

GOLDFINCH FINANCE (GFI)

About: Goldfinch Finance is a decentralized credit platform that allows anyone to be a lender, eliminating expensive middlemen: banks.

Conclusion:

Goldfinch Finance has created a unique protocol for connecting borrowers and lenders worldwide. It offers clear and compelling value proposition to all participants (quick and cheap access to capital for Borrowers and attractive yield opportunity to Lenders).

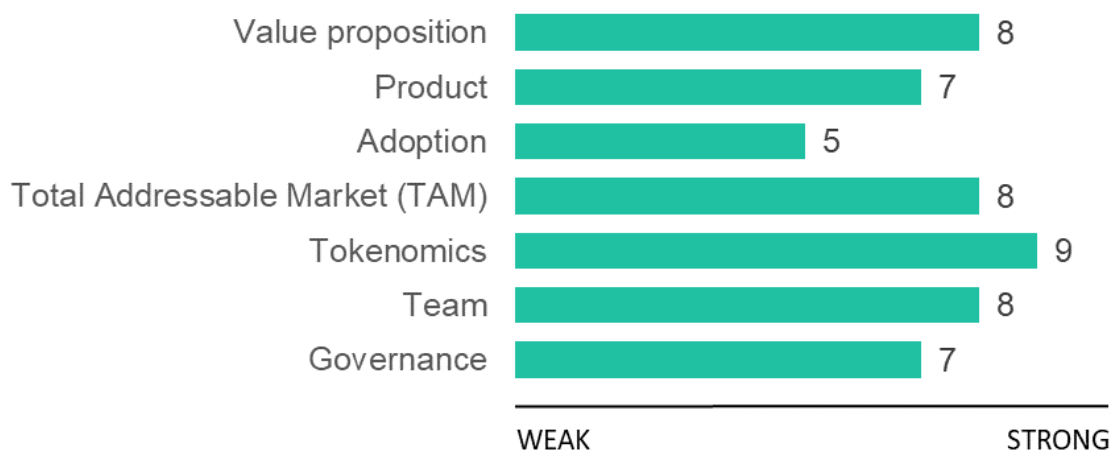
We are impressed with their tokenomics model that uses GFI token to incentivize the participants (Auditors, Backers, Borrowers, Liquidity Providers) to make rational decisions that benefit the ecosystem.

We also like the token staking mechanism that should drive demand for GFI tokens as the lending volumes on the protocol grow.

Lastly, the project has a young but solid management team (ex-Coinbase) and is backed by some of the biggest venture capital funds in and out of crypto space.

We believe that GFI token valuation could reach \$15 over the next 12 months.

Rating Summary



PROJECT DETAILS

OFFICIAL NAME	GOLDFINCH FINANCE
FOUNDED	July 2020
BASED IN	Walnut, California, U.S.
WHITEPAPER	https://goldfinch.finance/goldfinch_whitepaper.pdf
WEBSITE	https://goldfinch.finance
FOUNDER INTERVIEW	https://www.youtube.com/watch?v=ddy_uN7hego
OFFICIAL TWITTER	https://twitter.com/goldfinch_fi
DISCORD	https://discord.com/invite/HVeaca3fN8
KPIs (DUNE ANALYTICS)	https://dune.xyz/goldfinch/goldfinch

QUICK FACTS

SYMBOL	GFI
WHERE DOES IT TRADE?	Coinbase, Gate.io, MEXC, Uniswap (V3), Hoo
CURRENT PRICE	\$4.50
ATH PRICE	\$34.29
52 WEEK RANGE	\$3.87 - \$34.29
MARKET CAP	\$23M
FULLY DILUTED MARKET CAP	\$520M
CIRCULATING SUPPLY	5.1M (4%)
TOTAL SUPPLY	114.3M
TRADING VOLUME (24h)	\$10.7M

Note: data as of Jan 31, 2022

FUNDING INFORMATION

ROUND 4 – January 2022	SERIES A = \$25 million backed by Andreessen Horowitz, MSA Capital, Kindred Ventures, Y Combinator Continuity Fund, Coinbase Ventures, SV Angel, Blocktower, Bill Ackman, Heli-cap, and others
ROUND 3 – May 2021	SERIES A = \$11.7 million backed by SV Angel, Access Ventures, Balaji Srinivasan, Divergence Ventures, Mercy Corps Ventures
ROUND 2 – February 2021	SEED = \$1.0 million backed by Coinbase Ventures, Kindred Ventures, IDEO CoLab Ventures, Robert Leshner, Alexander Pack
ROUND 1 – January 2021	<i>Undisclosed Amount</i> Backed by Coinbase Ventures

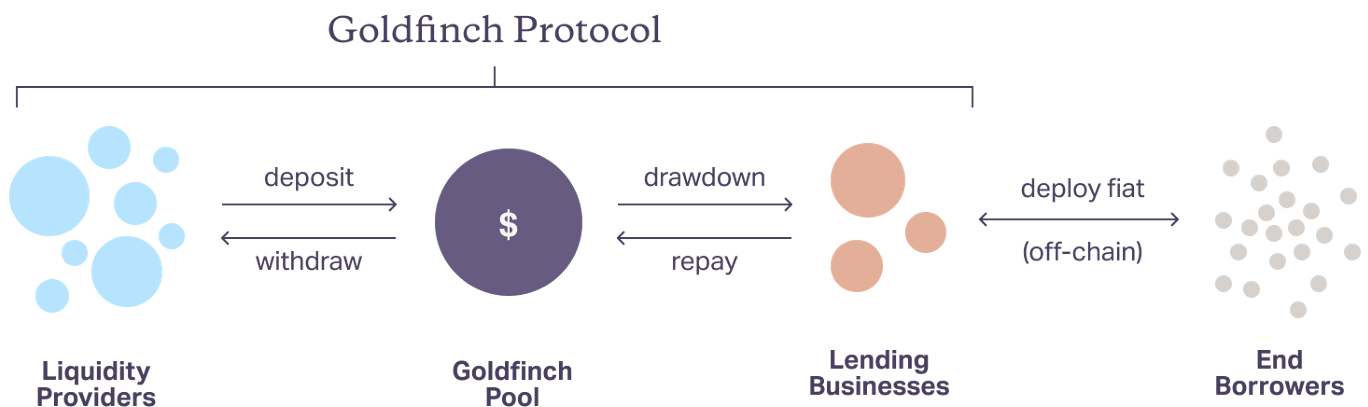
VALUE PROPOSITION

Goldfinch is trying to solve a crucial missing piece in DeFi: loans without collateral.

