

**S&P Global**

Market Intelligence

# **Galaxy Digital Holdings Ltd.** TSX:GLXY

## *Earnings Call*

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# Call Participants

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## EXECUTIVES

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**Jonathan Goldowsky**  
*Head of Investor Relations*

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*Founder, CEO & Director*

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# Presentation

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## Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Galaxy Digital Third Quarter 2024 Investor Call.

[Operator's Instructions]

I will now hand today's call over to Jonathan Goldowsky, Head of Investor Relations. Please go ahead, sir.

## Jonathan Goldowsky

*Head of Investor Relations*

Good morning, and welcome to Galaxy's Third Quarter 2024 Earnings Call, and apologies for the technical difficulties this morning. 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 Authority 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 or its affiliates to buy or sell any securities, including Galaxy Securities. With that, I'll turn it over to Mike Novogratz, Founder and CEO of Galaxy.

## Michael Edward Novogratz

*Founder, CEO & Director*

Good morning. Beautiful day in New York. Again, apologies for the late start and the difficulties with the conferencing. But we're here. Listen, yesterday, I was thinking about this last night, was probably the most important day in the history of Galaxy and certainly an unbelievably important day for the cryptocurrency industry. We started Galaxy with this idea that we were going to be a bridge between the crypto community and institutions. And I think with the election of Donald Trump and what he has pledged to be a very liberal crypto policy, we're at the very beginning of what I think will be 52 weeks or 104 weeks of one piece of good news every week. Why do I think that, right? Again, I didn't publicly support Donald Trump as President. I was actually on the other side, but I was always pro-crypto. And I thought, let's do the best we can to have a bipartisan agreement. I do think the Democrats have warmed to crypto, but Republicans are going all in. And first and foremost, if you look at the people Trump is going to have around him, right, RFK made one of the most aggressive and optimistic crypto speeches at Nashville. J.D. Vance, Peter Teel, Howard Lutnick, who's running the transition team, who owns Cantor Fitzgerald, who's very engaged in the market, both in stablecoins and as a holder of crypto.

And so when the people around the table all like our industry, you got to think good things are coming. What's most important is people. And so SEC, FDIC, OCC, these appointments, which we'll learn about in the next 2 to 12 weeks, 2 to 16 weeks really will define a tone of what this industry feels like, right? Repealing SAB21, right, the accounting rule that has really stopped most traditional custodians for participating in our industry is going to get repealed very quickly. And so when you bring in the Bank of New York and the State Streets as custodians, when you allow trade by competitors to own crypto on their balance sheet, it is going to unleash a tsunami of institutional participation. We see this as a great opportunity. We have been partnering with trade companies since we've started. We also see it as a threat. We are going to have to work that much harder to keep a moat as the traditional players start getting involved more and more in our markets. But the TLDR is it's going to bring in a ton of money. And when a ton of money comes into our space, prices go up and innovation happens. And so I couldn't be more excited. Yesterday was our largest trading day of the year P&L-wise, you would expect that when markets were all up 10%, and we own a lot of crypto. But our franchise was operating at full bore, trading with counterparties, both in the U.S. and abroad, lending the derivative desk.

And so it really felt like an affirmation of everything we've been working for. Chris Ferraro is going to give you a good recap of our last quarter. The last quarter seems a little less relevant right now given that this is kind of a whole new world. But we've got a lot of exciting things happening, certainly around the mining data center business. I couldn't be more exciting as our company pivots more and more towards AI as well as crypto. And so with that, I'm just going to leave you with a strong message that this is the beginning, not the end, and couldn't be more excited. I'll pass it to Chris.

**Christopher C. Ferraro**

*President & Chief Investment Officer*

Thanks, Mike. Galaxy's third quarter results showcase how our diversified business model and the synergies across our operating units allow us to effectively capitalize on market opportunities and remain at the forefront of trends in digital assets and other emerging technologies. I'll start with our Global Markets business. Despite the slowdown in trading volumes broadly across the digital asset industry, our counterparty trading business generated \$54 million in revenue in Q3, a 117% increase quarter-over-quarter. The increase was primarily driven by higher revenue from derivatives and increased lending activity. Our counterparty trading business has now generated nearly \$150 million in revenue year-to-date, 47% higher than what we generated in all of 2023. We've continued to originate new loans to meet increased borrowing demand from both new and existing counterparties who relied on Galaxy's lending desk to provide them with margin-based financing. As a result of this increased activity, our average loan book size grew to \$863 million as of September 30, a 23% increase quarter-over-quarter. As part of this loan book growth, Galaxy entered the debtor and possession financing market to Rhodium Enterprises, a digital asset company that utilizes proprietary technologies to mine Bitcoin. While this was by no means Galaxy's first foray into more complex restructuring transactions, it does mark our first strategic dip financing and aligns with our ambition to continue to expand further into higher-yielding structured debt opportunities.

