

# BANXA Holdings Inc

Initiation of Coverage

Providing secure access to digital assets

Fintech

3 February 2021

BANXA Holdings Inc (TSX-V:BNXA) is a global Payments Service Provider (PSP) serving the digital asset/cryptocurrency industry. It does so by using its platform as a “bridge” between the fiat/cash/banking system and the digital asset/exchange system. The company is headquartered in Australia where it has pioneered easy to access, local payments platforms for retail investors to acquire cryptocurrencies. More recently it has expanded its infrastructure to the B2B market, partnering with the leading cryptocurrency exchanges, including OK Group, Binance, KuCoin and EDGE Wallet. It has also expanded to the UK, the European Union, USA and Canada. Since the launch of its flagship B2B product, BANXA has seen significant growth in Total Payments Volumes (TPV), including 1,000% growth in January 2021 TPV to A\$55m. BANXA listed on the Toronto Stock Exchange on January 6, through a reverse merger with Toronto-listed A-Labs Capital I Corp, with a market capitalisation at listing of C\$40.7m. We initiate coverage of BANXA with a base case discounted cashflow derived valuation of C\$3.47/share, which implies a CAGR of 36% in 10-year free cashflows, in a sector that is forecasted to generate >50% CAGR over the same period.

## Scope

This report has been commissioned by BANXA to present investors with an explanation of the business model and to explore the value created from a range of possible outcomes.

## Business model

BANXA earns revenue from commission fees & spread. It is therefore a “flow” based business, similar to international forex companies such as PayPal, TransferWise or Ant Financial and Australian forex companies OFX and EML Payments. It operates in both the B2B and B2C markets. For consumers, the company has pioneered physical point of sale locations through its partnerships with Australia Post (4,500 post offices) and blueshyft (1,200 newsagents) and online access through its premium branded “bitcoin” domain names. It has a number of products, including its leading product the BANXA platform, which integrates into client/partner platforms - software and hardware wallets, websites and cryptocurrency exchanges. The platform has been built inhouse, and the Intellectual Property (IP) behind the platform, which includes Machine Learning, Compliance, KYC (“Know-Your-Customer”) and Cash Flow positioning, is owned by BANXA and is integrated with a number of specialist data providers.

## Base case DCF valuation of C\$3.47/share

We have used the discounted cashflow methodology to value Banxa, applying a weighted average cost of capital (WACC) of 13.5% to reflect the high risk/return nature of the investment and a terminal growth rate of 2.2%. This derives a base case DCF of C\$3.47/share, based on an AUD/CAD exchange rate of \$0.98. Our valuation implies a 10-year CAGR in free cashflows of 36%, compared with the forecasted industry growth rate of at least 50% for the same period. We have also examined a more mature group of Australian listed fintechs focused on payments to determine an appropriate revenue multiple to apply to BANXA. Our analysis yielded an adjusted revenue multiple of 23.4x which, when applied to BANXA’s FY20 revenues, delivered an implied peer group valuation of C\$155.3m or C\$3.82/share. In our view, continued momentum in BANXA’s total payments volume together with the delivery of stable gross margins should underpin its share price in the short to medium term.

### Historical earnings and RaaS forecasts

Year end	TPV <sup>a</sup> (A\$m)	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS* (cps)	EV/Sales (x)
06/20a	69.3	6.8	2.7	(1.0)	(2.0)	nm	12.6
06/21e	468.6	11.5	8.8	(2.5)	(3.5)	(6.1)	7.3
06/22e	702.9	17.3	13.9	(0.2)	(0.1)	(0.3)	4.9
06/23e	1,018.1	24.5	20.1	4.6	3.2	8.0	3.3

Source: Company data and RaaS forecasts \*Adj for one time and non-cash items <sup>a</sup>Total Payments Volume

### Share detail

TSX-V Code	BNXA
Share price (1 Feb '21)	C\$2.10
Market Capitalisation	C\$85.5M
Shares on issue	40.7M
Net cash post IPO	~\$6.0M
Free float	~65%

### Upside Case

- Scalable business model in high growth sector
- Delivering both online and offline payments options to consumers and businesses
- Delivering compliant, fully regulated blockchain solution to cryptocurrency ownership

### Downside Case

- Dependent on volumes, clipping a small % of transaction value
- Sensitive to regulation
- Highly fragmented sector

### Board of Directors/CEO at listing

Domenic Carosa	Chairman and Founder
Jim Landau	Non-Executive Director
Doron Cohen	Non-Executive Director
Matthew Cain	Non-Executive Director
Holger Arians	CEO

### Significant shareholders

Board & Management	27.0%
Alium Fund	8.0%
NGC Ventures Fund	7.0%
Thorney Investments	5.0%
CCGF Group	3.5%

### Company contacts

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## Table of contents

Scope .....	1
Business model .....	1
Base case DCF valuation of C\$3.47/share .....	1
BANXA Holdings Inc .....	3
Investment case .....	3
Market capitalisation suggests 10-year CAGR in free cashflows of 30% .....	3
History .....	4
The Cryptocurrency Market .....	5
BANXA's business model .....	9
Banxa's customer base .....	10
Competitors .....	10
Partner and Investor feedback .....	13
SWOT analysis .....	15
Sensitivities .....	16
Board and management .....	16
Peer Comparison .....	18
Valuation – 'the Golden Rule' .....	21
Application of Golden Rule .....	23
Base DCF valuation of C\$3.46/share .....	24
Financial Summary .....	25
Financial Services Guide .....	26
Disclaimers and disclosures .....	28

## BANXA Holdings Inc

**BANXA Holdings Inc (formerly known as BTC Holdings Pty Ltd) is an Australian/Europe based digital payment service provider (dPSP) focused on bridging the gap between traditional “mass market” financial systems and the digital asset space. The company commenced operations in March 2014 as a bitcoin miner before moving the business model into payment infrastructure and compliance systems to facilitate fiat/cash (currencies such as USD, AUD and CAD) to digital asset conversions. Since inception, Banxa has raised almost A\$12m in equity capital from institutional investors, blockchain-focused private equity funds and high net worth individuals.. Banxa raised C\$4m, at C\$1.00/share, ahead of listing on the Toronto Stock Exchange in September 2020. The market capitalisation at listing was C\$40.7m with 40.7m shares on issued at CAD\$1 per share.**

### Investment case

In our view, Banxa Holdings has the opportunity to achieve success for the following reasons:

- The company has a demonstrated track record of strong revenue generation and profitability;
- Its business model is scalable and transferable to new jurisdictions;
- The company has an established footprint as a digital currency exchange in Australia, delivering easy access to bitcoin to everyday Australians through the network it has created with its partnerships with Australia Post and blueshift;
- This local component has been a key competitive advantage to Banxa and one which it has already started to replicate on other markets;
- Its Canadian listing puts Banxa in a market that understands and embraces fintechs servicing the cryptocurrency markets;
- The company has a board and management team experienced in building technology companies;
- Banxa is backed by institutional investors and industry players experienced in tech investment;
- Global exchanges such as KuCoin and OKEX are strategic investors in BANXA;
- The company is servicing an asset class which is gaining acceptance amongst both institutional investors and central banks;
- The company has built infrastructure which can be extended beyond cryptocurrency into other financial services such as decentralised finance (De-Fi).

### Market capitalisation suggests 10-year CAGR in free cashflows of 36%

We have considered the following valuation metrics:

- DCF valuation using our forecasts from FY21-FY30 and applying a discount rate of 13.5%;
- Appropriate Sales multiples relative to a defined group of profitable payment fintech peers

Using the Golden Rule formula of Current price to sales = Stable margin X Price Earnings Ratio X Sales uplift/Price uplift, and applying it to our Compco group, we arrive at an Australian payments peer group derived revenue multiple of 23.4x (adjusted for BANXA’s stage in its lifecycle). This derives a peer valuation of C\$155.3m or C\$3.47/share. A summary of our valuation methodologies is set out below.

#### Exhibit 1: Valuation methodologies discussed in this report

Valuation method	Discount rate	Implied CAGR in FCF from FY21-30	Adjusted Revenue multiple (X)	Value in C\$m	Value per share C\$
DCF Valuation	13.5%	36%		141.3	\$3.47
Golden Rule comparable peers			23.4	155.3	\$3.82

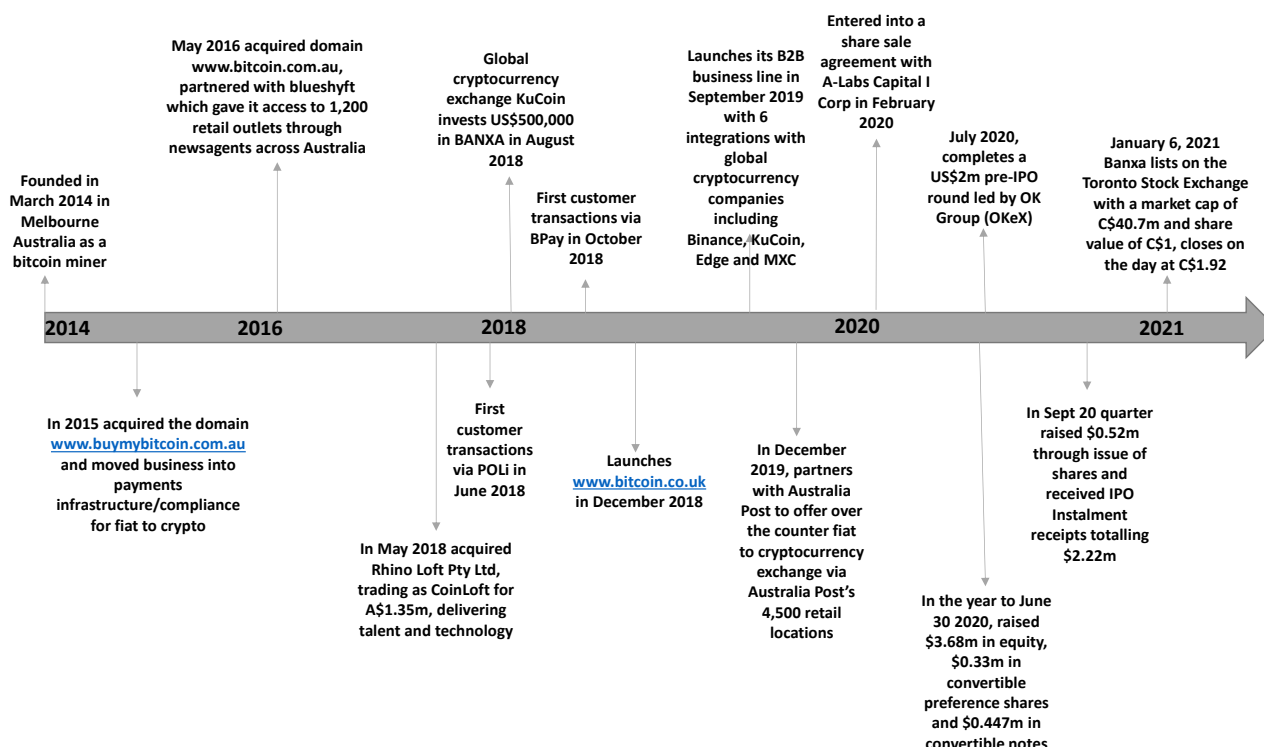
Source: RaaS analysis

## History

### BANXA Holdings Inc

BANXA Holdings Inc commenced operations as BTC Corporation Holdings Pty Ltd in March 2014. The company was initially focused on mining bitcoin. The company quickly moved its operations to move into the business of developing and offering an “on-ramp” and “off-ramp” platform for fiat to cryptocurrencies.. Until FY19, the company focused on the Australian market which has a population base of 25m people through its Australian domain bitcoin.com.au, one of several premium branded domain names owned by the company. Since the end of FY19, BANXA has been offering B2C fiat to cryptocurrency services through its premium domain names including bitcoin.co.uk and to the Australian, UK and Canadian markets and operates its B2B services in Australia, The Netherlands and globally. BANXA, through its subsidiaries Global Internet Ventures Pty Ltd and bitcoin.com.au, is a registered digital currency exchange provider with the Australian Transaction Reports and Analysis Centre (AUSTRAC), the peak government body for overseeing financial transaction compliance in Australia. BANXA’s European subsidiaries are also registered in The Netherlands and Lithuania. BANXA’s technology platform utilises Machine Learning (AI), and Cashflow Management, conducts Anti-Money Laundering (AML) and Know Your Customer (KYC) checks on all its customers, regardless of the size of the transaction, and is in compliance with the local laws of the jurisdictions in which it operates. The company is also active in the industry bodies that advise and recommend future regulation for the industry. The company does not provide any custodial wallets or hold any digital currencies on behalf of its clients, and therefore has limited or no currency risk. We’ve set out BANXA’s timeline in the following table.

