

Bitcoin Well Inc.

(TSXV: BTCW / OTCQB: BCNWF)

Taking on Majors Through a Low-Fee Non-Custodial Platform - Initiating Coverage

BUY

Current Price: C\$0.05

Fair Value: C\$0.16

Risk*: 4

Sector: Cryptos/Financial Services

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Highlights

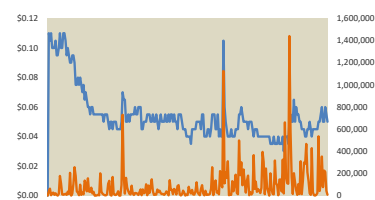
- BTCW operates a network of 266 crypto ATMs across Canada, and an online platform, allowing **investors/traders to buy/sell cryptos**. The ATM business, which has been operating since 2013, is profitable. The online platform, which was launched in Q4-2022, had 3,800 registered users at the end of Q1-2023. Management is planning to start offering its online services in the U.S. this year.
- Unlike conventional crypto exchanges, BTCW does not hold private keys or funds, making it a **non-custodial crypto platform, offering users full control over their holdings**. We believe BTCW's non-custodial feature offers protection to users. Note that several custodial crypto exchanges have either imploded or filed for bankruptcies in the past six months.
- Due to a stricter regulatory landscape, several crypto exchanges have stopped operating in Canada. As a result, crypto users have to either rely on the 11 registered crypto exchanges in Canada, or non-custodial platforms, such as BTCW, for trading cryptos. As BTCW does not hold customer funds, it has **minimal regulatory requirements vs crypto exchanges**.
- For the ATM business, BTCW holds a 10% market share in Canada. For the online business, management is aiming to attract 10k-20k new users this year. We are **expecting the online business to be the key revenue driver** going forward.
- **BTCW charges 0.21% of transaction volume in fees, which we note is among the lowest for trading platforms**. Through a low-fee strategy, management is aiming for rapid adoption, and faster growth than competitors.
- In 2022, the company generated \$4.4M in revenue, netting -\$0.03 in EPS. **We are forecasting \$4.7M in revenue, and -\$0.02 in EPS this year**.
- Investor sentiment towards cryptos has improved amid higher Bitcoin prices (up 71% YTD). According to sphericalinsights.com, the global crypto exchange market is expected to grow from US\$33B in 2021, to US\$348B by 2030, reflecting a **CAGR of 30%**. With rising concerns over custodial crypto platforms, **we believe non-custodial crypto companies, such as BTCW, should gain traction**.
- **Upcoming catalysts** include ramping up of online operations, and improving outlook for non-custodial platforms.

Risks

- The crypto market is subject to regulatory scrutiny and intervention
- **Highly competitive sector**
- Volatility in crypto prices; risk of technology failure
- **Cybersecurity risk**
- Leveraged balance sheet

Sid Rajeev, B.Tech, CFA, MBA
Head of Research

Alexis Cabel, B.A.Econ
Equity Analyst



	YTD	12M
BTCW	11%	-55%
TSXV	8%	-20%

Company Data

52-Week Range	\$0.03-\$0.11
Shares O/S	174M
Market Cap.	\$9M
Current Yield	N/A
P/E (forward)	N/A
P/B	N/A

Key Financial Data (C\$) YE December 31	2021	2022	2023E	2024E
Cash	\$4,799,849	\$3,946,525	\$1,714,120	\$274,463
Digital Assets	\$8,596,949	\$5,999,847	\$5,999,847	\$5,999,847
Total Assets	\$23,560,561	\$14,024,476	\$11,290,045	\$9,989,201
Total Debt	\$7,400,000	\$12,400,000	\$18,753,265	\$18,753,265
Transaction Volume	\$99,612,760	\$66,731,242	\$96,814,923	\$135,957,069
Revenue	\$5,172,629	\$4,424,226	\$4,661,552	\$5,417,065
Net Income/(Loss)	-\$13,602,807	-\$5,991,501	-\$3,043,932	-\$1,692,212
EPS (basic)	-\$0.09	-\$0.03	-\$0.02	-\$0.01

*See last page for important disclosures, rating, and risk definitions. All figures in C\$ unless otherwise specified.

Went public through a reverse takeover in June 2021

Headquartered in Alberta, with 22 employees

Operating as a Money Services Business (MSB) through a FINTRAC license

Since BTCW does not hold customer funds, it has minimal regulatory requirements vs conventional crypto exchanges

Three offerings targeting retail and institutional investors

Background

Formed in 2013, BTCW allows retail and institutional investors/traders to buy and sell cryptos, and pay bills/purchase gift cards using cryptos. Unlike conventional exchanges, BTCW's platform is non-custodial, and does not hold users' private keys or funds. As shown below, BTCW has several advantages over alternative options for transacting cryptos.

