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RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Kyckr Limited

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Initiating Coverage

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Investment Profile

Share price (\$) as at 23 November 2016	0.265
Issued capital:	
Ordinary shares (M)	101.0
Performance Shares & Rights (M)	20.0
Options (M)	8.0
Fully Diluted (M)	129.0
Market capitalisation (\$M)	26.8
Low/high (\$)	0.125/0.315

Board and Management

Albert Wong: Non-Executive Chairman
David Cassidy: Managing Director
Ben Cronin: Executive Director
Robert Leslie: Executive Director/Global Head of Innovation
John Walsh: Non-Executive Director
Patrick Curry: Non-Executive Director
John Van Der Wielen: Non-Executive Director
Karl Pechmann: Chief Financial Officer & Company Secretary
Keiran O'Sullivan: Chief Technology Officer

Major Shareholders

Major Shareholders	%
Robert Leslie	9.5
Benjamin Cronin	8.4
Amandri Pty Ltd	4.9
David Cassidy	4.9
John Murray	4.2

Share Price



Peer Comparison (as at 23 November 2016)

ASX Code	Market Cap*	P/B Ratio
9SP	31.9	1.4
AFY	483.1	16.6
CCA	40.3	2.8
CV1	24.6	7.3
ISX	96.4	9.7
MNW	41.2	-38.4
Average**	119.6	7.6
KYK	26.8	4.6

*Includes ordinary shares held in escrow.

**Excludes MNW

AUTOMATING THE "KYC" PROCESS

KYK is a commercially proven technology company that supplies services, predominantly to banks, to manage their Know Your Customer (KYC) obligations. KYK sources information to make KYC decisions from 180 business registers around the world. The KYC process is becoming increasingly important for financial institutions to remain compliant with Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) regulations. Those businesses that are not compliant with the regulations are being issued with large financial and in some instances criminal penalties.

KEY POINTS

Acquisition of Global Business Register Limited (GBR): KYK has acquired 100% of GBR shares after the successful completion of the IPO in September 2016. The shares were acquired through the issue of 46.3m fully paid ordinary shares in KYK. GBR was established in 2007 and has developed a suite of KYC products that provides real-time access to a global network of official corporate data sources. The primary product of GBR was the GBR Direct Portal, which can be manually accessed by GBR's clients, however this has been superseded by the automated solutions developed in 2015.

A Unique KYC Product: KYK provides automated 'Know Your Customer' (KYC) services for businesses, primarily to financial institutions and technology companies. The automated product is a new but proven addition to the product suite with the company seeking to convert existing clients to the automated product. KYK's product is unique, as KYK do not keep a database of information. The company sources all information live from the appropriate business register at the time of the client request. This means that the client is getting the most up to date information regarding the business customer.

New Revenue Model: GBR products have historically been charged on a per report basis. With the new automated solution, the company is migrating to a 'cost per click' revenue model, whereby clients will have an ongoing contract with KYK and will be charged per action for each record. One of the primary benefits of this model is the addition of the recurring revenue stream, which historically has been non-existent for GBR.

Corporate Identity Blockchain Service: KYK is in the process of commercialising its Corporate Identity blockchain service to provide immediate customer reconciliation to clients. The blockchain service will be an addition to the existing automated KYC product. The service is platform agnostic and is currently live on the Credits, Ethereum and Bitcoin platforms. The blockchain service will continuously track business related events, maintaining a live picture and complete history of a business. The blockchain service will significantly streamline the KYC process for businesses and will offer real time information regarding a business as well as a full and verified history of a business.

Capital Position: At 30 September 2016, the company had AUD\$4.6m in cash after raising \$5.2m through the IPO. The company currently has no outstanding debt. KYK Ireland Limited (previously GBR), reported its highest sales to date, AUD\$1.2m for FY16, a 120% increase on the pcp, with sales boosted by the automated product. We expect the company to operate at a loss in the short-term, as the company converts existing customers to the automated product as well as onboarding new clients. Based on GBR's historical financials, the company is expected to generate a high gross profit margin with operating costs largely fixed, therefore once the company achieves scale the company will move into profitable territory.

