

Analyst Brief



Online Interactive Session

iSignthis Ltd (ASX : ISX | FRA_DE : TA8 | BIC : ISIGAU31)

Presenters

John Karantzis, CEO, B.E. LL.M M.Ent (Melb)

Todd Richards, CFO, B.Bus ACAMS CPA

“ISX is a Euro focussed company, with an opportunistic eye on the evolving Australian landscape”



EEA Authorised
EMI #115.1.3.17



BÖRSE
FRANKFURT

ico.

PRINCIPAL
MEMBER:

VISA



AGGREGATION
PARTNER:



What does iSignthis do?

We are a leading payments, eMoney and identity technology company, publicly listed on the Australian Securities and Frankfurt Stock Exchange (ASX : ISX | DE_FRA : TA8).

We provide online businesses from around the globe, with transactional banking and a complete customer onboarding solution from **remote identity verification** to **payment processing and deposit taking** services.

This is achieved via our patented platforms, Payidentity™ and ISXPay®.

We are an EEA authorised, deposit taking, Monetary Financial Institution and have licenses to operate transactional banking services across Europe and Australia.

We are Principal members (Tier 1) of Visa, Mastercard, JCB, and an aggregation partner of AMEX, with SWIFT membership (Bank Identifier Codes : ISEMCY22, ISEPAU31 & ISIGAU31) and Central Banking Facilities.

We are highly transparent and prudentially regulated in the EU, supervised by the major card schemes, registered with AUSTRAC, and financially & procedurally audited by two independent audit firms. Our technical processes and facilities are certified by the British Standards Institute and the Payment Cards Industry.....and we are also subject to ASX/FRA continuous disclosure requirements.

Quarterly summary

Highlights

Unaudited management accounts reflect the following revenue performance for the period ending 30 June 2018

- Revenue in FY18 compared to FY17 is 363% greater
- Revenue in Q4FY18 compared to Q3FY18 is 167% greater
- Revenue in Q4FY18 was in excess of \$3.95m
- Unaudited revenue for the 6 months from 1st January 2018 to 30th June 2018 was in excess of A\$5.5m

Cash Receipts increased to A\$2.633m, representing a 67.4% increase versus the March quarter of A\$1.571m



Management focus is on building a global, long term sustainable business

“Our fixed cost based has remained relatively stable – our Cost of Goods have temporarily increased to facilitate sustainable long term growth under unexpected conditions.”

Questions Received

Discussing the “Supply Issues”

- ISX contracted with two major acquirers – the NAB and Worldline, on the basis that
 - These deals were **wholesale**
 - Could support our intended operations into MCC6211 and 6051
 - Would cashflow us on a daily basis
- ISX then contracted merchants on terms that may be daily or weekly settlement, based on these supply arrangements
- Subsequent to our contracting merchants, both WLN and NAB, for similar reasons, are now unable or unwilling to supply us into our MCC6211 and 6051 target merchant base. **Both OK to supply ISX in other MCC's, under wholesale rates.**
- The Company quickly executed a series of **discounted retail supply** agreements, in order to ensure we can meet our contracted commitments to merchants.
- **These are short term supply issues**, with our own Tier 1 facilities being available on a visible horizon.
- The *impact of the wholesale versus retail discount* supply agreements are auditable, and whilst at a lower margin, are still gross profit positive (Sales price minus COG).
- **We have EU supply capability to meet our merchant's demand requirements.**

Discussing the “Cash to Revenue Lag”

The Company has several products, including EMA, Card Acquiring, APM's, KYC, One Off setup and establishment Fees

EMA accounts – fees are invoiced and charged at End of Month. Our fastest growing sector.

Card Acquiring – fees should be booked at daily or weekly settlement, however, with the new supply arrangements, our fees may be paid at a later stage (eg weekly or monthly) as the supplier may deduct their fees, before forwarding monies to us. Whilst merchant is settled daily (T+1) or weekly (T+7) by ISX, we may be settled fortnightly by our supplier (T+14), until our own settlement facilities are in place (T+1).

APMs Settlements- some we control, others are controlled by the APM and thus our cash settlement lags by up to 7 days. Invoiced at settlement

KYC Fees– invoiced monthly on 30 day terms

One off Fees / One off Setups (Integrations) < 15% of revenue (recur on each new agreement) - Invoiced at milestone on 30 day terms

The Company provides an integration service to some contracted clients. These integration services relate to the CRM platforms that our clients required in order for volume to flow between the Consumer the Merchant and iSignthis.

