

# ICOrating

UTRUST Rating Review (<https://ustrust.io/ico>)

ICO dates (02.11.2017 — 09.11.2017)



I C O R A T I N G

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<b>1. Ratings</b>	<b>3</b>
<b>2. General information about the Project and ICO</b>	<b>4</b>
<b>3. Project services and their usage</b>	<b>7</b>
<b>4. Engineering solutions</b>	<b>8</b>
<b>5. Development strategy and Roadmap</b>	<b>11</b>
<b>6. Market Review</b>	<b>13</b>
<b>7. Team</b>	<b>16</b>
<b>8. Marketing strategy</b>	<b>18</b>
<b>9. Competitive Advantages of the Project</b>	<b>20</b>
<b>10. Risks of the Project</b>	<b>22</b>
<b>11. Economy of the Project</b>	<b>24</b>
<b>12. Investment highlights of the token</b>	<b>25</b>

# 1. Ratings

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**We assign the UTRUST project a “Stable+” rating. We recommend participation in the project’s ICO to long-term investors who are familiar with this review and the project documentation, as well as being aware of the risks identified by us.**

UTRUST is a platform that is designed to provide an opportunity for all comers to pay for goods sold for fiat, in cryptocurrency. Moreover, UTRUST provides not only an infrastructure for making payments, but also acts as a guarantor of the execution of transactions; in some cases, it even acts as an arbitrator to resolve disputes.

We wish to emphasize the relative simplicity, the level of thoroughness and the qualifications of the team as strong points of the project. Also, the size of the target market can be referred to as a strong point, although it must be understood that it is supercompetitive.

Perhaps competition is the main risk for UTRUST investors. Currently it is impossible to unambiguously say how many more similar projects are aimed at creating a "bridge" for payment of goods in cryptocurrency. Leaders in the traditional market, unlike start-ups, have a huge monetary resource. We cannot exclude the possibility that, for example, Paypal is not conducting similar developments.

The UTRUST token is a traditional utility with a built-in deflationary structure. The token from our point of view has an investment growth potential if the UTRUST team manages to achieve all its goals; if attracted investments suffice to complete the product’s development in accordance with the roadmap and for a decent marketing campaign, and competitors do not submit similar blockchain solutions. Given that the project's hard cap is overestimated, it is most likely that it will not be possible to reach it during the main ICO, which means that there can be no unambiguous assurance that all plans will be implemented as intended.

Nevertheless, we recommend participation in the UTRUST ICO to those investors who are aware of the risks we have identified, and who like the concept of the project as well as the program for its implementation.

## 2. General information about the Project and ICO

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UTRUST is a new platform that will allow buyers to pay for goods and services directly using any cryptocurrency. The platform itself is a trusted intermediary between buyer and the seller, guaranteeing buyers execution of transactions and allowing sellers to charge in cryptocurrency, but to receive money in fiat.

In fact UTRUST will provide a payment gateway which combines the speed and security of cryptocurrency payments with protection for users that is analogous to traditional payment systems, as well as protection against all kinds of fraud (stolen cards, refunds or hacked accounts.) UTRUST is developing a payment security system with the help of a reliable intermediation mechanism that allows a buyer to challenge a transaction if something goes wrong. In other words, UTRUST is a safe environment for both the purchasing and selling parties.

The UTRUST team is planning to popularize cryptocurrency with a wide audience, making it a viable tool for paying for purchases on the internet. This is what the cryptosphere has lacked since the very first days of its existence. UTRUST realizes this goal by applying a modern consumer protection mechanism that accompanies each transaction, which ultimately makes the system like a PayPal for cryptocurrency.

### **ICO**

Crowdsale start date and time:

November 2, 2017 14:00 GMT

Crowdsale duration:

No longer than 7 days or until all tokens are sold, whichever occurs first.

Aggregate token supply: 1,000,000,000 UTK

MAXIMUM CROWDSALE CAP: \$49M

Placement cost: \$0.065 (6.5 cents)

Accepted payment: BTC and ETH

It should be noted that the project has already staged two successful rounds of its tokensale. According to the team, the first round occurred as follows:

