

Coinbase

Financial analysis and valuation

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Richard Fetyko, CEO and Founder of altFINS (scan analyze and trade crypto)

While many platforms focus on trade execution, liquidity, best price, etc, altFINS is unique in that it focuses on pre-trade analytics and workflow. It helps active crypto traders scan the market for trading ideas and create investment strategies. It's the only tool that uses AI to automatically detect chart patterns with predictions.

Mr. Fetyko spent 14 years on Wall Street as an equity research analyst at investment banks like Janney Montgomery Scott, covering Internet and Tech sectors, and then 7 years as a portfolio manager at a family fund Twin Capital.

Mr. Fetyko caught the crypto bug in 2017 during the ICO craze. Frustrated with a lack of robust analytical tools that he was used to working with (Bloomberg, etc.), he decided to develop one. altFINS launched in Beta last year and recently went live.

Coinbase is a leading retail crypto trading venue but it is sowing seeds to become far more than that. When Amazon started with selling books, no one expected it to become the largest e-com marketplace and cloud tech provider within 20 years. **Coinbase has a legit shot at greatness.**

Coinbase is arguably a better investment than Bitcoin because it can grow through Bitcoin's peaks and valleys.

Coinbase revenues should well outpace growth in Bitcoin's price.

We see the potential for Coinbase valuation to reach \$500B within 2-3 years and \$1T within 5 years.

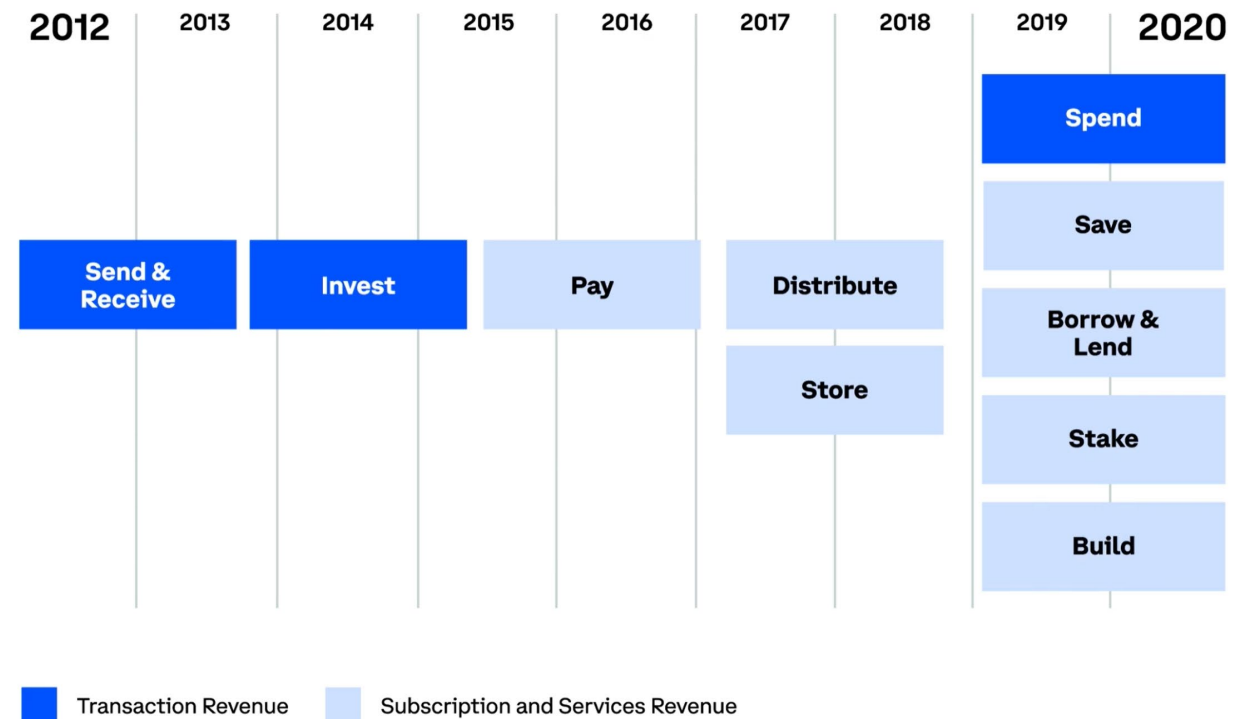
Core: fiat onramp and buy / sell crypto

- Provides users access to crypto assets and services via a simple UI
- Enables users to deposit fiat money and buy/sell cryptocurrencies, while handling all the cyber security and transaction complexities.
- Serves many roles within the traditional financial service sector (fiat onramp into crypto ecosystem, exchange, broker, bank, custodian), plus a growing role as a fintech platform for developers in the ecosystem
- **Mislabeled as an exchange**
 - Exchanges don't have direct end user relationships (56M verified users)
 - Exchanges don't custody assets
 - Exchanges don't provide other services to users like interest earning, staking, asset transfers, payments, debit cards, coin launch and issuance, etc.

