

ICO Review: Hero Token (HERO)

The Future of Banking in Southeast Asia

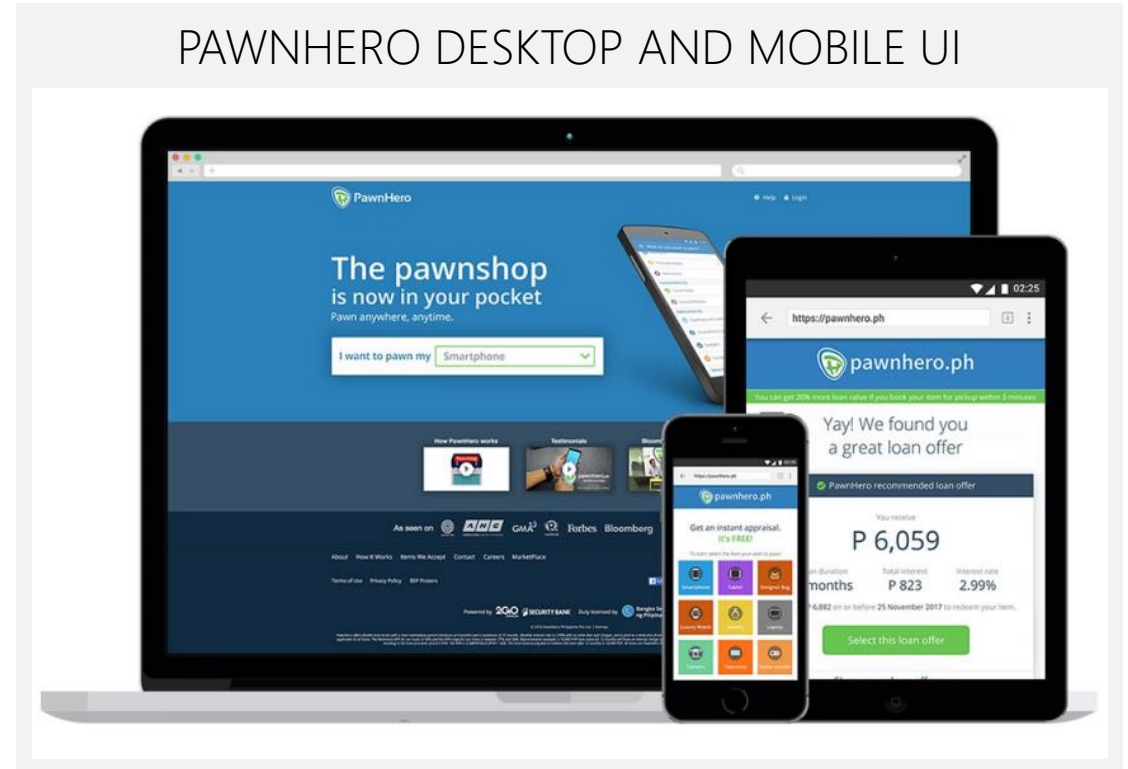
October 14, 2017



What is PawnHero?

- The first online pawn shop in Southeast Asia. It tries to address the issue of expensive credit.
- PawnHero accepts a wide range of items that include luxury goods, electronics, home equipment, and other personal items as collateral for a secured loan.
- PawnHero is online only. With this structure, the company can offer more competitive terms than other lending companies.

PAWNHERO DESKTOP AND MOBILE UI



How does PawnHero work?



