

July 8th - July 14th

PERSPECTIVES by Eric F. Risley







While micro-scaled, small M&A transactions can offer informative M&A market signals when reasonably complete information is disclosed.

This week DeFi Technologies (“DeFi Tech”) (**CBOE CA: DEFI**) (**GR: R9B**) (**OTC: DEFTF**), a Canadian publicly traded company announced the execution of a letter of intent to acquire Stillman Digital (“Stillman”). Stillman Digital offers crypto asset liquidity and fiat<>crypto<>fiat onboarding and offboarding services to large institutional and high-net-worth investors, both as a principal and agent. Given that DeFi Technologies is publicly-traded, information disclosure requirements all us to better understand the acquirer and the business being acquired.

First, the consideration paid by DeFi Tech to Stillman shareholders is 100% common stock. This is not unusual, however, we generally characterize accepting buyer equity in consideration as “buying rather than selling”. In other words, Stillman shareholders are exchanging the risks and rewards of their own business for those of the acquirer, in this case DeFi Tech. Again, not necessarily a bad fact, but this is practically not an “exit” for Stillman shareholders. This is further reinforced by the transaction structure where 40% of the consideration is held back to be released over the course of a year.

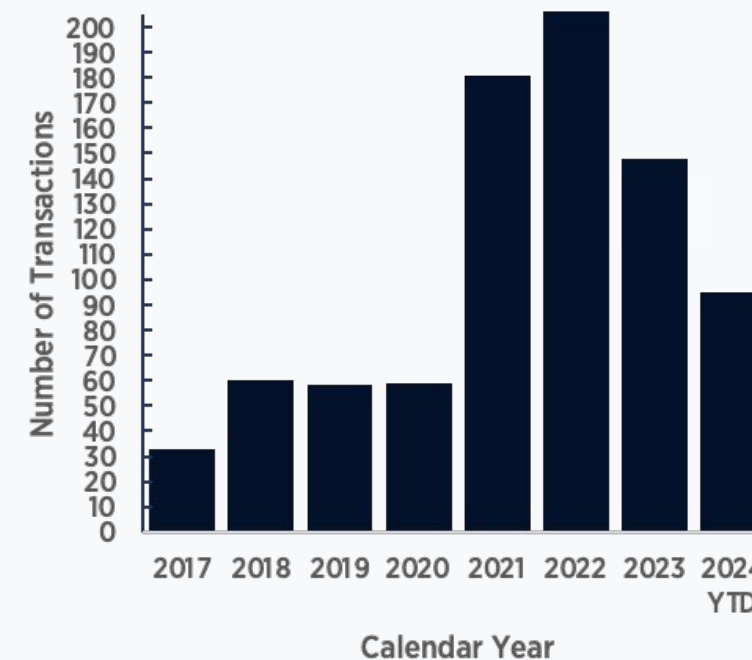
Second, the value of consideration always requires context to allow a proper assessment of what we often refer to in shorthand as “valuation”. It’s a bit confusing as valuation can be considered the headline consideration paid number, in this case, a micro-scaled \$3.1M. However, we think in terms of relative value, that is considering the consideration paid relative to the key metrics of the business being acquired. In this case, analyzing the disclosed operating data disclosed of Stillman, it appears that Q1 2024 revenue was \$1.525M on \$4B of trading volume, or 3.8 Bps. If one were to be generous and calculate annualized revenue off Q1 2024, that’s a \$6.1M run rate. This suggests an equity value / run rate revenue of 0.5x. For context Coinbase and Galaxy Digital trade at 8.7x and 6.3x respectively on a roughly equivalent metric, enterprise value / 2024E revenue.

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

Target	Acquirer	Transaction Summary	AP M&A Alert
		<p>Transaction Value: Not Disclosed Rationale: Not disclosed Sector: Developer Tools & Infrastructure Target Description: Software development company specializing in Web3 solutions.</p>	
		<p>Transaction Value: \$3.1M, Stock, a portion subject to release over one year. Rationale: Expanded product set Sector: Investing & Trading Infrastructure Target Description: Crypto focused trading desk and liquidity provider with over \$15B of volume since inception.</p>	

OVERALL CRYPTO M&A ACTIVITY LEVELS

Past Seven Years



Past 52 Weeks

