Galaxy Digital

Second Quarter 2025 Earnings Call

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

Operator

Good morning and welcome to the Galaxy Digital Second 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 and one on your telephone. To withdraw your question, please press star and 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 second 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

Yes, good morning, everyone. I don't really give a weather report, it's pretty darn nice here in New York. Listen, this is our first earnings call after being a U.S. publicly listed company, so that's exciting.

Tony and Chris are going to go through the second quarter in pretty good detail. I think of these things as a little strange in that we're always looking backwards, talking about what we did, and my job is to look forward, not just to Q3, Q4 but to 2028, 2029, 2030. From that perch, I couldn't be more excited. July looks by all accounts the best month we've had at Galaxy. All our businesses are starting to fire on full cylinders. In the asset management space, this phenomenon of balance sheet companies, you know, companies raising capital in the public markets to deploy in crypto, has exploded. We've taken an approach to be—to want to service those, and so we're partnered with over 20 of those companies between capital execution, asset management. It's probably added close to $2 billion of assets on platform, right—you know, recurring income that will go on and on and hopefully grow, literally just in the last short period of time.

On the trading side, on the markets business, we executed a $9 billion-plus trade. It's got to be the largest, or one of the largest Bitcoin trades in history, and that was fun. It was fun because it yelled loud and clear that there is a group of people that really trust our brand and trust our discretion, our execution services. We did it smoothly. The market took it. It tells you how strong the market is right now. That's a tremendous amount of Bitcoin that the market absorbed.

On the data center company, I told you before, I see both the data center business and the crypto business as growth businesses. We executed and bought another one gigawatt of potential capacity around the Helios site, that would make that a 3.5 gigawatt site, got to be one of the top five data centers in the world if we get that fully built out, and that's exciting. We also announced CoreWeave executed the third option, and so now that entire 800 megawatt site will be tailor built for CoreWeave and their clients. Again, firing on all cylinders.

You know, the Trump administration is doing some amazing things for crypto. If you haven't, I would tell everyone to look at the SEC Chair, Paul Atkins' speech on putting U.S. financial markets and global financial markets on chain. That really is the big challenge for all crypto companies, including Galaxy. When I say we're building to 2028, 2029 and 2030, those kind of projects really will define us in that next decade. We've got a lot more to talk about, I think, next quarter. We've got a lot in store, but I couldn't be more bullish.

Finally, and last, I want to welcome Doug Deason to our Board. Doug Deason has decades of experience across financial services, real estate and public markets, but most importantly for me, he's a true Texan. We have a huge investment in Texas, and Texas is going to be a big part of Galaxy's future. Doug is well connected, his family has been there a long time, and he's going to help us really navigate any potholes and opportunities down in Texas, as well as in DC. I couldn't be more excited. It's also nice to get someone who's a little bit older than me on the Board. He's now our senior spokesman.

With that, I'm going to hand it over to Tony to talk about the quarter.

Anthony Paquette

Great, thanks Mike, and thanks everyone for joining the call today.

As Mike mentioned, Q2 was a pivotal quarters for Galaxy, and Q3 is already off to an exciting start, which Chris and I will touch on in a little bit more detail in a few minutes.

During Q2, we completed our domestication and reorganization in the U.S. We listed on the NASDAQ; we raised nearly $500 million in common equity capital and saw continued progress on building out our operating businesses across digital assets and data centers.

From a financial perspective, we made strong progress across the business in the second quarter, generating $299 million in adjusted gross profit, and saw a healthy increase in our capital and overall balance sheet. In our operating segments, digital assets delivered $71 million in adjusted gross profit, up 10% quarter-over-quarter, reflecting continued momentum across the core operating units. Treasury and corporate generated $228 million in adjusted gross profit, driven primarily by mark-to-market gains on the digital assets and investment positions held on our balance sheet.

As a reminder, in the data center segment, we do not expect to report financial results until Q1 of 2026, when we begin recognizing revenue from CoreWeave under Phase 1 of our lease agreement. Until then, all expenditures are being capitalized as they directly support the preparation of the facility for operational readiness.

Also beginning this quarter, we're introducing a new profitability metric called Adjusted EBITDA. We believe this offers a clearer representation of the business performance in our operating segments going forward. As a reminder, Adjusted EBITDA is a non-GAAP measure and should be thought of as complementary, not a replacement of our GAAP financial metrics. A reconciliation to GAAP net income is available in our earnings release. For Q2, firm-wide Adjusted EBITDA came in at $211 million.

Our total operating expenses excluding grossed up transaction costs and digital asset impairments were $133 million in Q2. In Q2 we recorded a negative mark-to-market adjustment of $125 million on the embedded derivative associated with our exchangeable notes, which was driven by Galaxy's second quarter stock price performance up until the date of our reorganization in mid-May. With the successful reorganization and consolidation of our reporting structure, Q2 will be the last quarter that we will be impacted by this mark-to-market adjustment. Our Q2 GAAP net income was $31 million, which included this mark-to-market adjustment, and Q2 GAAP operating income was $166 million.

Turning to the balance sheet, we ended the quarter with $2.6 billion in equity capital, up more than $700 million quarter-over-quarter. This increase was driven by the primary capital raise in May, which generated approximately $480 million in net proceeds, appreciation in our digital assets and balance sheet investments, and a one-time increase of $292 million in equity capital due to the consolidation of our corporate structure as part of the reorganization. In accordance with accounting treatment for reverse acquisitions, this $292 million had no impact on net income or Adjusted EBITDA during the quarter, but instead was credited directly to equity capital.