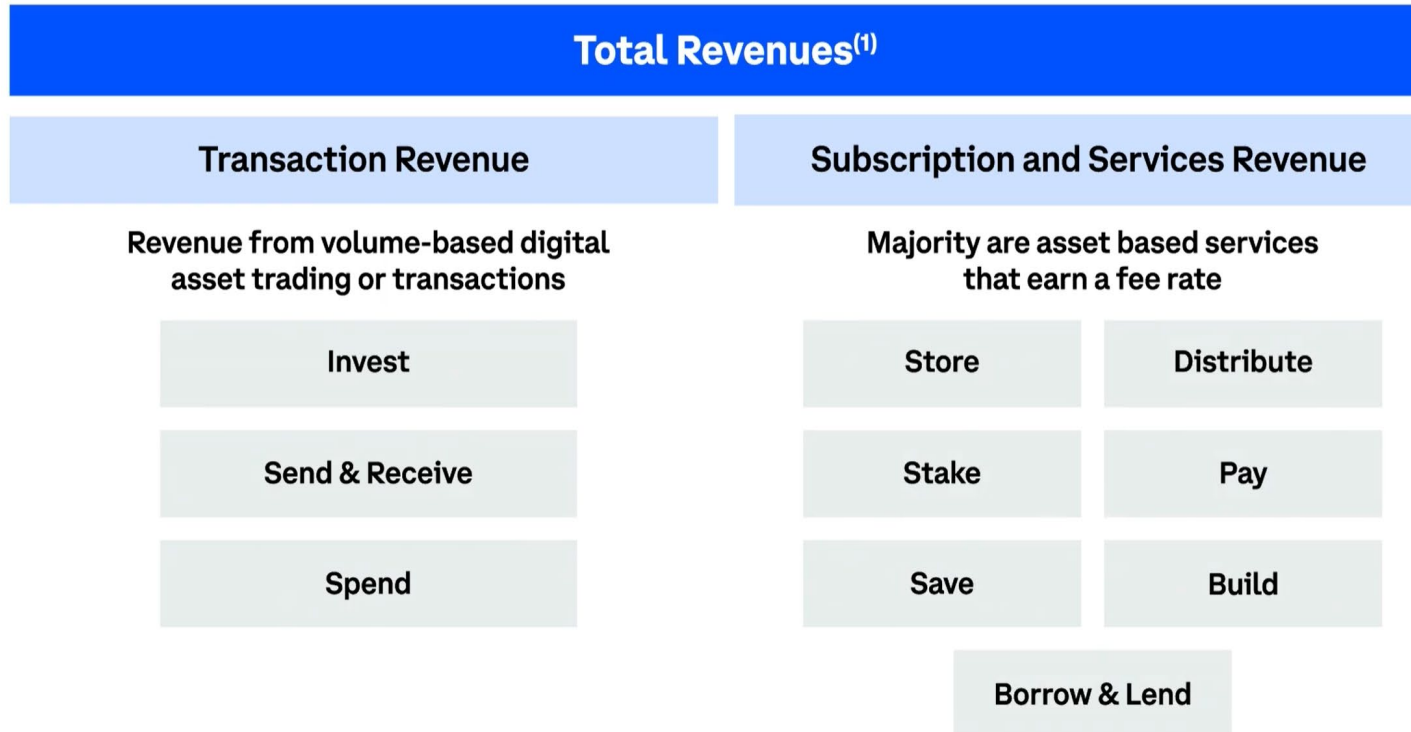
Expanding fintech services stack

Coinbase Product Portfolio Overview

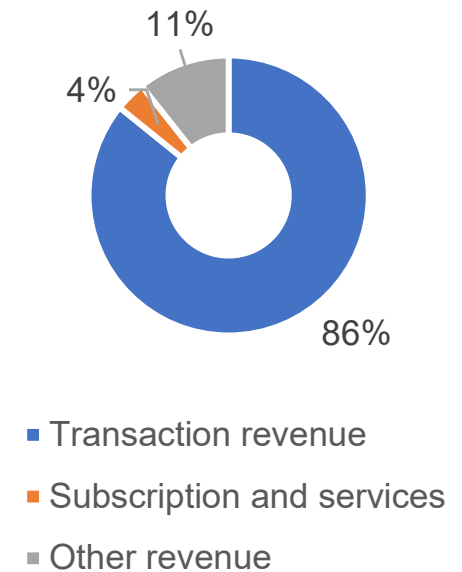
	Retail Users	Institutions	Ecosystem Partners
Transaction Revenue			
Invest	●	●	
Spend	●		
Send & Receive	●	●	●
Subscription & Services			
Store		●	●
Save	●		
Stake	●	●	
Borrow & Lend	●	●	
Distribute			●
Build			●
Pay			●



Diversifying but 96% still from trading fees (transaction & other revenue)



Main Revenue Sources



⁽¹⁾ Includes "Other Revenue" comprised of interest income and the sale of crypto assets where Coinbase is the principal in the transaction.

New revenue sources – big opportunity

Product	Revenue		2019	2020	Y/Y	
Store	Custodial fee	Based on % of daily value of customer crypto assets in dedicated cold storage.	3.0	18.6	517%	
Stake	Staking	Driven by quantity, price, and rewards rate of the staked crypto asset.	0.2	10.4	5439%	
Distribute	Earn campaign	Provide asset issuers with a platform to engage with our users through educational videos and tasks where users can earn crypto assets that they learn about. Earn a commission.	0.1	7.7	6498%	
	Interest income	Interest earned on customers' cash (down in 2020 due to lower prevailing interest rates)	14.4	5.5	-62%	
Build	Other subs & services	Generate license revenue from Coinbase Analytics service.	2.2	2.8	25%	
			Total subs & services	19.9	45.0	126%

Strong secular drivers and some company specific drivers

- **Secular drivers**

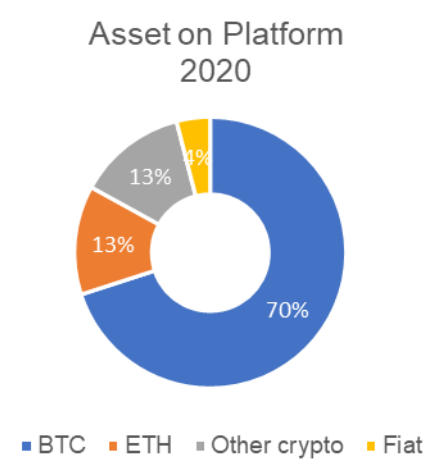
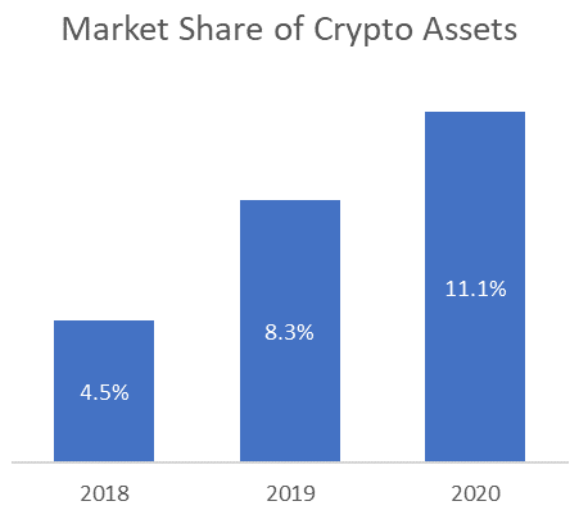
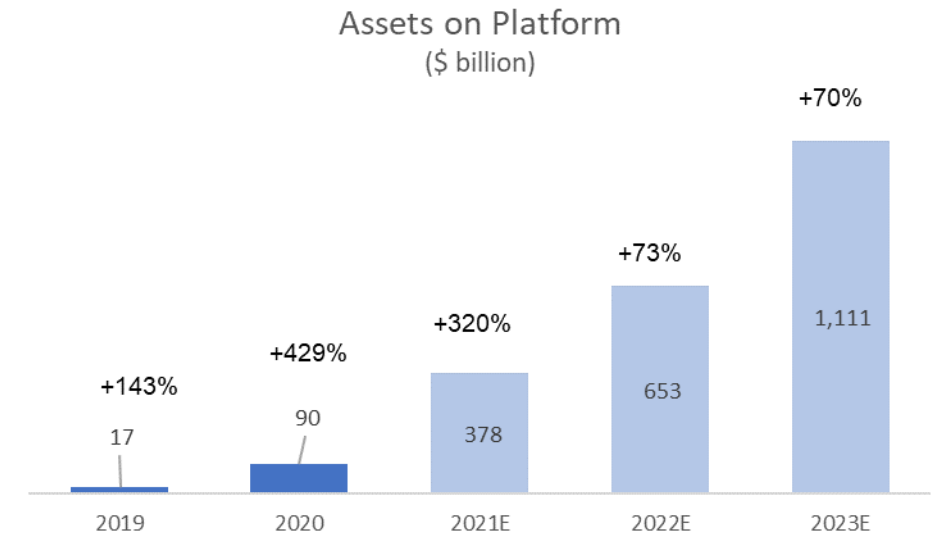
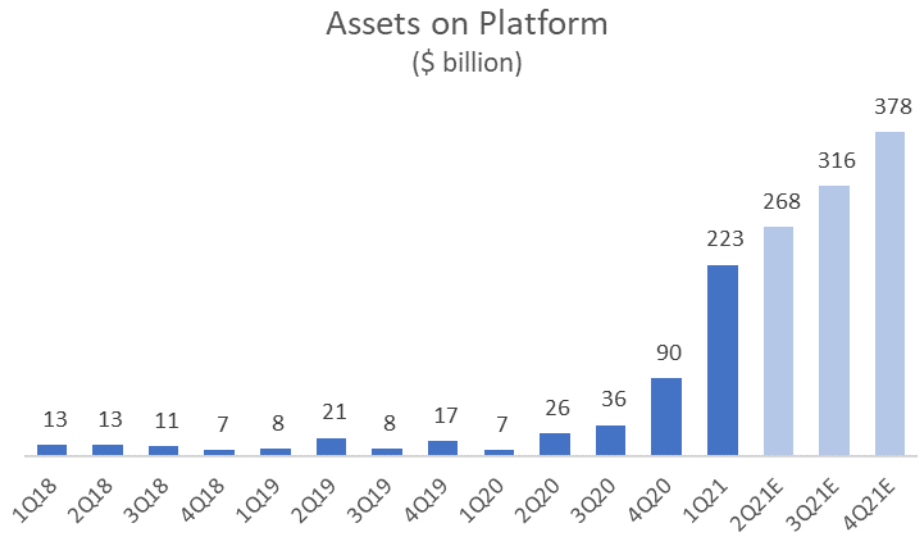
- Crypto adoption by mainstream as investment diversification and inflation protection
- Rising allocation of investment assets (retail and institution) as a % of total
- DeFi (Decentralized Finance) applications disrupting banking sector

