



Fundamentals of ICO Valuations

valtech = ∑ w * factors
Valuation Advisory

- July, 2018 -



Why token has Value?

As a token holder, you can either redeem a particular service at your discretion, OR, sell your unused token to the next consumer at a potential premium.

• Tokens are medium of payment for future services (i.e. Utility) in an Specified ecosystem.

• Since the number of token-to-issue has a limit (i.e. Scarce) but the future utility in the ecosystem could grow without a prescribed limit, the value of tokens is expected to grow in parallel.



How to Quantify the Value?

Valuation Appears Mysterious, but Still Possible:

• Actually most of us have Already learnt a very fundamental way to quantify the token value back in school

• Do you remember this equation from your undergrad economics course?

**$M \times V = P \times Q$, which means
Money Supply x Turnover = Total Goods and Services**



Why do Tokens Appreciate?

Token appreciates when the users in the ecosystem start to consume its services:

• Essentially, instead of valuing the tokens, we actually wish to measure the potential activities of the proposed ecosystem, and convert them into monetary terms we understand (such as US\$).

• We will also examine the community model(s) that governs how stakeholders in the ecosystem interact with each others (token holders, token issuer, service consumers, token platform operators, etc).

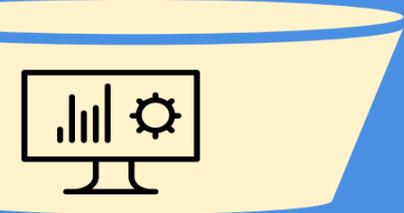
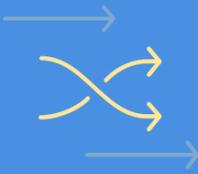


Simple Example of an Eco-system

A Cinema Example to Token ICO Valuation:

• A cinema owner proposes a token ICO issue to capitalize on all future Sunday movie tickets. We can quantify token value by looking at the cinema's historical Sunday revenue in US\$, and its growth potential (i.e. expansion plan on number of theaters and shows), adjusted by the underlying risks.

• The cinema owner is supposed to collect the ICO proceeds (in US\$) to make things happen, such as making the Sunday movies ready, establishing exchange platforms for token transfers/redemption between sellers, buyers and consumers.



Valuation Challenges

• No easy and commonly agreed valuation methodology, since ICO valuations only have limited history for any back-tests for model validation.

• Unlike traditional equity valuation that based on expected cash flows, there is usually no prediction on expected cash flows from holding a token, as the token will usually be either consumed, transferred or be redeemed.

• Service potential (i.e. Willingness to Pay) in the proposed ecosystem is extremely difficult to estimate, since most of the proposed models are new to mankind.

• Token holders might take significant risks on the issuer's poor execution.



Talk to Us

We help you to brainstorm on:

- Validating your proposed token economy, its potential market size by referring to independent and easily explainable top-down and bottom-up researches
- Validating your inputs against market consensus and reasonableness tests
- Valuation of your Coin Potential based on your proposed ICO whitepaper

valtech = ∑ w * factors
Valuation Advisory

