

Blockchain Trends In Review

2019

With Bitcoin and Ethereum prices plummeting and many projects shuttering, 2018 was a year of reckoning for blockchain. But in 2019, it's showing signs of a rebound. We take a data-driven look at major investment trends and where the space might go from here.

In 2008, at the height of the Great Recession, Bitcoin's anonymous creator Satoshi Nakamoto proposed a "peer-to-peer transfer of virtual cash that would allow online payments." One year later, the first Bitcoin block was mined.

Fast-forward to today: the blockchain space has gone through several hype cycles.

The run-up that culminated in December 2017 sent the price of Bitcoin to a peak of nearly \$20,000. Meanwhile, an unprecedented ICO boom meant blockchain startups had [tremendous access](#) to capital. Even [traditional VCs swooped](#) into token sales and added to the fervor.

Then 2018 proved to be a year of reckoning. The price of Bitcoin and Ethereum fell back to Earth in a matter of months. Many projects went sideways or shuttered.

But so far in 2019, the blockchain space has rebounded somewhat. Total market capitalization of cryptocurrencies has doubled since January 2019 (though it still only amounts to roughly one-third of where it was at the peak). Meanwhile, the Wall Street Journal declared "the ICO market is dead" due to the SEC's more aggressive stance against token offerings.

So where does the space go from here?

With a data-driven look at venture, corporate, and initial coin offering investment trends, this report explores how various forces have shaped the current blockchain landscape and offers some insights into the space's immediate future.



WHAT IS CB INSIGHTS?

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VENTURE & EQUITY INVESTMENT

- VC investment into the space has seriously declined in 2019. At current run rates, 2019 will only see \$1.6B invested across 454 deals, a significant decline from the \$4.1B invested in blockchain last year.
- Corporate participation is on an even sharper decline.
- A growing share of equity deals are going to early-stage startups, suggesting the space is far from mature.
- Digital Currency Group, Boost VC, and Blockchain Capital have led the space in investments over the past 5 years.

THE STATE OF ICOS & TOKENS

- Initial coin offerings are dead, and have been out-funded by VC for 4 straight quarters. While both types of funding are on the decline, VC has eclipsed ICOs.
- Yet, speculation and overall market confidence seems to have rebounded. Market capitalizations of tokens and cryptocurrencies suggest renewed interest in the space post-crash.

LOOKING AHEAD

- Market uncertainty is high, but new developments – such as FB Libra – have given the space a second wind. Mike Novogratz, founder of the crypto hedge fund Galaxy Digital, cited the new corporate interest in Project Libra as a major catalyst in the latest price spike. A prominent economist recently said crypto is “here to stay.” However, funding for startups from corporates is still on the decline.
- Even with funding down, recent corporate interest could be a good omen for blockchain startups. The specific knowledge of blockchain can rarely be found in-house and will be needed as the space institutionalizes.

Venture & equity investment trends

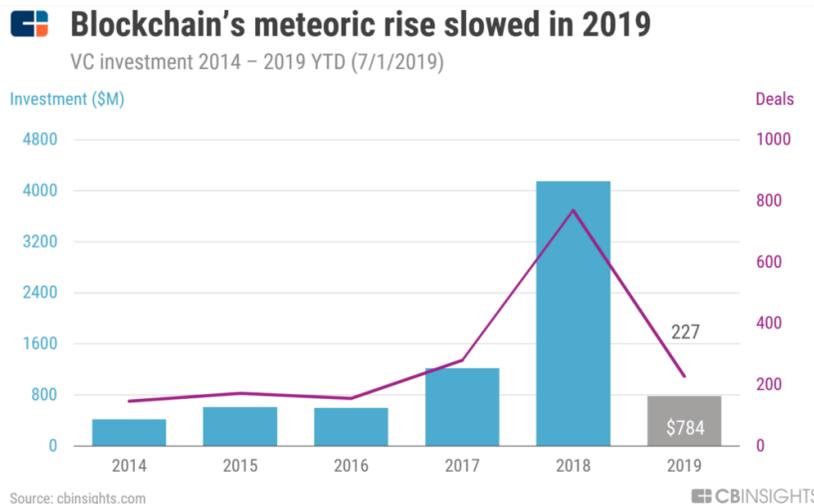
Venture investing has shifted over time. VCs first backed companies exploring bitcoin as currency, then focused on private blockchain providers catering to financial services and other verticals. Today they're investing in the token economy.

