



LongFin Corp. (Nasdaq pending “LFIN”)

Target Price: \$8.42

We initiate coverage on LongFin Corp. (Nasdaq pending, “LFIN”) with a price target of \$8.42. LongFin is a non-banking Fintech company providing structured commodity trade finance (shadow banking) solutions. The company also provides market making (FX, FX derivatives, commodities) and liquidity to global exchanges, banks and trading houses, via its proprietary electronic platform powered by artificial intelligence and machine learning. Regular research and development of new electronic market making (EMM) products (such as TradeFlow platform) and geographical expansion via banking channels and new fortune 500 global trade companies bodes well for the company. LongFin aims to connect 70 FX and spot exchanges and more than 300 banks across the globe via its platform. The company’s EMM trading platform is highly reliable, scalable and can integrate directly with exchanges and other liquidity providers. The size of shadow banking industry stood at ~\$34 trillion in 2015 and is expected to grow further as global trade financing gap continues to increase. We see LongFin as a speculative play on a multi-trillion-dollar shadow banking industry with a proprietary electronic platform and an experienced management team. The company is witnessing rapid growth with revenues which are expected to reach ~\$2.4 billion by 2022. The EBITDA margins are likely to remain in the range of 6-6.5% for majority of the forecast period.

INVESTMENT HIGHLIGHTS

Proprietary EMM Technology powered by AI/Machine Learning

LongFin’s proprietary electronic market making (EMM) platform offers ultra-low latency, wide connectivity and is powered by artificial intelligence and machine learning algorithms which provides the most efficient order management and execution. The platform can perform over 2500 transactions per second with less than 3-4 ms of execution latency. It is co-located with exchanges and provides direct streaming from banks.

EMM is a part of Automation of Knowledge Work which is ranked second to Mobile Internet by McKinsey report out of 12 disruptive technologies. The company’s EMM trading platform is highly reliable, scalable and can integrate directly with exchanges and other liquidity providers. LongFin aims to connect 70 FX and spot exchanges and more than 300 banks across the globe via its platform.

Multi-Trillion Dollar Global Trade Finance Market

Global Trade Flows are continuously increasing across geographies, thus creating a large gap between trade flows and financing facilities. The global market for trade finance was estimated at \$6.5-\$8 trillion in 2014 according to the Bank for International Settlements. As of 2015, the global trade finance gap which reflects inability of financial institutions to provide trade finance is estimated at around \$1.6 trillion. About \$692 billion of this is in Asia (including India and China). This provides large opportunity for non-bank intermediaries such as LongFin to cater to the shortfall.

Rise of non-bank liquidity providers

The non-bank liquidity and technology solutions providers, specifically in the FX market, has seen tremendous growth post the financial crisis. In 2015, non-bank liquidity providers handled 20% of the overall global FX trade, up from 16% in 2014. This number is likely to move in the range of 30-35% in the coming years. FX markets are perfectly suited for non-bank liquidity providers, particularly principal trading firms as they are standard, liquid, electronic, and boast daily turnover in trillions of dollars. The global spot FX size is \$5 trillion / day and global trade hedging is more than \$60 trillion. Over the past few years, there has been shift in the mix of client execution towards multi dealer platforms (MDPs) such as LongFin. Since 2008, flow handled by MDPs has jumped 32%, while phone-traded volume is down 50%. The company handled ~\$17.5 billion in FX transactions during 2016-17.

Initiate coverage with a price target of \$8.42

We see LongFin as a high risk and high reward play on the multi-trillion-dollar shadow banking industry with a unique EMM platform powered by artificial intelligence and machine learning. The target of \$8.42 assumes successful expansion in new geographies, asset classes and continued growth of shadow banking market. Any delay in the launch of new products, entry in new geographies and macro-economic slowdown could adversely impact our target price. Investors need to note the inherent risks involved.

Stock Details (8/31/2017)

Nasdaq*:	LFIN
Sector / Industry	Finance and Technology Services/ FinTech
Price target	\$8.42
Recent share price	N/A
Shares o/s (mn)**	77.5
Market cap (in \$mn)	N/A
52-week high/low	N/A

*Company seeking to list shares on Nasdaq main board

** Share count assumes completion of ongoing Regulation A+ initial offering of 10mn shares

Key Financials

In mn	F2018E	F2019E	F2020E
Revenues	\$400.9	\$601.4	\$1,262.9
EBITDA	\$16.0	\$36.7	\$79.6
EBIT	\$14.4	\$34.3	\$75.8
Net Income	\$5.1	\$17.8	\$40.4
EPS (\$)	\$0.07	\$0.23	\$0.52

Key Ratios

	F2018E	F2019E	F2020E
EBIT (%)	3.6	5.7	6.0
EBITDA (%)	4.0	6.1	6.3
Net margin (%)	1.3	3.0	3.2
P/Revenue (x)	NM	NM	NM
EV/Revenue (x)	NM	NM	NM

SUMMARY TABLE

Exhibit 1. Summary Table (in \$ mn except per share data)

Share data*		Balance Sheet as of Mar 31, 2017		Key personnel:	
Recent price:	N/A	Total assets:	\$19.3	CEO	Venkat Meenavalli
Price target:	\$8.42	Total debt:	\$0.0	CFO	Krishanu Singhal
52-week range:	N/A	Equity:	\$16.0	COO	Raj Mondraty
Average volume:	N/A	W/C:	\$7.2	CTO	Linga Murthy Gaddi
Market cap:	N/A	ROE:	47%	CIO	Emmanual Dasi
Book value/share:	\$0.21	ROA:	39%	CCO	Vivek Kumar Ratakonda
Cash/share	\$0.00	Current ratio:	4.0x		
Dividend yield:	N/A	Asset turnover:	2.1x		
Risk profile:	High / Speculative	Debt/Cap:	6%		

