



On an acquisition and client signing spree

Complii FinTech Solutions Ltd (ASX:CF1; Complii) acquired PrimaryMarkets in November 2021, making it the third major acquisition since 2019. PrimaryMarkets is Australia's leading online share Trading Platform for unlisted companies and funds and assists these companies in their capital raising and share registry requirements. We believe the recent aggregation of PrimaryMarkets in Complii's portfolio will provide wide-ranging benefits, such as expanded global investor base, a diversified high-margin revenue mix and access to a market-leading global technology Trading Platform with online KYC/AML and Escrow Services. Further, this acquisition opens up a completely new trading market for Complii in the private/unlisted company space. This transaction is expected to lead to a significant increase in the combined group's revenue and margin from Q2 FY 2022.

Robust trajectory of client wins

Complii continued to enjoy another quarter of strong AFSL (stockbrokers and financial planning firms) client wins. During Q1 FY 2022, the company added 7 new organisations bringing the total client count to 103.

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

With this, Complii has successfully crossed the milestone of a century of clients and it has now onboarded 17 new clients since December 2020. We continue to have a positive outlook for Complii underpinned by its expanding clientele and value-accretive acquisitions. Complii's clients have raised funds of A\$14.6B in FY21 using Complii's Adviser Bid platform. The group is now in a position of market leadership with first mover advantages and will market all services under Complii's Corporate Highway online platform.

Valuation reiterated

We reiterate our valuation based on DCF at A\$0.13 per share base case and A\$0.27 per share bull case. There will be noteworthy benefits of the PrimaryMarkets acquisition but this transaction has led to an increase in diluted shares of the combined entity, leading to no material change in the valuation range. However, the upside potential of the stock continues to remain significant. Please refer to page 6 for details on share price catalysts and risks.

Share Price: A\$0.06

ASX: CF1

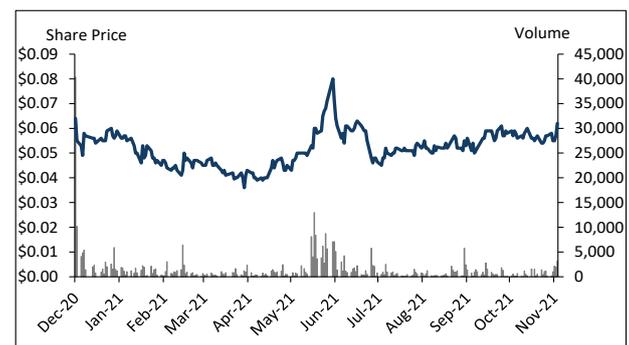
Sector: Technology

23 November 2021

Market cap. (A\$ m)	25.8
# shares outstanding (m)	410.2
# shares fully diluted (m)	529.2
Market cap ful. dil. (A\$ m)	33.4
Free float	86.7%
52-week high/low (A\$)	0.080 / 0.036
Avg. 12M daily volume ('1000)	1,560.5
Website	www.complii.com.au

Source: Company, Pitt Street Research

Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

Valuation metrics	
DCF fair valuation range (A\$)	0.13–0.27
WACC	11.5%
Assumed terminal growth rate	2.0%

Source: Pitt Street Research

Analysts: Stuart Roberts, Cheng Ge

Tel: +61 (0)447 247 909

stuart.roberts@pittstreetresearch.com

cheng.ge@pittstreetresearch.com



Table of Contents

Spreading its wings in private listing market	3
Q1 FY2022 results validate strong growth trajectory	4
Valuation reiterated	5
Catalysts	6
Key risks	6
Analysts' Qualifications	7
General advice warning, Disclaimer & Disclosures	8



Spreading its wings in private listing market

Complii completed the acquisition of PrimaryMarkets Limited on 3 November 2021, making it the third major acquisition deal since 2019. PrimaryMarkets, founded in 2016, is Australia’s leading online share Trading Platform for unlisted companies and funds. Further, privately-held companies can gain access to capital through PrimaryMarkets’ network of over 110,000 global investors. Notably, PrimaryMarkets has listed over 383 companies on its platform and traded over A\$187m in securities to date. The company derives its revenue from a mix of one-time and recurring sources including upfront listing fees, set-up fees, monthly maintenance fees, trading fees, administration fees and share registry services.

Complii acquired PrimaryMarkets in an all-scrip offer making the entity its wholly-owned subsidiary. The consideration was the issuance of 105m Complii shares and 37m options, resulting in shareholders of PrimaryMarkets owning ~25% of the combined entity. Moreover, as part of the deal, Gavin Solomon, the Founder and Executive Co-Chairman of PrimaryMarkets, joined the Complii board as Executive Director. Gavin brings over 35 years of experience in Australian and Asian equity capital markets, thereby strengthening the leadership at Complii.

