

Banxa Holdings Inc. (BNXA.V)
Rating: Buy

 Kevin Dede, CFA
 415-779-5876
kdede@hcwresearch.com

Trading Reopens—Perhaps Tarnished Credibility, But Expanding Crypto Infrastructure Business Remains Attractive; Reit Buy

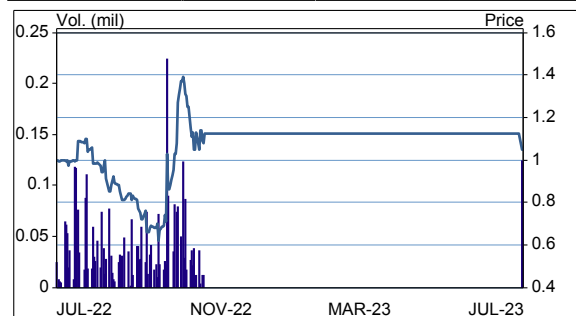
Stock Data		07/10/2023
Price		C\$1.05
Exchange		TSXV
Price Target		C\$4.00
52-Week High		C\$1.46
52-Week Low		C\$0.62
Market Cap (M)		C\$48
Shares Outstanding (M)		45.6
3 Month Avg Volume		NA
Short Interest (M)		0.00

Balance Sheet Metrics		
Cash (M)		A\$4.90
Total Debt (M)		A\$7.60
Total Cash/Share		A\$0.11

General: EPS may not add due to share dilution and rounding. Stock trades on TSXV exchange in Canadian dollars but reports financials in Australian dollars. Our C\$4.00 price target represents roughly A\$4.52 based on C\$1=A\$1.13 as of July 10, 2023.

EPS (A\$) Diluted			
Full Year - Jun	2022A	2023E	2024E
1Q	(0.03)	(0.03)A	--
2Q	(0.04)	(0.03)A	--
3Q	(0.11)	0.01A	--
4Q	(0.19)	(0.08)	--
FY	(0.38)	(0.13)	(0.14)

Revenue (A\$M)			
Full Year - Jun	2022A	2023E	2024E
1Q	12.1	13.8A	--
2Q	28.0	19.9A	--
3Q	16.5	24.1A	--
4Q	15.1	15.0	--
FY	71.6	72.8	80.0



Full-year 2022 audit complete and shares are back on the block. Yesterday, Banxa shares resumed trading on the TSX Venture Exchange as they had through the most of the 2022 calendar year. Primarily because of Banxa's agency versus principal revenue recognition policies—no impact on earnings, just gross margin—Banxa's auditors believed a comprehensive review of previous transactions for the entire 2022 fiscal year (ending June) was necessary; both lengthy and painstaking, the review forced Banxa's financial filings to miss prescribed submission timelines. With the full-year audited and signed off, Banxa's filings are also current through the first nine months of the 2023 fiscal year, and CIRO, or Canadian Investment Regulatory Organization, akin to the U.S. FINRA, now seeing all Banxa's documents in order, has removed the halt and shares resumed TSXV trading yesterday—our November note [here](#) provides greater background on the origins of the halt order. In updating its constituents, Banxa scheduled a conference call for Wednesday, July 12, with attention paid particularly to, we imagine, the expansion of the company's business and financial progress. Based on March's filings, Banxa has seen a solid kick up in its business, which importantly has expanded in breadth, as we discuss at greater length later. Total transaction volume (TTV), or the amount of flow Banxa sees across its crypto on-off ramp activities executed for its exchange clients, expanded almost 40% sequentially to A\$169M from A\$120M in December, which in turn drove A\$24.1M in March revenue versus A\$19.9M in the preceding quarter. While exchange volume has remained relatively depressed per the chart included on the following page, Banxa business has clearly improved. March revenue of A\$24.1M was up 46% against last year's A\$16.5M, but note that the crypto sector began its 2022 slump in that March quarter. The outlook, however, stands markedly improved on a generally more positive crypto-trading psychology internationally—perhaps less so in the U.S.—buoyed by greater Banxa activities and customer count. Deeper discussion of macro trends exceeds the scope of this update, so suffice to say that modestly balanced forecasts meet our accuracy objectives, and with that backdrop, we have full-year 2023 (June) TTV down to A\$636M, or more than 55% from last year, but expanding almost 90% to A\$1,200M in FY24 (June). Our fundamental perspective here remains intact given a growing spectrum of business with financials reinforced on stiff auditor supervision. As such, we are reiterating our Buy rating and C\$4 price target.

