

# EDITED TRANSCRIPT

GLXY – Galaxy Digital Holdings Ltd

Second Quarter 2021

Shareholder Update Conference Call

EVENT DATE/TIME: August 16, 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, Chief Executive Officer and Chairman*

**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

**Mark Palmer**, *BTIG*

**Michael Del Grosso**, *Compass Point*

**James Friedman**, *Susquehanna*

**Owen Lau**, *Oppenheimer & Co.*

**Richard Repetto**, *Piper Sandler*

**Kevin Dede**, *H.C. Wainwright & Co.*

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

### Operator

Good morning, and welcome to Galaxy Digital's Second 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

Good morning, and welcome to Galaxy Digital's Second Quarter Shareholder Update 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 securities, including Galaxy Digital securities.

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

### Michael Novogratz

Good morning, everyone. I've got a script, but I've decided it will be appropriate to maybe go off script a little bit this morning to start.

First, I don't think it's right not to recognize the tragedy that happened over the last few days in Afghanistan. As much as I worry about the young girls, I worry about the young guys, I worry about the future that Afghan's public. I could go on for hours on that. I want to talk a little about their wealth because I would bet dimes to dollars that today, tomorrow, sometime in the next week, bank accounts will be frozen, and wealth will be confiscated. I pray that's not the truth, but I'm almost certain it will be, which goes to part of our mission, right.

Part of the mission of the crypto currency community, part of Bitcoin's mission is to give the world a ledger where wealth can be stored safely. Where governments can't come and take your money, they can't deflate it away. As horrible as these actions have been in the last few days, it's kind of doubled my passion for us building this new ecosystem. I'll stop there on that.

Let me give you a little bit of macro context of what has happened since last I spoke to you. We had a spectacularly good first quarter. Crypto prices were going to the moon. Lots of money pouring into the system. Bitcoin got to 60,000, Ethereum got to 4,000. Then we had a really significant correction. We had a correction for some real reasons. Prices had probably got ahead of themselves, but most importantly, China decided they didn't want to be part of the crypto community. They did not want to be part of a decentralized system that cares about freedom and privacy. They want an essentialized system

where they can control things. From Bitcoin mining to Bitcoin trading to crypto in general, having one of the biggest economies in the world pull out, certainly was significant.

We also had the Biden Administrations team finally starting to kind of get engaged and this regulatory drip from the U.S. scared people. So, crypto prices went down significantly. Bitcoin fell over 50%, high to low, 41% on the quarter. Some people thought about a crypto winter. I always thought at best this is crypto snow because what we saw was more talented people coming into the space. We saw private equity, venture, growth equity pouring into the space, and most importantly, I think, we saw at the very end and why crypto prices are back up. We're back \$47,000 in Bitcoin tonight, last night Solana and LUNA put in all-time highs as level one solutions. The NFP business is exploding.

We saw just last weekend with the U.S. Congress trying to slip in or Treasury trying to slip in crypto regulation to an infrastructure bill. The power of the crypto community, within three days, the broader crypto community mobilized and roared, and Washington D.C. and the whole Congress heard for the first time that there are 60 million/70 million American voters that really care passionately about this ecosystem, about providing a new infrastructure that's more fair and more transparent.

I think it was an unbelievable wake up call that has left me more bullish than I have been. Crypto prices are higher with a really horrific piece of legislation we passed. They're higher because people know that's going to have to get changed. I'm more bullish than I have been.

Listen, we lost money last quarter. We lost about 10%, a little more than 10% of our equity. That's with Bitcoin being down 41%. That doesn't bother me. We've already more than made up with it this quarter and our business is hitting on all cylinders. I'm going to go through some metrics of why that didn't bother me, of the excitement we're seeing in our business. Then I'm going to pass over to Kristen, Alex and Damien, they're going to fill you in more detail.

On the year we remain significantly profitable, net comprehensive income of \$684 million in the first half of 2021. Second quarter results were primarily impacted by elevated volatility in declining crypto asset prices. Notably, Bitcoin, which declined 41% point-to-point. These headwinds have faded since the end of June and have been offset by strong tailwinds, adoption across the whole ecosystem. The point to remember that when we look at the business, the long-term arc of adoption digital assets in crypto matters far more than the businesses we are building—far more to the businesses that we are building than quarterly price movements and balance sheet marking. We view the adoption battle as hard won, stickier and more financially impactable over time than short-term price moves.

Counter party trading volumes grew 90% quarter-over-quarter in Q2. We continue to see strong demand across our trading and lending businesses, and it's worth noting we kept our discipline underwriting approach unchanged.

Galaxy Digital Asset management's AU have increased over 12% sequentially in Q2 and surpassed \$1.6 billion in July even with crypto price headwinds. Team has been very busy launching new funds like our Venture Fund of Funds since we spoke last May. All our business lines continue to focus on scaling, meeting the needs of their addressable markets and directing our profits in the firm to incrementally attractive opportunities.

In the flywheel from our investing book continue to be a sourcing network for monetization across our entire platform.

Beyond our financial operational performance, I want to hit on a few key updates around our strategy. We continue to grow headcount rapidly as we look to meet growing demand on our businesses. We grew headcount roughly 45% since the end of the first quarter and now over 220 employees globally. Put that into perspective, year-to-date we've nearly doubled our staff and assuming BitGo closed by the end of the year, we'll be well over 400 full-time employees.

We're also thrilled to announce that we're bringing on Jennifer Lee as Chief People Officer this September. Jennifer will join Galaxy from BlackRock where she most recently served as Managing Director and Global HR Business Partner for Technology and Chief Operating Officer. Jennifer brings over 20 years of people management, benefits and strategy experience and joins the Company to lead talent management and human resources globally.

We remain on track to close and integrate the acquisition of BitGo. The Galaxy BitGo teams are working closely together on how to effectively combine from Day One with focus on delivering the one stop shop experience we expect to get from this acquisition. Chris will provide additional detail on the integration planning in his comments today.

We have formally kicked off a more concerted expansion effort in EMEA. We're pleased to announce that we've hired Tim Grant as head of Europe as part of that effort. Tim joins us from the Swiss Exchange SIX Group where he was CEO of their Digital Asset Exchange, SDX, and he brings 20 years of experience across crypto, fintech and capital markets.

During our annual meeting in late June, shareholders voted to equitize our wider employee base to ensure the full Galaxy team is aligned with our long-term goals. As we have previously announced, prior to closing and subject to regulatory approvals, we plan to redomicile and list in the U.S.

