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PARTICIPANTS

Kris Merkel – Host

JP Richardson – CEO and Co-Founder

James Gernetzke – CFO

Kris Merkel [01:00:02] Welcome to the Exodus second quarter 2022 Earnings Conference Call. I'm your host, Kris Merkel. And today we have our CEO and co-founder J.P. Richardson and CFO James Gernetzke. JP and James will review the financial and operating results, after which we will host a Q&A session. And I hope you've had an opportunity to review our shareholder letter, which you should have received via email and is currently available on the Exodus website.

Now before we get started, I'd like to remind you that during today's call we may make forward looking statements. Actual results may vary materially from today's statements. Information concerning risks, uncertainties and other factors that could cause results to differ from these forward looking statements is included in our SEC filings available on the Investor Relations portion of our website. And with that, JP, I'm turning it over to you.

JP Richardson [01:00:59] Thank you, Kris, and thank you, everyone, for being here today. We are excited to share a recap of the second quarter of our 2022 results and what's to come the rest of this year. Our mission is to help the world and the traditional financial system. We believe the promise of an open financial system is better for humanity. A financial system that is transparent, permissionless, censorship, resistant and predictable. And here we're making clear, measurable progress: 2.75 million people trust our apps to help protect their wealth. And these apps empower our customers to be their own custodians. Exodus is a self-custodial wallet. You have full control of your wealth. And recent market events highlight the advantages of our self-custodial business model.

Many major custodial players and exchanges have gone bankrupt because they've been gambling with customer funds. You could even call them hedge funds masquerading as banks. Investors and customers are now the ones holding the bag from their poor risk management. This serves as a reminder: This is the risk that comes from allowing anyone to be the custodian of your funds. Again, Exodus is self-custody. We can't gamble your money. In fact, we don't even gamble on our own money. It's alarming, there is no transparency in what these companies do with your money. Recently we met with the big investor and you know what he told us? He said, "Guys, I had my money on one of these platforms and now I've lost it all." Fortunately, this is not our story. Remember, you hold your keys with Exodus. Your keys, your coins; Not your keys, not your coins.

But it's not enough to be self-custody. We are deeply committed to security. We've seen how important this is with the recent hack of a popular Solana wallet. How did this attack happen? From what we've read, they accidentally leaked private keys through their

logging software. And many of you already know that my background is in engineering and I now personally have ten years of experience building wallets. And not many people in this world can make that claim.

When Daniel and I started Exodus, we instituted security processes that very few companies do. We audit third-party code, and I've been told from security professionals that many major financial institutions don't even do this. For new lines of code that come into the product, we have two auditors that inspect the code to ensure it's safe for our customers. We employ some of the best security professionals in the industry, and one in particular has a top-ten ranking on the popular white-hat hacking site HackerOne. And for the customer that doesn't want to hold the the private keys store locally on their computer. Exodus supports the Trezor hardware wallet, and this gives an extra peace of mind. And because we care so much about transparency, later this year we'll be making our security initiatives public on exodus.com/security.

There's a lot going on and we don't have control over what's happening with our peers. But we do have control over building and delivering safe, easy to use products, products that can enable the best Web3 experience. Our latest delivery is the browser extension. And we told you in the last earnings call that we would release it on May 17, and we did just that. We see the browser extension as your gateway to Web3. Let's talk about why Web3 is so important. For us to help the world exit the traditional financial system, we must make crypto useful. Before Web3, people treated crypto as speculative: buy and hold. According to DefiLlama, there are 15 DeFi platforms with over \$1 billion in total value locked. All of Web3 has an estimated \$50 billion to \$100 billion of total value locked. Lending. Earning. Trading. Shopping. And even ape NFTs. That's real utility. Today, our browser extension supports only Solana and Ethereum. Exodus was the first browser extension to support both of these popular Web3 chains. And this year, we're going to continue to add more chains. And later on this call, I'm excited to reveal to you the next supported chain. Do you have any guesses? Here in a minute, James will get into the financial results. Short term, over the last two quarters, declining revenue. It's not good, but long term, we're optimistic in our abilities to continue to deliver beautiful, easy-to-use products with the relentless focus on delivering customer value. And we know that by doing this, our revenue will follow. And with that, I'll pass it over to James to review our financial results.

James Gernetzke [01:06:41] Thanks, JP. Yeah. So today I will say that our results reflect the fact that there are some terrible storms that have hit our industry and the financial world in general lately. There's fear out there. With all of the bankruptcies and paused withdrawals from centralized exchanges that you mentioned in the past few months, I think it would be good to take just a little bit more time than normal to explain our business model, how we operate, and how that has provided tremendous benefit to our customers in these turbulent times.

