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**Subject:** Coinbase Series E follow up  
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Hi all,

Sorry for the delay, I finally have an update on this as I was briefed on some of the financials and deal terms. I apologize for the vagueness but I can't share the full details. The short summary is that I think it's best to pass on this deal.

Longer summary plus some financial information follows:

The Series E financing is \$500 million, which consists of:  
\$250 million in preferred equity at a \$8.0 billion valuation (use of proceeds is cash to balance sheet)  
\$250 million in common equity at a \$7.2 billion valuation (use of proceeds to provide existing employees with liquidity)

\$8bn is at 24x P/E ratio - most recent quarter, annualized. I don't have the figure for the trailing 12 months but if the PE multiple should be lower given the bear market in crypto.

Coinbase has ~25m accounts (for comparison TD Ameritrade has ~10m), note thought that they don't say how many of those accounts are active vs inactive. They have a fairly strong balance sheet of ~\$750m.

The widely held belief among investors in the sector is that the right comp for something like Coinbase should be a brokerage+exchange bundle vs just an exchange. I'm not sure I buy that, but if you do then the comp ends up being less Nasdaq and more Charles Schwab or at least a combination of the two (so ~\$70bn vs ~\$14bn).

That said, revenues have been decreasing steadily and quite steeply and, as I mentioned in the other email, it is unclear to me whether they have a defensible business (plus of course the underlying risk of the crypto market). It is highly unlikely that they would be able to sustain this valuation in the public market if this trend continues.

Valuation and business direction aside, the primary reason why I believe it's best to pass is that we are being offered the common equity which has no downside protection. I don't have access to the previous rounds of preferred so I don't know how those stack up but the current round of preferred has a 1x liquidation preference plus a few other covenants.

I've been trying to understand whether there's any space left in the preferred equity. If it turns out that there's still space left in the preferred, I'm happy to get the legal documents and share those with you if you want but I'd advise against the deal even in preferred case.

Thanks,  
Vincenzo