** Shares not listed; company seeking to list on the Nasdaq main board

FY Dec	Estimates				Valuation*	
	Rev (\$mn)	EBITDA (\$mn)	EPS (\$)	EV/Rev (x)	P/Rev (x)	P/E (x)
2018E	400.9	16.0	0.07	N/A	N/A	N/A
2019E	601.4	36.7	0.23	N/A	N/A	N/A
2020E	1,262.9	79.6	0.52	N/A	N/A	N/A
2021E	1,970.1	124.1	0.83	N/A	N/A	N/A

Source: SeeThruEquity Research, *shares not traded at this time

INVESTMENT THESIS

We initiate coverage on LongFin Corp (Nasdaq, "LFIN") with a price target of \$8.42. LongFin is a non-banking Fintech company providing structured commodity trade finance (shadow banking) solutions. The company also provides market making (FX, FX derivatives, commodities) and liquidity to global exchanges, banks and trading houses, via its proprietary electronic platform powered by artificial intelligence and machine learning. Regular research and development of new electronic market making (EMM) products (such as TradeFlow platform) and geographical expansion via banking channels and new fortune 500 global trade companies bodes well for the company. LongFin aims to connect 70 FX and spot exchanges and more than 300 banks across the globe via its platform. The company's EMM trading platform is highly reliable, scalable and can integrate directly with exchanges and other liquidity providers. The size of shadow banking industry stood at ~\$34 trillion in 2015 and is expected to grow further as global trade financing gap continues to increase. We see LongFin as a speculative play on a multi-trillion-dollar shadow banking industry with a proprietary electronic platform and an experienced management team. The company is witnessing rapid growth with revenues which are expected to reach ~\$2.4 billion by 2022. The EBITDA margins are likely to remain in the range of 6-6.5% for majority of the forecast period.

Company History

Longfin is a global alternative finance & technology services company specializing in structured commodity trade finance. LongFin is a leading technology-enabled market maker and liquidity provider to the global financial markets. LongFin focuses on four key markets: 1) *Structured commodity trade financing*: finances, syndicates and distributes short term trade instruments, open account bills for corporates, importers, exporters and SMEs; 2) *Alternative risk transfer financing*: provides cash flows to high risk credit markets through insurers and re-insurers; 3) *Asset Liability funding*: provides asset liability funding, off balance sheet, on balance sheet funding for bank treasuries using commodity trade flows. It also syndicates and distributes the bank risk; 4) *Carry trade financing & hedging*: Carry trade financing is provided by placing deposits in emerging market currencies with high-yields and discounted in low-yield currencies of developed markets. It also provides financing for option volatility based commodity trades between offshore and onshore NDF (Non Deliverable Futures) markets.

LongFin Corp was incorporated in the State of Delaware on February 1, 2017. LongFin acquired 100% stake in Singapore based LongFin Tradex Pte. Ltd. (formerly known as “Stampede Tradex Pte Ltd”) on June 19, 2017. Stampede has been in the trade finance technology, electronic trading and market making (FX, FX derivatives and commodities) business for approximately 8 years.

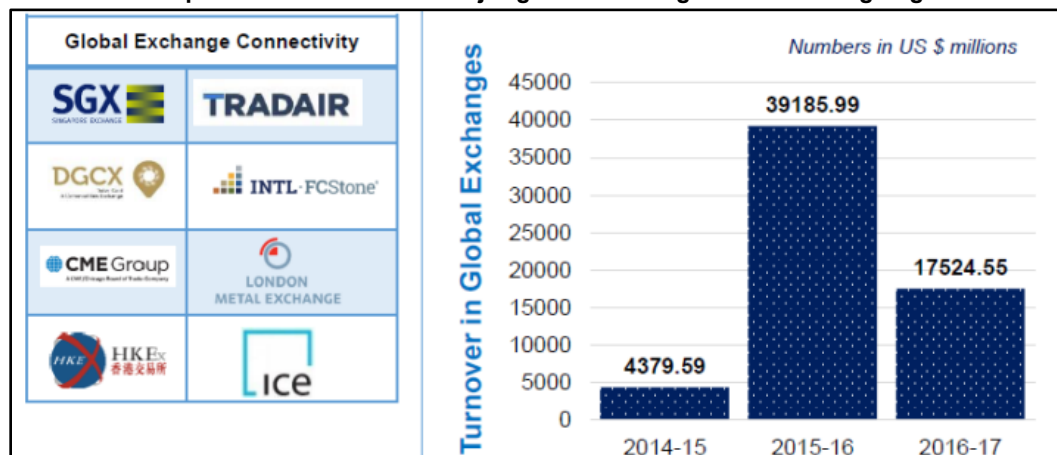
Business Overview

Proprietary EMM Technology – Powered by Artificial Intelligence and Machine Learning

LongFin’s proprietary electronic market making (EMM) platform offers ultra-low latency, wide connectivity and is powered by artificial intelligence and machine learning algorithms which provides the most efficient order management and execution. The platform can perform over 2500 transactions per second with less than 3-4 ms of execution latency. It is co-located with exchanges and provides direct streaming from banks.

EMM is a part of Automation of Knowledge Work which is ranked second to Mobile Internet by McKinsey report out of 12 disruptive technologies. The company’s EMM trading platform is highly reliable, scalable and can integrate directly with exchanges and other liquidity providers. LongFin aims to connect 70 FX and spot exchanges and more than 300 banks across the globe via its platform.

