



EMERGING TECH RESEARCH

Crypto Report

VC trends and emerging opportunities



Q3
2022

Launch
REPORT

REPORT PREVIEW

The full report is available through the PitchBook Platform.



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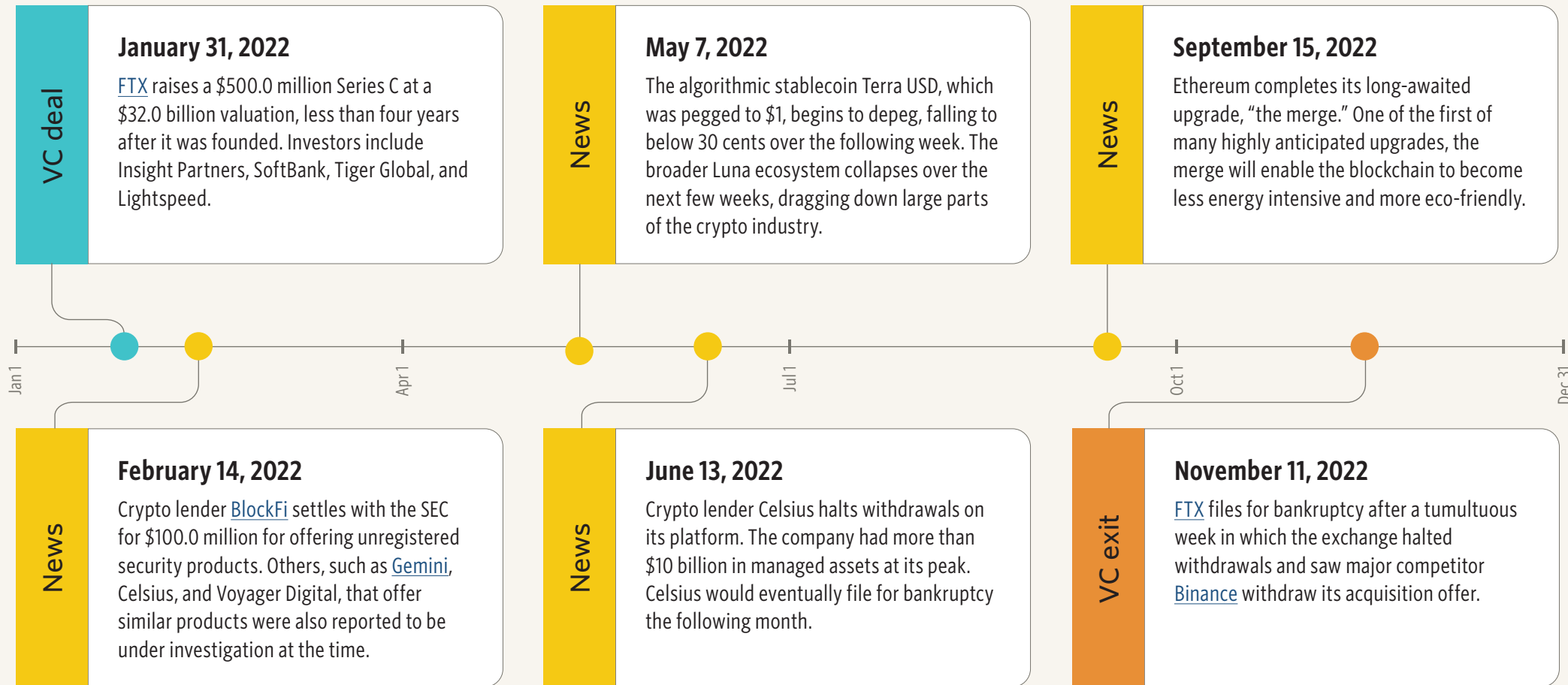
Publishing

