

The MT Industry... where are we heading?



AJ Hanna, Anthemis Group

November 5th, 2013

anthemis | edge

Moving value instead of money

Global Money Transfer Conference

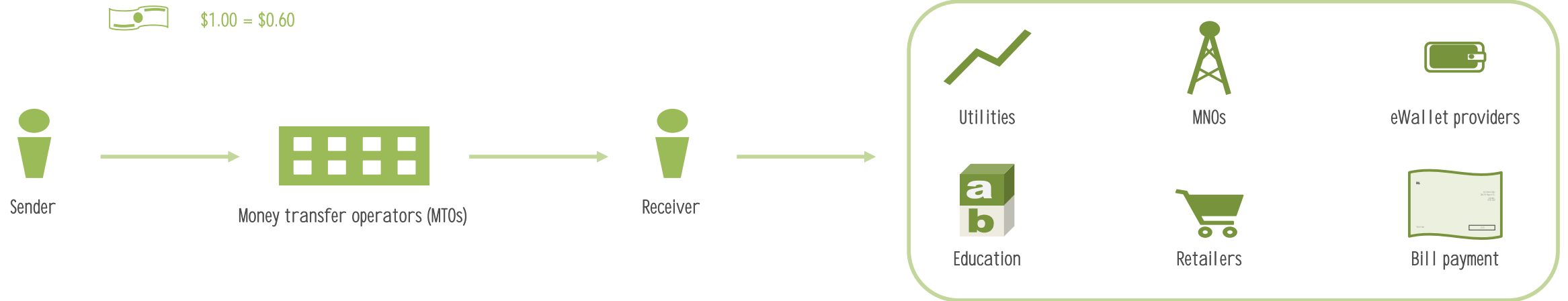
Presented by AJ Hanna

November 5th, 2013



A transition of money movement from P2P to P2B

YESTERDAY: P2P MODEL



TODAY: P2B MODEL



The money movement model is shifting towards services that create additional value (to the existing payment) through the use of direct channels to get to the end receiver, and thus eliminating any fees and surcharges

REMITTANCES REPRESENT A SMALL MARKET SEGMENT OF THE TOTAL MONEY MOVEMENT MARKET...

Technology continues to reshape the industry and mobile propositions gain traction

The global P2P remittance market

A \$529bn market in 2012; expected to grow to \$665bn by 2015

- THE MARKET'S TRUE SIZE IS BELIEVED TO BE SIGNIFICANTLY LARGER DUE TO informal channels

"DIGITALLY NATIVE" ONLINE PROVIDERS HAVE GAINED SIGNIFICANT TRACTION IN THE LAST THREE YEARS

- Established operators have lagged in developing new channels and products, for fear of cannibalising their legacy business models
- In the last 10 years, online and mobile money transfer services have captured c.12% market share given their ubiquity, convenience and cost-effectiveness

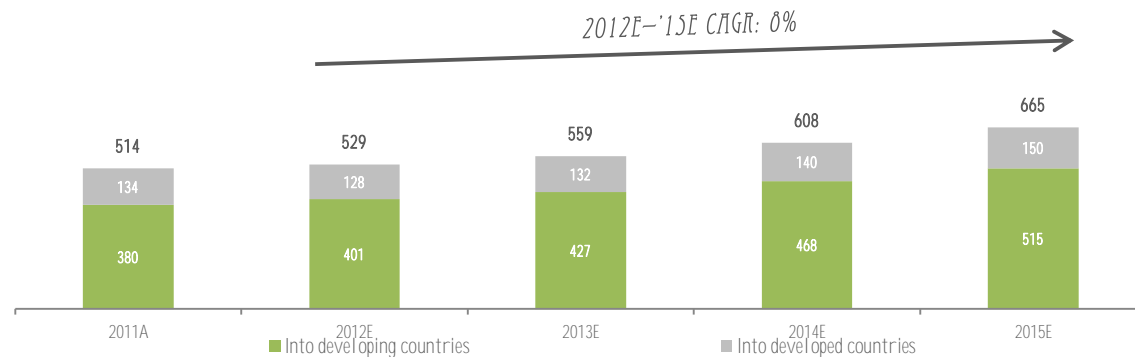
Top sending countries (2012E)

Rank	Country	Value (in \$bn)
1	US	123
2	Saudi Arabia	28
3	Canada	24
4	UK	24
5	Germany	21
6	UAE	20
7	France	19
8	Spain	19
9	China	17
10	Australia	15

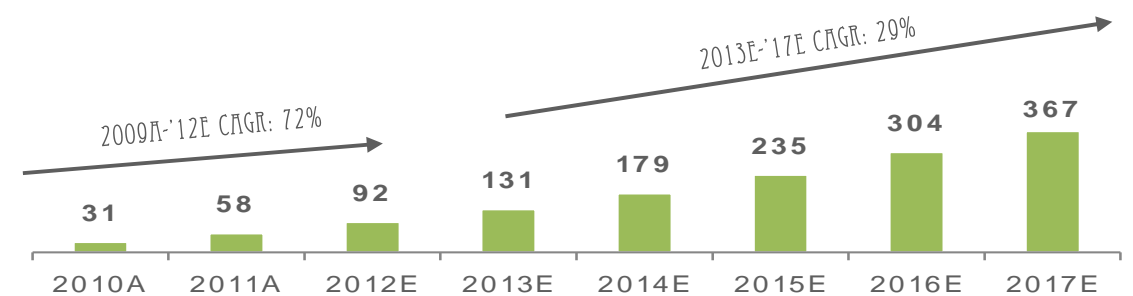
Top receiving countries (2013E)

Rank	Country	Value (in \$bn)
1	India	71
2	China	60
3	Philippines	26
4	Mexico	22
5	Nigeria	21
6	Egypt	20
7	Bangladesh	15
8	Pakistan	15
9	Vietnam	11
10	Ukraine	9

Global migrant remittance outflows (in \$bn)⁽¹⁾



Mobile money transfer payment volume (in €bn)



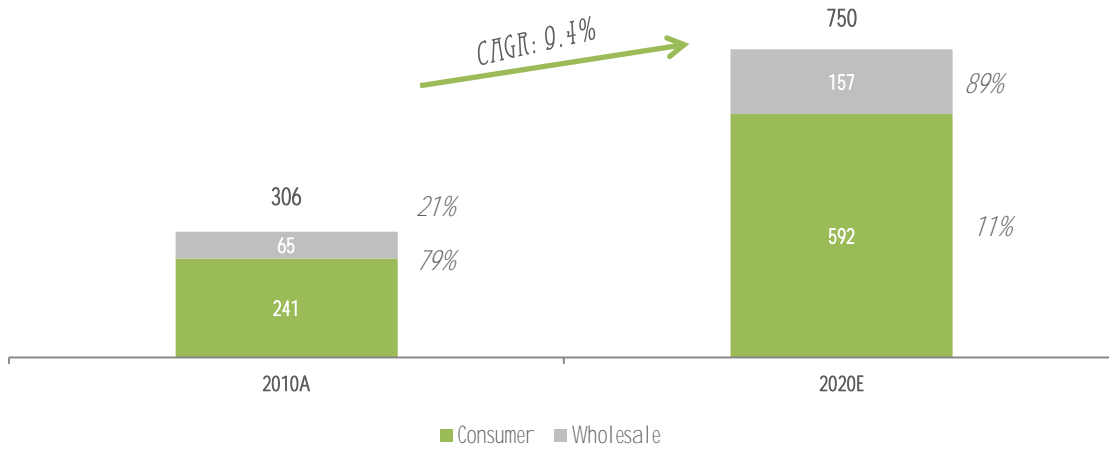
Source: World Bank Migration and Development Brief 21, The World Bank, Anthemis

Note: (1) Officially recorded remittance flows only; true size of remittance flows, including unrecorded flows through formal and informal channels