Exhibit 2: EMM platform connected to major global exchanges and handling large volumes



Source: Company data

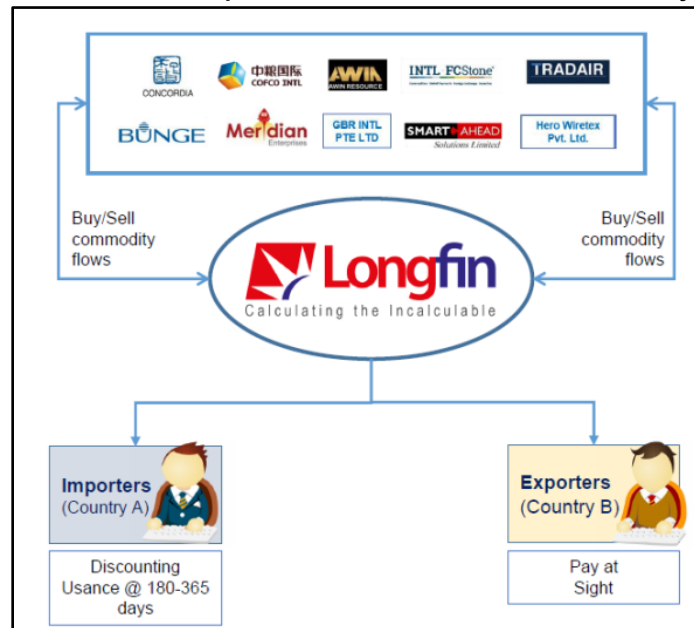
Structured Commodity Trade Finance

Structured commodity finance (SCF) is a sophisticated commodity-based financing technique, specifically designed for commodity producers and trading companies doing business in the developing markets. SCF plays an important role in providing liquidity management and risk mitigation for producer, distributor, processor or trader of commodities. Global Trade Flows are continuously increasing across geographies thus creating significant deficit between trade flows and financing facilities. In 2015, Asia had a trade financing gap of \$692 billion, while Africa had a shortfall of \$200 billion. As result, local commodity producers and even multinationals who are active in this region often find themselves unable to obtain financing.

With structured commodity finance gaining in popularity, companies and traders in the commodity producing industry can have access to a whole range of alternative financing solutions including risk mitigation. Trade finance risks range from buyer risks (non-acceptance of goods or failure to make payments), bank risks (failure of foreign banks to honour documentary credits), currency risks and political risks.

LongFin with its tailor made hedging solutions is well positioned to package and play as non-banking intermediary by way of transferring bank risk, country risk, buyers risk, forex risk, cross currency risk, interest rate risk and trading risk using own proprietary global connectivity on low-latency networks connected through multiple exchanges.

Exhibit 3: An example of structured trade finance offered by LongFin



Source: Company data

New B2B Platform in the pipeline

LongFin is planning to launch a new B2B platform which will provide corporates and SMEs with trade finance solutions such as FX debt swaps, debt syndication, trade flow management and underwriting FX risk management. It will allow to trade FX spot, forwards, swaps, non-deliverable forwards (NDFs) and options electronically on a single platform. The FX risk management itself is a large potential opportunity for LongFin. For instance, the size of the Indian import and export business is \$1 trillion, which requires currency hedging. ~90% of the SME and midcap sectors are hedging through NDF markets (Non Deliverable futures) in Singapore, London and Dubai, generating volumes of ~\$8-\$10 billion per day. All of this provides attractive growth opportunity for the company, and even a 1% market share of the NDF market

across the globe in USDINR could result in underwriting revenues of \$80-\$100 million per year. Similar trade finance solutions can be offered to across other emerging market currencies as well such as Russian Ruble, Turkish Lira, Mexican Peso and Indonesian Rupiah.

The FX platform will utilize the EMM engine to aggregate feeds from multiple banks and sources, thereby allowing clients to choose the best rate. The global trade finance is a trillion-dollar opportunity where the application of EMM is of paramount importance in having a cutting edge advantage. The global trade finance markets are all growth markets with increased focus on technology solutions.

Rise of non-bank liquidity providers

The non-bank liquidity and technology solutions providers, specifically in the FX market, has seen tremendous growth post the financial crisis. In 2015, non-bank liquidity providers handled 20% of the overall global FX trade, up from 16% in 2014. This number is likely to move in the range of 30-35% in the coming years. FX markets are perfectly suited for non-bank liquidity providers, particularly principal trading firms as they are standard, liquid, electronic, and boast daily turnover in the trillions. The global spot FX size is \$5 trillion / day and global trade hedging is more than \$60 trillion.

Over the past few years, there has been shift in the mix of client execution towards multi dealer platforms (MDPs) such as LongFin. Since 2008, flow handled by MDPs has jumped 32%, while phone-traded volume is down 50%. The company handled ~\$17.5 billion in FX transactions during 2016-17.

