



CoinDesk

State of Bitcoin Q1 2014

24 April 2014

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About CoinDesk

- World leader in digital currency news, prices and information
- Our Bitcoin Price Index serves as an industry reference point
- London-based and remote team with a global focus
- Our editors are based in London, Boston, San Francisco, and Tokyo

The screenshot shows the CoinDesk website interface. At the top, there is a search bar labeled "Search CoinDesk". Below it, the "Daily Bitcoin News" section features a "Subscribe" button and a form for an "Email Address". The main content area is divided into three columns. The left column contains three news articles: "Nearly \$500k Sitting Unclaimed in Silk Road 2.0 Bitcoin Wallets" (with an image of wallets), "Jeff Garzik Announces Partnership to Launch Bitcoin Satellites into Space" (with an image of Earth from space), and "Is Double Spending Unconfirmed Transactions a Concern for Bitcoin?" (with an image of a globe). The middle column has a "Must Read" section with articles like "Dorian Nakamoto Thanks Bitcoin Donors on YouTube" and "Is This Shape-Shifting Image the Logo Bitcoin Needs?". The right column has a "Most Popular" section with articles like "DarkMarket Team Win Toronto Bitcoin Expo Hackathon" and "Charlie Shrem Allowed Out of House Arrest for Bitcoin Documentary...".

The screenshot shows the Bitcoin Price Index page. At the top, it displays the current price in USD and CNY: \$483.51, with a change of -0.19%. Below this, there is a "Bitcoin Price Index Chart" showing a line graph of the price index from 2011 to 2014. To the right of the chart is a "Bitcoin Price Calculator" with a table of historical prices.

Date	Close	Change
2014-04-22	\$484.43	1.76% ↑
2014-04-21	\$483.09	0.80% ↑
2014-04-20	\$497.32	0.84% ↑
2014-04-19	\$501.55	1.88% ↓
2014-04-18	\$478.23	3.27% ↑
2014-04-17	\$464.40	5.97% ↑
2014-04-16	\$520.16	17.19% ↓
2014-04-15	\$520.12	0.00% ↓
2014-04-14	\$457.83	0.00% ↓
2014-04-13	\$414.55	1.36% ↑
2014-04-12	\$420.86	1.49% ↓
2014-04-11	\$420.06	0.00% ↓

Q1 2014 Summary

VC investments have accelerated in Q1;
2014 run rate of \$200m

Signs of industry consolidation, eg
concentration of exchange trading,
growth of 'universal' business model

Bitcoin's price is down 37% YTD;
many altcoins have declined by
greater % than bitcoin

Approximately 60,000 business now
accept bitcoin; 7.3m total wallets
forecasted by end of 2014

Interest from large financial institutions
continues to grow, eg Goldman Sachs
and JPMorgan reports

Tax and regulatory clarity continues to
improve, but ongoing uncertainty will
influence adoption and price

Price and Valuation

CoinDesk Bitcoin Price Index - 2014 YTD by the Numbers

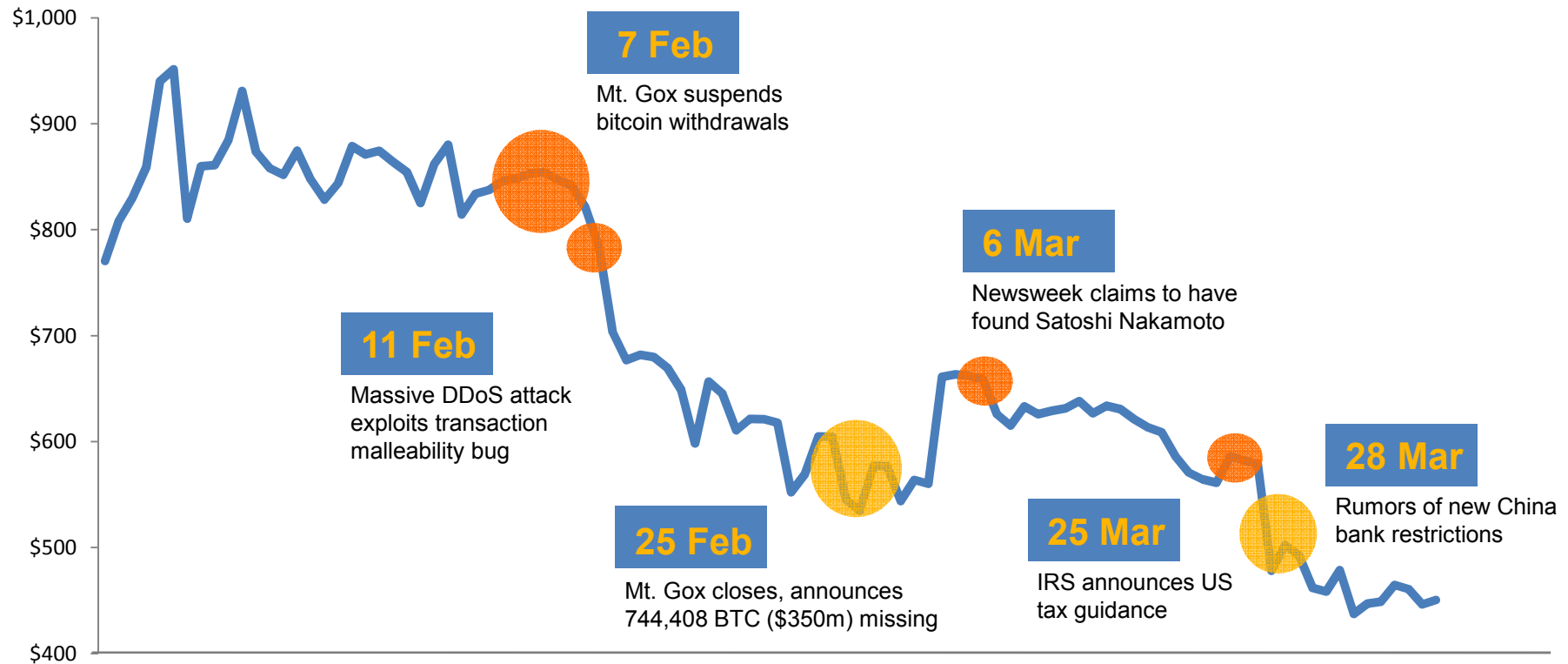
Q1 2014 Open	\$756.79
24 April 2014	\$480.63
2014 YTD % Δ	-36.5%
24 April Market Cap	\$6.1bn

2014 YTD High (6 Jan)	\$951.39
2014 YTD Low (10 April)	\$360.84
2014 YTD Average	\$653.97
2014 YTD Median	\$625.83



Source: CoinDesk Bitcoin Price Index, daily data collected at 00:00 UTC

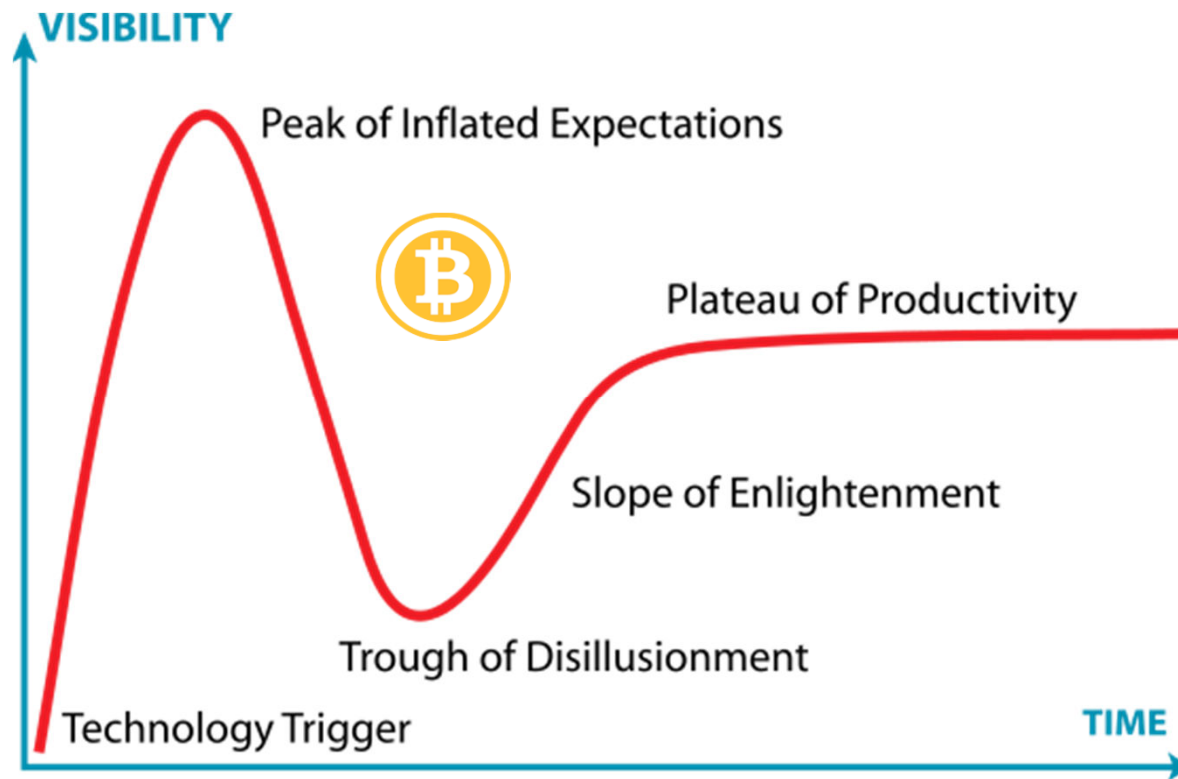
Significant Bitcoin Events and Price Response - 2014 YTD



