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PARTICIPANTS

Kris Merkel – Host

JP Richardson – CEO and Co-Founder

James Gernetzke – CFO

Kris Merkel [15:30:00] Welcome to the Exodus third quarter 2022 Earnings Conference Call. I'm your host, Kris Merkel. And today we have our co-founder J.P. Richardson and our CFO James Gernetzke. JP and James will review the financial and operating results, after which we will host a Q&A session. 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 am turning it over to you.

JP Richardson [15:30:59] Thank you, Kris, and thank you, everyone, for being here today. Let me start by providing a State of the Union. Our mission is to help the world exit the traditional financial system. And we continue to believe in a future where the financial system should be one that is open, censorship, resistant, permissionless, and transparent. At a time like this, transparency is needed now more than ever. This is a financial system that is better for humanity. 2.98 million people – almost 3 million people – trust Exodus to self-custody their assets.

Well, let's briefly talk about our business here today. Year to date, revenue is down 39% and monthly active users are down 15% year over year. This is our second consecutive quarter of lower revenue. The reality is that we are focused upon delivering upon our

mission by being relentlessly obsessed with supporting our customers and by building and delivering beautiful products our customers find useful.

However, given the performance of our business, we have made the tough decision to say goodbye to 59 of our colleagues, which is a workforce reduction of 22%. Let me walk you through how we got here. We saw market conditions changing in Q2 and we knew we needed to take action to match our expenses to a shifting market. We eliminated all unnecessary expenses. We reviewed every single contract line by line to find additional cost savings. We reduced marketing expenses from \$40 million planned to the \$12 million already spent. We even paused hiring.

In Q3, we realized that these conditions would persist beyond one to two quarters. So we began a thoughtful approach to our head count, understanding that the team we planned in the raging bull market – of 2021 is not the team that makes sense for us today. In short, I have allowed myself to get caught up in the euphoria of 2021 growth at all costs. We expanded our team from 75 to well over 200 at 2021 year end. They say the golden rule of hiring is that you should never hire more than double the company in one year. We shattered that rule. I believe any failures in a company are a direct reflection of the CEO's choices – my choices – and this is no exception.

While layoffs are gut-wrenching, this decision will leave us better positioned to accomplish our mission. We will not stop delivering great new products and product updates every two weeks. We will not stop providing fast 24/7 human customer support. We have a seasoned, crypto-savvy leadership team, one that has lived through bear markets before. And Daniel and I have been in this industry for more than ten years. We have critical roles in place to aggressively execute upon our product roadmap. 70% of our customers are outside the United States. This is a great opportunity for us to continue to bring Exodus in their native language. Exodus has never had the ability for customers to sell crypto in their local currency. This is all coming. We're going to deliver the first cross-chain exchange inside of a browser extension Web3 wallet – and more on this later.

Bull or bear market, we continue to execute by building and delivering beautiful, easy to use software. We continue to ship every two weeks and have done so since 2015. Internally, we have a saying: "Shipping is our religion, dates are our gods." Long term, we're optimistic for recovery. We made the hard decision to reduce our workforce to ensure Exodus thrives in all market conditions. The workforce reduction is a key action to further reduce expenses and we are also taking action to drive revenue growth by acquiring new customers, which I'll touch on later.

Unlike other tech companies, we have been profitable in the past and we're confident we can return to profitability in the future. We expect adjusted EBITDA growth in Q1 of next year. So with that, I'll pass it over to James for the Q3 results.

James Gernetzke [15:35:45] Thanks JP. I'm just going to jump right into the numbers for our Q3 and year to date. So revenue year to date was \$39.4 million, including \$11 million in Q3. Year to date, revenue was down 43% over the prior year and our Q3 revenue was down 39% year over year and 15% from Q2.

Our exchange volume is a very similar story to revenue. Q3 exchange volume was approximately \$550 million, down from the peak that we saw during the bull market last year. Peak was \$1.6 billion in 2021, and that represents a continued downward trend from Q2 exchange levels. Turning to our monthly active users [MAUs], we ended Q3 with MAUs of just over 764,000, which is a decrease sequentially and year-over year.

But that said, we're still on track to deliver the second best year in Exodus' history. Year to date, our revenue was nearly double the revenue for the full year of 2020. And this demonstrates user growth and importantly, the customer retention from the frenzy of the 2021 bull market. Our MAUs are approximately three times our 2020 year end levels and we did manage positive adjusted EBITDA in Q3. So to say that again, we did manage positive adjusted EBITDA in Q3.

