

LOOKSRARE – IMPORTANT UPDATE

As we highlighted in our [YouTube channel](#), an important date is coming up for LooksRare, which could create price volatility.

That date is Feb 9th.

Starting that day, rewards for LOOKS staking and NFT trading will be halved:

LOOKS rewards schedule

Phase	Length	Date Start	Date End	Staking	Trading
				LOOKS Per Day	LOOKS Per Day
A	195,000 blocks (30 days)	9-Jan-22	8-Feb-22	1,228,500	2,866,500
B	585,000 blocks (90 days)	9-Feb-22	10-Apr-22	583,538	1,361,588
C	1,560,000 blocks (240 days)	11-Apr-22	7-Dec-22	230,344	537,468
D	2,346,250 blocks (361 days)	8-Dec-22	4-Dec-23	122,850	286,650

This will decrease the staking APR from the current 530%. Of that, about 200% is from LOOKS staking rewards and 330% from WETH distribution related to platform trading fees, which also go to LOOKS stakers.

Also, decreasing the trading rewards could negatively impact the wash trading volumes that have been on the platform, by some estimates 80%+ of the volumes.

And when wash trading diminishes, the platform will generate lower trading fees (2% of trading volumes) which get distributed to LOOKS stakers in form of WETH.

So what to do now? Wait to see how the rewards changes impact wash trading, staking APR and therefore the price.

LOOKSRARE – A HIGH RISK / HIGH REWARD PROJECT IN NFT MARKET

Date published: Jan 12th, 2022

Date update: Feb 6th, 2022

DESCRIPTION

Project Name: LooksRare.org

Launched: went live 11th of January, 2022

Product: NFT marketplace – competitor to OpenSea

CONCLUSION

LooksRare (LOOKS) is a high risk, high reward investment opportunity in a crypto market segment (NFT) with huge growth ahead. The initial uptake from NFT traders is impressive and builds a solid base of users to make this project a success. However, it's very early and the key to LOOKS' valuation is whether LooksRare can maintain its user base in the long term even after the initial incentives fizzle out. The potential valuation upside is 2-4x by end of 2022 from current \$4-5B levels and more longer term. The potential downside risks are also high (see risks section).

GO-TO-MARKET STRATEGY

“Vampire attack”trying to lure traders and sellers away from OpenSea

- Giving incentives to NFT traders and sellers who previously transacted on OpenSea but they also must list an NFT for sale on LooksRare marketplace.
- Charges 2% fee on all trades (0.5% less than OpenSea) – 100% of that goes to those staking LOOKs tokens

TOKENOMICS

- 1B total max supply
- 75% of token supply for community initiatives, including 12% (120M) LOOKS allocated to the airdrop
- Tokens can be staked and 100% of fees on NFT sales that LooksRare generates on the platform (2%) are distributed to token stakers
(<https://docs.looksrare.org/about/rewards/platform-fee>)

- Trading rewards – users who trade NFTs earn trading rewards in the form of LOOKS tokens.



Source: <https://docs.looksrare.org/about/looks-tokenomics>

BROADER NFT MARKET TRENDS

NFT activity exploded in 2021. If 2020 was the year of DeFi, 2021 was the year of NFT.

