Catalyst Equity Research

Company Report

September 10, 2018

MOBI724 GLOBAL SOLUTIONS INC.

(MOS – TSX-V C$0.08)

Recommendation:	**BUY**
Target Price (18-24 Mths):	**C$0.65**
Prior Target Price:	**C$0.65**
Risk:	**High**

Market Data

Current Price	C$0.08
52-Wk Range	C$0.075-0.225
Mkt. Cap. (mm)	C$16
Dividend	C$0

Financial Data

Fiscal Y/E	December 31
Shares O/S Basic (mm)	200
2017A Revenues (mm)	$2.9
2018E Revenues (mm)	$5.0
2019E Revenues (mm)	$12.2
2020E Revenues (mm)	$23.0

Estimates

Year	2018E	2019E	2020E
EPS Adjusted	$(0.01)	$0.01	$0.04

Valuations

Year	2018E	2019E	2020E
Revenue Mult.	3.2x	1.3x	0.7x
P/E Mult.	n.m.	8.0x	2.0x

Mobi724 Global Solutions Inc.

Chart Courtesy Stockwatch (C$)

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Notes:
All figures in Canadian dollars, unless otherwise specified.

Please see the final pages of this document for important disclosure information.

Q2/18 Revenues Lower Than Expected
Expense Reduction Higher Than Expected
Cards Managed Increase to 16 Million

MOBI724 Global Solutions Inc. ("MOBI724") is a leading global financial technology company that offers a unique and fully-integrated suite of products that include card-linked offers, digital marketing and EMV payment solutions. Each offers a comprehensive loyalty and customer relationship solution for retailers to deliver, manage and control a multitude of reward options. MOBI724's business model delivers a technology that provides a turnkey solution to enable smart transactions from any payment card or any mobile device, at any Point-of-Sale ("POS"). MOBI724 solutions enable card issuers, banks and merchants to efficiently create, manage, deliver, track and measure incentive loyalty campaigns globally, and allow their redemption at any POS. These solutions were created to disrupt the antiquated, 25-year-old rewards redemption model currently in use throughout the industry.

Conclusion: BUY – 18-Month Target Maintained at $0.65

MOBI724 Global Solutions Inc. ("MOBI724") reported revenue for Q2/18 of $792,600 representing an increase of 1% Y/Y. DMBI (Digital Marketing and Business Intelligent) reported a 24% Y/Y increase in revenue in line with expectations and accounted for the majority of revenue this quarter. Revenues included certain projects that were delayed from last quarter. Both the Card-Linked and EMV Payments segments reported lower than expected revenues on a Y/Y basis. Although we were too aggressive in our revenue forecast for each, the sequential revenue growth of new business was strong, increasing by 74% and 31% respectively. The latter is representative of the growth pattern we foresee going forward.

EMV Payments revenue was driven by the continued onboarding of new merchants and higher revenues generated from the existing merchant portfolio. The sequential revenue gain was particularly key for the Card-Linked business as it is transitioning from its legacy coupon business in Argentina to MOBI724's new smart transaction technology platform. It is important to note that revenue generated from MOBI724's new platform was higher than what is apparent in the reported amount as lost revenue from the legacy business approximated US$135,000 in the quarter on a Y/Y basis. This platform includes linking offers to payment cards that allow (i) redemptions of offers directly at a POS terminal using "One Swipe", (ii) payment with points using "Pay with Points" or (iii) cardholders the ability to redeem loyalty points for vouchers at a POS using "Points4Vouchers".

Cards Under Management (Cards Managed), a major metric that we follow for the Card-Linked segment, increased to approximately 16 million as at the end of the quarter, up from 12 million at the end of last quarter and 8 million as at year-end 2017. Cards Managed are targeted to grow to over 24 million by the end of 2018. This growth is expected to be the primary driver of revenue for the Card-Linked segment. We reiterate that MOBI724 is in the early stages of building out its client network as demonstrated by the commercial agreements being contracted and the significant increase in Cards Managed. However, it is important to realize that there is a lead-time of at least 90 days between the signing of commercial agreements and the initial generation of revenue.

Operating EBITDA for 3 and 6 months ended was reported at a negative $1.1 million and a negative $2.3 million respectively. The reported net loss in the quarter was $0.9 million versus a profit of $0.5 million in the same period last year. We place little weight on reported earnings as they largely reflect non-cash items.

