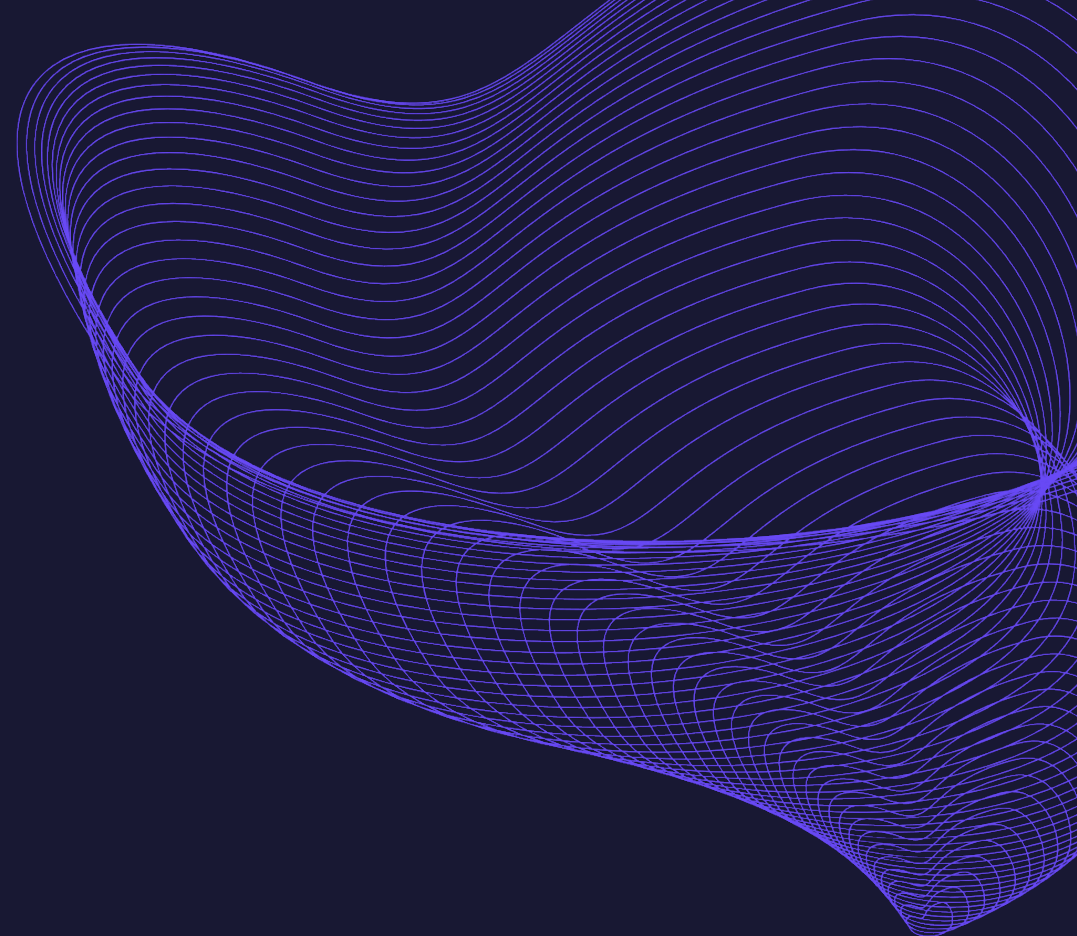




**fundstrat**

**Deep Research**



# Q3 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 at the beginning of last year. \$1.4 billion was raised in the third quarter, marking the sixth consecutive quarter of declines in total fundraising, while deal count dropped 30% from Q2 '23 to 214 deals.
- Despite the decline, current funding remains more than 2x-3x levels seen from 2018 to 2020. The increased likelihood of spot ETF approvals and a potential improvement in the macroeconomic environment could provide tailwinds to the private market in Q4 and into 2024.
- Deals remain concentrated in the early stages as there are likely fewer winners worth doubling down on at lofty valuations. Only 1% of deals were over \$50 million, while 62% fell under \$10 million, staying consistent with 1H 2023 levels.
- Infrastructure maintained its status as the most invested vertical, albeit by less of a margin compared to Q1 and Q2. CeFi saw an uptick in fundraising across fewer deals as investors may be looking to support well-established companies given the poor track record of CeFi institutions in 2022.