Cash and stable coins remained relatively flat at $1.2 billion, with cash proceeds from the May equity raise being used to help fund CapEx related to our Helios data center build-out, as well as continuing to grow our balance sheet in digital assets. We ended Q2 with approximately $2 billion in net digital assets and investments on our balance sheet. As we move forward, we will continue to run our balance sheet with fortress-like principles, managing risk with discipline and ensuring we have enough capital, liquidity and access to financial resources as we continue on a growth agenda across both digital assets and data centers.

Now turning to our operating business results, starting with digital assets, our global markets business generated $55 million of adjusted gross profit in the quarter, up from $43 million in Q1. While industry-wide spot crypto trading volumes declined by approximately 30% from Q1, our crypto trading volumes were down 20% and the business was able to capitalize on market dislocations and outperform the overall market. We continue to see increased engagement from traditional financial institutions and today we are tracking one of the strongest institutional on-boarding pipelines we have seen to date.

On the lending side, our average loan book balance exceeded $1 billion for the first time, passing an important growth milestone, and we ended the quarter with roughly $1.4 billion in total loans outstanding. From a net interest margin perspective, we saw modest compression during the quarter and, coupled with a mix shift towards lower margin lending products, our overall lending revenue was down slightly quarter-over-quarter. In advisory, Robin Hood's acquisition of Bitstamp officially closed, which Galaxy served as the exclusive advisor to Bitstamp on this transaction.

Now turning to asset management and infrastructure solutions, we ended the quarter with nearly $9 billion in total assets under management and assets under stake, reflecting market appreciation and organic growth in our asset management business. This business generated $16 million in adjusted gross profit, down $6 million from Q1 driven by more muted revenue on the staking side, which I'll speak to in just a minute. Asset management saw approximately $175 million of net inflows this quarter driven by our venture fund and treasury management solutions, partially offset by certain ETF net outflows amid the market volatility early in the quarter.

On the venture side, we announced the final close of Galaxy Ventures Fund with $178 million, which will be focused on early stage companies building the infrastructure and applications powering the on-chain economy. The fund exceeded its original target size and has already deployed roughly $70 million, with several investments supporting the growth of stable coin adoption and tokenization.

In infrastructure solutions, our assets under stake increased by more than 30% to $3.1 billion in Q2; however, this aggregate staking revenue declined in the second quarter amid a notable drop in on-chain activity across the major protocol ecosystems we support. The slowdown in activity was especially pronounced on the Solana network in Q2, where Galaxy is one of the largest infrastructure providers by stake weight.

From a distribution standpoint, we announced our integration with Fireblocks in Q2. Galaxy's staking services are now natively accessible to more than 2,000 of the world's largest financial institutions, making secure, scalable staking available directly through a trusted custody framework. This was the third major integration in 2025 and reflects our continued focus on partner integrations to broaden access, expand distribution and open new channels for our customers, helping to drive organic growth in our assets on platform.

More broadly as regulatory clarity improves and institutional infrastructure matures, we are seeing a clear uptick in companies of all sizes looking to engage in the digital asset ecosystem. One of these areas, as Mike mentioned, is the digital asset treasury companies. The recent pick-up in activity in this space represents a cross-platform opportunity for Galaxy, drawing on the strength of our trading, asset management, advisory and staking businesses to deliver integrated end-to-end solutions.

Since kicking off our work with digital asset treasury companies, we've evaluated more than 100 different management opportunities and, as Mike mentioned, we are actively supporting over 20 of the most prominent players, providing them with capital, infrastructure, asset management and trading services. These companies are coming to Galaxy because we are a trusted brand and because they see the value of working with a partner that is built for scale.

This has begun to play out in our results with more than $1.5 billion in assets brought on platform and over $2 billion in notional volumes traded since the first quarter of this year. We are focused on long term strategic relationships to serve clients, help drive thoughtful innovation in the industry, and generate high quality and sustainable business for Galaxy. Additionally, last week AllUnity formally launched their euro stable coin to the market. As a reminder, this project has been developed in partnership with DWS and Flow Traders and helps position Galaxy to capitalize on this increasingly important segment of the overall digital asset market.

Stepping back, we believe we're at a pivotal moment in the evolution of capital markets. With the passage of the GENIUS Act and hopefully more legislation coming, we are seeing real integration between traditional finance and on-chain infrastructure. As this convergence accelerates, clients will need unified platforms to access, deploy and optimize their assets across both environments, which will create entirely new market opportunities. At Galaxy, we're continuing to invest in the technology, research and product innovation to bridge on-chain and off-chain ecosystems, and you will continue to see us add products, services and new capabilities in the quarters to come.

Before I turn it over to Chris, I want to touch on a quick Q3 update. As Mike mentioned, digital asset prices continued their upward momentum to start the quarter with Bitcoin reaching new all-time highs in July and Ether and Solana posting strong gains in the last few weeks. July marked the strongest monthly performance for our digital asset operating business in the firm's history and, as Mike mentioned, we completed the sale of over 80,000 Bitcoin on behalf of a client, representing one of the largest notional Bitcoin transactions in history.

In asset management, we saw strong net inflows and organic growth in staking assets during July. Importantly in data centers, CoreWeave has exercised its final option on Phase 3 at our Helios campus, and we recently signed a purchase agreement to acquire 160 acres of adjacent land, which could provide an additional one gigawatt of increased power capacity at Helios in the future.

