Fundamental Report - Metaverse

Prime Rating Report V1.1

Protocol: Galaxy Fight Club (GFC)
Category: GameFi
Version: 1
Date: 14/04/2022
Previous Report: /

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Season/competition: Metaverse Rate-athon

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	14 / 15
b) Target market size	12 / 15
c) Product-market fit	8 / 15
Total Points - Value Proposition	**34 / 45**
2. Competitive moat	**Points**
a) Integrations & partnerships	8 / 10
b) Intellectual property	2 / 10
c) Infrastructure - security	7 / 10
d) Infrastructure - fees and ancillary infrastructure	6 / 10
e) Treasury management	1 / 10
Total Points - Value Proposition	**24 / 50**
3. Tokeneconomics	**Points**
a) Genesis token distribution	8 / 15
b) Purpose of the token	4 / 10
c) Ongoing token issuance / inflation	6 / 10
d) Value capture	7 / 10
e) Token liquidity	2 / 5
f) Extrinsic productivity	2 / 5

Total Points - Tokenomics	**29 / 55**
4. Team	**Points**
a) Credibility and reputation	**4 / 10**
b) Relevant experience	**10 / 15**
c) Thought leadership and public presence	**6 / 10**
d) Ability to foster a community and coordinate resources	**14 / 15**
Total Points - Team	**34 / 50**
5. Governance	**Points**
a) Extent of governance capabilities	**1 / 10**
b) Active governance contributors	**1 / 5**
c) Governance infrastructure robustness	**0 / 10**
d) Process and ease of use	**1 / 5**
Total Points - Governance	**3 / 30**
Total	**124 / 230**

1. Value Proposition

The "Value Proposition" section assesses the value a protocol delivers to its users. The rating is based on the size of the problem a protocol addresses and the product/market fit of the protocol's solution.

a) Novelty of the solution (15 points)

This score evaluates the novelty (uniqueness) of the protocol. Has the protocol introduced any innovations that help solve users' problems, either technical or organisational? Or has it just forked someone else's code?

Answer: GFC is one of the first P2E games which offers cross-IP PvP game experience. By enabling NFT IP interoperability, a new key attribute is being created, allowing for the in-game utilization of existing NFT avatar collections (mainly PFP) besides the GFC native collection. Other than e.g. ZED Run or Axie Infinity, GFC is a real-time PvP game therefore adding an additional layer of complexity on the backend side but also on the player experience side to the game. Users can enter battles with other different NFT collections, fight for loot, and train their fighters.The variety in character traits is vast and the userbase not capped (often strongly bound to the existing native collection of NFT avatars available).

Source: https://galaxyfightclub.com/

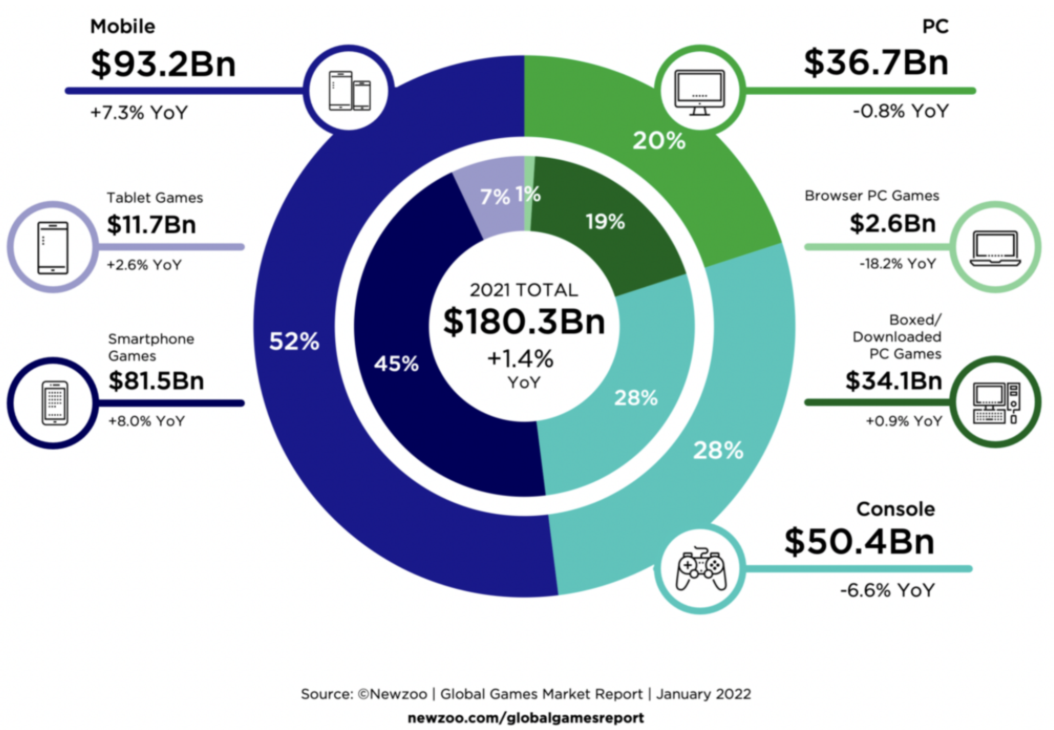
Being one of the first movers when it comes to cross NFT collection utilization and applying a potentially big traction lever makes GFC to a novel blockchain game concept trying to break the existing siloed NFT scenery.

