



 EMERGING TECH RESEARCH

Crypto Report

VC trends and emerging opportunities



Q4
2023

REPORT PREVIEW

The full report is available through the PitchBook Platform.



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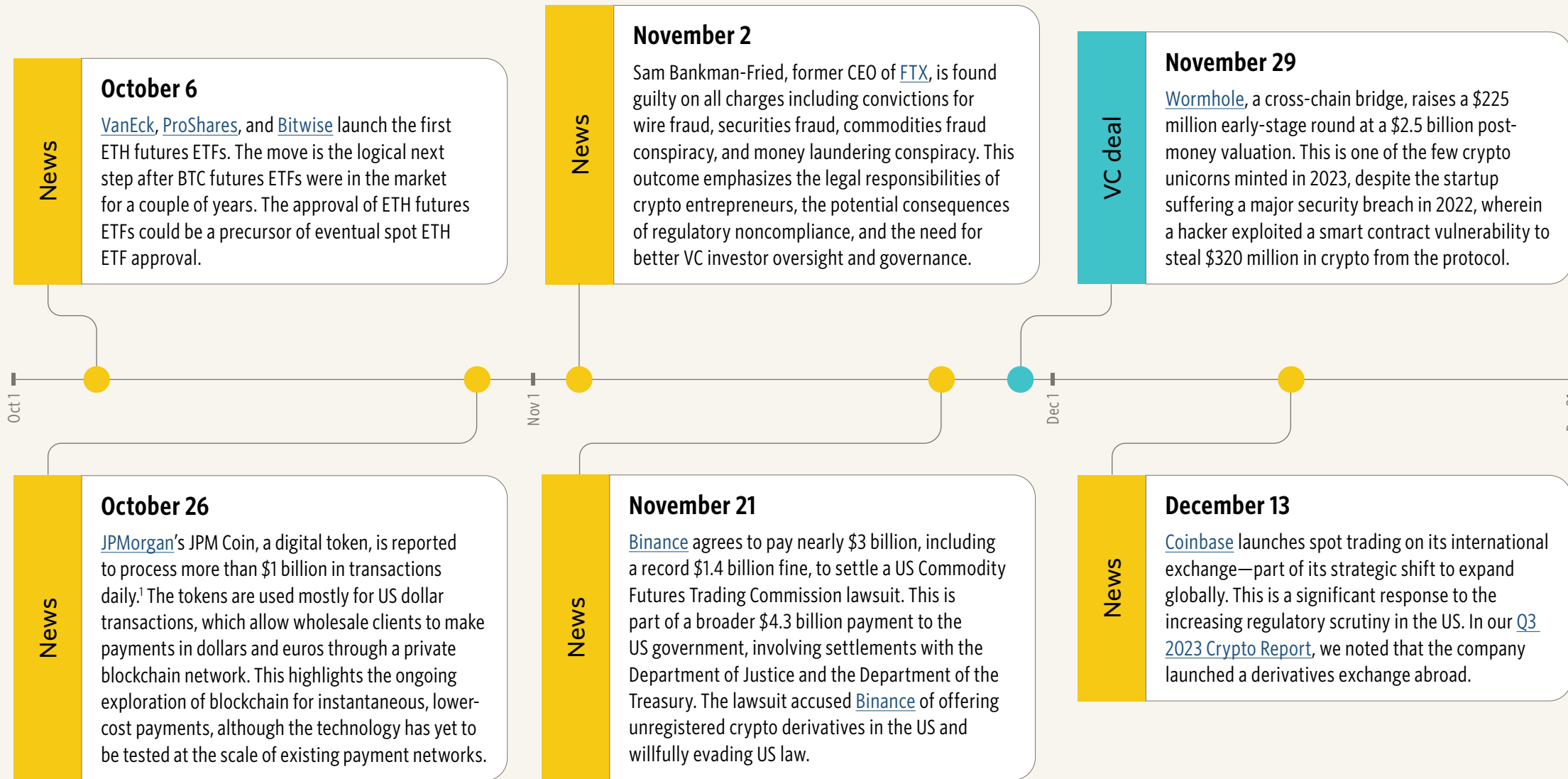
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Q4 2023 timeline



1: "JPMorgan Says JPM Coin Now Handles \$1 Billion Transactions Daily," Bloomberg, Suvashree Ghosh, October 25, 2023.

