

SYBAL

Coin economy summary¹

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Economy assumptions

Coin function. The Sybal coin (SYB) is a fee settlement / payment native cryptocurrency on Sybal's AI-powered blockchain. The coin facilitates the value transfer on the network in a sustainable way, since the blockchain infrastructure is supported by renewable energy . List of coin functions:

- Fee settlement
- Payment settlement
- Enabling of social responsibility credits via the SSRC Token

Similarities and benchmarks. Conceptually the SYB coin is remarkably similar to the Bitcoin (BTC), in the sense that it is used for value transfer and has a limited supply.

Payment/Fee settlement. The SYB coin is used as a pure medium of exchange / payment coin for transactions on the Sybal platform. Each transaction will be charged a variable % fee from the transaction.

Social responsibility credits. SSRC token will be built on top of the Sybal protocol. On one side there will be beneficiaries who define the projects and services (causes) that

are candidates for investment. On the other there are organizations (companies, foundations) and individuals who want to make Social improvements. SSRC will be a way of incentivizing both parties to contribute to just causes for the greater good.

Lost coins. Inevitably some small % of coins are going to be lost each year (lost private keys). We have done a conservative estimation of 0.5% of all coins being lost per year. This is a conservative estimate, as studies have found that approximately 4 MM Bitcoins have been lost (approximately 25% of the available bitcoin supply as of 2017), over the course of 10 years². Other estimates show this to be closer to 11% for provably lost coins³.

Free float supply. Each cryptocurrency has a certain percentage of the supply which is held by long term holders and thus not released into circulation. According to CoinMetrics for most of the coins, this percentage is between 20% and 40%⁴. In our estimates, we have included a midpoint of 30% for this number.

² JEFF JOHN ROBERTS and NICOLAS RAPP (2017) Exclusive: Nearly 4 Million Bitcoins Lost Forever, New Study Says <http://fortune.com/2017/11/25/lost-bitcoins/>

³ Coinmetrics: <https://coinmetrics.substack.com/p/coin-metrics-state-of-the-network-d2e>

⁴ <https://medium.com/@coinmetrics/cryptoasset-free-float-an-exploration-of-supply-dynamics-67382f01f91d>

Seed financials & coin generation event

Basics

↳ Ticker:	SYB
↳ Seed round start date:	TBD
↳ Seed round end date:	TBD
↳ Seed round Denomination currency:	USD
↳ Accepted currencies:	USD, BTC, ETH
↳ Jurisdiction:	United States
↳ Eligibility:	Subject to KYC and AML
↳ Compliance:	506c Reg D (US Accredited Investors Only) and Reg S
↳ Coin purchase contract:	SAFT
↳ Seed round stages:	2

Coin Generation Event Summary

↳ Sale type:	Seed round
↳ Softcap:	10 MM USD
↳ Hardcap:	40 MM USD
↳ Seed round Coins:	20 MM SYB*
↳ Remaining coins post Seed round:	Reserved for future ICO
↳ Seed round allocation:	17%
↳ Initial Total coins:	120 MM SYB
↳ coin type:	Fixed supply
↳ Important notice:	This offering is for accredited investors only as defined by the Securities Act of 1933. All Accredited Investors are required to provide documents supporting their representations & warranties.

*Seed round coins calculated under the assumptions of

↳ : 6.3 MM SYB sold @3.00 USD, with bonuses: 50.0% for all investors and 25.0% for large investors = 10 MM USD raised

↳ : 13.8 MM SYB sold @3.00 USD, with bonuses: 25.0% for all investors and 10.0% for large investors = 30 MM USD raised

Large investors are defined as individuals/companies who invest in excess of 120 000 USD

Stage 1

↳ coin price:	3.00 USD
↳ Bonuses:	50.0% for all investors
↳ Bonuses for large investors:	25.0%
↳ Stage number of coins available:	6.3 MM SYB
↳ Stage cap:	10 MM USD
↳ Cumulative number of coins available:	6.3 MM SYB
↳ Cumulative cap:	10 MM USD
↳ Minimum investment:	12 000 USD
↳ Maximum investment:	NA
↳ Stage start:	TBD
↳ Stage end:	TBD