Source: CoinDesk Bitcoin Price Index daily closing price (taken at 00:00 UTC)

Expectations Surrounding Bitcoin May Have Gone Too Far, Too Fast

Technology hype cycle











“Bitcoin is a long game, going to take 4-5 years.”

Jeremy Liew
Lightspeed Venture Partners

Source: Gartner

Bitcoin Now Represents 90% of Total Cryptocurrency Market Cap, Up From 76% Two Months Ago

#	Name	Market Cap	Price	Available Supply
1	 Bitcoin	\$ 6,447,839,385	\$ 509.55	12,653,975 BTC
2	 Litecoin	\$ 353,292,182	\$ 12.84	27,520,804 LTC
3	 Peercoin	\$ 58,711,794	\$ 2.75	21,321,237 PPC
4	 Ripple	\$ 52,219,329	\$ 0.00689	7,579,478,083 XRP*
5	 Dogecoin	\$ 46,195,110	\$ 0.000651	70,916,539,038 DOGE
6	 Nxt	\$ 27,464,309	\$ 0.027464	999,997,096 NXT*
7	 Namecoin	\$ 23,870,924	\$ 2.80	8,526,182 NMC
8	 Mastercoin	\$ 21,923,676	\$ 38.93	563,162 MSC*

Bitcoin 18x larger than litecoin, down from 20x two months ago

Market capitalizations:

\$6.5bn – bitcoin
(% Δ -11% from 20 Feb)

\$7.1bn – all
cryptocoins (% Δ -26%
from 20 Feb)

Source: CoinMarketCap.com 16 April 2014

Bitcoin Aiming to Disrupt \$459bn+ Total Market Cap

Market Caps (millions) as of 8 April 2014

Processors	Market Cap	Payment Hardware	Market Cap
Visa Inc	\$104,744	NCR Corp	\$5,921
American Express Co	\$94,486	MICROS Systems Inc	\$3,892
MasterCard Inc	\$82,378	VeriFone Systems Inc	\$3,680
Capital One Financial Corp	\$43,930	INGENICO	\$4,807
DISCOVER FINANCIAL SERVICES	\$27,418	Diebold Inc	\$2,530
Alliance Data Systems Corp	\$13,968	Outerwall Inc	\$1,822
Total System Services Inc	\$5,619	Wincor Nixdorf AG	\$2,300
Global Payments Inc	\$4,904	Agilysys Inc	\$284
Euronet Worldwide Inc	\$2,100	ON TRACK INNOVATIONS LTD	\$74
Heartland Payment Systems Inc	\$1,440	Total	\$25,310
Green Dot Corp	\$732		
Total	\$381,720		

Money Transfer/ATM Outsourcing	Market Cap	Bank Software	Market Cap
Western Union Co	\$8,826	Fidelity National Information Services Inc	\$15,455
Euronet Worldwide Inc	\$2,100	Fiserv Inc	\$14,582
Cardtronics Inc	\$1,670	Jack Henry & Associates Inc	\$4,743
MoneyGram International Inc	\$1,195	ACI Worldwide Inc	\$2,251
Xoom Corp	\$685	Total	\$37,032
Total	\$14,476		

Source: CoinDesk, Wedbush Securities

Large Financial Institutional Interest in Bitcoin Continues to Grow



JPMORGAN CHASE & CO.

FitchRatings

Bank of America
Merrill Lynch



UBS

PRICEWATERHOUSECOOPERS



“Bitcoin needs banks to grow. I am more interested in seeing banks adopt bitcoin than I am worried about regulators.”

Meyer Malka
Ribbit Capital

Firm	Type	Activity
UBS	Investment Bank	Report
JPMorgan	Investment Bank	Report
Goldman Sachs	Investment Bank	Report
Bank of America	Investment Bank	Report
Fitch Ratings	Rating Agency	Report
Fortress Investment (Pantera)	Asset Management	Investment
PriceWaterhouse	Consultancy	Report

Media

While the Biggest Q1 2014 Bitcoin Media Headlines Focused on Mt. Gox's Demise and Gossip ...



4:48 pm ET
Mar 27, 2014 [MARKETS](#)

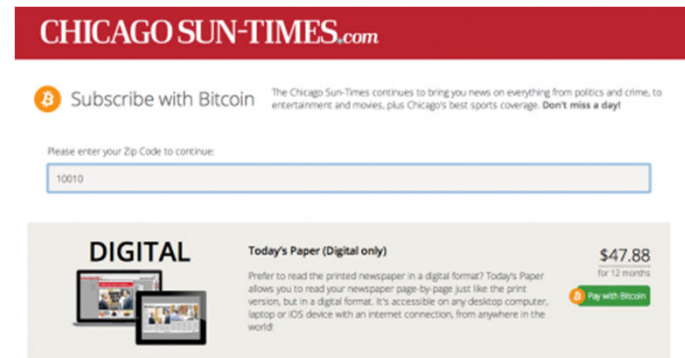
BitBeat: Another China Rumor Bites Bitcoin, But This One May Have Teeth