Turning to our final slide, we continue to have a strong balance sheet with no debt and about \$77 million in cash and digital assets, approximately \$30 million of which is in Bitcoin, ETH, and ALGO. We continue to believe in Bitcoin and cryptocurrencies as a store of value long-term. Since 2021 year end, we have held 1,322 Bitcoin and right around 2,538 Ethereum in our treasury. And this strong balance sheet ensures that we can continue to aggressively execute on our product roadmap, as JP mentioned, and support our customers without interruption – even during periods of intense volatility.

So on the expense front, we've thoughtfully approached the dramatic changes to the market conditions in 2020. So beginning in Q2, we paused the bulk of our marketing strategy and the \$40 million that we had allocated to it. We reduced that – excuse me. So the advertising expense in Q3 is primarily related to satisfying the contractual obligations from earlier in the year. In addition to our marketing spend, we also cut and renegotiated third-party contracts, reduced and stopped software subscriptions to the minimum necessary. So as a result, our overall operating expenses increased 38% from Q2. But that was not enough. It became clear to us that we needed to do more to manage our costs. At the end of Q3, we had approximately 275 FTEs, which is actually lower relative to Q2, and that's due to not replacing natural attrition and also eliminating

almost all new hiring. Our headcount now stands at 216 after the workforce reduction, and that's lower than we actually began the year with. Because of that, we expect to incur \$1,000,000 in severance costs in the fourth quarter. And longer term, we expect to save over \$6 million in overall operating expenses on an annual basis. Given these expense reductions, we are well on our way to improved adjusted EBITDA in Q1 of next year.

And now that we're deeper into 2022 and the market shift that accompanied the start of the year, you know, we believe that the consumer will increasingly be open to hearing about the exit story. In fact, our business model has and continues to be validated by this craziness. If 2022 has taught the world anything, it's that self-custodial and decentralization are imperative. So over the next two quarters, we expect to test a number of marketing initiatives, the first one being our referral program that will offer customers USDC incentives to sign up their friends. We expect that to come later this month. And the overall success that we have as we find the right mix of initiatives that's going to drive our MAU and our revenue growth. So with that, back to you, J.P.

JP Richardson [15:40:12] Thank you, James. And we are relentless in our pursuit to help the world exit the traditional financial system. Our focus, bull or bear market, is to achieve our mission all by delivering customers beautiful experiences to manage their portfolio of assets. As James mentioned, we are focused on driving revenue growth via customer acquisition. We are creating a new referral program. This referral program is built on our blockchain stocks. We will be the first to leverage this technology to bring in new customers, empower them to be shareholders, and reward them for being a part of our future VIP program. No other company has this ability. Our stock is tokenized on the blockchain, and this can unlock a world of possibilities. But we're starting by building the referral program first using this technology.

Let's talk about social. We're going to continue to leverage our 125,000 YouTube subscribers to produce content for our dApp partners. And we'll be working with YouTube influencers to showcase the Exodus Web3 wallet. Now let's talk about our Web3 wallet, our latest safe and beautifully designed product. The only Web3 wallet our customers will ever need. And Web3 is taking the world by storm on multiple chains. And remember, Multichain is in our DNA. We are empowering our customers to explore the world of Web3, and we're leaning into underserved ecosystems that we believe have massive potential. For example, almost all major Algorand dApps now support Exodus. And we believe long-term this can be a viable customer acquisition strategy as customers that want to experience these dApps will see access as one of the very few options. Other underserved markets, but markets with big potential, are that of Bitcoin

and Cardano. Bitcoin is the number-one asset by market cap and there is no good product to experience the world of web3 with Bitcoin today. And since multichain is in our DNA, we'll be one of the first to deliver a beautiful, integrated cross-chain exchange that supports all major chains in the browser extension.

But we haven't left out mobile. In 2023, one of our biggest focuses will be bringing the Web3 experience to our mobile customers. This will empower new customers and our existing customers – not to mention our largest customer base – to experience Web3 on the go. And given that our mission is to help the world exit the traditional financial system, this means helping us crypto become mainstream, and Web3 is core to that strategy. Web3 helps bring utility to crypto and makes crypto useful. We will remove the complexity of Web3 from the mainstream, and rain or shine, bull or bear, we believe we can win this by continuing to be your trusted friend in the crypto space.

Within the last 48 hours, people will be seeking self-custody products more than ever and we'll be standing by ready to help them. And now, let's turn it over to Kris for your investor questions.

Kris Merkel [15:44:03] All right. Thank you, JP. Thank you, James. We have a whole host of questions here. Some of them were a little hard, more hard hitting than than others. They're all questions that we've received via email from investors. We're going to just jump right into it. The first question is, with the lower headcount, can you target all of the revenue generating opportunities you were expecting to pursue?

