Equity Research - 8 May 2024 05:51 CEST

Coinshares

Reason: Initiating coverage

A digital asset manager repatriating capital

Commissioned research

Not rated

- Track record of profitable growth, about to repatriate capital
- Increased adoption of digital assets will drive AUM growth
- 16% adj. EPS CAGR '23-'26e, 4x adj. P/E, 10-12% cash yield

Europe's leading digital asset manager, entering the US

CoinShares is a digital asset manager providing investors with exposure to digital assets such as cryptocurrencies through ETPs. The company has a capital markets division deploying complimentary services such as liquidity provisioning, delta neutral trading and staking. These complimentary services improve the Asset Management offering while simultaneously increasing the earnings capacity of the company. CoinShares has a market share of ~40% of the ETP market in Europe and has just entered the US market via an acquisition following the SEC approval of spot Bitcoin ETFs in January 2024. The US market is 15x larger than the European one and the SEC approval opens the doors for institutional investors.

Exposure to digital assets, with more stable earnings

Digital assets such as crypto are a very volatile asset class, although the long-term trend seems to be upwards. CoinShares provides exposure to this trend since its AUM is directly affected by prices. Simultaneously CoinShares has some earnings resilience in the form of fixed fees on the AUM as well as capital markets earnings power which can sustain it through less favourable market conditions. This should be an appetising combination for investors. We estimate the market to grow by a 10% CAGR in '23-'30e and assume CoinShares' adj. EPS to grow by a CAGR of 16% in '23-26e, driven by increasing AUM and lower average fee levels.

New dividend policy, fair value of SEK 52-114

CoinShares recently implemented a dividend policy, implying dividend yields of 10-12% in '24-'26e. The company trades at an adj. P/E of 4x in '24-'26e, ~70% below crypto peers and asset managers. Our fair value range is based on peer multiples and two scenarios of DDM models, and considering all this we end up with a fair value range of SEK 52-114.

Financials

CS-SE/CS-SE

Share price (SEK)	7/5/2024	57.20
Fair value range		52.0-114.0

MCap (SEKm)	3,869
MCap (EURm)	333
No. of shares (m)	67.6
Free float (%)	14.2
Av. daily volume (k)	9

Next event Q1 Report 14 May 2024

Performance

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GBPm	2022	2023	2024e	2025e	2026e
Sales	72	86	133	131	126
EBITDA	-6	57	97	95	90
EBITDA margin (%)	-8.5	66.3	72.4	72.7	71.0
EBIT adj.	39	54	90	89	84
EBIT adj. margin (%)	54.5	62.6	67.7	68.0	66.3
Pretax profit	3	38	83	85	80
EPS	0.03	0.53	1.12	1.12	1.01
EPS adj.	-0.25	0.69	1.18	1.18	1.07
Sales growth (%)	-52.7	19.2	55.7	-1.6	-3.9
EPS growth (%)	-97.9	1,490.9	111.3	-0.2	-9.5

Source: ABG Sundal Collier, Company Data

	2024e	2025e	2026e
P/E (x)	3.8	3.8	4.2
P/E adj. (x)	3.6	3.6	3.9
P/BVPS (x)	0.95	0.83	0.75
EV/EBITDA (x)	2.2	2.0	2.0
EV/EBIT adj. (x)	2.3	2.1	2.1
EV/sales (x)	1.58	1.45	1.41
ROE adj. (%)	28.6	23.5	18.9
Dividend yield (%)	12.0	11.2	10.1
FCF yield (%)	13.8	19.5	16.3
Le. adj. FCF yld. (%)	13.1	18.1	15.0
Net IB debt/EBITDA (x)	-0.4	-0.6	-0.8
Le. adj. ND/EBITDA (x)	-0.5	-0.7	-0.9

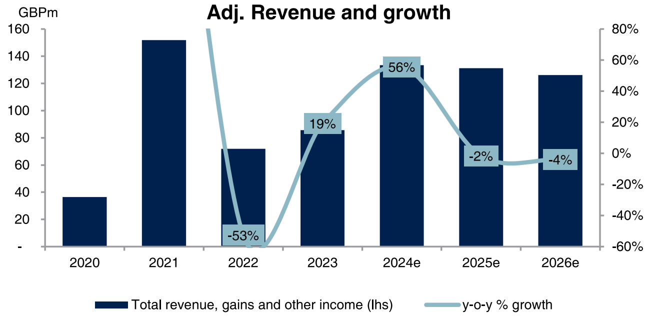
Company description

CoinShares is an asset manager with a complimentary capital markets division. The company provides exposure to digital assets for its customers through investment products such as ETPs. The company earns money through management fees on its instruments. CoinShares has ~40% market share in Europe and has recently entered the market in the US.

Risks

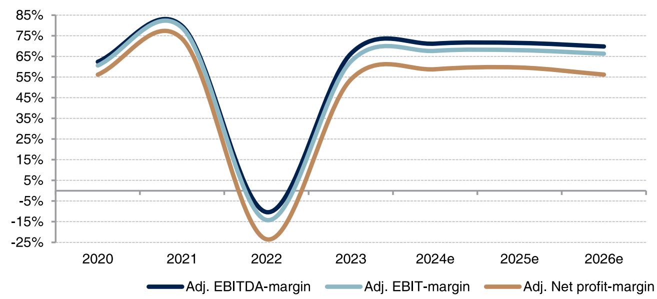
Digital assets are a volatile asset class and the price can vary significantly. Although CoinShares has no unhedged exposure, the AUM could decrease or increase rapidly through price changes of cryptocurrencies and thereby affect the earnings capacity. CoinShares took significant losses in 2022 related to its trading division, and it cannot be ruled out that something similar could happen again.

Adj. Revenue and growth



Source: Company data & ABGSC Research

Margins



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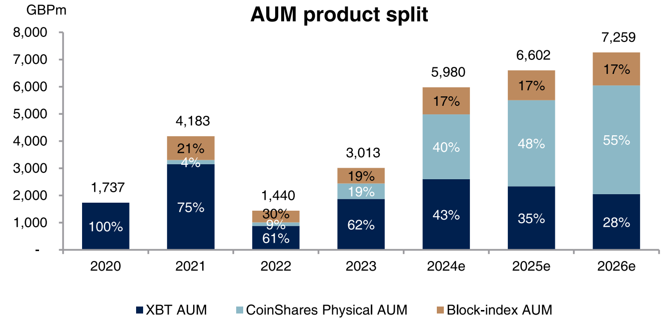
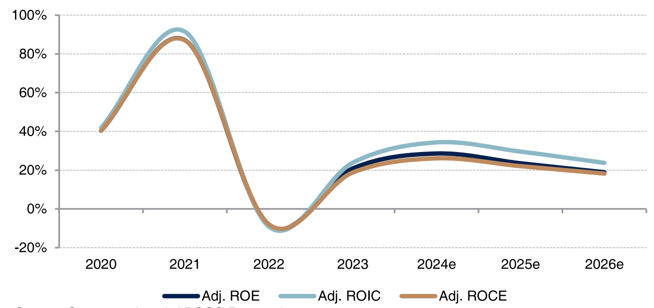
AUM product split



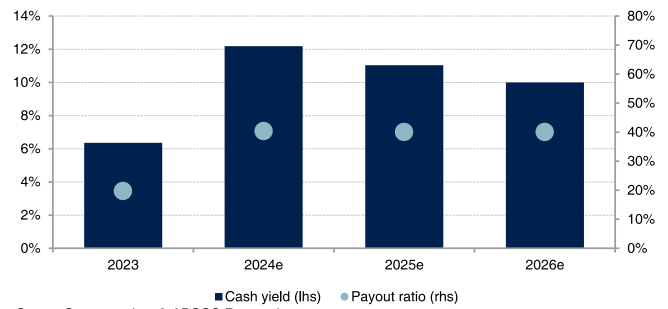
Source: Company data & ABGSC Research

Profitability



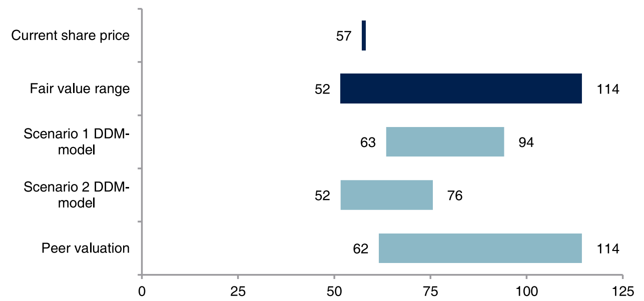
Source: Company data & ABGSC Research

Cash yield and payout ratio



Souce: Company data & ABGSC Research

Estimated fair value range (SEK)



Souce: Company data & ABGSC Research

Contents

Summary

CoinShares is Europe's leading asset manager for digital assets with a market share of ~40% based on AUM. The company is currently en route to expand into the US via an acquisition of Valkyrie. With the rise of cryptocurrencies during the last decade, a new asset class of cryptocurrency ETPs has emerged, and CoinShares has acted on this opportunity. CoinShares has grown its AUM by a CAGR of 20% in '20-'23, and we expect the growth rate to pick up to a CAGR of 34% in '23-'26e, supported by expansion into the US and rising digital asset prices. Despite estimated fee pressure, we expect CoinShares to grow its adj. EPS by a CAGR of 16% in '23-'26e, compared to 25% in '20-'23. CoinShares is trading at an adj. P/E of 4x with a cash yield of 10-12% in '24-'26e. CoinShares' valuation multiples are ~70% below crypto and asset management peers. Taking into account the valuation compared to peers as well as our two scenarios based on dividend discount models, we arrive at a fair value range of SEK 52-114.

Investment products with exposure to digital assets

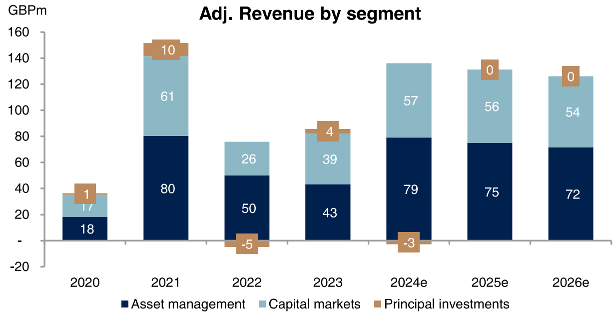
CoinShares operates through three segments: Asset Management, Capital Markets and Hedge Fund Solutions, with the main segment being the Asset Management business. The flagship products are ETPs providing exposure to digital assets such as Bitcoin and Ethereum. CoinShares is a famous brand by itself, but one might also be familiar with the brand XBT Provider and CoinShares' cooperation with Invesco. Beyond the passive investment products, CoinShares launched an active management product called Hedge Fund Solutions in September 2023. The company has and will continue to benefit from increasing interest and acceptance of digital assets as an alternative asset class. The main driver of the earnings capacity in the Asset Management segment will likely be the AUM growth. The AUM is driven by several parameters such as increased adoption of digital assets as an alternative asset class, expansion into new geographies, launches of new investment products and the price of digital assets. The fee level for the AUM is ~1.0% at present, which is high compared to the average of other asset classes such as gold (~0.25%), commodities (~0.6%) and equity ETFs (~0.2%). Fee pressure should be expected ahead, as the market matures and more fee-sensitive capital, such as institutional, is allocated to digital asset investment products.

Capital Markets supports Asset Management and boosts earnings

A larger AUM base will likely drive more earnings from the related Capital Markets segment. The Capital Markets segment derives its earnings from liquidity provisioning, securities lending, staking (read more in the section "Cryptocurrencies explained") and delta neutral trading (see section called "Capital Markets"). Staking is likely to be the main driver in this segment going forward, mitigating some effect from the likely lower management fees in the Asset Management segment. Liquidity provisioning, securities lending and delta neutral trading would likely scale with the AUM long-term, but we believe the intention is to move this activity into the Hedge Fund Solutions product, leading to CoinShares becoming more of a pure asset management firm.

An old segment to be replaced by a new one

Finally, CoinShares' segment of principal investments (PI) has several venture capital-like investments in companies related to digital assets. Significant positions include the neobank Flowbank (44% of PI-portfolio) and digital asset custodian Komainu (25% of PI-portfolio). Most principal investments have had some initial synergies with CoinShares, such as Flowbank utilising the IT platform created by CoinShares, Coin Shares using Komainu as a custodian and BlockDaemon facilitating staking for CoinShares. CoinShares has expressed a willingness to divest positions at fair market prices if opportunities arise, and we expect most non-synergetic holdings to be divested when an opportunity arises. The PI portfolio is booked at a value of GBP 44.9m, which can be compared to the company's market cap of GBP 315m. Should the company sell of its PI-portfolio at book value and then repatriate the capital through an EO dividend, it would result in a DPS of SEK ~9 (15% yield). This action would, in our view, be seen as shareholder-friendly. As the PI segment is slowly phased out, we believe that Hedge Fund Solutions will be the new third segment of CoinShares.



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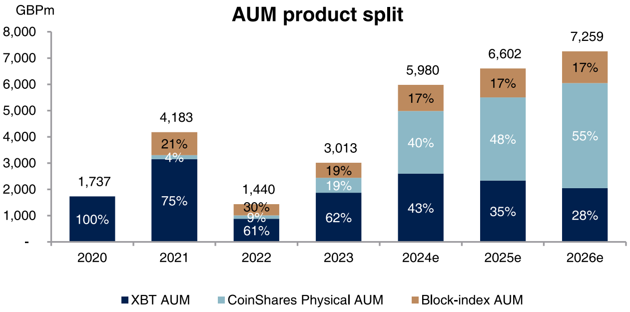


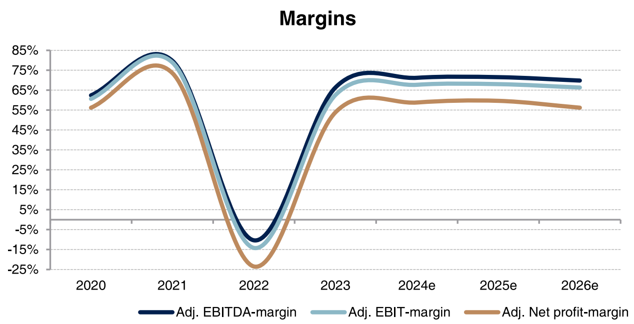
Source: Company data & ABGSC Research

Increase in AUM to drive earnings growth

CoinShares has grown its AUM from GBP 1,737m in 2020 to GBP 3,013m in 2023, which implies an AUM CAGR of 20%. During the same period, Bitcoin and Ethereum (representing ~93% of current AUM) have grown by CAGRs of 13% and 46% respectively, meaning that the AUM CAGR is partly driven by price increases in digital assets but also by net flows. This indicates both the dependency of price development for AUM growth, but also the opportunity in case institutional allocation to digital assets were to increase. We expect an AUM CAGR in '23-'26e of 34%, driven by net inflows, digital asset price appreciation and the acquisition of Valkyrie. The likely upcoming fee pressure is due to most inflows being allocated to CoinShares' lower-fee products. Due to the large fluctuations in the value of digital assets (which results in misleading accounting metrics due to accounting rules) we prefer to track CoinShares performance on adjusted EBITDA (adjusted for fair value gains through other comprehensive income) and adjusted EPS (total comprehensive income adjusted for currency effects, divided by the number of shares). CoinShares has compounded its adjusted EBITDA by a CAGR of 36% between 2020 and 2023 and the adjusted EPS by a CAGR of 25% between 2020 and 2023. We forecast the adj. EBITDA to grow by a CAGR of 16% and adjusted EPS by the same rate.

A highly scalable company

We consider the business model of CoinShares to be highly scalable, as new investment products could be launched and added to new geographies without driving headcount too drastically. We believe CoinShares already has the infrastructure in place to launch more investment products and expand into new geographies. What could drive costs higher would be sales employees when entering new geographies or launching the Hedge Fund Solutions. However, we believe distribution partners will be utilised and sales employees would likely be compensated mainly through variable remuneration, which should ensure that revenues outgrows cost going forward. The scalability of the CoinShares platform is best portrayed by the historical operating margins illustrated in the graphs below.



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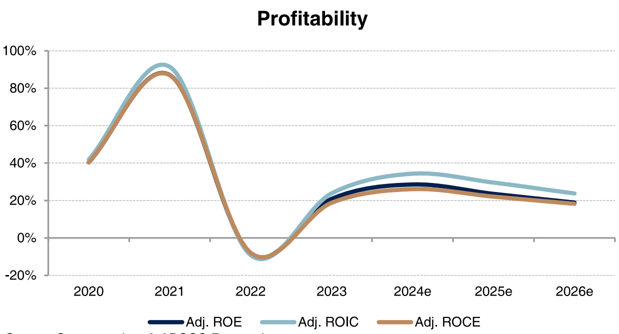


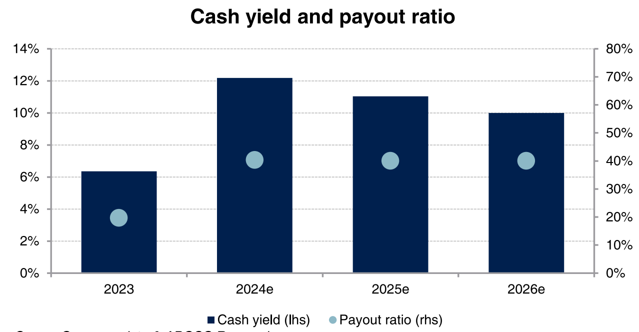
Source: Company data & ABGSC Research

New dividend policy indicates 10-12% cash yields

Coinshares has been profitable for a long time and currently holds a net cash position. Due to this, the company has repatriated capital since 2022 in the form of share buybacks. During 2022 and 2023, Coinshares bought back ~2.7% of total diluted share capital. The current share buyback program entails SEK 26.4m more in share buybacks (although limited by the turnover in the share), and in our forecasts, we have assumed a low level of buybacks in Q1'24 and then a discontinuation of the buyback programme due to the liquidity constraints in the stock turnover. CoinShares implemented a dividend policy in its latest earnings report, stating that 20-40% of adjusted net profits will be distributed as dividends. We expect dividends to be the main way of repatriation going forward, and assume that the rest of the net profit will either be reinvested or tied up in net working capital. In the long run, as XBT Provider becomes a smaller part of total AUM, we expect less working capital tie-up (as XBT ties up more capital than other investment products) and therefore potential for an increased payout ratio. On our current estimates, we expect a payout ratio of 40%, which would equal a yield of 10-12% in '24-'26e.

Potential for extraordinary dividends

There is potential for extraordinary dividends if CoinShares sells some of its principal investments (as discussed above, SEK ~9 per share potential payout). There is another event that could trigger another EO dividend, namely if CoinShares recuperates some of its losses from the FTX bankruptcy. CoinShares has a GBP 26m claim on the bankruptcy proceedings and has fully provided for it already (i.e. not included in the balance sheet). Currently, claims on the FTX bankruptcy proceeding trade for ~90% of their value. Assuming an EO dividend of the full amount would equal a DPS of SEK 5, implying an additional one time yield of 8%.



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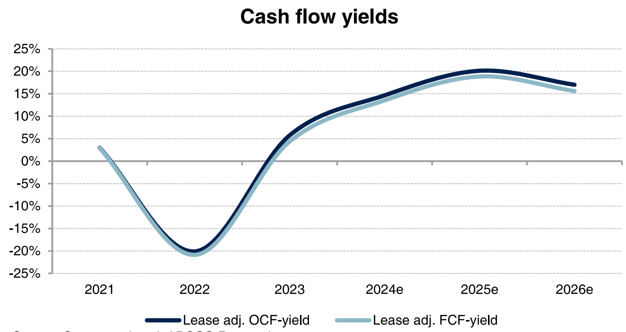


Source: Company data & ABGSC Research

Valuation

We value Coinshares based on three approaches, two scenarios based on dividend discount models and a peer model with peers such as digital asset managers and crypto-related companies. Taking all three into account, we derive a fair value range of SEK 52-114.

