



TECHEMY
ADVISORY

**JAN
2020**

BNC.
bravenewcoin.com



DEAL FLOW: 2019 investment overview and 2020 forecast

Executive Summary

Following the hyper-growth phase of the crypto and blockchain market in 2017 and its subsequent fall in 2018, there was a solid rebound in the market in 2019. The Bitcoin price increased by 92%¹ last year and we saw consolidation in the ecosystem with many established players making acquisitions and investments.

Several large names from tech venture capital were active in the blockchain space in 2019, such as Union Square Ventures, Kleiner Perkins and Andreessen Horowitz.

In 2019, Techemy Advisory recorded 390 equity raises of which 260 disclosed financial details which amounted to just under \$2.6B. The largest equity raises we recorded were conducted by Ripple and Bithumb, which both raised \$200M. The parent company of major South Korean cryptocurrency exchange, Bithumb, received \$200M in funding from Japan's ST Blockchain Fund, while Ripple, raised \$200m in a Series C round led by Tetragon with participation from SBI Holdings and Route 66 Ventures. The top 10 largest raises we recorded are all \$50M+ and account for \$1.08B of the total capital raised in equity rounds.

In 2019, we recorded 72 token sales of which 64 disclosed financial details amounting to just under \$1.6B. The largest token sale we recorded was conducted by ifinex, the parent company of Bitfinex. ifinex raised \$1B USDT in a private sale. Investors included large private companies making investments of over \$100M each and many smaller investors who made investments over \$1M each. This was a major outlier for token sales because, if we discount this, the total amount raised in token sales in 2019 is \$571M, and of this amount, IEOs raised just over \$207M.

130 out of 390 companies that we have identified have not disclosed any financial details about their deals, therefore the following graphs and comments regarding financials are based on details from the 260 companies who disclosed financial information.

¹ Brave New Coin

Contents

Executive Summary	2
Contents	3
Industry Review	4
Token vs equity raised by Industry	6
Venture Capital Investment	7
Institutional Investment	8
Breakdown of Venture Capital Flows	10
Acquisitions	13
Security Token Offerings (STO)	14
Initial Exchange Offerings (IEO)	14
Funds	15
Outlook for 2020	16
Glossary	17
Editorial Disclosure:	17
Disclaimer:	17
Author Bio	17
Nawaz Ahmed	17

Industry Review

Figure 1 below displays the distribution of deals in equity and token sales over various industries. The largest amount of deals were in the “Other” category which consisted of 82 equity deals and 13 token sales with companies in 32 different sectors. The most deals within the “Other” category were in the gaming sector which had 15 equity deals and four token sales.

