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DIVO
BLOCKCHAIN & BEAUTY

OPINION ON POSSIBLE VALUE OF THE DIVO PROJECT



May 16th, 2018

Dear Sirs,

Hereby we express our Opinion on possible value of the DIVO Project.

The analysis performed was the high-level one based on the assumptions presented by the Team of DIVO Project.

The short presentation below outlines the main assumptions and indexes used as well as methodology applied.

Please feel free to contact us if you have any questions or comments.

Sincerely yours,
Elena Dmitrieva, Partner,
Baker Tilly Russia

DISCLAIMER

The Consultant has defined a number of assumptions and limitations in respect of the Company's information provided, results of discussions with Company's management and the analysis carried out by the Consultant.

The description of the following limitations is presented below:

The information received from the Client or external experts is assumed to be correct and reliable.

The Consultant didn't make any additional examinations of information provided.

All the market's and Project's assumptions were provided by the DIVO Project Team as well as the targets for audience coverage and other core value factors of the Project.

The analysis was performed on the high-level basis tacking into account general market expectations on the booming growth of the market related to the Project.

The Consultant made an assumption that there were no hidden facts that were intentionally skipped by the Team. We are not responsible for identifying such facts.

DIVO PROJECT

DIVO Project is a multy-sided platform (MSP), developed for real business operations in the industry of fashion, beauty & lifestyle, utilizing disruptive technologies: blockchain, face recognition, Big Data.

01

Related mobile application was designed as a social media aggregator, supplemented with useful services and a unique loyalty system for the purpose of pooling models and fashion industry professionals.

02

DIVO Project team is developing a platform to maximize mobile application functionality through a combination of a decentralized mobile (dApp) and a classic web application for business activities.

03

A positive reputation of DIVO Project has been created throughout the industry by gaining trust from participants (models, model agencies, scouts, brands, etc). Influencers of DIVO Project has shown outstanding results of followers and network

04

A full set of DIVO Project functions will create an opportunity for the participants of the system to transfer contractual, financial and legal relations in a reliable ecosystem based on a blockchain technology and smart contracts.

SUCCESS CRITERIA



DIVO business environment



Blockchain



Smart contracts



Multi sized platform



No intermediaries

Global fashion industry valued as 3 trillion dollars is a business environment of DIVO Project

DIVO Project has a huge potential to seize a market share by re-designing value creation chains and enhancing efficiency of operations, utilizing blockchain and smart contracts.

Network effects; social media activities; large-scale community; disruptive technologies.

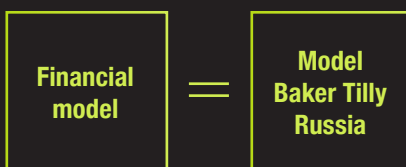
DIVO Platform enables promoting product and transfer of value to the end user without third parties being involved.



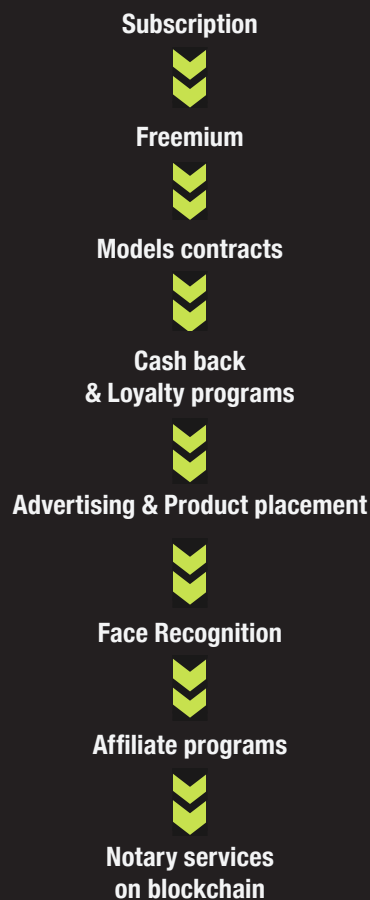
*Source: fashionunited.com/global-fashion-industry-statistics

ASSUMPTIONS

CONDITIONS



MONETISATION CHANNEL



VALUE DRIVERS

- Average audience coverage **350 000 000** users in **2021**.
- Face recognition technology force in the model world **only 5 USD** per user per year.
- Strength of a single payment system based on the blockchain platform.
- Strong expectation on affiliate programs all over the world.