BTCW vs Alternatives

	Bitcoin Well (BTCW)	Coinbase (COIN)	Netcoins (BIGG)	Big Banks	Bitcoin 
User control of bitcoin/money 	✓				✓
Pay bills and credit cards 	✓			✓	
Buy and sell bitcoin 	✓	✓	✓		
Fiat accounts 	✓	✓	✓	✓	
Spend bitcoin easily 	✓	✓	✓		

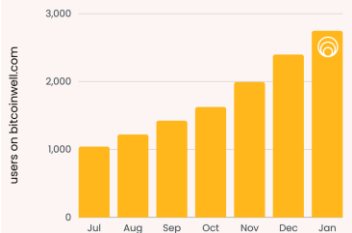
Source: Company

Primary Services

ATM Network Service	Online Platform	Infinite Service (personalized/white-glove service)
Launched in 2013	Launched in Q4-2022	Launched in 2018
Targeting retail investors	Targeting retail investors	Targeting high net worth and institutional investors
2022 Revenue: \$2.8M Transaction volume: \$28M	2022 Revenue: \$4k Transaction volume: \$1.7M	2022 Revenue: \$1.6M Transaction volume: \$37M
Users can buy/sell cryptos, such as Bitcoin, Ethereum, Litecoin, and Bitcoin Cash 250 ATMs offer cash to crypto services; 16 offer cash to cryptos, and cryptos to cash services	Users can buy/sell Bitcoin, and pay bills using Bitcoin We have reviewed the company's portal , and noted that users can sign up using a simple three-step process	A personalized (white-glove service) offering to high-net worth individuals/institutions for conducting larger crypto transactions (\$5k to \$5M) Offered online, as well as at BTCW's physical offices in Edmonton and Calgary

Aiming to grow quickly through a low-fee trading platform

ATM Network Service	Online Platform	Infinite Service (personalized/white-glove service)
<p>Transaction fee: \$3-\$5 per transaction; competitors typically charge \$3-\$10</p> <p>In addition, BTCW generates 10%-15% of transaction volume in revenue as spread, which we believe is in line with that of competitors</p>	<p>Transaction fee: 0.21% of transaction volume vs 1%-2% for competitors; we note that BTCW's fee is among the lowest in the sector</p> <p>We believe BTCW is able to offer lower fees as its other two divisions (ATM and Infinite) have higher margins; in addition, BTCW has minimal regulatory requirements/costs relative to conventional exchanges.</p> <p>Upon reaching a sizeable user base (50k+), management plans to offer other fee-based services, such as recurring bill payments, set-and-forget trading options, and ability to process large transactions.</p>	<p>Transaction fees 2% for up to \$10k 1.5% for \$10k to \$100k 1% for \$100k+</p>
<p>Limit: depends on the capacity of an ATM</p>	<p>Limit: \$1k/day and \$2k/week</p>	<p>Limit: None; transactions typically range between \$50k and \$500k</p>
<p>Payment Method: cash</p>	<p>Payment Method: credit card, debit card, and e-transfers</p>	<p>Payment Method: cash, bank transfer, bank draft, and wire transfer</p>
<p>Network: 266 ATMs across Canada, including 173 directly owned, and 93 through a 50:50 partnership program with RapidCash – a large ATM operator in Canada; RapidCash offers hardware, while BTCW offers all software-related components</p>	<p>Network: This is BTCW's most scalable business</p> <p>Planning to expand to the U.S. this year</p> <p>Management is aiming to add 10k-20k registered users this year</p>	<p>Network: Has serviced 250 unique customers to date</p> <p>Transactions per customer have ranged between \$3k and \$22M</p>

	ATM Network Service	Online Platform	Infinite Service (personalized/white-glove service)
<i>Growth plans</i>	<p>RapidCash is planning 100 new ATMs this year</p> <p>BTCW is also planning partnerships with other operators for growing its network, and/or licensing its software to ATM operators</p>	<p>3,800 registered users, as of March 31, 2023</p> <p>Online Platform Users</p>  <p>Source: Company</p>	<p>Expanding to the U.S. this month</p>
<i>Operating in a highly competitive market</i>	<p>Competition: 2,690 crypto ATMs in Canada (Source: coinatmradar); BTCW has a 10% market share.</p> <p>Localcoin, which is the largest competitor, operates 887 ATMs, implying a 34% market share</p> <p>The top 10 operators operate 90% of all crypto ATMs in Canada</p>	<p>Competition: Top Canadian crypto exchanges: Bitbuy, Coinsmart, Uphold, Bybit, and Binance</p> <p>According to Canadian Spread, BTCW's fee is the lowest among both custodial and non-custodial platforms.</p>	<p>Competition: Crypto exchanges and other high volume service providers</p>

Marketing

In 2022, BTCW spent 15% of revenue on marketing vs 15%-80% by comparables. The company has been **primarily relying on word-of-mouth marketing, referrals, and success-based marketing campaigns using influencers**. Our discussions with management indicated that they are estimating \$10 in Customer Acquisition Costs (CAC) vs annual revenue of \$13/user (\$6k transaction volume times 0.21%). This compares to \$16 in CAC, and \$20 in revenue/user for Coinbase (NASDAQ: COIN) – operator of the largest crypto exchange in the U.S. BTCW is aiming to raise revenue/user by adding fee-based offerings, as mentioned earlier in this report.

