



MUNEX360
MUNICIPAL NETWORK EXCHANGE

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Valuation Analysis

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Summary

Summary| Situation Analysis

- Municipal Network Exchange, Inc. (“MUNEX” or the “Company”) is seeking to raise \$6.0 million in equity capital to launch operations
- MUNEX is a Software as a Service (SaaS) provider that uses a proprietary portal platform to source, validate and certify federally sponsored debt for review and sale through a web-based platform
- The Company represents the first comprehensive debt exchange platform for the Department of Health and Human Services (“HHS”) and its providers
- In this situation, the Board engaged a consultant to assist management with a third party valuation
 - Consultant is an investment banker with significant expertise in corporate valuation methodologies, but consultant is not a certified valuation analyst
- Consultant employed the following valuation methodologies:

Method	Description	Pros	Cons
Public Comparable Company Analysis	Examines valuation of public companies in similar industries	-Based on current and publicly available information -Reflects current market conditions -Provides useful benchmarks	-Determining the right peer group is subjective -May not accurately reflect risk and growth of MUNEX -MUNEX is an early stage, privately held company with no revenue to date
Comparable M&A Transaction Analysis	Examines valuations of recent M&A transactions in similar industries	-Compares similar transactions in operations, line of business and timing -Provides useful benchmarks	-Valuations usually do not reflect synergies and control premiums -Reflects precedent, not current valuations
Discounted Cash Flow Analysis	Discounts future cash flows to present value at a rate reflective of firm's cost of capital	-Examines intrinsic value of MUNEX (vs. relative value) -Considers time value of money	-Sensitive to numerous assumptions about cash flow projections, discount rates and terminal value
Venture Capital Method	Valuation of company determined by desired IRR hurdle rate and ownership	-Simple approach to valuing companies with no historical financials or business plan	-Based on subjective forecasted cash flows and qualitative judgment

Summary | Preliminary Valuation

Public Comps Factoring Companies	Public Comps Exchange Companies	Public Comps Pmt. Processing Companies	M&A Comps Factoring Companies	M&A Comps Exchange Companies	M&A Comps Pmt. Processing Companies	Discounted Cash Flow Analysis	Venture Capital Method
<ul style="list-style-type: none"> 30% size and liquidity discount Discounted market cap ("P") / 2016E Sales <ul style="list-style-type: none"> Median: 2.2x Range: 2.0x – 2.4x 	<ul style="list-style-type: none"> 30% size and liquidity discount Discounted market cap P / 2016E Sales <ul style="list-style-type: none"> Median: 2.5x Range: 2.3x – 2.8x 	<ul style="list-style-type: none"> 30% size and liquidity discount Discounted ent. Value ("EV") / 2016E Sales <ul style="list-style-type: none"> Median: 1.9x Range: 1.7x – 2.1x 	<ul style="list-style-type: none"> 10% size discount Discounted P / LTM Sales <ul style="list-style-type: none"> Median: 2.9x Range: 2.6x – 3.2x 	<ul style="list-style-type: none"> 10% size discount Discounted P / LTM Sales <ul style="list-style-type: none"> Median: 1.1x Range: 1.0x – 1.2x 	<ul style="list-style-type: none"> 10% size discount Discounted EV / LTM Sales <ul style="list-style-type: none"> Median: 2.5x Range: 2.3x – 2.8x 	<ul style="list-style-type: none"> Cost of capital of 8% 2.9x Sales exit multiple Discounted at 20% for illiquidity \$891 million valuation Range of \$803 - \$981 million 	<ul style="list-style-type: none"> Target IRR of 65% 2.9x Sales exit multiple Investor's ownership at exit of 50% \$12 million post-money valuation Range of \$11 - \$13 million

(US\$ in millions)

