

EDITED TRANSCRIPT

GLXY – Galaxy Digital Holdings Ltd

Third Quarter 2021
Shareholder Update Conference Call

EVENT DATE/TIME: November 15, 2021, 8:30AM ET

C O R P O R A T E P A R T I C I P A N T S

Michael Novogratz, *Founder and Chief Executive Officer*

Damien Vanderwilt, *Co-President and Head of Global Markets*

Christopher Ferraro, *Co-President and Chief Investment Officer*

Alex Ioffe, *Chief Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Deepak Kaushal, *BMO Capital Markets*

Mark Palmer, *BTIG*

Ken Worthington, *J.P. Morgan*

James Friedman, *Susquehanna*

Owen Lau, *Oppenheimer and Company*

George Sutton, *Craig-Hallum*

Kevin Dede, *H.C. Wainwright*

Operator

Good morning, and welcome to Galaxy Digital's Third Quarter 2021 Earnings Call.

Today's call is being recorded.

At this time, I would like to turn the conference over to Galaxy's Investor Relations Team. Please go ahead. You may begin.

Galaxy Digital Investor Relations

Thank you. Good morning, and welcome to Galaxy Digital's Third Quarter Earnings Call.

Before we begin, please note that our remarks today may include forward-looking statements. Actual results may differ materially from those indicated or implied by our forward-looking statements as a result of various factors, including those identified in our filings with the Canadian securities regulatory authorities on SEDAR, and available on our website, or in future filings we make with other securities regulators. Forward-looking statements speak only as of today and will not be updated.

In addition, none of the information on this call constitutes a recommendation, solicitation or offer by Galaxy Digital or its affiliates to buy or sell any securities, including Galaxy Digital securities.

With that, I'll now turn it over to Mike Novogratz, Founder and CEO of Galaxy Digital.

Michael Novogratz

Good morning, everyone. We're actually calling from our new office down here on 300 Vesey, so there's an air of excitement.

I'm going to start off by quoting my favorite song, which is *Bitcoin Go To the Moon*, which says Novogratz is bullish, and I promise you and my children I will never again use my name in the third person, but it kind of completely encapsulates how I'm feeling about our industry and our Company right now. Galaxy is at a unique perch, in that we see institutional investors in every bucket, we see people that are building these ecosystems on a daily basis, and so we're really seeing the energy that's pouring into the space right now.

When I travel to the Mideast or around the country and meet with big institutional allocators, they're either allocating already or they're getting very close. This last year, we've seen \$25 billion of money move into the venture space. That's a staggering amount, versus where we were in the past. So, it's hard for me not to believe that the GDP is a space, right, the market cap, which is currently around \$3 trillion, isn't a lot higher in a year.

When we meet with new founders, our Venture Teams are constantly meeting with new founders, we see an explosion of innovation, people building on top of platforms and building on top of those, and so the opportunities of new innovation to invest in and to help guide through to trade, to custody continues to expand. Then, when I look at the NFT space, the NFT space came from nowhere and is already trading \$3.5 billion a day. Last quarter, \$10 billion of NFTs traded. So, it's hard not to be bullish.

Because of that, I think it's really clear to see that this is a growth industry and Galaxy is a growth company. Eighteen months ago, kind of pre-COVID, or maybe it was two years ago, we were roughly 80 people, and today the combined Galaxy BitGo entity would be 510 people. That's a lot of growth. We've taken our office of people, right, that we hired Jen Lee, as

our Chief People Officer, now we have 10 people working on recruiting, onboarding and integrating, to try to build what we hope is the investment bank of the future.

One really exciting announcement I want to make before I get to our earnings is that we've just announced today that Neal Katyal, the former Deputy Solicitor General of the United States, one of the most prominent lawyers in all of America, and a dear friend of mine, is joining us as a senior advisor. He's going to chair an Advisory Committee for us, mostly helping us in D.C. navigating what we think is going to be an interesting political and regulatory framework, but also helping us with our own Legal Department here, and commercial opportunities around the firm. So, we want to welcome Neal. I couldn't be more excited.

Let me turn to earnings real quick. Listen, it was an awesome quarter, right? Net comprehensive income increased to \$517 million in the quarter. That's up over 1000% from the previous year. Our year-to-date comprehensive income, \$1.2 billion. It's pretty remarkable, the earnings power that this industry is providing us.

It would be fair to say that some of the income is attributable to overall price appreciation of the assets that we hold and the venture investments that we hold, but our operating businesses are also doing amazingly well. Damien, Chris and Alex are going to provide much more detail about that later in the call.

Finally, I'm excited to share that our preliminary earnings quarter to date, as of November 12, are approximately \$400 million; meaning, that our total year-to-date earnings are over \$1.6 billion as of last Friday.

Regarding our U.S. listing, as we previously announced, subject to all required regulatory approvals and processes, we remain in progress to redomicile and list in the United States. We confidentially submitted a Registration Statement with the SEC relating to the move to the U.S. and are actively engaged in the comment process. We now expect to complete this process, to list in the U.S., in the first quarter of 2022.

Regarding our acquisition of BitGo, we expect to close this deal concurrently with our move to the U.S. in the first quarter.

Through this process, we've been running at full speed and continue to grow the business concurrently, taking advantage of market opportunities and progressing with our BitGo integration planning daily, and, as shareholders, you should be very excited for what Galaxy has accomplished this quarter and the combined Galaxy/BitGo can accomplish next year and going forward.

With that, I'm going to turn it over to Damien Vanderwilt, our Co-President and Head of Global Markets.

Damien Vanderwilt

Thanks very much, Mike. Good morning, everybody.

I'd like to take a minute to also welcome Neal Katyal to our Leadership Team. I've had the pleasure of getting to know Neal through the last quarter, as we were figuring out his position here, and he's really something and we can't wait to get him in here to help us navigate D.C. and regulation, as Mike alluded to.

I want to underscore a few of Mike's comments about adoption trends, before I jump into the performance of our Asset Management and Advisory businesses, which have both had phenomenal quarters.

In my over 20 years in market-facing roles, I've spoken to clients, investors and prospects every single day, and this past quarter, and fourth quarter to date, I have never seen the volume of interested inbounds come across my desk. I've spoken to everyone from 22-year-old crypto billionaires looking for investing and trading advice to the Investment Committees of the most conservative pension funds in the world who are exploring adding Bitcoin and crypto to their investment mandates.

Let me share some interesting insights with you from conversations with our global clients.

Institutions are getting up the curve extremely quickly on our sector. Most now have dedicated Crypto Teams. Alternative managers are onboarding with us regularly now and, where possible, applying trad-flash (phon) strategies to crypto assets. For many of the world's largest asset allocators and institutions, however, a lack of regulatory clarity continues to heavily influence the ways that their capital can be invested in the sector. Mike touched on those. The path of least resistance for many has been allocating capital to the crypto sector focused on venture and private equity funds, who inherently have limited capacity. This wall of capital is leading to rapidly ascending private company valuations, and this leads me to two important observations.