... There Were Many Other Q1 Bitcoin Headlines of Note

eBay Adds New 'Virtual Currency' Category to US Site



Chicago Sun-Times Gets 11% of New Subscriptions in Bitcoin



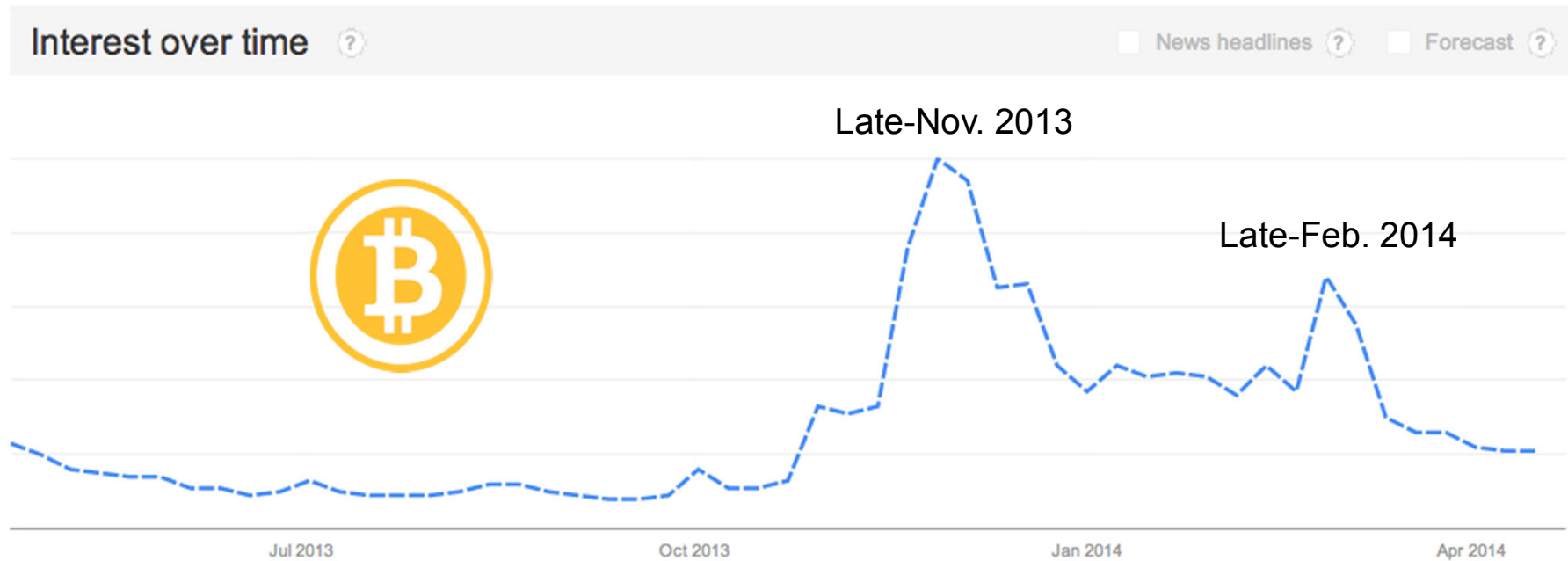
Square Market Now Accepts Bitcoin



Sacramento Kings NBA Franchise Launches Bitcoin-Only Online Store

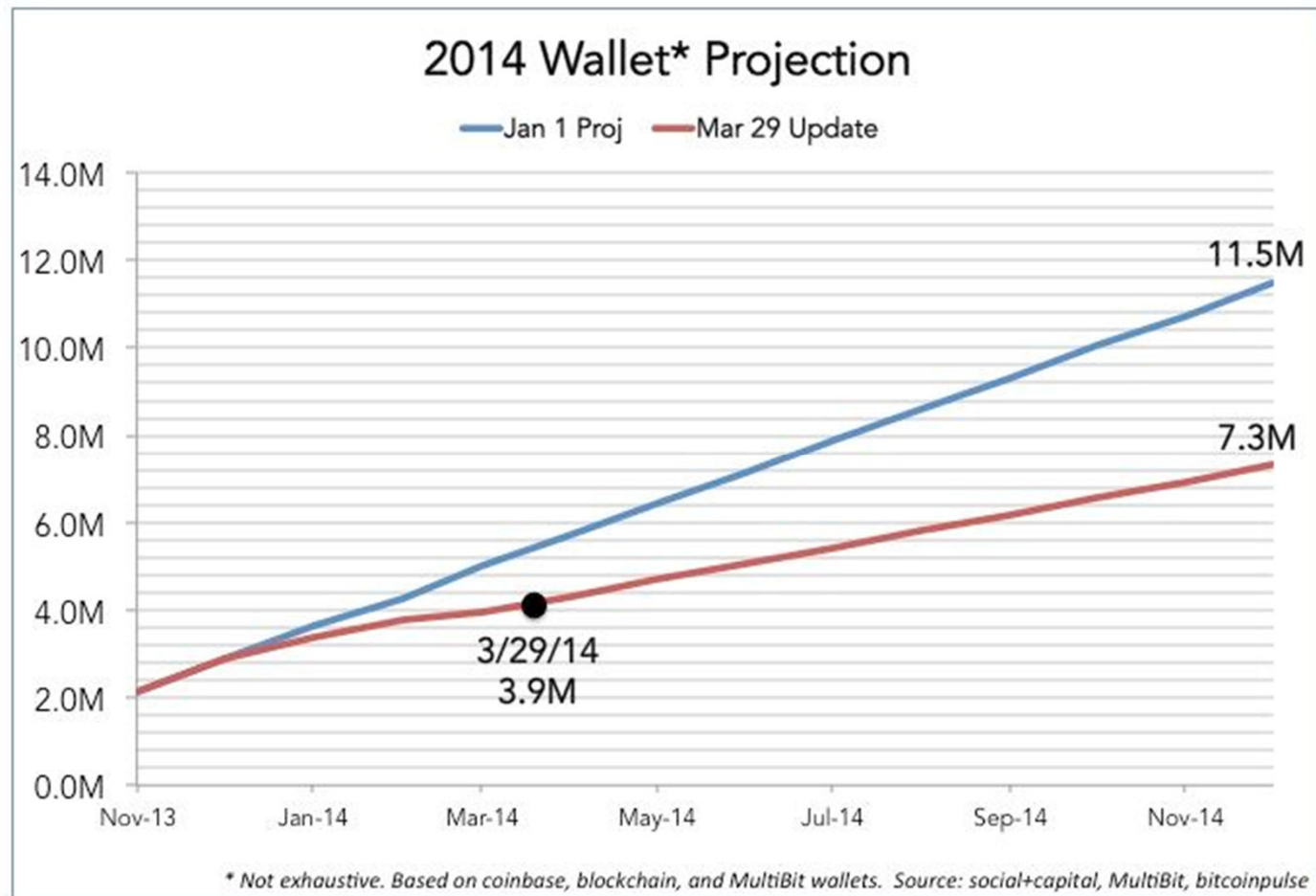


YTD Search Interest in 'bitcoin' Spiked Around Mt. Gox's Closure



Source: Google Trends

Some Bitcoin Growth Projections Have Been Adjusted Downwards



Source: The Social+Capital Partnership

Ecosystem and VC Investment

Two Biggest Bitcoin VC Deals in Q1

xapo

 **CIRCLE**

\$20M

\$17M

(Series A) March 2014

(Series B) March 2014

Bitcoin Venture Capital Investment Summary



Total VC investment
in cryptocurrency
startups of:

\$154M



\$25M

Largest VC deal to date
(Series B) in December 2013

2014 YTD Investment in Bitcoin Startups of \$64.2M

Close Date	Company	Round	Size (\$m)	Select Investors	Headquartered
Apr-14	GoGoCoin	Seed	0.10	500 Startups	Mountain View
Apr-14	Bonifide.io	Seed	0.10	500 Startups	Mountain View
Apr-14	Coinalytics	Seed	0.10	500 Startups	Mountain View
Apr-14	Neuroware	Seed	0.10	500 Startups	Mountain View
Apr-14	Monetsu	Seed	0.10	500 Startups	Mountain View
Apr-14	Coinplug	Seed	0.40	Tim Draper	Seoul
Apr-14	PayStand	Seed	1.00	Cervin Ventures, Serra Ventures, Central Coast Angels, TiE LaunchPad	Santa Cruz

2014 run rate of \$200M, which is 2x the 2013 total investment of \$100m

Source: CoinDesk, Dow Jones VentureSource, VentureScanner.com

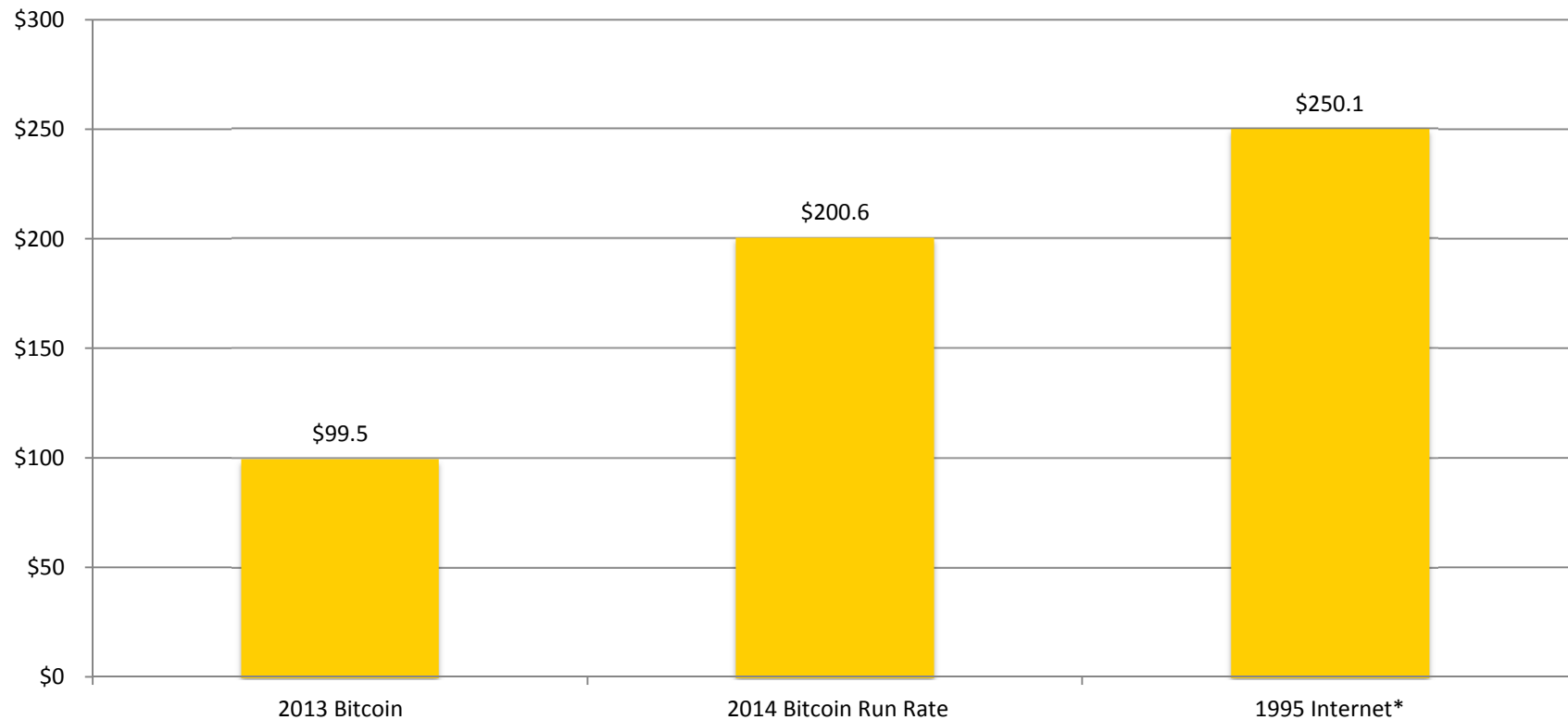
2014 YTD VC Investments (contd.)

