

PRE-IPO Update

VALUE RANGE

EUR 11.53 – 14.09



Tuesday, 23 February 2021

Intrinsic Price (€)	12.81
Value Range Low (€)	11.53
Value Range High (€)	14.09
Implied MCAP (m)	€39.99
Implied EV (m)	€39.85
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 / Shareholder Equity %	-0.33%
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Fintech Sector Research

LSE Market Index

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The Reputation Exchange Plc

Fintech Social Engagement – Valuation Raised

The Reputation Exchange (REPX) is a fintech company with a unique social engagement model using affiliate marketing. With multiple prepaid cards assigned to top sporting and influencer brands planned for roll-out in the next 21 months. Since our previous note REPX has signed: more leading global brand clients; a distribution agreement with 42k shops in Italy; set a Feb Roma Ac cards launch date; filed an LSE standard list introduction; listed on Cyprus to complete its EMIL application; an agreement offering its product in SEPA, North Am and LatAm; and a Deloitte mandate to find strategic partners. We expect high revenue growth - low marketing, opex and capex suggests early FCF +ve. Our subs wins assumptions for valuation are highly conservative.

- Partner social selling model delivers lower SACs, higher profitability;
- Three products launched, more planned in the next two years;
- Affiliate top brand and influence marketing strategy lowers SACs;
- World-class brand affiliations include two large global sports club;
- Recently listed on Cyprus for EMIL and LSE Standard List pending.

ACF est. € (m)	Revenue	EBITDA	FCF	EPS	EPS (diluted)
2020E	0.17	-0.03	-0.66	-0.01	-0.01
2021E	8.90	3.21	2.18	0.75	0.75

Multiples	EV/ Revenue	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)
2020E	232.4x	NM	NM	NM	NM
2021E	4.5x	12.4x	18.3x	53.2x	53.2x

Investment Case

A Fintech company with a unique ‘social selling’ model – REPX is a fintech company leveraging social media to monetize the massive fan base of celebrities, sports teams and entertainers – an affiliate strategy setting REPX apart from its peer group. REPX offers co-branded prepaid cards and other digital products to the fan base and splits the revenue with the team or celebrity. This model means REPX has lower SACs vs. neobank peers by accessing the distribution power of top-global brands with dedicated, followers.

We view this distribution power as a material competitive advantage vs. other early stage fintech start-ups, which must burn significantly higher amounts of cash on SACs. REPX requires less cash to breakeven and has earlier positive FCF.

REPX launched 3 products in 2020, with 3 more in the pipeline for 2021.

- **2020 launched products** - include Topcard, Nextcard and Clan Card. TopCard and Nextcard were launched by REPX’s subsidiary, Next Wallet in July 20. Over 3.5k subs are using these cards, mainly in Italy and Switzerland.

REPX management expects 10k subs 1Q21. The Clan Card is the first product REPX has offered to the market.

Clan card signed partnerships with four football teams by November 2020, and management expects to win over 50k subs from these partnerships.

- **2021 expected produce launches** - REPX has multiple products in the pipeline for 21E and 22E. **For 21E:** The Payfan Card, The Cover Card and Befriend App. **For 22E:** The Fashion Card, Two Chip Card and the Black Box Card for 2022.

Top brands reach ~350m followers - REPX onboarded 11 partners including two of the biggest global sports clubs, celebrities, influencers and iconic cities.

In total, this equates to a social media fan base of **357.8m dedicated followers**. Using an extremely conservative conversion rate of 0.20% vs. peers, REPX could sell ~350k cards to this initial audience by 23E in 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 \$471 billion by 2027, representing a CAGR of 48.1% during 2019-2027.

Catalysts

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

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	3.1	3.1
Implied Intrinsic Price	€12.81	€12.81
Value Range Low	€11.53	€11.53
Value Range High	€14.09	€14.09
LSE	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
Key Metrics	€	adj.
MCAP (m)	40.0	40.0
Net Debt (Cash) (m)	(0.1)	(0.1)
EV (m)	39.9	39.9
52 Wk Hi	NM	NM
52 Wk Lo	NM	NM
Free Float	NM	NM
*Key Metrics FCF adj.	2020E	2021E
CPS (C\$)	-0.21	0.70
CPS (Exp D) (C\$)	-0.21	0.70
CPS (FD) (C\$)	-0.21	0.70
P/CPS	NM	57.2x
P/CPS (Exp D)	NM	57.2x
P/CPS (FD)	NM	57.2x