With that, let me turn it over to Chris.

Christopher Ferraro

Thanks Tony.

Focusing on our data center business, I'm pleased to announce that subsequent to quarter end, we expanded our partnership with CoreWeave, who exercise its final option to access an additional 133 megawatts of critical IT load for its AI and HPC operations at our Helios data center campus. With this expansion, CoreWeave has now committed to the full 800 megawatts of gross power currently approved for at Helios. This additional capacity will be structured on terms similar to those outlined for both phases one and two.

Throughout the second quarter, the team was laser focused on execution as we continue transforming the Helios campus into a world-class AI and HPC campus. We're now squarely in the build phase, and I couldn't be more pleased with the pace and precision we're delivering at the site level.

From a construction perspective, we have made meaningful progress in retrofitting the existing building and campus. The interior Phase 1 building has been fully demolished in preparation for the build-out of the data center, including the removal of legacy infrastructure, including immersion cooling systems and the former Bitcoin mining machines. We are finalizing an agreement to sell over half of our legacy Bitcoin mining machines, and that sale is expected to close by the end of Q3.

For the remaining machines, we have now signed a new hosting agreement. Upon energization with our new hosting provider beginning in late 2025 and into the first half of 2026, and combined with our East Texas Bitcoin mining site, we anticipate total mining capacity of approximately 1.8 exahash per second. At today's Bitcoin prices and network difficulty, we expect our mining operations to generate more than $30 million in annual revenue and be an EBITDA-positive contributor to the business.

At the Helios campus, we're working to complete the earthworks and concrete foundations for our new electrical, mechanical and back-up generator infrastructure. The back-up generators are scheduled to be delivered throughout the second half of this year and into Q1 2026, keeping us on track for energization. These back-up generators are a key part of our electrical infrastructure and are designed to provide full back-up power for all critical mechanical systems for the data center.

On the electrical front, we've taken a modular approach to accelerate the deployment and commissioning of the systems by pre-fabricating electrical houses offsite. These electrical houses, or E-houses, are self-contained units that house switchboards, UPS systems, batteries, transformers, and other distribution gear. These are being assembled offsite at multiple fabrication facilities. The first units are expected to ship later this month to the Helios campus for installation and integration with the onsite electrical infrastructure.

Our chillers begin arriving this month and will continue into Q4. These chillers will operate as part of our broader mechanical cooling infrastructure, providing chilled water to cool the GPUs. Together with our coolant distribution units, the chillers provide a next-generation cooling solution for critical AI infrastructure.

In order to bring all these components together and execute the build, we are partnering with Clayco as our general contractor, operating under a construction management scope for the Phase 1 project. Clayco brings deep expertise in mission critical infrastructure and a strong track record that includes more than $12.7 billion in advanced technology projects. Clayco's expertise gives us high conviction in their ability to deliver large complex infrastructure projects requiring tight coordination on aggressive timelines, which is exactly what we're building at the Helios campus. They have a team of over 100 subcontractors and trade partners who are boots on the ground at Helios now, as we speak, driving progress forward.

The combination of earthworks, electrical and mechanical contractors are coming together as planned, and we remain confident in our ability to hit key delivery and construction milestones in the second half of 2025 and first half of 2026. This keeps us firmly on track to deliver the 133 megawatts of critical IT capacity for Phase 1 in various tranches throughout the first half of 2026, aligned with CoreWeave's deployment timeline. With Phase 1 advancing towards energization, we're preparing to seamlessly transition into Phase 2 construction.

Let's shift to capital and financing, where we've made equally important progress. We are in the very final stages of securing Phase 1 project-level debt financing. Project-level debt financing agreements for large scale data center developments are inherently complex, requiring extensive due diligence, bespoke structuring, and lengthy negotiation processes. As such, these transactions often take considerable time to finalize, even when counterparties are highly engaged. That said, based on the strength of the asset and the structure we've developed, we believe we're well positioned to close this financing imminently. As a reminder, the equity portion of Phase 1 has already been funded through our existing equity capital.

Once we have secured the project-level debt financing, we will have the capital necessary to fund the anticipated CapEx for Phase 1 of approximately $11 million to $13 million per megawatt. For Phase 2, we are still finalizing the design and engineering specifications but expect the total project CapEx to be slightly higher than the Phase 1 on a per-megawatt basis. We have already commenced work on project-level debt financing for the Phase 2 project. Throughout the Phase 1 financing processes, we've established strong relationships with a wide range of banks and private credit managers who are active in this space, and I have confidence in our ability to secure debt financing for Phase 2 in the coming months.

On the equity side, we are exploring supplementing our parent company equity with project-level equity financing, particularly from infrastructure-focused and private equity style funds that are actively seeking exposure to AI and HPC data center projects. As always, our approach to capital is opportunistic and disciplined. Once these projects are stabilized and generating revenue, we will look to refinance at lower cost of capital. This opportunity is expected to unlock committed equity, allowing us to recycle capital into future build-outs while keeping our capital stack nimble and optimized for growth.

Finally shifting to power, we developed a healthy origination pipeline focused on land, powered land, powered shelves, and build-to-suit data centers. This pipeline remains a critical part of how we scale in a disciplined and capital efficient way. Since last quarter, we've narrowed our pipeline from over 40 sites to a select set of high quality opportunities rigorously evaluated based on development stage, power capacity, and energization timelines. We are highly selective when it comes to powered land, ensuring that any project we pursue meaningfully expands our data center footprint and advances our position as a multi-asset owner and developer.

