

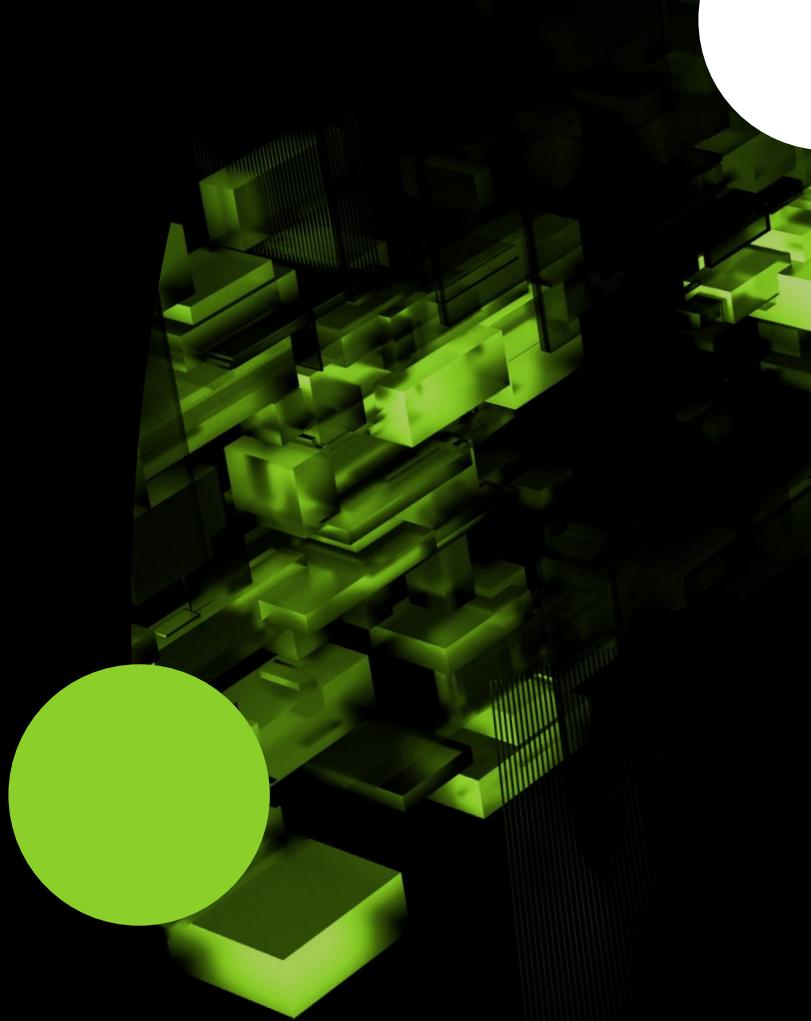
ROCKAWAY X



State of European Crypto Startups

2023

March 2023





Leading crypto & web3 investment firm.

RockawayX has been investing in early-stage crypto companies and token projects since 2018. Based in Europe and investing globally, RockawayX operates across three divisions working together to grow the crypto ecosystem and support its portfolio companies to ship products faster.

1. Investments - long-term venture capital backing for early stage projects and emerging fund managers.
2. Engineering - contributing to the decentralization, security and growth of Web3 projects with dedicated teams covering software development, infrastructure and security audits.
3. Liquidity - a dedicated credit fund providing additional options for borrowing and the provision of on-chain liquidity.



COSMOS



EQUILIBRE
TECHNOLOGIES



ULTIMATE

ackee | blockchain
security

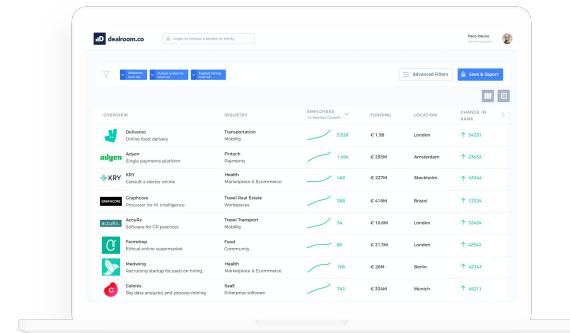


dealroom.co

Global startup & venture capital intelligence platform.

Dealroom.co is the foremost data provider on startup, early-stage and growth company ecosystems in Europe and around the globe.

Founded in Amsterdam in 2013, we now work with many of the world's most prominent investors, entrepreneurs and government organizations to provide transparency, analysis and insights on venture capital activity.



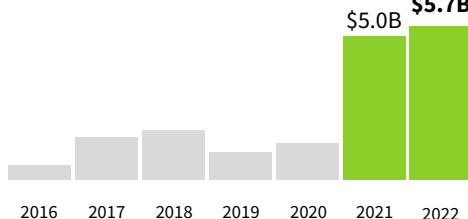
Key takeaways on the state of European crypto startups.

European crypto startups raise record levels of funding in 2022.

European VC investment in crypto startups reached an all-time high of \$5.7B in 2022, while global and US venture funding in the space contracted last year.

European companies accounted for 20% of total global early-stage crypto startup funding. While Europe holds its weight in early-stage company funding, US companies dominated funding rounds of \$100M+.

VC investment in European crypto startups



Source: Dealroom.co.

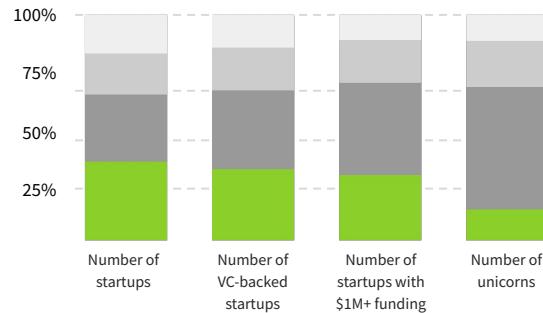
Europe has the largest number of crypto startups.

Europe has the largest number of startups working on blockchain and crypto solutions - more than the US or Asia.

However, along the startup funding journey, the proportion of European startups decreases. As a result, US still leads the number of unicorns created.

Number of crypto startups by HQ location

Europe US Asia Rest of World



Financial Services has received the largest share of VC funding in 2022.

More than half of the total investment in European crypto companies went to projects offering financial products and services, with Centralized Finance (CeFi) attracting \$1.7B and Decentralized Finance (DeFi) accounting for \$1.2B.

The second-most funded segment was blockchain infrastructure at \$1.8B, with Layer1s (\$440M) and developer tools (\$364M) attracting large sums of capital.