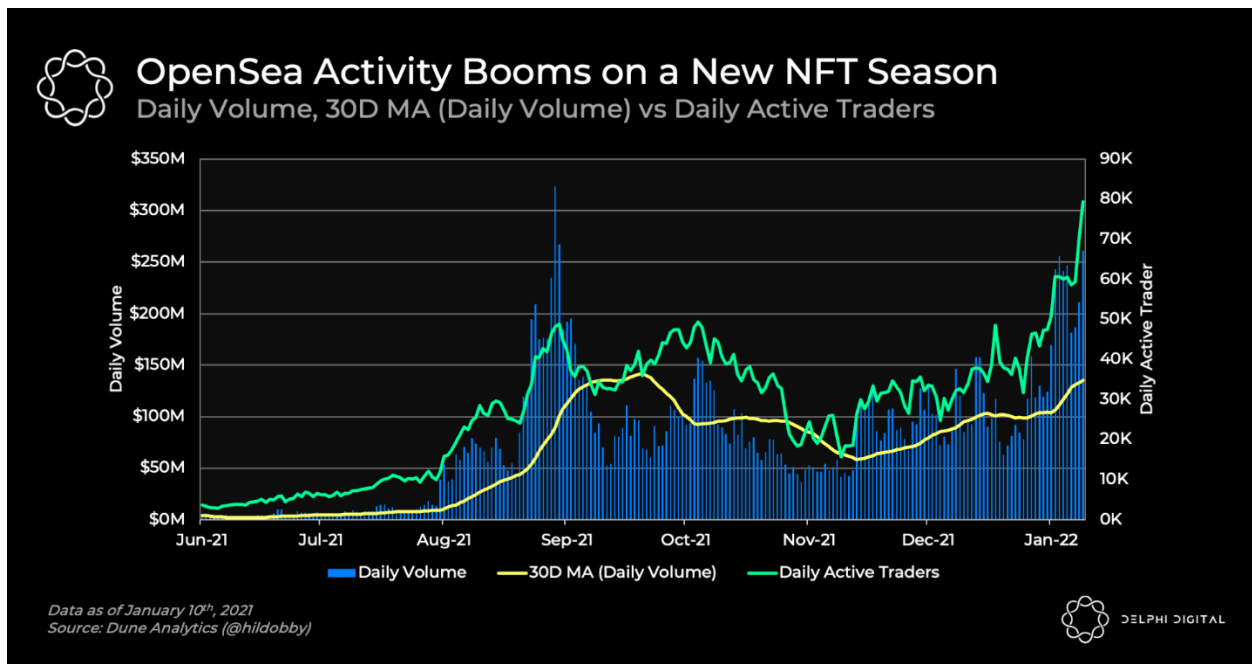
Total NFT trading volumes reached \$19.6B in 2021, up from nearly nothing in 2020 (~\$86M). About 2M NFT traders were active in 2021.



Methodology: Total trading volume that occurred on SuperRare, Opensea, Rarible, Nifty Gateway, Foundation, Hic et Nunc, Art Blocks, MakersPlace, KnownOrigin, Async Art, NBA Topshot, Axie Infinity Aavegotchi, and Zed Run

However, after summer 2021, it appeared that the hype was over and the market was getting oversaturated with NFT collections and activity sharply declined from a peak of \$325M in daily volume in September to only \$50M daily by November 2021.

However, NFT caught a second wind at the end of 2021 and early 2022, with sales volumes ramping back up again:



NFT FUTURE

Team at 1Confirmation (crypto venture fund) summarized the outlook for NFT perhaps the best:

NFTs had a breakout year in 2021 but the asset class is still small relative to cryptocurrency broadly. The total market cap of NFTs is ~\$31.4B, just ~1.36% of the total market cap of cryptocurrency (\$2.3 trillion).














We believe that NFTs will ultimately be larger than cryptocurrencies by the end of this decade and in 2022 steps will be made toward that end:

- The large existing cryptocurrency exchanges ([Coinbase](#), [FTX](#), [Kraken](#), etc) will recognize how important it is for the growth of their businesses to get into NFTs. Fiat onramps will improve and it will become easier for people outside the crypto ecosystem to buy their first NFT.
- More consumer brands and celebrities will launch NFT projects, capturing more mainstream attention for the category and further normalizing NFTs as part of mainstream culture.
- Belief in the value of many types of NFTs beyond pure visual art—like music, photography, and virtual real estate— will grow and several of these categories will become multi-billion dollar asset classes on their own.
- NFTs will emerge on Ethereum L2s in a big way, bringing cheap, fast NFT experiences to more people. This will grow the pie of total users of NFTs, which will surpass 10M by year-end.

Source: 1Confirmation

COMPETITIVE LANDSCAPE

OpenSea has the lion market share, everyone else is tiny....except LooksRare, for now, is challenging OpenSea. In the table below, keep in mind that while this is 30D volume, LooksRare launched only 2 days ago.

