

EDITED TRANSCRIPT

GLXY –Galaxy Digital Holdings Ltd
Shareholder Update Conference Call

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Deepak Kaushal – *Stifel GMP*

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PRESENTATION

Operator

Good morning, and welcome to Galaxy Digital’s Conference Call. Today’s call is being recorded.

At this time, all participants are in listen-only mode. Following formal remarks, we will conduct a question-and-answer session. Webcast participants can submit a question online directly through the webcast.

At this time, I’d like to turn the conference over to the Investor Relations Team. Please go ahead.

Galaxy Digital Investor Relations

Good morning, and welcome to Galaxy Digital’s Shareholder Update Conference Call.

We’re joined today by our Founder and CEO Mike Novogratz, President Chris Ferraro, and Chief Financial Officer Ash Prithipaul.

Before we begin, please note that our remarks today may include forward-looking statements. Actual results may differ materially from those indicated or implied by our forward-looking statements as a result of various factors, including those identified in our filings with the Canadian securities regulatory authorities, on SEDAR, and available on our website. Forward-looking statements speak only as of today and will not be updated.

In addition, none of the information on this call constitutes a recommendation, solicitation or offer by Galaxy Digital or its affiliates to buy or sell any securities, including Galaxy Digital securities.

With that, I'll now turn it over to Mike Novogratz.

Mike Novogratz – *Galaxy Digital – Founder, CEO and Chairman*

Good morning, everyone.

You know, a very different tone today than I've had on probably the last eight of these calls. We started Galaxy two/three years ago with this idea that we'd be the bridge between institutional investors and the crypto community, and, you know, with hindsight, we were a little early, and we waited and we waited, and finally the rain has come. The world could not look more different today than it did six months ago for our Company and for the whole crypto business.

COVID, in many ways, is horrible for the world, and continues to be horrible for the world, as we see it kind of exploding back everywhere in the U.S., but it was really an accelerant for the cryptocurrency business, for bitcoin, for blockchain, for everything that we do. So, since April, we've changed our tack, from having been cautious to becoming very aggressive. I see an unbelievable opportunity for our Company and for the space.

Bitcoin is trading \$16,300. It's trading like that not because there's a speculative mania going on. It's trading like that because institutions, hedge funds, high net worth individuals, family offices are all moving into bitcoin. They're moving in as a store of wealth. They're moving in as an inflation hedge. They're moving in because it's become an institutional asset. So, our thesis that we would be this bridge between the institutional world and the crypto world is finally playing out.

What are we doing about it? We've brought in Damien Vanderbilt to be a Co-President. He's a five-year partner at Goldman Sachs. We brought in Michael Ashe to help us run Investment Banking. We brought in—just announced today two acquisitions, which I really look at as aqua-hires, for talent and for technology, you know, DrawBridge Lending, with Jason Urban, and Blue Fire with Andrew Karos. We brought Amanda Fabiano in to build the Mining business. And we're hiring. We've got a Help Wanted sign out there in Soho.

So, I couldn't be more excited. I think the opportunity is real, it's not going away, and I don't think this is a flash in the pan. In 2017, we had this speculative mania we were all worried about. This is very, very different. When PayPal announced they were getting into the business, that's 320 million accounts, it sent a shockwave across all financial institutions, that said we need to be in this business, and since then we've had almost every financial institution we know either reach out, or reach out to people we know, how they're going to get engaged in this space.

This is kind of the first inning for the institutionalization of crypto, and we think we're really well prepared for it. We've built a tremendous amount of domain expertise amongst our businesses. We know the game. We know how it works. We think we know where it's going.

I'm going to leave the details to Chris, to kind of take you through our earnings. We had a good quarter. We're having a better quarter in the fourth quarter, as you can imagine, with crypto prices going higher and all the activity, but want to really be clear that we are in growth mode, we see blue skies ahead, and couldn't be more excited for the business. Chris?

Christopher Ferraro – *Galaxy Digital – President*

Thanks Mike.

Galaxy Digital, we've had the more active six months in our history, and certainly this past week has been no exception. We closed on our \$50 million PIPE financing with a great roster of institutional investors, including Slate Path, CI, Corriente and the NZ Funds, and as we also announced this morning, we took a critical step forward with the acquisitions of DrawBridge Lending and Blue Fire Capital.

I'll walk through our strategic rationale for these acquisitions momentarily, but first let me share what we're seeing in the market that's motivating our decision to continue to reinvest behind our leadership position in the space.

