




Independent appraisal of 100% Equity Interest in  
**VeriFace Technologies, Inc.**

- Draft Report -



Valuation Date	Decemeber 31 <sup>st</sup> , 2022
Report Date	January 16 <sup>th</sup> , 2023

Prepared by:  **Eqvista**

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# DEFINITION

	Definitions
"Valuation Date"	December 31st, 2022
"CAPEX"	Capital Expenditure
"Client", "Company", "VeriFace Technologies"	VeriFace Technologies, Inc.
"DCF"	Discounted Cashflow Model
"EBITDA"	Earnings before interest, taxation, depreciation & amortisation
"EV"	Enterprise Value
"FY"	Fiscal Year
"GPCs"	Guideline Public Companies
"GPTs"	Guideline Precedent Transactions
"Management"	Management Team of VeriFace Technologies, Inc.
"NTM"	Next-Twelve Months
"Projection Period"	FY2023E to FY2030E
"Subject Interest"	100% Equity in VeriFace Technologies, Inc.
"TTM"	Trailing Twelve Months
"USD", "\$"	US Dollar
"VC"	Venture Capital

# SUMMARY OF VALUATION



December 31<sup>st</sup>, 2022



VeriFace Tehnologies, Inc.



Delaware, United States

## Purpose and Scope

We and the Client have executed an engagement letter for us to perform certain calculation on the Subject Interest as on the Valuation Date. The specific calculation procedures are detailed in paragraphs “*Valuation of VeriFace Tehnologies*” of our calculation report. The calculation was performed solely to assist in the matter of the Company, and the resulting calculation of value should not be used for any other purpose, or any other party for any purpose. The estimate of value that resulted from this calculation procedure is expressed as a calculated value.

In a calculation engagement, the Valuation Analyst and the Company agreed on the specific valuation approaches and valuation methods the Valuation Analyst will use and the extent of valuation procedures the Valuation Analyst will perform to estimate the value of the Subject Interest. A calculation engagement does not include all the procedures required in a valuation engagement, as that term is defined in the NACVA Professional Standards. Had a valuation engagement been performed, the results might be different.

## Summary of Findings

**Nineteen Million Seven Hundred Fifty-One Thousand US Dollars**  
**\$19,751,000**

This calculated value is subject to *Assumptions and Limiting Conditions* on page 35 and to *Valuation Analyst's Representation* on page 37. We have no obligation to update this report or our calculated value for information that comes to our attention after the date of this report.

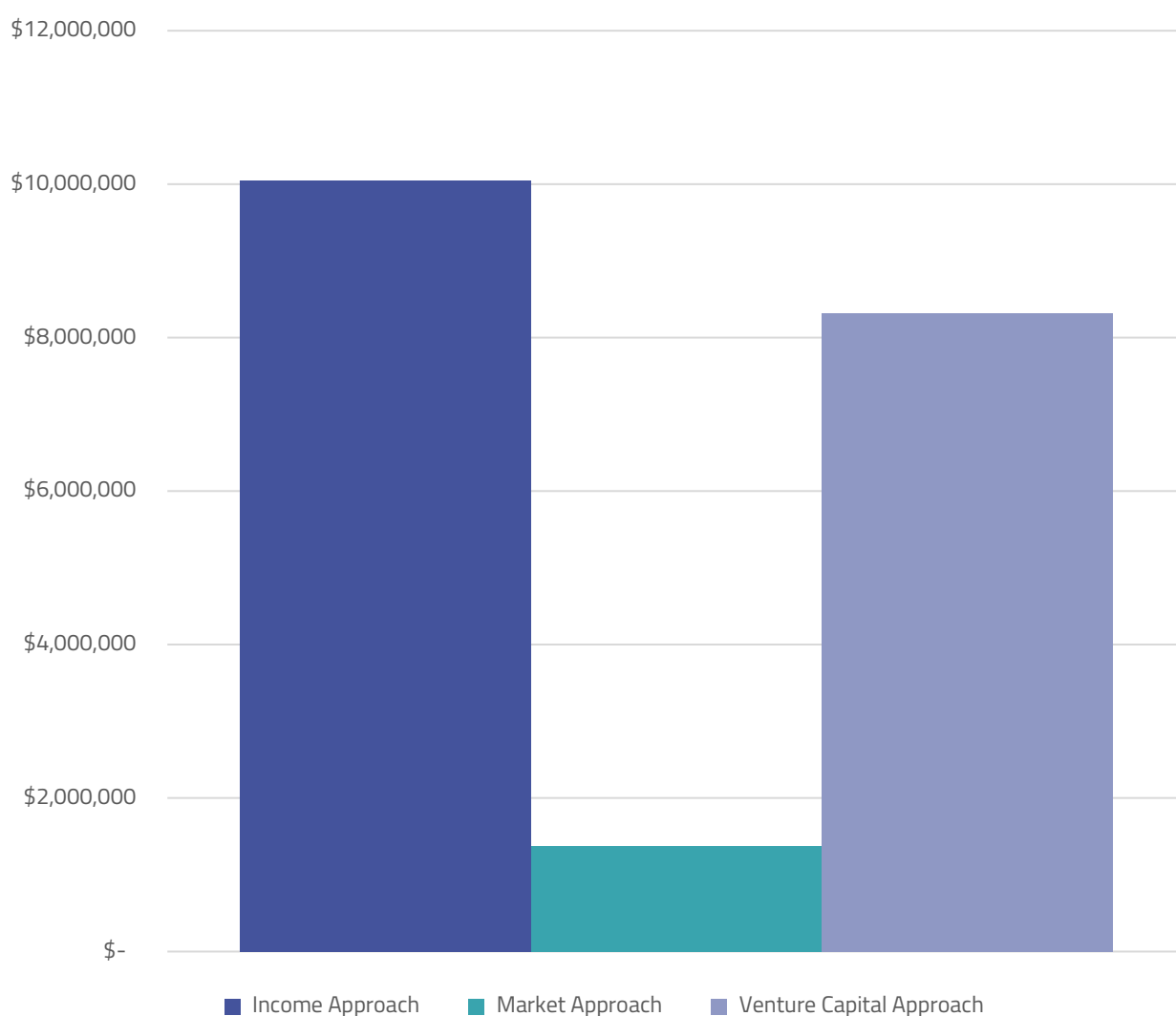
Eqvista Inc.

# OVERVIEW OF VALUATION

Table 1

	Calculation of Subject Interest	Weight	Weighted Value of Subject Interest
Income Approach	\$25,133,750	40%	\$10,053,500
Market Approach	\$6,864,667	20%	\$1,372,933
Venture Capital Approach	\$20,810,250	40%	\$8,324,100
Calculated Value of Subject Interest			\$19,750,533
<b>Rounded</b>			<b>\$19,751,000</b>

## Valuation of VeriFace Technologies



# COMPANY'S BACKGROUND

VeriFace Technologies Inc. is a pioneering software company with a clear mission: to redefine identity verification using facial recognition technology. In today's digital era, identity authentication faces significant challenges, as traditional methods often fall short in providing both security and user-friendliness. VeriFace Technologies aims to address this critical issue by offering innovative solutions that combine robust security measures with a seamless user experience.

VeriFace's flagship solution, harnesses the power of advanced AI and deep learning algorithms to deliver secure, real-time identity verification through facial recognition. This technology not only offers industry-leading security but also ensures a user-friendly experience, fundamentally altering how identity verification operates in the digital age.

## Key Focus Areas:

Table 2

Products/Services	Description
VeriFace Identity Verification Software:	VeriFace Technologies offers a state-of-the-art identity verification software powered by advanced facial recognition technology. This software is designed to enhance security and streamline identity verification processes across various industries.
VeriFace Mobile Authentication SDK	VeriFace Technologies offers a mobile authentication software development kit (SDK) that empowers mobile app developers to integrate facial recognition-based authentication into their applications.

## The VeriFace Platform



## Competitors

There are a few noticeable competitors in the industry namely:

### 1. FaceGuard Cybersecurity

FaceGuard Cybersecurity is a leading company specializing in cutting-edge facial recognition technology to safeguard digital identities. With a mission to make the digital world more secure, FaceGuard provides robust identity verification solutions for a wide range of applications. Their advanced technology ensures real-time, accurate, and user-friendly authentication, making them a trusted partner in the fight against cyber threats.

### 2. VisioSecure Solutions

VisioSecure Solutions is at the forefront of the cybersecurity industry, leveraging the power of facial recognition to fortify digital defences. Their innovative solutions encompass secure access control, threat detection, and user authentication. VisioSecure's commitment to data security and privacy, combined with their state-of-the-art technology, sets them apart as a trusted guardian of digital assets.

### 3. FaceShield Tech

FaceShield Tech is a dynamic cybersecurity company that specializes in facial recognition technology as a frontline defence against cyber threats. Their suite of solutions includes biometric authentication, identity verification, and fraud prevention. FaceShield Tech is dedicated to delivering not only security but also a seamless user experience, helping businesses thrive in a digital landscape where data protection is paramount.

## Management

The key members of Management are as follows:

### **Katherine A. Steele, CEO**

Katherine A. Steele serves as the visionary leader and CEO of VeriFace Technologies. With over two decades of experience in the industry, she has spearheaded numerous initiatives to secure digital landscapes. Katherine is recognized for her strategic acumen in guiding the Company's growth and her dedication to staying at the forefront of technological advancements in cybersecurity.

