

# 21SHARES



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# Table of Contents

**Current Market Conditions**

**Valuing Cryptoassets**



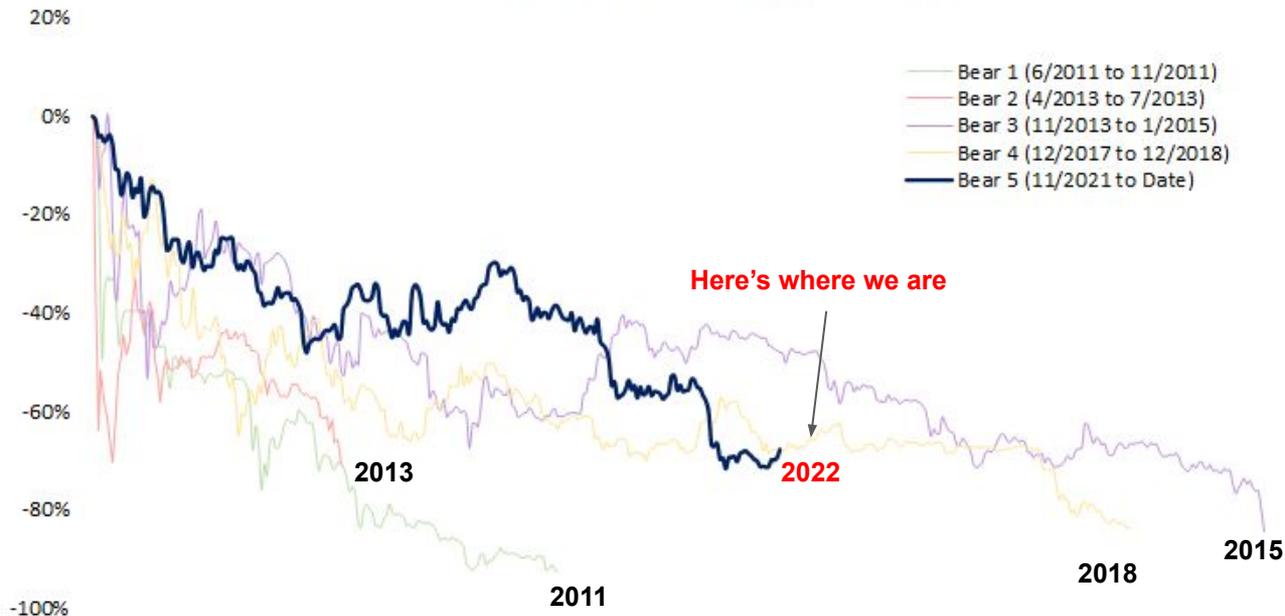
# Current Market Conditions



# Market Conditions

## Bitcoin Bear Markets

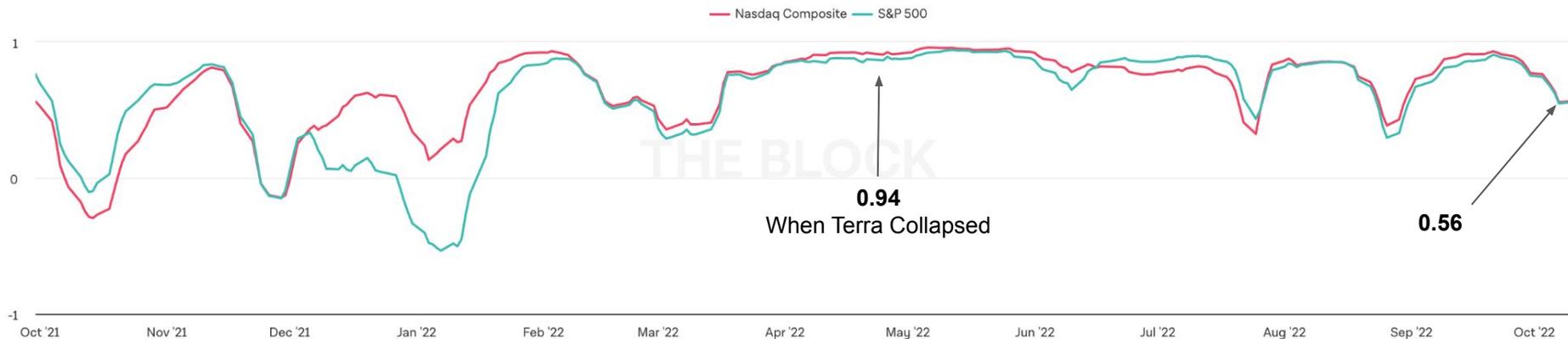
### Bitcoin Bear Markets: Peak to Trough Drawdowns



