

June 6, 2022

LIQUID META CAPITAL HOLDINGS LTD. (LIQD-NEO, \$0.35)

Rating: N/R
Target Price: N/R

DISCOUNT TO NAV AND BLUE-SKY UPSIDE

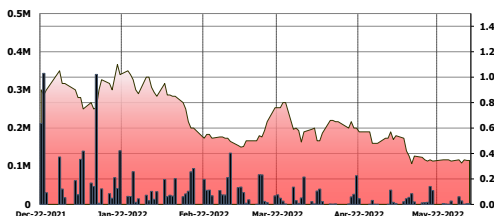
Liquid Meta Capital Holdings		LIQD:NEO	
<i>(Currency is C\$ unless noted otherwise)</i>			
Last Price (\$)		\$0.35	
52-Week Trading Range (\$)	0.27 / 1.25		
Average Daily Volume (30-Day)	12.3K		
MARKET INFO			
Shares Outstanding (M)	53.8		
Market Capitalization (\$M)	\$18.8		
Enterprise Value (\$M)	\$17.8		
FINANCIALS			
	F2021E	F2022E	F2023E
Revenue (\$US)	\$2.6	\$5.7	\$5.8
Adj. EBITDA (\$US)	(\$0.3)	\$2.5	\$2.6
VALUATION			
	F2021E	F2022E	F2023E
EV/Sales	5.3x	2.5x	2.4x
EV/EBITDA	NM	5.6x	5.5x
HOLDINGS			
NAV/Share	\$0.50		
P/NAV	0.69x		
DISCLOSURE CODE:			
	6		
<i>(Please refer to applicable disclosures on the back page)</i>			
Source: M Partners, Bloomberg, Company Documents			

We believe that Liquid Meta is trading at a heavily discounted valuation relative to its cryptocurrency holdings and earnings potential. LIQD has a net asset value of \$0.50/share and we expect this to generate US\$2.6M in EBITDA next year from liquidity mining and staking. This equates to 5.5x EBITDA, which is a discount to traditional financial service firms that trade at 8.0x.

COMPANY OVERVIEW

Company Mission

Liquid Meta aims to bridge the gap between decentralized finance (DeFi) and traditional finance (TradFi) markets, by loaning and staking its capital on a diversified set of decentralized exchanges (DEXs). For providing liquidity, Liquid Meta receives a pro-rata share of transaction fees collected on the DEX and token rewards. The aggregate fees and rewards collected is the "yield" LIQD receives for being a liquidity provider. The Company receives these rewards from decentralized lending/borrowing platforms and by contributing staked capital to more mature layer 1 blockchains. The Company is also currently developing proprietary technologies including the Meta Bridge, which would allow it to deploy outside capital to yield strategies and generate fee income.



Staking Strategies

LIQD currently has US\$20M+ in staked assets, which equates to \$0.50/share (30% discount). While volatile on a monthly basis, we are estimating that these assets can generate 20-25% APYs in transaction fees and token rewards via providing liquidity to various DEX's and liquidity pools (LPs). LIQD does this through a diversified base of 8 different blockchains, 15 dapps, and 20 LPs. The largest portion is in stable pairings, which we estimate can yield 10-15% annually. The team runs very lean; we are estimating it only costs US\$3M annually to run the business. The business has tremendous operating leverage given that it can reinvest compounded returns and newly raised capital without ramping expenses.

Liquid Meta Capital Holdings Ltd. is a decentralized finance infrastructure and technology company that is powering the next generation of open-access protocols and applications. The company is creating the bridge between traditional and decentralized finance while ushering in a new era of financial infrastructure.

Technology

Liquid Meta's core team includes two highly experienced engineers, both of which focus on developing high-throughput trading applications and DeFi ecosystems. LIQD's CTO (Daniel Opperman) has 25+ years of experience developing low-latency & high-throughput systems, specifically for start-up and early-stage companies. The Company's Senior Engineer (Carlos Camogli) also has 15+ years in electronic security development and risk management. As of now, the Company uses unique trading strategies and security infrastructure to manage its investments in DeFi protocols. LIQD is also currently developing proprietary software and strategies that can boost profitability and reduce risk across the portfolio.

Meta Bridge (Blue-Sky)

Liquid Meta is also developing the Meta Bridge, a liquidity mining and staking platform for outside institutional capital. The platform plans to offer institutions like family offices various staking strategies, managed by the LIQD team. LIQD will be able to charge a fee to its clients similar to a traditional asset manager. The platform is expected launch towards the end of 2022.

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With an increasing allocation of capital being put towards cryptocurrencies amongst institutions, we are expecting this type of product to have solid demand. We do not include any additional revenue in our model for Meta Bridge and consider it as our blue-sky scenario.

MANAGEMENT

Jon Wiesblatt – Co-Founder & CEO: Mr. Wiesblatt is a seasoned finance professional with over 20+ years of experience in portfolio management, equity research, investments, and capital markets. Jon has spent the last 15-years as an institutional investor working as a portfolio manager for several multi-strategy funds, a Canadian Equity Mutual fund at Sprott Asset Management, as well as serving as an advisor to one of Canada's largest family offices, Reichmann International Development Corp. Jon attended the University of Western Ontario and is a Chartered Investment Manager designation holder (CIM).