- Web3 social apps are becoming popular among crypto users and have gained the interest of venture capitalists. To dovetail with new forms of social media, companies focused on intellectual property and creator monetization have also garnered interest from investors.
- Bottom Line – Despite a sustained decrease in total capital investment, the crypto venture market has continued to attract more interest compared to previous market cycles. Potential tailwinds to end 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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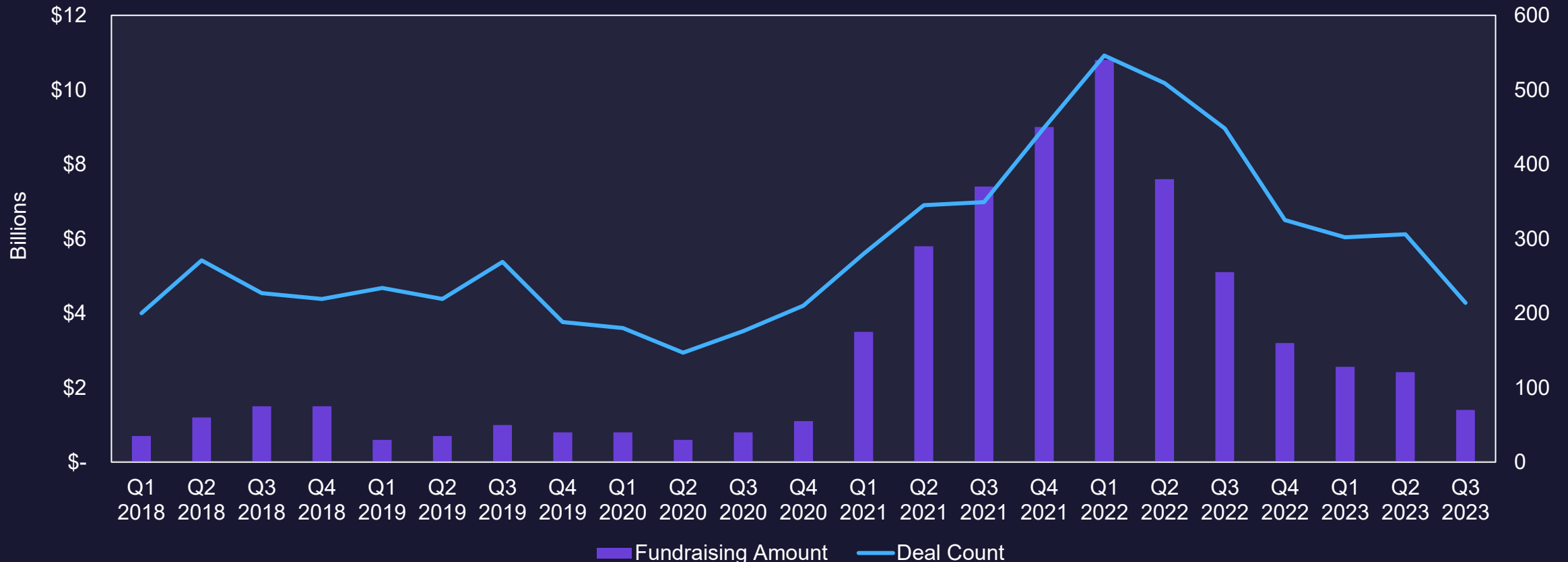
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# Quarterly Funding

- Crypto projects raised \$1.4 billion across 214 projects throughout Q2. Fundraising amount fell for the sixth consecutive quarter while deal count fell approximately 30% from Q2 levels. With that said, there was a notable rise in September funding, with three out of four weeks having over \$100m in funding, potentially signaling a local bottom in the private market.
- Increased likelihood of a spot Bitcoin ETF approval and potential improvement in the macroeconomic environment could provide tailwinds for the private market through Q4 and into 2024.



