April 30, 2019

Zacks Small-Cap Research

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Mogo Finance Technology (MOGO-NASDAQ)

MOGO: The All-In-One Mobile Financial Platform for Canadians

Based on a blended average value of EV to sales of its peers, we believe MOGO is worth $7.67 per share based on current estimates.

Current Price (04/29/19)	US$3.58
Valuation	**US$7.67**

OUTLOOK

Mogo is a rapidly growing Canadian fintech company with over 800K members that generates revenues from a series of innovative products to help consumers manage & control their financial health. These products include a digital spending account with a Platinum Prepaid Visa Card, ID Fraud protection product, digital mortgage, Crypto account that enables buying and selling of bitcoin, and access to smart credit products called MogoMoney. Mogo combines all of these into an easy to use integrated app, which allows consumers to open a Mogo account in under 3 minutes all from their mobile phone. Mogo is part of a wave of global digital challenger banking models that are taking on the legacy banks who's legacy products and business models still rely on high fees and clunky consumer experience.

SUMMARY DATA (NASDAQ)

52-Week High	**$4.00**
52-Week Low	**$2.07**
One-Year Return (%)	**31.4**
Beta	**N/A**
Average Daily Volume (sh)	**26,283**
Shares Outstanding (mil)	**23.5**
Market Capitalization ($mil)	**$83**
Short Interest Ratio (days)	**5.0**
Institutional Ownership (%)	**5**
Insider Ownership (%)	**24**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Growth**
Industry	**Financial-Misc. Svcs**

ZACKS ESTIMATES

Revenue
(in millions of Canadian $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	11.3 A	11.5 A	12.6 A	13.3 A	48.7 A
2018	14.3 A	15.4 A	15.4 A	16.1 A	61.3 A
2019	15.1 E	15.9 E	16.5 E	17.7 E	65.2 E
2020					87.0 E

GAAP Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.25 A	-$0.29 A	-$0.20 A	-$0.33 A	-$1.07 A
2018	-$0.17 A	-$0.27 A	-$0.31 A	-$0.19 A	-$0.85 A
2019	-$0.29 E	-$0.31 E	-$0.29 E	-$0.28 E	-$1.16 E
2020					-$0.79 E

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KEY POINTS

- Mogo Finance Technology is a **leader in the Canadian fintech industry** and provides a unique opportunity for investors to participate in the worldwide trend of fintech adoption. It is one of a new breed of emerging digital challengers replacing traditional banks globally.

- Mogo is a **high growth disruptor**. Was the company not fighting the headwinds of strategically exiting the short-term loan business that it phased out throughout 2018, it would have shown 71% revenue growth on what it calls "core revenues" or revenues of continuing operations. Core revenue, excludes the company's legacy short term lending revenue which Mogo fully exited at the end of Q3 2018. In 2018, the company generated **$61 million in total revenues** representing 26% growth, spurred by a doubling of its subscription and services business to $27 million. In the most recently reported quarter, Q4 2018, Mogo's core revenue increased 75% versus the same period in 2017 with Subscription & Services revenue having its fourth consecutive quarter of at least 100% year over year growth. In 2018, it added more than 210,000 new members to reach 756,000 members on December 31, 2018 (up 39%), and on March 21st it announced it has surpassed 800,000 members.

- Fintech is disrupting traditional banking by providing a generation adept at technology, and demanding ease-of-use and low costs, with tools to deal with money. Mogo's mission is to make it easier for consumers to get in control of their financial health. For that, it is providing services at the customer's fingertip by **providing an app** that allows free credit score checks, loans, identity protection, payments, and the buying and selling of bitcoin combined, with more capabilities to come. This convenient solution is taking market share from traditional banks and credit unions that have been slow to adapt to change.

- Not only is MOGO's approach **easier and quicker**, it is less expensive for consumers. Canadian banks still charge expensive fees just to maintain an account, something the millennial generation seeks to avoid. Since most of MOGO's services are free to the user, it is the natural choice for the younger set.

- MOGO is ahead of the pack by integrating multiple services in a **one-stop solution**. It also partners with providers rather than just promoting its own proprietary products. By comparison, in the US a consumer needs to access separate products, which do not work together to paint a complete picture for the customer. For example, someone might use Credit Karma for credit monitoring, a bank or Lending Club for a loan, LifeLock for identity protection, a VISA prepaid card for payments, and Coinbase to buy and sell bitcoin, all using separate apps and different accounts which have no knowledge of each other's status.

- The company **continues to add capabilities** to monetize its base. Shortly we expect the rollout of the enhanced MogoCard with a new cash back program, and the addition of a feature called MogoWealth which will provide customers with choices for investing their cash. Also contemplated is a subscription service that would include multiple services combined at a discount price much like an Amazon Prime.

- Mogo is in the midst of an all-stock merger with Difference Capital Financial (TSX: DCF, TNTHF), a publically traded Canadian Business Development Company (BDC.) Difference Capital was originally founded as a public Canadian investment company that invested in mostly private Canadian technology companies. Today, Difference is primarily a holding company with approximately C$10 million of cash, plus an additional C$24 million of investments in some of Canada's leading private technology companies, including Hootsuite and Vision Critical. The transaction is creative financing for Mogo which, due to Difference holding an approximately 10% stake in Mogo prior to the transaction, will only result in an incremental issuance of approximately 3.2 million shares (in addition to Mogo's currently existing 23.5 million shares outstanding.) It will bring approximately C$34 million in cash and monetizable assets to the company which it plans to

use to fund its existing business. The transaction, which is still subject to shareholder approval, is expected to close in June 2019 and will result in Mogo shareholders owning approximately 80% of the combined company and Difference shareholders owing the remaining 20%. This transaction expected to close in the June quarter, and will need to be approved by shareholders of each company.

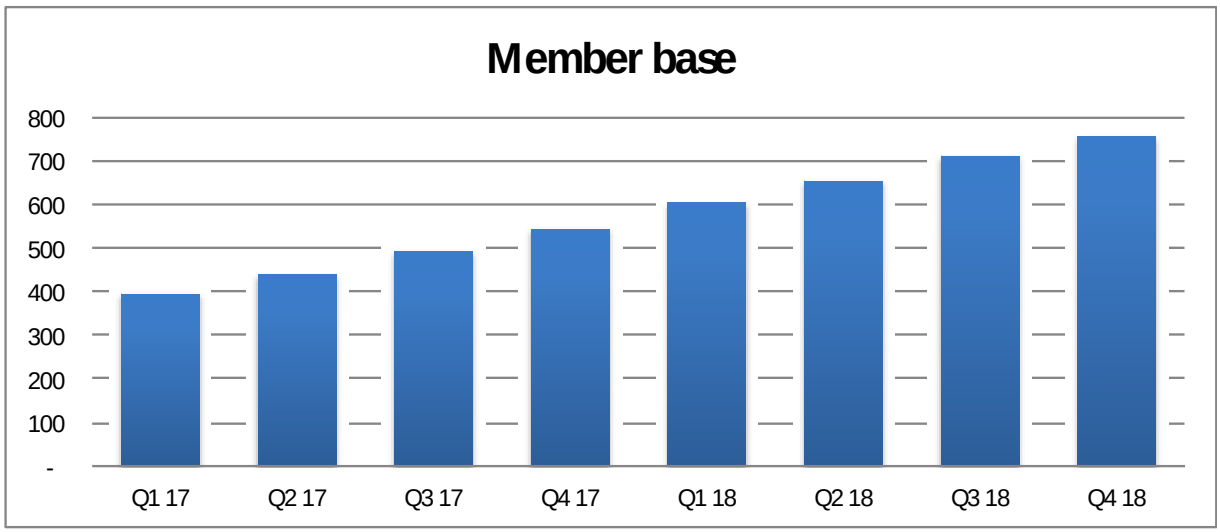
- We expect the company to reach cash flow break even sometime this year excluding the funding of the growth of its loan portfolio. Management has stated it expects to use its cash on the balance sheet, combined with partnerships with other companies that will fund Mogo-originated loans using their own balance sheets, rather than raising any more cash and diluting current shareholders.

