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PRESENTATION

Operator

Greetings, and welcome to the Bakkt's Third Quarter 2021 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I will now turn it over to Ann DeVries, Head of Investor Relations at Bakkt. Please go ahead.

Ann DeVries - *Bakkt Holdings, Inc - Head of Investor Relations*

Good morning, and thank you for joining us for Bakkt's third quarter earnings call.

Today's presentation, including the separate earnings call presentation that can be found at our Investor Relations website at investors.bakkt.com, contains certain statements about Bakkt that are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on the current expectations of the management of Bakkt and are subject to uncertainty and changes in circumstances, many of which are beyond Bakkt's control, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements.

In addition, these statements are based on a number of assumptions that are subject to change. Please refer to our company's most recent current report on Form 8-K filed on October 21, 2021, following the closing of our recent business combination for a more complete discussion on forward-looking statements and the risk factors applicable to our company.

During today's presentation, in addition to discussing results that are calculated in accordance with generally accepted accounting principles, we will refer to certain non-GAAP financial measures. A reconciliation of such measures to the most comparable GAAP measures and certain related information can be found in our earnings release, which was recently filed this morning with the SEC.

Joining me on today's call are Gavin Michael, Chief Executive Officer; and Drew LaBenne, Chief Financial Officer. After our prepared remarks, Gavin and Drew will be available for your questions. I'll now turn it over to Gavin.

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

Thanks, Ann. Good morning, everyone. Thank you for spending time with us this morning. It's my great pleasure to welcome everyone to our inaugural quarterly earnings call for Bakkt.

My journey with Bakkt started in January of this year, shortly before the merger with VPC Impact Acquisition Holdings was announced. I'm proud of all that we have accomplished since we announced the transaction, particularly as we have worked through the close and the access to capital that our public listing will provide us.

We began with the opportunity to help consumers, businesses and institutions manage their digital assets. These digital assets span cryptocurrency, loyalty points and rewards, gift cards and expanding into newer asset classes. Consumers can't manage these assets easily. And importantly, businesses and merchants can't enable them for use across the channels in a way that their consumers might want to. Also, institutions seek the financial infrastructure and capabilities to access new markets, products and digital asset ecosystems.

Bakkt's vision is simple: to connect the digital economy. But how we got here today is important. And 2021 was a significant year for our company's journey. Early in 2021, we announced the merger with VPC Impact Acquisition Holding. Leading up to being deemed effective by the SEC in mid-September, we launched our platform to the market, which includes a consumer app. We hired a diverse and highly skilled management team with a combination of backgrounds in fintech, crypto, banking and loyalty.

We spent the course of this year setting the foundation for our go-forward strategy. Our first fully integrated partner with Choice Hotels came onto the platform in Q3, and we've made recent announcements of significant partnerships with Finastra, Mastercard and Fiserv. These are expected to further accelerate our growth and help us gain meaningful momentum heading into 2022.

We're excited by the different creative and innovative ways partners are looking to engage with the Bakkt platform. And the flexibility of our offerings is the key differentiator of our go-to-market strategy and a major theme of the way forward for us. And I'll talk about this a little bit later this morning.

Our customers fall into 3 broad categories: consumers, businesses and institutions. We allow consumers to access the digital assets they have earned or accumulated over time. These assets include cryptocurrencies, merchant offers, loyalty points and gift cards. Consumers can access the digital assets using our platform capabilities embedded within the ecosystems of our partners or by using our consumer app. They will also enjoy the option to earn crypto rewards or redeem rewards for crypto, unlocking the potential to achieve more value from their rewards and permitting the rewards to work harder for customers.

For businesses, we are building and strengthening our growing network to tap into new opportunities for customer engagement. Businesses can leverage the Bakkt platform to drive consumer loyalty and deepen relationships. By broadening the usage of rewards and loyalty points, they are further integrating their brand into a consumer's day-to-day life. And by innovating with crypto services and crypto rewards, they're appealing to a growing segment of digitally savvy consumers.

