Galaxy Digital

Third Quarter 2025 Earnings Call

October 21, 2025

CORPORATE PARTICIPANTS

Jonathan Goldowsky, *Head of Investor Relations*

Michael Novogratz, *Founder and Chief Executive Officer*

Tony Paquette, *Chief Financial Officer*

Christopher Ferraro, *President and Chief Investment Officer*

CONFERENCE CALL PARTICIPANTS

James Yaro, *Goldman Sachs*

Patrick Moley, *Piper Sandler*

Jonathan Petersen, *Jefferies*

Ed Engel, *Compass Point Research*

Devin Ryan, *Citizens JMP*

Martin Toner, *ATB Capital Markets*

P R E S E N T A T I O N

Operator

Good morning, and welcome to the Galaxy Third Quarter 2025 Earnings Call.

Today’s call is being recorded. After today’s presentation there will be an opportunity to ask questions. To ask a question, you may press star, then one, on your telephone keypad. To withdraw your question, please press star, then two.

At this time I would like to turn the conference over to Jonathan Goldowsky, Head of Investor Relations. Please go ahead, sir.

Jonathan Goldowsky

Good morning and welcome to Galaxy's Third Quarter 2025 Earnings call.

Before we begin, please note that our remarks, including answers to your questions, may include forward-looking statements. Actual results could differ materially from those described in these statements as a result of various factors, including those identified in the disclaimers in our earnings release or other filings which have been filed with the U.S. Securities and Exchange Commission and on SEDAR+. Forward-looking statements speak only as of today and will not be updated. Additionally, we may discuss references to non-GAAP metrics, the reconciliations of which can also be found in our earnings release.

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

With that, I'll turn it over to Mike Novogratz, Founder and CEO of Galaxy.

Michael Novogratz

Good morning everyone. Chris Ferraro would get upset with me if I didn't give you a New York weather report. It is a gorgeous day here in the Big Apple, a great fall day. I couldn't be more excited to be with you.

I want to welcome our new friends who are logging in on YouTube. Last time in our conference call, we didn't have enough slots, which was a bit embarrassing, and so we wanted to make sure our story gets out there and anyone who wants to hear can hear. So thanks for following us.

Listen, Quarter 3 was the best quarter in Galaxy's history and so I show up today with a grin. Problem about running the company is that grin lasts probably for the length of this call, and then my face gets stern and we start grinding.

What happened? Listen, we have for eight years been trying to build a brand of confidence and trust, and Q3, it felt like that all kind of came together, right? We did a gigantic spot crypto trade, which came to us because there are guys in the community that trusted us to move $9 billion of their Bitcoin into cash. That didn't come overnight. That comes from a long time of relationship-building and liquidity building, quite frankly.

We also helped launch the largest Solana DAT. Again, raising $1.7 billion, $1.65 billion to invest in the Solana ecosystem and doing it quickly comes from having built up trust with lots of people. That’s kind of the story that we've been working hard for eight years.

We didn't do a great job telling our story originally and we're really focused on that. Part of that was not being here. We're six months now in the U.S., a Nasdaq company, gives us a lot more ability to tell our story, and so part of my job is out there, making sure people understand what Galaxy is and what we're doing, what we're thinking about.

I'll just hit you with a few quick highlights, and then I'm going to pass this to Tony and Chris. One, we generated $500 million-plus of net income. That's just a lot. Our assets on platform reached $17 billion. That's by far a record for us. That’s strong organic growth in asset management and staking. Asset management, we did a great job of understanding when all these treasury companies were starting that we could play a role in helping them manage those assets and stake. And so that was $4 billions-plus of new assets added to the platform, and those are high fee-paying assets that will be with us for a long time.

Trading side, outside of that 80,000 Bitcoin order, we saw record volumes and that hopefully continues to grow each quarter. Those are the businesses that we keep investing in, thinking that that in the long run will give Galaxy great ballast.

Our lending book, which had spent years roughly in that $900 million to $1.2 billion is on the move. We were $1.8 billion and growing. I talked a lot about credit needed to be a key part of the Galaxy growth story, and we are focused on making it so.

Excitingly, we launched GalaxyOne. It's our opening to get individual investors into the Galaxy universe. We're going to take the knowledge and institutional profile that we've built at Galaxy and open the window to more and more people. It's a new business. We're going to give you updates, but it's going to take us a little while to get that really up and running. Let’s think of that as a Q2 '26 big update.

Data centers, which I always think of we're half a data center company and half a digital assets company. We are grinding in the data center business. There are two sides to this. There's the 800 megawatts that we have in building that out for CoreWeave. That's building on time, that’s building on cost, that's getting it financed. All of those things Chris is going to talk on, I'm feeling great about.

And then we're in queue with a bunch of people for more power in Texas, and we'll know a lot more about that in the foreseeable future, but we feel pretty good that 800 is not going to be our total footprint.

And finally, listen, last week, we did a PIPE deal, $460 million from a large institutional investor. I couldn't be more excited about having them as a partner and investor in us. That money is going to be used to help build out a world-class company and a world-class data center.

With that, guys, like I said, couldn't be more excited. I'm going to pass it to Tony.

Tony Paquette

Great. Thanks, Mike, and thank you everyone for joining the call today.

As with last quarter, I'll provide a summary of Galaxy's overall performance in Q3, then I'll dive into some more of the details on the digital asset business and then turn it over to Chris to provide a more detailed update on data centers.

As Mike mentioned, Q3 was a standout quarter for Galaxy with record performance across the Digital Asset segment and continued operational progress as we scale our core businesses. GAAP net income for the quarter came in at $505 million, on record adjusted gross profit of $728 million, underscoring the strength of our diversified model and ability to execute in a dynamic market environment. This performance was driven by outsized contributions from both our Digital Asset segment and our Treasury and Corporate Investment portfolio.

