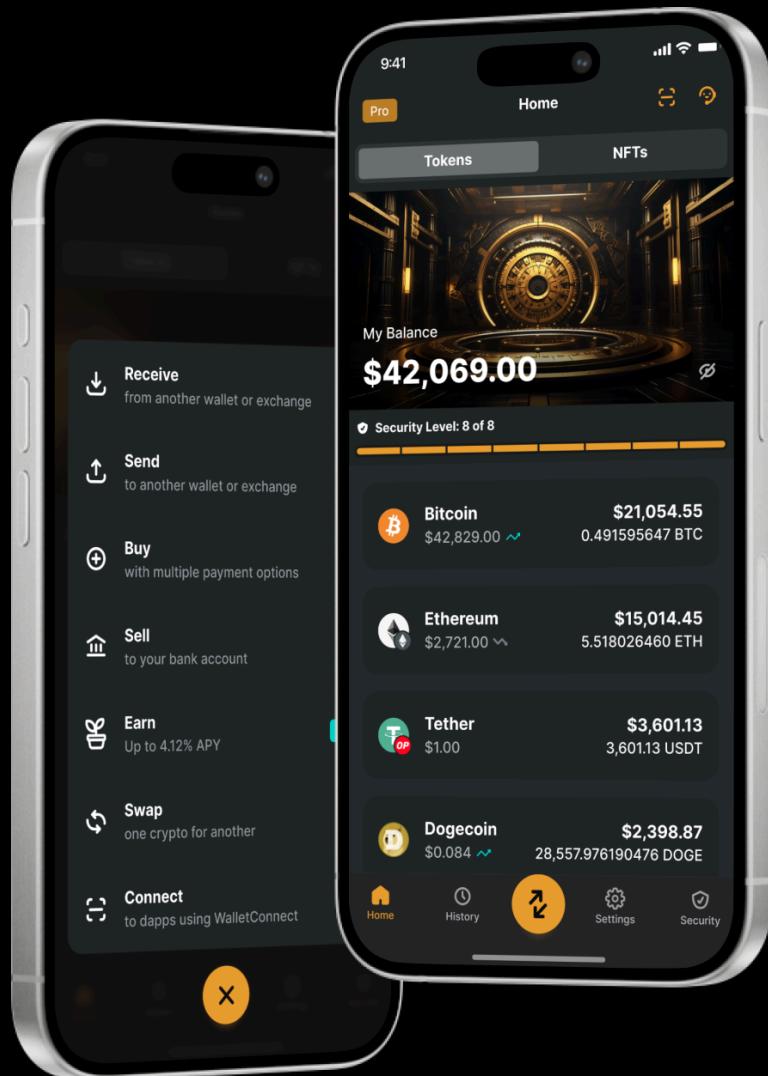




The premium super app for digital assets

Investment Memo - Jan 2024



Thesis

The digital on-chain economy requires a native super app whose security, functionality, and ease of use far exceed the needs of traditional “custodial” finance solutions. Native digital asset security solutions like wallets are fundamental to ownership and the fast-growing on-chain economy.

As crypto becomes increasingly complex and essential, Zengo is the leading super app for the mass market, catering to beginners, advanced users, and business teams. It offers the perfect flywheel and balance of non-custodial security, simplified usability, and appropriately monetized services.

