

Isignthis (ISX)

Australian FinTech with Global Reach

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Key Points

- iSignthis (ISX) is an online identification and payment authentication provider. The disruptive technology developed by ISX meets a growing need for online electronic identity verification.
- Endorsement for the technology comes from the number of agreements that ISX has entered into with global companies. The next catalyst will be the commencement of revenue generation in early CY16.
- We initiate coverage with a **Buy recommendation, a price target of \$0.48/sh** and a high risk rating. We see there is an opportunity for a positive re-rating as commercialisation and reporting of revenues commences. Adjusting key variables in our sensitivity testing increases the valuation to \$0.56/sh (47% upside to current SP)

Potential Global Reach – Commercialisation is Key

As global eCommerce transaction volume increases the traditional methods of identity verification (face to face meetings for example) are restrictive. Increasing levels of fraud and money laundering have also increased regulatory requirements for merchants and financial institutions.

What ISX has done is look at how the online verification process can be undertaken online in a faster more efficient manner (but still meeting full legal compliance) and with lower risk of fraud. Opening up a new area for dynamic verification processes such as that already used by PayPal for them to identify and on board their customers. The ISX process splits up a credit/debit card transaction into a unique combination of amounts and then asks the customer to verify the amounts (typically done online, via mobile app or telephone) before the transaction can be authorised.

The strategic advantage that ISX has, is that they are using the identity verification that a financial institution has undertaken in issuing a credit or debit card to a user and relying on that identification as a means to offer identity verification services to merchants.

Market Size: Beyond providing online verification for purchases, there are a number of other sectors that are obligated to identify their customers. These include: stock brokers, financial traders, loan providers, eCasino, eGaming, real-estate agents and financial advisors that can use the platform. The global market opportunity is significant, with credit card providers reaching >3.5bn customers in over 200 countries, undertaking ~85bn transactions.

Catalysts: Commercialisation of existing agreements, are expected to commence early 2016. This will be followed by the reporting of earnings numbers, which will be a key indicator as to the potential growth rate for ISX.

Risks: ISX is a new business and as such does not have a track record of revenue and earnings. Gaining market penetration is also a key risk for a start-up technology.

Recommendation

Buy

Previous Recommendation	Initiation
Risk Rating	High
Current Share Price	\$0.38
12 Month Price Target	\$0.48
Price Target Methodology	NAV
Total Return (Capital + Yield)	26%
DCF Valuation	\$0.48
Market capitalisation	\$236m
Liquidity – Daily Value	\$1.1m

Financial Forecasts & Valuation Metrics

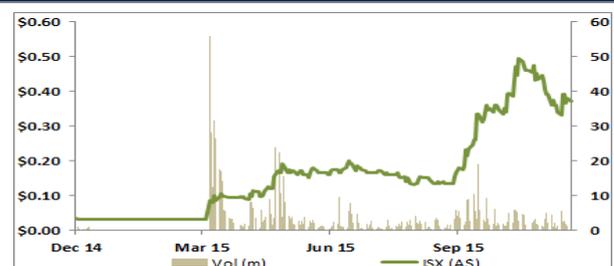
Y/e (\$m)	FY15A	FY16F	FY17F	FY18F
Revenue	0.0	1.0	10.1	18.2
NPAT	-20.2	-1.3	4.5	9.8
EPS (cps)	-2.81	-0.14	0.40	0.86
EPS Growth	0%	-95%	-379%	118%
DPS (c)	0	0	0	0
EV / EBITDA (x)	-11.6	-180.3	34.3	14.8
PER (x)	-13.5	-268.1	96.2	44.1
Dividend Yield	0%	0%	1%	1%
Gearing	0	0	0	0
Interest Cover (x)	na	na	na	na

Source: PAC Partners estimates

Investment Summary

Investment Summary: ISX has developed a potentially disruptive technology in the important area of identity verification. The next step will be to commence billing for processed transactions. Until greater transparency around earnings is reported there is both upside and downside risk to our earnings estimates. At this stage we would see that the upside risk is greater given the conservative nature of our assumed client transaction rate and the global opportunities available to ISX.

ISX Share Price Chart (source Iress)



Overview

ISX Products utilise existing regulated identity processes to speed up verification of online transactions

iSignthis was founded in 2013 and listed in March 2015, the company has developed an identification service for online transactions to reduce the rise of fraudulent transactions and also reduce the time taken to onboard and identify customers.

The commercial applications of the ISX verification process are:

1. Implementation of legal and compliance issues for corporations, for example in meeting Anti Money Laundering regulations.
2. Use in the reduction of fraud in online transactions.

The ISX process utilises the security associated with setting up a credit card undertaken by a regulated financial entity that uses a face to face meeting when the original account is established.

Cost of credit card fraud globally was estimated at US\$16.3bn in 2014, up 19% on 2013, on total card sales volume of US\$28.8 trillion, up 15% on 2013.