Finally, we help reduce the financial liabilities associated with loyalty programs and enable new sources of consumer spending and loyalty programs that drive growth. For institutions who seek the financial infrastructure and capabilities to access new markets, products and digital asset ecosystems, we provide greater regulatory clarity, better price discovery and more effective risk management.

Our platform has 3 complementary aspects. A loyalty redemption service, an alternate payment method and our core digital asset marketplace. Our loyalty redemption service, an institutional-grade loyalty platform borne out of our acquisition of Bridge2 Solutions in February of 2020, provides seamless and cost-effective alternatives for consumers to leverage their loyalty points. We have strong partnerships with leading brands and some of the most prominent financial institutions. We enable these companies to deliver consumer choice and convenience with alternative payment methods that allow consumers to spend the value of their digital assets across merchants, and enable businesses to gain access to consumers' increased spending power.

Our digital asset marketplace enables participants to seamlessly transact in a growing universe of digital assets, and it has applications for consumers, businesses and institutions through our regulated custodian and trading solutions. Through our unique positioning at the intersection of loyalty, crypto and payments, our platform is built for the digital future that is growing exponentially.

The Bakkt platform is our core differentiator. It's secure and fully regulated, borne out of our heritage from ICE. Our core technology stack is digitally asset native and allows for use cases across asset and transaction types. The growing ecosystem continues to create more and more and broader opportunities for consumers to transact. Our capabilities are built to scale and support enterprise and consumer users across crypto, loyalty and payments with 24/7 customer support.

Our primary business model is B2B2C, where we acquire consumers via partners rather than focusing on accessing consumers directly. And yet, the end user will recognize our service and capabilities based on their uniqueness and differentiation in market.

As our recent announcements show, we are working to build out our network of partners. Our goal is to provide these partners opportunities to leverage Bakkt's capability, either through their existing channels or by leveraging our consumer experiences. We will grow users by marketing into the customer base of our partners and deepening their engagement with our capabilities through co-marketing campaigns across our partners' channels and owned channels.

We're truly just getting started. But what we're seeing so far is that the B2B2C construct enables us to scale faster and gain users more efficiently than the direct-to-consumer strategy. Importantly, this flexibility of our platform enables consumers to utilize a variety of Bakkt offerings in a way that is most attractive to them.

We may see some customers lean into our crypto capabilities, while another enjoys the discounted gift card offers, while others simply want to redeem points for merchandise or cash. It's that type of variability that helps drive our relevance across a broad array of consumer segments.

I want to lean into the flexibility theme and discuss what this looks like and the opportunities that abound for this emerging and evolving space. The momentum of the Bakkt's platform is all about its power holistically. This means that every account and action that is happening across all of our capabilities. The Bakkt's platform is built to operate at the intersection of crypto, royalty and payment. And partners select an array of our capabilities based on their needs and objectives. And what that looks like will intentionally vary by partner.

We've discussed this framework as a company previously, but we're just so excited that with our newly announced partners across a variety of industries, we'll soon see these experiences come to life. We enable a significant amount of partner choice. Some may choose to keep their consumers entirely in their owned experience, but others may need a ready-to-go storefront and leverage the Bakkt app to meet this need. Partners can choose to fully embed our capabilities within their digital environment or take specific Bakkt platform capabilities like crypto buy, sell, hold and spend entirely powered by Bakkt.

As I shared, with our B2B2C go-to-market strategy, we expect most people will connect with us through company's brand and brand experiences that they already know and trust and are really part of their everyday lives. These account and transaction interactions are expected to be a strong driver of our growth and traction on our platform. And they clearly demonstrate the power of the B2B2C model.

