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# AZAR CAPITAL & AMAZIX

*VERASITY TOKEN REPORT*



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# Executive Summary

Online advertising is broken. Despite wildly fluctuating policies and plenty of publisher backlash, websites like Facebook and YouTube continue to dominate the video scene. By leveraging their formidable distribution monopolies, they repeatedly abuse their power in order to squeeze both publishers and users, paying the former a fraction of the value generated and the latter zero. Out of \$312bn of generated revenue last year, the duopoly was able to capture 60% of the upside. Furthermore, the dominant CPM/CPC models both face fundamental system flaws which manifest as large-scale ad fraud.

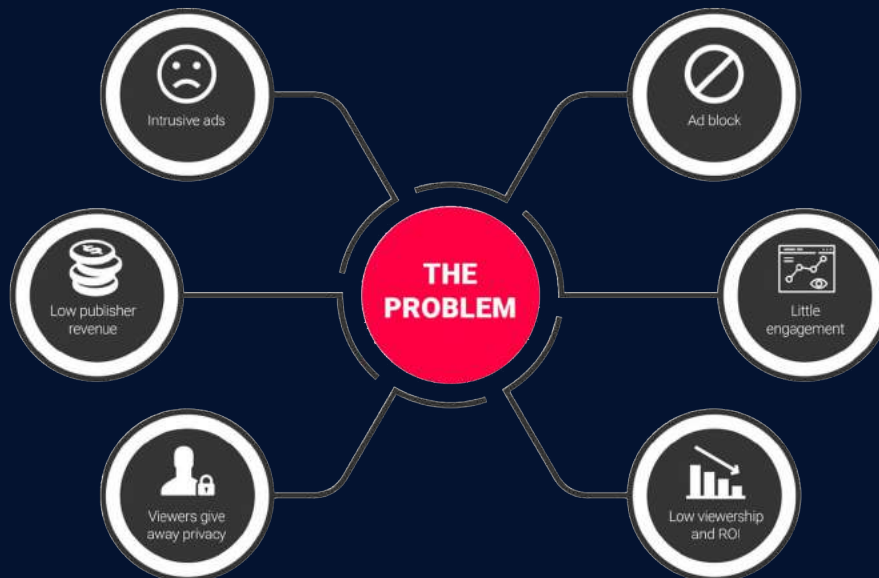
As a result of the observed industry-wide pains, a number of projects have opted to create entirely new platforms with more equitable value-distribution channels with the hope of luring both content creators and consumers away from the predatory tendencies of YouTube and Facebook. The problem, however, is that the network effects of the big players have proven insurmountable, and encouraging a change in viewing habits is a considerable task. It has transpired that even if you can incentivise a big publisher to change platform, follower transference and retention is far from guaranteed. PewDiePie's recent (attempted) switch from YouTube to DLive, a blockchain-powered streaming platform, is illustrative of this. Of his circa 100MM subscribers on YouTube, only 500,000 (0.5%) of them followed him to the new platform. Whilst the comparison is not ideal in that DLive is exclusively stream-based, it is certainly indicative of the challenges of online habit disruption.

Veracity has recognised these friction points and incorporated their remedies into their state-of-the-art technology platform. By interfacing directly with the most pervasive existing video players, they minimise hassle for the end user whilst granting publishers the ability to share revenue with their viewers in a cryptoeconomically-ensured ecosystem. In addition, through proprietary and patent pending Proof-of-View technology, Veracity is able to eradicate ad fraud ensuring content creators are only paying for genuine views. The company takes only a small percentage of value generated compared to the YouTube and Facebook models, and all other revenue is distributed back to token holders through a buyback and burn mechanism. Like any true Web3 project, the core value proposition lies in the disruption of unnecessary middlemen and obstinate oligopolies. CPM models generate about \$8/1000 views for publishers with the rest of the value being syphoned off by the video titans. Veracity has a clearly defined path to adoption by focusing on B2B solutions, ensuring proportionate value distribution between all participants, greater protections around private data, and affording advertisers access to a more efficient fraud-resistant alternative to the dominant CPM/CPC models.

