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PERSPECTIVES by Eric F. Risley

Protocol M&A is rapidly maturing.

A protocol's success is measured by attracting, scaling and retaining users, no different than a traditional company and its products and services. While perhaps a bit more "organic" in design (sometimes), the leadership of a protocol thinks and acts much like traditional founders and management.

Why acquire? We see M&A as a manifestation of corporate (and now protocol) strategy. For early and mid-stage businesses and protocols, the most frequent drivers are in increasing order of value:

- Attract talent
- Acquire technology
- Access to capital
- Combine efforts with a competitor
- Acquire complementary products or capabilities
- Acquire active users

Increasingly we see protocol mergers and acquisitions as part of the strategy tool set. A perfect existence proof is the open-source software movement. Over the past two decades, a similar dynamic emerged in the open-source software market. In fact, this also signals what will eventually become another form of transaction, a corporate entity acquiring a protocol. It will take time, but think MySQL being acquired by Sun or GitHub being acquired by Microsoft.

By our count, this week, the world's 5th protocol merger was announced. Osmosis and Umee, both decentralized finance protocols, announced the intention to merge efforts, both of which share a commitment to the Cosmos ecosystem.

Final thought, we'd argue that most "protocols" are better described as open-source projects. Strictly speaking, a protocol is a set of rules governing interactions between computers or people. Certainly, every crypto project uses protocols but virtually all are building software that "does something useful" for a user on top of the protocol(s). In our view, that should have a different designation. Some may use open source projects, some may use dApp, and some may simply use "software, product or service that does [   ]", but all are better than the term protocol.

RECENT CRYPTO M&A TRANSACTIONS (click here for full AP M&A Tracker)

Target	Acquirer	Transaction Summary	AP M&A Alert
StealthTest	Hashlock.	**Transaction Value:** Not Disclosed **Rationale:** Expand user base and NFT technology **Sector:** Developer Tools & Infrastructure **Target Description:** API based web-3 developer platform also offering Testnets.	⭕
PayDay	Bitmama	**Transaction Value:** $1M Stock **Rationale:** Increase social gaming within ecosystem **Sector:** Payments Infrastructure **Target Description:** Virtual Card Service provider and payments provider focusing on Africa with over 700k users.	⭕
OSMOSIS / umee		**Transaction Value:** Not Disclosed **Rationale:** Larger platform and product offering **Sector:** DApp: Investing & Trading **Target Description:** Largest Cosmos-based decentralized lending protocol and largest decentralized exchange.	⭕
Altify / revix coinpanion BitFund		**Transaction Value:** Not Disclosed **Rationale:** Offer a comprehensive investment platform for South African retail users **Sector:** Brokers & Exchanges **Target Description:** Creation of South African alternative investment platform.	⭕

OVERALL CRYPTO M&A ACTIVITY LEVELS

Past Five Years

Number of Transactions by Calendar Year: 2016: 18, 2017: 33, 2018: 60, 2019: 58, 2020: 59, 2021: 174, 2022: 203, 2023 YTD: 143

Past 52 Weeks

Number of Transactions Per Week over the past 52 Weeks.