

BIG Blockchain Intelligence Group Inc. *5a, 5b, 7, 11

Rating: Buy
Target Price: 1.03 CAD
(0.69 €)

Current price: 0.098
 05/10/2018 / ETR closing
 Currency: EUR

Key Data:

ISIN: CA08906Q1000
 WKN: A2JSKG
 Symbol: BIGG:CN
 Number of shares³: 105.5.
 Marketcap³: 7.23
³ in m / in m EUR
 Free float: 76%

Primary listing: Canada CSE
 Secondary listing: Frankfurt

Market segment: Open Market

Accounting Standard:
 IFRS

FY End: 31/12/

Market Marker:
 Bankhaus Scheich

Analysts:

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* possible conflicts of interest
 on page 7

Date of completion: 09.10.2018
 (11:00)

Date of first
 circulation: 09.10.2018 (12:00)

Target price valid until: max.
 31.12.2019

Company Profile

Sector: Software; IT-Solutions

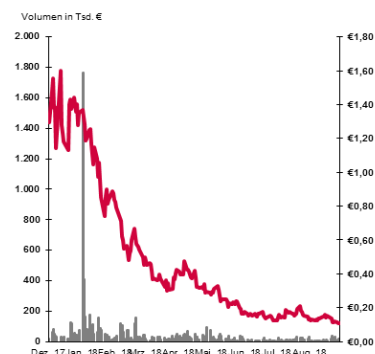
Focus: Data analytics and forensic analytics of
 blockchain transactions

Number of employees: 38 (plus 5 external Consultants
 (as of 30/06/2018)

Headquartered in Vancouver (British Columbia - Canada)

Management:

Shone Anstey, Executive Chairman & founder
 Lance Morginn, CEO, founder



BIG Blockchain Intelligence Group Inc. offers software solutions that enable real-time checking of block-chain-based transactions using search and analysis functions. Its core competency includes software that is used to generate data from blockchain transactions. The data obtained in the search process is stored in a database, which in turn forms the company's core asset. The data are examined using analysis algorithms to detect, track and document transactions. The data obtained from the public blockchain are extended with the help of off-chain data from trading centres, illegal marketplaces in the dark web or gaming sites. BIG currently concentrates on cryptocurrency transactions and provides its clients, such as governments, law enforcement agencies, banks, financial service providers and e-commerce providers with the appropriate security technology. In addition to secure processing in accordance with compliance regulations, BIG's software also enables criminal prosecution (in particular money laundering and terrorist financing), as historical transaction associations can be identified. The products are sold globally.

P&L in CADm FY	31.12.2017	31.12.2018e	31.12.2019e	31.12.2020e
Sales	0.10	0.30	5.53	11.27
EBITDA	-14.77	-8.49	-4.03	0.88
EBIT	-14.77	-8.57	-4.19	0.70
Net profit	-14.77	-8.40	-4.10	0.55

Key figures in CADm

Earnings per share	-0.14	-0.08	-0.04	0.01
Dividend per share	0.00	0.00	0.00	0.00

Figures

Marketcap/Sales	126.94	42.19	2.29	1.12
Marketcap /EBITDA	neg.	neg.	neg.	14.35
Marketcap /EBIT	neg.	neg.	neg.	17.96
PE	neg.	neg.	neg.	23.06
PBV	0.60			

Financial calendar

26/11/18:	Equity forum – Frankfurt/Germany
11/12/18:	MKK - Munich capital markets conference Germany

**** Last research by GBC:**

Date: publication/target price in CAD/rating
 17/08/2018: RS / 1.03 CAD / BUY

** The research studies indicated above may be
 viewed at www.gbc-ag.de, or requested at GBC AG,
 Halderstr. 27, D86150 Augsburg