MARKETPLACES		AVG. PRICE	TRADERS	VOLUME
1	 OpenSea ETH · Polygon	\$1.07k -15.53%	525,243 26.1%	\$3.35B 34.51%
2	 LooksRare ETH	\$103.12k -	6,073 -	\$687.82M -
3	 Magic Eden SOLANA	\$313.12 2.46%	176,587 65.69%	\$327.49M 134.72%
4	 Axie Infinity ETH · RONIN	\$70.85 -72.03%	440,293 -28.59%	\$193.47M -66.59%
5	 CryptoPunks ETH	\$304.04k -30.75%	433 11.31%	\$124.35M -19.53%
6	 Mobox BSC	\$1.14k -19.98%	18,394 2.08%	\$106.17M -11.32%
7	 BloctoBay FLOW	\$2.36k 515.16%	15,307 2,184.63%	\$59.13M 17,599.77%
8	 Solart SOLANA	\$525.32 -37.47%	36,987 -14.34%	\$47.73M -54.43%
9	 NBA Top Shot FLOW	\$33.73 87.45%	98,547 7.75%	\$45.44M 123.26%
10	 AtomicMarket WAX	\$14.1 -80.53%	109,862 -13.79%	\$19.71M -77.92%
11	 Rarible ETH	\$2.06k -17.6%	8,411 38.32%	\$19.27M 4.01%
12	 SuperRare.co ETH	\$34.09k -43.03%	542 -6.39%	\$14.72M -48.41%
13	 Decentraland ETH	\$23.53k -25.18%	583 -27.94%	\$13.93M -48.44%

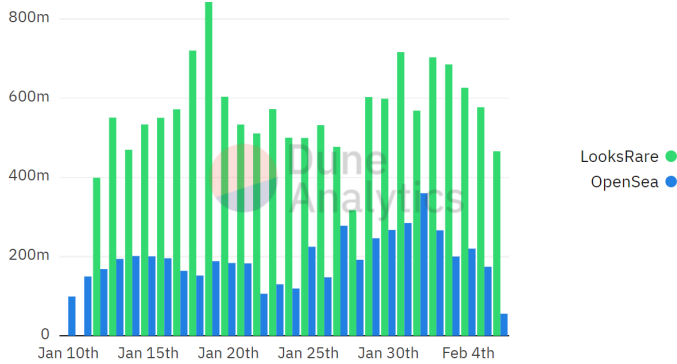
Source: DAPPradar

STRONG OUT OF THE GATES

It's early but the initial ramp up is very impressive! But there's a fair amount of wash trading going on, by some estimates as much as 80% of the trading volume on LooksRare platform.

LooksRare VS OpenSea Daily Volume
in \$

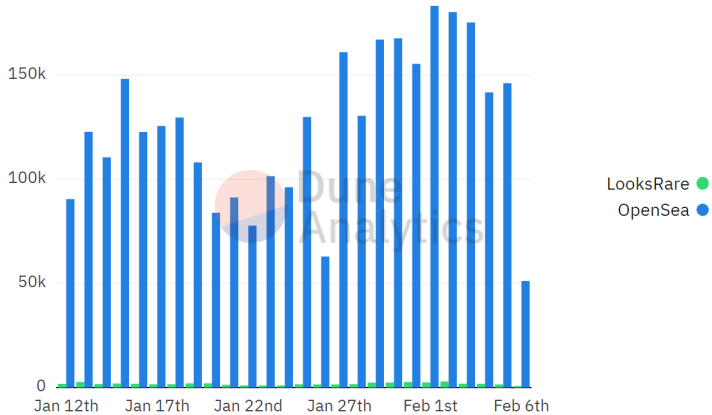
@hildobby



Interestingly, the number of transactions at LooksRare is lower than OpenSea, hence, the total transaction volume must be driven by 10x higher average value of transactions.

LooksRare VS OpenSea Daily Transactions

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VALUATION

OpenSea does not have a token, yet. But in January 2022, it raised \$300M in Series C funding at a \$13.3B valuation from reputable VC firms (Paradigm and Coatue). That suggests that these VCs expect at least a 10x return, so a \$133B in 5-10 years time, which is a 25%-60% CAGR (compounded annual growth rate) from current \$13.3B valuation.

So by end of 2022, OpenSea's valuation is likely to rise to \$17-21B.

LooksRare's fully diluted market cap is around \$5B currently (@\$5.00).

Everything will depend on how successful it will be to take market share from OpenSea, in the long run, once the current incentives diminish.

If LooksRare volumes reach 1/4 of OpenSeas, that could justify a roughly 1/4 valuation, which by end of 2022 could be about \$4-5B (i.e. 1/4 of \$17-21B).

That's about where the valuation of LooksRare is today.

However, if its able to take more, then there's 2-4x upside by end of 2022 and more longer term.

