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# THE DISRUPTER - AIRPOCKET



## The “Uber” of global money transfers

AirPocket is a disruptive, SMS-enabled, international money transfer product

AirPocket allows anyone to convert physical cash to digital cash, which can then be redeemed abroad for the local currency. It can also be used to pay bills, top up phone credit and purchase goods and services

AirPocket allows any individual or brick and mortar location to become an AirAgent and earn money by helping others transfer cash

AirPocket is developed by publicly listed DigitalX (ASX:DCC) pioneers using blockchain based software applications

# DIGITALX - STOCK MATRIX

Shares on issue (no.)

178.1m

Volume – 30 day average (no.)

513,412

% of shares held by top 20 shareholders

75.9%

Market Cap @ 7 Mar 2016

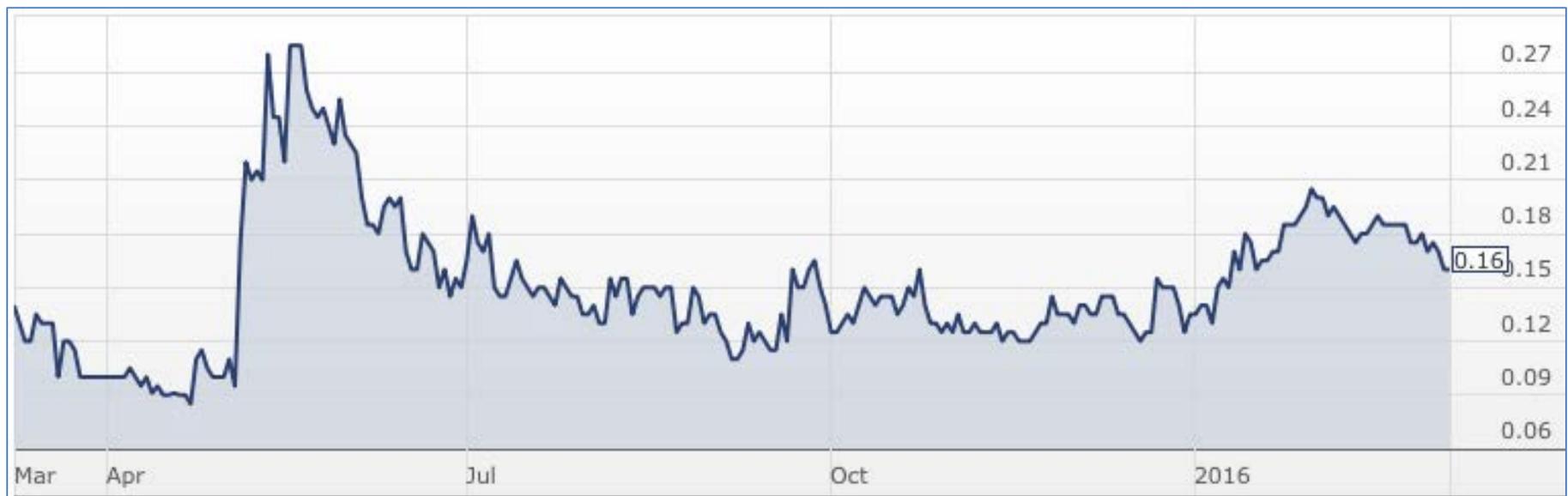
\$28.5m

52-week range

32¢ - 8¢

% of shares held by management

42.8%





**Zhenya Tsvetnenko**

Executive Chairman

Mr. Tsvetnenko is a highly successful entrepreneur focusing on mobile messaging and internet advertising. He is the founder of Tech Mpire, a multimedia and online advertising company servicing international clientele. Tech Mpire is listed in the ASX under ticker TMP.

Mr. Tsvetnenko was awarded the prestigious Ernst and Young, Entrepreneur of the Year 2010 award in Australia (young category) and the Western Australian Business News 40 under 40 award in 2011.



**Alex Karis**

Chief Executive Officer

Mr. Karis is a telecommunications and marketing leader with experience providing consulting services for network architecture in the United States.

After continually achieving performance at the top 1% of revenue growth, Mr. Karis founded the marketing firm, Karis Marketing Group ("KMG") where he remains Executive Chairman. Today, KMG provides telemarketing services for the top two largest telecommunication companies in the US as well as the major political parties.



**William Brindise**

Chief Trading Officer

Mr. Brindise has over 15 years experience in trading energy, metal and grain options and futures. He started his career on the NYMEX working for ZAR trading and after few years started his own trading and brokerage company, BAK. After 4 successful years he moved off the floor when NYMEX trading became digital and joined hedge fund SHK Management.

He managed \$20 million and returned an annualized rate of 60% on that money. Mr. Brindise will continue to oversee proprietary trading and hedging strategies for AirPocket with a focus on risk management. He holds a bachelors degree in Business and Finance from the Boston University.



