

Tezos

The market is expecting this smart contract to be the next Ethereum

Overview

Tezos is a US based company which is releasing a new smart contract, aspiring to set the standard of future integrations of blockchain. It markets itself as a 'self-amending crypto ledger' with increased security.

Whilst Tezos is frequently compared to Ethereum, it claims to have a number of advantages:

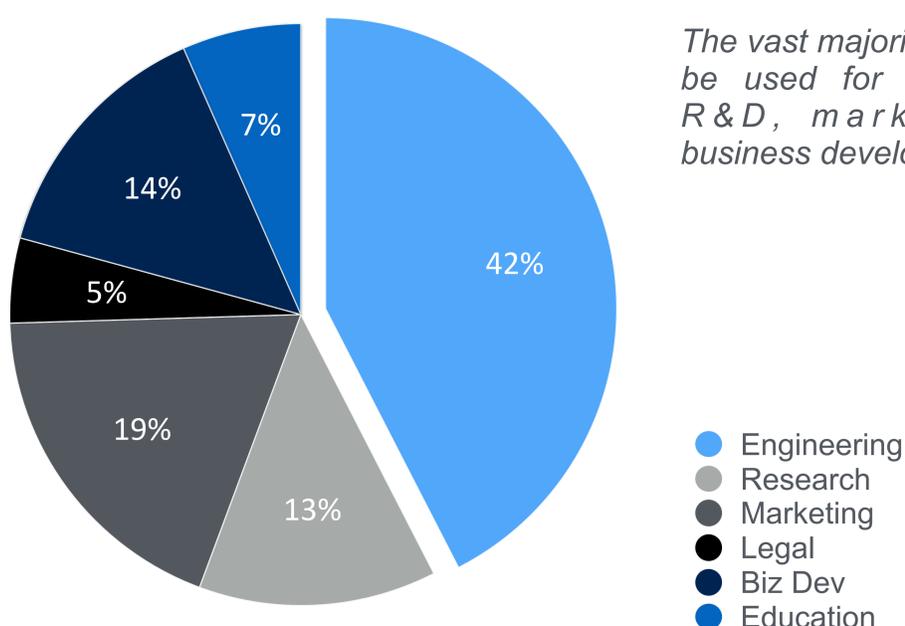
- 1) Tezos has combined different technologies from different cryptocurrencies to generate a more flexible process.
- 2) Tezos has built a self amending protocol based on thoughtfully set out voting rules. This means that changes to the protocol are addressed internally within the blockchain as opposed to externally (termed a 'hard fork').

Tokens

Under the token XTZ, Tezos is raising funding with no maximum cap over a period of less than two weeks. These tokens are used to power the smart contracts and participate in the voting for the purpose of governance. Up to 20% bonus applies for early backers.

The use of proceeds are heavily allocated towards operational purposes. Tezos has created a number of scenarios for possible expenditure depending on the amount raised which can be [viewed here](#).

Use of Proceeds



02 July 2017

SPEC BUY



General

Incorporation:	DLS & Tezos Foundation
Team:	Transparent
White Paper:	Available
Stage:	MVP Summer 2017
Sale Period:	01 Jul 17 - 13 Jul 17
Website:	Click here

Sale Info

Pricing:	1 XBT - 5,000 XTZ
Accepted:	ETH, XBT
Min Goal:	0
Cap:	Unlimited
Escrow:	ETH + BTC
Bonus:	Yes Tiered

Bonus structure

Block	Bonus
0-399	20%
400-799	15%
800-1199	10%
1200 - 1599	5%

Checklist

Management team:	⚠
Product definition:	✓
Commercial viability:	✓
Volume/interest:	✓
Fulfilment:	✓

Tokens for Investors

The tokens received by investors following the fundraising period (XTZ) are predominantly used for the operation of the smart contract eco-system. Investors who are seeking capital gain will be able to sell these tokens on the exchange when officially launched.

Commercial Strategy

Tezos plans to initiate a complete launch within four months of the closure of the Initial Coin Offering. During this time, investors and holders of the token will not be able to trade them on any active exchange.

The allocation of funding towards development resources, marketing and business development suggest that there is going to be a substantial push for the adoption of Tezos once available. Our expectation is that the team will expand significantly post ICO.

Other Market Factors

Billionaire venture capitalist Tim Draper is supposedly participating in the ICO, although it is unclear as to which terms of investment he has been offered. Tim Draper was involved with the recent success of Bancor, a company which raised \$144m to be the largest ICO in history.

Management

The current team consists of 11 people with the vast majority being developers. The founders background is heavily banking, financial markets and management consulting. To date, they have achieved a considerable amount of attention already prior to the launch of the ICO.



Arthur Breitman - Founder

Previously Morgan Stanley and Goldman Sachs within market making.