TL;DR

The primary form of ownership: Wallets are broken products and business models

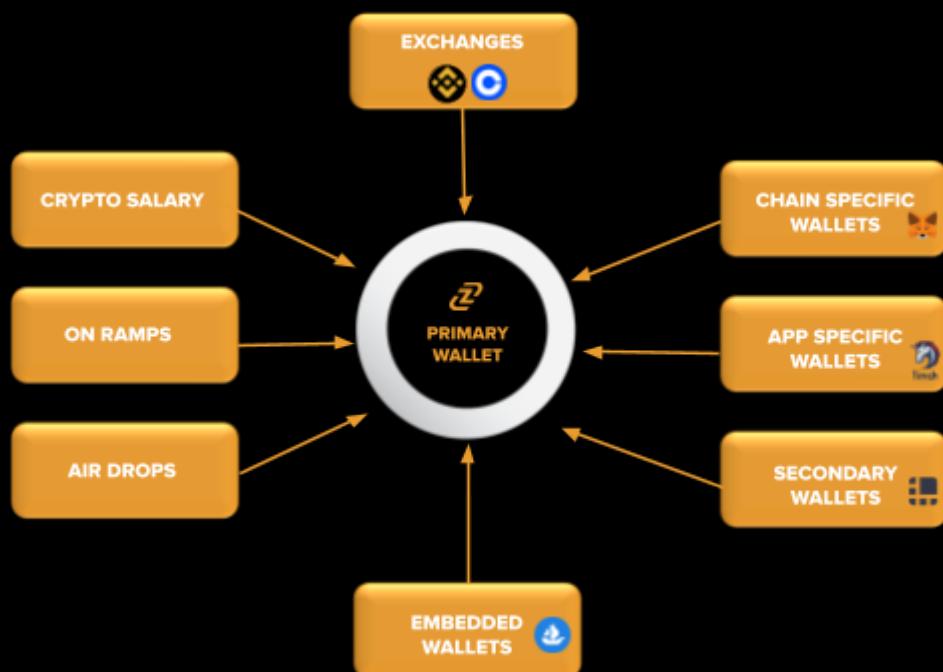
They suffer from weak, tedious security models that cause disastrous loss and human errors. They certainly cannot scale up to be used for higher tiers, such as advanced users and businesses, without heavy and costly add-ons. As a result, their business models are fragile and volatile, with limited lifetime value per user.

Zengo has emerged as a top player in just a few years (1 million+ users, #1 G2, #3 Hacken)

Zengo is the first fully all-in-one on-chain super app crafted with an unparalleled MPC (Multi-Party Computation) security model, providing the

- **Best-of-breed security provides the confidence** digital asset owners need to use and hold assets in the on-chain blockchain economy
- **Consumer-centric experience and unchallenged ease of use** required to on-board new users into the on-chain economy, complemented with best-in-class customer experience.
- **MPC makes modular architecture and services possible.** This enables exclusive asset protection and inheritance/delegation capabilities like Legacy Transfer, as well as functionalities for business teams to manage ownership and use of their digital assets collaboratively.

SUPER APPS CONSOLIDATE CRYPTO ASSETS



Superior premium economics and an ambitious vision to disrupt the market

As a crypto-native super app, Zengo provides trusted security, wrapped in a beautiful user experience, underpinned by **solid business economics and an ambitious vision.**

- Our medium-term vision: become a dominant player capturing at least 5% of the TAM (\$100m ARR)
- Our long-term vision is even bigger: **secure all types of critical digital assets** (identity, passwords, secrets, files) for individuals, teams, and businesses.
- Zengo's premium market position allows us to deploy an efficient hybrid model
 - Capture **a superior take rate (2%)**
 - Zengo's **premium subscription service (SA-AS: Secured Asset - As a Service)** provides the basis for a sustainable business model with favorable CAC-LTV metrics compared to traditional free wallets, through the combination of "set it and forget it" peace of mind security and active transaction protection (Blended LTV trending to > \$70/\$100, while CAC is around \$50)
 - This unique hybrid **SA-AS business engine maximizes on-chain customers' LTV.**
- In the **ZenGo flywheel, users come for digital asset security and stay for the economics**, creating a transparent and sustainable growth model for the business.

In the past 14 months, Zengo has continuously grown with a definitive acceleration in the past 3 months (2x revenues MoM) with a target ARR of \$10m by the end of 2025 and operational profitability.



Market Opportunity: To be the leader in premium digital asset management — a \$2.5 trillion market at a tipping point for mass market adoption with inefficient tools

The digital asset market is a \$ 2.5 trillion market and the overall digital economy is of immense size (players, volume, etc) with many use cases gravitating towards on-chain, including

- Investment (BTC, ETH)
- Payments (Stablecoins and more)
- Asset Ownership (NFTS, art, PfPs)
- Defi placement and passive earning: loans and staking
- Fun (gaming, social networking, ticketing)

Crypto is clearly here to stay

- Confirmed Growth in users (100-200m active users worldwide)
- Growth in use cases: crypto is no longer about centralized speculation
- Growth in on-chain use cases: Defi > CEX.
- Confirmed Resiliency: crypto has survived many waves of attacks and winters
- ETFs are leading the path for accepted adoption at the highest level

On-chain digital asset security needs are meaningfully more complex than traditional digital assets (money, passwords)

- This is money but “on-chain”: the user is the weak link
- Massive losses: \$100b+ lost over a decade through lack of security
- Security unlocks immense growth as it unleashes adoption and usage on a mass market scale.
- Security encompasses a wide range of so many “what if?”-s that need to be covered”: human error, scams, sim swaps, state-level attacks, social engineering, wrench attacks, death, etc
- ZenGo was first to market -- and is clear leader -- among MPC solutions which is the only security architecture that can address those needs efficiently.