1. Post Item



2. Get Cash

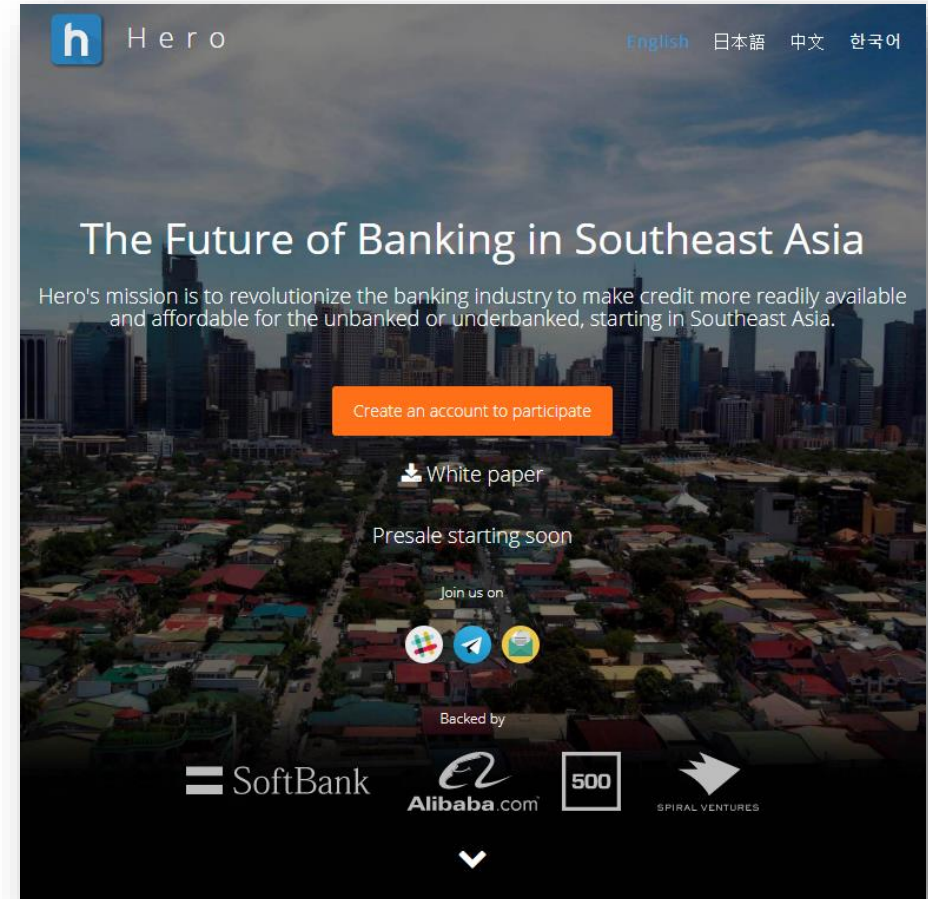


3. Pay Loan

- Submit item info to PawnHero's platform (Opus) and get a free appraisal.
- Their Magnus Loan pricing model delivers several loan offers with different maturities to the customer.
- Customer selects loan offer and is guided through the steps.
- A courier ("PawnTrooper") picks up item from the customer's home, completes KYC procedures and issues pawn ticket to the customer.
- Appraisers assess the item. If it is authentic, the loan is released through Opus and the customer will receive cash.
- PawnHero stores the pledged items at their Operations Center.
- When customer repays their loan, the item is returned to the customer.
- Opus tracks all pledged items until the item is either returned to the customer or the item is sold.

What is Hero?

- Hero was created to make credit more readily available and affordable for the unbanked or underbanked.
- The goal is to be able to provide collateralized loans to the unbanked and underbanked consumer across Southeast Asia.
- With the launch of a new cryptocurrency (the Hero token), they also intend to expand into blockchain-based uncollateralized loans.



Historical milestones

2014

PawnHero was incorporated.

MVP launched to validate online pawnshop model and assumptions.

Raised US\$500,000 seed funding.



2015

Philippine Central Bank grants license to operate the first online pawnshop in Philippines and Southeast Asia.

Starts operation in the Philippines and issues first loans.

Raised >US\$2M pre-Series A from 500 Startups and IMJ (now Spiral Ventures).



2016

Secured licenses to operate in Vietnam, Cambodia and Laos.

