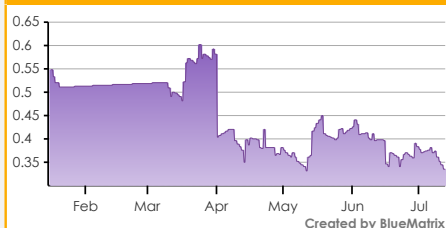


14 July 2021

### Financials

<b>52-WEEK HIGH</b>	<b>£0.96</b>
<b>52-WEEK LOW</b>	<b>£0.04</b>
<b>PRICE</b>	<b>£0.33</b>
<b>MARKET CAP MLN</b>	<b>£114.34</b>

### Share Price



### Major Shareholders

Shares in issue	34,232,650,472
Avg Three-month trading volume	226,801,307
Primary Index	LON

### Company Information

**Address:** Scott House, The Concourse, London SE1 7LY  
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### Analyst Details

Ed Stacey  
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## Supply@Me Capital - Innovative inventory funding

### Supply chain funding programmes moving forward

Supply@ME Capital PLC (LON:SYME) offers an innovative technology platform to provide inventory monetisation, which can enable a wide range of manufacturing and trading businesses to improve their working capital position (via a “true sale” of the inventory to special purpose vehicles) and also provides a new asset class to investors.

Supply@ME has a deep pipeline of inventory to be purchased from client companies — some €2.2bn equivalent of inventory to be monetised. During the remainder of 2021, Supply@ME intends to undertake monetisation strategies via the following routes:

- Supply@ME has entered into a term sheet with an Italian Banking Group to acquire 10% of the capital of a fintech licensed bank, with the option to acquire an additional 10% within the following two years. This direct investment will be aimed at having both a multi-annual funding plan and a client company origination alliance and will allow Supply@ME to start immediately arranging of the first inventory monetisation transactions in Italy. Details of this deal are were announced on 29 June 2021.
- The company has also agreed an exclusivity agreement with a global investment fund that will become the first external inventory funder for the Supply@ME inventory securitisation programme with reference to UK and UK common law client companies;
- Further tranches of inventory securitisation notes will be offered to the open market, including via a Shariah platform; and
- By virtue of the agreement with the Italian Banking Group, the company will accelerate the completion of self-funding agreements with other banks, which may co-operate closely with the fintech licensed bank

In addition to its pipeline of inventory monetisations, Supply@ME has a second revenue source coming on stream through its acquisition of TradeFlow Capital Management, which specialises in commodity trade finance, using a non-credit approach for inventory in-transit transactions, akin to Supply@ME's current platform offering for warehoused goods. This acquisition will provide the enlarged Supply@ME group exposure to an expanded international customer base, and a range of deal synergies, including with reference to funding options. The deal completed on 6 July 2021.

### Financial outlook

Based on both the inventory securitisation programme and the TradeFlow deal, we expect strong growth in revenues for Supply@ME in 2021, driving a rapid transition to profitability, with further growth in the coming years.

Based on our forecasts of £50.1m of revenue and £29.8m of underlying earnings (EBITDA) by full-year (FY) Dec 2023, we believe that the current market capitalisation of £123m leaves significant upside potential. For example if the market were to apply a 10x multiple to our 2023 EBITDA forecast, this would imply a market cap of £299m, or 143% upside to the current level. We believe that there is potential for the shares to re-rate during the remainder of 2021 as the business plan progresses through its next stages.

Year end Dec 31	Current	2021	2022	2023
<b>Revenue (£m)</b>	1.1	12.1	25.0	50.1
<b>Gross Profit (£m)</b>	0.4	9.7	19.1	38.0
<b>EBITDA (£m)</b>	1.2	7.7	14.4	29.8

**Chief executive officer (CEO): Alessandro Zamboni**

Zamboni specialises in financial services and related strategic and digital models. He has wide experience in advisory and training disciplines. He founded the AvantGarde Group, the parent company of Supply@ME, in July 2014. He is also co-founder of Assofintech, a fintech association representing more than 120 fintech companies in Italy. Prior roles include marketing consultant at L'Oréal (2001-2002); managing director (Milan) at NIKE (2003-2014).

