



Calpian, Inc.

OTCQX: CLPI

June 15, 2015
Target Price: \$2.60
Recent Price: \$0.78

Market Data

Fiscal Year	March
Industry	Technology
Market Cap	\$31.7M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	1.9x
Price/Sales (ttm)	0.15x
Insider Ownership	39.6%
Shares Outstanding	40.6M
Equity Float	24.3M
Avg. Volume (3 mo.)	25,961

As of June 12, 2015

Income Statement Snapshot

TTM

Revenue	\$204.4M
Net Loss	(\$4.2M)

Balance Sheet Snapshot

MRQ

Cash	\$0.9M
Debt	\$19.2M

Company Website

<http://www.calpian.com/>

Company Overview

Calpian, Inc. is a global mobile payments technology and processing company offering mobile payment services through its Indian subsidiary Money-On-Mobile (MoM) and domestic transaction services through Calpian Commerce. MoM is India's largest cell phone payments network. MoM allows consumers to pay bills and send money to other consumers throughout India using only their cell phone (smart- or feature-phone) through MoM's proprietary system. The Company addresses this greenfield opportunity in a country of 1.2 billion people, at least 50% of whom are unbanked and have no access to the convenience of electronic payments common in the West. MoM is growing rapidly – 20.5% from April to May – and over 10% per month on average, with 138.4 million cumulative unique users and 264,971 retail distribution points throughout India. The Company processes approximately \$38.1 million in transaction processing volume per month. MoM is poised to be the winner in the world's largest mobile payments opportunity. MoM has been called “the Paypal of India” but is more correctly dubbed the M-PESA (a successful mobile-money system in Kenya) of India.

Valuation

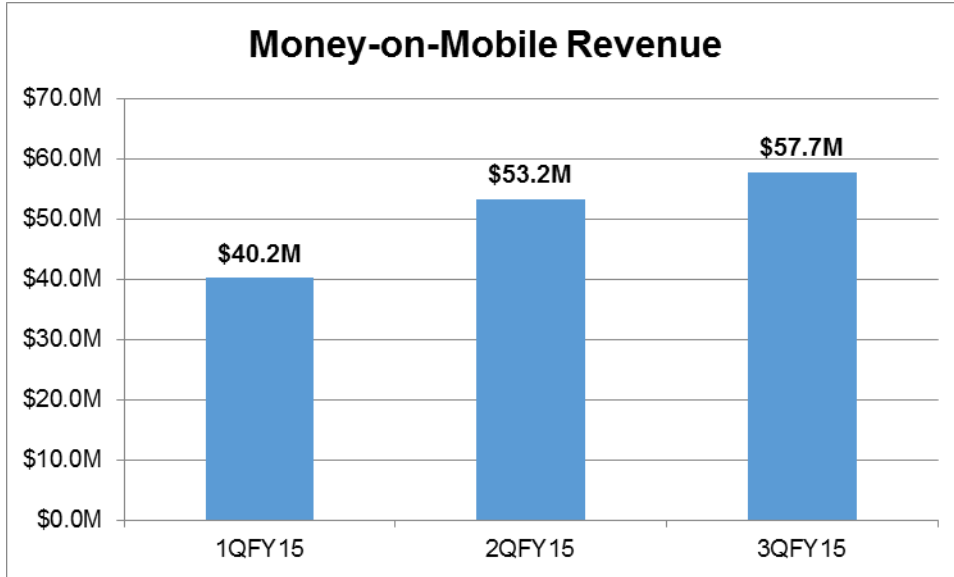
We are valuing CLPI using a sum-of-the-parts methodology. To value MoM, we are attaching a multiple of 0.09315x to the Company's projected 4Q16E annual run rate transaction volume. Applying a 0.09315x multiple to projected 4Q16E annual run rate transaction volume of \$1.05 billion values MoM at \$97.9 million. We are valuing the Calpian Commerce business based on a 1.5x P/S multiple, which represents a 30% discount to the median P/S multiple of other financial services companies and payment processors. Applying a 1.5x P/S multiple to our FY16E revenue projection of \$22.9 million for the Calpian Commerce business values Calpian Commerce at \$35.3 million. Combining the value of MoM and Calpian together, and dividing by our projected 4Q16E shares outstanding of 51.1 million gives a target price of \$2.60.

