

March 31, 2020



Crypto exchange Binance acquires CoinMarketCap for up to \$400m

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Transaction Overview

On March 31, 2020, Binance announced the acquisition of CoinMarketCap for [\\$400m](#) in crypto asset BNB and stock.

Target Description

CoinMarketCap, is an industry leading market data aggregation platform listing relevant crypto-coins price, available supply, trade volume, and market capitalization.

CoinMarketCap was founded by the enigmatic Brandon Chez in April 2013. The company has approximately 40 employees and Forbes estimated in Mid-2019 that the business generates between [\\$20m- \\$30m](#) in annual ad revenue. It competes with Messari, CoinMetrics, CoinGecko, Glassnode, CryptoCompare, and others. To date, CoinMarketCap has not raised outside funding.

Buyer Description

Binance is a global cryptocurrency exchange with over [15m](#) users and an average of [\\$2.85b](#) daily trading volume, making it the largest cryptocurrency exchange by volume in the [world](#).

Binance, previously Fusion Systems, was founded by CEO Changpeng Zhao in 2005 in Shanghai, China. Binance was eventually forced to relocate to Japan due to the Chinese government ban on cryptocurrency trading in September 2017. Eventually, due to increasingly strict regulations in Japan, Binance headquartered in Malta in 2018 and has remained there since.

Transaction Parameters

Binance acquired CoinMarketCap for an estimated value of approximately [\\$400mm](#), which will be paid in some combination of cash, Binance tokens (BNB), and equity. The transaction closed on March 31, 2020.

Consideration / Estimated Revenue

13.3x – 20.0x

Somewhat comparable acquisitions include eToro’s acquisition of Delta (rumored for \$5mm, “hundreds of thousands” MAU) in 2019, Acana Capital acquisition of Blockchain Technology Group in 2017, Bloq’s acquisition of Skry in 2017, and Bitmain’s acquisition of BlockTrail in 2016.

Strategic Rationale

Binance seeks to expand their crypto trading market share through applications and tools which engage users beyond trading activities. CoinMarketCap enjoys an audience of approximately 36 million active monthly users which is approximately 50% higher than Binance. Binance can use CoinMarketCap to reach existing clients and potential new client and act as a lead generation platform for their crypto trading exchange.

Architect Partners’ Observations

The valuation in this instance is quite high with the implied consideration to revenue multiple of between 13.3x and 20.0x estimated revenue. For context, Facebook and Google have ratios of 5.8x and 4.1x, respectively and have a dominant position in advertising revenue-based publishing.

Binance reportedly used it’s BNB token as a form of consideration for the acquisition of CoinMarketCap. While the details are not known, this may be the first M&A transaction of scale where a crypto asset was used as a material form of consideration paid. Also of note, it’s important to recognize that reported valuation of this transaction assumes a valuation of Binance equity which may not represent what an uninterested third party would be willing to pay. Transactions between two private companies make determining a valuation challenging at times.

Data quality and accuracy has been a problem plaguing the crypto asset trading market. According to a [Bitwise’s report](#), published by the SEC, data reported on Bitcoin trading volume was routinely overstated and even pricing data has been suspect. Data aggregators such as CoinMarketCap can show price differences on coins of several hundred dollars between exchanges. The reason for these apparent market inefficiencies is due to crypto exchanges faking their volumes, with reported daily volumes at \$6B and actual volumes being closer to \$273mm or 4.5% of reported data.

Sources

[Binance](#)
[The Block](#)
[Forbes](#)
[Binance](#)
[Bitwise Report](#)