

INS

Token Research

INS Valuation

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Name: INS Ecosystem

Symbol: INS

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Disrupting the status quo: Retail Grocery Stores soon to be a fading memory

- Blockchain, Grocery Retail, Supply Chain, and Loyalty Rewards – a recipe for disruption;** INS Ecosystem may have the goods to disrupt an \$11 trillion dollar industry; the grocery industry veterans of the INS founding team have a lot on their plate when it comes to overcoming operational risk and competition from market share hungry tech giants; however, successfully execution and fundamental user adoption could mean INS token holder have found a deal worth putting in their shopping cart
- Rising tide lifts all boats and the online grocery industry may be set to explode;** the global online grocery industry is showing more rapid growth potential than the legacy brick and mortar market and is forecasted to reach \$290 billion in revenue by 2020
- Competition is fierce but opportunity is abundant;** the competitive landscape is dominated by niche business models and industry titans have been unable to penetrate the market. Innovative business models enabled through blockchain technology will allow for efficiencies across the supply chain and cost savings for consumers; market share sure to follow. Relationships are everything – INS has them; with memoranda of understanding signed with global titans such as Unilever and prior industry experience having launched Instamart, the largest venture backed grocery delivery company in Russia – INS is positioned to deliver
- Cryptoeconomic value structure that ties clearly to platform utility;** value created by the INS platform accrues token holder through three distinct functions, 1) demand from manufacturer who require the token to access the platform, 2) manufacturer demand to pay network fees, and 3) demand from customers for grocery purchases; the scenarios in the sensitivity analysis below help us quantify the magnitude of our assumptions on token value accrual using our fundamental valuation framework; the full analysis and model are on page 8:

INS Token Data

ICO Data

Start Date	11:00 AM (GMT)	12/04/2017
Soft Cap	20,000 ETH	
Hard Cap	60,000 ETH	
Exchange Rate	1 ETH = 300 INS	
Max Token Supply	50,000,000	

Token Allocation

ICO participants	60%
Team	15%
Advisors, early supporters, bounty	5%
Reserve Fund	20%

Token Distribution / Vesting Schedule

	Amount	Lock up time
ICO participants (Bonus above 40%)	60%	None (1/3 Per Month)
Team	15%	2 years
Advisors, early supporters, bounty	5%	6 months
Reserve Fund	20%	Distributed: 2018 - 2020

Presale Terms

Contribution Tiers	Bonus Tokens	Implied Price
60% before November 27	60%	\$0.67
55% November 28 - December 4	55%	\$0.69

Public Raise Bonus Terms

	Above 100 ETH	10 - 100 ETH	Below 10 ETH
Day 1	25.0%	22.5%	20.0%
Days 2-7	20.0%	17.5%	15.0%
Week 2	10.0%	7.5%	5.0%
Weeks 3-4	0.0%	0.0%	0.0%

INS Ecosystem Description:

INS is a platform which disintermediates the retail grocery industry by connecting food manufacturers directly with consumers through a decentralized ecosystem. By utilizing blockchain technology and smart contracts to disrupt the current supply chain, INS aims to create a decentralized marketplace where customers can purchase groceries online directly from manufactures which are then processed at fulfillment centers around the world, and delivered.

Condensed Valuation Model: Forecasted Scenario Sensitivity Results

	Low Scenario	Mid Scenario	High Scenario
Key Model Assumptions			
		Demand Assumptions	
INS Platform Sales: FY 2019	\$80 MM	\$400 MM	\$800 MM
INS Platform Sales: FY 2020	\$400 MM	\$2,000 MM	\$4,000 MM
INS Platform Sales: FY 2021	\$1,400 MM	\$7,000 MM	\$14,000 MM
Manufacturer Fee's Paid in INS %	1%	1%	1%
Manufacturer Hold of Sales in INS %	10%	15%	20%
Customer Sales Paid in INS %	10%	15%	20%
		Velocity Assumptions	
Manufacturer Fundamental Velocity		6x	
Consumer Fundamental Velocity		365x	
		Implied Future Fundamental Network Value Assumptions	
Forecasted Utility Discount Rate %	40%	30%	20%
Resulting Network Value at ICO	\$7.7 MM	\$73.5 MM	\$257 MM
		Implied ICO Token Price Assumptions	
Token Free Float Issued in ICO	25 MM	15 MM	10 MM
Implied Token Float Price at ICO	\$0.30	\$4.9	\$25.7

