

Web3 VC Discussion



Columbia Business School
AT THE VERY CENTER OF BUSINESS™

Patrick O’Kain

Partner | RW3 Ventures

May 2023

AGENDA

- About me - my path to VC
- Overview of Web3
 - What is Web3
 - Techstack
 - Evolution
- Investing in the ecosystem
- Trends
- Conclusion/Questions

ABOUT ME

Intelligence



Special Agent



Student



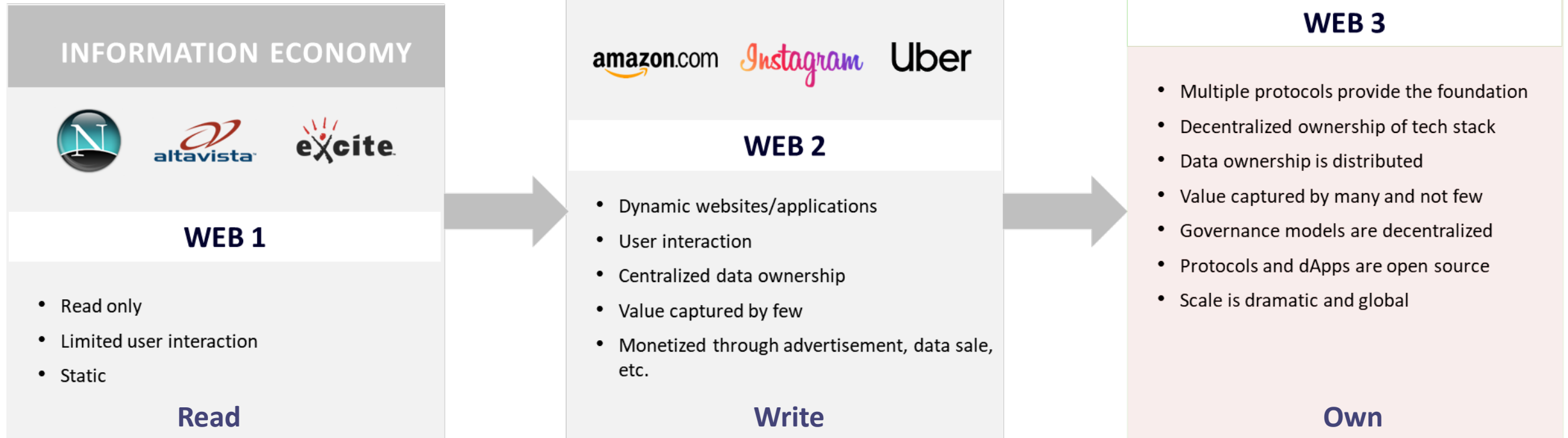
Consultant



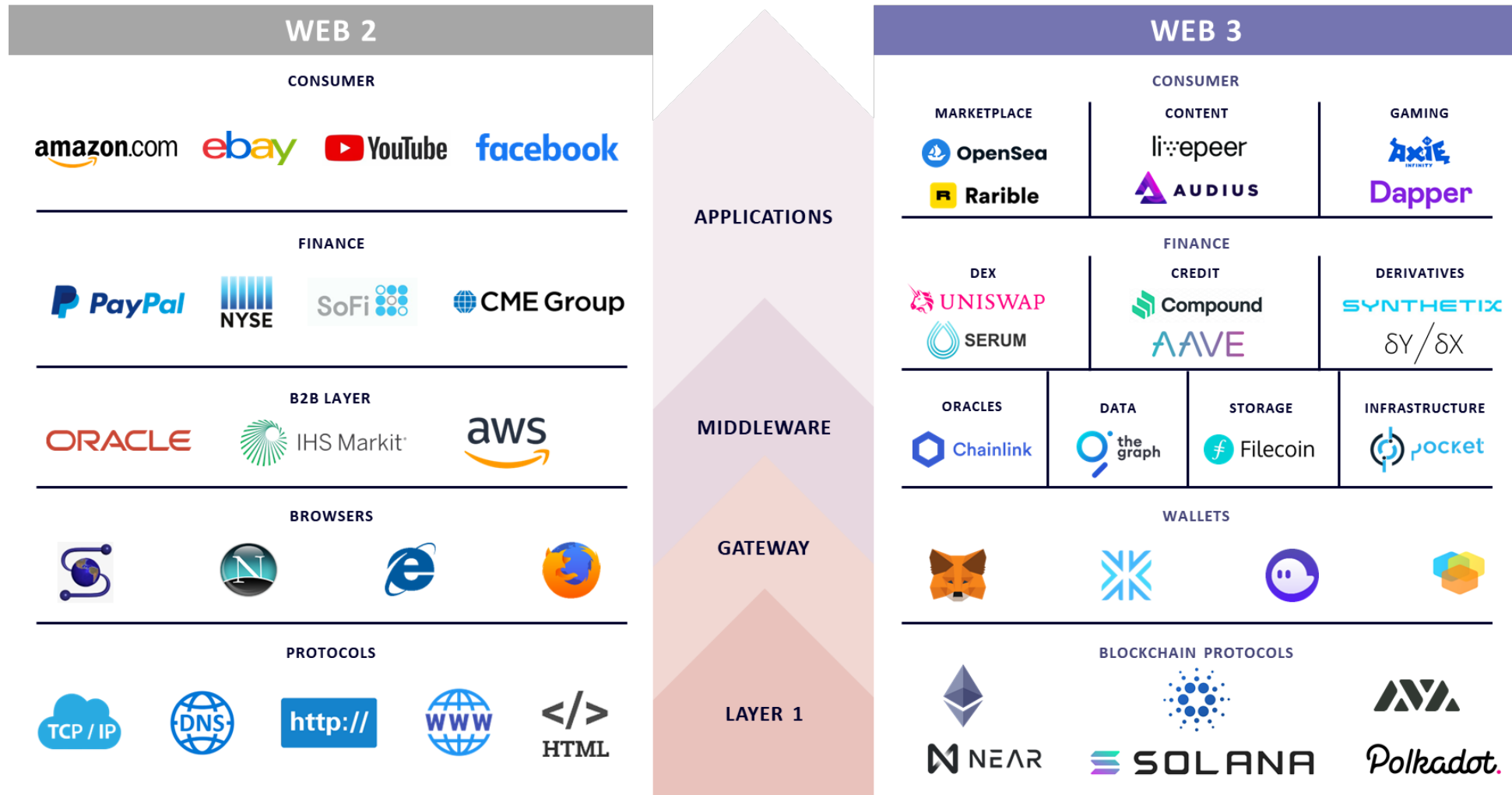
Investor



WEB3 IS THE NEXT PARADIGM SHIFT



THE TECH STACK LOOKS FAMILIAR

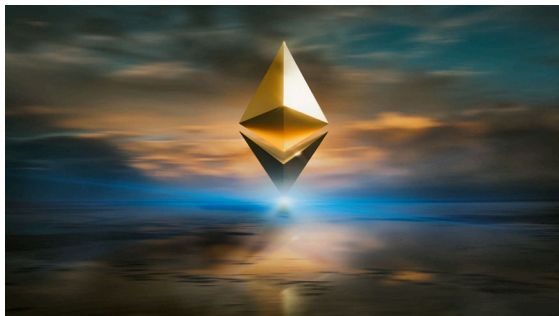


BLOCKCHAIN AND THE WEB3 EVOLUTION