With the USA accounting for 48% of fraud losses globally but only represents 21% of global sales. The relative high proportion of fraud in the USA is due to EMV (Europay, MasterCard, and Visa) technology not being widely adopted and reliance on older magnetic strip plus signature identification rather than chip and pin technology.

Significant global opportunity for ISX as online transactions and associated fraud increase.

Increasing legislative requirements also creating market for ISX

The ISX process is a cloud based solution for online merchants, payment service providers, financial institutions, card issuers and acquirers. The system can operate across most jurisdictions and is not restricted by country borders.

Historic static identification processes are limited in a new global market place

Traditional **non-dynamic, or static** identity verification processes include:

- Face to Face – a very manual process that is time consuming and also restricted to local geographies.
- Static Databases – Typical coverage is ~60% of applicants (limited global reach) and do not allow for dynamic changes when identity is breached.
- Physical Documents – the use of notarised documents that are posted or uploaded remains a manual process that is time consuming and costly

All of these process have limitations as transactions increasingly become more global where execution time, security and accuracy are important.

Static process are typically expensive to establish and when breached hard to repair.

Differentiator over competitors:

- Quicker
- Less open to fraud

The new paradigm in verification is utilising existing financial institution identification in a **dynamic process**. In essence what the ISX process does is use an existing credit card account and unique transactions to verify the client. A merchant is able to establish the credentials (prove identity) of a new customer by utilising the payment transaction initiated by the customer (i.e. adding funds to a betting account or purchasing a product or service). The transaction amount made by credit or debit card is split by ISX in to two to three unique amounts. The customer is asked to verify these amounts back to the merchant to complete the verification process.

Other service providers such as PayPal use a similar method to identify their customers. PayPal operate in reverse by making two small deposits into a customer's account and then ask for those values to reported back. The disadvantages with this method is that the transfer can take several days to complete and the customer can become disengaged in that time, also with small amounts of currency being used (several cents) there is a limited number of possible unique combinations, opening up the transaction to possible fraud.

Revenue Model

ISX will receive two revenue streams associated with each verification. The first is a fee of ~A\$10 to A\$20 for each identity verification completed and then for each transaction undertaken by that customer a fee of \$0.10 \$0.28 will apply. The verification process will need to be recompleted annually as part of maintaining compliance.

Additional revenue will be via channel partners selling the ISX process to support their existing products. An example of this is the recent collaboration between TikForce (ASX:) and ISX.

Costs low and cloud based provides scalability

The capital costs for ISX are limited as the technology is cloud based and hosted within the financial institutions architecture. The main operating cost will be personnel costs for sales and technical staff. An addition benefit of the cloud based platform is that scaling up the offering is cost effective.

Growth Potential

ISX has signed a number of agreements with customers from across a diverse range of sectors, including betting, gaming and adult industries. The next stage will be to transfer some of these early stage agreements into commercial agreements.

First revenues were reported in August 2015 when ISX commenced processing transactions for the Canadian eWallet company, SolidTrustPay. The fees payable to ISX will be under a direct merchant agreement.

ISX CORE SERVICES

2 Main Services Provided

ISX offers Identity as a Service as a core product, which utilises Payment Instrument Authentication to validate a customer online in real time and cost effectively.

The ISX process can be adapted to provide two key identity services:

Evidence Of Identity (EOI): business that require proof of identity as part of Anti Money Laundering laws usually require a face to face meeting to verify identity. This has been restrictive for online merchants as they require customers to lodge copies of notarised documents (passports, birth certificates, drivers licences). The iSignthis system provides an online system that reduces the time and frustration associated with current identity proving methods. The process utilises the fact that a customer owns a payment instrument (credit card) and uses that ownership to verify the customer.

Strong Customer Authentication (SCA): SCA has been mandated into regulation (known as SecuRE Pay) by the European Banking Authority (EBA) and supported by the European Banking Authority (ECB). The EBA has mandated compliance to SecuRE Pay for all EU28 based Payment Service Providers (PSP).

The SCA provides adequate proof that an online card user is also the card owner. The iSignthis SCA service can be offered across all 30+ ECB regulated card schemes, including Visa, Mastercard, JCB, Diners, and American Express, via a single integration process.

ISX Revenue Model

The revenue model is based on a fee basis for each transaction processed, with provision for scalability based on volume.

- Up to \$15/transaction for Evidence of Identity (EOI).
- Strong Customer Authentication – up to \$0.28 per transaction plus SMS costs.

The volume of transactions in Europe is ~5bn pa, with a CGAR of ~20% pa, the volume of the EU represents ~1/3 of global transactions.

ISX’s revenue model will consist of charging customers a set fee per transaction for authentication services. The fee will vary depending on the type of authentication required (either customer identity or verification of a financial transaction) and the volume of transactions being processed.