The service is offered in order to bring forward revenue with our merchants, as their internal resources would need to be diverted in order to connect, where we have capacity to do this from them. While this is a lower margin revenue item than other product offerings it does allow for higher margin products to commence operation sooner.

Discussing the “6211, 6051 and HBR Opportunity” in Australia

ISX is in pole position to exploit the Australian MCC6211 market, given the NAB has notified merchants and ISX that it intends to exit MCC's in HBR, the non HBR MCC6211 and MCC6051, except '**gaming**' which includes Betting, Lottery Tickets, Casino Gaming Chips, Off-Track Betting, and Wagers at Race Tracks

- MCC6211 represents a > ~\$30Bn GPTV in Australia
- Of the Tier 1 acquirers, only the CBA and NAB have **historically** shown interest and risk appetite in MCC6211.
- No other Tier 1 or Tier 2 acquirer presently supports MCC6051, which is a further >\$1-2Bn GPTV
- We anticipate some competition from Tier 2 players, however, the complexity and technical requirements of the incoming card scheme rules for MCC6211 and 6051 will preclude most from providing services.
- Tier 2 players may also be restricted by their relationship with their agreements with their Tier 1 acquirers (like ISX will soon be with the NAB)
- The company has no plans to enter HBR, other than 'gaming', which has been previously flagged as a future sector by ISX
- ISX wholesale agreement with NAB is still operable for retail, and 'gaming', but not MCC6211 and 6051 post notice period.
- The Company is confident of resolving its Australian MCC6211 and 6051 supply requirements **well before the NAB notice period expires.**

Examples of Tier 1 card acquirers (ie Principal members of the major card schemes in Australia region)

NAB, CBA, WPC, ANZ, Cuscal, Adyen, First Data (mainly a wholesaler) & ISX (Amex, Mastercard)

Examples of Tier 2 (Associates of the Tier 1 acquirers)

Braintree, Paypal, Stripe, Securepay (AustraliaPost)– these providers do not address/target HBR, 6051 or 6211.

HBR = High Brand Risk, and includes Direct Marketing Travel Related Arrangement Services, Direct Marketing Inbound & Outbound Telemarketing Merchants, Drug Stores and Pharmacies, Drugs, Drug Proprietaries, and Druggist Sundries and Betting, Lottery Tickets, Casino Gaming Chips, Off-Track Betting, and Wagers at Race Tracks

Discussing “Recurring Revenue” & “Margins”

The Company has as at today's date, merchants with significant contribution to revenue as follows

- 3 active AUS Merchants in MCC6211, with 2 ready to go live with Visa + Mastercard + APM's
- 2 active EEA merchants in MCC6051, with 1 ready to go live with Visa + Mastercard + APM's
- 3 active EEA merchants in MCC6211, with 3 ready to go live with Visa + Mastercard + APM's
- Actual GPTV at present is difficult to estimate due to surging volumes together with technical issues last 2 months
- Contracted GPTV is > \$600m, and will come ~fully on stream by mid September

