

# Blockchain and ICO's From a VC Perspective

Blockchain Conference November 23, 2017

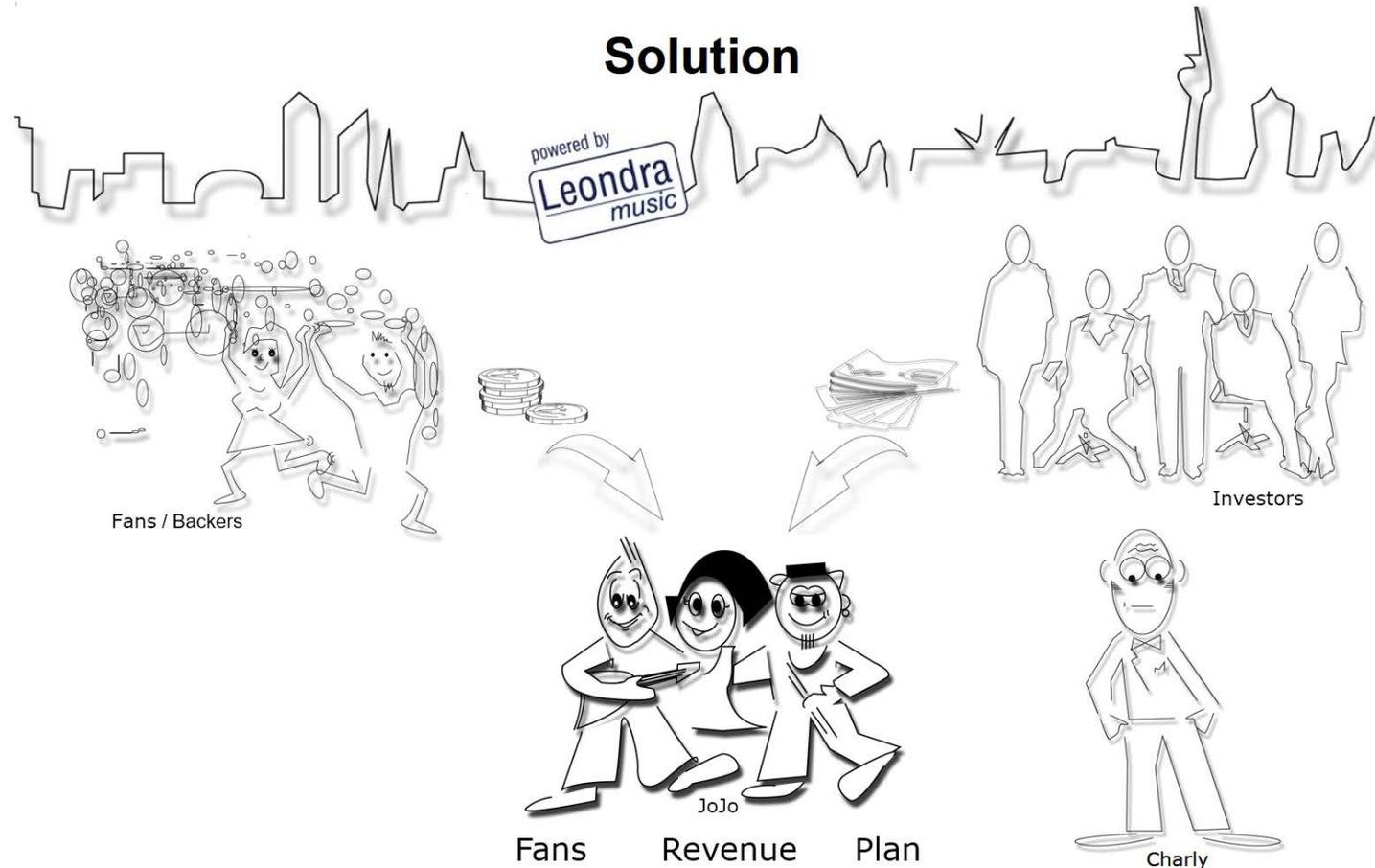
Peter Reuschel, Cofounder and COO

# Leondrino Exchange At A Glance

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- Founded end of 2014 as Delaware company with office in New York
  - Spin off from Leondra music
  - Software development still in Germany
- Offering of Leondrino Exchange
  - **Currency management as a service for enterprises** based on distributed ledger technology (DLT)
  - Electronic wallets for consumers (white label solution for retail banks in preparation)
  - LEX Platform for internal usage and customer specific use cases
- Focus on pilot customers and preparation of license application for Leondrino as a new class of virtual currencies in US, Germany and Switzerland
- First publicly listed company announced the issuance of their digital currency via Leondrino Exchange: Staramba SE for Social VR (Announced on November 16, 2017)
- ICO of a bridge and reserve currency called XLEO in preparation for Summer 2018 (token sale of a Pre XLEO Token currently open in Germany – <https://pxlt-tge.leondrino.com>)

