

## Moxian, Inc.

### (Nasdaq CM: MOXC, Target Price: \$4.50)

We initiate coverage on Moxian, Inc. (Nasdaq CM: MOXC, "Moxian") with a price target of \$4.50. Based in Shenzhen, China, Moxian has developed a technology platform, Moxian+, which provides small and medium-sized enterprises (SMEs) with technology tools to manage and conduct business through mobile, online, and social media channels. Moxian+ is targeted at SMEs with traditional, offline, or "brick and mortar" businesses, providing them with a full suite of "online to offline" (O2O) commerce services. The market for O2O solutions in China targets a large opportunity – China's O2O market is estimated at \$48 billion in 1H17 according to investor materials provided by Moxian. O2O is also expected to grow rapidly; according to VentureBeat, China is a world leader in O2O, with O2O industry sales growth at approximately 25% per year. 2017 figures to be a critical year for Moxian, as management recently completed a financing at \$4.00 per share that netted the company \$8.5mn in proceeds to invest in growth and the commercial launch of Moxian+, which is expected in March 2017.

## INVESTMENT HIGHLIGHTS

### Moxian+ commercial launch targeting SMEs in large metro areas

Moxian is planning a large sales push as it initiates the commercial launch of Moxian+ in March 2017. The company recently opened an office in Beijing, and management has stated that it will have a sales team of 80 by the end of June, largely split between Shenzhen and Shanghai. The free version of Moxian's platform is already in use by more than 30,000 businesses and 300,000 consumers, and management expects sales efforts to be geared toward both converting existing users to premium paid services and new customer sign ups in these areas. Moxian also has plans for geographic expansion into Shanghai and Guangzhou, and is targeting a sales team of 100+ by the end of 2017.

### Large market opportunity for O2O in China

We are intrigued by the large market opportunity available for providing online to offline (O2O) services in China. O2O is a term for the broader trend of digital marketing that originates online and eventually results in shoppers going to a physical store. This appears to be a large opportunity targeted by many of the leading online companies in China. Indeed, China represents the world's largest mobile market, with approximately 1.3 billion mobile phone users as of December 2015, according to the Ministry of Industry and Technology of China, representing handset penetration of approximately 95 units per 100 people. Moreover, China is also a leading market for internet-enabled handsets, with 691mn smartphone subscribers in 2015 – and more than 910mn handsets, with some subscribers having more than one handset – according to data from Groupe Spécial Mobile Association (GSMA). China's O2O market is estimated at \$48 billion in 1H17, according to investor materials provided by Moxian. Moxian is targeting small and medium sized businesses, of which there are over 75mn in China, which should provide ample opportunity for Moxian to grow its customer base with proper sales execution.

### Initiate coverage with a price target of \$4.50

We initiate coverage of Moxian with a price target of \$4.50. The company represents a speculative early stage company with growth potential targeting the large market opportunity for online-to-offline (O2O) commerce in China.

#### Stock Details (1/16/2017)

Nasdaq CM:	MOXC
Sector / Industry	Technology / Internet Solutions
<b>Price target</b>	<b>\$4.50</b>
Recent share price	\$3.24
Basic Shares o/s (mn)	66.5
Market cap (in \$mn)	215.5
52-week high/low	\$10.30 / 2.11

#### Key Financials (\$mn unless specified)

	FY16	FY17E	FY18E
Revenues	0.0	6.7	24.1
EBITDA	(11.5)	(4.7)	5.2
EBIT	(13.4)	(5.3)	4.5
Net income	(13.7)	(5.3)	4.5
EPS (\$)	(0.17)	(0.08)	0.07

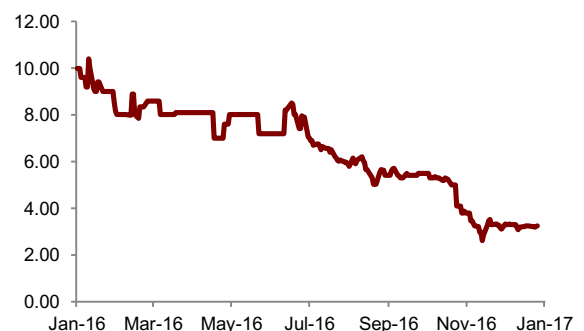
Source: SeeThruEquity Research

#### Key Ratios

	FY16	FY17E	FY18E
Gross margin (%)	77.4	63.3	62.5
Operating Margin (%)	(62,302.4)	(78.8)	18.7
EBITDA margin (%)	(53,531.1)	(70.1)	21.4
Net margin (%)	(63,807.8)	(78.8)	18.7
P / Revenue (x)	10,031.2	31.9	8.9
EV/Revenue (x)	10183.5	32.4	9.1

Source: SeeThruEquity Research

#### Share Price Performance (\$)



Source: Bloomberg

## SUMMARY TABLE

Figure 1. Summary Table (Pricing data as of January 16, 2017)

