KatalystCoin
Tokenomics Methodology

KATALYST
COIN

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Disclaimer

The nature of this sub-white paper talks about the financial principles in selecting problems / businesses to assist in a token generation event. This part would be more useful when we are launching our securities tokens. At present, none of the tokens we are launching on https://katalystcoin.com would cover this specific paper. You would be informed when a securities token is designed around these principles.

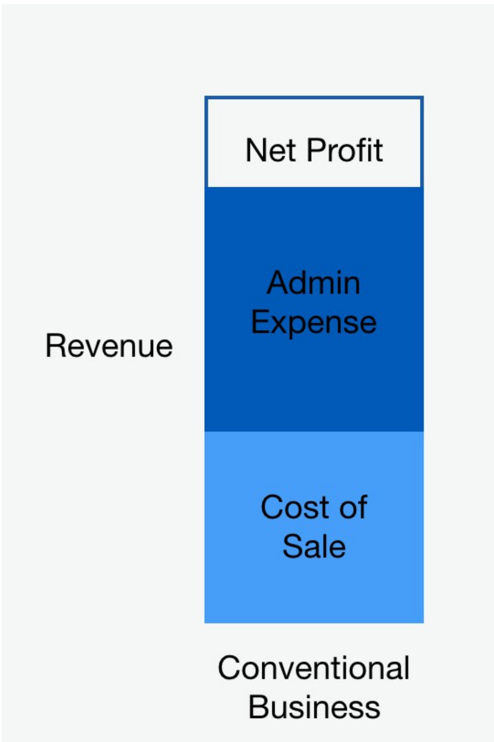
Methodology : Filtering out Scalable & Disruptive Business

Given the huge percentage of failure in the venture capital industry the layman would guess that it is very difficult to find winners like Amazon / Google / Facebook. For you to buy the utility tokens, it may be useful to look at these parameters.

In fact, it could not have been simpler. There are only **4 main parameters** to look for in the financial statements of an evaluated business model.

Parameter 1 Net Profit Ratio with Revenue

In the contemporary venture capital market, disruption & scalability are overused words without people having a clear understanding what that is. In fact, people may have been using that term erroneously.

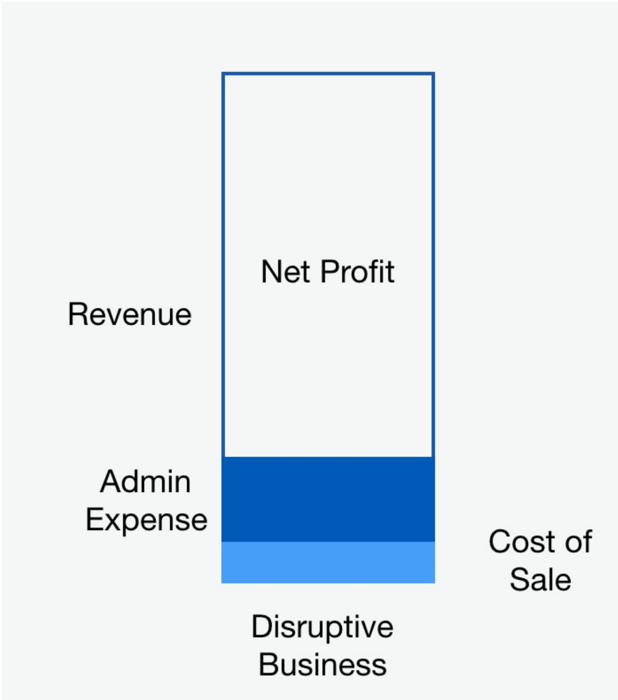


To clearly explain what I mean, let us look at the income statement structure that is common to everyone in the world.

The above is a typical income statement structure. The cost of sale is a direct cost that has to be incurred in providing that said service like buying inventory, etc.

The admin expense consists of fixed expenses like staff cost, real estate rental, and other miscellaneous costs that have to be paid independently of revenue.

For a business to be considered disruptive and scalable the business model has to have lower cost of sale or lower admin expense.