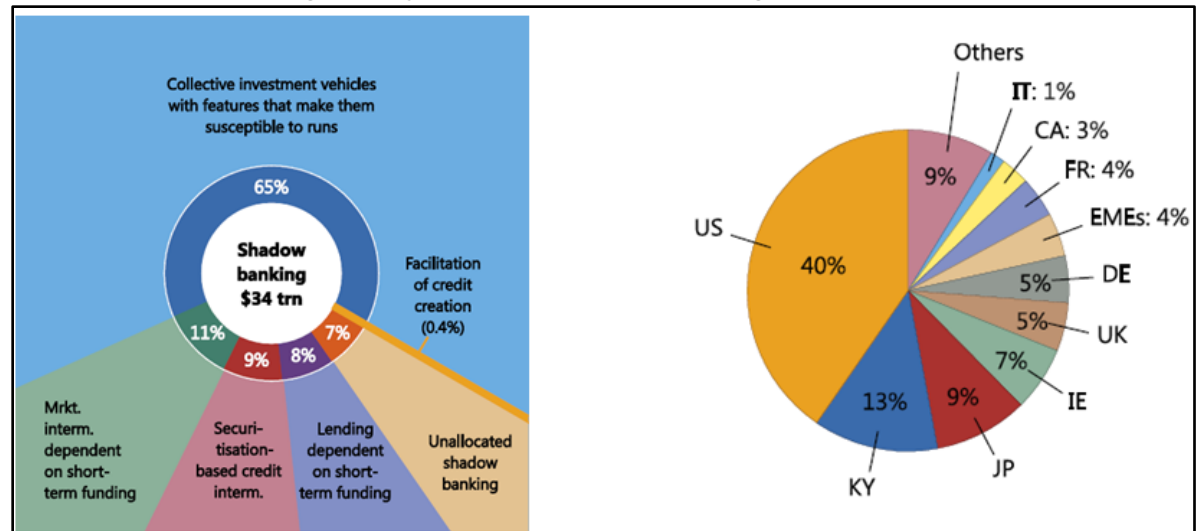
INDUSTRY LANDSCAPE

According to the Financial Stability Board (FSB), the size of the Global shadow banking industry stood at ~\$34 trillion in 2015. Shadow banking is a subset of the larger group called Other Financial Intermediaries (OFI) which totalled ~\$92 trillion in 2015. United States had the largest shadow banking sector, accounting for ~40% of the overall shadow banking industry, mapping the overall size at ~\$13.8 trillion. The term “shadow bank” was coined in 2007 by Paul McCulley of PIMCO, a major bond fund to describe risky off-balance-sheet vehicles hatched by banks to sell loans repackaged as bonds. Some of the key segments in shadow banking sector include: Peer2peer lending, Consumer lending, Commodity trade finance, Small business lending, Leveraged lending, Mortgage backed lending, Educational loans, Commercial real estate, Digital wealth management, Alternative crypto currencies (Bitcoin), Private equity/hedge funds.

LongFin operates in the shadow banking sector primarily providing commodity trade finance solutions. Global trade flows are continuously increasing across the geographies thus creating significant gap between trade flows and financing needs of SMEs. Most of the small and medium businesses do not have access to traditional bank loans and as such turn to alternate sources of funding. The trade finance gap was estimated at ~\$1.6 trillion in 2015. We see LongFin as a major beneficiary of this shortfall. Further, LongFin is planning to launch a new B2B platform which will provide corporates and SMEs with trade finance solutions such as FX debt swaps, debt syndication, trade flow management and underwriting FX risk management.

Post the financial crisis, banks are under tighter scrutiny and are often unwilling to take credit risks. On the other hand, shadow banking firms do not face the same regulatory burdens as banks and are thus less constrained when making loans. Moreover, rapid technological progress has made it far easier to reach creditors in a cost efficient manner. Consequently, there has been emergence of non-banking intermediary firms harnessing the power of technology to provide easy access of credit to SMEs. LongFin, with its strong technological base, is well positioned to tap into the opportunity.

Exhibit 4: Shadow Banking Industry Size; US accounts for the largest market



Source: Financial Stability Board

FINANCIALS AND FUTURE OUTLOOK

Recent Results

LongFin Corp was incorporated on Feb 1, 2017. Thus, the financials represent the performance of the company for a period of two months ended March 31, 2017 (Feb to March). LongFin (consolidated) generated revenues of \$2.7 million, comprising ~\$0.7 million from LongFin (standalone) and \$2.0 million from Stampede Tradex Pte. Ltd. Revenue income from LongFin (standalone) is towards the technology solutions/ services provided to a UK based company for \$700,000 on the hourly usage of various Longfin technology services for the 2-month period ending March 31, 2017 at the agreed rates. Total gross profit at LongFin (consolidated) stood at \$0.6 million.

The G&A expenses for the 2-month period were \$0.5 million including costs for data feed taken from Meridian Tech HK Limited. LongFin (consolidated) reported a net income of \$54,175.

Financial Outlook

We note that LongFin generated revenues of ~\$40 million as of twelve months ended March 31, 2017. Management is forecasting robust / aggressive growth, going forward. In our view, LongFin will require new capital to support its operations and growth plan. In lieu of this, LongFin is raising \$50 million (10 million shares at \$5 each) via Reg A+ offering which is currently open. We believe raising \$50 million is essential for the company's growth projections to hold true. However, the company has not completed the IPO transaction, and a failure to do so would affect this analysis.

We clearly see large market opportunity for LongFin and are projecting rapid but more conservative growth vis-à-vis management guidance. If the company were to meet its stated growth projections, it will outperform our model.

Revenue assumptions: Our revenue projections are based on the following: 1) LongFin finances and transacts carry trade finance between high yielding deposit countries Vs low/zero yielding deposit countries. The model assumed blended interest income in the range of 7-9%, while LC discounting and hedging cost of ~5%; 2) We assume initial cash deployment of ~\$30 million; 3) Each trade flow transaction is completed in 7 days, thereby leading to 48 transactions in a year according to management estimates. We remain conservative in our assumptions and estimate only 24 transactions in F2018 and F2019. For F2020, we model 36 transactions and then around 45 transaction going forward.

For F2018, we assume revenues of \$401 million. The revenues will primarily be driven by company's plans to expand footprint in USA, Europe and Latin America. In addition, launch of new products will aid revenue growth. We forecast EBITDA of \$16 million in F2018, representing a margin of 4.0%. We model net income at ~\$5.1 million and EPS at \$0.07. For F2019, we forecast revenues of \$601 million and EBITDA of ~\$36.7 million. We model net income at ~\$17.8 million and EPS at \$0.23. For F2020, we forecast revenues at \$1.2 billion, EBITDA at ~\$79.6 million, net income at ~\$40.4 million and EPS at \$0.52.

