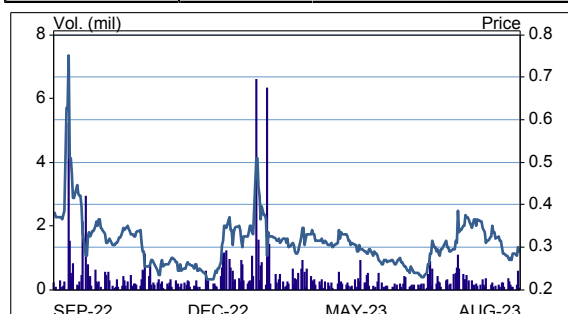


BIGG Digital Assets Inc. (BIGG.CN)
Rating: Buy

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Expansion Obscured by Trading Doldrums— Estimates Down on Our Conservative Take; Reit Buy

Stock Data		08/29/2023	
Price		C\$0.29	
Exchange		CSE	
Price Target		C\$1.50	
52-Week High		C\$0.75	
52-Week Low		C\$0.22	
Enterprise Value (M)		C\$66	
Market Cap (M)		C\$74	
Shares Outstanding (M)		255.3	
3 Month Avg Volume		260,510	
Balance Sheet Metrics			
Cash (M)		C\$8.00	
Total Debt (M)		C\$0.00	
Total Cash/Share		C\$0.03	
<i>General: Cash balance includes restricted. EPS may not add on account of rounding.</i>			
EPS (\$) Diluted			
Full Year - Dec	2022A	2023E	2024E
1Q	C\$(0.02)	C\$0.00A	--
2Q	C\$(0.09)	C\$(0.02)A	--
3Q	C\$(0.01)	C\$(0.01)	--
4Q	C\$(0.06)	C\$(0.01)	--
FY	C\$(0.18)	C\$(0.05)	C\$(0.05)
Revenue (\$M)			
Full Year - Dec	2022A	2023E	2024E
1Q	2.5	1.5A	--
2Q	2.2	1.3A	--
3Q	1.5	1.4	--
4Q	1.2	1.4	--
FY	7.5	5.7	7.8



Breadth of trading capability overshadowed by sluggish summer trends. BIGG Digital Assets reported its June quarter results late Tuesday, August 29, with revenue of C\$1.3M, down from March's \$1.5M and below our \$1.6M estimate. Netcoins, BIGG's wholly owned crypto brokerage platform and largest revenue contributor, drove C\$1.0M in revenue, below our expectations and March's C\$1.1M, in an apparent reversal of the resurgence in crypto trading activity witnessed earlier this year, despite the company's U.S. expansion, now in 17 states, up from 16 in March and 11 at the end of 2022. Further, Netcoins now accommodates 42 coins in its Canadian arm, up from 37 at the end of 2022, showcasing aggressive expansion efforts. Registered users tracked to 209,000, up only incrementally sequentially, while ARPU fell to C\$49 from C\$55, respectively, fully illustrating summer trading stagnation. Meanwhile, Netcoins has added ETH staking to its bag of tricks, and noted \$1.1M now staked, up from nil at initiation in May this year. From the 20,000-foot view, or meters, whichever you may prefer, Netcoins now stands as one of two leading Canadian-based exchanges, admittedly addressing a mere 38M populace, and facing the newly integrated WonderFi (WNDR.T; Buy) itself serving an approximate 1.6M active users. One might argue the process of aggregating four exchanges into one platform supporting two WonderFi brands—a formidable undertaking, we think, in convincing customers their crypto remains secure—might just agitate its users enough to abandon ship in favor of something just as seaworthy but perhaps perceived a bit more stable in operation while still holding digital assets with a native-Canadian exchange. To be explicitly clear, we favor of both businesses as investments, as noted [here](#), acknowledging each offers adjunct crypto-related revenue exposure outside pure trading and regarding the regulatory path and the “regulators” themselves north of the 49th parallel a bit more level-headed compared to their U.S. brethren. While BIGG continues to drive its compliance business, Blockchain Intelligence Group, forward addressing industry thievery as referenced in our August 24 industry note [here](#), we see BIGG's buy of the remaining 70% of TerraZero it did not already own as having greater notoriety in today's discussion. A compelling web3 development company, TerraZero has landed global brands such as Estée Lauder (EL; not rated), Miller Lite, Salesforce (CRM; not rated), and CBS among a host of others in preparing their metaverse presence—until the acquisition closes, slated for September, we have excluded the financial effect from our forecast. We continue to believe the growth opportunity is tremendous as the Internet becomes immersive. On the bullish Netcoins case presenting positive trading trends as referenced in our May 31 note [here](#), we continue to recommend the shares while maintaining our C\$1.50 price target.