### **David M. Mitchell, CFO**

David M. Mitchell, our CFO, brings a wealth of financial expertise to VeriFace Technologies, Inc. His meticulous approach to financial management and risk assessment has been instrumental in ensuring our financial resilience in the face of cyber threats. David's commitment to aligning financial strategies with cybersecurity priorities has been pivotal in our sustained growth.

### **Robert J. Reynolds, COO**

Robert J. Reynolds, our COO, is the driving force behind the operational excellence of VeriFace Technologies. His leadership in streamlining cybersecurity operations has resulted in enhanced efficiency and effectiveness. Robert's insights into resilience strategies and his dedication to maintaining operational excellence in a rapidly evolving landscape make him an invaluable part of our team.



# FINANCIAL STATEMENT

## Income Statement

Table 3

For the Period (\$)	FY2020	FY2021	FY2022
<b>Revenue</b>			
Total Income	10,208	60,025	324,392
Total Cost of Goods/Services Sold	2,042	12,005	64,878
<b>Gross Profit</b>	<b>8,167</b>	<b>48,020</b>	<b>259,514</b>
<b>Operating Expenses</b>			
Total General and Administration	2,042	10,504	48,659
Total Sales and Marketing	16,333	90,038	454,149
Total Salary and Payroll	6,125	36,015	194,635
Total Research and Development	510	3,001	16,220
Depreciation & Amortisation	-	-	-
<b>Total Operating Expenses</b>	<b>25,010</b>	<b>139,558</b>	<b>713,663</b>
Income From Operations			
Other Income			
Financial Income	-	-	-
Financial Expense	-	-	-
Net Other Income	-	-	-
<b>Income Before Tax</b>	<b>(16,844)</b>	<b>(91,538)</b>	<b>(454,149)</b>
Tax Payable	-	-	-
<b>Net Income</b>	<b>(16,844)</b>	<b>(91,538)</b>	<b>(454,149)</b>

## Balance Sheet

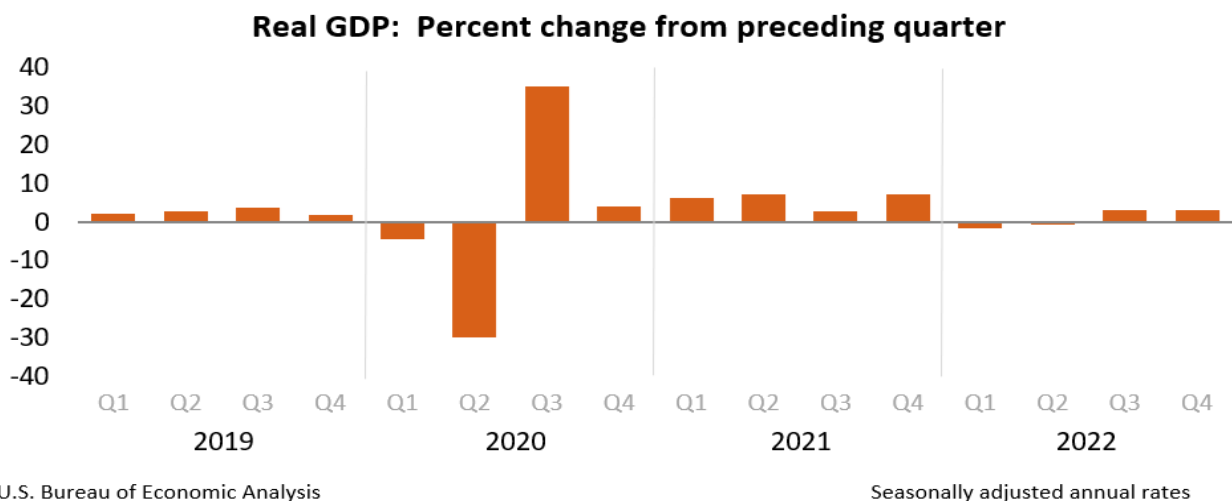
Table 4

For the Period Ended(\$)	FY2020	FY2021	FY2022
Current Assets			
Cash and Bank Balance	2,442	1,407,416	3,434,762
Accounts Receivable	1,021	6,003	32,439
Inventory	-	-	-
<b>Total Current Assets</b>	<b>3,463</b>	<b>1,413,419</b>	<b>3,467,201</b>
Fixed Assets			
Plants, Properties & Equipment	-	-	-
Intangible Assets	-	-	-
Equity Investment	-	-	-
<b>Total Fixed Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>3,463</b>	<b>1,413,419</b>	<b>3,467,201</b>
Liabilities & Equity			
Current Liabilities			
Accounts Payable	306	1,801	9,732
<b>Total Current Liabilities</b>	<b>306</b>	<b>1,801</b>	<b>9,732</b>
Long-Term Liabilities			
Loan Payable	-	-	-
Note Payable	-	-	-
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>306</b>	<b>1,801</b>	<b>9,732</b>
Stockholders' Equity			
Paid-in Capital	20,000	1,520,000	4,020,000
Retained Earnings	-	(16,844)	(108,382)
Net Income	(16,844)	(91,538)	(454,149)
Total Stockholders' Equity	3,156	1,411,618	3,457,469
<b>Total Liabilities &amp; Equity</b>	<b>3,463</b>	<b>1,413,419</b>	<b>3,467,201</b>

# ECONOMIC OVERVIEW

Within the space of a single quarter, U.S. economic growth turned from dynamic to dismal. After improving in the first half of 2021, with growth of 6.3% in Q1 2021 and of 6.7% in Q2, growth in the U.S. Gross Domestic Product (GDP) sank to a modest 2.3% in Q3 2021. Growth thereafter tripled to 6.9% in Q4, but the rebound didn't last, as the economy shrank by 1.6% in Q1 2022, registering its worst non-pandemic performance since 2009, and then contracted by another 0.6% in Q2, bringing recession fears closer to reality. The picture turned brighter in Q3, with government figures showing GDP surging by an upwardly revised 3.2%, but growth slid to 2.9% in Q4, with rising inventories, sluggish investment, a plunging housing market, and declining real disposable income all pointing to a coming recession. The jobs situation has been equally murky. A stunning 537,000 new jobs were created in July, leading the Biden administration to claim that recession fears were overblown. But a closer reading revealed that job numbers were high mainly because workers were taking second jobs to make ends meet. Job gains since then have been modest, with just 256,000 new jobs in November and 223,000 in December.

To make matters worse, inflation has been soaring. The 9.1% year-over-year increase in the Consumer Price Index in June was a 41-year high, while the Producer Price Index rose by 11.2% y/y, just below its all-time high. Inflation has subsided since then, although new government spending may spark its return. And the Fed's anti-inflation interest-rate boosts threaten to make a recession more likely.



The U.S. economy entered recession territory in Q2, as the U.S. Gross Domestic Product (GDP) declined for a second straight quarter. Previously, GDP fell by an annualized 1.6% in Q1 2022 following six solid quarters of post-pandemic growth, and then slipped by another 0.6% annualized in Q2. However, the economy revived in Q3 and Q4, rising by 3.2% in Q3 and by a slightly lower 2.9% in Q4. Overall, for 2022, GDP increased by 2.1%, barely one-third of 2021's 5.9% growth rate. Yet the news was even more dim. As Fox Business reported, while business investment grew by 1.4% in Q4, that was due almost entirely to inventory growth, a result of businesses being unable to sell their existing inventory at current prices. Residential investment plummeted by 26.7% as home ownership affordability hit its lowest level in the metric's history. And real disposable income fell by more than \$1 trillion in 2022, the second largest percentage drop ever, behind only 1932, the worst year of the Great Depression. At the same time, ongoing Federal Reserve interest-rate hikes are raising chances of a near-term recession; observers are increasingly uniform in this belief, with Bloomberg now pegging the odds at 100%. Such concerns caused the Federal Reserve to slash its forecast for 2022 U.S. economic growth from 1.7% in its June reading to just 0.2% in its September projection.

After slowing to end 2021, U.S. jobs growth soared in January 2022, with 467,000 new jobs created and previous counts revised sharply upward—albeit the largest revision in history (since 1939), and more than 3X the consensus estimate of

78 forecasters. Yet February's report of 714,000 new jobs was even more robust. But then cracks emerged, as March -to- June new jobs came in much lower.

