

Coinbase (COIN US)

Leading financial infrastructure for the crypto economy; initiate at BUY

Coinbase is a leading provider of end-to-end financial infrastructure and technology for the crypto economy, with average monthly transacting users of 7mn in 2023. As of 30 Sep 2024, the company operated business in over 100 countries, with total safeguarded asset of US\$273bn and 3Q24 quarterly trading volume of US\$185bn. Coinbase, currently as the first and only listed crypto exchange, has a high level of compliance and emphasizes asset security. It has one of the most advanced cybersecurity technologies, proprietary crypto compliance infrastructure, and intuitive product design, which allow it to become a trusted platform for both consumer and institutional investors. Coinbase is well-positioned to benefit from the long-term development of crypto economy. Our SOTP-derived target price of Coinbase is US\$250.0. Initiate at BUY.

- Proxy to crypto asset access.** Crypto asset prices and volatility are key drivers of Coinbase business performance. Coinbase share price movement has been highly correlated with USD/BTC movement (weekly return correlation of 59% since IPO). We expect Coinbase to benefit from the development of crypto economy. Despite relatively high volatility, investors' interest in crypto assets has been rising due to growing acceptance by mainstream investment communities and low correlation with other risky assets. Bitcoin outperformed all major asset classes in 7 out of the last 10 years, with over 100% annualized return in the past 10 years, per Bloomberg. As a diversifier, Bitcoin's correlation with S&P 500 was low at 0.27 from 2018 to date, despite a correlation spike in 2020 when the US Fed cut interest rate and major risky assets tend to move up together. During the last easing cycle in 2020 in the US, Bitcoin price was up by over 500% (see Fig.20). As the Fed started to cut Fund Rate (i.e., the federal funds rate) in Sep 2024, we expect an easing environment to benefit crypto assets and Coinbase.
- Key catalysts to support development of crypto economy.** Several key milestones have propelled crypto asset ecosystem development and Coinbase's business performance: 1) Coinbase began to offer derivatives products to non-US and US retail customers in 2023, which shall further boost its trading volume going forward; 2) the US SEC approved 11 Spot Bitcoin ETFs and 9 Spot Ethereum ETFs in 2024, with Bitcoin ETFs drawing c.US\$60bn funds into crypto asset market. Overall, we are upbeat on the mid-to long-term development of the crypto economy, underpinned by increasing participation of investors and improving regulatory clarity.
- Initiate at BUY.** We forecast Coinbase total revenue to rebound by 76% YoY to US\$5.5bn in 2024E, driven by the strong trading volume growth on higher crypto asset prices and improving crypto market sentiment. We are also upbeat on Coinbase's outlook in 2025/2026E, given the launch of the monetary easing cycle in the US and growing acceptance of crypto assets as a major asset class. Underpinned by operating leverage, we expect Coinbase net margin to improve from 3.1% in 2023 to 25.6% in 2024E. We value Coinbase at US\$250.0 per share on SOTP valuation, with transaction/custodial/interest & stablecoin business accounting for 78/8/7%.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	3,194	3,108	5,469	5,825	5,994
Net profit (US\$ mn)	(2,624.9)	94.9	1,400.9	1,064.5	968.1
EPS (Reported) (US\$)	(11.81)	0.40	5.63	4.28	3.89
Consensus EPS (US\$)	(11.81)	0.40	5.42	4.14	3.80
P/E (x)	ns	454.5	32.5	42.7	47.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price US\$250.00
 Up/Downside 36.7%
 Current Price US\$182.88

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Stock Data

Mkt Cap (US\$ mn)	45,506.8
Avg 3 mths t/o (US\$ mn)	1,091.0
52w High/Low (US\$)	279.71/84.60
Total Issued Shares (mn)	248.8

Source: FactSet

Shareholding Structure

Brian Armstrong	14.2%
Frederick Ernest Ehram III	6.9%

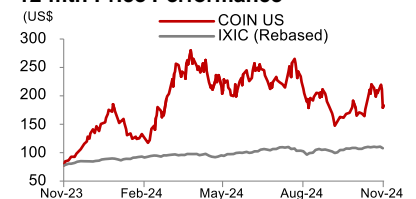
Source: Company data

Share Performance

	Absolute	Relative
1-mth	10.8%	8.8%
3-mth	-14.0%	-18.9%
6-mth	-13.0%	-25.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

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Investment thesis

Leading end-to-end financial infrastructure for the crypto economy

Coinbase is a leading provider of end-to-end financial infrastructure and technology for the crypto economy. The average monthly transacting users reached 7.0mn in 2023. As of 30 Sep 2024, the company operated business in over 100 countries, with total safeguarded asset of US\$273bn and 3Q24 quarterly trading volume of US\$185bn. The top 3 crypto assets, Bitcoin/Ethereum/USDT(Tether), each represented 37/15/15% of the total trading volume in 3Q24. Coinbase, currently as the first and only listed crypto exchange, has a high level of compliance and emphasizes asset security. It has one of the most advanced cybersecurity technologies, proprietary crypto compliance infrastructure, and intuitive product design, which allow it to become a trusted platform for both consumer and institutional platforms.

Proxy to accessing crypto asset class

Crypto asset prices and volatility, especially that of Bitcoin, are the key factors affecting Coinbase's business performance. Coinbase share price movement has been highly correlated with BTC/USD movement since its IPO in Apr 2021 (weekly return correlation of 59% since IPO). Despite relatively high volatility, investors' interest in crypto assets has been rising due to its robust long-term price performance and low correlation with other risky assets. According to Bloomberg, Bitcoin outperformed all major asset classes in 7 out of the last 10 years, with over 100% annualized return in the past 10 years. As a diversifier, Bitcoin's correlation with S&P 500 was low at 0.27 from 2018 to date, despite a correlation spike in 2020 and 2022 when the Fed adjusted interest rates and risky assets tended to move together. During the last round of monetary easing cycle (the US Fed cut Fund Rate by 225bps and implemented quantitative easing from Aug 2019 to Mar 2022), Bitcoin price was up by 549% from Aug 2019 to Nov 2021. As US the Fed initiated a new round of rate cuts in Sept 2024, we expect the monetary easing environment to benefit crypto assets as well as Coinbase, which is a proxy to accessing the crypto asset class.

Key milestones in crypto economy development enhancing outlook

Several key milestone developments in crypto asset ecosystem have further strengthened Coinbase's business outlook: 1) Coinbase began to offer derivatives products to non-US and US retail customers in Oct and Nov 2023 respectively, which shall further boost Coinbase trading volume going forward (derivatives market for crypto represented 75% of all trading volume in 2023); 2) the US SEC approved 11 Spot Bitcoin ETFs in Jan 2024 and 9 Spot Ethereum ETFs in Jul 2024, and Coinbase was the custodian for 8 of the 11 Bitcoin ETFs and 8 of the 9 Ethereum ETFs. Bitcoin ETFs have already drawn c.US\$60bn funds into the crypto asset market so far. Overall, we are upbeat on the mid-to long-term development of crypto economy, underpinned by the increasing participation of investors, improving regulatory clarity and evolving cryptography technology.

Financial performance turnaround ahead

We forecast Coinbase total revenue to grow by 76% YoY to US\$5.5bn in 2024E, primarily driven by the strong trading volume growth on higher crypto asset prices and improving crypto market sentiment. By segment, we estimate transaction/subscription & services revenue to increase by 103/56% YoY respectively in 2024E, representing 57/40% of total revenue. We are also upbeat on Coinbase outlook in 2025/2026E, given the launch of a monetary easing cycle in the US and growing acceptance of crypto assets as a major asset class. Underpinned by the strong revenue growth and operating leverage, we expect Coinbase net margin to improve from 3.1% in 2023 to 25.6% in 2024E. High volatility of the crypto assets market leads to fluctuations in Coinbase's financial performance. Nonetheless, Coinbase continues to improve its business model and increase revenue contribution of subscription & service segment (7% in 2021 to 40% in 2024E), which may gradually smooth out its financial performance.

We value Coinbase at US\$61.6bn (US\$250.0 per share) based on SOTP valuation, comprising: 1) transaction business of US\$48.2bn (78% of total valuation) based on 24.0x FY25E EV/EBITDA, a premium over average EV/EBITDA of traditional exchanges/brokers

(17x), given its business remains at a nascent stage with a longer growth runway; 2) custodial and asset management business of US\$4.7bn (8% of total valuation) based on 11x FY25E EV/EBITDA (on par with asset management companies); 3) interest and stablecoin business of US\$4.0bn (7% of total valuation) based on 3x FY25E EV/Sales (on par with banks); and 4) net cash of US\$4.6bn (7% of total valuation).

Coinbase: Leading end-to-end financial infrastructure for the crypto economy

Started in 2012, Coinbase is a leading provider of end-to-end financial infrastructure and technology for the crypto economy. The average monthly transacting users reached 7.0mn in 2023. As of 30 Sep 2024, the company operated business in over 100 countries, with total safeguarded asset of US\$273bn. 3Q24 quarterly trading volume reached US\$185bn, with consumer/institutional customers each accounting for 18/82% of total trading volume. The top 3 crypto assets, Bitcoin/Ethereum/USDT(Tether), each represented 37/15/15% of the total trading volume in 3Q24.

