

MOBI724 GLOBAL SOLUTIONS INC. (MOS – TSX-V C\$0.05)

Recommendation: BUY
Target Price (18-24 Mths): C\$0.57
Prior Target Price: C\$0.65
Risk: High

Market Data

Current Price C\$0.05
52-Wk Range C\$0.05-0.225
Mkt. Cap. (mm) C\$11
Dividend C\$0

Financial Data

Fiscal Y/E December 31
Shares O/S Basic (mm) 209
2017A Revenues (mm) \$2.9
2018E Revenues (mm) \$2.7
2019E Revenues (mm) \$9.5
2020E Revenues (mm) \$20.0

Estimates

Year	2018E	2019E	2020E
EPS Adjusted	\$(0.02)	\$0.00	\$0.04

Valuations

Year	2018E	2019E	2020E
Revenue Mult.	4.0x	1.2x	0.6x
P/E Mult.	n.m.	n.m.	1.3x

Mobi724 Global Solutions Inc.



Chart Courtesy Big Charts (CS)

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Notes:

All figures in Canadian dollars, unless otherwise specified.

Please see the final pages of this document for important disclosure information.

Q3/18 Revenues Lower Than Expected Expense Reduction Higher Than Expected Cards Managed Expected to be 20 Million by Year-End

MOBI724 Global Solutions Inc. (“MOBI724”) is a leading global financial technology company that offers a unique and fully-integrated suite of products that include card-linked offers, digital marketing and EMV payment solutions. Each offers a comprehensive loyalty and customer relationship solution for retailers to deliver, manage and control a multitude of reward options. MOBI724’s business model delivers a technology that provides a turnkey solution to enable smart transactions from any payment card or any mobile device, at any Point-of-Sale (“POS”). MOBI724 solutions enable card issuers, banks and merchants to efficiently create, manage, deliver, track and measure incentive loyalty campaigns globally, and allow their redemption at any POS. These solutions were created to disrupt the antiquated, 25-year-old rewards redemption model currently in use throughout the industry.

Conclusion: BUY – 24-Month Target Lowered to \$0.57

MOBI724 Global Solutions Inc. (“MOBI724”) reported revenue for Q3/18 of \$617,600, representing a decrease of 2% Y/Y. DMBI (Digital Marketing and Business Intelligent) reported relatively flat revenue Y/Y and continued to account for the majority of revenues this quarter. Both the Card-Linked and EMV Payments segments also reported lower than expected revenues. EMV Payments revenue doubled Y/Y as it gained traction in both the Caribbean and the Philippines driven by the continued onboarding of new merchants and higher revenues generated from the existing merchant portfolio. Operating EBITDA for 3 and 9 months ended was reported at a negative \$1.2 million and a negative \$2.2 million respectively. The reported net loss in the quarter was \$1.4 million versus \$1.8 million in the same period last year. We place little weight on reported earnings as they largely reflect non-cash items.

The lower Card-Linked revenue was due in part to a slower launch of new products, however, this platform is transitioning from its legacy coupon business in Argentina to MOBI724’s new smart transaction technology platform. The platform includes linking offers to payment cards that allow (i) redemptions of offers directly at a POS terminal using “One Swipe”, (ii) payment with points using “Pay with Points” or (iii) cardholders the ability to redeem loyalty points for vouchers at a POS using “Points4Vouchers”. From our perspective, revenue generated from the Card-Linked platform was higher than what was apparent as lost revenue from the legacy business approximated \$116,000. In addition, about \$59,000 was lost due to the FX devaluation of the Argentinian Peso.

Although we were too aggressive in our revenue forecast for both the Card-Linked and Payments divisions, we expect 2019 to be a transformative year in organic revenue generation for both. Management has taken several initiatives including denominating future contracts in US\$ to mitigate the currency risk and pursuing multiple countries to reduce the time frame for commercial launches. Cards Under Management (Cards Managed), a major metric that we follow for the Card-Linked segment, increased to approximately 16 million as at the end of Q2/18 and are expected to increase to 20 million by the end of 2018. Cards Managed are targeted to grow to about 75 million by the end of 2020. This growth is expected to be the primary driver of revenue for the Card-Linked segment. We reiterate that MOBI724 is in the early stages of building out its client network as demonstrated by the commercial agreements being contracted and the significant increase in Cards Managed. However, it is important to realize that there is a lead-time of at least 90 days between the signing of commercial agreements and the initial generation of revenue. Management indicated that there are about \$11 million of revenue in the pipeline.