We have already begun to execute on our growth objectives. Subsequent to quarter end, we entered into a definitive purchase and sale agreement to acquire 160 acres, and a one gigawatt load interconnection request adjacent to the Helios campus. At the close of this land acquisition, we will have expanded the Helios campus to over 1,500 acres of contiguous land under Galaxy's direct control and will have increased our total potential power capacity at the Helios campus to 3.5 gigawatts, giving it the potential to become one of the largest AI data center campuses in the world. It also provides us with an important plot of land adjacent to what will be two of the largest switching stations in Texas, strengthening our long term presence in the region. With 2.7 gigawatts of total power capacity now under various stages of study, we're working very closely with ERCOT, AEP, WETT and other stakeholders to finalize studies and approvals.

The load interconnection process for the original 1.7 gigawatts we submitted in 2024 has taken longer than initially anticipated, largely due to ERCOT's efforts to clean up a backlog of speculative and inactive projects that have congested the load interconnection queue. As a result, ERCOT and the transmission utility companies are applying greater scrutiny to new load interconnection requests to ensure that near term development is anchored in real execution. From our perspective, that's a positive shift and one that ultimately benefits well-capitalized, credible developers like Galaxy. We expect to have clear visibility in the back half of this year.

We have also been actively building out our data center team, hiring key talent with deep industry expertise, including engineering and construction team members with experience at leading hyperscalers like Microsoft and Meta. We're full speed ahead on Phase 1 with construction advancing in line with our delivery schedule. Phase 2 is ramping with both infrastructure planning, lease finalization and capital formation progressing well. We'll share more on Phase 3 as decisions take shape. I'm incredibly encouraged by the momentum that this team has built. We've made real progress this quarter and we're going to stay focused, disciplined and execution-driven as we enter into the second half of this year.

Now back to the Operator for questions. Thank you.

Operator

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on your telephone. If you are using a speakerphone, please pick up your handset before asking a question. If at any time your question has been addressed and you would like to withdraw your question, please press star and two.

Our first question comes from James Yaro at Goldman Sachs. Please go ahead.

James Yaro

Thanks for taking the question. I was hoping you might be able to touch a little bit on the outlook for growth of non-U.S. dollar stable coins. There's been quite limited non-U.S. dollar stable coin growth so far and a material portion of the U.S. dollar stable coins are as customers want access to dollars. Do you expect these non-U.S. dollar stable coins to resemble the size of the dollar ones, and perhaps why?

Michael Novogratz

You know, in the short run, no. Most stable coins right now are used for liquidity in markets, and that is still mostly denominated in dollars. But over time, I think you're going to see the euro stable coin and other stable coins from separate countries pick up as digital currencies start replacing traditional currencies and the FX market moves to a more digital place. That's going to also happen with payments, you know, European payments when AI takes off and the agents are start to spending money. I would guess in the short run, no, they're not going to be nearly as big, but I think long term potential is really great.

James Yaro

That's really helpful, thank you. Then maybe just turning to the data centers, we've seen tightening credit spreads over the past few months. Maybe just any update on the expected financing cost range for the project debt for phases one and two.

Christopher Ferraro

Yes, hey James, good morning. Thank you. I think our expectation on where we land on Phase 1 is in line with what we've articulated in the past, it will come out at a sub-10% stream rate. But when you take into account upfront fees and potential breakage, depending on when you assume we'd have a refinancing event or not, we'll likely end up in the 10% to 11% expected yield in terms of cost of capital. Even as credit spreads are tightening in real time, these are negotiated deals that have been going on for months, and so we look to that as the expected direction of travel once we look at a stabilized project for takeout.

On the Phase 2 side, we're pretty preliminary there. It will be interesting, I think our expectation is that we're a young company doing this, and as we produce results, i.e. as we sign leases, as we get financings closed and we start building, then we sort of earn the right to achieve larger financings at lower cost. Our goal on Phase 2 is going to be sort of twofold. One, it's for sure going to be a larger project, and so just getting that financed, I think is the primary goal. But also, the profile of our Company, both now as a U.S. public company, larger equity capital base, clear line of sight to delivering stabilization on Phase 1, our expectation is that should lead lenders to also give us positive treatment on that front.

Operator

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

Patrick Moley

Yes, good morning. Thanks for taking the question. I was hoping you could just update us on your just general conversations with hyperscalers and other AI-adjacent companies. It seems like with the decision to expand the footprint at Helios, those conversations must be going pretty well, demand seems like it remains strong across the board. But any color that you can give on how those conversations have been going would be great, thanks.

Christopher Ferraro

Sure, I'll start. The most recent which we put out with regards to CoreWeave executing the third option, I think is the most important sign. They signaled their intent from the beginning to ultimately be the single build-to-suit tenant for our existing 800 megawatts. They had the option to step into that relationship over—basically over the past year, and this final execution, I think just crystallizes, at least from their end, the opportunity set they're seeing with their clients in terms of on the demand side.

With other hyperscalers, obviously we're not continuing to acquire a pipeline of potential energy for no reason. I think our partnership with CoreWeave is going to take up the vast majority of our attention over the next few years. That being said, the other hyperscalers out there are equally committed to growing. I think if you see in their guidance and their numbers on the CapEx perspective, they've all not only reiterated their expected CapEx budgets but actually have started to increase them as well. I think what you're seeing publicly in terms of their announcements is very consistent with the conversations that we're having with them.