# Idea Was Born Already in 2011 at Leondra music



The key idea of Leondrino is to **align incentives** among participants of the ecosystem.

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Full animation see: <https://youtu.be/auw28DVLubE>

# Idea Was Developed in Parallel to Blockchain



Create your own circular economy to raise money and to innovate the customer relationship.

When everyone thought that blockchains were hot enough, everyone realized in spring 2017 that tokens are the killer app of Web 3.0.

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Full animation see: <https://youtu.be/auw28DVLubE>

# What is an ICO?

- ICO (Initial Coin Offering) was originally the distribution of digital currency of new blockchain implementations.
- Today ICO as a **new business model leveraging blockchain technology or new forms of DLT technology.**
- It will **sustain as an additional way of financing companies** (besides equity and debt financing), combining crowdfunding and new hybrid asset classes of equity ownership and currency.



# Only a Few Believed Into ICOs 3 Years Ago



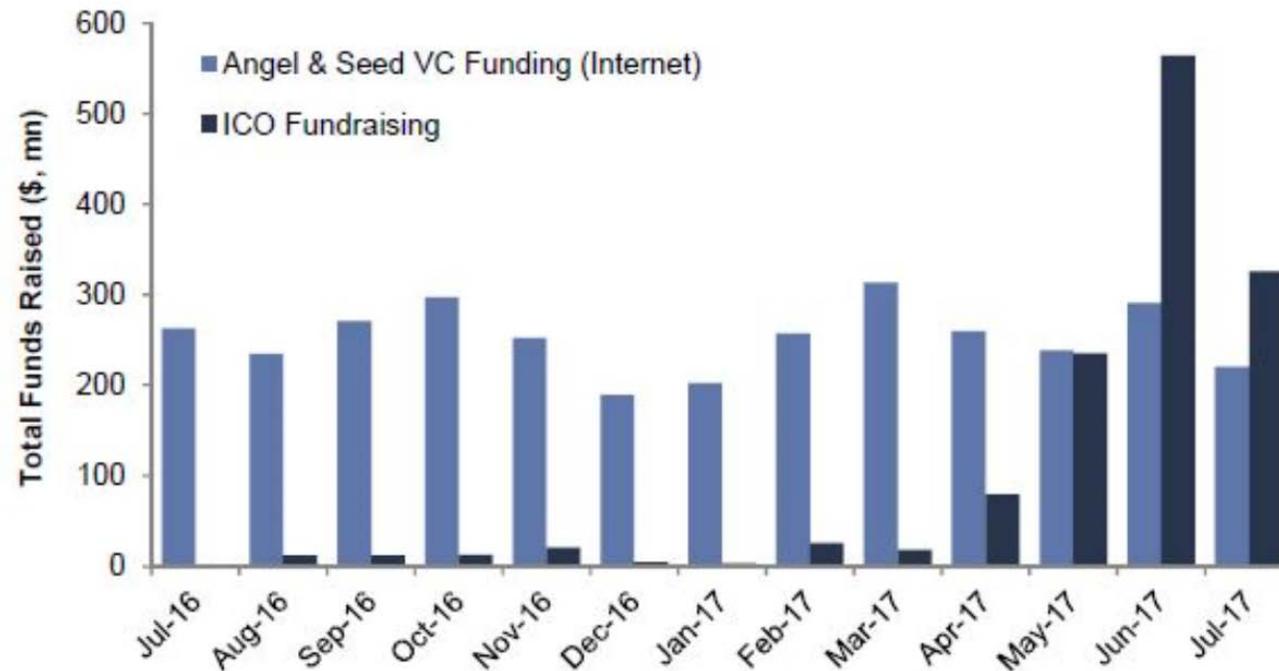
“It sounded quite utopian when I heard about the Leondrino concept of private branded currencies at the TEP conference in New York in 2014. The idea of using a brand currency to create a loyal community – and finance the growth of a company as well was so disruptive and crazy that from the very start I believed it could work.”