DCF Analysis

Factoring M&A Comp

Pmt. Processing M&A Comp

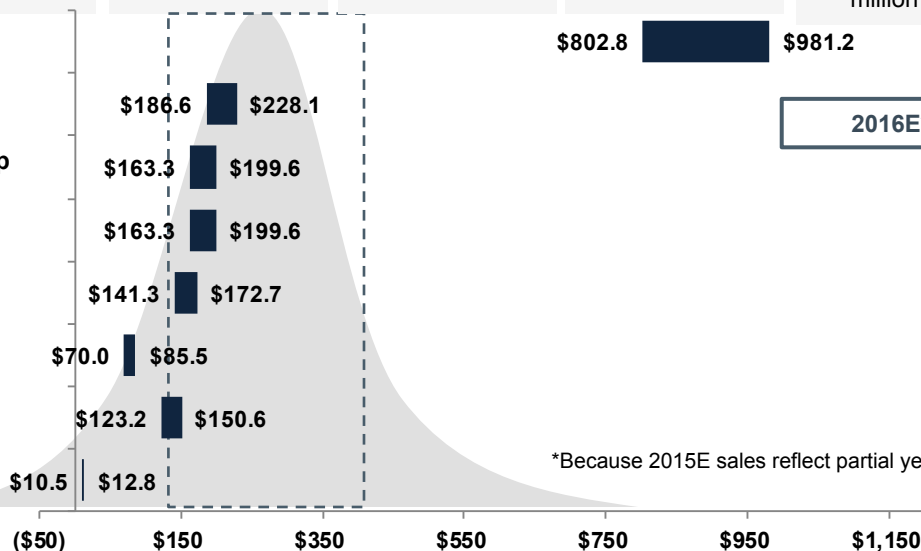
Exchange Comps

Factoring Comps

Exchange M&A Comp

Pmt. Processing Comps

Venture Capital Method



We estimate MUNEX equity to be valued at \$274 - \$335 million



Public Comparable Company Analysis

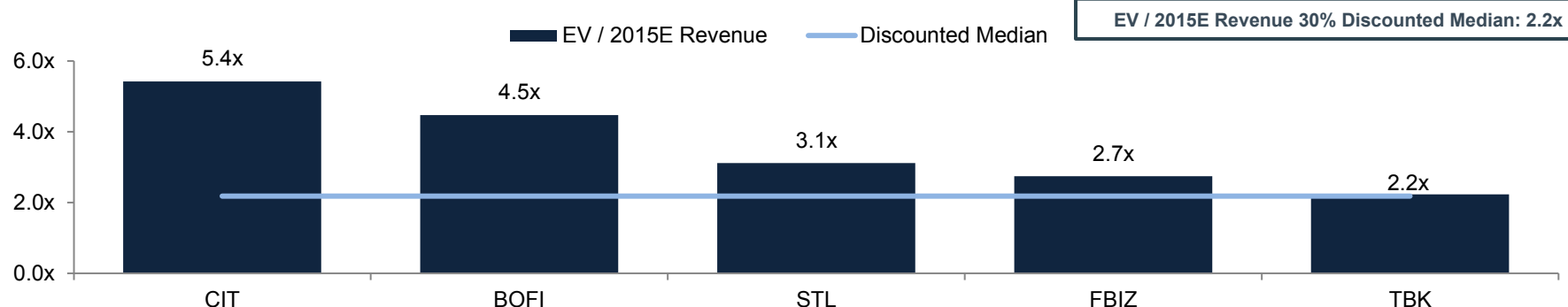
Public Comparable Company Analysis | Overview

- Public Comparable Company analysis is a relative valuation method
 - Objective is to find the value of a company based upon how similar companies are currently priced in the market
 - Privately held comparable company information is typically unavailable
- Most popular method
 - Far fewer assumptions than a discounted cash flow analysis
 - Simpler to understand and easier to present
 - Much more likely to reflect current state of the market and the industry
- Finding comparable companies
 - Subjective process
 - A comparable company is one with cash flows, growth potential and risks similar to MUNEX
 - Industry, size and margins should all be taken into account as well
 - Drivers of demand (HHS transaction volume)
- Other issues
 - MUNEX is an early stage company – small companies trade at discounts
 - Method is subject to manipulation (selecting only those companies with higher/lower multiples)
 - MUNEX has no real “pure play” public peers and therefore must be compared against larger companies that perform similar services
 - Receivables factoring
 - Securities exchanges
 - Payment processing
- Select multiples
 - Due to its low overhead, low capital expenditures, early stage and lack of debt financing, sales multiples based on market cap or enterprise value were chosen as a primary metric

Public comp method is popular and easy valuation method

Public Comparable Company Analysis | Group 1: Factoring Companies

Receivables Factoring Companies – EV / 2015E Revenue



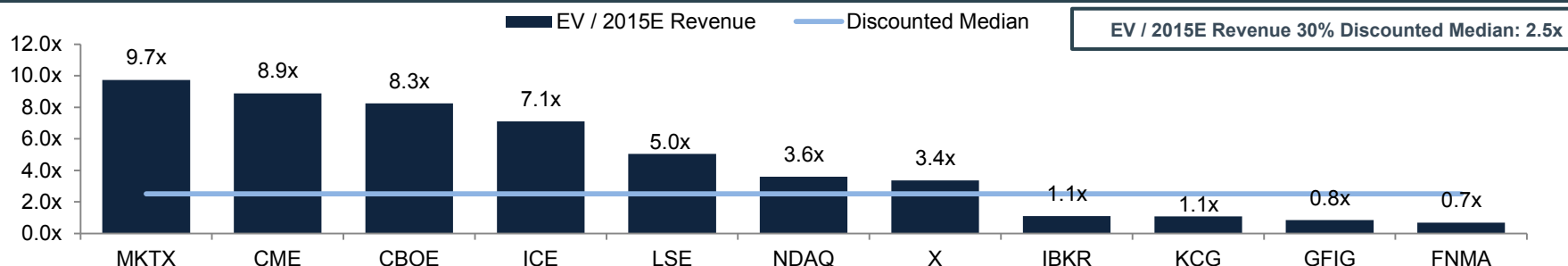
(US\$ in millions, except per share data)																	
Company	Market Valuation			Valuation Multiples ⁽¹⁾										LTM Margins		Growth ⁽¹⁾	
	Price as of:	Market	LTM	Mkt Cap / Sales			P/E			LTM	LTM						
	1/22/2015	Cap	Rev	LTM	2014E	2015E	LTM	2014E	2015E	P/BV	P/TBV	EBIT	NI	2014E	5-Yr		
Domestic Factoring Companies																	
Bofi Holding, Inc.	\$	84.78	\$ 1,256	\$ 167	7.5x	5.9x	4.5x	20.1x	17.0x	13.4x	3.0x	2.9x	64%	37%	39%	0%	
CIT Group Inc.		45.08	8,159	2,407	3.4x	6.6x	5.4x	8.6x	13.3x	13.0x	0.9x	1.0x	33%	42%	-49%	2%	
First Business Financial Services, Inc.		44.83	194	54	3.6x	3.5x	2.7x	12.3x	12.7x	10.8x	1.6x	1.5x	46%	26%	8%	1%	
Sterling Bancorp.		13.82	1,159	365	3.2x	3.7x	3.1x	NM	14.6x	12.9x	1.2x	2.2x	36%	8%	27%	0%	
Triumph Bancorp, Inc.		13.20	237	82	2.9x	2.4x	2.2x	4.9x	13.8x	13.8x	1.3x	1.2x	29%	32%	150%	1%	
Low			\$ 194	\$ 54	2.9x	2.4x	2.2x	4.9x	12.7x	10.8x	0.9x	1.0x	29%	8%	-49%	0%	
Average			2,201	615	4.1x	4.4x	3.6x	11.5x	14.3x	12.8x	1.6x	1.8x	42%	29%	35%	1%	
Median			1,159	167	3.4x	3.7x	3.1x	10.4x	13.8x	13.0x	1.3x	1.5x	36%	32%	27%	1%	
High			8,159	2,407	7.5x	6.6x	5.4x	20.1x	17.0x	13.8x	3.0x	2.9x	64%	42%	150%	2%	

