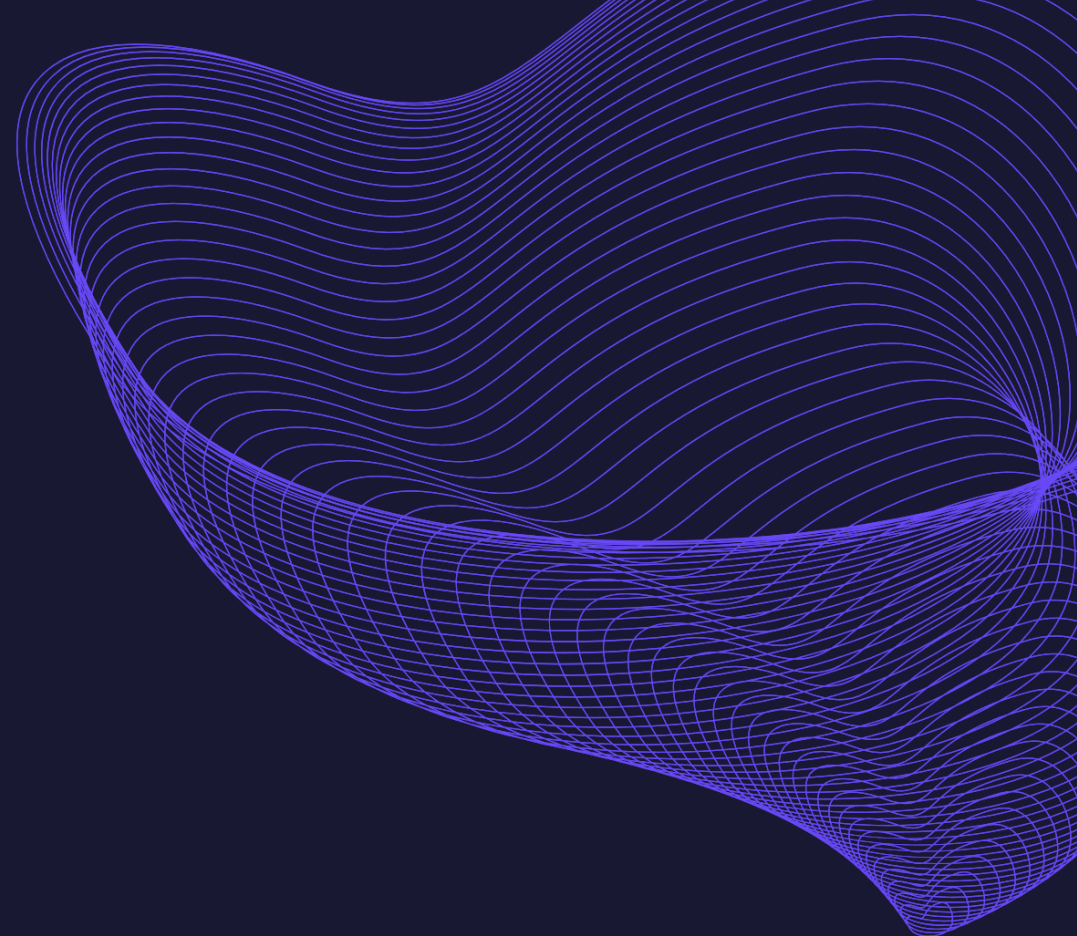




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Deep Research



Q2 2023 Fundraising Recap

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**Please see page 20 for required disclosures*

Executive Summary

- Crypto VC funding has continued its downtrend since peaking in the beginning of last year. \$2.4 billion was raised in the second quarter, marking the fifth consecutive quarter of declines in total fundraising, while deal count ticked up marginally compared to Q1 '23 to 306 deals.
- Despite a decline from peak levels, the crypto VC market remains robust, with current funding more than four times the previous bear market. The positive narratives around Blackrock's Bitcoin ETF application and Ripple's legal victory may potentially stimulate the private market in H2 2023.
- Deals have been smaller and concentrated in the early stages as there are likely fewer winners worth doubling down on at lofty valuations. Only 5% of deals were over \$25 million, while 68% fell under \$10 million, on par with first quarter levels.
- Similar to Q1, infrastructure remained the most heavily invested vertical, raising over \$1.2 billion in Q2. This trend persists as many of the fundamental components required to scale the crypto industry are still in demand. However, token sales have been experiencing a decline due to projects being cautious about potential regulatory scrutiny in the U.S. regarding the offering of unregistered securities.
- Bottom Line – Despite a sustained decrease in total capital investment, the crypto venture market has continued to attract more private investor interest compared to previous market cycles. Potential tailwinds in the second half of 2023 include the increased likelihood of a spot Bitcoin ETF approval and most of the U.S. monetary tightening in the rearview mirror.