Q4 VC deal count summary

326
total deals

-2.4%
QoQ growth

-32.9%
YoY growth

-48.8%
YTD growth

Q4 VC deal value summary

\$1.9B
total deal value

2.5%
QoQ growth

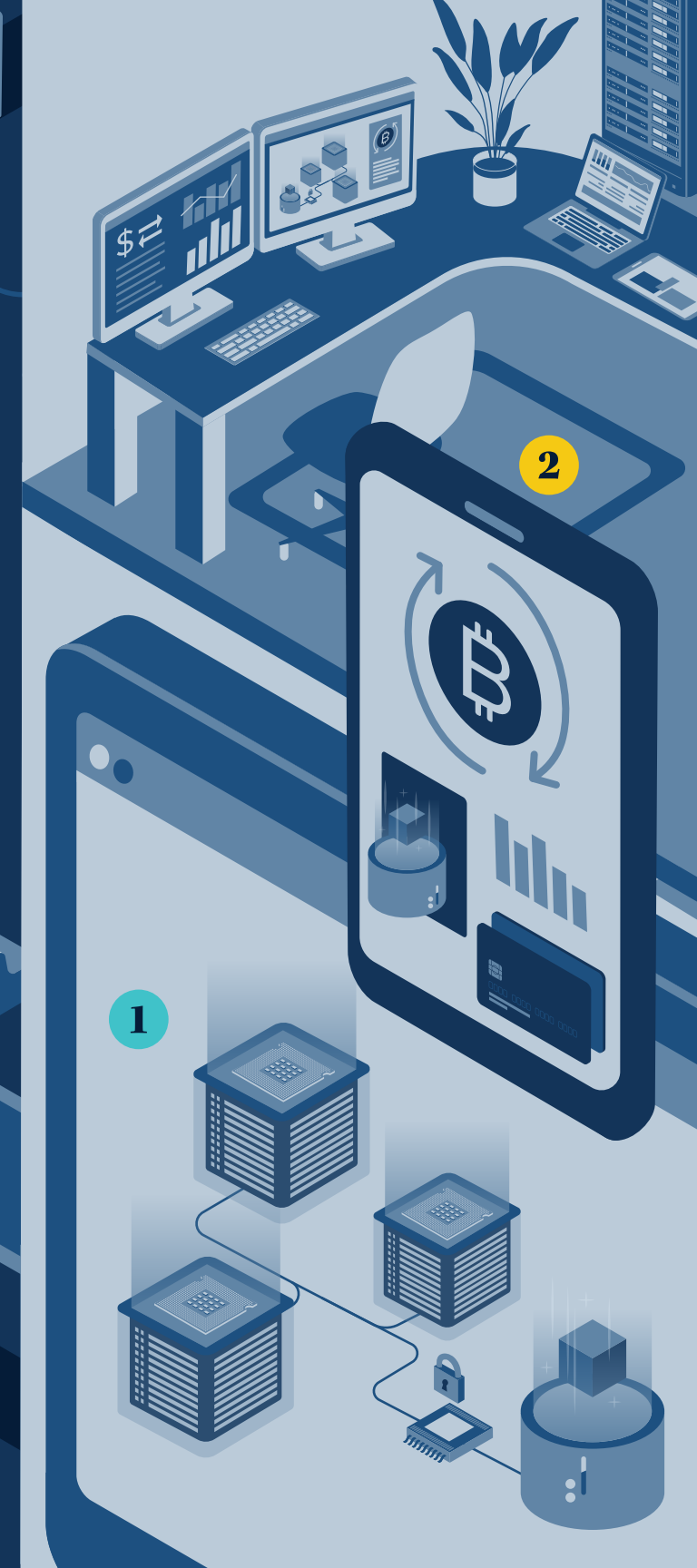
-42.8%
YoY growth

-68.2%
YTD growth



Crypto landscape

- 1 Blockchain networks
- 2 Infrastructure & developer tools
- 3 Access
- 4 Web3
- 5 DeFi





Crypto VC ecosystem market map

This market map is an overview of venture-backed or growth-stage companies that have received venture capital or other notable private investments.

