

EDITED TRANSCRIPT

GLXY – Galaxy Digital Holdings Ltd

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Shareholder Update Conference Call

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

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

Operator

Good day, and welcome to the Galaxy Digital Fourth Quarter and Full Year 2023 Earnings Conference Call.

All participants will be in a listen-only mode. (Operator instructions) After today's presentation, there will be an opportunity to ask questions. (Operator instructions)

Please note, this event is being recorded.

I would now like to turn the conference over to Mr. Jonathan Goldowsky. Please go ahead, sir.

Galaxy Investor Relations

Good morning, and welcome to Galaxy's Fourth Quarter and Full Year 2023 Earnings call.



Before we begin, please note that our remarks today may include forward-looking statements. Actual results may differ materially from those indicated or implied by our forward-looking statements as a result of various factors, including those identified in our filings with the Canadian securities regulatory 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 Novogratz

Good morning, everyone.

Listen, it's a lot more fun to get on these earnings calls after a good quarter and in the middle of a great crypto bull market. The last time we spoke was mid-November, Bitcoin was \$35,000; today, it's \$70,000, and so a lots gone on, both in the markets and here at Galaxy. So, I'm going to be quick, with a little bit of macro.

Most of you guys hear me too often, either on CNBC or on our own calls, giving the macro story. It hasn't changed much. There's one number I think that you should keep on your refrigerators, \$34 trillion of debt, and in 100 days, it'll be \$35 trillion, and in 200 days, it'll be \$36 trillion, and until the United States, and other countries, get their fiscal house in order, get their finances in order, the story for Bitcoin and other digital assets is going to continue to grow.

A friend of mine yesterday said, "Oh, you've sold some Bitcoin on the selloff," and he forgot the cardinal rule. He said, "They're only \$21 million. These things are becoming like a process. They're not making anymore." So, the story is powerful right now, and it's got a whole new set of salespeople, right? With the ETF, we have opened up the \$80 trillion Baby Boomer giant bulk of wealth here in the United States, right? \$40 trillion of that is managed by RIAs. Broadly, they have not participated in the Bitcoin rally until now, and so, as people go from zero percent allocation to 2%, 3% allocations, you're seeing more demand than supply. Couple that with the having, which is coming in the next 40 days, it just leaves us a good supply/demand imbalance. So, I think the fundamentals for Bitcoin, which drive the whole crypto market and digital asset market, are there.

What does that mean for Galaxy? It means we're firing on all cylinders. Our Asset Management business recently reported over \$10 billion AUM. Our Trading business is having a record run. Our Infrastructure business, which was previously mostly Bitcoin mining, all of a sudden, our validator business is up and running with over \$1 billion assets under stake, and that's become a real growth business for us. So, when I look, I couldn't be more excited, more proud of our guys, and more optimistic for the actual franchise business of Galaxy to finally really kick into overdrive.

With that, I'm going to leave it to Chris to go through in detail what we're doing in each of these businesses, and then the two of us will share the Q&A.

Christopher Ferraro

Awesome. Thanks, Mike.



Galaxy's fourth quarter and full year 2023 results reaffirmed our position as a leading player in the digital asset space. We successfully executed against our key priorities in each of our three operating businesses and are now capturing the upside of our long-term strategic positioning and diversified business model.

Let's start with Global Markets.

Our Trading business successfully capitalized on the positive momentum and market conditions at the end of 2023, generating \$44 million in counterparty trading revenue in Q4 and \$115 million for the full year '23. The 210% increase quarter-over-quarter was primarily driven by revenue from derivatives and spot counterparty trading. In line with this increase in revenue, we also saw counterparty trading volumes continue to grow, which were up 3% quarter-over-quarter, on the back of an already strong Q3. Our desk continued to onboard new counterparties, bringing the total count to over 1,050 at the end of the year. As anticipated, spot Bitcoin ETF approvals have been a major catalyst for the uptick in volumes and counterparty engagement, with more traditional asset managers and hedge funds re-entering the space.

On the Lending side, we ended '23 having maintained our position as one of the largest collateral-backed lending counterparties in the space, with an average loan book size of \$635 million in Q4, up 9% from Q3. Loan originations were also up in the quarter, reaching \$269 million, representing a 129% increase quarter-over-quarter, driven by both the addition of new clients and existing clients re-engaging with our desk.