**Brett Mitchell**

Non-Executive Director

Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance and resources industries, and has been involved in the founding, financing and management of both private and publicly-listed companies.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is a member of the Australian Institute of Company Directors (AICD) and will be involved with the corporate strategy of the business in his role as a Director.

***“Management and board bring significant experience in marketing, mobile messaging, payments, telecom and remittance sectors, as well as an extensive network throughout the world.”***

# GLOBAL MARKET OPPORTUNITY

## Huge target market

The size of the global remittance market was US\$583 billion (in 2014)\*

Initial launch of AirPocket into Latin America and the Caribbean (LAC), as well as the Asian market, opens up a US\$384 billion market opportunity

## P2P money transfer product

AirPocket is a mobile application which allows any individual or merchant with a smartphone and a small cash float to become an **AirAgent**- extending the geographic reach of the money transfer network beyond retail-location services such as Western Union and MoneyGram

## Utilizes blockchain technology

The product leverages blockchain technology, already used in other DigitalX products, providing the Company a competitive advantage within the market. The blockchain technology provides access to a secure, incorruptible, persistent and decentralized storage and verification system, facilitating cash-to-cash money transfer and interbank value transfers

## Low infrastructure costs

AirPocket's low infrastructure costs allow it to provide customers with an exciting and faster alternative service for around a 50% lower cost than leading providers in the market

Efficient use of low-cost SMS technology means accessibility for any user that owns a phone

\*Source: World Bank Remittance Inflows April 2015 data

## TWO EARLY COMMERCIALIZATION DEALS

- ▶ Two key deals that will give around 110 million mobile phone users access to AirPocket
- ▶ Agreements with industry heavyweights validates DigitalX's block-chain solutions and AirPocket app for fast and secure transfer of funds in multiple currencies
- ▶ Partnerships allow users to transfer cash and pay bills across borders and gives DigitalX a platform to aggressively expand into the Latin American and Caribbean markets
- ▶ AirPocket is particularly useful to consumers in that region due to limited access to banking facilities and high mobile phone adoption rates
- ▶ DigitalX is close to securing agreements to expand into other emerging markets

## DEAL #1: GLOBAL TELCO

- ▶ Partnership with one of world's largest telecomm groups which has 100 million mobile subscribers
- ▶ Consumers in the United States will be able to use AirPocket to transfer funds directly into mobile phone accounts of users in Latin America
- ▶ DigitalX will receive an 11% gross margin on value of transfers that can range between US\$2 and US\$70
- ▶ Lucrative market opportunity for DigitalX due to large Latin American migrant workforce in the US
- ▶ These workers will now have an alternative cost-effective way to provide financial assistance to family and friends back home
- ▶ Latin America has around 400 million mobile phone users and this single deal will give DigitalX access to around a quarter of the market



## DEAL #2: PAYMENTS PROVIDER

- ▶ Partnership with Mexico's leading payments provider with 10 million subscribers
- ▶ Subscribers can use AirPocket to transfer funds between US and Mexico
- ▶ Cash to be directly credited into bank accounts or can be collected from an AirAgent
- ▶ The partner is expecting 500,000 users a month to use AirPocket in the first 24 months from launch of service
- ▶ US-Mexico remittance corridor is one of the world's largest and estimated to be worth US\$25 billion in 2014 by The World Bank
- ▶ Partner is looking to expand the use of AirPocket to cover in-store purchases in Mexico