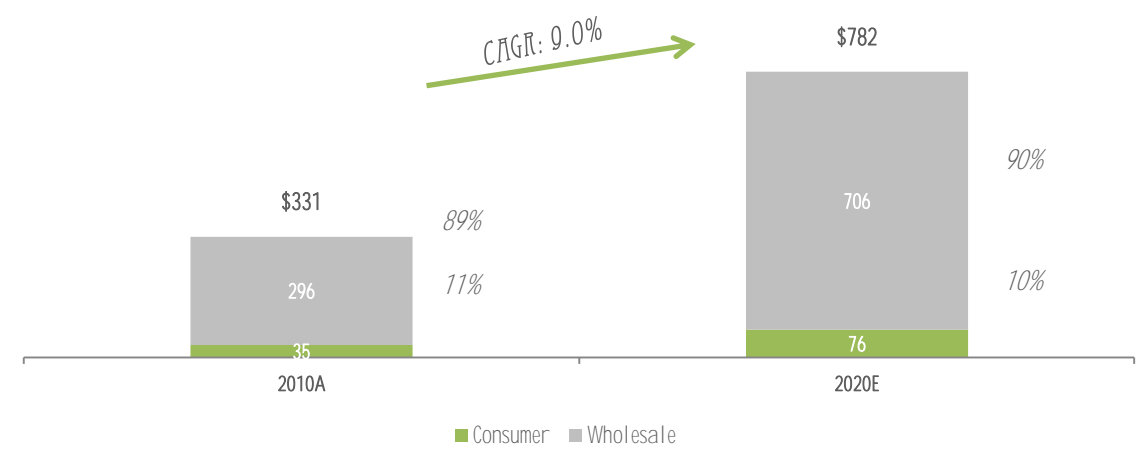
...and global payments are still growing

Much of the growth expected in the industry will come from emerging markets

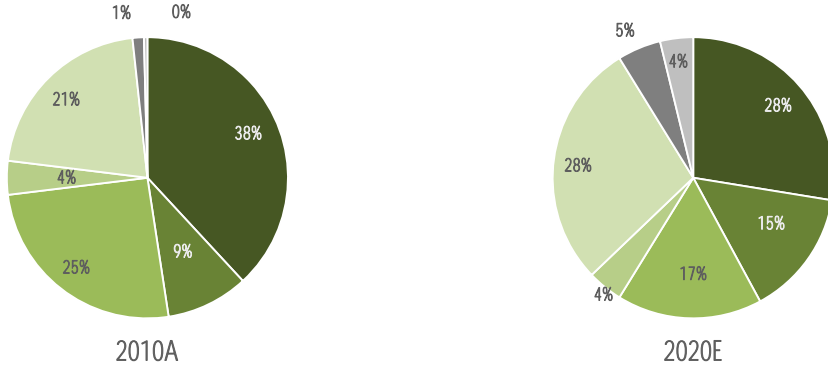
Global payments volume (in bn)



Global payments value (in \$tr)



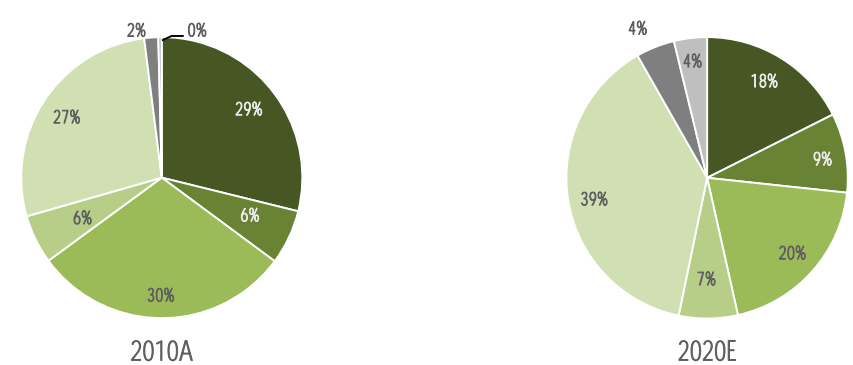
Payments volume regional breakdown



2010A - 2020E CAGRs:



Payments value regional breakdown



2010A - 2020E CAGRs:



THE INFORMATION AGE IS SHAPING THE FUTURE OF FINANCIAL SERVICES...

Changing fundamental dimensions

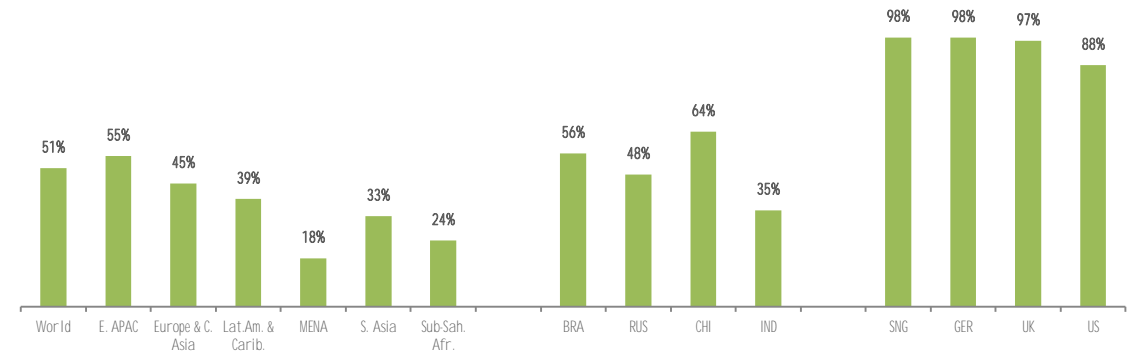
IN DEVELOPED MARKETS, BANK BRANCHES ARE CLOSING DOWN...

- In the US, c. 50% of bank branches may be declared **obsolete** in the next 10 years
- In the UK, there is a **50% reduction in the number of branches** compared to 1990
- By 2016, UK consumers are expected to conduct c.400 **digital interactions** with their bank yearly (mobile, tablet, online)

No. of annual EU consumer bank visits

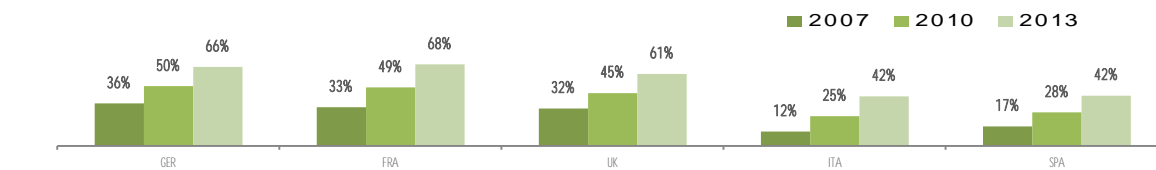


...AND IN DEVELOPING MARKETS, THE BANKED POPULATION IS LOW



...LEADING TO A SHIFT to digital convenience services

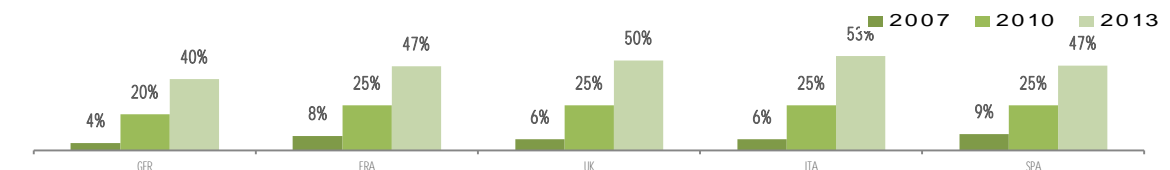
% adoption of **online banking** (pop. aged 16 and up)



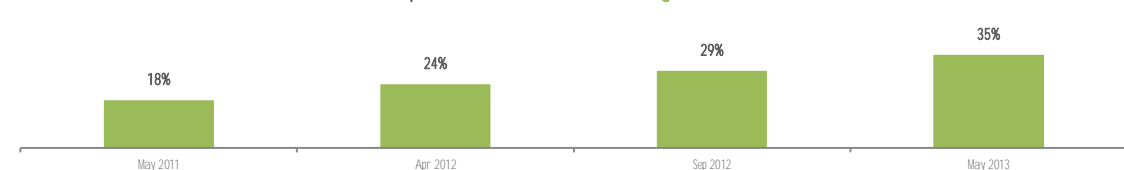
% adoption of **online banking in the US**



% adoption of **mobile banking** (pop. aged 16 and up)



% US mobile users who have used their phone for **online banking**



Digital channels are driving the growth of domestic as well as international payments

Source: Global retail banking 2020 study, Celent, Pew research center, Anthemis

...FUELLED BY MOBILE AND ONLINE CHANNELS, OFFERING AN INTERCONNECTED NETWORK...

