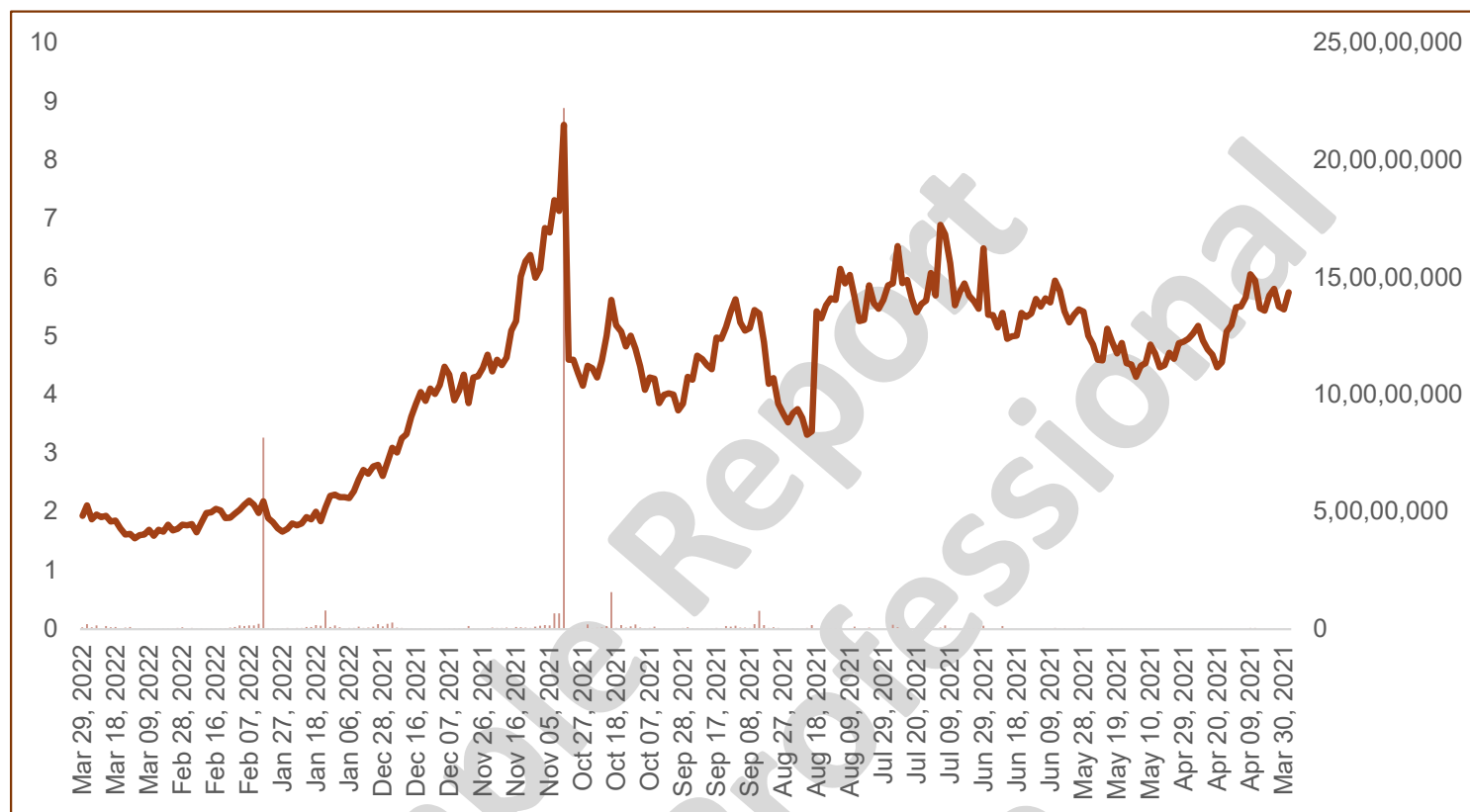


The OLB Group (NASDAQ:OLB)

Follow-Up Coverage Report
US | Technology | Fin-tech

BUY

Current Price: \$1.68
Price Target: \$10.9



Key Metrics

Market Capitalization	24.701M
Avg. Volume	2111513.0
52-Week Range	1.4300 - 12.8000
Beta	0.18

Annual Income Statement

	2020	2021E	2022E
Revenues	9.77	12.24	25.59
Gross Income (excl. D&A)	3.77	4.27	8.95
EBITDA	0.13	0.67	5.55
Earnings Per Share	-0.25	-0.21	0.42

COMPANY OVERVIEW

The OLB Group runs a payment ecosystem for the merchant community which includes electronic payment processing, cloud-based multi-channel commerce platform solutions, and crowdfunding services. The New York-based company offers a wide array of products and acts as a payment facilitator and commerce service provider that delivers fully outsourced private label shopping solutions to highly trafficked websites and retail locations. Its operations take place through three fully owned subsidiaries – eVance, Omnisoft, CrowdPay, and DMint. Each of these products caters to specific needs of merchants e.g.: eVance is a payment processing solution whereas CrowdPay is a white label capital raising platform. DMint is the company's own crypto mining business. The OLB Group also runs a cloud-based omni-channel platform known as ShopFast which helps end consumers have access to and purchase various products and services offered by its merchant clientele. This offering is complimentary to its e-commerce development and consulting services.

INVESTMENT THESIS

This is our follow-up research report on OLB Group and we look to provide a detailed account of the various catalysts that will be responsible for the company's growth in the coming years. The OLB Group faced competition from the likes of Square and Shopify in its standard payment business which is why it has shifted the competitive playground to a space where it is a first mover with a strong competitive advantage – CBD merchants. The company is now offering its electronic payment processing, cloud-based multi-channel commerce platform solutions, and crowdfunding services to CBD merchants through the latest portfolio acquisition. It has also diversified its business into crypto mining through its fully owned subsidiary, DMint. Its financial strength and its reasonable valuation as compared to peers like Square and Shopify make it a solid investment opportunity. Baptista Research looks to evaluate the different factors that could influence OLB Group's price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

- 1. STRONG PAYMENT ECOSYSTEM**
- 2. CBD MERCHANT PORTFOLIO ACQUISITION**
- 3. CRYPTO MINING INFRASTRUCTURE**
- 4. EXPERIENCED MANAGEMENT TEAM**

STRONG PAYMENT ECOSYSTEM

- The OLB Group provides a complete ecosystem of payment solutions to its merchants for a fixed monthly fee. This ecosystem includes PayFac, its payment facilitation solution where it accepts payments on behalf of its SMB clients and assumes the responsibility for Chargebacks, Fraud, KYC (Know Your Customer) and AML (Anti-Money Laundering).
- Using PayFac, OLB is able to rapidly underwrite new merchants and handle their complete PCI compliance. The company uses SecurePay, its payment gateway solution and virtual terminal to handle payment processing issues for customers.

- This offering includes proprietary business management tools which offer a wide array of analytics to them such as details of customer-wise payments, effects of seasonality, and so on to the merchants in order to help them create operational efficiencies.
- The OLB Group has payment integration with all known providers such as MasterCard, VISA, American Express, and PayPal. It has partnerships with a number of banks and financial institutions such as Wells Fargo, Esquire Bank, Chase, MVB Bank, US Bank, Worldpay, and many more.
- Last but not the least, its ecosystem also includes crowdfunding services through its CrowdPay platform, e-commerce solutions through its ShopFast platform which follows the Shopify model, and various other business management and marketing tools for merchants through its Omnisoft platform.
- This completes a holistic offering from the company in terms of an end-to-end fintech ecosystem for its merchant base.
- It is worth highlighting that the company is also in the process of applying for a BitLicense i.e., a full-fledge license to run a complete payment ecosystem around cryptocurrency which would involve merchant lending, a crypto exchange, and much more. This will position the company in the same group as giants like Square.

PRODUCTS			MERCHANT SERVICES
<p>PLATFORM</p> <p>omnisoft omnichannel solutions</p>  <p>Cloud-based business management platform that provides Omni Commerce Solutions</p> <ul style="list-style-type: none"> • onLine • inStore • onMobile 	<p>PAYMENT GATEWAY</p> <p>Secure Pay</p>  <p>Payment gateway and virtual terminal with proprietary business management tools</p> <ul style="list-style-type: none"> • Certified By Visa/MC • Level II and • Level III 	<p>PLATFORM</p> <p>CrowdPay.us crowdfunding platform</p>  <p>Platform to raise capital for issuers and broker dealers</p> <ul style="list-style-type: none"> • Debt • Equity • Donations • Peer 2 Peer lending 	<p>eVANCE</p>  <ul style="list-style-type: none"> • Underwriting • Risk Monitoring • Customer Support • Sales Force • Merchant Boarding • Residual Payments