Score: 14

b) Target market size (15 points)

The target market size evaluates the current and future size of the problem a protocol aims to solve. While the term Metaverse is all-encompassing, what is the target market size for the relevant sector? For example, NFT games are trying to disrupt the traditional gaming industry, which is reported to be worth roughly $175 billion.

Answer: GFC is planning to release a cross-platform strategy and be available on iOS, Android and PC (see FAQs). The overall market size of the global games market was roughly at $180 billion in 2021. Targeting theoretically the whole mobile segment as well as the PC segment, it adds up to ~ 72% potential critical mass on the gaming market.



Besides the global games market, the development of the subcategory of games built for the Metaverse is relevant. Currently the NFT market cap sits at ~ $20.5 billion USD and is expected to massively grow within the next 5 years. Up to $35 billion in 2022 and to over $80 billion in 2025 as a CoinDesk research report claims. Those estimates have to be treated with care since the Metaverse target group (non-crypto) is much younger compared to the average gamer and AAA-title game studios are still reluctant to fully embrace the Metaverse development. Technical hurdles to enter blockchain games for non-crypto native users (wallet management // swapping // bridging etc.) still exist and also need to be overcome before any significant migration can happen. This climate is expected to begin to shift in 2022 as barriers will be lowered over time since developers will continue to improve the first-time user experience of blockchain games.

While the overall targeted games market growth looks really promising the main migration of market shares to Metaverse related blockchain games still has to be proven.