In Digital Asset, we delivered a record adjusted gross profit of $318 million, reflecting strong momentum across trading, investment banking, asset management and staking. Our platform continues to benefit from increased institutional engagement, broader client activity and rising demand for sophisticated investment and advisory solutions.

In Treasury and Corporate, we delivered adjusted gross profit of $408 million, primarily driven by gains across our digital asset and investment portfolios. Within our private investments book, we saw sizable unrealized gains from our investments in Ripple Labs and from Bullish, which went public during Q3.

As a reminder, we've transitioned the majority of our venture investing activity from our balance sheet into our venture franchise within the asset management business, which allows our institutional LPs to invest alongside Galaxy while enabling us to generate long-term management fees for overseeing these investments.

In data centers, as mentioned previously, we expect financial results in this segment to be de minimis until the first half of 2026 when we plan to begin recognizing revenue under Phase 1 of our CoreWeave lease agreement. Until then, all major capital expenditures associated with our data center build-out are being capitalized, including the interest associated with the $1.4 billion project level loan we secured during the quarter.

Firm-wide Adjusted EBITDA came in at $629 million, up from $211 million in Q2, a clear reflection of the increased scale and profitability across the enterprise.

Total operating expenses, excluding grossed up transaction costs were $184 million in Q3. The increase from Q2 was driven by a $38 million one-time impairment related to our legacy mining infrastructure and an increase in compensation expense. Looking forward, we do not expect any further material impairments to our remaining mining equipment, which is now held on our balance sheet at an aggregate value of less than $50 million.

Turning to the balance sheet, we ended Q3 with $1.9 billion of cash and stablecoins, up roughly $700 million from Q2, primarily reflecting the net sale of certain digital assets and investments during the quarter, as well as deposits received from CoreWeave following the exercise of their Phase 2 and 3 options.

Within our Treasury and Corporate segment, we held approximately $2.1 billion in net digital assets and investments at quarter end, reflecting the continued strategic allocation of capital towards high-conviction investment opportunities. We ended Q3 with $3.2 billion in equity capital, up more than 20% quarter-over-quarter with roughly 65% allocated to our operating businesses. Over time, we expect the amount of capital allocated to our operating businesses to continue to increase as we scale across both digital assets and data centers.

As Mike mentioned, earlier this month, one of the world's largest and most respected names in global asset management made a $460 million investment in Galaxy. The $325 million in net proceeds to the Company will help drive the build-out of our Helios data center campus, which Chris will speak to shortly.

We feel good about our overall capital position and we'll look to optimize our sources of funding as we continue building across two major growth businesses.

As mentioned last quarter, we will continue to manage our balance sheet with fortress principles, demonstrating disciplined risk management and maintaining sufficient capital and liquidity to support sustained growth over the long term.

Now, turning to our operating results, starting with digital assets. On last quarter's earnings call, we highlighted that July marked the strongest monthly performance for our Digital Assets business, and that momentum carried through the remainder of Q3. We had record results in global markets generating approximately $295 million of adjusted gross profit, driven by healthy trading activity and continued growth across our client base. Industry-wide crypto trading volumes improved meaningfully during the quarter, reflecting higher prices, strong market sentiment and increased engagement and Galaxy outperformed that backdrop, delivering record crypto trading volumes that were up 140% from Q2. As Mike mentioned, this included the sale of over $9 billion of Bitcoin on behalf of a single client and one of the largest notional Bitcoin transactions ever completed, underscoring our ability to deliver complex transactions at scale with limited market impact.

In our lending business, as Mike mentioned, our average loan book grew to over $1.8 billion in Q3, driven by new clients and market appreciation. A shift in mix caused some net interest margin compression during the quarter. And as the crypto lending market evolves, we will continue to maintain prudent risk standards and explore strategies to efficiently fund this business with a focus on supporting long-term scalability.

On the advisory front, Galaxy closed two deals during the quarter, including serving as a co-placement agent and financial advisor to Forward Industries on the $1.65 billion private placement. This deal highlights the strength of our advisory franchise and our growing role as a trusted partner for institutional clients navigating this market. It also marks the first step in a broader partnership with Forward Industries that extends across our platform, which I'll speak to in a moment.

Shifting to asset management and infrastructure solutions, we ended the quarter with more than $15 billion in total assets under management and assets under stake, nearly doubling from last quarter and generated $23 million in adjusted gross profit, reflecting strong growth across both businesses. Assets under management grew to approximately $9 billion this quarter, reflecting strong net inflows of roughly $2 billion across both ETF and alternative strategies. This momentum was driven by continued adoption of our digital asset treasury solutions which with Galaxy being selected as the manager of choice by several companies in this space. Winning these mandates reflects our deep experience managing across market cycles and navigating volatility to deliver strong risk-adjusted returns, reinforcing our position as a trusted partner. These mandates also represent a meaningful shift in the profile of our asset management business to more strategic long-term capital that generates recurring durable revenue streams.

The asset management business is now firmly run-rate profitable, giving us a solid foundation to continue investing in order to expand the platform and broaden our reach.

Turning to Infrastructure Solutions, our assets under stake more than doubled quarter-over-quarter to approximately $7 billion, with growth being driven largely by digital asset treasuries and our custodian integration strategy. Through these integrations with leaders across the custody space, including the custodian for the majority of U.S. crypto ETFs, we've positioned ourselves to serve institutional clients at scale and enable our staking services to reach a much broader audience.