# YTD Venture Funding

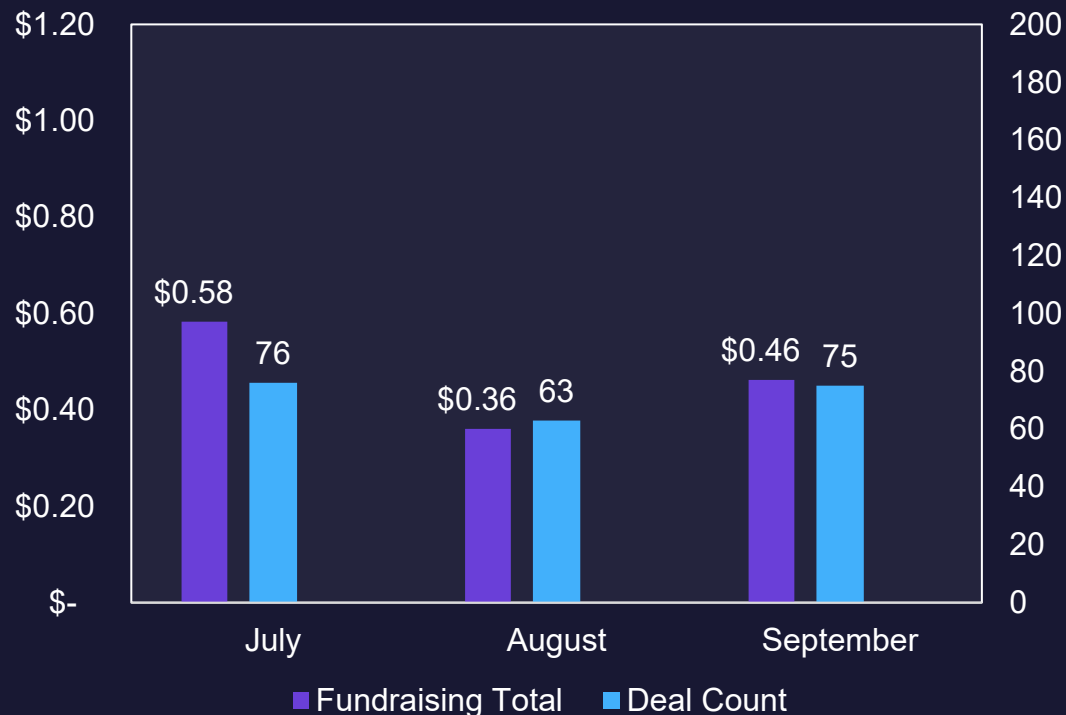
- Looking at historical levels of funding through the first three quarters of the year, deal counts have been relatively steady over the last six years. Fundraising amounts have dropped off significantly from 2021 and 2022, but remain double to triple the amount compared to 2018-2020.