Investment Case: KYK is an emerging company providing investors the opportunity to gain exposure to the global KYC market. The company is working to migrate the existing GBR customer base to the automated product and has announced two additional clients on top of the Bank of Ireland that will be using the service, as well as a number of companies testing the product for the potential transition. One of the benefits of the business model is that it is highly scalable. The automated product combined with the blockchain service provides a significant opportunity for the company to become a market leader in corporate identity services for businesses. KYK is trading at a discount to a number of its peers on a price to book basis providing investors the opportunity to invest at an attractive price on a relative basis, however we caution investors that the release of shares from escrow will be potentially dilutive for existing shareholders.

SWOT ANALYSIS

STRENGTHS

- ◆ The company has live access to 180 business registers around the world from which it verifies information and continues to add additional business registers. This includes 30 new business registers recently announced, which include Panama and other countries considered a source of money laundering.
- ◆ KYK is the only company in this space that provides real time data for clients, with the data retrieved from the appropriate business registers upon request from clients, providing the most up-to-date and compliant information to clients.
- ◆ Given management will realise additional shares and options on reaching \$5m+ of revenue over the four years from listing, it is fair to assume management are confident of achieving this.
- ◆ The existing client base acquired through the purchase of GBR provides a sales base for the automated product.
- ◆ The company shares its revenue with the business registers which makes for an amicable relationship.
- ◆ The addition of the blockchain service to the product offering will offer a unique and innovative KYC product. The blockchain service is expected to generate improved sales. The service has been awarded first prize for a number of Fintech awards. Given the audience the company is presenting to, these awards are of great significance from a sales and marketing perspective.

WEAKNESSES

- ◆ Including the ordinary shares currently held in escrow, only 33% of the shares on issue are available for trade. This combined with the large portion of shares held by KYK executives and directors will likely result in limited liquidity in the stock. The company has advised that executives will be seeking to sell a parcel of their shares when they come out of escrow to improve the stocks liquidity.
- ◆ Salaries are the biggest expense for the company and will be a drain on the cash position of the company as it seeks to grow revenue, however we note that given the early stage of the business, all executives have substantially active roles in developing the business.
- ◆ Given the company is in its growth phase, the company will likely retain cash to reinvest into the business as opposed to paying a dividend.

OPPORTUNITIES

- ◆ The increasing legislation and regulatory burden for financial institutions, payment service providers and certification authorities regarding AML and CTF provides a significant opportunity for KYK in the event the company can develop a reputation for 'best in class' KYC services.
- ◆ The live feeds from the business registers and the Corporate Identity blockchain service provides KYK a unique selling point. The ability of the company to generate a critical mass of business information on the blockchain service will provide significant earnings upside potential.

THREATS

- ◆ A risk with all emerging companies is dilution risk. The company believes it will not need to raise additional capital, however in the event sufficient revenue growth is not achieved, the company may be required to raise additional capital, which would result in share price dilution for existing shareholders. Further to this, shares currently in escrow will likely have a dilutionary impact when they are released from escrow.
- ◆ The company may not be able to convert existing customers to the automated platform which will result in the revenue growth prospects being reduced.
- ◆ The intellectual property of KYK is not protected by any patents and as such competitors may create products with similar functionality and increase the competitive landscape. We note that the ability of new entrants to develop a similar product would take some time with GBR developing a unique relationship with large number of business registers around the world over a number of years.