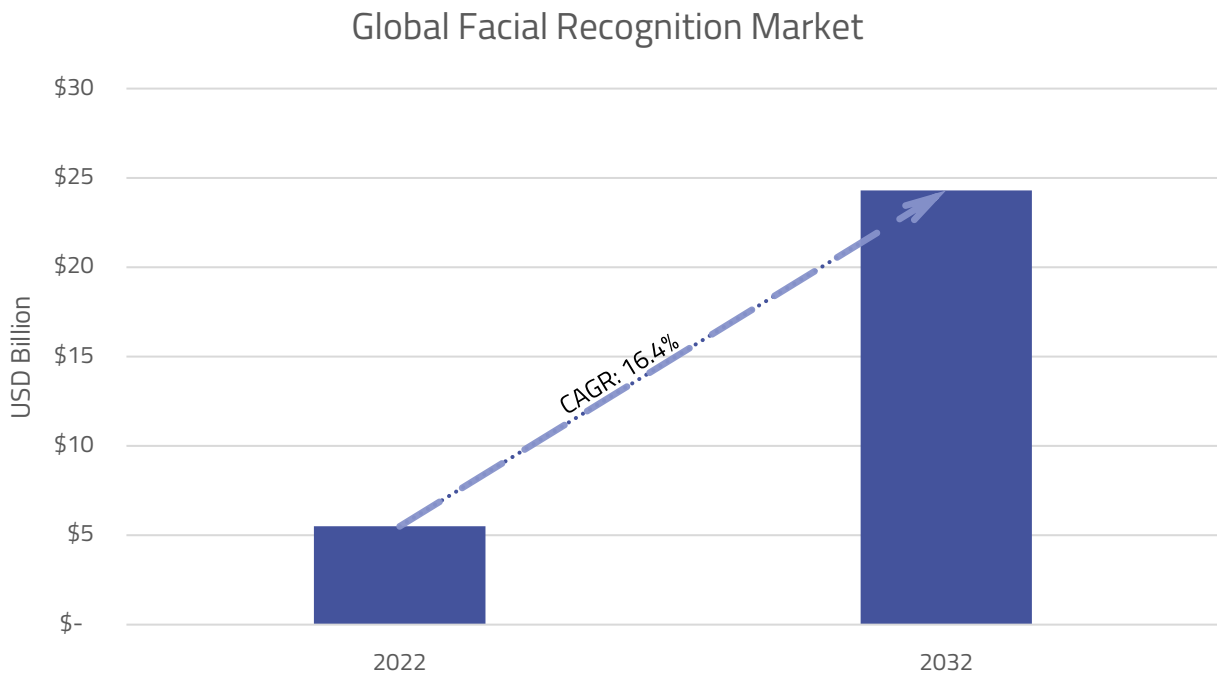
The picture turned positive again in July with a stunning, 537,000 new jobs, the highest since February, leading the White House to claim recession fears were overblown. But the good news didn't last in August, only 292,000 new jobs were created, below forecasts, while the June and July numbers were revised down by 107,000. Over the next four months, jobs growth steadily slowed: 269,000, 263,000, 256,000, and 223,000. Yet conditions actually may be worse, as job numbers have been rising in large part because workers are taking second jobs to make ends meet, with multiple-job holders hitting a record high. Altogether, some 1.3 million new jobs resulted from this multiple job-holding. Worse, between March and October, there was an unexplained 2.3 million "jobs gap" between the government's two main job surveys, with the gap increasing again in November. And more bad news may be on the way: 50% of U.S. firms said they were planning to cut jobs by the end of the year.

# INDUSTRY OVERVIEW

The following industry report on “Facial Recognition Market” is sourced from Allied Market Research.

## Overview

The Global Facial Recognition Market was valued at \$5.5 billion in 2022, and it is projected to be at \$24.3 billion by 2032, indicating a CAGR of 16.4% from 2023 to 2032.



## Products, Operations & Technology

The facial recognition market is involved in the development and implementation of technologies that allow for the identification and verification of people based on their facial features. The goal of facial recognition technology is to generate a unique identifier for each person by analyzing and comparing distinctive facial characteristics, such as the distance between the eyes, the shape of the nose, and the jawline.

## Business Trend

The demand for convenient and safe authentication techniques in multiple sectors has led to a major increase in the market for facial recognition in the past few years. Applications for the technology can be found in fields like police enforcement, government, banking, retail, and healthcare. Facial recognition is used in law enforcement for forensic investigation, criminal identification, and monitoring. It is used by governments for public safety, identification verification, and border control. Furthermore, facial recognition is also used in banking and retail for safe access management, fraud prevention, and customized consumer experiences. This technology is utilized in healthcare for patient identification, access management, and monitoring.

## Business Challenge

The market for facial recognition has enormous promise, but it also has issues with data security, privacy, and potential biases in algorithmic decision-making.

## Business Opportunities

One of the factors propelling the growth of the facial recognition market is the increasing demand for effective video surveillance systems. Organizations are using facial recognition technology in video surveillance systems as a result of the growing demand for improved security measures across a number of industries, including public safety, transportation, and retail.

Governments all around the world are becoming aware of how facial recognition technology can be used to improve security and public safety measures. As a result, they are devoting a lot of time and money to the creation and implementation of facial recognition technology. Facial recognition technology is used by government and defense organizations for a variety of tasks, such as border control, law enforcement, and intelligence gathering.

# APPROACH TO METHODS

## Valuation of the Company

There are many acceptable methods used in valuation, however the three basic approaches that must be considered by the Valuation Analyst are:

- The Income Approach
- The Market Approach, and
- The Asset Based Approach

In the calculation engagement, the Client has advised us to include Venture Capital Approach in the calculation of the Subject Interest, and details about the four valuation approaches are explained below.

Table 5

Valuation Approach	Description	Method
Income Approach	Estimates the value of the business based of the company's potential benefits in the future.	- DCF - DDM
Market Approach	Estimates the value of the business using financial metrics of comparable GPCs, GPTs, and Funding Multiples	- GPCs - GPTs - Funding Multiples
Asset Based Approach	Estimate the value of the Company's net asset value	- Reproduction Cost - Repurchase Cost
Venture Capital Approach	Estimate the value of the Company's plan/prediction of exiting the market	- VC Method

## Valuation Analyst's Decision

Table 6

Valuation Approach	Decision	Rationale
Income Approach	Adopted	Company specific
Market Approach	Adopted	Objection opinion based on market consensus
Asset Based Approach	Rejected	Failed to reflect future economic benefits
Venture Capital Approach	Adopted	As advised by the Client

After evaluating the Approaches, the Valuation Analyst chose to utilize the Income Approach, Market Approach, and the Venture Capital Approach to determine the calculation value of the Subject Interest.

# RECONCILIATION OF VALUE

Table 7

	Calculation of Subject Interest	Weight	Weighted Value of Subject Interest
Income Approach	\$25,133,750	40%	\$10,053,500
Market Approach	\$6,864,667	20%	\$1,372,933
Venture Capital Approach	\$20,810,250	40%	\$8,324,100
Calculated Value of Subject Interest			\$19,750,533
<b>Rounded</b>			<b>\$19,751,000</b>

Overall, the calculated value of the Subject Interest is **\$19,571,000** as on the Valuation Date.



# VALUATION METHODOLOGY

## Income Approach

The Valuation Analysis decides to adopt the DCF Model for the Income Approach, the details about the DCF Model are outlined below.

### Discounted Cashflow (DCF) Model

The Discounted Cashflow Model is one of the most theoretically correct methods of valuation. It is premised on the concept that the value of the company is based on the present value of all future cashflows that flow to the business. The formula for the Discounted Cashflow Model is as follows:

$$PV_0 = \sum_{t=1}^T \frac{CF_t}{(1+r)^t} + \frac{CF_T}{(1+r)^T} \quad (1)$$

- $PV_0$  is the present value of enterprise value of the Company,
- $CF_t$  is the free cashflow at time  $t$ ,
- $r$  is the discount rate, which is the WACC, calculation as shown in Appendix I - Discount Rate,
- $CF_T$  is the terminal value, which is the sum of all perpetual cashflow, calculation is shown below:

$$CF_T = \frac{CF_{T-1} * (1+g)}{(r-g)} \quad (2)$$

- $CF_{T-1}$  is the free cashflow forecast of last period before termination,
- $g$  is the perpetual growth rate of the Company.

The DCF Model is adopted by the combination of equation (1) and equation (2) and the present value of the Company's enterprise value is calculated by computing the Company's financial projection.

## Financial Projection

The Company has provided financial forecast specifically associated with the Company future operation for the Projection Period on the basis of the Management’s own assumption and expert knowledge. The Valuation Analyst is not liable for any parts on the financial forecast, and it is purely based on the Management’s Input. However, the Valuation Analyst has conducted market research on some key variables to see if the financial forecast is in-line with market data.

The financial forecast of the Company is principally based on the following component:

### 1. Number of Customers

It is expected that with the Company will continue to attract customers with high sales and marketing expense in the beginning of the projection period, then the growth in the number of customers will start to fade gradually. The estimated number of customers throughout the Projection Period is as follows:

Table 8

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
New Customer	49,140	147,420	294,840	574,938	862,407	1,034,888	1,190,122	1,309,134	1,374,591	1,443,320
Churn rate	30%	20%	15%	10%	5%	5%	5%	5%	5%	5%
Churn	(3,276)	(9,828)	(22,113)	(29,484)	(28,747)	(43,120)	(51,744)	(59,506)	(65,457)	(68,730)
Net Customer	45,864	137,592	272,727	545,454	833,660	91,768	1,138,377	1,249,628	1,309,134	1,374,591

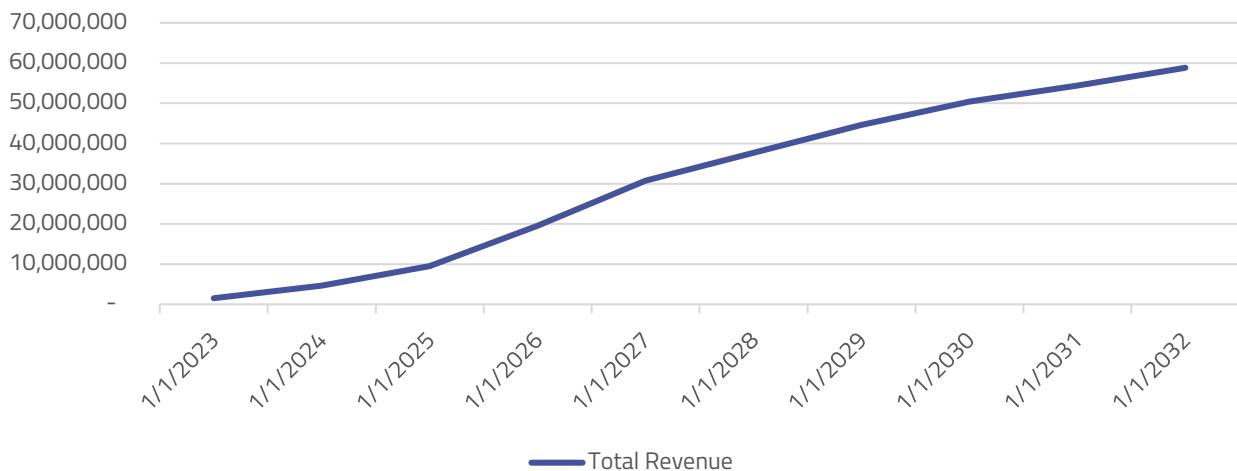
### 2. Revenue

The Company will increase the price of their service by 3.00% each year throughout the Projection Period, which leads to the following revenue forecast.

