



# CARDANO DIGITAL ASSET REPORT:

## Update

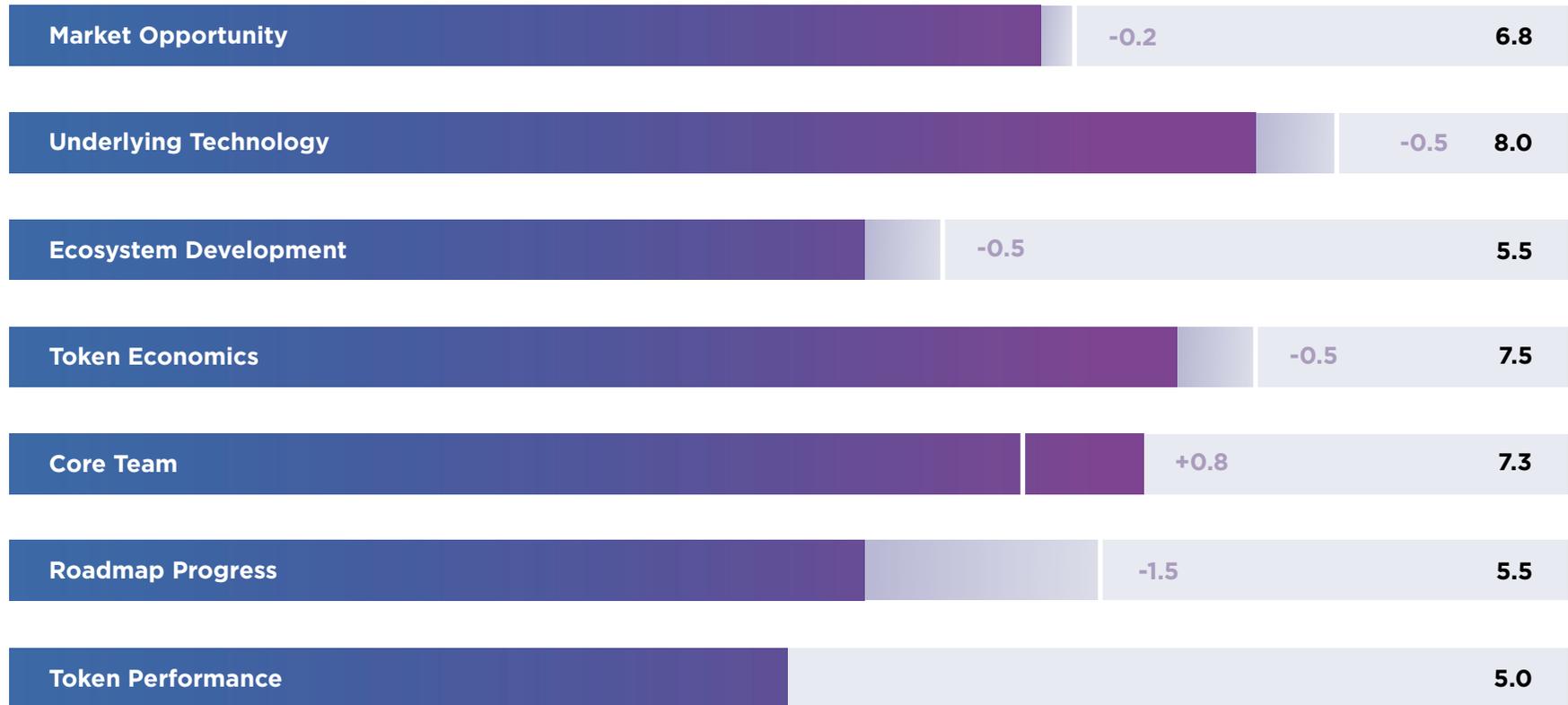
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**Crypto Briefing Research Department**  
September 17, 2019

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# Fundamental Factors



**Update Combined Score: 6.6**

Initiation Report Combined Score: 6.9

# Grade

Project exhibits moderate indications of progress but still faces above average level of risk; token price is highly volatile, prospects for adoption are uncertain due to factors such as poor marketing, lack of developers or dApp projects, irrelevancy of tech, or critical governance issues.