Share data		Balance Sheet data (FY16*)		Key personnel:	
Recent price:	\$3.24	Total assets:	14.4mn	CEO & Chairman	James Tan Mengdong
Price target:	\$4.50	Total debt*:	11.8mn	CFO	Tan Wanhong
52-week range:	2.55 - 6.25	Equity:	8.5mn	COO	Shi Guang Yu
Average volume*:	19,040	W/C:	3.6mn	CTO	Ng Kek Wee
Market cap*:	\$215.5mn	ROE:	NM	Director	Liew Kwong Yeow
Book value/share:	\$0.13	ROA:	-230.9%	Director	Hao Qing Hu
Cash/ basic share	\$0.13	Current ratio:	1.6		
Dividend yield:	N/A	Asset turnover:	0.0		
Risk profile:	High / Speculative	Debt/Cap:	58.1%		

\* 30-day average volume (number of shares),

\* Balance Sheet and share data adjusted from FY 2016 (ended September 30, 2016, for recent offering producing net proceeds of \$8.5mn)

FY	Estimates				Valuation	
	Rev (\$000)	EBITDA (\$000)	EPS (\$)	P/Rev (x)	EV/Rev (x)	P/E (x)
2015A	83.9	(5,385.2)	(0.06)	2608.0x	2569.0x	NM
2016E	21.5	(11,497.9)	(0.17)	10183.5x	10031.2x	NM
2017E	6,748.7	(4,730.9)	(0.08)	32.4x	31.9x	NM
2018E	24,140.8	5,176.6	0.07	9.1x	8.9x	47.9x
2019E	40,506.0	10,878.3	0.15	5.4x	5.3x	21.4x

Source: SeeThruEquity Research

## INVESTMENT THESIS

We initiate coverage on Moxian, Inc. (Nasdaq CM: MOXC, "Moxian") with a price target of \$4.50. Based in Shenzhen, China, Moxian has developed a technology platform, Moxian+, which provides small and medium-sized enterprises (SMEs) with technology tools used to manage and conduct business through mobile, online, and social media channels. Moxian+ is targeted at SMEs with traditional, offline, or "brick and mortar" businesses, providing them with a full suite of "online to offline" (O2O) commerce services. The market for O2O solutions in China represents a large opportunity: China's O2O market is estimated at \$48 billion in 1H17, according to investor materials provided by Moxian. O2O is also expected to grow rapidly. According to *VentureBeat*, China is a world leader in O2O, with O2O industry sales growth at approximately 25% per year.

With over 160 employees, including 60+ employees in its research and development department, Moxian maintains offices in Shenzhen and Beijing. The company's shares were listed initially on the OTQQB until a recent Nasdaq CM uplisting, which occurred in November 2016. Moxian completed development of its initial

technology, Moxian 1.0 in June 2013 in Malaysia, and launched its Moxian version 2.0 technology platform in October 2015 in China only, with an aim to accumulate small and medium sized enterprises on a free platform. The company has amassed 31,600 businesses and 300,000+ consumers on the platform since its initial launch.

**2017 expected to be a pivotal year for Moxian as the company transitions to paid model**

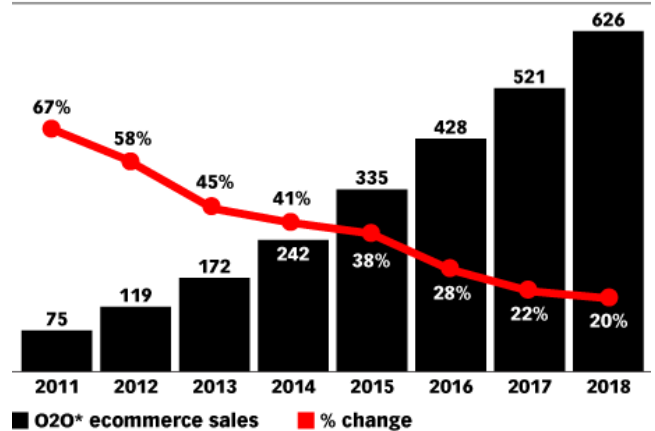
2017 figures to be a critical year for Moxian, as management recently completed a financing at \$4.00 per share that netted the company \$8.5mn in proceeds. Management expects to use the proceeds to invest in growth, with a new office recently opened in Beijing, and new locations also planned in Shanghai and Guangzhou by the end of 2017. The company is in the process of launching its Moxian+, a new paid version of its platform with premium service levels and mobile advertising capabilities, which is planned for commercial launch in March 2017. In our view, Moxian represents a speculative company in the technology sector, with ambitious goals targeting the large and fast-growing O2O market in China. The target of \$4.50 reflects growth potential enabled by its recent \$8.5mn raise and assumes management can execute on its aggressive growth plans in coming years.

**Moxian targeting a large market with online services for SMEs in China**

We are intrigued by the large market opportunity available for providing online to offline (O2O) services in China. O2O is a term for the broader trend of digital marketing that originates online and eventually results in shoppers going to a physical store. This appears to be a large opportunity targeted by many of the leading online companies in China. O2O could also be particularly well suited for consumer goods companies, including those in food & beverage, personal services like beauty and salons, fitness, and entertainment, given the proliferation of mobile internet devices in China. Indeed, China represents the world’s largest mobile market, with approximately 1.3 billion mobile phone users as of December 2015, according to the Ministry of Industry and Technology of China, representing handset penetration of approximately 95 units per 100 people. Moreover, China is also a leading market for internet-enabled handsets, with 691mn smartphone subscribers in 2015 – and more than 910mn handsets, with some subscribers having more than one handset – according to data from Groupe Spécial Mobile Association (GSMA). Moreover, while growth in e-commerce has been substantial for many years, there remains ample room for additional penetration; according to data from eMarketer, provided by the company, online penetration into global retail purchases is only expected to reach 9% by the end of 2018, leaving a long runway for growth potential. There are over 75mn small-to-medium sized businesses in China, which should provide ample opportunity for Moxian to grow its customer base with proper sales execution.

