Twitter Thread by Jeff Dorman, CFA

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@jdorman81

Anyone want to buy $BTC at a 47% discount to current prices? Here's how you can do it.

I can't believe I'm saying this, but $EOS might actually be the best risk/reward in digital assets right now due to their massive #Bitcoin holdings.

Thread time ■

First, let's talk risk/reward. Over the past 2 years, $EOS is the only well-known token other than $XRP that is not higher. In fact, it has underperformed by a LOT.

Even other zombie projects are up 300-1000%

That's a nice start for an investment -- low downside, relatively

	BTC	ETH	EOS	XTZ	NEO	ADA	XLM	BCH	LTC	XRP	ETC
2/11/19	3631.03	119.57	2.7113	0.3793	8.123	0.0412	0.076066	120.63	42.38	0.29875	4.015
1/14/21	39,259.40	1,199.54	2.76	2.49	23.18	0.32	0.30	520.05	153.94	0.30	9.30
% Change	981.22%	903.21%	1.98%	556.11%	185.36%	673.06%	299.07%	331.11%	263.23%	0.16%	131.72%

Next, the math:

Block One owns 140,000 $BTC. At $2.77, the market cap of $EOS is $2.6 bn, which is only 47% of the value of their BTC holdings.

That means by buying $EOS, you are actually buying $BTC at $18,771. Huge discount.

The question is "can you unlock this value"?

Book Value Analysis

Total BTC holdings	140,000
BTC Price:	39,219
Total value of holdings	5,490,674,000
EOS Market Cap	2,627,947,415
MC of EOS as % of BTC NAV	47.86%
EOS Token Price at NAV	5.77861126
Current EOS Price	$2.77
Returns	108.93%
Implied BTC price	$18,771.05

Why does book value matter? Here's a good explanatory thread:

https://t.co/Mp5bn0dbNE

$WNXM showed how this works. WNXM traded below BV temporarily, until investors realized the value of the underlying ETH. These are sweet setups and don't last long.

https://t.co/bbEE0CsPJ2

> 1/ If you're trying to value DeFi assets with traditional valuation ratios, use Price to Book Value (not Price to Earnings)
>
> Why?
>
> — Aleks Larsen (@_alekslarsen) January 12, 2021

Counter-argument: Generating an ROI from BV is basically a bet on what management will do with that capital, & of course the EOS & Block One teams have done nothing to instill confidence right?...

https://t.co/bKghLv7TmF

...but that's precisely why this is so interesting.

> EOS was nothing more than a #bitcoin heist.
>
> — Peter McCormack (@PeterMcCormack) January 12, 2021

If you think the herd of institutional investors getting into $BTC was fast, wait until activist investors like @BillAckman @DanielSLoeb1 or Elliott Mgmt find out that you can extract $2.8 Bn from $EOS.

You're crazy if you don't think there will be court cases over $2.8 bn.

Don't think it's possible? See $GNO

GNO used to trade at 30% of BV and there was no link between Gnosis' balance sheet & $GNO.

After @arca pressured Gnosis to convert its balance sheet into a DAO, GNO now trades at 100% of BV!

GNO is now fully backed!

https://t.co/c5LP2plgqX

> Do digital asset investors understand how big of a deal this is?
>
> Through the creation of the GnosisDAO, the $GNO token went from being a worthless, useless token, to now being a FULLY asset-backed token with potential upside optionality.
>
> This is incredible progress! https://t.co/Ku5EecbCT5
>
> — Jeff Dorman, CFA (@jdorman81) December 4, 2020

At this point, either EOS & @BrendanBlumer need to

1) create value for $EOS holders ASAP
2) Return the capital
3) Expect huge lawsuits

Any 1 of those 3 options will unlock this value, and close the gap between EOS' market cap and the value of the $BTC on their balance sheet.

What about Dan Larimer leaving? First, what value has Larimer created for anyone other than himself? If anything, this is good for $EOS holders -- now Block One may feel pressure to actually deliver value back to EOS token holders.

https://t.co/IDxuNvkFxN

You don't even need activism. Both $MSTR & $GLXY stock trade at ~2-4x book value despite not generating any meaningful profits outside of $BTC holdings.

Equity investors love cheap assets with potential upside - token investors should too (and will)

https://t.co/pojVADwreD

In general, investing in layer 1 tokens is like buying a call option on future network growth. Most will fail, only one has succeeded $ETH

But I'd rather own $EOS as a free call option rather than pay an incredibly high premium for overvalued ghost protocols $TRX $ADA $XTZ $XLM

Distressed investments have hair on them. This is what makes them profitable (i.e. buying $LEO's new issue at $1, or buying $CEL under $1). The most hated tokens often accrue the most economic value.

"Would you rather be right or make money"?

Few. @DegenSpartan @cmsholdings

Investing is all about repeatable processes & historical precedent.

We've seen this before. From DigixDAO, $GNO, $WNXM to crypto tracking stocks like $MSTR $GLXY -- book value matters.

I'd be shocked if $EOS doesn't end up back at book value eventually (BV = $5.77 right now)

The genesis of this idea came from here: https://t.co/9BoW9njmUF

H/t @DHannum8 @mdudas @ericturnr @joonian

> Honestly? It tells me that $EOS is probably really really undervalued.
>
> Smart move holding BTC. Now if they don\u2019t find a way to increase EOS value soon, activist investors will go after that BTC treasury balance. And that means EOS = $6-7
>
> See $GNO
>
> — Jeff Dorman, CFA (@jdorman81) January 10, 2021