Today, most people can't borrow on DeFi because it requires **overcollateralization** with crypto. For instance, you could deposit 10 BNB (worth \$4,000) on Kava.io platform and borrow \$1,000 of USDX stablecoin. BNB is your collateral. This works for crypto margin traders but not for your everyday life small businesses.

Goldfinch offers **undercollateralized** loans. By removing that crypto collateral requirement, the Goldfinch protocol unlocks an entirely new level of borrower capacity. This could finally enable crypto to break out into global debt markets.

By connecting lenders, borrowers, and auditors, Goldfinch decentralizes the loan underwriting process and cuts out the banks. It also enables microloans that banks are unable or unwilling to provide using their traditional underwriting process.



There's a clear value proposition for lenders and borrowers.

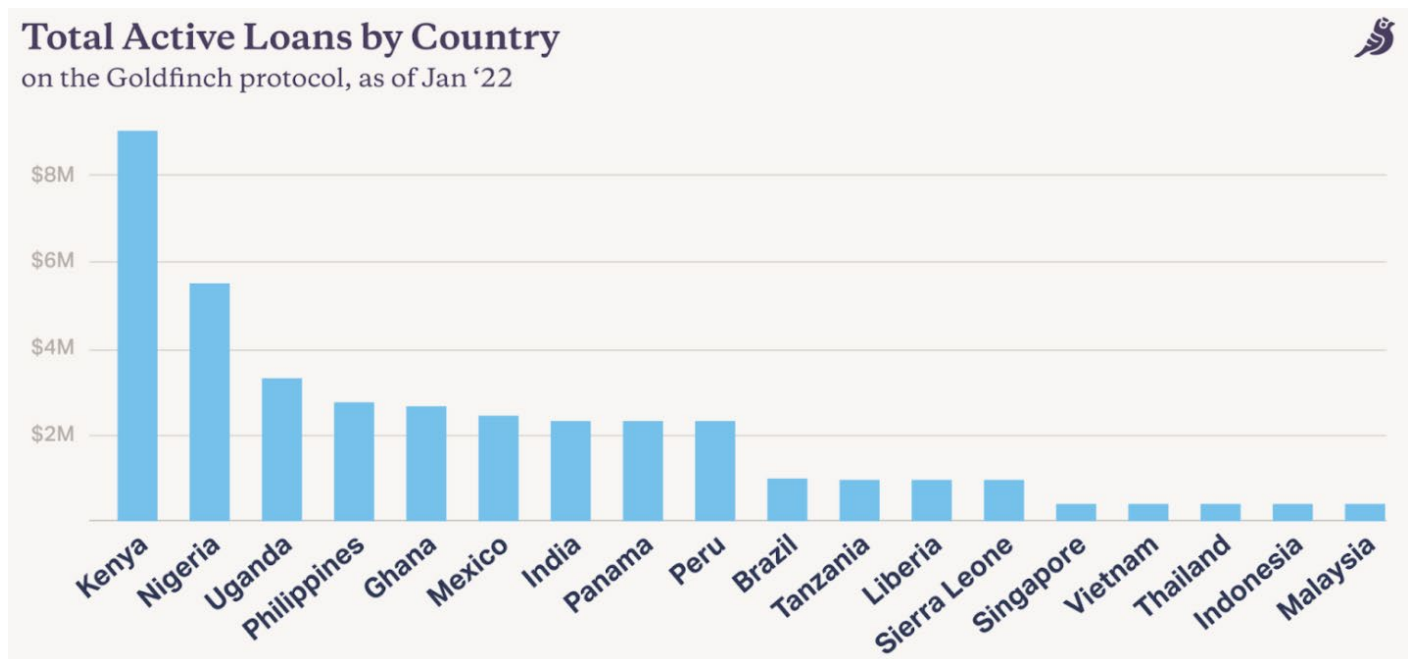
For lenders, Goldfinch enables any investor to lend capital in emerging markets and earn attractive double digit interest rates. In essence, it makes off-chain sources of yield available and composable on DeFi.

For borrowers, Goldfinch provides global access to capital without having to put up collateral, and faster than in the traditional markets where businesses operating in emerging markets would take months to source and access the needed capital for lending to end-borrowers.

Who are typical borrowers?

The Goldfinch **direct customers** are professional lending businesses and fintech businesses based in emerging markets, which then lend it to local businesses that need the capital.

Active loans on the protocol doubled every two months in 2021, up 154X from \$250K a year ago to now \$39M that is financing 200K+ borrowers across 18 countries, including small businesses in Brazil, Kenya and India.



What makes undercollateralized lending difficult? The tough part is assessing the creditworthiness of a given borrower and determining whether they are likely to repay the loan. Goldfinch leaves the actual loan origination and servicing to the businesses best equipped to handle it – lending businesses and auditors in the local markets.