We connect the digital economy by enabling consumers to invest, convert, spend and pay, send and redeem digital assets. Customers can buy and sell bitcoin. And as we announced last week, very soon ether on our secure, regulated and scalable platform. For us, we enable broad access in a simple and intuitive digital experience, which can either be embedded in a partner's experience or accessed via our consumer app. We lead the way in providing crypto as a service to non-crypto-native companies, an area with significant wide open space and increasing demand as we see crypto adoption broaden across markets.

A major transformation to existing rewards programs is already underway, and Bakkt will enable businesses to offer crypto rewards to their customers. Customers may earn and redeem crypto, which will be available for rewards programs, credit cards and other merchant programs through our partners. This approach allows businesses to deepen their customer relationships and drive increased loyalty, while creating a new pathway to crypto through passive acquisition for millions of Americans.

We've introduced new ways to access digital assets. Consumers can use crypto or other digital assets to make everyday purchases. Bakkt enables businesses to create choice and convenience with their existing rewards points in digital assets or new ones like crypto. This is particularly striking

since we're bringing liquidity to assets that were previously illiquid. As consumers use points, miles or crypto to pay, they're seeing greater value in their brand loyalty.

Finally, we offer a full spectrum of options to redeeming loyalty points, including travel, gift cards, Apple products and more. We recognize that businesses want to offer consumers choice, innovation and convenience. And the Bakkt platform was constructed with this in mind. Perhaps, most importantly, these capabilities are complementary and can be taken advantage of within a very flexible construct. Partners can choose a combination of these and work with us to make sure that the resulting offer works for the objectives that they have for their program.

We already have powerful partnerships in integration. We have deep relationships with and connections into a significant portion of the premier loyalty partners in North America with an addressable market of over 100 million consumers. And we have focused much of our time, energy and resource over the past few months, engaging these partnerships and signing new ones to enable growth in the coming quarters.

We believe these connections will provide self-reinforcing network effects, like partners co-marketing our platform to their customers to deepen customer loyalty. And we're seeing momentum in partnering with companies across consumer financial services, travel and entertainment, retail, and platform companies such as banking and customer loyalty platform. And as you can clearly see, partners can choose to work with us across all of our offerings or really just select those services that align most to their client demand.

So let's go through a few examples of the capabilities we discussed on Slide 10 and how we will activate them with partners. Offering crypto as a service expands the availability of crypto capabilities to partners and their customers while alleviating the operational and regulatory considerations that they would face in building the offering in-house.

In late October, we announced a partnership with Mastercard that is designed to make it easier for merchants, banks and fintechs in the U.S. to offer their consumers to buy, sell and hold digital assets in custodial wallets. We are also working with Mastercard to streamline the issuance of Mastercard debit and credit cards by banks and credit unions with the option of crypto reward capabilities that are entirely powered by the Bakkt platform.

In addition, we are integrating with Mastercard loyalty solutions to create new and unique opportunities for consumers to own crypto and to create fungibility between loyalty points, crypto and other digital assets. We are so incredibly excited about this partnership, not only because Mastercard is a preeminent player in technology and payments, but because we view the crypto rewards space as a tremendous opportunity that will take shape in new and innovative ways that our partnership is uniquely positioned to win.

Mastercard serves more than 20,000 financial institutions with 2.9 billion cards in use worldwide. And together, we can chart a new path for crypto and give businesses and consumers new ways to earn, pay and transact. We just couldn't be more excited about the opportunities on the horizon with Mastercard.

Given the multifaceted nature of the Mastercard announcement, we thought it was important to pause quickly on the potential use cases that we're working towards with Mastercard and provide more insights into what this might look like. We might see a partner bank offer crypto rewards, rewards that are easily configurable by the partner like double rewards on Bakkt partner spend. Overall, it becomes an easy first step into crypto which leads to broader promotional and reward opportunities.

Partner banks are increasingly competing with a broader group of fintechs in an ongoing race to create compelling offers. These banks can join the crypto movement without having to build in-house capabilities and increased customer acquisition and engagement while appealing to a younger customer demographic with more innovative offering.