One, it can be misleading to look at the way capital is being allocated today and conclude that the institutional community is not rapidly becoming sophisticated in the sector. Most are, in fact, much more sophisticated than they're current investing activity suggests.

Two, that when we do get regulatory clarity, there is a gigantic wall of capital that is waiting to be allocated to the sector directly, which is exactly what Galaxy Digital is designed to facilitate.

Now, to put some of those calls and numbers into context, remember where we stand today. As Mike mentioned, we have seen reports and data indicating that over \$24 billion of investment and fundraising in the digital assets economy today have occurred this year, and our own internal trackers indicate that the invested dollars into the space is actually closer to double that amount year to date through October. By comparison, for you all, in 2020, it was less than \$7 billion, using the same trackers, and we still have two more months to go in 2021. What's more, is we're seeing well over \$400 billion now with daily crypto market volumes on exchanges and a market capitalization of the crypto sector of nearly \$3 trillion.

So, what is that telling me? I think the accelerated investment activity is boosting valuations, as I mentioned. It's adding to the number of crypto unicorns, which is notable. That number is standing at more than 20 crypto firms with valuations north of \$1 billion. Notably, that group includes a few custody platforms, we think because financial services incumbents are looking to get into that space, whether through deals or partnerships. That's, of course, part of the reason we are buying BitGo, the second largest crypto custodian in the world. Despite that \$1.2 billion deal price setting a record at the time, we're already seeing its smaller competitors appreciate in value. It seems like investors are realizing what we have known for a little while, which is that adding custody services in crypto is an integral step to becoming a leader across the space.

I remember distinctly the world pre-announcing BitGo, where one of the most frequent questions I got from our clients is, "How and where do I securely store our digital assets?" Until May of this year, my team and I had been directing them to our network of trusted crypto custodial partners, and now, once we close, our clients will have the option to custody where they transact and can rely on Galaxy for the entire lifecycle of transacting and holding digital assets.

Beyond custody, my read on all these eyepopping valuations is that the investing world is waking up to what we've been saying, that the addressable market opportunity is largely untapped and has the potential to increase exponentially as applications of blockchain technology for facilitation of broader trade and commerce become a reality. As I've said previously, the one thing we could have wrong in our forecast is the size of the TAM. It could be a lot bigger than even we at Galaxy believe it could be.

Now, turning to our business units, I'll provide an update for Asset Management and Investment Banking units and Chris will provide updates for Trading, Mining and our Principal Investment Portfolio.

Beginning with Asset Management business, we continue to see strong demand for both passive and active exposure to cryptocurrencies. During the third quarter, we saw significant inflows into our funds and we saw our assets under management increase 57% from the end of the second quarter, reaching \$2.2 billion, having grown 175% year to date. Net client inflows in the quarter exceeded \$490 million, confirming that the investment case for cryptocurrencies in a fund structure remains compelling. So, even in a quarter where crypto asset prices were rising, backing out the impact of asset price increases, we continued to see net new capital coming into the Galaxy platform, and the trend about seeing attractive net inflows has continued quarter to date, as we're thrilled to share with the market that as of the end of October our assets under management have now reached \$3.2 billion. That is pretty remarkable growth, since we ended 2020 at just over \$800 million in assets under management.

We continue to have a really strong partnership with our friends at CI in Canada through a number of products, with our Ethereum ETF, that's now well over \$1 billion in AUM, and we've added number of other incredible partners to the Galaxy ecosystem since we last spoke.

In August, we partnered with Alerian to launch the Alerian Galaxy Global Blockchain Indexes and Alerian Galaxy Global Cryptocurrency-Focused Blockchain Indexes. These indexes support the ever-growing demand for investment opportunities in the blockchain and crypto economy.

In September, we announced a strategic partnership with Invesco ETFs, to develop a comprehensive suite of U.S.-listed, physically backed, digital asset exchange credit funds. This exciting alliance of market-leading capabilities will offer investors an unprecedented combination of solutions and information that gives structure to the complex and fast-moving digital assets space. We're tremendously excited to work with Invesco and the leadership there on products for the future.

On the new product front, we were excited to launch the Galaxy DeFi Index Fund, which is a passively managed fund providing institutional investors access to returns based on the performance of DeFi through a simple, secure vehicle, with exposure to the largest and most liquid portions of the decentralized finance crypto market. The fund was seeded by our friends and long-term partners, New Zealand Funds, a wealth management firm that manages over \$2 billion of New Zealanders' savings.

Finally, in October, an announcement was made regarding the launch of the Invesco Alerian Galaxy Crypto Economy ETF and the Invesco Alerian Galaxy Blockchain Users and Decentralized Commerce ETF, which offer thematic equity exposure to global public companies and select investment vehicles that are actively engaged in the cryptocurrency and blockchain sectors.

Turning to our actively managed venture funds, as we reported last quarter, the Galaxy Interactive Fund has deployed substantially all of the \$325 million committed in the inaugural fund, which was already the largest franchise dedicated the interactive sector. As a reminder, we established Galaxy Interactive in 2018 to fill a gap in funding available to companies in the interactive sector, the intersection of content, finance and technology. In October, we announced the Galaxy Interactive has raised a fund with \$325 million of committed capital, with participation from over 70 new LPs, including institutional investors, endowments, strategic investors and family offices. As shareholders, it is key to remember that Galaxy Digital retains an LP interest in both Galaxy Interactive Fund offerings, as well as GP.

Moving now to our Investment Banking business, there has been a flurry of activity in just the past few weeks, demonstrating the significant amount of interest investors and companies have in the crypto economy, but also the substantial network that our Banking Team has built over the past year.

GDIB closed three deals in the last three weeks, is working on eight active mandates, and maintains an active pipeline, including many more potential deals. Regarding the first of those deals in October of this year, our Advisory Team acted as exclusive financial advisor and sole placement agent on a \$50 million capital raise for CoreWeave, a specialized cloud provider for both proprietary and client use cases across the digital asset, machine learning and VFX rendering spaces. The team also advised on two M&A transactions, which are expected to be announced shortly, and for one of these, we acted as the exclusive financial advisor for the acquirer. I look forward to updating you on both transactions next time we speak. Last, but not least, our team served as digital assets advisor on a capital markets transaction, which is expected to be announced this week.

The team remains extremely busy, working through eight active mandates in various stages of execution. The engagements remain primarily for capital raising, given the staggering amount of fundraising activity we've seen in our sector in the past few quarters.

We've also been hiring to asset with the growing demand and the historic levels of transactional and fundraising activity we're seeing in our industry. Since we last spoke to you, we've added a Senior Managing Director in New York to enhance origination and execution efforts, for which we continue to see accelerated demand.

Overall, we remain confident we'll continue to see strong growth in both our Asset Management and Advisory businesses, and the infrastructure both Steve and Michael are building to support that expansion.

I'll now hand the call to Chris Ferraro, my Co-President, who will walk you through some investment trends we're focused on, details for our Trading and Mining businesses, and an update on the very important and exciting BitGo acquisition progress.

Christopher Ferraro

Thanks, Damien, and good morning all.

I'll first cover the performance of our Trading, Mining and Investing businesses.