Investment Highlights

The global grocery industry is ripe for disruption. As a busy world of consumers seek to cut costs and save time in every aspect of their lives – online grocery is not a question of “if,” but rather a question of “when” and “how.” To date, many have tried, but success has been mediocre at best. Real penetration of the global grocery industry requires an innovative business model that not only reinvents the supply chain, but also changes customer perception. Efficiencies and transparency enabled through blockchain technology presents a new frontier opportunity with clear application that could solve the problems that have prevented a global shift to the online grocery model. With the right technology, team, and relationships in place, INS is a serious contender that could take the grocery industry by storm. With a native token that clearly accrues value to the network through the functions it serves, token holders will directly benefit as the platform garners success.

A fresh look at the market environment:

The global online grocery industry is in a growth stage and is forecasted to reach \$290 billion in revenue by 2020. The U.S. in comparison saw only \$13.5 billion in revenue for 2017 and is projected to reach \$16.5 billion by 2020. These statistics are interesting because while growing, the revenue projections pale in comparison to the global grocery industry which is forecasted to reach \$8.5 trillion in 2020.

Why has e-commerce exploded over the past 20 years, but online grocery sales have not?

At first glance, one would expect tech giants like Amazon would dominate the online grocery industry, however a closer look at “PeaPod,” the U.S.’ largest online grocer yields interesting observations about this fertile market:

¹ <http://www.essentialretail.com/ecommerce/article/55950eab926ba-comment-china-dominates-global-online-grocery-markets>

² <https://www.ibisworld.com/industry-trends/specialized-market-research-reports/online-retail/food-beverage-sales/online-grocery-sales.html>

PeaPod is a company that displays billboards in public places such as subways, that have popular items displayed as pictures with QR codes that can be scanned from your phone. Once a user is done scanning their items, the products are ordered and subsequently delivered to the customer's home. While this business model is extremely niche, PeaPod has the largest market share of any online grocer in the U.S. yet still only represents 6.8% of the total market. This observation is interesting, because it tells us that the market has a low level of concentration and hints that a widely accepted business model has not yet been established that would result in greater penetration of the retail grocery industry.

Top Competitors in the U.S. by Market Share

Company

PeaPod
 Fresh Direct
 AmazonFresh
 Safeway Inc.
 Walmart Stores Inc.



Estimated Market Share

6.8%
 4.9%
 2.2%
 1.9%
 1.1%

What are the challenges that have resulted in such low penetration?

The two biggest challenges are:

- 1) Customers still prefer to inspect perishables in store prior to purchase (produce, poultry, etc.)
- 2) Distribution costs are estimated to be twice as high as the cost of traditional food retailing

These challenges have caused a proliferation of small niche markets to thrive to an extent, while broader business models have struggled.

How can these challenges be overcome?

We can boil these two challenges down into two key elements of reputation/trust and price. Reputation/trust in that the customers trust that the grocer will pick perishables that are of the quality that the customer expects. Price in that the business model has an efficient cost structure to offset the incremental distribution costs and customers can benefit from cost savings, while the company maintains sufficient profit margins.

Is blockchain technology the solution?