Crypto VC investment by sector in Europe (2022)

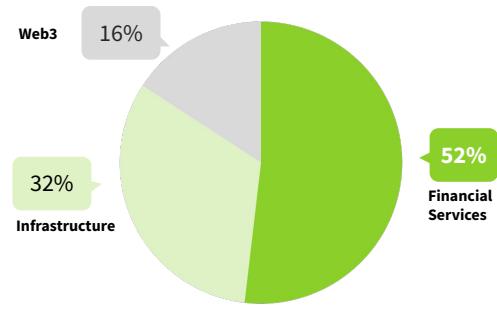


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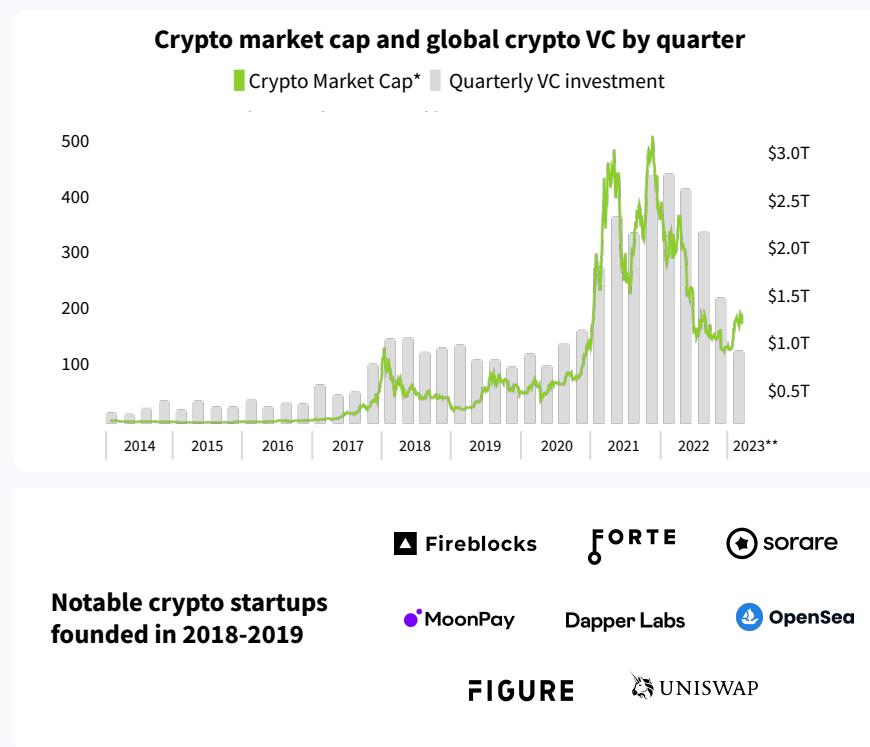
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1

Global VC investment in crypto startups

Historically, counter-cyclical VC funding has been fruitful for investors as digital asset prices recover.



“Every cycle creates new crypto startups and increases VC activity.

“The crypto market has been defined by 4-year cycles. Every cycle brings new developers, who improve blockchain infrastructure and build new applications, which, in turn, supports increased funding to fuel user acquisition.

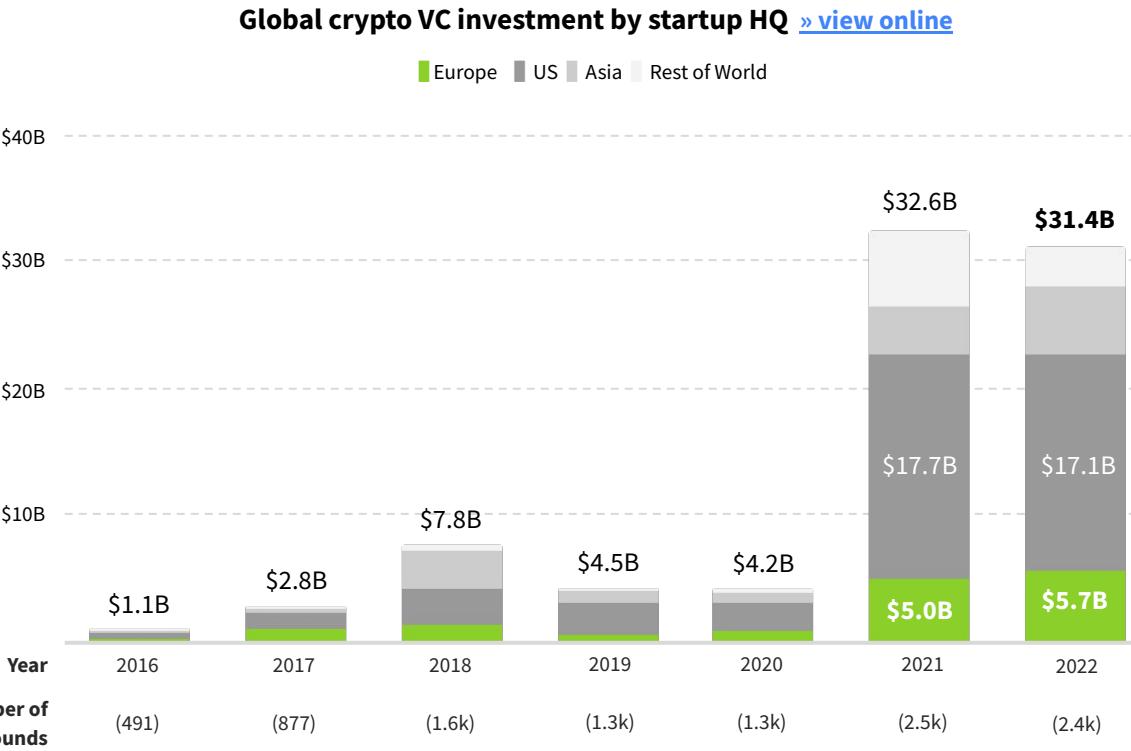
In the past, VC funding remained relatively stable, or even moved counter-cyclically, during crypto price downturns. Investments made when digital asset prices were depressed materialized in tech and usage traction alongside “bull market” price recoveries.

For instance, during the 2018 crypto winter, the total digital asset market cap fell by 80%, but startup funding activity held steady. Many of today's most notable crypto companies were funded and launched in that period.”

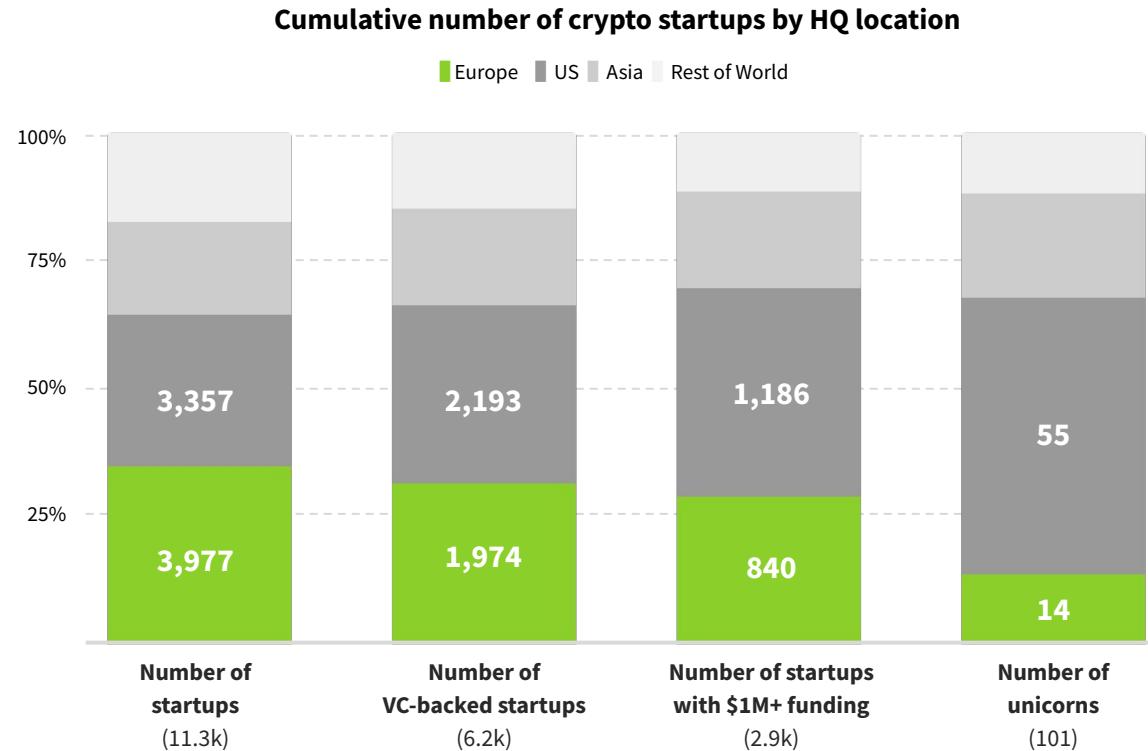
Viktor Fischer
Chief Executive Officer **RockawayX**



