



Fundamental Report - Metaverse

Prime Rating Report V1.1

Protocol: Avocado DAO (AVG)
Category: GameFi
Version: 1
Date: 18/04/2022
Previous Report: /

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Reviewed by: OriginalSK
Season/competition: Metaverse Rate-athon

Scorecard

1. Value Proposition	Points
a) Novelty of the solution	3 / 15
b) Target market size	12 / 15
c) Product-market fit	4 / 15
Total Points - Value Proposition	19 / 45
2. Competitive moat	Points
a) Integrations & partnerships	3 / 10
b) Intellectual property	0 / 10
c) Infrastructure - security	10 / 10
d) Infrastructure - fees and ancillary infrastructure	4 / 10
e) Treasury management	4 / 10
Total Points - Value Proposition	21 / 50
3. Tokenomics	Points
a) Genesis token distribution	7 / 15
b) Purpose of the token	2 / 10
c) Ongoing token issuance / inflation	7 / 10
d) Value capture	4 / 10
e) Token liquidity	2 / 5
f) Extrinsic productivity	2 / 5



Total Points - Tokenomics	24 / 55
4. Team	Points
a) Credibility and reputation	4 / 10
b) Relevant experience	4 / 15
c) Thought leadership and public presence	3 / 10
d) Ability to foster a community and coordinate resources	8 / 15
Total Points - Team	19 / 50
5. Governance	Points
a) Extent of governance capabilities	1 / 10
b) Active governance contributors	1 / 5
c) Governance infrastructure	0 / 5
d) Robustness of the governance process	1 / 10
Total Points - Governance	3 / 30
Total	86 / 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: [Avocado DAO \(AVG\)](#) is a P2E guild with the aim to invest in NFT based assets mainly within games and emerging metaverse projects. It tries to utilize the NFTs as effectively as possible in the form of renting them out to guild members for yield optimization with the aim to share resulting profits with all \$AVG holders as well as with the guild members. With the advent of [NFT summer in 2021](#) several P2E guilds were founded. The guilds business model of AVG is not unique and other guilds such as [Yield Guild Games](#) (pioneer since 2020), [YGG SEA](#), [PathDAO](#), [Perion](#) or [Polemos](#) are also utilizing it, with slight adjustments such as e.g. YGG SEA with a more regional approach (South East Asia). One distinction could be made though when it comes to the scope of [AVGs scholarship system](#). By planning to offer a performance tracking and reporting functionality as well as minting simulations and recommendations minor innovations are considered compared to other leading guilds on the market.



Score: 3

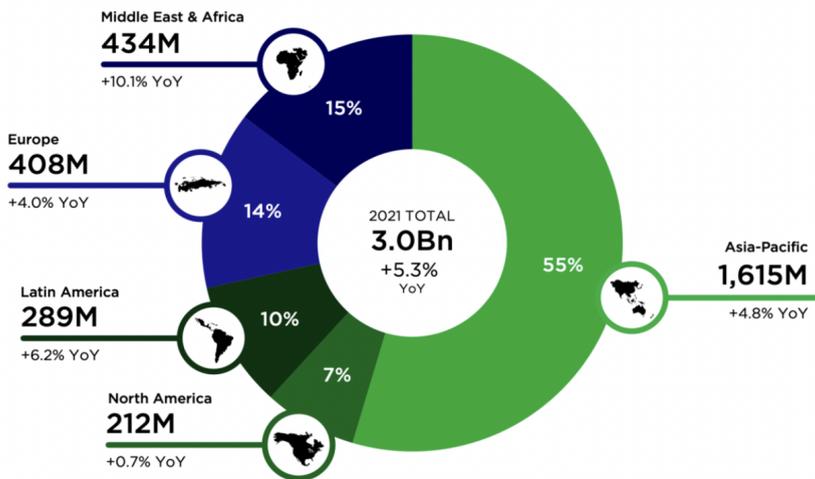
b) Target market size (15 points)

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: The overall market size of the global games market was roughly at [\\$180 billion in 2021](#). AVG is targeting theoretically all device segments (mobile, PC and Console) and all players which exist globally (~3.0 billion 2021). But those numbers have to be treated with care, since it's not clear how many of those players will transition in the end to metaverse games, because the [average age of metaverse gamers is much lower than of average gamers](#) (non-crypto). Observations on that regard are still rough and the transition rate in the end will depend on multiple factors (gaming industry adoption overall, user friendliness, amount of AAA-titles in the metaverse etc.) Furthermore it needs player behavioural statistics to determine more precisely what players would potentially join a guild like AVG, main motives for joining, time they spend actively in the guild etc.