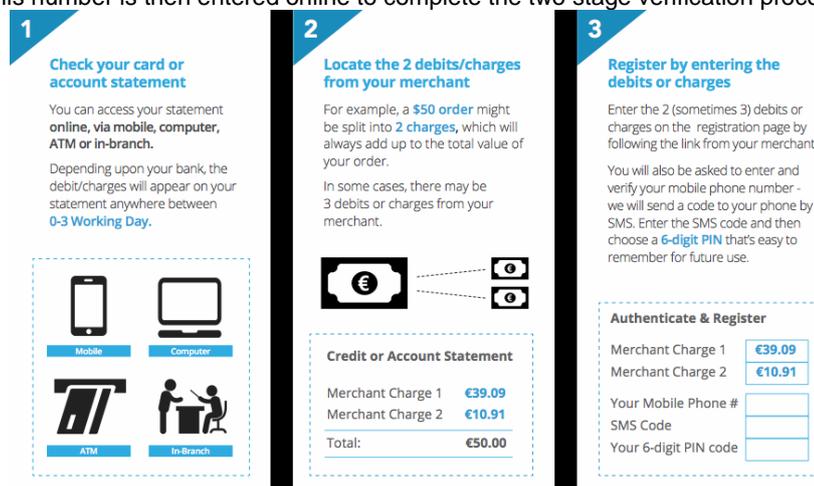
How Does the ISX Process Work?

Two stage verification process

The authentication process works by splitting a customer payment into two or three random amounts, the amounts add up to the total purchase cost. The amounts are then reported to the customers credit card statement, this can take 0-3 days depending on the bank, then these numbers are entered into the verification process, which will then trigger a 6 digit code number to be sent by SMS to the customer to complete the two stage verification process.

For example in the following illustration:

- the purchased price of €50 is split into two payments of €39.09 and €10.91 each.
- When these amounts appear on the customer statement they are entered into the online registration page
- Then an authentication code is sent by SMS to the customers phone
- This number is then entered online to complete the two stage verification process.



Source: Company Presentation

The competitive advantages of the ISX process include:

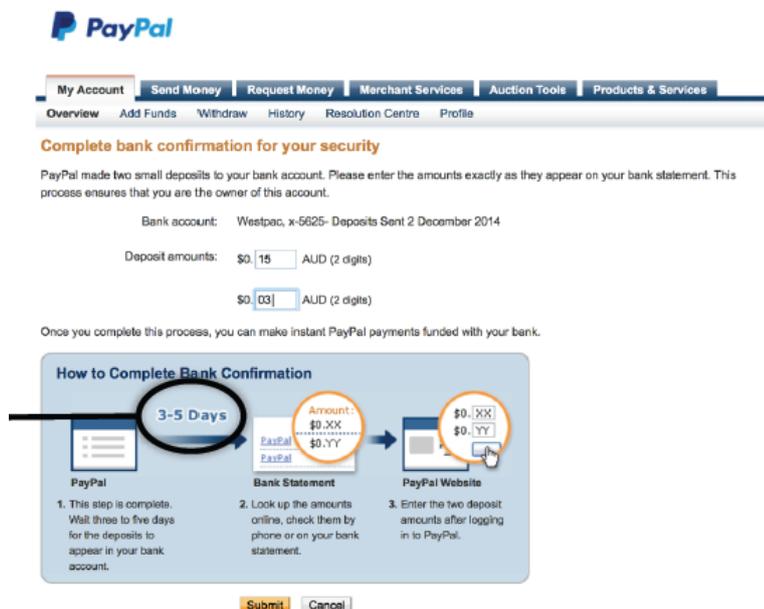
- The ISX customer is the merchant, therefore the fees are paid by the merchant and are not a detractor for the merchants customer
- The use of bank provided credit and debit cards allows ISX access to Tier 1 audited and accredited organisations.
- For the merchant the process of taking the customer payment upfront ensures that the customer remains engaged and less likely to look at other options.

Comparison to PayPal – the market leader

The main difference between the PayPal and the ISX authentication processes is that with PayPal two small deposits are made into the customer’s account and it is these amounts that are then used as part of the authentication process.

By effectively paying a token amount in the customer’s account there is limited hook to hold the customer to the transaction. With the ISX process the full amount has been charged to the client card and therefore they are more incentivised to complete the authentication process.

The following diagram shows a PayPal authentication process using deposits of \$0.15 and \$0.03.



Source: ISX Company presentation

Customer Segments & Market Size

The market place for Anti Money Laundering services in the USA alone is estimated at ~US\$20bn and includes more than 200 countries. The European market is also a strong focus for ISX due to the legislation in place requiring all online payment transactions to be fully authenticated using SCA)

ISX has identified the following market segments as target areas:

Payment Service Providers: require verification processes be completed as part of compliance and legislative requirements, with a particular focus on Know Your Client and Anti Money Laundering procedures. Also eMerchant providers such as eMerchantPay and Adelante.

Gaming and trading businesses: such as Crownbet where high volume transactions are undertaken.

