

Asset

CryptoPunk

Floor Price

67 ETH US\$105,000

Category

Profile Picture (PPF)

10-year Target Price

300 ETH (US\$500,000)

Collection Quantity

10,000

Forecast Return

350%

Floor Market Capitalization

670,000 ETH (US\$1.1 billion)

Risk Rating

Highly Speculative

Executive Summary

CryptoPunks are some of the first Non-Fungible Token (NFTs) ever created, setting a historic precedence for digital art. As millions of potential users are onboarded into Web3 over the coming years, demand for digital art is expected to grow at a significant rate. In addition, CryptoPunks are owned by the premier Web 3 company, Yuga Labs ("Yuga"). Yuga acquired CryptoPunks in early 2022 and have an excellent track record in NFT brand development and utility, as demonstrated through the Bored Ape Yacht Club ecosystem. CryptoPunk offer upside potential, not only as a historical piece of digital art, but also to Yuga Labs brand development potential.



CryptoPunk #4091



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Franchise Overview

CryptoPunks are perhaps the most historic and influential NFT collection. Often regarded as the original digital art collection, CryptoPunks were created in June 2017 by Larva Labs and are the first profile picture (PPF) NFTs. The success of the collection has set many precedents throughout the NFT industry including ERC-721, the smart contract standard in which nearly all NFTs are created.

The CryptoPunks collection of 10,000 digital images was generated algorithmically using pixels arranged 24x24 in a unique combination of 88 potential attributes. This methodology allows for rarity in specific attributes within the collection. For example, the rarest trait in the collection is having light-blue-skin, which is referred to as being an "Alien". These rare traits can be valued much higher than non-rare traits, with the rarest "Alien" punk selling for the equivalent of \$23.7MM in February, 2022¹.

On March 11, 2022, the CryptoPunks intellectual property rights were acquired by Yuga Labs, founders of the Bored Ape Yacht Club ecosystem. This monumental acquisition allows Yuga Labs to own 6 of the top 11 most valuable NFT collections (BAYC, CryptoPunks, Otherside, MAYC, Meebits, BAKC).

Disclosure

The Accelerate NFT Fund LP currently owns CryptoPunk #4091 and may purchase additional CryptoPunk assets in the future.

Origin and Team

Larva Labs

CryptoPunks were founded by two Canadian software engineers, Matt Hall and John Watkinson. The two-self-described "creative technologists" met while studying at the University of Toronto and founded Larva Labs in 2005. Larva Labs generates both professional and experimental project types, ranging from web infrastructure to mobile games².

In 2017, Hall and Watkinson pondered the question, "What does ownership mean in the digital age?"³ In a response, the duo created 10,000 pieces of art on the Ethereum blockchain. The art was inspired by the London Punk Movement of the 1970's, a dystopian grip of cyberpunk as typified in Blade Runner. The "punks" represented the anti-establishment spirit of the early days of the blockchain movement. Hall and Watkinson kept 1,000 CryptoPunks (10% of the collection) for themselves as insurance if the project became a success.

After a slow beginning, CryptoPunks began to increase in popularity within a few years. By mid-2019, the average price of the CryptoPunks traded for over US\$150 per token, valuing the collection at over \$1.5 million. Larva Labs then leveraged the success of the project to create two additional Ethereum blockchain projects, Autoglyphs and Meebits. Both additional projects would achieve immense success, gaining top ten status by market capitalization amongst NFT projects.

On March 11, 2022, the CryptoPunks IP, along with the Meebits IP, were acquired by Yuga Labs, the founders of the Bored Ape Yacht Club ecosystem for an undisclosed amount.