2021 Global Players

Per Region With Year-on-Year Growth Rates



55%

of global players are in Asia-Pacific, and the region still houses some of the fastest-growing markets worldwide

Source: ©Newzoo | Global Games Market Report | January 2022
newzoo.com/globalgamesreport

Definition of players: anyone who has played games on PC, console, or mobile device in the last six months.

Score: 12



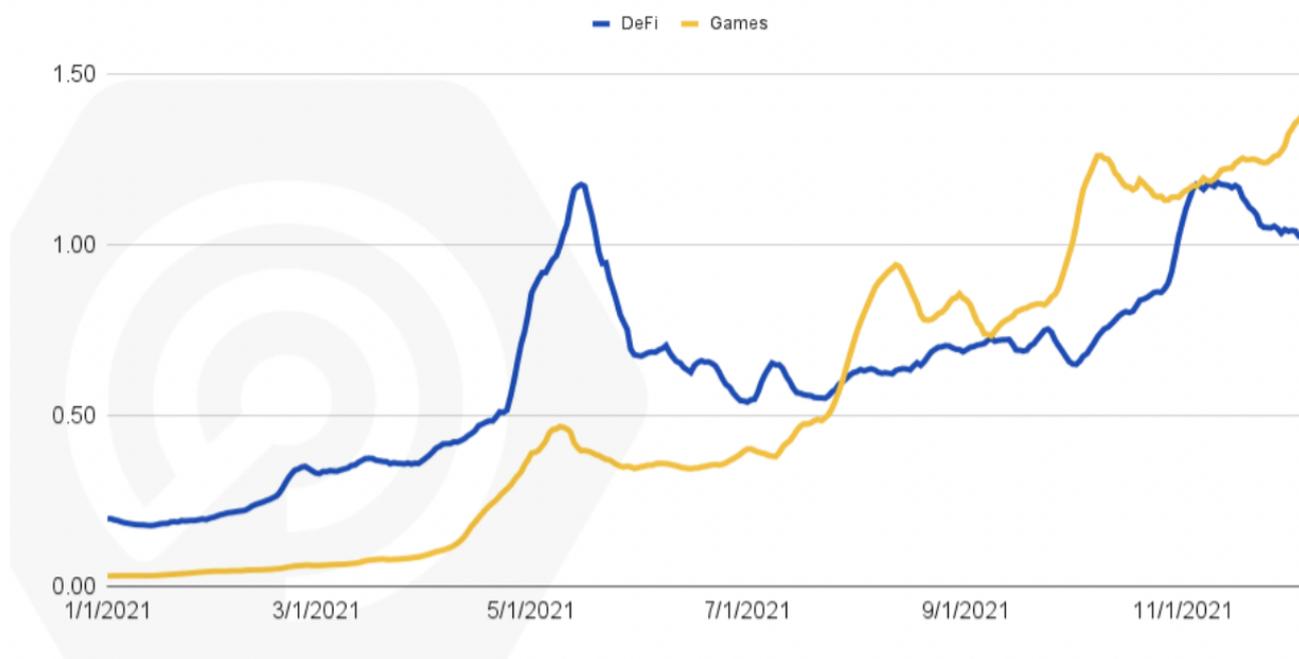
c) Product-market fit (15 points)

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 in the metaverse for P2E guilds looks promising, since the [unique active wallets per user](#) in the Games category are constantly growing since the beginning of 2021.