Even more exciting than the team's excellent 2023 results, the momentum is accelerating meaningfully into 2024. I'm very proud to announce that our GalaxyOne institutional client platform, as of yesterday, has now grown to over 75 active institutional clients, with well over \$1 billion of fair market value client assets on platform. Most importantly, these are high-value, sticky assets that will form a strong base of recurring service fee revenues, which we intend to grow even further by offering Galaxy's full suite of market access services, including custody, spot trading, hedging, lending, and unique derivative and structured product offerings.

Finally, as a result of this institutional client asset growth, I'm also pleased to share that our Digital Infrastructure Solutions arm will now be providing institutional-grade staking services to this large and growing asset base, which I'll discuss in more detail later on. This showcases the strength and flywheel effect of Galaxy's diversified platform and the differentiated institutional services we're able to offer to our clients.

Moving on to the other segment of our Global Markets business, Investment Banking, despite the backdrop for deal execution remaining challenging throughout 2023, our Investment Banking Team successfully closed five transactions in the year. In the fourth quarter, the team completed its first restructuring mandate with Prime Trust, and also realized the revenue associated with advising online gaming platform, Gamercraft, on its seed financing round, and for serving as the exclusive financial advisor to securitize in its acquisition of Onramp Invest. Our Investment Banking pipeline remains strong, with 23 mandates representing \$2.2 billion in potential deal value being pursued by the team currently.

Moving on to our Asset Management business, we ended 2023 with \$5.2 billion of assets under management, an over 200% increase year-over-year. This tripling in AUM was primarily driven by net inflows from newly managed opportunistic assets into our active strategies throughout the third and fourth quarter.

As mentioned on our last earnings call, over the past several months, Galaxy Asset Management has been working closely with the FTX estate in managing its digital asset holdings for creditors through hedging arrangements and liquidation services. The team's professionalism and skill in managing FTX's liquid portfolio has earned Galaxy further mandates, including the management of FTX's trust assets, as well as more complex holdings, such as lock tokens. As a result of this



expanded scope, Galaxy reported a record preliminary AUM of \$10.1 billion in February of 2024, a testament to the team's competence and high caliber of execution.

Although the assets under management tied to the FTX mandates will decrease over time as we monetize the portfolio, we anticipate that associated fees will be meaningful revenue drivers for the business in the upcoming months.

We're proud to be instrumental in rectifying the aftermath of the 2022 crypto cycle, aiding creditors in claiming their funds. This ongoing effort has not only rebuilt trust and credibility in the digital asset space, but has also significantly bolstered the franchise value of our firm and our Asset Management business.

The team has also been acutely focused on the U.S. ETF landscape, and on January 11 announced the launch of the Invesco Galaxy Bitcoin ETF in partnership with Invesco. The approval of spot Bitcoin ETFs is a significant win for the digital asset space, with record-breaking trading volumes and substantial net inflows to show for it. However, it's only been two months since the regulatory green light and these products take time to attract assets. We'll need to allow the market dynamics to play out, but we are particularly excited by the long-term potential for adoption within the U.S. wealth channel. Invesco's \$450 billion plus ETF business, built off the back of deep relationships with the U.S. wealth market, positions us well to tap into this channel, as evidenced by Cetera Financial Group, a \$190 billion plus RIA, having approved BTCO on its platform in recent weeks. Our product reach extends well beyond the U.S., as we plan to bring Bitcoin and ETH ETPs to the European market in partnership with the DWS Group in early April.

Finally, in addition to maximizing value and the reach of our partnerships and bankruptcy mandates, GAM remains committed to its medium-term strategy of building a sustainable top-tier alternatives business. We are in the process of going to market with an external capital raise for our inaugural crypto venture fund, leveraging the success of our proprietary balance sheet investing, but through a direct institutional-grade fund going forward. We have witnessed the first signs of a rekindling of capital formation in high-quality, early-stage crypto venture projects, and so we believe we are on the front end of a strong new upcycle for crypto venture. This is exactly the right time to now offer our expertise, experience and strong track record for prospective new institutional clients of the firm to access this next wave of growth. Galaxy Asset Management's proactive approach towards seizing opportunities in the digital asset space has laid the groundwork for us to continue to attract institutional capital throughout 2024, and beyond. With nearly \$2.5 billion in passive AUM, \$6.2 billion in active AUM and \$1.5 billion in venture AUM, Galaxy is among the very few scaled institutional-grade asset managers in the industry.

Turning, finally, to our Digital Infrastructure Solutions business, it was another strong quarter for our Mining Team. Total Mining revenue, which includes proprietary and hosting operations, was \$19 million in the fourth quarter and \$59 million for the year, representing a 63% increase year-over-year. Our full year power purchase costs and external hosting expenses, net of curtailment credits, were approximately \$21 million, resulting in a 65% direct mining profit margin in 2023.

