

HALO Technologies Holdings Ltd

High grade equities research for everyone?

HALO Technologies (ASX:HAL) listed on 22 April 2022, allowing a sell-down by early investors for \$10m and raising additional capital of \$26.1m. HAL offers an on-line equities research, trading and investment platform for domestic and global markets. The company offers integrated and trading options to customers including everyday investors (B2C), investment advisers (B2B) and their clients (B2B2C). HALO's vision is to provide institutional-grade investment technology to all investors. The HALO platform was developed in 2017, the company was established in 2018 and acquired the Macrovue investment platform and its team in 2019. In 2019 HALO also became a substantial investor in fractional investment platform DomaCom (ASX:DCL). Since 2019 HALO has launched platform upgrades, mobile versions, extended coverage and market access to 30 global markets, and in 2021 launched HALO Professional aimed at stockbrokers, advisors, fund managers and financial professionals. The company announced a strategic investment in Success Publishing P/L in June 2022 via a redeemable convertible note (CN) with the intention of expanding HALO's marketing reach. HALO has been backed by Amalgamated Australian Investment Group Ltd (AAIG) via collaboration with other owned companies. Volatile equity markets have slowed the company's growth in 2022, however, operating revenue fell only 1.5% in H1 FY22 vs the previous corresponding period.

Business model

HALO generates revenue via: (1) Subscription fees for various equities research product; (2) Brokerage at a rate of 12 basis points (BPS) or \$15 minimum for any trade execution across the 30 offered exchanges. HAL also accrues a 50bps foreign exchange conversion fee where applicable; and (3) Management fees of 0.8% p.a. for investments in the Macrovue Vues – thematic investment portfolios held by clients. HAL is expanding the targeted customer base with the partnership noted above with Success Publishing and increased focus on corporate relationships. Much of HALO's underlying equities data is supplied by Factset.

Growth in June half-year despite market volatility

HALO reported a small rise in revenue to \$5.5m for the half relative to pro-forma data for the period ended 30 June 2021 of \$5.3m, assisted by increased R&D incentives. Trading costs were lower, however, overall costs rose to \$6.4m with listing expenses. After-tax profit fell from +\$0.52m to -\$0.56m. The downturn in equity markets resulted in significantly lower transaction volumes and costs rose partly due to planned increases in headcount post-IPO.

A start-up in a competitive space

HALO's listed peers include SelfWealth and Raiz Invest – both new companies with a similar fintech focus. More established companies with some cross-over include Netwealth and Hub24, but HALO is also competing with a range of larger research platforms such as Morningstar (NASDAQ:MORN), Bloomberg and a range of broker platforms such as Robinhood (NASDAQ:HOOD) and Charles Schwab (NYSE:SCHW). While HAL markets only to Australian investors, the company does have ambitions to launch in the US and Europe. Equity valuations for this group are not comparable due to the early development stage of HAL, RZI and SWF.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)
12/19a	1.3	0.3	0.2	0.2	0.000
12/20a	4.8	1.4	1.2	1.2	0.005
12/21a	11.6	2.3	1.0	1.0	0.010

Source: Prospectus pro-forma company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items

Fintech

9th September 2022

Share Details

ASX code	HAL
Share price (8-Sept)	\$0.30
Market capitalisation	\$38.9M
Shares on issue	129.5M
Net cash at 30-Jun-2022	\$19.0M
Free float	~41%

Share Performance (since listing)



Upside Case

- Trading activity increases in 2022-23
- Distribution expansion drives customer take-up
- Customers invest in fund (Vues) offer

Downside Case

- Market volatility keeps investors side-lined
- Competitive space leaves HALO unable to differentiate
- Customer acquisition costs remain high

Catalysts

- Growth in users
- Sustained and growing profitability

Comparable companies (Aust/NZ)

Selfwealth (ASX:SWF), Raiz Invest (ASX:RZI), Netwealth (ASX:NWF), HUB24 (ASX:HUB)

Board and Management

Ivan Oshry	Chairman
Matthew Roberts	Managing Director
George Paxton	CEO, Exec. Director
Nicolas Bryon	CPO, Exec. Director
Philippa Lewis	Non-Exec. Director
Louise McElvogue	Non-Exec. Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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