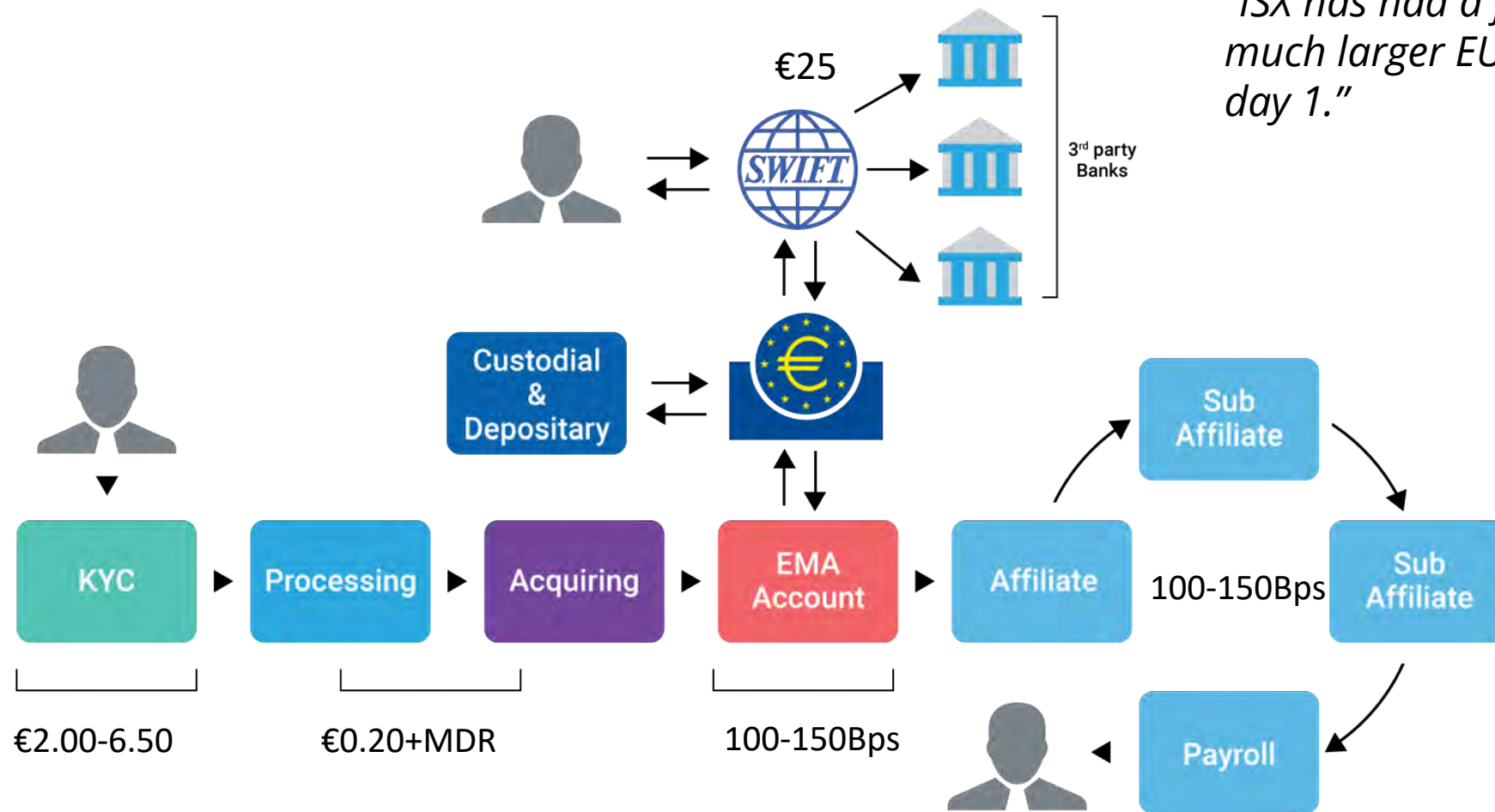
EEA

- We are a full principal member of Mastercard, Visa and JCB in the EEA (Tier 1)
- Margins in the EEA are thin (~20bps) until own Tier 1 network is in place., and will then improve by ~130Bps
- Tier 1 connection to Mastercard and Visa expected in 6-8 weeks,
- JCB (new revenue stream) in 2-3 weeks across almost all above EEA merchants

Australia

- Tier 1.5 (hybrid) connection negotiations underway in Australia
 - Option 1 - our license, others (3rd party) infrastructure. Best case impact, with gross margin at ~100Bps. Commercially complex
 - Option 2 - circa 50Bps margin. Commercially and technically straight forward.
 - Option 3 - 10Bps net improvement on NAB margin, but technically much more challenging.
- **Our own Principal Tier 1 connection within 12 months** = ~150Bps margin *and independence to execute our strategy.*

Discussing “eMoney” and EMA’s



“ISX has had a focus on the much larger EU market from day 1.”



PRINCIPAL MEMBER



September quarter outlook

- iSignthis has added a number of banking products and services available within the EEA which provide transactional fees based income. Fees on a per client basis for movement of funds through our system are within the range of 100bps to 450bps, dependent upon which ISXPay® services are contracted by the Client.
- The company has commenced the relevant regulatory applications to seek approval to replicate the EEA banking products and services in Australia.
- The regulatory environment is becoming more complex, together with the noted withdrawal by many traditional banks in provide banking services to the AML regulated sector. This is presenting the Company with an increasing market opportunity that exceeds previously estimated levels. The Company's Payidentity™ solution delivered via ISXPay® services underpins our ability to deliver services in this highly regulated and complex environment. The Company anticipates customer numbers and revenue growth will continue to be strong across its domestic and international businesses in the coming quarters, but due to the surging and unpredictable nature of the growth experienced in recent quarters will not be providing specific guidance at this time.
- The Company continues to explore new products and services into areas where traditional banking providers are in retreat, or do not have the capability to deliver against the new regulatory requirements.
- **Our fixed cost base has remained relative and stable. Our Cost of Goods has temporarily increased, but each service line still delivers a positive gross profit.**

iSignthis Ltd, the ASX's newest Principal
Acquirer and Deposit Taking Institution

What kind of businesses need our services?