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 38m – 42m

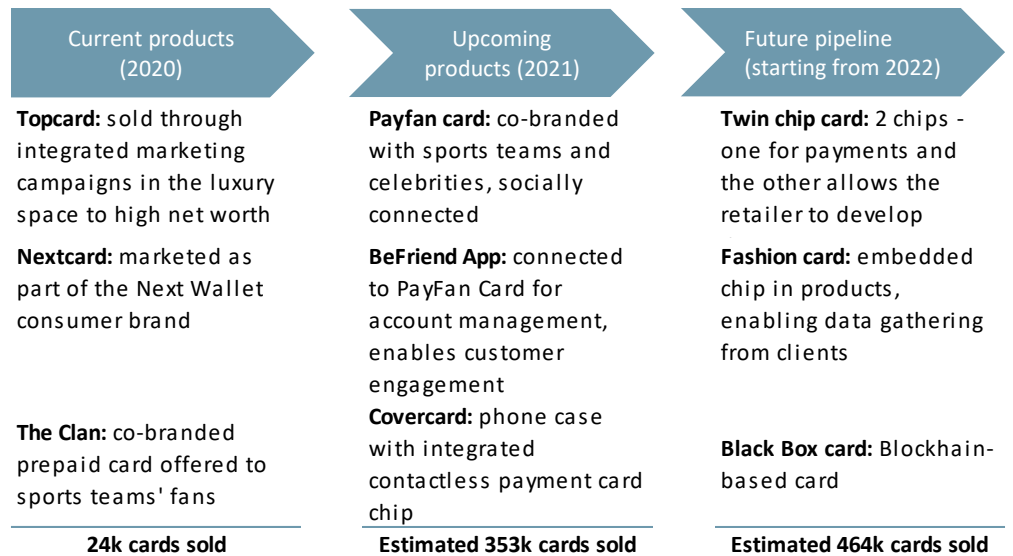
Operational Strategy

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. The strategy is to establish partnerships with celebrities, sports teams and entertainers, gaining access to their established social media fan base.

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

Exhibit 1: Product timeline



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 2Q21.

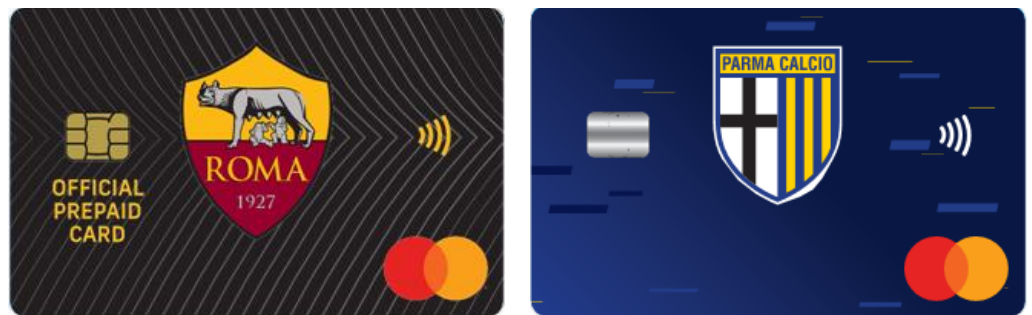
Exhibit 2: Next Wallet Cards

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

Sources: ACF Research; Company reports.

Clan Card: is a sports team co-branded prepaid card and was launched in 4Q 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 100,000 Clan cards to be distributed by end of 2Q21.

Exhibit 3: **Clan Card**



Sources: ACF Research; Company reports.

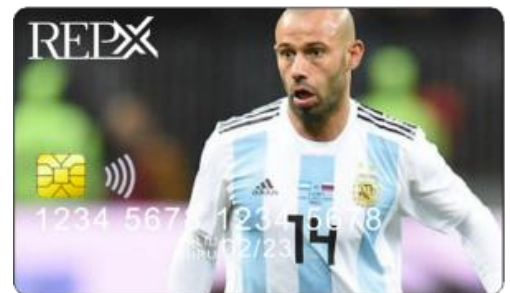
PayFan card: is a prepaid card which offers fans and followers a more personalized payment experience. A sports team song, a celebrity quote or saying and other customized messages play every time the card is used. It works on a subscription fee-based model. The fee revenue is divided equally between REPX and the participating star. The launch is expected in 2021.

Exhibit 4: **Payfan Card**



Sources: ACF Research; Company reports.

