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BitGo Holdings (Q2 2026 Earnings)

BitGo Q2'26 Earnings Call

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CORPORATE SPEAKERS:

Rachel Dai
BitGo Holdings; Head of Investor Relations
Michael Belshe
BitGo Holdings; Co-Founder & Chief Executive Officer
Edward Reginelli
BitGo Holdings; Chief Financial Officer

PARTICIPANTS:

James Yaro
Goldman Sachs; Analyst
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Citi; Analyst
Steven Wahrhaftig
Wedbush Securities; Analyst
Cassie Chan
Wells Fargo; Analyst
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Mizuho; Analyst
George Sutton
Craig-Hallum; Analyst
Nathan Frankovitz
Cantor Fitzgerald; Analyst
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Compass Point; Analyst
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Rosenblatt Securities; Analyst
Brian Dodson
Clear Street; Analyst

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PRESENTATION:

Operator^ Ladies and gentlemen, thank you for standing by. My name is [Abbie] and I will be your conference operator today. **At this time, I would like to welcome everyone to the BitGo Second Quarter 2026 Earnings Conference Call.**

All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question-and-answer session. (Operator Instructions)

I would now like to turn the conference over to Rachel Dai, Head of Investor Relations.

You may begin.

Rachel Dai^ Thank you. And good afternoon everyone.

Our remarks today will include forward-looking statements. These include statements about our operating outlook, financial condition, business strategy, market opportunity and future plans. Actual results may differ materially from these statements.

Information about risks and uncertainties appear in our SEC filings risk factors in our annual report on Form 10-K and our quarterly reports on Form 10-Q. The forward-looking statements we make today reflect our views only as of today. We undertake no obligation to update them except as required by law.

We will also discuss GAAP and non-GAAP financial measures.

A reconciliation of each non-GAAP financial measure to the most directly comparable measure calculated in accordance with GAAP is contained in our earnings release and investor presentation, each of which is available on the investor relations section of our website at investors.bitgo.com.

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Non-GAAP measures should be considered in addition to and not as a substitute for GAAP measures.

Joining me today are Mike Belshe, Co-Founder and CEO, and Ed Reginelli, CFO. Mike, over to you.

Michael Belshe^ Thank you, Rachel.

Thank you, all for joining us today. BitGo continued strengthening its institutional platform during the second quarter.

We grew our assets on platform, deepened client relationships, and sharpened our operating model to support continued investment in the capabilities that make our infrastructure more valuable to clients and the broader digital asset ecosystem.

That said, our Q2 financial performance fell short of our expectations.

While we delivered revenue growth, profitability was impacted by lower margins and an unfavorable revenue mix.

In digital asset sales, gross trading increased, but lower spreads on certain spot transactions and a lower contribution from derivatives reduced overall margin.

In staking, revenue increased sequentially as a large institutional client added significant activity at a lower take rate.

At the same time high margin transaction-based revenue from another large client declined, resulting in a lower overall take rate.

While these factors impacted our financial results this quarter, they do not change our long-term conviction in the business or the opportunity ahead.

Our priority now is to translate that continued platform growth into stronger financial performance.

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We took actions in the areas that we can control.

We lowered our cost base, we sharpened our investment priorities, and concentrated resources on the capabilities with the clearest client demand and economic potential.

At the same time we remain committed to innovating in areas that we believe will support BitGo's long-term growth. Ed will discuss the financial drivers in more detail in his section.

Looking at the next slide, I want to focus on the growth of the underlying platform.

And to provide context, let me frame the market that we operated in. The second quarter was difficult across all of crypto. Total crypto market capitalization fell 13% from about $2.4 trillion to about $2.1 trillion in a third straight quarterly decline in the lowest level since September.

Additionally, Bitcoin was down about 14%, industry-wide trading volumes declined more than 20%, and volatility held at multi-year lows. The results reflected that backdrop.

While revenue grew, lower margins and unfavorable revenue mix pressured profitability, and Ed will walk you through how that impacts BitGo going forward.

But the story of the quarter is the platform.

While the market contracted, in a quarter when the industry shrank, we gained market share, expanded our client base, and grew both normalized assets on platform and normalized assets staked on a sequential and year-over-year basis to approximately $65 billion and $12 billion respectively. These metrics are important because they reflect continued adoption of the BitGo platform.

As assets on platform increase, they create more opportunities to expand the number of services and workflows they rely on over time.

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That expansion is central to our land and expand strategy. Custody is typically where the relationship begins. From there, clients increasingly adopt additional capabilities such as trading, staking, financing, settlement, treasury services, and other workflows that allow them to operate on a single institutional-grade platform. Every additional workflow strengthens the client relationship, increases wallet share, and expands the long-term value of that customer relationship.

While they don't always translate into revenue on a 1-quarter basis, they provide the foundation for long-term growth.

The other area I want to highlight is the discipline we brought to the operating model during the quarter.

We focused our investment priorities and resources behind our highest value growth initiatives.

As part of that effort, we reduced our workforce in June and streamlined the organization.

We have also identified other cost reduction initiatives including the repatriation of node infrastructure to reduce public cloud costs. Together, these savings are expected to generate approximately $15 million of annualized cash savings beginning in Q3.

We expanded the use of AI across our entire business, particularly in engineering and operations, where we're already seeing measurable productivity gains.

Today autonomous AI agents are fully resolving approximately 20% of engineering issues each month, with every single change still reviewed by our human engineers.

In client support, AI now provides the first response to roughly 17% of all inbound support tickets, improving response times and reducing support costs.

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We're also increasingly using AI-assisted development to build internal software tailored specifically to BitGo's needs based on vendor assessments. More than 40% of code is AI-generated or assisted.

We got there deliberately with human review and custody-grade controls at every step.

The pace is accelerating with throughput up 220% in the last quarter alone.

We believe over time this will drive more top-line results and maintain a better cost structure that will increase BitGo's earning power.

Looking ahead, building a more efficient and high-performance organization is an ongoing process, and we'll continue looking for opportunities to improve our operating leverage over time. Together, these actions strengthen our cost structure, improve execution, and allow us to continue investing behind our highest priority strategic initiatives.

Importantly, while we have strengthened our operating model, we've continued investing in the capabilities that make our platform more valuable to clients. A good example is our recently announced Quantum Risk Management capabilities for Bitcoin wallets.