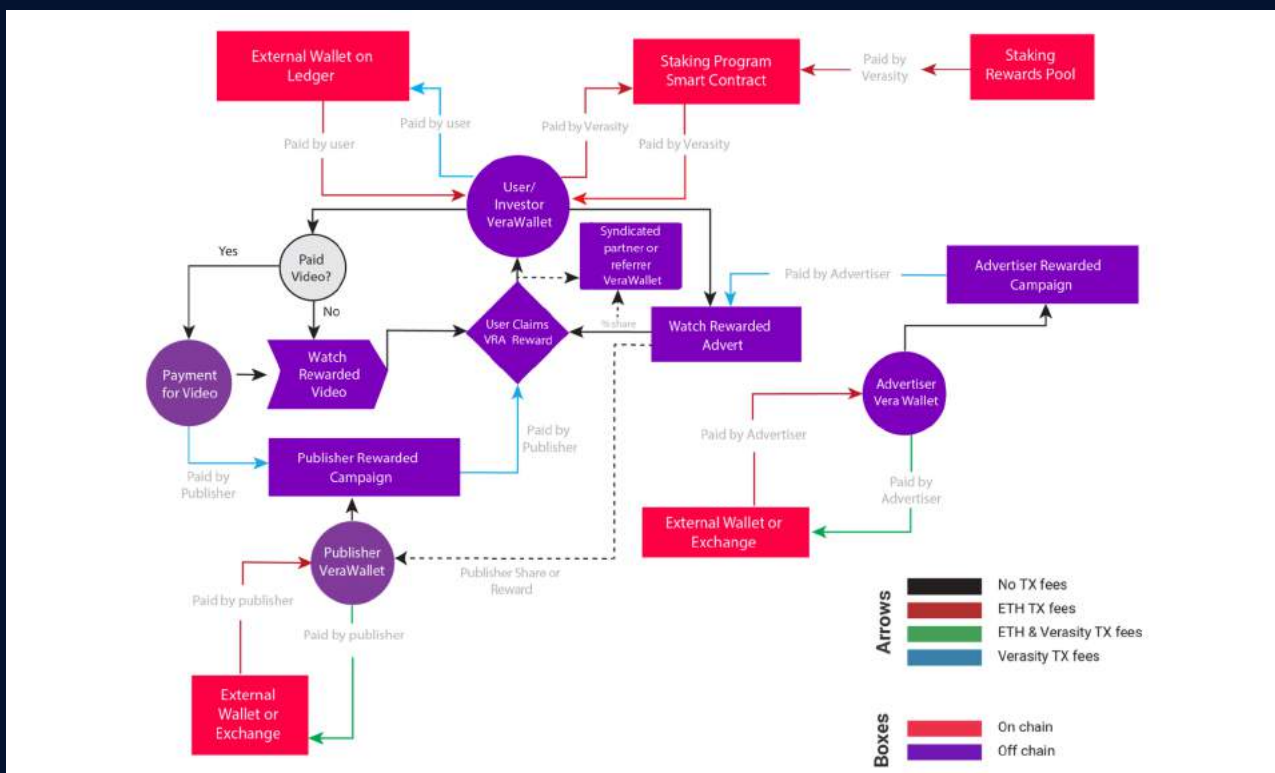
In the near term, we believe there exists an impending catalytic force in the form of a Binance central exchange migration from the DEX. Given the experience of the team, who have a deep and hard-earned understanding of the space following multiple previous 8 figure exits, it is possible that this business could grow to a market cap of **\$85MM by 2021** — yielding a token value of **\$0.014**. A detailed valuation breakdown is included on page 9.

# Problems and Solutions

Value accrual in online video advertisement is significantly skewed towards companies like YouTube, who will capture 45% of the ~\$5bn net advertising revenue in 2019. The solutions so far repeatedly fail as they try to impose fundamental behavioural changes on users, which are constantly resisted.



Veracity's solution is a hermetically sealed cryptoeconomic system with 'plug and play' functionality that requires zero change of habit for the end user. All participants are proportionately rewarded for the value they contribute.



Another perennial problem within the industry is that the widely used CPM/CPC models are riddled with ad fraud, costing advertisers \$42bn in 2019 and growing at a formidable pace. Ad fraud accounts for between 10-15% of all spending on digital advertisements. The total global spending for online ads is expected to be around \$333bn in 2019.

Veracity's Proof-of-View technology is designed to securely, accurately, and publicly verify audience metrics whilst almost entirely eliminating the possibility of generating fake views by bots/click farms.