Close Date	Company	Round	Size (\$m)	Select Investors	Headquartered
Mar-14	Circle Internet Financial	Second	17.0	Breyer Capital, Accel Partners, General Catalyst Partners, Oak Investment Partners, Pantera Capital, Bitcoin Opportunity Fund	Boston
Mar-14	GoCoin	First	1.5	Bitcoin Shop, Owen Van Natta, Crypto Currency Partners	Singapore
Mar-14	Payward, Inc. (Kraken)	First	5.0	Hummingbird Ventures	San Francisco
Mar-14	OKCoin	First	10.0	Ceyuan Ventures, Mandra Capital, VenturesLab	Beijing
Mar-14	Xapo	First	20.0	Benchmark, Fortress Investment Group, Ribbit Capital	Palo Alto
Mar-14	Tembusu Terminals	Seed	0.2	Individual Investors	Singapore
Feb-14	Safello	Seed	0.6	Nicolas Cary, Roger Ver, Erik Voorhees	Stockholm
Jan-14	HKCex	First	2.0	Individual Investors	Hong Kong
Jan-14	BitFury	Seed	5.0	CoinSeed	Bristol
Jan-14	Korbit	Seed	0.4	Strong Ventures, Bitcoin Opportunity Fund, Tim Draper, David Lee, Naval Ravikant	Seoul

Source: CoinDesk, Dow Jones VentureSource, VentureScanner.com

2014 VC Investment in Bitcoin is Tracking 1995 VC Investment in Early-Stage Internet

Bitcoin vs. early Internet VC investment (millions)

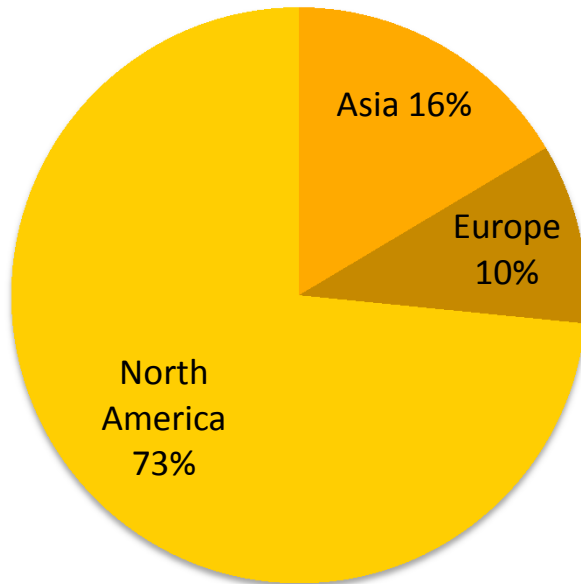


*Includes first sequence venture deals but excludes late-stage 1995 internet investments (\$257.6m)

Source: CoinDesk, Dow Jones VentureSource, VentureScanner.com, PriceWaterhouse

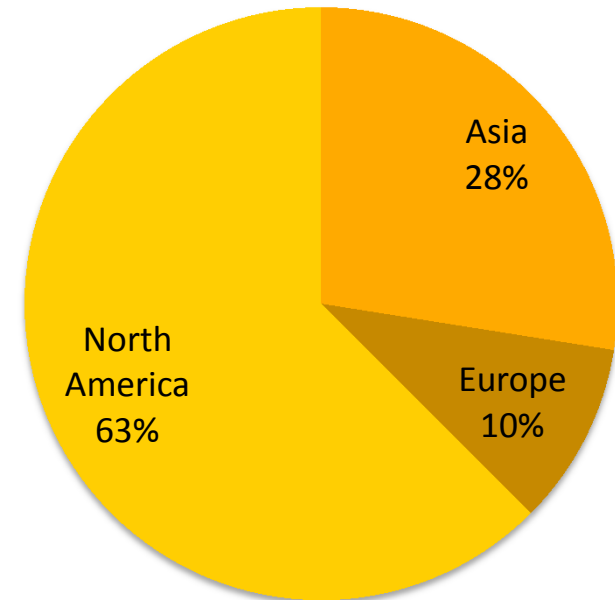
Europe is Lagging Behind Asia and North America

\$ Invested



Regions	Value (\$m)	No. of companies
Asia	25.4	11
Europe	15.6	4
N. America	113.3	25
Total	\$154.3	40

No. of Companies

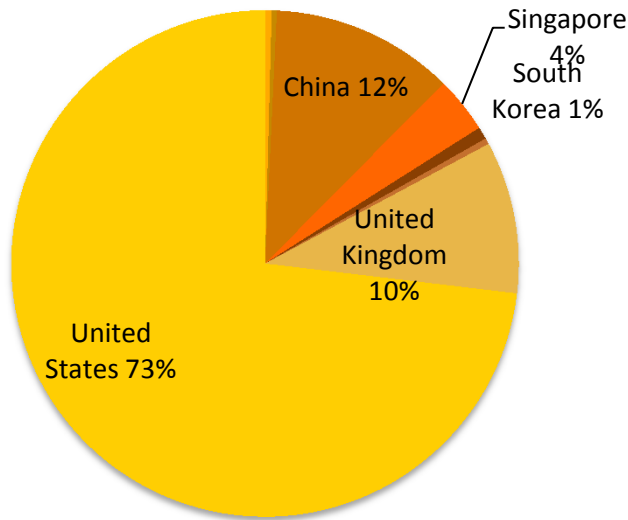


73% of all bitcoin VC \$s have been invested in North America to date, but only 63% of the companies are based there

Source: CoinDesk, Dow Jones VentureSource, VentureScanner.com

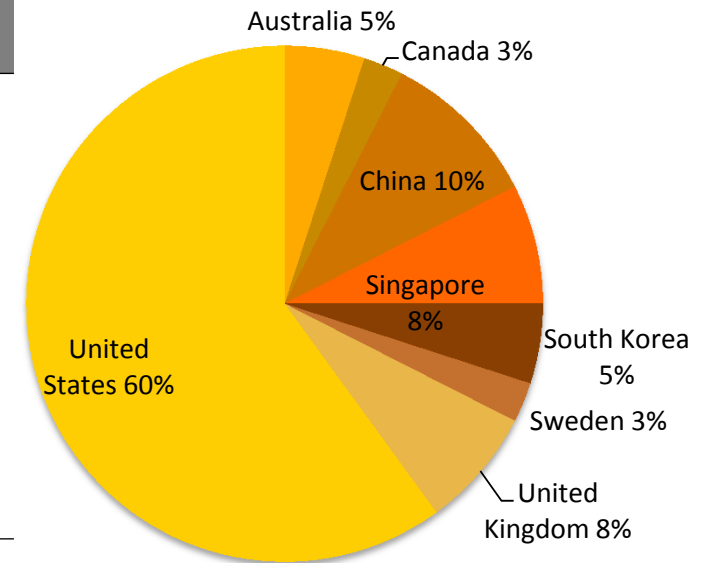
US Continues to Dominate Bitcoin VC Investment

\$ Invested



Countries	Value (\$m)	No. of companies
Australia	0.7	2
Canada	0.5	1
China	18.0	4
Singapore	5.5	3
South Korea	1.2	2
Sweden	0.6	1
United Kingdom	15.0	3
United States	112.8	24
Total	\$154.3	40