For a business to claim that it is disruptive as compared to a business that it is disrupting, I think it is fair to say that you have got to show that when the business model is implemented it has significantly lower admin expense and cost of sale.

Many may argue that disruptive & scalable businesses have proven to have no net profit at all. Sometimes incurring losses in the tune of billions like Uber. However, the losses of Uber is that Uber is incurring a lot of expansion related admin expenses (offering discounts, free rides, etc) in the conquest of the market - **a domain which should remain financeable by conventional equity financing.**

Parameter 2 : Asset Light Balance Sheet

A disruptive and scalable business also has to be asset light. A conventional business model is usually asset heavy.

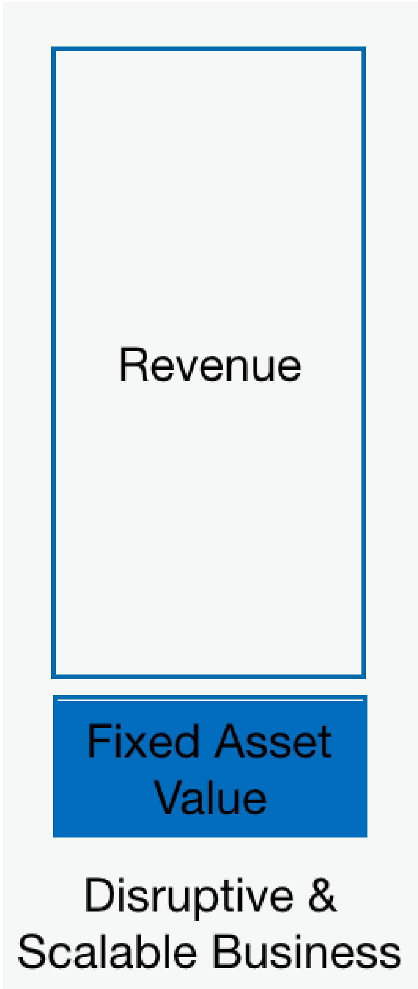
Let me illustrate with an image of a traditional business model.

A few very good examples of traditional business is real estate business. Real estate business owners often have to incur the capital expenses of buying the real estate and yet the rental revenue is pittance compared what they have to pay.

The other good example of a traditional business is airlines. They have to spend hundreds of millions of dollars to buy a plane and they have to incur this capital expense over and over again when the planes are to be replaced.

Traditional business models are asset heavy and the revenue generation from such an heavy capital expenses is pitifully low. Compared to a scalable and disruptive business model, that is.

Let us compare side by side what a asset light scalable and disruptive business model is like.



A good example would be Airbnb. It manages big number of real estate units all over the world. However, it does not own these real estate units.