Kathleen Breitman - Founder

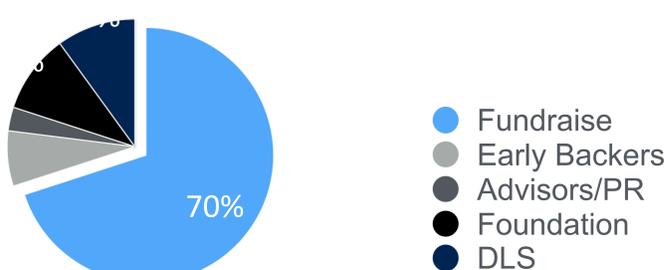
Previously strategy associate at R3 CEV, Accenture and Bridgewater Associates.

Strengths

- Tezos has been in development since 2014, suggesting a mature level of product definition and market fit.
- Management show a rich history of banking experience and understanding of complex financial systems. The broader team also have sufficient technical knowledge.
- The focus on security is a significant draw card for the initiative and will be attractive for institutions seeking participation and innovation in the future.
- The governance aspect is a dynamic and interesting way to get around some of the many hurdles that other cryptocurrencies have been facing.
- Participation by Tim Draper has proven to attract a large amount of attention and PR in the past, and is likely to do so again.
- With an imminent launch inside of the next six months, Tezos presents a high level of conviction for commercial adoption.

Weaknesses

- Whilst the management team have a rich history in financial services, it does lack some technical expertise. This does however appear to be balanced by the remainder of the staff listed in a development capacity.
- The notion of having an uncapped ICO may draw much criticism. Given there is no maximum raising amount, there is sometimes a lack of clarity as to how funds injected will be spent. Tezos has however listed a number of different scenarios for capital allocation depending on the end result.
- Operational spend for the project is quite high. Whilst engineering accounts for the vast majority, there is still ~35% which will be allocated between Business development and marketing. This appears to be very high, however successful market adoption of Tezos may require exactly that.
- The allocation of tokens has raised some questions regarding the 10% held by the 'Foundation' as well as 10% required to buy out DLS (the company in which the founders own). It would appear that while vesting will occur, the founders will be making a substantial amount of money from these allocations.



Conclusion

Tezos could potentially be one of the largest ICOs of 2017.

Frequent comparisons to the likes of Ethereum and Dash have already fuelled substantial demand for the token as many speculative investors are unwilling to miss out on what could be a very successful project by as early as December this year.

We are attracted to the following:

- The project dates back to 2014 (meaning this is not a concept cash grab)
- Management have a significant history in banking and financial markets
- The technology has a unique value proposition associated with governance and security
- It has outspoken and sizeable backing from real investors

Given management's history, their chance of commercializing Tezos to a point where it has market penetration appears to be sufficient.

We do draw some concern from the choice to uncap the raising amount as this can 'muddy the waters' when it comes to specific capital allocation post-ICO.

We also believe that the 20% allocation of tokens to the Foundation and DLS may possibly be a liquidity event for the founders, although a vesting period is specified (monthly over four years).

In conclusion, Tezos represents a **speculative buying opportunity** for investors seeking exposure to a new (yet to be released) venture that holds a sufficient level of intellectual property. We acknowledge that investors participating in the initial sale will not be able to close positions until launch, however we believe that Tezos will attract substantial speculative market liquidity in the market once listed.

Ratings Overview



Either at concept stage, lack of commercialization/conviction or bordering a Scam.



The company/tokens have merit, however there are questionable attributes and involves significant risk.



An investment worthy opportunity that should be considered and a healthy balance of risk vs return.



A good opportunity with no significant weaknesses and a clear path of commercialization.



A high conviction opportunity of investment with no visible weaknesses.

SCAM

A fraudulent initiative to be avoided at all costs.

RISKY

Due to a variety of factors, investment is associated with high risk of losing capital.

HOLD

Usually occurring in an updated release of coverage to advise maintaining current levels of position sizing.

SPEC BUY

A speculative opportunity for investors with a higher risk tolerance.

BUY

A high conviction buying opportunity.

Disclaimer

Piccolo Research is an independent provider of research on cryptocurrency ICO's. We have not been paid, nor mandated for this research report. The views expressed within this report are Picolos in its entirety.

The contents of this report and its attached documents have been prepared without taking account of your objectives, financial situation or needs. Because of that you should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in or downloaded from or through this website, consult your own investment advisor to consider whether it is appropriate having regard to your own objectives, financial situation and needs.

Whilst Picolo believes the information contained in this report is based on information which is considered to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by Picolo or by any officer, agent or employee of Picolo or its related entities. blockchaini.co at all times reserves the right to at any time vary, without notice, the range of services offered by Picolo and its subsidiaries, and the terms under which such services are offered.

Contact us

w: <http://www.picoloresearch.com>

e: admin@picoloresearch.com

a: #08-03 Claymore Hill, Singapore