

# PRE-IPO

## VALUE RANGE

EUR 10.33 – 12.62



### Wednesday, 30 September 2020

Intrinsic Price (€)	11.48
Value Range Low (€)	10.33
Value Range High (€)	12.62
Implied MCAP (m)	€35.82
Implied EV (m)	€35.69
LSE	REPX
Financial YE	31-Dec
Currency	EUR

#### Business Activity

Fintech

#### Key Metrics

Close Price (€)	NA
MCAP (m)	NA
Net Debt (Cash) (m)	-€0.1
EV (m)	NM
52 Wk Hi (€)	NM
52 Wk Lo (€)	NM

#### Key Ratios

Net Debt /	-0.36%
Shareholder Equity %	

#### Fintech Sector Research

##### LSE Market Index

##### Analyst Team

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## The Reputation Exchange Plc

### Fintech Company with Social Engagement

The Reputation Exchange (REPX) is a fintech company with a unique social engagement model. With multiple prepaid cards assigned to top sporting brands planned for roll-out in the next two years, we expect significant growth in sales and strong margins. Low marketing, overhead and infrastructure expenses should result in high profitability and positive cash flows in short order. World-class affiliations and reliable product roll-out should drive aggressive subscriber base growth and keep subscriber acquisition costs (SACs) low. We have been highly conservative in terms of subscriber market share and used this conservatism as the basis of our valuation approach. Our valuation is highly sensitive to successful execution by the management, a key risk to our valuation.

- Partner social selling model delivers lower SACs, higher profitability;
- Two products launched, more planned in the next two years;
- Partnership subscriber reach currently ~450m;
- World-class affiliations include two large global sports club brands;

ACF est. € (mn)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2020E	0	0	-1	-0.01	-0.01
2021E	10	4	2	0.84	0.84

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2020E	208.1x	NM	NM	NM	NM
2021E	3.6x	10.0x	14.6x	42.5x	42.5x

## Investment Case

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	3.1	3.1
Implied Intrinsic Price	€11.48	€11.48
Value Range Low	€10.33	€10.33
Value Range High	€12.62	€12.62
NYSE	REPX	
Financial YE	31-Dec	
Reporting Currency	EUR	
NoSh (m)		3.1
NoSh (m) expected dilution (Exp D)		3.1
NoSh (m) full dilution		3.1
<b>Key Metrics</b>	€	adj.
MCAP (m)	35.8	35.8
Net Debt (Cash) (m)	(0.1)	(0.1)
EV (m)	35.7	35.7
52 Wk Hi	NM	NM
52 Wk Lo	NM	NM
Free Float	NM	NM
<b>*Key Metrics FCF adj.</b>	<b>2020E</b>	<b>2021E</b>
<b>*Key Metrics FCF adj.</b>	<b>2020E</b>	<b>2021E</b>
CPS (C\$)	-0.21	0.78
CPS (Exp D) (C\$)	-0.21	0.78
CPS (FD) (C\$)	-0.21	0.78
P/CPS	NM	45.9x
P/CPS (Exp D)	NM	45.9x
P/CPS (FD)	NM	45.9x

REPX compares itself to other non-bricks and mortar banking companies such as Revolut, N26 and Monzo which offer prepaid cards.

Value Range MCAP EUR 34m – 38m

**A Fintech company with a unique ‘social selling’ model** – REPX is a fintech company leveraging technology and social media to monetize the massive fan base of celebrities, sports teams, and entertainers. REPX offers co-branded prepaid cards and other digital products to the fan base and splits the revenue in different proportions with the team or celebrity. This model allows REPX to lower its subscriber acquisition cost (SAC) compared to its neobank peers as it gains access to the distribution power of already established top-flight brands with loyal, even dedicated, followings.

We view this distribution power as a material competitive advantage compared to other early stage fintech start-ups which must burn significantly higher amounts of cash per subscriber acquisition. As a result, REPX also requires less cash to reach breakeven. The lower SACs vs. peers increase the potential returns for investors via higher margin positive cash flows earlier in its business cycle.

**Two products launched, more in pipeline** – REPX via its subsidiary Next Wallet launched two prepaid proof-of-operational-concept debit cards in July 2020. More than 3,500 subscribers (subs) mainly in Italy and Switzerland are using these cards. REPX management expects 10,000 subs YE20. REPX has a multiple product launch pipe 2H20 and early 2021. These products include The Clan Card (launch October 20E), The Payfan Card and The Cover Card (launch March 21E), and The Fashion Card, Two Chip Card and the Black Box Card (launch January 22E). The 12 co-branded partnerships already signed suggest a strong growth start on formal launch.

**Top brand contracts extend reach to ~450m followers** - REPX has onboarded 12 partners and several renowned sports teams (including two of the biggest global sports clubs), celebrities, influencers and iconic cities. In total, this equates to a social media fan base of 447.5m dedicated followers. Employing an extremely conservative conversion rate of 0.20% vs. peers, REPX has the potential to sell nearly 450k cards to this initial audience by year three of our forecast horizon.

**Large addressable market opportunity** – We consider REPX relevant valuation peers to be the global neo and challenger banking market. According to Allied Market Research, the global neo and challenger banking market is expected to reach \$356 billion by 2025, representing a CAGR of 45.8% during 2019-2025.

## Catalysts

Raising of equity capital to fund hard launch. Successful launch of new products; Partnerships with world-renowned sports teams or celebrities.