We expect MOBI724’s operational momentum to build dramatically going forward. We view fiscal 2018 as more of a transitional period focused on relationship building especially through the Visa platform. Although monetizing contracts is six months later than expected, we now view fiscal 2019 as the period set to deliver strong revenue growth resulting in solid operational leverage and positive EBITDA.

Annualized revenue is expected to exceed \$10 million by Q4/19. Some of the key metrics driving revenues are:

- Card-Linked revenues are expected to be driven by the Visa partnership recently put in place. We forecast that almost 50% of the 2019 revenue is expected to be derived from this segment as management leverages its Visa contacts and co-markets with Visa's existing clients. The number of Cards Managed is expected to increase to almost 30 million by the end of 2019 and 75 million by the end of 2020.
- EMV Payments revenues should benefit from the first POS terminals delivered to retailers in the Philippines as well as continued growth in the Caribbean.

Total organic revenue is forecast to increase to \$9.2 million (prior \$12.2 million) and \$20.0 million (prior \$23.0 million) in fiscal 2019 and 2020 respectively. This would represent a four-year compound growth rate of 75%. Card-Linked revenue is expected to comprise over 65% of the revenue by 2020 with the balance split evenly between the other two segments. We expect that MOBI724's financial profitability will begin to develop positive momentum in the second half of 2019. Although we forecast a break-even EBITDA for 2019, we expect MOBI724 to be turning to a positive EBITDA in the second half of 2019. Organic EBITDA is forecast to increase to about \$6.0 million (prior \$8.0 million) by 2020 with the EBITDA margin increasing to the 25% level. We have assumed no taxes payable until the current tax-loss carry forward of over \$25.0 million has been eliminated.

Beyond 2020, we forecast organic revenue growth of 20% to 25% annually. The Card-Linked segment is expected to continue to provide the bulk of the revenue growth and comprise 70% to 75% of total revenue. Our earnings model projects an average CAGR of 25% for net income between fiscal 2020 and 2028. EBITDA margins are forecast to improve to the 40% to 45% level.

Longer-Term Outlook

Beyond 2020, we forecast organic revenue growth of 20% to 25% annually. The Card-Linked segment is expected to continue to provide the bulk of the revenue growth and comprise 70% to 75% of total revenue. Our earnings model projects an average CAGR of 25% for net income between fiscal 2020 and 2028. EBITDA margins are forecast to improve to the 40% to 45% level.

The recent pull-back in MOBI724's share price is considered unwarranted, and we reiterate our position that the Company is undervalued. Our 24-month target price has been lowered to \$0.57 from \$0.65 largely due to dilution.

Valuation

Our valuation for MOBI724 considers several key factors, namely, (i) organic earnings potential driven by high margin business model, (ii) exceptional organic revenue growth potential, (iii) ability to cross-sell its offerings, (iv) increasing economies of scale and (v) proprietary technology platform offering significant cost advantage for businesses.

We have employed a discounted cash flow analysis (DCF) for the determination of a valuation for MOBI724. We have employed a discount rate of 18% for the commercial risk associated with the business plan and management achieving our targets. Our DCF more fully accounts for the expected increase in profitability that we forecast for MOBI724 going forward. We have assumed that net income in fiscal 2019 remains somewhat muted and driven by the continued ramp-up in both the Card-Linked and Payments segments.

