

BBY Company Research		14 May 2015				
<h1>Digital CC Limited</h1> <p>Diversified Financials</p>						
DCC	A\$0.26	TARGET PRICE	A\$0.33 ▲		BUY	0.0X
digitalBTC is an innovative digital payments company providing investors with exposure to the disruptive effects of digital currency technologies in existing industries.			Marc Kennis +61 2 9226 0167 mak@bby.com.au			

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Getting ready for the Beta launch

MoU signed for Latin American AirPocket distribution

- On May 5th DCC announced it will be winding down its Bitcoin mining activities. A prolonged period of depressed BTC prices has made BTC mining economically unviable for most miners.
- DCC also announced it would instead use the so-called distributed ledger, more commonly known as Blockchain technology, to set up a global remittance application. Blockchain technology is the foundation of Bitcoin and in our view is the truly disruptive aspect of Bitcoin. As a decentralised, public ledger, the Blockchain can be used as a fast, secure and cheap way to record ownership of a wide variety of assets, not just BTC. DCC's new AirPocket remittance app will be using the Bitcoin Blockchain as a ledger to facilitate cross-border currency transfers (please refer to our report from May 5th for more background). DCC is leveraging the models of sharing economies, made popular by Uber and Airbnb, to further disrupt the remittance industry.
- Since the first announcement on AirPocket, DCC has signed an MoU with three equity partners to form a joint venture in order to facilitate the roll out of AirPocket in Latin America and the Caribbean (LAC), the US to LAC market specifically. The main LAC remittance markets are at least USD 60bn in size according to 2013 data from Multilateral Investment Fund. DCC will hold at least 75% in the JV. Its three JV partners have extensive experience in Latin American mobile markets, finance and/or business development, which should help expedite the AirPocket roll-out.
- In terms of modelling the future revenues from AirPocket, we have been quite conservative on the number of users given that this sort of remittance service, using the Blockchain as its ledger, is the first of its kind in the world. We have assumed the number of users to grow from 100,000 in FY16 to 800,000 in FY20, each sending US\$ 200 through AirPocket twice a month at a 1% fee for DCC. Given the calibre of the AirPocket JV partners, our estimate for user numbers could turn out to be substantially too low.

Earnings Changes

- On the back of the share price development since early May, up 150%, and more detail around the structure of AirPocket, we increase our price target from A\$ 0.27 to A\$ 0.33 implying more than 30% upside from the current price level. DCC is currently valued at 7.7x EV/EBITDA for FY17, which we believe is very modest given our EBITDA-growth expectations for the next several years. We reiterate our BUY rating for DCC.

Company Data

Number of shares	160.5M
Market capitalisation	\$41M
Free Float (%)	na
12 month high/low	\$0.41/\$0.07
Average monthly turnover	\$2M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	#412/500
ESG Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 14/05/2015

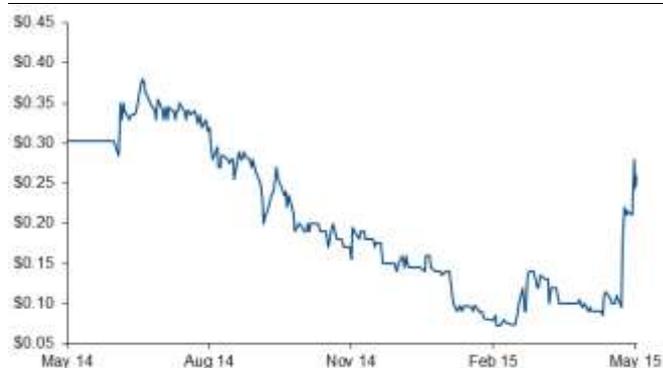
Short Term	Uptrend	Resistance	\$0.303
Long Term	Uptrend	Support	\$0.131

Earnings Summary (USD)

Year end June	2014A	2015F	2016F	2017F
Revenue (\$M)	4.4	5.6	3.9	6.4
EBITDA (\$M)	2.0	-1.6	1.6	3.4
Reported NPAT (\$M)	-11.2	-6.6	0.6	2.1
Reported EPS (¢)	-11.7	-4.1	0.4	1.3
EPS growth		-64%	-109%	260%
Dividend (¢/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)		N/A	18.3	7.7
Free cash flow yield	n.m.	5.2%	4.0%	6.1%

Data Source: Factset

DCC Share Price Performance



Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set

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Contact with DCC has been made during the preparation of this report for assistance with verification of facts.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or BBY Limited policies.

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Terminal Value methodology - BBY's Discounted Cash Flow (DCF) valuation applies a terminal growth rate to the last forecast year's cash flow and discounts the amount using Weighted Average Cost of Capital (WACC). The Terminal Value is tested using ASX-listed company multiples. For resource companies there is no terminal value because cashflows are forecast to the end of mine life.

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