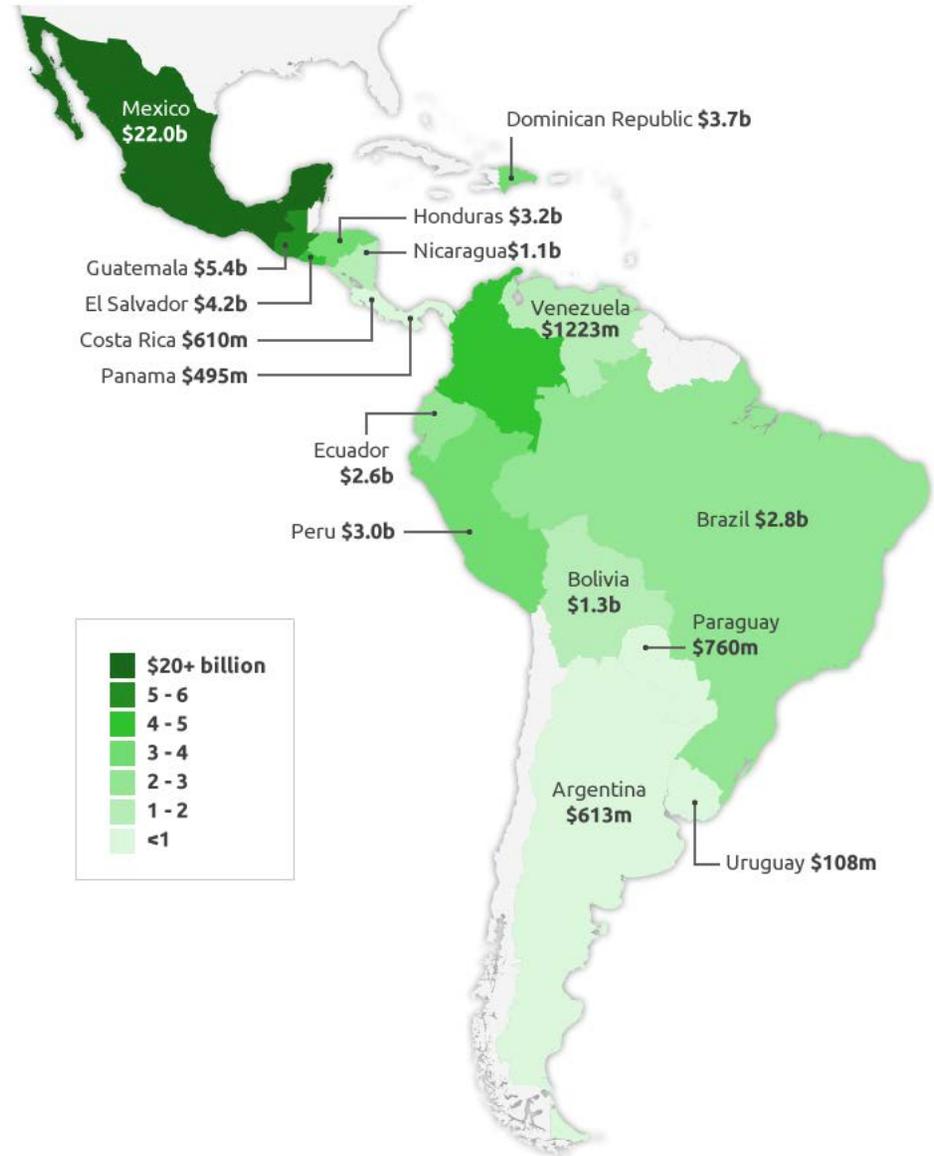


# LATAM MARKET

- ▶ The average cost of sending remittances to Latin American countries was 6.14% in Q1 2015\*\*
- ▶ 54% of foreign-born Hispanics send money from the U.S to their home countries\*
- ▶ Migrants mostly send cash (e.g. 90% of Dominican Republic is cash pickup), which gives DigitalX's AirAgent network ample opportunities to expand

## Total Remittances by Selected LatAm Countries

2013 estimates\*\*\*



\* <http://www.ifad.org/remittances/maps/latin.htm>

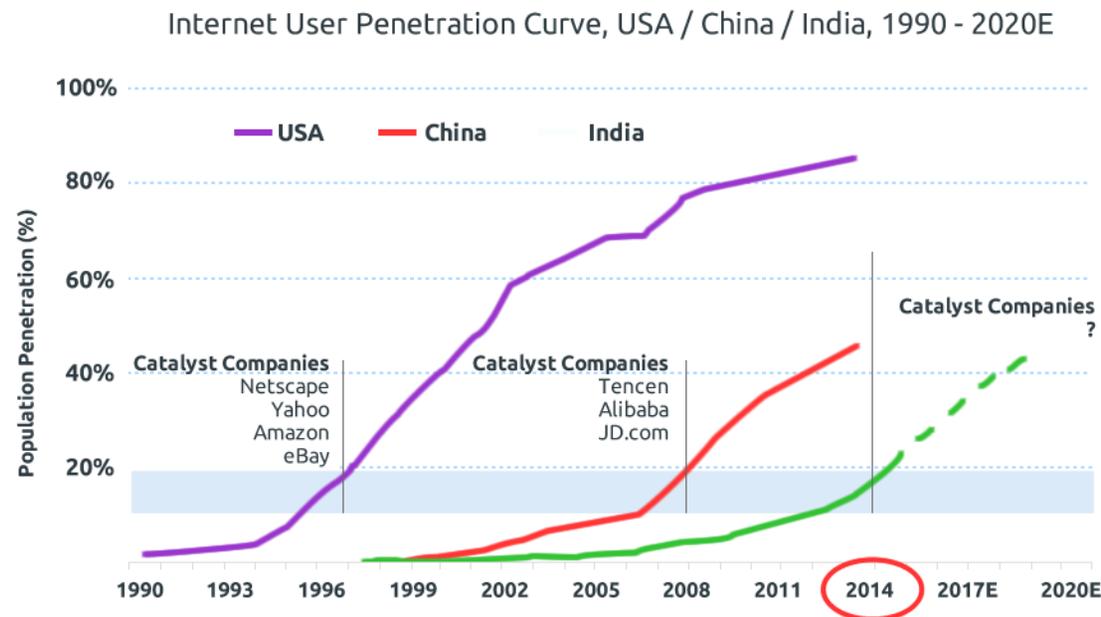
\*\* World Bank Q1 report

\*\*\* <http://www.pewhispanic.org/2013/11/15/remittances-to-latin-america-recover-but-not-to-mexico>