COMPANY OVERVIEW

- ◆ KYK is a recently listed company, seeking to provide automated 'Know Your Customer' (KYC) services, primarily to financial institutions and technology companies. KYC services are used by companies for on-boarding of customers, ongoing due diligence and customer engagement. The process can be of assistance in ensuring companies are Anti-Money Laundering (AML) and Counter Terrorism Funding (CTF) compliant.
- ◆ The company raised \$5.2m through the issue of 26m fully paid ordinary shares at \$0.20 per share as part of its IPO in September 2016.
- ◆ KYK acquired 97.59% of Global Business Register Limited (GBR) shares through a Share Sale Agreement, detailed below, with the remaining 2.41% of GBR shares acquired on 23 November 2016. The total consideration value for GBR shares equates to \$9.26m based on the issue price of \$0.20 per share. GBR is yet to report a net profit since it began operations in March 2007, with the acquisition primarily for the Intellectual Property of the business, the product suite and the client base.
- ◆ GBR was founded in March 2007 and has developed a suite of KYC products that provides access to a real-time global network of official corporate data sources. The primary product of GBR was the GBR Direct Portal (GBRDirect.com), which can be manually accessed by GBR's clients. However, this product has since been superseded. KYK will continue to run the GBR Direct Portal for clients.
- ◆ In 2015, GBR largely automated the process for record retrieval. KYK will be seeking to transfer existing GBR users to the automated product as well as continue to provide new and innovative KYC solutions.
- ◆ The company's blockchain service has been awarded first prize at the 2016 Silicon Valley FinDEVr, Canadian Institute Fintech Challenge, and BankTech Asia awards. These awards are adjudicated by a panel of senior personnel in the financial and technology sectors and are of great significance from a sales and marketing perspective.

GBR & BES Share Sale Agreement

- ◆ KYK acquired 97.59% of the issued shares of GBR after the successful completion of the IPO with the issue of 45.279m shares to GBR shareholders. At the issues price of \$0.20 per share.
- ◆ The remaining 2.41% of GBR shares were acquired via a separate Share Sale Agreement for the issue 1.019m KYK shares on 23 November 2016. This takes the total shares issued for the acquisition of GBR to 46.298m, valued at \$9.26m at \$0.20 per share.
- ◆ As part of the GBR Share Sale Agreement, 13m performance shares were issued as deferred consideration, equivalent of \$2.6m at \$0.20 per share. The performance shares will be converted on the following basis:
 - 50% of the performance shares will convert to ordinary shares upon KYK achieving a \$5m+ turnover.
 - 50% of performance shares will convert into ordinary shares upon KYK achieving a \$10m+ turnover.
- ◆ In the event one the above milestones are not achieved within four years after the date of issue, then the performance shares will be redeemed by KYK for a total of \$1.00.

FINANCIAL POSITION

- ◆ At 30 September 2016, KYK had \$4.6m cash and no debt.
- ◆ At the time of acquisition, GBR had borrowings of AUD\$930,000. \$134,000 of the capital raised through the IPO was used to extinguish a portion of the debt, while the remainder of the debt was paid via the issue of 4.1m KYK ordinary shares.
- ◆ GBR increased its revenue more than two-fold in FY16, with revenue of €796,244 (AUD\$1,188,601), compared to €361,823 (AUD\$541,489) in FY15. Despite the improved revenue in FY16, GBR reported a net loss of €207,875. The loss was driven by the administrative costs, which were 64% of revenue in 2016.

- ◆ We expect the company to grow the revenue from previous years, however given the increased operating costs we expect the company to continue to operate at a loss over the short-term.
- ◆ The company has sufficient cash to grow the business, however in the event revenue growth is slower than expected, the company may have undertake an additional capital raising.

KYK BUSINESS MODEL

- ◆ KYK has acquired 100% of GBR shares. GBR created the GBR Direct portal (GBRDirect.com), which provides clients with reports on their customers sourced from business registers around the world. GBR Direct offers a unique service in that it does not store any information. The information is sourced directly from the appropriate business register upon the request from the client. The benefit of this method being that the information is always up-to-date and not pulled from an old database.
- ◆ In 2015, GBR developed a way to automate previously manual processes, providing clients with significantly faster, real time access to customer information. While GBR Direct will continue, we expect the new automated service to become the primary product of the company moving forward.
- ◆ At the time of listing, KYK had one client using the automated KYC product, the Bank of Ireland. Since this time, the company has signed up Citigroup and Equiniti KYC Solutions for the use of their automated solutions. We note, that Paypal and a number of other companies are testing the product with the expectation they will make the transition.