Seed phrases, the de facto “standard” is broken: both software and hardware are unfit for beginners but also for experts and teams alike.

- Seed phrases are single-factor security systems by default. They are the patch for lack of security and cannot scale with the needs, whether at the individual or team level.
- They force users to think permanently about their security and invest disproportionately (up to \$1000s/\$10k per year) in tedious hardware, add-ons, tools and external services to make their digital assets secure.
- The explosion of weaker-security embedded wallets (in apps) is going to make things even worse and more complicated (in overhead and management)

- Seed phrases also limit the user experience and the business possibilities required by prosumers and teams by design. MPC is the winning prime technology to resolve this.
- Zengo is the leading **primary MPC super app** that resolves this critical problem for both beginners and expert users.

The market for Premium SAAS Digital Security and Premium Fintech is proven:

- Password managers (\$10b+), Anti-virus (\$10b+), VPNs (\$30b)
- Identity theft (Norton/LifeLock)
- Neobanks premium (Revolut, Monzo, N26)
- Premium Business solutions for SMBs (Square, Intuit)
- The very nature of on-chain digital assets (volatile and growing) is ripe for a massive premium market opportunity that is an order of magnitude bigger (security premium + transactional premium)

Digital Security is a proven core monetized premium need. Most crypto wallet solutions (except hardware) take for granted the fact security is a default free service but this is an untenable choice because the cost of the job to be done right is always compounding and is incremental as the industry and risks constantly evolve. On the other side of the spectrum solutions for teams are overpriced (> \$10k /year). Only a fairly paid-for model around security as an asset can truly address that.

Validated SAAS Security/Fintech now for non custodial crypto



The ZenGo Solution: Disruptive technology wrapped in easy-to-use, beautiful UI will unlock this massive market

- **Zengo's unfair technological advantage: "Security by default"**
 - Zengo enjoys **the most battle-tested MPC security** unchallenged to date (zero hacks, zero accounts take over), powering a unique “secure by default” multi-factor setup, neutralizing private key risks, minimizing human errors, loss, and hacks, unlike any other crypto wallet.
 - Unlike many MPC wallet “stack” solutions, Zengo has crafted a user-first, delightful, all-in-one user experience over the years, eliminating critical product execution risks one by one.
- **SA-AS. Secured Assets As-a-Service:** Zengo bakes a multi-layer approach to security in a complete all-in-one super app for any main net that makes it unnecessary to consider alternatives. It serves from the most basic needs to the most demanding with various built-in security services **sold and SaaS priced with a fair premium** according to their need.
- Zengo's vision is to secure **any mission-critical secrets** (Identity, certificates, legacy, private key, private documents), not just crypto tokens and NFTs.
- **Zengo is the next-gen of secure crypto super apps:**
 - There is a sea of wallets unfit to scale or monetize correctly because they are complicated, limited in depth (mono chain) or are building on weak unit economics only “aggregating” core services they do not control.
 - Zengo is the only primary super app with a premium approach and a unique range of robust proprietary and **monetizable security services that can only be powered by MPC** and multi-layer security to handle any type of digital assets.
 - The **“Amazon Prime” like** subscription packages include an all-in-one package with built-in and aggregated benefits that make it easy for the investor to **choose Zengo as a primary crypto super app.**
 - Zengo is a category-maker by changing the rules of the game in monetization
 - i. Premium take rate on transaction fees (avg 2%)
 - ii. Fairly priced premium subscription for Advanced/Pro users (\$100-200/y)
 - iii. Disruptive per-seat pricing for business teams (vs per AUM)

ZenGo Business Model: A robust and battle-tested security model engenders compounding revenue streams within sustainable business model

Zengo 1.0 “free” app: 2019-2023

Zengo launched the first-ever consumer MPC crypto wallet and reached over 400,000 registered users and validated our security model and the business foundations.