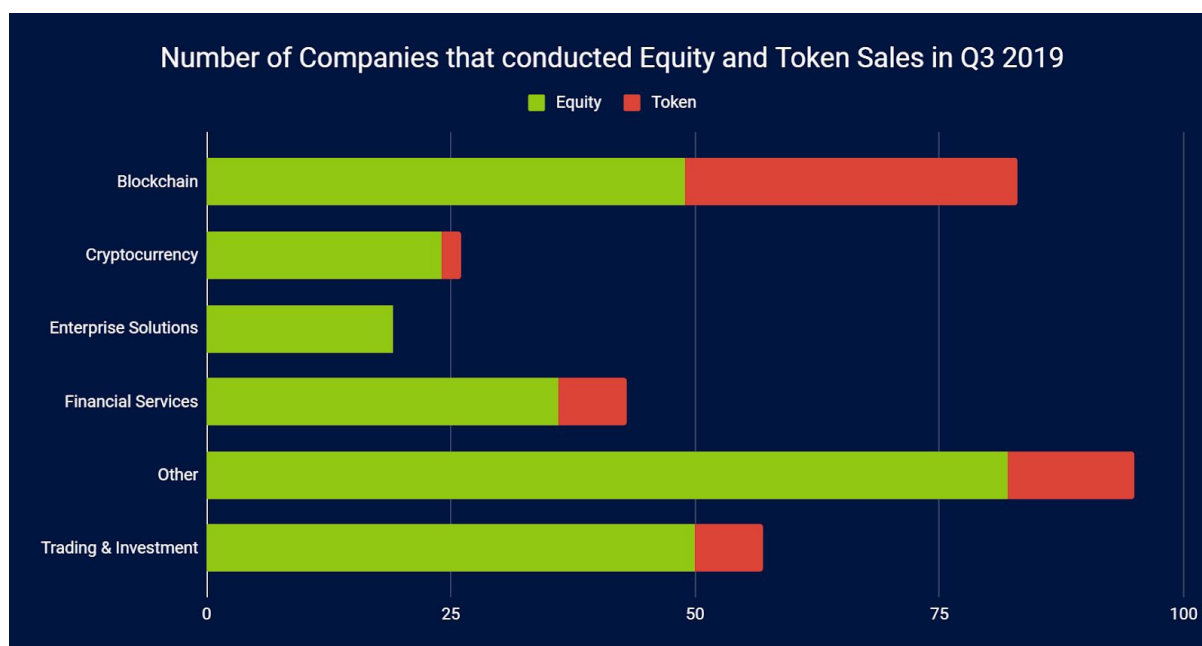


Fig 1: Number of Companies that conducted Equity and Token Sales in 2019

Other industries with over five deals in the “Other” category include Data, Healthcare, Identity, Media & Entertainment, and Supply Chain. The Blockchain sector had 34 token sales, which is the most for any industry and is actually five more than all the other sectors combined.

Total Funds Raised by Industry in 2019

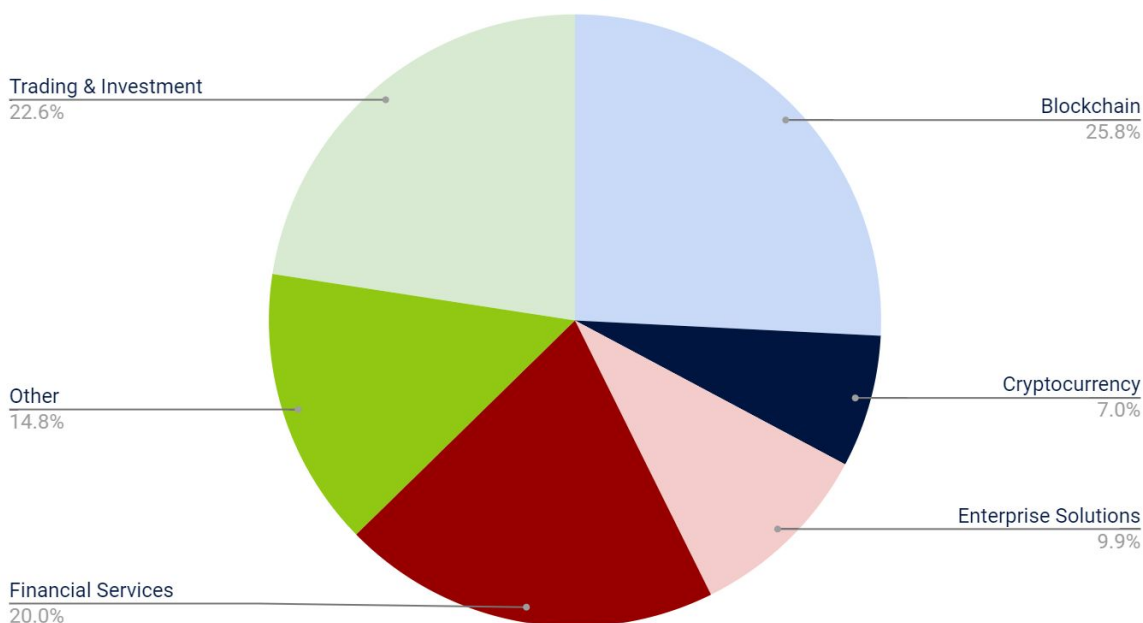


Fig 2: Total Funds raised by industry in 2019

Even though a large proportion of companies that conducted raises in 2019 were spread across various industries and grouped as “Other”, they only represent 14.8% of total funds raised as seen in Fig 2, whereas the Blockchain sector represents a quarter of all capital raised.