New estimates suggest a less aggressive trajectory, perhaps implying more credibility while the stock appears to reflect them. We are adjusting revenue forecasts to reflect the currently difficult trading environment such that our FY23 sales falls to \$5.7M from \$7.8M, while our FY24 slides to \$7.8M from our previous \$13.2M, at least until we see consistently stronger trading volumes and user growth at Netcoins.

Reiterate our Buy rating while maintaining C\$1.50 price target. Our C\$1.50 target is based on an enterprise value-to-sales ratio of 48x using our newly introduced 2024 C\$7.8 million sales forecast. Our price target, while aggressively set we believe is justifiable given BIGG's potential in its core business units of a crypto exchange, forensics solutions, and metaverse build-out at its core investment at TerraZero. Furthermore and importantly, we think a more crypto-friendly mindset returns through the year and next while BIGG shares have demonstrated significant upward moves in the past. Lastly, our projected enterprise value, roughly C\$376 million, represents only 6.0x the C\$62.4 million balance of customer assets held on the Netcoins exchange and 5.6x the C\$66.9 million balance of cryptocurrencies BIGG Digital reported as of June 30. An investment in BIGG Digital Assets is not without significant risk, including all those of a small company in the cryptocurrency space, including ownership dilution on capital raises, fluctuation of crypto prices, intense competition from larger, better capitalized companies, among others.

BIGG Digital Assets Inc.

Quarterly Earnings Model
(C\$ millions, except per share data)

