

Bakkt Q1'25 Earnings Call Script

Operator: Greetings, and welcome to the Bakkt first quarter 2025 earnings conference call. At this time, all participants are in a listen-only mode. As a reminder this conference call is being recorded. I will now turn it over to Cody Fletcher, Investor Relations Advisor at Bakkt. Please go ahead.

Cody Fletcher, Orange Group Advisors, Investor Relations

Hello everyone and thank you for joining Bakkt's First Quarter 2025 Earnings call.

Before we get started, I'd like to remind everyone that today's earnings call includes a separate supplemental presentation that can be found at our investor relations website at www.investors.bakkt.com. During today's call, we will make certain forward-looking statements, including statements regarding our cooperation agreement with DTR, the proposed commercial agreement with DTR expected by Q3 2025, and the anticipated integration of DTR's stablecoin and AI payment infrastructure with Bakkt's regulated platform. We'll also discuss our strategic transformation to a pure-play crypto infrastructure company, including the divestiture of our Custody business to ICE, including expected timelines, and ongoing discussions regarding our Loyalty business, as well as expectations regarding the stablecoin payments market, regulatory environment, and our product roadmap. These statements are based on management's current expectations and are subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements. For additional information regarding forward-looking statements and risk factors, please refer to our filings with the Securities and Exchange Commission, including our Quarterly Report on Form 10-Q for the first quarter of 2025.

Further, in addition to discussing results that are calculated in accordance with generally accepted accounting principles, we also make reference to certain non-GAAP financial measures. For more detailed information on our non-GAAP financial disclosures, please refer to our earnings release, which can be found on our investor relations website.

Thank you, and I'll now turn the call over to Andy.

Andy Main, Co-Chief Executive Officer

Thank you, Cody, and hello everyone. Thanks for joining Bakkt's first-quarter 2025 earnings call, and it's great to connect with you all again. With me today is Karen Alexander, our Chief Financial Officer, and I am excited to introduce Akshay Naheta, Founder of Distributed Technologies Research, or DTR, who officially joined Bakkt as Co-CEO on March 21st.

Slide 3 – Trading volume

Starting with our Q1 performance, we navigated a slower crypto market following the post-election rally of late 2024 with our total transaction volume reaching \$1.06 billion for the quarter. This represents a 40% sequential decline from our strong Q4 results and 23% below the broader market.

On a year-over-year basis, our performance reflects a more positive story, with volumes growing 23%—outpacing the growth of our broader market benchmark. This achievement is particularly meaningful considering we are comparing against a period that included March 2024's significant activity and price surge driven by Bitcoin ETF purchases and the “meme-coin” rally we saw from SHIB and DOGE. Despite softer market conditions, this volume represents substantial progress for Bakkt as we continue to grow our market presence.

We believe these metrics demonstrate our platform's resilience. While we adjust to current market dynamics, we believe our year-over-year performance relative to the industry demonstrates the strength of our value proposition and expanding customer base.

Slide 4: Q1'25: Financial and operational update

For the quarter:

- Total revenues, net of crypto costs, execution, clearing and brokerage fees decreased 25.9% year-over-year to \$12.6 million.
- Total operating expenses excluding crypto costs and execution, clearing and brokerage fees decreased 36.3% year-over-year to \$31.1 million.
- Net income improved 176.5% year-over-year from a loss to a profit of \$16.2 million.
- Adjusted EBITDA loss (non-GAAP) improved 11.0% year-over-year to \$14.5 million.

From an operational standpoint, we are making progress on our transformation to a pure-play crypto infrastructure company. The sale of Bakkt Trust Company to Intercontinental Exchange is expected to close on or about May 15th and, as mentioned on our previous earnings call, we continue to explore strategic alternatives for our Loyalty business and are in discussions with potential buyers. We believe this represents the best path forward, eliminating ongoing operational losses while focusing our resources on higher-growth and higher-margin opportunities.

These initiatives reflect our sharpened focus on core crypto infrastructure. We are deepening our strength in crypto trading and expect to expand into the stablecoin payments ecosystem through our planned collaboration with DTR—steps that we believe will accelerate our evolution and position us to capture more potential opportunity in the digital asset space.

As Akshay will describe in more detail shortly, we remain committed to disciplined expense management. With our cooperation agreement with DTR signed, and the negotiation of a commercial agreement and integration with DTR underway, we are taking a bottom-up rather than top-down approach to operational efficiency, methodically evaluating each aspect of our business to identify opportunities for improvement while preserving our ability to capture growth. We believe this granular approach will help ensure that we are making strategic decisions about resource allocation without compromising our competitive positioning. During this period of refinement, we are suspending our practice of providing quarterly guidance as we work to finalize the definitive commercial agreement with DTR and complete our optimization review.