As Mike mentioned, 2020 has been the turning point for crypto. Institutions of every kind are publicly discovering and advocating for crypto, not just as a new digital payment rail or as the new decentralized supercomputer, but also as a low-correlated asset within a broader investment portfolio. These institutions now publicly include some of the largest global, multi-asset investment funds, fintech giants, Facebook, PayPal, Square, corporate treasuries, and global central bankers now giving serious consideration to digitally native issued currency.

We're incredibly excited about what's happening in our sector, and so as we go through these results and our strategic considerations going forward, this high-conviction moment among both crypto practitioners, as well as new institutions entering our community should resonate, hopefully as a common driver underlying our results, our hiring plans and our growth decisions.

As Mike mentioned, in Q3, Galaxy reported comprehensive income of \$44.6 million, which, with the prior period of profitability, leads us to \$55.4 million of total comprehensive income for the year-to-date period, and that's through September 30. This reflects a year-over-year revenue growth in Q3 2020, versus Q3 2019, across each one of our operating business lines, as well as net realized and unrealized gains from digital assets and our investing activities, which also this quarter included a partial realization on our stake in BlockFi, which successfully completed its Series C financing this quarter, and a significant up round from our last investment, after continuing to demonstrate phenomenal growth. Another congrats to Zac, Flori and the entire BlockFi team.

Now, turning to our business units, in our Trading business, we continue to win market share and grow our client and counterparty-focused derivatives and electronic trading activities, resulting in our OTC Trading Desk facilitating over \$1.4

billion of quarterly volume, amounting to our largest quarter in our operating history. Q3 OTC volumes represented 28% sequential quarter-over-quarter growth over Q2 2020, and over 75% compared to last year's Q3.

Galaxy's continued growth in market share is a result of our being one of the go-to Trading Desks in crypto, able to address the bespoke needs of sophisticated institutions looking for a large audited trading partner. To that end, DrawBridge Lending and Blue Fire Capital represent important acquisitions for Galaxy Digital Trading, that slot easily and efficiently into our leading GDT platform, by amplifying our advantages, filling gaps in our current offerings, and securing additional best-in-class talent.

Let me take a moment now to explain the strategic rationale behind these deals and what Trading at Galaxy will look like in the months to come.

DrawBridge is an innovator in digital asset lending, borrowing and structured products, while Blue Fire is a technology-driven, proprietary trading firm specializing in market-making and two-sided liquidity for digital assets. Both firms are located in Chicago and led by seasoned market veterans. The primary benefits to Galaxy Digital with these transactions are clear.

First, this combination further expands Trading activities beyond just our current OTC offering and allows us to accelerate towards our goal of providing a full-service, single-dealer platform to the market, including expanded derivative and future trading, on-exchange market-making, lending, borrowing, and structured products, as well as prime brokerage-like services, including trade execution, clearing and settlement, and margin-based trade financing.

Second, Galaxy Digital intends to leverage our brand, institutional relationships and our publicly audited balance sheet towards scaling DrawBridge's suite of unique lending and structured product offerings. It's important to note here that we've already been in business with DrawBridge for some time and we know the team very well. We made an investment into them in 2019, and have built a growing live loan book together, which we intend to expand going forward as a result of this transaction.

Next, we intend to point Galaxy's broad sources of liquidity toward Blue Fire's best-in-class trading strategies and execution, while furthering enhancing their superior relationships with key global crypto exchanges that arise out of their \$40 billion plus of annual notional spot and derivatives trading volume. We expect Blue Fire to help us drive the utilization and optimization of our balance sheet, as well as drive trading costs down across the entire platform, which can then, in turn, be passed on to our clients, to provide lowest cost execution and highly efficient financing options.

Organizationally, these deals establish a strong regional hub in Chicago for Galaxy Digital to expand agency, prime brokerage and electronic trading services, and to increase connectivity with the largest global exchange players and traditional derivatives firms as they look to move into the crypto markets, with Galaxy as a blue chip partner.

Finally, DrawBridge's CEO and Co-Founder, Jason Urban, will join Galaxy Digital as Co-Head of Galaxy Digital Trading, and will work alongside fellow Co-Head Pete Wisniewski. Andrew Karos will remain the CEO of Blue Fire, which will continue

to operate as a wholly-owned subsidiary of Galaxy. Jason and Andrew are both veteran traders, with Jason having run significant businesses at both Goldman Sachs and DRW, and Andrew having built his own firm, with a decade-plus-long successful traditional equity derivative trading track record, prior to turn his attention to crypto in 2018.