Exhibit 5: Financial Outlook F2018E-F2022E

In \$mn except per share	F2018E	F2019E	F2020E	F2021E	F2022E
Revenues	\$401	\$601	\$1,263	\$1,970	\$2,463
Y/Y Growth	396.7%	50.0%	110.0%	56.0%	25.0%
Gross Profit	\$21.2	\$40.3	\$84.6	\$132.0	\$167.5
Margin (%)	5.3%	6.7%	6.7%	6.7%	6.8%
EBIT	\$14.4	\$34.3	\$75.8	\$120.2	\$150.2
Margin (%)	3.6%	5.7%	6.0%	6.1%	6.1%
EBITDA	\$16.0	\$36.7	\$79.6	\$124.1	\$155.1
Margin (%)	4.0%	6.1%	6.3%	6.3%	6.3%
Net Income	\$5.1	\$17.8	\$40.4	\$64.6	\$80.8
EPS (\$)	\$0.07	\$0.23	\$0.52	\$0.83	\$1.04

Source: SeeThruEquity Research



Balance Sheet & Financial Liquidity

We see the availability of liquidity as key areas to watch for LongFin as the company continues to focus on aggressive expansion. As of March 31, 2017, LongFin along with its subsidiaries had \$9.50 million in cash & other receivables, \$9.80 million in fixed assets and total liabilities of \$3.33 million. In management's opinion, the company's cash position is sufficient to maintain its operations at the current level for the next 12 months. LongFin is raising \$50 million through IPO offering (currently open) to support its plan of operation and further expansion globally. The management noted that such funds will be sufficient to fund expenses and growth strategy over the next 5 years.

VALUATION

We decided to look at multiple valuation methods as part of determining a price target for LongFin. The primary valuation method considered was discounted cash flow analysis (DCF), although we also included an analysis of companies in the industry examining revenues.

DCF

The DCF analysis runs through the end of fiscal 2024E (Dec 2024E). Key assumptions to the model include: 1) successful completion of \$50 million offering; 2) revenue accelerates beginning in F2018E primarily driven by geographical expansion and new products; and 3) higher gross margin dollars will help drive profitability beginning F2018.

The valuation model assumes the company will start to generate FCFF starting in F2018E and will continue through F2024E. We assume that the company pays taxes throughout the forecast period (F2017E-F2024E) and the company uses working capital on balance, reflecting an assumption of high growth. We assumed a weighted average cost of capital (WACC) of 18.2% and a terminal growth rate of 3%. Using the above assumptions and analysis, we arrive at a target of \$8.42 as illustrated in the tables below.

Exhibit 6: Discounted Cash Flow Analysis

\$ In mn	F2017E	F2018E	F2019E	F2020E	F2021E	F2022E	F2023E	F2024E
EBIT	2.5	14.4	34.3	75.8	120.2	150.2	180.3	216.3
Less: Tax	0.2	1.3	4.5	10.1	16.2	20.2	24.2	29.1
NOPLAT	2.3	13.2	29.8	65.7	104.0	130.0	156.0	187.2
Changes in working capital	(2.5)	(4.7)	(8.0)	(13.8)	(15.3)	(13.3)	(13.3)	(8.9)
Depreciation & Amortization	0.3	1.6	2.4	3.8	3.9	4.9	5.9	7.1
Capex	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
FCFF	(2.9)	7.0	21.2	52.6	89.7	118.7	145.6	182.5
Discount factor	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.3
PV of FCFE	(2.7)	5.6	14.3	30.1	43.4	48.6	50.5	53.5
Sum of PV of FCFE								243.2
Terminal cash flow								1,238.5
PV of terminal cash flow								363.1
Enterprise value								606.3
Less: Debt								1
Add: Cash								47
Equity value								652.4
Shares Outstanding (mn)								77.5
Fair value per share (\$)								8.42

Source: SeeThruEquity Research

Exhibit 7: DCF Assumptions & Conclusions

Summary Conclusions		Key Assumptions	
DCF FV (\$ per share)	8.42	Beta	2.0
Recent price (\$ per share)	N/A	Cost of equity	18.2%
Upside (downside)	N/A	Cost of debt (post tax)	NA
WACC	18.2%	Terminal growth rate	3.0%

		WACC (%)				
		17.2%	17.7%	18.2%	18.7%	19.2%
Terminal growth rate (%)	2.00%	\$8.82	\$8.44	\$8.09	\$7.76	\$7.45
	2.50%	\$9.01	\$8.62	\$8.25	\$7.90	\$7.58
	3.00%	\$9.22	\$8.80	\$8.42	\$8.06	\$7.73
	3.50%	\$9.44	\$9.01	\$8.60	\$8.23	\$7.88
	4.00%	\$9.68	\$9.22	\$8.80	\$8.41	\$8.04
	4.50%	\$9.94	\$9.45	\$9.01	\$8.60	\$8.22

Source: SeeThruEquity

Peer Group Analysis

We also evaluated LongFin using a relative valuation analysis with its peer group. When comparing LongFin to its peer group we examined Enterprise value to EBITDA (EV/EBITDA) and Price-to-Earnings (P/E) ratios. We note that the ratios are forward looking calculated using next year EBITDA and EPS estimates for majority of these firms. The below companies are in the business of providing alternative finance and shadow banking services. The company's two primary competitors, Virtu and Flow Traders, are more focused on equities and ETFs and also have less presence in emerging economies of Asia. Virtu, listed in US, is a leading EMM on US equities, EMEA equities and spot currencies. It has less presence in Asia and other emerging countries and derivatives. Flow Traders, listed on Euronext, is a leading EMM for European ETFs.

As illustrated in Exhibit 8 below, the peer group trades at an average Price to Earnings (P/E) ratio of 23.4x one year forward EPS. Given that LongFin is not trading, and that the company is in the expansion phase, we did not use the comparable valuation in determining the price target.