The other thing we are seeing, which is what we expected to see, which was all of those potential clients focused on power, when we started this journey over a year ago was on near term power, 2026, 2027 deliveries. As time ticks on, their interest in power deliveries, that are now '27, '28, '29, they've just rolled that interest forward. I think we're seeing continued demand extending through out years now, which fits nicely with basically the asset and the energy capacity that we're accruing in Texas.

Patrick Moley

Okay, that's great color. Then just as a follow-up, switching over to the digital asset business, you mentioned the strong institutional client pipeline and called out some of the Bitcoin treasury companies that you're working with. Could you maybe just talk a little bit about traditional financial firms, asset managers, hedge funds, how that base of clients has looked, like are you seeing a big uptick there, and how are these potential new customers engaging you on the traditional finance side? Thanks.

Michael Novogratz

I think you can answer it from a few different angles. One angle we're seeing is that almost every trade-fi company is preparing, or starting to prepare for a world where things move from accounts to wallets, where stocks, equities are tokenized, where funds are tokenized, where stable coins become a much bigger part of payment systems. On the infrastructure side, we're engaged in lots of conversations with both asset managers and banks.

On the sales and trading side, we have trade-fi hedge funds that are far more comfortable in crypto than they were two years ago. Bitcoin has become just a macro asset for most hedge funds. It's not a big deal to either buy it or sell it anymore, where it used to be huge hurdles of approval. They still feel more comfortable in equities than crypto and so you're seeing a lot of action in ETFs and these balance sheet companies, that will change in time. Some of that is financing, right, the ETFs are easier to finance than, say, prime brokers, but I think you're going to see a merger of both on-chain crypto and trade-fi stuff over the next few years.

Operator

Our next question comes from Brett Knoblauch with Cantor Fitzgerald. Please go ahead.

Thomas Shinske

Hi guys, this is Thomas Shinske on for Brett. Thank you for taking my question. Just one from me, I guess. Regarding the recent sale of over 80,000 Bitcoin on behalf of a Satoshi-era client, I guess, can you just share any insight into how Galaxy was selected for this mandate? Was there a formal RFP process, and what do you think differentiated Galaxy from other potential counterparties for this client looking to offload his Bitcoin?

Michael Novogratz

As a start, one of the reasons we got that trade, and many others, is that we are really religious about not speaking about why clients do things or their motivations. I would say we've worked really hard since really 2016, 2017, even pre-Galaxy at building up a network of people that care about this community. This was our relationships that have gone back many years now of just building trust. In lots of ways, as much as this is a digital platform technology, there is still a whole lot of hand-to-hand combat in trust, and we do that every single day, and we hammer it into our employees that that's all we have.

I think that's a—maybe that doesn't answer exactly what you want, but that's the answer I'm going to give you.

Thomas Shinske

No worries, thanks Mike.

Operator

The next question comes from Greg Lewis with BTIG. Please go ahead.

Gregory Lewis

Yes, thank you and good morning, everybody, and thanks for taking my questions. I was hoping you could talk a little bit more—you know, you mentioned in Q2 about the slowdown in activity on the Solana layer one. Curious at a high level what was driving that, and then as we look at July, it seems like a lot of things are improving in terms of activity along the crypto ecosystem. Curious what you're seeing on the Solana network in July, if you're able to comment on that at this point.

Christopher Ferraro

Yes, sure. Morning Greg. I'll start. Yes, I think what we saw pretty much through the first half of this year was coming off of a pretty aggressive, localized volume on Solana for things like meme coin launches and things like that. Really Q2 was more of the same after that activity in prior quarters, in the prior year had slowed down and leveled off.

I could tell you that Solana as well as some of the other not-Bitcoin layer ones, the team's all around those ecosystems. Whether it's the foundations for app builders and things like that, who are committed to those networks, are pretty aggressively focused on how do we now build functionality so that on-chain volumes are not flash in the pan, meme coin-type volumes, and instead are enduring volumes to either support things like stable coin payments and money movements, actual consumer apps and things like that. That takes time to layer into the layer ones, no pun intended, and actually have working technology, but that is the focus of the industry now, is bringing durable, growing volumes on chain. Just where we're at now, at least Solana specifically was a kink following a pretty aggressive on-chain volume run-up from meme coins.

Gregory Lewis

Okay, great. Then my other question is around these treasury strategies. I mean, clearly Galaxy is working hard, you called out the 20 customers that you've brought on. As you think of the revenue life cycle of that opportunity for Galaxy, obviously the initial acquisitions of the crypto currency is important and a revenue driver, but then could you talk a little bit beyond—you know, once they are on the platform, how we're thinking about these other opportunities in terms of the asset management and staking and potentially the lending? How you think that kind of plays out in terms of a revenue opportunity?

Michael Novogratz

Sure, there's an asset management fee that we're getting in most of these for managing the assets, which roughly is about a percent. There is a staking opportunity in most of these, not the Bitcoin versions of course but the non-Bitcoin versions, and so our assets under stake are going up and there is, of course, staking revenue that comes with that.

