



ALIGN
RESEARCH

Right of Reply

11th October 2018

Pioneering blockchain software business empowering individuals to “tell their truth” on any online content and credit rating

Right of Reply was founded in order to develop and market products which solve the issue of protection of personal rights. This was in reaction to the increasing importance of digital media in reflecting an individual’s reputation and to give people an opportunity to respond to any online content, including credit ratings, which has the potential to negatively affect that reputation.

■ Addressing an increasing need to manage reputation

The freedom of the internet means that anyone can publish damaging information about an individual online, often anonymously, making it difficult to determine the truth. In addition, credit reports can have high error rates and provide no qualitative information as to why someone may have defaulted on a payment, thus not reflecting their true ability to repay. In reaction, Right of Reply implements blockchain technology driven products to empower individuals to exercise their natural “right of reply”.

■ Three unique products developed to combat reputational threats and negative credit reports

Based on underlying blockchain technology and protected by a range of patents, Right of Reply has developed three software products which are currently being brought to market and address 3 different aspects of online reputation management affecting individuals. These are: a reputation management platform for regulated content such as newspapers and large blogs (RoR), credit report management platform (ROCC) and digital identity and social media platform (RORKEY).

■ US IPO and fundraise provides platform for growth

Right of Reply has applied to list in the US and has already made an application for a NASDAQ listing, or the OTCQX International Market, in conjunction with a \$6 million equity fundraise. The company is also preparing for listing on the Standard Segment of the Main Market of the London Stock Exchange in the next few months.

■ Forecasts show rapid growth expected over three years

Working with management we have put together forecasts for the 2019, 2020 and 2021 financial years. These show revenues rising to \$66 million over three years, with a net profit of c.\$7.5 million in 2021. With the market cap at IPO expected to be c.\$41 million, this represents a 2021 earnings multiple of 5.5 times if forecasts are met. **With select US software sector peers trading on an average multiple of c.11.5 times, we see significant upside potential if forecasts are met.**

PRE-IPO OPPORTUNITY



Key data

EPIC	ROR
Issue price	\$15
Expected Listing	NASDAQ/LSE
Shares in issue	2,736,000
(post US listing)	
Market Cap	\$41.04m
(post US fundraise)	
Sector	Software

Website www.rightofreply.news

Analyst details

Richard Gill, CFA
richard.gill@alignresearch.co.uk

IMPORTANT: Right of Reply is a research client of Align Research. Align Research owns shares in Right of Reply. For full disclaimer & risk warning information please refer to the last page of this document. This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

Corporate Background

Right of Reply Limited was registered in England and Wales in June 2016 with no capital. Assets related to the company's project were transferred by Mount Street Garden Ltd on 3rd July 2016 in exchange for 1,250,000 new Right of Reply shares. A third-party at the time valued the assets at £200,000 (\$254,000) for an implied value per share of 16p (20.32c).

The company was founded in order to develop and market a service and solution to the issue of the protection of personal rights. This was in reaction to the increasing importance of digital media in reflecting an individual's reputation and to give people an opportunity to respond to any incorrect online content which has the potential to negatively affect that reputation.

In May 2017, an additional 750,000 new shares were issued at a price of 75p (95.25c) per share, with £190,000 subscribed in cash and £372,500 as consideration for services rendered.

As part of its acquisitive growth strategy, on 1st January 2018, Right of Reply acquired a 51% interest in **BSS-ONE Dueenne Group**, a software development company based in Romania which specialises in developing native applications for mobile devices running iOS and Android. Consideration was 94,000 new ordinary shares with a fair value of \$10 per share. Renamed BSS-ONE a Right of Reply Company, it will be responsible for developing and maintain the company's platform, offering customer and call services. In the year to December 2017 the acquired business made revenues of €2.3 million and EBITDA of €0.65 million.

Further, on 4th April 2018 the company signed a Letter of Intent to purchase 20% of Italy based Online Reputation Management (ORM) business **The Fool** with an option, based on certain conditions, to acquire an additional 31% stake, over a period of 2 years. To date Right of Reply has acquired 10% of The Fool shares for €1 million (\$1.193 million) by issuing 110,000 shares at a fair value of \$10.84 per share. An additional 10% will be bought with an investment in capital for €1,000,000 (\$1,193,000) in cash into The Fool. In the year to December 2017 The Fool made revenues of €2.2 million and EBITDA of €0.45 million.

Following the filing of a Registration Statement with the SEC, between January 2018 and 1st May 2018 the company placed a total of 291,000 new shares for an aggregate amount of \$2,818,200 at an average price of \$9.68 per share (£7.00), with the placement closing on 14th August.

