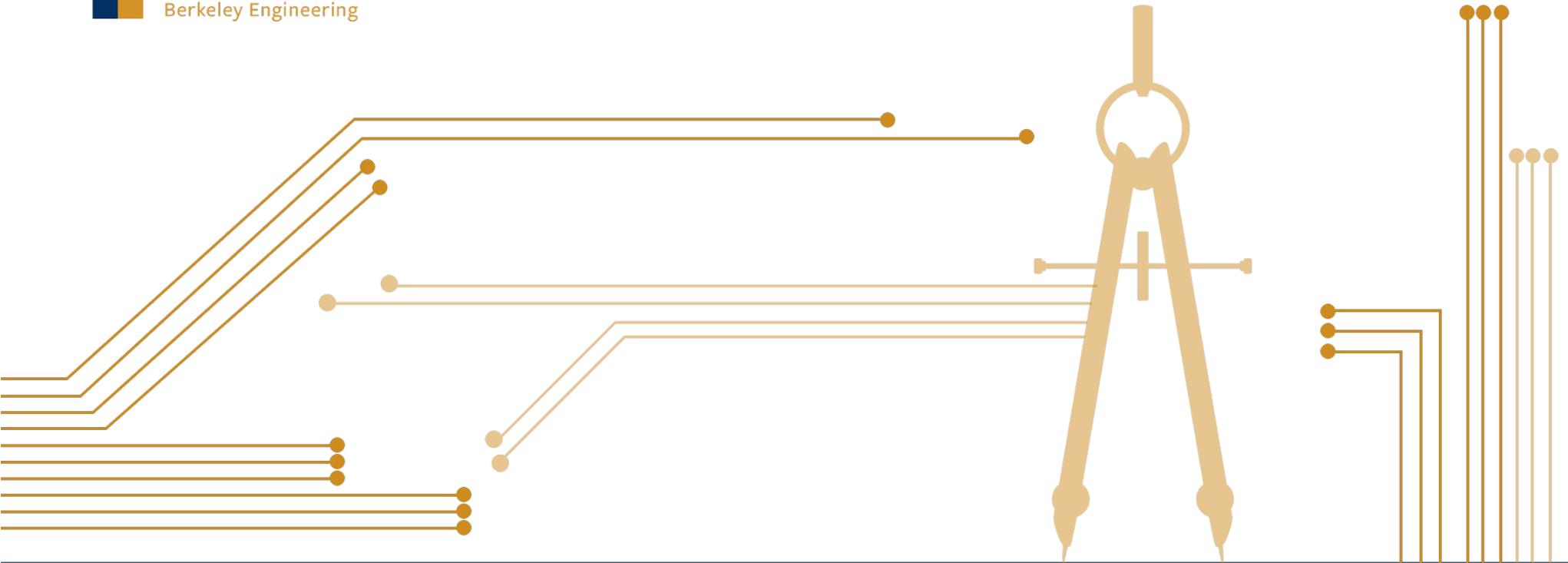




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ICO - An Industry Landscape Study

Oliver Venn, KC Shashidhar, Aji Kurian, Roy Luo, Schuyler Cullen

This work was created in an open classroom environment as part of a program within the Sutardja Center for Entrepreneurship & Technology and led by Prof. Ikhtlaq Sidhu at UC Berkeley. There should be no proprietary information contained in this paper. No information contained in this paper is intended to affect or influence public relations with any firm affiliated with any of the authors. The views represented are those of the authors alone and do not reflect those of the University of California Berkeley.

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Trending news ...

MAR 6, 2018 @ 09:45 AM 1,951

The Little Black Book of Billionaire

LeadCoin ICO Secures \$50 Million Funding In Less Than 30 Minutes



TECHNOLOGY

Virtual Currency Offerings May Hit a New Peak with Telegram Coin Sale

By NATHANIEL POPPER MARCH 4, 2018



Former Mozilla CEO raises \$35M in under 30 seconds for his browser startup Brave

