

Coinbase (COIN US)

Inline 1Q25 results; acquisition of Deribit to advance crypto derivatives business

Coinbase announced 1Q25 results: total revenue grew by 24% YoY but declined by 10% QoQ to US\$2.03bn, and adjusted EBITDA was down by 8% YoY to US\$930mn, both in line with Bloomberg consensus estimate. For 2Q25E: 1) total transaction revenue was c.US\$240mn in April, down from average monthly revenue of c.US\$421mn in 1Q25, mainly due to soft crypto market sentiment (global spot transaction volume -13% MoM in April) and continued investment in trading incentives; 2) management guided subscription & services revenue of US\$600-680mn (down 3-14% QoQ) as the growth in stablecoin revenue is likely to be more than offset by the decline in blockchain rewards revenue. We maintain our FY25-27E total revenue largely unchanged, but lower our SOTP-derived target price to US\$325 (previous: US\$352.0) mainly due to the decline in sector valuation. Maintain BUY.

- Gaining market share in both spot and derivatives markets.** Transaction revenue increased by 17% YoY but declined by 19% QoQ to US\$1.26bn (62% of total revenue) in 1Q25. Coinbase's total trading volume was down by 10% QoQ amid weak crypto market sentiment in 1Q25, but still outperformed global spot trading volume (-13% QoQ). The gap between the rate of revenue decline and volume decline was primarily due to: 1) more trading rebates to support growth in derivatives trading; 2) spot trading volume mix shift to liquidity providers which have lower fee rates. Coinbase grew its global derivatives trading volume to over US\$800bn in 1Q25, vs. c.US\$800bn in FY24. In Apr 2025, transaction revenue was c.US\$240mn (vs. avg. monthly revenue of c.US\$421mn in 1Q25) and spot volume declined by 12% MoM (vs global spot volume -13% MoM). Coinbase will continue to invest in trading incentives, which is to have US\$30-40mn QoQ revenue impact in 2Q25E, according to the company.
- Robust momentum of stablecoin business.** Subscription and services revenue grew by 37% YoY and 9% QoQ to US\$698mn (34% of total revenue) in 1Q25, driven by the strong growth in stablecoin revenue (+51/32% YoY/QoQ). Average USDC held in Coinbase products grew by 49% QoQ to US\$12.3bn in 1Q25, with the number of MTUs holding USDC doubled since the rewards program was implemented in Jun 2023. Average off-platform USDC balance was also up by 39% QoQ to US\$41.9bn in 1Q25, driven by USDC usage growth and expanded partnerships with platforms like Binance.
- Acquisition of Deribit to advance derivatives business.** Coinbase announced plans to acquire Deribit for US\$2.9bn, which is expected to close by end-FY25. Deribit is the world's leading crypto option exchange with 75% global market share and over US\$1tn trading volume in 2024. We expect the acquisition to further complement Coinbase's product offerings, generate cross-selling opportunities, add durability to revenues (as option trading is less cyclical), and enhance profitability.
- Milestones achieved on regulatory front.** On the regulatory front, several milestones were achieved in 1Q25: 1) a new Executive Order directed the establishment of Strategic Bitcoin Reserve; 2) advancements in GENIUS Act may provide a clearer framework for Stablecoin; 3) the dismissal of an SEC lawsuit against Coinbase. Besides, the US OCC issued a new statement in March to permit traditional banks to engage in certain crypto activities, which management expect to bring opportunities instead of threat, as Coinbase can partner with banks to provide custodial and stablecoin solutions.

BUY (Maintain)

Target Price US\$325.00
(Previous TP US\$352.00)
Up/Downside 57.4%
Current Price US\$206.50

US Software & IT Services

Saiyi HE, CFA
(852) 3916 1739
hesaiyi@cmbi.com.hk

Wentao LU, CFA
luwentao@cmbi.com.hk

Ye TAO, CFA
franktao@cmbi.com.hk

Joanna Ma
(852) 3761 8838
joannama@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	52,425.8
Avg 3 mths t/o (US\$ mn)	1,321.4
52w High/Low (US\$)	343.62/147.35
Total Issued Shares (mn)	253.9

Source: FactSet

Shareholding Structure

Brian Armstrong	13.4%
The Vanguard Group	7.2%

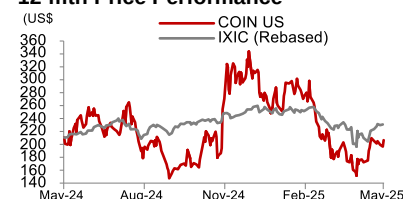
Source: Company data

Share Performance

	Absolute	Relative
1-mth	16.6%	11.4%
3-mth	-24.8%	-18.1%
6-mth	-23.7%	-17.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (US\$ mn)	3,108	6,564	7,209	7,655	7,994
YoY growth (%)	(2.7)	111.2	9.8	6.2	4.4
Net profit (US\$ mn)	94.9	2,579.1	1,275.9	1,765.8	1,943.3
EPS (Reported) (US\$)	0.40	10.43	4.97	6.75	7.28
Consensus EPS (US\$)	0.40	10.43	5.96	5.59	6.29
P/S (x)	16.9	8.0	7.3	6.8	6.6
P/E (x)	513.2	19.8	41.5	30.6	28.4