Scenario 1 dividend discount model

For the Scenario 1 dividend discount model, we have used our detailed forecast for 2024-2026e and projected the 2027-2030 period by assuming a 10% CAGR in the prices of digital assets based on our projected market growth. Furthermore, we have assumed net outflows in 2027-2030 to account for potential lost market share by CoinShares. Finally, we assume improving profitability due to scalability and an increasing payout ratio rising to 60% in 2027-2030 (80% in terminal period) to account for lower capital needs. To derive the terminal value, we use a Gordon growth model with a terminal growth rate and a cost of equity that is illustrated through the sensitivity table below to the left.

Scenario 2 dividend discount model

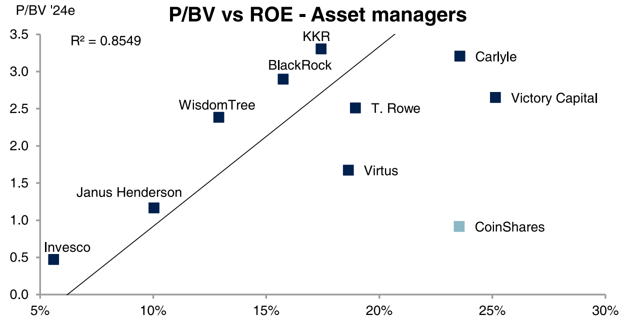
The scenario 2 dividend discount model is based on the scenario 1 dividend discount model. We use the same estimates for our forecast period of 2024-2026e, but alter the 2027-2030 period and the terminal scenario. We assume that the 2027-2030 period earnings will be 10% lower than in our earlier scenario, and that the payout ratio will only be 40%. For the terminal period, we assume a payout ratio of 70%. The terminal growth and cost of equity are illustrated in the table below to the right.

Peer valuation - an asset manager or a crypto company?

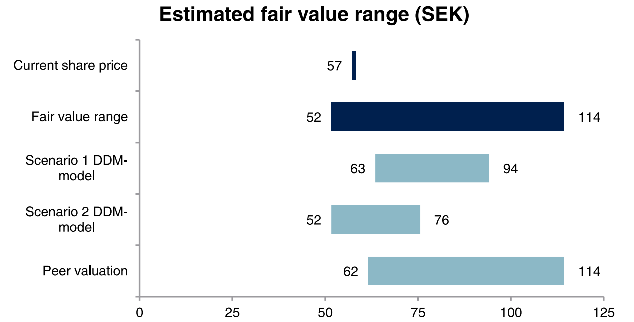
As the Asset Management part of the business becomes a larger share of revenues and earnings, CoinShares could deserve a higher multiple due to the more stable earnings profile and higher valuation of asset managers. Coinshares is trading at a '24-'26e adj. EV/EBITDA of 2.9-3.1x compared to our peer group of asset managers at 13.3-11.4x and our peer group of crypto-related companies at 7.2-6.6x. We note that compared to "traditional" asset managers, CoinShares' AUM is much more volatile, which should command a higher risk premium. However, compared to other crypto-related firms, we note CoinShares' market-leading position in Europe and its significant capital repatriation plans.

Scenario 1 - share price in SEK		Cost of equity				
		10%	12%	14%	16%	18%
Terminal growth rate	3.0%	126	98	80	68	59
	2.5%	120	94	78	66	58
	2.0%	114	91	76	65	57
	1.5%	109	88	74	63	56
	1.0%	105	86	72	62	55

Scenario 2 - share price in SEK		Cost of equity				
		10%	12%	14%	16%	18%
Terminal growth rate	3.0%	101	78	64	55	48
	2.5%	96	76	63	54	47
	2.0%	91	73	61	53	46
	1.5%	88	71	60	52	46
	1.0%	84	69	58	51	45



Source: Factset & ABGSC Research



Souce: Company data & ABGSC Research

Risks

There are several risks associated with the business model of Coinshares. If the prices of digital assets were to fall, it would have a direct effect on the AUM of Coinshares and thereby its earnings level. Furthermore, there is always a risk of cyberattacks and hackings. CoinShares tries to mitigate this risk by having its digital assets in cold storage with regulated custodians. Since CoinShares conducts some delta-neutral trading, there are always risks associated with that relating to both trading risk and counterparty risk. This risk materialised in 2022 and resulted in significant losses. CoinShares mitigates this risk by moving this activity to the newly launched Hedge Fund Solutions. Finally there is always a risk of regulations that could negatively affect the business opportunity for CoinShares. Even though the regulatory environment currently leans in the other direction of allowing investment products for digital assets, this risk cannot be ruled out.

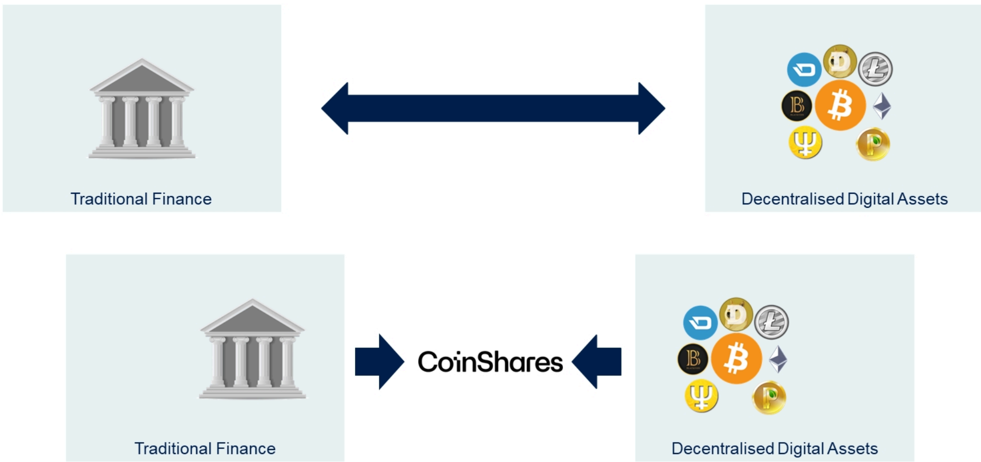
CoinShares in brief

CoinShares is a digital asset-focused financial services company. The company provides a range of services related to digital assets, including investment products, liquidity provisioning and asset management. CoinShares has three business units, Asset Management, Capital Markets and Hedge Fund Solutions. The company's main segment is asset management, through which it provides investors exposure to digital assets. To enhance the Asset Management offering and maximise earnings, CoinShares created a capital markets segment that provides liquidity provisioning, staking and delta-neutral trading. Through its early mover advantage and innovative products, CoinShares has captured a ~40% market share in Europe (based on AUM) and is currently expanding into the US. The business is very scalable, illustrated by the ~70% operating margins. CoinShares is well-positioned to benefit from investors' rising interest in gaining exposure to digital assets, and in doing so through regulated investment products.

Coinshares bridges the gap to digital assets

CoinShares' mission is to narrow the gap between traditional finance and decentralised digital assets. It offers both passive and active asset management products, providing exposure to digital assets that is suited for both institutional and private investors. Many investors are interested in investing in digital assets, but there is a perceived hurdle to pass, as one may find the technological demands to invest directly in cryptocurrencies daunting. Some potential obstacles to owning the asset itself can include storing the asset, protection against being hacked, reporting standards, tax rules and forgetting the "private key". This is where CoinShares comes into the picture. The company offers products such as ETPs that allow customers to get exposure to digital assets with access right in their brokerage account without having to worry about the aforementioned problems. Additionally, in some products, customers get a diversified portfolio of digital assets, which is beneficial for customers who only want exposure to digital assets in general without having a view on a specific cryptocurrency. CoinShares charges a fee based on the customer's AUM in exchange for its services.

CoinShares' value proposition

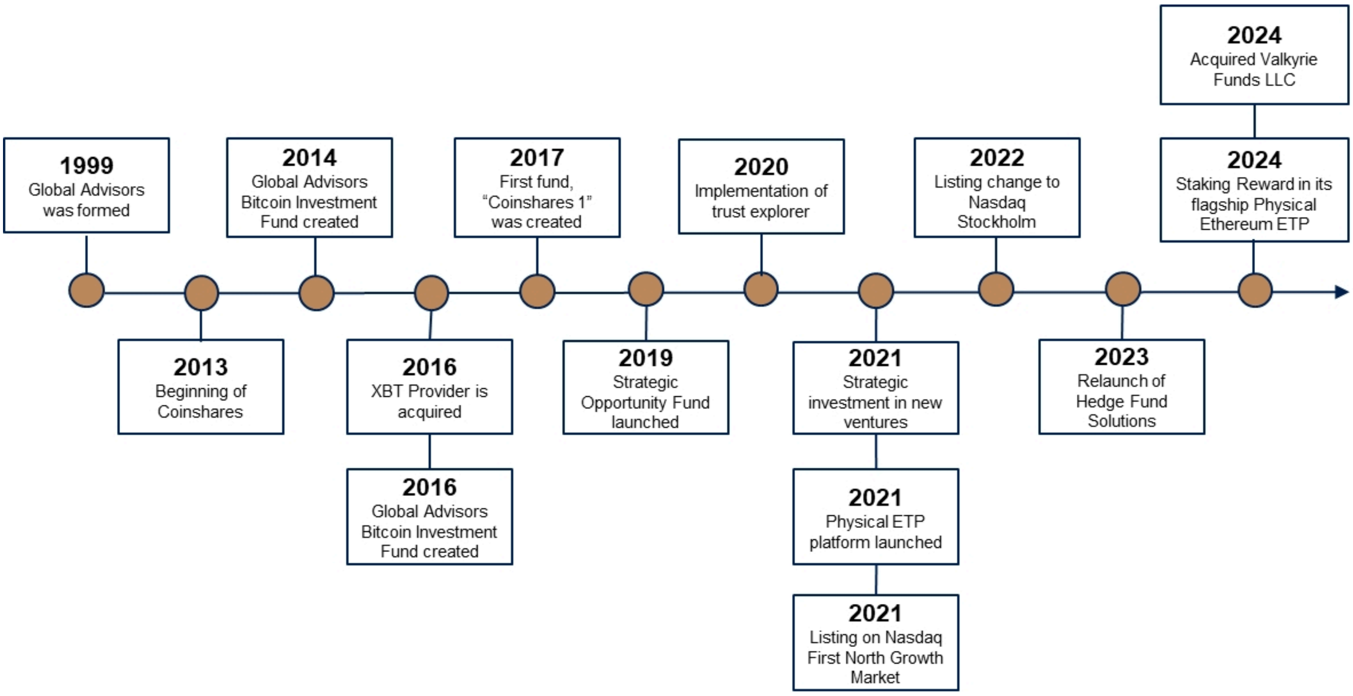


Source: ABGSC Research

The history of CoinShares

CoinShares was originally founded in 1999 as Global Advisors by Daniel Masters who previously was Global Head of Energy Trading at JP Morgan. The company noticed the rise and emergence of cryptocurrencies and decided to pivot in 2013 to become the leader in digital assets. . In 2014, the company launched the first regulated Bitcoin hedge fund. Two years later, it acquired XBT Provider, which offers products enabling retail investors to easily track Ethereum and Bitcoin. The XBT Provider products have historically comprised the main part of the AUM and due to its high fee level (2.5%), they have made up the main part of the company's income. In 2021, CoinShares launched its new flagship product, CoinShares Physical, and the company was also listed on Nasdaq First North Growth Market. In 2022 CoinShares made a listing change to the Nasdaq Stockholm main market. During H2’23, the company resumed offering actively managed funds with the introduction of Hedge Fund Solutions. 2024 marks a hallmark year for CoinShares as the acquisition of Valkyrie entails entry into the US market. Valkyrie is a digital asset manager in the US that issues various instruments tracking digital assets and Blockchain equity-linked ETFs. Valkyrie has one of the eleven spot Bitcoin ETFs that are approved in the US.

CoinShares' historical timeline



Source: Company data & ABGSC Research

The Asset Management segment

The purpose of the Asset Management segment is to provide investors with exposure to digital assets through easy-to-access, reliable and regulated investment products. This is achieved both through Exchange Traded Products (ETPs), the newly launched Hedge Fund Solutions and digital asset indices. Although an ETP may be quite commoditised, CoinShares managed to capture significant market share through a first mover advantage, innovative product creation and liquidity provisioning (a market-making service that ensures good liquidity in its products). The segment is highly scalable since new products can be launched and AUM increased without significantly driving headcount. This is best portrayed through the gross margin of 89-94% in 2020-2023.

XBT Provider - the profitable legacy product

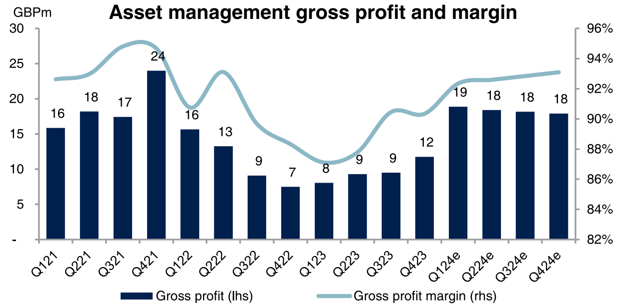
XBT Provider was acquired in 2016 and is a subsidiary that offers investment instruments allowing investors to directly track digital assets. XBT offer ETPs in EUR and SEK for both Bitcoin and Ethereum. An ETP is an investment product that is traded on a regulated exhange (Euronext, Nasdaq, Xetra, SIX etc for CoinShares' products). ETPs can include trackers, Exchange Traded Funds (ETFs) and other, similar products. The ETPs of XBT Provider have USD 2,897m in AUM (as per 31/03-24), and charge a 2.5% fee per annum. The XBT Provider products have experienced outflows during the last couple of years and this is expected to continue due to the high fee level. We do note that a large part of the AUM seems to be sticky and believe that transaction costs, tax implications and other reasons might make ETP holders more sticky than expected. CoinShares is also aiming to rebrand the XBT Provider brand to align it with the rest of the company as well as launching more products under this brand, measures that potentially could mitigate some of the net outflows.

CoinShares Physical - the future star of the company

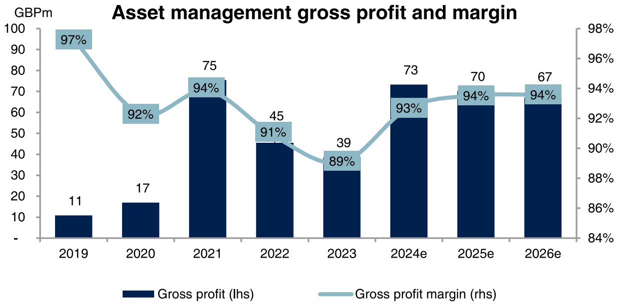
Coinshares Physical ETPs serves a similar purpose as XBT Provider's products, as they provide exposure to digital assets through regulated investment products. What sets these ETPs apart is their 100% backing by real cryptocurrencies (no synthetic backing). They are also separated from CoinShares in the event of a potential bankruptcy, something that is often required by institutional investors. Another innovative feature is its staking products where CoinShares shares the rewards with the holders of the instruments. CoinShares Physical holds USD 1,740m (as per 31/03-24, including Valkyrie) at a 0-1,5% fee per annum (average level approx. 0.4%). These products have experienced inflows during the last couple of years and this is expected to continue due to the low fee level and investor-friendly setup.

Block Index - a cooperation with Invesco

The CoinShares Blockchain Global Equity Index (BLOCK Index) is another creative way to offer exposure to digital assets. The index tracks the returns from selected listed companies with business models within the blockchain or cryptocurrency ecosystem. The index is a result of a cooperation with asset manager Invesco which keeps the liabilities and hedges on its books while CoinShares handles the composition and measurement of the index. Invesco is responsible for the distribution of the product. The BLOCK Index has USD 932m in AUM (as per 31/03-24), with a fee of 0.65%. CoinShares receives a 0.325% management fee for handling the index.



Source: Company data & ABGSC Research

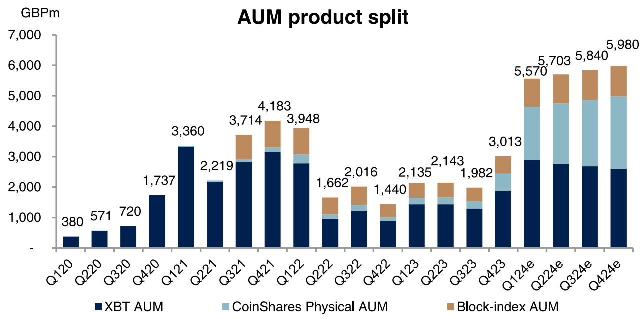


Source: Company data & ABGSC Research

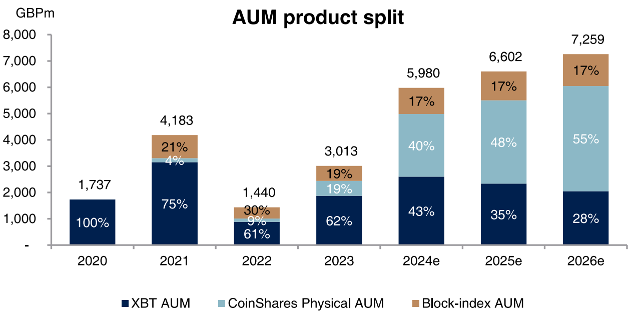
AUM distribution - shifting from XBT to CoinShares Physical

CoinShares' newer products CoinShares Physical and the Block index are growing and increasing their share of the total AUM. However, due to the difference in fee levels, the XBT Provider platform has constituted the main part of Asset Management income and will continue to do so, even though we expect the product to experience net outflows ahead. The large lift in AUM in Q1'24 is due to the ~60% increase in BTC and ETH prices as well as us incorporating the Valkyrie acquisition into the CoinShares physical segment. The Valkyrie volumes that are acquired will have some delayed earnings effect due to Valkyrie offering the first three months without fees for newly placed capital.

Approximately 62% of the latest reported AUM is related to Bitcoin prices while the corresponding share for Ethereum is 31%. This is due to the dominance of Bitcoin and Ethereum as regards the share of total value. As per 2024-03-31, 52% of AUM stemmed from the legacy products of XBT Provider while 31% were attributable to the growth of the CoinShares Physical product (including Valkyrie in this segment). The rest of the AUM comes from the cooperation with Invesco.



Source: Company data & ABGSC Research



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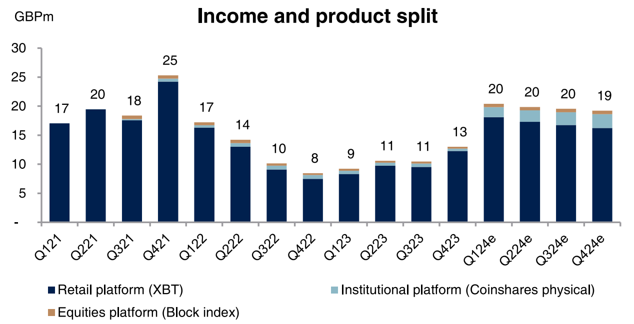

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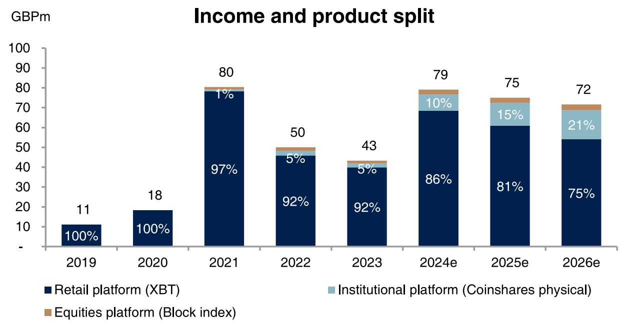
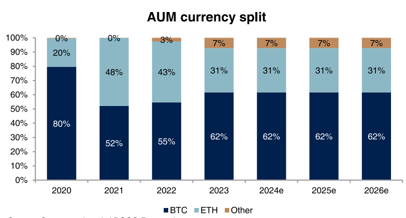


Souce: Company data & ABGSC Research

AUM dependent on BTC and ETH prices

About 93% of the AUM can be attributed to the two currencies, Bitcoin and Ethereum. This means that there is a high correlation between the prices of these two currencies and the AUM level. This presents both an opportunity and a risk, as the earnings level is dependent on the AUM volume. We can note that in Q1'24, the prices of Bitcoin and Ethereum rose by ~60%, likely indicating a meaningful earnings uplift in the upcoming quarterly report. Although CoinShares can influence its AUM levels by entering new markets and launching new products, we emphasise the importance of digital asset prices to CoinShares' business.