8/31/2023 FY Ending 12/31: BIGG	12/30/22A					12/30/23E					Estimate	Estimate
	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31	YEAR 12/31/2022	Q1A 3/31	Q2A 6/30	Q3E 9/30	Q4E 12/31	YEAR 12/31/2023	YEAR 12/31/2023	YEAR 12/31/2024
Subscrip revenue	C\$0.3	C\$0.4	C\$0.4	C\$0.4	C\$1.5	C\$0.3	C\$0.3	C\$0.3	C\$0.3	C\$1.2		C\$1.4
Service revenue	0.2	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.3		0.4
Transaction revenue	2.0	1.7	1.0	0.7	5.4	1.1	1.0	1.0	1.0	4.1		6.0
Total Revenue	2.5	2.2	1.5	1.2	7.5	1.5	1.3	1.4	1.4	5.7		7.8
Cost of Revenues	0.1	0.1	0.1	0.1	0.4	0.0	0.1	0.1	0.1	0.3		0.2
Gross Profit	2.4	2.2	1.5	1.1	7.1	1.5	1.3	1.3	1.3	5.4		7.6
Operating Costs												
Selling, general, admin	6.1	7.4	4.2	5.3	22.9	4.3	4.2	4.4	4.4	17.4		18.4
R&D	0.2	0.2	0.2	0.2	0.9	0.3	0.2	0.2	0.2	0.9		0.8
Share based comp.	0.8	0.4	0.3	0.3	1.8	1.7	0.2	0.3	0.3	2.4		1.2
Total opex	7.1	8.0	4.7	5.9	25.6	6.3	4.6	4.9	4.9	20.7		20.4
Operating Inc.	(4.6)	(5.8)	(3.2)	(4.8)	(C\$18.5)	(\$4.8)	(\$3.3)	(3.6)	(3.6)	(15.3)		(12.8)
Interest exp.	0.0	0.0	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.1		0.0
Forex adj.	(0.0)	0.0	0.0	(0.0)	0.1	(0.0)	(0.2)	0.0	0.0	(0.2)		0.0
Unreal. gain (loss)	(0.9)	(12.8)	1.4	1.1	(11.3)	5.5	(1.8)	0.0	0.0	3.6		0.0
Real. gain (loss)	0.0	(2.7)	(0.2)	(11.8)	(14.7)	(1.4)	1.4	0.0	0.0	0.0		0.0
Other	0.0	0.0	(0.0)	0.0	(0.0)	0.0	(0.3)					
Pretax Income	(5.5)	(21.2)	(2.0)	(15.4)	(44.2)	(0.75)	(4.19)	(3.6)	(3.6)	(11.8)		(12.8)
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Net income	(5.5)	(21.2)	(2.0)	(15.4)	(44.2)	(0.8)	(4.2)	(3.6)	(3.6)	(11.8)		(12.8)
Other comp. inc.												
Unreal. gain on digi. curr.	(0.3)	(9.0)	0.4	4.3	(4.6)	1.1	0.3	0.0	0.0	1.5		0.1
Curr. translation adj.	0.0	(0.0)	(0.0)	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0		0.1
Comp inc	(C\$5.8)	(30.3)	(C\$1.6)	(C\$11.1)	(C\$48.8)	C\$0.3	(C\$3.9)	(C\$3.5)	(C\$3.5)	(C\$10.3)		(C\$12.6)
EPS	(C\$0.02)	(C\$0.09)	(C\$0.01)	(C\$0.06)	(C\$0.18)	(C\$0.00)	(C\$0.02)	(C\$0.01)	(C\$0.01)	(C\$0.05)		(C\$0.05)
Outstanding Shares	246.7	247.9	248.5	250.4	248.4	255.1	255.3	255.4	255.5	255.3		255.8
MARGIN ANALYSIS												
Gross Margin	95.8%	95.9%	95.4%	91.8%	95.1%	97.2%	94.5%	95.0%	95.0%	95.5%		97.0%
SG&A % sales	241.4%	327.7%	273.3%	444.5%	306.3%	284.7%	312.1%	314.3%	314.3%	305.8%		235.9%
R&D % sales	8.4%	9.3%	16.2%	20.6%	12.2%	18.9%	18.4%	14.3%	14.3%	16.5%		10.3%
Op. Exp. % sales	281.0%	354.5%	308.5%	490.5%	342.1%	413.9%	342.3%	350.0%	350.0%	365.4%		261.5%
Operating Margin	-185.1%	-258.6%	-213.1%	-398.7%	-247.0%	-316.7%	-247.8%	-255.0%	-255.0%	-269.9%		-164.5%
Pretax Margin	-220.5%	-945.4%	-129.3%	-1291.5%	-590.9%	-49.2%	-310.9%	-255.0%	-255.0%	-207.4%		-164.5%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%	0%	0%		0%
Net Margin	-220.5%	-945.4%	-129.3%	-1291.5%	-590.9%	-49.2%	-310.9%	-256.8%	-256.8%	-207.5%		-164.5%
PERCENT CHANGE												
Total Sales	-31.7%	-50.6%	-42.0%	-63.5%	-47.1%	-39.2%	-39.9%	-8.1%	17.3%	-24.1%		37.5%
Cost of Revs	221.9%	87.3%	11.0%	15.8%	58.7%	-58.7%	-19.4%	-0.8%	-28.9%	-29.6%		-8.8%
Gross Profit	-33.9%	-52.1%	-43.3%	-65.6%	-48.8%	-38.4%	-40.8%	-8.4%	21.5%	-23.8%		39.7%
Operating Exp.	68.3%	13.3%	-25.8%	-9.8%	6.4%	-10.5%	-42.0%	4.3%	-16.3%	-18.9%		-1.6%
Operating Income	744.6%	129.6%	-13.8%	43.9%	81.9%	4.0%	-42.4%	10.0%	-25.0%	-17.0%		-16.2%
Pretax Income	-240.6%	166.4%	-291.7%	297.1%	540.8%	-86.4%	-80.3%	81.4%	-76.8%	-73.3%		9.0%
Net Income	-240.6%	166.4%	-291.7%	282.0%	526.8%	-86.4%	-80.2%	81.4%	-76.8%	-73.3%		9.0%
Share Count	26.0%	4.9%	2.8%	2.3%	8.2%	3.4%	3.0%	2.8%	2.1%	2.8%		0.2%
EPS	-211.5%	153.8%	-286.4%	273.3%	479.3%	-86.9%	-80.8%	76.5%	-77.3%	-74.1%		8.8%
Sequential Sales Growth	-23.2%	-10.5%	-32.2%	-21.6%		27.8%	-11.5%	3.8%	0.0%			

Source: Co. reports and H.C.W. estimates.

