



SIMETRI

by Crypto Briefing

MATIC NETWORK DIGITAL ASSET REPORT: MATIC Review and Investment Grade

Crypto Briefing Research Department

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MATIC NETWORK MATIC



Key Metrics

Current Price	\$0.013513
Buy Up To Price	\$0.027700
Market Capitalization	\$32,218,834
Top 10 Addresses Combined	96.64%
ATH Price	\$0.045017 (May 21, 2019)
30-Day Average Price	\$0.013552
24H Volume	\$12,057,364
30-Day Average 24H Volume	\$21,452,187
Sharpe Ratio	-0.09

IEO Information

IOE Dates	Apr, 2019
IOE Price	~\$0.002630
Public Allocation	~\$5,000,000
Private Allocation	\$615,000
Circulating Supply	2,384,224,035 MATIC
Total Supply	10,000,000,000 MATIC

Grade

One major progress indicator (tech development or ecosystem growth) is typically advancing well in accordance with roadmap but the other is lagging behind; no upcoming near-term catalysts strong enough to signal potential for positive price trend. Project still retains significant susceptibility to adverse conditions in the market and token price is moderately volatile. Examples may include a technologically sound project with little prospect of adoption due to shortage of marketing resources OR a popular token behind on tech development because there aren't enough devs or projects in ecosystem.



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



Fundamental Factors



Combined Score: 7.0

Summary

In 2015, Ethereum captivated blockchain enthusiasts with the possibilities of smart contract enabled dApps. However, as the CryptoKitties debacle would later illustrate, the network in its 1.X form is not suitable for true commercial use.

Throughout 2017-2018 challengers emerged, claiming to have resolved the scalability issues plaguing Ethereum. Yet, due to the ICO boom, Ethereum was able to gain some network effects and lessen the churn away to other platforms.

While Ethereum 2.0 remains a distant target, the ecosystem needs an immediate solution to its pressing needs. This is where Matic Network comes in.

Led by a CEO who was one of the core contributors to the first Plasma MVP, the

project presents a true second layer scalability solution, for general purpose dApps.

Matic Network offers to leverage Ethereum's security and network effects, but promises orders of magnitude faster computation and lower costs.

If Matic is able to deliver a commercially viable product, it will be able to take advantage of Ethereum's community, documentation, infrastructure, developer tools and brand recognition.

With the mainnet already in beta, and full launch only a couple of months away, Matic Network wants to become a game-changer for the Ethereum ecosystem, and solidify itself as the go-to second layer solution on the network.



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Ethereum Booster

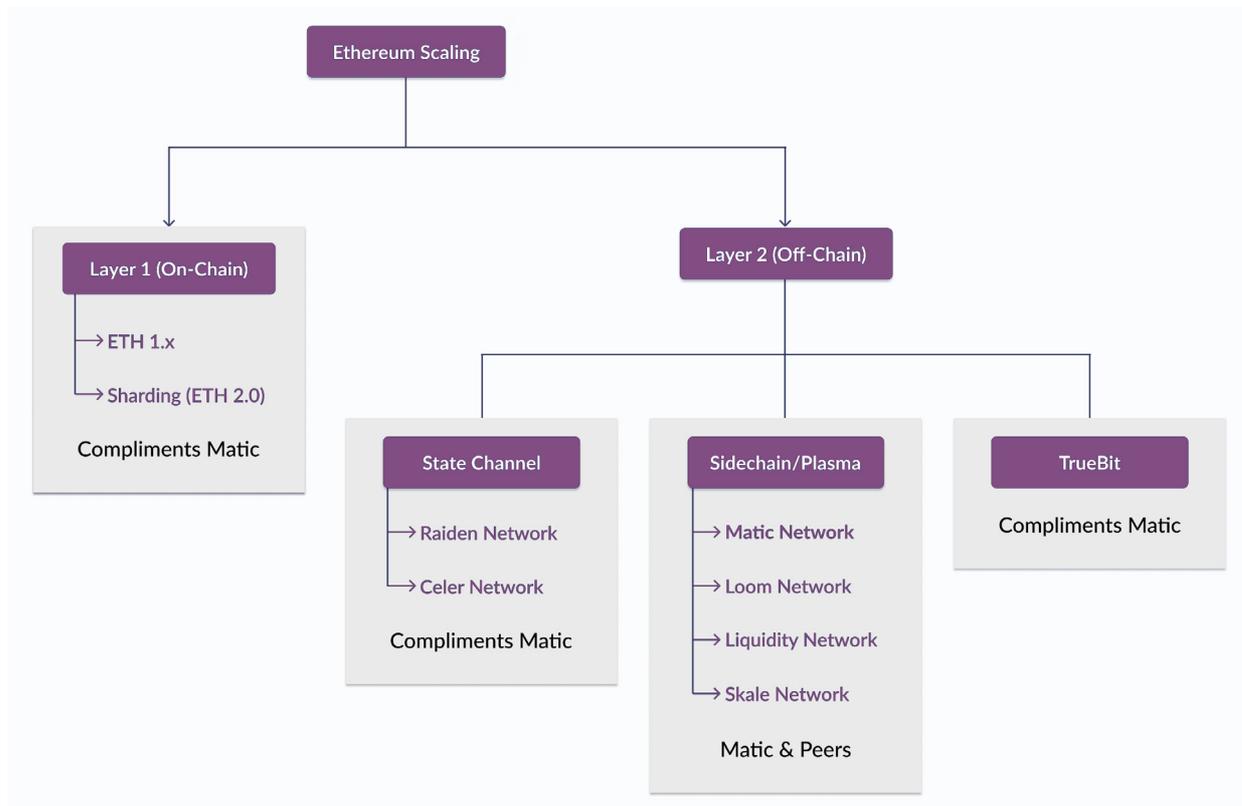
Matic Network is not another “Ethereum killer”, but rather an Ethereum add-on. Its purpose is to help Ethereum regain its edge against rivals like EOS and Tron. Still, since Matic Network is a second layer solution, it will first need to prove itself against other scalability alternatives.

