

# Numis

## RIT Capital – Paxos Series D

30 April 2021

Paxos has raised a \$300m Series D funding round led by Oak HC/FT at a valuation of \$2.4bn. Paxos has been building infrastructure and white-label services for enterprise clients that want to offer cryptocurrency products to their own customers. Investors in the Series D funding round include Declaration Partners, PayPal Ventures, Mithril Capital, Senator Investment Group, Liberty City Ventures and WestCap.

As we know, Paxos, founded in 2012, has partnered with PayPal for its cryptocurrency features. Since last October, PayPal customers have been able to buy, hold and sell a handful of crypto assets — Bitcoin, Ethereum, Bitcoin Cash and Litecoin. Venmo, a PayPal subsidiary, added the same cryptocurrency features just a few days ago.

Paxos offers different products, such as crypto trading and settlement, custody and the ability to issue tokens. It focuses on big enterprise clients, such as Revolut, Crédit Suisse, Société Générale and StoneX.

The company tries to be as compliant as possible. And it plans to remain committed to regulation across several geographies and verticals. For instance, Paxos has secured a conditional charter from the US Office of the Comptroller of the Currency to launch the Paxos National Trust Bank and to apply for a Clearing Agency registration with the SEC in the US. We know earlier this month Credit Suisse and Instinet (trading arm of investment bank Nomura), settled US listed stock trades on the same day using Paxos' settlement service. In Singapore, the company is applying for a Major Payment Institution license. Paxos thinks that this regulation edge will foster partnerships with more enterprise clients looking for safe cryptocurrency opportunities.

Paxos has also launched its own stablecoin called Paxos Standard (PAX). Stablecoins are crypto assets like BTC or ETH. But the value of PAX is indexed on USD. At any point in time, one PAX is worth one USD. Other popular stablecoins include Tether and USDC. Paxos also lets you issue your own branded

stablecoin. For instance, Binance has worked with Paxos to issue BUSD on its platform. As expected, one BUSD is also worth one USD.

Paxos is also well known for PAX Gold, a digital asset that is backed by physical gold. It's an alternative to gold ETFs that should be more efficient as it lives on the Ethereum blockchain.

Finally, Paxos has its own cryptocurrency exchange called itBit. According to CoinMarketCap, itBit only features a handful of trading pairs. It isn't meant to be a consumer-facing exchange, but it powers Paxos' other products.

The 175-person Paxos has no plans for a stock offering anytime soon, despite Coinbase leading a passel of crypto firms into the public markets.

Last December, Paxos raised \$142m in a Series C. The valuation associated with the Series C was not disclosed but I can see that Paxos has now become an Unicorn so the valuation was clearly sub \$1bn. RIT Capital has not disclosed the amount they invested in Paxos which would have most likely been a co-investment alongside Peter Thiel's Mithril Capital.

RIT Capital (£3.8bn market capital) sees their Private Assets as being one of the key cylinders of returns for the Trust. 2021 to date clearly validates this; in my opinion, Coupang IPO-ing, BREX fundraise earlier this week and now Paxos. RIT Capital typically makes their direct investments alongside the GP PE/VC managers who they have committed to such as Mithril, Thrive, Mithril, Ribbit and Sequoia. These are blue chip, top quartile names and demonstrates RIT Capital's network and relationships.