Our Trading business continued to show that, despite seasonal and price volatility, we can grow through greater depth of relationships with counterparties across spot, derivatives and lending execution, as well as providing opportunistic market-making offerings to ecosystem players.

Before we get into specific key metrics, I want to provide greater clarity on a regular question we get about Trading. In thinking about the businesses split between, one, our firm's core long active trading on our own behalf versus, two, all beta-neutral counterparty-facing and liquidity provider activities, the year-to-date contribution for counterparty and market-making-related activities is approximately mid-teens as an overall mix of total net revenues. To be clear, we're considering net revenue as realized and net unrealized gains in Trading net of funding costs, plus net interest income from the entire Trading Division.

Now, let's start with business performance from our Execution Desks.

Counterparty spot trading volumes decreased 28% quarter-over-quarter, following all-time high volatility witnessed in the second quarter. While this was a decline from the record highs witnessed last quarter, we are still comping to a dramatic increase in excess of over 280% versus prior year period.

Derivatives were a relatively bright spot for us, declining in single-digit percentages quarter-over-quarter, as the increasingly sophisticated institutional approach towards managing crypto exposure demand scaled derivatives and structuring trading execution. Derivatives is a clear differentiator for GDT and we applaud Rob, Pranav and the rest of the team for their accomplishments this year so far.

Turning to Lending, we've continued to add and deepen existing client relationships. As a reminder, we believe originations tell the clear story for growth, given the volatility of crypto asset prices that can cause noticeable shifts to the size of our overall loan portfolio for any given snapshot. In the third quarter, we added nearly \$1.5 billion of gross counterparty loan originations, growing cumulative year-to-date loan originations to well over \$3 billion. This drove a 65% sequential increase in the size of the counterparty loan book to \$615 million as of September 30. Moreover, I'm excited to report that we've now surpassed US\$900 million in our loan book as of last week. We continue to see robust share of fiat-denominated loans at around a third of the overall book, versus nearly zero percent at the end of 2020. This helps to provide a dampener against the impact of crypto price volatility on our overall loan portfolio aggregate exposure. More importantly, for measuring the impacts of market volatility, we continue to deliver robust growth while remaining over 100% collateralization, on average, and operating with no defaults or forced liquidations. Providing intelligent and thoughtful financing solutions to the market continues to be a core pillar of our Company, and we believe that the foundation we've built here will allow us to scale this activity dramatically across both product, as well as business units, in quarters to come.

I also want to highlight the incremental revenue paths within and surrounding the GDT business that have emerged as a notable contributor to performance over the last few months. Specifically, these are our services to both emergent and legacy network protocol communities, that include market-making, liquidity and capital provision, node validator formation and staking. James Roth and his team, working closely with our Execution and Lending Desks, as well as with the entire Blue Fire Trading Team, have built out a suite of new offerings that we believe will fuel incremental growth, support development of projects within the crypto economy, and make Galaxy the platform of choice not just for institutions accessing the sector, but for the formation of new institutions within the sector.

Finally, I want to note that the proof of GDT's leadership within the industry continues to be exemplified by its accolades. Last month, Cboe announced it will acquire ErisX to enter the digital asset spot and derivatives markets, and it also selected Galaxy Digital for its Digital Advisory Committee to support its planned expansion.

This all speaks to the resiliency of the institutional-grade business we are building and, hopefully, signals to our clients and counterparties they can rely on us for liquidity and execution, regardless of market conditions.

Moving on to our Principal Investments business, we've continue to aggressively pursue and invest in the most compelling opportunities across the ecosystem. Excluding our portfolio companies within our Interactive business, we now have 110 investments across 71 portfolio companies. Through fourth quarter to date, our team continued to grow our strategic portfolio with new names added, such as: Pyth, a new Solana-based real world data oracle service, in collaboration with Jump; Figment, one of the largest independent staking-as-a-service providers; SKOLEM, the first completely DeFi-native client execution platform; and Chaos Labs, a next-gen, smart contract, audit and simulation company, led by former Facebook alum founders.

We continue to see record-breaking fundraising and deployment around the sector, which provides us with the flexibility to realize and recycle gains opportunistically and to see our direct exposure to the space mature faster than we would have envisioned even a year earlier.

Specifically, a new trend emerged this year, with the public and SPAC markets taking aim at crypto. On the existing portfolio side, we've been the beneficiary of successful public listings and completed/contemplated De-SPACs, including Coinbase, Bakkt, Cipher Mining and Bullish Global. Furthermore, we've also begun to selectively get active in the primary PIPE market, where strategic alignment of interest exists.

Two examples of this include Core Scientific, as well as our most recently announced investment in Monex Group, a Japanese financial services leader, as well as in one of its portfolio companies, TradeStation Group. Monex not only has a strong footprint in Japanese retail market, with over 2.5 million customers across traditional financial brokerage and crypto through its wholly-owned sub Coincheck, but its third hallmark property, TradeStation, operates one of the most comprehensive self-directed prosumer trading platforms in the U.S. for equities, futures, options and, most recently, crypto. We're incredibly excited to support and partner with TradeStation's crypto offering in the U.S., as well as to strategically align ourselves with the Monex platform, as we turn our eyes toward APAC expansion across the entire business.

We're incredibly proud of the Venture Team's dedication to the sector and Galaxy's mission within the business to source, diligent, execute on, and then help grow the sector's most cutting-edge technologies.

Now, turning to Mining, where the team continues to build momentum in both prop mining and its mining finance offerings.

In prop mining, through strategic relationships and our knowledge of the space, we remain on track to receive a steady supply of hardware and to achieve mining capacity of nearly 2,000 Petahash per second by the end of 2022, which remains well over 1% of the total Bitcoin network hash rate as it stands today. Importantly, we continue to mine Bitcoin at a significant discount to fair market value, with our all-in, full-cycle cost to mine still below US\$10,000 per coin.

Turning to our client-facing business, our Mining Team continues to secure collaborative mining deals across Lending, with our \$75 million of net originations in credit facilities specific to Bitcoin miners, including Argo and Hut 8. We've also seen miners and traditional pools of capital with direct or indirect mining exposure broaden their use of our platform, doing business with our Derivatives Desk for risk management of exposures amid ongoing volatility.

Last quarter, we also made public a dedication to manage our carbon footprint and increasing the use of clean energy. We're now happy to share that as of September 30 our Mining business is using an electricity power mix consisting of more than 80% sustainable power sources, and we maintain a long-term goal to utilize an over 80% sustainable power mix.

So, all in all, the positive trends we saw in the third quarter across the business, and so far in 4Q, demonstrate the continued staying power of the crypto ecosystem, but also the validity of our diversified offering model. We're not only scaling in our ability to provide access into the crypto sector, but also in supporting its growth from relationships within the ecosystem.

Before I hand the call over to Alex, I want to provide a very short update on the BitGo acquisition. Our teams are progressing nicely on tactical and strategic integration planning, led by our Chief Operating Officer Erin Brown. We're in active preparation to deliver a single scaled platform to clients on day one post closing, and our discussions have already spawned numerous ideas for synergistic growth on the other side of the merger process.

