

# EUPSPProvider s.r.o.

Indicative valuation of 100% ownership interest in  
EUPSPProvider s.r.o.

Summary of indicative valuation of software

**Reliance Restricted**

2 October 2017



Building a better  
working world

## Reliance restricted

EUPSPProvider s.r.o.  
Attn.: Mr. Alexey Nasonov  
Křemencova 186/7  
110 00 Prague 1 – Nove Mesto

2 October 2017

Dear Mr. Nasonov,

Based on the engagement agreement concluded on 14 August 2017 (Engagement Agreement), we, E & Y Valuations s.r.o., having its registered office at Na Florenci 2116/15, 110 00 Prague 1 - Nové Město, ID: 161 90 581, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. C 2483 ("we", or "EY"), have been asked by EUPSPProvider s.r.o., having its registered office at Křemencova 186/7, 110 00 Prague 1 – Nove Mesto, ID: 022 26 987, registered with the Commercial Register maintained by the Municipal Court in Prague, File No. C 217150 ("Client", "Company", or "you") to provide valuation services related to an indicative valuation of 100% ownership interest in the Company.

### Subject and purpose of valuation

Based on the Engagement Agreement we were asked to perform indicative valuation of the 100% ownership interest ("Share") in the Company for purposes of a contemplated Initial Coin Offering ("ICO"). In addition, the Client requested indicative valuation of an developed customized software underlying the Company's operations ("Software"). It is our understanding that the Client requests our services for the purpose of an internal decision making process within the contemplated ICO ("Purpose").

We emphasize that according to the Engagement Agreement the indicative valuation of the Software should be prepared in a form of a separate expert opinion. However, the Client asked us to summarize the results of our Software indicative valuation analysis in the Appendix of this presentation („Presentation“). Hence, summary of the valuation of the Software within this Presentation serves for illustrative purposes only and must be read in conjunction with the expert opinion, its scope, conditions and limitations.

The Client instructed us to perform the valuation analysis as at 31 July 2017 („Valuation Date“). The Presentation has been prepared exclusively for the aforementioned Purpose and cannot be used for any other purpose and in manners different from those specified in the Engagement Agreement or in this Presentation.

### Sources of information

Our valuation analysis is primarily based on information obtained from the Client and publicly available information. Our valuation analysis is, among other factors, based on general legal, economic and commercial assumptions and on specific information regarding the business and legal frameworks of the Company relevant as at the Valuation Date.

The last available information used for the preparation of this Presentation was acquired on 1 October 2017. Please note that the financial statements of the Company provided to us were not audited and we were neither provided nor had access to audited annual reports or notes to the Company's financial statements.

### Conditions and limitations to our engagement

We did not independently investigate or otherwise verify the data provided to us and we do not express any opinion or offer any form of assurance regarding its achievability (especially of the business plan), accuracy or completeness. We performed neither an audit nor another similar review of the source data and documents that were submitted to us by the Client. These data and documents are entirely in the competence of the Client's representatives and we are fully reliant upon them.

Subject to our obligation to conduct our work with reasonable skill and care, we have no liability for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the directors, employees, or agents of the Client or any other person of whom we make enquiries except to the extent that such loss or damage arises as a result of our bad faith or willful default or where the withholding, concealment or misrepresentation should have been apparent to us without further enquiry from the information provided to us and required to be considered by us under the terms of our assignment.

We would like to point out that in case of a significant change in key assumptions, the results of our valuation analysis may materially change as well. In this regard, the value of the subject assets is a time-dependent dynamic variable influenced by development in financial markets and markets of related services.

We understand that the Company has announced ICO as part of its expansion plans and that our Presentation might be used as one of the documents underlying the ICO and might be disclosed to potential investors. We would like to stress that our valuation analysis do not offer investment advice and nothing in it should be construed as investment advice. The information contained in our valuation is not, and should not be read as, an offer or recommendation to participate in aforementioned ICO or a solicitation of an offer or recommendation to buy or sell any issued tokens of the Company.

EUPSPProvider s.r.o. is an early-stage fintech company being in the initial phase of a life cycle. Hence, an establishment of the financial plan for any kind of such company is significantly influenced by a subjective judgment of the preparer that is supported by limited historical observations with regards to financial performance. Forecasted financial figures are subject to significant level of uncertainty regarding their future achievability. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecasts and as such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

The Client informed us that the Company has experienced transition period in the first half of 2017 due to awaiting approval from the Czech National Bank to become a payment institution. The Company had to stop its marketing activities attracting new customers in a first half of 2017. Furthermore, the Client informed us that, as at the date of issuance of this Presentation, the Company already got approval from the Czech National Bank to become a payment institution. However, obtaining the official written Czech National Bank licence takes some time to be processed and finalized. We note that the provided financial plan assumes mentioned licence of a payment institution of the Czech National Bank and its achievability is dependant on it.

The Company is a regulated financial institution and as such has to adhere to certain capital requirements imposed on payment institutions. These requirements are driven by Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC. We did not examine capital requirements imposed to the Company and we fully relied on the information provided us by the Client in this matter and did not verify them.

We appreciate the opportunity to provide our valuation advisory services to EUPSPProvider s.r.o.. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

Yours sincerely,



Marek Jindra  
Procurist  
E & Y Valuations s.r.o.

## Dashboard

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# 1

## General information



## 1 General information

### Scope of work and our approach

#### 1 General information

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### Scope of work and our approach

- ▶ We were asked to perform indicative valuation of the 100% ownership interest in the Company.
  - ▶ We applied an income approach for indicative valuation of the Company. Discounted cash flow method calculates the presents value of future expected net cash flows using an appropriate discount rate (for detail of applied valuation methodology please see the valuation section).
  - ▶ We have also considered market (comparative) approach that represents a method whereby trading multiplies are derived from market prices of stocks of companies that are engaged in the same or similar lines of business, and that are actively traded on a free and open market (Guideline Public Company Method) or from transactions of significant interest in companies engaged in the same or similar lines of business (Guideline Transactions Method). As the nature of the business of our Company is very unique (discussed further), we have not found adequately robust sample of comparable companies. For this reason we did not utilize market approach within our valuation analysis.
  - ▶ To determine how the value of the Company is affected by the change in selected valuation parameters, the indicative valuation also includes a scenario analysis of estimated value of the Company with respect to change in key valuation inputs and value drivers.
  - ▶ We valued the Company under the going concern principle, which assumes that the valued company represents operating, normally functioning business able to generate cash flows to its shareholders and creditors.
  - ▶ Our valuation analysis was based on the premise of market value as defined in the International Valuation Standards:

*„the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.“*
- ▶ In addition, the Client requested us to summarize an indicative valuation of an developed customized software underlying the Company’s operations.
  - ▶ We emphasize that according to the Engagement Agreement the indicative valuation of the Software should be prepared in a form of a separate expert opinion. Therefore, the summary of the valuation of the Software within this Presentation serves for illustrative purposes only and must be read in conjunction with the expert opinion, its scope, conditions and limitations.
  - ▶ We applied a cost approach for indicative valuation of the Software (for detail of applied valuation methodology please see the Appendix).

