

**Coinbase Global, Inc.**  
**Third Quarter 2024 Analyst Call**  
**October 30, 2024**

**Anil Gupta, Vice President, Investor Relations:** Good afternoon and welcome to the Coinbase third quarter 2024 analyst Q&A call. Joining me on today's call is Alesia Haas, CFO.

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. Our discussion today will also include references to certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are provided in the shareholder letter on our Investor Relations website. Non-GAAP financial measures should be considered in addition to, not as a substitute for, GAAP measures.

And with that Sarah, let's open it up.

**Operator:** Your first question comes from the line of Gus Galá with Monness, Crespi, Hardt. Your line is open.

**Gus Galá, Monness, Crespi, & Hardt:** Hi team. My question was on the patent portfolio. Just came across an interesting thing, the stateless overlay layer pattern. Can you conceptually flesh that out a little? How do we think about rolling something with this out? Maybe the economics of it down the road? But yeah, just color on that would be helpful.

**Alesia Haas, CFO:** I'm so sorry Gus. We were adjusting the volume at the start of your question. Could start the question in the beginning part again please?

**Gus Galá, Monness, Crespi, & Hardt:** Of course. Can we talk a little bit about the patent portfolio? Came across a stateless overlay layer pattern the team has been working on. Can you kind of conceptually flesh that out for us? How do we think about rolling it out? And as far as you can kind of indicate, how do we think of this drawing in people to the ecosystem and the potential economics of it? Thanks.

**Alesia Haas, CFO:** Thank you for that. So spiritually, we want to create as much competition and as much opportunity for developers out there. We're very open, we don't go on the offense, we aren't pursuing patent infringement as a general matter and we really want to encourage the best products to get to market.

So we don't think about this as a revenue opportunity. We don't think about this as core to our product strategy. It's just more of a philosophy in growing an ecosystem.

**Operator:** Your next question comes from the line of Ben Budish with Barclays. Your line is open. Ben perhaps your line is on mute.

**Anil Gupta, Vice President, Investor Relations:** Alright, let's keep going.

**Operator:** Okay, your next question comes from the line of Owen Lau with Oppenheimer. Your line is open.

**Owen Lau, Oppenheimer:** Yeah, thank you for taking my question. So I saw that you changed the stock-based compensation expense recognition schedule from non-linear to linear. It will drive stock-based comp down sequentially? Could you please talk about the puts and takes there? How should we expect the stock-based comp in the future? If stock price goes up versus goes down compared to your previous schedule. Thanks.

**Alesia Haas, CFO:** Thanks Owen. So our stock-based compensation should not change materially with our stock price going up or down. Our stock-based compensation is based on the total dollars we grant to employees, typically as part of our annual compensation plans.

We also have SBC resulting from some M&A opportunities that we have, and that is more episodic. But you should think about this as: annually, all of our employees participate in our stock compensation program. We make an annual grant, and it's based on dollars. So if I earn a hundred thousand dollars a year, I get a hundred thousand dollars of stock-based compensation, and then the dilution is impacted by the share price, the number of shares we issue, but not what you see running through the P&L.

So the change that we made this quarter is historically, we had some non-linear vesting for our annual grants. We are looking to create both a better employee experience and a cleaner accounting experience, and we have made plans to

make one grant in November, which will then create a smoothing effect to the stock-based comp recognition. And what you will then see every quarter is materially consistent stock-based compensation every quarter for the same level of employee base. And so, the growth will come largely from employee growth. It may change depending on M&A or other exogenous factors, but it will look much more consistent quarter over quarter.

**Owen Lau, Oppenheimer:** Got it. Thanks a lot.

**Operator:** Your next question comes from the line of Bo Pei with US Tiger Securities. Your line is open.

**Bo Pei, US Tiger Securities:** Thanks for taking the question. So is there any updates on payments you can share with us? And then can we say we're just waiting for regulatory clarity with all the infrastructure already ready? And what do we plan to do to promote payments once the regulatory obstacle is clear? And do we have any rough timeline for a payment product push in the US or maybe international?

