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Target:  CURV

Buyer:  PayPal

PayPal has announced the acquisition of institutional-grade crypto asset custodial wallet provider, Curv.

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Transaction Overview

On March 8th, 2021 PayPal (NASDAQ: PYPL) announced the acquisition of Curv for a reported “nearly \$200mm” according to Decrypt. This transaction represents PayPal’s first acquisition in the crypto sector.

Target: Curv

Curv helps crypto exchanges, brokers fund managers, banks and payments businesses protect crypto assets. They currently offer three solutions around digital assets storage and protection; 1) a cloud based digital asset wallet that, 2) a keyless cryptograph security solution that allows clients to designate fine-grained policy and wallet access authority and 3) an institutional-grade DeFi wallet solution tailored towards institutional clients allowing for the same level of protection as Curv’s digital asset wallet.

Curv competes with other digital asset custodial wallets such as Anchorage, BitGo, Trustology, Coinbase Custody, Ledger, Gnosis Safe, Fireblocks, and Bakkt.

Israel-based Curv was founded in 2018 by Itay Malinger (CEO) and Dan Yadlin (CTO), with the goal of eliminating the single point of failure within blockchain introduced by private keys. To date, Curv has raised \$37mm in funding from strategic investors Coinbase Ventures, Commerz (Stefan Tirtey), Monex Group, and venture capital firms Team8 (Nadav Zafrir), Digital Currency Group (Travis Scher), Jump Capital, and Flybridge Capital Partners. Upon acquisition, Curv had approximately 40 employees.

Buyer: PayPal

Founded in 1998, Palo Alto based PayPal revolutionized the payments world through their global online payment solutions. Today PayPal has an enterprise value of \$317 billion and annual revenues of \$21 billion (15.1x EV/TTM revenues).

After several years of consideration, in October 2020, PayPal launched the capabilities to allow their 377 million total active users to buy and sell Bitcoin which is enabled via a partnership with Paxos. PayPal’s venture arm has been invested in crypto companies such as Paxos, TRM Labs, and Cambridge Blockchain since mid 2019. PayPal and Curv have gotten to know each other over the year prior to the announcement of this transaction.

Transaction Parameters

PayPal is acquiring Curv for nearly \$200mm according to DeCrypt.

For context, this transaction is one of the first material acquisitions by a legitimate non-crypto public company. Others have included SBI Financial | B2C2, The Carlyle Group | Calastone and Actuant | IdentityMind. We call these “Bridge Transactions” as opposed to “Intra-Crypto Sector Transactions”.

Comparable crypto asset wallet and custody M&A transactions include Coinbase | Xapo (\$68mm), Coinbase | Astro Wallet, Genesis | Volt, Binance | Swipe, Coinsquare | Cryptiv, and Binance | Trustwallet

Strategic Rationale

This transaction is all about securely managing access and use of crypto asset wallets.

Today, PayPal already manages approximately 350 million and 30 million fiat-based digital wallets for consumers and merchants, respectively. As PayPal moves into crypto assets, managing crypto wallet access and security poses new challenges. First, crypto wallets inherently have a different access and transaction authorization security model than PayPal’s fiat wallets. Second, over time, it’s likely that the value of the crypto assets within the PayPal crypto wallets will be far larger than typically held in a PayPal fiat digital wallet, creating larger loss exposures. Curv brings PayPal the ability to safely secure access to crypto wallets with fine grained access policies and capabilities. This capability is table stakes for any organization building a crypto investment or payments business.

Architect Partners’ Observations

PayPal certainly isn’t the only large financial services and payment provider moving into Crypto. In February, one of the largest legacy financial players, Intercontinental Exchange (ICE), elected to contribute its crypto business efforts, Bakkt to a merger with a special purpose acquisition corporation, valuing the business at \$2 billion which has since risen to \$3 billion in aftermarket trading.

Architect Partners has observed an increasing number of strategic investments within the crypto sector that “bridges” the gap between traditional financial services and the new emerging financial system. This transaction is only the very beginning of the merging of the traditional fiat world with the emerging crypto market as part of the theme we call “The New Financial System”.

Sources

[AP Crypto M&A Tracker](#)

[AP Crypto Public Comparables Analysis](#)
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[Coindesk](#)
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[Curv](#)