JP Richardson [15:44:29] Thank you, Kris. And I'll take this. Our our focus is going to be to prioritize on what's most important. And so, as I mentioned, Web3 is going to be one of the primary focus points. So in the browser extension, continuing to support additional chains and in the mobile wallet, continuing to enable our customers to experience Web3 on the go. And so this is going to be critical for the success of Exodus to prioritize. And as a wallet, another important aspect is we are going to continue to focus on ensuring that our customers feel safe and secure. And so it really comes down to prioritizing and focusing. That's what's going to be most important.

Kris Merkel [15:45:20] All right. Thank you, JP. So. What do you want to achieve with Exodus in the next few years?

James Gernetzke [15:45:32] Yeah. Let me take the financial perspective and kind of the easy part. I mean, we want to see growth. We want to see revenue, adjusted

EBITDA, monthly active users, we want to see those grow. And doing that will also, of course, lead to an even stronger balance sheet. JP, I don't know if you want to talk about how we're going to get there.

JP Richardson [15:45:53] I mean, okay, I think it's going to start with – I see a future where people will choose self-custody over these custodial platforms that hold your money. And so we have to make Exodus so easy to use that you don't have to think about any of the complicated things with using a wallet. So what does that mean? That means that, first of all, when you download a wallet, you should not have to think about a 12-word secret phrase. You should not have to think about any complications with sending to addresses. Web3 should be easy. And we want Exodus to be the go-to app to experience Web3.

So when you think about a mainstream consumer coming along to use Web3, they should not have to worry about what assets they have. If they want to buy an ape JPEG, it should not matter whether they have Bitcoin, Ethereum, Dogecoin or US dollars. It should not matter. They should be able to do it all with one click and feel safe while doing it. So it all comes down to making Exodus the go-to app to experience Web3. That's what we're thinking about. That's what we're focused on.

Kris Merkel [15:47:17] All right. Thank you, J.P. and James. Next question is a financial question. The investor asks Why not make a commitment to allocate a percentage of net profit to the share repurchase program? Can you do more or better than the 2 million you've currently allocated?

James Gernetzke [15:47:39] Yes. So there's a number of different things that go into this and what we can and can't do. So just bear with me for a minute. Our trading volume, it kind of starts there. The trading volume on our stock as it currently is, is really low. And this limits how much we can buy in the market. And that's due to the protective rules we have in place. Those are outlined, obviously, in the program documents. And those rules are designed to protect any type of artificial market movements. And because of this, you know, we haven't even used 10% of the \$2 million that we had allocated. And obviously we won't because the program is going to end here in December. So I'll be listening and we've talked about that in previous calls. And that should solve this, by, solve this issue by increasing the liquidity of our shares. So if we list on the New York Stock Exchange or NASDAQ, something along those lines, and that is right now where the liquidity is.

But, you know, that said, ultimately, we are confident that the best use of our funds and the funds that you have entrusted with us as investors is to use them to delight our

current customers and to attract new customers. We think we're going to get the best return by doing that. And so that said, the program, as I mentioned, it ends next month. And we have such conviction in our company, in Exodus, and in our future, that Daniel, JP and myself, we're actually going to finish out the buyback with our personal funds rather than company funds. So, Chris.

Kris Merkel [15:49:16] Excellent. James, thank you so much for that. Here's a question about our customer support, which deals with the, you know, the heart – part of the heart of the company. It says, I've heard your response time is good with customer support, but how good is it really?

JP Richardson [15:49:35] In the past, if you've been on these investor earnings calls, you've heard me talk about how we will respond to you in less than 10 minutes. And there's been a lot of market turbulence over the last couple days. And I was pleased when the team told me this morning that our median response time is still at 9 minutes and 31 seconds. But more important than speed – speed is important. But more important than speed, it's quality. When customers write into us, we act and be their trusted friends by helping them with any issues they have with Exodus or cryptocurrency. And so the quality is what we really stand by, and we are going to continue that commitment by delivering the best customer support experience in the industry. So we're very proud of that accomplishment.

Kris Merkel [15:50:36] Thank you, JP. And if anybody wants to test that out, they can just email support at Exodus dot com to verify what's going on there. I'm sure you'll be delighted. We know we've seen a lot of – there's a lot of people having, you know, some kind of negative sentiment with what's happening in the markets. So this question is pretty pertinent. So how are the finances looking? And does Exodus seem to be sustainable in terms of operations?