1. \$20 million GMV / year
2. AUM: \$40 million
3. CAC payback 12 months
4. LTV = CAC (approx \$30)

Zengo 2.0 the freemium super app (Pro as SA-AS) - launched in 2023

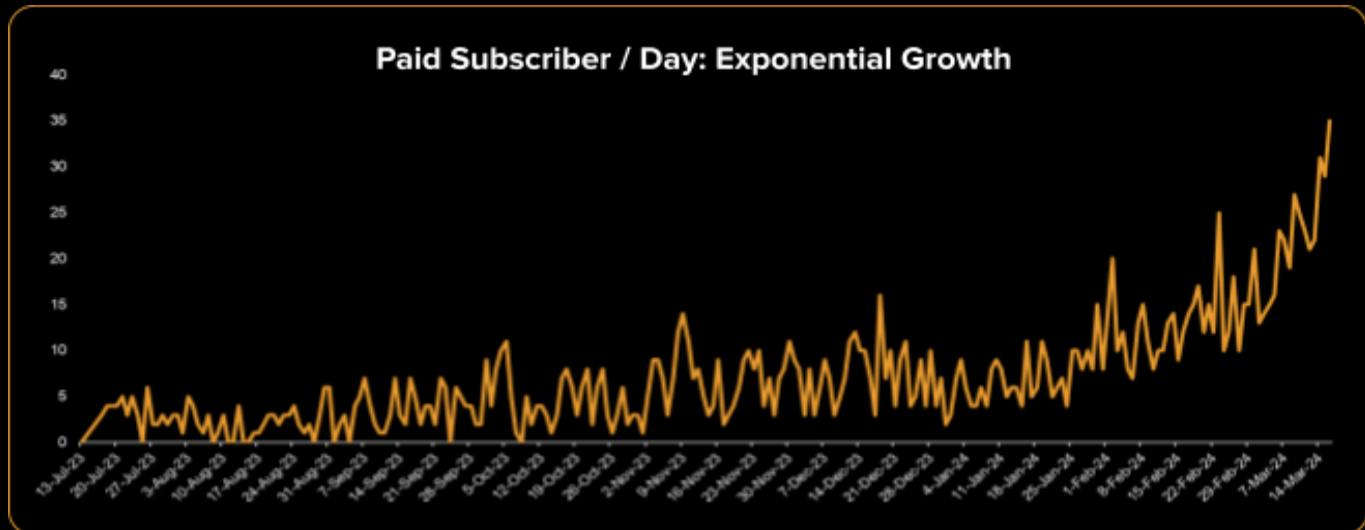
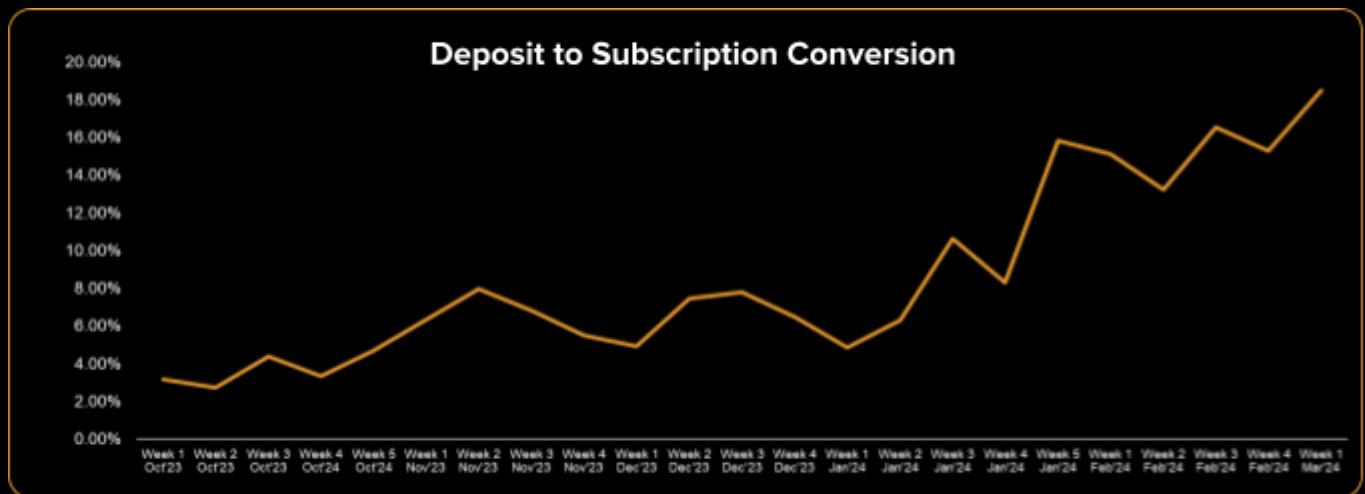
Zengo accelerated its growth and fit to market by taking advantage of its security infrastructure and ramping up its marketing investment and leveraging its brand.