¹ <https://www.cnbctv18.com/cryptocurrency/a-look-at-nine-most-expensive-nft-deals-so-far-12612202.htm>

² <https://www.larvalabs.com/about>

³ <https://mashable.com/article/cryptopunks-ethereum-art-collectibles>

Yuga Labs

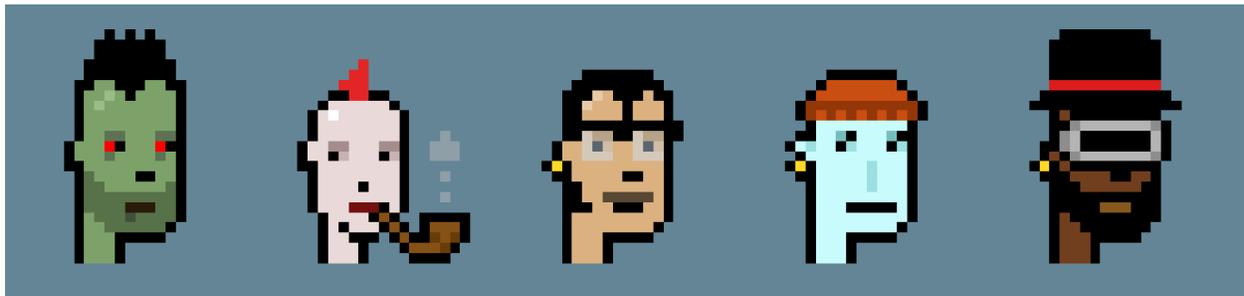
Yuga Labs (“Yuga”) is the premier Web3 company, owning 6 of the top 11 most valuable NFT projects. Yuga was founded by two creatives, Gargamel and Gordon Goner, and by two software engineers, Emperor Tomato Ketchup and No Sass. Together, the team has created the iconic Bored Ape Yacht Club ecosystem, which includes the Bored Ape Yacht Club (BAYC), Mutant Ape Yacht Club (MAYC), and Bored Ape Kennel Club (BAKC) NFT collections. Yuga is also responsible for the Otherside metaverse game currently in development.

The company has grown from a four-person startup to a unicorn company in just over year. In February 2022, Yuga Labs raised \$450 million pre-seed investment on a \$4 billion valuation from some of the top cryptocurrency venture capital firms, including a16z. The early success of the BAYC ecosystem and subsequent capital raise has allowed Yuga to increase to more 50 employees and add multiple high-level executives including CEO Nicole Muniz, talent manager Guy Oseary, and board member Chris Lyons. Muniz has a background in brand development working with Fortune 500 companies while Oseary is famous for managing artists Madonna and U2 and leading major VC investments. Chris Lyons is a general partner at a16z, an influential member of the Web3 community through his influence at a16z.

Yuga Labs’ goal is to build an interoperable gaming metaverse, or the “Yugaverse”, using the Bored Ape Yacht Club NFT ecosystem as the center piece.

On June 19th, Noah Davis was announced as the Brand Lead for the CryptoPunks under the umbrella of Yuga Labs. Davis was previously the AVP Specialist and Head of Digital Art at legendary auction house Christie’s. Davis played a prominent role in Christie’s emergence as the first-major major auction house to both offer NFTs for auction and accept cryptocurrency payments⁴. Among other significant NFT sales, Christie’s is famous for selling Beeple’s EVERYDAYS; THE FIRST 500 DAYS NFT for US\$69mm in March 2021⁵, the highest ever sale for an artwork that exists only digitally.

Collection Overview



Date Minted

June 10, 2017

Mint Price

Free

Quantity

10,000

⁴ <https://www.christies.com/features/monumental-collage-by-beeple-is-first-purely-digital-artwork-nft-to-come-to-auction-11510-7.aspx>

⁵ <https://onlineonly.christies.com/s/first-open-beeple/beeple-b-1981-1/112924>

Royalty on Secondary Sales

0%

Overview

CryptoPunks were released on June 9, 2017, through a custom smart contract on the Ethereum blockchain. Users were able to mint a CryptoPunk for free, provided they paid for the price of gas, which was equivalent to \$0.11 at the time. Initially, the collection lacked public interest as only a small number of NFTs were minted. That changed on June 16, 2017, when Mashable wrote an article featuring the CryptoPunks.⁶ The collection then sold out within hours of the article being released.