## 1 General information

### Conditions and limitations to our engagement

## 1 General information

2 Indicative valuation of the Company

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Subject to our obligation to conduct our work with reasonable skill and care, we have no liability for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by the directors, employees, or agents of the Client or any other person of whom we make enquiries except to the extent that such loss or damage arises as a result of our bad faith or willful default or where the withholding, concealment or misrepresentation should have been apparent to us without further enquiry from the information provided to us and required to be considered by us under the terms of our assignment.

We would like to point out that in case of a significant change in key assumptions, the results of our valuation analysis may materially change as well. In this regard, the value of the subject assets is a time-dependent dynamic variable influenced by development in financial markets and markets of related services.

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## 1 General information

### Company profile

#### 1 General information

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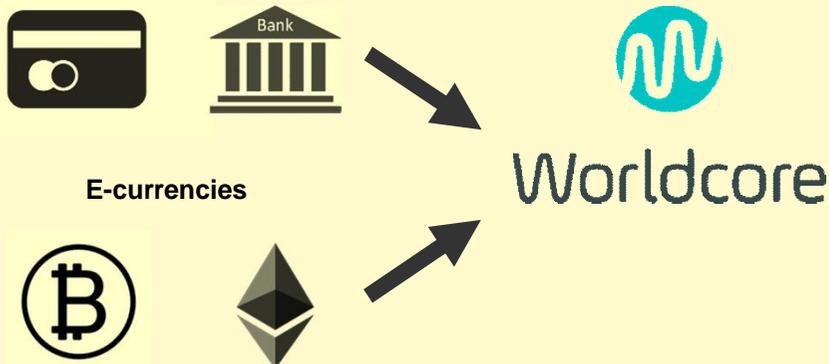
### The Company

The Company was founded in October 2013. It operates as an online payment service provider under the brand name **Worldcore**. The Worldcore system is based on both externally and internally developed state-of-the-art software which is the main underlying asset of the Company\*. The first transactions were processed in Q4 2015 when the Worldcore system was launched. Worldcore is served by over 30 people working in 5 departments. The Company is headquartered in Prague, the capital of the Czech Republic.

#### Product

- ü Bank payments
- ü E-currency payments
- ü Prepaid debit cards
- ü Mass payments
- ü Payouts to any Visa / Mastercard / UnionPay credit / debit cards
- ü International payment processing for individuals and businesses

#### Traditional payment solutions



#### Czech National Bank licence

- ü EUPSPProvider has a licence for providing payment services of small scale granted by the Czech National Bank („CNB“).
- ü The Company already got approval from CNB to be officially recognized as a payment institution (official written CNB licence is being currently processed). Official recognition as a payment institution provides the Company with benefits such as provision of unlimited payment services within the SEPA area and possibility of opening new affiliate offices in different European countries resulting in more financial and strategic integration.

#### Worldcore technologies

- ü **Smart Invoicing:** Simple invoice management by email or SMS
- ü **Application Programming Interface (API):** Easy accounts integration and full automation of all processes
- ü **VoiceKey:** Instead of typing a password to enter the Worldcore account, one can say a code phrase verbally.
- ü **Payment Account:** It has all features of a traditional bank account with advanced functionality and security.

#### Clients

- ü The customer base is wide with customers spanning from big companies to freelancers, fundraisers and other private individuals.

**Long-term vision stated directly by the Company: “Our goal is to cover the most possible number of global payment services to provide the ability to send and receive any types of payments through a single account at Worldcore payment service.”**

\*More detailed description and summary of indicative valuation of the Software is provided in Appendix.

# 1 General information

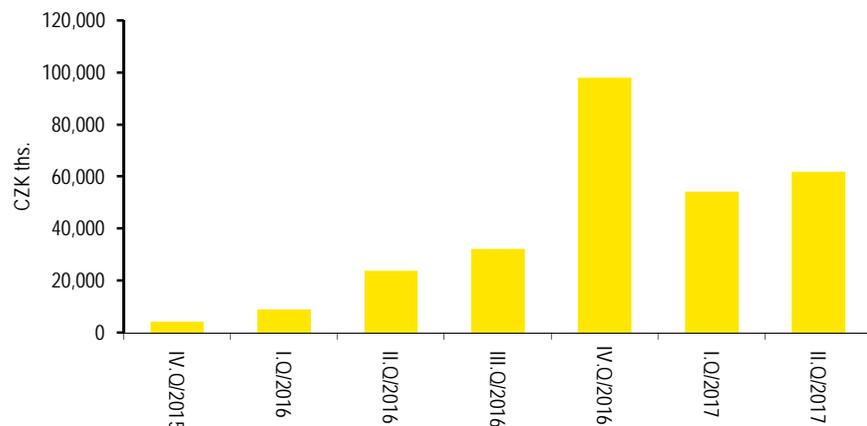
## Historical operating performance

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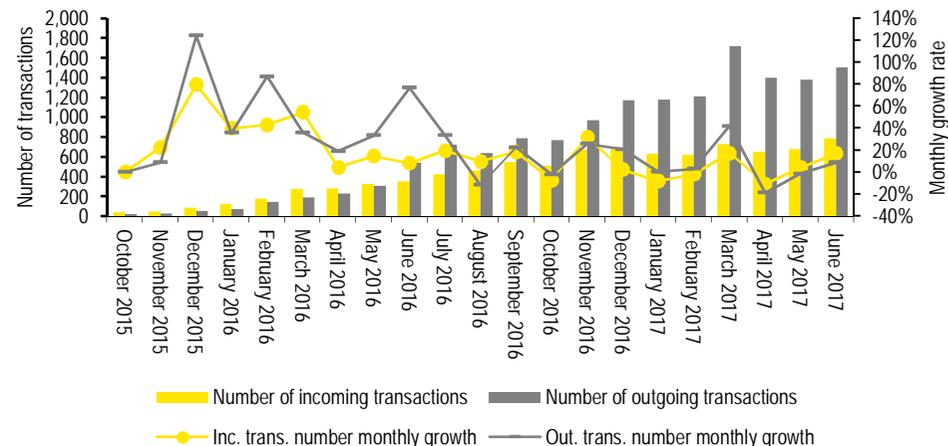
### Accumulated deposit balances