Zengo is the most secure crypto wallet with an innovative freemium SA-AS offering (Zengo Pro priced at \$10/ m \$70/y) driving stronger adoption and revenue growth.

Zengo pro customers have 2x the LTV of Zengo essentials

- **Revenues and transactions**
 - Total Registered Users: 1.1 million. (2x in 18 months)
 - Revenues doubled YoY even with a reduction in burn rate reduced by 40%.
 - AUM increased ~x3.5 in 1 year. (> \$150m)
 - Transactions vol. up ~30% in 4 months (Jan. 2024 vs. Sep. 2023)
- **Zengo Pro subscribers introduced a new monetization**
 - went from 0 ---> 1K+ paid subs in less than 4 months from launch.
 - 60% opt for yearly plan
 - 60 days Churn: 15%
 - FTD > Subscription 15%
 - **LTV of Pro users is 3x higher than non-paying users**
 - Jan. 2024 LTV (60 USD) at ATH (x2 vs. Jan. 2023)
- **Marketing**
 - Past 12 months: LTV/CAC ratio is >1
 - Average CAC payback period <6 months (hitting records low at 2.5 months)
 - Top 100 most grossing finance apps USA (Feb 2024)
 - #1 rating crypto business (source: G2 Feb 2024)
 - Top 3 most secure crypto wallets (source: Hacken Jan 2024)

Extreme focus on Pro Subscription with security as a key differentiating factor is accelerating conversion and growth



A WINNING SUBSCRIPTION FUNNEL



Zengo Teams - Q2 2024

Zengo “teams” is the natural evolution of Zengo as advanced users have more interaction with other people and, therefore, evolve towards business collaboration. Most solutions in the market are based on AUM and Zengo Teams will be the first commercial offering charging per seat

1. **Yearly pricing** \$1000/\$5000 p.y.
2. **25 customers by the end of 2024, 500 by the end of 2025**
3. **Teams Annual revenue: 1.3m\$ (80% Subscription ARR)**
4. **AUM:** 200m\$ 2024 / 1b\$ 2025

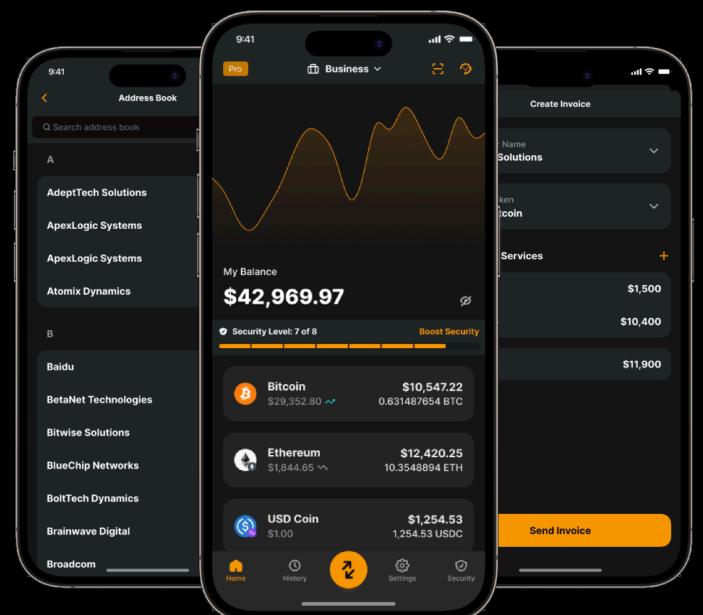
Current stage: The first version will be available as a beta in Q2, design partners will be identified, and it will be generally available in H2.