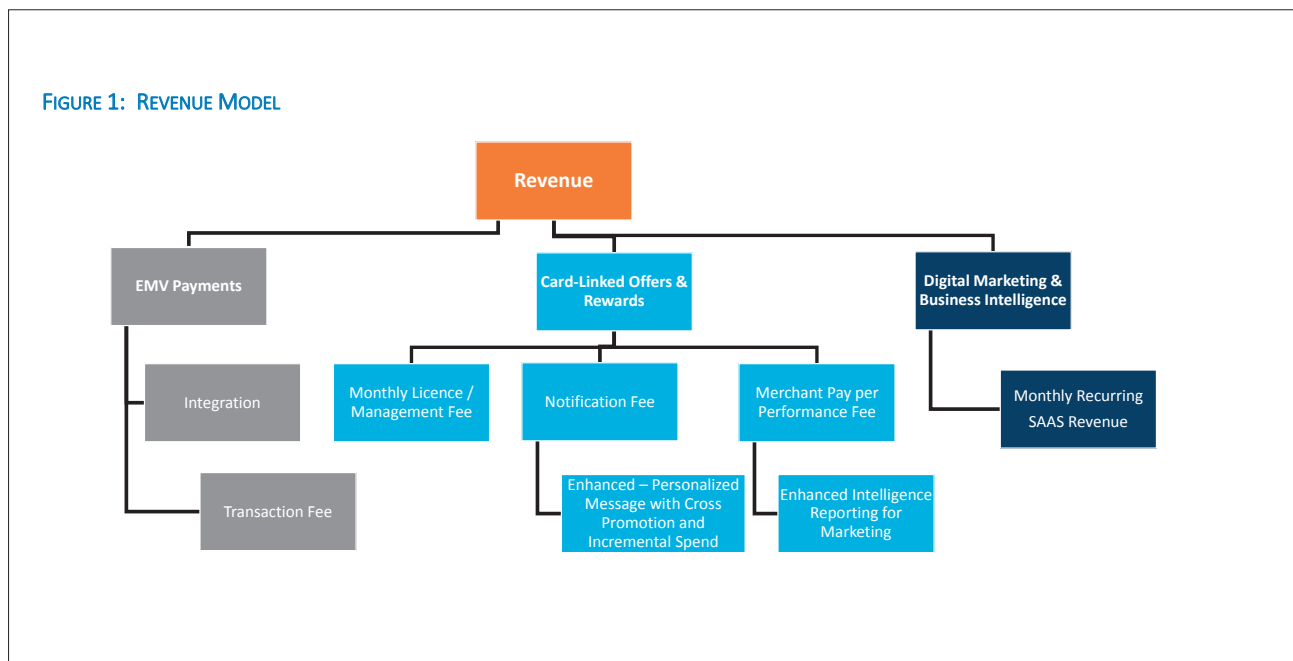
EBITDA and EBITDA margins are forecast to improve significantly beyond 2019 and continue to improve thereafter to the 35% to 40% level. No further dilutive equity related issues have been assumed in our forecast period and if they were to occur would likely be dilutive and impact our NPV per share. Management stated that it is in discussions with multiple parties to complete additional funding. In conclusion, we have determined a Net Present Value (NPV) for MOBI724 of \$0.57 per share.

Our DCF target price of \$0.57 represents an Enterprise Value ("EV") of about 14 times our 2020 adjusted net income of \$0.04 per share. This valuation seems reasonable when compared to other financial technology companies at a similar stage of growth and to the universe of comparable U.S. companies.

Key Conference Call Take-Aways

- Management continued to reduce the Company's monthly burn-rate in the Q4/18. Additional reductions are slated for Q1/19.
- As of the end of the quarter, MOBI724's cash balance was approximately \$1.0 million. Management expects to receive more than \$570,000 in tax credits over the next several months. The Company is exploring other funding opportunities which will be used in part to hire 10 new team country managers and 10 IT employees to focus on integrations and operations. We estimate the latter to add \$300,000 to quarterly expenses in the second half of 2019.
- The current pipeline of revenues is about \$11 million which are in late stages of negotiation. Management has targeted an annualized run-rate of over 75 million Cards Managed and revenue of \$30.0 million by the end of 2020. Positive EBITDA is expected to be achieved in fiscal 2019.
- A commercial agreement with MercadoLibre (Argentina's largest online marketplace platform) to implement Mobi724's suite of integrated Card-Link and Loyalty Solutions was completed. This arrangement will permit members of MercadoPago to redeem discounts and coupons.
- Management is continuing to significantly shorten its sales cycle from 15 months to closer to 12 months and eventually to 6 to 8 months.
- Management reiterated that it is expecting more than ten commercial agreements to close over the next several months and has set as an objective of securing a major bank in each of the countries it has targeted. In addition, two "blue-sky" opportunities could significantly increase revenue generation.
- Management expects to sign its first customers in the U.S. and Canada in fiscal 2019.
- MOBI724 is pursuing new card-linked offers through its relationship with Visa whereby Visa formally introduced MOBI724 as a recognized member of the Visa ecosystem.