As institutional adoption continues to accelerate, quantum risk has emerged as a major area of concern for many institutions.

While much of the industry remains focused on future standards, BitGo has already moved from discussion to execution, delivering quantum risk solutions that institutions can deploy today.

At BitGo, security is much more than just a feature.

Every improvement we make to security strengthens the value proposition of our entire platform.

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It reinforces client trust, differentiates BitGo in the market, and makes custody an even more compelling entry point for new institutional relationships. That philosophy extends well beyond quantum security. Every investment we make, whether in security, compliance, operations, or new capabilities, is designed to strengthen the full platform because a stronger platform helps us win more clients. And as those clients deepen their relationship with BitGo, they increasingly adopt additional services that can help them securely access and participate in the digital asset ecosystem.

That's the land and expand flywheel that drives our business. Everything I've shared so far reflects how we're strengthening the BitGo platform today.

Looking ahead, we see three important trends reshaping the future of financial infrastructure.

First, regulatory clarity continues improving across many of the markets we serve, enabling institutions to move from evaluating digital assets towards deploying capital and building products.

Stablecoins are increasingly becoming mainstream.

Today U.S. dollar stablecoins represent more than $300 billion of circulating value and continue expanding into payments, settlement, and treasury applications. Third, tokenization is moving from concept to production. More than $35 billion of real-world assets have already been tokenized, and we believe we're still in the very early stages of that adoption curve. These aren't independent trends.

As regulatory frameworks mature, stablecoins scale and tokenized assets become more widely adopted, they enable a more global, always-on, 24/7 financial system where value moves seamlessly across institutions and jurisdictions on digital rails.

For BitGo, every dollar that moves onto digital rails expands the need for our critical regulated infrastructure. That's why we believe our addressable market will continue to grow significantly.

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As this slide illustrates, BitGo sits at the intersection of these three rapidly developing markets. Every institution entering these markets will require trusted, regulated infrastructure to securely custody assets, move value, and perform financial activity.

That is what underpins the long-term opportunity for BitGo. No one can predict precisely which networks, protocols, or business models will ultimately emerge as leaders.

We have deliberately built BitGo so that our success does not depend on making that prediction.

As institutions continue to adopt digital assets, stablecoins, and tokenized markets, they will require secure custody, compliant asset movement, and trusted settlement infrastructure.

Our role is to provide that critical infrastructure regardless of which assets, networks, or applications ultimately succeed.

This positions us to capture growth and serve clients across multiple potential market outcomes.

We are already supporting institutions as these markets move from experimentation towards production. Across different networks and issuance models, we provide the qualified custody, compliant asset movement, trading, collateral, and settlement capabilities they need to operate at scale.

One example is our work with the DTCC, one of the world's most important financial market infrastructure providers and the backbone of U.S. securities market.

Its move towards tokenized securities represents an important milestone for the broader adoption of digital financial infrastructure.

We're proud to provide the wallet infrastructure supporting the DTCC tokenization initiative.

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In July, the first U.S. transactions using DTCC tokenized assets were successfully processed, marking an important step ahead of the platform's full production launch. This is not an isolated example.

BitGo also serves as the sole qualified custodian for the Canton network, supporting DTCC's tokenized equity initiative, and the sole custodian for Figure's open network tokenized equities platform as additional examples. These partnerships demonstrate that institutions are increasingly selecting BitGo's regulated infrastructure as they move digital assets, stablecoins, and tokenized securities into production. Everything we've discussed today ultimately comes down to one thing, continuing to strengthen the BitGo platform and extending our leadership in institutional digital asset infrastructure.

Our approach to product development has always been disciplined.

We don't build products to chase headlines or every new trend.

We invest where we see durable client demand and where we believe we can meaningfully strengthen our platform over the long term. To make that more tangible, I'd like to walk through two examples.

Before I begin, I want to note that the following demonstrations are for illustrative purposes only and do not constitute an offer to sell or a solicitation to offer or buy any security. The availability of these capabilities may be subject to applicable securities laws and regulatory approvals.

First, demonstrate how BitGo is building the underlying infrastructure for tokenized equities, bringing together regulated custody, on-chain ownership, and capital markets infrastructure in a way we believe will become increasingly important as traditional financial assets move on to digital rails.

Then I'll highlight our recently announced quantum resistant wallet capabilities. Quantum computing has been a growing concern for our institutional Bitcoin holders. And rather than waiting for future standards, BitGo has already introduced

tools that help clients to identify, measure, and reduce quantum exposure today. Whether these examples illustrate how we're continuing to expand the BitGo platform, not by adding features for the sake of it, but by solving real customer problems for institutional clients and reinforcing the foundation for our next generation of financial markets. To show how these capabilities come together, let me walk you through something live.

For most of our financial history, owning a share meant holding a piece of paper. Whoever held the paper owned the equity. That worked at small scale, and it broke catastrophically at large scale.

Today stocks are moving on-chain, for the same reason money and everything else is going digital. The real question is, what structure wins when they do?

What I'm about to show you is our answer, and it brings together several things that, until now have lived in separate worlds. A real publicly listed security, qualified custody at a federally regulated U.S. trust bank, and self-custody on-chain entitlement that you hold yourself, assembled in real time on one platform. To our knowledge, no one has put all of these together on a real listed stock live until today.

What you see in front of us is my logged-in account in BitGo.

I'm going to place an order to buy 100 shares of SpaceX, our tokenized entitlement representing SpaceX shares that are held at BitGo Bank and Trust.

Once submitted, the trade occurs on the open public market at competitive pricing through our clearing relationship. The trade is executed and now we have an additional 100 shares of SpaceX, represented as GoSpaceX tokens in my account. BitGo Bank and Trust has a fiduciary duty to hold the underlying share on your behalf.

I can always direct BitGo to sell the underlying shares on my behalf using the order type of my choice.

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From here, I can hold it, move it amongst my own wallets, or as I'll show next, I'll put it to work as collateral.

So let's go apply for a loan.

Instead of selling my SpaceX position, I will borrow using it as collateral.

For this demonstration, I'm going to choose to borrow SoFi USD, a stablecoin issued by SoFi Bank in partnership with BitGo.

I'm going to borrow $20,000 and submit my request.

BitGo Prime evaluates the loan, pricing the collateral against current market conditions, and then returns these terms. All right, the loan is approved.