Source: Coin Metrics

# Market Conditions

## 30-day Correlation Bitcoin vs. S&P500 and Nasdaq



# Market Conditions

## Bitcoin: Declining Volatility

Published on TradingView.com, Oct 14, 2022 00:10 UTC

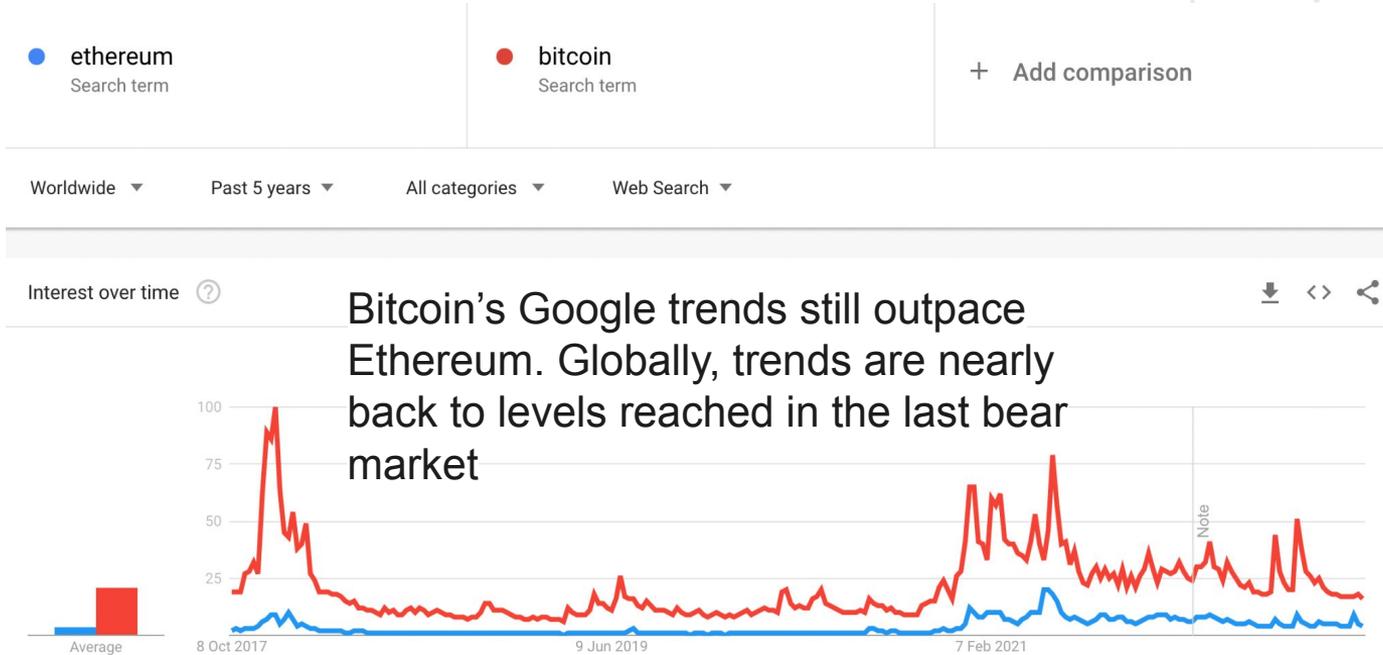
Bitcoin Historical Volatility Index, 1W, BITMEX 22.87 -0.63 (-2.68%)  
Vol: The data vendor doesn't provide volume data for this symbol.



TradingView

# Market Conditions

## Google Trends: Bitcoin vs. Ethereum



# Market Conditions

## Macro Outlook



Source: Bridgewater Associates

# Market Conditions

## 2001 vs. 2022: The Dot.Com Bubble vs. Digital Assets

2001

amazon.com.

To our shareholders:

Ouch. It's been a brutal year for many in the capital markets and certainly for Amazon.com shareholders. As of this writing, our shares are down more than 80% from when I wrote you last year. Nevertheless, by almost any measure, Amazon.com the company is in a stronger position now than at any time in its past.