(1) Forward-looking estimates based on Reuters. Historical financial data excludes all non-recurring items on a tax-adjusted basis.

Today, public U.S. factoring companies are valued at approximately 3.1 - 4.4x sales

Public Comparable Company Analysis | Group 2: Exchange Companies

Securities Exchange Companies – EV / 2015E Revenue



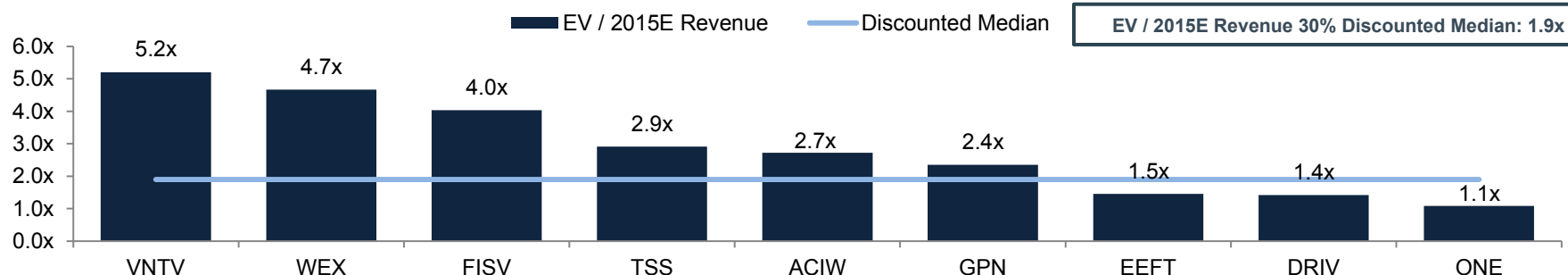
(US\$ in millions, except per share data)				Market Valuation			Valuation Multiples ⁽¹⁾								
Company	Price as of: 1/22/2015	Market Cap	LTM Rev	Mkt Cap / Sales			P/E			LTM	LTM Margins		Growth ⁽¹⁾		
				LTM	2014E	2015E	LTM	2014E	2015E	P/BV	EBIT	NI	2014E	5-Yr	
Securities Exchanges															
CBOE Holdings, Inc.	\$	65.88	\$ 5,560	\$ 593	9.4x	9.0x	8.3x	30.4x	28.8x	25.4x	NM	51%	31%	8%	6%
CME Group Inc.		88.57	29,834	2,958	10.1x	9.6x	8.9x	29.4x	26.4x	23.2x	1.4x	56%	34%	6%	4%
Federal National Mortgage Association		2.18	12,511	30,352	0.4x	0.6x	0.7x	0.6x	N/A	N/A	2.0x	82%	64%	-50%	0%
GFI Group Inc.		6.13	781	832	0.9x	0.9x	0.8x	NM	81.7x	29.7x	2.6x	NM	NM	1%	0%
Interactive Brokers Group, Inc.		29.95	1,751	1,010	1.7x	1.3x	1.1x	37.0x	24.7x	21.4x	0.3x	49%	5%	30%	2%
Intercontinental Exchange, Inc.		214.19	24,141	2,904	8.3x	7.6x	7.1x	NM	22.3x	18.0x	1.9x	50%	18%	90%	7%
KCG Holdings, Inc.		12.30	1,440	1,212	1.2x	1.1x	1.1x	NM	24.1x	13.3x	1.0x	0%	1%	34%	2%
London Stock Exchange Group Plc		35.82	12,402	2,144	5.8x	6.2x	5.0x	35.8x	21.4x	19.8x	2.6x	35%	13%	-1%	5%
MarketAxess Holdings Inc.		74.44	2,782	252	11.0x	10.6x	9.7x	37.0x	38.5x	33.3x	NM	43%	30%	10%	1%
Nasdaq OMX Group, Inc.		46.54	7,803	3,429	2.3x	3.8x	3.6x	17.2x	16.2x	14.4x	1.3x	25%	14%	-36%	6%
TMX Group Limited		37.94	2,061	695	3.0x	3.3x	3.4x	23.0x	11.3x	10.9x	0.8x	45%	13%	-15%	0%
Low			\$ 781	\$ 252	0.4x	0.6x	0.7x	0.6x	11.3x	10.9x	0.3x	0%	1%	-50%	0%
Average			9,188	4,216	4.9x	4.9x	4.5x	26.3x	29.5x	20.9x	1.5x	44%	22%	7%	3%
Median			5,560	1,212	3.0x	3.8x	3.6x	29.9x	24.4x	20.6x	1.4x	47%	16%	6%	2%
High			29,834	30,352	11.0x	10.6x	9.7x	37.0x	81.7x	33.3x	2.6x	82%	64%	90%	7%

(1) Forward-looking estimates based on Reuters. Historical financial data excludes all non-recurring items on a tax-adjusted basis.