Token vs equity raised by Industry

Fig 3 displays the distribution of disclosed capital raised in equity and token sales over various industries but has discluded the ifinex raise as an outlier. The most capital was raised by companies in the Blockchain sector.

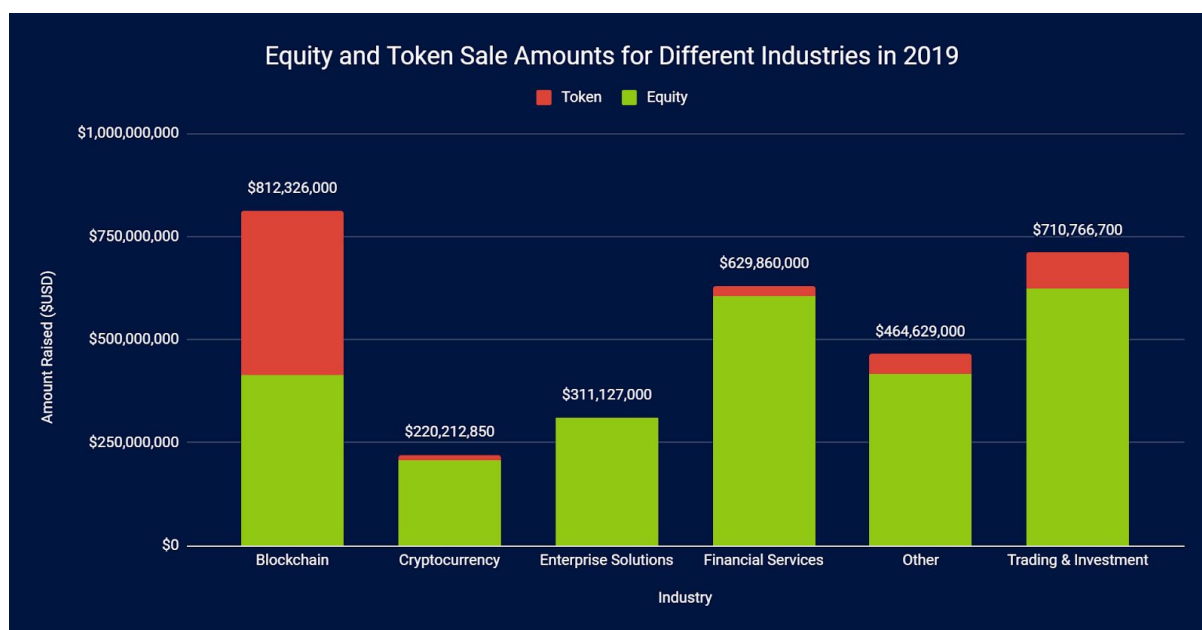


Fig 3: Equity and Token Sale Amounts for Different Industries in 2019

This amounts to over \$812M with a near equal split in token sale raises and traditional equity raises. The next largest sector was Trading & Investment which amounted to just over \$710M. From the "Other" category, the Art sector raised the most money with \$60.8M but between only three deals.

Venture Capital Investment

Figure 4 below displays the blockchain and crypto-specific investors that made over ten equity investments in 2019. Leading the way is Galaxy Digital, which made 18 investments over the year with at least four in each quarter.