- We served 20 million customers in 2000, up from 14 million in 1999.
- Sales grew to \$2.76 billion in 2000 from \$1.64 billion in 1999.
- Pro forma operating loss shrank to 6% of sales in Q4 2000, from 26% of sales in Q4 1999.
- Pro forma operating loss in the U.S. shrank to 2% of sales in Q4 2000, from 24% of sales in Q4 1999.
- Average spend per customer in 2000 was \$134, up 19%.
- Gross profit grew to \$656 million in 2000, from \$291 million in 1999, up 125%.
- Almost 36% of Q4 2000 U.S. customers purchased from one of our "non-BMV" stores such as electronics, tools, and kitchen.
- International sales grew to \$381 million in 2000, from \$168 million in 1999.
- We helped our partner Toysrus.com sell more than \$125 million of toys and video games in Q4 2000.
- We ended 2000 with cash and marketable securities of \$1.1 billion, up from \$706 million at the end of 1999, thanks to our early 2000 euroconvert financing.
- And, most importantly, our heads-down focus on the customer was reflected in a score of 84 on the American Customer Satisfaction Index. We are told this is the highest score ever recorded for a service company in any industry.

So, if the company is better positioned today than it was a year ago, why is the stock price so much lower than it was a year ago? As the famed investor Benjamin Graham said, "In the short term, the stock market is a voting machine; in the long term, it's a weighing machine." Clearly there was a lot of voting going on in the boom year of '99—and much less weighing. We're a company that wants to be weighed, and over time, we will be—over the long term, all companies are. In the meantime, we have our heads down working to build a heavier and heavier company.

2022

Digital Assets

Despite short-term fluctuations, the silver lining is the fundamentals are stronger than ever. Here are a few data points to consider why crypto will be weighted over time, as Jeff Bezos rightfully said about Amazon in this letter in 2000:

- 👉 Less than 5% of the Internet population has access to crypto: +200M crypto users, akin to the Internet adoption in 1998. However, this user base grows faster than any other technological adoption rate. There are 170M Ethereum wallets — up 300% YoY
- 👉 Stablecoins' supply up 388% YoY
- 👉 DeFi's TVL skyrocketed to \$250B.
- 👉 The Great Resignation will benefit crypto. There's a labor tightness, and talents increasingly leave tech giants and traditional finance to build and work in crypto
- 👉 65% of the active developers joined Web 3 in 2021 to improve the infrastructure and launch financial and entertainment applications.
- 👉 The level of understanding about crypto from government officials is at an all-time high.