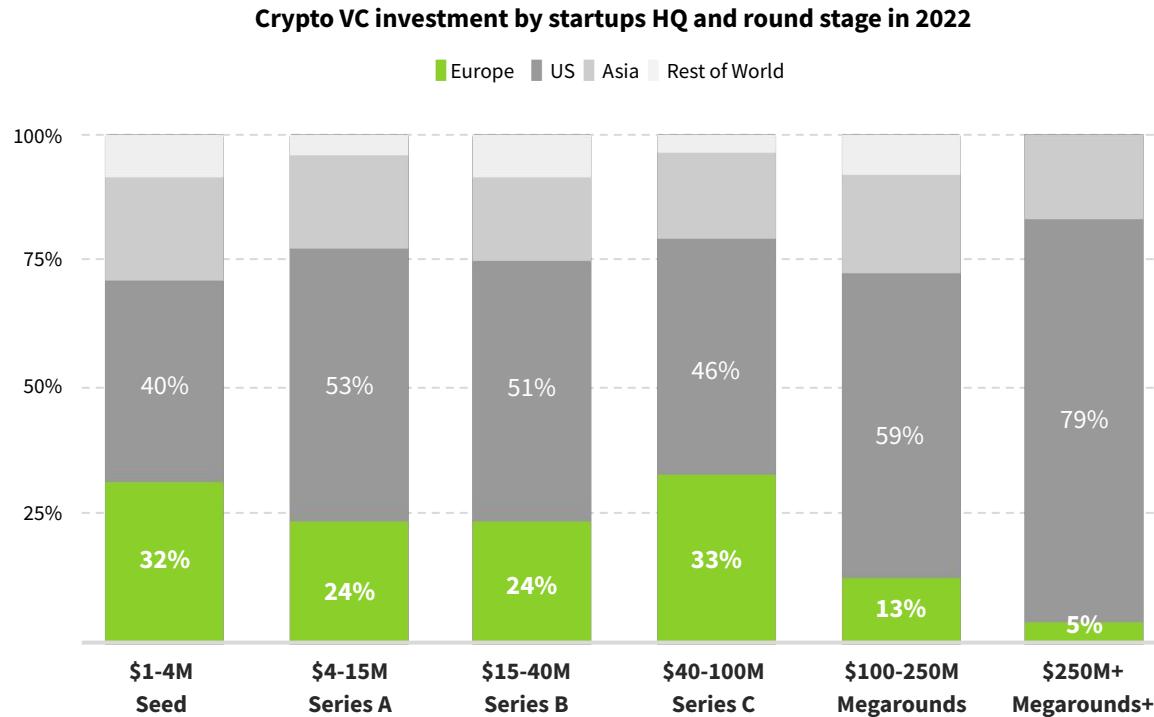
Global crypto VC funding hit \$31.4B in 2022, with \$5.7B of that in Europe.



Europe leads both the US and Asia by number of total crypto startups, but lags behind the US in terms of unicorn creation.



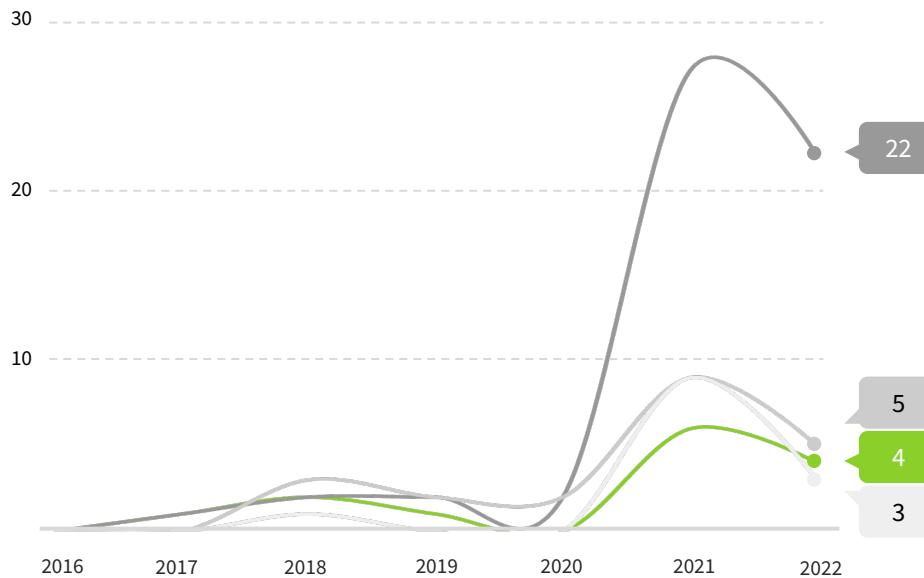
Europe has a high share of global funding in small rounds, but is underweighted at later stages.



Crypto unicorn creation peaked across all geographies in 2021.

New crypto unicorns created by year

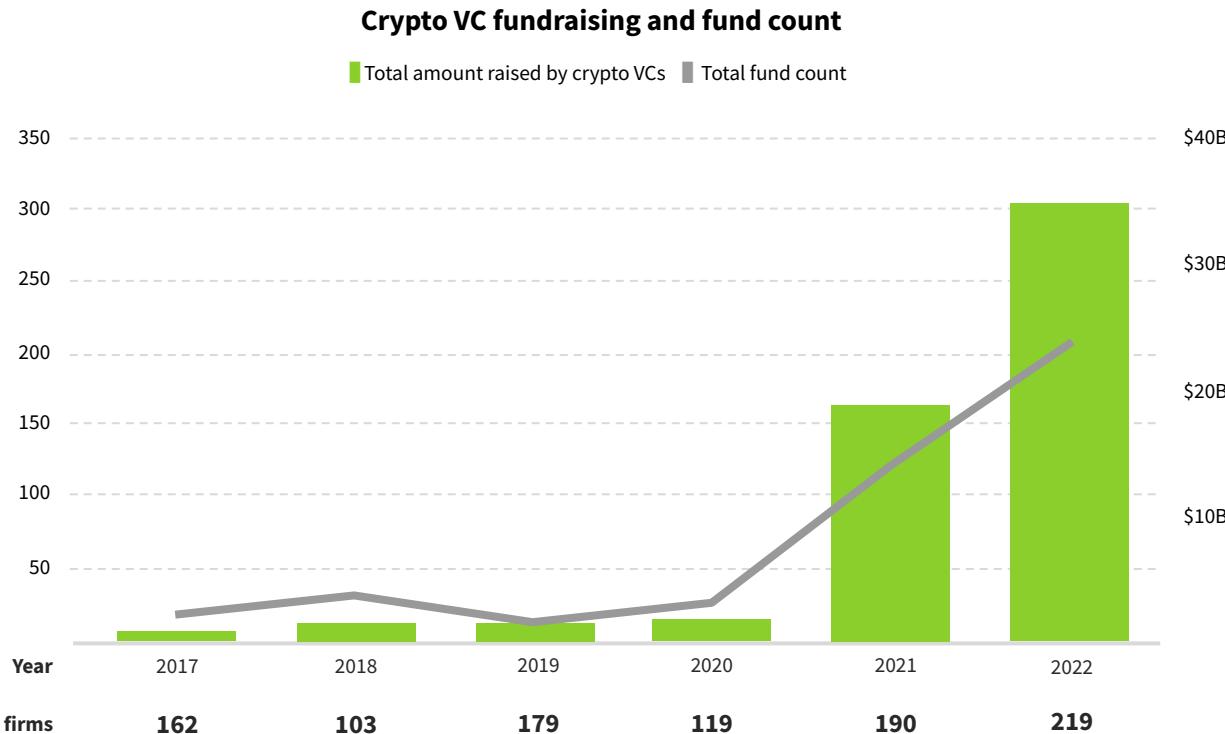
Europe US Asia Rest of World



Selected European crypto unicorns [» view full list](#)