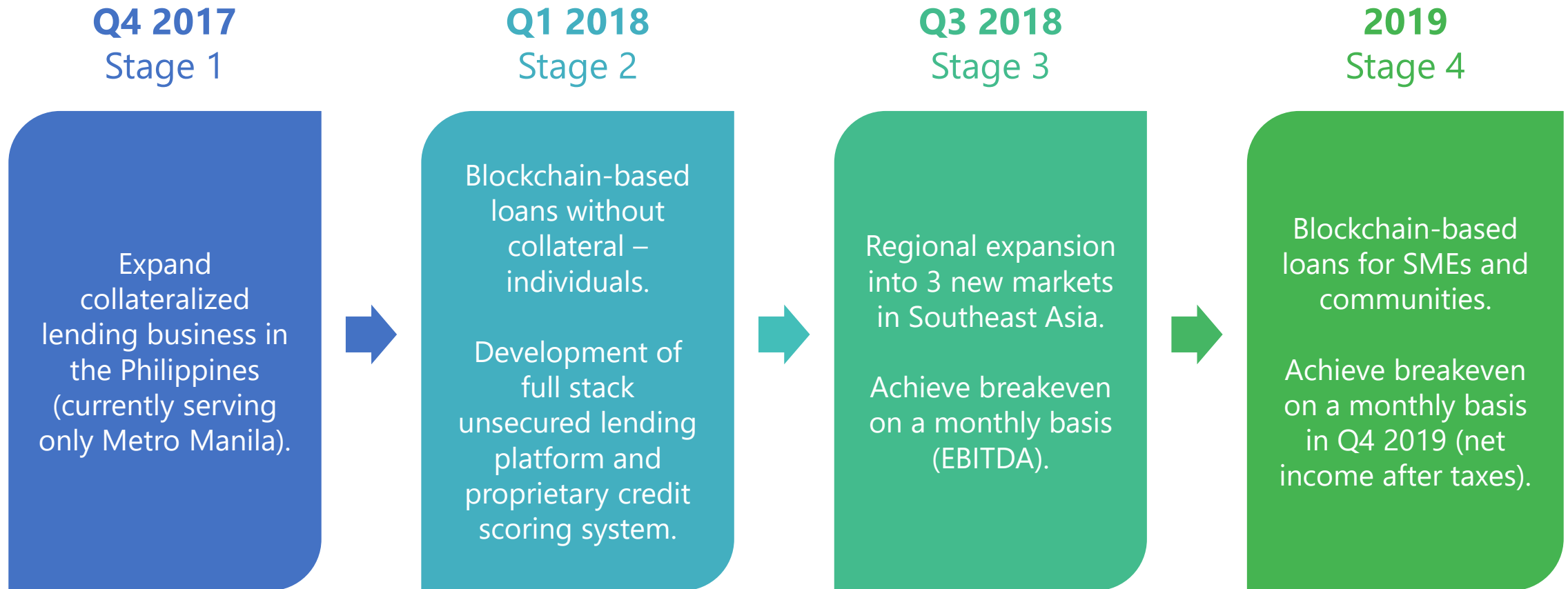
Softbank and Alibaba invest in PawnHero.



2017

PawnHero secures US\$10M debt facility to provide more loans to the unbanked.