Key Conference Call Take-Aways

- Management completed its operations optimization plan in the quarter. Material progress has been achieved in reducing the Company's monthly burn-rate by about $100,000.
- As of the end of the quarter, MOBI724's cash balance was approximately $1.9 million.

- Management has targeted an annualized revenue run-rate of over $8.0 million by Q4/18 and positive EBITDA by the end of Q4 2018.
- Management expects to receive more than $570,000 in tax credits over the next several months. Discussions are in place to secure a further funding of more than $300,000. The Company is exploring other funding opportunities which would be non-dilutive to shareholders.
- MOBI724 launched its first joint venture account in Panama with Visa whereby Visa formally introduced MOBI724 as a recognized member of the Visa ecosystem.
- Management is continuing to significantly shorten its sales cycle from 15 months to closer to 12 months and eventually to 6 to 8 months.
- Management reiterated that it is expecting more than ten commercial agreements to close over the next several months and has set as an objective of securing a major bank in each of the countries it has targeted. In addition, two "blue-sky" opportunities could significantly increase revenue generation.

We continue to expect MOBI724's operational momentum to build dramatically going forward. We viewed the first half of 2018 as more of a transitional period with the second half set to deliver further revenue growth resulting in solid operational leverage. Organic revenue in 2018 is forecast to almost double to an estimated $5.0 million as each of the Card-Linked and Payments segments gain traction. Annualized revenue is expected to exceed $8 million by Q4/18. Some of the key metrics driving revenues are:

- Card-Linked revenues are expected to be driven by the Visa partnership recently put in place. We forecast that almost 35% of the 2018 revenue is expected to be derived from this segment as management leverages its Visa contacts and co-markets with Visa's existing clients. The number of cards under management is expected to double to almost 24 million by the end of 2018.
- EMV Payments revenues should benefit from the first POS terminals delivered to retailers in the Philippines.

Total organic revenue is forecast to increase to $12.2 million and $23.0 million in fiscal 2019 and 2020 respectively. This would represent a four-year compound growth rate of 70%. Card-Linked revenue is expected to comprise over 65% of the revenue by 2020 with the balance split evenly between the other two segments. We expect that MOBI724's financial profitability will begin to develop positive momentum in the second half of the year. Although we forecast a negative EBITDA of $2.0 million for 2018, we expect MOBI724 to be running at a positive EBITDA by the end of Q4/18. Organic EBITDA is forecast to increase to about $8.0 million by 2020 with the EBITDA margin increasing to the 35% level. Adjusted net income, excluding non-operating items including stock-based compensation, is forecast to increase to $1.3 million and $8.0 million in 2019 and 2020 respectively.

Beyond 2020, we forecast organic revenue growth of 20% to 25% annually. The Card-Linked segment is expected to continue to provide the bulk of the revenue growth and comprise 70% to 75% of total revenue. Our earnings model projects an average CAGR of 25% for net income between fiscal 2020 and 2028. EBITDA margins are forecast to improve to the 40% to 45% level.

The recent pull-back in MOBI724's share price is considered unwarranted, and we reiterate our position that the Company is undervalued. Our 18-24 month target remains at C$0.65 per share.

Valuation

Our valuation for MOBI724 considers several key factors, namely, (i) organic earnings potential driven by high margin business model, (ii) exceptional organic revenue growth potential, (iii) ability to cross-sell its offerings, (iv) increasing economies of scale and (v) proprietary technology platform offering significant cost advantage for businesses.