SUMMARY

01

CORE INVESTMENT PRINCIPLE

Market expectation

02

APPROACH

Income approach

03

METHOD

Discounted cash flow method

04

MEASURE

Value by reference to the economic benefits expected to be received over the future useful economic life of the company/technology/planform.

05

ANALYSIS

Expected future, after-tax cash flows attributable to the company discounted to a present value using an appropriate discount rate.

06

POSSIBLE VALUE

150 mln USD

07

CAPITALISATION
GROSS MARGIN = **M = 14**

In the case of reaching audience coverage comparable to Facebook in the period of fove years.

Market value of DIVO Project could reach **2000 mln USD** Based on the current Facebook Multiple

POSSIBLE VALUE

**Possible DIVO Project Value
could be around**

150 mln USD

The fundamental investment principle of market expectations was used in present analysis.

This principle was implemented in an income approach realized by discounted cash flow method.

This method is commonly accepted in a world investment community as the approved valuation method for operating enterprises and startups estimates. The DCF method converts future cash flows to a current value.

The income approach measures value by reference to the economic benefits expected to be received over the future useful economic life of the company/technology/platform. This involves projecting the expected future, after-tax cash flows attributable to the company then discounting them to a present value using an appropriate discount rate.

* A multiple '14' (Capitalization to Gross Margin) of Facebook could be applied to relative projected margin in five-year period upon reaching audience coverage similar to Facebook. In this case the Value could probably reach 2 000 mln

Company "DIVO" Project
Valuation date 01.05.2018
Unit USD ths

Market value			
Approach	Unit	Value	Weight
Income Approach	USD ths	146 162	100,0%
Market Approach	USD ths		
Cost Approach	USD ths		
Total	USD ths	146 162	

Company "DIVO" Project
Valuation date 01.05.2018
Unit USD ths

Indicator	Unit	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real GDP	%	1,89%	1,69%	1,68%	1,47%	1,44%	1,40%	1,40%	1,40%	1,40%
CPI, USD	%	2,16%	2,19%	2,14%	2,10%	2,13%	2,05%	2,05%	2,06%	2,07%
Consumer price index,% (average for the year)	%	3,80%	4,08%	4,06%	4,03%	4,00%	4,00%	4,00%	4,00%	4,00%

Company "DIVO" Project
Valuation date 01.05.2018
Unit USD ths

Income							
	Unit	8 months 2018	2019	2020	2021	2022	Post-forecast
Face recognition							
Number of users	person	0	875 000	5 250 000	8 750 000	17 500 000	19 250 000
Growth rate of the number of users	%	0%	5%	30%	50%	100%	110%
Fee, per year	USD ths	0,0050	0,0051	0,0052	0,0053	0,0054	0,0056
Growth rate of the fee	%		2,19%	2,14%	2,10%	2,13%	2,05%
Revenue	USD ths	0	4 471	27 399	46 624	95 238	106 914
Affiliate Subscription Program							
Number of users	person	0	250	1 250	2 500	5 000	5 500
Fee for face recognition, per year	%	0%	5%	30%	50%	100%	110%
Fee, per year	USD ths	6	6,1	6,3	6,4	6,5	6,7
Growth rate of the fee	%		2,19%	2,14%	2,10%	2,13%	2,05%
Revenue	USD ths	0	1533	9 394	15 985	32 653	36 656
Freemium							
Number of users	person	0	250	1 500	2 500	5 000	5 500
Fee for face recognition, per year	%	0%	5%	30%	50%	100%	110%
Fee, per year	USD ths	4	3,7	3,8	3,8	3,9	4,0
Growth rate of the fee	%		2,19%	2,14%	2,10%	2,13%	2,05%
Revenue	USD ths	0	920	5 636	9 591	19 592	21 994
Smart contracts							
Number of users	person	0	250	1 500	2 500	5 000	5 500
Fee for face recognition, per year	%	0%	5%	30%	50%	100%	110%
Fee, per year	USD ths	2	2,1	2,2	2,2	2,3	2,3
Growth rate of the fee	%		2,19%	2,14%	2,10%	2,13%	2,05%
Revenue	USD ths	0	537	3 288	5 595	11 429	12 830
Cash back and loyalty programs							
Market size	USD ths	35 000 000	35 767 657	36 532 438	37 299 497	38 095 336	38 877 712
Growth rate of the market size	%		2,19%	2,14%	2,10%	2,13%	2,05%