December marked the one-year anniversary since our acquisition of the Helios mining site and I'm very encouraged by what the team has been able to accomplish over the course of the year. We stabilized the asset and expanded operations to bring on new hashrate throughout the second half of 2023, which saw us successfully surpass our year-end hashrate under management target, finishing the year with approximately 4.1 exahash. Our proprietary mining operations represented 1.9 exahash and resulted in the production of 333 Bitcoin in the quarter, while our hosted mining business accounted for the remaining 2.2 exahash.

Subsequent to year end, we've now exceeded our Q1 target hashrate of 5 exahash and have line of sight to 6 exahash by the end of Q3. The vast majority of this increased hashrate is coming from previously purchased machines that have been



energized as part of our Infrastructure expansion at Helios. However, we have also continued to be opportunistic in growing and optimizing our fleet for efficiency and made a strategic purchase of new Bitmain S21 machines in January.

While anticipated weather seasonality and hashrate growth led to a quarterly increase in our marginal average cost to mine to just under \$15,500 per coin, our full year 2023 average marginal cost to mine ended just below \$8,000 per Bitcoin, making Galaxy one of the lowest-cost institutional Bitcoin mining operators in the world. This remains well below the market value for Bitcoin and gives me great confidence in our team and Infrastructure strategic positioning as we approach the Bitcoin having this coming month.

Additionally, we continue to build out our blockchain infrastructure beyond Bitcoin mining to enable both Galaxy and our clients to participate in an increasingly unchained and decentralized future. This includes operating proof-of-stake validator nodes that can be utilized by Galaxy's proprietary-owned assets, as well as institutional clients of the firm, including those onboarded recently to GalaxyOne. This creates yet another low capital-intensity, high-value and scalable recurring revenue stream for Galaxy. In the case of our proprietary assets, this allows us to save on external staking vendor commission costs, while in the case of firm clients, Galaxy is able to generate Staking-as-a-Service commissions on user staking yield generation. We formally launched this business in 2023, and finished our first year of operations with more than \$243 million total assets under stake, but, importantly, as Mike noted, we expect these assets under stake number to grow to more than \$1.5 billion in the coming weeks, the vast majority of which will now be external fee-generating client staked assets.

Finally, turning to GK8, I continue to be encouraged by the growth of GK8, with the team expanding to a total of 21 clients in the quarter, demonstrating their ability to execute against its pipeline and bring in large enterprise clients. As previously announced, Galaxy is also playing a strategic role in the formation of AllUnity, a partnership with DWS and Flow Traders, to develop a fully collateralized euro-denominated Stablecoin. GK8 will license to the partnership its tokenization technology platform, as well as provide the custodial technology support for AllUnity, demonstrating the cross-selling opportunities of our strategic acquisition of GK8.

All in all, 2023 was another year of incredible growth for Galaxy, with our teams executing across all strategic initiatives, going from strength to more strength. We've continued this positive momentum into the start of 2024 across each of our operating businesses and anticipate generating further operating leverage as more institutional capital flows into the ecosystem.

Before I leave you, I just want to say that building a winning company in this space has not been easy. It could never have happened without the tireless dedication and effort of all of our stakeholders, not just our over 450 employees around the globe, but also our clients, our partners and our shareholders. Thank you, everyone, for your effort and your energy. Next stop, the moon.

I'll now turn it over to Alex.

Alex Ioffe

Thank you, Chris. Good morning.

We earned \$296 million in 2023, driven by improved market conditions and our positioning in the market. This positive momentum continued in the first quarter. We earned approximately \$300 million, before tax, in the first two months of this year. Our equity capital was \$1.8 billion at the end of last year and \$2.1 billion at the end of February. Total liquid assets were \$910 million at the end of 2023, up from \$749 million at the end of the prior quarter. The \$910 million consisted of



\$201 million in cash and cash equivalents including net Stablecoins and \$709 million of net digital assets excluding Stablecoins.

We continued to make progress to redomicile to the U.S. and to list on the NASDAQ Exchange. On December 22 of last year, we filed a response to our fifth round of SEC comments. Our team has been working diligently throughout this two-plus-year process, responding thoughtfully and timely to each round of questions provided by the SEC and clarifying U.S. accounting rules as they evolve for digital assets in the U.S. While the process has been frustratingly slow, we have and will continue to make every effort we can to become a U.S. public company.