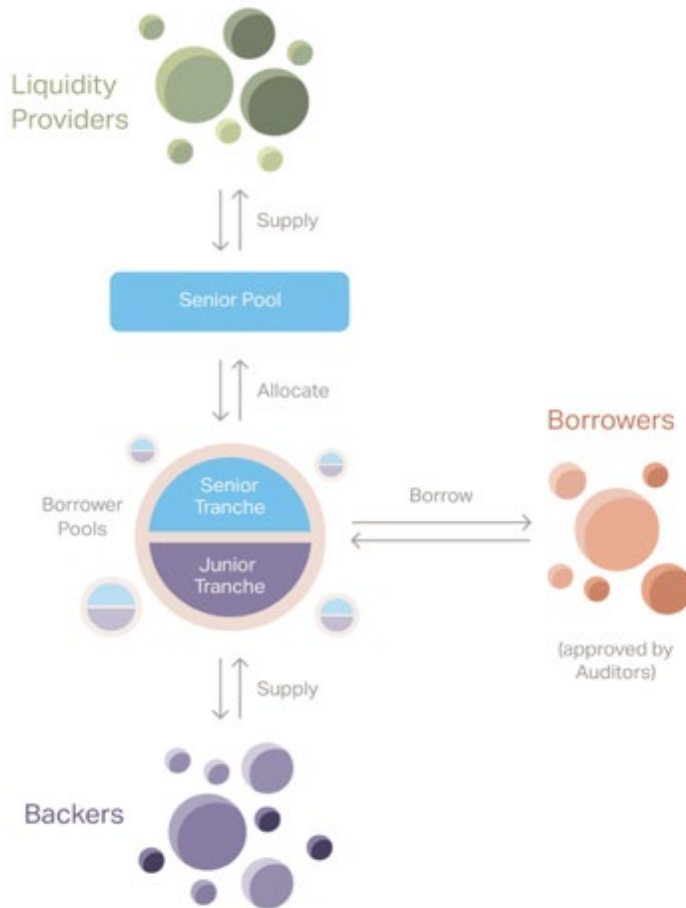
The protocol operates as an open marketplace for loans without collateral and decentralizes the loan underwriting process.

HOW IT WORKS

(see diagram below)

Goldfinch protocol has four key participants: Borrowers, Backers, Liquidity Providers and Auditors.

- **Borrowers** seeking capital propose Borrower pools, which are smart contracts and contain loan terms like interest rates and repayment schedule. Borrowers are typically lending businesses or fintech companies in emerging markets, who then lend the money to the end customer (business or entrepreneur).
- Borrower Pools have both a junior and senior tranche. Backers supply capital to the junior tranche, and Senior Lenders supply capital to the senior tranche.
- **Backers** assess the Borrower pools and decide whether to supply junior tranche (first-loss) capital.
- **Liquidity Providers**, or Senior Lenders, are passive lenders who supply senior tranche capital to earn passive yield income.
- When a borrower makes repayments, Senior Lenders get paid first, then Backers. However, Backers (junior tranche capital) get a higher interest payment than Liquidity Providers (senior capital) for taking on a bigger risk.
- An overall pool of capital is split into “**junior**” and “**senior**” divisions allowing lenders to balance their risk.
- While **junior tranche** investors (Backers) can make direct bets on which organizations they choose to back, the senior pool automatically diversifies across the portfolio bets of junior pool investors.
- The **senior pool** (liquidity providers) is a less active and more conservative bet because they’re paid out first, but lenders in that pool forego a sizable percentage of interest for riskier junior pool backers who take more risk with more potential upside.
- Investors can deposit crypto into the Goldfinch pool to earn yield. When lending businesses (Borrowers) make interest payments back to Goldfinch, the money is distributed to all investors.
- Also, the protocol retains 10% of all interest payments as reserves, which are managed by the decentralized Governance.



Source: Goldfinch Finance Whitepaper

HOW DOES GOLDFINCH ONBOARD NEW BORROWERS?

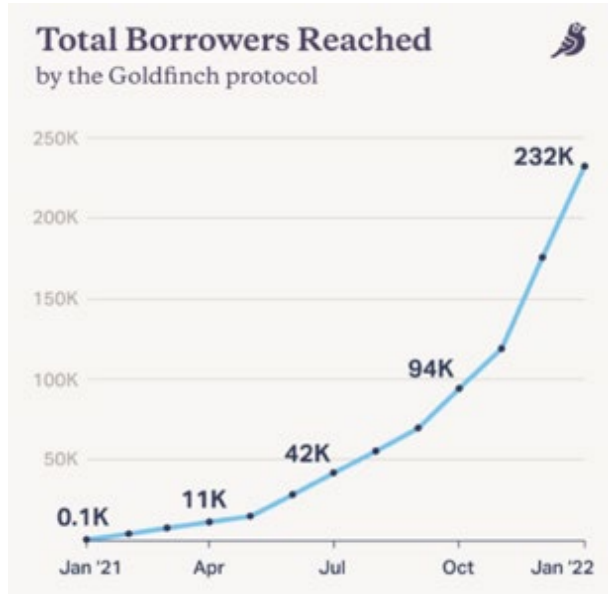
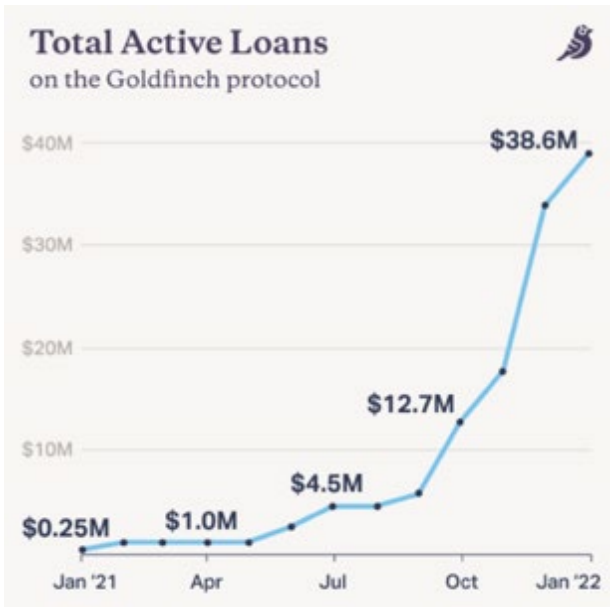
Goldfinch Finance protocol incorporates the principle of **trust through consensus**, where borrowers can show creditworthiness based on the collective assessment of other participants rather than based on their crypto assets.