Financial Sector: is also a high volume transactional sector, where transactions are increasing being digital and undertaken remotely. Potential clients in this sector would include; stock brokers, financial advisors, commodity and currency traders

Professional Services: This would be a lower volume transaction sector and potential clients would include; real-estate and rental agents, travel insurers, accountants, lawyers, auditors

The ISX platform can be applied to a number of credit card types, including: VISA, Mastercard, Carte-Bancaire, JCB, American Express, ChinaUnion Pay, Diners and Discover

Ability to be used by a number of card providers provides diverse market

Market Size and Growth - PayPal as an indicator

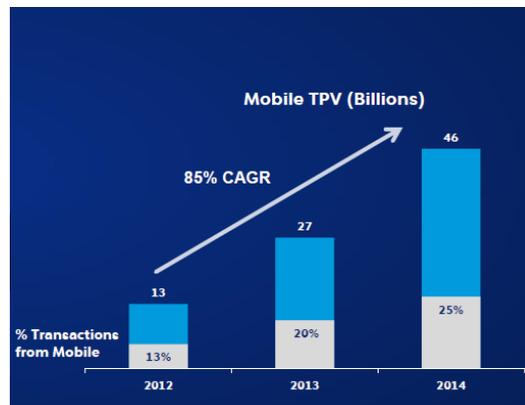
For a barometer of the market size growth rates we have looked at some of the metrics behind the market leader, PayPal (Nasdaq:PYPL, market capitalisation US\$45bn.) as a benchmark.

PayPal was established in 1998 and became a subsidiary of eBay in 2002, then listed in 2015. It currently operates in 203 countries and allows customers to be paid in 100 currencies and withdraw cash in 57 currencies.

PayPal provide online verification and banking services. In this instance we are looking at the growth in customer numbers and mobile technology adoption. Both of these are applicable to ISX.

In the September 2015 quarter PayPal processed 1.22bn payment transactions, which equates to 27 transactions per customer, up from 24 in PcP. PayPal currently has ~170m active customer accounts (up from 85m in 2010), with ~\$50 revenue per active account. They have >10m merchants and process >1bn transactions on average per quarter.

If ISX could capture ~10% of PayPal's market share for online verification this would equate to ~480m transactions per annum, or using a charge of €0.10/transaction, this could be revenue of A\$70m pa just on the transaction side of the business to ISX.



Source: PayPal Presentation June 2015

Since 2012 Paypal's Total Payment Volume has grown by 85% CAGR from US\$13bn to US\$46bn in 2014 and the relative percentage of mobile transactions increasing from 13% to 25% over the same time period.

Mobile Transactions - a growth sector

The above chart not only highlights the growth in online payments conducted using PayPal it also highlights the growth in transactions undertaken from mobile devices. The growth in mobile transactions is reinforced by the forecasts made by eMarketer that mobile transactions in the USA will increase by 62% from 2015 to 2016.

Source: eMarketer (<http://www.emarketer.com/Article/Mobile-Payments-Will-Triple-US-2016/1013147?ecid=soc1001>) referenced 11/11/2015

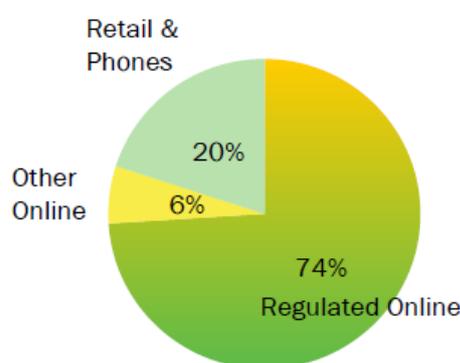
	2014	2015	2016	2017	2018	2019
Proximity mobile payment users (millions)	16.4	23.2	37.5	50.2	58.8	69.8
—% change	45.0%	41.4%	61.8%	33.8%	17.2%	18.6%
—% of smartphone users	10.0%	12.7%	19.0%	24.0%	27.0%	31.0%
—% of mobile phone users	6.9%	9.6%	15.3%	20.3%	23.4%	27.3%
Proximity mobile payment transaction value (billions)	\$3.68	\$8.71	\$27.05	\$61.75	\$114.63	\$210.45
—% change	123.2%	136.8%	210.7%	128.3%	85.6%	83.6%
Average spend per user	\$224.44	\$375.82	\$721.47	\$1,230.94	\$1,949.26	\$3,017.02

Note: ages 14+; includes point-of-sale transactions made by using mobile devices as a payment method; excludes transactions made via tablet
Source: eMarketer, Oct 2015
198666 www.emarketer.com

Identity verification associated with online betting is a key target market sector for ISX.

The chart on the right is taken from the global betting company, Betfair, at the time of the merger with Paddy Power. The chart shows the split of the combined companies £1,002m revenue between online transactions and bets placed in bricks and mortar betting shops.

With 74% of Betfairs revenue sourced from online transactions the need for an online verification process is critical for revenue growth.