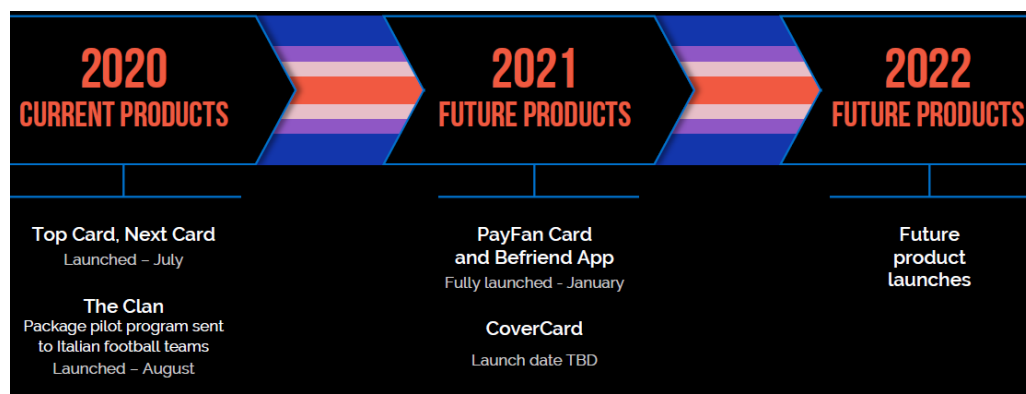
## Operational Strategy

REPX's key product categories include – consumer prepaid cards (Nextcard and Topcard), sports team co-branded prepaid card (Clan Card), social engagement app (Befriend App) and social engagement prepaid card (Payfan Card).

The Reputation Exchange Plc (REPX) is a fintech company that allows celebrities, sports teams and other entertainers to monetize their brand and reputation on social media by offering various payment products such as branded prepaid cards and social banking apps. Its strategy revolves around establishing partnership with celebrities, sports teams and entertainers, gaining access to their established social media fan base.

### Exhibit 1: Product Timeline

Compelling strategy for monetisation of social media fan bases of sports teams and celebrities.



Sources: ACF Research; Company reports.

**Consumer Prepaid Cards** – This includes the NextCard and Topcard launched in July 2020 by REPX's subsidiary, Next Wallet. Topcard is targeted at high net worth customers, while Nextcard is for the broader prepaid card user audience. More than 3,500 users mainly in Italy and Switzerland are currently using Next Wallet cards and our projections suggest 10,000 subscribers by YE 2020.

### Exhibit 2: Next Wallet Cards

TOPCARD	NEXTCARD
High net worth customer – Black card	Brand conscious customer
Sold through integrated marketing campaigns in the luxury space	Can be co-branded with any non-sports company
100,000€ spending limit—no other company offers this high limit	Marketed as part of the Next Wallet consumer brand
Supported by mobile app platform	Supported by mobile app platform

Sources: ACF Research; Company reports.

*Multiple prepaid cards to be rolled out over the next two years.*

**Clan Card:** is a sports team co-branded prepaid card and will be launched in October 2020. REPX partners with sports teams to offer this co-branded prepaid card free to fans, followers and supporters. This distribution model allows for rapid penetration and market share gains in the growing prepaid card market. At the date of this note four Italian professional football teams have signed up to offer REPX co-branded cards. REPX estimates 50,000 Clan cards to be distributed by the end of 2020.

*Next Wallet Cards (Nextcard and Topcard) launched in July 2020.*

**PayFan Card:** is a prepaid card which offers fans and followers a more personalized payment experience. A sports team song, a celebrity quote or saying and other customized messages play every time the card is used. It works on a subscription fee-based model. The fee revenue is divided equally between REPX and the participating star.

*Clan Card, PayFan Card and Befriend App – All to be launched by or before January 2021*

**Befriend App:** is a free-to-download app that allows users to search for any celebrity on the web and access their related news, content and promotions. The app offers a landing page for each celebrity with an opportunity for fans to interact directly with celebrities on the platform. The app works on a freemium model. It has a premium version which offers additional forms of access to celebrities for an annual subscription fee. REPX expects to launch the Befriend App in early 2021.

**Other Products:** REPX has a pipeline of promising patented products likely to be launched in 2021 or 2022. The new product pipeline includes the following:

- **Cover Card:** is a co-branded cell phone cover that also acts as a contactless prepaid card. It is likely to be launched in 2021.
- **The Fashion Card:** is a chip solution embedded in fashion products. It allows luxury brands to get access to buying behaviours of the customer base and gain control of the second-hand resale market data.
- **Twin Chip Card:** is a prepaid card that gives brands and shops the ability to offer real-time, variable pricing on their products.
- **Black Box Card:** is a prepaid card that gives users the control over their personal data.

**‘Other products’ launch timetable:** REPX expects to launch the Cover Card March 2021 and has already secured partnerships with two of the world’s largest football teams. REPX expects to launch The Fashion Card, Two Chip Card and Black Box Card in 2022 with a target of one million total cards sold at the end of the third year after launch.

## REPX two chip card system

### *Retailer marketing and communications channel*

The two-chip card system used by REPX conveys additional features to all its cards.

The second chip provides additional data protection for the user whilst allowing innovative marketing incentives to be provided by vendors.

### *Consumer feature flexibility*

REPX cards can be supplied without specifically predefined features. The feature selection can be left to the user to bespoke, according to need and preference.

### *Consumer additional security tools*

**Retailer advantages from two-chip card** – For the retailer, the two-chip card facilitates marginal pricing incentive strategies. For example, the second chip holds the price of an item or items in a specific store or venue. When a consumer is within range, the supplier is notified of his or her presence.