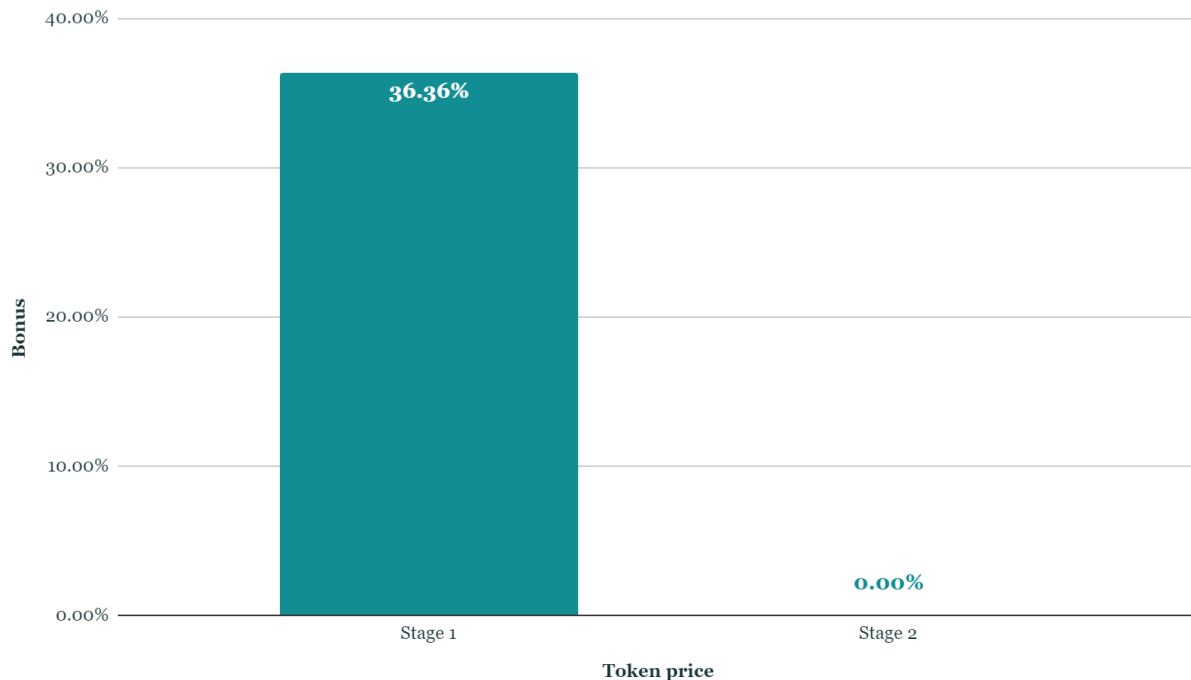
Stage 2

↳ coin price:	3.00 USD
↳ Bonuses:	25.0% for all investors
↳ Bonuses for large investors:	10.0%
↳ Stage number of coins available:	13.8 MM SYB

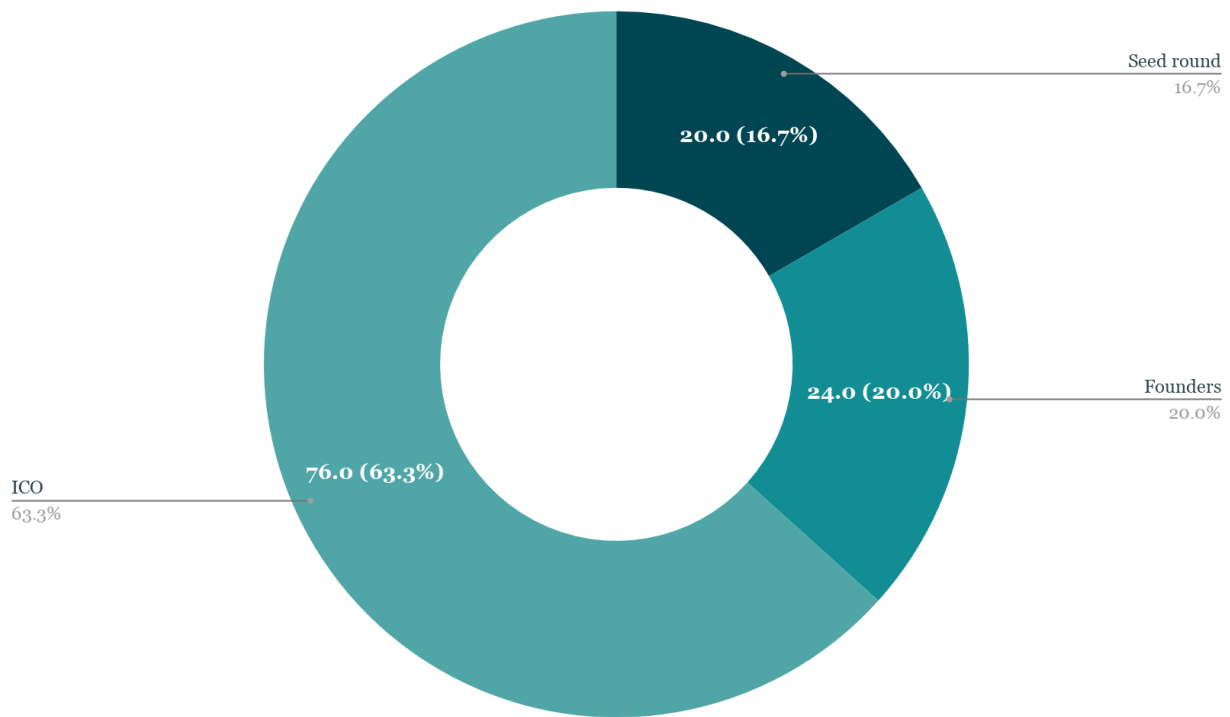
↳ Stage cap:	30 MM USD
↳ Cumulative number of coins available:	20 MM SYB
↳ Cumulative cap:	40 MM USD
↳ Minimum investment:	12 000 USD
↳ Maximum investment:	NA
↳ Stage start:	TBD
↳ Stage end:	TBD

Important: Under SEC rules, this coin constitutes as a security contract and as such will not be offered to US unaccredited investors.

That the remaining 76,000,000 coins (post seed round) will be offered via an ICO after the protocol is live. Current estimates are that the MVP will be ready up to 15 months after we raise seed funding.