FIGURE 1: REVENUE MODEL



- DMBI (formerly IQ7/24) has transitioned from a significant earnings loss position to almost break-even. As most of its revenues are recurring in nature, new contracts are expected to be a net addition to revenues thus we forecast it to be in a positive cash flow in 2019.
- EMV Payment's signed a commercial agreement with the Philippines' branch of Fexco, an international fintech and payments company headquartered in Ireland. Cash withdrawal transactions from Fexco's EasyDebit MicroATM ("EasyDebit") terminals will be processed via MOBI724's gateway and processing switch (Virtuo®) in over 450 locations across the Philippines.
- The EMV Payments division recently completed the certification process for the commercial launch in the Philippines through Weepay Payment Processing Corporation ("WeePay"), its distributor. Under the agreement, Weepay will be soliciting and deploying merchants that will use POS terminals supplied by Mobi724 as well as its transaction switch for all its EMV Debit transactions across the Philippines.

Review of Q3/18

Revenues in Q3/18 were below expectations. DMBI revenues decreased 3% Y/Y. The decline was due to lower business volumes by existing customers as well as some seasonality. The group continued to be the largest component representing 72% of total Q3/18 revenues. Card-Linked revenues were lower by 40% Y/Y as the legacy coupon business in Argentina declined by \$116,000. The sharp 35% devaluation of Argentina's currency was also a factor impacting revenues by a negative \$59,000. On a constant currency basis, Card-Linked revenues would have been marginally higher Y/Y. Management has taken measures to mitigate the currency risk by denominating new agreements in US\$.

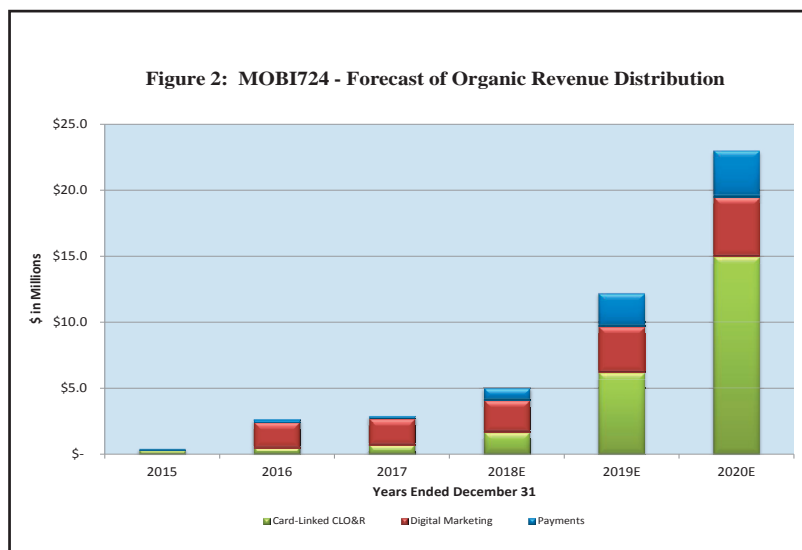
EMV Payments revenue doubled Y/Y and increased 33% sequentially. The increase resulted from new merchant acquisitions in the Caribbean as well as new revenues in the Asia Pacific region as the Philippines POS business is in the early stages of its roll-out of terminals.

Canada continued to represent the majority of revenues YTD at 75% of the total. Revenues sourced from Canada are expected to decline as a percentage of the total as growth is expected to accelerate in other regions particularly Latin America and the Philippines.

G&A expenses, excluding cost of sales, stock-based compensation and depreciation, were essentially flat Y/Y and lower by 4% sequentially. The lower than expected expenses were attributed to an increase in salaries and marketing expense offset in part by lower contract labour and professional fees. Salaries and benefits included costs of hiring of more expensive senior talent to drive revenues. R&D expense decreased 7% Y/Y due to lower contract labour and IT expenses.