Investment Highlights

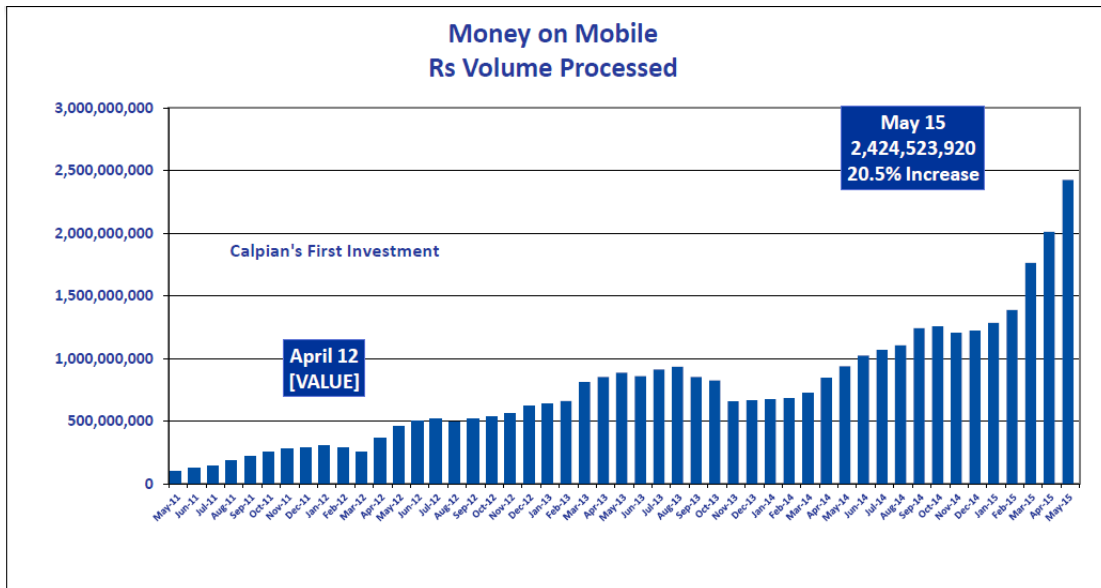
- MoM revenue grew at an average of 10% per month in 2014, and almost 100% per year since its launch in 2012
- 91% percent of Indian payments are made in cash; majority of population does not have a bank account, providing a significant need for MoM
- MoM is accessible through 264,971 retail locations throughout India; goal to reach one million locations
- Cumulative user base of 138.4 million unique consumers since inception; seven million 30-day active users in April 2015
- Full range of services already available; plan to continue expanding into higher margin services
- MoM has over 10x the transactions and processed volume of its nearest competitor, leaving it poised for exponential growth in India

Investment Highlights

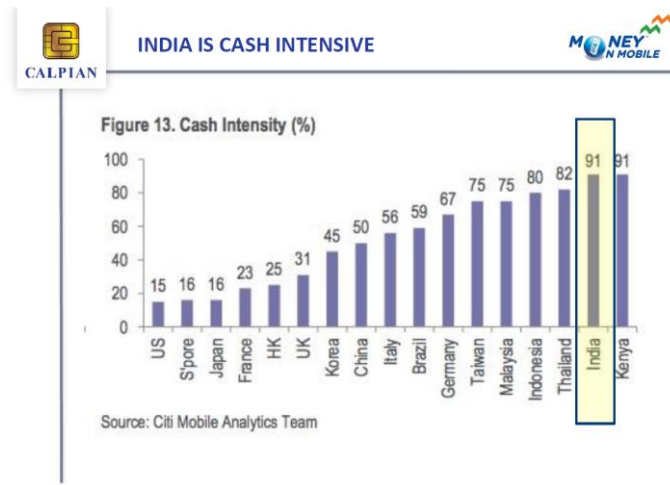
MoM revenue grew at an average of 10% per month in 2014, and almost 100% per year since its launch in 2012. These figures showcase MoM's phenomenal growth. We expect the Company to continue to show strong revenue growth as CLPI expands its retailers, customer base, and service offerings. Annualized GAAP revenues are approximately \$240 million. The following FY15 quarterly revenue chart shows the rapid revenue growth that MoM has experienced:



Transaction volume serves as a proxy for revenue. Based on the transaction volume reported by the Company, 4QFY15 should be a record quarter of revenue for MoM, and 1QFY16 looks extremely promising, as CLPI reported record transaction processing volumes of Rs 2.425 billion Indian Rupees, or about \$38.1 million for May 2015, and Rs 2.012 billion Indian Rupees, or about \$31.9 million for April 2015.