Today, public securities exchange companies are valued at approximately 3.6 - 4.9x sales

Public Comparable Company Analysis | Group 3: Payment Processing Companies

Payment Processing Companies – EV / 2015E Revenue



(US\$ in millions, except per share data)					Market Valuation				Valuation Multiples ⁽²⁾												
Company	Price as of:	Market		LTM	TEV / Sales			TEV / EBITDA			P/E			LTM	LTM Margins				Growth ⁽²⁾		
	1/22/2015	Cap	TEV ⁽¹⁾	Rev	LTM	2014E	2015E	LTM	2014E	2015E	LTM	2014E	2015E	P/BV	GP	EBITDA	EBIT	NI	2014E	5-Yr	
Payment Processing Companies																					
ACI Worldwide, Inc.	\$	18.79	\$ 2,160	\$ 3,046	\$ 1,009	3.0x	2.9x	2.7x	13.3x	11.5x	10.2x	31.3x	26.4x	20.8x	4.1x	56%	23%	14%	7%	20%	3%
Digital River Inc.		25.62	817	566	375	1.5x	1.5x	1.4x	18.9x	11.8x	10.7x	NM	50.5x	42.4x	2.3x	66%	8%	NM	NM	-3%	1%
Euronet Worldwide Inc.		51.62	2,715	2,645	1,578	1.7x	1.6x	1.5x	12.4x	11.1x	9.7x	28.1x	20.1x	17.2x	3.7x	38%	13%	9%	6%	17%	4%
Fiserv, Inc.		73.63	17,963	21,402	5,013	4.3x	4.2x	4.0x	14.7x	13.0x	12.2x	23.9x	21.9x	19.5x	NM	44%	29%	23%	16%	5%	5%
Global Payments Inc.		88.35	5,925	7,009	2,693	2.6x	2.5x	2.4x	12.3x	11.6x	10.7x	23.9x	18.4x	16.4x	NM	63%	21%	16%	10%	9%	8%
Higher One Holdings, Inc.		3.85	183	254	220	1.2x	1.1x	1.1x	6.8x	4.4x	4.3x	16.7x	6.2x	6.5x	2.1x	54%	17%	9%	5%	8%	1%
Total System Services, Inc.		34.63	6,438	7,658	2,463	3.1x	3.1x	2.9x	11.4x	10.9x	9.5x	22.6x	18.2x	15.7x	3.8x	31%	27%	17%	12%	14%	8%
Vantiv, Inc.		34.15	4,990	8,465	2,402	3.5x	6.1x	5.2x	16.1x	12.6x	10.7x	NM	18.4x	15.9x	4.0x	55%	22%	13%	4%	-34%	6%
Wex Inc.		91.64	3,553	4,152	788	5.3x	5.1x	4.7x	11.7x	11.4x	11.4x	20.9x	17.9x	17.2x	3.3x	56%	45%	37%	22%	13%	3%
Low			\$ 183	\$ 254	\$ 220	1.2x	1.1x	1.1x	6.8x	4.4x	4.3x	16.7x	6.2x	6.5x	2.1x	31%	8%	9%	4%	-34%	1%
Average			4,972	6,133	1,838	2.9x	3.1x	2.9x	13.1x	10.9x	9.9x	23.9x	22.0x	19.1x	3.3x	51%	23%	17%	10%	5%	4%
Median			3,553	4,152	1,578	3.0x	2.9x	2.7x	12.4x	11.5x	10.7x	23.9x	18.4x	17.2x	3.7x	55%	22%	15%	8%	9%	4%
High			17,963	21,402	5,013	5.3x	6.1x	5.2x	18.9x	13.0x	12.2x	31.3x	50.5x	42.4x	4.1x	66%	45%	37%	22%	20%	8%

(1) Total enterprise value = Market capitalization + Total debt + Minority interest + Preferred stock - Cash

(2) Forward-looking estimates based on Reuters. Historical financial data excludes all non-recurring items on a tax-adjusted basis.

Today, public securities exchange companies are valued at approximately 2.7 – 3.1x sales



Comparable M&A Transaction Analysis

Comparable M&A Transaction Analysis | Overview

- Comparable M&A Transaction Analysis is another relative valuation method
 - Objective is to find the value of similar transactions that have occurred recently (usually the last 12 months, but longer if there is trouble finding disclosed data)
- Downsides
 - M&A transactions fail to communicate control premiums and synergies
 - Mostly backwards looking due to the unavailability of estimates
 - Many of the most comparable transactions fail to disclose financial information
- Finding comparable transactions
 - Similar operations, line of business
 - Size
 - Growth and margins
 - Consideration paid
- Other issues
 - MUNEX has no real “pure play” public peers and therefore must be compared against larger companies that perform similar services
 - Receivables factoring
 - Securities exchanges
 - Payment processing
- Select multiples
 - Due to its low overhead, low capital expenditures, early stage and lack of debt financing, sales multiples based on market cap or enterprise value were chosen as a primary metric