But, beyond Jason and Andrew, we're very excited about the addition of the entire DrawBridge and Blue Fire teams to the Galaxy family. These additions will increase our resources in the Trading business by over 50%, an important strategic move necessary for us to meet real on-the-ground demand head on today.

Turning to the Asset Management business, the third quarter of 2020 has continued to see high end market demand for bitcoin and other major cryptocurrencies against a backdrop of excessive global monetary stimulus, on the one hand, and major investors, corporates and regulators increasingly expressing their conviction in the long-term prospects of bitcoin as store of value, on the other. We have built our strategy around institutional wealth channels and accredited investors and are seeing promising initial traction as our brand marketing, investor education and partner sales channels begin to amplify one another.

As of October 31, our passive index and bitcoin funds crossed \$120 million of AUM, and is growing fast. Also, in the third quarter, our Galaxy Interactive Venture Capital Team, who manages the Galaxy EOS VC fund within Asset Management, continued to expand their leadership role in the interactive content space and upped the take of their investing over the third quarter, with nine new investments and four follow-on investments.

Turning to Galaxy Digital Investment Banking, which has continued to build its pipeline of mandates and to deliver first-class execution to clients, including representing Blockfolio and its \$150 million sale to FTX, as we communicated on our last call, we were committed to managing the leadership transition in this group before the end of the year, and we have succeeded in doing so. In the past several weeks, we've brought on a new Head of Investment Banking, Michael Ashe, who has previously built multiple industry-focused businesses before at both Citi and Oppenheimer.

We were also excited to launch Galaxy Digital Mining, which has come out of the hard work of the Advisory Team over the past year, and will now be led by another new addition to Galaxy, Amanda Fabiano. Amanda was at Fidelity Investments for the past six years, focused on mining, bitcoin products and bitcoin education.

I've now personally had the pleasure of working with both Michael and Amanda for the past few weeks and I am confident that we have found the two best individuals to fill these roles. I'm very excited to see what both of these teams are going to accomplish here at Galaxy in 2021.

Finally, in terms of our firm balance sheet and our principal investment activities, our team is continuing to pursue differentiated and new opportunities. The team invested \$7.5 million of total new capital in six new and four follow-on investments in the third quarter, including in two of the most prominent DeFi, or decentralized finance investment, funds in the sector, ParaFi Capital and Robot Ventures.

With that, I'll turn it over to Ash to walk everyone through the specifics of our financial performance in the third quarter. Ash?

Ashwin Prithipaul – *Galaxy Digital – Chief Financial Officer*

Thanks, Chris. I will now provide some additional details regarding our financial results for the quarter.

Our comprehensive income for the three months ended September 30 totaled \$44.6 million, with the comprehensive income for the nine months amounting to \$55.4 million. The current quarterly gain was primarily a result of realized and unrealized gains on digital assets and other investments, partially offset by operating expenses. The third quarter 2020 figure includes \$3.3 million of equity-based compensation expense, which is a non-cash charge and has no net effect on equity. This brings our total equity, or net book value, to \$445.6 million as of September 30, or CAD\$2.05 of net book value per share, or US\$1.54 of net book value per share.

As of September 30, the number of compensatory costs per unit and stock options outstanding were \$17.2 million and \$21.4 million, respectively. The aggregate compensatory awards have a value of \$8.1 million remaining to be amortized over their life.

Operating expenses for the three months ended September 30 were \$17 million, inclusive of equity-based compensation of \$3.3 million over the same period. Operating expenses were lower for the three and nine months ended September 30, 2020, as compared to the three and nine months ended September 30, 2019, due primarily to lower equity-based compensation and lower compensation expense in 2020.

Regarding our balance sheet, \$7.5 million of new and follow-on investments during the third quarter brought the investment balance to \$200.7 million. As of September 30, we held 45 individual investment positions, excluding our cryptocurrency and pre-ICO holdings, with no single investment position representing more than 6.6% of our net asset value.

In regards to the DrawBridge Lending and Blue Fire Capital acquisitions, the consideration includes 3.8 million of ordinary shares, subject to customary purchase price adjustments, and the Company intends to grant 5 million contingent options to certain employees joining the Company as incentive and retention awards.

We're pleased to report that we had \$144 million of liquidity as of quarter end. Our liquidity includes our working capital and net digital assets, which is then netted against forward commitments and projected future expenses. Our current liquidity is ample and will allow us to continue to operate the business and take advantage of market opportunities.

With that, I'll now turn the call back to the Operator, so that we can address questions from our equity analysts and investors. Operator, any questions from our equity analysts?