Report designed by **Joey Schaffer & Chloe Ladwig**

Published on December 8, 2022



2022 timeline



Q3 2022 VC deal count summary

141
total deals

-36.5%
QoQ growth

-17.5%
YoY growth

Q3 2022 VC deal value summary

\$4.0B
total deal value

-38.3%
QoQ growth

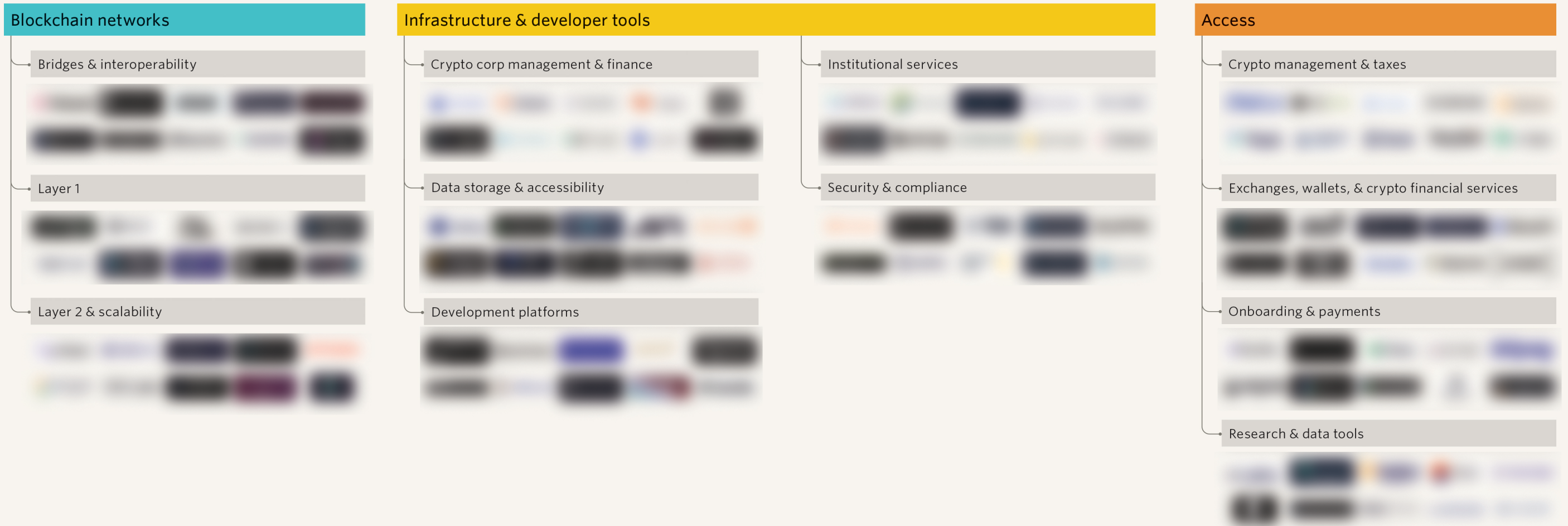
-34.3%
YoY growth



Crypto VC ecosystem market map

Click to view the interactive market map on the PitchBook Platform.

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments. This does not include companies that have only raised capital through token offerings.





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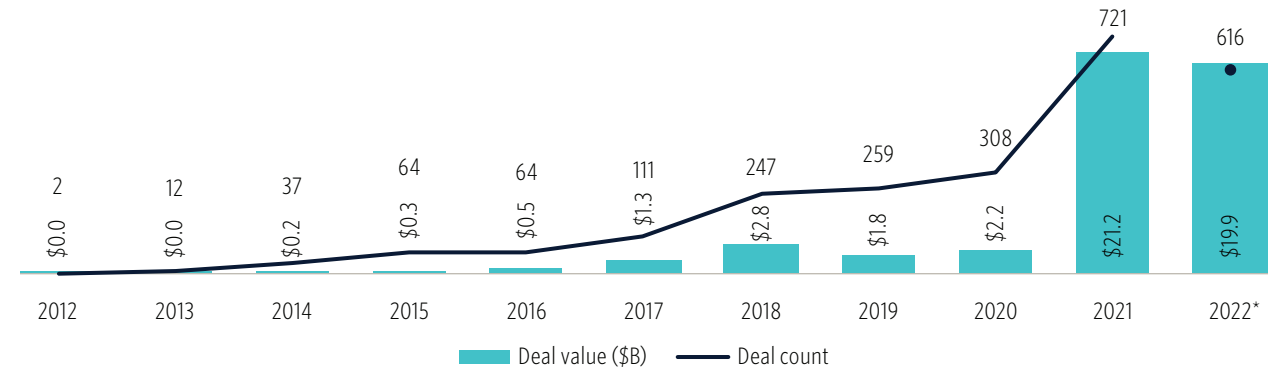


VC activity

2021 was a breakout year for VC invested into crypto startups globally, with \$21.2 billion in invested capital. The amount deployed in 2022 is poised to surpass 2021's total, with \$19.9 billion across 616 deals through the first nine months. This is 41% higher than the amount raised through the first nine months of 2021. However, while the amount of capital invested trended upwards each quarter in 2021, in 2022, it has been the exact opposite. Only \$4.0 billion was invested in Q3 2022, representing a 38.3% QoQ decline and the lowest amount since Q2 2021. The 141 deals during the quarter also represented the lowest deal count since Q4 2020. In recent years, VC investments have correlated with the market cap of publicly traded crypto, so we can reasonably expect investments to tick back up once crypto prices begin to do so.