- Based on a combined value of the company's lending business and its subscription services and fee generation business we believe the company is worth $7.67 per share when compared with other companies in these spaces.

OVERVIEW

Mogo Financial Technology was founded in 2003 in Vancouver, Canada, and to date has raised $201 million. It had its IPO on the Toronto exchange in October 2015 and listed on NASDAQ in April of 2018. It has over 250 employees in four locations in Canada. The company currently has over 800,000 users of its app, of which 10% use a feature in addition to free credit score monitoring that generates revenue for the company. The company has two reporting segments—subscription and services, and consumer loan interest (MogoMoney.) In 2018, the company generated $26.8 million (44%) from subscriptions and services, $26.4 million (43%) from consumer loan interest and $8.1 million or 13% from its discontinued payday loan business. Although the company makes money on all its subscriptions and services products, the company gives away its app, and all of its services to consumers, except for real-time identity monitoring and protection, for which it charges $8.99 per month.

The company has been growing it member base rapidly and steadily as shown on the graph below.



The company has integrated a number of applications into one app, which provides an overview of a customer's financial situation. This app is comprised of the following components:

Subscriptions and Services

All the services Mogo provides generate revenues to the company, but may be free to the consumer.

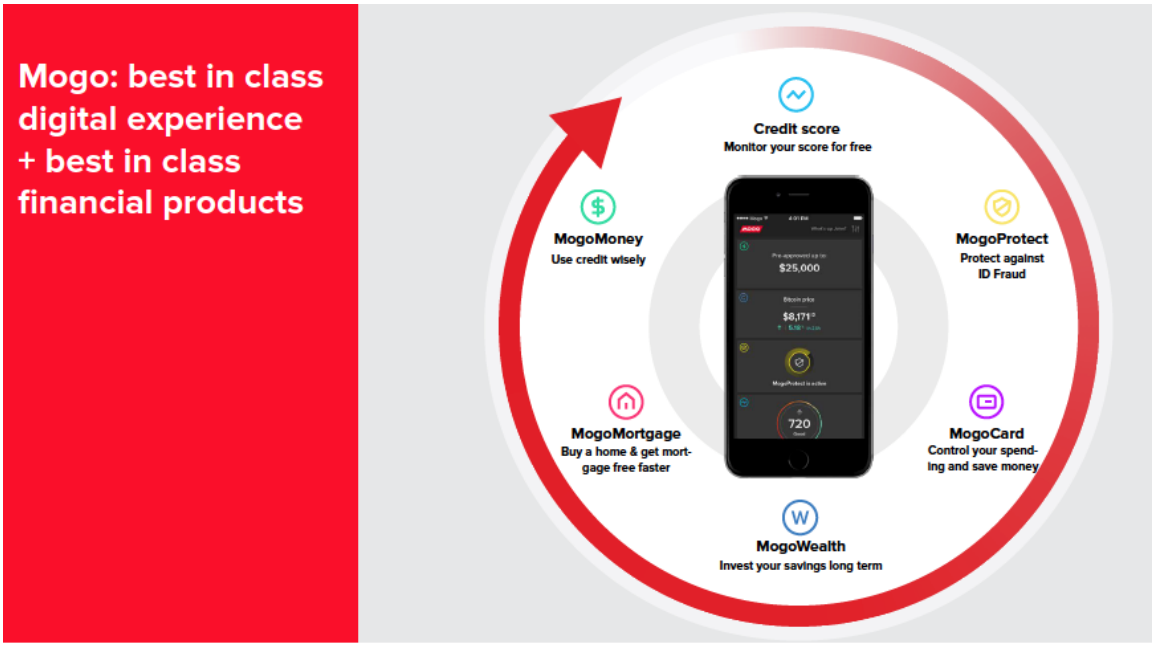
MogoProtect This product generates the grand majority of the company's subscription and services revenue. It is similar to the service sold by LifeLock in the US (but not in Canada.) Mogo charges **$8.99 per month** to consumers; in Canada it competes with Equifax's $19.99 per month product.

Free Credit Score Monitoring All of Mogo's users get credit score monitoring free. Mogo likens its service to Credit Karma in the US. Mogo's service also shows consumers the data behind their score and implies actions they can take to improve scores ultimately resulting in lower borrowing costs.

MogoCard was designed to help users control their spending and set savings goals with Canada's first digital spending account with a free Platinum Prepaid Visa® card. The company generates revenues from 1.5% of the interchange fee it gets as an issuer.

MogoMortgage Mogo is a registered broker and can provide mortgages to its users. As a broker, it does not fund the mortgage or take any credit risk instead it works with a number of Canada's banks who fund the mortgage and pay Mogo an origination fee of approximately 1%.

MogoCrypto was launched in March 2018, and provides customers the cheapest and easiest way to buy and sell bitcoin in Canada through its partnership with Coinsquare. Members can buy any amount of bitcoin up to a maximum amount every 24 hours with funding from their bank accounts using Interac e-Transfer. Users can sell bitcoin for deposit into a Canadian bank account. Mogo generates revenues by earning a 1% transaction fee from Coinsquare.