The push for all of these companies is going to be to say, hey, we can do something that an ETF doesn't do to drive extra return, and so you're going to see lending, you're going to see on-chain activity, and there is in essence a race to create the most value. Again, Michael Saylor pioneered this idea, and he was able to create value and micro strategy via being first and providing access to Bitcoin when a lot of people didn't have that access, and created this almost machine, and hasn't had to do much more than just buy the Bitcoin and provide leverage. He is doing it with all kinds of different preferred structures, first converts, now preferred equity, preferred debt. I think you're going to see the other companies have to go one step further, and we're seeing that. Those are the services we're trying to provide.

Christopher Ferraro

Yes, and the only thing I'll add, if I may, Mike, is I think it's important that—so our relationship with these companies spans the capital creation, as Mike said, sort of on the way in as well as the ongoing management of the assets in the companies. In a lot of those cases, those are actually being done under multi-year contracts.

Then if you think about the vehicles, what's different about these vehicles is they're really closed in perpetual vehicles. Our goal is to do a really good job to help the management teams, and the shareholders of these companies, make sure they have hardened infrastructure, that they're managing their assets well, that they're growing their asset base in the underlying currency as most efficiently as they can. That should set us up for having basically a perpetual relationship with them, because these vehicles don't have redemptions, they're not ETFs, and so once the capital is in, it's there forever, and so it's just our job to do a great job forever.

Operator

The next question comes from Chris Brendler with Rosenblatt Securities. Please go ahead.

Chris Brendler

Hi, thanks for taking the questions and congratulations on the results, and also appreciate the additional disclosure. I'm on a train right now, so I'm going to ask my two-part question all at once. The first question is on the data center business and how much you want to lean into this business. You're already sort of building the pipeline out to '28 now, but I know you're actively looking for additional sites, you're expanding the Helios site but also looking for additional sites. Is there a plan to potentially add a lot more capacity before the end of the decade, or is this going to be more methodical so that future growth will be 2029, 2030, that kind of thing?

The second part of the question is how big do you want the data center business to be? It's kind of a different business than the digital assets business, and I guess your updated thoughts on separating the two at some point would be great. Thanks so much.

Christopher Ferraro

Yes, thanks Chris. I'll take at least the first part, and I think Mike will chime in as well long term strategically for us.

The answer to your question today is definitely door number two, which is methodical growth. That's for a couple reasons, right? One, the industry is relatively nascent and people's expectations long term around demand are forming. Obviously, they're forming across the board at the biggest companies in the world in tens to hundreds of billions of dollars in terms of notional, and so it's one of the biggest commitments to a new growth industry that I think the world has ever seen. But it's still pretty nascent, and so—and then there's also a practical component, which is these are very large scale, long term development projects that take a lot of capital, and so our ability to grow into the opportunity is sort of wholly dependent on two things. One, us executing excellently, but then also two, growing and getting bigger as a Company so that we can actually support the growth, meaning it would be totally imprudent for us to now take on in parallel, for example, another $10 billion build, because that requires a capital base and the attention and resources that we're just not built out for today.

I think the idea is to methodically build a base of really high quality assets and high recurring revenue, which then allows us to then accelerate growth from there as we see the opportunity develop, so that's the way we're approaching it.

In terms of how large we want it to be…

Michael Novogratz

In terms of—we have two businesses under one roof. There are a lot of great companies with multiple businesses under one roof. I think of Amazon with a retail business, an entertainment business, and a cloud business. We're going to keep them under one roof for a while, and as long as one plus one equals more than two, we'll probably keep this set-up. If the markets at one point tell us, hey, you're going to get more value by splitting them, then we're pretty rational guys.

I do think—you know, to highlight what Chris said, this next 12 months is really important because we go from putting out a lot of money to having an asset that starts spitting out cash. Once 12 months from now, 24 months from now, Helios becomes a big cash generator for us, it allows a lot more flexibility in how we deploy capital. Right now, in some ways, we're sharing capital because while the leases are mostly—I'm sorry, the financing is mostly underwritten by this wonderful lease, there is still a parent guarantee and parent equity requirements, and so we're having the best of both worlds in lots of ways. We're going to kind of run that until we think there's a more accretable path forward.

Operator

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

Jonathan Petersen

Oh great, thank you. Good morning, guys. Maybe just to come back and stick with data centers, I'm curious for more commentary on hyperscalers. I know you talked about it earlier, but I'm curious what hurdles you think that Galaxy might still need to cross to convince hyperscalers to sign a deal with

Galaxy. Are they waiting to see a finished product with the CoreWeave data centers, or is it more about proving that you have funding capacity or something else?

Christopher Ferraro

Yes, good morning, Jon. I think practically speaking, the other hyperscalers evaluating Galaxy as a partner, the reality is that we dedicated our first 800 megawatts of available capacity to CoreWeave. I do think it is true that the bigger, more established hyperscaler companies do care a whole lot about who their counterparties are, have they built data centers for the last 10 years, what's their track record, etc., which of course up until now, we haven't had, so I do think that they will care about it.

But we also—you know, once we made the decision to partner with CoreWeave, we really didn't have anything to sell them, to be totally candid. I think it's less about—it's been less about us being evaluated as a new upstart from a data center development perspective and more about just literal, practical availability.

I think for us, the set-up for us was let's partner with CoreWeave. Let's execute on our existing 800 megawatt project, which is a very large project and is going to span multiple years, and along the way let's make sure we build up a pipeline of additional capacity that we are going to get approved for over time. As that capacity comes on, we'll have demonstrated our ability to deliver and sort of check that box off for the hyperscalers. Slightly different characterization than I think you would think, but that's been the reality.

