**Bakkt Holdings, Inc.**
Chief Sales and Marketing Officer Highlights
Continued Demand for Crypto at Financial Firms

**KEY POINTS**

- On July 6, WTR held a fireside chat with Bakkt Chief Sales & Marketing Officer Mark Elliot. This report contains a transcript of the conversation, which can be accessed on demand.

- Elliot highlighted the results of Bakkt’s recent crypto sentiment survey, which revealed that despite all the recent negative crypto headlines and market turbulence, consumers’ overall purchase considerations generally are holding pretty steady. Almost half of participants said their interest in crypto really hadn’t changed, and 30% reported an increase in interest.

- The survey found that regulation is increasingly top of mind for consumers looking for a crypto provider. The company’s view is that clarity around US regulation and consumer protection will be key drivers in rekindling ongoing consumer interest in crypto. Bakkt’s heritage with ICE, its regulatory, compliance, security-first mindset, and its core infrastructure provide a competitive moat as a trusted custodian in this space. According to Markets and Markets, the crypto custody market is estimated to be worth $223 billion as of January 2022, up from $32 billion in January 2019. Through 2028, estimates have it growing at a CAGR of 26.7%.

- Elliot remains confident in Bakkt’s position as a B2B2C provider. The company is seeing significant interest and green shoots with fintechs, neobanks, RIAs, and institutions. There is a particular increase in inbound interest around qualified custodians for crypto, from miners, funds, family offices, estates, and large asset managers looking to make their first push into Bitcoin. In addition, the company is seeing ongoing interest and inbounds from startup fintechs looking for embedded trading use cases on behalf of their consumers as well as large enterprises looking for crypto potentially as a passive investment to hold as a treasury asset.

- As the US works toward greater regulatory clarity and guidance, he feels well positioned in the company’s business model, which was built off an institutional-grade level of security, safety, and regulatory friendliness. Given strong demand for international capabilities coming from its existing clients, Bakkt is stepping up its international expansion efforts including the UK, select markets in the EU, and Southeast Asia. The company believes it is the right time to expand given the strong client demand and clearer regulatory policy in those markets.

- View all our fireside chats and reports on Bakkt on our website.

**KEY STATISTICS**

<table>
<thead>
<tr>
<th>Ticker:Exchange</th>
<th>Current Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>BKKT:NYSE</td>
<td>$1.41</td>
</tr>
</tbody>
</table>

| 52-Week Range   | $1.08-$3.79   |
| Average Volume (30-Day) | 1,309,741 |
| Shares Outstanding (MM) | 264.0 |
| Market Cap ($MM) | $372.2 |
| Insiders Own (%) | 21% |
| Short Int. (MM) / % Of Float | 11.3/15.5% |
| Fiscal Year-End | December |

**PRICE PERFORMANCE**

<table>
<thead>
<tr>
<th>BKKT</th>
<th>07/07/2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td></td>
</tr>
</tbody>
</table>

Water Tower Research LLC | Research for the other 99%.
ABOUT THE EXECUTIVE

Mark Elliot is Bakkt’s Chief Sales & Marketing Officer, responsible for sales and marketing teams. Prior to Bakkt, Mr. Elliot was the CMO at Biocatch leading all facets of marketing and communications, with focus on accelerating growth for the software provider. Mark re-designed brand and doubled lead-generation in the first 9 months.

Prior to that role, Mr. Elliot was the CMO at TIAA. Mark directed all facets of B2C and B2B marketing, managing a team of 400 marketing professionals and a $250M budget for all advertising, media, public site digital experience and brand management. Prior to this role, he led measurement and media approach for rebrand from TIAA-CREF to TIAA and managed rebrand of EverBank to TIAA Bank and the integration of bank marketing team.

Previously, Mr. Elliot led the branch segmentation approach with transition to digital banking at JP Morgan Chase. He developed the long-term payments strategy across card and debit addressing both consumer and merchant needs. At Capital One, Mr. Elliot drove product development, marketing and P&L accountability for over $100B in online deposits while leading expansion of retail banking into new geographies and testing “digital first” new relationship banking model. He also led strategy and business case for acquisition of ING Direct.
EXECUTIVE DISCUSSION

John Roy: Well, hello everyone. I’m John Roy, Managing Director at Water Tower Research. I’m very pleased to be joined today by Bakkt’s Chief of Sales and Chief Marketing Officer Mark Elliot. Mark, how are you doing?