To onboard new clients onto the Protocol, both Auditors and Backers screen new Borrowers. First, the Auditors are randomly selected, so it is difficult to collude with them. The second guard are the Backers, who are highly incentivized to analyze their investments closely since they supply higher-risk junior capital. Backers will want to do extra due diligence on Borrowers and potentially communicate with them directly.

Backers may also sign off-chain legal contracts with Borrowers, which opens Borrowers to legal recourse. The protocol is a fusion of off-chain legal contracts and DeFi lending protocols.

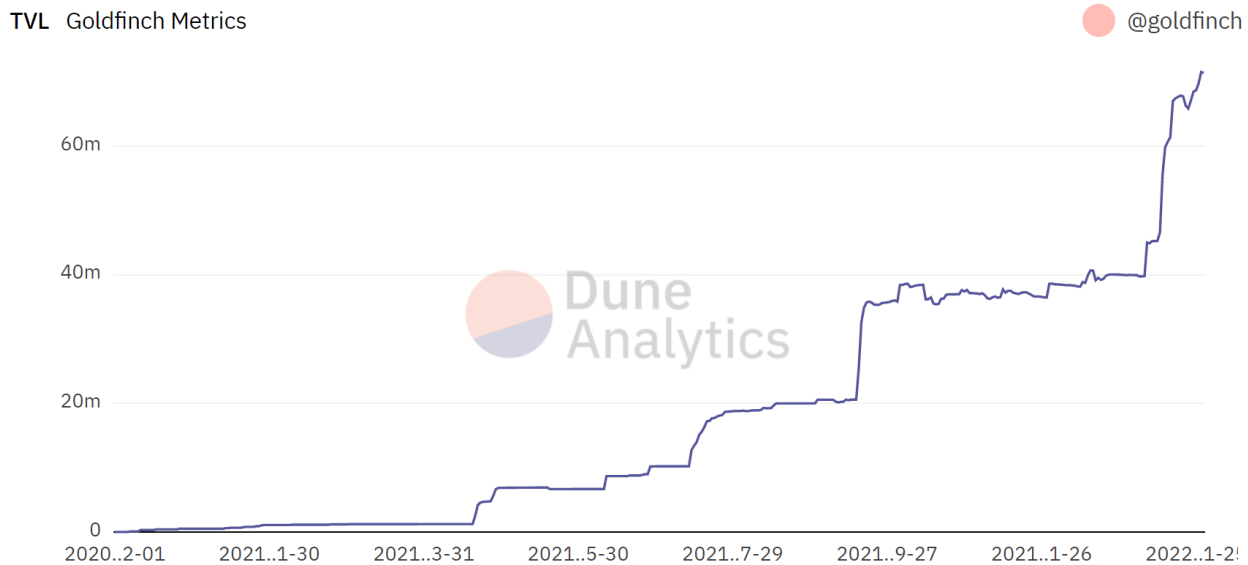
RAPID LOAN GROWTH

As of Jan 27, 2022, Total Senior Pool reached \$71M, of which \$38.6M was lent out to borrowers, indicating Pool Utilization of 54%. Total Loans issued (\$38.6M) have grown 154x from a year ago. Likewise, the total number of borrowers climbed to 232k from just few thousand last year.



Source: Goldfinch Foundation

The Senior Pool currently offers **92% APY**, split between 6% from the base interest and 86% from GFI liquidity mining, and fluctuates with the GFI price and pool size. With these APYs, TVL has grown above **\$71M**.



Source: DUNE Analytics

Senior Pool (lender)		APY	Pool Balance
Total Lender Pool		92,00%	\$71,000,000
Borrower Pool (client)		APY	Pool Limit
	Loan Type		
Almavest Basket 1	Global, multi-sector loans	15,00%	\$1,205,000
Almavest Basket 2	Global, multi-sector loans	15,00%	\$500,000
Almavest Basket 3	Global, multi-sector loans	18,75%	\$2,163,304
Almavest Basket 4	Global, multi-sector loans	18,75%	\$9,999,988
Almavest Basket 5	Global, multi-sector loans	18,75%	\$5,000,000
Aspire 1	SME loans in Southeast Asia	12,00%	\$150,000
Aspire 2	SME loans in Southeast Asia	12,00%	\$300,000
Aspire 3	SME loans in Southeast Asia	12,00%	\$2,000,000
Cauris	Global, multi-sector loans	18,75%	\$5,142,674
Divibank	SMB Loans in Latin America	14,50%	\$1 000 000
Oya, via Almavest	SMB Loans in Africa	10,00%	\$4 875 000
PayJoy	Smartphone financing in Mexico	15,00%	\$100 000
QuickCheck 1	Consumer Loans in Nigeria	15,00%	\$150 000
QuickCheck 2	Consumer Loans in Nigeria	15,00%	\$300 000
QuickCheck 3	Consumer Loans in Nigeria	15,00%	\$1 000 000
Tugende	Asset Finance Loans in Kenya	15,00%	\$5 000 000
TOTAL BORROWER POOL			\$38 885 966