I now need to pledge X amount of GoSpaceX as collateral, and it looks like 203 is required.

And then I'm going to enter my password here and pledge it.

We'll receive our SoFi USD shortly as a deposit into my account without ever selling the underlying position.

And we've now received our SoFi USD balances, here's that SoFi USD that we just received. All right.

So I think what we've done here is pretty amazing.

In just a few clicks, we've orchestrated a complex financial transaction across three different financial systems.

First, we access the capital markets to tokenize a stock purchase in real time.

Second, we put that tokenized asset into qualified custody at a regulated U.S. national bank.

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Third, we issued a loan against that asset in the form of a regulated U.S. stablecoin from SoFi. That's the core GoStocks loop.

Buying, holding your own wallet and borrow against it. Real ownership made usable. GoStocks are entitled to the full economic benefit of the underlying share including corporate actions, dividends, voting and more, so that holding a GoStock never means giving up the rights that come with owning the real thing.

This is just the foundation.

We're building towards a much broader set of capabilities on top of it, off-market transfers, letting enterprises move GoStocks directly to one another over BitGo's Go network, permissioned DeFi, so self-custody holders can access on-chain liquidity and lending without routing through a centralized exchange, and a global token layer extending the same real ownership model to non-U.S. holders through synonymous tokens, all with the same real ownership model while keeping a regulated custodian in the chain, never sacrificing the entitlement for openness. Today's demo is buy and borrow. Tomorrow, it's a completely on-chain equity platform built on real ownership from the ground up. The second example focuses on a very different challenge, but one that's been increasingly important.

As we've discussed, security remains foundational to digital assets, and quantum computing has become a growing area of focus for institutions with long-term Bitcoin holdings.

Rather than waiting for future industry standards to emerge, BitGo has taken a different approach. AptiCore is our quantum resistance score, which allows clients to measure how much of their Bitcoin may be exposed to future quantum risk using publicly verifiable blockchain data. Where exposure exists, client can remediate it with one single action by moving assets to fresh addresses while preserving the same ownership, policies and security controls. Behind the scenes, we've also redesigned how Bitcoin transactions are constructed. Every transaction is quantum aware by default, automatically reducing exposure over time without changing the client experience.

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In our view, the best security enhancements are the ones that clients don't have to think about.

Importantly, we're not stopping there.

We're continuing to invest in post-quantum cryptography, next generation MPC infrastructure and future blockchain security standards, so that BitGo remains prepared as the industry evolves.

What makes this significant is that quantum readiness is increasingly becoming part of the due diligence process for ETF issuers, corporate treasuries, and other long-term institutional Bitcoin holders. That's another example of how we continue strengthening the BitGo platform, solving tomorrow's institutional challenges, before they become today's requirements.

The two examples we just walked through aren't really about individual products. They're examples of what becomes possible after more than a decade of building institutional digital asset infrastructure. Neither tokenized equities nor quantum resistant wallets could exist as standalone applications. They require regulated infrastructure, secure custody, deep engineering expertise, and an institutional platform that brings all those capabilities together. That's what drives BitGo's platform advantage.

Our advantage isn't any single product, it's the combination of regulatory infrastructure, technology and institutional network that allows us to earn client trust, continuously expand client workflows and create stronger economics over time. That's the business model. Everything I've discussed today is ultimately designed to support one objective, building deeper institutional relationships over time.

Institutions typically begin with custody, but they rarely stop there.

As their digital asset businesses grow, they need trading, settlement, financing, staking, stablecoin infrastructure, tokenization, and other capabilities.

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Because those services are built on the same integrated platform, each individual workflow strengthens the client relationship while increasing the revenue per client, improving retention, and creating operating leverage. The digital asset industry has never developed in a straight line.

We've now operated through multiple market cycles and each one has expanded institutional adoption, strengthened the ecosystem and created new opportunities for infrastructure providers. Throughout those cycles, BitGo has continued to grow its clients, assets on platform and product capabilities, positioning us to benefit as institutional participation continues to accelerate.

We believe BitGo is uniquely positioned to not only participate in that long-term growth, but to help define the infrastructure that enables it.

Now before we turn it over to Ed, I'd like to share an update regarding our leadership team.

You may have already read in today's earning release, Ed will be transitioning from his role as Chief Financial Officer during the coming quarter.

On behalf of everyone at BitGo, I want to thank Ed for his leadership and the many contributions he's made to the company. He's been an important part of our growth and our evolution. Ed will remain with the company to help a smooth and orderly transition, and we'll provide an update on our succession plans at the appropriate time.

With that, I'll turn it over to Ed to walk through our financial results in more detail and our Q3 outlook.

Edward Reginelli^ Thank you, Mike. And good afternoon, everyone.

I'll start with the consolidated results, then cover our major offerings, the balance sheet, and then the outlook for Q3. Total revenue for the quarter was $4.3 billion, increasing 14.7% sequentially and 79.6% year-over-year. Direct costs were

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approximately $4.3 billion, up 15.1% sequentially, and 80.8% year-over-year. GAAP net loss was $19 million, compared with a net loss of $60.7 million in Q1.

The sequential improvement primarily reflected a smaller, unrealized mark-to-market loss on digital assets and lower compensation and benefits expense. Q2 included an $18.8 million unrealized loss on digital assets compared with a $53.7 million unrealized loss in Q1.

Share-based compensation expense was $3.6 million compared to $11.2 million in the first quarter, primarily reflecting the absence of the one-time IPO-related share-based compensation expense recognized in Q1. Adjusted EBITDA was a loss of $4.2 million, compared with a loss of $1.7 million in the first quarter and a profit of $3 million a year ago. The sequential decline primarily reflected lower economic contribution from digital asset sales and staking as a result of lower overall margins and take rates, partially offset by lower cash compensation and professional fees.

Breaking those results down by offering, I'll begin with digital asset sales. Revenue was $4.2 billion, up 14.7% sequentially, and 84.3% year-over-year. After removing digital asset sales costs, overall quarterly margin was approximately $7.1 million.

While overall digital asset sales volume increased during the quarter, we experienced lower trading margins and a lower derivatives volume.

As we discussed on last quarter's earnings call spot trading revenue is recognized on a gross basis, whereas derivative revenue is recognized on a net basis.

Changes in the product mix between spot trading and derivatives can have a meaningful impact on reported digital asset sales revenue and the associated margin.

