Nillion Investment Memo

By Jacob Koch-Gallup

Overview

Nillion is a computing network that enables users to transfer, store, and compute data privately. The breakthrough of Nillion is its nil message compute (NMC) technology, essentially a blockchain version of secure multiparty computation (SMPC). SMPC allows multiple parties to run joint computations while keeping data in a secure and private state. In NMC, nodes collaborate asynchronously to make decentralized decisions with instant consensus and unconditional security. The goal of NMC is to change how information is processed and stored in blockchains.

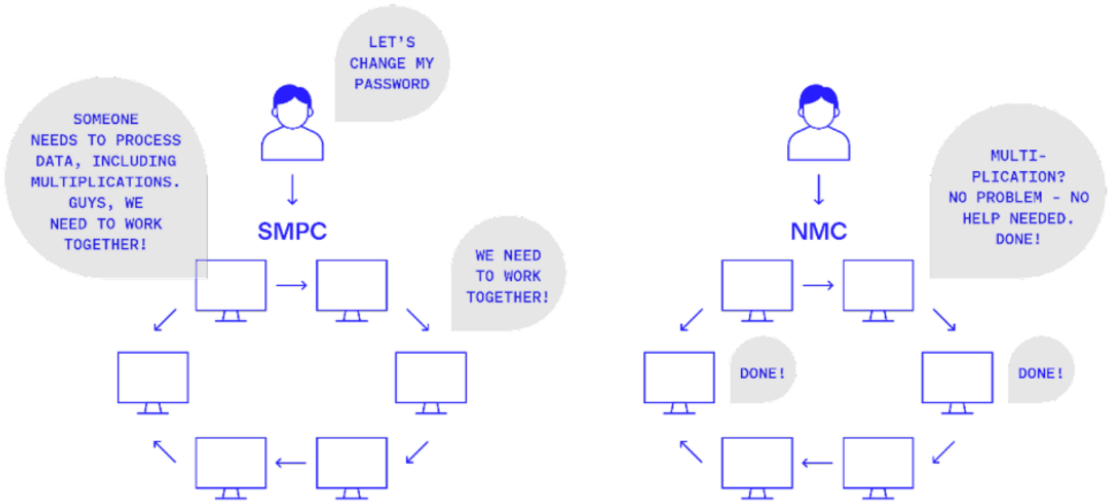
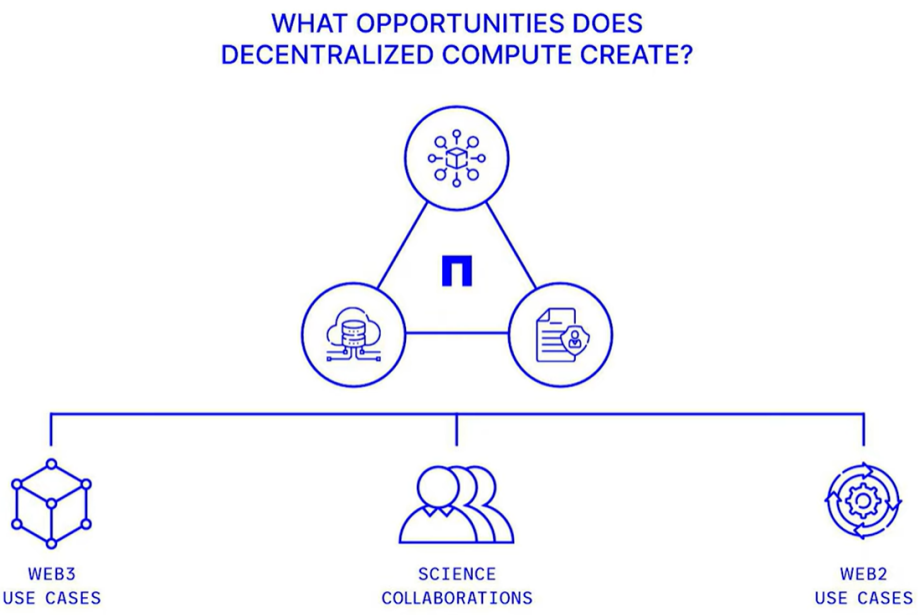


Fig.1: SMPC vs. NMC

Real-world applications can be built on Nillion, creating an ecosystem of its own. Early use cases the team is working on include decentralized KYC and biometric authentication. To ensure this ecosystem is rich with applications, the Nillion team and others are incentivized with NIL tokens to build dApps.