- **Company specific activities:**

- More customers
- More digital assets
- New products

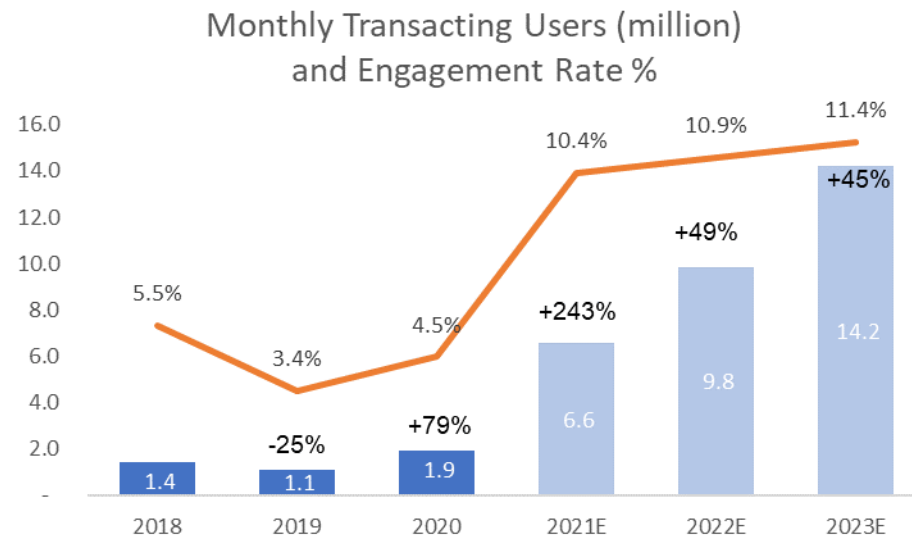
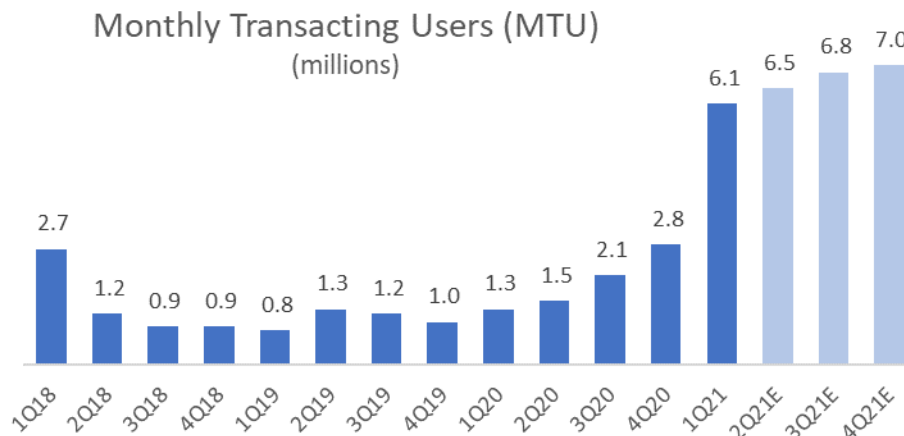
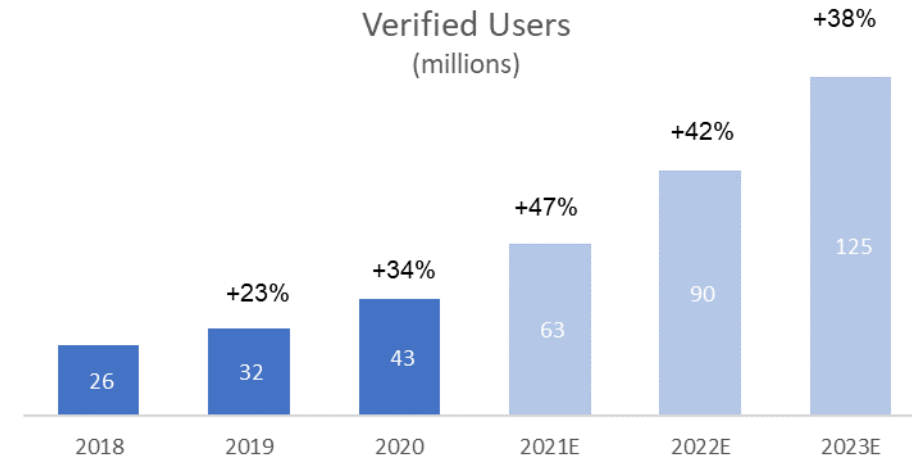
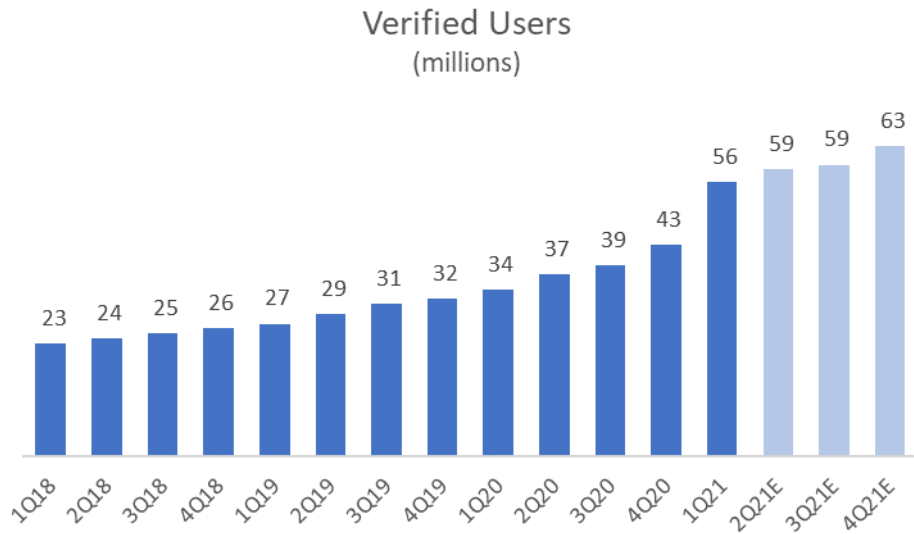
Assets on Platform

Growing with both Retail and Institutional account additions, higher prices of crypto assets, and greater allocations of assets from customers



Retail Segment (95% of Transaction revs)

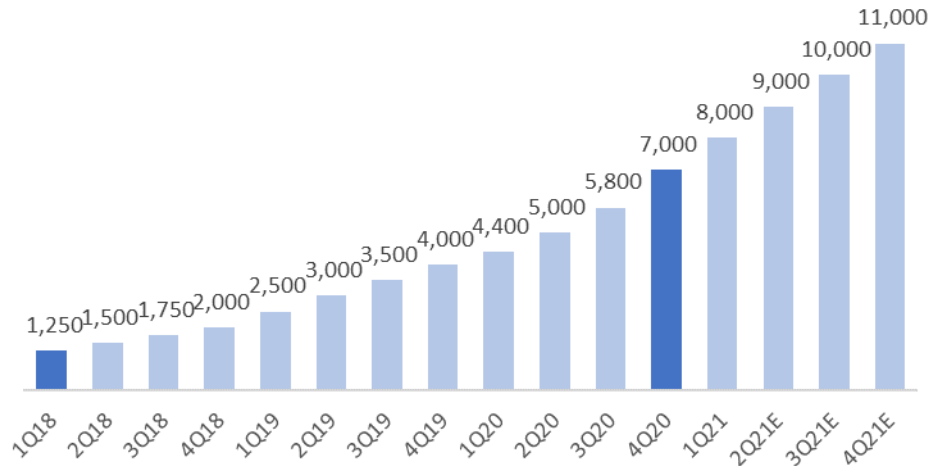
Retail investors adopted crypto well ahead of institutions. Still bread & butter for Coinbase and a user base for new fin srvcs (lend, borrow, stake, payments, cards...)



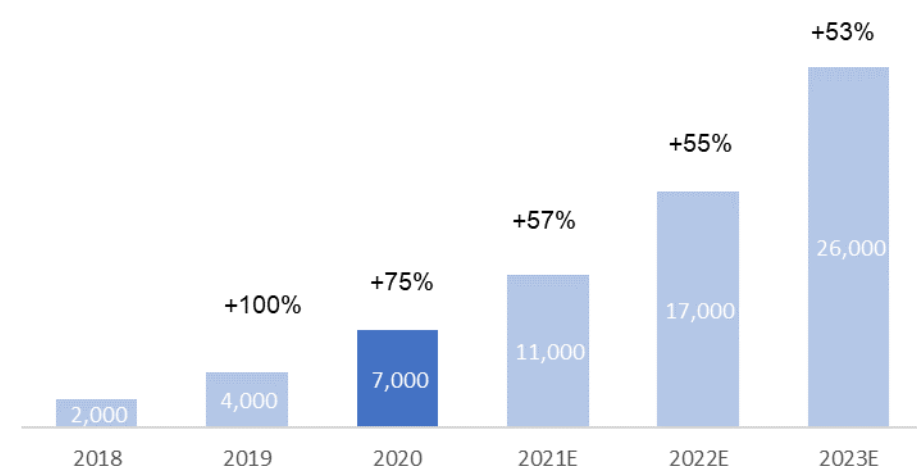
Institutional (5% of Transaction revs)

Institutional investors ramping up quickly as Coinbase added custody and Coinbase Pro trading, plus expanded sales & marketing targeting institutions.