M&A Comps reflect actual multiples paid for similar companies

Comparable M&A Transaction Analysis | Receivables Factoring

(\$ in millions)					LTM Valuation Multiples				
Ann. Date	Target	Business Description	Buyer	Equity Value	EV	P/ Sales	P/E	P/BV	
12/15/14	Community National Bank (OTCBB:CBNY)	Community National Bank provides various banking products and services for businesses and individual clients in the United States. Community National Bank was founded in 2005 and is based in Melville, New York.	The Bridgehampton National Bank	\$ 141.3	\$ 133.6	4.5x	30.5x	1.8x	
12/10/14	Heritage Financial Group, Inc. (NasdaqGS:HBOS)	Heritage Financial Group, Inc. operates as the holding company for HeritageBank of the South that provides commercial banking, retail banking, mortgage banking, and wealth management services to commercial and retail clients. It accepts various deposit products, including savings and checking accounts, money market deposit accounts, NOW accounts, demand accounts, and certificates of deposit. The company was incorporated in 2010 and is headquartered in Albany, Georgia.	Renasant Corp. (NasdaqGS:RNST)	253.4	253.4	3.1x	29.9x	1.6x	
11/17/14	Valley Financial Corporation (NasdaqCM:VYFC)	Valley Financial Corporation operates as the holding company for Valley Bank that provides commercial and retail banking services to small-to-medium sized businesses, professional concerns, and individuals primarily in the Roanoke Valley of Virginia, the United States. Valley Financial Corporation was incorporated in 1994 and is headquartered in Roanoke, Virginia.	BNC Bancorp (NasdaqCM:BNCN)	101.3	98.9	3.2x	15.7x	1.7x	
10/15/14	Greater Sacramento Bancorp (OTCPK:GSCB)	Greater Sacramento Bancorp operates as a bank holding company for the Bank of Sacramento that provides commercial banking services primarily to small-to-medium size businesses, individuals, and the members of the professional community in California, the United States. The company was founded in 1998 and is headquartered in Sacramento, California.	AmericanWest Bank NA	57.7	57.7	3.6x	19.3x	1.5x	
6/9/14	Virginia Heritage Bank	Virginia Heritage Bank operates in three segments: Retail Banking, Mortgage Banking, and Indirect Lending.	EagleBank, Inc.	186.2	186.2	5.1x	21.7x	1.8x	
1/8/14	United Bancorp, Inc.	United Bancorp, Inc. operates as the bank holding company for United Bank & Trust that provides commercial banking services to individuals, corporations, fiduciaries, and other institutions. The company provides its services through 17 banking offices, 1 trust office, 1 loan production office, and 21 automated teller machines located in Washtenaw, Lenawee, Livingston, and Monroe Counties in Michigan. United Bancorp, Inc. is headquartered in Ann Arbor, Michigan.	Old National Bancorp. (NasdaqGS:ONB)	170.3	168.4	3.3x	21.6x	2.1x	
9/11/13	Sterling Financial Corporation	Sterling Financial Corporation was acquired by Umpqua Holdings Corporation. Sterling Financial Corporation operates as the bank holding company for Sterling Savings Bank that provides retail and commercial banking products and services, mortgage lending, and trust and investment products to individuals, small businesses, commercial organizations, and corporations in the United States. As of December 31, 2013, it operated 173 depository branches in Washington, Oregon, Idaho, and California. The company was founded in 1983 and is headquartered in Spokane, Washington.	Umpqua Holdings Corporation (NasdaqGS:UMFQ)	1,987.6	1,941.4	4.1x	19.0x	1.6x	
9/10/13	Tower Financial Corporation	Tower Financial Corporation operates as the holding company for Tower Bank & Trust that provides commercial and consumer banking services in the metropolitan areas of Fort Wayne, Allen County, and Warsaw, Indiana. Its deposit products include checking, savings, and money market accounts, as well as certificates of deposit and direct deposit services. The company was founded in 1998 and is headquartered in Fort Wayne, Indiana. As of April 25, 2014, Tower Financial Corporation operates as a subsidiary of Old National Bancorp.	Old National Bancorp. (NasdaqGS:ONB)	108.8	108.8	3.6x	15.8x	1.8x	
7/22/13	CapitalSource Inc.	CapitalSource Inc., through its subsidiaries, provides financial products to small and middle market businesses in the United States. The company operates through two segments, the Bank and Other Commercial Finance. It offers depository products and services, such as savings and money market accounts, individual retirement accounts, and certificates of deposit to consumers. The company also provides senior secured real estate and asset-based loans, and cash flow loans, which have a first priority lien in the collateral securing the loan. The company was founded in 2000 and is headquartered in Los Angeles, California.	PacWest Bancorp (NasdaqGS:PACW)	2,390.6	2,351.0	6.0x	17.3x	1.5x	

Source: CapitalIQ

Comparable M&A Transaction Analysis | Receivables Factoring (cont'd)