For a full description of our methodology, please click on Grade icon or go to: [simetri.cryptobriefing.com/methodology](https://simetri.cryptobriefing.com/methodology)



Not Investable

Investable



# Summary

Cardano continues to focus its efforts on research and development, underestimating the importance of timely product delivery, marketing, and ecosystem expansion. Without tangible improvements, the project continues to fall behind some of its major rivals.

Moreover, with the developments in the space and the emergence of new perspective dApp platforms, competition is becoming even more fierce.

Since the initiation report Cardano has become less competitive and the risks associated with the project have increased. While the potential catalysts for growth are long overdue, it remains unclear when exactly they will happen, while their impact is more likely to be muted the longer the milestones are delayed.



**SINCE THE INITIATION REPORT  
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LESS COMPETITIVE AND THE  
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## Market Opportunity

Cardano launched in 2017, but is yet to deliver tangible products to its community and investors. The absence of the fully functional mainnet stifles the adoption effort, and while competitors work on attracting new users to their network, Cardano lags behind.

Dash, for instance, has been **expanding** in Europe, Africa and Asia. Similarly, **Crypto.com** and Stellar-based startup **Ternio** have launched VISA-supported cards. Cardano's best achievements have been a partnership with **Tangem**, an NFC-chip card manufacturer, and integration with a single **restaurant** in Japan, which don't appear to be sufficient.

The project's potential strength appears to be its focus on developing countries, where it has been trying to get adoption through state level initiatives. Still, there have not been any commercial implementations. The team has **announced** enterprise-focused private chain, Atala that has a number of MoUs and pilots planned to be launched in Q2 2020 with several governments, and these initiatives could help Cardano reach millions of users. However, the

full rollout of commercial products may take several years, making the success and overall impact difficult to predict.

Furthermore, with the growth of DeFi functionality within the Ethereum ecosystem, and the appearance of projects like Algorand, the slow perfectionist approach of Cardano only reduces adoption prospects. Since, the smart-contract functionality has not been rolled out, it is hard to see any dApps appear on the network in the immediate future. As such, the appeal of the platform will continue to remain limited for the time being.

There are some interesting prospects like the possible launch of STOs through **Y2X** digital bank and integration into international trade via **Yoosourcing**. However, these are still up in the air.

All in all, Cardano continues to relinquish market share to competing platforms to the point where the network may be hurting its long-term prospects.

## Underlying Technology

Cardano's technology continues to hold back the ecosystem development as important milestones have not been reached.

The team has failed to implement vital updates in a timely fashion. **Shelley** and **Gougen** have been long-awaited to bring staking, decentralization, and smart-contracts to the network. These features could potentially kickstart Cardano adoption but, Shelley is yet to be deployed on the mainnet.

This is expected to happen **before the end of 2019**, while Gougen's deployment has been stretched even further out to the **beginning of 2020**.

While the team appears to have the best intentions, the development approach appears to be waterfall-like, in an age in which agility is king.

The team blames much of the delays on the inadequacy of the third

party developers who were engaged during the early part of the development process. They didn't like the final product presented by a contractor and decided to rewrite the code as *"they prioritize long-term sustainability over releasing half-baked products."*

It is expected that the date for Shelley mainnet deployment will be announced on September 28, 2019, and there is the expectation that further network milestones: Gougen, Basho and Voltaire will be easier to reach due to the solid Shelley code base. As such, the team maintains that current delays are not that big of an issue.

This is a frustrating dynamic because the team has a number of unique developments like the domain specific smart-contract language **Marlowe**. This language was created specifically for financial contracts and can be used by non-programmers. It can potentially open Cardano to a broader business community, but as with all the other project's major developments it is still only on the testnet.



## THE TEAM BLAMES MUCH OF THE DELAYS ON THE INADEQUACY OF THE THIRD PARTY DEVELOPERS

Similarly, Cardano's sharding solution, **Hydra**, is still under development. The improvement will be a hybrid of transaction and state sharding, and is expected to enable a single shard to support 240 TPS. As such, Cardano would be able to provide a competitive throughput rate by increasing the number of shards. However, given the long record of delays and the ambiguity regarding the updates, it is hard to expect that the solution will be delivered soon.