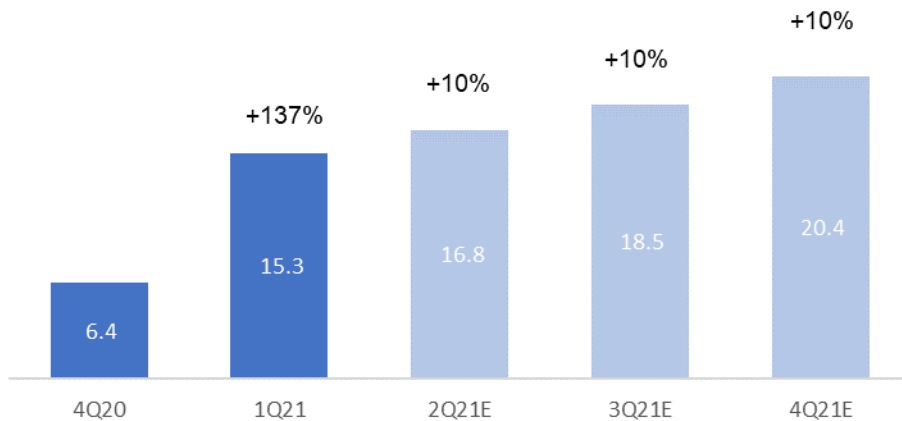
Institutional Customers



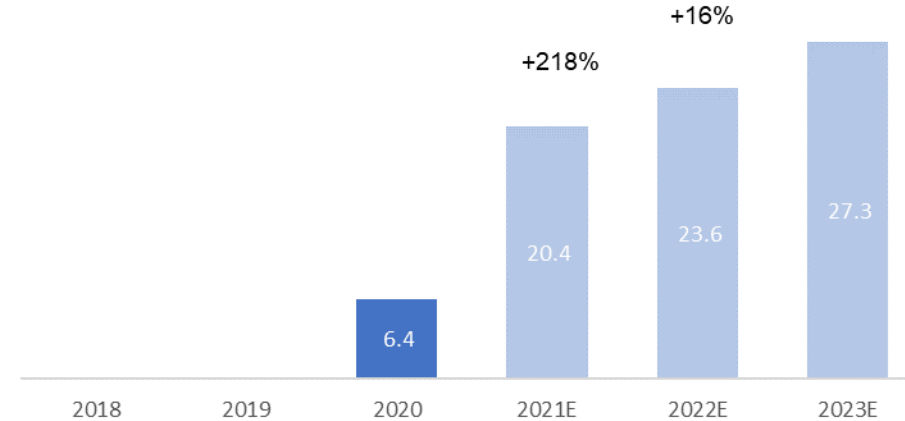
Institutional Customers



Assets on Platform per Institutional Customer (billion \$)



Assets on Platform per Institutional Customer (billion \$)

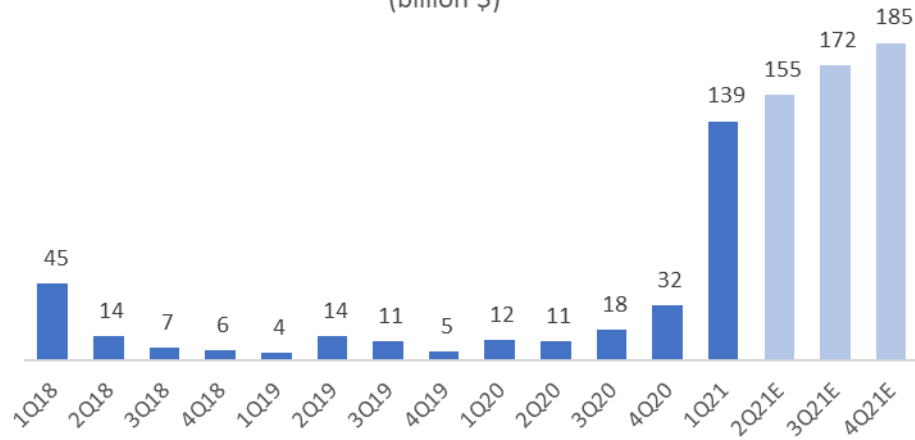


Trading Volume – gradually, then suddenly...

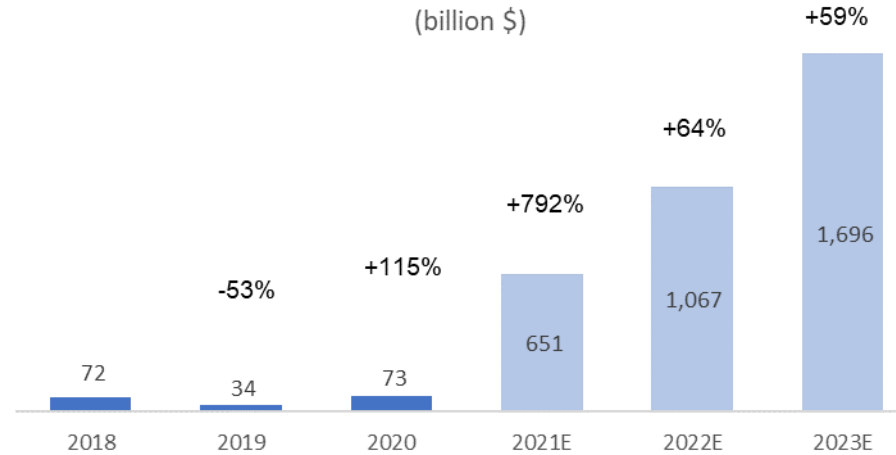


Trading volumes, along with active retail users (MTUs), have exploded in late 4Q20 and into early 2021.

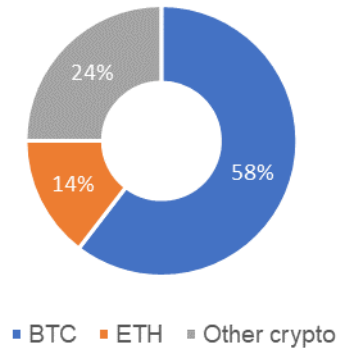
Retail Trading Volume (billion \$)



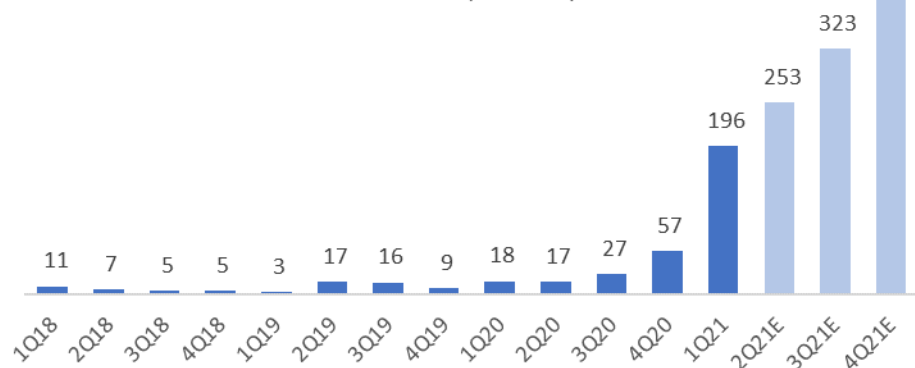
Retail Trading Volume (billion \$)