(figures in millions, except prices)

Name	Symbol	Current		Current		ATH		30D Vol		24H Vol		Mrkt cap /	FD cap /
		Price	ATH Price	Mrkt cap	FD cap	Mrkt cap	FD cap	30D Vol*	Change %	24H Vol*	Change %	30D Vol	30D Vol
OpenSea**	n/a			13,300	13,300	13,300	13,300	3,350	34%	107	34%	4.0x	4.0x
Looksrare	LOOKS	4.40	4.80	660	4,400	720	4,800	671	n/a	608	842%	1.1x	7.2x
Superare	RARE	0.81	3.79	82	810	386	3,790	14	-50%	0.05	-50%	27.2x	266.9x
Rarible	RARI	13.49	63.53	73	337	343	1,588	19	3%	0.30	3%	17.8x	82.3x

* refers to NFT marketplace transactions volume

** OpenSea valuation based on Series C funding round (Jan 2022)

Note: Mrkt cap (market cap) is based on tokens in circulation while FD (fully diluted) market cap uses max total number of tokens.

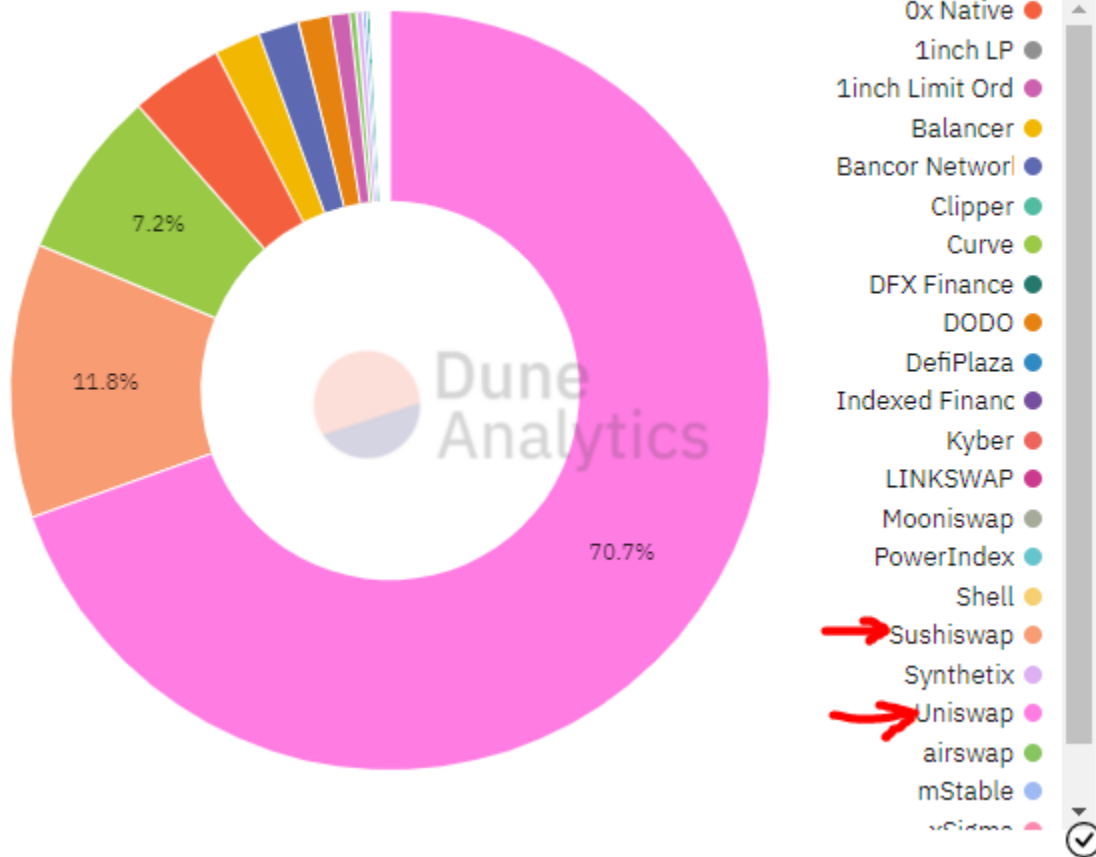
Note: LOOKS 30D Vol really captures only 2 days of transactions since it launched on Jan 10

PRECEDENT: SUSHI vs. UNI

Some precedents on vampire attacks exist. Perhaps the most famous one was pulled off by Sushiswap on Uniswap in August 2020, in the middle of "DeFi summer".

Long story short, it worked but it didn't destroy Uniswap. Today, Uniswap is still by far the largest DEX but Sushiswap is a respectable player, despite some controversy with the founder and turnover in its development leadership lately.