Jon Russell Jun 1, 2017

INDUSTRY NEWS

New Wave of Firms Race to Capitalize on ICO Gold Rush

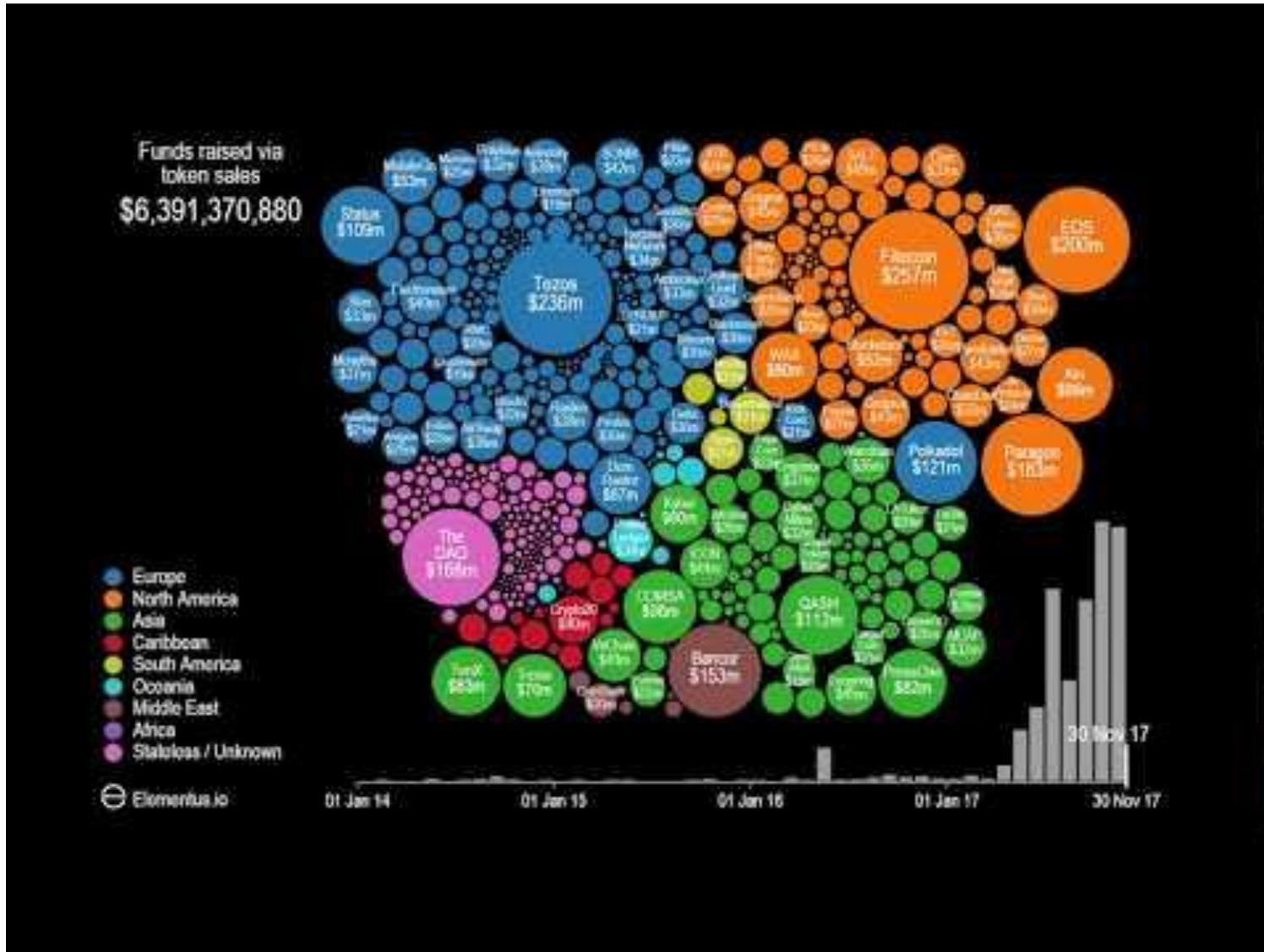
Despite a potential crackdown on U.S. offerings, many upstart crypto-trading platforms are barreling into uncharted territory

ICO / Initial Coin Offering

- An Initial Coin Offering, also commonly referred to as an ICO, is a fundraising mechanism in which new projects sell their underlying crypto tokens in exchange for bitcoin, ether etc.
- ICOs are a relatively new phenomenon but have quickly become a dominant topic of discussion within the blockchain community.