(\$ in millions)		Business Description	Buyer	Equity Value	EV	LTM Valuation Multiples			
Ann. Date	Target					P/ Sales	P/E	P/BV	
7/1/13	NorCal Community Bancorp	NorCal Community Bancorp operates as the bank holding company for Bank of Alameda that provides commercial banking services to small and medium sized businesses primarily in Alameda and Contra Costa counties. The company was founded in 1998 and is headquartered in Alameda, California.	Bank of Marin Bancorp (NasdaqCM:BMRC)	32.4	32.4	2.7x	4.3x	1.2x	
4/4/13	Sterling Bancorp. Prior To Merger With Provident New York Bancorp.	Sterling Bancorp. was acquired by Provident New York Bancorp. Sterling Bancorp. operates as a bank holding company for Sterling National Bank that provides various banking and financial products and services primarily in New York, New Jersey, and Connecticut. The company was founded in 1929 and is headquartered in New York, New York.	Sterling Bancorp. (NYSE:STL)	344.3	344.3	2.7x	16.7x	1.5x	
3/6/13	Asset Acceptance Capital Corp.	Asset Acceptance Capital Corp. engages in the purchase and collection of defaulted and charged-off accounts receivable portfolios from consumer credit originators in the United States. The consumer credit originators primarily include credit card issuers, consumer finance companies, and telecommunications and other utility providers, as well as resellers and other holders of consumer debt. Asset Acceptance Capital Corp. was founded in 1962 and is headquartered in Warren, Michigan.	Encore Capital Group, Inc. (NasdaqGS:ECPG)	387.0	203.2	1.7x	18.6x	1.4x	
12/28/12	Roebling Financial Corp Inc.	Roebling Financial Corp, Inc. operates as the holding company for Roebling Bank that provides various financial products and services in New Jersey. The company offers deposit instruments, such as checking accounts, savings accounts, money market accounts, and term certificate accounts. The company is headquartered in Roebling, New Jersey.	TF Financial Corporation	14.6	14.6	2.8x	NM	0.9x	
9/26/12	First Investors Financial Services Group Inc.	First Investors Financial Services Group, Inc., together with its subsidiaries, operates as a consumer finance company in the United States. The company specializes in lending to consumers with impaired credit profiles. It engages in originating and holding for investment retail installment sales contracts and promissory notes receivable secured by new and used automobiles, and light trucks primarily arising from the sale of the vehicle by factory authorized franchised dealers or through a refinancing transaction with the vehicle owner. First Investors Financial Services Group, Inc. was founded in 1988 and is headquartered in Houston, Texas.	Aquiline Capital Partners LLC	88.7	88.7	2.2x	10.3x	1.4x	
9/13/12	Citizens Republic Bancorp, Inc	Citizens Republic Bancorp, Inc was acquired by FirstMerit Corporation. Citizens Republic Bancorp, Inc., through its subsidiary, provides banking and financial services to individuals and businesses in Michigan, Wisconsin, and Ohio. Citizens Republic Bancorp, Inc. was founded in 1871 and is based in Flint, Michigan.	FirstMerit Corporation (NasdaqGS:FMEF)	1,024.8	968.5	2.9x	2.8x	0.9x	
1/19/12	California Community Bank	California Community Bank was acquired by Regents Bank, National Association. California Community Bank provides business and personal banking services to small-to-medium size businesses, professionals, and high net worth individuals in California.	Regents Bank, National Association	30.8	29.8	3.9x	34.4x	1.2x	
				Average	\$ 470.6	\$ 448.9	3.4x	18.1x	1.5x
				Median	178.3	177.3	3.2x	17.9x	1.5x

Source: CapitalIQ

Similar companies were acquired for a median of 3.2x sales



Comparable M&A Transaction Analysis | Securities Exchanges

(\$ in millions)				Equity		LTM Valuation Multiples			
Ann. Date	Target	Business Description	Buyer	Value	EV	P/ Sales	P/E	P/BV	
11/17/14	Bourse Africa Limited	Bourse Africa Limited operates as a multi-commodities exchange.	Continental Africa Holdings Limited	\$ 40.5	\$ 40.5	N/A	30.5x	N/A	
8/13/14	Philippine Dealing System Holdings Corp.	Philippine Dealing System Holdings Corp., through its subsidiaries, provides financial market infrastructure to operate trading platforms, manage sound settlement highways, and render essential securities services. It offers trading, listing and enrollment, data, clearing and settlement, and payment and transfer products and services. The company is based in Makati City, the Philippines.	The Philippine Stock Exchange, Inc. (PSE:PSE)	51.2	51.2	N/A	29.9x	N/A	
11/19/13	Singapore Mercantile Exchange Pte Ltd.	Singapore Mercantile Exchange Pte Ltd., a multi-product commodity and currency derivatives exchange, provides platform for trading a diversified basket of commodities, including futures and options contracts on precious metals, base metals, agriculture commodities, energy, currencies, and commodity indices. The company was incorporated in 2006 and is based in Singapore.	ICE Singapore Holdings Pte. Ltd.	150.0	150.0	NM	15.7x	NM	
6/27/13	EuroTLX SIM S.p.A.	EuroTLX SIM S.p.A. operates and manages an online electronic financial instruments trading platform under the name EuroTLX. Its platform offers access to financial instruments. The company's trading system allows trading of securities and fixed income instruments. The company was founded in 2000 and is based in Milan, Italy.	Borsa Italiana Spa	56.8	56.8	N/A	19.3x	N/A	
12/20/12	NYSE Holdings LLC	NYSE Holdings LLC, through its subsidiaries, operates securities exchanges. It operates various stock exchanges, including the New York Stock Exchange (NYSE), NYSE Arca, Inc., and NYSE MKT LLC in the United States; and European based exchanges comprising Euronext N.V. — the London, Paris, Amsterdam, Brussels, and Lisbon stock exchanges, as well as the NYSE Liffe derivatives markets in London, Paris, Amsterdam, Brussels, and Lisbon.	Intercontinental Exchange, Inc. (NYSE:ICE)	8,034.4	10,497.4	2.2x	21.6x	1.3x	
10/17/12	Board of Trade of Kansas City, Missouri, Inc.	Board of Trade of Kansas City, Missouri, Inc. operates as a commodity exchange to trade commodities. The company allows traders to trade wheat futures and options contracts. The company was founded in 1856 and is based in Kansas City, Missouri.	The Board of Trade of the City of Chicago, Inc.	126.0	126.0	N/A	15.8x	N/A	
6/15/12	LME Holdings Limited	LME Holdings Limited provides industrial non-ferrous metals trading services. The company offers various contract types, such as futures, options, traded average price options, swaps, minis, and index futures via independent software vendors, connectivity providers, and brokers to members.	Hong Kong Exchanges & Clearing Limited (SEHK:388)	2,172.4	2,172.4	NM	17.3x	NM	
5/18/12	PLUS Stock Exchange Plc	PLUS Stock Exchange Plc operates as a stock exchange in London, United Kingdom. It provides the United Kingdom and international companies with access to European capital through a range of listed and growth markets. The company supports the execution of retail flow across a range of the U.K. and European securities.	ICAP plc (LSE:IAP)	0.8	0.8	0.2x	11.4x	N/A	
				Average	\$1,329.0	\$1,636.9	1.2x	20.2x	1.3x
				Median	126.0	126.0	1.2x	18.3x	1.3x