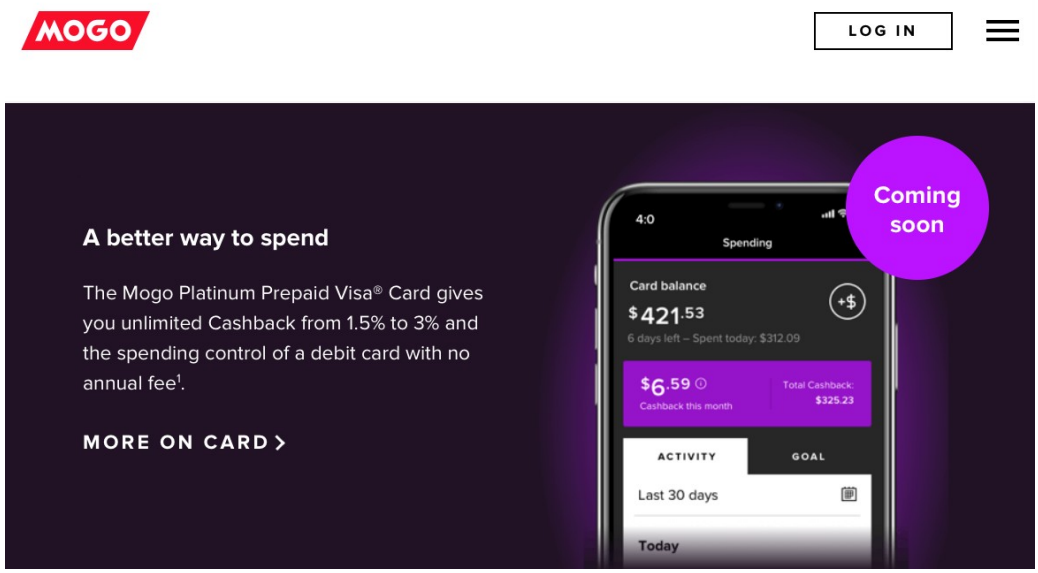
FUTURE PRODUCTS

MogoWealth

In coming months, the company plans to roll out MogoWealth to provide customers choices of where to invest their money, including a high interest savings account. MOGO plans to partner with others to bring in the best investment products and options for members. It is looking at adding robo products along with mutual funds, ETF, GICs, and even some unique alternative investments like its own debentures. All of these offerings should help attract high net worth customers in addition to just borrowers. Robo products are those sold by robo advisors. Robo advisors are investing platforms that use a computer algorithm to design and manage a customer's investment portfolio.

MogoCard with Cash Back

The company also plans to launch a new best in class cash back program for its MogoCard as shown below. It promises a user experience that is unlike any other card program in Canada. This feature is currently in beta and should be widely available by mid-2019.



MogoCredit

MogoMoney will be evolving over the next year to what will be called "MogoCredit" and be more integrated into MogoCard to become an easier to manage alternative to a credit card. Mogo is also exploring offering other types of loans it does not currently provide such as new car loans. It plans to partner with best-in-class providers that would appeal to both its current customer base as well as bring in new customers that had not been attracted to the platform with its current offerings. Mogo intends to leverage its digital loan platform and growing member base to enable third party lenders to lend to Mogo customers. The third party lender would fund the loan and would take all the credit risk of the loan. Mogo would earn an origination fee as well as an ongoing platform fee for ongoing servicing and future refinancing of the loan.

MogoMoney

The other half of 2018 revenues came from loans. Mogo provides a full range of fixed rate unsecured sub-prime loans to Canadian consumers. In contrast to Lending Club, who sells its loans to third party investors and institutions, the company lends directly from its own balance sheet. It in turn borrows from Fortress at rates between LIBOR plus 8% rate and LIBOR plus 12.5%. Fortress is also a major shareholder in the company. Through its past 15-year long online lending operation, the company has garnered extensive experience in making these types of loans. Customers can apply for, and then track and pay back their loans entirely through its mobile app.

The loan business has been growing rapidly and the need to fund these loans has been the major source of cash usage at Mogo. In order to mitigate the cash burn, Mogo is currently seeking partners who will use their own balance sheets to fund loan growth. In return Mogo plans to earn a loan origination fee, as well as a monthly servicing fee, from loans generated through the partnerships. Mogo's current business plan shows the company reaching cash flow positive by the end of this year excluding loan generation. Any excess cash is expected to be plowed back into the loan business once it reaches cash flow positive. As the company's cash use for lending reduces and as they approach cash flow positive we believe this will be another positive catalyst for investors

Unique Marketing Arrangement

In January of 2016, Mogo and Postmedia Network entered into marketing collaboration. This $300 million marketing partnership is driving Mogo's best in class customer acquisition cost. For example, in Q4 the company achieved core revenue growth of 75% with only 11% of sales spent on marketing. Postmedia is Canada's largest news media company and it owns the majority of news media properties in Canada. It cover over 80% of English speaking Canadians and has 18 million + monthly readers of both its digital and print properties. The deal gives Mogo $300 million of marketing spend over 5 years, or $60 million per year for cash payments of only $2 million per year. As a result, its cash customer acquisition price is under $20 per member, which is one of (if not the) lowest in the industry. To date the company has now invested over $180 million through this partnership in its brand in Canada. This current agreement runs through December 2020 and requires MOGO to pay Postmedia $525,000 per quarter in return for advertising in its more than 200 print, media, and online properties. Postmedia owns 1.2 million Mogo warrants exercisable at $3.00.

Business Combination with Difference Capital

The company is in the process of merging with Difference Capital Financial, a Toronto-based company that invests in equity of private Canadian companies. It invests primarily is late stage financing of pre-IPO companies in the technology and media sectors with liquidity events in the two to four year range. It currently holds approximately C$10 million in cash and a portfolio of 14 companies currently worth approximately C$24 million. It employs three people. Mogo plans to sell off portfolio to raise cash as opportunities arise. Difference Capital currently spends about $900,000 per quarter, but Mogo expects that after the merger, this will be reduced to only the expense of fees paid to monetize its remaining investments.

Amounts in thousands of Canadian dollars	INVESTMENT TYPE	COUNTRY	December 31, 2018 AVERAGE COST $	FAIR VALUE $
FINANCIAL TECHNOLOGIES				
Carta Solutions Holding Corporation	equity securities & warrants	Canada	4,996	
Ethoca Solutions Inc.	equity securities	Canada	1,508	
Mogo Finance Technology Inc.	equity securities	Canada	10,408	
			16,912	14,729
HEALTHCARE				
BrainScope Company Inc.	equity securities	United States	1,950	
Cardiac Dimensions Pty. Ltd.	equity securities	United States	2,492	
			4,442	3,641
INTERNET				
BuildDirect.com Technologies Inc.	equity securities	Canada	8,509	
Vision Critical Communications Inc.	equity securities	Canada	4,997	
Scribble Technologies Inc.	equity securities	Canada	4,608	
Hootsuite Media Inc.	equity securities	Canada	2,080	
			20,194	8,716
MEDIA and MEDIA TECHNOLOGIES				
Blue Ant Media Inc.	equity securities	Canada	4,787	
Cricket Media Group Ltd.	convertible debentures	Canada	4,575	
			9,362	4,979
TECHNOLOGIES				
Vena Solutions	equity securities	Canada	4,677	
Baanto International Ltd.	equity securities	Canada	3,770	
Other	convertible debentures, equity securities	Canada & U.S.	751	
			9,198	15,927
OTHER				
Difference RM Holdings Corp.	equity securities	United States	6,320	
Waterloo Innovation Network LP	limited partnership units	Canada	2,000	
Wekerloo Developments Inc.	loan	Canada	1,000	
Other	convertible debentures, equity securities and units	Canada	546	
			9,866	16,138
TOTAL INVESTMENTS			**69,974**	**64,129**