Now, I'd like to shift my comments to what I'm seeing in the space and what we believe is meaningful for investors to understand on a macro level. The adoption of crypto currency remains healthy even after the periods of elevated volatility, various concerns raised, and actions taken by regulators.

The overall market cap for all crypto currencies stands at over \$2 trillion with Bitcoin representing nearly \$900 billion. The crypto market cap is only modestly below where it was where we last updated you on results in mid-May. The number of individual crypto users is now well over 200 million and grew by 100 million in just the last four months. That is a staggering number. While the market cap of crypto currencies continues to be a value adoption metric, I can now confidently say we're seeing multiple different types of investment in adoption trends.

Year-to-date, VC investment in crypto and blockchain companies stands at \$9 billion with nearly \$6 billion invested in Q2 alone. By comparison, 2020 averaged closer to \$1 billion of investment per quarter. What's particularly interesting, is we are now seeing investments growing in later stage companies whereas just a few quarters ago where the majority of VC dollars were focused on early stage.

Technological improvements continue across the sector. Notably, the Bitcoin Taproot software upgrade and Ethereum's successful London hard fork.

Following a listing of Coinbase in April, we've seen several other crypto focused companies plan to successfully list or shift foreign listings to the U.S. The acceptance of crypto companies in the U.S. capital markets is a recognition of the value of these products and solutions can bring to institutions and individuals and the role that these companies can play in driving adoption to the space.

Following with two acquisition announcements we made in May, we have several other players in the ecosystem make acquisitions or find strategic partnerships with companies outside the space that are looking for a way in. This validates our view that the market will demand consolidation so clients get more offerings in one place, which is why the acquisitions of BitGo, Vision Hill and any others you're going to make forward, will follow that road map.

We continue to see traditional institutions and broader corporates looking at crypto to their offerings. Amazon is reportedly hiring for expertise in crypto and blockchain. I saw Walmart today announce the same thing. JP Morgan was the notable skeptic from the senior level, is now offering its clients access to crypto files. The latest Fidelity Asset Survey shared that 71% of institutions expect to add crypto exposure.

Adoption has been widespread and mania driven, but rather it's been thoughtful and targeted for specific use cases as Blockworks shared just a week ago, \$102 billion of assets now sit in stable coins alone up from \$21 billion at the start of the year. To put this in perspective, that's more than investors have added to Municipal Bond Funds year-to-date.

We continue to believe in the power and the future the broader theory of network and the NFT use case to both our balance sheet investments and investments through Galaxy Interactive strategy, we've deployed over \$50 million into 14 NFT related companies. Some of the ones I'm most excited about are Candy Digital, Mythical and Art Blocks. All of these will end up having far, far higher valuations than they're marked at now.

Adoption has not been limited to institutions as government has started to adopt crypto currencies. Importantly, El Salvador became the first country to adopt Bitcoin as legal tender, driven by the fact that over 70% of people over the country lacked access to traditional financial services. Now it's people have a quick inexpensive and secure way to send money across borders without relying on remittance firms typically used for such transactions.

The concerns people, institutions, regulators have about crypto have come to the forefront. There have been many headlines and extensive discussions around the environmental impact of Bitcoin. That debate has led to developments like the creation of the Bitcoin Mining Council. As founding member of the council, Galaxy is focused on education around the subject and on promoting energy consumption and best practises for Bitcoin mining. Both Damien and Chris will share additional details about our efforts in sustainability and ESG in their comments.

Leverage and risk management in the space have been frequent points of concern and debate. As we disclosed during the peak of the volatility late May, Galaxy's trading debts remain operational without any breaks in service while many other crypto desks and exchanges saw significant suspensions.

In our lending desk experiences, zero defaults or forced customer liquidation. It continues to run a discipline lending business. There's good and bad risk taking and leverage to every market. While crypto is no different, we believe, as some others do, in taking long-term approach to financing customers in the ecosystem.

We continue to be net encouraged by the tenor of regulatory and legislator developments, particularly in the U.S. We fully expect the addition of leaders like Gary Gensler in the corporation of crypto products within incumbent financial institutions to lead to demand for robust monitoring reporting and disclosure in crypto platforms. These demands can present near-term friction points, but we believe it's a necessary step that operators in the ecosystem need to take to enable widespread adoption of digital assets.

Galaxy is committed to working with regulators and industry organizations to help drive understanding of the ecosystem and the implementation of standard best practises at our other platforms. I believe Galaxy is well-positioned to take advantage of these positively shifting conditions for the rest of the year. We were early in investing to build a trading business, and in developing a track record in asset management and others who are ready to be all in on this space. We anticipate the needs of institutional clients in the crypto space and add to our offerings accordingly. We're focused not only investing in this space but on building a business that has diverse sources of earnings and direct ties to a growing slice in the addressable market.

With that, I'd like to turn the call over to our Co-President and Head of Global Markets, Damien Vanderwilt

**Damien Vanderwilt**

Good morning. Thank you, Mike.

I want to start by echoing a warm welcome to two new executive committee employees that we're very excited to have join the firm, Tim Grant based in London, heading up our EMEA effort and also Jen Lee who will join us in September. Two spectacular people, and we look forward to having them on the team and helping us drive the business forward.

In my comments today, I'd like to share some themes we're seeing in terms of our current and perspective client basis, provide and update on key growth areas for the firm, and elaborate on some key strategic updates as well as to walk you through the performance of our Asset Management and Advisory businesses, which both have had a really phenomenal quarter.

First, to share some themes I'm personally hearing from our client base, I make the following key points. As we expected would happen, large mutual funds have started participating in the sector, largely so far in derivatives products. We expect this trend to continue. Our engagement pipeline of our institutional sales force is extremely encouraging.

Second, institutional clients are very encouraged by the recent focus by the Senate on the sector and anticipate more guidance from the SEC to be forthcoming, enabling them to allocate more capital into the sector.

Thirdly worth noting is the demand for our research product from institutions is insatiable. We have tripled the size of our research team lead by Alex Thorn, to enable us to research the fast-growing and new sub-sectors within crypto and blockchain. The new technologies that are emerging, and further help institutions navigate how to allocate capital into these exciting opportunities in our sector.

Now, turning to two key areas of Galaxy's current strategic focus. The first is our aim to meet all the needs of the sophisticated and global client base to a more concerted expansion into Europe and APEC. As Mike shared, we've hired crypto, fintech and capital markets veteran, Tim Grant, as head of Europe. In this role, Tim will be responsible for growing Galaxy's presence in Europe both in terms of overall operations there for us and in support of each business segments expansion into the region.