Mark Elliot: I’m great. Thanks so much.

John Roy: Mark, could you provide us with an intro to your background and what brought you to Bakkt?

Mark Elliot: Thanks for the opportunity. I spent the vast majority of my professional career in more traditional, larger financial services companies in a variety of roles, such as strategy, analytics, and marketing. I’ve had some P&L ownership as well. One of the things I found across all of my experiences and what really in the end attracted me to Bakkt is that everywhere I looked, I found pockets in places where traditional financial services didn’t really serve consumers or institutions as well as they potentially could.

As I began to learn more and more about crypto and the crypto space and the opportunities that it could bring, I got really excited about being part of that and about finding ways to bring together the things that traditional financial services companies can do well with crypto as a decentralized financial instrument and find ways for it to bring value and better utility for consumers and institutions.

I just found that challenge really exciting and energizing and that’s really what appealed to me about Bakkt.

John Roy: Could we get some information about your role at Bakkt and what you do?

Mark Elliot: I oversee both sales and marketing. I really get to lead the organization around how we’re telling our overall story to the marketplace, and then how we’re selling our products. Over the last 18 months, we’ve pivoted from a consumer-facing to a B2B2C strategy, embedded crypto solutions for institutions, and embedded crypto trading solutions for fintechs.

It’s been really exciting to see this pivot and lean into how that product market fit is really resonating in the marketplace and talk with prospects about how we can work together.

John Roy: I understand you recently completed a crypto sentiment survey, and maybe you can walk us through some of the major findings, and how people are feeling about crypto these days?

Mark Elliot: This is something we do annually to really keep our finger on the pulse of how consumers are viewing and feeling about crypto. The results of our recent study surprised us a bit frankly and revealed that despite all the recent negative crypto headlines and market turbulence, consumers’ overall purchase considerations generally are holding pretty steady.

Almost half of participants said their interest in crypto really hadn’t changed, and 30% actually reported an increase in interest. But what’s really interesting in terms of what has changed is that, and this really isn’t a big surprise given what we’ve seen, regulation is increasingly top of mind as a consideration for what consumers are looking for in a crypto provider. Our view is that clarity around regulation and consumer protection will likely be key drivers in rekindling ongoing consumer interest in crypto.

For example, those who are interested in crypto, but have not yet purchased, regulation increased 20 percentage points over the last year in terms of an importance for how they’re going to consider looking at a crypto provider. I think that really highlights, again, the importance of transparency and consumer protections.

The other thing that was really interesting is the insights that our study led us to in terms of what’s going to drive the next wave of crypto adoption. Interestingly, those who purchased crypto primarily through a fintech provider, so think about an established multi-product, whether it’s a brokerage or whether it’s a neobank, reported significantly less concern about safety and regulation than those who bought through a pure-play traditional crypto exchange.

Again, not surprising given some of the headlines associated with traditional exchanges over the past year. We’ve seen overall sentiment hasn’t changed, but clearly what’s on consumers’ minds and where they’re looking to access crypto really has changed over the last year.

John Roy: Given these findings, how do you feel about Bakkt’s position for the near-term and long-term future?

Mark Elliot: Look, there’s no question, it’s been a difficult market, but we’re really confident in our positioning. We’re seeing a lot of interest and green shoots with fintechs, neobanks, RIAs, and institutions. As the US works toward greater regulatory clarity and guidance, we feel really well positioned in our model, which really was built off of an institutional-grade level of security, safety, and regulatory friendliness.

We think our approach is really aligned with consumer concerns about regulation. Last year, we were joking about being a really boring crypto company. We weren’t doing some of the crazy things that some of the competitors were doing. We arguably got penalized in the marketplace because of it. But now we’re seeing that our model puts consumer protection ahead of everything else. Those elements make us boring, but also really position us well for where we see the market going.

