Gemini Trust | $GEMI
Samuel Smith | Position: SIDELINED

Description/Thesis: Gemini Space Station, Inc. ($GEMI) is a regulated cryptocurrency exchange and financial services platform founded by Cameron and Tyler Winklevoss, operating at the center of TradFi and the digital asset economy. The company's operations span retail and institutional crypto trading, custodial services, staking infrastructure, and consumer financial products. $GEMI's core business is structured around a dual-channel model serving both retail customers (primarily through its flagship Gemini Credit Card) and institutional clients (via OTC trading, custody, and staking services). The company's strategic position revolves around its regulatory compliance, emphasizing its desire to become the first crypto company to invite regulation. $GEMI has secured licenses, including MiCA (Markets in Crypto-Assets) and MiFID in Europe, AUSTRAC registration in Australia, and ongoing engagement with the Monetary Authority of Singapore for full licensure. Q3 2025 marked Gemini's first quarter as a publicly traded. During the quarter, $GEMI achieved several operational inflection points: trading volumes reached $16.4B (up 45% QoQ), the Gemini Credit Card surpassed 100,000 open accounts with $350M+ in transaction volume (up 102% QoQ), and services revenue grew 111% QoQ to $19.9M as the business model diversified beyond transaction-dependent revenue. The company's flywheel is designed to compound over time, with regulatory credibility building institutional trust, consumer products (credit card, wallet) driving engagement, and expanded participation creating marketplace liquidity despite posting a Q3 net loss of $159.5M (primarily driven by $45.8M in IPO-related stock-based compensation), $GEMI demonstrated strong revenue momentum with net revenue of $49.8M (up 52% QoQ) and negative Adjusted EBITDA of $52.4M. Following the IPO, Gemini strengthened its balance sheet to $653.6M in total stockholders' equity, established a $150M warehouse financing facility for credit card receivables, and extinguished related party crypto loans worth $228.2M. I recommend a cautiously sidelined position in $GEMI as the firm advances along the J-Curve with the rollout of its new Gemini Credit Card. Although the broader cryptocurrency sector remains susceptible to volatility and regulatory uncertainty, $GEMI′s strategic entry as an early mover in the "crypto-credit card" market could prove pivotal in establishing a durable competitive moat over the next 12 to 24 months. The company's expanding regulated global presence—particularly its entry into Europe, Australia, and the Asia-Pacific regions—showcases the company's potential as a cross-market delegator. Furthermore, the increasing contribution of services such as credit cards, staking, and custody to total revenues (now accounting for approximately 40%). $GEMI is positioning itself as a vertically integrated crypto super app designed to capture long-term value as financial markets migrate on-chain.

Thesis #1: The Gemini Credit Card has rapidly evolved from a nascent product into what I believe can be the company's most powerful and important tool. The Gemini card is leading customer acquisition and engagement, demonstrating exponential growth and validating the product-market fit for crypto-native consumer finance. In Q3 2025 alone, the card added 64,000 new sign-ups, representing 800% growth compared to 8,000 sign-ups for the entire year of 2024. This acceleration was driven by differentiating product launches, including XRP and Solana editions featuring auto-staking rewards, which unlocked network effects from crypto-native communities. Total open card accounts surpassed 100,000 by quarter-end, with card transaction volume exceeding $350M in Q3, up 102% quarter-over-quarter. The credit card is not merely a standalone product but rather a gateway that funnels customers into Gemini's broader ecosystem. Internal analysis reveals that cardholders exhibit higher engagement and monetization compared to non-card users. The credit card's strategic importance is further evidenced by its role as the primary driver of U.S. customer acquisition, with a substantial percentage of newly acquired U.S. transacting users in Q3 first applying for the card before engaging with the exchange platform. From a financial perspective, the credit card business is scaling rapidly with improving unit economics. Q3 credit card revenue reached $8.5M, up $3.7M (77% growth) quarter-over-quarter, driven by higher receivable balances of $150.6M (up 61% QoQ) and increased active usage. The company's establishment of a $150M warehouse financing facility for credit card receivables represents a critical inflection point for capital efficiency. While credit card provision for credit losses increased by $1.5M to $2.8M in Q3 (consistent with portfolio growth), customer acquisition costs have remained within management's target levels even as marketing spend increased significantly. Management projects FY 2025 services and interest revenue to total $60-70M, with the credit card positioned to contribute meaningfully to this guidance.

