

Covalent

Rating Report

BB Outlook Positive

April 2024



AAA

AA

A

BBB

BB

B

CCC

CC

C

EXECUTIVE SUMMARY



Covalent

Project

Covalent

Token

CQT

Tag

Data, DeFi

Website

<https://www.covalenthq.com/>

Explorer

<https://etherscan.io/token/0xd417144312dbf50465b1c641d016962017ef6240>

Whitepaper

<https://www.covalenthq.com/static/documents/Covalent%20Whitepaper%20May%202022%20v1.1%20Branded.pdf>

Twitter

https://twitter.com/Covalent_HQ

Telegram

<https://t.me/CovalentHQ>

Discord

<https://discord.gg/kNUfAWj456>

GitHub

<https://github.com/covalenthq/>

Listed Exchange

OKX, KuCoin, Gate, Kraken, Crypto.com, AscendEX, MEXC

Technology & Security

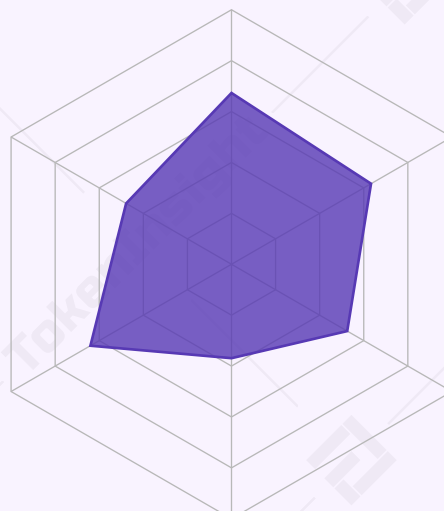
Ecosystem Development

Roadmap & Progress

Team, Partners & Investors

Token Economics

Token Performance



2

TOKENINSIGHT
RESEARCH

EXECUTIVE SUMMARY

Covalent is a blockchain long-term data availability solution offering APIs of structured onchain data that allows developers to access comprehensive structured onchain data for over 225 blockchains. TokenInsight has evaluated Covalent from 6 dimensions based on our standardized rating methodology.

Based on the methodology, TokenInsight gives Covalent a rating of **BB**, with a **Positive** outlook.

Technology & Security

- Started in 2018, Covalent launched mainnet in April 2021, the platform has captured data from over 225 blockchains using a network of operators then structured into API endpoints.
- Both the token smart contract and staking contract have been audited multiple times with all high-level vulnerabilities resolved or acknowledged as design choice.

Roadmap & Progress

- Covalent has clear roadmap consists of major achievements since the project started with development plans until 2024 Q4.

Token Economics

- Native token \$CQT plays a crucial role in Covalent ecosystem, it has governance and staking functionalities and serves as rewards for operators within the Covalent Network.

Token Performance

- \$CQT has been listed in many CEX including OKX and KuCoin and over 15 DEX, however the trading activities is not very active.

Team, Partners & Investors

- Core team members have comprehensive education backgrounds with work experiences in Blockchain and Internet industries.
- Covalent has strong investors including Binance Labs, Hashed, 1kx.

Ecosystem Development

- The community of Covalent is relatively active based on posts' status and posting frequency.
- Covalent has started decentralized governance, token holders can vote on proposals that involve changing system parameters, such as migrating staking back to Ethereum.

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01.