So first, to reiterate JP's comments: Our business model is built around Exodus being self-custodial. From an investor standpoint, this means that you will never see customer money on our balance sheet. It also means, as JP mentioned, we cannot cannot gamble with customer money. We cannot pause withdrawals. We were never tempted to take customer money -- excuse me, to put customer money -- in Three Arrows Capital because we cannot touch customer money. Not our keys, not our money. And the investor and others that we've spoken to that have lost money to these centralized exchanges: You know, our heart goes out to out to them. And the fact that they had to learn such a lesson in such a hard way.

And speaking of lessons learned, this isn't our first rodeo. You know, we have a seasoned, crypto savvy leadership team that has lived through bear markets before, in fact, coming out of previous bear markets, we set up internal weekly metrics that show what our business would look like if the world returned to January 2019. And if you don't remember January 2019, Bitcoin barely reached \$4100. So every week, we look at our current business and say, "What would it look like if we went back to this ultra bear-case scenario?" And this has really helped to ground us during 2021 in that massive bull market. And at the same time, it's really given us comfort lately in knowing that for Exodus, at least, the markets are not as bad as they could be.

Another lesson we learned is, and we've mentioned this a lot, is to maintain a strong balance sheet. We are a proven business, we have a history of generating positive cash flows. But we're still growing and we're still investing in the product and the people that build and support our product. In fact, we continue to grow our team, and therefore our expense base, in the first half of 2022. With bear market revenues, there will be some periods with negative adjusted EBITA. But our balance sheet allows us to weather these periods and continue to focus on building our product and supporting our customers without interruption. So with all of that said, let's get into the numbers.

Okay. So revenue for the first half was 28.4 million and that includes 13 million in Q2. First-half revenue fell by roughly half over the prior year and our Q2 revenue was down 53% year over year, but just 16% from Q1. Now, this is a great slide where we can just pause and go a little bit broader and deeper than we usually would with, you know, your standard quarter-over-quarter metrics. There's there's just a number of stories that can be pulled from the slide. First, 2021 was obviously a standout full-on bear market, I mean bull market. (Excuse me, if only that was a bear market. I'd love to see it again.) But obviously in the current market and compared to 2021, our first half revenues, as JP mentioned, they were disappointing. But lost in that perspective is that even in the current environment, we've already topped 2020 revenue, which guarantees that 2022 will be at least the second-best year in our history.

This next slide. Basically, I just remove the 2021 numbers so you can highlight optically what that looks like. So if you take a look at the chart, you'll see that our Q2 and first half revenue was more than triple than 2020, despite the bear market. And we'll touch on this a little bit more. But if you look at where we ended in Q4 2020 and then where we're going now, that'll be important. Our exchange volume has a very similar story to revenue. Q2 exchange volume was approximately \$700 million, which is down from the bull market exchange volume peak of \$1.6 billion, but relatively steady compared to Q1.

Our monthly active users slide deserves some extra commentary as well. We ended Q2 with monthly active users of almost 818,000, which is a decrease sequentially and relatively stable year over year. But what we saw is that not only were we able to grow our user base - substantially grow our user base - during that frenzy of 2021, but we've been able to keep the vast majority of these users engaged in our product. And so we're don't feel any danger of returning to pre 20, 21 levels. In fact, we have continued momentum with downloads of 696,000 in Q2 as compared to just 328,000 in Q2 2020. That's more than double, and our share of downloads versus other crypto apps is growing as well.

And so data from our Fiat Onboarding service providers indicate that our customers are buying the dip and they're hodling and we view this continued engagement of our user base and the adding of funds to our platform as extremely positive. Oops. So when the market turns - not if, but when - we will go into it with a much larger user base that is

holding significantly more funds in Exodus wallets compared to when we first entered the most recent bull market.

And we have also continued to grow our team to support and continue to grow our customer base. We had approximately 290 full time team members at Q2, a slight increase from 276 in Q1. We continue to hire, albeit at a slower pace, given we already have the key talent in place to deliver our product roadmap, and our team is ready for whatever the market throws at us.

Now turning to our final slide. As I mentioned earlier, we continue to have an incredibly strong balance sheet with no debt and about \$80 million in cash and digital assets, approximately 30 million of which is in Bitcoin, Ethereum and Algorand. We always have been, and we will continue to be deliberate with our spending in all market cycles. So with that in mind, I need to mention that we have adjusted our marketing plans to reflect the reality that sentiment for any financial product, crypto or otherwise, is exceptionally weak right now. Thus, our \$40 million marketing spend target has been lowered by over 75%.