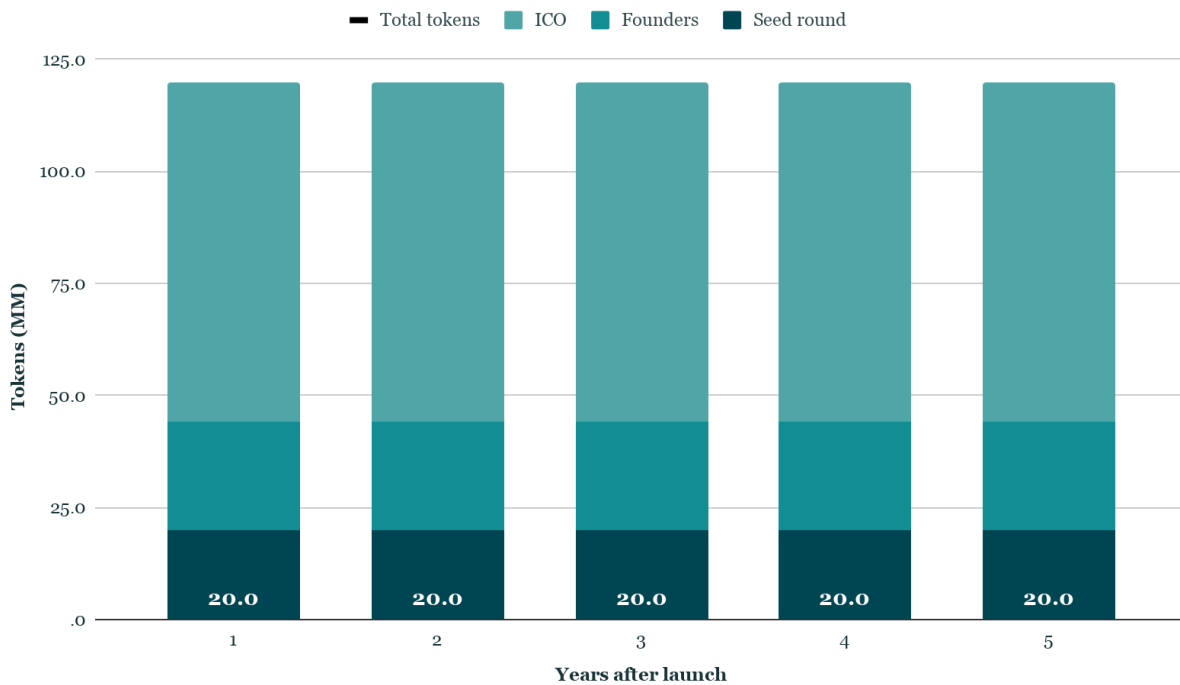


Bonus coins for each stage. Figures are shown as % bonus versus the minimum bonus.



Total coins allocation. Assumes reached Hard cap.

Allocation of funds raised during the sale is outlined in the company's business plan.



Expected actual coins circulation (numbers at the bottom) compared to the total released coins to date (numbers at the top)

Coin valuation

In this section, we will attempt to present a fair price estimate for the SYB coin, under the assumption of reaching hard cap and company revenue projections provided as-is.

Methodology. Probably the most widely used valuation methodology for utility coins is the quantity theory of money⁵ and more precisely the equation of exchange⁶. Several models⁷ ⁸ based on those principles have been developed and widely accepted by the cryptocurrency community. In a nutshell, the equation of exchange is:

$$M \times V = P \times T \quad (1)$$

Where:

- I. M is the amount of money in circulation, within a specific system
- II. V is the velocity of money, or in other words: how often does money change hands within a predefined period (most commonly - annually)
- III. P is the price at which transactions are happening within the system
- IV. T is the number of transactions for a predefined period (same period, as the velocity)
- V. $P \times T$ in this regard is essentially the total economic output of the system for the selected period, sometimes referred to as GDP of the system.

The above formula (1) is not directly applicable to cryptocurrencies (and a commonly encountered error), due to the fact that in a coin/cryptocurrency economy, the two sides of the above equation are denominated in different units. When talking about the system's GDP, the expected Revenue in USD is generally used, on the other hand, the left-hand side of the equation is still denominated in the native coin. We can solve this by introducing an additional parameter $E_{T/USD}$ which represents the exchange rate between the coin and USD (or any other FIAT currency based on the denomination of the system's GDP). The equation then becomes:

$$M_T \times E_{T/USD} \times V = P_{USD} \times T \quad (2)$$

⁵ Friedman M. (2008) Quantity Theory of Money. In: Palgrave Macmillan (eds) The New Palgrave Dictionary of Economics. Palgrave Macmillan, London
https://link.springer.com/referenceworkentry/10.1057%2F978-1-349-95121-5_1640-2

⁶ Bordo M.D. (1989) Equation of Exchange. In: Eatwell J., Milgate M., Newman P. (eds) Money. The New Palgrave. Palgrave Macmillan, London
https://link.springer.com/chapter/10.1007/978-1-349-19804-7_17