Cornelia Yzer,  
Senator for Economics, Technology and Research, Berlin, Germany (2012 – 2016)

# ICO's Surpassed Angel & Seed Stage Internet VC

## Exhibit 8: The pace of ICO fundraising has now surpassed Angel & Seed stage Internet VC funding globally

Total Funds Raised by month (\$, millions)

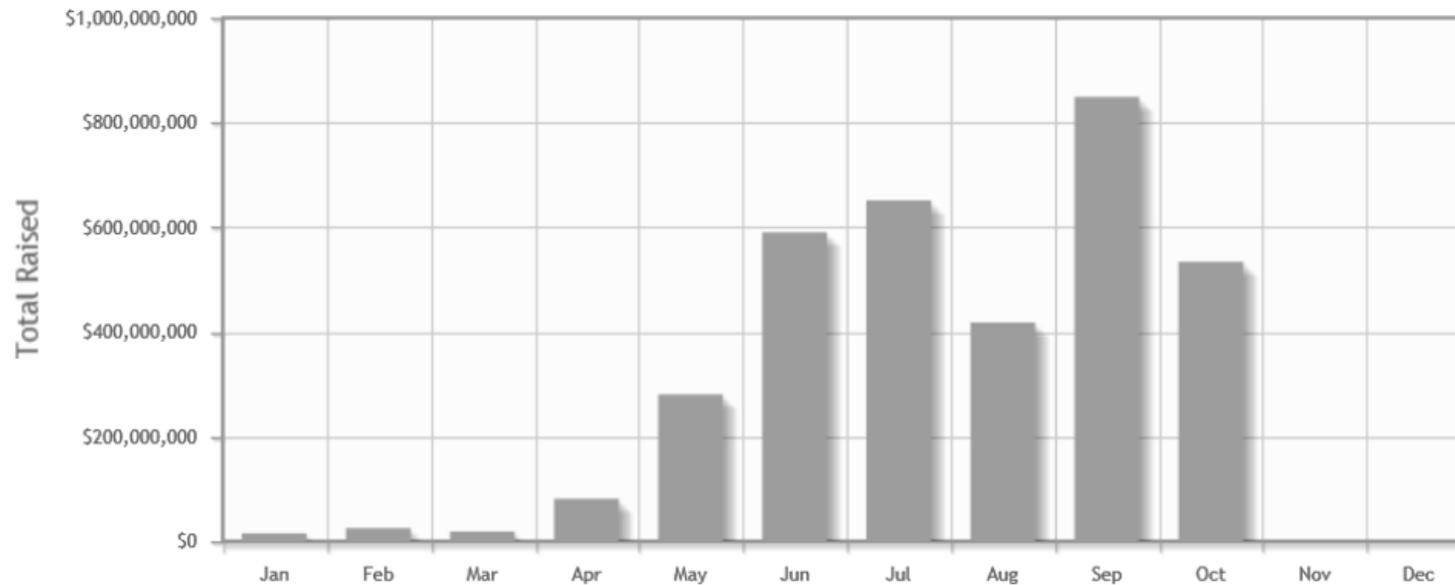


Note: ICO fundraising as of July 18<sup>th</sup>, 2017, per Coin Schedule. Angel & Seed VC funding data as of July 31<sup>st</sup>, 2017 and does not include "crowdfunding" rounds.

