

Asset

Damien Hirst – The Currency

Category

Digital Art

Collection Quantity

10,000

Floor Market Capitalization

37,000 ETH (US\$48 million)

Floor Price

3.7 ETH US\$4,800

10-year Target Price

15 ETH (US\$20,000)

Forecast Return

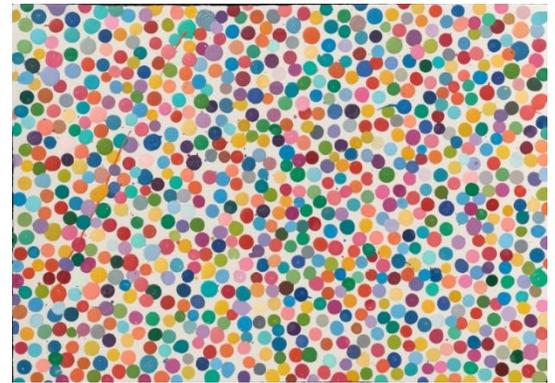
300%

Risk Rating

Highly Speculative

Executive Summary

The Currency is an art project and social experiment by legendary British contemporary artist, Damien Hirst. The experiment was created around 10,000 physical art pieces made in 2016. Each physical artwork had a digital twin created in the form of an NFT. Hirst offered each collector a choice; keep the NFT or redeem it for the physical artwork. However, the medium not selected by the collector is "burned", physically or through a blockchain mechanism. If effect, the collector was able to choose their "currency." The experiment ran a full year, from July 2021 to July 2022. The results were 49% of NFTs kept, with 51% redeemed for physical art. The roadmap of the project has now been completed. Owning a currency today represents a token from a historical NFT social experiment NFT experiment as well as the genesis NFT from Damien Hirst.



The Currency #2154
"Spinning in the desert"



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Damien Hirst Overview

Damien Hirst was born in Bristol, England in 1965 and rose to prominence in the London art scene in the 1990's after studying Fine Art at Goldsmith College. His breakthrough was in his second year at Goldsmiths, where he was a main organizer of the Freeze exhibition 1988, which is considered the beginning of the Young British Artists movement that is thought of as revitalizing the art market in the region. During that time, his exhibitions caught the attention of Charles Saatchi, a notable art collector.

Hirst's works are primarily in the form of installation, painting, sculpture, and drawing. His works have typically focused on the complex relationships, between art, beauty, religion, science, life, and death. The common thread between these is Hirst's position at the boundary of provocative and controversial, whether through his art or persona.

Below are Hirst's two highest selling pieces:

Lullaby Spring

A stainless steel cabinet containing 6,136 handcrafted, candy-coloured, painted pills was initially auctioned for US\$1.45 million in 2002. It was then auctioned for US\$19.30 million in 2007, which set the auction record at the time. There are over 20 pill cabinet installations, with other auction values of >US\$1 million.



The Golden Calf

An exhibit that has an 18-month old calf in a formaldehyde aquarium weighs over 10 tons. The calf has sold for US\$18.6 million and has golden hooves and horns. Animals preserved in formaldehyde have been a common theme in Hirst exhibits.



Hirst's methods often garner publicity and discussion around his work, which generates additional value for his brand. The brand value will also result in accretion to investors in the works themselves as well. His strong brand value is evident in his distinction as one of the wealthiest living artists today, with a net worth estimated at ~\$400 million.¹

Disclosure

The Accelerate NFT Fund LP currently owns The Currency #2154 – “Spinning in the desert” and Great Expectations #7529. The Fund may purchase additional Damien Hirst assets in the future.