The system draws upon over 100 recorded parameters within a video instance e.g:

- Random information requests about the current frame in an active video
- Checks to ensure the player is fully visible on screen
- For mobile devices, information from accelerometers and gyroscopes can be cross-referenced

In doing so, the Proof-of-View system is able to prevent:

- Automated repeated viewing of videos (looping views)
- Attempting to load multiple videos in parallel
- Loading videos in hidden windows / tabs
- Attempting to manipulate analytics without watching content
- Veracity or other parties altering the views database

Once a view has been validated, confirmation is sent to the on-chain Proof-of-View database with anonymised and encrypted user data using merkle hash trees. Veracity will provide free, open-source tools to increase transparency and accountability of the system. With these tools, viewers and third parties can review the data to ensure its accuracy and credibility. Although view data is anonymous, individual viewers can generate their own unique ID to verify views recorded for them are accurate and not manipulated. To ensure that the data stored within the publicly accessible Proof-of-View database is bona fide untampered data, all view data is sent to the Binance/Ethereum chain as well as to the Veracity servers. Brands seeking safety will likely pay more for proven views than for non-proven views. On 7 February 2018, a United States provisional patent application was filed for a system and method for Proof-of-View via blockchain (Application Number 62627285). It is expected to be granted by year's end 2019.

Verifiability of views is of immense value to advertisers. Greater accuracy of data may ultimately lead to increased accuracy of targeted advertising, which continues to be a dominant theme in online advertisement. As Veracity onboards publishers into their ecosystem, each publisher can be assigned their own Publisher Tokens (PTs) separate from VRAB. Those tokens can then be distributed like club card points at a supermarket, and rewarded alongside VRAB upon having proven interactions with publishers. They could then be traded with other PTs, used to purchase crypto collectibles, provide 'subscriber' perks, or serve as entries into raffles, promotions, and discounts. A whole new dimension of tamper-proof user engagement is unlocked as publishers are granted the tools to allow their creativity run wild.

# The Team

Overall the team has varied experience and draws on a deep talent pool – having worked for world-renowned companies such as Eurosport, Akamai, BSKyB, Turner, AOL, and many more. Between them, they have seen multiple 8 figure exits in the space. There are over 20 members who consistently deliver exceptional working products within the stated deadlines.

**David Rowe**, Veracity Co-founder, is CEO of Black Green Capital and a key member of the team who brings a wealth of experience in investment. He was also the Founder of Easynet Group that was sold to BSKyB for £211m, and a former managing board member of Sky.


**Chris Gale**, Veracity Co-founder, was Founder and CEO of Odyssey Mobile, an Ad-tech company which successfully exited to Phunware in 2014 and listed on the Nasdaq at the start of 2018. Aside from being a crypto-investor and blockchain advisor, he brings 15-years of digital media and technology experience with him.

**Scott Brown**, Advisor, is Veracity's video network expert. Working as VP Product Management for Akamai (one of the world's largest content delivery networks) he understands how video distribution should be done. Aside from Akamai, he was CEO of Octoshape (Premium OTT Video Delivery), VP Technology Fellow at Turner Broadcasting, and Director of Media Systems at AOL.

**Max Gutchenko**, CTO, previously worked at LevelUpMedia alongside John and Chris. He previously worked at Softevol, a Ukrainian mobile app developer which was acquired in 2014. Max had worked there since the founding of the company in 2007, and worked his way up from a web developer, to Co-Owner and Technical Project Manager by the time the company was acquired. He has several software patents under his belt.

**David Archer**, Legal Counsel, was a Founding Partner at Pitmans LLP where he has worked for almost 27 years, and serves as director of a trustee services company called PTL Governance Limited, where he has been for 25 years. Pitmans merged with Cambridge-based Bircham Dyson Bell. Both were previously top 100 law firms in the UK, and recognised as 1 of 7 “trailblazing” firms in The Lawyer UK 200 report from 2018.

**John Rankin**, VP Business Development, is the video publishing and advertising entrepreneur. John founded and built a global video advertising business with multinational entertainment company Outfit 7, creators of hit mobile app Talking Tom which received 7 billion downloads.



# Token Economics

The actual Veracity company operates as a non-profit and thus there is incentive alignment between stakeholders as no value accrues to shareholders, it is all captured in the token. As such, all Veracity team members are incentivised to maximise the value of VRAB rather than extract dividends or grow shareholder value. The team adopted a 'buyback and burn' model similar to MakerDAO and other high profile projects. Their policy is shown below.