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Coinbase: forecast revision

US\$ bn	Current			Previous			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7.2	7.7	8.0	7.2	7.6	8.0	0.1%	0.7%	0.3%
Gross profit	6.1	6.5	6.8	6.1	6.4	6.7	0.1%	1.3%	0.9%
Operating profit	2.0	2.2	2.3	2.0	2.2	2.5	-0.1%	-0.5%	-8.8%
Net profit	1.3	1.8	1.9	1.5	1.6	2.1	-16.6%	11.7%	-9.3%
EPS (US\$)	5.0	6.7	7.3	6.2	6.1	7.9	-19.6%	10.8%	-7.4%
Gross margin	85.0%	85.0%	85.0%	85.0%	84.5%	84.5%	0.0 ppt	0.5 ppt	0.5 ppt
Operating margin	27.9%	28.1%	28.6%	28.0%	28.5%	31.5%	0.0 ppt	-0.3 ppt	-2.9 ppt
GAAP net margin	17.7%	23.1%	24.3%	21.2%	20.8%	26.9%	-3.5 ppt	2.3 ppt	-2.6 ppt

Source: CMBIGM estimates

Note: we lower FY25E net income mainly due to the losses on crypto assets held for investment.

Figure 2: Coinbase: CMBIGM estimates vs consensus

US\$ bn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7.2	7.7	8.0	6.9	7.1	8.0	4.2%	8.4%	0.2%
Gross profit	6.1	6.5	6.8	5.8	6.0	6.8	4.9%	9.3%	0.0%
Operating profit	2.0	2.2	2.3	2.0	2.1	2.7	-0.2%	2.4%	-14.1%
Net profit	1.3	1.8	1.9	1.6	1.5	1.9	-17.8%	15.1%	4.8%
EPS (US\$)	5.0	6.7	7.3	6.0	5.6	6.3	-16.5%	20.7%	15.8%
Gross margin	85.0%	85.0%	85.0%	84.4%	84.3%	85.1%	0.6 ppt	0.7 ppt	-0.1 ppt
Operating margin	27.9%	28.1%	28.6%	29.1%	29.8%	33.4%	-1.2 ppt	-1.6 ppt	-4.8 ppt
GAAP net margin	17.7%	23.1%	24.3%	22.4%	21.7%	23.2%	-4.7 ppt	1.4 ppt	1.1 ppt

Source: Bloomberg, CMBIGM estimates

Valuation

We value Coinbase at US\$325.0 per share based on SOTP valuation, comprising: 1) transaction business of US\$262.5 per share (81% of total valuation) based on 24x FY25E EV/EBITDA, a premium over average EV/EBITDA of traditional exchanges/brokers (18x), given its business remains at a nascent stage with a longer growth runway; 2) custodial and asset management business of US\$17.3 per share (5% of total valuation) based on 10x FY25E EV/EBITDA (on par with asset management companies); 3) interest and stablecoin business of US\$24.9 per share (8% of total valuation) based on 4x FY25E EV/Sales (on par with banks); and 4) net cash of US\$20.3 per share (6% of total valuation).

Figure 3: Coinbase: SOTP valuation

	FY25E Rev	FY25E EBITDA	Methodology	Multiple	Valuation	As % of total valuation
Transaction	4,155	2,701	EV/EBITDA	24.0x	64,825	81%
Custodial, blockchain rewards and other revenue	1,221	427	EV/EBITDA	10.0x	4,272	5%
Interest Income & stablecoin revenue	1,537		EV/Sales	4.0x	6,147	8%
Enterprise Value (US\$mn)					75,245	94%
Net cash (US\$mn)					5,005	6%
Equity Value (US\$mn)					80,250	
Target Price (US\$)					325.0	