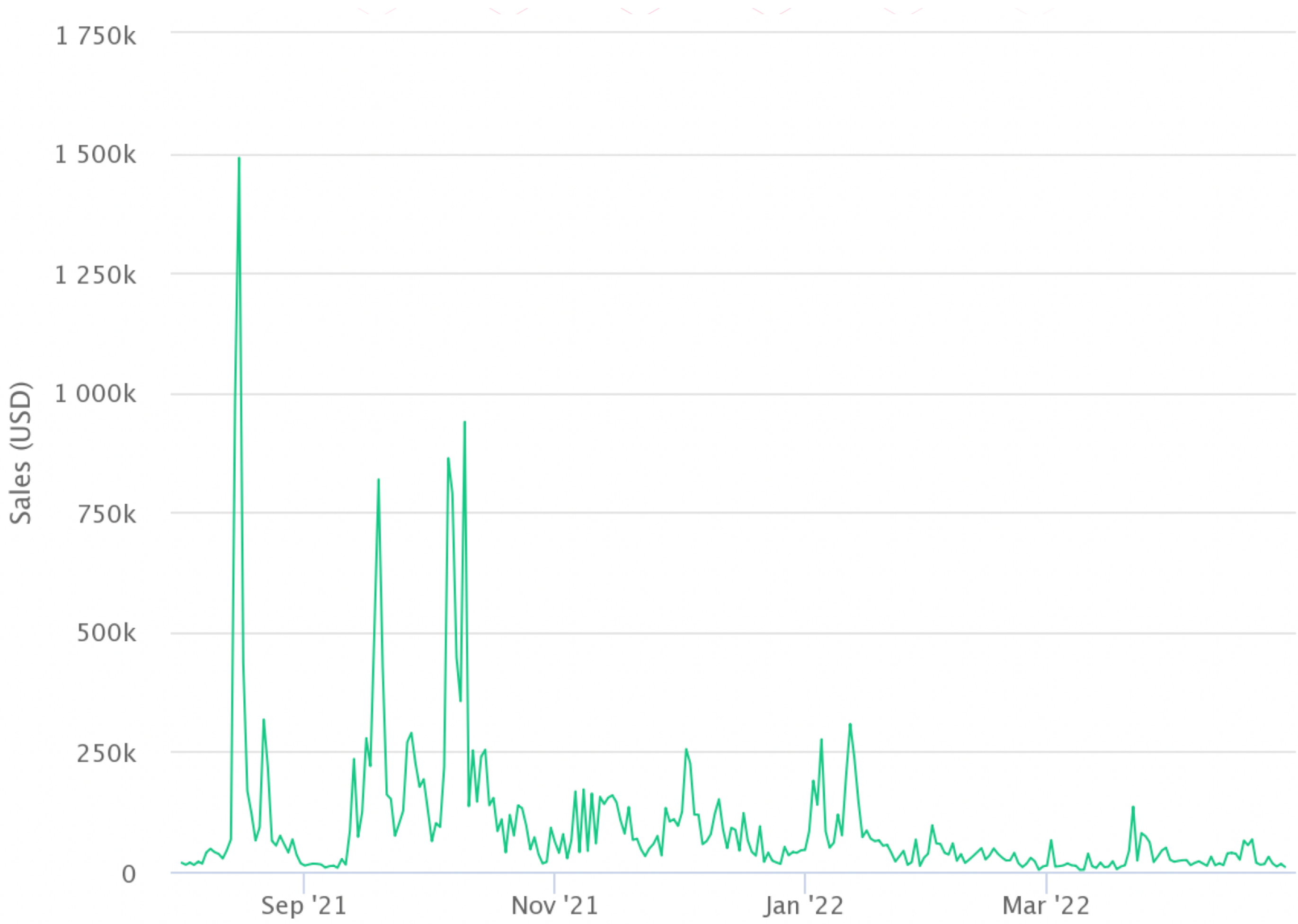
Score: 12

c) Product-market fit (15 points)

Product-market fit evaluates the degree to which a protocol satisfies market demand in their specific sector. How many users does a protocol have? What is the trading or transaction volume on a platform? Is there growth on both the buy and sell side of the market? Is the protocol targeting the right product segment at all?

Answer: The market demand for cross-IP PvP P2E games is huge, since most metaverse users hold at least some pieces of various NFT collections. The opportunity to get additional utilization and potentially earn additional income through in-game P2E mechanisms is tempting. GFC is currently in open beta (released 20.04.22) and playable on iOS and Android. Alpha and beta closed playtests successfully happened back in September and November 21.

The Discord server with nearly 40k people and the twitter account with over 80k followers indicate a strong growth since the inception of the project back in July 21.



Source: https://cryptoslam.io/galaxy-fight-club/sales/summary

The historical sales volume graphic shows a spike in August due to the pre-sale of 2k Genesis Galaxy Fighters and the main drop which followed shortly after for the platforms native Genesis collection of 10,129 fighters. The sale back then was sold out. Since then we can observe a healthy sales volume until the beginning of 2022. With a floor price of 0.4ETH (April 22) and around 7k ETH traded volume and more than 2.6k unique owners, GFCs position is in the lower range of the upper bracket on the OpenSea collection ranking list, which is above average considering the stage the project is in. It becomes apparent, that the gap between the initial drop and announcement of the project and the still awaited full game release, begins to be reflected in the sales volume. Gameplay with full P2E mechanics implemented (expected around mid of this year) will show, if GFC can reestablish its initial sales volume of Q3 21 and sustain long-term growth.

Score: 8

2. Competitive moat

The "Competitiveness" section looks at a protocol's competitive moat in the space and its unforkable assets. This includes integrations and partnerships, intellectual property, the underlying infrastructure being used, and treasury management.

a) Integrations & partnerships (10 points)

Due to crypto's open-source nature, the code of most protocols can easily be forked. This score represents one piece of unforkable value. Some indicators are the number of applications built on top of the protocol (vertical integration) and other entities integrating the protocol's services (horizontal integration).

Answer: Since one of the key USPs of GFC is its cross-IP capability the project has already established some strong horizontal integrations such as with Metakey, Animetas, Wicked Cranium, Alien Boy, Cyberkongz, BYOPpills as well as GameFi projects like Illuvium. Besides the partnership aspect, it's in the protocol's vision to integrate all major avatar NFT projects over time whether a partnership is established or not, as long as the NFT IP belongs to its respective owner instead of the corresponding collection. Every partnership established while the project has momentum directly impacts its unforkable value. The protocols infrastructure on a High Level consists of several modules (NFT contracts, Token and the game itself which is built on Unity). In theory the protocol is partially forkable (on-chain modules). But the core game logic and processing intensive components remain off-chain, which basically define the game.This fact is from a security and performance perspective a beneficial factor to some extent but from a community and protocol governance vision perspective more counterproductive since core components are developed intransparently off-chain and are in full control of the core team. The project has to prove if it's able to gain and hold the position its aiming for once the gameplay is fully implemented and has to present a feasible long-term roadmap actively addressing off-chain related developments.