**Alesia Haas, CFO:** Thanks for that. So where our focus has been is building the infrastructure to create an environment where payments will be 10x better than current options. And so what that looked like for us was a focus on Base, a focus on USDC and putting together the building blocks to create fast, cheap, global payments infrastructure. We feel like we've just started to achieve that. We're scaling transaction volume on Base as we mentioned. We were able to consistently keep those transaction costs below a penny.

So now we need to kind of build up the technology base. So now the technology is there but we need to create the user experiences. We need to continue to create on-ramps and off-ramps into stablecoins so that people can use them for global payments. We can make the experience more seamless within our products so that we can build better P2P payment opportunities for consumers. We're spending with Coinbase Card. We can focus on business solutions. We can focus on developers building the APIs to integrate payments into their products and crypto.

So our focus right now is on continuing to scale the underlying infrastructure, improving the user experience, the UX, what people see to make it really easy to do. There is not a legislation opportunity that really turns this around. So this is much more in our control about building the products. Continuing to create the on-ramps globally to facilitate global payments.

**Operator:** Your next question comes from the line of Joseph Vafi with Canaccord.

**Joseph Vafi, Canaccord Genuity:** Can we maybe take a step back, and it's been a few quarters, this year things have moved along, could you talk about kind of broadly the competitive backdrop, both in retail and institutional, and any changes or tweaks to your go-to-market, kind of just given how much the crypto environment changes, kind of month-to-month, quarter-to-quarter?

**Alesia Haas, CFO:** Thanks for that. So our vision and our goal is that actually every finance, every fintech company, will eventually become a crypto company. Similar to how we don't talk about web companies anymore, where everyone just has a backbone of a technology and Internet strategy. So our focus, where we've always been focused, is to be the most trusted and easiest to use. We're focused on building the best globally compliant products.

This means sometimes we move slower to win, but for example, we just closed our MiFID license in the EU. We're pursuing our MiCA strategy so we can be a globally compliant crypto company in Europe. We've noted that USDC is the first MiCA compliant stablecoin. And so I think that our goal is to continue that strategy: most trusted, easy to use. We're the longest running and most trusted crypto custodian. We've shared with you previously that that trust led us to be selected for 17 of the 20 ETFs due to our robust security standards.

We welcome people to come into our space, but we think that it's our track record, our talent, our ability to continue to innovate and bring forth growth in products that meet our customers' needs that will enable us to compete as we bring in more people into the space.

And ultimately, we think that this will be the most healthy ecosystem, if we get to that vision of having every finance company in fintech be a participant and that perhaps we will be able to provide them tools to enable them to support their customers. And so we don't need to touch every customer transaction. In many cases, we hope to be supporting the businesses as back-end service providers, through our Coinbase Developer product.

**Operator:** Your next question comes from the line of Peter Christensen with Citi.

**Peter Christensen, Citigroup:** I had two questions. One, is there any way to frame on staking the impact from some states pausing use of staking? And then on my second one, it's really about disclosure, I'm just curious, how should we think about bridging native units versus MTUs under custody versus assets on platform? It's just getting a little challenging on our end to see how some of the underlying business metrics are performing. Thank you.

**Alesia Haas, CFO:** Thanks, Pete, all right, let me start with the effect of the states that have paused staking. So, as a reminder after the SEC lawsuit, there are about 10 states that followed up with their own challenge that required us to pause staking in those states. And what pause meant was that we couldn't enable new customers to stake or we couldn't grow their balances. However, we could continue to stake balances that were already staked. So it's very hard to measure the impact as it would impact our growth. We're successful in growing native units this year, as we pointed out. And so we would have had more growth in theory, but it's very hard to size what that incremental growth in staking new units would have been had we not had those restrictions in those 10 states.

So, moving to your second question: how do you think about native units versus MTUs, how do we think about these products? So what we share in our key business metrics is the metrics that are most material to our revenue. We very clearly have additional revenue streams, i.e. custody revenue, but it's not overly material to the overall total revenue that we report. And so we've chosen to not share immaterial metrics at this time. As those grow, we may add disclosures. I would point out that we periodically share additional data points in our shareholder letter that is not in our queue. So for example, in the third quarter in our shareholder letter, we did share that we ended the quarter with \$137 billion in assets under custody. Those are the assets that are in the custody product that tied to that custodial fee revenue.