After all, Cardano has been one of the pioneers of the staking

protocol, but has lagged behind younger projects in terms of deploying staking. Sharding may not be any different.

All in all, the team has significant technological catalysts in the pipeline but they have been there for too long. The team's focus on R&D over go-to-market activity and its constant development delays have harmed the project's overall growth prospects.

Project name	Ticker	Consensus Protocol	TPS	Confirmation Time
Cardano	ADA	PoS	50-250	10 min
Stellar	XLM	FBFT	1000	5 sec
Ethereum	ETH	PoW	25	6 min
EOS	EOS	DPoS	3996	5 sec
Tron	TRX	DPoS	2000	3 sec
IOST	IOST	PoB	1010	10 sec

### Scalability Comparison

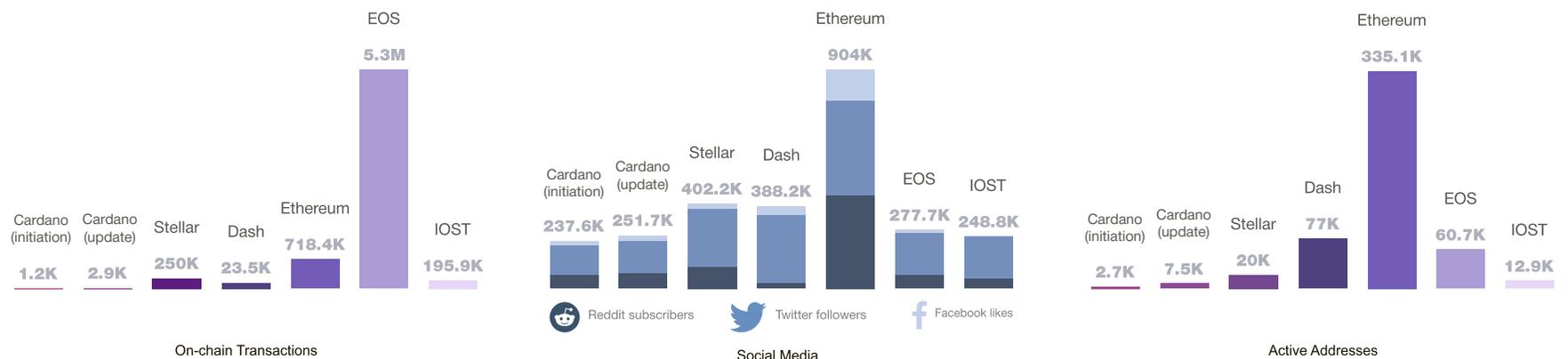
# Ecosystem Development

Although the team has been exercising various ecosystem-focused initiatives, the outcomes of these efforts are unclear and stretched out into the future. Hence, the community around Cardano hasn't significantly expanded and continues to be smaller than those of its competitors.

The team has been trying to leverage Cardano's focus on functional programming by promoting the project in related communities. Also, it has launched educational programming courses in **Barbados**, **Ethiopia**, and **India** to train new developers for Cardano. However,

in the absence of smart-contract support, the positive influence of having specially trained developers is muted.

The same applies to dApp-focused endeavours curated by EMURGO that **advises** for various blockchain-oriented projects and supports a related **accelerator**. Without a fully functional network, the projects that go through acceleration process, are not yet able to build their final products, which holds them back from getting traction in the market.



**Community Involvement Comparison**

Cardano's expansion to developing countries also remains a work in progress. While the team created a private chain for working with governments like Ethiopia and Georgia, and is actively discussing its possible implementations, the real integration is yet to happen. The team stated that these projects will take years to fully materialize, which may be too long for the fast-paced crypto market.

The fact that the team's adoption endeavours are mostly future-oriented and obstructed by the incompleteness of the technology, has reflected on the growth of the community around the project. Cardano's community continues to lag behind the majority of its competitors.

Perhaps now that the Cardano Foundation has gotten over the

internal issues related to its former Chairman, Michael Parsons, the ecosystem will get a boost.

The Foundation now appears to be in sync with the other governing bodies of Cardano. So, there may be more ecosystem-focused endeavours appearing in the future. Still, whether that will be the case and when the results will become evident remains to be seen.

