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Zacks Small-Cap Research

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INX Digital Co (OTCQB: INXDF)

INXDF: A Crypto Platform not at War with the SEC

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 $0.58 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.

With other major crypto platforms in conflict with the SEC, we believe that INX will increasingly be the place where legitimate crypto trading gets done. We believe revenues will increase and are raising the price target to $ per share.

Current Price (07/31/23)	$0.24
Valuation	**$0.58**

SUMMARY DATA

52-Week High	**$0.34**
52-Week Low	**$0.10**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**8,106**
Shares Outstanding (mil)	**207**
Market Capitalization ($mil)	**$49**
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

With all of the news surrounding Coinbase and the company's conflict with the SEC swirling, along with multiple stories questioning the legitimacy of various crypto trading scenarios, we felt compelled to issue a note reiterating our belief in INX group.

We would never care about how much money a company could make and make any sort of recommendation, and don't believe our investors would want to invest in a company, until we were convinced that the company was structured in a way to meet all legal and ethical requirements, especially in an industry like cryptocurrency that has resembled the wild west at times. We have extensively gone through the security procedures INX has put in place, and have outlined those in a previous report, and come away convinced that INX has met that standard, and as a result is going to gain business in a way that is sustainable and that investors can have confidence in.

The total market opportunity for INX in the growing cryptocurrency trading market is expected to grow to between $5-11 billion, depending on the cryptocurrency research firm you look at, by 2030. INX has developed a platform for trading cryptocurrencies that we have been able to view and the platform is very investor friendly and intuitive for crypto investors buy, sell and swap a wide variety of cryptocurrencies. And it's all under the umbrella of a regulated trading platform and a firm that stays on the right side of the SEC.

We've also outlined the security token business in previous reports and want to reiterate that we believe this market that INX has a developed, regulated platform for, is on the cusp of exploding. According to the Federal Reserve's Senior Loan Officer Opinion Survey banks have tightened credit standards to this point in 2023 and expects to continue to do so throughout the rest of the year. Firms will still need access to capital and we believe more will look to the security token market to gain that funding through another source. As a result of the tightening credit, the process of moving toward security tokens for funding sources, in our view, will accelerate, benefitting INX who already has a well-developed, regulated and active platform.

In another development we continue to follow, INX recently 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.

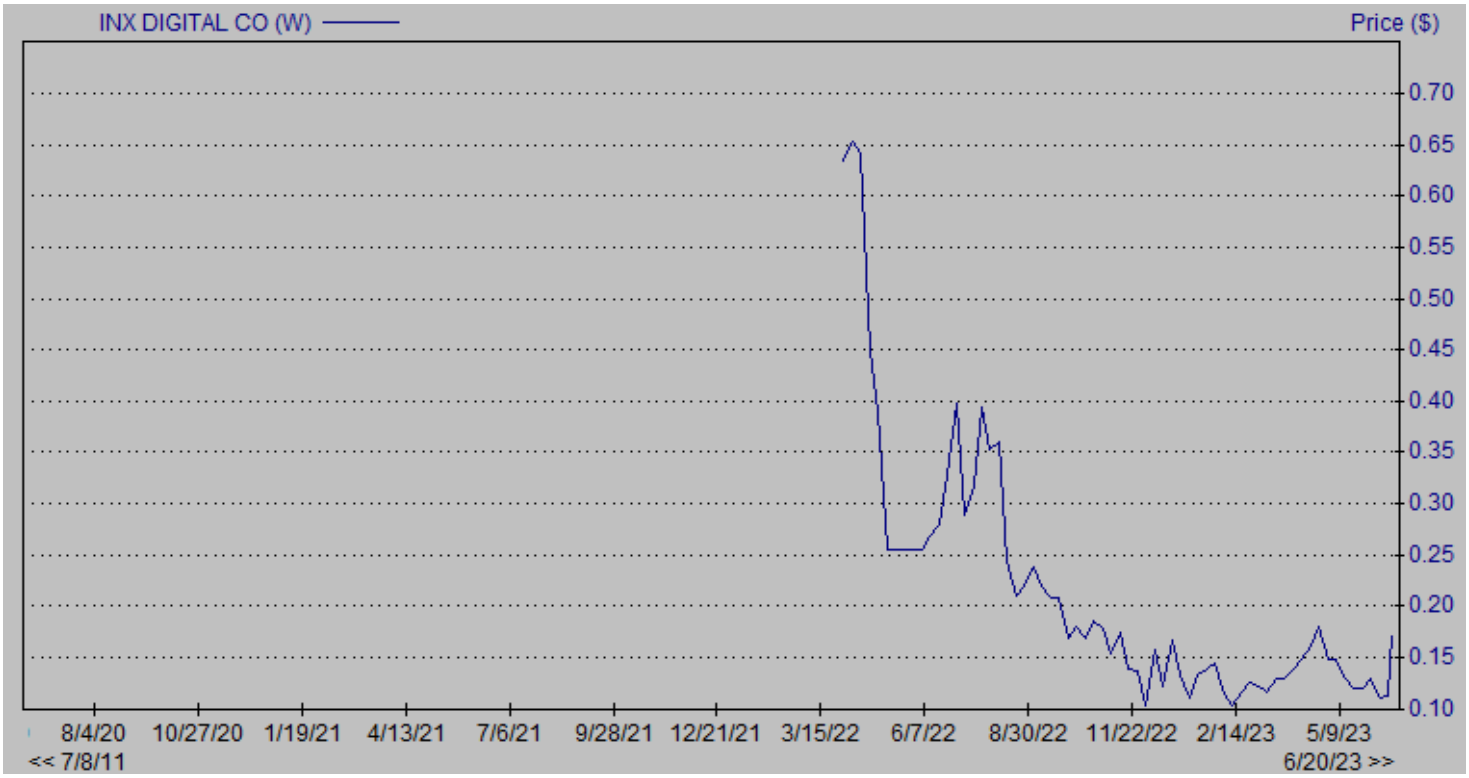
Additionally, the two parties have committed to enter a non-binding term sheet once the above transaction closes, in which Republic would acquire 100% of INX at a valuation up to $120 million. The company made sure to note that this announcement does not guarantee that an acquisition will occur under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

As a result of all this, we are compelled to raise the price target for INXDF stock.

For now, we continue to view the $50 million valuation pre-transaction as the floor and the $120 million potential acquisition price as the ceiling. For the revised valuation we now believe that it's highly likely that that, if the acquisition does go through, Republic will have to pay at least the $120 million, although we believe that may be underpricing INX given the market opportunity outlined above, which gives us a current valuation of $0.58 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 potential business impact from recent events, makes INXDF a very attractive investment alternative for investors with a modestly higher risk tolerance.

HISTORICAL STOCK PRICE



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