



## The Neo Tokyo Bet

*Disclaimer: I have invested in Neo Tokyo, these views are my opinions, and this document is not meant to be financial advice. Please do your own research. Seriously.*

FYI: I am very new to the Neo Tokyo community and ecosystem, and likely have made mistakes or incorrect assumptions in my write up below. The below are just my notes as I researched the community. A lot of the credit goes to the core, active community that talked to me, created resource guides and YouTube videos. My goal is to share this with friends and others that hope to understand. Call it my SparkNotes for NT...

### **Founders:**

Brief background on the founders, not a biopic, they are pretty well doxed, you can likely learn more if you choose.

Alex Becker: Served in the US Air Force before launching multiple marketing / ad-tech related companies, and is currently Founder/CEO of Hyros. Becker also goes by @zssbecker on Twitter (800K+ followers) and hosts a channel on YouTube (1.2M+ followers).

EllioTrades (aka Elliot Wainman): UCSB alum with a background in product design and pivoted towards gaming and crypto. He leads a blockchain gaming studio, and recently launched Imposters and prior, SuperFarm. He also manages a YouTube Channel (589K+ followers) and @elliotrades on Twitter (689K followers).

Architect: Thrasher66099 is a key developer for the team, but unsure on involvement.

### **Neo Tokyo:**

The roots of the game are likely inspired by a 1987 Japanese animated film. Neo Tokyo (hereafter “NT”), the NFT project, was teased in September but officially launched in early October with a full launch by December. To get a whitelist spot (ability to mint), players had to solve complex riddles and problems, compete in games etc.

### There are 4 key parts to Neo Tokyo:

*Identities:* This was Part 1, where those that could mint were awarded an Identity, and at the time, this granted Discord access to the Citadel.



Identities have various traits and levels with corresponding rarities. The identity establishes the core attributes of your future citizen, one of the most important is “reward rate.” Reward rate establishes the number of “Bytes” (in-game token) that your Citizen will yield, ranging from 1-15 (top only available with a “vault”).



A unique thing the team did was highlight images to convey rarity (white, green, blue, green, pink, orange, and black).

There were originally 2,018 identities as part of season 1 and they all have “First Citizen” status. Since the launch, there is now a collection of “Bought Identities” that can be acquired by burning 2000 \$BYTES. The only difference is that they do not have “First Citizen” status. Since launch, only 117 identities have been minted (as of 4/3/22).

### Vault Cards:

Part 2 of the game launched Vault Cards that were distributed for free after the “Kong Climb” event, which was a game, and the users score affected the stats of the cards they received. There is a max supply of 2,500 vault cards, and these are *optional* when uploading a Citizen today.

Vaults offer the users the following:

- Credits: Amount of \$BYTES that are claimable
- Credit Yield (higher the yield, the rarer):
  - Low: +1 yield to your Identity (i.e., if your Identity has a reward rate 8, the Vault would boost it to 9)
  - Medium: +2
  - Medium-High: +3
  - High: +4
  - Very-High: +5
  - ???: +7
- Open/Close: Unopened vaults have the initial supply of Bytes, they can only be opened once, and only by Identities that have not yet opened a Vault.
- Land: Vaults were required to mint the initial supply of land, and many vaults still have their land intact. As of writing, Bought Identities cannot mint land from Vaults but that may change in the future.

### Caches:

These are basically the items that customize your Identity. The core drivers of choosing a cache would be rarity (if you care) and the aesthetic you want. It is unclear how the attributes of caches will affect future gameplay.

Key Attributes: Weapon, Apparel, Vehicle and Helm.

### Land:

Self-explanatory but where your Citizen is located in the Citadel upon upload, varying by rarity. Land can be minted via vault or purchased by burning 500 \$BYTES.



### Uploading a Citizen:

To upload a Citizen you need an Identity, Land and Cache, while the “Vault” remains optional. You are allowed to pick and choose any combo you wish but there will likely be two deciding factors: aesthetics and rarity.