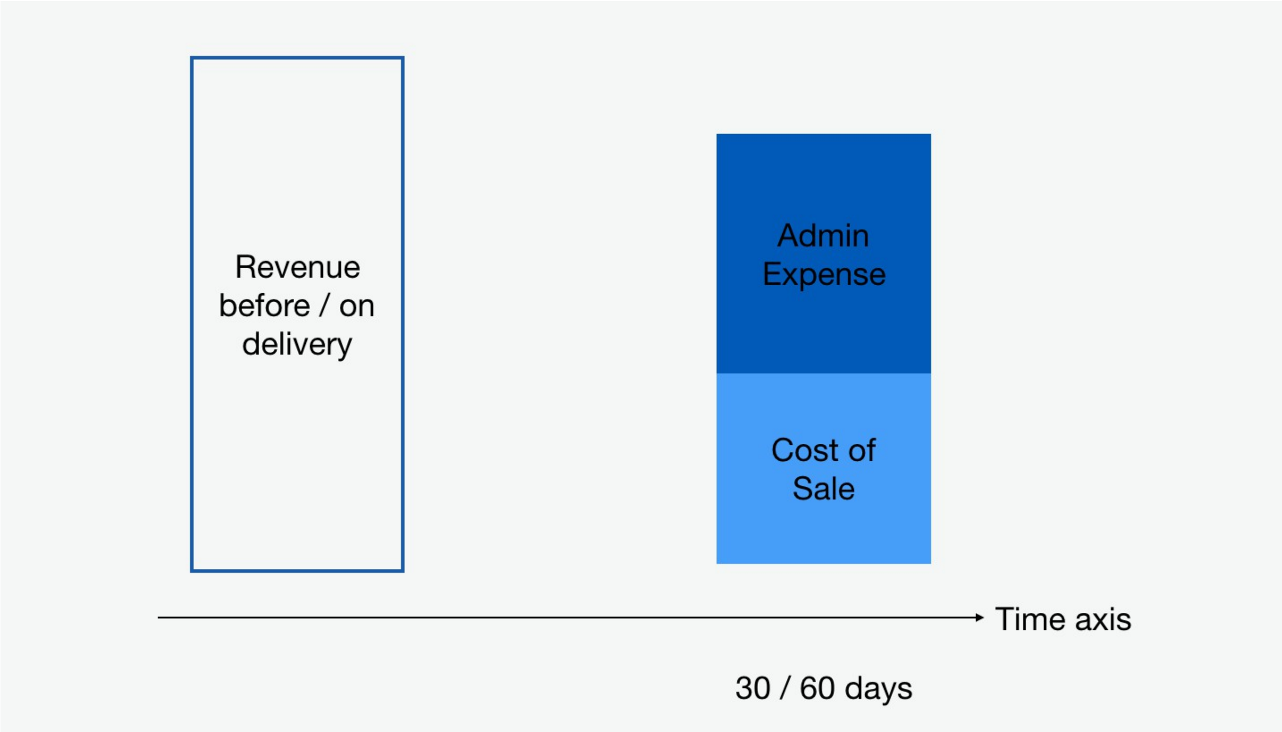
The revenue generation capacity from a comparatively lower fixed asset value is astounding for a scalable and disruptive business models as compared to a conventional business model.

This is an important distinction to get.

Conventionally, capital expenditure is financed by either equity or debt. It basically means that a conventional business has a large part of its equity or debt being used in an area that may not generate any revenue.

However, scalable & disruptive business models do not need equity or debt to focus on capital expenses. It would raise equity or debt for almost the sole purpose of revenue generation. **This is what conventional investors do not consider during investment.**

Parameter 3 : Short Working Capital Cycle



A business model can still be considered scalable and disruptive if its working capital cycle is short. In layman terms, a short working capital cycle means the following;

Customers are willing to prepay or pay on delivery – For certain kind of businesses, like Dell. Customers are willing to prepay them even before the computers are delivered to them.

Businesses that have customers willing to prepay them or pay them on delivery usually have something unique about them. It is either the business model is in an area in which the market is under served and that the business can make demands about payment upfront or pay on delivery.