Source: Client



### Number of transactions

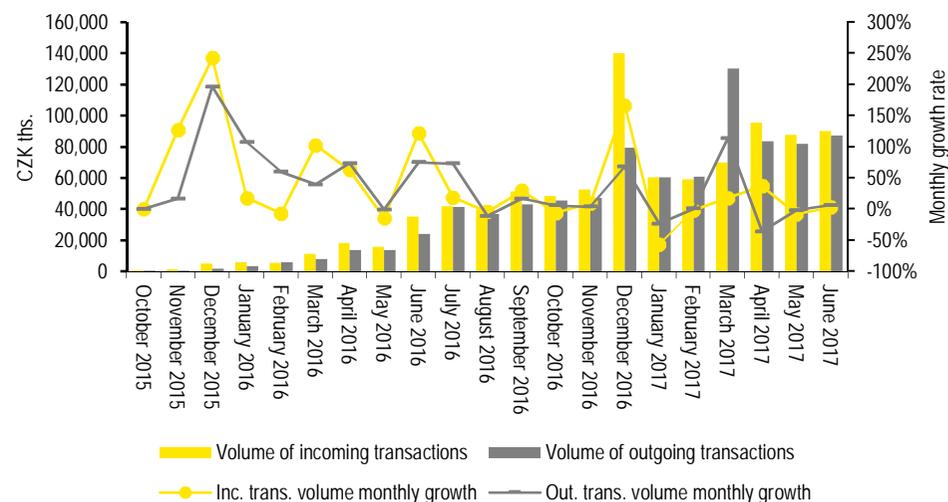
Source: Client



- ▶ Number of transactions processed per month was rapidly increasing since the company's inception and reached **2,295** in June\* 2017. Volume of transactions reached **CZK 177 mil.** in the same month.
- ▶ Accumulated deposit balances constantly grew to **CZK 62 mil.** in June 2017 due to higher volume of incoming transactions as apposed to volume of outgoing transactions on average (see the graph on the bottom right).
- ▶ Number of incoming transactions growth rates was significantly decreasing **in the first half of 2017**. This decrease was due to the fact that the Company is licenced as a small payment institution and it has reached its law-abiding cap in transactions volume. The Company stopped its marketing activities attracting new customers within this restricted period. As stated in the previous slides, the Company already got approval from the CNB to become a payment institution (official written CNB licence is being currently processed). After this recognition, the Client expects significant increase in overall number of transactions growth rates .
- ▶ Before the restriction imposed by CNB, average growth in number of incoming transactions was **20%\*\* per month in 2016**.
- ▶ There were two one-off months in terms of transaction volume (December 2016 and March 2017). We have been informed by the Client that they onboarded high volume clients in December 2016 who were also the reason of unusual high transaction volume in March 2017 when there were a lot of withdrawals from these accounts without any special reason.

### Volume of transactions

Source: Client



\*Actual data for July 2017 was not available to us as at the date of release of this Presentation.

\*\* This growth rate is however strongly influenced by high growth rates in the first quarter of 2016. Median of this growth in number of incoming transaction was 17% for the same period.

# 1 General information

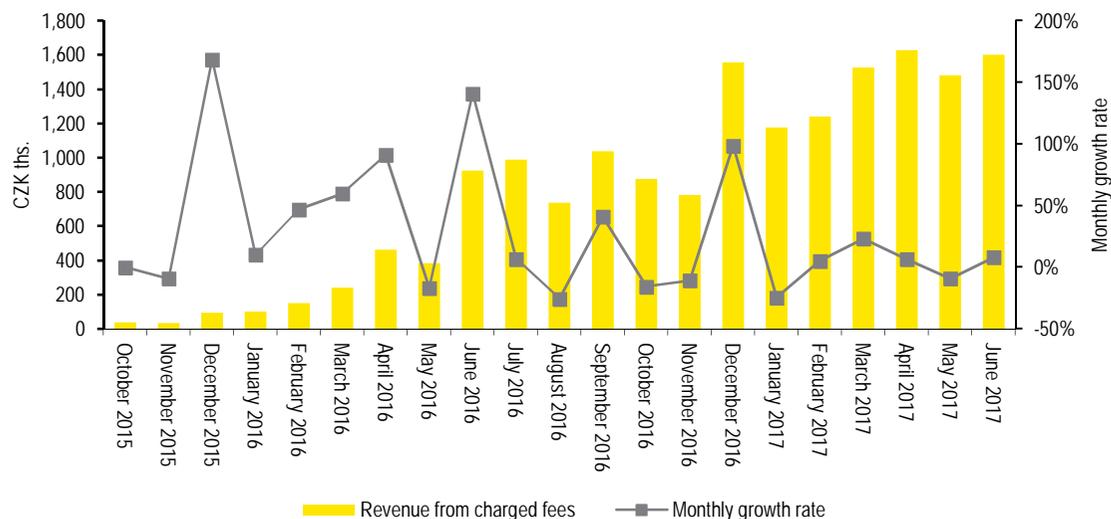
## Historical financial performance

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### Historical revenues from charged fees