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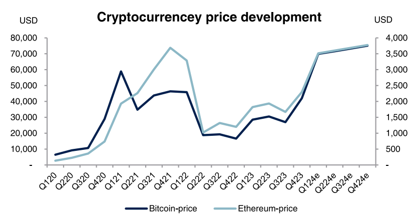
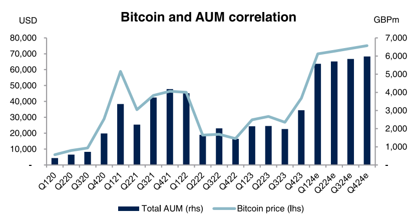


Source: Refinitiv & ABGSC Research



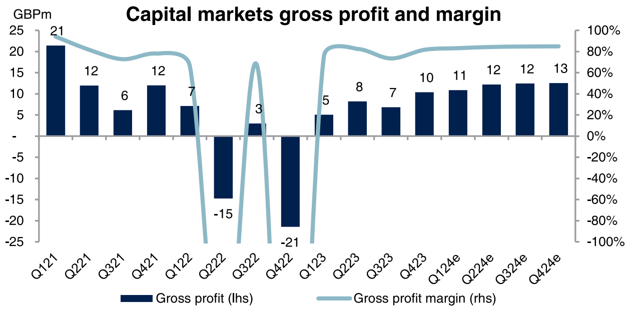
Source: Refinitiv & ABGSC Research

The Hedge Fund Solutions segment

In September 2023, CoinShares initiated its actively managed funds with the introduction of its new division, Hedge Fund Solutions. Previously, the company had similar products, but operations were halted in 2017 due to inadequate digital infrastructure to support sophisticated hedge fund products. However, after nine years of developing a proprietary in-house trading technology platform tailored to its capital markets activities, CoinShares can leverage this within its Hedge Fund Solutions. The segment is geared towards providing a quantitative and trading-oriented approach to generating alpha in the digital asset space. The strategies are overseen by Lewis Fellas, an asset manager with 23 years of experience, including seven years specifically within digital assets. We believe that certain offerings currently within the capital markets segment, such as delta-neutral trading, will be moved to the Hedge Fund Solutions. As Hedge Fund Solutions is newly launched, it has not yet been reported as a segment by CoinShares and we have limited data to track the progress so far. Hedge Fund Solutions has launched in the US through a Delaware feeder fund and will most likely be targeted to institutional investors.

The Capital Markets segment

The capital markets segment serves two main purposes: to support CoinShares' Asset Management business and to maximise earnings for the company. As the digital asset market is emerging and not yet fully mature, there are occurrences of mispricing of cryptocurrencies between marketplaces. CoinShares has acted on this opportunity by deploying its balance sheet and through non-directional trading. Going forward, we believe staking will be the largest income source due to the significant earnings potential from having a large pool of digital assets. The income split in this segment has shifted from mainly being about delta-neutral trading to becoming more about staking. We estimate that the margins in this segment will continue to be impressive, but that some volumes from e.g. delta-neutral trading will be moved to the newly launched Hedge Fund Solutions. The segment experienced significant losses in 2022, and we argue that the risk profile has since changed.



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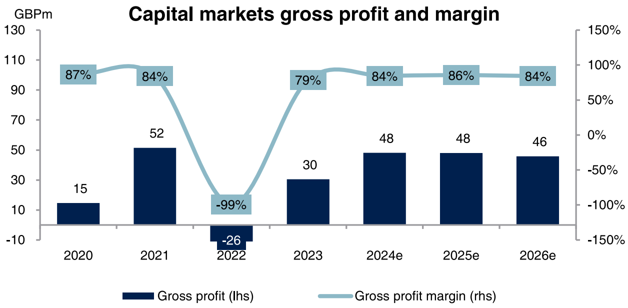


Source: Company data & ABGSC Research

Liquidity provisioning and delta-neutral trading

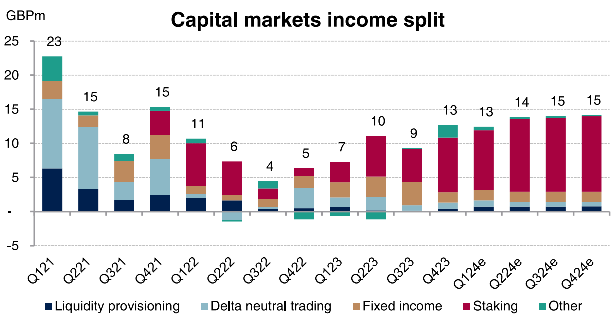
Liquidity provisioning and delta-neutral trading are somewhat linked, as both activities involve acting on mispricing in the cryptocurrency markets. Liquidity provisioning is essentially market making, i.e. providing liquidity in its Asset Management products and earning a spread on these actions. Delta-neutral trading consists of taking non-directional trades in crypto assets and associated derivatives. For instance, if the market maker in XBT Provider buys one Bitcoin, and they can then sell the corresponding position through a derivative trade on a different exchange, this would correspond to delta-neutral trading, as the company does not take on any directional risk. The most common trade involves CME futures arbitrage.

Revised risk framework since losses in 2022

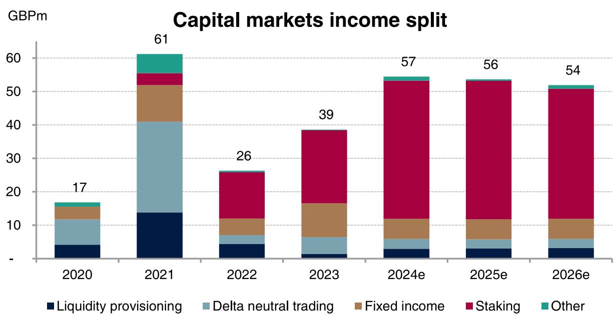
CoinShares earned significant income on these two activities in 2021 during the elevated activity in the crypto markets. In 2022, two extraordinary market events happened, namely the TerraLuna collapse and the FTX-Alameda collapse (see section titled "Headwinds in the crypto markets in '22"), and crypto prices decreased by more than 60%. This resulted in losses for many companies and CoinShares was not immune. The TerraLuna losses were relating to a hedge position collapsing and the FTX loss were related to CoinShares having posted collateral relating to trading at FTX. The company has not had the same earnings capacity in liquidity provisioning and delta-neutral trading since, and we believe this is due to CoinShares taking on less risk. In the long run, we expect these two activities to be moved to Hedge Fund Solutions.

Fixed income and staking to be main income drivers going forward

Due to the structure of the XBT Provider products, CoinShares has always had to hedge some of its accrued revenues with digital assets (see section titled "CoinShares' accounting in brief") and the company has therefore always had some excess digital assets that it could deploy to earn extra capital. This has been achieved by fixed income activities, staking and DeFi (decentralised finance). Fixed income is mainly about securities lending to reputable counterparties, but also relates to some other discretional lending. Staking is related to proof-of-stake cryptocurrencies (see section titled "cryptocurrencies explained") where an actor can essentially stake (commit not to sell) its cryptocurrencies for a period of time in order to earn rewards. Since 2022 it has been possible to stake Ethereum (CoinShares' second-largest crypto asset) and therefore we expect the staking volumes to increase drastically in the coming years, partly due to increased AUM but also due to an increased share of staked assets.



Source: Company data & ABGSC Research



Source: Company data & ABGSC Research

The Principal investments segment

CoinShares has invested in 46 companies in the Principal Investments (PI) segment, focusing on early-stage companies within the digital assets ecosystem and companies that align with CoinShares' strategic goals and potentially offer synergistic advantages. It is noteworthy that CoinShares is currently shifting its strategy towards realising gains within the Principal Investments portfolio. This pivot towards divestment is driven by the goal of maximizing returns and bolstering the company's financial standing. Our take is that CoinShares believes the portfolio is underappreciated by the market and is divesting to reallocate capital more effectively. The two main holdings of Flowbank and Komainu make up ~70% of the PI portfolio. If CoinShares were to sell the entire PI portfolio at book value and distribute it through an EO dividend, it would entail a DPS of SEK ~9, which equals a ~15% yield.

A concentrated portfolio

Although CoinShares has invested in 46 companies, there are two main investments that make up 69% of the portfolio. The largest holding, Flowbank, is a Swiss neobank founded in 2020. CoinShares has historically had some cooperation with Flowbank where CoinShares facilitated trading actvitivies for Flowbank. The second-largest investment is in Komainu, a regulated digital asset custodian. It was created through a joint venture with the Japanese investment bank Nomura and the digital asset security company Ledger. CoinShares uses Komainu as its main custodian for handling digital assets.

Principal investment portfolio		
Name	Description	% of portfolio
Flowbank	A Swiss neobank	44%
Komainu	Custody infrastructure	25%
Other	Crypto related companies	31%

Source: Company data & ABGSC Research

Valuation of the portfolio

FlowBank (44% of PI portfolio) and a few very small holdings are valued through the equity method of accounting. This means that CoinShares reports the profit earned by Flowbank on its income statement through the principal investment segment, the amount is proportional to the percentage of its equity investment in FlowBank. Flowbanks net profit increases CoinShares' asset value on their balance sheet, while its losses decreases it. The remaining investments (56%) is valued through the fair value method. We note that most assets are categorised in level 2 and level 3.

Cryptocurrencies explained

What is crypto?

Cryptocurrency, often referred to as crypto, defines any form of currency existing digitally or virtually, relying on cryptography (secure communication through coded messages) to ensure secure transactions. Cryptocurrencies have sometimes been referred to as digital cash, with common characteristics such as anonymity, accessibility and low transaction costs. Notably, cryptocurrencies operate without a central issuing or regulating authority. Instead, they employ a decentralised system for issuing new units and recording transactions.

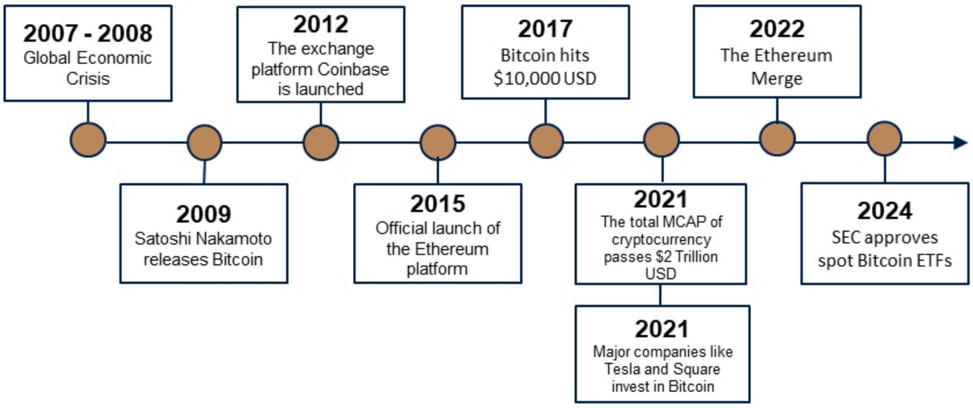
How does crypto and mining work?

Cryptocurrencies run on a public register called blockchain, essentially a ledger containing all historical transactions. The ledger cannot be altered once it has been validated, making it theoretically a very safe system. Units of cryptocurrency are created through a process called mining. The traditional way of mining is called proof-of-work (PoW). PoW allows users to employ their computer power to solve mathematical problems that generate coins, essentially incentivising miners to compete for rewards worth cryptocurrencies. Users can also buy the currencies from brokers and each other, store it and use it as a means of payment. PoW is known for being energy-demanding, prompting a recent adoption shift towards the Proof-of-Stake (PoS) method, known for its more sustainable approach. PoS is a method that blockchains use to decide who gets to create new blocks and validate transactions. Instead of making several miners compete for the reward, hence using a lot of computer power as with Proof of Work, PoS relies on participants who are willing to "stake" or lock up some of their cryptocurrency. The more cryptocurrency they stake, the higher the chance they have to validate transactions and earn rewards.

The history of crypto

In the aftermath of the 2008 financial crash, the public perception of banks and traditional currencies was compromised. This damaged trust prompted the creation of the first cryptocurrency, Bitcoin, in 2009. Developed by an anonymous computer programmer or group of programmers known as Satoshi Nakamoto, Bitcoin emerged as a response to concerns surrounding the dependability of conventional financial systems. Due to its longevity, its number-one market cap and first mover advantage, Bitcoin is often considered the most famous cryptocurrency, although there are several alternatives with differing unique selling points. Ethereum is the second-largest cryptocurrency, having been launched in 2015. Historically, most cryptocurrencies, including Bitcoin, have utilised PoW, but in 2022, Ethereum switched to PoS in what is often referred to as The Ethereum Merge. There is an argument to be made that the zero interest rate policies and subsequent quantitative easing from central banks have further tarnished trust in the monetary system, and therefore increased the need and want for cryptocurrencies. In 2024, the SEC approved 11 spot Bitcoin ETFs in the US. Famous actors such as BlackRock and Fidelity saw their ETFs approved, as did a company called Valkyrie that CoinShares has recently acquired.

The history of crypto



Source: ABGSC Research

Why use crypto?

Decentralisation leads to independency

The advantages of cryptocurrency lie in its decentralised nature. The absence of direct control from financial or governmental entities eliminates the monopoly traditionally associated with currencies. Consequently, the value of cryptocurrencies remains independent of centralised institutions, safeguarding it against the influence of, or dictation by, a central bank or authority. The independent nature of cryptocurrencies is especially important in countries with dictatorial leadership or where the population lacks trust in its government. For example, a person fighting for democracy in a dictatorship will likely have difficulties opening a bank account, but the government will have a hard time seizing crypto assets, enabling the persecuted person to handle their finances and payments.

Lower transaction fees

The reduced requirement for intermediaries in cryptocurrency transactions results in lower transaction fees. This advantage is further appreciated by the streamlined process of cross-border transactions, as it eliminates the complexities associated with traditional foreign exchange procedures.

Crypto as a store of value and investment opportunity

Due to cryptocurrencies' limited supply, it is often seen as protection versus inflation. For example, Bitcoin is capped at 21 million coins, after which no new coins will be released and the currency could therefore act as a hedge to the ever-increasing money supply and subsequent inflation. As cryptocurrencies are currently quite volatile in price, many investors speculate in price appreciation, and it is therefore a popular way of investing. The worldwide cryptocurrency market is expected to grow at a CAGR of 10.5% between 2023 and 2032, according to Research & Markets.

Cryptocurrency challenges

Not mature enough to be a reliable means of payment

Cryptocurrency prices are known to fluctuate, which can lead to quick profits but also significant losses at unpredictable times. This makes it a sub-par means of payment for now, as the time between agreement of payment and the payment itself has to be remarkably short to avoid currency fluctuations. Consider a salary of 0.05 BTC being agreed upon, and the price then dropping 30% in a month – one of the parties of that transaction will be deeply disappointed.

Volatility could be hard to stomach

Since cryptocurrencies are not backed by a physical asset or regulated by a government or financial entity, fluctuations can be erratic and hard to predict, making crypto a risky investment choice for institutional investors and individuals looking for steady returns.

Regulation not always adapted for crytpo

While mostly legal, a lot of cryptocurrency activity is not regulated by central governments and this makes investors more susceptible to scams, security lapses and hacking attempts. There is also the regulatory risk due to the inherent non-compliance to AML regulation, as cryptocurrency transactions are anonymous.

Pros & cons table

Pros	Cons
Decentralised	Currently too volatile to use as a means of payment
Hedge against inflation	Cybersecurity risk
Low transaction fees	Regulatory obstacles

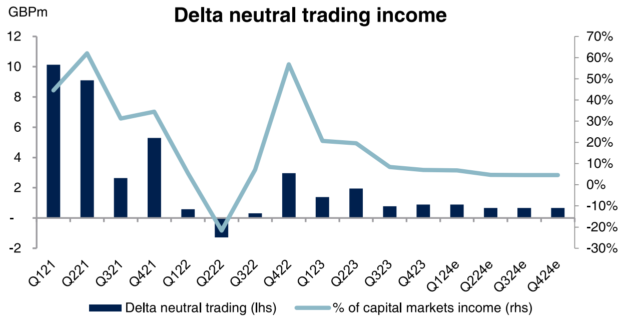
Source: ABGSC Research

Headwinds in the crypto markets in '22

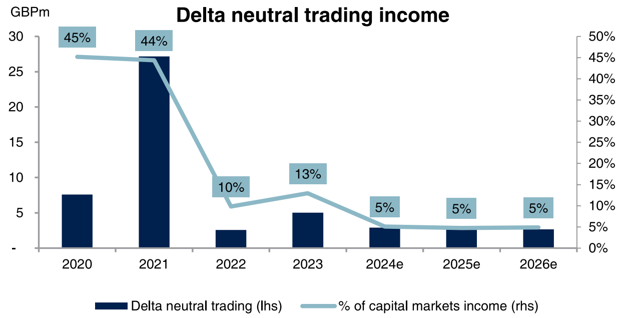
Cryptocurrency markets went through a rough period in 2022, augmented by two extraordinary events: the TerraLuna collapse and the FTX-Alameda collapse. During 2022, the Bitcoin and Ethereum prices decreased by ~65% each, and many crypto-related companies went bankrupt, either as a consequence of the decreasing prices or related to the two extraordinary events. CoinShares was not unharmed through this period, and recorded a GBP 18m extraordinary loss in Q2'22 and GBP 26m in Q4'22. There is a possibility that CoinShares will recuperate the loss from the FTX collapse (it has a claim on the bankruptcy estate that is fully provided in the balance sheet) but no chance to recover its loss from the TerraLuna collapse. CoinShares has decreased its delta-neutral trading to reduce the risk of a TerraLuna-like crash reoccurring and has implemented a better counterparty procedure since the FTX collapse. We find signs of CoinShares having decreased its risk-taking since 2022 in lower delta-neutral trading gains and a decreasing share of collateral posted at brokers.

The TerraLuna collapse

Terra, the third-largest cryptocurrency ecosystem after Bitcoin and Ethereum in 2022, collapsed in three days in May 2022 and wiped out $50 billion in valuation. Terra and Luna were a cryptocurrency pair that were supposed to be pegged towards each other, but sell-offs broke the peg, resulting in losses for several market participants. CoinShares had used this currency pairing for its delta-neutral trading activities and once the de-pegging happened, losses arose. CoinShares recorded a one-off loss of GBP 17.7m in Q2'22 due to this event. The company states that it has improved its risk processes since the event and although it is hard to estimate the risk level for activities like this for an external observer, we can note that the earnings level from delta-neutral trading is significantly lower than the record levels in 2021, most likely related to less risk taking.



Source: Company data & ABGSC Research



Source: Company data & ABGSC Research

The FTX-Alameda collapse

The fraud at FTX uncovered

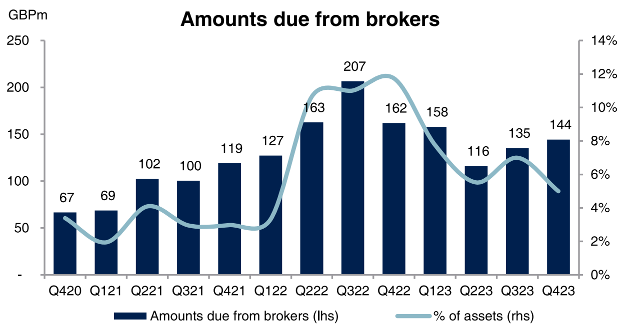
FTX collapsed in early November 2022 after the newssite CoinDesk reported the illegal use of FTX customers' funds and assets to plug financial gaps at an affiliated hedge fund, Alameda Research. A surge of customer withdrawals due to concerns over this questionable financial practice and the unusually close relationship with Alameda pushed FTX and Alameda into bankruptcy and shook the volatile crypto market, which lost billions. The entire digital asset sector faced a downturn, and CoinShares was not immune to its effects, recording a loss of GBP 26m of collateral kept on the FTX platform in Q4'22.