Operating EBITDA for Q3/18 was reported at a negative \$1.2 million, unchanged from the prior year and up slightly from negative \$1.1 million last quarter. Progress continues in reducing the Company's monthly burn-rate. Management expects to save another \$150,000 in expenses in the Q4/18. We estimate the monthly burn-rate will decline to about \$250,000 per month in Q4/18.

As of the end of the quarter, MOBI724's cash balance was approximately \$1.0 million. However, as previously noted, management expects to receive more than \$570,000 in tax credits over the next several months and recently raised \$1.0 million. We expect the Company to be EBITDA positive by mid-2019 or about six months later than expected.



Mobi724 Revenue Model

Of the three division in Mob724's revenue model, we believe the Card-Linked segment will produce the highest potential for earnings growth as it is levered off Cards Managed.

Revenue Metrics

MOBI724 sources its revenue from all three of its principle areas, Card-Linked, DMBI and EMV Payments.

- # payment cards managed.
- # payment card transactions.
- # POS locations.
- # clients and business volumes in DMBI.

Card-Linked Revenues

- Monthly subscription fees which are based on a contracted amount related to the volume of transactions with a merchant or financial institution.
- Transaction fees which are based on the cardholder usage. Fees will apply for each redemption of loyalty points and cardholder purchases from merchant offers. MOBI724 may also receive a percentage of the value of the purchase made by the cardholder.
- Notification fees which are based on the volume of notifications related to offers.
- Set-up fees which may apply to some applications.
- Management has targeted revenue per Card Managed of over \$1.00 annually by year three.

Figure 3: Segmented Earnings Summary

3 Months Ended	Payment Solution		Card-Linked (CLO&R)		Digital Marketing (DMBI)		Unallocated		Consolidated	
	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017
	Revenue	\$ 95,900	\$ 48,300	\$ 72,100	\$ 120,300	\$ 449,600	\$ 462,200	\$ -	\$ -	\$ 617,600
Operating Expenses	\$ 666,600	\$ 1,452,200	\$ 880,500	\$ (250,400)	\$ 401,400	\$ 635,400	\$ 113,200	\$ 220,200	\$ 2,061,700	\$ 2,057,400
Operating Profit (Loss)	\$ (570,700)	\$ (1,403,900)	\$ (808,400)	\$ 370,700	\$ 48,200	\$ (173,200)	\$ (113,200)	\$ (220,200)	\$ (1,492,300)	\$ (1,426,600)
Non-operating Expenses	\$ 2,600	\$ 2,100	\$ 52,900	\$ (4,700)	\$ 2,100	\$ 4,900	\$ 26,000	\$ 434,000	\$ 83,600	\$ 436,300
Net Income Before Tax	\$ (573,300)	\$ (1,406,000)	\$ (861,300)	\$ 375,400	\$ 46,100	\$ (178,100)	\$ (139,200)	\$ (654,200)	\$ (1,575,900)	\$ (1,862,900)
Operating Inc. % of Rev.	n.m.	n.m.	-1194.6%	n.m.	n.m.	n.m.			n.m.	n.m.

9 Months Ended	Payment Solution		Card-Linked (CLO&R)		Digital Marketing (DMBI)		Unallocated		Consolidated	
	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017	30-Sep 2018	30-Sep 2017
	Revenue	\$ 223,600	\$ 140,700	\$ 259,100	\$ 462,500	\$ 1,447,500	\$ 1,456,500	\$ -	\$ -	\$ 1,930,200
Operating Expenses	\$ 1,993,700	\$ 3,268,700	\$ 1,548,100	\$ 403,800	\$ 1,434,000	\$ 2,123,100	\$ 935,800	\$ 1,450,000	\$ 5,911,600	\$ 7,245,600
Operating Profit (Loss)	\$ (1,770,100)	\$ (3,128,000)	\$ (1,289,000)	\$ 58,700	\$ 13,500	\$ (666,600)	\$ (935,800)	\$ (1,450,000)	\$ (3,981,400)	\$ (5,185,900)
Non-operating Expenses	\$ 5,000	\$ 2,700	\$ 74,200	\$ (2,200)	\$ 5,800	\$ 18,300	\$ 97,600	\$ 3,584,300	\$ 182,600	\$ 3,603,100
Net Income Before Tax	\$ (1,775,100)	\$ (3,130,700)	\$ (1,363,200)	\$ 60,900	\$ 7,700	\$ (684,900)	\$ (1,033,400)	\$ (5,034,300)	\$ (4,164,000)	\$ (8,789,000)
Operating Inc. % of Rev.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.			n.m.	n.m.