Source: Betfair presentation 08/09/2015

Partner Agreements

ISX has signed a number of agreements with both direct consumers and also channel partners. These agreements are in various stages of transferring to commercial terms

Date announced	Partner	Summary
21/10/2015	TikForce (ASX:PZR)	Channel Partner Providing services to TikForce enabling them to confirm the identity of prospective employees globally
21/10/2015	Alpha Payment Cloud (Singapore)	Channel partner Provides ISX with access to 1000 banking and financial service users. With ISA services to be offered to APC's clients from 2016.
21/10/2015	Alpha Payments Cloud (APC)	APC provides a centralised hub for global payments. The agreement will allow banks and international merchants connect via the hub access to ISX EOI and SCA services. The service is expected to go live in early 2016
30/9/2015	Conify (Europe)	European Bitcoin payment service provider KYC agreement with ISX to provide EOI and SCA services
24/9/2015	Clearhaus (Denmark)	Channel partner Clearhaus is a Danish payment processor and card acquirer that process 7% of online merchants in Denmark.
8/9/2015	CrownBet (Australia)	Heads of Agreement to provide EOI and SCA services Due to go live in early 2016
14/07/2015	The Flying Merchant (Europe)	Channel Partner The Flying Merchant is a Payment Service Provider (PSP) that will utilise ISX's KYC tools in providing AML services to the gaming, adult, dating and forex trading sectors.
16/06/2015	IPGPAY Ltd	Channel partner ISX to provide online identity verification services to IPGPAY Asian Pacific clients. Targeting regulated AML merchants
1/05/2015	SolidTrustPay	Enables people with email accounts to send/receive SolidTrust funds ISX to provide EOI and SCA services to millions of global clients

Patents

ISX has a total of 19 patents (both granted and pending) across a number of different global jurisdictions. Given that ISX's Managing Director is a qualified patent attorney there is a significant skill set within the company to progress with the patent approval process.

Capital Structure

ISX recently completed a \$10.5m capital raising (at an issue price of \$0.40/sh). The funds are earmarked for the expansion of the sales team in the USA, Latin America, Asia Pacific and Europe.

In our modelling we have assumed that as the first of the customer agreements become commercial in early 2016 then operational cash flow and the recent capital raised will provide sufficient working capital for ISX to expand their overseas operations. The risk to this is that the commercial agreements are not executed in the time frame guided.

Performance shares included in valuation.

We have based our valuation on the number of fully paid shares issued, the options currently in the money and also the performance shares. On our estimates the revenue hurdle for the 336m performance shares is likely to be reached by the expiry date.

Ordinary Fully Paid shares issued	290.225m
Restricted ordinary fully paid	331.703m (in escrow till 16/03/2017)

Performance Shares

- 112m on reaching minimum \$5m revenue on an annualised basis, expire March 2018
- 112m on reaching minimum \$7.5m revenue, expire March 2018
- 112m on reaching minimum \$10m revenue, expire March 2018

Options:

- 10m options, exercise price \$0.04/sh, expiry date 13/05/2017 – issued to corporate advisors associated with IPO. Escrowed for 2 years from 16/03/2015
- 18.5m options, exercise price \$0.50/sh, expiry 31/12/2015
- 6m options, exercise price \$0.38/sh expiry 31/7/2017 – awarded to corporate advisors
- 6m options, exercise price \$0.50/sh expiry 30/9/2018 – awarded to corporate advisors
- 6m options, exercise price \$0.62sh expiry 30/9/2018 – awarded to corporate advisors

Valuation

Our valuation is primarily based on an initial commercial agreement undertaken domestically.

Given some of the client numbers associated with global online companies (such as betting and gaming) our estimates are conservative.

For example Betfair currently has ~170m active clients, where we assume ISX will provide EOI services of <1m by FY22.

We have based our valuation on the following assumptions:

- Revenue to commence in early CY16
- Evaluation by customers to continue in 4QCY15
- Verification numbers to commence with companies including Crownbet. We estimate client numbers of 250,000 in FY17 and rapidly growing
- Based on the ratio of client numbers to transactions of ~300 per client pa.

Summary of key assumptions and earnings estimates

	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22F
Clients							
EOI Customers (m)		0.248	0.443	0.646	0.854	1.092	1.366
YoY Growth (%)			79%	46%	32%	28%	25%
SCA Transactions (m)		74.3	132.8	193.7	298.9	382.1	478.0
YoY Growth (%)			79%	46%	54%	28%	25%
Revenue							
EOI revenue (A\$m)	0.5	2.5	4.4	6.5	8.5	10.9	13.7
SCA Revenue (A\$m)	0.5	7.4	13.3	19.4	29.9	38.2	47.8
Channel Partner Sales (A\$m)		1.0	3.9	6.9	8.0	9.7	13.4
Total Revenue (A\$m)	1.0	10.1	18.2	26.6	39.9	51.7	65.5
YoY Growth (%)		>100%	79%	47%	50%	29%	27%
EBITDA							
EBITDA	-1.3	6.5	14.1	22.1	34.8	46.0	59.1
NPAT							
NPAT	-1.3	4.5	9.8	15.4	24.2	32.1	41.3
EPS (cps)							
EPS (cps)	-0.2	0.6	0.9	1.4	2.1	2.8	3.6
PE (X)							
PE (X)	na	96.2	44.1	28.1	17.9	13.5	10.5