Operator

Yes, we have one question from Deepak Kaushal with Stifel GMP. Please proceed with your question.

Deepak Kaushal – Stifel GMP

Thanks for taking my questions. It's nice to have kind of a positive backdrop in the crypto space with your conference call. I'm just going to jump in on the acquisitions. It looks like you're paying shares and options for the acquisitions and there's no cash portion, so I assume you guys still have the circa \$50 million PIPE financing at your disposal. What are the plans for spending, how do you kind of carve that up into the different parts of your strategy, and what can we look forward to next?

Christopher Ferraro

Do you want me to take that, Mike?

Michael Novogratz

Yes, take that, Chris.

Christopher Ferraro

You're accurate in terms of the purchase consideration for the acquisitions, and, therefore, the PIPE financing was all primary capital that's being added to the balance sheet. That capital primarily will go towards financing different businesses inside the Trading business, as well as helping to launch and start up, and add financing to the Mining business, as well. When you think about us expanding our structured product offering, expanding our financing of customer trades and trading, and margin-based financing, as well as adding capital to the existing trading strategies of Blue Fire, you should think about that as the primary use of proceeds for the PIPE.

Deepak Kaushal

Okay, and on the acquisitions, Blue Fire and DrawBridge, what can we think of in terms of financial impact, and can you share any of the income and profitability metrics that these guys have been pulling in, and the growth rates, and how you might accelerate that going forward? Any kind of color on potential financial impacts would be helpful.

Christopher Ferraro

Yes, sure. We'll speak to and report sort of their performances going forward in time. Right now, we're focused on adding them and integrating them into our existing business quite quickly, and so some of the specifics that I suppose we could talk to is, on the DrawBridge side, they bring over \$150 million of third-party assets that are being managed in various products and forms on the platform on day one, and, in fact, they've been part of the driver of our existing book, as well, over the last year, as we've partnered with them on adding different financing assets onto our balance sheet. Then, on the Blue Fire side, Blue Fire is one of the largest global market makers on exchange. They, on a run rate basis, trade over \$40 billion notional annually of crypto. So, you should think about that going forward as being an engine that's going to generate consistent high-alpha return on equity, sort of based on the amount of capital we've put behind the business. We expect that both of these to be added into the business and accretive, from an M&A perspective, over an 18-month period, on the high end, on the long end, but we're going to sort of integrate them and see how it fits into the business going forward.

Michael Novogratz

Deepak, it's Mike here. The one thing I would tell you is that, in some ways, and the way I look at these things, these are aqua-hires of really, really talented guys, at a time when the business is starting explode. You look at Andrew's engine that he has built, plug in our capital and plug in some of the systems that we already have, and thinking—listen, it might be 18 months, it might be 12 months, it might be six months, based on the amount of volume that's pumping through these markets all of a sudden, and I don't think it's going to go away. The same thing with the derivatives business that Jason Urban is bringing over, and the lending business, demand is going way up. I mean, we're having a hard time hiring people fast enough to build out. Listen, there's competition, as well, our competitors are doing the same thing.

What's exciting, from my perspective, is we were in a very nascent industry, and it still is, but now you're pretty certain that there are going to be multiple players that are building out real teams and this is going to be a real business. In lots of ways, our business plan has been de-risked, the bitcoin ecosystem has been de-risked, and so that volatility and kind of light comes down, right, there's no existential threat all of a sudden that you made the wrong bet, that it's going to take too long and that the regulators are going to screw you. So, now it's really a race to get the right people in the right seats, and to really start kind of looking six, 12, 18, 24 months ahead at where the ball is going. I'm wary of past performance predicting future performance in this case, because I think future performance is going to be a heck of a lot better than past performance.

Deepak Kaushal

Thanks, Mike, that's really helpful. You mentioned "existential threat." How do you look at the DeFi space right now, in terms of existential threats. I know you've put some money into ParaFi and Robot why not do that in-house?

Michael Novogratz

We're doing a lot of that in-house, and I think, come next earnings call, we'll roll out more of our DeFi plan and how we see DeFi. I mean, DeFi is a funny word, really. What DeFi really is, is we're taking a blockchain to the financial services industry, and it is by far the biggest threat to the banking system. It's just early, right? It's a sandbox still. Now, it's a growing sandbox, it's gone from \$500 billion, locked up to \$12 billion—\$500 million to \$12 billion, but we're still in—I call it the sandbox stage. We've got some of our smartest guys in the firm working at making investments in that space, and early structuring and how we participate in the space, and I think 2021—and certainly in 2022—it's going to be big driver of things around here. Right now, we're still in that kind of, I'd say, first inning of DeFi.