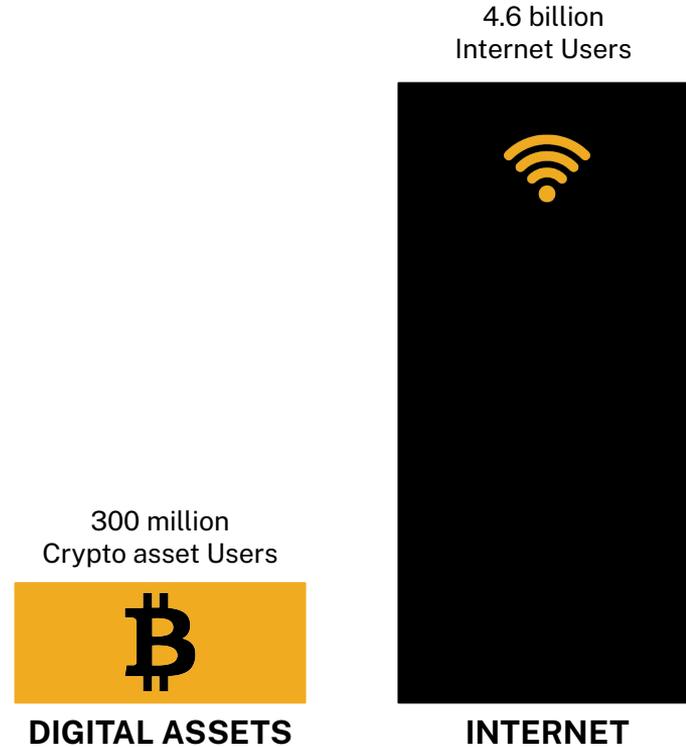
# Market Conditions

## Adoption Lifecycle

**+300 million  
crypto users**

**+ Less than 5%** of the Internet population own cryptoassets

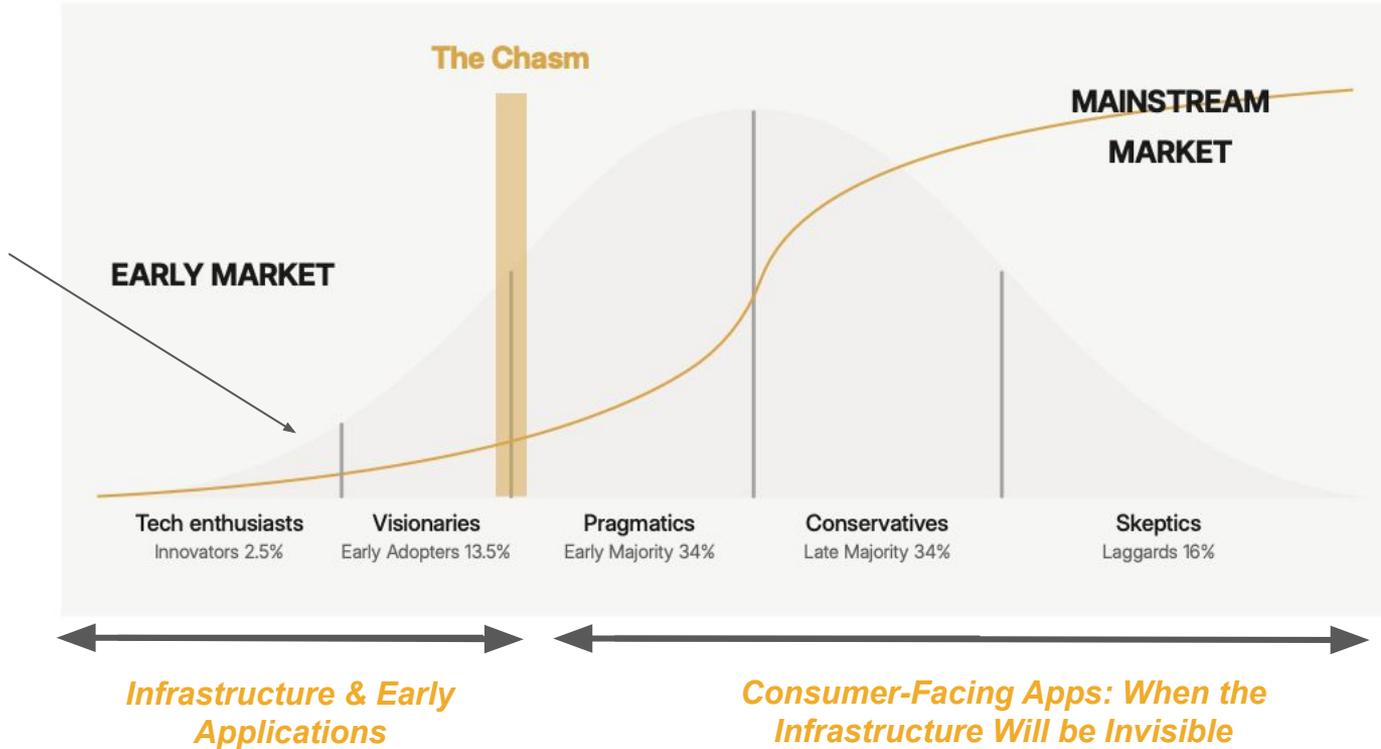
*Data sources: CCAF, Statista*



# Market Conditions

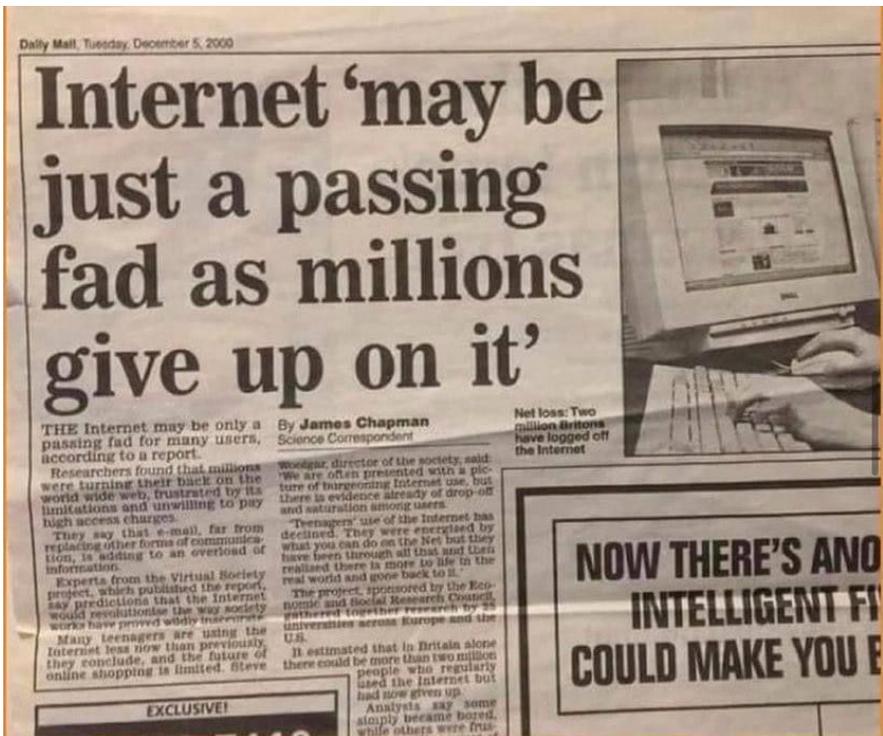
## The Adoption Lifecycle of Digital Assets