Company "DIVO" Project
Valuation date 01.05.2018
Unit USD ths

Income							
	Unit	8 months 2018	2019	2020	2021	2022	Post-forecast
Share of market size	%	0,0%	0,5%	2%	3%	5%	5%
Market coverage	USD ths	0	178 838	547 987	1 118 985	1 904 767	1 943 886
Growth rate of the market coverage	%	1%	2%	3%	4%	5%	110%
Cash back rate	%	1%	1%	1%	1%	1%	1%
Revenue from transactions cash back	USD ths	0	1 788	5 480	11 190	19 048	19 439
Notary blockchain services							
Revenue	USD ths	0	0	2 021	4 818	0	0
Advertising							
Online advertising coverage	person	0	17 500 000	105 000 000	175 000 000	350 000 000	385 000 000
Growth rate of online advertising coverage	%	0%	5%	30%	50%	100%	110%
MA online advertising coverage rate	%	1%	1%	1%	1%	1%	1%
MA online advertising coverage	person	0	175 000	1 050 000	1 750 000	3 500 000	3 850 000
Fee for each user's click	USD ths	0,003	0,003	0,003	0,003	0,003	0,003
Growth rate of user's click	%		2,19%	2,14%	2,10%	2,13%	2,05%
Number of clicks per user per year	шт.	3	3	3	3	3	3
Fee for each user's click per year	USD ths	0,008	0,009	0,009	0,009	0,009	0,009
Revenue	USD ths		2	9	16	32	36
Total	USD ths	0	9 250	53 228	93 819	177 992	197 868

Company "DIVO" Project
Valuation date 01.05.2018
Unit USD ths

Indicator	Unit	Variable	8 months 2018	2019	2020	2021	2022	TV
Fact/Forecast			Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Income								
Income	USD ths		0	9 250	53 228	93 819	177 992	197 868
Face Recognition	USD ths		0	4 471	27 399	46 624	95 238	106 914
Affiliate Subscription Program	USD ths		0	1 533	9 394	15 985	32 653	36 656
Freemium	USD ths		0	920	5 636	9 591	19 592	21 994
Smart contracts	USD ths		0	537	3 288	5 595	11 429	12 830
Cash back and loyalty programs	USD ths		0	1 788	5 480	11 190	19 048	19 439
Notary blockchain services	USD ths		0	0	2 021	4 818	0	0
Advertising	USD ths		0	2	9	16	32	36
Expenses								
Expenses	USD ths		29 960	52 150	40 603	28 614	44 852	50 679
Business development spending	USD ths		20 000	40 000	20 000			
Software development	USD ths		7 000	14 000	7 000			
<i>Share in revenue</i>	%	35%						
Marketing	USD ths		6 000	12 000	6 000			
<i>Share in revenue</i>	%	30%						
Business development	USD ths		3 000	6 000	3 000			
<i>Share in revenue</i>	%	15%						
Administrative and legal costs	USD ths		2 000	4 000	2 000			
<i>Share in revenue</i>	%	10%						
Community development	USD ths		2 000	4 000	2 000			
<i>Share in revenue</i>	%	10%						
Business support costs	USD ths		9 960	12 150	20 603	28 614	44 852	50 679
Wages and salaries per person	USD ths		2 300	2 606	2 923	3 378	4 147	5 887
Programmers and coders	USD ths		600	613	626	767	1 045	1 999
<i>Personnel</i>	person	5	5	5	5	6	8	15
<i>Wages and salaries per person</i>	the USD per year	120	120	120	120	120	120	120
<i>Growth rate</i>	%			2,19%	2,14%	2,10%	2,13%	2,05%
Management team	USD ths		1 200	1 226	1 253	1 279	1 469	1 666
<i>Personnel</i>	person	8	8	8	8	8	9	10