Another recently announced crypto service partner, Finastra, will enable consumers to buy, sell, store and spend a range of cryptocurrency via the Bakkt platform. These capabilities will be available to customers with community banks and credit unions as part of Finastra's Fusion Digital Banking solution. Finastra's solution is being used by more than 5,000 and financial institutions in the Americas alone. The functionality, which will soon be available, will also enable financial institutions to offer their account holders access to the growing crypto market without having to leave their existing trusted banking environment.

The extension of the Bakkt's platform digital asset capabilities into partner ecosystem will be an important offering for us going forward. Many community banks and credit unions are interested in offering their customers innovative new opportunities and Bakkt's robust digital marketplace helps to seamlessly integrate crypto, cash management, money transfer and wallet capabilities. Our modern user experience, an API-enabled platform, makes the Bakkt platform an attractive solution for financial institutions seeking an intuitive, tightly integrated, low-risk solution to offer crypto services.

Starbucks continues to be a strategic partner for Bakkt in developing practical and trusted applications for customers to convert their digital assets into U.S. dollars to use at Starbucks. Starbucks has integrated the Bakkt's platform as a payment method for customers to reload their Starbucks Card in the Starbucks app. You can see this in the visual. Today, Bakkt is a payment method on your Starbucks app.

We believe payment integration grows in importance as consumers earn, track, manage and spend their digital assets. Our payment capabilities will take a different form in our integration with Fiserv and their current omnichannel ecosystem, allowing businesses to pursue new options for merchant acceptance, payout, royalty programs and transactions with crypto and digital assets.

Our most recent collaboration is with Choice Hotels to expand the utility of the company's rewards program. Starting early in September, Choice Privileges members can convert their rewards points to cash and then use that cash to buy cryptocurrency, even use it online or in-store anywhere Apple Pay or Google Pay is accepted. We're seeing early signs of success with this partnership, including considerable benefits over any direct-to-consumer marketing efforts. Specifically, our conversion rates are higher and the cost to acquire a consumer about 50% lower and we're seeing higher return engagement from these customers.

More broadly than this, our brand is embedded in the Choice Hotels brand environment. And we're partnering on evergreen marketing campaigns and incentives. Similarly, over the summer, we announced a partnership with Wyndham Rewards to allow program members to link, view and redeem their Wyndham Rewards points. This is expected to be live within the Bakkt app before the end of the year. The results we are seeing provide a peek into what we can see when we have several live partners with ongoing and evergreen co-marketing campaign. Each partner we work with provides valuable learnings that we can take through to improving the next implementation.

Our deep expertise in loyalty services and redemptions really sets us apart as we look to connect across a variety of digital assets. We have innovative and unique ways to support redemption options where customers can convert rewards into merchandise, unique experience, hotel stays or travel. This part of the platform has seen significant momentum with growing numbers of loyalty conversions and redemption.

We support several large financial institutions and airlines, such as Wells Fargo and United MileagePlus, in managing their rewards programs. We manage an online Apple store that is all priced in miles or points or really any of the assets that we support on the platform. Expanding these redemption opportunities across our Bakkt platform and across digital asset will be a key part of our growth strategy with new and existing partners. In the last 12 months, we've had over 12 million visitors to our loyalty redemption services and has driven approximately \$500 million in annual redemption volume, notable given the return to travel we've seen through 2021.

So I hope this provides a better understanding of our business and the momentum we have going forward. It's now my great pleasure to turn it over to Drew LaBenne, our CFO, to discuss our third quarter financial results. Drew, over to you.

Andrew LaBenne - Bakkt Holdings, Inc. - Chief Financial Officer

Thanks, Gavin. I will now discuss Bakkt's financial results for the third quarter of 2021. As a reminder, the earnings we are discussing related to Bakkt are prior to the business combination and therefore, certain measures, such as EPS, are not reported given differences in share count and other factors.