#### Exhibit 2: BANXA’s timeline



Source: Company presentations

## The Road to IPO

On February 18, 2020, BANXA entered into a share sale agreement with A-Labs Capital I Corp (ALBS), a Canadian “capital pool company” trading on the TSX-V under the ticker ALBS.P. The RTO based share sale agreement saw ALBS acquire 100% of the outstanding issued shares in BANXA in exchange for ALBS shares at a conversion ratio of 1,656 ALBS shares for one BANXA share. Post transaction, ALBS’s directors, Noah Herscovici, Daniel Kajouie, Michael Mire, Wayne Miller and Konstantin Lichtenwald resigned from the board leaving Doron Kohen as the remaining ALBS director, although Mr Lichtenwald has continued in his position as CFO and company secretary. Domenic Carosa, Matthew Cain and Jim Landau and joined the board post transaction.

Banxa has raised just under A\$12m in equity capital since commencing operations in 2014, including A\$4.33m in the most recent round IPO in September 2020. These funds will be allocated to product development and geographic expansion (40%), branding and marketing (30%), working capital (20%) and the fees associated with listing (10%). The company entered its listing with 40.7m shares on issue.

## The Cryptocurrency Market

Cryptocurrency is a digital representation of value that is neither issued by a central bank or a public authority, nor necessarily attached to a national currency, but is designed to be accepted by some parties as a means of payment and can be transferred, stored or traded electronically.<sup>1</sup> Bitcoin emerged in 2008 out of the global financial crisis (GFC), after a white paper (<https://bitcoin.org/bitcoin.pdf>) surfaced setting out a peer-to-peer digital currency that would be free from the control of central banks. ‘

Today, the global cryptocurrency market has a market capitalisation of more than US\$1tr, having this month surpassed its previous peak in January 2018 when it hit US\$815b. The market has grown 10-fold since it hit its low in December 2018 (US\$102b). Data collected by Coinmarketcap.com, which tracks the sector by currency and volume, demonstrates that volumes have grown significantly over the past 2 years.

Anecdotally, the industry acknowledges an increase in institutional investing in cryptocurrencies which may account for the growth in volumes.

### Exhibit 3: Global Cryptocurrency Market Capitalisation & 24-hr volume 2017-04-29 to 2021-01-16

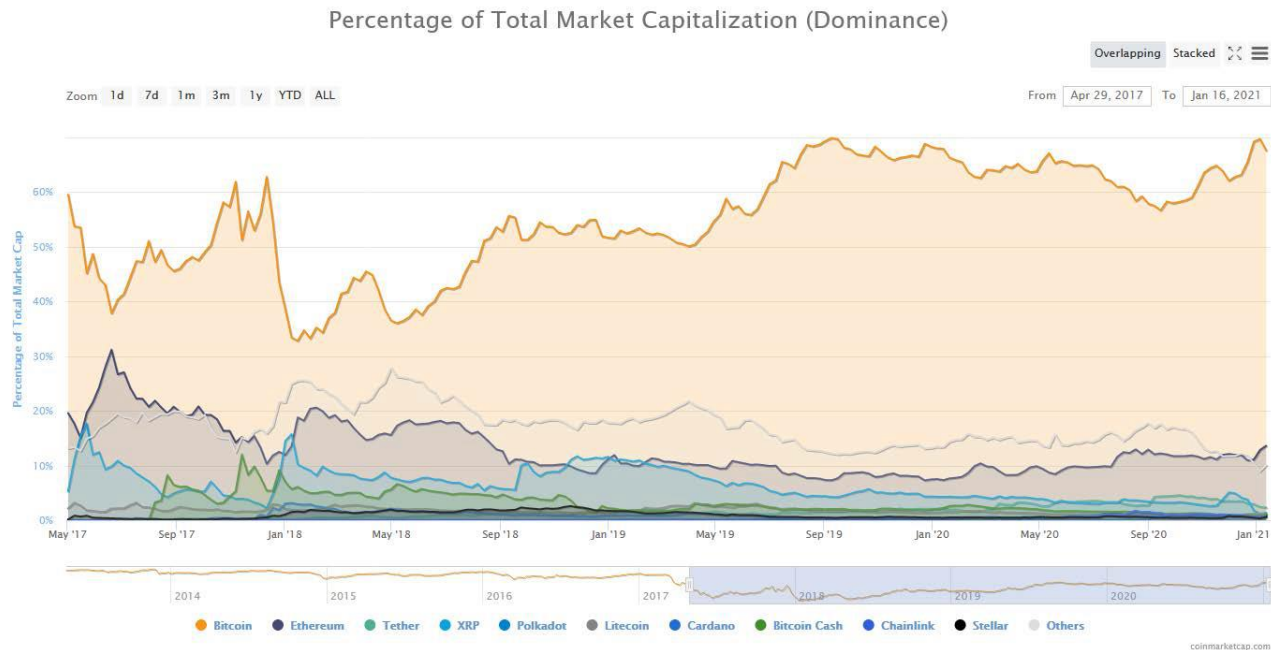


Source: Coinmarketcap.com

<sup>1</sup> This definition draws on the European Banking Authority's definition of 'virtual currencies', see European Banking Authority (2014)

Coinmarketcap.com also tracks individual cryptocurrencies' market share. Bitcoin has consistently remained the dominant cryptocurrency and currently accounts for 60% of the sector's market capitalisation. This is important for BANXA given its investment in premium domain names associated with Bitcoin.

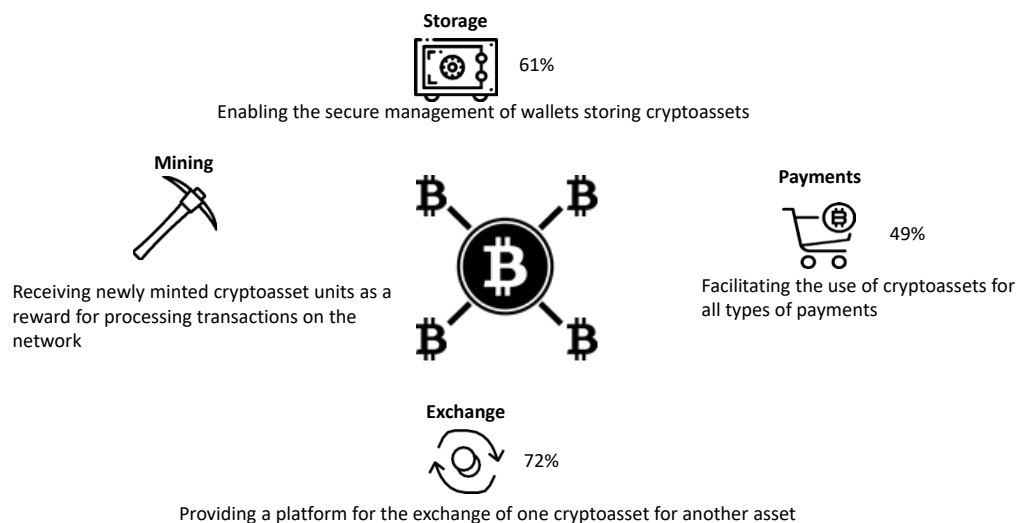
#### Exhibit 4: Market dominance by cryptocurrency 2017-04-29 to 2021-01-16



Source: coinmarketcap.com

The Cambridge Centre for Alternative Finance in its September 2020 report, *3<sup>rd</sup> Global Cryptoasset Benchmarking Study*, found that total user accounts at that point exceeded 191m, with 101m identity-verified<sup>2</sup>. This was a 189% increase in identity-verified users since the Centre's 2<sup>nd</sup> report in December 2018, on the back of a 37% increase in total user accounts. The centre defines four key segments in the cryptoasset industry: mining, storage, payments and exchange. BANXA operates in the payments space, enabling customers to on/off-ramp from fiat to cryptocurrency.

#### Exhibit 5: Four key segments in the cryptoasset industry

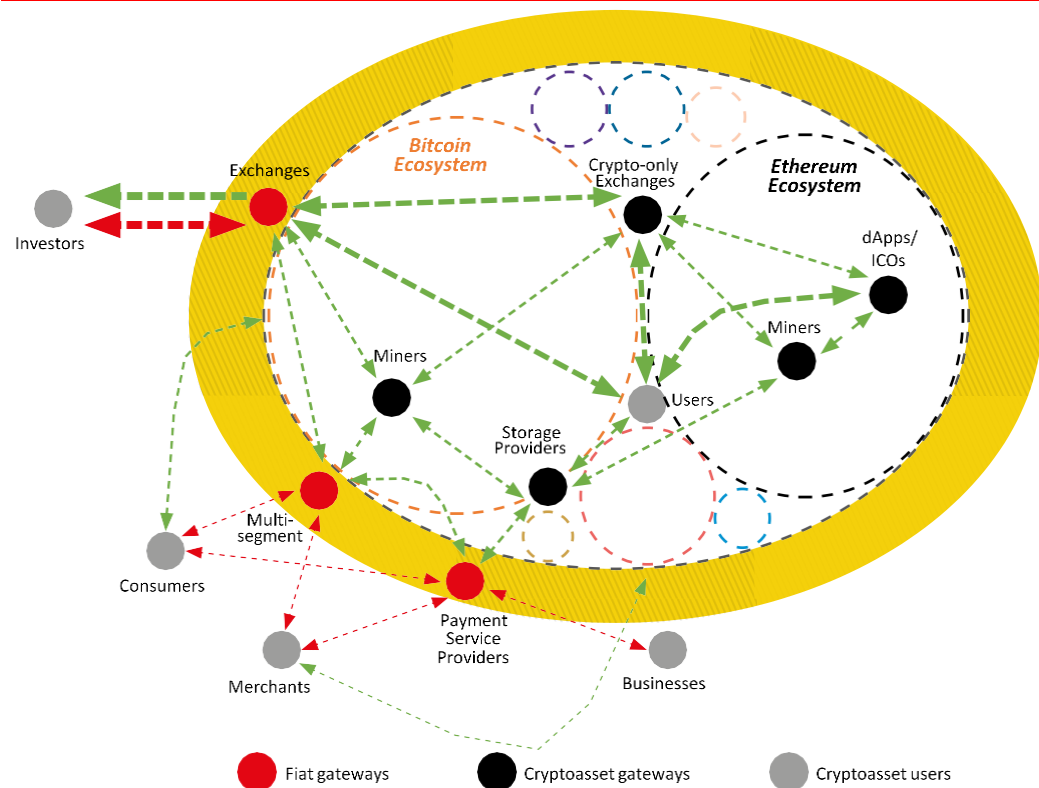


Source: Centre for Alternative Finance, Cambridge (percentages denote share of service providers providing direct services)

<sup>2</sup> 3<sup>rd</sup> Global Cryptoasset Benchmarking Study, Centre for Alternative Finance, Cambridge

Following is the Centre for Alternative Finance's conceptual mapping of the monetary flows between ecosystems.