The supplier can run a campaign that provides a discount or loyalty bonus on an item for REPX card holders.

### *Data protection focus*

Once the presence of the card is detected the supplier sends the consumer a notification via the card app stating that a particular item now costs €X as opposed to the €Y shown on the price tag. The price of the item, which is held on second chip, is updated appropriately on the second chip.

If the consumer then purchases the item with his or her REPX two-chip card the discounted price is the one that will be charged to the card.

**Consumer advantages from two-chip card** – For the consumer, the two-chip card acts as a repository for rewards and loyalty programs much like any ‘advantage’ card. All rewards are stored directly on the second chip where they are then ready for use by the consumer. The rewards or loyalty system is automatically tallied (credited or debited) on the second chip.

**Black Box Card security feature** – The focus of the features on the REPX Black Box card is consumer data protection. The first chip is reserved for payments. The second chip has additional optional security features and tools.

More products to be launched in late 2021 and beyond

**Innovative Business Model:** REPX has an innovative customer engagement model with low marketing and overhead expenses, which potentially allows for higher margins versus its neobank competitors. Partnering with sports teams and celebrities allows REPX to gain access to the team or celebrity fan bases at a fraction of the typical SACs of its peers and then to monetize these connections via retail offerings. REPX's expects to be EBITDA and cash flow positive year 1 post raises.

**World-class Partner Affiliations:** REPX has established partnerships with leading sports teams, celebrities, brands and iconic cities. In total, 12 partners have been onboarded including the world's two largest football clubs giving access to ~450 million followers.

### Exhibit 3: Contract Portfolio

Signed Partnership ('000)	IG	FB	TW	YT	Tourists	Customers	Total subs	Potential subs
International influencer	13,600	405	32	-	-	-	14,037	13,600
Top football players	5,500	4,500	8,200	-	-	-	18,200	8,200
Top Olympian footballer	3,000	1,900	1,300	-	-	-	6,200	3,000
Spanish Lega team	90,000	111,000	34,000	-	-	-	235,000	11,000
Italian Seria A team	8,000	25,000	7,400	-	-	-	40,400	25,000
Italian Seria A team	2,900	9,500	1,800	324	-	-	14,200	9,500
UK Premier League team	32,900	73,000	20,756	2,370	-	-	129,026	73,000
Italian Seria A team	265	298	30	10	-	-	602	298
Italian Serie B team	42	64	12	3	-	-	121	64
Top sports marketing co.	-	130	-	-	-	-	130	130
Italian iconic city	-	-	-	-	598	-	598	598
South American Airline	194	16	326	-	-	250	486	250
Sum of people reached on already signed contracts considering the sum of the social platforms & iconic cities tourists & brands customers ('000)							459,000	
Sum of people reached on already signed contracts considering only the largest social platform & iconic cities tourists & brands customers ('000)								122,840

Sources: ACF Research; Company reports.

Unique customer engagement model with low marketing expenses

**Conversion rate** – Nielsen's most conservative rate - an expected conversion of 2% of followers to buyers. We have adopted a far more conservative approach by adopting a 0.2% conversion rate (which is 10x lower) in our model and forecasts. We forecast more than 400,000 REPX cards issued in year one post raise growing to 1,000,000 cards in year three post raise.

12 signed partnerships ensure access to ~450m followers

**Capital Raise:** REPX intends to execute two additional equity placements of EUR 1.5m (expected close end Autumn 20) – use: produce and sell the first 50k cards; and EUR 5 to EUR 10m (expected start 21) – use: production and marketing of REPX prepaid card obtain REPX's EMI (Electronic Money Institution) licence.

## Market Outlook – Neo and Challenger Banks

*Neobanks refers to digital only banks without any physical branches. They offer many banking services including prepaid cards and payment transfers.*

In our assessment REPX is part of the global neo and challenger banking market. REPX compares itself to other non-banking card companies such as Revolut, N26 and Monzo which offer prepaid cards. According to Allied Market Research, the global neo and challenger banking market is expected to reach \$471 billion by 2027, representing a CAGR of 48.1% during 2019-2027.

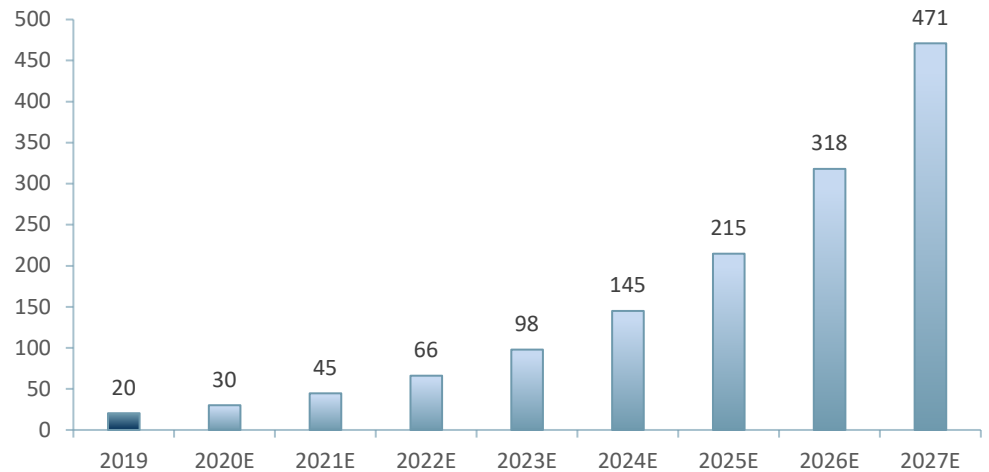
**Exhibit 4: Global Neobank Market**

Global market  
(US\$ bn)

*Global neobank market estimated to reach \$471 billion by 2027.*

*Lighter colour columns are forecast years.*

*Darker columns are historical years.*



Sources: ACF Research; Allied Market Research.