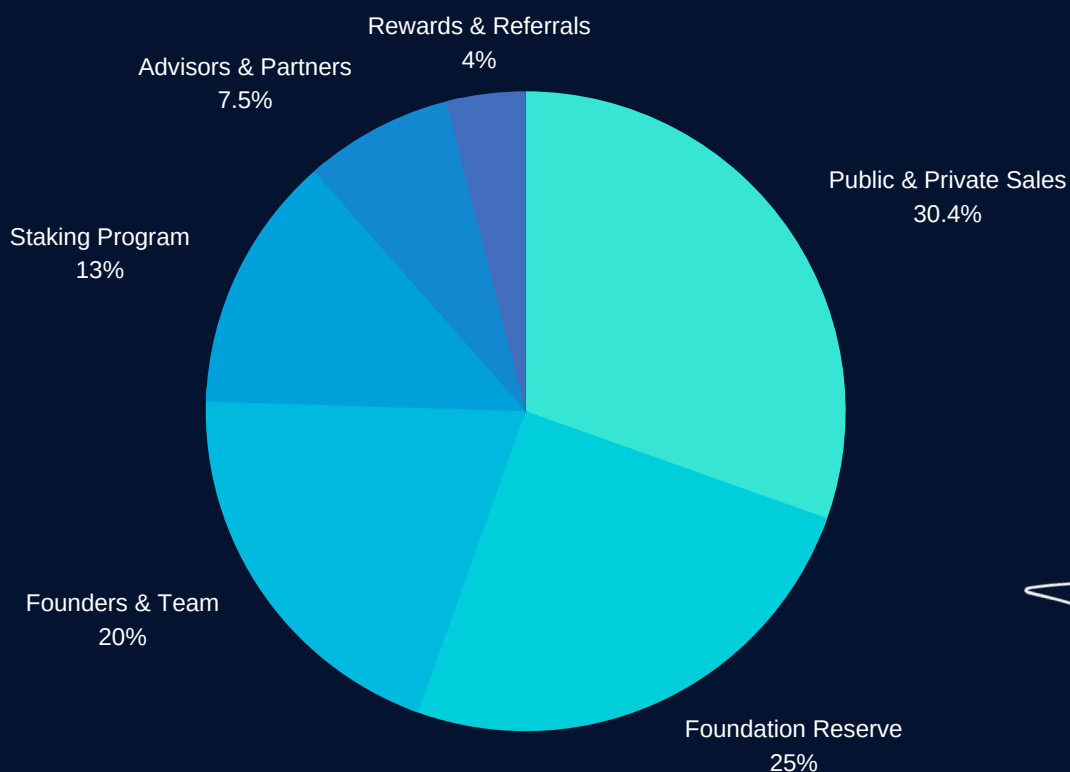
*50% of all ad revenue and fees earned by Veracity in fiat are used to buy back VRA from exchanges and burn that VRA to reduce circulating supply. In 2018, Veracity burned 600m VRA and expects to burn 300m additionally by year end and at least 1bn VRA in 2020.*

VRA started out as an ERC20 utility token for Veracity, but following the migration to Binance chain can be irreversibly converted to VRAB which is a BEP2 token. Below is the current data for VRA the as of 16th August 2019:

Total Supply=10,839,985,784, Circulating Supply=3,250,815,122 (~30% issued)

## Initial Distribution:

- Public & Private Sales - 3,495,653,656 VRA — 30.4%
- Staking Program - 1,498,980,000 VRA — 13.0%
- Rewards & Referrals - 463,403,844 VRA— 4.0%
- Founders & Team - 2,298,300,000 VRA — 20.0%
- Advisors & Partners - 861,862,500 VRA—7.5%
- Foundation Reserve - 2,873,300,000 VRA—25.0%
- Over 750,000,000 tokens have been burned since distribution



The token is primarily used as a medium of exchange within the ecosystem, but also has other use cases such as staking (36% reward in Y1). Currently 2,500,000,000 VRA is locked up in staking.

It is important to remember that 100% of the Foundation revenue is ultimately reinvested or redistributed back to token holders. Furthermore, viewers are not required to change their habits whatsoever. They operate as a non-profit that reinvests 50% of the revenue into the platform itself, and 50% is used to buyback and burn tokens, which applies constant upwards price pressure. All other streams of revenue for the Veracity Foundation are similarly dispersed. This includes licensing fees, publisher funded campaigns, and the selling of anonymised user data. These 50/50 flows are likely to change over time as less revenue is directed towards development and other publisher infrastructure companies emerge fueling aggressive competition. This may result in increased buyback and burn rates.

