

## DATE

12 FEB 2019

## COIN CATEGORY

UTILITY  
TOKENS

## MENTIONED COINS

AUGUR TICKER REPBASIC ATTENTION TOKEN TICKER BATSIRIN LABS TICKER SRNTRON TICKER TRX

## PURPOSE

## MARKET INSIGHT

## RESEARCH ANALYST

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## MARKET PRICE &amp; CCDEX

## AUGUR

USD	\$13.51
KRW	₩15,195
JPY	¥1,486

## BAT

USD	\$0.12
KRW	₩140
JPY	¥14

## SIRIN LABS

USD	\$0.03
KRW	₩32
JPY	¥3.12

## TRON

USD	\$0.03
KRW	₩29
JPY	¥2.83

\*As of 11 Feb 2019

## Can utility tokens steal the spotlight again?

## Utility tokens should be of interest in 2H19-1H20

Utility token price trend reversal for the better may be on the horizon. Utility tokens have been experiencing difficult times as disappointment over slower-than-expected product development became widespread after the ICO boom which started in 2Q17. We believe many project teams will launch first commercial products with similar maturity of typical series A round ventures from 2H19. This has the potential to drive token prices upwards and can also enable new investors to enter the market. That said, at the current stage, investors should strategically focus on finding tokens which have true potential of intrinsic value appreciation upon successful product and business development.

## First commercial product launches and token price appreciation

We continue to think utility token projects are similar to typical ventures. Therefore, it is not surprising that such projects which are comparable to extremely early-stage startups do not yet have viable products. Building on this assumption, many utility token projects should be releasing first commercial products equivalent to series A level ventures as they become 2+ years old going into 2H19. We note that the market observed meaningful token price recovery even during the significant bear market over the past 3-4 months when project teams announced key product launches and business development. Examples include: Augur (REP), Basic Attention Token (BAT), SIRIN LABS (SRN), and TRON (TRX).

## A new wave of investors

While true that utility tokens and the ICO market provoked significant controversy by opening doors to invest in extreme early-stage companies to retail, it is still a small market in terms of the overall financial investment market. That said, we see the possibility of traditional VCs entering the market as utility token projects mature into entities similar to series A companies. Aggregate annual investment of VCs globally recorded USD325bn in 2018. If 10% of that amount (USD32bn) entered the crypto world, it would account for 27% of the total crypto market cap (USD121bn), 60% of the total crypto market cap ex-BTC and fiat-backed stable coins (54bn), and 144% of the 2017-2018 total ICO market size (USD22bn).

## Selecting tokens with intrinsic value growth potential

To position for a possible utility token market recovery, investors should focus on selecting tokens that have a true connection between intrinsic value appreciation and product launch/business development. We hereby repeat our three key questions to assess intrinsic value: 1) Is there a reason to own the crypto regardless of the existence of a crypto exchange? 2) Does the value of the crypto increase proportionally with its associated platform's usage? 3) Is there a real reason for the project to issue its own token? By developing on these three questions, investors can easily attempt a fundamental approach on the token's intrinsic value based on common sense.

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## Refocus

Contrary to concerns that the entire ICO ecosystem is a Ponzi scheme, if at least a certain portion of project teams are indeed focusing on product development, the utility token market could enter a new phase from 2H19. We continue to think utility token ICO projects are similar to typical ventures, which allow us to forecast that a large number of first commercial product level products may be introduced as they enter a life-cycle stage similar to series A ventures.

Thus, at the current stage, we believe investors should focus on selecting tokens that have a true connection between intrinsic value appreciation and product launch/ business development.