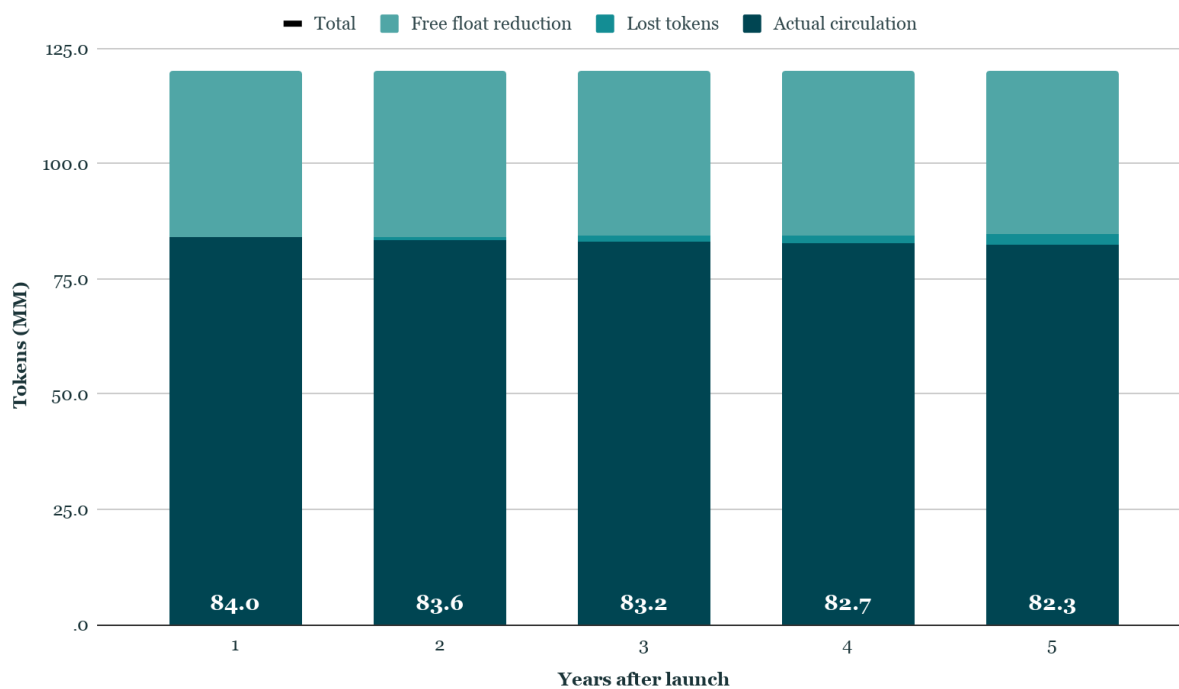
⁷ Chris Burniske (2017) Cryptoasset Valuations <https://medium.com/@cburniske/cryptoasset-valuations-ac83479ffca7>

⁸ Brett Winton (2017) How to Value a Crypto-Asset — A Model
<https://medium.com/@wintonARK/how-to-value-a-crypto-asset-a-model-e0548e9b6e4e>

This enables us to solve for $E_{T/USD}$ (3) and get the expected coin exchange rate (or coin value), provided we can come up with adequate estimations for the other variables. From (2), we can solve for the coin value as:

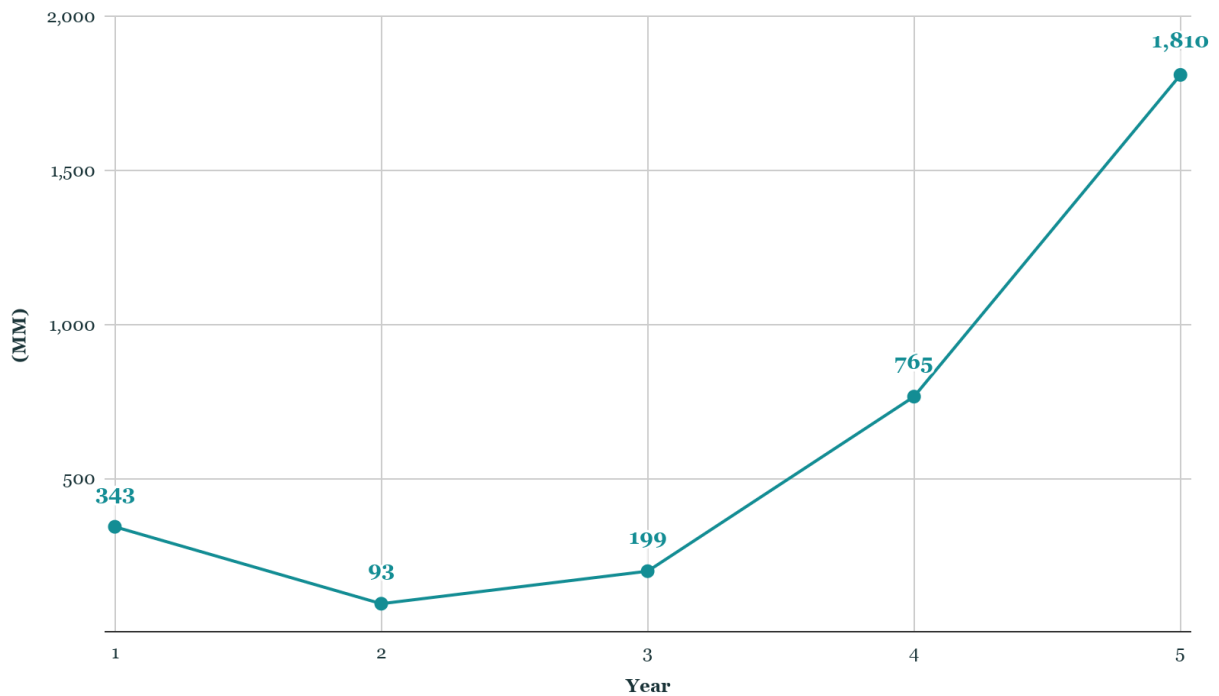
$$E_{T/USD} = \frac{P_{USD} \times T}{M_T \times V} \quad (3)$$

