

Coinbase (COIN US)

Strong 4Q24 results; favourable regulatory environment paves way for long-term growth

Coinbase announced better-than-expected 4Q24 results: total revenue grew by 138% YoY and 88% QoQ to US\$2.27bn, 21% ahead of Bloomberg consensus estimate, mainly attributable to the strong trading volume growth amid favourable regulatory environment; adjusted EBITDA was up by 298% YoY to US\$1.29bn, 40% ahead of consensus estimate, driven by the strong operating leverage. For 1Q25E outlook, Coinbase generated c.US\$750mn transaction revenue during 1 Jan-11 Feb (avg. daily transaction revenue of c.US\$18mn vs. c.US\$17mn in 4Q24), and management guided 1Q25E subscription and services revenue to be US\$685-765mn (+34-50% YoY/+7-19% QoQ). The overall crypto market and Coinbase have maintained solid trading momentum QTD. We raise FY25-26 total revenue forecast by 24-27% as the favourable regulatory environment continues to support crypto market sentiment and unlock new opportunities for Coinbase. We raise our SOTP-derived target price to US\$352.0 (previous: US\$250.0). Maintain BUY.

- Strong momentum in core transaction and subscription businesses.** In 4Q24, transaction revenue grew by 194% YoY and 172% QoQ to US\$1.56bn, and trading volume increased by 185% YoY and 137% QoQ, fuelled by the strong rally of the crypto market post US presidential election. Average crypto market cap increased by 33% and crypto asset volatility rose by 27% in 4Q24, supported by the pro-crypto US Congress and favourable regulatory environment. Coinbase continued to take market share via enriching asset offerings and improving user experience (4Q24 Coinbase/US spot market trading volume growth: +137% vs. +126% QoQ). Subscription and services revenue increased by 64% YoY and 15% QoQ to US\$641mn in 4Q24, primarily driven by higher crypto asset prices and average native unit inflows across staking, custody, and USDC assets.
- Focus on three key initiatives in FY25E.** For FY25E, Coinbase will focus on three aspects: 1) driving revenue growth of core business by accelerating asset addition, growing market cap of USDC with more partnerships, and investing in overseas expansion; 2) enhancing utility by making crypto payments more available for consumers and businesses; 3) scaling foundations by actively engaging with regulators to help shape crypto regulation in the US. We expect these initiatives to pave the way for Coinbase's long-term sustainable growth.
- Margin expansion on strong operating leverage.** Adjusted EBITDA margin was up by 23ppt YoY to 58.7% in 4Q24, thanks to the strong operating leverage. Sales and marketing expenses were up by 112% YoY to US\$226mn in 4Q24 and slightly higher than previous guidance, mainly due to the elevated performance marketing spend and user acquisition costs. Looking ahead, management will continue to step up investment in user acquisition, product development and customer support, but most expenses growth will be driven by variable expenses. Management guided sales and marketing expenses of US\$235-375mn in 1Q25E (+4-66% QoQ).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	3,108	6,564	7,204	7,602	7,968
Net profit (US\$ mn)	94.9	2,579.1	1,529.0	1,581.3	2,115.9
EPS (Reported) (US\$)	0.40	10.43	6.18	6.09	7.76
Consensus EPS (US\$)	0.40	10.43	5.96	5.59	6.29
P/E (x)	681.8	26.3	44.4	45.1	35.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **US\$352.00**
 (Previous TP **US\$250.00**)
 Up/Downside **28.3%**
 Current Price **US\$274.31**

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Stock Data

Mkt Cap (US\$ mn)	67,857.2
Avg 3 mths t/o (US\$ mn)	3,113.2
52w High/Low (US\$)	343.62/147.35
Total Issued Shares (mn)	247.4

Source: FactSet

Shareholding Structure

Brian Armstrong	14.2%
Frederick Ernest Ehrsam III	6.9%

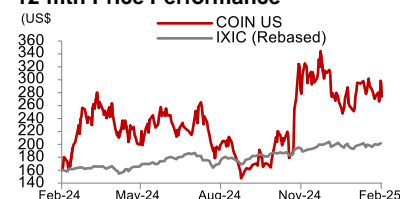
Source: Company data

Share Performance

	Absolute	Relative
1-mth	7.4%	2.1%
3-mth	-1.6%	-6.1%
6-mth	40.0%	20.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Coinbase: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7.2	7.6	8.0	5.8	6.0	NA	23.7%	26.8%	NA
Gross profit	6.1	6.4	6.7	5.0	5.1	NA	23.7%	26.8%	NA
Operating profit	2.0	2.2	2.5	1.4	1.4	NA	41.2%	53.7%	NA
Net profit	1.5	1.6	2.1	1.1	1.0	NA	43.6%	63.3%	NA
EPS (US\$)	6.2	6.1	7.9	4.3	3.9	NA	44.5%	56.5%	NA
Gross margin	85.0%	84.5%	84.5%	85.0%	84.5%	NA	0.0 ppt	0.0 ppt	NA
Operating margin	28.0%	28.5%	31.5%	24.5%	23.5%	NA	3.5 ppt	5.0 ppt	NA
GAAP net margin	21.2%	20.8%	26.9%	18.3%	16.2%	NA	3.0 ppt	4.7 ppt	NA