Stepping back, Q3 served as a sort of activation of the flywheel across our multiple Digital Asset businesses. This is an exciting development and notable marker of the continued maturation in Galaxy's business model. A clear example of this flywheel is our work with digital asset treasury companies. What began as an emerging opportunity earlier in the year has evolved into a multichannel business line with mandates across some of the largest publicly-traded holders of digital assets. This includes supporting clients with initial capital raise through our advisory business, then leveraging our network to provide operational support and connectivity, to key service providers to ensure a successful launch. It also includes working closely with treasury teams to implement institutional-grade yield strategies aligned with their objectives, spanning staking, lending, trade execution, asset management and other on-chain opportunities, all within a disciplined risk-managed framework.

Our partnership with Forward Industries is a case in point. In Q3, we announced a strategic investment alongside Multi Coin Capital and Jump Crypto in forward Solana-based treasury initiative, the largest of its kind to date. We supported Forward's private placement through our advisory business, assisted them with execution and deployment of the proceeds, became the sole asset manager of all their treasury assets, and helped launch their validator on the Solana blockchain.

Collectively, our digital asset treasury mandates have added more than $4.5 billion in AUM and AUS to Galaxy, and at current market prices we expect the annual recurring fee revenue associated with these mandates to be more than $40 million. This is exactly the kind of institutional-grade solution Galaxy is uniquely positioned to deliver, leveraging our expertise to build long-term partnerships and generate durable recurring revenue for the franchise.

Shifting to innovation, a couple of things to highlight. As part of our broader mission to connect traditional finance with Blockchain infrastructure, last quarter, we partnered with Superstate, one of our venture portfolio companies, to tokenize Galaxy's Class A common stock on the Solana Blockchain. As noted in our press release from September, these on-chain shares are not a synthetic representation of ownership; they're fully SEC-registered securities with the same legal and economic rights as our traditional shares. We believe this event marks a meaningful step towards modernizing capital markets, serves as a proof point for how traditional markets and on-chain infrastructure can connect and positions Galaxy at the forefront of that evolution. We will continue to work with regulatory agencies and leading financial institutions to explore new opportunities to broaden and expand tokenization in the coming quarters.

On artificial intelligence, we're not just building one of the newest, largest and most advanced data centers in the world, we have bought into the promise of AI and the impact it can have on our overall company. Over the past year, we've integrated AI across nearly every function at Galaxy from Engineering and Technology to Finance and Operations to Trading and Risk. Our employees are now using AI tools on a regular basis and productivity gains are materializing. In particular, areas like agentic coding are seeing step-change improvements, giving us the confidence that continued investment in these tools will have compounding productivity benefits down the road. Looking forward, AI won't just streamline how we operate, it will redefine how we serve clients, innovate faster and compete at scale.

Last but not least, as Mike mentioned, two weeks ago we launched GalaxyOne, our first direct-to-consumer product offering with an exciting growth opportunity for the franchise. GalaxyOne gives U.S.-based individual investors access to high-yield cash, crypto and equities trading, all through one single unified platform. Unlike many mass market retail platforms, GalaxyOne offers clients a seamless way to manage assets across both traditional and digital finance, supported by Galaxy's institutional expertise, operational rigor and disciplined risk management.

GalaxyOne also opens up new opportunities for cross-platform collaboration and integration across our trading, asset management and staking businesses. The Premium Yield product is a good example. Over time, we expect this product to broaden and diversify our sources of funding, which will help drive efficiency and profitability in our Digital Assets business overall. And while it's still early, we are encouraged by GalaxyOne's initial traction. We are already seeing adoption from clients who closely align with our target market – mass affluent investors who have historically been underserved by traditional platforms, and this early engagement reinforces our conviction in the opportunity ahead.

As Mike mentioned, we have an ambitious road map for GalaxyOne, and we look forward to updating you on progress in the coming quarters.

Wrapping up, Q3 was a breakout quarter for Galaxy and our businesses are building momentum. We're heading into year-end with a strong foundation, clear priorities and a long-term vision.

With that, I'll turn it over to Chris.

Christopher Ferraro

Thanks, Tony.

Turning to our data center business, it was just one year ago on our third quarter earnings call that we announced the signing of a term sheet to support AI and HPC

CoreWeave has now committed to the full 800 megawatts of approved capacity; we've secured project financing for Phase 1, and construction is advancing at an impressive pace.

After laying the groundwork in the first half of the year, we carried significant momentum into the third quarter. We executed relentlessly and successfully, rapidly developing the Phase 1 portion of the Helios campus on budget and on schedule.

Some updates on our construction progress: Approximately 70% of our civil and concrete work is now complete and equipment deliveries and installations are well underway. We are now placing chillers and putting together the piping system that will form the backbone of our advanced liquid cooling design, an essential component to support next-gen GPUs at industry-leading cabinet densities. Our e-houses, which contain the critical electrical infrastructure have started to ship from the integrators, and medium-voltage switchgear and transformers are already being set on their pads.

The building for Phase 1 is on track to be fully dried in – or sealed from weather – within the next few weeks, an important step that protects the mechanical and electrical equipment from inclement weather and allows interior trade work to proceed regardless of outdoor conditions.

We've already logged more than 500,000 hours worked with over 700 construction team members on site daily, an extraordinary effort that underscores the efficiency, precision and discipline of the design and construction team supporting the project.

The next major construction milestone for us is the powering on of the first data hall, which is scheduled in early December. Following that milestone, we'll begin commissioning activities with our third-party commissioning agent, vendors and contractors in preparation for making the first data hall ready for service.

Importantly, we remain on schedule with construction, a testament to our growing data center team, the contractors and subcontractors working on the project, and the thousands of hours of coordination required for complex projects like this one to be successful.

At the same time, we're scaling the supporting infrastructure at Helios campus for both the first and second phase of construction. Our on-site workforce development hub, constructed on 90 acres we own adjacent to the main Helios campus, has been open for nearly a month now in support of construction and operation activities.

