

A nighttime cityscape featuring a prominent, illuminated skyscraper with a unique, curved, arch-like top. The building is reflected on a glossy, grid-patterned floor in the foreground. The sky is a deep blue with some clouds. The overall scene is a modern urban environment.

**EY study:  
Initial Coin Offerings (ICOs)  
The Class of 2017 – one year later**

October 19, 2018



# Executive summary

In December 2017, [we analyzed the top ICOs](#) that represented 87% ICO funding in 2017. In that report, we found high risks of fraud, theft and major problems with the accuracy of representations made by start-ups seeking funding.

**In this follow-up study**, we revisit the same group of companies to analyze their progress and investment return:

- ▶ **The performance of ICOs from The Class of 2017 did little to inspire confidence.**<sup>1</sup>
- ▶ **86% are now below their listing<sup>2</sup> price; 30% have lost substantially all value.** An investor purchasing a portfolio of The Class of 2017 ICOs on 1 January 2018 would most likely have lost 66% of their investment.
- ▶ Of the ICO start-ups we looked at from The Class of 2017, only **29% (25) have working products or prototypes, up by just 13% from the end of last year.** Of those 25, seven companies accept payment in both traditional fiat currency (dollars) as well as ICO tokens, a decision that reduces the value of the tokens to the holders.
- ▶ **There were gains among The Class of 2017, concentrated in 10 ICO tokens, most of which are in the blockchain infrastructure category.** However, there is no sign that these new projects have had any success in reducing the dominance of Ethereum as the industry's main platform.

• <sup>1</sup> See methodology in appendix.

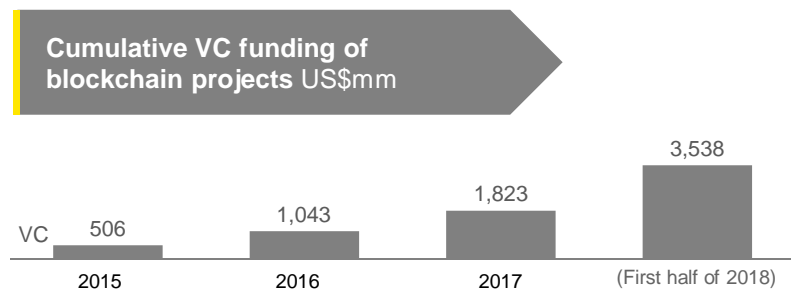
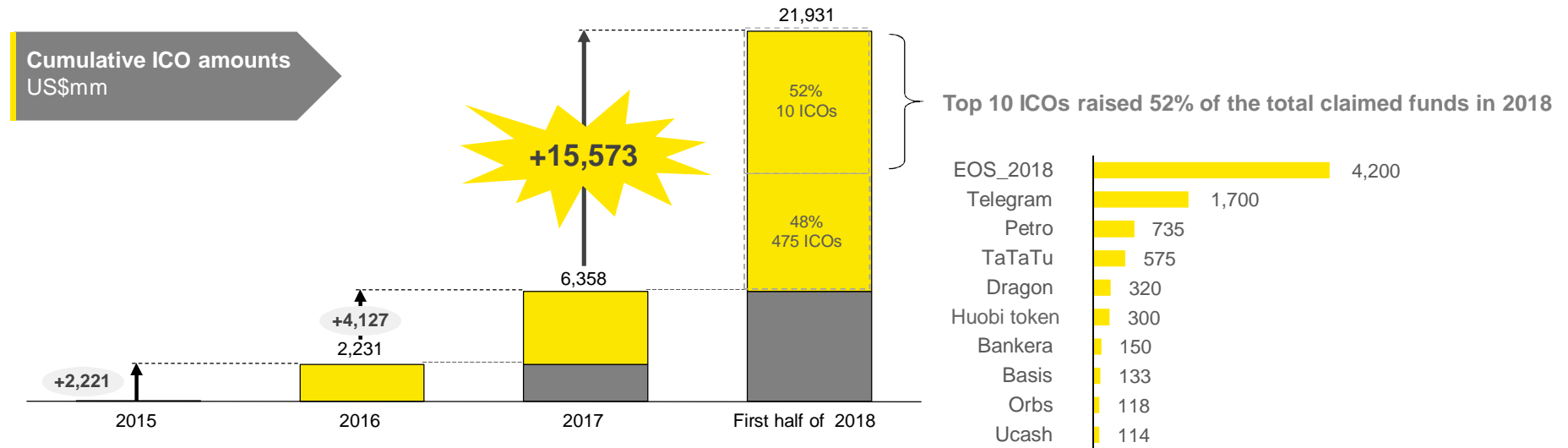
• <sup>2</sup> Defined as when first available to trade on a cryptocurrency exchange.