I'd also like to provide some quick operational highlights from the BitGo business over the last quarter. We're pleased to announce that BitGo has continued to grow AUC across its clients, with assets under custody of \$35.5 billion at quarter end,

and surging after the quarter to cross \$64 billion in November. They also continue to support over 400 coins and tokens and 150 crypto exchanges worldwide. Moreover, the BitGo transaction enhances both our product innovation and development capabilities. As of today, as Mike mentioned, BitGo's headcount has reached 234 full-time employees, with significant hiring focused on the technical aspects of the platform. We continue to believe this combined solution will be the premier one-stop-shop for access to digital assets.

With that, I'll turn the call over to Alex to walk everyone through the specifics of our financial performance. Alex?

Alex Ioffe

Thank you, Chris. Good morning.

Galaxy earned \$0.5 billion for the three months ended September 30, and a remarkable \$1.2 billion gain year to date. Our equity capital exceeded \$2 billion at the end of this quarter, continuing to position Galaxy to take advantage of abundant opportunities in this rapidly developing market. In addition, as Mike said earlier, and we published in the earnings release this morning, fourth quarter to date, through last Friday, our preliminary results were approximately \$400 million. This would bring year-to-date earnings to \$1.6 billion and equity to \$2.4 billion.

Now, back to the quarter.

By the end of this quarter, equity capital grew by 150% from the end of last year. This was driven by Galaxy's long-term strategy to maintain a long digital assets portfolio, our diversified investments in the sector, active trading and hedging, and our growing operating businesses. To elaborate, digital assets, taking realized and unrealized gains on digital assets, we recognized \$529 million for the quarter. Excluding non-controlling interests, money from outside investors in funds that we consolidate, gain on digital assets was \$448 million for the quarter and \$745 million year to date.

Private investments are a great part of our story. Again, taking realized and unrealized together, we gained \$177 million from investments in this quarter and \$602 million year to date. Our portfolio includes investments in 71 companies. We record investments at cost or at a discount to market value. In fairness, many of our investments are made at early stages and are not immediately liquid.

Another piece of the investment story flows through gains on digital assets. We invest in new token protocols. Once the tokens are issued, they're recorded as digital assets. Typically, new tokens are made available for trading in tranches over time. We record restricted tokens in digital assets at meaningful discounts. As tokens become unrestricted, we recognize gains in digital assets.

On the cost side, equity-based compensation increased in the third quarter for the full-quarter effect of the grants that were made in the second quarter of this year. This was last year's awards that were held up by a blackout period mandated in Canada prior to the announcement of our BitGo acquisition. We also increased our bonus accrual for the quarter, correlated to the positive results in the business. General and administrative fees included an accrual for local taxes, and we recorded higher professional fees related to our U.S. listing and acquisitions.

Balance sheet. As I mentioned before, equity was \$2 billion at the end of this quarter. Cash was \$276 million. Digital assets, including digital assets receivable and excluding non-controlling interests, were \$1.8 billion, and private investments were \$780 million at the end of this quarter.

We mentioned changing auditors last quarter. As part of moving our public listing to the U.S., we retained KPMG as our auditor. This was the first quarter they reviewed our results. I would like to welcome KPMG to Galaxy. I would also like to again thank Davidson, our Canadian audit firm, for the exceptional service they provided, and continue to provide, to Galaxy. We enjoyed working together and we greatly appreciate their local expertise and talented staff.

With that, back to the moderator for questions.

Operator

Thank you. Ladies and gentlemen, at this time, we will be conducting a question-and-answer session.

Our first question comes from the line Deepak Kaushal with BMO Capital Markets. Please proceed with your question.

Deepak Kaushal

Oh, hi, guys. Can you hear me okay?

Michael Novogratz

Loud and clear.

Deepak Kaushal

Excellent. Mike and the team, glad to be back on the call, and glad for the opportunity to ask you guys some questions. Mike, just on the first question, on the U.S. listing, for lack of a better word, delay, the prior expectation was Q4 and now you're looking at Q1. Can you give us some insight into what happened, was it just kind of administrative, and what are kind of the next steps in the process? You've done your confidential filing. What should we expect in the near term before that becomes public and listing?

Michael Novogratz

Listen, I can't give you much color, unfortunately, because we're in process, but our process will be no different than any company filing with the SEC. They give you comments, you go back and forth. Like we said, we expect, and we're excited for our first quarter, close BitGo concurrently with redomiciling in the U.S. and listing here.

Deepak Kaushal

Okay. So, just in general, maybe as an aside to that, the SEC did give some heat to another publicly listed company in the crypto space with respect to lending. How is your Lending business different from that, and how do you expect the regulators to look at your Lending business in light of that?

Christopher Ferraro

Sure, thanks, Deepak. I think, first of all, I'd look to how do we finance the Lending business, and so we finance our Lending business both with internal capital, so equity capital, as well as whole financing lines, for lack of a better term, from institutions inside and outside of the crypto ecosystem, so not retail deposits. I think that's, first and foremost, the biggest differentiator, and I think that's probably the area that the regulators have taken the most focus on. The other side of it is,

from our asset perspective, our counterparties are all institutions, family offices, and also high net worth individuals, as well. We don't take part directly in financing retail, nor do we take financing from retail.

Deepak Kaushal

Okay, that helps, that explains it, Chris, thanks for that. I've got two more questions, if I may. One, again back to Mike. Obviously, we're in a different time versus 2018, and I get a lot of questions from investors, you know, where we are in the cycle. Just from you again, what were some of the lessons learned in the last cycle in 2018, and how are you guys better prepared as a business, and strategically, this time around, if we do see another crypto winter at some point?

Michael Novogratz

I think, first, the industry is much, much more mature. In 2017, going in 2018, it was broadly speculative and it was a very immature investor base, it was 99% retail, buying into this story that crypto and blockchains were going to change the world, and then the regulators got a little nervous and things had gone to far, there was a supply response, with so much new product.

I think what's different now is institutions are a much bigger part of this. The infrastructure that's been built is much more real, and so the blockchains are more robust. The business is building on top of them, are generating real revenue. We're moving from a crypto-only ecosystem to interacting with the real world. I think NFTs was the first really big area where that showed up. Part of the reasons why we have this excitement right now is people realize, wow, we can use blockchains to disrupt and revolutionize the art market and the advertising market and the collectibles market, and soon enough it'll be the healthcare market. I think there's been a realization that this is not just an asset play, this is a technology play. This is Web 3.0, the Internet of the future, the Internet of value exchange, you can give it lots of different names, but I think investors get that now, and so you're seeing much deeper investing in the space.

Does it mean we can't have corrections? Absolutely not. We will have a correction at one point, right? There's a lot of euphoria going into the markets. Markets don't go straight up forever. So, there's plenty of things that could cause corrections. I'm really confident that those corrections will be bought, that people will continue to build, build and build.

I told my employees in 2017/18, they were taking a risk, a career risk, that this would work out, and now I don't think they're taking a career risk. I think we have execution risk, right? There's a lot of competition in this space. We need to execute, execute, execute. But, this industry is here for good.