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	282.0	15.5	14.9	14.2	20.9	20.1	18.9
Interactive Broker	IBKR US	184.5	14.7	14.1	13.0	19.2	18.8	19.2
ICE	ICE US	176.5	12.2	11.5	10.9	18.4	17.2	16.4
NASDAQ	NDAQ US	79.0	10.8	10.1	9.4	19.0	17.6	16.2
Schwab	SCHW US	84.4	7.8	7.0	6.5	14.3	13.0	11.9
Average			12.2	11.5	10.8	18.4	17.3	16.5
Asset manager								
Blackrock	BLK US	928.6	6.5	5.8	5.3	15.6	13.7	12.2
T Rowe Price	TROW US	92.7	2.6	2.5	2.5	7.0	6.9	6.9
Artisan	APAM US	41.1	3.1	3.0	NA	8.9	8.5	7.8
Franklin Resource	BEN US	20.8	1.4	1.4	1.5	6.9	6.3	5.5
Invesco	IVZ US	14.8	2.7	2.6	2.5	8.7	8.3	7.4
Apollo Global	APO US	133.2	4.0	3.8	3.0	12.3	10.3	9.0
Average			3.4	3.2	3.0	9.9	9.0	8.1
Banking								
Wells Fargo	WFC US	73.3	2.6	2.5	2.4	NA	NA	NA
JP Morgan	JPM US	253.5	3.7	3.7	3.5	NA	NA	NA
Bank of America	BAC US	41.6	4.6	4.4	4.2	NA	NA	NA
Citi Group	C US	71.6	3.9	3.8	3.7	NA	NA	NA
Average			3.7	3.6	3.5	NA	NA	NA

Source: Bloomberg, CMBIGM

Note: data are as of 8 May 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Revenue	3,194	3,108	6,564	7,209	7,655	7,994
Cost of goods sold	630	421	898	1,079	1,148	1,199
Gross profit	2,564	2,688	5,666	6,130	6,506	6,795
Operating expenses	5,275	2,849	3,359	4,116	4,353	4,508
Selling expense	510	332	654	1,075	1,148	1,199
Admin expense	1,601	1,041	1,300	1,533	1,628	1,679
R&D expense	2,326	1,325	1,468	1,408	1,470	1,519
Others	838	151	(64)	101	107	112
Operating profit	(2,710)	(162)	2,307	2,013	2,154	2,286
Other income	(265)	168	716	(383)	77	160
Net Interest income/(expense)	(89)	(83)	(81)	(124)	(153)	(160)
Pre-tax profit	(3,065)	(77)	2,943	1,506	2,077	2,286
Income tax	(440)	(172)	364	230	312	343
After tax profit	(2,625)	95	2,579	1,276	1,766	1,943
Net profit	(2,625)	95	2,579	1,276	1,766	1,943

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Current assets	86,448	203,467	18,113	19,010	21,746	24,374
Cash & equivalents	4,425	5,139	8,544	9,201	10,932	12,884
Restricted cash	26	23	39	39	39	39
Account receivables	404	362	265	280	285	286
Other current assets	81,593	197,942	9,265	9,491	10,490	11,165
Non-current assets	3,277	3,516	4,429	5,027	5,022	4,997
PP&E	172	193	200	198	193	167
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	3,643	3,643	3,643
Total assets	89,725	206,983	22,542	24,037	26,768	29,370
Current liabilities	80,815	197,714	7,941	8,160	9,126	9,785
Account payables	387	486	690	805	831	841
Other current liabilities	80,394	197,217	7,251	7,356	8,295	8,943
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	12,484	13,449	14,109
Share capital	3,768	4,492	5,366	5,366	5,366	5,366
Retained earnings	1,725	1,820	4,961	6,237	8,003	9,946
Other reserves	(39)	(30)	(50)	(50)	(50)	(50)
Total shareholders equity	5,455	6,282	10,277	11,553	13,319	15,262
Total equity and liabilities	89,725	206,983	22,542	24,037	26,768	29,370

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	(3,065)	(77)	2,943	1,506	2,077	2,286
Depreciation & amortization	154	140	128	147	158	185
Change in working capital	(1,153)	(191)	(478)	(21)	(39)	(16)
Others	2,478	1,051	(35)	(230)	(312)	(343)
Net cash from operations	(1,585)	923	2,557	1,401	1,884	2,112
Investing						
Capital expenditure	(64)	(63)	0	(144)	(153)	(160)
Acquisition of subsidiaries/ investments	(186)	(31)	0	(600)	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)	(744)	(153)	(160)
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	8,544	9,201	10,932
Exchange difference	(163)	9	(48)	0	0	0
Cash at the end of the year	4,425	5,139	8,544	9,201	10,932	12,884
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	(59.3%)	(2.7%)	111.2%	9.8%	6.2%	4.4%
Gross profit	(61.0%)	4.8%	110.8%	8.2%	6.1%	4.4%
Operating profit	na	na	na	(12.7%)	7.0%	6.1%
Net profit	na	na	2,618.5%	(50.5%)	38.4%	10.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	80.3%	86.5%	86.3%	85.0%	85.0%	85.0%
Operating margin	(84.8%)	(5.2%)	35.1%	27.9%	28.1%	28.6%
Return on equity (ROE)	(44.4%)	1.6%	31.2%	11.7%	14.2%	13.6%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.1	1.0	2.3	2.3	2.4	2.5
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	513.2	19.8	41.5	30.6	28.4
P/E (diluted)	ns	553.7	21.9	44.3	32.7	30.3
P/B	8.4	7.8	5.0	4.6	4.1	3.6

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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