As a result, our overall digital asset sales margin decreased to 17 basis points compared to 32 basis points in the first quarter and 19 basis points in the prior year period. Turning next to staking, our revenue is $64.7 million, up 30.9% sequentially, but down 28.8% year-over-year.

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Staking fees were $60.8 million, resulting in a take rate of 6% compared to a take rate of 16.1% in Q1 and 10% one year ago. Normalized assets staked increased 3% sequentially and 36.1% year-over-year.

Sequential increase in revenue was driven primarily by substantial new staking activity from a large institutional client.

While this relationship contributed meaningfully to revenue growth, it carries a lower contractual take rate compared with our historical average.

In addition, we experienced softer revenue contributions from another large client which also weighed on overall margins.

Staking economics will continue to vary based on client, token, validator, and transaction mix.

Our focus is on continuing to grow the asset base while improving the mix of higher value activity over time.

The next component is subscriptions and services, where revenue was $27.5 million, up 7.7% sequentially, and up 8.5% year-over-year. The sequential increase reflected continued client growth and activity, together with increased project-based ecosystem and implementation work. Customer priority is to convert more of those relationships into recurring multi-product revenue. Rounding out our business line review is Stablecoin as a Service, where revenue was $38.8 million, up 1.7% sequentially and 148% year-over-year.

Stablecoin sponsor fees were $35.7 million, resulting in a take rate of 8% compared to 7.4% in Q1 and 2.6% one year ago.

Sequential growth was supported by higher reserve balances and fixed monthly fees from newly supported stablecoin programs. The pipeline is healthy and we continue to see opportunities to expand the number of stablecoin programs supported by the platform. Turning now to expenses. Expenses excluding direct costs were $59.9 million, down 13% sequentially and up 38.9% year-over-year. The sequential decline

was primarily driven by a 27.6% decrease in compensation and benefits expense from $40.8 million to $29.5 million, reflecting the normalization of IPO-related share-based compensation, together with lower cash compensation.

Professional fees also declined sequentially. Compared to the prior year, operating expenses increased primarily due to higher employee-related costs to support platform growth, as well as additional legal and administrative expenses associated with becoming a public company.

During the quarter, we also recorded a $1.3 million restructuring charge related to the workforce reduction implemented at the end of Q2. The $9 million of annualized cost savings from this restructuring and the additional $6 million of annualized cost savings from other initiatives are expected to begin benefiting our operating results starting in the third quarter.

On the balance sheet, our positioning remained strong.

We ended the quarter with $159 million of cash and cash equivalents and continue to maintain a balance sheet with no corporate level debt.

In addition, our corporate treasury held 2,523 company-owned Bitcoin with a fair value of approximately $148 million as of the end of the quarter.

Our capital allocation priorities remain maintaining regulatory and operating liquidity, supporting client activity, funding selected organic investments and strategic opportunities, and returning capital when appropriate.

In June, our board authorized a share repurchase program of up to $50 million. Repurchases are discretionary and will depend on market conditions, liquidity, regulatory capital requirements, and other uses of capital.

Finally, before moving on to guidance, I'd like to clarify that all IPO lockup restrictions expired on May 15, 2026. To close, I'll review our outlook for the third quarter. Digital asset market conditions remain challenging entering the quarter.

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Our outlook assumes that the market activity and digital asset prices remain broadly consistent with recent levels.

For digital asset sales, we expect reported revenue to be relatively flat versus Q2 performance, reflecting a similar product mix between spot and derivatives.

For staking, we expect revenue to remain broadly consistent with the second quarter.

For subscriptions and services, we expect sequential growth, supported by continued client activity and project-based ecosystem and implementation work.

For Stablecoin as a Service, we expect modest sequential growth, supported by increased reserve balances from existing issuer programs and continued client adoption.

We expect expenses, excluding direct costs, to decline sequentially, reflecting the benefit of the workforce reduction and other cost reduction efforts across the organization that Mike highlighted earlier.

Before we open it up for questions, I want to say how grateful I am for the past six years.

It has been a privilege to be here to help build this company and I'm proud of what our team has accomplished together. BitGo's journey is far from over, and I look forward to continuing to work alongside this team through the transition and supporting the company's next chapter.

With that, Operator, please open the call for questions.

QUESTION & ANSWER:

Operator^ We will now begin the question-and-answer session. (Operator Instructions) Our first question comes from the line of James Yaro with Goldman Sachs.

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James Yaro^ Mike, I was hoping you might be able to talk a little bit about custody business market structure and digital assets going forward. Do you expect to see substantial consolidation in crypto custody providers?

I guess do you think we should see only a few custody providers over time like we have in traditional securities markets, a different market structure or something else, and perhaps why?

Michael Belshe^ Thanks James, good to hear from you.

Let's see, in terms of number of custodians, I guess it's I think too early to call how many there will be. Right now it does seem like a lot of folks want to get into the space and do digital asset custody direct.

As market structure comes in, obviously it's going to consolidate on a few players.

But also this is a global market. So being that it's a global market, it's not going to be just a U.S. regulated thing.

It's going to be regulated differently kind of all around the world.

So look, from BitGo's point of view, this is why we are excited and happy to be an infrastructure provider at multiple layers of the stack.

We've got clients that take our technology where it's self-custodial to them but then they can put it into a custodial manner under their licensing of whatever that be in their jurisdiction.

We could provide custody direct. We could provide sub-custody to another custodian, et cetera.

Then how this kind of shakes out over time I mean I think we'll see how it goes.

It's probably just too early to call. The other thing that's happening, of course is we're digitizing everything, right?

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So we have had a lot of excitement about crypto over the last decade.

Then now we're talking about real world assets which have grown tremendously $30 billion, $40 billion in size today.

Then we've got the U.S. equities markets and potentially others coming on-chain as well. Exactly how that's going to shake out, kind of on a global basis, I don't know.

BitGo's technology and BitGo's business should be well poised in all of those scenarios.

James Yaro^ Just maybe one other one on regulation. The CLARITY Act does appear less likely to pass in the very near term.

We do have the SEC innovation discussed recently in the news as potentially coming out.

Could you just discuss your view for how tokenization could evolve if we don't have a CLARITY Act that passes in the near term and what the SEC's innovation exemption would mean for tokenization and growth?

Michael Belshe^ Sure. Let's see.