Exhibit 8: Peer Analysis

\$ In million

TCKR	Name	Price	Shares	Market Cap	EV	2018E EBITDA	2018E EPS	EV/EBITDA	P/E
LC	LendingClub	\$ 5.90	411.4	\$ 2,427.3	\$ 5,029.4	\$ 132.50	\$ 0.22	37.96x	26.82x
VIRT	Virtu Financial	\$ 16.50	87.1	\$ 1,437.2	\$ 3,087.9	\$ 210.28	\$ 0.81	14.68x	20.37x
PYPL	Paypal	\$ 58.02	1,202.4	\$ 69,763.2	\$ 60,598.1	\$ 3,944.51	\$ 2.20	15.36x	26.37x
ENV	Envestnet	\$ 42.95	44.0	\$ 1,889.8	\$ 2,123.1	\$ 156.99	\$ 1.59	13.52x	27.01x
ONDK	Ondeck	\$ 4.84	73.1	\$ 353.8	\$ 1,043.4	\$ 33.0	\$ 0.3	31.65x	N/A
PFSI	PennyMac Financial	\$ 17.00	23.5	\$ 399.5	\$ 1,307.6	NA	\$ 2.85	N/A	5.96x
FLOW	Flow Traders	€ 25.10	46.5	€ 1,167.15	N/A	€ 122.40	€ 2.16	N/A	11.62x
SQ	Square, Inc.	\$ 24.65	383.7	\$ 9,458.2	\$ 8,887.8	\$ 236.40	\$ 0.43	37.60x	57.33x
LEON	Leonteq	CHF 57.30	15.7	CHF 899.61	N/A	CHF 97.90	CHF 4.82	N/A	11.89x
Peer Group Average								25.13x	23.42x
LFIN	LongFin	N/A	77.5	N/A	N/A	\$ 16.04	\$ 0.07	N/A	N/A

Source: Capital IQ

*LongFin shares are not trading at this time

RISK CONSIDERATIONS

Limited Operational History

LongFin has a limited operating history and may not succeed. The company is subject to all risks inherent in a developing of any business enterprise. The likelihood of its continued success will considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in the competitive and regulatory environment in which it operates. If LongFin is unsuccessful in addressing these risks and uncertainties, the business prospects could be materially harmed.

Dilution risk

The company may need to increase its liquidity and capital resources in future periods. The management may require issuing further capital for the same. This may result in significant dilution for existing shareholders.

Significant Capital Requirements

The company plans to undertake major expansion over the next five years and as such will require significant finances to fund the same. Though the proceeds from the IPO are likely to be sufficient to address the needs of the company; however additional requirement cannot be ruled out. Such a scenario will need the company to tap external funding. There can be no assurance as to whether the company will be able to raise the required financing.

New Product Launches and Marketing Plans May Not Materialize

To date, LongFin has derived a substantial majority of revenue from customers using its platform for electronic trading and trade finance solutions provided by it. The sales and marketing initiatives and the to be launched trade flow platform, a B2B market place, may not yield desirable results. The introduction of new solutions beyond the current markets may not be successful.

Competition

The market for LongFin's solutions is increasingly competitive, rapidly evolving and fragmented, and is subject to changing technology and shifting customer needs. Although company's platform and the solutions that it offers are unique, many vendors develop and market products and services that compete to varying extents with its offerings, which is likely to intensify competition in the market. Moreover, industry consolidation may increase competition. In addition, many clients have chosen to invest in their own in-house reporting solutions and therefore may be reluctant to switch to solutions such as provided by LongFin.

Technological Changes

The fintech market is characterized by rapid technological change, frequent product and service innovation and evolving industry standards. If the company is unable to provide enhancements and new features for its existing solutions or new solutions or keep pace with the technological developments, the business could be adversely affected.

Management Team

Venkat S Meenavalli, President and Chairman

Mr. Meenavalli is a global techno entrepreneur, a financial expert in quantitative and structured finance, and is multitalented with his high skill and knowledge when it comes to IT, Finance, Fintech, Trading, Venture Capital, PE / Mezzanine Debt, Real Estate, Advisory and Re-Insurance and established business houses in Singapore, UK, US, India, Dubai and St. Vincent. Mr. Meenavalli holds an advanced diploma from Maritime Communication Australia, a PG Diploma in International Trade Finance from Middlesex, is a Novell Certified Network Engineer and Microsoft Certified engineer and is a Microsoft Internet Security Engineer. He is a widely read world traveller, an eloquent speaker in Market Micro structure, random theory, options/hedging & electronic market making, dynamic administrator and analytical thinker with business acumen. He is always adopting and applying new concepts that suit contemporary and modern business challenges. He was one of the key architects and driving forces in defining the early stages of internet rollovers in Wall Street (Merrill Lynch). He is founder and Chairman of Stampede Capital Limited which is a listed company in India (NSE & BSE) with a market cap of USD 60 million.

Krishanu Singhal, CFO

Mr. Krishanu Singhal has been Chief Financial Officer of Longfin since 2016. Mr. Singhal brings over 16 years of experience of financial leadership and management in diversified business activities ranging from banking, aviation, real estate to technology companies comprising corporate finance, asset banking, cross border merger and acquisition, fund raising and roadshow. Prior to joining as CFO, Mr Singhal was heading the finance and accounting division for 8 years, of a Singapore listed Real Estate Business Trust with assets holding ~\$2 billion. Mr. Singhal had worked as Credit Manager for mortgages business with ICICI bank, a second largest private sector bank in India. Also, Mr. Singhal was part of senior management team with a large business conglomerate in the businesses ranging from para-banking, aviation, real estate and FMCG, heading and responsible for setting up the internal audit function for the all the group businesses across all over India. Mr. Singhal is a Certified Chartered Accountant and has been a member of ICAI since 2000 and has earned his Bachelor of Laws and Bachelor of Commerce degree from Delhi University, India.

Raj Mondraty, COO

Mr. Raj is a seasoned entrepreneur, highly experienced Operations Executive, business leader, and a global investor with over 24 years of experience in providing technology services to Fortune 500 organizations in several verticals including Finance, Retail, Insurance, and Real Estate. During his entrepreneurial stint, Raj successfully conceptualized and ventured into several companies including ITSS and Savaant in North America, Pentax Software Solutions and IBRIDZ in Asia. Raj spearheaded the growth of these companies to generating multi-million dollars in revenue. In his previous roles as CEO and operations executive he orchestrated development of high performance organizations and teams through alignment and re-engineering of HR, AR, AP and IT teams. He reduced operating costs, negotiated new rates, and controlled contract costs. He also mentored and advised members of his clients' management teams which included VPs and Directors. Through implementation of operating strategies and setting up communication policies for the workforce he ensured that performance targets are met and corporate goals are attained. Mr. Raj is an ardent real estate investor and developer both in the US and Asia markets. He is also involved in several charity and non-profit organizations helping economically challenged kids in continuing their education and achieving economic independence.