Company "DIVO" Project
Valuation date 01.05.2018
Unit USD ths

Indicator	Unit	Variable	8 months 2018	2019	2020	2021	2022	TV
Fact/Forecast			Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<i>Wages and salaries per person</i>	the USD per year	150	150	153	157	160	163	167
<i>Growth rate</i>	%			2,19%	2,14%	2,10%	2,13%	2,05%
Administrative staff	USD ths		500	766	1 044	1 332	1 633	2 222
<i>Personnel</i>	person	20	10	15	20	25	30	40
<i>Wages and salaries per person</i>	the USD per year	50	50	51	52	53	54	56
<i>Growth rate</i>	%			2,19%	2,14%	2,10%	2,13%	2,05%
Office rental	USD ths	6 000	6 000	6 132	6 263	6 394	6 531	6 665
<i>Growth rate</i>	%			2,19%	2,14%	2,10%	2,13%	2,05%
Advertising and marketing	USD ths		0	1 388	7 984	14 073	26 699	29 680
<i>Growth rate</i>	%	15%	15%	15%	15%	15%	15%	15%
Other expenses	USD ths		1 660	2 025	3 434	4 769	7 475	8 446
<i>Growth rate</i>	%	20%	20%	20%	20%	20%	20%	20%
Taxes (income tax, corporation tax)								
Tax deductions	USD ths		0	0	3 787	19 561	39 942	44 157
<i>Taxe rate</i>	%	30%	30%	30%	30%	30%	30%	30%
Tax base	USD ths		-29 960	-42 900	12 625	65 205	133 140	147 189
EBIT								
EBIT	USD ths		-29 960	-42 900	12 625	65 205	133 140	147 189
Net Income	USD ths		-29 960	-42 900	8 837	45 643	93 198	103 033
Net Income margin	%			-464%	17%	49%	52%	52%
Working capital								
Working capital	USD ths		0	1 388	7 984	14 073	26 699	29 680
<i>Percentage of income</i>	%	15%	15%	15%	15%	15%	15%	15%
Current working capital	USD ths		0					
Change in WC	USD ths		0	1 388	6 597	6 089	12 626	2 981
Capex								
Costs for servers and other "hardware"	USD ths			2 500	5 000	5 000	5 000	5 000
<i>Percentage of income</i>				27,0%	9,4%	5,3%	2,8%	2,5%
FCFE								
Free Cash Flow to Equity	USD ths		-29 960	-46 788	-2 759	34 555	75 572	95 051
<i>Growth rate</i>	%						219%	126%

Company "DIVO" Project
Valuation date 01.05.2018
Unit USD ths

Indicator	Unit	8 months 2018	2019	2020	2021	2022	TV
<i>Fact/Forecast</i>		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Cash flow calculation							
Free Cash Flow to Equity (FCFE)	USD ths	-29 960	-46 788	-2 759	34 555	75 572	95 051
<i>Cost of business in the post-forecast</i>							913 108
Discount rate	%	45,9%	45,9%	45,9%	45,9%	45,9%	45,9%
Average annual factor	-	0,3	1,3	2,3	3,3	4,3	
Discount rate based on the average	%	113%	166%	242%	353%	514%	
Discount factor	%	0,9	0,6	0,4	0,3	0,2	
Discounted FCFF	USD ths	-26 413	-28 265	-1 142	9 802	14 690	
Sum of Discounted FCFF	USD ths	-31 329					
Discounted TV	USD ths	177 491					
The cost of equity at 100% level of control	USD ths	146 162					
Level of control	%	100%					
The cost of equity at 100% level of control	USD ths	146 162					
Risk-free rate (excluding country risk), US treasuries, USD	3,2%						
Equity risk premium, USD	6,9%						
Beta, USD	1,6						
Size premium, USD	6,9%						
Specific risk premium, USD	1,6						
Discount rate, USD	45,93%						
The growth rate of the post-forecast	2,1%						

Company "DIVO" Project
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Unit USD ths

%	Monetization channel	Amount	Adjusted to take into account coverage errors	Unit	Errors,%	Validity	Period of validity	Service cost, \$	During the period	Service cost per year, \$	Note	TOTAL
1	Affiliate Subscription Program	10 000	5 000	person	50%	12	month	500	month	6 000		30 000 000
2	Freemium	10 000	5 000	person	50%	12	month	300	month	3 600		18 000 000
3	Smart contracts	5 000	-	person	-	12	month	2100	month	2 100	5% DIVO commission	10 500 000
4	Cash back and loyalty programs	35 000 000 000	1 750 000 000	%	95%	-	-	-	year		5% coverage - cash back 1%	17 500 000
5	Notary blockchain services	500 000	-	person	-	Indefinitely		10	Indefinitely	13	Photographers, production + 30%	6 500 000
6	Face recognition	350 000 000	17 500 000	person	95%	1	year	5	year			87 500 000
7	Advertising	350 000 000	3 500 000	person	95%	365	day	3	1 click	9	Estimated, click 1% / 3 times a	30 483 871

DIVO
BLOCKCHAIN & BEAUTY

Ver. 1.0.2
December 2018

www.divo.fashion