V1 CryptoPunks

Soon after release, a bug was discovered in the CryptoPunks smart contract. This bug allowed, in a transaction, for the buyer to be refunded, thus allowing the buyer to keep both the NFT and cryptocurrency in any transaction. The result of this bug disabled any potential for sales to occur on the secondary market. Larva Labs decided to redeploy the smart contract with the bug resolved, creating two versions of the CryptoPunks. They airdropped a new version of each CryptoPunk to the original holders from the first contract. CryptoPunks from the original contract are deemed V1 CryptoPunks, while the CryptoPunks from the revised smart contract are referred to as simply, CryptoPunks.

For many years, the V1 CryptoPunks were disregarded by the community. However, in 2019, a community member deployed a new smart contract, disabling the bug, by “wrapping” V1 CryptoPunks. The wrapper effectively enabled secondary sales, and the collection was soon listed on OpenSea, receiving moderate trading volume.

The value and authenticity of V1 CryptoPunks is controversial. In a tweet⁷, Larva Labs stated that “V1 Punks are not official CryptoPunks”. Larva Labs further reflected this sentiment by filing a Digital Millennium Copyright Act (DMCA) takedown request of the collection on OpenSea, which delisted the collection for copyright infringement. However, many community members believe the V1 CryptoPunks are the original CryptoPunks, and incur even greater value than CryptoPunks. After the Yuga Labs acquisition, Yuga stated they had no intention of pursuing the DMCA, and the collection was relisted on OpenSea.

Community

CryptoPunks have the 2nd largest community amongst major blue-chip NFT projects, only behind BAYC. They also have some of the most loyal followers, as many NFT owners have held on to the project since its genesis. Furthermore, many celebrities have purchased CryptoPunks and display them as their profile pictures on social media. This list includes but is not limited to; Jay-Z, Serena Williams, Odell Beckham, and Logan Paul. In addition, corporations such as Visa have also purchased CryptoPunks⁸, citing potential future concepts and partnerships with NFTs.

⁶ <https://mashable.com/article/cryptopunks-ethereum-art-collectibles>

⁷

https://twitter.com/cryptopunksnfts/status/1486092138534387712?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1486092138534387712%7Ctwgr%5E%7Ctwcon%5Es1_&ref_url=https%3A%2F%2Fdecrypt.co%2F92155%2Fcryptopunks-controversy-creators-apologize-v1-ethereum-nft

⁸ <https://decrypt.co/79163/visa-buys-cryptopunk-nft-nearly-50-eth>

Blue-Chip NFT Project	Followers/Members			
	Twitter	Discord	Instagram	Total
BAYC	925,000	195,000	672,000	1,792,000
CryptoPunks	218,900	63,500	250,000	532,400
Azuki	292,000	133,000	57,500	482,500
Doodles	327,600	63,000	17,200	407,800
Moonbirds*	192,900	18,500	-	211,400

*PROOF token holders only for Discord
May 1, 2021

Project Utility & Roadmap

Intellectual Property

Larva Labs

Commercial rights for CryptoPunks were ambiguous for multiple years. It was not until June 2019, in a Discord post by John Watkinson, were commercial rights explicitly stated. The Discord post applied a generic NFT license to the CryptoPunks and Autoglyphs NFTs, which was originally created by Dapper Labs for their CryptoKitties NFT project. The agreement provided minimal commercial rights to the NFT owner, limiting owners to commercializing merchandise for revenue not exceeding \$100,000 annually.

Yuga Labs

Immediately after the acquisition of CryptoPunks, Yuga Labs changed the licensee agreement to grant full commercial rights to each NFT Holder for their specific NFT. These are the same terms granted to NFT holders of the BAYC, MAYC, and BAKC⁹. These terms allow CryptoPunk holders the ability to monetize their NFTs in new and creative ways. There have been many examples in the BAYC ecosystem with projects including books¹⁰, movies¹¹, restaurants¹², and music¹³.