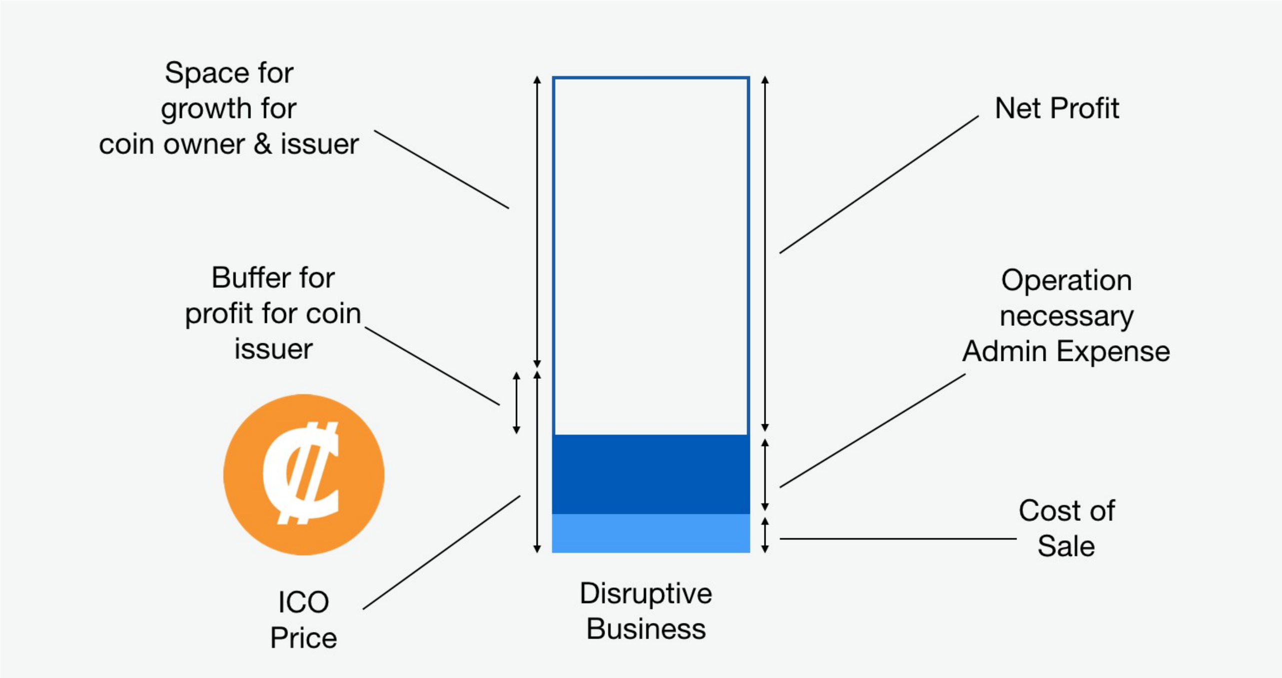
Businesses that are not able to do that are probably in a market in which the market is over served by a lot of competitors and so the customers are the ones who dictate the terms of payment.

Suppliers are willing to receive payments later – Again, Dell's suppliers used to extend payment terms (30/60 days or more) to Dell. The reason was simple. It was able to have market reach that its suppliers cannot have.

As a result of Dell resolving a key logistic and marketing problem for them, it has no choice but to extend Dell this financial convenience to allow it to make payment later.

Having an immediate payment or prepayment & a long payment period is the hallmark of a highly scalable and disruptive business model.

Parameter 4 : Multiple Value Creation from Token Event



For a scalable and disruptive business model we can easily design a digital token to represent the value difference & creation as a result of its own scalability & disruptive.

The digital token would offer the disruptive and scalable business to receive prepayments for services that are highly discounted for the consumers / token investor.

At the same time, there is sufficient buffer so that the disruptive and scalable business can utilise for the purpose generating a profit on top of paying for cost of sale & admin expense.

Over 90% of the disruptive and scalable businesses may still fail because they are not able to reach the market before they run out of money. Reaching the market is a big problem for most companies.

Tokens or digital assets earned during the process of Initial Coin Offering when deployed in marketing or reaching the market of customers.

In fact, the performance of the token event of a specific token would indicate generally whether there is a market for the disruptive and scalable business model.

Some may argue that having a market with the token speculators or trader does not mean that there is a real market for a service or product.

However, I believe in the wisdom of the crowd. Eventually as the token investors consolidate they would look more clearly at the different token events before placing their bets on it.

If the token event fails for disruptive and scalable business, then it is rational to explore all other options of reaching the market. If all options are explored and yet there is no way to reach the market, then the business owners should explore stopping the whole business rather than wasting more time on it.

Value Creation from a Successful Token Event

Value creation from a successful token event is twofold.

The token issued by the said disruptive and scalable business would increase in its valuation or market cap.

The company issuing the coin would increase in its valuation. As a result of validated market need and realised asset flow.

It is therefore crucial to take positions in both the token ownership and the shares of the company in the case of an eventual listing on a stock exchange.

Conventional rewards based (i.e. not equity) crowdfunding that only collects a fee misses the whole point altogether, **as the greatest value is in equity & not in fees.**

Problems of Venture Capital Industry

The flaws of the venture capital industry is tied to the main framework of how it operates. Where the main framework is flawed, there is little you can do to improve within a flawed framework.

Venture Capital industry framework generally works in this manner;

1. Investing in a company when the value is still relatively low. Like for example, investing a sum from a few hundred thousands to a few millions for a small stake.