91% percent of Indian payments are made in cash; majority of population does not have a bank account, providing a significant need for MoM. The following chart from the Citi Mobile Analytics Team shows how cash intensive India is:



India's cash usage is only matched by Kenya. M-PESA has already launched a very successful mobile-money system in Kenya, and India has greater potential due to its much larger economy. There are over 900 million mobile phones and 1.1 billion SIM cards in India. There are 90.5 phones per 100 people. India's banking infrastructure is still in its early stages, with only 200 million bank accounts and a population of 1.2 billion people. This makes a system such as MoM crucial.

In addition to the above statistics, paying for bills in India is a hassle. Individuals typically have to make one stop per vendor, and the lines for each vendor are long and inconvenient, as the following photo in Delhi indicates:

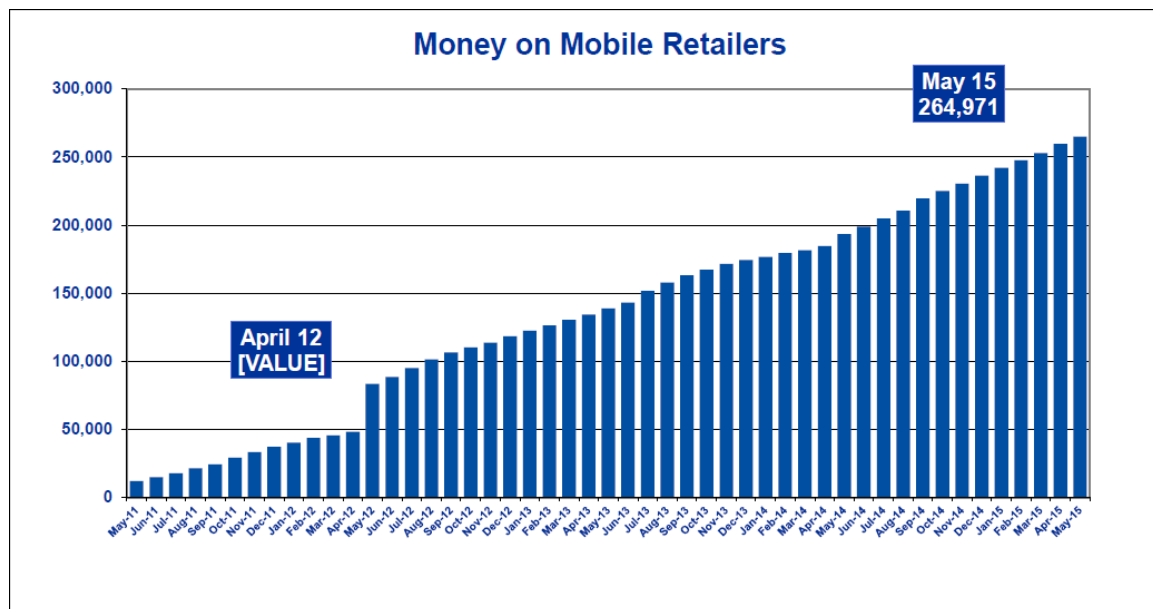


Paying for bills in India can sometimes take anywhere from half a day to one full day. MoM eliminates this, allowing people to pay their bills in minutes from their mobile phone.

\$30 billion prepaid telephone market and \$10 billion prepaid TV market (MoM has <0.5% of each).

The prepaid telephone and TV markets represent significant long-term opportunities for MoM. MoM has <0.5% of each market currently, which gives the Company a significant amount of potential to expand. Prepaid mobile top-up sales increased 20% from April 2015 to May 2015, totaling \$21.8 million for May. Also, the average mobile top-up transaction size has increased 153% from Rs 58 in December 2014 to Rs 147 in May 2015. Increases in transaction size indicate that MoM users have increasing confidence when using the MoM service and that CLPI is likely beginning to access a wealthier consumer base with MoM. As the market leader, we expect that MoM will be able to capture more of the prepaid telephone and TV markets, particularly as it expands its base of retailers.