Right of Reply has applied to list in the US and has made an application for a NASDAQ listing, or the OTCQX International Market, in conjunction with a \$6 million equity fundraise via the issue of 400,000 new ordinary shares at a price of \$15 per share. The prospectus was approved on 10th September 2018 and can be found at the SEC official link: <https://www.sec.gov/cgi-bin/browse-edgar?company=right+of+reply&owner=exclude&action=getcompany>. The company is also looking to list on the Standard Segment of the Main Market of the London Stock Exchange in the coming months.

Further, in September 2018, Right of Reply signed a Letter of Intent to purchase 20% of US-based **Network Society Lab International (NSLI)**, a global venture development and advisory firm with offices in Australia, Europe, Latin America, the US and Africa. The business facilitates the tokenisation of the business models of its clients and execution of all necessary activities to accelerate client success. NSLI is forecasting EBITDA of €2.5 million in 2019.



Right of Reply Mission

With its blockchain driven products, Right of Reply aims to be the Gold Standard for personal online reputation management and for the personal exercise of the *Right of Reply*, for all kinds of online regulated and unregulated content.

Thanks to an innovative platform that:

- Secures and manages a blockchain personal digital reputational identity (DRI).
- Provides a timely and relevant response to negative and inaccurate content online.
- Allows narrative response to inaccurate or misleading individual credit reports and financial history.
- Helps combat fake news and online trolling.
- Empowers individuals and communities to rely on more truthful and balanced information

Market Background and Opportunity

Warren Buffett once said, *“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.”* But in today’s digital age it is probably more accurate to say that a reputation can potentially be lost in seconds, often unfairly.

Right of Reply is built on a patented blockchain-powered online platform providing rapid, low-cost and legally sound solutions for individuals to regain control of their digital identities and to “tell their truth” in response to any online negative/inaccurate content and any inaccurate credit report or financial history. Companies and governments are also facing increasing pressure to regulate the flow of online information.

Online reputation management is a large and growing market but the current solutions are ineffective and expensive. According to various sources:

- 87% of executives rate managing reputation risk as more important than other strategic risks (1)
- 88% of adults agree/strongly agree it would be very difficult to remove inaccurate information about them online (2)
- 70% of employers didn’t hire an applicant because of online content (3)
- 20% of Americans have an error on their credit report. (4)
- 5% of Americans are penalised because of errors on their credit reports. (4)

Sources: 1. Deloitte 2014 global survey on reputation risk. 2. Pew Research Public Perceptions of Privacy and Security in the Post-Snowden Era, 2014 3. Careerbuilder.com Survey 2014. 4. US Federal Trade Commission

WHO ARE RIGHT OF REPLY USERS?

Everyone with a personal digital reputation identity to protect, including:

- **Every individual** that would like to receive a personal Digital Reputation Identity (DRI) that allows them to protect their reputation and promptly reply to all online content with relevance and timing.
- **Every public figure** who wants to tell their own truth by replying to any online content that refers to them.
- **Every online editor, blogger and media executive**, allowing the individuals they reference in articles the chance to reply with their truth, thus avoiding potentially expensive legal claims and giving readers a comprehensive picture.
- **Every individual** that would like to correct credit report errors and share a full and complete picture of their financial history.
- **Every credit reporting agency** which seeks to reduce consumer complaints and improve their own reputations by delivering more accurate credit reports.
- **Creditors**, who can review a broader set of documents which would otherwise not appear in a traditional credit report, to make a balanced and more informed choice on a person's creditworthiness
- **All internet users** who wish to form an unbiased and complete opinion of facts and people by accessing multiple perspectives on specific content, including the perspective of the person cited.

Products

Right of Reply is currently developing three products, which use patented search, respond and publish functions and blockchain technology to offer individuals the ability to respond to personal online content and credit reports. **They are currently in the pre-commercialisation stage and are expected to be fully launched in Q4 2018 and Q1 of 2019.**



Right of Reply – RoR (www.ror.news)

Right of Reply (RoR) is an online technology which allows users to respond immediately to any online misinformation or personal attacks with a low-cost and legally sound solution to protect and manage their online reputations. The company will be targeting both individuals and editors & publishers as paying users of its service.

In the case of editors and publishers, RoR provides the media industry with an innovative and easy-to-use platform that allows them to avoid expensive, time consuming and reputationally damaging legal consequences from the individuals cited in their articles. The long term goal is that the platform, set to be launched in November 2018, will be able to be scaled up, enjoying network effects if key online news outlets adopt RoR as a default rebuttal system.

How it works

RoR's software can be integrated into a newspaper's content management system (CMS) and has been designed to adapt easily and quickly to different platforms. When a journalist mentions a specific person in an article the system will automatically send a standard message along the lines of *"We are writing an article about you. If you want to reply, register at www.ror.news and post your answer"*, giving that individual the opportunity to reply. In contrast to other systems and the policy of social networks, RoR's system does not block or remove negative online content, but instead provides individuals with the ability to reply strongly with the same timing and relevance on any content relevant to the individual.