Score: 8

b) Intellectual property (10 points)

Intellectual property is and will continue to be a crucial part of the metaverse. This score considers if a project, for example, developed a unique IP that creates a sustainable competitive moat around it or, as an alternative, secured IP through agreements with outside parties.

Answer: Besides GFCs own IP around the native Genesis fighters, weapons and 2nd generation fighters as well as all traits attached to them, combined with their developed game logic, the project depends long-term heavily on agreements and licensing deals with external NFT projects. But as mentioned in 2 a) these agreements as well as the integration of collections which have not officially partnered with GFC are also considered in the vision of growth of GFC, as long as the IP rights of the respective NFT to be integrated belongs to the owner. The current market still has no clear NFT IP rulesets in place especially for all the upcoming scenarios of GFCs envisaged ecosystem. This remains an insecurity but as also stated in their Discord it is minimized, because every derivative work on external collections will be comparatively unspecific from a visual standpoint, will ship eventually with different skins and in addition to that will be given traits for the in-game usage which are created by GFC themselves. However the project is still in its early stages so it's hard to evaluate the IP assets around the ecosystem without any licensing deals published.

Score: 2

c) Infrastructure - security (10 points)

Metaverse projects make all kinds of choices when it comes to infrastructure. Some build their own solutions, whether Ethereum side-chains or a new blockchain entirely, and some deploy to an existing sidechain or a level 1 blockchain. These decisions have significant trade-offs across security, maintenance, ease of use, costs and scalability, etc. This score assesses specifically the security of the chosen infrastructure solution.

Answer: The GFC fighter NFTs are based on the ERC-721 standard, this standard was chosen because all fighters are 1/1 unique token with unique combination of traits. The weapons will be implemented with the ERC-1155 standard allowing multiple copies of the same weapons to co-exist and the weapon to be fungible (i.e. to wear out/ to be fixed). All smart contracts will be deployed on Ethereum mainnet. More transaction intensive componentes (see FAQ section) such as the token (GCOIN) as well as the weapons will be running on Polygon. This infrastructure approach secures the monetary value on-chain and core game IP in the form of the games logic (battle calculation formulas, fighter stats, unity based code) off-chain. Overall it represents a balanced approach of security and scalability tradeoffs.

Score: 7

d) Infrastructure - fees and ancillary infrastructure (10 points)

The section above assessed specifically the security of the chosen infrastructure solution. This score, however, looks at the other side of the scalability trilemma - fees and the ancillary infrastructure like bridges, wallets, etc.

Answer: GFC solves its scalability issues by grouping components of the platform in on-chain and off-chain designs. The on-chain side runs with the smart contracts on the Ethereum mainnet. Processing of the fighters stats and the battle calculations are running on off-chain databases to enable a fluid game experience.This trade off seems justified, since GFC is a resource intensive and more complex real-time fighting game compared to most P2E turn based metaverse games. With choosing Polygon for its in-game transactions, GFC is using one of the most established L2 networks for EVM compatible chains. But as was shown with the Sunflower Farmers incident on Polygon network beginning of this year, it's still questionable if Polygon remains a wise choice while more P2E games join the network. The overall level of fragmentation however which exists on-chain is still manageable and good to use. But from a complete non-crypto (onboarding perspective) the current on-chain infrastructure (metamask extension, polygon bridging) is still representing big hurdles for usage.

Score: 6

e) Treasury management (10 points)

Treasury management refers to the project's management of its assets and balance sheet. How diversified is its treasury? If diversified, are the assets productive? For example, does the project own its liquidity? Are there procedures and plans in place for managing the treasury?

Answer: There is no treasury management strategy published in the official documentation nor any verified discussion on this topic public. Some vague assumptions are made in the general Discord channel of GFC, saying that most of the treasury will be used for reward distribution through staking.