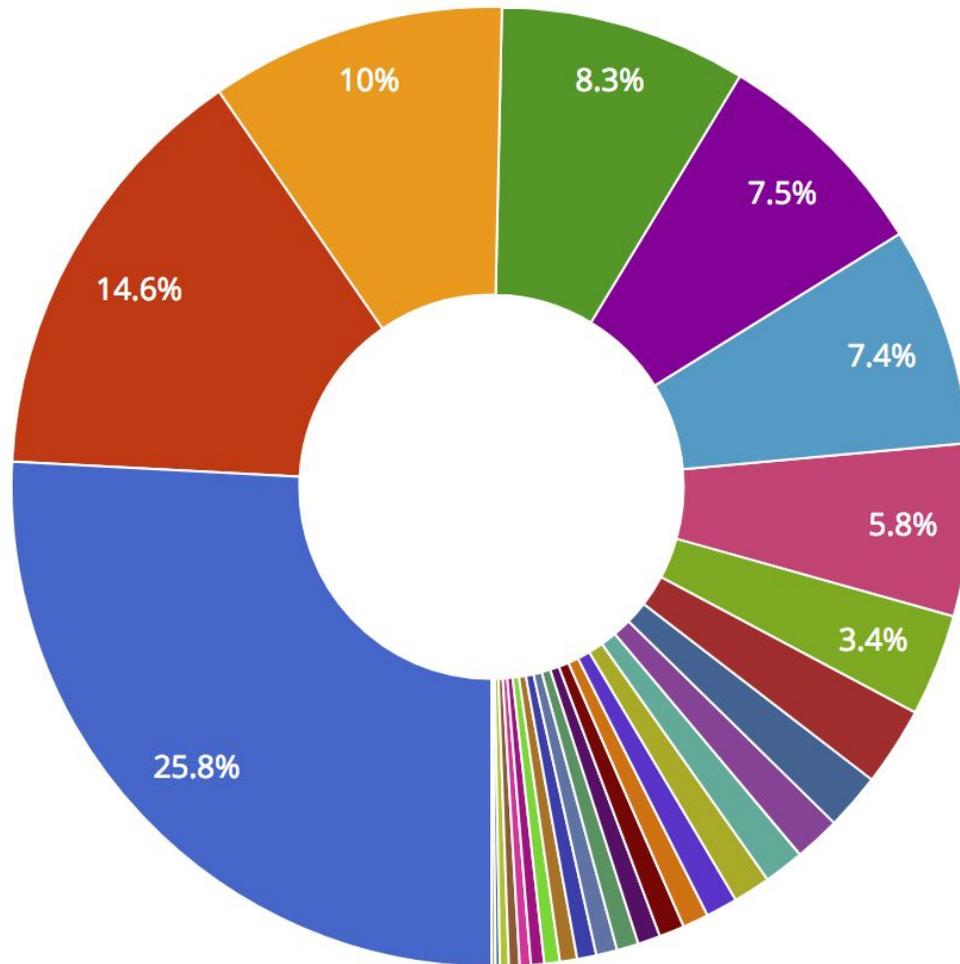


Explosion in value/variety/distribution of ICOs



<https://elementus.io/token-sales-history>

Industry agnostic - ICOs by category in 2017



- Infrastructure 25.8% (\$1,002,499,502)
- Finance 14.6% (\$564,621,336)
- Trading & Investing 10.0% (\$386,323,075.47)
- Communications 8.3% (\$322,565,362)
- Payments 7.5% (\$291,219,999)
- Data Storage 7.4% (\$286,222,856)
- Drugs & Healthcare 5.8% (\$225,326,054)
- Gaming & VR 3.4% (\$133,418,167)
- Gambling & Betting 2.7% (\$102,976,302.6)
- Commerce & Advertising 1.9% (\$73,776,158)
- Data Analytics 1.5% (\$60,000,000)
- Machine Learning & AI 1.4% (\$52,658,661)
- Social Network 1.3% (\$48,557,371)
- Privacy & Security 1.1% (\$41,491,443)
- Art & Music 0.9% (\$33,912,088)
- Identity & Reputation 0.9% (\$33,000,000)
- Legal 0.8% (\$29,368,234)
- Energy & Utilities 0.7% (\$28,434,178)