PRODUCT OFFERING & PROCESS

- ◆ The full KYC product offering includes:
 - Customer book cleansing & remediation
 - Customer on-boarding
 - Monitoring & event reporting
 - Ongoing cleansing & remediation
 - Customer Off-boarding
- ◆ The KYC process can be broken down into three key steps: (1) Diagnose; (2) Cleanse, Remediate & Categorise; and (3) Monitor.

(1) Diagnose

- ◆ The company will receive a copy of customer book (or an extract from it) and the first step is to diagnose the customers in the book by identifying each customer by their number, name, address and other information provided. Once identified, the company registry code is recorded.
- ◆ Any customers that cannot be identified must be manually reviewed by the client and once identified the information will be fed into the process.

(2) Cleanse, Remediate & Categorise

- ◆ Once a customer has been identified, the company retrieves the relevant company information from the appropriate business register. The information retrieved can include, the correct legal name of an entity, legal status, directors and their addresses and beneficial owners.
- ◆ This information is incorporated into the client's customer book to ensure they have the most up-to-date and compliant information on their customers.

(3) Monitor

- ◆ KYK then monitors the information through period checks of the business register for any changes to the company record. Changes are automatically updated to the client's customer book.

REVENUE MODEL

- Historically, clients were paying per report when visiting the GBR Direct web portal.
- The new automated product will be sold on a 'pay per click' basis, whereby KYK is paid for every function it completes for a record/customer. KYK will charge a payment for each of the functions mentioned above. The below table highlights the new revenue model and the expected charge range across potential clients. The revenue highlights the cost per fully automated record. The cost for records that require manual intervention yield a higher amount.
- A benefit of this revenue model is the addition of the recurring revenue stream, which was previously non-existent.

Automated Revenue Model (Euros per customer record)	
Setup Revenue	
Diagnose/Cleanse/ Remediate	0.75 - 3.00
Categorise	0.75 - 2.00
Recurring Revenue	
Recurring Cleanse/ Remediation	1.20 - 3.00
Monitoring	0.75 - 5.00
Events	10% of book
Filings	2.5% - 10% of book
Engines	2.5% of book

- The yield per record will differ from client to client. For initial setup revenue for new customer books, revenue of €1.50 - €5.00 per click is expected. The recurring revenue will typically generate greater yields with the company charging a percentage of the book for some functions.
- The company pays the business registers 10%-15% of the per click revenue generated using their records, therefore KYK will retain 85%-90% of per click revenue. The volume of records will be a key driver of revenue, coupled with the yield per record.
- At listing, the company had one client using the automated KYC product, the Bank of Ireland. The Bank of Ireland entered into a 3-year contract with KYK for the use of the KYC service on a portion of their customer book. Since listing the company has signed up two new clients, Citigroup and Equiniti KYC Solutions. The successful implementation of the KYC processes for these clients will be significant in terms of generating new business.

MARKET OPPORTUNITY

The market opportunity for KYK is significant with a countless number of business customers globally for those companies impacted by KYC regulations and requirements. From a revenue perspective, the company breaks down the market opportunity into four segments: (1) Strategic; (2) Small; (3) Medium; (4) Large. Each of these segments provide the company with different earnings opportunities.

(1) Strategic

- Less than 200,000 business customers.
- Revenue structure is likely to be incorporate a fixed component.
- While the number of business customers is small, the organisation would be of strategic value to be involved with.
- Based on the above figures, setup for a Strategic client with 200,000 customers would be between €300,000 and €1m.