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## ICO performance update

# ICOs broke out in 2017. Demand continues to grow with claims of over US\$15b raised in the first half of 2018.



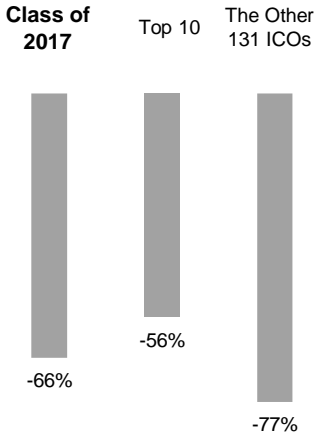
**Sources:**

Amounts claimed by projects are reflected on their websites and ICO rating sites. VC funding based on Techcrunch, Crunchbase, Coindesk.

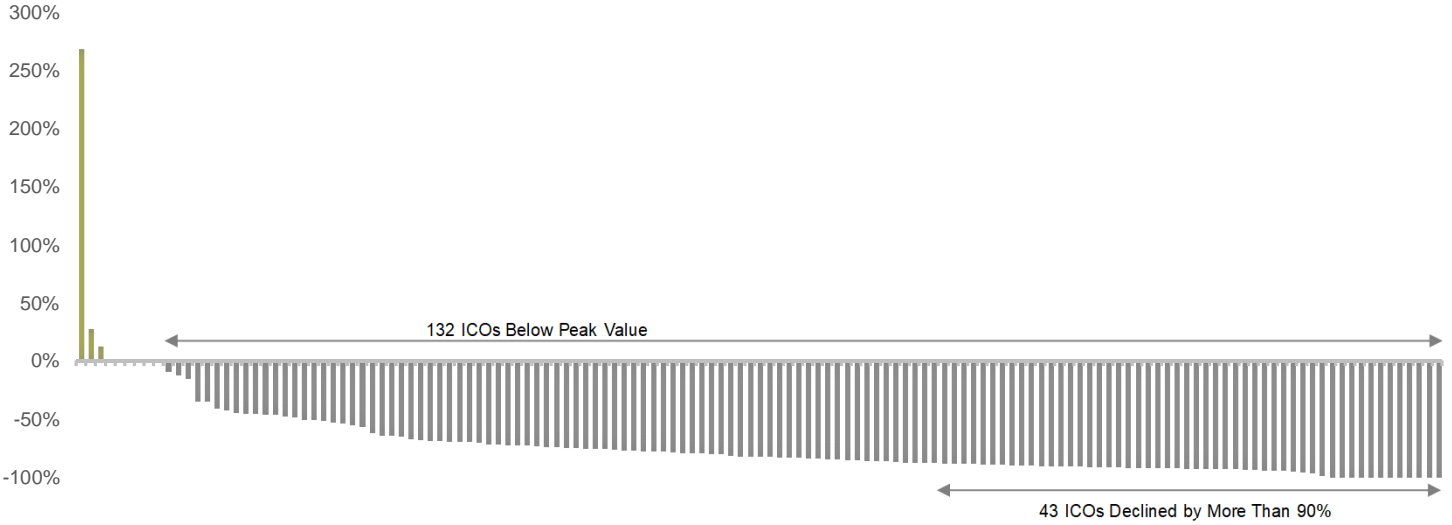
EY is currently matching the amounts claimed to be raised with amounts verifiable on the blockchain and expects to report on how well those figures match.