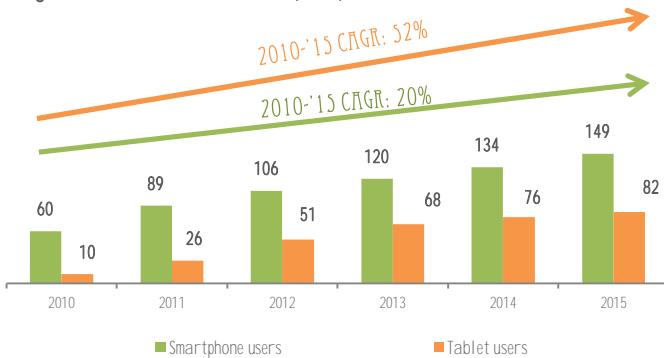
Mobile represents the narrowest infrastructure gap for the developing world

Mobile Leverages existing infrastructure for connectivity

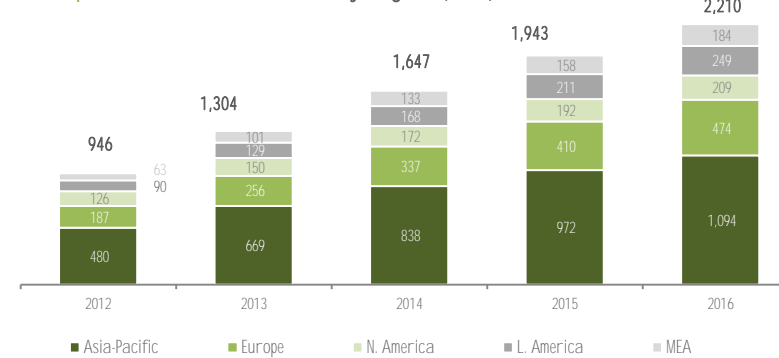
- Existing (mobile network operator) **MNO infrastructure** can be used in developing countries due to high mobile penetration
 - Remittances and broader financial services available to anyone with a mobile phone - 'AT FINGER TIPS'
 - 24/7 access, widespread coverage even in rural areas
- Operating in existing airtime vendor and retail locations, a mobile money agent network:
 - Increases the density of access points for the poor
 - Lowers the cost of deposits and withdrawal (cash-in and cash-out) in time and money
- Mobile money agent networks provide a low cost distribution channel for money transfer and financial services providers:
 - Clients served at a lower cost per transaction
 - Allows reduced investment in physical infrastructure
- Real-time feedback, (e.g. instant SMS receipts) can build trust and promote further usage from consumers

INCREASED USE OF SMARTPHONES / TABLETS...

Figures for the US market (in m)

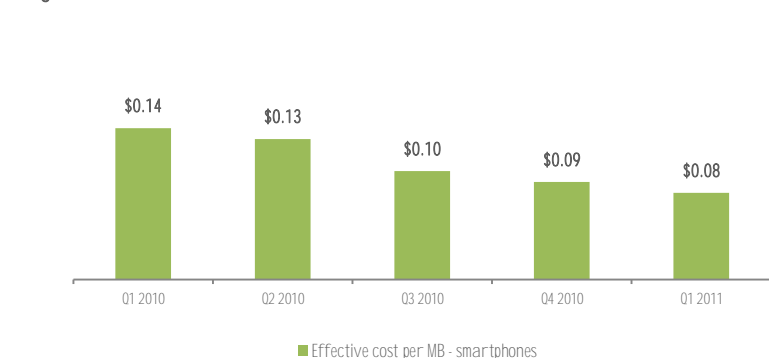


Smartphones users worldwide by region (in m)



...HAS LED TO DECREASING COST OF DATA

Figures for the US market



Mobile channels provide a large opportunity for the unbanked population to use financial services

Source: Forester research eReader Forecast, eMarketer, Wireless Intelligence, Nielsen report

...WHILE Local distribution remains essential in establishing a solid and reliable service



Paypoint – UK

- Founded in 1996; headquartered in London, UK
- Provides consumer payment, transaction processing, settlement and related services
- Offers services for the cash payment of bills and services, prepayments for mobile telephones and energy meters, and associated retail services including ATM provision and SIM sales
- Presence in UK, Ireland, Romania, Canada, France, and US
- Handles over £10bn from over 590m transactions annually for more than 6k clients and merchants
- Network of over 23k terminals in the UK, 7k terminals in Romania and over 500 terminals in Ireland, located in forecourts, convenience stores, off-licenses and supermarkets
- OVER 2,500 "LINK" BRANDED ATMS IN UK
- Listed in the London Stock Exchange
- Well-defined strategy, focused on providing an alternative method for payment of services
- Appealing to retailers as they will likely generate additional revenue by offering a range of services from a single terminal

OMT – Lebanon

- Private company founded in 1998 and headquartered in Beirut, Lebanon
- End-to-end ISO with marketing and customer support
- Partner of Western Union in Lebanon and Syria
- Present in c.1,000 locations in Lebanon
- Local bill aggregator for utilities and government payments
- The company was also appointed as distributor and bill payment services for the two MNOs in Lebanon
- The company also offers a wide range of payment services, including domestic money transfers, cash-to-bank, cash-to-business and cash-to-government payments
- Other services include Mobile recharge cards and eVouchers



Reshaping the value transfer space

Trends and innovators

There are four main trends that are driving the industry

1

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Send to account



- MONEY TRANSFER DIRECTLY TO RECEIVER'S ACCOUNT
- Provides convenience of transferring money through digital channels, without excess fees and FX/transfer charges



2



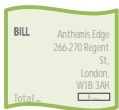
Top-up airtime



- Money transfer in the form of airtime, instantly and conveniently recharging the prepaid phone of the end beneficiary
- A natural complement to cash remittance, the international airtime transfer market is globally growing



3



Bill payment



- Senders remit funds to pay the outstanding bill of an end beneficiary
- Secures recurring revenue to the utility providers and provides convenience to the end beneficiary



4



Pay for services



- Senders remit funds directly to merchants and service providers, which are to be used by an end beneficiary
- Provides transparency, as there is assurance that remitted funds will be used for the purchase of a specific product / service