As we look ahead to our Phase 2 and 3 projects at the Helios campus, we're applying lessons learned from Phase 1 to optimize the design for scalability and constructability, while also enhancing the efficiency of our power and cooling systems. We are proactively securing long lead-time items like backup diesel generators and medium-voltage switchgear early, locking in cost certainty and delivery time lines.

We've transitioned from planning and preparation to full-scale execution as the Helios campus rapidly evolves from a construction project into what we expect will become one of the largest AI and high-performance computing campuses in the world.

On Financing, we achieved a major milestone in August with the closing of a $1.4 billion project financing facility with Deutsche Bank for Phase 1 of Helios, covering 200 megawatts of utility power. This deal underscores our ability to execute on efficient capital structures and provides a signal of the market's confidence in our execution capabilities, the value of Helios and the long-term economics of our lease. The facility is structured at 80% loan-to-cost and Galaxy has already funded the equity for the Phase 1 development. It's a three-year loan secured by all Helios Phase 1 assets, priced at SOFR plus 475 basis points plus ancillary fees, bringing the all-in cost to approximately 10% to 11%, if held to maturity.

As a reminder, once Phase 1 is stabilized and generating revenue, our plan is to refinance the construction loan at a lower cost of capital. Doing so will likely unlock equity, enabling us to recycle capital into future phases and additional developments, keeping our balance sheet flexible, our capital structure efficient and our growth momentum strong.

The success of this financing validates our capital strategy, disciplined leverage, flexible terms, partnership with top-tier institutions and an unwavering focus on execution.

Shifting to Power, as we spoke about last quarter, ERCOT's interim process and the level of scrutiny applied to large loads requesting to interconnect to the system has led to delays in additional capacity approvals across the state of Texas. Despite the longer-than-expected timeline, we remain convicted in our ability to work through the existing process and contract additional interconnection capacity at the Helios campus.

Based on recent feedback, we believe that we are well positioned to receive approval for a portion of the requested capacity that we've studied and submitted for review. We view this additional capacity as a transformational long-term growth opportunity for the Helios campus as we prepare for the next phase of AI and high-performance compute demand.

As we shared last quarter, during Q3 we acquired 160 acres of additional land along with an additional 1-gigawatt low interconnect study adjacent to the Helios campus. With this addition, the Helios campus spans over 1,500 contiguous acres under Galaxy's direct control.

Our Helios campus is strategically positioned to become among the largest AI data center campuses in the world. In a power market with exponential generation and battery storage growth, Helios stands as a flagship development for both Galaxy and the AI data center industry at large.

We were also encouraged to see WETT break ground on the new Pitchfork 345-kilovolt substation, which is expected to deliver an additional 3 gigawatts of power capacity with two synchronous condensers adjacent to the Helios campus starting in 2028. It's great to see both WETT and ERCOT investing in critical infrastructure in the region, reinforcing their commitment to reliability and the long-term growth potential of Helios and the broader data center ecosystem.

Across our data center business we're continuing to thoughtfully and strategically add world-class talent with proven expertise in engineering, construction and operations to our data center business. In the last few months, we've made key hires from some of the largest hyperscalers in the world across the engineering, construction and operations verticals of the business. The caliber of this team gives me tremendous confidence in our ability to execute with precision across all three phases at Helios and to deliver on the ambitious long-term vision we have for the business.

The Helios campus represents more than just a single project. It's the cornerstone of Galaxy's next-generation infrastructure strategy and the blueprint for a multicampus, multitenant, multi-gigawatt platform built to power the future of AI and high-performance computing.

We continue to evaluate additional power and land opportunities across the region and nationally, leveraging the blueprint and expertise developed here to replicate the Helios model – efficient, scalable and AI-ready infrastructure built for the next generation of compute demand.

It's been a transformative year for the business and I couldn't be more proud of how our data center business continues to build momentum and strengthen its position with each passing quarter. Thank you all.

Now, back to the operator for questions.

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then one on your touch-tone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star, then two. At this time we will pause momentarily to assemble our roster.

The first question comes from James Yaro with Goldman Sachs. Please go ahead.

James Yaro

Good morning and thanks for taking my questions. Congrats on a good quarter. I wanted to just touch first on the impacts of the forced liquidations we've seen across the crypto ecosystem. Has that had ramifications on market structure, on your client franchise? Maybe which customers and maybe you could summarize just what the overall ramifications could be?

Michael Novogratz

First of all, Galaxy did spectacularly well during that liquidation. I wanted to shut out to our trading desk. We were quick to move. We didn't have any credit losses. We were all over our customer base. And it didn't hit us where it hits everybody else, right?

Who got hurt in that? First and foremost, market makers. Market makers that were market making on D5 platforms like Hyperliquid or cross-market makers that were market making on Binance plus others. And so some estimates as high as 25% of those guys got put out of business, which is significant.

And so what does that mean? It means you have a little less liquidity. You have a little wider bid-ask spreads, It probably means there's lots of talent available to hire. But certainly not great for the ecosystem in the short run.

Who else got hurt was retail. Lots of retail, especially overseas retail – trades crypto very leveraged. And I always scratched my head. I was like, “You got a 40 to 80 vol asset. I'm not sure you really need 2 to 3x the leverage on it, let alone 30x of leverage,” but part of the ethos of crypto is people want to make a lot of money on a little bit of money, and so there was a lot of leveraged accounts that got wiped out.

Not just in crypto, but ever since I've been a trader I've always said, when Humpty Dumpty breaks, he doesn't get fixed overnight. It takes days, weeks, months for markets to kind of regain that vitality. And they always do, right? People get wiped out, find new money and they participate again. But it's a short-term negative, no doubt.

There's been lots written – and we wrote a pretty interesting research piece on why this happened. There are lawsuits being filed. But when you have a significant deleveraging like that, there's both opportunity and there’s short-term pain, and I think that's what we're going through.

