

Hedera Hashgraph (HBAR)

Digital Assets Research

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H Hedera TL;DR

- DLT for decentralized apps
- Google Cloud Platform joins governance council alongside, Deutsche, Telekom, IBM, Tata Communications and others
- Audit node partnership adds enterprise robustness
- Est. \$1.9B of value flowing through network by 2024
- Token restructuring may provide market support

Key Statistics

Token Price	\$0.03
Range (52W)	\$0.01 / \$0.42
Market Cap	\$100M
Circulating Supply	3.2B
Volume (24H)	\$50M
Source: Coinbase.com	

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Google partnership and ecosystem growth validate go-to-market strategy
Token restructuring completion and growing network usage are keys to price discovery

Hedera Hashgraph (HBAR) announced several key milestones towards enterprise adoption while making strides towards stabilizing its token market structure. Google is coming on as the newest Hedera Governance Council member and Armanino is partnering to launch a network auditing node, which we believe validates Hedera's enterprise viability. The network has seen noteworthy usage of 36M+ transactions and 26+ dApps launched since Open Access on September 16th, 2019, early indicators of the platform's potential. We estimate \$1.9B of value could flow through network by 2024 if Hedera is successful. While the platform's fundamentals have been gaining traction, the token price has seen significant volatility. As a result, the company is restructuring its token supply schedule to postpone token issuance. We view recent fundamental traction positively and continue to believe it may take time for price discovery to play out as the platform gains adoption.

- **Google governance council addition is a key milestone validating Hedera's enterprise potential.** The high-profile Visa style governing council which already includes IBM, Boeing, Deutsche Telekom, Tata, Nomura and others announced the addition of Google as its newest member (11 of 39 announced). We believe it's especially positive to see enterprises joining the Hedera council at a time when other high-profile crypto projects like Facebook's Libra are losing key partners.
- **Top 25 U.S. accounting firm partnership provides enterprise-grade trust.** Armanino partnered with Hedera to launch the first SOC 1 compliant DLT audit solution. Enterprises demand robust assurance, and this gives Hedera a head start advantage acquiring these users.
- **Applications are using Hedera DLT to track the deadly coronavirus.** Acoer has crated an application, known as the HashLog data visualization engine, that allows researchers, scientists and journalists to understand the spread of the coronavirus and its trends over time. We view this as a key indicator that Hedera's technology can be employed to build innovative applications that solve new real-world problems.
- **Network usage since launch leaves room for optimism.** Hedera's network has processed a combined 36M Cryptocurrency, Smart Contract, and File Service transactions since launch. While the fees generated thus far are nominal, we believe the early usage evidences the platform's long-term potential. We estimate \$1.9B of fees could flow through the network by 2024.
- **Consensus Service opens new channels for growth.** Hedera Consensus Service will launch on Feb 13th, 2020 providing users the ability to develop applications like stock markets, audit logs, stable coins, and others. We view this positively given 1) it demonstrates the teams ability to role out timely products in line with its roadmap, and 2) this fourth offering will allow for added network transaction growth, which translates into higher node fees. Notably, IBM Hyperledger is already planning to use the service and will be moving existing workloads from their private network, while Hedera is integrating with Corda and the Ethereum Enterprise Alliance.
- **HBAR revaluation makes the token more attractive today than at its last fundraising round.** The price adjustment since network launch is a large result of the projects fundraising success during the 2018 crypto bull market peak. Many projects were funded at valuations that are no longer sustainable in the current market environment. Hedera raised \$124M, including its final round of \$103.8M at a weighted average token price of \$0.115 and a \$6B final valuation. We view the recent price discovery constructively and believe investors should view current valuations as relatively more attractive given the demonstrated milestones and reduced execution risks.
- **Token supply restructuring may offer incremental relief to selling pressure.** Hedera has offered SAFT holders additional coins eventually equal to their principal amount in exchange for extending their distribution period by 25%, which may reduce selling pressure. Final participation will be known within a few months, which we believe should serve as a key catalyst by providing further market visibility.
- **What could go wrong?** The token restructuring may fail to remove the supply overhang, and liquidity may suffer, which may hurt the token price, along with Hedera's ability to fund project development through treasury sales.

Bottom line: Hedera's enterprise potential is being validated by strong partnerships and early network usage; we'll continue looking for signs of increasing fundamental developer, user and council member growth, while keeping an eye on the final token restructuring participation, particularly by seed SAFT investors, for clues on how the market may develop.

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