(2) Small

- ◆ Less than 600,000 business customers.
- ◆ Small customers include regional banks. The Bank of Ireland fits within this category.
- ◆ Based on the above figures, setup for a Small client with 600,000 customers would be between €0.9m and €3m.

(3) Medium

- ◆ Between 600,000 and 1m business customers.
- ◆ Likely to include larger regional banks.
- ◆ Based on the above figures, setup for a Medium client with 1 million business customers could be between €1.5m and €5m.

(4) Large

- ◆ In excess of 1m business customers.
- ◆ This category includes global banks and large technology companies.
- ◆ Based on the above figures, setup for a Large client with 2 million business customers could be between €3m and €10m.

DEVELOPING THE CORPORATE IDENTITY BLOCKCHAIN

- ◆ The company has completed phase one in its development of its Corporate Identity blockchain service, which will accompany the company's existing automated KYC service.
- ◆ A live working model is currently available on Credits, Ethereum and Bitcoin blockchain platforms. The Credits platform is the most significant for the company, because unlike the Ethereum and Bitcoin platforms, Credits is a private platform and offers the ability for a multiple ownership structure, whereby participating parties can connect to the network, view, interrogate and verify the information in the blockchain but KYK will retain control over the information provided in the blockchain.
- ◆ Participants will use a cryptographic formula with unique private keys to derive an encrypted number to obtain the current status and event history activity for businesses covered in the blockchain.
- ◆ The revenue model for the blockchain model will be a "pay per click" model with each data enquiry incurring a fee. The yield per click is expected to be lower, however the volumes are expected to be much greater than the current automated product.
- ◆ The blockchain service offers anyone access to the existing information. In the KYC space, the on-boarding process for business customers across banks has the potential to be significantly streamlined with banks able to immediately access verified corporate identity information.
- ◆ The service is in its infancy, with the company currently demonstrating and marketing the blockchain service. The company is expecting the service to be commercially viable by calendar year 2018.

What is a Blockchain

- ◆ A blockchain is a ledger of transactions and/or business and related events. The blockchain essentially keeps a permanent database of transactions or events. The blocks in a blockchain are linked to each other in a linear, chronological order with every block containing a hash of the previous block.
- ◆ The blockchain database is shared by all 'nodes' participating in a blockchain network. A 'node' refers to anyone who can access and contribute to the blockchain. In the case of the KYK blockchain this refers to the clients, business registers and KYK themselves.
- ◆ An important feature of the blockchain is that information is distributed not copied. Therefore, information is replicated throughout the participating nodes. Furthermore, a blockchain eliminates the risks that come with data being held centrally. The blockchain network is a decentralised network whereby all nodes are jointly managing the database.

KNOW YOUR CUSTOMER (KYC) LANDSCAPE

- ◆ KYC is the process of a business verifying the identity of its customers. For businesses that operate as financial institutions, payment service providers and certification authorities, KYC is a regulatory and legal requirement. The KYC process assists these organisations in understanding their customer's profile and monitoring them as part of the risk management process. The KYC process is ultimately about maintaining your customer book and is used to support the establishment of processes for businesses within these industries to protect against, identity theft, money laundering and terrorist financing.
- ◆ The KYC market is growing as a result of increasing legislation and policies regarding anti-money laundering (AML) and counter terrorist financing (CTF) throughout the world. Regulations require businesses that operate in the above-mentioned markets to authenticate and monitor their customers activities on an on-going basis.
- ◆ As a result of increasing concerns over money laundering, the Financial Action Task Force (FATF) was established at the G7 summit in 1989 to develop a coordinated international response to money laundering, which was estimated to be 2.7% of global GDP in 2009. FATF have developed recommendations regarding measures governments should take to implement to effective AML programs. Governments worldwide continue to amend and expand legislation.
- ◆ The penalties for non-compliance with AML and CTF regulations can result in large financial penalties and potentially criminal proceedings. An example of penalties that have been handed down are detailed in the below table which has been extracted from the independent report published by Tower81 for KYK's IPO.