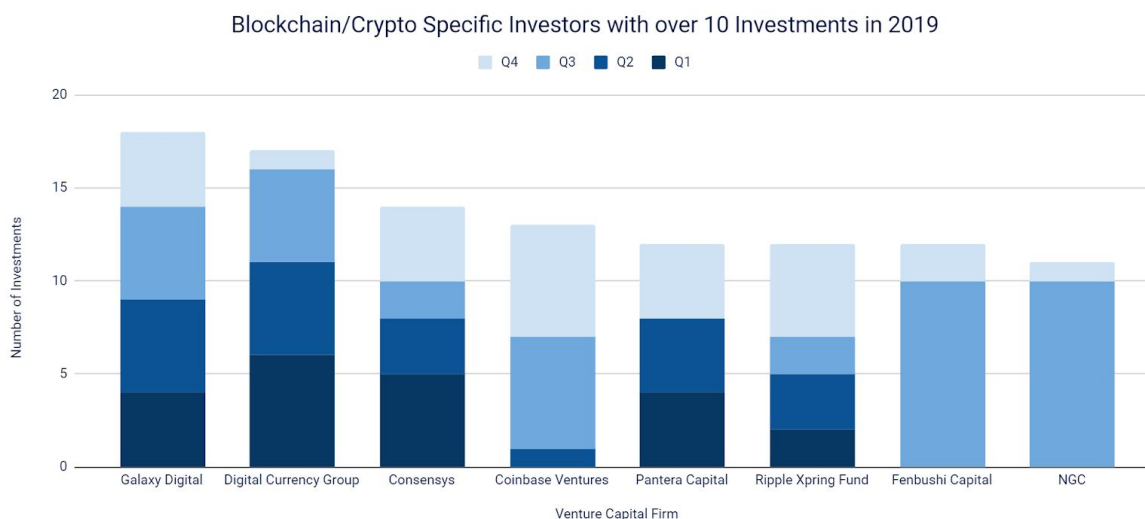


Fig 4: Blockchain/Crypto specific investors with over 10 investments in 2019

A close second is Digital Currency Group with 17 investments over the year. Ten other firms made between 5-10 investments in 2019, including Polychain Capital, Paradigm, Morgan Creek Capital, Dragonfly Capital, Binance and Arrington XRP Capital.

Ten firms took part in private token sales in 2019; Polychain invested in three token sales and Dragonfly Capital invested in two. The remaining eight firms, which consist of Pantera Capital, Paradigm and Binance invested in one token sale each. Galaxy Digital, DGC, Consensys, Ripple's Xpring Fund and Polychain were the only firms that made at least one investment in each quarter.

A range of tier-one global venture capital firms also made investments in 2019. Andreessen Horowitz made four equity investments and participated in two private token sales, while Kleiner Perkins made four equity investments.

The only other firm to participate in token sales was Union Square Ventures, who participated in two token sales, and also made two equity investments. Other recognizable firms that made investments include General Catalyst, Founders Fund, Bessemer Venture Partners, Accomplice, Initialized and Khosla Ventures.

Institutional Investment

2019 also saw many established companies and institutions make investments in the space. Figure 5 displays institutions that have made more than one investment in the space in 2019 either directly or via a subsidiary. Fidelity led the way with nine equity investments either made directly or through the subsidiaries Avon Ventures and Eight Roads.



Fig 5: Institutional Investors that made more than one investment in 2019

Recruit Holdings and SBI Holdings both made six equity investments. Recruit was the only institution that also participated in a private token sale. Five out of the thirteen companies are Japanese conglomerates, which indicates the level of interest in Blockchain and Crypto in Japan.

Figure 6 below shows a range of other major institutions that made investments in 2019.

Institutional Investors in 2019



Fig 6: Other Institutional Investors in 2019

Breakdown of Venture Capital Flows

Figure 7 below shows the geographical split of venture dollars that went into the blockchain/crypto industry. It is clear that over the year a significant proportion was invested in the USA compared to the rest of the world.