1 Blockchain networks

Bridges & interoperability



Layer 1

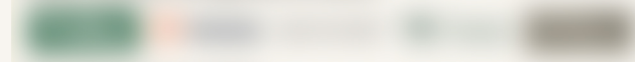


Layer 2 & scalability



2 Infrastructure & developer tools

Crypto corporate management & finance



Data storage & accessibility



Development platforms



Institutional services



Node & validator management



Security, risk management & compliance



3 Access

Asset management & taxes



Exchanges, wallets & crypto financial services



Onboarding & payments



Research & data tools



4 Web3

Content & social



Decentralized communities



Decentralized physical infrastructure networks (DePINs) & hardware



Enablement platforms & marketplaces



Metaverse & gaming



NFT platforms & collectibles



5 DeFi

Asset tokenization



Insurance



Lending, borrowing & yield generation



Trading, derivatives & liquidity



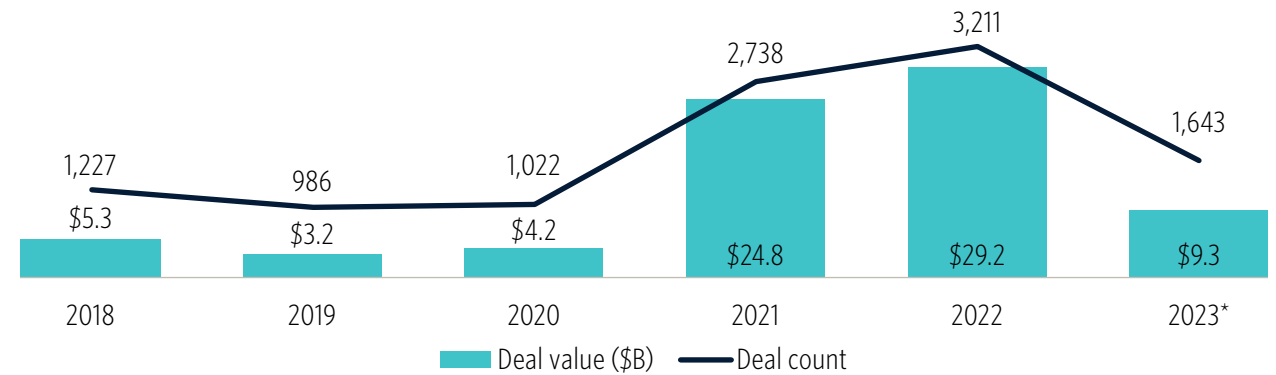


VC activity

In Q4 2023, there was a modest turnaround in crypto fundraising as startups secured \$1.9 billion across 326 deals. This represents a 2.5% increase in invested capital but a 2.4% fall in deal volume compared with the previous quarter. After six straight quarters of decline, an uptick in funding, albeit a tiny percentage, could present welcome news for startups in the coming quarters.

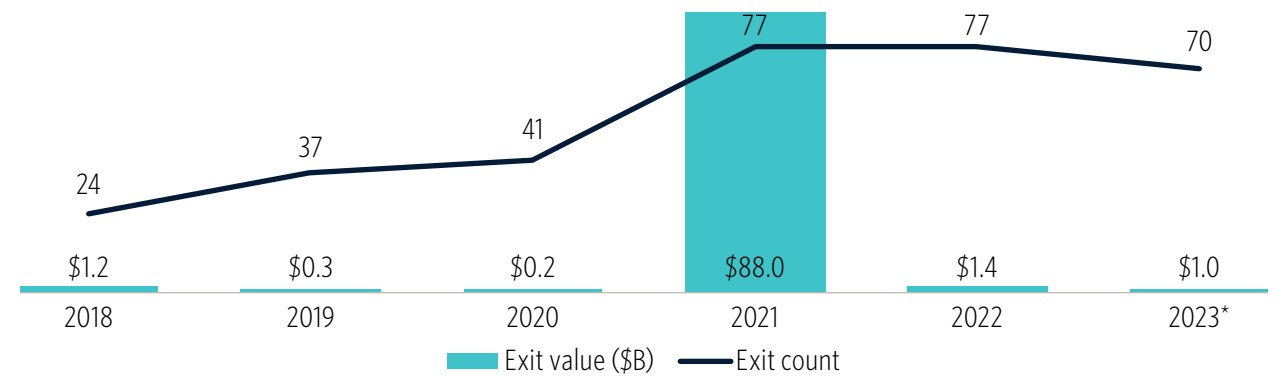
Despite negative news surrounding centralized exchanges like [Binance](#) and [FTX](#), investors remain optimistic on centralized finance (CeFi) providers. With better user experience, these exchanges and their associated wallets present the lowest barriers to adoption of crypto for retail users. During the quarter, centralized exchanges [Swan Bitcoin](#) and [Blockchain.com](#) raised two mega-rounds at \$165 million and \$100 million, respectively. The largest deal of the quarter went to cross-chain bridging protocol [Wormhole](#)—a \$225 million early-stage round at a \$2.5 billion post-money valuation from [Coinbase Ventures](#), [Jump Trading](#), and [ParaFi Capital](#). The only other megadeal of the quarter went to [Together.ai](#), developer of an open-source, decentralized cloud platform for large foundation models. The startup raised a \$102.5 million Series A led by [Nvidia](#), [Emergence](#), and [Kleiner Perkins](#), putting the company’s pre-money valuation at \$463.5 million. [Together.ai](#) is part of the broader DePIN segment, covered in depth in our [Q3 2023 Analyst Note: Decentralized Physical Infrastructure Networks](#). We believe this segment will be one of the fastest-growing areas in 2024 and will likely receive considerable investor interest.