Source: PAC Partners estimates

Valuation Summary

PV of Cash flows 2016 to 2021 (A\$m)	\$51
PV of Term Year Cash flow (A\$m)	\$236
Cash and Equivalents (A\$m)	\$10
Debt (A\$m)	\$0
PV of Equity (A\$m)	\$297
Shares on Issue (m) - includes restricted shares	622
PV of Equity per share (A\$)	\$0.48

Source: PAC Partners estimates

Sensitivity Analysis

Change in Target Price with a 1% change in WACC

WACC	10.8%	11.8%	12.8%	13.8%	14.8%
Terminal Growth %	4.0%	4.0%	4.0%	4.0%	4.0%
Valuation (A\$/sh)	0.59	0.53	0.48	0.44	0.41

Change in Target Price with a 0.5% change in Terminal Growth %

WACC	12.8%	12.8%	12.8%	12.8%	12.8%
Terminal Growth %	3.0%	3.5%	4.0%	4.5%	5.0%
Valuation (A\$/sh)	0.44	0.46	0.48	0.50	0.53

Source: PAC Partners estimates

Peers/Competitors

ASX peer reported \$110m revenue in FY15 from credit and identity verification. This provides an example of the market scale available to ISX

In compiling a list of relevant peers it is difficult to find pure play peers listed on the ASX, the most relevant peer would be Veda Group (ASX:VED).

Veda provide credit information on individuals and companies. From their FY15 revenue of \$339m, 33% (A\$110m) came from consumer risk and identity verification. This is using a static database of Australian clients. The ISX verification process can be applied globally and will have greater reach due to dynamic online verification.

Based on our FY17 estimates ISX is trading at an EV/EBITDA of 34x which is near the top end of the range for our selected peers.

Peer Comparison Data

Company	Isingthis	Covata	Prophecy International Holdings	PS & C Ltd	Senetas Corporation	UXC Ltd	Veda Group Ltd	Raytheon Company	PayPal Holdings
Code	ASX:ISX	ASX:CVT	ASX:PRO	ASX:PSZ	ASX:SEN	ASX:UXC	ASX:VED	NYSE:RTN	Nasdaq:PYPL
Currency	AUD	AUD	AUD	AUD	AUD	AUD	AUD	USD	USD
Market Cap (\$m)	211.4	102.1	160.0	66.3	194.2	385.9	2,336	52,903	61,436
Revenue (FY15)	0.0	0.4	10.4	84.5	16.2	687.9	302	2,7894	9,807
EBITDA (FY15)	-6.5	-17.7	4.3	8.9	4.3	37.2	125	4,686	2,695
EV/EBITDA (x)	NM	NM	36.0	7.3	41.8	10.3	20	12.5	21.2
Estimates									
Revenue (FY16e)	1.0	-	-	96.2	19.6	728.0	377	33,347	14,914
EBITDA (FY16e)	-1.3	-	-	9.9	7.3	46.1	162	5,148	4,000
EBIT (FY16e)	-1.3	-	-	9.7	7.0	36.6	128	4,412	3,184
Revenue (FY17e)	10.1	-	-	102.3	23.6	766.6	417	34,236	17,232
EBITDA (FY17e)	6.5	-	-	11.2	8.9	50.4	182	5,692	4,729
EBIT (FY17)	6.4	-	-	10.9	8.6	40.0	144	4,903	3,786

Source PAC Partners estimates, Company Reports, CapitalIQ

Risks

Limited trading history	ISX is transitioning from developer to commercial provider, therefore there is a risk that commercial viability will not be reached.
Changes to legislation	The laws and regulations relating to government accessing metadata generated by ISX are constantly evolving as technology evolves. There is a risk of legislative changes limiting ISX's growth or commercialisation in certain jurisdictions.
Patent rights	ISX has a number of patents granted and pending, the granting of these patents and then the strength of them to limit competition and preserve their IP in certain situations is a risk.
Infringement of Third party intellectual property rights	As the ISX process is a relatively new application there is a risk that an unidentified technology could claim infringement of intellectual property rights by ISX.
Timing of contracts commencing and associated revenue.	A number of agreements have been announced by the company and is expected that a number of these will progress to commercialisation. Delays in this could present a funding risk for ISX.
Securing new sales agreements	To increase the probability of securing new sales agreements ISX has undertaken to expand the sales and marketing team
Developing new technologies	Just as ISX is an innovator in the provision of identification services and plans to secure market share from the incumbent providers, there is a risk that a new innovator could emerge. This will require ISX to continually evolve to meet completion and also adapt to a changing market place.
Customer Satisfaction	The ability for ISX to not only on-board customers but then retaining them is essential for the business to grow. Therefore meeting the expectations of customers and making changes where needed will help reduce the risk of losing customers.
Securing funding	The support for the recent capital raising would imply that the ability of ISX to secure funding at present is high.