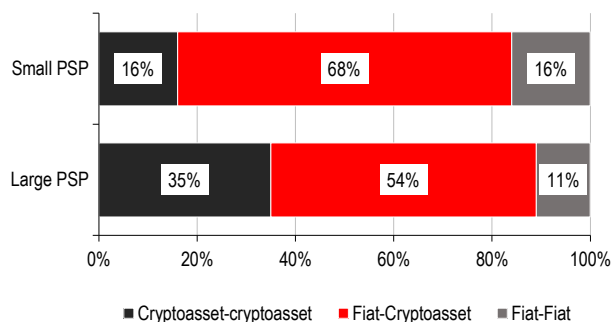
**Exhibit 6: Conceptual mapping of monetary flows between ecosystems**



Source: Centre for Alternative Finance, Cambridge, 2<sup>nd</sup> Global Cryptoasset Benchmarking Study, 2019  
Red arrows denote fiat currency flows, green arrows denote cryptocurrency flows

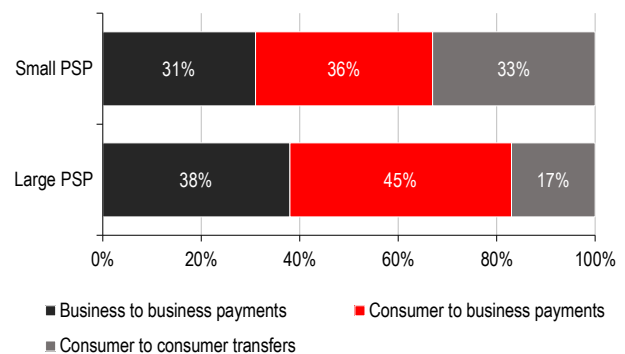
The Centre's 2020 report found that the payment service provider landscape continues to be dominated both in transaction volume and number by fiat-cryptoasset transactions. These make up almost two-thirds of all volumes (65%) and transactions (63%)<sup>3</sup>. As the following exhibit 9 shows, small payments service providers generate 68% of their transaction volumes from fiat-cryptoasset, compared with 54% of large PSP and their clients are more evenly spread across business to business payments, consumer to business payments and consumer to consumer payments.

**Exhibit 7: Payments internal currency mix (Share of transaction volumes) 2019**



Source: Cambridge Centre for Alternative Finance, 3<sup>rd</sup> Global Cryptoasset Benchmarking Study

**Exhibit 8: Types of payments transfers based on share of transaction volume**



Source: Cambridge Centre for Alternative Finance, 3<sup>rd</sup> Global Cryptoasset Benchmarking Study

3 3<sup>rd</sup> Global Cryptoasset Benchmarking Study, Centre for Alternative Finance, Cambridge



Coinmarketcap.com also tracks and ranks the industry as a whole and by individual players. The following table highlights the top 10 cryptocurrency exchanges in the world. This is a dynamic list based on users, daily turnover and liquidity but serves to demonstrate the depth of the market. We have highlighted in gray the exchanges in this top 10 that BANXA services (Binance, Huobi, Bithumb and KuCoin).

**Exhibit 9: Top 10 Cryptocurrency exchanges by volume, liquidity and CoinMarketCap's exchange score\***

Rank	Name	Exchange score*	Avg. Liquidity	Volume (24h) US\$	Visits (SimilarWeb)	No. Markets	No. coins	Fiat supported
1	<b>Binance</b>	<b>9.8</b>	<b>512</b>	<b>18,951,578,805</b>	<b>4,618,687</b>	<b>1,037</b>	<b>323</b>	<b>AED, ARS, AUD + 43 more</b>
2	Coinbase Pro	8.9	359	4,003,113,056	-	129	47	USD, EUR, GBP
3	<b>Huobi Global</b>	<b>8.8</b>	<b>468</b>	<b>7,106,542,281</b>	<b>512,758</b>	<b>861</b>	<b>300</b>	<b>-</b>
4	Kraken	8.6	404	1,999,660,029	561,460	239	59	USD, EUR, GBP + 4 more
5	Bitfinex	8.3	363	1,344,884,356	281,023	303	139	USD, EUR, GBP + 1 more
6	<b>Bithumb</b>	<b>8.2</b>	<b>220</b>	<b>1,439,325,522</b>	<b>565,837</b>	<b>145</b>	<b>133</b>	<b>KRW</b>
7	Bitstamp	8.1	252	1,133,104,962	217,629	42	13	USD, EUR, GBP
8	<b>KuCoin</b>	<b>7.8</b>	<b>327</b>	<b>451,751,600</b>	<b>487,411</b>	<b>548</b>	<b>259</b>	<b>TOKEN</b>
9	bitflyer	7.8	225	530,220,775	-	14	5	USD, JPY, EUR
10	FTX	7.7	213	465,809,590	267,094	312	157	USD, EUR, GBP +7 more

Source: CoinMarketCap.com \*CoinMarketCap ranks and scores exchanges based on the following: Web Traffic Factor; Average Liquidity; Volume, as well as the Confidence that the volume reported by an exchange is legitimate. Weights are assigned to the above-mentioned factors and a score from 0.0 to 10.0 is given to the Spot Exchange. List is based on 24hour volume to AEDT 11.55am, 2020-01-16

## Industry growth forecasts

Growth predictions for the sector are varied:

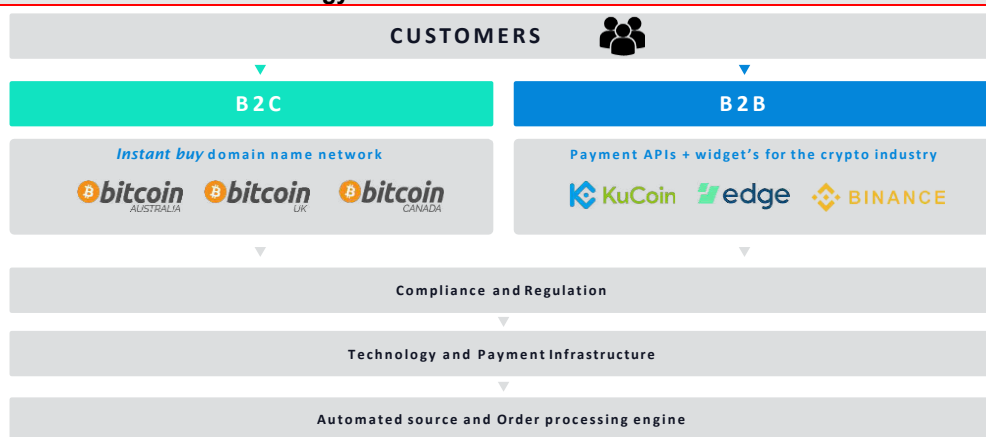
- Researchandmarkets.com estimated that in 2019, the global blockchain devices market generated a revenue of US\$300m and is forecasting for this to reach US\$23.5b by 2030, a CAGR of 48.7% from 2020-30. The research house attributes this growth to rapid growth from corporate users in the banking, finance and insurance sector. It identifies blockchain devices as point of sales terminals, blockchain smartphones, crypto automated teller machines (ATMs), crypto hardware wallets as well as blockchain gateways.
- In September 2019, market research firm MarketsandMarkets forecasted that the blockchain devices market is expected to grow from US\$218m in 2019 to US\$1.29b by 2024, a CAGR of 42.5%.
- Mordor Intelligence is forecasting CAGR of 60.2% from 2020 -2025 for the cryptocurrency market.
- Gartner has predicted that by 2025, 50% of people with a smartphone but without a bank account will own cryptocurrencies, paving the way for significant growth in Asia and African nations
- Transparency Market Research is forecasting the broader payments service provider market will grow at a CAGR of 10% to US\$88b by 2027, driven by AI-enhanced wallet solutions to create a frictionless experience in the digital payment ecosystem.



## BANXA's business model

BANXA is a licenced exchange and a Payments Service Provider (PSP) for the cryptocurrency market, having developed a scalable technology stack that includes payments together with compliance systems to service the business-to-business (B2B) market and business-to-consumer (B2C) market. BANXA's product suite includes its flagship BANXA B2B platform, which integrates with clients/partners to facilitate simple purchase and sale of digital assets via an API integration, cryptocurrency direct B2C sales via premium branded domains (including bitcoin.com.au, bitcoin.co.uk, bitcoin.ca) and offline through third party physical retail locations. Using the same payments platform offered to the B2C market, BANXA's flagship B2B product allows global cryptocurrency exchanges and wallets such as KuCoin, Binance and Edge, to offer their customers fiat to cryptocurrency solutions.

### Exhibit 10: BANXA's technology stack



Source: Company presentations

The company's payment gateways are broad and varied so as to provide maximum convenience to both its B2C and B2B customers. We set out the characteristics of the payment gateways below.

### Exhibit 11: BANXA's payment gateways

Payment gateway	Payment characteristic	Country available
Apple Pay	Credit cards	Global
blueshift	Cash deposits available at more than 1,200 newsagents	Australia
Australia Post	Cash deposits available at more than 4,500 post offices	Australia
POLi Payments	Direct bank to bank transfer	Australia
Bpay	Pay for bill with direct bank transfer	Australia
Flexepin	Voucher network at newsagents	Australia, Canada
PayID	Fast online bank transfer	Australia
Interact	Bank Transfer	Canada
Sofort	Bank Transfer	Europe
MasterCard/Visa through WorldPay	Credit Cards	Global
Faster Payments	UK bank transfers	UK
Single Euro Payments Area	European bank transfers	Europe
iDEAL	Dutch bank transfers	Netherlands

Source: Company data

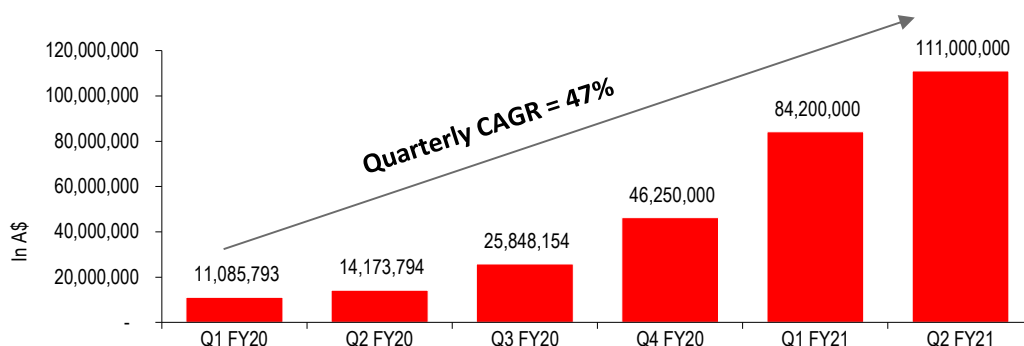
Currently BANXA earns its revenue via commission on the order value and commission on the spread, depending on whether the order is B2C or B2B.