Crypto VC deal activity



Source: PitchBook • Geography: Global • *As of December 31, 2023

Crypto VC exit activity



Source: PitchBook • Geography: Global • *As of December 31, 2023



VC ACTIVITY

Key crypto early-stage VC deals in Q4 2023*

Company	Close date	Deal value (\$M)	Segment	Category	Post-money valuation (\$M)	Lead investor(s)
Wormhole	November 29	\$225.0	Blockchain networks	Bridges & interoperability	\$2,500.0	N/A
Swan Bitcoin	December 7	\$165.0	Access	Asset management & taxes	N/A	N/A
together.ai	November 2	\$102.5	Infrastructure & developer tools	Data storage & accessibility	\$566.0	Emergence, Kleiner Perkins, Nvidia
Fnality International	November 14	\$94.8	Infrastructure & developer tools	Institutional services	N/A	BNP Paribas, The Goldman Sachs Group
Credix	November 14	\$60.0	DeFi	Lending, borrowing & yield generation	N/A	N/A
Andalusia Labs	December 13	\$48.0	Infrastructure & developer tools	Security, risk management & compliance	N/A	Lightspeed Venture Partners
Blur	November 2	\$40.0	Web3	NFT platforms & collectibles	N/A	N/A
MultiChainz	October 4	\$35.0	DeFi	Lending, borrowing & yield generation	N/A	N/A
Grape	December 24	\$35.0	Blockchain networks	Layer 1	N/A	N/A
Blockaid	October 14	\$33.0	Infrastructure & developer tools	Security, risk management & compliance	N/A	Ribbit Capital, Variant Fund

Source: PitchBook • Geography: Global • *As of December 31, 2023



VC ACTIVITY

Key crypto late-stage VC deals in Q4 2023*

Company	Close date	Deal value (\$M)	Segment	Category	Post-money valuation (\$M)	Lead investor(s)
Upland	October 20	\$25.0	Web3	Metaverse & gaming	\$300.0	Animoca Brands, EOS Network Ventures
Finoa	December 1	\$16.2	Infrastructure & developer tools	Institutional services	\$108.2	Balderton Capital, Maven 11
Mocaverse	November 9	\$11.9	Access	Onboarding & payments	N/A	N/A
Lucent Block	November 22	\$11.3	DeFi	Asset tokenization	N/A	N/A
Coinchange	November 30	\$10.0	DeFi	Lending, borrowing & yield generation	N/A	Atoia Ventures, G1 Ventures, Good News Ventures, K2 & Associates Investment Management, Spirit Blockchain Capital
TripleA Technologies	October 25	\$10.0	Access	Onboarding & payments	N/A	Peak XV Partners
Pocket Network	November 30	\$7.9	Web3	DePIN & hardware	N/A	N/A
AirDAO	October 3	\$7.5	Blockchain networks	Layer 1	N/A	N/A
Coin Metrics	October 18	\$6.7	Access	Research & data tools	N/A	N/A
Rad	November 28	\$5.0	Web3	Content & social	\$35.0	Ayre Group, Intersect VC

