space, but also in more traditional sectors. Stay tuned, and we look forward to updating you on our progress.

Exodus shares stopped trading on the tZERO ATS at the end of the fourth quarter, and in January we began trading on OTC Markets. While it's been a limited rollout in traditional brokerages so far, we've laid the groundwork to reach the mainstream stock investor. And Exodus' filing of our Form 10 is a big part of that strategy. James will talk later about the Form 10.

Another step towards mainstream stock trading has been adding independent directors to our Board. We welcome Carol MacKinlay and Tyler Skelton, who each bring significant experience in the cryptocurrency industry to their Board roles.

Our vision for an ideal crypto wallet experience includes a better way to buy and sell Bitcoin into your local currency. Last quarter I introduced XO Pay. Making entry to Bitcoin fast and easy is a fundamental skill in our industry. XO Pay will perform for Exodus customers, as well as for Magic Eden wallet and other projects. We are working on some finishing touches to the initial version of XO Pay and planning its launch in limited jurisdictions in the second quarter.

The general crypto market at the end of the year was driven upward by anticipation of a spot Bitcoin ETF, which became a reality in January. A multitude of spot Bitcoin ETFs

are now traded in U.S. stock markets, and across the crypto industry, money appears to be flowing into Bitcoin. The Bitcoin halving is expected in April, which has historically been a time of great enthusiasm in our industry.

Those tailwinds had Exodus ending 2023 on a strong note as our Fiat and Swap services increased revenue 26 percent and 52 percent from the third quarter. An outstanding fourth quarter.

And so for more detail on our fourth quarter and finances, let's go to our CFO, James.

**JAMES GERNETZKE** Thank you JP. Let's jump right in.

2023 revenue increased 11% to \$56.2 million. And this came as markets turned bullish at the end of last year, so Q4 itself saw \$18.5 million in revenue.

That was driven in large part by our best quarter of swap volume since 2021. And I will highlight a little more than half way through the first quarter, we have seen volumes have kept pace with how we ended 2023.

From an Adjusted EBITDA perspective for the year we had \$17.6 million, and \$8.1 million of that was in Q4. Our expense reduction efforts at the end of 2022 combined with continued expense discipline in 2023 provided that steady expense base we have now. The pop in Q4 revenues, that scaled very well on that expense base. So, while we do expect to grow our expenses in 2024 as we invest in new growth strategies, but we will not do it at the pace of 2021. So if the market gods smile down and grace us with 2021 level revenues, it is very unlikely that we would have 2021-level expense increases.

So as Exodus and the digital asset industry has matured, we have evaluated some of the business metrics that we use and have shared with you, particularly around user activity. Historically, Exodus has defined Monthly Active Users, or MAUs, as a user who

has funded their wallet and opened up an instance of their wallet during a 30-day period. However, most companies in our industry consider an MAU any user, whether they have funded their wallet or not, who opens up any platform, and counts each platform user separately even if it is the same person.

So to help provide you with a more apples to apples comparison, we are going to be changing our QAU and MAUs to match others in our industry. And then what we are going to do is we are going to rename our historical definition and we're going to call that MFUs or Monthly Funded Users.

This slide is a look at the new methodology for QAUs and MAUs and it gives history going back to 2020. You'll see that in Q4 of 2023 we increased MAUs by 150,000 or 13.6% versus Q3 of 2023. And those MAUs were just shy of the first quarter of 2022 levels, that's the closest quarter that we had recently. So by way of comparison, let's take a look at MFUs.

Q4 MFUs were up by 165,000 or 22% from the previous quarter. From an MFU perspective, Q4 was stronger than Q1 [2022] where MAUs were not. We see the increase in MFUs vis-a-vis MAUs in Q4 being driven by two items. First, funded wallet users are stickier than unfunded users, they actually have money on the platform. So while MFUs may not always be active, they are present, and they're very willing and able to jump back in and make that jump from a quarterly funded user to a monthly funded user when the markets get fun like they have recently. Secondly, the team has been working on the onboarding experience and then also our fiat onramp products, and this drives wallet funding which decreases the delta between MAUs and MFUs. For a comparison, our fiat onboarding revenue increased over 300% in 2023. That really highlights the efforts of the team there.

Here's our treasury slide, our balance sheet continues to remain very strong, and we ended the year with a market value of \$138 million. Since year end, I just wanted to

highlight this has only stronger as digital asset pricings have positively impacted our holdings so far.