Figure 1. Product/business maturity by investment stage

Stage	Round	Milestone	Time since founding
Seed/Angel	Seed	Market research, PoC, MVP	~2 years
	Angel	Product-market fit, first sales achievement	
Early	Series A	First commercial product, business operation optimization	2~3 years
	Series B	Scaling market, service, and business model	4~5 years
Late-Stage	Series C +	Margin expansion, earnings growth	6 years~

ICO projects entering this stage from 2H19~

Source: Coinone Research

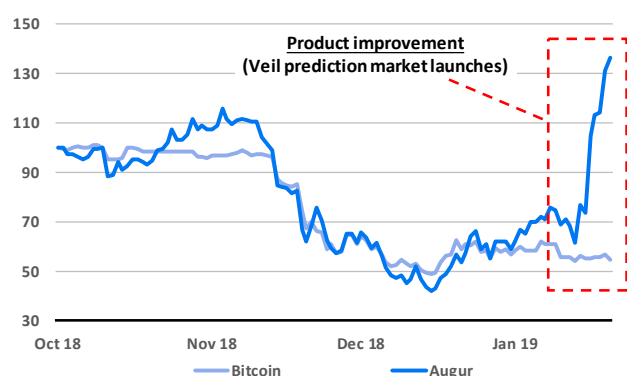
## Biz development & new investors as a catalyst

As large number of projects begin to enter its 3rd year since ICO, we would not find it surprising to see numerous first commercial product launches. This will lead to token price recovery and may also allow new investors such as traditional venture capital to enter the market, in our view.

### Product launch is a proven catalyst even during bear markets

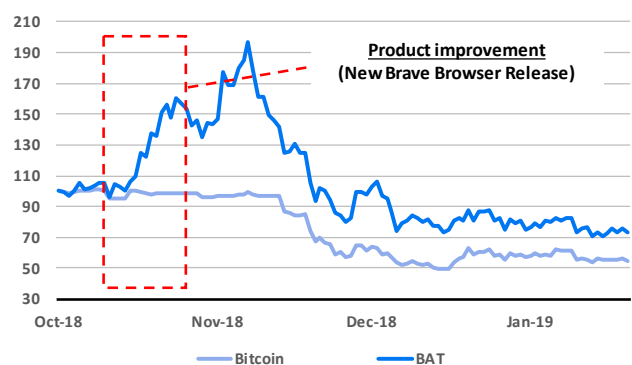
The crypto market was inarguably diagnosed a bear market going into 2H18. But we note that tokens progressing with clear product development showcased strong price recovery. Key examples include: Augur (REP), Basic Attention Token (BAT), SIRIN LABS (SRN), TRON (TRX).

