Coinbase Direct Listing Gets $100B+ Valuation as Share Price Jumps in Nasdaq Debut

The Coinbase listing is seen as a watershed moment for the cryptocurrency industry.

Coinbase CEO Brian Armstrong speaks Wednesday on CNBC. (CNBC, modified by CoinDesk)

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Coinbase, the biggest U.S. cryptocurrency
exchange, went live with its direct listing on Nasdaq, on a day when bitcoin rallied to a fresh all-time high.

The shares fluctuated in the first hours of trading, starting at $381 and initially jumping above $400 but dropping as of press time to about $378.

“The price of COIN will be very volatile,” said James Angel, a finance professor at Georgetown University who specializes in financial-market structure. “We can expect it to fluctuate along with the prices of cryptocurrencies. Investors should buckle up their seatbelts and expect a wild ride.”

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Analysts, traders and economists characterized the share sale as a milestone for cryptocurrencies, with the biggest U.S. exchange now getting exposure to mainstream stock-market investors. The event has also been tabbed as a catalyst that might drive adoption of digital assets.
“This is a watershed moment for the digital asset industry, as it signifies a larger moment of credibility for a market that is maturing rapidly,” said Hunter Merghart, head of U.S. for rival cryptocurrency exchange Bitstamp.

Based on the latest trading price, Coinbase would have a market capitalization of $76 billion, based on an outstanding share count of 199.2 million. The figure would be $99 billion using the fully diluted share count of 261.3 million.

The initial trading price was 52% above the reference price of $250 a share published late Tuesday by the Nasdaq. But it was well
below some of the price targets issued recently by stock analysts, with some estimates ranging as high as $600 a share.

A home on the Nasdaq

Coinbase, which has no official headquarters, opted to avoid an initial public offering (IPO) and instead directly list its shares on the Nasdaq stock exchange, without relying on Wall Street investment banks serving as underwriters to set the pricing.

“The reason we’re doing a direct listing is that it’s going to get all market participants,” Coinbase CFO Alesia Haas told CoinDesk in an interview. “We’re not allocating shares to just 10 institutions. This is going to be a robust, deep price discovery. And we’re excited to see where that market ends up.”

Prices for bitcoin (BTC, -1.07%), the biggest cryptocurrency by market value, soared Wednesday to a new all-time high above $64,000, settling back to about $63,500 as of press time. Ether (ETH, -1.05%), the native cryptocurrency of the Ethereum blockchain and the second-biggest overall, also rose to a record price of around $2,400.
“COIN listing is the validation of an investment thesis that crypto is not a niche market anymore,” said Campbell Harvey, a professor of international business at Duke University. “It is a new mainstream market.”

Even Coinbase’s competitors are getting in on the action: Binance, the world’s largest cryptocurrency exchange, announced Wednesday it will list a digital token backed by Coinbase shares.

“Coinbase has enormous scarcity value, as a one-of-a-kind, pure expression of the secular cryptocurrency trend;” Lisa Ellis, an analyst for the brokerage firm MoffettNathanson, wrote Tuesday in a report recommending a “buy” on COIN shares, with a one-year price target of $600 a share. “We are bullish on cryptocurrency technology. While still nascent, we believe it is one of the most disruptive technology innovations in decades.”
Coinbase has consistently created new venture capital funding records in crypto, so it was befitting that the exchange would move forward with the first direct listing in the space.

See also: The Definitive Guide to Coinbase Going Public

The company’s growth prospects have become the subject of a great deal of analyst speculation after a blowout first-quarter earnings presentation last week that showed off the profitability of the company but also the volatility of its business model.

The exchange reported $1.8 billion in revenue for the quarter (versus $1.27 billion for the full year 2020). Coinbase gave no revenue guidance (as a publicly traded company normally would), but instead gave scenarios for user growth depending on different outcomes in the crypto market. It reported 6.1 million active users in the first quarter, more than double the number during the final quarter of 2020.

‘Difficult to justify’

Some industry analysts were skeptical of Coinbase’s sky-high valuation.
“It does seem difficult to justify these numbers,” Mati Greenspan, founder of the foreign-exchange and cryptocurrency analysis firm Quantum Economics. “There is the old saying that in a gold rush, the ones who make the most money are the guys selling picks and shovels. This certainly applies to Coinbase.”

Coinbase requires investors to not only have a view on the future of bitcoin but also on other crypto exchanges and decentralized exchanges (DEXs) that will be competing with it for market share, Duke’s Harvey said. (The Duke University endowment was an early investor in Coinbase.)

“To simply extrapolate from past results ignores the competition,” Harvey said. “Most people are operating in the world of centralized finance and [decentralized finance] is not just a novel cryptocurrency. It’s reinventing financial infrastructure.”
While many equity analysts are looking at how Coinbase is turning its large pool of users into active users that trade on the app every month, some have said that COIN could end up trading like a proxy bitcoin ETF, as some investors are now possibly using MicroStrategy (MSTR) shares.

It also means that pension funds and endowments will be looking at other early-stage private companies in the crypto space that have the potential to follow Coinbase’s growth history, Harvey added.

“Developments like this help bring confidence to this still nascent, but as the last year has demonstrated, resilient, asset class,” David Mercer, CEO of the LMAX crypto exchange, said in an emailed comment.

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