Slide 18 has a summary of our financial results for the third quarter of 2021, the previous quarter and the same quarter of 2020. Net revenues of \$9.1 million, increased by \$2.5 million or 38% year-over-year, primarily driven by strong transaction revenue growth from the redemption of rewards on our platform. Operating expenses of \$39 million, increased \$14.7 million or 60% year-over-year, primarily due to increased head count.

Other income was \$1.1 million, primarily related to a nonrecurring gain from the sale of bitcoin to rebalance the bitcoin inventory that we hold for liquidity purposes. The rebalance was related to the introduction of ether to our platform. The bitcoin we sold had a low cost base since it was acquired in early 2020, which drove the large gain on sale.

Slide 19 shows a further breakdown of our revenue. As shown on the previous slide, net revenue was \$9.1 million. The largest component of that revenue, subscription and service revenue, was \$6.4 million and increased 18% year-over-year, partially due to the addition of a large financial institution to our platform.

Transaction revenue of \$2.7 million, increased 133% year-over-year, primarily due to high customer activity and the redemption of loyalty rewards and the recovery in travel activity previously impacted by COVID. Transaction revenue shows a high degree of seasonality, and we expect to see an increase in revenue in the fourth quarter, in line with previous years. Negative revenue improved \$1.4 million year-over-year as we removed certain rebates from trading and clearing of bitcoin features at the end of 2020.

Slide 20 provides further details on operating expense. Compensation expense increased by \$9.6 million or 76% year-over-year, primarily due to increases in head count to build out the management team, support business growth and invest in tech development. SG&A increased by \$2.8 million or 167% year-over-year, primarily due to an increase of \$2.6 million in marketing expenses associated with customer acquisition and partnership marketing.

Other expenses increased year-over-year, primarily due to merger-related costs. Year-to-date merger-related costs were \$12.1 million. The fourth quarter is expected to have elevated expenses related to the merger, which will primarily impact noncash compensation and merger-related expenses.

Slide 21 has our adjusted earnings before interest, tax, depreciation and amortization, or EBITDA, which was a loss of \$24.1 million for the third quarter of 2021. Adjusted EBITDA decreased by \$11.8 million or 96% year-over-year, primarily due to a \$10.9 million increase in our net loss due to the factors I just discussed, a \$2.5 million decrease in impairment of technology assets due to the impairment we took 1 year ago and a \$1.0 million increase due to the nonrecurring income from the sale of bitcoin that I mentioned previously.

Now to touch on some key performance metrics. We have included metrics that we feel are key to understanding our business performance. Over time, we will continue to evaluate these metrics and adjust them as appropriate. As Gavin described earlier, our B2B2C model brings activity to our overall platform, and there's huge opportunity for growth.

To reflect how our capabilities are embedded across both partner and Bakkt branded experiences, we are using transacting accounts to represent users across the Bakkt platform and use a variety of the services we offer, such as redeeming loyalty points for traveler merchandise, or buying and selling bitcoin to facilitate everyday purchases. For the first 3 quarters of 2021, we had 1.7 million accounts transact on the Bakkt platform and that was up in the third quarter of 2021 by 20% year-over-year as commerce has rebounded from lower pandemic levels.

The opportunity for us to continue expanding the capabilities on our platform and provide more value-added experience to these users is tremendous. We rolled out our consumer app at the end of the first quarter of 2021 and already have about 0.25 million accounts through the app even before we closed the merger and gained access to almost \$450 million in capital for partner activations and marketing. Digital asset conversion volume represents the total amount of notional value that is transacted on our platform across loyalty redemption, crypto buy/sell, gift card purchases and other activities.

In the third quarter of 2021, we processed approximately \$105 million of notional transactions, which was up approximately 50% compared to the same quarter in the previous year. The fourth quarter is historically a seasonal high for performance, and we expect to see volumes increase again in the fourth quarter of 2021.