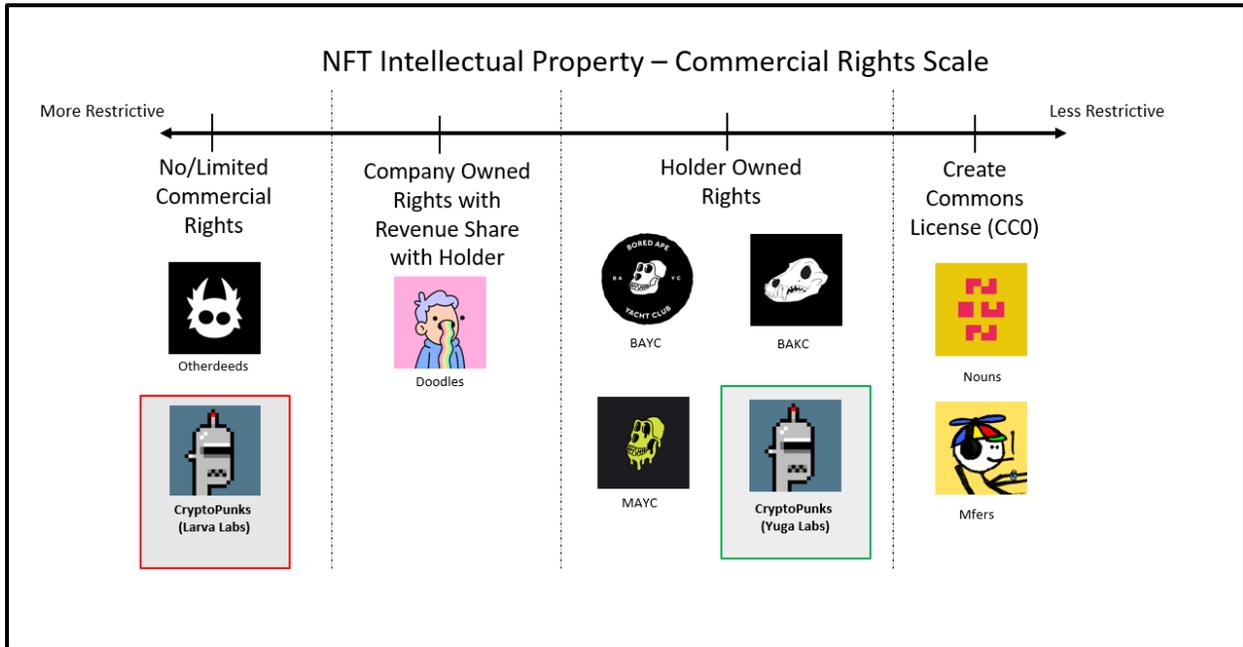
⁹ https://mirror.xyz/0xEc9f53fA69682833FBd760C104B5D61aE29221E0/Km81y6Mc3O5LzS0wnrghVIV0HnZgLOd4wsnfcGw3_21

¹⁰ <https://www.jenkinsthevalet.com/>

¹¹ <https://www.coindesk.com/business/2022/04/11/bored-apes-go-hollywood-with-coinbase-produced-movie-trilogy/>

¹² <https://thedieline.com/blog/2022/3/18/the-worlds-first-bored-ape-yacht-club-branded-restaurant-bored--hungry-announced?>

¹³ <https://www.universalmusic.com/1022pm-buys-bored-ape-5537-and-joins-the-bored-ape-yacht-club-community/>



Roadmap

CryptoPunks have never possessed a formal roadmap such as the ‘club’ model Yuga Labs developed for the BAYC ecosystem. Rather, they are perceived as a historic digital art collection, and as such, Yuga has preserved the prominence of the collection rather than developing utility.¹⁴

One notable utility initiative is Yuga Labs granting the CryptoPunks owners 3D models of their NFTs to be used in the Otherside metaverse game. The custom 3D models are only granted to Yuga Labs intellectual property. However, other notable NFT projects have been granted access to the Otherside through the software development kit (SDK). This initiative was first teased in a trailer for the Otherside in March, 2022¹⁵.



Figure 1 - OtherSide Trailer. Teasing access for blue-chip NFT projects CryptoPunks, CyberKitties, World of Women, Meebits, Cryptoadz, and Nouns.