We are here in 2022



# Market Conditions

## 2000 vs. 2022: Headlines



# Valuing Cryptoassets



# Valuing Cryptoassets

## Public Service Announcement: Our New Magazine is Live

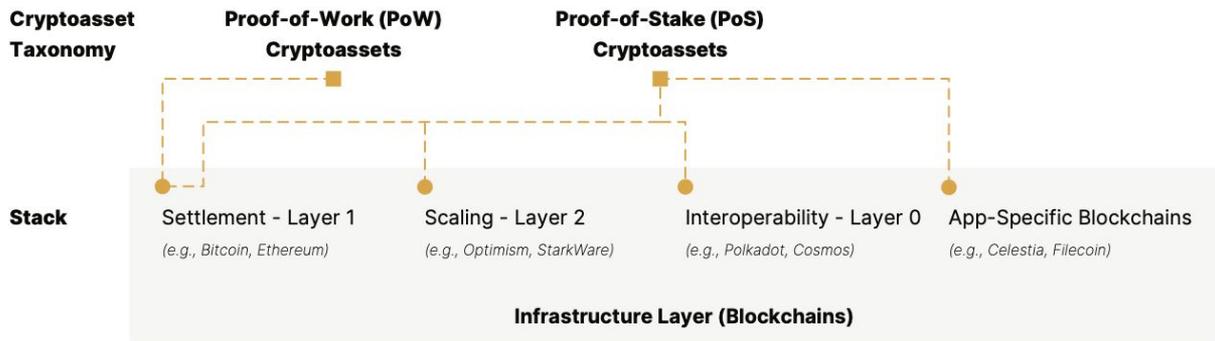
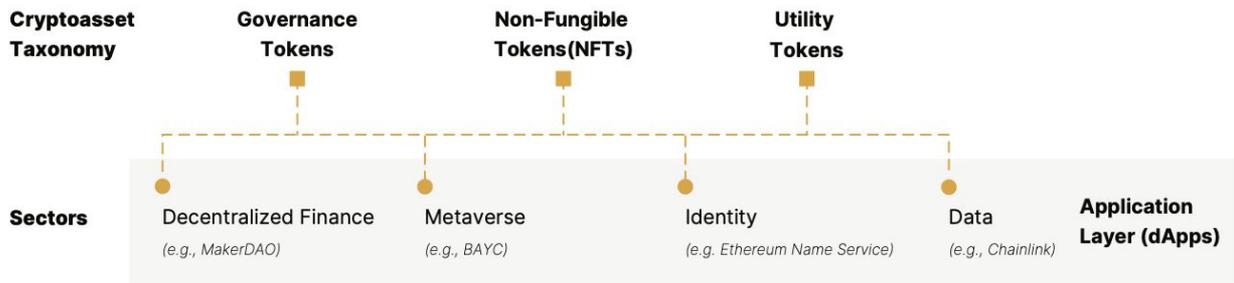
Our paper shows:

1. Valuation has two approaches for asset classes, including crypto: a) Intrinsic valuation or fundamentals — and b) relative valuation or pricing
2. Each approach has different drivers: a) fundamentals are driven by cash flows, and b) price derives from market structure and investor sentiment.
3. Cryptoassets are not equally the same and cannot be valued with similar methods.