Potential to recover the lost collateral

The extent to which this position will be recovered remains uncertain, as recent bids on FTX claims reached 92 cents on the dollar. This is according to the exchange platform Claims Market, which handles the majority of FTX claims (totalling USD 426m thus far). CoinShares wrote off all the GBP 26m in collateral as a loss in Q4'22, hence any potential recovery would be recognised as profit on the income statement. If CoinShares were to recuperate the full amount from the FTX collapse and repatriate the capital through an EO dividend, it would correspond to a DPS of SEK ~5, which corresponds to a yield of ~8%.

Reduced risk since the event

As a response to the collapse of FTX, the company made a strategic decision to enhance its approach to counterparty risk. The majority of assets were consequently relocated to regulated digital asset custodians instead of unregulated venues like FTX. Concurrently, Coinshares undertook a revision of its risk framework, leading to the termination of the CoinShares consumer platform acquired through the Napoleon acquisition in 2021. Although the balance sheet line item "amounts due from brokers" contains other activities besides collateral, we can note that CoinShares seems to have made an effort to have less collateral at counterparties following the FTX-collapse.



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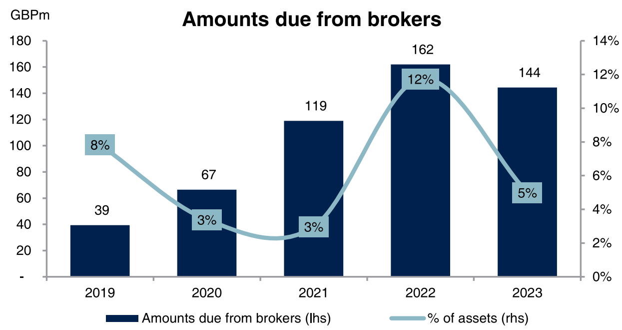


Source: Company data & ABGSC Research

Market could grow 10% p.a. until 2030

We estimate the digital asset market will grow by a CAGR of 10% until 2030. This is based on the assumption that regulatory tailwinds and increasing global adoption will lead to higher digital asset prices. This results in a larger allocation to digital asset investment products, where we expect the allocation to go from 0.061% of the GMP as of today to 0.083% by 2030. We believe that the share of allocation to investment products relative to the market cap of cryptocurrencies will remain stable, as inflows due to regulatory tailwinds might be mitigated by cryptocurrencies being increasingly adopted as a means of payment.

Defining the potential total market..

According to State Street Global Advisors (SSGA), the Global Market Portfolio (GMP), which encompasses all investable capital assets, was valued at approximately USD 164,500bn in June 2023. Cash and commodities (except gold) are excluded from the GMP as to only capture assets where the purpose is to invest, and not to secure delivery of commodities for operational business or cash that is to be used for consumption. Gold can be seen as a hedge against inflation, making it relevant to include in the GMP. Furthermore, investors have different preferences and yield expectations. Therefore, it is important to remember that the GMP does not exclude any investors for whom digital assets are unsuitable due to its high volatility. For example, banks and insurance companies are included in the GMP and they need to invest a large portion of their portfolios in low-risk assets such as short-term bonds. Each asset's share of the portfolio is calculated as the market value of a given asset divided by the total market value of the GMP.

... and a reasonable share for digital asset investment products

According to Forbes, the global cryptocurrency market capitalisation stands at approximately USD 2,770bn. Meanwhile, investment products within digital assets have AUM of approximately USD 100bn. This implies a ~3.6% proportion of digital assets in investment-related products, relative to the total market value of all digital assets. Comparatively, gold, with a total market capitalization of USD 16,000bn (according to CompaniesMarketCap and 8MarketCap), has AUM of USD 222bn in global physically backed gold ETFs, as reported by the World Gold Council. This implies a 1.4% penetration rate for gold ETFs relative to gold's market capitalization.

We expect the penetration of investment products to be stable

We anticipate that the proportion of digital assets in investment-related products relative to the total market value of all digital assets will remain constant. On the one hand, spot Bitcoin ETFs were approved in the US and the subsequent inflow into digital investment products has been significant. The global adoption rate for digital asset ETPs can be expected to increase given that the two largest asset managers, Fidelity and BlackRock, have made their entries into the digital asset landscape by offering products with exposure to digital assets. Despite the majority of inflows being directed to these two asset managers, we still believe that the entire market is likely to experience tailwinds from this trend. Additionally, we have noticed a positive sentiment around regulatory actions in Europe and in the US. On the other hand, it can be argued that digital assets will increasingly become established and trusted as a means of payment, thereby increasing the incentive to own the assets directly and not through an investment product. Additionally, it may also become easier to purchase, store and handle cryptocurrencies directly. In all, we assume that these two opposing movements will cancel out in the long term for a maintained share of investment products to market capitalisation of cryptocurrencies. To illustrate the effects from an increasing penetration rate for investments products, we have provided an alternative sensitivity table (see "Alternative projected market growth") where we assume the penetration rate will reach 5% by 2030.

Market growth of 10% p.a. does not require too much

Due to the advantages and use cases of cryptocurrencies, we expect the penetration rate of the cryptocurrency market capitalisation to increase during the coming years relative to the GMP. SSGA expects the GMP to grow by a CAGR of 5.5% until 2030 vs. our estimate for digital assets of a CAGR of 10%. This can be compared to the expected CAGR of 12.5% by Research and Markets. Assuming a 5.5% CAGR for the GMP and a 10% CAGR for cryptocurrencies, with a constant 3.6% allocation to investment products, we end up at a 0.083% allocation to digital asset investment products by 2030. This can be compared to gold investment products (which can be deemed to be in a mature state), which as of 2023 constitute ~0.13% of the total GMP.

Projected market growth, sensitivity table

USDtn	2023	2024	2025	2026	2027	2028	2029	2030
GMP (5.5% CAGR)	164.5	173.5	183.1	193.2	203.8	215.0	226.8	239.3
-5% Crypto ETP CAGR	0.10*	0.10	0.09	0.09	0.08	0.08	0.07	0.07
% of GMP allocation	0.06%	0.05%	0.05%	0.04%	0.04%	0.04%	0.03%	0.03%
2% Crypto ETP CAGR	0.10*	0.10	0.10	0.11	0.11	0.11	0.11	0.11
% of GMP allocation	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%	0.05%	0.05%
5% Crypto ETP CAGR	0.10*	0.11	0.11	0.12	0.12	0.13	0.13	0.14
% of GMP allocation	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
10% Crypto ETP CAGR	0.10*	0.11	0.12	0.13	0.15	0.16	0.18	0.19
% of GMP allocation	0.06%	0.06%	0.07%	0.07%	0.07%	0.07%	0.08%	0.08%
15% Crypto ETP CAGR	0.10*	0.12	0.13	0.15	0.17	0.20	0.23	0.27
% of GMP allocation	0.06%	0.07%	0.07%	0.08%	0.09%	0.09%	0.10%	0.11%
20% Crypto ETP CAGR	0.10*	0.12	0.14	0.17	0.21	0.25	0.30	0.36
% of GMP allocation	0.06%	0.07%	0.08%	0.09%	0.10%	0.12%	0.13%	0.15%
Assumed ETP-penetration	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%

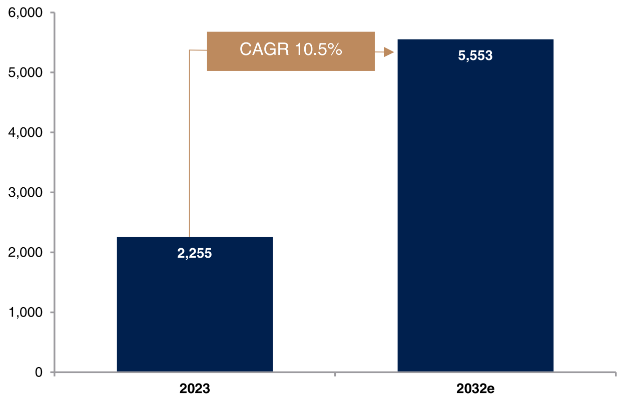
Source: State Street Global Advisors, CoinShares & ABGSC Research **Crypto ETPs AUM as per April 2024*

Alternative projected market growth, sensitivity table

USDtn	2023	2024	2025	2026	2027	2028	2029	2030	Implied ETP-market CAGR
GMP (5.5% CAGR)	164.5	173.5	183.1	193.2	203.8	215.0	226.8	239.3	
-5% Crypto price CAGR	0.10*	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-0.5%
% of GMP allocation	0.06%	0.06%	0.05%	0.05%	0.05%	0.05%	0.04%	0.04%	
2% Crypto price CAGR	0.10*	0.11	0.12	0.12	0.13	0.14	0.15	0.16	6.9%
% of GMP allocation	0.06%	0.06%	0.06%	0.06%	0.06%	0.07%	0.07%	0.07%	
5% Crypto price CAGR	0.10*	0.11	0.12	0.13	0.15	0.16	0.18	0.19	10.0%
% of GMP allocation	0.06%	0.06%	0.07%	0.07%	0.07%	0.08%	0.08%	0.08%	
10% Crypto price CAGR	0.10*	0.12	0.13	0.15	0.18	0.21	0.24	0.27	15.2%
% of GMP allocation	0.06%	0.07%	0.07%	0.08%	0.09%	0.10%	0.10%	0.11%	
15% Crypto price CAGR	0.10*	0.12	0.15	0.18	0.21	0.26	0.31	0.37	20.5%
% of GMP allocation	0.06%	0.07%	0.08%	0.09%	0.10%	0.12%	0.14%	0.15%	
20% Crypto price CAGR	0.10*	0.13	0.16	0.20	0.25	0.32	0.40	0.50	25.7%
% of GMP allocation	0.06%	0.07%	0.09%	0.10%	0.12%	0.15%	0.18%	0.21%	
Assumed ETP-penetration	3.60%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%	5.00%	

Source: State Street Global Advisors, CoinShares & ABGSC Research **Crypto ETPs AUM as per April 2024*

Crypto market growth



Source: Research and Markets & ABGSC Research

Regulators warming up to crypto

Regulatory actions worldwide influence digital asset prices, especially in the short to medium term. The positive market sentiment towards cryptocurrencies in 2024 can partly be attributed to the SEC's endorsement of spot Bitcoin ETFs. However, it's not just regulations in cryptocurrencies that is important for CoinShares, as it is also crucial to monitor regulations concerning investment products within the digital asset space. For example, the potential opening of the French market would be beneficial, considering its current negligible market share in digital asset ETPs' AUM. Generally, regulatory developments tend to benefit CoinShares, as it provides a regulated way to gain exposure to digital assets, while outright bans would be detrimental. In theory, it is not possible to ban transactions in cryptocurrencies given that they are not regulated by an entity, but governments can create obstacles for regulated investing by banning investments in digital asset-related investment products.

Regulatory Attitude

Market	Total ETP AUM (USDbn)	Attitude	Comment
USA	74.5	↑	SEC approved several spot Bitcoin ETFs during Q1'24. Throughout 2023, there have been significant efforts to enhance guidance on the classification of digital assets. There is currently no formalised framework, and the matter is actively contested in the courts.
Hong Kong	-	↑	The Securities and Futures Commission has introduced several different regulatory rules and guidelines for different types of virtual asset services providers.
China	-	↓	The central bank of the People's Republic of China has banned crypto enterprises from operating in China.
Japan	-	↑	Japan has historically had a cautious regulatory approach. However, if newly proposed legislation passes, Japan will start allowing investment funds to hold digital assets. The Ministry of Economy, Trade and Industry has also established a web 3.0 advancement initiative aimed at moving the digital asset economy forward.
UK	-	→	United Kingdom has historically had a cautious approach to digital assets. There is pending legislation in wider cryptoassets with secondary legislation in 2024, followed by regulatory consultations, implementation in 2025 at the earliest.
Canada	5	↑	In October 2023, the CSA announced that it may allow, trading of certain value-referenced crypto assets that are referenced to the value of a single fiat currency. They also set out interim terms and conditions that would apply to crypto asset trading platforms and the issuers of fiat-backed crypto assets.
EU	-	↑	The Markets in Crypto-Assets (MiCA) entered into force in Q2 '23 and is designed to promote widespread transformation in the crypto asset sector in the EU countries.
Germany	4.3	↑	In Germany, crypto assets are regulated financial instruments under the regulatory regime.
France	0.03	↑	According to CoinShares, France is being more open to offering crypto exposure through ETPs. France has implemented a framework for crypto assets, covering utility tokens, payment tokens, and security tokens.
Sweden	3.5	→	Sweden's central bank governor has been sceptical to cryptocurrencies, but as Sweden is a member of EU, they need to follow their initiatives.
Switzerland	5	↑	The Government and Financial Market Supervisory Authority (FINMA) have shown a positive stance towards blockchain technologies and digital assets. They were one of the first financial authorities to publicly issue guidance on how to classify digital assets.

Source: PwC, CoinShares & ABGSC Research

Market leader in Europe, competing with giants in the US

CoinShares holds a 40% market share in the European market, but its global market share is a lot lower due to the size of the US market. Its main competition in Europe has historically been 21Shares, but we argue that the two main competitors going forward will be Fidelity and BlackRock due to their recent entries into the US market.

Europe

21Shares is a Swiss asset manager with a large market share in Europe. It is focused on Crypto ETPs and is one of CoinShares main competitors in Europe. It currently hold a 4% global market share.

Coinshares currently holds a ~40% market share in Europe and a 6.3% global market share.

US

CoinShares is about to expand in the US market through the acquisition of Valkyrie Funds, which was completed by the 12th of March 2024. Furthermore, the company launched Hedge Fund Solutions during September 2023, and it is only available in the US and the UK.

Grayscale has historically had a large share of the digital asset investment product universe in the US through its product Greyscale Bitcoin Trust. It was structured as a closed-ended fund with a six-month redemption period and a 1.5% fee (2.0% before 2024-01-11). Through its first-mover advantage in the US market, Greyscale managed to amass a large volume of AUM. When the SEC approved several spot Bitcoin ETFs in January 2024 and those competitors implemented fee levels of about 0.25%, it resulted in large outflows from the Grayscale Bitcoin Trust. Grayscale has since experienced significant outflows, although its AUM is still the largest amongst the sector. Greyscale has a 35% global market share.

BlackRock is the world's largest asset manager, traditionally involved in equities, commodities and other traditional investment products. It has one of the spot Bitcoin ETFs, approved in early 2024 under the brand name iShares. Through its strong brand, the company has amassed significant inflows to its funds in a short period of time and already holds a 20% global market share.

Fidelity is one of the world's largest asset managers and just like BlackRock, it is traditionally involved in traditional investment categories such as equities and commodities. Through its brand Fidelity ETFs, it has amassed significant inflows in a short period of time, having already managed to grab an 11% global market share.

The 11 Bitcoin Spot ETFs approved in the US in January 2024 were:

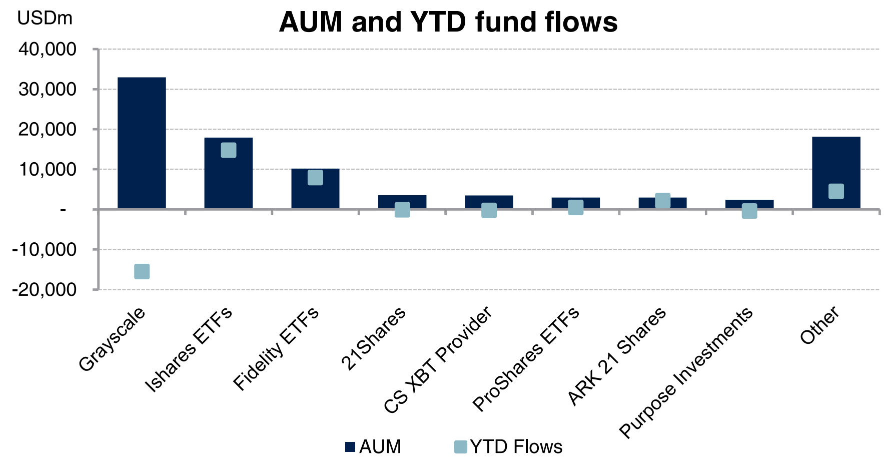
SEC approved Spot Bitcoin ETFs	Stock exchange	Ticker
Ark 21Shares Bitcoin ETF	NYSE	ARKB
Bitwise Bitcoin ETF	NYSE	BITB
Blackrock's Ishares Bitcoin Trust	NASDAQ	IBIT
Franklin Bitcoin ETF	NYSE	EZBC
Fidelity Wise Origin Bitcoin Trust	NYSE	FBTC
Grayscale Bitcoin Trust	NYSE	GBTC
Hashdex Bitcoin ETF	NYSEARCA	DEFI
Invesco Galaxy Bitcoin ETF	NYSE	BTCO
VanEck Bitcoin ETF	NYSE	HODL
Valkyrie Bitoin Fund	NASDAQ	BRRR
WidsomTree Bitcoin Fund	NYSE	BTCW

Source: ABGSC Research

Competitive landscape, overview

Funds (USDm)	YTD Flows	AUM	Mkt. share	Bitcoin Flagship fund	Fee
Grayscale	- 15,478	32,934	34.9%	Grayscale Bitcoin Trust	1.50%
Ishares ETFs (BlackRock)	14,780	17,888	18.9%	iShares Bitcoin Trust	0.25%
Fidelity ETFs	7,978	10,210	10.8%	Fidelity Physical Bitcoin ETP (FBTC)	0.35%
21Shares	- 91	3,535	3.7%	21Shares Bitcoin ETP	1.49%
CS XBT Provider	- 237	3,473	3.7%	Bitcoin Tracker Euro	2.50%
ProShares ETFs	476	2,961	3.1%	ProShares Bitcoin Strategy ETF	0.95%
ARK 21 Shares	2,239	2,948	3.1%	ARK 21Shares Bitcoin ETF	0.21%
CoinShares Physical (incl. Valkyrie Funds)	*	2,409	2.6%	CoinShares Physical Bitcoin	0.35%
Purpose Investments	- 412	2,339	2.5%	Purpose Bitcoin ETF	1.00%
Other	4,555	15,771	16.7%		
Total	**13,810**	**94,468**	**100%**	**Mean:**	**0.96%**

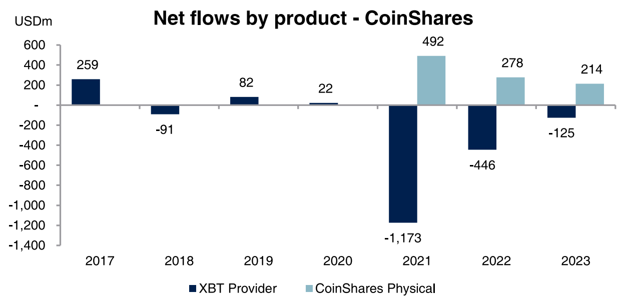
Source: Bloomberg, CoinShares & ABGSC Research *Incl. in Other *Data from: 08/04/2024*



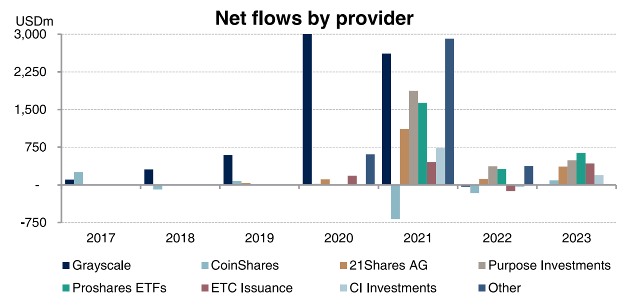
Source: Bloomberg, CoinShares & ABGSC Reserch

Flows from XBT Provider to CoinShares Physical

CoinShares has historically experienced outflows from the XBT Provider product due to its comparatively high fee level. On the other hand, CoinShares has had significant inflows into its CoinShares Physical products. We expect the inflows to continue into CoinShares Physical, as Valkyrie is incorporated into the product suite and we incorporate likely inflows into the remaining products from US investors.