Score: 1

3. Token Economics

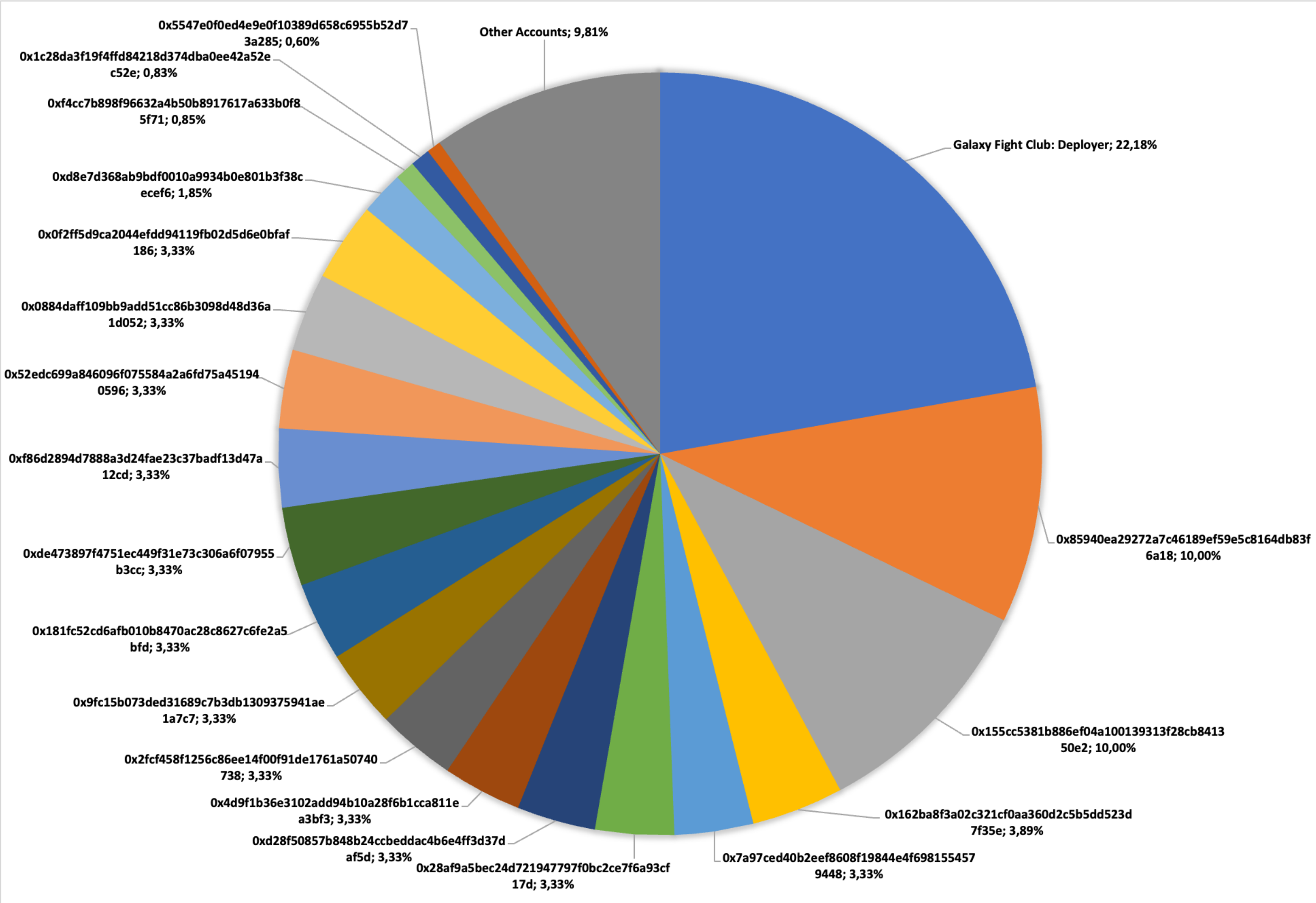
The "Token Economics" section assesses the function of a protocol's token. This includes the token distribution, its functionality, the ability of the token to incentivise desired behaviours and value capture potential.

a) Genesis token distribution (15 points)

Token distribution can be an indicator of a healthy protocol and, if done well, can improve coordination and alignment among different stakeholders. Was the initial distribution fair and balanced? Are the tokens distributed widely or is the ownership concentrated?

Answer: From around ~8k token holders of $GCOIN 20 addresses hold ~90% of the total token supply of 150 million. One reason for this concentration on the top could be due to the large seed and private round raises. It remains an open question, if VC and angel money can bring the expected value add to an in-game coin. In the worst case it will be not utilized at all in the game for the respective vesting schedules.

Zoomed view: GCOIN Top 20 holder addresses versus Rest



Source: https://polygonscan.com/token/0x071ac29d569a47ebffb9e57517f855cb577dcc4c#balances

The allocation table shows slight imbalances on the Team / Private and Seed sale portions compared to the Public offering. The vesting schedules however are fairly structured with a 6 month lockup/36months vesting afterwards for the team and advisors and a 1.5 - 3months lockup/18months vesting afterwards for institutional investors therefore ensuring long-term commitment.