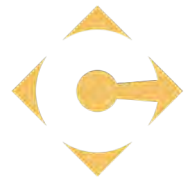
Any online business that has transactions taking place on their platforms, but more importantly, AML regulated entities such as:

- Financial Institutions,
- Banks, lending, crowdfunding, pension funds,
- Securities / equities,
- FX, CFD, binaries, and futures traders,
- Gaming, wagering, betting, casino's,
- Money services businesses,
- Payment service providers,
- Insurance providers,
- Real estate,
- Digital currency platforms,
- eWallets, Fintech,
- Digital Currency Exchanges
- other AML/Patriot Obligated businesses, and
- **Ourselves, as a deposit taking EU regulated Monetary Financial Institution!**

Our offices



A diversified portfolio of global companies



Coinify

Buy**Coin**Now .com

BLOCKCHAIN



VALUTRADES

FINSA.

PRASOS



Gobbill[™]

pioneer
credit



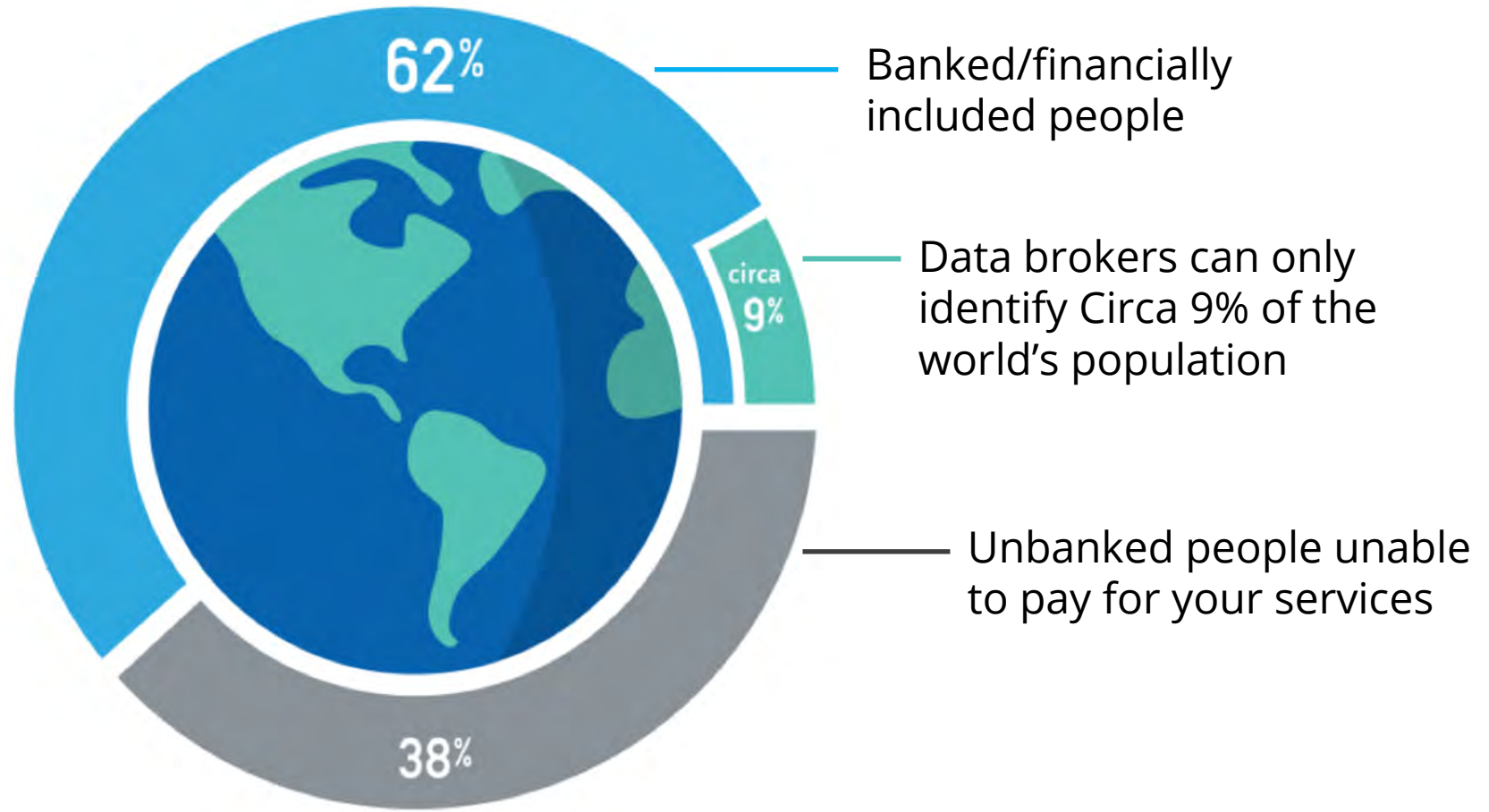
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Knowing your customer is critical in
establishing trust.