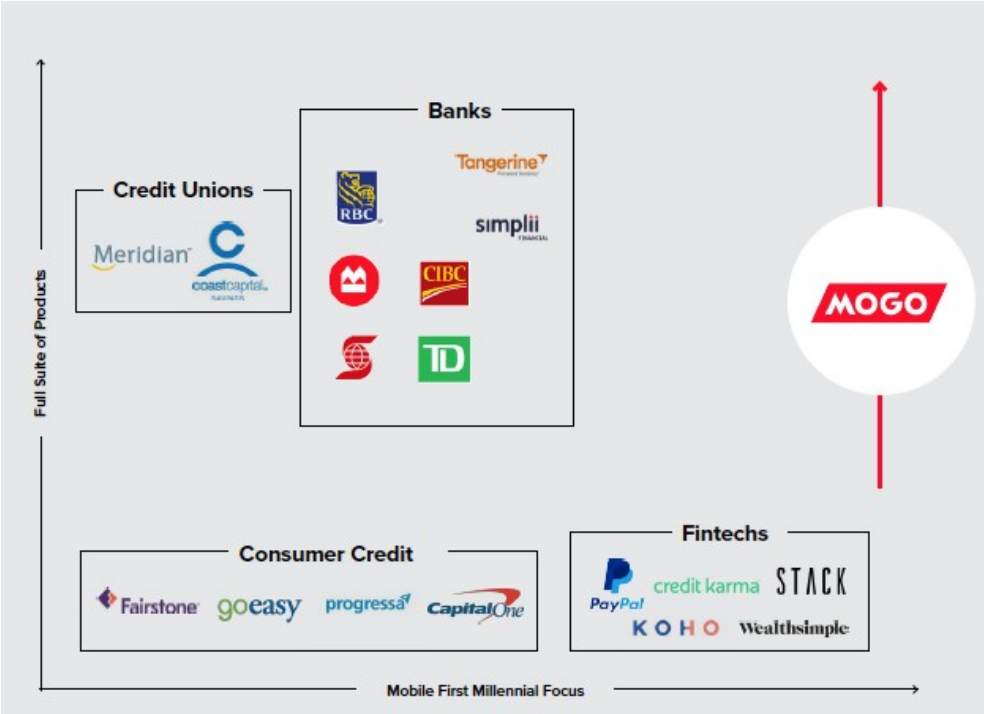
MARKET

Mogo competes in the broad market called “Fintech” which has been described as technological innovation in, and automation of, the financial sector. This includes subsets such as financial advice and education, wealth management, lending and borrowing, retail banking, fundraising, money transfers and payments, investment management and the development and use of cryptocurrencies. While much of this falls in the purview of traditional banks and under regulators who impede innovation, some companies find niches to operate in less regulated areas or streamline current banking operations and offer them at lower prices combined with ease of use. Many of Mogo’s competitors offer niche offerings, while Mogo is integrating these features into one app allowing customers to pick and choose. As a result, Mogo will go up against more traditional bank offerings.

There are 37 million Canadians and 77.7% are over the age of 19, or 28.7 million. Mogo primarily targets the roughly nine million millennials in Canada, (adults approximately 23-38 years old) who are the prime borrowers and house buyers. The fintech market in Canada is considerably less crowded than in the US due to its smaller market size and difficulty of penetration, as each province is independently regulated. The banking business is dominated by six large banks that have been lagging in technological innovation and are ripe for disruption.

COMPETITION

Mogo provides its product in every geographic location of Canada except Quebec. As shown in the chart below, Mogo competes with both the full service banks and credit unions that dominate the Canadian financial sector as well as niche, single product players such as Credit Karma, Koho, Wealthsimple, and Stack. Mogo competes primarily through ease of use for consumers as well as price. Canadian banking fees are high and there is a land grab among Fintech companies seeking market share away from the big players. As such many are offering services below cost and with attractive sign up perks and referral awards. While there are thousands of fintech startups in the US, in Canada there are only about 160 fintechs. Among that group, only Mogo and Wealthsimple are consumer-focused players and have raised at least $100 million. To date, Mogo has invested over $200 million in what it believes is Canada's best digital financial services platform. Mogo's complete financial solution of spending control, investing wisely, protecting ID, and borrowing responsibly is the only full solution in Canada to help consumers manage and control their financial lives all within one integrated mobile first app



Full Service Banks

Tangerine is a branchless full service bank and is Mogo's largest digital competitor. It has over 2 million clients and close to $38 billion in total assets and is Canada's leading direct bank. Its products include no-fee daily checking, high-interest savings accounts, a credit card, GICs, RSPs, TFSAs, mortgages, and mutual funds. It has over 1,000 employees in Canada, and in addition to its website and mobile banking app has Café and pop-up Locations, kiosks and 24/7 contact centers. Tangerine was launched as ING DIRECT Canada in 1997. In 2012 it was acquired by Scotiabank, and operates independently as a wholly owned subsidiary. When Scotiabank acquired ING Direct for over C$3 billion, it had approximately 1.8 million customers.

Simplii Financial™ is a trademark and division of CIBC. It offers full service banking including savings, checking, loans, mortgages, and investments through as app as well as CIBC ATMs.

Niche Offerings

Credit Karma, founded in 2007 and based in San Francisco, is Mogo primary competitor in providing credit score monitoring. It entered the Canadian market in 2016. It provides subscribers their credit score online or by email weekly for free and suggest new loans or credit cards that could save them money. It generates revenues by commissions from the providers of the products it suggests. The company has raised $868 million with its latest round in March for $500 million at a $3.5 billion pre money valuation. Over its lifetime, it has originated more than $40 billion in credit products including credit cards, personal loans, mortgages, automotive financing, and student loan refinancing. It also now offers auto insurance. It has more than 80 million members in North America, including almost half of all millennials. In 2017 it had revenues of $682 million. The last valuation was approximately 5xs 2017 revenues. It has been profitable since 2015.

Koho is a company founded in 2014 and based in Toronto that offers a reloadable Prepaid VISA card that gives users 0.5% back on purchases. It makes its money on interexchange fees. It has raised $10.6 million in funding and has approximately 70 employees. Its product was launched in early 2017.

Stack was founded in 2016 in Toronto and also offers a prepaid credit card but from Master Card. It delivers a way to spend, save, and share money fee-free from a mobile phone with real-time notifications, effortless savings, tap-to-pay functionality, and relevant rewards. It also allows Stack customers to transfer fund to each other like Venmo or PayPal. Stack currently has approximately 50 employees.

Wealthsimple based in Toronto is what is called a robo-advisor that competes against higher cost investment managers. It is the largest in Canada. It has raised $165 million from the Power Financial Group, a leading financial holding company with $1.4 trillion in AUM. **Wealthsimple** provides automated technology that allows its users to “invest on autopilot.” That is, users provide data about their financial situation and their risk tolerance, and Wealthsimple creates a personalized, low-cost, and diversified portfolio, which it can later rebalance, as necessary. Wealthsimple requires no minimum amount to open an account and charges a maximum 0.5% fee for all assets under management. It also doesn’t charge any trading, account transferring or rebalancing fees. It launched a stock-trading platform with zero commissions for its Canadian users in August. It has over 500 employees worldwide, has raised about $125 million in funding, and manages more than $2 billion for over 100,000 clients.

FINANCIALS

2018 was a transition year for MOGO as it phased out its short-term business. In 2018 it grew total revenues 26%. Removing the short-term lending business from both years, revenues would have grown 71% with the subscription and services part of the business growing 106%.