Lastly, we have brought on key hires who are seasoned leaders in crypto and payments, Phillip Lord, President of Bakkt International and Ankit Khemka, Chief Product Officer for Bakkt. Akshay will explain a little more about their backgrounds and how they bring tangible value to the table.

[Slide 5 – Bakkt’s strategic vision](#)

With our sharpened strategic focus, I want to take a moment to articulate our vision for Bakkt's future. Through our cooperation agreement and pending commercial agreement with DTR, Bakkt intends to power how businesses and consumers interact with digital payments. We are

transforming to be not just a crypto trading platform, but an essential infrastructure layer for the future of finance. The regulatory tailwinds we are experiencing have created unprecedented opportunities in crypto trading, stablecoin-related payments infrastructure, and agentic commerce. We believe that this favorable environment, coupled with our combination of regulated infrastructure and cutting-edge technology, positions us at the forefront of a multi-trillion dollar transformation in global financial services.

I'd like to now hand over to Akshay Naheta to share more about DTR, and our partnership. Akshay?

Akshay Naheta, Co-Chief Executive Officer

[Slide 6 – Bakkt is enabling programmable money](#)

Thank you, Andy, and thank you everyone for joining us today. I would like to preface my remarks by saying how optimistic I am for the future of Bakkt at this pivotal time as we stand at the cusp of transforming Bakkt into a prime gateway for programmable money. By leveraging our position as a regulated, publicly traded entity with comprehensive license coverage across the U.S., SOC2 compliant tech stack, robust liquidity solutions, and Brokerage-in-a-Box capabilities, I believe Bakkt has a strong foundation to capture the significant opportunities ahead.

In addition, I believe Bakkt's highly sophisticated and trusted infrastructure and regulatory moat give us a competitive opportunity to leverage DTR's stablecoin and AI payments technology, allowing us to enter the global payments and remittance ecosystems. Most excitingly, we believe that the expected integration of DTR's APIs for agentic global payments will harness the power of AI to create intelligent, programmable money solutions that transform how businesses and consumers interact with digital assets in their daily transactions.

[Slide 7 - A pure play crypto infrastructure company](#)

This collaboration aims to transform Bakkt into a pure-play crypto infrastructure company by combining complementary strengths. Bakkt's established regulatory framework and trading capabilities provide the secure foundation essential for institutional adoption and consumer

trust. The planned DTR integration will introduce innovative technology that aims to enable seamless movement of money by bridging national payment rails and currencies with stablecoins. We believe this will result in a powerful convergence of regulated innovation between traditional and decentralized finance, and will create an agentic infrastructure well suited for supporting the next generation of digital commerce at a global scale.

[Slide 8 - Go-to-market](#)

Let me walk you through our go-to-market strategy and implementation timeline. While the commercial agreement is not yet complete, there will be engineering work to integrate DTR into Bakkt, and finalize our ability to secure API-enabled fiat rails in the U.S. This timeline reflects our expectations for a clear, phased approach to bring our combined capabilities to the U.S. market.

The foundation of this partnership will be a comprehensive commercial agreement between Bakkt and DTR, which we expect to complete by Q3 of this year. Significantly, the collaboration agreement already executed by Bakkt and DTR included an option for Bakkt to acquire DTR, creating a potential path to full integration of our complementary technologies and teams.

Following the execution of the commercial agreement, we expect to move into the integration phase, connecting DTR and Bakkt systems across three critical dimensions: risk and compliance frameworks, USD fiat rails, and our payments product suite. We believe this technical integration will create the infrastructure backbone necessary to deliver our enhanced offering.

By Q3 2025, we expect to begin product launch for our early access premium partners. These early adopters will be key strategic clients who can provide valuable feedback and validation as we refine our offering. We believe this careful testing phase will help ensure that we execute successfully. One thing to note: timing of the initial launch will depend on Bakkt securing reliable and efficient API enabled fiat rails in the U.S., and those efforts are actively underway.

By the end of Q3, we anticipate a market-wide launch, extending our integrated offering to the broader marketplace. We believe this phased rollout strategy balances speed to market with

client experience to ensure we capitalize on immediate opportunities while also building for sustainable long-term success.

