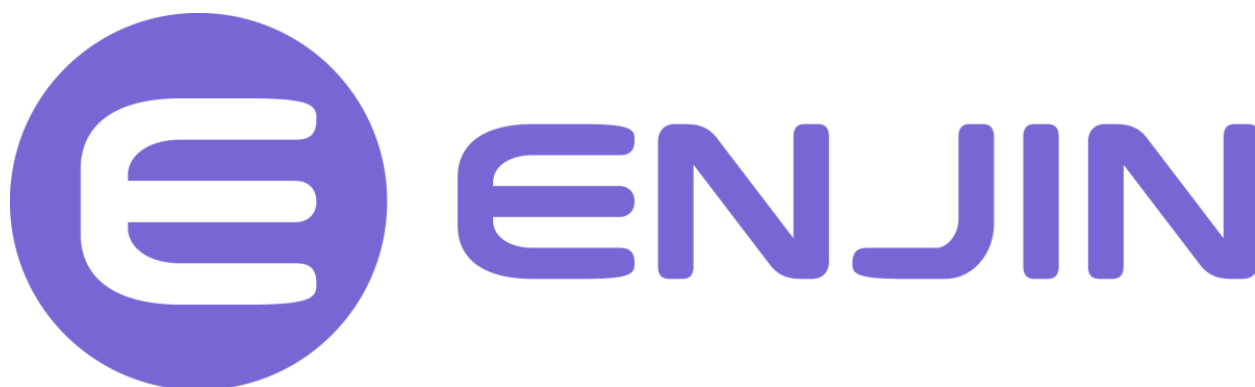




BOSTON COLLEGE

Carroll School of Management

VALUATION REPORT ON ENJIN COIN



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Summary

Recommendation for Portfolio: Buy

Recommendation for Token: Sell

Allocation in Portfolio: 200% = \$200,000 (25% each per stock)

Allocation in ENJ: -100% = \$100,000

Price	\$0.98
1 Hour range	\$0.995- \$1.02
24-hour range	\$0.995- \$1.02
Reported Market Cap	\$860 M
Liquid Market Cap	\$971 M
Real Volume	\$14.36M
Reported Volume	\$17.16M
All time high	\$4.83

The recommendation to the portfolio manager is going to be to sell ENJIN coin and at the same time use the proceeds to go long on the 4-stock portfolio.

About Enjin Coin.

Enjin is a Singapore-based technology firm that offers services for both creating gaming communities and blockchain game developers. Enjin is a web-based platform that handles ERC-1155 tokens, which are Ethereum digital assets. Enjin also runs an Ethereum-based virtual goods marketplace for digital assets.