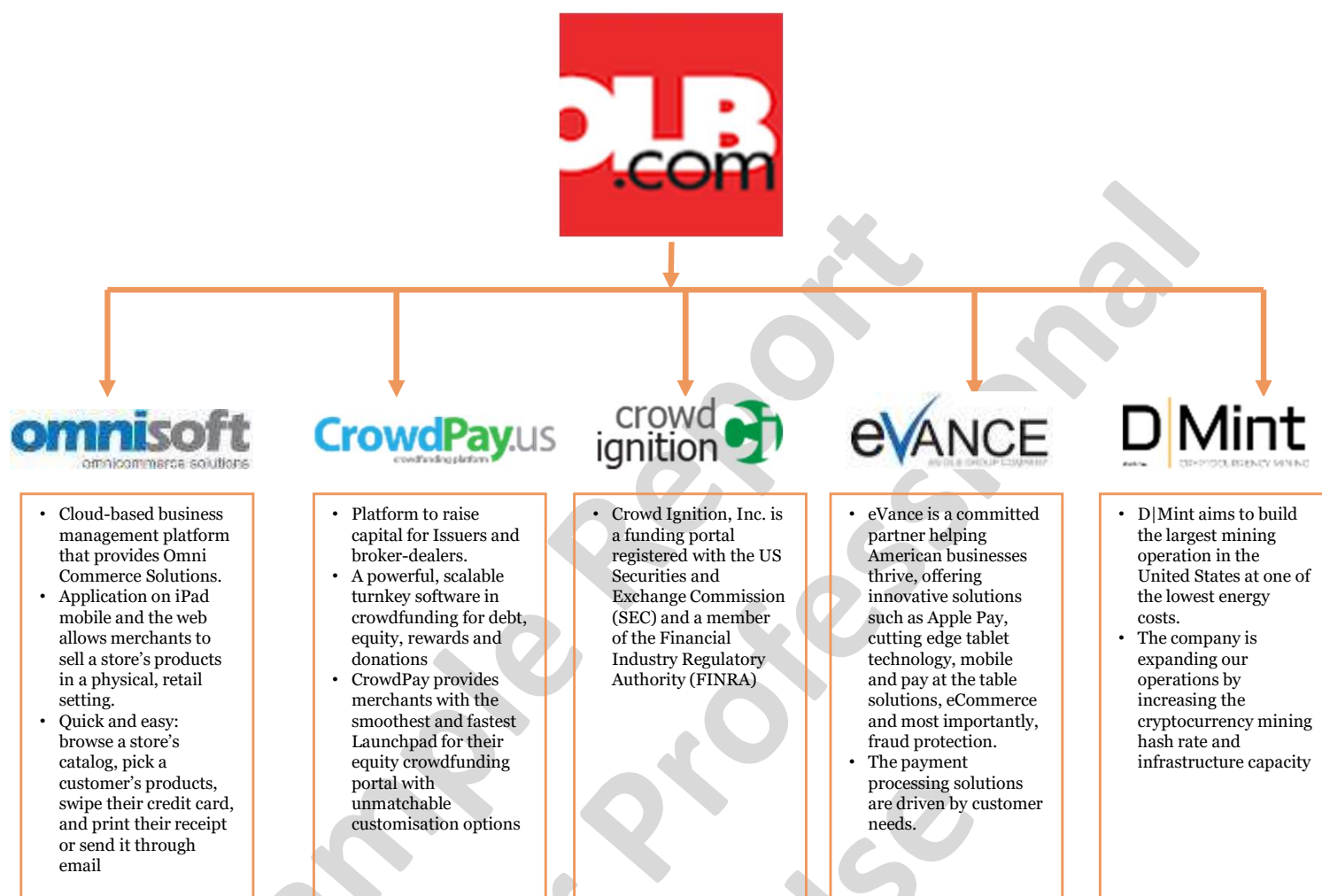


Source: Company Presentation

CBD MERCHANT PORTFOLIO ACQUISITION

- According to a recent announcement from OLB Group, the company has acquired a portfolio of cannabidiol (CBD) merchants that will utilize the company's SecurePay Payment Gateway to process payments.
- The company acquired a merchant portfolio of nearly 1,500 merchants which has demonstrated a solid historical annual transaction run rate and is anticipated to achieve an annual transaction volume of approximately \$400 million in 2022, providing OLB with a strong positioning in the nearly \$3 billion global CBD market.
- The OLB Group is expected to add an additional \$20 million in annual revenue and \$5 million in EBITDA for the company's payment processing business through this acquisition.
- Due to this acquisition, the OLB Group has gained a foundation in the quickly developing CBD Market. Even the management team of the company expects that its top-line will multiply twice after the acquisition of this portfolio.
- To process payments, these new merchants are anticipated to get help from the SecurePay Payment Gateway. Further, this move is expected to help OLB Group to add an experienced and successful sales team.
- It is worth highlighting that as OLB is a first mover in the CBD space and is willing to take a high risk of expanding to the CBD merchants, it has the ability to command a transaction premium (as high as 4% of transaction value) which is why its revenues from this deal are high.
- This deal is just a beginning as the top-level team looks for inflating its electronic commerce Solutions and SecurePay offering broadly inside the CBD Merchant arena.

THE OLB GROUP'S KEY SUBSIDIARIES



CRYPTO MINING INFRASTRUCTURE

- The OLB Group recently announced that the company has signed a long term lease on a 10,000 square foot mining operation with capacity for up to 2,000 Antminer S19j PRO machines.
- Located in an industrial park adjacent to the Bradford Regional Airport in Bradford, Pennsylvania to eliminate potential noise complaints, the facility is in the process of being converted into a cryptocurrency mining data center powered on the local power grid in tandem with natural gas power.

CRYPTO MINING INFRASTRUCTURE

- It is important to note that OLB's first facility in Bradford is currently operating on natural gas. This second facility will be powered from the power grid. This blended power solution lays the foundation to establishing a sustainable, cost-efficient Bitcoin mining operation
- The company had first started its work in the field of crypto last year when it entered into a special agreement to buy all-natural gas directly from wells in Bradford, PA, through Cai Energy Blockchain. The company's announcement indicated that its fully-owned subsidiary DMint,.
- OLB looks to make DMint to become a vertically integrated cryptocurrency mining firm and build out capacity to achieve 500 petahash per second while operating 24,000 miners in the coming 2 years.
- It already has over a 1000 machines active and they are increasing gradually. Being a capex-heavy operation, the company might raise debt to expand its miner base but it should generate anywhere between \$10-12 million through its crypto mining operation in 2022.
- Moreover, it is worth highlighting that the impact of the carbon footprint of the cryptocurrency mining operation on the environment will be very low as natural gas will be taken directly from the wellheads to generate electricity.
- While cryptocurrency mining exhausts electricity at a rate that exceeds the obtainable capability of the traditional power grid, this will not affect DMint's operations as the company will have access to sufficient natural gas to produce electricity required for the initial data centers.
- As a matter of fact, OLB has a very low power cost and should be mining bitcoin with a break even point below \$10,000 (i.e., even if bitcoin prices fall below \$10,000 the company will be profitable).
- DMint provides numerous improved services to empower small-sized merchants, including access to capital and extended crypto commerce services to help the companies compete and stand out in the industry.
- Moreover, the management has taken an aggressive position with cryptocurrency as well as underlying blockchain technology for their cloud-based omnicommerce platforms.
- It is expected that cryptocurrency will significantly impact the payment industry and OLB wishes to be at the forefront of it. The management also expects that DMint's cryptocurrency mining operations will significantly increase the revenue and profit engine of OLB Group for rapid organic growth on a quarter-to-quarter basis.

EXPERIENCED MANAGEMENT TEAM

**Ronny Yakov**

Chairman & CEO of OLB Group

Leading The Entire Business Including The Top-line, Operations, HR, & Finance

- As Chairman and CEO, Ronny Yakov has more than 25 years of experience in concept-to-print, software, and eCommerce marketing experience for Fortune 500 and 1000 companies with a proven background of helping clients adapt their businesses in the new technology age.
- In 1996, he entered into the electronic mail-order catalog business with Playboy Enterprises, creating and hosting two eCommerce sites: Critics' Choice Video and Collectors' Choice Music.
- The company has since developed a number of other branded eCommerce sites for clients, selling a variety of products including sporting goods, chocolates, and cosmetics, and has now partnered with these sites, providing ongoing hosting and maintenance of these sites.
- His other significant accomplishments have included establishing an AT&T eCommerce platform for 180,000 employees' wholesale shopping and working with high-profile clients such as Jack Henry and Associates creating 2,700 eCommerce sites for small community banks.
- Mr. Yakov also developed and maintains a complex extranet/intranet infrastructure that allows Doremus, an Omnicom Communication subsidiary, to provide its advertising services to 50 of the top financial institutions on a real-time basis.

**Patrick Smith**

Vice President, Corporate Finance at OLB Group

Heading The Corporate Finance function and in charge of portfolio acquisitions and fundraising

- Patrick Smith has more than 17 years of finance and accounting experience in the electronic payments and financial services industry. During this time, Patrick has held positions including internal auditor, senior analyst, division controller and Vice President of business development.
- He built and managed financial staff, worked to raise capital, and managed due diligence processes for different mergers and acquisitions. His career began in 1997 as an internal auditor with Concord EFS, an electronic payments processor.
- During his 8 years with Concord, Patrick progressed to Vice President-Controller of EFS Federal Savings Bank, a subsidiary of Concord EFS. As Vice President, he led the growth from \$25 million in assets to over \$400 million. This subsidiary was also responsible for managing over 1500 nationwide ATMs owned and operated by Concord EFS.
- After the acquisition of Concord EFS by First Data, Patrick worked with Pay By Touch, Inc. a biometric payments startup based in San Francisco, CA.
- As Director of Finance, Patrick worked with the CFO and other members of the finance team to prepare financial plans and models to present to investors while raising capital for growth. He was also responsible for due diligence and integration of acquisitions for the company.
- After Pay by Touch liquidated, Patrick was hired as Corporate Controller by National Bankers Trust, a transportation factoring company. After 3 years as Controller, he transitioned back to the payments industry with an opportunity to conduct financial planning and analysis with several large ISOs.