## Short-term Catalysts

A key short-term price driver for Veracity is the possibility of a Binance.com listing in the next 1-6 weeks. The project is currently engaged in a monthly trading competition on the Binance DEX, in which the winners will be migrated to the main exchange. VRAB has met every requirement to be eligible for selection in the contest, including \$50k a day in volume (averaging \$100-200k), no wash trading, and over 10,000 active users in their social channels. The contest winners (of which CZ has said there is always at least one) are announced on the 25th of each month. Other notable entrants in the competition include: Perlin, Chiliz, Tomochain and BLOC Network (MDAB).

It would seem that Veracity has caught the attention of CZ himself, the Binance founder and CEO. He has personally retweeted various Veracity posts, and seems to repeatedly engage with their social media profiles. This is not the case for almost all of the other contestants.

*“...Veracity’s video player solution offers the perfect vehicle for viewers, publishers, and content creators to benefit from the utility of blockchain technology. I’m glad that Binance and Veracity are leading that charge globally.”*

*— CZ (Changpeng Zhao) CEO & Founder of Binance*

When comparing VRAB to the other candidates, it seems clear that Veracity is standout choice when considered through the lens of risk/reward ratios. For a project with such a small market cap, it is no small feat that it has: a robust token economic system, gained traction with numerous happy publishers, been built by multiple industry veterans, drawn the eye of CZ himself, and has the potential of a CEX migration due to the considerable volumes being pushed on exchange. Given the relatively 'underground' nature of the project, as well as the size of its market cap, the price action from a binance.com listing is likely to be dramatic.

In addition to the catalytic currents stirring on the Binance DEX, the Veracity team has created two new mobile apps which are expected to bring in a combined 1.3 million users by year end. The apps are scheduled for release in early September, and have already completed their beta phase. 300K installs are projected for the first app alone. Furthermore, publishers will now be able to integrate the Verawallet into mobile video players too. There will be two primary publishers that are pushing the first app to their user base as well as 6 bounty activities in 6 countries and a marketing deal with one of the top 5 largest mobile ad networks to gain the app exposure on their wall. Projections include \$10 CPMs, with 3-5 ads watched per user per day. Off the back of 300K users, this could amount to an additional \$12k/day revenue.

The second app, a football themed quiz app is expected to hit 1MM installs by the end of 2019. Put simply, users answer questions in return for crystals which can later be redeemed for VRAB. Additional functionalities are planned such as interactive live quizzes and various Verawallet integrations. In order to bootstrap activity around the app, several key strategic influencers and partners have been engaged for its release. Once again, by drawing on their experience, the Veracity team is delivering solid working products on time, and looks set to engage their target market through well considered distribution channels.

As part of these coordinated efforts a new dedicated marketing team (including Robert Weeks who has worked for over 15 years with the likes of the BBC, the Discovery Channel, and Daily Motion) has been brought onboard full time, as well as the BlockGroup.Global influencer group and 9 other influencers. Interestingly, the group also works closely with Binance and Perlin (another project with a recent Binance Chain partnership). BlockGroup sports an impressive client list, with many (crypto)household names such as: the Ethereum Foundation, the Zilliqa Foundation, Kyber Network, Origin Protocol, Request Network, Hyperchain Capital, Melonport, WAX, and various others.





# Valuation

A Discounted Cash Flow Model is an appropriate way to arrive at an intrinsic value for the Veracity Network based on its token economics. The Veracity Foundation plans on using 50% of all revenue to buy back and burn VRAB from exchanges. This structure allows the token to have equity-like characteristics as these cash flows will continue in perpetuity. In the white paper, the team estimates to have \$240k in monthly revenue by the end of 2020, and for that value to roughly 10x to \$2.5m by the end of 2021. We use considerably more conservative growth rates in the following years to project future values for our DCF. Specifically, we estimate that end of 2022 revenue will grow 100% to \$5m, end of 2023 revenue will grow 50% to \$7.5m, and end of 2024 revenue to grow 33% to \$10m. We grow the monthly values linearly throughout the year to arrive at the stated monthly revenue in December.