Score: 8

b) Purpose of the token (10 points)

This score evaluates the purpose of a token in the project's ecosystem. For example, does it provide utility? Does it have governance rights attached to it or a built-in value capture mechanism?

Answer: $GCOIN represents the in-game currency of GFC. The token will be needed for essential in-game activities from opening loot boxes with keys (won from battles), forging/upgrading weapons and training new Gen 2 fighters. Following are the token operations listed. In the current state of the project no governance rights are attached to the token.

What you can use $GCOIN for:	Cost
Forging weapons	300
Weapon re-roll	TBD
Unlocking loot boxes	TBD
Training 2nd generation fighters	800
Exclusive collab items & skins	Varies
In-game emoji pack	Varies

**Costs are subject to change to maintain a healthy $GCOIN economy*

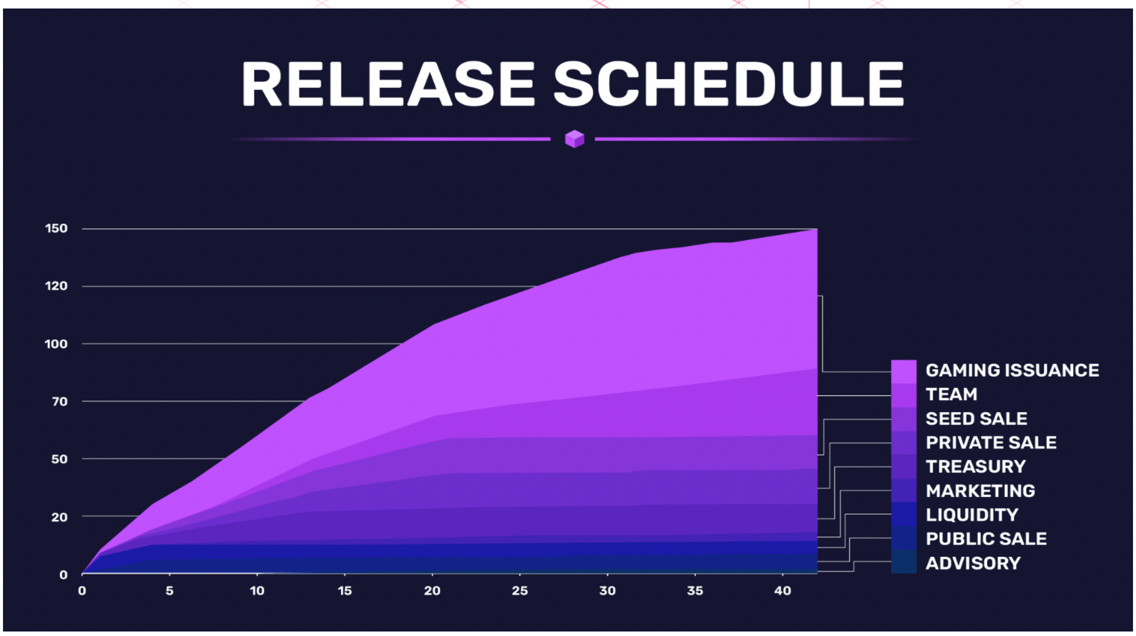
Source: https://whitepaper.galaxyfightclub.com/economy/usdgcoin/tokenomics

Score: 4

c) Ongoing token issuance / inflation (10 points)

Most tokens have built-in inflation. This section evaluates the purpose of that inflation. Is it justifiable? Does it help improve the coordination and alignment of incentives for the protocol? Does it incentivise positive-sum behaviour? Are the benefits flowing to all relevant stakeholders or just select groups?

Answer: The 150 million supply limit of $GCOIN will be in full circulation after 3 years. The initial circulation in the first two weeks after the IDO was at 3.4 million. This number will increase as $GCOIN from accumulated gaming issuance is slowly unlocked. The release schedule shows the token issuance of each ecosystem party. With 40% issuance happening directly through the gaming itself, the token is at least to some extent incentivizing on the key part of the protocol.



Source: https://whitepaper.galaxyfightclub.com/economy/usdgcoin/tokenomics

But the $GCOIN game issuance however happens via the Genesis Galaxy fighters which generate depending on its rarity 5-15 $GCOIN/per day. This benefits more capital intensive players who are willing to spend additional ETH for the NFTs. In addition as mentioned in 3 a) large portions of the token will be released to investors, where it's quite unclear if they will utlize their tokens for the game or rather create sell pressure.