# The Class of 2017 today: 86% below listing price, 30% lost substantially all their value. This ICO portfolio is down around 66% from the peak.

## Weighted Return Jan-Sep 2018



## Project Returns – 1 January to 2 September 2018 (as of 2 Sept 2018)



**Sources:** EY analysis of 141 ICOs from 2017, where items no longer listed as of 2 September 2018 are rated a 100% loss. Portfolio returns are weighted based on market capitalization as of 1 January 2018.

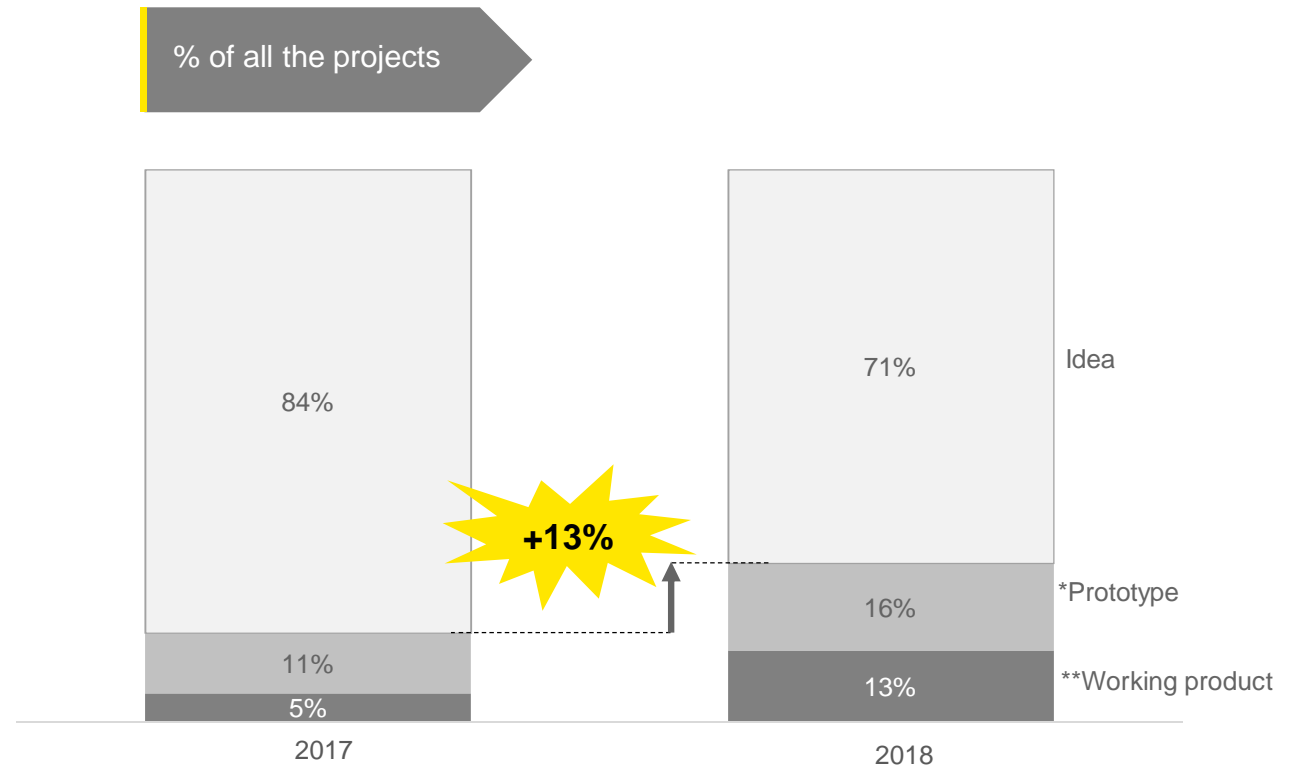
# About a year after raising money, only a small portion of ICO-funded start-ups have progressed towards working product offerings.