So our focus today, storm or no storm, bull or bear, fear or greed, recession or no recession: It hasn't changed. We continue to build safe, easy to use beautiful products that help the world exit the traditional financial system. With that, back to you, J.P.

JP Richardson [01:14:12] Thanks, James. And, storm or no storm, you're right. We're focused on building beautifully-designed products. Our latest product release, our browser extension, will be the gateway to Web3. And thank you to those that have downloaded the beta. This beta allows us to perfect the product while getting it into the hands of our most loyal fans. First. The browser extension will be out of beta this month and available to all very soon. Now I'm excited to reveal the next chain supported on the browser extension: It's Algorand. Did you guess this? Algorand support will be in customers hands by September 15. And we believe that, like Solana, Algorand holds the promise of delivering a fast, efficient, and scalable blockchain that can be the cornerstone of Web3. And, as many of you already know, our stock is the only common stock with a digital representation on a blockchain, the Algorand blockchain. We see a world where all stock will inevitably make their way to the blockchain, the Algorand blockchain. Imagine a world where crypto and blockchain stocks live side-by-side. Blockchain stocks still bring so much possibility: Blending loyalty and equity together; minute-by-minute dividends; NFT airdrops to stockholders.

So many possibilities, but we're not going to stop with Algorand: Multichain and multi-asset is in our DNA. The browser extension will support all major Web3 chains. And we believe that there's a real opportunity to own these ecosystems since so many popular chains don't even have a browser extension. ExoDEX is our newest and greatest product for crypto enthusiasts. Many popular decentralized exchanges average over \$1 billion a day in trades. A cross-chain decentralized exchange aggregator hasn't been done well. And decentralized exchanges are more secure than centralized exchanges because you don't have to give custody of your assets to make an exchange. And most are fast, with exchanges completing in under 30 seconds. So Exodus is uniquely positioned to deliver this because we've delivered \$10 billion in volume to date in our existing exchange aggregator. So there's a lot of opportunity here.

The Exodus browser extension and ExoDEX are the building blocks to make Exodus one of the most successful players in Web3. These building blocks will help to open up the

possibility of mainstream experiences, whether that's buying an NFT without even caring about the crypto that you have, or earning interest while lending your crypto and using that interest to pay your bills. The browser extension and ExoDEX are these building blocks that set up access for a bright future and even unlock something bigger to come. "What is that," you say? You'll have to join future earnings calls to find out what that is. Now let's turn it over to Kris for Q&A.

Kris Merkel [01:17:32] All right. Thank you, James. Thank you, JP. It's very exciting news and I will certainly be there at future earnings calls to fact hear what's happening. So it's the time of the call where we get to move into Q&A and answer questions from real investors that have emailed us in lieu of getting - getting answers for how the company is doing. So the first question is, "*What does Exodus have planned at a time when your peers are declaring bankruptcy or massively cutting staff?*"

JP Richardson [01:18:07] I'll take this one. We remain focused on Web3 and delivering both in the browser extension and ExoDEX. So despite market conditions, we're well-positioned to weather the current market regardless of what happens. But it's all about continuing to focus on our mission and creating the best experience to entering into Web3. It's really what it comes down to.

Kris Merkel [01:18:34] Excellent. The next question we have is: "*How have your customers reacted to the downturn and how do you see them acting in the future?*"

James Gernetzke [01:18:45] I'll take this one. So it's a good question, Kris. You know, we've been through this before, as I've mentioned. You know, we've seen a lot of cycles as a management team. And so we've got a couple of things that are I'll just reiterate that we've seen and are seeing. And then I'll go into one new thing. So I think the first thing we're seeing is just standard behavior: As prices drop, there's usually a movement into stablecoins and people are just waiting the storm out. And then as the storm starts to clear and they feel the market's recovered, they move out of stablecoins. And we're seeing that exact behavior right now. And we expect to see it again. You know, as the storm clouds clear, people will move back out of stablecoins.

The other thing, and this is a little bit a little bit longer, but, you know, our - one of the advantages of our business model, is that we're multichain as JP mentioned, especially in terms of the browser extension. But you know, we've always been multichain, and we have numerous exchange providers, and what that does is it allows us to have hundreds of assets and over 10,000 trading pairs. So while Bitcoin or Ethereum, you know, the two big heavyweights, like their trading volume might be slow and depressed based on last year's highs. There will be assets that are going to be hot during any given period. And because we have so many assets, we'll still see hot assets trading on our platform. The best example of this we've used in previous calls, but it's going to be Doge.