Global Digital Money



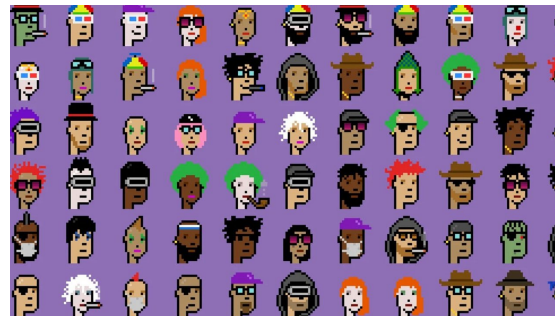
Decentralized Finance



Institutions



NFTs



Bankruptcies



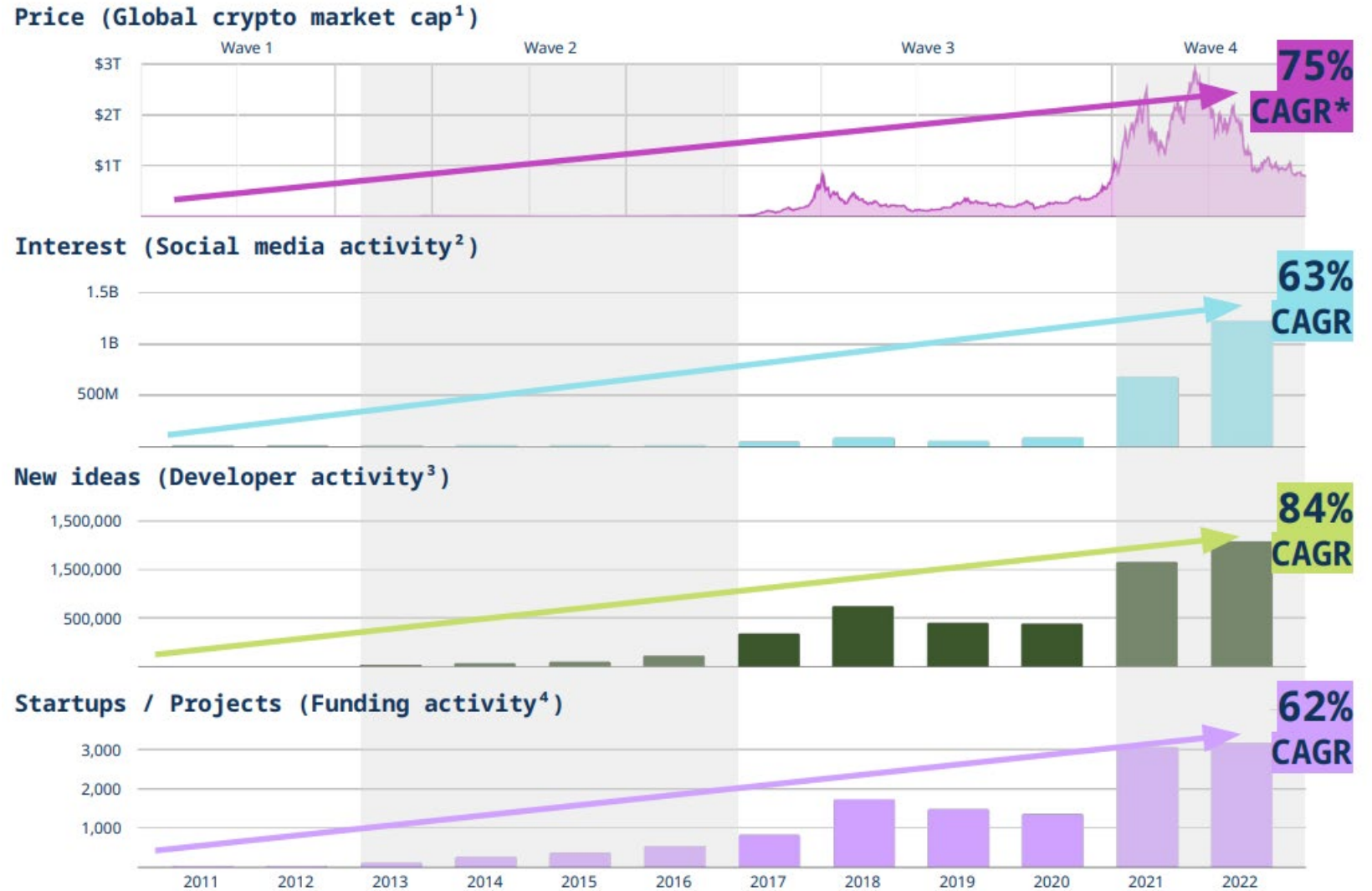
Regulation



MARKET CYCLES

The market has experienced 4 cycles.

Web3 interest and activity continue to trend upward.

