November 15, 2023

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Brad Sorensen
312-265-9574
bsorensen@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

INX Digital Co (OTCQB: INXDF)

INXDF: Continues to Add to its Digital Platform

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.

The company reported 3Q earnings that showed the continued growth in digital listings and a very solid balance sheet.

Current Price (11/14/23)	$0.17
Valuation	**$0.58**

SUMMARY DATA

52-Week High	**$0.34**
52-Week Low	**$0.10**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**6,813**
Shares Outstanding (mil)	**222**
Market Capitalization ($mil)	**$38**
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 A	1.3 A	1.7 E	6.2 E
2024	1.3 E	1.4 E	1.4 E	1.2 E	5.3 E
2025	1.8 E	1.7 E	2.0 E	2.2 E	7.9 E

Earnings (per share)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	NA	0.36 A	(0.05) A	(0.02) A	0.98 A
2023	0.00 A	-0.08 A	-0.06 A	-0.02 E	-0.16 E
2024	0.00 E	0.00 E	0.00 E	0.00 E	0.00 E
2025	0.00 E	0.00 E	0.00 E	0.01 E	0.02 E

© Copyright 2023, Zacks Investment Research. All Rights Reserved.

Company Update

INX is a company that provides regulated trading platforms for digital securities and cryptocurrencies and that we believe has an excellent chance to grow market share due to its regulatory structure and prudent management. The company reported 3Q earnings, the highlights of which follow:

- Operating cash and cash equivalents remained solid at approximately $12.8 million, with an additional $9.4 million in short and intermediate-term Treasuries.
- Revenue through 3Q was up 28% over revenue over the same time period a year ago.
- The company announced that new customer registrations increased 50.1% compared to last quarter.
- Customer funds held by INX Digital increased 36% compared to 1Q2023.
- 3Q earnings came in at -$0.06 per share, an improvement from the -$0.08 per share loss in the last quarter.

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. We view the 3Q earnings release as evidence that the INX strategy of having a regulated environment to trade and hold these instruments, as well as becoming a leader in the issuing of security tokens, is gaining traction. We believe the tighter credit condition companies are facing and the growing comfort with digital asset will combine to further the growth in assets traded on INX and provide accelerating opportunity for revenue growth.

We also continue to follow and want to remind investors of the INX announcement that Republic Group, described as “a global financial firm operating a digital merchant bank and a network of investment platforms. The company noted the 3Q marked a “significant milestone, in the expansion of technology stack and infrastructure needed to fully integrate and list the Republic security token as well as future tokens from Republic’s portfolio of companies.

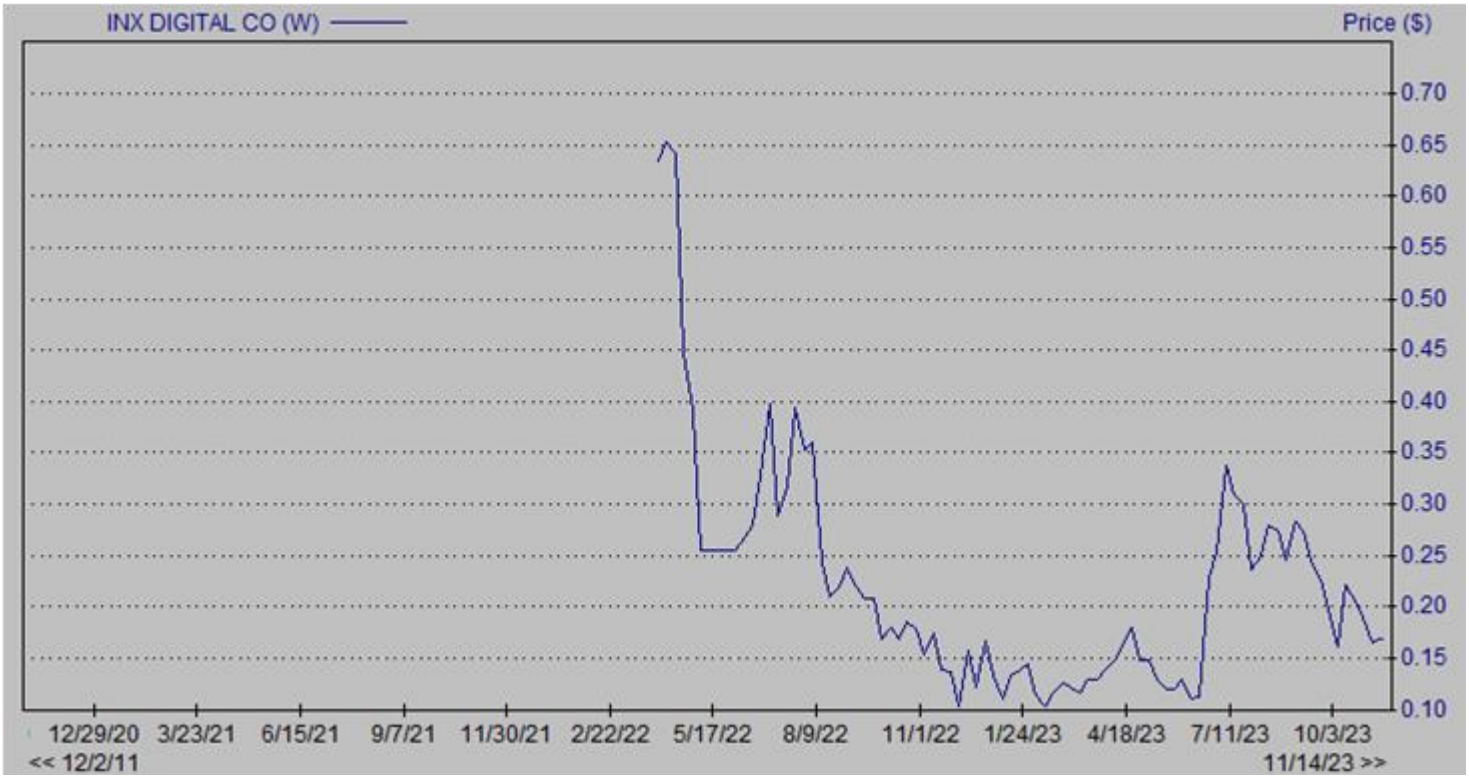
We continue to believe this collaboration will benefit INX and are pleased to see great progress being made in the integration process, but we do have the note the company has to pay 75% of the net revenues of the new issuers gained from Republic to Republic—a reasonable agreement in our view.

