

CASE STUDY – FINTECH HOMEWORK ASSIGNMENT

Overview and Origin

- **Company:** Everledger
- **Founded:** 2015
- **Founder:** Leanne Kemp (Founder & CEO)
- **Founding Mission**
 - Originally designed to bring transparency and efficiency to the traditionally opaque diamond trade, Everledger was born out of the intent to bring sustainability to the diamond supply chain.
- **Funding**
 - Early stage venture, two rounds of series A totaling \$30.4M via Tencent, Graphene, Rakuten, Fidelity, others (Crunchbase + misc links)

Business Activities

- **What specific financial problem is the company or project trying to solve?**
 - Historically fraught with inefficiencies in the supply chain, retail and secondary markets, the diamond industry has been especially prone to fraud and the ensuing lack of confidence from both financiers and insurers, which has ultimately gutted suppliers and intermediaries that had once enjoyed a historically margin rich enterprise. To wit, Standard Charter pulled out of its \$2b portfolio in 2014 and ABNM AMRO announced a massive scale back on their diamond financing endeavors in July of 2019 and large player in the diamond mining arena, Argyle Mine, announced its expected closure at the end of 2020. Compounded with the black eye of an industry mired in financing the oppression of governmental regimes, Everledger solves for the supply chain gaps, fragmented technological infrastructure, and a dearth of retail and consumer facing technologies plaguing the industry.
- **Customer Base and Segment Size**
 - Everledger has built out an end to end suite of products that touch virtually every point of the diamond ecosystem, making their target market nearly spanning virtually any enterprise with a vested interest in the diamond marketplace. In terms of sheer market volume, diamond mining is estimated at \$17b annually, rising to \$42b in the middle of the refinement and polishing phase of the supply chain, and ultimately \$72b in the retail sector.

- **Technology Employed & Points of Differentiation**

- With chasms arising from raw material supply to the disappearance of middlemen and waning consumer confidence, Everledger has been able to penetrate 10% of the diamond trade by fingerprinting and digitizing diamond assets, transparently documenting their movement through the blockchain and providing both retail and consumer applications for real time identification and verification.
- As of 2019, Everledger relied on open-source, Hyperledger technology as its blockchain tech. That said, Everledger brings considerably more value to the industry via a verticalized stack of industry specific technologies ranging from diamond fingerprinting through a myriad forensic technologies and compliance auditing via smart contracts.

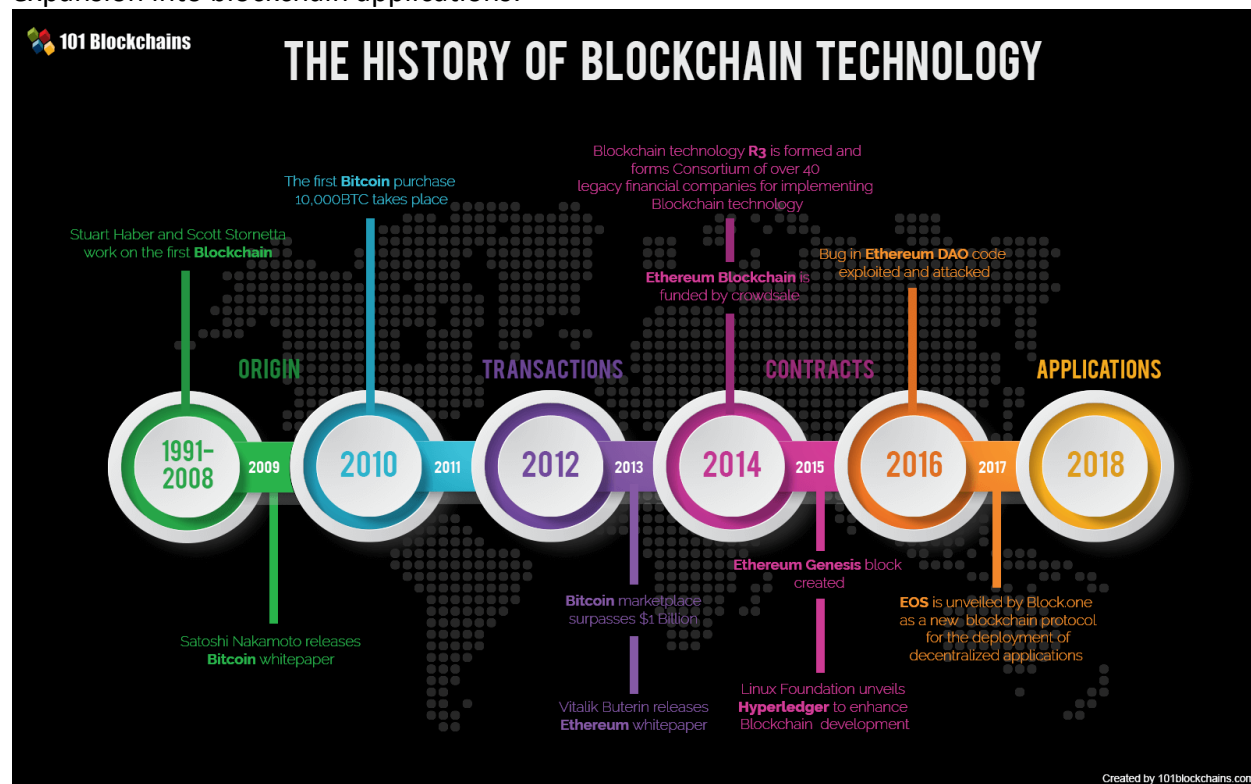
Landscape

- **Primary Domain**

- Blockchain, specifically related to supply chain advancement

- **Trends and developments of this domain over the last 5-10 years**

- In terms of technological progression, Blockchain has evolved from a transactional utility, made famous by Bitcoin in 2008, expanding into smart contracts with the advent of Ethereum in 2013, and over the past few years expansion into blockchain applications.