Table 9

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Price	\$394	\$405	\$418	\$430	\$443	\$456	\$470	\$484	\$499	\$514

## Total Revenue



### 3. Cost of Goods/Services Sold

The Company's cost of goods/services sold maintained at a steady level of around 20% of revenue for individual FY in the Projection Period. The Management has advised that this is because the Company cannot guarantee to push down Cost of Goods/Service Sold by economies of scale.

### 4. Operating Expenses

Operating Expenses comprises of "General and Administrative Expense", "Sales and Marketing", "Salary and Payroll Expense", "Research and Development" and "Depreciation & Amortization Expense".

The Management has made the following projection with these operating expenses:

Table 10

% of Revenue	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
General and Admin.	15%	16%	17%	18%	19%	20%	20%	20%	20%	20%
Sales and Marketing	100%	80%	60%	40%	20%	15%	10%	5%	3%	1%
Salary and Payroll	50%	40%	30%	25%	20%	20%	20%	20%	20%	20%
Research and Dev.	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Depre. and Amort.	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Spending in General and Administrative is expected to increase by 1% each year and then capped at 20% in FY2028.

Sales and Marketing, as discussed previously, will be substantial in the beginning of the Projection Period and then slowly decrease throughout the period. It is expected that the Company would require minimal spending in Sales and Marketing toward the end of the Projection.

For Salary and Payroll expense, it is expected that the spending in this account will gradually decrease until it reached 20% of revenue in FY2028.

It is expected that the Company would spend the same proportion of revenue in Research and Development at 5% of revenue.

Finally, the Company expects that there will be no depreciation and amortization given the nature of its business, a SAAS Company.

### 5. Tax Rate

The tax rate of 21% is adopted.

### 6. CAPEX and W.C.

As the Company is primarily engaged in the Software Industry, CAPEX is essentially Sales and Marketing expenses which is already incorporated in Operating Expenses.

Regarding W.C., AR and AP are the two primary components. The projected AR is 10% of Revenue and the projected AP is 15% of COGS. These are derived and advised by Management based on the Company's historical financial record.

#### 7. Terminal Growth Rate

Terminal Growth Rate represent the constant rate that the Company is expected to grow perpetually. Terminal Growth Rate was assumed to be 3% with reference to US's long-term inflation rate.

Considering the above-mentioned assumptions, the financial projection of the Company is as shown in Table 11.

The following table shows the financial projections of the Company.

Table 11

For the period (\$)	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E
Revenue	1,504,591	4,649,188	9,491,815	19,553,138	30,781,131	37,717,500	44,591,924	50,418,265	54,403,708	58,837,611
Total Cost of Goods/Services Sold	300,918	929,838	1,898,363	3,910,628	6,156,226	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
<b>Gross Profit</b>	<b>1,203,673</b>	<b>3,719,350</b>	<b>7,593,452</b>	<b>15,642,510</b>	<b>24,624,905</b>	<b>30,174,000</b>	<b>35,673,539</b>	<b>40,334,612</b>	<b>43,522,967</b>	<b>47,070,088</b>
Operating Expenses										
Total General and Administration	225,689	743,870	1,613,608	3,519,565	5,848,415	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
Total Sales and Marketing	1,504,591	3,719,350	5,695,089	7,821,255	6,156,226	5,657,625	4,459,192	2,520,913	1,632,111	588,376
Total Salary and Payroll	752,296	1,859,675	2,847,544	4,888,285	6,156,226	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
Total Research and Development	75,230	232,459	474,591	977,657	1,539,057	1,885,875	2,229,596	2,520,913	2,720,185	2,941,881
Depreciation & Amortisation	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>2,557,805</b>	<b>6,555,354</b>	<b>10,630,832</b>	<b>17,206,761</b>	<b>19,699,924</b>	<b>22,630,500</b>	<b>24,525,558</b>	<b>25,209,132</b>	<b>26,113,780</b>	<b>27,065,301</b>
<b>Income From Operations</b>	<b>(1,354,132)</b>	<b>(2,836,004)</b>	<b>(3,037,381)</b>	<b>(1,564,251)</b>	<b>4,924,981</b>	<b>7,543,500</b>	<b>11,147,981</b>	<b>15,125,479</b>	<b>17,409,187</b>	<b>20,004,788</b>
Other Income	-	-	-	-	-	-	-	-	-	-
Financial Income	-	-	-	-	-	-	-	-	-	-
Financial Expense	-	-	-	-	-	-	-	-	-	-
Net Other Income	-	-	-	-	-	-	-	-	-	-
<b>Income Before Tax</b>	<b>(1,354,132)</b>	<b>(2,836,004)</b>	<b>(3,037,381)</b>	<b>(1,564,251)</b>	<b>4,924,981</b>	<b>7,543,500</b>	<b>11,147,981</b>	<b>15,125,479</b>	<b>17,409,187</b>	<b>20,004,788</b>
Tax Payable	-	-	-	-	1,034,246	1,584,135	2,341,076	3,176,351	3,655,929	4,201,005
<b>Net income</b>	<b>(1,354,132)</b>	<b>(2,836,004)</b>	<b>(3,037,381)</b>	<b>(1,564,251)</b>	<b>3,890,735</b>	<b>5,959,365</b>	<b>8,806,905</b>	<b>11,949,129</b>	<b>13,753,257</b>	<b>15,803,782</b>
Capex	-	-	-	-	-	-	-	-	-	-
Change in Working Cap	97,937	157,230	242,131	503,066	561,400	346,818	343,721	291,317	199,272	221,695
<b>Free Cash Flow</b>	<b>(1,256,195)</b>	<b>(2,678,775)</b>	<b>(2,795,249)</b>	<b>(1,061,185)</b>	<b>4,452,135</b>	<b>6,306,183</b>	<b>9,150,626</b>	<b>12,240,446</b>	<b>13,952,530</b>	<b>16,025,477</b>

After calculating the Free Cashflow to the Company, we then calculated the Terminal Value of the Company following Equation (2). The Terminal Value is calculated as below:

Table 12

Variables	Value	Definition	Source
$CF_{T-1}$	\$16,025,477	Cashflow of last period of Projection Period	Advised by Management
$g$	3.00%	Perpetual Growth Rate	Reference: U.S. Long Term Inflation Rate
$r$	25.00%	Discount Rate, WACC	Calculated from GPCs
$CF_T$	\$137,552,014	Terminal Value	Calculation following Equation (2)

After obtaining the Terminal Value, the Present Value of all Cashflows and Terminal Value is calculated, and the results are presented below:

Table 13

Projection Year	Projected Cashflow	Discount Factor	Present Value of Cashflow
FY2023E	\$(1,256,195)	0.8000	\$(1,004,956)
FY2024E	\$(2,678,775)	0.6400	\$(1,714,416)
FY2025E	\$(2,795,249)	0.5120	\$(1,431,168)
FY2026E	\$(1,061,185)	0.4096	\$(434,661)
FY2027E	\$4,452,135	0.3277	\$1,458,875
FY2028E	\$6,306,183	0.2621	\$1,653,128
FY2029E	\$9,150,626	0.2097	\$1,919,025
FY2030E	\$12,240,446	0.1678	\$2,053,606
FY2031E	\$13,952,530	0.1342	\$1,872,677
FY2032E	\$16,025,477	0.1074	\$1,720,723
Terminal Value	\$137,552,014	0.1074	\$14,769,535
<b>Sum</b>			<b>\$20,862,368</b>

The Present Value of the Cashflow is distributable to all of Company's creditors and equity holders, and we calculate the value of the Subject Interest by adjusting for Cash and bank balance and Debt as of the Valuation Date, see below:

Table 14

	As of Valuation Date
Sum of Present Value of Cashflow	\$20,862,368
Plus: Cash and bank balance	\$3,434,762
Less: Debt	\$-
Fair Value of Subject Interest	\$24,297,130
<b>Round</b>	<b>\$24,297,000</b>

The Fair Value of Subject Interest is calculated to be \$24,297,000 as on the Valuation Date using the Income Approach.

## Scenario Analysis

It is identified that the key revenue driver is the number of customers, especially in the Software Industry where the market is highly competitive. The Valuation Analyst has evaluated a scenario analysis where the Company is able to acquire the same number of customers with lower sales and marketing expenses in the Optimistic Case, and vice versa in the Pessimistic Case.

The Free Cashflow of the two cases, Optimistic Case and Pessimistic Case, are shown in Table 17 and Table 18 respectively, and assuming ceteris paribus for the calculation, the results of the scenario analysis are as below:

Table 15

	Base Case	Optimistic Case	Pessimistic Case
Sales and Marketing Expenses	100% of Base Case	50% of Base Case	125% of Base Case
Sum of Present Value of Cashflow	\$20,862,368	\$27,757,085	\$17,314,097
Plus: Cash and bank balance	\$3,434,762	\$3,434,762	\$3,434,762
Less: Debt	\$-	\$-	\$-
Fair Value of Subject Interest	\$24,297,130	\$31,191,847	\$20,748,859
<b>Round</b>	<b>\$24,297,000</b>	<b>\$31,192,000</b>	<b>\$20,749,000</b>

## Indication of Value – Income Approach

The Valuation Analyst has considered the Income Approach, with scenario analysis, for the valuation of the Subject Interest as on the Valuation Date.