BTCW ATM Network



BTCW's ATMs are located in high-traffic locations across Canada

Currently, there are 82k ATMs in Canada, of which, 3% (2,690) offer crypto services

For comparison, 6% of ATMs in the U.S. offer crypto services

We believe there is room for 2,500+ crypto ATMs in Canada

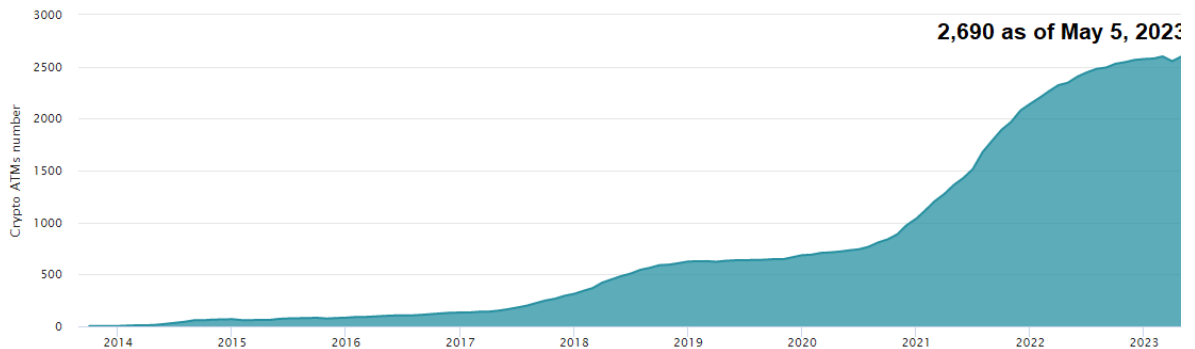


Source: Company

Number of Crypto ATMs in Canada

Crypto ATM Installations Growth (Canada)

Source: coinatmradar.com



Source: coinatmradar.com

BTCW has a 10% market share

The payback period of a typical ATM is approximately one-year

Economics of a Typical ATM

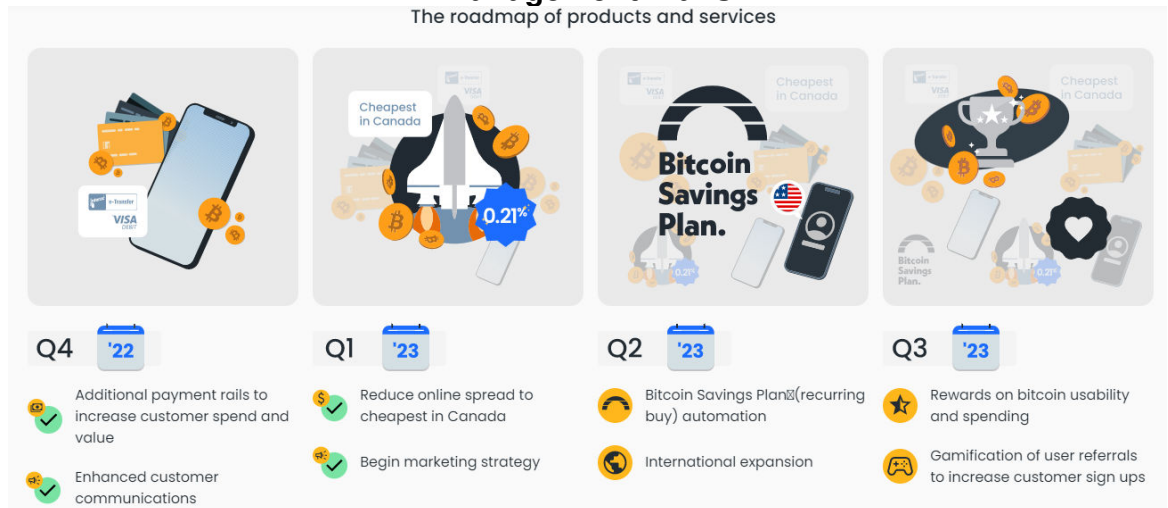
Initial CAPEX	OPEX	Potential Revenue
\$12k	\$450/month; rent accounts for 50% of OPEX	Transaction volume: \$10k/month Revenue: \$1.4k/month on average Payback period: one-year

Source: Company, FRC

Ramp-up online operations
Install new ATMs through partnerships
Expand operations to the U.S.

