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Zacks Small-Cap Research

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INX Digital Co (OTCQB: INXDF)

INXDF: Major Investment and Potential Acquisition

INXDF is a company looking to change the financial world by offering a regulated platform able to build a community of digital investors and capital seekers. We value INXDF at $0.29 per share on the recent investment and potential acquisition.

OUTLOOK

INX Digital is a company that provides a regulated platform where verified customers can trade cryptocurrencies and security tokens on a secure and around the clock basis.

The company recently received a $5.25 million investment from Republic Group and is in discussions with Republic for a 100% acquisition.

Current Price (06/20/23)	$0.17
Valuation	**$0.29**

SUMMARY DATA

52-Week High	**$0.18**
52-Week Low	**$0.10**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**9,519**
Shares Outstanding (mil)	**207**
Market Capitalization ($mil)	**$25**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
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/A**
P/E using 2023 Estimate	**N/A**
P/E using 2024 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Medium**
Type of Stock	**Small Growth**
Industry	**Financial Services**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	NA	0.9 A	1.1 A	2.1 E	4.3 A
2023	1.6 A	1.6 E	1.6 E	1.7 E	6.5 E
2024	1.6 E	1.6 E	1.7 E	1.8 E	6.7 E
2025	2.0 E	2.5 E	2.5 E	3.0 E	10.1 E

Earnings (per share)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	NA	0.36 A	(0.05) A	(0.02) E	0.98 A
2023	0.00 A	-0.02 E	-0.02 E	-0.02 E	-0.06 E
2024	0.00 E	0.00 E	0.00 E	0.00 E	0.00 E
2025	0.00 E	0.00 E	0.01 E	0.01 E	0.02 E

Estimates are pulled until more information on

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Company Update

INX announced that Republic Group, described as “a global financial firm operating a digital merchant bank and a network of investment platforms,” is investing $5.25 million into the company in exchange for approximately 9.5% of outstanding shares. The deal, according to INX, values INX at approximately $50 million before the transaction. INX has also entered into collaboration agreement with Republic in which “the parties will seek to expand the breadth and depth of tokenization infrastructure and access to digital assets for investors worldwide.” Among the items that we believe will benefit INX in the collaboration are:

- Republic’s token will be listed on the INX exchange. And discussions will take place to integrate the INX and Republic tokens.
- Republic will introduce potential cryptocurrency investors to INX platforms.
- Republic will refer clients currently with Republic to INX for services that INX provides.