The neo and challenger banks provide a range of financial services including loans, payment services, payment cards and other banking solutions. Convenience, flexibility, interest rate differentials compared to traditional banks, and favourable regulatory scenarios have aided growth of the global neo and challenger bank market. Europe contributed the highest share of the global neobank market in 2019 and is expected by a range of data providers to maintain its dominance throughout the forecast period.

Changing customer expectations and a shift towards digital content and channels have also been driving the industry growth rate. This has been further accelerated due to Covid-19 which has pushed the world toward a “no-touch” payment economy.

*Convenience, flexibility, higher interest rates and surge in smartphone usage driving growth of Neobank market*

**Competitive Positioning** - While there are a number of neo and challenger (the largest include nuBank, Chime, N26, Monzo and Revolut) that offer prepaid cards and other services, REPX has a particularly innovative and fortified positioned due to its social engagement model.

Through REPX's co-branded prepaid cards in partnership with the world's most iconic sports teams, fashion houses, celebrities and cities, REPX engages with a multitude of followers and fans.

*REPX uniquely positioned due to its lower customer acquisition cost*

Besides the large challenger banks, REPX also faces competition from other innovative companies such as Baron App Inc in the United States (cameo.com), which allows celebrities to sell short, personalised video shoutouts, and the GCOX Group in Singapore (gcoxgroup.com), which is attempting to 'tokenise' celebrities and brands with distributed ledger technology.



## Management Team

➤ **CEO, Alfredo Maria Villa.**

Alfredo has over two decades of experience establishing and managing businesses in the financial services and wealth management sectors. Mr. Villa obtained a BA in Economics from the University of Geneva and an MA in Theology from the Facolta Teologica di Lugano (Switzerland).

➤ **Chief Operating Officer, Pierantonio Idini.**

Pierantonio is an entrepreneur and start-up mentor with over forty years of experience in the technology, media and telecommunications (TMT) sector. His expertise revolves around planning, corporate strategy, operations and business development. He has held executive positive across various consulting multinationals including such as Rai, Mediaset, Sky, Wind, as well as for National Associations such as Italian Confindustria.

➤ **Chief Marketing Officer, Antonio Matta.**

Antonio has over 25 years of experience in the marketing, communication and advertising sectors as journalist, entrepreneur, marketing and media manager. Previously, he has served with many public sector companies. This includes 6 years as Chairman and CEO of a public Multi-Utility company.

➤ **Next Wallet CEO, Fausto Sacco.**

Fausto has a long history as a successful private banker in Switzerland. His experience, connections and ability to understand HNWI needs, will be helpful for the successful sales development of the Next Wallet Top Card line of business.

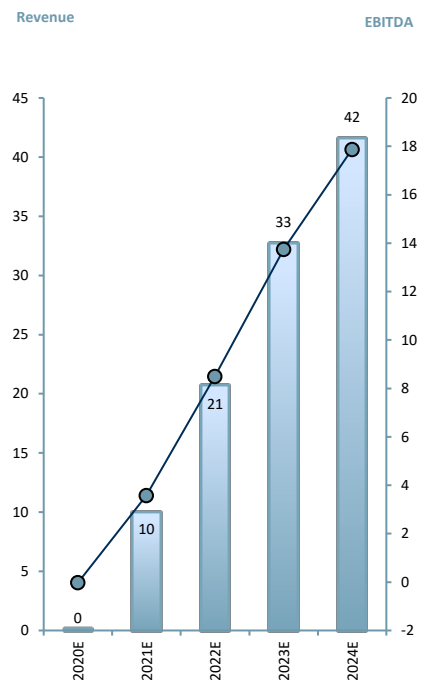
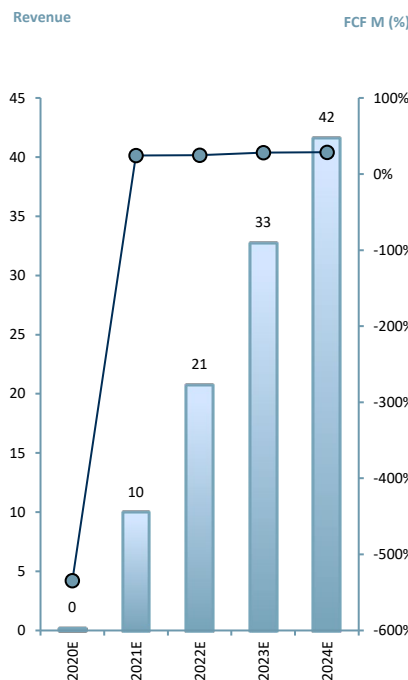
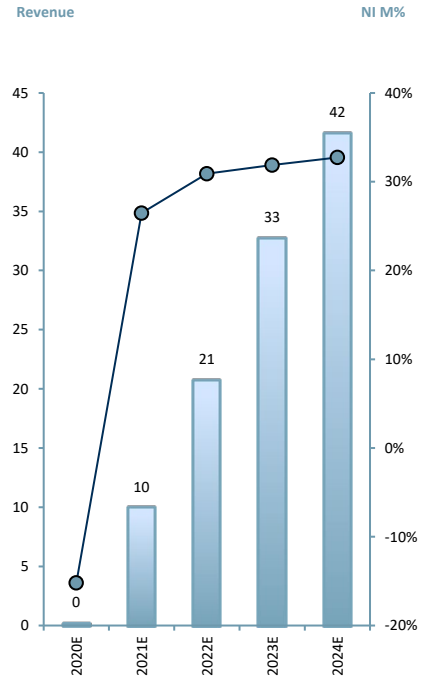
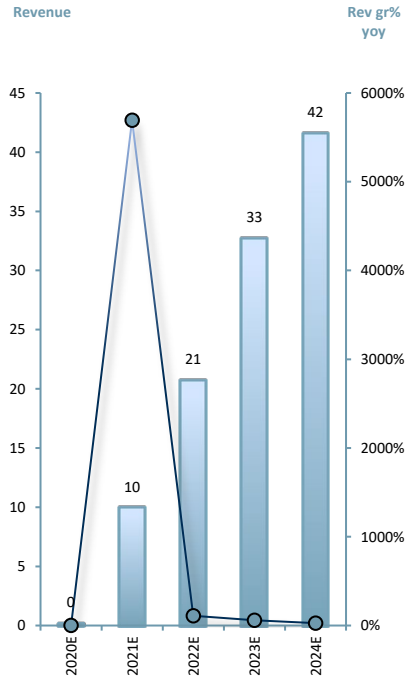
## Forecasts