**Chairman: Dominic White**

White has 25 years' experience in public markets. He has held board positions at companies including KCR Residential REIT PLC, Eight Capital Partners PLC and Limitless Earth PLC, as well as at international investment institutions such as Security Capital European and Henderson Global Investors.

**Investment summary**

Supply@ME is a fintech company addressing an under-served segment of the supply chain financing (SCF) market — inventory monetisation. The Supply@ME platform allows companies to enter into a sale and simultaneous commercial agreement (comprising specific mandates to sell) of inventory held on their own premises, reducing their days of inventory held and freeing up vital working capital.

The types of companies that can benefit from the Supply@ME offering can be found across a wide range of industry groups, including wholesalers, food production and general industrials.

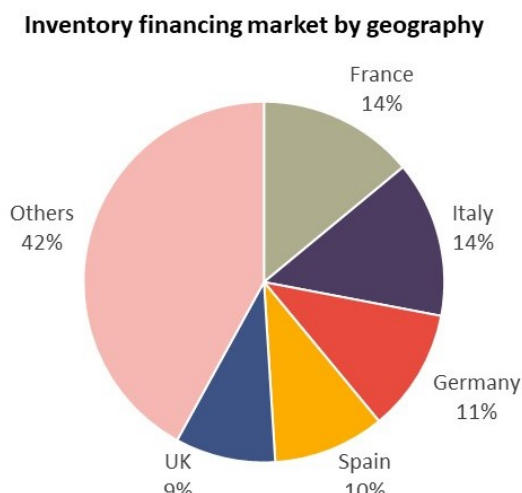
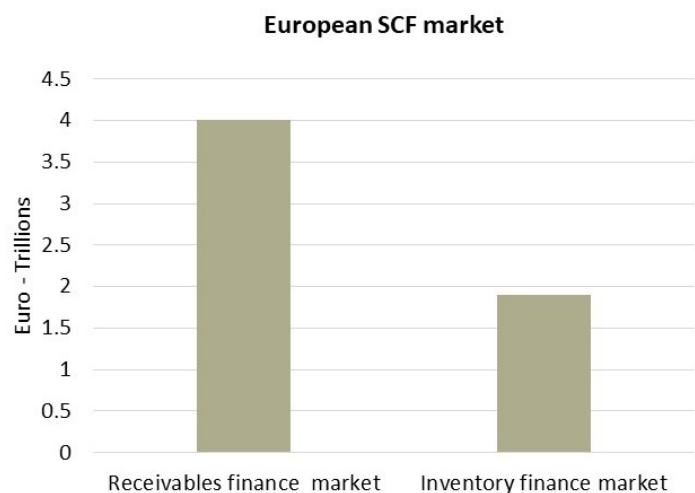
The product offering is not designed as a quick-cash solution for companies with urgent financing needs; rather, it is a tool to be used as a structural element of company balance sheet management.

Supply@ME does not substantially advance funds to companies using its own balance sheet. Rather, the Supply@ME model enables the creation of securitisation notes (asset-backed instruments) to be sold to third party investors, although Supply@ME does maintain a degree of capital input into the structure.

The market opportunity for Supply@ME is vast, initially addressing the European market. This is a large market with a well-developed existing technology infrastructure such as real-time electronic inventory tracking, but still an under-developed SCF market.

The following charts illustrate the scale of the European SCF need.

**The addressable market - Europe only**



Source: Politecnico of Milan data

As shown by the chart above left, the largest segment of the European SCF market is receivables financing. This end of the supply chain already has a growing ecosystem of finance providers offering services such as factoring and reverse-factoring. The inventory end of the working capital cycle is less well served, and this is the opportunity identified by Supply@ME.