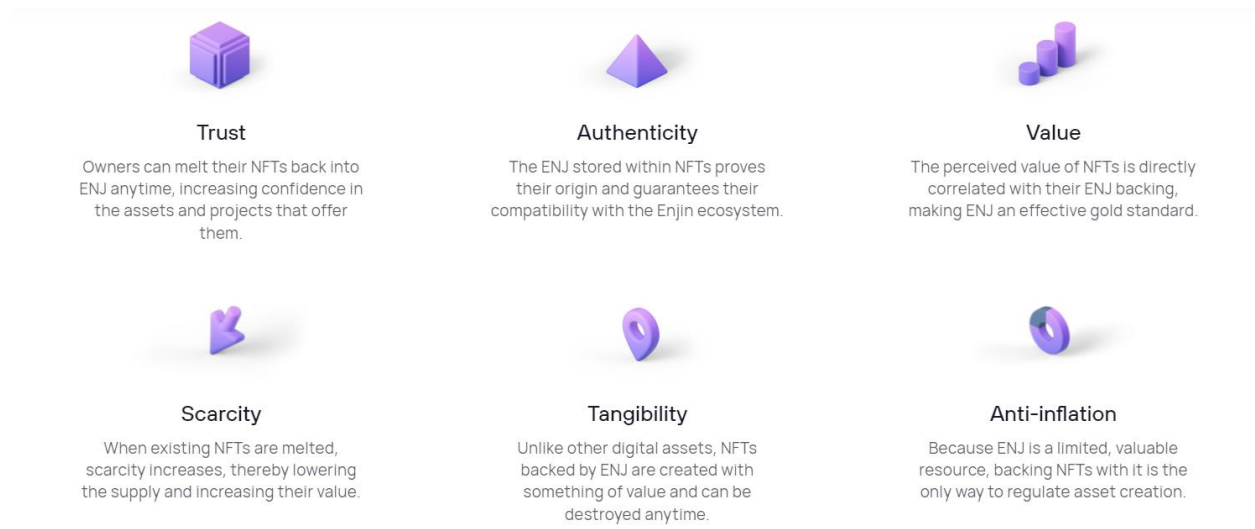
History

Enjin was originally established in 2009 when it launched the Enjin Network, a community gaming platform. Still operational today, the Enjin Network service enables individuals to build websites, forums, and apps for gamers.

The company pivoted into the blockchain industry in 2017 following an Initial Coin Offering (ICO) that raised \$18.9 million. Since the launch of its ERC-20 token, Enjin Coin (ENJ), the firm has since built out its own set of blockchain tools and services. In January of 2018, the gaming firm released the own android version of its blockchain wallet, the Enjin Wallet. A few months later the firm released an iOS version of its Enjin wallet.

During the summer of 2018, Enjin officially launched its Enjin Platform on the Ethereum mainnet is also compatible with the Kovan Testnet. The Enjin Platform is a platform as a service that allows other game developers to issue fungible and non-fungible assets as in-game Ethereum tokens. That same year, Enjin proposed a new ERC token standard – ERC-1155 – which was approved in 2019 and now implemented in its current software.

Following the inception of the ERC-1155 token standard, Enjin created a marketplace for individuals to buy and sell ERC-1155 assets. Enjin claims to have over 1 million user downloads of its Enjin wallet and that over 3,000 projects have been created on the Enjin Platform.



Technology and Business Model

The Enjin Platform provides a platform as a service model that allows game developers to create and issue digital assets in the form of Ethereum tokens. Enjin utilizes a GraphQL-based API that enables game developers to facilitate the smart contract interactions and other services related to interacting with the Ethereum blockchain.

Additionally, Enjin utilizes a backend service called “Trusted Cloud” that acts as the cloud-hosting service that connects games to Ethereum. Enjin’s Trusted Cloud acts as a proxy that gathers requests from clients and game servers and returns the data back to each game. Enjin’s cloud service also links user’s existing game accounts (i.e. SteamID, X-box live) to a block wallet address.

Enjin’s crypto wallet connects directly to the Enjin Platform and stores all the digital items for games built on Enjin’s Platform. The Enjin wallet must be used for all games on the Enjin platform because it directly links an Ethereum address to an Enjin Platform user identity. The gaming company is also developing “Wallet Daemon”, a tool that automates transaction requests to and from the Enjin Platform. Additionally, the Enjin wallet enables a QR service for purchasing or receiving ERC-1155 denominated assets.