# Valuing Cryptoassets

## Emerging Use Cases: Not All Cryptoassets Are the Same



Source: 21Shares

# Valuing Cryptoassets

## Digital Asset Classification Framework

	Consumable /		
	Capital Assets	Transformable Assets	Store of Value Assets
Equities	+	-	-
Bonds	+	-	-
Income-Producing Real Estate	+	-	-
Physical Commodities (e.g. grains or energy)	-	+	-
Precious Metals (e.g. gold)	-	+	+
Currency	-	-	+
Fine Art	-	-	+

	Consumable /		
	Capital Assets	Transformable Assets	Store of Value Assets
	"Crypto-capital"	"Crypto-commodities"	"Cryptocurrencies and Collectibles"
PoS Cryptoassets	+	-	-
Governance Tokens	+	-	-
Utility Tokens	-	+	-
PoW Cryptoassets	-	+	+
NFTs (Collectibles)	-	-	+

Source: 21Shares

# Valuing Cryptoassets

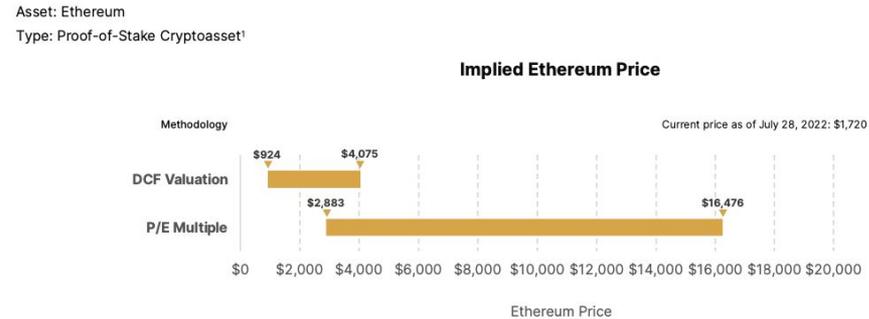
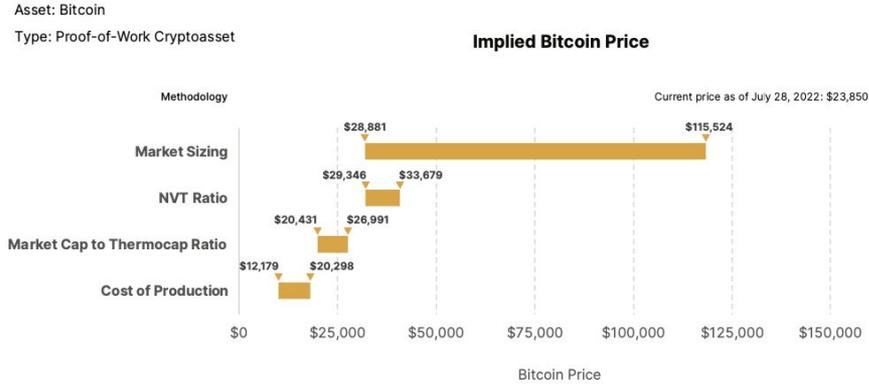
## Intrinsic vs. Relative Valuation

Source:  
21Shares

Valuation Approaches	Intrinsic		Relative		
Asset Superclasses	Capital Assets	Consumable/ Transformables	Capital Assets	Consumable/ Transformables	Store of Value Assets
	"Crypto-capital"	"Crypto-commodities"	"Crypto-capital"	"Crypto-commodities"	"Cryptocurrencies and Collectibles"
Infrastructure Layer	<b>Proof of Work</b> (e.g. Bitcoin)	<ul style="list-style-type: none"> <li>Cost of Production (Mining)</li> </ul>		<ul style="list-style-type: none"> <li>NVT Ratio,</li> <li>Price-to-Utility</li> <li>Market Cap / Thermocap</li> <li>Market Sizing</li> </ul>	<ul style="list-style-type: none"> <li>Market Sizing</li> </ul>
	<b>Proof of Stake</b> (e.g. Ethereum, Solana)	<ul style="list-style-type: none"> <li>Discounted Cash Flow (DCF) Valuation</li> </ul>	<ul style="list-style-type: none"> <li>Price-to-Sales</li> <li>Price-to-Earnings</li> <li>Market Cap / TVL</li> <li>Price-to-Utility</li> <li>Market Sizing</li> </ul>		
Application Layer	<b>Governance Tokens</b> (e.g. Uniswap, Aave)			<ul style="list-style-type: none"> <li>NVT Ratio</li> <li>Market Cap / TVL</li> <li>Market Sizing</li> </ul>	
	<b>Utility Tokens</b> (e.g. Chainlink)				
	<b>NFTs</b> (e.g. BAYC, CryptoPunks)				<ul style="list-style-type: none"> <li>Fine Art Assessment</li> <li>Market Sizing</li> </ul>

# Valuing Cryptoassets

## Implied Price: Bitcoin vs. Ethereum



Source: 21Shares



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