Linga Murthy Gaddi, CTO

Mr. Gaddi has a Double Master's Degree in MSc (Computer Science) and M.Tech (Computer Science) and has worked in Isoftel Telecommunications Singapore, where he was part of a team of researching analysts with very large billing systems that specialized in Radius servers and B2B billing.

Linga has had hands on involvement in developing the SOR systems, Message Queue Servers, Inter Process Communication Systems and has been involved in functionality, stability and performance improvements in algorithmic trading and exchange connectivity components of the proprietary trading platform and has developed high frequency core algorithmic components by integrating risk frame structured frameworks in global markets. He is one of the prominent key architects in building an ultra-low-latency platform and has implemented a High frequency trading platform.

Emmanuel Dasi, CIO

Mr. Dasi has a triple Master's degree in MSc. in Mathematics, MSc. in Statistics and MCA Computer Science and has over 20 years of experience in the research that he headed in the Statistical department. He worked at TCS & Ford IT Services and designed and implemented credit modeling.

Currently positioned as a Chief Information and Risk Officer in Pricing Derivatives, Risk Management and is specially trained in Risk Management in London, UK.

He has designed and implemented algorithms for relative value arbitrage based on CAPM and Arbitrage Pricing Theory (APT) for national and international-pairs. Supervising and coordinating trading strategies for the Statistical Arbitrage Models, VWAP and Equity and Derivative Markets

Vivek Kumar Ratakonda, CCO

R. Vivek Kumar is a fellow member of the Institute of Chartered Accountants of India having nearly three decades of experience in the profession of Chartered Accountants. He has a rich blend of consulting and industry experience.

His experience inter alia includes advising on transaction structuring including mergers, acquisitions, divestitures, corporate restructuring, capital restructuring, foreign investment consulting, contract structuring and negotiations. He has held leadership roles and has been in the forefront in articulating group philosophy and values and believes in a team building approach.

Mr. Vivek holding experience on Global Treasury Management, Structured Finance Management, Securitization Management and Asset Back Securitization Management segments. His expertise in conceptualizing capital structures, knowledge of regulatory framework and advice on direct taxation.

Yogesh Patel, Global Head – Marketing

Mr. Yogesh Patel has a vast experience in the field of marketing and advertising of more than 30 years. Mr. Patel has been a pioneer in the marketing in the digital marketing and is an entrepreneur. Mr. Patel has been the founding member and marketing wizard of many innovative businesses across the globe. Mr. Patel joined Northgate Technologies Limited, (an India listed entity) as Chief Operating Officer and helped company grow in 2004. The company was pioneer in online advertising and VOIP calling services at the very inception stage of online advertising and VOIP calling services globally. Prior to these, Mr. Patel was software catalyst in renowned companies. Mr. Patel is currently in advisory role for financial technology companies and other technology & non-technology companies around the world. Besides the interests in online advertising, financial technology solutions marketing. Mr. Yogesh Patel hold a Master's in Business Administration with majors in Marketing and Advertising from a prestigious institute in India.

Ghanshyam Dass, Independent Director

Senior Advisor, KPMG. Assisting KPMG team in the region to develop and further strengthen core businesses, by maximizing business opportunities, optimizing market synergies and complementarities across industry sectors as also strengthening relationship with the Regulators, various trade bodies and Government Departments at Centre and State Level. He completed his Masters in Linguistics (an Inter Disciplinary Course) from Jawaharlal Nehru University, New Delhi and Bachelor's degree with Honours in Economics from Delhi University, New Delhi, India.

Ghanshyam has had an outstanding career in domestic, international banking and Capital Markets for over 32 years. Ghanshyam joined NASDAQ OMX Group in 2000 and up until February 2009, he was Managing Director – Asia Pacific & Middle East, prior to which he was the General Manager and Chief Executive of Majan International Bank (a subsidiary of Commerz Bank A. G., Frankfurt, Germany) in the Sultanate of Oman. He also worked on several assignments, including the British Bank of the Middle East for two years as the Chief Executive Officer for its India operations, and with the Hongkong and Shanghai Banking Corporation for over ten years as Manager – South Asia & Middle East, Financial Institutions Group amongst other assignments.

In his early career, he spent over nine years with US Educational Foundation in India (as Research Assistant to a Senior Fullbright Scholar), Bank of India, Wells Fargo Bank N. A., (as Assistant Representative for India) and Marine Midland Bank, N.A.

He worked as Senior Advisor, INTEL Capital up until July 31, 2010 - Assisted Intel Capital team in the region to develop and further strengthen core businesses across Information Technology, Telecom and other related sectors.

In addition to the above, Mr Dass is currently a Special Advisor to NASDAQ OMX Group.

Dave Nichols, Independent Director

Dave Nichols has over 14 years of experience in entrepreneurial and startup businesses. As co-founder and managing director of Pangea Capital Partners, Dave built a portfolio of carbon emissions projects in China, South Africa and Indonesia. Mr. Nichols also understands the importance of executing day to day operations to ensure the success of new companies.

Dave is the co-founder and managing director of Pangea Capital Partners. He is responsible for building Pangea's global business presence in the environmental sector and manages its carbon emissions trading business. He has in-depth knowledge of project finance, carbon emissions, environmental policy, commodities sales and trading, and principal investing. At Pangea, Mr. Nichols expanded and operated the business in developing markets including China, Indonesia, and South Africa. He develops and executes projects in many sectors such as renewable energy, energy efficiency and water mitigation. At Pangea, Dave is directly responsible for the origination and development of over 30 carbon emissions reduction projects under the Kyoto Protocol CDM Mechanism.