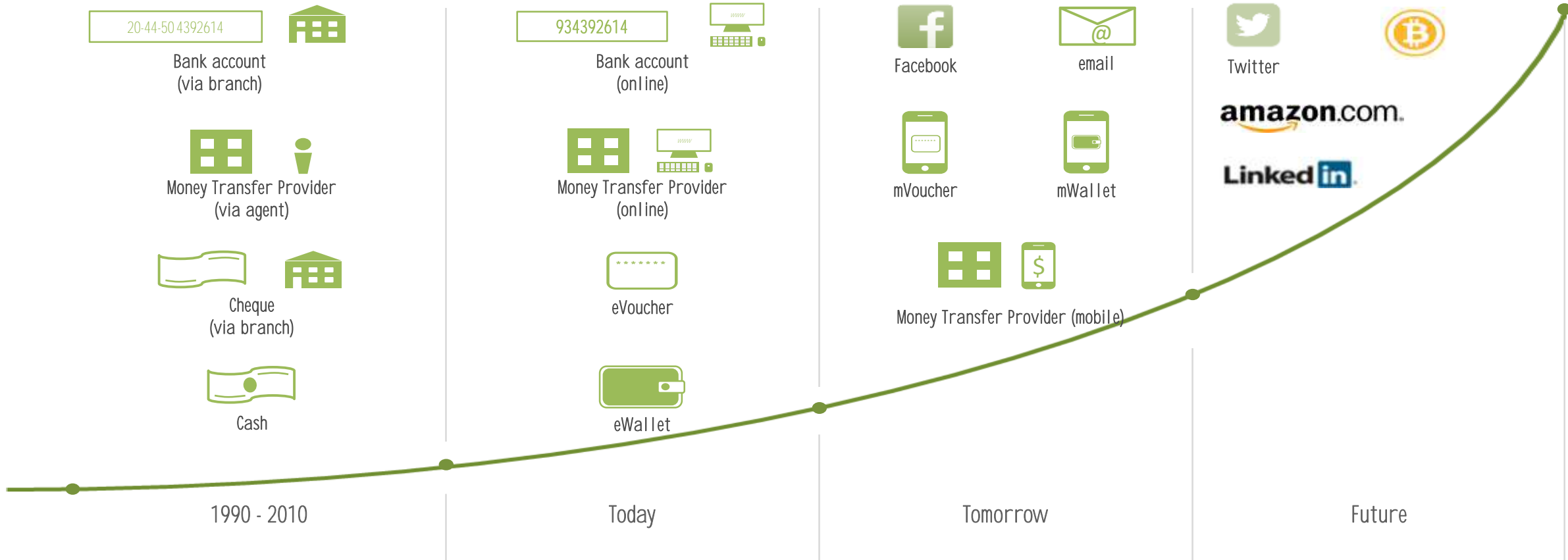


1 Send to account

The shift from the industrial to the information economy is massively evolving the origination options for money transfers to bank accounts

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Send to account



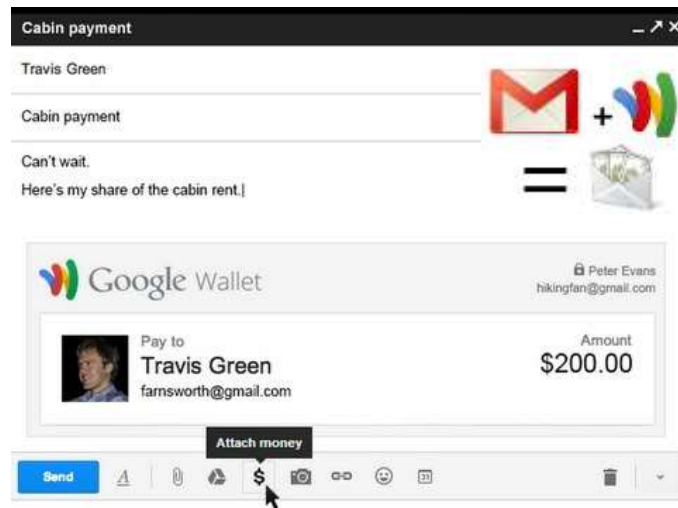
Google Wallet

Send to account



Business overview

- Google Wallet was introduced in May 2011 and is currently available to US consumers
- Supports all credit and debit cards from Visa, MasterCard, American Express and Discover
- Offers both in-store payment systems based on NFC technology and broad digital wallet tools
- Recently introduced P2P payment functionality via Gmail to allow users to send money via an email



Product and service offering

- Google Wallet allows users to store debit, credit and loyalty and gift cards on their mobile phone
- Enables users to send money directly from their bank account or Google Wallet to any US email address
- Ability to use NFC technology at participating retailers
- OFFERS "BUY WITH GOOGLE". A CHECKOUT FUNCTIONALITY FOR ONLINE STORES – much like PayPal – that uses stored credentials for faster purchasing
- Available as an app for both Android and iOS
- Offers developers a full suite of APIs for custom use:
- Instant Buy API to optimise payment flow and boost sales whilst maintaining control of payment processor
- Objects API to store loyalty, offers and other physical wallet items in the cloud
- Digital Goods to accept in-app payments



Product developments

- Sep 2013: Introduced support for loyalty cards, coupons, Google Offers within Google Wallet
- Sep 2013: Launched on iOS
- May 2013: Introduced Wallet payment technology into Chrome OS to enable in-app purchases

Business overview

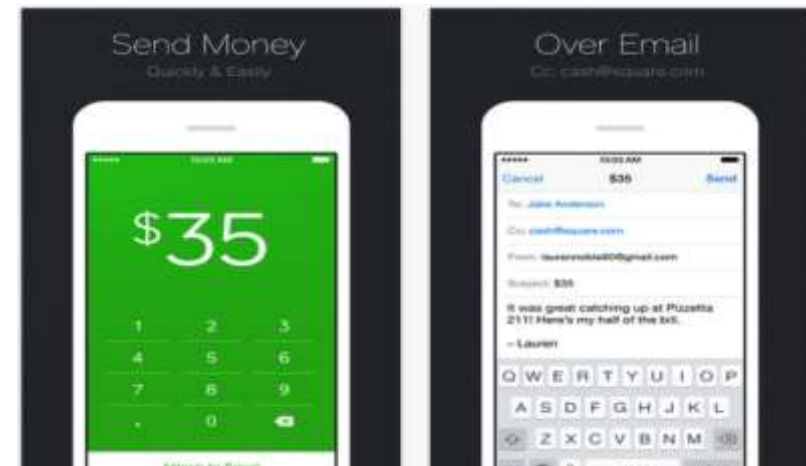
- Founded in 2009 by Jack Dorsey (Twitter) and Jim McKelvey, and based in California, US
- Established to enable small businesses to accept card payments through a small dongle
- Offers a variety of solutions focused on facilitating B2C commerce and payments
- Available in the US, Canada and Japan
- Investors include Sequoia Capital, Kleiner Perkins Caufield & Byers, Khosla Ventures, Starbucks and Citi Ventures
- In September 2012, the company was valued at \$3.25bn
- On 15 October, 2013 Square Cash was launched, allowing US consumers to email money without signing up to Square or through iOS and Android apps

Product developments

- Sep 2013: Launched POS and Accounting integration with Intuit QuickBooks software for small business owners
- May 2013: Square launched in Japan
- Feb 2013: LAUNCHED 'BUSINESS IN A BOX', A POS PACKAGE INCLUDING 2 SQUARE READERS, AN iPad stand and cash drawer for \$299

Product and service offering

- Square offers a combination of hardware and software services to facilitate B2C payments and money transfer:
- Square Reader: A mobile card reader that uses a headphone jack dongle to accept credit card payments
- Square Register: A full POS system for retailers
- Square Market: Online storefront software to enable internet commerce for small retailers
- Square Wallet: A mobile app that stores credit and loyalty card details to simplify and speed up in-store purchases
- Square Cash: A service that allows US users to email money to any American email address



