



## 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

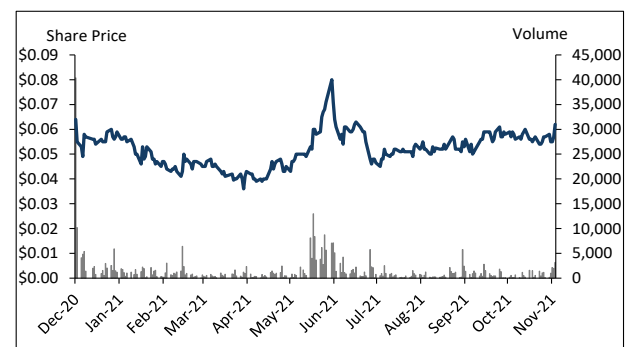
Sector: Technology

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	<a href="http://www.complii.com.au">www.complii.com.au</a>

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](mailto:stuart.roberts@pittstreetresearch.com)

[cheng.ge@pittstreetresearch.com](mailto:cheng.ge@pittstreetresearch.com)



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## 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**

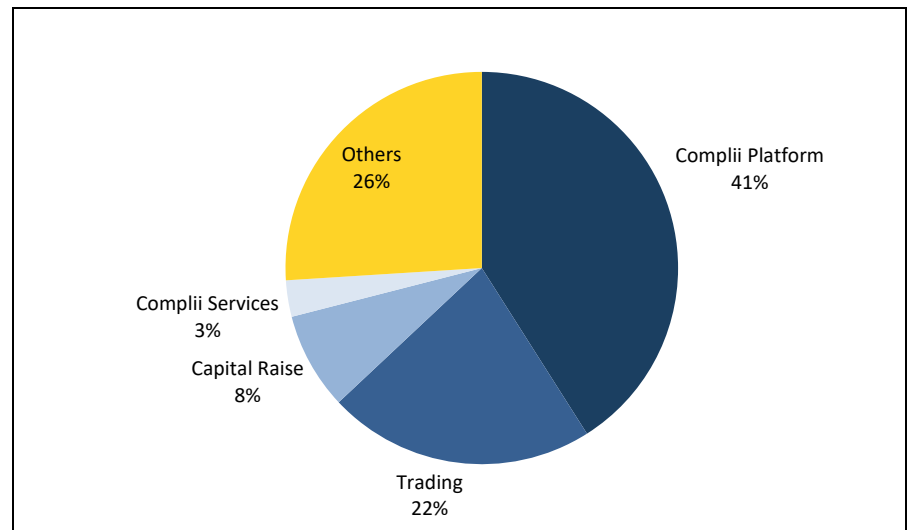
	Complii	PrimaryMarkets	Total
Stockbroking, investment and advisory firm clients	103	33	136
Number of members and subscribers	3,500	7,000 (110,000 subscribers)	10,500
Companies on trading platform	-	383	383

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 3<sup>rd</sup> 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
<b>Enterprise Value (m)</b>	<b>63.4</b>
Net debt (cash)	(4.5)
Minority interest	-
Other Investments	-
<b>Equity value (m)</b>	<b>67.9</b>
Diluted shares	529.5
<b>Implied price (A\$)</b>	<b>0.13</b>
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
<b>Enterprise Value (m)</b>	<b>139.6</b>
Net debt (cash)	(4.5)
Minority interest	-
Other Investments	-
<b>Equity value (m)</b>	<b>144.1</b>
Diluted shares	529.5
<b>Implied price (A\$)</b>	<b>0.27</b>
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.

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