Exhibit 5: REPX financial metrics

The charts show our 5-year forecasts for key metrics REPX.

Note that columns and lines show our forecast values.

The EBITDA chart shows dramatic acceleration in EBITDA over our 5-year forecast horizon, as we expect new product launches to meaningfully contribute to profitability. The net income margins also witness acceleration and we forecast margins of ~35% at the end of 2023.



Our forecasts are based upon management guidance and our own sensitivity analysis. We focus on cash proxies (EBITDA) and free cash flow (FCF). However, Net Income remains important for assessing elements of balance sheet strength, nevertheless we are strongly of the view that only cash matters.

## Valuation - DCF

### Exhibit 6: REPX WACC, DCF and Value Range

ACF est. \$ (mn)	2019A	2020E	2021E	2022E	2023E
Revenue	0	0	10	21	33
EBITDA	0	0	4	8	14
Net Income	0	0	3	6	10
FCF	0	-1	2	5	9
CPS (diluted) (\$)	NM	-0.21	0.78	1.64	2.93

#### REPX - WACC Calc

Pre-tax cost of debt	0.0%
ETR	23.2%
After-tax cost of debt	0.0%
Current Leverage	0.0%
Debt/(Cash)	-
Equity	1.5
Target Leverage	0.0%
D / (D+E)	0.0%
ACF $\beta$ adj levered	1.80
rf	2.00%
ERP	5.7%
Cost of equity	12.2%
Risk adj.	8.0%
WACC	20.24%

**Note:** Successful completion of feasibility study will significantly reduce our WACC.

We arrive at a discount rate of 20.24% for REPX as shown in the calculation here. We use an additional risk adjustment factor of ~8% as it is still in early stage of operations.

We see fair value of REPX at EUR 9.97 per share.

#### Valuation Range

NPV FCF (\$ mn)	35.7
Net Debt/(Cash) (k)	-0.1
Fair Value (\$ mn)	35.8
NoSh (m)	3.1
NoSh (diluted) (m)	3.1
Intrinsic Value Per Share (\$)	11.48
Close Price (\$)	NA
<b>VR (low - high)</b>	<b>10.33 12.62</b>
VR Spread	5.00%
Implied VR (low - high)	NM NM

**Note:** implied value range in this ACF research note is based upon diluted shares in issue (0m) at the date of this note.

## Sensitivity Analysis

*DCF valuation range €34-38m, at 5% standard deviation.*

*Trading valuation per subscriber forecast basis mid-point €40m*

*Trading valuation financial statement metrics suggests a value range €45.6 – 50m, at 5% standard deviation.*

We believe our valuation is conservative. We have factored in a risk adjustment to account for execution risk associated with REPX’s prepaid cards roll out program. We have assumed, arguably, a rather modest subscriber conversion rate, transaction volumes, card usage and an aggressive churn rate amongst other conservative factors. Our DCF valuation approach leads to an REPX value of ~EUR 35.8m. Assuming a standard deviation of 5%, our valuation range comes in around EUR 34.0 – 37.6m. A standard deviation of 10% suggests a valuation range of EUR 32 - .39.4m. Our trading metrics valuation late in this note (based on peer metrics) using a 10% standard deviation suggests a valuation range of ~ EUR 43 – 53m.

Below, we highlight the sensitivity of our REPX fair value per share (Exhibit 7) to changes in various input parameters. Our model is most sensitive to changes in terminal growth and discount rate.

Exhibit 7: Valuation sensitivity to Terminal Growth and WACC

WACC (%)	Equity Value				
	Terminal Growth (%)				
	1.0%	1.5%	2.0%	2.5%	3.0%
16%	44.36	45.38	46.46	47.63	48.88
18%	38.95	39.70	40.50	41.34	42.25
20%	34.65	35.22	<b>35.82</b>	36.46	37.13
22%	31.15	31.60	32.06	32.55	33.07
24%	28.25	28.60	28.97	29.36	29.76
26%	25.80	26.09	26.38	26.69	27.01

Source: ACF Research Estimates.