Source: *app.goldfinch.finance*, as of Jan 31, 2022

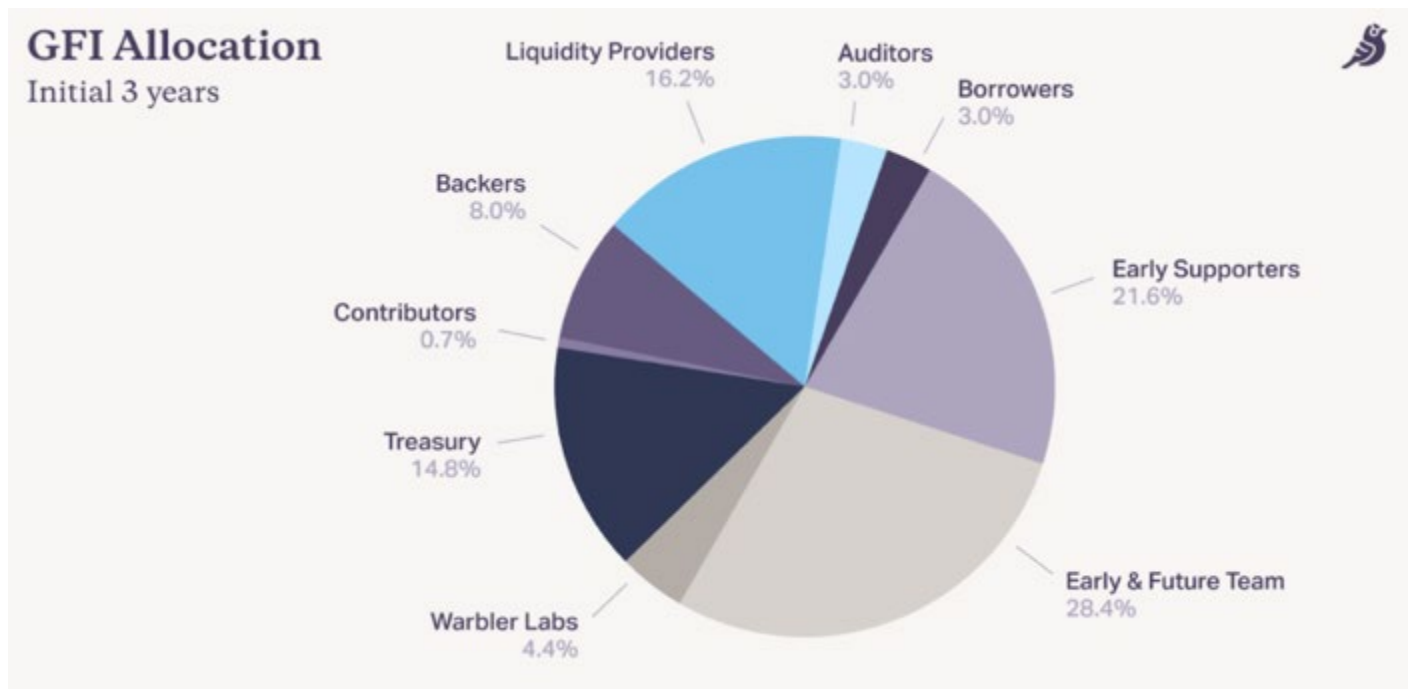
TOKENOMICS

TOKEN SUPPLY

- GFI tokens were launched on Jan 11, 2022.
- Capped at 114M GFI Tokens.
- As of Jan 31, 2022, there were 5M GFI tokens in circulation.