Our survey found companies that have made meaningful progress toward working products only increased by **13%** in 2018. **71%** have no offering in the market at all.

Typically, within one year of a traditional venture-backed software start-up, you would expect to see a significantly higher percentage of the companies with a functional early stage product.



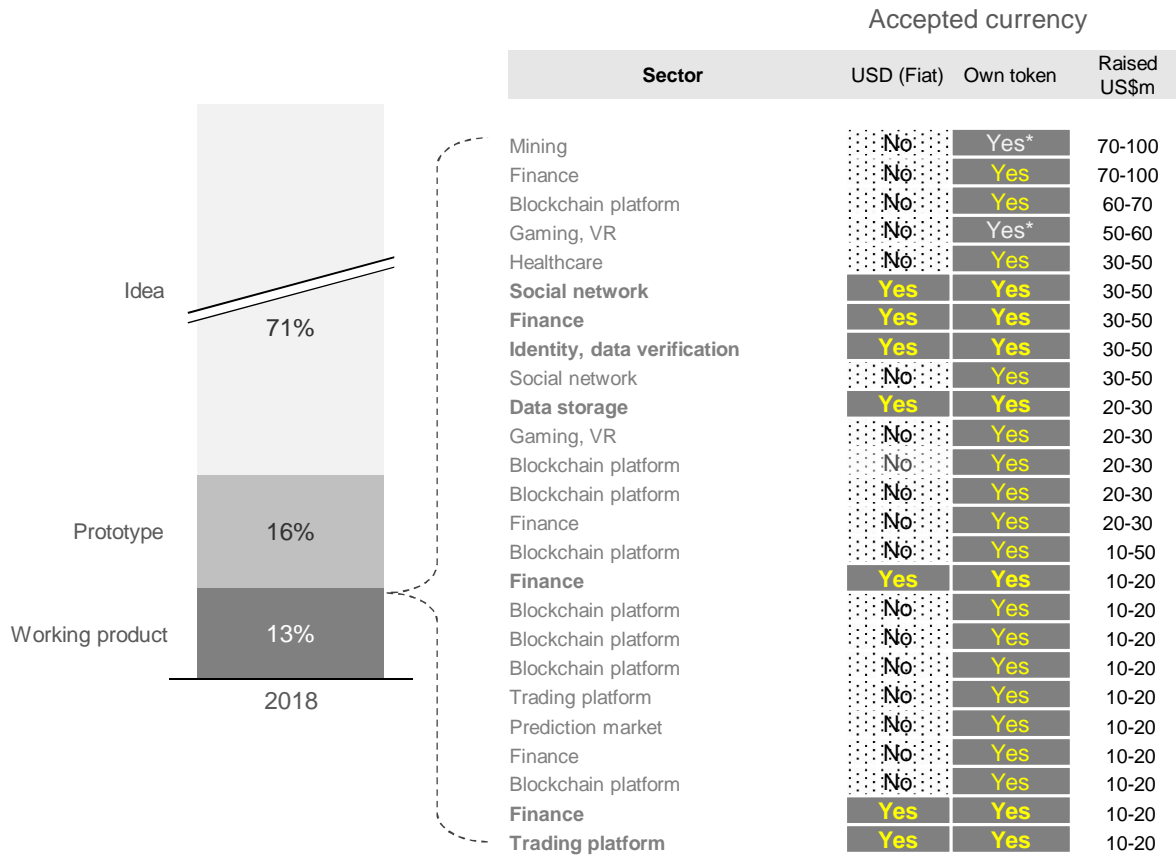
**Source:** EY analysis of 86 projects based on their public sites and 2017 whitepapers



\* Defined as the beginning phase of product development, provides testing models and validation.