Startup	Latest valuation	Focus
Blockchain.com	\$14.0B	Crypto trading
bitpanda	\$4.1B	Crypto broker
sorare	\$4.3B	Web3 gaming / NFT
copper	\$2.0B	Institutional crypto custody
LEDGER	\$1.5B	Hardware wallet

In 2022, crypto VC funds collectively raised \$35B, accounting for approximately 16% of total VC fundraising.

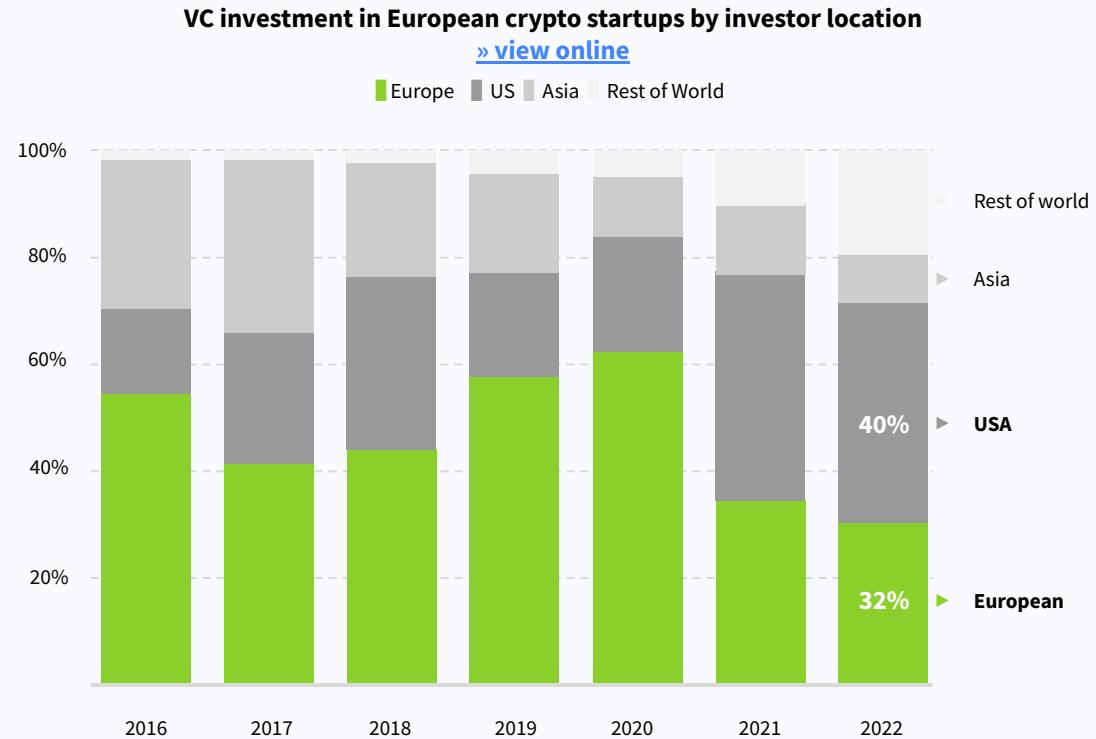


Most of the largest funds were raised by US VCs.

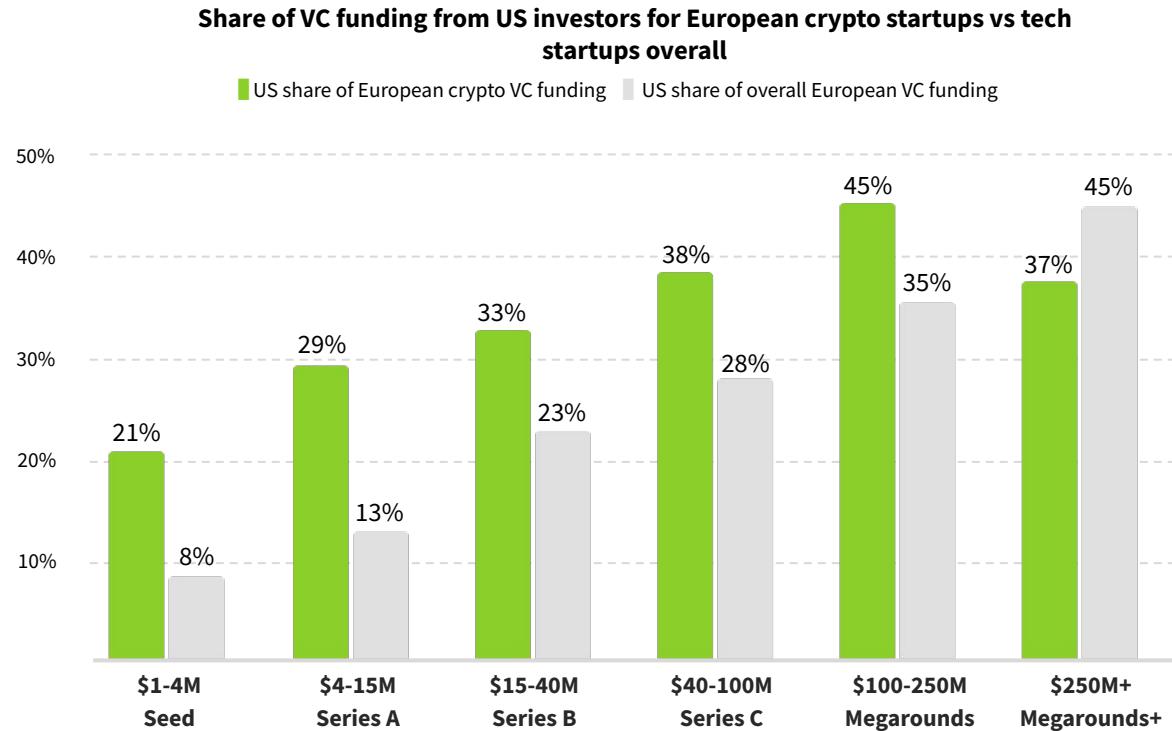
Largest crypto funds announced 2021-2022

Crypto VCs			Corporate VCs			Traditional VCs		
Fund	Fund size	Year	Fund	Fund size	Year	Fund	Fund size	Year
🇺🇸 Paradigm	\$2.5B	2022	🇺🇸 crypto.com	\$500M	2021-2022	🇺🇸 alôzcrypto	\$4.5B	2022
🇺🇸 HAUN	\$1.5B	2022	🇨🇳 BINANCE LABS	\$500M	2022	🇺🇸 Bain Capital Crypto	\$560M	2022
🇺🇸 PANTERA	\$1.2B	2022	🇦🇺 ImmutableX	\$500M	2022	🇺🇸 SEQUOIA	\$550M	2022
🇺🇸 ELECTRIC CAPITAL	\$1B	2022	🇺🇸 galaxy	\$325M	2021	🇺🇸 foundation capital	\$500M	2022
🇺🇸 POLYCHAIN CAPITAL	Undisclosed fund size		🇺🇸 coinbase	Undisclosed fund size		🇬🇧 BREVAN HOWARD DIGITAL	Undisclosed fund size	

European VCs accounted for 32% of capital invested into European startups in 2022, while US investors contributed 40%.