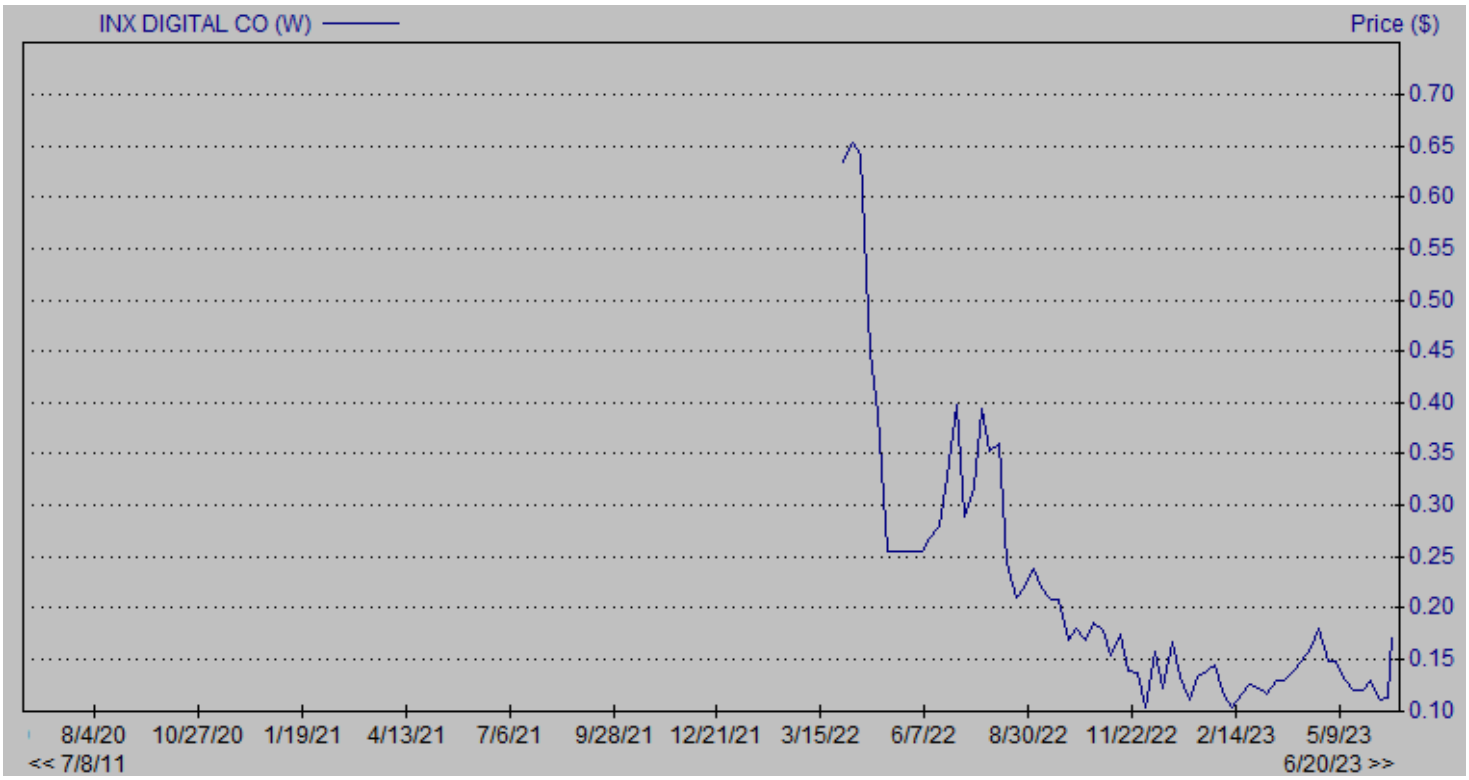
We believe this collaboration will benefit INX but the company does have to pay 75% of the net revenues of the new issuers gained from Republic to Republic—a reasonable agreement in our view.

Additionally, the two parties have committed to enter a non-binding term sheet once the above transaction closes, in which Republic would acquire 100% of INX at a valuation up to $120 million. The company made sure to note that this announcement does not guarantee that an acquisition will occur under those terms or be completed at all.

This is an inflection point for INXDF stock, but we believe there is upside to the current price under either scenario—a completed acquisition or just the collaboration. We’ll take the $50 million valuation pre-transaction as the floor and the $120 million potential acquisition price as the ceiling—both of which are above recent trading levels. For the current valuation, we believe that the odds of the acquisition taking place are in the 80% range, while the potential control premium would be in the 50% area. So we take 50% of the pre-transaction value of $50 million and add that to the initial value and arrive at $75 million. We then take 80% of that $75 million and come up with a valuation of $60 million, or $0.29 per share.

INX is in a state of flux where investors don’t know if the company will continue as a public entity but we believe the investment in the company by Republic, combined with the potential acquisition premium, continue to make INXDF worth a look by investors.

HISTORICAL STOCK PRICE


INX DIGITAL CO (W)
Price ($)
0.70
0.65
0.60
0.55
0.50
0.45
0.40
0.35
0.30
0.25
0.20
0.15
0.10
8/4/20
10/27/20
1/19/21
4/13/21
7/6/21
9/28/21
12/21/21
3/15/22
6/7/22
8/30/22
11/22/22
2/14/23
5/9/23
<< 7/8/11
6/20/23 >>

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