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

# Current Status of ICOs (1)

## Cryptocurrency ICO Stats 2017



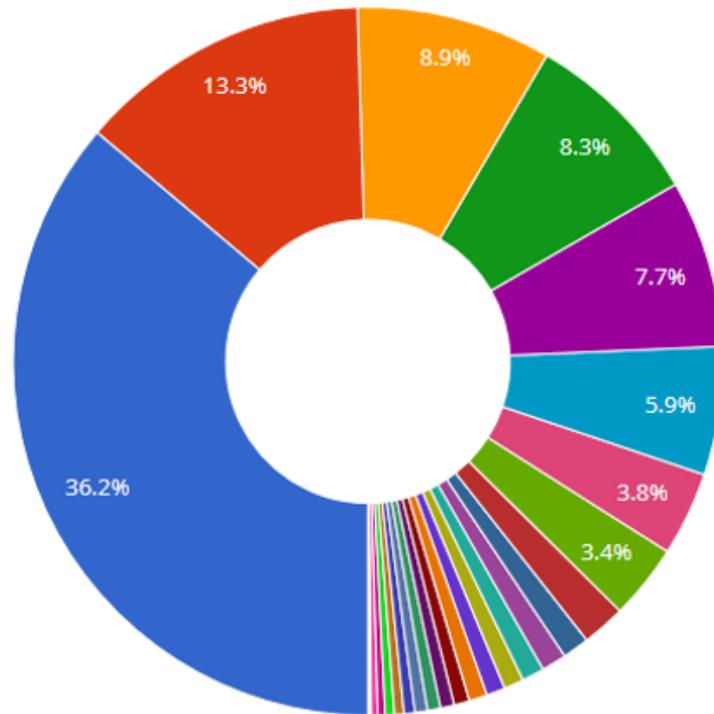
Totals raised are grouped by the ICO closing date and are valued using BTC exchange rate at that time. Data correct on 16th October 2017 14:00 UTC

- Total raised through ICO's: \$ 3,460,880,828
- Total number of ICO's: 211
- Average size: \$ 16,4M

Source: CoinSchedule.com

# Current Status of ICO's (2)

ICOs by Category 2017



- Infrastructure 36.2% (\$1,252,131,499.8)
- Trading & Investing 13.3% (\$461,719,944,000)
- Finance 8.9% (\$307,380,780)
- Data Storage 8.3% (\$286,222,856)
- Payments 7.7% (\$264,818,276.36)
- Drugs & Healthcare 5.9% (\$202,526,054.4)
- Gaming & VR 3.8% (\$133,000,554.9)
- Gambling & Betting 3.4% (\$118,225,095.92)
- Commerce & Advertising 2.0% (\$68,750,500)
- Identity & Reputation 1.2% (\$42,359,520)
- Art & Music 1.1% (\$39,310,901)
- Real Estate 1.0% (\$35,132,362)
- Events & Entertainment 0.9% (\$31,302,120)
- Legal 0.8% (\$29,368,234)
- Energy & Utilities 0.8% (\$28,866,928)
- Social Network 0.7% (\$24,270,163.52)
- Communications 0.6% (\$21,712,418)
- Mining 0.6% (\$20,647,239)
- Privacy & Security 0.6% (\$19,710,000)
- Content Management 0.5% (\$17,030,260.08)
- Machine Learning & AI 0.4% (\$15,021,695)
- Recruitment 0.4% (\$14,473,034.6)
- Commodities 0.3% (\$11,602,632)
- Provenance & Notary 0.3% (\$10,000,000)
- Travel & Tourism 0.1% (\$2,150,550)
- Data Analytics 0.1% (\$2,037,218)
- Supply & Logistics 0.0% (\$851,295)
- Governance 0.0% (\$258,645)

- Infrastructure an der Spitze (36,2%)
- Trading & Investing (13,3%)
- Finance (8,9%)
- Data Storage (8,3%)
- Payments (7,7%)

Top Ten ICOs of 2017

Position	Project	Total Raised
1	Filecoin	\$257,000,000
2	Tezos	\$232,319,985
3	EOS Stage 1	\$185,000,000
4	Paragon	\$183,157,275
5	Bancor	\$153,000,000
6	Kin Kik	\$97,041,936
7	Status	\$90,000,000
8	TenX	\$64,000,000
9	MobileGO	\$53,069,235
10	KyberNetwork	\$48,000,000

Source: CoinSchedule.com - Data correct on 16th October 2017 14:00 UTC

# Situation in Traditional VC Business

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- One of ten has to be able to finance all others:
  - Only investment decision where the plan shows
    - Profit potential above 50% per year
    - Global target market with potential beyond USD 600 million
  - „Hit Big“ as a must for success
- Oligopol behavior of VCs to protect „their“ unicorns
  - NDAs are not signed with new players in the same topic
  - Invite other VC to avoid competition
- Capital locked for 9 years on average
- Expensive deal-making processes

# „Hit big“ Leads to

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## Centralized network And „Winner Takes It All“

- Network & lock in effects
- Hyper growth mechanics
- Influence on whole industries
- Creation of gigantic new markets