All things considered, Cardano's ecosystem experienced very little growth since the initiation report. This has been largely dictated by the fact that the project's ecosystem development strategy is mostly focused on the long-term results, which are yet to manifest themselves. Hence, in the short term the ecosystem will likely remain stagnant.



## CARDANO'S COMMUNITY CONTINUES TO LAG BEHIND THE MAJORITY OF ITS COMPETITORS

# Token Economics

Staking has been a growing trend in the industry over the past few months. There are projects like Cosmos (**10.09%**), IOST (**11.73%**), Harmony (12-15%) and many more that are offering staking rewards, and they outcompete Cardano with higher yields.

In comparison to its competition, Cardano, has been looking to offer a relatively low yield of 3%-7%. The final reward is still being determined with the help of a specially invited economist, and is expected to be set on October 2019. The rationale behind setting

a low yield is to ensure the project's sustainability in the long-term. While not inflating the yield may make sense as a measure to protect the project's integrity, it makes Cardano less appealing for potential node owners, which is not positive given the project's currently low adoption.

All things considered, Cardano's low staking yield may reduce the potential for the project to attract many node operators as the staking goes live.



**IN COMPARISON TO ITS COMPETITION, CARDANO, HAS BEEN LOOKING TO OFFER A RELATIVELY LOW YIELD**

## Core Team

Since the initiation report, Cardano's team has been growing, and it seems that its major hurdle, connected to Cardano foundation has been **resolved**.

Cardano has been expanding across the board with IOHK growing to 200 people as per Charles Hoskinson's statement. The project is hiring additional marketing team members, in order to promote its brand and grow adoption.

It's encouraging to see that Cardano Foundation leadership issues seem to be resolved as a new Director of the Foundation has been

appointed. The team restored the Foundation's internal structure, and hired more people to assist it going forward.

Overall, the team has become larger and better organized. Given the recent hirings it is reasonable to expect improvements in the important directions for the project. Still, given the team's previous track record with delays, these expectations should be prudent.



**OVERALL, THE TEAM  
HAS BECOME LARGER  
AND BETTER  
ORGANIZED**



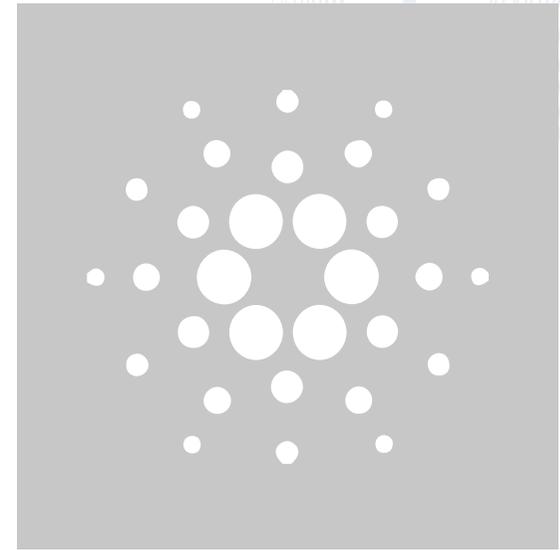
**David Esser (Senior Product Manager at IOHK)**

David joined IOHK in the beginning of 2019. He studied at Stanford and has over two decades of experience, primarily as CTO and VP Technology.



**Hinrich Pfeifer (Cardano Foundation Director)**

Hinrich was just recently appointed to his new role after the dust settled since the Michael Parsons debacle. He has over 13 years of experience within UBS bank, which points to his loyalty. Unlike Parsons, Hinrich creates the impression of someone that would be fully focused on supporting the Foundation's values.



**Bakyt Azimkanov (Cardano Foundation Global PR and Communications)**

Bakyt has a Bachelor degree in Journalism and Public Relations from AUCA. His experience includes working at Thompson Reuters and EY in related fields.