Having this in place, we can now estimate the actual circulation of coins:



Expected actual coin circulation (numbers at the bottom) compared to the total released coins to date (numbers at the top)

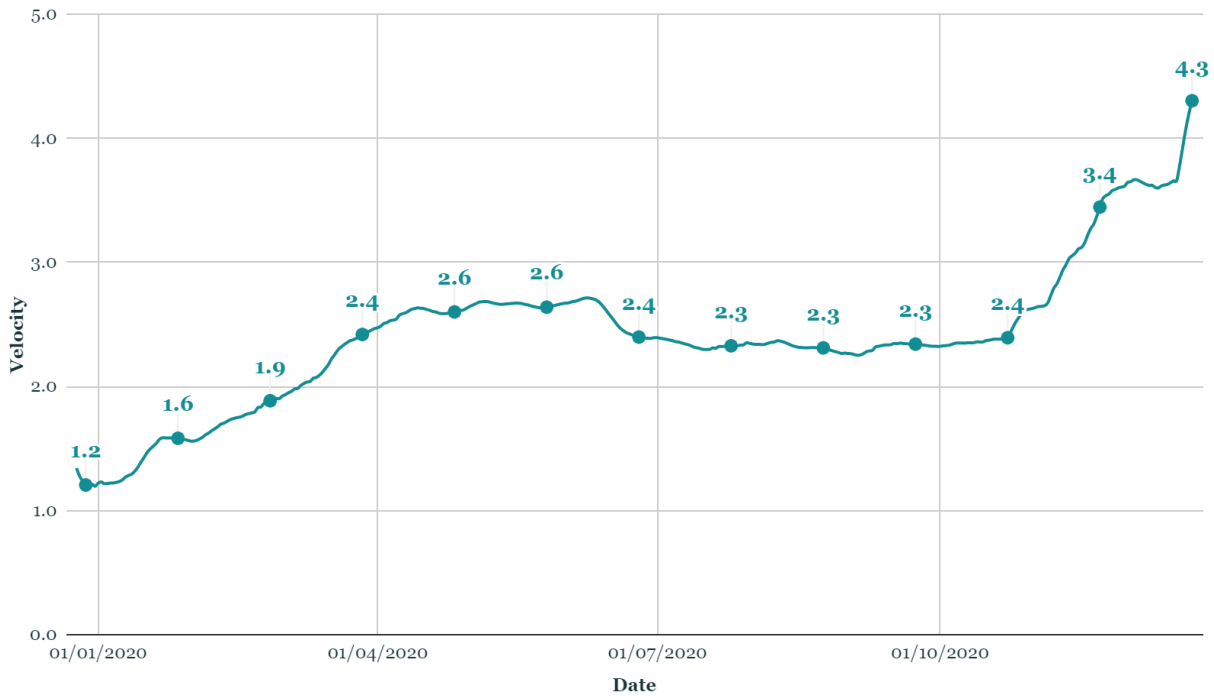
The GDP or Revenue of the system. This is based on the company's 5-year plan (upon successful coin sale).



Projected company performance & growth, based on financial assumptions provided as-is by the company. The chart shows the company turnover/revenue and the part of them which is facilitated through the coin (cash flow through the coin).

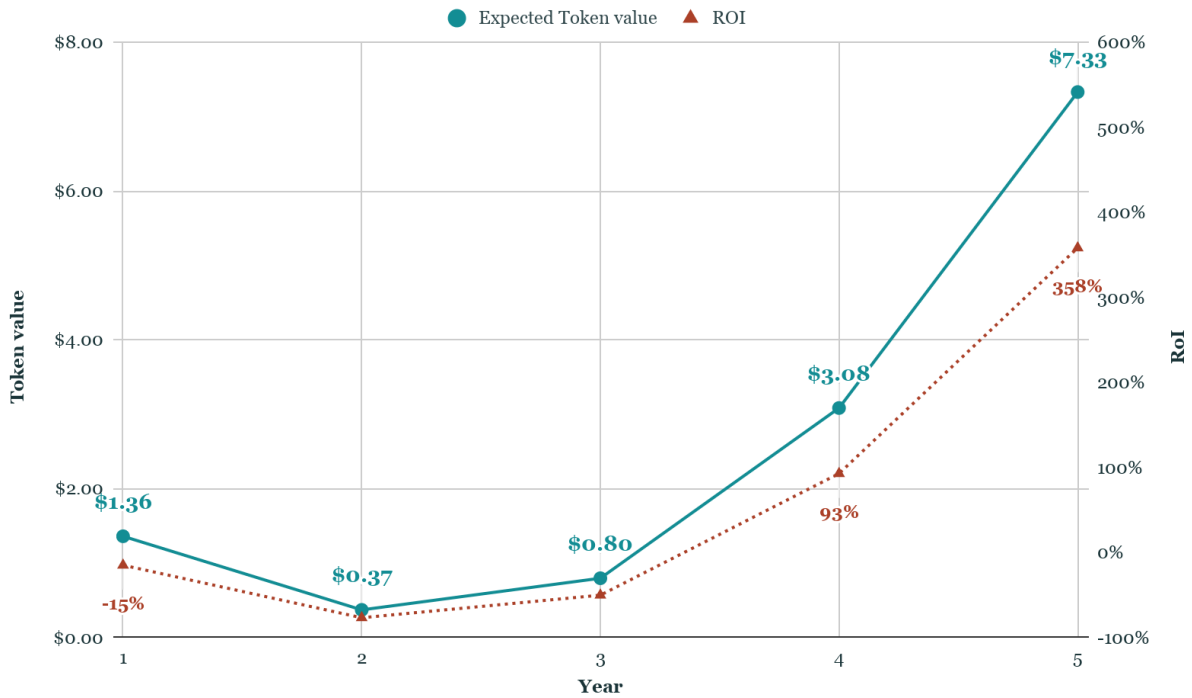
coin velocity. The coin velocity is possibly the hardest and most sensitive assumption to make out of all. In order to get an adequate estimate of the expected velocity, we have used Bitcoin as a benchmark . We took a look at Bitcoin’s on-chain velocity (shown below). The reason to not include the off-chain velocity is that there has been multiple reports for exchanges reporting fake trade volumes⁹, and as such, we do not think we can trust any exchange data at 100%.