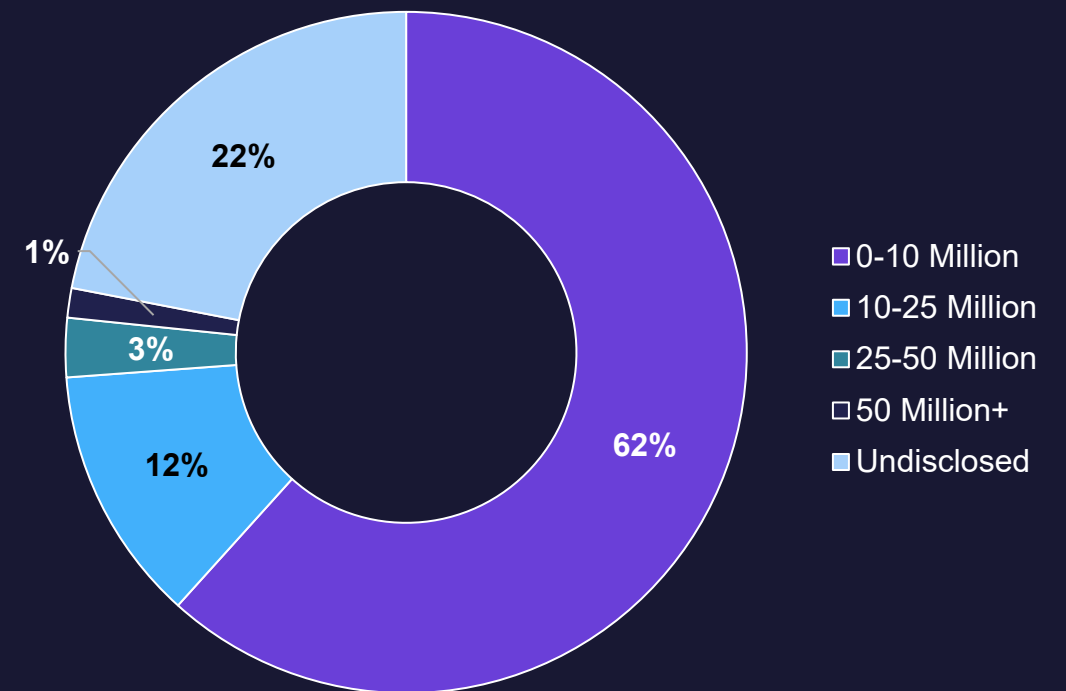
# Q3 2023 Fundraising Overview

- July was the strongest month in Q3 for Total Fundraising and Deal Counts, potentially correlated with strong headlines of the Blackrock ETF application and Ripple's victory against the SEC occurring in late June.
- Average deal sizes were almost identical to Q2, with 62% of deals falling in the sub-\$10 million range and 12% in the \$10-\$25 million range. Late-stage deals continue to remain elusive, with only two Series C+ deals in Q3, averaging \$54 million each.

### Monthly Fundraising (\$Bn)

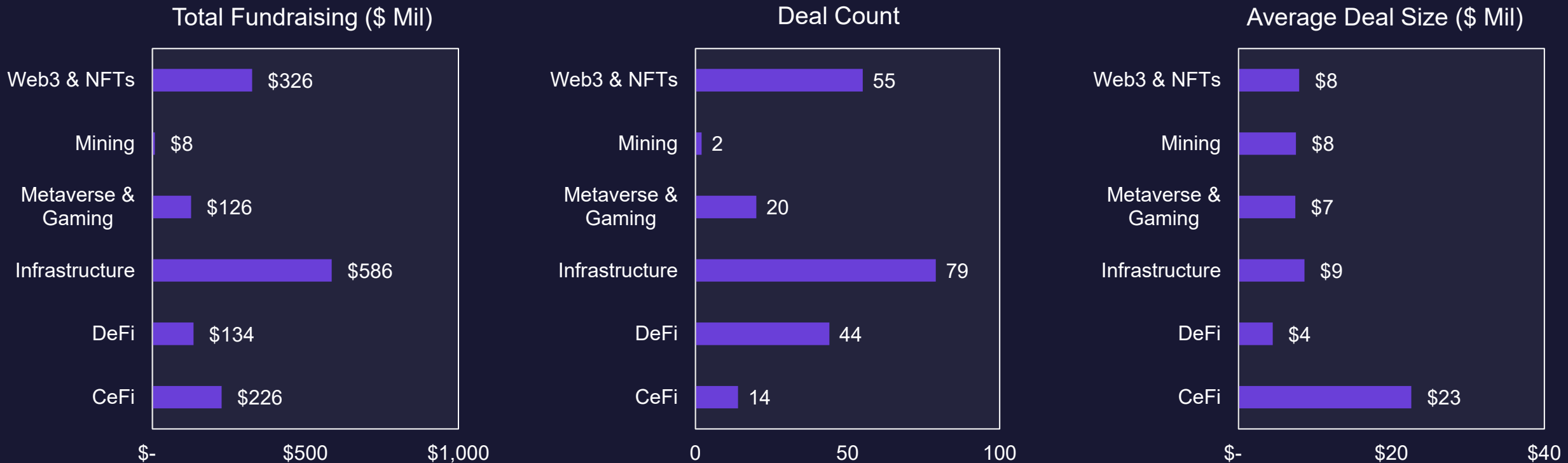


### Deal Size Distribution



# Deal Vertical Summary

- Infrastructure was once again the quarterly winner, but by less of a margin compared to Q1 and Q2. Infrastructure deals raised \$586 million across 79 deals.
- Web3 & NFTs were the next most popular category, raising \$326 million across 55 deals. There was a noticeable trend of projects in the social / digital identity space attracting investment from prominent VC firms.
- Average deal size showed little variance across categories apart from CeFi which had an average deal size of \$23 million. This can be largely attributed to a \$100 million Series C round completed by BitGo.