Figure 2. Relative price - REP vs. BTC



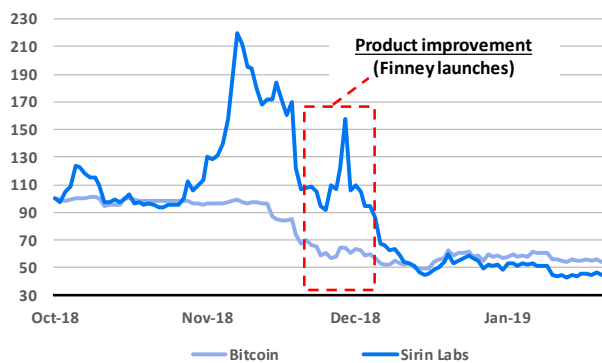
Source: Coinone Research, CoinMarketCap

Figure 3. Relative price - BAT vs. BTC



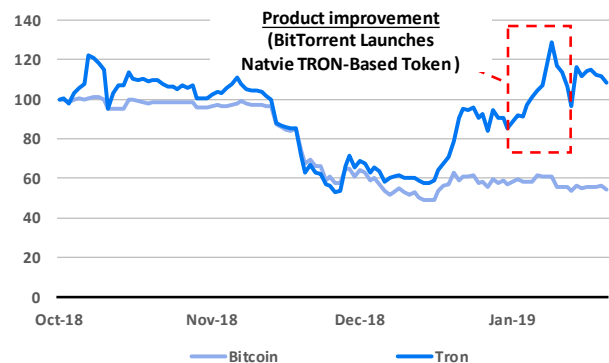
Source: Coinone Research, CoinMarketCap

Figure 4. Relative price - SRN vs. BTC



Source: Coinone Research, CoinMarketCap

Figure 5. Relative price - TRX vs. BTC



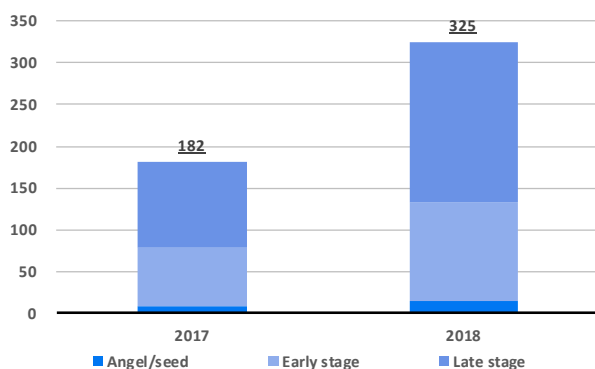
Source: Coinone Research, CoinMarketCap

### Entry point for a new pool of investors

There is a high chance that traditional VCs will enter the market as many utility token projects evolve into Series A startups. In 2018, the total annual investment of global VCs reached USD 325bn. If 10% of this amount (USD32bn), was to enter the crypto market, it would be equivalent to 27% of the total market cap of cryptos (USD121bn), 60% of the total market cap ex-BTC and fiat-backed stable coins (54bn), and 144% of the total ICO market during 2017-2018 (USD22bn).

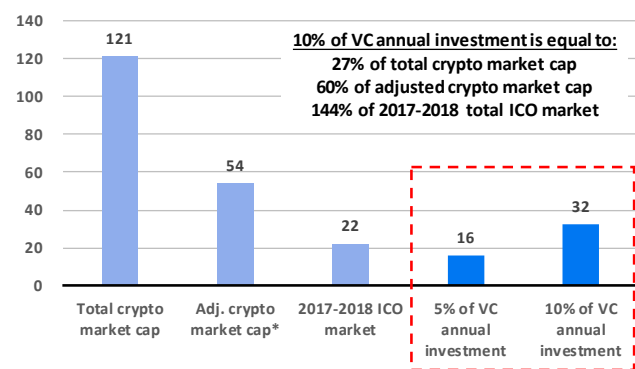
Although the utility token and ICO market has created significant noise due to opening investment opportunities into extremely early stage “companies”, we note it was still negligible in terms of market size compared to the overall financial investment industry.

Figure 6. Annual global VC investment (USDbn)



Source: Coinone Research, Crunchbase

Figure 7. Potential VC investment size (USDbn)



Source: Coinone Research, Crunchbase, CoinMarketCap

## Position for recovery with the right tokens

To position for a possible utility token market recovery, investors should focus on selecting tokens that have a true connection between intrinsic value appreciation and product launch/business development.

### Is there a reason to own the crypto even without a crypto exchange?

The crypto of interest requires a clear usage even if crypto exchanges cease to exist in order to have intrinsic value. In other words, the associated ecosystem must be able to generate bidirectional flow of the crypto between consumers/investors and the issuing party even without a crypto exchange.