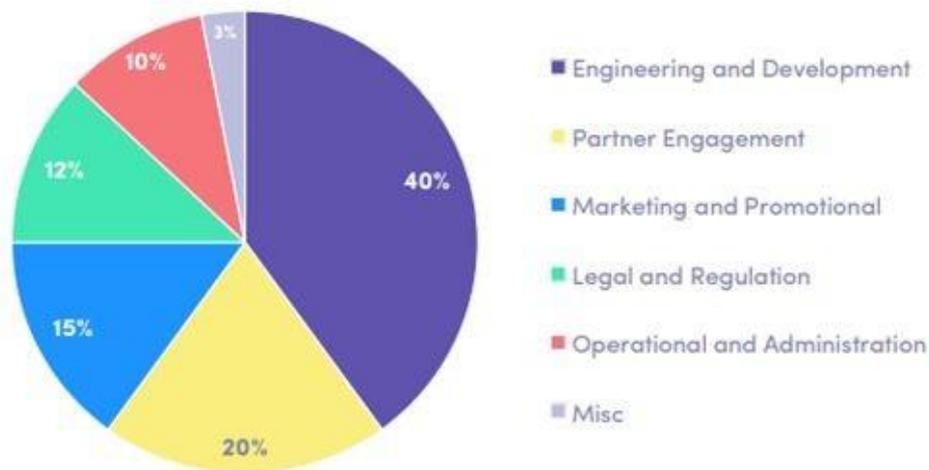
Rounds			
25th August	Private Investors	Sold out	100,000,000 (10%) \$2,000,000
28th August	Pre-ICO	Sold out	50,000,000 (5%) \$1,500,000
November 2nd	ICO	\$0.065 / token	700,000,000 (70%) \$45,500,000

After the ICO, the distribution of tokens will be as follows:



The distribution of collected funds will have the following structure:

### Allocation of funds, post-ICO



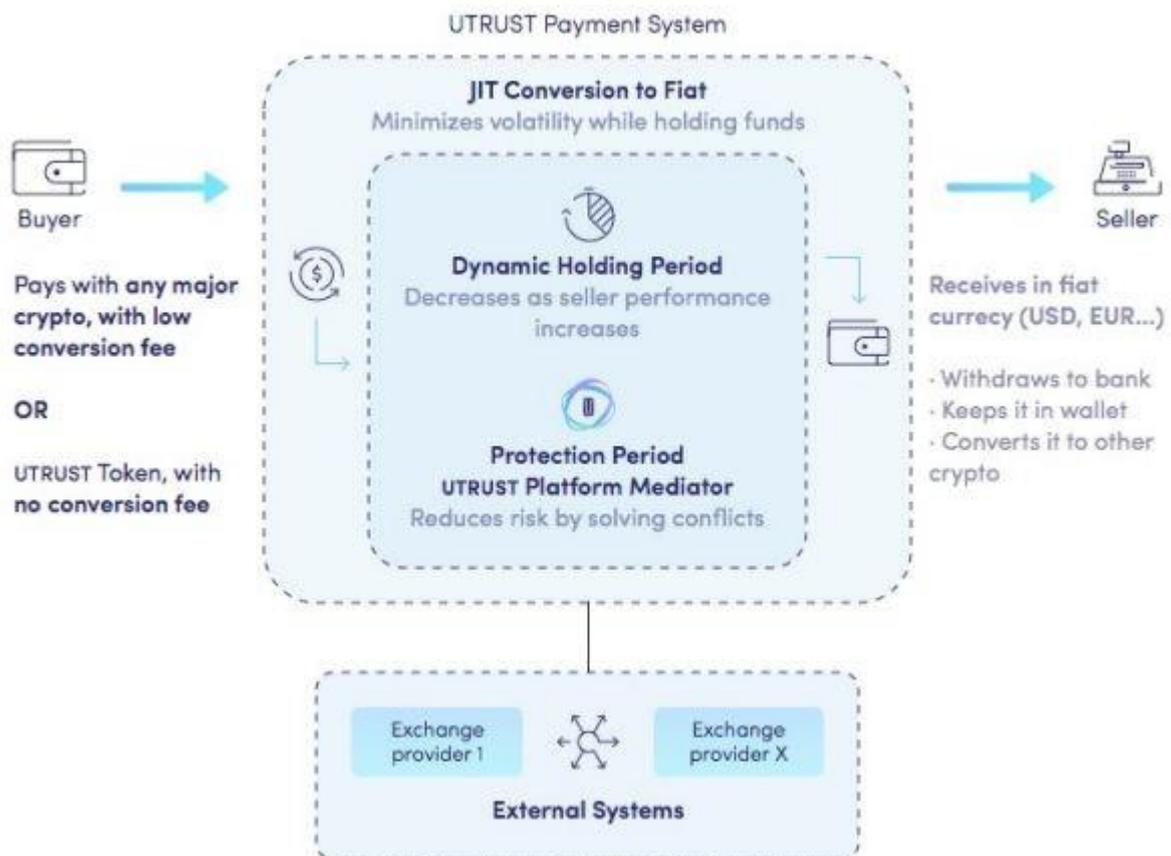
It may seem from the diagram that project partners are spending too much money, and it is not entirely clear who these partners will be. This is how partners were determined by the team itself: Partner Engagement – Developing relationships with non-merchant entities, such as exchange providers and other strategic partnerships. Engaging possible joint ventures and incentives to drive platform adoption.