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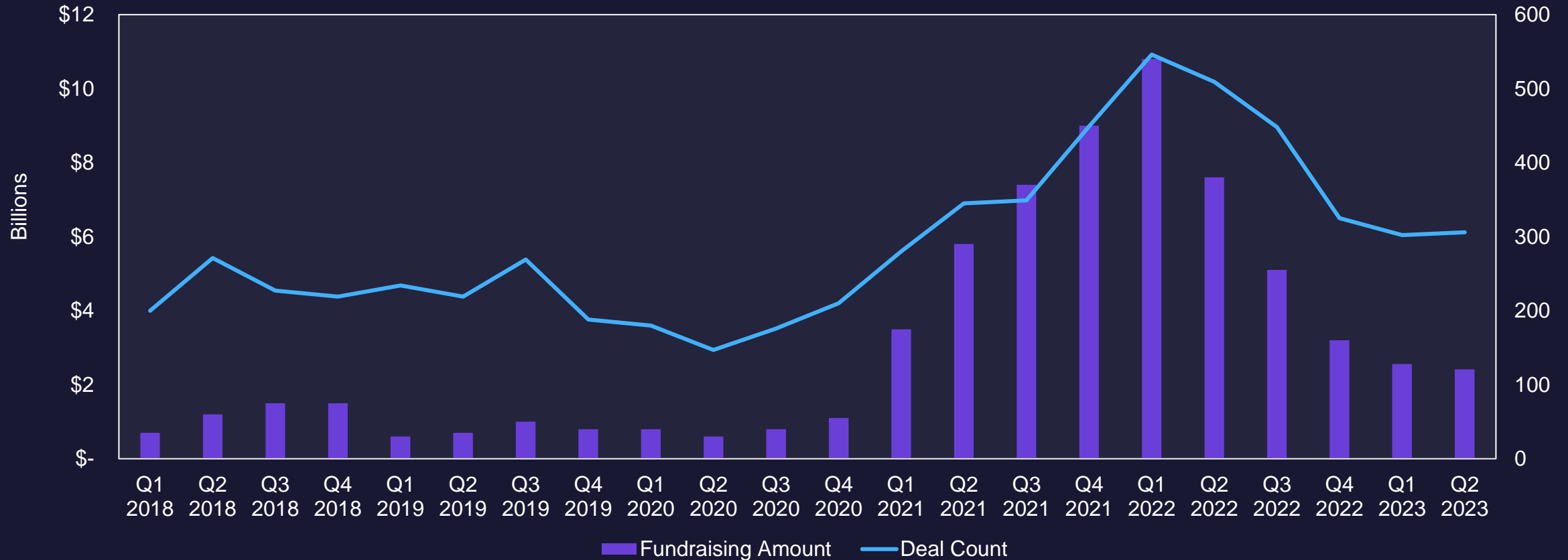
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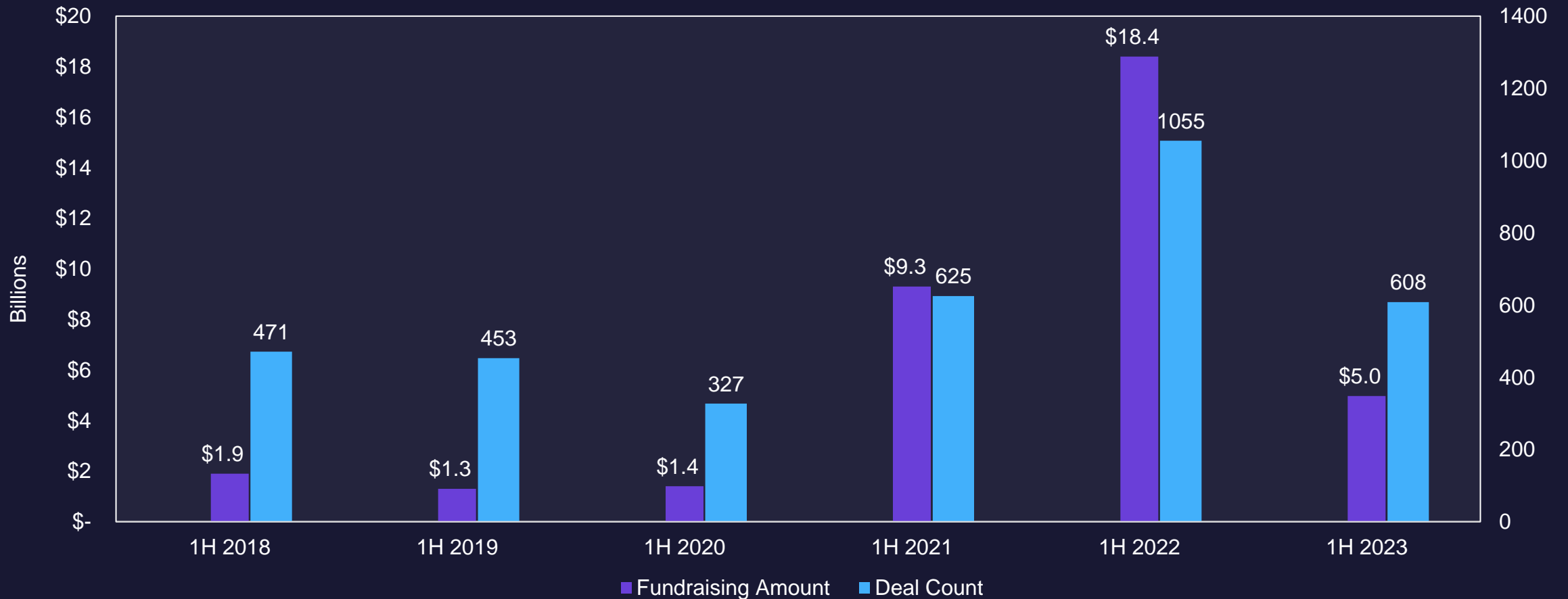
Quarterly Funding