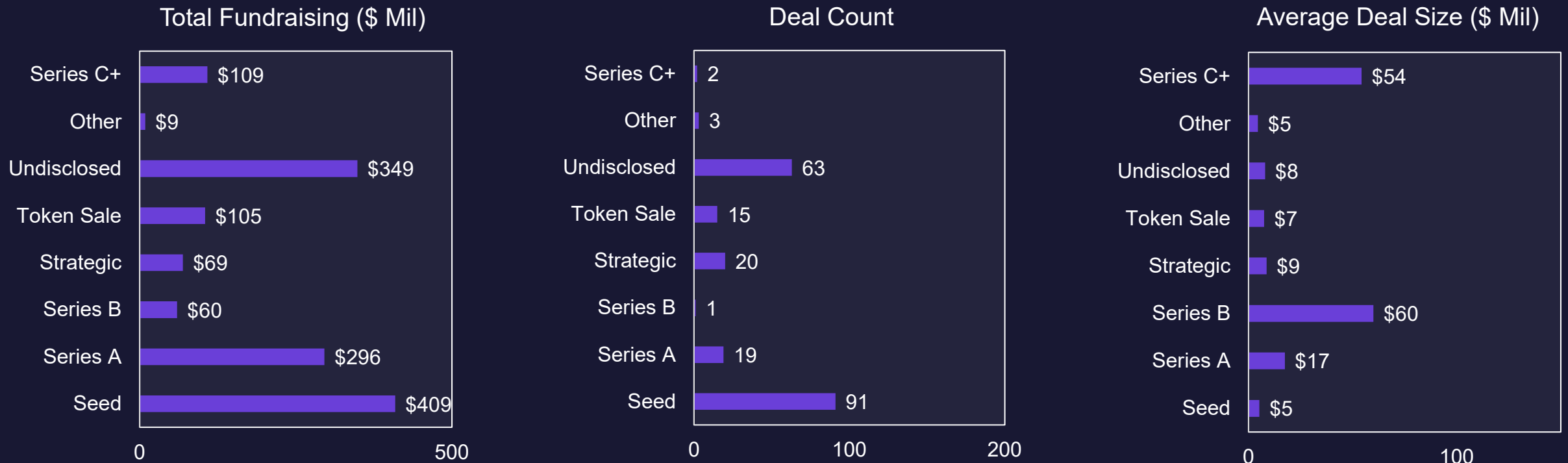


\* Please see Page 1 of the Appendix for the full list of criteria for each Deal Stage Category

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

# Deal Stage Summary

- Seed and Series A deals dominated from a fundraising perspective, accounting for 50% of the total funding amount. Similarly to the first two quarters of the year, Seed deals were the most popular deal stage in Q3. They represented 43% of all deals, indicating preference for early-stage projects.
- The average deal size for Seed deals rose 25% in Q3 compared to Q2, to \$5 million.
- There was only one Series B deal and two Series C+ deals, comprising 12% of the quarter's funding while only making up 1% of the total deal count.



\* 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

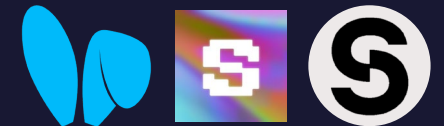
## Infrastructure's Leading by Less

- Like in Q1 and Q2, Infrastructure attracted the most investment in the third quarter, but by less of a margin than in the first half of the year. With that said, eight out of the fifteen largest rounds this quarter were Infrastructure deals.
- Flashbots was one of two companies to be valued at over \$1 billion in the third quarter. YTD only five companies have achieved that milestone, four of which fall under the Infrastructure category.



## Social Platforms Becoming A Favorite

- The popularity of Web3 social platforms has grown immensely over the third quarter. Social apps such as friend.tech have garnered interest from venture capitalists and Web3 users as an innovative way for creators and consumers to interact.
- As content creators begin engaging with audiences in new formats, monetization of intellectual property becomes increasingly important. New projects such as Sound.xyz and Story Protocol are seeking to change the way in which creators can capitalize on their content.



## CeFi Interest Beginning to Rebound

- After being the most funded category in 2022, CeFi had largely been put on the backburner after many CeFi institutions failed. Interest in the sector began to increase in Q3, as it was the third most funded category.
- It is important to caveat that the funding was spread across fewer deals, as investors may be looking to support CeFi companies with a proven track record rather than brand new projects.