Source: Client



### Income statement

CZK ths.	2015	2016	I-VII 2017
Payment services provided (overall turnover)	10,048	827,640	1,112,107
Average transaction fee	1.65%	1.00%	0.95%
Revenue from transaction fees	166	8,239	10,615
Interest income from acc. deposits	142	2,779	22,474
<b>Total Revenue</b>	<b>308</b>	<b>11,018</b>	<b>33,089</b>
Operating expenditures (OpEx)	454	11,872	32,622
<b>EBITDA</b>	<b>(146)</b>	<b>(854)</b>	<b>467</b>
<i>EBITDA margin</i>	-47%	-8%	1%
Depreciation and amortization	47	163	661
<b>EBIT</b>	<b>(193)</b>	<b>(1,017)</b>	<b>(194)</b>
<i>EBIT margin</i>	-63%	-9%	-1%

Source: Client

### Balance sheet

CZK ths.	2015	2016	31 July 2017
<b>Total assets</b>	<b>8,349</b>	<b>109,989</b>	<b>87,674</b>
PPE	59	200	182
Software*	1,841	6,381	5,752
Current Assets	6,449	103,408	81,740
<b>Total liabilities</b>	<b>5,149</b>	<b>108,850</b>	<b>86,454</b>
<b>Total equity</b>	<b>3,200</b>	<b>1,139</b>	<b>1,220</b>

Source: Client

\*The Client informed us that the development of the core of the Software was financed partly by founder of the Company at his own expenses and these core development costs were not recorded in the Company's financials. Thus, the book value of the Software recorded on the balance sheet at the end of 2015 do not match costs incurred in connection with the development of the core of the Software.

- ▶ Revenues of the Company consist of two streams:
  - ▶ **Fees** charged on overall transactions turnover
  - ▶ **Monthly interests earned** from accumulated deposit balances
- ▶ Total revenue for the first seven months of 2017 reached **CZK 33 mil.**, three times the revenue for the whole 2016.
- ▶ Average transaction fee charged on processed transactions fluctuated around **1%**.
- ▶ The company achieved a positive EBITDA in January – July 2017 for the first time since operations of the Company were launched.
- ▶ Total assets reached **CZK 87.7 mil.** as at the Valuation Date, from which 7% was software (in historical costs) and 93% were current assets (comprised mainly cash obtained from clients' deposits.)
- ▶ The decrease in total assets from 31 December 2016 to 31 July 2017 was due to the transaction volume one-offs described in the previous slide. Total assets were boosted by the high volume clients at the end of 2016 and they normalized after following outflow of funds in March 2017.

# 2

## Indicative valuation of the Company



## 2 Indicative valuation of the Company

### Applied valuation methodology

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**2 Indicative valuation of the Company**

3 Appendix: Summary of indicative valuation of the Software

### Applied valuation methodology

Generally, there are three valuation approaches:

#### I. Income Approach:

- ▶ The income approach is most frequently used for the valuation of projects, shares, entire enterprises, their parts and industrial rights or other intellectual property. Basic variants of this approach include, inter alia, the DCF method and the income capitalization method. The primary example of this approach is the DCF method, where future cash flow is valued (while taking into account both the risks in attaining such cash flow and its present value). The probability of attaining certain future income is given by both internal and external factors specific to each company or project.
- ▶ A second method sometimes used is the income capitalization method, which is primarily based on the historical profits-to-capitalization rate ratio. Some experts consider this method to yield an overly approximate result, though, under certain circumstances, it may be a useful indicator.

#### II. Market Approach

- ▶ The market (comparative) approach emphasizes a comparison of the characteristics of the asset(s) under valuation and is useful especially in cases where a sufficient amount of data regarding the market for comparable goods is available; this assumes the existence of a developed and long-standing market economy (data on stock exchanges, similar transactions, licensing analogues, etc.).

#### III. Cost Approach

- ▶ The cost approach (Net Asset Valuation – NAV, substantive method) is based on an indicative valuation of assets and the valuation of liabilities, where the result is given by the relationship between the valuation of assets as a whole minus the valuation of liabilities as a whole. Therefore, this is a static valuation method, predicated on accounting values adjusted to their market values.

Taking into consideration the specifics of the Company and its business nature, EY opted to employ **income approach**, specifically the **discounted cash-flow method** (DCF), which is based upon discounting of free cash flows to owners (DCF Equity). By discounting cash flow that is available to owners, after companies' operating needs have been covered and capital requirements have been met, we arrived at the value of the Company's equity.

We performed the valuation of the Company as at the Valuation Date on the basis of a two-phase version of the DCF method. The future financial performance of the Company is divided into two following phases:

- ▶ The **first phase** represents a period from August 2017 to December 2022, which is based on the estimated business plan of the Company;
- ▶ The second period is period in **perpetuity** (also terminal value), which is defined as period with normalized key financial parameters.

We have decided not to project a second, or convergence phase, as the speed, target level and nature of the convergence is very uncertain, given the business nature.

For the specific assumptions used in our valuation please see the following slides.

## 2 Indicative valuation of the Company

### Company's financial plan

1 General information

**2 Indicative valuation of the Company**

3 Appendix: Summary of indicative valuation of the Software

The Company provided us with the financial plan for period from August 2018 to December 2022. The financial plan is based on following assumptions:

#### Revenues and profitability

Revenue forecast is based on incoming transactions average historical growth rates and expects growth deceleration from 2019 onwards:

- ▶ Incoming transactions monthly growth rate:
  - ▶ August 2017–2018 **15%**
  - ▶ 2019 **5%**
  - ▶ 2020–2022 **1%**
- ▶ Average number of outgoing transactions is derived by multiplying number of incoming transactions by **1.5x** (based on historical observation of this ratio).
- ▶ Average\* value of incoming transaction: **CZK 84,442**
- ▶ Average\* value of outgoing transactions: **CZK 50,095**

Profitability forecast includes an expectation of competitive pressure on charged commission fees:

- ▶ Commission fee
  - ▶ August 2017–2018 **1.25%**
  - ▶ 2019–2022 **1.00%**
- ▶ Interest income earned from accumulated deposits as at the last day of month was supposed to be stable.
  - ▶ August 2017–2012 **1.00%** (offered by the Client's bank)

\*Averages are based on average of historical transactions from the beginning of operations till June 2017.

#### Expenses

The Client provided us with the forecast of the operating expenses (OpEx). Operating expenditures include office rent, salaries, marketing costs, payments related to software technical support, monitoring of fraudulent operations, software related costs, administrative costs and other minor expenses.