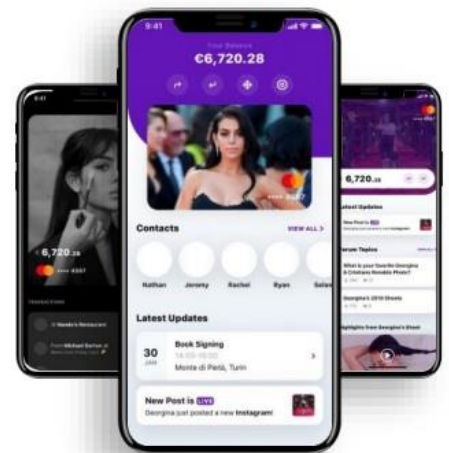
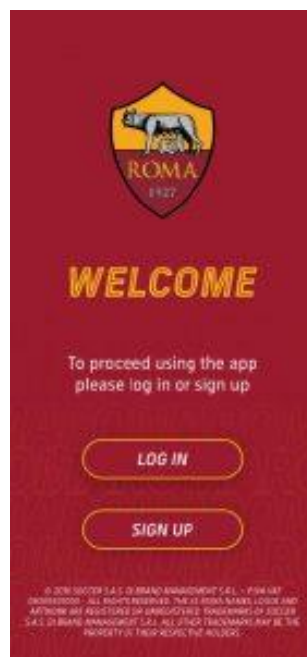
Exhibit 5: **Payfan Card**



Sources: ACF Research, REPX, Javier Mascherano

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 2Q 2021.

Exhibit 6: **Befriend App**



Sources: ACF Research; Company reports.

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

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

- **Cover Card:** is a co-branded cell phone cover that also acts as a contactless prepaid card. It is expected to launch 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 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 control over their personal data.

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

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

‘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.

- *The Sticker (for contactless payment):* Repx closed a deal with AustriaCard Holdings to offer a personalized sticker for the reverse side of cellphones to enable contactless payment.

Austria Card Holdings, an IT group specialising in hardware embedded security has a European business form the UK through to Greece and Turkey. The Company has production and personalisation facilities in Europe, the US and Latin America.

Exhibit 7: **‘The Sticker’ for contactless payment**



Sources: ACF Research; Company reports.

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.

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.

Affiliate star brand marketing strategy lowers SACs and raises margins

Wider geographical footprint: REPX aims to extend its products beyond the SEPA (Single Euro Payments Area) countries to North America, Latin America and Switzerland. REPX has already established partnership for executing the plan. For instance, REPX has onboarded celebrities such as Luis Figo, Javier Mascherano and Georgina Rodriguez in order to offer its products worldwide. Management indicated that it will launch its BeFriend App throughout most of the world. While the PayFan service will initially be launched in the UK and the European Union in 2Q21 before expanding further to the United States, South America and Asia in 2H21.

More products to be launched in late 2021 and beyond

Two new marketing tools ready to go - February 21E: REPX is launching 2 free to download apps “Look-Alike” and “Rapp”, that manage expects to be available to download before end of February 2021. The apps rely on simple gamification to collect valuable customer data for product profiling for REPX and its affiliate brand partners, such as the global football club brands REPX has signed. The data collected will be deployed by REPX to support the sale of the Clan cards and other products.

World-class partner affiliations: REPX has established partnerships with leading sports teams, celebrities, brands and iconic cities. In total, 11 partners have been onboarded to date, (including the world’s two largest football clubs) totalling ~350m fans.

Exhibit 8: Contract portfolio

Signed Partnerships	Type of star brand	Fan base subs (m)	Est conversion rate	Potential REPX subs (k)
A.C. Milan	Global brand Football Team	46.6	0.5%	233.2
A.S. Roma	Global brand Football Team	12.9	0.5%	64.5
Premier League Team	Global brand Football Team	113.0	0.3%	339.0
Real Madrid C.F.	Global brand Football Team	53.4	0.5%	267.0
Top Seria A Team	Global brand Football Team	10.0	0.3%	30.0
Top Seria A Team	European brand Football Team	10.0	0.3%	30.0
Top Seria A Team	European brand Football Team	10.0	0.3%	30.0
Premier League Team	UK brand Football Team	7.0	0.3%	21.0
Parma Calcio 1913	Italian Premier League Football Team	0.8	1.0%	7.7
Udinese Calcio	Italian Premier League Football Team	0.6	1.0%	6.1
Georgina Rodriguez	Celebrity	21.6	0.75%	162.0
Javier Mascherano	Celebrity	17.8	0.75%	133.5
Luis Figo	Celebrity	6.6	0.75%	49.2
eSerie A TIM	SerieA esport championship	47.0	0.5%	235.0
City of Paestum	City	0.6	3.0%	17.9
Total (m)		357.9		1,626
Sum of expected people (subs) reached on current REPX contracts only based upon iconic brand customers and iconic city tourists volumes on the largest social platform only ('000)				

Sources: ACF Research; Company reports.

Growth Strategy

New distribution agreements - REPX has entered into two new service and distribution agreements to further expand the reach of its products.

- REPX has, according to management, signed service agreements with a primary Italian banking group providing access to **42,000 physical locations** (i.e., corner shops) in Italy where the customers can top-up the card using cash.
- REPX has, according to management, signed a distribution agreement with a high-tech service platform, that has **1,200 corner and betting shops** in Italy where the customers can buy the card as well as top the cards up with cash.