No. of Companies

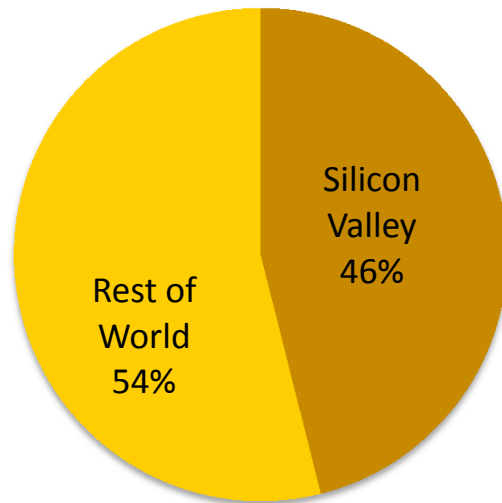


Greatest number of VC-backed bitcoin companies are in the US and China; 60% of all bitcoin VC investment is in the US

Source: CoinDesk, Dow Jones VentureSource, VentureScanner.com

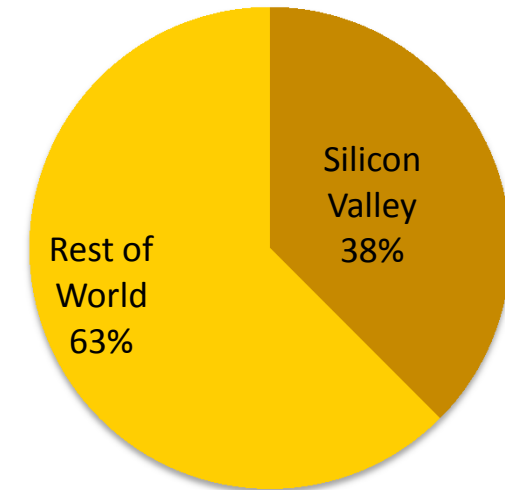
Silicon Valley vs Rest of the World

\$ Invested



Tech hub concentration	Value (\$m)	No. of companies
Silicon Valley	71.1	15
Rest of World	83.2	25
Total	\$154.3	40

No. of Companies



63% of VC-backed bitcoin companies are based outside Silicon Valley with 54% of all funding in total

Source: CoinDesk, Dow Jones VentureSource, VentureScanner.com

VC Opinions on What Bitcoin Needs to Grow



“ We’ve got to flush out all the has-beens and also-rans. There’s a bunch of amateur-hour bullshit in the bitcoin ecosystem. They will get replaced by a more systematic approach to problem-solving, the right checks and balances, the right regulatory participation. ”

Chamath Palihapitiya
The Social+Capital Partnership



“ If digital currency was to become pervasive, we need exchanges based in New York and London that institutional capital can use and financial instruments can be created upon. Also, as the bitcoin protocol develops, you need a Red Hat-like company that takes on the open-source protocol and starts to provide services and tools around it, so it can be used in commercial settings more robustly. ”

Hemant Taneja
General Catalyst Partners

Source: CoinDesk, CoinSummit

Bitcoin Companies Can be Grouped into Six Categories

Payment processors



Mining hardware



Financial services



Exchanges



最专业的比特币交易平台



Wallets



Universal



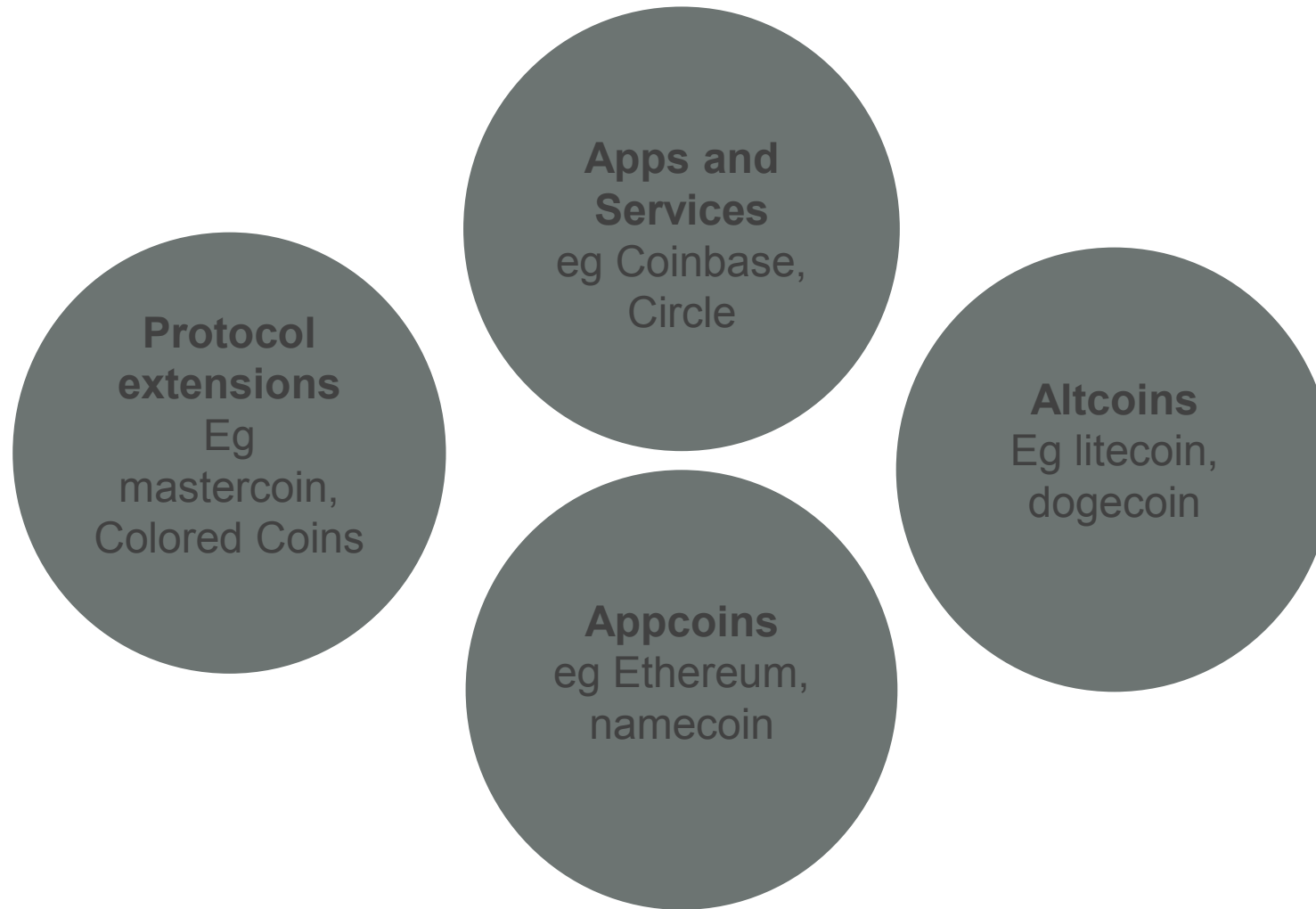
Sector Distribution of Bitcoin VC Investment



*Largest VC investment in Universals and Exchanges;
Mining hardware has only received 8% but has over \$200m in sales*

Source: CoinDesk, Dow Jones VentureSource, VentureScanner.com

The Broader Bitcoin-Related Ecosystem Can be Grouped into Four Categories



Source: Chris Dixon

What VCs are Saying About Bitcoin vs Altcoins



“To me, [bitcoin apps, services and protocol extensions] are probably the most interesting. If there is one thing we’ve learned from the development of Internet protocols like HTTP and SMTP, it’s that network adoption is key. There will always be better protocols, but the combination of broad adoption and open extensibility generally wins.”

Chris Dixon
Andreessen Horowitz



“Trust is key to bitcoin growth. Don’t underestimate the network effect. The only thing that will disrupt this network effect is if trust is lost. If that happens, it will affect all cryptocurrencies for a while.”