iSignthis helps online businesses
identify and verify their customers,
to establish trust and reduce risks

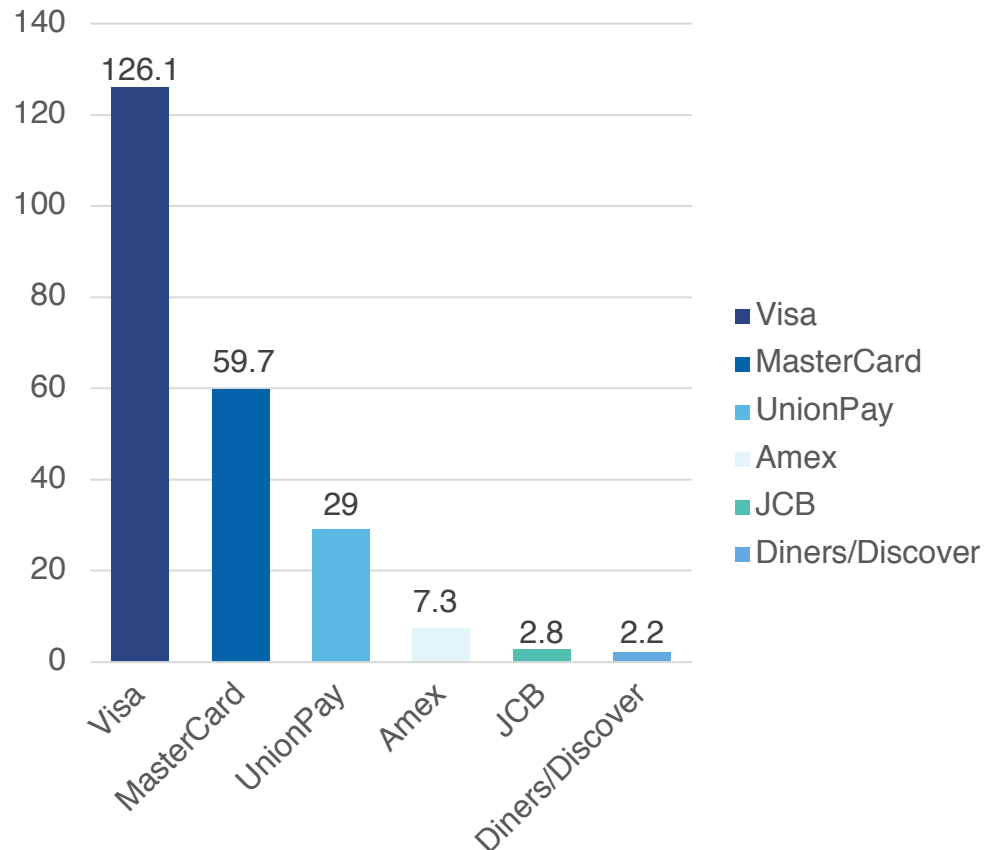
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World Population