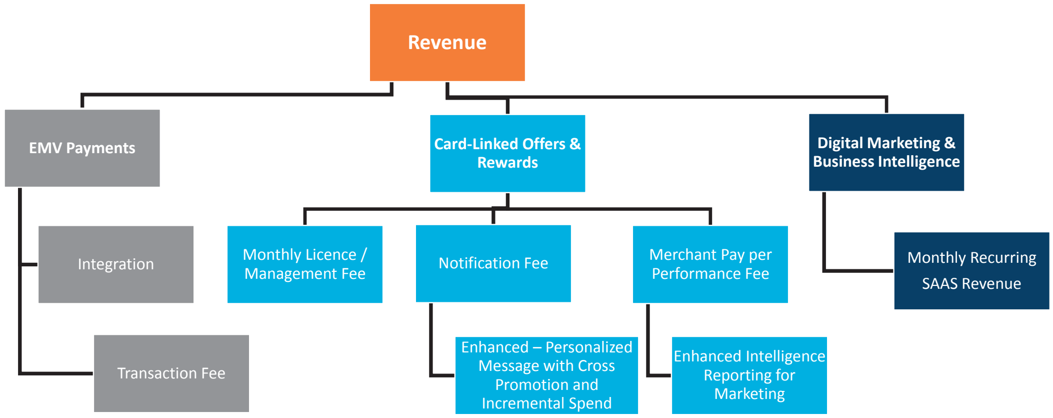
We have employed a discounted cash flow analysis (DCF) for the determination of a valuation for MOBI724. We have also compared our near-term EBITDA and net income estimates to several U.S. comparable companies with similar business models.

For our DCF model we have employed a discount rate of 18% for the commercial risk associated with the business plan and management achieving our targets. Our DCF more fully accounts for the expected increase in profitability that we forecast for MOBI724 going forward. We have assumed that net income in fiscal 2018 remains somewhat muted and driven by the continued ramp-up in both the Card-Linked and Payments segments.

EBITDA and EBITDA margins are forecast to improve significantly beyond 2018 and continue to improve thereafter to the 45% level. No further common share issues have been assumed in our forecast period. We have determined a Net Present Value (NPV) for MOBI724 of $0.63 per share and have set a target price for MOBI724 shares of $0.65.

Our DCF target price of $0.65 represents an Enterprise Value ("EV") of about 17 times our 2020 forecast adjusted EBITDA. Our 2020 adjusted net income of $0.04 per share represents a price to earnings multiple of about 16 times. This valuation seems reasonable when compared to other financial technology companies at a similar stage of growth and to the universe of comparable U.S. companies.