And you see the crypto price roughly trading sideways. Gold has outperformed Bitcoin significantly in the last five months. Bitcoin had outperformed gold for a long time and so some of that is just rotation. But I think some of this recent, these last 10 days of us going sideways is still the market digesting that deleveraging.

James Yaro

That's really helpful color. Thanks, Mike.

Maybe just turning to one other one here. You announced GalaxyOne earlier this month. Maybe you could just expand on your aspirations in the business and maybe what the right client base is? Is it existing customers or is this TAM-expanding? If so, what's the new customer TAM?

Michael Novogratz

Sure. I'll take the first part and I'm going to pitch it to Chris.

Listen, we are proud of what we launched. It's hard to get a product out. We started with a pretty simple MDP (phon) that's got, we think, two unique pieces. One is it's the FDIC-insured checking account that pays a darn good—the highest interest that we can find in the market, and then the 8% Galaxy offering. And so that's attracting clients; we're pretty excited to see the uptake. We also have stock trading and crypto trading.

We have a really ambitious road map over the next 6 to 18 months to roll out and really turn that wallet into a one-stop serves all wallet. It's certainly not there yet but it will get there. Our target audience is consumers. It's really the high-end consumers, the people that want that same touch that Galaxy gives to our institutional clients. the same knowledge, but we don't want to just limit it to that. And so we built it with the high-end consumer in mind, but the crypto ethos is everyone should get the same access to investing. So I would kick myself if I didn't hope that at one point we're serving a whole lot more customers than just the high-end consumer.

Christopher Ferraro

A couple of quick things I'll add. The ethos behind launching GalaxyOne on the consumer side is meant to capture the entirety of a consumer's wallet from an investment portfolio perspective. And so what we're going to aim to do -- what we started to do and we're going to aim to do is add products that help broaden out where a high net worth consumer can invest their wealth, hold it and store it, see it every day, and as frictionally (phon) as possible, reallocate and move it around across traditional investments, equities, bonds, newer investments, digital assets and cash management.

By the way, that's a long-term road map for us on the institutional side as well. So when we think about where Galaxy's business at large on the digital asset side is going to go, the plan is to little-by-little—start with digital assets, but little-by-little encroach upon all traditional financial services, where we can all in one place give clients access to all the assets they own.

As Mike said, the target user base on GalaxyOne is definitely different than what we've served historically, so it's a TAM expanding opportunity for us.

Early traction for us seems to be hitting the market with the kind of customer that we want. Some quick stats: The average net worth of Galaxy users onboarded today is a little over $2 million. Average annual income is about $340,000. We're not today targeting, what I'd say low-dollar balances, high-leverage short duration option trading, short-term day trading; we're really trying to target a customer base that has historically been underserved, but has traditionally been the highest profitable customer segment of most consumer platforms, consumers that earn money, have wealth that want to store and allocate it.

James Yaro

Extremely helpful answers. Thank you so much.

Operator

The next question comes from Patrick Moley with Piper Sandler. Please go ahead.

Patrick Moley

Yes, good morning. Thanks for taking the question.

Shifting to the data center business and the 2.7 gigawatts that's currently awaiting approval, you said that you expect to get approval for that somewhat soon, I think. Any update on the timing there? And how large any tranche that were to get approved would be? And then, just generally curious what sort of inbounds you've been getting on the potential for that incremental power? How has demand been there? What have those conversations been like? Thank you.

Michael Novogratz

I'm looking at Chris, and he's looking at me. These are tricky questions. We're not going to know until we get approval is the honest answer. We see lots of good signs that point to an optimistic outcome. But predicting the date is probably a fool's game because if we're wrong, we're going to look foolish, and if you're right, you're going to be like, “Someone has already told us that.”

Texas got a little overwhelmed in the last 12 months with how many people have put in for approval. There were stats out today that are kind of shocking at how many applications went in. Now, a lot of those applications didn't have studies and they weren't really threats to short-term approval. But again, I'd say in the near future; you can define that however you want. But again, I wish I could give you a better answer, but that's where we're at.

Christopher Ferraro

A couple of things I'd add. What gives us higher confidence these days is all the major constituents and stakeholders who we are partnered with down there in terms of getting approval but implementing interconnect, and so it's not just ERCOT, it's WETT. It's also AEP, our utility partner there. All three are extremely active with us specifically today; approving, finalizing the studies that have been in place for us for over 18 months now and things are progressing at a faster pace today than they had been earlier in the year. Those are the data points that give us some pretty good comfort. But as Mike said, ERCOT and Texas are going to take the requisite time to make sure that they're not taking on loads that are going to destabilize the grid. And frankly, there's a really, really large number of ill-thought out, not planned, not studied loads that have tried to get into the queue that the good thing is they're very focused on weeding that out and working with the folks who have demonstrated that they actually are going to deliver capacity when they say they're going to deliver, that's operating and at a load that they say they're going to.

To hit your other question really quickly, what do we see on the demand side? I would say positive traction on that front. There are increasing proactive reach-outs to us from very large customers in addition to our current partner CoreWeave, who all want to know when are we getting approval, for how much and over what time period? And that is a very helpful thing to see when thinking about very long-term, big project decisions on potential incremental capacity that would be coming on in 2028, 2029 and forward.

I think the demand profile for our power has continued to remain there and grow, which is really a good sign as we're getting towards the point where we feel like something is really going to happen.

Patrick Moley

Okay. Thanks. That's great color. Then just a follow-up. Chris, you mentioned the plans to eventually refinance and that would unlock some capital. Any idea how much capital the refinance could unlock that could potentially go to future build-outs? Just wondering how to think about that in our model.

