

COMPLII FINTECH SOLUTIONS (CF1)

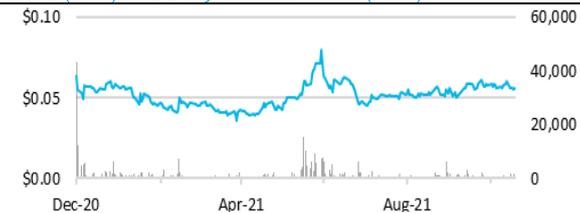
POTENTIAL FOR OUTPERFORMANCE AND ALPHA

Analyst | Thomas Brunton
Stuart Turner
Date | 19 November 2021

Company Information

Last Close*	\$0.057
Sub-Industry	Application Software
Market Cap**	\$23.4m
EV	\$19.5m
12m Price Range	\$0.004 - \$0.083
Val Traded Last 6M	\$12.3m

Price (LHS) and Daily Volume - '000 (RHS)



	FY19	FY20	1H21	FY21
Profit & Loss				
Revenue (\$m)	0.6	1.6	2.7	2.7
Underlying EBITDA	-4.9	-3.4	-1.8	-2.2
Underlying EBIT	-4.9	-3.9	-1.9	-2.3
Underlying NPAT	-4.9	-4.0	-1.0	-2.3
EPS	-30.0	-18.7	-5.4	-2.4
EV/Sales	40.2	14.1	6.7	7.2
EV/EBITDA	-4.7	-6.9	-10.0	-8.7
EV/EBIT	-4.7	-6.0	-9.7	-8.6
B/S & Cash Flow				
Cash (\$m)**	0.2	0.2	5.5	4.0
Total Debt	0.0	0.2	0.1	0.1
Net Equity	0.5	-1.5	3.6	3.6
Operating C/F	-0.4	-1.0	-0.5	-2.0
Investing C/F	-0.2	0.1	0.0	0.0
Financing C/F	0.6	0.9	5.9	5.9
Growth Rates %				
Revenue %	6.7	181.8	110.1	67.0
Net Profit %	50.1	-19.1	12.4	-41.2
Ratios				
Return on Assets %	-513.2	-880.2	-16.8	-53.2
Return on Equity %	-1042	270.7	-21.1	-64.5
EBITDA Margin %	-845.7	-208.8	-67.3	-82.2
EBIT Margin %	-845.9	-238.2	-69.1	-83.7
Net Profit Margin %	-846.4	-243.0	-72.6	-85.6
Total Debt / Equity	0.0	-0.1	0.0	0.0

Board & Management

Executive Chairman	Craig Mason
Managing Director	Alison Sarich
Executive Director	Gavin Solomon
Chief Operating Officer	Ian Kessell

Top Shareholders

Anthony Raymond Cunningham	6.76%
Herbert Gavin Solomon	6.59%
Jason Peterson	5.12%
Kylie Mason***	4.82%
Alison Sarich	2.82%
Maxwell James Green	2.77%
Magenticity Pty Ltd	2.44%
Top 20 shareholders	49.66%

* share price as of 18 November 2021

** Market Cap based on fully diluted share count of 410.15m

*** Held in association with executive chairman

Note: Results released after 31 August 2021 are not reflected

COMPLII: A LEADER IN FINTECH SOLUTIONS

Complii FinTech Solutions Ltd (ASX:CF1) is a digital platform providing an electronic centralised framework to manage AFSL holders (Stockbrokers & Financial Planners) and their licenced users' centric workflows for compliance, capital raising and operational efficiencies. Through the incorporation of customisable software, Complii provides a capital raising management and distribution platform (including live client and adviser bidding) as well as a single desktop solution for over 3,500 users to meet their business, compliance and operational needs at organisation, adviser, client as well as investor levels.

COMPLII ACQUIRES PRIMARY MARKETS

On 3 November 2021, Complii completed the acquisition of 100% of the shares in PrimaryMarkets Limited.

Founded in 2016, PrimaryMarkets has, through the utilisation of first-class technology, created an independent global trading platform that provides liquidity and enables the trading of shares in unlisted companies and funds. PrimaryMarkets has provided over 380 companies access to its Secondary Trading Platform along with raising new capital services via its network of over 110,000 global investors coupled with secondary trading and registry services. Companies, such as Tyro Payments, VGW and Animoca Brands have listed on PrimaryMarkets trading more than \$187m. The PrimaryMarkets platform also provides online AML/KYC, Sophisticated Investor Status and Third-Party Escrow to ensure regulatory compliance obligations are always maintained.