James Gernetzke [15:51:09] Yeah. I think the finances are good. I mean, we have, I would argue that we were sustainable even before, you know, Q2 and we did these expense reductions. And that's because we have a strong balance sheet. Now, those reductions did lead to a positive adjusted EBITDA in Q3. So that's definitely a strong sign. But I think that even more important than just being sustainable is: we want to grow and you know, we are going to be focused on delivering innovative products. And as you mentioned, that our current customers and our future customers are just going to love. So and those innovations and those products and our customer service that we mentioned, they are going to drive our growth.

Kris Merkel [15:51:54] Excellent. Yeah. Thank you so much, James. This is a very relevant question, with the timing, investor would like to know with the FTX news of late. What is Exodus' current exposure there and should I be concerned?

JP Richardson [15:52:48] I'll let James talk about our financial exposure. But FTX has been a part of our story since 2021, and we're grateful for what FTX has done for us. However, our priority always remains to ensure our customers are protected. So we're keeping a close eye on what's happening. We believe there is an opportunity, though, for FTX to embrace the world of self-custody and we will be standing by to help FTX do that if they so choose. James, do you want to talk about the exposure?

James Gernetzke [00:00:00] Sure JP. It's really more of a lack of exposure. You know, we have no money in FTX as of today, so no exposure whatsoever on our balance sheet. But, you know, the interesting thing is, you know, obviously this year has been a very interesting one and we've been through cycles before. But this goes back almost to, you know, other times with centralized exchanges and centralized processes. And the thought, it really proves the value of transparency and the decisions that the founders have made. So, you know, let's start with some of the decisions.

The first one: self custodial, multicurrency wallet. You know, J.P. mentioned those advantages. We'll keep talking about those advantages. But a little less obvious is that decision to do the Regulation A and to do that fundraising and to self-decide, to self-elect, to become a publicly reporting company with our SEC filings and everything else doing these calls. And there definitely are costs to doing that. You know, as a public company, we have to pay auditors. We have lawyers, we have our internal accounting team. You have regulatory filings, internal controls, time spent on earnings calls, all of these things. But what that does is it—it shines a light. It's you know, we value transparency. JP mentioned at the top of the call that it's one of our values is transparency. And that light of transparency, it—it shines into the box. And so, you know, we've seen on these calls the good, the bad, the ugly. And today is definitely no exception. But it's transparent and you can see it. We are not a black box, we're as far as you can get from that. And 2022 has shown the danger of black boxes in crypto. So being public and transparent, it's not easy, but we find great value in it and we think that you, our investors, do as well.

Kris Merkel [15:54:53] Thank you, James. Thank you, JP. So what does Exodus mean? This is another it's kind of a longer question. It says, what is Exodus's main selling point to you? Meaning the features of all competitors combined and why Exodus does this better? Like what – others, what would make people want to switch to Exodus?

JP Richardson [15:55:20] Well, let's talk about the elephant in the room first. And that's what's happened over the last 48 hours. And not to mention the last 48 hours – the last, this whole year of 2022, I think the theme of self-custody continues to be reinforced that Self-Custody is more important than ever. “Not your keys, not your coins.” This is a phrase that has so much meaning that we wish more in the ecosystem would embrace. In addition to that, when you use Exodus and if you have issues that I've mentioned before, I've said it over and over and over again, you can reach out to us and we are standing by, ready to help you.

Also, Exodus is the most beautifully designed cryptocurrency wallet in the industry. And we have three products, unlike any other wallet out there. There is no other wallet that has a browser extension and a desktop app and a mobile app. So the browser extension, the Web3 wallet, allows you to easily navigate the world of Web3. The desktop allows those that are hyper-concerned about security to integrate with a Trezor wallet and leverage that cold storage. And the mobile allows a person to experience their portfolio on the go.

Now, all three platforms have an integrated swap service that makes it so easy to swap one asset to another asset with just a click of a button. And over \$10 billion has been swapped using these services. So Exodus has one of the most beautiful products in the world, and we're going to continue to reinforce these benefits for our customers.

Kris Merkel [15:57:17] Thank you, JP. Let's talk more about this question, wants to know more about the Chrome extension. So you guys created a Chrome extension wallet. But most protocols mainly support Metamask and a few other wallets. How will the team improve support for their Chrome extension?

JP Richardson [15:57:40] It's a little bit more of a technical question, but a lot of people don't know this, that by default, when you install the Exodus Web3 wallet, you can go to the most popular dapps out there today. And if you click on the Metamask icon, it will work with Exodus, you will actually choose Exodus and it will just work now. That being said, we're not resting on this for our success. We have other initiatives in play here.