Thesis #2: $GEMI is executing a deliberate strategic pivot from a transaction-dependent business model toward a diversified, multi-revenue-stream platform where recurring services revenue provides stability and reduces exposure to crypto market cycles. In Q3 2025, services revenue accounted for nearly 40% of total revenue, up from less than 30% a year prior, marking a fundamental shift in business composition. Services revenue reached $19.9M in Q3, up 111% quarter-over-quarter, driven by credit card revenue ($8.5M), staking revenue ($5.9M), and nascent advisory fee revenue ($2.1M from warrant-based compensation). Staking revenue specifically represents a high-margin, recurring revenue stream with minimal capital intensity and strong structural growth tailwinds. Q3 staking revenue increased $3.2M sequentially to $5.9M, benefiting from the company's first full quarter of Solana staking following infrastructure buildout. **Gemini has established its own in-house Solana validator and expanded staking custody for institutional clients**, providing compliant access to network validation rewards. Assets under stake grew from $4.2B at the end of 2024 to $7.0B in Q3 2025, representing 67% growth in nine months. Staking balances at quarter-end reached $741M, benefiting from both price appreciation across supported tokens (Bitcoin, Ethereum, Solana, Cosmos) and net new asset inflows. As institutional adoption of proof-of-stake protocols accelerates, Gemini's staking infrastructure positions the company to capture yield-based revenue that scales with total crypto market capitalization rather than trading volumes alone. Beyond staking, Gemini is expanding into higher-value institutional services that generate recurring fee revenue with minimal balance sheet risk. The company introduced advisory services in Q3, recognizing $2.1M in revenue related to equity-linked warrants received for strategic advisory work. From a balance sheet perspective, service revenue diversification improves capital efficiency and financial resilience. Unlike trading revenue, which requires maintaining large crypto inventory positions (Gemini held $675M in crypto assets as of Q3-end) and managing market-making risk, services revenue—particularly from credit card interchange, staking yield, and custody fees—generates cash flows without extensive balance sheet expansion. Management's FY 2025 guidance for $60-70M in services and interest revenue implies significant sequential growth ahead, suggesting the services mix will continue improving throughout the remainder of 2025 and into 2026. As services revenue approaches or exceeds 50% of total revenue, Gemini's earnings profile will become less correlated with short-term crypto volatility. This can deter the company from a strict Crypto proxy and rather a company that can showcase improving valuation multiples, attract long-duration institutional capital that historically avoids pure-play crypto trading platforms, and expand on Gen-Z's open-mindedness to crypto credit cards and external services.