**Online-to-Offline (O2O)\* Ecommerce Sales in China, 2011-2018**

billions of Chinese yuan renminbi and % change



Note: includes beauty, catering, education, entertainment, hotel, parenting, travel and wedding services; \*digital reservation/purchase of local services that is followed by a visit to the physical/brick-and-mortar location to fulfill the order

Source: iResearch Consulting Group, "2015 China Online-to-Offline (O2O) Services Model Research Report," Jan 19, 2016

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www.eMarketer.com

**Moxian+ an upgrade to paid solution with more robust capabilities and monetization opportunities**

Moxian’s strategy of targeting small and medium sized enterprises (SMEs) seems intriguing. Moxian’s flagship O2O platform, Moxian+, is designed to help small and medium sized businesses in China push customers from mobile apps and websites to physical stores using social media, mobile advertising, coupons, and other

marketing strategies. The company has more than 30,000 businesses and 300,000 consumers using the unpaid version of its platform, and is planning a full-scale commercial launch of the paid version this March. The paid business version – the Moxian+ Business App – will include premium features for businesses that include the ability to plan and manage a campaign, offer discounts, manage payments, and receive analytics. Premium service packages will also support customer chat, a webpage to host an online shop, rewards programs including Moxian's virtual rewards currency (Mo-Coins and Mo-Points), social customer relationship management, targeted marketing (including location targeting), gamification, white label options for partners to control their brand identity, and features to support stores with multiple locations.

**Management planning aggressive salesforce expansion in key markets**

Moxian completed a capital raising program in November 2016, from which the company received net proceeds of \$8.5mn in an equity offering. The company plans to invest the proceeds of the offering in sales growth and to promote the launch of Moxian+ version 3 in China, for which a full commercial launch is planned for March 2017. Management initially plans to concentrate its sales efforts in leading metropolitan centers, including Shenzhen, Beijing, Shanghai, and Guangzhou. The company has stated plans to increase its sales team to 80 quota-carrying sales agents by June 30, 2017, concentrated in Shenzhen and Beijing, with more than 100 by the end of the calendar year when it opens Shanghai and Guangzhou offices.

In our view, the execution of these growth initiatives will be critical to the early success of the company. Management indicated that Moxian is targeting sales of approximately \$11mn in 2017E and \$29mn in 2018E, with revenues stemming from mobile advertising, premium service licensing agreements, and merchant transaction fees. The company plans to reach this goal both through the conversion of the 30,000 merchants on its unpaid platform as well as through new customer signups and expansion into new metro areas as described above.

## COMPETITIVE LANDSCAPE

Moxian is an emerging company operating in the large and quickly growing technology industry in China. Moxian is focused on providing online to offline (“O2O”) services to small and medium sized enterprises in China by way of providing a technology platform that enables advertising and customer communication through social media, mobile and online marketing. The O2O market is large and growing, with substantial potential, supported by the large number of web-enabled mobile devices and rising middle class consumer in China. Indeed, China is the world’s largest mobile device market, with approximately 1.3 billion mobile users, and mobile web-enabled devices represent the most common way that consumers access the internet. This penetration supports the thesis that O2O represents an important channel for SMEs in China to invest in to facilitate customer communication and sales growth.

We expect Moxian to face significant competition in the O2O market given the size of the opportunity as well as its growth potential. Indeed, according to Moxian investor materials, the market for O2O in China is expected to reach \$48 billion in the first half of 2017. This competition will likely include large technology companies with significant financial and technology resources, such as Alibaba Group Holding Ltd. (BABA), as well as small localized solutions providers. We believe small special Moxian will seek to compete by investing in sales and marketing which directly targets merchants, leveraging its merchant partners’ existing customer base, in order to drive growth. Moxian also expects to continue to invest in technology and sales and marketing in order to differentiate its products in the market.

While we expect the company will face a broad range of competitors and new entrants, Moxian has specifically cited its major competitor in China as Dazong Dianping. Similar to Moxian, Dazong Dianping targets merchant clients, and also offers merchants a customized page, location based promotion information and a relationship management tool. Other competitors cited by the company include Nuomi, Meituan and WeChat (Tencent). In our view, the company also faces competition from leading Chinese internet companies Alibaba Group Holding Ltd. (BABA) and Baidu (BIDU), which have publicly stated their intent to expand and invest in new O2O services – and have substantial resources to invest in this effort if necessary. As illustrated in the following table, there is a range of profitability and market capitalizations within Moxian’s peers among online businesses in China.