Europe's and important region for us at Galaxy already and also for BitGo. Tim's hire underscores our plans to invest aggressively in growth and expand to meet the increasingly global investor demands for crypto and blockchain technology offerings. His significant crypto, fintech and management experience within the institutional capital markets and enterprise blockchain businesses will be integral to our plans abroad.

The second really important key area of focus I want to highlight on is our ESG program. As we are committed to conducting business based on a strong sustainability framework that prioritises responsible ESG practises. We are working to integrate ESG by managing and improving our ecological footprint, fostering a safe and diverse work environment, and ensuring strong corporate governance for our shareholders.

Our commitment to ESG permeates at all levels of the firm starting with our CEO and Founder. As other executives and I have established an ESG steering committee that reports directly to our Board of Directors with our first ESG readout held just last week at our Board meeting. We've also hired a sustainability specialist to be dedicated full time to this program and our efforts.

We look forward to sharing more results from our ESG program with you in the coming months, including clear diversity targets and environmental commitments, the latter of which Chris will discuss when he walks you through updates on our mining activities.

Now, turning to our business units. I'll provide an update for our Asset Management and Investment Banking segments, and my partner Chris will provide for trading, mining and our principal investment portfolio.

Beginning with our Asset Management business, we continue to see really strong demand for both passive and active exposure to crypto currencies even as process for the underlying crypto currencies were under pressure during the second quarter. Very clearly, several large institutions viewed the price weaknesses referenced in the second quarter as an opportunity to allocate. Even with the price asset headwinds, we saw significant net inflows into our funds.

Assets under management increased by 12% from March 31 to June 30, reaching \$1.4 billion. While AUM did end the second quarter below where it initially peaked in April, we just announced that as of the end of July, we are back up over \$1.6 billion in AUM, and as of late last week, we've jumped up to \$1.9 billion. Another milestone for our growing business.

Net client inflows in the quarter exceeded \$650 million, confirming that the investment case for crypto currencies in a fund structure remains compelling. This is really important as it illustrates new clients in capital coming into the Galaxy platform without the impact of crypto currency prices. We are reaching over 600 investors with the majority of investors joining the Galaxy platform in 2021.

Since the April launch on Morgan Stanley's platform, we've generated over \$60 million in inflows from well over 300 clients, demonstrating the significant demand investors have for access to crypto currencies. We have at least two other large banking partner platforms that will be launching in the second half of 2021.

With our partners CI Global Asset Management, we continue to have the largest Ethereum ETF in Canada and the second largest Bitcoin ETF. Just last week we launched the fourth index in our Bloomberg Galaxy of indices which tracks the DeFi sector and is designed to measure the performance of the largest DeFi protocols by market cap. You'll learn more about this initiative in coming weeks.

We also acquired Vision Hill Group, a premiere investment consultant and fund of funds asset manager in the digital asset sector that provides sophisticated investors with access to institutional calibre investment products, data, benchmarks, and analytics for more informed decision making. We're delighted to have Scott Army, the Founder of that business now integrated into the Galaxy family in helping us make inroads as we move further into asset management actively.

The transaction further expands our growing product suite and enables institutional clients to access an even broader array of data and intelligence to streamline research and inform investment decisions. The acquisition is already paying dividends.

We announced in July, our successful close of a venture fund of funds in a over subscribed round. The fund is the first venture focused multi-manager fund of funds vehicle from Galaxy Digital and is focused specifically on providing institutional investors access to pre-vetted managers investing across the blockchain and crypto economy. With the addition of a venture focused produced, GVH now has both hedge fund and venture focused multi-manager products and the ability to invest across both growing categories.

As institutional investors increasingly seek trusted digital asset partners, we are thrilled to welcome some excellent new investors to this fund as well, including our partners at Franklin Templeton and Zeke Capital Advisors.



Turning to our actively managed venture funds, the Galaxy interactive fund has invested the full committed inaugural fund and has already begun investing out of its second fund putting the interactive strategy at roughly \$500 million in total AUM. Very clearly, the demand for investments in the intersection of blockchain technology and interactive content is not drying up, and we congratulate Sam and Richard and the full Galaxy interactive team to those big milestones.

Moving now to our investment banking business led by Michael Ashe. The team continues to convert its substantial industry coverage that we've been mentioning the last few quarters into active mandates. GDIB is currently working on seven live deals and its active pipeline includes many more potential deals. The team was also instrumental in advising us on both the BitGo and Vision Hill acquisitions. Of our seven active mandates, the engagements are primarily for capital raising given the record-breaking amount of fund-raising activity occurring throughout the sector. But it's worth noting as well that during the second quarter, the team won its first buy side M&A engagement, and we expect to share more as that transaction closes.

Additionally, we acted as a co-placement agent to Far Peak Acquisition Corporation, in connection with their announced business combination with our portfolio company, Bullish.

Excitingly, we are continuously getting inbounds from top tier companies and crypto unicorns, although we are seeing lower than expanded sell side M&A activity across our desk as companies see more upside from capital raises at premium valuations today than the upside from outright sales.

Michael Ashe has been hiring to assist with the growing demand and historic levels of transactional and fund-raising activity we are seeing in our industry. The team has more than doubled since the beginning of the year, and we're actively recruiting for senior banker reps out of the U.S. to expand our global coverage.

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

I'll now hand the call to my partner, Chris Ferraro who will walk you through some investment trends we're focused on, more details for our trading and mining businesses, and an update on the exciting BitGo acquisition progress.

### **Christopher Ferraro**

Thanks, Damien.

Our trading business had solid quarter even with underlying crypto currency prices largely declining during the second quarter. During one of the worst trading days of the downturn, when accumulative crypto market cap declined 22% in under 24 hours, we were proud to share with the Street that our desks saw trading volumes in excess of 6x the typical daily volumes we had seen year-to-date, and we experienced no operational or executional delay disruptions while numerous other exchanges and OCC desks experienced significant outages and customer delays.

Moreover, our counterparty loan portfolio experienced zero defaults, and in fact, we saw no missed margin calls, nor do we have to force liquidate and counterparty positions. We are incredibly proud of the book of partnership business we've built in our lending franchise, and remain focused on continuing to grow this business while maintaining institutional risk discipline as we do so. This all speaks to the resiliency of the institutional grade business we are building and hopefully signals to our clients and counterparties that they can rely on us for liquidity and execution regardless of market conditions.