Management Plans

The roadmap of products and services

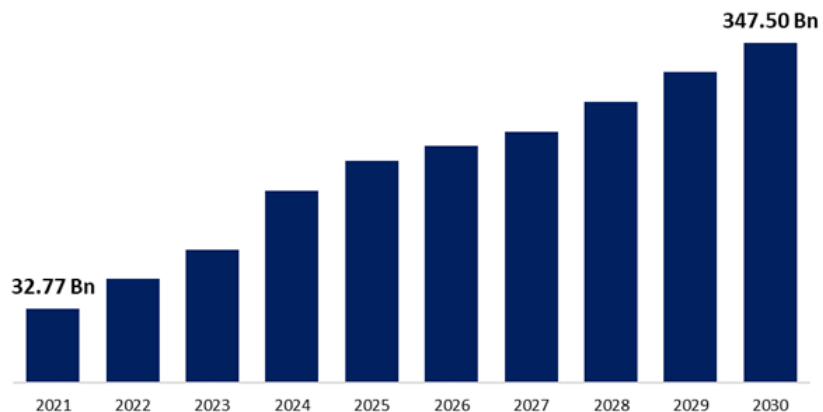


Source: Company

Market Overview

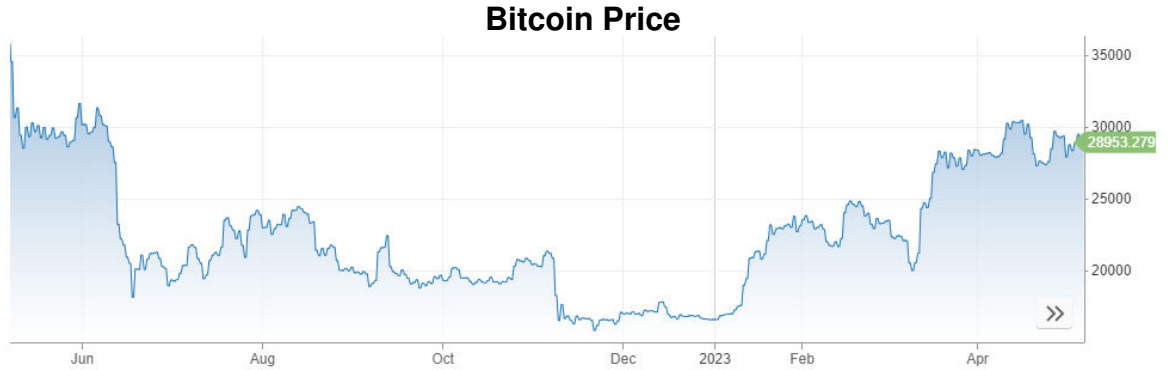
According to Spherical Insights (a market research/consulting firm), the global crypto exchange market should grow from US\$33B in 2021, to US\$348B by 2030, reflecting a CAGR of 30%