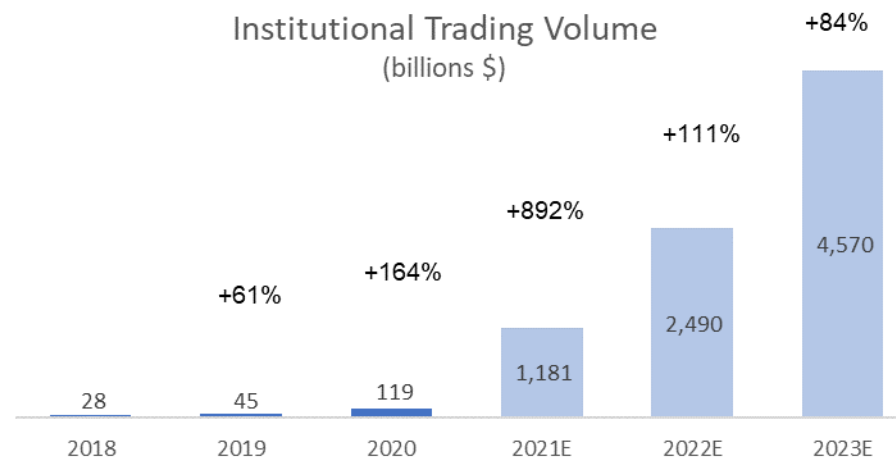
Assets Traded 2019



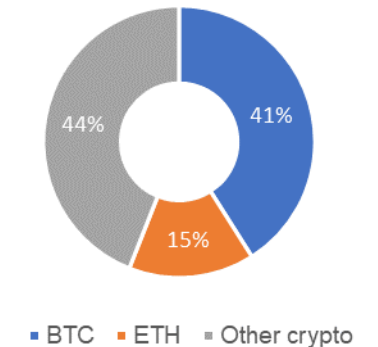
Institutional Trading Volume (billion \$)



Institutional Trading Volume (billions \$)

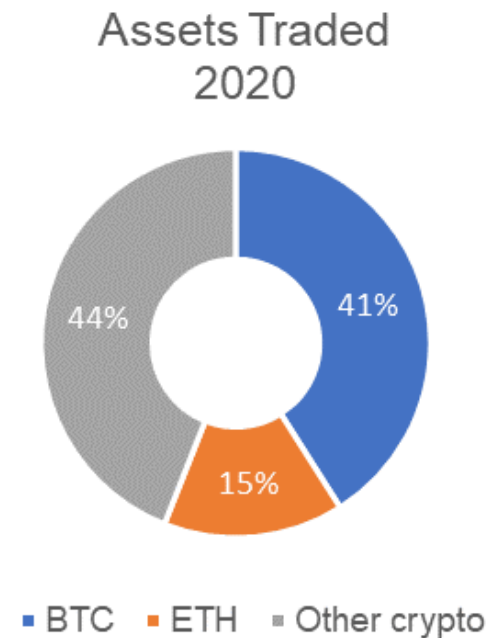
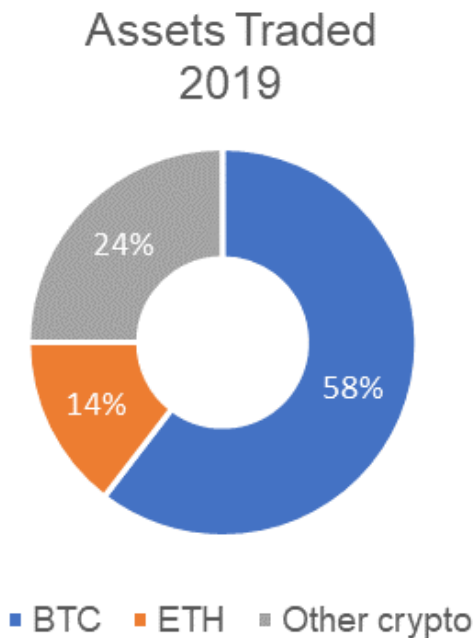


Assets Traded 2020



Trading Volume – benefits from more assets

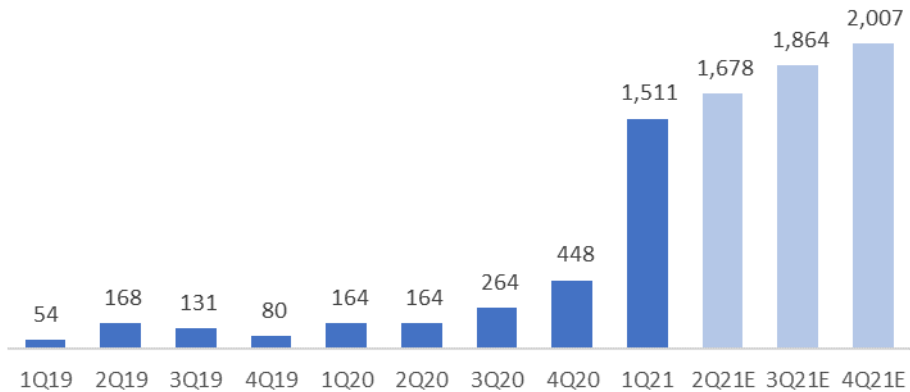
Coinbase has been very conservative in adding crypto assets for trading, compared to other top players. It expanded from 25 in 2019 to 45 in 2020. There are thousands crypto assets in existence. **This is low hanging fruit opportunity.** And it clearly has an impact on both 1) new user acquisition, and 2) trading volumes.



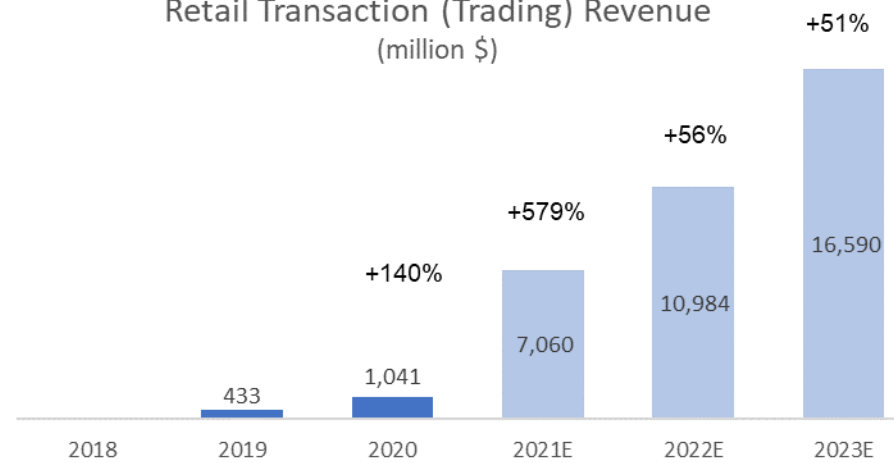
Revenue Sources: transaction revenue

Transaction revenue (trading fees) represents 96% of total vs. Subscriptions & Services at 4%. Retail transaction revenue dominates (95%) despite Institutional (5%) growing faster.

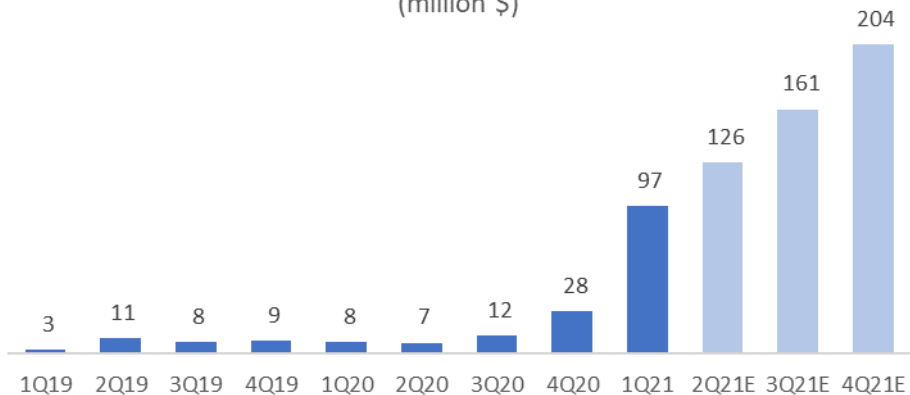
Retail Transaction (Trading) Revenue
(million \$)