The B2C operation generates revenue from both commission on the order value (up to 5% depending on the order value) and commission on the spread (from 0.5% to 2.5%) while the B2B operation generates revenue solely on the spreads (from 0.5% to 3.0%). Given the relatively small size of these commissions, the company needs to generate significant transaction volumes in order to yield revenue. Transaction volumes have been growing since launch and have particularly gathered momentum in the first two quarters of FY21.

We highlight in the following exhibit the total transaction value (TTV) in each quarter from Q1 FY20 to Q2 FY21. Over this period, quarterly CAGR in TTV was 47%. The table demonstrates marked growth in TTV over

the last six quarters, coinciding with the company's move into the UK market in late 2019 (Q2 FY20). The company generates around 90% of its revenues from transactions completed online and around 10% instore.

**Exhibit 12: Total Payments Volumes and Number of Payments by Quarter from Q1 CY19-Q4 CY20**



Source: Company data

## BANXA's customer base

BANXA's B2B offering allows global cryptocurrency exchanges and wallets to offer their customers compliant and instant fiat-to-cryptocurrencies exchanges. Most cryptocurrency exchanges are focused on the crypto-to-crypto trading opportunity, and, with the cost As a result, the company has attracted the largest global cryptocurrency exchanges as customers, including Binance, KuCoin, Edge and MXC.

**Exhibit 13: BANXA's partners and customers**



Source: RaaS Analysis, Company data

## Competitors

### Australia

The Australian cryptocurrency market is highly fragmented with more than 310 exchanges currently licensed by AUSTRAC<sup>4</sup>. Most of these exchanges are crypto-to-crypto focused and therefore present an opportunity for Banxa to extend its relationships. In the fiat-to-crypt market, Banxa competes directly with several retail-

<sup>4</sup> <https://australianfintech.com.au/310-digital-currency-exchanges-registered-with-austrac/>

focused companies in Australia including CoinJar, CoinSpot, BTCMarkets and Independent Reserve. These Australian competitors have all been operating since around 2013 with Independent Reserve and BTCMarkets providing traditional centralised exchange services while CoinJar and CoinSpot offer a similar “over the counter”, fiat-to-crypto service. CoinJar’s services are also available through blueshyft’s newsagents network, while CoinSpot offers access to POLi and Bpay. The “matching market makers and takers” services offered by Independent Reserve and BTCMarkets are more suited to advanced traders while CoinJar and CoinSpot have gained traction with retail investors.

## United Kingdom

Similarly, the UK is a highly fragmented market with more than 38 cryptocurrency exchanges operating in that market. Exchanges such as Bittylicious, CoinCorner and Wirex service the over the counter fiat to cryptocurrencies market in competition with Banxa while Coinfloor provides fiat-to-cryptocurrency services to its open-book exchange customers. Global exchanges offering fiat-to-cryptocurrencies also operate in the Australian and UK markets. US-domiciled Coinbase for example has built a position in Australia and the UK.

## Global competition

Globally, the B2B markets that BANXA operates in are dominated by two main players, Simplex and Wyre. Simplex is an EU-licensed fintech focused on providing payments processing combined with its fraud protection technology. Like BANXA, it enables merchants worldwide to accept diverse payment methods, including credit card deposits and purchases, with zero exposure to chargeback risk. It is also partnered with Binance, KuCoin, bithumb and Edge, amongst other exchanges. Simplex is now expanding its services to the e-commerce industry and other verticals.

US-based Wyres is focused on building APIs to enable cryptocurrency exchanges to on-ramp customers to their platforms. It has partnered with several prominent cryptocurrency companies to provide users with an easy-to-use fiat gateway into and out of the crypto ecosystem. Wyre allows cryptocurrency purchases and withdrawals to be made in-app, using common payment methods such as Apple Pay, Google Pay, and most major credit cards.

## Recent operating performance

BANXA enjoyed a record year in FY18, which encompassed the peak in Bitcoin prices in December 2017. Sales revenue grew five-fold that year and gross profit increased three-fold to \$4.07m. The company reported NPAT of A\$0.62m, up from A\$0.43m in the previous year. FY19 reflected the decline in Bitcoin prices with gross profit of \$1.78m. Recovery was evident in FY20 with the company reporting a 50.6% rise in gross profit to \$2.68m. Sales revenue was down 15% reflecting the changing mix in the company’s payments base, with an increasing proportion of total payments value derived from the B2B market.

<b>Exhibit 14: BANXA historical earnings (In A\$m)</b>					
<b>Year ending June 30</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	
Total Payments Volume (TPV)	27.52	89.96	46.00	69.28	
Sales Revenue	4.92	25.94	7.99	6.79	
Gross Profit	1.28	4.07	1.78	2.68	
GP/TPV	4.7%	4.5%	3.9%	3.9%	
GP/Sales	26%	16%	22%	40%	
EBITDA	0.62	1.06	(2.17)	(1.01)	
Net Profit After Tax (NPAT)	0.43	0.62	(2.07)	(4.08)	
Source: Company data					

As we highlighted in the previous section, total payments volume as well as the commission and swaps rate derived on payments are a key driver of gross profit margin. The company reports the commission revenue on buy and sell and the direct sale of cryptocurrencies as sales revenue. Total Payments Value additionally

includes agency transactions and sell transactions. We set out the past four years revenue breakdown in the following exhibit.

<b>Exhibit 15: Breakdown of Total Payments Volume</b>				
<b>Year ending June 30</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Commission revenue on buy and sell	1.453	3.685	1.574	2.197
% change		154%	(57%)	40%
% of transaction volume	5.3%	4.1%	3.4%	3.2%
Sale of Cryptocurrencies (direct)	347.1%	2225.7%	641.4%	459.1%
% change		541%	(71%)	(28%)
<b>Total Revenues as per Financial Statements</b>	<b>4.92</b>	<b>25.94</b>	<b>7.99</b>	<b>6.79</b>
Agency transactions (buy transactions)	19.17	42.72	31.85	58.13
		123%	(25%)	83%
Sell Transactions (purchases from customers)	3.42	21.29	6.16	4.36
		522.7%	(71.1%)	(29.2%)
<b>TOTAL PAYMENTS VOLUME</b>	<b>27.52</b>	<b>89.96</b>	<b>46.00</b>	<b>69.28</b>

Source: Company annual reports

## Earnings forecasts

BANXA's business is built on extracting commissions for transactions. Its traditional B2C business generates commissions of 0-5% depending on the region (ie Australia's B2C commissions have historically averaged 3.9% but the rest of the world have averaged 1.9%). With the company's expansion to other regions, it is our expectation that the commission rates will be lower but transaction volumes substantially higher, due to the increasing shift to B2B payments which give BANXA the opportunity to make margin on the spread. Our forecasts for BANXA have been predicated on the following assumptions:

- Total Payments Volumes continue the momentum exhibited in H1 FY21 with BANXA delivering A\$195.2m. We are forecasting FY21 total payments volumes of A\$468.6m, an increase of 568% on FY20 and H2 FY21 TTV of A\$273.4m;
- Our forecasts for TTV growth are 50% for FY22, 45% for FY23, tempering to 30% in FY24. Longer term we run the growth rate to 10%;
- We are forecasting that commissions on B2C sales remain steady at 1.0% and that gross profit/payments also remains steady at 2.0%;
- We are forecasting that BANXA more than doubles its employee base in FY21 and grows this at a CAGR of 8% from FY22-FY30;
- Other operating costs are also forecast to almost double in FY21 and grow at a CAGR of 8% from FY22-FY30;
- NPAT reported in FY21 includes \$1.0m in one-time costs associated with the listing.

We set out the detail of our forecasts in the following exhibit.

<b>Exhibit 16: RaaS's earnings forecasts FY21-FY24 in A\$m unless otherwise stated</b>				
<b>Year ending June 30</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
Commission revenue	4.6	7.0	10.1	13.1
Sale of cryptocurrencies (direct)	6.9	10.3	14.5	18.8
Agency transactions	450.5	675.8	979.8	1273.8
Sell transactions	6.5	9.8	13.7	17.9
<b>Total transaction volumes</b>	<b>468.6</b>	<b>702.9</b>	<b>1018.1</b>	<b>1323.6</b>
Sales revenue	11.5	17.3	24.5	31.9
<b>Gross Profit</b>	<b>8.8</b>	<b>13.9</b>	<b>20.1</b>	<b>26.1</b>
GP/Payments	1.9%	2.0%	2.0%	2.0%
GP/Revenue	76.2%	80.3%	81.9%	81.9%
Employee costs	6.6	8.2	9.1	10.0
Other costs	4.7	5.8	6.4	7.1
Total Operating costs	11.3	14.1	15.5	17.0
<b>EBITDA underlying</b>	<b>(2.47)</b>	<b>(0.19)</b>	<b>4.63</b>	<b>9.11</b>
<b>EBITDA Margin (on TPV)</b>	<b>nm</b>	<b>nm</b>	<b>0.5%</b>	<b>0.7%</b>
NPAT	(2.47)	(0.13)	3.24	6.38
NPAT reported	(3.47)	(0.13)	3.24	6.38

Source: RaaS estimates

## Partner and Investor feedback

We undertook interviews with one of BANXA's partners, blueshyft, and two of the company's long-term institutional investors. Below is a summary of their feedback on the business.

### Interview with business partner, blueshyft

BANXA engaged with blueshyft in March 2016 to provide an in-person solution for its on-ramp. blueshyft operates a 1,400-newsagent network across Australia, taking cash in for wagering companies such as Ladbrokes, providing an alternate pick-up location for both failed delivery returns and for merchandise. Jamie Patterson, CEO of blueshyft, describes blueshyft as "connecting digital businesses to local communities".

"Banxa was the first bitcoin company to recognise the need to have an in-person solution. By allowing Mums and Dads to buy bitcoin over the counter at their local newsagency, BANXA took cryptocurrency mainstream," Mr Patterson said. "For people who might have been nervous about transacting online, it was a game changer and opened up a whole new segment of the market."

Mr Patterson said BANXA's move was quickly replicated by other coin exchanges, Coinspot and Coinjar. He noted that the current COVID-19 environment was generating significant volume growth for a number of blueshyft's clients including the cryptocurrency exchanges. "More people are working from home and using their local newsagents for payments and transactions."

Mr Patterson views the local community network embraced by Banxa as a key competitive advantage. The two companies have recently extended their relationship with blueshyft keen to explore with BANXA any international expansion opportunities in local community networks should they emerge.

### Interview with BANXA partner, Edge

We interviewed Paul Puey, CEO and co-founder of Edge, which develops the world's only Edge-Security platform designed to secure blockchain applications and other sensitive client-side data.