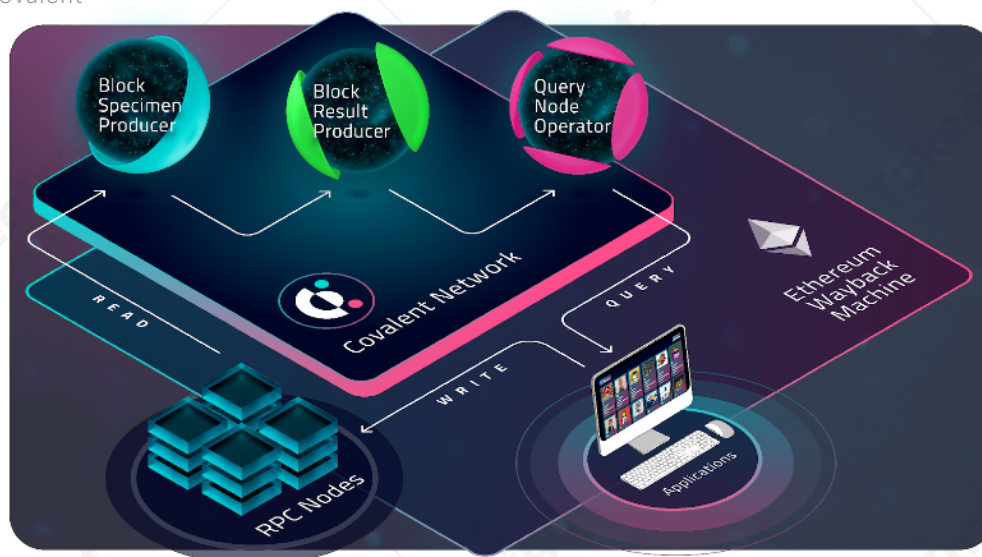
TECHNOLOGY & SECURITY

Covalent is an enterprise grade long-term data availability solution serving structured onchain data to companies, startups, and paying API end-users. Blockchain data is captured from over 225 blockchains using a network of operators then indexed into API endpoints. Users can access data through the Covalent SDK or directly through the Unified API.

The data pipeline structure of Covalent comprises three layers: Extraction and Export, Refinement and Storage, and Structuring and Query. These layers are supported by operators who carry out different responsibilities, including Block Specimen Producer Operators (BSPs), Block Result Producer Operators, Query Operators, and soon Olympic Light Client Operators, collectively forming the core data system of Covalent and the Ethereum Wayback Machine.

▸ Covalent Data Pipeline

Source: Covalent



The network is supported by three different type of operators:

- **Block Specimen Producers (BSPs)** are responsible for data extraction and export. BSPs extract raw blockchain data and formulate it into a structured data object, called Block Specimen.
- **Block Results Producers (Refiners/BRPs)** accesses Block Specimens and transform raw data into queryable data objects, Block Results.
- **Query Operators** are responsible for pulling out data objects from storage based on API user demand.

1.1 Covalent Business Model

Covalent focus on business customers, providing them a Unified API, which serves as a bridge between clients and servers. The API allows users, such as dApps developers and analytical firms, to extract a wide range of blockchain data efficiently. Leveraging on this data system, Covalent also provide GoldRush Kit and Ethereum Wayback Machine.

Unified API

Unified API is the core product from Covalent, it provides a comprehensive solution for accessing blockchain data across multiple networks through a single interface. The API can fetch a wide array of data, including token balances, transaction histories, and NFT metadata.

GoldRush Kit

GoldRush Kit is a toolkit designed for developers who want to incorporate blockchain data into their applications easily. It consists of a suite of React components that are pre-configured to interact with Covalent's Unified API, making it straightforward to display data such as token balances, token transfer history, transactions, and more.

Ethereum Wayback Machine

Ethereum Wayback Machine is a solution to address the challenge of long-term data availability on the Ethereum. With Ethereum introducing "Blob" data structure, data blobs required for validation are deleted after a specific period. Ethereum Wayback Machine serves as a critical tool for ensuring historical blockchain data remains accessible.

Covalent has established itself as a key player in the blockchain data indexer sector, it has successfully onboard well-known names in the crypto industry as well as traditional finance industry, such as Fidelity, Aave, Balancer, etc.

1.2 Code Audit

Covalent has undergone multiple security audits for both its token smart contract and staking contract. Most of the risk identified have been resolved.

The \$CQT token smart contract was audited by Certik and Quantstamp in Oct 2020. There is one high-risk vulnerability identified by Quantstamp that remains unresolved.

The staking contract underwent four rounds of audits by five different security assessment services. The latest staking contract audits were completed in January 2024. While most of the high-risk and critical vulnerabilities have been resolved, there are two High-level vulnerabilities identified by safepress in Aug 2022 were acknowledged by the team and declared as design choice. However, since the staking migration was completed, this contract has been deprecated, and such assumed vulnerabilities are no longer a mild threat to the network.

The details about the auditing time and audit firms are displayed below.

▸ Covalent Audits

Source: TokenInsight

Staking Contract			Token Contract		
Round	Agency	Date	Round	Agency	Date
1	Hacken	Jan 2022	1	Certik	Oct 2020
1	Quantstamp	Mar 2022	1	Quantstamp	Oct 2020
2	FairyProof	Mar 2022			
2	Safepress	Mar 2022			
2	Quantstamp	Mar 2022			
3	Safepress	Aug 2022			
3	Quantstamp	Aug 2022			
4	Quantstamp	Jan 2024			
4	Sherlock	Jan 2024			

Staking contract audits Round 1-3 were conducted for the staking contract on Moonbeam. Covalent has now finished the staking contract migration from Moonbeam to Ethereum, the Round 4 audit was conducted for the new staking contract on Ethereum and all high-risk findings have been fixed.

