



Investment Thesis

The Open Network TON

Token type	Native Token
GCCS Classification	Smart-contract Platform, Infrastructure, Native Currency
Price	\$3.52
Category	Smart-contract platform

Key Figures

13-Week Range	~\$2.46 - ~3.52
Market Rank	#14
Market Capitalization	\$13.57billion
Volume (24h)	\$181,545,900
Circulating Supply	3,469,019,937
Max. Supply	No Hard Cap
ATH	\$5.29
ATH Date	November 12, 2021
Staking Yield (Annualized)	~4%
Assets Under Management (AuM)	\$50M

Source: CoinGecko, Celestia
Data as of February 7, 2024

Overview

Formerly known as the Telegram network, The Open Network (TON) is a high-performance smart-contract platform aiming to become the WeChat of blockchains. Although the Telegram foundation used to lead the network's development prior to 2021, they were forced to withdraw after settling a legal dispute with the SEC, resulting in an \$18.5 million settlement and a \$1.3 billion reimbursement to investors. Despite this setback, the project's open-sourced codebase experienced a revival, driven by independent developers led by **Anatoly Makasov and Kirill Emelyaneko**. In 2021, with the introduction of a new network mainnet, Telegram and TON parted ways. Nonetheless, TON's new leadership emphasized scalability, targeting integration with Telegram's vast user base of 800 million.

To optimize performance, TON utilizes a dual network architecture. This comprises a **Master Chain** that synchronizes consensus across all Telegram-based chains, in tandem with **Work Chains** acting as independent blockchains tailored to specific use cases, running simultaneously. Using Dynamic sharding, Work Chains can then be subdivided into **Shard Chains**, allowing transactions to be distributed across multiple sub-networks, and effectively eliminating bottlenecks associated with processing transactions on a singular blockchain.

TON also boasts a cost-effective operating system (**TVM**), capable of theoretically handling millions of users and transactions per second. It also adopts an optional developer-funded fee model, allowing applications to spare users from transaction costs. Furthermore, aiming to become a super app akin to WeChat, TON hosts various native services designed to retain users within the platform. These include **TON-storage** for data storage, **TON-DNS** for transforming wallet addresses into human-readable names, **TON-Proxy** as a VPN alternative, and amongst other services. TON also offers a native wallet, **TON-Space**, directly within Telegram, enabling users to purchase crypto with fiat, and eliminating the need to remember seed phrases like with non-custodial wallets such as Metamask. All in all, TON's greatest asset lies in its **sympiotic relationship** with the Telegram ecosystem. In fact, Telegram officially endorsed TON, positioning it as the flagship platform for Telegram's web3 infrastructure in September 2023.

- In **2018**, the Durov brothers, released Telegram Open Network whitepaper, and the team began working on the initial groundwork for the project after raising \$1.7B
- The Open Network was then founded in **2021** after the project was abandoned by the Telegram foundation due to a legal dispute with the SEC for offering unregistered digital asset offering,
- In **June 2022**, TON transitioned from a proof of work to a proof of stake network, resulting in a decrease of 75% of new coins entering the market.
- In **September 2023**, Telegram endorsed TON as their preferred platform for building web3 infrastructure. They also revealed plans to share revenue with channel owners, settling transactions on the TON blockchain in **March of 2024**.

Key takeaways

- **TON** network is a highly-scalable smart-contract platform aiming to become the **WeChat** of Blockchains by offering a native Storage solution, DNS for human readable addresses and a non-custodial wallet for buying crypto directly and enabling micro-payments to access the network's services
- To achieve its high performance, TON uses a multi-layered network architecture including a **Master Chain** for handling consensus, **Work Chains** for supporting distinctive use cases, and **Shard Chains** to allow parallel execution.
- Although independent of Telegram, the TON foundation pursued deeper integration with the messaging app to capitalize on its vast user base exceeding 800M users after taking over in 2021.
- TON, the native token of The Open Network, serves as a **gas currency** to pay for transactions and to access some of its services like **storage and online anonymity** (VPN), acts as a **governance token** to drive the DAO's evolution, and can be **staked** to validate The Open Network's security.

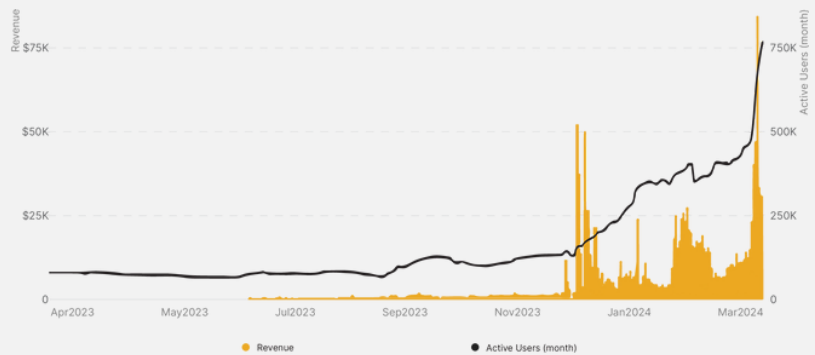
Risk factors

- **Technology risk:** Sharding is a novel approach for scaling that hasn't been battle-tested yet at a mass level, so its durability remains to be seen under real-world conditions.
- **Privacy Risk:** TON doesn't provide users with a private key while they're creating their wallets, thus wallets' autonomy is at risk if their telegram accounts are ever breached.
- **Competition Risk:** TON isn't the only network implementing sharding as a novel way to help scale the network, so their market share based on the technology could be cannibalized by other players like Near and others. Further, TON's technical capabilities are susceptible to replication by any other blockchain.
- **Regulatory Risk:** much like all alternative smart-contract platforms, the native tokens of these respective network are susceptible to being called a security.

Figure 1:
Price Performance (Aug 2021 - March 2024)



Figure 2:
TON's Revenue VS Growing User base
(April 2023 - March 2024)



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