Providing the best exchange rates is not a simple task, and it is not cheap at the setup stage. It is also very good that the founders have adequately assessed the importance of building partnership agreements at the pre-ICO stage.

### 3. Project services and their usage

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UTRUST is a decentralized payment system which is an infrastructure for participants in trade relations. Schematically, the infrastructure can be represented as follows:



The founders emphasize the following services in the white paper:

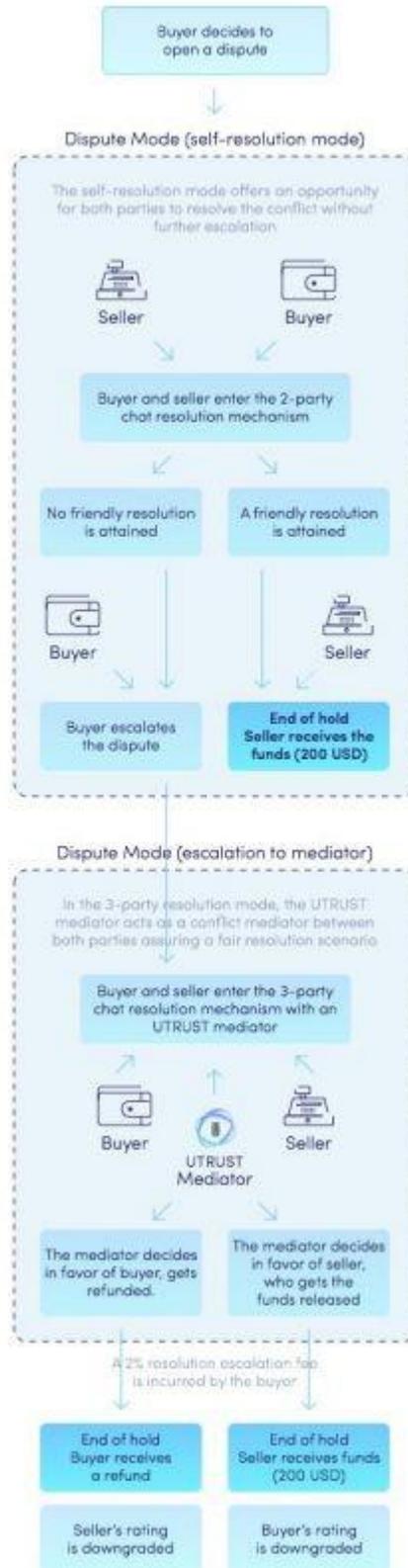
- **Buyer protection** - the amount paid by a buyer is held until the transaction is confirmed by the platform mediator. UTRUST takes upon itself the resolution of disputes and the minimization of risks, protecting the buyer and guaranteeing him the possibility of a refund in the event of problems with a purchase.
- **Protection from exchange rate fluctuations** - transparent preliminary exchange rates are provided. Conversion from cryptocurrency into fiat is implemented in real time at the best market rate and is added to the pool. By blocking this amount and guaranteeing its retention after conversion,

UTRUST ensures that the seller receives the exact amount requested, without any restrictions related to the volatility of the crypto market.

- **Low commissions** - sellers are offered lower fees compared to other e-commerce platforms - 1% of transaction amount. The connection to a variety of exchange service, and intelligent analytics ensure that buyers benefit from the lowest possible commission.

The UTRUST platform does not restrict the selection of sellers, so the project can be immediately considered as an alternative to PayPal and a number of other decentralized payment systems.

However within the framework of UTRUST, a mechanism for the arbitration of deals is offered. In the event that there is a conflict between a seller and a buyer which they cannot solve between themselves, a mediator from UTRUST comes to the rescue:



Thus, a mediator contributes to the resolution of the conflict, the UTRUST platform earns 2% of the transaction amount and a fee is charged to the buyer.

## 4. Development strategy and Roadmap

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The roadmap presented in the white paper is as follows:



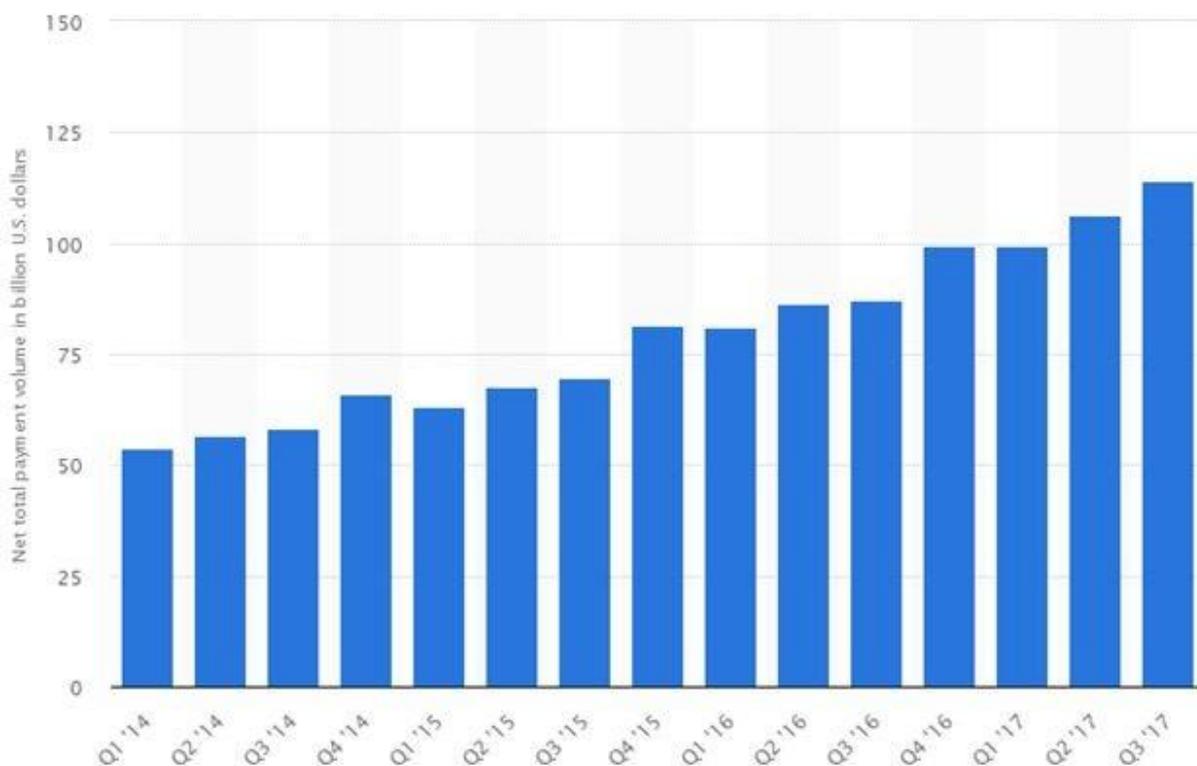
A more detailed plan is promised after the ICO. Apparently, the roadmap will be adjusted depending on the size of the investment funds attracted. In 2018, the team is planning to test the services, including the API (from the first quarter). A pilot launch is expected in the third quarter of 2018, and a full-fledged release of the platform will occur in the fourth quarter. Given the resources that competitors have available (for example Paypal) there is a risk for tokenholders. During the year that will pass before the launch of the UTRUST service, the market leaders may have time to submit their own inventions.

## 5. Market Review

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Payment systems can significantly improve the quality of life. It is hard to imagine life without internet commerce, although not everyone uses it and trusts it. It is the problem of trust on the internet that hampers the widespread development of internet commerce, as there have been no unambiguous methods to protect buyers and sellers for a long time. PayPal has achieved great success in this area, and has introduced a mechanism for solving problems through disputes and claims. Currently, projects like UTRUST are borrowing the best ideas from PayPal to create decentralized, more advanced and cheaper services.

At the same time, PayPal itself remains a benchmark for payment systems on the internet, and its indicators give a good idea of the industry as a whole. A graph of the quarterly volume of system payments from Q1 2014 to Q3 2017 is given below.