Christopher Ferraro

Yes. We do have a pretty strong expectation that there will be opportunities once we hit stabilization. Stabilization meaning we've delivered 100% of the data halls, ready for service, and they're up and running and CoreWeave is paying rent. We do believe there's going to be opportunities to relook at the financing structure at that subsidiary for Phase 1 and do something kind of cool.

The way to think about it today—and look, the specifics on what that's going to look like on the forward here, so think about that Q3, Q4 of 2026—is it's a little unknown because the market is pretty dynamic and changing, right? The views of the AI boom and its sustainability are changing every day. The views of

CoreWeave's credit profile, which lenders are very focused on in addition to Galaxy's credit profile are changing and getting better by the day on both fronts. And so the ultimate outcome is really going to be a function of where we and CoreWeave and the markets are then.

But the framework to think about is on a stabilized basis there are a bunch of different examples of stabilized cap rates that one could look at and apply to come up with what sort of Phase 1, the V, value would be on a stabilized basis. We think about that today in the high single digits. I don't want to be too specific because I think there's—if we and CoreWeave continue to be successful, my guess is that number is going to trend lower, not higher, depending on where long-term interest rates are. But if you think about a high single-digit cap rate as value, which is different than cost – significantly in our case, given the economics associated with the lease – then we think about applying like a loan-to-value as opposed to a loan-to-cost in that refinancing situation, and that will imply a pretty significant opportunity to refinance at bigger numbers, which should unlock multi hundreds of millions of dollars of equity.

Patrick Moley

Okay. Great. Thanks for that and congrats on the strong quarter.

Christopher Ferraro

Thank you.

Operator

The next question comes from Jon Petersen with Jefferies. Please go ahead.

Jonathan Petersen

Great. Thanks. Maybe just stick with some data center questions. The $1.4 billion construction financing, can you give us some guidance on the kind of the cadence of when you'll pull that down, because I don't think you pulled it all down at once, right?

Christopher Ferraro

Yes. No, we have not. We're not pulling it down all at once. We actually prefunded the equity on our end because as we are bringing the financing together the project needed to continue—which is how we think about capitalizing Galaxy, just to step back real quick—is ensuring that we have adequate capitalization to not only support the project at their stabilization, but adequate capitalization early so that we can lean in, build on time, on budget and use that to get the best kind of financing. So we prefunded equity. At closing, we had a relatively small draw to reset our equity back to the intended 20% equity versus 80% debt on a cost basis.

Then the cadence of draw, it really follows the project budget, but I would think about it as relatively straight line on a twice monthly basis through the construction project. So as you can imagine, since we closed in August, now sitting here in October we've had a number of semi-monthly draws. We're drawing pretty regularly and we're drawing on a pretty straight line basis.

Jonathan Petersen

Okay. That's really helpful.

Tony Paquette

Jon, I'll just add. At the end of the quarter, Jon, we've drawn about $430 million from the $1.4 billion loan facility. So you'll see in total notes payable on the balance sheet about $1.15 billions; that comprises both the draw on that construction finance as well as our outstanding convertibles.

Jonathan Petersen

Okay. Great. That's helpful.

I was curious if you had just some thoughts on your competitive positioning in the market from a data center perspective. You probably saw the IPO of Fermi recently that's building in Amarillo, which isn't too far away from the Helios campus, and they're also talking about building many gigawatts. How do you think about the competitive nature of that region, and just, I guess, more thoughts on that overall.

Michael Novogratz

It's a great question. Listen, there's multiple facets to it, right? There's the market that is—I think like two earnings calls ago, we talked about a pipeline of things we were looking at to potentially buy or develop. That's all gotten far more expensive than it was, right? Markets for some of these companies without contracts, without customers, the market is pricing in a tremendous amount of optimism. So that feeds through to the price of projects. So in the short run, I don't think you're going to see us reaching out and buying a whole lot more power at these prices.

What's unique about the Helios site is it's an application process. We already own the land and all the infrastructure is built close.

We'll see. There's a lot of speculative—like I said, a lot of speculative money in this stuff. I'm sure some of those projects will get built, but many won't. We're really just laser-focused on getting our project built, financed and getting the new land and new power approved so we can do that same process again.

We're in the market every day looking at things, talking to people, trying to understand the landscape. But there is a gold rush going on and so you got to be very careful during gold rushes that you build in smart places at the right price.

Christopher Ferraro

Yes. The other thing I'll add is I think the thing that we think the thing that's underrated heavily in the market today, or undervalued, is actual execution, right? It's relatively easy to sign and pass pieces of paper with big numbers on them and sign deals with big numbers on them. I think the most important thing for us and for long-term actual customer demand is not only can you acquire access to power and acquire land, but can you actually build on time and on budget? I think that, that's pretty underrated and pretty underappreciated today in the market.

As we think about the future as companies like CoreWeave and also Microsoft and Meta and Google, and you name them, their emphasis on can you actually do what you say you're going to do because we need the power when we think we're going to have it leads us to focus squarely on 'Do we have an excellent team? Do we have excellent partners in the construction side? Are we delivering on time and on budget?', so that we prove the right to win the next contract. I think that we're pretty far ahead of the pack when it comes to that relative to the competitors.

Jonathan Petersen

Great. Very helpful. Thank you very much.

Operator

The next question comes from Ed Engel with Compass Point. Please go ahead.

Ed Engel

Thanks for taking the questions. Congrats on a great quarter. Two questions. The first was on Helios; the other ones on more kind of operating crypto business. On Helios, you talked about that being potentially a multi-tenant site. Just kind of curious how you're thinking about the puts and takes for financing when it comes to partnering with a new cloud like CoreWeave or maybe even a hyperscaler? Thanks.

Michael Novogratz

Yes. So we're not sure long term what the composition of tenant base is going to be as we build the Helios campus. As we've said before, over and over again and we mean it, the partnership with CoreWeave has been excellent. They are a great partner up and down, not just on signing a commercial agreement, but in design, in understanding the difficulties that come along with procuring equipment timelines, teams, etc.