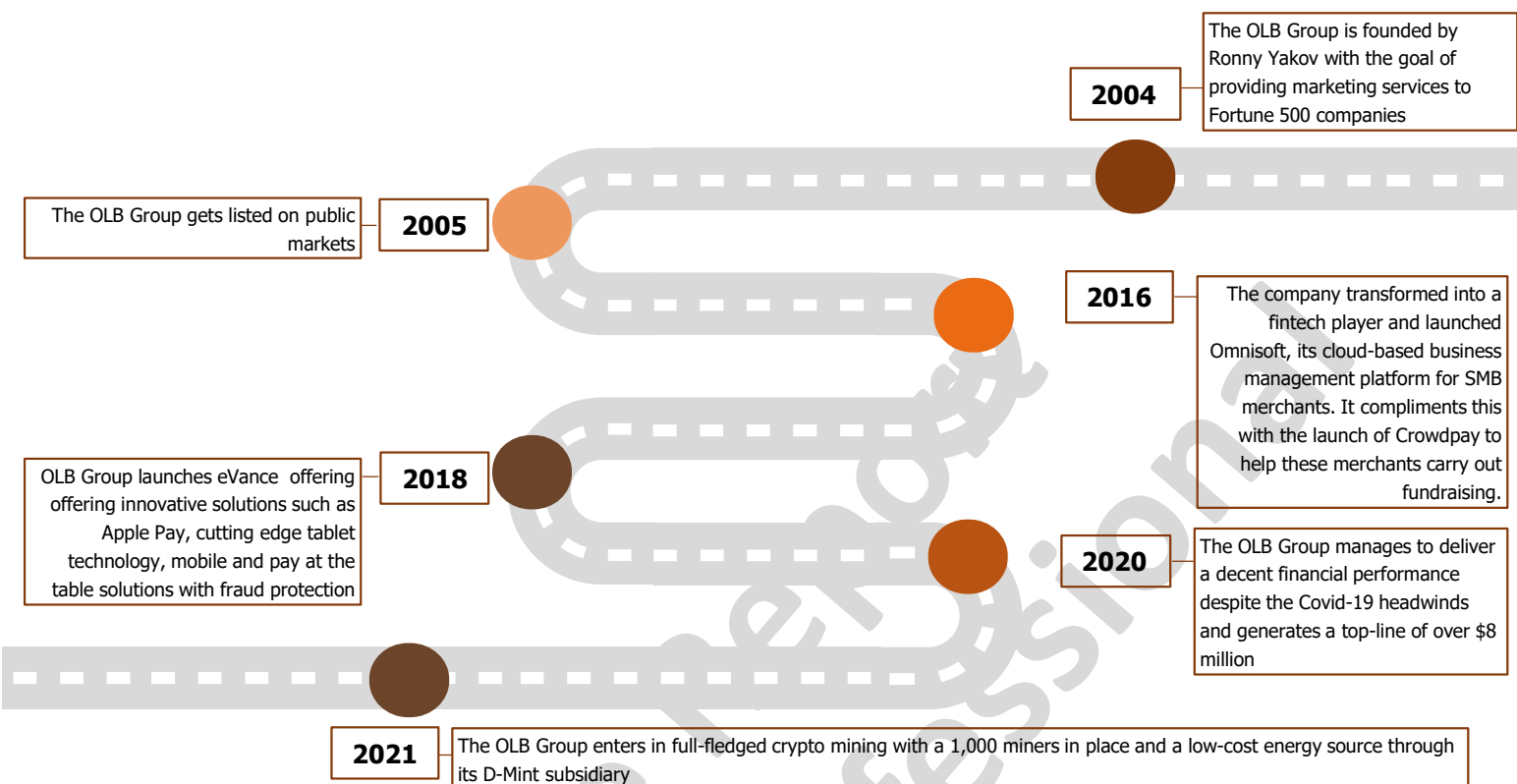
**Rachel Boulds**

Chief Financial Officer and BSA Compliance Officer at OLB Group

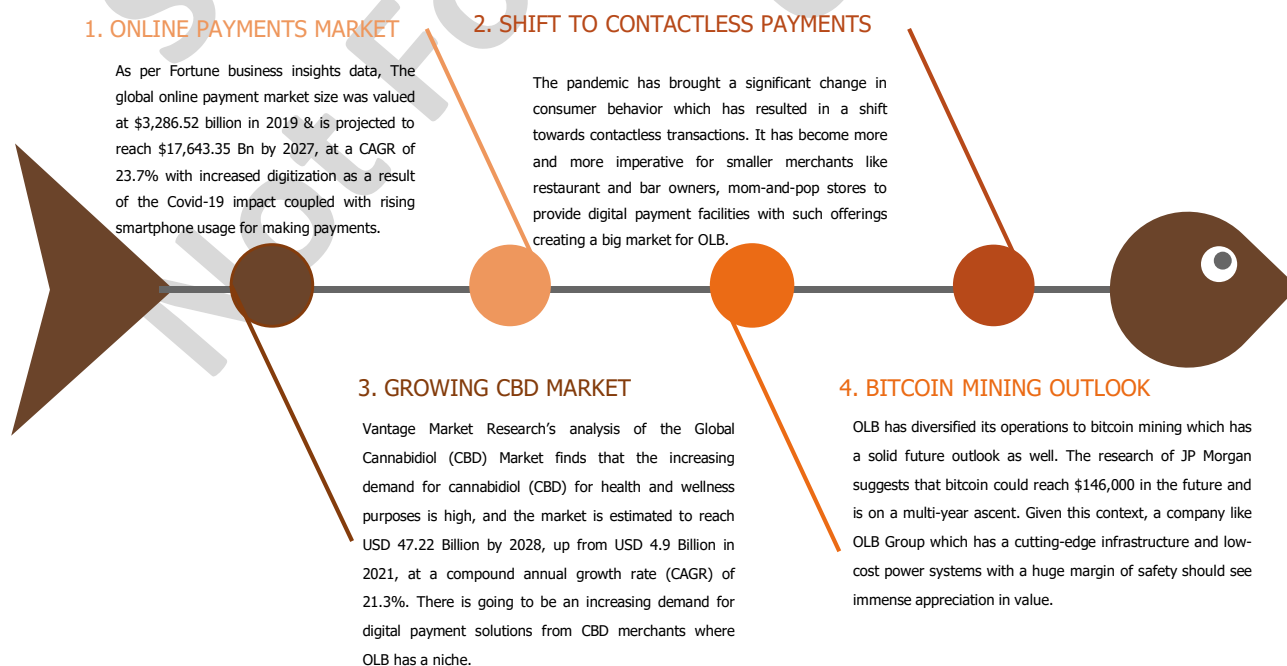
A licensed CPA Handling the complete finance & compliance functions of OLB Group

- As Chief Financial Officer and Bank Security Act Compliance Officer, Rachel Boulds oversees all aspects of the company's Bank Secrecy Act and Anti-Money Laundering Program.
- Over & above this function, Ms. Boulds prepares and files the Company's financial statements to comply with GAAP and the SEC required of all public companies.
- Ms. Boulds was an ABAS associate for PriceWaterhouseCoopers and is experienced in the e-commerce space working as an e-commerce Accountant for the Walt Disney Group's GO.com.
- She earned a B.S. in Accounting from San Jose University in 2001 and is a licensed CPA..

THE OLB GROUP'S JOURNEY SO FAR ...



LARGE ADDRESSABLE MARKETS & KEY MACRO-ECONOMIC FACTORS



ENVIRONMENTAL, SOCIAL, & GOVERNANCE (ESG) EVALUATION

ENVIRONMENTAL

- OLB Group's fundamental fintech business is not harming the environment.
- There is no real risk of greenhouse gas emissions, pollution, waste, excessive water use, etc.
- However, the company's recent bitcoin mining business might pose a small risk if they start relying on non-renewable sources of energy.

LOW

SOCIAL

- OLB Group has a small team of around 30 employees.
- The employee base is reasonably diversified across different nationalities and genders and ethnicities.
- The company has excellent customer engagement with small merchants and the social risk is very low..

VERY LOW

GOVERNANCE

- OLB follows a standard quarterly reporting.
- The company has been carrying out its filings regularly and has also shown good transparency in its reporting.
- The company's management appears sound and there are no ongoing lawsuits against them.

LOW

MICHAEL PORTER'S FIVE FORCE ANALYSIS OF OLB'S INDUSTRY

BARGAINING POWER OF SUPPLIERS

In OLB Group's case, its suppliers are basically its technology vendors, software subscription providers, and mining machine sellers. Their bargaining power is very low because their industry is crowded and has many software developers.

BARGAINING POWER OF BUYERS

The 'buyers' in OLB's ecosystem are the merchants. Now, merchants have a decent bargaining power if they have a large size but OLB's merchant base is highly fragmented which means a low bargaining power.

THREAT OF NEW ENTRANTS

The fintech ecosystem has limited barriers to entry. Developers can easily create their own platform and push their products. However, switching costs for merchants are high so this threat is low for OLB.