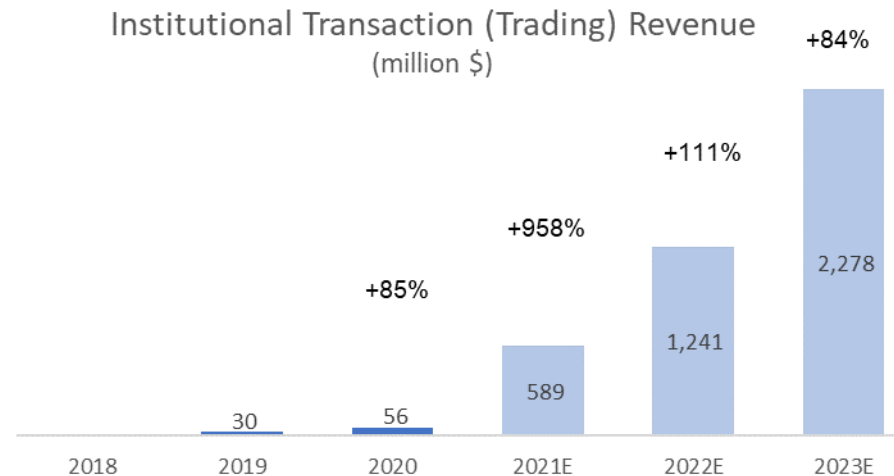
Retail Transaction (Trading) Revenue
(million \$)



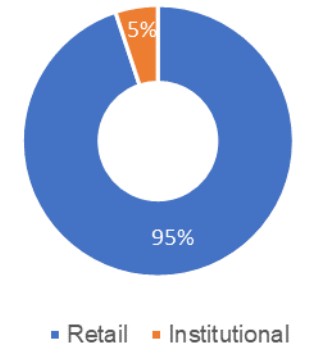
Institutional Transaction (Trading) Revenue
(million \$)



Institutional Transaction (Trading) Revenue
(million \$)



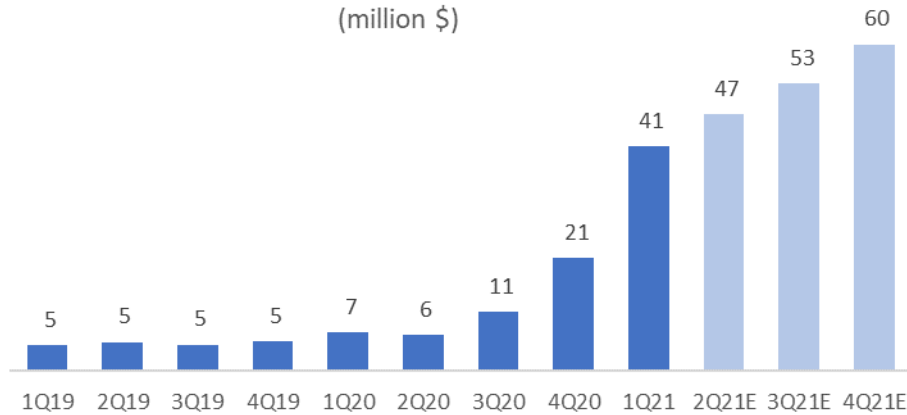
Transaction Revenue
2020



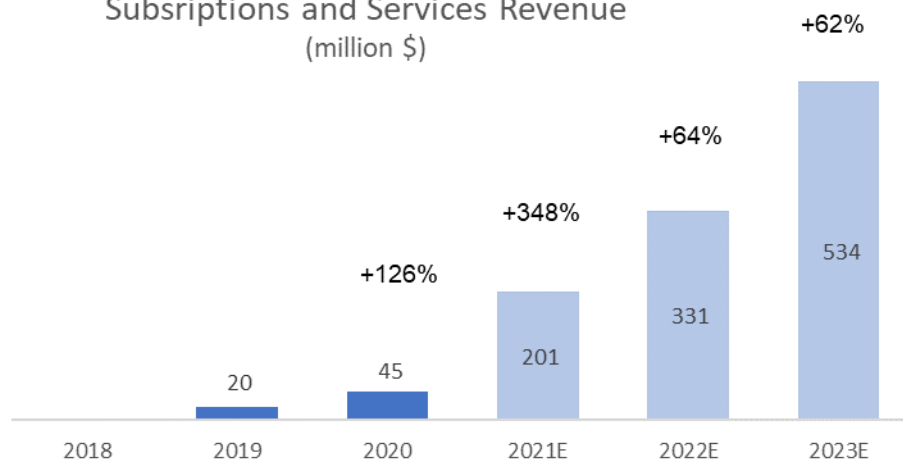
Revenue Sources: subscription and services

Subscription and Services is a rapidly growing segment. In addition to Custody for Institutional customers, **monetizing the user base (56M in 1Q21) with new products is another huge revenue opportunity.** Coinbase has a chance to become a leading banking services and fintech provider.

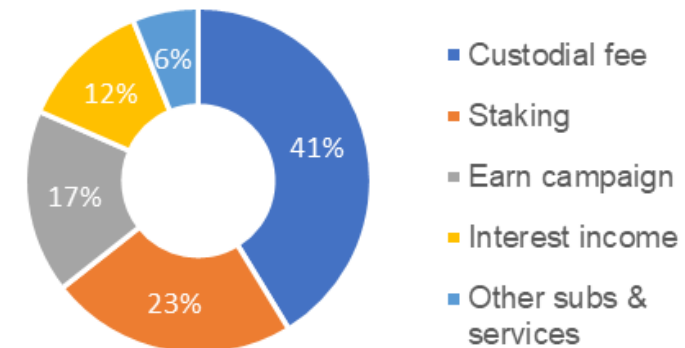
Subscription and Services Revenue
(million \$)



Subscriptions and Services Revenue
(million \$)