▲ 1/2 ▼

Source: CoinSchedule.com

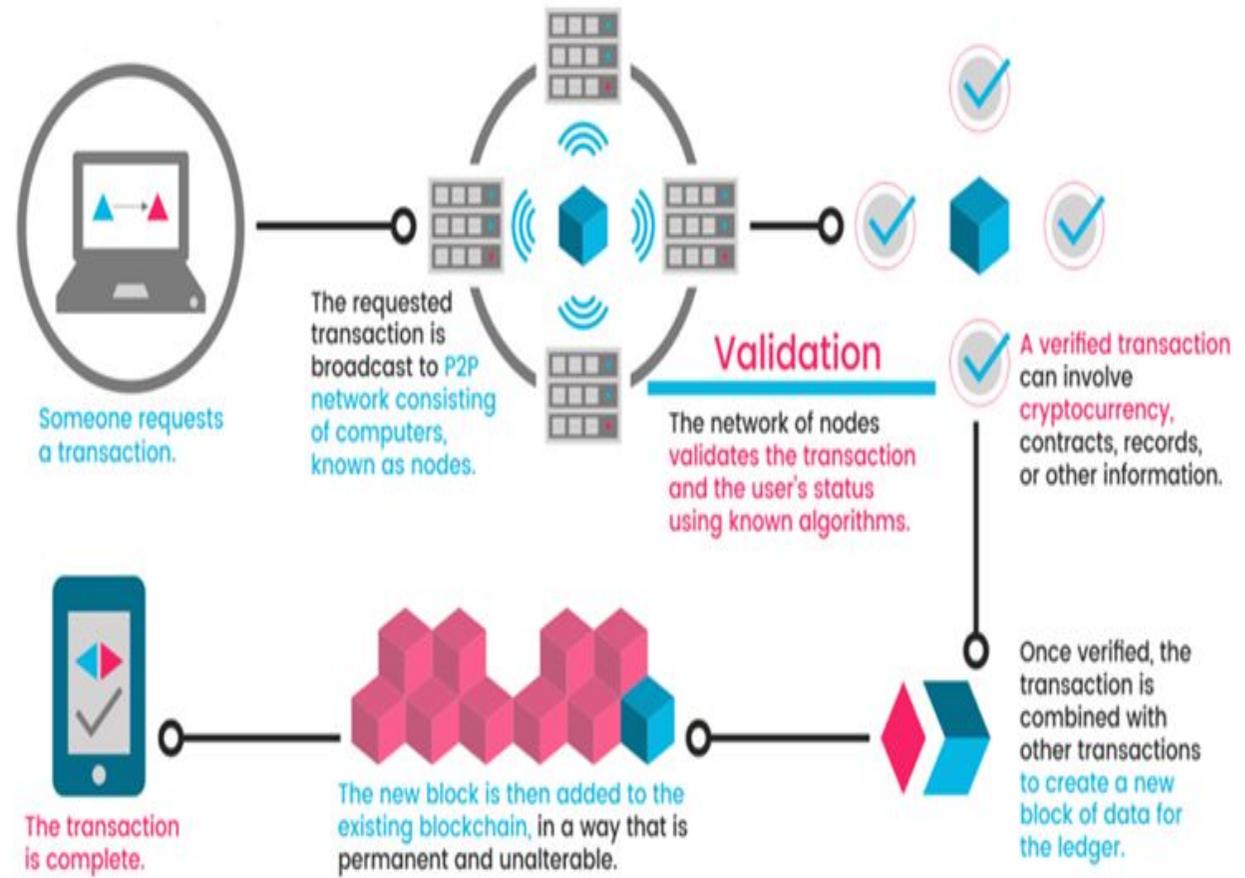
Hypothesis:

“ICO will dominate early stage fund raising”