UAW by Category During 2021

7 days Trailing Average, M



Source: <https://dappradar.com/blog/2021-dapp-industry-report>

Moreover, it still remains a costly gaming experience for most of the games which require initial NFTs to participate in the game and do not offer F2P modes. The line between collectors who are fueling NFT prices of PFP collections and gamers who actually utilize the NFTs are still prominent and guilds like AVG can offer a valid method to coordinate community resources and funding by purchasing NFTs and actually utilizing them instead of rendering them unproductive. Therefore guilds also represent an interesting partnership candidate for most P2E games, guaranteeing game usage. Additionally guilds like AVG can also function as stepping stones for entering the gaming metaverse. With roughly over [68k Discord members](#) and nearly [71k twitter followers](#) Avocado DAO is showing signs of significant traction in <1 year since its inception. However the active scholarship selection is still small (e.g., Axie Infinity, Elpis Battle, Cyball, Puzzle Royale...) since most of the partnered games are still in early versions (Demo, Alpha) or NFT collections where only game visions exist. Furthermore at the time of writing there are no guild reports available (e.g. quarterly updates) which makes it hard to determine the actual development stage/usage planning and management of the guild.



Score: 4

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: Based on community traction (Discord, twitter (see 1c)), Avocado DAO is currently one of the biggest P2E gaming guilds on the market. This gives it at least a slight edge when it comes to partnership potential and game coverage. But more precisely, the project remains a specialized investment DAO on [P2E opportunities](#) (games, ecosystem (infrastructure, tooling)) within the metaverse, therefore acting more like an adoption engine than a protocol with its own unforkable value. The investments secure beneficial partnerships and incubating power in some cases, but they create no integration pressure since partnerships of most gaming projects are always forged with multiple guilds, making AVG replaceable. It remains open, if AVG can sustain its pace and position.

Score: 3

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: There is no IP to date.

Score: 0

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 [SAVG Token](#) is an ERC-20 Token on the Ethereum network. For the management of the scholarships, transfer functionalities for ERC-20 and ERC-721 tokens will be implemented. The treasury of the DAO is managed with a Gnosis multi-signature wallet.

Score: 10

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: Since the primary costs of fees and ancillary infrastructures emerging in the process of offering scholarships lies on the side of the DAO itself, AVG has announced a set of ecosystem partnerships, with the aim to modify and efficiently streamline scholarship experience as well as NFT yield optimization on AVG. But due to the nature of the partnerships (investments) the real usage effect on AVG is questionable. In theory partners like the NFT trading platform [Lootex](#) can bring benefits to the scholarship experience or offered tooling from [OxAdventure](#) could increase the efficiency of the guild, but the partnerships seem to be more loose and undefined.



Source:

<https://avocadoguild.medium.com/q1-2022-avocados-journey-to-the-new-era-of-the-metaverse-74ce6aa666db>



Score: 4

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: 15% of the total \$AVG supply is reserved for the treasury of the guild, managed by a Gnosis multisig wallet. The treasury is designed to last for 6 years with a varying vesting release. On a [section of their gitbook](#), the usage of the treasury funds are outlined. There is no public information about the usage of funds so far and no plans published about treasury management. According to their [Discord](#) a treasury report is still anticipated but was already delayed a couple of times.

Score: 4

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)

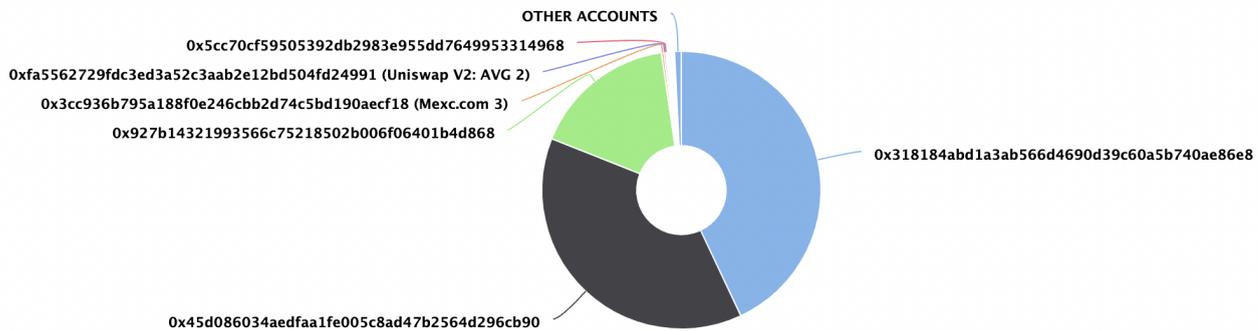
Token distribution can be an indicator of a healthy protocol and, if done well, can improve coordination and alignment among different stakeholders. Was the initial distribution fair and balanced? Are the tokens distributed widely or is the ownership concentrated?

