Is CoinBase A Buy?

By winkler · May 13, 2021

TL;DR

This blog post evaluates whether Coinbase is a worthwhile investment, discussing its trading fees, user growth, and potential risks. It highlights the company's position as a leading exchange in the U.S. and explores its revenue sources and market forecasts from analysts.

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Video

Is CoinBase A Buy?

https://youtu.be/B_fpinyt3Vo

Transcription

My Experience

So I've been using Coinbase for a long time. Some of my first videos on this channel from early 2019 were about Coinbase. For a while it was one of my preferred platforms to trade and buy crypto.

But this comes with a caveat - (1) you had to use coinbase pro and (2) your 30 day rolling Total Volume ideally be over $100k otherwise your fees were massive and you might as well transfer your funds over to Binance. @ $100k+ in vol that's when the fees were competitive.

When I hit $1M in 30 rolling trading Volume I had monthly trading fees well over $1,000 so ya it was a lot.

Regardless of all those painful fees I've paid. Coinbase has and I believe for the foreseeable future will be the go to exchange for many. Especially people just diving into the crypto space.

Because let's face it. They make it very simple. And people like simple. I like simple.

IPO

On Friday, April 14th 2021 Coinbase IPO'd under the ticker COIN at $326 and hit a high of $429 dollars and 54 cents.

This was well above the original underwriting of $250 but around the private valuation as COIN became oversubscribed with last min private investors before the final IPO before trading.

Tweet

Fast forward to Apr 21, 2021 when COIN was selling off for what felt like 6 consecutive trading days and quickly approaching $300. I made this tweet to see what the community's thoughts were on this ticker. Looks like it was a mixed bag.

https://twitter.com/mralexwinkler/status/1384855091061067776

Stock Bottom

So low and behold Friday May 7th 2021 we hit the initial $250 valuation. Is that the new bottom? For now it seems like it with a massive 10%+ bounce off of the lows.

I don't see Coinbase going much lower and some like MeetKevin even said, and I'm paraphrasing here, said if it hits $250 drop everything and buy.

Risks

What's the downside and what's the Upside?

We all know that right now coinbase makes the majority of their revenue from trading, like my bg monthly fees discussed in the beginning and that's where many, including coinbase themselves, believe it's weakness lies.

The first bullet point on Coinbases IPO prospectus under the "Summary of Risk Factors" section even was "Our operating results have and will significantly fluctuate due to the highly volatile nature of crypto."

followed by point #2 "Our net revenue is substantially dependent on the prices of crypto assets and volume of transactions conducted on our platform. If such price or volume declines, our business, operating results, and financial condition would be adversely affected."

Actually the next 2 points are relative to crypto trading attractiveness and then start cyber crimes like getting hacked and government legal issues all of which could be fatal blows."

Stressful stuff to read through really.

DeFi, CeFi Tradfi are also all battling for more lucrative ways to HODL your assets like crypto then keeping it on an exchange like Coinbase. Now Coinbase could easily jump into the CeFi space and beef up their additional products, which atm is slim. We'll talk about that in a moment.

Reward

Whats important to know is that Coinbase is the "go to" in the US and everyone needs to start somewhere. Heck even when Tesla invested $1.5Billion into Bitcointhey used Coinbase.

& as coinbase wrote on their S-1 "Coinbase grows as the cryptoeconomy grows." and "Adding more customers." is there still their top bulletin under growth strategy.

So i'd say they are doing pretty good there.

With 43m Verified Users in 2020 a 34.4% increase from 2019's 32m Verified Users

And

2.8m Monthly Transacting Users in 2020 a 180% increase from 2019's up form 1m Monthly Transacting Users

That's solid growth.

They are also expanding into other segments which now only account for under 10% of Other revenue “Other revenue includes the sale of crypto assets when we are the principal in the transaction. ”

“Other revenue also includes interest income earned primarily on our cash and cash equivalents.”

These other revenue sources may be a small % now but are growing fast and the option to add more is quite large in the new crypto propelled CeFi space.

ROI vs BTC

One question still stands. Will coinbase have a better return then BTC?

If BTC was to reach and maybe even surpass the market cap of gold almost 12 Trillion then the growth would be about 10x which seems more and more of a unfair fetched idea.

For Coinbase to 10x.. It would then have the market cap closer to JPMorgan Chase & Co. 500B or Tesla which is 600B compared to COIN’s 60B

I’ll let you decide what’s more possible.

Analysts

According to analysts..

7 of the higher analyst forecasts are placing the 2 year target on Coinbase at around $650 and the lowest 7 analyst forecast at $250.

Drop your analysis in the comments below. Feel free to add a reason or 2 for better popcorn eating while in the comment section.

Outro

Either Way, Coinbase, a company that started in 2012, doesn't seem like it will be disappearing anytime soon. And I think we’ll be seeing a lot more bull and bear markets with coinbase being one of the main exchanges.

Drop

Drop a like on the way out, it’s the easiest way to support this channel, subscribe and join the community. & if you're a real crack baby join us every day the market is open for 9-10 for live day trading. We’d love to have part of the community

FAQ

What are the main risks associated with investing in Coinbase?

The main risks include the volatility of crypto prices, dependency on trading volume for revenue, and potential legal issues. These factors could adversely affect Coinbase's financial performance.

How has Coinbase's user base changed over the years?

Coinbase saw significant growth, with 43 million verified users in 2020, a 34.4% increase from 2019. Monthly transacting users also rose by 180%, indicating strong user engagement.

What is the significance of Coinbase's IPO?

Coinbase went public on April 14, 2021, under the ticker COIN, initially priced at $326. The IPO marked a significant milestone for the cryptocurrency industry, showcasing Coinbase's growth and market potential.

How does Coinbase's revenue model work?

Coinbase primarily generates revenue from trading fees, which can be substantial for high-volume traders. Additionally, it is exploring other revenue sources, including interest income and asset sales.

What are analysts predicting for Coinbase's stock price?

Analysts have varied forecasts for Coinbase's stock, with some predicting a target price of around $650 and others as low as $250 over the next two years.