Company	Mkt Cap (\$mn)	Gross Profit %	ROA %
58.com	4,360	61.2%	-1.1%
Weibo Corporation	10,287	56.8%	7.3%
Baidu	61,223	58.6%	4.9%
Alibaba Group	240,670	57.3%	5.7%
Sina Corporation	4,855	56.0%	1.1%
Tencent Holdings	242,004	54.0%	10.0%
Consumer Capital Group	94	100.0%	-2.1%
Moxian Inc.	215	77.4%	-230.9%

Source: Yahoo Finance, data as of 1/16/2017

## FINANCIALS AND FUTURE OUTLOOK

### Key Assumptions

*Early-stage company.* Moxian is a startup company targeting a large and fast growing market. With product development complete on Moxian+ for small and medium sized enterprises, and \$10mn in gross proceeds from an offering connected to its Nasdaq CM listing, Moxian believes it should be a position to accelerate growth in 2017 and 2018. That said, we note that there is considerable uncertainty in the ability to forecast sales and margins for early stage / startup companies, as they must win new customers from scratch, which may be more difficult than anticipated. Even in the case of Moxian, which has 30,000 customers using earlier versions of its platform, according to SEC filings, the company may not be able to convert the percentage of customers to paid services as it expects. The estimates in this analysis and valuation assume that Moxian is able to execute an aggressive growth strategy, as envisioned by management, and that the company has continued access to new capital in order to fund this aggressive growth.

*Revenue Model.* With proceeds from its recent offering Moxian is expected to invest aggressively in sales and marketing growth. At the end of its fiscal year, ended September 30, 2016, the company had a sales team of 20, and management stated in its 2016 annual form 10-K that it expects to increase this figure to 80 in the first half of calendar 2017. Supporting this, Moxian opened an office in Beijing, a pivotal market for the company, and is in the process of opening new offices in Shanghai and Guangzhou. The company expects to have a staff of approximately 100 in sales by calendar year end, which management expects can support 2017 and 2018 sales of \$11mn and \$29mn, respectively.

At present Moxian offers the Moxian+ Platform, which includes a mobile application for merchants (Moxian+ Business App) and consumers (Moxian+ User App). Currently there is no cost to download either of the apps. The company has stated that it has over 30,000 merchants using the business app, and plans to monetize this through a paid subscription-based strategy, in which it has made available premium advertising services, including targeted marketing and analytics reporting, as well as customer management tools. Premium subscriptions include the “gold” and “diamond” plans which list at \$1,200 / year and \$2,000 / year, respectively. Additionally the company receives transaction fees for commerce supported by its platform, which range from 3% - 5% of sales. As Moxian exits beta mode, the company’s go-to-market strategy will be to convert a significant portion of its initial base of 30,000 merchants to paid subscription customers, while it continues to add to its overall merchant base. There are over 75mn small-to-medium sized businesses in China, which should provide ample opportunity for Moxian to grow its customer base with proper sales execution.

As shown in the table below, Moxian estimates a mix of advertising, Merchant Fees, and Transaction revenues in its outlook for 2017 and 2018

Moxian Outlook by Business Segment	2017	Mix %	2018	Mix %	YoY Growth
Merchant Transactions	3.5	36.8%	7.0	28.0%	100.0%
Mobile Advertisements	3.0	31.6%	6.0	24.0%	100.0%
OEM & Distribution License Fees	3.0	31.6%	12.0	48.0%	300.0%
<b>Total</b>	<b>9.5</b>	<b>100.0%</b>	<b>25.0</b>	<b>100.0%</b>	<b>163.2%</b>

Source: Company, SeeThruEquity Research

*Management targeting breakeven by end of 2017.* Moxian management is targeting cash breakeven by the end of 2017, assuming sales execution. The company believes it should generate approximately 70% gross margins from sales from direct sales force transactions, and 40% when using third party sales. The new version 3.0 Moxian+ also includes mobile advertising capabilities, which would likely have higher margins as well. Management has stated that Moxian has already invested more than \$10n in its infrastructure, and estimates that it could achieve cash flow breakeven by the end of 2017 if revenues come in as expected at approximately \$11mn in 2017 and \$25mn in 2018.

#### **Balance Sheet & Financial Liquidity**

We see the balance sheet as a key item to watch for Moxian, as the company will likely need significant capital to meet its sales growth and expansion plans. Although Moxian ended its fiscal year with total assets of just \$5.9mn, management was able to close a significant round of funding as part of the company's uplisting to the Nasdaq Capital Markets in November 2016. Specifically, Moxian raised gross proceeds of \$10mn (net of \$8.5mn) in a best efforts public offering completed on November 14, 2016. The company sold 2.5mn shares at \$4.00 per share. Management has stated that the company believes it can achieve breakeven by the end of 2017 if it is successful in hitting its growth and expense management goals; however, we would expect the company may need to raise additional capital if it is unable to meet these goals, or chooses to invest more aggressively in new projects.



## VALUATION

We valued Moxian using a discounted cash flow (“DCF”) model to arrive at a price target of \$4.50. We felt that this method was more appropriate than a comparable company valuation given that Moxian is in the early stages of growth and does not have material revenues at this time. Therefore, a comparison based on traditional fundamentals would not provide meaningful input to determining a price target. We did also include a table of industry peers and competitors in a peer valuation table, for informational purposes. The target of \$4.50 implies a market capitalization of approximately \$300mn, which represents a multiple of 12x Moxian’s 2018 revenue outlook of \$25mn. It also represents a market value of \$10,000 per customer, using the last reported figure of 30,000 business customers on Moxian’s free service platform, which is transitioning to a paid service with the launch of Moxian+ version 3 in March 2017

### DCF

The following DCF valuation of Moxian runs through 2027E. Overall, the forecast assumes that Moxian is able to execute on its aggressive growth plans, which includes deploying \$8.5mn in net proceeds from its recent equity offering at \$4.00 to expand its sales team to 80 quota-carrying agents by June 30, 2017. It also assumes the company is able to generate positive cash from operations in 2018, in line with management’s guidance, as outlined in more detail Financials & Future Outlook portion of this report.

