



On track to deliver on its vision

Complii FinTech Solutions Ltd (ASX:CF1) aims to become a leading name in the financial services industry within its targeted risk, compliance and business technology domain. The company is well positioned with its current resources and funding and expects to achieve its business objectives, aided by strong annual recurring revenue (ARR) now supplemented with strong transactional revenue streams. It continues to grow its client base, which is at 107 AFSL firms with 3,500+ registered users at the end of Q2 2022, whilst providing new seamless trading services for its AFSL clients.

Cashflow positive quarter with strong cash at bank position

Complii registered a strong quarter with revenue up 370% at A\$2.6m in Q2 2022 compared with A\$0.70m in Q1 2022, excluding any R&D receipts. The growth was largely driven by the contribution from the acquisition of PrimaryMarkets, but that was only for two months in Q2. Complii's cash balance was at A\$4.8m in Q2 2022, an increase of A\$1.5m over the previous quarter. The company's strong cash position will help the company execute its organic growth strategy as well as to explore opportunities for further acquisitions and business expansion.

Integration of PrimaryMarkets to boost Complii's transactional revenue

PrimaryMarkets' trading platform will be integrated with Complii's platform in Q3 2022, enabling all AFSL clients and their advisers to trade unlisted securities within Complii's core compliance framework. This is likely to contribute significantly to the company's transactional revenue in the future. We believe the acquisition will help Complii to boost its revenues for both ARR and transactional streams while realizing cost synergies leading to net margin improvement.

Valuation A\$0.13 per share base case, \$0.28 optimistic case

There has been above expectation benefits of the PrimaryMarkets acquisition and even though this transaction did increase the diluted shares of the combined entity it did not lead to any material change in the valuation range. The upside potential of the stock continues to remain significant.

Please refer to page 5 for details on key catalysts and risks.

Share Price: A\$0.085

ASX: CF1

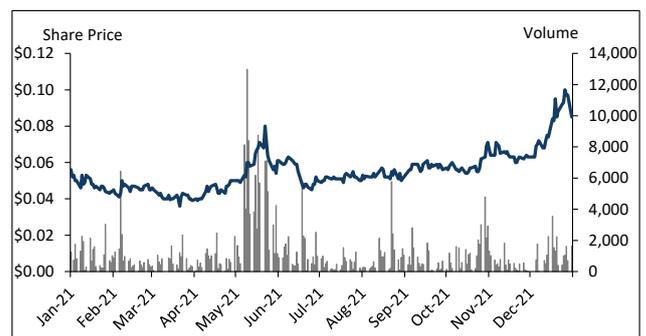
Sector: Technology

25 January 2022

Market cap. (A\$ m)	410.2
# shares outstanding (m)	34.9
# shares fully diluted (m)	529.5
Market cap ful. Dil. (A\$ m)	45.0
Free float	86.7%
52-week high/low (A\$)	10.0 / 3.6
Avg. 12M daily volume ('1000)	1,243.7
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\$)	0.13–0.28
WACC	11.5%
Assumed terminal growth rate	2.0%

Source: Pitt Street Research

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Revenue growth in Q2 2022 was driven by consolidation of PrimaryMarkets business for 2 months

Profitable Q2 FY 2022 (excluding R&D incentives)

Complii reported revenue at A\$2.6m in Q2 2022 as against A\$0.70m in Q1 2022. The jump in revenue was primarily driven by the two month consolidation of PrimaryMarkets business during Q2. Complii completed the acquisition of PrimaryMarkets, an Australian share trading and registry platform for unlisted companies and funds, on 3 November 2021.

PrimaryMarkets generated revenue of A\$455k in October 2021, prior to the takeover by Complii, and hence was not included in the company's Q2 revenue figures. Additionally, R&D grants received by PrimaryMarkets have not been included in Q2 sales numbers either. Complii received R&D tax incentive rebate of A\$942k during the quarter but this related solely to activities in FY 2021.

The group's ARR increased by A\$106k in Q2 2022, generated from new clients as well as from providing additional functionality to existing clients. Staff costs accounted for 32% and 40% share of receipts from customers in Q2 2022 and 1H 2022, respectively. Administration and corporate costs accounted for 43% and 55% share of receipts from customers in Q2 2022 and 1H 2022, respectively. Cash at bank increased by 45% to A\$4.8m from A\$3.3m and end Q1 2022. The company does not have any debt on its books which provides it enough scope to raise funds in the future to fund potential transactions.

Complii's focus on business development has enabled it to successfully deliver major projects during the quarter, which include:

1. Compliance:
 - Initial release of the next-generation Statement of Advice (SOA3000) automation and Adviser workflow efficiency.
 - Complaints module.
2. Capital Raising:
 - Corporate Highway (Broker Distribution Platform) release to enhance placement distribution capability.
 - Adviser Bid (electronic bidding/allocation system) enhancements to improve performance and support future growth.