Conversion rate – Market research group Nielsen’s most conservative rate is an expected conversion of 2% of followers to buyers.

Unique customer engagement model with low marketing expenses

11 signed partnerships ensure access to ~350m followers

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.

Capital Raise: REPX has filed a Full Listing Prospectus to join the Standard List of the London Stock Exchange (LSE).

Capital raise – 500k shares at £12.75 for £6.4m

Management expects the Standard List process to be completed and the company accept to the Standard List during 1Q 2021.

REPX intends to **offer 0.5m shares at £12.75 per share for total proceeds of £6.4m.**

Expected use of proceeds:

- Production and marketing of REPX prepaid cards;
- Application for REPX’s EMI (Electronic Money Institution) licence;
- General corporate purpose.

Use of proceeds – card production and marketing, EMIS 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.

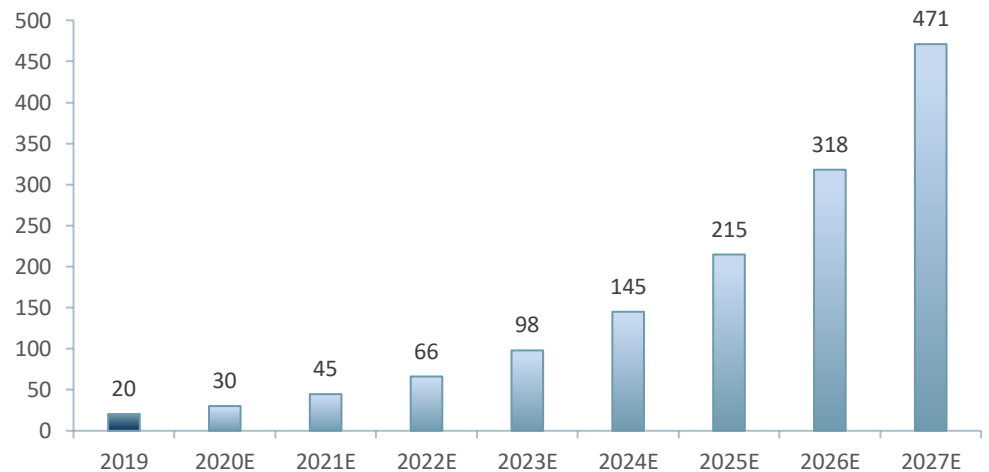
Exhibit 9: Global Neobank Market

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 is driving growth of Neobank market.

Competitive positioning - While there are several neo and challenger banks (the largest include nuBank, Chime, N26, Monzo and Revolut) that offer prepaid cards and other services, REPX has a particularly innovative and fortified position 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.

Exhibit 10: REPX distribution positioning vs. peers

Card	WHERE TO BUY					HOW TO TOP-UP		
	Web	App	Sport Team Website	Sport Team Shop & Stadium	Convenience Store	Sepa Transfer	Card Transfer	In Shop
REPX	✓	✓	✓	✓	✓	✓	✓	✓
N26	✓	✓	✗	✗	✗	✓	✓	✓
REVOLUT	✓	✓	✗	✗	✗	✓	✓	✗
MONZO	✓	✓	✗	✗	✗	✓	✓	✗
HYPE PLUS	✓	✓	✗	✗	✗	✓	✓	✓
NEXI SPEED	✓	✓	✗	✗	✗	✓	✗	✓
MOONEY	✓	✓	✗	✗	✓	✓	✗	✓
EIPOLI	✓	✓	✗	✗	✓	✗	✗	✓

Sources: ACF Research; Company reports.

Exhibit 11: REPX geographical and feature positioning vs. peers

Card	TERRITORIES WHERE CARDS ARE AVAILABLE				FEATURES				UNIQUE FEATURES	
	Sepa Area	Ch	Latam	North America	Personalized Theme by Team	Active Partnership advantages	Top Tier Metal Cards	Cashback & Loyalty Programs	Patented Singing Card	Adhesive NFC Sticker
REPX 	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
N26 	✓	✓	✗	✓	✗	→ LIMITED TO INSURANCE	✓	✓	✗	✗
REVOLUT 	✓	✓	✗	✗	✗	→ LIMITED TO INSURANCE	✓	✓	✗	✗
MONZO 	✓	✓	✗	✗	✗	→ LIMITED TO INSURANCE	✓	✓	✗	✗
HYPE PLUS 	→ ITALY ONLY	✗	✗	✗	✗	→ LIMITED TO INSURANCE	✗	✗	✗	✗
NEXI SPEED 	→ ITALY ONLY	✗	✗	✗	✗	✗	✗	✗	✗	✗
MOONEY 	→ ITALY ONLY	✗	✗	✗	✗	✗	✗	✗	✗	✗
EIPOLI 	→ ITALY ONLY	✗	✗	✗	✗	✗	✗	✗	✗	✗

Sources: ACF Research; Company reports.