Sushiswap's current market cap is \$1.2B and fully diluted cap about \$2.3B. At it's ATH, it was \$7B. That is about 15-20% of Uniswap's valuation: \$12B, \$19B, and \$45B, respectively.

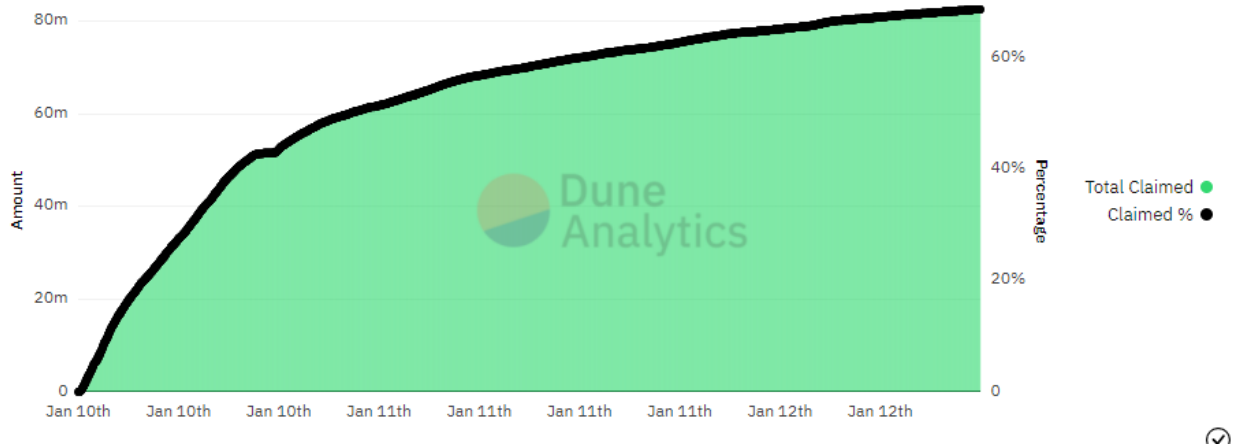


RISKS

1) Airdrop sellers. Users who receive free LOOKS tokens could dump their tokens and put pressure on the price. Surely that's already happening. Offsetting this could be LooksRare's staking and liquidity mining incentives, which could lock up considerable portion of the tokens.

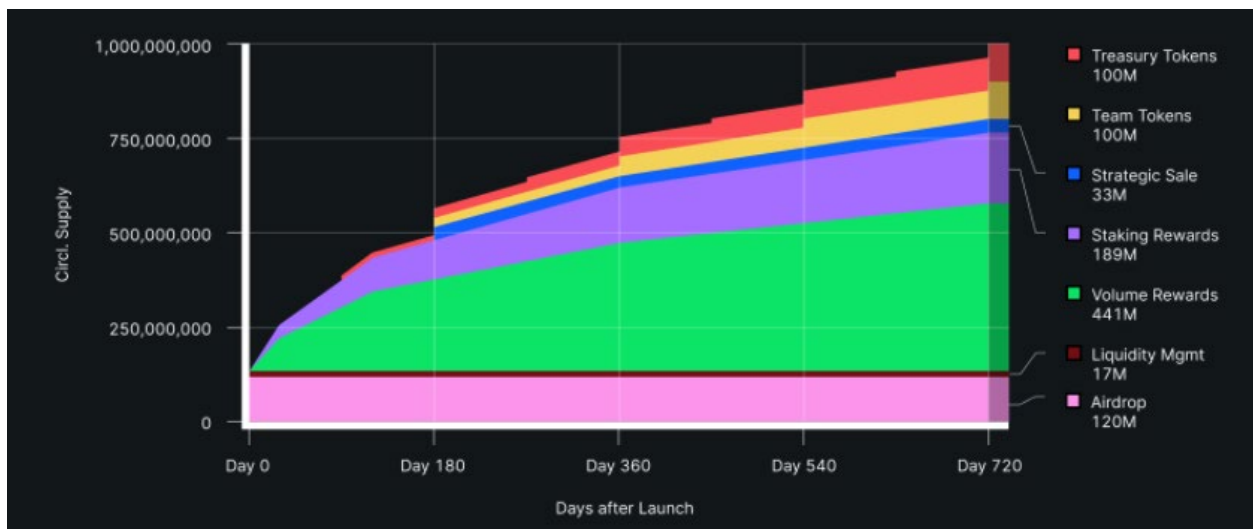
As of Jan 12th, about 69% of the 120M airdropped LOOKS token have been claimed already.