A Quick Primer on the Technology Enabler

Intro to Blockchain/ Technology Platform

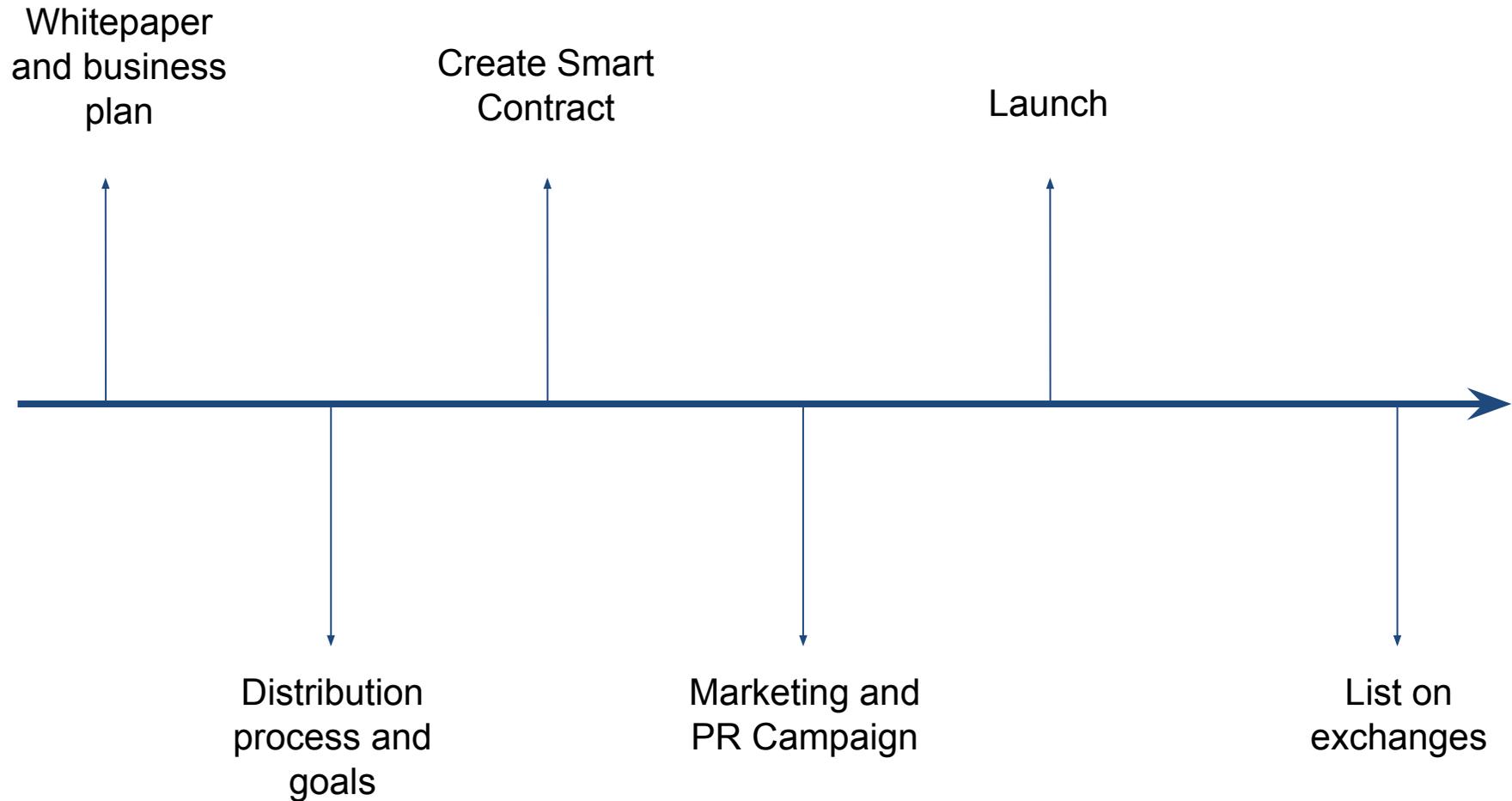
- ❖ ICO On top of blockchain
- ❖ Decentralized
- ❖ Consensus based
- ❖ Transparent



www.centricityglobal.com

Credit: Blockgeeks.com

ICO - The Issuer View



ICO - The Buyer View

- Getting easier for mainstream investors
- Still harder than regular securities
- Depending on token

➤ Fiat exchange



➤ Crypto to
Crypto
exchange



➤ Security
Brokerage



➤ Forex
Brokerage



Observations that Support the Hypothesis “ICO will dominate early stage fund raising”