The layer 2 projects on Ethereum, generally utilize state channels or side chains solutions. These approaches may appear to be competing with one another, but can actually be complementary.

As a side chain solution, Matic, can significantly reduce the cost and delay of initialization for state channel projects. On the other hand, state channel projects, can allow for better user experience on side chains, with zero cost and cross-side-chain instant fund transfers.

Realizing this potential, Matic and Celer (state channel solution) have already **partnered**, opening up the prospects of a symbiotic relationship. Similarly, with Raiden Network, the team is also exploring **opportunities to build** state channels on Plasma side chains.

When it comes to rivals, Matic is often compared to Loom, another side-chain solution, but one that has not implemented Plasma and does not support all ERC-20 tokens. Due to its architecture, **Loom is now more of a separate blockchain** than a layer 2 solution. Furthermore, it appears to have a narrow focus on the gaming sector, so it should not be considered a serious threat to Matic.



Ethereum Scaling Solutions | Source: medium.com

Throughout 2018 and 2019 developers have been churning away from Ethereum, while rivals have been attracting new developers and users because of the scalability and cost limitations. Ethereum is still limited to just 15 TPS and sees costs per transaction at around **\$0.006**.

Matic aims to offer 10,000 TPS on a single chain and lower potential costs, while maintaining the EVM and key concepts. For example, one of the dApp projects spoken to, considering to work on Matic expects at least 100x TPS improvement and 10x cost improvement.

Assuming Matic is able to deliver, Ethereum developers will no longer need to move to

another network, they will simply utilize Matic. This can turn into a key advantage for the project.

Ethereum has **200,000+** developers in its ecosystem and is the industry leader in terms of dApps hosted. Appealing to this community should enable Matic to bootstrap in a way most new projects cannot.

Already, Matic has ~25 dApps being built on it, and with **Decentraland** partnership announced, Matic looks like it should be able to capitalize on its position in the Ethereum ecosystem.

Project name	Ticker	Launch Date	Key features	Market cap
Matic Network	MATIC	First Testnet launched in June, 2019	<ul style="list-style-type: none"> - Plasma side chains - 10,000 TPS on a single sidechain. - EVM compatible - ~1s block time 	\$32.2M
Loom Network	LOOM	First Sidechain launched in March, 2018	<ul style="list-style-type: none"> - Delegated Proof of Stake and BPFT consensus - Variable chain specifications with Loom SDK 	\$22.7M
Celer Network	CELR	Alpha-mainnet launched on July 7th, 2019	<ul style="list-style-type: none"> - Zero fee off-chain smart contracts - 100X fee reduction for micro-payment on Ethereum - achieved 10,000X transaction latency reduction 	\$14.3M
Raiden Network	RDN	Alpha released in Dec, 2018	<ul style="list-style-type: none"> - Payment network - Using state channels - Theoretical 1M TPS 	\$8.0M

Layer 2 Solutions on Ethereum

Layer 2 on Plasma

Matic Network realizes its key features by utilizing Plasma technology.