Annual	2020	2021	2022	2023	2024
Revenue	\$1,560,000	\$17,570,000	\$46,250,000	\$76,250,000	\$106,250,000
Foundation Share Spent on Burn	\$1,092,000	\$12,299,000	\$32,375,000	\$53,375,000	\$74,375,000
Discounted Value	\$390,000	\$3,137,500	\$5,899,235	\$6,946,975	\$6,914,437

LTG	5%
Discount Rate	40%
PV of Cash Flows	\$23,288,147
PV of Terminal Value	\$20,743,310
Present Value	\$44,031,457
Current Market Cap	\$1,503,613
Fully Diluted MC	\$6,577,578

**Applying a discount rate of 40% to account for the inherent risk, results in a present value of over \$44 million, representing considerable upside from the current market cap.**

It is also worth looking at this from a burn yield perspective. Using the expected cash flows dedicated to token burns from the DCF, we can extrapolate implied market cap and price values. We use the free floating circulating supply as the denominator in our burn yield because that's the portion actually available to be repurchased. First we need to figure out the free floating circulating supply, which shouldn't be confused with the circulating supply. Free floating refers to the portion that isn't being staked or locked up under various restrictions. We modeled out expected free floating circulating supply below.

Location	Amount	Portion
Public & Private Sales	3,495,653,656	32.5%
Staking Program	1,498,980,000	14.0%
Rewards & Referrals	463,403,844	4.3%
Founders & Team	2,298,300,000	21.4%
Advisors & Partners	861,862,500	8.0%
Foundation Reserve*	2,123,300,000	19.8%
Total	10,741,500,000	100.0%

\*Adjusted for the 750 million tokens the foundation burned

	2019	2020	2021	2022	2023	2024
Starting Circulating Supply		3,951,903,656	5,770,295,242	6,806,416,828	7,924,638,414	9,042,860,000
Released from Public/Priv Sale	3,495,653,656					
Released From Staking	456,250,000	912,500,000	130,230,000			
Released from Rewards & Referral		115,850,961	115,850,961	115,850,961	115,850,961	
Released From Founders/Team		574,575,000	574,575,000	574,575,000	574,575,000	
Released from Advisors/Partners		215,465,625	215,465,625	215,465,625	215,465,625	
Released From Foundation				212,330,000	212,330,000	212,330,000
Staked	2,500,000,000	2,500,000,000	356,794,521			
Free Floating Circulating Supply	1,451,903,656	1,458,512,070	4,637,839,135	6,112,855,242	7,231,076,828	9,255,190,000

This free floating circulating supply serves as a baseline for each year, but it'll need to be further adjusted to account for the effects of each burn. We use burn yields of 2%, 4%, 6%, 8% and 10% in our example to illustrate the potential effects on price.

	Burn Yield as % of Free Float	2020	2021	2022	2023	2024
Spent on Burn \$		\$546,000	\$6,149,500	\$16,187,500	\$26,687,500	\$37,187,500
	2%	29,170,241	92,173,378	119,830,232	139,798,060	177,484,362
	4%	58,340,483	183,179,946	234,853,393	270,188,120	340,345,122
	6%	87,510,724	273,019,705	345,139,489	391,524,415	489,479,740
	8%	116,680,966	361,692,654	450,758,530	504,155,574	625,752,182
Quantity of tokens burned	10%	145,851,207	449,198,793	551,780,524	608,424,630	749,993,485
	2%	1,458,512,070	4,608,668,894	5,991,511,623	6,989,902,976	8,874,218,089
	4%	1,458,512,070	4,579,498,653	5,871,334,813	6,754,703,007	8,508,628,058
	6%	1,458,512,070	4,550,328,411	5,752,324,813	6,525,406,910	8,157,995,668
	8%	1,458,512,070	4,521,158,170	5,634,481,623	6,301,944,679	7,821,902,277
Pre Burn Free Float Supply	10%	1,458,512,070	4,491,987,928	5,517,805,242	6,084,246,304	7,499,934,846

Calculating the amount of tokens burned is a multistep process. First you need to take the \$ amount spent on burn and divide it by the burn yield to get the implied market cap of the circulating supply. Then you need to take that market cap and divide it by the pre burn free floating supply to understand the price per token that's implied by the burn. Finally, you take the \$ burn amount for that period and divide it by the implied price per token to get the quantity of tokens burned. Now that you have the quantity burned, you're able to adjust the baseline free floating supply to account for the specific burn trajectory. As you move into later periods, you need to take the cumulative trailing value of tokens burned. This gives you the appropriate pre-burn free floating supply each year which allows you to then calculate the quantity of tokens burned.