WHY WE LIKE THIS TRANSACTION

The acquisition of PrimaryMarkets provides Complii with the ability to support accredited and sophisticated investors to trade shares in private and unlisted companies and funds, thus solving the problem of visibility and transparency in an otherwise opaque and illiquid marketplace.

Complii is now able to provide unique and full end-to-end digital trading services which provide a new high margin product offering that complements their existing services. This puts Complii/PrimaryMarkets in a market-leading position with first-mover advantages. The group will market all services under Complii's Corporate Highway online platform.

The principals of the merged group, representing over 25% of the post-transaction shares, are substantially invested (escrowed securities) in the future success of the company.

The combined pro-forma revenue of the group for FY21 (excluding R&D grants) was \$3.6m and split 44/56 between PrimaryMarkets and Complii respectively. In addition, pro-forma combined 1Q22 revenue for the group was \$1.76m (excluding R&D grants).

Pro Forma Group Profit and Loss – FY21 & Q1 FY22

	Complii FY21	Complii Group Q1 FY22 – Consolidated for PM Financials
Revenue	\$2,721,358	\$1,760,587 **
Expenses	\$6,915,598	\$2,179,925
Net Profit	(\$4,194,240)	\$(419,339)

Source:

- Quarter 1 FY22 unaudited management accounts of Complii & PrimaryMarkets
- FY21 Audited Financial Accounts
- ** Excludes R&D Grants for Quarter 1 FY22

Source: Company Presentation

COMPLII REVENUE MODEL

Complii uses a subscription-based annuity revenue model and currently services over 100 organisations including Australia's leading stockbrokers (such as Blue Ocean, Canaccord, Euroz Hartleys, Shaw and Partners, Argonaut and, Nomura) with over 3,500 users within the AFSL industry who can each customize their entire suite of Complii services to match their unique needs.

Complii has 8 fully operational, all customisable product offerings:

1. **AdvisorBid:** Automated end-to-end centralised and customised capital raising solution with live client and/or adviser bidding, subscription documentation generation, electronic client acceptance for both retail and institutional clients with full transparency for broker and issuer visibility. Complii clients raised \$14.6bn in funds in FY21 using Complii's Adviser Bid platform.
2. **Compliance:** A digital software platform designed to automate recording and reporting on regulatory obligations by profiling ongoing compliance at both client and organisational levels.
3. **Risk Management:** A Risk Management Platform, creating objects and associated workflows designed to identify and mitigate risks.
4. **Online Portfolio:** A Secure portal with inbuilt advisor messaging that provides access to portfolios, ledgers and account balance.
5. **Financial Crimes:** Know your client and monitor trading activity, with alerts to suspicious trading and screening of investors.
6. **Account Fast:** Client account creation with automatic AML checking, back-office integration and full compliance reporting.
7. **Boom:** A electronic Client Engagement / Fact Find & Step-by-step guide for Paraplanning requests.
8. **Caddie:** Aggregates CPD content from over 200 financial services content providers and manages Adviser CPD obligations with adherence to FASEA requirements through the provision of E-learning and CPD management services.

In addition, Complii has 4 new modules currently in development related to: complaints, staff trading compliance, design and distribution obligations and customer relationship management.

Complii's growing customer and recurring revenue base:

Complii currently services 103 AFSL holders, adding 7 new clients in 1Q22 and a total of 19 new clients since January 2021. Annual recurring revenue (ARR) was reported as \$2.15m in FY21, indicating a 73% increase versus pcp. Complii's ARR continued to grow in 1Q22, increasing by \$135,000 or 7% on 4Q21.

Company commentary indicates that their current AFSL client portfolio represents only approximately 20% of the applicable Australian AFSL target market and the remaining target market represents an opportunity for strong ARR growth.

None of these assumptions take into account the business and revenues of PrimaryMarkets – which in FY21 had an audited revenue of \$2.2m (including R&D).