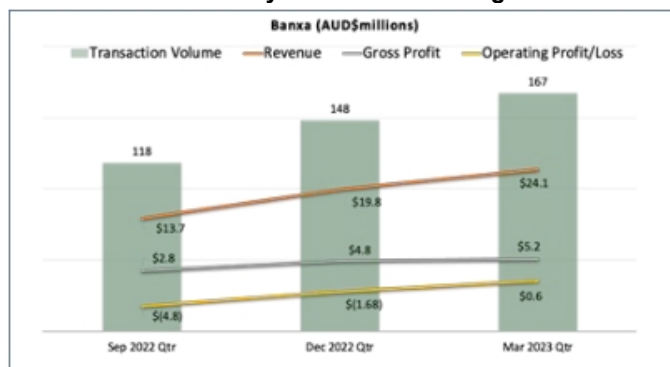
Estimate update. With our last formal note offered in June last year and referenced [here](#), our estimates are a bit more than stale. Incorporating Banxa's reports through the March quarter presented May 30, we now have the company generating A\$72.8M in FY23 (June), and we see little reason for a delay similar to last year's report, where Banxa reported A\$71.6M. For FY24, we are offering an initial A\$80.0M sales estimate, representing a conservative 10% annual growth rate despite the almost 90% increase in underlying TTV. The amount of revenue Banxa generates is a function of exchange customer and the transaction type as either agency or principal. Banxa's full-year June 2023 figures, we expect, could come in the late September time frame, whereupon we intend to carefully review our forecasts.

H.C. Wainwright 1868



Past three quarters show positive track. Consecutive quarterly reports, depicted in the chart below, show the improved financial trend Banxa has posted. Note that Banxa's results follow overarching industry trends, and particularly, crypto exchange volume, which was significantly depressed through the majority of the calendar 2022 year. We highlight the financial improvement in signaling the company's future path under greater TTV scenarios we expect with Banxa's increased client count, geographic sphere of operation, and business lines.

Operating Leverage Gains Track Toward Profitability Illustrated in Orange-Yellow Color Bar at Bottom

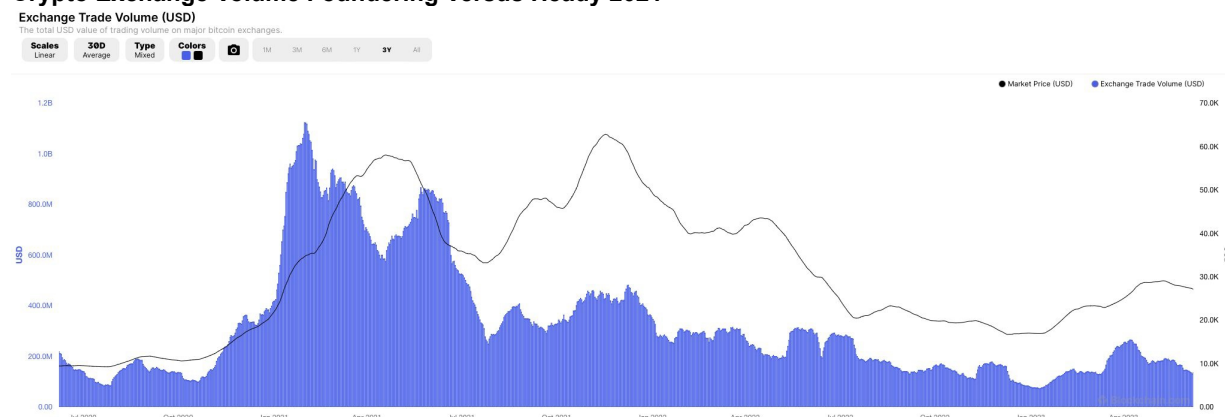


Note: March 2023 quarter op. profit benefited from A\$2.1M stock-comp reversal.

Source: Banxa press, May 30, 2023.