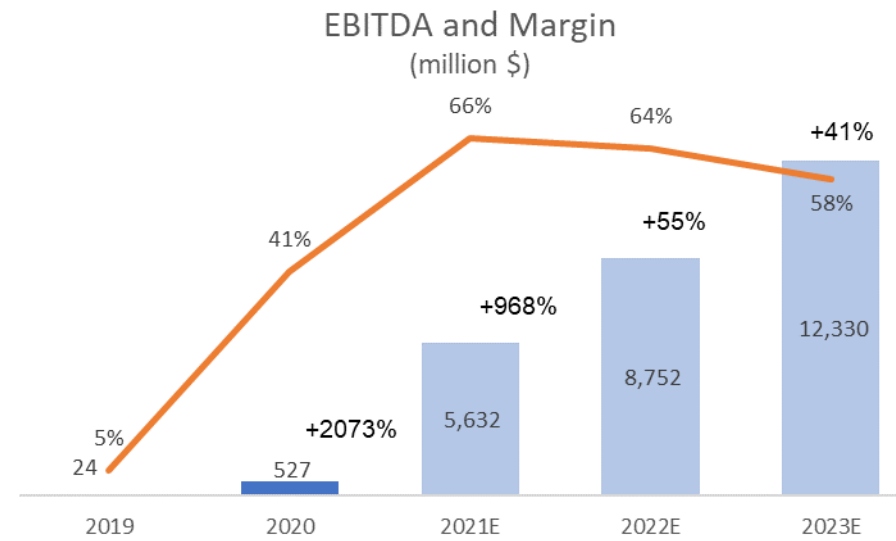
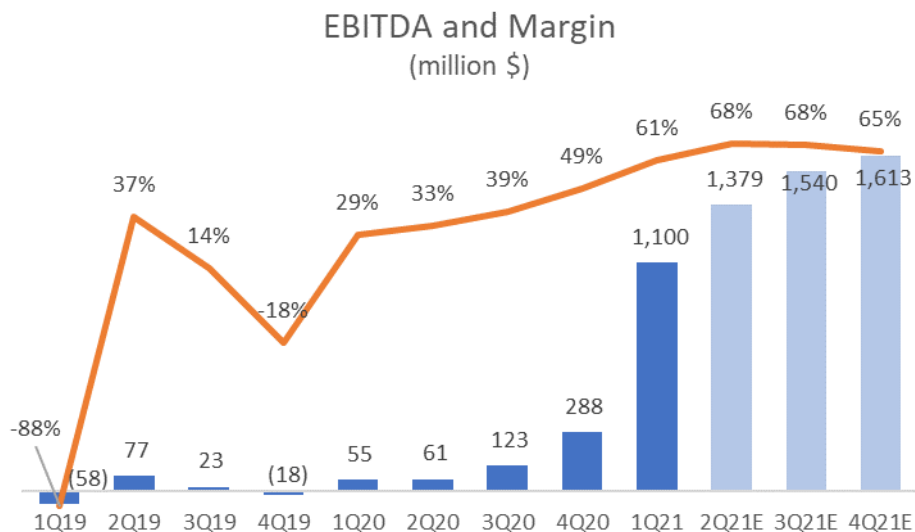
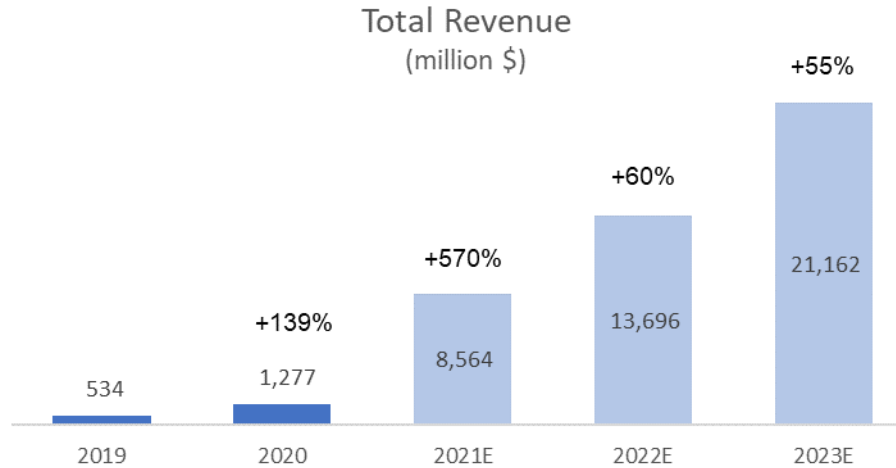
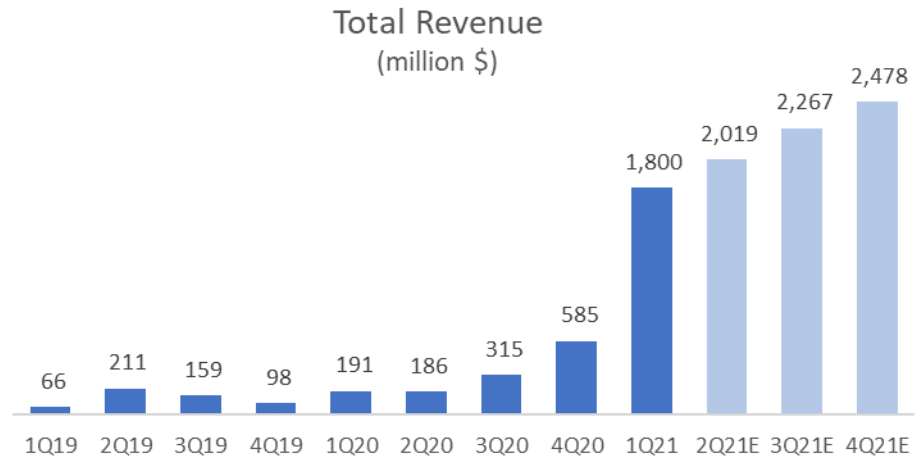


Subs & Services Revenue
2020



Financial Projections

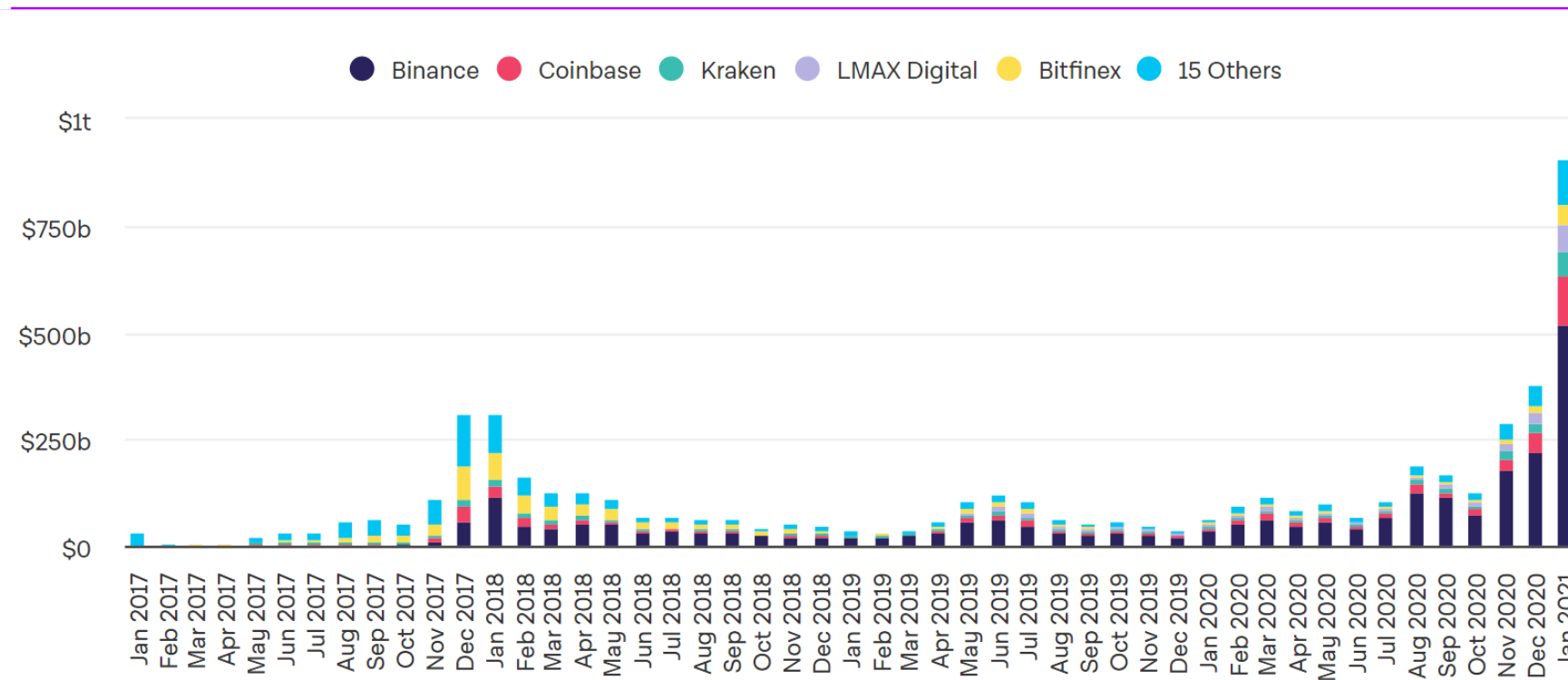
With multiple growth levers (customers, products, assets), it's not hard to see Coinbase growing high double digits in the next 5-10 years. And profitably!



Competition

Coinbase is consistently among the top 5 venues for trading crypto. Binance is the largest due to 1) Asia exposure, 2) greater breadth of tradable assets, 3) support of futures. Coinbase has an opportunity to expand geographically, assets coverage and products.

Cryptocurrency Exchange Volume



SOURCE: CRYPTOCOMPARE
UPDATED: FEB 2, 2021

ZOOM ALL YTD

SWOT Analysis

Every weakness and threat is an opportunity at this early stage of crypto revolution.

Strengths	Weaknesses	Opportunities	Threats
Brand and trust	Supported assets	Expand assets	DEX (Decentralized exchanges)
US/Europe	Asia, LatAm	Add products (DeFi, futures...)	Heightened regulations / taxation
Institutional	Lacks futures, options	Monetize 56M+ retail users	New age, no fee online brokers (eToro, Robinhood,...)
Fiat onramp		Expand into Asia, LatAm	
Simplicity of use			
Regulatory compliance			

Valuation Comparables

Current valuation (\$330/share) is \$82.5B, or 9.6x EV/S (2021) and 6.0x EV/S (2022). Comparing it to a basket of the highest growing tech companies (public) suggest that COIN deserves at least a 2x higher valuation, even when we take into account inherent volatility in results versus predictable recurring revenues of the companies use in our comp table.