They're going through a transition period and everyone should talk to them on their earnings call. They're going through a period where the market is trying to understand what CoreWeave's credit quality is today and what it should be on the forward, and that's going to be a big, big determinant of their ability to get better lease rates, their ability to get financing, ability for us as the landlord to finance our projects. So, where that goes, how the market evolves its thinking on CoreWeave is something we're very focused on and something that's a little unknown today.

As we think about the trade-offs for capacity, not yet least for us, there's a real decision to be made as to whether on a net economic basis whether a lower-yielding lease from a higher-credit quality tenant net balances out to a better economic equation for us as we think about broadening the portfolio.

As we are as investors, we're big believers generally in diversity and risk management. And so economics aside, as we build the data center business over time, diversifying the customer base is just something that is a core sensibility for us as capital allocators and investors. So I think we were biased to want to do that over time anyway, economics aside.

Whether the economics pan out, obviously better or not, it's really going to be a function of where the markets are at a point in time and where CoreWeave's credit risk—perceived credit risk is relative to some of the investment-grade tenants.

Ed Engel

Great. Thanks for the color. Then just kind of a bit more of a bigger picture question, but in the past few months, we've seen Galaxy get more involved in the equity space, whether it's the DAT Investment Banking Advisory or even now the GalaxyOne for retail, how do you think about the opportunities within institutional equities now that Blockchain and Wall Street are converging more?

Michael Novogratz

Yes. Listen, if you ask me my like five-year view—and Chris alluded to this earlier—you're going to see so much tokenization of real-world assets of equities, of fixed income, of commodities that wallets and companies that are engaging, you're going to see this blending of what we call digital assets—or crypto right now and we call real-world traditional finance. So as that blending happens, I think you're going to see crypto customers who traditionally have all wanted to shoot the moon, as they mature slowly look for more conservative product. But the big buyers of conservative product of if it's tokenized credit will most likely be people that were buyers of credit just in traditional finance side.

What does that mean? It means if you're a traditional finance company, a bank or finance company, you know this is coming. So you're trying to figure out, A, how to develop your own domain expertise; how to partner with people; how to buy to get ahead of some of that.

So I think both from our advisory business—but our core business is partnering. We've got a real good three-year highway of working with the big financial institutions, as partners, as adviser, and I just don't see that slowing down. And we see that every day. Steve Kurz literally has a meeting a day it seems with somebody who's looking at a way to partner with us. Hopefully we're going to announce some of those soon. And so I'm really kind of bullish.

What does that mean for equity prices in some of these companies? Listen, like in anything, it's hard to determine is our equity market overvalued, fairly valued or undervalued? Multiples are relatively high. In general, there's lots of liquidity that's driving this thing up. There is the beginnings of some AI bubble. How long it goes is everyone's guess and everything gets pulled up with that.

I think you're going to see more and more crypto companies that are public and so there's going to be more differentiation between companies that actually make money and companies that are just a story, or companies that are a story that are going to make money versus companies that are a story that aren't going to make money. You're going to see a consolidation. There are a lot of subscale crypto companies that have okay businesses that might do $75 million, $100 million in revenue and $20 million in EBITDA that don't have the capacity to go public but might be takeout candidates.

Right now, everyone seems to think they're worth too much because we have this euphoria and so you probably don't really see the chairs reshuffle until there's a setback. But this is going to be an ongoing story for the next three years, this merging of the crypto infrastructure with traditional finance.

Operator

Was there a follow-up, Mr. Engel?

Ed Engel

No. Yes, that’s it. Thank you.

Operator

The next question comes from Devin Ryan with Citizens. Please go ahead.

Devin Ryan

Thanks so much. Good morning everyone and appreciate you taking the questions here. I just want to touch on the digital asset treasury opportunity. Galaxy just is uniquely positioned here with both the combination of your expertise, but also just the breadth of services across capital raising and asset management and trading. I'd love to just get a little more sense of the demand you're seeing right now from groups that want to launch a strategy. How much do you want to be a part of that? I suspect you're being still very selective here. Then I also appreciate it's going to be lumpy, but just want to get a sense of how sustainable you think this trajectory is, and just as you think about kind of the bigger picture for Galaxy, how much larger could it be just as some of these DATs and you’ll probably raise tens of billions of dollars of capital potentially in the coming years. Thanks.

Michael Novogratz

I think we're on the tail end of issuance. There's a few more coming down the pipeline, but most of the bigger ecosystems have established themselves, right? You've got a few big Solana DATs. You've got a few big Ethereum DATs. You've got a bunch of Bitcoin DATs. There doesn't seem to be a lot more room, at least in those three tokens which are the three biggest tokens in the ecosystem for more. There's a Hyperliquid DAT that hasn't officially started trading yet, but has been raised. And so I think we're on the tail end.

The large question is how big can some of these things grow, right? We saw MicroStrategy—and hats off to Michael Saylor—grow far, far bigger than everyone ever expected. BitMine right now, the Ethereum DAT that Tom Lee spearheads is having that same kind of excitement and growth. I think I looked at it this morning. It was still 145% premium, raising equity every day, buying Ethereum. And so we'll see. Some of these are going to trade at discount and there'll be some consolidation.

Net-net, they're very good for the ecosystem. In general, they’ve brought a whole lot of new investors into crypto and I think they will evolve to be big investors if it's staking assets or even investing in venture platform companies around their major token.

And so in some ways, they're a supplement or even a replacement of the traditional foundation, which got set up over in Switzerland because of regulatory reasons. It's a little too early to see exactly what they become, but I think that's the optimistic view.