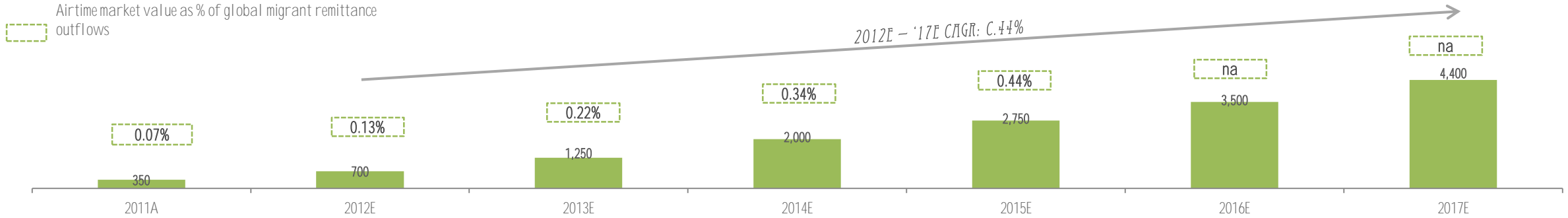
Top up airtime

Global airtime transfer



Top-up airtime

International airtime transfer market (in \$ million) ⁽¹⁾

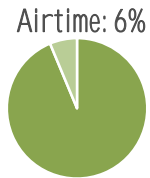


Growth drivers

- c.75% of mobile users globally are prepaid (c.4.5bn mobile prepaid users)
- Prepaid market penetration is extremely high in developing countries (c.70-100%)
- Transfer fees for cash remittance is prohibitively large for the typical small value of airtime transactions
- The World Bank estimates the worldwide average cost for money transfer is c. 9% (global average remittance value is \$350)

Global average remittance value: **\$350**
⁽²⁾

On average 6.3%⁽²⁾ (\$22) of this \$350 is used for airtime⁽³⁾



Cash: 94%

When sent directly as airtime, beneficiaries are usually 2nd order family and friends.

KPIs:

- 3 trxn / month on average per sender
- Sent to 2.5 people / month on average per sender
- 80% of transfers are typically recurring

CASH REMITTANCES USUALLY SENT TO SENDERS' IMMEDIATE FAMILY

The total airtime market may be significantly larger than \$1.2bn (in 2013)

- If 6.3% of all remittances⁽³⁾ are ultimately spent on prepaid airtime, this suggests the global addressable airtime market is potentially \$35bn in 2013 (total migrant remittance outflows of \$559bn estimated)

Note: (1) Value of cross-border airtime sold (market gross revenue) (2) Based on Anthemis estimates (3) Both through direct airtime transfers and cash purchased top-up using remitted money

Source: Berg Insight (for airtime market value), the World Bank (for remittance market value)

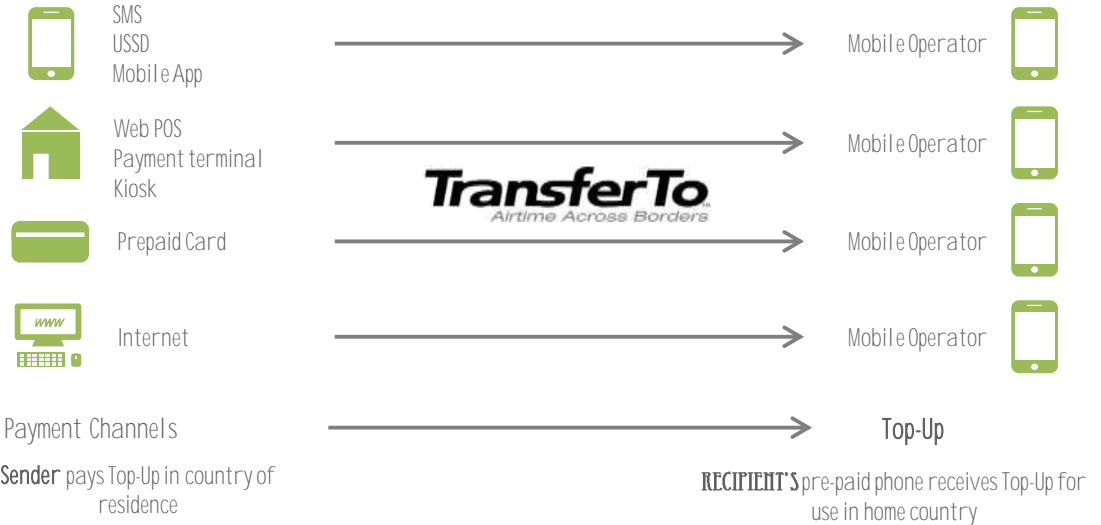
Business overview

- TransferTo is the #2 global player in airtime transfer and cross-border top-up services, and is by far the global leader within the Phone to Phone segment with around 80% market share worldwide
- The company has an extensive network of 260 mobile network operators in 92 countries globally
- A single interface for mobile operators, retailers, financial institutions and international telecom providers reaching 3.6bn prepaid users
- Services are offered B2B only, with clients able to provide airtime remittance services over three channels: POS to phone, web to phone and phone to phone
- Utility payments are currently being piloted for top-up electricity and cable in 2 countries
- Owned by Ingenico, highlighting the significance of the sector:
 - Series A funding of \$3m in October 2009
 - 52% stake acquired for \$19.4m in July 2010

Recent developments

- May 2013:** Partnered with Vodafone Albania to provide International Airtime Top-Up service
- Feb 2013:** Partnered with Lebara Australia to offer International Call Credit Transfer services

How it works



BiBiTel

Top up airtime



Business overview

- BiBiTel is owned by Digitech Communications and based in London
- Digitech was founded in 2006 and is based in London with offices in US, India and Taiwan
- BiBiTel was initially piloted in 2012
- Offers SIM-Skin technology that attaches to existing SIM to enable international calls at hugely reduced rates
 - Prices to the US around 99% cheaper than major carriers
- Calls are available to c.230 countries

Price comparison vs. UK providers:

T-Mobile	3	vodafone	orange	O2	Virgin mobile	Avg. Price	BIBITEL
£0.90	£0.56	£1.50	£1.00	£1.54	£0.20	£0.95	£0.01

Recent developments

- Mar 2013: Expanded operations and establishing offices in the US
- Mar 2013: Launched SIM-SKIN technology to enable mobiles to make international calls

Selected partners



Product offering

<http://www.youtube.com/watch?v=euhkPoHXtAE>

Business overview

- Private company based in the USA and established in 2010
- Provides international mobile top-ups and micropayments
- Maintains mobile operator partnerships in c. 50 countries, including Central America, S. America, Caribbean, Asia and Africa
- Over 150k partner POS locations serving millions of expatriate, immigrant and prepaid wireless customers both banked and unbanked
- Customers can send funds from 15 countries and receive in 35 countries
- Emphasis on the flexibility and scalability of product and app offering, as well as ease of establishing interface and integrating with new partners

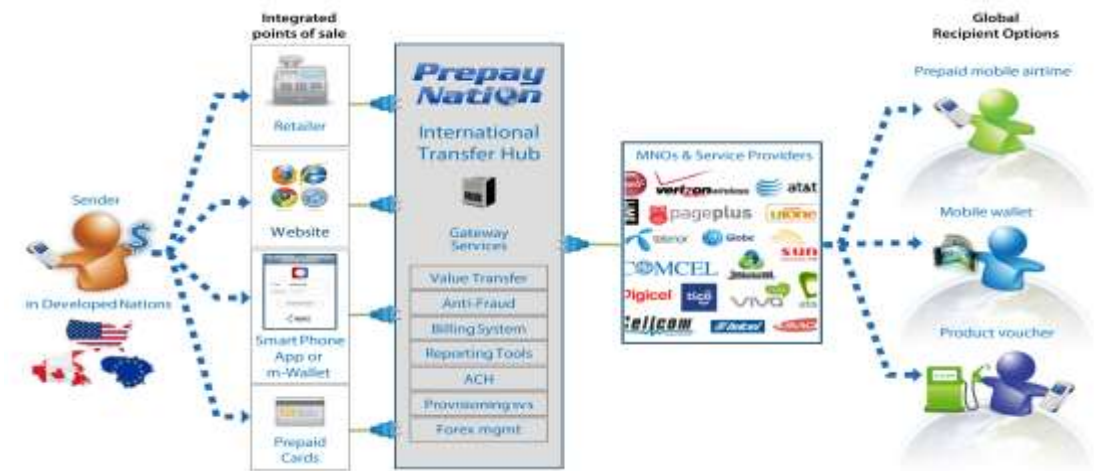
Recent developments

- Oct 2013:** Launched mobile wallet partnership with Tagattitude (Provide mobile money and NFC technology systems)
- Jun 2013:** Announced a global partnership with Lycamobile (Offers cheap international calls to Asia, Africa, Europe and America)
- Mar 2013:** Partnered with Jawwal, a major Palestine-based mobile network operator