Deepak Kaushal

Okay, that's helpful, and Web 3.0, you mentioned that. Another buzzword we're hearing lot these days I Metaverse. You have investments in NFTs, in gaming, you've got your new Interactive Fund. What do you see as the critical pieces of infrastructure in this Metaverse, aside from Web 3.0, and how are you guys getting exposure to that space, in particular?

Michael Novogratz

We've made 22 or 23 investments in that space, you know, put \$62 million of capital in lots of those companies. I can think of things like Candy Digital, which we helped start, which is a memorabilia, an NFT memorabilia company. Major League Baseball was the first big client, but lots of other clients coming onboard. I can think of Art Blocks, which is the premier platform where generative art lives. Generative art is using code to create art, and it's probably the space of the NFT world closest to the art market. In 15 years or 20 years, when you look back, names like Dmitri Cherniak are going to be known

as the great artists. Different men, you know, CryptoPunks, and what we call “collectibles”. So, we’re putting investments all over the space. We really think this is first inning there. If you think about it right now, if you buy a great NFT, you can show it to someone on your phone or maybe on a pretty cool TV screen. In the future, there’s going to be AR glasses, they’re going to be whole worlds created, where your NFTs interact with the rest of the world. So, we really think this is early stages. We just raised another \$325 million fund, Interactive. Couldn’t be more proud and excited about the team we have there. I think we’re on the cutting edge, continue to hire into the space, and so it will be a big part of our business going forward.

Deepak Kaushal

Okay, great. Well, thank you for taking all my questions and I appreciate the airtime, and I’ll pass the line.

Operator

Our next question comes from the line of Mark Palmer with BTIG. Please proceed with your question.

Mark Palmer

Yes, thank you, and good morning. Thanks very much for the update on BitGo’s performance, particularly up through November, which is remarkable. We have been hearing an awful lot about blockchain infrastructure firms that are gearing up for a big surge in staking in 2022, especially with the anticipated merge for Ethereum 2.0. In your integration with BitGo, how are you thinking about staking volumes in 2022, and how are you preparing for a potential increase in volumes?

Christopher Ferraro

Sure. So, we are focused on staking. We think that, objectively, the volume of potential unlock of assets, stakable assets on a bunch of new networks that were launched this year is going to dwarf what we’ve seen so far in the past, and so it is a core focus of ours and a core focus of the entire BitGo team. We think staking is something that clients of a custodian are going to demand, and so we think it’s incredibly important that we offer it. We are working on the strategy on that front. BitGo today does offer staking itself and in partnership with external partners, and we’re going to continue that strategy going forward, but it will be—unless things dramatically change, it will be a core part of our offering.

Mark Palmer

Thank you, and, of course, we saw the approval of Bitcoin futures ETF, actually more than, but we also saw a rejection of physically backed Bitcoin ETF. I just wanted to get your take on where things stand in terms of approval of these structures, what your expectation is going into 2022, and how that will impact your strategy with regard to the Asset Management Group. Thank you.

Damien Vanderwilt

Thanks, Mark. It’s Damien. We are filed at the moment, as you know, with Invesco, our partners, with an S-1, and so we’re going to be limited in giving too much perspective around a direct answer to your question. I think the futures backed Bitcoin ETF approval was possible because of the cash settled nature of that product, and so none of that architecture to achieve that exposure hits the underlying Bitcoin market. That’s clearly different with the Bitcoin backed ETFs. We’re hopeful that as the SEC works through some of their concern list that the future will be a bright one for firms like ourselves and Invesco, and others, to be able to have cash backed Bitcoin ETFs.

Mark Palmer

Very good. Thanks very much.

Operator

Our next question comes from the line of Ken Worthington with JPMorgan. Please proceed with your question.

Ken Worthington

Hi, good morning, and thank you for taking my question. I wanted to follow up on Mike's, yours and Damien's comments in your prepared remarks. In terms of the crypto markets, we saw a healthy sell-off mid-year, and more recently a recovery, with many token prices surging to new highs. Again, following up on your prepared remarks, you commented on the environment. There have been a number of themes that you have spoken about and I think have driven increased interest in the cryptocurrency market, the thought of Bitcoin as digital gold, I think the fiat inflation hedge seemed to be a contributor earlier this year. To what extent do you think mainstream participants are evolving from seeing cryptocurrencies as maybe just an asset to seeing them more as a technology, and is there a change here that might be driving participation and interest? Then, more broadly, as you speak with your clients and, maybe more importantly, non-clients, where is the mainstream market in terms of understanding the crypto ecosystem?

Michael Novogratz

Yes, let me answer that. I would start with, in the institutional world, right, people putting money into venture, the big institutions that are now putting money into not just Bitcoin, but Ethereum and other projects, I think this shift of thought, that we're going from an asset play to a tech play, is a big driver of the acceleration of the (inaudible), of saying, "I can't miss the next Internet."

In the retail market, it's harder to have our fingers on it, we don't touch them on a day-to-day basis, though I certainly do through my Twitter, you know, conferences, and lots of other ways. I think it would be unfair to not give them some credit for sophistication. The crypto universe is very dedicated, right? There's nicknames like Degems (phon) and whatnot. There's a core group of people that are making their living following these projects and understanding them. So, I think it's a more sophisticated market than it was, certainly, in 2017.

Listen, it's not everybody. Like, in anything, you get some core group of people that are really understanding what's going on and they're pulling new people into these ecosystems. You remember what's both really, really powerful about the way crypto works, but can be also dangerous, is that once you're engaged in a project, you've got a vested interest to pull other people into your project, and so you're seeing whole new ecosystems show up. I mean, this year, I think the best examples are both Terra Luna and Solana, ecosystems run by very charismatic founders, with good technology, with lots building and lots of great partners, and so out of nowhere you've gotten—it's unfair to say "out of nowhere," these guys have been building for years, but the real acceleration of those networks came this year, and you're seeing it in things like Avalanche, Algorand. Lots of other of these ecosystems are pulling people in. It's way early to figure out how this all this shakes out, will we have four blockchains and Web 3 or 40, and I think anyone who tells you they know the answer is probably a little foolish, because we're still early in that play.

But, again, to your question, there's more sophistication than most people think.

Damien Vanderwilt

Ken, I might just add one thing onto Mike's comments, where you may find it interesting. I would describe, when I'm talking to the largest institutions now, a sense of frustration at the lack of regulatory clarity, which is, in many instances, forcing them to have only one channel allocate capital into our sector, and that's through fund structures or the venture private equity, which I mentioned in my prepared remarks, and their desire is clearly to make sure that they are not missing the next legs of the movement in the underlying crypto assets, so you're seeing an expansion in the private market valuations of the infrastructure companies, and once we get regulatory clarity, there is just a gigantic wall of capital that will try to find its way into the crypto asset ecosystem directly. So, there is a frustration that lack of clarity is almost forcing them to miss the price appreciation that is happening in the marketplace, and forcing them into a private equity environment that is extremely stretched.