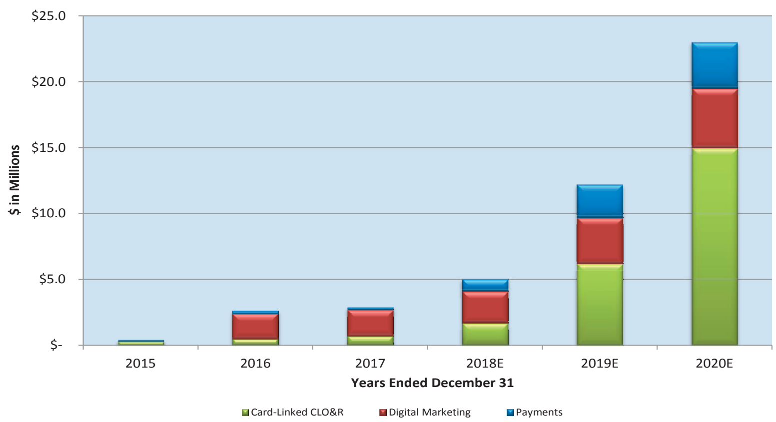
FIGURE 1: REVENUE MODEL



Recent Events

- MOBI724 signed a significant revenue generation agreement with China Trust Bank Philippines to process their EMV debit transactions. The latter is one of the top 10 commercial banks in that country.
- MOBI724 signed Panama-based Credicorp Bank as a new Visa customer to provide its suite of integrated Loyalty Solutions, including the Card-Linked and Digital Marketing solutions. The Company announced the successful launch of its Card-Linked Offers solution with Creditcorp in early June. Cardholders will be able to redeem offers, coupons and campaigns instantly and directly at the point of sale, using their credit cards and in a seamless process both for the cardholder and the retailer, and where cardholders will receive a real-time campaign notification on their mobile devices at the time of the redemption transaction.
- EMV Payment transactions went live in the Philippines in May 2018 after a rigorous certification process with BancNet, the largest interbank and payment processing network in that country.
- MOBI724 Asia Inc., signed a commercial agreement with the Philippines' branch of Fexco, an international fintech and payments company headquartered in Ireland. Cash withdrawal transactions from Fexco's EasyDebit MicroATM ("EasyDebit") terminals will be processed via MOBI724's gateway and processing switch (Virtuo®) in over 450 locations across the Philippines. This transaction extends the reach to more underserviced ATM and debit card-holders across the Philippines where the cost of operating ATMs is too expensive, and customers sometimes have to travel long distances to get access to cash. MOBI724's technology facilitates cash liquidity while promoting banking services. Fexco has developed a microATM card solution for merchants which allows merchants to offer cardholders cash out and balance inquiries. The EasyDebit solution acts as an additional revenue stream for merchants who earn a fee from each transaction.
- Extended the maturity date of its $2,705,566, 12% interest bearing debenture, convertible into common shares of the Company at $0.35 per share, to June 30, 2020.
- Johnny Hawa, Co-founder of MOBI724 Solutions (Couponing), appointed as Chief Operating Officer ("COO"). Formerly Head of Operations in Latin America, this COO appointment positions MOBI724 to enter the next phase of its expansion.
- MOBI724 ASIA and Weepay Payment Processing Corporation ("WeePay"), announced an agreement whereby Weepay will be soliciting and deploying merchants to use POS terminals supplied by MOBI724 as well as its transaction switch for all its EMV Debit transactions across the Philippines. As MOBI724 ASIA launches different products in the Philippines, the agreement with WeePay will allow its customers to take advantage of all of these new applications.
- Jorge Sierra was announced as Chief Sales Officer and Michael Schuck as President of the USA Business. These appointments are expected to accelerate marketing efforts, optimize the efficiency of the sales team and allow more focus on the U.S. market.

Figure 2: MOBI724 - Forecast of Organic Revenue Distribution



Review of Q2/18

DMBI represented 76% of Q2/18 revenues in the three-month period while Card-Linked revenue represented 15% of revenues. EMV Payments revenue represented 9% of revenues and remains MOBI724's smallest contributor as the Philippines POS business is still in the early stages of its roll-out.

Canada continued to represent the majority of revenues in H1/18 at 76% of the total. Revenues sourced from Canada are expected to decline as a percentage of the total as growth is expected to accelerate in other regions particularly Latin America and the Philippines.

Figure 3: Segmented Earnings Summary

	Payment Solution		Card-Linked (CLO&R)		Digital Marketing (DMBI)		Unallocated		Consolidated	
3 Months Ended	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017
Revenue	$ 72,500	$ 48,600	$ 118,600	$ 248,300	$ 601,600	$ 485,600	$ -	$ -	$ 792,700	$ 782,500
Operating Expenses	$ 190,800	$ 809,100	$ 407,300	$ 404,000	$ 536,000	$ 893,200	$ 537,600	$ 687,300	$ 1,671,700	$ 2,793,600
Operating Profit (Loss)	$ (118,300)	$ (760,500)	$ (288,700)	$ (155,700)	$ 65,600	$ (407,600)	$ (537,600)	$ (687,300)	$ (944,600)	$ (2,011,100)
Non-operating Expenses	$ 5,400	$ 300	$ 16,300	$ 2,000	$ 6,200	$ 5,500	$ 124,700	$ (2,536,500)	$ 152,600	$ (2,528,700)
Net Income Before Tax	$ (123,700)	$ (760,800)	$ (305,000)	$ (157,700)	$ 59,400	$ (413,100)	$ (662,300)	$ 1,849,200	$ (1,097,200)	$ 517,600
Operating Inc. % of Rev.	n.m.	n.m.	-257.2%	n.m.	n.m.	n.m.			n.m.	n.m.

	Payment Solution		Card-Linked (CLO&R)		Digital Marketing (DMBI)		Unallocated		Consolidated	
6 Months Ended	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017
Revenue	$ 127,700	$ 92,400	$ 187,000	$ 342,200	$ 997,900	$ 994,300	$ -	$ -	$ 1,312,600	$ 1,428,900
Operating Expenses	$ 1,327,100	$ 1,816,500	$ 667,600	$ 654,200	$ 1,032,600	$ 1,487,700	$ 822,600	$ 1,229,800	$ 3,849,900	$ 5,188,200
Operating Profit (Loss)	$ (1,199,400)	$ (1,724,100)	$ (480,600)	$ (312,000)	$ (34,700)	$ (493,400)	$ (822,600)	$ (1,229,800)	$ (2,537,300)	$ (3,759,300)
Non-operating Expenses	$ 2,400	$ 600	$ 21,300	$ 2,500	$ 3,700	$ 13,400	$ 71,600	$ 3,150,300	$ 99,000	$ 3,166,800
Net Income Before Tax	$ (1,201,800)	$ (1,724,700)	$ (501,900)	$ (314,500)	$ (38,400)	$ (506,800)	$ (894,200)	$ (4,380,100)	$ (2,636,300)	$ (6,926,100)
Operating Inc. % of Rev.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.			n.m.	n.m.