Ongoing challenges in the sector include cryptocurrency price volatility and regulatory setbacks – such as SEC litigation against [Kik](#), and New York's stringent BitLicense – as well as scaling issues that limit transaction speed (these particularly hamper Bitcoin and Ethereum).

VC FUNDING TRENDS

With Q2'19 at a close, we're only on track to see \$1.6B invested across 454 deals this year, which will be a serious decline from the \$4.1B invested in blockchain last year.

However, 2019's equity investment will likely surpass the totals seen in 2017, when there were fewer companies and arguably less bubble mania driving private deals.



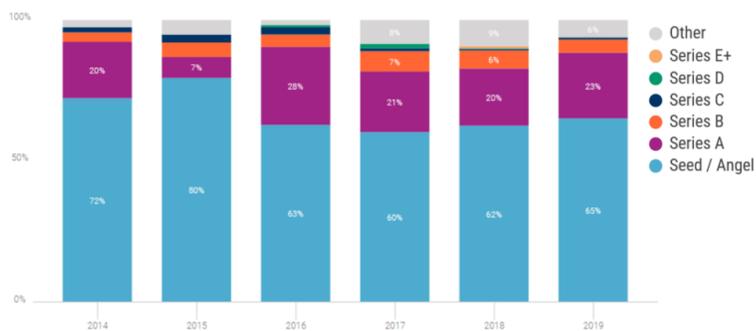
Note: Blockchain deals included here are traditional equity financing, and may omit purchased stakes in token sales.

Taking a closer look at deal share by stage, traditional equity investment to the sector is increasingly going to early-stage startups, with seed/angel and Series A equity deals jumping from 80% in 2017 to 88% in 2019 YTD.

Meanwhile the proportion of mid-stage deals (Series B and C) has held relatively consistent, while later-stage deals (Series D and later) are nearly absent.

Early-stage deals are still growing in blockchain

Blockchain deal share by stage, 2014 – 2019 YTD (7/1/2019)



Source: cbinsights.com

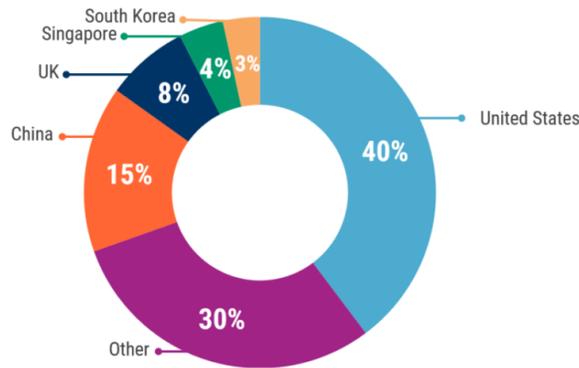
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This growing share of early-stage deals suggests that blockchain is still a very nascent category. When emerging tech areas mature, Series A and B will often swell as a share of the total deals. But so far, there's no indication of that happening yet.

Finally, in terms of geography, the United States is home to 40% of equity financings. Behind it are China (15%), the UK (8%), Singapore (4%), and South Korea (3%). Asia has proven to be a hotbed for startups, and [China](#) is home to several of the most well-funded blockchain companies worldwide (more on that below).

Blockchain deals by geography

2014 – 2019 YTD (7/1/2019)



Source: cbinsights.com

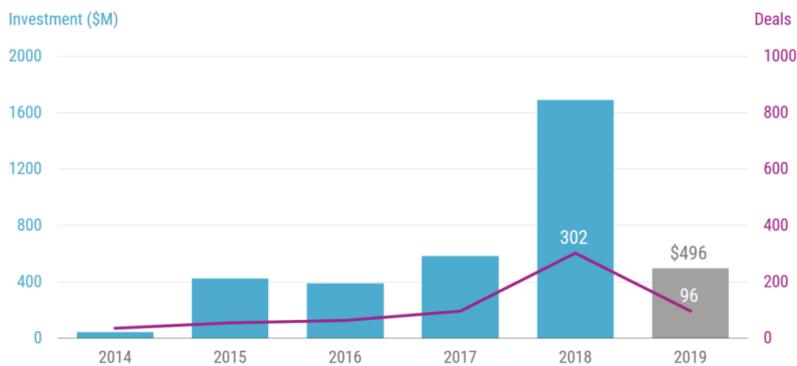
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CORPORATE FUNDING

Corporate participation in blockchain has declined to an even greater degree than overall equity trends. So far there have been only 96 corporate deals in 2019. At current run rates, corporate deals will be down 36% from the 302 deals seen in 2018.