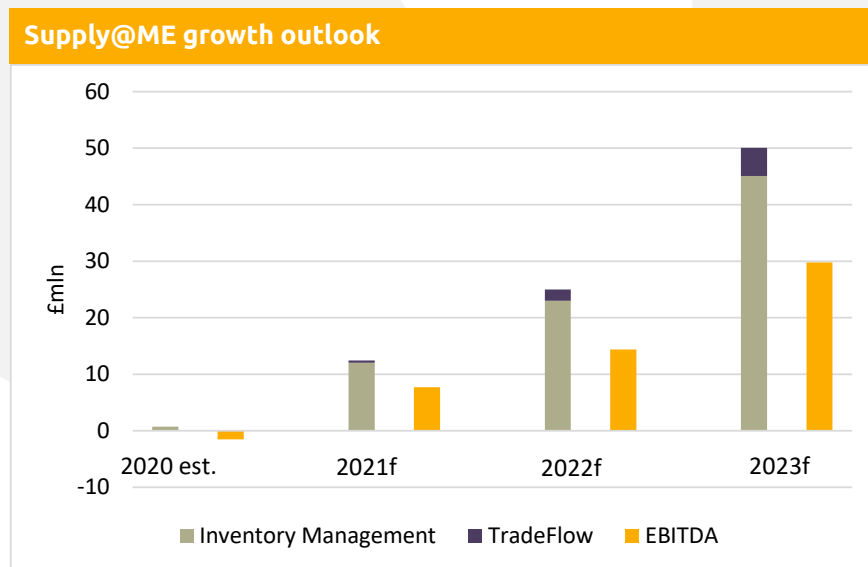
Supply@ME has a substantial existing pipeline of inventory monetisation customers who have demonstrated interest in using the service. During the remainder of 2021 Supply@ME aims to market notes to investors via its various funding routes.

It should be clarified that investors in Supply@ME Capital PLC shares are not buying the issued notes, or gaining direct exposure to them. The notes are a separate investment instrument, with Supply@ME generating fee income on the issuance of these notes.

In addition to its inventory monetisation programme, Supply@ME has also announced a second revenue stream through the acquisition of TradeFlow Capital, which completed 6 July 6, 2021. This is a Singapore based inventory financing company that provides funding — via a non-credit approach — for commodity trades ‘in transit’, with a focus on small and medium-sized enterprises. The deal provides the enlarged Supply@ME group with an additional revenue stream, and will also provide Supply@ME with an enlarged footprint in terms of both funding background, sources and customer origination.

Based on the intended schedule of issuance, and the additional revenue from TradeFlow, we believe that Supply@ME will realise a substantial uplift in revenues during the remainder of 2021. Successful delivery on the current pipeline should help to attract additional corporate clients in our view, and we expect revenue growth to therefore continue in 2022-2023. This revenue carries a strong gross margin for Supply@ME, leading to a rapid transition to positive profitability in our forecasts.

The following chart shows our forecasts for revenue and profit for 2020-2023.



Source: Proactive Research

In summary, we argue that the Supply@ME business model has a number of compelling attractions for investors:

- Addresses a large and under-served market
- A unique and rapidly scalable product and, accordingly, technology platform
- A business model based on fee income rather than on use of Supply@ME’s own balance sheet

**The need**

Working capital management is a big issue for companies across a wide range of industry sectors. In particular, companies can often have a lot of capital tied up in inventory. The following are typical figures for days inventory held by different industry groups according to Supply Chain Digest:

- Aerospace and defence — 47 days
- Speciality chemical — 40 days
- Food retail and wholesale — 23 days
- Diversified industrials — 42 days

**Big revenue uplift anticipated in 2021 and 2022**

**Three key differentiators of the Supply@ME business model**

**Inventory ties up a large amount of working capital for many businesses**

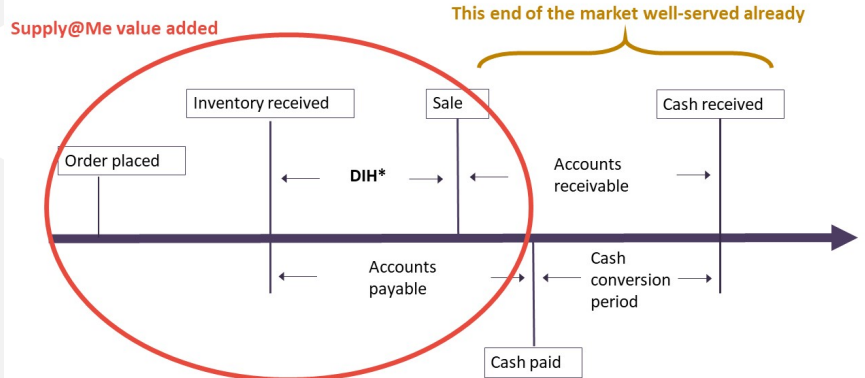
- General retail (non-food, non-apparel) — 62 days

So, for example, a general retailer could have 1/6 (62/365) of a year’s worth of sales tied up in inventory.