Source: CMBIGM estimates

Figure 2: Coinbase: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7.2	7.6	8.0	6.9	7.1	8.0	4.1%	7.6%	-0.2%
Gross profit	6.1	6.4	6.7	5.8	6.0	6.8	4.8%	7.9%	-0.9%
Operating profit	2.0	2.2	2.5	2.0	2.1	2.7	-0.1%	2.9%	-5.8%
Net profit	1.5	1.6	2.1	1.6	1.5	1.9	-1.4%	3.1%	15.5%
EPS (US\$)	6.2	6.1	7.9	6.0	5.6	6.3	3.7%	9.0%	25.0%
Gross margin	85.0%	84.5%	84.5%	84.4%	84.3%	85.1%	0.6 ppt	0.2 ppt	-0.6 ppt
Operating margin	28.0%	28.5%	31.5%	29.1%	29.8%	33.4%	-1.2 ppt	-1.3 ppt	-1.9 ppt
GAAP net margin	21.2%	20.8%	26.9%	22.4%	21.7%	23.2%	-1.2 ppt	-0.9 ppt	3.6 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value Coinbase at US\$352.0 per share based on SOTP valuation, comprising: 1) transaction business of US\$286.0 per share (81% of total valuation) based on 26.0x FY25E EV/EBITDA, a premium over average EV/EBITDA of traditional exchanges/brokers (20x), given its business remains at a nascent stage with a longer growth runway; 2) custodial and asset management business of US\$19.7 per share (6% of total valuation) based on 10x FY25E EV/EBITDA (on par with asset management companies); 3) interest and stablecoin business of US\$22.7 per share (6% of total valuation) based on 4x FY25E EV/Sales (on par with banks); and 4) net cash of US\$23.5 per share (7% of total valuation).

Figure 3: Coinbase: SOTP valuation

	FY25E Rev	FY25E EBITDA	Methodology	Multiple	Valuation	As % of total valuation
Transaction	4,168	2,709	EV/EBITDA	26.0x	70,432	81%
Custodial, blockchain rewards and other revenue	1,365	486	EV/EBITDA	10.0x	4,858	6%
Interest Income & stablecoin revenue	1,401		EV/Sales	4.0x	5,602	6%
Enterprise Value (US\$mn)					80,892	93%
Net cash (US\$mn)					5,788	7%
Equity Value (US\$mn)					86,680	
Target Price (US\$)					352.0	

Source: CMBIGM estimates

Figure 4: Coinbase: valuation comparison

Companies	Ticker	Price (Local)	EV/Sales (x)			EV/EBITDA (x)		
			2025E	2026E	2027E	2025E	2026E	2027E
Exchange/broker								
CME Group	CME US	250.1	14.4	13.7	13.1	19.7	18.8	17.8
Interactive Broker	IBKR US	234.9	18.6	17.2	15.7	27.8	26.5	31.4
ICE	ICE US	168.6	11.9	11.2	10.6	18.1	16.8	16.0
NASDAQ	NDAQ US	81.7	11.1	10.3	9.6	19.4	17.6	16.2
Schwab	SCHW US	81.6	6.8	6.0	5.5	12.7	10.8	9.8
Average			12.6	11.7	10.9	19.6	18.1	18.3
Asset manager								
Blackrock	BLK US	980.3	6.5	5.8	5.3	15.6	13.6	12.3
T Rowe Price	TROW US	107.2	3.0	2.9	2.8	7.8	7.4	7.7
Artisan	APAM US	44.3	3.2	3.0	NA	9.5	8.7	8.2
Franklin Resource	BEN US	20.2	1.3	1.3	1.3	6.4	5.5	5.1
Invesco	IVZ US	18.4	2.2	2.1	1.9	9.1	8.5	9.0
Apollo Global	APO US	157.9	5.6	5.0	3.6	13.5	11.6	10.2
Average			3.6	3.3	3.0	10.3	9.2	8.8
Banking								
Wells Fargo	WFC US	78.9	2.7	2.6	2.5	NA	NA	NA
JP Morgan	JPM US	276.3	4.1	4.0	3.9	NA	NA	NA
Bank of America	BAC US	46.3	4.9	4.6	4.5	NA	NA	NA
Citi Group	C US	82.1	4.7	4.5	4.5	NA	NA	NA
Average			4.1	3.9	3.8	NA	NA	NA