Corporate participation is falling significantly in 2019

Corporate participation in blockchain deals 2014 – 2019 YTD (7/1/2019)



Source: cbinsights.com

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VC INVESTOR TRENDS

Reflecting the funding skew, many of the names topping the most active investors list are blockchain-friendly early-stage investors. Topping the most active list are crypto-only investing firms such as [Digital Currency Group](#), Pantera, and Polychain, frontier tech accelerators (Boost VC at #2), and VC firms with specialized blockchain practices (a16z).

In the top spot is Digital Currency Group, which was early to investing in the blockchain space. The firm has backed 4 companies in 2019 so far, including a \$65M Series B to [Figure Technologies](#). Its other 2019 deals include rounds to [Livepeer](#), DeFi provider [Staked](#), and crypto futures exchange [CoinFLEX](#).

[Boost VC](#), the frontier tech accelerator led by Adam Draper, has invested in nearly 50 blockchain companies over the past 5 years. Recent bets include the decentralized DNS service [Unstoppable Domains](#), prediction marketplace [Guesser](#), and crypto on-ramp [Amun](#).

Blockchain Capital, also one of the oldest blockchain VCs, comes in at third most active.

A host of [China-based blockchain investors](#) have moved aggressively into the space. Febushi Capital, for instance, has invested in more blockchain companies in the last 5 years than industry stalwarts such as Pantera and Polychain.

MOST ACTIVE INVESTORS IN BLOCKCHAIN 2014 - 2019 YTD (7/1/2019)	
RANK	INVESTOR
1	Digital Currency Group
2	Boost VC
3	Blockchain Capital
4	Pantera Capital
4	Fenbushi Capital
6	Techstars
7	Y Combinator
8	Polychain Capital
8	Andreessen Horowitz
8	Bitmain Technologies

Note: Blockchain deals included here are traditional VC and may omit purchased stakes in token sales.

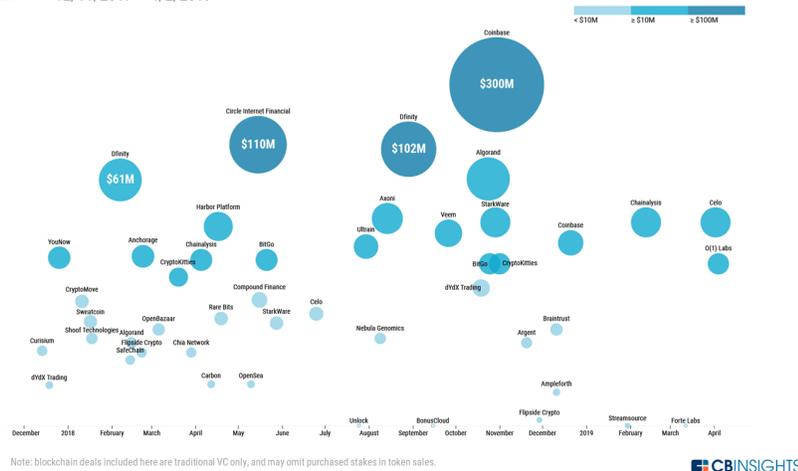
One interesting name here is the mining giant [Bitmain](#), which is the second most well-funded blockchain company behind Coinbase (and the largest within China) with \$450M of capital raised. Bitmain had been eyeing a 2019 IPO on the Hong Kong Stock Exchange, but reports of difficulties and losses from decreased demand resulted in its IPO application expiring.

Previously, we looked at where [smart money VCs invested in blockchain](#), and found that many top investors were still placing bets throughout the “crypto winter” of 2018.



Smart money blockchain investments since Bitcoin's peak

12/11/2017 - 4/2/2019



WELL-FUNDED COMPANIES

Looking at the most well-funded companies in the space, many are exchanges or provide infrastructure tech.

The company with the most funding is [Coinbase](#), which last raised a \$300M Series E in October 2018. Bitmain, the China-based mining firm, follows with \$450M raised. In third place is [tZero](#), the crypto arm of Overstock.com that specializes in DLTs for fintech purposes. tZero has raised \$324M in private equity from GSR Capital.