# Roadmap Progress

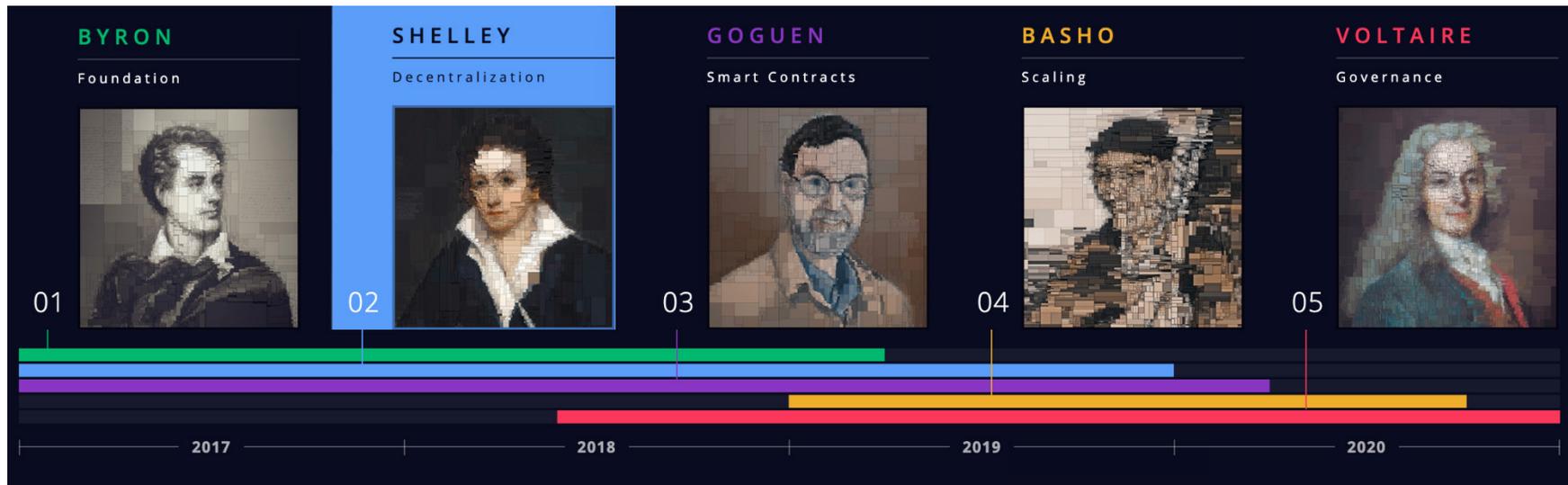
Since the initiation report, Cardano's roadmap has been **updated** to show more details. Still, there are no dates set, which makes the timelines vague. Moreover, the progress bars were removed, apparently to avoid negative pressure from the community.

The biggest criticism for the team is that it has been missing the deadlines. Shelley was **expected** to roll out in Q1 2019, while its testnet implementation was **started** only in Q2 2019.

Negative sentiments resulted from ongoing delays have been

hurting Cardano's image. While the team tries to improve the sentiment around the project by posting progress demos, status reports and AMAs on the technical developments, in the absence of the important updates the effect of this is likely to be temporary.

There are risks that the team could restructure the roadmap again to accommodate delays, which would yet again negatively affect project's overall image.



Cardano Roadmap | Source: [cardanoroadmap.com](https://cardanoroadmap.com)

# Token Performance

Expectations of Shelley release along with the overall market revival fueled the growth of ADA in first half of 2019. However, later, the

project was not able to sustain the positive price momentum due to delay of Shelley update and the overall bearish market for altcoins.



Cardano Price Chart | Source: [cryptocompare.com](https://cryptocompare.com)

## Conclusion

Cardano's limited functionality and a weak go-to-market strategy remain the main obstacles for its adoption. The team has been delaying crucial updates to the mainnet, leaving the network without important use-cases that could kick start the adoption. As a consequence, the project stagnates in terms of market integration and ecosystem development.

At the same time the team has expanded and resolved its major personnel issue. Moreover, it claims that it's coming close to making important announcements about the technology and it has been active with ecosystem-focused initiatives.

This instills some optimism that the team will be able to deliver tangible results going forward. However, given the project's progress so far this outlook should be taken with a grain of salt.

Although Cardano has not resolved its drawbacks yet, it still has significant catalysts in the pipeline to change the situation. Therefore, for now the overall grade remains a C+.

*The author(s) of this report is/are invested in the following coins: Bitcoin, Ethereum.*



**FOR NOW  
THE OVERALL  
GRADE  
REMAINS C+**

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