## Peer Group Comparators

Exhibit 8: Trailing REPX peer group metrics

Trailing TTM Metrics / Company Name	Market	MCAP (\$ m)	EV (\$ m)	Revenue (\$ mn)	EBITDA (\$ m)	EV/Revenue (x)	EV/EBITDA (x)
Fiserv	Nasdaq	69,369	92,080	14,410	4,520	6.4	20.4
Global Payments	NYSE	53,116	61,300	6,669	2,500	9.2	24.5
Discover Financial Svcs	NYSE	17,049	26,170	5,910	2,665	4.4	9.8
Edenred	Euronext	11,089	13,182	1,758	650	7.5	20.3
WEX	NYSE	6,228	7,890	1,680	542	4.7	14.6
Evertec	NYSE	2,506	2,880	496	180	5.8	16.0
Bottomline Tchnlgs	Nasdaq	1,903	1,920	442	38	4.3	50.0
Qawi	Nasdaq	1,091	1,080	524	139	2.1	7.8
EVO Payments	Nasdaq	1,041	2,100	457	105	4.6	20.0
Cardtronics	Nasdaq	902	1,660	1,230	254	1.3	6.5
i3 Verticals	Nasdaq	770	564	220	26	2.6	22.0
<b>Average</b>			<b>19,166</b>	<b>3,072</b>	<b>1,056</b>	<b>4.8</b>	<b>19.3</b>
<b>Median</b>			<b>2,880</b>	<b>1,230</b>	<b>254</b>	<b>4.6</b>	<b>20.0</b>

Sources: ACF Research Estimates; Companies reports; Bloomberg.

We think the most relevant peer group for REPX are companies in the Neo and Challenger banking sector. These include business such as nuBank, Chime, N26, Monzo and Revolut. However, these companies are not listed, which makes it difficult to get data needed for peer comparison. As a result, we have chosen listed fintech companies which offer payments technology and solutions including prepaid cards, debit cards and other payment instruments. These are REPX's closest and most relevant peers for valuation purposes, in our view.

REPX does not make up a constituent of our average or median values in the peer group metrics at the bottom of Exhibit 8. We have excluded REPX from these values to make comparison with the rest of the peer group as clean and undistorted as possible.

The neo and challenger banking peers are typically valued on a per card basis. These businesses justify valuations in the range of EUR 400-600 per customer (subscriber). Revolut's valuation of EUR 4.6bn with around 12m customers', equates to a valuation of approximately EUR 388 per subscriber. Similarly, N26 is valued at EUR 593 per subscriber and Monzo is valued at EUR 417 per subscriber.

REPX is at an early stage of its business cycle, so we attribute a discount of 75% to the peer average to arrive at an REPX per user value of ~EUR 116.5 per forecast subscriber. This implies an equity value of ~EUR 40m for REPX.

## Peer Group Selection

Revolut is a UK-based fintech company that offers various banking services including prepaid cards, currency exchange, peer-to-peer payments. As of July 2020, it had ~12m active subscribers.

N26 is a German based neobanking company which provides various financial services including current account, debit card, money transfer, overdraft and other services. The customers can access all the services via a smartphone application. Its operations are spread across the European Union as well as the United States. As of July 2020, the company had nearly 5m active subscribers.

Monzo is a UK based digital only bank that allows customers to access a range of products and services including current account, debit cards, and other banking services. These services can be accessed by customers via their mobile phones. As of July 2020, it had 4m active subscribers.

nuBank is a Brazil based neobank and the largest fintech company in Latin America. It provides banking services to a population, the majority of whom did not have access to traditional banking. It offers services including credit cards, direct deposits, personal loans and others. As of June 2020, it had 25m active subscribers and has been valued at over \$10 bn.

Chime is US-based neobank which provides financial services via a mobile app. Its products include checking account, savings account, debit cards, P2P payments and overdraft. It had nearly 8m subscribers as of January 2020.

## Valuation – Trading Multiples

In Exhibit 10 below, we show an REPX valuation based upon industry peer companies trading multiples (EV/Sales and EV/EBITDA multiples). In Exhibit 9 below we show more detail of our Discounted Cash Flow (DCF) valuation. For our REPX fair value estimate we have used DCF to achieve a **value range mid-point of EUR 35.8m**.

**DCF** – Assumptions for REPX value range EUR 34.0 – 37.6m at 5% standard deviation:

- D&A equal to EUR 150k throughout the forecast period;
- Capex at ~EUR 500k for 2021, increasing to EUR 1m for the periods 2022E – 23E and EUR 1.5m 2024E;
- Effective Tax Rate (ETR) assumption is 23.23%.

### Exhibit 9: Cash Flow Model

REPX DCF (€ m)	2021E	2022E	2023E	2024E	Terminal Value
EBITDA	3.58	8.49	13.74	17.88	
Working Capital	0.16	-0.43	-0.44	-0.34	
Capex	-0.50	-1.00	-1.00	-1.50	
Taxes	-0.80	-1.94	-3.16	-4.12	
<b>Cash flow after-tax</b>	<b>2.44</b>	<b>5.13</b>	<b>9.15</b>	<b>11.92</b>	<b>40.03</b>
NPV	2.03	3.55	5.26	5.70	19.15
<b>Total NPV</b>	<b>35.69</b>				
Debt	0.00				
Cash	0.10				
<b>Implied equity</b>	<b>35.80</b>				

Sources: ACF Research Estimates; Company reports.