First off, actually, BitGo might be in some way selfishly better off without clarity.

That's because we know how to operate this and we understand the risks that we're taking and been doing it for a dozen years and we feel very comfortable with what we're doing.

We're doing it with some of the best regulators here in the U.S. and abroad. They're comfortable with what we're doing.

So we think we can continue to operate. The sad part about not getting clarity is really for consumers and investors.

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It means there's going to be fewer participants.

It means that some of the traditional players that might have been willing to come in with a clarity kind of oversight will say hey, maybe we'll wait for a CLARITY Act to fully pass.

So I think it just delays things overall. I think that's negative for U.S. markets if it can't get done.

I'm still optimistic it will get done.

I wouldn't say that I'm expert or interested enough in the politics side of what's going on in order to weigh as to whether it will win or not.

But look, I think BitGo will do just fine globally, also remember we've got custodians who operate around the planet.

It could be that we start to see other jurisdictions become better for digital assets and then those markets will move there. Prior to the current administration coming in and providing a lot of pathways for digital assets, you know we had been building outside the U.S.

It's part of why our trade accelerated in 2026.

It was because, you know we had been building that assuming we wouldn't have had such a good tailwinds, as we ended up with under the new administration.

So either way the digital asset industry is going to keep going forward. There's really no way to stop this.

It's happening at a large level right now.

James Yaro^ That's very helpful. Thanks a lot.

Operator^ Our next question comes from the line of Peter Christiansen with Citi.

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Peter Christiansen^ Nice demo, Mike. That looked real sharp.

I wanted to ask about the quantum resistant wallets. How much do you see this as a competitive feature?

Is this something that is like an upsell type of product, or is it more broadly available across the BitGo platform?

Just trying to get a sense of how this could help drive incremental share.

Michael Belshe^ Look, actually, it's inspired to some degree by this process.

So BitGo, I think is one of the early, I know Coinbase was out public earlier than us, but being out on the roadshow one year ago, heard from all these investors that really haven't been very close to digital assets previously because we didn't have a climate that was conducive to all of this.

They're asking about quantum, quantum, quantum.

I was really surprised by it. My personal fear about the quantum threat is very low.

However, I think it's imperative upon us that are in the industry to go and help pioneer and make sure that we can satisfy, you know mitigations against those fears and help people understand.

So it's a very simple thing that we're doing. We would be happy to have every single wallet on the planet do exactly what BitGo is doing.

So in terms of a competitive advantage, no, it's not intended to be a competitive advantage.

But I think BitGo's poised well to do this. It gets down into the technicals of Bitcoin which probably isn't appropriate for this call.

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But we've been kind of on the front edge of how you do spending inside of a Bitcoin wallet for a very long time. All this is, is we're changing that.

Instead of being prioritized towards low, low fees, instead we prioritize towards quantum resistance.

It turns out the fee difference is pretty minimal.

And look, every lawless should be doing this.

I think it's a really simple approach that we can take as an industry to ease the fears that some people have about quantum computing. And by the way I don't want to take away there's still more to be done on quantum computing.

It's just that if you put your assets today into a BitGo wallet and you watch your quantum resistance score, you actually are not vulnerable holding your assets in that wallet if a quantum computer were to come online tomorrow.

Peter Christiansen^ That's helpful.

Then I'm just curious if you could just take us through some of the puts and takes on the stablecoin-as-a-service take rate, is that transaction activity, you know minting and redemption fees or is that just a larger flow balance, just if you could help us parse through some of those dynamics. Thank you.

Michael Belshe^ Sure, on the stablecoin we primarily generate our fees off of the balance inside of the stablecoin.

I think all signals look really good as an industry.

I mean, you can see it kind of all around.

Obviously, it's competitive with other stablecoins that may not be at BitGo, but overall we feel like we're growing at a reasonable rate and we're seeing continued adoption and continued growth on stablecoins.

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Operator^ Our next question comes from the line of Steven Wahrhaftig with Wedbush Securities.

Steven Wahrhaftig^ I specifically want to talk about the competitive landscape because we're starting to see a lot more competitors really go after kind of the custody market, the stablecoin market overall, the tokenized equities.

So how are you looking to position against some of these newer competitors and then also some of the existing competitors that are starting to really expand more across their portfolios as well?

Michael Belshe^ Sure, thanks for the question.

But overall, I think we're poised pretty well. If you look at our normalized assets on platform, I think the results speak for themselves.

We're adding billions of dollars of asset on a quarter by quarter basis, and we've done that for the last several quarters.

What BitGo's been doing here is not just the custody components, but the full stack around it.

So there's literally, if you're looking at the bottom of the stack, there's no other provider that's got the full complement of self-custody plus custody.

If you want to look at the top of the stack, we've got a really robust set of services on top. Trading gets you better fees.

Staking gets you better fees. Lend and borrow and things above that.

The new entrance, they're going to have to kind of build all of those things.

I think BitGo's been doing it for a while and it's very well proven.

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So I think we'll do well there.

On the tokenized equities front which you mentioned, BitGo took the time and I hope it came out in the demo, to do it in a way that you can build as a financial foundation, so to speak.

So the early entrance into digital or tokenized equity has been offshore vehicles, non-tradable in the United States, et cetera.

And frankly, you don't really know what that is. You can't use it as collateral because you can't perfect.

What BitGo's done here is its entitlements, this is UCC Article 8, it's a tried and true thing, it's been done for I guess several decades now inside of the traditional financial system.

So we're leveraging that. These are actually shares that you own and you can use them as collateral.

It is perfected security and we can grow from there.

So we think that we took the time to get the foundation right, and in part that's thanks to having had the OCC, you know National Trust Bank Charter. That's where we do the qualified custody. That allows us to kind of grow this business. Not that many have it.

Now there's a lot of people going and building OCC National Trust Bank Charter.

I suppose you know that can be a thing.

Look, we've been doing it for 10 years.

I guess on the regulated side, to be more accurate, we've been doing that since 2017.

But there's a lot that goes into it.

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There's a lot of building of the business, both on the technology side and on the business side that might be underappreciated by some of the newer entrants.

So I think we have a long lead ahead of new entrants that are coming to market.

I think also we have a really good stack of services.

So we will just continue to try to make sure that we provide the right service.

If we can't do that, then clients should choose somebody else.

But we think we'll do okay.