*How did you come to partner with BANXA and what attracted you to them?*

"We were looking for support in the Australian market as there was demand for converting fiat to cryptocurrency in that region. We came across BANXA and were impressed with the go getter attitude of the team. Working with BANXA was a great experience, as they were keen on improving the user experience and integration of Edge and help drive growth of the Edge/Banxa integration. We're excited to work with them as they expand to new regions and payment methods."

### Interview with strategic investor, Alium Capital

We posed some questions to Rajeev Gupta, investment director at Alium Capital which holds 8% of the company.

*What attracted you to invest in BANXA? Where do you see their competitive advantage?*

"We invested in BANXA around two-and-a-half years ago. What we particularly liked was that these guys were in the B2C space and making it really simple for the non-sophisticated investor to buy cryptocurrencies. One of the other advantages that Banxa has is it's not trading all 200 cryptocurrencies, instead they are providing access to the mainstream ones which reduces their exposure to the volatility you might see in some of the smaller currencies. There is still a risk of volatility in cryptocurrencies as a whole but we'd hope to see that lessen over time."

*Where do you see the greatest opportunities for BANXA by listing in Canada?*

“Listing in Toronto will give the company liquidity. We also see that it will give validation in this asset that came out of Melbourne, and now is listing on the TSX. This is the best exchange that BANXA could list on given it already has a number of crypto companies listed there and they are well accepted. So Banxa has some ready-made comps.”

*Do you see opportunities for consolidation in this space?*

“Absolutely, and that is one of the purposes for being a public entity. This is such a fragmented space with assets in New Zealand, Singapore, the Middle East which have great management but are small and capital starved. There is an opportunity for BANXA to use its listing to bring these companies onto the platform and in turn expand the business substantially.”

*What opportunities do you see for BANXA beyond cryptocurrencies? Having built a secure payments platform are there natural extensions to their business?*

“That is certainly something that management has spoken about but in the near term we would expect to see BANXA focus on expanding its digital crypto business. There is still a lot to do there including expanding geographically and increasing its exposure to the B2B market. As more corporates get their financial management and balance sheets under control, we see them increasingly trading in digital currencies.

BANXA has done a great job of investing in the move to the B2B market and we see quite a lot more growth to come into that space, particularly with institutional investors now looking at cryptocurrency as an asset class.”

## **Interview with strategic investor, Thorney Investments**

We interviewed Margaret Ross, investment manager at Thorney Investments, which holds 5.0% of BANXA.

*What attracted you to invest in BANXA?*

“We were trying to better understand the crypto space and came across BANXA. We wanted an entry to the sector and felt BANXA, being a pick and shovel to the crypto space, is a good play.”

*Where do you see the greatest opportunities for BANXA by listing in Canada?*

“There appears to be an appetite for these sorts of stocks in Canada hence a better valuation (than could be achieved in the Australian market) should be realised.”

*Do you see opportunities for consolidation in this space?*

“That is always a consideration in any emerging sector.”

*What do you think it will take for institutional investors to embrace cryptocurrencies as an asset class and is this an area for BANXA to exploit?*

“Mainstream understanding, acceptance and usage. Followed closely by digital infrastructure confidence in connecting the old world to the new world.”

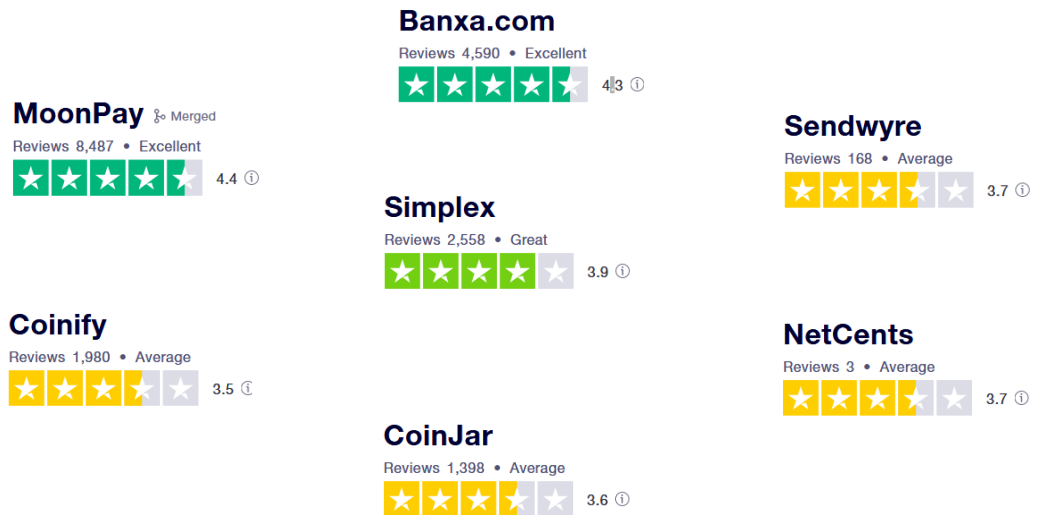
*Do you see opportunities for BANXA beyond cryptocurrencies?*

“BANXA has a clever entrepreneurial team exploring the opportunities, which is why we have invested in BANXA.”

## Customer feedback

TrustPilot's ratings from users is also a good indicator of how customers view BANXA. We set out in the following exhibit BANXA's rating versus a number of its competitors.

### Exhibit 17: BANXA's ratings versus other payments apps



Source: TrustPilot

## SWOT analysis

In our view the strengths and opportunities for BANXA outweigh the weaknesses and threats.

### Exhibit 18: SWOT Analysis

Strengths		Opportunities	
High calibre Australian and international investors		Opportunity to partner/acquire other players in what is a fragmented market	
Board and senior executive team experienced in building successful tech businesses		Opportunity to extend payments platform beyond cryptocurrencies	
Delivering the infrastructure to stop fraud in cryptocurrencies		Opportunity to deliver its services into new jurisdictions	
Strong IP portfolio in Bitcoin domain names		Positioned to benefit from millennial support for digital assets including cryptocurrencies	
Leveraged to growth in demand for cryptocurrencies		Opportunity to replicate the local network developed in Australia in other jurisdictions	
Conducts KYC/AML checks on all customers		Opportunity to expand services into the institutional market	
Scalable business model			
Weaknesses		Threats	
Small player in a competitive market		Governments could regulate further or ban cryptocurrencies	
Needs high volumes in transactions to be profitable		Competition could see spreads squeezed, reducing profitability	
Cryptocurrency exchanges are relatively new and largely unregulated which may lead to fraud and failure		Mainstream institutions such as banks may refuse to do business with companies operating with cryptocurrencies - this could limit growth in B2B volumes	
Small number of material customers – a loss of one or more customers would have a material impact on revenues		Barriers to entry are relatively low and could result in adverse competition	
A downturn in demand for cryptocurrencies has shown to be negative for the business			

Source: RaaS Analysis



## Sensitivities

We highlight several sensitivities to BANXA's business:

- **Regulatory risk** is the biggest risk to cryptocurrencies. Several countries including Afghanistan, Algeria, Bolivia, Bangladesh, Saudi Arabia, Qatar, Russia, Vanuatu and Vietnam have banned cryptocurrency trading outright while many others including China, Ecuador, Pakistan, and Nepal, have restricted their banks and financial institutions from cryptocurrency trading. One of the key reasons given by central banks is the risk that cryptocurrencies will be used by money launderers. Individual governments may change or bring in new regulations that limit the use of cryptocurrencies in their jurisdiction.
- **Key person risk:** There is potential key person risk if BANXA loses its chairman, Domenic Carosa, or members of the senior management team including CEO Holger Arians or CTO Iain Clark. Mr Carosa has been the driving force in developing BANXA's business and is a pioneer in the cryptocurrency market.
- **Volatility risk:** The downturn in demand for cryptocurrencies in 2019 following the peak in December 2018 resulted in reduced volumes, thus reduced revenue and profitability in BANXA's business. Any future downturn in demand is likely to have a similar impact on the company's operational performance.
- **Competitive risk:** There is potential competitive risk from existing partners shifting volumes to other payments service providers. Revenue from the B2B operations are solely derived from the spread margin on the coin purchase (currently on average around 2.0%). Competitive pressure on these spreads could result in substantially reduced revenues from this division and delays to profitability.

## Board and management

### Directors

**Dominic Carosa, Non-Independent, Non-Executive Chairman and Founder**, is a technology pioneer, founding one of Australia's largest and earliest online music businesses, MP3.com.au, in the late 1990s, which went on to be listed as destra Corporation, Australia's largest listed independent media and entertainment company by the mid-2000s. He founded what is now Banxa in early 2014 and is also the co-founder and Chairman of digital asset fund Apollo Capital. He is also non-executive chairman of the Future Capital Development Fund, a pooled development fund which is focused on early stage technology start-ups, and founder and chairman of Dominet Venture Partners, a boutique internet investment group with more than 50 investments in technology-related companies. Mr Carosa is the co-founder and Director of Crowd Media Holdings Ltd, which is listed on both the Australian Stock Exchange and Frankfurt Exchange respectively under the stock codes ASX:CM8 and XFRA:CM3. He previously has been a non-executive director of Australian listed companies Harris Technology (ASX:HT8) and Collaborate (ASX:CL8). Post IPO Mr Carosa holds directly and indirectly 6m shares, equating to 15% of the company.

**Jim Landau, Non-Executive Director**, brings more than 40 years' experience as a technology pioneer and mentor. He is presently the Chair of The Executive Connection, an Australian mentoring foundation for CEOs, and is a non-executive director of private equity firm Leading Technology Group and the debt mezzanine funder, Visage Invest. Mr Landau co-founded Australia's first listed software company, Software Corporation of Australia, which listed on the second board of the ASX in November 1985 and he was the managing director of Australia's first main board listed IT services company, Datronics Corporation. He is the former chairman of Centricom, the developer of the Poli Payments platform, and a former director of Collaborate Corporation (ASX:CL8) and destra Corporation and has for the past three years served as an advisory board member of BTC Corporation.

**Matthew Cain, Non-Independent Non-Executive Director** brings more than 25 years' corporate advisory and equity capital markets experience to his position, having previously worked at Macquarie Bank, Bell Potter Stockbroking, and ANZ Securities. He has broad sector expertise in technology, telecommunications, Fintech and wagering and gaming. Mr Cain is currently a non-executive director of Registry Direct Ltd, treasurer and committee member of the Melbourne Racing Club, director of MRC Foundation Board and Director of Corporate Development with Dominet Digital Ventures. He is previously a non-executive director of Topbetta Holdings Ltd (now known as BetMakers Technology Group Ltd), and a board trustee of the Caulfield Racecourse Reserve.

**Doron Cohen, Non-Independent, Non-Executive Director**, is currently the CEO and a director of A-Labs Capital I Corp and A-Labs Capital II Corp, each a capital pool company established under the Canadian Business Corporations Act for the purposes of CPC Policy. Since 2017, Mr Cohen has also served as the CEO and Managing Partner of A-Labs Finance and Advisory Ltd, a private corporate advisory firm. From 2014-2017, he was the CEO of MCE Media and Apps, a private company that provides retail driven mobile advertising solutions. Mr Cohen brings more than 20 years' experience in tech companies with senior leadership roles across technical, marketing, sales and management capabilities. Post-IPO Mr Cohen will hold 0.37m shares, equating to 1.12% of the company.