There were numerous other examples in the quarter of the confidence our clients and partners have in our business, including some partnership news that we are especially proud of with Goldman Sachs. In June we were thrilled to share we are serving as Goldman Sachs' liquidity provider for its Bitcoin futures block trades on CME as Goldman expands its currency offering. Goldman chose Galaxy for this important responsibility because our trading platform is positioned to offer clients access to deep liquidity on a principal basis through our network centralized exchanges and OTC counterparties.

Now, turning to our business performance in the quarter. Counterparty trading lines were up over 90% quarter-over-quarter in Q2 and nearly 560% versus the prior-year quarter. As we've discussed, our lending desk continues to be a source of strength, and we've added multiple sophisticated clients in the past few months. In the second quarter, while total notional value of our counterparty loan book did shrink approximately 15% from our record previous quarter due to crypto asset price reduction and paydowns, our gross counterparty loan originations grew over 130% sequentially to approximately US\$1.6 billion for the quarter.

Moreover, our fee asset denominated loan exposure remains robust, at around 30%, up from almost zero at the beginning of the year with provided stability against notional price movements driven by crypto price volatility.

Just to give you line of sight into activity quarter-to-date, growth in our loan book resumed during July of this year, increasing back up to approximately \$450 million in line with March 31. I'm thrilled to share that our inception to date counterparty loan originations have now exceeded \$2.7 billion as of last week, \$2.5 billion of which have occurred year-to-date in 2021.

Elsewhere in our trading business, our non-client facing electronic market making in quantitative strategist team, the Blue Fire Capital Group led by Andrew, Harry and Wenbo had a record quarter as they grew their market presence to trade over 170 billion of notional volumes in Q2, a 70% sequential quarterly increase and grew their profit contributions significantly.

In terms of overall client growth, we onboarded over 60 new clients to our trading platform in the quarter, and increased the total number of tokens we provide liquidity in to a hundred. We believe this scale and scope will continue to allow us to offer our clients unparalleled access to liquidity and bespoke hedging strategies for nearly all tradable assets.

Moving to our principal investments business. We continue to invest in the most compelling opportunities across the DeFi and blockchain ecosystem holding now 84 investments across 68 portfolio companies. In the second quarter alone, our team made 14 investments including new portfolio companies like Ramp, Tokemak and Aleo, who we believe can be category defining.

Ramp is a leading on-ramping product that allows developers to embed the fiat and crypto connectivity process directly into their app and is heavily used today by successful and growing platforms including Axie Infinity and SoRare, both NFT based game platforms. The Galaxy Ventures team was the lead investor in Ramp Series C financing round this quarter.

Aleo is a new blockchain that leverages zero knowledge proofs to allow developers to create applications that have natively inbuilt privacy features. The company is led by Howard Wu, a world leading researcher in the field, another example of cutting into centralized tech development that Galaxy is focused on supporting.

In another example of validation for our investment strategy, we were pleased to see our portfolio company Bullish Global announce their intention to go public in partnership with Tom Farley, Dave Bonanno and the Far Peak Acquisition Corp. SPAC. We reported a \$2 million gain from dividends we received in advance of that listing, which we anticipate can be later this calendar year. This activity is indicative of the fund-raising trends within the sector which continue to provide the Company with flexibility to realize gains opportunistically.

Also, in the second quarter and excitingly we agreed to launch a joint venture with a renowned venture firm focused on preceding C stage development investing, details of which will be announced in the coming weeks. We are incredibly proud of the Venture team's dedication to sector and Galaxy's mission within the business to source, diligence, execute on, and then help grow the sectors most cutting-edge technologies and entrepreneurs.

Now, turning to mining where the team continues to build momentum in both prof mining and its mining finance offerings. As we shared last quarter, the team closed its first two mining finance deals for two separate North American miners. In proprietary mining, through strategic relationships and our knowledge of the space, we've been able to secure a steady supply of hardware and continue to expect to achieve mining capacity of nearly 2,000 petahash per second through monthly deliveries through the end of 2022, which is almost 2% of the total Bitcoin network hashrate as it stands today.

Of course, we continue to mine Bitcoin at a significant discount to fair market value even if Bitcoin prices have remained lower than during the first quarter.

Turning to our Client-Facing business. Our mining team continues to secure collaborative mining deals with players such as Hut8 and Argo, including a \$20 million credit facility be extended to Argo.

We are excited to continue providing cryptocurrency back loans and unique MiFi offerings to miners across the globe.

We've also been incredibly active in our industry in framing the ESG narrative and the development of such for Bitcoin mining, with our team publishing proprietary research on the Bitcoin network's energy consumption and in our overall commitment to our ESG strategy that Damien shared earlier. With Amanda leading the effort for us, we became a founding member of the Bitcoin Mining Council, a group of industry leaders participating in a voluntary and open forum to promote transparency, share best practises and educate the public on the benefits of Bitcoin and Bitcoin mining.

We also announced we currently are utilising electricity with an over 69% sustainable power mix and shared our three-year target to achieve and over 80% sustainable power mix. We look forward to sharing more about our ESG journey in future updates.

Lastly, before I had the call over to Alex, I want to provide an update on the BitGo acquisition as we approach an anticipated closing toward the end of this year. Subject to regulatory approvals, our teams are well on track to achieving close and are progressing nicely together on tactical and strategic integration planning let by our COO, Erin Brown.

I'd also like to provide some quick operational highlights from the BitGo business over the last quarter and remind you of some of the strategic and platform related benefits the BitGo acquisition will bring. We believe that the combined client base is going to support our long-term growth through cost selling opportunities alone, but the benefits don't stop there. BitGo has added significantly to their client base since our announced acquisition and now counts nearly 550 clients.

Combined with us over 600 trading counterparties, plus our clients across other business lines, this represents a significant opportunity to cross sell Galaxy offerings to BitGo clients and, of equal importance, to sell BitGo products into Galaxy's existing client base. On a dollar basis, BitGo did experience modest AUC decline in Q2 as a result of cryptocurrency price declines. However, we continue to be pleased by BitGo's consistent growth on a cost and currency basis, i.e., BitGo custodies more coin today for clients than at the end of Q1 2021. AUC was approximately \$27 billion at quarter's end, across over 400 coins and tokens supporting 150 crypto exchanges.

Moreover, the BitGo transaction enhances both our product innovation and development capabilities. After this deal closes, we'll have a stack that's more balanced between tech and finance expertise as about 50% of BitGo is composed R&D,

engineering, and product personnel. And, BitGo has continued to hire as well, hiring over 70 more employees in key functions like product, engineering, IT and tech support, putting the BitGo technical team at nearly a hundred full time employees.