The crypto buy and sell activity is just starting to increase with the rollout of our platform and we expect to see growth in the future as we execute with existing partners and bring new partners and users onto the platform. We are really just getting started in realizing the potential of the Bakkt platform and we look forward to accelerating our growth through our recently announced partnerships.

On Slide 23, we have details on our post-business combination capital structure. Given the structure of the merger, we will have 2 classes of shares that I want to spend a few minutes to walk you through. Post merger, we currently have approximately 257.4 million total shares outstanding, approximately \$50 million are Class A shares. This includes 12.3 million shares from the VIH IPO that were not redeemed, 5.2 million founder shares and 32.5 million shares from PIPE investors.

Approximately 207.4 million of the outstanding shares are Class V shares. The Class V shares were issued as merger consideration in the business combination, along with an equal number of OpCo common units, which are together paired interest with certain rights to convert Class A shares after the 6-month lockup.

These share counts do not include shares issuable upon the exercise of warrants for future equity grants for Board and management incentives. We have approximately 16.5 million warrants outstanding, which have an exercise price of \$11.50. Those may be exercised pursuant to the terms of the warrant agreement starting on November 15, 2021.

The UP-C structure resulting from the merger will create a financial reporting structure where the Class V shares within the operating company partnership will not participate in the basic and diluted share count until the company generates a profit or is close to generating a profit. This will result in a reported share count consisting of the Class A shares and any non-vested restricted stock units or other similar instruments that are based on Class A shares. If Class V shares are exchanged for Class A shares, which can be done at the holder's option, subject to certain limitations, most notably the 6-month lockup agreement, those Class A shares will then also be included in the basic and diluted share count.

That concludes my section on the financial results. I will now turn it back over to Gavin for his closing remarks.

Gavin Constantine Michael - Bakkt Holdings, Inc. - Chief Executive Officer

Thanks, Drew. So just to emphasize the path from here, Bakkt has an incredibly unique place in the market with a highly secure and regulated platform, differentiated capabilities across crypto loyalty and payments, expansive partnerships with leading brands and a world-class management team to execute on our growth agenda. We will utilize the nearly \$450 million of recent deal funding to execute this plan.

So this means continuing to grow our B2B2C partnerships and activating those that we've already announced; enhancing our products and capabilities to support existing and new partnerships; and deepening consumer relationships with our partners. We will execute on new growth opportunities as they arise. We are just so excited for Bakkt to realize our full potential.

Thank you all very much for listening to us today. And with that, we'll take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today comes from Trevor Williams of Jefferies.

Trevor Ellis Williams - Jefferies LLC, Research Division - Equity Research

Great. And it's been great to see all the progress just over the course of the year. But -- so -- as we think about the potential for more loyalty integrations within the consumer app, specifically, how ripe is the opportunity to convert the relationships you guys already have on more of the white label side for loyalty redemption through Bridge2?

So thinking about -- you called out Wells Fargo and United in the deck. Just thinking of those as examples, just how have those conversations gone with the existing white label customers? And then kind of what are the gating factors to be able to get them on board into the consumer app? So any thoughts there would be great.

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

Trevor, great to hear from you. Look, I think it's a great question. We're leveraging all of our integrations and the work that we do with those as a trusted partner to continue to look at other ways we can add value. The platform that we've said is really focused on this intersection of crypto payments and loyalty. And by constructing new offers for those that we already work on the merchandising part of the platform with, we're finding very robust discussions. Obviously, we take into account the broader environment that they find themselves in, particularly with some of the travel and entertainment partners.

But what we're seeing is, as we see a broader recovery in their businesses, they're looking for opportunities to reengage with their customers in new and innovative ways. And that plays right to the sweet spot of our platform and of the work that we're doing to continue to structure those rewards proposition that stretch beyond simple merchandising and look at the way in which we can enhance loyalty and multiply the number of touch points they have.