Global Cryptocurrency exchange platform Market



Source: sphericalinsights.com

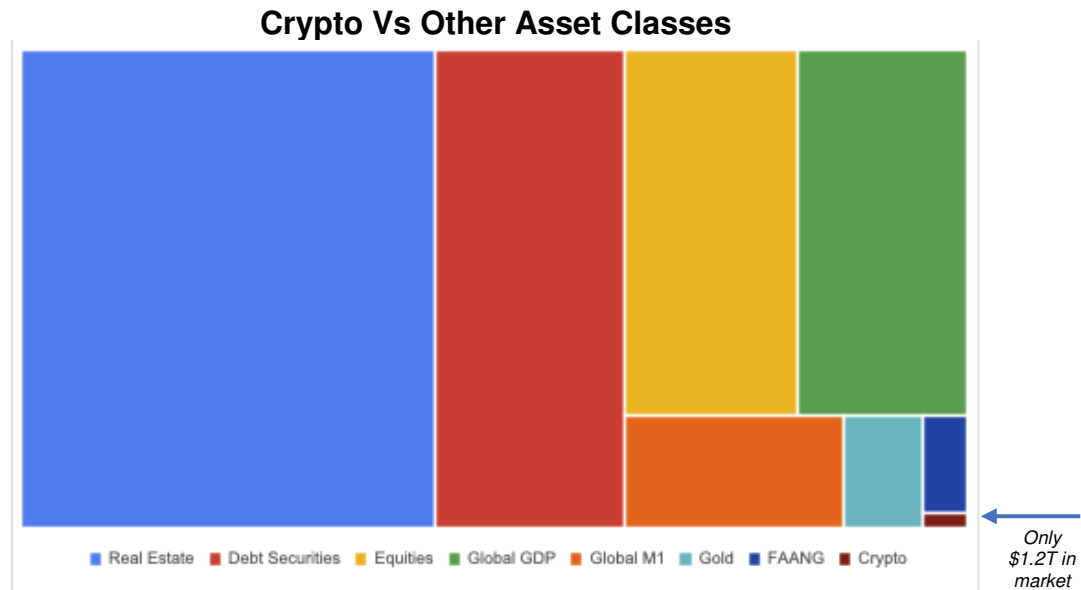
Bitcoin prices are up 75% YTD



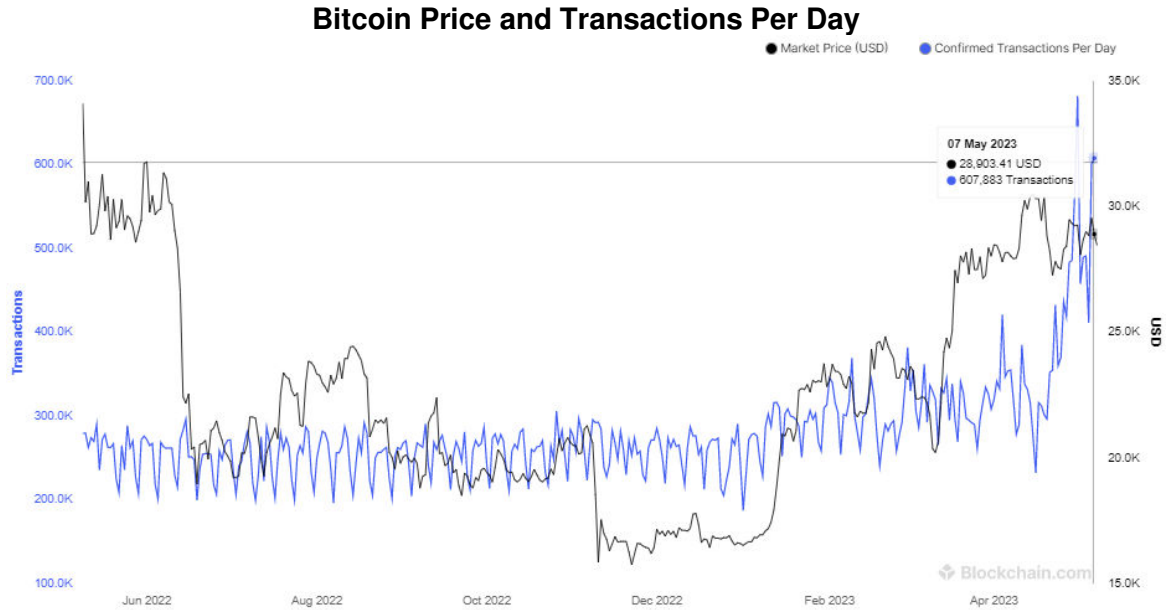
The global MCAP of cryptos is US\$1.2T, down 35% YoY



The MCAP of cryptos is less than 1% of the global fiat market



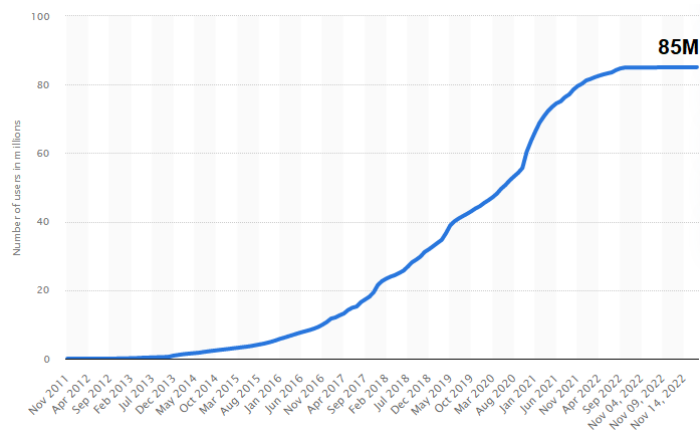
As of May 7, 2023, daily Bitcoin transactions were up 117% YoY



Source: blockchain.com

85M e-wallet users at the end of 2022, up 7% YoY

Number of Blockchain Wallet Users Worldwide



Source: Statista

We believe the popularity of cryptos is driven by its potential for decentralization, fast execution for international transactions, and the ability to bypass/lower intermediary fees. That said, we believe the sector is exposed to the following potential risks:

1. **Volatility** in crypto prices
2. Governments worldwide are implementing **stricter restrictions** on crypto platforms
3. **Ransomware attacks** and potential regulations pertaining to movement of capital across borders
4. Emergence of **Decentralized exchanges (DEX)**, allowing peer-to-peer crypto transactions.

In summary, we believe that cryptos are in relatively early stages, and exposed to significant risks and uncertainties. However, **the upside potential is significant** if cryptos can co-exist with traditional currencies and banking.