Success-rate, Growth, Concentration

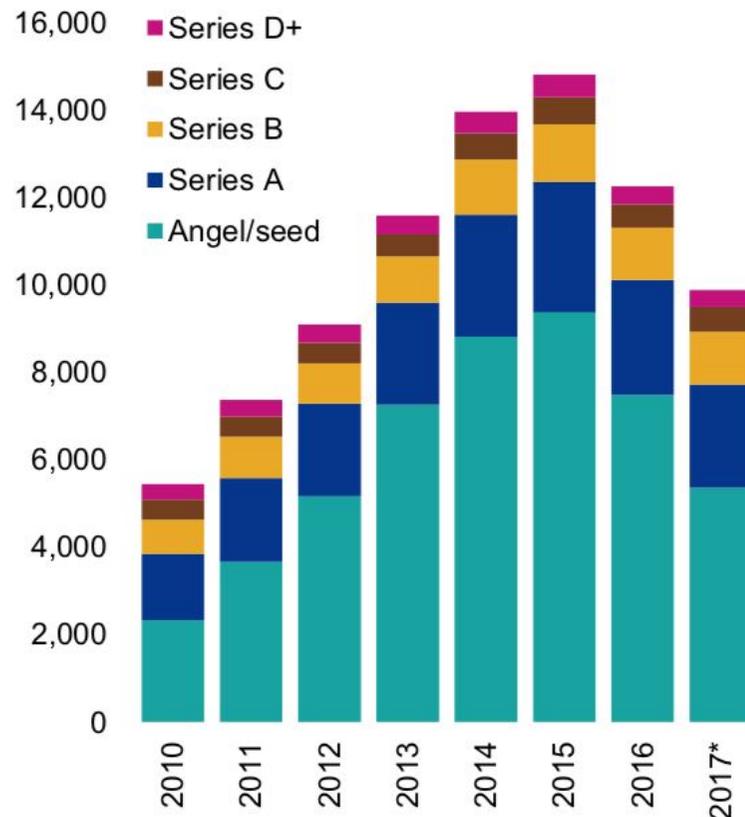
Success Rate in Early-stage Fund Raising

- Traditional:
 - < 1% get funded by Angel investors
 - 0.05% receive VC funding
- ICOs so far
 - 25% meet their funding goals
 - \$8 Million in median amount in 2017

The early-stage slump: Crash or correction?