One high risk issue for \$CQT token contract identified by Quantstamp remains unresolved.

QSP-3 Vesting values do not match the "Vesting Contract" spreadsheet spec

Severity: High Risk

Status: Acknowledged

File(s) affected: `contracts/CovalentQueryTokenVesting.sol`

Description: The vesting schedule as set in the contract does not match the Google Doc Spreadsheet. A spec not matching the code can lead to a deployed contract that does not match the expected behavior. For example, the value after 90 days is 63541667 in the spreadsheet, but 54166667 in the code.

Recommendation: We recommend reviewing the spreadsheet spec against the implemented vesting contract, making sure both are in synch.

Update: According to developers, the vesting is still subject to change and updates can occur in the code, which may not be necessarily reflected across the board (e.g., spreadsheets).

1.3 Other Audit

In addition to code audit, Covalent has also successfully acquired the rigorous Service Organisation Control (SOC) 2 Type II compliance audit. A SOC Type II audit evaluates and tests an organization's control mechanisms over a specific period of time to determine if the control mechanisms are operating effectively in regard to security, availability, processing integrity, confidentiality, and privacy.

Organizations that provide cloud, software, and other IT services to clients often undergo a SOC type II audit to build trust and demonstrate their ability to securely manage sensitive customer data.

The SOC Type II audit allows Covalent to interact with banking and other regulated industries at the enterprise level.

02.

ROADMAP & PROGRESS

Covalent was started in March 2018, the mainnet was launched in April 2021. The disclosed roadmap consists of major progress and achievements since the project started and its development plans until 2024 Q4. According to the roadmap and recent news about the New Dawn initiative, Covalent recently migrated staking to Ethereum, and the following plan is to ship the initial infrastructure of the EWM starting in Q3.

The overall project roadmap is relatively comprehensive.

▸ Covalent Roadmap

Source: TokenInsight

Stage	Milestones	Status
2021 May	• Mainnet Launch and CoinList Sale	Achieved
2021 Jun	• Block Specimen Producer Launch	Achieved
2021 Aug	• Block Results Producer (Refiner) Launch	Achieved
2022 May	• Staking Launch	Achieved
2023 Jan	• 70 Blockchain Indexed	Achieved
2024 Jan	• 200 Blockchain Indexed • Demand-side revenue brought onchain	Achieved
2024 Q2	• Staking migration back to Ethereum	Achieved
2024 Q4	• Migrate the ProofChain contract off Moonbeam	To Do

Covalent recently launched its token buyback program via business revenue. This is revenue generated from the use of Covalent's API and is the first step to bring off-chain revenue on-chain. The token buyback mechanism will be discussed in detail in Token Economics section.

Currently, the staking of \$CQT is live on the Ethereum network having recently migrated staking away from Moonbeam. Following the staking migration, the next milestone will be the migration of the ProofChain contract and the deploying of initial infrastructure for the EWM, which is expected by Q4.

03.

TOKEN ECONOMICS

3.1 Covalent Token \$CQT

\$CQT is the native token of Covalent and the core element of the Covalent ecosystem. It plays a crucial role in supporting the operation of Covalent's long-term data availability infrastructure. \$CQT also has governance and staking functionalities and serves as rewards for operators within the Covalent Network.

3.2 Tokens Distribution

\$CQT is an ERC20 token on the Ethereum blockchain, the total supply of \$CQT is 1,000,000,000. 33% of the \$CQT is allocated to seed and private rounds investors, while 16.4% is allocated to the team and advisors.