# Downside Effects

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- Wealth creation of only a few
- Censorship and algorithmic abuse
- Filter bubbles
- Single point of failure
- Lack of competition and innovation
- Reduced privacy protection

# Emergence of Crypto-Token Powered Investing

	TRADITIONAL VENTURE CAPITAL	CRYPTO-TOKEN POWERED INVESTING
1 <b>Return Horizon</b>	7-10 Years	1-5 Years
2 <b>Ownership Model</b>	Preferred Shares	Shares and/or Tokens/Cryptocurrency
3 <b>Entry Phases</b>	Angel, Seed, Early to Late Stage	Pre-mine, Genesis, ICO, Exchanges or private purchase from company
4 <b>Exit Method</b>	Acquisition, IPO	Acquisition, ICO, or via Crypto Exchanges listing
5 <b>Business Model</b>	Selling a Product or Services	Creating a self-sustaining Circular Economy with its own currency or token
6 <b>Legal Structure</b>	Startups are LLC's or incorporated via traditional corporate law in a given jurisdiction	LLC creates technology/protocol and runs separate business on top of it, or creates a valuable ecosystem around it, or it operates as a non-registered DAO
7 <b>LP Mix</b>	Institutions, High Net Worth Individuals, Family Offices, Funds of Funds	Institutional strategic / discretionary initiatives, progressive Family Offices, forward-thinking High Net Worth individuals, innovative Funds of Funds, interested Consumers via crowdsourced funding (i.e. could take a % of fund from general public following crowdfunding rules)
8 <b>Fund Currency</b>	Fiat	Accepts Fiat or Cryptocurrency (to be converted right away to fiat as the reference currency)
9 <b>Market Approach</b>	Creating new models, or supporting existing ones.	Creating new business models
	<i>Source: William Mougayar (C) 2016</i>	

Source: <http://startupmanagement.org/2016/10/06/how-cryptocurrencies-and-blockchain-based-startups-are-turning-the-traditional-venture-capital-model-on-its-head>

# What Is So Special About Crypto Tokens Today?

	Equity	Tokens
Liquidity	low	high
Access	exclusive, local	inclusive, global
Execution of Rights	courts	Automated on network
Capital Efficiency	Milestone based	Today: „all in“ ICO
DD & Regulation	standardized	Today: still wild west

# Current Economic Drivers of ICOs

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- Secondary market infrastructure and liquidity
- Generally limited supply
- Flexibility in (economic) structuring:
  - supply/demand
  - ecosystem design
- Based on hype technology, ideologically shaped ecosystem
- Serious money pouring into the market
- Little transaction costs (from an issuer's perspective)



# Current Investors in ICOs

Mining Pools	Exchanges	Funds & Traders of Currencies	Initial Coin/Token Offering Investors	Traditional Financial Investors
				
<ul style="list-style-type: none"> <li>• Collection of specialized computing clusters that compete to get the next coin distribution</li> <li>• Early beneficiaries of cryptocurrency wave</li> </ul>	<ul style="list-style-type: none"> <li>• Retail and OTC venues that allow for conversion between fiat and digital currencies, as well as between coins/tokens</li> <li>• Listing ICO tokens on an exchange creates liquidity</li> </ul>	<ul style="list-style-type: none"> <li>• Funds &amp; other pools of capital that focus on trading cryptocurrencies for gains, rather than investing into tech projects</li> <li>• Many were started during Alt Coin explosion</li> </ul>	<ul style="list-style-type: none"> <li>• Large investors that have institutional or private capital to invest in emerging technology projects</li> <li>• Increasingly institutional mandates, many in Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Venture and Angel investors in the equity of companies working on Blockchain solutions</li> <li>• Are now considering ICOs as a comparable investments</li> </ul>

Source: Autonomous NEXT

# Will Crypto Tokens Disrupt The VC Model?

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...You can basically throw the venture playbook out of the window. This completely destroys the existing Venture business model, which is based on proprietary access early on. Now everybody has that.