Also notably appearing is [Bakkt](#), the crypto exchange backed by ICE (parent of the New York Stock Exchange). The company is awaiting CFTC licenses to trade bitcoin futures, and was recently beat to approval by [LedgerX](#).

Most well-funded VC-backed blockchain companies

Equity funding (excluding ICOs and consortia), as of 7/1/2019

Company	Disclosed Funding (\$M)	Country	Select Investors
 coinbase	\$539M	USA	Andreessen Horowitz, DFJ Growth Fund, Union Square Ventures, Greylock Partners, Battery Ventures
 BITMAIN	\$450M	China	IDG Capital, Sequoia Capital China
 tZERO	\$324M	USA	GSR Capital
 趣链科技 Hyperchain	\$249M	China	Ideal International, Xinhui Zhongbao, Microsoft ScaleUp
 CIRCLE	\$246M	USA	Accel Partners, Baidu, Goldman Sachs, General Catalyst, IDG Capital Partners, Pantera Capital
 Bakkt	\$182M	USA	Intercontinental Exchange (ICE), Galaxy Digital, Pantera Capital, Horizons Ventures
 BITFURY	\$170M	Netherlands	Binary Capital, QueensBridge Venture Partners, China Credit Limited Holdings, Blockchain Capital, Galaxy Digital
 DFINITY	\$163M	USA	a16z, SV Angel, Polychain Capital, Multicooin Capital

Source: cbinsights.com

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A number of the most well-funded companies raised mega-rounds in 2018, including [Circle](#)'s \$110M Series E (General Catalyst) and [Dfinity](#)'s \$102M mega-round (Andreessen Horowitz).

The state of ICOs and tokens

Since the launch of bitcoin, the blockchain space has operated outside the traditional channels of finance. Bitcoin remains bootstrapped and completely peer-to-peer. Likewise, the ICO boom raised billions for blockchain projects through token sales, circumventing VCs and crowdfunding sites altogether (further reading on that [here](#)).

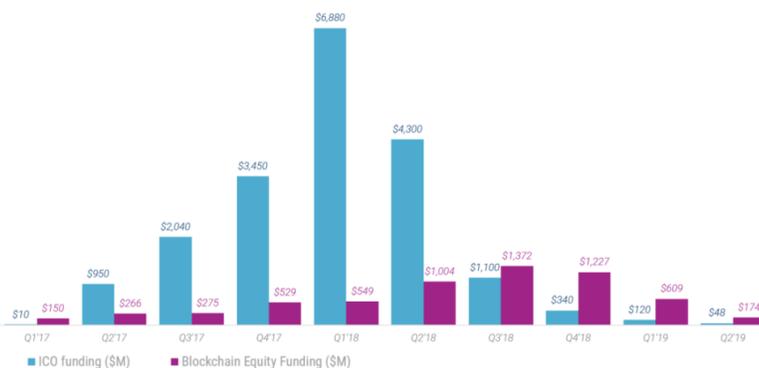
Interestingly, the tide has now turned: VC now accounts for much more than ICO funding, marking an end of the ICO era.

ICOS AND DIRECT CRYPTO INVESTMENT

Traditional equity financing has outstripped ICOs in every quarter since Q3'18. With ICOs all but dead, equity financings have accounted for far more funding than ICOs in 2019. Broadly, however, it's worth noting that both ICOs and VC funding are on a serious decline, with Q2'19 representing the lowest totals since early 2017.

VC into blockchain surpassed ICOs in 2018

Blockchain funding sources (\$M), Q1'17 - Q2'19



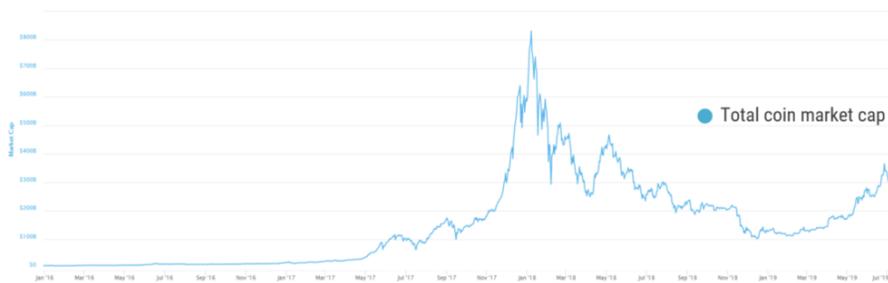
Source: CB Insights, Tokendata.io, ICOdata.io

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However, given the recent spike in coin market capitalization, it seems unlikely that the space is dead. Traditional venture capital is now seen as a special signal of quality, especially coming from smart money investors.