Board of Directors (selection)

➤ Non-Executive Chairman, Prof. Francesco De Leo



Francesco is an active member of the UN Global Sustainability Index Institute, presenting in Davos at the WEF, since 2012. He is Executive Chairman of Kaufmann & Partners (K&P), a financial advisory company with offices in Madrid, focused on telco, media and corporate finance. Francesco served as an Executive Director at IFIL (now, Exor) controlling FCA (Fiat-Chrysler Automobiles), Ferrari, Worms, Partner-Re, and Juventus F.C. He was MD of

Telecom Italia, on the Board of TIM and a Director of Wind Telecom, and of Graviton (La Jolla, California), a wireless sensory networks (M2M communication) company, backed by Qualcomm et al. He has a BA in Economics from Bocconi, Milan, and a Ph.D. in Strategy and Organisation from UCLA.

➤ Non-Executive Director, Prof. Vincenzo Riccardo Vespri



Vincenzo is a Professor of Mathematics at the The University of Florence. Vincenzo specialises in mathematical economics, finance and new technology, including blockchain. Vincenzo has recently been appointed by the Italian Ministry of University and Research, as its representative at the G7 scientific institution of the Carnegie Group.

➤ Independent Non-Executive, Basil Petrides LL.B.



Basil is a Banking and Finance professional and a Chartered Member of the UK's CISI. He has extensive experience in capital markets and business. He has participated in numerous IPOs and secondary placements and held various NED roles. As a capital markets professional in broking and advisory, Basil has worked at HSBC Group, LME member Gerald, ADM a Fortune 500 company, Goldenberg Heymeyer & Co., Stockbroker Hartmann Capital and

Beaufort Securities, an AiM specialist. He is active in financial markets commentary through leading media, including the BBC, Reuters and USA Today. Outside of the markets, Basil volunteers at London's Royal Free Hospital in Hampstead RFH Charity