Figure 1: Coinbase: business overview

Revenue breakdown	Services/products	Key revenue drivers
Transaction revenue		
Consumer	Trade matching services for users to buy, sell, or convert crypto assets through the platform. Transaction revenue is generated primarily from transaction fees applied to spot trades that are executed by both consumer and institutional customers on its platform.	Trading volume & mix between types of transactions
Institutional		
Subscription and services revenue		
Stablecoin revenue	Facilitates distribution and usage of USDC (USD coin). Coinbase derives stablecoin revenue from the arrangement with the issuer of USDC. Coinbase earns a pro rata portion of income earned on USDC reserves.	Total market capitalization of USDC, and the prevailing interest rate environment.
Blockchain rewards	Operate a proof-of-stake service that enables customers to stake eligible crypto assets and validate transactions on certain blockchain networks. Coinbase earns commission revenue from staking rewards received by customers	Staked asset balance, and the reward rate
Interest income	Hold customer custodial funds and cash and cash equivalents at certain third-party banks which earn interest. Also, Coinbase earn interest income on loans issued to consumer and institutional customers.	Amount of customer custodial funds, and the prevailing interest rate environment
Custodial fee	Derive custodial fee revenue based on a percentage of the daily value of customer crypto assets that Coinbase holds under custody in the dedicated cold storage solution	Value of crypto assets held under custody, and the fee rates

Source: Company data, CMBIGM

Figure 2: Coinbase: business model

	FY23 Revenue contribution	Business model	EBITDA Margin estimate	Key drivers
Transaction Business	49%	Exchange/Broker ~similar to Nasdaq, CME Interactive Broker	~50-70%	Transaction volume (crypto asset prices, volatility, mkt sentiment etc.)
Custodial & Blockchain Reward	13%	Asset Manager ~similar to Blackrock, Invesco T Rowe Price	~25-40%	1) Asset under custody (crypto asset prices) 2) Blockchain Reward rate
Stablecoin & Interest Income	28%	Commercial Bank ~similar to JP Morgan, BofA Citi	NA	1) Asset under custody (crypto asset prices) 2) USDC mkt cap 3) Interest rate

Source: Company data, CMBIGM

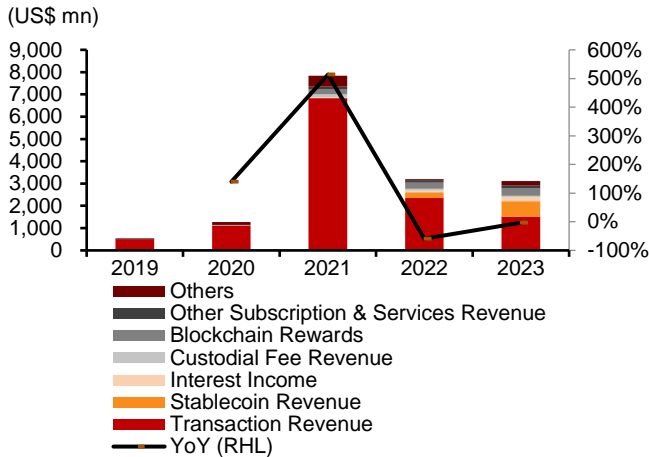
Coinbase mainly offers: **1) trading products** for both consumers and institutional customers. Coinbase charges transaction fees for executed trades; **2) ecosystem products** that constitute key parts of the crypto economy. For example, Coinbase facilitates distribution and usage of USDC, and derives stablecoin revenue from the arrangement with the issuer of USDC; Coinbase also operate a proof-of-stake service that enables customers to stake eligible crypto assets and validate transactions on certain blockchain networks. And Coinbase earns commission revenue from staking rewards received by customers.

Figure 3: Coinbase: product offerings

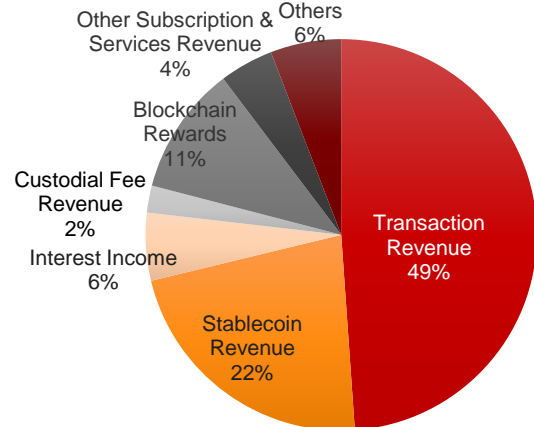
Product	Introduction
Trading products	
Consumer Trading	1) Simple trading experience refers to buying and selling crypto assets using the basic interface of the company's platform, and includes value-added services such as fixed price quotes and recurring trades. 2) Advanced trading experience offers traders access to real-time market information through interactive charts, order books, a live trade history on the advanced trade view, and other trading tools.
Coinbase Prime	A full-service prime brokerage platform which offers institutional customers access to deep pools of liquidity across trading venues and best price execution due to Coinbase's ability to route trades through a network of connected trading venues.
Markets	Market infrastructure in the form of trading venues for customers to trade spot and derivatives. Coinbase currently provide access to three trading venues: the Coinbase Exchange, the Coinbase International Exchange, and the Coinbase Derivatives Exchange.
Ecosystem products	
Stablecoins	Coinbase entered into an updated arrangement with the issuer of USDC to 1) support USDC, a stablecoin redeemable on a one-to-one basis for U.S. dollars; 2) help drive long-term success of the stablecoin ecosystem; and 3) continue to generate revenue through means other than transaction fees.
Staking	Coinbase provides a true, onchain proof-of-stake service, which reduces the complexities of staking and allows customers to maintain full ownership of their crypto assets while earning staking rewards. In return, Coinbase earns a commission on all staking rewards received.
Custody	Coinbase offers consumer and institutional customers a variety of custodial solutions underpinning its product offerings
Coinbase One	Consumers can transact on the platform through a subscription product, Coinbase One. Consumers pay a monthly fee in lieu of a transaction fee under a certain trading threshold and access a variety of benefits, including priority support.
Financing	Coinbase offers integrated financing products and services to select institutions that meet Coinbase's credit criteria to access liquidity for their hedging, trading, and working capital needs.
Coinbase Wallet	Coinbase offers a self-custody software product to consumers globally, Coinbase Wallet, which allows them to engage and transact with the full universe of decentralized applications (Dapps) and crypto use cases without the need for a centralized intermediary such as Coinbase.
Easier Onchain Access	Coinbase also offers certain features to facilitate onchain activities. For example, consumer and institutional customers can access third-party products and interact with certain Dapps using a "web3 wallet" feature that is integrated into Coinbase platform.
Developer Suite	Developer product suite includes some of the most nascent products, including Base, Coinbase Cloud, and Coinbase Pay.

Source: Company data, CMBIGM

Coinbase total revenue was down by 3% YoY to US\$3.1bn in 2023, primarily due to the decline in trading volume (-44% YoY) and Crypto Asset Volatility (-43% YoY). Crypto Asset Volatility was down in 2023, mainly attributable to the weak market sentiment, regulatory uncertainty and bank failures. Nonetheless, crypto market capitalization remained resilient during 2023, and Coinbase continued to grow its subscription and services revenue (+78% YoY). In 2023, transaction/subscription & services/others revenue each accounted for 49%/45%/6% of total revenue.

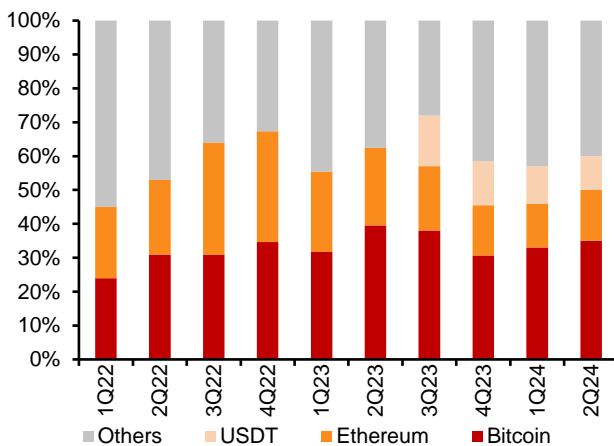
Figure 4: Coinbase: revenue trend


Source: Company data, CMBIGM

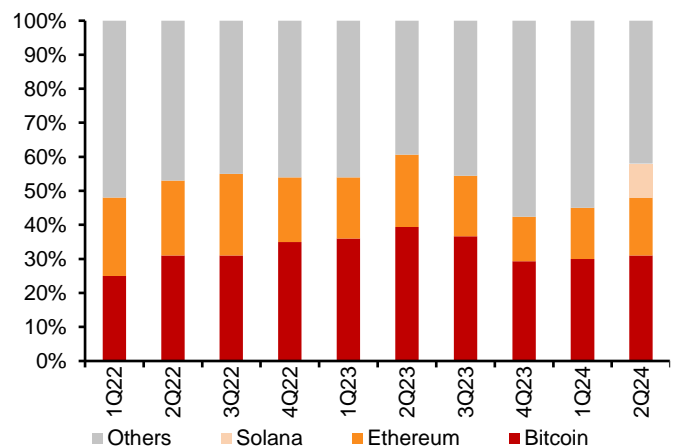
Figure 5: Coinbase: revenue mix (2023)


Source: Company data, CMBIGM

By crypto asset type, Bitcoin/Ethereum/USDT accounted for 35/15/10% of Coinbase trading volume in 2Q24. Bitcoin remains the major crypto asset that accounted for the largest share of trading volume (35%) and revenue (31%). Crypto asset prices and volatility, especially that of Bitcoin, are the key drivers of Coinbase business performance.