\*\* Defined as the beginning of product sales.

# For those that do have working products, many are effectively abandoning their ICO investors by de-emphasizing the role of their tokens.




**7** out of **25** reviewed projects accept other currencies, rendering utility tokens less valuable. Some projects have altogether dropped their utility tokens to focus on functionality. To become a means of payment, utility tokens have to be stable. If it remains stable, the token is of little interest to speculative investors.

ICO projects accepting fiat usually offer some benefits for token users, similar to points in traditional loyalty programs.

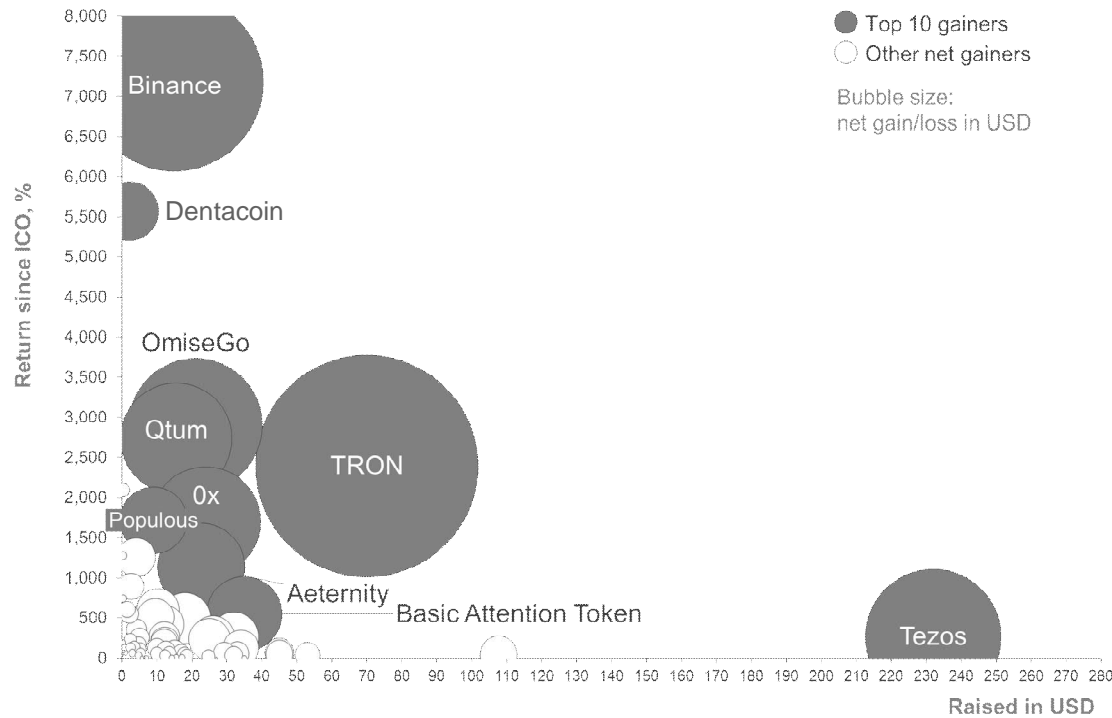
However, users do not use utility tokens to store value. To use the platform, users have to purchase the necessary amount and incur related transaction costs and token volatility risk.

**Detokenization:** One year after an ICO, Digipulse, a “crypto-inheritance” service, has announced it will detokenize its business, shifting exclusively to direct fiat currency payments.