Deepak Kaushal

Got it. I'm curious. If we have a kind of boom-and-bust cycle with DeFi, like we saw in ICOs, do you think that bitcoin in a mature cryptocurrency market will be insulated from that? Do you think we've passed that stage where everything is kind of correlated to a single event?

Michael Novogratz

I do think so. Look, I would split it into three buckets. I would talk about bitcoin as a macro asset. It's almost a cottage industry these days, that I think has reached escape velocity. We're trading at \$16,000 today. It would be surprising to me if we don't take the old highs out relatively soon. People say, where can bitcoin go? I say, at \$16,000 bitcoin, we're only 10% of gold. JPMorgan just put out a paper talking about bitcoin as an alternative to gold, and they're seeing clients want to make the substitute. So, I'm not even sure why 10% is a great bogey. In five years, 10 years, we're going to be looking back and saying, well, bitcoin's worth more than gold. This is a multi-year process of adoption of bitcoin, but I really believe we've crossed escape velocity.

Then, when you look at everything else, right? The ethereum blockchain, the price of ethereum is going higher, and I think it will continue to go higher. The ethereum blockchain is most likely the blockchain that everything else gets built on, so where DeFi will reside, where stablecoins will reside. Central bank-issued digital currencies are going to be a thing. Every single central bank is talking about them and trying to figure it out, including the U.S., including Europe, including Brazil. So, we're going to see a rebuilding of the financial architecture of the U.S., and of the world, over the next 10 years, 10 to 15 years, 5 to 15 years, and blockchain is going to be a monster part of it, the ethereum ecosystem and these projects being built on top of that. So, I kind of look at ethereum with payments as kind of Chapter 2, but it's really correlated, then, to all these new projects. If you want to think about DeFi, it's peer-to-peer derivatives, peer-to-peer interest rate trading, peer-to-peer futures trading, peer-to-peer equity trading. Listen, there's a regulatory hurdle to go through, that's not been worked out, and so the regulators have to kind of catch up to the technology, or the technology's got to fit itself into a regulatory framework. I'm confident that'll happen over the next few years.

So, I split my mind, you know, like half of our business is kind of focused on this opportunity that's here today, which is this bitcoin really becoming a global asset—one day, if you're lucky, it's the global reserve currency, but really becoming a global asset—and the second is this giant venture bet, which is wildly exciting what we're going to see, a real rebuilding of the financial services business. In a few years, DeFi and fintech, you'll just call it fintech. I think, in some ways, they're two businesses that are very interconnected, but you can think of them almost as two real drivers. So, that's the way I think about it, and I think, listen, there's going to be great opportunities on both sides.

Deepak Kaushal

Got it, got it. When I turn the focus back onto your operating business, I know you've got good success on your principal book year to date. What are your thoughts then on reaching breakeven on the operating side and when you kind of get exit elocity in terms of talking about growth there? Any changes now that the market's a bit hotter?

Michael Novogratz

Yes, listen, I will be disappointed if we don't do that next year, and then some, right? The banking business should be close, or might even make it this year. Trading, we've put a big investment in, and it hasn't gotten there yet. It has, certainly, if you include our proprietary trading. But, I think by next year, we certainly should have crossed that threshold.

Asset Management will be the one that'll take a little longer, partly because it's a game of big numbers and you're putting in investment and you need scale there. We're getting there, our Asset Management business is finally picking up. Listen, we took a track of going for the wealth channels, they're finally moving in, and so I'm optimistic. We've got lots of partnerships that we are working on, some that have been announced, some that are coming.

So, I think, you know, give us some patience on the Asset Management side, but you put the three together and I would certainly hope that we're operating at a profit next year on our operating basis.

Deepak Kaushal

Okay, excellent. Well, you know what? I don't want to dominate the call, I don't know how many other analysts are in the wings, so I'm going to jump back into queue, and then if there's more questions later, then I'll jump back in. Thanks again.

Michael Novogratz

Thanks, Deepak.

Christopher Ferraro

Thanks, Deepak.

Operator

We also have a question from the line of Robert Young at Canaccord Genuity. Please proceed.

Robert Young– *Canaccord Genuity*

Hi, good morning. I'm thinking of Galaxy as a bit of leading indicator for a few other investors, and your investing activities recently, you said you've done a number of recent investments. Can you talk about what you're seeing out there in valuations and competition for the deals that you're going after, the investments you're making?