The tendency may be on the selling side, since all three lead investors (Animoca Brands, Sequoia Capital, SkyVision Capital) have no touchpoints on the in-game side of GFC. Animoca Brands is one of the biggest web3 investors specialized in metaverse projects, but the size and the number of lead invests they already hold as well as the capital they have to deploy over the coming years (immense funds - see recent fundraise beginning of this year $360mln funding at a valuation of $5bln to a prior fundraise in October 21 for $65mln at a valuation of $2.2bln and a prior summer round 21 for $138mln at a valuation of $1bln) makes it more of a branding and initial awareness deal for GFC with low long-term impact. Sequoia Capital is a big VC firm with partial web3 exposure (small branch) where the real interest and web3 value add is limited besides the capital. SkyVision Capital is a web3 VC firm known for its strong regulatory knowledge. They definitely represent a value add in the early stages of GFC but the long-term token interest is also not given once the initial structuring is done and the project is live.

Score: 6

d) Value capture (10 points)

The ability to accrue value and consequently distribute it to stakeholders can be an effective coordination mechanism and deliver long-term benefits to a project.

Answer: The core value capture mechanism for the token is argued to be the growth of the ecosystem itself particularly the userbase. With a larger userbase a higher frequency of in-game activities and token usage takes places resulting in an increased demand for the token. Additionally the in-game activities related with $GCOIN are of deflationary character, e.g. for forging a new weapon or training a Gen2 fighter a varying amount of $GCOIN needs to burned. Nonetheless it remains questionable if growth in usage alone can sustain value over a long period of time. There will be a point where the userbase growth stops and begins to fluctuate due to different player types (collectors who begin to divest (latest after yields on G1 Fighters run dry), F2P players and grinding players…), decreasing interest in the offered game modes or other P2E game alternatives on the market.

Source: https://whitepaper.galaxyfightclub.com/economy/play-to-earn

Score: 7

e) Token liquidity (5 points)

Is the token widely available and is there sufficient liquidity to facilitate all protocol functionalities?

Answer: The token is available on a limited number of centralized exchanges and on one DEX with Sushiswap. The liquidity is still relatively low.

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume	Volume %	Last Traded	Trust Score
1	Sushiswap (Polygon POS)	GCOIN/WETH Live Chart	$0.556098	0.6%	$43,132	$43,002	$111,728	62.00%	Recently	
2	MEXC Global	GCOIN/USDT	$0.563095	0.21%	$41	$48,147	$438,103	243.12%	Recently	
3	Gate.io	GCOIN/USDT	$0.566525	0.41%	$2,153	$482	$52,052	28.89%	Recently	
4	Huobi Global	GCOIN/USDT	$0.567809	4.78%	$0	$0	$19,846	11.01%	Recently	

Source: https://www.coingecko.com/en/coins/galaxy-fight-club#markets

Score: 2

f) Extrinsic productivity (5 points)

Can the token be used outside of the project's ecosystem? For example, can it be used as collateral elsewhere, be staked for yield or rewards, etc.

Answer: Currently the token can only be staked internally and there is the option to provide liquidity on one Sushiswap pool.

Score: 2

4. Team

The "Team" section describes the quality of the team behind the protocol. The current version of Prime Rating favours teams that are publicly identifiable. In the case of an anon team, the track record of the specific anons involved can be taken into account.

a) Credibility and reputation (10 points)

Are the identities of the core team public? In the case of anon team members, do they have a track record or reputation in the crypto space?

Answer: There is a dedicated team page with short bios (mostly generalized) on the core team members available on their GitBook -> https://whitepaper.galaxyfightclub.com/team.

Additionally some team members maintain active twitter profiles:

https://twitter.com/adopunch_eth
https://twitter.com/SmilingLionNFT
https://twitter.com/bizdevelo
https://twitter.com/thedev_dave

The information publicly available is limited and claims or career steps are not verifiable.

Score: 4

b) Relevant experience? (15 points)

Does the team have a track record of execution? Have individual team members built a product or a business before? Does the team have the necessary skills? For example, if a project is making a game, do they have a game developer?

Answer: There is no verifiable track record of execution publicly available. The core team members however are representing a good role combination on paper.