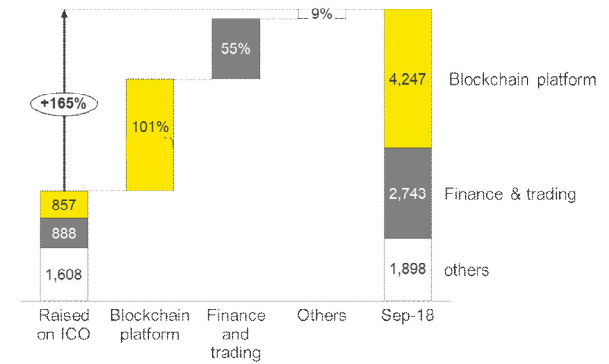
 **Source:** EY analysis of 86 projects based on their public sites; 2017 whitepapers.  
\*Since 2017, companies suspended development

# Top 10 ICOs in The Class of 2017 bring 99% of the net gain (84% of the gross gain) since the initial offerings. A majority are in blockchain infrastructure.

Net gainer, by project  
ICO – Sep 2018



Net gain, by sector  
ICO – Sep 2018



Net gain, by size (top 10 vs the rest)  
ICO – Sep 2018

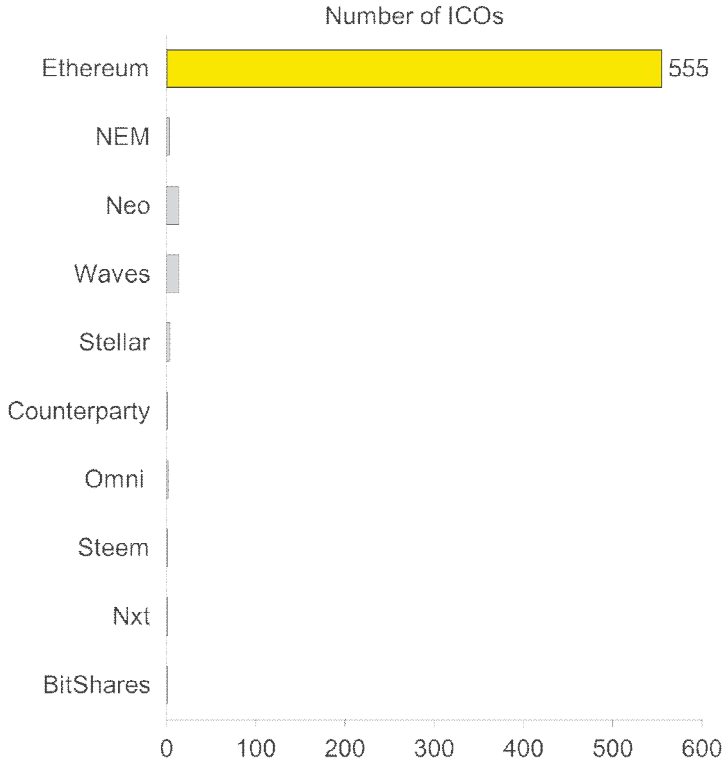


 Source: EY analysis of 141 ICOs from 2017

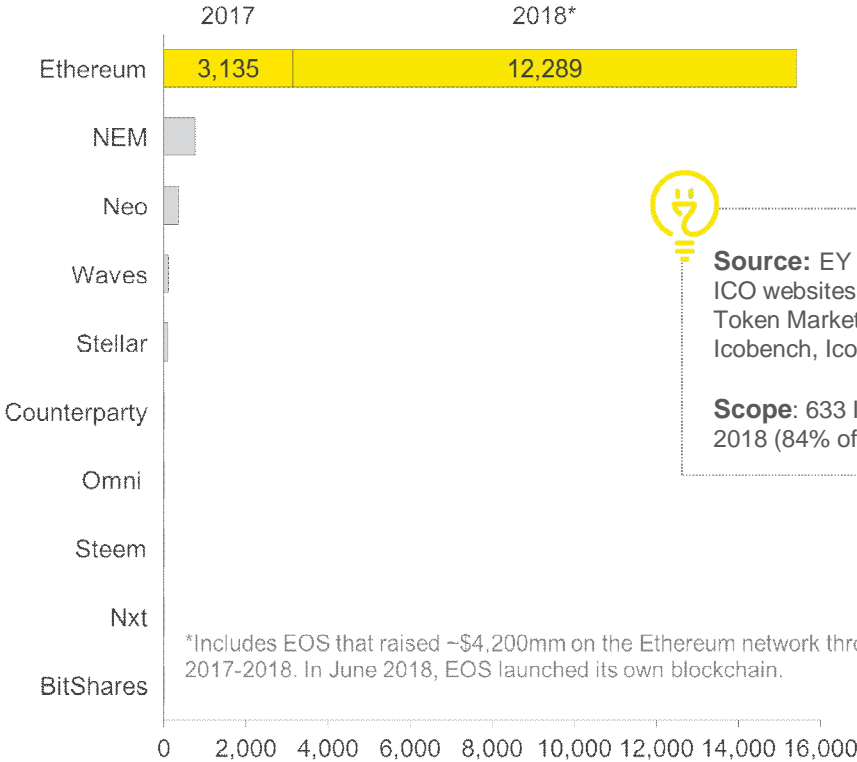


# The most successful investments from 2017 were blockchain platforms, but so far, none are challenging Ethereum.

ICOs by platform