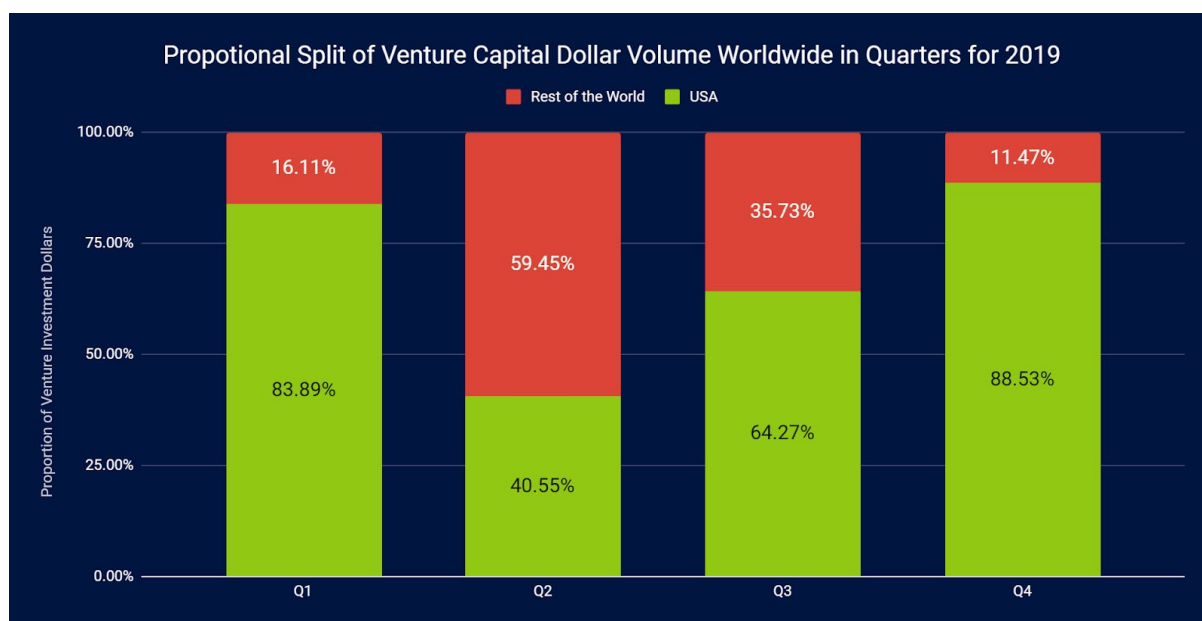


Fig 7: Geographic split of Venture Capital Dollars invested in blockchain startups worldwide

In total, 68.2% of deals we tracked that disclosed financial details were US companies raising capital out of the US. While Figure 8 below displays the volume of deals across the USA and the rest of the world.

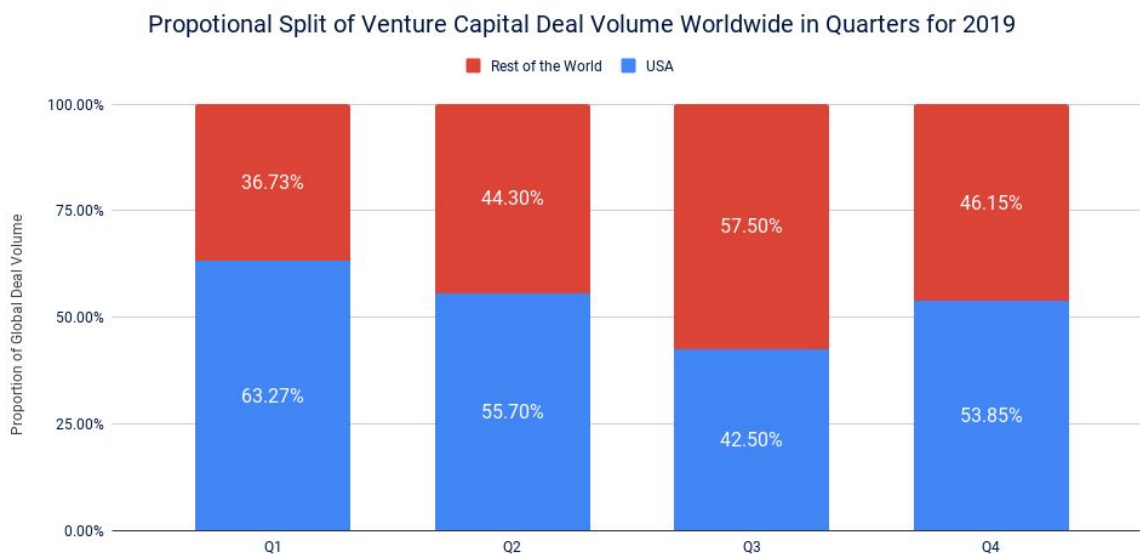


Fig 8: Geographic Split of Venture Capital invested in blockchain startups by Deal Volume

On average, around 50% of deal volume is in the USA and the remainder is spread across the rest of the world.