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# DeFi Deal Highlights

Company	Amount Raised	Sub-Category	Description
 <p>Stroom Network</p>	\$4 Million	Liquid Staking	Stroom Network, a bitcoin liquid staking protocol, raised \$3.5 million in an oversubscribed Seed round led by Greenfield. Other investors included Mission Street, Lemniscap, No Limit Holdings, and Cogitent Ventures, among others. Stroom Network is striving to replicate the mechanics of Ethereum liquid staking to allow bitcoin holders to deposit tokens with Stroom and receive a liquid staking token (similar to wBTC) which is EVM compatible, allowing holders to leverage their capital and pursue other yield opportunities on Ethereum. Stroom plans to use the funds expand its team and accelerate the launch of its liquid staking token (LST).
 <p>Brine Finance</p>	\$17 Million	DEX	Brine Finance, a decentralized order-book exchange powered by StarkWare, has completed a Series A deal of \$16.5 million led by Pantera Capital. The fundraising round values the protocol at \$100 million, one of the loftier valuations in recent deals. The round had other investor participation from Elevation Capital, Starkware Ltd, Spartan Group, and others. Brine Finance is a decentralized order-book exchange powered by Starkware, and has already accumulated over \$500 million in trading volume. Brine hopes to compete with centralized exchanges as the platform of choice for large traders across crypto.
 <p>Maple Finance</p>	\$5 Million	Lending	Maple has successfully concluded a strategic funding round, raising \$5 million. BlockTower Capital and Tioga Capital led the round, with participation from Room40 Ventures, Cherry Crypto, Spartan Capital, GSR Ventures, and Veris Ventures, along with continued support from previous backers Maven 11 and Framework Ventures. This funding marks the beginning of an ambitious, multi-year growth plan for Maple, aiming to extend its influence from DeFi into the traditional financial sector as a prominent lending marketplace and technology platform. The team will leverage their early accomplishments to seize upcoming opportunities, focusing on expanding into the APAC and LATAM regions, where substantial demand for institutional and compliant on-chain lending and borrowing exists.
 <p>Ambient Finance</p>	\$7 Million	DEX	Ambient Finance, a zero-to-one decentralized exchange built on a singular smart contract, raised \$6.5 million in a Seed round led by Blocktower. The investment round valued Ambient at a valuation of \$80 million and had other participation from prominent industry names such as Circle, Jane Street, Tensai Capital, and others. Being built on one smart contract enables Ambient to offer low-fee transactions, greater liquidity rewards, and a fairer trading experience. Ambient plans to use the capital to grow its team and ensure its research and development department is adequately funded.





\* 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
 <p>Mesh</p>	\$22 Million	Payments	Mesh, a digital asset management platform, raised \$22 million in a Series A round led by Money Forward. Other investor participants included Galaxy Digital, Samsung Next, Streamlined Ventures, among others. Mesh's latest fundraise brings its total to \$32 million, and it plans to use the new capital to continue developing its deposits and payments tools. Mesh enables financial institutions to securely transfer digital assets to their customers' accounts across different platforms and wallets. Mesh has already integrated transfers and payments with 300+ leading exchanges and wallets, serving as a pass-through instruction layer for all transfers. Mesh is streamlining the payments and transfers process and reducing friction for businesses and consumers.
 <p>ZEEBU</p>	\$25 Million	Payments	Zeebu, a blockchain-based settlement platform focused on revolutionizing the telecom industry, raised \$25 million in a presale funding round, which saw participation from several strategic partners, including Bankai Ventures. Zeebu raised \$10 million more than the initial hard-cap of \$15 million, displaying investors' excitement for Zeebu's on-chain invoice settlement product, which should help disintermediate traditional banking channels and lower costs for the telecom industry. The telecom industry is a \$120 billion industry and Zeebu hopes to use the funding to move towards its goal of onboarding 100 telecom carriers and facilitating cross-border settlement with unparalleled efficiency.
 <p>TRIDENT DIGITAL</p>	\$8 Million	Lending	Trident Digital Group, a newly started crypto lending business, raised \$8 million via a Seed round led by White Star Capital and New Form. Trident Digital Group seeks to capitalize on the massive gap in the crypto lending market left by bankrupt players like Genesis and Voyager. Trident's founders are former bankers who held senior roles at Coinbase and Matrixport. Companies entering the crypto lending market are starting to appear, as Coinbase recently announced the launch of their institutional lending product. Trident will use the capital to help launch its first yield product tied to U.S. Treasuries and win deposits from other financial institutions.
 <p>BitGo</p>	\$100 Million	Custody	BitGo, the California based blockchain infrastructure company, raised \$100 million in a Series C round, valuing the company at \$1.75 billion. The BitGo capital raise represents one of the two Series C deals in Q3, but declined to disclose participating investors. BitGo has remarkably serviced the digital asset space since 2013 when it pioneered multi-signature Bitcoin wallets, and has since grown its product offerings such as institutional custody services, wallet management, trading, staking, and lending. The capital will be utilized to meet the growing demand for regulated crypto custody products and infrastructure solutions, in addition to making strategic acquisitions.



