



POLYBIUS PROJECT

Business Model

Introduction



Polybius business model reflects our expectation of the near-term performance of the company. The analysis focuses on milestones 1 through 3, targeting EU-28 market only. This is driven by our familiarity with the region and the favorable regulatory framework. We are, nonetheless, convinced of the further upside presented by the market outside of EU-28 and will be looking to tapping it in the coming years.

We have strived to be prudent in our forecasts. We believe there is significant upside across the portrayed market growth as well as the fees, particularly so with P2P lending, card and payment services and cryptocurrency portfolio fees. We view the numbers herein as a prudent (as opposed to a full) equity case aimed at illustrating the robustness of the business model.

We are not publishing the monetization analysis of the DigitalPass and SME Financial Marketplace. One of the reasons is that it would inevitably require disclosure of our technology and reference to the subsequent patents. Furthermore, for competitive reasons, we have decided to shy away from disclosing the workings of DigitalPass and SME Financial Marketplace. We are convinced this will be a unique technology capable of having a very strong impact on our daily life and look forward to disclosing further details in the future.

Milestone #1

Milestone #1: raise of USD 1'500'000

1

Under this milestone, Polybius would be adopting an intermediary model with the two following flagship products:

- E-commerce payment agent: acting as an intermediary across payment systems (gateway and risk management) focusing on small and medium online merchants ("SME" merchants)
- P2P loans: facilitating household loans on peer-to-peer basis
- Investment portfolios: facilitating asset flows to cryptocurrency investment portfolio managers

<i>Euro millions unless otherwise stated</i>	2017	2018	2019	2020
Commission revenue from e-commerce related payments	0.00	1.42	1.84	2.30
Household P2P loan commission revenue	0.00	4.51	5.47	6.44
Cryptocurrency investment portfolio commission fees	0.00	0.02	0.08	0.23
Total revenues across business lines	0.00	5.96	7.39	8.97
Operating profit margin	NM	40%	40%	40%
Operating profit	0.00	2.38	2.96	3.59
Operating profit (USD millions)	0.00	2.67	3.31	4.02
Operating profit for token holders		0.53	0.66	0.80
Cumulative operating profit for token holders		0.53	1.20	2.00

Source: OECD, ECB, Eurostat, Polybius analysis.

We believe, we will start with capturing ca 1.25% of EU-28 SME e-commerce payment and P2P household loan markets. Expected fees will be 0.05% of payment volume and 0.40% of loan volume. Furthermore, we expect a significant take-up of cryptocurrency portfolio investment management offering first and foremost amongst our and HashCoins' users.

Milestone #2

Milestone #1: raise of USD 3'000'000

2

This milestone would allow us to operate a “mixed” model whereby we would be able to build out some principal capabilities while keeping an agent role on a series of services:

- E-commerce payment agent: development of full payment platform which in addition to gateway and risk management services, would also offer a series of value-added services (collection, currency conversion etc) as well as processing
- Card payments: acting through a BIN member in issuing payment cards
- P2P loans: More expanded loan offering than in Milestone #1 with us offering both household loans as well as credit to SMEs (e.g. working capital loans through companies operating over our payment platform)
- Investment portfolios: own cryptocurrency portfolio management operations

<i>Euro millions unless otherwise stated</i>	2017	2018	2019	2020
Commission revenue from e-commerce related payments	0.00	2.61	3.54	4.54
Commission revenue from card payments	0.00	18.05	22.43	27.12
Household P2P loan commission revenue	0.00	5.19	6.29	7.41
SME P2P loan commission revenue	0.00	3.35	4.22	5.07
Cryptocurrency investment portfolio commission fees	0.00	0.17	0.59	1.66
Total revenues across business lines	0.00	29.37	37.06	45.79
Operating profit margin	NM	39.53%	39.44%	39.32%
Operating profit	0.00	11.61	14.62	18.01
Operating profit (USD millions)	0.00	13.00	16.37	20.17
Operating profit for token holders		2.60	3.27	4.03
Cumulative operating profit for token holders		2.60	5.88	9.91

Source: OECD, ECB, Eurostat, Polybius analysis.

We believe, we will be starting with ca. 1.15% of EU-28 SME e-commerce payment and card payment market. Starting point is lower than in case of intermediary role as additional time is required to develop trust between our own platform and the users. Once the trust is established and the product proves itself, we expect our market share to grow by ca 0.30% per annum. Expected fees will be 0.10% on e-commerce payments and 0.15% on cards. Higher initial budget would allow us to expand a lot more aggressively and consequently start off with ca 1.44% of the relevant P2P market, growing thereafter. We expect the fees to still remain around 0.40%. On the cryptocurrency portfolios, we would expect higher fees as in addition to the management fees, we would also be entitled to performance fees. Prudently, we estimate those to be ca 5% all-in per annum.

Milestone #3

Milestone #3: raise of USD 6'000'000

3

We expect this milestone to allow us to maximize the breadth of our product offering. However, we still expect to be operating a mixed model offering some of the products in the agent and some in the principal capacity:

- E-commerce payment agent: development of full payment platform which in addition to gateway and risk management services, would also offer a series of value-added services (collection, currency conversion etc) as well as processing
- Card payments: direct card scheme membership
- P2P loans: More expanded loan offering than in Milestone #1 with us offering both household loans as well as credit to SMEs (e.g. working capital loans through companies operating over our payment platform)
- Investment portfolios: own cryptocurrency portfolio management operations
- Deposits: as a Trusted Third Party under PSD2 and eIDAS we expect to be in a position to receive and aggregate user account data across multiple banks. We expect to add value by optimizing users allocation of deposits as well as facilitate deposits with additional counterparties in a fiduciary capacity. This will allow us to operate across the platforms of traditional banks and serve as a one-stop-shop for deposits.

Finally, this milestone will allow for a higher marketing budget and result in faster growth of the business.

<i>Euro millions unless otherwise stated</i>	2017	2018	2019	2020
Comission revenue from e-commerce related payments	0.00	4.55	6.15	7.89
Comission revenue from card payments	0.00	50.22	65.00	80.86
Household P2P loan commission revenue	0.00	9.03	10.93	12.88
SME P2P loan commission revenue	0.00	5.83	7.34	8.81
Cryptocurrency investment portfolio commission fees	0.00	0.30	1.03	2.89
Depository work	0.00	0.35	1.30	2.35
Total revenues across business lines	0.00	70.27	91.75	115.67
Operating profit margin	NM	36.08%	36.07%	36.04%
Operating profit	0.00	25.36	33.09	41.69
Operating profit (USD millions)	0.00	28.40	37.06	46.69
Operating profit for token holders		5.68	7.41	9.34
Cumulative operating profit for token holders		5.68	13.09	22.43

Source: OECD, ECB, Eurostat, Polybius analysis.

Milestone #3



Milestone #3: raise of USD 6'000'000

In this instance, we expect to start with capturing at least 2.00% of the e-commerce payment and card payment market. E-commerce payment commissions are expected to be at 0.10% and the credit card fees will be ca. 0.30%. P2P loan commissions are expected on the order of 0.40% with the starting market share of ca 2.50%. On the cryptocurrency portfolios, we would expect higher fees as in addition to the management fees, we would also be entitled to performance fees. Conservatively, we estimate those to be ca 5% all-in per annum. Lastly, we expect the commission on deposit-related services to be delivering a commission of ca 0.015% of the amounts touched by us.

The above Milestones will be pursued so to have a positive marginal cost-to-revenue balance, insourcing the activities along with the development of the customers portfolio and of the related revenue streams on each single business line. Operational costs will be tailored to the development of the revenues.



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