INX continues to be a responsible and ethical beacon in the often shady digital world and 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.

INCOME STATEMENT AND BALANCE SHEET PROJECTIONS

INX Limited Income Statement and Balance Sheet (in thousands, except share and per share data)								
		2022A	1Q2023A	2Q2023A	3Q2023A	4Q2023E	2024E	2025E
Revenue	Net Revenue	4,273	1,583	1,589	1,292	1,318	5,271	7,907
Operating Expenses/(Income)								
	Research and Development	5,306	1,030	1,024	1,036	1,046	1,082	1,136
	Sales and Marketing	7,026	1,058	1,085	1,063	1,074	1,114	1,173
	General and Administrative	16,577	4,244	3,319	3,469	3,504	4,032	3,830
	Fair Value Adj. for INX Token	(8,294)	(219)	180	445	0	(274)	(342)
	Total operating (expenses)/income	20,615	6,113	5,608	6,013	5,624	5,954	5,797
Gain/(loss) from Operations		(16,342)	(4,530)	(4,019)	(4,721)	(4,306)	(682)	2,110
(Expense)/Income								
	Gain/(loss) on INX Tokens Issued	230,299	3,778	(13,765)	(9,200)	0	0	0
	Fair Value Adj on warrants to invest.	0	0	0	101	0	0	0
	Finance Income	787	376	366	460	420	380	384
	Finance Expense	(6,549)	(225)	(116)	(227)	(100)	(227)	(230)
	Income/(loss) Before Income Tax	208,195	(601)	(17,534)	(13,587)	(3,986)	(530)	2,264
	Tax Expenses	(119)	0	(17)	(53)	(97)	0	0
	Net income/(loss)	208,076	(601)	(17,551)	(13,640)	(4,083)	(530)	2,264
Other Income Adjustments		(1,442)	315	100	171	(96)	(98)	(98)
Total Comprehensive Income		206,634	(286)	(17,451)	(13,469)	(4,179)	(628)	2,166
Earnings/(loss) per share, diluted		$0.97	($0.00)	($0.08)	($0.06)	($0.02)	($0.00)	$0.01
Wtd Avg Number of Shares Outstanding--Diluted		213,279,353	208,710,911	209,993,638	221,714,955	223,932,105	210,798,020	212,906,000
Assets								
Current Assets								
	Cash and cash equivalents	25,688	27,620	28,064	28,377	28,661	26,938	29,048
	Short-term investments	23,506	23,041	23,085	26,742	27,009	24,193	25,403
	Digital assets	2,597	3,331	3,898	3,457	3,492	3,364	3,398
	Accounts receivable, net	506	1,112	900	903	912	1,134	1,157
	Other current assets	5,240	5,325	6,865	6,634	6,700	5,485	5,649
Total Current Assets		57,537	60,429	62,812	66,113	66,774	61,114	64,655
	Property and Equip., net	395	406	380	358	354	398	390
	Digital assets	0	0	0	0	0	0	0
	Investments	16,380	11,425	7,998	5,572	5,516	11,654	11,887
	Other non-current assets	7,127	6,928	6,459	6,244	6,306	6,370	6,433
Total Assets		81,439	79,188	77,649	78,287	78,951	79,535	83,365
Liabilities and Stockholder Equity								
Current Liabilities								
	Account payable	2,461	2,824	2,866	2,311	2,334	2,852	2,938
	Funds due to customers	2,609	3,080	4,193	4,317	4,360	3,142	3,204
	INX Token Liability	58,427	54,694	67,111	76,913	77,682	55,788	56,904
	Other current liabilities	519	528	2,195	2,312	2,335	533	539
Total Current Liabilities		64,016	61,126	76,365	85,853	86,712	62,315	63,584
	Non-current liabilities	868	732	708	489	494	725	717
Total Liabilities		64,884	61,858	77,073	86,342	87,205	63,040	64,302
Stockholder Equity								
	Share capital and share premium	57,053	58,114	58,811	63,649	64,285	58,204	55,567
	Contribution to equity by con. s.h.	582	582	582	582	286	582	582
	Other	(1,254)	(865)	(765)	(594)	(600)	(894)	(923)
	Accumulated Deficit	(39,826)	(40,501)	(58,052)	(71,692)	(72,273)	(41,397)	(36,163)
Total Equity		16,555	17,330	576	(8,055)	(8,255)	16,495	19,063
Total Liabilities and Stockholder Equity		81,439	79,188	77,649	78,287	78,951	79,535	83,365

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Brad Sorensen, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.