- **Blockchain and Reputation:** With the use of blockchain technology, all records are stored on a global decentralized ledger. This allows for many efficient and cost effective means of analysis behind each step of the supply chain from raw material origin, all the way through to delivery and customer feedback. With transparent information about product origins, delivery times, and immutable feedback systems, the opportunity to solve the issue of reputation and trust is not only ripe with blockchain technology, but can even provide customers with more information than they currently have when making purchases at brick and mortar locations.
- **Blockchain and Price:** Blockchain technology allows the creation of trusted program logic, from which participants in any ecosystem can build terms, conditions and other business logic into smart contracts and transactions. The technology allows business partners to automatically monitor prices, delivery times and other conditions, and automatically negotiate and complete transactions in real time.

This reduces transaction costs, maximizes efficiency and allows manufacturers to use data in different ways. It also opens the door for machine-to-machine transactions across the IoT. These capabilities enable the transformation of a traditional supply chain, where transaction documents and contracts must be maintained by each partner's purchasing, accounting or legal department. With blockchain technology, all transactional elements are stored on decentralized computing nodes by various partners across the network.⁴ Further, the use of cryptocurrencies for payments across B2B business partners and B2C transactions enable cost savings by removing the need for trusted intermediaries, chargebacks and fraud. Perhaps most exciting, is these innovations allow the proliferation of a whole new class of industry participants who were previously priced out, or otherwise lacked the infrastructure to achieve viability.

The efficiencies to be gained by utilizing blockchain technology to reinvent traditional business process, improve customer experience and enable new entrants creates unprecedented efficiencies across all aspects of the supply chain, and value delivery to consumers.

Is INS positioned to seize the opportunity?

The INS Ecosystem utilizes novel concepts of smart contracts and cryptocurrency to implement a new online grocery platform by which manufactures sell products directly to consumers. The model enables not only cost savings to consumers through use of cryptocurrencies for payments and reduced cost of back-office operations and supply chain management through smart contracts, but also introduces a reputation and reward feedback system that offers a better customer experience than current alternatives. Additionally, the system will also be open source and deploys SDKs (software development kits) that allow any third party to plug into the INS Ecosystem. This system allows for local and, smaller, specialized operations to reap the benefits of the cost savings implied by the INS Ecosystem, while connecting directly with customers in their areas.

The system leverages the blockchain to connect all parties in the supply chain via a global distributed ledger whereby information is transparent between network participants and always accessible. Further, INS proposes a new way of connecting manufacturers with consumers through a novel loyalty rewards program accessible through the platform. Unlike existing loyalty programs which are marketed by the manufacturers indirectly through promotions at retail locations, and advertising, loyalty rewards can be offered directly from manufactures to the consumers who purchase their goods on the INS platform. This results in the opportunity for much greater loyalty margins and less erosion across the value chain.

To facilitate the interaction between parties on the platform, INS has created an ERC-20 compliant utility token which both acts as a means of payment, and as a mechanism for distribution and redemption of loyalty rewards. There are also unique holding requirements mandated by the platform to ensure that manufactures maintain sufficient balances to cover loyalty rewards redeemed by customers. Last, to cover operational costs, manufacturers must pay a 1% fee on all transactions executed on the platform in INS tokens.

Further, the team behind INS is not new to the online grocery industry. The founders own and operate Instamart, the largest venture-backed grocery delivery operation in Russia. Instamart employs over 200 people, has processed over 100,000 orders and has forecasted revenue of \$25 million for 2018.⁵ Most importantly, Instamart has an impressive corporate customer list, including McDonalds, Intel, ICBC, Allianz, Rostec Global Resources, Dior and more. Perhaps even more impressive is their list of manufacturers for which the company has direct relations. This list includes household names such as Proctor & Gamble, Valio, Coca-Cola, MARS, Pepsico, and Unilever.

INS has signed memoranda of understanding with, FrieslandCampina, Valio, Reckitt Benckiser, Unilever Food Solutions, and Borjomi. While these memoranda have not publically disclosed any agreements for token purchases or other platform utilization, they do provide qualitative assurance that the right players are interested.

If INS is a success, how does that value accrue to the INS token?