Source: Bloomberg, CoinShares & ABGSC Reserch



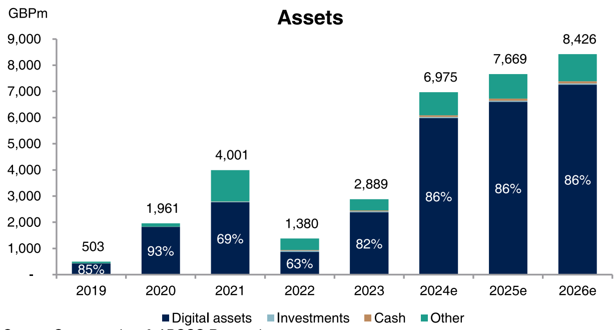
Source: Bloomberg, CoinShares & ABGSC Reserch

CoinShares' accounting in brief

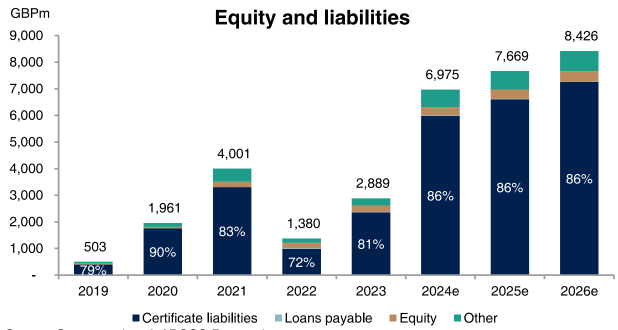
Due to CoinShares holding the liabilities arising from ETP issuances and the corresponding hedging through digital assets on the balance sheet, the company has a large share of assets with volatile values on its books. Fluctuations in certificate liabilities are recorded over the income statement and the corresponding movement in digital assets mainly through other comprehensive income, so the net profit can be significantly distorted. Therefore we argue that it is the total comprehensive income and CoinShares' provided alternative performance measures (APMs) that provide the most accurate view of the group's performance. Below, we give a brief explanation of CoinShares' provided APMs, CoinShares provides reconciliation tables explaining the adjustments in detail at the end of its quarterly reports. Furthermore, the investment products of XBT Provider have a cash tie-up effect that impacts the cash flow statement significantly, which we explain further below. Finally, we provide explanations of our own created APMs of adjusted net profit, adjusted free cash flow and adjusted net cash flow.

Digital assets affects both balance sheet and PnL statement

CoinShares holds a large share of digital assets and corresponding certificate liabilities on its balance sheet as a result of its issuance of ETPs. According to IFRS, digital assets are to be treated as intangible assets held at fair value. Fair value gains from movements in digital assets are recorded in other comprehensive income unless reversing previously recognised losses, and the corresponding relationship is true for fair value losses. What makes the accounting misleading is that all fluctuations in the value of certificate liabilities are recorded in the profit and loss statement, creating a mismatch. CoinShares provides an alternative performance measurement of adjusted EBITDA. It is essentially calculated like a regular EBITDA measurement, with the exception of including fair value loss and gains of digital assets through other comprehensive income. We consider the adjusted EBITDA measurement to be a reasonable way to measure the operational performance of CoinShares.



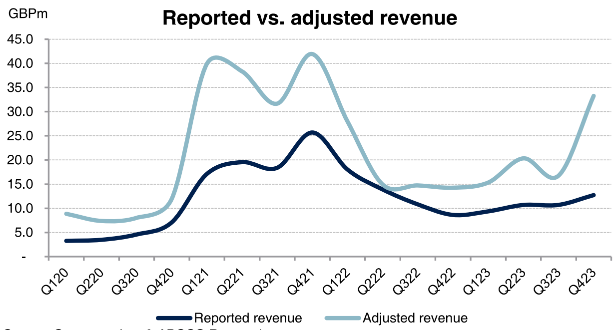
Source: Company data & ABGSC Research



Source: Company data & ABGSC Research

Digital assets and Capital Markets included in adj. revenue

CoinShares also provides an alternative performance measurement called "revenue, gains & other income" (adj. revenue). It deviates from the reported revenue number in that fair value gains/losses of digital assets, finance income, other income and principal investment gains/losses are included while exceptional items are excluded. The fair value gains/losses of digital assets are included to align with fair value gains/losses of certificate liabilities. Finance income and other income are included since they originate from activities within the capital markets segment, which should be considered as revenue. Finally, exceptional items (which could be deemed as negative revenue for the trading activities within the Capital Markets segment) are excluded from revenue and instead reported as a cost line in the income statement. We consider all adjustments reasonable, as they all serve the purpose of creating a greater understanding of the revenue potential in the company. We want to emphasise that we do not consider the exceptional items as one-off costs, as we believe they are the result of excessive risk taking.



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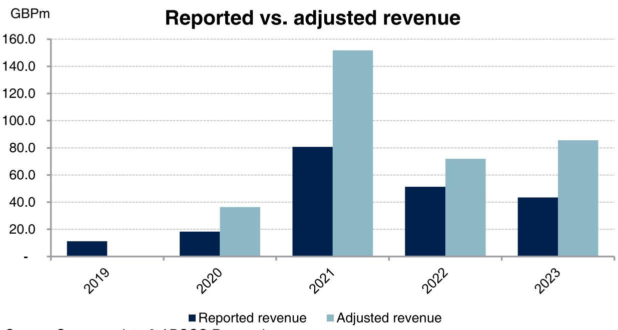
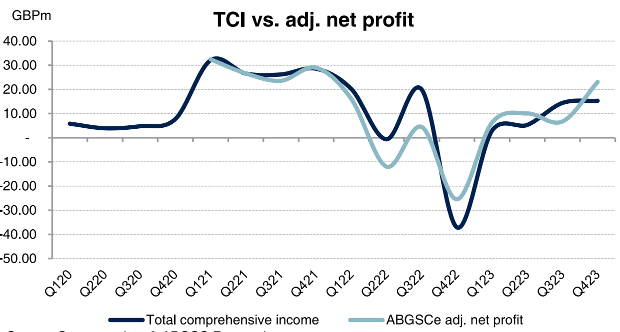


Source: Company data & ABGSC Research

Company structure necessitates currency adjustments

Total comprehensive income includes all fair value gains and losses of digital assets and certificate liabilities, and therefore comes close to showing the true earnings level of CoinShares. The company has one large item included in the comprehensive income statement of currency translation. CoinShares reports in GBP but has a subsidiary called CoinShares Capital Markets Jersey Limited that holds a large part of the assets of the company, and the subsidiary reports in USD. Hence, when consolidating the numbers, CoinShares is exposed to the fluctuations of the USD/GBP pairing, as the value of the balance sheet items will vary depending on this. To properly grasp the underlying earnings power of CoinShares, we have chosen to adjust total comprehensive income for currency translations and have subsequently arrived at what we deem to be adjusted net profit.



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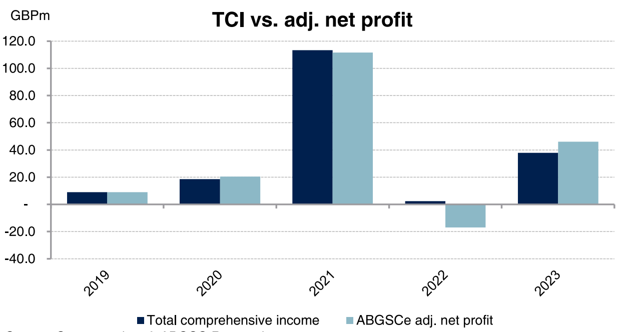


Source: Company data & ABGSC Research

The cash tie up from XBT Provider

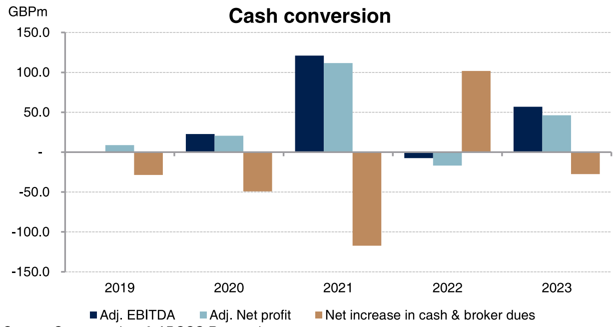
CoinShares has two main Asset Management brands, XBT Provider and CoinShares Physical. CoinShares Physical is created and set up by CoinShares itself, but since XBT Provider is an acquired company, CoinShares inherited a legacy setup that negatively impacts cash flow for the company. The essential difference is that the fees in XBT Provider are denominated in fiat currency (EUR, SEK etc) and the fees in CoinShares physical are denominated in digital currencies. This means that the accrued fees are determined directly in CoinShares physical while they cannot be determined until redemption for XBT Provider so as to not incur any currency translation risk. Therefore, CoinShares elects to hedge the accrued fees by XBT Provider in digital assets, thereby resulting in a net working capital build up. On the other hand, this means that there will be a large net working capital release when redemptions occur in XBT Provider.

Volatile cash conversion

CoinShares' cash flow statement is quite comprehensive and volatile since it has to capture effects from large hedging positions, redemption timing for XBT Provider as well as other "non-standard" items. Furthermore, CoinShares engages in liquidity optimisation by deploying the capital in the fixed income segment in capital markets, and therefore the end of its cash flow statement, where other companies usually show the effect on cash, instead shows the effect on liquid items. These liquid items are measured as cash added to the net position of broker dues. The effect from net increase in cash & broker dues compared to adjusted EBITDA and adjusted net profit is shown in the chart below to the left.

Adjusted cash flows captures underlying potential

We believe that the reported cash flow statement is not indicative of the true cash generation of CoinShares and have therefore chosen to create an adjusted free cash flow measurement and an adjusted net cash flow measurement. These are adjusted for many items, but mainly fluctuations in net working capital to arrive at the effect of cash instead of liquid items. The results are visualised in the graph below to the right, which we believe provides a superior picture of CoinShares' true cash generation. The increasing free cash flow in our forecast period of '24-'26e is mainly due to outflows from XBT Provider and inflows into the more capital efficient product of CoinShares Physical. We forecast that the majority of the free cash flow will be used for dividends.



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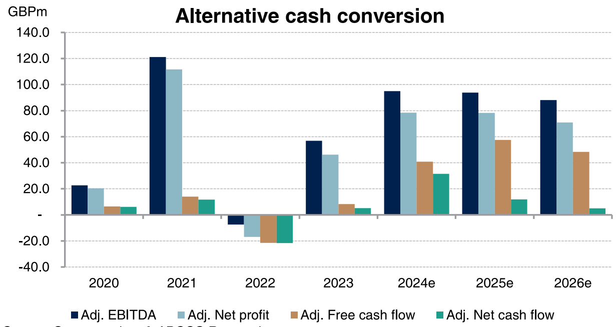


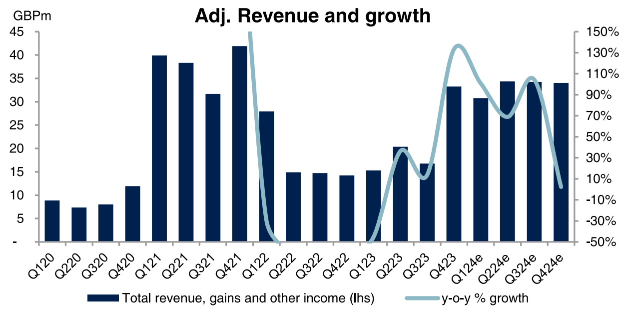
Source: Company data & ABGSC Research

Attractive earnings scenario

Aside from 2022, CoinShares has an impressive track record of profitable growth. Adjusted revenues have grown by a CAGR of 33% in '20-'23, and we expect continued strong growth with an estimated adj. revenue CAGR of 14% in '23-'26e. The cost level is expected to remain stable, as ~40% of the normalised cost base consists of staff costs and the business model should be scalable with no need for increased headcount. This results in high adjusted net profit margins of 56-60% in '24-'26e, compared to -23-74% in '20-'23 (2022 was the loss-making year). We forecast improving cash conversion due to net redemptions from XBT Provider, which results in improving lease adj. FCF yields of 14-19% in '24-'26e. Finally, we forecast an increasing net cash position, as CoinShares uses some of its cash flows to pay off interest-bearing debt, reaching a net debt to adj. EBITDA-ratio of -0.8x in '26e.

Volatile, but high income growth

CoinShares adj. revenue growth has been impressive, with a CAGR of 33% in '20-'23. The growth rate has been volatile, as 2021 marked an astounding 317% income growth and 2022 marked a 53% decline. We expect the lumpiness to continue with 56% growth in '24e, mainly driven by the soaring cryptocurrency prices of ~60% seen so far in 2024 as well as CoinShares' entry into the US market through its acquisition of Valkyrie. In '25-'26e, we expect lower income growth as AUM increases while the average fee level decreases due the net flows into lower fee level products. We expect the Capital Markets income to increase significantly in '24e due to increased staking of Ethereum and the positive risk sentiment around digital assets, but with a decrease in income in '25-'26e as some liquidity provisioning and delta-neutral trading opportunities should diminish as the market matures. In sum, this results in us expecting an adj. revenue CAGR of 14% in '24-'26e.



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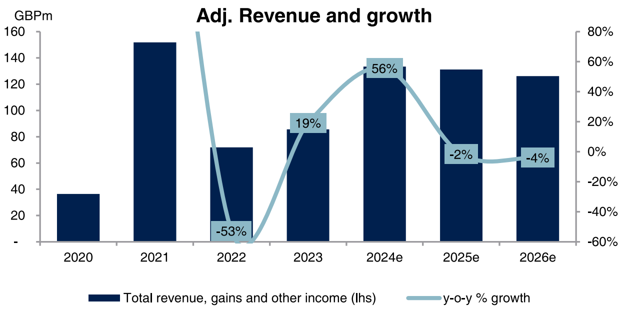

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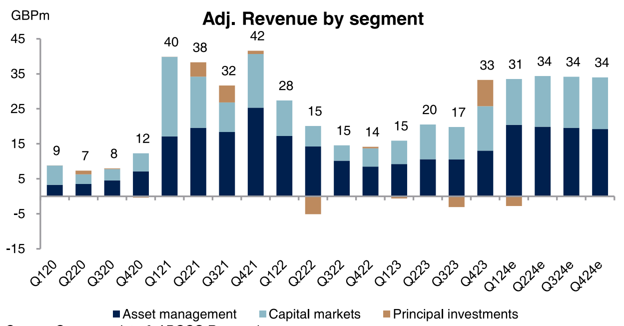

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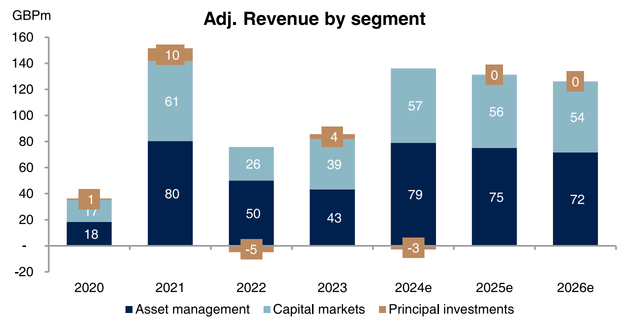
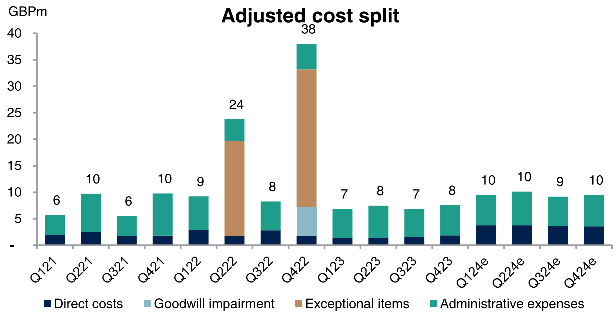


Source: Company data & ABGSC Research

Costs should remain stable

Q2'22 and Q4'22 include costs from exceptional items. These include a trading loss in Q2'22 due to the TerraLuna collapse as well as a loss of collateral in Q4'22 due to the FTX fraud. The goodwill impairment in Q4'22 is related to the FTX collapse. Besides the exceptional items, we note that the cost base consists of direct costs and administrative expenses. Direct costs are fees related to asset management and trading, such as fees for custody, trading costs, etc. Administrative fees consists of ~60% staff costs (as per 2022) and staff cost makes up about ~40% of the total normalised cost base. We estimate that direct costs will rise in conjunction with CoinShares' AUM growth in 2024, but that the long-term level will remain relatively stable sgiven that a decreasing share of XBT Provider volume will mean less derivative hedging, which is usually associated with large costs. We expect administrative costs to remain fairly flat, as we expect CoinShares to be able to scale its operations without increasing headcount. We have accounted for some cost inflation (low single digits).



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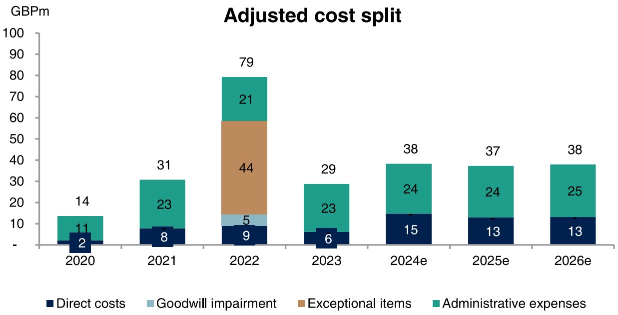
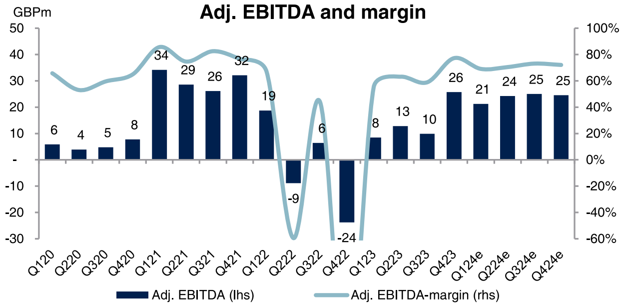


Source: Company data & ABGSC Research

High profitability and scalable operations

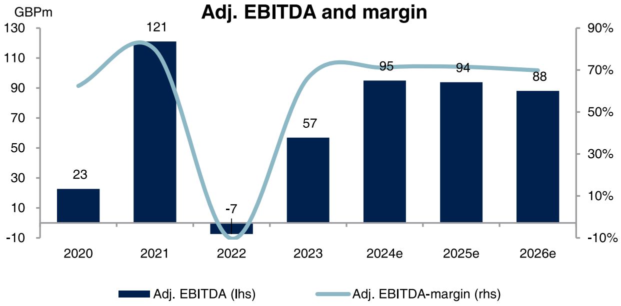
CoinShares has historically had impressively high margins, except in 2022 due to the exceptional items. We have chosen not to adjust for these exceptional items, as we argue that the earning levels in 2021 likely benefited from the risk-taking that resulted in the losses in 2022. With that in mind, we expect CoinShares' margins to stay high in the foreseeable future since the business model should be very scalable. CoinShares should not need to add more staff to handle an increase in AUM, and we expect new products such as Hedge Fund Solutions to be margin-accretive. We forecast an adjusted net profit margin of 56-60% in '24-'26e, which can be compared to the average of 2020, 2021 and 2023 of 61%.