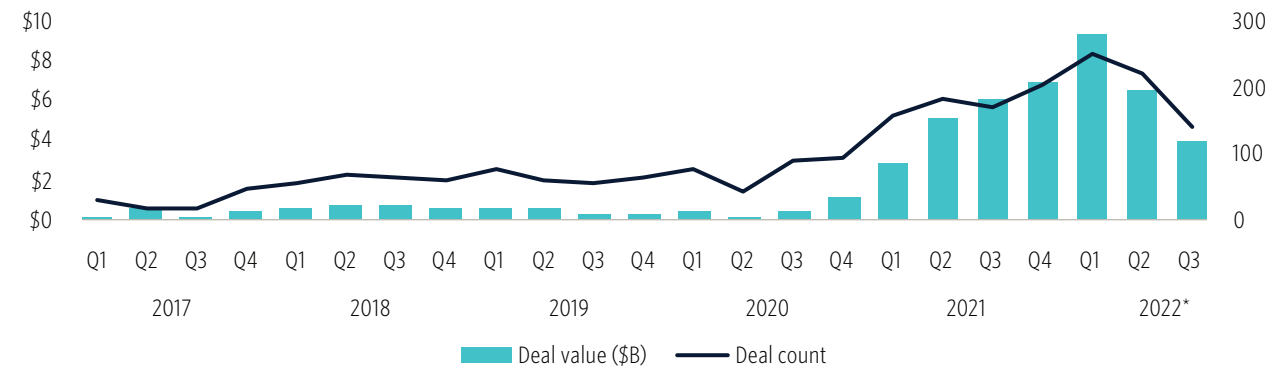
Median check sizes for seed- and early-stage crypto companies in 2022 so far are up to \$5.0 million and \$20.0 million, respectively, from \$3.0 and \$11.7 million for all of 2021. Late-stage check sizes in 2022 have remained flat at \$30.0, the same as 2021. Valuations mirrored closely to median check sizes, with seed-stage pre-money valuations up 72.8% (compared to full year 2021) to \$20.7 million, early-stage up 42.9% to \$97.0 million, and late-stage up 19.0% to \$280.0 million.

Crypto VC deal activity



Source: PitchBook | Geography: Global | *As of September 30, 2022

Crypto VC deal activity by quarter



Source: PitchBook | Geography: Global | *As of September 30, 2022



Blockchain networks

Overview

Blockchain networks represent distributed ledgers that enable transactions, smart contract execution, and decentralized applications. These fundamental architectures run computations and store data, which is distributed to peer nodes on the network. Each node holds an immutable copy of the historical record of transactions and helps secure and validate the blockchain network. Bitcoin, launched in 2009, is the first public blockchain network to gain wide-scale adoption. Ethereum, launched in 2015, pioneered the use of smart contracts,⁴ which allowed applications to be built on a blockchain. Due to its first-mover advantage, a large portion of application development occurs on the Ethereum blockchain, which has more than 4,000 monthly active developers⁵ and almost 3,000 applications.⁶

As with internet protocols in the past, blockchains networks have proliferated, each with varying technical specifications, programming languages, node requirements, use cases, and approaches to growing their application development ecosystem. There are currently more than 200 base layer chains (Layer one or L1) and scaling blockchains (some are referred to as Layer 2 or L2) on the market. It has become increasingly difficult to identify the likely winners among these blockchains, as the primary messaging from these chains, including [Solana](#), [Avalanche](#), [Near](#), [Optimism](#), and [StarkWare](#), is remarkably similar: They are highly secure, scalable, low-cost, and environmentally friendly. While the narrative of becoming the “Ethereum killer” has mostly faded over the past year, jostling to become the second most dominant blockchain will likely continue for some time. VC investors remain excited about L1s and L2s, which have seen 12 mega-deals of \$100 million or

4: Smart contracts are lines of code on the blockchain that automatically execute based on pre-defined terms.