MoM is accessible through 264,971 retail locations throughout India; goal to reach one million locations. MoM is currently adding approximately 5,000 – 7,000 additional retail locations per month. As the Company adds retail locations, we expect MoM to continue to gain additional market penetration and for the number of transactions to increase. As the following chart indicates, MoM has consistently added additional retailers each month:



Adding retailers increases the Company’s sales staff. Therefore, as retailers increase, transaction volume and the number of consumers using MoM should increase as well.

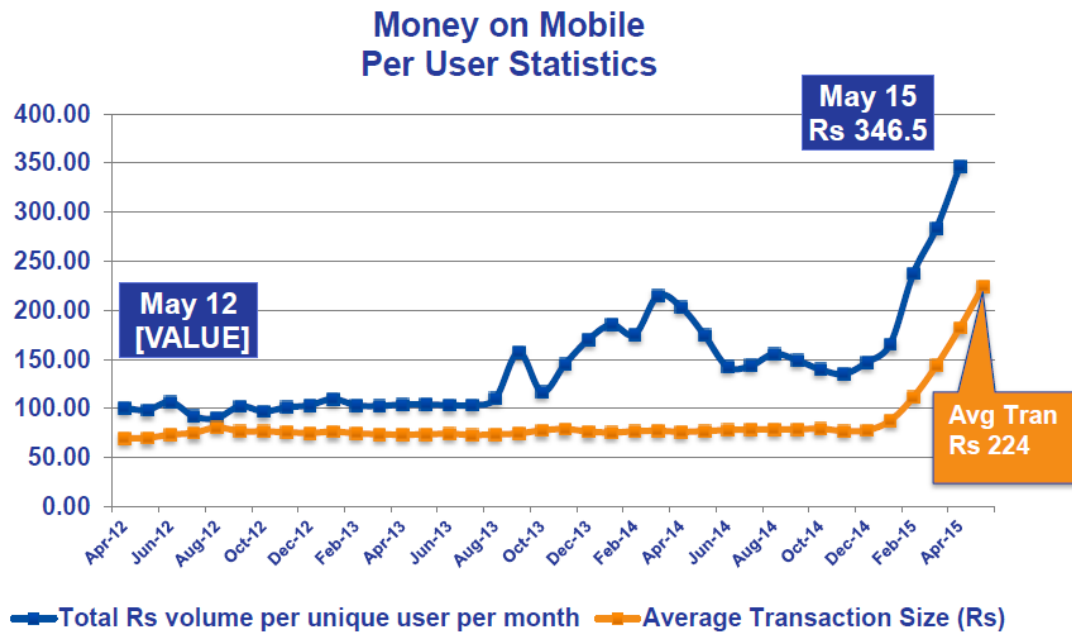
Cumulative user base of over 138.4 million unique consumers since inception; seven million 30-day active users in May 2015. CLPI’s cumulative user base shows the large number of Indian citizens that have already used MoM. This provides a strong user base that CLPI can tap into for transaction volume over time.

Full range of services already available; plan to continue expanding into higher margin services. The following chart shows the range of services CLPI offers and is planning to offer:

Product	Average Ticket	Monthly Frequency	Estimated Average Monthly Spend
Cell Top Up	\$1.00	2x	\$2.00
TV Top Up	\$2.00	2x	\$4.00
Utility Payment	\$8.00	1x	\$8.00
Travel Ticketing	\$0.30-\$15.00	1x-20x	\$10.00
P2P Transfer	\$50.00	1x	\$50.00
E commerce	\$1.00	10X	\$10.00
Total Spend/Mo			\$84.00

We Do These Now

As higher-value transactions comprise a greater portion of CLPI's revenue, we expect gross margins and profits to increase. Over the last couple of months, revenue per user has begun to increase significantly:



Increases in CLPI's revenue per user indicates that larger transactions are being made, such as person-to-person (p2p) transfers and/or larger top-ups of television, utility, and mobile phones. Over 138,000 p2p transfers were made on MoM in April 2015, totaling over \$8 million in volume. These figures grew to over 193,000 p2p transfers totaling over \$11 million in volume in May 2015, representing 39% month-over-month growth from both a transaction and \$ volume perspective. Additionally, the average mobile top-up transaction increased from Rs 58 in December 2014 to Rs 147 in May 2015. Further, given the rise in e-commerce sites in India, e-commerce transactions, when enabled by the Company, could add another large revenue stream.