The following schematic illustrates inventory within the context of the whole working capital cycle.

Inventory funding is the underserved segment of the working capital cycle

**Working capital financing**



\* DIH : Days inventory held = Inventory/(Cost of goods/365)

Source: Supply@ME

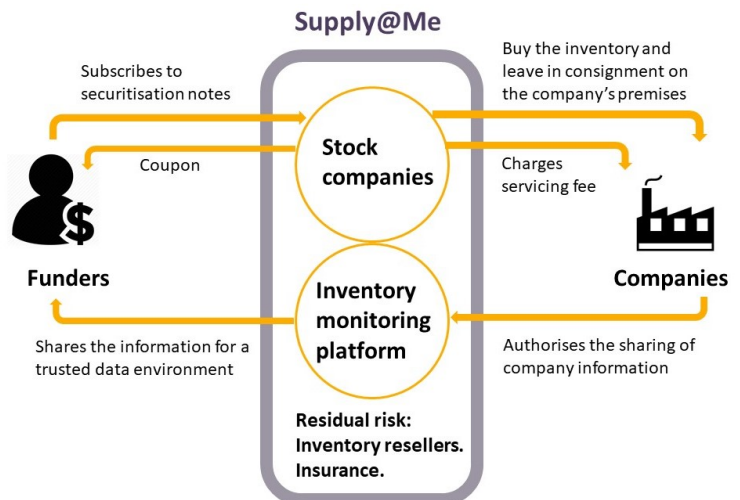
What Supply@ME provides is a monetisation solution for the inventory end of the working capital cycle, allowing businesses to reduce their "days inventory held" metric, and therefore to free up balance sheet resources to be deployed elsewhere in their business.

**The solution**

The following schematic illustrates how the Supply@ME inventory monetisation solution connects companies with funders.

Supply@ME connects funders with companies wishing to release working capital

**The Supply@ME business model**



Source: Supply@ME

The relationship between the client company, Supply@ME, and the funders can best be characterised as follows:

- The client company holds inventories of a tangible value, with a known customer base. The client company wishes to free up working capital;
- Supply@ME, via its funding framework, forms a special purpose vehicle called a stock company. This entity buys the inventory, leaving it physically located on the client company's premises. The purchase is financed by the issue of notes as an asset-backed investment instrument; then
- The funders buy the notes. They will receive an interest payment, and receive their principal back when the inventory is sold to its end customer.

The funders can be any number of entities seeking well-balanced risk/ reward asset-backed fixed income investments. These are the following main channels currently being developed for commercial activity in 2021:

**Open market funding to be achieved through the issuance of securitisation notes**

#### **Open market funding**

Supply@ME has engaged the services of StormHarbour Securities LLP to undertake placings of the asset-backed notes into the open market. We believe that this will become a major avenue of funding during 2021, with activities expected to accelerate once the other two channels (below) have been used to initialise funding activity.

In this regard, during 2020 Supply@ME announced that it would collaborate with a single institution that would exclusively subscribe to the first issuance under the open market funding programme. The institution is a global alternative investment fund with a diversified investment portfolio valued at more than US \$70bn. We expect the institution to be named in the coming months once the terms of the first tranche are contractually agreed.

The open market funding includes also the Shariah version of the platform. The Shariah platform was launched in partnership with iMass Investments and with a European bank that specialises in Shariah funding, and the platform has been approved by the Shariah scholar board. This platform greatly expands Supply@Me's reach within the Middle East-North Africa (MENA) region.

**The Shariah funding capability enhances Supply@ME's access to the MENA region and other markets**

#### **Captive funding**

In September 2020 Supply@ME announced that it had entered into a strategic agreement with the AvantGarde Group (its current main shareholder) and Quadriovio Group (a European private equity asset manager), to support the acquisition of a bank as a captive source of funding.

On 29 June 2021 Supply@ME announced that following discussions between the parties to secure further progress towards the first inventory monetisation transaction and shareholder value creation, the "Captive Funding" strategy had been updated to include the possibility of a direct investment into a fintech bank owned by an Italian banking group (the "Fintech Bank").