HENI Platform Overview

HENI is an international art services business working with leading artists and estates across publishing, printmaking, digital, film, and art research/analysis. The owner of HENI is Joe Hage, a close friend of Damien Hirst. The blockchain used by HENI is Palm², a sidechain of Ethereum that features both low gas costs and energy intensity. The energy intensity aspect was important prior to Ethereum's merge to proof-of-stake. The Currency is not the only project that has dropped on HENI, as they have had two others from Hirst and two from other artists. The HENI platform is also similar to the Flow blockchain used by Dapper Labs in its ability to accept credit cards and other forms of cryptocurrency (ETH/BTC/DAI/USDC). The ability to offer multiple payment methods opens projects up to a broader audience. In addition, it can reduce the friction for collectors who may not have previously transacted cryptocurrencies.

¹ <https://news.artnet.com/art-world/damien-hirst-rich-list-2020-1863678>

² <https://consensus.net/blog/press-release/palm-a-new-nft-ecosystem-and-studio-for-creators-announces-launch-of-first-project-with-damien-hirst/>

Collection Overview



Date Minted

July 29, 2021

Mint Price

US\$2,000

Quantity

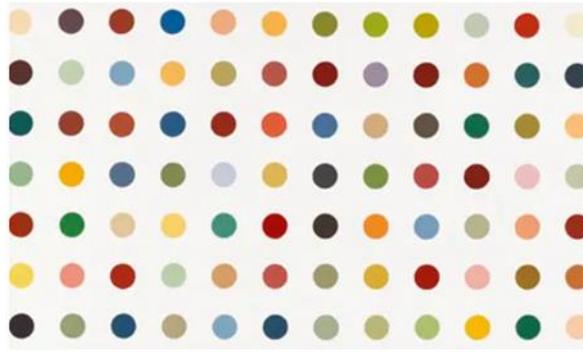
10,000

Royalty on Secondary Sales

5%

Overview

The groundwork for The Currency began with Damien Hirst's spot paintings that he first started in 1986. The works would vary in one of the most recognizable motifs in contemporary art, however, had a common element of perfect circles in a grid format.



It wasn't until Hirst abandoned his rules for spacing and perfection that it morphed into the more organic version that is used for The Currency. The dots in The Currency are meant to appear more like particles or atoms – instilling more chaos into the works. Although Hirst completed the works in 2016, it wasn't until discussions with HENI's owner, Joe Hage, that he decided that an NFT format would be a suitable medium for the project.

The Currency is a collection of 10,000 hand painted works launched on the blockchain, with the aim of challenging the concept of value through money and art. Each piece has a serial number and a title that is generated through inputting the lyrics of Hirst's favourite songs into a machine learning application. Although each piece of art looks the same, they differ slightly, which HENI was able to show in a unique way. They used a neural network to identify the characteristics that made each piece unique. Then, the algorithm converted each pixel of the artwork into data, translated the data into specific features of the work, and compared differences between different works.

The ranked features are as follows:

Colour

Each colour spot is unique. Even if they look similar, they will be a slightly different shades. Based on this, each colour will indicate what the percentage of pixels in the artwork for that colour and a colour ranking out of 10,000 based on that percentage.

Density

Density is classified as the number of spots in close vicinity to each other, with a score of 0 to 1. In some artworks, spots are widely scattered (low score), while other artworks show spots tightly packed together (high score).

Overlaps

Overlap is classified as spots that sit on top of each other, partially or even completely covering the paint underneath, with a score of 0 to 1 (more coverage is higher). Although correlated, the overlap and density features can be quite contrasting, where a high overlap score and low-density score means a high number of spots are touching but clustered with white space between them.

Texture

Each of The Currency NFTs contain a high-resolution image of the front and back of the artwork, allowing HENI to zoom into the surface of the artwork and analyze the texture of the manually painted spots. The scores range from 0 to 1, with a higher score indicating more texture.

Drips

Since these spots are hand painted, they can produce spontaneous imperfections or asymmetries. These imperfections can take the form of small specks of paint, splashes, trails, etc. The scores range from 0 to 1, with a higher score indicating more drips.

Words & Characters (Title)

The titles for each piece are ranked out of 10,000 for their word and character counts relative to one another.