Adj. EBITDA and margin



Source: Company data & ABGSC Research

Adj. EBITDA and margin



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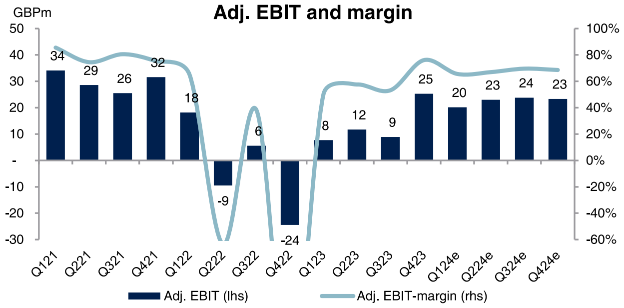

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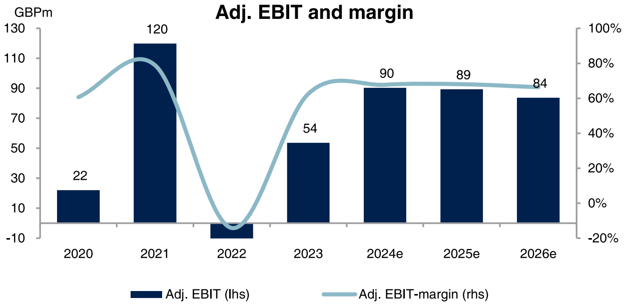
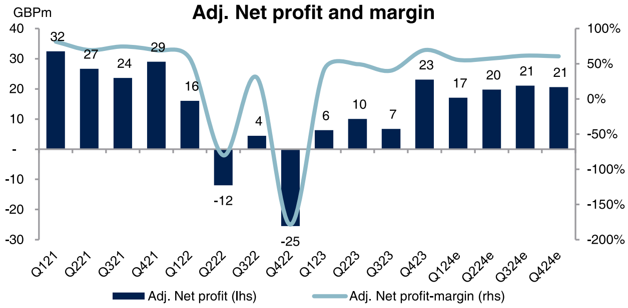
Adj. EBIT and margin



Source: Company data & ABGSC Research

Adj. Net profit and margin



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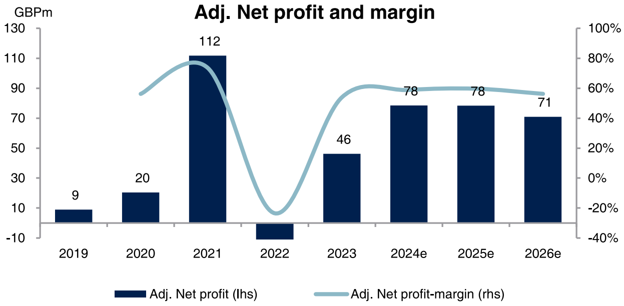
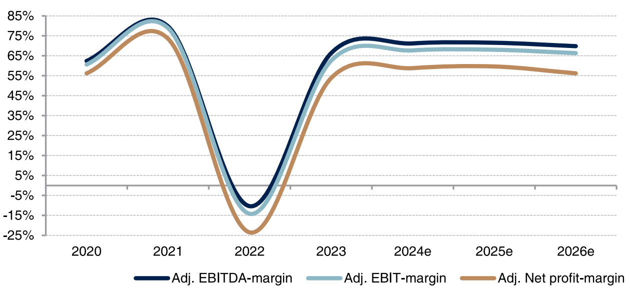
Adj. Net profit and margin



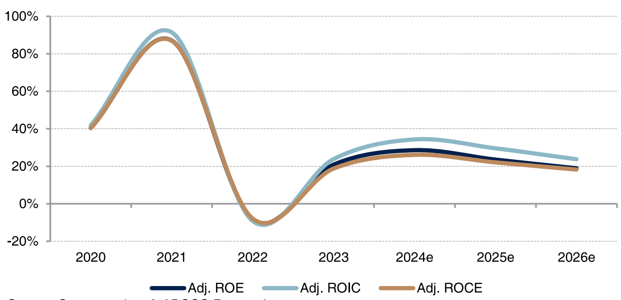
Source: Company data & ABGSC Research

Margins



Souce: Company data & ABGSC Research

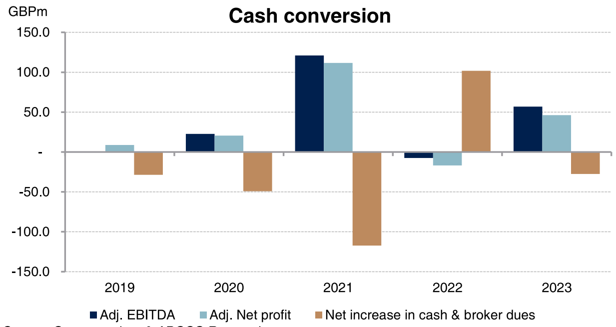
Profitability



Source: Company data & ABGSC Research

Cash flow conversion to improve

CoinShares' cash flow statement is affected by crypto accounting rules (see the *CoinShares' accounting in brief* section of this report). CoinShares has also chosen to sum up cash and net broker dues to derive the "liquidity status". As can be noted from the chart below titled "Cash conversion", there is barely any correlation between the adjusted performance measures and CoinShares' reported numbers. We have therefore chosen to make an adjusted cash flow statement where we adjust for movements in net working capital to derive the change in cash position (not inclusive of net broker dues). These adjusted figures and our forecasts are visualised in the graph below titled "Alternative cash conversion". One reason for the historically poor cash conversion relates to the net working capital build up due to XBT Provider and its effects. When net redemptions from XBT Provider starts to increase (as they do in our forecasts) the cash flow will improve and the estimated lease adj. FCF yield will range from 14-19% in '24-'26e. We assume the main part of the cash flows will be used for dividends and paying of interest-bearing debt.



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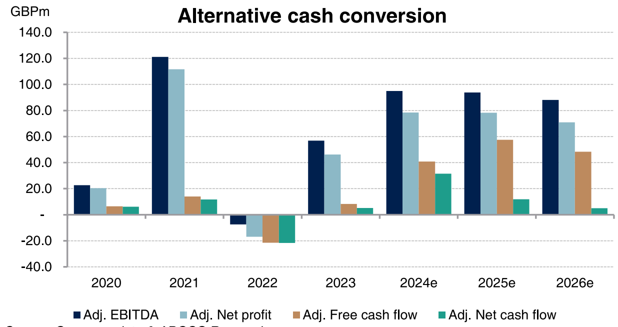

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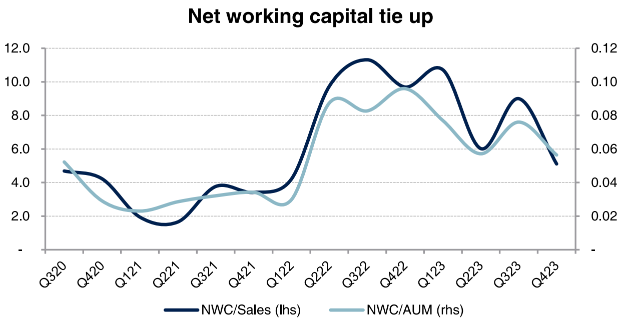
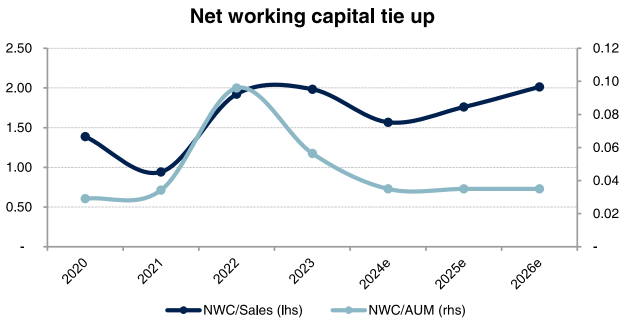
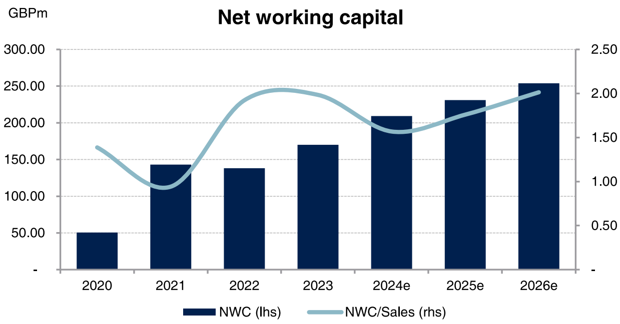


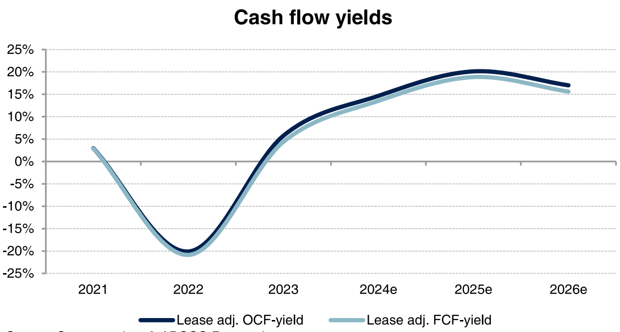
Source: Company data & ABGSC Research



Source: Company data & ABGSC Research



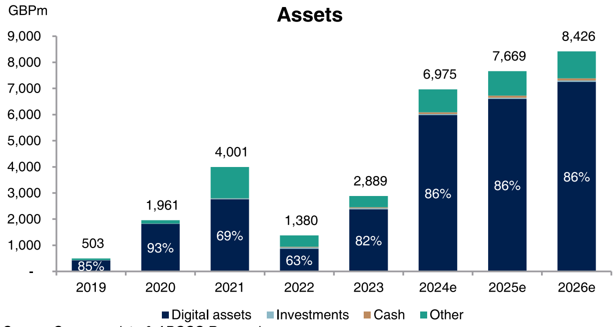
Source: Company data & ABGSC Research



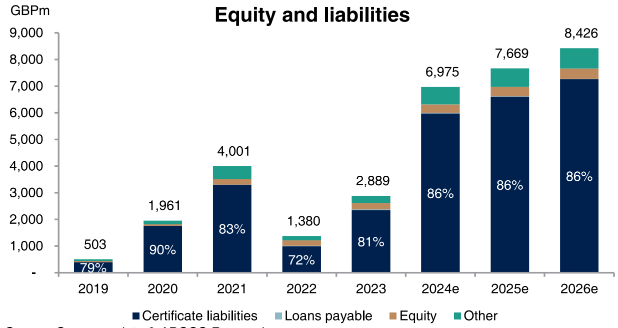
Source: Company data & ABGSC Research

Balance sheet dominated by ETP-related items

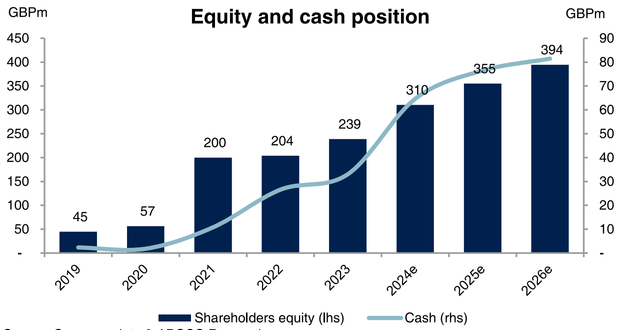
CoinShares' balance sheet is heavily characterised by the company's issued ETPs that are kept on the balance sheet (except the cooperation with Invesco) as certificate liabilities and the corresponding hedge position that is kept as digital assets on the asset side. The fact that the amount of certificate liabilities and digital assets can deviate is due to XBT Provider and how it is structured. CoinShares has a net cash position and the gearing level should therefore not be a concern for investors. The "other" category in both assets and equity & liabilities mainly consists of net working capital line items such as trade payables, account receivables etc. We expect the net debt to adjusted EBITDA ratio to improve due to improving cash flow and debt repayments, reaching -0.8x by 2026e.



Source: Company data & ABGSC Research



Source: Company data & ABGSC Research



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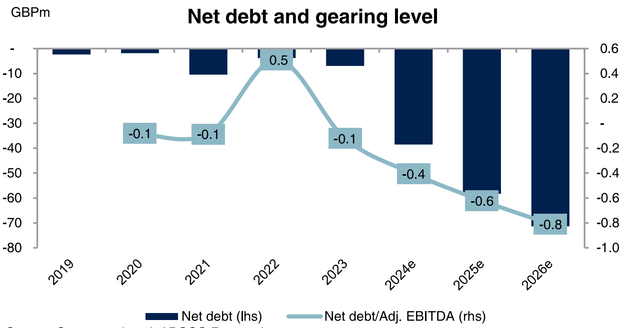


Source: Company data & ABGSC Research

Valuation

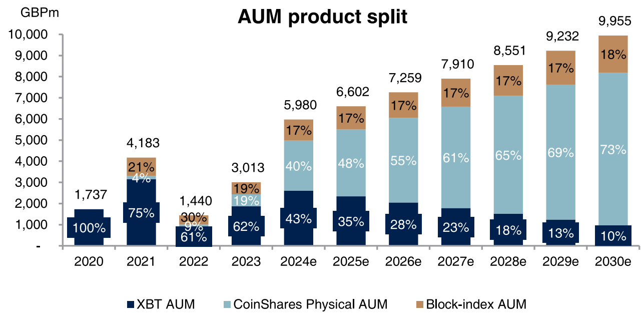
We value CoinShares based on three approaches, two scenarios based on dividend discount models and a comparison with peers such as digital asset managers and crypto-related companies. The Scenario 1 dividend discount model is based on our detailed estimates for '24-'26e and general assumptions in '27-'30e with a terminal value calculated through a Gordon Growth Model. Our Scenario 2 is based on a dividend discount model, but with lower long-term assumptions. Finally, we compare CoinShares to other asset managers and also to crypto-related companies. Through the three approaches, we derive a fair value of SEK 52-114 per share.

Scenario 1 dividend discount model

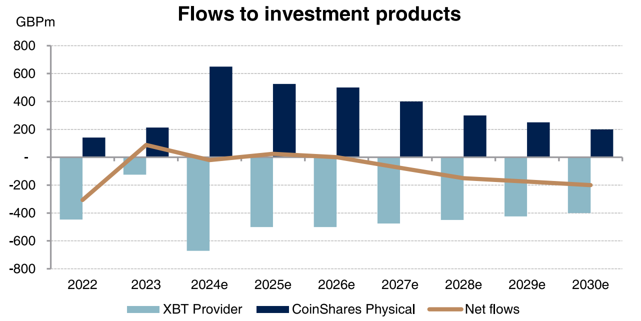
Due to the unpredictability of the cash flow timing and newly imposed dividend policy, we argue that the best way to value CoinShares on an absolute basis is through a discounted dividend model. For 2024-2026, we use our detailed forecast assumptions, and for 2027-2030, we assume a 10% CAGR in asset prices, net flows according to the graph below, slightly rising margins due to the scalability of the business model and an increasing payout ratio to 60%, as outflows from XBT products will lead to less need for NWC and more distribution potential. For the terminal period, we have assumed an 80% payout ratio. We have estimated fee pressure on CoinShares Physical and on Block-index but a flat fee level for XBT in '27-'30e. This renders us with outputs according to the sensitivity tables below. We argue that a 12-16% COE is warranted due to digital assets being perceived as risky and volatile, and we argue that a 1.5-2.5% terminal growth rate should be a reasonable assumption. In sum, Scenario 1 provides a fair value of SEK 63-94 per share.

Scenario 1 - share price in SEK		Cost of equity				
		10%	12%	14%	16%	18%
Terminal growth rate	3.0%	126	98	80	68	59
	2.5%	120	94	78	66	58
	2.0%	114	91	76	65	57
	1.5%	109	88	74	63	56
	1.0%	105	86	72	62	55

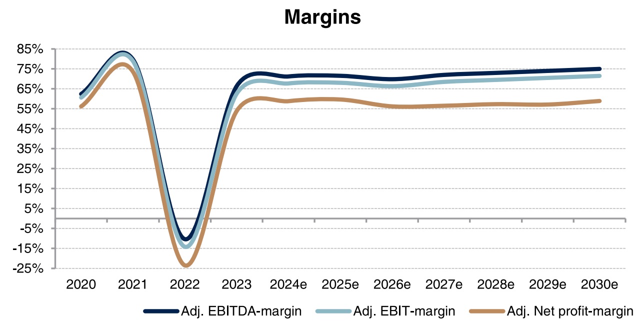
Scenario 1 share price sensitivity		Cost of equity				
		10%	12%	14%	16%	18%
Terminal growth rate	3.0%	120%	71%	40%	18%	2%
	2.5%	109%	65%	36%	16%	1%
	2.0%	100%	59%	32%	13%	-1%
	1.5%	91%	54%	29%	11%	-3%
	1.0%	84%	50%	26%	9%	-4%



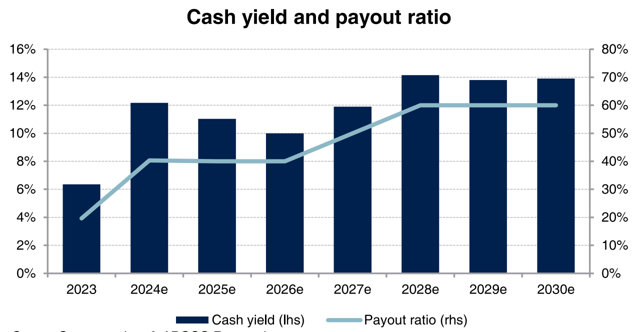
Source: Company data & ABGSC Research



Souce: Company data & ABGSC Research



Souce: Company data & ABGSC Research



Souce: Company data & ABGSC Research

Scenario 2 dividend discount model

Our Scenario 2 is based on the aforementioned dividend discount model but with lower long-term assumptions. We use the same estimates for our forecast period of '24-'26e but with '27-'30e earnings that are 10% lower than in Scenario 1. Furthermore, we assume that the payout ratio will remain at 40% until the terminal period, when it rises to 70%. The sensitivity tables are provided below, and if we use the same assumptions as above of a terminal growth rate of 1.5-2.5% and a cost of equity of 12-16%, we arrive at a Scenario 2 fair value of SEK 52-76 per share.

Scenario 2 - share price in SEK		Cost of equity				
		10%	12%	14%	16%	18%
Terminal growth rate	3.0%	101	78	64	55	48
	2.5%	96	76	63	54	47
	2.0%	91	73	61	53	46
	1.5%	88	71	60	52	46
	1.0%	84	69	58	51	45

Scenario 2 share price sensitivity		Cost of equity				
		10%	12%	14%	16%	18%
Terminal growth rate	3.0%	76%	37%	13%	-4%	-16%
	2.5%	67%	32%	10%	-6%	-18%
	2.0%	60%	28%	7%	-8%	-19%
	1.5%	53%	24%	4%	-10%	-20%
	1.0%	47%	20%	2%	-11%	-21%

Peer valuation - an asset manager or a crypto company?

CoinShares has no perfect peers, and we have therefore examined two different peer groups. As the Asset Management segment grows, one could argue that CoinShares should be compared more with asset managers. However, due to the volatility of digital assets, we argue that a higher risk premium is warranted for CoinShares. We note that CoinShares is currently trading 78-73% below asset managers on EV/EBITDA in '24-'26e. When comparing to other crypto-related companies, it is important to note that many of these companies are not mature and their business models vary greatly. However, we find no real reason why CoinShares should trade at a discount to this peer group given that CoinShares has a proven record of profitable growth and upcoming capital repatriation plans. Combining our analysis of other crypto-related companies and the asset managers peer group, our peer valuation model provides a fair value range of SEK 62-114.