Some individuals may not care or want to spend extra on rarity but it will likely have some effect on the game in the future. Each component listed above is given a score, the citizens with the highest combined scores have the highest rarities. Furthermore, rarity directly correlates with a score. Now, if you have certain rarities on other items, you will likely not need it on others to have a top 25% citizen. The biggest appeal as of now, outside of aesthetics, is the “Elite Citizen.” This is the branding given to Citizens with a top-500 rarity score in the Citadel, which grants them access to the “Elite” discord channel.

The best part is your ranking is not guaranteed. The game is modular, you can assemble and disassemble your Citizen at any time, which allows you to upgrade certain components. This can allow you to upgrade or downgrade your rarity.

### **THESIS:**

*Each of these categories could be a paper of its own, so will stick to the punchlines.*

Web – 3: The space is in its first inning. Most products out there are MVPs or prototypes. The entire space, excluding private valuations/publicly traded companies (i.e., Coinbase), has a market cap of \$2.26T. As a point of context, Microsoft (MSFT) has a market capitalization of \$2.3T. Now, it may behoove us to look at FDV, but not getting into the weeds, the point is that the entire space is smaller than a leading Web 2.0 company. (*FYI Apple has a market cap of \$2.8T, peak crypto barely crossed \$3T*).

NFTs: The category received the lion share of private investment in 2021 that was directed towards crypto. NFTs didn’t start to gain general market traction until NFT summer in August, kicked off by the launch of Mutant Apes. August was the first month that transaction volume exceeded \$1B, and since, we have seen tremendous growth in caliber projects, innovation, market cap and transaction volumes. The recent all-time high was reached in January 2022, likely muddied by the launch of LooksRare and “wash-trading.”

According to NFTGO, the analytics platform, the total market cap of NFT projects exceeded \$19B, less than 1% of the total crypto market cap. The space continues to gain attention and likely has tremendous upside based on the size of the sector in the broader crypto space. Messari recently did a nice categorization of NFTs that I thought would be interesting:

- Avatar - BAYC, Punks, Azuki, CloneX, NeoTokyo (unique)
- Gaming – Imposters, Axie, DefiKingdoms, Loot, Big Time, ILV
- Utility - NFTs used as membership, Aokiverse (these are typically semi-fungible)



- Metaverse Assets – NFT Worlds, SAND, MANA and others
- Social - HeadDAO, LinksDAO, MetaHero Universe
- Intellectual property - Adidas, Budverse Cans, Pepsi Mic Drop, TwitterMusic
- Financial / DeFi - Uniswap liquidity positions, yield bearing NFTs, VISOR NFTS

Today, Collectibles and PFP projects represent the most volume and largest market share, while Gaming is less than 2%.

*Let's take a step back:*

The traditional gaming sector is projected to be valued around \$210B and expected to grow to \$435B by 2028. The entire NFT marketplace is roughly worth 10% of the gaming market, and NFT-Gaming is worth 0.2%.

Web-3/NFTs are revolutionizing world-building, community, value creation and distribution and how we use the platforms to engage. Gaming has gone from walled-gardens to cross-platform (think Halo -> Call of Duty). Even hardware manufacturers realize the value is not in the hardware but the software and building the largest, most engaged community possible. Hardware for Web-3 are crypto rails, cloud computing, and your personal machines.

SuperCell revolutionized free-to-play gaming, allowing users to price discriminate based on their habits and demands, so much so that a minority of players drive the majority of revenue.

Fortnite created a platform for people to connect online via multiplayer, free to play, and instead monetized customizations of skins (and were careful to ensure competitive advantage or skill could not be purchased).

*The Vision:*

Minecraft created an open world for people to build either public or on private servers. Fortnite brought shooters to a global arena, with quick engaged matches and monetization of skins. SuperCell brought in-game currency in a way that worked well. And the last missing piece, the collectibles seen in MMORPGs that can be traded or sold.

So where am I going? NFT / Gaming is an attempt to build the future of gaming, IP, and frankly rethink media/content creation. It is a step to connect all the concepts above in a harmonious way, and allow indie-developers to corporations to create new, thoughtful adventures for players to engage and enjoy.