Claimed US\$m raised by platform



**Source:** EY analysis based on ICO websites, Coinmarketcap, Token Market, Coinmarketcal, Icobench, Icodrops

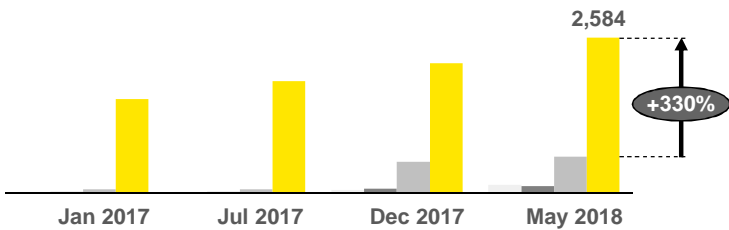
**Scope:** 633 ICO from 2017 and 2018 (84% of the total amount).

\*Includes EOS that raised ~\$4,200mm on the Ethereum network through 2017-2018. In June 2018, EOS launched its own blockchain.

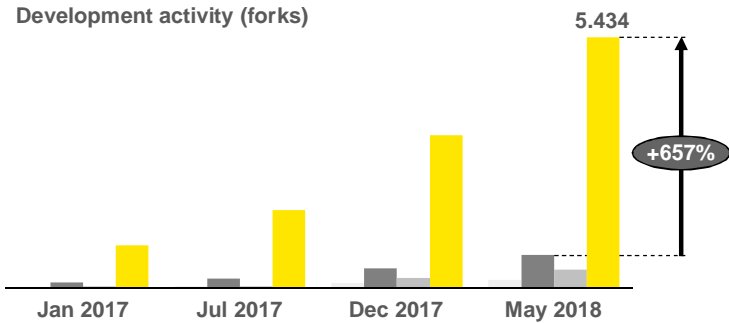
# The Ethereum developer community is more dominant than the nearest competing platforms.

## Developer activity

Number of questions solved on GitHub



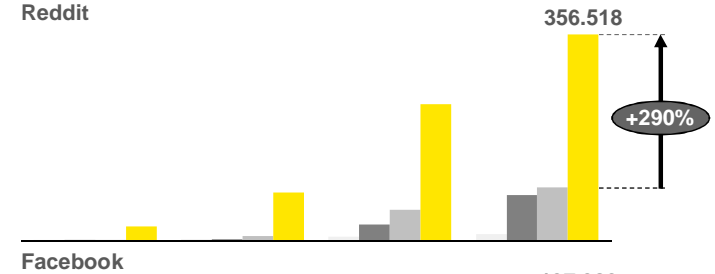
Development activity (forks)



