



Valuation Considerations:

Crypto-assets/Blockchain Technology Companies

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Crypto-assets and Blockchain Technology Companies

Crypto-assets

- Cryptocurrencies
- Initial Coin offerings (ICO)

Blockchain Technology Companies

- Miners, Infrastructure Architects, Service Providers

Crypto-assets: Cryptocurrencies

Cryptocurrencies

- Liquid and unrestricted
 - Price * Quantity
- Illiquid and/or restricted
 - Price * Quantity * marketability discount

Discounts - Blockage v. Marketability

- Blockage discount
 - Per IFRS 13, **not permitted**
- Marketability discount
 - May be appropriate even if liquidity is not contractually or legally restricted (IFRS 13.69, 79-80)

Crypto-assets: Initial Coin Offerings

Initial Coin Offerings

- Cost Approach
 - Record at cost (i.e. what was paid)
 - Consider **adjustments** between purchase date of each pre-ICO investment and Valuation Date for material adverse changes

Crypto-assets: Initial Coin Offerings

Initial Coin Offerings

- Hybrid Market Approach
 - Consider trading price of tokens (e.g. tied to Ethereum or other) at or about the Valuation Date
 - Discount total amount to be received using appropriately risked discount rate
 - Rate that reflects risk associated with underlying technology being developed
 - Rate that reflects crypto-volatility

Blockchain Technology Companies

Investments in Public Blockchain Technology Companies

- Price * Quantity

Blockchain Technology Companies

Investments in Private Blockchain Technology Companies

- Cost Approach
- Market Approach
- Income Approach

Discounts for **lack of marketability** and **lack of control** may also be considered for privately held blockchain technology companies

Blockchain Technology Companies

Cost Approach

- Typically not appropriate when the underlying company operates as a going concern as it may not capture future economic benefits
- An adjusted net asset approach may be considered when the subject company holds a significant amount of crypto-assets

Blockchain Technology Companies

Market Approach

- Prior transactions method is typically used when subject company is a going concern and the referenced transactions are **recent** and completed at **arm's length**
- Adjustments may be made for time between transaction date and Valuation Date based on an **index**
- An adjustment for **redundant assets** (e.g. significant bitcoin holdings) may also be made

Blockchain Technology Companies

Income Approach

- Typically not appropriate as it would be too speculative given
 - Volatile nature of industry
 - Limited operating history
 - Significant uncertainty associated with necessary assumptions
 - Information constraints