We discounted cash flows at a weighted average cost of capital of 14.0% including a cost of equity of 16.4% and cost of debt (after tax) of 10.4%. Finally we assumed a long term growth rate of 5% at the end of the forecast period to calculate a terminal cash flow figure. Adjusting for cash and debt, we arrived at an equity value of \$306.4mn, or \$4.61 per share, as outlined below.

\$' mn	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
EBIT	(5.3)	4.5	10.1	16.6	22.4	30.2	39.7	49.9	59.3	72.7	84.5
Less: Tax	0.0	0.0	0.0	0.0	4.0	5.4	7.1	9.0	10.7	13.1	15.2
<b>NOPLAT</b>	<b>(5.3)</b>	<b>4.5</b>	<b>10.1</b>	<b>16.6</b>	<b>18.4</b>	<b>24.8</b>	<b>32.5</b>	<b>40.9</b>	<b>48.6</b>	<b>59.6</b>	<b>69.2</b>
Changes in working capital	(0.1)	0.4	(0.2)	0.4	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Depreciation & Amortization	0.6	0.7	0.8	0.8	0.9	1.0	1.7	2.3	3.0	3.6	4.0
Capex	(0.6)	(0.9)	(0.9)	(0.9)	(1.2)	(1.2)	(3.5)	(3.5)	(4.8)	(4.9)	(5.0)
<b>FCFF</b>	<b>(5.4)</b>	<b>4.6</b>	<b>9.8</b>	<b>17.0</b>	<b>18.2</b>	<b>24.7</b>	<b>31.0</b>	<b>39.8</b>	<b>47.0</b>	<b>58.5</b>	<b>68.4</b>
Discount factor	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3	0.2
PV of FCFE	(4.9)	3.7	6.9	10.4	9.9	11.7	12.9	14.5	15.0	16.4	16.8
Sum of PV of FCFE											113.3
Terminal cash flow											798.4
PV of terminal cash flow											196.4
<b>Enterprise value</b>											<b>309.7</b>
Less: Debt											11.8
Add: Cash											8.5
<b>Equity value</b>											<b>306.4</b>
Basic Outstanding shares (mn)											66.5
<b>Fair value per share (\$)</b>											<b>4.61</b>



Summary conclusions	Key assumptions	
DCF FV (\$ per share)	4.61	Beta 2.0
Recent price (\$ per share)	3.24	Cost of equity 16.4%
Upside (downside)	42.2%	Cost of debt (post tax) 10.4%
WACC	14.0%	Terminal Growth Rate 5.0%

Source: SeeThruEquity Research

Figure 7. Sensitivity of Valuation – WACC vs. Terminal Growth Rate

		WACC (%)				
		13.0%	13.5%	14.0%	14.5%	15.0%
Terminal growth rate (%)	4.00%	4.98	4.62	4.29	3.99	3.73
	4.50%	5.19	4.79	4.44	4.12	3.84
	5.00%	5.42	4.99	<b>4.61</b>	4.27	3.97
	5.50%	5.68	5.21	4.80	4.43	4.11
	6.00%	5.98	5.46	5.01	4.61	4.26
	6.50%	6.33	5.75	5.25	4.82	4.44

Source: SeeThruEquity Research

**Peer Group Analysis**

We also evaluated Moxian by using a relative valuation analysis with peer companies in the online solutions and services sector, emphasizing companies with a presence in China. As stated earlier in this report, our price target is primarily driven by the DCF analysis, given that Moxian is expected to initiate its version 3.0 commercial launch in March 2017, and therefore does not have a significant history of classic fundamental data from which to compare with industry peers. Nevertheless we have included a table of comparable companies for informative purposes, included below.

In our view, the key determining valuation catalyst for Moxian will be whether its commercial launch is able to generate enough momentum for the company to meet its sales guidance. Our estimates are slightly more conservative than management's outlook. At the recent closing price of \$3.24, Moxian shares trade at a market capitalization of \$215mn, or 8.6x its outlook for \$25mn in 2018 revenues.

**Figure 6. Comparable Valuation \***

Company	Mkt cap (\$ mn)	EV/Revenue		P/ Revenue	
		TY	NY	TY	NY
58.com	4,360	3.5x	2.8x	3.8x	3.0x
Weibo Corporation	10,287	14.5x	10.0x	15.8x	11.0x
Baidu	61,223	5.1x	4.2x	6.0x	5.0x
Alibaba Group	240,670	9.8x	7.5x	11.0x	8.4x
Sina Corporation	4,855	3.5x	2.8x	4.8x	3.9x
Tencent Holdings	242,004	10.9x	8.1x	10.9x	8.1x
JM Limited	263	N/A	N/A	N/A	N/A
Yahoo!	40,326	6.9x	6.7x	7.9x	7.7x
Yelp	3,212	3.6x	2.9x	4.5x	3.6x
Consumer Capital Group	94	N/A	N/A	N/A	N/A
<b>Average</b>		<b>7.2x</b>	<b>5.6x</b>	<b>8.1x</b>	<b>6.3x</b>
Moxian	215	32.4x	9.1x	31.9x	8.9x
<i>Premium (discount)</i>		<i>349.7%</i>	<i>61.0%</i>	<i>294.3%</i>	<i>40.6%</i>