THREAT OF SUBSTITUTES

OLB's fintech offering has limited substitutes as it is an absolute necessity for merchants given the rising e-payment trends. This threat is relatively low.

INDUSTRY RIVALRY

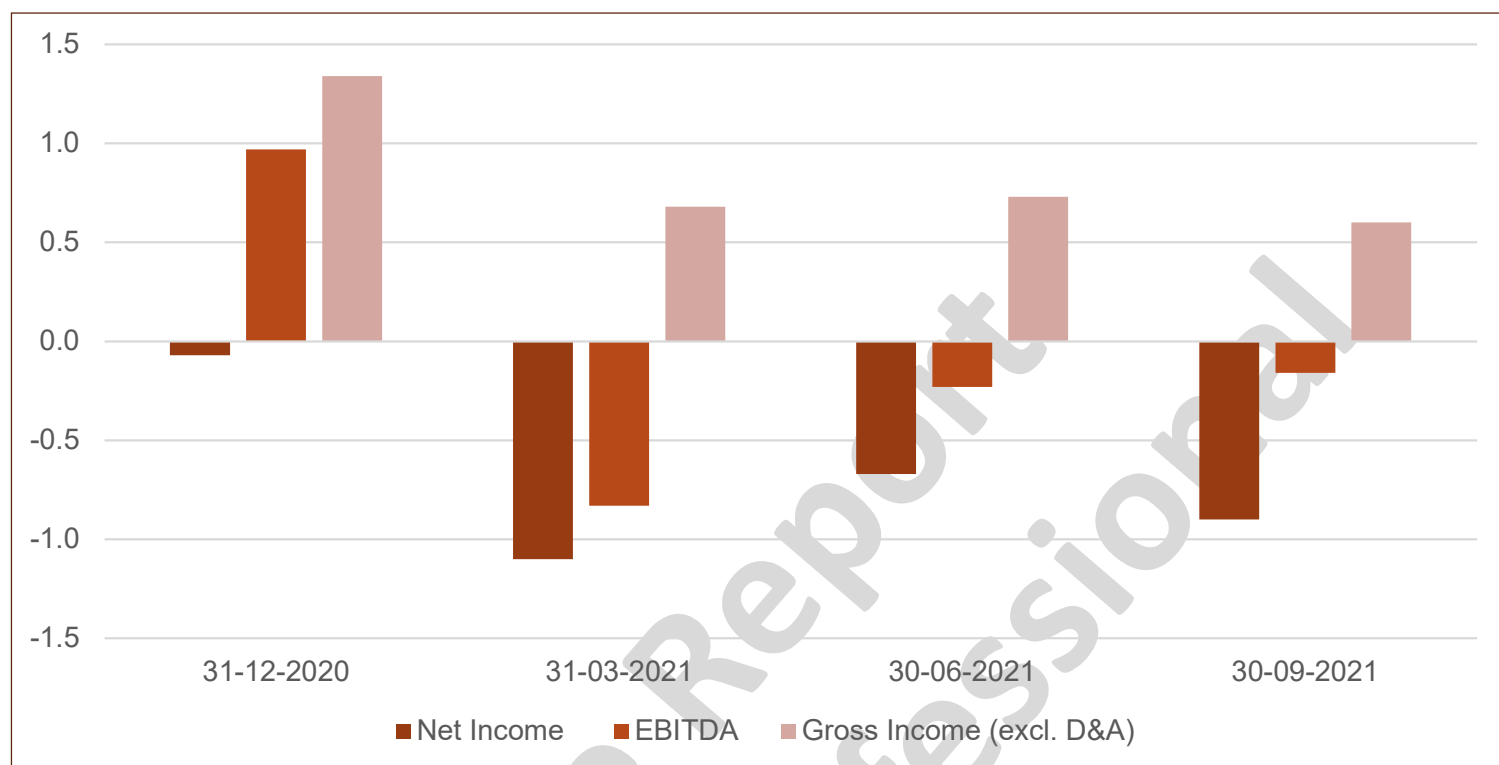
This is arguably the biggest threat for OLB as it competes in a market with giants like Square and Shopify who are also expanding rapidly.

HISTORICAL QUARTERLY INCOME STATEMENT (USD MILLION)

Particulars	31-12-2020	31-03-2021	30-06-2021	30-09-2021
Revenues	2.8	2.2	2.8	2.8
% growth		-21.5%	26.9%	-0.4%
Cost of Goods Sold	1.5	1.6	2.1	2.2
% of revenue	52.8%	69.5%	74.2%	78.7%
Gross Income (excl. D&A)	1.3	0.7	0.7	0.6
% of revenue	47.2%	30.5%	25.8%	21.3%
EBITDA	1.0	-0.8	-0.2	-0.2
% of revenue	34.2%	-37.2%	-8.1%	-5.7%
Depreciation & Amortization	0.9	0.2	0.4	0.7
% of Fixed Assets	8.8%	1.6%	4.7%	3.8%
Extraordinary Expenses	0.0	0.0	0.0	0.0
EBIT (incl. extraordinary exp)	0.1	-1.0	-0.7	-0.9
% of revenue	3.9%	-43.9%	-23.7%	-31.9%
Pretax Income	-0.1	-1.1	-0.7	-0.9
% of revenue	-2.5%	-49.3%	-23.7%	-31.9%
Income Tax	0.0	0.0	0.0	0.0
% rate	0.0%	0.0%	0.0%	0.0%
Net Income	-0.1	-1.1	-0.7	-0.9
% of revenue	-2.5%	-49.3%	-23.7%	-31.9%

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- OLB Group has reported a top-line of \$2.82 million in its recent quarterly result which is a -0.35% depreciation over the previous quarter.
- The company reported a positive gross margin of 21.28% for the quarter ended 30-09-2021. Its EBITDA for the quarter was \$-0.16 million and the EBITDA margin was -5.67%.
- This was a 2.45% margin expansion at the EBITDA level which is definitely a positive outcome. OLB Group's operating income (EBIT) was reported at \$-0.9 million and a margin of -31.91%.
- This EBIT margin dropped by 8.24% in this quarter. The company's pre-tax margin for the quarter was -31.91%.

EVOLUTION OF GROSS INCOME, EBIT, & NET INCOME (USD MILLION)

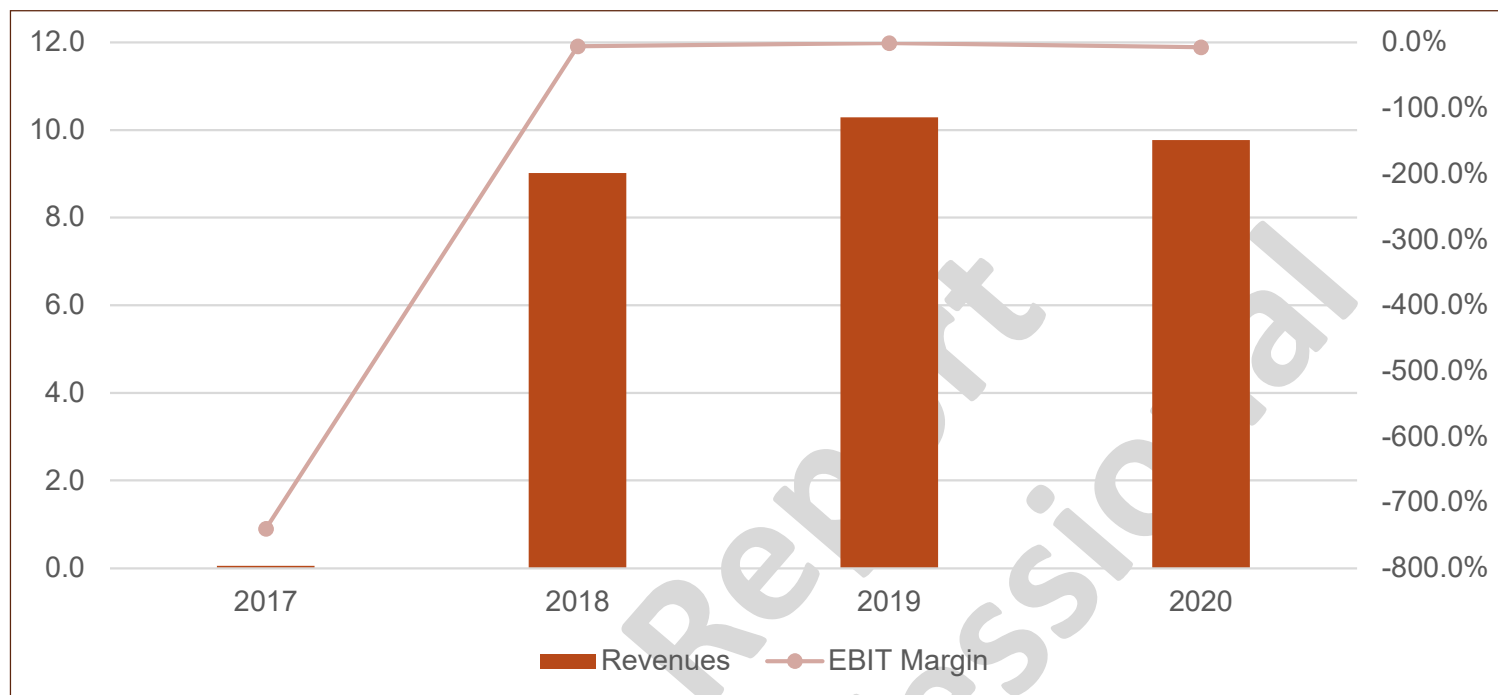


- OLB Group reported a net income of \$-0.9 million which resulted in a diluted earnings per share (EPS) of \$-0.01. The company's net margin was -31.91%. Now let us move on to the cash flow generation in the recent quarter.
- OLB Group burnt \$-1.6 million in terms of operating cash flows for the 9 months period ended 30-09-2021. The company was able to convert about -13.83% of its revenues into operating cash flows in the recent quarter.
- This quarter's EBITDA-to-operating cash flow conversion ratio is 243.75%
- Overall, OLB Group delivered a negative free cash flow of \$7.67 million for the past 9 months.