# INDIAN MARKET

- ▶ **India's unbanked and underbanked population is large.** Only about 500 million of India's 1.2 billion citizens have bank accounts, and only 15% of adults reported using bank accounts to send or receive payments (Over 40% of Indian bank accounts are dormant)
- ▶ **India's m-commerce industry is flourishing.** In India, 41% of e-commerce transactions in 2014 were made on mobile – the highest share in the world – and 50% of Indian internet users only access the web on a mobile device

## India is close to Internet Penetration Growth Inflection



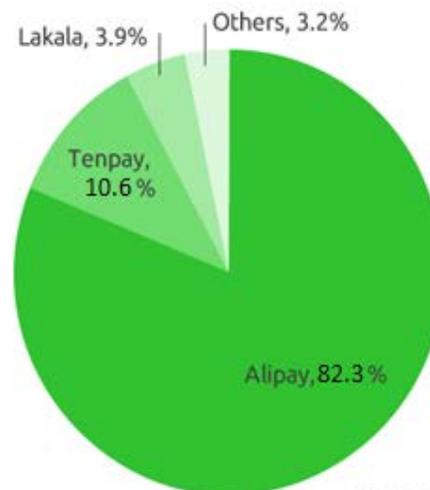
Source: World Bank, Hillhouse Capital forecast  
<http://www.thehindu.com/business/Industry/175-million-new-bank-ac-in-india-in-three-years-world-bank/article7109166.ece>

# CHINESE MARKET

- ▶ **Mobile pay proliferation in China**, the perfect complement to AirPocket international transfers
- ▶ **China is a mature market for mobile payments.** Consumers regularly use mobile wallets for everyday purchases like groceries and taxi rides. Alipay, Alibaba's digital wallet, counts 400 million registered users, 80% of whom are on mobile
- ▶ **China is an exciting** opportunity because it's the largest source of international students among U.S universities
- ▶ **Last year**, China's internet finance market generated over \$41 billion in loans
- ▶ **Popular WeChat Messaging App Adds Loan Services:** Tencent, the China-based internet giant, will push consumer loans worth up to \$31,350 to users who need a bank account
- ▶ **China received** \$64 billion in remittances in 2014, the [second-largest total worldwide](#)

## Share of Mobile Payment Volume in China

Non-Bank Processors - 2014



BI INTELLIGENCE

Source: iResearch

# HOW IT WORKS



1

Sender locates AirAgent using the map interface and pays the AirAgent cash

2

AirAgent sends funds through the application

3

Sender and Recipient receive a unique code by SMS (**AirCode\***)

"The AirCode is 2hk-6b3."

If Recipient doesn't have a bank account go to **Step 4**

Recipient converts the **AirCode\*** to cash in their bank account



4

Recipient locates their AirAgent, using the map interface

5

Recipient provides the AirAgent with the **AirCode**

"Hi Carlos!  
My AirCode is 2hk-6b3"