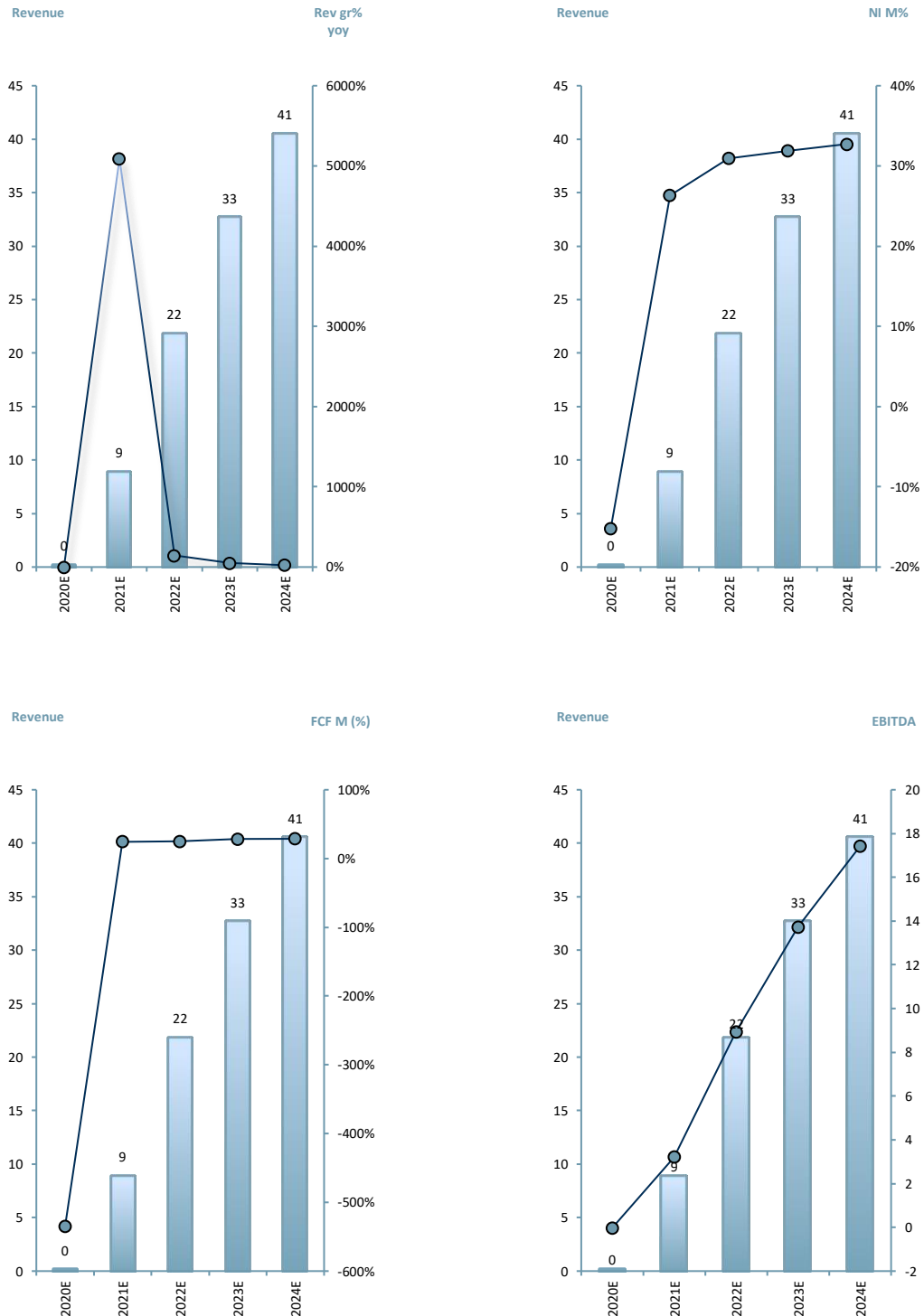
Forecasts

Exhibit 12: 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 ~32% 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 13: REPX WACC, DCF and Value Range

ACF est. (€m)	2019A	2020E	2021E	2022E	2023E
Revenue	0.00	0.17	8.90	21.81	32.68
EBITDA	-0.37	-0.03	3.21	8.94	13.73
Net Income	-0.37	-0.03	2.35	6.75	10.42
FCF	-0.37	-0.66	2.18	5.40	9.18
CPS (diluted) (\$)	NM	-0.21	0.70	1.73	2.94

We see fair value of REPX at EUR 12.81 per share.

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 β adj levered	1.80
rf	2.00%
ERP	5.7%
Cost of equity	12.2%
Risk adj.	7.0%
WACC	19.24%

We arrive at a discount rate of 19.24% for REPX as shown in the calculation here. We use an additional risk adjustment factor of ~7% as it is still in early stage of operations.

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

Valuation Range

NPV FCF (€m)	39.9
Net Debt/(Cash) (k)	-0.1
Fair Value (€m)	40.0
NoSh (m)	3.1
NoSh (diluted) (m)	3.1
Intrinsic Value Per Share (€)	12.81
Close Price (€)	NA
VR (low - high)	11.53 14.09
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 €38-42m, at 5% standard deviation.

Trading valuation per subscriber forecast basis mid-point €39m.

Trading valuation financial statement metrics suggests a value range €49 – 55m, at 5% standard deviation.

Our valuation is conservative. We have factored in a risk adjustment to account for execution risks 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 a REPX value of ~EUR 40.0m. Assuming a standard deviation of 5%, our valuation range is around EUR 38 – 42m. A standard deviation of 10% suggests a valuation range of EUR 36 - 44m. Our trading metrics valuation, later in this note (based on peer metrics), using a 10% standard deviation suggests a valuation range of ~ EUR 47 – 57m.

Exhibit 11 highlights the sensitivity of our REPX fair value per share (exhibit 10) to changes in various input parameters. Our model is most sensitive to changes in terminal growth and discount rate.

Exhibit 14: Valuation sensitivity to Terminal Growth and WACC

		Equity value				
		Terminal Growth (%)				
		2.5%	3.0%	3.5%	4.0%	4.5%
WACC (%)	15%	51.02	52.51	54.12	55.88	57.80
	17%	43.87	44.91	46.04	47.25	48.55
	19%	38.40	39.17	39.99	40.86	41.79
	21%	34.08	34.67	35.28	35.93	36.62
	23%	30.59	31.04	31.52	32.01	32.54
	25%	27.70	28.06	28.43	28.82	29.23

Source: ACF Research Estimates.

Exhibit 15: Trailing REPX peer group metrics

Trailing TTM Metrics / Company Name	Market	MCAP (\$ m)	EV (\$ m)	Revenue (\$ m)	EBITDA (\$ m)	EV/Revenue (x)	EV/EBITDA (x)
Fiserv Inc.	Nasdaq	75,460	96,640	14,852	4,480	6.5	21.6
Global Payments Inc.	NYSE	58,080	65,810	7,420	2,830	8.9	23.3
Discover Financial Services	NYSE	29,810	37,620	5,950	N/A	6.3	N/A
Edenred SA	Euronext	14,196	16,495	1,825	675	9.0	24.4
WEX Inc.	NYSE	10,010	11,420	1,610	463	7.1	24.7
Evertec Inc.	NYSE	2,660	3,020	503	190	6.0	15.9
EVO Payments Inc.	Nasdaq	1,240	2,240	452	102	5.0	22.0
Bottomline Technology	Nasdaq	2,230	2,200	451	41	4.9	53.7
i3 Verticals Inc.	Nasdaq	1,060	916	152	17	6.0	53.9
Cardtronics Plc	Nasdaq	1,730	2,430	1,160	239	2.1	10.2
Qivi Plc	Nasdaq	707	716	575	122	1.2	5.9
Average			21,773	3,177	916	6	25.5
Median			3,020	1,160	215	6	22.6

Sources: ACF Research Estimates; Companies reports; Bloomberg.