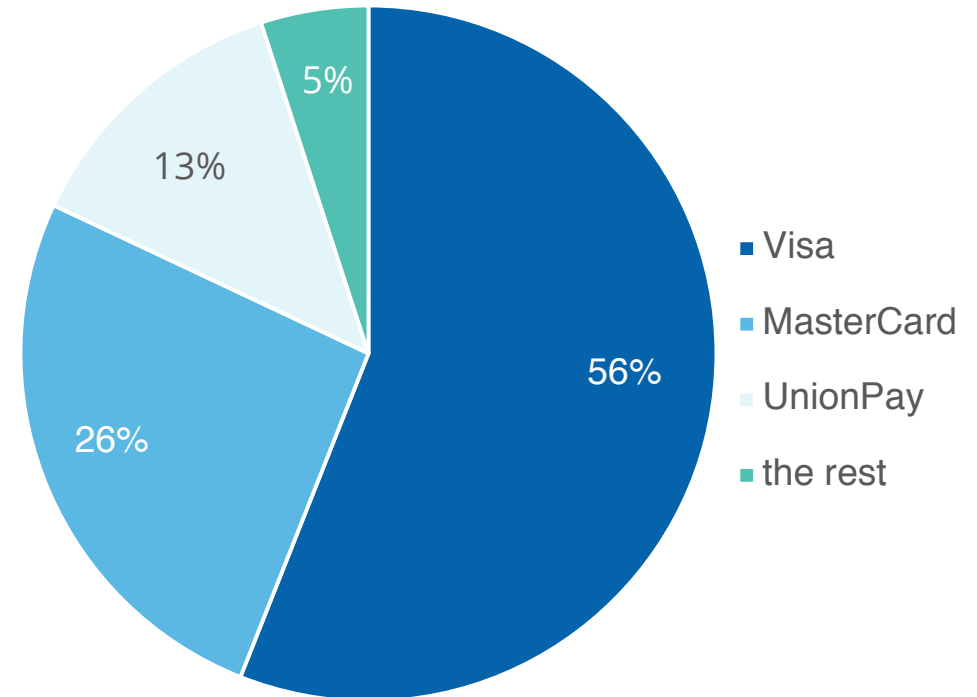


Cards – The Largest Payment Source

Purchase Transactions on Global Cards in 2015 (Bil.)



Market Share

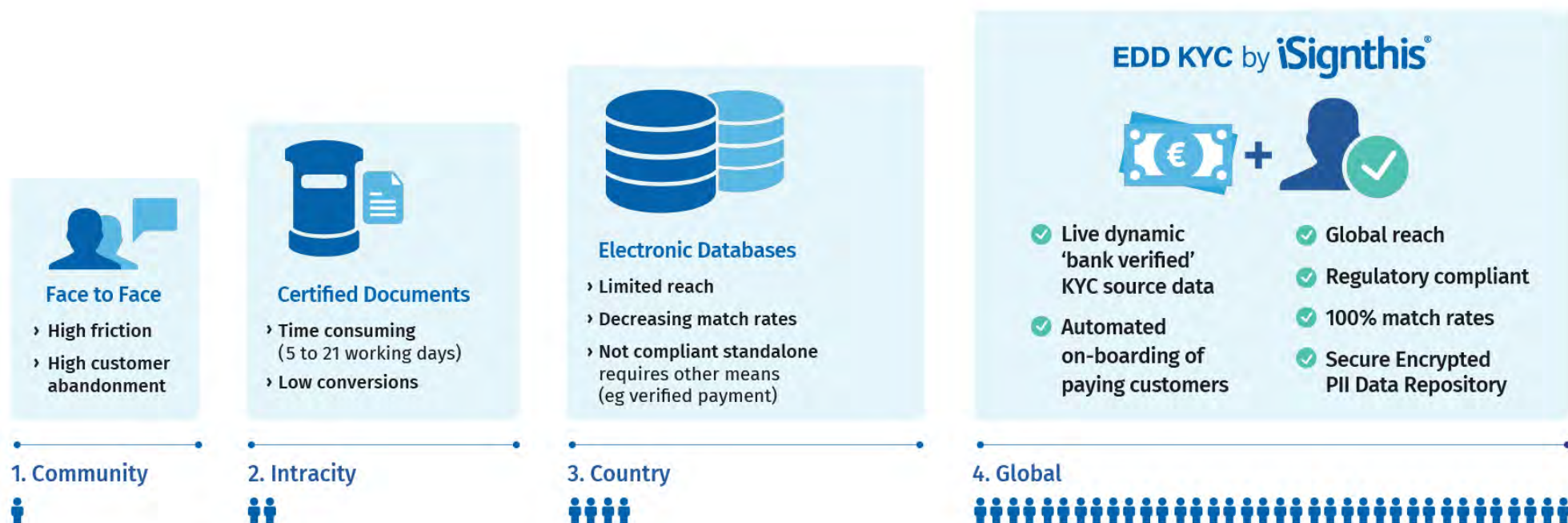


- 9.5Bn cards on issue, globally
- According to Nilson, 3.5Bn are unique
- McKinsey estimates that 51% of the world's population is "banked" – corresponding also to ~3.5Bn persons.