¹⁴ https://mirror.xyz/0xEc9f53fA69682833FBd760C104B5D61aE29221E0/Km81y6Mc3O5LzS0wnrghVIV0HnZgLOd4wsnfcGw3_2I

¹⁵ <https://www.youtube.com/watch?v=qt1equGhkQE>

CryptoPunks Business Overview

Profitability and company incentives are critical to Web3 projects to ensure continued development of the project.

Revenue Drivers

Unlike many NFT projects, CryptoPunks were minted for free and did not contain a secondary sale royalty. This limits revenue capabilities for the creator to one option: selling the 1,000 CryptoPunks in the founder's collection. In Yuga Labs's acquisition of Larva Labs' assets, 423 CryptoPunks were transferred from Larva Labs to Yuga Labs. It is unknown if the 423 was the entirety of the remaining holdings of Larva Labs.

Other

Yuga can profit through many additional mechanisms such as merchandise, events, and other brand deals focused on the CryptoPunks.

Profitability

CryptoPunks are not a source of immense profitability for Yuga Labs. At current pricing, 423 CryptoPunks represent \$22.4mm in potential revenue¹⁶. This pales in comparison to the estimated \$560mm in revenue Yuga received from the Bored Ape Yacht Club ecosystem from May 2021 to May 2022¹⁷. However, Yuga's primary development focus is on the Bored Ape Yacht Club ecosystem and the Otherside. As a result, costs are likely low for CryptoPunks relative to their other projects. The value of CryptoPunks lays in long-term price appreciation of the CryptoPunks and successful integration into the Otherside metaverse game.

Partnerships

Larva Labs had a partnership with United Talent Agency (UTA) in September 2021. They represented CryptoPunks for deals in movies, shows, video games, and book publishing. CryptoPunks are now overseen by Yuga Labs' extensive partnership and brand team, led by Guy Oseary and Noah Davis, respectively. Yuga Labs has several partnerships ranging from brand exposure to technical expertise. Yuga's most significant partnerships are with large technology companies, including Improbable and Animoca Brands, to support the creation of the Otherside metaverse. Improbable M2 technology is of particular importance the Otherside's ability to scale, as it allows over 10,000 players to interact simultaneously in a single place with full interaction capabilities. Animoca Brands is a global leader in digital entertainment and will leverage significant influence for the strategy and implementation of the Otherside. These partnerships are essential to creating a game in which CryptoPunks may be used.

¹⁶ June 19th – ETH/USD: 1,100, Floor Price: 48 ETH.

¹⁷ For further Yuga Labs revenue analysis, see Additional Data.

Price History and Value Accrual

Floor cap Valuation

Date: 08/30/2022

	Floor Price (ETH)	Quantity	Floor Cap (ETH)	ETH/USD	Floor Cap (USD)
Current – Aug, 2022	67	10,000	670,000	1,582	\$ 1,059,940,000
Peak – Nov,2021	106	10,000	1,060,000	4,600	\$ 4,876,000,000

Value Drivers

1. Aesthetic, Rarity, and Prominence

Art

CryptoPunks possess artistic value based on the traits which the NFTs are composed of. Some traits, such as Beanie, Pilot Helmet, Hoodie, and 3D Glasses, may be more aesthetically pleasing than others and therefore have higher market value. Many of these NFTs reside in museums, both of physical and digital variety. The image below shows the rarest three CryptoPunk traits, Alien, Ape, and Zombie.¹⁸

Value	Count	Rarity Score	Examples
Alien	9	+1111.11	
Ape	24	+416.67	
Zombie	88	+113.64	

Figure 2 - BAYC Rarity Traits (via <https://rarity.tools/cryptopunks/traits>)

Rarity

There are only 10,000 CryptoPunks. As NFTs gain mainstream adoption and more users become familiar with the project, demand for CryptoPunks is expected to grow. This level of rarity also creates FOMO (Fear of Missing Out), a significant driver of speculative trading activity.

