Coinbase vs. Bitcoin: Which Is a Better Investment?

Description

Coinbase ([NASDAQ:COIN](#)) had one of the most anticipated listings in recently memory. After months of preparation, the company finally went public in a direct listing, closing at US$328 on its first day.

But for some investors, the listing was actually disappointing. After going public, COIN immediately started to decline, thanks in no small part to heavy insider selling. The downtrend [continued for weeks](#).

For crypto fans, as well, the Coinbase IPO was a mixed bag. Many lamented the fact that crypto had "gone mainstream" and bemoaned the increasing institutional adoption of crypto.

In light of these criticisms, it's natural to wonder whether Bitcoin is a better way to play crypto-mania than Coinbase is. Bitcoin has always been the world's largest cryptocurrency, and as such is the "default" investment for anybody to buy when they're getting into crypto. Indeed, there are cases to be made for investing in *both* Bitcoin and Coinbase. But if you must pick just one, there are some factors to think about.

The case for Coinbase

The biggest thing Coinbase has going for it over Bitcoin is *measurable* financials. With a direct Bitcoin play, you pretty much only have technical factors to inform your investing decision. With COIN, it's possible to value the business based on earnings results. In its most recent quarter, COIN had the following metrics:

- 56 million users
- $1.8 billion in revenue
- $730 million in net income
- $223 million in assets on platform

Broadly speaking, these results depict a profitable enterprise that may be worth investing in. They don't guarantee that COIN is worth its current *price,* but they do at least show that it's a profitable business. There are no such "earnings" to speak of for Bitcoin, which functions much like a commodity.

There's also a certain "diversification" benefit that comes with Coinbase. While COIN is just one stock, its business collects fees on a variety of different crypto transactions: Bitcoin, Ethereum, Litecoin, and more. This diverse array of coins means that Coinbase doesn't depend on just *one* cryptocurrency to make money. When you invest in Bitcoin, however, you're literally just betting on BTC itself.

The case for Bitcoin

Compared to Coinbase, Bitcoin has one major advantage: *decentralization.*

Bitcoin is a community-controlled project with no middle managers determining its fate. With Coinbase, management could fail, leading the business to fail. With Bitcoin, there is no "management" to speak of, and therefore no "single point of failure" that could ruin the project.

A solid alternative to both

If you're still not sure whether to invest in Coinbase or Bitcoin, you could consider one solid *Canadian* alternative: **Purpose Bitcoin ETF** (TSX:BTCC.B).

This is an ETF that directly holds Bitcoin and nothing else. Effectively, when you buy it, you're paying a team of asset managers a 1% annual fee to hold your BTC for you. That might seem like a steep price, but it gets around the biggest issue with holding Bitcoin by far: *security.* When you own Bitcoin, you're responsible for keeping your coins safe. If you lose your password, you have no recourse. Coinbase does offer a recovery word, but if you lose both the password and the recovery phrase, you're out of luck.

This is not so with BTCC.B. Like COIN, it's a publicly traded company with world class security. You can never "lose" your shares, and you can trust at the fund's managers are keeping the underlying BTC secure. It's a great way to get exposure to BTC in a more secure form. Also, you can hold BTCC.B shares in a TFSA — something that isn't widely available for direct crypto holdings.

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TICKERS GLOBAL

1. NASDAQ:COIN (Coinbase Global)
2. TSX:BTCC.B (Purpose Bitcoin ETF)

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