Given the talent, drive and experience inside of our company, we see no reason why this area of finance should continue to be dominated by TradFi banks and shadow lenders, especially with the opportunity set we see presenting itself to begin to now move these assets on chain. What makes this deal particularly compelling is how it combines our strengths as both a lender and a mining site underwriter, showcasing the power of Galaxy's diversified platform and the flywheel we've built across our businesses. We've structured the deal to ensure that within a 90-day term, Galaxy stands to earn at a minimum an annualized return of over 30%, while all the while being underpinned by a group of infrastructure assets that we feel has high-quality strategic potential value. Turning to our asset management business. We ended the third quarter with \$4.6 billion of assets under management, a 2% increase quarter-over-quarter. Despite broader crypto markets being down 7% in the quarter, we added nearly \$250 million of net inflows into our fund products in Q3, driven by strong demand for our passive and active ETF suites. Building on this momentum, on September 10, Galaxy Asset Management in partnership with State Street Global Advisors announced the launch of 3 new actively managed ETFs focused on digital assets and disruptive technologies, DECO, HECO and TechX.

State Street Global Advisors has a track record of partnering with other asset managers who are leaders in their respective asset classes to launch active products. Galaxy Asset Management will now be featured in SSGA's lineup as the digital assets experts alongside Blackstone for fixed income, DoubleLine for total return, Nuveen for municipal bonds and Loomis for opportunistic bonds. Of equal importance, these products represent Galaxy Asset Management's first equity investment funds while also expanding our investment program beyond just crypto and now into artificial intelligence and other emerging technology sets. Although it's only been about 2 months since product launch, the strong performance of these funds to date reinforce our belief that an active approach to digital asset investing is critical to fully capture the potential of this rapidly changing technology. Looking ahead, by year-end, we anticipate a second close for Galaxy Ventures Fund I, our inaugural crypto venture fund focused on investing in early-stage companies across crypto protocols, software infrastructure and financialized applications. Institutional interest has remained strong following the fund's initial close, and we expect to reach, if not exceed, our \$150 million target. Furthermore, we've already sourced and are executing on special situation SPVs for our venture LPs and broader Galaxy Asset Management client base, which we expect to add incremental highly accretive fee-paying AUM to the Ventures platform before year-end.

12 months ago, crypto asset management was a small industry with significantly less AUM and limited participation from institutional allocators. Over the past year, the advent of Bitcoin and Ethereum ETFs have helped institutionalize the broader asset class, bringing traditional pensions, endowments, hedge funds, corporates and others to the table. We believe we're in the early stages of a crypto asset management renaissance and that Galaxy Asset Management is going to play a central role in this next wave of adoption. Finally, turning to our Digital Infrastructure Solutions business. I'll start with blockchain infrastructure. The team here had another exceptional quarter with our assets under stake reaching \$3.4 billion, representing a 58% increase quarter-over-quarter and reaffirming our position as one of the largest validators globally on the Solana network. As announced in July and discussed on our last earnings call, approximately \$1 billion of this asset growth is the result of Galaxy's acquisition of Crypto Manufacturer, a leading blockchain node operator that provides trusted secured infrastructure services to decentralized protocols across the digital asset ecosystem. Importantly, in the third quarter, our blockchain infra business generated approximately \$11 million of blockchain revenues, net of staking costs, up 26% quarter-over-quarter.