I mentioned the consumer trust in fintechs that is really aligned with our strategy. We are a B2B2C company. One of the areas we already have a lot of penetration into and continue to target is fintech. By enabling them to offer crypto, we are basically leveraging the existing trust that

Water Tower Research LLC | Research for the other 99%.
they have and brand that they have with their consumers as an on-ramp into crypto adoption, which will drive their business as well as ours.

**John Roy:** Are you hearing from your current clients and your prospects that their views on crypto have changed or have they slightly modified? What’s their current view?

**Mark Elliot:** What we’re finding is that the prospects and clients we’re talking to absolutely are bullish on crypto, but in the near term definitely have concerns with regulation and specifically about the specific assets and tokens they offer to their consumers and how those are going to be viewed in a regulatory framework.

There’s an enormous amount of focus being put on day-to-day governance, day-to-day processes, and day-to-day risk controls, especially in the context of some of the recent breakdowns like we’ve seen with Prime Trust. We’re still seeing robust demand for large-cap coins with deep liquidity. In particular, Bitcoin first use cases continue to be a hot topic.

I think we’ve all seen that play out in terms of the rally we’ve seen in Bitcoin as a relative flight to quality. We’re not seeing an overall shift, but definitely more selective and our partners and frankly we are being much more curated in terms of our approach.

**John Roy:** Now in terms of the inbound calls that you’re getting, what products are they most interested in, and which industries are at the forefront for you?

**Mark Elliot:** We’ve seen a particular increase in inbound interest especially around qualified custodians for crypto, from miners, funds, family offices, estates, and large asset managers looking to make their first push into Bitcoin.

In addition, we’re also seeing ongoing interest and inbound from startup fintechs looking for embedded trading use cases on behalf of their consumers as well as large enterprises looking for crypto potentially as a passive investment to hold as a treasury asset.

We’re increasingly getting more and more recognition of our core custody product in a meaningful way. As more institutions are recognizing the importance of secure and trusted custodians with qualified custodian status, and in addition, increasingly seeing even if they’re happy with their current custodian, they need to diversify. We’re well positioned to take some share associated with the diversification of custody providers.

A lot of the conversations started at a high level and now we’re getting to the weeds pretty quickly. We get a lot of questions and details about our operations, about risk management, and about compliance and what we’re finding is that in those conversations, prospects are seeing our approach really is differentiated in the market.

Because we’ve put much more rigor into some of those areas than at least what we’re told some of our competitors have.

**John Roy:** Of all the things we’ve been talking about, what is the biggest opportunity for Bakkt that you see at the forefront?

**Mark Elliot:** I think the highly publicized breakdowns really are an opportunity for Bakkt. We’re seeing a flight to quality. That’s absolutely an opportunity for us.

Many of the players who gained market share so quickly, it’s become pretty clear they had dramatic gaps in whether it’s operational rigor, compliance testing, or controls because we were born from an institutional provider. We really were built from the ground up to make sure that we were handling all of those areas really well.

Again, consumers are paying attention to the regulatory policies. They’re seeking more regulation and they want to make sure they understand what’s behind the crypto and behind this partner. We have a great story that we can tell on behalf of our partners’ brands when they’re having that conversation with their customers.

We remain committed to the US but another big opportunity we’re seeing is expanding internationally. We have existing clients that are looking to quickly expand in markets that have provided some more regulatory clarity like the UK and Hong Kong. Those conversations are active as we speak, and we’re excited to work with our existing clients and our existing partners as they expand globally.

**John Roy:** Obviously we’ve been talking a lot about regulations. What catalyst do you really think is needed to get this going faster?

**Mark Elliot:** We’re seeing it with our global perspective as to what can work really well, and we hope to see some of that come back to the US.

We’ve seen that the legislative process in some of the jurisdictions I mentioned around the world is driving interest in clarity and adoption. I think legislative and/or regulatory clarity in the US when it comes will create the same adoption and momentum.

We’re also seeing a lot of momentum and interest on the institutional side because you don’t have the same concerns from the regulators around consumer protections. Institutions are assumed to be qualified to make some of those decisions and do their due diligence.