Rapidly growing e-commerce industry in India provides opportunity for CLPI. Recently, the e-commerce industry in India has shown significant growth, with e-commerce companies growing sales rapidly and commanding high valuations. As of March 31, 2015, Flipkart was valued at \$12.5 billion and is

currently seeking an additional \$800 million in funds that would value it at \$15 billion. Flipkart's 2015 goal is to sell \$8 billion in gross merchandise, up from \$4 billion in yearly gross merchandise currently. Snapdeal and Amazon sell gross merchandise of \$3 billion and \$1 billion in India, respectively. Forrester is projecting \$16 billion worth of gross merchandise will be sold in India through e-commerce in 2018.

These significant gross merchandise figures indicate the growing size of the Indian e-commerce industry. As the leading mobile payment solution in India, CLPI is poised to take advantage of the growth in this market. CLPI estimates a monthly frequency of 10 purchases per month per user, with a total average monthly spend of \$10.00. This would lead to a significant increase in revenue per user.

MoM has over 10x the transactions and processed volume of its nearest competitor, leaving it poised for exponential growth in India. MoM has developed a significant lead over its nearest competitors, with some competitors having left the marketplace.

	Store Count	User Count	Monthly Processed Volume	Notes
Money on Mobile (May '15)	264,971	138 million	Rs 2.42 billion	Growing
Beam Money (May '13)	50,000	14 million	Rs 91 million <5%	Searching for capital
AirTel Money (Jan '13)	110,000	1.3 million	Unknown	Not Interoperable
Vodafone (June '14)	66,000	1.5 million (330k active)	Unknown	Not Interoperable

This leaves MoM poised to capture a growing number of transactions in India, particularly as the Indian economy grows (forecasted growth is between 8.1%-8.5% in 2015) and GDP average monthly wage increases (around \$300/month currently). Over time, MoM continues to grow barriers of entry versus potential competitors. These advantages include a large base of retailers that would be extremely difficult for a competitor to replicate in a reasonable period of time, and a strong brand name and performance history that has been built over the last few years. This trust enables CLPI to gain additional transactions from its customers and to perform higher revenue/value transactions such as p2p transfers.

Rapid profit growth should occur after infrastructure is built, as fixed costs stay constant and revenue accelerates. CLPI has been running net losses as it reinvests in growth and builds out its infrastructure. As the Company scales, it will begin to generate net profits, as fixed costs stay constant and revenue generation drops to net income. An example of this is the more mature Qiwi plc (NASDAQ: QIWI), a Russian mobile payments company with a similar service to what is offered by CLPI. The following chart shows QIWI's revenues, net profits, and net margins since 2010:

	2010	2011	2012	2013	2014
Revenue	6,158	8,158	8,911	11,666	14,719
Net profit	755	430	807	1,835	4,967
Net Margin	12.3%	5.3%	9.1%	15.7%	33.7%

in RUB (millions)

Source: QIWI 20-F

In USD, QIWI reported \$262 million in revenue (\$157 in adjusted net revenue) and \$89 million in net profit in 2014. QIWI performed RUB645 billion in payment volume in 2014, or approximately \$12 billion. Currently, CLPI is processing approximately Rs 2.425 billion, or \$38.1 million, per month. Annualized transaction volume run rate is approximately \$383 million for CLPI. As the market leader in India, and due to India's favorable market dynamics and size, we believe that CLPI can at least eventually match QIWI's transaction volume, particularly as CLPI begins receiving more revenue from services such as p2p transfers and e-commerce. Matching QIWI's transaction volume, as can be seen in QIWI's financial statements, would likely generate significant net profits for CLPI.

Successful mobile payment services in Russia and Kenya provide blueprint for CLPI; India, as a bigger market, has more potential than Russia and Kenya. QIWI in Russia and M-PESA in Kenya provide successful blueprints for CLPI. As stated above, QIWI processed approximately \$12 billion in payment volume in 2014, and M-PESA is processing approximately \$13 billion in transaction volume in Kenya (source: M-PESA 2014 mid-year report). The Indian market provides greater longer-term potential than either Russia or Kenya, due to its larger market size, rapidly growing economy, and high cash usage.