- Crypto projects raised \$2.4 billion across 306 projects throughout Q2. Fundraising amount fell for the fifth consecutive quarter while deal count ticked up marginally from Q1 as investment appetite remains diminished due to macroeconomic headwinds and industry-specific risks.
- Increased likelihood of a spot Bitcoin ETF approval and an improved macroeconomic environment could provide tailwinds for the private market through the second half of 2023.



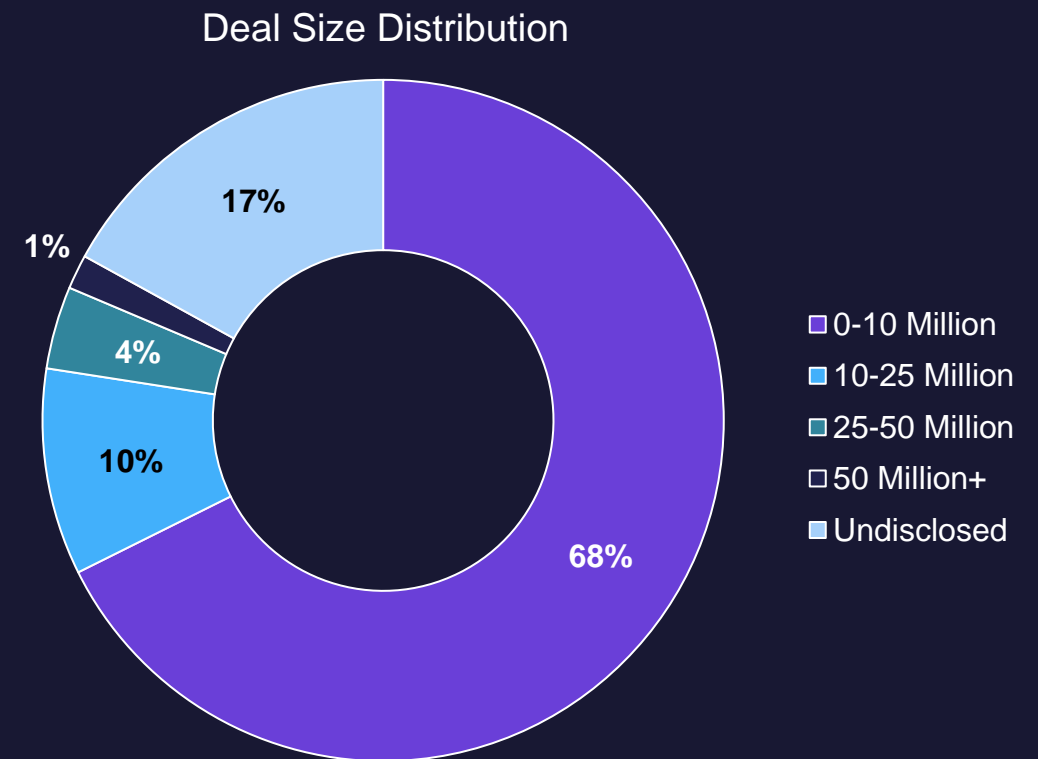
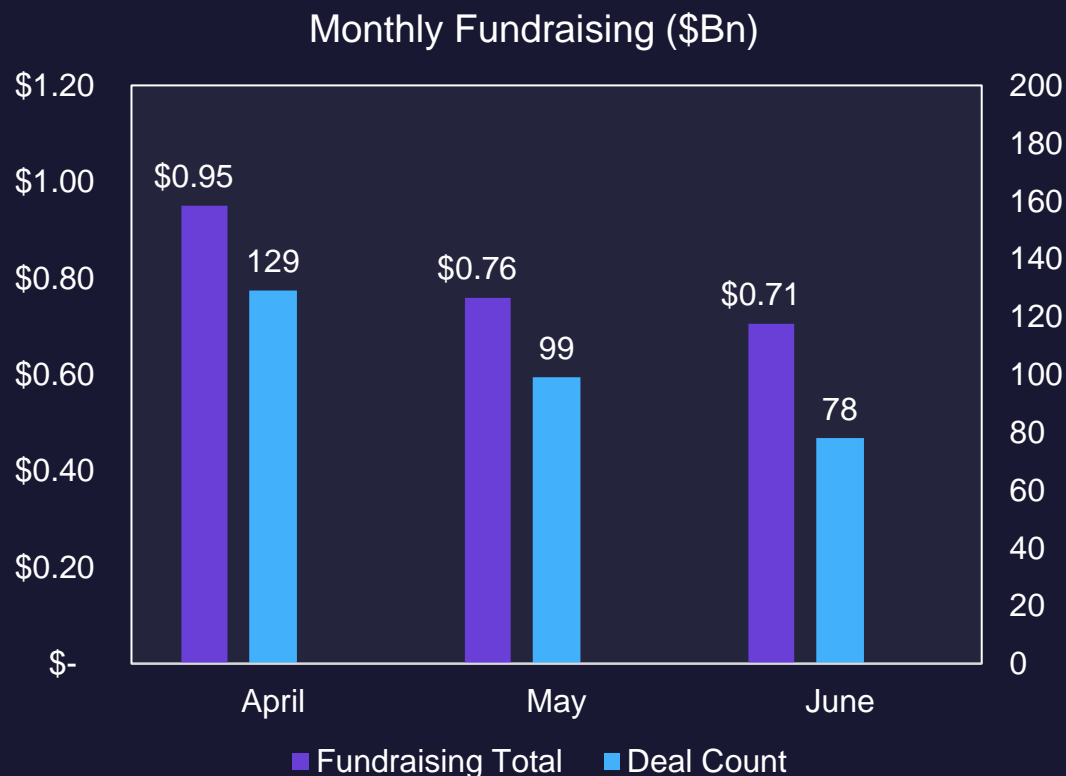
YTD Venture Funding

- In the first half of 2023, crypto companies raised \$5 billion across 608 deals. This represents a sharp decline from 1H of last year but remains relatively strong when compared to historical 1H totals. Fundraising was approximately 4x the amount raised in the previous bear market (1H 2019), displaying the progress of the space and the sustained attention from venture capitalists.