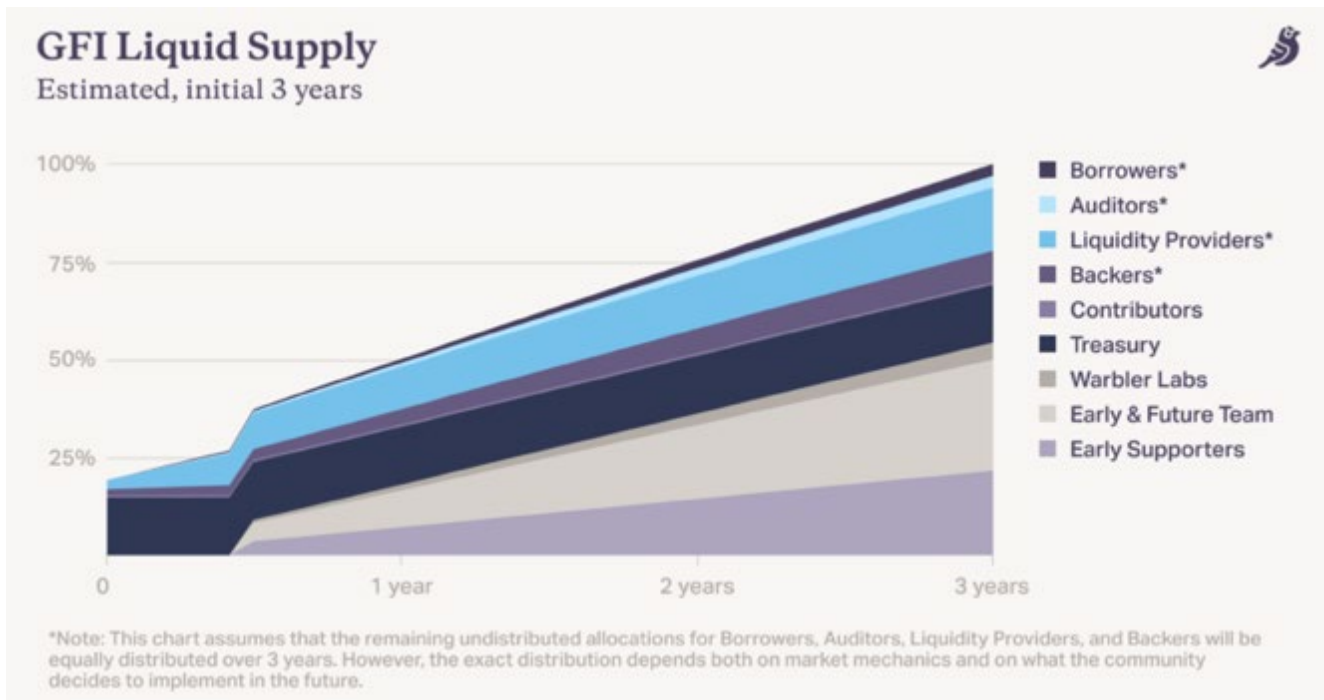
GFI TOKEN ALLOCATIONS

Allocations to Early & Future Team as well as Early Supporters have up to 3 year vesting schedules, which indicates a long-term commitment. For details, see page 17.



Source: Goldfinch docs, Tokenomics

GFI LIQUID SUPPLY (ESTIMATED, INITIAL 3 YEARS)



HOW IS GFI TOKEN USED?

Using GFI tokens, Goldfinch protocol incentivizes participants in the transactions to act in the best interest of the investors. And that is to extend loans to quality lenders and generate reliable interest payments to investors. **Several staking mechanisms are in place that should drive demand for GFI tokens in the secondary market.**

The GFI Token is used for:

1. Governance Votes
2. Auditor Staking
3. Auditor Vote Rewards
4. Staking on Backers
5. Early Backer rewards

Auditor Staking and Vote Rewards

- Borrowers must stake GFI Tokens equal to double the cost of an Auditor approval, which is a fixed rate set by the protocol. This helps guard against spam, signal to Backers that the Borrower is serious, and provide GFI to pay for the first Auditor approval.

- Auditors can stake GFI in order to be selected for voting on Borrower Pools. By staking GFI, Auditors are naturally aligned with the long-term success of the protocol.

Staking on Backers

- In addition to evaluating individual Borrower Pools, Backers may also evaluate other Backers in order to give them leverage. Backers can do this by staking GFI directly on another Backer.
- For example, if a Backer has a leverage ratio of 4.0X based on who has staked GFI on them, then anytime they supply to a Borrower Pool, the Senior Pool will allocate 4.0X of that amount.
- Also, if the Backer has \$1M worth of GFI staked on them with a 4.0X leverage ratio, the Senior Pool will allocate up to \$4M total leverage.
- When GFI is staked on a Backer, that GFI serves as collateral against potential defaults for that Backer's positions in Borrower Pools. When a Borrower defaults, the GFI staked on all the Backers in that pool are reallocated to the senior tranche until the senior tranche is made whole on their expected payments. This incentivizes Backers to stake on other Backers who supply to safe Borrower Pools.
- To reward Backers for staking GFI on other Backers, the protocol distributes GFI to them on a regular basis. The protocol allocates the distributions in proportion to the interest their leveraged GFI earns. This incentivizes Backers to stake on other Backers who supply to high-yielding Borrower Pools.

Early Backer Rewards

- To incentivize Backers to supply early on, the protocol provides an additional GFI reward to all Backers who contribute early on, with the reward amount decreasing for later Backers as the Borrower Pool reaches its limit.
- Backer only receives the early Backer reward after the Borrower Pool proves valuable to the protocol.

GOVERNANCE

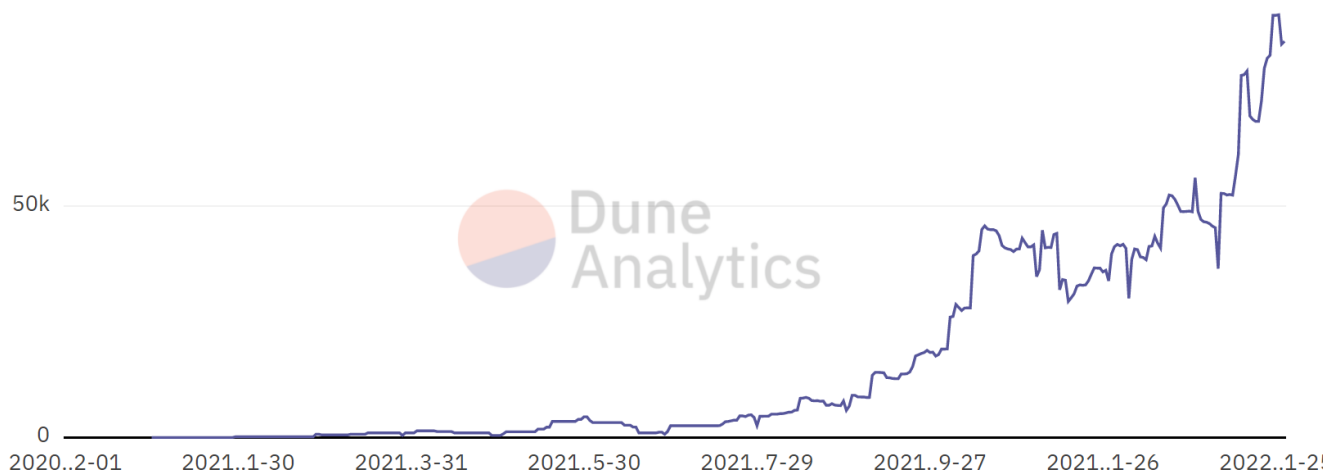
The protocol is governed by the community via the Goldfinch Council (gov.goldfinch.finance).

It will be interesting to see how they decide to use the reserves that are being accumulated. That could be a potential upside windfall for GFI holders in the future.