#### EY comments on the Company's financial plan

The Company is an early-stage company being in the initial phase of a life cycle. Hence, an establishment of the financial plan for any kind of such company is significantly influenced by a subjective judgment of the preparer (e.g. selection of past period for growth averaging, etc.) that is supported by limited historical statistical observation with regards to financial performance. Forecasted financial figures are subject to significant level of uncertainty (also due to lack of comparable companies that could be benchmarked for the value drivers forecasts) regarding their future achievability.

#### Company's business plan

	2017 VIII-XII	2018	2019	2020	2021	2022
Number of incoming transactions	7,053	61,022	163,603	225,183	253,742	285,923
Number of outgoing transactions	10,580	91,533	245,405	337,774	380,613	428,884
<b>Total number of transactions</b>	<b>17,633</b>	<b>152,554</b>	<b>409,008</b>	<b>562,957</b>	<b>634,355</b>	<b>714,807</b>
<i>Number of transactions y-o-y growth rate</i>	<i>184%</i>	<i>371%</i>	<i>168%</i>	<i>38%</i>	<i>13%</i>	<i>13%</i>
<i>CZK ths.</i>	<i>2017 VIII-XII</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Average value of incoming transaction	84	84	84	84	84	84
Average value of outgoing transaction	50	50	50	50	50	50
Volume of incoming transactions	595,585	5,152,795	13,814,975	19,014,901	21,426,466	24,143,878
Volume of outgoing transactions	529,994	4,585,323	12,293,547	16,920,811	19,066,794	21,484,941
<b>Overall turnover</b>	<b>1,125,580</b>	<b>9,738,118</b>	<b>26,108,522</b>	<b>35,935,712</b>	<b>40,493,260</b>	<b>45,628,819</b>
<i>Commission fee %</i>	<i>1.25%</i>	<i>1.25%</i>	<i>1.00%</i>	<i>1.00%</i>	<i>1.00%</i>	<i>1.00%</i>
<b>Revenue from charged fees</b>	<b>14,070</b>	<b>121,726</b>	<b>261,085</b>	<b>359,357</b>	<b>404,933</b>	<b>456,288</b>
Accumulated balances as of year end	135,974	703,445	2,224,872	4,318,961	6,678,633	9,337,571
<b>Interest earned from deposits</b>	<b>442</b>	<b>3,681</b>	<b>14,543</b>	<b>33,385</b>	<b>55,738</b>	<b>80,926</b>
<b>Total Revenue</b>	<b>14,512</b>	<b>125,407</b>	<b>275,628</b>	<b>392,742</b>	<b>460,671</b>	<b>537,214</b>
OPEX	(3,753)	(12,689)	(20,601)	(25,365)	(28,126)	(30,610)
<i>OPEX / Revenue</i>	<i>26%</i>	<i>10%</i>	<i>7%</i>	<i>6%</i>	<i>6%</i>	<i>6%</i>
<b>EBITDA</b>	<b>10,759</b>	<b>112,718</b>	<b>255,026</b>	<b>367,377</b>	<b>432,545</b>	<b>506,604</b>
D&A	(764)	(1,445)	(1,510)	(1,612)	(1,768)	(2,005)
<b>Earnings before interests and taxes (EBIT)</b>	<b>9,995</b>	<b>111,274</b>	<b>253,517</b>	<b>365,765</b>	<b>430,777</b>	<b>504,599</b>
Tax on EBIT (19%)*	(1,899)	(21,142)	(48,168)	(69,495)	(81,848)	(95,874)
<b>Net operating profit after taxes (NOPAT)</b>	<b>8,096</b>	<b>90,132</b>	<b>205,348</b>	<b>296,270</b>	<b>348,929</b>	<b>408,725</b>

Source: Client

\*The Client informed us that the income tax domicile of the Company is in the Czech Republic.

## 2 Indicative valuation of the Company

### Calculation of free cash flow and application of perpetuity

1 General information

**2 Indicative valuation of the Company**

3 Appendix: Summary of indicative valuation of the Software

#### Free cash flow to equity holders calculation

CZK ths.	2017 VIII-XII	2018	2019	2020	2021	2022
<b>NOPAT</b>	<b>8,096</b>	<b>90,132</b>	<b>205,348</b>	<b>296,270</b>	<b>348,929</b>	<b>408,725</b>
+ D&A	764	1,445	1,510	1,612	1,768	2,005
- Capital expenditures (CapEx)	(1,511)	(1,595)	(1,735)	(1,949)	(2,274)	(2,765)
- Investments in net working capital (NWC)	(4,503)	(3,274)	56,083	2,622	(60,245)	(89,874)
- Investment in operating cash	(70)	(114)	(3,402)	(4,404)	(3,105)	(1,440)
Free cash flow to equity holders (FCFE)	2,776	86,594	257,805	294,151	285,072	316,652
<b>FCFE after capital requirement restrictions*</b>	<b>2,776</b>	<b>73,827</b>	<b>257,805</b>	<b>294,151</b>	<b>285,072</b>	<b>316,652</b>

#### Free cash flow calculation

- ▶ To calculate FCFE in the period of the financial plan we further:
  - ▶ Added to NOPAT:
    - § Depreciation and amortization costs
  - ▶ Subtracted from NOPAT:
    - § CapEx (calculated based on the Client forecast of PPE and software)
    - § Investments into NWC (calculated based on the Client forecasted balance sheet)
    - § Investment into operating cash (the Client informed us that the level of operating cash amounted to EUR 10 ths. as at the Valuation Date, we further calculate operating cash need as a percentage of forecasted revenues)
- ▶ The Client informed us that the Company is regulated by CNB and it has to adhere to certain capital requirements imposed on payment institutions. These requirements are driven by Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC. We were provided with calculation of future required equity by the Client. We have taken into account possible impact on amount of distributable cash flows to equity holders during forecasted period and we have adjusted FCFE accordingly (difference between forecasted FCFE and equity available for distribution in particular years represented capital outflow restriction).