Difficult environment persists, but greater business breath suggests improved outlook. Trading across the cryptoverse, shown below in blue, has not returned to the heavy volumes seen in calendar 2021. Importantly different now, we think, is Banxa's business scope. As we expect highlighted in the upcoming call on Wednesday, Banxa has driven its on-off ramp business into more geographies, meeting regulatory conditions while providing ease of operation for its clients via links with local banks. We believe that company has strengthened its foothold in South America and Latam by building a local presence in Columbia, Chile, Argentina, and Mexico, addressing large domestic populations of those countries. Further, Banxa continues to expand its garnering of money transmitter licenses here in the U.S., allowing it to operate in more states on the behest of its exchange clients. Per Banxa's March quarter report, Banxa is now integrated with MetaMask, a crypto wallet with more than 30 million users while picking up BitMart and TheGraph, one a top-tier exchange, the latter a portal linking crypto-specific APIs for data acquisition and payment integration, as clients.

Crypto Exchange Volume Foundering Versus Heady 2021



Source: Blockchain.com.

Maintain C\$4.00 PT and reiterate Buy. Our price target of C\$4.00 (A\$4.52) assumes modest sales growth to our newly introduced A\$80.0 million in FY2024 estimate, reflecting a forex conversion rate of C\$1.00 to A\$1.13 as of July 10, and supported by an enterprise value-to-sales multiple of 2.3x, well within a reasonable industry comparable range. We suspect Banxa shares suffer a discount related to its trading halt but could begin to garner a greater multiple with consistently reported financials. Associated risks include crypto risk, potential regulation, bad actors' illicit behavior on the Internet, and potential dilution, among other operating risks detailed in the company's SEDAR filings.

Banxa Holdings, Inc.

Quarterly Earnings Model
(A\$ or AUD millions, except per share data)

7/11/2023 FY Ending 6/30: BNXA-CA	6/30/22A					6/30/23E				Estimate	Estimate
	Q1A 9/30	Q2A 12/31	Q3A 3/31	Q4A 6/30	YEAR 6/30/2022	Q1A 9/30	Q2A 12/31	Q3A 3/30	Q4E 6/30	YEAR 6/30/2023	YEAR 6/30/2024
Revenue	A\$12.1	A\$28.0	A\$16.5	A\$15.1	A\$71.6	A\$13.8	A\$19.9	A\$24.1	A\$15.0	A\$72.8	A\$80.0
Cost of revenue	6.6	17.7	9.9	16.5	50.8	11.0	15.0	18.9	11.7	56.6	60.8
Gross profit	5.5	10.3	6.6	(1.4)	20.8	2.8	4.9	5.2	3.3	16.2	19.2
Operating expenses											