of \$LOOKS LOOKS Airdrop Claims



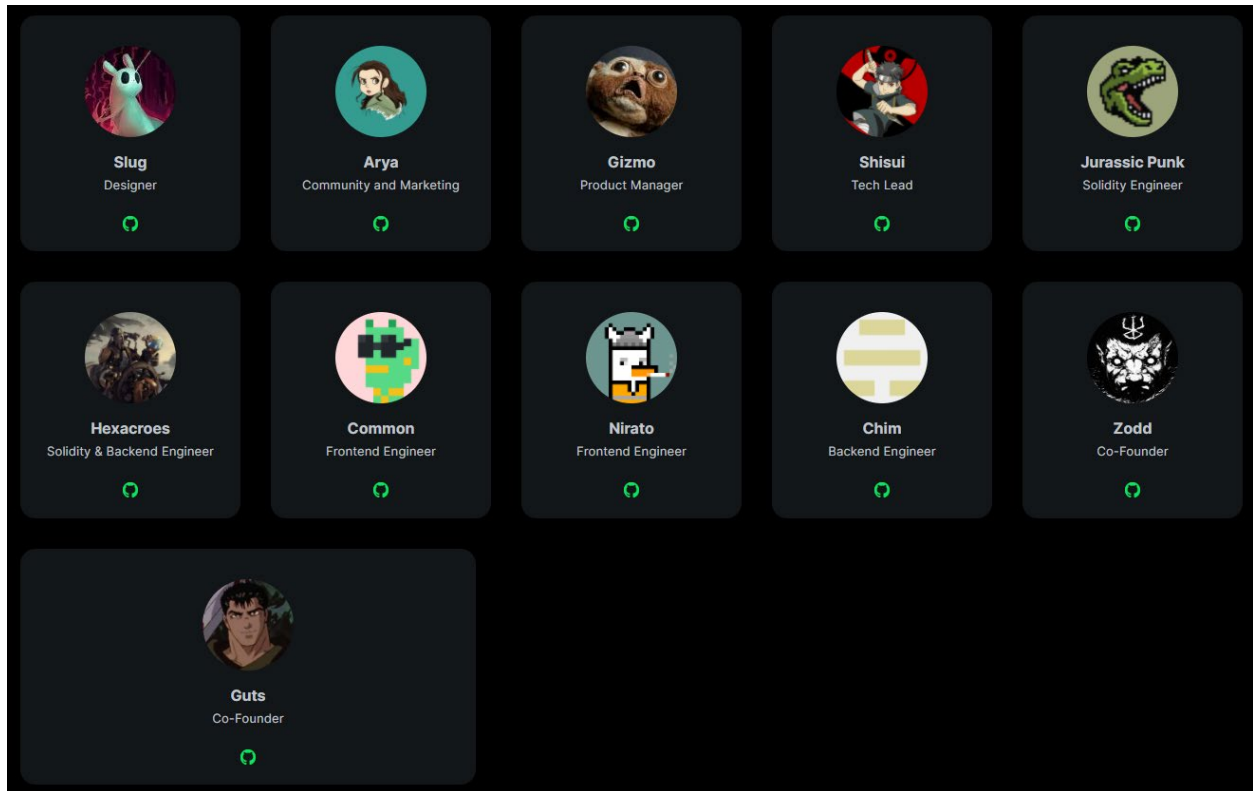
2) Activity fizzles out after incentives do too – similar to Rarible or Infinity. This goes back to our discussion on long-term sustainability of the momentum it has currently. Can LooksRare build on the early adoption and keep the NFT traders and sellers for long term? It does offer a lower fee (2.0% vs. 1.5% on OpenSea), but it'll need to continue to enhance the platform to differentiate itself.

3) Rewards – a double edge sword. The staking and trading rewards that LooksRare offers are attractive initially and will certainly lure many of OpenSea's users. But that also creates supply, which could create a problem over time.



4) Anonymous team. Although their identifies may surface over time with their rising fame, the lack of transparency and accountability is still a source of risk.

<https://docs.looksrare.org/team>



WHERE DOES IT TRADE?

Listings could drive near-term demand. LOOKS tokens were quickly listed on several top tier CEX including FTX, Huobi and Gate.io, but others are likely in the wings, which could provide some pent up demand for the token near-term. Most of the volume is on Uniswap.

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