Source: Bloomberg, SeeThruEquity Research, data as of January 16, 2017

## RISK CONSIDERATIONS

### Financial resources

Although Moxian recently completed an \$8.5mn public financing in conjunction with its uplisting to the Nasdaq CM, in November 2016, we believe the company may require additional financing in the future to meet its growth objectives, particularly if it takes the company longer than expected by management to reach profitability. Moxian is a startup company, which will need to invest in a sales force to drive revenue to levels at which it can support a profitable enterprise. Additionally, the company will likely have to invest in research and development, as well as other technology resources to support growth.

### Innovation / Technology Risk

The technology market is necessarily characterized by rapid change and innovation. Moxian will be required to continuously invest in research and development in order to be competitive in the industry and ensure that its technology is compliant with industry standards. The company has developed a virtual currency, Mo-Coins, which is used extensively within its platform and will also require recurring investments in research and development to support and secure. Additionally, mobile phone and smart phone technology is constantly evolving, and the company will be required to invest in technology resources to ensure optimal functionality of its platform on mobile devices.

### Competition

The technology market is intensely competitive and includes many companies with greater financial resources than Moxian. The company is not the only company with the ability to help SMEs expand their business operations online, and will have to continuously invest in research and development and sales and marketing to ensure its products are perceived as attractive in the market.

### Regulation

The technology market is subject to regulation, including intellectual property standards. There is no guarantee that Moxian will be able to protect, defend and enforce its intellectual property rights. Moreover, defense against intellectual property claims can be difficult and costly. Moxian also faces regulatory risk from its digital currency, Mo-Coins, which are used extensively in its applications. If virtual currencies are restricted or face new or cumbersome regulations, the company may experience a disruption in its service.

### Early Stage Company

Moxian is an early-stage company with limited revenues. The company has raised growth capital, and the execution of start-up growth companies comes with higher than average uncertainty. The outlook and estimates in this analysis are based the assumption that the company is able to execute a growth strategy with continued access to new financing, which may not occur.

### China Operations

Moxian has a complex corporate structure, through which it conducts business in China. The company is thus exposed to myriad risks related to operating in China, including those related to the Chinese economy, currency risk, the regulatory environment in China for foreign companies and foreign corporate structures, among others.

## Management Team

### James Tan Mengdong, CEO and Chairman

Mr. James Tan, age 52, has more than 20 years of experience in managing private and public companies based in Asia and USA. Mr. Tan is currently the Director and CEO of 8i Capital Limited. Until 2009, he was the Chairman and CEO of Vashion Group, a company listed on the Singapore Stock Exchange. Until 2009, he was the Executive Director and CEO of Vantage Corporation Limited, a company listed on the Singapore Stock Exchange. At the same time, he served as a director on the Board of Pacific Internet Ltd, a company listed on Nasdaq until its sale to Connect Holdings, a group comprising of Ashmore Investment Management Limited, Spinnaker Capital Limited and Clearwater Capital Partners.

Mr. Tan graduated from the National University of Singapore (NUS) with a Bachelor of Arts in 1985.

### Liew Kwong Yeow, Director

Mr. Liew, age 58, has more than 25 years of experience in several multi-national organizations, such as Matsushita Denki, General Motors, Intel as well as Urmet Telecoms Italy. He held senior positions and was mainly responsible for quality, engineering and procurement of related products and services. In 2006, Mr. Liew was instrumental in setting up the first manufacturing plant of Urmet Telecommunications Torino Italy in China and fine-tuning its supply chains, and with Mr. Liew's assistance, the entire operation of Urmet became significantly competitive in the China markets. Prior to that, Mr. Liew was the General Manager of Aztech Singapore's plant in China from 2001 through 2005. During 1992 through 2001, he served as the head of QA Operations of the manufacturing facilities of Pheonix Mecano Switzerland in Singapore.

Mr. Liew received his diploma in Electrical Engineering from Singapore Polytechnics University in 1974. He also completed the management study programs in: City and Guilds regarding Electrical and Electronics in 1974, Industrial Training Board at MOE Singapore in 1976, Matsushita DENKI Management Development Program in 1978, General Motors Institute in 1983 and Intel University in 1987. Mr. Liew is fluent in English and Chinese.

### Hao Qing Hu, Director

Mr. Hao, age 54, has more than 20 years of experience in managing the operation and business strategy of PRC-based companies. He is currently the General Manager of Moxian Technologies (Beijing) Co., Ltd – a subsidiary of Moxian, Inc. Since 2014, Mr. Hao was a Deputy General Manager of Xinhua Huamei Investment Management Co., Ltd. In 2005, Mr. Hao was a General Manager of Shandong Debang Construction Technology Co., Ltd. He worked there for almost 10 years. He was responsible for day-to-day operations and business development. Mr. Hao received his degree of Mining Investment & Optimization Integration from School from Continuing Education of Tsinghua University in 2009 and an EMBA from Tsinghua University Humanities and Social Science School in 2007.