▸ \$CQT Token Allocation Plan

Source: Covalent, TokenInsight

Category	Allocation	Vesting over Months	Vesting Plan
Seed Investors	10%	18 Months	6 months cliff, 25% released after 6 months, 25% released after 12 months, 25% at 15 months, and 25% at 18 months
Private Sale	20.4%	9 Months	25% released at TGE, 25% at 3 months, 25% at 6 months, and 25% at 9 months
Private Sale 2	2.9%	9-24 Months	Varies: 25% released at a time with intervals ranging from 3 months to 6 months
Public Sale	3.4%	0-24 Months	Varies: no vesting for Tier 1; 12 month and 24 month vests for Tier 2 and 3 with 1 month cliffs respectively. VIP Tier: 25% released every 6 months with 6 month cliff
Team	14.4%	48 Months	36 month vest; 25% earned at 1 year cliff
Advisors	2.0%	24 Months	vest between month 13 and 24
Reserve	18.9%	45 Months	6.25% released at TGE, 6.25% at 3 months, and 6.25% every 3 months thereafter
Staking	8%	53 Months	48 month vest 6 month cliff
Ecosystem	20.0%	47 Months	48 month vest from TGE

3.3 Tokens Use Cases

- **Staking:** To join the Covalent Network, operators need to meet the minimum staking requirement. After fulfilling their roles such as producing Block Specimens or responding to API queries, operators are compensated in \$CQT. In the case of malicious or dishonest behaviors, a percentage of the staked amount will be slashed.
- **Delegating:** Token holders who wish to contribute and secure the network but don't wish to run node infrastructure, can delegate to a Network Operator and earn staking rewards in \$CQT.
- **Governance:** Token holders can vote on proposals affecting the system parameters, such as integrating new data sources, network upgrades, adapting to specific geographic requirements, and evolving data modeling techniques.

3.4 Tokens Buyback Mechanism

In Q1 2024, Covalent launched its token buyback program using business revenue. Within the Covalent ecosystem, customers pay stablecoins for data queries, and Covalent utilizes the revenue in stablecoins to purchase \$CQT tokens from the open market. The repurchased tokens are subsequently used as rewards for network operators, recognizing their efforts in performing operational tasks.

This mechanism of bringing off-chain revenue to buyback \$CQT is a move toward a sustainable revenue-driven ecosystem for Covalent.

04.

TOKEN PERFORMANCE

4.1 On-chain Statistics

The \$CQT token is deployed on Ethereum. As of April 22, 2024, there are 10,692 holders on Ethereum. According to data from Etherscan, the top 10 addresses excluding smart contract and centralized exchanges hold 16.2% total supply.

4.2 Trading Information

\$CQT has been listed on a number of centralized exchanges, including OKX, KuCoin, Gate, Kraken, Crypto.com, AscendEX, and MXEC, and has been listed on over 15 decentralized exchanges.

▸ \$CQT Key Metrics

Source: TokenInsight, 22 Apr 2024

Key Metrics	
Price	\$0.1818
24H Spot Volume	\$1,226,271
L/H (Today)	\$0.1891 / \$0.1798
L/H (30D)	\$0.1798 / \$0.3960
ATH	\$2.08 2021-08-14
Market Cap	\$112,888,569
Circulating Supply	620,676,477
Max Supply	1,000,000,000
Listed Exchange	OKX, KuCoin, Gate, Kraken, Crypto.com, AscendEX, and MXEC

05.

TEAM, PARTNERS & INVESTORS

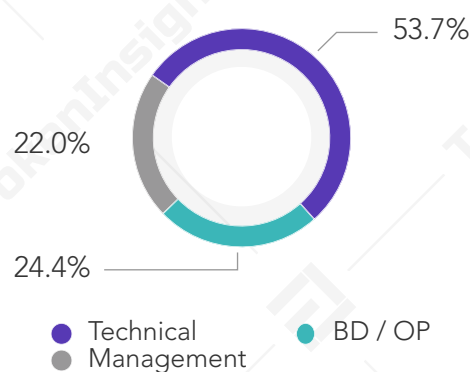
5.1 Team Members

Covalent is supported by a team of 41 members, comprising 22 technical employees and 10 members in the BD/OP team. The management team has 9 members.

Core team members have comprehensive education backgrounds with work experiences in the Blockchain and Internet industries.

▸ Covalent Team Composition

Source: Covalent, TokenInsight



Ganesh Swami - CEO & Co-founder

- Engineering Physics, Simon Fraser University

Ganesh is a serial entrepreneur and has a decade of experience in big data analytics. He is also the founder of Silota, a online SQL editor for data analysts.



Levi All - CTO & Co-founder

- Computer Science, The University of British Columbia

Levi has extensive experience in blockchain industry and data management. He co-founded and served as CTO of one of Canada's first Bitcoin exchange.