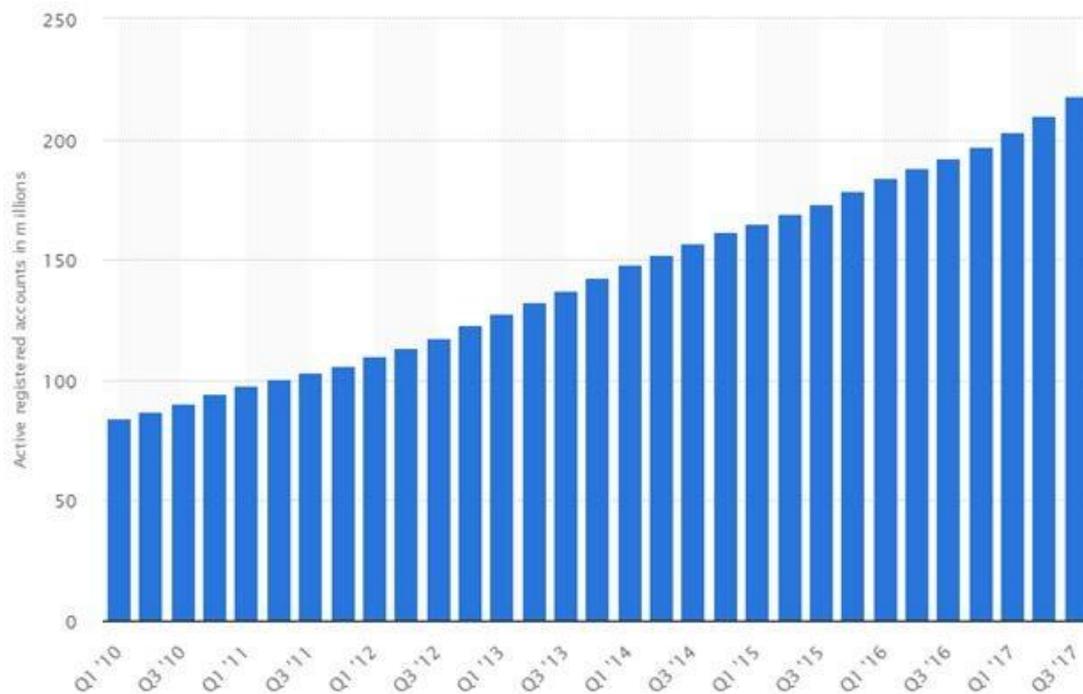


In the last reported quarter, the company's net payment volume amounted to 114 billion U.S. dollars, representing a 30 percent year-on-year growth. This payment volume was generated through the 1.73 billion transactions which PayPal processed during that quarter. In 2016, the payment provider's annual payment volume amounted to 354 billion U.S. dollars.<sup>[1]</sup>

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[1] <https://www.statista.com/statistics/277841/paypals-total-payment-volume/>

In addition to the fact that these good indicators are provided by the growth in number of transactions, the number of customers for the system is also growing. The diagram below shows the change in the number of active registered users:



Recently, bricks-and-mortar retailers and shops have also begun to accept PayPal as a mobile payment method. As of December 2016, 34 percent of North American retailers already accepted PayPal as a payment method and 21 percent planned to accept it within the next 12 months. Customers are required to use their NFC-enabled mobile device to make a payment or use a PayPal card, which can also be swiped or touched in at physical point-of-sale locations. In 2016, the service's annual mobile payment volume amounted to 102 billion US dollars, representing a 43 percent growth compared to the previous year.<sup>[1]</sup>

Growth is demonstrated by the financial performance of Paypal:

## Bloomberg

## Financial Statement Analysis

Ticker: PYPL US Equity	Periodicity: Annuals	Currency: USD	Note: Years shown on the report are Fiscal Years	Company: PayPal Holdings Inc				
Filing: Most Recent								
<b>Adj Highlights</b>								
	Estimate 2018 A	Estimate 2017 A	Current (M)	Original 2018 A	Restated 2018 A	Original 2018 A	Original 2018 A	Original 2017 A
For the period ending	2018-12-31	2017-12-31	2017-9-30	2018-12-31	2018-12-31	2018-12-31	2018-12-31	2017-12-31
Market Capitalization			85,305.94	47,542.29	44,308.80			
- Cash & Equivalents			4,821.00	4,514.00	5,789.00	2,261.00	2,121.00	
+ Preferred & Other			0.00	0.00	0.00	0.00	0.00	0.00
+ Total Debt			0.00	0.00	0.00	1,093.00	1,103.00	
Enterprise Value			80,384.94	41,126.29	38,549.80			
Revenue, Adj	15,528.27	12,959.08	12,331.00	10,842.00	9,246.00	8,025.00	6,727.00	5,962.00
Growth % YoY	19.83	19.53	18.37	17.24	15.24	19.30	18.81	
Gross Profit, Adj	8,226.10	7,189.05						
Margin %	52.98	55.48						
EBITDA, Adj	4,088.06	3,385.33	2,591.00	2,310.00	2,142.00	1,785.00	1,540.00	1,281.00
Margin %	26.33	26.12	20.69	21.31	23.16	22.24	22.89	22.62
Net Income, Adj	2,754.69	2,279.83	1,616.20	1,421.00	1,280.35	839.90	662.40	790.11
Margin %	17.74	17.59	13.11	12.92	13.64	10.46	14.16	13.36
EPS, Adj	2.26	1.87	1.33	1.15	1.04	0.68	0.78	
Growth % YoY	20.79	62.70	16.70	10.30	52.47	-12.10		
Cash from Operations			3,601.00	3,158.00	2,546.00	2,220.00	1,993.00	1,565.00
Capital Expenditures	-499.13	-498.19	-439.00	-469.00	-722.00	-492.00	-391.00	-511.00
Free Cash Flow	3,102.00	2,903.52	2,962.00	2,489.00	1,824.00	1,728.00	1,602.00	1,054.00

In addition to market capitalization:



Based on PayPal figures we can thus estimate that even a mature and successful company can maintain a decent growth rate. Accordingly, young and ambitious companies like UTRUST will be able to occupy some market share in the event that their services are more convenient than those of the market leaders.