		Mcap	MCAP/		P/E			EV/EBITDA			P/S	
Peer overview		**(GBPm)**	**AUM**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**
Asset managers (median)		10,894	2%	13.8x	12.6x	10.6x	13.5x	12.2x	11.5x	3.8x	3.3x	2.9x
Crypto-related companies (median)		586	28%	33.3x	16.8x	12.0x	7.0x	4.8x	7.3x	4.2x	4.0x	3.7x
CoinShares	SE	284	9%	3.7x	3.6x	4.0x	2.9x	2.9x	3.1x	2.1x	2.2x	2.3x
vs. Asset managers			*8%*	*-73%*	*-71%*	*-62%*	*-78%*	*-76%*	*-73%*	*-44%*	*-34%*	*-23%*
vs. Crypto related companies			*-19%*	*-89%*	*-78%*	*-67%*	*-58%*	*-38%*	*-57%*	*-50%*	*-46%*	*-39%*

Source: Company data, Factset & ABGSC Research

		Mcap	MCAP/		P/E			EV/EBITDA			P/S	
Asset managers		**(GBPm)**	**AUM**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**
Apollo	US	70,140	14%	15x	12x	11x	12x	10x	13x	18x	16x	13x
BlackRock	US	91,725	1%	19x	17x	15x	15x	13x	12x	6x	5x	5x
Blackstone	US	116,507	14%	26x	20x	18x	16x	12x	14x	12x	10x	9x
Carlyle	US	11,993	4%	11x	9x	8x	16x	12x	10x	4x	3x	3x
Franklin Resources	US	9,795	1%	10x	8x	7x	11x	10x	10x	2x	2x	2x
Hamilton Lane	US	3,790	4%	26x	22x		24x	20x		11x	10x	
Invesco	US	5,346	0%	9x	8x	7x	14x	12x	12x	2x	1x	1x
Janus Henderson	US	4,214	2%	11x	11x	10x	7x	7x	6x	2x	2x	2x
KKR	US	69,127	16%	21x	16x	14x	31x	25x	20x	11x	9x	8x
Partners	CH	27,751	21%	27x	23x	20x	22x	19x	17x	14x	12x	11x
T. Rowe	US	19,885	2%	13x	13x	12x	9x	9x	8x	4x	3x	3x
Victory Capital	US	2,669	2%	10x	9x	8x	10x	8x	7x	4x	3x	3x
Virtus	US	1,282	1%	9x	8x	7x	7x	6x	6x	2x	2x	2x
WisdomTree	US	1,138	1%	17x	16x	14x	13x	13x	13x	3x	3x	3x
Median			**2%**	**14x**	**13x**	**11x**	**13x**	**12x**	**12x**	**4x**	**3x**	**3x**
Average			**6%**	**16x**	**14x**	**12x**	**15x**	**13x**	**11x**	**7x**	**6x**	**5x**

Source: Company data, Factset & ABGSC Research

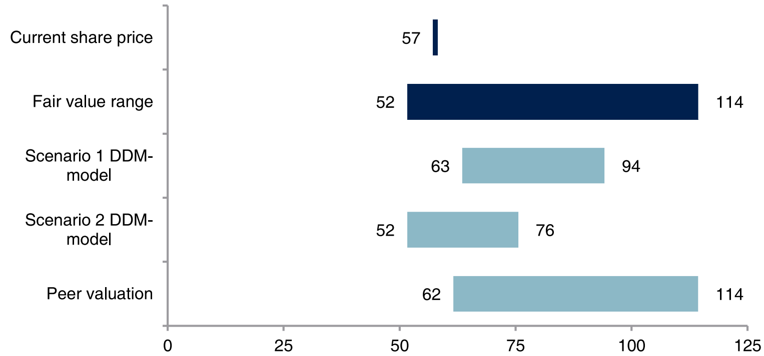
		Mcap	MCAP/		P/E			EV/EBITDA			P/S	
Crypto related companies		**(GBPm)**	**AUM**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**	**2024e**	**2025e**	**2026e**
Bitdeer	US	537		34x	16x	15x	5x	4x	3x	2x	1x	1x
Bit Digital	US	215		96x	32x		5x	3x		2x	2x	
Bitfarms	CA	464			5x	4x	3x	1x		2x	1x	1x
Block	US	36,071		21x	17x	13x	15x	12x	10x	2x	2x	1x
Cleanspark	US	3,124		40x	10x	8x	8x	5x	6x	9x	5x	4x
Coinbase	US	44,303	28%	35x	50x	59x	19x	19x	21x	9x	9x	10x
Core Scientific	US	484			18x	11x	9x	7x	7x	1x	1x	1x
DeFi	US	125		8x	3x		-5x	-3x				
Galaxy Digital	CA	881		10x	17x		3x	4x		4x	6x	
HIVE Digital	US	203					10x			2x		
Hut 8	CA	630		70x	31x		4x	5x	6x	10x	4x	5x
Iris	US	586			6x	4x				4x	2x	1x
Marathon Digital	US	4,645			49x	32x	10x	6x	8x	8x	6x	6x
Riot Platforms	US	2,473		99x	29x	478x	6x	3x	4x	7x	5x	4x
TeraWulf	US	581		31x	8x		6x	3x		4x	3x	
Median			**28%**	**33x**	**17x**	**12x**	**7x**	**5x**	**7x**	**4x**	**4x**	**4x**
Average			**28%**	**39x**	**20x**	**76x**	**7x**	**6x**	**9x**	**5x**	**4x**	**4x**

Source: Company data, Factset & ABGSC Research

Estimated fair value range of SEK 52-114

Considering all the three valuation approaches above, we arrive at a fair value range of SEK 52-114.

Estimated fair value range (SEK)



Souce: Company data & ABGSC Research

Multiples

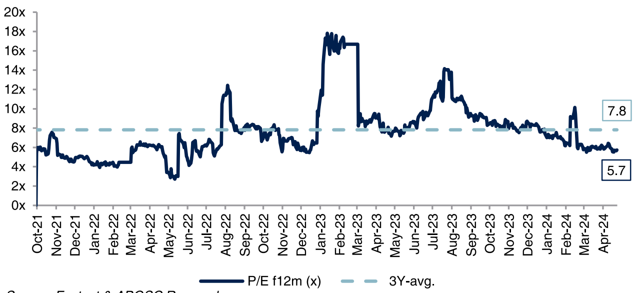
In the table below, we have highlighted valuation multiples for CoinShares assuming different share prices. We have based the values on the alternative performance measures discussed earlier, and used the net debt as of year-end 2023.

Implied valuation multiples from share price ranges

Price per share, SEK	**29**	**43**	**57**	**86**	**114**
Equity value, GBPm	151	227	302	453	604
Enterprise value, GBPm	144	220	295	446	597
2024e					
EV/Adj. EBITDA	1.5x	2.3x	3.1x	4.7x	6.3x
EV/Adj. EBIT	1.6x	2.4x	3.3x	4.9x	6.6x
P/Adj. Net profit	1.9x	2.9x	3.9x	5.8x	7.7x
Dividend yield	20.8%	13.9%	10.4%	6.9%	5.2%
2025e					
EV/Adj. EBITDA	1.5x	2.3x	3.1x	4.8x	6.4x
EV/Adj. EBIT	1.6x	2.5x	3.3x	5.x	6.7x
P/Adj. Net profit	1.9x	2.9x	3.9x	5.8x	7.7x
Dividend yield	20.7%	13.8%	10.4%	6.9%	5.2%
2026e					
EV/Adj. EBITDA	1.6x	2.5x	3.4x	5.1x	6.8x
EV/Adj. EBIT	1.7x	2.6x	3.5x	5.3x	7.1x
P/Adj. Net profit	2.1x	3.2x	4.3x	6.4x	8.5x
Dividend yield	18.8%	12.5%	9.4%	6.3%	4.7%

Source: Company data & ABGSC Research

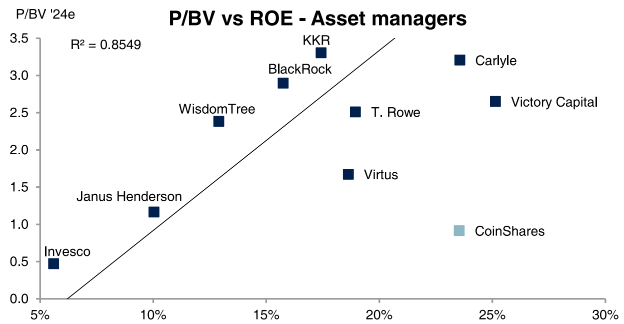
CoinShares - consensus f12m P/E



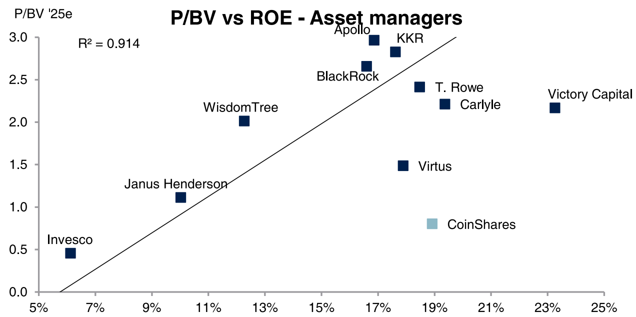
Source: Factset & ABGSC Research

Regression graphs

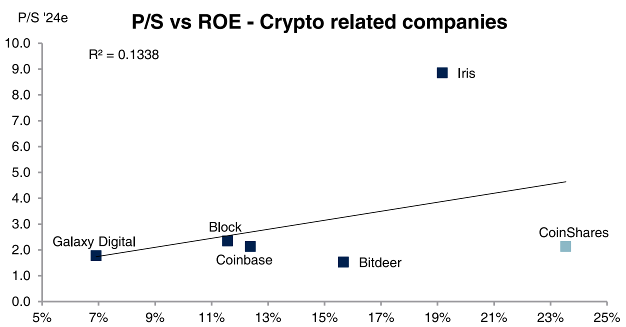
CoinShares is trading at a discount to asset managers while we note that there seems to be no clear correlation for crypto companies when measured on P/S vs ROE.



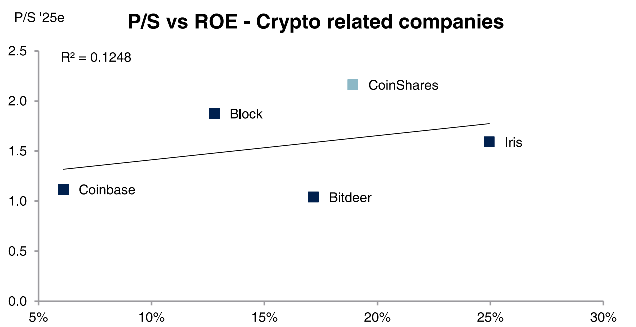
Source: Factset & ABGSC Research



Source: Factset & ABGSC Research



Source: Factset & ABGSC Research



Source: Factset & ABGSC Research

Risks

Digital assets price risk

If digital asset prices were to decrease, it would lower CoinShares' AUM and thereby its earnings potential. This is because the AUM, on which the company charges a management fee, would be lower. CoinShares has around 72% of its total equity and liabilities within certificate liabilities relating to ETPs. These are hedged with digital assets.

Risk of cyberattacks and similar hackings

With digital assets, there is always a risk of cyberattacks, hacking and similar. CoinShares tries to mitigate this risk by keeping its digital assets at regulated custodians (such as Komainu) in cold storage. Cold storage means that the assets are stored offline in order to prevent cyberattacks.

Counterparty risks

Since CoinShares engages in trading and activities with several counterparties, it is not unusual that it has to put up collateral at these counterparties. This was the background to the GBP 26m loss registered in Q4'22 relating to the FTX collapse. CoinShares tries to mitigate this risk by mostly using regulated counterparties for its activities, as well keeping amounts due from brokers at a low level.

Regulatory risks

There is always a risk that authorities will regulate crypto-related investment products, in the worst case banning them outright. Although the regulatory environment is favourable at the moment, a shift in sentiment cannot be excluded. Since CoinShares provides regulated investment products, it is dependent on these being legal.

Trading risks

CoinShares engages in delta-neutral trading, which uses hedged positions. Although these in theory assume no directional risks, there are circumstances in which these positions could collapse and result in losses. This is what happened in Q2'22 when CoinShares recorded a GBP 18m loss due to a collapsed hedging position. CoinShares has since reduced its risk taking in the trading division, but similar losses could occur in the future.

Appendix

Executive management

Jean-Marie Mognetti
Co-Founder & CEO

With Coinshares since 2013

Mr. Mognetti's past roles include Commodity Quant for Hermes Fund Managers and Director for Global Advisors Bitcoin Investment Fund.

M.Sc. in Mathematical Trading and Finance from Sir John Cass Business School

Shares in Coinshares – 11,876,609

Graeme Dickson
General Counsel

With Coinshares since 2019

Mr. Dickson's past roles include Associate for White & Case and Senior Counsel, Corporate/Capital/M&A.

M.Sc. in International Relations from University of St. Andrews

Shares in Coinshares – 0

Independent in relation to the Company's major owners

Richard Nash
CFO

With Coinshares since 2019

Mr. Nash has been with Coinshares since 2019, having held prior positions as Corporate Finance Associate for Baker Tilly and Director for Cairn Financial Advisers.

M.Sc. in Sinology from School of Oriental & African Studies, University of London

Shares in Coinshares – 900

Independent in relation to the Company's major owners

Benoît Pellevoizin
Head of Marketing & Communications

With Coinshares since 2022

Mr. Pellevoizin's past roles include Head of Strategy for SID LEE, Partner for Ogily Consulting and VP marketing for Ledger.

Graduated from the Celsa - Sorbonne Université (Grande Ecole Communications & Journalism)

Shares in Coinshares – 0

Independent in relation to the Company's major owners

Pierre Porthaux
Head of Quantative R&D

With Coinshares since 2018

Mr. Porthaux's past roles include Quantitative PM for Millennium Partners, Quantitative PM for Nomura Int., Co-Founder & President of Blockchain Solutions and CEO of EmergenceLab.

M.Sc. in Financial markets from ESSEC Business School

Shares in Coinshares – 0

Independent in relation to the Company's major owners

Frank Spiteri
Head of Asset Management

With Coinshares since 2020

Mr. Spiteri's past roles include Equity Derivative Trader for KBC Fincancial Products, ETF Tradin & Sales for Peel Hunt and Head of European Distribution for Wisdom Tree Asset Management.

Degree from St Albans University

Shares in Coinshares – 398,671

Independent in relation to the Company's major owners

Lewis Fellas
Head of hedge fund solution

With Coinshares since 2023

Mr. Fellas' past roles include Portfolio Manager for Harvard Management Co., Founder & CIO for Bletchley Park Asset Management, Founder & CIO for Larks Leaf Asset Management.

M.Sc. In Chemistry from University of Reading & MBA from University of Cambridge

Shares in Coinshares – 300

Independent in relation to the Company's major owners

Board of directors

Daniel Masters
Chairman of the Board

MoB since 2008, CoB since 2021

Mr. Masters' past roles includes Energy Trading PM for PHIBRO, Head of Global Energy Trading for JP Morgan, Founder & Executive Chairman for Global Advisory Ltd., Director for Artos Systems, Director for Globacap and Director for GABI Ventures.

Other commitments: CB Limited, CommerceBlock Limited, CommerceBlock Holding Limited, Crypto Composite Limited, Satoshipay Limited and Invoccasion Limited. Council Member of Tezos Foundation.

Shares in Coinshares – 14,764,760

Jean-Marie Mognetti
Member of the Board

MoB since 2014, CEO of Coinshares

Mr. Mognetti's past roles includes Commodity Quant for Hermes Fund Managers and Director for global advisors bitcoin investment fund.

Other commitments: Director of the board of Mognetti Partners Limited, Komainu Holdings Limited and Tactiques D'avant-Garde (Jersey) Limited.

Shares in Coinshares – 11,876,609

Christine Rankin
Member of the Board

MoB since 2021

Ms. Rankin's past roles includes Partner for PWC, Head of Corporate Control for Spotify & Nasdaq, CFO for Cherry AB, SVP Corporate Control for Veoneer.

Other commitments: Director of the board and audit committee chair of Bone Support Holding AB and 4C Group AB. Director of the board of Orexo AB. Director of the board of Starbreeze AB (publ).

Shares in Coinshares – 0

Johan Lundberg
Member of the Board

MoB since 2020

Mr. Lundberg's past roles includes founding partner of NFT Ventures, Head of Marketing Nordic Region for Mastercard, Co-Founder of P.F.C.

Other commitments: Chairman of Betsson AB, Alfa Kraft Fonder AB, Barcelona Opportunity AB, Director of Svolder AB, Loomis AB, Wakakuu AB, Contemporary Wines Sweden AB (publ), Pensa Sverige AB, MR Cake AB, SoliFast Holding AB and director of Global Fintech Industries AB.

Shares in Coinshares – 2,500

Carsten Køppen
Member of the Board

MoB since 2020

Mr. Køppen has gathered experience in financial services, including stock exchange equity trading, investment advisory, capital market debt and fixed income, alternative asset management and asset servicing. He is a specialist in corporate governance and has experience with the alternative investment fund industry.

Other commitments: Director of the Board of Triton Partners (Jersey) financial services, including stock exchange equity trading, investment advisory, capital market debt and fixed income, alternative asset management and asset servicing. He is a specialist in corporate governance and has experience with the alternative investment fund industry.

Shares in Coinshares – 9,750

Viktor Fritzén
Member of the Board

MoB since 2021

Mr. Køppen's past roles includes in Global Investment Research Analyst and Corporate Finance Analyst at Goldman Sachs & GP Bullhound respectively and CFO for LeoVegas Group.

Other commitments: Chair of the board of Appjobs Sweden AB. Director of the board of Beyond Zebra AB, Cithara BidCo AB, Cithara HoldCo AB, StickerApp Holding AB and Safello AB.

Shares in Coinshares – 40,100

Shareholders

We note that the insider ownership is significant as the executive management and board of directors own ~40% of the company. Furthermore, we note that the ownership of CoinShares is quite concentrated, as the top 10 owners in CoinShares hold ~89% of the total capital. This results in a low free float. We believe the limited free float is negative for the share price.