The Goldfinch protocol collects fees in the form of **10%** of interest paid and **0.5%** of withdrawals, which go to the protocol reserves. **30-day fees passed \$90k this month, up 25x from six months ago.**

New Reserves, 30d Goldfinch Metrics

@goldfinch



Source: DUNE Analytics

HOW WILL THE SUCCESS OF THE PLATFORM TRANSLATE INTO DEMAND FOR THE GFI TOKEN?

Success of many DeFi protocols does not always translate into demand for their token. However, Goldfinch's protocol requires fair amount of GFI staking that should drive demand for GFI and thus the price higher.

GFI staking drivers. The more lending businesses are successfully screened by the Backers and Auditors, and consequently, on-boarded onto the protocol, the more capital will be utilized from the Senior Pool, driving growth in interest income for liquidity providers. This will incentivize more Liquidity Providers to supply even more capital. This, in turn, will drive GFI staking by Backers and Auditors.

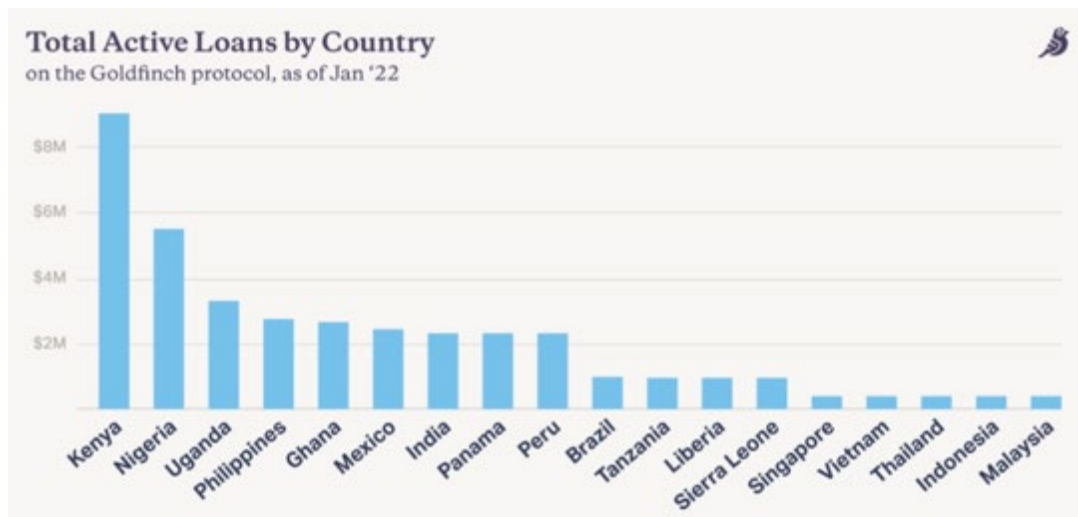
Protocol reserves. Also, with growing volumes of Borrowers Pools, the GFI Protocol will secure higher fees on the amount of interest paid back by Borrowers as well as the withdrawals fees, which in turn will increase the Protocol Reserves even further. Protocol fees reached \$90K for 30-days ending January 27, 2022. These reserves could in the future get distributed to GFI Token holders.

MARKET POTENTIAL

Goldfinch protocol addresses a huge credit market opportunity (hundreds of billions \$) in emerging markets alone. At a time when government and corporate debt yields are in low- to mid-single digits (0-6%), investors are looking for ways to earn higher yields, which Goldfinch protocol can certainly generate (>10%).

The GFI Protocol is currently used by many Borrowers around the world, including **PayJoy** in Mexico, **QuickCheck** in Nigeria, **Divibank** in LatAm, **Greenway** through **Almavest** in India, and **Cauris** in Africa, Asia, and Latin America.

The highest number of issued loans on the GFI Protocol was recorded in **Kenya** followed by **Nigeria** and **Uganda**.



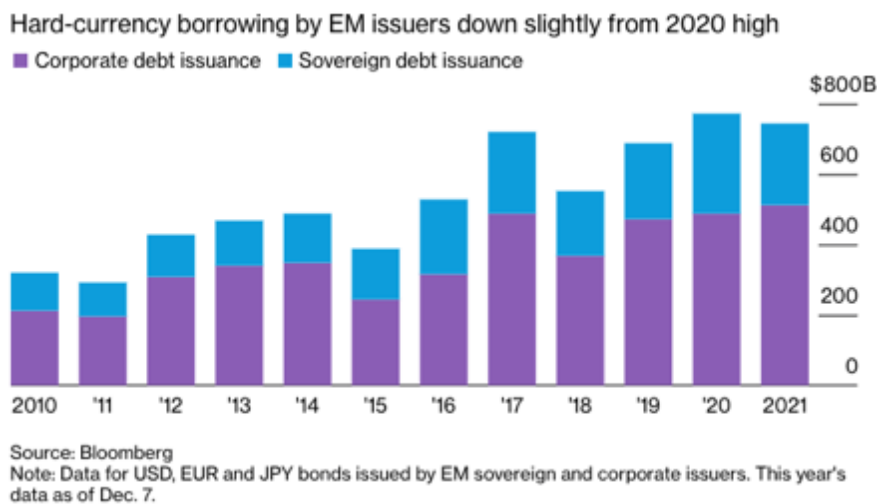
Source: Goldfinch Foundation, <https://medium.com/goldfinch-fi>

Ultimately, DeFi could have the lowest cost of capital and as it continues to attract bigger and bigger pools of available capital and cuts out expensive middlemen: banks.

On the consumer credit side, just taking Nigeria as an example, **QuickCheck** targets 30M+ customers as the finance industry in Nigeria is expected to grow to be worth USD 1.4tn by 2030 (McKinsey).