Management and Board

The CEO/Founder owns 47% of outstanding shares

Name	Position(s)	# Shares Outstanding	% of Total
Adam O' Brien	Founder, CEO & Director	81,204,904	46.6%
David Bradley	Chief Revenue Officer & Director	717,241	0.4%
Luke Thibodeau	CFO	81,189	0.0%
Terry Rhode	Director	4,438,000	2.5%
Mitchell Wayne Demeter	Director	200,000	0.1%
Allen Stephen	Director	170,500	0.1%
Total		86,811,834	49.8%
	Outstanding Shares	174,382,887	

Source: Company Filing, SEDI, FRC

Brief biographies of the senior management and board members, as provided by the company, follow:

Adam O'Brien – Founder, CEO, and Director

Adam founded Bitcoin Well. In early 2014, he deployed the first Bitcoin ATM in Alberta, and soon after, the first in Saskatchewan. Adam serves as Co-chair of the Fintech Committee for the Canadian Blockchain Consortium.

David Bradley – Chief Revenue Officer and Director

Prior to his current role, Dave founded the world's first bricks-and-mortar bitcoin store and co-founded the successful company, Bull Bitcoin, which is Canada's longest-serving bitcoin brokerage. He also serves as a Vice President for the Canadian Blockchain Consortium.

Luke Thibodeau – CFO

Luke has worked at both MNP LLP and PriceWaterhouseCoopers. Mr. Thibodeau earned his Chartered Professional Accountant (CPA) designation in 2020, his Certified Anti-Money Laundering Specialist (CAMS) designation in 2021, and became a Chartered Financial Analyst (CFA) charterholder in December 2022.

Terry Rhode – Independent Director

Mr. Rhode was Vice President of Corporate Development and Chairman of the board for the Rosenau group of companies. He was a management consultant for various businesses and specializes in accounting and IT, operations, change management, project management, sales and pricing.

Mitchell Wayne Demeter – Director

Mr. Demeter serves as an Independent Director of Hopefield Ventures Two Inc., is Founder, President, Chief Executive Officer and Director of Madali Ventures, and is a Member of Advisory Board for INETCO Systems Limited. He served as the

Vice-President of business development and then President of Netcoins Inc. as well as an officer and director of various companies.

Allen Stephen – Director

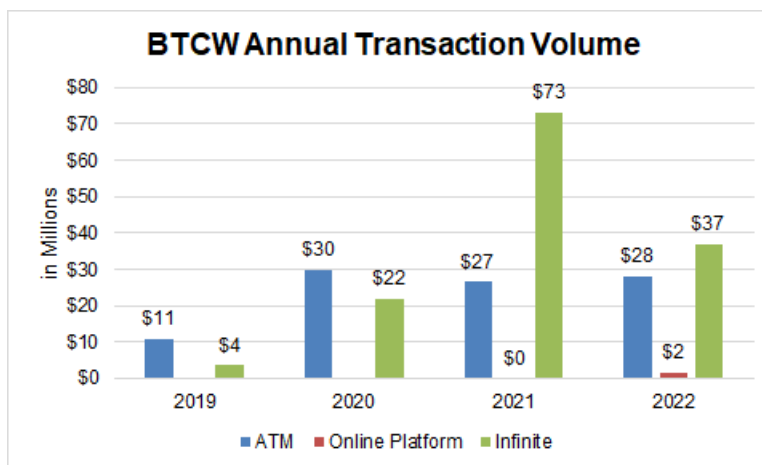
Mr. Stephen served as Chief Financial Officer of Bitcoin Well from December 2021 until January 2023. He was Chief Accountant and Vice President at Canadian Western Bank and was the Head of Finance at Neo Financial Technologies Inc.

Financials

The company's ATM business has been relatively stable in the past three years

However, revenue from personalized/white-glove services (Infinite) has been highly volatile

Revenue, EBITDA, and funds from operations improved YoY in Q1-2023; However, EPS declined due to non-cash losses



STATEMENT OF OPERATIONS (C\$)						
	2021	2022	YoY%	Q1-2022	Q1-2023	YoY%
Transaction Volume	\$99,612,760	\$66,731,242	-33%	\$13,528,804	\$12,416,760	-8%
Cost of revenue	\$94,440,131	\$62,307,016	-34%	\$12,564,014	\$11,331,006	-10%
Revenue	\$5,172,629	\$4,424,226	-14%	\$964,790	\$1,085,754	13%
SG&A expense	\$8,850,330	\$7,056,063	-20%	\$2,171,769	\$1,293,268	-40%
Marketing & advtg expense	\$943,424	\$643,894	-32%	\$247,024	\$50,366	-80%
EBITDA	-\$4,621,125	-\$3,275,731	-29%	-\$1,454,003	-\$257,880	-82%
Net Profit (Loss)	-\$13,602,807	-\$5,991,501	-56%	-\$2,061,333	-\$3,523,368	71%
Diluted EPS	-\$0.09	-\$0.03	-63%	-\$0.01	-\$0.02	70%

Margins	2020	2021	2022	Q1-2022	Q1-2023	Application Software Sector
Revenue to Transaction Volume	14%	5%	7%	7%	9%	13%
SG&A	58%	171%	159%	225%	119%	10%
Marketing & advertising	4%	18%	15%	26%	5%	