Figure 9 below displays the amount of venture dollars invested in startups in the various rounds, while Fig 10 displays the number of deals in various rounds over the year. As has been the case with general venture deal flow, the most deals that received investments were angel and seed deals², which made up 58% of all deals in 2019, but received only 12% of the total money invested.

² Please see glossary to understand how the deal sizes are defined

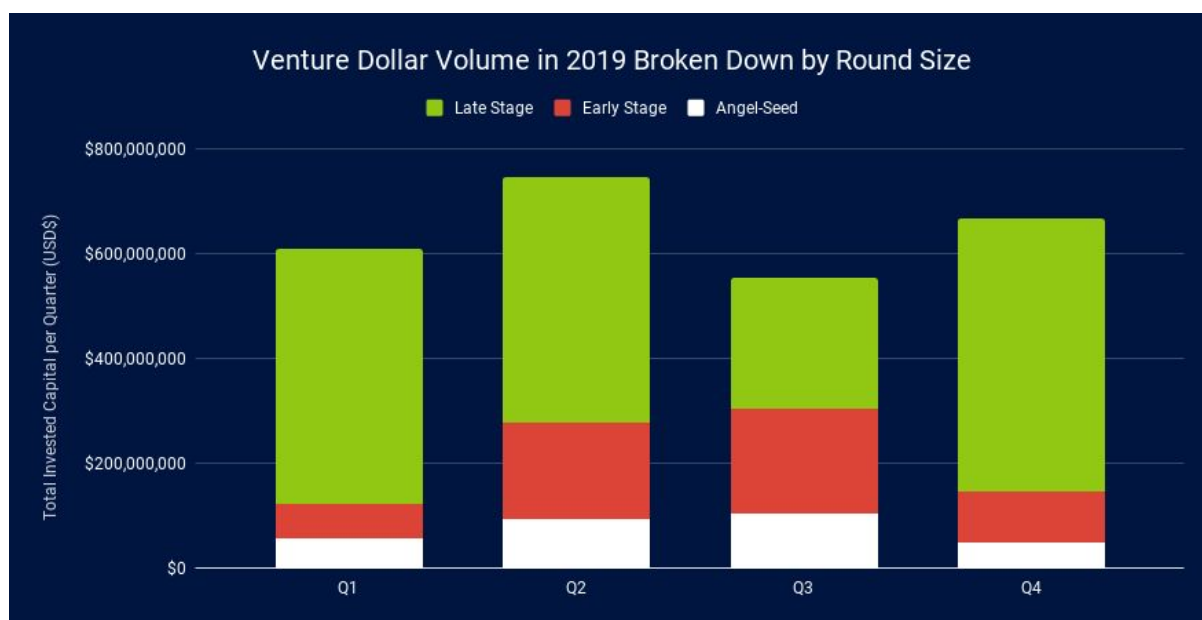


Fig 9: Venture dollars invested in blockchain/crypto startups in the various rounds

On the other hand, late stage deals were only 16% of the total deal flow but received 67% of the total capital invested.