⁹ <https://dashnews.org/report-majority-of-exchange-volume-is-fake-highlights-need-for-real-adoption/>



BTC velocity of on-chain transactions. Calculation is based on an annualized 90 average transaction volume.

coin valuation. Based on the above assumptions, and the outlined methodology, we can estimate the following figures:



Projected fair coin price and estimated return on investment, based on company revenue assumptions and exogenous velocity

It is important to point out that the fair price (scope of this document) aims to estimate the price of the SYB coin solely based on its utility value. The actual price of the SYB coin is likely to include a lot more speculative action (as with most financial assets) and will factor in, the expectation form investors for price appreciation as well as other uses of the SYB coin which are not part of the original coin design.

As Ray Dalio (American billionaire investor, founder of investment firm Bridgewater Associates, one of the world's largest hedge funds) recently said¹⁰:

“As you know, market pricing reflects expectations of the future; as such, it paints quite detailed pictures of what the consensus expectation of the future is. Then, the markets move as a function of how events transpire relative to those expectations. As a result, navigating markets well requires one to be more accurate about what is going to happen than the consensus view that is built into the price. That’s the game.”

In other words, given that SYB coin’s fundamental utility value is expected to appreciate above the sale price, we do not expect that at any given point in time, the coin will be traded below this price, unless the financial projections change.

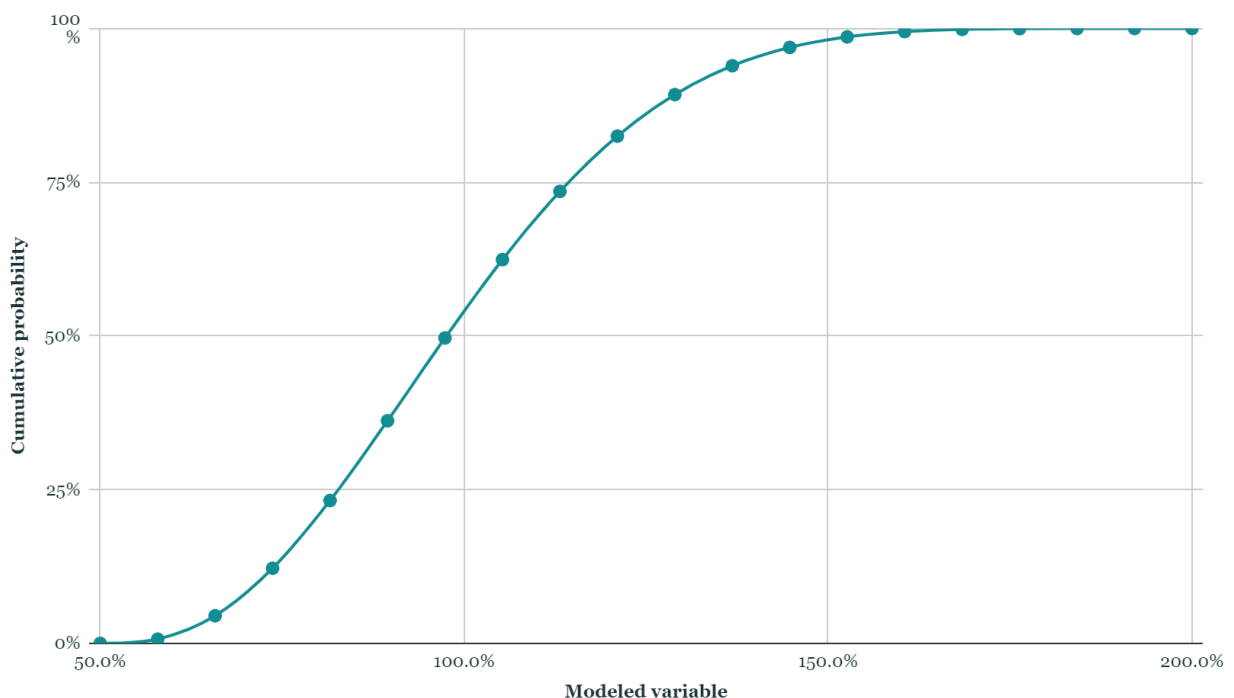
¹⁰ Ray Dalio (2019) Paradigm Shifts - <https://economicprinciples.org/downloads/Paradigm-Shifts.pdf>

Sensitivity analysis

The price estimations detailed above are a function of many assumptions. The most major of them are the assumptions for achieved revenue and the assumption that the hard cap of the project will be reached. In this section we will try and provide sensitivity estimates on how not achieving those numbers might affect the end price of the SYB coin.