Slide 9 – Transforming for a future of programmable finance

As we focus the company to capitalize on becoming a gateway to programmable finance, I want to highlight the three key pillars of Bakkt's transformation. As Andy mentioned before, we believe the pending divestiture of our Custody business and our ongoing discussions for divesting our Loyalty business will streamline Bakkt to concentrate on core strengths. In parallel, we expect to implement comprehensive cost reduction initiatives and optimize the efficiency of our organizational structure and technology stack. We believe these initiatives will strengthen our strategic priorities as we emerge as a more entrepreneurial company with scaled trading systems, strengthened leadership, and enhanced capabilities in stablecoins, payments, and agentic AI technology.

Slide 10 - Strengthened executive leadership team

I am excited to introduce these two exceptional leaders to our executive team, bringing world-class experience to accelerate our strategic transformation.

Phillip Lord joins as President of Bakkt International, leveraging his significant growth experience across global platforms, leadership at crypto payments platform Oobit, and extensive involvement in the DeFi space for over 10 years.

Ankit Khemka comes aboard as Chief Product Officer, bringing his expertise in scaling hyper-growth tech companies like Revolut and his proven track record in product innovation across international markets. Both executives bring invaluable expertise in crypto, payments, and global expansion that will be instrumental as we integrate DTR's capabilities and expand our footprint in the programmable money ecosystem.

Slide 11 – Unlocking a future for programmable finance

Now, I'd like to shift our focus to the transformative potential of our collaboration, where we believe Bakkt's regulated infrastructure and DTR's cutting-edge stablecoin and AI technology,

when integrated, will create a powerful combination that has the potential to help redefine digital payments globally.

Slide 12 – Leveraging DTR's strengths

Let me highlight the transformative capabilities we believe DTR will bring to enhance Bakkt's ecosystem. We expect that DTR's technology will integrate frictionless global payments infrastructure with Bakkt's trusted regulatory framework.

DTR's user-centric Intent-Driven architecture works invisibly behind existing interfaces, allowing customers to continue using familiar wallet and messaging systems without disruption. We believe DTR's lightning-fast settlement technology will revolutionize transaction processing, delivering instant FX conversions while maintaining the regulatory guardrails essential in today's environment.

DTR's extensive ION Network, which is anticipated to span more than 90 countries by Q3 2025, will include relationships with local banking partners worldwide, solving the complex puzzle of cross-border payments and regulatory requirements. All of this will operate within a comprehensive Security and Compliance framework that will incorporate industry-leading KYC/AML protocols.

We anticipate that this powerful combination will create a seamless bridge between traditional finance and next-generation digital payments, bringing institutional-grade infrastructure to power the future of programmable money.

Slide 13 - Stablecoins are a disruption catalyst

We believe the payments landscape is on the cusp of a massive transformation, with stablecoins emerging as a key catalyst. The numbers highlight the enormous opportunity in front of us – cross-border payments reached \$195 trillion in 2024 and are projected to hit \$320 trillion by 2032 according to FXC Intelligence. Today, stablecoins command just 3% of this payments market at \$5.85 trillion, but industry projections indicate this share will surge to 20% or \$64 trillion by 2032 – a remarkable growth trajectory driven by three key factors.

One, consumer demand is intensifying for faster, cheaper, and more trustworthy payment solutions, which stablecoins deliver through instant settlement, lower validation-based fees, and blockchain transparency. **Two**, the regulatory environment is increasingly favorable, with the STABLE Act moving through Congress, major institutional players reportedly exploring stablecoin issuance, and **three**, the U.S. positioning itself to become the global crypto capital of the world. We believe this convergence of market size, technological capabilities, and regulatory tailwinds will create an unprecedented opportunity for Bakkt and DTR, when integrated, to capture significant market share in this rapidly evolving ecosystem.

[Slide 14 – Configuring finance with AI and stablecoins](#)

What you're seeing here is the planned architectural blueprint of our technology stack, where Bakkt's regulated infrastructure will serve as the essential bridge between traditional and decentralized financial systems. On the left, we connect seamlessly with TradFi's established payment rails, fiat currencies, and institutional infrastructure, while on the right, we plan to extend into the innovative on-chain ecosystem through AI agents, stablecoins, and plug-and-play APIs and chatbots. We believe this unified approach will eliminate many of the traditional barriers between these worlds, creating a financial system that will combine the regulatory compliance and stability of traditional finance with the programmability, transparency, and efficiency of blockchain technology. By facilitating this convergence, we aim not just to enhance existing financial services, but to enable entirely new capabilities that neither ecosystem could achieve independently.

[Slide 15 – The Agentic future of payments](#)

Through this expected integration, we will create a frictionless, programmable, and fully auditable payment ecosystem that reimagines how transactions are initiated and completed. The process will begin with Agent Triggers, where AI will be able to intelligently initiate transactions based on predetermined conditions or real-time needs with enhanced functionalities through our combined payments infrastructure.