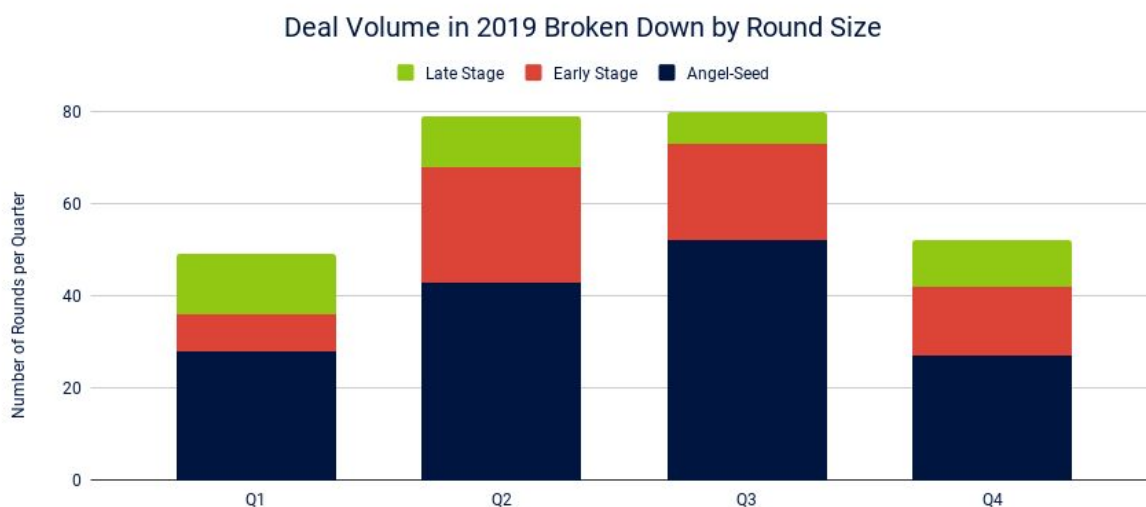


Fig 10: The number of deals in various rounds over the year

Acquisitions

There was a lot of consolidation in 2019, which we forecast will follow on through to 2020. In total, we recorded 77 acquisitions but only 12 disclosed financial details. The table below displays all 12 deals and the amounts associated.

The largest acquisition with disclosed financial details was Kraken's acquisition of the UK exchange Crypto Facilities which was reported to be at least \$100M. In total, the 12 disclosed acquisitions amounted to just over \$456M, from which we can infer that, in total, all 77 acquisitions would have amounted to well over \$1B, as many major acquisitions were kept under wraps.

As seen in Fig 7, big names that were not directly part of the crypto and blockchain space as of 2018 made acquisitions including Facebook, Yahoo Japan, Go Jek and Republic. Binance, Coinbase, and Kraken, three of the largest exchanges in the world made three acquisitions each, while Bakkt made two acquisitions to start operations and Ripple made two acquisitions to expand.

Date	Acquirer	Acquiree	Amount
18/01/2019	Harris Technology	Lincd	\$1,750,000
18/01/2019	OKC Holdings	LEAP Holdings Group Ltd	\$62,000,000
18/01/2019	Go-Jek	Coins.ph	\$72,000,000
04/02/2019	Kraken	Crypto Facilities	~\$100,000,000
10/02/2019	Bakkt	Rosenthal Collins Group	\$19,000,000
19/02/2019	Coinbase	Neutrino	\$13,500,000
28/02/2019	Voyager Digital	Ethos	~\$4,000,000
04/03/2018	Circle	SeedInvest	\$80,000,000
26/03/2019	Yahoo Japan	Taotao	\$19,000,000
08/04/2019	Graph Blockchain	Blockchain Innovations	\$2,250,000
01/07/2019	Jeffery Berns - CEO of Blockchains	Kirkwood Bank of Nevada	\$28,000,000
15/08/2019	Coinbase	Xapo	\$55,000,000

Largest Acquirers of 2019



Fig 11: Largest acquiring companies

Security Token Offerings (STO)

In 2019 we recorded only 10 STOs which totaled just under \$140M, with Proxicoin accounting for \$100M. Three of the 10 STOs were properties that were tokenized. This is significantly less than what was forecast at the beginning of 2019 when we expected to see an increase in the number of STOs. However, it is apparent that the infrastructure is still not up to standard and there was a lack of interest from potential investors.

Nonetheless, we did record a number of announcements and partnerships that do indicate that the number and frequency of STOs will increase. For example Harbour, a fund management platform for alternative assets, announced a partnership with iCap Equity, who will leverage the Harbour platform to enhance the liquidity in four real estate funds managing over \$100M in assets.

Initial Exchange Offerings (IEO)

The new method of capital raising we saw trend through 2019 was the Initial Exchange Offering (IEO). We recorded 40 IEOs on primary exchanges which raised a total of \$140M with an average raise of \$3.5M.

Binance hosted 11 IEOs, which was the most conducted by a primary exchange. These eleven IEOs raised 40% of the total amount raised. This trend has also very rapidly declined and it is no longer viewed as an option to raise capital. As the general crypto markets have been gaining momentum it appears that investors would rather hold Bitcoin or Ethereum than divest them for new tokens via IEOs.