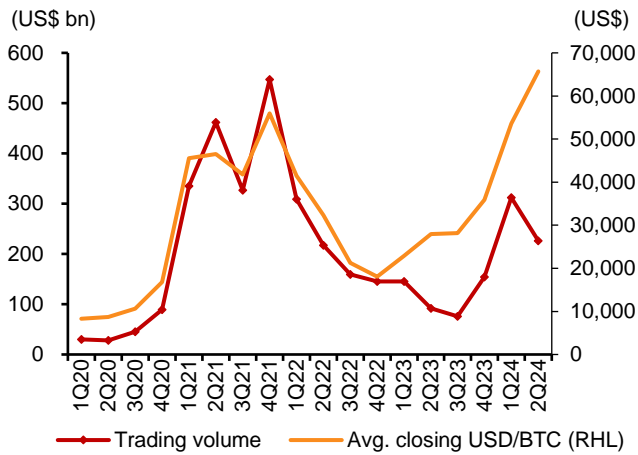
Figure 6: Coinbase: trading volume mix


Source: Company data, CMBIGM

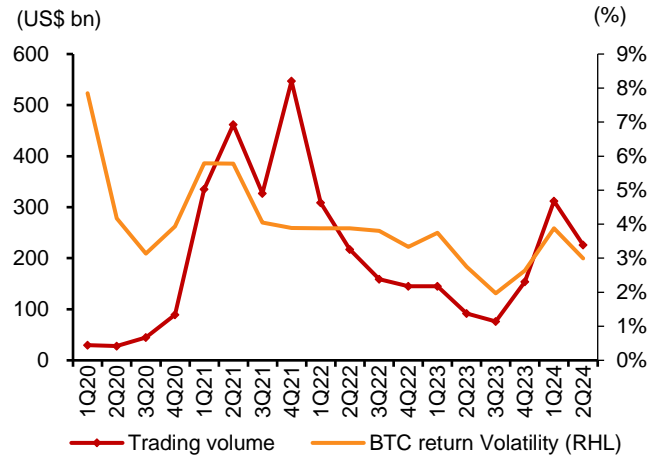
Figure 7: Coinbase: revenue mix


Source: Company data, CMBIGM

Coinbase trading volume growth tends to move inline with the Bitcoin prices, despite divergence in 1Q23-2Q23 and 1Q24-2Q24, which was mainly attributable to investors' lower risk appetite. In 1Q23, Silicon Valley Bank announced bankruptcy. Coinbase suspended USDC conversions after the USDC issuer Circle disclosed US\$3.3bn exposure to Silicon Valley Bank, which raised investor concern and led to a decline in trading volume. In 1Q24, Bitcoin price reached a new record high, but the macro and political uncertainty impacted investor sentiment and led to a decline in trading volume.

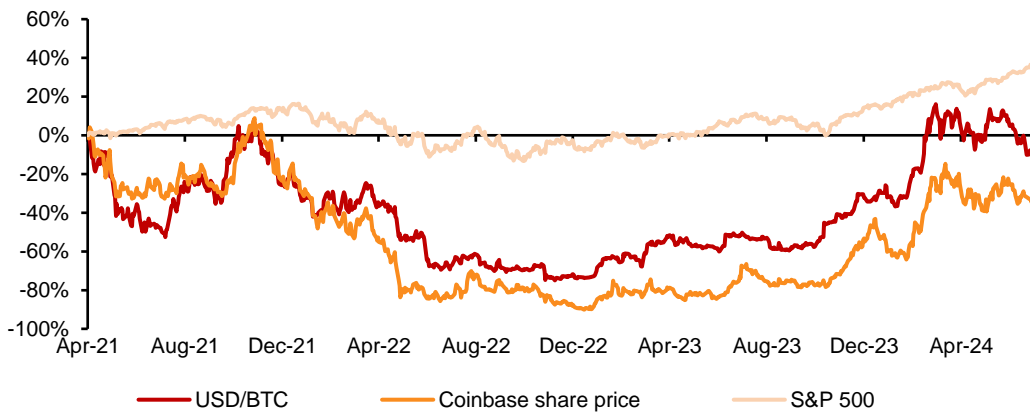
Figure 8: COIN: trading volume vs BTC prices

Source: Company data, CMBIGM

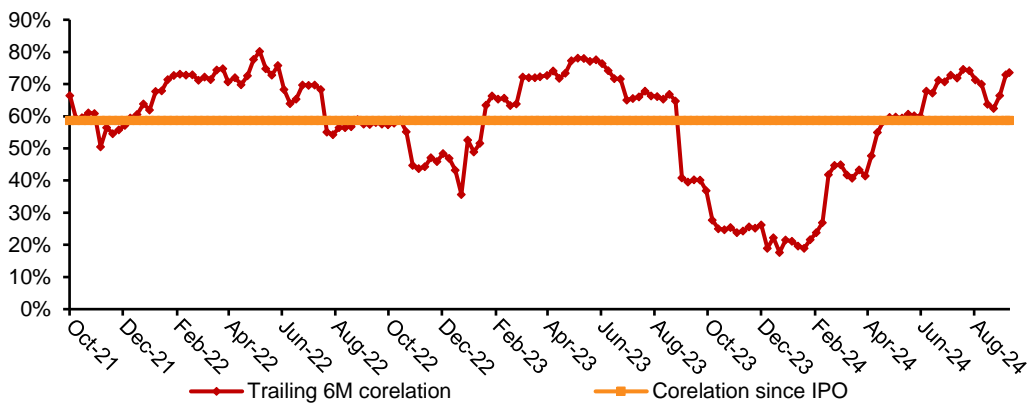
Figure 9: COIN: trading volume vs BTC volatility

Source: Company data, CMBIGM

Coinbase share price movement has been highly correlated with USD/BTC movement since its IPO in Apr 2021. The weekly return correlation of Coinbase and USD/BTC is 59% from Apr 2021 to Sep 2024.

Figure 10: Coinbase: share price movement vs bitcoin movement

Source: Wind, CMBIGM

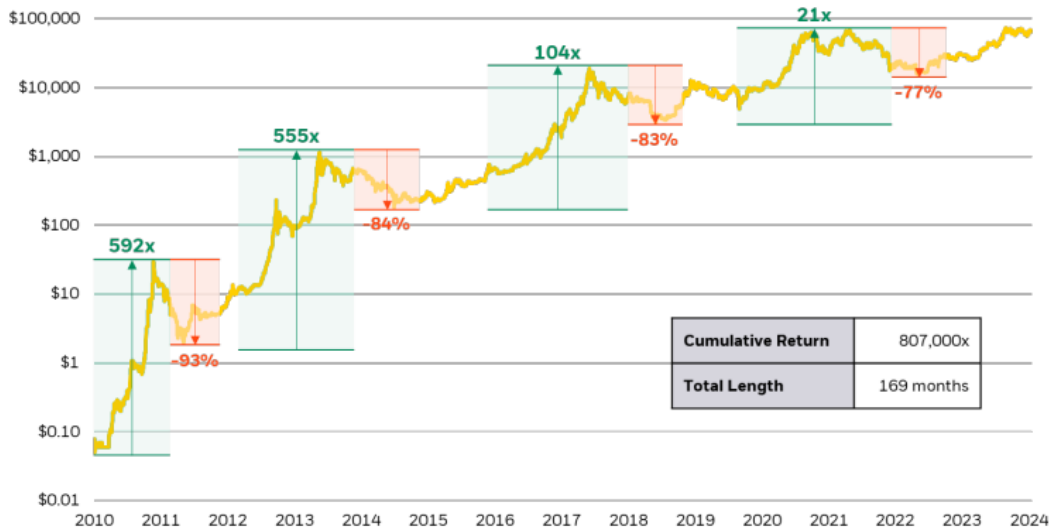
Figure 11: Coinbase: trailing 6-month weekly return correlation with Bitcoin

Source: Wind, CMBIGM

Crypto assets as a unique asset class

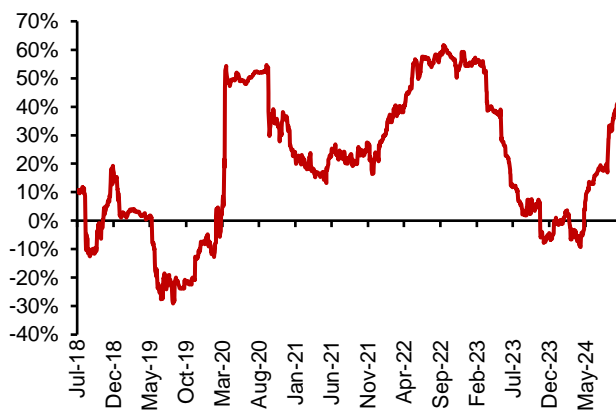
Investors' interest in crypto assets has been consistently increasing, helped by the adoption by mainstream investment institutions, as this asset class has relatively lower correlation with other risky assets. Bitcoin outperformed all major asset classes in 7 out of the last 10 years, with over 100% annualized return in the past 10 years according to Bloomberg. As a diversifier, Bitcoin's correlation with S&P 500 was low at 0.27 from 2018 to date, despite the correlation spike in 2020 and 2022 when the Fed cut interest rates and pumped liquidity into the market.

Figure 12: Bitcoin: historical price performance since inception (Jul 2020-Jul 2024)



Source: BlackRock, CMBIGM

Figure 13: Bitcoin: trailing 6-month return correlation with S&P 500



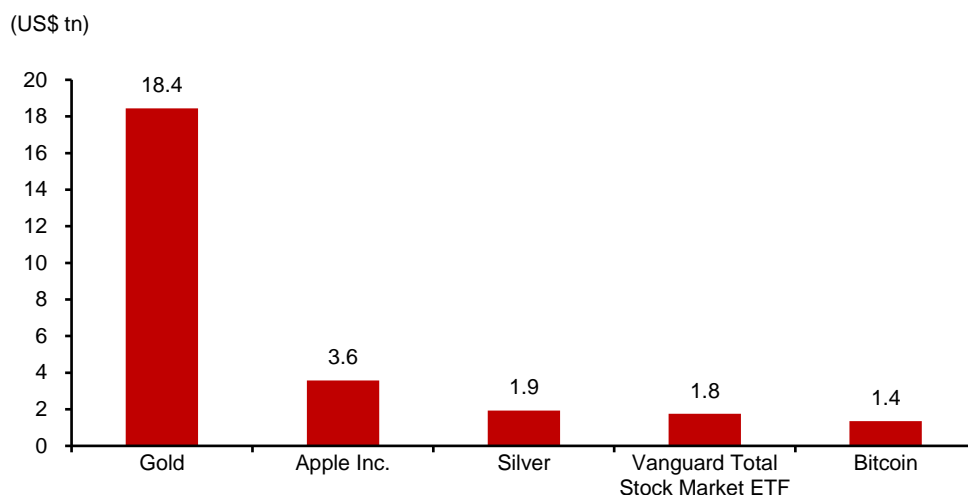
Source: Wind, CMBIGM

Figure 14: Bitcoin: 1-year return correlation with other major assets (18 Sep 2024)