Critical to this system is the Customer Approval checkpoint, which will ensure that, despite AI initiation, humans maintain control through verification requirements - preventing scenarios where AI could autonomously execute transactions uncontrollably. We believe this balance

between automation and human governance will be essential for compliance and responsible deployment.

Bakkt Rails will provide the secure processing layer, leveraging regulated infrastructure to ensure every transaction meets compliance requirements while maintaining the highest security standards throughout the payment journey. The final component, Global Settlement, will deliver instant completion across borders, currencies, and financial systems - eliminating the days-long settlement times typical in traditional cross-border transactions.

Together, these four components aim to create a payment ecosystem that will combine AI efficiency with human oversight, fraud prevention, and regulatory compliance with technological innovation - while dramatically reducing friction in global commerce.

[Slide 16 – Product roadmap](#)

The following products you'll see on this roadmap represent DTR's current capabilities that will be integrated into Bakkt's offerings following the expected signing of our commercial agreement estimated by Q3 2025, with technical integration and testing already underway, which we believe will ensure we are prepared for our expected launch with premium partners in Q3 2025, followed by our expected market-wide launch targeted for the end of Q3 2025.

As previously noted, the timing of the initial launch is contingent on Bakkt securing reliable and efficient API-enabled fiat rails in the U.S.—a process that is actively underway.

[Slide 17 - Bakkt Checkout](#)

Bakkt Checkout will represent our gateway solution for merchants to seamlessly integrate stablecoin payments into their existing commerce infrastructure. We expect that this product will enable merchants to accept stablecoin payments with real-time confirmations, significantly lower fees compared to traditional payment processors, and instant settlement directly into fiat currency in over 46 countries. We will design this solution so that implementation is remarkably straightforward – merchants simply add crypto as a payment option to their checkout page, and our system will handle all the complexity of blockchain transactions, currency conversions, and regulatory compliance behind the scenes. As you can see from the illustrative interface on the

right, we have designed the customer experience to be intuitive and familiar, such that paying with stablecoins is as simple for the consumer as any traditional payment method while delivering significant efficiencies.

[Slide 18 - Bakkt Agent](#)

Bakkt Agent will be our white-label AI-powered plug-in that will transform any messaging interface with just a few lines of code into a programmable money box. We expect that this solution will deliver a native experience that uses existing app interfaces, eliminating the need for users to download new wallets or learn complex crypto workflows. The core functionality will enable chat-based transfers where users can send, receive, and convert funds through natural interactions like voice commands, text messages, or even images. The intended result will be seamless global money movement, permitting transfers of both fiat and stablecoins worldwide through the familiar conversational interfaces people already use. Our design will ensure that developers can quickly integrate this powerful functionality into their existing applications with minimal technical overhead, dramatically reducing time-to-market for advanced payment capabilities.

Thank you for your time today as we have outlined our vision for the future of Bakkt in the world of programmable money. Looking forward, as we continue to further strengthen the leadership team, launch new products, and sign up new customers and partnerships, I believe that we are poised to accelerate sustainable growth thereby unlocking significant value for Bakkt's customers and shareholders.

Now, I'll pass it to Karen for her review of Bakkt's financials for the first quarter.

Karen Alexander – Chief Financial Officer

[Slide 19: Financial results](#)

Thank you, Akshay. I will now walk you through Bakkt's first-quarter KPIs and financial results. As a reminder, in accordance with GAAP, we present crypto services revenue and crypto costs and execution, clearing, and brokerage fees on a gross basis, as we are a principal in the crypto services we provide our customers. By contrast, we are an agent in the loyalty redemption

services we provide our loyalty customers. Therefore, loyalty revenue is presented on a one-line net basis.

Slide 20: 1Q25 KPIs

Starting on slide 20, I'll walk you through our Q1 KPIs, which provide insight into the underlying trends driving our business. We concluded the first quarter with 6.8 million crypto-enabled accounts, demonstrating continued steady growth over the past 12 months despite the broader market volatility.

Regarding transacting accounts, we recorded a total of 777,349 active accounts in the first quarter, segmented into 377,679 loyalty redemption accounts and 399,765 crypto trading accounts. While this represents a sequential decline from Q4 2024, it aligns with the broader crypto market's cooling period following the exceptional activity we experienced in the fourth quarter driven by post-election optimism. The year-over-year comparison was relatively flat.