Summary of Cash Flows				
	2021	2022	Q1-2022	Q1-2023
Operating	-\$602,893	-\$5,996,150	\$1,885,369	\$290,290
Investing	-\$3,121,599	-\$720,864	-\$618,449	\$0
Financing	\$6,298,044	\$8,944,004	\$3,382,572	-\$866,238
Net	\$2,573,552	\$2,226,990	\$4,649,492	-\$575,948
Free Cash Flows to Firm (FCF)	-\$3,724,492	-\$6,717,014	\$1,266,920	\$290,290

Source: Company Filings, FRC

At the end of Q1-2023, BTCW had \$9M in cash and digital assets, and \$19M in debt

None of the outstanding options and warrants are in the money

We are expecting the online platform to be BTCW's key long-term growth driver

Our DCF valuation is \$0.19/share

Liquidity & Capital Structure	2020	2021	2022	Q1-2023	Application Software Sector	
Cash	\$4,054,551	\$4,799,849	\$3,946,525	\$3,037,627		
Digital assets	\$0	\$8,596,949	\$5,999,847	\$6,121,009		
Cash plus Digital Assets	\$4,054,551	\$13,396,798	\$9,946,372	\$9,158,636		
Working Capital	-\$2,936,197	-\$2,412,150	-\$3,459,262	\$4,444,425		
Current Ratio	0.77	0.86	0.76	1.76	3.30	
Long-term debt	\$40,000	\$100,000	\$5,100,000	\$13,603,265		
Total debt	\$11,436,667	\$15,751,268	\$18,816,495	\$18,753,265		
Long-term debt-to-capital	0%	0%	39%	113%	7%	
Total debt-to-capital	108%	72%	145%	156%	13%	
	# Options	Strike Price	Value	Warrants	Strike Price	Value
Total Outstanding	10,379,540	\$0.11	\$1,178,793	14,569,000	\$0.38	\$5,463,375
In-the-Money	-	-	-	-	-	-

Source: Company Filings, FRC

FRC Projections and Valuation

	2022	2023E	2024E	2029E	2030E
Transaction Volume					
ATM	\$28,000,000	\$33,945,000	\$38,880,000	\$65,880,000	\$71,280,000
Online Platform	\$1,731,242	\$16,619,923	\$39,264,569	\$488,598,288	\$641,285,253
Infinite	\$37,000,000	\$46,250,000	\$57,812,500	\$176,429,749	\$220,537,186
Transaction Volume	\$66,731,242	\$96,814,923	\$135,957,069	\$730,908,036	\$933,102,439
Growth	-33%	45%	40%	27%	28%
Cost of Revenue	\$62,307,016	\$92,153,371	\$130,540,004	\$715,348,404	\$913,338,530
Revenue	\$4,424,226	\$4,661,552	\$5,417,065	\$15,559,633	\$19,763,908
Revenue % of TV	7%	5%	4%	2%	2%
Operating Data					
ATMs	260	310	360	610	660
Online portal active users year-end	2,500	7,500	15,000	121,875	152,344

DCF Model	2023E	2024E	2029E	2030E	Terminal
EBIT(1-tax)	(650,650)	(193,936)	6,883,975	9,855,673	
Non-Cash Expenses	552,161	527,956	662,520	688,135	
Change in Working Capital	452,505	(23,765)	(30,331)	(31,847)	
Cash from Operations	354,015	310,255	7,516,164	10,511,961	
CAPEX	(250,000)	(250,000)	(250,000)	(250,000)	
Free Cash Flow	104,015	60,255	7,266,164	10,261,961	
Present Value	93,664	47,182	2,828,751	3,473,938	29,817,970
Discount Rate	15%				
Terminal Growth	3%				
Present Value	41,865,697				
Cash - Debt	(9,594,629)				
Fair Value	32,271,068				
Shares O/S	174,382,887				
Value per Share (C\$)	\$0.19				

Source: FRC

BTCW is trading at a 41% discount relative to its comparables

Company	EV/R (forward)	EV/EBITDA (forward)
Bitcoin Well (PV of 2030E)	2.7x	4.6x
Block Inc.	1.7x	25.6x
Coinbase	4.2x	34.6x
Global Payments	5.2x	10.4x
Jack Henry	5.6x	17.6x
Moneygram	1.3x	7.4x
Paypal Holdings Inc.	2.9x	11.2x
Application Software Sector	6.1x	28.8x
Average (excluding outliers)	3.7x	10.2x
BTCW's Premium/Discount	-26%	-55%

Source: S&P Capital IQ and FRC

Our fair value estimate is \$0.16 per share

Valuation Methods	Fair Value per share (\$)	Weight
DCF Valuation	\$0.19	50.0%
Fair value per share (\$) - Average EV/R Multiple (2030E)	\$0.09	25.0%
Fair value per share (\$) - Average EV/EBITDA Multiple (2030E)	\$0.18	25.0%
Fair Value Estimate (\$)		\$0.16