You know, we supported Doge long before Elon Musk started tweeting about it. And so when he did tweet about it, you know, we were able to capture a lot of that Doge volume that our competitors couldn't and they were kind of stuck with slow bitcoin and slow Ethereum at given periods. So, you know, we're seeing that behavior today. You know, at any given moment, we're going to have assets, you know, up significantly on our platform.

You know, the other behavior is a little bit new and that is our fiat onramp providers. They're able to show us, you know, some of that the the volume and what happens when we can correlate that to the price of Bitcoin in the general market. And what we see is

people are buying the dip and then they're hodling and it's great to watch. But since our - one of the things I'll say is that with the advantage of all of this work we've done on our fiat on-ramp over the past year, our platform is greatly improved from where we were in December of 2020, which is kind of that key mark of going into the 2021 bull market.

So with with all of this fiat onboarding, this buying the dip and this hodling, you take that with where I mentioned the monthly active users, you know, we are going to be in a great spot right before, you know, as we go into the next bull market, because we'll have a lot of users and they'll have put a lot of assets onto our platform. So that's exactly what we want it to be. Thanks a lot, Kris.

Kris Merkel [01:21:37] It's great answers. Very intuitive to keep a keep an eye on what the market and customer behavior is doing. It's actually really, really good to hear that we're seeing kind of their tactics evolve as the ecosystem evolves. So. Here is a hard question directly from an investor. It's very short. They asked: *Is Exodus safe?*

JP Richardson [01:22:05] I'll take this one. Exodus has been around since 2015 and we are an established self-custodial wallet. And when you look at the issues with recent exchanges and recent custodial services that offer these high rates of return, you have to ask yourself: Is storing your money in software where you don't control your private keys, you don't have that custody, is that safe? So I think that our security track record speaks for itself. And knowing that 2.75 million people trust our software to keep their money safe.

Kris Merkel [01:22:49] Well, thank you, J.P. That's the biggest question on everybody's minds just recently. The next question here we have: *"How has the vision or direction...for the company changed from last quarter, given the current market conditions?"*

JP Richardson [01:23:07] It hasn't changed. We remain focused on web3 and delivering the browser extension, delivering ExoDEX, making it easy long term for you to take your Web3 portfolios on the go in the mobile app. So the strategy hasn't changed. The direction remains unchanged. And to help the world exit the traditional financial system, we believe that Web3 is that promise because it makes crypto useful. So it remains unchanged.

Kris Merkel [01:23:39] Excellent. On the next question we have that we heard on a previous call was, talk about uplisting: *"What's the current status of Exodus going public?"*

James Gernetzke [01:23:51] Sure. I'll take this one. And it's pretty simple. You know, the timing just isn't right for us to list right now. Unfortunately, it's - it's a casualty of the broader market conditions. So we're still planning on listing, but we need the broader market to improve first.

Kris Merkel [01:24:11] Yeah. Very prudent. Thank you, James. The next question is: *"What future steps from the team can investors expect in order to sell shares easily with good liquidity and better prices than today?"*

James Gernetzke [01:24:26] Yeah. So, you know, we are evangelizing Exodus to new investors regularly. So this includes traditional and crypto-centric investors, retail as well as institutional. And you know, what this does is the more investors that know about Exodus and they know what we're doing, the more folks will want it. And, you know, as more and more people learn about us and the great things that we've got going on, that will drive demand for our stock, and that demand will provide both liquidity and price

improvement. And then also, you know, we've got some some other things that JP had mentioned earlier, you know, that with our stock being traded on the blockchain, that we're working on as well.

Kris Merkel [01:25:15] Well, thank you. Here's a follow up question, kind of, that relates to the security question earlier: *"Will Exodus be coming out with its own hardware wallet in the future?"*

JP Richardson [01:25:28] I'll grab this. No, no. We - we maintain a focus on on software and our strength and expertise is in building beautiful, easy-to-use software. And quite frankly, we believe that long-term, hardware wallets don't offer the promise of keeping the keys safe. We think that long-term, there will be a convergence between the world of hardware wallets and your mobile phone. And we've seen initiatives of this right now, and so we're really excited about those initiatives. So we're going to continue to remain focused on software.

Kris Merkel [01:26:06] It's very good. Thank you, JP. Are there any other functionalities that Exodus is working on?