Currently, India has a middle class of approximately 50 million, or about 5% of the total population. According to Ernst & Young, the middle class population of India is expected to grow rapidly, reaching 200 million by 2020 and 475 million by 2030. However, a recent report by the Reserve Bank of India stated that 64% of Indians lack bank accounts, underscoring the need for alternative payment and money transfer systems. These dynamics make the India market extremely attractive for companies such as CLPI.

Calpian Commerce (U.S. business) provides steady revenue and profits. CLPI's U.S. business is called Calpian Commerce. This business provides steady revenues and profits by providing credit and debit card processing services to small- to mid-size retail merchants, typically with less than \$1.0 million in annual processing volume. Growth in this business comes through acquiring portfolios from Independent Services Organizations (ISOs). CLPI's strategy is to acquire residual revenue streams from ISOs that contract with high quality processors. CLPI currently has contracts with Elavon (U.S. Bancorp subsidiary) and Chase Paymentech, and would also consider obtaining contracts with other high quality processors such as First Data Merchant Services, RBS Lynk, and National Processing Company/Retriever Payment Systems. We expect this business to remain fairly steady over the near- to mid-term. Significant revenue growth would likely involve obtaining additional residual portfolios, and we expect the majority of the Company's business investment going forward to focus on its high growth MoM business.

Valuation

We are valuing CLPI using a sum-of-the-parts methodology. We are valuing the Company's MoM and Calpian Commerce businesses separately. To value MoM, we are attaching a multiple of 0.09315x to the Company's projected 4Q16E annual run rate transaction volume. This is a 25% discount to QIWI's transaction volume multiple of 0.1242x. Applying a 0.09315x multiple to projected 4Q16E annual run rate transaction volume of \$1.05 billion values MoM at \$97.9 million.

We are valuing the Calpian Commerce business based on a 1.5x P/S multiple, which represents a 30% discount to the median P/S multiple of other financial services companies and payment processors. Applying a 1.5x P/S multiple to our FY16E revenue projection of \$22.9 million for the Calpian Commerce business values Calpian Commerce at \$35.3 million. Combining the value of MoM and Calpian together, and dividing by our projected 4Q16E shares outstanding of 51.1 million gives a target price of \$2.60.

We believe that the majority of the Company's potential comes from MoM, with the Calpian Commerce business providing stable cash flow. MoM's transaction volume has increased significantly over the past few months, and we expect this to continue as new services are introduced, retailers are added to MoM, and MoM's brand name becomes stronger and more widely known in India. We believe there is significant potential for MoM to grow rapidly beyond our projection horizon.

MoM Peer Chart Comparison											
Company Name	Ticker	Share Price	Market Cap	P/E(ttm)	P/S(ttm)	P/S(fwd)	P/B(mrq)	E V/EBITDA (ttm)	Revenue (ttm)	Revenue (ntm)	YOY Projected Growth
Qivi PLC	QIVI	27.24	\$1,486.15M	14.56x	8.30x	7.04x	8.19x	13.90x	\$179.14M*	\$210.95M*	17.76%
PayPoint PLC	PAYP.L	15.87	\$1,079.54M	17.78x	5.70x	4.86x	6.01x	11.88x	\$189.48M*	\$222.22M*	17.27%
Xoom Corp	XOOM	21.62	\$843.58M	219.67x	5.03x	4.33x	3.26x	63.90x	\$167.56M	\$194.64M	16.16%
MakeMyTrip Ltd	MMYT	19.03	\$799.01M	130.81x	5.75x	4.66x	5.08x	397.09x	\$138.95M*	\$171.47M*	23.41%
eBay Inc	EBAY	60.02	\$72,913.6M	25.18x	4.07x	3.89x	3.72x	14.60x	\$17,902.M	\$18,742.M	4.69%
Wirecard AG	WDIG.DE	40.77	\$5,029.48M	38.76x	7.29x	6.07x	4.02x	20.48x	\$689.7M	\$828.13M	20.07%
Earthport PLC	EPO.L	0.68	\$322.31M	N/A	12.68x	N/A	5.34x	N/A	\$25.42M	N/A	N/A
Cielo SA	CIEL3F.SA	13.32	\$25,064.9M	22.65x	8.27x	6.38x	15.91x	22.78x	\$3,030.96M	\$3,929.82M	29.66%
Heartland Payment Systems Inc	HPY	54.29	\$1,986.97M	57.18x	2.81x	2.50x	7.42x	8.37x	\$707.45M*	\$796.15M*	12.54%
MasterCard Inc	MA	93.77	\$106,920.M	28.88x	11.22x	10.86x	17.01x	18.13x	\$9,526.M	\$9,844.M	3.34%
MOL Global Corp	MOLG	1.63	\$110.03M	33.16x	1.90x	N/A	1.51x	59.29x	\$57.83M	N/A	N/A
median			\$1,736.56M	28.88x	6.52x	4.86x	5.68x	18.13x	\$439.59M	\$796.15M	
average			\$21,644.55M	61.72x	7.11x	5.62x	7.59x	63.46x	\$3,255.67M	\$3,882.15M	
Calpian Inc	CLPI	\$0.78	\$31.67M	N/A	0.15x	0.05x	1.92x	N/A	\$204.44M	\$582.12M	184.74%