	BTC	ETH	BNB	ADA	XRP	LTC	XMR	DOGE	SOL	DOT	AVAX	GOLD	SP500
BTC	1												
ETH	0.69	1											
BNB	0.79	0.81	1										
ADA	0.77	0.81	0.78	1									
XRP	0.59	0.63	0.59	0.71	1								
LTC	0.75	0.78	0.75	0.75	0.58	1							
XMR	0.7	0.68	0.64	0.61	0.46	0.6	1						
DOGE	0.65	0.69	0.68	0.65	0.52	0.64	0.53	1					
SOL	0.76	0.79	0.75	0.79	0.63	0.7	0.58	0.63	1				
DOT	0.78	0.81	0.8	0.85	0.64	0.77	0.63	0.66	0.77	1			
AVAX	0.79	0.84	0.82	0.81	0.64	0.74	0.63	0.68	0.82	0.84	1		
GOLD	0.21	0.2	0.21	0.18	0.09	0.19	0.19	0.11	0.16	0.15	0.17	1	
SP500	0.53	0.53	0.47	0.51	0.38	0.46	0.41	0.38	0.42	0.51	0.48	0.19	1

Source: Blockchaincenter, CMBIGM

Despite growing awareness and investment value, Bitcoin's current market cap remains relatively small at US\$1.4tn (as of 30 Oct 2024), compared to other asset classes such as gold, stocks, and bonds. Bitcoin's current market cap only represented 7/38/70/77% of that of gold/Apple Inc./silver/Vanguard Total Stock Market ETF.

Figure 15: Major assets with >US\$1tn market cap (Oct 2024)

Source: Infinite Market Cap, CMBIGM

Crypto economy: heightening regulations

The crypto economy faces heightening regulations, especially after the failure of several prominent crypto trading and lending platforms, such as FTX, Celsius Networks, Voyager and Three Arrows Capital in 2022. After the several significant fraudulent events in 2022, the U.S. Congress expressed the need for both greater federal oversight of the crypto economy and comprehensive cryptocurrency legislation.

Coinbase is subject to a number of rules and regulations. 1) The US SEC, in Apr 2023, reopened a comment period for amendments to Rule 3b-16 under the Exchange Act, that could subject several crypto economy participants to registration or other operational compliance requirements under the Exchange Act. If the SEC's proposed amendment is adopted, Coinbase could face additional uncertainty and operational costs. 2) The New York Department of Financial Services (NYDFS), in Sep 2023, proposed new guidance regarding the policies and procedures required for virtual currency business entities licensed in New York, such as Coinbase. This guidance could result in changes to Coinbase business in certain states as well as the risk of increased operational costs and the risk of enforcement actions. 3) FinCEN, a bureau of the US Department of the Treasury, in Oct 2023, released a proposed rule that identifies virtual currency mixing as a class of transactions of primary money laundering concern and imposes heightened recordkeeping and reporting obligations for financial institutions with respect to those transactions. 4) The US Federal Deposit Insurance Corporation (FDIC), in Oct 2021, issued a joint report that recommended legislation that would subject stablecoin issuers and wallet providers to increased federal oversight, and Coinbase may face substantial compliance costs to operationalize and comply with these rules.

Nonetheless, the more stringent regulatory environment also creates higher barriers for new entrants and enhances Coinbase's competitive edges. Coinbase is currently the first and only listed crypto exchange, with a high level of compliance and an emphasis on asset security. The company has made significant investments in regulatory compliance (>15% of full-time employees were dedicated to legal, compliance, finance, and security as of Dec 2020). These investments allow Coinbase to become a trusted platform for both institutional and retail investors, improving its brand awareness and reducing its user acquisition costs.

Figure 16: Cryptoeconomy: recent regulations

Date	Authority	Regulations	Potential impact
Oct, 2021	Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency	Issued a joint report that recommended legislation that would subject stablecoin issuers and wallet providers to increased federal oversight	Substantial compliance costs to operationalize and comply with these rules
Apr, 2023	US SEC	SEC reopened a comment period for amendments to Rule 3b-16 under the Exchange Act, as amended, that could subject several cryptoeconomy participants and systems to registration or other operational compliance requirements under the Exchange Act.	Additional uncertainty and risk of increased operational costs
Sep, 2023	New York Department of Financial Services (NYDFS)	NYDFS proposed new guidance regarding the policies and procedures required for virtual currency business entities licensed in New York, such as Coinbase, Inc.	Changes to its business in such states as well as the risk of increased operational costs and the risk of enforcement actions
Oct, 2023	FinCEN of the US Department of the Treasury	FinCEN released a proposed rule that identifies virtual currency "mixing" as a class of transactions of primary money laundering concern and imposes heightened recordkeeping and reporting obligations for financial institutions with respect to those transactions.	Substantial costs to operationalize and comply with these rules.
TBD	Financial Crimes Enforcement Network (FinCEN) and Financial Action Task Force (FATF)	Impose the Funds Travel Rule and the Funds Transfer Rule (commonly referred to collectively as the Travel Rule) on financial service providers in the cryptoeconomy.	Substantial costs to operationalize and comply with the Travel Rule and may be further subject to administrative sanctions for technical violations or customer attrition

Source: Company data, the US SEC, the US FDIC, CMBIGM

Crypto asset: key catalysts

Several key events have supported the development of crypto asset ecosystem. 1) The US Fed started to cut Fund Rate in Sep 2024, which shall provide liquidity and improve crypto market sentiment. 2) The US SEC approved 11 Spot Bitcoin ETFs in January and 9 Spot Ethereum ETFs in July. And Coinbase was the custodian for 8 of the 11 Bitcoin ETFs and 8 of the 9 Ethereum ETFs. Bitcoin ETFs have already drawn c.US\$60bn funds into the crypto asset market. 3) Coinbase began to offer derivatives products to non-US and US retail customers in Oct and Nov 2023 respectively, which shall further boost Coinbase trading volume going forward (derivatives market for crypto represented 75% of all trading volume in 2023). Overall, underpinned by more explicit regulatory guidelines, enhanced liquidity and improved investor sentiment, market cap and trading volume of crypto assets increased significantly in 2024 YTD.

Figure 17: Crypto assets: major events

Date	Event
May, 2023	Coinbase launched the Coinbase International Exchange and began offering derivatives products to non-US institutional customers
Aug, 2023	Coinbase Financial Markets (CFM) received approval to offer futures to eligible US customers by the US National Futures Association.
Oct, 2023	Coinbase began offering perpetual futures trading to non-US retail customers
Nov, 2023	In November, CFM launched a derivatives offering to eligible US retail traders.
Jan, 2024	Coinbase announced that it was seeking to acquire an entity licensed under MiFID II, which would allow Coinbase to offer cryptocurrency derivatives to qualified customers in the European Union.

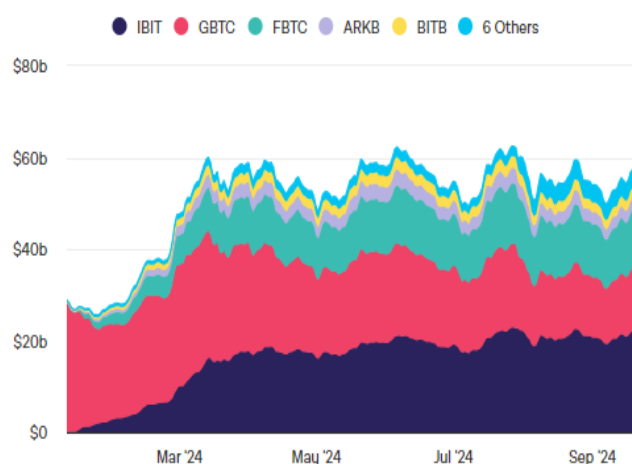
Jan, 2024	The US SEC simultaneously approved 11 spot BTC ETFs.
Mar, 2024	Sam Bankman-Fried, founder of the US cryptocurrency trading platform FTX, was sentenced to 25 years in prison in New York on the same day for stealing \$8 billion from FTX's clients.
Apr, 2024	Bitcoin halving milestone. The mining reward for the Bitcoin network was halved from 6.25 BTC to 3.125 BTC, with the last halving occurring on May 11, 2020.
May, 2024	The US Securities and Exchange Commission (SEC) approved the 19-b4 filing applications of Van Eck, BlackRock, Fidelity, Grayscale, Franklin Templeton, ARK21Shares, Invesco Galaxy, and Bitwise, effectively giving the green light for the issuance and listing of spot Ethereum ETFs.
Jul, 2024	According to SEC documents and exchange announcements, 8 applicant institutions officially approved the Ethereum spot ETF, and 9 ETFs can start trading on the three major exchanges
Sep, 2024	The Fed announced to cut Fund Rate by 50bps
Sep, 2024	The SEC approved the listing of BlackRock iShares spot Bitcoin ETF options on NASDAQ. The trading of this derivative still requires approval from the Office of the Superintendent of the Currency (OCC) and the Commodity Futures Trading Commission (CFTC) in the US.