As we approach the close of 2024, the team is focused on executing technical integrations and partnerships with large custodians, wallet providers and liquid staking protocols, enabling us to expand access to Galaxy staking services and associated trading products through those platforms. We'll keep you updated on progress here as these integrations continue to unfold. With respect to GK8, we're incredibly excited for the global regulatory opening of digital asset custody as evidenced by the SEC recently outlining criteria for SAB 121 digital asset custody exemptions. This is a market that has been largely closed over the past 2 years post the collapse of FTX, but one that we believe GK is uniquely positioned to be a leader in. To that end, we have invested in the broadening of the product suite we offer through GK8 to now include MPC stand-alone cloud-based HSM as well as our patented impenetrable cold storage. And we've led a rebranding with the team, GK8 by Galaxy, which we rolled out in Europe over the past 4 weeks. We're excited about the early newly invigorated momentum we're seeing in this business. Finally, turning to Galaxy Power. Our mining business reported revenue of approximately \$18.5 million for the third quarter. Our net power purchase costs and external hosting expenses were approximately \$10 million, resulting in a 46% direct mining profit margin.

Our combined hash rate under management for proprietary and hosted mining was 6.2 exahash, which exceeded our 6 exahash target for the quarter. Our average marginal cost to mine increased as anticipated to just under \$38,000 per Bitcoin. This was the result of Q3 being the first full quarter post halving, increased mining difficulty and seasonal curtailment of our machines during the summer months in the ERCOT market. This remains highly competitive relative to our peers and is a testament to the team's ability to cohesively manage our data center operations and power strategy while navigating changes in the ecosystem. As I spoke about last quarter, in addition to the 800 megawatts we are already approved for at our Helios campus, we have an additional 1.7 gigawatts currently under various stages of load study by our consultants. We anticipate some portion of the incremental megawatts to be approved in the first half of 2025, allowing us to further scale our power capacity at our Helios campus. I'm also incredibly excited to announce a transformational advancement for our Digital Infrastructure Solutions business. Subsequent to quarter end, Galaxy executed a nonbinding term sheet with a U.S.-based hyperscaler to supply turnkey infrastructure for the operation of direct liquid cooled GPUs at our Helios campus in Texas.

The term sheet includes options to develop up to 100% of Helios' currently approved 800-megawatt power capacity towards AI data center infrastructure. A global power shortage, coupled with robust demand for data center capacity driven by advancements in AI and other forms of high-performance compute has created a unique opportunity for Galaxy to utilize our Helios campus beyond just Bitcoin mining. As I discussed on our last earnings call, we have been evaluating this opportunity since the beginning of the year with a single-minded focus on bringing to market this new business line with the right strategy and the right partners. With firm approval to draw 800 megawatts of power from ERCOT, 320 acres of contiguous land, access to reliable, low-cost power and water, key electrical infrastructure already on site and a world-class team with experience developing and operating large-scale digital infrastructure, Galaxy is very well positioned to enter the AI data center industry as a developer and operator of hyperscale campuses. This deal proposes to add another significant and diversified source of predictable revenue for

Galaxy, completely uncorrelated to the prices of digital assets, which will reduce the volatility of our annual revenue, earnings and cash flows.

In line with this announcement in the third quarter, we fully funded and began construction on 2 additional new fiber circuits from our Helios campus to existing long-haul dark fiber networks back to Dallas that meet the path diversity requirements of hyperscalers today. We also ordered end-to-end optical networking equipment that will provide high-capacity, long-distance data transmission and network management to satisfy both bandwidth and latency requirements for today's training and inference workloads at our campus. In terms of next steps, we're currently in discussions for project level financing for the build-out, and we hope to have this in place concurrent with a signed lease agreement in the coming months. Alex, over to you.

**Alexander M. Ioffe**

*Chief Financial Officer*

Yes. Thank you. Thank you, Chris. Good morning. In the third quarter, we reported a net loss of \$54 million, a significant improvement from the second quarter. We generated operating revenue growth of over 30% quarter-over-quarter despite industry spot trading volumes declining 15% and the price of Ethereum decreasing 24% in the quarter. For context, we started the third quarter with approximately \$200 million of Ethereum exposure on our balance sheet, which was impacted by this downward price movement. Year-to-date, we generated \$191 million in net income, driven by positive digital assets price movements and strong operating business performance described by Chris. Galaxy's operating expenses increased by quarter-over-quarter, driven by higher staking costs and interest expenses. Staking costs increased by \$9 million from last quarter, reflecting the continued expansion of Galaxy's blockchain infrastructure services, including the acquisition of crypto Manufacturer in July. As Chris mentioned earlier, our staking business generated \$11 million of staking revenues net of staking costs in the quarter, which was 26% up from last quarter. At this point last year, our net staking profit was essentially 0. This is a relatively new business for us with great recurring profit potential. Interest expenses increased by \$8 million quarter-over-quarter, reflecting our ability to source predominantly unsecured financing to help fund our counterparty trading and lending businesses, where our revenue increased by \$29 million in this quarter.