Board and Management

Tim Hart Non-Exec Chair	Tim brings to ISX a diverse commercial and business background at the senior management level in the agribusiness, food, resources, automotive and packaging industries across Australia, New Zealand, Europe and Asia. He is currently the Managing Director and CEO of Ridley Corporation Limited (ASX:RIC). Prior to this he was the CEO of Sugar Australia and Sugar New Zealand He has also held management positions with SCA Hygiene Australasia, Carter Holt Harvey, ACI Plastics Packaging, Amcor Limited and Pasmenco Limited. Tim also Chairs the AFGC Agribusiness Forum and is a Director of not for profits National Association of Women in Operations (NAWO) and Enactus (SIFE).
Nickolas (John) Karantzis CEO and Managing Director	John is a founder of ISX and has lead the sales and development of the company. He holds qualifications in engineering, law and business and has over 20 years' experience in a number of sectors, including online media, defence and communications. His previous public company experience includes directorships with ASX listed Pacific Star Network Limited (ASX:PNW) and Reeltime Media Limited (ASX:RMA).
Scott Minehane Non-Exec Director	Scott has international regulatory and strategy experience in the telecommunications sector and has been involved in advising investors, telecommunications operators, Governments and regulators in Australia, Asia, the Pacific and South Africa for over 25 years. He is also an independent director of ASX listed Etherstack (ASX:ESK) which specialises in wireless technology. He has a Bachelor of Economics and a Bachelor of Laws and holds a Master of Laws, specialising in Communications and Asian Law from the University of Melbourne.
Barnaby Egerton-Warburton Non-Exec Director	Barnaby holds a Bachelor of Economics Degree and is a graduate of the Australian Institute of Company Directors. He has over 20 years of trading, investment banking, international investment and market experience. He has held positions with global investment banks in Hong Kong, New York and Sydney including JPMorgan, Banque Nationale de Paris and Prudential Securities.
Todd Richards CFO and Company Secretary	Todd is a co-founder of ISX, and a Certified Practising Accountant with more than 20 years' experience in statutory corporations and international and ASX listed companies. His experience has been gained in a number of industries including manufacturing, logistics, professional sport, IT, online media and telecommunications. Todd's previous public company experience includes executive and Company Secretary roles with ASX listed Destra Corporation Limited (ASX:DES) and Reeltime Media Limited (ASX:RMA).

Chris Muir
COO and Chief Legal Officer

Chris is a qualified lawyer, with more than 20 years' experience, spanning the private sector and government, including roles at the Australian Transaction Reports and Analysis Centre (AUSTRAC). Chris's roles at AUSTRAC included Director, Enforcement; Director, Rules & Guidance and Senior Manager, Policy. Chris has also been Chief of Staff with a Federal Minister for Justice, and also more recently, a NSW Treasurer.

Michael Andrewes
Chief Engineer

Michael has 15 years of experience across multiple sectors, primarily finance and telecommunications including working for and consulting to Westpac, Yieldbroker, Morgan Stanley, Goldman Sachs, Deutsche Bank and Optus.