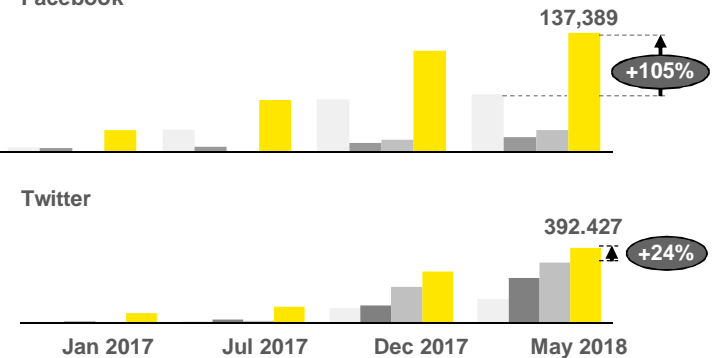
waves
  stellar  
 neo
  Ethereum

## Social media activity

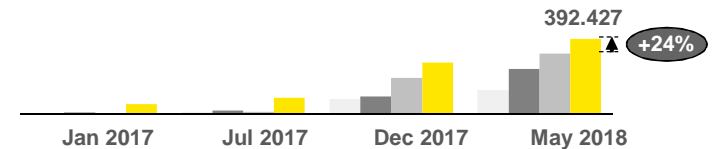
Reddit



Facebook



Twitter



Source: EY analysis based on Github; Ethereum, Coingecko

# Key takeaways and outlook

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Nearly a year after the first big global wave of ICOs, there is not enough data yet to form a full perspective on the risk and return mix of this new investment medium. In prior technological revolutions, many companies failed, and it took time for those that didn't to mature into investments appropriate for a wide variety of investors.

However, the early returns from ICOs are not encouraging. Compared to traditional venture capital investing, ICO-backed companies look like they offer more risk based on a number of factors including the lack of progress towards usable products.

The highest performing ICO investments in the last year have been mostly focused on blockchain infrastructure, while those focused on blockchain-enabled applications and business ecosystems generally have performed poorly.

In a year, we plan to revisit The Class of 2017 and provide an update. We also plan to issue a report later this year reconciling funding claimed by projects to the activity reflected in their respective blockchains.

Globally, sources of funding will likely shift away from retail investors towards entities that can understand and manage the downside risks, such as venture capital and digital asset-focused investment funds.

Regulatory concerns will likely continue to limit participation of certain classes of investors in various jurisdictions (e.g., non-accredited investors in the US). We expect regulators in developed securities markets to proceed cautiously.

# Methodology

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ICO market is unregulated, there is no single source of ICO data, reporting standards or generally accepted methodology. The findings are preliminary and based on public sources, and EY cannot always match the information given by these sources with the transactional data available on the public blockchain. We based our study on project websites, the most popular crypto exchanges, ICO trackers, data aggregators and interviews.

## Our approach:

- ▶ Performed detailed analysis of the top 141 projects from 2017
- ▶ Analysis of ICO blockchain network statistics, based on network monitors sites, and third party analytics
- ▶ Verified our conclusions against other public studies
- ▶ Interviews

## Data sources:

### Exchanges and data aggregators

- Coinmarketcap
- Coinbase
- Coindesk

### ICO trackers

- Coingeko
- icobench.com
- icodrops.com
- TokenData
- IcoWatchList
- TokenMarket
- Tokenmarket.net
- Coinschedule
- TokenReport

### Blockchain network scanners \ platforms

- Bloxy.info
- EtherScan
- Blockchain.info
- EthereumGasStation
- Bitinfocharts.com
- GitHub

### News sites

- Coindesk
- Forklog
- Anycoin
- Bloomberg
- Fortune
- Business Insider
- TechCrunch
- Forbes
- cnbc.com
- Ccn.com

### Public ICO reports

- CB Insight
- Funderbeam
- Autonomous Next

### Dedicated Blockchain social media

- Bitcointalk
- Medium
- Reddit

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