Their ‘Magic Internet Money’ Side Hustle Just Hit $1 Billion in Sales: ‘We’d Empty 6 Figures of Cash Onto the Counter. The Bank Teller’s Expressions Were Priceless.’

This Side Hustle Spotlight Q&A features Neil Bergquist, co-founder with Michael Smyer of Coinme, a cryptocurrency exchange headquartered in Seattle. Earlier this month, Coinme announced that, after a decade in business, it reached $1 billion in sales through a consistent 164% yearly growth rate.

Image Credit: Courtesy of Coinme. Neil Bergquist.

What was your day job when you started your side hustle?

I was the managing director at SURF Incubator, a community-supported space for digital entrepreneurs. In this role, I was one of two executives responsible for managing the organization. Day-to-day operations included supporting hundreds of startups, managing our staff, securing corporate partners, overseeing the 15,000-square-foot downtown office space, coordinating events and doing everything possible to help our entrepreneurs succeed.

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When did you start your side hustle, and where did you find the inspiration for it?

I was inspired to launch bitcoin ATMs when I was at SURF Incubator. I knew the technology, specifically bitcoin and the concept of decentralized money, had great possibilities for the future. My co-founder Michael Smyers and I believed we could place bitcoin ATMs around town, including at the incubator, and they would nearly run themselves.

Our inspiration accelerated after the world's first bitcoin ATM launched in Vancouver, Canada. It processed over $1 million in transactions in its first few weeks of operation. This success validated the customer demand for bitcoin and bitcoin ATMs as an essential channel for this new "magic internet money." This early validation and my long-term belief in the promise of bitcoin led my co-founder Michael and I to establish Coinme in early 2014 and launch the first licensed bitcoin ATM in the U.S., one of the first 10 deployed worldwide.

What were some of the first steps you took to get your side hustle off the ground?

At the time, the entrepreneurial mantra was "build fast and break things." Unfortunately, we wanted to operate a money services business in the U.S. If you "break things," you risk going to jail. We found the most competent fintech lawyers, who fortunately agreed to a deferred payment plan and subsequently went to the state regulators with a business plan, funds flow and presentation on bitcoin.

I tried to learn about the Bank Secrecy Act and the U.S. Patriot Act, which provide the general framework for anti-money laundering laws in the U.S. I also educated myself about state-level money transmission laws. After investing what little money I had, my co-founder and I established Coinme as an LLC, and we applied for a first-of-its-kind virtual currency money transmitter license from the state of Washington. We aimed to protect consumers by helping them buy

bitcoin from a regulated and trusted exchange.

We needed to secure a bank account as part of the licensing process. Hundreds of banks that wanted nothing to do with bitcoin turned us down. At one point, it seemed like this would be the thing that would kill the idea. Fortunately, Michael's girlfriend at the time randomly opened a bank account with a local credit union. We decided to see if they would bank with us. Sure enough, they accepted our business plan and provided us with a Money Services Business (MSB) bank account, which was required for licensure.

It took us several months to meet the state's licensing requirements, but a week after we were approved, we deployed the first federally registered and state-licensed bitcoin ATM in the U.S.

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What were some of the biggest challenges you faced while building your side hustle, and how did you navigate them?
There were plenty of challenges. On a day-to-day basis, all we did was put out fires. The ATMs would malfunction, which seemed to happen every few days. A customer's ID would get stuck in the ID reader, and, reasonably, they would need it back as soon as possible. It didn't matter how far away you were; you needed to visit that ATM immediately. We passed a customer support cell phone around as we took calls at all hours of the day before hiring someone years later.

The biggest challenge we faced was managing cash logistics. Our customers would insert physical bills into the ATM, and bitcoin would be transferred to their bitcoin wallet. We had thousands, sometimes hundreds of thousands, of physical dollars in the ATM that needed to reach our bank account and, eventually, our bitcoin liquidity provider.

Established companies work with security companies like Brinks, Garda and Loomis, but we needed to be larger for them to work with us. So, we had to do it ourselves. After much discussion, we decided the best approach was to put on street clothes, visit the ATM late at night with a JanSport-type backpack and stuff it full of cash from the cash acceptor. Then we'd wait anxiously for the bank to open, wait in line, and then, when it was our turn, we'd empty six figures of cash onto the counter. The bank teller's expressions were priceless.