All-star Team

CEO - Alex Page

- Early General Partner at Hedera Hashgraph
- Investment Banking (Special Situations Group) at Goldman Sachs

CTO - Conrad Whelan

- Founding Engineer at Uber

CBO - Slava Rubin

- Founder of Indiegogo
- Consultant at Goldman Sachs
- Internet Business Solutions Group at Cisco

President & Co-Founder - Rob Leslie

- Founder & CEO of Sedicii (develops patented technology based on Secure Multiparty Computation & ZK Proofs)
- Future of AI & Automation in Financial Services at World Economic Forum
- Senior Manager Business Process Group at Dell

Chief Scientific Officer - Miguel de Vega, Ph.D.

- CTO at Sedicii
- Research Engineer & IT Consultant at Siemens

Co-Founder - Andrew Masanto

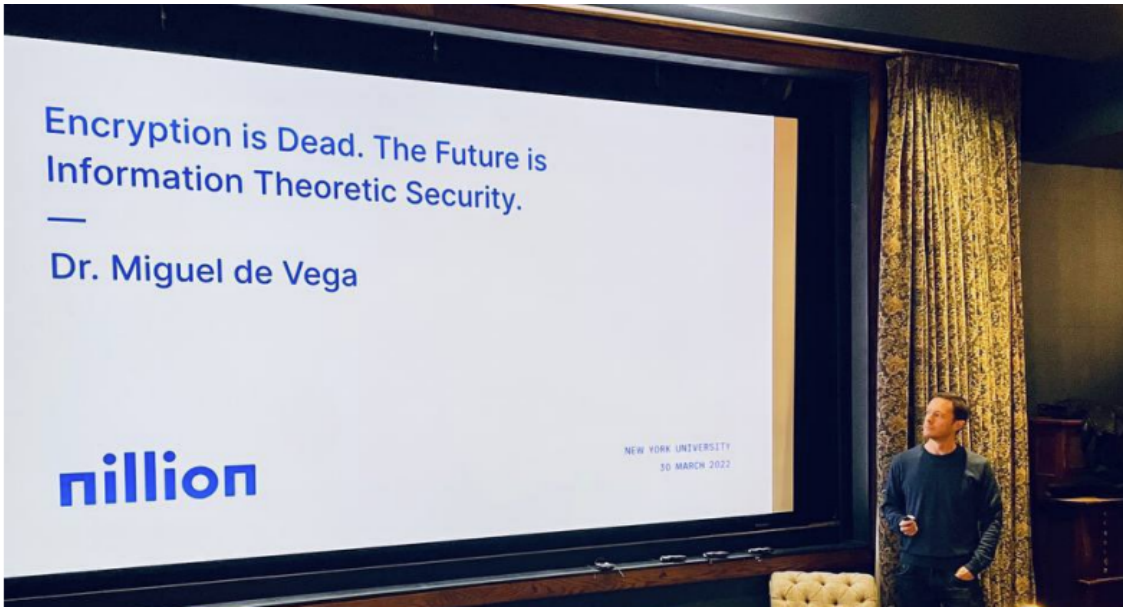
- Co-Founder of NFT.com
- Founding Chief Marketing Officer at Hedera Hashgraph
- Investment Banking Analyst at Rothschild

CMO - Andrew Yeoh

- Early General Partner at Hedera Hashgraph
- Investment Banking Analyst at UBS and Rothschild

Head of Ecosystem - Mark McDermott

- Head of Innovation Partnerships and Crypto at Nike
- Senior Product Manager at Ralph Lauren
- Investment Manager at GE Capital