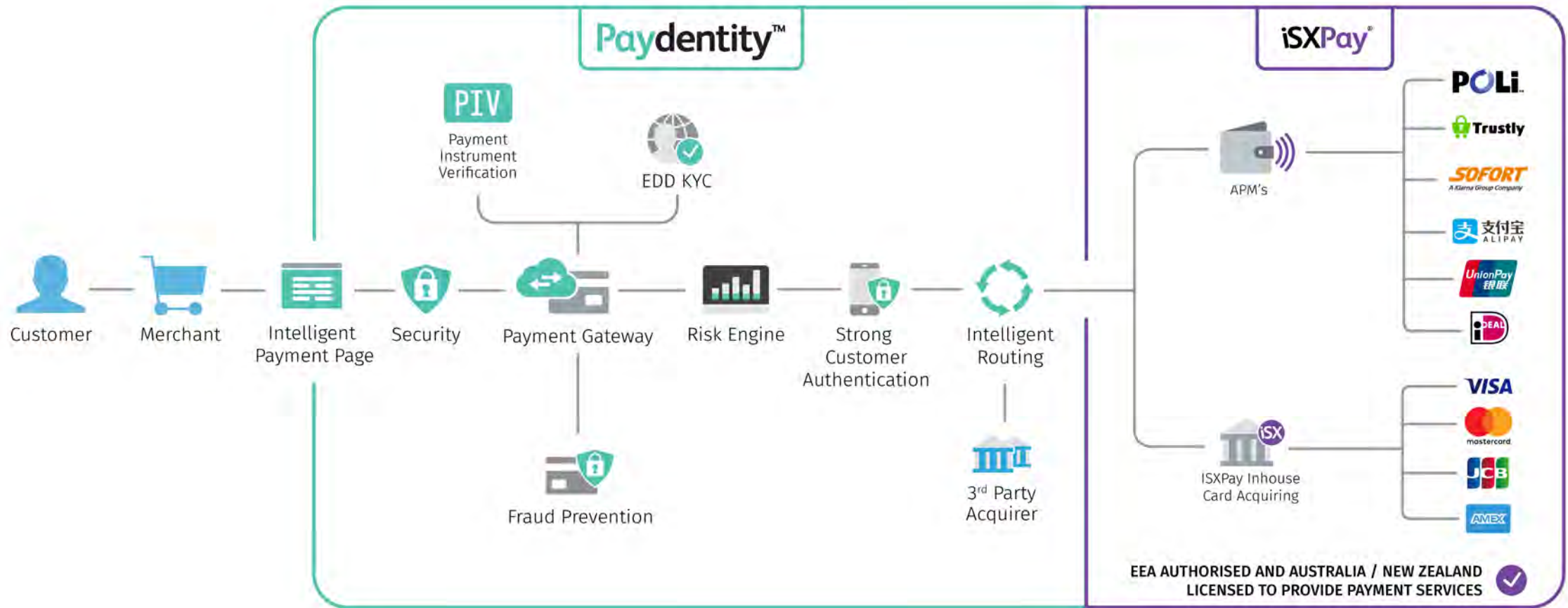
Establishing identity

There are four globally viable, commercial and generally compliant means to perform a Know Your Customer (KYC), all of which rely on bank or government sources.

Paydentity™ incorporates bank issued account, credit and debit cards, being ubiquitous online payment sources, but also the largest single source of KYC data accessible globally.

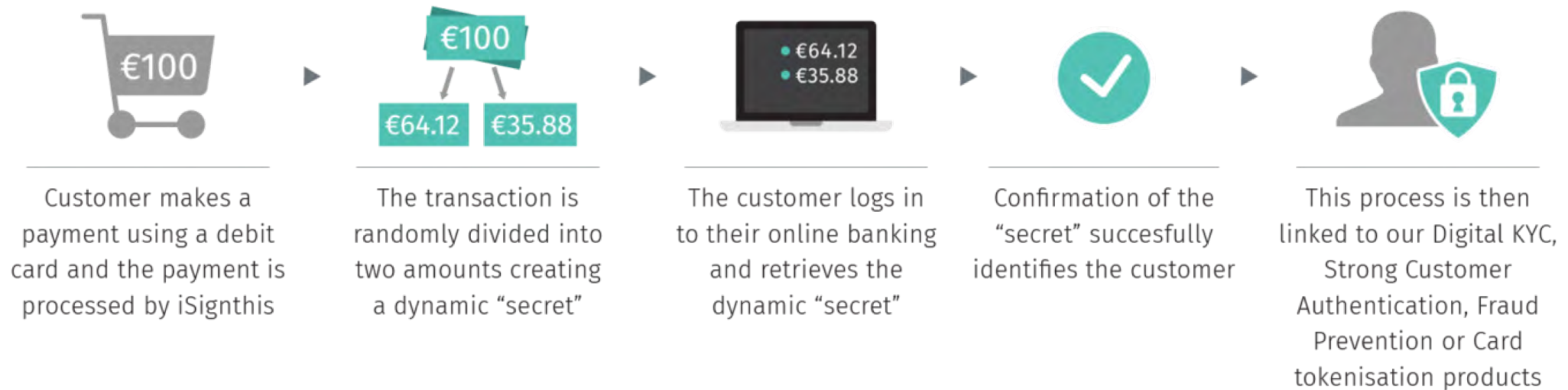


A single API – direct to Tier 1 services



Our technology advantage

Patented technology that uses a split payment method to verify identity



We go Beyond Banking.