With lack of means to accurately predict the future and for the sake of prudence, the Valuation Analyst decides to assign probabilities of 50%, 25%, and 25% to Base Case, Optimistic Case, and Pessimistic Case, respectively.

Table 16

Indication of Value	Valuation	Weight	Weighted Value
Income Approach – Base Case	\$24,297,000	50%	\$12,148,500
Income Approach – Optimistic Case	\$31,192,000	25%	\$7,798,000
Income Approach – Pessimistic Case	\$20,749,000	25%	\$5,187,250
<b>Fair Value of the Subject Interest</b>			<b>\$25,133,750</b>

The following table shows the financial projections of the Company in the Optimistic Case.

Table 17

For the period (\$)	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E
Revenue	1,504,591	4,649,188	9,491,815	19,553,138	30,781,131	37,717,500	44,591,924	50,418,265	54,403,708	58,837,611
Total Cost of Goods/Services Sold	300,918	929,838	1,898,363	3,910,628	6,156,226	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
<b>Gross Profit</b>	<b>1,203,673</b>	<b>3,719,350</b>	<b>7,593,452</b>	<b>15,642,510</b>	<b>24,624,905</b>	<b>30,174,000</b>	<b>35,673,539</b>	<b>40,334,612</b>	<b>43,522,967</b>	<b>47,070,088</b>
Operating Expenses										
Total General and Administration	225,689	743,870	1,613,608	3,519,565	5,848,415	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
Total Sales and Marketing	752,296	1,859,675	2,847,544	3,910,628	3,078,113	2,828,812	2,229,596	1,260,457	816,056	294,188
Total Salary and Payroll	752,296	1,859,675	2,847,544	4,888,285	6,156,226	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
Total Research and Development	75,230	232,459	474,591	977,657	1,539,057	1,885,875	2,229,596	2,520,913	2,720,185	2,941,881
Depreciation & Amortisation	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,805,510</b>	<b>4,695,679</b>	<b>7,783,288</b>	<b>13,296,134</b>	<b>16,621,811</b>	<b>19,801,687</b>	<b>22,295,962</b>	<b>23,948,676</b>	<b>25,297,724</b>	<b>26,771,113</b>
<b>Income From Operations</b>	<b>(601,837)</b>	<b>(976,329)</b>	<b>(189,836)</b>	<b>2,346,377</b>	<b>8,003,094</b>	<b>10,372,312</b>	<b>13,377,577</b>	<b>16,385,936</b>	<b>18,225,242</b>	<b>20,298,976</b>
Other Income	-	-	-	-	-	-	-	-	-	-
Financial Income	-	-	-	-	-	-	-	-	-	-
Financial Expense	-	-	-	-	-	-	-	-	-	-
Net Other Income	-	-	-	-	-	-	-	-	-	-
<b>Income Before Tax</b>	<b>(601,837)</b>	<b>(976,329)</b>	<b>(189,836)</b>	<b>2,346,377</b>	<b>8,003,094</b>	<b>10,372,312</b>	<b>13,377,577</b>	<b>16,385,936</b>	<b>18,225,242</b>	<b>20,298,976</b>
Tax Payable	-	-	-	492,739	1,680,650	2,178,186	2,809,291	3,441,047	3,827,301	4,262,785
<b>Net income</b>	<b>(601,837)</b>	<b>(976,329)</b>	<b>(189,836)</b>	<b>1,853,637</b>	<b>6,322,444</b>	<b>8,194,127</b>	<b>10,568,286</b>	<b>12,944,889</b>	<b>14,397,941</b>	<b>16,036,191</b>
Capex	-	-	-	-	-	-	-	-	-	-
Change in Working Cap	97,937	157,230	242,131	503,066	561,400	346,818	343,721	291,317	199,272	221,695
<b>Free Cash Flow</b>	<b>(403,120)</b>	<b>(524,224)</b>	<b>26,775</b>	<b>965,306</b>	<b>2,255,698</b>	<b>2,238,958</b>	<b>2,288,414</b>	<b>2,220,667</b>	<b>1,959,205</b>	<b>1,745,677</b>



The following table shows the financial projections of the Company in the Pessimistic Case.

Table 18

For the period (\$)	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E
Revenue	1,504,591	4,649,188	9,491,815	19,553,138	30,781,131	37,717,500	44,591,924	50,418,265	54,403,708	58,837,611
Total Cost of Goods/Services Sold	300,918	929,838	1,898,363	3,910,628	6,156,226	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
<b>Gross Profit</b>	<b>1,203,673</b>	<b>3,719,350</b>	<b>7,593,452</b>	<b>15,642,510</b>	<b>24,624,905</b>	<b>30,174,000</b>	<b>35,673,539</b>	<b>40,334,612</b>	<b>43,522,967</b>	<b>47,070,088</b>
Operating Expenses										
Total General and Administration	225,689	743,870	1,613,608	3,519,565	5,848,415	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
Total Sales and Marketing	1,880,739	4,649,188	7,118,861	9,776,569	7,695,283	7,072,031	5,573,991	3,151,142	2,040,139	735,470
Total Salary and Payroll	752,296	1,859,675	2,847,544	4,888,285	6,156,226	7,543,500	8,918,385	10,083,653	10,880,742	11,767,522
Total Research and Development	75,230	232,459	474,591	977,657	1,539,057	1,885,875	2,229,596	2,520,913	2,720,185	2,941,881
Depreciation & Amortisation	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>2,933,953</b>	<b>7,485,192</b>	<b>12,054,605</b>	<b>19,162,075</b>	<b>21,238,981</b>	<b>24,044,906</b>	<b>25,640,356</b>	<b>25,839,361</b>	<b>26,521,808</b>	<b>27,212,395</b>
<b>Income From Operations</b>	<b>(1,730,280)</b>	<b>(3,765,842)</b>	<b>(4,461,153)</b>	<b>(3,519,565)</b>	<b>3,385,924</b>	<b>6,129,094</b>	<b>10,033,183</b>	<b>14,495,251</b>	<b>17,001,159</b>	<b>19,857,694</b>
Other Income	-	-	-	-	-	-	-	-	-	-
Financial Income	-	-	-	-	-	-	-	-	-	-
Financial Expense	-	-	-	-	-	-	-	-	-	-
Net Other Income	-	-	-	-	-	-	-	-	-	-
<b>Income Before Tax</b>	<b>(1,730,280)</b>	<b>(3,765,842)</b>	<b>(4,461,153)</b>	<b>(3,519,565)</b>	<b>3,385,924</b>	<b>6,129,094</b>	<b>10,033,183</b>	<b>14,495,251</b>	<b>17,001,159</b>	<b>19,857,694</b>
Tax Payable	-	-	-	-	711,044	1,287,110	2,106,968	3,044,003	3,570,243	4,170,116
<b>Net income</b>	<b>(1,730,280)</b>	<b>(3,765,842)</b>	<b>(4,461,153)</b>	<b>(3,519,565)</b>	<b>2,674,880</b>	<b>4,841,984</b>	<b>7,926,215</b>	<b>11,451,248</b>	<b>13,430,915</b>	<b>15,687,578</b>
Capex	-	-	-	-	-	-	-	-	-	-
Change in Working Cap	97,937	157,230	242,131	503,066	561,400	346,818	343,721	291,317	199,272	221,695
<b>Free Cash Flow</b>	<b>(1,632,343)</b>	<b>(3,608,612)</b>	<b>(4,219,022)</b>	<b>(3,016,499)</b>	<b>3,236,280</b>	<b>5,188,802</b>	<b>8,269,936</b>	<b>11,742,565</b>	<b>13,630,188</b>	<b>15,909,273</b>

## The Market Approach

The Valuation Analyst has considered the GPCs, GPTs and Funding Multiple Method when using the Market Approach to value the Subject Interest. The details of these methodologies and results are shown in this section.

### Guideline Public Company Method

Under the Guideline Public Company Method, the Valuation Analyst searched for publicly traded companies in the same or similar business, used pricing multiples based on these companies' market prices and financial data to derive a value of the Subject Interest. To apply this method, the Valuation Analyst searches for GPCs on the ValuSource Guideline Public Company Database, YCharts and other reliable databases.

The Guideline Public Companies were selected with reference to the following selection criteria:

1. The GPCs were listed and actively traded around the Valuation Date on the major US Exchanges.
2. The GPCs operate within the Technology sector, specify in the industry of Software Application for cyber-security.
3. The financial information of the GPCs is available to the public as on the Valuation Date.

The Valuation Analyst has thoroughly searched for GPCs following the above-stated criteria and found 9 GPCs that have the closest similarity, in terms of products/services, with VeriFace Innovation. The GPCs are listed as below:

1. AuthID Inc (AUID)
2. T Stamp Inc (IDAI)
3. Aware Inc (AWRE)
4. Red Violet Inc (RDVT)
5. Okta Inc (OKTA)
6. Mitek Systems Inc (MITK)
7. Sterling Check Corp (STER)
8. Intellicheck Inc (IDN)
9. OneSpan Inc (OSPN)

Information and financial data of the GPCs are sourced from the GPC's 10-K and 10-Q filing with the SEC, as well as other publicly available source. Description of the GPC is shown in Appendix II.