Meyer Malka
Ribbit Capital

Source: Chris Dixon, CoinSummit

Commerce

Approx. 60,000 Merchants Now Accept Bitcoin, the Vast Majority of Which are Online Businesses

TigerDirect.com



overstock.com[®]

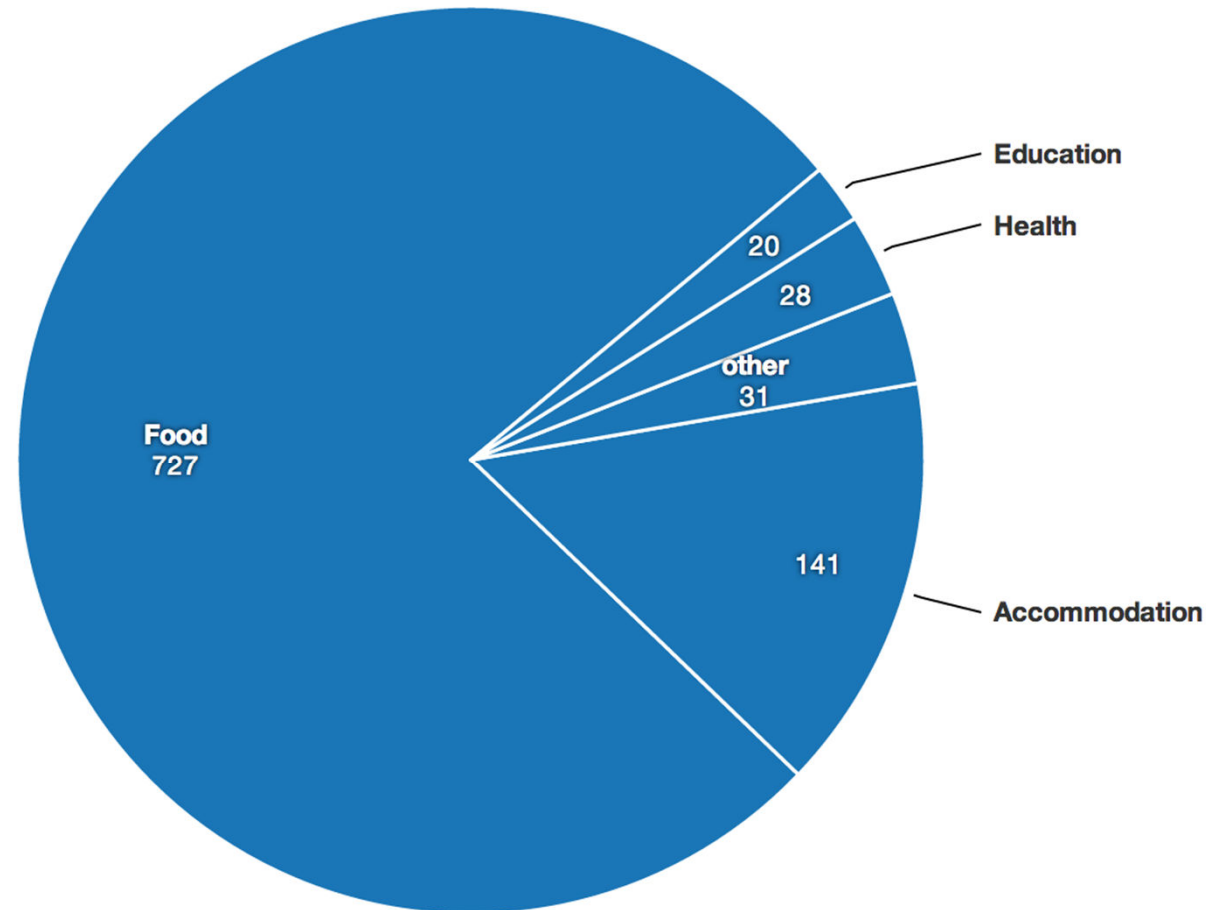


Square



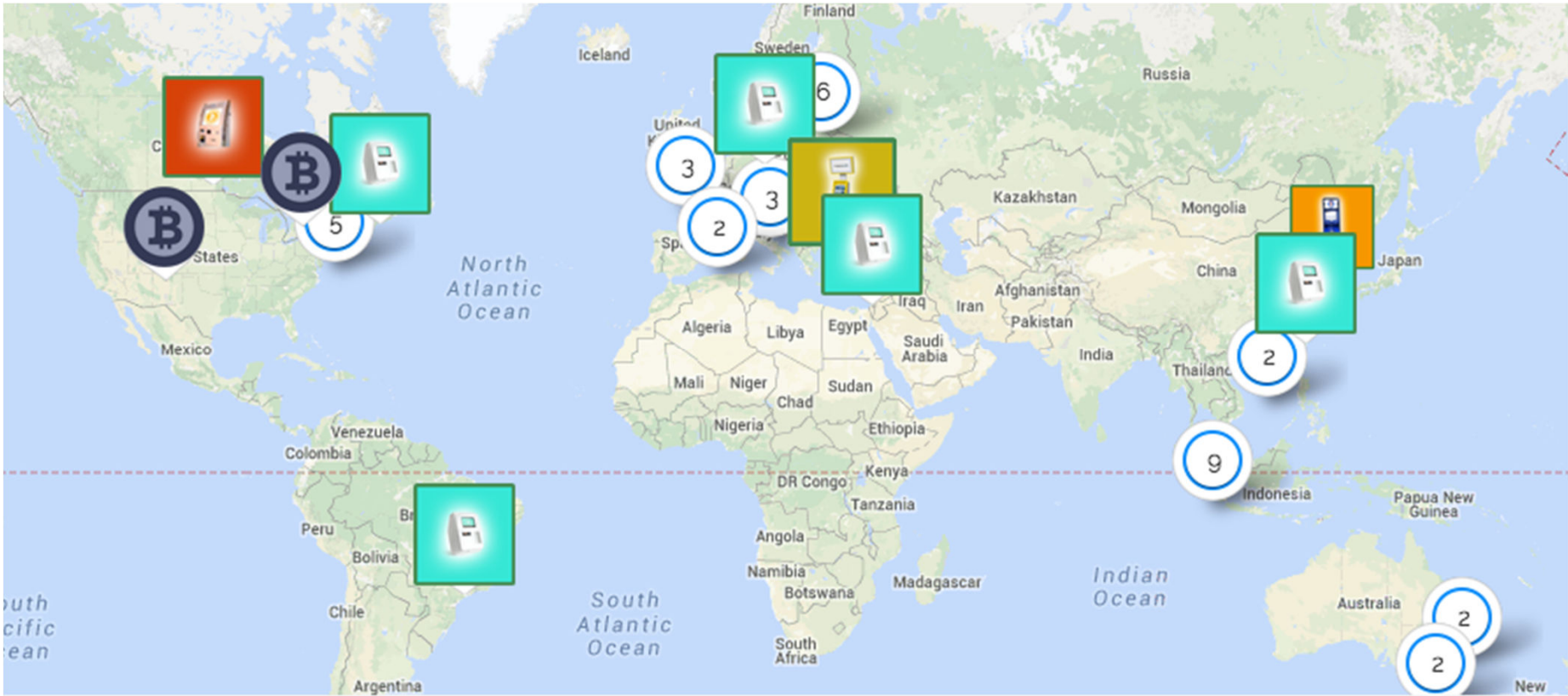
Source: Coinbase and BitPay

Food Establishments are the Most Common Type of Offline Bitcoin-Accepting Business



Source: CoinMap.org April 2014 (excludes uncategorized merchants). Chart created with DataWrapper.

Bitcoin ATM Deployments Gained Pace in Q1 2014



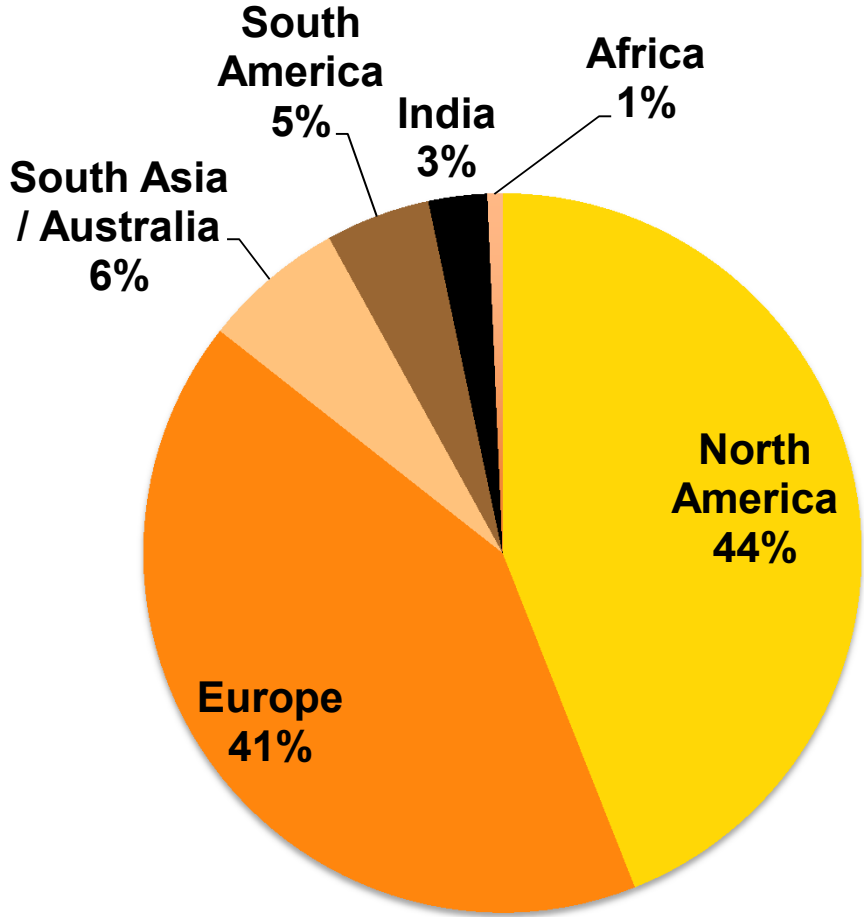
Source: Bitcoinatmm.com

ATMs are Making Bitcoin More Accessible



Source: Tomas Forgac, CoinDesk

Regions Least in Need of Bitcoin Have the Largest Share of Bitcoin-Accepting Businesses



<u>Region</u>	<u>Businesses</u>
North America	1,563
Europe	1,478
South Asia / Australia	227
South America	167
India	94
Africa	24

Source: CoinMap.org 18 Mar 2014

As the Developing World Leapfrogged Landlines ...

