

Twitter Thread by Jeff Dorman, CFA

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@jdorman81



Anyone want to buy \$BTC at a 47% discount to current prices? Here's how you can do it.

I can't believe I'm saying this, but \$EOS might actually be the best risk/reward in digital assets right now due to their massive #Bitcoin holdings.

Thread time ■

First, let's talk risk/reward. Over the past 2 years, \$EOS is the only well-known token other than \$XRP that is not higher. In fact, it has underperformed by a LOT.

Even other zombie projects are up 300-1000%

That's a nice start for an investment -- low downside, relatively

	BTC	ETH	EOS	XTZ	NEO	ADA	XLM	BCH	LTC	XRP	ETC
2/11/19 ▾	3631.03	119.57	2.7113	0.3793	8.123	0.0412	0.076066	120.63	42.38	0.29875	4.015
1/14/21 ▾	39,259.40	1,199.54	2.76	2.49	23.18	0.32	0.30	520.05	153.94	0.30	9.30
% Change	981.22%	903.21%	1.98%	556.11%	185.36%	673.06%	299.07%	331.11%	263.23%	0.16%	131.72%

Next, the math:

Block One owns 140,000 \$BTC. At \$2.77, the market cap of \$EOS is \$2.6 bn, which is only 47% of the value of their BTC holdings.

That means by buying \$EOS, you are actually buying \$BTC at \$18,771. Huge discount.

The question is "can you unlock this value"?

Book Value Analysis

Total BTC holdings	140,000
BTC Price:	39,219
Total value of holdings	5,490,674,000

EOS Market Cap	2,627,947,415
MC of EOS as % of BTC NAV	47.86%

EOS Token Price at NAV	5.77861126
Current EOS Price	\$2.77
Returns	108.93%

Implied BTC price	\$18,771.05
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Why does book value matter? Here's a good explanatory thread:

<https://t.co/Mp5bn0dbNE>

\$WNXM showed how this works. WNXM traded below BV temporarily, until investors realized the value of the underlying ETH. These are sweet setups and don't last long.

<https://t.co/bbEE0CsPJ2>

1/ If you're trying to value DeFi assets with traditional valuation ratios, use Price to Book Value (not Price to Earnings)

Why?

— Aleks Larsen (@_alekslarsen) [January 12, 2021](#)

Counter-argument: Generating an ROI from BV is basically a bet on what management will do with that capital, & of course the EOS & Block One teams have done nothing to instill confidence right?...

<https://t.co/bKghLv7TmF>

...but that's precisely why this is so interesting.

EOS was nothing more than a #bitcoin heist.

— Peter McCormack (@PeterMcCormack) January 12, 2021

If you think the herd of institutional investors getting into \$BTC was fast, wait until activist investors like @BillAckman @DanielSLoeb1 or Elliott Mgmt find out that you can extract \$2.8 Bn from \$EOS.

You're crazy if you don't think there will be court cases over \$2.8 bn.

Don't think it's possible? See \$GNO

GNO used to trade at 30% of BV and there was no link between Gnosis' balance sheet & \$GNO.

After @arca pressured Gnosis to convert its balance sheet into a DAO, GNO now trades at 100% of BV!

GNO is now fully backed!

<https://t.co/c5LP2plgqX>

Do digital asset investors understand how big of a deal this is?

Through the creation of the GnosisDAO, the \$GNO token went from being a worthless, useless token, to now being a FULLY asset-backed token with potential upside optionality.

This is incredible progress! <https://t.co/Ku5EecbCT5>

— Jeff Dorman, CFA (@jdorman81) December 4, 2020

At this point, either EOS & @BrendanBlumer need to

- 1) create value for \$EOS holders ASAP
- 2) Return the capital
- 3) Expect huge lawsuits

Any 1 of those 3 options will unlock this value, and close the gap between EOS' market cap and the value of the \$BTC on their balance sheet.

What about Dan Larimer leaving? First, what value has Larimer created for anyone other than himself? If anything, this is good for \$EOS holders -- now Block One may feel pressure to actually deliver value back to EOS token holders.

<https://t.co/IDxuNvkFxN>

You don't even need activism. Both \$MSTR & \$GLXY stock trade at ~2-4x book value despite not generating any meaningful profits outside of \$BTC holdings.

Equity investors love cheap assets with potential upside - token investors should too (and will)

<https://t.co/pojVADwreD>

In general, investing in layer 1 tokens is like buying a call option on future network growth. Most will fail, only one has succeeded \$ETH

But I'd rather own \$EOS as a free call option rather than pay an incredibly high premium for overvalued ghost protocols \$TRX \$ADA \$XTZ \$XLM

Distressed investments have hair on them. This is what makes them profitable (i.e. buying \$LEO's new issue at \$1, or buying \$CEL under \$1). The most hated tokens often accrue the most economic value.

"Would you rather be right or make money"?

Few. [@DegenSpartan](#) [@cms Holdings](#)

Investing is all about repeatable processes & historical precedent.

We've seen this before. From DigixDAO, \$GNO, \$WNXM to crypto tracking stocks like \$MSTR \$GLXY -- book value matters.

I'd be shocked if \$EOS doesn't end up back at book value eventually (BV = \$5.77 right now)

The genesis of this idea came from here: <https://t.co/9BoW9njmUF>

H/t [@DHannum8](#) [@mdudas](#) [@ericturnr](#) [@joonian](#)

Honestly? It tells me that \$EOS is probably really really undervalued.

Smart move holding BTC. Now if they don't find a way to increase EOS value soon, activist investors will go after that BTC treasury balance. And that means EOS = \$6-7

See \$GNO

— Jeff Dorman, CFA ([@jdorman81](#)) [January 10, 2021](#)