	Burn Yield as % of Free Float	2020	2021	2022	2023	2024
Post Burn Circulating Supply	2%	5,741,125,001	6,685,073,209	7,471,134,562	8,449,558,089	8,484,403,727
	4%	5,711,954,759	6,564,896,399	7,235,934,593	8,083,968,058	7,955,952,936
	6%	5,682,784,518	6,445,886,399	7,006,638,496	7,733,325,668	7,456,185,928
	8%	5,653,614,276	6,328,043,209	6,783,176,265	7,397,242,277	6,983,820,095
	10%	5,624,444,035	6,211,366,828	6,565,477,890	7,075,274,846	6,537,611,361

Next we need to calculate post-burn circulating supply as this allows us to figure out implied token price and market cap under different yield assumptions. Previously we calculated the free float supply which specifically represents tokens that have liquidity. Here we're using overall circulating supply because that's the appropriate one for price and market cap.

This is calculated by taking that year's starting circulating supply, adding in all the tokens that get unlocked from various buckets, and then reducing it by the cumulative token burn under that specific yield trajectory.

From there we can back into a price and market cap as seen below. We find the implied token by going back to the quantity of tokens burned during that period and dividing it by the cash allocated to the burn. To get to the market cap, we take that implied price value and multiply it by the respective post burn circulating supply.

	Burn Yield as % of Supply	2020	2021	2022	2023	2024
Spent on Burn \$		\$546,000	\$6,149,500	\$16,187,500	\$26,687,500	\$37,187,500
	2%	\$107,460,689	\$446,005,763	\$1,009,252,742	\$1,613,023,688	\$1,777,698,950
	4%	\$53,457,345	\$220,388,920	\$498,743,876	\$798,484,024	\$869,299,956
	6%	\$35,456,230	\$145,187,244	\$328,620,643	\$527,127,780	\$566,472,709
	8%	\$26,455,672	\$107,589,417	\$243,595,314	\$397,573,382	\$415,037,801
Implied Circulating Supply Based Market Cap	10%	\$21,055,338	\$85,033,177	\$192,610,411	\$310,344,763	\$324,159,379
	2%	\$0.191	\$0.067	\$0.135	\$0.191	\$0.210
	4%	\$0.009	\$0.034	\$0.069	\$0.099	\$0.109
	6%	\$0.006	\$0.023	\$0.047	\$0.068	\$0.076
	8%	\$0.005	\$0.017	\$0.036	\$0.053	\$0.059
Implied Circulating Supply Based Token Price	10%	\$0.004	\$0.014	\$0.029	\$0.044	\$0.050

# Conclusions

Above we can see what implied point in time prices would be under different yield assumptions. It's difficult to say where yields will normalize, but it's safe to say that if they're significantly higher early on, and will likely converge down to these values. That will occur because of the buying pressure from the combination of the VRA foundation performing their standard burns and individuals buying VRA tokens to take advantage of the yield. Therefore, we thought it made more sense to focus on these yield levels in our analysis. **It's clear that all scenarios here represent significant upside relative to current prices.** Taking the most and least conservative estimates for the 2021 token price, we get \$0.014 and \$0.067 respectively. This represents **24x-112x** upside on the current (August 23rd) token price of \$0.000595. The longer-term potential of this project becomes apparent when considering the implied 2024 market cap of at least **\$324MM**, representing significant upside. Of course, as is always the case with small cap coins, sensible position sizing and investment discipline must be exercised.

*“Verasity’s tech integration results after just 30 days on our eBonus.gg site went far beyond our expectations:*

*Total videos watched: 2.02M -> 2.39M (18% improvement)*

*Videos watched (unique user daily visualisations): 82.2K -> 102.4K (25% improvement)*

*Total watch time: 1289 days -> 1756 days (36% improvement)*

*And these % values have persisted! Really impressive gains in an industry where even a few % points makes all the difference in profitability. Thank you Verasity!”*

**– Pedro Pereira, CTO, eBonus.gg**

In conclusion, the confluence of the above near-term catalysts, the strong team, and a solid product, suggest Verasity could prove to be a high-performing investment. It also seems as though the timing culminates in a ‘perfect storm’ type situation with multiple seemingly disparate factors beginning to intertwine. Equally important as the high quality of projects one might invest in, is the timing. We believe now is an opportune time to gain exposure to the potential (considerable) upside of VRAB following a CEX listing. Failing a Binance.com listing, there exists an underlying safety net due to the fact that Verasity is an outstanding project, with solid token value capture mechanisms and a world class team ready to execute on a compelling vision.



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