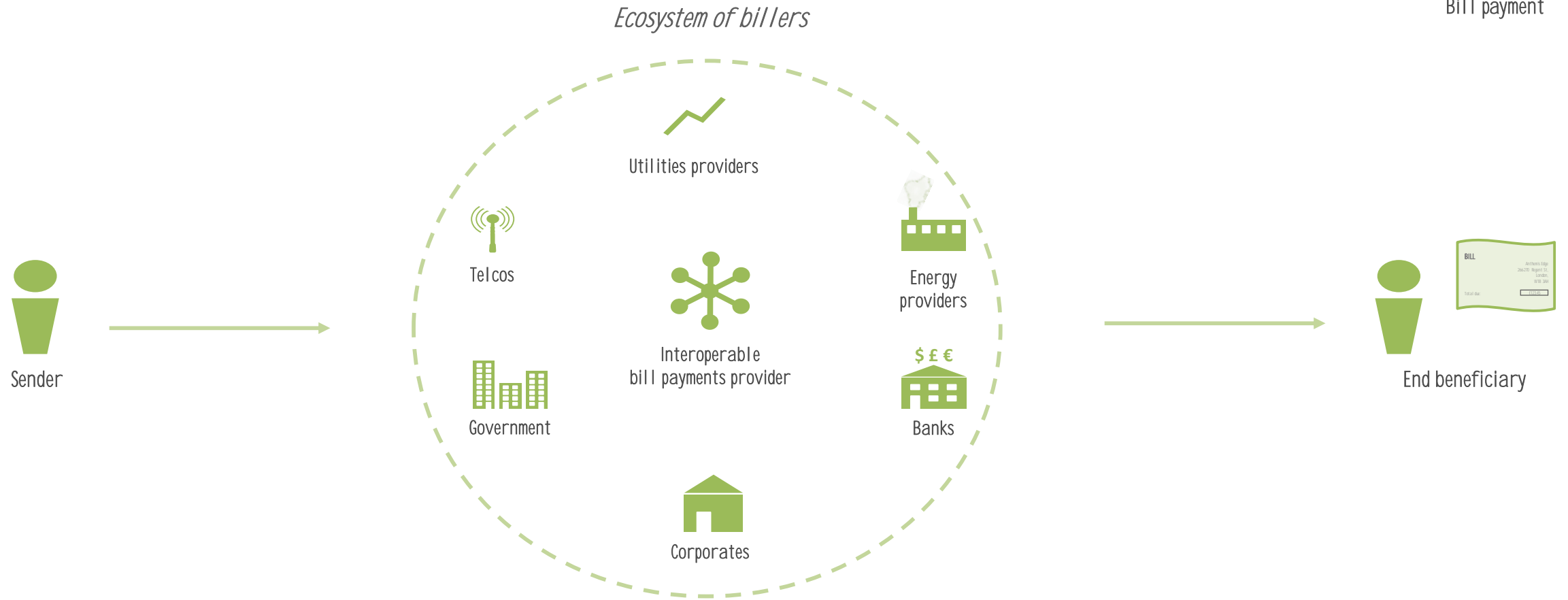
Product and service offering

Main products include:

- Mobile top-ups: Offers international mobile top-ups utilising the pre-paid mobile ecosystem to transfer airtime to recipient mobile devices internationally (through mobile operator and distributor partnerships)
- Micropayments: Provides micropayments utilising its platform and network of operators and distributors. Expatriates without a bank account can send small currency denominations



3 Bill payment



- The **sender** transfers funds to the bill payments provider
- The **bill payments provider**, who has developed an ecosystem of affiliated billers across various industries, uses the received funds to clear the outstanding bill of the end beneficiary
- The **end beneficiary** receives a notification from the bill payments provider, confirming that his outstanding bill payment was paid by the sender

Business overview

- Founded in 1998 and headquartered in Houston, US
- Provides consumer and business payment solutions to empower online bill payments, mobile top-ups and prepaid long distance
- Facilitates c.\$3bn in payments annually with more than 3m customers
- 35,000 retail locations
 - 100,000 prepaid top-up locations
- Used by c.4,000 banks and financial institutions process bill payments

Recent developments

- **Aug 2013:** Launched Evolve Money, an online and mobile app allowing consumers to pay more than 10,000 bills
- **Jun 2013:** Launched PayConnect, a bill payments system that allows 80% of transactions to be delivered on the same day they are paid and uses QR codes:



Product and service offering

Consumer solutions:

- Cash bill payments available at more than 10,000 providers for telecommunications, utilities, insurance
- Smartphone banking; no credit check or bank account required
- Prepaid debit cards for online shopping, bill payment and paycheques
- Online bill payment

Business solutions:

- Retail walk-in bill pay and mobile top-up services
- Mobile payment apps
- Online payment portals
- Processor & Financial Institution expedited electronic payment services
- Compliance & risk management facilities

Business overview

- Founded in 2012 and headquartered in Miami, US
- Provides cross-border bill payment services for immigrants, of whom c.83% are unbanked, generating additional revenue streams for money stores and improved payment rates for utility companies
- In-store services available in c.200 Florida, US locations and growing rapidly
- Enables payments to utilities in Guatemala, Mexico, El Salvador, Nicaragua and Ecuador
- 2013 pilot generated a 66% user retention rate:
 - 1,000+ accounts and 2,000+ bills paid

Product developments

- **Sep 2013:** Partnered with Ficohsa Express to provide BlueKite services for the US customer base of Ficohsa Express
- **Sep 2013:** Launched in Ecuador, Nicaragua and Panama
- **Sep 2013:** Raised \$1.5m seed capital from PeopleFund and founding team

Product and service offering

- Supports 18 major utility providers across Guatemala, Mexico, El Salvador, Nicaragua and Ecuador
- Uses a patented process built on prepaid accounts to perform bill payment in real-time and avoid expensive cross-border cash transfer fees at the point of transaction
- Returning customers are recognised by their phone numbers, making repeat transactions easy
- Charges a \$2.95 transaction fee
- Money stores receive \$2 per transaction

Business overview

- Founded in 2004 and headquartered in London, UK
- Provides mobile banking, payments and commerce network solutions worldwide
- Its solutions enable financial institutions and other service providers to offer a range of implementation, design, development, support and managed services
- Offices in the UK, US, and Hong Kong
- Following the acquisition of Clairmail, a California-based mobile banking and payments specialist, MONITISE'S strategic partner and client base includes over 350 financial institutions, payments companies and technology businesses



Recent developments

- Oct 2013: Rewards Now and Acculynk joined the Monitise cloud and commerce network
- Oct 2013: Updated the Monitise Americas platform to include Hybrid Cloud, On-Premise architecture, modular components, and identified and authenticated state capabilities

Product and service offering

Develops products that allow consumers to bank anywhere, pay anyone and buy anything from mobile devices:

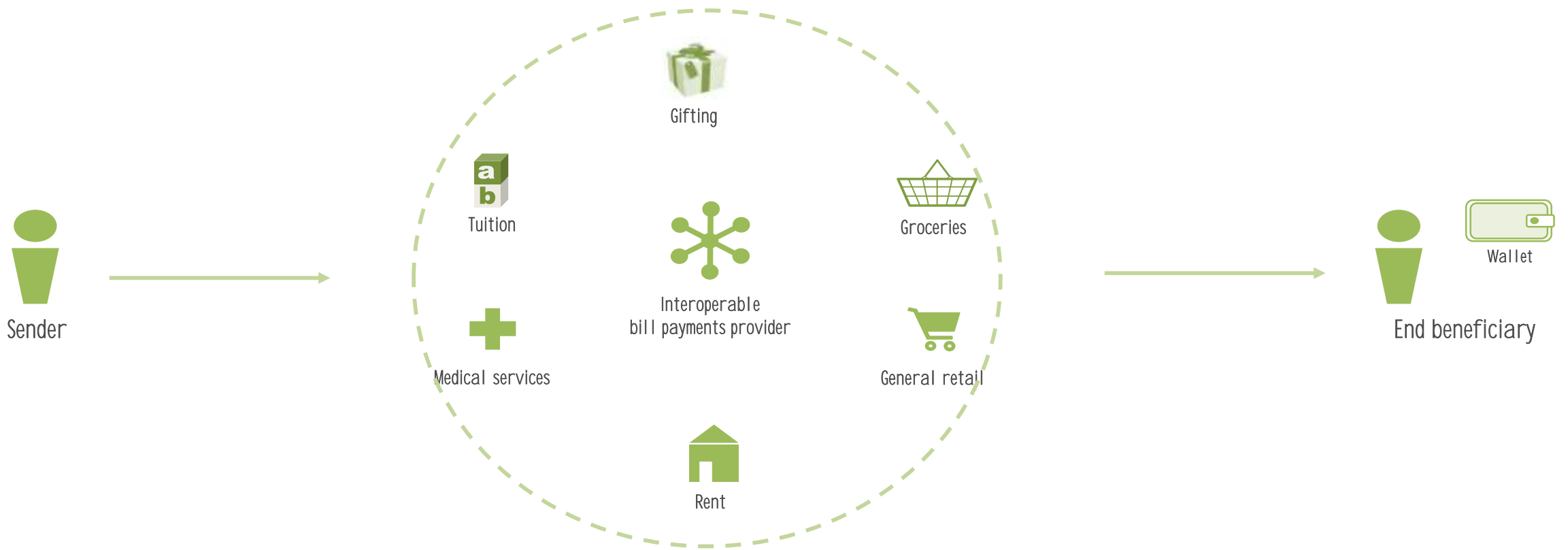
- **Bank Anywhere:**
 - 20 million registered users
 - Allows users to check balances, remotely deposit cheques, engage with PFM tools, conduct Business banking, transfer funds, monitor transactions and find ATMs and branches
- **Pay Anyone:**
 - Enables mPOS card payments, bill payments, P2P transfers, charity donations, international remittances, the purchase of foreign currency and NFC transactions. It can also top-up airtime credit and serve as a mobile wallet for the underbanked
- **Buy Anything:**
 - Offers an instant mobile checkout platform, mobile marketplace software and mobile marketing tools to reach consumers

4 Pay for services



Pay for services

Ecosystem of affiliated merchants and service providers

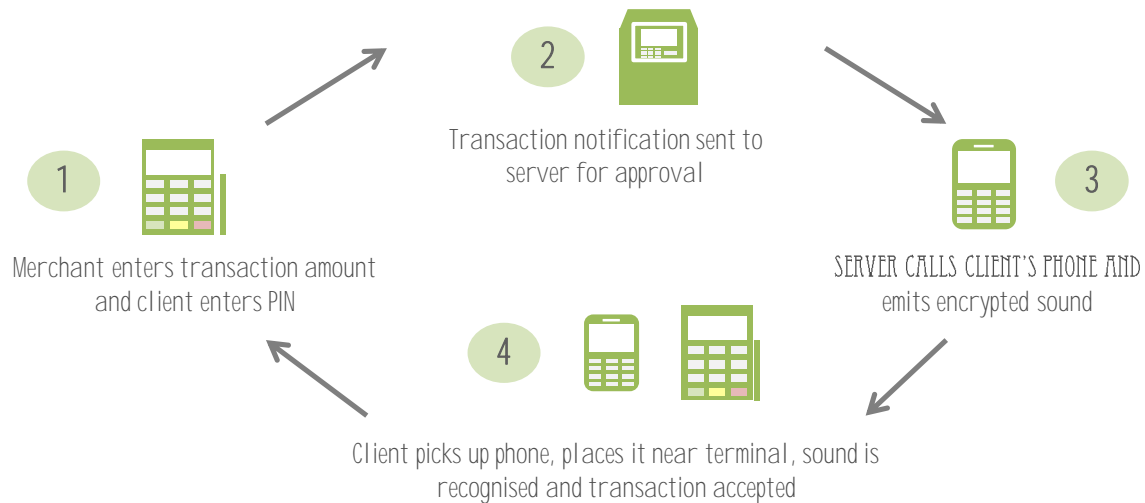


- The **sender** TRANSFERS FUNDS TO THE “PAY FOR SERVICES” PROVIDER
- The **“PAY FOR SERVICES” PROVIDER**, who has developed an ecosystem of affiliated merchants and services across various industries, uses the received funds to fund the virtual account of the end beneficiary
- The **end beneficiary** RECEIVES A NOTIFICATION FROM THE “PAY FOR SERVICES” PROVIDER, CONFIRMING THE AVAILABLE AMOUNT THAT HE CAN SPEND ON ANY MERCHANT within the ecosystem
 - Any outstanding amount after the initial purchase is maintained as a form of credit (to be further used within an affiliated partner of the ecosystem)

Company overview

- Founded in 2013
- Offers African migrants the ability to remit dedicated funds
- Users pay directly for goods and services in specific POS terminals in pharmacies, grocery stores etc.
- There is a 5% fee with no minimum charge
- 4,500 registered users
- Geographical presence in Ivory Coast (Abidjan), Benin (Cotonou) and Senegal (Dakar, Saint Louis, Touba)
- Uses Near Sound Data Transfer technology to securely transfer funds

Transaction process



Product offering

<http://vimeo.com/67797002>

Merchant services



Food



Gifts



Funerals



Hospitals, Pharmacies



Bookshops

Recent developments

- **Oct 2013:** Afrimarket will expand its operations to Cameroon as part of its plan to cover the African diaspora
- **Mar 2013:** Partnered with Tagattitude to build Afrimarket on the TagPay platform

Business overview

- Founded in 2012 with offices in Bulgaria and Canada
- An online service to send vouchers internationally
- Vouchers can be collected at store kiosks or delivered to an address and then redeemed in partner retailers
- SECURED FUNDING FROM THE EU'S EUROPEAN FUND FOR REGIONAL DEVELOPMENT
- Launching in January 2014 with a top 20 global retailer secured, more partners to follow

How CashWave works



Product and service offering

- Allows shopping vouchers to be sent online internationally
- Supports payments from Visa, Visa Electron, MasterCard, Maestro and ePay.bg
- For consumers:
 - Funds travel faster than bank transfer
 - Removes hidden fees and FX/transfer charges
 - Sender maintains control of use of funds
- For retailers:
 - Increased client acquisition and revenue growth
 - Prepaid service delivers revenue in advance
 - Electronic transaction reduces cost of cash handling





Con:
vou

loaded voucher in store

Business overview

- Launched in 2007 by TimesofMoney
- Based in Mumbai, India
- An online platform allowing non-resident Indians (NRIs) to purchase gifts, property and send remittances in India
- 30 million NRIs across the globe (1.2 million are TimesofMoney customers)
- 2012-13 remittances to India valued at \$63.3bn, primarily used for family maintenance and investments
- Property Edge, part of Window2India, has alliances with over 150 developers across India and closed over 500 NRI property sales in last 3 years
- 'THE FIRST EXCLUSIVE SERVICE OFFERING GLOBAL BENEFITS TO NRIs'*

The Gift Store



Product and service offering

Window2India THE GIFT STORE

- Home and lifestyle, gift vouchers, digital cameras, birthday, anniversary, apparel, jewelry, spiritual products, Indian food, chocolates and Corporate gifts

PROPERTY EDGE

- Real estate available in major Indian cities like Mumbai, Pune, Bengaluru, Hyderabad and Chennai
- Provides end-to-end services including bank loans, documentation, due diligence and re-sale projects



for select products and services globally (travel, health care, entertainment, and more)



marketing solutions for advertisers wanting to connect with NRIs globally

Marketing Solutions

Where is the industry heading?