6

The AirAgent enters the AirCode through the app



7

AirAgent gives Recipient the cash



\*AirCodes are funds that are registered, verified and stored on the Blockchain



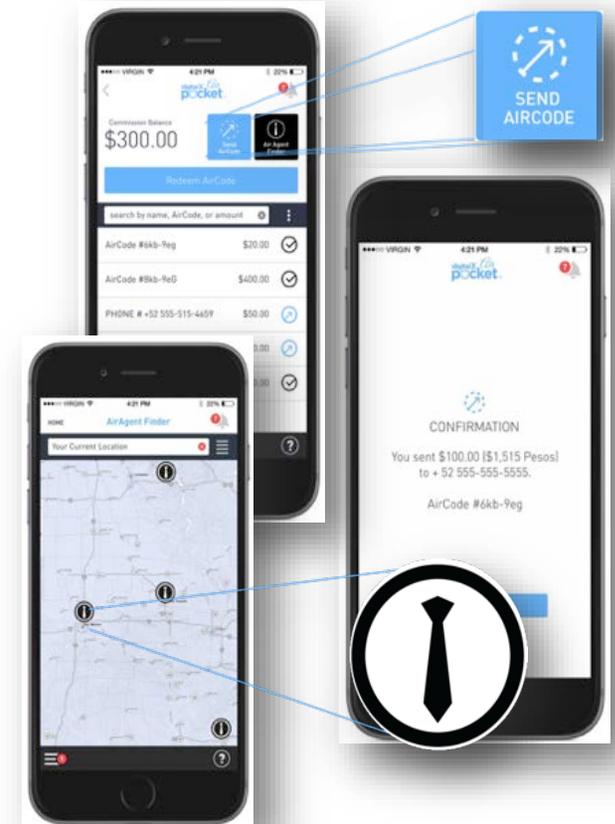
## UNIQUE FEATURES

- ▶ **Mobile AirAgents**, the fleet of entrepreneurial individuals and businesses, leveraging only their smartphones and their bank accounts
- ▶ **Blockchain Technology** provides secure, independently verified and immutable records of every transaction for next-generation KYC and AML
- ▶ **AirPocket has secured** U.S state money transmission service licenses and has been highly commended in full scale security testing by Security Innovation
- ▶ **Proprietary Automated Processing and Transaction Filtering System** enables complete regulatory compliance while delivering exceptional cost savings
- ▶ **Interactive SMS** delivers accessibility to everyone, regardless of phone type, and delivers real time notifications to enable high-level, anti-fraud procedures.



# AIRPOCKET PRODUCT OFFERING

- ▶ Send cash across borders
- ▶ App-to-app money transfers
- ▶ Local currency cash withdrawals for travelers, available 24/7
- ▶ Send cash to be withdrawn at ATMs worldwide
- ▶ Top up relatives' phone credit across borders
- ▶ Pay relatives' bills across borders
- ▶ Buy goods and services for relatives' across borders
- ▶ Use as a point of sale payment system for merchants
- ▶ Potential for peer-to-peer lending for the under banked
- ▶ Potential for peer-to-peer invoicing and payment system

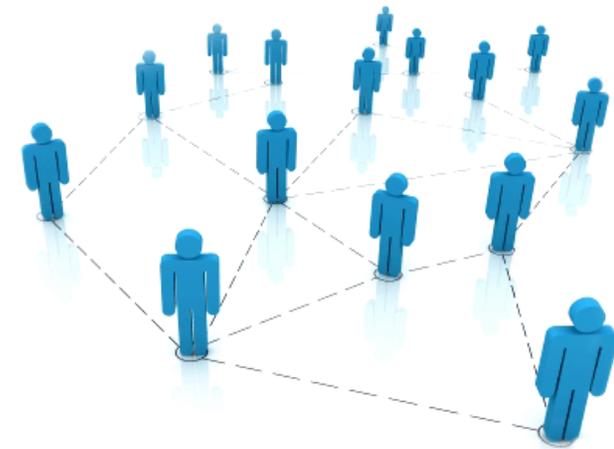


# THE TECHNOLOGY



## Blockchain

A global, secure, distributed ledger system



- ▶ **Encryption** - Transactions are permanently and securely recorded on the Blockchain
- ▶ **Secure** – AirCodes offer decryption keys for AirPocket transaction messages, giving users a secure and permanent claim to their funds
- ▶ **Permanent** - Once messages are integrated, they cannot be amended
- ▶ **Extendable** - AirPocket messages can also contain notes, so the platform can be easily extended into a digital asset registration system (i.e. "smart contracts"), providing further alternative uses for the technology beyond money transfer
- ▶ **Open Protocol, a threat to closed current systems** - Blockchain is distributed across the globe and supported by independent miners who receive compensation for maintaining the system. By simply connecting to this global network, as well as local banking partners, AirPocket acts as a money-sending service

# USE OF BLOCKCHAIN TECHNOLOGY

- ▶ AirPocket uses blockchain technology but **does not** use Bitcoins to send or store value. The key use of blockchain technology lies in its decentralized nature as an independent but indisputable, public ledger of all transactions
- ▶ Users on the platform have immediate, incontestable, independent proof of all their transactions which they can unlock and verify via public/private key encryption principles
- ▶ These annotated payment records on the blockchain serve as a system of credit monitoring and can be used to build a financial identity for the young and under-banked, for those who seek lending, and for informal cash businesses in the developing world
- ▶ Transaction records are fully traceable and verifiable by authorized parties (e.g. Law enforcement and regulators). The promotion of this technology has a dual benefit in discouraging bad actors from using AirPocket
- ▶ Know-Your-Customer (KYC) information is stored on the blockchain to allow for indisputable verifications of user identities and links to transactions at any given time

# AUTOMATED PROCESSING & TRANSACTION FILTERING

- ▶ AirPocket automates every aspect of the money transfer business
- ▶ Customer onboarding, transfer processing, Anti -Money Laundering (AML) filtering and currency hedging are all automated to provide the most efficient system
- ▶ A sophisticated suite of statistical filters will immediately flag any suspicious transactions and automatically file reports
- ▶ These proprietary AML & Counter Terrorism Financing (CTF) filters have been developed to prevent all current methods of illegal money transfer and are designed to adapt to changing transaction patterns over time
- ▶ AirPocket has been designed with a compliance front in mind, to deliver high-volume, low-value transfers to underbanked receivers, while deterring and preventing illicit activity