US VCs are active much earlier in crypto startups than in traditional ones.



Top investors in European crypto startups.

Global Investors active in Europe

alôzcrypto



coinbase



* gem digital

ELECTRIC CAPITAL

HYPERSPHERE

jump_-

L|D CAPITAL



PANTERA

POLYCHAIN
CAPITAL

SHIMA CAPITAL

European investors

1k(x)



BLUE YARD



IEQT
VENTURES

ETHEREAL
VENTURES

FABRIC VENTURES



INFLECTION

L1D
L1 Digital



Outlier Ventures*

ROCKAWAY X

Seedcamp

semantic.

Si Speedinvest



WHITE STAR
CAPITAL

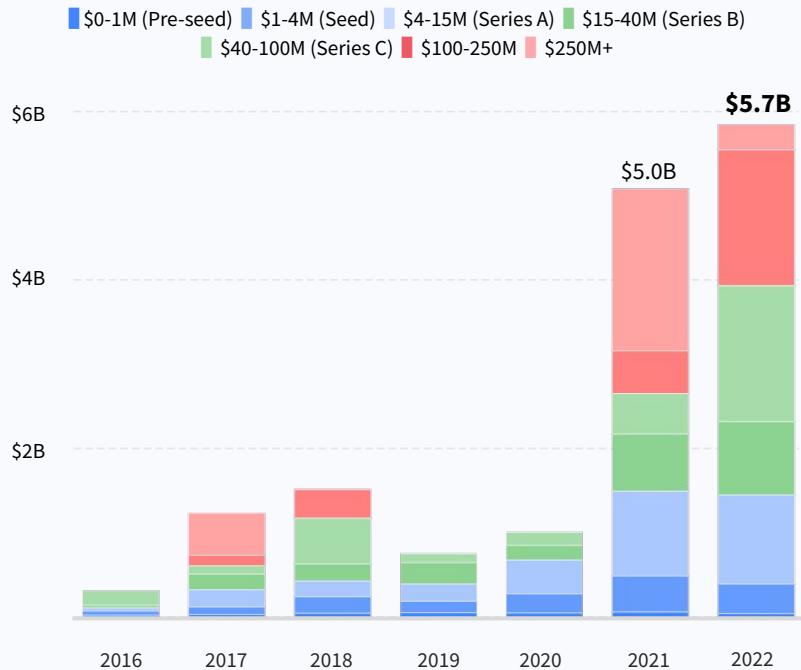
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VC investment in European crypto startups

European crypto startups raised a record \$5.7B in 2022.

Venture capital investment into European crypto startups [» view online](#)

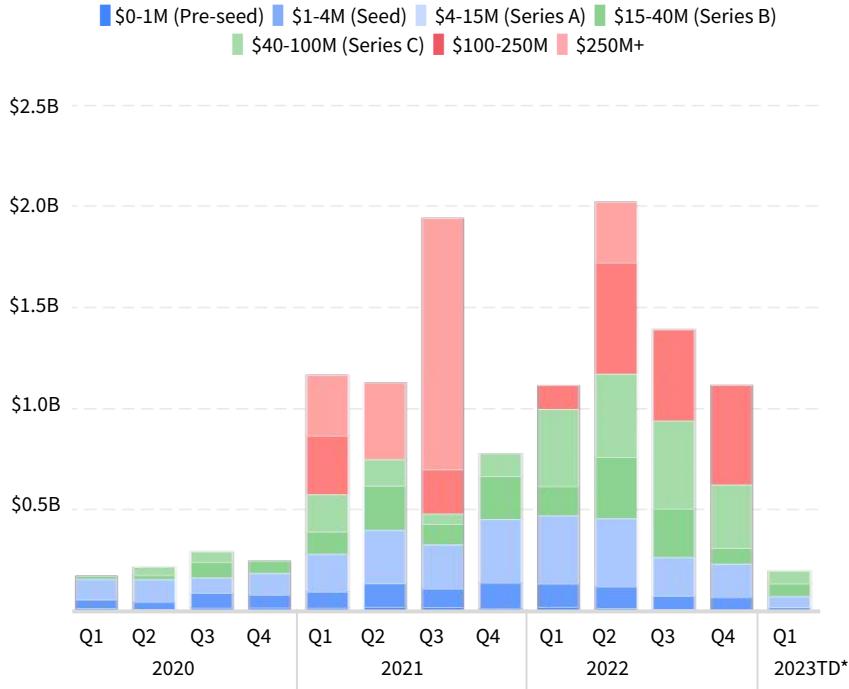


Selected European crypto rounds in 2022 [» view online](#)

Startup	Funding round	Focus
copper	\$181M Series C	Institutional crypto custody
SEBA BANK	\$119M Series C	Fiat-crypto ramp
Safe	\$100M Late VC	DeFi infrastructure
Aztec	\$100M Series B	ZK Rollups
BCB GROUP	\$60M Series A	Crypto banking
CELESTIA	\$55M Series B	Modular Blockchain Network

Looking more closely, European crypto VC investment activity peaked in Q2 2022.

Quarterly venture capital investment into European crypto startups [» view online](#)



“Crypto VCs remain focused on early stage rounds, because that’s where the spoils were in the bull market of 2020-2021.”

“The drop in crypto startup funding this year is attributable both to fewer deals being completed and lower valuations and raise amounts per round.

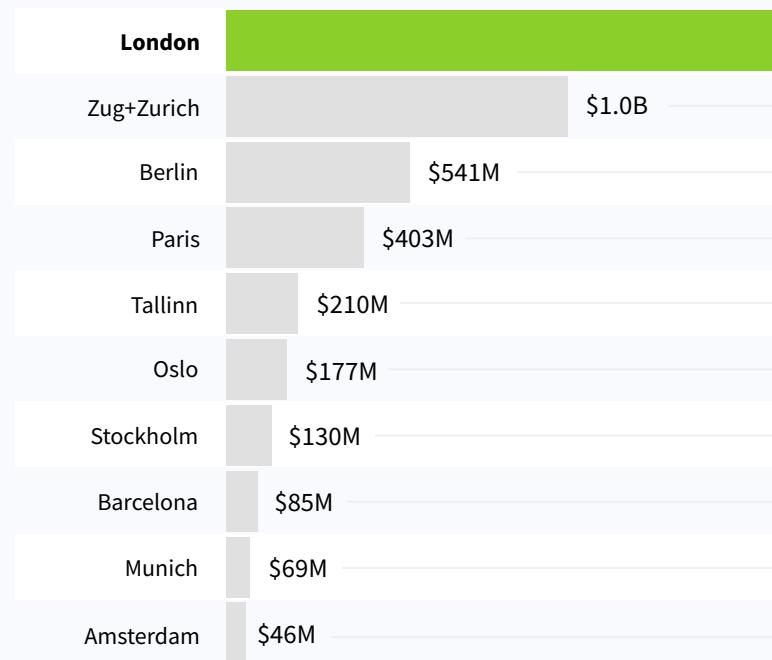
As investors, we see the slowdown change the way deals play out; where fundraises were once fast-oversubscribed and frantically closed, sometimes in days after process kick off, raises often stretch months now. Founders’ patience is tested, as they delay an official funding round close to accommodate investors who take a wait-and-see approach.”