We did it this way for over three years before we could afford (and convince) an ex-military individual with a concealed weapon permit to take on the role. Eventually, we became big enough to contract with Garda. As the team grew in the early days, doing at least one cash run became almost a rite of passage. At one point, when we had locations across the U.S., some people had to fly to an ATM to pick up the cash because our bank was too small and they didn't have any locations in that state. That was a bag you definitely carried with you on the plane. Dealing with TSA and explaining the cash brought about its own challenges, but that is a story for another day.

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How long did it take you to see consistent monthly revenue? How much did the side hustle earn?

The bitcoin ATMs made revenue on day one as our revenue came from transaction fees, but our costs exceeded revenues for at least the first six years. It was brutal. We maxed out credit cards, took out high-interest personal loans, negotiated payment plans with critical vendors and did whatever we could to preserve cash.

I had to work nights and weekends to run Coinme for three years while not receiving a paycheck and maintaining a

demanding full-time job. At one point, my wife — who is also a business partner — and I took the proceeds from the sale of our primary residence in Seattle and put those funds into the company during one of bitcoin's now-infamous downturns. Michael sold shares in another company he co-founded to help keep Coinme afloat. The funds enabled us to keep critical team members employed while we tried to grow top-line revenue.

Due to our perseverance and a little luck, in Q1 2017, Coinme received an influx of cash from a $1 million seed round. This investment came just in time, as the company's bank account had dwindled to $11.

What were some of the steps you took to go from side hustle to full-time business?

The revenue from three bitcoin ATMs was not enough to cover the infrastructure expense of being a regulated financial technology company. About a year after launch, it became clear that we either needed to grow or die. We maxed out our borrowing limits on peer-to-peer lending platforms and purchased more bitcoin ATMs. This growth led to additional revenue but wasn't enough to cover expenses. At that point, I began seeking outside capital as if my life depended on it. Fortunately, we found a like-minded bitcoin pioneer and technologist who invested out of their early-stage fund. This funding gave us the runway and limited pay necessary to quit our day jobs and proceed at full speed.

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What does growth and revenue look like today?

On May 1, 2024, Coinme celebrated 10 years in business with $1 billion in sales. Over the 10 years, we achieved an average annual revenue growth rate of 164%. We've survived three crypto winters, growing to over 40,000 locations where we've crypto-enabled existing kiosks and ATMs. This pivot from

hardware to software has helped us scale and become profitable. We're fortunate to be on pace to double revenue this year.

What do you enjoy most about running this business?
I enjoy building something new that wouldn't exist unless you did it, and that can help people while being financially self-sufficient.

We help people by giving them access to what we believe is the future of money. The bitcoin a Coinme customer purchased in 2014 with $20 would be worth over $2,000 today if they haven't sold it. But bitcoin gains aside, we believe in a digitally native form of money. That could be USDC (a U.S. dollar-pegged stablecoin we support on our platform) that can be sent or received anywhere in the world nearly instantly and for free. It's like sending an email, but it's money.

The ability to send borderless and permissionless funds also gives people in developing countries access to the U.S. dollar, bitcoin and other blockchain-based stores of value that have been proven to preserve their hard-earned wealth better than their hyperinflationary local fiat currency. Financial services are having a once-in-a-generation evolutionary moment, and it's been exciting to learn about the challenges that will enable that vision to become a reality.

Related: When This Entrepreneur Couldn't Decide What to Name His Business, He Started a $2,000-a-Month Side Hustle to Help — Now It Earns Over $10 Million a Year

What's your advice for others hoping to start successful side hustles or full-time businesses of their own?
You have to love it. If you don't love it, you'll hate it. Starting a business or side hustle can be scary, exhausting and risky, and it will consume whatever you can provide and more. If you're doing something you'll love, you'll have the energy, resilience, faith and confidence to convince or at

least try to convince everyone you know or don’t know to help in some way, shape or form.

Before diving in head first, start small and validate your key assumptions. Who is my customer? What are they willing to pay for this service? How much does it cost me to provide this service? Is it scalable? Defensible? What are the risks I need to take to test this idea? If I fail, what is my affordable loss?

There are a lot of books out there, but for the ABCs that even the most intelligent people overlook, I recommend looking at the “Business Model Canvas” and the “Value Proposition Canvas.” A good business idea has many components. Make sure you have assumptions for the critical aspects of your concept and plot them onto a business model canvas and value proposition canvas. Think of this canvas exercise as a simple blueprint for your idea. This approach will help you flesh out your concept and identify which assumptions you need to test and which must be true for your business to take off.

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