**NAVAL RAVIKANT**

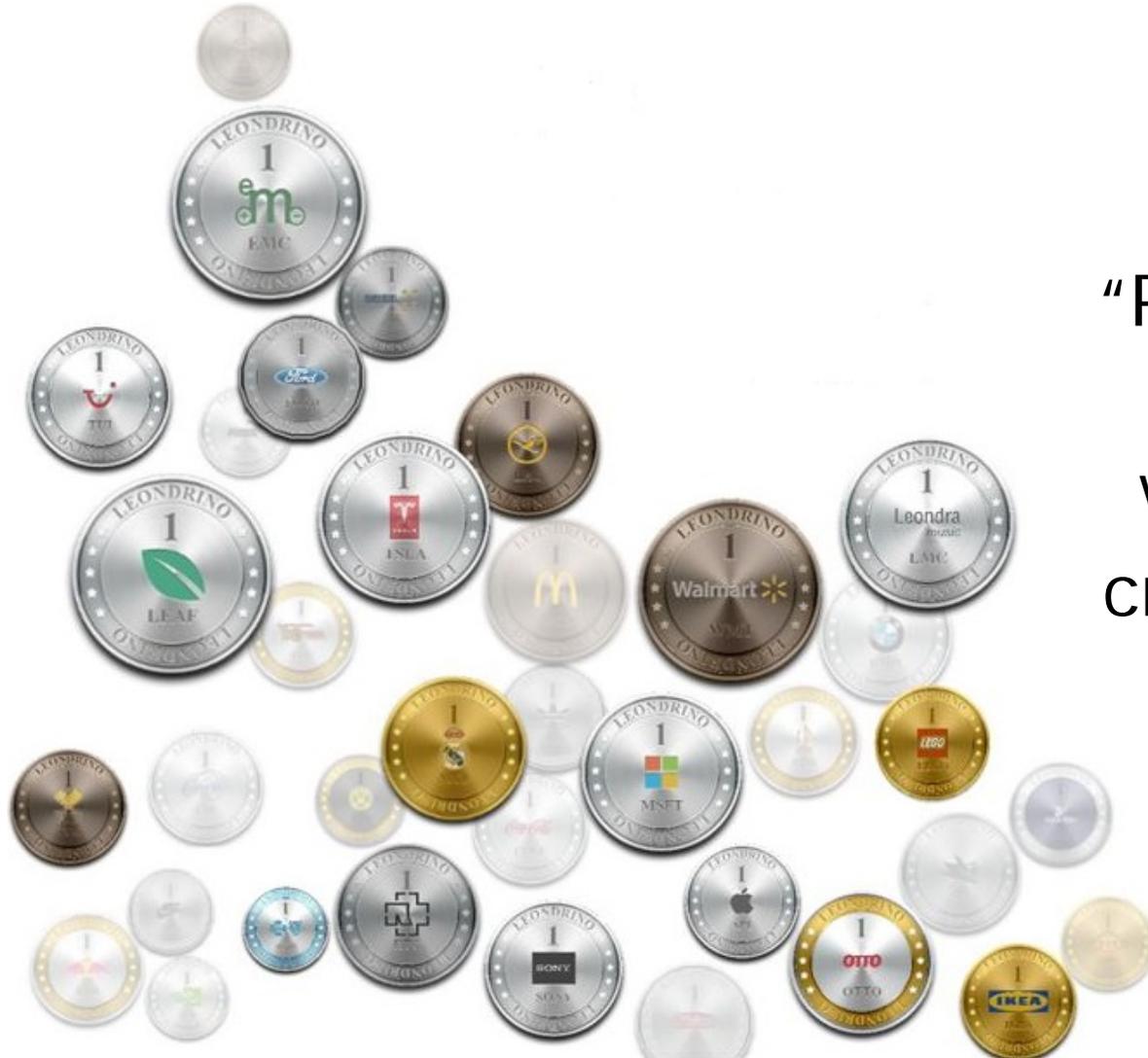
Founder & CEO AngelList & Coinlist  
(@Blockstack Conference, Aug. 2017)

# A Few Thesis´

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- Advanced governance of blockchain/DLT networks and regulation will accelerate acceptance of crypto-currencies as a third source of finance for companies – also for publicly listed companies.
- Only a few standard token designs will survive over time and replace VC funding – especially for b2c companies.
- The winner of the technical competition in blockchain/ DLT platforms is not clear yet.
- Parallel, competing private, digital currencies have the potential to foster innovation and to stabilize the financial system in Europe and globally.

# Thanks For Your Attention



“Private branded currencies of enterprises will be the winners of the cryptocurrency revolution.”

2014 - Peter Reuschel,  
serial entrepreneur and co-founder of Leondrino Exchange

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