
CryptoMillionsLotto.io Evaluation Report

ICO Analysis

25 May 2018



Product

The application of blockchain technology to the lottery gaming industry has huge potential, indeed it is ripe for disruption. This is well outlined in the Cryptomillionsloto.io white paper, and rightfully the team point out that state lotteries have some significant limitations that the world of crypto and blockchain has a high potential to disrupt.

Cryptomillionsloto.io aims to use distributed ledger technology to bring instant payouts and leverage the radical openness that comes with blockchain technology to bring provable fairness to the distribution of funds. Alongside the truly global nature of cryptocurrencies and the other attributes of frictionless transfer of money and privacy, it's clear that the application of blockchain to lottery gaming is there for the taking.

There's huge potential in blockchain technology to create provably fair gaming and indeed a number of other players in the space are attempting this. However, it is also true that the crypto world remains obscure and confusing to the vast majority of the lotto playing market and it's clear that CryptoMillionsLotto is aiming for mass adoption and not necessarily the currently small and very niche crypto gaming world.

Consequently, at first it seems unusual that CryptoMillionsLotto will use a centralised lottery draw system to create provable fairness, which deviates from a number of other gaming approaches in the crypto space, but a clear argument is made that trust in the lotto gaming industry is best found by aligning to players' existing lotto playing experience. This, alongside the use of a conventional 6 numbers plus bonus ball lottery mechanic, should provide a seamless transition for players to make the leap into the world of cryptocurrencies.

Although CryptoMillionsLotto isn't aiming for the more techie crypto gaming community, the grand goals of driving adoption to the use of cryptocurrencies will certainly appeal to the broader crypto community and indeed it may play an important role in on-ramping people to crypto in the coming years and that's an exciting prospect.

The project does hint at developing into more crypto oriented gaming mechanics in the future, which will be a great way to keep customers playing in between the big jackpot draws, but technologically speaking we're not heading too deep into innovative territory. This is reflected in the low percentage of funds identified for development. Ordinarily this

would be seen as an oddity, but the clear achievability of a global lottery without having to reinvent the world of blockchain to do it makes this a very interesting project.

Although we're not breaking significant technological ground, perhaps the most interesting aspect of the project is the utilisation of a securitised ICO model. Investors gain access to both CML tokens and Offertas shares during the ICO, at a ratio of 1 share : 2-2.6CML tokens. This puts this project squarely in the pioneering bracket and I can see some significant interest coming this way because of it. That alongside the vast lottery market that is just waiting to enter the world of crypto, positions CryptoMillionsLotto as a very attractive product.

Score 91/100

Team

The team has a good range of experience in the lottery and gambling industry and there is some good evidence that they have consulted widely with those who have real crypto gambling experience. They are however rather light on the blockchain engineering side, which isn't a huge problem with their technological roadmap at this point. To give more security as a long term investment, I would want to see more evidence that the project aims to consistently innovate on their idea as the project gains its footprint and broadens its network.

Easily the most interesting aspect of the team dynamic, is that this project does not distribute any tokens to founders or advisors. This again stands the project out from the crowd. It means that the whole team have real 'skin in the game' and their incentives align completely with the success and mass adoption of the product. This kind of activity really highlights the potential of security token offerings (STOs) to change the game in the crypto space and this team should be applauded for leading the way.

Score 90/100

Environment

There are some direct competitors in this space such as firelotto.io, trueflip.io and smartbillions.com. Cryptomillionslotto.io fairs well against these projects and the addition of the securitised ICO model perhaps puts this project in a more interesting space from an investment perspective. The latter two of those projects do leverage blockchain and smart contract technology in more innovative directions however, and the real success of projects like etheroll.com and satoashidice.com have demonstrated that there is a real appetite in the crypto space for provably fair gambling and lottery that uses blockchain in more innovative ways.

Although there are competitors, the market is not yet so crowded that there isn't a real space for this project among the crowd, especially with the share distribution event at the ICO. CryptoMillionsLotto has however identified plans to push into that space when the timing is right and it's difficult to argue with the tactic of aiming for the global and untapped non-crypto holding crowd as a first step. That carves out this product from others in the space, who are generally aiming for already engaged crypto community.