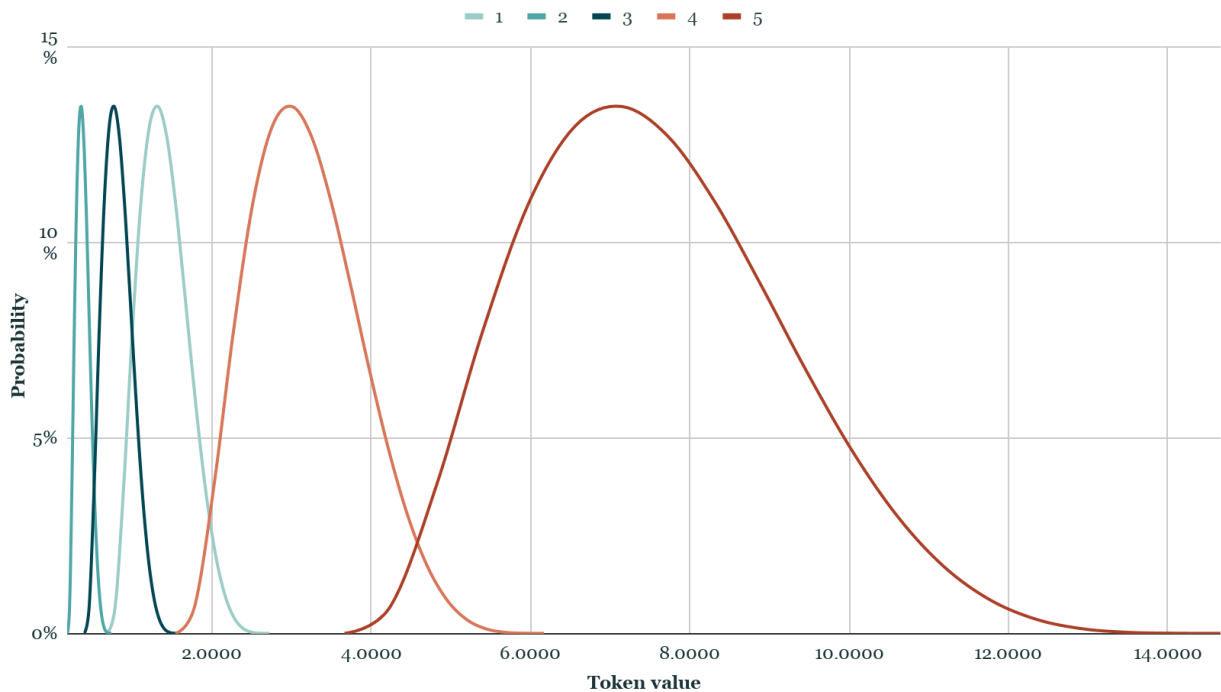
Revenue estimations are just that - estimations. We need to account for the fact that those numbers are likely to vary a lot when the real business commences. Using a beta distribution (a fairly standard approach for modelling of uncertainty)¹¹ we will model the expected range of achieved revenue and by extension the expected range for the coin price.

We will operate under the assumption that in a best-case scenario, the company will achieve 200% of its projected revenue, while in a worst-case scenario, it will achieve only 50%, while still keeping the most likely scenario at 100% revenue target achieved.



Cumulative probability function, modelling the expected range of variation for the company's revenue.