- Highest growth at its scale and with highest EBITDA and FCF margins.
- Highest Rule 40 (growth + FCF margin)
- Even adjusting for inherent volatility, COIN deserves at least 2x higher multiples than current market cap (\$82B)
- Large optionality value (completely new product lines in DeFi, NFT, etc.) not captured by current valuation, which seems to only reflect the existing core business (crypto trading venue)

Ticker	Company name	Market Cap (\$ mil.)	Rev 2020	Rev 2021	Rev 2022	Rev growth 2020	Rev growth 2021	Rev growth 2022	EBITDA margin 2020	EV/S 2020	EV/S 2021	EV/S 2022	FCF margin 2020	FCF margin 2021	FCF margin 2022	Rule 40* (2021)	Rule 40* (2022)
COIN	Coinbase	82,500	1,277	8,564	13,696	139.3%	570.4%	59.9%	41%	64.6x	9.6x	6.0x	31.0%	49.3%	48.0%	619.7	107.9
Peer Group Average						50.2%	36.7%	29.4%	8.3%	39.0x	26.2x	19.4x	6.6%	9.3%	12.1%	46.0	41.5
Peer Group Median						38.3%	32.2%	25.8%	9.1%	27.8x	21.1x	16.3x	6.7%	7.5%	11.1%	42.3	38.8

Coinbase: Valuation Comparables

Ticker	Company name	Market Cap (\$ mil.)	Rev 2020	Rev 2021	Rev 2022	Rev growth	Rev growth	Rev growth	EBITDA margin	EV/S	EV/S	EV/S	FCF margin	FCF margin	FCF margin	Rule 40*	Rule 40*
						2020	2021	2022	2020	2021	2022	2020	2020	2021	2022	(2021)	(2022)
COIN	Coinbase	82,500	1,277	8,564	13,696	139.3%	570.4%	59.9%	41%	64.6x	9.6x	6.0x	31.0%	49.3%	48.0%	619.7	107.9
SNOW	Snowflake	68,673	264	580	1,094	172.2%	119.8%	88.5%	-36%	246.1x	112.0x	59.4x		-18.2%	1.5%	101.6	90.0
DOCU	Docusign	43,246	965	1,428	1,974	38.9%	47.9%	38.2%	8%	44.9x	30.4x	22.0x	6.7%	16.4%	16.6%	64.3	54.9
ABNB	Airbnb	108,168	3,273	4,762	6,443	-31.9%	45.5%	35.3%	-10%	31.8x	21.9x	16.2x	-33.6%	15.5%	13.1%	61.0	48.4
ZS	Zscaler	26,734	433	638	853	44.3%	47.5%	33.7%	10%	60.6x	41.1x	30.7x	6.7%	17.7%	19.6%	65.2	53.2
CRWD	CrowdStrike Holdir	48,586	858	1,320	1,761	83.7%	53.9%	33.4%	11%	55.3x	35.9x	26.9x	26.8%	21.5%	22.3%	75.4	55.7
DDOG	Datadog	29,028	590	834	1,107	67.6%	41.4%	32.8%	11%	47.8x	33.8x	25.4x	11.7%	6.3%	9.7%	47.7	42.6
SHOP	Shopify	154,090	2,866	4,042	5,356	84.4%	41.0%	32.5%	14%	51.8x	36.8x	27.7x	10.0%	11.9%	10.7%	52.9	43.2
NET	Cloudflare	24,036	423	592	783	50.0%	39.8%	32.4%	3%	55.4x	39.6x	29.9x	-19.0%	-7.0%	-1.3%	32.7	31.1
TWLO	Twilio	66,133	1,669	2,442	3,193	49.6%	46.3%	30.8%	8%	38.2x	26.1x	19.9x	-1.9%	-1.9%	0.8%	44.4	31.5
OKTA	Okta	34,782	823	1,089	1,403	43.2%	32.3%	28.9%	3%	41.6x	31.4x	24.4x	13.0%	7.7%	10.8%	40.0	39.7
SMAR	Smartsheet	8,136	378	503	644	40.1%	33.0%	27.9%	-10%	20.6x	15.5x	12.1x	-9.0%	-3.9%	0.1%	29.1	28.1
MDB	Mongodb	19,413	576	760	971	40.9%	32.0%	27.7%	-7%	33.8x	25.6x	20.1x	-8.7%	-8.6%	-5.0%	23.4	22.7
HUBS	Hubspot	24,326	868	1,168	1,476	29.6%	34.6%	26.4%	12%	27.5x	20.4x	16.2x	7.1%	11.2%	11.6%	45.8	38.0
WORK	Slack Technologie	24,627	889	1,178	1,488	43.0%	32.5%	26.3%	-2%	27.0x	20.3x	16.1x	5.5%	5.6%	8.8%	38.0	35.0
EVBG	Everbridge	4,970	268	345	432	34.0%	28.7%	25.3%	3%	18.5x	14.4x	11.5x	-1.9%	0.8%	3.9%	29.5	29.2
COUP	Coupa Software	20,461	524	679	851	37.6%	29.5%	25.3%	10%	40.8x	31.5x	25.2x	12.6%	15.1%	15.5%	44.6	40.8
PLAN	Anaplan	9,101	444	554	692	28.1%	24.6%	25.0%	-4%	19.9x	15.9x	12.8x	-4.3%	-1.3%	4.3%	23.3	29.3
PAYC	Paycom Software	23,493	833	1,010	1,261	13.4%	21.3%	24.9%	39%	28.1x	23.2x	18.6x	17.0%	19.0%	20.1%	40.3	45.0
ZEN	Zendesk	17,713	1,024	1,297	1,617	25.8%	26.6%	24.7%	11%	17.1x	13.5x	10.8x	0.7%	7.4%	8.5%	34.0	33.2
NOW	Servicenow	107,861	4,479	5,754	7,170	29.8%	28.5%	24.6%	32%	23.9x	18.6x	14.9x	31.4%	30.0%	30.2%	58.5	54.8
WIX	Wix.Com Ltd	16,620	977	1,285	1,601	28.2%	31.6%	24.5%	-2%	16.4x	12.4x	10.0x	13.0%	5.6%	11.4%	37.2	35.9
DT	Dynatrace	15,393	699	868	1,075	29.1%	24.2%	23.9%	31%	22.3x	18.0x	14.5x	28.2%	27.3%	29.1%	51.6	53.0
RNG	Ringcentral	29,499	1,167	1,486	1,835	31.2%	27.4%	23.5%	14%	26.0x	20.4x	16.5x	-0.2%	4.9%	5.3%	32.3	28.8
ESTC	Elastic Nv	11,813	590	741	905	39.2%	25.7%	22.1%	-1%	19.4x	15.5x	12.7x	1.9%	2.3%	6.3%	27.9	28.4
SPLK	Splunk	24,188	2,164	2,549	3,106	-7.9%	17.8%	21.9%	-4%	11.6x	9.8x	8.1x	-11.8%	3.4%	14.0%	21.2	35.9
CRM	Salesforce.Com	213,608	17,003	21,116	25,717	28.4%	24.2%	21.8%	29%	12.2x	9.9x	8.1x	20.3%	20.1%	18.0%	44.3	39.8
PCTY	Paylocity Holding (10,513	627	774	938	12.0%	23.5%	21.3%	24.6%	16.7x	13.5x	11.1x	11.0%	12.9%	15.2%	36.3	36.5
ZM	Zoom Video Com.	100,701	2,580	3,810	4,613	322.6%	47.7%	21.1%	36%	37.4x	25.3x	20.9x	45.8%	37.8%	36.5%	85.5	57.6
Peer Group Average						50.2%	36.7%	29.4%	8.3%	39.0x	26.2x	19.4x	6.6%	9.3%	12.1%	46.0	41.5
Peer Group Median						38.3%	32.2%	25.8%	9.1%	27.8x	21.1x	16.3x	6.7%	7.5%	11.1%	42.3	38.8

* Rule 40 = Revenue Growth + FCF Margin

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