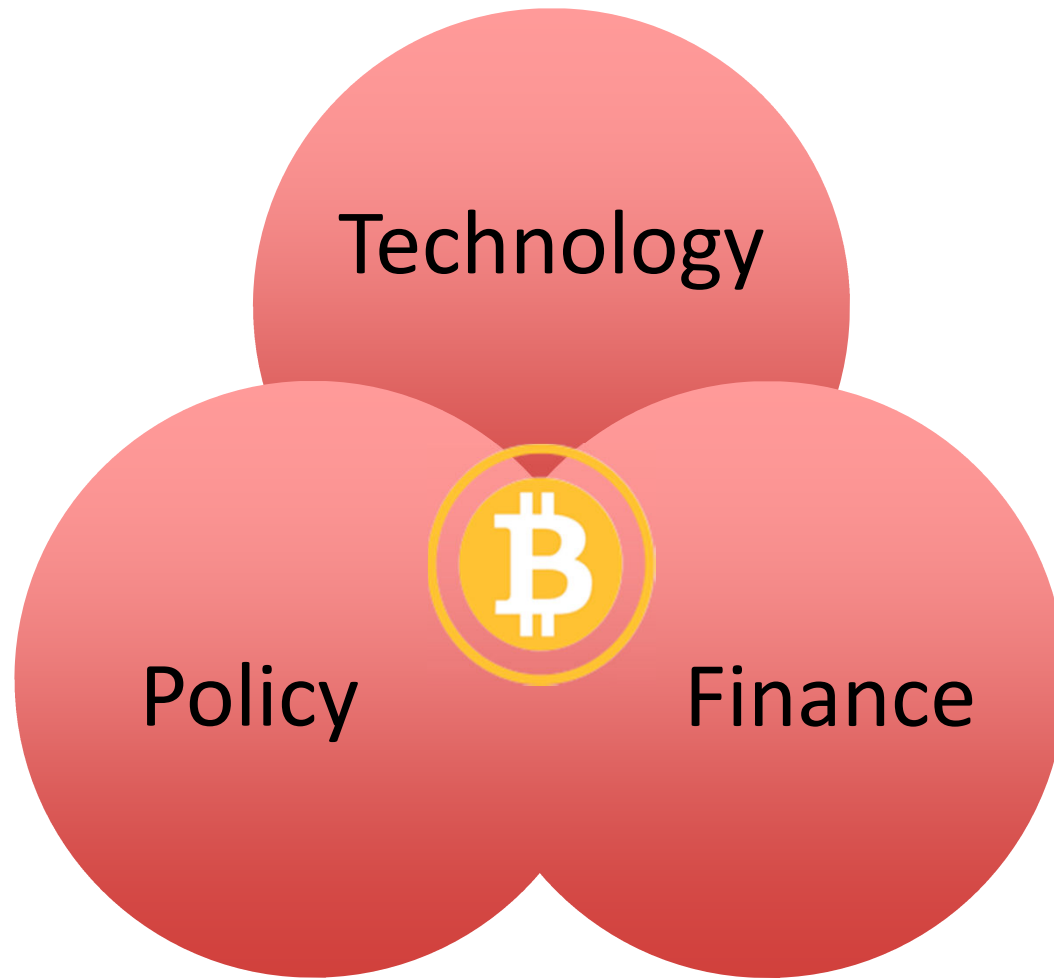


... bitcoin may help it leapfrog credit cards

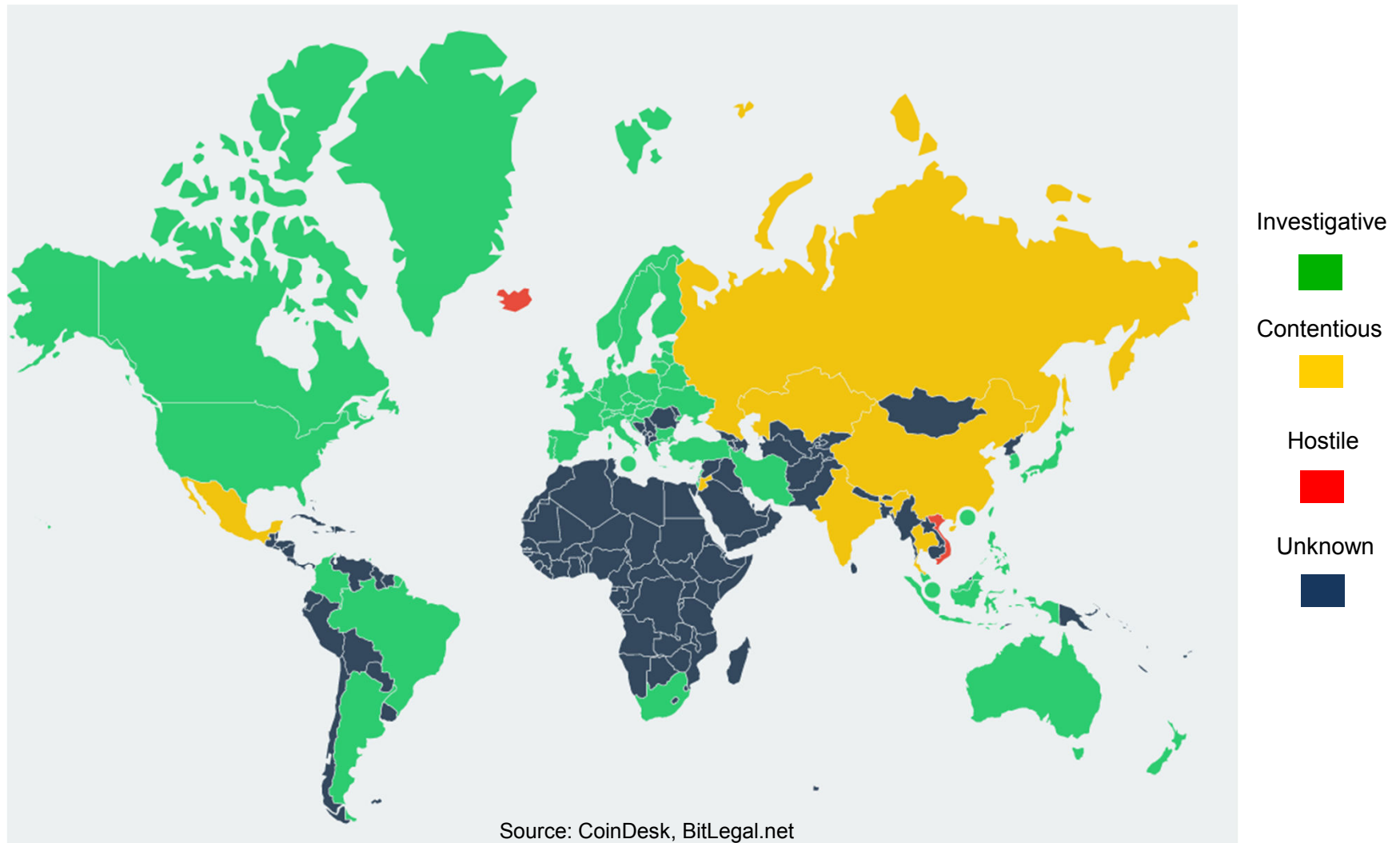
Due to lack of credit cards, approximately 65% and 35% of all e-commerce in China and India respectively is conducted with cash