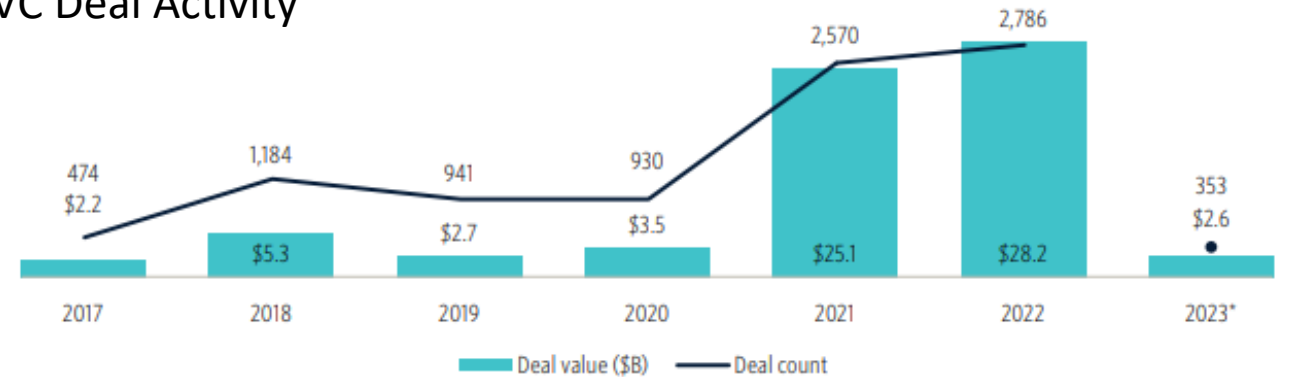


INVESTING IN THE WEB3 ECOSYSTEM











In Q1 2023:

- \$2.6 billion in venture capital raised
- 353 investment rounds
- ~11.0% decrease in QoQ deal value
- 2.2% decrease in the number of deals


VC Deal Activity








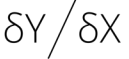
Core Infrastructure

Layer 1s	Staking	Mining	Wallets
  	 	 	  

Financial Services










Exchanges	Custodians	Prime	Lending
 	 	 	 

DeFi

DEX	Credit	Derivatives
 	 	 

THE WEB 3 ECOSYSTEM (SIMPLIFIED)

Consumer Web 3

Gaming	Collectibles	Market places
 		 
Content	Metaverse	Ecommerce
 		

DAOs

Investment	Protocol	Social
		

Novel Tech



**Right
Timing**



**Solid
Tokenomics**



**Phenomenal
Team**



**Enthusiastic
Community**



KEY INGREDIENTS FOR A SUCCESSFUL WEB3 COMPANY

Entrepreneurial
Industry Experience
Crypto-native
Tech/non-tech talent
Ethics

INVESTING FIRST PRINCIPLES

Proven Founders

We fund founders with proven track records as real builders and deep industry experience in their segment.

Realistic Timing to Scale

We believe that DeFi and Web3 adoption will take time to scale and not all Web3 use cases are yet appropriate for investment. We focus on segments and use cases that we believe can attract real adoption in the short to intermediate term.

Market Size and PMF

We focus on companies that are building products with a massive market and reasonable ability to capture a meaningful portion.

Revenue Models Matter

The considerable capital that has entered crypto markets has also created wildly aggressive revenue expectations that we often consider unreasonable.

Sensible Entry Valuations

We target sensible valuations that allow runway for reasonable time to product adoption and room for follow-on capital raises.

Reasonable Exit Expectations

Our diligence also considers reasonable exit expectations in terms of both timing and the realities of market cycle dynamics. We prefer to invest alongside appropriate strategic investors where possible.