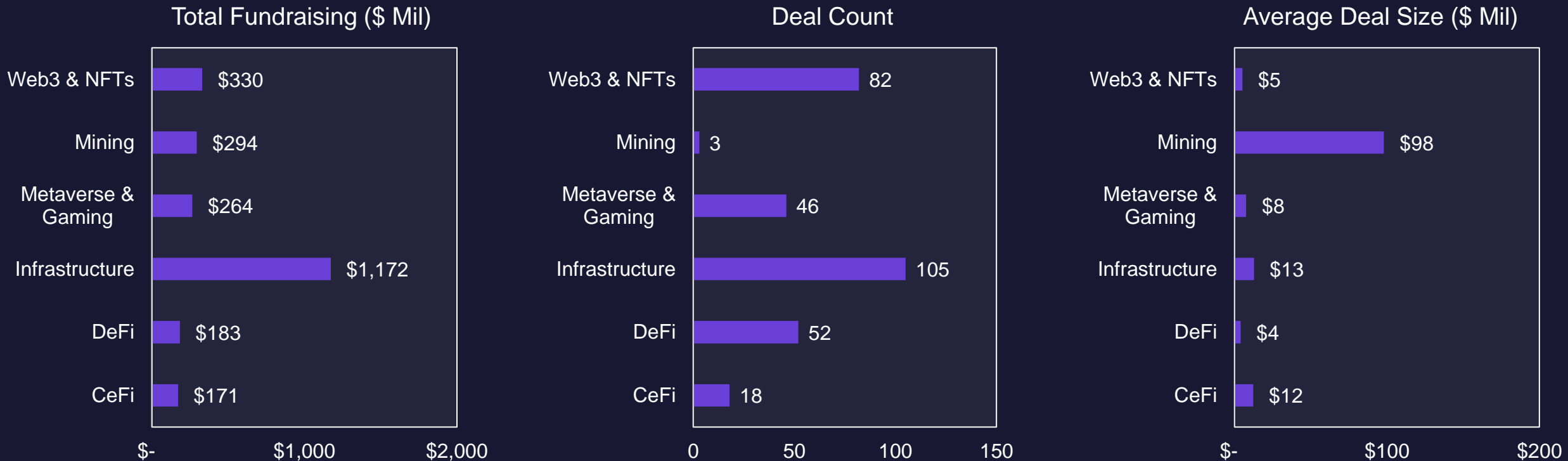
Q2 2023 Fundraising Overview

- April was the strongest month in Q2 for Total Fundraising and Deal Counts, and monthly totals declined as the quarter progressed. The decline can likely be attributed to negative SEC headlines which began appearing in the second half of Q2.
- If funding is correlated with news-related sentiment, it will be important to watch if early Q3 totals move upwards following traditional traditional finance institutions applying for spot Bitcoin ETFs in late June, and a landmark victory for Ripple against the SEC.
- Deal size continued to remain muted, with 68% of deals falling in the sub-\$10 million range. Investors are increasingly allocating capital towards new projects and seem to be facing challenges in finding late-stage deals that are worth participating in.



Deal Vertical Summary

- Infrastructure was the clear winner in Q2, securing over \$1.2 billion in funding across 105 deals. The next best category was Web3 & NFTs, which raised a little over a quarter of Infrastructure’s total across 82 deals.
- Average deal size was relatively small except for Mining deals, which had an average deal size of \$98 million, potentially spurred by significant Bitcoin price appreciation throughout 2023, raising miner profitability. The average deal size across other categories was \$8.6 million.
- Interest in CeFi investments continues to remain diminished following the collapse of centralized crypto entities. CeFi was the least funded category in Q2, only totaling \$171 million.

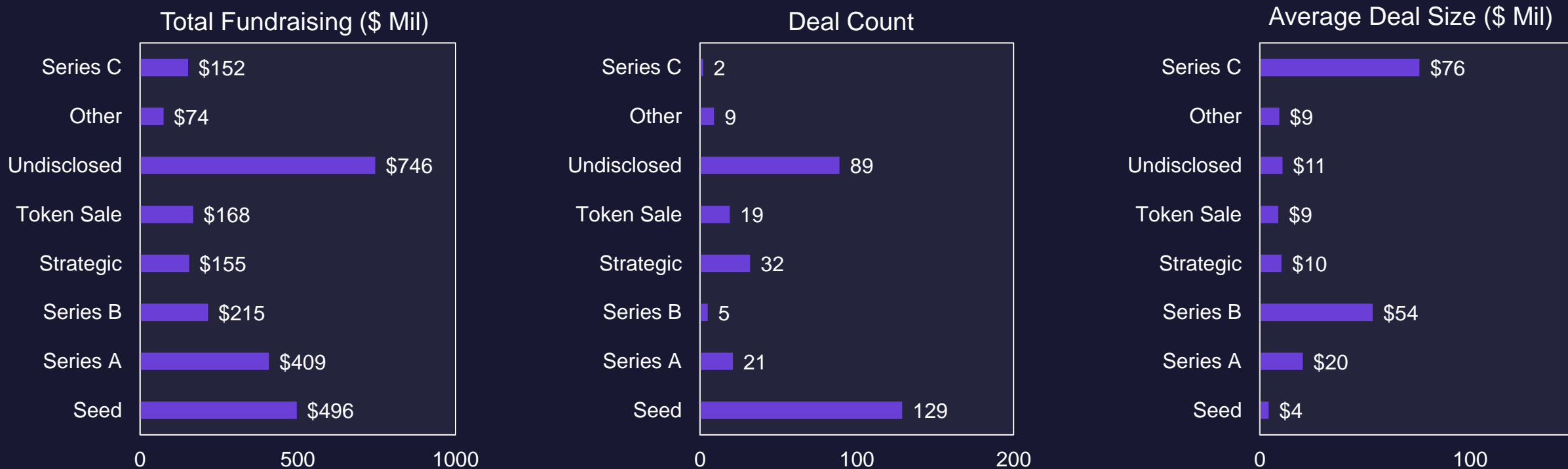


* Please see Page 1 of the Appendix for the full list of criteria for each Deal Stage Category