### Selection of Valuation Multiples

We have considered various multiples in the valuation, such as the earning-based multiples: EV/EBITDA and P/E, asset-based multiple: P/B, and revenue-based multiples: EV/S and P/S.

Regarding the asset based multiple, we rejected the use of P/B as the Company's profitability or earning potential could not be fully considered.

Regarding the earning-based multiples, we rejected the use of EV/EBITDA and P/E as the Company is in its early stage, currently experiencing losses, and planning to reinvest most, if not all, of its revenue into growth and customer acquisition in the following years, making the use of earning-based multiples not applicable.

Regarding the revenue-based multiples, we adopted EV/S as it allows for comparisons among the companies with different capital structure, and the ratio tends to be more stable. We reject the use of P/S as it is distorted by variations in the capital structure among the GPCs.

## Selection of Financials

As the Company is still in the early stage where sales are still growing at a high rate, NTM Revenue is more appropriate and is adopted in this Valuation using the Guideline Public Company Method.

## Determination of Trading Multiple

Table 18 shows the calculation of NTM EV/S of the GPCs. Median of the trading multiple is selected.

Table 19

Ticker	EV <sup>(1)</sup>	NTM Sales <sup>(1)</sup>	NTM EV/S <sup>(3)</sup>
AUID	\$19.03	N.A.	N.A.
IDAI	\$11.75	\$5.48	2.15x
AWRE	\$12.57	\$15.05	0.84x
RDVT	\$289.32	N.A.	N.A.
OKTA	\$10,817.83	\$1,865.40	5.80x
MITK	\$461.16	\$172.84	2.67x
STER	\$1,920.46	\$776.72	2.47x
IDN	\$27.83	\$16.01	1.74
OSPN	\$353.43	\$215.68	1.64
Average			2.67x
Median			2.47x

1. EV is calculated as (Market Capitalization as of or closest and prior to the Valuation Date + Debts + Lease Liabilities + Preferred Stock + Minority Interest – Cash and Cash Equivalent – Investments). Data sourced from YCharts.

2. NTM is defined as the best available next twelve months as of the Valuation Date.

3. NTM EV/S is calculated as [(EV as of the Valuation Date) / (NTM Sales)]

## Indication of Value

The Median NTM EV/S of GPCs was selected and used with the Company's NTM Sales to arrive at the EV of the Company, then adjustments for non-operating items are made to derive the equity value, the calculation are presented as follows.

Table 20

Indication of Value (In USD)	
NTM EV/S	2.15x
NTM Sales	\$1,504,591
Market Value of EV	\$3,227,549
Plus: Cash & Cash Equivalents	\$3,434,762
Less: Debt	\$0
Indicated Equity Value	\$6,662,311
<b>Indicated value of the Subject Interest (Rounded)</b>	<b>\$6,662,000</b>

The value derived from the Guideline Public Company Method is on a non-controlling and marketable basis since it is based on minority interests traded on public markets. As a result, no control adjustment is needed. However, a DLOM adjustment is required to convert the value into a non-marketable basis, which will be conducted in section below.

## Guideline Precedent Transaction Method

In order to apply this method, the Valuation Analyst conducted a search on ValuSource M&A Comps to obtain information on precedent transactions. We have set the following criteria for the precedent transactions to be used in the GPT Method in this valuation:

1. The target company's must be engaged in the following industry:
  - a. 7372 – Services-Prepackaged Software
  - b. 7373 – Information Technology Services
  - c. 7374 – Managed Application & Network Services
2. The target company must be providing products/services related to identity verification.
3. The precedent transaction must be within 2 Years as of Valuation Date.

Based on the above criteria, the Valuation Analyst has identified three GPTs, and the details of these GPTs are as follows:

Table 21

Closed Date	Acquirer	Target Company	EV/S
2022-10-18	THOMA BRAVO, LLC	PING IDENTITY HOLDING CORP.	7.83x
2022-08-16	THOMA BRAVO, LLC	SAILPOINT TECHNOLOGIES HOLDINGS, INC.	13.66x
2022-03-01	ADVENT INTERNATIONAL	MCAFEE CORP.	2.66x
2021-12-23	OPEN TEXT CORP	ZIX CORP	3.71x
2021-12-01	TRANSUNION	SONTIQ, INC.	7.35x
Average			7.04x
Median			7.35x

## Selection of Financials

As the Company is still in the early stage where sales are still growing at a high rate, NTM Revenue is more appropriate and is adopted in this Valuation using the Guideline Public Company Method.

## Indication of Value

The Median EV/S multiple is adopted and used with the Company's TTM Sales to arrive at the EV of the Company, then adjustments for non-operating items are made to derive the equity value, the calculation are presented as follows:

Table 22

Indication of Value (In USD)	
TTM EV/S	7.35x
TTM Sales	\$324,392
Market Value of EV	\$2,385,222
Plus: Cash & Cash Equivalents	\$3,434,762
Less: Debt	\$0
Indicated Equity Value	\$5,819,984
<b>Indicated value of the Subject Interest (Rounded)</b>	<b>\$5,820,000</b>

The value derived from the Guideline Precedent Transaction Method is on a controlling and marketable basis since it is based transactions of 100% equity interest of the target company. As a result, control adjustment is needed, and DLOM adjustment is required to convert the value into a non-marketable basis, which will be conducted in section below.

## Funding Multiple Method

In order to apply this method, we have referred to our own database to obtain fundraising information about private company that funding round within 1 year as of the Valuation Date, from 12/31/2021 to 12/31/2022. We have used three methods to find the most appropriate comparable funding multiple for this valuation and they are by:

- (I) Size of revenue of the private company – the “Financial Group”;
- (II) Industry the private companies are engaged in – the “Business Group”;
- (III) Funding round of the privates company – the “Funding Round Group”.

### Financial Group

Table 23

Size of Revenue	\$0 - \$1M		\$1M - \$5M		\$5M - \$10M		\$10M - \$15M	
Jan-2021	18.15x	(7)	16.58x	(4)	14.22x	(2)	11.20x	(1)
Feb-2021	-	-	15.28x	(2)	13.56x	(1)	8.98x	(2)
Mar-2021	18.70x	(4)	17.25x	(5)	14.20x	(3)	9.65x	(1)
Apr-2021	16.89x	(4)	17.16x	(8)	12.50x	(2)	7.99x	(3)
May-2021	17.96x	(6)	19.25x	(3)	-	-	12.50x	(1)
Jun-2021	23.25x	(2)	18.45x	(3)	11.49x	(1)	14.30x	(1)
Jul-2021	20.46x	(1)	-	-	-	-	12.63x	(2)
Aug-2021	-	-	16.90x	(5)	16.20x	(4)	10.62x	(1)
Sep-2021	19.68x	(2)	14.23x	(4)	14.25x	(1)	9.68x	(1)
Oct-2021	18.52x	(4)	15.46x	(1)	17.20x	(1)	7.89x	(4)
Nov-2021	21.48x	(3)	17.65x	(2)	16.00x	(3)	11.85x	(1)
Dec-2021	24.62x	(5)	15.25x	(4)	12.35x	(1)	10.64x	(1)
<b>Average</b>	<b>19.97x</b>		16.68x		14.20x		10.66x	

Note: Number of private companies' funding rounds in parenthesis

From our database, we have identified and separated privates companies according to their size of revenue and calculated the average TTM EV/S of these grouped companies, as shown in Table 23. As the Company has TTM revenue of \$324,392 which falls into the \$0-\$1M group, thus we have adopted a TTM EV/S multiple of 19.97x. The calculation result of the Subject Interest is shown in Table 26.

## Business Group

Table 24

Software Industry	Artificial Intelligence		Cybersecurity		Data Analytics	
Jan-2021	11.23x	(4)	10.65x	(2)	8.65x	(2)
Feb-2021	14.56x	(2)	-	-	9.23x	(1)
Mar-2021	17.89x	(1)	-	-	-	-
Apr-2021	14.26x	(1)	16.53x	(1)	12.55x	(3)
May-2021	-	-	12.49x	(3)	14.36x	(1)
Jun-2021	16.32x	(1)	16.30x	(4)	14.69x	(1)
Jul-2021	-	-	14.25x	(1)	13.40x	(1)
Aug-2021	14.57x	(4)	-	-	11.11x	(2)
Sep-2021	16.66x	(1)	15.23x	(2)	12.36x	(2)
Oct-2021	17.87x	(2)	14.11x	(3)	10.98x	(1)
Nov-2021	13.25x	(1)	19.35x	(1)	12.36x	(3)
Dec-2021	19.64x	(1)	12.26x	(1)	14.25x	(1)
Average	<b>15.63x</b>		14.57x		12.18x	

From our database, we have identified private companies that are engaged in the Software Industry and separated these private companies according to the product/service they provide. We have calculated the average TTM EV/S of these grouped companies, as shown in Table 24. As the Company provides facial recognition/verification technology, its product closely related to those that are engaged in the cybersecurity business, thus we have adopted a TTM EV/S multiple of **14.57x**. The calculation result of the Subject Interest is shown in Table 26.