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

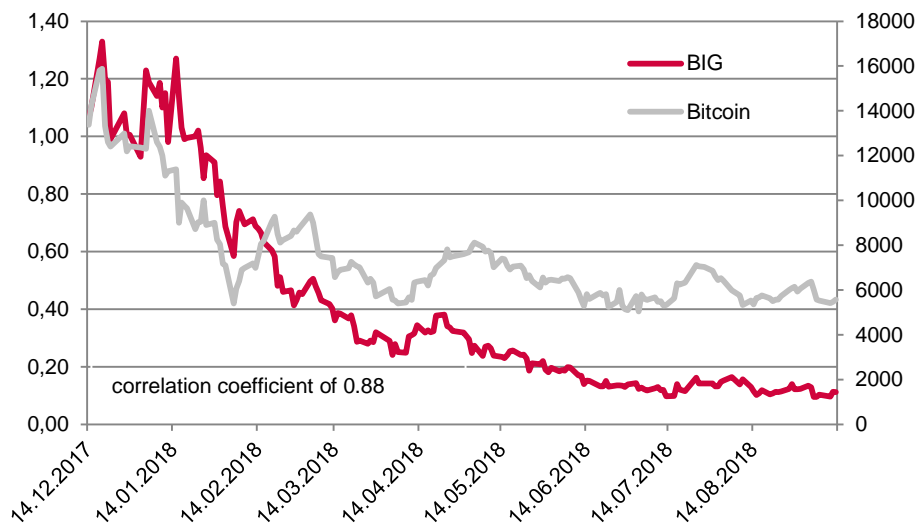
The first half of 2018 is in line with expectations – the current gross margin of over 80% shows the high scalability of the business model

Target price of CAD 1.03 confirmed – BUY rating

Current market development

BIG Blockchain Intelligence Group’s (BIG) share price has been under significant pressure since the reverse IPO in December 2017. After the share was trading well above CAD 1.50 in January 2018, the current price is CAD 0.15 (08/10/2018 BIGG:CNX). This significant price drop is, in our opinion, not justified at present as the business model still seems attractive and the first half of the year developed according to plan. To our knowledge, the company only has around CAD 0,22m of cryptocurrencies on its balance sheet, so there should be no strong dependence on the price of general cryptocurrencies.

The development of the BIG price (in EUR) and the Bitcoin price (in Bitcoin/EUR) exhibits, in our opinion, too high a correlation coefficient of 0.88, even though there is only CAD 0,22m of cryptocurrencies on BIG’s balance sheet.



Source: GBC

Although there is therefore no direct connection between the Bitcoin price and the BIG price, the development of the two prices exhibits a correlation coefficient of 0.88, which corresponds to a significantly positive connection (correlation coefficient is between -1 (significantly negative connection) and +1 (significantly positive connection)).

The demand for BIG Blockchain Intelligence Group’s products and technologies should, however, develop independently of the Bitcoin price (and other cryptocurrencies) as compliance checks are carried out independently of the price.

Against this background, the share is traded on the market at a significantly undervalued price, in our opinion, and is disproportionately penalised by the market pricing developments of cryptocurrencies. This development should, however, offer high upside potential to investors at present.

Business performance HY 2018

P&L (in mCAD)	FY 2017	HY 2018
Sales	0,10	0,06
EBITDA	-14,77	-4,51
EBITDA-Margin	<i>Neg.</i>	<i>Neg.</i>
EBIT	-14,77	-4,51
EBIT-Margin	<i>Neg.</i>	<i>Neg.</i>
Net results	-14,77	-4,73

Source: BIG, GBC

BIG predominantly operates in two segments, the area of forensic analysis and the area of risk assessment. Both areas relate primarily to the Bitcoin universe, but other cryptocurrencies are increasingly supported.

In the area of forensic analysis, BIG develops software primarily for police agencies as well as national and multinational law enforcement. They use the software to monitor and review flows of cryptocurrencies. BIG also allows tracking on the dark web, where cryptocurrencies are primarily used to pay for illegal goods and services. The product QLUE was developed for this purpose. QLUE is an analytics platform for forensic investigation that helps to combat financial crime and the financing of terrorism associated with Bitcoin. The program contains various technologies and extended search algorithms to identify suspicious activities and to detect Bitcoin transactions on the dark web.

The second area of risk assessment deals with the assessment of risk levels for transactions and wallets. The developed technology could make a significant contribution to ensuring that cryptocurrency exchanges, banks, auditors and the general public have a reliable and comprehensible cryptocurrency assessment tool. This represents an important step in increasing the transparency of cryptocurrencies and would facilitate regulation. With increasing regulation, cryptocurrencies would gain recognition and mass suitability, which is required for this technology to establish itself in the long term. The company developed BitRank for this purpose. BitRank is a risk scoring system that assesses the security level of Bitcoin transactions and is simple to use with clearly comprehensible system. To this end, BitRank checks which transactions Bitcoin was historically used in the blockchain. The system provides a warning if accounts, dealers or the like that are associated with illegal activity were involved. BitRank could therefore provide banks with information about possible money laundering.

It should be noted that both areas constitute services in the blockchain infrastructure that are used independently of the prices of cryptocurrencies.