HISTORICAL ANNUAL INCOME STATEMENT (USD MILLION)

Particulars	2017	2018	2019	2020
Revenues	0.1	9.0	10.3	9.8
% growth		17940.0%	14.1%	-5.1%
Cost of Goods Sold	0.0	6.0	6.7	6.0
% of revenue	40.0%	66.4%	65.3%	61.4%
Gross Income (excl. D&A)	0.0	3.0	3.6	3.8
% of revenue	60.0%	33.6%	34.7%	38.6%
EBITDA	0.2	0.3	0.6	-3.5
% of revenue	420.0%	3.3%	5.7%	-35.8%
Depreciation & Amortization	0.6	0.8	0.7	-2.8
% of Fixed Assets	483.3%	7.4%	6.7%	-28.3%
Extraordinary Expenses	0.0	0.0	-0.2	0.0
EBIT (incl. extraordinary exp)	-0.4	-0.5	-0.1	-0.7
% of revenue	-740.0%	-5.8%	-1.0%	-7.5%
Pretax Income	-0.4	-1.4	-1.3	-1.8
% of revenue	-800.0%	-15.4%	-13.0%	-18.2%
Income Tax	0.0	0.0	0.0	0.0
% rate	0.0%	0.0%	0.0%	0.0%
Net Income	-0.4	-1.4	-1.3	-1.8
% of revenue	-800.0%	-15.4%	-13.0%	-18.2%

- When we analyze the company's annualized historical income statement, we see that the top-line was \$9.77 million for the previous financial year ending in 2020.
- The revenue growth was -5.05% in 2020 as compared to around 14.08% in 2019.
- OLB Group's cost of goods sold has decreased from 65.31% to 61.41% as a percentage of the top-line resulting in a rise in the gross margins.
- The company's overall annual EBITDA margin of -35.82% is lower than the reported quarterly EBITDA margin for the most recent quarter.

EVOLUTION OF REVENUES & EBIT MARGINS (USD MILLION)

- Non-cash expenses in the form of depreciation and amortization have gone down as compared to the result in 2019. In terms of the bottom-line, OLB Group reported an operating income (EBIT) of \$-0.73 million and a net income of \$-1.78 million resulting in an EPS of \$-0.31.
- The slightly worrying news for investors holding the stock is that its net margin had decreased from -13.02% in 2019 to -18.22% in 2020.

HISTORICAL ANNUAL BALANCE SHEET (USD MILLION)

Particulars	2017	2018	2019	2020
Assets				
Net Intangible Fixed Assets	0.0	11.0	10.2	9.5
Net Tangible Fixed Assets	0.1	0.1	0.0	0.3
Total Fixed Assets	0.1	11.1	10.2	9.8
% of revenue	240.0%	122.8%	99.5%	100.2%
LT Investments	2.2	0.4	0.5	0.4
Inventories	0.0	0.0	0.0	0.0
% of revenue	0.0%	0.0%	0.0%	0.0%
Accounts Receivable	0.9	0.4	0.5	0.4
% of revenue	1840.0%	4.5%	4.7%	3.7%
Cash and ST Investments	0.2	0.1	0.5	3.8
% of revenue	460.0%	1.2%	5.0%	39.1%
Other Current Assets	0.2	0.0	0.1	0.0
Total Current Assets	1.3	0.6	1.1	4.2
Other Assets	0.0	0.0	0.0	0.0
Total Assets	3.6	12.0	11.9	14.4
Liabilities & Shareholder's Equity				
Equity & Minorities	-13.5	-1.7	-2.8	5.8
LT Debt	0.0	12.5	12.2	7.4
Other LT Liabilities	0.0	0.0	0.0	0.2
Total LT Liabilities	0.0	12.5	12.2	7.6
ST Debt	13.9	0.0	0.7	0.5
Accounts Payable	2.3	0.5	0.6	0.4
% of COGS	4640.0%	5.2%	5.7%	3.7%
Other ST Liabilities	0.9	0.7	1.2	0.2
Total Current Liabilities	17.1	1.2	2.5	1.0
Total Liabilities	17.1	13.7	14.7	8.6
Total Liabilities & Shareholder's Equity	3.6	12.0	11.9	14.4

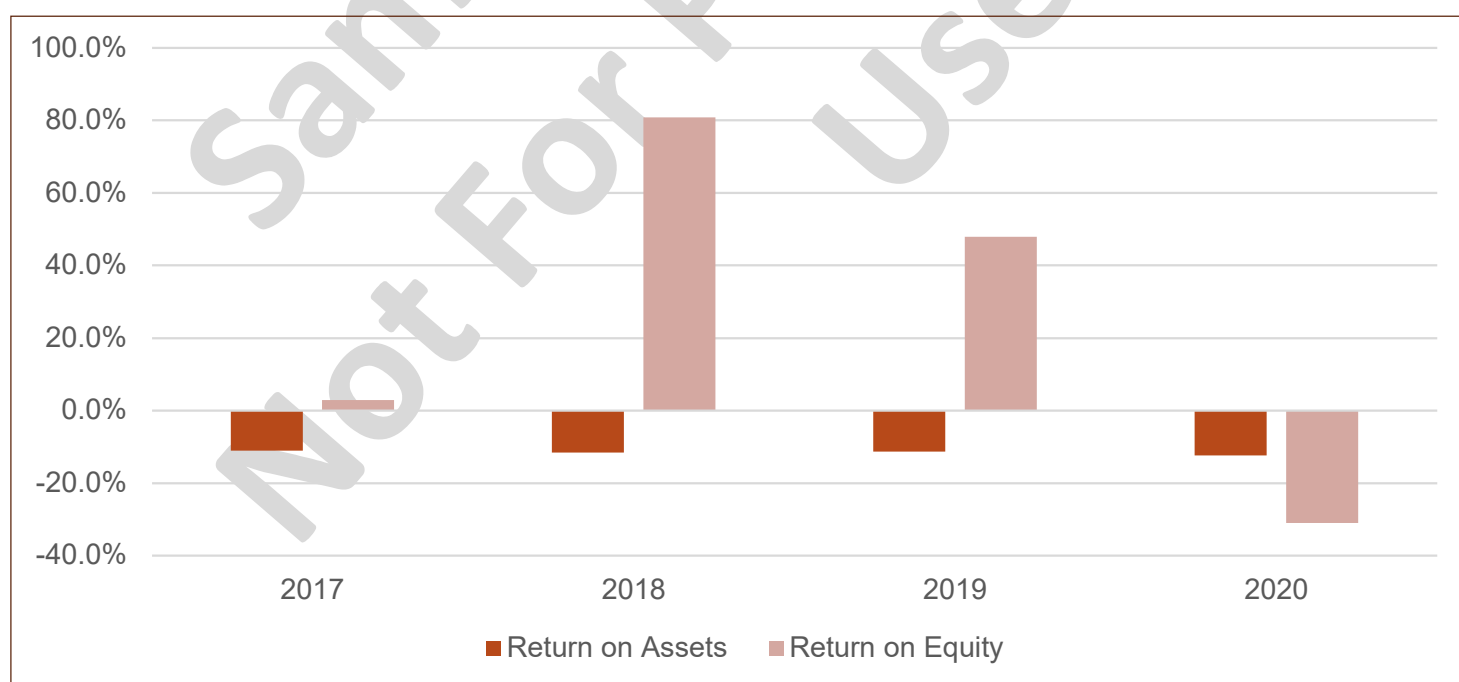
- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 99.51% to 100.20%.
- Its receivables of \$0.36 million are about 3.68% of the top-line. OLB Group has close to \$3.82 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2020 account for around 3.68% of the cost of goods sold. The company's long term debt is around 1.3x times its equity.

TOTAL ASSETS BREAKDOWN – WATERFALL ANALYSIS (USD MILLION)



- In the above waterfall chart, we clearly see that fixed assets (mostly intangible fixed assets) account for the majority of their asset base followed by cash and short term assets.
- OLB's working capital exposure in terms of receivables is low which is a good sign.

EVOLUTION OF RoA AND RoE (USD MILLION)



- OLB had been consistently delivering a positive Return on Equity in the past but was hit badly by the pandemic in 2020.
- However, this is expected to change in 2022 and the company is expected to generate yet another profitable year.