Peer Group Comparators

In our 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 the 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 is not included in the constituents of our average or median values in the peer group metrics at the bottom of Exhibit 15:. We have excluded REPX from these values to make the 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 65% to the peer average to arrive at an REPX per user value of ~EUR 163.7 per forecasted 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 and peer-to-peer payments. As of July 2020, it has ~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. 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 has 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 has 4m active subscribers.

nuBank is a Brazil based neobank and the largest fintech company in Latin America. It provides banking services to the 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 has 25m active subscribers and has been valued at over US\$ 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 has nearly 8m subscribers as of January 2020.

Valuation – Trading Multiples

In exhibit 13 below we show our Discounted Cash Flow (DCF) valuation in more detail. In exhibit 14 below, we show a REPX valuation based upon industry peer companies trading multiples (EV/Sales and EV/EBITDA multiples). For our REPX fair value estimate we have used DCF to achieve a **value range mid-point of EUR 40m**.

DCF – Assumptions for REPX value range EUR 38 – 42m at 5% standard deviation:

- D&A equal to EUR 150k throughout the forecast period;
- Capex 21E ~EUR 500k increasing to EUR 1m 22E – 23E and EUR 1.5m 24E;
- Effective Tax Rate (ETR) assumption is 23.23%.

Exhibit 16: Cash Flow model

REPX DCF in € m	2021E	2022E	2023E	2024E	Terminal Value
EBITDA	3.2	8.9	13.7	17.4	
Working Capital	0.2	-0.5	-0.4	-0.3	
Capex	-0.5	-1.0	-1.0	-1.5	
Taxes	-0.7	-2.0	-3.2	-4.0	
Cash flow after-tax	2.2	5.4	9.2	11.6	46.6
NPV	1.8	3.8	5.4	5.7	23.1
Total NPV	39.9				
Debt	0.0				
Cash	0.1				
Implied equity	40.0				

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 (see exhibit 12 above) to value REPX, arriving at fair value estimate of EUR 52m (see exhibit 14 below)

Exhibit 17: Peer Group valuation

Peer Valuation - REPX (in EUR m except per share)	Revenue	EBITDA
2021 Estimates	8.9	3.2
Multiple (x)	5.9	22.3
EV	52.1	71.6
Debt	0.0	0.0
Cash	0.1	0.1
Implied Equity	52.2	71.7
Implied Equity Discounted @WACC	43.8	60.2
Weight	50%	50%
Fair Value Estimate of Implied Equity	52.0	

Sources: ACF Research Estimates; Company reports.

Industry peer trading multiples valuation implies a valuation EUR 12m above our EUR 39.99m implied equity value.

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

Exhibit 15 below shows details of the revenue assumptions which we have made for the Next Wallet business, based upon guidance from the REPX management team. Revenues are assumed from two sources – sale of cards and transaction volume rebates.

Exhibit 18: 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	1275
Total cards in issue		3,500	10,675	24,290	43,057	61,221
Revenue (€ m)						
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
Total revenue - Next Wallet		0.17	0.72	1.50	2.34	2.78

Sources: ACF Research Estimates; Company reports.

Teams & Celebrities Revenue Model

Exhibit 19: Total fan base from signed partnerships

Assumptions for the Teams & Celebrities roll-out program, based upon management guidance. Revenue assumptions - 11 signed partnerships with sports brands etc..

Fan base (m)	Followers	% of active followers	Active Followers
A.C. Milan	46.64	50%	23.32
A.S. Roma	12.90	50%	6.45
Premier League Team	113.00	50%	56.50
Real Madrid C.F.	53.40	50%	26.70
Top Seria A Team	10.00	50%	5.00
Top Seria A Team	10.00	50%	5.00
Top Seria A Team	10.00	50%	5.00
Premier League Team	7.00	50%	3.50
Parma Calcio 1913	0.77	50%	0.38
Udinese Calcio	0.61	50%	0.30
Georgina Rodriguez	21.60	50%	10.80
Javier Mascherano	17.80	50%	8.90
Luis Figo	6.56	50%	3.28
eSerie A TIM	47.00	50%	23.50
City of Paestum	0.60	50%	0.30
Total fan base	357.87	50%	178.94

Sources: ACF Research Estimates; Company reports.