The products of the company are currently in the advanced beta and we expect the commercial market launch in Q1 2019. Strategic partnerships have been formed to this end to establish BIG solutions as a valid standard in the long term. This strategy seems to be working at present. We have identified important milestones in relation to this development. For example, a pilot project was completed at the beginning of 2018 with a large financial institution in Canada. This cooperation served to explore opportunities to carry out a risk and compliance assessment of customer activities. In our view, this project demonstrates traditional financial institutions' clear interest in cryptocurrencies and the great challenge to be overcome by potential regulation.

Furthermore, a reseller agreement was concluded in April 2018 with the German company SHS VIVEON AG for BitRank. BitRank is to be integrated into SHS VIVEON's customer management software in order to achieve improved transaction transparency and to guarantee more comprehensive customer risk assessment. This also shows that

the industry is still in its infancy and there is global demand for solutions. This also forms the basis of cryptocurrencies' establishment as a payment method in the long term.

The commercial market launch is expected in Q1 2019, therefore current sales figures only have limited significance. Sales have started and revenue in the amount of CAD 0.06 million has been generated in the first half of the year. Nevertheless, a gross margin of 80.5% has already been achieved, which speaks for the business model. At present, revenue is almost exclusively (93.9%) generated by consulting services. However, these consulting services should also result in product revenue in the medium term since the company uses its own software for demonstrations and training. EBIT in the first half of 2018 was CAD -4.51 million, primarily due to advertising costs, research and development and personnel expenses.

Forecast and model assumptions

GuV (in Mio. CAD)	FY 2017	FY 2018e	FY 2019e	FY 2020e
Sales	0,10	0,30	5,53	11,27
EBITDA	-14,77	-8,49	-4,03	0,88
EBITDA-Margin	neg.	neg.	neg.	7,8%
EBIT	-14,77	-8,57	-4,19	0,70
EBIT-Margin	neg.	neg.	neg.	6,3%
Net results	-14,77	-8,40	-4,10	0,55

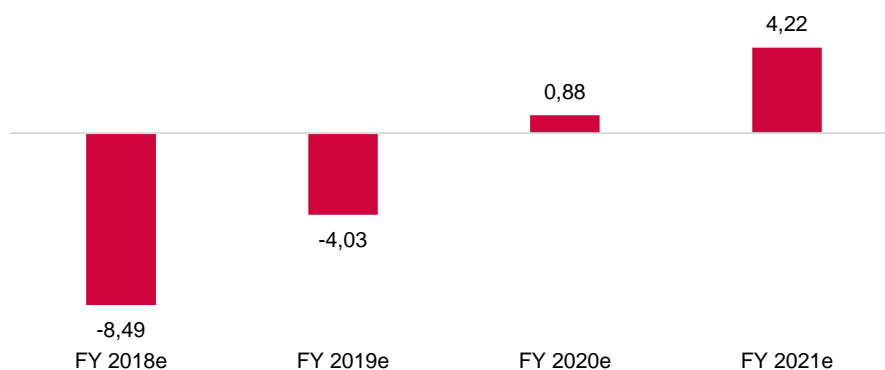
Source: GBC

Based on the assumption that mainstream adoption of cryptocurrencies by investors and consumers will continue to grow in the medium to long term, the technology has the potential to fundamentally change the world. The situation is often compared to the establishment of the internet.

Based on the first half of the year, the company is on the right track in our opinion and is focusing on advance sales and strategic partnerships. The company continues to report on its sales successes and concluded, for example, a customer agreement with QUOINE, creators of one of the world’s largest cryptocurrency exchanges, in September 2018. This is already the second customer agreement with one of the largest crypto exchanges and shows the demand for BIG technologies. QUOINE operates one of the world’s largest crypto fiat exchanges with an annual transaction volume of over USD 12 billion and is fully regulated in Japan. QUOINE is set to integrate BitRank into their platform and BIG will be paid based on API requests to the risk scoring service. With the BitRank Verified solution, BIG helps the QUOINE exchange to combat money laundering and reduces risks by creating transparency with regard to the legality of transactions.

Against this background, we expect extremely dynamic growth in revenue and initially expect CAD 0.30 million in 2018, followed by CAD 5.53 million in 2019 and CAD 11.27 million in 2020.

Development of EBITDA (in mCAD)



Source: GBC

The high scalability should generate high profitability in the medium term. Currently, we expect EBITDA to be CAD -4.03 million in 2019, CAD 0.88 million in 2020 and CAD 4.22 million in 2021.

Based on our DCF model, we have determined a fair value of CAD 1.03 and, unchanged from the initial coverage, assign the rating BUY.

ANNEX

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2. The research report is simultaneously made available to all interested investment services companies.

II.

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The analysts responsible for this analysis are:

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