Now, back to the Operator for questions. Thank you.

Operator

Thank you. We will now begin the question-and-answer session. (Operator instructions) At this time, we'll pause momentarily to assemble our roster.

The first question will come from Bill Papanastasiou with Stifel. Please go ahead.

Bill Papanastasiou

Hi, good morning, everyone, and thanks for taking my questions, and congratulations on a strong quarter. The first question comes with respect to the Mining operation. I was just hoping to get some more color in terms of how you guys see expansion maybe towards the end of the year. A number of large-scale peers have recently announced large equipment purchase orders, but haven't secured the necessary infrastructure. Galaxy, of course, has ample room for expansion and I'm wondering if there's any appetite here to partner with a peer to scale the data center and perhaps engage in hosting service agreements that can help subsidize that cost for expansion.

Christopher Ferraro

Sure. Good morning, Bill, and thanks very much for the question, appreciate it. Yes, I think it was a perfectly leading question and you nailed it. Our Mining operations biggest asset is the fact that we have a large geographic footprint and a large approved pipeline of energy access in a highly attractive region in Texas, where we can consistently generate Bitcoin at low energy costs. That asset today is running at about capacity. We're making moves, as we said in the remarks, to optimize the built capacity and how much hashrate can come from it, but it has multiples of potential growth built into it in terms of its footprint and how it can scale. Our strategic focus for that asset is to build out the rest of the infrastructure, so that we can unlock that potential.

So, how are we going to fund that? We've committed to building out that infrastructure. We have capacity on balance sheet. We're also looking to the market. We're looking at public peers and their cost to capital and recognizing that, at least to date, some of those public peers have had better cost to capital than we had, and so we're being opportunistic about when we're going to spend that capital, but unlocking that value, whether that's ourselves solo or with partners, is what we're really focused on.

Bill Papanastasiou

Great, thank you, Chris. I appreciate the color on the onboarding of the GalaxyOne Prime brokerage platform. It seems like there's a big effort to scale that. How should we be thinking about growth to this business in the near term and how may



that translate to Galaxy Trading and the Asset Management business? Obviously, the crypto market, it's still with a leg-up leading into 2024. Any color there is appreciated.

Christopher Ferraro

Yes, sure. We're very excited about the realized growth of clients onto that platform. We launched that platform late last year with basic functionality of custody trading reporting, but what GalaxyOne is really meant to be is the landing place for institutional clients to come into Galaxy and then access services across the entire Galaxy platform. Once you're into GalaxyOne, now you have your positions and now you can access products and services from our Markets business, products and services from our Asset Management business, and now, also, products and services from our Infrastructure business, including staking. The growth has started in our Markets business, but from there now, we have a large and growing base of clients and assets which we can sell-through the rest of the services, and that's what we're really excited about, because that's all operating leverage. We're looking to the back half of the year to add functionality in our Prime services offerings; in particular, to offer margin-based financing and credit to traders who want to access the markets. We think that's going to be one of the big unlocks for client additions and asset growth. But, like I pointed out in the remarks, there's a number of other high-value, sticky services that I think the market and everyone doesn't quite appreciate, that we have built and we are building, that are going to bolt on and that clients are going to have access to.

Bill Papanastasiou

Great. If I can sneak one more in here. Just hoping to get a little bit more of Management's perspective on this U.S. listing. I understand it's a painful process, but I'm curious to hear whether you're seeing a bigger push by regulators to finalize the review any sooner than later following the approval of the Bitcoin ETFs. I'm wondering if the launch has impacted their decision or their progress in any way.

Michael Novogratz

Let me take this and be absolutely clear. We have been doing what we can do for over two years trying to get public in the U.S. We have had an SEC that has allowed companies that are Bitcoin-only companies, right, miners, and now this ETF through, but have not allowed companies that deal with anything other than Bitcoin. That's my interpretation. We are hopeful, but not optimistic, that in the current SEC, they're going to change their mind. I do think the climate is shifting in Washington dramatically, right? If you want to think about these ETFs, it was a vote, and the American people just voted that they like Bitcoin, they like crypto, they like digital assets. When I go to D.C. and I talk to members of the House, both Democrat and Republican, and the Senate, they get this should be a bipartisan issue. There is a small group of Democrats that have been blocking this and there's an SEC that has been very, very slow. I think, until we get a change in leadership, we can be hopeful, but not optimistic. There's not much else we can do. We answer their questions, we are diligent, we are helpful, and hopeful, but that's about the best I can give you.