#### Application of perpetuity

- ▶ For estimation of the terminal phase, we assumed the Company will reach its long-term stable state in terms of the development of its main value drivers. As the financial plan of the Company assumes significant transaction growths that together with stable charged commission fees result at two digit growth of the total revenues on annual basis, we are of the opinion that in line with economic theory other subjects will enter the industry to participate on excess earnings. This competition pressure will (i) slow-down the Company's transaction growth and (ii) squeeze the commission fees charged on the processed transactions.
- ▶ We assume stabilization of the following value drivers:
  - § Year growth of the number of transactions **2%**
  - § Scenario development of the commission fee **0.25% - 0.75%**
  - § OpEx as the percentage of from revenues **10%**
- ▶ We applied commonly utilized parametric formula in order to properly reflect profit that will have to be retained and used for future capital expenditures and working capital investments that will assure achievability of the forecasted growth.

## 2 Indicative valuation of the Company

### Value conclusion

1 General information

**2 Indicative valuation of the Company**

3 Appendix: Summary of indicative valuation of the Software

### Indicative value of the Company

Indicative valuation of the Company was performed using the DCF method:

- ▶ **First phase** was based on the Company's business plan
- ▶ **Perpetuity / terminal phase**, which captures the Company's value that is not reflected by the explicit phase (i.e. business plan), was estimated using the retention formula.
  - Terminal value is stemming from future operations beyond the business plans' horizon, reflecting the going-concern assumption.
  - Value of terminal phase was calculated assuming **2% annual growth rate**, which is consistent with CNB's long-term targeted inflation.
  - Profitability in perpetuity differs based on two scenarios assuming different level of long-term commission fee.
    - § **Lower case**               – **0.25%**
    - § **Upper case**               – **0.75%**
- ▶ **Discount rate** was estimated taking into account the Company's early-stage life cycle and risk related to the achievability of the underlying financial plan. Hence, we used discount rate at the level of observed required rate of returns of venture capital funds that varies between **30 and 40%**.

The company has no interest bearing debt, no non-operating assets as at the Valuation Date. For this reason total invested capital equals the Company's equity. The indicative equity value of the Company as at the Valuation Date, estimated using the approach described above in this Presentation, is depicted in the table below. The final value conclusion is shown as interval of possible values based on used scenarios and discount rate.

CZK ths.	Lower case			Upper case		
	40%	35%	30%	40%	35%	30%
Discount rate						
Present value of the financial plan	371,424	419,096	476,098	371,424	419,096	476,098
Present value of terminal value	47,960	69,217	102,880	97,615	140,881	209,398
<b>Indicative value of total invested capital</b>	<b>419,384</b>	<b>488,313</b>	<b>578,979</b>	<b>469,039</b>	<b>559,977</b>	<b>685,496</b>
Debt and non-operating assets	-	-	-	-	-	-
<b>Indicative equity value of the Company</b>	<b>419,384</b>	<b>488,313</b>	<b>578,979</b>	<b>469,039</b>	<b>559,977</b>	<b>685,496</b>

Based on our scope, the information and assumptions provided by the Client, our analyses and limitations contained in this Presentation, we have estimated the indicative value of the Company in the range of:

**(i) CZK 419 – 579 mil. (EUR\* 16 – 22 mil.), assuming lower case**

**(ii) CZK 469 – 685 mil. (EUR\* 18 – 26 mil.), assuming upper case**

# 3

## Appendix: Summary of indicative valuation of the Software



### 3 Appendix: Summary of indicative valuation of the Software

#### Software description

- 1 General information
- 2 Indicative valuation of the Company

### 3 Appendix: Summary of indicative valuation of the Software

#### General description of the Software

The Software is branded under the name Worldcore and was externally developed by IT software company. The software was built and customized at the Company's request. More detailed description covering the history of the Software development is described further in valuation section.

The Software mainly comprises a web interface used by clients to access the services provided by the Company. These services include a web platform ("Platform") that allows for integrated payments and other transactional operations for both individuals and corporate entities in the Czech republic and abroad. Software's main capabilities (as described by management) are:

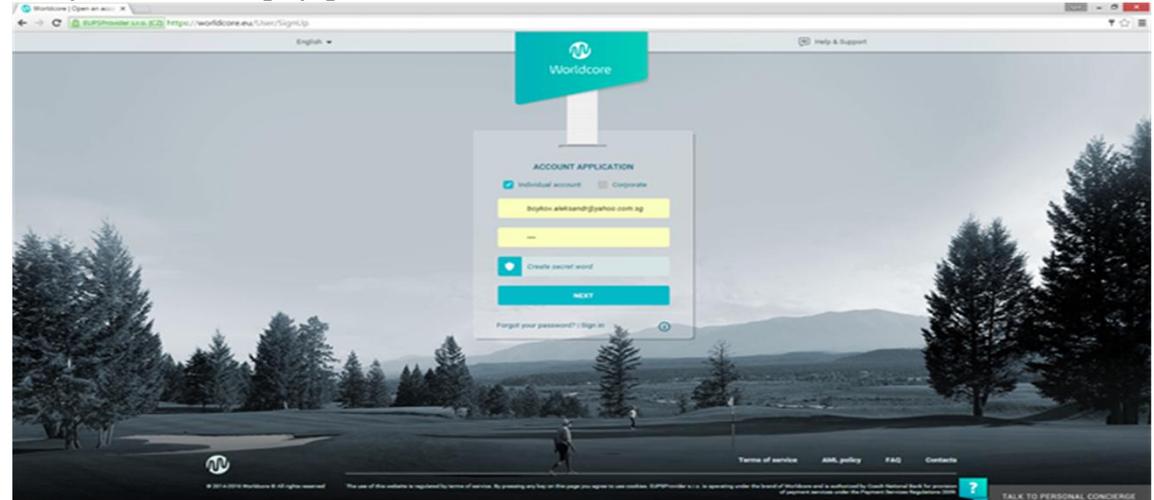
#### Software's main capabilities

- ▶ Sending and receiving bank payments
- ▶ Placing orders for the Worldcore VISA debit card
- ▶ Conducting payments to any VISA/MasterCard/UnionPay worldwide
- ▶ Sending mass payments onto bank accounts and credit/debit cards
- ▶ Buying and selling of cryptocurrencies