Subjects (Title)

For certain titles, there are 14 subjects that are some of the most uncommon rarities of the collection. Examples of subjects include art, crypto, dreams, loneliness, etc. A small number of titles even contain profanity.

For the physical artworks, each piece is signed by the artist on the back with a watermark, hologram of the artist, and microdot. These measures were taken to safeguard the authenticity of the work and the specific types of authentications were chosen because they are also used for other forms of currency.

The mint process began with an application period that lasted for one week (July 14th to July 21st, 2021) in which 32,000 people applied to buy 10,000 NFTs for US\$2,000. On July 29th the NFTs were distributed to wallets via a lottery process. For proponents of fair auctions for NFT mints, this was a success, as 8,500 unique wallets were distributed the works (Hirst also kept 1,000 for himself). This auction was a much wider distribution than the norm, where “whales” can take up the majority of standard NFT mints at 85% unique holders (or 94% if you disregard Hirst’s 1,000). Reminiscent of the time in NFTs, the price surged from US\$2,000 to US\$7,100 on the first day.

The Decision

The minting process was structured as an experiment, where holders were all initially given an NFT. However, after the mint each holder got a choice of their own “currency” – a digital NFT or the physical artwork. A holder can choose to burn their NFT for the physical artwork (an action that cannot be undone) or continue to hold it in the digital NFT format.

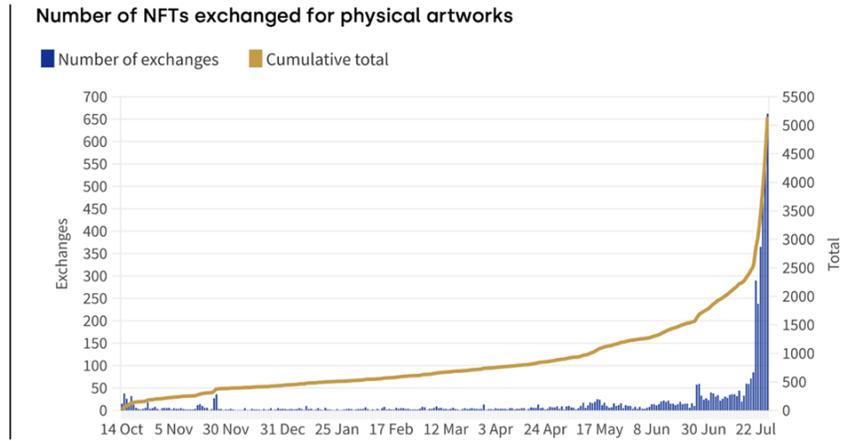
As part of the experiment, each Currency owner had to evaluate what criteria were important to them in choosing the digital or physical artwork. For instance, some users may own the art purely for financial return capabilities, while some own it purely for the aesthetic (likely a mixture of both). Some variables each owner may have thought about it are as follows, with each owner’s weighting of the variables unique to their preferences:

Variables	NFT Artwork	Physical Artwork
Liquidity	More Liquid	Less Liquid
Viewership	Diminished viewing quality	Improved viewing quality
Ownership Provenance	Blockchain enabled prominence	Significant counterfeit risk
Physical Degradation Risk	Non-existent	Moderate
Prominent Future Art Medium	Digital art projected to exceed physical art in future	Likely to recede market share to digital art

Each physical piece of art tied to The Currency was held in a vault until the burn deadline passed on July 27, 2022. After that date, the physical art tied to each NFT that was not exchanged was destroyed. This process resulted in a final tally of 49% remaining as NFTs and 51% exchanged for physical copies.

The Results

The final ratio was 5,149 physical and 4,851 NFTs after the burn date. As seen in the below graphic, it was a slow burn rate leading to the final date as it seemed like many NFT owners were in the 'wait and see' mode, considering the prevailing market dynamics.



Throughout the experiment, the secondary selling price of physical and NFT were quite close, with the physical trading at a slight premium in the last days of the burn period. Unlike many NFTs, The Currency seemed to trade more inline with a targeted USD valuation, rather than moving with ETH.