For the next two slides, I wanted to visually highlight some aspects of the Magic Eden partnership JP described earlier. This first slide here highlights the beautiful product design, you can see the design of the wallet. It highlights some of the value added features that you can only get when you combine a Magic Eden and an Exodus. Such as the cross-chain ability of Exodus and the NFT portfolio-managing ability of Magic Eden. And together we're able to create an amazing experience for both of our users. And finally, I just wanted to highlight just how well this was received, just this announcement had over 400,000 views shortly after it was launched. So we're really grateful for that, the Magic Eden partnership and the success that they've had just telling the world about it.

And this final slide here shows how well the world has loved it. The customer reviews have been solid, it's got a great rating and we are very, very proud of the work that we've done here.

From a financial perspective, I would like to highlight that the Magic Eden wallet is already generating revenue, and for both of us. We look forward to sharing more about our Wallet-as-a-Service growth and maturation, as well as our other Infrastructure-as-a-Service products as they gain traction throughout 2024.

Finally, I do want to highlight that may have noticed, we filed our financials on a different form than normal with the SEC, Form 10-12g. We did this to comply with Section 12(g) of the Securities Exchange Act of 1934, which dictates that we become a Reporting Issuer under Section 13. And that's a very complicated and legal way of saying the rules are forcing us to become a "fully public" company that files standard forms such as 10-K and 10-Q.

When we conducted our Reg A public offering in 2021, we had over 6800 individual investors, so we knew this day was coming and have been preparing ever since. For example, we have been reporting quarterly results that are not necessarily required to be reported under Reg A, but they do align us to the Section 13 reporting cadence. And another thing we've done is we've really focused on governance including appointing a majority independent board, and that meets NYSE standards. Finally, we have moved to a traditional market with our OTCQB listing.

We expect the Form 10 to become fully effective at the end of April. During the 60-day period before effectiveness, our team, together with outside securities counsel, will be evaluating a national exchange listing, so a NYSE or NASDAQ listing, as that is the logical next step for a 12(g) public company. Obviously, a NYSE listing would be a major move for the company, so we will keep everyone as up to date as much as we can on our progress.

And with that, I'll send it back to you Kris.

**KRIS MERKEL** Thanks James. At this point in the call I'd like to take time for a couple of questions from Singular Research analyst Edward Engel.

Ed starts by asking: "How has Magic Eden's new wallet been performing and what segments of B2B customers are most interested in the Wallet-as-a-Service offering?"

**JP RICHARDSON** We are still in the first phase of our buildout, but the early results have exceeded our expectations. And more importantly, Magic Eden's users have thoroughly embraced the product so far. Comments such as, "The premier wallet for all NFTs regardless of chain." have been common and warm our hearts.

Our initial market for WaaS is the Web3 space and the DeFi applications, or dApps. In order to access a dApp, a wallet is a must. Right now, dApps have to rely on third-party wallets, which does not allow them to control the onboarding experience, and also

causes friction for users who do not already have a wallet. An Exodus-built wallet with the dApp's branding and some level of customization solves this problem.

**KRIS MERKEL** Thanks JP. Ed also asks, “**Is Exodus seeing mass market users regain interest in crypto, or are volumes mostly driven by traders that were active throughout the bear market?**”

**JAMES GERNETZKE** As I discussed in my remarks about MAUs, QAU's and then MFUs, a funded wallet is a lot stickier than a nonfunded or an unfunded wallet. And in your question you mention the trader that's been with us the whole time, and that's definitely in the “funded wallet” category. What we see, though, is the less than active or the quarterly funded users who, in times of interest and fun in the market, will move to monthly funded users. And we definitely saw it in spades with that 165,000 quarter over quarter user swing. So yes, definitely part of it is traders, if you will, coming back into Exodus and just becoming more active. They're there, they're just becoming more active. But it's not that entirely. If you look at the MAUs and the QAU's slide, you'll see that they have grown as well. And that is an indication of general increase in interest in Q4 for Exodus, its product, and that is generally an indication of increased interest around digital assets.

**JP RICHARDSON** Those of us who have been in the digital asset industry for a while unscientifically measure mass market user interest in terms of how many and how often our friends and family ask about Bitcoin or crypto. And I will say that that metric has picked up a lot of steam the past few months!

Thanks to Ed for the questions. Of course, we continue to offer world-class customer support. You can try reaching out through our app and through our website.

And at Exodus, we are truly excited for everything 2024 will offer. Magic Eden, mainstream Bitcoin ETFs, and another Bitcoin halving - the fourth in history. These are historic times for our Company, and we thank you for joining us.

Kris, over to you to wrap things up.

**KRIS MERKEL** Thanks JP. Please visit our social channels to submit your questions for management for the fourth quarter. And as I mentioned before, you can expect a direct responses from our Investor Relations team to each of your inquiries within 24 hours. Thanks for joining us today.