#### The actual web interface is compromised of 8 main individual sections

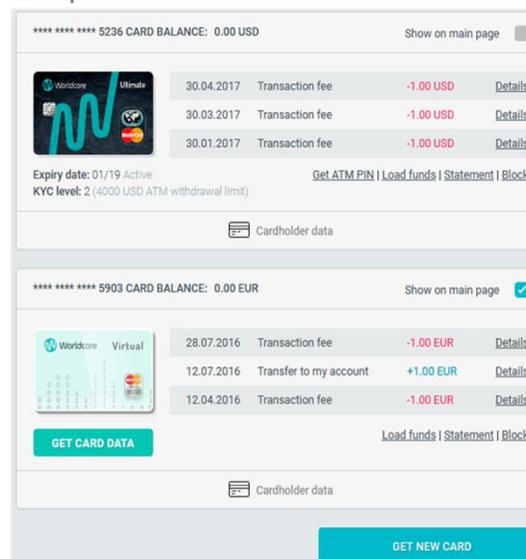
- ▶ Public - website that is accessible to the public
- ▶ Blog – finance blog written on wordpress
- ▶ Member room – website that is accessible to registered members
- ▶ Clerk room – website that is accessible to the clerk (an administrator with restricted control)
- ▶ Accounting – interface for the accountant
- ▶ Compliance room – interface used for checking operations and uploaded documents
- ▶ Content managers – interface used for adding and modifying news, videos etc.
- ▶ Support room – interface dedicated to support employees

#### Example of interface: Login page



Source: Client

#### Example of interface: Overview of cards



Source: Client

#### Software technical aspects

- ▶ In regards to the technological aspects, the server part of the Platform was written in C# with the use of ASP.NET MVC 5 and Web API 2.2.
- ▶ Entity Framework 6.1 is used to access the MS SQL 2014 database and the client part was written with the use of knockout js library.
- ▶ The total number of the Software's lines of code is 64 532.
- ▶ The total number of hours spent on developing the core part of the Software was 39 392.

#### Main competitive advantages

- ▶ Face recognition for login
- ▶ EU-regulated payment institution with voice biometrics authentication
- ▶ Security compliance – holder of PCI DSS LEVEL 1

### 3 Appendix: Summary of indicative valuation of the Software

#### Applied valuation methodology

1 General information

2 Indicative valuation of the Company

3 Appendix: Summary of indicative valuation of the Software

#### Applied valuation methodology

Based on discussions with the Client and the information available to us as at the Valuation Date we decided to utilize the cost approach for estimation of indicative value of the Software.

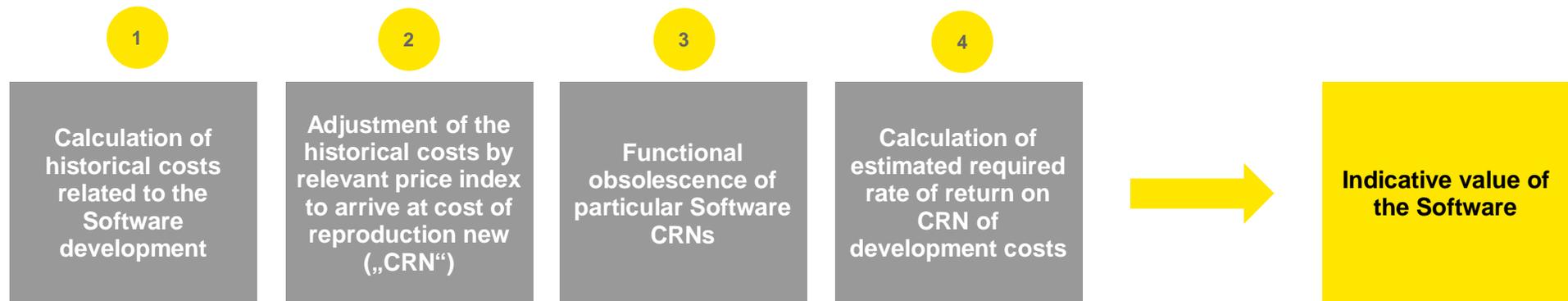
Generally, the cost approach is based on the premise that a prudent investor would pay no more for an intangible asset than its replacement or reproduction cost.

The first step in the cost approach is to determine the current replacement cost new or cost of reproduction new for the subject asset.

- ▶ **Replacement Cost New (RCN)** is defined as the current cost of producing a similar new item having the nearest equivalent utility as the asset being valued.
- ▶ **Cost of Reproduction New (CRN)** is the current cost of duplicating an identical item new. It is the current cost of producing an exact replica.

As we have not identified any software with sufficiently similar characteristics and equivalent utility, we have not been able to use RCN approach for the valuation of the Software. Therefore, we applied CRN approach in which we value the Software in the sense of how much the exact replica of the Software would cost to develop as at the Valuation Date.

Further to reflect the operational, tested and proven condition of the Software we have included a notional developers profit, as if the software was for sale or acquired from a third party as it is. Step-by-step decomposition of our applied valuation method is described by following diagram:



#### Limitations

- ▶ We have not independently investigated or otherwise verified the historical development costs underlying the Software that were provided to us by the Client.
- ▶ We have not verified or reviewed the technical features or any aspects of the software and in that context we have fully relied on management explanations
- ▶ Some of the valuation inputs are subject to client judgment and simplified assumptions.
- ▶ Required rate of return of software is difficult to estimate due to lack of market data regarding transactions with similar type of customized software.

### 3 Appendix: Summary of indicative valuation of the Software

#### Valuation of the Software

1 General information

2 Indicative valuation of the Company

### 3 Appendix: Summary of indicative valuation of the Software

#### Historical development costs

The Client provided us with historical costs that were incurred (i) directly in connection with the external Software development and (ii) within the Company's overall operations (overheads). We analysed these costs and results can be summarized as follows:

##### A/ IT external software developer

- ▶ Calculated as the number of hours spent on development equalling 39,392 hours times the historical average hourly salary of external IT software developer of EUR 18.75 translated to CZK by EUR/CZK fx rate as at the Valuation Date. These costs made up the core of the Software. Following costs can be taken as software maintenance and upgrades.

##### B/ Other direct costs

- ▶ Other direct costs included costs that are directly related to the Software development.
  - Salaries (the portion of salaries of the Company's employees and management (1x chief executive officer, 1x director, 1x manager, 1x accountant and 1x marketing consultant) according to the time devoted to the Software development and testing) including social security and health insurance;
  - Travel expenses (business trips to IT software developers)
  - Taxes and fees (VAT that was reverse charged on purchase of foreign IT services);
  - Technical IT support;
  - Interest costs paid to owner for funding the Software development.