Gross margin increased dollar wise by 18% to $38.9 million but declined as a percentage to 63% from 67%. The decline in gross margin is largely attributed to the impact of IFRS 9 against MOGO’s loan book growth in the third quarter of 2018. Under the new IFRS 9 accounting standard effective January 1, 2018, a higher upfront expensing of non-cash loan loss provision is required on new loans, even if there is no change in actual loan book quality and expected future cash inflows from period to period. This has the effect of reducing gross profit in periods of stronger loan book growth, since the loan loss provision is recognized upfront, whereas related loan interest revenue is earned gradually over the full loan term.

Operating expenses increased $7.3 million in 2018 or 20%.

Operating income was a loss of $4.2 million versus a loss of $3.0 million a year ago as expenses grew faster than gross margin dollars. Most of the increase in expenses was in technology and development as the company increased its product offerings.

Other income increased $1.0 million. Taking out one-time charges that number would have decline $764,000. The increase in credit facility interest expense increased even though revenues from loans decreased $1.2 million due to high interest rates.

The pretax (and net as it pays no taxes) loss increased to $22.0 million versus $19.7 million a year ago.

The non-GAAP net loss, taking out one-time charges and stock based compensation, was $19.2 million versus $18.1 million, an increase of 6.3% compared to last year.

Average shares outstanding grew from 18.4 million in 2017 to 22.7 million in 2018, an increase of 23.6%. GAAP EPS loss was $0.97 virtually flat with last year's $1.07. On a non-GAAP basis the number was a loss of $0.85 per share versus $0.98 per share.

Adjusted EBITDA, was $4.1 million for 2018 compared to $2.3 million a year ago, excluding loan financing.

Cash flow from operations for 2018 was $5.9 million versus $1.9 million a year ago, but free cash flow declined significantly from a negative $3.6 million last year to a negative $5.1 million in 2018. After funding the loan portfolio, the cash flow was $41.6 million versus $28.5 million a year ago.

(in $000s)	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Loans charged off	3,158	3,058	3,310	3,742	4,047
Recoveries	(457)	(512)	(473)	(488)	(506)
Charge-off net of recoveries	2,701	2,546	2,837	3,254	3,541
Gross loans receivable - opening balance	69,552	74,718	80,894	84,538	89,069
Gross loans receivable - ending balance	74,718	80,894	84,538	89,069	95,528
Simple average of the Gross loans receivable - opening/ending balance	72,135	77,806	82,716	86,804	92,299
Charge-off rate (annualized)	15.0%	13.1%	13.7%	15.0%	15.3%

MANAGEMENT

David Feller
Founder, Chief Executive Officer

David founded Mogo in 2003 and CEO and Chairman of the Board. Over the past 15 years, he has grown Mogo into Canada's leading digital financial platform with over 700,000 customers, annual revenues exceeding $49 million and more than 265 employees. He has raised more than $380

million in equity and debt, including two rounds of private equity financings, two credit facilities with a leading global investment firm, and an IPO on the Toronto Stock Exchange. He is a former member of the Young Entrepreneurs Organization (YEO) of Canada and earned a BA from the University of Western Ontario in 1991.

Gregory Feller
Founder, President and Chief Financial Officer

Gregory co-founded Mogo and has served as CFO since August 2011, and been a member of the Board of Directors and President of the Company since April 2015. Before that Greg was a Managing Director and Co-Head of the Technology Investment Banking Group at Citadel Securities. From 2008 to 2010, he was a Managing Director at UBS Investment Bank. Prior to joining UBS, he was a Managing Director with Lehman Brothers from 2001 to 2008 and a VP at Goldman Sachs & Co. from 1998 to 2000. Greg earned a Bachelor of Administrative and Commercial Studies from the University of Western Ontario in 1990 and a Masters of Management from the Kellogg School of Management at Northwestern University in 1995, where he graduated Beta Gamma Sigma.

BOARD OF DIRECTORS

David Feller, Chairman

Greg Feller

Minhas Mohamed

Minhas is President, CEO, and Co-Founder of MMV Financial Inc., a specialty finance company providing debt financing to emerging technology and life sciences companies across North America. Since its inception in 1998, MMV and its predecessor firm have invested over US$400 million in 200+ companies across North America. Minhas has overall management and strategic responsibility for MMV Financial and over 25 years of experience in the financing of technology and emerging growth companies, both in Canada and internationally. Prior to founding MM Venture Partners in August 1998, he spent ten years as a senior partner and shareholder with Quorum Funding Corporation, a technology-focused venture capital fund. Prior to Quorum, he spent several years at the venture capital subsidiary of Schroders PLC, and was with Ernst & Young where he obtained his CA designation. He has been a director of many public companies, including Promis Systems and Quorum Funding, and for 11 years has been independent trustee of InnVest REIT. He is a founding member and former Chairman of the Toronto Venture Group. Minhas has a degree from University of Western Ontario and is a Chartered Accountant and a CFA.

Praveen Varshney

Praveen is a director of Varshney Capital Corp., a family-owned venture capital, merchant banking, & corporate advisory services firm. Varshney Capital invests in a wide variety of industries such as resource, real estate, alternative energy, and technology. Current or past projects include Mountain Province Diamonds Inc., the largest diamond mine under development globally; Canada Zinc Metals Corp., a significant zinc deposit being developed in BC; and Carmanah Technologies

Corporation, one of Canada's largest solar companies. He is a member and past President of the Vancouver chapter of The Entrepreneurs' Organization, a director of the Vancouver chapter of The IndUS Entrepreneurs (TiE). He is also a director of the Varshney Family Charitable Foundation, a BC Social Venture Partner and on the advisory board of several charities such as Room to Read, OneProsper.org and Instruments Beyond Borders. Praveen earned Bachelor of Commerce degree from University of British Columbia Commerce in 1987,and is a CPA and CA.

Matthew Bosrock

Matt was an executive Managing Director, Global Head of Developing Markets at S&P Global Ratings and was a member of the S&P Global Ratings Executive Committee. Previously, he spent 19 years in senior positions at HSBC in several regions, including Deputy CEO and COO of HSBC Bank Canada. Matt has extensive board experience and has technical expertise in all areas of financial services with specialized knowledge in leading transformational change - transactions, reorganizations, and process improvement, including marketing, innovation and talent development. He earned a BA in Political Science from Boston College in 1989 and an MBA from Duke University in 2002.

VALUATION

Since Mogo revenues are split half loan interest and half subscription and services we are using a blended valuation for the company. In the table below there are two sets of companies: one is financial platforms, and the other set is online lenders making consumer loans. An average enterprise value to sales of the two groups yields a valuation for Mogo of approximately $7.67 per share. However this valuation is based on a comparison with companies that all are profitable and have significantly more traction than Mogo.