Trevor Ellis Williams - *Jefferies LLC, Research Division - Equity Research*

Okay. Perfect. That all makes a ton of sense. And then along those same lines, I know the timing of the transaction was a little bit extended relative to what the initial hope had been. Can you give us a sense of if that changed your approach over the last 6 to 9 months and where you were focused more on the partnership side? And now with the transaction closed, should we expect that to accelerate some of the potential discussions that might have been put on hold over the last year?

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

So I think, Trevor, we've continued to sign partners through the course of the last several months. We've made a terrific multiyear partnerships with Mastercard, with Fiserv, with Finastra as good indicators of how strong the value proposition is and how relevant it is to the market. As we think about what we're doing now with the capital that we've raised from the transaction, it's all about accelerating those activations together with continuing to onboard additional partners focused very much on consumer financial services, travel and entertainment, retail and then these platform and payment companies that give us great reach into the marketplace.

I think when you look at more broadly where the business is positioned, we're so excited by the fact that we have an addressable market that is already stretching beyond the 100 million. So when we start to think about the work from now on in, it really is about activation. And when we talk about the funds that we've had and raised through the transaction, it's very much about putting that to work against these activations.

So we haven't, by any stretch of the imagination, paused during the course of the transaction. In fact, I think we've exited in a very, very strong space with that addressable market with some great partners on board and then proof points with customers like Choice.

Trevor Ellis Williams - *Jefferies LLC, Research Division - Equity Research*

That's all points well taken. I'm just thinking of whether there's just some kind of an unlock post transaction on the new partnership side, but I totally get that the -- just the size of the opportunity with Mastercard and Finastra and Fiserv, all that's been great to see. So I appreciate the color, guys.

Operator

Our next question today comes from Owen Lau of Oppenheimer.

Kwun Sum Lau - *Oppenheimer & Co. Inc., Research Division - Associate*

Could you please add a little bit more color on the 100 million potential end users or addressable market? And I think Mastercard has over 500 million cards in the U.S. I think you mentioned, Gavin, 2.9 billion cards globally. So what is included or excluded in your 100 million user estimate?

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

Owen, great to hear from you. When we look at how the addressable market is portrayed, we're looking at different vehicles. So clearly, Mastercard obviously gives us reach with its debit and credit card network together with its bank issuers. We also look at the opportunity with Finastra. Through our partnership, we're making our solutions available to their customers of community banks and credit unions as part of Finastra's Fusion Digital Banking solution. They support over 5,000 financial institutions across the Americas.

When we think about Fiserv, it's serving together with the community and credit unions that they serve through their bank platform together with reaching the merchants through their omnichannel Carat solution. So when we think about our addressable market, we're working by considering the reach that these partners have. We think the same when we think about Choice, when we think about Wyndham.

Now the reason you see us net it down is because we're also trying to account for the fact that most people hold multiple relationships. Now while we expect that to be an opportunity for us in the way in which we measure our progress with these transacting accounts, we're also being reasonable in the way in which we estimate where we are with respect to addressable market.

Kwun Sum Lau - *Oppenheimer & Co. Inc., Research Division - Associate*

Got it. That's very helpful. And then how do you think about the pace of user acquisitions over the next couple of quarters given your partnership with Mastercard and Fiserv? And then broadly speaking, can you also give us an update of your end-user projection? Is the 31 million active users in 2025 still the same or any change there?

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

Owen, I'll start, and then I'll pass to Drew on the metrics. So when you think about where we are with our recently announced partnerships, these will take some time to implement. And -- but we already have very robust discussions underway in activating the next set of partners that are made available to us through the partnerships that we have. So in working with Mastercard and working with Fiserv and working with Finastra, we already have a roster of opportunities that they are presenting to us.

We focus very hard on building a platform that makes it easy for our partners to consume our services quickly. So what I would take away from this is that we have very strong momentum as we enter 2022. So this quarter has been about building the backlog for execution in the first half of next year. Drew?