Devin Ryan

Got it. Thank you. Just a quick follow-up here on the lending book. As you mentioned, it's still on the move, $1.8 billion now and I know it's important for a number of your clients. Can you talk about where the demand is coming from right now? And then just how you think about capacity for growing that from here.

Michael Novogratz

Yes. So the demand, I would say is pretty broad-based and pretty similar to what it's been historically. Like for us, we sit in the middle of the institutional market. We have both end customers who are borrowing cash and crypto, largely to make their positions more capital efficient. So putting on reasonable leverage into their positions. We also face what we'll call market makers, and so participants who borrow coin and cash for working capital effectively to make markets. And then finally, there's an interdealer market where the dealers borrow from one another to fill their customer demand. That one is a steady-state piece of business, but less interesting to us.

What we have always been focused on and what we just have started nailing with lower cost of capital and therefore ability to provide better structures for clients is really delivering lend, borrow and locate assets for our institutional trading clients of the firm who want to augment their trading on what has historically been really a fully-funded basis in crypto historically.

That's the priority focus of the business. That's where I think it goes. We have been focused on and the market is still lacking a more automated margin-based financing sort of prime brokerage system that allows institutions to in a more automated fashion access capital as they trade with leverage constraints, etc. We have been building that. We have actually rolled it out on a preliminary basis to a small number of clients and we're going to do that very slowly because inherent in that is a ton of risk on the system side, on the price action side that we're just not going to take in size until we're comfortable with and until the market is ready to have it.

That’s what I think longer term we're building out but that's a big—will be a big driver of a very fast growth of the loan book, assuming the financing is there for it. But that's how we think about the lending business today.

The one area that I didn't hit on and you don't really see in the numbers at all today that we think is very interesting though is our business historically has really been off-chain with clients. There are nascent pools being built on-chain for financing, secured financing and in some cases, undersecured or unsecured financing on-chain. We take that—that market is very nascent. We take that opportunity very seriously, though, so I could see a future where our financing and lending presence doesn't manifest itself purely in our loan book growth, but also manifests itself in our infrastructure and technology building where we provide access to a much broader base of on-chain financing that we'll be a pretty serious player in. So we're very focused on that as an opportunity.

Devin Ryan

That's great. Thanks for all the color. Appreciate it.

Operator

The final question will come from Martin Toner with ATB Capital Markets. Please go ahead.

Martin Toner

Thanks so much. Good morning everyone. If I take your performance in Digital Assets this quarter, I annualize it, I put a multiple on it, it implies it's worth a lot. How sustainable are these results in your view?

Michael Novogratz

Crypto is a really volatile asset class and I think you're going to continue to see at least part of our results, trade with that volatility, right? Our balance sheet, we try to maneuver our balance sheet to have less of it when we think the market is going down and more of it when the market is going up. That's a difficult game. We do it better than most, but we're certainly not perfect at it. So I think you'll see a correlation of our treasury or our balance sheet assets with the market itself.

The Digital Assets business side, right, the enterprise business still has some correlation because if the price of crypto goes down, the fees we make in lots of our asset management projects go down, often volumes go down. And so crypto is not mature enough yet that you'll have the S&P up or down; it doesn't really stop Morgan Stanley or Goldman Sachs from having good quarters or bad quarters. We're still going to be a little bit correlated to crypto.

Our goal, of course, is to break that correlation and with each quarter, we're doing better at it. Looking at things like assets on platform, the more assets on platform, the more stable our business is going to be. That is a North Star for Chris, Tony, Erin, all of us here, Jason, Steve. Our senior management constantly looks at that: "Okay, how do we get more assets on platform? How do we stack more assets on platform?" And we're getting there. We're not there yet. Unfortunately, I don't think you should annualize unless you really think we're going to continue to have this kind of great inflow into the crypto markets quarter after quarter.

We still are bullish over the medium term. I still think given the sad state of fiscal affairs in the world that Bitcoin at a million dollars is going to make sense one day. I've always said this publicly. I hope it doesn't happen next year because some real shit would have to happen in the U.S. economy. That wouldn't be good for any of us. But I think we're going to see a slow debasement of Fiat currencies, which is going to benefit the space that we're in.

And so I guess that's the real just straight up honest answer. We try every quarter to make this business better, and we're going to keep grinding away at that.

Martin Toner

That's great, Mike. If I can give you one more, do you think you can do GPU-as-a-Service at Helios with some of the capacity? Are you thinking about it?

Michael Novogratz

Sure. I think technically the answer is yes, we could do that. Are we thinking about it? The answer is no. The two reasons why are, one, I think there are really good companies, like our partner CoreWeave, who have built layers and layers of technology—and NVIDIA themselves, who have built layers and layers of technology on top of just owning raw chips that are really value-add and really get the most out of what are increasingly complex GPU clusters. That expertise we have not invested in yet. We don't have in-house, and I think it would be nice. I think we would just start doing that by buying GPUs.

The other thing, given that the other just math lesson for us is that we're not we're not confident in what useful life of GPUs are ultimately going to be and the cycles of GPU efficiency are pretty nascent still. And so, we like very much investing in long-lived infrastructure that we understand useful life of and we don't quite yet understand what the useful life of GPUs are.

So, the business model around return on capital on GPUs, particularly if you haven't added real expertise and real value-add, I think is a really challenging thing to decide to do, so we're not thinking about it.

Martin Toner

Great. Thanks for taking the question.

Operator

Thank you. This concludes our question-and-answer session. I would like to turn the conference back over to Mike Novogratz, Founder and CEO of Galaxy Digital, for any closing remarks.

Michael Novogratz

Guys, thanks for spending an hour with us this morning. I hope you hear from the tone we're excited about the opportunity ahead of us. We're charged up about our third quarter, but we're already a month into the fourth. We understand our job here and we're going to work hard for you guys, so stay tuned.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.