**Terms agreed for the captive bank investment strategy**

Following this update to the captive bank strategy, Supply@ME has entered into a term sheet with an Italian banking group to acquire 10% of the capital of a fintech licensed bank, with the option to acquire an additional 10% within the following two years. This direct investment will be aimed at having both a multi-annual funding plan and a client company origination alliance and will allow Supply@ME to start immediately arranging the first inventory monetisation transactions in Italy. Details of this deal are were announced on 29 June 2021.

#### **Self funding**

In 2020 Supply@ME announced that it had been working with two banks to set up self-funding agreements (whereby the bank originates customers and funds directly the asset backed notes).

It is the opinion of the company that the modification of strategy related to the captive funding route will support the development of such alliances.

### A unique and operationally robust technology platform

#### The key technology enabler - the inventory monitoring platform

The Supply@ME platform provides a unique set of legal & digital capabilities that allows the transfer of ownership — through the establishment of a legally backed digital version of physical inventory — and the continuous monitoring of said inventories.

This forms the basis for the transfer of funds to the client company, without physical transfer and is backed by a system of risk controls. The inventory is tracked based on an initial accurate assessment of client inventory control systems, using state-of-the-art tracking technologies (and in the future also the 'Internet of Things'). The system creates an indelible record of transactions (distributed ledger) and an interface between client company systems and Supply@ME's databases. This allows Supply@ME to monitor the progress of inventory towards sale and establishes triggers for any breach of terms or losses.

In addition, the distributed databases are the basis of the reporting to funders in order to create a trusted and transparent digital environment for the benefit of the funders.

#### Residual risks

In the event that the client company is unable to sell its inventory, then the inventory remains the property of the stock company. In order to mitigate any risk of losses in this scenario, Supply@ME establishes a contractual agreement with resellers ("remarketers"), at the start of the process, who will sell the inventory in the event that the client company has been unable to fulfil its obligations. The back-stop of the inventory liquidation strategy (in case of remarketer default) is the agreement with global players like Gordon Brothers/Hilco that supports the platform in both inventory appraisal activities (before each inventory monetisation transaction) and during the final disposal of the unsold inventory.

Furthermore, insurance policies are put in place with investment grade insurers, against any risk of inventory damage, inventory fraud, or reseller non-fulfilment.

Such measures help to ensure that the issued notes represent a well-balanced risk/reward offering for potential funders.



#### An additional revenue source - TradeFlow

In addition to the inventory monetisation platform that Supply@ME has developed in-house, the company announced in May 2021 that it had signed a binding share purchase agreement for the acquisition of TradeFlow Capital, a Singapore-based inventory financing company that provides funding for commodities trade 'in transit', with a focus on small and medium-sized enterprises. The acquisition was completed on 6 July 2021.

The deal provides Supply@ME with an additional revenue stream, and also an enlarged footprint in terms of both funding sources and customer origination. An example of this is TradeFlow's partnership with the International Chamber of Commerce ("ICC"), which will allow TradeFlow to offer its non-lending financing solution to ICC's global network of 45 million chambers of commerce and businesses.

The following table summarises some synergies available from Supply@ME's acquisition of TradeFlow:

**TradeFlow acquisition - synergies across all aspects of the business**

Acquisition synergies		
<b>Synergy:</b>		
<b>Funding</b>	Expansion of the existing TradeFlow Cayman funding structure to create a compartment for inventory monetisation	Captive Bank and other Supply@ME relationships to provide funding origination
<b>Client company origination</b>	The Singapore HQ of TradeFlow to market Supply@ME into Asia/Pacific	Current Supply@ME clients and prospects can access the TradeFlow in-transit facility
<b>Technology platform</b>	Supply@ME to use software modules of the TradeFlow platform in its due diligence	Access to blockchain technology
<b>Operations</b>	Delivery to be combined to manage the digital development of an integrated platform	TradeFlow to use Supply@ME to develop business relationships in Europe, MENA, and US

Source: Proactive Research

**Management team**

As with any company introducing new innovations into the marketplace, an important consideration for Supply@ME Capital has been assembling an executive team with the right breadth of experience to deliver on the company’s strategy.