Ken Worthington

Great, thank you very much.

Operator

Our next question comes from the line of James Friedman with Susquehanna. Please proceed with your question.

James Friedman

Hi. Exciting times, guys. It's Jamie at Susquehanna. I had two, I'll just ask them upfront. I think it was Damien speaking with regard to the DeFi Crypto Fund. I think that's maybe the one that is actually Bloomberg Galaxy DeFi Index, so maybe you were talking about something else, but my question is do you see any different characteristics with regard to the demand trends for the DeFi Fund, not in terms of volume, but in terms of investors, relative to some of your other assets? That's the first one.

Then, with regard to the U.S. listing, I'm curious—and I realize, Mike, you said you can't talk a lot about it, and I totally respect that. I'm just curious, what's the spirit of that? Like, why do you feel like that's real important for you, if you do? Thank you.

Michael Novogratz

Yes, let me answer that question first. We went public in the Canadian Venture Exchange, the Toronto Venture Exchange, back in 2018, because it allowed us to raise permanent capital, probably, on a business plan. In the U.S., you need three years of audited financials. That was great. What is very clear to me now is that the liquidity of the world shows up in the NASDAQ, it shows up in the U.S. So, you look at a stock like ours, that, on average, trades \$50 million odd a day, some days higher, some days lower, relative to, say, the mining stocks that do one-quarter, one-fifth, one-sixth of what we do in both diversity of activity and earnings, and lots of things, and they trade at times \$500 million, \$600 million a day. To create liquidity for our shareholders, to be able to access the capital markets, it seems an essential to be here listed in the U.S., it's the capital markets center of the world and we want to be a global company with big aspirations. We think this is a growth industry, and so being able to tap in and raise capital when we see opportunities is an important part of our game plan.

Damien Vanderwilt

I might add, just to tackle your DeFi Fund question, if you look at the development in our Asset Management business, of our Index product, it has perfectly mirrored what we're hearing from our institutional clients that are choosing passive fund structures to allocate into the sector, and so what we're aiming to provide people with are the building blocks to put together an exposure that suits their investment needs, and it typically—and this is true for the majority of the sell cycle of institutions in our sector—people start with Bitcoin, make an allocation. That's the longest sale. They then start doing work, typically, on Ethereum. Then, they want to have our Ethereum Tracker Fund to allocate there. The next area of demand ends up being DeFi. So, these building blocks are in response to our client demand for allocating capital to the sector, and these funds do provide onshore and offshore capabilities, in most instances, for people to put them together. They can create their index weights, how much they want to have in Bitcoin, versus Eth versus DeFi. We also have a Bloomberg partnership, where we've created a large cap coin index that rebalances every month, and so people can say, "We're going to do a market cap index based allocation and use that fund product."

So, you'll see a handful more of those types of index products come out in the fourth quarter and the first quarter, which gives everyone the opportunity to sort of put together a portfolio that gives you different exposures cross the ecosystem.

James Friedman

Got it, thanks for that. Happy holiday.

Damien Vanderwilt

And to you, thanks.

Operator

Our next question comes from the line of Owen Lau with Oppenheimer. Please proceed with your question.

Owen Lau

Good morning, and thank you for taking my question. Could you please provide more thoughts about the consolidation in the crypto industry? Are we still in the early stage of M&A, that companies are just adding more capabilities, or do you see some signs that there are just too many similar projects out there competing in the same industry? Thank you.

Michael Novogratz

Yes, let me answer that two ways. There has been M&A around infrastructure, and we'll continue to see some, but if you think about the pie, the pie is growing so quick that new companies certainly have roles to play. The big debate is really around who's building both Level 1 and Level 2 blockchains and which type blockchain is going to be the blockchain of the future, right? There are probably 15 contenders that want to unseat Ethereum, or either unseat Ethereum or at least be part of that ecosystem, that becomes the giant distributed super-computer, where both consumer and financial companies are built on top of. So, I think you're going to continue to see new projects, both Level 2 solutions, side-chains, all trying to sort out this equation of decentralization, security and speed, and that tri-lemma, as Vitalik Buterin once put it, isn't solved yet. That part's probably them most exciting, from an investor perspective, from a computer science perspective, and so I think you're going to continue to see lots of projects there. When it comes to exchanges and custody and security, there, I think you'll continue to see some consolidation, because there's economies of scale that play out.

Owen Lau

Okay, got it. Just a quick follow-up on that. Could you please add a little bit more color on your Principal Investments? I think, Mike, you touch a lot on NFT, but other NFT, where do you see the opportunity in the private market in your Principal Investments? Thank you.

Michael Novogratz

What's beautiful about opensource networks, right, about blockchain itself, is that you can build on top of what already exists. We call it "composability". I always use the example of if you had an iPhone, then you put GPS on the iPhone, and the next thing you get Uber and Door Dash and all the other delivery services and mapping services. You can think of the blockchain as the i-store in lots of ways, that things get built on top of. So, what we're seeing is an explosion of innovation. It's like the new generation decided, "Oh, those old rules don't exist, we can just innovate," and so we are constantly looking for greater founders with great ideas, and there are a lot of them. Tons of the best engineering minds coming out of university are going right into this space. Our team, John Cole, Michael Jordan, Will Nelly (phon), are what I'll call (inaudible) Venture Team is constantly out there meeting these founders, looking for opportunities.

Chris, do you want to highlight a few of the ...

Christopher Ferraro

Yes, and to hit on specific things, as it pertains to sort of unchained, right, there's core unchained protocols that's building to base (inaudible) infrastructure for peer-to-peer transacting. Then, there's things like we mentioned, Pyth, which is a real world data oracle. So, bringing real world data programmatically unchained is going to be incredibly important in order to bridge the two gaps and allow smart contracts to interact with things that are happening sort of outside just the ones and the zeros in Web 3.

Another example is staking, we talked about, right? Staking-as-a-infrastructure is incredibly important. We have a handful of investments now in staking providers throughout the ecosystem, because we see that piece of the ecosystem sort of—the demand on a go-forward basis exploding.

Those are couple of examples. Online credit scoring is another good one. As people's identities sort of become—exist more unchained than they do in the real world, we need a way to figure out who those people are and how are they going to act, and should actors get lower cost of capital and get more financing. So, unchained credit scoring and unchained identity is also something that we're really focused, because we think these are the Level 2, 3 and 4 layers of the ecosystem that are being built now, that are really going to drive the economy unchained.

Owen Lau

Got it. Thank you, Mike, Thank you, Chris.

Operator

Our next question comes from the line of George Sutton with Craig-Hallum. Please proceed with your question.

George Sutton

Thank you. Congratulations on the results, and I'm pleased to hear your in the comments process relative to the U.S. listing. Damien, you mentioned a gigantic wall of capital to be allocated. I'm just curious, how much of that you feel is dependent upon some regulatory clarity.