Source: FRC

We are initiating coverage with a BUY rating, and a fair value estimate of \$0.16 per share. With rising concerns over custodial crypto platforms, we believe non-custodial crypto companies, such as BTCW, should gain traction. Our valuation is highly dependent on the company's ability to grow its online business.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The crypto market is **subject to regulatory scrutiny and intervention**
- No guarantee that the company will be able to grow its online business
- **Highly competitive sector**
- Volatility in crypto prices
- Risk of technology failure
- Cybersecurity risk
- **Leveraged balance sheet**

Assigning a risk rating of 4

Appendix

STATEMENTS OF OPERATIONS (\$)	2022	2023E	2024E
YE December 31			
Transaction Volume	66,731,242	96,814,923	135,957,069
Direct Expenses	62,307,016	92,153,371	130,540,004
Revenue	4,424,226	4,661,552	5,417,065
SG&A	7,056,063	5,173,072	4,914,418
Marketing & advertising	643,894	201,464	541,706
EBITDA	(3,275,731)	(712,984)	(39,060)
D&A	2,159,814	695,500	189,100
EBIT	(5,435,545)	(1,408,484)	(228,160)
Net financing expense	1,729,785	1,312,729	1,125,196
EBT	(7,165,330)	(2,721,212)	(1,353,356)
Income tax expense	778,167	-	-
Fair value change	(5,310,491)		
Impairment	3,163,599		
Share-based compensation	313,889	322,720	338,856
Unusual/Non-recurring expense	(118,993)		
Net Income (Net Loss)	(5,991,501)	(3,043,932)	(1,692,212)
EPS	(0.03)	(0.02)	(0.01)
BALANCE SHEET (\$)	2022	2023E	2024E
YE December 31			
Assets			
Cash	3,946,525	1,714,120	274,463
Trade & receivables	368,239	386,651	405,983
Digital assets	5,999,847	5,999,847	5,999,847
Inventory	710,693	746,228	783,539
Other current assets	55,124	57,880	60,774
Current Assets	11,080,428	8,904,726	7,524,607
PP&E	1,390,999	945,500	1,006,400
Right-of-use asset	32,917	102,431	102,431
Intangible Assets	1,170,132	969,889	969,889
Other long term assets	350,000	367,500	385,875
Total Assets	14,024,476	11,290,045	9,989,201
Liabilities & Shareholders' Equity			
Payables and accrued liabilities	681,393	715,463	751,236
Loans - crypto	6,416,495		-
Current portion of borrowings	7,300,000	5,150,000	5,150,000
Current portion of lease liabilities	39,489	39,489	39,489
Other current liabilities	102,313	107,429	112,800
Current Liabilities	14,539,690	6,012,380	6,053,525
Borrowings	5,100,000	13,603,265	13,603,265
Other long term liabilities	216,519	227,345	238,712
Total Liabilities	19,856,209	19,842,990	19,895,502
Share capital	12,095,172	12,095,172	12,095,172
Contributed surplus	1,484,329	1,807,049	2,145,905
Warrants	1,636,581	1,636,581	1,636,581
AOCI	1,645,954	1,645,954	1,645,954
Deficit	(22,693,769)	(25,737,701)	(27,429,913)
Total Liabilities and Shareholder's Equity	14,024,476	11,290,045	9,989,201

STATEMENTS OF CASH FLOWS (\$) YE December 31	2022	2023E	2024E
Operating Activities			
Net loss for the period	(5,991,501)	(3,043,932)	(1,692,212)
Items not involving cash			
Depreciation	2,159,814	695,500	189,100
Share-based payments	313,889	322,720	338,856
Fair value change	(5,310,491)		
Deferred income tax	631,318	-	-
Goodwill	303,342		
Restructuring	2,339,112	-	-
Gain on debt settlement	(118,993)	-	-
Others	-	-	-
FFO	(5,673,510)	(2,025,713)	(1,164,256)
Trade & other receivables	262,089	(18,412)	(19,333)
Other current assets	500,237	(2,756)	(2,894)
Inventory	(276,133)	(35,535)	(37,311)
Digital assets	(3,080,314)	-	-
Accounts payable & accrued expenses	(563,287)	34,070	35,773
Current income tax receivable	(245,546)		
Others			
Changes in WC	(3,402,954)	(22,633)	(23,765)
Cash from (used in) Operations	(9,076,464)	(2,048,346)	(1,188,021)
Investing activities			
PP&E	(147,291)	(250,000)	(250,000)
Intangible assets	(567,507)	200,243	-
Others	(6,066)	(87,014)	(18,375)
Cash used in Investing Activities	(720,864)	(136,771)	(268,375)
Financing activities			
Equity	40,000		
Debt	9,045,299	(63,230)	-
Lease	(125,058)	-	-
Others	(16,237)	15,942	16,739
Cash provided by Financing Activities	8,944,004	(47,288)	16,739

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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