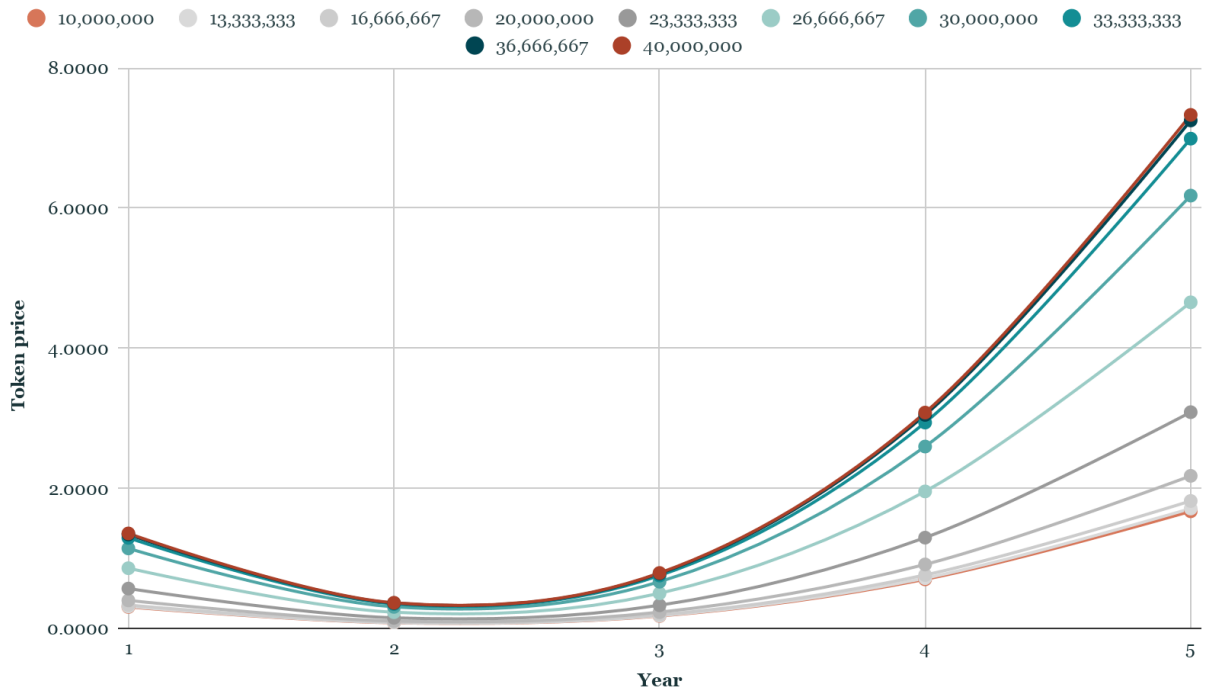
¹¹ JB McDonald, YJ Xu (1995) A generalization of the beta distribution with applications
<http://www.vcharite.univ-mrs.fr/pp/lubrano/atelier/McDonald1995.pdf>



coin price range by year, based on the projected coin price and the revenue sensitivity estimations

Another critical component to the success of the project is funds raised during the coin sale. It is only logical that if less than the money specified in the hardcap are raised, then this will also have an impact on the company revenue and the coin valuation in the long term.

We have prepared the best guess estimate on the impact that reaching different thresholds during the coin sale would have on the overall coin price. As you can see reaching the Hard Cap is equivalent to all the price assumptions as listed above.



Estimated fair coin price (revenue based) as a function of funds raised during the sale.

Limitations

“The only function of economic forecasting is to make astrology look respectable.”

– **John Kenneth Galbraith (economist, bestselling author)**

It is important to note that the blockchain and cryptocurrency area is still very new and there is little to no historical data, past performance result and academic research on the topic of cryptocurrencies, let alone on the tokenization, economics and long term valuation of those asset classes. Stocks(equity) have been around since the early 1600s, and it is only in the past 100 years that we have begun to have more comprehensive and widely accepted valuation models. They, however, are still subject to a lot of bias, interpretation and suffered from the quality of their inputs. Cryptocurrencies, on the other hand, have been around since 2008, with a wider recognition around 2016 and an explosion in the number of tokens in 2017. As such it is way too early to evaluate or comment on the performance, monetary policy and models behind any of them. As a result, we prefer to rely on sound economic principles backed by data and reasonable assumptions.

Furthermore, any financial projections should generally be treated as a target rather than a prediction. Their purpose is to ensure that the project has sensible and achievable goals and upon reaching those goals, the rest of the numbers would add up and make sense. On the other hand, they cannot predict the future, nor account for all possible variables and scenarios with any reasonable degree of certainty.

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The document presented here is developed by the author based on an evaluation method generally accepted by the cryptocurrency community (quantity theory of money and discounted cash flow analysis) and relies on a generally accepted school of economic thought (monetarist school of economics). That being said, it is important to note that the blockchain and cryptocurrency area is still very new and there is little to no historical data, past performance results and academic research on the topic of cryptocurrencies, let alone on the tokenization, economics and long-term valuation of those asset classes. Stocks(equity) has been around since the early 1600s, and it is only in the past 100 years that we have begun to have more comprehensive and widely accepted valuation models. They, however, are still subject to a lot of bias, interpretation and suffered from the quality of their inputs. Cryptocurrencies, on the other hand, have been around since 2008, with a wider recognition around 2016 and an explosion in the number of tokens in 2017. As such it is way too early to evaluate or comment on the performance, monetary policy and models behind any of them. As a result, the author of the current document prefers to rely on sound economic principles backed by data and reasonable assumptions.

Furthermore, the current model relies on a number of assumptions, forecasts and requirements explicitly specified by the company behind the token offering. As such this model is only as good as those assumptions are. Any significant deviation from the input numbers would subsequently impact the outputs of this model. The model presented here aims to provide a fair token price valuation based on the merits of the business behind it (as far as they are known/estimated at the time of the creation of this model) and cannot account for any possible speculative actions and market manipulation by any party as well as for irrational market behavior.

Some of the statements in the document include forward-looking statements that reflect our current views with respect to execution roadmap, financial performance, business strategy and future plans. All forward-looking statements address matters that involve risks and uncertainties, do not constitute a guarantee that these results will be achieved

and may lead the actual results to differ materially from those indicated in these statements. No statement in this document is intended as a profit forecast.

Given that the “regulations” for cryptocurrency in most countries at best are highly ambiguous, or completely non-existent, each buyer is strongly advised to carry out a legal and tax analysis concerning the purchase and ownership of cryptocurrency and tokens according to their nationality and place of residence.

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