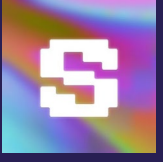

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# Infrastructure Deal Highlights

Company	Amount Raised	Sub-Category	Description
 <p>Manta Network</p>	\$25 Million	L2	Manta Network, an Ethereum layer-2 solution trying to build a modular zero-knowledge ecosystem, secured \$25M in funding at a \$500M valuation through its Series A round. Manta was one of three companies to disclose a valuation of \$500 million or greater in the third quarter. The funding round was co-led by Polychain Capital and Qiming Venture Partners while also including investor participation from CoinFund, Alliance DAO, and SevenX Ventures. Manta's modular architecture enables greater scalability with low fees and quicker finality, while offering developers more flexibility in creating new dApps. The funds will be utilized to expand the network and attract more users.
 <p>Flashbots</p>	\$60 Million	MEV	Flashbots, an Ethereum-based research and development company focused on MEV, raised \$60 million in a Series B round led by Paradigm. The investment round granted Flashbots "unicorn" status, valuing the company at over \$1 billion. Flashbots' aim is to enable a permissionless, transparent, and fair ecosystem regarding MEV extraction. This falls under three goals: democratizing access to MEV revenue, bringing transparency to MEV activity, and redistributing MEV revenue. Flashbots currently has a product that builds core infrastructure and ecosystem tooling as well as a research arm that explores MEV market dynamics and blockchain design challenges. The funding will be used to continue development of its MEV network, SUAVE.
 <p>RISC Zero</p>	\$40 Million	Software	RISC Zero, the startup creating a general purpose zk-virtual machine (zkVM), raised \$40 million via a Series A round led by Blockchain Capital. Other investors included Bain Capital Crypto, Galaxy Digital, Maven 11, Delphi Digital, and others. Zero-knowledge technology is becoming increasingly popular across crypto and RISC Zero wants to put that technology into the hands of developers with an intuitive tool. With its zkVM, developers can easily create new products that leverage zero-knowledge proofs. The capital will be used to bring its computing platform, Bonsai, to market as well as to develop it further.
 <p>Story Protocol</p>	\$25 Million	Intellectual Property	Story Protocol, an open-source network focused on intellectual property (IP) rights, raised \$25 million via a Series A deal led by Andreessen Horowitz, representing one of the larger investment rounds in Q3. Other investors included Endeavor, Samsung Next, and Insignia Ventures Partners, among others. Intellectual property is a massive issue among creators as proving ownership and tracking usage across digital platforms is extremely difficult. As the creator economy continues to grow, it's important that artists can track how their IP is used and shared, ensuring they are paid in accordance with their IP usage. Story Protocol hopes to tackle this problem by simplifying the processes of maintaining intellectual property and providing transparent provenance tracking and fair attribution by leveraging blockchain technology. Story hopes to use the funds to democratize and revolutionize IP creation for artists, fans, and developers.




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# Web3 & NFT Deal Highlights

Company	Amount Raised	Sub-Category	Description
<b>Futureverse</b> 	\$54 Million	Metaverse	Futureverse is a Web3 & NFT-based platform aiming to provide developers and users with the ability to create and interact with interoperable content and applications. The company has secured \$54M in funding through its Series A round led by 10T Holdings with additional participation from Ripple. Futureverse has rolled up 11 different metaverse infrastructure and content companies into one collaborative ecosystem. Futureverse's platform also includes unique features such as proprietary AI content generation tools, propelling them to the forefront of a new frontier in AI gaming. Futureverse intends to allocate the new capital towards tech development, including expanding the Root Network, a blockchain and suite of protocols with out-of-the-box tools for building metaverse apps.
<b>Veloce</b> 	\$50 Million	Streaming	Veloce Media Group, a decentralized gaming and sports media company, raised \$50 million in a sale of its token, VEXT. VEXT is Veloce's governance and utility token. The investment comes from GEM Digital via a structured token subscription agreement, meaning GEM Digital will invest up to \$50 million into Veloce's platform to enable the delivery of Veloce's products and services. Veloce has six gaming and sports brands, which cumulatively attract over 650 million monthly views across different products. VEXT will be used as the vehicle for subscribing to Veloce's content, while also giving holders some voting rights on the direction of the brand.
<b>Sound.xyz</b> 	\$20 Million	Music	Sound is a Web3 & NFT-based platform aiming to provide an alternative to Web2 music streaming services such as Apple Music and Spotify, raised \$20 million via a Series A round led by Andreessen Horowitz. Other investor participation included Sound Ventures, Collab+Currency, Palm Tree Crypto (Kygo's VC firm), and others. Sound gives artists the ability to have their songs purchased and minted as NFTs. The music industry is a sector in which there is a clear use case for crypto but companies have failed to find product-market fit. Sound's adoption has been impressive thus far, paying over \$5 million to over 500 different artists since launching. Artists such as Snoop Dog and One Direction's Ryan Tedder have already released new music through the platform and the goal is to continue attracting big name talent. Sound intends to allocate the additional capital towards expansion of its marketing and engineering teams to continue its goal of becoming the next big streaming platform.
<b>Friend.tech</b> 	Undisclosed	Social	Friend.tech, the decentralized social media platform, raised an undisclosed amount in a Seed round led by Paradigm. Friend.tech has been one of the hottest in apps across crypto in recent weeks as it's seen its TVL surge to over \$50 million while surpassing Bitcoin and Uniswap in daily fees. Friend.tech has helped spark one of the larger narratives in Q3 of social media type dApps attracting investment from venture capital firms. Friend.tech and Paradigm are hoping to work collaboratively to continue developing innovative ways to interact in the Web3 universe. Friend.tech is expected to airdrop a token to its users in the future although the details and timelines are not known.