Tokens have value and are demanded for the same reason as any product or service. They provide real world utility to their users through the digital good offered by the token. The demand for this utility creates demand for the intermediary token. The initial step in assessing any crypto asset is understanding its primary utility use case. When designed

⁴ <https://www.cognizant.com/whitepapers/blockchains-smart-contracts-driving-the-next-wave-of-innovation-across-manufacturing-value-chains-codex2113.pdf>

⁵ <https://ins.world/>

effectively, each token performs at least one job which benefits its users. These jobs constitute the fundamental utility of the token. In the case of INS, the token performs the following jobs or utility functions within the ecosystem and each with a separately identifiable effect on token value, velocity and ultimate network value:

INS Utility Functions

Utility Function

Effect on Network

Payments for groceries by customers in INS tokens

- Network value is increased as a function of demand for the intermediary token to make purchases.
- High fundamental velocity as price sensitive consumers only purchase the intermediary token for incremental cost savings and token is held only long enough to make a purchase
- Due to high velocity, there is little network value creation from grocery payments

Ecosystem transaction fee (1%) paid by manufacturers in INS tokens

- Network value is increased as a function of demand for the intermediary token to pay for platform use
- Low fundamental velocity as the fees are assumed to be paid once per month
- Due to lower velocity, and moderate fundamental demand to pay for transaction fees, this process yields a moderate network value creation

Manufacturer maintenance reserve (10-20%) of prior month's sales in INS tokens

- Network value is increased as a function of demand for the intermediary token to maintain reserves as a percentage of prior month's revenue
- Low fundamental velocity as the reserve is depleted and replenished once per month
- Due to lower velocity, and high fundamental demand to replenish reserves, this process yields the greatest network value creation

Manufacturer reward programs including customer loyalty, promotion, cross-marketing, and feedback which are made exclusively in INS tokens

- Network value increased as a function of demand for the intermediary token to facilitate reward programs, however the impact to network value and velocity is already accounted for by the replenishment of the reserves

Are INS tokens offered at a fair price?

That depends on your assumptions; however given a set of assumptions coupled with leveraging our fundamental valuation framework⁶, we can model out how value will accrue to the network and ultimately translate to token price - now and in the future. The following models take into account the facts and circumstances of the INS token sale, and forecast assumed demand drivers to assess the price at which the investment would be attractive.

For a requisite understanding of the methodology applied, refer to our whitepaper: <https://aenigma.capital/>
To request a full copy of the valuation model, please send inquiries to: contact@aenigma.capital