We believe that the PrimaryMarkets deal is a pivotal transaction for Complii and will provide multitude of benefits:

- **Substantial increase in investor network.** PrimaryMarkets boasts of a network of over 110,000 investors across 119 countries and this will be a valuable addition to Complii’s current customer base (Figure 1), providing it tremendous cross-selling opportunities. Notably, some of the prestigious trading opportunities on PrimaryMarkets include USA unicorns such as Kraken as well as 2 Australian Unicorns in gaming technology namely Animoca Brands (EV A\$3.2B) and VGW (EV A\$2.9B).

PrimaryMarkets is Australia’s leading online platform for trading shares in unlisted companies

The deal expands the breadth and depth of customer base for Complii

Figure 1: Expanded customer base of combined entity

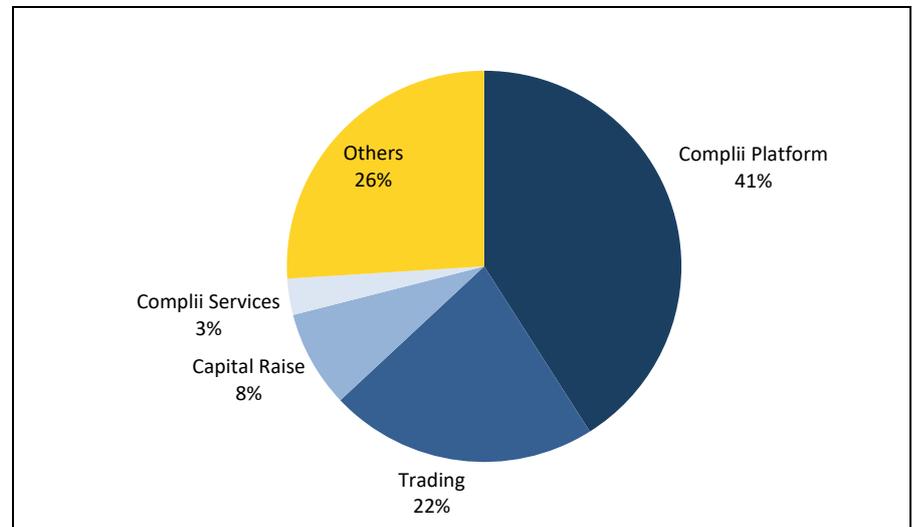
	Complii	PrimaryMarkets	Total
Stockbroking, investment and advisory firm clients	103	33	136
Number of members and subscribers	3,500	7,000 (110,000 subscribers)	10,500
Companies on trading platform	-	383	383

Source: Company

- **Widened product portfolio and revenue diversification.** The merger combines the complementary businesses that serve stockbrokers and investment advisory firms as well investors and companies in their capital raising activities. PrimaryMarkets adds an entirely new high-margin business stream of servicing private/unlisted companies and funds. Complii now has an extended set of offerings for its clients and the deal has helped diversify the overall revenue mix (Figure 2).



Figure 2: Revenue mix of combined entity



Source: Company

Limited competition for PrimaryMarket in Australasia

- **Market-leading technology.** PrimaryMarkets is a pioneer in providing a technology-based trading solution for share trading in unlisted/private entities. It is renowned for its end-to-end trading solutions as well as its ability to scale up the number of complementary services that it can provide to clients via the same platform. The company has no significant existing competitor in Australasia. We think there are strong synergies to be realised across the technology teams of Complii and PrimaryMarkets.
- **Expanded end markets.** The deal extends the combined entity's reach across both public and private capital markets, thus making Complii a one-stop shop for existing and potential financial sector clients.
- **Near-term financial benefits.** The PrimaryMarkets transaction is expected to benefit the top line and lead to higher margins for Complii, starting as early as FY 2022. The management has estimated pro-forma Q1 FY 2022 revenue for the consolidated entity to be ~A\$1.8m, which is two-thirds of the entire FY 2021 revenue of ~A\$2.7m. The Q1 FY 2022 revenue registered by just Complii is ~A\$0.7m, implying that PrimaryMarkets will be driving the majority of addition to the top line. At the same time, the expenses of the consolidated group are estimated to go down, supporting the premise of improved profitability.

Witnessed another quarter of steady increase in client addition

Q1 FY2022 results validate strong growth trajectory

We continue to be encouraged by another strong quarter of results from Complii (excluding PrimaryMarkets). The company signed 7 new clients in the quarter bringing the total AFSL organisations count to 103, thus successfully crossing the milestone of a century of clients that the management had set previously. Notably, there was no churn in client accounts this quarter and Complii has now onboarded 17 organisations since December 2020. We believe the sales outlook continues to be positive and the addition of clients in this quarter will help uplift the recurring revenues in the next quarter. Also, Complii had a healthy cash balance of ~A\$3.3m as of 30 September 2021 with R&D rebate of ~\$915,000 anticipated to be received in Q2 FY 2022, and this can be used for funding organic and inorganic growth opportunities. In



addition, the group now has absorbed the PrimaryMarkets cash at bank as from 3rd November 2021.

Valuation reiterated

We revisited our valuation assumptions from July 2021 to largely factor in the following changes:

- Revenue and margin benefits accruing in the future years due to the PrimaryMarkets acquisition (Figure 3).
- Increase in share dilution driven by the all-scrip financing of the acquisition, which involved issuance of additional shares and options.