SG&A	6.9	7.8	8.4	8.3	31.4	7.0	6.1	6.4	6.2	25.7	25.6
Share based compensation	0.9	0.9	0.7	0.5	2.9	0.5	0.3	(2.1)	0.3	(1.0)	0.0
Amort and depreciation	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.4	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating exp.	7.8	8.7	9.2	9.0	34.7	7.6	6.6	4.4	6.6	25.1	25.6
Operating income	(2.4)	1.5	(2.7)	(10.4)	(13.9)	(4.8)	(1.7)	0.8	(3.3)	(8.9)	(6.4)
Other income											
Finance expense	(0.1)	(0.2)	(0.0)	(0.0)	(0.3)	(0.0)	(0.4)	(0.5)	(0.4)	(1.4)	(1.6)
Forex. adj.	0.0	(3.9)	(2.2)	1.9	(4.2)	0.1	0.2	(0.2)	0.0	0.1	0.0
Other income (exp.)	1.2	0.2	0.0	(0.0)	1.3	3.2	0.5	0.5	0.0	4.2	0.0
Total other income	1.1	(3.9)	(2.3)	1.9	(3.1)	3.3	0.2	(0.2)	(0.4)	2.9	0.0
Pretax income	(1.2)	(2.3)	(4.9)	(8.5)	(17.0)	(1.5)	(1.5)	0.6	(3.7)	(6.0)	(6.4)
Taxes	0.1	(0.4)	0.3	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net income	(1.3)	(1.9)	(5.2)	(8.8)	(17.3)	(1.5)	(1.5)	0.6	(3.7)	(6.0)	(6.4)
Forexadj			(0.0)	(0.6)	(0.6)	0.0	0.7	0.0	0.0	0.7	0.0
Total compreh inc.			(5.2)	(8.2)	(16.6)	(1.5)	(2.1)	0.6	(3.7)	(6.8)	0.0
EPS(Diluted)	(\$0.03)	(\$0.04)	(\$0.11)	(\$0.19)	(\$0.38)	(\$0.03)	(\$0.03)	\$0.01	(\$0.08)	(\$0.13)	(\$0.14)
Outstndg f.d. shares	45.4	45.4	45.5	45.6	45.4	45.6	45.6	45.6	45.7	45.6	45.8
MARGIN ANALYSIS											
Gross Margin	45.2%	36.7%	39.8%	-9.5%	29.1%	20.4%	24.5%	21.6%	22.0%	22.3%	24.0%
G&A % sales	56.9%	27.7%	51.1%	55.1%	43.8%	50.7%	30.9%	26.5%	41.3%	35.4%	32.0%
Op. Exp. % sales	64.8%	31.2%	55.9%	59.5%	48.5%	55.2%	33.0%	18.1%	44.0%	34.5%	32.0%
Operating Margin	-19.6%	5.5%	-16.1%	-69.0%	-19.4%	-34.8%	-8.5%	3.5%	-22.0%	-12.3%	-8.0%
Pretax Margin	-10.2%	-8.4%	-29.9%	-56.6%	-23.8%	-10.8%	-7.3%	2.5%	-24.7%	-8.3%	-8.0%
Tax Rate	-8.8%	19.1%	-5.1%	-3.7%	-1.3%	-0.1%	0.0%	0.1%	0.0%	35.0%	0.0%
Net Margin	-11.1%	-6.8%	-31.5%	-58.7%	-24.1%	-10.8%	-7.3%	2.5%	-24.7%	-8.3%	-8.0%
PERCENT CHANGE											
Total Sales	315.8%	522.1%	-21.5%	-14.2%	55.7%	14.2%	-29.0%	46.3%	-0.5%	1.6%	9.9%
Operating Exp.	438.7%	307.7%	52.8%	60.8%	128.5%	-2.8%	-24.9%	-52.6%	-26.4%	-27.6%	1.9%
Operating Income	1328.0%	-220.5%	-16755.5%	-438.6%	-941.9%	102.5%	-209.8%	-131.9%	-68.3%	-35.7%	-28.4%
Pretax Income	185.4%	400.1%	2777.0%	84.8%	199.6%	20.7%	-37.8%	-112.3%	-56.6%	-64.6%	6.0%
Net Income	210.5%	304.8%	278.1%	148.8%	196.3%	11.1%	-23.1%	-111.7%	-58.2%	-65.0%	5.9%
Share Count	34.4%	32.4%	11.8%	3.1%	18.6%	0.5%	0.3%	0.1%	0.1%	0.5%	0.4%
EPS	130.9%	205.8%	238.1%	141.4%	149.8%	10.6%	-23.4%	-111.7%	-58.2%	-65.2%	5.5%
Sequential Sales Growth	-31.3%	131.8%	-41.1%	-8.6%		-8.6%	44.2%	21.4%	-37.8%		