**Trading Multiple based Valuation** – We value REPX using peer group EV/Revenue and EV/EBITDA multiples. We use average peer group multiples (shown in Exhibit 8 above) to value REPX, arriving at an equity fair value estimate of EUR 48.9m (see Exhibit 10 below)

### Exhibit 10: Peer Group Valuation

Peer valuation - REPX (€ m except per share)	Revenue	EBITDA
<b>2021 estimates</b>	<b>9.94</b>	<b>3.58</b>
Multiple (x)	4.85	19.29
<b>EV</b>	<b>48.20</b>	<b>69.02</b>
Debt	0.00	0.00
Cash	0.13	0.13
Implied equity	48.33	69.15
<b>Implied equity discounted @WACC</b>	<b>40.20</b>	<b>57.51</b>
Weight	50%	50%
<b>Fair value estimate of implied equity</b>	<b>48.85</b>	

Sources: ACF Research Estimates; Company reports.

## Revenue Drivers

Using model assumptions for fan and follower numbers, subscription rates, card subscription prices, rebate percentages, card usage and other factors, we arrive at our revenue model. We assume two main sources of revenue: 1) Next Wallet prepaid card and 2) Partnership with Teams & Celebrities.

### Next Wallet Revenue Model

The exhibits below, show details of the revenue assumptions which we have made for the Next Wallet business, based upon guidance from the REPX management team. It primarily assumes revenue from two sources – sale of cards and transaction volume rebates.

Exhibit 11: **Next Wallet Revenue**

Next Wallet		2020E	2021E	2022E	2023E	2024E
Assumed population from FB advertising	15,000,000					
Churn rate	20%					
Selling price of Next card (€)	25					
Selling price of Top card (€)	700					
Volume rebate from VISA - Next card (€)	24					
Volume rebate from VISA - Top card (€)	240					
Volume rebates - Rate of use	80%					
Subscriber proportion			0.05%	0.10%	0.15%	0.17%
Next cards sold		3,500	7,500	15,000	22,500	25,500
Top cards sold		0	375	750	1,125	1,275
<b>Total cards in issue</b>		<b>3,500</b>	<b>10,675</b>	<b>24,290</b>	<b>43,057</b>	<b>61,221</b>
<b>Revenue (€ m)</b>						
Income from sale of Next cards		0.09	0.19	0.38	0.56	0.64
Income from sale of Top cards		0.00	0.26	0.53	0.79	0.89
Income from rebates Next cards		0.08	0.20	0.40	0.66	0.84
Income from rebates Top cards		0.00	0.07	0.20	0.33	0.42
<b>Total revenue - Next Wallet</b>		<b>0.17</b>	<b>0.72</b>	<b>1.50</b>	<b>2.34</b>	<b>2.78</b>

Sources: ACF Research Estimates; Company reports.

### Teams & Celebrities Revenue Model

The tables below, show details of the revenue assumptions which we have made for the Teams & Celebrities roll-out program, based upon guidance from the REPX management team. We have based our revenue on the 12 signed partnerships with various sports teams and celebrities.



## Exhibit 12: Total Fan Base from Signed Partnerships

Fan base (m)	Followers	% of active followers	Active Followers
Large Italian Serie A	40.00	50%	20.00
Large Italian Serie A	15.00	50%	7.50
Medium Italian Serie A	1.20	50%	0.60
Italian Serie B	0.60	50%	0.30
Large Sports Marketing Co	1.70	50%	0.85
Large Premier League Team	125.00	50%	62.50
World-known international football team	235.00	50%	117.50
International model & web influencer	14.00	50%	7.00
International football player Olympic gold medallist	6.00	50%	3.00
International former FIFA world player	8.00	50%	4.00
Italian iconic city	0.60	50%	0.30
International Airline	0.40	50%	0.20
<b>Total fan base</b>	<b>447.50</b>	<b>50%</b>	<b>223.75</b>

Sources: ACF Research Estimates; Company reports.

## Exhibit 13: Teams &amp; Celebrities Revenue Table

Teams and celebrities	2020E	2021E	2022E	2023E	2024E
Fan base	223,750,000				
Subscriber proportion		0.03%	0.07%	0.10%	0.11%
New cards sold		67,125	156,625	223,750	246,125
Subscribers carried forward		0	67,125	196,900	341,890
Subscriber churn	40%	0	26,850	78,760	136,756
<b>Net subscribers</b>		<b>67,125</b>	<b>196,900</b>	<b>341,890</b>	<b>451,259</b>
Card purchase cost, PayFan card	59				
<b>Revenue from card purchase</b>		<b>3.96</b>	<b>11.62</b>	<b>20.17</b>	<b>26.62</b>
<b>Purchase volume fee rebates</b>					
<b>a) Annual ticket subscribers</b>		<b>225,000</b>	<b>225,000</b>	<b>225,000</b>	<b>225,000</b>
Rate of use	50%				
Annual Rebate from Visa, The Clan Card	36				
<b>Revenue from annual ticket subscribers (€ m)</b>		<b>4.05</b>	<b>4.05</b>	<b>4.05</b>	<b>4.05</b>
<b>b) Fan base</b>	223,750,000				
Net subscribers		67,125	196,900	341,890	451,259
Rate of use	50%				
Annual Rebate from Visa, PayFan Card	36				
<b>Revenue from fan base (€ m)</b>		<b>1.21</b>	<b>3.54</b>	<b>6.15</b>	<b>8.12</b>
<b>Total revenue - teams and celebrities (€ m)</b>		<b>9.22</b>	<b>19.21</b>	<b>30.38</b>	<b>38.80</b>

Sources: ACF Research Estimates; Company reports.