Steven Wahrhaftig^ Okay. I understand. And just a quick follow up just on the investment strategy moving forward, because you have about a give or take about $155 million to $160 million in cash on the balance sheet, a decent amount of Bitcoin on the balance sheet as well.

But you also have this $50 million of a share buyback.

I kind of want to get an idea of what the investment strategy is over the next six to 12 months.

How much of it is getting allocated towards the AI investments that you talked about on the call?

How much is it going towards reinvestments into new products being expanded on the platform?

I just want to get a better idea of how you're looking to invest some of the proceeds from the cash balance.

Michael Belshe^ Sure, so from my view, I would call cash and cash equivalents should include Bitcoin.

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So therefore, you can add those two numbers and get a little over $300 million. $50 million of that we have earmarked for doing a stock repurchase as we announced previously.

So that'll happen. Usually I'm not a big fan of stock buybacks, but look, I think we're going to circumstance where actually it does make a lot of sense. So that will proceed.

Then on the AI investment, actually that's kind of fit within our operating costs.

So we put that right into what we consider to be the cost of doing business.

I think on a go-forward basis, the way you do product development should just include that.

Of course, we want to have fantastic engineers and then we want to amplify them with the best tools that they can have.

That's where AI fits in. So AI is separate. It's not like an investment that comes out of the pile.

Steven Wahrhaftig^ Understood. Thank you.

Operator^ Our next question comes from the line of Cassie Chan with Wells Fargo.

Cassie Chan^ I guess first I just wanted to dig a little bit deeper on the digital asset margins. You know I think you guys said that was 17 basis points in 2Q which decreased due to the mix of spot and then the lower mix from derivatives.

I guess where does the derivatives mix stand relative to the $3 billion in the total volume I believe you disclosed in the chat in 1Q and I guess how should we think about digital asset margins more broadly in the future?

Is there some sort of pricing or competition as we are playing a part in that margin as well?

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Thanks.

Edward Reginelli^ So in Q2, notional volume of our derivatives were roughly around 1 billion, and that was compared to almost $3 billion in Q1.

But overall, we would expect that to continue to grow, which we had a shift in what clients were looking to do.

Obviously, see that our spot trading business grew very nicely in the quarter. And as far as margins, it was a difficult quarter overall in the industry.

I think we did fairly well again growing the top line and hopefully gaining some market share.

And we feel very positive about our business.

I don't want to say that one quarter is going to be the future margin spread that we expect. Already seen in the month of July some recovery in that margin.

So I would expect it to kind of move back to our historical averages where we were probably in that 20 to 25 basis points range.

Cassie Chan^ Got it. Super helpful.

Then I guess just following up on margins, I'll maybe ask a little differently.

I guess what are the key levers to return to positive adjusted EBITDA from here, I know you guys have talked about the $15 million annualized cash savings, and it sounds like 3Q is maybe tracking roughly stable to maybe a little bit higher in terms of like net revenue.

So if you call it $3 million, you know in quarter, 3Q from the cost saving, I guess how should we think about flow through to bottom line versus reinvestment in growth areas?

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And is it possible that maybe we could get to, you know maybe a break even, you know adjusted EBITDA in 3Q?

Edward Reginelli^ Yes. The goal first of all is to continue to grow our revenue line items as we add more assets on platform, more assets staked, bring on more clients to our platform and more users. That's going to be the first area of growth to drive our revenue line items, revenue and incremental profit.

As we talked about, we have done some cost measures by taking out some of the headcount of the company, roughly about 15%, and we've identified another roughly $6 million of costs on an annualized basis.

So we'll start to appreciate that immediately in Q3 and the goal would be yes, to get the business to closer to break even slightly profitable in Q3.

Michael Belshe^ It's a slightly different way. Is it okay?

It's a slightly different way. You know the quarters are measured in 90-day increments, but the market is moving kind of on its own cycles and its own patterns.

So it does lead to a slight mismatch of the quarterly performance and yet how things change in terms of derivatives mix versus spot trading mix, et cetera.

Overall, driving the business to make sure that we are not losing money is of course it's a goal.

We're the product lines and then on the things that we do control, here we feel pretty good.

So number of clients is up, normalized assets on platform is up Q-over-Q, and then normalized assets under stake also up.

I think as long as those KPIs are looking up, then as long as you believe there's a long-term positive trajectory for digital assets, BitGo will win with it.

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Cassie Chan^ Thanks, guys.

Operator^ Our next question comes from the line of Dan Dolev with Mizuho.

Dan Dolev^ I have two questions here.

It was really impressive to see you grow the client's 5% quarter over quarter and pretty significantly even more on a year-over-year basis, double digits.

So can you maybe talk a little bit about where those clients are coming from, what you're doing to get those clients, U.S. versus international?

Any caller here would be great.

Then I have a quick follow-up. Thanks.

Michael Belshe^ I'm not sure I have any good data to give you on kind of specific international breakdown.

I would say that generally this is an area that we've been focused on.

We put it into our initial KPIs from the beginning.

We have a strong belief that the network effect of having everybody able to settle between each other on a single platform is important, a path to success.

So we continue to try to make it easier to onboard in spite of having had I think probably the best institutional onboarding kind of out there.

Actually AI has just been used to make it even easier.

I can go into details of this kind of boring product stuff.

Then internationally, the regulated entities that we have are relatively new.

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So as they get more established and more known, those can grow as well.

So look, we continue to focus across all of the product managers and sales teams to make sure that we're growing the number of clients.

Then, hopefully, that's going to continue to bear fruit on the KPIs.

Dan Dolev^ Great. Then maybe just a follow on, on the Stablecoin as a Service here.

Some high-level thoughts here.

Can you walk us through how you think about stablecoin in the long term, say like five to 10 years?

Is there a cohort of winners?

How do you view the world of stablecoin, given that you're so levered to it and you have a lot of initiatives there?

Thank you.

Michael Belshe^ Yes, look, stable coins also benefit from a network effect, right?

The larger you are, the more other parties that have it accept it, understand it, et cetra.

So it will probably always have a couple that are dominant.

Now how many of those are going to be?

I guess that's still the question.

As you're aware, a long list of banks and traditional financial companies that are still launching even now kind of their own stablecoins.

They will each go to their distribution channels and try to make it work.

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So that's one aspect. But actually, the regulation also has a big impact here.