Andrew LaBenne - *Bakkt Holdings, Inc. - Chief Financial Officer*

Yes. And with regards to the long-term projections, I think as we've been saying now for a number of months, as we've ramped after the merger closed, the opportunity here is going to be signing partners and then marketing into those partners' consumer bases to bring users onto the overall Bakkt platform. And I think with the partnerships we announced previously, the ones we've just announced and presumably ones we will announce in the future, I think we're very optimistic that there is a lot of growth ahead for the Bakkt platform.

Operator

(Operator Instructions) The next question today comes from Kevin Dede of H.C. Wainwright.

Kevin Darryl Dede - *H.C. Wainwright & Co, LLC, Research Division - MD of Equity Research & Senior Technology Analyst*

So I'm curious -- I mean I think you've developed a heck of an ecosystem in integrating all our partnerships. I was curious as whether or not you were looking at specific crypto on-ramps and off-ramps. Companies like Simplex or Banxa.

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

So Kevin, when we think about the opportunity for us to be able to work in the crypto space, we're looking at the ability for us to be able to act as that bridge for non-crypto-native companies to get access to crypto services. So for example, the work we're doing with Mastercard to be able to take crypto rewards and use that as a way for people to continue to innovate and take advantage of the transformation that is happening in the rewards space.

So our focus is really about how do we bring utility to crypto in our customer's everyday life and helping partners take advantage of what that presents for them in the way in which they want to be able to grow their business. So we look very closely at how we work to be able to enable crypto and give them access to it as a part of their business, taking into account that is one of our core competencies on the platform, playing in that unique space of payments, loyalty and crypto.

Kevin Darryl Dede - *H.C. Wainwright & Co, LLC, Research Division - MD of Equity Research & Senior Technology Analyst*

I know the [potential for] (corrected by company after the call) increased regulation, hurts many players in the crypto space. I'm wondering how you perceive it and what you think you might need to do at Bakkt just to make sure you operate within regulatory compliance.

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

So our platform has been engineered to be digitally asset native from the ground up. We've come out of a strong heritage of regulation given our background from ICE. And the platform itself is designed with a strong set of controls and regulatory practices even at its very core. So as we watch the regulatory landscape evolve around us, we're able to respond very, very quickly to that changing environment.

So we don't see the headwind of regulation. In fact, we believe that we're well placed given where we've come from, given the way we've engineered the platform to be able to respond in a very agile fashion as the regulatory environment evolves around us.

Kevin Darryl Dede - *H.C. Wainwright & Co, LLC, Research Division - MD of Equity Research & Senior Technology Analyst*

Okay. Do you have a particular opinion on various stablecoins and how they may be regulated? And how that might affect the way that you handle them in your platform?

Gavin Constantine Michael - *Bakkt Holdings, Inc. - Chief Executive Officer*

So our focus continues to be how do we take the existing crypto assets that we support, bitcoin and ether, into the market to be able to find new and innovative ways to give access to everyday consumption, whether it be through the passive acquisition of crypto or whether it be through the use of rewards and payments. When we think about how other places are evolving, obviously, we keep an eye on what's happening with

stablecoins and with Central Bank digital currencies. And we think that we're well placed if they become mainstream to be able to support them given our background and given our regulatory posture.

So right now, we're very focused on the 2 coins that we support and making sure that we make those available. But we're doing it in a way that is keeping one eye on how the market is evolving around us.

Operator

Thank you for your questions. We have no further questions on the line, so I'll hand back over to Ann DeVries for closing remarks.

Ann DeVries - Bakkt Holdings, Inc - Head of Investor Relations

Thank you. Thank you, everyone, for attending our inaugural earnings call this morning and your continued interest in Bakkt. We look forward to speaking with you all again next quarter.

Operator

This concludes today's call. Thank you for joining us. You may now disconnect your lines.

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