#	Name/Owner	# shares	Value (SEK)	Capital
1	Daniel Masters	14,460,916	876,331,510	21.8%
2	Jean-Marie Mognetti	11,876,609	719,722,505	17.9%
3	Russell Paul Newton	8,096,078	490,622,327	12.2%
4	Alan Howard	7,913,040	479,530,224	11.9%
5	Adam Levinson	3,896,618	236,135,051	5.9%
6	Paul Davidson	3,200,000	193,920,000	4.8%
7	Dwight Anderson	2,987,159	181,021,835	4.5%
8	Meltem Demirors	2,749,820	166,639,092	4.1%
9	Vitruvius Limited	2,566,213	155,512,508	3.9%
10	Horseferry Trading Pte LTD	1,535,604	93,057,602	2.3%
11	Handelsbanken Fonder	591,986	35,874,352	0.9%
12	Frank Spiteri	398,408	24,143,525	0.6%
13	SEB Fonder	196,630	11,915,778	0.3%
14	Rothschild & Co. Asset Management	108,413	6,569,828	0.2%
15	GABI Ventures Limited	46,853	2,839,292	0.1%
16	Viktor Fritzén	40,100	2,430,060	0.1%
17	Financière Arbevel	15,028	910,697	0.0%
18	Kärnavfallsfonden	12,466	755,440	0.0%
19	FCG Fonder	10,336	626,362	0.0%
20	Carsten Køppen	9,750	590,850	0.0%

Source: Holdings & ABGSC Research

#	Name/Owner	Position	Value (SEKm)	Capital
1	Daniel Masters	Chairman	882,072,355	21.8%
2	Jean-Marie Mognetti	CEO and Board member	722,097,827	17.9%
3	Frank Spiteri	Head of Asset Management	24,223,206	0.6%
4	Viktor Fritzén	Independent Non-Executive Director	2,438,080	0.1%
5	Carsten Køppen	Independent Non-Executive Director	592,800	0.0%
6	Johan Lundberg	Independent Non-Executive Director	152,000	0.0%
7	Richard Nash	CFO	54,720	0.0%
8	Lewis Fellas	Head of Hedge Fund Solutions	18,240	0.0%
9	Benoît Pellevoizin	Head of Marketing and Communication	-	0.0%
10	Christine Rankin	Independent Non-Executive Director	-	0.0%
11	Graeme Dickson	Group General Counsel	-	0.0%
12	Pierre Porthaux	Head of Quantitative R&D	-	0.0%

Source: Holdings & ABGSC Research

CoinShares - Income statement, quarterly								
GBPm	**Q123**	**Q223**	**Q323**	**Q423**	**Q124e**	**Q224e**	**Q324e**	**Q424e**
Adj. Total revenue	15	20	17	33	31	34	34	34
Direct costs	-1	-1	-2	-2	-4	-4	-4	-4
Adj. Gross profit	**14**	**19**	**15**	**31**	**27**	**31**	**31**	**30**
Other costs	-6	-6	-5	-6	-6	-6	-6	-6
Adj. EBITDA	**8**	**13**	**10**	**26**	**21**	**24**	**25**	**25**
Depreciation and amortization	-1	-1	-1	0	-1	-1	-1	-1
Adj. EBIT	**8**	**12**	**9**	**25**	**20**	**23**	**24**	**23**
Finance expenses	-1	-2	-2	-2	-2	-2	-2	-2
Tax	0	0	0	0	-1	-1	-1	-1
Adj. net profit	**6**	**10**	**7**	**23**	**17**	**20**	**21**	**21**
Currency translation	-3	-5	8	-8	0	0	0	0
Total comprehensive income	**3**	**5**	**14**	**15**	**17**	**20**	**21**	**21**
CoinShares - AUM								
XBT Provider	1,432	1,433	1,295	1,870	2,897	2,767	2,683	2,597
CoinShares Physical	216	226	230	567	1,740	1,982	2,180	2,382
Block Index	487	484	457	576	932	955	978	1,001
Total AUM	**2,135**	**2,143**	**1,982**	**3,013**	**5,570**	**5,703**	**5,840**	**5,980**
CoinShares - Group margins								
Adj. Gross profit margin	91%	93%	91%	94%	88%	89%	89%	90%
Adj. EBITDA margin	55%	63%	59%	77%	69%	70%	73%	72%
Adj. EBIT margin	50%	58%	53%	76%	66%	67%	70%	69%
Adj. Net profit margin	19%	26%	86%	46%	55%	57%	62%	61%
CoinShares - Segment reporting								
GBPm	**Q123**	**Q223**	**Q323**	**Q423**	**Q124e**	**Q224e**	**Q324e**	**Q424e**
XBT Provider revenue	8	10	10	12	18	17	17	16
CoinShares Physical revenue	1	0	1	0	2	2	2	2
Block Index revenue	0	0	0	0	1	1	1	1
Asset management revenue	**9**	**11**	**11**	**13**	**20**	**20**	**20**	**19**
Liquidity provisioning	1	0	0	0	1	1	1	1
Delta neutral trading	1	2	1	1	1	1	1	1
Fixed income	2	3	3	2	2	2	2	2
Staking	3	6	5	8	9	11	11	11
Capital Markets gains & income	**7**	**10**	**9**	**13**	**13**	**14**	**15**	**15**

Source: Company data, ABGSC forecasts

CoinShares - Income statement, yearly							
GBPm	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
Adj. Total revenue	36	152	72	86	133	131	126
Direct costs	-2	-8	-9	-6	-15	-13	-13
Adj. Gross profit	**34**	**144**	**63**	**80**	**119**	**118**	**113**
Other costs	-11	-23	-70	-23	-24	-24	-25
Adj. EBITDA	**23**	**121**	**-7**	**57**	**95**	**94**	**88**
Depreciation and amortization	-1	-1	-3	-3	-5	-5	-4
Adj. EBIT	**22**	**120**	**-10**	**54**	**90**	**89**	**84**
Finance expenses	-1	-7	-6	-7	-7	-4	-4
Tax	0	-1	0	-1	-5	-7	-9
Adj. net profit	**20**	**112**	**-17**	**46**	**78**	**78**	**71**
Currency translation	-2	2	19	-8	0	0	0
Total comprehensive income	**19**	**113**	**2**	**38**	**78**	**78**	**71**
CoinShares - AUM							
XBT Provider	1,737	3,152	878	1,870	2,597	2,337	2,052
CoinShares Physical	0	150	129	567	2,382	3,164	3,998
Block Index	0	880	434	576	1,001	1,101	1,210
Total AUM	**1,737**	**4,183**	**1,440**	**3,013**	**5,980**	**6,602**	**7,259**
CoinShares - Group margins							
Adj. Gross profit margin	94%	95%	87%	93%	89%	90%	90%
Adj. EBITDA margin	62%	80%	-10%	66%	71%	72%	70%
Adj. EBIT margin	61%	79%	-14%	63%	68%	68%	66%
Adj. Net profit margin	56%	75%	3%	44%	59%	60%	56%
CoinShares - Segment reporting							
GBPm	**2020**	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**
XBT Provider revenue	18	78	46	40	68	61	54
CoinShares Physical revenue	0	1	2	2	8	11	15
Block Index revenue	0	1	2	1	2	3	3
Asset management revenue	**18**	**80**	**50**	**43**	**79**	**75**	**72**
Liquidity provisioning	4	14	4	1	3	3	3
Delta neutral trading	8	27	3	5	3	3	3
Fixed income	4	11	5	10	6	6	6
Staking	0	4	14	22	41	41	39
Capital Markets gains & income	**17**	**61**	**26**	**39**	**57**	**56**	**54**

Source: Company data, ABGSC forecasts

Income Statement (GBPm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	-	-	-	36	152	72	86	133	131	126
COGS	-	-	-	-2	-8	-9	-6	-15	-13	-13
Gross profit	0	0	0	34	144	63	80	119	118	113
Other operating items	0	0	0	-11	-23	-69	-23	-22	-23	-23
EBITDA	**0**	**0**	**0**	**23**	**121**	**-6**	**57**	**97**	**95**	**90**
Depreciation and amortisation	0	0	0	-1	-2	-4	-3	-6	-6	-6
of which leasing depreciation	-	-	-	0	-0	-1	0	-1	-1	-1
EBITA	**0**	**0**	**0**	**22**	**120**	**-10**	**54**	**90**	**89**	**84**
EO Items	-	-	-	0	0	-49	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	**-**	**-**	**-**	**22**	**120**	**-10**	**54**	**90**	**89**	**84**
Net financial items	0	0	0	-1	-7	-6	-7	-7	-4	-4
Pretax profit	**0**	**0**	**0**	**19**	**114**	**3**	**38**	**83**	**85**	**80**
Tax	0	0	0	-0	-1	-0	-1	-5	-7	-9
Net profit	**0**	**0**	**0**	**19**	**113**	**2**	**38**	**78**	**78**	**71**
Minority interest	-	-	-	0	0	0	0	0	0	0
Net profit discontinued	-	-	-	0	0	0	0	0	0	0
Net profit to shareholders	**0**	**0**	**0**	**19**	**113**	**2**	**38**	**78**	**78**	**71**
EPS	-	-	-	0.27	1.58	0.03	0.53	1.12	1.12	1.01
EPS adj.	-	-	-	0.35	1.68	-0.25	0.69	1.18	1.18	1.07
Total extraordinary items after tax	0	0	0	-2	2	-26	-8	0	0	0
Leasing payments	0	0	0	0	-0	-1	0	-1	-1	-1
Tax rate (%)	--	--	--	*2.1*	*0.9*	*13.3*	*1.4*	*5.8*	*8.2*	*11.0*
Gross margin (%)	--	--	--	*94.0*	*94.8*	*87.3*	*92.9*	*89.0*	*90.1*	*89.6*
EBITDA margin (%)	--	--	--	*63.0*	*80.0*	*-8.5*	*66.3*	*72.4*	*72.7*	*71.0*
EBITA margin (%)	--	--	--	*60.6*	*78.9*	*-14.2*	*62.6*	*67.7*	*68.0*	*66.3*
EBIT margin (%)	--	--	--	*60.6*	*78.9*	*-14.2*	*62.6*	*67.7*	*68.0*	*66.3*
Pre-tax margin (%)	--	--	--	*52.1*	*75.4*	*3.9*	*44.9*	*62.5*	*65.0*	*63.2*
Net margin (%)	--	--	--	*51.0*	*74.7*	*3.3*	*44.3*	*58.8*	*59.7*	*56.2*
Sales growth (%)	--	--	--	--	*317.4*	*-52.7*	*19.2*	*55.7*	*-1.6*	*-3.9*
EBITDA growth (%)	--	--	--	--	*430.0*	*-105.0*	*-1,034.4*	*69.9*	*-1.2*	*-6.2*
EBITA growth (%)	--	--	--	--	*443.1*	*-108.5*	*-626.6*	*68.5*	*-1.1*	*-6.3*
EBIT growth (%)	--	--	--	--	*NM*	*-108.5*	*-626.6*	*68.5*	*-1.1*	*-6.3*
Net profit growth (%)	--	--	--	--	*511.3*	*-97.9*	*1,480.2*	*106.9*	*-0.2*	*-9.5*
EPS growth (%)	--	--	--	--	*492.6*	*-97.9*	*1,490.9*	*111.3*	*-0.2*	*-9.5*
ROE (%)	--	--	*0.0*	*36.7*	*88.4*	*1.2*	*17.1*	*28.6*	*23.5*	*18.9*
ROE adj. (%)	--	--	*0.0*	*40.3*	*87.1*	*14.1*	*20.8*	*28.6*	*23.5*	*18.9*
ROCE (%)	--	--	*0.0*	*39.6*	*94.7*	*4.3*	*18.5*	*30.0*	*25.2*	*21.5*
ROCE adj. (%)	--	--	*0.0*	*43.3*	*93.3*	*18.3*	*21.8*	*30.0*	*25.2*	*21.5*
ROIC (%)	--	--	--	*44.5*	*97.8*	*-4.6*	*24.7*	*34.0*	*29.1*	*24.2*
ROIC adj. (%)	--	--	--	*44.5*	*97.8*	*17.6*	*24.7*	*34.0*	*29.1*	*24.2*
EBITDA adj.	*0*	*0*	*0*	*23*	*121*	*43*	*57*	*97*	*95*	*90*
EBITDA adj. margin (%)	--	--	--	*63.0*	*80.0*	*60.2*	*66.3*	*72.4*	*72.7*	*71.0*
EBITDA lease adj.	0	0	0	23	121	42	57	95	94	88
EBITDA lease adj. margin (%)	--	--	--	*63.0*	*79.8*	*58.6*	*66.3*	*71.3*	*71.6*	*69.9*
EBITA adj.	0	0	0	22	120	39	54	90	89	84
EBITA adj. margin (%)	--	--	--	*60.6*	*78.9*	*54.5*	*62.6*	*67.7*	*68.0*	*66.3*
EBIT adj.	0	0	0	22	120	39	54	90	89	84
EBIT adj. margin (%)	--	--	--	*60.6*	*78.9*	*54.5*	*62.6*	*67.7*	*68.0*	*66.3*
Pretax profit Adj.	0	0	0	21	113	33	47	83	85	80
Net profit Adj.	0	0	0	20	112	28	46	78	78	71
Net profit to shareholders adj.	0	0	0	20	112	28	46	78	78	71
Net adj. margin (%)	--	--	--	*56.1*	*73.6*	*39.6*	*53.7*	*58.8*	*59.7*	*56.2*

Source: ABG Sundal Collier, Company Data

Cash Flow (GBPm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	0	0	0	23	121	-6	57	97	95	90
Net financial items	0	0	0	-1	-7	-6	-7	-7	-4	-4
Paid tax	0	0	0	-0	-1	-0	-1	-5	-7	-9
Non-cash items	0	0	37	-1	-4	-15	-6	-2	-2	-2
Cash flow before change in WC	0	0	37	20	109	-28	43	83	83	75
Change in working capital	0	0	-37	-14	-95	7	-32	-39	-22	-23
Operating cash flow	**-**	**-**	**-**	**7**	**14**	**-21**	**11**	**44**	**61**	**52**
Capex tangible fixed assets	-	-	-	-0	-0	-0	-2	-1	-2	-2
Capex intangible fixed assets	-	-	-	0	-0	-1	-1	-2	-2	-2

Cash Flow (GBPm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Acquisitions and Disposals	0	0	0	-0	-15	-20	-0	0	0	0
Free cash flow	**0**	**0**	**0**	**6**	**-1**	**-42**	**8**	**41**	**58**	**48**
Dividend paid	-	-	-	0	0	0	0	-7	-34	-31
Share issues and buybacks	0	0	0	0	13	-0	-4	-0	0	0
Leasing liability amortisation	-	-	-	0	-0	-1	1	-2	-4	-4
Other non-cash items	0	0	2	-7	-4	41	-3	0	-0	0

Balance Sheet (GBPm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Goodwill	-	-	0	0	6	1	1	1	1	1
Other intangible assets	0	0	0	0	12	11	10	9	8	7
Tangible fixed assets	-	-	0	0	1	2	3	5	9	13
Right-of-use asset	-	-	0	0	0	0	0	0	0	0
Total other fixed assets	0	0	6	4	28	48	48	48	48	48
Fixed assets	0	0	6	4	46	62	62	62	65	69
Inventories	-	-	428	1,827	2,762	869	2,376	5,980	6,602	7,259
Receivables	-	-	66	129	1,182	423	419	867	924	1,016
Other current assets	-	-	0	0	0	0	0	0	0	0
Cash and liquid assets	-	-	2	2	11	27	33	65	76	81
Total assets	**0**	**0**	**503**	**1,961**	**4,001**	**1,380**	**2,889**	**6,975**	**7,669**	**8,426**
Shareholders equity	0	0	45	57	200	204	239	310	355	394
Minority	-	-	1	0	0	0	0	0	0	0
Total equity	**0**	**0**	**45**	**57**	**200**	**204**	**239**	**310**	**355**	**394**
Long-term debt	-	-	0	0	0	21	23	23	15	7
Pension debt	-	-	0	0	0	0	0	0	0	0
Convertible debt	-	-	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	1	3	3	3	3
Total other long-term liabilities	0	0	0	0	3	0	0	0	0	0
Short-term debt	-	-	0	0	0	0	0	0	0	0
Accounts payable	-	-	457	1,905	3,798	1,153	2,624	6,638	7,296	8,022
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**0**	**0**	**503**	**1,961**	**4,001**	**1,380**	**2,889**	**6,975**	**7,669**	**8,426**
Net IB debt	0	0	-3	-2	-12	-7	-9	-40	-60	-73
Net IB debt excl. pension debt	0	0	-3	-2	-12	-7	-9	-40	-60	-73
Net IB debt excl. leasing	0	0	-3	-2	-12	-8	-12	-43	-63	-76
Capital employed	0	0	45	57	200	227	265	336	373	405
Capital invested	0	0	43	54	188	197	230	270	294	321
Working capital	0	0	37	51	146	138	170	209	231	254
EV breakdown	-	-	-	-	-	-	-	-	-	-
Market cap. diluted (m)	0	0	0	293	302	304	302	296	296	296
Net IB debt adj.	0	0	-3	-2	-12	-7	-9	-40	-60	-73
Market value of minority	0	0	1	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	-6	-4	-24	-45	-45	-45	-45	-45
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
EV	**0**	**0**	**-8**	**287**	**267**	**252**	**248**	**210**	**191**	**178**
Total assets turnover (%)	--	--	0.0	3.0	5.1	2.7	4.0	2.7	1.8	1.6
Working capital/sales (%)	--	--	--	120.7	64.7	197.6	180.1	142.2	167.8	192.4
Financial risk and debt service	-	-	-	-	-	-	-	-	-	-
Net debt/equity (%)	--	--	-5.9	-3.8	-5.8	-3.2	-3.7	-13.0	-17.0	-18.6
Net debt / market cap (%)	--	--	--	-0.8	-4.1	-2.3	-3.1	-14.4	-21.5	-26.2
Equity ratio (%)	--	--	9.0	2.9	5.0	14.8	8.3	4.4	4.6	4.7
Net IB debt adj. / equity (%)	--	--	-5.9	-3.8	-5.8	-3.2	-3.7	-13.0	-17.0	-18.6
Current ratio	--	--	1.09	1.03	1.04	1.14	1.08	1.04	1.04	1.04
EBITDA/net interest	--	--	--	18.9	17.2	1.0	8.2	13.8	23.9	22.4
Net IB debt/EBITDA (x)	--	--	--	-0.1	-0.1	1.1	-0.2	-0.4	-0.6	-0.8
Net IB debt/EBITDA lease adj. (x)	--	--	--	-0.1	-0.1	-0.2	-0.2	-0.5	-0.7	-0.9
Interest coverage	--	--	--	18.2	17.0	1.6	7.8	12.9	22.3	20.9

Source: ABG Sundal Collier, Company Data

Share Data (GBPm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	0	0	0	67	68	68	68	66	66	66
Actual shares outstanding (avg)	0	0	0	67	68	68	68	66	66	66
All additional shares	0	0	0	67	2	0	-0	-2	0	0
Assumed dil. of shares from conv.	-	-	-	3	3	4	4	4	4	4
As. dil. of shares from conv. (avg)	-	-	-	3	3	4	4	4	4	4

Share Data (GBPm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual dividend per share	-	-	-	0.00	0.00	0.00	0.10	0.51	0.47	0.43
Reported earnings per share	-	-	-	-	-	-	-	-	-	-

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (GBPm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	0	0	0	67	68	68	68	66	66	66
Diluted shares adj.	0	0	0	70	72	72	72	70	70	70
EPS	-	-	-	0.27	1.58	0.03	0.53	1.12	1.12	1.01
Dividend per share	-	-	-	0.00	0.00	0.00	0.10	0.51	0.47	0.43
EPS adj.	-	-	-	0.35	1.68	-0.25	0.69	1.18	1.18	1.07
BVPS	-	-	-	0.81	2.79	2.82	3.33	4.42	5.05	5.62
BVPS adj.	-	-	-	0.81	2.54	2.66	3.18	4.28	4.93	5.51
Net IB debt/share	-	-	-	-0.03	-0.16	-0.09	-0.12	-0.58	-0.86	-1.04
Share price	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20	57.20
Market cap. (m)	0	0	0	280	287	287	286	280	280	280
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	--	--	--	15.8	2.7	126.7	8.0	3.8	3.8	4.2
EV/sales (x)	--	--	--	7.89	1.76	3.51	2.90	1.58	1.45	1.41
EV/EBITDA (x)	--	--	--	12.5	2.2	-41.5	4.4	2.2	2.0	2.0
EV/EBITA (x)	--	--	--	13.0	2.2	-24.8	4.6	2.3	2.1	2.1
EV/EBIT (x)	--	--	--	13.0	2.2	-24.8	4.6	2.3	2.1	2.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	2.4	12.0	11.2	10.1
FCF yield (%)	0.0	0.0	0.0	2.1	-0.3	-13.7	2.6	13.8	19.5	16.3
Le. adj. FCF yld. (%)	0.0	0.0	0.0	2.1	-0.4	-14.1	2.9	13.1	18.1	15.0
P/BVPS (x)	--	--	--	5.18	1.51	1.49	1.26	0.95	0.83	0.75
P/BVPS adj. (x)	4.21	4.21	4.21	4.96	1.58	1.50	1.26	0.93	0.81	0.72
P/E adj. (x)	--	--	--	12.0	2.5	-17.0	6.1	3.6	3.6	3.9
EV/EBITDA adj. (x)	--	--	--	12.5	2.2	5.8	4.4	2.2	2.0	2.0
EV/EBITA adj. (x)	--	--	--	13.0	2.2	6.5	4.6	2.3	2.1	2.1
EV/EBIT adj. (x)	--	--	--	13.0	2.2	6.5	4.6	2.3	2.1	2.1
EV/CE (x)	--	--	-0.2	5.1	1.3	1.1	0.9	0.6	0.5	0.4
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	--	--	--	0.2	0.3	1.2	3.4	2.4	2.7	3.2
Capex/depreciation	--	--	--	0.1	0.3	0.3	0.9	0.7	0.8	0.9
Capex tangibles / tangible fixed assets	--	--	0.0	32.5	25.0	6.8	67.8	25.8	18.4	15.2
Capex intangibles / definite intangibles	--	--	0.0	0.0	1.6	6.3	8.7	23.2	26.3	29.8
Depreciation on intang / def. intang	--	--	0	3,228	11	25	33	54	60	66
Depreciation on tangibles / tangibles	--	--	0.00	94.01	21.11	12.43	0.00	2.87	1.51	0.96

Source: ABG Sundal Collier, Company Data

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