Penalties Issued for AML & CTF Regulatory Breaches			
Year	Institution	Reason	Penalty
2015	Barclays	Failed AML compliance	£72m
2015	State Bank of India (Hong Kong branch)	Violation of AML/CTF laws	US\$1m
2015	MoneyGram Payment Systems	Contravention of Australian AML/CTF laws	AUD\$459,000
2014	BNP Paribas	Violation of US sanctions	US\$9b
2014	JPMorgan	Failed AML compliance	US\$1.7b
2014	Clearstream Banking SA	Violation of US sanctions	US\$152m
2014	Standard Bank PLC	Breach of AML laws	£7m

Source: Tower81 Global Business Register Limited Independent Report

PEER ANALYSIS

- ◆ We have compiled a group of KYK's peers to compare the businesses on a relative value basis. When taking into consideration both traded and restricted shares on issue, KYK has the second smallest by market cap at \$26.8m, behind CV1 at \$21.7m, at 23 November 2016.
- ◆ A number of the peer group are emerging businesses and are trading at a loss as they seek to scale up the business, as shown by the negative P/E metric.
- ◆ While KYK is in the early stages of growth, the company is trading at a discount compared to its peers. This is evident from the market cap compared to the existing revenue. This is further highlighted by the fact that KYK is trading below the average P/B ratio for the peer group. The P/B ratio provides a more appropriate view given this reflects the NTA position and incorporates the cash recently raised by a number of the companies. With the exception of 9SP and CCA, KYK is trading at a discount to the other peers.
- ◆ A number of the companies in the peer group have raised capital in the last 12-months. 9SP raised AUD\$22.7m, AFY raised AUD\$36m and ISX raised AUD\$11.3m. The fact that KYK only raised AUD\$5.2m may be contributing to the discount at which the company is trading combined with the low level of liquidity.

- ◆ The potential dilution of shares being released from escrow over the coming 24 months may also be contributing to the discount, however we note that AFY, ISX and CV1, which are all trading at a higher P/B ratio, also have a significant amount of shares being held in escrow.
- ◆ From a potential future earnings perspective we view the discount as unwarranted.

Peer Comparison (as at 23 November 2016)						
Company	ASX Code	Share Price (\$)	Market Cap (\$m)*	FY16 Revenue (AUD\$m)	P/E Ratio	P/B Ratio
9 Spokes International Limited	9SP	0.145	220.1	na	na	1.4
Afterpay Holdings	AFY	2.68	450.0	1.67	na	16.6
Chimpchange Limited	CCA	0.635	38.1	0.240	na	2.8
CV Check Ltd	CV1	0.10	21.7	7.12	-1.7	7.3
iSignthis Ltd	ISX	0.155	111.9	0.26	-10.1	9.7
Mint Wireless Limited	MNW	0.072	37.8	4.92	-5.7	-38.4
Average**						7.6
Kyckr limited	KYK	0.265	26.8	1.2	na	4.6

*Shares available for trade and restricted shares on issue.

**Excluding MNW.

Source: IRESS

Peer Group Overview		
Company	ASX Code	Business Overview
9 Spokes International Limited	9SP	Develops, commercialises and operates the 9 Spokes platform, which is a cloud services brokerage platform.
Afterpay Holdings	AFY	Payment model for shoppers at participating retailers (both in-store and online), whereby the customer can buy the product today and pay for it in instalments over an eight week period
Chimpchange Limited	CCA	Digital banking platform for P2P banking.
CV Check Ltd	CV1	Offers a workflow based, hierarchy sensitive, full service suite of screening and verification (SAV) services.
iSignthis Ltd	ISX	Pay identity technology that seeks to enhance online payment security through electronically verifying identities.
Mint Wireless Limited	MNW	Operates a mobile payment platform that enables businesses to accept credit and debit card payments on their mobile devices.
Kyckr Limited	KYK	KYC solutions for business customers.