Regulation and Macro

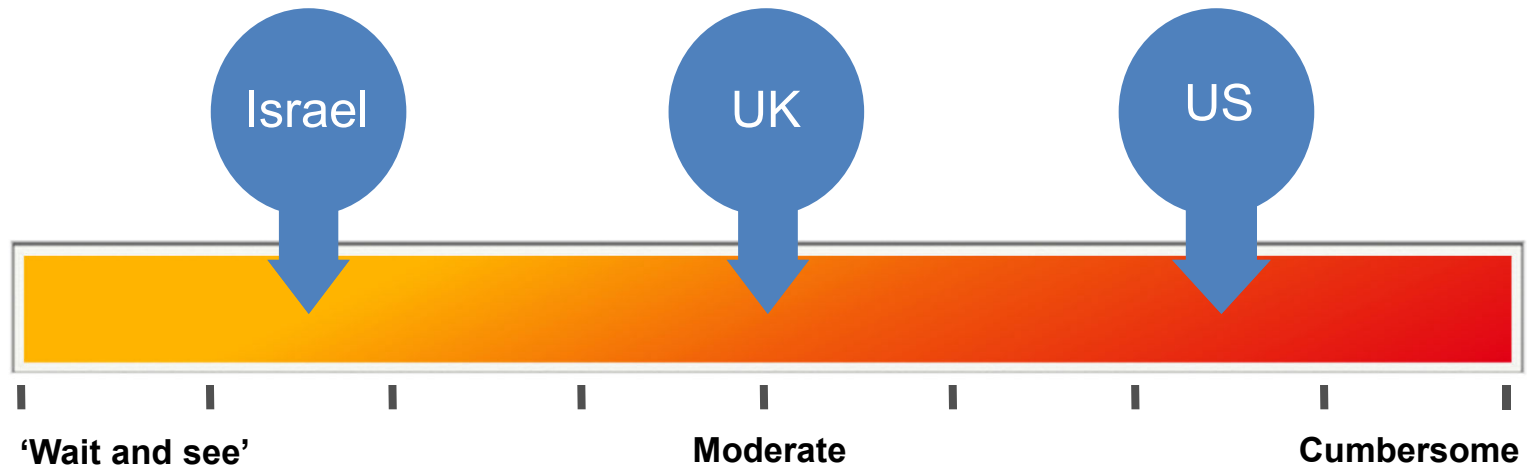
Bitcoin is at the Center of a Three-Way Intersection



Only 12% of 73 Countries Which Have Taken Bitcoin Regulatory Action are 'Hostile' or 'Contentious'

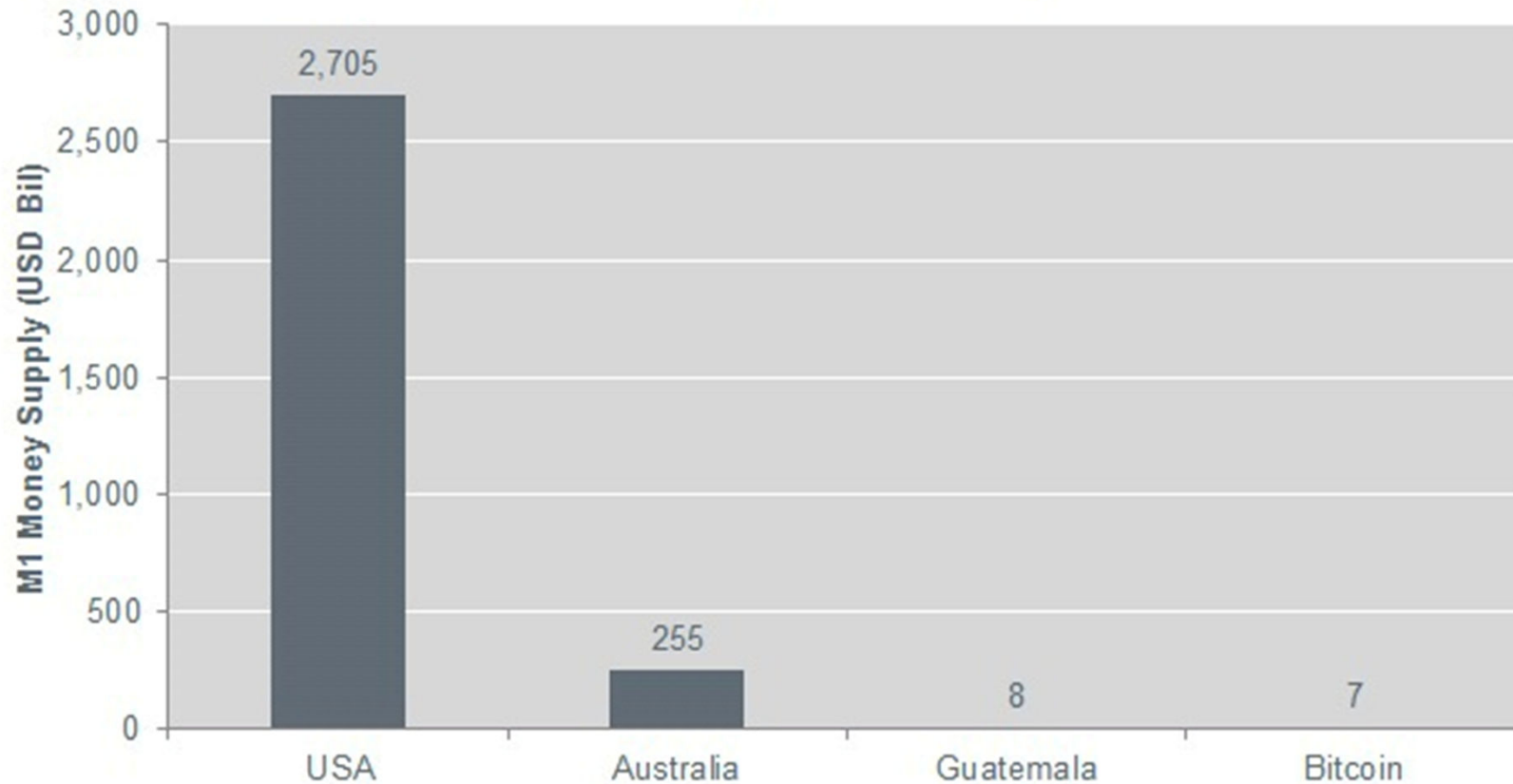


Like Regulation, the Tax Treatment of Bitcoin is a Mixed and Fluid Picture



Source: CoinDesk

Bitcoin May Seem Small Compared to the US Dollar and Other Major National Currencies ...



Source: Fitch, Federal Reserve, Reserve Bank of Australia, Banco de Guatemala, blockchain.info, CoinDesk.com

... But 100 Countries Have a Smaller Money Supply (M1) Than Bitcoin

86	Panama	\$7,685,000,000.00
87	Cote d'Ivoire	\$7,525,000,000.00
88	Bolivia	\$7,320,000,000.00
89	Trinidad and Tobago	\$6,222,000,000.00
90	Bitcoin	\$6,155,308,847.00
91	Afghanistan	\$5,928,000,000.00
92	Sudan	\$5,853,000,000.00
93	Macau	\$5,849,000,000.00
94	Uzbekistan	\$5,841,000,000.00
95	Serbia	\$5,790,000,000.00
96	Ghana	\$5,771,000,000.00
97	Uruguay	\$5,320,000,000.00
98	Papua New Guinea	\$5,301,000,000.00
99	Malta	\$5,271,000,000.00
100	Yemen	\$5,142,000,000.00

Source: Coinometrics 24 April 2014

Over 70 Countries Have Currencies Which are a Relatively Poor Store of Value (>5% Annual Inflation)

Top 10 countries with highest inflation

Rank	Country	Annual Inflation (%)
1	South Sudan	79.0
2	Belarus	59.1
3	Venezuela*	56.2
4	Syria	37.0
5	Sudan	31.9
6	Iran	27.1
7	Argentina	25.3
8	Ethiopia	23.4
9	Malawi	21.4
10	Burundi	18.0

Volatility that can go in both directions (eg bitcoin) may be better for some than one-way volatility (eg some national currencies)

Source: Source: CIA Factbook.*All dates for 2012 except Venezuela which is for 2013.

Appendix - CoinDesk

- Find out more at www.coindesk.com
- Follow us on Twitter: [@coindesk](https://twitter.com/coindesk)
- Subscribe to our daily email newsletters for the latest digital currency news
- If you have data you think should be included in future State of Bitcoin reports, email stateofbitcoin@coindesk.com
- We also welcome any feedback you have on the report



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