I would say that there's an election coming in eight months and there will be turnover. If the Republicans win, we think that it'll be faster, but even if the Democrats win, I think you'll have new leadership at most of the agencies. So, hopeful there.

Bill Papanastasiou

Appreciate the color, guys. I'll pass it on for the next question.

Operator



The next question will come from Joseph Vafi with Canaccord. Please go ahead.

Joseph Vafi

Hey, guys, good morning. Great results. Nice to see all the good work paying off. Maybe we'll just start again on GalaxyOne. Clearly, a nice tip of the spear here for new clients and existing. Just trying to frame—you know, looking across how many counterparties you have now, how many of those counterparties do you think are ultimately like target clients for GalaxyOne? And, then, maybe I'll have a couple of follow-ups.

Christopher Ferraro

Yes, sure. I'll take this one. I mean, I think the short answer is the majority of them. Historically, we have base counterparties in our Markets business as principal trade counterparties, but that was a function of historically the way the OTC markets in crypto had developed, and most of those clients are true end clients, as opposed to sort of like inter-dealer, or inter-broker transactions. All those counterparties, really, for years, have been looking for an institutional platform where they can become a client, where they can hold their positions, where they can trade and where they can deal with us. So, the short answer is the vast majority of those counterparties could, and should, be converted into sort of GalaxyOne in a client format. They'll likely deal with us both principally and as an agent and as lending counterparties, but they're all almost accessible.

Joseph Vafi

Got it, thanks, Chris. Then, I know you mentioned the assets under stake and that that is potentially going to grow here pretty materially. I think I missed, maybe, what the catalyst was for the comments on the big growth expected in assets under stake.

Christopher Ferraro

Yes, sure. In our Staking-as-a-Service business, which we launched in 2023, the two primary lanes through which we acquire assets to our staking nodes are either, one, through our own proprietary-owned assets, right, and so—as we've done in everything, we like to build infrastructure for our own use first, to make sure it's great and it works well, but then, also, as clients enter the firm and into the four walls of our platform and their assets come on platform, those assets are now, to the extent that they are, in this case, stake-able assets, are available to point to and stake to our own nodes that we run. The catalyst for this has been, now that we have a number of clients and a growing asset base, over \$1 billion plus, on our platform, in GalaxyOne, those assets that are stake-able now are accessible, easily accessible to cross-sell and point to our validator nodes. So, the growth in the client asset base in GalaxyOne is pretty directly tied to the expected growth in the validator assets. Does that make sense?

Joseph Vafi

Got it. Yes, it does, thanks, Chris. Then, just the loan book, you know, growing nicely here, how should we think about the loan book relative to—growth in the loan book relative to your balance sheet capacity to be able to continue to fund that loan book growth over time? Thanks a lot, guys.

Michael Novogratz

One thing that I would mention here that's really shifted, all over the last eight weeks, is our ability to actually borrow unsecured Bitcoin and other cryptocurrencies from the market. It went from limited to very highly available, both borrowing



for term, and that improves our liquidity position, which then allows us to look at the loan business more aggressively. As the whole industry does better, our cost of capital comes down, and that business should grow. Now, even just looking at our converts this morning trading at something under a 10% yield to maturity, that is significantly below where it was three, four months ago.

Joseph Vafi

Sure, great. Thanks, Mike.

Operator

The next question will come from Martin Toner with ATB Capital Markets. Please go ahead.

Martin Toner

Thanks very much for taking my question. In the quarter, the revenue from counterparty trading was up significantly, but volumes were, I think, flat, and in Q3, that dynamic was in the reverse. Can you guys kind of explain that for me?

Christopher Ferraro

Yes, sure. This is Chris. The volumes were up, they were up a little bit, they weren't quite just flat, but the amount of revenue we were able to generate from clients, and from client activity, was up pretty dramatically, because the volatility in the market was obviously elevated pretty meaningfully, and so our exposure on the derivatives side, in particular, the mix shift there was significantly higher, so that's why you see a pretty dramatic increase in revenue. That's the difference.

Martin Toner

Great, thank you. Can you talk to the venture assets in the firm? I didn't get a chance to look. Were you guys able to mark those up at all, and just is it a little early to think of the value of those investments going up in line with digital assets?