After closing, our clients will have the option to custody where they transact, and BitGo clients will have access to the best-in-class prime trading asset management and advisory services at Galaxy. We continue to think this combined solution will be the premiere one stop shop for access to digital assets.

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

**Alex Ioffe**

Thank you, Chris. Good morning.

We've covered a lot of ground already. I will keep my part brief.

Galaxy reported \$176 million in loss for the three months for the quarter. Our equity capital was \$1.5 billion at the end of this quarter without debt, representing a highly conservative balance sheet designed to take advantage of abundant opportunities in this quickly developing market.

The quarterly loss represented an 11% decrease to our equity capital. This compared favorably to a 41% decline in the price of Bitcoin and 33% decline in the overall digital asset prices during the quarter. While Galaxy carries a long digital assets portfolio, we did better than the overall market because of our diversification, active hedging, investments, and operating businesses.

To elaborate. Digital assets. Making realized and unrealized gains in digital assets, we had a \$657 million decline for the quarter, but excluding other people's money from outside investors in index funds that we consolidate, this decreases to \$484 million decline. However, there is a lot of interplay between the digital assets and derivatives on the P&L.

Gains on derivatives were \$117 million for this quarter. Derivative gains were from hedging our positions and other activities. As an example, Blue Fire, our market neutral trading business trades spot versus futures. Generally, we're a long spot and short derivatives. As a result, in the second quarter, with declining prices, we had gains and derivatives versus digital assets where we record our spot positions.

Investments. Investments are a great part of our story. We gained \$214 million from investments in this quarter. We record investments at cost or at a significant discount to market value. Many of our investments are made at early stages and at low valuations, but there is another piece to the investment story located in digital assets.

Investments in new token protocols, once the tokens are issued, are recorded as digital assets. Typically, new tokens are made available for trading over time, similar to vesting. We record restricted tokens in our balance sheet at meaningful discounts. As tokens become unrestricted and are sold, we recognize gains in digital assets. This is a brief view into why Galaxy outperformed the digital markets.

On the cost side, in the second quarter, we disclosed spending acquisition of BitGo. As a result, we were able to come out of the blackout period required in Canada since the end of the year, and granted equity awards to our employees. We see an increase for that in equity-based compensation line on the P&L.

We also decreased our bonus accrual in the quarter, correlated to negative results in the business. As Mike highlighted, we're still highly profitable for the year. These gains of \$684 million for the first half of the year. Correspondingly, we left the sizeable bonus accrual on our books.

Balance sheet. As mentioned before, equity was \$1.5 billion at the end of this quarter. Cash increased to \$410 million at the end of the quarter. The \$300 million increase in cash position was driven by realized gains and investments, and from unlocked new coins in digital assets, derivatives gains, and the start of our prime brokerage business. Please notice a new line item on the liability side of the balance sheet we'll payable to prime brokerage customers.

Now, I would like to give corporate news. Change in auditors. As part of moving our public listing to the U.S. and growing into a much larger company, we retained KPMG as our auditor, starting with the third quarter of this year. We would like to welcome KPMG to Galaxy, and very much look forward to working together.

We would also like to thank Davidson, our Canadian auditors, for the exceptional service they provided and continue to provide to Galaxy. We enjoyed working together, and greatly appreciate their local expertise and Davidson's talented team. Many thanks.

With that, I will turn it back to moderator for questions.

#### **Operator**

At this time, we will be conducting a question-and-answer session.

Our first question comes from the line of Mark Palmer with BTIG. You may proceed with your question.

#### **Mark Palmer**

Good morning, and thank you for taking my question.

First of all, could you talk a little bit more about the opportunity in EMEA? Frame up the potential impact of that opportunity, and how we should think about the timing during which it will be ramped up.

#### **Michael Novogratz**

Damien, do you want to take that?

#### **Damien Vanderwilt**

Absolutely. I think the way to think about that, Mark, and thanks for the question is, every one of our business units is going to need to have an expanded footprint in EMEA that will largely replicate what we've got set up here in the United States. So, we will have an increased presence in our GDT, our Galaxy Digital Trading business there that'll have both trading and sales personnel. We will have a significant presence in asset management distribution.

There are also some very interesting asset management organizations in Europe, and we're a good partner. You know about our CI partnership in Canada, and we'll be exploring similar things that present opportunities to us there, and in Asia.

If you think about our investment banking business, we need to have originating bankers and execution folks on the ground in Europe.

Then more specifically, I'll let Chris comment on the venture capital side. We already do have pretty high connectivity there, but the possibility to have further on the ground investment personnel, and then Amanda and the mining team, again, are already scouring Europe that may well have individuals on the ground by the first quarter next year.

Now that Tim is in his seat, it's actually his first day today, we're going to go full steam ahead to put those positions in place, so you should expect them to be feet under the desk by the middle of the fourth quarter, I figure, is a reasonable expectation, and us in full swing when we start 2022.

**Mark Palmer**

Thank you. One (multiple speakers). Sure, please.

**Christopher Ferraro**

I was just going to quick add on some of the investing side in particular, as Damien alluded to. We actually source today and execute globally. It's a global industry; in some ways, boundaryless. We have good presence there already. We've made a handful of investments in international companies in the EMEA region.

We also have invested in some partners who have feet on the ground and give us sort of direct expertise and assets in certain regions there. We will expand our personnel footprint as well, particularly as the regulatory landscape shifts, so that we are clear on we understand where the opportunities are going to be when they happen in different jurisdictions globally. That's how we think about it on the investing side.

**Mark Palmer**

Thank you. Just one follow up. There's been some discussion of where DeFi could fit into Galaxy's mix. If you could put a finer point on exactly what that could look like. Does that involve access to DeFi protocols with the associated yield, or other ways in which that would be manifested? Thank you.

**Michael Novogratz**

Chris, do you want to take that?

**Christopher Ferraro**

Sure. We are spending a significant time in and around DeFi for a while now. Our balance sheet exposure and investing portfolio already falls on the trading side as well as the longer-term seeding and backing side in the investment portfolio have had direct exposure for quite some time now, and we don't see that declining or decelerating any time soon.

On the product offering side, we've been spending a lot of time, particularly with the BitGo team and with external partners in talking about offering staking, which we think is going to be an integral part of custodial product offering on a go-forward basis, particularly as larger and larger networks, crypto networks launched, that required proof of stake and staking in order to interact with the network. So, I would expect that you'll see our product line have that added to it, particularly with the combination with BitGo.