So the reality is I think it's wrong, but the U.S. does not allow a stable coin issuer to give yield to the retail clients that hold the coin. They should, but they don't.

So the result of that is if you are any large institution with your own distribution channel of any sort, you have a choice. You can either use an existing stable coin and the issuer of that stable coin and will earn all of the rewards, or you can create your own.

Now you've got the difficult work of having to do that.

I think we're going to see some more technical innovations from BitGo, probably from others too which make it ever increasingly easy to kind of build a stablecoin that's your own that you can then claim the rewards on as the issuer of it.

That's going to lead at least for some period of time to a continued proliferation of new stablecoins.

So we'll see how it plays out.

I mean it's still the early stages. Like anybody that's tried stablecoins I can recognize that the payment process is so much easier and so much better than what you have with traditional finance that it's clearly going to continue to take off and I think the investments from Visa and MasterCard and others all indicate that they are also seeing similar possibilities.

So I think it's going to continue to grow and don't know exactly how many stablecoins there will be in the end.

Dan Dolev^ Great. Thank you, so much.

Operator^ Our next question comes from the line of George Sutton with Craig-Hallum.

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George Sutton^ Mike, you have been in this market for a while. You've seen a lot of volatility, very similar to what we're seeing now.

I wondered if you could just use that perspective.

We're talking all about headwinds on this call. There will be a moment in time hopefully soon, where we're talking all about tailwinds.

I'm just curious if you can give us your perspective there and how being through these volatile times may influence your work.

Michael Belshe^ Yes. I look forward to the tailwinds too.

Sounds good. Let's bring it. Let's see. Yes, been through many of these cycles.

I think anyone that's out there having a doubt about what the future looks like should think back to the first principles of what are we doing here?

If you look at Bitcoin, the value that it provides, whether it be a truly scarce asset that's not controlled by anyone, it's just to me obvious that this will have a role in the future, going away it's going to continue to exist, even if the price is up or down on a quarterly basis over the long arc of time it will go up in value remember we're measuring it in dollars and dollars are only going down dollars have gone down by 25% over the last five years we all know this it's not politically oriented it's just a fact so that will continue to happen and people will find safe harbor in products like Bitcoin you might argue maybe gold will get there but look gold is not digital, it's not transportable, it's not easily used in payments. Bitcoin is.

So, clearly, that's going to work.

Aside from that, new use cases are incredibly compelling.

Number one, we've got stablecoins.

I think that one's pretty much ready to go and is now in the scaling phase.

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We've got tokenized equities.

You don't have to take my word for it, it used to be just a couple of guys, but now all the way to the DTCC is excited about taking what they've had for decades and putting it onto digital rails.

So that's going to create tailwinds as well.

Lastly, we haven't talked about DeFi much lately. The promise of DeFi is still real.

I think probably anyone in business would agree that we have a lot of regulation here in the United States around how we trade assets of various forms.

Smart contracts are the ability to take the rules of how those trades and how that financial activity works and put it on-chain in a way that's verifiable by smart contracts and code instead of by people that need to be constantly re-audited and rechecked and re-verified that they're not doing some malevolent activity.

So anyway I think these are all super active use cases.

They're all external to BitGo. They're external to the headwinds that we have right now.

I think there's just no doubt that the future will be very, very strong for digital assets one way or another.

George Sutton^ Thank you for that. You earlier this month challenged Anthropic and others to hack your 100 Bitcoin wallet that you created.

I'm just curious if you could give an update on how many of those Bitcoin do you still have?

Michael Belshe^ We still have all the Bitcoin.

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Yes, for those that didn't see this particular challenge, we've heard a lot about AI and its potential to do various things.

Then there's been some in the AI sector asking for regulatory oversight of AI.

I am not a strong believer that that will be a good thing in the end. These AI companies seem very insistent on telling us that their new models are so dangerous they can't be trusted in the hands of others.

And they need the regulators to come in and help.

So I said, all right, if that's true, here's a wallet, 100 Bitcoin go for it.

I think it's very safe we haven't had any significant threat and then look I think with other things going on in the industry that also contributed we had a lot of focus in the last couple of weeks as an industry on how do we use AI on the other side of this which is for making sure we built up really strong defenses of course here at BitGo we've been doing that for quite some time using AI as a tool to help us identify issues as opposed to trying to hack. This is a never-ending threat, right?

We have to always keep our guard up, and we have to continue to work on it.

But yes, so far there's been no negative outcome for BitGo as a result of that challenge.

I think we'll win that challenge.

George Sutton^ Great. Thank you.

Operator^ Our next question comes from the line of Nathan Frankovitz with Cantor Fitzgerald.

Nathan Frankovitz^ I wanted to touch on prediction markets. You've talked about expanding the number of workflows around the custody relationship.

So where do prediction markets fit within the strategy going forward?

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Then can you give any color on institutional demand for those products?

Michael Belshe^ Sure, thanks, Nathan.

We announced, I don't know three or four months ago, I think it was.

We can now place investments on prediction markets through the BitGo OTC desk. There's been a little bit of activity there.

Overall, people are looking, especially if you move to large and large amount of money, you need to have.

Same thing as with any other investment, some sort of a trusted custodian that can hold on to the assets that are in flux.

So BitGo provides that capability.

I think prediction markets are newer on the regulatory scrutiny than some of other parts of digital assets in crypto. There's certainly a lot going on, a lot to be debated there.

We'll see how that pans out kind of overall, but yes, I do expect this will grow and we will figure out a market structure for prediction markets just like we do for every other type of market.

Nathan Frankovitz^ Thank you.

Operator^ Our next question comes from the line of Edward Engel with Compass Point.

Edward Engel^ Had a question on the plans for the DTCC launching tokenized equities this year.

I guess how do you think about the monetization opportunity of the DTCC tokenization of equities in general.

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It sounds like you're doing trading, custody, and then even borrow-in. Just kind of curious whether that's kind of on the spectrum.

Then how do you kind of think about the fee structure on tokenized equities versus just typical digital assets?

Thanks.

Michael Belshe^ Sure, thank you.

Look, there's a bunch of different models going forward.

So we got the DTCC model, we got the Figure model, we got the BIC model, we got the, I think Ondo's got a model, we've got the [XDOCS model], so there's a bunch of different models.

First and foremost, all of those types of tokens, oh, Robinhood's got a model. All of those types of tokens could be held at BitGo, so anyone that needs custody or any type of movement that way can work.