Source: Fundstrat, Dove Metrics, Various Company Issued Press Releases

Deal Stage Summary

- Seed and Series A deals dominated from a fundraising perspective, accounting for 37% of the total funding amount. In terms of deal count, Seed deals were the clear leader. They represented 42% of all deals, indicating preference for early-stage projects.
- On a similar note, there were minimal late-stage deals with just two Series C deals completed in Q2. The average deal size of the two (\$76m) was significantly greater than average deal sizes across other stages.
- There were 19 token sales in the second quarter, totaling \$168 million. Notable token sales included EOS Network (\$EOS), Illuvium (\$ILV), LimeWire (\$LMWR), and TMS Network (\$TMSN).



* Please see Page 1 of the Appendix for the full list of criteria for each Deal Stage Category

Source: Fundstrat, Dove Metrics, Various Company Issued Press Releases

Private Market Trends

Infrastructure Dominance Continues

- Like in 2022 and Q1, Infrastructure attracted the most investment in the second quarter. The majority of deals focused on Web3 and digital identities.
- Infrastructure protocols with novel use cases consistently see the largest fundraises and valuations. The two largest raises in Q2 were LayerZero's \$120m Series B and Worldcoin's \$115m Series C.



Regulatory Headwinds

- Regulatory headwinds in the U.S have contributed to a decline in funding as investors contemplate unclear digital assets regulations, a hostile SEC, and a lack of banking partners servicing crypto.
- Token sales have continued to trend down in both deal count and amounts raised following scrutiny from the SEC against Coinbase for listing unregistered securities. Crypto legislation in Congress and outcomes of SEC cases vs. Ripple and Coinbase will have significant implications for tokens in the U.S.



Metaverse & Gaming Funding Steady while Web3 & NFTs Drops

- Gaming fundraising remained at similar levels to Q1 while deal count increased over 40% as investors preferred earlier stage deals.
- Web3 & NFT funding fell by ~50% QoQ amid an on-going bear market in the secondary NFT market and limited traction among existing Web3 products







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DeFi Deal Highlights

Company	Amount Raised	Sub-Category	Description
iZUMi Finance 	\$22 Million	AMM	iZUMi Finance is a multi-chain DeFi protocol that offers “liquidity-as-a-service”, providing instant liquidity for swapping assets for other assets or cash. iZUMi raised \$22 million from investors such as Unicode Digital, NextGen Digital Venture, and Bella Protocol in April of this year. The fresh capital will provide early liquidity for iZUMi’s AMM-driven order book DEX, iZiSwap Pro.
Thetanuts 	\$17 Million	Structured Products	Thetanuts Finance is a multi-chain structured products protocol and raised \$17M in a round led by Polychain Capital, Hyperchain Capital, and Magnus Capital. Thetanuts Finance is aiming to create the best-in-class products for users to maximize risk-adjusted yield generation with a well-designed and intuitive user experience. Thetanauts plans to use the funds to expand its Decentralized Options Vaults (DOVs) and create a two-way market for a more diverse set of asset offerings.
Nayms 	\$12 Million	Insurance	Nayms is building one of the first fully-regulated on-chain insurance platforms to bring efficient and transparent features to a largely off-chain market. Nayms rose \$12 million in a private token sale led by UDHC, valuing the protocol at \$80 million. The funding will be used to expand Nayms’ global team and accelerate the growth of its products.
Maverick 	\$9 Million	AMM	Maverick Protocol, a DeFi Infrastructure project, raised \$9m in an undisclosed round led by Founders Fund. This follows an \$8m strategic raise from February of 2022. According to founding member Alvin Xu, Maverick aims to “provide critical market infrastructure required to eliminate inefficiencies from DeFi and help the industry grow to new highs.” The team recently launched a DEX in March, with \$37m in TVL. Maverick also focuses on building efficiencies in liquid staking infrastructure by addressing fragmented multi-chain liquidity.





* These deals were selected by Fundstrat by examining the deal size, deal type, investor base, and company product offerings.