Christopher Ferraro

Yes, Alex and I should tag-team this one. I mean, what is tried and true, has been tried and true for cycles and cycles, is that privates lag publics quite dramatically, generally, and so the venture book, a couple of important points. One, we've conservatively marked our venture book historically consistently quarter-over-quarter. While you see fair market value, there are a number of positions in there that, as a baseline, we hold at a pretty material discount to the spot value on the screens, particularly for assets that have a liquid trading token component. We've started to see movement upwards, obviously, because of the public markets have been reflected, but the private market valuation turns are lagging pretty dramatically, and so my comments around the opportunity on the venture side sort of speak to that. We've just started, in the last six months or so, to see capital formation really pick up again in early-stage venture, and that takes real time to actually get deals funded, print headline valuations, compare those valuations to private valuations, which then feeds on itself and starts to see the private market get marked there. We don't feel like we have seen anywhere near the private market correction yet, that we have seen in public markets, which is why we think, from a product standpoint, the opportunity to put to money to work in that space is better than it's ever been in the last half a decade.

Alex Ioffe



Yes, and you can see it in our balance sheet. The investments were up from \$600 million in '22 to about \$735 million at the end of '23, and we think on the way to be significantly higher than that this year, because that is just the beginning of the cycle.

Martin Toner

That's great, thank you very much. That's all for me.

Operator

The next question will come from Andrew Bond with Rosenblatt Securities. Please go ahead.

Andrew Bond

Hey, good morning. Could you talk about how the Bitcoin ETFs have impacted your trading business in terms of how your clients are interacting with liquidity, and if there have been any changes to the competitive landscape for some of the OTC flow?

Michael Novogratz

Yes, it's a good question, and it's not something we've seen a dramatic shift in yet, right, but I'm noticing with some of these ETFs, you're getting better and better liquidity in them on a daily basis, and so I think some of the spot activity, certainly, from some players, is going to move to the ETFs from the Bitcoin OTC market. Now, remember, the ETF is open eight hours a day, five days a week and the Bitcoin market is open 24 hours a day, seven days a week, and so it's a piece of it. I think what you haven't seen yet, and will be part of the next surge of Bitcoin price and, you know, opportunity in lots of ways, is when the options on the ETF become available, right? Because, think about how retail U.S. trades, it's a very option-driven market, and the SEC still hasn't approved options on the ETF. That will come. They are dragging their feet, but, with great certainty, or with high certainty, high probability, I think we will get an options market on these ETFs, and that's also going to change. Now, we see that as opportunity, right? The ability to trade both in trade-fi and in crypto is, I think, an advantage that Galaxy has, where a lot of the other crypto firms haven't sorted that out it, and a lot of the trade-fi firms haven't. So, we, literally, see liquidity coming into the space as a good thing for us.

Christopher Ferraro

Yes, and the only other thing I'll add is the ETFs in the U.S., at least, are just Bitcoin, and Bitcoin, historically, while it's in the most liquid market, it's also, from a cash trading perspective, the least interesting business for us to be in, so any impact there—like, the ETF launching has resulted in many more participants looking at the space, entering the space, and then playing not just in Bitcoin, but in other assets, and so the net/net impact has been pretty dramatically positive for market participants, even if—for OTC players—even if they start to see some movement of trading volumes to the ETF versus spot Bitcoin.

Andrew Bond

Got it, and just to follow up maybe on the hedging side of that a little bit. We're seeing a lot of flow move into regulated futures exchanges, like CME, and, obviously, you guys are big in derivatives and options volumes from Deribit. So, I mean, has there been more activity on the hedging side that you guys are winning and kind of seeing come into the market as a result of these ETFs?



Michael Novogratz

Yes. We participate with most of the players that do the ETF buying, right, and so the Virtus of the world who are the buying and selling for the big ETF platforms, they have become better and better counterparties.

Andrew Bond

Got it, great. Thanks.

Operator

The next question will come from Joe Flynn with Compass Point. Please go ahead.

Joe Flynn

Hi, guys. On the Mining front, your cost per coin was quite strong throughout calendar '23. In regards to Load Zone West and the power cost outlook there, how should we be thinking about your strategy going forward, whether that be shorter dated PPAs, hedging or curtailment? Thanks.