		Revenue			TTM	Enterprise Value / Sales			EV/	Included	Enterprise
Company	Ticker	2020E	2019E	LTM	EBITDA	2020E	2019E	LTM	EBITDA	in Average?	Value
Fintech Platforms											
Green Dot	GDOT	$1,240	$1,130	$1,040	$170	1.9x	2.0x	2.2x	13.5x	y	2,300
Intuit	INTU	NA	$6,800	$6,230	$1,780	NA	9.3x	10.2x	35.5x	Y	63,260
LendingTree	TREE	$1,220	$1,030	$846	$108	4.4x	5.3x	6.4x	49.9x	y	5,410
Lightspeed POS	LSPD.TO	NA	$100	$72	-$18	NA	10.3x	14.3x	-56.8x	Y	1,030
PayPal	PYPL	$21,160	$17,990	$15,890	$2,820	5.9x	6.9x	7.8x	44.0x	y	124,050
Shopify	SHOP	$1,960	$1,490	$1,070	-$69	11.5x	15.2x	21.1x	-329.1x	y	22,610
Square	SQ	$3,040	$2,260	$1,588	$257	9.8x	13.2x	18.8x	116.2x	y	29,800
Average					**721**	**6.7**	**8.9**	**11.5**	**(18.1)**		**35,494**
Online Lenders											
GreenSky	GSKY	$699	$556	$415	$157	1.3x	1.6x	2.1x	5.7x	y	891
On Deck	ONDK	$505	$455	$203	$39	2.3x	2.6x	5.8x	29.8x	y	1,170
Lending Club	LC	$875	$780	$695	$98	2.0x	2.2x	2.5x	17.8x	y	1,740
Average					**98**	**1.9**	**2.1**	**3.5**	**17.8**		**1,267**

	Revenue			TTM	Enterprise Value / Sales			Valuation Range	
	2020E	2019E	LTM	EBITDA	2020E	2019E	LTM	Low	High
US$	**65,209**	**48,900**	**45,958**	**3.1**	**4.3x**	**5.5x**	**7.5x**	**$269,244**	**$345,075**
Canadian $	**86,945**	**65,200**	**61,277**						

Conclusion of Enterprise Value	**$307,159,780**
Market Value	**$283,159,780**
Diluted Shares Outstanding	36,900,000
Price per Share	**$7.67**

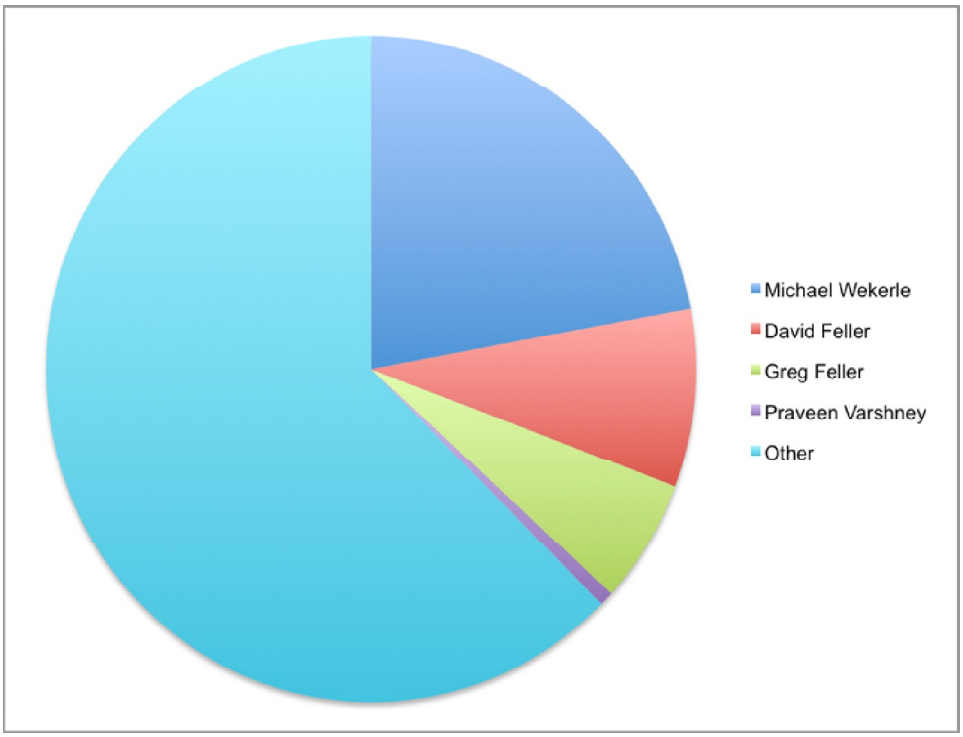
Merger and acquisition transactions also give us a comparison for Mogo's value. Symantec bought LifeLock for $2.3 billion dollars when it had 4.4 million users or a valuation of $523 per user. Revenues at that time were $660 million, making it 3.5 times sales. With Mogo's $31 million subscription run rate that would be $109 million for that part of the business alone. SoFi, a US company, was valued at $4.3 billion in its last round financing in 2017 and is in talks for another round at a similar price. As of the end of 2018 it had originated a cumulative $30 billion in loans, up from $25 billion in 2017, and expanded its member base to 600,000 from 430,000 last year.

Another way of looking at valuation by subscribers. Some of the highest valued private fintechs in the world including Ant Financial in Asia, N26 in Europe, Monzo in the UK, and Chime. Looking at them on a dollar per subscriber basis we see numbers such Monzo at $1500/member, N26 at $1100, and Chime at $500. With 800,000 members, Mogo is trading at about $100 per member.

RISKS

- Mogo is a small company operating in a highly regulated and competitive environment against much larger companies with much greater resources.
- The industry is in a land grab where players are willing to take large current losses to built market share. Mogo is expected to need to raise capital in order to sustain itself competitively in this environment.
- The company has already raised over $200 million throughout its history and has yet to achieve profitability or cash flow breakeven.