Figure 3: Change in estimates (annual)

In A\$m	FY 2022F		FY 2023F	
	Old	New	Old	New
Group Operating Revenue	\$3.7	\$6.9	\$5.6	\$8.7
% change		86%		55%
EBIT	-\$0.4	\$0.5	\$0.6	\$1.3
y/y change		NM		120%

Source: Pitt Street Research

The net result of the above-mentioned changes on the valuation range is not significant when compared with our prior valuation conducted in July 2021. The upside potential of the stock remains substantial though (Figure 4 and Figure 5) and we remain confident on the company's potential to deliver on its potential.

Figure 4: Base case DCF

Valuation (AUD)	
Present value of FCF	25.3
Present value of Terminal FCF	38.1
Enterprise Value (m)	63.4
Net debt (cash)	(4.5)
Minority interest	-
Other Investments	-
Equity value (m)	67.9
Diluted shares	529.5
Implied price (A\$)	0.13
Current price (A\$)	0.06
Upside (%)	103.5%

Figure 5: Bull case DCF

Valuation (AUD)	
Present value of FCF	50.6
Present value of Terminal FCF	89.0
Enterprise Value (m)	139.6
Net debt (cash)	(4.5)
Minority interest	-
Other Investments	-
Equity value (m)	144.1
Diluted shares	529.5
Implied price (A\$)	0.27
Current price (A\$)	0.06
Upside (%)	331.9%

Source: Pitt Street Research



Catalysts

We think the following factors can help Complii's stock price move toward our fair valuation range:

- Better-than-expected growth in client additions during subsequent quarters of FY 2022.
- Additional higher margin revenue streams from PrimaryMarkets.
- Further complimentary and value-accretive acquisition or partnership deals.
- Launch of new products that have high acceptance among existing customers.

Key risks

We see following risks associated with Complii:

- **Slower-than-expected product uptake by customers.** There is execution risk associated with the new product modules (e.g., Risk Management System and Financial Crimes Platform) and their acceptance by the existing client base.
- **Higher-than-expected customer churn.** There is a risk that competitive actions or industry pressures in the end market, such as drastic regulatory changes, could result in higher customer churn.
- **Extent of synergies being realised.** There is a risk that the recently acquired entities witness low growth and synergies as compared with management's expectations.
- **Risk of data breaches and intellectual property risk.** Given that the company stores critical data on its own systems and networks as well as with various third-parties, it becomes vulnerable to risks associated with data breaches.



Analysts' Qualifications

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, as well as numerous emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research's Resources Sector franchise, spearheading research on both mining and energy companies.

Cheng Ge is an equities research analyst at Pitt Street Research.

- Cheng obtained a B.Com in Finance and an LLB from the University of New South Wales in 2013. He also passed all three levels of the CFA Program.
- Before joining Pitt Street Research, he worked for several financial services firms in Sydney, where his focus was on financial advice.
- He joined Pitt Street Research in January 2020.

General advice warning, Disclaimer & Disclosures

Terms & Conditions

The information contained herein ("Content") has been prepared and issued by Pitt Street Research Pty Ltd ACN 626365615 ("Pitt Street Research"), an Authorised Representative (no: 1265112) of BR Securities Australia Pty Ltd. ABN 92 168 734 530, AFSL 456663. All intellectual property relating to the Content vests with Pitt Street Research unless otherwise noted.

Disclaimer

Pitt Street Research provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the Pitt Street Research in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. Pitt Street Research has no obligation to update the opinion unless Pitt Street Research is currently contracted to provide such an updated opinion. Pitt Street Research does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in a listed or unlisted company yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of an individual investor's equity portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise.

Pitt Street Research does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, Pitt Street Research shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, Pitt Street Research limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

General advice warning

The Content has been prepared for general information purposes only and is not (and cannot be construed or relied upon as) personal advice nor as an offer to buy/sell/subscribe to any of the financial products mentioned herein. No investment objectives, financial circumstances or needs of any individual have been taken into consideration in the preparation of the Content.

Financial products are complex, entail risk of loss, may rise and fall, and are impacted by a range of market and economic factors, and you should always obtain professional advice to ensure trading or investing in such products is suitable for your circumstances, and ensure you obtain, read and understand any applicable offer document.

Disclosures

Pitt Street Research has been commissioned to prepare the Content. From time to time, Pitt Street Research representatives or associates may hold interests, transact or hold directorships in, or perform paid services for, companies mentioned herein. Pitt Street Research and its associates, officers, directors and employees, may, from time to time hold securities in the companies referred to herein and may trade in those securities as principal, and in a manner which may be contrary to recommendations mentioned in this document.

Pitt Street Research receives fees from the company referred to in this document, for research services and other financial services or advice we may provide to that company. The analyst has received assistance from the company in preparing this document. The company has provided the analyst with communication with senior management and information on the company and industry. As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in the report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing this report and making the recommendation. Where Pitt Street Research has been commissioned to prepare Content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the Content provided.