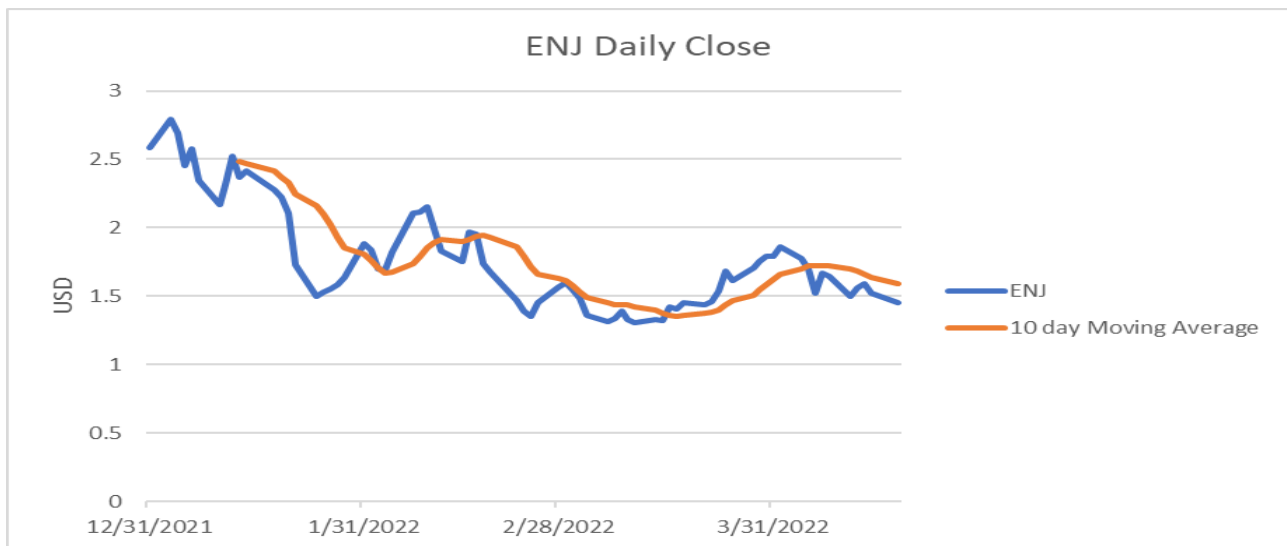
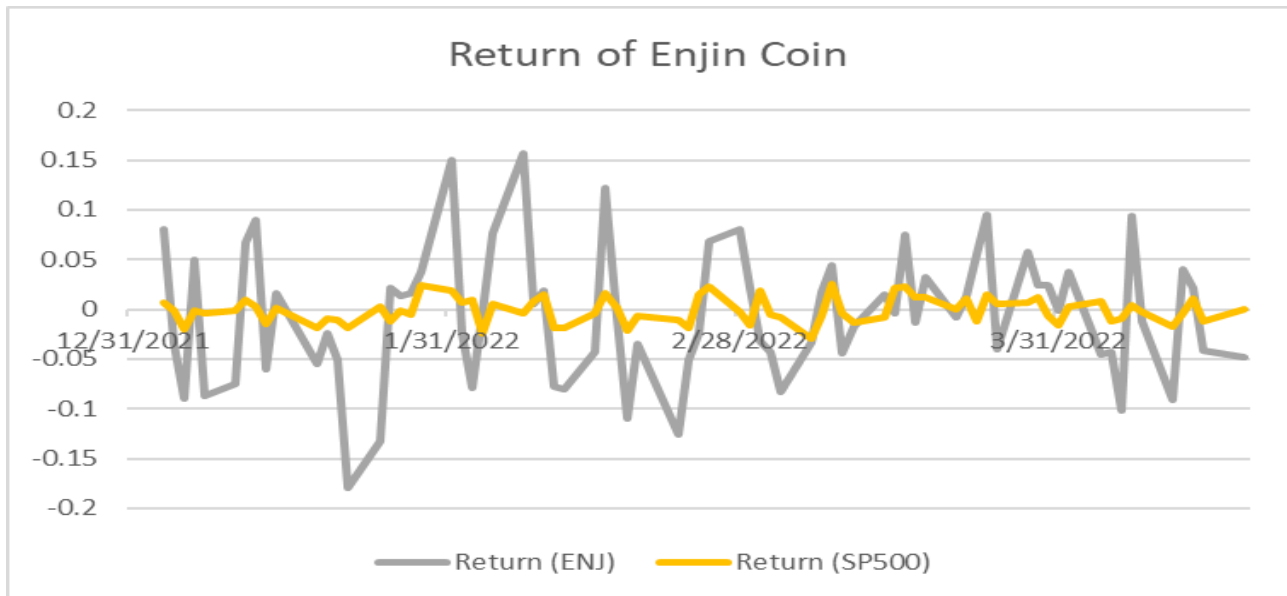
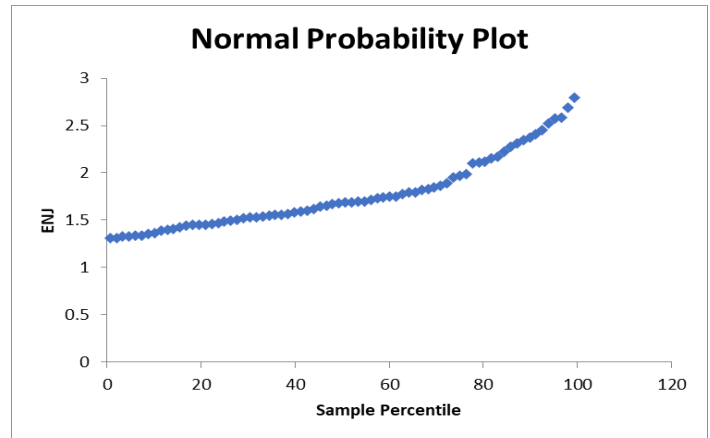
Creating any blockchain asset on the Enjin Platform requires spending Enjin Coin. Game developers have the potential to customize the amount of Enjin Coin an in-game item is worth as well as the desired fungibility of each item. Assets and items created for games on the Enjin Platform can always be exchanged back into Enjin coins by users or game developers.