Michael Novogratz

Most of the investments we've been making are in the—we'll call it the DeFi space, and the game there is to find the best teams or the best ideas and to kind of fight hard to get in a good valuation. We made an investment in a company called 1inch, we made an investment in a company called Luna in Korea. What's interesting about the way tokens work, right? Bitcoin has a store of value and it's valuable because it's valuable, and ethereum has this, you know, potential to be the oil or the gasoline that powers this whole ecosystem, but the cool thing about a lot of the DeFi projects is they trade more like equities, they're almost a dividend, and so you can look at, as this business grows, there's going to be some dividend which is decided by the community, and you can kind of discount cash flow. I think you're going to see more and more people, traditional investors attracted, once these companies become of scale, to the space, because it's a little easier to intuitively figure out.

We're making small investments in and around the space. These are early venture investments, that, if you're lucky, they're 6:1, 8:1, 10:1, 50:1, and what ends up happening is, as they mature, hopefully, then, you become a participant in their part of the ecosystem, so staking coins on their system or lending money into their system or buying insurance from their system. So, I think it really becomes a symbiotic ecosystem in time.

But, that's kind of where those investments dollars have gone. Other than that, we continue to have a large cryptocurrency position. I used to trade it pretty actively. I really believe that we're in a structural shift here and that—

the crypto guys call it “HODLing,”—hold on for dear life—just not trading as much, and watching the appreciation. So, I think we’ll probably just hold onto our bitcoin position, if not add at times, just because we’re seeing so much demand for it.

Robert Young

All right, and that demand, how is the Investment Banking pipeline looking now versus, say, three years, six months ago, especially in context with the strong new hires you’ve made. I think you said you could get profitable in that business this year. Does that imply that there’s a really good pipeline?

Michael Novogratz

You know, there ...

Christopher Ferraro

So—sorry, go ahead, Mike.

Michael Novogratz

Go ahead, Chris.

Christopher Ferraro

Yes, no, I was going to say we anticipated having a little bit of a kink in our pipeline, because we transitioned Ian out and we brought Michael on. That was our anticipation. The reality is, is actually the pipeline has stayed constant and has grown, because the existing team that’s there has built up a lot of domain expertise, and it’s right at the right time, when there is a significant amount of both consolidation internally within the industry, as well as external interest to look into the industry for potential acquisitions.

When we think about our pipeline, the focus of the business today right now is on M&A, that’s where the biggest opportunity is. We hope to, and we expect to, see the capital markets side of the business start to expand, but it’s still young and early in the capital markets days for crypto. There were—we’ve said this in the past, I’ll say it again—there were two crypto IPOs, IPOs historically. We were a part of both of them. We may see some more coming next year. But,

it's young on that side of the business, so think about it as a corporate advisory and M&A environment and the expertise we've developed there has started to position us quite well, we think.

Robert Young

That's great, and maybe one last question for me and I'll pass the line. The acquisitions you made, I think you suggested they may be as much aqua-hire as they are to get trading volume. Any sense of the share that you have now in this market as it's—I think you said inflecting or growing? Then I'll pass the line. Thanks.

Christopher Ferrara

Now, with the addition of Blue Fire, we expect we will be—we will start off as and then expand and be a top five market maker and participant on almost all of the biggest global cryptocurrency exchanges, and our share there should expand quite dramatically as we put more of our balance sheet behind Andrew and the Blue Fire team's efforts sort of right out of the gates. Our OTC business today, there's not of ton of industry data on this. Our volumes, as we said, sort of grew almost 30% quarter-over-quarter in a time when the industry volumes were more flat to slightly down. So, our share of the OTC market is, we think, clearly growing.

But, really, what we see is all white space, in terms of capturing white space that isn't really share-taking today, which, going forward, is going to be onboarding clients and providing different kind of trading finance and margin-based financing and prime brokerage services. That's largely been held just in custody to date and we think it's going to expand up the stack beyond custody pretty quickly, and that's kind of right where our sweet spot is. That's the why the addition of these teams helps us to be in a position to meet that demand, and do it at efficient and low cost, which is the key that we think we need to be able to offer to clients to make it the best place to trade.

Robert Young

Very exciting. Thanks for the color, gentlemen.

Operator

We now have a follow-up question from Deepak with Stifel. Please proceed.

Deepak Kaushal

Thanks, guys, thanks for taking my follow-ups. Chris, just on the last comment there on OTC volumes, so the volumes were going up, your market share is, presumably going up, or you're grabbing more of that white space. What are you seeing in terms of trends and spreads and commissions, and can you give us a sense of a target ROE versus maybe what you achieved a year ago, perhaps?