Figure 4: Mobi724 Income Statement & Organic Forecast

	3 Months		9 Months		Years Ended				
	30-Sep	30-Sep	30-Sep	30-Sep	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2018	2017	2018	2017	2016	2017	2018E	2019E	2020E
Revenue									
Digital Marketing (DMBI)	\$ 449,600	\$ 462,200	\$ 1,447,500	\$ 1,456,500	\$ 1,933,400	\$ 1,952,800	\$ 2,000,000	\$ 2,500,000	\$ 3,500,000
Card-Linked (CLO&R)	\$ 72,100	\$ 120,300	\$ 259,100	\$ 462,500	\$ 483,100	\$ 729,200	\$ 400,000	\$ 5,000,000	\$ 13,500,000
Payment Solution	\$ 95,900	\$ 48,300	\$ 223,600	\$ 140,700	\$ 248,600	\$ 192,400	\$ 300,000	\$ 2,000,000	\$ 3,000,000
Total Revenue	\$ 617,600	\$ 630,800	\$ 1,930,200	\$ 2,059,700	\$ 2,665,100	\$ 2,874,400	\$ 2,700,000	\$ 9,500,000	\$ 20,000,000
Operating Expenses									
General & Administrative	\$ 1,270,800	\$ 1,217,900	\$ 3,751,500	\$ 4,278,900					
Cost of Sale	\$ 117,300	\$ 124,700	\$ 435,200	\$ 420,700					
R&D Expense	\$ 417,000	\$ 445,200	\$ 1,238,500	\$ 945,100					
Total Operating Expense	\$ 1,805,100	\$ 1,787,800	\$ 5,425,200	\$ 5,644,700	\$ 5,405,500	\$ 7,822,300	\$ 7,300,000	\$ 9,500,000	\$ 12,000,000
Operating EBITDA	\$ (1,187,500)	\$ (1,157,000)	\$ (3,495,000)	\$ (3,585,000)	\$ (2,740,400)	\$ (4,947,900)	\$ (4,600,000)	\$ -	\$ 8,000,000
Other Expense									
Deprec. & Amort. Prop.	\$ 10,400	\$ 1,800	\$ 26,600	\$ 4,900	\$ 9,100	\$ 8,000	\$ 40,000	\$ 50,000	\$ 50,000
Stock Based Comp.	\$ 77,200	\$ 154,400	\$ 286,000	\$ 566,000	\$ 9,600	\$ 747,000	\$ 360,000	\$ 450,000	\$ 450,000
Total Other Expense	\$ 87,600	\$ 156,200	\$ 312,600	\$ 570,900	\$ 18,700	\$ 755,000	\$ 400,000	\$ 500,000	\$ 500,000
Operating EBIT(2)	\$ (1,275,100)	\$ (1,313,200)	\$ (3,807,600)	\$ (4,155,900)	\$ (2,759,100)	\$ (5,702,900)	\$ (5,000,000)	\$ (500,000)	\$ 7,500,000
Net Income	\$ (1,448,400)	\$ (1,882,000)	\$ (3,981,600)	\$ (8,776,100)	\$ (3,016,900)	\$ (10,800,000)	\$ (5,000,000)	\$ (1,500,000)	\$ 6,500,000
EPS	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.06)	\$ (0.03)	\$ (0.07)			
Adjusted Net Operating Inc.(1,2)							\$ (4,300,000)	\$ -	\$ 8,000,000
Adjusted EPS							\$ (0.02)	\$ -	\$ 0.04
Weighted Avg. Shares	200,144,800	165,529,600	196,617,800	153,607,100	103,339,500	162,075,000	200,000,000	215,000,000	215,000,000
EBITDA Operating Margin									
EBITDA as a % of Total Rev.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%	40.0%

(1) Excludes non-recurring items including warrant FMV changes, bank application charge, stock compensation & extraordinary taxes.