ARPU extension: As we have already proven in the past, a mechanical addition of services will increase the ARPU of **Essentials, Pros** and **Teams**

- **Essentials:**
 - More transaction-based apps and services (MEV, staking)
 - More main nets + lead generation to apps and coins.
- **Pro:**
 - Services: Domains, Insurance
 - Transaction: Visa card, Loans
- **Teams:**
 - Dedicated business on/off-ramp, OTC
 - Lower Desktop subscription take rates (Save app store fees, charge via card, and crypto)

3 tiers: Trading fees + SA-AS Business model

Essentials Free	Business \$1,000+/y.
Powered by MPC 3-Factor Recovery Basic Support	Account Management <ul style="list-style-type: none">→ Business Account→ Device Management→ 4-eyes Money Transfer <ul style="list-style-type: none">→ Address Book→ Business Domain→ Invoicing→ Transaction memos→ Paypal Business Service & Commercials <ul style="list-style-type: none">→ Advance reporting→ Volume Discounts→ Cash-out
PRO \$99.99-\$499.99/Y. Includes Essentials, plus: Advance Security Premium Services Commercials	

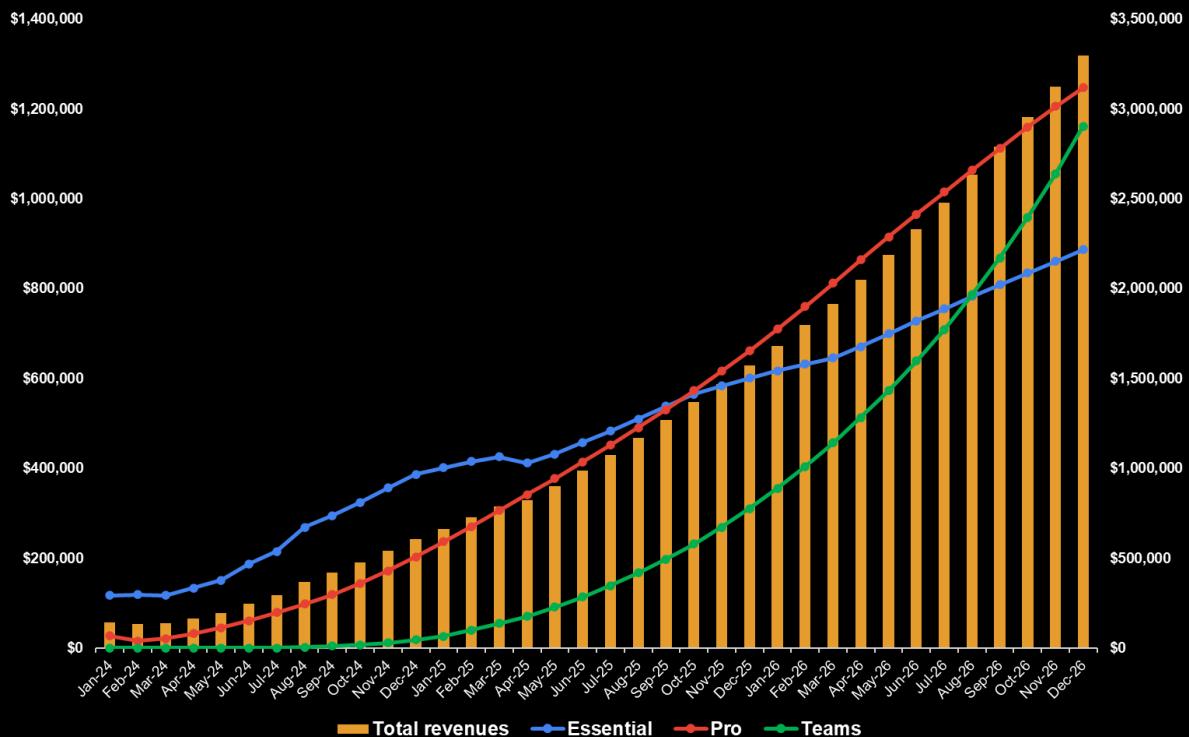


Raising Series B: Now is the time to leverage the Zengo brand and solution to scale to \$10M ARR and ultimately \$100M ARR (after Series C)