Acquisition of PrimaryMarkets will allow Complii's customers to trade securities of unlisted and private companies, driving the transactional revenue for the group

PrimaryMarkets' trading platform to widen Complii's offerings

Complii's existing core platform allows its extensive AFSL customers to raise new capital in both listed as well as unlisted securities. The integration of PrimaryMarkets will open new growth opportunities for Complii, as the PrimaryMarkets trading platform enables customers to trade securities in unlisted and private companies. This will boost the Group's transactional revenue, which was evident from the growth in the company's revenue in Q2 2022. Further, since PrimaryMarkets' trading platform does not have any prominent competitor in all of Australasia, Complii will be able to offer a one-of-its-kind trading platform to its customers, giving it a competitive edge over its existing peers and future new entrants in the market.

Gavin Solomon, the founder of PrimaryMarkets, has joined Complii's board as an Executive Director. He has over 35 years' experience in the Australian and Asian Equity Capital Markets, which will allow him to contribute to Complii's future growth.



Other highlights of Q2 2022

- PrimaryMarkets relocated its operations to combine them with Complii's existing headquarters in Sydney. This has resulted in annual rental savings of A\$170K for the combined entity.
- The company supplemented its revenue streams by adding transactional revenue and new recurring revenue categories to its existing recurring revenue model.
- Total client base increased to 107 AFSL firms, with four new AFSL clients added in the quarter. These clients represent over 3,500 registered users of the Complii platform.

Way forward

Complii plans to complete the integration of PrimaryMarkets' trading platform into its existing platform in Q3 2022, following which Complii's network of AFSL clients and their advisers can seamlessly trade unlisted securities within the core compliance framework offered by Complii. Further, the company plans to release a new staff trading module for its AFSL clients in Q3 2022, designed to accommodate all relevant compliance necessities, such as staff order pre-approval, tracking and post-trade workflow management and review.

The group will remain focussed on the executing its organic growth strategy, which includes developing new products and delivering new services for its existing AFSL clients to improve compliance-related efficiencies. Further, it aims to increase its customer and investor network base while on-boarding new clients to its platform.

The company also plans to grow its recurring revenue by expanding its service offerings in the financial services sector, with primary focus on Australasia. Singapore and Hong Kong could serve as future potential growth markets for the company. Lastly, the company will continue to explore new business expansion and merger/acquisition opportunities to support future revenue growth.



Utilisation of funds so far

Complii had successfully raised A\$7m on 10 December 2020. Below is the progress on its expenditure program, as per its prospectus released on 11 November 2020.

Use of Funds	Maximum \$7m Subscription	Actual Q2 2022 Spend	Current Status
Complii product development and integration	A\$1,580,000	A\$410,000	On track
Marketing of Complii Platform	A\$1,000,000	A\$109,000	On track
Strategic and acquisition opportunities	A\$690,000	A\$90,000	On track
Business expansion costs	A\$2,000,000	A\$293,000	Seeking additional opportunities
Costs of the Public Offer	A\$721,000	-	Completed
Other costs associated with the Proposed Acquisition of Complii	A\$250,000	-	Completed
Working capital following Public Offer	A\$759,000	A\$1,143,000	Exceeded
Total funds	A\$7,000,000	A\$2,045,000	

Source: Company announcement

Valuation reiterated

In November 2021 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 1).
- Increase in share dilution driven by the all-scrip financing of the acquisition, which involved issuance of additional shares and options.

Figure 1: 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
<i>% change</i>		86%		55%
EBIT	-\$0.4	\$0.5	\$0.6	\$1.3
<i>y/y change</i>		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 2 and Figure 3) and we remain confident on the company's potential to deliver on its potential.



Figure 2: Base case DCF

Base Case	
Valuation (AUD)	
Present value of FCF	24.2
Present value of Terminal FCF	39.9
Enterprise Value (m)	64.0
Net debt (cash)	(4.2)
Minority interest	-
Other Investments	-
Equity value (m)	68.2
Diluted shares	529.5
Implied price (A\$)	0.13
Current price (A\$)	0.085
Upside (%)	51.5%

Figure 3: Bull case DCF

Bull Case	
Valuation (AUD)	
Present value of FCF	50.3
Present value of Terminal FCF	91.7
Enterprise Value (m)	142.0
Net debt (cash)	(4.2)
Minority interest	-
Other Investments	-
Equity value (m)	146.2
Diluted shares	529.5
Implied price (A\$)	0.28
Current price (A\$)	0.085
Upside (%)	224.8%

Source: Pitt Street Research

Catalysts

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

- Better-than-expected growth in client additions during subsequent quarters of FY 2022.
- Additional higher margin revenue streams (both ARR and transactional) 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 the 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 might witness lower growth and synergies as compared with the 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.

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