## Management

**Holger Arians, Chief Executive Officer**, joined BANXA from Dominet Digital Corporation where, as CEO, he worked closely with a portfolio of early stage companies. Prior to moving to Australia from Germany in 2013, Mr Arians held senior corporate development positions at several multinational companies in Germany. He also was appointed Honorary Finance Judge at the Cologne Finance Court in Germany in 2013. Post IPO Mr Arians will indirectly hold 0.83m shares which equates to 2.4% of the company.

**Konstantin Lichtenwald, Chief Financial Officer (Canada) and Company Secretary**, joined BANXA in a contractual capacity from ALBS where he served as a director. He specializes in providing corporate finance, valuation, taxation, financial reporting, consulting and other accounting services to both small businesses and public commodity resource companies as well as assisting in many aspects of his clients' administration, financing and other finance-related activities. Mr Lichtenwald is a member of Chartered Professional Accountants of British Columbia and Canada. Post IPO Mr Lichtenwald will hold 0.73m shares, equating to 2.1% of the company.

**Shyam R. Deo, Chief Financial Officer (Melbourne)** is a Chartered Accountant with more than 20 years' experience in finance; partnering with senior executives to build robust finance functions, manage financial risks and deliver performance improvements and business expansion strategies. He commenced his career with EY (assurance and transaction advisory) and subsequently held senior finance roles with various private equity-backed growth technology businesses. Prior to joining BANXA, he was the interim Chief Financial Officer at PageUP Group, a global software (SaaS) business sponsored by TPG Capital and Battery Ventures SV. Shyam holds degrees in Accounting, Banking and Finance from Monash University, in Australia and is an Oxford University alumnus.

**Josh D'Ambrosio, General Manager**, joined BANXA in April 2019. Prior to his appointment, Mr D'Ambrosio held the position of General Manager of Bitcoin Australia, a subsidiary of Banxa, for more than three years. His career also includes a long stint at EY in the digital risk advisory team.

**Iain Clark, Chief Technology Officer**, joined BANXA in August 2017 from Crowd Media Holdings (ASX:CM8) where he also held the position of Chief Technology Officer. Mr Clark brings extensive experience in financial systems architecture to the role, having more than 15 years' experience in the space including a long stint at global investment bank, Goldman Sachs.

## Institutional and Investor Support

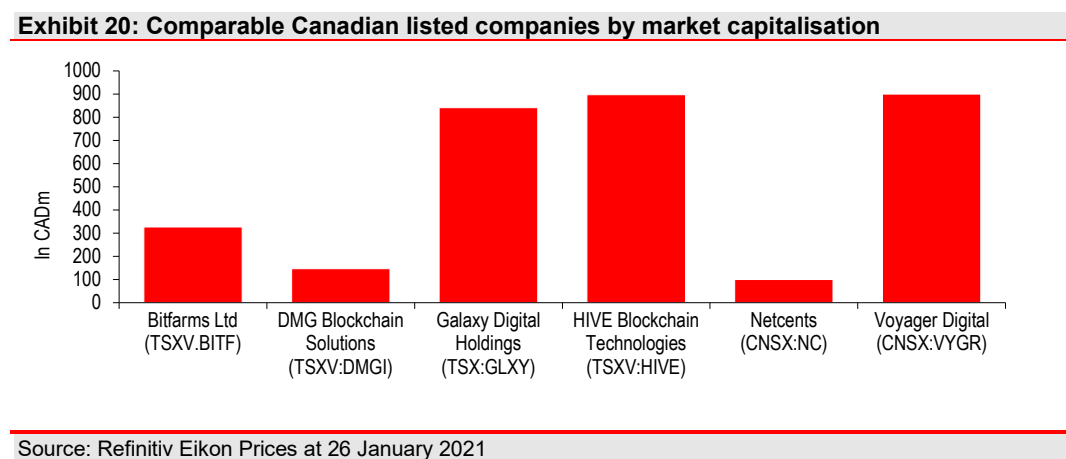
BANXA has been supported by several institutional investors and private equity funds on its journey to becoming a listed entity. In addition to attracting NGC Ventures as a shareholder, the company has also been backed by some of Australia's leading tech investors including Alium Fund and Thorney Investments Fund.

We have set out the top 10 largest shareholders at listing in the following Exhibit.

<b>Exhibit 19: Top 10 shareholders at TSX.v listing</b>	
<b>Shareholders</b>	<b>% holding</b>
Board and management (inc Dominet Digital Corporation)	27.0%
Alium Fund	8.0%
NGC Ventures Fund	7.0%
Thorney Investments Fund	5.0%
CCGF Goup	3.5%
OK Group/OK Ex Exchange	2.5%
KuCoin Exchange	2.5%
TLC Group Holdings	2.5%
Xiao Ping Chen	2.1%
MJV Financial	2.1%
Source: Banxa Corporate Profile presentation, January 2021	

## Peer Comparison

BANXA is a fintech focussed on providing payments solutions specifically related to fiat to cryptocurrency transfers. In listing on the Toronto Stock Exchange, the company is joining an established group of cryptocurrency peers. These include Voyager Digital Ltd (CNSX:VYGR), Netcents Technology Inc (CNSX:NC), Bitfarms Ltd (TSX-V:BITF), DMG Blockchain Solutions (TSX-V:DMGI), HIVE Blockchain Technologies (TSX-V:HIVE) and Galaxy Digital Holdings (TSX:GLXY). The following exhibit sets out these companies by market capitalisation.



Of these companies, Netcents Technology has the closest business model to BANXA. We discuss each business model below:

**Bitfarms Ltd** is a blockchain infrastructure company that operates cryptocurrency mining operations in North America. Bitfarms owns and operates blockchain farms that power the global decentralized financial economy, providing computing power to cryptocurrency networks such as Bitcoin, earning fees from each network for securing and processing transactions.

**DMG Blockchain Solutions** is a diversified holding company, focused on investment opportunities and services in the blockchain space. The company's plan is to acquire or build a portfolio of virtual currencies, digital coin and tokens, and other blockchain assets within four business verticals: digital asset bank and investment management; mining and trading; initial coin offerings (ICOs) and ventures; and media and education.

**Galaxy Digital Holdings Ltd** is a Canada-based diversified, multi-service merchant bank focused on digital assets and the blockchain technology industry. It operates a trading business including arbitrage, market making and over the counter (OTC), asset management, principal investing, capital markets and mergers and acquisitions.

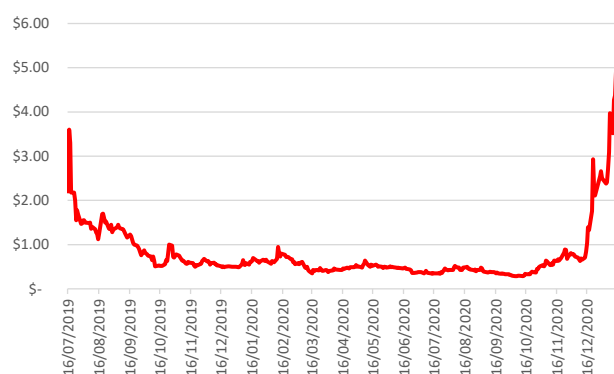
**HIVE Blockchain Technologies Ltd** partners with Genesis Mining Ltd, a cryptocurrency mining hashrate provider, in order to operate a cryptocurrency mining facility in Iceland. The facility produces mined cryptocurrency Ethereum around the clock and is monitored with Genesis Hive, Genesis' proprietary software tool for large-scale cryptocurrency mining. HIVE also partners with Fiore Group, a Canadian merchant banking firm, in order to accelerate development of the blockchain sector through traditional capital markets.

**Netcents Technology** operates an online payments platform providing consumers and merchants with a fiat to cryptocurrency on-ramp. It works with exchanges, mobile operators and financial partners to streamline transacting online and has recently launched an interest bearing deposit for cryptocurrencies. The company's total transaction volume in CY2020 was C\$27m, compared with A\$262.5m transacted by BANXA.

**Voyager Digital** is crypto-asset broker providing a cryptocurrency trading platform to retail and institutional investors. The platform uses a router and customized algorithms to allow investors to place and route trade orders to one or several trading exchanges to buy or sell cryptocurrency assets.

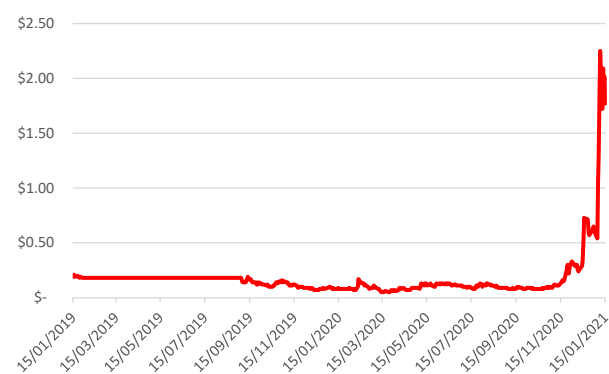
We've set out the share price performance of these six companies over the past two years, which demonstrates the peer group has largely received a substantial rerating from the strength in the cryptocurrency market and more than recovered from both the share market decline in cryptocurrency stocks in late 2018 when the market capitalisation of the digital asset class collapsed, and from the broader March 2020 stock decline in response to COVID-19.

**Exhibit 21: Bitfarms Ltd (TSX-V.BITF) share price performance since IPO August 2019-January 15 2021**



Source: Refinitiv Eikon

**Exhibit 22: DMG Blockchain Solutions (TSX-V.DMGI) share price performance January 2019-January 2021**



Source: Refinitiv Eikon

**Exhibit 23: Galaxy Digital (TSX:GLXY) share price performance January 2019 – January 2021**



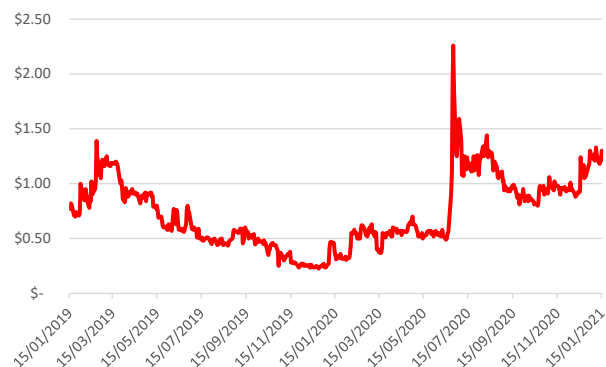
Source: Refinitiv Eikon

**Exhibit 24: HIVE Blockchain Technology (TSX-V:HIVE) share price performance Jan 2019-Jan 2021**



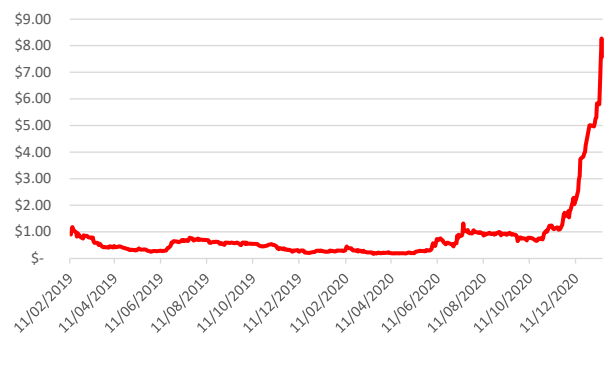
Source: Refinitiv Eikon

**Exhibit 25: Netcents (CNSX:NC) share price performance January 2019 - January 2021**



Source: : Refinitiv Eikon

**Exhibit 26: Voyager Digital (CNSX:VYGR) share price performance since listing in Feb 2019-Jan 2021**



Source: Refinitiv Eikon

From a comparison perspective, it is worth noting that all these companies are still early stage, yet to be profitable and, in some cases, revenue generation is still in its infancy. This is very clear when we look at the peer group from an Enterprise Value/Revenue perspective. The median of this group is 30.7x. If we were to apply this multiple to BANXA's FY20 revenue of A\$6.8m, we would arrive at a peer valuation of C\$5.03/share.