And in the world of tokens and cryptocurrencies, confidence is rebuilding and more money is entering the asset class.

Total coin market cap is down, but rebounding Market capitalization of all blockchain tokens in \$B, 2016 – 2019 YTD (7/1/2019)



Source: coinmarketcap.com

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Looking ahead

In 2019, blockchain has its share of uncertainty, but there's also an undercurrent of cautious optimism.

Yes, the ICO era is near dead. VC is retreating from exuberant highs. Tokens and cryptocurrencies are at a fraction of their peak market caps.

But keystone currencies like Bitcoin and Ethereum have seen speculation and volume surge in recent months. The space has also seen a resurgence in corporate interest, with recent moves from blue-chip names like Facebook, JP Morgan, and Visa.

NEWFOUND OPTIMISM

Much of the recent enthusiasm is likely due to [Facebook's big splash](#) with the Libra stablecoin. The project aims to be something closer to Venmo than a new Bitcoin, and aims to provide unbanked customers around the world with access to a stable currency.

Facebook signed on an impressive roster to Project Libra, with partners from the worlds of payments, ride-hailing, e-commerce, VCs, and blockchain startups.

In payments, the company snagged both Visa and Mastercard, among other major names. Blockchain [smart money VCs](#), such as USV and Andreessen Horowitz, are backers. Major telecoms Iliad and Vodaphone are also involved, both of which are Europe-based.

Bitcoin-only exchange [Xapo](#) signed onto the project with a rare endorsement, alongside well-funded crypto startups [Coinbase](#), [Anchorage](#), and [Bison Trails](#).

High-profile tech companies like Stripe, PayPal, Lyft, Uber, and Spotify also joined.

Fact Sheet: Facebook's Libra cryptocurrency



- Libra will be a 'stablecoin' with value linked to a basket of currencies (e.g. USD, GBP, EUR, JPY), and will likely **launch in the first half of 2020**
- Libra's coin will be fully-backed, via a collection of bank deposits and 'reputable' government securities
- Libra is open-source, and powered by Libra's own **public permissioned blockchain** (transitioning to a public "permissionless" blockchain over time)
- Libra is governed by the non-profit Swiss **Libra Association**, consisting of 28 founding members (each making an initial investment of \$10M and incurring estimated annual costs of \$280K)
- Transactions will be mostly anonymous, and the Libra Association **will not hold personal data** on Libra users

CBINSIGHTS Source: Project Libra Reserve

Libra Association: Founding Members (28)	
Payments	
Technology	
Venture capital	
Telecom	
Crypto	
Non-profit	

The project already seems to be encountering some legal snags and regulatory scrutiny (including negative tweets from the President), but the corporate interest is a huge vote of confidence for the blockchain space.

Mike Novogratz, founder of the crypto hedge fund Galaxy Digital, said Facebook's plans were part of the recent bitcoin uptick: "[Investors] got excited because of Facebook. They got excited because of Uber and Mastercard and Visa saying 'we want to participate in the cryptocurrency world.'" He added that the whole project "completely legitimizes the idea of cryptocurrencies."

Additionally, Tyler Cowen of Bloomberg recently broke from many high-profile economists and wrote that, "cryptocurrency is (probably) here to stay." Cowen suggested that cryptocurrencies offer a Flight-to-safety asset amidst political instability, trade war turmoil, and future wealth taxes.

For all these reasons and more, the blockchain space seems to have gotten a second wind.

This is likely good news for startups as well. Because the space is highly technical, startups are well-positioned to help large corporations and institutions enter the field. The concept of blockchain is only 10 years old, likely tilting the scale towards M&A when corporates are deciding to “build versus buy.”

Whether that newfound optimism will translate to a noticeable rebound in VC will be worth watching in 2019.



WHERE IS ALL THIS DATA FROM?

The CB Insights platform has the underlying data included in this report

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