\* 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
<b>Proof of Play</b> 	\$33 Million	RPG	Proof of Play, a blockchain gaming and infrastructure company, raised \$33 million in a Seed round led by a16z and Greenoaks. Other investor participation included Anchorage Digital, Naval Ravikant, Zynga, and Twitch founders Justin Kan and Emmett Shear. Proof of Play is led by FarmVille co-creator and Zynga executive Amitt Mahajan. Proof of Play combines the responsibilities of a gaming studio and a blockchain infrastructure company to create real, fun, fully on-chain games. The funding will be used to boost the growth of its first game, Pirate Nation. Proof of Play closed the second largest seed deal of the year, and its investor list is a who's who of the gaming industry. Mahajan has a stellar track record in game development – FarmVille is Facebook's top game of all time with over 300 million players. With an experienced leadership team and prominent investors behind them, Proof of Play hopes to create the best open-sourced gaming ecosystem in the industry.
	\$15 Million	MMO	Xterio is a gaming developer and publisher, aiming to onboard the Web2 gaming audience into Web3-based games. Xterio raised \$15 million from Binance Labs via a strategic partnership to provide funding to add additional games and artificial intelligence integrations to its platform. Xterio is also partnered with slew of industry leaders such as Animoca Ventures, Hashkey Capital, Huobi, Kucoin, and Merit Circle. Xterio provides users with a free-to-play gaming platform while offering developers a GameFi-as-a-service product to enable easier deployment of third-party games. As part of the new strategic investment, Binance plans to add Xterio's token to the BNB Chain ecosystem to help bolster the platform's growth.
<b>Mahjong Meta</b> 	\$12 Million	Strategy	On-chain gaming platform, Mahjong Meta secured \$12 million in a funding round led by Dragonfly Capital. Other investors included Folius Ventures, Parallel Ventures, Meteorite Labs, Find Satoshi, and Emooto. Mahjong Meta is focused on mahjong esports. Traditional mahjong has over 600 million players worldwide and Mahjong Meta hopes to bring those players on-chain. Their open beta which launched in May saw over 15,000 users, playing half a million matches. The platform went live in August and has captured games interest as players with their digital pets known "Tama" which can be deployed during mahjong battles. The investment proceeds will be used for product development and expanding its customer base.
<b>Pahdo Labs</b> 	\$15 Million	RPG	New York-based game development studio Pahdo Labs has secured \$15 million in Series A funding with Andreessen Horowitz (a16z) as the primary investor, supported by Pear VC, BoxGroup, Long Journey Ventures, Neo, and Global Founders Capital. Pahdo Labs' core mission is to create a virtual world co-built by players. Their upcoming game will allow users to craft their anime-style universes utilizing AI-powered or procedurally generated tools, emphasizing creative and social aspects within the anime RPG genre. The studio invites anime and action role-playing game enthusiasts to participate in Pre-Alpha playtests for their upcoming project, Halcyon Zero, in September 2023. The funding will be used for team expansion and game development.

\* 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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