As Andy highlighted earlier, our notional volumes reflected the market's moderation after last quarter's record-breaking performance. Total notional volume for Q1 reached \$1.21 billion, comprising \$1.06 billion from crypto trading and \$153 million from loyalty redemptions. Our crypto volumes underperformed market benchmarks on a sequential basis but outpaced the market on a year-over-year comparison, demonstrating our resilience over longer timeframes. Loyalty redemption volumes declined both sequentially and year-over-year.

Finally, assets under custody at our custodian partners for our brokerage business totaled \$1 billion 873 million at quarter-end. This represents an 18.7% decrease from the previous quarter but a 52.5% increase year-over-year, with movements primarily driven by fluctuations in underlying crypto asset prices rather than significant changes in customer holdings.

Slide 21: 1Q25 Revenues

On slide 21, we show our total revenue broken out between our crypto and loyalty products. Total revenue for the first quarter of 2025 was \$1.08 billion, up 25.8% year over year and down 40.2% sequentially. Gross crypto services revenue for the quarter was \$1.07 billion up 27.7% year over year and down 40.3% sequentially. As noted earlier, the sequential decline in gross

crypto services revenue reflects the market's moderation after a record-breaking performance in the fourth quarter of 2024, while the year over year increase demonstrates the improved market sentiment we have seen in crypto since the fourth quarter of 2024.

Crypto services revenue, net of crypto costs and execution, clearing, and brokerage fees, or ECB, totaled \$3.5 million, reflecting a 5.4% decrease year-over-year and a 47.8% decrease sequentially.

Net loyalty revenues were \$9.2 million, down 30.3% year-over-year and 17.1% sequentially. Of this amount, loyalty transaction revenues contributed \$5.0 million while subscription and service revenues were \$4.2 million. The year-over-year decline was primarily related to the exit of a loyalty client in 2024, as well as reduced volume-based services revenue and transaction volume.

[Slide 22: 1Q25 operating expense](#)

Moving to slide 22, total operating expenses for the quarter were \$1.09 billion, including \$1.06 billion of crypto costs and ECB which are correlated to crypto trading volumes.

SG&A expenses were \$3.8 million, down 51.3% year-over-year and 19.1% sequentially, driven by reductions in insurance, marketing and promotion, and occupancy costs.

Total compensation expense was \$17.8 million, down 27.3% year-over-year and up 17.1% sequentially. The year-over-year decline reflects lower salaries, wages and benefits driven by our restructuring actions in 2024. The sequential increase in compensation expense is driven by a migration away from cash bonuses towards stock-based incentive compensation. Our Q4'24 results included a \$4.0 million reversal of cash bonus accrual reflecting the change in compensation strategy that did not repeat in Q1'25.

[Slide 23: 1Q25 condensed P&L](#)

Turning to slide 23, we present our condensed profit and loss statement. Net income for the quarter was \$16.2 million, up 176.5% year-over-year, improving from a loss of \$21.3 million for the last year. \$8.5 million was attributable to the non-controlling interest in the operating

company and \$7.7 million attributable to Bakkt Holdings, resulting in an income of \$1.18 per basic share on an average share base of 6.4 million shares.

Slide 24: 1Q25 condensed balance sheet

On slide 24, we have our condensed balance sheet as of March 31, 2025. We ended the quarter with \$23.0 million in cash and cash equivalents and \$22.8 million in restricted cash, including, after taking into account the \$5 million draw on the ICE line of credit in the quarter. Cash and cash equivalents decreased by \$16.0 million in Q1. Excluding the \$5 million draw on the ICE line of credit, we utilized \$23.1 million of available cash in the first quarter of 2025.

As Andy mentioned, the sale of our Trust business is now listed as an asset for sale on our balance sheet, for \$3.5 million. The closing of that transaction is expected to occur on or about May 15.

Slide 25: 1Q25 adjusted EBITDA (non-GAAP)

On slide 25, we have our adjusted EBITDA for the first quarter of 2025. Adjusted EBITDA reflects adjustments for certain non-cash and restructuring, and transaction-related items that impacted the period. Adjusted EBITDA for Q1 2025 was a loss of \$14.5 million. The year-over-year improvement in Adjusted EBITDA loss, which narrowed by 11%, was primarily due to the overall decrease in compensation and benefits and SG&A expenses, partially offset by an increase in professional fees.

Thank you everyone, that concludes the prepared remarks section of our first quarter 2025 earnings call.

I will now pass it back to Cody for closing.

Slide 26: Closing

Cody Fletcher, Orange Group Advisors, Investor Relations

Thank you, Karen, Andy, Akshay, and everyone for attending our earnings call. We look forward to connecting with you again soon.

Operator: Ladies and gentlemen, this concludes our event. You may now disconnect. Thank you.