Ado (CEO): 4+ years of experience in strategy consulting & the mobile games industry

Dave (CTO): 2+ years of experience in smart contract development (Solidity)

Dan (CGO (Chief Game Officer)): 5+ years of experience at big game studios such as OneSoft and VNG. Lead game designer previously on Samurai Shodown. Previously team member of several mobile game titles such as Metal Wings, GunPow 3D, AU Mobi…

Yassin (CMO): 6+ years experience in marketing (founded own marketing agency). Strategist thinker with a passion for innovation, business development and marketing.

Don (Lead Artist): Award-winning digital art/designer with a degree in Fine Arts and years of experience in Multimedia Arts and Design. Expertise in Illustrations with specializations in cartoon, comic art and caricature.

One of the long-term success factors of GFC will be the ability to smoothly integrate popular PFP collections into the game and create an easy process for that. This requires strong game design experience, since all the in-game characters have to be balanced in the end. Their current team composition has this covered on paper. A deduction of points was given due to the lack of technical capacity and experience for the on-chain componentes (one CTO with medium Solidity experience) and for the missing options to verify the given information.

Score: 10

c) Thought leadership and public presence (10 points)

To what extent do the protocol contributors participate in the public debate around the metaverse? Are the team members giving presentations, sharing their thoughts and opinions, and do they help raise the industry's collective intelligence?

Answer: Some of the teams twitter accounts (see 4 a)) are actively involved in Metaverse discussions on twitter. However mainly it's around announcements, questions and the GFC project itself. Still the team seems to have good connections to leading P2E gaming guilds reflected in the partnerships they could forge so far. The advisors they could win for the project are also containing some thought leaders out of the traditional gaming branche.

Source: https://whitepaper.galaxyfightclub.com/team/advisors

GFC does also not shy away to introduce innovative concepts such as a Collateral-free trust-less lending system for guilds allowing for automatic loot split handled via smart contracts.

Score: 6

d) Ability to foster a community and coordinate resources (15 points)

How effective is the team at attracting and coordinating resources for the benefit of the protocol? Do they manage the community well, fostering a welcoming and positive environment? Does the community represent the project well externally?

Answer: GFC managed to receive a $7mln USD funding in a seed round in Q4 21 indicating high investor interest. Furthermore the community of GFC is for its <1year existence already strong with an active Discord and twitter presence. The discord moderators are keen to answer any questions which are raised in the public chat. Several community contests are organised to foster the community. A recent hack of their discord server was handled well with a clear line of communication and coordination where all the resulting damage was reimbursed in the end. Regular posts from a # DEV Blog also assure that every community member gets the latest news on the project and status.

Score: 14

5. Governance

The "Governance" section evaluates all aspects of the protocol's governance, from infrastructure to processes and distribution of governance power.

a) Extent of governance capabilities (10 points)

Distributed governance should allow token holders to participate in the governance process. How much influence does the current governance process have when everything works as intended? What parts of the protocol does governance touch? Who can put forward a vote, and are there any limits or requirements (number of tokens, only the team can queue votes up, etc.)?

Answer: In the current state of the project there is no protocol governance defined. The core team is in full control of the protocols parameters and development. There is no documentation or publishment on governance/plans on the GFC protocol available. However the team is still open to consider community governance after being fully launched*.

*Information was gathered on respective Discord server

Score: 1

b) Active governance contributors (5 points)

Governance is time-consuming, and governance apathy is a common problem in most democratic systems, including crypto. Therefore, it's essential to have a sufficient number of community members allocate resources to the governance process of the protocol. How many individuals participate in the debate around the protocol? How active are voters? Is delegation enabled?

Answer: A Game Council, a closed group established on their Discord, consisting of chosen play testers is the only coordinated approach to gather community feedback currently*. The community can also suggest ideas in a dedicated channel but its rather scattered. With the start of the open beta (20.04.2022) active game related community feedback is now also posted in the public channels of their Discord.

*Information was gathered on respective Discord server

Score: 1

c) Governance infrastructure robustness (10 points)

Robust infrastructure relates to how well the technology, software, and models used by the protocol's governance withstand actual use cases. Does the protocol have a reliable voting mechanism? How robust is the governance process, and does it facilitate good governance? Are the votes binding, or do they function solely as signals to the team?

Answer: The protocol has currently no voting infrastructure.

Score: 0

d) Process and ease of use (5 points)

This score is based on the documentation and process for governance. More specifically, how easy it is to participate in governance. Does the protocol have a formal governance process? Is sufficient documentation available? Is there a basic framework to establish social consensus? Are there channels dedicated to governance debate?

Answer: At the time of writing there is no documented governance process in place. However it is planned to foster more effectively community inclusion.This could set the base for later governance.

Score: 1

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