

EARLYBIRD | VENTURE CAPITAL

Blockchain, ICOs and the Future of Venture Financing

Ravi Kurani

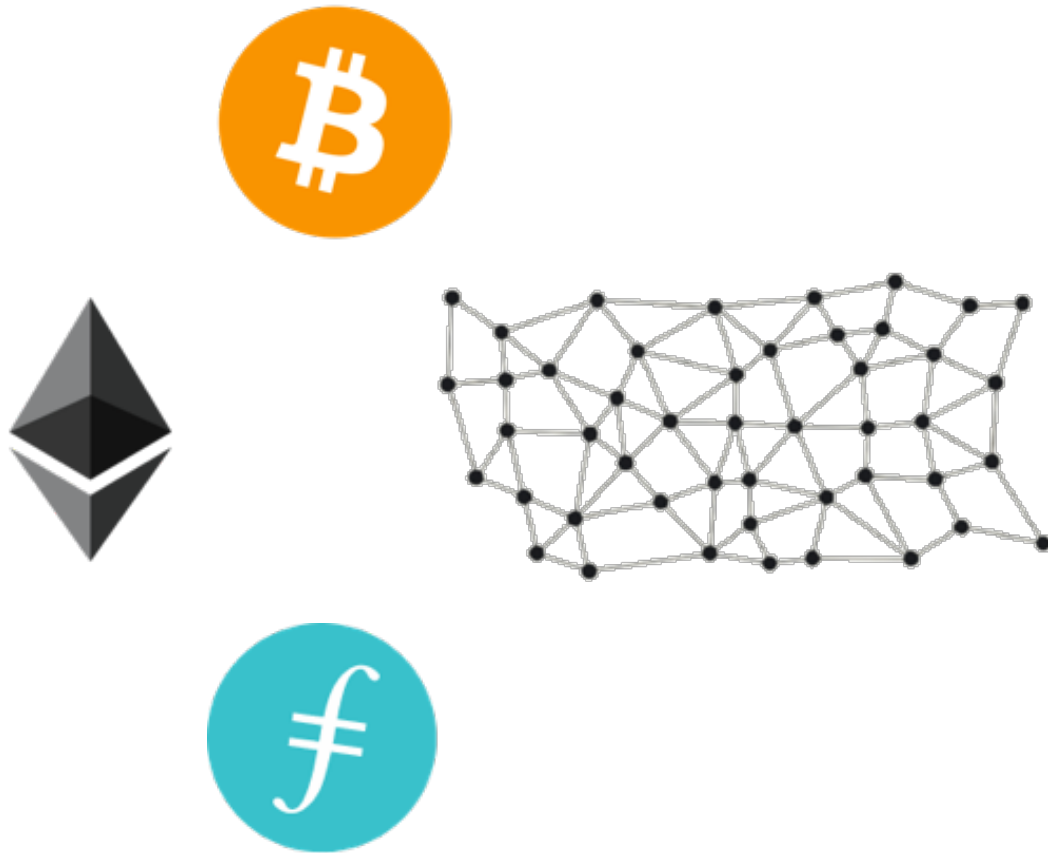
Investing in centralized network companies has proven as a successful VC investment hypothesis



- Network effects create a “winner takes all” logic
- Network owner becomes a **de-facto monopolist** with critical mass
- Possibility to impose high transaction costs
- Creation of massive enterprise value
- Participation in value creation through equity in the company

But a new technology paradigm is starting to challenge this logic:
Decentralization