Samantha Bohbot
Chief Growth Officer **RockawayX**

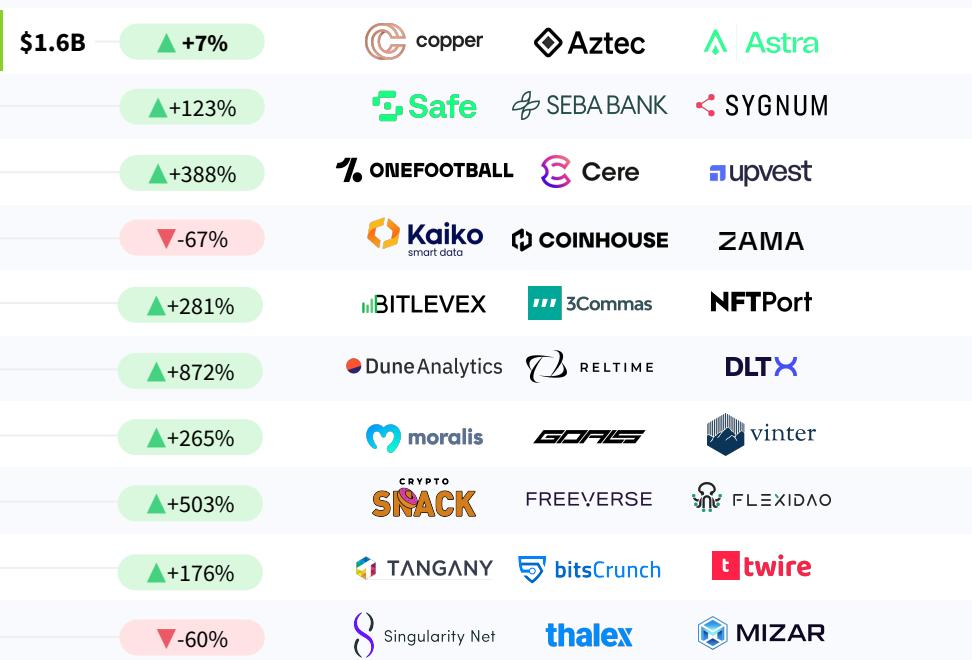


London remains the crypto hub of Europe, followed by the Swiss crypto valley hotspots of Zug & Zurich. Berlin and Paris compete for 3rd place.

Crypto VC investment 2022 (% growth vs 2021)*



Notable crypto funding rounds in 2022



Crypto hotspots in Europe.



Source: Dealroom.co.

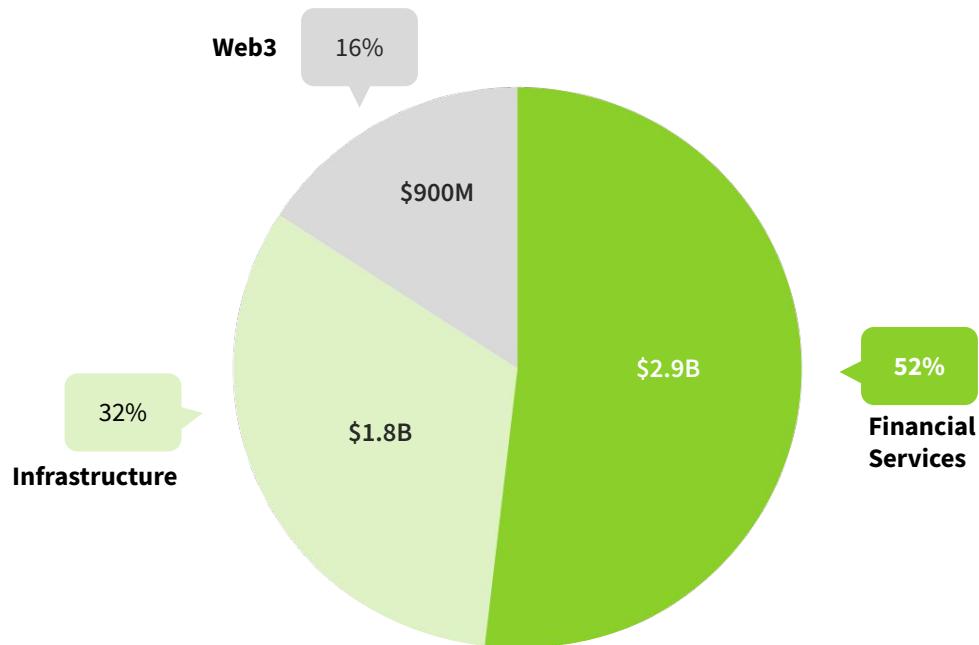
Hubs have been selected based on VC funding and number of rounds raised by crypto startups, as well as the % of total funding going into crypto to account for smaller hubs.

Extra considerations have been applied for some CEE hubs which played a leading role in building some of the biggest crypto companies even without being officially their HQ. [Here you can explore the top CEE crypto startups.](#)

**Financial use cases still reign.
More than half of European crypto investment went to companies building financial products and services.**

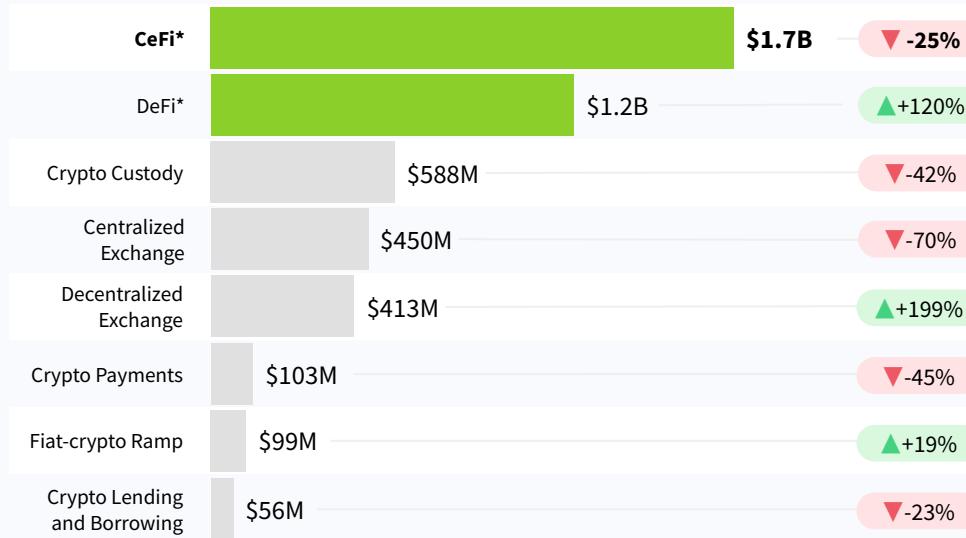
Compared to 2021, investment in Financial Services declined by 19% while Infrastructure grew by 24%.

Crypto VC investment by sector in Europe (2022)



Within crypto-enabled financial services, CeFi companies continue to attract the most funding, but DeFi projects narrowed the funding gap in 2022.