OWNERSHIP



PROJECTED INCOME STATEMENT

Canadian Dollars	Q1 2017 31-Mar	Q2 2017 30-Jun	Q3 2017 30-Sep	Q4 2017 31-Dec	Q1 2018 31-Mar	Q2 2018 30-Jun	Q3 2018 30-Sep	Q4 2018 31-Dec	Q1 2019E 31-Mar	Q2 2019E 30-Jun	Q3 2019E 30-Sep	Q4 2019E 31-Dec	2017	2018	2019E	2020E
Metrics																
Member base	395	439	492	544	604	654	711	756					544	756	1,100	1,500
Yr-to-yr Growth	NA	NA	NA	NA	53%	49%	45%	39%					99%	39%	46%	36%
Charge Offs	19.7%	15.5%	15.0%	13.1%	13.7%	15.0%	15.3%	15.8%					15.0%	14.8%		
Net Interest	2,526	2,574	2,739	3,170	3,446	3,675	4,794	5,165	3,900	3,900	3,900	4,200	11,009	17,080	15,900	19,875
Subscriptions and services	$2,368	$2,808	$3,708	$4,088	$4,970	$5,752	$7,833	$8,178	$8,200	$8,800	$9,300	$10,000	$12,972	$26,733	$36,300	$50,820
Yr-to-yr Growth					110%	105%	111%	100%	65%	53%	19%	22%	74%	106%	36%	40%
Interest revenue	4,132	4,257	4,674	5,124	5,418	5,856	7,229	7,930	6,900	7,100	7,200	7,700	18,187	26,433	28,900	36,125
Yr-to-yr Growth					31%	38%	55%	55%	27%	21%	0%	-3%	64%	45%	9%	25%
Loan fees	4,781	4,425	4,197	4,119	3,945	3,809	357	-	-	-	-	-	17,522	8,111	-	-
Total revenue	**$11,281**	**$11,490**	**$12,579**	**$13,331**	**$14,333**	**$15,417**	**$15,419**	**$16,108**	**$15,100**	**$15,900**	**$16,500**	**$17,700**	**$48,681**	**$61,277**	**$65,200**	**$86,945**
Yr-to-yr Growth					27%	34%	23%	21%	5%	3%	7%	10%	2%	26%	6%	33%
Core Revenues	$6,500	$7,065	$8,382	$9,212	$10,388	$11,608	$15,062	$16,108	$15,100	$15,900	$16,500	$17,700	$31,159	$53,166	$65,200	$86,945
Yr-to-yr Growth					60%	64%	80%	75%	45%	37%	10%	10%	38%	71%	23%	33%
Provision for loan losses, net	2,839	2,795	2,843	2,932	3,628	4,053	4,199	4,487	4,692	4,828	4,896	5,236	11,409	16,367	19,652	24,565
Transaction costs	984	1,019	1,169	1,291	1,334	1,452	1,655	1,618	1,640	1,760	1,860	2,000	4,463	6,059	7,260	10,164
Total cost of revenue	3,823	3,814	4,012	4,223	4,962	5,505	5,854	6,105	6,332	6,588	6,756	7,236	15,872	22,426	26,912	34,729
Gross profit	7,458	7,676	8,567	9,108	9,371	9,912	9,565	10,003	8,768	9,312	9,744	10,464	32,809	38,851	38,288	52,216
Gross Margin %	66%	67%	68%	68%	65%	64%	62%	62%	58%	59%	59%	59%	67%	63%	59%	60%
Operating expenses:																
Technology and development	2,779	2,861	2,705	3,028	3,206	3,976	3,779	3,786	3,800	4,000	4,200	4,400	11,373	14,747	16,400	17,500
Marketing	1,363	1,452	1,754	2,285	2,354	2,336	2,363	1,719	2,400	2,400	2,400	2,400	6,854	8,772	9,600	10,500
Customer service and operations	1,941	1,818	1,734	1,772	1,961	1,953	1,922	2,547	1,812	1,908	1,980	2,124	7,265	8,383	7,824	10,433
General and adminsitrative	2,239	2,556	2,640	2,854	2,930	3,056	2,918	2,273	2,500	3,000	3,150	3,200	10,289	11,177	11,850	13,500
Total operating expenses	8,322	8,687	8,833	9,939	10,451	11,321	10,982	10,325	10,512	11,308	11,730	12,124	35,781	43,079	45,674	51,933
Operating income:	(864)	(1,011)	(266)	(831)	(1,080)	(1,409)	(1,417)	(322)	(1,744)	(1,996)	(1,986)	(1,660)	(2,972)	(4,228)	(7,386)	283
Operating margin	-7.7%	-8.8%	-2.1%	-6.2%	-7.5%	-9.1%	-9.2%	-2.0%	-11.5%	-12.6%	-12.0%	-9.4%	-9.2%	-6.9%	-11.3%	0.3%
Other income:																
Credit facility interest expense	1,606	1,683	1,935	1,954	1,972	2,181	2,435	2,765	3,000	3,200	3,300	3,500	7,178	9,353	13,000	16,250
Debenture interest expense	1,569	1,790	2,085	2,059	2,111	1,915	2,017	1,993	2,050	2,050	2,050	2,020	7,503	8,036	8,170	9,000
Unrealized exhange (gain) loss	(58)	(159)	(237)	75	221	211	(114)	333	-	-	-	-	(379)	651	-	-
Unrealized (gain) loss on derivative liability	482	897	(406)	1,234	(1,554)	113	150	(442)	-	-	-	-	2,207	(1,733)	-	-
Other one-time expenses	118	108	74	13	120	227	1,140	-	-	-	-	-	313	1,487	-	-
Other financing income	-	-	-	(64)	-	-	-	-	-	-	-	-	(64)	-	-	-
Total other income	3,717	4,319	3,451	5,271	2,870	4,647	5,628	4,649	5,050	5,250	5,350	5,520	16,758	17,794	21,170	25,250
Pretax income	(4,581)	(5,330)	(3,717)	(6,102)	(3,950)	(6,056)	(7,045)	(4,971)	(6,794)	(7,246)	(7,336)	(7,180)	(19,730)	(22,022)	(28,556)	(24,967)
Pretax Margin	-40.6%	-46.4%	-29.5%	-45.8%	-27.6%	-39.3%	-45.7%	-30.9%	-45.0%	-45.6%	-44.5%	-40.6%	-40.5%	-35.9%	-43.8%	-28.7%
							1,658.00	14%						(764)		
Income taxes	(8.0)	8.0	-	(1)	-	-	-	-	-	-	-	-	(1.0)	-	-	-
Tax rate	-2%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.0%	0.0%	0.0%
Net income	(4,573)	(5,338)	(3,717)	(6,101)	(3,950)	(6,056)	(7,045)	(4,971)	(6,794)	(7,246)	(7,336)	(7,180)	(19,729.0)	(22,022)	(28,556)	(24,967)
Stk based compensation	246	233	181	683	292	271	369	388	300	300	300	700	1,343	1,320	1,600	1,800
One-time expenses	542	846	(569)	1,322	(1,213)	551	1,290	859	-	-	-	-	313	1,487	-	-
Non-GAAP Income from continuing	(3,785)	(4,259)	(4,105)	(4,096)	(4,871)	(5,234)	(5,386)	(3,724)	(6,494)	(6,946)	(7,036)	(6,480)	(18,073)	(19,215)	(26,956)	(23,167)
Yr-over-Yr									33%	33%	31%	74%		6.3%	40.3%	-14%
Net income per share:																
Basic EPS	(0.25)	(0.29)	(0.20)	(0.33)	(0.17)	(0.27)	(0.31)	(0.22)	(0.29)	(0.31)	(0.29)	(0.28)	(1.07)	(0.97)	(1.16)	(0.79)
Non-GAAP	**(0.21)**	**(0.23)**	**(0.22)**	**(0.22)**	**(0.22)**	**(0.23)**	**(0.23)**	**(0.16)**	**(0.28)**	**(0.30)**	**(0.27)**	**(0.25)**	**(0.98)**	**(0.85)**	**(1.10)**	**(0.74)**
					4.0%	-1.2%	4.8%	-27.5%	28%	28%	17%	56%	NA	-14%	29%	-33%
Shares																
Basic	18,298	18,304	18,341	18,341	22,643	22,760	22,963	22,992	23,522	23,522	25,696	25,696	18,381	22,714	24,609	31,500
Adjusted EBITDA	117	209	1,014	1,003	303	734	1,045	2,072	262	10	20	346	2,343	4,154	638	9,283
					159%	251%	3%	107%	-14%	-99%	-98%	-83%	NM	77%	-85%	NM