Plasma refers to a framework for interaction between Ethereum mainchain and side chains. It provides security guarantees to the users, by leveraging the Ethereum blockchain as an arbitration layer.

Users are protected from any security flaws on the sidechains by the security properties of the main chain. In the case of malicious activity, users can always revert back. Network security is often a major concern for upstart projects, but on Matic, assets are as safe as they would be on Ethereum.

To further enhance the security of the network, Matic also uses the **Fraud Proof mechanism**. Anyone can submit evidence of the fraudulent transactions on the network. If the claim is proved accurate, the stakes of the fraudulent parties will be slashed and transferred to the challenger.

The mechanism serves as a perpetual bounty program to disincentivize fraudulent activity on the network.

To improve scalability, the system uses **PoS checkpoints**, which are pushed to the Ethereum mainchain. According to the team, this should enable high throughput and lowers the costs to **1/100th** of the fees as compared to Ethereum.

Furthermore, sidechains are EVM enabled, which eliminates entry barriers for Ethereum dApp developers.

In fact, developer experience is a special area of focus for the project. The project has built a number of tools to make it easier to interact with the Matic Network, such as **Matic SDK, Matic Wallet, Dagger** (Ethereum notification engine with real-time updates from the Ethereum blockchain), **Block Explorer**. Moreover, Matic's team is also arguably the first to implement **Plasma Predicates**, which significantly simplifies the upgradability of Plasma contracts, making the addition of new features a much easier task.

With a number of teams already building dApps on Matic Network, it looks to be a practical solution to the most pressing issues of the Ethereum ecosystem.

Why build on Matic ?

We've designed the network to make it easy for developers to build on Matic.



Low cost

Transactions on Matic sidechains cost a 1/100th of the fees as compared to Ethereum



EVM compatible

Matic sidechains are EVM based sidechains. Use the same developer tools as on Ethereum and deploy faster.



Fast ~1s block times

The sidechains offer ~1 second blocks for enabling real world use cases



Developer Support Program

Get grants to build on Matic alongside Marketing and Fundraising support

Why build on Matic? | Source: matic.network

Grassroots Growth

Matic's strategy for adoption is built around developer and user experience. The team has been keen to utilize hackathons to grow its community, and has around 50 of them planned for next year.

The team is based in India, and appears to have a lot of connections in the region, enabling them to run events at the top technical schools in the country.

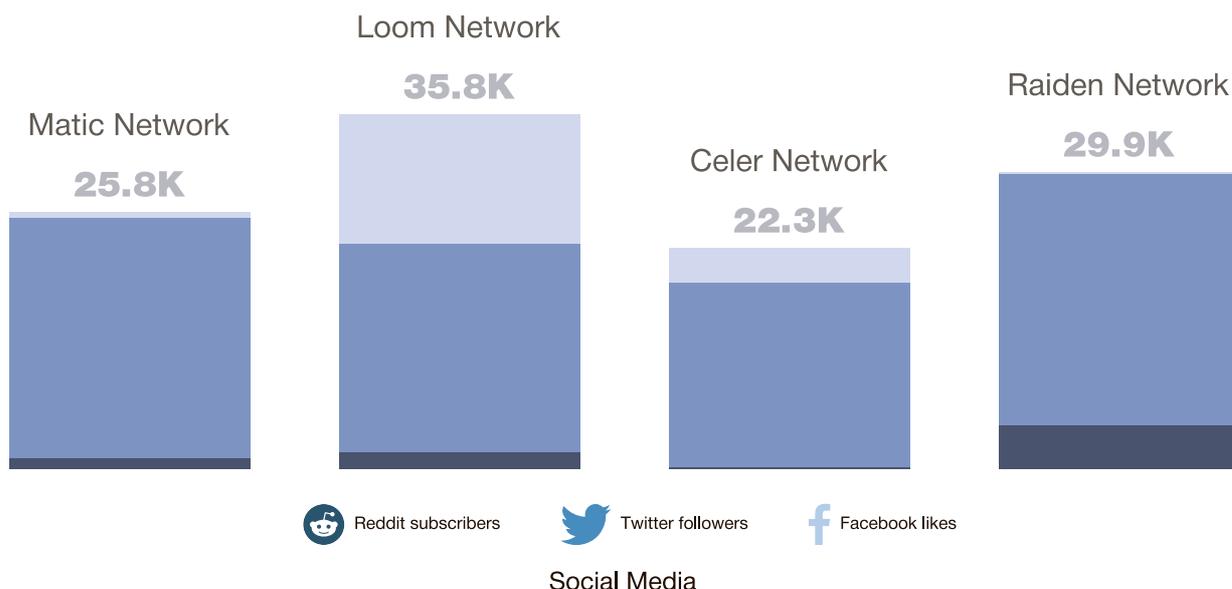
Matic also plans to expand its reach across other regions, including Southeast Asia and North America. The strategy though is likely to be the same - practical hands-on involvement of developer communities.