“ We are a next generation financial institution that has the capabilities of a corporate bank, but uses *really smart* technology to meet business' needs today, and into the future. ”



We are a deposit taking, **eMoney**, institution

A principal member of:

- Visa
- Mastercard
- JCB



Aggregation Agreement:

- AMEX

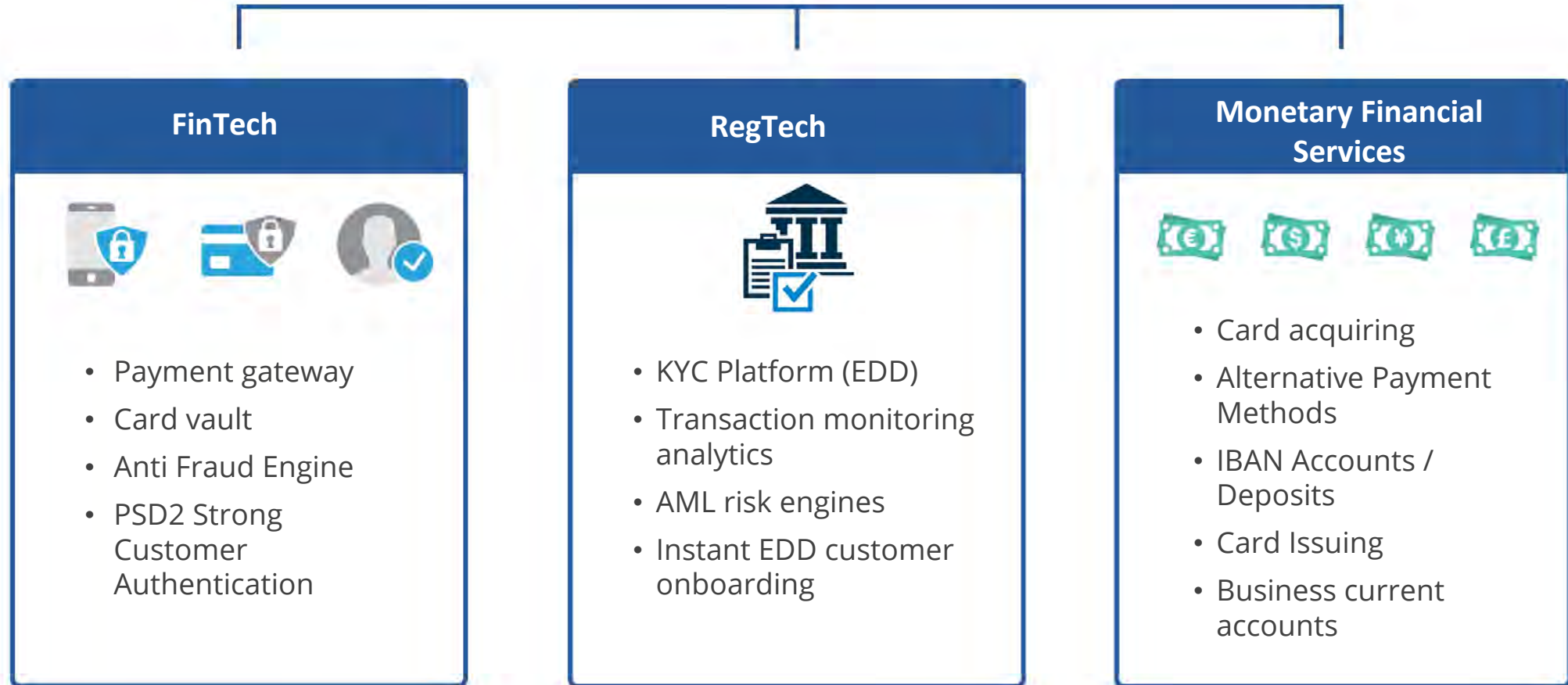


Bank to Bank

BIC : ISEMCY22
BIC : ISEPAU31
BIC : ISIGAU31



A global, scalable, cloud based service,
operating with a hybrid model





We are driving change in the way that
payments and banking are done.
We are creating a real impact in the
fintech, regtech and banking industry.



A deep dive into our tech stack



THANK YOU

John Karantzis, CEO
&
Todd Richards, CFO

iSignthis (ASX : ISX | DE_FRA : TA8)

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