Equity capital was \$2.1 billion at the end of the quarter, and total liquid assets were \$1.5 billion, consisting of \$475 million of cash and stablecoins and approximately \$1 billion of net digital assets, including Bitcoin and Ethereum ETFs, but excluding stablecoins. Our noncurrent investments decreased from \$800 million to \$705 million in this quarter, driven primarily by \$105 million cash and Bitcoin distribution associated with our investment in Mt Gox's Bankruptcy Investment Fund. Now as I mentioned on our last call, on July 26, 104 days ago, we filed an amendment to our registration statement responding to the seventh round of comments from the SEC. We are waiting to hear back from the commission, and we'll keep you updated on our progress. We are hopeful that the U.S. listing will move at a faster pace going forward. Now back to the operator. Thank you.

## Question and Answer

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### Operator

[Operator's Instructions]

Your first question comes from the line of Martin Toner with ATB.

### Martin Toner

*ATB Capital Markets Inc., Research Division*

Congrats on the results and this exciting announcement. Can you guys give us some details about the term sheet? Can you talk about length of contract, revenue per megawatt and capital, if the party is going to contribute any capital to the buildup?

### Michael Edward Novogratz

*Founder, CEO & Director*

Sure. Thanks, Martin. So in general, we will provide more granular details of the deal once we get execution of it finally. I would say, directionally, these look like large long-term offtake contracts that you would see broadly in the data center space and like what you've seen more recently come out. It's going to require significant CapEx build-out. We are -- as I said in the remarks, we're currently running a process and are in discussions on project level financing for it. The good thing that we have going for us is unlike in crypto, the traditional financial construction finance debt markets are not just wide open, but sort of screamingly wide open to finance infrastructure projects, in particular, exciting ones around the space. And so our intention is that there's going to be a robust nondilutive debt construction finance market that's going to help support the scale of this kind of project. So we're excited to get to the finish line in the coming months, and we'll update the market on all the specifics once we get there.

### Martin Toner

*ATB Capital Markets Inc., Research Division*

Fantastic. Can you give us anything on -- just wondering like what are the chances you're going to disrupt the current exahash? Or are you guys going to intend to execute this contract just with additional megawatts added to capacity?

### Michael Edward Novogratz

*Founder, CEO & Director*

Yes. So we've looked at our power assets in through a pretty commercial lens generally. And so we've always looked to thinking about the megawatts that we have access to and really maximizing the output per megawatt from an economic perspective for Galaxy shareholders. What we're talking about at the Helios campus right now with our partner is having that partner have options to really uptake 100% of the electrical capacity over time, which would -- if we get there, would imply the total amount of capacity there at Helios being dedicated towards next-gen AI and high-performance compute. We still have our smaller site at Daieiball, which is 16 megawatts that we're running Bitcoin miners at. And so I can't say in the future how big our mining operation will be or not, but the opportunity set in front of us right now with big partners really excited about this opportunity who value the power a lot more than what the Bitcoin mining network produces today is pretty real. So that's what we're focused on.

### Martin Toner

*ATB Capital Markets Inc., Research Division*

That's great. Last one for me. Can you talk about what nonbinding means in terms of like as many details as you're able to give us?

### Michael Edward Novogratz

*Founder, CEO & Director*



Sure. So nonbinding means we have an agreement in principle on commercial terms and what we're going to do together. We spent a lot of time with our partner. Both sides are really excited, and we're working together to get documents over the next few months. So a lot is going to happen between now and then, but no parties in the space wanting to move with the speed to take advantage of the opportunity to enter into these kind of agreements lightly is what I would say.

### **Operator**

[Operator's Instructions]

Your next question is from the line of Owen Lau with Oppenheimer.

### **Owen Lau**

*Oppenheimer & Co. Inc., Research Division*

So given the election results and some of the expected actions from the Congress, which area Galaxy would invest more into next year? Is there any new trend you think could emerge?