FY22 Outlook indicates an expansion of service offerings and an improved competitive position

Complii is in a strong position to leverage its product offerings and unique competitive position to generate strong annuity growth. FY22 started with the onboarding of several new customers and increased upselling opportunities. Complii has also indicated that it is prioritising growth via operational activities such as:

- New customer-specific paid platform builds
- Infrastructure enhancements and core feature modernisations
- Key account management capabilities

We believe that Complii expects to receive an R&D tax incentive cash rebate of approximately \$0.95m in 2Q22. We understand that Complii intends to further increase R&D investment in new modules and product offering across Fee Disclosure Statements, Complaints Management Systems and Other regulatory obligations as well as the development and deployment of the PrimaryMarkets Trading Platform and products (PrimaryMarkets received a R&D tax rebate of \$0.51m in FY21).

PRIMARYMARKETS REVENUE MODEL

Following the PrimaryMarkets acquisition, Complii will begin to roll out an integrated model offering PrimaryMarkets products to the Complii network of AFSL holders and their 3,500+ users. The primary target will be offering secondary trading in unlisted shares using the PrimaryMarkets Trading Platform. These complementary services will support the stockbroker and AFSL holder network as well as both ASX and unlisted companies through the online Trading platform with full service online compliance solutions (AML, KYC, Sophisticated Investor Status) with third-party Escrow Services.

The group will use distribution and marketing across both user networks, especially for new capital raisings. Trading attracts a seller's commission of up to 6%, Trading Hub fee per Issuer attracts an upfront fee and monthly maintenance fee and Capital Raising Fees earned include a listing fee plus a success fee of 6% of new capital raised.

PRIMARYMARKETS CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

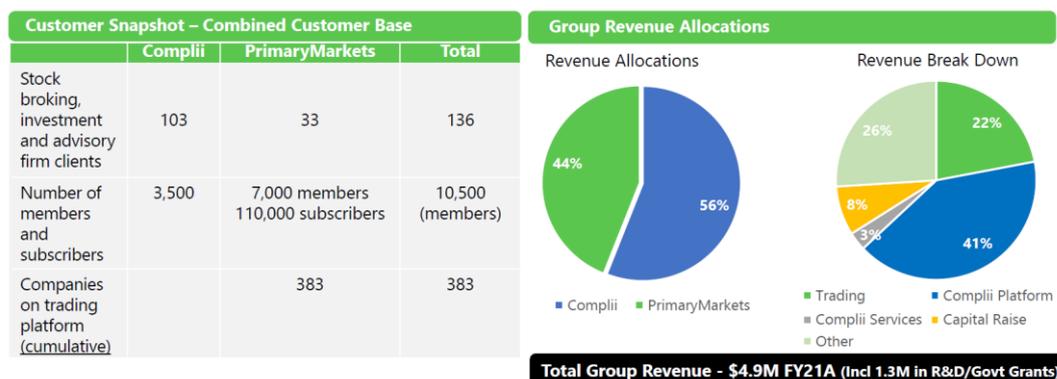
	AUDITED 30-Jun-21 \$
Revenue and other income	2,179,612
Accounting and R&D advisory	(44,994)
Advertising	(75,561)
Audit fees	(15,545)
Commission	(32,918)
Consulting and legal fees	(132,056)
Depreciation and amortisation expenses	(24,785)
Employee benefits expenses	(1,325,501)
Escrow fees	(121,571)
Insurance	(34,763)
Rent and occupancy expenses	(154,955)
Research and development direct expenses	(230,454)
Share of Associate's loss	-
Other expenses	(116,525)
Profit / (loss) before income tax	(130,016)
Income tax expense	-
Profit / (loss) after income tax	(130,016)
Other comprehensive income	
Items that will not be reclassified subsequently to profit of loss:	
Fair value losses on financial assets at fair value through other comprehensive income	(32,500)
Total comprehensive income / (loss) for the year	(162,516)

Source: Complii's Bidder's Statement (22 September 2021)

ACQUISITION SYNERGIES

Key synergies achieved by the acquisition include:

- The ability of Complii to extend its current service offerings into the unlisted/private company and fund sectors.
- An increase in the number of users, investors, issuers and clients being serviced;
- An expanded global network of Sophisticated Investors (+110,000 global subscribers);
- The diversification of revenue streams with improved margins;
- Upsell opportunities with each additional Complii module developed;
- Application of a high-quality trading platform interface for unlisted & private companies and funds.



Source: Company Presentation

The end result will be the creation of the 1st full end-to-end service offering for both public and private markets and a global technology trading platform where companies as, well as stockbrokers, AFSL holders and investors, can undertake compliance, list, trade and raise new capital as well as clearing and settlement services.

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