

## Could the Crypto Downturn Lead to a Spike in M&A?

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In 2021, we saw a cryptocurrency boom with record highs and a flurry of activity. However, this year, the cryptocurrency downturn has been significant. We have seen drops in various cryptocurrencies ranging from 20 to 70 percent, with an estimated \$2 trillion in losses in the past few months.

Industry watchers had already predicted a spike in crypto M&A from the beginning of 2022, and in a recent interview with [Barron's](#), John Todaro, a senior crypto and blockchain researcher at Needham & Company, said he believes this downturn could lead to a wave of mergers and acquisitions in the crypto space for the second half of this year and even into 2023.

Valuations have dropped across the board this year as the market has faced incredible volatility, and Todaro told Barron's, "The valuations for public crypto companies have fallen by about 70% this year." These lower valuations could make these companies increasingly attractive targets for acquisition, and this activity has already started to pick up.

According recent coverage from [CNBC](#), some larger crypto companies are already looking for acquisition targets in order to drive industry growth and to help them acquire more users. Todaro feels most of the M&A activity we will see will be this kind of crypto to crypto acquisition as opposed to traditional buyers, although there is still opportunity for non-crypto companies to capitalize on these lower valuations and some are already doing so.

With more government regulation coming for the crypto sector this year, it could also impact the activity level as well. Achieving some legal and regulatory clarity could have implications for this uptick in M&A for crypto companies. Our analysis of the SEC's recent proposed regulations, other government activity in this area, and their potential implications can be found [here](#).

We could of course see a growing number of acquisitions across industries as valuations remain lower than a year ago, but as the crypto sector continues to see this kind of a downturn, the level of activity in this area could be much greater than it has previously seen. With that said, both the target company and the acquirer should be looking at any transactions with the same level of due diligence instead of rushing into any deal fueled by panic or haste.

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