CeFi Deal Highlights

Company	Amount Raised	Sub-Category	Description
EDX Markets 	Undisclosed	Exchange	EDX Markets is a digital assets trading platform backed by Citadel Securities, Fidelity Digital Assets, and other prominent TradFi institutions. EDX launched trading in June and completed a strategic funding round for an undisclosed amount. EDX offers institutional trading for BTC, ETH, LTC, and BCH. Later this year EDX plans to launch its own clearinghouse, alleviating counterparty risk for institutions. EDX marks another example of traditional finance players getting involved in the digital asset space.
River Financial 	\$35 Million	Brokerage / Payments	River Financial, a Bitcoin financial services firm, raised \$35 million in a Series B round led by Kingsway Capital. Other investor participation included Peter Thiel, Goldcrest, and M13. River is on a mission to build an honest and robust financial system by offering customers a one-stop-shop for people interested in Bitcoin. They offer brokerage services, full-reserve custody, mining, and Bitcoin wallets. River Financial is hoping to serve as the backend for Bitcoin payments and the funding will be used to continue building out their B2B Lightning segment.
One Trading 	\$33 Million	Exchange	One Trading, a digital asset exchange targeting institutional and professional traders, raised \$30 million in a Series A deal led by Valar Ventures. Other investors included MiddleGame Ventures, Keyrock, and Wintermute Ventures. One Trading is led by Josh Barraclough, a former digital innovation head at JP Morgan. One Trading is aiming to create the fastest and most scalable exchange in crypto and provide utility for large liquidity providers. One Trading plans to implement a subscription-based model instead of the traditional trade fee structure. One Trading already has the required licenses to offer users both spot and derivative products.
Alchemy Pay 	\$10 Million	Payments	Alchemy Pay, a crypto payments provider, raised \$10 million from DWF Labs at a \$400 million valuation. Alchemy serves crypto clients to allow customers to easily access fiat payment systems. The investment round is being used to expand its operations into South Korea. Alchemy Pay has worked with plenty of big-name payment providers such as Visa and Mastercard and has recently been implemented as a fiat on-ramp on OKX. They now support fiat-crypto purchases in over 173 countries and plan to continue expanding.





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Infrastructure Deal Highlights

Company	Amount Raised	Sub-Category	Description
LayerZero 	\$120 Million	Other	LayerZero, a blockchain interoperability protocol, raised a Series B funding round of \$120M at a \$3B valuation. This was the second-largest raise and highest valuation of the quarter. Investor participation included Sequoia Capital, a16z crypto, Lightspeed, and others. This is an impressive feat given the platform's last funding round, which raised \$135M at a \$1B valuation in March 2022. LayerZero intends to allocate the latest capital raised towards hiring and growing its presence in the APAC region.
Magic 	\$52 Million	Wallets	Magic, a wallet-as-a-service provider, raised a strategic funding round of \$52M at a valuation near \$500M. PayPal Ventures led the raise, which was the fourth largest infrastructure-related raise of the quarter, bringing total funding secured for the platform to \$80M. The latest funding round also included investor participation from Northzone, Volt Capital, Cherubic, and others.
EOS Network 	\$45 Million	L1	EOS Network (\$EOS), an open-source layer-1 blockchain platform, raised \$45M in funding through a private token sale. DWF Labs led the token sale, which was the fifth largest infrastructure-related raise of the quarter. In addition, EOS Network received a \$15M pledge from DWF Labs to support applications and projects built on the network. The company aims to create a decentralized future that provides developers with the tools to release dApps and develop blockchain games.
Sei Labs 	\$30 Million	L1	Sei Labs (\$SEI), a trading-focused layer-1 network, raised \$30M through two strategic funding rounds at a \$800M valuation. This was the 10th largest infrastructure-related deal and the second-largest valuation of the quarter. In addition, the funding round also included investor participation from Jump Crypto, Distributed Global, Multicoon Capital, and others. Sei Labs intends to use the capital raised towards funding to accelerate platform growth, including a deeper push into the Asia-Pacific region.