The following biographies summarise the background of some Supply@ME Board members:

**Chief executive officer: Alessandro Zamboni**

Zamboni specialises in financial services and related strategic and digital models with wide experience in advisory and training. Since 2008, he managed the delivery and the sales operations of a consulting company specialising in regulatory & internal controls for banks and insurance firms. Zamboni founded the AvantGarde Group, the parent company of Supply@ME, in July 2014. He is also co-founder of Assofintech (Associazione Italian per il Fintech e L’Insurtech, 2017), a fintech association representing more than 120 fintech companies in Italy. Prior roles include marketing consultant at L’Oréal (2001-2002); managing director (Milan) at NIKE (2003-2014).

Further, the company has made significant progress in establishing a senior management team, being:

**Group chief financial officer: Amy Benning**

Benning gained chartered accountancy qualifications in New Zealand while working with KPMG on a range of clients spanning from the telecommunications sector to the airport industry. Her experience further extended to working with BP’s shipping arm in the UK, before moving to PwC’s London Capital Markets Team where she spent 12 years focussing on technical accounting, mergers and acquisitions and initial public offerings for a wide range of clients. In 2018, Benning moved to Alfa Financial Software Holdings PLC, a UK main market listed company and developer and provider of software for the asset finance industry. As finance director, she was responsible for the team managing the technical accounting, reporting (internal & external), audit, systems and process

improvement, internal financial controls and transactional accounting. Benning joined Supply@ME in June 2021.

**Group chief operating officer: Stuart Nelson**

Nelson is an experienced credit risk analyst, with global experience of assessing the risk of financing solutions across multiple asset classes. Having begun his career at JPMorgan in the EMEA Emerging Markets Team in 2001, he spent almost two decades in leadership roles at S&P Global Ratings. During his time at S&P, he managed multiple teams across the European office network in London, Milan, Frankfurt, Madrid and Paris, focussing on the assessment of asset securitisation in all sectors, with oversight of ratings on securities of more than €50 billion equivalent over that period. From 2015, he concentrated his attention on the refinement and validation of risk methodologies across a global spectrum of asset classes. Stuart joined Supply@ME in 2020, where he currently monitors all aspects of the risk and operational functions.

**Group head of people: Alice Buxton**

Buxton is an accomplished talent manager, with extensive experience of delivering for global financial services and fintech companies. Before joining Supply@ME, as head of talent at Greensill Capital she built a global people function from scratch, designing and implementing a talent acquisition strategy delivering substantial people growth, increasing operational and cost efficiency, and increasing workforce diversity. Buxton began her career at Ernst and Young, responsible for managing and meeting recruitment targets for multiple service lines and offices, in addition to project management and marketing, before moving to Goldman Sachs. At Goldman, as executive director of human capital management, she focused on EMEA sales and trading populations, working closely with global and regional colleagues to ensure that a long term pipeline of the best talent was attracted, managed and developed, while ensuring partners and other senior stakeholders were engaged with strategic priorities. She joined Supply@ME in June 2021.

**Group head of operations and transformation: Mark Kavanagh**

Before joining Supply@ME, Kavanagh worked for Greensill Capital as head of product risk. Whilst there, he implemented accounts receivable (AR) policies and procedures, installed an AR platform, helped Greensill expand territorially, and trained the credit team on any new product offerings, acquisitions and integrations. Prior to that, he worked for GE Working Capital Solutions (the monetisation arm of General Electric group) for 15 years, heading up their European credit team and managing the auto scoring and decisioning system. Kavanagh joined Supply@ME in June 2021

**Group head of strategic & business developments: Eduardo Revolo**

Revolo began his career in London working in consulting, before moving to work as a business developer for the multi-award winning analytics firm Cybertonica, where he helped with exploring new business opportunities and to structure operations. Within Supply@ME, Revolo heads strategic product development, where he works in parallel with senior management in order to translate the business vision into practical procedures, considering commercial contracts, accounting treatment and funding strategy. Moreover, he has been instrumental in developing the commercial relationship ecosystem, and acts as the main point of reference for corporate clients. Revolo joined Supply@ME in 2019.