(2) Excludes amortization of intangibles and loss (gain) on settlement of liabilities.

DMBI Revenues

DMBI revenues are derived from monthly subscription fees based on transaction volume thresholds predetermined by way of agreement. DMBI revenues not only stem from direct sales to retailers but also from the value-added reselling of the DMBI solutions from MOBI724's partners in the Card-Linked and EMC Payments spaces.

Payment Revenues

Revenues from MOBI724's Payment's solutions encompass traditional credit and debit card ("payment card") transaction processing services provided to merchants. This segment is characterized by its largely recurring revenue stream whereby revenues are derived from three main sources, namely:

- Interchange fees are based on the discount rates that are charged for transactions processed through payment card providers.
- Transaction fees are charged based on each payment card (debit or credit) transaction.
- POS terminal sales to merchants whereby MOBI724 earns a margin on each hardware unit sale.

Earnings & Margins

Not only will earnings be leveraged as the Managed Cards grow but as scale develops, we believe MOBI724's margins will increase significantly. Other than system upgrades, operating expenses (G&A) are expected to be relatively controllable therefore making the business very scalable. Sales, marketing and commission expense is expected to be more variable in nature as more sales staff will be engaged to further expand the Company's network of clients. In the EMV Payments segment, the Company pays third-party processing gateway transaction fees and sales commissions to internal staff or third-party sales leads agreements.

Financial Forecast

MOBI724's strategic plan is directed at (i) growing revenues, (ii) enhancing the organizational structure to accommodate growth, (iii) investing in MOBI724's technology to remain best in class and (iv) seeking out accretive acquisitions. MOBI724's business model is designed to create value by leveraging off its existing core business by cross-selling its other products to its client base. The Company's growth strategy incorporates:

- The completion of the Visa integration allows for leveraging the Visa Offers Platform (“VOP”). Management expects to offer its Card-Linked and DMBI solutions in more than 20 countries focusing on Canada, USA and multiple countries in Latin America as well as the Asia Pacific region (mainly the Philippines).
- Shortening the sales cycle as Visa is enabling MOBI724 to approach Visa customers in a co-marketing strategy. This will allow MOBI724 to leverage its solutions through Visa’s network of partners, namely, banks and financial institutions, card issuers, payment processors, partner channels and cards associations. The Company has established relationships with VISA USA Inc. (through its integration with the Visa Offers Platform), RBC (Caribbean), WeePay Payment Processing Corporation (the Philippines), First Data Cono Sur (Argentina), Future Brands (Argentina) and FiRE Advertainment, CredibanCo (Colombia) and is in discussions with other potential partners.
- Upselling the Card-Linked and DMBI solutions and, conversely, leveraging each of these solutions to the EMV Payments platform.
- Leveraging DMBI client portfolio by upselling MOBI724’s Card-Linked solutions.
- Adding 20 key personnel to its sales team to market the Company’s solutions to cards issuers, banks and financial institutions, acquirers, processors, merchants, mobile companies, marketing firms and consulting firms.

Near-Term Outlook

Over the near-term, the Company is expected to focus on (i) expanding the sales pipeline, (ii) accelerating the sales cycle and (iii) lowering the head office expense. As previously noted, management lowered expenses more than expected in Q3/18.

We have revised our near-term outlook to reflect the longer than expected revenue generation run-up period. We have lowered our revenue for 2018 to \$2.7 million from \$5.0 million and forecast a negative EBITDA of \$4.6 million in 2018. Revenue momentum should build in the second half of 2019.

Revenue is expected to be largely driven by the Digital Marketing segment in the first half as the Card-Link and EMV Payment segments are still in the early stages of revenue generation. For 2019, revenue is forecast to increase to an estimated \$9.5 million as each of the Card-Linked and Payments segments gain traction. The 2019 forecast has been adjusted from our prior \$12.2 million forecast to account for the lower than expected revenues in the second half of 2018. Annualized revenue is expected to exceed \$14 million by Q4/19. Some of the key metrics driving revenues are:

- Digital Marketing is expected to account for about 25% of the revenue in 2019.
- Card-Linked revenues are expected to approximate almost 50% of the 2019 total revenue as management leverages the Visa contacts and co-markets with Visa’s existing client base. The number of Managed Cards under contract are expected to double by the end of 2019 to over 30 million.
- The EMV Payments segment, on the other hand, should benefit from the POS terminals being installed at retailers in the Philippines.