Funds

2019 saw a range of funds being established to invest in the blockchain and crypto space. This includes Venture Capital specific funds as well as funds that would buy and hold Bitcoin. Morgan Creek Digital has raised capital for its second fund from various pension funds in the US, while the England-based company Blockchain has announced that it is raising a \$50M venture capital fund led by Sam Harrison, who left Nasper Ventures to join Blockchain. 1confirmation has also successfully raised a \$45M fund to invest in new projects in the cryptocurrency ecosystem.

There were also funds established to promote the use of specific protocol tokens, such as Algorand. Algo Capital was established to promote the acquisition, adoption, and liquidity of the Algorand blockchain's native digital currency, Algo. Algo Capital raised \$200M from various investors and has begun investing from this fund.

Outlook for 2020

In our outlook for 2020, we expect to see a steady flow in equity capital raising, but this could rapidly increase if the Bitcoin and crypto markets become bullish - as occurred in 2018 when VC interest in blockchain and crypto startups was high after the 2017 bull run. As mentioned in the previous section there are many new funds that have been raised to specifically focus on this space, meaning that capital is available to be deployed. As the technology continues to be developed and various new applications come into being, such as DeFi, we can expect to see more companies raising capital. Institutional participation will be considerable and we can expect to see many more big names getting involved.

IEOs have been classified as a fad, and we don't expect to see as many as we did in 2019. There may be a few that are still hosted on the primary exchanges, but there will be a decrease in IEOs. Token sales will still occur and we expect that the volume of private token sales will be similar to 2019. If there is a proven application and defined usage of the token, for example being used for governance in decentralized systems or DAOs like MakerDAO, traditional VCs along with crypto VCs will still be interested. We can see this by the investments made in 2019 in token sales by Tier 1 traditional VCs like Union Square Ventures and Andreessen Horowitz.

We expect the number of STOs in 2020 to be significantly greater than in 2019, as the market is maturing and the space is receiving considerable interest. An example of this interest is the establishment of the Japan Security Token Offering Association (JSTOA) by six of Japan's largest companies including Monex Inc, SBI Securities Co. Ltd., kabu.com Securities Co. Ltd., Daiwa Securities Co. Ltd., Nomura Securities Co. Ltd., and Rakuten Securities, Inc. Apart from this many partnerships have been established between tokenization platforms and liquidity providers as mentioned earlier. This will be a hot space to watch this year.

Mergers and acquisitions will most likely increase as consolidation continues. Major crypto companies will begin to dominate by acquiring smaller competitors and supplementary business. We can already see this happening in January as Kraken, one of the most active acquirers of 2019 starts 2020 off by acquiring an Australian exchange. We will also see institutions making acquisitions to enter the space, similar to how Go Jek, Yahoo Japan, and Facebook did in 2019.

Glossary

Same classifications as *Crunchbase*

Seed/Angel: Rounds that are classified as a seed or angel, including accelerator fundings and equity crowdfunding that raise below \$5M

Early stage: Rounds that raise between \$5M and \$15M

Late stage: Rounds that raise more than \$15M

Editorial Disclosure:

Author **Nawaz Ahmed** is the Investment Manager at **Techemy Advisory**, a sister company to Brave New Coin. Techemy Advisory offers due diligence services, end-to-end deal structuring, including blockchain solution review, tokenomics assessment and guidance on coin mechanics.

Disclaimer:

Deal Flow is provided for informational purposes only and is not intended to provide commercial, financial or legal advice. Nothing in this report constitutes an offer of securities or regulated financial products or financial services to any person.

Author Bio

Nawaz Ahmed



Nawaz Ahmed is the Investment Manager at **Techemy Advisory**. He is an experienced entrepreneur involved in the startup and investment ecosystem. He holds an MBioEnt and a BSc. After previous roles in Business Development, Marketing, and Business Analysis, Nawaz became involved in the crypto and blockchain space in early-2017 and has been immersed ever since.