Development roadmap

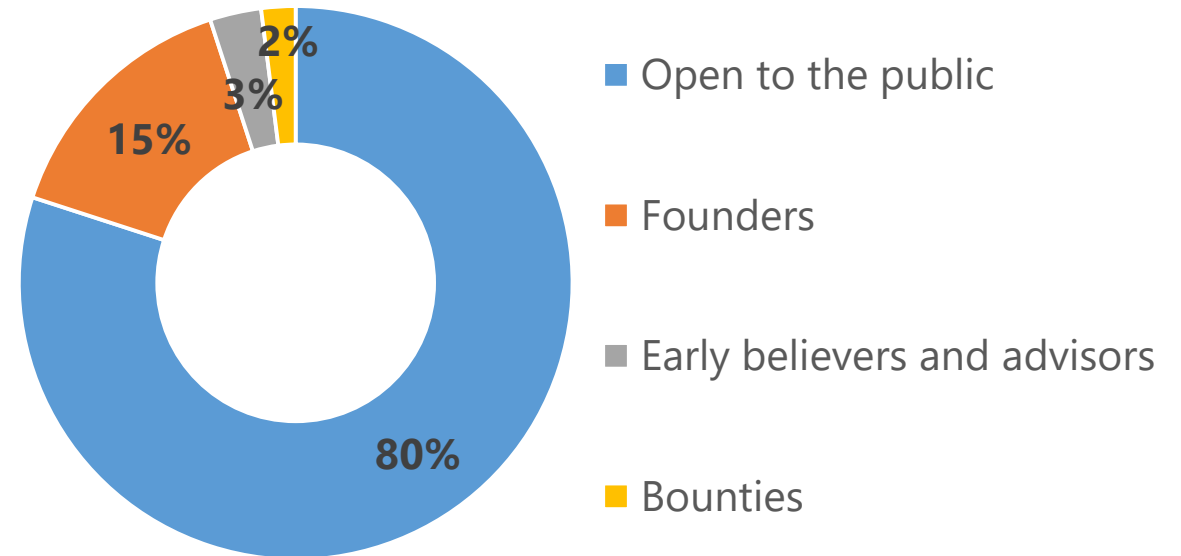


HERO token sale summary

ICO SUMMARY

- **Project name:** Hero
- **Token symbol:** HERO
- **Website:** <https://herotoken.io/>
- **Hard cap:** 200,000 ETH (public crowdsale ICO contributors own 80% of total token supply if hard cap is reached)
- **Conversion rate:** 1 ETH = 200 HERO
- **Total supply:** 50M HERO tokens (if hard cap reached)
- **Max market cap at ICO (fully diluted):** US\$84M assuming current Ether price of \$335
- **Presale or white list:** Presale has not started yet
- **ERC20 token:** Yes
- **Bonus structure:** 2.5% to 30%
- **Timeline/token distribution:** To be announced

TOKEN ALLOCATION



Use of HERO tokens

- All HERO tokens in aggregate will have the right to receive up to 20% of interest income on a quarterly basis (with the goal of having monthly distributions in the long run).
- In addition, the company may use a percentage of profits to repurchase Hero tokens from the open market at the prevailing market price.
- As HERO token holders receive a portion of interest income generated by PawnHero, the more business PawnHero generates, the more valuable HERO tokens should be.

THE TEAM

Who are the people behind Hero?

BOARD OF DIRECTORS



David Margendorff
Chairman of the Board



Manny Ayala
Director



Nix Nollado
Director

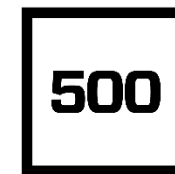


Kristi Bautista
Director



Alexander Corpus
Director and Treasurer

BACKED BY



The opportunities

- We like the business concept of PawnHero because it addresses a genuine problem and serves the unbanked and underbanked.
 - Two billion people, about 40% of the global population, are still unbanked or underbanked.
 - The company could potentially tap into very large markets in Southeast Asia.

	Philippines	Indonesia	Vietnam	Thailand
Population	104.2M	258.7M	92.6M	68.3M
Online population	52%	50%	41%	60%
Number of banks	8.8 per 100K capita	17.7 per 100K capita	3.7 per 100K capita	12.6 per 100K capita
Market size	\$2-3B	\$7.6B	\$26.6B	\$5.3B
Operation status	Live operation	Negotiation ongoing with strategic local partner	License obtained; fully incorporated	Negotiation ongoing with strategic local partner