That momentum and interest we’re seeing at least signals to us that there’s definitely some crypto thawing, if you will, of the most recent winner.

Some coins like Bitcoin we mentioned earlier have far more maturity and way fewer regulatory questions. That’s an area where we’re seeing compliance-oriented institutional progress that’s being made and we continue to see institutions engaging in that as a fundamental part of their asset allocation.
John Roy: Well Mark, thank you so much for spending some time with us today and investors, if you have any questions, just let us know and we’ll give them to Mark. Mark, have a great day.

Mark Elliot: You too. Thanks so much.
ABOUT THE ANALYST

John Roy
Managing Director

Prior to Water Tower Research, John worked as a lead analyst at UBS, covering IT Hardware, Communications Equipment, and IT Services. During his 20 years covering technology stocks on the sell-side, he was also a lead analyst covering IT Hardware and Nanotechnology at Merrill Lynch; and Alternative Energy, Advanced Materials and Nanotechnology at W.R. Hambrecht, and at Janney Montgomery Scott. Before his sell-side equity research career, John was a lead software architect at J.P. Morgan, an AI sales engineer at Neuron Data, and a systems engineer and AI researcher at Hughes Aircraft.

John holds a Ph.D. in Computer Science from the University of California, Irvine, a MSEE degree from the University of Southern California, and a BSEE degree from the University of California, San Diego where he was a Regents Scholar.
DISCLOSURES

Water Tower Research ("WTR") is a professional publisher of investment research reports on public companies and, to a lesser extent, private firms ("the Companies"). WTR provides investor-focused content and digital distribution strategies designed to help companies communicate with investors.

WTR is not a registered investment adviser or a broker/dealer nor does WTR provide investment banking services. WTR operates as an exempt investment adviser under the so-called "publishers' exemption" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940. WTR does not provide investment ratings/recommendations or price targets on the companies it reports on. Readers are advised that the research reports are published and provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities or the rendering of investment advice. The information provided in this report should not be construed in any manner whatsoever as personalized advice. All users and readers of WTR's reports are cautioned to consult their own independent financial, tax and legal advisors prior to purchasing or selling securities.

The analyst who is principally responsible for the content of this report has represented that neither he/she nor members of his/her household have personal or business-related relationships to the subject company other than providing digital content and any ancillary services that WTR may offer.

Unless otherwise indicated, WTR intends to provide continuing coverage of the covered companies. WTR will notify its readers through website postings or other appropriate means if WTR determines to terminate coverage of any of the companies covered.

WTR is being compensated for its research by the company which is the subject of this report. WTR may receive up to $14,000 per month [for research and potentially other services] from a given client and is required to have at least a 1-year commitment. None of the earned fees are contingent on, and WTR's client agreements are not cancellable for the content of its reports. WTR does not accept any compensation in the form of warrants or stock options or other equity instruments that could increase in value based on positive coverage in its reports.

WTR or an affiliate may seek to receive compensation for non-research services to covered companies, such as charges for presenting at sponsored investor conferences, distributing press releases, advising on investor relations and broader corporate communications and public relations strategies as well as performing certain other related services ("Ancillary Services"). The companies that WTR covers in our research are not required to purchase or use Ancillary Services that WTR or an affiliate might offer to clients.

The manner of WTR's potential research compensation and Ancillary Services to covered companies raise actual and perceived conflicts of interest. WTR is committed to manage those conflicts to protect its reputation and the objectivity of employees/analysts by adhering to strictly-written compliance guidelines.

The views and analyses included in our research reports are based on current public information that we consider to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our analysts, directors, officers, employees, representatives, independent contractors, agents or affiliate shall be liable for any omissions, errors or inaccuracies, regardless of cause, foreseeability or the lack of timeliness of, or any delay or interruptions in the transmission of our reports to content users. This lack of liability extends to direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, losses, lost income, lost profit or opportunity costs.

All investment information contained herein should be independently verified by the reader or user of this report. For additional information, all readers of this report are encouraged to visit WTR's website www.watertowerresearch.com.