KEY FINANCIAL RATIOS

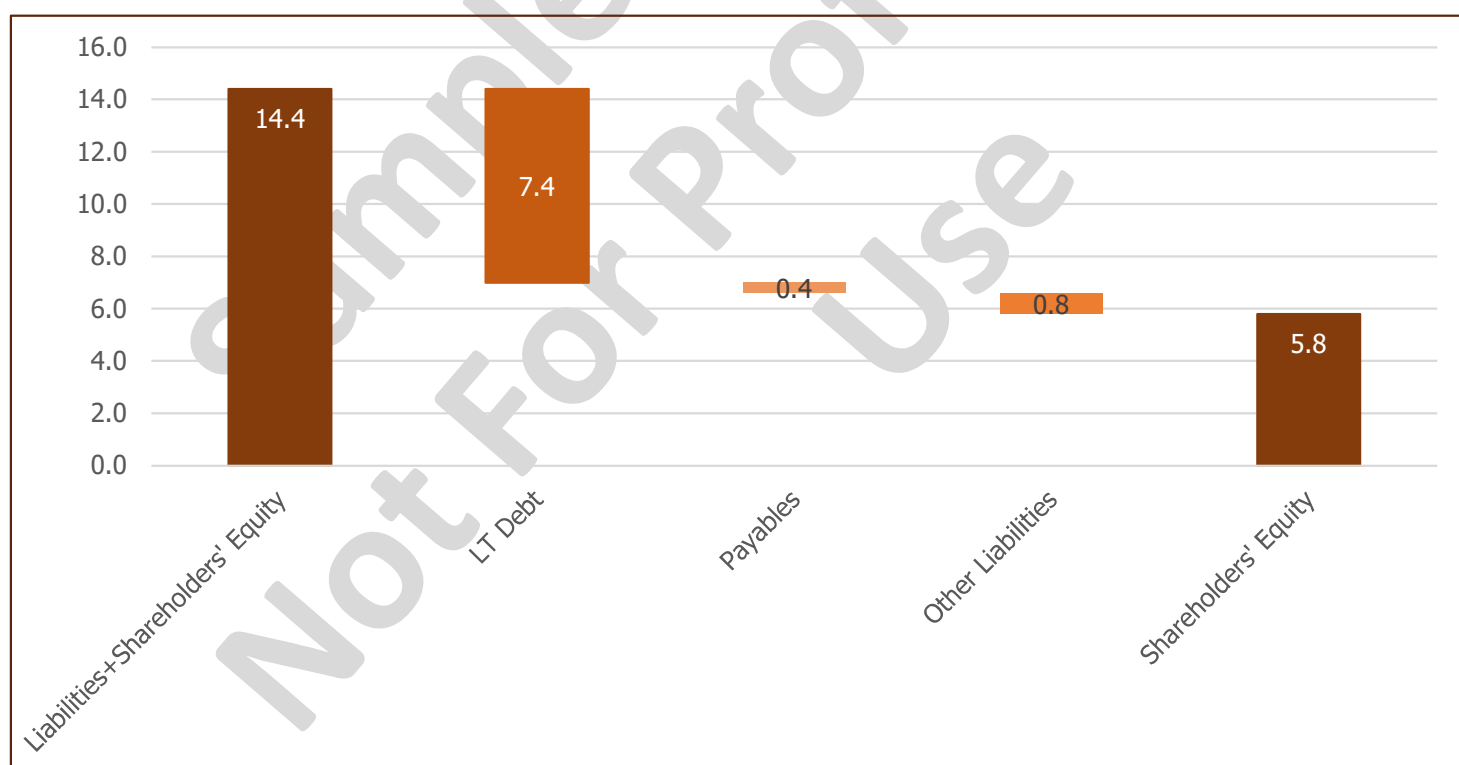
Other Metrics	2017	2018	2019	2020
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
% growth		NA	NA	NA
Total Common Shares Outstanding	1	5	5	6
% change		719.7%	0.0%	14.0%
Dividend Per Share	0.00	0.00	0.00	0.00
% change		NA	NA	NA
Operating Ratios	2017	2018	2019	2020
Receivables Turnover	0.1	22.0	21.4	27.1
Days Receivable	6716.0	16.6	17.0	13.4
Inventory Turnover	NA	NA	NA	NA
Inventory Days	NA	NA	NA	NA
Payables Turnover	0.0	12.7	11.4	16.7
Days Payable	42340.0	28.6	32.0	21.9
Fixed Asset Turnover	0.4	0.8	1.0	1.0
Total Asset Turnover	0.0	0.8	0.9	0.7
Other Performance Ratios	2017	2018	2019	2020
Return on Assets	-11.0%	-11.6%	-11.3%	-12.4%
Return on Equity	3.0%	80.8%	47.9%	-31.0%

- The company does not pay any dividend. OLB Group's total common shares outstanding have increased in 2020 by 14.05% implying a share issuance.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- As per the days receivable, the company takes an average period of 13.4 days to collect money from its clients which appears to be reasonable.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.

KEY FINANCIAL RATIOS

- As per the days payable, the company takes an average period of 21.9 days to pay off its creditors which appears to be on the lower side and implies that it gets limited credit.
- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company's efficiency to its assets to generate revenues.
- OLB Group's fixed assets turnover ratio of 1.0 has decreased in 2020 indicating that the company is generating lower revenues from its fixed assets.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- OLB Group's total assets turnover has decreased to 0.68 in 2020.

TOTAL LIABILITIES BREAKDOWN – WATERFALL ANALYSIS (USD MILLION)



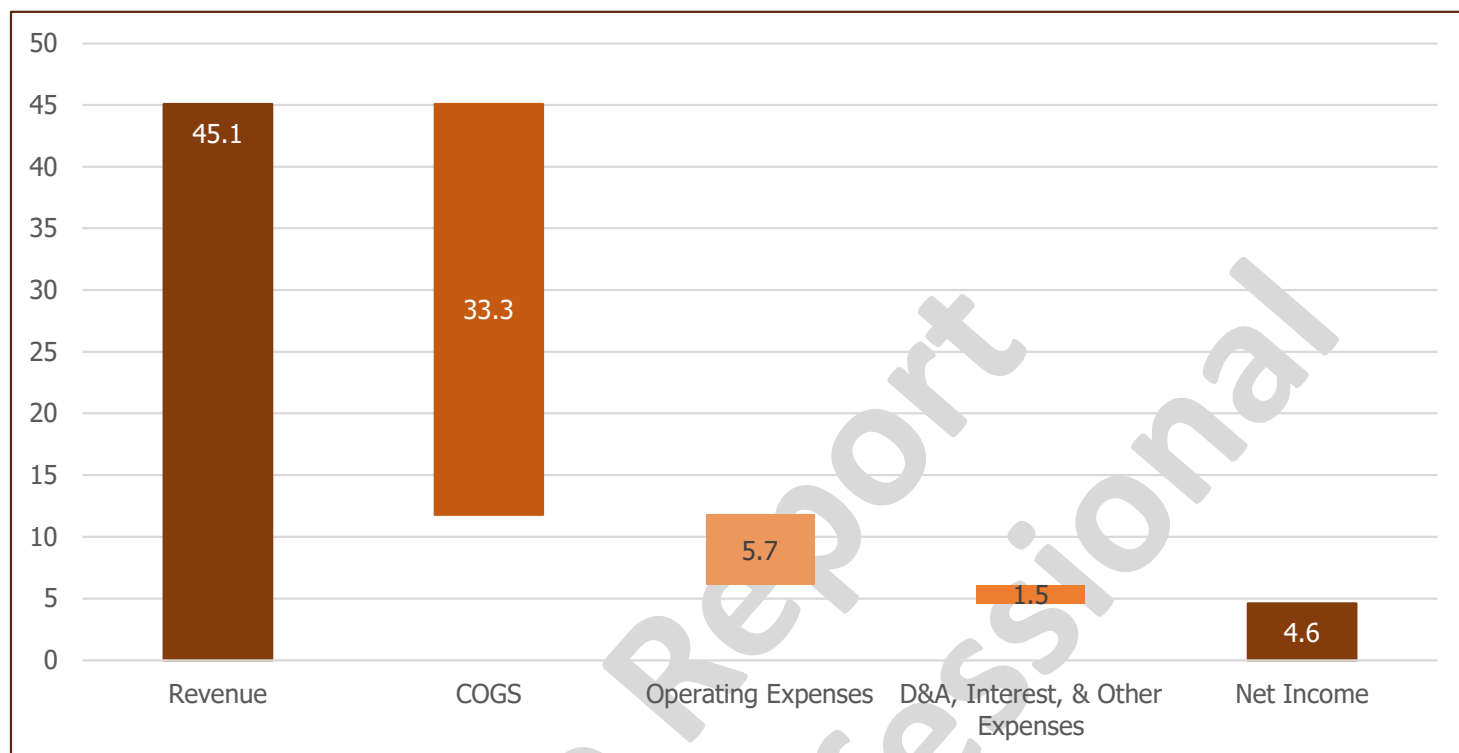
- As we can see in the above waterfall chart, OLB is debt heavy and has \$7.4 million worth of long term debt on the balance sheet which accounts for more than half of the liability side.
- Payables and other liabilities are small and the company's shareholders' equity is around \$5.8 million.