Source: Hero Token whitepaper

The opportunities

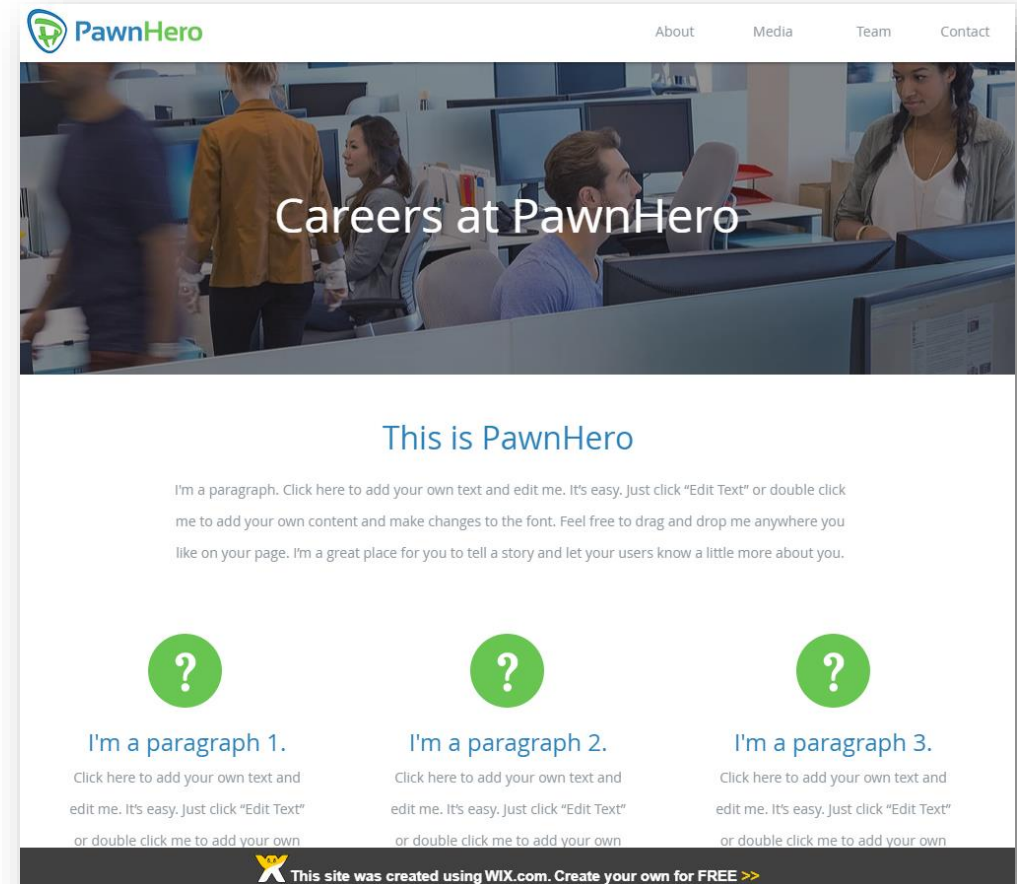
- The company has been in operations for over 2 years and has a strong team, with the financial backing of blue chip investors.
- PawnHero / Hero also offers a competitive advantage because of its cost structure.

	PawnHero	HERO (Unsecured Loans)	Traditional Pawnshops	Banks / Credit Cards	Loan Sharks
Collateralized	✓	✗	✓	✗	Sometimes
Monthly interest rate	2.99% (low)	2.99%+ (depends on credit score; low)	4-20% (high)	Depends	20% per day (very high)
Penalties	✗	✗	✓	✓	✓
Processing time	Fast (>1 day)	Fast (>1 day)	Fast (>1 day)	Slow (>20 days)	Fast (>1 day)
Timeline	In operation for 2+ years	Launching in Q1 2018	Varies	Varies	Varies

Source: Hero Token whitepaper

Our concerns

- We are not sure how successful/profitable the current business is.
 - The white paper stated that it has thousands of customers, which seems low.
 - They provide projections on operating metrics like monthly loan release and company headcount, but we do not know what these metrics were in the last 2-3 years that PawnHero was in operation.
- Part of their website is incomplete which may deter potential contributors.



Our concerns

- The profit sharing can be arbitrary – technically they can never distribute any income and it would still comply with what's stated in the white paper.
- HERO token likely to be classified as a security and may face difficulty getting listed on large exchanges.
- After ICO participants contribute to the project, they will need to go through the KYC process. HERO tokens are issued only after the KYC is approved. Ideally, KYC should be processed before participants can contribute to the project.

HOWEY TEST

- A test created by the Supreme Court to determine whether an investment is considered a security.
- If it is, it will be subject to more stringent securities laws.
- An investment is considered a security if it meets these conditions:
 - Investment of money
 - In a common enterprise
 - Expectation of profits
 - Based on the efforts of others

What do we recommend?

For flipping: **Neutral.**

- The hard cap of 200,000 Ether is fairly large, even though it represents 80% of total supply. We are not sure if the hard cap can be filled quickly with unmet demand.
- The token may have a hard time getting listed on a reputable exchange because of its security-like feature.

For long-term holding: **Neutral.**

- We are not sure how well the business is doing right now. The potential is large but we don't see any metrics that show the business is gaining traction after operating for 2+ years.

CrushCrypto