5: “Electric Capital Developer Report (2021),” Electric Capital, Maria Sheen, January 5, 2022.

6: “Ethereum,” State of the DApps, Accessed November 18, 2022.

more through the first three quarters of 2022. The blockchain networks segment consists of the following categories:

Layer 1 (L1): The primary blockchain or base layer where transactions are validated, finalized, and stored. Also referred to as the main network (mainnet), L1s consists of a network of nodes that help validate, process, broadcast, and store transactional data. L1s also define their core rules such as consensus mechanisms (how nodes come to agreement on the state of the network), node requirements, and network architecture. Generally, the bifurcation among public blockchains is whether it is EVM (Ethereum virtual machine)-compatible or not. Since Ethereum is the dominant blockchain, many other blockchains are built around compatibility with Ethereum for assets such as ERC (Ethereum request for comment) tokens to freely flow between EVM blockchains. This segment also includes closed-source, permissioned, enterprise blockchains.

Layer 2 (L2) and scalability solutions: Protocols that help scale L1s through the reduction of congestion by offloading computation to a separate blockchain and posting transactions in batches on the mainnet at regular intervals. All L2s inherit security properties of the associated L1 but vary in consensus mechanisms and how transactional data is stored. Some scaling solutions such as sidechains are similar to L2s but are wholly independent blockchains and have their own security properties.

Bridges and interoperability: Applications that facilitate the transfer of assets, exchange of information, and communication between independent blockchains. Mechanisms to move assets include lock and mint (assets lock on the origin blockchain and mint on the destination blockchain), burn and redeem, and native swaps. This segment also includes interchain messaging protocols that enable users to send messages and notifications between independent chains.



BLOCKCHAIN NETWORKS

Key blockchain networks VC deals in 2022*

Company	Close date (2022)	Subsegment	Stage	Deal size (\$M)	Lead investor(s)	Valuation step-up
Polygon	February 7	Layer 2 and scalability	N/A	\$450.0	Galaxy Digital Holdings, Sequoia Capital India, SoftBank Group	N/A
NEAR Protocol	April 6	Layer 1	N/A	\$350.0	FTX Ventures, Tiger Global Management	N/A
Mysten Labs	August 31	Layer 1	Series B	\$300.0	FTX Ventures	N/A
Aptos Labs	July 25	Layer 1	Series A	\$200.0	FTX Ventures, Jump Crypto	2.2x
Aptos Labs	March 1	Layer 1	Series A	\$200.0	Andreessen Horowitz, FTX Ventures, Jump Crypto	N/A
Aleo	February 24	Layer 1	Series B	\$200.0	Kora Management, SoftBank Investment Advisers	14.3x
Blockstream	August 16	Layer 2 and scalability	Series B	\$163.1	Baillie Gifford	N/A
Optimism	March 17	Layer 2 and scalability	Series B	\$150.0	Andreessen Horowitz, Pantera Capital, Paradigm (Crypto Fund)	N/A
LayerZero	March 30	Bridges and interoperability	Series A	\$135.0	Andreessen Horowitz, FTX Ventures, Sequoia Capital	N/A
Telos	May 10	Layer 1	Series B	\$105.0	N/A	N/A

Source: PitchBook | Geography: Global | *As of September 30, 2022



Appendix

Top VC-backed crypto companies by total VC raised to date*

Company	VC raised to date	Segment	HQ location
Fireblocks	\$1,227.9	Access	New York, US
Circle	\$1,114.0	Infrastructure & developer tools	Boston, US
Blockchain.com	\$978.4	Access	London, UK
Forte	\$952.0	Infrastructure & developer tools	San Francisco, US
Improbable	\$863.2	Web3	London, UK
Sorare	\$738.0	Web3	Saint Mandé, France
ConsenSys	\$733.0	Infrastructure & developer tools	New York, US
Dapper Labs	\$627.3	Web3	Vancouver, Canada
MoonPay	\$555.0	Access	Miami, US
Bitpanda	\$545.5	Access	Vienna, Austria

Source: PitchBook | Geography: Global | *As of September 30, 2022

About PitchBook Emerging Tech Research

Independent, objective and timely market intel

As the private markets continue to grow in complexity and competition, it's essential for investors to understand the industries, sectors and companies driving the asset class.

Our Emerging Tech Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

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Coming soon
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Pharma Services