##### C/ Indirect costs / overheads

- ▶ Indirect costs that were incurred while running the business. Indirect costs comprised: material, office rent, phone fees, post fees, internet, server fees, other services, accounting legal fees and fixed assets depreciation.
- ▶ Then, the total indirect costs were multiplied by percentage of overheads that were, based on the Client assumption, allocable to the Software in particular years.

By summing the IT external software development costs, other indirect costs and capitalized overheads, we arrived at total development costs attributable to the Software in particular development years (please, see the table on the right).

#### Calculation of total development costs attributable to the Software

Costs incurred (CZK"000)	11/2014 - 09/2015	10/2015 - 12/2015	2016	1/2017 - 31/7/2017
<b>A/ IT external software developer</b>				
Number of hours spent	39,392	-	-	-
Historical average hourly salary of (EUR)	18.75	-	-	-
<b>Total (EUR)</b>	<b>738,600</b>	-	-	-
EUR/CZK fx rate as at the Valuation Date	26.08	-	-	-
<b>Total (CZK) [1]</b>	<b>19,262,688</b>	-	-	-
<b>B/ Other direct costs [2]</b>				
Salary	-	59,697	1,006,326	1,122,151
Travel expenses	-	-	207,545	171,397
Other taxes and fees	-	-	1,043,142	2,123,365
Technical support	-	-	262,700	2,150,771
Interest costs	-	-	216,667	-
<b>C/ Indirect costs / overheads</b>				
<b>Indirect costs / overheads provided by the Client</b>				
Material	-	282,501	2,128,161	2,157,288
Office rent	-	789	14,455	8,787
Office rent	-	46,754	250,978	116,601
Phone fees	-	10,563	161,077	74,063
Post fees	-	1,667	-	21,908
Internet, servers fees	-	-	-	1,204,764
Other services	-	-	168,124	-
Accounting, legal fees	-	175,903	1,460,380	699,705
Fixed assets depreciation	-	46,825	73,147	31,460
% of overheads to be capitalized	-	90%	85%	70%
<b>Capitalized overheads [3]</b>		<b>254,251</b>	<b>1,808,937</b>	<b>1,510,102</b>
<b>Total development costs attributable to the Software [4] = [1] + [2] + [3]</b>	<b>19,262,688</b>	<b>313,948</b>	<b>4,545,317</b>	<b>7,077,786</b>

Source: Client, EY

### 3 Appendix: Summary of indicative valuation of the Software

#### Valuation of the Software

1 General information

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3 Appendix: Summary of indicative valuation of the Software

#### Calculation of indicative value of the Software

- ▶ Total historical development costs attributable to the Software were further adjusted for relevant price indices in order to convert the particular historical costs into current prices and to obtain reproduction costs for particular development costs as at the Valuation Date.
  - Russia price index for IT software development costs (the core of the Software was developed in Russia).
  - Czech „computer programming, consultancy“ price index for all other costs.
- ▶ Then, we considered functional obsolescence of the core part of the Software. This functional obsolescence could be explained as the part of the core Software that was functionally replaced by post-implementation upgrades (to avoid costs overlapping). This assumption was provided us by the Client.
- ▶ Depreciated reproduction costs took into account mentioned functional obsolescence.
- ▶ We have applied estimated required rate of return on particular historical development costs that accounts for estimated required profitability of a Software developer. Particular costs were increased taking into account time factor of their spending. Lacking any publicly available empirical data, pre-tax required rate, on Cost of Equity level, assuming zero leverage, was considered in **20 – 30%** range.
- ▶ We obtained depreciated reproduction costs increased by the total required return by summing total historical development costs with absolute required return in particular years.
- ▶ Sum of the depreciated reproduction costs increased by total required return across the development years represents the indicative value of the Software.

Based on our scope, the information and assumptions provided by the Client, our analyses and limitations contained in this Presentation and the Expert opinion, we have estimated the indicative value of the Software in the range of:

**CZK 37 – 42 mil.**

**EUR\* 1.4 – 1.6 mil.**

\*Converted by EUR/CZK fx rate as at the Valuation Date.

#### Calculation of indicative value of the Software

(CZK"000)	11/2014 - 09/2015	10/2015 - 12/2015	2016	1/2017 - 31/7/2017
<b>Total development costs attributable to the Software</b>	<b>19,262,688</b>	<b>313,948</b>	<b>4,545,317</b>	<b>7,077,786</b>
Price index	1.089	1.028	1.017	1.005
<b>CRN</b>	<b>20,985,607</b>	<b>322,781</b>	<b>4,621,193</b>	<b>7,115,936</b>
<b>Functional obsolescence</b>	20%	0%	0%	0%
<b>Depreciated reproduction costs [1]</b>	<b>16,788,485</b>	<b>322,781</b>	<b>4,621,193</b>	<b>7,115,936</b>
Capitalization date	30.09.2015	31.12.2015	31.12.2016	31.07.2017
Age (in years)	1.84	1.58	0.58	0.00
<b>A/ Required rate annual of return (%)</b>	<b>20%</b>			
Total required rate of return (%)	39.7%	33.5%	11.2%	0.0%
Total required return [2]	7,656,583	105,083	483,539	0
<b>Depreciated reproduction costs increased by required return</b>	<b>24,445,068</b>	<b>427,864</b>	<b>5,104,732</b>	<b>7,115,936</b>
<b>A/ Indicative value of Software (lower range) [1] + [2]</b>	<b>37,093,600</b>			
<b>B/ Required rate annual of return (%)</b>	<b>30%</b>			
Total required rate of return (%)	61.9%	51.5%	16.5%	0.0%
Total required return [2]	11,917,102	161,709	5,333,735	7,115,936
<b>Depreciated reproduction costs increased by required return</b>	<b>28,705,587</b>	<b>484,490</b>	<b>5,333,735</b>	<b>7,115,936</b>
<b>B/ Indicative value of Software (upper range) [1] + [2]</b>	<b>41,639,748</b>			

Source: Client, EY

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