¹⁸ <https://rarity.tools/cryptopunks/traits> - Retrieved, June 15, 2022

Prominence

CryptoPunks have the narrative as the first, or one of the first, digital art projects. Factually, there were a handful of NFT experiments preceding CryptoPunks, which include Rare Pepes, Counterparty, and Colored Coins.¹⁹ However, CryptoPunks are the first Profile Picture NFT, or the first to provide a digital identity. In addition, CryptoPunks are the first NFT collection to gain mainstream adoption and are responsible for development of the ERC-721 standard. This level of historical significance may always be of value.

2. Income Generating Potential and Utility

Financial returns

PFP NFTs have tremendous upside for price appreciation. Yuga Labs has a precedent for rewarding holders in the Bored Ape Yacht Club ecosystem with additional value including airdrops and exclusive claims for new NFTs. It is unclear to what extent Yuga Labs will utilize these concepts for CryptoPunks.

Commercial Rights

With full commercial rights to the NFTs held, owners could monetize their NFTs in new and creative ways. Numerous examples of successful monetization exist.

3. Social Proof, Membership, and Credibility

Identity

CryptoPunks allow holders to take on the digital identity of the NFT, whether on social media, games, or metaverses.

Social Status

CryptoPunks are Veblen goods, given that demand increases as the price increases. The behavior is like that of a luxury goods such as cars, yachts, and jewelry. Similar to these luxury assets, a CryptoPunk may generate substantial status for the owner.

Community

Owning an NFT provides the owner with a community to belong to. For CryptoPunks, this could allow holders to join an exclusive group with the likes of celebrities such as Jay-Z, Serena Williams, Steve Aoki, and others. This sense of exclusivity amongst members is unique to only the largest NFT projects.

Risks

1 Execution Risk

Otherside development

A goal for Yuga is to have their NFT ecosystem as the main characters in the Otherside. To do so, the game must be compelling and draw in NFT holders to spend time playing. This is not only challenging from a marketing

¹⁹ <https://medium.com/@Andrew.Steinwold/the-history-of-non-fungible-tokens-nfts-f362ca57ae10>

perspective, but also from a technical perspective, as massive online role-playing games have been limited to only a few thousand players. Yuga, and their blockchain game partner Animoca Brands, will have to scale at a much higher rate. If the Otherside is not a success, it could diminish the brand of CryptoPunks as they are integrated into the game as avatars.

Dilution

There is potential for V1 CryptoPunks to change their narrative and gain more mainstream backing as a historical NFT collection. As a duplicate of the CryptoPunks, this represents immense dilution risk if both versions are seen in similar regard by the NFT community.

2 Business Model risk

Shareholder appreciation

CryptoPunks have provided great capital appreciation for many owners, leading to an in-flux of speculators purchasing the NFT expecting similar returns. Speculative owners may choose to sell if the previous level of returns is not realized.

3 Competitive Risks

Metaverse ecosystem

There are many metaverse projects under development, including Decentraland and Sandbox, which have already demonstrated a preliminary level of success. Most metaverse ecosystems plan to be open-source or have the ability for developers to build on top. Therefore, the potential exists for one, or only a few metaverse projects, to dominate most of the market share. If another project can deliver a better user experience than the Otherside, it has a risk of losing most of its users.

Profile Picture NFTs

New PFP collections are announced daily. Innovative collections may possess the ability to compete with CryptoPunks for use within digital identities.

4 Market Risk

NFTs

NFTs are still a nascent technology attempting to discover long-term product market fit. While historical NFTs, such as CryptoPunks, will always retain value associated with the historical precedence, they are still high risk, speculative investments with substantial volatility.

Ethereum

CryptoPunks are denominated in ether, the cryptocurrency of the Ethereum blockchain. The value of CryptoPunks relative to fiat is dependent on the price ether. As all cryptocurrencies are highly volatile, and a price crash in ether would likely diminish the value of CryptoPunks in fiat money, regardless of the CryptoPunks value in ether.