Christopher Ferraro

We're sort of status-quo on our strategy. This first quarter-and-a-half or so of the year, we laid out a plan to be pretty dynamic in terms of what we were and weren't going to hedge. That turned out to be a pretty smart decision, because base prices in Load Zone West throughout the first quarter have been pretty low, which is what we expected, and so I think we've seen the benefit of that strategy. Then, we've got the having coming in. Some of the things we don't know, necessarily, on the Bitcoin network side is what post-having is going to do to hashrate. We have expectations. I think our baseline expectation is that we're going to see, as a starting point, 10% to 15% of global hashrate come off at some point post-having, pretty close to post-having. Then, from there, once we see how that starts to settle and then take off, then we're looking at the go-forward for the rest of the year from a hedging perspective, where it becomes much more important as you go into the late spring and early summer months to think about what volatility of power prices there could do and, therefore, what our position is going to be from a curtailment perspective. So, 2024 is going to be a much more dynamic hedging year.

Joe Flynn

Thanks, that's helpful, and on the investment banking front, you guys mentioned you've had this \$2 billion pipeline for quite a while, but hasn't really resulted in meaningful deal closing yet, but was hoping you just maybe have a comment on how we should be thinking about the outlook, or any cadence on potential deals going forward.

Christopher Ferraro

Yes, I mean, the two big themes, I think, for that business, at least on the capital markets side, has been, one, the private market lagging the public market. Just like on the investing side of the business, that dynamic, and there being very little capital markets activity, privately or publicly, frankly, in 2023, is what led that team to have a pipeline, be working with clients, but, ultimately, not have capital really come into the space. I mean, that's what the whole industry saw. That's started to unlock. Like I said, we see it, as investors, on the front end. That starts to trickle down from Series C to Series A to Series B, and we think that that's happening now in real time and is going to be building momentum in 2024, and that's where the



advisory business really comes into play, as you start to get to capital markets activity outside of early company formation. So, that's one.

Two, the other one is the public markets for crypto were equally stagnant and, while we've just now started to see some deals get printed for public companies, as you guys have probably already seen with the converts, that activity is also, I think, a leading indicator for what we are likely to see, maybe not in 2024, but definitely 2025, in terms of public market activity, and all that is really what you need to have a healthy, functioning, really active capital markets business for an investment bank. The M&A side has always been pretty consistent and we've built a really strong brand there, and we think we add a lot of value to companies in the space in that vein, and the capital markets activity is sort of just on the front end and I'm really feeling like it's going to unlock.

Joe Flynn

Great, thanks. That's all for me.

Operator

The next question will come from Owen Lau with Oppenheimer. Please go ahead.

Owen Lau

Hi, good morning, and thank you for taking my questions. I have a broader question for Galaxy. Could you please talk about your top priority this year, and how do you plan to capitalize the strengths in the market, and do you think international expansion has a high priority? I haven't heard too much conversation about international on this call. Can you also talk about any pockets that you think Galaxy should expand into? Thanks a lot.

Michael Novogratz

Yes, listen, for us, this year is about executing. We have a really good roadmap and we just need to execute it, and the world is changing fast, and so the execution has to happen fast, right? It is connecting this big group of investors, both crypto investors and institutional—and traditional trade-fi investors to our platform. This was a great first three months of doing that. I would love, at the end of nine months, the end of year, for us to say, "Hey, we have x-hundred clients on the platform with a whole lot more assets than we have now." So, that's the number one priority.

We are growing outside the U.S. Our London office is vibrant. We've got a decent presence in Hong Kong. We are hiring. We're 450 people today. It would not surprise me if that number was over 500 in six months. Bull markets are great opportunities, but they're also difficult, right, because the game's changing quick, the market for talent changes, and so we're trying to stay focused on really doing a good job executing.

Owen Lau

Got it. Then, on capital formation on the private market side—you talked quite a bit about a venture portfolio already—can you talk about what kind of projects are getting funding even though this is still in the early stage, but good news for private companies in the crypto space? Thanks.

Christopher Ferraro



Yes, I would say—I mean, there's a number of themes, but two key ones to point out. One is tokenization, and the primary lane for tokenization that is getting funded with increasing fervor is primarily around Stablecoins, tokenized structured products, basically digital representations of either cash or cash-like or sort of cash-yielding assets, and that's happening in the regulated sort of version, which we pointed out AllUnity, which we're involved with directly with two big institutions in Europe, and it's happening across a bunch of different jurisdictions. It's also happening in the very crypto-native decentralized fashion, with protocols launching that are seeking to make better products than the existing Stablecoin market offers clients today, or offers users today, and so a lot of focus there is on how, through regulated channels, can we tokenize money and money markets, and turn around and pass the full, or a significant portion of, the yield on to users, so people feel like they're getting the most out of their money. One other example of that is just look at Blackrock having filed to tokenize its money market fund with securitized. So, that's one big area. It's happening globally and it's happening across a lot of different vectors.