Christopher Ferraro

Yes. So, it's hard on the targeted ROE side because the business is still scaling, right? Certainly, on a trade level, we're profitable. On a business level, we're scaling into profitability, which Mike pointed out and is clear. The OTC business, sort of margin profitability-wise, has been pretty consistent now for the last 18 months. It's a thin business in the largest, most liquid cryptocurrency, bitcoin, and it gets thicker as the market gets less—there's less liquidity and assets are more esoteric. But, really, the OTC business for us is an important bedrock in the business. It's something that we think will always be demanded and is something that where we can, on a one-off basis, provide a big block trade liquidity for our biggest and best clients. That's where the business was historically. Where we want the business—where we will drive the business to go, and we think is the most interesting both for us, as well as market participants, and provides higher margin opportunities for us, is going to be in this concept of single-dealer access to a variety—a suite of products, that include much more capital-efficient trading through financing, as well as different structured products and different esoterics around the spot, and we're starting to see a real pickup in demand and interest level in all those things, and it's on us to really hone our productization of that in a way that we can rollout scalable for the market.

So, it's growing, scaling business for us today, but, really, the go-forward, our expectation is that the amount of volume horizontally and vertically across different products, and the margin capture for us, is going to expand all at the same time as the platform grows. That's the trajectory that we have slated for the business.

Deepak Kaushal

Okay, and I've got two more, if I may. Can you offer a bit more clarity on the Mining side? You had some investments in miners in the past, and then you kind of shifted the narrative to be more of an advisory focused on the mining industry, in terms of M&A and financing, and you brought somebody new onboard, so what's the go-forward strategy here for Mining?

Christopher Ferraro

Our reconstituted Mining group, specifically, is meant to be an industry vertical that stretches then horizontally across everything we're doing at the firm. That group will themselves—we will actually do some proprietary mining ourselves,

because—and this all came out of the advisory group’s work in laying out all the players in the space, where all the hash rate was, what the levelized cost of production could be and should be, and sort of really thinking through the economics of bitcoin mining. We think it’s actually a great time to be in the bitcoin mining space right now, and so you’ll actually see that group procure hardware for ourselves, as a base investment into the business, and then from there, the idea is going to be for us to sort of peruse that access to equipment and the relationships with equipment providers, to then provide different kind of leasing and financing opportunities to people who want to get into the mining business themselves. We’ve internally dubbed the name MiFi, mining finance.

So, that’ll be a core component of that group, but that group’s responsibility is also still to provide—to maintain coverage of the biggest and most interesting mining participants across the space, and make sure that where we can be helpful, whether it’s with our Trading desk in terms of coin liquidation or hedging strategies, whether it’s in our financing team for more bespoke—like, historically, Hut 8 style financing that we did, or in the Investment Banking group, if there is a capital raising opportunity or an acquisition opportunity or a project financing opportunity, to make sure that those relationships get slotted into the experts within our different businesses, so that we’re capitalizing on the whole space. That’s the task that Amanda and team now have in front of them and we’re super-excited about it, because we think the space is right for new investment in an organized and professional way, and the economics are there.

Deepak Kaushal

Interesting. I mean, it’s pretty capital-intensive. Have you got a number that you want to invest in, in terms of capital equipment?

Christopher Ferraro

We’re debating it now internally. Amanda and team have a number, that’s for sure. Yes, look, it’ll depend. We’re definitely going to allocate some balance sheet to it. Part of the PIPE proceeds is going to go towards that first investment into the business. It’s not going to be all of the PIPE financing, but it’ll be a small amount of it, and then from there we’ll see how the market demand develops for different financing products, and that will determine how much capital we ultimately put into the business. My expectation is it’ll be a very interesting place to be investing capital for the next year at least, for sure.

Deepak Kaushal

Got it, and my last question for Mike or you is on the M&A side. There’s been anticipation of a consolidation in the industry for a lot of the players that started up or grew through the 2017 growth period. Have we broken the logjam

there? Is that going to start to accelerate? You guys are acquiring. Do you expect more consolidation there? Then, I'll pass it on. Thanks again.

Michael Novogratz

There's going to be more consolidation. I think you're going to see consolidation within the crypto community, crypto to crypto companies, and you're going to see the tech companies looking to acquire domain expertise. I mean, it's not lost on—it shouldn't be lost on you that PayPal, which is a giant tech company, ended up hiring a crypto company to help them implement their crypto strategy, because there's just domain expertise that they need to either build or buy, and it's going to be quicker for a lot of these tech companies who are all going to rush into this space. I mean, the one thing that is clear to me is that every single company that wants to be in the financial services market is going to need blockchain and crypto expertise, and so building up that domain expertise is worth a whole lot, and you're going to see that happen in the M&A space.