The Ethereum blockchain is also attempting to transition from a Proof-of-Work consensus mechanism to a Proof-of-Stake consensus mechanism, a tremendous technological challenge. If the Ethereum blockchain fails to successfully transition, it could significantly reduce the value of the cryptocurrency.

Investment Scenarios

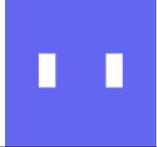
Upside Case

Historic NFTs continue to gain prominence as digital assets, in general, continue to develop long-term use cases and gain adoption from millions of new users. Digital art continues to grow as citizens spend more time in the digital world. Yuga Labs continues to execute a brand development strategy for the CryptoPunks, including successful integration into the Otherside. CryptoPunks arguably represent the premiere NFT collection and may become a must-have artwork for serious digital art collectors.

Downside Case

NFTs fail to achieve many long-term use cases and capture market share, limiting the technology to low value transactions. Digital art fails to live up to adoption estimates as citizens spend less time in digital worlds than predicted. Yuga Labs diminishes the brand of the CryptoPunks with events and partnerships that do not reflect the values of the CryptoPunks community. The Ethereum blockchain is overtaken by a competitor to become the dominant smart contract blockchain.

Similar Projects²⁰

Rank	Name	Display Image	Floor Price (ETH)	Quantity	Floor Cap (ETH)
1	BAYC		72.4	10,000	724,000
2	CryptoPunks		67.0	10,000	670,000
3	MAYC		12.5	19,087	238,587
4	Moonbirds		16.0	10,000	160,000
5	Clone X		7.2	19,277	138,794
6	Doodles		8.3	10,000	83,000
7	Azuki		8.1	10,000	81,000
8	Meebits		3.6	20,000	72,000
9	BAKC		7.2	9,602	69,134
PFP-Utility NFT Projects					

References and Useful Links

<https://www.larvalabs.com/cryptopunks>

<https://cryptopunks.app/cryptopunks/attributes>

<https://www.wrappedpunks.com/>

²⁰ Price data: August 30, 2022

<https://www.yuga.com/>

<https://mashable.com/article/cryptopunks-ethereum-art-collectibles>

<https://otherside.xyz/>

<https://www.hollywoodreporter.com/business/digital/uta-cryptopunks-nft-film-tv-vieo-games-1235005392/>

[V1 CryptoPunks Information](#)

<https://twitter.com/cryptopunksnfts/status/876640513641906177>

<https://twitter.com/v1punks/status/1508451588301545474>

<https://www.startwithnfts.com/posts/breaking-down-v1-cryptopunks-the-first-cryptopunks-release/>

<https://twitter.com/0xfoobar/status/1374604091263905794?s=21>

Additional Data

Revenue Estimates

Initial Sales

Collection	Date	Mint Price (ETH)	Quantity	Total (ETH)	ETH/USD	Total (USD)
BAYC	30-Apr-21	0.08	10,000	800	\$ 2,773	\$ 2,218,400
MAYC	28-Aug-21	3	10,000	30,000	\$ 3,244	\$ 97,320,000
Otherdeeds	11-May-22	2.25	55,000	123,750	\$ 2,730	\$ 337,837,500
Total				154,550	\$ 3,170	\$ 437,375,900

Secondary Sale

Royalties^{21,22}

Collection	Total Volume	Royalty	Total (ETH)	ETH/USD	Total (USD)
BAYC	587,059	2.50%	14,676	\$ 3,170	\$ 46,524,404
MAYC	400,310	2.50%	10,008	\$ 3,170	\$ 31,724,568
Otherdeeds	272,006	5%	13,600	\$ 3,170	\$ 43,112,951
Total			38,285	\$ 3,170	\$ 121,361,922

²¹ OpenSea Trading Volume, April 30/2021 to May 19/2022

²² ETH/USD average closing price, April 30/2021 to May 19/2022

Combined Revenue – Initial
and Secondary Sale Royalty
Only

Initial Sales	\$ 437,375,900
Secondary Royalties	\$ 121,361,922
Total	\$ 558,737,822

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