Source: Co. reports and H.C.W. estimates.

Balance Sheet (A\$'s Mil)	6/30/2022				3/31/2021		
	Q1A 9/30	Q2A 12/31	Q3A 3/31	Q4A 6/30	Q1A 9/30	Q2A 12/31	Q3A 3/30
Current Assets							
Cash and cash equivalents	A\$14.4	A\$13.5	A\$10.8	A\$9.4	A\$5.5	A\$7.6	A\$4.9
Trade and other receivables	2.9	2.0	2.7	2.8	4.7	7.8	7.6
Inventories	0.5	0.6	0.5	0.9	0.2	0.3	0.3
Prepays	0.3	0.2	0.4	0.5	0.4	0.5	0.6
Deposits	7.3	9.8	5.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	25.4	26.1	19.4	13.5	10.8	16.2	13.4
Right of use assets	1.3	1.2	1.2	0.8	0.7	0.6	0.6
Intangible assets – goodwill	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deferred tax asset			1.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.2	0.5	0.5	0.4	0.4
Other deposits	0.3	1.2	0.3	0.5	0.3	0.3	0.3
Other assets					0.8	0.8	0.8
Total Assets	A\$27.2	A\$28.8	A\$22.2	15.4	A\$13.1	A\$18.4	A\$15.5
Trade and other payables	4.6	6.5	3.8	5.7	4.3	3.9	1.5
Borrowings	0.1	0.1	0.0	0.0	0.3	4.0	4.8
Convert note						1.6	1.9
Derivative liab						0.2	0.2
Income Tax	0.3	0.6	0.9	0.4	0.4	0.4	0.4
Employee Benefits	0.4	0.5	0.7	0.6	0.6	0.6	0.6
Lease liability				0.4	0.4	0.4	0.4
Other	0.3	0.3	0.4		0.0	0.0	0.0
Total Current Liabilities	5.7	8.0	5.7	7.1	5.9	11.0	9.7
Deferred tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Convert note						0.8	0.9
Lease liabs	1.0	1.0	0.9	0.8	0.7	0.6	0.5
Employee Benefits	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Total Liabilities	6.7	9.0	6.7	7.9	6.7	12.5	11.1
Total equity	20.4	19.7	15.5	7.4	6.4	5.8	4.4
Total Liabilities & Equity	A\$27.2	A\$28.8	A\$22.2	A\$15.4	A\$13.1	A\$18.4	A\$15.5
Cash Banxa Holdings	A\$14.4	A\$13.5	A\$10.8	A\$9.4	A\$5.5	A\$7.6	A\$4.9
Change in cash:	-4.22	-0.90	-2.67	-1.46	-3.89	2.16	-2.70
Cash per share	A\$0.3	A\$0.3	A\$0.2	A\$0.2	A\$0.1	A\$0.2	A\$0.1
Customer deposits	A\$7.3	A\$9.8	A\$5.0	A\$0.0	A\$0.0	A\$0.0	A\$0.0
Change in deposits:	3.67	2.43	-4.78	-4.98	0.00	0.00	0.00
Total debt	A\$0.1	A\$0.1	A\$0.0	A\$0.0	A\$0.3	A\$6.4	A\$7.6

Source: Co. reports and H.C.W. estimates.

Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to unsubscribe@hcwresearch.com and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

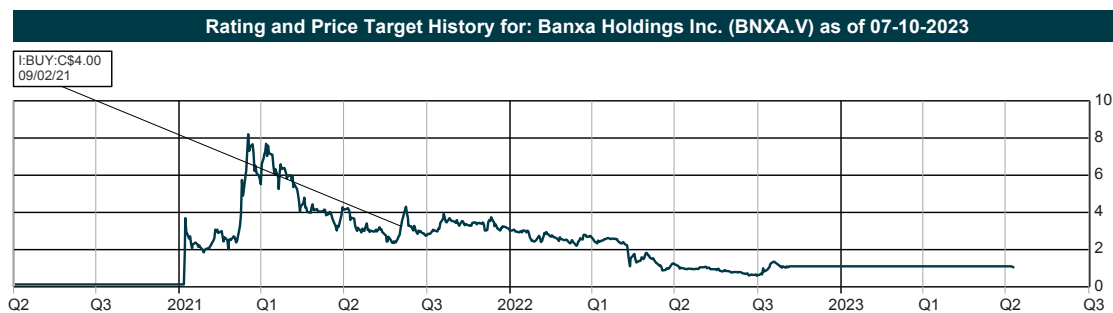
H.C. WAINWRIGHT & CO, LLC RATING SYSTEM: H.C. Wainwright employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of July 10, 2023

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	562	87.81%	141	25.09%
Neutral	64	10.00%	15	23.44%
Sell	1	0.16%	0	0.00%
Under Review	13	2.03%	2	15.38%

H.C. Wainwright & Co, LLC (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Kevin Dede, CFA, certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

None of the research analysts or the research analyst's household has a financial interest in the securities of Banxa Holdings Inc. (including, without limitation, any option, right, warrant, future, long or short position).

As of June 30, 2023 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of Banxa Holdings Inc..

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The firm or its affiliates received compensation from Banxa Holdings Inc. for non-investment banking services in the previous 12 months.

The Firm or its affiliates did not receive compensation from Banxa Holdings Inc. for investment banking services within twelve months before, but will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

The Firm does not make a market in Banxa Holdings Inc. as of the date of this research report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. This research report is not intended to provide tax advice or to be used to provide tax advice to any person. Electronic versions of H.C. Wainwright & Co., LLC research reports are made available to all clients simultaneously. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co., LLC. Additional information available upon request.

H.C. Wainwright & Co., LLC does not provide individually tailored investment advice in research reports. This research report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this research report.

H.C. Wainwright & Co., LLC's and its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed in this research report.

H.C. Wainwright & Co., LLC and its affiliates, officers, directors, and employees, excluding its analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research report.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Securities and other financial instruments discussed in this research report: may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.