Source: US SEC, company data, CMBIGM

Approval of Spot ETFs attracted incremental fund flows to crypto asset market

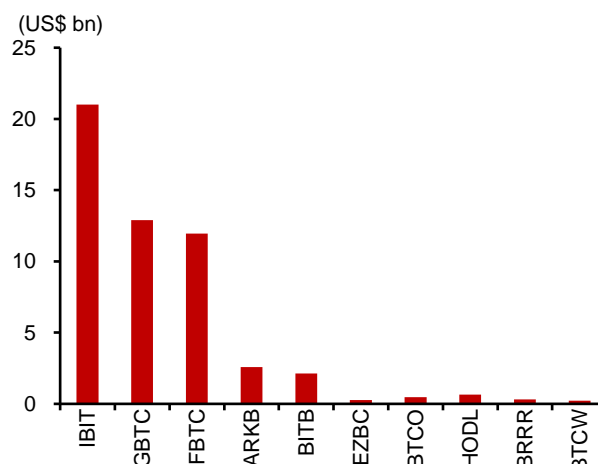
The approval of Spot Bitcoin ETFs by the US SEC in Jan 2024 has further drawn retail and institutional investors to participate in the crypto asset market. According to The Block, total Spot Bitcoin ETF AuM has climbed to c.US\$60bn in Sep 2024 (c.5% of total Bitcoin market cap). Blackrock/Grayscale/Fidelity are the top 3 issuers, the total AuM of which was US\$21.0/12.9/12.0bn.

Figure 18: Bitcoin: Spot ETF total AuM trend



Source: The Block, CMBIGM

Figure 19: Bitcoin: Spot ETF AuM (as of 18 Sep)



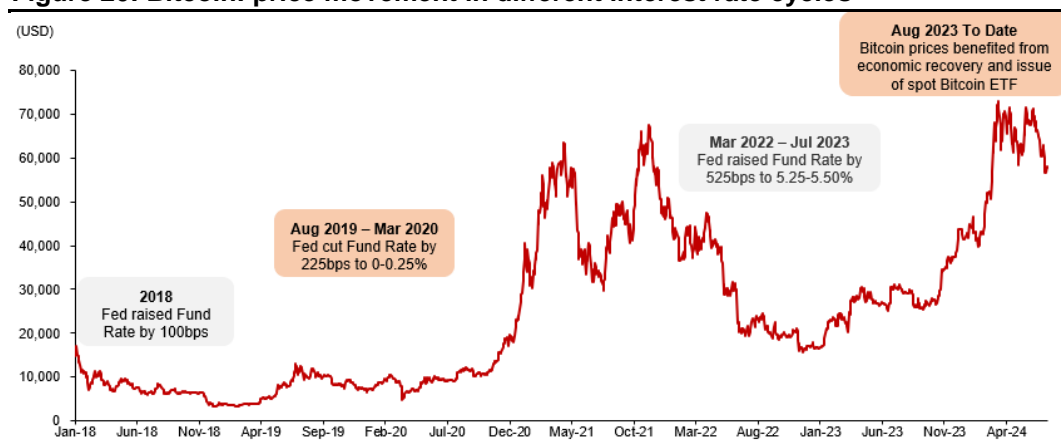
Source: Blockchaincenter, CMBIGM

Note: The assets under management (AUM) for spot bitcoin ETFs, namely BlackRock (IBIT), the Grayscale Bitcoin Trust (GBTC), Fidelity (FBTC), Ark Invest/21Shares (ARKB), Bitwise (BITB), Franklin (EZBC), Invesco/Galaxy (BTCO), VanEck (HODL), Valkyrie (BRRR), and WisdomTree (BTCW).

Declining interest rates help inject liquidity to the crypto asset market

Trading prices and volumes of crypto assets including Bitcoin depend on a number of factors, including market sentiment, regulations, monetary policies, level of interest rates and inflation. The sudden shifts in the US Fed's interest rate policy used to have a meaningful impact on crypto asset prices: 1) In 2018, during which the Fed raised Fund Rate by 100bps, Bitcoin prices declined by 75%; 2) From Aug 2019 to Mar 2020, the Fed cut funds rate by 225bps and started quantitative easing to combat economic shock due to Covid-19, while Bitcoin price reached a new high in Nov 2021 and was up by 549% since Aug 2019; 3) From Mar 2022 to Jul 2023, during which the Fed raised funds rate by 525bps amid rising inflation, Bitcoin price was down 34%; 4) From Aug 2023 to date, Bitcoin prices bottomed out and rose by over 100%, thanks to improving liquidity and sentiment in the crypto asset market, and also a more favourable regulatory environment (i.e. the approval of spot Bitcoin ETF issues in the US). As the US Fed started to cut Fund Rate in Sep 2024, we expect the easing environment to benefit crypto assets as well as Coinbase, which is a proxy to accessing crypto asset class.

Figure 20: Bitcoin: price movement in different interest rate cycles



Source: Company data, CMBIGM

Crypto asset exchanges: comparison

Binance, Coinbase, and OKX are the world's leading crypto asset exchanges that provide the highest liquidity. **1) Coinbase**, the first and only crypto exchange listed, has a high level of compliance and emphasizes asset security. It has one of the most advanced cybersecurity & cryptography technologies, and proprietary crypto compliance infrastructure which can analyse crypto asset transactions in real time on the blockchain. However, Coinbase has its weakness in terms of higher transaction fees and fewer types of crypto assets supported, compared to other exchanges. **2) Binance** is the largest crypto asset exchange globally, with the highest daily trading volume and liquidity. The exchange supports transactions of diversified crypto assets with attractive fees, but the exchange is also under scrutiny of the US SEC due to its certain compliance issues. **3) OKX** is the third largest exchange in term of liquidity. It offers user-friendly interface and an attractive fee structure for professional crypto asset investors. However, it has faced geographical restrictions and is unable to offer services in major markets such as the US and Canada.

Figure 21: Cryptocurrency exchange: comparison

Exchange	Daily trading volume (US\$bn)	Avg. liquidity	Weekly visits	Number of coins	Fiat supported
Binance	16.9	888	10,403.97	423	EUR, GBP, BRL and 8 more
Coinbase	2.3	765	32.05	255	USD, EUR, GBP
OKX	2.4	636	4,121.48	305	AED, ARS, AUD and 43 more
Bybit	5.9	620	4,724.63	660	USD, EUR, GBP and 3 more
Upbit	2.4	533	1,054.60	214	KRW

Source: CoinMarketCap, CMBIGM

Note: The avg. liquidity scores are calculated by an algorithm of CoinMarketCap which looks at the order books of every single market pair and simulates orders being sent into the book. The slippage of the orders sent are then tallied up and a score is produced.

Figure 22: Cryptocurrency exchange: comparison

Exchange	Headquarters	Establishment	Coverage area	Strength	Weakness	Asset security
Binance	Malta	July 2017	More than 200 countries and regions	Large trading volume, diverse crypto assets, and low transaction fees	Limited support for fiat currencies such as the US dollar or euro.	No built-in digital wallet for investors to store their encrypted assets. Established a user security asset fund to compensate for losses caused by security vulnerabilities, with a fund size of US\$1bn.
Coinbase	US	Jun 2012	More than 100 countries and regions	Strong compliance, high security, and can be used as a cryptocurrency wallet, strong support for fiat currency transactions.	Relatively expensive fees, fewer crypto assets, slow customer service	98% of customer funds are stored offline in cold wallets using multi signature technology. Coinbase's interception mechanism can prevent transactions from occurring before assets reaching sanctioned accounts.
OKX	Malta	May 2017	Nearly 180 countries and regions	User-friendly interface; suitable for large-scale BTC and ETH traders	Geographical restrictions, currently inaccessible to US and Canada users.	Cold wallet storage limit; Private key backup; access to decrypt passwords and key backups is assigned to four specially authorized employees
Bybit	UAE	Mar 2018	Nearly 150 countries and regions	Support high leverage options; advanced matching mechanism for real-time transaction execution.	Geographical restrictions, currently inaccessible to US users.	Divide its funds into cold wallet and hot wallet. Strengthen its security framework through SSL encrypted communication channels to protect data from potential online threats and phishing attempts.
Upbit	South Korea	Oct 2017	Nearly 120 countries and regions	Easy access; most active crypto asset platform in South Korea	Only support KRW as fiat currency	Storing customer funds in a multi signature wallet supported by BitGo

Source: CoinMarketCap, CMBIGM

On the pricing front, Coinbase was less competitive compared to its competitors like Binance, which has 1) higher liquidity and larger user base; 2) lower labour and compliance costs as it is registered in a country with less stringent regulatory and compliance requirements. Competitors like Binance, which is located outside of the US, tend to have greater ability to offer services at lower costs and have greater flexibility to explore new product offerings.

That said, over the long term, we expect the regulations to be more consistent for platforms that are registered in or outside the US. Platforms like Binance that are not registered in the US may also need to improve its compliance level, in order to reach a greater user base. Coinbase, as currently the only listed crypto exchange trusted by both institutional and retail investors, is better positioned to capture the opportunity due to that the mainstream investment community is taking crypto assets as a more important asset class.

Figure 23: Cryptocurrency exchange: pricing comparison

Binance			Coinbase		
Tier (30 day volume)	Maker	Taker	Tier (30 day volume)	Maker	Taker
US\$<1mn	0.100%	0.100%	US\$<10K	0.400%	0.600%
US\$1-5mn	0.090%	0.100%	US\$10K-\$50K	0.250%	0.400%
US\$5-20mn	0.080%	0.100%	US\$50K-\$100K	0.150%	0.250%
US\$20-75mn	0.040%	0.060%	US\$100K-\$1M	0.100%	0.200%
US\$75-150mn	0.040%	0.052%	US\$1M-\$15M	0.080%	0.180%
US\$150-400mn	0.025%	0.031%	US\$15M-\$75M	0.060%	0.160%
US\$400-800mn	0.020%	0.029%	US\$75M-\$250M	0.030%	0.120%
US\$800-2000mn	0.019%	0.028%	US\$250M-\$400M	0.000%	0.080%
US\$2000-4000mn	0.016%	0.025%	US\$>400M	0.000%	0.050%
US\$>4000mn	0.011%	0.023%			

Source: Company data, CMBIGM

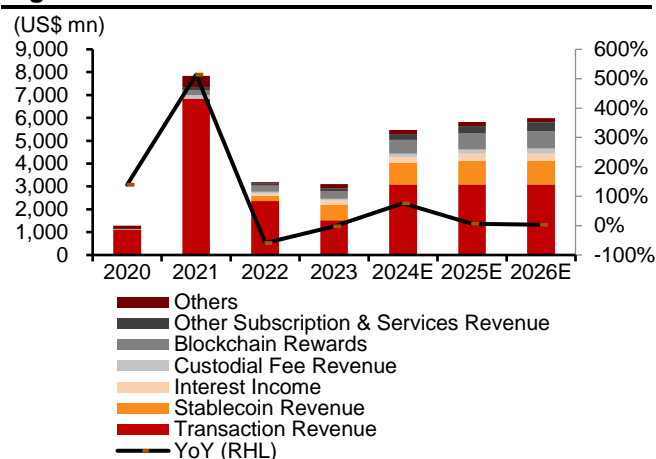
Note: When a user places an order at the market price that gets filled immediately, the user is considered a taker; when a user places an order which is not immediately matched by an existing order, that order is placed on the order book and the user is considered the maker.