### **Michael Edward Novogratz**

*Founder, CEO & Director*

Yes. Listen, I don't think it's going to happen overnight. But there will be a -- I think you'll have legislation passed in Congress sometime in the first 6 months of the year, which will be far more liberal and will make far clearer what constitutes a security token and a utility token. And so you're going to see token issuance pick up, right? A lot of the reasons people haven't launched tokens, certainly in the U.S. is the uncertainty around if it was legal or not. And so in all likelihood, we will trade a broader group of tokens domestically. But more importantly, on a go-forward basis, the whole ecosystem around both launching new projects, trading new projects, providing liquidity for new projects is going to grow real quickly. And so you can call it our markets business probably has, in the short run, the biggest uptick.

### **Owen Lau**

*Oppenheimer & Co. Inc., Research Division*

Got it. That's very helpful. And then could you please talk about the global dollar network? What is the role of Galaxy? And how will Galaxy contribute to this network? I mean, I think details like how much economics will Galaxy get in return? And I guess, more importantly, what is the value proposition of this network compared to incumbents such as USDT and USBC?

### **Michael Edward Novogratz**

*Founder, CEO & Director*

Yes. Listen, there are a lot of stablecoin projects being launched. I think if you think about the next 2 years of digital asset innovation, I think the most exciting place to be is going to be around stablecoins and payments. And so this network was a brainchild of Paxos Chad Pascarilla, he decided to get a bunch of players around the table. And instead of in USDT's case where the company really is the sole beneficiary of the gap between U.S. interest rates and where the stablecoin is. In this case, those profits are going to be split by the participants based on how much activity the participant brings to the ecosystem. And so it's a really fair process of 10 guys around the table, if everyone pulls 10%, you're going to split 10%. And so the one thing I would say is we see ourselves as a participant in the whole ecosystem. We are partnered up with 5, 6, 7 different stablecoin providers to provide liquidity to help them grow their ecosystem. And so we're not trying to be in the business of picking winners when it comes to the stablecoin world. We're trying to be in the business of participating in these ecosystems, providing liquidity, connectivity and guidance.

### **Operator**

The next question comes from Joe Vafi from Canaccord Genuity.

### **Joseph Anthony Vafi**

*Canaccord Genuity Corp., Research Division*



Wondering if there are any more details yet on contract structure and if signed, when the contract could possibly begin with the hyperscale tenant that you guys referenced?

**Michael Edward Novogratz**

*Founder, CEO & Director*

Thanks, Joe. I wish we can hear your lovely voice on the call, but I know you're there listening. The -- so yes, so like I said, look, the -- we're working diligently and fast on all the aspects of what's going to be a pretty meaningful sized project. In terms of contract details, we're not going to give that right now. The thing I would say is, as we said from the beginning, we're -- we know what we have in Healios. We're very excited about what we bought and what we've built there. We truly think it's a one-on-one asset on U.S. soil. And therefore, any terms we agreed to or any contract structure that's going to be around it, we're pretty excited that it's going to be reflective of that there. In terms of timing, these are large-scale build-outs. And so you should expect a time schedule that fits with what would be a \$1 billion or more or significantly more plus build-out over many months to get to final completion as you would in any sort of big power infrastructure build.

**Joseph Anthony Vafi**

*Canaccord Genuity Corp., Research Division*

On the market side of the business, derivatives clearly has grown a lot. Wondering if you have reached a kind of maturity level there now on volumes since getting your swap dealer license or if there is more share and demand to get there from current run rate?

**Christopher C. Ferraro**

*President & Chief Investment Officer*

No, I actually think we're just getting started. Listen, the swap dealer is a big lift. It was a big lift in terms of cost and regulatory apparatus that you need to put in place. just to participate. And I think all our competitors will be dragged across that line in time, but it's a tough line to go across. And so we have a little bit of a lead in that these guys are all making the decision do we become a swap dealer or not and pay that cost. We are onboarding new clients from Asia, Europe and the U.S. every month, every week. And I think the derivative business is going to -- is literally going to be one of our gems. We've brought in some new talent there. And it's one of these businesses that the more participants you have, the better you do, right? Because the bid-ask spread in all new markets and crypto is still considered a new market is wide, especially in times of duress. And so if you can buy on the bid and sell on the offer, you can make a whole lot of money.