### Yang Nan, Director

Ms. Yang, age 37, has over 15 years' working experience in international accounting firms, experienced in accounting, auditing, financial management, internal control and risk management. From 2000 to 2014, Maggie was with KPMG Huazhen LLP as a Senior Manager of their audit department, where she accumulated many years of working experience auditing U.S. listed companies.

Ms. Yang received her MBA degree from Guanghai School of Management, Peking University in 2014, and her Bachelor of Economics from Renmin University of China in 2000. Simultaneously, she received two important certificates in her career -- Certified Public Accountant ("CPA") in both China and United States of America.

### Nicolas Lin Kuan Liang, Legal Director

Nicolas Lin, age 27, is currently serving as the Legal and Admin Director of Moxian, Inc. He is also currently working for 8i Capital Limited. Lin was previously with Chance Investment Inc., advising Chinese businesses

on acquisition and fund-raising projects. In 2010-2011, he was the legal associate at FM Holdings Limited, where he was actively involved in the company's restructuring and debt financing. Prior to that, Lin worked as a junior associate at Global Fund Investment (UK) Limited in London. Lin graduated from Queen Mary College, University of London with a law degree in June 2010.

**Tan Wanhong, Chief Financial Officer**

Tan, 62, trained with Grant Thornton in Liverpool, UK and was admitted as an Associate of the Institute of Chartered Accountants (England and Wales) in 1980. He started his working career with KPMG Kuala Lumpur in 1981 and was quickly promoted to be the resident manager of the Penang Office. In 1983, Tan joined one of his clients, Island & Peninsular, as the Group Financial Controller before leaving for Sime Darby, Malaysia's largest Asean-based conglomerate in 1986. He had a successful career with Sime Darby, holding various senior positions over a span of 18 years but left in 2004 following a reorganization of the Group.

In 2007, Tan joined Hong Leong Asia, Singapore on a specific assignment in China which he completed in 2009 following which he took the post of Head of Investor Relations with 361 Degrees International, a Mainland sportswear group listed on the Stock Exchange of Hong Kong, and spent the next six years as the spokesman of the group to the international financial community.

**Shi Guang Yu, Chief Operation Officer**

Mr. Shi has more than 20 years of experience in managing business operations and developing strategies, of which, 8 years were spent in relation to an Internet company. Until 2012, he was the founder of Shenzhen Lohuo E-Commerce Co., Ltd. Until 2015, he was the Chief Operation Officer of Geile network Shenzhen Geile Information Science and Technology Co., Ltd where he was responsible for the day-to-day operations, internal structure of company and business development.

**Ng Kek Wee, Chief Technology Officer**

Dr. Ng holds a Ph.D. in Services Oriented Architecture (SOA). His first start-up was distinguished as 'The Best Services Oriented Architecture' consulting firm out of 15 countries in East Asia (incl. China) according to both Oracle and IBM and was acquired by China's biggest outsourcing company, Pactera Technology Inc., 3 years ago. The most significant milestone of Dr. Ng and his team was the creation of the most successful "Cloud Service Offering" for secure financial institutions and big business. The 3 Core Products of Savvis' Symphony were created over a 5-year span by Dr. Ng's team. The first product took 19 months to deploy. As a result, Savvis went on from being just a typical hosting company to later becoming the largest cloud company for big business - even larger than Amazon's AWS and Rackspace in this niche. They were acquired for \$3.2 billion by Century Link.

**Clarence Luo, Vice President of Business Development**

Clarence Luo, aged 39, a China-born Singapore citizen, has 22 years of working experience in both China and Singapore. He received academic training in Information Systems, started his career as a CAD (Computer Aided Architecture Design) software developer, and graduated into various management roles, including Project Management, Product Manager, and Consulting and System Integration. Since 2011, Luo is the Managing Director for Earnest Partners PTE LTD, a training and consulting firm. He was the Senior Product Manager, Global Services, Nokia Siemens Networks in 2011-2012, Senior Product Manager, reporting to the Director of Professional Services at Motorola Global Services in 2008-2011.

Luo received his bachelor's degree in Science in Information Systems from the Sun Yat Sen University in 1996, master's degree in Engineering in Wireless Communications from NUS in 1999 and MBA from Manchester University in 2011.

**Guan Fen Sheng, Director of Product Development**

Guan Fen Sheng started computer programming at the tender age of 15 years old. At 22, he started work as a Web game architect in a leading computer game company in China. By 25, he was already a project manager and business analyst in a software outsourcing company. With five years of experience in framework design and project management of large-scale systems, he focuses on designing mass data processing framework, cloud computing technology, and application of could computing in various large-scale computer

systems, including underlying game modules, business system, distributed storage solution, etc. His expertise includes mass data storage, distributed administration system and development of highly concurrent Web systems. In 2011, he joined Moxian to build a brand new online to offline business model, leading the R&D of Moxian platform. This marks a milestone in his career life. He is leading the R&D team to open a new chapter in the mobile Internet industry.

**Zou Hai Bin, Deputy Director of Infrastructure**

Zou Hai Bin worked in TOM Online for over 10 years. He has extensive experience in maintenance and operation of a large-scaled Internet company. With a solid understanding of IT maintenance and operation, he seeks to maximize stability, scalability, sustainability, security, regulatory compliance and performance of IT system with minimum costs. In 2014, Zou joined Moxian and he is in charge of IT maintenance and operation.