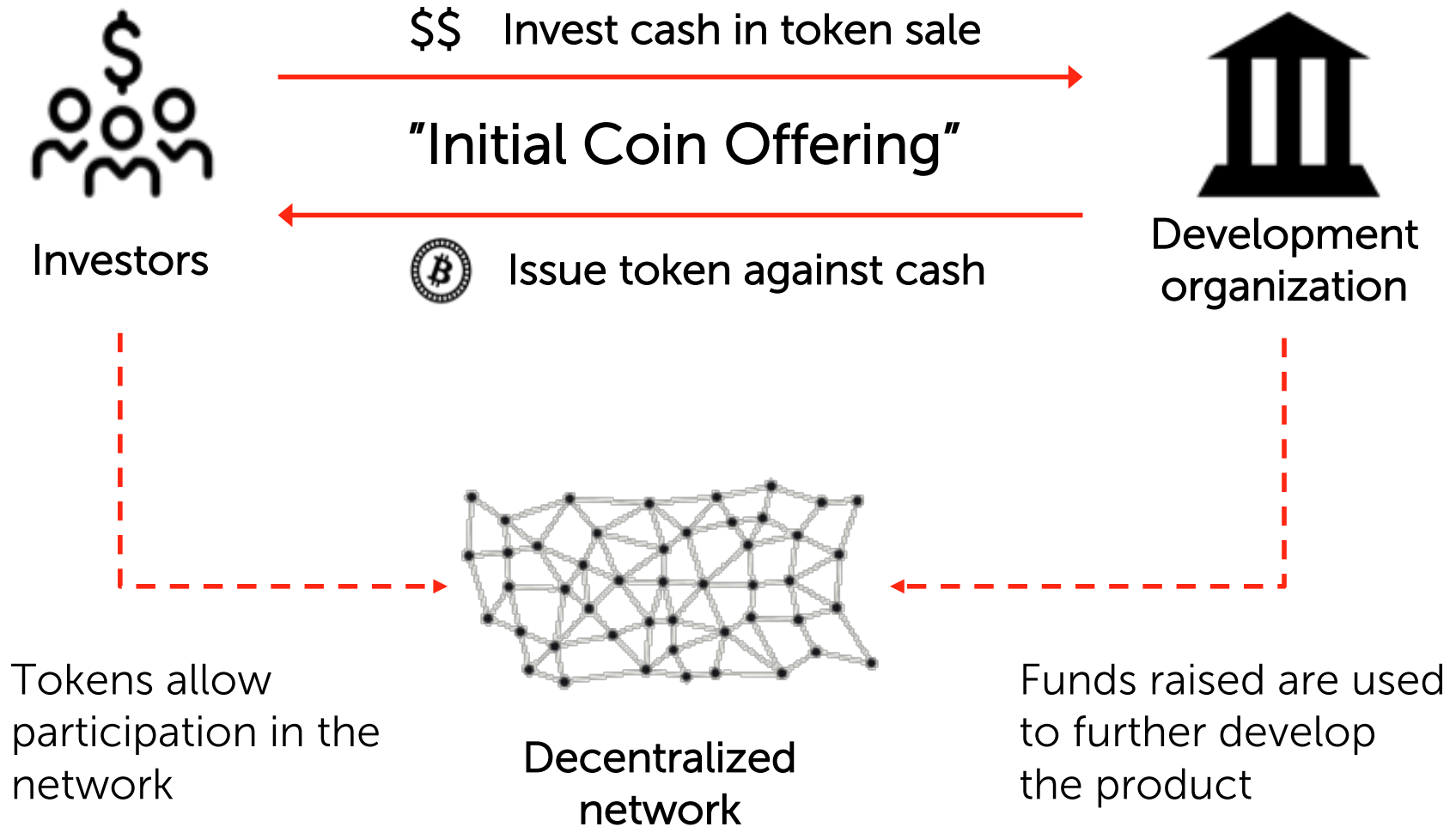
Blockchain technology is enabling the creation of decentralized networks



- Decentralized coordination of the network, **no central control**
- Significantly **reduced transaction costs**
- “**Tokens**” are needed to participate in the network
- **Value** lies in the **network**, not in a company
- **Token value** grows with **network utility**

But how to invest into these companies?

Decentralized networks are fueled by tokens – this enables new funding and business models



Decentralized networks are fueled by tokens – this enables new funding and business models



Investors

\$\$ Invest cash in token sale

“Initial Coin Offering”



Issue token against cash



Development organization

ICOs effectively address major pain points of the current Venture Capital process...



Process
inefficiencies



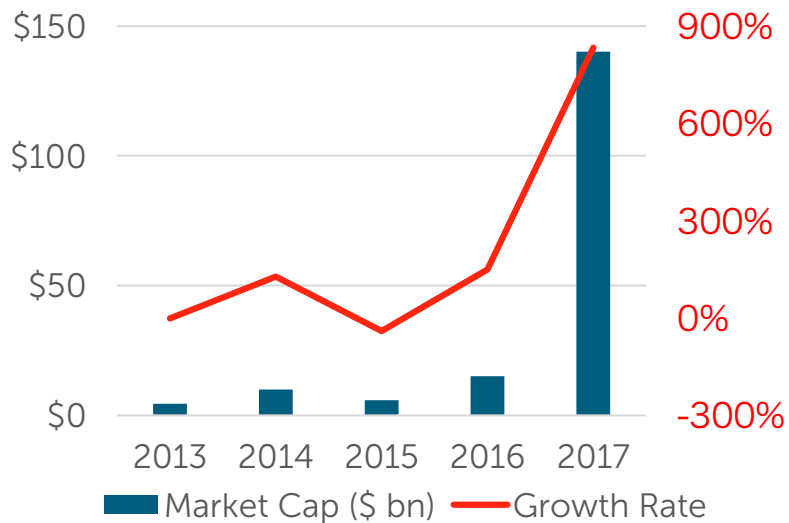
Liquidity of
assets



Transaction
costs

... which is why they have become immensely popular

Crypto Market Cap in \$bn



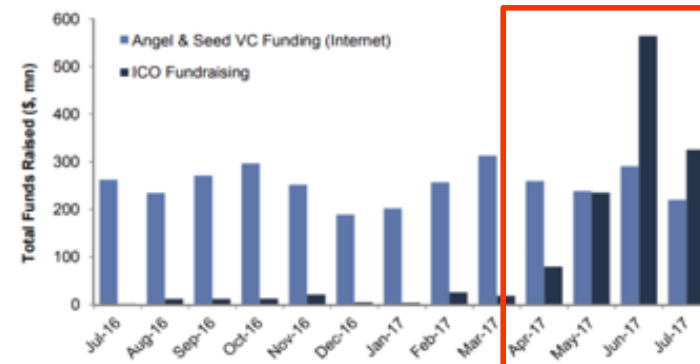
➤ \$8tn market cap expected until 2027. 80x.