**Operator**

The next question is from William Nance at Susquehanna International Group.

**William Alfred Nance**

*Goldman Sachs Group, Inc., Research Division*

Given that Galaxy closed an investment banking deal this quarter and that the company is executing against a pipeline of \$2.4 billion in deal value, can you help us get a sense of what the typical ramp-up time might look like as well as what the impact to margins is? And can you remind us how this segment fits in with the larger Galaxy strategy?

**Christopher C. Ferraro**

*President & Chief Investment Officer*

Sure. Thank you for the question. Yes. So the banking business is generally pretty lumpy, particularly in crypto. And it's been -- that dynamic has been further exacerbated by the fact that generally as advisers, you get paid upon actual closing of a successful transaction. And there are a number of transactions that we've been involved with where we've been an M&A advice provider and structure of a transaction for some of the biggest acquisitions in the space that are still pending, which is really a derivative of the regulatory environment surrounding a lot of these transactions. And so we've built a pipeline of opportunities we're pursuing, but we've also built a pipeline of actually completed deals that you won't yet

see in the revenue line year-to-date, but we're now after 2 days ago, are extremely excited about those sort of coming to an actual closing and us realizing the fruits of our efforts. From a margin perspective, today, the advisory business we're in is largely focused on boutique M&A advice and some private placement capital raising. And so the business we do there is extremely capital-light from our perspective, basically 0 capital and is really people focused. And so from a margin perspective, our only real costs in that business are the time and effort of our people.

And so when you think about flow-through to the bottom line, that's really the major consideration. The other thing I'll say about our banking team, which it's -- they've really been part of the unsung heroes of the firm is when you are one of the largest companies in crypto, and you have a banking team, we, Galaxy ourselves actually become one of the largest clients of our internal banking team that never really shows up in the P side, maybe just the L side because we pay our employees. And so the banking team led by Michael Ash, have actually spent a significant amount of their time this year and in prior years, working directly with Mike, myself, the senior leadership team, the folks who run our businesses, advising and working on strategic transactions internally for the firm. And so when we talk about the strategic fit of the business, there's an external factor where the team has done a really good job maintaining the reputation and building a franchise with working with external clients. But there's an unsung part of their business where they have spent a lot of time doing great work helping Galaxy execute on our strategic priorities. And so from that perspective, it's a part of the business that we think adds a ton of value.

### **Operator**

We do have a question from the audio lines. This question comes from the line of Martin Toner with ATB.

### **Martin Toner**

*ATB Capital Markets Inc., Research Division*

You've talked in the past about how if you could borrow at rates that traditional financial institutions borrow at, you could grow much more quickly. Can you talk about how the nondilutive financing and the potential to raise capital more cheaply given this hyperscaler deal will impact your ability to grow in your other businesses?

### **Christopher C. Ferraro**

*President & Chief Investment Officer*

Yes. Martin, I'll take this one. Let me try and pick that apart a little bit. I think that the traditional construction financing market, which is very much open to financing builds like what we're talking about Helios are going to be very focused on that project and that opportunity set, right? And so that financing, we think about, and I think the market should think about as being very specifically tailored towards what that asset is going to look like and what it's going to do. And so it's unlikely in the near term for it to be a situation where that's sort of like blanket financing generally available to Galaxy for. And we're not expecting that we're not thinking that, that's the case. The only thing I would say, though, is what's important about what's changed literally overnight around the expectations for the forward is if we imagine a world where now finally, the biggest financiers in the world can actually touch digital assets like Bitcoin and Ethereum, then that should be the critical unlock for what we think about as more traditional wholesale financing available to financial services providers like Galaxy in the space. And so the Bank of New York, the State Streets, et cetera, of the world being able to actually custody crypto should be the thing that for us, unlocks our ability to now take in external capital for the markets business, for example, and really drive down the cost of borrowing for our clients, which should really increase demand while still allowing us to quickly build a smart financing business. So I really think about them as 2 separate things, although our bet now is quite clear, which is the worlds are really converging. And I think we're going to see a much more accepting financing market generally for what we do as a company.

### **Martin Toner**

*ATB Capital Markets Inc., Research Division*

That's great. I appreciate all of that. Last one for me. Any sense of what the additional CapEx per megawatt will be for the HPC allocation?