FORECASTED ANNUAL INCOME STATEMENT (USD MILLION)

Particulars	2018	2019	2020	2021E	2022E	2023E
Revenues	9.0	10.3	9.8	10.1	45.1	86.1
% growth		14.1%	-5.1%	3.4%	346.5%	91.0%
Cost of Goods Sold	6.0	6.7	6.0	8.1	33.3	61.2
% of revenue	66.4%	65.3%	61.4%	80.2%	73.9%	71.0%
Gross Income (excl. D&A)	3.0	3.6	3.8	2.0	11.8	25.0
% of revenue	33.6%	34.7%	38.6%	19.8%	26.1%	29.0%
EBITDA	0.2	0.3	0.6	-3.5	6.1	19.1
% of revenue	2.3%	2.9%	6.0%	-34.7%	13.5%	22.2%
Depreciation & Amortization	0.6	0.8	0.9	0.9	0.9	1.0
EBIT	-0.5	-0.1	-0.7	-4.4	5.1	18.1
% of revenue	-5.8%	-1.0%	-7.5%	-43.6%	11.4%	21.0%
EBT (GAAP)	-1.4	-1.3	-1.8	-4.9	4.6	17.6
% of revenue	-15.4%	-13.0%	-18.2%	-48.5%	10.3%	10.2%
Net Income (GAAP)	-1.4	-1.3	-1.8	-4.9	4.6	17.6
% of revenue	-15.4%	-13.0%	-18.2%	-48.5%	10.3%	20.4%
Earnings Per Share (GAAP)	-0.26	-0.25	-0.31	-0.51	0.44	1.52

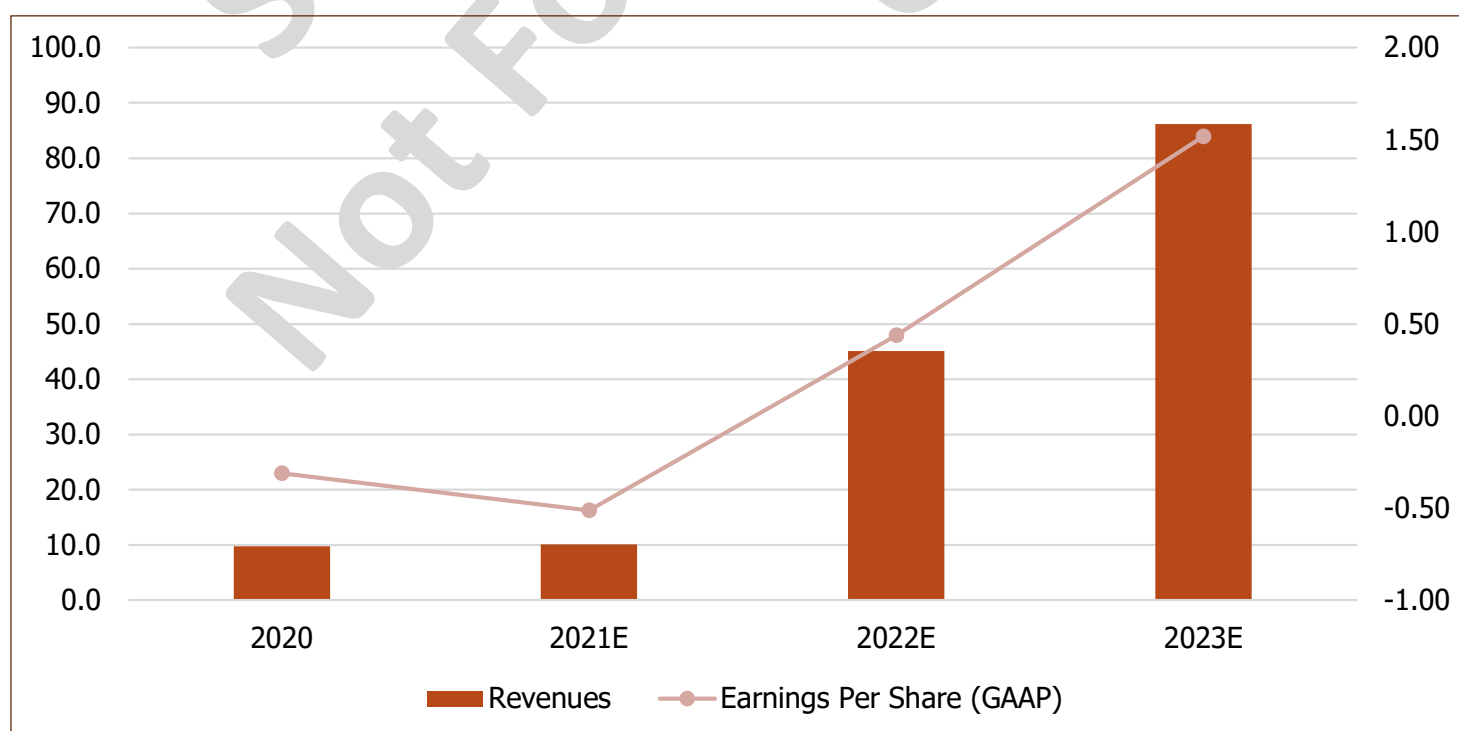
- Now let us move on to Baptista Research's forecasts for OLB Group's income statement and cash flows.
- We forecast a top-line growth of 3.4% for 2021, around 346.5% for 2022, and about 91.0% for 2023. The 346.5% growth in 2022 will be on account of a combination of factors.
- The new CBD portfolio of merchants acquired by the company is expected to more than triple its transaction volume and augment its top-line. Simultaneously, the company is also expected to generate strong crypto mining revenues from its new facility.
- This growth is expected to translate into an EBITDA of \$-3.5 million in 2021 with a margin of -34.65%
- OLB Group's EBIT margin is expected to be -43.59% in 2021, about 11.36% in 2022, and 21.00% in 2023.
- Our estimate for the company's Net Income (GAAP) is \$-4.903 million implying a net margin of -48.54% and resulting in an earnings per share of \$-0.51.
- We expect the growth to follow a similar trend in 2022 and 2023.

FORECASTED REVENUES (2022) BREAKDOWN – WATERFALL ANALYSIS (USD MILLION)



- When we analyze the company's forecasted revenues for 2022 through a waterfall approach, we expect COGS to continue to be high, at the current pace.
- Operating expenses, depreciation and other costs are expected to increase but have a lower percentage of the revenues which is why the company will have a positive net income.

EVOLUTION OF FORECASTED REVENUES & EPS (USD MILLION)



FORECASTED ANNUAL CASH FLOW STATEMENT (USD MILLION)

Particulars	2018	2019	2020	2021E	2022E	2023E
Net Income (GAAP)	-1.4	-1.3	-1.8	-4.9	4.6	17.6
+ Depreciation & Amortization	0.6	0.8	0.9	0.9	0.9	1.0
+/- Working Capital, Deferred Taxes & Other Adjustments	0.7	0.7	0.6	2.6	-0.6	-0.9
Cash Flow from Operations	-0.1	0.2	-0.3	-1.4	4.9	17.6
% of EBITDA	-61.9%	80.0%	-55.9%	39.0%	81.1%	92.5%
Net Capex	0.0	0.0	-5.0	-6.0	0.0	0.0
% of revenues	0.0%	0.0%	51.2%	59.4%	0.0%	0.0%
Other Investment Cash Flow items	0.2	0.0	0.0	0.0	0.0	0.0
Cash Flow after Investments	0.2	0.0	-5.0	-6.0	0.0	0.0
Free Cash Flow	-0.1	0.2	-5.3	-7.4	4.9	17.6

- In terms of the cash flows, we expect OLB Group to generate around \$-1.365 million in operating cash flows in 2021.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 39.00%
- OLB Group is expected to invest a lower amount in capex and other investing activities in 2021.
- Overall, the company is expected to generate free cash flows to the tune of \$-7.365 million in 2021.
- OLB Group's Net Debt is expected to increase in 2021 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- OLB Group's Net Debt-to-EBITDA ratio is expected to be -3.14 in 2021 which indicates that the company is not leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2020 is 0.63 and it indicates that the company has reasonable gearing.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions

WACC	26.6%
CoD	25.0%
CoE	26.9%
Market Rate	6.0%
Risk Free Rate	1.6%
Beta	4.22
Perpetual Growth Rate (g)	3.5%
Terminal Value	37
Tax Rate	0.0%

- For the purpose of carrying out the discounted cash flow valuation of OLB Group, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years. The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.60%.
- The company's stock is more volatile than the market as a whole and has a beta of 4.2 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 26.9% which appears reasonable for a company like OLB Group. Based on the company's long term debt and interest payments, the cost of debt is 25.0%.
- After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 26.6%
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 2.3 to our forecasted revenues of 2023.

DISCOUNTED CASH FLOW (DCF) VALUATION

EV and Market Cap	Current	2021E	2022E	2023E
Price (\$)	2.2	2.8	10.9	17.9
Outstanding Number of shares (million)	9	10	11	12
Total Market Cap (billion)	0.02	0.03	0.11	0.21
Net Debt	4	11	6	-12
Enterprise Value (billion)	0.02	0.04	0.12	0.20

- After applying the discount rate (WACC) of 26.6%, we arrive at a price target of \$2.8 for 2021.
- Our target price at the end of 2022 is \$10.9 and for 2023 is \$17.9 which implies a total appreciation of nearly 716.6% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 10.25 and 19.83
- The EV/ EBIT will be in the range of 10.81 to 23.50 over the coming 3 years.