RAISE SPECIFIC QUESTIONS

Round

- Pre-seed
- Seed
- Seed +
- Series A

Type

- SAFE
- SAFT
- Combo

Amount

- Total Raising (Need Runway!!)
- Amount remaining

Valuation

- Val Cap
- Discounts
- FDV
- Warrants

Other Investors

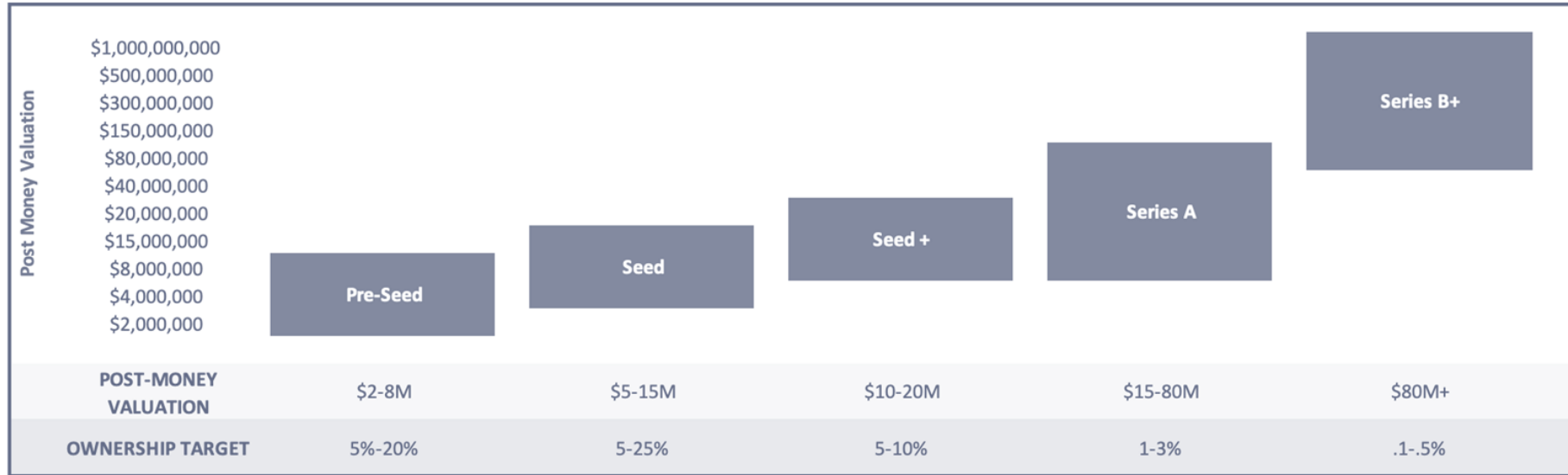
- Strategics
- Market Makers
- (Don't be only check in)

Cap Table

- Previous rounds
 - Valuations
 - Cash on hand
- Liquidity stack

VALUATIONS

Equity



Tokens

"If a project has a higher "fully diluted" valuation than some of the world's bigger tech companies, just a year or two since being founded, it's probably worth wondering: who is holding this massive new wealth, what price did they get it for, and who are they going to sell it to?"

-Cobie

TOKENOMICS

Tokenomics is the design of a crypto-asset. It relates to economics (supply, demand, utility, scarcity), the study of how humans make choices under conditions of scarcity.






- Why does the token exist?
- What are the supply dynamics?
- How does it function?
- Does it capture value?



TOKENOMICS

Tokenomics is the design of a crypto-asset. It relates to economics (supply, demand, utility, scarcity), the study of how humans make choices under conditions of scarcity.

- Why does the token exist?
- What are the supply dynamics?
- How does it function?
- Does it capture value?

 Utility	 Supply	 Demand
<ul style="list-style-type: none">• Cold start problem• Incentivization<ul style="list-style-type: none">• Mining/staking• User Acquisition• Expansion of product	<ul style="list-style-type: none">• How many tokens currently exist?• How many will ever exist?• How many are in the market right now? (circulating supply)• Does supply/emissions align with demand?	<ul style="list-style-type: none">• Is it needed for the network to run?• Required to generate staking rewards?• Are earnings/fees generated from the protocol distributed back to token holders?• Is there voting power by holding the token?
 Network Effects		
<ul style="list-style-type: none">• Does the token facilitate a flywheel for the product?		
 Valuation Creation/Capture		
<ul style="list-style-type: none">• Generates a share of revenues from the protocol?• Governance• Future airdrops or value for holders?• Used for network payments?• Required to hold to secure the network (staking).		

TRENDS

Stablecoins

We expect that appropriately backed Stablecoins with auditable and proven reserve structures will be used to move value among counterparties globally, instantly and on blockchain rails that are built on “proof of stake” consensus and thus not power-use prohibitive.

Web3 Gaming

Will bring in millions of new users to the Web3 ecosystem tempted by the promise of great gameplay with true Play-and-Own mechanics. The shift from Play-to-Earn to Play-and-Own will make a marked shift in Web2 gamers’ perspective.

Battle for “operating system” Dominance (new L1s vs. ETH and its L2s)

Will bring in millions of new users to the Web3 ecosystem tempted by the promise of great gameplay with true Play-and-Own mechanics. The shift from Play-to-Earn to Play-and-Own will make a marked shift in Web2 gamers’ perspective.

Tokenization of RWA

Blockchain rails are creating the beginnings of a globally inclusive financial architecture. We expect the demand for that to be massive. Emerging economies will participate in ways unimaginable in the past and developed economies will create tradeable markets for a much larger portion of the overall asset base.

Thank you

Patrick O’Kain

Partner | RW3 Ventures

May 2022