JP Richardson [01:26:14] Take this as well. So, yes, long term, we remain focused on building mainstream customer experiences. And so what that means is there's a lot of problems today that self-custodial wallets haven't quite solved yet. So to give you an example of what one of those is, is that when a person downloads a self-custodial wallet like Exodus, you have to write down your 12-word phrase, your 12-word secret phrase. And for most mainstream consumers, that's not a friendly thing. That feels kind of foreign. It feels kind of weird. And so we've got to make it so easy that when you download excess, you don't have to think about a 12 word secret phrase. It's always there if you need it - it's always there if you need it, but you shouldn't have to think about it. You should be able to download Exodus and not even to think about it and know that, you know, if you lose your phone, your assets are still safe. So that's one major thing that we're working on behind the scenes.

In addition to that, we think that crypto addresses are not mainstream-friendly either. And so there's a lot of initiatives out there that are that people are working on to make these these crypto addresses easier and more memorable. And we think that sending crypto should be as simple as sending a text message or sending an email. And so we're thinking about these sorts of things and how to bring these mainstream experiences. In addition to that, of course, long term, Web3, still very focused on Web3. And so you're going to see WalletConnect for the mobile phone. You'll also see a mobile dApp browser. That's all coming to Exodus as well.

Kris Merkel [01:27:54] Well, thank you, JP. And just to remind all of you, if you're watching this, you are still extremely early. Yeah...this, the web3 ecosystem is growing day by day, and it's taking up a larger portion of the whole crypto ecosystem all the time.

This is almost a tongue-in-cheek one, but it's been kind of a forever question, it's: *"Where can I get some merch?"*

JP Richardson [01:28:24] Oh, okay. So as much as we would love to get you some merch in the near future, we're not going to offer any merch in the short term. And the reality is, is we want to be prudent with our financial spending and we believe that we've

got to bring this company back to profitability and then we will start offering merch at some point in time. But we're not going to offer merch until we get back to profitability.

Kris Merkel [01:28:54] Very, very prudent. Although everybody would love a t-shirt with the new Web3 logo, it makes, it makes sense too.

JP Richardson [01:29:01] I just want to say, you guys have seen everybody see me before wearing an X's hoodie and now I'm sitting in this this blazer. So I'm - I want some merch more than anybody.

Kris Merkel [01:29:12] Yeah. Yeah. Okay, thanks. JP, you mentioned earlier that we're going to have a \$40 Million marketing budget. Where are we at right now with that?

James Gernetzke [01:29:26] Yeah, I'll expand on that a little bit more. Although I really do want to say I have been in tech for way too long to have to wear a collar now. So I also want the merch. But yeah, I'll expand on that that question.

So I mentioned in the opening remarks, the sentiment is just really bad out there right now for anything, anything financial product related. And, you know, this did impact the ROI that we were getting earlier in the year. And so, you know, I also mentioned this isn't our first rodeo. We saw this. We adapted. You know, we don't want to blindly follow a low ROI, capital-intensive path in a market that's got some bearish headwinds. So we've adapted and you know, we've lowered it 75% as I mentioned.

But I do want to say: That doesn't mean we stopped all marketing. Crypto adoption is still on the rise. And now folks have learned - unfortunately, a lot of them the hard way - that custodial solutions can be very dangerous. And that means, us as a self-custodial solution, multichain, everything that we've got that JP's mentioned; you know, we've got a great story and a great message to share. And so our marketing team is absolutely still out there sharing that message.

JP Richardson [01:30:38] I - I'd like to add a little bit to that. Our early growth was fueled by guerrilla tactics on YouTube, and now today we are armed with 124,000 subscribers on YouTube. And so we can leverage a lot of YouTube and other platforms like YouTube to continue with our marketing messages.

Kris Merkel [01:31:08] Thank you, guys, as a familiar face on YouTube, I can definitely back up both of those statements. All right, guys. Thanks for answering all those questions. They're very insightful. And JP, I'm going to turn it over to you for closing.

JP Richardson [01:31:23] Thank you, Kris. When we kicked off today's call, I shared our deep commitment to security here at Exodus. So speaking of security to our customers, it's a quick reminder. We do not know, nor do we have access to, nor we ever ask for your 12-word secret phrase or private keys. So stay safe out there.

And it's my sincere hope that you choose self-custody, that you choose to trust yourself, and know that I'm personally invested alongside you and appreciate your support.

A reminder: Algorand support on a browser extension is going to be in customers' hands by September 15th. Thank you all for supporting our mission to help the world exit the traditional financial system. Talk to you all soon.