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[1]

<https://www.statista.com/statistics/218493/paypals-total-active-registered-accounts-from-2010/>

## 6. Team

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The UTRUST project has a large team; there are 16 participants and 13 advisors on the project's website. The team appears to be very professional; its members are Software Engineers, UX and Design experts. There is only the issue of a lack of experience in implementing blockchain projects; at least none of the UTRUST team has disclosed such experience.

Below, rather than describe the whole team in detail, we will focus on the executive group:

### **Nuno Correia - CEO**

[https://t.me/nuno\\_ustrust](https://t.me/nuno_ustrust)

An early cryptocurrency investor, deeply involved in crypto markets and the crypto community since early 2011; successfully co-founded several B2C ventures. With a background in Law and Marketing, he is passionate about the transformative future of digital payments.

### **Filipe Castro - CIO**

<https://www.linkedin.com/in/phicsr/>

An MBA with an MSENG and love for disruptive technologies. Filipe had an early career in development of software solutions, including those for electronic payment systems. Internationally-minded, he moved from corporate to small ventures in Scandinavia, complemented with an MBA in China and a brief advisory role. Now engaged in business development and the strategic development of new ventures.

### **Artur Goulão- CTO**

<https://www.linkedin.com/in/arturgoulaoferreira/>

Former CTO for a leading digital payment platform company and current head of Development of a Swiss-based Cybersecurity company. Excels and is deeply involved in the development and R&D of software-related payment systems, in either classical or Blockchain Smart contract-based approach. Has a background in Computer Science from IST and MIT.

### **Roberto Machado - CPO**

<https://www.linkedin.com/in/robertomachado/>

Founder and Product Manager for several startups prior to UTRUST, Roberto has been leading different teams building highly reliable software products, with a focus on the end user experience. Previously, he has worked with major international companies such as AT&T, Betfair, Airtel and Uphold, being responsible for the vision outline, goals and product strategy of solutions used by millions of people.

No information that could discredit the team members was found. All members of the team have links to their pages on LinkedIn, where a more detailed description of their work experience can be found.

Among declared advisors there are specialists in all areas that the project may require. There are specialists in Cloud Computing, Finance, Business development, Marketing, Legal, Blockchain, etc. Frankly speaking, there are no well-known people among the advisors, which is perhaps a plus point. Some of them are connected with SafeCloud Technologies - a Swiss venture focused on privacy-preserving software solutions.

## 7. Marketing strategy

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UTRUST conducts an active marketing campaign. To attract more interest in the project, the team has worked in all the main directions for optimum promotion of the ICO. Many announcements have been published; social media posts have become very frequent, and bounty hunters on [bitcointalk.org](http://bitcointalk.org) with the signature of the UTRUST project are quite common. We believe that the team has done their best in this capacity.

There have been many publications and announcements on the network, although it should be noted that they have been rather monotonous. We will not list the names of all information portals here, but we list the most popular ones: MarketWatch, Business Insider, Yahoo! Finance, Cointelegraph and others.

A few words need to be said about the documentation: The white paper is written quite well and is presented on the website in five languages: English, Italian, Chinese, Korean and Russian. The quality of translation is quite decent.

As befits a project in the mature stages of preparation for its ICO, UTRUST has a good base of subscribers on social media and instant messengers. Here we present some figures:

- Facebook - 8294
- Twitter - 6018
- Telegram – 2714

The team communicates mainly via Telegram; its Telegram channel is popular. UTRUST also use the [bitcointalk](http://bitcointalk.org) forum, where there are already 240 pages. Despite the fact that the forum thread has been underway since August 2017, discussions on the essence of the project are still taking place. It is positive that the discussion is alive and has not just turned into posts from bounty hunters. Below is a reasonably up-to-date example:

SEELE^^01  
Member  
Online  
Activity: 112  
DeepOrion... all hope!

Re: [ANN][ICO] UTRUST The future of online payments is here. #478C  
Today at 08:26:57 AM

Quote from: cantdecide on Today at 06:57:41 AM  
Quote from: levyashin on Today at 06:24:12 AM  
Quote from: niklasmato on Today at 06:04:43 AM  
Quote from: heisenberg0000 on Today at 05:37:56 AM  
If UTRUST would be working somewhat as Paypal in crypto, would there be a chance that it can be stored in physical cards/hardware wallets also?