MOBI724’s financial profitability will be somewhat muted over the first half of fiscal 2019. We expect this to change towards the second half of the year. Although we forecast a break-even EBITDA in 2019, we expect a positive annualized EBITDA run-rate of \$4 million by Q4/19.

Total organic revenue in 2020 is forecast to increase to \$20.0 million or marginally shy of our initial forecast of \$23.0 million. This would represent a four-year compound growth rate of 75%. Card-Linked revenue is expected to comprise over 65% of the revenue by 2020 with the balance split evenly between the other two segments. We project costs to increase at a slower pace than revenues resulting in significant gain in operating leverage 2020. EBITDA is forecast to approximate \$8.0 million by 2020 with the EBITDA margin increasing to the 40% level. Adjusted net income, excluding non-operating items including stock-based compensation, is forecast to increase to \$8.0 million 2020. We have assumed no taxes payable until the current tax-loss carry forward of over \$25.0 million has been eliminated.

Longer-Term Outlook

Beyond 2020, we forecast organic revenue growth of 20% to 25% annually. The Card-Linked segment is expected to continue to provide the bulk of the revenue growth and comprise 70% to 75% of total revenue. Our earnings model projects an average CAGR of 25% for net income between fiscal 2020 and 2028. EBITDA margins are forecast to improve to the 40% to 45% level.

Recent Events

- On January 16, 2019, MOBI724 announced the completion of a non-brokered private placement offering of 7,692,307 common shares at a price of \$0.065 per share for gross proceeds of \$500,000 and non-secured convertible debentures of \$500,000 convertible into shares at a conversion price of \$0.15 per share. The debentures will mature 24 months following their issuance and will bear interest at a rate of 12% per annum.
- On December 5, 2018, the Company issued an aggregate of 714,286 common shares at a price of \$0.07 to a former employee and a former consultant of I.Q.7/24 Inc. representing the first tranche of the settlement. The payment of the second tranche of the settlement in the aggregate amount of \$50,000 and conversion into common shares at a price of \$0.07 is subject to the approval of the shareholders whose approval will be sought at the next annual general meeting and is also based on the conditional approval of the Exchange.
- Total shares outstanding as at January 29, 2019 are 209.3 million of which the public float is approximately 168.6 million shares. Total fully diluted shares outstanding are 252.7 million.
- MOBI724 signed a significant revenue generation agreement with China Trust Bank Philippines to process their EMV debit transactions.
- MOBI724 signed Panama-based Credicorp Bank as a new Visa customer to provide its suite of integrated Loyalty Solutions, including the Card-Linked and Digital Marketing solutions. The Company announced the successful launch of its Card-Linked Offers solution with Creditcorp.
- Extended the maturity date of its \$2,705,566, 12% interest bearing debenture, convertible into common shares of the Company at \$0.35 per share, to June 30, 2020.

Definition of Risk Rankings

Low: Low financial and operational risk, high predictability of financial results with stronger than average balance sheet and strong free cash flows. Company may pay substantial dividends or have an active share repurchase program.

Medium: Moderate financial and operational risk, moderate predictability of financial results, positive free cash flows and may or may not pay a dividend.

High: High financial and/or operational risk, low predictability of financial results. Limited financial history, negative free cash flows, adequate working capital and no dividends.

Definition of Research Ratings

The Catalyst research recommendation structure consists of the following categories:

Buy: The stock's total return, including dividends paid, is expected to exceed a minimum of 15% on a risk-adjusted basis, over the next 12 months.

Hold: The stock's total return, including dividends paid is expected to be between 0% and 15%, on a risk-adjusted basis, over the next 12 months.

Sell: The stock's total return, including dividends paid, is expected to be negative over the next 12 months.

Speculative: The stock's total return is expected to exceed 30% over the next 12 months; however, there is material event risk associated with the investment that could result in significant loss.

Note: Analysts have discretion within 500 basis points of the upper and lower limit of each rating to maintain the recommendation.

Analyst Certification

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