2Q23 Income Statement Comparison

8/31/2023 FY Ending 12/31: BIGG	Actual Q2A 6/30	H.C.W. Estimate Q2E 6/30	Prior Quarter Q1A 3/31	Prior Year Q2A 6/30
Subscrip revenue	C\$0.3	C\$0.4	C\$0.3	C\$0.4
Service revenue	0.1	0.1	0.1	0.1
<u>Transaction revenue</u>	<u>1.0</u>	<u>1.1</u>	<u>1.1</u>	<u>1.7</u>
Total Revenue	1.3	1.6	1.5	2.2
Cost of Revenues	0.1	0.1	0.0	0.1
Gross Profit	1.3	1.5	1.5	2.2
Operating Costs				
Selling, general, admin	4.2	4.4	4.3	7.4
R&D	0.2	0.2	0.3	0.2
Share based comp.	0.2	0.3	1.7	0.4
Total opex	4.6	4.9	6.3	8.0
Operating Inc.	(3.3)	(3.4)	(4.8)	(5.8)
Interest exp.	0.0	0.0	0.0	0.0
Forex adj.	(0.2)	0.0	(0.0)	0.0
Unreal. gain (loss)	(1.8)	0.0	5.5	(12.8)
Real. gain (loss)	1.4	0.0	(1.4)	(2.7)
Other	(0.3)		0.0	0.0
Pretax Income	(4.2)	(3.4)	(0.8)	(21.2)
Taxes	0.0	0.0	0.0	0.0
Net income	(4.2)	(3.4)	(0.8)	(21.2)
Other comp. inc.				
Unreal. gain on digi. curr.	0.3	0.0	1.1	(9.0)
Curr. translation adj.	(0.0)	0.0	0.0	(0.0)
Comp inc	(C\$3.9)	(C\$3.3)	C\$0.3	(C\$30.3)
EPS	(C\$0.02)	(C\$0.01)	(C\$0.00)	(C\$0.09)
Outstanding Shares	255.3	255.2	255.1	247.9
MARGIN ANALYSIS				
Gross Margin	94.5%	95.0%	97.2%	95.9%
SG&A % sales	312.1%	275.0%	284.7%	327.7%
R&D % sales	18.4%	12.5%	18.9%	9.3%
Op. Exp. % sales	342.3%	306.3%	413.9%	354.5%
Operating Margin	-247.8%	-211.3%	-316.7%	-258.6%
Pretax Margin	-310.9%	-211.3%	-49.2%	-945.4%
Tax Rate	0.0%	0%	0.0%	0%
Net Margin	-310.9%	-212.8%	-49.2%	-945.4%
PERCENT CHANGE				
Total Sales	-39.9%	-28.8%	-39.2%	-50.6%
Cost of Revs	-19.4%	-12.4%	-58.7%	87.3%
Gross Profit	-40.8%	-29.5%	-38.4%	-52.1%
Operating Exp.	-42.0%	-38.5%	-10.5%	13.3%
Operating Income	-42.4%	-41.8%	4.0%	129.6%
Pretax Income	-80.3%	-84.1%	-86.4%	166.4%
Net Income	-80.2%	-84.1%	-86.4%	166.4%
Share Count	3.0%	3.0%	3.4%	4.9%
EPS	-80.8%	-84.5%	-86.9%	153.8%
Sequential Sales Growth	-11.5%	4.9%	27.8%	-10.5%

Source: Co. reports and H.C.W. estimates.

Balance Sheet
(C\$'s Mil)

	12/30/2022				12/30/2022	
	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31	Q1A 3/31	Q2A 6/30
Current Assets						
Cash	C\$18.4	C\$6.2	C\$4.2	C\$5.7	C\$3.6	C\$2.4
Restricted cash	7.7	8.6	7.3	5.7	6.6	5.6
Amounts receivable	2.9	3.2	3.5	2.2	0.9	0.8
Investment tax credits	0.2	0.2	0.2	0.0	0.0	0.0
Digital currency inventory	93.3	42.5	53.1	39.6	65.1	64.9
Prepays	0.5	0.6	0.6	0.7	0.7	0.8
Total Current Assets	123.0	61.3	69.0	53.9	76.9	74.5
Digital currencies	16.4	7.5	7.7	3.1	3.4	1.9
Equity investment	10.5	3.3	2.2	0.4	0.4	0.4
TerraZero inv		8.9	8.4	7.1	6.7	6.4
Deriv fin asset				0.9	0.9	0.9
Inv tx credit				0.2	0.2	0.2
Intangible assets	0.2	0.2	0.1	0.1	0.1	0.1
Goodwill	1.1	1.1	1.1	1.1	1.1	1.1
Right-of-use asset	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.3	0.4	0.4	0.5	0.5	0.5
Total Assets	151.4	82.6	89.0	67.4	90.2	86.0
Acc. pay. and accr. liab.	2.1	1.7	1.8	3.4	1.9	1.6
Oth liabs	0.4	0.5	0.5	0.6	0.5	0.5
Customer deposits-cash	7.7	8.5	7.3	5.7	6.3	5.4
Customer deposits-digital currency	76.9	37.1	45.8	34.6	56.3	57.0
Lease liab.	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	87.0	47.9	55.4	44.3	65.0	64.5
Lease liab.	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	87.0	47.9	55.4	44.3	65.0	64.5
Total BIGG stockholders' equity	64.4	34.8	33.6	23.1	25.2	21.5
Total Liab. & Equity	151.4	82.6	89.0	67.4	90.2	86.0
Cash & marketable securities	C\$26.1	C\$14.8	C\$11.6	C\$11.4	C\$10.2	C\$8.0
Change in cash (QoQ):	(12.7)	(11.3)	(3.2)	(0.2)	(1.2)	(2.2)
Cash per share	C\$0.1	C\$0.1	C\$0.0	C\$0.0	C\$0.0	C\$0.0
Cash, cash equiv, digital curr.	C\$135.7	C\$64.7	C\$72.4	C\$54.1	C\$78.8	C\$74.9
Chng. s-t csh equiv (QoQ):	(12.2)	(71.0)	7.7	(18.2)	24.6	(3.9)
Debt	C\$0.1	C\$0.0	C\$0.0	C\$0.0	C\$0.0	C\$0.0
Cryptocurrency bal.	C\$109.6	C\$49.9	C\$60.8	C\$42.7	C\$68.6	C\$66.9
Change in cryptos (QoQ)	0.5	(59.7)	10.9	(18.1)	25.8	(1.7)