⁶ <http://aenigma.capital/Leveraging-the-Cryptoeconomic-Machine.pdf>

INS Ecosystem Platform Usage Schedule

	ICO Close 12/31/2017	1 Month 1/31/2018	2 Months 2/28/2018	3 Months 3/31/2018	6 Months 6/30/2018	1 Year 12/31/2018	2 Years 12/31/2019	3 Years 12/31/2020	4 Years 12/31/2021
INS Ecosystem Platform Usage Schedule									
INS Platform Gross Market Value of Sales (USD)	-	-	-	-	-	-	\$800,000,000	\$4,000,000,000	\$14,000,000,000
Growth %	n/a	n/a	n/a	n/a	n/a	n/a	n/a	400%	250%
Token Utility Demand Schedule									
Manufacturers Fees Paid in INS	-	-	-	-	-	-	\$8,000,000	\$40,000,000	\$140,000,000
Fee Rate %	n/a	n/a	n/a	n/a	n/a	n/a	1%	1%	1%
Manufacturer Reward Demand	-	-	-	-	-	-	\$160,000,000	\$800,000,000	\$2,800,000,000
Manufacturer Required Reserve %	n/a	n/a	n/a	n/a	n/a	n/a	20%	20%	20%
Total Manufacturer Demand	-	-	-	-	-	-	\$168,000,000	\$840,000,000	\$2,940,000,000
Consumer Purchases Paid in INS	-	-	-	-	-	-	\$160,000,000	\$800,000,000	\$2,800,000,000
Total Token Utility Demand	n/a	n/a	n/a	n/a	n/a	n/a	\$328,000,000	\$1,640,000,000	\$5,740,000,000
	n/a	n/a	n/a	n/a	n/a	n/a	n/a	400%	250%
Fundamental Velocity Schedule									
Annual Velocity of Manufacturer Demand	6x	6x	6x	6x	6x	6x	6x	6x	6x
Annual Velocity of Consumer Demand	365x	365x	365x	365x	365x	365x	365x	365x	365x
Manufacturer Demand Weighting	n/a	n/a	n/a	n/a	n/a	n/a	51%	51%	51%
Consumer Demand Weighting	n/a	n/a	n/a	n/a	n/a	n/a	49%	49%	49%
Weighted Average Fundamental Velocity	-	-	-	-	-	-	181x	181x	181x
Fundamental Network Value Schedule									
Network Value of Manufacturer Demand	-	-	-	-	-	-	\$28,000,000	\$140,000,000	\$490,000,000
Manufacturer Network Margin %	n/a	n/a	n/a	n/a	n/a	n/a	16.7%	16.7%	16.7%
Network Value of Consumer Demand	-	-	-	-	-	-	\$438,356	\$2,191,781	\$7,671,233
Consumer Network Margin %	n/a	n/a	n/a	n/a	n/a	n/a	0.3%	0.3%	0.3%
Current Utility Network Value	-	-	-	-	-	-	\$28,438,356	\$142,191,781	\$497,671,233
Network Margin %	n/a	n/a	n/a	n/a	n/a	n/a	8.7%	8.7%	8.7%
Value Appreciation	-	-	-	-	-	-	\$28,438,356	\$113,753,425	\$355,479,452
Forecasted Utility Network Value	\$257,009,450	\$261,017,384	\$264,691,148	\$268,818,874	\$281,311,320	\$308,411,339	\$341,655,251	\$296,232,877	-
Total Network Value	\$257,009,450	\$261,017,384	\$264,691,148	\$268,818,874	\$281,311,320	\$308,411,339	\$370,093,607	\$438,424,658	\$497,671,233
Current Utility Network Value %	0%	0%	0%	0%	0%	0%	8%	32%	100%
Forecasted Utility Network Value %	100%	100%	100%	100%	100%	100%	92%	68%	0%

INS Token Supply Schedule

	ICO Close 12/31/2017	1 Month 1/31/2018	2 Months 2/28/2018	3 Months 3/31/2018	6 Months 6/30/2018	1 Year 12/31/2018	2 Years 12/31/2019	3 Years 12/31/2020	4 Years 12/31/2021
INS Token Supply Schedule									
Maximum Possible INS Tokens Supply	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Less: Tokens Unissued During ICO	-	-	-	-	-	-	-	-	-
Total INS Token Supply Created at ICO	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Locked Token Schedule:									
Reserve Fund (20%)	10,000,000	10,000,000	9,717,153	9,461,679	9,178,832	8,348,540	6,669,708	3,339,416	-
Founding Team (15%)	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	-
Advisors, early supporters, bounty (5%)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	-	-	-	-
ICO Tokens (Bonus Above 40%)	4,800,000	4,800,000	3,200,000	1,600,000	-	-	-	-	-
Total Tokens Removed From Float	24,800,000	24,800,000	22,917,153	21,061,679	19,178,832	15,848,540	14,169,708	10,839,416	-
Vested Token Schedule:									
Reserve Fund (20%)	-	282,847	255,474	282,847	830,292	1,678,832	3,330,292	3,339,416	-
Founding Team (15%)	-	-	-	-	-	-	-	7,500,000	-
Advisors, early supporters, bounty (5%)	-	-	-	-	2,500,000	-	-	-	-
ICO Tokens (Bonus Above 40%)	-	1,600,000	1,600,000	1,600,000	-	-	-	-	-
Tokens Issued During ICO	25,200,000	-	-	-	-	-	-	-	-
Total Tokens Added to Free Float	25,200,000	1,882,847	1,855,474	1,882,847	3,330,292	1,678,832	3,330,292	10,839,416	-
Total Token Free Float	25,200,000	27,082,847	28,938,321	30,821,168	34,151,460	35,830,292	39,160,584	50,000,000	50,000,000
Token Float Inflation	-	-	-	-	-	42%	9%	28%	0%
INS Token Price Schedule									
Free Float Token Price	\$10.20	\$9.64	\$9.15	\$8.72	\$8.24	\$8.61	\$9.45	\$8.77	\$9.95
Fully Diluted Token Price	\$5.14	\$5.22	\$5.29	\$5.38	\$5.63	\$6.17	\$7.40	\$8.77	\$9.95