VC investment in crypto Financial Services 2022 (% growth vs 2021)



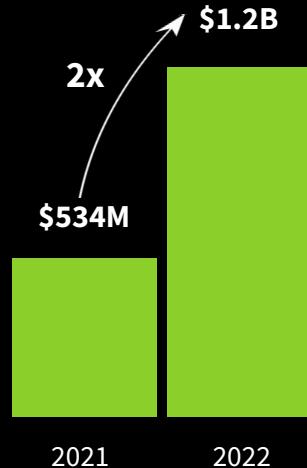
Selected crypto financial services funding rounds in 2022

[» view online](#)

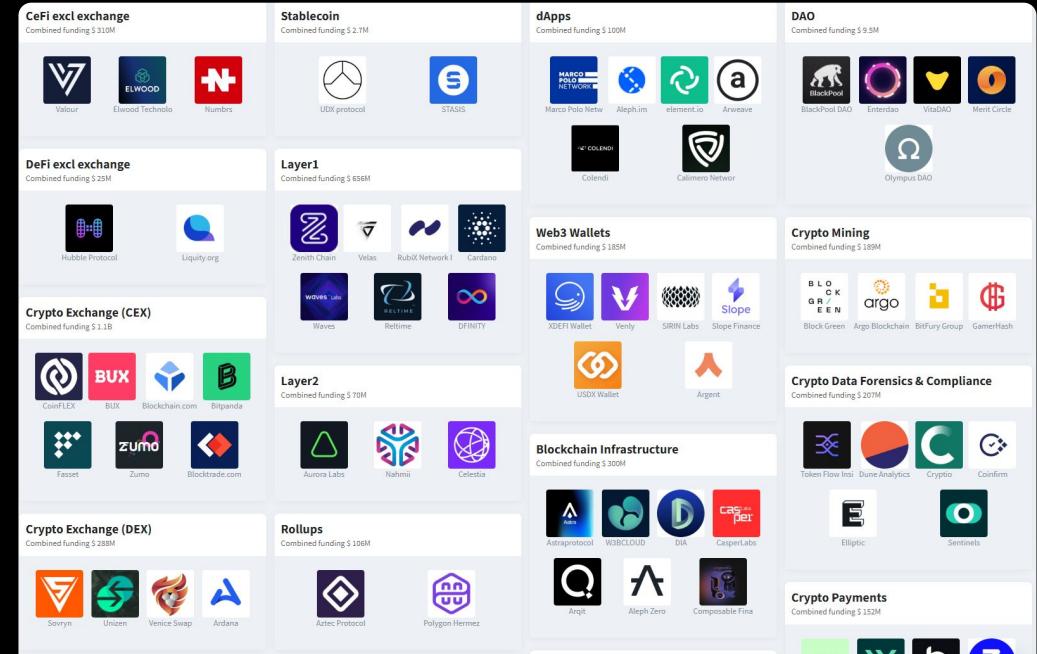
Startup	Funding round	Focus
copper	\$181M Series C	Institutional crypto custody
SEBA BANK	\$119M Series C	Fiat-crypto ramp
Safe	\$100M Late VC	DeFi infrastructure
Venice Swap	\$100M Early VC	Crypto exchange
SYGNUM	\$90M Series B	Institutional crypto custody
Qredo	\$80M Series A	Cross-chain self-custody solutions

Investment in European DeFi startups increased by 120% in 2022, reaching \$1.2B.

VC funding in European DeFi startups

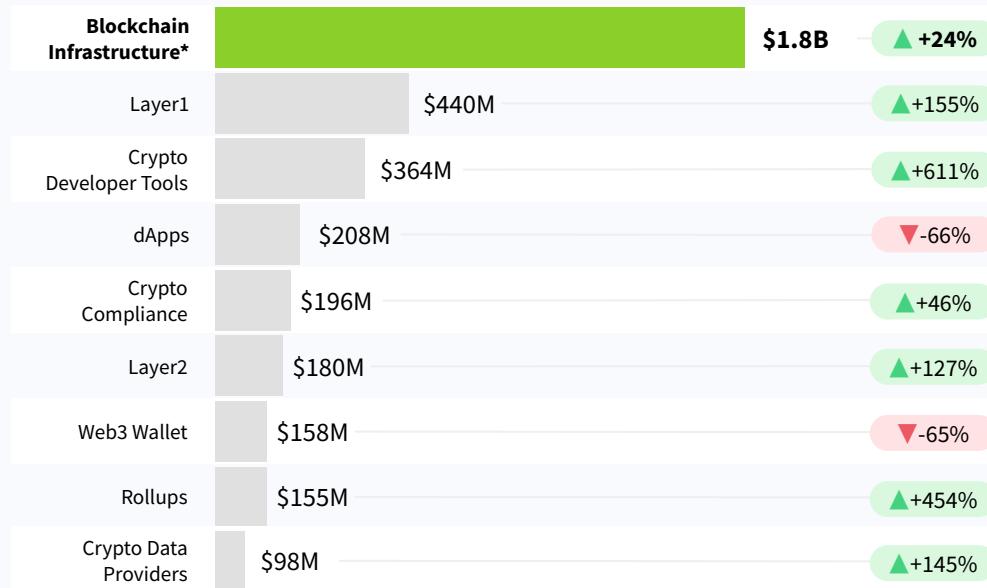


» Explore more **startups in European crypto** across 19 categories » [view online](#)



Funding in blockchain infrastructure is on the rise, led by Layer 1s and developer tooling.

VC investment in crypto Infrastructure 2022 (% growth vs 2021)

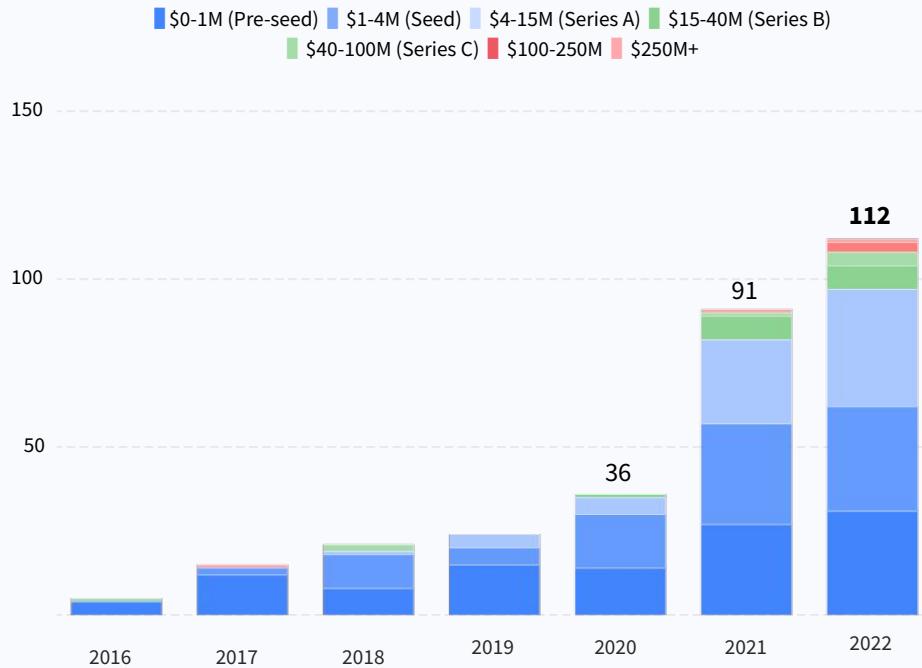


Selected crypto infrastructure funding rounds in 2022
[» view online](#)

Startup	Funding round	Focus
Aztec	\$100M Series B	ZK Rollups
Dune Analytics	\$69M Series B	Blockchain forensics
CELESTIA	\$55M Series B	Modular Blockchain Network
TATUM	\$42M Early VC	Blockchain developer tools
moralis	\$40M Series A	Web3 development platform
LI.FI	\$5.5M Early VC	Cross-chain aggregation

Web3 startup funding in Europe is accelerating, with 3x total deals in 2022 compared to 2020.