Although the final burn ratio was extremely close at 51% physical and 49%, this was highly impacted by Hirst’s decision to keep the NFT, as excluding his 1,000 would result in a 57% physical and 43% NFT ratio.

Starting on October 12, 2022, Hirst destroyed the first 1,000 physical copies at the Newport Street Gallery, which itself was an artistic event. He will continue burning the artworks daily until October 28th.

“I’m completing the transformation of these physical artworks into NFTs by burning the physical versions. The value of art digital of physical which is hard to define at the best of times will not be lost. It will be transferred to the NFT as soon as they are burnt.”

Damien Hirst

Great Expectations



Date Minted

November 25, 2021

Mint Price

Free airdrop

Quantity

10,000

Royalty on Secondary Sales

5%

Overview

Holders of The Currency were delighted on November 25, 2021, when they were airdropped a Great Expectations NFT in their Palm wallet. However, with no announcement and Palm wallets being used less for daily transactions, only a small number of holders bridged their NFT to OpenSea to sell. Because of the low float, the average sale prices were US\$7,000-\$8,000 in the first few days. Since then, more holders have noticed, and the average sale price has decreased substantially. Although there are still only 1,200 (12%) that have been bridged to OpenSea.

Fans of Drake will recognize the Great Expectations artwork immediately, as it is loosely based on the Damien Hirst-designed album art for 'Certified Lover Boy'. When the album was revealed by Drake several months earlier, it drew mixed reviews from fans and critics alike.



The NFT version shows grids of emoji-like pregnant women whose forms have been constructed from spots of various shapes, sizes, and colours taken directly from The Currency artworks themselves.

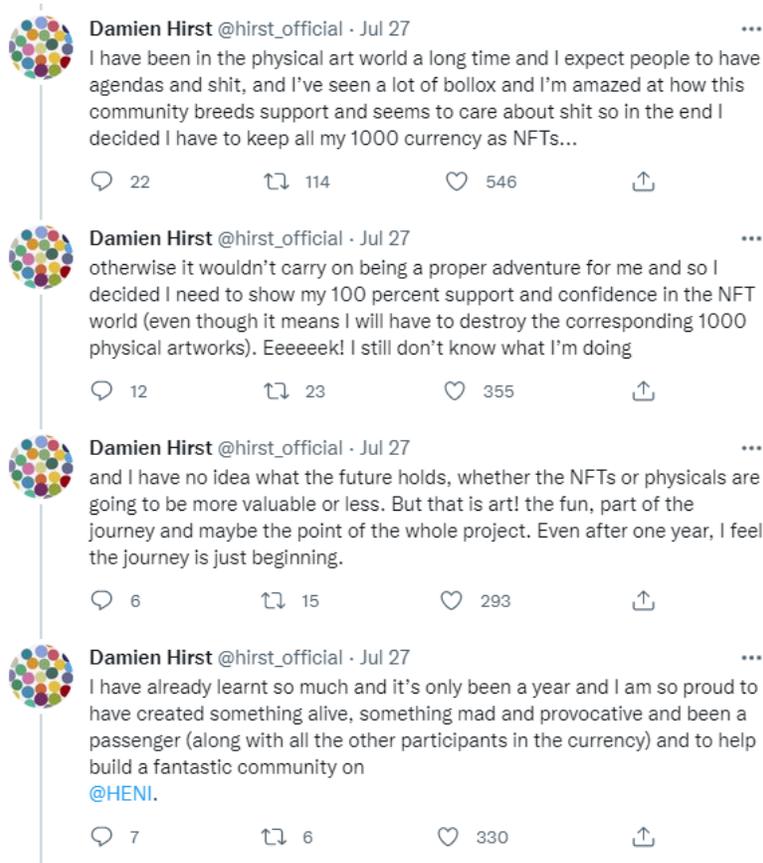
"I tried to create an image that sums up the powerful hope filled love, humour, and daring truth in the music of Drake for his album cover. And now my hope is that with this free gift you can all share and feel about NFTs and the digital world."