Principal Investment Risks

Blockchain technology poses a technological advantage: that may not be enough to overcome pricing pressures from Amazon and other tech giants to follow.

Customer preferences may take longer to switch than anticipated despite improved technology: there is no guarantee that customers will switch to the online model, despite better reputation systems and cost savings enabled by innovative technology.

Manufacturers may not be willing to hold token reserves: value that accrues to the token is heavily dependent upon the notion that manufacturers will hold a fixed percentage of prior months' sales in INS tokens. If manufacturers are unable or unwilling to adopt this business model, INS may have to restructure their business model to accommodate the market, and may result in less value accruing to the token.

Platform accessibility transaction fees may not cover expenses: INS may have to increase the transaction fee imposed on manufactures for accessing the platform to cover operational expenses, however the fee increase will be restricted by market forces and limited to the incremental marginal gain by using the platform over alternatives.

Token holders have no recourse: In the event management does not in good faith execute on their business strategy, INS token holders may have no real world recourse to recover economic losses.

Memoranda of understanding with manufacturers may not materialize into significant revenue generating activities to the network: While these relationships may prove invaluable, actual economic benefit may not materialize.

The estimates in our analysis are subjective and may not be reflective of historical or future outcomes: We have developed our forecasts based on our best knowledge at the time of this report written, however, subsequent events may occur that render these forecasts and assumptions inaccurate or irrelevant entirely and we take no responsibility to update this report to correct any new information that may come to our attention. Investors are encouraged make their own assumptions prior to considering an investment.

Legal Political Risks: The SEC could rule tokens like INS as unregistered securities. While we do not believe INS to be a security in current form, legal and political risks remain uncertain and could pose a threat to the liquidity and legality of holding INS tokens.

Possible Bugs in the Technology or Hard Fork: Blockchain technology and smart contracts are a new, innovative technology, that pose their own unique risks and economic loss due to hacks and bugs in contract code could pose a risk to the INS team, and INS token holders.

Disclosures

ANALYST CERTIFICATION

I, Wesley Pryor (the "Analyst") hereby certify that the views and methodologies expressed in this research report accurately reflect the facts and circumstances of the token sale to the best of our knowledge as of the date of this report. The analyst takes no ownership over the assumptions utilized in the report. Opinions and valuation scenarios presented therein are for informational purposes only and do not reflect a recommendation to purchase or sell cryptocurrency (ies), (security (ies), or otherwise.

The analysts discloses an intent to purchase INS tokens as of the date of this report and reserves the right to take future positions in any of the tokens discussed herein this report or otherwise at any time.

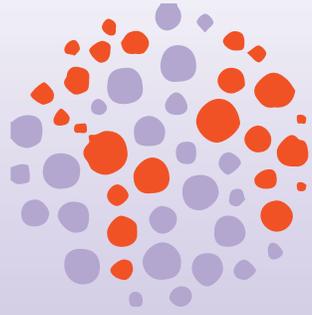
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