Source: CapitalIQ

Similar exchange companies were acquired for a median of 1.2x sales

Comparable M&A Transaction Analysis | Payment Processing

(\$ in millions)				LTM Valuation Multiples			
Ann. Date	Target	Business Description	Buyer	Equity Value	EV	EV / Sales	EV / EBITDA
12/12/14	Credit Guard Ltd.	Credit Guard Ltd. provides secured electronic payment transaction solutions for credit cards. The company was founded in 1998 and is based in Givat Shmuel, Israel.	SafeCharge International Group Limited (AIM:SCH)	\$ 8.0	\$ 8.4	2.9x	16.8x
10/29/14	DIBS Payment Services AB (publ.) (OM:DIBS)	DIBS Payment Services AB (publ) provides online payment services in the Nordic countries. The company was founded in 1998 and is based in Stockholm, Sweden.	Nets Holding A/S	108.3	108.3	4.2x	18.8x
8/21/14	Social Appli Payment Service, Inc.	Social Appli Payment Service, Inc. provides payment processing services for credit card and other payment methods for social applications and other non-face-to-face businesses. The company was founded in 2010 and is based in Tokyo, Japan.	MTI Ltd. (JASDAQ:9438)	0.3	0.3	0.3x	N/A
7/22/14	HJ Offshore Service Co., Ltd.	HJ Offshore Service Co., Ltd. provides business process outsourcing services. The company was founded in 2005 and is based in Tokyo, Japan.	Recomm Co., Ltd. (JASDAQ:3323)	1.3	1.3	1.2x	N/A
7/2/14	GlobalCollect BV	GlobalCollect BV, an e-payment solutions company, provides payment services that allow online merchants to accept a range of electronic payment types and currencies from consumers around the world. GlobalCollect BV was incorporated in 2000 and is based in Hoofddorp, the Netherlands.	Ingenico S.A. (ENXTPA:ING)	1,119.4	1,119.4	2.7x	16.4x
7/1/14	TK Global Partners LP	TK Global Partners LP, doing business as Meritus Payment Solutions, provides transaction processing solutions to customers in the United States and internationally. The company was founded in 2008 and is based in Irvine, California.	Optimal Payments Plc (AIM:OPAY)	150.0	211.4	2.8x	16.3x
7/1/14	Global Merchant Advisors, Inc.	Global Merchant Advisors, Inc. provides online payment processing solutions to retail, eCommerce, high risk, and international merchants. The company offers credit and debit card processing, check and automated clearinghouse processing, gift and loyalty cards, and customer reward services. The company was founded in 2010 and is based in Los Angeles, California.	Optimal Payments Plc (AIM:OPAY)	10.0	15.0	1.8x	3.3x
5/12/14	Mercury Payment Systems, LLC	Mercury Payment Systems, LLC provides payments technology and services for small and medium sized businesses, merchants, and resellers in the United States and Canada. The company was founded in 2001 and is based in Durango, Colorado.	NPC Group, Inc.	1,650.0	1,650.0	7.0x	17.7x
11/26/13	Prizm Payment Services Private Ltd.	Prizm Payment Services Private Ltd., a financial services provider, provides payment services by using ATMs and POS systems to banks and financial institutions in India.	Hitachi Consulting Software Services India Limited	246.4	246.4	3.1x	N/A
8/15/13	Skrill Holdings Limited	Skrill Holdings Limited, through its subsidiary, provides digital payment services worldwide. It offers Digital Wallet service, which enables to pay with bank account and debit or credit cards, or send money internationally. Skrill Holdings Limited was founded in 2001 and is based in London, United Kingdom.	CVC Capital Partners Limited	N/A	N/A	3.0x	12.0x
5/28/13	Black Knight Financial Services, Inc.	Black Knight Financial Services, Inc. provides integrated technology, workflow automation, and data and analytics to the mortgage lending industry in the United States. The company is headquartered in Jacksonville, Florida.	ServiceLink, L.P.	3,010.9	4,084.1	2.1x	11.7x
1/31/13	Online Resources Corp.	Online Resources Corporation develops and supplies its proprietary Digital Payment Framework to enable ePayment choices between consumers and financial institutions, creditors, and billers in the United States. The company was founded in 1989 and is headquartered in Chantilly, Virginia.	ACI Worldwide, Inc. (NasdaqGS:ACIW)	133.1	272.1	1.5x	10.4x
Average				\$ 585.2	\$ 701.5	2.7x	13.7x
Median				133.1	211.4	2.8x	16.3x