Answer: The top [100 token holders of \\$AVG own 99.22%](#) of the total supply, which is by now industry standard for most protocols. The distribution of the token seems fair, in the light of no private address holding >0.1% in the current situation (will drastically change after 12 months lockups end though). Looking at the initial [allocation table](#) nearly 28% are reserved for the Team, which is comparably high also with respect to the installed vesting schedule of 12 month cliff / 36month vesting. The public sale allocation was ~4% relatively low. Advisors on the contrary got 2% with 12 month cliff/12 months vesting, which seems too short in the context of AVG which needs several years to make a DAO transition complete. The allocation for the treasury and ecosystem are with 58% on a reasonable level.



Avocado DAO Token Top 100 Token Holders

Source: Etherscan.io



Score: 7

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: The [SAVG token](#) is planned to be used for reward distribution via staking, for governance e.g. voting on DAO proposals and as an access token for future projects and services. None of the planned functionalities are live at the time of writing.

Score: 2

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: As mentioned in 3a) 58% of the fixed supply is dedicated for the development of the guild itself being gradually released over a time span of 4 years. There is a list of intended purposes for the ecosystem fund available.



✔ Community rewards, retention and payment for contribution

Ecosystem fund

- Reward for contribution of work of the community
- Competition rewards
- Milestone rewards
- Staking rewards
- Airdrops to guild NFT
- Liquidity mining
- Future programs

ⓘ Future planning

- New game airdrops
- Future contribution rewards across partnership games
- Tiered unlocks, scholarship multiplier unlocks

Source: <https://whitepaper.avocadodao.io/6.-dao-governance/6.1-tokenomics>

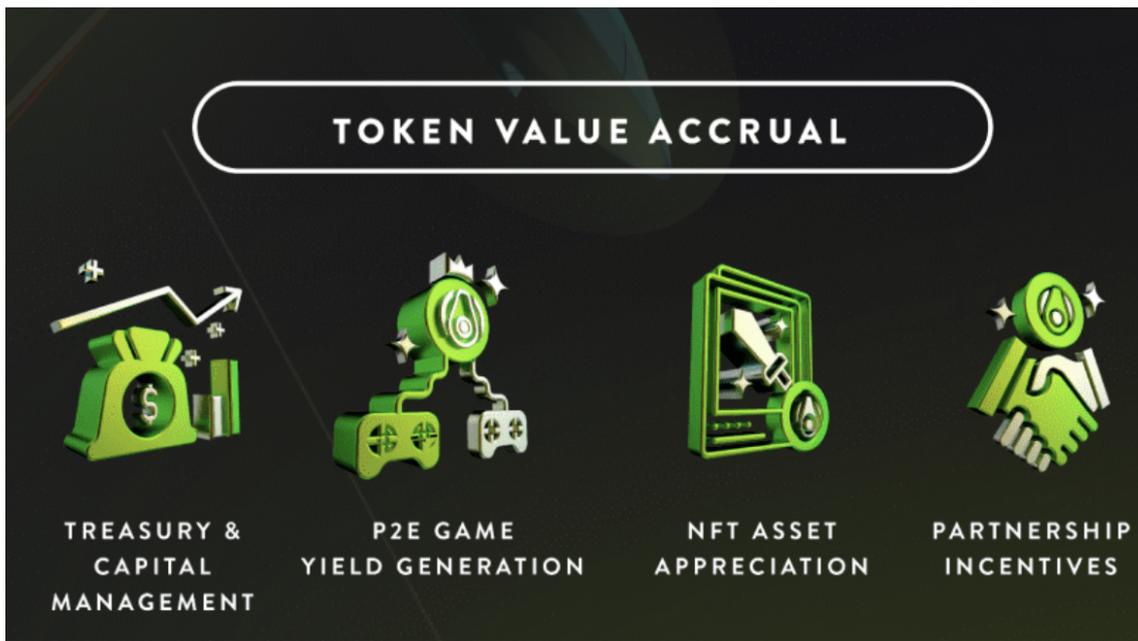
The usage of the 15% treasury over 6 years is also outlined as presented in 2 e). The issuance model for the reserved DAO funds is reasonable, however a large portion (~38%) of \$AVG tokens will fall into the hands of the team, advisors and investors, with the risk of becoming a passive stake (advisors, investors) in the DAO ecosystem with no real interest in active long-term participation in the DAOs governance.