Operating expenses, excluding cost of sales, stock-based compensation and depreciation, increased to $1.8 million in the 3 months, up 8% Y/Y. Although higher Y/Y, operating expenses declined 22% sequentially. The lower than expected expenses were attributed to a decrease in salaries, professional fees and travel expenses. Salaries and benefits included costs of hiring of more expensive senior talent to drive revenues and improve margins.

Operating EBITDA for 3 months ended was reported at a negative $1.0 million versus a negative $1.1 million in the year prior and a negative $1.3 million last quarter. Progress has been achieved in reducing the Company's monthly burn-rate by about $100,000. We estimate the monthly burn-rate will decline to about $350,000 per month in Q3/18.

As of the end of the quarter, MOBI724's cash balance was approximately $1.9 million. However, as previously noted, management expects to receive more than $570,000 in tax credits over the next several months. Discussions are also in place to secure a further funding of more than $300,000. If the current cash level proves to be insufficient, additional funding may be required. We believe current financial resources are sufficient to finance operations until the end of December whereby the Company is expected to be EBITDA positive.

Figure 4: Mobi724 Income Statement & Organic Forecast

	3 Months		6 Months		Years Ended				
	30-Jun 2018	30-Jun 2017	30-Jun 2018	30-Jun 2017	31-Dec 2016	31-Dec 2017	31-Dec 2018E	31-Dec 2019E	31-Dec 2020E
Revenue									
Digital Marketing (DMBI)	$ 601,600	$ 485,600	$ 997,900	$ 994,300	$ 1,933,400	$ 1,952,800	$ 2,400,000	$ 3,500,000	$ 4,500,000
Card-Linked (CLO&R)	$ 118,600	$ 248,300	$ 187,000	$ 342,200	$ 483,100	$ 729,200	$ 1,700,000	$ 6,200,000	$15,000,000
Payment Solution	$ 72,500	$ 48,600	$ 127,700	$ 92,400	$ 248,600	$ 192,400	$ 900,000	$ 2,500,000	$ 3,500,000
Total Revenue	$ 792,700	$ 782,500	$ 1,312,600	$ 1,428,900	$ 2,665,100	$ 2,874,400	$ 5,000,000	$12,200,000	$23,000,000
Operating Expenses									
General & Administrative	$ 1,326,100	$ 1,714,200	$ 2,480,700	$ 3,061,100					
Cost of Sale	$ 160,900	$ 171,300	$ 317,900	$ 296,100					
R&D Expense	$ 362,400	$ (17,200)	$ 821,500	$ 499,800					
Total Operating Expense	$ 1,849,400	$ 1,868,300	$ 3,620,100	$ 3,857,000	$ 5,405,500	$ 7,822,300	$ 7,000,000	$10,900,000	$14,900,000
Operating EBITDA	$ (1,056,700)	$ (1,085,800)	$ (2,307,500)	$ (2,428,100)	$ (2,740,400)	$ (4,947,900)	$ (2,000,000)	$ 1,300,000	$ 8,100,000
Other Expense									
Deprec. & Amort. Prop.	$ 10,400	$ 1,500	$ 16,200	$ 3,100	$ 9,100	$ 8,000	$ 40,000	$ 50,000	$ 50,000
Stock Based Comp.	$ 103,100	$ 165,700	$ 208,800	$ 411,600	$ 9,600	$ 747,000	$ 360,000	$ 350,000	$ 350,000
Total Other Expense	$ 113,500	$ 167,200	$ 225,000	$ 414,700	$ 18,700	$ 755,000	$ 400,000	$ 400,000	$ 400,000
Operating EBIT(2)	$ (1,170,200)	$ (1,253,000)	$ (2,532,500)	$ (2,842,800)	$ (2,759,100)	$ (5,702,900)	$ (2,400,000)	$ 900,000	$ 7,700,000
Net Income	$ (913,700)	$ 544,900	$ (2,533,200)	$ (6,894,100)	$ (3,016,900)	$(10,800,000)	$ (2,900,000)	$ -	$ 6,500,000
EPS	$ (0.00)	$ 0.00	$ (0.01)	$ (0.05)	$ (0.03)	$ (0.07)			
Adjusted Net Operating Inc.(1,2)							$ (2,500,000)	$ 1,300,000	$ 8,000,000
Adjusted EPS							$ (0.01)	$ 0.01	$ 0.04
Weighted Avg. Shares	198,930,000	146,783,700	194,825,100	141,862,100	103,339,500	162,075,000	200,000,000	215,000,000	215,000,000
EBITDA Operating Margin									
EBITDA as a % of Total Rev.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	10.7%	35.2%