Score 90/100

Vision

Cryptomillionsloto.io appears to be leveraging an existing lottery infrastructure, which potentially provides this project with some first mover advantage, which will be all important for the mass adoption game.

The ICO has no softcap and a small percentage of the raised funds is partitioned for development (2%). This is unusually low in comparison to other projects, but this does reassure that the team are very confident that they won't need huge amounts of technological development to get the project off the ground. Interestingly, this could put this project right at the forefront as being one of the first crypto projects to have a real world use case and consequently could generate a huge amount of global interest.

I would perhaps like to see a bit more of a developmental roadmap from a technological perspective, particularly focused on moving away from the link to an IRL lottery to generate the numbers when the customers are ready. This would allow the decoupling from twice weekly draws in the future and more innovative lottery mechanics that would drive interest towards the project from the crypto community and ensure that those onboarded customers stay interested.

As it stands this project is aiming for the traditional lottery market and consequently the project could hit well into the classic crypto adoption problem. A range of educational material and marketing techniques it outlined in the white paper to facilitate the onboarding process and the quality of these interventions will be crucial for getting the non-crypto using customer base onto the platform. If this process is cracked though, piggybacking onto the familiarity of lottos could be an incredible way to drive mass adoption to crypto and it's clear that is what CryptoMillionsLotto is aiming for.

The advertising strategy utilises AdWords and social media, with the recent regulatory moves from these kind of platforms in recent months this may mean that the project needs to discover some more innovative mechanisms for onboarding customers. The project does mention a sharer bonus, which has the potential to be interesting and they have been careful not to end up in pyramid territory by ending this one tier deep. This does create some technological development barriers though and I suspect this would require more than 2% of the ICO funds to resolve.

Score 89/100

Valuation

The valuation of this project is right in the top end of the valuation spectrum in the crypto space, with a hard cap above \$60 million. The lack of a soft cap and the high hard cap would normally draw scrutiny in the blockchain space, but the relative simplicity in deployment of the technology and the huge market potential of a blockchain lottery does offset these concerns.

There is a low token supply and the additional bonus of share distribution makes this a considerably interesting investment. It will certainly attract investors who are simply interested in watching this play out since it is one of the first fully SEC approved securitised ICOs. The added security that jackpots are insured by Lloyds of London also adds real legitimacy to the project.

The low token supply and high valuation, prices in the tokens at \$2.50, which is far higher than the normal exchange entry price for a token. This could create an environment for high volatility of the CML tokens as they make it to exchanges but this could be managed with a careful release of the technology fundamentals; a well publicised draw for example.

What makes this an interesting valuation exercise is the share distribution event that takes place during the ICO. The additional bonus of shares (priced at \$1.39 currently) and further reward tokens for early adopters included in the investment package at the ICO stage separates this quite radically from nearly every other ICO in the space at the moment. The share dynamic may attract a far wider investment base than would normally be seen during an ICO, with the potential to action more conventional due diligence exercises to consider the investment potential.

From a long term investment perspective, the potential for a 15% share of the revenue distributed across the tokens is enticing, but the success of the project all depends on adoption and how well the team can get people in the real world buying tickets. CryptoMillionsLotto is however clearly aiming for global mass adoption and if it's achieved, that 15% could be very lucrative. That is without factoring in the value of the CML tokens themselves, which with a low token supply could accrue value quickly particularly around the dividend periods.

As an early investment package, CryptoMillionsLotto stands out as novel from almost every other ICO in the space at the moment and with over 450 upcoming ICOs that isn't easy to do. Clearly, there is huge potential, the scale of which will be determined by the success of lotto itself, but the addition of shares and reward tokens for early investors makes this a lower risk investment that most in the crypto space.

Score 91/100

Summary

Cryptomillionslotto.io is a project that enters into a potentially vast market. It has the potential to be a truly global provably fair lotto, which gives the project high valuation potential. Combined with the share distribution event at ICO and the grand goals of global mass adoption this is a very interesting project.

Score 90/100

Dr Nick Almond
Blockchain Consulting London, Ltd