2. They would basically sit back and hope that the company would be able to enjoy a trade sale 1 to 2 years from now. Hopefully within the timespan of the desired fund. Generally the timespan of most of the funds is about 7 years.

3. They generally do still offer advisory, further capital fund raising assistance to invested companies on top of just providing money.

However, in spite of all that, 80% - 90% of the invested companies would not achieve their targets. They would either suffer a complete or huge partial loss of invested financial capital.

The failure rate is so commonly observed all over the world that it is treated as normal and acceptable for such a huge waste of resources.

What are the reasons?

Venture Capital investment framework can be described as mostly strategic and completely not tactical at all.

Existing investors are forced by their mental framework to think of returns in terms of 3 to 5 years. They rarely feel that they can do anything other than providing overall advisory work and also further fund raising assistance.

Tactically, they are not able to do anything much. To make things worse, they probably feel that they are not supposed to do anything tactically. In the process, exacerbating the problem as they would not find a solution to their tactical problem because conventional venture capital does not even see it as a problem. The root cause of this again, stems from the framework of conventional venture capital.

How would Katalyst Coin Resolve These Flaws?

Firstly, a successful token event is an indication from the market that the service is desired in the market. In the process, forming the first level market validation.

Secondly, in the process of structuring an token event the Katalyst Coin would receive benefits in the form of fiat currency fees and also a percentage of the newly issued token event coins.

The profits are realised from day 1, tactically speaking. When tactical concerns of capital preservation and in fact growth is achieved, strategic targets are likely to be achieved.

In any case, the most important thing to realise here is that the financial rewards are realised immediately in the order of 2 to 3 months and not 3 to 5 years.

Thirdly, you only invest only after the token event is successful. The investment capital should be well covered by the fiat currency fees & the coins received as rewards.

And for providing such a huge value added as an investor, we would invest at highly discounted share prices.

To illustrate with a simple example. If a company valued at **USD 2,000,000** is raising funding, we would then do an token event for that company.

Let us say that the company has a token event involving **USD 40,000,000** worth of digital assets. **15%** of the assets would be rewarded to us amounting to **USD 6,000,000** worth of digital assets. In which case, we would cash out **USD 500,000** to subscribe the shares at a much discounted valuation other than just **USD 2,000,000**. For example at **USD 1,200,000,** thus resulting in us becoming a 33% shareholder.

A company with **USD 40,000,000** validated need would be easily valued at over **USD 200,000,000**. Total gains, **USD 6,000,000** of liquid digital assets and **USD 66,000,000** paper capital gains.

Tactical-Strategic Capital Model

This model became possible with the emergence of various trends in technology. Namely they are;

a) Rewards based crowdfunding.

b) Pre selling tokens stated in this white paper.

The above mentioned form of crowdfunding and the coin offering either confirms / validates or totally falsifies the business model's market need.

If the market need is confirmed via a token event, moving on to take equity position and get part of their coins as rewards become brain dead obvious.

If the market need is verified to be a failure, then stopping any involvement in the said business model is not that bad an option either. Reducing exposure of resources to a probably failing project would preserve capital & resources.

Hundreds of millions, if not billions of equity financing are wasted on failed projects per year. If the conventional Venture Capitalists know how to perform token event tactically, the returns from invested capital would have been greater.

The existing venture capitalists are also made up from these groups of people;

a) **Ex bankers** - meaning that they do not have sufficient experience dealing with the tactical concerns of running a business.

b) **Ex entrepreneur** - venture capitalists are now also made up of some ex entrepreneurs who exit their business. Having run a successful business before and exiting it makes it better.

However, having exited 1 business before does not extend that experience to another business of another nature.

There is a need for a new breed of venture capitalists who excel at this tactical-strategic capital model.

With this in mind, we can repeat this manner of investing to multiple companies. Disruptive and scalable business models that fulfil this criteria can be repeatedly invested up using this tactical-strategic capital model.

Let me illustrate with an example of **LiberaCoin**.

Assuming **LiberaCoin** token issuance event is **USD 100 million**.