(1) Excludes non-recurring items including warrant FMV changes, bank application charge, stock compensation & extraordinary taxes.
(2) Excludes amortization of intangibles and loss (gain) on settlemet of liabilities.

Financial Forecast

MOBI724's strategic plan is directed at (i) growing revenues, (ii) enhancing the organizational structure to accommodate growth, (iii) investing in MOBI724's technology to remain best in class and (iv) seeking out accretive acquisitions. MOBI724's business model is designed to create value by leveraging off its existing core business by cross-selling its other products to its client base. The Company's growth strategy incorporates:

- The completion of the Visa integration allows for leveraging the Visa Offers Platform ("VOP"). Management expects to offer its Card-Linked and DMBI solutions in more than 20 countries focusing on Canada, USA and multiple countries in Latin America as well as the Asia Pacific region (mainly the Philippines).
- Shortening the sales cycle as Visa is enabling MOBI724 to approach Visa customers in a co-marketing strategy. This will allow MOBI724 to leverage its solutions through Visa's network of partners, namely, banks and financial institutions, card issuers, payment processors, partner channels and cards associations. The Company has established relationships with VISA USA Inc. (through its integration with the Visa Offers Platform), RBC (Caribbean), WeePay Payment Processing Corporation (the Philippines), First Data Cono Sur (Argentina), Future Brands (Argentina) and FiRE Advertainment, CredibanCo (Colombia) and is in discussions with other potential partners.
- Upselling the Card-Linked and DMBI solutions and, conversely, leveraging each of these solutions to the EMV Payments platform.
- Leveraging the iQ7/24 Inc. client portfolio by upselling MOBI724's Card-Linked solutions.
- Adding key personnel to its sales team to sell the Company's solutions to cards issuers, banks and financial institutions, acquirers, processors, merchants, mobile companies, marketing firms and consulting firms.

Revenue Model

MOBI724 sources its revenue from all three of its principle areas, Card-Linked, DMBI and EMV Payments. Three key metrics that drive MOBI724's revenues are:

- # payment cards outstanding.
- # payment card transactions.
- # POS locations.

Revenues from the Card-Linked segment are derived from:

- Monthly subscription fees which are based on a contracted amount related to the volume of transactions with a merchant or financial institution.
- Transaction fees which are based on the cardholder usage. Fees will apply for each redemption of loyalty points and cardholder purchases from merchant offers. MOBI724 may also receive a percentage of the value of the purchase made by the cardholder.
- Notification fees which are based on the volume of notifications related to offers.
- Set-up fees which may apply to some applications.

Revenues from the DMBI segment are derived from monthly subscription fees based on transaction volume thresholds predetermined by way of agreement. DMBI revenues not only stem from direct sales to retailers but also from the value-added reselling of the DMBI solutions from MOBI724's partners in the Card-Linked and EMC Payments spaces.

Revenues from MOBI724's Payment's solutions encompass traditional credit and debit card ("payment card") transaction processing services provided to merchants. This segment is characterized by its largely recurring revenue stream whereby revenues are derived from three main sources; namely:

- Interchange fees are based on the discount rates that are charged for transactions processed through payment card providers.
- Transaction fees are charged based on each payment card (debit or credit) transaction.
- POS terminal sales to merchants whereby MOBI724 earns a margin on each hardware unit sale.

Earnings & Margins

As scale develops, we believe MOBI724's margins will increase significantly. Other than system upgrades, operating expenses (G&A) are expected to be relatively controllable therefore making the business very scalable. Sales, marketing and commission expense is expected to be more variable in nature as more sales staff will be engaged to further expand the Company's network of clients. In the EMV Payments segment, the Company pays third-party processing gateway transaction fees and sales commissions to internal staff or third-party sales leads agreements.