5.2 Partners, Advisors & Investors

As disclosed, Covalent has appointed Joel John as an advisor. Joel is the Venture Partner of crypto VC firm Anagram and he is also the founder of Decentralised. co. Covalent also partnered with several major web3 infrastructure companies including Infura, Blast/Bware, Nodereal, and Chainstack.

Covalent has conducted one seed round and two private rounds raising funds from notable investors in web3, including Binance, Hashed, 1kx, and Woodstock.

06.

ECOSYSTEM

DEVELOPMENT

6.1 Community Operation

According to TokenInsight's investigation of Covalent community platforms, as of April 22, 2024, Covalent has registered and operated the official accounts and community on multiple platforms, including Twitter, Telegram, Discord, Farcaster. The table below shows the number of followers on Covalent main channels. The statistics show that the Twitter account has the most subscribers (272k).

Overall, the community performance of Covalent is relatively active, considering the number of followers and the frequency of users' interactions.

Number of Followers on Covalent's Main Social Platforms

Source: TokenInsight, 22 April 2024

No	Social Platform	Followers
1	Twitter	272k
2	Discord	12,881
3	Telegram_Community	8,337
4	Farcaster	34

6.2 Governance

Covalent Network is governed by \$CQT token holders. Token holders can submit proposals and vote to change the system parameters such as determining which data source to include and structuring the onchain data of a new network. However, the right to vote is restricted solely to features of the Covalent Network, \$CQT holders cannot vote on the operation and management of any entity developing the network.

The governance proposal follows a specific procedure. First, the proposer writes the proposal on the governance forum, followed by a proposal voting in the Covalent Discord server. Based on the responses and soft votes on the forum and Discord, the Covalent team will decide to take the proposal to Snapshot for final approval/voting. Covalent may also proposes directly to Snapshot for network upgrades.









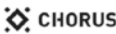

6.3 Ecosystem

Covalent has onboarded 29 network operators consisting of 14 Block Specimen Producers and 15 Block Result Producers/Refiners. Most of the operators are established organizations in the web3 industry. Covalent is also expanding the operator count to 40.

Currently, whitelisted operators are functioning as Block Specimen Producers and Block Result Producers (Refiners). The project plans to gradually expand the whitelist in the future, enabling a wider range of applicants to join the network as operators.

► Network Operators

Source: Covalent

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TokenInsight

Symbols and Definition of Risk Ratings

- AAA** The underlying technology is exceptionally solid and secure, and the ecosystem is exceptionally thriving and stable. The native token is utilized by a large decentralized community of supporters. The current health status and the searchable record of sustained growth indicate the project's incredible qualification and exceptionally low level of risk.
- AA** The underlying technology is very solid and secure, and the ecosystem is very thriving and stable. The native token is utilized by a large community of supporters. The current health status and the searchable record indicate the project's excellent qualifications and a very low level of risk.
- A** The underlying technology is solid and secure, and the ecosystem is thriving and stable. The native token is utilized by a community of supporters. The current health status indicates the project's awesome qualifications and low level of risk.
- BBB** The technical feasibility is very good, and the ecosystem growth is very strong. Although its native token has not yet been adopted on a large scale, its community of supporters has taken shape. The current growing status indicates the project's great qualifications and highly controllable risk.
- BB** The technical feasibility is good, and the ecosystem growth is strong. Most of the key milestones in the roadmap have been achieved, but the project has not yet been adopted well. The strong track record of achieving milestones indicates the project's good qualifications and controllable risk.
- B** The technical feasibility is moderate, and the ecosystem growth is stable. The project has maintained a high degree of alignment with the roadmap, but there are still several key milestones that need to be achieved. The track record of developing in line with the roadmap indicates that the project's risk is controllable to a limited extent.
- CCC** The technical idea and application scenarios are reasonable. The project is still in the early stages of development and advancing in accordance with the roadmap. The many uncertainties that still need to be faced in the development indicated the project's moderate level of risk.
- CC** The technical idea has certain problems, and the application scenarios are limited. The project demonstrates moderate progress and has reached some milestones, despite delays. The project exhibits moderate indications of progress but faces a substantial level of risk.
- C** The technical idea has considerable problems, and the application scenarios are highly limited. The progress disclosures are not clear or progress is lagging far behind the roadmap. Hardly any progress indicated the project's high level of risk.
- D** The project has an extremely high possibility of failure or has already failed. The project has been left unattended and with a high level of risk.

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