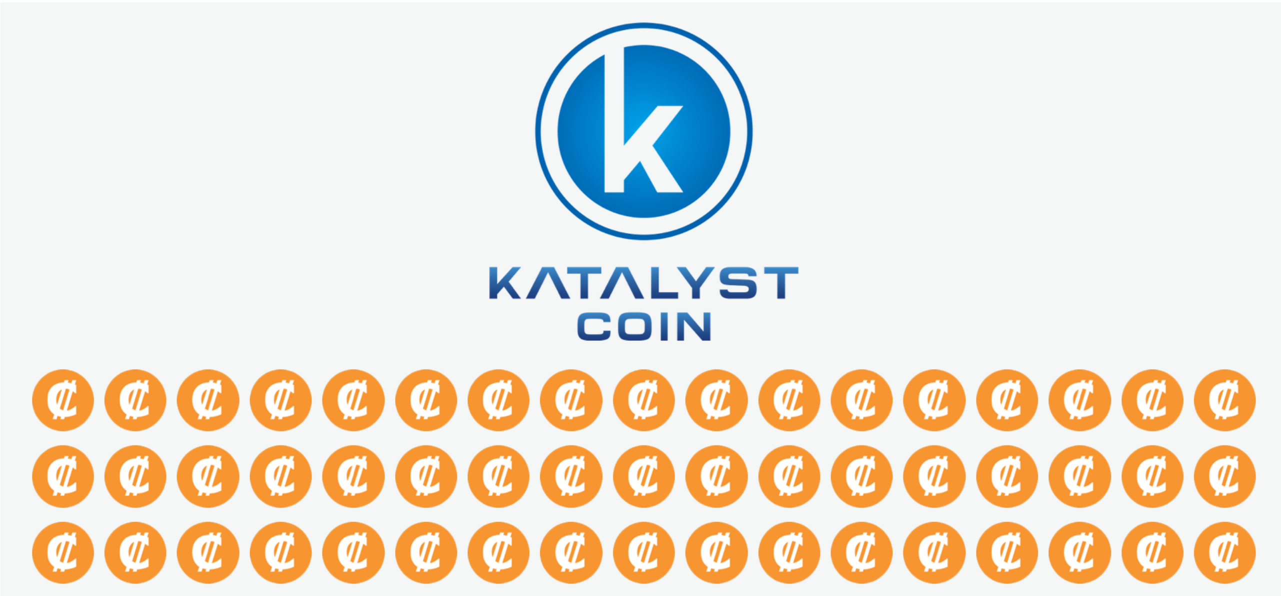
These are the examples that are truly considered for this capital model for the moment.

Let us just consider the collective benefits of the token event for a person executing the capital model.

The digital asset fee is in the order of **US 15 millions**. The value of the shares depends on which stock market we may be listing the company, or trade sale offers we may have. Let's just average that to **10x** of token event sales. That amounts to a whooping **US 1 billion**.

However, do note that the above mentioned numbers are projections and actual numbers may differ.

The logical extension of this capital model would result in portfolio of invested business models contributing to the value of the Katalyst Coin.



In fact, the digital asset fee paid as a result to the Blockchain Platform of Katalyst Coin would be redistributed to the active coin owners of the Katalyst Coin.

The Katalyst Coin Blockchain platform would also contain tools in which anyone all over the world can use our methodology to evaluate the business models all over the world as per whether they comply to the massive and rapid growth of our tactical-strategic capital model.

Smart Contracts would be implemented to ensure the designated tokens are corrected disbursed to the owners of the Katalyst Coin. Individual tokens may have their own Smart Contracts disbursing the relevant rewards as well to the owners of the Katalyst Coin.

The tactical-strategic capital model is only made possible only in the recent years and more so in the recent months because the advent of technology allows the market need to be ascertained via crowdfunding mechanisms and now even more rapidly via token event.

That means that capital can be better preserved and also at the same time, it can be deployed for almost certain growth. Reducing the uncertainties to almost nil. Creating a capital model that loses near to nothing when a wrong guess is made, but massive gains in capital gains and digital assets when the right guess is made.