On the corporate credit side, for example, Brazil's **DiviBank** eyes 11 million SMEs in need of quick and cheap funding, and they had been growing steadily over the last couple of years, with loan issuance increased by 7x and customer base up by 11x.

Overall, the corporate debt in emerging markets have the potential to further grow. Bank of America expects another \$500 billion corporate debt sales in 2022, bringing the total forecast to almost \$700 billion in emerging markets debt.



TEAM

Founders' experience at Coinbase will certainly be valuable to this project, not to mention the network of contacts in the Coinbase ecosystem. Coinbase Ventures is one of the VC funds backing Goldfinch.

**Mike Sall**

Co-Founder, Board Member, President & Chief Executive Officer

Previously Head of Product Analytics at Coinbase, Head of Data Science at Medium. Together with Blake West, Mike is a Co-founder of Warbler Labs, which is part of the Goldfinch community and supports the growth and development of the Goldfinch ecosystem and broader DeFi space.

**Blake West**

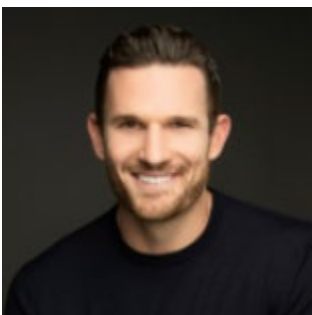
Co-Founder, Board Member & Chief Technology Officer

Previously Senior Engineer at Coinbase, First Employee at Hint Health. Blake is also a Co-founder of Warbler Labs, which is part of the Goldfinch community and supports the growth and development of the Goldfinch ecosystem and broader DeFi space.

**Andrew Huelsenbeck**

Head of Operations at Warbler Labs

Previously Director of Global Operations at Branch International. He works as Head of Operations at Warbler Labs, which is part of the Goldfinch community.

**Rennick Palley**

Early Investor & Active Contributor

Managing partner at Stratos Technologies and early contributor to the Goldfinch Finance project. Brought his expertise and previous experience from the traditional finance marketplace.

TOKEN ALLOCATIONS AND VESTING PERIODS

Liquidity Providers (16.2%)

- 4.2% — Early Liquidity Provider Program: These tokens are allocated to the early Liquidity Provider program, which incentivized the very first participants to supply capital to the protocol. This program closed in July 2021. These allocations unlock over 6 months beginning today, with a 12-month transfer restriction for U.S. participants.
- 4.0% — Retroactive Liquidity Provider Distribution: These tokens are allocated to all 5,157 liquidity providers as of a Dec 14 snapshot, excluding the Early Liquidity Provider program above. These distributions are only to non-U.S. persons and unlock over a range of immediate to 12 months, depending on the contribution amount and earliest contribution date.
- 8.0% — Senior Pool Liquidity Mining: These tokens are allocated to ongoing liquidity mining, beginning immediately. Senior Pool liquidity mining is described in the Liquidity Mining section.

Backers (8.0%)

- 3.0% — Flight Academy: These tokens are allocated to the 10,182 non-U.S. participants in Flight Academy. 2.85% are distributed, with an unlock schedule ranging from immediate to 24 months. The remaining 0.15% are allocated to future participants.
- 2.0% — Backer Pool Liquidity Mining: These tokens are allocated for Backers who participate in Borrower pools. Pending community approval, the Backer Pool liquidity mining system will grant tokens to Backers as interest payments are made into Borrower pools. Additionally, there will be retroactive distributions for existing Backers who have already supplied to Borrower pools. This is not yet live, but we expect the community to introduce and vote on a proposal for this in the coming months.
- 3.0% — Backer Staking: These tokens are allocated for Backers who stake GFI on other backers. This is not yet live, but the community is expected to introduce and vote on a proposal for this in the coming months.

Auditors (3.0%)

- 3.0% of tokens are set aside for auditors, for any future auditor system launched by the protocol through decentralized community governance. An auditor system is not yet live, but we expect the community to introduce and vote on a proposal for one in the coming months.

Borrowers (3.0%)

- 3.0% of tokens are set aside for Borrowers, for when and if the community decides to implement a future distribution system for Borrowers

Contributors (0.65%)

- 0.65% is allocated to contributors who have already significantly contributed to the community and protocol, either through a management role in the community Discord, by creating great art or memes, or through contracting agreements with the Foundation. Contributors who participated in Flight Academy will receive Flight Academy rewards as part of this category. These distributions generally follow the same unlock schedule as the Flight Academy distributions.

Community Treasury (14.8%)

- 14.8% is allocated to the community's treasury, which the community can decide to use for purposes such as grants to developers and contributors, adjustments to protocol distribution mechanics, and coverage for potential loan defaults.

Early and Future Team (28.4%)

- 28.4% is allocated to the early Goldfinch team of 25+ employees, advisors, and contractors. Full-time contributors are subject to 4 or 6 year unlock schedules, and part-time contributors are subject to 3-year unlock schedules, all with initial 6-month lock-ups and 12-month transfer restrictions.

Warbler Labs (4.4%)

- 4.4% is allocated to Warbler Labs, a separate organization spun out from the early Goldfinch team that will contribute to the Goldfinch community and broader DeFi ecosystem. The tokens are subject to a 3-year unlock schedule with an initial 6-month lock-up and 12-month transfer restriction.

Early Supporters (21.6%)

- 21.6% is allocated to a group of 60+ early supporters who invested \$37M to help build the protocol. These supporters are all long-term oriented and have 3-year unlock schedules, as well as an initial 6-month lockup and 12-month transfer restriction.

ABOUT altFINS

altFINS is a leading crypto analytics platform used by tens of thousands of traders and investors to find profitable trading ideas. For more information, please visit us on <https://altfins.com>

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