Source: PitchBook • Geography: Global • *As of December 31, 2023



SELECT COMPANY HIGHLIGHTS: BABYLON



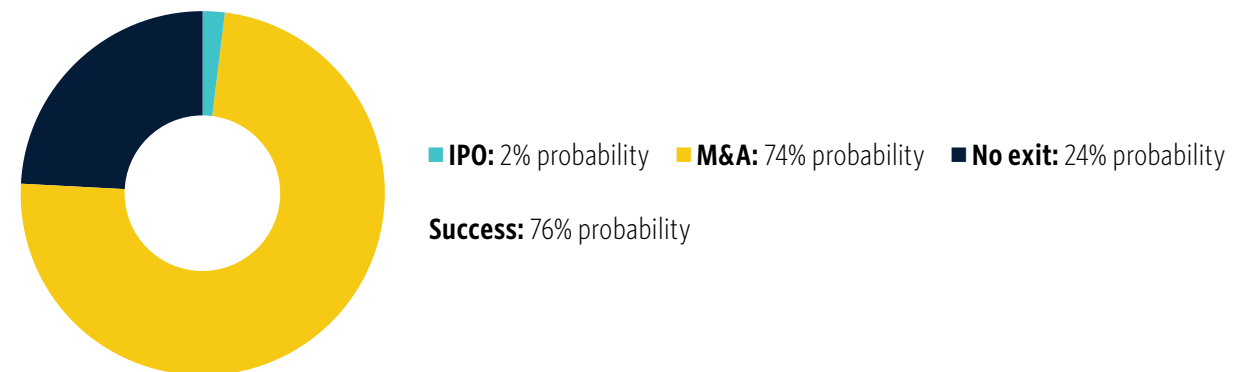
Overview

[Babylon](#) is a bitcoin-staking protocol that enables BTC staking, allowing bitcoin holders to stake their idle bitcoins to secure proof-of-stake (PoS) chains while earning yield. This integrates bitcoin, a proof-of-work chain and the most widely held crypto asset, with the PoS economy. The core technology of [Babylon](#) revolves around a bitcoin-staking protocol that facilitates trustless staking of bitcoin without needing to bridge them to a PoS chain. This protocol is designed to provide full slashable security guarantees to the PoS chains and support fast-stake unbonding to maximize liquidity for bitcoin holders. The protocol is modular and can be implemented on top of various PoS consensus algorithms, serving as a foundation for future restaking protocols. [Babylon's](#) system architecture uses Cosmos-SDK, which will act as a control plane to synchronize interactions between bitcoin and the PoS chains. This architecture efficiently aggregates timestamps for numerous Cosmos software development kit (SDK) chains, offering decentralized, secure, censorship-resistant, and scalable solutions.

Key company information

Founded 2022	HQ location Palo Alto, US	Total raised \$25.7M
Last financing Raised \$18.0M in a Series A	Last financing valuation N/A	Lead investor(s) Polychain Capital, Hack VC

Exit Predictor



Note: Probability data based on [PitchBook VC Exit Predictor Methodology](#).



SELECT COMPANY HIGHLIGHTS: BABYLON

The development of [Babylon](#) is partly influenced by [EigenLayer](#)'s ethereum restaking concept. [EigenLayer](#)'s is a restaking protocol that involves taking staked ETH on ethereum and restaking it to secure middleware such as data availability layers, bridges, oracle services, and more. [EigenLayer](#) on ethereum raised significant VC in a \$71.1 million Series A in 2023. The bitcoin-staking protocol follows a remote staking approach similar to [EigenLayer](#)'s protocol, wherein the staked assets are locked in a contract on the bitcoin chain and then slashed in the event of a protocol violation on the PoS chain. However, because bitcoin does not natively support smart contracts, [Babylon](#) has designed advanced cryptography and consensus protocols, and optimized the use of bitcoin's scripting language to interact with smart contracts.

Leadership

[Babylon](#) was co-founded by David Tse and Fisher Yu. Tse spent the previous three decades teaching in the electrical engineering departments at Stanford University and the University of California, Berkeley. Tse's research revolves around information theory, computational genomics, machine learning, and blockchains. Yu is [Babylon](#)'s chief technology officer and was previously a managing director at [Hash Labs](#), a blockchain security consulting and R&D service to blockchain projects such as XDC networks and IOHK. Previously, Yu was an engineer at Dolby Laboratories and received a Ph.D. in telecommunications at the Australian National University. Shalini Wood is [Babylon](#)'s chief marketing officer (CMO) and was previously the CMO at e-Money, a blockchain-based payment platform built on Cosmos.

Financing history

[Babylon](#) raised an \$18.0 million Series A in December 2023 in a deal led by [Polychain Capital](#) and [Hack VC](#). [OKX Ventures](#), [Polygon](#), [Breyer Capital](#), Framework Ventures, [Castle Island Ventures](#), and other investors participated in the round. The company previously raised a \$7.7 million seed round in August 2022 from [DHVC](#), [Continue Capital](#), [Dragon Roark](#), and a few other investors.

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