Business segment analysis and financial forecast

We forecast Coinbase total revenue to rebound by 76% YoY to US\$5.5bn in 2024E, primarily driven by the strong trading volume growth on higher crypto asset prices and improving crypto market sentiment. By segment, we estimate transaction/subscription & services revenue to increase by 103/56% YoY respectively in 2024E, representing 57/40% of total revenue. Underpinned by the strong revenue growth and operating leverage, we expect Coinbase net margin to improve from 3.1% in 2023 to 25.6% in 2024E.

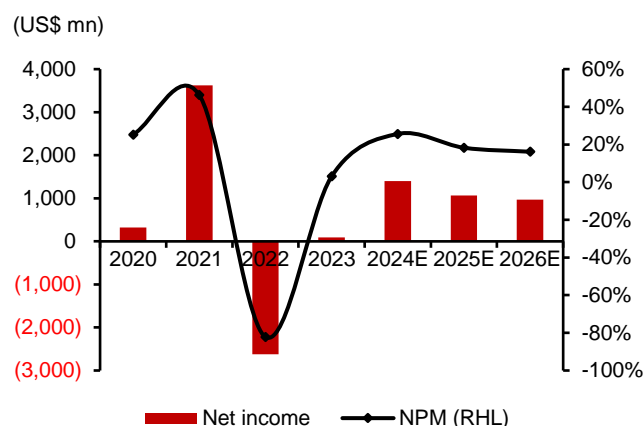
High volatility of the crypto assets market leads to fluctuations in Coinbase profitability. Coinbase continues to improve its business model and increase revenue contribution of subscription & service segment (7% in 2021 to 40% in 2024E), in order to smooth out its financial performance.

Figure 24: Coinbase: revenue trend



Source: Company data, CMBIGM estimates

Figure 25: Coinbase: net income



Source: Company data, CMBIGM estimates

Figure 26: Coinbase: key financial forecast

(US\$ mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total revenue	7,839	3,194	3,108	5,469	5,825	5,994
YoY	513.7%	-59.3%	-2.7%	75.9%	6.5%	2.9%
Transaction Revenue	6,837	2,356	1,520	3,090	3,090	3,090
YoY	523.7%	-65.5%	-35.5%	103.3%	0.0%	0.0%
Consumer	6,491	2,237	1,429	2,822	2,822	2,822
YoY	524.0%	-65.5%	-36.1%	97.4%	0.0%	0.0%
Institutional	346	119	90	180	180	180
YoY	519.1%	-65.5%	-24.5%	100.0%	0.0%	0.0%
Subscription & Services Revenue	517	793	1,407	2,197	2,553	2,723
YoY	1050.2%	53.2%	77.5%	56.1%	16.2%	6.6%
Stablecoin Revenue	0	246	694	931	1,031	1,028
YoY	0.0%	0.0%	182.5%	34.2%	10.7%	-0.3%
Interest Income	26	81	174	274	312	321
YoY	0.0%	0.0%	114.1%	57.7%	13.8%	2.9%
Custodial Fee Revenue	136	80	70	137	178	214
YoY	634.3%	-41.4%	-13.0%	97.3%	30.0%	20.0%
Blockchain Rewards	223	276	331	605	708	755
YoY	2042.1%	23.5%	20.1%	82.8%	17.0%	6.7%
Gross profit margin	83.8%	80.3%	86.5%	86.5%	85.0%	84.5%
S&M expense ratio	8.5%	16.0%	10.7%	10.5%	11.0%	11.5%
R&D expense ratio	16.5%	72.8%	42.6%	26.5%	26.0%	26.0%
G&A expense ratio	11.6%	50.1%	33.5%	23.0%	23.5%	23.5%
Net income margin	46.2%	-82.2%	3.1%	25.6%	18.3%	16.2%
Net income	3,624	-2,625	95	1,401	1,065	968

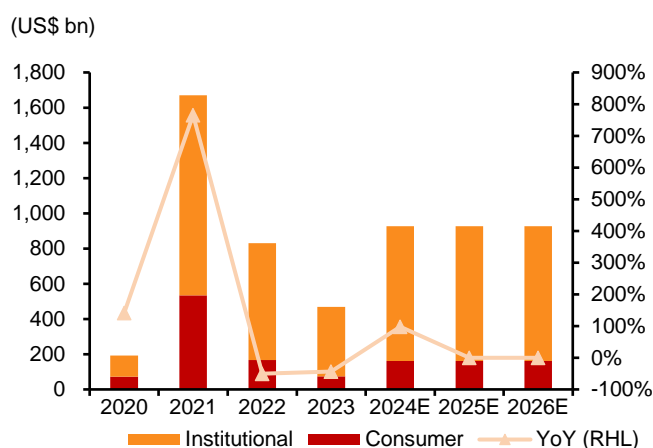
Source: Company data, CMBIGM estimates

Transaction revenue (57% of FY24E revenue)

Coinbase's trading volume saw meaningful improvement in 1H24, up 127% YoY to US\$538bn, thanks to the increase in crypto asset volatility, increase in crypto market cap, and Coinbase's market share gains. Per Coinbase's internal measure, crypto asset volatility and market cap increased by 23% and 96% YoY respectively. And Coinbase trading volume growth in 1H24 (+127% YoY) outpaced the 80% growth in US spot market trading volume, which implies market share gains of Coinbase.

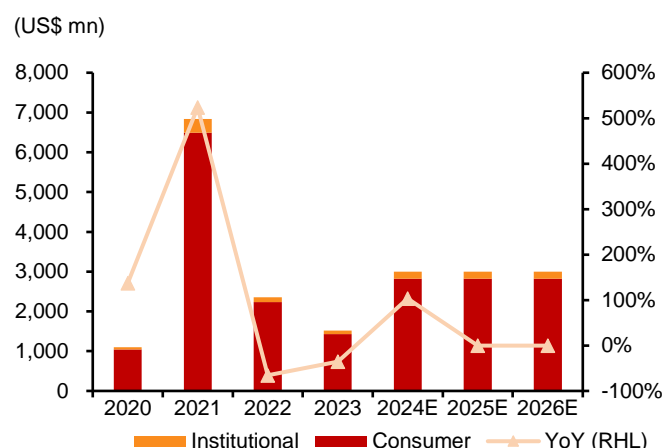
Looking ahead, as the US Fed started to cut Fund Rate in Sep 2024, we expect this to provide liquidity and improve crypto market sentiment. We forecast trading volume to grow by 98% YoY to US\$928bn, and transaction revenue to increase by 103% YoY to US\$3.1bn in 2024E.

Figure 27: Coinbase: transaction volume



Source: Company data, CMBIGM estimates

Figure 28: Coinbase: transaction revenue

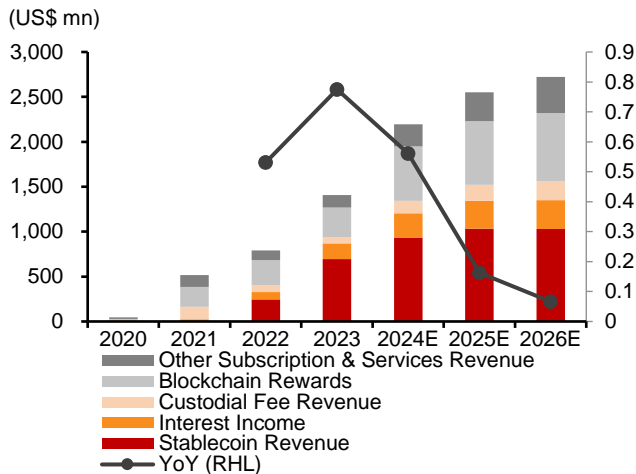


Source: Company data, CMBIGM estimates

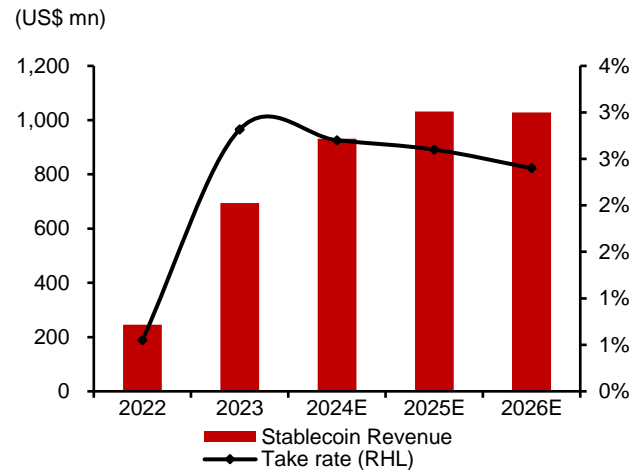
Subscription and others revenue (40% of FY24E revenue)

Total subscription and services revenue maintained healthy growth in 1H24, up 59% YoY to US\$1.1bn, primarily driven by growth in stablecoin revenue and blockchain rewards. Stablecoin revenue grew by 25% YoY to US\$438mn in 1H24, primarily attributable to the higher interest rates and higher on-platform USDC balance. Blockchain reward revenue increased by 108% YoY to US\$336mn in 1H24, mainly driven by higher average prices for Ethereum and Solana, but partially offset by lower reward rates.