## Funding Round Group

Table 25

Funding Round	Series Pre-Seed		Series Seed		Series A		Series B	
Jan-2021	7.50x	(3)	11.52x	(2)	16.88x	(2)	17.44x	(1)
Feb-2021	9.81x	(1)	12.46x	(3)	15.36x	(1)	18.36x	(1)
Mar-2021	7.84x	(4)	17.65x	(1)	16.35x	(4)	18.77x	(2)
Apr-2021	8.96x	(2)	10.96x	(4)	18.45x	(1)	19.25x	(1)
May-2021	7.58x	(1)	12.40x	(2)	17.56x	(2)	17.22x	(2)
Jun-2021	9.87x	(3)	13.64x	(2)	14.35x	(1)	16.89x	(2)
Jul-2021	7.88x	(6)	-	-	15.65x	(1)	14.99x	(1)
Aug-2021	7.21x	(5)	11.15x	(1)	-	-	17.56x	(1)
Sep-2021	-	-	13.54x	(3)	17.66x	(2)	-	-
Oct-2021	-	-	13.66x	(2)	15.36x	(1)	16.5x	(1)
Nov-2021	9.90x	(4)	18.12x	(1)	-	-	19.2x	(1)
Dec-2021	10.53x	(6)	14.33x	(1)	18.36x	(1)	14.35x	(1)
Average	<b>8.71x</b>		13.58x		16.60x		17.32x	

From our database, we have identified and separated private companies according to the funding round, then we calculated the average TTM EV/S of these grouped companies, as shown in Table 25. As the Company is raising for Series Pre-Seed Round, we have adopted a TTM EV/S multiple of **8.71x**. The calculation result of the Subject Interest is shown in Table 26.

## Summary of Funding Multiple Method

We have reviewed funding multiples in three aspects and selected 3 multiples that is most appropriate for the Company, and calculation of the Subject Interest is calculated as below:

Table 26

Indication of Value (In USD)	Financial Group	Business Group	Funding Group
TTM EV/S	19.97x	14.57x	8.71x
TTM Sales	\$324,392	\$324,392	\$324,392
Market Value of EV	\$6,478,438	\$4,727,837	\$2,824,808
Plus: Cash & Cash Equivalents	\$3,434,762	\$3,434,762	\$3,434,762
Less: Debt	\$0	\$0	\$0
Indicated Equity Value	\$9,913,200	\$8,162,599	\$6,259,570
<b>Indicated value of the Subject Interest (Rounded)</b>	<b>\$9,913,000</b>	<b>\$8,163,000</b>	<b>\$6,260,000</b>

The Subject Interest is valued at \$9,913,000, \$8,163,000 and \$6,260,000 using the funding multiple categorized by the Financial Group, Business Group and Funding Group, respectively. We have assumed an equal weighting for the group and the weighted indicated value of the Subject interest is **\$8,112,000**, as shown below:

Table 27

	Multiple selected	Indication of Value (In USD)	Weight	Weighted Value
Funding Multiple Method - Financial Group	19.97x	\$9,913,000	33.33%	\$3,304,333
Funding Multiple Method - Business Group	14.57x	\$8,163,000	33.33%	\$2,721,000
Funding Multiple Method - Funding Group	8.71x	\$6,260,000	33.33%	\$2,086,667
<b>Subject Interest in USD</b>				<b>\$8,112,000</b>

## Summary of Market Approach

We have considered the Guideline Public Company Method, Guideline Precedent Transaction, and the Funding Multiple Method for the Valuation of the Subject Interest, and the results are summarized below:

Table 28

	Multiple selected	Indication of Value (In USD)	Weight	Weighted Value
Guideline Public Companies Method	2.15x	\$6,662,000	33.33%	\$2,220,667
Guideline Precedent Transaction Method	7.35x	\$5,820,000	33.33%	\$1,940,000
Funding Multiple Method	-	\$8,112,000	33.33%	\$2,704,000
<b>Subject Interest in USD (Rounded)</b>				<b>\$6,864,667</b>

We have derived that the Subject Interest is worth **\$6,864,667** using the Market Approach.

## The VENTURE CAPITAL METHOD

The Venture Capital Method estimates the future value of a company when it exit or become acquired in the market and discounting the estimated value using an appropriate discount rate to derive the value of the company at its current state. The estimated value is known as the terminal value of the company, and the discount rate is usually approximated by the Venture Capitalist's Internal Rate of Return (IRR). The following formula shows the generic of a VC Method valuation:

$$VC\ Valuation = \frac{Terminal\ Value}{(1+IRR)^T} \quad (4)$$

Where:

- Terminal Value: the estimated exit value of the Company
- IRR is the internal rate of return of a VC
- T is the number of years from exit

In order to estimate the terminal value of the Company, the Valuation Analyst has adopted a market-based approach – exit multiple method, where the Valuation Analyst has used historical financial metric of GPCs to calculate the exit value of the Company. However, a major assumption of using the exit multiple method is that it is assumed the market will remain stable/the same over the period until the exit year of the Company. Without expertise knowledge on how the market will operate in the future, using historical matrices is the best available data to us.

The Valuation Analyst has also used the Company's exit financial under the three scenarios determined in the *Income Approach* Section.

### **Selection of exit multiple**

The Valuation Analyst has considered using EV/S and EV/EBITDA as the exit multiples for the VC Method. This is because the VC will only consider both debt and equity for potential buy-out as it provides a whole picture of the Company's value. As we are also considering scenario analysis, using EV/EBITDA as the exit multiple is more appropriate. The calculation of the GPC's EV/EBITDA is as follows:

### **Calculation of GPC's EV/EBITDA**

Table 29

Ticker	EV <sup>(1)</sup>	TTM EBITDA <sup>(1)</sup>	NTM EV/S <sup>(B)</sup>
AUID	\$19.03	(20.42)	(0.93x)
IDAI	\$11.75	(11.29)	(1.04x)
AWRE	\$12.57	(7.13)	(1.76x)
RDVT	\$289.32	7.21	40.11x
OKTA	\$10,817.83	(721.95)	(14.98x)
MITK	\$461.16	35.78	12.89x
STER	\$1,920.46	134.16	14.31x
IDN	\$27.83	(3.45)	(8.06x)
OSPN	\$353.43	(2.91)	(121.41x)
Average			22.44x
Median			14.31x

Note: (1) removed as negative TTM EBITDA



The Valuation Analyst has decided to adopt the TTM EV/EBITDA at the Median level for the VC Method, and with the estimated EBITDA under each scenario, as derived previously, the terminal value of the Company is calculated as:

Table 30

	Base Case	Optimistic Case	Pessimistic Case
Sales and Marketing Expenses	100% of Base Case	50% of Base Case	125% of Base Case
EBITDA	\$20,004,788	\$20,298,976	\$19,857,694
TTM EV/EBITDA	14.31x	14.31x	14.31x
<b>Terminal Value</b>	<b>\$286,360,465</b>	<b>\$290,571,649</b>	<b>\$284,254,874</b>

### **Determination of the IRR of VC**

The IRR of the VC is often non-disclosed material to the public and it relates to the specific risk-return characteristics of the VC. For simplicity, we have assumed that the IRR of a VC is at 30% for an investment project of a long period, which derive the VC Valuation as follows:

### **VC Valuation result**

Table 31

	Base Case	Optimistic Case	Pessimistic Case
Terminal Value	\$286,360,465	\$290,571,649	\$284,254,874
Discount Rate	30%	30%	30%
Year to Exit	10 Years	10 Years	10 Years
VC Valuation	\$20,772,058	\$21,077,530	\$20,619,323
<b>VC Valuation (Rounded)</b>	<b>\$20,772,000</b>	<b>\$21,078,000</b>	<b>\$20,619,000</b>

### **Indication of Value – VC Method**

The Valuation Analyst has considered the VC Method, with scenario analysis, for the valuation of the Subject Interest as on the Valuation Date.

With lack of means to accurately predict the future and for the sake of prudence, the Valuation Analyst decides to assign probabilities of 50%, 25%, and 25% to Base Case, Optimistic Case, and Pessimistic Case, respectively.

Table 32

Indication of Value	Valuation	Weight	Weighted Value
VC Method – Base Case	\$20,772,000	50%	\$10,386,000
VC Method – Optimistic Case	\$21,078,000	25%	\$5,269,500
VC Method – Pessimistic Case	\$20,619,000	25%	\$5,154,750
<b>Fair Value of the Subject Interest</b>			<b>\$20,810,250</b>

## Sensitivity Analysis

There are two major assumptions in the VC Method, and they are placed on the EV/EBITDA exit multiple and the VC's IRR which are 14.31x and 30% respectively. It is noted that changes in the two factors may lead to significant changes in the valuation result, therefore, we have conducted a sensitivity analysis by adjusting the two factors.