The strategy should enable Matic to maintain a sensible budget, while capitalizing on developer enthusiasm. According to the team, they are well set financially, with an almost finished product (70% of the code is complete) and a runway of 4 to 5 years. It should also improve the chances of having commercially viable applications emerge on its platform.

The project has also initiated a **Developer Support Program**, which will provide developers building on Matic/Ethereum with early support grants, technical guidance, security audit support, marketing and much more. According to the team, they are planning to allocate \$500K to fund grants for the ecosystem projects.

Matic also appears to have the support of some of the industry's heavy hitters. The project was one of the few to have been selected by Binance for an IEO. It also boasts **Coinbase Ventures** as one of its investors.

Moreover, it has **partnered** with a number of industry projects such as **Decentraland, MakerDao, USDC** and **Ripio Credit Network**, which are all exploring how Matic can improve their performance. With the launch of the mainnet, **the number of dApps** built on Matic should continue to grow.



Community Comparison

Things to Consider

Still, Matic introduces a relatively new concept to the market, and like many other new projects in the space, it bears risks.

Its technology has not been fully market-tested, so there is a possibility that there are bugs that have not yet been discovered. The team did not open-source the code, so the community audit is yet to come. So, as things stand, it will likely take some time before developers will trust Matic to start using it to a full extent.

Although, according to the team there are over 20 dApps currently building on Matic, the top Ethereum dApps are unlikely move to Matic any time soon.

For instance, in the promising DeFi, lending applications are likely to pass on Matic in the near term as they have less need in high-frequency operations. On the other hand, DEXs may be more interested, but as of now, Matic has no specific plans to integrate the likes of Kyber Network. Given the sensitive nature of financial applications, DeFi developers are likely to wait for the market to confirm Matic's viability as a scalability solution.

As such, in the near term, Matic may struggle to load its network with high quality use cases.

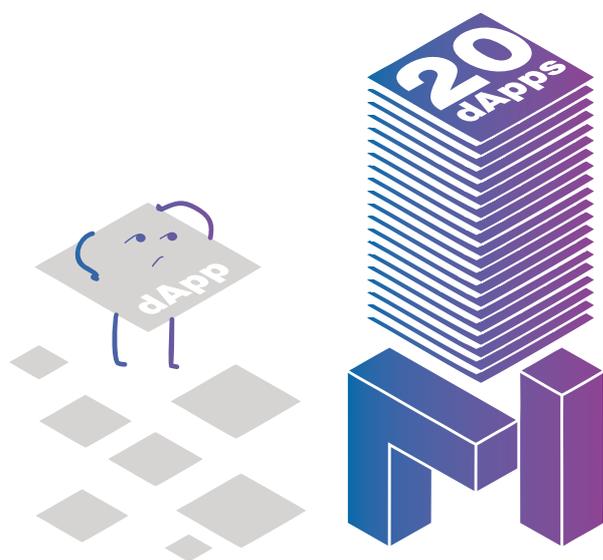
There are also concerns about centralization. The project is centrally **governed by the team**, which will be its single point of failure, at least in the medium term.

The team will govern the onboarding of the first ~100 validators, which will have to stake at least one MATIC token, in order to start validating the transactions. The team promises to have **“a comprehensive validator scoring mechanism”** for ranking and replacing validators, however, these mechanisms have not been tested yet, which creates risk.

Ethereum's on-chain scaling can also be an issue in the long term. The release of Ethereum 2.0, which will likely happen in the next two years, could make layer 2 scaling solutions irrelevant.

Matic does not see that as a problem since the Ethereum is implementing sharding and it is likely that some shards will become congested. As such, it views itself as a complement to Ethereum 2.0, as it can help shards operate more efficiently.

Still, the greatest risk is that high adoption, may not come in the next few years, and there will be nothing to scale.



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Upcoming milestones and the token price

Looking at the medium-term prospects, the project has several upcoming milestones.

Matic is planning to launch its mainnet in Q4 2019/Q1 2020, which may get the attention of market speculators.