Enjin is also developing an Ethereum scaling solution called Efinity that will be utilized within the Enjin Platform. The company claims games will be able to open channels within the Efinity network that will enhance the speed of relaying information between smart contracts and game servers.

Financial Performance Analysis of ENJ

So, we can see here that ENJ coin has been gradually losing value and has seen significant downtrend, which is more likely to continue.

Average Return	
ENJ	-0.568%
SP500	-0.104%
Standard Dev	
ENJ	0.065971
SP500	0.012847
Correlation	0.047581
Beta	0.244343



Financial Performance Analysis of Portfolio

Variance-Covariance Matrix					
	AAPL	GS	JNJ	TSLA	
AAPL	0.00035	0.00018	0.00003	0.00056	
GS	0.00018	0.00034	0.00003	0.00030	
JNJ	0.00003	0.00003	0.00013	-0.00004	
TSLA	0.00056	0.00030	-0.00004	0.00185	
Risk Return Charecteristics					
	AAPL	GS	JNJ	TSLA	Portfolio
Purchase Price	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$100,000
Shares #	\$140.97	\$65.74	\$147.08	\$23.66	
Value at 4/18	\$23,269.74	\$21,685.04	\$26,129.72	\$23,758.26	\$94,843
Gain/Loss	-\$1,730.26	-\$3,314.96	\$1,129.72	-\$1,241.74	(\$5,157)
Average Return	-0.08%	-0.18%	0.07%	0.02%	-0.058%
Std Deviation	0.01876	0.01356	0.00540	0.02365	1.732%
Correlation with SP500	0.86536	0.67746	0.19549	0.66073	0.8557932
Beta	1.26351	0.71499	0.08216	1.21643	1.1535897
Portfolio			Enj		
Daily Risk Free rate	0.00397%		Average Return		
Sharpe Ratio of Portfolio	-0.036006102		Enj	-0.005682529	
Average Return	0%		SP500	-0.001037818	
Std Deviation	2%		ST dev		
Correlation with SP500	0.855793238		Enj	0.065970903	
Beta	1.153589723		SP500	0.012846652	
			Correlation		
			with SP500	0.047581421	
			with PORTFOL	0.589257267	
New Portfolio					
Allocation in Portfolio	200%		Return	0.451485963476915000%	
Allocation in Enjin Coin	-100%		Standard Devi	0.07450955	
	100%		Sharpe Ratio	0.060061792	

So, the valuation methodology used here is DCF method and Total Addressable Market. Since Enjin coin is an ERC-20 token and its value depends on the Ethereum architecture. I decided to value it to the ETH with the help of DCF method.

ENJ/ETH = 0.315%

From there we calculated the value of ENJ to be \$11.26, indicating that it is overvalued compared to the current market price.

[illegible]

Recommendation

So, when we refer the excel input we use the analysis to short ENJ token on 31 December 2021 and at the same time we go long 200% in the 4 stock portfolio made up of AAPL, JNJ, GS and TSLA.

References

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