And then, on the balance sheet, we have the total assets on our platform that include assets under custody and the custody product, as well as assets that support our trading platforms in the omnibus pools, what our retail and other customers in our prime platform hold that are not in custody, but in the trading wallets. So hopefully that provides more color there. And over time as these products grow and become more material to our revenue, we will look to assess whether we augment disclosures.

**Peter Christiansen, Citigroup:** And native units to MTUs, is there any linkage there as it relates to trading?

**Alesia Haas, CFO:** No, because when you think about native units, what we're trying to give you a sense of is growth in the asset balances on our platform that drives subscription and services revenues. Our MTUs are user-based metrics. We could be growing assets per user, we could be growing assets for a new user. So they're very different metrics. The MTU number—we give disclosure in our 10Q about what drove changes in MTUs quarter over recorder. This quarter, it was a change in our trading MTUs. We will give color what drives the change, but they're not one-to-one relationships, they're two different drivers. One is giving you a better indication of users. The other is trying to give you an indication around growing the asset bases on the platform.

**Operator:** Your next question comes from the line of Michael Colonnese with HC Wainwright.

**Michael Colonnese, HC Wainwright:** I was hoping that you might be able to quantify the portion of your advanced traders that engaged in stablecoin pair trading this quarter, or 3Q, rather. And do you see an environment where you can increase pricing on these specific trades at some point in the future?

**Alesia Haas, CFO:** We are not breaking out that detail to say the number of traders that are participating in this trading. It's possible, we always look to experiment with pricing, but what I think is most important here is we do monetize USDC through our commercial relationship with the issuer of USDC. We believe that adding growth to USDC trading pairs, adding growth to stablecoins, helps us build other products, i.e. the foundation of payments, the foundation of moving to onchain ecosystems. So while it's something we can explore through pricing experiments, I don't know that it would necessarily be our primary goal to monetize stablecoin trading pairs.

The one thing I wanted to mention from the call earlier—there was a question on USDT and how we viewed the growth in that trading volume. One thing I failed to mention earlier was—we treat USDC trading on our platform the same as USD trading, i.e. we look at it as the base pair. Many times when we're reporting bitcoin trading volume that bitcoin trading was against a US dollar or a USDC pair. So we don't actually report trading volume on that underlying USD or USDC. We treat USDT as a crypto asset. So, therefore, that is why it's showing up in the volume. But our whole goal is to drive growth in USDC. More crypto use cases, and so, that is a little bit of why we don't monetize in the trading of that asset.

**Operator:** Your next question comes from the line of Gus Gala with Monness, Crespi, Hardt.

**Gus Gala, Monness, Crespi, Hardt:** Can we talk about Base and Wallet falling under Jesse Pollak? Is there anything to think about on potentially driving cross-pollination of these two portions of the ecosystem or the business? Maybe you can split that against, maybe the existing use cases around trading maybe versus future ones like payments.

**Alesia Haas, CFO:** We increasingly see a future where we're going to see more and more transactions onchain. And so if we look to the onchain future, we thought there was a natural synergy and benefit to bringing our Base and Wallet products closer together. That will drive a flywheel growth, we hope, which is growing developers, growing users, growing applications, and we think that we'll really benefit by having those products work more in combination with each other.

That is the spirit of bringing them together. Jesse's been a phenomenal leader in bringing Base into existence, driving it to be the #1 Layer 2 in terms of transactions. We wanted to recognize that contribution to Coinbase and our future, and that is what is exciting about bringing this together. So, we'll have more to update as we grow these products and more to share in future quarters.

**Anil Gupta, Vice President, Investor Relations:** I believe that's all the questions for today, so we'll end it with that. Thank you all for joining and we'll talk to you again next quarter.

**Operator:** This concludes today's conference call. Thank you for joining us. You may now disconnect your lines.