Q4 2019 & Q1 2020

- Matic Network Mainnet release **#core**
- Plasma Fast exit services on mainnet **#protocol**
- Transaction relay pool (perform transactions without ETH) - for enabling easy asset/state movement from Ethereum to Matic **#protocol**
- Generic smart contract support (with Plasma guarantees) - Proof-of-Concept **#protocol**
- Plasma - NFT Marketplace platform release for Ethereum assets **#dapps**

Why build on Matic? | Source: matic.network

It is likely that a large proportion of the tokens will likely be locked up in staking. Staking rewards will depend on the network's staking

ratio and will incentivize staking - since it will not be economically efficient to not stake and miss out on the potential rewards.

% of circulating supply staked	5%	10%	15%	20%	25%	30%	35%	40%
Annual reward for year								
First	120%	60%	40%	30%	24%	20%	17.14%	15%
Second	72%	36%	24%	18%	14.4%	12%	10.29%	9%
Third	54%	27%	18%	13.5%	10.8%	9%	7.71%	6.75%
Fourth	42%	21%	14%	10.5%	8.4%	7%	6%	5.25%
Fifth	30%	15%	10%	7.5%	6%	5%	4.29%	3.75%

Matic Staking Rewards | Source: blog.matic.network

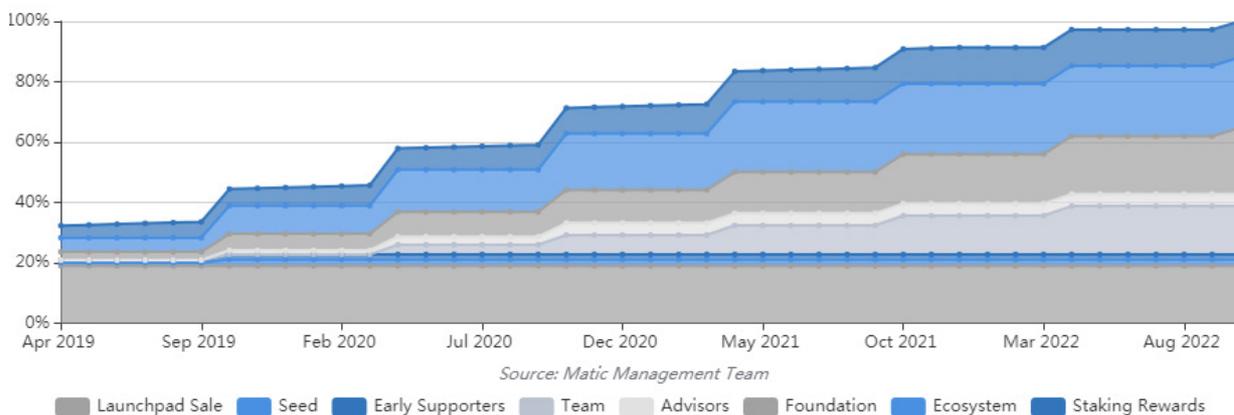
Moreover, with more dApps launching on Matic, the potential demand for the tokens will likely go up. To help with this around Q4 2019/ Q1 2020, the project is planning to integrate Bitcoin, which could significantly increase the attractiveness of Ethereum DeFi dApps, enabling transactions with Bitcoin.

In the upcoming year, the team is also looking to integrate with other major projects, including Binance Chain and Klaytn, and leverage the network effects from these projects.

Furthermore, the team recently announced that it's planning to use **100% of unlocked Matic Treasury tokens** (Foundation & Ecosystem) to be allocated to staking activities, which means that these tokens are not likely to flood the open market.

Although, the project is planning to double the number of tokens on the open market in the upcoming two years, this should not be an issue assuming the team and major investors continue to stake and adoption increases.

MATIC Token Release Schedule



MATIC Token Release Schedule | Source: info.binance.com

Conclusion

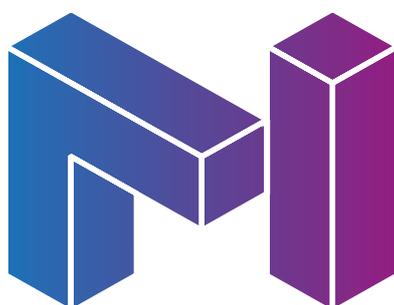
Matic is a promising project. Its product addresses real pain points of the market, scalability and cost, without compromising on security. It has a good opportunity to leverage the network effects of Ethereum, and its massive community of developers and users.

With a solid core team, and prominent

supporters, Matic looks poised to make an immediate impact in the industry.

Matic receives a grade of B-.

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



**MATIC
NETWORK
RECEIVES
A GRADE
OF B-**

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