# COMPLIANCE AND SECURITY

- ▶ Registered with FinCen (Financial Crimes Enforcement Network, Department of the U.S Treasury)
- ▶ Adheres to Know-Your-Customer (KYC) and Anti-Money Laundering (AML) standards
- ▶ Next-generation Automated Transaction Filtering
- ▶ Security testing completed with exceptional results using third party provider, Security Innovation



# RESULTS OF BETA TRIAL

- ▶ Beta trial successfully conducted through the USA to Dominican Republic corridor
- ▶ Beta user engagement and feedback statistics yielded excellent results and highlighted the unique business opportunity that AirPocket provides – the concept of an AirAgent
- ▶ 80% of users found the application to be user-friendly and 90% confirmed the product offered highly competitive fees
- ▶ Given the success of the first stage of testing, the company has immediately launched its second stage of beta in November. This beta will be based on a larger scale of up to 1,000 users, and will reach additional Latin American markets



# COST ADVANTAGE

- ▶ On average AirPocket fees are less than half that of the incumbents

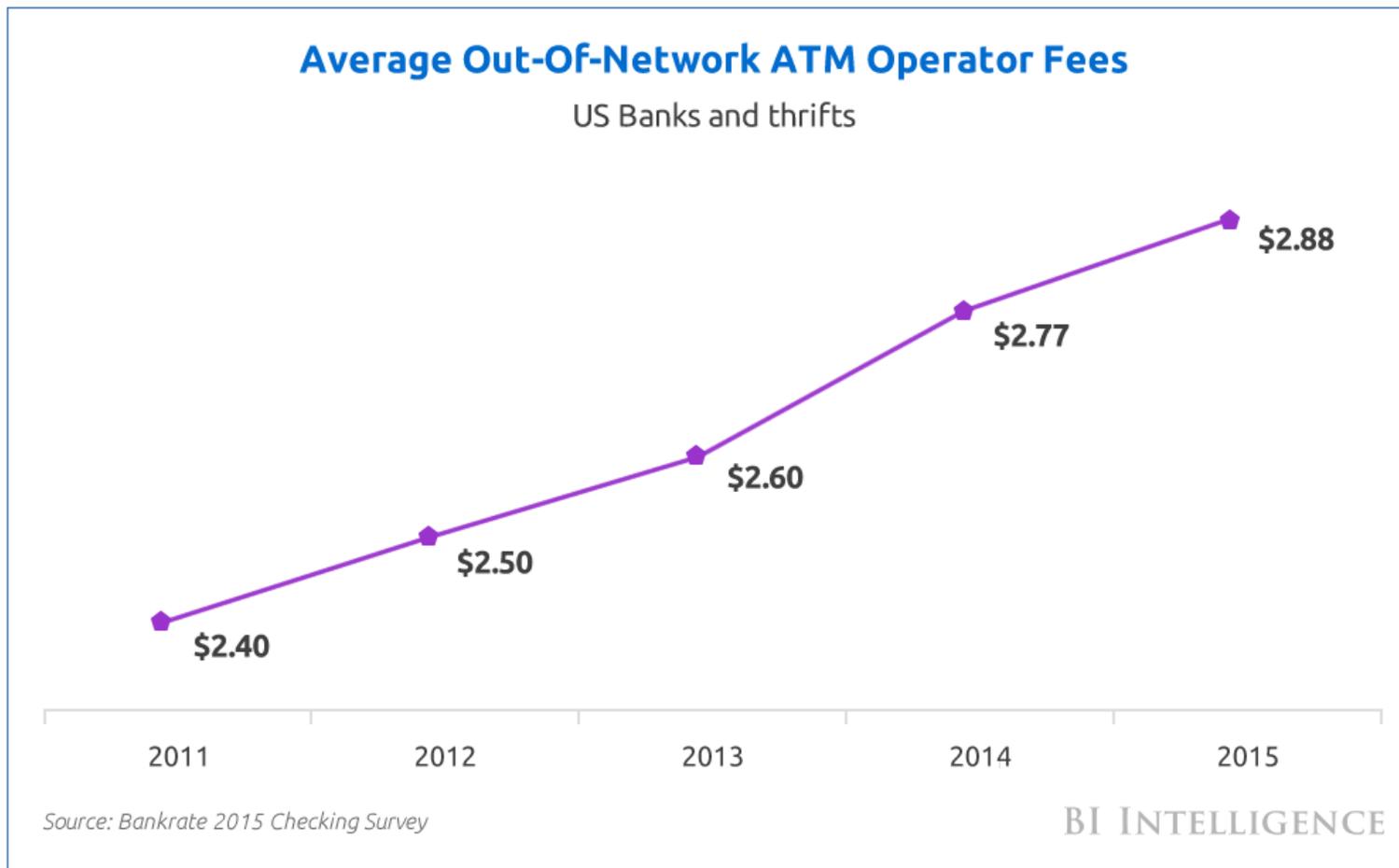
Firm	Service	Fee (USD)	Exchange Rate Margin (%)	Total Cost (%)	Total Fees (USD)
Western Union	Instantaneous, cash-to-cash	\$8.00	2.79%	18.79%	\$9.40
Ria	Instantaneous, cash-to-cash	\$4.00	1.33%	9.33%	\$4.67
MoneyGram	Same day, cash-to-cash	\$9.99	1.79%	21.77%	\$10.89
Wells Fargo	Same day, cash-to-cash	\$7.50	2.46%	17.46%	\$8.73
Delgado Travel	Instantaneous, cash-to-cash	\$6.00	3.78%	15.78%	\$7.89
Delgado Travel	Bank account to cash, 2 day transfer	\$4.99	2.65%	12.63%	\$6.32
PayPal	Account to Account	\$0.50	4.00%	6%	\$2.50