As of June 12, 2015

source: ThomsonReuters, company filings

* indicates NetRevenue

Calpian Commerce Peer Chart Comparison											
Company Name	Ticker	Share Price	Market Cap	P/E(ttm)	P/S(ttm)	P/S(fwd)	P/B(mrq)	E V/EBITDA (ttm)	Revenue (ttm)	Revenue (ntm)	YOY Projected Growth
Century Bancorp Inc	CNBKA	\$39.26	\$141.36M	13.51x	1.66x	N/A	1.10x	29.92x	\$85.37M	N/A	N/A
Computer Services Inc	CSV	\$42.80	\$606.08M	21.77x	2.74x	N/A	4.18x	12.97x	\$221.39M	N/A	N/A
Higher One Holdings Inc	ONE	\$2.84	\$135.84M	11.25x	0.62x	0.64x	1.35x	4.37x	\$219.07M	\$210.74M	-3.80%
Cass Information Systems Inc	CASS	\$50.35	\$577.82M	24.55x	4.79x	N/A	2.88x	14.21x	\$120.7M	N/A	N/A
TIO Networks Corp	TNC.V	\$0.75	\$42.77M	79.44x	0.95x	0.86x	5.99x	15.77x	\$45.2M	\$49.54M	9.59%
JetPay Corp	JTPY	\$2.67	\$37.02M	N/A	1.02x	0.90x	0.68x	48.28x	\$36.12M	\$41.3M	14.33%
Payment Data Systems Inc	PYDS	\$0.30	\$54.06M	10.45x	4.04x	N/A	6.93x	N/A	\$13.4M	N/A	N/A
Versapay Corp	VPY.V	\$1.10	\$24.2M	N/A	5.82x	4.85x	12.01x	N/A	\$4.16M	\$4.99M	20.02%
median			\$94.95M	17.64x	2.2x	0.88x	3.53x	14.99	\$65.29M	\$45.42M	
average			\$202.39M	26.83x	2.7x	1.81x	4.39x	20.92	\$93.18M	\$76.64M	
Calpian Inc	CLPI	\$0.78	\$31.67M	N/A	0.15x	0.05x	1.92x	N/A	\$204.44M	\$582.12M	184.74%

As of June 12, 2015

source: ThomsonReuters, company filings

Risks

MoM may encounter additional competition as the mobile payment industry in India grows. Current competitors include Beam Money, AirTel Money, and Vodafone. While MoM is the market leader in India, many potential competitors could have more resources at their disposal than CLPI. Vodafone has also had success with M-PESA in Kenya.

Payment industry regulations in India are extensive. Payment system operators are subject to the Indian Payments and Settlement Systems Act of 2007 and are overseen by the Reserve Bank of India (RBI). While the RBI has granted MoM a license to operate a payments system in India through October 2018, the RBI could revoke this license at any time if MoM does not meet required standards. Conversely, industry payment regulations can also keep competitors from entering the market due to the barrier of entry that they present.

The Company may need to raise additional capital to expand MoM. As of December 31, 2014, CLPI had \$0.9 million in cash. Expansion of MoM in India may require additional capital, or else growth may be slowed.

MoM will require additional technology upgrades over time. If CLPI fails to make required technology upgrades, MoM may lose market share to other competitors. Other companies may have more resources to put into technological upgrades than CLPI has.

Additional Information

Auditor: Liggett, Vogt and Webb, PA

Legal: Sichenzia, Ross, Friedman, Ference, LLP

Transfer Agent: Securities Transfer Corporation

[Company Website](#)

[Company Information](#)

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