From there, we've been spending a lot of time as well with regulators, in particular, on walking through different processes, policies, and procedures on how we can and should interact with DeFi networks in anticipation of developing basically access windows and products for our clients to then access those networks in a compliant fashion through Galaxy and with Galaxy's help. That's sort of on how we invest, how we think about the operational side of the business how we think about the product side of the business, and even operationally I would say we've actually cast internally across the entire firm for every business line to investigate how different parts of the business could move unchanged.

We think operationally, and from a cost structure perspective, we intend to not just talk the talk, but we also intend to walk the walk as an organization. That will take some time to develop, but everyone here at the Company is focused on how can we decrease friction, how can we move some of our businesses unchanged, and that's going to be an ongoing development issue for us for a while to come.

**Michael Novogratz**

It's Mike here. Let me just add one thing in. In some ways, getting access to the best founders, you've got to have something to add. So, our venture team is out there constantly meeting with the guys building the new protocols. We want to be a place where we can invest in your protocol, we can have the BitGo team build a wallet and custody, we can have our trading group market (inaudible). All of a sudden, it really spins our whole flywheel, but it provides a real service for the new protocols to get them up and running, talking to our clients needing a spokesperson.

We think we're going to have a great we already do have, but we're going to increase a great offering to, what we think will be the best protocols that kind of remake finance. That should spin through the whole system. I couldn't be more bullish about almost any space. I go back and forth between NFTs and DeFi.

**Mark Palmer**

Thanks very much.

**Operator**

Our next question comes from the line of Mike Del Grosso with Compass Point. You may proceed with your question.

**Michael Del Grosso**

Good morning, and thanks for taking my questions.

The first one is on a few partnerships that you announced this quarter. One is to get some insight into what led to those. They're pretty significant names in the traditional finance space, with CME and Goldman, but maybe provide some color on how Galaxy's positioned, and what led to those wins, and maybe the pipeline for those types of wins going forward.

**Damien Vanderwilt**

Mike, do you want me to hit on that?



**Michael Novogratz**

Why don't you, why don't you.

**Damien Vanderwilt**

Sure. The partnership model for us is an incredibly important one. As the sector develops institutionally, there is going to be a big role for a blue-chip firm like Galaxy to play to really be a hub and spoke to large institutions that can't currently handle coin transactions. So, the major banks, one of which I think you're referencing, the Morgan Stanley transaction, and there are many others, are in a position where their client base, both in their ultra high net worth channels, and also their institutional client base are seeking to have those organizations provide products to allow allocations or exposures.

The only way that the organizations can do that currently is by working with a partner who can handle the back end. In the Morgan Stanley example, we really provide the back-end fund infrastructure for their RIAs to be able to go and allow their high-net-worth customers to make an allocation into Bitcoin or Ethereum in the way that they are used to doing off of a fund platform. We believe that will remain the case and the need for our services to help with that for a significant period of time.

The same is true in the institutional space where there's a large, structured product appetite, and there's also actually demand from financial institutions who can't handle coins to be able to have exposure through derivatives under Swap and ISDA to be able to participate in the ecosystem and back-to-back institutional client demand.

So, Galaxy will sit in the middle as one of the non-conflicted market making organizations to this group. I specifically used the word non-conflicted because we don't have our own exchange; we don't have our own venue, and so we're not conflicted with how much liquidity we're trying to put into our exchange. We're a firm that goes and seeks the best liquidity from the network of exchanges that we're connected to around the world.

So, you're going to see more of that. I mentioned in my comments that there'll be another two bank platform deals announced in the second half, and you'll see us continuing to explore partnerships in the listed space.

**Michael Del Grosso**

Great. That's helpful color.

On the structured space, a similar question, I guess, Mike, what you've mentioned before as far as financial products are concerned, you've been a fairly strong advocate for a Bitcoin ETF approved by the end of the year. Has any of the recent commentary from the administration or Gensler, specifically, altered your viewpoints on the timeline for that eventual approval? Part B of that question is the infrastructure bill that got passed, or is poised to get passed, and the definition of (inaudible). Any callouts of anything we should be looking for? I know it's not going to be implemented until '23, as it's currently written, but any impact on the business as you see it in its current form?

**Michael Novogratz**

I think treasury's already kind of walking back. The infrastructure build was a way that treasury was trying to sneak in the ability to regulate without actually going through the proper process, and they got called out, and I think Congress was embarrassed by, and taken off guard, quite frankly, by the violent reaction would almost call it violent of the broader crypto community.



I think there is an understanding that everyone has always thought we should have fair regulation, and people should pay their taxes. We're going to get to a place which is good and fair, and I think that's why crypto has gone up post that bill. People realize they can't screw around, with crypto community, because there are a lot of voters.

So, then Gensler wants to regulate crypto because he's an ambitious guy, and he's smart, and he understands that he doesn't have the authority to, in lots of ways. So, there's already a little bit of battle between the CFDC and the SEC, and we'll see that play out.

I think when it comes to the ETF, he has made it clear in the last two times, which is surprising to me, that he favors a future space ETF. I think it's a mistake, though listen, every single person in the ETF game is going to try to figure out what the SEC will allow and have a product that fits that need.

I think a cash ETF would be a better product. It doesn't mean the future of ETF is a bad product, it's just these are monthly futures, so there's a monthly futures role every time. I don't think it's the best way to set this up. That's what it looks like he's at least signalling that that's an easier approval for him. Is it fourth quarter, or is it first quarter next year, I don't know. I wish I did, but it's certainly coming.

**Michael Del Grosso**

Great. I appreciate the color. Thank you.

**Operator**

Our next question comes from the line of Jamie Friedman with Susquehanna. You may proceed with your question.

**James Friedman**

Hi. Good results here, and thanks for the presentation.

I just wanted to ask, in your prepared remarks, Mike, you were commenting that there are an enormous number of new entrants in this space. Our question is that I think, Damien, you had addressed that to some extent in your prior answer, but how do you see that as impacting the competitive positioning of the companies? Are the new entrants a good or bad thing for Galaxy, and why?

**Michael Novogratz**

Yes, let me take that. We, as an industry, are still young. Very young, and so what makes an industry is lots of people in the tent. So, we're still in the position of trying to bring people into the tent. Into the tent of understanding what crypto is, into the tent of understanding that this is more than just Bitcoin, it's building infrastructure to build the future of financial services of the world on. Capital into this space is a net good for Galaxy. It increases our portfolio value immensely, but it also increases our chance to trade, chance to advise, chance to be great asset managers.

Our challenge is recruiting the best and brightest. Our assets go up and down the elevator every day. It's why we spend so much bringing in the Chief People Officer, as human capital business. There's a lot of competition for human capital, so we don't see the competitors as competitors, we see them as collaborators, in some ways, because we're still so early, but we want to be one step ahead of everybody.