VC activity in European Web3 by round number [» view online](#)



Notable Web3 funding rounds in 2022 [» view online](#)

Startup	Funding round	Focus
READY PLAYER ME	\$56M Series B	Metaverse
xterio	\$40M Early VC	Web3 Game Developer
NFTPort	\$25M Series A	NFT API
FITBEAT	\$25M Growth Equity VC	Play-to-earn
venly	\$21M Series A	Web3 Solutions
.arianee	\$21M Series A	NFT protocol

3

| Understanding the crypto market

Crypto 101

Definition

A blockchain is a shared ledger that records transactions and the transfer of value, via cryptographic assets, across a network of thousands of computers.

Benefits

1. **Freedom:** Anyone with a smartphone and internet connection can interact with blockchains and track and execute transactions
2. **Trust:** Transactions are executed automatically; because blockchain networks cannot be stopped or tampered with, the transactions they lay proof to are considered immutable
3. **Programmability:** Transactions can be programmed (e.g. escrow) eliminating the costs associated with 3rd party intermediaries

Market segments



Automation of financial services: Blockchains allow for digitally-native financial transactions, as users can transfer assets and value on the internet, independent from the traditional banking system.



Web3 consumer: Blockchains uniquely allow for proof of digital asset ownership and the automation of crypto asset rewards for desired behaviors. In this way, they pave the way for digitally-governed global communities where members can coordinate actions and transfer value across their ranks.



Infrastructure: Blockchains rely on a comprehensive ecosystem of software, hardware and services for sustainable performance and user accessibility.

Key market segments



Financial Services

Exchanges (DEX*, CEX*)
Stablecoins
Payments
Remittances
Custody
Lending/Borrowing
Insurance



Web3

NFT
Marketplaces
Gaming
Fantokens
Social networks
Metaverses
DePIN*
DAO*



Infrastructure

Nodes infrastructure
Wallets
Layer1 protocols and Layer2 protocols
Bridges
Developer tools
Compliance
Fiat on-ramps
Data tools

How crypto startups are different.

Many crypto startups **launch tokens to bootstrap their project development and incentivize early stakeholders**, which include infrastructure providers and eventual application users, within the first two years of business formation.

In this way, many crypto startups do not simply build and market products, but also **manage large pools of treasury assets and complex investor relationships** from their earliest days.

Once a token is launched, project teams assume a **host of responsibilities** to ensure it is sufficiently **liquid** to serve its intended purpose of coordinating usage and rewards among stakeholders, including navigating **exchanges, market makers, OTC desks, infrastructure providers, open source and cybersecurity contributors**, and more. If governance of the community has been decentralized, then founding teams must also devise and launch a system for policy proposal and voting among its membership.

These challenges are crucial for crypto startups and **require leaders to execute across functions—operational, financial, and political**.

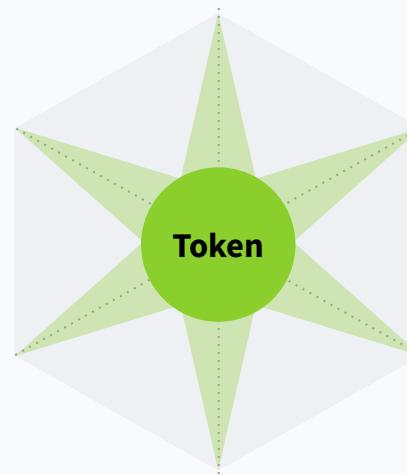
Investors
Twice as many participants in Seed rounds than traditional startups*

Community
Twitter, Discord, Influencers

Infrastructure
Validators, Nodes

Exchanges
Trading venues

Market makers
Liquidity



New regulations in Europe are set to establish a global standard.

Wide ranging scope of new European regulations

- Regulation of markets in crypto-assets (**MiCA**)
- Transfer of Funds Regulation (**TFR**)
- Regulation on Digital Operational Resilience (**DORA**)
- DLT Pilot
- Anti-money Laundering Regulation (**AMLR**)

What will be addressed by MiCA?

Key Facts

- 126 articles, more than 350 pages

Expected timeline of application

- Q1 2023 publication in the EU Official Journal
- Q1 2024 application of rules on stablecoins / Q3 2024 application of other rules

Scope

The offering and marketing of crypto-assets, the issuance of asset-referenced tokens and e-money tokens (stablecoins), authorization and operating conditions for crypto-asset service providers, prevention of market abuse involving crypto-assets, and the role of competent authorities.

Out of scope

- DeFi - the EU is seeking solutions to supervise and monitor real-time DeFi activities by gathering data directly from the blockchain (a public tender for a contractor for a feasibility study closes in 12/2022)
- Staking
- NFTs (unless issued in a large series or collection to be non-fungible - to be further specified by implementing acts)

“

“Although not perfect, MiCA will accelerate the development of the crypto-assets sector in Europe by providing a pan-European framework that ensures legal certainty for crypto asset service providers and stablecoin issuers.”

Tommaso Astazi
Head of Regulatory Affairs
Blockchain for Europe



A few words on our methodology.

What is a startup?

Companies designed to grow fast. Generally, such companies are VC-investable businesses. Sometimes they can become very big (e.g. \$1B+ valuation). When startups are successful, they develop into scaleups (>50 people), grownups (>500 people) and result in big companies. Only companies founded since 1990 are included in this report.

What is a startup?

What is a Unicorn?

Unicorns are (former) startups that reached \$1B valuation or exit at one point in time.

What is a Unicorn?

What we mean with crypto in this report

Crypto startups built with blockchain at their core. Blockchain is a network of thousands of computers calculating transactions on top of the internet.

The three main market segments in crypto are:

- Financial Services (Including crypto exchanges, lending and custody in both CeFi and DeFi)
- Blockchain Infrastructure (All software, hardware and services to make blockchains work and usable)
- Web3 consumer (Applications built on allowing users to own an asset (e.g. a picture) on the internet and transfer the ownership, such as NFTs).

Geographic methodology

Startups are assigned to the location of their current HQ. In case a startup moves its HQ location the change is applied in Dealroom, while the first HQ is regarded as founding location. The location of most of the employees or the founder nationality are not taken into account. In the case of crypto, especially in segments such as DeFi and DAOs, assigning a location can at times be impossible. These startups are counted in the overall statistics but not assigned to a geographical region.

Underlying data

Dealroom's proprietary database and software aggregate data from multiple sources: harvesting public information, user-submitted data verified by Dealroom, data engineering. Data is verified and curated with an extensive manual process.

The data on which this report builds is available via app.dealroom.co. For more info please visit dealroom.co or contact support@dealroom.co.

Geographic methodology

Investment are referred to by their round labels such as Seed, Series A, B, C, ... late stage, and growth equity. VC investments excludes debt or other non-equity funding, lending capital, grants and ICOs.

Private token sales when VCs are involved and disclosed are counted in venture capital funding.

Public token purchases, for hedge trading or similar purposes, are excluded.

Buyouts, M&A, secondary rounds, and IPOs are treated as exits: excluded from funding data, but included in exit data.

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