

# AP INSIGHTS | M&A ALERT

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Target: **GK8**

Buyer:  galaxy

## Galaxy Digital's acquisition of GK8

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### Transaction Overview

On December 3rd, 2022, Galaxy Digital (TSE: GLXY) [announced](#) the acquisition of the digital asset custodian, GK8 from the Celsius Bankruptcy proceedings for \$44 million.

### Target: GK8

GK8 is a digital asset custodian that works with banks, crypto exchanges, central bank digital currency (CBDC) projects, and other financial institutions to manage and safeguard digital assets. GK8's technology provides secured cold wallets with hot wallet functionalities, which enables financial institutions to execute the entire cryptocurrency digital asset management process without the need for an internet connection. Cold wallets, which store cryptocurrencies and are not connected to the internet, can be significantly more secure than hot wallets, which are connected to the internet and are vulnerable to online attacks.

GK8 offers an "air-gapped vault" that sends transactions via blockchains while also being completely offline. GK8 competes closest with a large number of cryptocurrency custodians and custody technology businesses such as Trustology (Bitpanda Custody), Etana, Coinbase Custody, Genesis Custody, Digivault, Fireblocks, Gemini, Copper, and BitGo.

GK8 was founded in Tel Aviv, Israel in 2018 by CEO Lior Lamesh and CTO Shahar Shamai, who previously worked as cybersecurity experts in the Office of the Prime Minister of Israel. The firm currently has 40 employees.

GK8 was previously acquired by Celsius in November 2021 for \$115M (see our M&A alert [here](#)). Celsius filed for bankruptcy in July 2022. Proceeding the filing, the GK8 assets of Celsius were placed into a formal sale process, initially with a final bid deadline of September 2022, but subsequently pushed back to December 2022.

GK8 raised \$4M in its seed round, before raising another \$8M in its Series A funding round in October 2020. Some of GK8's investors included Eden Block, IN Venture, Discount Capital, the Israel Innovation Authority, and IN Venture.

### Buyer: Galaxy Digital (TSE: GLXY)

Galaxy Digital Holdings Ltd. is a Toronto Stock Exchange (TSE) listed financial services and investment management firm in the digital asset, cryptocurrency, and blockchain technology sectors. It operates five business lines: digital asset trading, asset management, principal investments, investment banking, and crypto mining.

They have acquired two other crypto companies previously, Bitcoin-backed lending company DrawBridge Capital, and crypto liquidity provider Blue Fire Capital. They had previously announced the acquisition of BitGo in May 2021 for \$1.2B, however, that transaction was terminated in August 2022.

Galaxy Digital was founded in New York in 2018 by previous Goldman Sachs partner Michael Novogratz. The firm has a current market cap of \$1.1B, down over 90% from its \$10.8B market cap in November 2021. The company currently has an enterprise value of \$460M. Galaxy Digital's share price has fallen over 80% YTD.

### Transaction Parameters

Galaxy Digital acquired GK8 for an aggregate amount of \$44M less any current account payable obligations. The sale is subject to court approvals and other closing conditions, which will take place in a sale hearing on December 8th, 2022. The sale process for GK8 followed the Celsius bankruptcy filing in July 2022.

Comparable crypto asset custodian transactions include Bitpanda | Trustology (ND, [M&A Alert](#)), the terminated transaction of Galaxy Digital | BitGo (\$1.2B, [M&A Alert](#)), Celsius | GK8 (\$115mm, [M&A Alert](#)), Genesis | Vo1t (ND), PayPal | Curv (~\$200mm, [M&A Alert](#)), Voyager Digital | Ethos.io (\$4mm), Binance | Trust Wallet (ND), Coinbase | Abacon Technology Solution (ND), and Coinbase | Xapo (\$55mm).

### Strategic Rationale

Despite their previous acquisition of BitGo falling through, the need for custody remains critical. GK8 will enable Celsius to offer an institutional-grade digital asset custody platform to all of their clients. At present, this is not a capability that Galaxy is able to offer clients.

### Architect Partners' Observations

Security and regulatory compliance are key themes driving M&A transactions in the crypto sector. Solutions like GK8 are essential to allow institutional investors the ability to securely manage and protect crypto asset balances and is a foundational regulatory requirement whenever institutional investors are managing third-party funds. Galaxy Digital serves as an execution platform for institutional investors and owning a custody solution allows them to maintain client "control" vs. using a partner provider who, in almost all cases, have aspirations to eventually compete with Galaxy by offering their own execution capabilities.

### Sources

[Galaxy Digital Website](#), [GK8 Website](#), [Court Filing](#), [AP Insights](#), [Pitchbook](#), [Press Release](#)