- **Zengo has built over the years one of the most trusted brands in crypto security is addressing 360 breadth of customers (outside of the institutional market)**
- **Zengo SA-AS business engine is architected to extract the best value** from all tiers of users as
 - a combination of transaction fees (average Zengo take rate 2%)
 - premium subscription SA-AS **Essentials** (Free), **Pro** (\$200/year), **Teams** (>\$1000/year) while controlling CAC costs.
 - Our profitable unit economic CAC/LTV > 1 and SA-AS model allows us to attract high AUM investors and extract more premium value per user vs a traditional fee-based model wallet.
- **Zengo serves core audiences and needs: Zengo is geared to beginners, advanced users, and Teams. Each tier is layered to lead towards the following.**
 - Beginners (Essentials) typically have low AUM. Beginners are either just “noobs” or new to Zengo. They become later advanced users who have higher AUM (> 500 USD). Zengo is the only app that addresses all core needs for all types of assets and chains.
 - i. Zengo offers beginners the best free protection by default (guaranteed recovery, seedless account protection, on-off ramps, and app connection).
 - ii. Those are monetized by way of transactional fees only. Zengo's positioning as a premium app allows us to capture a higher average take rate (2% vs typical wallets 0.5-1%).
 - **Zengo Pro (advanced users) offers a unique set of unmatched protection services** for higher AUM users. They may have been “beginners” but are usually committed to crypto at this stage and are in need of more robust protection (Web3 firewall, Device theft protection, Transaction Privacy, Legacy transfer and Vaults) with **private banking like** stellar customer services and commercial benefits (1h support, perks, discounted fees, free faucet,...). Many of those services are exclusive to Zengo and cannot be matched with traditional wallets or even account abstraction smart / wallet
 - i) **Legacy Transfer** is a revolutionary inheritance service to transfer digital assets to a trusted person simply.
 - ii) **Theft protection** is the first built-in protection against device and Device pin theft
 - iii) **Secured Vault** is a breakthrough service for long-term individual protection and wrench/duress attacks (time lock protection, geo-fencing, daily/weekly limits, web3 segregation, special secrets protection)
 - iv) **Stellar multi-language customer service:** human service in any language under 5 min at scale + dedicated phone line for PRO users (888-38-ZENGO) + exclusive free L2 faucet.

- **Zengo Teams will bring business-grade capabilities to** 1-50 person/employee teams like account management and transaction co-signing as well as business services to handle crypto treasury, accounting, and tax reporting.
 - i. Those start from **prosumers/freelancers to small businesses** (crypto native-like funds or DAOs or traditional SMBs or non-profits) that hold and use critical digital assets.
 - ii. Many of the technological foundations for teams are already built for Essentials/Pro (account delegation, assisted recovered, shared account)
 - iii. This is also a stepping stone to address later larger enterprise audiences.

Revenue projections: A path to \$10m ARR



The Zengo Flywheel: Unique MPC security solution provides defensibility for business model lock-in and virtuous viral effect as we scale

- **Natural asset Lock-in:** Zengo's unique MPC security solution creates a natural and accepted lock-in effect to the funds deposited in Zengo because of the security architecture and the uniqueness of the offering (legacy transfer, secure vaults, unique critical features can't live without) unlike seed phrase wallets which reduce to zero the switching costs.
- **Concentric offering flywheel:** Each offer is a pathway to the following. Our free version (essentials) is an entry point to Zengo Pro/teams, when needs become more serious and professional.
 - i. A free user becomes Pro to protect their growing asset better.
 - ii. A Pro user transacts more (Pro perks) and interacts more with other users which leads to "teams".
 - iii. In return Zengo teams will lead to more users adopting Zengo free tier (essentials) for themselves.

ZENGO VIRTUOUS FLYWHEEL



- **General-purpose MPC solutions/wallets cannot compete:** both embedded wallets and MPC stacks lack the depth of execution to compete with Zengo's unmatched security and holistic service and cover only the basic needs to onboard new users to apps or developers to get started.
- **Other wallets can hardly compete**
 - i. Specialized wallets remain limited to a few ecosystems (Metamask, Phantom) without proper built-in modular security.