Michael Novogratz

I think it's happening, anyways. This is Mike. I'm sorry, I'm cutting Damien off. That's my privilege of age. I think it's happening, anyways, right? I was just with some big pension funds that are moving in that direction, they're going to allocate. I think it would accelerate a lot, right? Because, again, if you think about the more conservative the institution, how do institutions look, well, who goes first, who goes second? Once you have two or three people in that bucket, if it's an insurance company, if it's a pension fund, if it's college endowment, they all want to know what the other guys are doing. So, we're starting to hit the tipping point in almost every one of those buckets. I just know that if they get the okay from the regulators, it'll accelerate. Because, you know, you're pitching a Board, the Board are less close to the markets than the portfolio managers or the guys that run these funds. They tend to be older, not younger, right? There's a direct correlation of age and understanding crypto. If you talk to 24-year-olds, they all get it. You talk to 74-year-olds, and very few get it. So, I think this is just a process. Regulatory clarity will completely accelerate it.

George Sutton

Mike, just one other quick question for you. You mentioned healthcare could be the next big area of disruption for the blockchain. I'm just curious if you could give a little bit more of a picture of what you were referring to there.

Michael Novogratz

Let me restate that. I don't think it's going to be the next big area of disruption. I do think it'll probably be one of the hardest, because of all the problems in healthcare, but it would be insane if we have a future where we have value being transmitted all over on blockchain and you can keep your private data, to think that we're not going to have our healthcare records in your own NFT, right? So, I do think we'll get there. It's probably the tail end of this revolution, not the beginning. If I misspoke, I apologize.

George Sutton

Thanks for the clarity.

Michael Novogratz

There are some projects working on it, but with HIPAA stuff and just the way our healthcare system is set up, it's a tough road to hoe right now. It just makes so much intuitive sense. Think about it, you go to the doctor's and they want your healthcare records and you're like, "Oh, those are in Kansas." They should be in your wallet, right next to your Bitcoin, your Ethereum, your opera tickets and your NFTs.

George Sutton

Thank you.

Operator

Our next question comes from the line of Kevin Dede with H.C. Wainwright. Please proceed with your question.

Kevin Dede

Good morning, gentlemen. Thanks for having me. Damien, just a little more clarity, and if you want to jump in on it, Mike, that's great. I'm just a little confused, right? I get the whole wall of capital, clearly evident. What's not clear to me is what happens with regulatory clarity. Do you see a compression in the private equity market, given that the institutional public one opens up, and do you think that would come with a collapse in private valuations? How should we look at that?

Damien Vanderwilt

Yes, I would tell you that, probably, one of the most central issues here in the U.S. for investors and providers of liquidity is the determination of what crypto assets are probably securities and those that are not, and whilst that fundamental interpretation subjectivity exists, most large fiduciaries are not going to take any risk there and they're going to allocate capital into the sector through mechanisms that are permissible, so venture capital funds and private equity funds, and so that is where you're starting to see, I would say, excess capital trying to find its way into the sector, relative to what would probably be happening if there was clarity where people could allocate directly.

I don't necessarily think that that clarity will see a collapse in private equity valuations. The reality of private equity in our sector is there are very few assets available for people to invest in or to acquire relative to the TAM, as I also mentioned, and the number of people who want to be exposed to the sector. I think what you will see once we have regulatory clarity is assets that are currently allocated into other sectors find their way into crypto, but be allocated directly, and people being able to allocate portfolios into the full ecosystem of coins and digital assets that we're involved in.

Kevin Dede

Okay, thank you, Damien. I'm not sure who would want to take this, a clarity on the Mining strategy. Given the target appears to be maintain greater than 1% of the network hash, I'm wondering if that's the strategic intent longer term.

Christopher Ferraro

Yes, I think, at its most fundamental level, we think Bitcoin is an incredibly important part of the crypto ecosystem, it's the bellwether asset, and we think being a participant on the network, and helping secure the network, is important from a good actor perspective, not alone the financial profile of maintaining. We picked 1% as the target, as our initial target. We're going to achieve that. Where that goes from there, yes, I think we all look around and say we'd love to maintain at least 1%. That's not necessarily and hard and fast goal. That'll depend on how the network evolves, where hash rate goes, where our own capital base is and how we allocate. But, as a starting place, that feels pretty good. We love the economics in Bitcoin mining today. We think there are forces at hand that suggest those economics are going to stay highly attractive for an extended period of time, not the least of which is foreseeable continued supply chain mismatch between available supply of high-quality equipment and network demand. We like the business a lot, we're committed to it, and we think there are actual longer term tailwinds behind it, which is slightly different than what it's been over the past five years prior to now.

Kevin Dede

Chris, you commented on Trading volume through the September quarter across derivatives and spot. I was wondering if you could just add a little more color on what you've seen since.

Christopher Ferraro

Sure. We have seen volumes pretty much across the board of our core product offerings increase post September 30, which is commensurate with what you'd expect, and is correlated to sort of the flash we've given on our own results, generally speaking. The crypto market is volatile, but, in general, we have seen a rebound in October and into early November, but it's still early yet.

Kevin Dede

Okay. Mike, a couple for you, maybe. Could you talk a little about how you see position of crypto versus gold in an inflationary environment, that seems to be one we're in at the moment, and do you think ...

Michael Novogratz

If you had asked Gold Bugs two years ago where the price of gold would be, given what's happened in monetary and fiscal conditions around the world, they would have all answered far higher than here, you know, \$1,800. What's happened? There's been a substitution of Bitcoin for gold. We've seen it directly, you've seen it indirectly, you see it in the charts. I still think gold is probably an okay asset to own in this environment, but it's just gotten crushed by Bitcoin, and I think that adoption cycle continues. (Inaudible) when we went from analog to digital, right? I mean, how many people still use Kodak film? Bitcoin is just a better version of a store value, and it's being accepted at an accelerating pace. Store of value gets its worth from the social construct that people agree that it's valuable, that I'm going to hold my hard-earned money, my labor, my savings in this form. There are now over 200 million people around the world that participate in the Bitcoin ecosystem, and it continues to grow. As you get the credentialization, not just of those 200 million people, but of guys like Stan Druckenmiller and Paul Jones and insurance companies, and now pension funds, the debate about is it a store of value is way over, it was over nine months ago, and so now it's just adoption.

It doesn't mean it won't be volatile, right, it still trades at 90-vol, and so ten times the volatility, or seen times the volatility of gold. On a vol-adjusted basis, it's actually almost the same, you know, the same amount of risk in people's portfolios. I just think you're going to continue to see it get adopted. It's cheaper to store, it's more—it's easier to move, and so it's a better mousetrap.

Kevin Dede

Well, couldn't you sort of extrapolate that to include all of crypto, Mike? I think that's kind of where I was hoping you'd go.

Michael Novogratz

You know, listen, I think there are three buckets I'd put crypto in. Bitcoin has its own individual brand and it's one that—it doesn't mean it will be the only store of value, right? People are storing value in CryptoPunks right now. It's a cultural association. There are only 10,000 CryptoPunks, there will only be 10,000 CryptoPunks. Galaxy bought a CryptoPunk. So, if you're a Galaxy shareholder, you now own a part of a CryptoPunk. It's a really powerful community. When Jay-Z made his avatar CryptoPunk, I remember I was on stage at Christie's and I said we should all buy them, because the King of

Culture just said, “This is important.” So, that will be a store of value in some sense, in the same way art is, but in terms of a fungible, big, liquid store of value, I think Bitcoin is going to be the winner.