Glossary

AML – Anti Money Laundering

CNP - Card Not Present

CTF – Counter Terrorism Funding

EOI – Evidence Of Identity

EMV – EuroMasterVisa

KYC – Know your client – customer due diligence process

PSP - Payment Service Provider

SCA - Strong Customer Authentication

iSignthis Limited							Price \$	0.38
NFPOS		622 m					Market Cap	\$236 m
PROFIT & LOSS (\$m)								
Y/e Dec	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F		
Revenue	0.0	1.0	10.1	18.2	26.6	39.9		
EBITDA	-20.1	-1.3	6.5	14.1	22.1	34.8		
Depreciation & Amortisation	0.0	0.0	0.1	0.1	0.1	0.1		
EBIT	-20.2	-1.3	6.4	14.0	22.0	34.6		
Net Interest	0.0	0.0	0.0	0.0	0.0	0.0		
Income tax	0.0	0.0	-1.9	-4.2	-6.6	-10.4		
NPAT underlying	-20.2	-1.3	4.5	9.8	15.4	24.2		
Equity Accounting Profits								
Less non-controlling Interest	0.0	0.0	0.0	0.0	0.0	0.0		
NPAT underlying - attributed to shareholc	-20.2	-1.3	4.5	9.8	15.4	24.2		
Abnormal items	0.0	0.0	0.0	0.0	0.0	0.0		
NPAT Reported.	-20.2	-1.3	4.5	9.8	15.4	24.2		
NPATA								
BALANCE SHEET (\$m)								
Y/e Dec	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F		
Cash	2.3	9.4	14.0	26.8	48.3	79.7		
PP&E	0.0	0.1	0.1	0.2	0.3	0.4		
Debtors & Inventory	0.1	0.2	1.5	2.7	4.0	6.0		
Intangibles	1.3	0.2	0.4	0.5	0.7	0.8		
Other assets	0.0	0.3	1.2	1.6	2.1	3.2		
Total Assets	3.7	10.2	17.2	32.0	55.4	90.1		
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0		
Trade Creditors	0.2	0.1	1.0	1.8	2.7	4.0		
Other Liabilities	6.8	0.6	0.4	0.4	0.5	0.5		
Total Liabilities	0.2	0.4	1.3	2.1	3.0	4.4		
NET ASSETS	3.5	9.8	15.9	29.8	52.4	85.7		
OEI and Pref Shares	0.0	0.0	0.0	0.0	0.0	0.0		
Shareholder Equity	3.5	9.8	15.9	29.8	52.4	85.7		
Cash Flow (\$m)								
Y/e Dec	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F		
Operating EBITDA	0.0	1.0	10.9	21.6	32.8	46.4		
Interest & Tax	0.0	0.0	(1.7)	(3.7)	(5.8)	(8.9)		
Working Cap.	0.0	0.0	0.0	0.0	0.0	0.0		
Operating Cash Flow	(1.8)	(1.3)	5.6	13.8	22.5	32.4		
Investments	0.0	0.5	0.5	0.5	0.5	0.5		
PPE	(0.0)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)		
Other	1.3	0.0	0.0	0.0	0.0	0.0		
Free Cashflow (FCF)	(0.6)	(2.3)	4.6	12.8	21.5	31.4		
Ord Dividends	0.0	0.0	0.0	0.0	0.0	0.0		
Equity, (Debt Paydown)	2.9	9.4	0.0	0.0	0.0	0.0		
Net Cashflow	2.3	7.1	4.6	12.8	21.5	31.4		
DIVISIONAL SUMMARY (A\$m)								
Y/e Dec	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F		
Revenue								
EOI Revenue	0.0	0.5	2.5	4.4	6.5	8.5		
SCA Revenue	0.0	0.5	7.4	13.3	19.4	29.9		
Channel Partner Sales	0.0	0.0	1.0	3.9	6.9	8.0		
Total	0.0	1.0	10.9	21.6	32.8	46.4		

iSignthis Limited**Date:****30-Nov-15****Model Updated:****30-Nov-15**

KEY RATIOS

Y/e Dec	FY16F	FY17F	FY18F	FY19F	FY20F
EBITDA Margin (%)	-120.4%	64.0%	77.6%	83.1%	87.1%
NPAT Margin (%)	-120.4%	44.4%	54.0%	57.9%	60.7%
ROE (%) y/e	333.4%	45.4%	358.1%	78.4%	133.9%
ROI (%) y/e	-317.9%	330.0%	469.5%	539.4%	576.7%
NTA per share (\$)	0.02	0.03	0.05	0.09	0.14
Eff Tax Rate (%)	0.0%	-30.0%	-30.0%	-30.0%	-30.0%
Interest Cover (x)	-	-	-	-	-
Net Gearing (%)	0.0%	0.0%	0.0%	0.0%	0.0%

VALUATION PARAMETERS

Y/e Dec	FY16F	FY17F	FY18F	FY19F	FY20F
EPS Adj (cps)	-0.14	0.40	0.86	1.35	2.13
PE Adj (x)	-268.14	96.18	44.15	28.07	17.86
Enterprise Value (\$m)	226.9	222.3	209.5	188.0	156.6
EV / EBITDA (x)	-180.3	34.3	14.8	8.5	4.5
EV / EBIT (x)	-180.3	34.6	15.0	8.5	4.5
Price / NTA	23.7	14.0	7.5	4.3	2.6
DPS (cps)	-0.1	0.2	0.3	0.5	0.7
Dividend Yield (%)	-0.2%	0.5%	0.8%	1.2%	2.0%
Franking (%)	100%	100%	100%	100%	100%
Free Cash / Share (c)	-0.4	0.7	2.1	3.5	5.0
Price / FCF PS (x)	-104.6	51.6	18.4	11.0	7.5

DCF VALUATION & SENSITIVITY

PV of Cashflows 2016 to 2021	51	Risk Free Rate	4.0%
		Equity Risk Premium	6.5%
PV of Term Year Cashflow	236	Equity Beta	1.35
Less OEI at FY16 y/e	0	Cost of Equity	12.8%
Cash and Equivalents	10	After Tax WACC	12.8%
Debt	0	Terminal Growth	4.0%
PV of Equity	297		
PV of Equity per share	\$ 0.48		

GROWTH PROFILE (YoY)

Y/e Dec	FY16F	FY17F	FY18F	FY19F	FY20F
Sales Revenue	>100%	993%	98%	51%	42%
EBITDA	94%	615%	118%	57%	57%
EBIT	-120%	63%	77%	83%	87%
NPAT	94%	458%	118%	57%	57%
EPS	-95%	-379%	118%	57%	57%
DPS	0%	-381%	52%	57%	57%

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Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

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