- ii. Smart contract wallets miss Bitcoin and are not universal (ETH/L2s) and are overall complicated and onerous (network fee)
- iii. Hardware wallets are unusable, and onerous in cost, time, and process. They will follow the inevitable “software eats hardware” and transform it into monetized services.
- iv. Larger enterprise services (eg “FireBlocks”) have a limited understanding of UX and have a very high operational cost per user, which will prevent them from going down the stack and addressing smaller business needs.

■ **Growth and GTM:**

- Zengo's growth comes from our expertise in consistently capturing audience-based digital intent at the critical moment of decision and in a cost-controlled way.
 - i. Zengo excels in SEO (eg: “safest crypto wallet”), prescription, channel-based acquisition, and proprietary rewarded affiliate networks which can be easily scaled up with more resources for all audience type.
 - ii. All packages can be sold with a “no touch” approach. The teams tier will have amplifiers with channel partnerships (eg tax providers, estate managers, freelancer platforms....)
 - iii. As Zengo will obtain specific licenses (MTL) our acquisition funnel options will increase naturally and meaningfully by unlocking all traditional ad channels and trade partnerships (banks, neobanks...)
- Our last 14 months of continuous growth are a testament to that.
- We will consolidate the market with m+a and asset acquisitions from weaker businesses (other wallets, portfolio trackers, editorial sites, explorers,...): 3 opportunities actively looked at.

■ **Funding:**

- Raising \$15m
- Net Revenue targets: **\$3.5m in 2024, \$10.3m in 2025, \$23m in 2026**
- Blended” LTV : \$60 growing to \$200+ by end 2025
- Reach operational profitability in mid-2025
- Prepare for a Series C end of 2025 (to reach \$100m ARR)

■ **Corporate facts:**

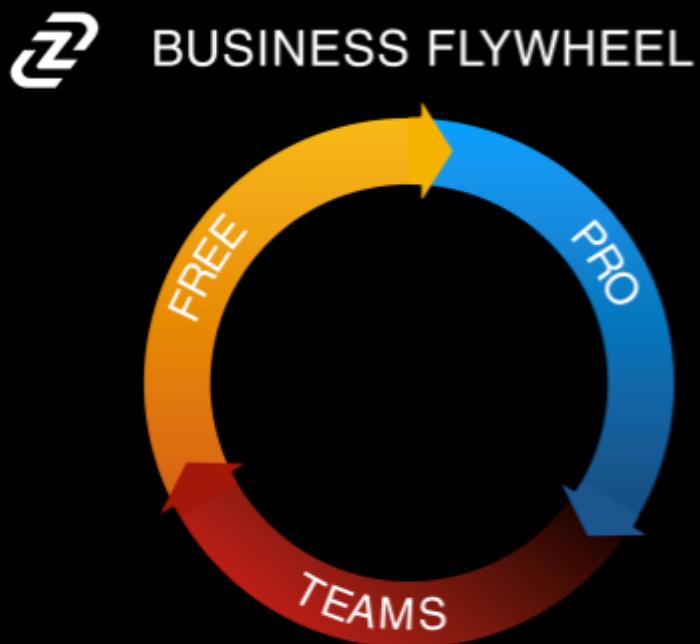
- Headcount: 34+ dedicated support team
- Lead investors: Insight Partners, Benson Oak, Samsung Next, Collider, Distributed Global and more
- 4 MPC US registered MPC Patents + 1 registered in the EU
- Incorporated in Israel

Summary

Zengo is building the definitive and much-needed native super app for crypto with the right security model, guarantees of control and ownership, user experience, and business model to cover a wide range of audiences from beginners, to advanced users and teams.

Zengo is the only company with strong execution and IP to make it happen and with an impeccable record and path to growth and a trajectory to \$10m ARR.

- **Market Opportunity:** To be the leader in premium digital asset management — a \$2.5 trillion market at a tipping point for mass market adoption with inefficient tools
- **The ZenGo Solution:** Disruptive technology wrapped in easy-to-use, beautiful UI will unlock this massive market
- **ZenGo Business Model: A robust** and battle-tested security model engenders compounding revenue streams within a sustainable business model
- **Raising Series B:** Now is the time to leverage the Zengo brand and solution to scale to \$10M ARR and ultimately \$100M ARR (after Series C)
- **The ZenGo Flywheel:** Unique MPC security solution provides defensibility for business model lock-in and virtuous viral effect as we scale



Zengo concentric business offers (Essentials/Free, Pro, Teams) feed one another