Twitter Thread by Meltem Demirors



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1/ crypto VC is going through an explosive ■ phase

there are big funds (>$500M AUM), a lot of small funds (<$50M AUM), and *tons* of prop firms + angels

i've done 15 deals in the last 3 months as an angel + small fund @CoinSharesCo VC.

observations + implications... ■■

2/ the big firms need to deploy in size - $5M checks and up

a $250M fund could do a $5-10M deal every month for two years and still be under-allocated

and there aren't enough companies raising series B / C / D rounds!!!

every deal i've done lately is under $50M valuation

3/ so we see firms competing to take down entire rounds.

a recent series A financing had two firms competing to take down the ENTIRE ROUND, and it eventually got upsized, a LOT.

if a company is putting up user acquisition / growth and a revenue story, it's highly competitive

4/ most projects and co's don't need money tho - why would a founder take 20-40% dilution when they're banking cash and crypto? so they do 5-10%

so the valuations go up, but available allocations go down, resulting in an even bigger squeeze on allocators who *need* to deploy

5/ add in the onslaught of non-crypto M&A that's coming, which is culling the herd of investable unicorns

add in the wave of SPACs and direct listings taking later stage opportunities out

there just aren't enough places to put capital in size rn

what's a fund to do?

6/ seed / series A is ultra competitive - i'm trying to deploy as fast as i can across a wide range of co's, because many will not raise again or raise small rounds at crazy valuations

but your pedigree and reputation matter - founders can be choosy since there's so much $$$

7/ funds are rushing to add platform + services - something i built at @DCGco and continue to build @CoinSharesCo - it's a big differentiator!

perks include code audits, marketing, hiring support, research, etc

expect to see this grow exponentially (it already has in trad VC)

8/ companies are becoming more selective in how they raise and have more pools of capital available to them - many rounds now never hit the fundraising trail

and once @coinbase IPO goes out at $50B+, even more capital is going to come hunting for ROI in crypto

9/ it's a founder's market and there's TONS of capital chasing too few deals

the crunch is going to get intense

for investors, be careful and DYOR - always down to trade deal notes

for founders, be choosy. raise less. demand more value! your investors work for YOU ■

10/ for those thinking about starting a co - if you want to chat, don't hesitate to reach out! there is a great network of folks who have been funding this industry for years ❤■ use them!

we are about to enter a brand new era of crypto VC and i couldn't be more excited ■■■

disclosure: our equity investments @CoinSharesCo can be found at https://t.co/kHiDYlNRdH

my personal portfolio including companies and protocols can be found at https://t.co/K3fVxXPq0v (overdue for an update tho!)