Large Corporates forming syndicates



ICOs out-value VC funding

Exhibit 8: The pace of ICO fundraising has now surpassed Angel & Seed stage Internet VC funding globally
Total Funds Raised by month (\$, millions)



Note: ICO fundraising as of July 18th, 2017, per Coin Schedule. Angel & Seed VC funding data as of July 31st, 2017 and does not include "crowdfunding" rounds.

Source: CoinSchedule, CB Insights, Goldman Sachs Global Investment Research.

Top Tier VC is joining the party





So will crypto tokens make VCs disappear?

*„(...) You can basically
throw the venture
playbook out of the
window.“*

Naval Ravikant
Founder & CEO AngelList & Coinlist

No - institutional venture financing still has significant value propositions



Due
Diligence



Long-term
partnerships



Valuation
sensitivity

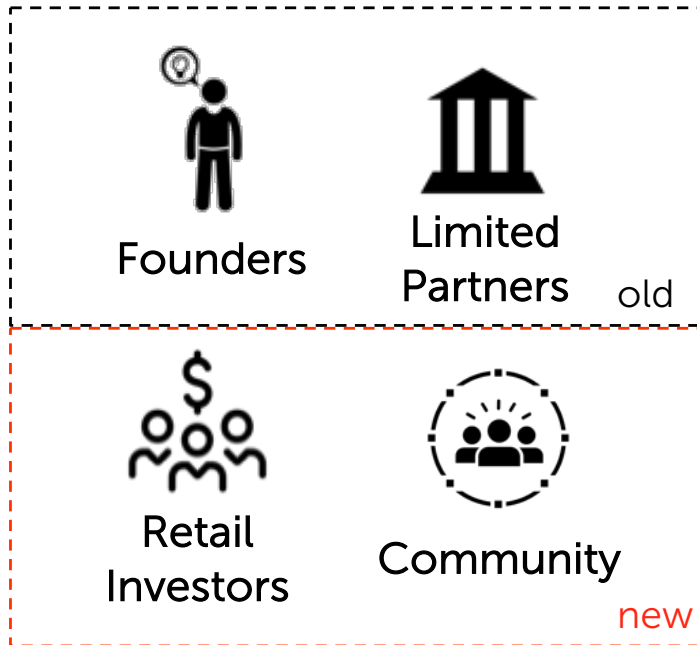


Network &
Knowledge

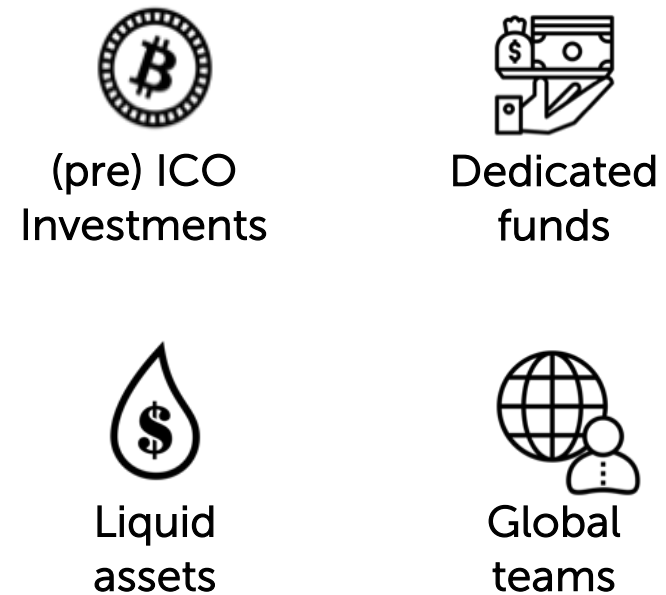
Different variations of mediated (VC) and disintermediated (ICOs) forms of venture funding will likely coexist

But VCs may need to rethink their value proposition in a decentralized world

What value can we provide to our stakeholders?



How do we need to adapt our investment business?





So, what is a good blockchain investment?

*“Can you define **blockchain** in such a way that I can’t do search and replace with the word **database** and still make that sentence work?”*

Andreas Antonopoulos
Serial Entrepreneur & Bitcoin Evangelist

We at Earlybird have been enthusiastic about crypto for several years

BIGCHAIN^{DB}

Seed,
2014



Series A,
2017



Developing
resources and
knowledge



Exploring token
investments



Engaged in
community

I want you to take away three things...

- VC is going to change – and it has already started
- We are currently in a bubble, but ICOs are here to stay
- You can start doing venture investments from \$1 today

Feel free to follow and reach out via Twitter: @KuraniRavi

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