<https://www.paypal.com/au/webapps/mpp/paypal-fees>

*Fees based on a USD\$50 transaction*

# FEES FOR RECEIVING CASH

- ▶ Market analysis shows AirAgents as a highly competitive mobile ATM option



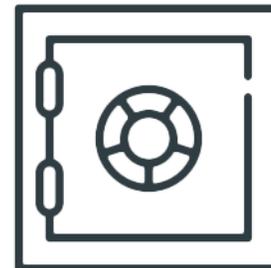
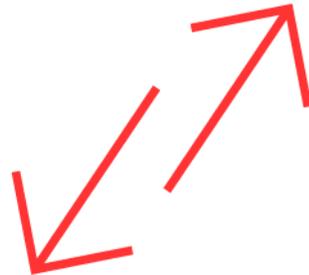
# DISTRIBUTION STRATEGY & PARTNERS

- ▶ The strategy is focused on rapidly deploying the product by building commercial partnerships with large corporations in the region, to achieve accelerated distribution, broader consumer appeal, and build awareness

Existing MTO's	Bill Pay Market	Telecom Sector	Financial Institutions
<p>Focus on Money Transfer Organizations with large customer bases and slow, high- cost legacy platforms</p> <p>Licensing opportunities to off-line money transfer players</p>	<p>Integrate with in-country payment gateways</p> <p>Utilize existing vertical consumer payment wallets for access to leading online merchants</p> <p>Partner with large volume delivery service chain stores</p>	<p>Leverage management's industry relationships to provide telecom distribution networks</p> <p>Allow mobile phone carrier billing money transfers</p>	<p>Use leading cross-border payment service providers for reduced cost bulk currency transfers</p> <p>In-country banking partners with API enabled bulk batch transfers for AirAgent withdrawals</p>

## THE FUTURE

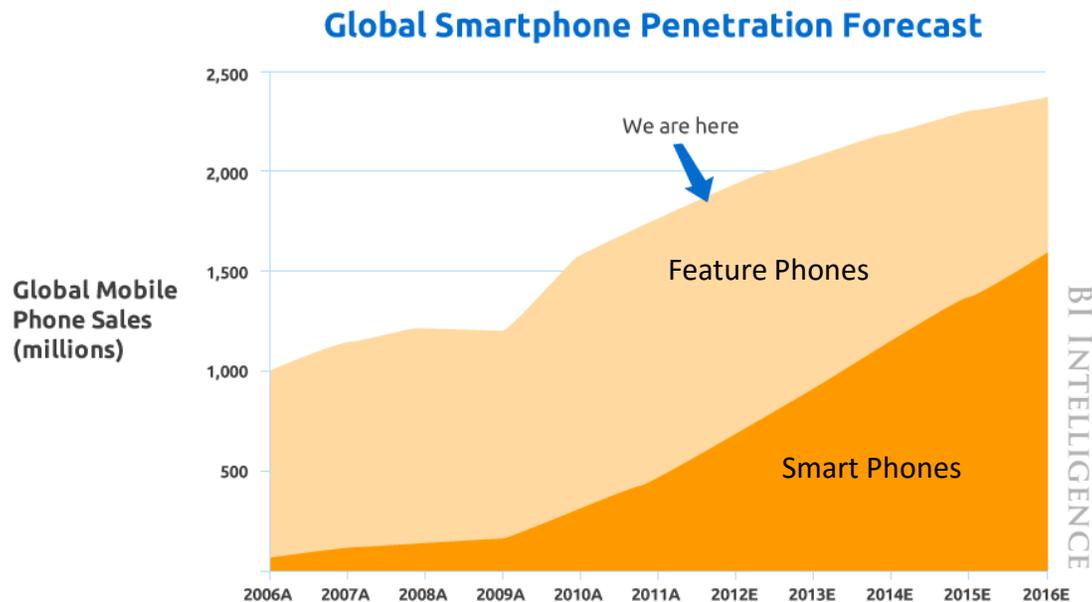
- ▶ The AirPocket platform and AirAgent infrastructure can be used to activate peer-to-peer lending services and an invoicing and payment system
- ▶ The AirPocket platform will serve as the backbone for on-Blockchain application services for its growing network of users
- ▶ Blockchain-ready markets include identity verification, personal banking, auditing, secure data transmission, information hashing and settlement/clearing