Deepak Kaushal

Okay, great. Thanks again for taking all my questions. I appreciate all the airtime today.

Michael Novogratz

Yes.

Operator

Thank you. We will now turn to online questions.

Galaxy Digital Investor Relations

Yes, thanks. We are getting a lot of good questions. Let me turn to the first one. The first question we have: Bitcoin is on a tear and is now above \$16,000. Where does it go from here?

Michael Novogratz

You know, I said this in my earlier remarks. I think the first obvious stop is \$20,000 the old highs. My kids are laughing because I tweeted that I would get a tattoo of the moon on my shoulder, and so maybe that happens before January of

next year. You know, listen, when markets are breaking out and moving like they are, you don't know exactly where they take their first pause, but \$20,000 is definitely the next checkpoint. I think, bitcoin at \$16,000 is 10% of gold, and that's a good next stopping point. Is that 18 months? Probably, it's 18 months, 12 months, 18 months. But, when people used to make those predictions, I would say that's kind of a whacko prediction, what can they hang it on, and now I think these are really rational predictions. Ten percent of a gold doesn't seem that far of a stretch, and I think once you get there, you'll probably be readjusting it up over the next two, three, five, ten years. So, I really believe we've crossed this adoption hurdle and now it's just a question of more and more adoption as this kind of goes viral, right, it's the network effect.

I think the most important thing to watch, in some ways, is just how much crypto is being bought on PayPal every day. Right now, it looks like it's \$10 million to \$12 million, \$13 million a day, and as that accelerates, and you're seeing it being bought on the Square app, and you're going to get to see it bought in funds like ours, and in other funds. It's getting put away. There's only \$21 million bitcoin, there will only be ever \$21 million bitcoin, and it's a scarce asset, and so when demand exceeds supply, because supply is roughly getting soaked up so quickly, prices go higher.

Galaxy Digital Investor Relations

All right, next question: What do you make of the volatility and valuation in DeFi? Is this a repeat of the ICO boom in 2017?

Michael Novogratz

You know, we had what we call a tempest in a teapot. The idea is so powerful. The idea of DeFi is so powerful, and people got wildly excited about it in a short period of time. There was some hype, there were some bad projects, and we saw what I would call a mini-speculative, two-month, up-down bubble. I think you don't want to lose track over the broader trend. DeFi is in the first inning. There's some amazing projects that are going to built, and in two and three and four years' time, we're not even going to call it DeFi, we're going to call fintech, and so I think you've got to keep your eye there, you've got to be investing there. Certainly, there'll be more kind of trading opportunities when things get overhyped, but I wouldn't let the volatility scare you. I'm certainly not letting it scare me away, or scare Galaxy away. I think we're going to make a big commitment in that space and think it's part of the future.

Galaxy Digital Investor Relations

All right, next and final question: There are number of corporations who have indicated they will move partially from cash to bitcoin. What is your expectation of how fast treasurers will move to adopt bitcoin?

Michael Novogratz

You know, my favorite TED talk is this one about this guy dancing on a hill, a green hill, on the grass, and he's dancing like a complete lunatic, and everyone's looking at him. There are about 75 people sitting on a hill having a picnic and looking at this maniac, and all of a sudden a second guy goes up and starts dancing with him, and then a third, and then a fourth. The next you know, the whole hill is dancing like maniacs. It always says a movement is started by the second guy or third guy, and we're seeing that, right? You saw Michael Saylor with his company, and the Square. We don't get credit. We were the first company to actually allow bitcoin on our balance sheet, but we're a crypto company, so people expected it. I think there are probably companies that we haven't heard of that already have it, certainly private companies, but I think it's become a trend. I'm really watching for the next big one. Because, I think once you get to three, you're going to get 10 real quick. So, I do think it's something to keep your eye on and I think it's going to happen.

Galaxy Digital Investor Relations

Thanks. Those are our questions for today.

Michael Novogratz

Got it. Thank you so much. I'll finish up in saying I certainly hope everybody heard my enthusiasm. It is heartfelt and thoughtful. We're seeing great things in this space. We couldn't be more excited about the opportunity set, we're working our tails off over here, and look forward to next quarter's call. Hopefully, we'll have more exciting news, and stay long.

Operator

Thank you. This does conclude today's conference, you may disconnect your lines at this time, and thank you for your participation.