The other area, I would say, is just the continued march forward on optimizing for block space and block space performance. That covers the whole gamut of additional—layer-2 is getting funded, technologies that parse the blockchain into different parts for modular blockchain with data availability, like, with Celestia, for example, as well as zero-knowledge proof and optimistic rollups, and so all geared towards how does this infrastructure speed up and get more efficient, so that it can be the thing that powers the financial system globally. So, that constant drone of that development side has started to pick up pretty aggressively again, too.

Owen Lau

Got it. Thanks a lot.

Operator

The next question will come from Devin Ryan with JMP Securities. Please go ahead.

Devin Ryan

Great. Good morning, everyone. Most questions have been asked here, but just had a follow-up on the Trading business, and, Chris, you had touched on this a bit in a prior question, but you mentioned success onboarding more kind of traditional asset management counterparties, and I'm sure the ETF launch was helpful in that. As we think about broadening out of institutional adoption from here, how much does the ETF approval de-risk the space in the eyes of some of these more traditional players and maybe act as a catalyst for them to enter or engage with you guys, and where are we in that process; and, then, are they just—the ones that are coming in, are they just sticking with Bitcoin because it's essentially been blessed or are you seeing these more traditional players starting to get comfortable with a broader list of assets.

Michael Novogratz

I'll take a crack at that. Listen, I think the answer is it de-risks Bitcoin in a giant way, right? No one's getting fired for buying Bitcoin. No one is having to make the case of why Bitcoin should be a macro asset now. It is a macro asset. It's a highly volatile one, it doesn't fit in every single portfolio. But, it is a weapon that hedge funds use to buy and sell, that real money investors are putting more and more into their funds as a diversifier, that high net-worth people are putting into their fund. So, that's kind of the gateway drug.

Like in any other market, the early adopters feel very comfortable with Ethereum, and now Solana, and you're broadening out the universe of cryptos where kind of the more conservative guy even plays. The crypto community is at the far tail of



this stuff, right, with mean tokens and gaming tokens and level-2s and fi chains, and so I think it's just an evolution, but we're seeing it play out in live time. I think the U.S. approval was really the big, you know, big bang of the space, because it's saying the government, as much as Gary Gensler didn't want to, "We endorse this, we approve it. It's completely legitimate, it's legal, and you're not going to have any trouble doing this."

Listen, the rest of crypto is still a regulatory tug-of-war, and like I said, I think that will change at the end of the year, but it hasn't yet, and so some people are betting on that change and playing through and other people are more cautious. But, I think a year from now, assuming I'm right and we get legislation passed in the U.S. and a different tone out of the SEC, this industry will be a lot bigger.

Devin Ryan

Okay, great. Thanks, Mike, that's great color. I'll leave it there.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Mike Novogratz for any closing remarks. Please go ahead, sir.

Michael Novogratz

Thanks for joining us today. I hope you hear our enthusiasm for Galaxy, for the space, for the opportunity set. Know that we are working our tails off to try to produce returns for our investors, to try to build a world-class company. It's an exciting time. We're really happy you're along on the journey with us. Thanks.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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No Offer or Solicitation As previously announced, the Company intends to complete its proposed reorganization and domestication to become a Delaware-based company, and subsequently list on the Nasdaq, upon completion of the SEC's ongoing review and subject to stock exchange approval of such listing. The proposed reorganization and domestication is subject to approval by shareholders the Company and applicable regulatory authorities, including the Toronto Stock Exchange. In connection with the proposed reorganization and domestication, the Company has filed a registration statement, including a management information circular/ prospectus, with the SEC, which has not yet become effective. **SHAREHOLDERS ARE ADVISED TO READ THE FINAL VERSIONS OF SUCH DOCUMENTS, WHEN AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Shareholders may obtain a free copy of the registration statement (including the management information circular/prospectus) and any other relevant documents from the SEC's website at <http://www.sec.gov>. Copies of the final versions of such documents can also be obtained, when available, without charge, via Galaxy's investor relations website: <https://investor.galaxy.com/> The Company anticipates holding a shareholder meeting to seek approval following the effectiveness of the registration statement, and further details will be included in the management information circular to be mailed to shareholders and posted on the Company's SEDAR profile at www.sedarplus.ca. Page | 6 All figures are in U.S. Dollars unless otherwise noted. This document shall not constitute a solicitation of a proxy, consent or authorization with respect to any securities or in respect of the domestication or any of the other proposed reorganization transactions. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote of approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction.



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