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Web3 & NFT Deal Highlights

Company	Amount Raised	Sub-Category	Description
Story Protocol 	\$29 Million	Other	Story Protocol, a narrative universe creation platform, raised a seed funding round of \$29.3M. Andreessen Horowitz led the raise, which was the largest raise for Web3 & NFT-related projects this quarter. In addition, the funding round also included investor participation from Samsung Next fund, Hashed, Mirana, and others. Story Protocol intends to use the capital raised to fast-track the platform's infrastructure development.
Lens Protocol 	\$15 Million	Software	Lens Protocol, a social media network built by Aave, raised \$15M through an undisclosed round. IDEO CoLab Ventures led the raise, which was the third largest raise for Web3 & NFT-related projects this quarter. In addition, the funding round also included investor participation from Blockchain Capital, Kraken Ventures, Fenbushi Capital, and others. Lens Protocol intends to use the capital raised to develop the protocol further and expand its ecosystem.
Pudgy Penguins 	\$9 Million	NFTs	Pudgy Penguins, an IP platform and NFT collection, raised a seed funding round of \$9M. 1kx led the raise, which was the eighth-largest raise for Web3 & NFT-related projects this quarter. In addition, the round also included investor participation from Old Fashion Research, LayerZero Labs, and CRIT Ventures. Pudgy Penguins intends to use the capital raised to grow its headcount and product offerings.
Absolute Labs 	\$8 Million	Software	Absolute Labs, a Web3 customer and wallet relationship management (CRM) solution provider, raised a seed funding round of \$8M. This was the 10th largest Web3 & NFTs-related deal this quarter. The funding round also included investor participation from Near Foundation, MoonPay, Sparkle Ventures, Alpha Praetorian Capital, and others.

* These deals were selected by Fundstrat by examining the deal size, deal type, investor base, and company product offerings.

Metaverse & Gaming Deal Highlights

Company	Amount Raised	Sub-Category	Description
Mythical Games 	\$37 Million	Web3	Mythical Games, a Web3 gaming studio, raised \$37M in funding through its Series C extension round. Scytale Digital led the raise, which was the largest Metaverse & Gaming-related deal this quarter. In addition, the round also included investor participation from Andreessen Horowitz, Animoca Brands, and ARK Invest. In addition, this extension round followed up on the studio's Series C round, which secured \$150M in funding in November 2021.
Mayhem Studios 	\$20 Million	NFTs	Mayhem Studios, MPL's mobile gaming arm, raised \$20M in funding through its Series A round. Sequoia Capital India led the raise, which was the fourth-largest metaverse & gaming deal this quarter. In addition, the funding round also included investor participation from Truecaller, Steadview Capital, Kleiner Perkins, and others. Mayhem Studios intends to use the capital raised towards developing new gaming titles.
HyperPlay 	\$12 Million	Web3	HyperPlay, a Web3 game launcher, raised \$12M in funding through its Series A round. The raise was the seventh largest Metaverse & Gaming-related deal this quarter. The funding round was co-led by Bitkraft Ventures and Griffin Gaming Partners. In addition, the round also included investor participation from ConsenSys, Ethereum Ventures, Mirana Ventures, and others.
Argus Labs 	\$10 Million	Software	Argus Labs, a gaming software platform, raised \$10M in funding through its seed round. Haun Ventures led the raise, which was the ninth largest Metaverse & Gaming-related deal this quarter. In addition, the funding round also included investor participation from Dispersion Capital, Robot Ventures, Alchemy, Anagram, and others.

* These deals were selected by Fundstrat by examining the deal size, deal type, investor base, and company product offerings.

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Vertical Classifications

- **DeFi** - includes deals relating to protocols involved with decentralized exchanges, lending and borrowing, derivatives, and other finance functions.
- **CeFi** - includes companies bridging traditional finance and the crypto ecosystem, such as centralized trading platforms, payments platforms, and centralized stablecoin issuers.
- **Infrastructure** - groups all deals related to companies and projects building the required technology for scaling and improving the crypto ecosystem.
- **Mining** - deals include companies that offer crypto mining services or mining infrastructure.
- **Web3 & NFTs** - includes crypto deals around general dApps, digital ownership, digital economy, digital identity, the internet of things, as well as NFT collections.
- **Metaverse & Gaming** - includes deals related to metaverse development, NFT projects designed for metaverse or blockchain games, and gaming companies building play-to-earn and free-to-play games.

Deal Stage Classifications

- **Seed** - deals include Pre-Seed and Seed deals.
- **Series A** - deals include Series A and Series A Extension deals.
- **Series D+** - deals include Series D, Series E, and Series F deals.
- **Strategic** - deals are defined as deals in which the two companies involved have matching synergies where a partnership is mutually beneficial for both parties.
- **Token Sale** - includes regular token sales, private token sales, token pre-sales, and SAFTs.
- **Undisclosed** - includes any venture deal in which no deal stage was disclosed in the press release.
- **Other** - deals include any other unique equity deal stages not captured by other category definitions.

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