So our business development team has gone out and they've built relationships with many dApps in the ecosystem. And you can see that these relationships have manifested themselves in the Algorand ecosystem. Given that most Algorand dApps support Exodus, you click on “Connect Wallet” and you see Exodus as one of the few options available. In addition to that, for the very popular dApps, people can go to the popular dApps like Uniswap or Pancakeswap, and you can see a big banner that Exodus has up front for you that you know easily just to connect wallet with just one

click of a button. So we're going to continue these efforts to make the Exodus browser extension the easiest browser extension to use.

James Gernetzke [15:58:57] And let me jump in real quick, too, JP. You know, I've used our competitors wallets and I obviously have used our Web3 wallet. And I'll take the Pepsi challenge against those competitors any day of the week. So I encourage everyone on the call. Go and encourage your friends: try it. If they're using it a competitor, have them try it. If you yourself are using a competitor, try our wallet. You'll love it.

Kris Merkel [15:59:24] So we could rename that the Exodus challenge, James, and be more popular than the Pepsi Challenge. What a regulatory question. An investor wants to know: are there any regulatory hurdles that could hinder the business?

JP Richardson [15:59:44] I think this is one of the major value propositions of being a self-custodial platform. Exodus does not have access to any customer assets. We are not in a position to hurt our customers by taking their assets and using them elsewhere. So I think that's really important for people to understand that since Exodus is self custodial, that is not something that we have to worry about. James, do you have anything to add about the SEC here?

James Gernetzke [16:00:15] Yeah, absolutely. You know, like I mentioned before, you know, one of the costs of going public, it also adds transparency. So we are not a black box. And that also, you know, our balance sheet, it comes out every three months. So it's on the website. They go to SEC EDGAR, and check out our financials. It's in the investor letter, etc.. That transparency and that also is very helpful in terms of a regulatory space.

JP Richardson [16:00:48] I just want to jump in and add that with our balance sheet, I personally think it's really cool to see it on the SEC website and you can literally see how much bitcoin, how much Ethereum, and what other crypto assets Exodus holds. It's there, so it's really cool to see.

Kris Merkel [16:01:06] Excellent. Thank you, guys. That's a lot of visibility. Another financial question, how is Exodus doing on the cash front? And in particular, what does your cash burn look like in Q3 relative to Q2?

James Gernetzke [16:01:23] Hey, first of all, Kris, thanks for the prompts, the heads up on the financial questions. So yeah, so we have crypto holdings, as mentioned earlier in the presentation, and we've got crypto holdings and various current assets comprising

roughly \$77 million in our Treasury. So first, with the crypto holdings, you know, we've been able to completely avoid dipping into those. So our holdings actually have grown since we started the year in terms of crypto units.

On the fiat front, I think it's really helpful to look at our current assets – so the line item on the balance sheet of current assets, rather than an individual line item – as those have changed for a number of reasons; you know, we are in different tax position this year than we were at the end of last year. So our prepaid expenses are going to be much higher at the end of last year than they're going to be this year.

And also, just risk-free returns. “Risk-free” in terms of, you know, the U.S. treasuries and the interest rate environment. So that will change how we take advantage of our fiat assets. So if you look at our balance sheet, our current assets are just over \$8 million lower than they were at the end of last year. If you consider our marketing expenses and our generally higher expense base that we had earlier in the year. And then take the positive adjusted EBITDA that we had in Q3 and the lower expense base that we have going into 2023. I'd say that we're in a really good position to actually generate cash next year rather than burn it.

Kris Merkel [16:33:00] Great answer. Thank you so much. Thank you so much, James. Well, that is all the questions that we have time for, for our investor questions. It was extremely enlightening to me. JP, I think that's – that's it. I'm going to turn it back to you to close this out.

JP Richardson [16:33:23] Thank you all for joining us. We remain fired up for the opportunity that lies ahead for Exodus. We have over 200 teammates remotely working their tails off in over 50 countries. All of us are mission-driven, taking our salaries 100% in Bitcoin. Exodus is the only company in the United States to have its common stock tokenized on the blockchain, available to both accredited investors and to retail. At the end of Q3, we have \$77 million on our balance sheet and close to 3 million loyal customers. And given we are the only self-custodial company that has a wallet offering on the desktop and mobile and in the browser. and multichain is in our DNA, considering all of these factors, we are positioned to create one of the best Web3 experiences both on your desktop, and on the go using your mobile phone. No other company builds beautiful experiences like Exodus. And with recent events, the world needs self-custody more than ever. And Exodus will be ready.

Thank you all for helping the world exit the traditional financial system. We'll speak to you soon.