Score: 7

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: 4 pillars of value accrual are presented:



Source: <https://avocadodao.io/>

At the time of writing \$AVG is trading [80% under ATH on January 22](#) and with all 4 factors being in place already, it's questionable if they really have a price impact on \$AVG long-term. 2 factors (Treasury & Capital Management, Partnership Incentives) are based on an assumed correlation on token value accrual, the P2E Yield Generation and the NFT Asset appreciation can at least be priced in the tokens value, but will heavily fluctuate with changing selections and strategies of the games and the market sentiment overall.

Score: 4

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 which is Uniswap. The liquidity is still relatively low.

#	Exchange	Pair	Price	Spread	+2% Depth	-2% Depth	24h Volume	Volume %	Last Traded	Trust Score
1	Uniswap (v2)	AVG/WETH Live Chart	€0.453227	0.6%	\$42,432	\$42,305	€134,511	95.48%	Recently	●
2	MEXC Global	AVG/USDT	€0.451559	2.02%	\$163	\$3,524	€49,797	35.35%	Recently	●
3	BitMart	AVG/USDT	€0.451559	4.01%	\$0	\$0	€6,364	4.52%	Recently	●

Source: <https://www.coingecko.com/en/coins/avocado-dao#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: Except for [LPing on Uniswap](#) there is no extrinsic use case to date.

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: Avocado DAO maintains a [LinkedIn page](#) where 2 out of 5 listed [core contributors of the DAO](#) ([Brendan Wong](#), [Sherwin Lee](#) (also listed as only [advisor](#))) are traceable. The information on the LinkedIn profiles and gitbook teampage is limited.

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: All core team members except their advisor are having no relevant prior crypto experience. This month (April 22) the Head of Operations [David Shi](#) left Avocado DAO. The CEO Brendan Wong has at least business experience with co-founding SnowPak. The relatively new [CTO](#) hire beginning of this year, has comaparably little blockchain experience for the respective position.

Score: 4



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: The CEO Brendan Wong, has undertaken a couple of AMA sessions in the context of the Avocado guild (e.g., [Avocado Guild – Telegram AMA](#), [MEXC AMA Avocado DAO](#)) and also recently participated in a fintech related [podcast](#) with a broader scope. Except for these attempts, the team is not actively participating in public debate.

Score: 3

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: The team has managed to secure significant funding so far. Last year a [\\$18mln private funding round](#) was completed with a post-money valuation of \$218mln and a lineup of known metaverse investors and backers. The social media presence (Discord ~68k members / twitter ~71k followers) as well as partnership and game lineup is also looking good on paper. But AVG as of yet is not able to use all the resources and potential existing effectively. One of the core contributors (David Shi (see 4b)) left the DAO recently who was mainly in charge of resource coordination. Furthermore the project is not delivering on promised milestones (e.g., the tech development is stagnating -> staking functionality (coming soon) , proper wallet integrations (only metamask), [dashboard](#) functionalities). However the community is still very active especially on Discord on the scholarships side.

Score: 8

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: [Basic DAO governance mechanisms](#) like voting, proposal acceptance and voting snapshots are all planned to be implemented in 2022. There is a [DAO governance](#) plan outlined, in which the development process is envisaged.

✓ **The earliest functionality of the DAO will include the development of proposals and governance protocols to navigate**

- Direction of community support
- Event geography and impact location
- Disaster relief and humanitarian assistance
- Game scholarship directions and management

i **Deeper decision governance and DAO direction will be implemented over time**

- Geographical scholar reach
- Scholarship size targets and game investment depth
- Technological advancements
- Incubation protocol

At the time of writing the governance infrastructure of the DAO is not implemented and remains a vision.

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: There is no public governance section on Discord. [Currently](#) the DAO is still governed by the [DAO contributors](#). Long-term a transition of the DAO decision making towards the \$AVG token holders is planned.

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 no implemented voting infrastructure to date.

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: The current governance section in the documentation consists only of a sketchy [governance roll out](#). A concrete documented governance process is not defined and not implemented.

Score: 1

About the Author: <https://www.prime.xyz/raters/andru>