

# TechFinancials, Inc.

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## TechFinancials eyes growing financial services market

After a difficult first year on AIM, TechFinancials Inc (LON:TECH) appears to have turned a corner.

The company, which develops and licenses out the technology behind online trading platforms, was guardedly optimistic about prospects when it updated the market last week.

Its business-to-business arm, which provides software and back-up to brokers, continued to perform well, chairman Christopher Bell told the company's annual meeting.

Seeing the benefits of B2C overhaul

Meanwhile, the consumer offering (which is referred to in financial statements as B2C) has been overhauled and TechFinancials is already starting to see the benefits coming through.

Increased regulation was blamed for the difficulties faced by its Cyprus-based B2C business, OptionFair, which resulted in a fall in revenues to US\$5mIn from US\$8.9mIn.

The strategy has changed with the company focusing on joint-ventures where the risks are shared, such as a deal signed last October with Optionfortune.

"We are having great success, particularly in Asia where our partners understand the culture and how the markets work," Bell told Proactive Investors.

The B2C difficulties meant TechFinancials' group revenues dropped 12% to US\$13.6mIn in 2015, although this masked a strong performance by the B2B arm.

City broker Northland is predicting a strong bounce back, with turnover growing to US\$20.1mIn this year and then US\$22.6mIn, giving adjusted pre-tax profits of US\$800,000, rising to US\$1.8mIn.

Future growth will be underpinned by developments such its foreign exchange platform, the addition of smartphone functionality for its systems and the introduction of a regulated US product, reckons Northland's analyst Michael Campbell.

Exposed to large and rapidly growing market

"TechFinancials is exposed to a large and rapidly growing retail financial services market," he says.

"The industry is experiencing rapid growth on the back of demand for access to financial products from retail or non-professional customers."

**Price:** 0.45

**Market Cap:** £385.56 k

### 1 Year Share Price Graph



### Share Information

**Code:** TECH

**Listing:** AIM

**52 week High Low**  
8.5 0.41

**Sector:** Software & services

**Website:** [www.techfinancials.com](http://www.techfinancials.com)

### Company Synopsis:

*TechFinancials is an end-to-end, technology and services provider that offers premium financial trading solutions to a growing global client-base. TechFinancials is the first platform provider to combine binary options and proprietary forex (spot) trading technology for a simplified trader experience.*

action@proactiveinvestors.com

The company's focus is binary options, which are financial instruments that make it easier to trade financial markets.

In his latest write-up on the company, Northland's Campbell cites a report from ForexMagnates that estimates that the binary options industry will grow to around \$20bn in traded volume by the end of the year.

That represents a doubling in size since 2014 and, as the analyst points out, it "provides a significant backdrop for TechFinancials to grow and create shareholder value".

"Overall market volumes are increasing. There is exponential growth in forex and binary numbers as well," says chief operating officer Jeremy Lange.

"There is also strong regional growth. We are targeting Asia and we recently opened an office in Hong Kong. We are adding staff to that office. Asia a big target market."

While growing, the industry is also becoming more regulated, which also plays to TechFinancials' strength.

"Providing a product suited to regulated environments puts the software licensing business in a strong position to expand its software licensing customer list," says Northland's Campbell.

The shares, which were listed on AIM at 27p each, are now changing hands for a little over 10p. Take away the £3m cash TechFinancials has in the bank and you left with a business with an enterprise value £4.6m.

The forward earnings multiple is a paltry five times, which means the shares have priced in the recent distress, but none of the potential upside.

Northland values the stock at the price at which it made its debut.

"A return to paying dividends is a further significant point for investors to consider," points out analyst Campbell.

Based on the current price the implied yield is 3%, growing to 5%.

"The shares look significantly undervalued on our forecasts," the analyst concludes

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Contact us +44 (0)207 989 0813 [action@proactiveinvestors.com](mailto:action@proactiveinvestors.com)

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