**James Friedman**

Okay. Just maybe a follow-up to that. With your observation that Bitcoin was down 41%, but your business was only down 10%, is that simply the diversification of the business that you're referring to?

**Michael Novogratz**

Yes, listen, it's our actual operating business is starting to make money, which is great. It's our other investment portfolio doing well, and it's our management of our core coin position being better than just neutral. You add the three of them together, and you make up the difference of what it would be if we just had the old portfolio in Bitcoin. Over time, I would expect, our operating businesses, let's say, generate more and more of the revenue on a more steady basis, and our investing business is to still be important, but to be less important.

Again, we're really early. We're a three-year-old company. We're really early in the building of the infrastructure. We bought BitGo because they're an infrastructure play. They're going to help us with growing the custody business, growing wallets, building on chain, all of the things that are very scalable and long tail. You'll see a transition of how our earnings volatility is over time. It just doesn't happen overnight, and (inaudible).

**James Friedman**

All right. Thank you, guys. I'll drop back in the queue.

**Operator**

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

**Owen Lau**

Good morning. Thank you for taking my questions.

Can you please give us, in more color, on principal investments? I think you've invested in RAM (inaudible). You also earned \$2 million in dividends from Bullish. Could you please talk about the monetization opportunity there? If one of your portfolio companies goes public through SPAC, do you usually get dividend, or you have to wait until after they go public? I just want to get a better understanding of the dynamics there. Thank you.

**Michael Novogratz**

Chris, do you want to take that?

**Christopher Ferraro**

Yes, sure. Our investing portfolio is becoming more and more diverse. Today, it actually spends early-stage venture equity investments that we expect are going to have a much longer duration. Although, in crypto, we've actually seen the duration of those investments be significantly shorter, on average, than what your traditional venture capital position would be. I think if you look at our results historically, you've actually seen a number of realizations in the portfolio, despite the portfolio being young, and our Company being pretty young.

We have the early-stage equity crypto venture investments. In a lot of cases, those actually turn into liquid tokens that are either tradable, realizable, or have some emissions schedule that we have the ability to actively manage and realize over a period of time, post that listing.

So, we have those equity investments, we have token investments, we actually have now some public equities that we've ended up with by virtue of having successful private investments and so that's how we ended up owning Coinbase shares because we had made two investments in companies that Coinbase had bought, which then turned into Coinbase public equity shares.

In general, we've seen the trends, we've seen a number of crypto companies end up in the queue to be acquired by a SPAC and get de-SPAC'd. We have a number of those, actually, in our portfolio today. The spectrum of our liquidity and those (inaudible) circumstance of the spectrum, and so, in some cases, we will have an immediate liquidity in some cases where we were earlier investors. We will have a short customary market standoff, which is pretty typical of those deals, maybe 180 days, something like that on an average, but we do have opportunities for liquidity.

I think the last thing we want to do is monetize an investment early when we think it has massive growth potential, which is a little bit of a problem investing in this space, but I think we've actually demonstrated, and you'll see us continue to demonstrate some prudence in terms of taking realization opportunities in small amounts when we see them and when we think fit. It's happened historically, and you'll see it on a go-forward basis. So, we will turn the portfolio faster than your average venture capital fund.

**Owen Lau**

Got it. That's very helpful.

I want to go back to the regulatory development. Mike, you just talked about the tax reporting requirement, but what other specific regulatory clarity you would like to see to accelerate the option in this industry? I felt like, given that our SEC chair said over the past few weeks, it seems that they saw a discrepancy between the SEC and the crypto community on whether there's enough regulatory clarity. Do you think things like which token should be classified and securities of commodity use would be good for this option longer term? Thank you.

**Michael Novogratz**

A hundred percent. We're not there yet. I hope you didn't hear me wrong. What I think was impressive about what happened in DC 10 days ago was that there's a real recognition now that every Congressman and Senator has to get up to curve, has to understand what crypto is, what blockchain is, and they are scrambling to do so, and that's a great sense. Because with intelligence, we're going to get better regulation.

It is important for us to understand what a broker is. Is it Coinbase? that's a broker. Okay, we can all agree that's true, but is it mining? No, it's not. Is it DeFi? Well, you're going to hear Gary Gensler try to argue it is, and you're going to hear First Amendment advocates say it's just code. You can't regulate code, it's free speech. There are a lot of gray areas that still need to get decided on. What I'm optimistic on is they're going to get decided on.

The other part is what's a security and what's not a security. Gary has been pretty clear, to some degree, but the SEC hasn't really laid out guidelines. They like to regulate via lawsuit, as opposed to setting rules up, and that's frustrating. So, we're going to see that evolve over time, but the clearer that becomes, the better it is for the whole industry.

Listen, nobody wants to drive off innovation. If you think about Galaxy plus BitGo, it's going to be 400, 450 employees by the end of the year, if not more, all making good salaries, all new jobs in the last few years. You'd be crazy to be a Congressman or Senator and say, let's drive that offshore. I think the wakeup call is how do we get the rate regulation, how do you leave enough room for innovation, even if it's not the perfect set of rules, you want to err to the side of letting innovation and young industries go.

We need, as an industry, to do a much better job, and Galaxy must be part of it, educating the people in DC. It drives me crazy that the progressive politicians don't see crypto as a progressive instrument. It's wildly progressive. It cuts out the rent takers in lots of ways. We have a banking system where you pay, on average, \$4.50 to use an ATM, where there's been, I think, \$12 billion of overdraft fees last year. Mostly, overdraft fees happen to people who have less money, and yet, the progressives are trying to protect the banks and are nervous about crypto.

So, a lot of this is just education, and again, I think 10 days ago was a bit of a wake-up call for everybody, our side and their side, to really increase the education.

**Owen Lau**

Thank you, Mike.

**Operator**

Our next question comes from the line of Rich Repetto with Piper Sandler. You may proceed with your question.

**Richard Repetto**

Good morning, Michael and team.

The first question is around DeFi, NFT, and Ethereum. Mike, you talked about how optimistic you are about the opportunities there. We've seen, if you look at Coinbase's results, at least in the last quarter, the trading of Ethereum was a bigger percentage than it's ever been, or at least it's been over the last few quarters. The question is are the institutional trading came up too. So, are institutions, do you see them onto this Ethereum more focused on the things that Ethereum can generate versus just Bitcoin, or what's your feeling about that?