Damien Hirst

Community

The community for a project like The Currency differs substantially from that of a profile pic (PFP) NFT, as the dependence on roadmap speculation is significantly lower. Despite this dynamic, Hirst quickly adopted an airdrop (Great Expectations) similar to prominent PFP projects.

The community has been managed by HENI and has seen the discord server grow to over 20,000 members with a large amount of activity during the initial drop. This power of the community was one of Hirst's key takeaways from the project and was the main influence in his decision to keep the NFT version for his holdings.



Price History and Value Accrual

Floor cap Valuation

Date: 10/21/2022

	Floor Price (ETH)	Quantity	Floor Cap (ETH)	ETH/USD	Floor Cap (USD)
Current – Oct, 2022	3.7	10,000	37,000	1,300	\$ 48,100,000
Peak – Sep,2021	13.5	10,000	135,000	3,900	\$ 526,500,000

Value Drivers

1. Aesthetic, Rarity, and Prominence

Art

The Damien Hirst dot art is well-known in contemporary art collector circles, with a strong history of value accrual for that aesthetic.

Rarity

If subdivided between physical and digital artworks, The Currency only has 5,149 and 4,851, pieces in existence, respectively. Within the rare features, single-word titles have been some of the highest sale values. Profane titles are also one of the rarest features, which only included 122 works included. Similar to any NFT or art project, rare sales will drive headlines, but have significantly less liquidity than the lower priced segments of the collection.

Prominence

Damien Hirst is one of the highest-earning living contemporary artists and has not treated The Currency project to monetize his name brand with a roadmap that would not be completed. Instead, he has completely leaned into this project, specifically the NFT aspect. His quotes show a genuine interest in the space, which was further exemplified through the unanticipated airdrop of Great Expectations NFT. Given Hirst's brand, there is significant value to The Currency being his first NFT project.

2. Income Generating Potential

Financial returns

In the contemporary art world, works from prominent artists that have an established brand have shown a history of value accrual for holders. By holding the NFT, holders have access to a more liquid market and less transactional frictions that exist in the physical art market. Because of this, there is potential for additional value accrual for NFT holders. There has already been one airdrop (Great Expectations) that has further added to gains for NFT holders.

Risks

Dilution

There is the potential for Damien Hirst to dilute not only his brand within NFTs, but in the contemporary art world by continuing to produce works that aren't up to a former standard. However, artists have not historically seen a devaluation in their work because of prolific production. Andy Warhol is an example of this, as he produced over 10,000 works over his lifetime. Therefore, any additional works that are released as NFTs in the form of airdrops would be viewed as positive, as it would be current holders capturing the value.

NFTs

There is a risk that Damien Hirst's current sentiment on the NFT space dissipates and he becomes less willing to be associated with his crypto projects. This negative sentiment is unlikely given his continued positive comments regarding his experience in the space. Furthermore, in terms of short/medium-term price volatility of The Currency, because of movements in the other cryptocurrencies, there may be less risk as the NFTs and physical works have been treated more like contemporary art.

Palm

The Palm blockchain is a lesser used blockchain relative to Ethereum or Solana and therefore may have more execution and longevity risk. These risks have been addressed by the ability of holders to bridge their NFT over to Ethereum in the form of an ERC-721 token.

Investment Scenarios

Upside Case

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. In contrast, Damien Hirst continues to solidify as the most sought-after and boundary-pushing artist of our generation. Known as the genesis NFT from Damien Hirst, he continues work in NFTs and accrues more value to holders.

Downside Case

NFTs fail to achieve many long-term use cases and capture market share, limiting the technology to low value transactions. Lack of confidence in the Palm network carries into the Ethereum market for The Currency. Damien Hirst disassociates from the NFT art world and his outstanding projects, specifically.