Second thing, on equities, look, these are securities, and you can only trade them through a broker-dealer, right?

So the demo that I did, you know we did that through our clearing partner.

We're not a broker-dealer directly, so it's not trading fees that we'll be looking for there.

We're looking to try to open up use cases that frankly didn't exist before.

So the demo that I did was a small amount of SpaceX stock being held as collateral that you can borrow against.

This is something, we hear about the K-shaped economy, and a lot of people say hey, look at that Jeff Bezos guy. He borrows against his stock, he never has to pay it back.

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That's not available to typical Americans.

It's available if you have lots of stock, if you're a high net worth, if you're a private world client.

It's not available if you're just regular retail.

And there's a lot of people out there that have $20,000 or $30,000 worth of stock I would like to be able to borrow against it on a short term basis or a long term basis.

So BitGo's initial plan is actually to try to facilitate some of that lending capability.

We think we can do that.

It's a new use case that you frankly couldn't really do before. This can run in 24/7 markets.

Obviously, you have to use all the same type of plumbing that you would use in lending against digital assets that run in 24/7 markets.

So that's all being built. How it goes with the other efforts, they're each growing in their own way.

I think a lot of the exchanges are looking to expand their trading capabilities. They make money on trading, right?

So the reason they're offering equities-based trading is because that's a new product they can offer to people that just want price exposure outside the U.S.

They're able to do that. That's not what we're about.

We're really trying to build the strong foundation on which you can build all kinds of financial products.

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Yes. We do actually have several other internal incubating ideas around new use you can do with tokenized equities that you couldn't do in the previous market.

Yes, anyway I'll leave it at that.

Edward Engel^ Okay. Great.

Then you quickly mentioned on the broker-dealer license, do you have plans longer term to seek that or for now just not really a focus?

Michael Belshe^ Technically, we actually do have a broker-dealer.

We don't utilize it and we're not using it for trading.

Edward Engel^ Great. Thank you.

Operator^ Our next question comes from the line of Christopher Brendler with Rosenblatt Securities.

Christopher Brendler^ Ed, sorry to see you go. Congratulations on your next move.

I just want to focus on maybe a little bit of the staking business.

We've seen a lot of pressure across staking and a lot of your competitors, and to grow sequentially is really impressive.

Can you talk about maybe some of the moving parts and maybe sort of the outlook from here?

I know staking is still under pressure from a macro perspective, but is there a certain reason that you're gaining share and kind of that?

Edward Reginelli^ Yes. So, what we saw tremendous growth was from an existing client that we brought on through a customer relationship and also trading and were able to win over their staking business.

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That was specifically around Ethereum.

So I think there's tremendous opportunity to continue reaching into our current customer set. And growing those relationships, and then as we continue to do more ecosystem projects, there's a lot more tokens that will be coming to market that we can also provide staking too.

So overall the margins impacted just due to the fact that this larger client, we did discount some of the rates just due to the volume.

We expect to see the absolute dollars of this grow as the token price increase.

Then we saw another large token that we had in the first quarter. That volume dropped off a little bit, but we do expect that to start recovering in Q3 and into Q4.

Michael Belshe^ Just to add to that, look, directionally, we strongly believe that staking and custody go hand in hand. You put your assets into a qualified custodian because you know you're a large fund and you need it, you're a business and you need it, of course you have to have it in qualified custody.

Then if you want, if it's stakeable, you want to be able to earn a yield on that and manage liquidity around it. These are all services that BitGo does today.

I think that as the industry grows and gets more mature, you're only going to see staking go to qualified custodians.

You're going to see the field of staking, independent staking providers just shrink.

Christopher Brendler^ Okay. That's great. My follow-up actually is related. Last quarter, we had a pretty significant lift on the Canton network.

I think you may have alluded to in that answer, but any other details there that seems like a really big growth opportunity, especially given your relationship with the key parties there. Just give us an update on Canton.

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Thank you.

Edward Reginelli^ Thank you.

We do believe it's an incredible relationship. Again we just saw what we were processing as the validator. The volumes dropped off a little bit in the second quarter. There's very good communication between the companies and looking to the future.

Again we think some of that business will continue to grow and get back to the sort of the levels that we saw in 1Q.

Michael Belshe^ One of the things about Canton that's of interest, look, there's a lot of coins out there.

We've had different periods in the last 10 years where you've got more coins or less coins, less new coins being created.

We invested heavily in how do you support this long chain of new coins.

It's why we support more coins and more chains than almost anybody else.

Of course, with that, you never quite know which ones are going to take off the most.

But the Canton team did a great job of hitting the institutional market with a that they need, specifically they need a private permission ledger and specifically they needed some privacy components of it.

So BitGo's proud we're the only qualified custodian on the Canton network today but we've been in it for, I don't know I guess the better part of one year at this point. That's right. And anyway it's why it's so important to have that technology layer at the bottom.

Once you control that technology layer, we can add on to that incrementally, and then we get to the higher level services ahead of competitors.

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Christopher Brendler^ Great. Thanks so much.

Operator^ Our final question comes from the line of Brian Dobson with Clear Street.

Brian Dobson^ So you mentioned converting some custody relationships into multi-product relationships. Which products are you seeing the highest attach rates today and where's the biggest open space to run?

Edward Reginelli^ Usually it starts with a custody relationship and we see a tremendous amount of opportunity in trading.

Then also, as I mentioned in the example of if it's a stakeable asset, we see a lot of business moving to staking.

So those would be the two big drivers.

In addition to that, we also have the lending product.

I think a lot of clients that are looking for additional leverage or looking to borrow dollars or coins are also looking to that.

But I'd say that probably the biggest driver is going to be our trading business and staking businesses.

Michael Belshe^ Well I'd add one more that's not revenue generating much yet. That's settlement services.

We've had the Go Network for quite some time.

We've got a large client base on it.

We've been adding in kind of the stablecoin mint burn center which we announced.

I think one quarter, quarter and a half ago, I've forgotten.

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But there you can come in and get direct access to mint and burn stable coins. You can convert stable coins, et cetera. That makes settlement even easier.

So volumes have been growing there.

I think eventually that will be a very significant product for us.

Brian Dobson^ Great. Thanks very much.

Operator^ Ladies and gentlemen, this concludes today's conference. Thank you for participating.

You may now disconnect.