## FINANCIAL SUMMARY

**Figure 7. Income Statement**

Figures in \$mn unless specified	FY15	FY16	FY17E	FY18E	FY19E	FY20E
<b>Revenue</b>	<b>83.9</b>	<b>21.5</b>	<b>6,748.7</b>	<b>24,140.8</b>	<b>40,506.0</b>	<b>62,537.3</b>
YoY growth		(74.4%)	31320.1%	257.7%	67.8%	54.4%
Cost of sales	25.3	4.8	2,479.6	9,064.2	14,766.9	22,576.1
<b>Gross Profit</b>	<b>58.6</b>	<b>16.6</b>	<b>4,269.1</b>	<b>15,076.6</b>	<b>25,739.1</b>	<b>39,961.2</b>
Margin	69.9%	77.4%	63.3%	62.5%	63.5%	63.9%
Operating expenses	6,287.1	13,398.6	9,585.8	10,573.0	15,645.4	23,333.8
EBIT	(6,228.5)	(13,381.9)	(5,316.7)	4,503.5	10,093.7	16,627.4
Margin	(7426.4%)	(62302.4%)	(78.8%)	18.7%	24.9%	26.6%
<b>EBITDA</b>	<b>(11,497.9)</b>	<b>(4,730.9)</b>	<b>5,176.6</b>	<b>10,878.3</b>	<b>17,456.7</b>	<b>23,332.1</b>
Margin	(13709.2%)	(22025.7%)	76.7%	45.1%	43.1%	37.3%
Other income/ (expense)	2.2	(481.5)	0.0	0.0	0.0	0.0
Profit before tax	(6,226.3)	(13,863.4)	(5,316.7)	4,503.5	10,093.7	16,627.4
Tax	(52.6)	(49.5)	0.0	0.0	0.0	0.0
<b>Net income to Common</b>	<b>(6,112.0)</b>	<b>(13,705.3)</b>	<b>(5,316.7)</b>	<b>4,503.5</b>	<b>10,093.7</b>	<b>16,627.4</b>
Margin	(7287.4%)	(63807.8%)	(78.8%)	18.7%	24.9%	26.6%
<b>EPS (per share)</b>	<b>(0.06)</b>	<b>(0.17)</b>	<b>(0.08)</b>	<b>0.07</b>	<b>0.15</b>	<b>0.25</b>

Source: SeeThruEquity Research.

**Figure 8. Balance Sheet**

Figures in \$000, unless specified	FY15	FY16	FY17E	FY18E	FY19E	FY20E
Current assets	3,479.7	1,016.0	6,572.9	13,012.3	26,003.2	47,256.5
Other assets	9,594.5	4,918.6	4,932.9	5,159.8	5,293.1	5,400.2
<b>Total assets</b>	<b>13,074.2</b>	<b>5,934.6</b>	<b>11,505.7</b>	<b>18,172.1</b>	<b>31,296.3</b>	<b>52,656.7</b>
Current liabilities	7,569.1	5,944.8	7,712.6	9,175.4	11,492.0	15,496.6
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	5,505.1	(10.2)	3,793.2	8,996.7	19,804.4	37,160.0
<b>Total liab and shareholder equity</b>	<b>13,074.2</b>	<b>5,934.6</b>	<b>11,505.7</b>	<b>18,172.1</b>	<b>31,296.3</b>	<b>52,656.7</b>

Source: SeeThruEquity Research

**Figure 9. Cash Flow Statement**

Figures in \$000, unless specified	FY15	FY16	FY17E	FY18E	FY19E	FY20E
Cash from operating activities	(5,417.2)	(7,571.9)	(4,169.4)	6,233.4	11,402.8	18,629.1
Cash from investing activities	(3,286.6)	(525.4)	(600.0)	(900.0)	(918.0)	(936.4)
Cash from financing activities	9,236.0	5,803.7	8,500.0	0.0	0.0	0.0
<b>Net inc/(dec) in cash</b>	<b>532.2</b>	<b>(2,293.6)</b>	<b>3,730.6</b>	<b>5,333.4</b>	<b>10,484.8</b>	<b>17,692.7</b>
Cash at beginning of the year	1,770.0	2,398.9	76.8	3,807.4	9,140.8	19,625.6
<b>Cash at the end of the year</b>	<b>2,398.9</b>	<b>76.8</b>	<b>3,807.4</b>	<b>9,140.8</b>	<b>19,625.6</b>	<b>37,318.4</b>

Source: SeeThruEquity Research





**Moxian, Inc.**

**Equity | Technology / Internet Solutions**

**February 8, 2017**

### **About Moxian, Inc.**

Founded in 2013 in Shenzhen, China with branch offices in Beijing, Malaysia, and Hong Kong, Moxian, Inc. is an offline-to-online (O2O) integrated platform operator. The Company's "Moxian+" mobile App platform connects Users to Merchant Clients through games, rewards and social events that they enjoy and in return, Users provide valuable information that Merchant Clients can use to effectively promote products and services offered at their brick and mortar stores. More information about the Company can be found at [www.moxian.com](http://www.moxian.com).



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