INVESTMENT CASE

- ◆ An investment in KYK is a high risk investment given the company that KYK acquired (GBR) had been operating at a loss since its establishment in March 2007. Therefore, KYK needs to reinvigorate the GBR product as a market leading product in KYC, which it is doing through the new automated product and the development of the blockchain service.
- ◆ At the time of listing, the company only had one client using the automated KYC product, the Bank of Ireland. The company signed two other clients in September 2016 for use of the new product, including Citigroup. The success of the product with these initial clients will have an impact on product use and growth going forward.
- ◆ The company is migrating to a new revenue model with the automated product, which should provide a greater amount of revenue than the previous pay per report model. This is in part due to the expected increase in volumes by clients given the new service as well as the added recurring revenue stream.
- ◆ The introduction of the blockchain service provides a new and innovative KYC product that will be unique to the KYC market. This will place the company in a competitive position to become a market leader in the KYC market.
- ◆ Transitioning current GBR direct users to the automated service will be key to the company's revenue growth prospects, given the historical revenue model was not generating sufficient revenue. Revenue growth will be driven by record volume growth. Hiring competent business development personnel to reach the appropriate customer contacts and source new prospects globally is vital to the company's success.

CAPITAL STRUCTURE

- ◆ At 23 November 2016, KYK had a total of 101.0m fully paid ordinary shares on issue, 67% of which are currently held in escrow. The restricted shares on issue will be released from escrow at varying dates over the 24 months post the listing date. We note 14.15m shares will be released from escrow upon the release of the 1H17 accounts, expected to be February 2017. The company has advised that it will be seeking to reduce the dilutionary impact of the release of these shares by organising a block trade.
- ◆ There are 13m performance shares and 7m performance rights on issue. 50% of the performance shares and performance rights will be issued as ordinary shares in the event the company generates \$5m in revenue with the remaining 50% converted to ordinary shares in the event the company achieves \$10m revenue. The performance shares and rights will lapse if one or more of the performance hurdles have not been achieved four years after the listing.
- ◆ There are 8m unlisted options on issue with varying exercises prices and dates. 4m options were issued to the Lead Manager of the IPO (Foster Stockbroking) and have an exercise price of \$0.20 and can be exercised on or before two years after the listing date. The remaining 4m options are performance options. 50% of the options will be allocated if the company achieves \$5m in revenue and the remaining 50% will be allocated if the company achieves \$10m in revenue within four years of listing. The performance options can be exercised after two years from being issued and have an exercise price of \$0.30. The exercise of all options would result in a cash inflow of \$2m for the company.
- ◆ KYK executives and directors hold 28.6% of the total shares on issue, including shares held in escrow.

Top Five Shareholders (at 21 November 2016)		
Shareholder	Number of Shares (M)	Percentage of Shares on Issue
Robert Leslie	9.6	9.5%
Benjamin Cronin	8.5	8.4%
Amandri Pty Ltd	5.0	4.9%
David Cassidy	4.9	4.9%
John Murray	4.2	4.2%

RISKS

Revenue Risk: The company is starting from a low revenue base and is seeking to migrate to a new revenue model as they transition clients to the automated KYC solution. The transition period may take longer than expected or may not reach the intended goals of the company, resulting in subdued revenue growth and requiring the company to continue to raise capital to fill the operating cost gap.

Intellectual Property Risk: The company's intellectual property rights are not protected by any patents. As such, competitors may develop products that are similar in function. The emergence of such products may adversely impact the customer retention of the company which would negatively impact the company's operating results.

Reputational Risk: Reputational risk is mitigated by providing real-time information from the global business registers. Therefore, any incorrect or outdated information can be linked back to the global registers as opposed to KYK being at fault.