\* <https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief21.pdf>

# P2P LENDING OPPORTUNITY

- ▶ There are nearly two billion smartphones globally and this is expected to reach 2.5 billion by 2018
- ▶ Smartphone market penetration is currently 37% globally
- ▶ AirPocket works on any phone while AirAgents use a smartphone and their cash float to service the network and generate commissions
- ▶ 120+ e-wallet consumer payments start-ups have launched recently. AirPocket is the sole provider combining peer-to-peer cash payments with the security of Blockchain technology and SMS-based payments



Smartphone penetration in Mexico is above average totaling 40% while the U.S totals 57%

[Source: Business Insider](#)

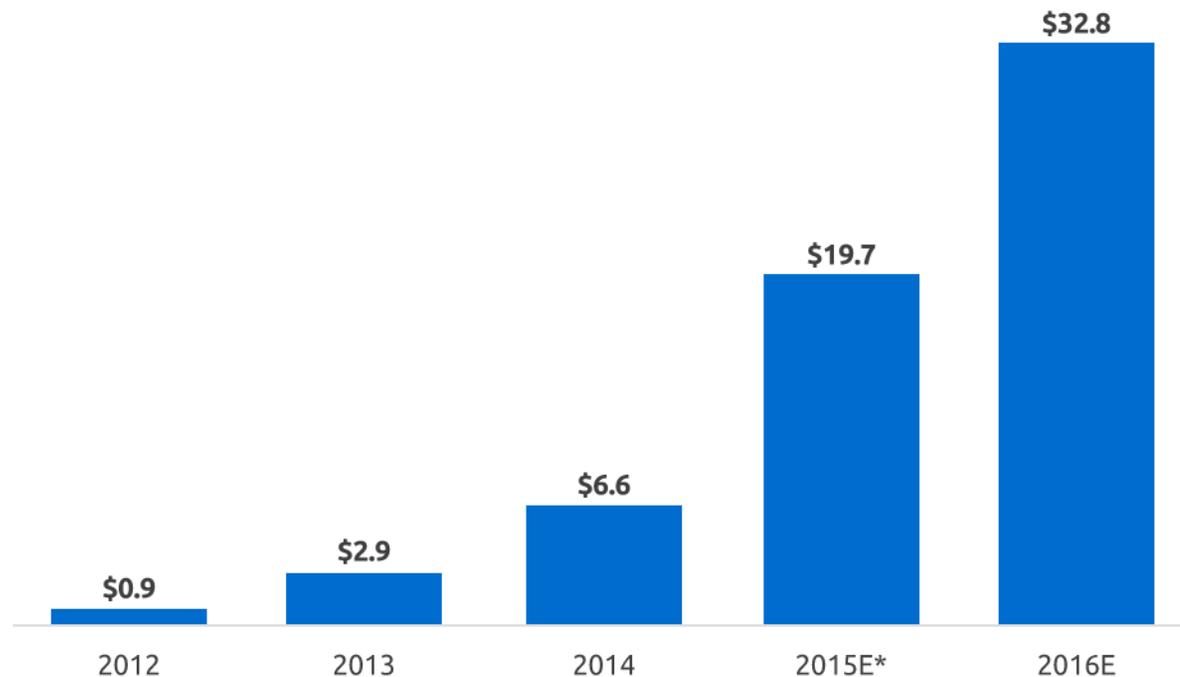
[Source: On Device Research – Global Smartphone Penetration 2014](#)

# SMARTPHONE MARKET PENETRATION

- ▶ AirPocket sees the P2P lending market as an attractive addition to its money transfer business and is engaged in early stage discussions with partners

## Total Value Of Loan Originations On US P2P Lending Platforms

\$Billions



BI Intelligence Estimate  
Source: GrowthPraxis

BI INTELLIGENCE

# SUMMARY

- ▶ Large global opportunities for DigitalX's secure, fast and low-cost funds transfer solutions
- ▶ Technology tested and validated in trials and by global partners
- ▶ Key commercial agreements with two market leaders in the Latin American and Caribbean region
- ▶ Strong news flow in 2016 with further strategic partnership agreements pending
- ▶ Clear go-to-market strategy with commercially ready and proven product
- ▶ Well funded for expansion into other emerging markets
- ▶ Strong management team with the right experience and track record

\* <https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief21.pdf>

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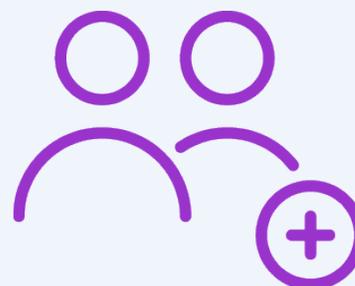
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