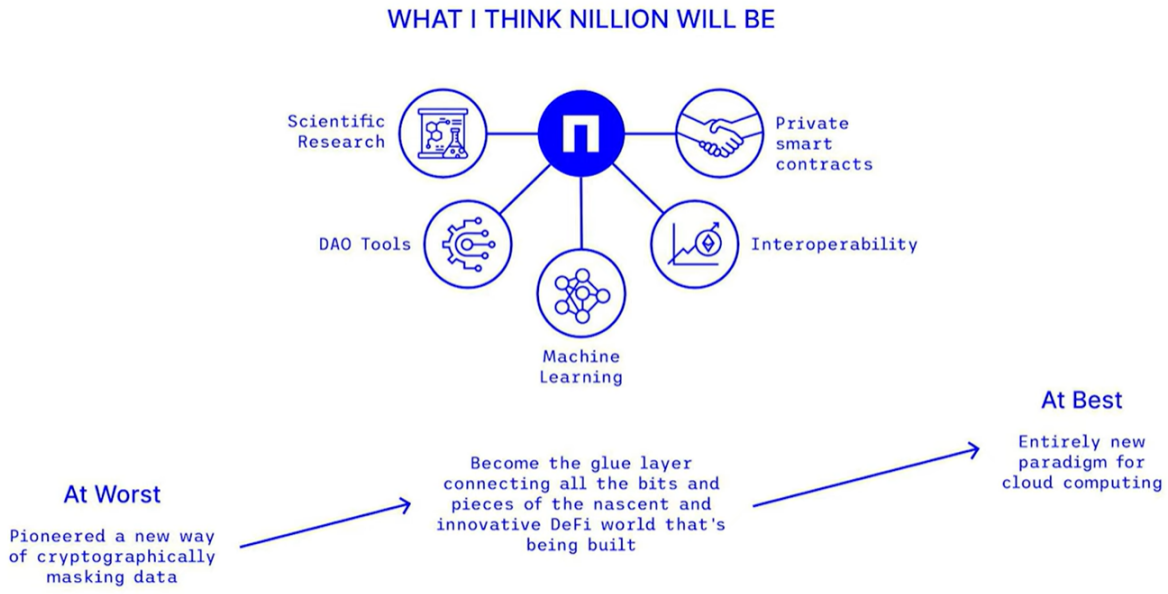


Investment Thesis

We believe Nillion is building a fundamental computing network that will lead to many real-world applications and use cases.

Nillion recently won CoinList's Seed Program. Only five projects out of hundreds of applications were accepted. Nillion’s token will likely have the option of launching through Coinlist.

Nillion is raising $4M at an $80M FDV in its strategic round. The deal is structured as a token deal with 5% of the total supply for sale. The lead investor, Distributed Global, founded in 2017, is a crypto investment firm that is well-respected in the space, and its past investments have performed well. We are bullish on Nillion since it has a unique technology, an all-star team, and the potential to do a 30x.



Market Size

Calculating a market size for Nillion is difficult because there are few products like Nillion. Privacy coins like Zcash and privacy-focused layer-1s like Secret Network are possible competitors. The two projects have FDVs of $1.1B and $182M, respectively. According to the team, their competition is other privacy-preserving technologies like ZK-rollups. Some of the top ZK-rollup projects are Starkware, Loopring, and zkSync. Starkware raised $100M at an $8B valuation in May 2022, Loopring's native token LRC has an FDV of $534M, and zkSync's Matter Labs raised $50M at an unknown valuation in November 2021.

Assumptions

The Nillion team assumes it will deliver on the promises of its NMC technology and continue building its ecosystem through developing dApps on the network. Nillion assumes its early theoretical use cases, decentralized KYC, and biometric verification, are successfully developed and implemented by companies and protocols. Nillion assumes it will integrate with most major layer-1 blockchains and that its EVM-compatible layer will attract developers building privacy-focused dApps.

Risks

dApp Integration

dApps on existing layer-1s could not integrate Nillion's technology. Moreover, the implementation of NMC could be difficult from blockchain to blockchain, slowing the development of the technology as they work to implement it into different blockchains.

Incentive Structure

The incentive structures by Nillion's team could be insufficient to build out an ecosystem of apps using the framework. Developers may not be attracted to the network, which could accrue no value.

Token Structure

The NIL token could not gain mainstream traction. Since Nillion is a B2B product, building a private processing layer for blockchains, retail investors may not be attracted to or able to understand the technology's uses.

Pre-Product

Nillion is a pre-product, and this presents a few risks: 1) the team could not be able to execute the vision of the product, 2) the product could experience significant delays, and 3) a competitor could beat their product to market.

Potential

An investment in Nillion can compound as more layer-1 networks integrate their technology. NIL tokens are used to access the network and use various Nillion services, align economic incentives through staking, and incentivize nodes to maintain high performance. Additionally, NIL tokens are used to govern nilDAO. This token utility is properly aligned to accrue value. By taking the average FDV of Nillion's closest competitors (Zcash, Secret Network, Starkware, and Loopring), we found that Nillion has the potential to reach a $2.45B FDV which would be 30x from its current $80M FDV.