We forecast Stablecoin revenue to grow by 34% YoY to US\$931mn in 2024E, mainly driven by growth in on-platform USDC balance. We expect stablecoin revenue to become a stable revenue source for Coinbase as USDC becomes a more prominent stablecoin in the crypto asset market.

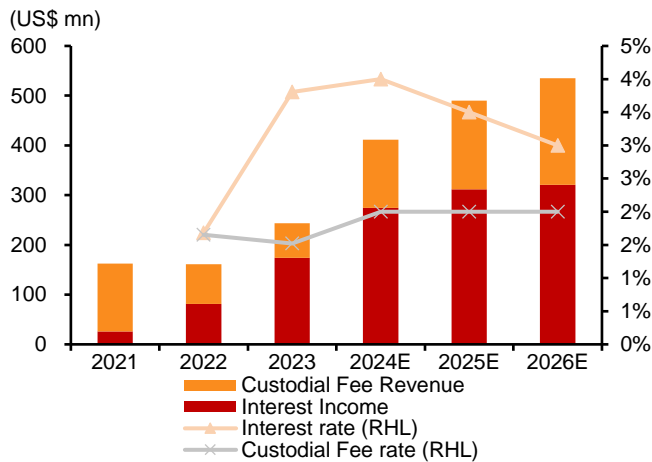
Figure 29: COIN: subscription & services revenue

Source: Company data, CMBIGM estimates

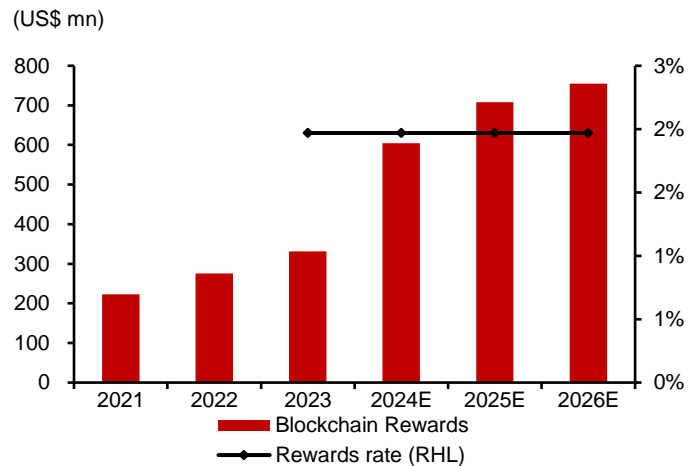
Figure 30: COIN: stablecoin revenue

Source: Company data, CMBIGM estimates

We forecast blockchain reward revenue to increase by 83% YoY to US\$605mn in 2024E, mainly attributable to the total amount of assets staked on Coinbase, partially offset by a gradual decline in reward rate. We expect custodial fee revenue to grow by 97% YoY to US\$137mn in 2024E, driven by growth in crypto assets under custody of Coinbase.

Figure 31: COIN: custodial fee & interest income

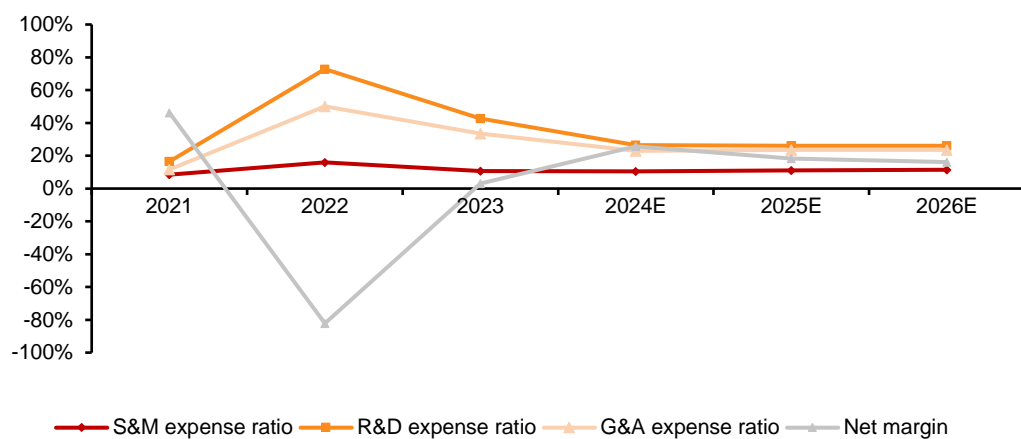
Source: Company data, CMBIGM estimates

Figure 32: COIN: blockchain reward

Source: Company data, CMBIGM estimates

Margin trend analysis

Coinbase' margin is relatively volatile due to its business model and high volatility of crypto asset prices. Coinbase net margin dropped to -82% in 2022 as the significant decline in trading volume (-50% YoY) and total revenue (-59% YoY) led to operating leverage. Opex as % of total revenue increased from 37% in 2021 to 139% in 2022. Nonetheless, as the crypto asset market recovers, Coinbase can unleash its operating leverage on reaccelerating total revenue growth (2024E: +76% YoY). We forecast net margin to improve from 3.1% in 2023 to 25.6% in 2024E, with opex as % of total revenue down from 87% in 2023 to 60% in 2024E.

Figure 33: Coinbase: margin trend

Source: Company data, CMBIGM estimates

Valuation

We value Coinbase at US\$61.6bn (US\$250.0 per share) based on SOTP valuation, comprising: 1) transaction business of US\$48.2bn (78% of total valuation) based on 24.0x FY25E EV/EBITDA, a premium over average EV/EBITDA of traditional exchanges/brokers (17x), given its business remains at a nascent stage with a longer growth runway; 2) custodial and asset management business of US\$4.7bn (8% of total valuation) based on 11x FY25E EV/EBITDA (on par with asset management companies); 3) interest and stablecoin business of US\$4.0bn (7% of total valuation) based on 3x FY25E EV/Sales (on par with banks); and 4) net cash of US\$4.6bn (7% of total valuation).

Figure 34: Coinbase: SOTP valuation

	FY25E Rev	FY25E EBITDA	Methodology	Multiple	Valuation	As % of total valuation
Transaction	3,090	2,009	EV/EBITDA	24.0x	48,206	78%
Custodial, blockchain rewards and other revenue	1,210	431	EV/EBITDA	11.0x	4,737	8%
Interest Income & stablecoin revenue	1,343		EV/Sales	3.0x	4,030	7%
Enterprise Value (US\$mn)					56,973	93%
Net cash (US\$mn)					4,601	7%
Equity Value (US\$mn)					61,574	
Target Price (US\$)					250.0	

Source: CMBIGM estimates

Figure 35: Coinbase: valuation comparison

Companies	Ticker	Price (Local)	EV/Sales (x)			EV/EBITDA (x)		
			2024E	2025E	2026E	2024E	2025E	2026E
Exchange/broker								
CME Group	CME US	223.6	13.3	13.0	12.4	18.1	18.0	17.0
Interactive Broker	IBKR US	153.8	12.3	12.1	11.2	17.5	17.3	16.4
ICE	ICE US	154.6	11.9	11.2	10.6	18.3	17.1	15.9
NASDAQ	NDAQ US	74.3	11.3	10.7	9.8	20.2	18.5	16.8
Schwab	SCHW US	70.9	7.6	6.8	6.1	15.0	13.1	11.3
Average			11.3	10.8	10.0	17.8	16.8	15.5
Asset manager								
Blackrock	BLK US	985.1	7.2	6.3	5.7	17.1	14.8	15.0
T Rowe Price	TROW US	112.1	3.2	3.1	3.0	8.2	8.0	7.7
Artisan	APAM US	44.5	3.4	3.1	NA	9.7	8.9	8.4
Franklin Resource	BEN US	20.8	2.2	2.2	2.1	10.2	9.1	8.7
Invesco	IVZ US	17.8	2.5	2.3	2.2	10.3	9.4	8.7
Apollo Global	APO US	141.0	4.6	5.1	4.0	16.4	14.1	9.8
Average			3.9	3.7	3.4	12.0	10.7	9.7
Banking								
Wells Fargo	WFC US	64.7	2.4	2.4	2.3	NA	NA	NA
JP Morgan	JPM US	222.9	2.0	2.1	2.0	NA	NA	NA
Bank of America	BAC US	41.8	4.1	4.0	3.8	NA	NA	NA
Citi Group	C US	63.7	3.6	3.5	3.4	NA	NA	NA
Average			3.0	3.0	2.9	NA	NA	NA

Source: Bloomberg, CMBIGM

Note: data are as of 1 Nov 2024

Risks

Earnings fluctuation due to volatile crypto asset prices

Coinbase's total revenue and earnings performance is highly dependent on the prices and trading volume of crypto assets. And crypto asset prices and trading volume are subject to significant volatility. For example, the annualized return volatility of Bitcoin was 69% from 2018 to date, per Wind. As a result, Coinbase's financial performance could fluctuate significantly due to the fluctuation of crypto asset prices. In 2022, during which Bitcoin prices dropped by 64%, Coinbase's total trading volume/revenue/net income was down by 50/59/82% YoY. That said, we expect Coinbase to gradually reduce its performance dependence on crypto assets as it diversifies revenue sources and increases subscription revenue contribution (FY21/22/23: 2/3/4%).

Uncertain regulatory landscape may impact operations

The regulatory landscape of crypto economy is evolving and highly uncertain, and Coinbase is subject to a number of rules and regulations. 1) The US SEC, in Apr 2023, reopened a comment period for amendments to Rule 3b-16 under the Exchange Act, that could subject several crypto economy participants to registration or other operational compliance requirements under the Exchange Act. If the SEC's proposed amendment is adopted, Coinbase could face additional uncertainty and operational costs. 2) The New York Department of Financial Services (NYDFS), in Sep 2023, proposed new guidance regarding the policies and procedures required for virtual currency business entities licensed in New York, such as Coinbase. This guidance could result in changes to Coinbase business in certain states as well as the risks of increased operational costs and enforcement actions. 3) FinCEN, a US Treasury Department bureau, in Oct 2023, released a proposed rule that identifies virtual currency mixing as a class of transactions of primary money laundering concern and imposes heightened recordkeeping and reporting obligations for financial institutions with respect to those transactions. 4) The US Federal Deposit Insurance Corporation (FDIC), in Oct 2021, issued a joint report that recommended legislation that would subject stablecoin issuers and wallet providers to increased federal oversight, and Coinbase may face substantial compliance costs to operationalize and comply with these rules.