Well the UTRUST token is on ethereum, and ethereum can be stored in a physical card/hardware wallet so .. yes why not.

Does paypal have a physical card? Yes, it have.

So why utrust shouldn't. Probably they will make in the future but right now I don't think it is their first priority.

Paypal has a physical card? How does it work? Like an prepaid credit card or something like that?

But yes, why not. I think if UTrust booms and will make a physical card, it could become a real competition to the current crypto based credit cards.

here you can get all the info about the paypal mastercard: <https://www.paypal.com/us/webapps/mpp/debit-card>

yes, utrust shouldn't aim atm for a debit card, they should focus on getting marketcapitalization first, then a debit card 😊

Thus, the ICO marketing campaign deserves high praise. This is positive, as it will help increase revenues for the ICO.

As for product marketing, the team is planning to spend 15% of funds attracted on promotion: «Developing relationships, a marketing plan and a cooperation strategy with merchants in order to expand support of the UTRUST platform and reach a wider audience of clients. Developing a marketing campaign targeting increased adoption of the platform by buyers.»

## 8. Competitive Advantages of the Project

The UTRUST project has serious competitors; first of all, the well-established PayPal and Bitpay. Monetha is one of the competitive ICO projects. The founders compared themselves primarily with the first two in their documentation. Below is a table taken from the white paper, where we have highlighted the most important advantages from our point of view.

	 UTRUST	 PayPal	 bitpay
Lower Buyer Purchase Risk	●	●	●
Payment Approval Speed	●	●	●
Low Exchange Fees	●	●	●
Low Seller Fees	●	●	●
Multiple Crypto Currencies Accepted	●	×	●
Safety of Funds	●	●	●
No Chargebacks	●	×	●
Customer Payment Protection	●	●	×
Efficient Resolution of Disputes	●	●	×
Performance-based Rating of Seller	●	●	×
Decentralized Token Linked to Platform	●	×	×

Figure 4 - Competitive Landscape vs other market players

It makes sense to start with **Multiple Crypto Currencies Accepted**, because it is an excellent opportunity to use the leading currencies on Coinmarketcap for everyday transactions, where most services offering payments in crypto are limited to Bitcoin. Hence the importance of **Low Exchange Fees**: if the UTRUST team really succeeds in achieving the best exchange rates, the service will be very popular.

The cost of transactions will of course play a decisive role. The project states a fixed commission of 1% for all transactions, which is a pretty competitive price, since PayPal commissions can reach up to 5% per transaction. Bitpay commissions are comparable to UTRUST, where they vary from 0 to 1%, but Bitpay has a problem

with **Customer Payment Protection**. Here, UTRUST has a system of protection similar to PayPal, but it will be cheaper for the end user.

Thus, UTRUST is a successful combination of PayPal with cryptocurrency payment systems, which has a number of its own original developments as well as its own token.

Separately, we should dwell on the comparison of UTRUST with the Monetha project. Monetha is a competing start-up, offering a fast decentralized payment system. The two projects have similar features, but there are a number of significant differences.

- Monetha works with ETH only.
- Monetha has not implemented protection for the buyer at the proper level; it is impossible to return money if you are deceived by a seller.
- Service commission is 1.5%, which is more expensive than UTRUST.

In our opinion, these are the most significant shortcomings of Monetha, although we note that Monetha is also a worthy project, which was well appreciated by the market and has already conducted a successful ICO.

Decentralized payment systems are one of the trends in fintech and one of the first ideas for using blockchain in real life. We believe that this sector will develop dynamically in the near future and UTRUST will have many more competitors.

## 9. Risks of the Project

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As stated above, the project has an economic risk which is quite serious in our understanding. There is no certainty that an economic model with a 1% commission will be viable.

There are risks for the service itself, which can potentially discourage customers from using it; for example, security within the infrastructure. Upon the conditional deposit of funds within the infrastructure, a buyer bears the risk of hacking. The team does not describe in the documentation how this risk will be controlled or minimized. Issues related to the resolution of disputes pose many questions:

- First, who is to be mediator? Apparently, a UTRUST employee. This begs the question why the project did not take advantage of decentralization, which would allow random selection of participants in the system using ratings. Moreover, this would increase the attractiveness of the token, since the execution of such roles within the system would allow remuneration of such tokenholders. We asked the team about this and got the following reply: *«During the first phase of the platform this role will be fulfilled by UTRUST employees; however once the platform grows we intend to decentralize mediation. Buyers and sellers will solve claims and receive a 2% fee paid in UTK tokens. 3 people will be required to solve a claim; this will be an easy process and very profitable for high ranking buyers and sellers.»*
- Secondly, it is unclear how the service will control cryptocurrency risks. If a buyer wants to pay in bitcoin, but something goes wrong and the money is returned to him, will he receive USD? Or will it be cryptocurrency at the exchange rate on the date of the refund? This can be a very big problem.