References and Useful Links

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

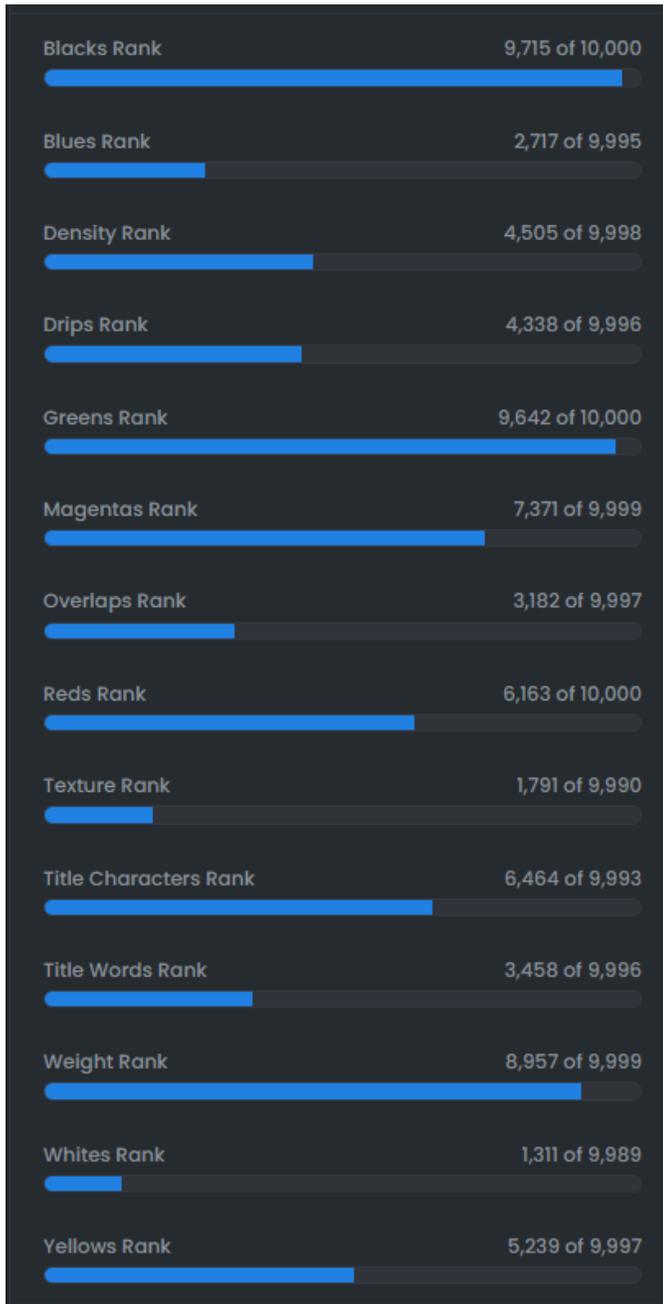
<https://www.designboom.com/art/damien-hirst-destroys-1000-physical-artworks-the-currency-10-13-2022/#:~:text=Hirst%20will%20keep%20burning%20his,closes%20on%20October%2030th%2C%202022.>

<https://currency.nft.heni.com/info>

<https://www.dazeddigital.com/art-photography/article/54908/1/damien-hirst-turned-drake-certified-lover-boy-cover-art-nfts-great-expectations>

Additional Data

The Currency #2154 – “Spinning in the desert” Rankings



*Revenue Estimates***Primary Sales**

Quantity	Price (USD)	Total (USD)
10,000	\$ 2,000	\$ 20,000,000

Secondary Sales

Exchange	Volume	ETH/USD	Royalty	Total
OpenSea	22,300	\$ 2,300	5%	\$ 2,564,500
HENli	5,474	\$ 2,300	5%	\$ 629,553

Primary Sales	\$ 20,000,000
Secondary	\$ 3,194,053
Total	\$ 23,194,053

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