**Head of inventory and corporate analysis: Stefano Cavalleri**

Cavalleri started his career in London at a management consulting specialising in telecommunications before moving to GE Capital where he spent over 12 years, focussing on private equity and leverage finance, instrumental in building the largest European lending book for cable TV infrastructure/companies and



supporting the transition towards a regulated environment. In 2012, he joined Bank of America Merrill Lynch as a senior credit officer within the EMEA region, with approval authority for the transportation and healthcare sectors and latterly leveraged finance. In 2016, he became a portfolio manager and credit allocation strategist, first on the public side, for the global lending book of Commerzbank in the technology, media and telecoms (TMT) area and then on the private side helping to structure transactions. With a keen interest in technology Cavalleri made a step into the fintech arena by joining Demica in 2019 where he set up the risk management function and was responsible for conducting and support of due diligence requirements for a number of dedicated investors. He joined Supply@ME in October 2020.

#### Head of product management: Zamir Hashorva

Hashorva began his career in Milan as a product designer, working with domestic and international companies in industrial design, real estate, banking, and fintech. In ten years of experience, he specialised in process flow design and digital transformation, leading teams and coordinating stakeholders in the development of hi-tech and disruptive products. In 2018, he joined the AvantGarde Group as a product manager to support bank clients in digital transformation and improvement of process flows, redesigning the operations in the core business modules of risk management monitoring, loss data collection, reporting, audit & compliance tracking, and business continuity management. Within Supply@ME, he leads the development of the digital platform supported by blockchain ledger and Internet of Things integration, and is responsible for conducting and harmonising the product development workflow between the business operations, risk management, marketing, branding design, and development teams. Hashorva joined Supply@ME in 2020.

#### Progress

Supply@ME has reached an important juncture in its business development, having established a robust legal & technology structure. The following points outline some of the key developments for the business thus far.

#### Timeline of significant events

Date	Event
2014	Business originally founded as part of the AvantGarde Group
2016	First pilot project, with two major Italian banks
2017	Supply@ME established as a separate entity within the AvantGarde Group via a NewCo structure
March 2020	Supply@ME attains a UK stock market listing via reverse takeover deal with ABAL Group
April 2020	Supply@ME engages StormHarbour Securities to manage the distribution and placing of securitisation notes
September 2020	Agreement reached with financial partners to acquire 'Captive Bank'
October 2020	Exclusivity agreement with global investment fund, 'The Inventory Funder', for the first tranche of securitisation notes
July 2021	Acquisition of TradeFlow, a Singapore based provider of financing for commodities in transit
Q3-Q4 2021e	First securitisations completed through the Captive Bank. Completion of the acquisition of the Captive Bank. First tranche of securitisations with the Inventory Funder, and further tranches in the open market

Source: Proactive Research

In terms of the stock market listing that Supply@ME attained in March 2020, it is important to note that Supply@ME does not have any operational association with the old ABAL Group. ABAL was trading as a cash shell under AIM market rules, having disposed of all of its operating assets. Old accounting data listed

Development of the business has accelerated since the listing in 2020

under the SYME ticker relates to the former ABAL businesses, which are not part of Supply@ME, and never have been.

Looking forward, the main catalysts for the Supply@ME share price, in our view, are the inventory monetisations through each of the different funding routes. When these transactions take place, there will be revenue and profit recognition, which drives the rapid transition to profitability in our forecasts.

**Financials**

We believe that Supply@ME is on track to begin recognising significant revenues during FY 2021. The revenue recognised by Supply@ME largely corresponds to net fee income generated from issuance of funding notes. This is broadly proportionate to the value of notes issued, which in turn is closely correlated to inventory under management. Hence, our revenue forecast essentially tracks the growth in inventory under management.