**Michael Novogratz**

Yes, I say most people go through the same journey in crypto. They start with Bitcoin, and they say, wow, this is pretty cool. This is a first ever peer-to-peer digital store value with a digital goal, that's easy to get your hands around, and it serves a huge purpose in people's portfolios. If you were worried about the debasement of (inaudible) currency, Bitcoin is a perfect solution. That's only one part of the crypto revolution.

In some ways, the more radical part, the broader part is what Ethereum is building. Can we build the base layer of trust for other stuff to be built on top of, for DeFi protocols, for NFTs, for transfer of value on the internet to be built on? It's really hard to understand what the total addressable market of that is. I said pretty recently, if Ethereum is the currency of culture, who in the heck knows what the TAM is. That's what the excitement around Ethereum is right now.

So, yes, all the hedge funds and all the big institutions are starting to look at Ethereum just as eagerly as they looked at Bitcoin and saying, hey. You can kind of deal with Bitcoin's TAM in the short run as what percentage of gold it is. If gold is

a \$10 trillion asset, Bitcoin's \$900 billion, we're 9% of gold right now. At one point, I think Bitcoin will become 100% of gold. It's not going to happen in a year, it's not going to happen in two years, but it's going to happen over time.

So, what's the Ethereum target, how do you try to create value around a network. Harder to figure out, but what I know right now is it is growing at an accelerating pace. The NFT market is growing at a stunning pace. It is shocking to me how fast it's moving. The DeFi, the amount of talent coming in is growing at accelerating pace. When you invest in something where the second derivative is positive, where the second derivative of growth is growing, not just growing, but growing at accelerating pace, price usually goes up. We're very bullish, Ethereum.

There are other layer one protocols. Things like LUNA, things like Solana, that are booming as well because people said, Ethereum probably is the winner, but is it 100% sure it's going to be the winner? Polka Dot. So, the whole level one space right now is all very exciting, but it's because people are seeing where this is going in three to four years. They're seeing that NFTs aren't a fad. That it's a way of we're going to monetize value in creativity.

**Richard Repetto**

Got it. That's super helpful.

My follow-up, and not to harp on the regulation side of it again, I'm not sure what you get with the future's ETF versus a cash ETF. I believe the courts have ruled that a cash ETF is a security where Gensler has been pretty upfront that he considered Bitcoin a commodity, and that's been established, but the cash ETF, at least the courts have ruled that's in his responsibility.

I guess the question is do you see anything, any movement from Congress or to give him that power? At least, do you agree that until he can regulate the crypto exchanges, he's probably not going to approve of crypto ETF?

**Michael Novogratz**

I'm not sure that's the case. It's conflicting to itself. Once you put something into ETF, it's by definition, the ETF as a security, even if the underlying thing in ETF's not a security. Gold ETF is a security, but gold's not a security. How we determine who regulates what is complicated. I think you see the head of the CFDC kind of shot that across the bow after Gary was trying to kind of take the whole spot himself. That'll get worked out. Like I said, we're going to invest more in trying to help them get to the right answers and understand the dynamics of what's happening down there.

In some ways, you always want no regulation until you get good regulation. Status quo is much better than bad regulations, but you'd rather have the right regulation, and I'm hopeful that we're going to iterate towards that.

**Richard Repetto**

Great. Thank you. That's all I have.

**Operator**

Our final question comes from the line of Kevin Dede with H.C. Wainwright. You may proceed with your question.

**Kevin Dede**

Hi, everyone. This is [H.C. Wainwright Analyst] (Inaudible) in for Kevin Dede. We're still new to the story, so apologies if any of these questions are redundant. Just kind of want some more color on how do you see the competition in this space? Do you see some more consolidations like your competitors acquiring, more companies trying to build out of their business lines, and what kind of technology relating to crypto and DeFi are you looking at specifically?

**Michael Novogratz**

Yes, listen, there's going to be a ton more competition, period. Every single day someone else announces that they're coming into the market. Now, we see that as opportunity set. We want to help those people get their crypto strategies set up. Are they going to compete directly against us in sales and trading business? There are a few major competitors. They're going to be hiring as fast as we are, and they're going to be going after the same business. You can't imagine an old securities world where there was just Goldman Sachs. It's (inaudible), it's Goldman Sachs and Morgan Stanley and Merrill Lynch and Barclays. So, we expect to be one of the key players in each of the businesses we enter.

In the venture space, there's amazing competition, and money pouring in. That's why you've got to have something in each area that differentiates you. We've got great investors in the venture space, both, say (inaudible) Richard Kim on the interactive side, Michael Jordan, John Cole on the more traditional DeFi side. We're building great teams in those spaces, but we're competing against guys that are wildly smart and wildly well-resourced. I think in each space we look at, competition is a good thing, but certainly understand that you've got to be good to win.

Again, in five or six years, my answer might be different, but right now, bringing people into this tent, credentialing the space and growing it is the most important thing for our success, and, quite frankly, for our stock price.

**Kevin Dede**

Yes, that's great color. Thank you.

Could you talk a little bit more about how you hedge? If I recall correctly, I think the trading desk was partially long, spot, and short features as a way to hedge.

**Michael Novogratz**

We have lots of trading strategies. We have an arbitrage trading strategy which takes advantage of the dislocations of markets. We hedge two options sometimes if the market has a risk of downside in volatility as (inaudible), we might buy puts. We hedge by selling coins that we think are not as long-term sustainable or who pass the price moves. We can sell one coin versus another. So, all kinds of trading strategies to try to mitigate our downside risk.

If we had a crystal ball, we would have sold lots of Bitcoin at \$60,000 and bought lots more at \$30,000, but that's a tough game. We try our best to understand where markets are going and to play the ups and downs in markets, while, the whole time, keeping a core position, a fundamental belief that all of these coins are the good ones, will be significantly higher in value 12 months, 24 months, and 36 months in the future.

**Kevin Dede**

Great. Thank you.

Just a more general question; do you have any expectations for Bitcoin price at the end of this year, maybe in five years?

**Michael Novogratz**

The end of this year is a good question. I think we will go back and at least re-test the highs at \$60,000 or \$46,600, as we speak. I think there is enough momentum that it looks like we shouldn't re-test the highs.

In five years, could we get to 50% of gold, which is (inaudible) here, \$250,000, it seems like a reasonable target. If I just look at the adoption, I don't see what's going to change the momentum that we have.

**Kevin Dede**

Okay, that's great color. Thank you. Really appreciate it.

**Michael Novogratz**

All right. Thanks, Kevin.

**Operator**

Thank you for joining us today. This concludes today's conference. You may disconnect your lines at this time.

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