A new paradigm in financial services

Key technological & cultural shifts from industrial to information economy

focus on products and transactions

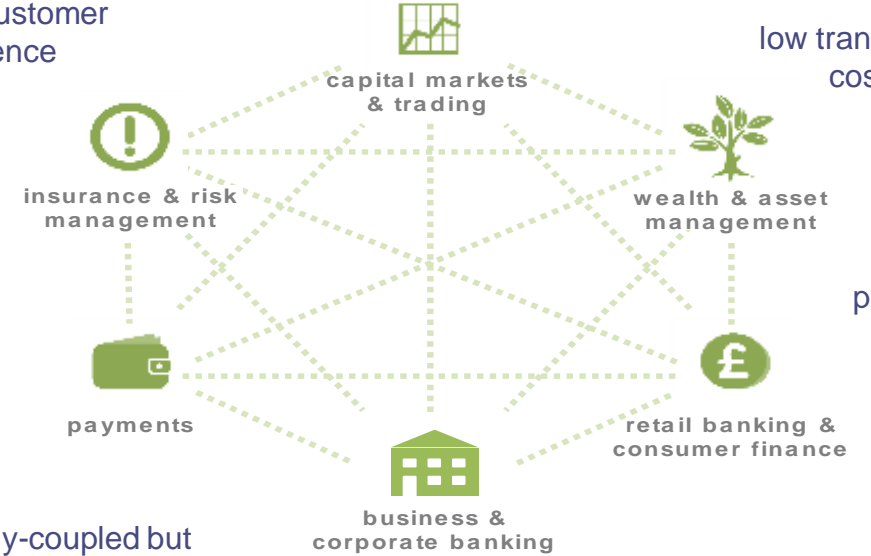
high transaction costs



focus on customer experience

“everything” as a service

low transaction costs



platforms & apis

loosely-coupled but highly networked

information abundance

transparent

vertically integrated

information scarcity



industrial economy



information economy

opaque

A global interoperable hub

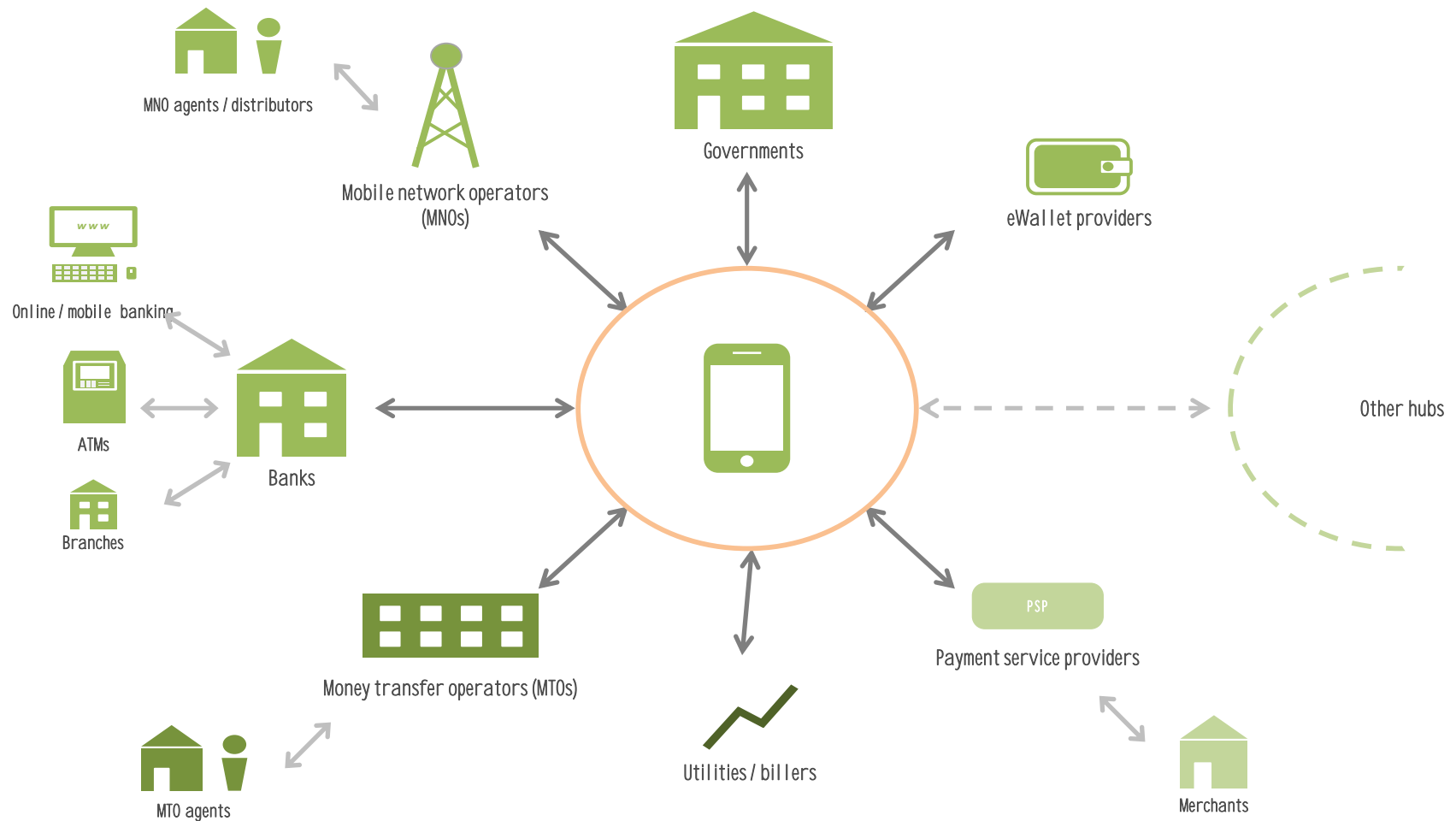
Collaborative vs. competitive



KYC



Compliance



FX



Lending



Credit scoring

Anthemis Group overview

Re-inventing finance for the information age

anthemis | group

investments

A portfolio of 22 high-growth digital ly native financial services companies

advisory

anthemis | edge

Business advisory combining elements of a strategic consultancy, expert network and design firm for financial services

FT Advisors

Specialist M&A advisory with a focus on financial technology including payments, exchanges and financial software

anthemis | talent

Talent and Leadership advisory, focused on helping clients recruit, retain, and develop world class executives

labs

Combines elements of an incubator, accelerator, academy, network hub and industry forum to develop innovation and concept commercialisation

Advising, transforming and investing in a new competitive environment

We help our clients compete, differentiate, grow, and re-invent their future:

- An enormous opportunity exists to harness technology to fundamentally rethink how financial services are designed, consumed and delivered
 - Anthemis Group is thematically focused on financial services; financial technology, payments and capital markets
- We bring creative operational know-how, deep domain expertise and a singular perspective on new business models within finance; across both developed and emerging markets

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