Near-Term Outlook

Over the near-term, the Company is expected to focus on (i) expanding the sales pipeline, (ii) accelerating the sales cycle and (iii) lowering the head office expense. As previously noted, management lowered expenses more than expected in Q2/18.

Revenue momentum is expected to build in the second half of 2018, such that, we view the year as a whole as more of a transitional year. The revenue is expected to be largely driven by the Digital Marketing segment as the Card-Link and EMV Payment segments are still in the early stages of revenue generation. Revenue is forecast to double to an estimated $5.0 million as each of the Card-Linked and Payments segments gain traction. The latter has been adjusted lower from our prior $6.0 million forecast to account for the lower revenues in the current quarter. Annualized revenue is expected to exceed $8 million by Q4/18. Some of the key metrics driving revenues are:

- Digital Marketing is expected to account for almost half the revenue in 2018.
- Card-Linked revenues are expected to be driven by the Visa partnership put in place in the latter part of 2017. We forecast that almost 35% of the 2018 revenue is expected to be derived from this segment as management leverages the Visa contacts and co-markets with Visa's existing client base. The number of Managed Cards under contract approximated 16 million in Q2/18 or about double that at the beginning of the year. Management expects that number to reach almost 24 million cards by the end of 2018.
- The EMV Payments segment, on the other hand, should benefit from the POS terminals being installed at retailers in the Philippines.

As expected, MOBI724's financial profitability was somewhat muted over the first half of fiscal 2018. We expect this to change towards the final quarter of the year. Although we forecast a negative EBITDA of $2.0 million. Our prior estimate was for a negative $2.3 million in 2018 with the difference being the lower than expected expenses in Q2/18. We continue to expect MOBI724 to be EBITDA positive by the end of Q4/18.

Total revenue is forecast to increase to $12.2 million and $23.0 million in fiscal 2019 and 2020 respectively. This would represent a four-year compound growth rate of 70%. Card-Linked revenue is expected to comprise over 65% of the revenue by 2020 with the balance split evenly between the other two segments.

We have projected that costs will increase at a slower pace than revenues resulting in significant gains in operating leverage. EBITDA is forecast to increase to about $1.3 million and $8.1 million by 2019 and 2020 respectively with the EBITDA margin increasing to the 35% level. Adjusted net income, excluding non-operating items including stock-based compensation, is forecast to increase to $1.3 million and $8.0 million in 2019 and 2020 respectively. These estimates are modestly higher than our prior forecast as the expense reduction was more than expected. We have assumed no taxes payable until the current tax-loss carry forward of $24.4 million has been eliminated.

Longer-Term Outlook

Beyond 2020, we forecast organic revenue growth of 20% to 25% annually. The Card-Linked segment is expected to continue to provide the bulk of the revenue growth and comprise 70% to 75% of total revenue. Our earnings model projects an average CAGR of 25% for net income between fiscal 2020 and 2028. EBITDA margins are forecast to improve to the 40% to 45% level.

Definition of Risk Rankings
Low: Low financial and operational risk, high predictability of financial results with stronger than average balance sheet and strong free cash flows. Company may pay substantial dividends or have an active share repurchase program.
Medium: Moderate financial and operational risk, moderate predictability of financial results, positive free cash flows and may or may not pay a dividend.
High: High financial and/or operational risk, low predictability of financial results. Limited financial history, negative free cash flows, adequate working capital and no dividends.

Definition of Research Ratings
The Catalyst research recommendation structure consists of the following categories:
Buy: The stock's total return, including dividends paid, is expected to exceed a minimum of 15% on a risk-adjusted basis, over the next 12 months.
Hold: The stock's total return, including dividends paid is expected to be between 0% and 15%, on a risk-adjusted basis, over the next 12 months.
Sell: The stock's total return, including dividends paid, is expected to be negative over the next 12 months.
Speculative: The stock's total return is expected to exceed 30% over the next 12 months; however, there is material event risk associated with the investment that could result in significant loss.
Note: Analysts have discretion within 500 basis points of the upper and lower limit of each rating to maintain the recommendation.

Analyst Certification
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