Exhibit 20: Teams & Celebrities revenue table

Teams and celebrities		2020E	2021E	2022E	2023E	2024E
Fan base	178,936,000					
Subscriber proportion			0.03%	0.10%	0.12%	0.13%
New cards sold			53,681	178,936	214,723	232,617
Subscribers carried forward			0	53,681	211,144	341,410
Subscriber churn	40%		0	21,472	84,458	136,564
Net subscribers			53,681	211,144	341,410	437,463
Card purchase cost, PayFan card	59					
Revenue from card purchase			3.17	12.46	20.14	25.81
Purchase volume fee rebates						
a) Annual ticket subscribers			225,000	225,000	225,000	225,000
Rate of use	50%					
Annual Rebate from Visa, The Clan Card	36					
Revenue from annual ticket subscribers (€ m)			4.05	4.05	4.05	4.05
b) Fan base	178,936,000					
Net subscribers			53,681	211,144	341,410	437,463
Rate of use	50%					
Annual Rebate from Visa, PayFan Card	36					
Revenue from fan base (€ m)			0.97	3.80	6.15	7.87
Total revenue - teams and celebrities (€ m)			8.18	20.31	30.34	37.73

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 low a 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 changes frequently and regulations have 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 (€m)	2019A	2020E	2021E	2022E	2023E
Revs	0.0	0.2	8.9	21.8	32.7
gr%	NM	NM	5091%	145%	50%
Total Expenses	-0.4	-0.2	-5.7	-12.9	-19.0
EBITDA	-0.4	0.0	3.2	8.9	13.7
% Revs	NM	-15%	36%	41%	42%
FV adj.	0	0	0	0	0
% Revs	NM	0%	0%	0%	0%
EBIT	-0.4	0.0	3.1	8.8	13.6
EBT	0	0	3	9	14
% Revs	NM	-15%	34%	40%	42%
ETR	0%	0%	23%	23%	23%
NI	-0.4	0.0	2.3	6.8	10.4
% Revs	NM	-15%	26%	31%	32%
Adj EPS (€)	NM	-0.01	0.75	2.16	3.34
Basic EPS (€)	-	-0.01	0.75	2.16	3.34
Diluted EPS (€)	-	-0.01	0.75	2.16	3.34
Balance Sheet (€m)	2019A	2020E	2021E	2022E	2023E
PP&E	0.3	0.4	0.8	1.6	2.5
Total Fixed Assets	0.4	0.8	1.1	2.0	2.8
Current assets	0.1	0.8	1.3	2.6	3.2
Cash	0.2	0.2	2.4	7.8	17.0
Total Current Assets	0.3	1.0	3.7	10.4	20.2
Total Assets	0.7	1.8	4.8	12.4	23.0
Creditors	0.0	0.3	0.9	1.7	2.0
Other liabilities	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Total Liabilities	0.0	0.3	0.9	1.7	2.0
Net Assets	0.7	1.5	3.9	10.6	21.1
Share Capital	1.1	1.9	1.9	1.9	1.9
Accum. Profit/(loss)	-0.4	-0.4	1.9	8.7	19.1
Total Equity	0.7	1.5	3.9	10.6	21.1
Total Equity & Liabilities	0.7	1.8	4.8	12.4	23.0
Basic NAV (€)	NM	0.5	1.2	3.4	6.7
Diluted NAV (€)	NM	0.5	1.2	3.4	6.7
Cash Flow (€m)	2019A	2020E	2021E	2022E	2023E
EBT Profit/(loss)	-0.4	0.0	3.1	8.8	13.6
Finance costs	0.0	0.0	0.0	0.0	0.0
FV adj. + Other adj.	0.0	0.0	0.0	0.0	0.0
Cash Taxes	0.0	0.0	-0.7	-2.0	-3.2
WCap change	0.0	-0.5	0.2	-0.5	-0.4
Net CFO	0.0	-0.8	2.7	6.4	10.2

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

EBIT	Earnings before interest and tax (also often referred to or equates to operating profit).
EBITDA	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.
EBT	Earnings before tax. Also often expressed as PBT – profit before tax.
FCF	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.
REPX	The Reputation Exchange Plc (REPX) the subject company of this ACF research note.
JV	Joint Venture – generally a legal structure between two corporate entities involving participation in equity capital in the JV vehicle.
Neobank	Neobank refers to digital only banks without any physical branches.
EUR	Refers to the symbol for Euro currency
NoSh	Number of Shares in issue (NoSh).
NPV	Net Present Value (NPV) refers to the current value of future cash flows generated by the company
WACC	Refers to the weighted average cost of capital for the firm.
Shareholders’ Equity	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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