Jonathan Petersen

Yes, that's really helpful. Would you say, I guess when we—I know we're thinking ahead, past the 800 megawatts, but would it be a priority to diversify and bring in a different customer, or are you comfortable with building solely for CoreWeave?

Christopher Ferraro

Yes, I think that we have definitely gotten comfortable taking on pretty significant exposure to CoreWeave relative to the size of our business. I think that can't be debated based on the size of the mandate that we committed to them.

On a go-forward basis, I think it would be natural for anyone who had an opportunity in front of them to build a portfolio of data centers to think about diversification in terms of end client, in terms of regional geography, etc. I think generally speaking from a real estate or portfolio perspective, that kind of diversification usually leads to premium valuation, usually leads to ability to finance things more effectively, and so that's definitely on our long term road map.

I don't want to under-sell, though, A, how good a partner CoreWeave has been, and B, as their business grows and they're successful, and their success grows and their credit quality improves, which would be our expectation over time, that it certainly doesn't preclude us from wanting to continue to do business with them as a result, so we're going to keep an eye on it. I think it would be natural for all businesses to think about broader diversification to build the best and most durable business over time, so we're definitely going to look at that.

Operator

The next question comes from Matthew Galinko of Maxim Group. Please go ahead.

Matthew Galinko

Hey, good morning. Thanks for taking my question. I guess going back to the treasury companies, I'm curious if you can maybe talk about the competitive environment and the process of building those relationships and winning them, and if you have a pulse on maybe what we should expect to see in second half '25 and into 2026 as far as maybe new players coming into the treasury space? I don't know if you could offer a number, like what percentage you feel like you're touching before they're announcing and engaging, or how you feel about the outreach and getting to them before they connect to anybody else. Thank you.

Michael Novogratz

Yes, listen, we are seeing a tremendous amount of opportunities. It will slow, you know, at one point the market gets saturated, most of them are offering similar product, and so you'll see them in different tokens or different mixes of tokens. But I think we're probably—we've probably gone through peak treasury company issuance of new companies. What will be most interesting is why of the existing companies become monsters, right? I mean, you think about the impact that micro strategy has had on the entire Bitcoin ecosystem, it's probably the single most important player in the Bitcoin ecosystem, it's bought the most coins, it because of that has this huge marketing piece to it.

We've seen that in Ethereum, there are two leaders and a few coming up, that all of a sudden Ethereum, from having zero treasury companies eight weeks ago, 10 weeks ago, now the biggest buyers of ETH are SharpLink, which is Joe Lubin's company, where we're participating, and Tom Lee's company. I think you're going to continue to see those companies grow and I think the new companies in those ecosystems will have a harder time getting oxygen, but there will be new companies and new ecosystems as we go forward.

What I think we learned in this, and it's a great lesson for me, was how much bigger the equity market investor base is than the traditional crypto market investor base. If you think about from the very start as a Bitcoin proselytizer, you're trying to bring people into the tent, right, the jobless, the orange pill people, and explain how this worked and bring them into the community. These treasury companies have done an amazing job of bringing people into the crypto tent, and I think they're going to continue to play a pretty important part.

Operator

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

Edward Engel

Hi, thanks for taking my question. Just wanted to follow up on your comments on digital asset treasury companies. I do see Galaxy has been on some of the pipe deals for some of these. Just wondering, are these meaningful investments for a balance sheet or kind of just smaller contributions, just to invest alongside some of your clients? Thanks.

Christopher Ferraro

Hey Ed, thanks. Good morning. Yes, I think generally speaking, these are relatively small investments for us. Our primary focus has been how can we put our franchise forward and partner with people who actually value our franchise and the skills and the experience we bring to the table to help them make their company better, rather than—you know, I'll characterize is as buying your way in. We definitely write checks, we do that generally, in the general course of business, through a lot of different sleeves at Galaxy, through our venture funds or opportunistic pockets of capital. But our commitment from a capital perspective on these is really one of support with our business and reputation and services very much front and center as the goal.

Edward Engel

Great, and then just to squeeze one more in, for the additional capacity that you're purchasing adjacent to Helios, curious just if the timeline of that (inaudible) is any different than your existing pipeline.

Christopher Ferraro

Yes, I would think about the additional one gigawatt of interconnect request at the land we are acquiring to be somewhat on par with our existing 1.7 in the backlog, and so think about 1.7 going to 2.7 in terms of timeline.

To be a little more specific, this new property interconnect is largely focused on the new Pitchfork switching station that's being built and delivered. Our existing 1.7 effectively was parsed between our existing timeline into the Cottonwood switching station, which has up to 1.6 gigawatts today approved, which would be an incremental 800 from what we already have. This sort of layers into the new CapEx project that's already been approved and is in flight in ERCOT for the new switching station, which now we are—we own a significant amount of the land all surrounding that new project.

Operator

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

Devin Ryan

Hey, thanks. Good morning. Just wanted to come back to the theme of tokenization as we get closer to mortgage group (phon), for clarity. It'd be great to just get an update on how you see Galaxy as a player as (inaudible) comes on-chain, and essentially do you see yourselves as helping (inaudible) tokenized assets raised from your capital? Do you have interest in providing creative traditional assets, like tokenized stocks and bonds, and really just want to think about where you want to play, are there areas where you don't want to participate there? Then just what are the resources you need to add to get where you want to be. Thanks.

Michael Novogratz

Yes, that's the $64,000 question for where crypto is going. I think everybody in this industry, including Galaxy, is trying to figure out where we best—what role we best play.