**Exhibit 27: EV/Revenue of Canadian Peers**

Company	Stock code	Share price (CAD)	EV (CAD M)	EV/Revenue x
Bitfarms Ltd	BITF.V	2.89	346	10.7
Dmg Blockchain Solutions Inc	DMGI.V	1.35	147	19.8
Galaxy Digital Holdings Ltd	GLXY.TO	9.22	841	na
HIVE Blockchain Technologies Ltd	HIVE.V	2.59	897	30.7
Netcents Technology Inc	NC.CD	1.24	100	1,119.6
Voyager Digital Ltd	VYGR.CD	6.90	897	780.0
<b>Median</b>			<b>594</b>	<b>30.7</b>

Source: Refinitiv Eikon, RaaS Analysis prices at 26 January 2021

To get a sense of what multiple a company like BANXA should trade on, we've turned to the Australian market, where there are a number of listed payments companies that we have identified which we believe have relevance for BANXA.

## Australian payments peers

The four companies we have derived from the Australian market are EML Payments (ASX:EML), Pushpay Holdings (ASX:PPH/NZX:PPH), OFX (ASX:OFX) and Smartpay Holdings (ASX:SMP/NZX:SPY). These are all high growth but profitable payments platforms servicing various sectors. We believe it is relevant to consider these as peers as they give some insight into both margins that these sorts of businesses can generate and the multiples the market is prepared to pay for payments companies further along in their lifecycle. There are other listed payments companies in Australia including Novatti (ASX:NOV) and Tyro Payments (ASX:TYR) but they are not yet profitable and therefore less useful for our discussion.

**Exhibit 28: Australian payments platform peers**

Company	Code	Share price (A\$)	Market cap (A\$m)	Enterprise value (A\$m)	EV/Sales TTM x	EV/EBITDA TTM x	PER TTM x
EML Payments	EML	3.99	1,445	538	4.5	22.1	44.3
OFX Group	OFX	1.03	239	268	9.5	54.5	11.4
Pushpay Holdings	PPH	1.67	1,843	1,898	14.9	79.0	167.0
Smartpay Holdings	SMP	1.22	298	83	0.6	2.4	61.0
<b>Median</b>			<b>872</b>	<b>403</b>	<b>7.0</b>	<b>38.3</b>	<b>52.7</b>

Source: Refinitiv Eikon, RaaS analysis Prices at 25 January 2020

Below is a brief description of each of these businesses:

**EML Payments** provides payment solutions operating in three segments: Gift & Incentive (G&I), General Purpose Reloadable (GPR) and Virtual Account Numbers (VANS). The Gift & Incentive segment provides single load gift cards for shopping malls and incentive programs across the world. The GPR segment offers issuance, processing and program management to a range of industries. VANS segment offers technologies and custom solutions for virtual account numbers. EML Payments operates across Australia, North America, United Kingdom and throughout Europe.

**Pushpay Holdings** is engaged in the provision of a platform for mobile commerce and electronic payments, and tools for merchants to engage with consumers, with particular focus on the faith sector, not for profits and SMEs. The Company's solutions include Event Registration, 3D Touch, echurch Apps, Pushpay Fastpay and Virtual Terminal/Envelope Giving.

**OFX Group**, formerly OzForex Group Limited, is a global provider of international payments and foreign exchange services to consumers and corporates. The company has operations in Australia, New Zealand, Europe, North America, and Asia.

**Smartpay Holdings** provides a range of payments and data management solutions for merchants and retailers in Australia and New Zealand. It operates more than 45,000 Electronic Funds Transfer at Point of Sale (EFTPOS) terminals through Australia and New Zealand, servicing the payment needs of around 18,000 merchants. It licences its technologies to third parties and it also is a supplier of taxi payment solutions in New Zealand.

## Valuation – ‘the Golden Rule’

The sense of pre-earnings and pre-cash flow valuations can be cross-checked using a simple relationship that focuses attention on the most significant risks and opportunities. This premise was examined by Dr Kingsley Jones<sup>5</sup> and suggested as a golden rule used by venture capitalists and early stage investors to sense check their valuations. The golden rule is based on the following:

- Early-stage companies have revenue as the most visible performance metric
- Later-stage companies have earnings and margin as visible metrics
- Valuations at both stages are subject to sentiment and changing multiples

5 Jevons Global – Valuation for Early-Stage Technology Companies

This simple valuation rule takes into account profit margins and earnings multiples and is defined as:

$$\text{Current price to sales} = \text{Stable NPAT margin} \times \text{Price Earnings Ratio} \times \text{Sales uplift/Price uplift.}$$

The price that the market will pay at a given time is dependent on the cyclical nature of markets. When the market favours growth then the emphasis is on revenue multiples with seemingly little regard for profitability. However, as this enthusiasm cools the market will turn its attention to profitability and return on funds employed. If we apply the simple valuation rule explained above and make the following assumptions:

- Sales uplift (defined as the expected growth in sales over the investor's investment horizon) divided by price (to the investor) uplift (defined as the investor's expectations of return over the investor's investment horizon) – the median 5 year CAGR in revenue for this group is 23%;
- A long run EBITDA profit margin for the industry of ~22.4% which converts to 17.3% NPAT margin using a tax rate of 30%. We have based this margin on the median long-run EBITDA margin discussed in the international peer group above.

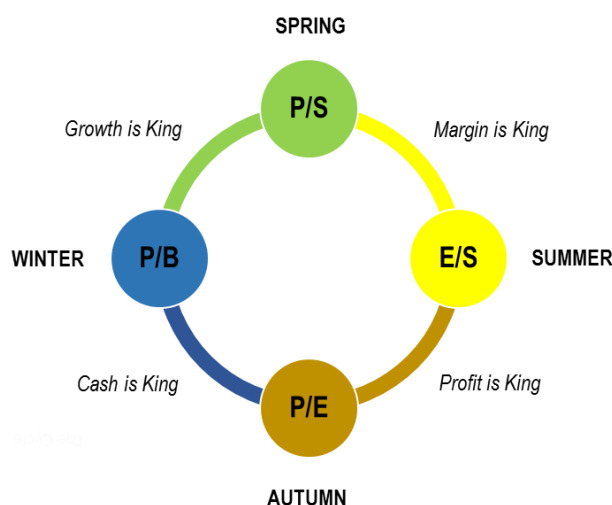
The third component to this calculation is Price Earnings Ratio. The long-term PE ratio of the Australian market is 15x and the long term PE of the Canadian market is 20x. The median PE for companies in our comparative company group is 52.7x. The market capitalization of this group of companies averages A\$872m. These companies are profitable fintech companies and this, together with relative size and growth prospects, sees the market paying around 3.5x the Australian market PE and 2.6x the Canadian market. As the following table demonstrates, all four Australian payment fintech's chosen are generating solid EBITDA margins, reflecting their maturity relative to earlier stage companies in the space. We have applied a 30% tax rate to get an adjusted NPAT margin for the purposes of our analysis in the following section.

Exhibit 29: Payments Peers 5-year EBITDA Margin and Adjusted NPAT Margin			
Company	5 Year EBITDA Margin		Adjusted NPAT margin
EML Payments	20.2%		15.5%
OFX Group	24.7%		19.0%
Pushpay Holdings*	18.9%		14.5%
Smartpay Holdings	38.2%		29.4%
Median	22.4%		17.3%
Source: Refinitiv Eikon, RaaS Analysis *Pushpay became profitable in FY19 so we have used FY20 EBITDA margin			

Our simple valuation approach (the Golden Rule) described above is a way of taking into account the ultimate profitability of each company. In a buoyant financial market where growth is king, investors will tend to focus on revenue (the spring season). The next stage will be a focus on margins followed by an autumn period where the focus turns to profit before entering the depressed winter stage where cash is king. In our view the market seems to have turned its attention more to profitability or at least the path to profitability rather than just revenue growth. Investor mood changes are illustrated in the exhibit below:



**Exhibit 30: The seasons of valuation**



Source: Jevons Global – Valuation for Early-Stage Technology Companies (P/S – Price/Sales; E/S – Earnings/Sales; P/E – Price/Earnings; P/B – Price/Book)

## Application of Golden Rule

### Input selection

We have selected as a long-term steady state PE 52.7x which is 3.5x the long-term average Australian market PE of 15x, 2.8x the current Australian market PE of 18.7, and a 38% premium to the current Canadian market PE of 38.1x. Our analysis of the comparative company group suggests that even mature businesses with steady NPAT margins are rewarded with long term PE multiples of 40-55x. The median for the group is 52.7x on a trailing 12-month basis. We have set out in the next two exhibits the impact that different PE's have on the implied uplift factor required to achieve the current market capitalisation of each of these companies. In the first exhibit, we use each company's current PE, in the second, we have adjusted the PE to that of the average payments PE of 52.7x to demonstrate what uplift factor is required.

As the table below demonstrates, the implied uplift factor for many of these companies is around 1.17x.

When we apply the median PE, the uplift factor widens to 1.23x, reflecting the different stages of profitability and market expectations for each of these companies.

**Exhibit 31: Uplift factor implied in each peer's current PE to achieve market cap**

Company	Payments PER	NPAT Margin	Uplift factor required	Revenue multiple	Revenue TTM	Market cap
EML Payments	44.3	15.5%	1.74	11.9	121	1,445
OFX Group	11.4	19.0%	3.89	8.5	28	239
Pushpay Holdings	167.0	14.5%	0.60	14.5	127	1,843
Smartpay Holdings	61.0	29.4%	0.12	2.2	138	298
<b>Median</b>	<b>52.7</b>	<b>17.3%</b>	<b>1.17</b>	<b>10.2</b>	<b>124</b>	<b>872</b>

Source: RaaS Analysis, Refinitiv Eikon – based on share prices at January 25

**Exhibit 32: Uplift factor required to reach the payment fintech PE and reach the current market cap**

Company	Payments PER	Payments NPAT Margin	Uplift factor required	Revenue multiple	Revenue TTM	Market cap
EML Payments	52.7	17.3%	1.31	11.9	121	1,445
OFX Group	52.7	17.3%	0.19	1.7	138	239
Pushpay Holdings	52.7	17.3%	1.59	14.5	127	1,843
Smartpay Holdings	52.7	17.3%	1.16	10.5	28	298
<b>Median</b>	<b>52.7</b>	<b>17.3%</b>	<b>1.23</b>	<b>11.2</b>	<b>124</b>	<b>872</b>

Source: RaaS analysis, Refinitiv Eikon – based on share prices at January 25

Now we are ready to apply the Golden Rule formula:

*Current price to sales = Price to Earnings Ratio x Stable NPAT margin X Sales uplift/Price uplift*

or

*EV/Revenue multiple (or Current price to sales) = 52.7 (Payments PER) x 17.3% (Median NPAT Margin) x 23% (median peer group revenue growth rate) ÷ 10% (required investor return))*

Taking this information, we have used the median Payments Fintech PER x the median NPAT margin x Expected growth rate ÷ the investor's expected return. For the expected growth rate, we have calculated the median 5-year revenue CAGR of this peer group to be 23%. This growth rate divided by a 10% required rate of return give us an uplift factor of 2.29x. We apply this uplift factor to the median revenue multiple derived above and to BANXA's FY20 revenues of A\$6.8m. This gives us a Golden Rule indicative valuation of C\$155.3m or C\$3.82/share. We should note that this valuation is sensitive to the required investor return ie a higher investor return requirement lowers the valuation. In this analysis, we have defaulted to the 10% market return rate.