Thesis #3: Now, to address some of the bear cases that are very prevalent with Gemini. Despite strong top-line momentum, Gemini faces significant profitability challenges with a path to sustained positive earnings that remains ambiguous. Q3 2025 resulted in a net loss of $159.5M and negative Adjusted EBITDA of $52.4M. While management attributes a substantial portion of Q3's operating loss to one-time IPO-related charges—including $45.8M in stock-based compensation associated with public company equity grants and a $15.1M bonus accrual—the company's expense run-rate remains elevated relative to current revenue generation. Operating expenses totaled $171.4M in Q3, up $72.7M sequentially, with several trends beyond IPO-related charges. Salaries and compensation expenses reached $82.5M, and even excluding the $45.8M IPO-related stock-based compensation, ongoing compensation costs remain substantial relative to the 677-employee headcount. More importantly, management explicitly noted that stock-based compensation "has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy." This suggests that while Q3's $45.8M was abnormally high, ongoing stock-based compensation will create persistent dilution and cash-adjusted losses for quarters to come. Sales and marketing expenses present another profitability headwind, but in my view, is deemed necessary for the continued buildout of the Gemini Credit Card. Q3 sales and marketing totaled $32.9M, up $16.8M from the prior quarter, driven by $11.1M in incremental marketing spend and $5.7M in higher rewards and promotions (primarily credit card rewards). Management's FY 2025 guidance for marketing expenses (excluding rewards) of $45-60M suggests sustained high burn rates, with the range reflecting "an adaptive approach to marketing, with spending levels adjusted according to the quality and timing of performance opportunities." This language implies that marketing spend may need to remain elevated to maintain growth trajectories, particularly as competition intensifies from established players like Coinbase and emerging challengers. Transaction-related costs are also scaling faster than revenue. Transaction losses totaled $7.7M in Q3, up $4.1M from Q2, driven by increased provision for credit losses on the growing card portfolio ($2.8M, up $1.5M QoQ). As the credit card portfolio continues to scale—with receivables reaching $150.6M and expected to grow materially—credit losses will likely increase proportionally unless Gemini demonstrates exceptionally tight underwriting discipline (which I doubt they will do anytime before EOY 2027). On a cash flow basis, the company consumed $80.2M in operating cash flow during the nine months ended September 30, 2025, underscoring that despite IPO proceeds of $447.3M (net of underwriting and concurrent Nasdaq placement), the business is not yet self-sustaining on an operational basis. The company's reliance on external financing is further evidenced by the $150M warehouse facility for credit card receivables and ongoing third-party loans of $192.5M. While Gemini extinguished $228.2M in related party crypto loans post-IPO, the company still carries $777.3M in related party loans on the balance sheet. Perhaps most concerning is the lack of clear profitability guidance. Management provided FY 2025 guidance for technology and general administrative expenses ($140-155M) and marketing expenses ($45-60M), but omitted EBITDA or net income guidance, suggesting uncertainty around the timeline to positive earnings. With Q3 Adjusted EBITDA of negative $52.4M and nine-month Adjusted EBITDA likely in the negative $150M+ range (extrapolating from quarterly trends), the company would need to either (1) sustain hypergrowth in high-margin services revenue, (2) dramatically reduce operating expenses, or (3) benefit from a sustained crypto bull market driving transaction revenue—none of which are guaranteed. The forward-looking statements section explicitly acknowledges risks, including "our ability to successfully execute our business and growth strategy and generate future profitability," suggesting even management recognizes material execution risk. The reality is that this is the nature of operating within the early stages of the crypto business, and could result in short-term price volatility. Unless a meaningful detachment is made by increasing services revenue or a widespread adoption of the Gemini Credit Card + any meaningful partnerships that may bring—Gemini is at the mercy of institutions to trade it as a Crypto proxy.

Recommendation: Gemini represents an asymmetric opportunity at the intersection of cryptocurrency infrastructure and consumer fintech, but the investment thesis requires conviction in management's ability to execute on profitability inflection while navigating significant near-term headwinds. The bull case centers on two structural advantages: (1) the Gemini Credit Card's exponential growth trajectory, creating a durable customer acquisition moat with improving unit economics, and (2) services revenue diversification, fundamentally transforming the business model from cyclical trading fees to recurring, high-margin revenue streams. These advantages are quantifiable—64,000 card sign-ups in Q3 alone, 100,000+ total open accounts, $350M in quarterly card transaction volume, and services revenue approaching 40% of total revenue—and position Gemini to capture multi-year growth as crypto adoption migrates from speculative trading to everyday financial behavior. However, the bear case cannot be dismissed. With Q3 net losses of $159.5M, negative Adjusted EBITDA of $52.4M, and nine-month operating cash burn of $80.2M, Gemini is not yet a self-sustaining business. Profitability remains uncertain, with management providing expense guidance but conspicuously omitting EBITDA or earnings targets. Ongoing stock-based compensation, elevated marketing spend, and scaling transaction costs present structural margin headwinds that may persist for multiple quarters, and competitive intensity from Coinbase, Robinhood, and traditional fintech players threatens to compress take rates and increase customer acquisition costs. I believe that we are in the early stages of Gemini experimenting with their Credit Card J-Curve, hinting at the fact that increased credit writing losses will be viewed in the near future. If Gemini is able to navigate this structure through a meaningful detachment from its OTC trading business segment, the stock could see a hard re-rate to the upside. This is a calculated bet on the Winklevoss brothers' vision of a regulated, vertically integrated crypto super app—a vision that, if realized, could generate substantial long-term shareholder value despite near-term turbulence.