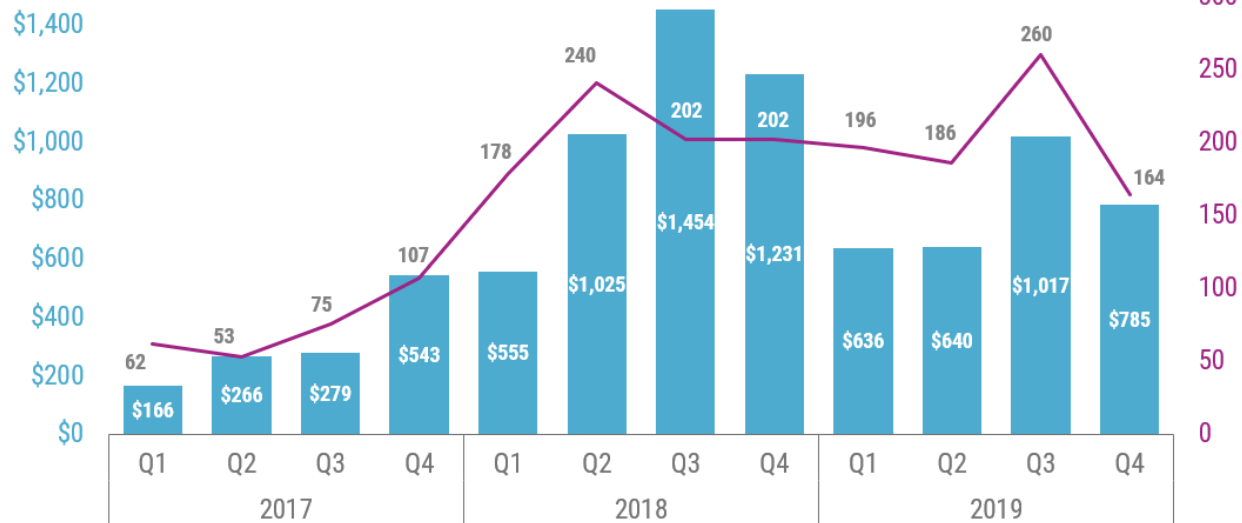
- While the technological innovation will continue as long as there's longer term economic incentive, funding YoY respective to Q4' 19 was down 30% and deal volume has been moving sideways since Q1 of '18



Q4 funding to blockchain cos declines year-over-year

All funding values shown in \$M

Funding amount



○ Source: cbinsights.com

CBINSIGHTS

- Nonetheless, in terms of macro forecasts, the consensus remains bullish on blockchain, with Grand View Research forecasting a 69% CAGR from 2019 to 2025
- Deeper evaluation of the category reveals Figure Technologies (also operating in the provenance space) as one of the bread winners of late in terms of funding, securing a round of \$103M to further drive their real estate provenance platform within the real estate lending sector.
- Further, non-financial companies in the blockchain sub-sector are emerging at a faster clip, adding additional validation to the applicability of blockchain's value long term viability outside of the financial sector. [Gartner](#) reported 82% of blockchain use cases in 2017 came via the financial sector, which dropped precipitously to 46% of use cases in 2018.
- **Competitors**
 - Adoption of blockchain tech providing verticalized, supply chain solutions within niche, consumer driven industries is sparse, however, IBM championed a consortium dubbed The TrustChain Initiative specifically targeted to the

provenance of jewelry but few targeted solutions exist in the broader luxury goods space. Diamond industry mainstay, DeBeers, has also launched a firm known as Tracr, with industry stalwart Alrosa (25% global diamond production) signed up as a partner, to track diamonds from inception to sale similar to Everledger. Lastly, privately held firm, Cedex, is listed as a primary competitor according to Owler but generates less than an estimated \$1M in annual revenue.

Results

- **Business Impact**
 - As a small, niche firm, publicly available information related to financial performance is scant. In a speech in 2019, founder/CEO Leanne Kemp suggested that Everledger will have fingerprinted 10% of total diamonds entering the marketplace in 2020 and little financial documentation is available on Everledger's expansion into non-diamond industries.
- **Industry Performance Metrics**
 - Evaluation of financial performance within the broader Fintech sector requires a pivot from traditional Wall Street metrics and smaller blockchain pure-plays pose even more of a challenge due to the nascent stage of the technology and as it relates to B2B enterprise solutions such as Everledger, there's even less publicly available information. That said, macro evaluation of blockchain's penetration into diamond industry suggests there is still significant opportunity for expansion, and Everledger's new customer penetration into non-diamond industries suggests opportunity for further scaling.

Recommendation

- **Existing Product Guidance**
 - With 10% penetration into the existing market that's been on an upward trajectory since day 1, combined with general adoption within the category as evidenced by Tracr, the recommendation would be continued investment in differentiating technology within the diamonds, gems and precious metal space. With first mover advantage and proprietary diamond industry tech that allows for turnkey fingerprinting, the opportunity to scale technology investment to other high-value asset industries is significant. Further, licensing intelligence and insights through AI and ML financial entities will both provide another revenue stream, as well as a positive residual effect on the industry as a whole, further fortifying Everledger as central piece to the diamond and ancillary stones, industries

Works Cited

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