

August 11, 2023

## PERSPECTIVES

by Todd White

Bakkt announced Q2 earnings this week, reflecting for the first time its April 1 [acquisition of Apex Crypto](#). Bakkt's revenues of \$347.6M, up from \$14.0M in 2Q22, include \$335.3M in crypto services revenue and \$1.3M in gross profit associated with Apex. This reflects "principal" revenue recognition, where Bakkt must recognize the entire transaction volume, rather than "agency" recognition which would only report the transaction spread amount. According to Bakkt, this is in accordance with GAAP standards, and there are similar offsetting gross-ups on the asset and liability side of their balance sheet for custody of institutional amounts reported as "safeguarding assets".

For Bakkt, this "principal" revenue recognition will result in a much lower EV / revenue multiple as seen in our table, which may paint a confusing picture. This compares to groups in the traditional space like Block who process billions in transaction volume, and recognize the full volume as revenue, but are only capturing a small portion of that volume as profit. When speaking in the context of investors, Block essentially ignores revenue and points investors to gross profit which they view as a far better measure of the company's performance.

Potential economic distortions required by GAAP are certainly not unique to the digital asset space, and lead many companies to report on a non-GAAP basis to provide investors a more meaningful view of their financial picture. But the perils of Crypto accounting can challenge companies and investors alike, particularly when uncertain accounting rules combine with other difficulties such as tracking opaque transaction volumes and the notoriously uncertain legal environment.

Company Name	Ticker Symbol	Price		Enterprise Value (\$M)	Valuation Multiples		Exp. Rev Growth Rate 2022 - 2023E	Price Change				
		Current Price	% Within 52 Week Range		EV / LTM Revenue	EV / 2023E Revenue		1 Week	1 Month	Jan 2, 2023	Since Coinbase Direct Listing	Since Inception
<b>Marquee Crypto Assets</b>												
Bitcoin	BTC	\$29,367.00	92%	\$571,323	--	--	--	1%	-3%	77%	-53%	--
Ethereum	ETH	1,842.00	77%	221,346	--	--	--	1%	-2%	13%	-24%	--
DeFi Index (a)	DPI	75.80	34%	42	--	--	--	-1%	7%	31%	-85%	--
<b>Crypto Investment Platforms</b>												
Coinbase	COIN	\$81.01	60%	\$17,289	6.4	6.2	-7%	-7%	-6%	141%	-75%	-76%
Galaxy Digital (b)	GLXY	3.92	19%	1,369	3.0	11.3	-16%	-16%	-21%	32%	-89%	318%
Coinshares (b)	CNSRF	4.61	93%	332	5.4	3.3	-5%	-5%	-21%	28%	-60%	-56%
Bakkt	BKKT	1.42	13%	312	0.9	0.1	6807%	-4%	-12%	22%	-89%	-85%
Bitcoin Depot	BTM	3.56	92%	221	0.3	0.3	-6%	-6%	--	--	--	-5%
<b>Bitcoin Network Operators</b>												
Marathon	MARA	\$14.88	70%	\$2,916	24.9	8.6	187%	-6%	-12%	338%	-65%	-72%
Riot	RIOT	15.23	69%	2,454	9.7	6.8	40%	-11%	-14%	352%	-70%	464%
Core Scientific	CORZQ	0.86	24%	1,276	0.6	1.3	22%	-5%	-14%	1129%	--%	-91%
Bitdeer	BTDR	12.58	79%	1,258	3.8	--	--	37%	-16%	47%	--%	47%
Cipher Mining	CIFR	3.67	67%	896	114.8	8.7	1221%	6%	-13%	473%	-65%	-63%
TeraWulf	WULF	2.55	57%	618	13.8	--	--	-3%	-20%	259%	-74%	-75%
Hut 8	HUT	2.97	58%	453	3.0	3.0	-45%	-5%	-21%	262%	-55%	13%
Bitfarms	BITF	1.58	62%	436	8.3	--	--	1%	-14%	267%	-64%	67%
Canaan	CAN	2.72	35%	403	--	1.3	-49%	-1%	-4%	40%	-80%	-70%
Hive	HIVE	4.68	54%	373	2.7	2.7	-25%	0%	-30%	206%	-73%	231%
Northern Data	NB2	19.59	52%	365	--	1.3	-45%	2%	-30%	246%	-83%	4%
Argo	ARBK	1.43	16%	137	1.5	2.0	29%	8%	-36%	23%	--%	-9%
<b>Crypto Influenced</b>												
Block	SQ	\$60.57	23%	\$36,003	2.1	1.8	14%	-5%	-15%	-6%	-77%	371%
Microstrategy	MSTR	384.31	73%	5,910	11.8	11.6	2%	2%	-7%	165%	-48%	268%
Robinhood	HOOD	10.72	56%	4,424	3.3	2.4	38%	-5%	-10%	33%	--%	-72%
<b>Architect Crypto Public Company Index (c)</b>												
Price		<b>\$23.62</b>						<b>\$24.70</b>	<b>\$25.62</b>	<b>\$11.78</b>	<b>\$100.00</b>	
% Change								<b>-4.4%</b>	<b>-7.8%</b>	<b>100.4%</b>	<b>-76.4%</b>	

(a) DeFi Pulse Index (includes top 14 DeFi tokens)

(b) Due to disproportionate cash balances, we are displaying market cap as a substitute for enterprise value

(c) Architect Crypto Public Company Index is a price weighted average across the three sector subsectors in the crypto public companies snapshot. A discount to Microstrategy's share price of 85% has been added to dilute effect on index.