There are also competitive risks. The launch of the working version of the platform will take place in a year's time. Paypal, which has much larger resources, can offer its own development during this time. Given the availability of a Paypal loyal customer base, this would definitely complicate a UTRUST struggle for market share. Bitpay, too, is a very serious competitor. Bitpay has partner agreements with large stock exchanges, which should enable profitable exchange rates. UTRUST, for

understandable reasons, does not have such agreements in place as yet, and the terms of future agreements are still subject to negotiation.

## 10. Economy of the Project

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The main source of UTRUST's income is commission for transactions; this will be 1%. Additional income includes dispute resolution commissions (2% of transaction amount) and possibly a spread on currency exchange transactions. Technically UTRUST can charge this, although it does not mention this directly in the documentation. This is a market practice in which there is nothing shameful from our point of view.

The financial model for UTRUST is not presented, nor information about the operational costs of the platform. This complicates the analysis of the economic risks of the project.

We can be guided only by public information from competitors, for example data from PayPal financial statements. As you can see in the screenshot, presented in the "Market Review" section, EBITDA margin for Paypal consistently holds a little above 20%. The key line of the cost for Paypal is transaction expenses: about 30% of the company's revenue. Probably, UTRUST will not be able to seriously reduce the share of transaction expenses, since the UTRUST business model presumably also involves operations using fiat money. Another 30% of revenue is generated by transaction and loan losses, customer support and operations and sales and marketing<sup>[1]</sup>. On these lines, most likely UTRUST will not be able to save money.

Given that commission for sellers on Paypal is 2.9-3.9%, this generates a certain economic risk for UTRUST. Assuming Paypal's revenue is 3 times lower than the actual (due to the fact that the commission is not 2.9% -3.9% but 1.0% as in UTRUST), the loss at EBITDA level would have been \$4.9 billion in 2016. This is a very approximate calculation; however, it demonstrates the depth of the potential problem. Therefore, we cannot claim absence of economic risk for UTRUST, and regret that the documentation does not provide information about costs.

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[1]

[http://files.shareholder.com/downloads/AMDA-4BS3R8/5437457666x0x925398/AA5 BFC13-AD89-41D0-A405-BA9DF79F294D/Q4\\_2016\\_Supplemental\\_Operating\\_and\\_Financial\\_Data.pdf](http://files.shareholder.com/downloads/AMDA-4BS3R8/5437457666x0x925398/AA5 BFC13-AD89-41D0-A405-BA9DF79F294D/Q4_2016_Supplemental_Operating_and_Financial_Data.pdf)

## 11. Investment highlights of the token

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UTRUST tokens will be used on the platform of the same name as a payment instrument for other cryptocurrencies, for example, BTC, LTC or ETH. A portion of the funds received as commissions will be used for redemption and further repayment of UTRUST tokens. Thus, the token issuers will independently support token demand and, in fact, indirectly share their profits with tokenholders, reducing the number of tokens in free circulation, thus contributing to the increase in their price.

Rules for the redemption of tokens are not specified in the documentation. It is only known that the rate of withdrawal of tokens from the market will not exceed 50 million per year, and the minimum allowable number of tokens on the market is 100 million from 1 billion. Thus, the limit will be reached no earlier than 18 years' time.

UTRUST token is therefore a utility with a buyback function, which most likely will not cause censures by world regulators in the securities market. At the same time, its growth potential will directly correlate with the turnover within the platform.

The hard cap of the UTRUST project is overestimated. Paypal, with a capitalization of \$85 billion serves transactions to the amount of more than \$430 billion per year. Thus, a hard cap of \$49 million, in analogy with Paypal, would be fair if the project serves payments of \$250 million per year. Let's see when UTRUST will manage to reach such figures.

Nevertheless, in general, we consider the concept of the token as a viable one. The token from our point of view has an investment growth potential if the UTRUST team manages to achieve all its goals; if the attracted investment will suffice to complete product development in accordance with the roadmap and for a decent marketing campaign; and if competitors do not offer similar blockchain solutions. We recommend participation in the UTRUST ICO to those investors who are aware of the risks we have identified, and who like the concept of the project as well as the program for its implementation.

The information contained in the document is for informational purposes only. The views expressed in this document are solely personal stance of the *ICOrating* Team, based on data from open access and information that developers provided to the team through Skype, email or other means of communication.

Our goal is to increase the transparency and reliability of the young ICO market and to minimize the risk of fraud.

We appreciate feedback with constructive comments, suggestions and ideas on how to make the analysis more comprehensive and informative.