**Michael Edward Novogratz***Founder, CEO & Director*

Yes, sure. So we do have a pretty decent sense for what that's going to look like. The ultimate outcome of that is going to depend on the ultimate effect of the build-out with our partners and the cases, which we're still working towards. So we're not in a position right now to give you the exact guidance on what that's going to be.

**Operator**

The next question comes from Bill Papanastasiou from Stifel.

**Bill Papanastasiou***Stifel Nicolaus Canada Inc., Research Division*

May you please walk us through your methodology on allocating power capacity at Helios for Bitcoin mining versus AI HPC? How do you see economics trending over the next 12 or so months across both types of compute?

**Christopher C. Ferraro***President & Chief Investment Officer*

Yes. So let's talk first big picture. What's going to be an interesting dynamic for the Bitcoin network is going to be what's now appeared to be a pretty fast-growing competing demand for what's an ever sort of shrinking available supply of power capacity. And so what I mean by that is ex this opportunity, what we have witnessed over time is a pretty consistent increase in hash rate, which directionally has kept pace with the price of Bitcoin, but creates a lot of volatility between and changes the economics for Bitcoin miners, both positively and negatively through cycles in a pretty volatile way. Now if you think about capacity coming out of the market for Bitcoin for other use cases, it actually gives us some interesting comfort that the curve on hash rate globally may bend and flatten out relative to what we've seen historically. So that's just one thing I would say that there's -- we don't know the outcome of that, but the positive impact that, that might have on Bitcoin mining economics is potentially very real. For us, in terms of allocation, like assuming we execute on what we're looking at right now on the AIHPC side, the demand for that power for us is very, very large and would encompass the vast majority of our asset base. And the economics of that are clearly more interesting than what today and what we think the forward would suggest for mining Bitcoin. And so it's a pretty easy decision economically for us to make. And so it's not something that we're going to dynamically jump back and forth between. It's something that we've explored what it looks like. We've analyzed it pretty closely, and we're very excited about the forward opportunity for AIHPC.

**Operator**

Your next question is from the line of Nick Giles with B. Riley Securities.

**Nick Giles**

This is Nick Giles on for Lucas Pipes. Just wanted to ask about the infrastructure side. Is there a minimum level of capacity that needs to be taken down in order for a transaction to be executed? Or maybe said differently, should we think about any potential deal kind of occurring in 100, 200-megawatt tranches?

**Christopher C. Ferraro***President & Chief Investment Officer*

Sure. So the thing I would say on that front is there's physical site constraints, right? So today, we have a single large data center facility where we host all of our Bitcoin mining on site at Helios. And doing a project of this size is going to require a pretty big retrofit of that facility in addition of backup power gen and redundant systems all across the entire site. And so to do a project of that size, I would just give you guidance that the minimum size requirement is pretty large because of the disruption to the existing operations is logistically is going to be very real. So order of magnitude-wise, like you should expect a deal

of pretty meaningful size just because logistically, practically speaking, a big portion of the site is going to be retrofitted and expanded.

**Nick Giles**

I appreciate that. Maybe just operationally, should we think about this as being tenant managed? And maybe one more, if I can. Just on the design process of the data center, have you engaged any design firms? Or how much work is happening now with the hyperscaler on that front?

**Christopher C. Ferraro**

*President & Chief Investment Officer*

A significant amount of work has been put in and is concurrently running with ourselves, our internal team, a number of external contractors all up and down and advisers and architects up and down the technology stack, mechanical, cooling, electrical, et cetera. And so it's truly a joint partner effort with our partner, our potential partner. Yes, that's what I could say.

**Nick Giles**

Got it. Well, great to hear. Congrats on the progress so far and continued best of luck.

**Operator**

At this time, there are no further questions. I will now hand today's call back over to Mike Novogratz, Founder and CEO of Galaxy.

**Michael Edward Novogratz**

*Founder, CEO & Director*

Guys, once again, thanks so much for joining our call. We couldn't be more excited here at Galaxy for the future outlook. We're plus 500 employees coming to work every day, hustling for our shareholders. And so the future looks bright, and thanks for supporting us.

**Operator**

This concludes today's call. Thank you for joining. You may now disconnect your lines.

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