Source: Bloomberg, CMBIGM

Note: data are as of 13 Feb 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	3,194	3,108	6,564	7,204	7,602	7,968
Cost of goods sold	630	421	898	1,081	1,178	1,235
Gross profit	2,564	2,688	5,666	6,123	6,424	6,733
Operating expenses	5,275	2,849	3,359	4,108	4,259	4,225
Selling expense	510	332	654	1,153	1,140	1,115
Admin expense	1,601	1,041	1,300	1,441	1,520	1,514
R&D expense	2,326	1,325	1,468	1,585	1,672	1,673
Others	838	151	(64)	(70)	(74)	(77)
Operating profit	(2,710)	(162)	2,307	2,015	2,164	2,508
Other income	(265)	168	716	(72)	(152)	(8)
Net Interest income/(expense)	(89)	(83)	(81)	(144)	(152)	(5)
Pre-tax profit	(3,065)	(77)	2,943	1,799	1,860	2,494
Income tax	(440)	(172)	364	270	279	378
After tax profit	(2,625)	95	2,579	1,529	1,581	2,116
Net profit	(2,625)	95	2,579	1,529	1,581	2,116

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	86,448	203,467	18,113	21,226	24,286	27,166
Cash & equivalents	4,425	5,139	8,544	9,983	11,452	13,466
Restricted cash	26	23	39	39	39	39
Account receivables	404	362	265	279	283	285
Other current assets	81,593	197,942	9,265	10,925	12,512	13,377
Non-current assets	3,277	3,516	4,429	4,500	4,608	4,716
PP&E	172	193	200	271	379	487
Right-of-use assets	69	13	0	0	0	0
Intangibles	135	86	47	47	47	47
Goodwill	1,074	1,140	1,140	1,140	1,140	1,140
Other non-current assets	1,826	2,085	3,043	3,043	3,043	3,043
Total assets	89,725	206,983	22,542	25,726	28,894	31,883
Current liabilities	80,815	197,714	7,941	9,597	11,183	12,029
Account payables	387	486	690	806	852	867
Other current liabilities	80,394	197,217	7,251	8,791	10,331	11,162
Lease liabilities	34	11	0	0	0	0
Non-current liabilities	3,455	2,987	4,324	4,324	4,324	4,324
Long-term borrowings	3,393	2,980	4,234	4,234	4,234	4,234
Obligations under finance leases	42	4	0	0	0	0
Other non-current liabilities	20	3	90	90	90	90
Total liabilities	84,270	200,701	12,265	13,920	15,507	16,352
Share capital	3,768	4,492	5,366	5,366	5,366	5,366
Retained earnings	1,725	1,820	4,961	6,490	8,071	10,214
Other reserves	(39)	(30)	(50)	(50)	(50)	(50)
Total shareholders equity	5,455	6,282	10,277	11,806	13,387	15,530
Total equity and liabilities	89,725	206,983	22,542	25,726	28,894	31,883

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(3,065)	(77)	2,943	1,799	1,860	2,494
Depreciation & amortization	154	140	128	73	44	51
Change in working capital	(1,153)	(191)	(478)	(19)	(4)	(21)
Others	2,478	1,051	(35)	(270)	(279)	(351)
Net cash from operations	(1,585)	923	2,557	1,583	1,621	2,173
Investing						
Capital expenditure	(64)	(63)	0	(144)	(152)	(159)
Acquisition of subsidiaries/ investments	(186)	(31)	0	0	0	0
Net proceeds from disposal of short-term investments	2	0	0	0	0	0
Others	(415)	99	(282)	0	0	0
Net cash from investing	(664)	5	(282)	(144)	(152)	(159)
Financing						
Net borrowings	(0)	(324)	1,270	0	0	0
Proceeds from share issues	51	48	126	0	0	0
Share repurchases	(352)	(278)	0	0	0	0
Others	(5,538)	(257)	1,433	0	0	0
Net cash from financing	(5,839)	(811)	2,829	0	0	0
Net change in cash						
Cash at the beginning of the year	7,123	4,425	5,139	10,194	11,634	13,103
Exchange difference	(163)	9	(48)	0	0	0
Cash at the end of the year	4,425	5,139	10,194	11,634	13,103	15,117
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(59.3%)	(2.7%)	111.2%	9.7%	5.5%	4.8%
Gross profit	(61.0%)	4.8%	110.8%	8.1%	4.9%	4.8%
Operating profit	na	na	na	(12.7%)	7.4%	15.8%
Net profit	na	na	2,618.5%	(40.7%)	3.4%	33.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	80.3%	86.5%	86.3%	85.0%	84.5%	84.5%
Operating margin	(84.8%)	(5.2%)	35.1%	28.0%	28.5%	31.5%
Return on equity (ROE)	(44.4%)	1.6%	31.2%	13.8%	12.6%	14.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.1	1.0	2.3	2.2	2.2	2.3
Receivable turnover days	3.0	2.7	2.1	2.0	1.8	1.8
Payable turnover days	224.4	421.9	280.6	272.2	264.0	256.1
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	681.8	26.3	44.4	45.1	35.4
P/E (diluted)	ns	735.5	29.1	49.0	49.8	39.1
P/B	11.2	10.3	6.6	5.7	5.3	4.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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