Figure 8. Crypto flow of a successful project

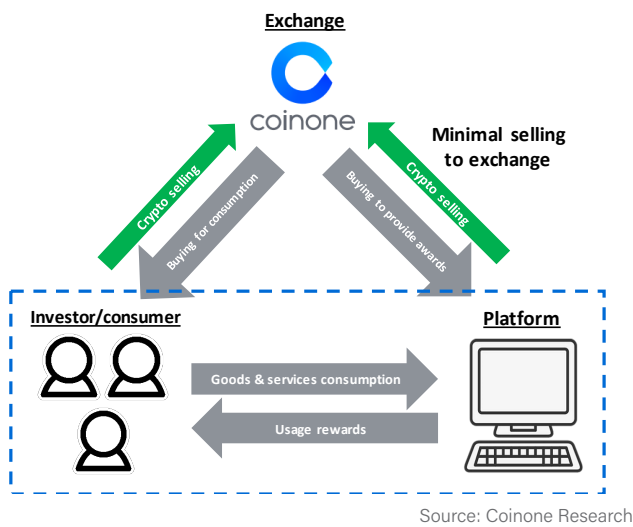
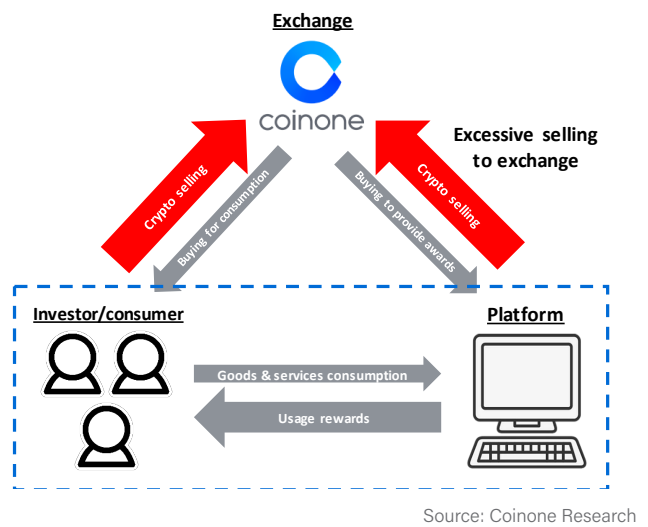


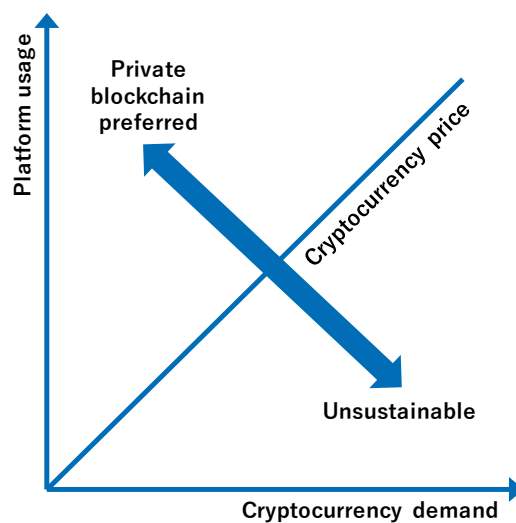
Figure 9. Crypto flow of an unsuccessful project



### Does demand for the crypto increase proportionally with the platform's usage?

The demand of the crypto under review must proportionally increase as its native platform's usage grows in order to be a viable investment vehicle. This is easily understood from a price curve perspective.

Figure 10. Cryptocurrency price curve



Source: Coinone Research

### Is there a real reason for the project to issue its own token?

Projects must have a sensible reason when issuing a new token. Some examples may be developing an unique governance model or the need to utilize micro-value transactions. Without such fair reasoning, the token is nothing more than a funding mechanism. If this is the case, then the project should be using pre-existing cryptos or fiat.

## Research Analyst

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### [Dan Kong](#)

Dan is currently the Head of Research at Coinone. Before that, he was a senior Research Analyst at Deutsche Bank covering the telecom, media, and internet sectors. His team was highly ranked in the world's most competitive research survey, the Institutional Investor All-Asia Research Team Survey, including an Asia top 3 rank in 2016. Dan has a Bachelor of Business Administration from Korea University, and has also completed the Blockchain Strategy Programme executive education at Saïd Business School, University of Oxford. Dan holds professional designations including CAIA (Chartered Alternative Investment Analyst), Certified Research Analyst, and Registered Fund Manager.

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Tony is currently a Research Analyst at Coinone. Previously he was a manager at SparkLabs Accelerator and SparkLabs Global Ventures. He also held business development and strategy roles at startups in Korea. Tony holds a Bachelor of Commerce from University of Toronto.

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Elena is currently a Research Analyst at Coinone. She was formerly a manager at a startup accelerator, SparkLabs, focused on deal screening and corporate strategy consulting. Elena also has entrepreneurship experience in the healthcare and e-commerce industries. She holds a Bachelor of Business Administration and Global Entrepreneurship from Handong Global University.

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