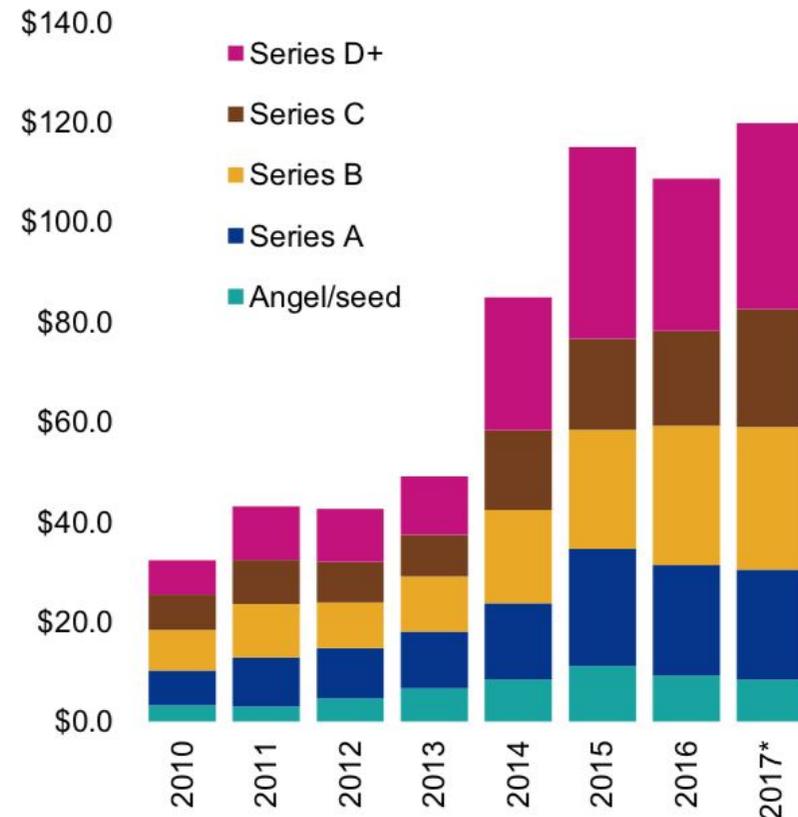
Global deal share by series

2010 — 2017*, number of closed deals



Global deal share by series

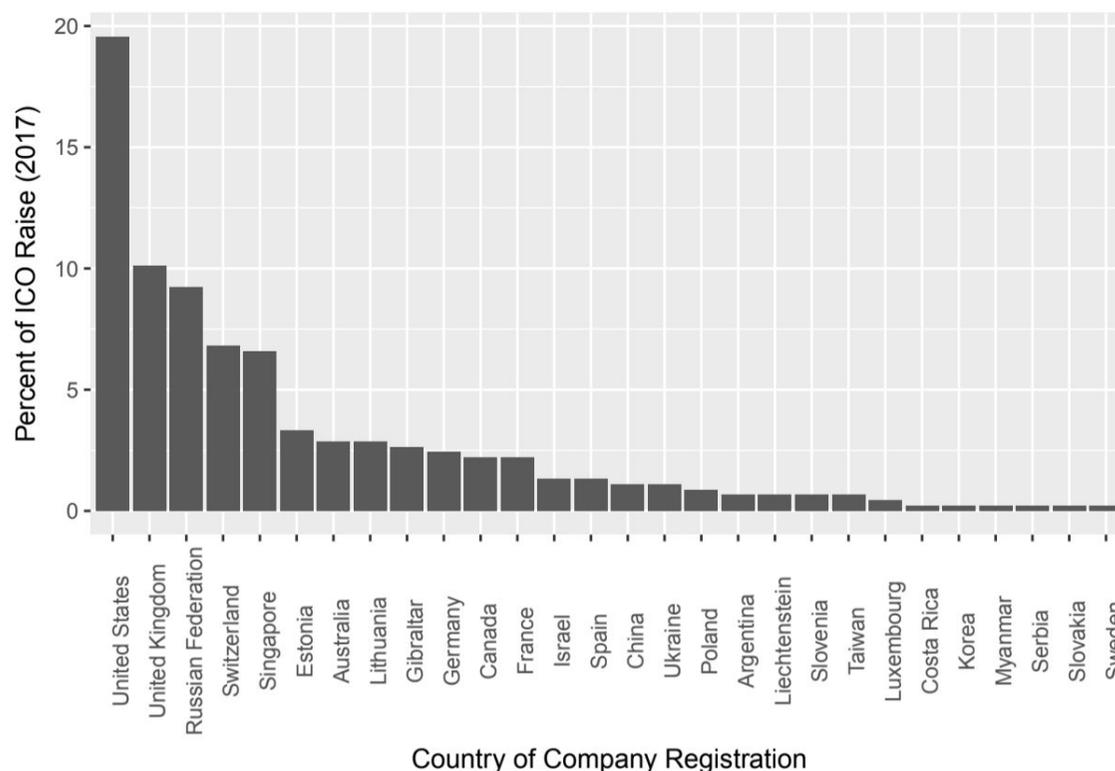
2010 — 2017*, VC invested (\$B)



Source: Venture Pulse, Q4'17, Global Analysis of Venture Funding, KPMG Enterprise. *As of 12/31/2017. Data provided by PitchBook, January 16, 2018.

US projects account for < 20% of ICO Raises for 2017 versus 57% of VC Raises

- VC fund raise has strong geographic bias
- ICOs have far more dispersion across geography



Risks, Challenges and Mitigations

Regulatory Risks and Mitigation

- **Security vs. Commodity vs. Utility Tokens**

Howey Test, SEC and CFTC policies on ICOs are imminent

- **Public and Private enforcement**

SEC investigation of TheDAO, Cease-and-Desist against Munchee; Class-action lawsuits against Tezos, ...

- **Different regimes in different regions**

Hostile (China), Strict (USA), Liberal (Switzerland)

- **Education, Awareness and Self-regulation**

SAFT, Token Alliance, Virtual Commodity Association, ...

Other Risks/Challenges and Mitigation

- **Lack of technology expertise**

Ex: A third of The DAO's funds stolen, 10% of the ICO funds from 2017 stolen

- ICO specific platforms that provide ease of implementation; Ex: Waves, NEM, EOS,...
- Blockchain technology is becoming mainstream in the curriculum

- **Scalability of technology**

Ex: Bitcoin - 10 tps, Ethereum - 25 tps

- Rapidly improving technology; Ex: Hedera HashGraph

- **Volatility of valuation for an early stage**

- Value stabilization for underlying cryptocurrencies

ICOs *are slated to* Dominate Early Stage Funding

- For companies:
 - Democratization of access to a growing capital
- For investors and consumers:
 - Democratization of access to investment opportunities and access to goods and services
- Initial years - risks abound, but lessons are being learnt and mitigation holds promise