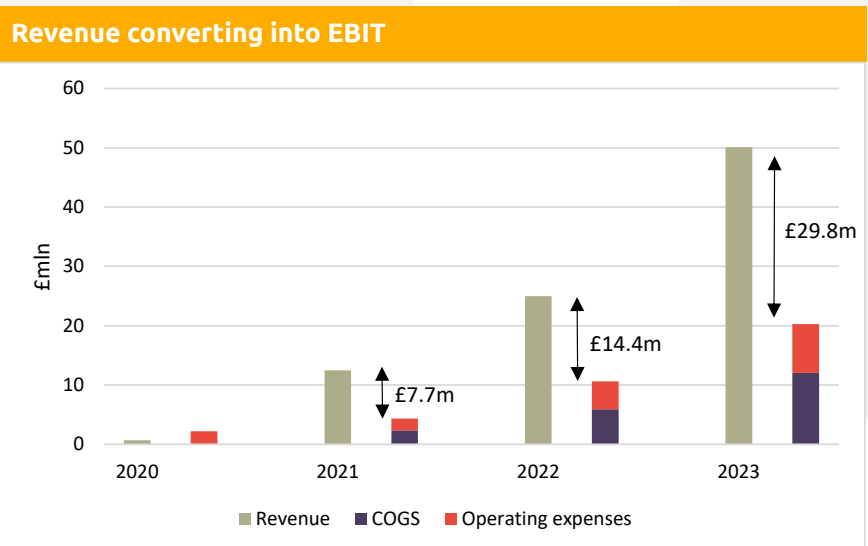
In terms of profitability, Supply@ME will report two streams of profit & loss (P&L) costs:

- Cost of goods sold (COGS) includes the cost of delivering the inventory monitoring system, including amortisation of the intangibles relating to the technology platform, and also the direct selling costs of the funding notes (in particular the costs related to client company analysis); and
- Operating expenses, including general marketing expenses, central costs, and management expenses.

We expect the COGS to remain fairly consistent at around 20% of revenues in the coming years, and hence COGS rises in line with revenues. We also expect some increases in operating expenses as the company seeks to consolidate and expand its market presence.

The following chart illustrates our assumptions for costs relative to revenue over the period through to FY March 2023.

Potential for a fast transition to profitability driven by fee-based revenue

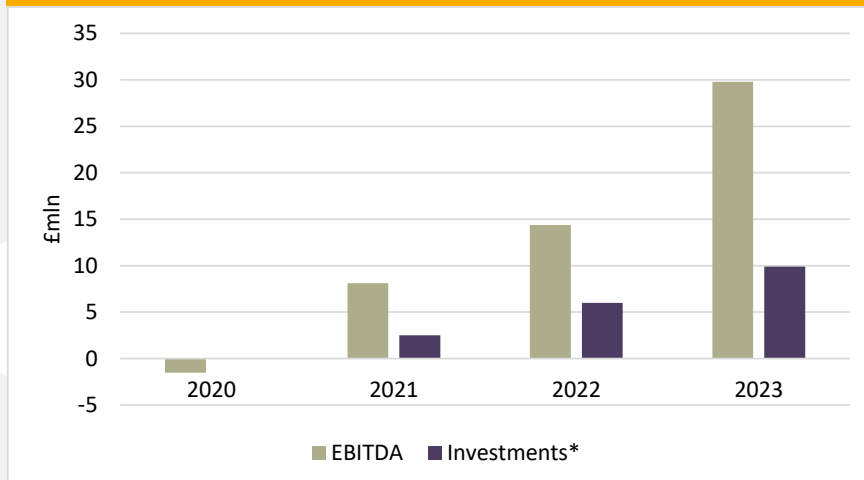


Source: Proactive Research

Based on our assumptions, Supply@ME will become profitable by the end of FY Dec 2021, with profit growing robustly thereafter.

In order to support its growth strategy, Supply@ME intends to make further investments in the technology platform and in marketing expenses. The following chart shows our expectations for further investment relative to EBITDA (as a proxy for cash profit).

### Investments versus EBITDA



Source: Proactive Research

We believe that the investments required by the current business plan are covered by cash flows from the business.

### Conclusion

We argue that Supply@ME Capital represents a high growth investment opportunity in the fintech space, supported by key differentiators, which include:

- Exposure to an underserved segment of the supply-chain financing market — inventory monetisation
- A unique technology platform that provides a legally-backed digital version of physical inventories
- A highly scalable business model with a multi-channel funding strategy
- Opportunities to accelerate the development of the business through the captive bank and TradeFlow deals

We believe the company is now in a position to begin delivering rapid revenue growth and a near-term transition to profitability. Based on our forecasts of £50.1m of revenue and £29.8m of EBITDA by FY Dec 2023, we believe that the current market capitalisation of £123m leaves significant upside potential. For example, if the market were to apply a 10x multiple to our 2023 EBITDA forecast, this would imply a market cap of £299m, or 143% upside to the current level. We believe that there is potential for the shares to re-rate during the remainder of 2021 as the business plan progresses through its next stages.

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