## Risks to our Assumptions

**Execution risk** – The company’s success is dependent on the timely roll-out of its prepaid cards and associated revenue generation. Any delays in the roll-out program could materially impact the revenue growth.

**Low Subscriber ratio** – REPX is highly dependent on the successful conversion of followers to subscribers. REPX assumes that it will be able to convert a certain percentage of followers to subscribers. A lower than anticipated subscriber conversion ratio and an inability to attract followers could adversely impact the viability of the business model.

**Funding availability** – REPX has an aggressive roll-out program which requires availability of capital. If the company is unable to raise capital, it will adversely impact the timelines for its projects. In addition, raising equity at too lower price will lead to dilution, while debt funding will increase interest costs and so erode cash flow margins.

**Regulatory risk** – The card issuing industry is highly regulated and compliance with the regulations is costly. The regulatory environment in which REPX operates frequently changes. Regulation has increased markedly in recent years. There is a risk that this trend will continue for the foreseeable future. Failure to comply with or keep up with IT implementations related to regulations could have a materially adverse impact on the business.

**Personnel** - Small and mid-sized companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and investor perception compared to similar events at larger more mature (often ex-growth) companies.

## Financial Projections

P&L € (mn)	2019A	2020E	2021E	2022E	2023E
<b>Revs</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>21</b>	<b>33</b>
gr%	NM	NM	5695%	108%	58%
Total Expenses	0	0	-6	-12	-19
<b>EBITDA</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>8</b>	<b>14</b>
% Revs	NM	-15%	36%	41%	42%
FV adj.	0	0	0	0	0
% Revs	NM	0%	0%	0%	0%
<b>EBIT</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>8</b>	<b>14</b>
EBT	0	0	3	8	14
% Revs	NM	-15%	34%	40%	42%
ETR	0%	0%	23%	23%	23%
<b>NI</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>10</b>
% Revs	NM	-15%	26%	31%	32%
Adj EPS (€)	NM	-0.01	0.73	1.78	2.90
Basic EPS (€)	-	-0.01	0.73	1.78	2.90
Diluted EPS (€)	-	-0.01	0.73	1.78	2.90
Balance Sheet € (mn)	2019A	2020E	2021E	2022E	2023E
PP&E	0	0	1	2	2
<b>Total Fixed Assets</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>
Current assets	0	1	1	3	3
Cash	0	0	3	8	17
<b>Total Current Assets</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>10</b>	<b>20</b>
<b>Total Assets</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>12</b>	<b>23</b>
Creditors	0	0	1	2	2
Other liabilities	0	0	0	0	0
Loans	0	0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>2</b>
<b>Net Assets</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>11</b>	<b>21</b>
Share Capital	1	2	2	2	2
Accum. Profit/(loss)	0	0	2	9	19
<b>Total Equity</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>11</b>	<b>21</b>
<b>Total Equity &amp; Liabilities</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>12</b>	<b>23</b>
Basic NAV (€)	NM	0.4	1.2	2.9	5.8
Diluted NAV (€)	NM	0.4	1.2	2.9	5.8
Cash Flow € (mn)	2019A	2020E	2021E	2022E	2023E
EBT Profit/(loss)	0	0	3	8	14
Finance costs	0	0	0	0	0
<b>FV adj. + Other adj.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash Taxes	0	0	-1	-2	-3
WCap change	0	-1	0	0	0
<b>Net CFO</b>	<b>0</b>	<b>-1</b>	<b>3</b>	<b>6</b>	<b>10</b>

Source: ACF Research Estimates; Companies reports.

*Our forecasts assume a very conservative subscriber conversion ratio.*

*We reach our forecast numbers here by assuming that REPX can successfully launch products as per its estimated timelines.*

## Glossary

<b>EBIT</b>	Earnings before interest and tax (also often referred to or equates to operating profit).
<b>EBITDA</b>	Earnings before interest, depreciation and amortisation – the presentation of EBITDA by companies is not a requirement of UK GAAP or IFRS accounting standards. However, in certain cases it can act as a close proxy to free cash flow.
<b>EBT</b>	Earnings before tax. Also often expressed as PBT – profit before tax.
<b>FCF</b>	Free Cash Flow generated in ACF’s models after all obligatory cash costs have been satisfied such as Interest payable (Ip), cash taxes and maintenance capex (as opposed to investment capex). FCF represents the cash remaining for theoretical distribution or investment after all obligatory cash-based costs including net interest payable have been deducted.
<b>REPX</b>	The Reputation Exchange Plc (REPX) the subject company of this ACF research note.
<b>JV</b>	Joint Venture – generally a legal structure between two corporate entities involving participation in equity capital in the JV vehicle.
<b>Neobank</b>	Neobank refers to digital only banks without any physical branches.
<b>EUR</b>	Refers to the symbol for Euro currency
<b>NoSh</b>	Number of Shares in issue (NoSh).
<b>NPV</b>	Net Present Value (NPV) refers to the current value of future cash flows generated by the company
<b>WACC</b>	Refers to the weighted average cost of capital for the firm.
<b>Shareholders’ Equity</b>	Shareholders equity - total assets less total liabilities - represents the value (or lack of it) available for distribution to shareholders should the entity wind up operations. It differs from the equity value expressed in market capitalisation (MCap), The ratio Debt/Equity commonly uses the Debt/MCap formula as opposed to the Debt/Shareholder equity formula.

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