Nicolás Del Pino – Co-Founder & COO: Mr. Del Pino has over 10 years of experience in finance, economics, fintech, and emerging markets in the blockchain. Throughout his experience, Nico held various positions where he was responsible for providing oversight, deliverables and growing one of the largest crypto exchanges in Latin America, Bitex.la. Nico holds a bachelor's degree in Economics from the University of Buenos Aires, and a Master's from the University of Torcuato Di Tella.

Sendy Shorser – CFO: Mr. Shorser is a chartered accountant with over 15 years of experience in the financial services industry. Sendy held numerous positions within the assurance divisions at KPMG and Klasner & Solomon LLP, assisting in company compliance, accounting, and reporting. Most recently, he became the founding partner of Auxilium Financial Services, a firm focusing on providing outsourced financial services. Sendy holds a Bsc in Biology & Psychology and a MMPA in Management and Accounting.

Daniel Opperman – CTO: Mr. Opperman is a technology leader and patented engineer with over 25+ years of experience in growing financial services businesses exponentially by architecting ground-breaking solutions to both start-up and large-scale business environments. Highlights of his experience include building a crypto-on ramp and risk management system to facilitate trading with Coinbase, building a cryptocurrency trading platform, and configured a secure cloud-based computing environment. Daniel holds a BA in Mathematics and Computer Science from the University of Northern Colorado.

Board of Directors – Clara Bullrich (Partner at Alvarium Investments), Tom Kang (CEO of Allied Inventors Management), Stephen Harper (Capital Markets Executive), David Prussky (Capital Markets Executive), Jon Wiesblatt (CEO), Nico del Pino (COO)

FINANCIAL PROJECTIONS

Our model assumes LIQD can achieve 25% APY in 2022 and 22% in 2023 as yields get eroded with increasing adoption. With its starting capital base, LIQD will be able to generate US\$5.7M in revenue in 2022 and US\$5.8M in revenue in 2023. We are estimating 96% gross margins and US\$3.0M annually in opex to run the business (including the cost to build Meta Bridge), which should remain fairly fixed as the asset base grows. As such, we are estimating that LIQD will post US\$2.6M in EBITDA in 2023.

While our base case analysis does not include any revenue contribution from Meta Bridge, our blue-sky scenario would include US\$10M in AUM onboarding to the platform in 2023. This would add US\$500K to our revenue estimate, which will be becoming a recurring component as LIQD continues to generate returns for its clients.

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(US\$ Millions)											
Income Statement:	1Q21A	2Q21A	3Q21A	4Q21E	FY21E	1Q22E	2Q22E	3Q22E	4Q22E	FY22E	FY23E
Revenue		0.2	1.1	1.3	2.6	1.4	1.4	1.5	1.5	5.7	5.8
Gross Profit		0.2	1.1	1.3	2.6	1.3	1.4	1.4	1.4	5.5	5.6
<i>Margin</i>		<i>96%</i>	<i>98%</i>	<i>96%</i>	<i>97%</i>	<i>96%</i>	<i>96%</i>	<i>96%</i>	<i>96%</i>	<i>96%</i>	<i>96%</i>
Opex (ex. SBC & D&A)		0.2	1.9	0.8	2.8	0.8	0.8	0.8	0.8	3.0	3.0
Adj. EBITDA		0.0	-0.8	0.5	-0.3	0.6	0.6	0.6	0.7	2.5	2.6
<i>Margin</i>		<i>-24%</i>	<i>-70%</i>	<i>40%</i>	<i>-11%</i>	<i>42%</i>	<i>43%</i>	<i>44%</i>	<i>46%</i>	<i>44%</i>	<i>44%</i>

Figure 1: Income Statement Projections

VALUATION

We are estimating that Liquid Meta has net assets of \$0.50/share, meaning LIQD is trading at a meaningful 30% discount to its holdings; holdings that can generate a 20%+ return annually. Furthermore, LIQD trades at a 14% FCF yield. Given, LIQD's ability to generate earnings and FCF from its holdings, we think there is justification for it to trade at a premium to its NAV.

If we go down the road of traditional financial services valuation, Liquid Meta trades at 5.5x 2023E EBITDA compared to traditional financial services peers that trade at 8.0x on average. At a traditional asset manager's multiple of 8.0x forward EBITDA, LIQD would trade at \$0.50/share, representing 43% upside.

While we do not think LIQD should trade at an asset manager's multiple, we think this should be a floor valuation for the stock. We also note that there is a comparable to be made for the current crypto staking firms to the bitcoin miners during the 2017 Bitcoin rally. During this period, Bitcoin miners traded at over 10x sales, compared to LIQD's 2.6x sales today. Furthermore, miners have high capex costs that the liquidity mining model does not have, making a superior business model that deserves a premium multiple.

Disclosure Code: 6

Disclosure

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Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	16
Speculative Buy	1
Hold	0
Sell	0
U/R	1
Total	18