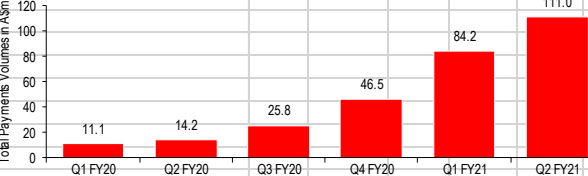
<b>Exhibit 33: Golden Rule indicative valuation</b>	
<b>Golden Rule Indicative Valuation</b>	<b>Parameters</b>
Median Payments PER	42.0
Median NPAT Margin	17.3%
Investor return required	10%
Median 5-yr revenue growth rate of peers	23%
Uplift factor (nominal revenue growth rate ÷ investor return)	2.29
Golden rule revenue multiple (Median PER x Median NPAT Margin x Uplift Factor)	10.2
BANXA FY20 revenue A\$M	6.8
Implied Golden Rule valuation (A\$M)	158.5
Converted to C\$M	155.3
Shares on issue at IPO (M)	40.7
<b>Golden Rule indicative valuation per share (C\$)</b>	<b>\$3.82</b>
Source: RaaS analysis	

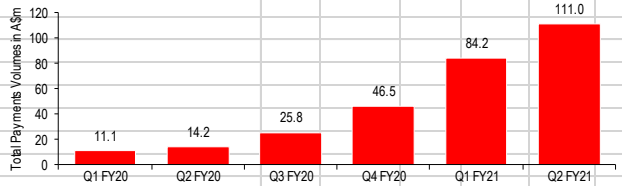
## Base DCF valuation of C\$3.47/share

Our DCF valuation is generated using a WACC of 13.5% and terminal growth rate of 2.2%. This derives a DCF valuation of A\$144.1m or A\$3.54 a share. In Canadian dollar terms the valuation is C\$3.47. The terminal value accounts for C\$2.09 of the total valuation. As a sense check, our valuation implies an EV/Revenue multiple of 12.0x for FY21, 8.0x FY22 and 5.6x FY23, compared with the EV/Revenue median of its Canadian peers of 30.7x.

<b>Exhibit 34: DCF valuation</b>	
	<b>Parameters</b>
Discount Rate / WACC	13.5%
Beta	1.9
Equity Risk Premium	7.0%
Risk Free Rate	0.5%
Terminal growth rate	2.2%
<b>CAGR in FCF FY21-30</b>	<b>36.0%</b>
Sum of PV (A\$M)	55.0
PV of terminal Value (A\$m)	83.1
PV of Enterprise	138.1
Debt (Cash) post IPO	(6.0)
Net Value – Shareholder (A\$M)	144.1
No of shares on issue	40.7
NPV (A\$)	\$3.54
<b>NPV in C\$</b>	<b>\$3.47</b>
Source: RaaS analysis	

### Exhibit 35: Financial Summary (In A\$m)

Banxa Holdings Inc						Share price		01 Feb 21				C\$		2.10				
Profit and Loss (A\$m)						Total Payments Volumes and Margins						FY18A	FY19A	FY20A	FY21F	FY22F	FY23F	
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Commission Revenue						3.7	1.6	2.2	4.6	7.0	10.1	
Total Payments Volumes (TPV)	46.0	69.3	468.6	702.9	1,018.1	Sale of Cryptocurrencies						22.3	6.4	4.6	6.9	10.3	14.5	
Revenue (commissions/crypto sales)	8.0	6.8	11.5	17.3	24.5	Sell Transactions (purchases from customers)						21.3	6.2	4.4	6.5	9.8	13.7	
Gross Profit	1.8	2.7	8.8	13.9	20.1	Agency transactions						42.7	31.8	58.1	450.5	675.8	979.8	
EBITDA	(2.2)	(1.0)	(2.5)	(0.2)	4.6	Total Payments Volume (TPV)						90.0	46.0	69.3	468.6	702.9	1,018.1	
Depn	(0.6)	(0.6)	(0.0)	(0.0)	(0.0)	Gross Profit						4.1	1.8	2.7	8.8	13.9	20.1	
Amort	0.0	0.0	0.0	0.0	0.0	GP/TPV						5%	4%	4%	2%	2%	2%	
EBIT	(2.8)	(3.7)	(2.5)	(0.2)	4.6	GP/Revenue reported						16%	22%	40%	76%	80%	82%	
Interest	(0.0)	(0.1)	0.0	0.0	0.0													
Tax	0.8	(0.3)	0.0	0.1	(1.4)													
Minorities	0.0	0.0	0.0	0.0	0.0													
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0													
NPAT pre significant items	(2.1)	(4.1)	(2.5)	(0.1)	3.2	Total Payments Volume growth												
Significant items	0.0	2.1	(1.0)	0.0	0.0													
NPAT (reported)	(2.1)	(2.0)	(3.5)	(0.1)	3.2													
Cash flow (A\$m)																		
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Total Payments Volumes in A\$m												
EBITDA	(2.2)	(1.0)	(2.5)	(0.2)	4.6													
Interest	0.0	(0.1)	0.0	0.0	0.0													
Tax	(0.2)	(0.1)	(0.1)	0.0	(1.4)													
Working capital changes	0.3	(1.3)	0.7	(0.1)	(0.1)													
Operating cash flow	(2.1)	(2.5)	(1.9)	(0.3)	3.1													
Mtce capex	(0.0)	0.0	(0.0)	(0.0)	(0.0)													
Free cash flow	(2.1)	(2.5)	(1.9)	(0.3)	3.1													
Growth capex	0.0	0.0	0.0	0.0	(0.0)													
Acquisitions/Disposals	0.0	0.5	0.0	0.0	0.0	Margins, Leverage, Returns						FY19A	FY20A	FY21F	FY22F	FY23F		
Other	(0.0)	(1.2)	0.0	0.0	0.0	EBITDA						(27.2%)	(14.9%)	(21.4%)	(1.1%)	18.9%		
Cash flow pre financing	(2.1)	(3.2)	(1.9)	(0.3)	3.1	EBIT						(35.2%)	(54.9%)	(21.4%)	(1.1%)	18.8%		
Equity	1.9	3.6	4.9	0.0	0.0	NPAT pre significant items						(25.8%)	(60.2%)	(21.4%)	(0.8%)	13.2%		
Debt	(0.3)	0.5	1.2	0.0	0.0	Net Debt (Cash)						(1.13)	(2.60)	(6.86)	(6.53)	(9.64)		
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)						(x)	n/a	n/a	n/a	n/a	(2.08)	
Net cash flow for year	(0.5)	0.9	4.2	(0.3)	3.1	ND/ND+Equity (%)						(%)	(39.9%)	(68.0%)	(71.2%)	(72.0%)	(62.5%)	
Balance sheet (A\$m)						EBIT interest cover (x)						(x)	n/a	n/a	n/a	n/a	-	
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	ROA						(64.3%)	(118.3%)	(46.8%)	-3.0%	57.8%		
Cash	1.1	2.1	5.0	4.7	7.8	ROE						(92.2%)	(136.0%)	(173.8%)	-5%	78%		
Accounts receivable	0.1	0.8	0.3	0.4	0.6	ROIC						(146.2%)	(167.3%)	(37.5%)	-2%	43%		
Inventory	0.1	0.0	0.0	0.0	0.0	NTA (per share)						98.90	61.89	0.06	0.06	0.14		
Other current assets	0.2	1.0	1.0	1.0	1.0	Working capital						(0.67)	(0.70)	0.02	0.21	0.3		
Total current assets	1.4	3.9	6.4	6.2	9.5	WC/Sales (%)						(8.4%)	(10.3%)	0.1%	1%	1%		
PPE	0.0	0.0	0.0	0.0	0.0	Revenue growth						(69.2%)	(15.0%)	69.8%	50%	42%		
Goodwill	0.2	0.2	0.2	0.2	0.2	EBIT growth pa						n/a	n/a	n/a	n/a	-2516%		
Investments	0.0	0.0	0.0	0.0	0.0	Pricing						FY19A	FY20A	FY21F	FY22F	FY23F		
Deferred tax asset	0.6	0.0	0.0	0.0	0.0	No of shares (y/e)						(m)	0	0	41	41	41	
Loan receivables	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares						(m)	na	0	41	41	41	
Total non current assets	0.8	0.2	0.2	0.2	0.2	EPS Reported						cps	nm	nm	(8.53)	(0.33)	7.95	
Total Assets	2.2	4.1	6.5	6.4	9.7	EPS Normalised/Diluted						cps	nm	nm	(6.07)	(0.33)	7.95	
Accounts payable	0.8	1.5	0.3	0.25	0.32	EPS growth (norm/dil)							nm	nm	nm	n/a	-2516%	
Short term debt	0.0	0.1	1.4	1.39	1.39	DPS						cps	-	-	-	-	-	
Tax payable	0.3	0.2	0.1	0.12	0.12	DPS Growth							n/a	n/a	n/a	n/a	n/a	
Other current liabilities	0.5	0.6	1.6	1.58	1.58	Dividend yield							0.0%	0.0%	0.0%	0.0%	0.0%	
Total current liabilities	1.6	2.4	3.4	3.35	3.42	Dividend imputation							30	30	30	30	30	
Long term debt	0.0	0.4	0.4	0.4	0.4	PE (x)							nm	nm	-	-	26.4	
Other non current liab	0.0	0.0	0.0	0.0	0.0	PE market								20.0	20.0	20.0	20.0	
Total long term liabilities	0.0	0.4	0.4	0.5	0.5	Premium/(discount)							nm	nm	(100%)	-100%	32%	
Total Liabilities	1.6	2.8	3.8	3.8	3.9	EV/EBITDA							(39.62)	(84.98)	(34.01)	-	442.0	17.6
Net Assets	0.6	1.2	2.7	2.5	5.8	FCF/Share						cps	nm	nm	-4.7	-0.8	7.7	
Share capital	2.9	6.5	11.4	11.4	11.4	Price/FCF share							nm	nm	nm	-	263.0	27.4
Accumulated profits/losses	(1.2)	(5.4)	(8.7)	(9.0)	(5.7)	Free Cash flow Yield							nm	nm	(2.2%)	-0.4%	3.6%	
Reserves	0.0	0.1	0.1	0.1	0.1													
Minorities	0.0	0.0	0.0	0.0	0.0													
Total Shareholder funds	1.7	1.2	2.8	2.5	5.8													



Source: RaaS Advisory

# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 26<sup>th</sup> November 2018**



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