Valuation Ratios	Current	2021E	2022E	2023E
EV/ Sales	2.3	3.7	2.7	2.3
EV/ EBITDA	38.4	NA	19.8	10.2
EV/ EBIT	NA	NA	23.5	10.8
Price/Earnings	NA	NA	24.7	11.8

COMPARABLES VALUATION MULTIPLES

- The OLB Group competes with listed fintech giants like Paypal and Square but offers its platform and services for a significantly lower pricing and caters to smaller sized merchants.
- The company's entire payment ecosystem model is similar to Square but its valuation is significantly lower. The OLB Group's e-commerce solutions are within the same space as Shopify its multiples are significantly lower. While OLB is much smaller in terms of scale than either of these companies, it has a positive EBITDA margin of nearly 10% which is much higher than the margins of most of the peers listed below.

Comparables Valuation Multiples	Forward EV/Sales	Forward EV/EBITDA	Forward Price-to-Earnings	Forward Market Cap/FCF
i3 Verticals, Inc.	3.60	14.15	24.82	0.00
PayPal Holdings, Inc.	11.31	39.60	53.99	51.55
Square, Inc.	6.45	112.53	142.91	178.70
Fidelity National Information Services, Inc.	6.91	15.32	18.71	17.92
Fiserv, Inc.	5.64	13.91	18.53	16.33
Global Payments Inc.	7.28	15.21	19.09	18.49
Repay Holdings Corporation	8.10	18.57	26.97	24.71
Paya Holdings Inc.	5.27	19.07	23.58	28.23
EVO Payments, Inc.	4.94	13.64	28.48	12.08
Mean	6.61	29.11	39.68	38.67
Median	6.45	15.32	24.82	18.49
Max	11.31	112.53	142.91	178.70
Min	3.60	13.64	18.53	0.00
The OLB Group Inc.	6.70	30.70	33.50	48.00

- We have used industry averages in our future valuation approach for the purpose of determining OLB's forward multiples.
- OLB caters to an equally large market pie as the above mentioned fintech players and the management's recent acquisition of CBD merchant portfolios and its foray into crypto mining is bound to propel its growth.
- The lack of visibility and limited investor communication from the management is perhaps, the biggest reason for the stock to have such low multiples. However, this appears to be a temporary phase.
- A growing merchant portfolio is expected to rapidly accelerate OLB's revenues resulting in a string of solid results which will push the stock back to double-digits in the near future.

TECHNICAL ANALYSIS OF OLB GROUP'S STOCK



Source: Yahoo Finance

- From a technical standpoint, we see a solid trend of reversal in OLB's share price after the recent result.
- We see a strong support at \$1.5 levels so it is unlikely for the stock to fall below these levels except in the event of bad news.
- The company has a 14-day ATR of 2.4917 implying that it has a low volatility which is a positive sign.
- Its Williams %R is -97.801 which means that the stock is already oversold and there is bound to be a continuing reversal.
- When we look at the 14-day Stochastic RSI as well, we get the Oversold indication if we analyze a month's data so the reversal might be here to stay.
- We see a short-term resistance at \$2.5 levels (close to the pivot points) and then at \$2.8 levels in terms of monthly targets.

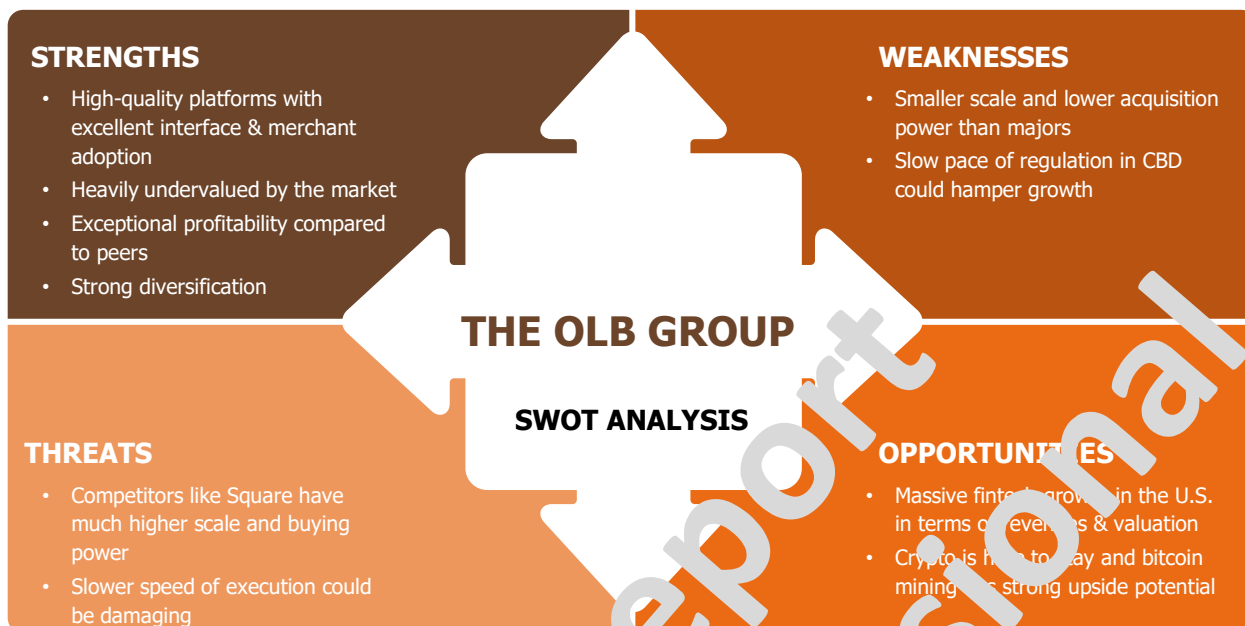
KEY RISKS

- It is important to highlight the key risks associated with an investment in OLB Group as well as the inherent risks associated with the financial projections and price forecasts presented in this report. OLB's acquisition of assets of Excel and its subsidiaries Payprotec Oregon, LLC, Excel Business Solutions, Inc. and eVance Processing, Inc. and share exchange with OmniSoft and CrowdPay has collectively formed a new business platform which the company is continuing to integrate into its overall operations, and which may create certain risks and may adversely affect its business, financial condition or results of operations.
- The OLB Group is subject to significant restrictive debt covenants, which limit its operating flexibility. Also, it operates in a complex regulatory environment, and failure to comply with applicable laws and regulations could adversely affect its business.
- The pandemic caused by the spread of the COVID-19 could have an adverse impact on the financial condition and results of operations and other aspects of the company. It is also vulnerable to global economic uncertainty and volatility in financial markets.
- The company's near-term success is dependent in large part upon the management's ability to add new merchants and continued sales and positive cash flow from Munn Works' products.
- The merchants and partners expect a consistent level of quality in the provision of OLB's products and services. The support services provided are a key element of the value proposition to our merchants and partners. If the reliability or functionality of its products and services is compromised or the quality of those products or services is otherwise degraded, or if OLB fails to continue to provide a high level of support, it could lose existing merchants and partners and find it harder to attract new merchants and partners. If OLB is unable to scale its support functions to address the growth of its merchant and partner network, the quality of its support may decrease, which could adversely affect its ability to attract and retain merchants and partners.
- OLB's positioning in the marketplace as a smaller provider places a significant strain on its resources, and if not managed effectively, could result in operational inefficiencies and other difficulties.
- Substantially, all of OLB's revenue has been generated from the eVance business though it did begin generating revenue from the OmniSoft and CrowdPay businesses during the second half of 2019. While the management expects to build out the OmniSoft software business over the next 12 to 18 months and to rely more heavily on the PayFac model to generate revenue and to transition away from its reliance on eVance business, there is no guarantee that it will be able to do so (particularly, giving effect to the impact of COVID-19). Accordingly, if the company is unable to maintain the eVance business it will have a material adverse effect on the financials.
- The company operates in a highly competitive environment. The financial services and payment technology industries in which it operates depend heavily upon the overall level of consumer, business and government spending. A sustained deterioration in general economic conditions (including distress in financial markets, turmoil in specific economies around the world, public health crises, and additional government intervention), particularly in the United States, or increases in interest rates in key countries in which it operates, may adversely affect financial performance by reducing the number or average purchase amount of transactions processed by OLB.

KEY RISKS

- OLB faces competition from industry giants such as Square, Shopify, Paysign, Shift4 Payments, Evertec, i3 Verticals, and many more companies which are all looking to acquire merchants like OLB Group. Many of these competitors have a stronger financial position than OLB and have greater funds at their disposal. This is a genuinely large threat with respect to merchant acquisition.
- Global economic, political and other conditions may adversely affect trends in consumer, business and government spending, which may adversely impact the demand for OLB's services and its revenue and profitability.
- Another one of the biggest risks to OLB Group's model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of OLB Group in this report is specific to the date of the analysis i.e. 12th August 2021.
- We must emphasize that the projected valuation and the share price of OLB Group are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

SWOT ANALYSIS OF THE OLB GROUP



PEST ANALYSIS OF THE OLB GROUP



ANALYST RATINGS

- **Buy:** Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- **Outperform:** Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- **Sell:** Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- **Underperform:** Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- **Hold:** Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- **Attractive:** The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- **In-Line:** The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- **Cautious:** The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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