BALANCE SHEET

	Dec 31, 2018	Sept 30, 2018	Qtr-Qtr % Change	June 30, 2018	Dec 31, 2017	Yr-Yr % Change
Current assets						
Cash	**$20,439**	**$25,046**	-18%	**$30,615**	**$40,560**	-50%
Loans receivable	86,347	80,712	7%	74,910	73,460	18%
Prepaid expenses, deposits and other	3,501	2,866	22%	2,382	1,827	92%
Deferred cost	273	307	-11%	342	410	-33%
Investment tax credits	0	0	0%	0	343	-100%
Total current assets	110,560	108,931	1%	108,249	116,600	-5%
Property and equipment, net	3,016	3,871	-22%	5,889	3,206	-6%
Intangible assets, net of accumulated amortization	18,658	17,407	7%	16,485	14,897	25%
TOTAL ASSETS	132,234	130,209	2%	130,623	134,703	-2%
Current liabilities						
Accounts payable and accruals	9,651	11,744	-18%	10,185	7,468	29%
Other liabilities	973	1,002	-3%	1,031	1,089	-11%
Credit facilities	75,934	69,455	9%	65,046	57,110	33%
Total current liabilities	86,558	82,201	5%	76,262	65,667	32%
Long-term liabilities						
Debentures	**41,625**	**39,882**	4%	**39,988**	**39,680**	5%
Convertible debentures	**11,781**	**11,608**	1%	**11,442**	**12,864**	-8%
Derivative financial liability	964	1,406	-31%	1,256	2,697	-64%
Total long-term liabilities	54,370	52,896	3%	52,686	55,241	-2%
TOTAL LIABILITIES	140,928	135,097	4%	128,948	120,908	17%
Stockholder's equity						
Share capital	75,045	74,234	1%	74,026	71,389	5%
Contributed surplus	7,045	6,691	5%	6,417	6,033	17%
Deficit	(90,784)	(85,813)	6%	(78,768)	(63,627)	43%
Total stockholders' equity	(8,694)	(4,888)	78%	1,675	13,795	-163%
Total liabilities and stockholders' equity	$132,234	$130,209	2%	$130,623	$134,703	-2%
Quick Ratio	1.3	1.3	-4%	1.4	1.8	-28%
Working Capital	24,002	26,730	-10%	31,987	50,933	-53%
Net cash	20,439	25,046	-18%	30,615	40,560	-50%
Net cash as % of assets	15%	19%	-20%	23%	30%	-49%
Net cash per share	$0.90	$1.09	-18%	$0.94	$1.25	-28%
Debt % of assets	40%	40%	2%	39%	39%	4%
Provision for loan losses as % of portfolio	4.4%	5.2%	-15%	5.4%	4.0%	11%

CASH FLOWS

	3 Mo. Ended 3/31/17	3 Mo. Ended 6/30/17	3 Mo. Ended 9/30/17	3 Mo. Ended 12/31/17	Year 2017	3 Mo. Ended 3/31/18	3 Mo. Ended 6/30/18	3 Mo. Ended 9/30/18	3 Mo. Ended 12/31/17	Year 2018
Operating activities:										
Loss and comprehensive loss	(4,573)	(5,338)	(3,717)	(6,101)	(19,729)	(3,950)	(6,056)	(7,045)	(4,971)	(22,022)
Items not affecting cash										
Depreciation and amortization	735	987	1,099	667	3,488	975	1,872	2,093	2,122	7,062
Amortization of deferred financing costs	112	112	199	102	525	103	102	102	103	410
Amortization of marketing setup fee	102	-	-	308	410	103	-	-	(103)	-
Accretion of convertible debentures	-	68	161	166	395	181	170	165	173	689
Loss on sale of fixed assets	21	(1)	-	(20)	-	-	-	-	-	-
Other one-time expenses	118	-	-	-	118	-	-	1,105	-	1,105
Provision for loan losses	3,299	3,300	3,301	3,443	13,343	4,100	4,542	4,704	5,060	18,406
Stock-based compensation expense	246	233	181	683	1,343	292	271	369	388	1,320
Unrealized loss (gain) on derivative liabilities	482	897	(406)	1,234	2,207	(1,554)	113	150	(442)	(1,733)
Non-cash warrant expense	37	-	-	110	147	13	-	-	(13)	-
Unrealized foreign exchange loss (gain)	(52)	(159)	(237)	45	(403)	221	237	(114)	324	668
Changes in working capital accounts										
Net issuance of loans receivable	(2,197)	(5,173)	(8,323)	(9,234)	(24,927)	(6,954)	(8,273)	(10,506)	(10,695)	(36,428)
Investment tax credits	-	-	-	(186)	(186)	343	-	-	-	343
Prepaid expenses, deposits and other	(271)	12	(106)	(97)	(462)	(115)	(539)	(494)	(676)	(1,824)
Accounts payable and accruals	1,036	748	(338)	1,043	2,489	(910)	1,565	2,736	(474)	2,917
Other liabilities	(25)	(33)	(29)	(29)	(116)	(29)	(29)	(29)	(29)	(116)
Net cash used by operating activities	(930)	(4,347)	(8,215)	(7,866)	(21,358)	(7,181)	(6,025)	(6,764)	(9,233)	(29,203)
Investing activities:										
Purchases of property and equipment	(185)	(145)	(72)	(2)	(404)	(60)	(1,200)	(1,289)	(860)	(3,409)
Investment in intangilbe assets	(1,388)	(1,212)	(1,141)	(1,276)	(5,017)	(1,432)	(1,872)	(1,921)	(2,419)	(7,644)
Net cash used in investing activities	(1,573)	(1,357)	(1,213)	(1,278)	(5,421)	(1,492)	(3,072)	(3,210)	(3,279)	(11,053)
Financing activities:										
Net proceeds from issuance of conv. debentures	-	13,421	(33)	140	13,528	-	-	-	-	-
Net proceeds from issuance of common shares	-	-	-	24,397	24,397	-	-	-	-	-
Repayment of debenture	-	(790)	-	790	-	-	-	-	-	-
Net advances from debentures	-	-	795	(795)	-	-	-	-	1,410	1,410
Net advances from credit facilities	(230)	2,131	2,963	5,988	10,852	3,807	3,924	4,306	6,377	18,414
Credit facility financing cost	-	-	(210)	-	(210)	-	88	-	(88)	-
Options exercised	-	52	30	66	148	6	-	99	206	311
Net cash used in financing activities	(230)	14,814	3,545	30,586	48,715	3,813	4,012	4,405	7,905	20,135
Net change - cash	(2,733)	9,110	(5,883)	21,442	21,936	(4,860)	(5,085)	(5,569)	(4,607)	(20,121)
Cash, beginning	18,624	15,891	25,001	30,615	18,624	40,560	35,700	30,615	25,046	40,560
Cash, end of period	15,891	25,001	19,118	52,057	40,560	35,700	30,615	25,046	20,439	20,439
Cash flow	527	99	581	637	1,844	484	1,251	1,529	2,641	5,905
Free cash flow	(1,046)	(1,258)	(632)	(641)	(3,577)	(1,008)	(1,821)	(1,681)	(638)	(5,148)
Free cash flow after investment in loans	(3,243)	(6,431)	(8,955)	(9,875)	(28,504)	(7,962)	(10,094)	(12,187)	(11,333)	(41,576)

HISTORICAL STOCK PRICE



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