Mr. Nichols also has a strong track record of successfully negotiating contracts in developing markets. In China he successfully signed and developed over 30 CDM projects with counterparties ranging from small private Chinese companies to large state owned enterprises. In 2009 Mr. Nichols joined Deegon Inc. where he originated and negotiated large physical commodities transactions in both the oil and coal markets with leading Chinese companies including Norinco and Sinochem. Dave successful brokered a \$50 million fuel oil deal with a Top 25 company in China. At Deegon, Dave had the additional responsibility of managing logistical aspects of the commodity deliveries. Also at Pangea Capital Partners Mr. Nichols lead successful project finance group. Raising capital for projects in China and other developing countries.

Dave has valuable experience in emerging markets and has built a global presence in the environmental

markets sector, including Asia, Latin America, Africa and the U.S. He has extensive knowledge in investment management, corporate finance, foreign exchange markets and business operations. Prior to Pangea Capital Partners, Dave was President of MTD, Inc. a developer of medical imaging technology. Dave earned an MBA with distinction from Columbia University and a BS in Environmental Science from University of Delaware.

John Parker, Independent Director

Mr. Parker is a native Californian and is Managing Partner at JP Advisors in London, England. Mr. Parker founded JP Advisors in 2012 to provide financial capital markets advisory services to private and public companies. He is an experienced sales and marketing professional, having spent the past 30 years first with technology companies in Silicon Valley and then with major financial institutions including Lehman Brothers, Salomon Brothers (Citigroup), ING Group, WestLB AG and Uralsib Capital.

He has helped companies raise over \$25 billion in 130 different transactions from 30 different countries. Mr. Parker has extensive knowledge of equity and debt capital markets combined with broad and deep relationships across private equity, asset management, and the banking industry in the US and Europe. He has a strong international background, having run institutional equities teams and broker dealer platforms in New York and London.

He has managed sales organizations where he has built teams from the start up stage, restructured underperforming teams, rebuilt platforms suffering from high employee turnover and improved performance to reinvigorate growth. Additionally, Mr. Parker has worked with publicly listed companies, assisting in debt and equity capital raising and investor relations advisory, with a particular emphasis on the development of the equity story, presentation material and investor targeting, to ensure the optimal market valuations for his clients.

He has broad experience in sales & marketing, strategic planning, business plan development, equity story development, regulatory compliance, financial modelling, budgeting, P&L responsibility and board level communication and interaction. During his career, John has worked and/or conducted business in the U.S., Latin America, Western Europe, Turkey, Russia, Ukraine, India and Singapore.

Mr. Parker has a bachelor's degree in Economics from the University of California, Irvine and a MBA from the Anderson School at UCLA.

FINANCIAL SUMMARY

Exhibit 9. Income Statement

Figures in \$mn unless specified	FY18E	FY19E	FY20E	FY21E	FY22E
Revenue	\$400.9	\$601.4	\$1,262.9	\$1,970.1	\$2,462.6
YoY growth	396%	50%	110%	56%	25%
Cost of sales	\$379.7	\$561.1	\$1,178.3	\$1,838.1	\$2,295.2
Gross Profit	\$21.2	\$40.3	\$84.6	\$132.0	\$167.5
Margin	5.3%	6.7%	6.7%	6.7%	6.8%
Operating expenses	\$6.8	\$6.0	\$8.8	\$11.8	\$17.2
EBIT	\$14.4	\$34.3	\$75.8	\$120.2	\$150.2
Margin	3.6%	5.7%	6.0%	6.1%	6.1%
EBITDA	\$16.0	\$36.7	\$79.6	\$124.1	\$155.1
Margin	4.0%	6.1%	6.3%	6.3%	6.3%
Other income/ (expense)	(\$8.0)	(\$12.0)	(\$25.3)	(\$39.4)	(\$49.3)
Profit before tax	\$6.4	\$22.3	\$50.5	\$80.8	\$101.0
Tax	1.3	4.5	10.1	16.2	20.2
Net income	\$5.1	\$17.8	\$40.4	\$64.6	\$80.8
Margin	1.3%	3.0%	3.2%	3.3%	3.3%
EPS (\$ per share)	\$0.07	\$0.23	\$0.52	\$0.83	\$1.04

Source: SeeThruEquity Research.

Exhibit10. Balance Sheet

Figures in \$mn, unless specified	FY18E	FY19E	FY20E	FY21E	FY22E
Current assets	\$68.2	\$86.0	\$130.7	\$199.9	\$283.6
Other assets	\$13.9	\$14.5	\$13.7	\$12.7	\$10.8
Total assets	\$82.0	\$100.4	\$144.3	\$212.7	\$294.4
Current liabilities	\$9.2	\$9.8	\$13.3	\$17.0	\$18.0
Other liabilities	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Shareholders' equity	\$71.8	\$89.6	\$130.1	\$194.7	\$275.5
Total liab and shareholder equity	\$82.0	\$100.4	\$144.3	\$212.7	\$294.4

Source: SeeThruEquity Research

Exhibit 11. Cash Flow Statement

Figures in \$mn, unless specified	FY18E	FY19E	FY20E	FY21E	FY22E
Cash from operating activities	\$2.0	\$12.2	\$30.4	\$53.3	\$72.4
Cash from investing activities	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Cash from financing activities	0.0	0.0	0.0	0.0	0.0
Net inc/(dec) in cash	(1.0)	9.2	27.4	50.3	69.4
Cash at beginning of the year	47.1	46.1	55.3	82.7	132.9
Cash at the end of the year	46.1	55.3	82.7	132.9	202.3

Source: SeeThruEquity Research

About LongFin Corp.

LongFin is a global alternative finance & technology services company specializing in structured commodity trade finance. LongFin is a leading technology-enabled market maker and liquidity provider to the global financial markets. LongFin's focuses on four key markets: 1) Structured commodity trade finance; 2) Alternative Risk Transfer; 3) Asset Liability Funding and 4) Carry Trade Financing & Hedging. Additional information on LongFin is available at www.longfincorp.com.



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