Foreign Exchange Risk: The company generates revenue from companies around the world and as such is subject to foreign exchange risk.

Dilution Risk: Existing shareholder positions may be diluted in the event additional capital is raised. The requirement for additional capital will be dependent on the revenue growth profile of the business and its ability to cover the working capital requirements of the business. Further to this, shares being released from escrow will likely have a dilutive impact. We note, the company has advised it will seek to reduce this impact where possible.

BOARD AND MANAGEMENT

Albert Wong - Non-Executive Chairman: Originally from Hong Kong, Mr. Wong has been involved in the investment banking and stockbroking industry for some 35 years. Apart from being the Founding Chairman of KYK, Mr. Wong serves as Deputy Chairman of Prima BioMed Limited. He is the Australian adviser to China's Nanshan Group and is their alternate director for their representative on the Virgin Australia board. Mr. Wong's philanthropic activities include serving on the boards of UNSW Foundation, The Children's Medical Research Institute and President and Honorary Life Governor of the Physics Foundation at the University of Sydney.

David Cassidy - Managing Director: Mr. Cassidy has over 25 years experience across banking, media and information communications and technology, working with both James and Kerry Packer. Mr. Cassidy has worked for Citicorp, Price Waterhouse Coopers, Siemens, Consolidated Press Holdings and Publishing Broadcast Limited. Mr. Cassidy has held numerous executive roles.

Ben Cronin - Executive Director: Mr. Cronin is a co-founder and CEO of GBR. Prior to establishing GBR, Mr. Cronin was a property developer winning bids for roles in Primary Healthcare Centre Projects and a Co-location Hospital Project. Mr. Cronin was also a professional Rugby Union player, representing Ireland.

Robert Leslie - Executive Director: Mr. Leslie co-founded GBR with Mr. Cronin. Mr. Leslie is the founder of Sedicii, which provides online identity protection. Mr. Leslie is currently a mentor with Enterprise Ireland's network providing support to entrepreneurs. Prior to founding GBR, Mr. Leslie worked for Dell in Japan.

John Walsh - Non-Executive Director: Mr. Walsh is the Managing Director of Spiecapag Australia, which specialises in the delivery of onshore infrastructure for the oil, gas and water industry.

Patrick Curry - Non-Executive Director: Mr. Curry is the most recent appointment to the board, joining in October 2016. Mr. Curry has experience in security and identity, providing advice to organisations surrounding business registers. Mr. Curry was a contributor to the UK Government Office of Science Report on "Distributed Ledger Technologies: Beyond Blockchains". Mr. Curry is currently involved in enabling the adoption of blockchains by government, industry and authorities.

John Van Der Wielen - Non-Executive Director: Mr. Van Der Wielen was appointed as a director in September 2016. Mr. Van Der Wielen has over 30 years experience across banking, wealth management, investments and insurance. Mr. Van Der Wielen has held senior executive positions with a number of global financial services groups throughout Europe, Australia and Asia. Mr. Van Der Wielen is currently a director on the boards of Friends Provident International, Lombard International Assurance, Partners Life New Zealand and is also a senior advisor for Blackstone Group. Mr Van Der Wielen will provide valuable access to his global network and experience.

Karl Pechmann - Chief Financial Officer (CFO) & Company Secretary: Mr. Pechmann has more than 15 years business experience across a range of industries including media, labour hire and biotechnology. Mr. Pechmann has held senior positions in numerous companies, both listed and unlisted.

Keiran O'Sullivan - Chief Technology Officer (CTO): Mr. O'Sullivan has more than 17 years experience in complex software products design and development and has been the CTO of GBR for five years. All product design and build of GBR products has been under Mr. O'Sullivan's direction.

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For further information, please contact IIR at: client.services@independentresearch.com.au



Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE

Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

DENVER OFFICE

355 S Teller Street
Suite 200
Lakewood 80226
Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS

PO Box H297 Australia Square
NSW 1215