NFTs have and will continue to change the value model. Prior, you needed an idea that would get approved by a studio, and survive development to reach an audience. Today, the audience/community is engaged at the ground floor, and most builders don't need to worry about studio hell. Furthermore, you can iterate and tailor your product by actively testing concepts in real-time so that you don't flop on launch. Lastly, the paradigm seemingly allows all stakeholders to benefit. I am quite cautious on this, since you can't truly distribute



IP/profits to a community without becoming a security. And we are ways off from gaming that the general public will enjoy.

I love to reference the Star Wars community that has been at a disservice by the stewards of the brand. Fan-made content is some of the best I have ever seen. If they had given the IP to the community, I believe, the outcome would've been infinitely better than what we saw from the Disney Films and EA Games, and the go to market would not take 8 years (looking at you Quantic Dream).

### **Neo Tokyo Punchline:**

So, I have talked about a lot of concepts, at a high level, and likely rushed the arguments, but trying to keep this under 5-pages (now 6).

#### **Key Takeaways:**

1. Becker and EllioTrades are key players in the community that have been able to spark NT off the ground, and successfully, allowed the community to build around it and carry it forward. This reduces keyman risk...and allows the project to build in multiple directions without a bottleneck.
2. NT represents community that is a collection of various themes in crypto:
  - a. PFPs (BAYC, Azuki)
  - b. Gaming (Big Time, Axie)
  - c. Investing (A16z, Animoca)
  - d. Social (FB, Twitter, Discord)
3. Innovation
  - a. NT launched a way to create a modular NFT that can be upgraded/downgraded etc.
4. Fair Launch
  - a. Nobody paid for a mint, it was all free, the founders awarded themselves one citizen each (if you complain about NT, and bought Pixelmon, I don't want to hear about your opinion)
5. Building an ecosystem and community with individuals that will likely help each other succeed.

NT is the Illuminati, but what does that mean? It means there are a collection of individuals that have come together with different skills but one singular vision. They want to innovate and build in this emerging space and move it forward.

People have poured large amounts of capital to enter the space. From those I have spoken to and the projects I have seen come out, there are quality individuals that favor rational, critical thought over "moonbois" chatter seen elsewhere. Often times, I find myself attending a space, where I leave and look at my OS and debate if I sell everything. Luckily, I have only bought projects I like and will likely hold for the long-term. I learned short-term flipping is not ideal, thanks AMZN 2010 and LINK 2017.



Quick Stats (didn't vet data source, potential inaccuracies):

- Identities: 54 holders, everyone holds 1, except 1-2 accounts = great distribution, no single whale to dump. Most have held for a long time now, flippers likely out.
  - o Floor Price around 12E, peaked at 32E in January (largest sale that I see was 175E)
- Vault: 341 holders, 89% hold one, and most have held for 3M or more (again, conveys diamond hands) and strong distribution.
  - o Floor Price peaked at 7.5E in January and currently sits at 2.7E
- Caches / Land: less so important but convey trends seen above.
- Citizens:
  - o 1,963 holders, Floor price peaked at 52E and currently sits at 13E
  - o 96.4% of holders have 1 and 70.4% have held for more than 3 months

**Takeaway:** The project is well distributed to holders that are committed to building. January was likely at peak fomo coupled with strong market tailwinds in NFTs that led to absurd valuations. The dust has settled and likely a great entry point to enter for those that are interested. The community talks that the project is dead, a rug, or a failure, but frankly they don't understand the long-term vision. This isn't a project you flip or hoard, it is a long-term investment. Crypto investors want utility and value tomorrow, they want to see single charts that go up, but that is not practical and creates noise around an otherwise solid project. The gap in perception and value is where you can make a sound play, albeit risky. While most projects recovered after the correction in February, NT has not, and I think it will re-rate as people realize this. Ultimately, it's a long-term bet and judging a project by floor price (makes no sense given the amount of tokens, liquidity and volume) and Bytes (microcap), frankly make no sense. Bet on the thesis and long-term macro for gaming and NFTs.

**My Bet:** NT is the web-3 SoHo House (we def will have one soon, if not already in the works) that brings together creators, financiers, creatives, developers and everyone to build in the space (irl). The secret society of Illuminati or Free Masons, and my personal favorite, the PayPal Mafia. It is hard to copy. You can copy everything else, but a community with conviction cannot be copypasta'd.

Thanks for reading.

*KryptoYogi (H. Singh)*