Source: CapitalIQ

Similar exchange companies were acquired for a median of 2.8x sales



Discounted Cash Flow Analysis

Discounted Cash Flow Analysis | Overview

- Discounted Cash Flow (DCF) measures the intrinsic value of a firm by measuring the present value of a company's projected cash flows
- Discount rate reflects the fundamental risk inherent within the cash flows
 - Capital Asset Pricing Model (CAPM) is most popular method
- DCF is often considered to be the most reliable valuation method
 - Considers time value of money
 - Considers capital structure and cash flows of the target company (vs. more noisy relative valuation methods)
- Like all valuation methods, it has its shortcomings
 - Only as good as the reliability of the cash flow forecasts, especially with early stage companies like MUNEX
 - Discount rate can vary greatly depending on assumptions
 - Model is highly sensitive to inputs of terminal value
- Equity value should be discounted for size and illiquidity, as appropriate

Often considered most reliable method if future cash flow is predictable

Discounted Cash Flow Analysis | Summary

Assumptions

Risk-free rate ⁽¹⁾	2.32%	2019E Sales	\$ 179,791,471
Market risk premium ⁽²⁾	7.50%	Sales exit multiple ⁽⁵⁾	2.9x
Beta ⁽³⁾	0.79	Assumed tax rate ⁽⁶⁾	35%
Weighted Average Cost of Capital (WACC) ⁽⁴⁾	8.25%		

Discounted Cash Flow Analysis

	2015	2016	2017	2018	2019	Terminal Value ⁽⁷⁾
EBIT	\$ 16,766,522	\$ 66,339,427	\$ 134,444,311	\$ 165,594,847	\$ 175,371,815	
Plus: Depreciation and amortization	162,877	193,500	200,500	208,000	216,000	
Less: Capital expenditures	(50,000)	(35,000)	(35,000)	(40,000)	(40,000)	
Plus: Changes to net working capital	(2,492,979)	(6,904,320)	(9,339,128)	(4,184,103)	(1,345,179)	
Less: Hypothetical taxes ⁽⁶⁾	(5,868,283)	(23,218,800)	(47,055,509)	(57,958,197)	(61,380,135)	
Free cash flow to the firm	8,518,137	36,374,808	78,215,174	103,620,548	112,822,500	521,395,266

PV of FCF discounted at WACC	\$ 576,110,535
Plus: Cash in 2019	538,520,172
Less: Debt in 2019	-
FCF to equity	1,114,630,707
Discounts	
Illiquidity 20%	
Equity value	\$ 891,704,565

Sensitivity Analysis (\$ in millions)

		Sales Exit Multiple				
		2.0x	2.5x	3.0x	3.5x	4.0x
Discount Rate	6%	\$ 862	\$ 912	\$ 963	\$ 1,014	\$ 1,064
	7%	843	891	939	987	1,035
	8%	825	871	916	961	1,006
	9%	809	851	894	937	980
	10%	793	833	874	915	955
	11%	778	816	855	893	932

Footnotes

- (1) U.S. 10-year Treasury yield as of January 22, 2015.
(2) Ibbotson's.
(3) Reflects average of the 3 means from the 3 public comparable company analyses, unlevered for debt.
(4) CAPM: Equals risk-free rate of 2.3% + Beta of 0.79 x Market risk premium of 7.5%.
(5) Reflects average Sales multiple from the 3 public comparable company analyses, discounted by 20% for illiquidity.
(6) Although MUNEX is an S-Corp, assumes tax rate of 35% here for valuation purposes.
(7) Equals 2019 Sales of \$180 million x Sales exit multiple of 2.9x.

DCF values MUNEX at approximately \$892 million



Venture Capital Method

Venture Capital Method | Overview

- Venture capital method begins with an investor's target internal rate of return (IRR)
 - For early stage investments, this rate can be 50 – 80%
- It then makes an assumption of desired ownership of the company upon exit
 - Most VC investors desire majority control
 - In MUNEX's case however, management believes there exists demand for minority control
 - Seasoned management team
 - Demonstrated demand of platform
 - Limited competition
 - First mover advantage
- Working through these assumptions and based off of projected financial performance, a pre-money and post-money valuation can be calculated

Venture capital method is a valuable tool for early stage investments

Venture Capital Method | Analysis

Assumptions

Target IRR	65%
Investment	\$ 7,000,000
Exit multiple (Sales) ⁽¹⁾	2.9x
Investor's ownership upon financing	60%
Investor's ownership at exit ⁽²⁾	50%
Dividend rate	8.0%

Financial Projections

	Year				
	2015	2016	2017	2018	2019
Sales	\$ 20,347,086	\$ 71,991,566	\$ 140,273,329	\$ 169,907,400	\$ 179,791,471
Investment	\$ (7,000,000)	\$ -	\$ -	\$ -	\$ -
Dividends	-	560,000	560,000	560,000	560,000
Investor's exit ⁽³⁾	-	-	-	-	260,697,633
Total	(7,000,000)	560,000	560,000	560,000	261,257,633

Actual IRR	150%
Times Initial Investment	37.6x

Valuation and Ownership

Pre-money valuation	\$ 4,666,667	40%
Plus: new money	7,000,000	60%
Post money valuation	\$ 11,666,667	100%

Footnotes

- (1) Reflects average Sales multiple from the 3 public comparable company analyses, discounted by 20% for illiquidity.
 (2) Assumes option pool of 10% for management.
 (3) Equals 2019 Sales of \$180 million x Sales exit multiple of 2.9x x Ownership at exit of 50%.

Venture capital method suggests a post-money valuation of \$12 million