Listen, we have a tokenization engine, we have a wallet business in GK8, we are doing a lot of staking. We've put that together as an infrastructure package and we're going to certainly look to be part of the solution for people on infrastructure. It's unclear where these are going to trade still. We will certainly be trading once they're trading and debating, you know, do you team up with people to be part of that exchange or platform, but it hasn't—you know, the road map is not necessarily written there yet. Some of that is, or a lot of that is regulatory. If we tokenize Apple stock, for instance, where is the liquidity of that going to exist?

Yes, there's not a great answer yet, other than we're hyper focused on it. We do think more—I mean, the head of the SEC said we're going to try to move things on-chain, and building that backbone and muscle is really important.

Devin Ryan

Got it, thank you. Just a quick follow-up, maybe shorter term, just the outlook for the investment banking team as the crypto market (inaudible), obviously a lot of companies coming public here. There's a lot of M&A, and I think there will probably be a lot more M&A in this space. I know it's not necessarily a core driver but can drive delta from quarter to quarter, so just any sense of the opportunity from here and any way you can frame maybe the incremental revenues that you see from that?

Christopher Ferraro

Yes, on the investment banking side, I would say our—where we've really shone over the years is focusing on boutique M&A opportunities, where our expertise on both the buy and the sell side, specifically to crypto companies, where they sit in the ecosystem, what their value-add is really shines. That pipeline is the highest quality and largest in terms of dollar numbers and live transactions than we've ever seen before, and what's important about it is historically, if you remember, we had a pipeline in that business that was pretty large and there were some really chunky, very large transactions in there. Now, we have numerous nine-figure M&A proposed transactions that we are pursuing all at once. We have higher number and a lot broader and durable pipeline of opportunity that are all very high quality companies, that will very likely get bought and sold, and so that part of the business, we're actually pretty excited about.

Given the size of that market and those opportunities relative to the rest of our business, for the foreseeable near term, it's going to be a relatively smaller contributor, but nonetheless an important growing one that is important to not just the earnings of the business, but also the knowledge base and continuing to build our reputation as being one of the smartest players in the space. That's what we're most excited about there.

What the team is also focused on, outside of that, which are really near term deals we are transacting in, is a little bit what Mike said, which was investing in talent, some licensure around traditional broker-dealer abilities, and thinking about what an on-chain capital markets business would look like. I think what we knew all along was we were unlikely to—it would be unlikely to be smart to compete against the large banks for traditional capital markets deals, but I'm not sure that we agree that that should be applied to the new on-chain economy that's growing. But we are investing in early stages and thinking about our strategy around capital raising on-chain, whether that be in security token form or non-security other token form, depending on where market structure comes out. That's our R&D phase today right now.

Operator

The next question comes from Joseph Vafi with Canaccord. Please go ahead.

Joseph Vafi

Hey guys, good morning. Great progress on everything. A lot of questions have been answered or asked, so I'll just ask a quick one. Just really curious on this $9 billion notional trade. It feels like the market absorbed that trade really well, so A, congratulations on that execution. But just kind peeling a layer of the onion off, the mechanics of it, were you surprised to see that trade? It felt like the Bitcoin market only dropped a very small amount on such a large trade, so just any color on the mechanics and demand you saw for that block. Thanks.

Michael Novogratz

Yes, I'll give you some public info, you can—just because Michael Saylor puts out what he bought each—you know, puts out what he buys each week. Call it grace, call it luck, call it fortune, call it timing, a combination of all the above, but the execution happened when there was a tremendous amount of buying, and that buying is coming mostly from these balance sheet companies, not just Michael Saylor's but Truth Social, the Trump version. Lots of them happened to be buying in that same, and that's public information, and so supply met demand or demand met supply.

We continue to see big buying of crypto from balance sheet companies. The Ethereum companies are buying a couple hundred million dollars each a week at least. I think as long as that continues, crypto prices are going to look pretty good.

There's a backdrop that this all happens in, right, we've got the economy showed finally a big drop in jobs and the revisions to jobs last Friday, we're now pricing at 80% chance of a cut in September. The President is becoming more and more vocal about a new Fed chief, and he fundamentally believes Chairman Powell is making a mistake not having cut rates sooner. But when the executive gets involved with the Central Bank and fires the head of the BLS, all of that plays into the Bitcoin narrative, plays into oh heck, we're going to have to inflate our way out this giant debt trap.

The macro story for Bitcoin and crypto is increasing, not decreasing, and so I think you're going to continue to see decent demand for people wanting Bitcoin as part of their portfolio.

Joseph Vafi

Great, thanks for that color, Mike.

Operator

Ladies and gentlemen, in the interests of time, this concludes our question and answer session. I would like to turn the conference back over to Mike Novogratz, Founder and CEO of Galaxy for any closing remarks.

Michael Novogratz

You guys, thanks a ton. We do notice that we had more demand than spots for the conference call, for the earnings call, and call that a rookie mistake. It's our first U.S. listed earnings call. We promise next time we won't make that mistake.

We are working hard; we're excited over here. I said that earlier, you know, July was the best month we've had. There was a tremendous amount that we didn't talk about happening here. We have 615 employees that are coming to work with big smiles every day, and I bet you by the time we speak to you next time, that number is bigger.

Anyway, thanks a lot and look forward to talking to you next quarter.

Operator

Ladies and gentlemen, the conference has now concluded. Thank you for attending today's presentation. You may now disconnect.