Highly competitive and dynamic crypto economy

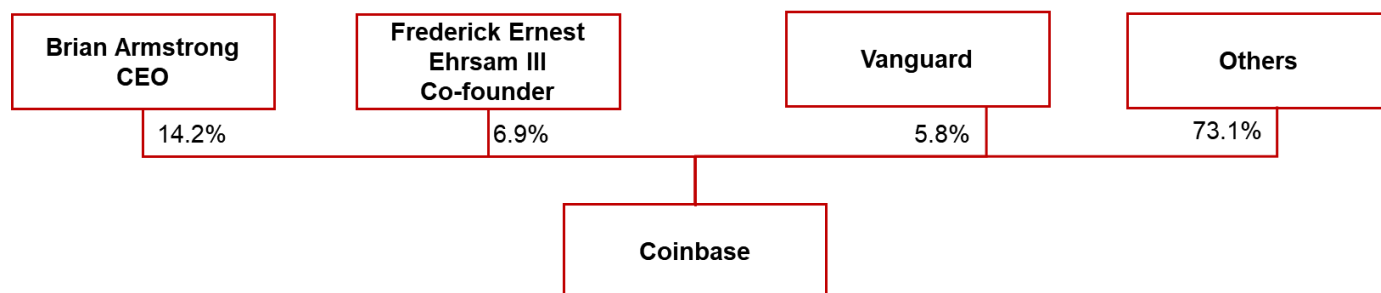
Coinbase's major source of competition comes from certain crypto asset exchange platforms which are located/registered outside the US and may face less stringent regulatory and compliance requirements in their local jurisdictions. Thus, these competitors may have advantages against Coinbase, including: 1) the ability to trade crypto assets and offer products that Coinbase does not support due to constraints from the US or other regulatory authorities; 2) lower labour, compliance, risk mitigation, and R&D costs; 3) established core business models outside of the trading of crypto assets; and 4) greater flexibility to explore new product offerings.

Interest rate fluctuations impacting revenue growth and profitability

The level of short-term interest rates affects Coinbase's revenue and profitability, as a large portion of its revenue comes from interest earned from deposit funds and from stablecoin revenue, which is derived from interest earned on USDC reserve balance. Stablecoin revenue, interest income and custodial fee revenue together accounted for 30% of total revenue in FY23. When short-term interest rates decline, Coinbase revenue derived from interest correspondingly declines and this also negatively impacts profitability.

Appendix

Figure 36: Coinbase: shareholding structure (Mar 2024)



Source: Company data, CMBIGM

Figure 37: Coinbase: Management profile

Name	Position	Prior experience
Brian Armstrong	Co-founder, CEO and Chair	Brian Armstrong is Coinbase's co-founder and has served as Chief Executive Officer and a member of Coinbase's Board of Directors since Coinbase's inception in May 2012 and as Chairman of Board of Directors since February 2021. Before Coinbase's founding, Mr. Armstrong served as a software engineer at Airbnb, Inc., an online marketplace company, from May 2011 to June 2012. In January 2020, Mr. Armstrong founded ResearchHub Technologies, Inc., a scientific research development platform, where he currently serves as Chief Executive Officer and a member of the board of directors. In December 2021, Mr. Armstrong co-founded NewLimit, Inc., a healthcare research company, where he is an investor and a member of the board of directors. Mr. Armstrong holds a B.A. in Computer Science and Economics and an M.S. in Computer Science from Rice University.
Emilie Choi	President and Chief Operating Officer	Emilie Choi has served as Chief Operating Officer since June 2019 and President since November 2020. Ms. Choi previously served as Vice President of Business, Data and International, from March 2018 to June 2019. Ms. Choi has served as a member of the board of directors of Okta, Inc., an identity and access management company, since August 2022. Ms. Choi previously served as a member of the board of directors of ZipRecruiter, Inc., a jobs marketplace, from May 2021 to August 2022, Naspers Limited, a global internet group, from April 2017 to August 2021, and Prosus N.V., the international internet assets division of Naspers Limited, from April 2017 to August 2021. Ms. Choi holds a B.A. in Economics from the Johns Hopkins University and an M.B.A. from the Wharton School at the University of Pennsylvania.
Alesia Haas	Chief Financial Officer	Alesia Haas has served as Coinbase's Chief Financial Officer since April 2018. Prior to joining Coinbase, Ms. Haas served as the Chief Financial Officer for Sculptor Capital Management, Inc. (formerly Och Ziff Capital Management Group LLC), a global institutional alternative asset manager, from December 2016 to April 2018. Ms. Haas has served as a member of the board of directors of ANGI Homeservices Inc., an internet services company, since September 2017, and Vimeo, Inc., a video software company, since May 2021. Ms. Haas previously served as a member of the board of directors of Sears Holding Corp., a retail holding company, from February 2016 to December 2016. Ms. Haas holds a B.S. in Business Administration from California Polytechnic State University, San Luis Obispo.
Max Branzburg	VP, Product	Max Branzburg serves as Coinbase's VP, Product Management where he oversees all product development and growth for Coinbase's consumer products. Prior to joining Coinbase, Mr. Branzburg co-founded and built Google Pay India, a payments app built from the ground up for India, now with over 100M active Coinbaseers. Prior to Google, Mr. Branzburg worked at global consulting firm Booz & Company, where he focused on M&A, international expansion, and product strategy for global technology and energy companies. Mr. Branzburg holds a BA in Public Policy and International Affairs from Princeton University.

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	7,839	3,194	3,108	5,469	5,825	5,994
Cost of goods sold	1,268	630	421	740	874	929
Gross profit	6,572	2,564	2,688	4,728	4,951	5,065
Operating expenses	3,495	5,275	2,849	3,281	3,524	3,657
Selling expense	664	510	332	574	641	689
Admin expense	909	1,601	1,041	1,258	1,369	1,409
R&D expense	1,292	2,326	1,325	1,449	1,514	1,559
Others	630	838	151	0	0	0
Operating profit	3,077	(2,710)	(162)	1,447	1,427	1,409
Other income	(20)	(265)	168	109	(58)	(120)
Net Interest income/(expense)	(29)	(89)	(83)	(82)	(116)	(150)
Pre-tax profit	3,027	(3,065)	(77)	1,475	1,252	1,139
Income tax	(597)	(440)	(172)	74	188	171
After tax profit	3,624	(2,625)	95	1,401	1,065	968
Net profit	3,624	(2,625)	95	1,401	1,065	968

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	18,374	86,448	203,467	207,397	210,604	213,312
Cash & equivalents	7,123	4,425	5,139	6,430	7,558	8,491
Restricted cash	31	26	23	23	23	23
Account receivables	305	404	362	611	625	617
Other current assets	10,915	81,593	197,942	200,333	202,398	204,181
Non-current assets	2,901	3,277	3,516	3,616	3,650	3,724
PP&E	59	172	193	292	327	400
Right-of-use assets	98	69	13	13	13	13
Intangibles	177	135	86	86	86	86
Goodwill	626	1,074	1,140	1,140	1,140	1,140
Other non-current assets	1,941	1,826	2,085	2,085	2,085	2,085
Total assets	21,274	89,725	206,983	211,013	214,255	217,035
Current liabilities	11,419	80,815	197,714	200,343	202,520	204,333
Account payables	479	387	486	830	950	980
Other current liabilities	10,907	80,394	197,217	199,502	201,559	203,342
Lease liabilities	32	34	11	11	11	11
Non-current liabilities	3,474	3,455	2,987	2,987	2,987	2,987
Long-term borrowings	3,385	3,393	2,980	2,980	2,980	2,980
Obligations under finance leases	74	42	4	4	4	4
Other non-current liabilities	15	20	3	3	3	3
Total liabilities	14,893	84,270	200,701	203,330	205,508	207,320
Share capital	2,035	3,768	4,492	4,492	4,492	4,492
Retained earnings	4,350	1,725	1,820	3,221	4,286	5,254
Other reserves	(3)	(39)	(30)	(30)	(30)	(30)
Total shareholders equity	6,382	5,455	6,282	7,683	8,747	9,715
Total equity and liabilities	21,274	89,725	206,983	211,013	214,255	217,035

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	3,027	(3,065)	(77)	1,475	1,252	1,139
Depreciation & amortization	64	154	140	120	82	47
Change in working capital	(290)	(1,153)	(191)	(11)	98	38
Others	1,238	2,478	1,051	(74)	(188)	(171)
Net cash from operations	4,038	(1,585)	923	1,510	1,244	1,053
Investing						
Capital expenditure	(25)	(64)	(63)	(219)	(116)	(120)
Acquisition of subsidiaries/ investments	(71)	(186)	(31)	0	0	0
Net proceeds from disposal of short-term investments	5	2	0	0	0	0
Others	(1,034)	(415)	99	0	0	0
Net cash from investing	(1,125)	(664)	5	(219)	(116)	(120)
Financing						
Net borrowings	3,400	(0)	(324)	0	0	0
Proceeds from share issues	217	51	48	0	0	0
Share repurchases	(263)	(352)	(278)	0	0	0
Others	6,622	(5,538)	(257)	0	0	0
Net cash from financing	9,976	(5,839)	(811)	0	0	0
Net change in cash						
Cash at the beginning of the year	1,062	7,123	4,425	5,139	6,430	7,558
Exchange difference	(65)	(163)	9	0	0	0
Cash at the end of the year	7,123	4,425	5,139	6,430	7,558	8,491

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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