Table 33

Base Case		VC IRR				
		35%	30%	25%	20%	15%
EV/EBITDA Exit Multiple	17.89x	\$17,803,000	\$25,965,000	\$38,435,000	\$57,811,000	\$88,480,000
	15.75x	\$15,666,000	\$22,849,000	\$33,822,000	\$50,874,000	\$77,862,000
	14.31x	\$14,242,000	<b>\$20,772,000</b>	\$30,748,000	\$46,249,000	\$70,784,000
	12.88x	\$12,818,000	\$18,695,000	\$27,673,000	\$41,624,000	\$63,706,000
	9.66x	\$9,613,000	\$14,021,000	\$20,755,000	\$31,218,000	\$47,779,000

Table 34

Optimistic Case		VC IRR				
		35%	30%	25%	20%	15%
EV/EBITDA Exit Multiple	17.89x	\$18,064,000	\$26,347,000	\$39,000,000	\$58,661,000	\$89,781,000
	15.75x	\$15,897,000	\$23,185,000	\$34,320,000	\$51,622,000	\$79,007,000
	14.31x	\$14,452,000	<b>\$21,078,000</b>	\$31,200,000	\$46,929,000	\$71,825,000
	12.88x	\$13,006,000	\$18,970,000	\$28,080,000	\$42,236,000	\$64,642,000
	9.66x	\$9,755,000	\$14,227,000	\$21,060,000	\$31,677,000	\$48,482,000

Table 35

Pessimistic Case		VC IRR				
		35%	30%	25%	20%	15%
EV/EBITDA Exit Multiple	17.89x	\$17,672,000	\$25,774,000	\$38,152,000	\$57,386,000	\$87,829,000
	15.75x	\$15,551,000	\$22,681,000	\$33,574,000	\$50,500,000	\$77,290,000
	14.31x	\$14,137,000	<b>\$20,619,000</b>	\$30,522,000	\$45,909,000	\$70,263,000
	12.88x	\$12,724,000	\$18,557,000	\$27,469,000	\$41,318,000	\$63,237,000
	9.66x	\$9,543,000	\$13,918,000	\$20,602,000	\$30,988,000	\$47,428,000

# ASSUMPTIONS AND LIMITING CONDITIONS:

1. The calculated value arrived at herein is valid only for the stated purpose as of the Valuation Date.
2. Company's financial information provided by the Client or representative, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the software development conditions and operating results for the respective periods, except as specifically noted herein. Eqvista, Inc. has not reviewed, or compiled the Software information provided to us and, accordingly, we express no opinion or any other form of assurance on this information.
3. Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. We do not provide assurance on the achievability of the results forecasted by or for the Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
6. This report and the calculated value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore, the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Eqvista, Inc., based on information furnished to them by the subject company and other sources.
7. Neither all nor any part of the contents of this report especially the conclusion of value, the identity of any valuation specialists, or the firm with which such valuation specialists are connected or any reference to any of their professional designations should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of Eqvista, Inc.
8. Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of Eqvista, Inc. unless previous arrangements have been made in writing.
9. Eqvista, Inc. has not determined independently whether the subject company is subject to any present or future liability relating to environmental matters including, but not limited to CERCLA/Superfund liability nor the scope of any such liabilities. Eqvista, Inc.'s valuation takes no such liabilities into account, except as they have been reported to Eqvista, Inc. by the subject company or by an environmental consultant working for the subject company, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters, if any, are noted in the report. To the extent such information has been reported to us, Eqvista, Inc. has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

10. No change of any item in this valuation report shall be made by anyone other than Eqvista, Inc., and we shall have no responsibility for any such unauthorized change.
11. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.
12. Except as noted, we have relied on the representations of the owners, management, and other third parties concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.
13. All facts and data set forth in the report are true and accurate to the best of the valuation analyst's knowledge and belief. We have not knowingly withheld or omitted anything from our report affecting our value estimate.
14. Unless otherwise provided for in writing and agreed to by both parties in advance, the extent of the liability for the completeness or accuracy of the data, opinions, comments, recommendations and/or conclusions shall not exceed the amount paid to the valuation analysts for professional fees and then, only to the parties for whom this report was originally prepared.
15. The conclusion reached in this report is based on the standard of value as stated and defined in the body of the report. An actual transaction in the business or business interest may be concluded at a higher value or lower value, depending on the circumstances surrounding the company, the subject business interest and/or the motivations and knowledge of both the buyers and sellers at that time. Eqvista, Inc. makes no guarantees as to what values individual buyers and sellers may reach in an actual transaction.
16. No opinion is intended to be expressed for matters that require legal or other specialized expertise, investigation or knowledge beyond that customarily employed by valuation analysts valuing businesses.

# VALUATION ANALYST'S REPRESENTATION

1. The statements of fact contained in this report are true and correct.
2. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
4. We have performed no services, as a valuation analyst or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

# APPENDIX I – DISCOUNT RATE

## Calculation of Relevered Beta

Ticker	Debt-to-Equity ("D/E") Ratio	Effective Tax Rate	Beta (5-year, daily basis)	Un-levered Beta	Relevered Beta <sup>(1)</sup>
AUID	54%	21%	0.38	0.41	0.48
IDAI	10%	21%	1.09	0.98	1.15
AWRE	12%	21%	0.42	0.56	0.65
RDVT	0%	21%	1.12	1.08	1.26
OKTA	21%	21%	1.22	0.98	1.15
MITK	31%	21%	0.85	0.72	0.84
STER	35%	21%	1.45	1.02	1.19
IDN	0%	21%	1.15	1.10	1.29
OSPN	2%	21%	1.01	0.99	1.16
Average	<b>22%</b>	<b>21%</b>			1.02

Note: (1) Beta is relevered using the average D/E ratio and the effective tax rate of the GPCs.

## Calculation of Weighted Average of Cost of Capital

Parameters	Adopted	Reference
Risk-Free Rate, Rf	3.99%	5 Year US Treasury Rate sourced from YCharts as of Valuation Date
ERP	5.00%	US Equity Risk Premium sourced from Aswath Damodaran
Beta, $\beta$	1.02	Derived from GPCs
Cost of Equity <sup>(1)</sup> , Ke	9.09%	
Size Premium, SP	4.83%	10 decile source from Duff & Phelps 2022 Valuation Handbook
Firm Specific Risk Premium	11.00%	Professional Judgement
Adopted Cost of Equity <sup>(2)</sup> , KE	14.92%	
Cost of Debt, Kd	15.76%	US CCC Effective Yield sourced from YCharts as of Valuation Date
Cost of Debt after tax, KD	12.45%	
D/E	0.00	
WACC <sup>(3)</sup>	14.92%	
WACC (Rounded)	<b>25.00%</b>	

1.  $Ke = Rf + \beta * ERP$

2.  $KE = Ke + SP$

3.  $WACC = \frac{E}{E+D} * KE + \frac{D}{E+D} * KD$ , where E=Market value of the equity, D=Market value of the debt

## APPENDIX II – GPCS

Company	Ticker	Description
AuthID Inc	AUID	AuthID Inc is a provider of an Identity as a Service (IDaaS) platform that delivers a suite of secure, mobile, biometric identity solutions. The company provides secure, biometric, identity verification and electronic transaction authentication services. The firm has developed an IDaaS platform for businesses, residences, governments, or other organizations. Geographically, it has operational footprints in North America, South America, and Africa. The firm's products and services operate in two reportable segments: identity management and payment processing. It generates a majority of its revenue from the Identity Management segment.
T Stamp Inc	IDAI	T Stamp Inc develops and markets identity authentication software solutions for enterprise partners and peer-to-peer markets. The company is engaged in developing proprietary artificial intelligence-powered solutions; researching and leveraging biometric science, cryptography, and data mining to deliver insightful identity & trust predictions while identifying and defending against fraudulent identity attacks.
Aware Inc	AWRE	Aware Inc is a provider of software and services to the biometrics industry. The company's software products are used in government and commercial biometrics systems to identify or authenticate people. The government applications of biometrics systems include border control, visitor screening, law enforcement, national defense, intelligence, secure credentialing, access control, and background checks. Its commercial applications include user authentication for login to mobile devices, computers, networks, and software programs, user authentication for financial transactions and purchases. Its geographical segments include the United States, Brazil, the United Kingdom, and the Rest of the world.
Red Violet Inc	RDVT	Red Violet Inc is a software and services company. It specializes in big data analysis, providing cloud-based, mission-critical information solutions to enterprises in a variety of industries. Through its CORE data fusion platform, it provides mission-critical information about individuals, businesses, and assets.
Okta Inc	OKTA	Okta is a cloud-native security company that focuses on identity and access management. The San Francisco-based firm went public in 2017 and focuses on two key client stakeholder groups: workforces and customers. Okta's workforce offerings enable a company's employees to securely access its cloud-based and on-premises resources. The firm's customer offerings allow its clients' customers to securely access the client's applications.

Mitek Systems Inc	MITK	Mitek Systems Inc is engaged in the development, sale, and service of proprietary software solutions related to mobile imaging. The firm is a software development company with expertise in artificial intelligence, and machine learning. It is serving more than 7,800 financial services organizations and leading marketplace and financial technology brands across the globe. Mitek's Mobile Deposit solution is used by consumers for mobile check deposits. The company's Mobile Verify verifies a user's identity online enabling organizations to build safer digital communities, whereas CheckReader enables financial institutions to automatically extract data from a check image received across any deposit channel - branch, ATM, RDC, and mobile.
Sterling Check Corp	STER	Sterling Check Corp is a global provider of technology-enabled background and identity verification services. It offers a hiring and risk management solution that begins with identity verification, followed by criminal background screening, credential verification, drug and health screening, processing of employee documentation required for onboarding, and ongoing risk monitoring. Its services are delivered through a purpose-built, proprietary, cloud-based technology platform that empowers organizations with real-time and data-driven insights to conduct and manage their employment screening programs.
Intellicheck Inc	IDN	Intellicheck Inc is a trusted industry leader in technology solutions that stop identity theft and fraud with real-time identification authentication and age verification. The company makes it possible for its clients to increase revenues, improve customer service, and increase operational efficiencies. Under the new direction, the company is focused on partnering with banks and credit card issuers, and retailers to prevent fraud. It derives revenue through Sales of systems, subscription fees, Sale of software upgrades, and extended maintenance programs.
OneSpan Inc	OSPN	OneSpan Inc is a provider of information technology security solutions for banking and financial services and application security markets. Its solutions secure and manage access to digital assets and protect online transactions, via mobile devices and in-person. Authentication and anti-fraud solutions are the organization's primary product offerings and include multifactor authentication and virtual private network access capabilities. The company derives revenues from hardware and license fees, maintenance and support fees, and subscription fees. A large majority of the firm's revenue is generated in Europe, Middle East and Africa, and the rest in the United States and Asia-Pacific region.