The second part of crypto, while it has some affinity to it, right, Ethereum and Solana and Polygon and all these other ecosystems, they really are tech bets, they really are a bet that we rebuild this infrastructure, what I call Web 3, and that adoption on that infrastructure really accelerates. Their valuation is part of that infrastructure and part of that sense of being part of the community, in the same way Bitcoin is, and so it's not zero or one, but the broad use case is there's utility in these things.

Then, when you get things like DeFi, which are built on top of those platforms, there's real earnings, there's really money that gets generated, and so I think, in the long run, most DeFi protocols will be looked at more like we looked at equities, like we'll have long and short DeFi analysts. They've been less in favor in the last six months, because it's still Level 1 and Level 2 protocols where the activity is and the NFT space will credentialize that.

But, let's not count DeFi out. I think you're going to see a renaissance with these protocols. There's still some regulatory hurdles to get through in DeFi, most notably who gets to use it, right. If you're trading against a smart contract, are you trading against someone who's been KYC-ed. But, there are lots of people working on solutions to that, including ourselves, and I'm very confident that within the next 12 months that's going to be easier and easier for regulators to understand and be okay with, and then I think you'll see an explosion in use cases, and that's what's going to get the traditional finance companies nervous.

Kevin Dede

Okay, last question for me, Mike. Last quarter, we pinned you to the wall on your call on Bitcoin. I think you said 60K. We went way through that. Before the end of the year, we've got six weeks left, what's your guess?

Michael Novogratz

Having been a macro investor my whole life, what typically happens in the last stretch, you know, the horses come around the bend and they see the finish line of (inaudible) and the winners push ahead, and so it will absolutely not surprise me to see a pretty sharp move of Bitcoin, Ethereum, and many of these projects, into year end. I do think we'll have a correction sometime in the first quarter. People will wake up to say, “I've to pay tax.” They'll wake up to—if you're a hedge fund, you're taking your promote. So, there's a vested collective interest to drive prices higher.

Listen, being an investor in crypto after the kind of move we had is difficult, right, because on the one hand you're saying, “I see all this flow, it's going to drive prices significantly higher,” and you look at how far it's moved and you say, “Oh God! A correction could be painful.” The genius of being a speculator or an investor in this stuff is to be able to hold both those things at the same time as possible and to try to keep as many—as much sensitivity to what you're seeing in the shorter run, so you can protect against those big moves.

I don't see anything right now in the real short run that could really damage the ecosystem. That doesn't mean there's nothing out there.

Kevin Dede

Okay, thanks so much, Mike, and gentlemen, and maybe you'll give us a chance to ask at the end of the fourth quarter. Thanks very much.

Michael Novogratz

You bet.

Operator

There are no further questions in the queue. I'd like to hand the call back to Mike Novogratz for closing comments.

Michael Novogratz

Guys, thanks for supporting us, thanks for being on the call today. It's been an amazing year for Galaxy. We could not be more excited. It was a great quarter, we're off to a great start this quarter. I want to just emphasize we are a growth company and a growth industry, and so we're going as hard as we can. (Inaudible) mentions to our employees that they need to take at least one vacation a year, but we've got an unbelievably talented group of young men and women that are working their tails off, and so thanks for listening and we'll be back.

Operator

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.

No Offer or Solicitation

This communication shall not constitute a solicitation of a proxy, consent or authorization with respect to any securities or in respect of any of the proposed transactions. This communication is for informational purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote of approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction.

Additional Information

In connection with the proposed reorganization and combination, Galaxy will file a registration statement, including a management circular/prospectus and an information statement/prospectus, with the Securities and Exchange Commission (the “SEC”). GALAXY AND BITGO SHAREHOLDERS ARE ADVISED TO READ THE MANAGEMENT CIRCULAR/PROSPECTUS AND INFORMATION STATEMENT/PROSPECTUS, RESPECTIVELY, WHEN SUCH DOCUMENTS BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Shareholders may obtain a free copy of the registration statement and such other documents (when available) and any other relevant documents filed with the SEC from the SEC’s website at <http://www.sec.gov>. Copies of the management circular/prospectus and an information statement/prospectus can also be obtained, when available, without charge, from Galaxy’s website at <https://investor.galaxydigital.io/>.

CAUTION ABOUT FORWARD-LOOKING STATEMENTS

The information in this communication may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and “forward-looking information” under Canadian securities laws (collectively, “forward-looking statements”). Our forward-looking statements include, but are not limited to, statements regarding our or our management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. Statements that are not historical facts, including statements about the pending acquisition, domestication and the related transactions (the “transactions”), and the parties, perspectives and expectations, are forward-looking statements. In addition, any statements that refer to estimates, projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this presentation may include, for example, statements about: our ability to complete the transactions; our expectations around the performance of our and the target’s business; our success in retaining or recruiting, or changes required in, our officers, key employees or directors following the transactions; or our financial performance following the transactions. The forward-looking statements contained in this communication are based on our current expectations and beliefs concerning future developments and their potential effects on us taking into account information currently available to us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results

or performance to be materially different from those expressed or implied by these forward-looking statements. These risks include, but are not limited to: (1) the occurrence of any event, change or other circumstances that could result in the failure to consummate the transactions; (2) the possibility that the terms and conditions set forth in any definitive agreements with respect to the transactions may differ materially from the terms and conditions set forth herein; (3) the outcome of any legal proceedings that may be instituted following the transactions and any definitive agreements with respect thereto; (4) the inability to complete the transactions due to the failure to satisfy conditions to closing in the definitive agreements with respect to the transactions including in respect of shareholder and stock exchange approvals; (5) changes to the proposed structure of the transactions that may be required or appropriate as a result of applicable laws or regulations or as a condition to obtaining regulatory approval of the transactions; (6) the ability to meet and maintain listing standards following the consummation of the transactions; (7) the risk that the transactions disrupts current plans and operations; (8) costs related to the transactions; (9) changes in applicable laws or regulations; (10) the possibility that the combined company may be adversely affected by other economic, business, and/or competitive factors; (11) changes or events that impact the cryptocurrency industry, including potential regulation, that are out of our control; (12) the risk that our business will not grow in line with our expectations or continue on its current trajectory; (13) the possibility that our addressable market is smaller than we have anticipated and/or that we may not gain share of it; (14) those other risks contained in the Annual Information Form for the year ended December 31, 2020 available on the Company's profile at www.sedar.com and (15) other risks and uncertainties to be indicated from time to time in filings made with the SEC. Should one or more of these risks or uncertainties materialize, they could cause our actual results to differ materially from the forward-looking statements. We are not undertaking any obligation to update or revise any forward looking statements whether as a result of new information, future events or otherwise. You should not take any statement regarding past trends or activities as a representation that the trends or activities will continue in the future. Accordingly, you should not put undue reliance on these statements.