Source: Company reports.

Important Disclaimers

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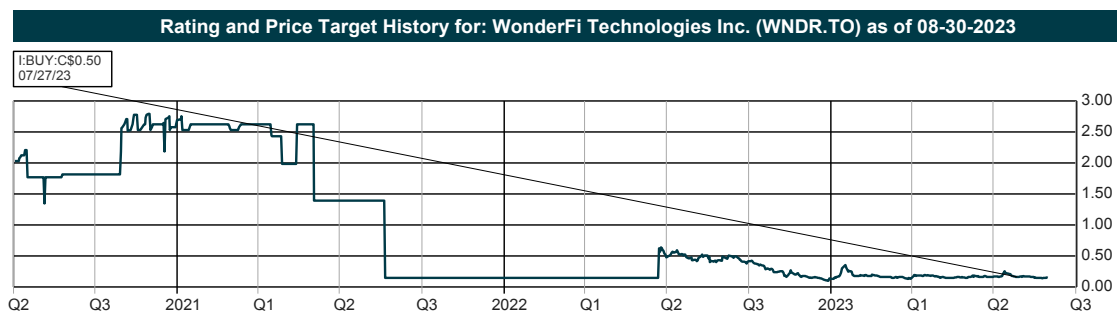
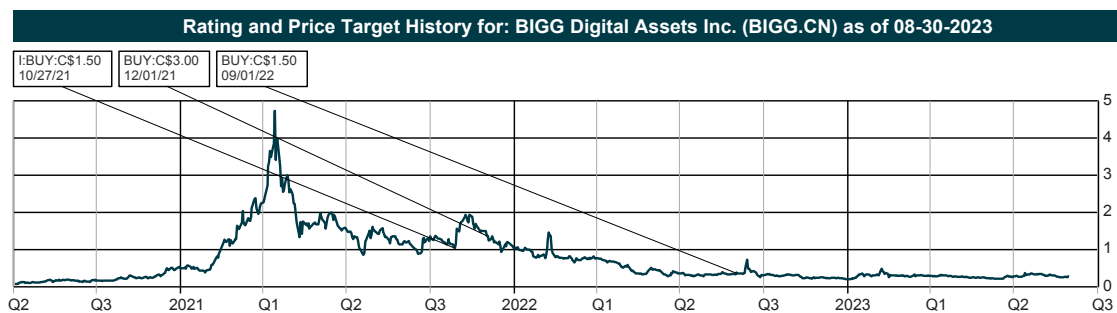
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RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



Related Companies Mentioned in this Report as of Aug/30/2023

Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
WonderFi Technologies Inc.	WNDR.TO	Buy	C\$0.50	C\$0.16	C\$104

Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of August 30, 2023				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	553	88.76%	144	26.04%
Neutral	61	9.79%	11	18.03%
Sell	0	0.00%	0	0.00%
Under Review	9	1.44%	3	33.33%

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None of the research analysts or the research analyst's household has a financial interest in the securities of BIGG Digital Assets Inc. and WonderFi Technologies Inc. (including, without limitation, any option, right, warrant, future, long or short position).

As of July 31, 2023 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of BIGG Digital Assets Inc. and WonderFi Technologies Inc..

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

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