If the individual cited wants to reply to an article they need to register with RoR and prove their identity, which is then verified by RoR. Once registered, an individual can review all the articles, past and present, that mention them and reply to each of them. The RoR logo and the answer will appear automatically and simultaneously on the link to the article, both in the main search engines (with which RoR can be integrated) and on social media shares. The reply will have the same relevance and search engine ranking of the article, an important point as in most current cases a legitimate response rarely has the same weight or search engine ranking as the original damaging content. An RoR pop-up containing the answers of the individuals mentioned will appear on each article which readers will be able to review. Individual users are also able to analyse content based on circulation, accuracy, degree of defamation, most used words importance of search results.

In a wider context RoR is expected to benefit society in general, promoting the “collective right to know” by enabling the public to access multiple perspectives on specific content, including the perspective of the person cited. As a result, society is able to form a full and unbiased opinion regarding an event and a person’s reputation.



Reply on Credit Check – RoCC (www.roccnow.com)

Reply on Credit Check (RoCC) is an online platform which enables users to review and respond to negative content and refute errors regarding their personal credit history. Using RoR’s platform and tools, RoCC provides users with the ability to upload a range of data and documentation to prove and assess credit worthiness over and above currently accepted methods.

This enables individuals to control their credit reports as they are able to fully express truths regarding their personal financial history. It adds qualitative elements to reports, which traditionally have judged people on a number alone, and helps to avoid a judgement of “computer says no”. The service is expected to be launched in February 2019. The majority of fees are expected to come from credit agencies who will pay an annual fixed subscription fee per person checked and a flat fee for every amended post in the credit reports.

How it works

A user registers on the RoCC site and completes their profile which is then verified using the RoR blockchain platform. The user can then determine which parties can read their credit report, including employers, banks and other financial institutions with the “Who Can Read” tool. Credit reports can be downloaded and requested from all major credit rating agencies using the “Check the Credit” tool, with individuals also receiving updates when a change is made to their credit report, helping them to identify any major issues.

Users can then insert comments and upload documents in response to their report using the “Tell Them Why” tool, perhaps explaining why they may have defaulted on a loan, with comments then shared with credit agencies and authorised persons. Documents, such as utility bills, rent payments and phone bills, can be uploaded to show a wider range of positive payment history with the “Good Payments” tool.

Any authorised parties requesting the user’s credit history will be able to see the unedited report as well as the report modified by the user along with the supporting documentation using the “Check the Text” tool. While this does not guarantee an improvement in credit rating, creditors and lenders will be able to make a more informed decision about their dealings with the individual.

In contrast to current systems which validate consumer identity through social security numbers, which can be stolen, RoCC’s blockchain technology verifies a user’s identity and gives increased confidence to consumers that their personal credit history is protected.

5 Tools

RoCC lets users regain control of their financial reputation by allowing them to explain, or annotate their credit history using RoCC's five patented tools.

1. Who Can Read

Share credit report and responses to authorised persons/organisations.

2. Check Credit

Receive a real-time credit report from all major credit rating agencies and receive updates with any new changes to reports.

3. Tell them Why

Refute errors in a credit report by uploading supporting documentation, share rationales for poor credit history allowing creditors to see a full picture of payments before determining credit worthiness.

4. Check Why

At a glance, potential creditors can review consumers' uploaded documents and receive an unbiased and objective evaluation of the rationales justifying poor credit. Creditors can also analyse content not usually captured in credit reports (e.g. utilities and remittances, which can showcase positive payment history allowing them a more accurate assessment.

5. Good Payment

Upload documents that showcase a wider range of positive payment history and highlight personal financial responsibility to new creditors.

How RoCC works: Source: Company

There is a large potential market for the RoCC service as there are currently no effective means for consumers to refute credit report errors, explain reasons for poor ratings or highlight other matters than may increase creditworthiness. What's more, even if a consumer attempts to correct an error, there is no guarantee of a positive outcome and it can be a protracted process. While collection reporting agencies (CRAs) are legally required to check information with a creditor or debt collector, this can take a minimum of thirty days to process - far too long in world where personal circumstances can change rapidly. **Having a poor credit history can dramatically limit the range of financial and other services that an individual can access, given society's high reliance on these reports, so improving credit reports can have a range of benefits for individuals.**

RoCC also helps to address a range of issues which CRAs have been criticised for. These include, poorly understood formulas for determining creditworthiness which can have a disproportionate impact on consumers' lives, outdated sources, inaccuracies and the difficulty involved in correcting these errors. For CRAs, the cost of correcting data far outweighs the benefits, thus leaving consumers at a disadvantage.

According to a December 2012 report from the US Federal Trade Commission a study of 1001 participants found that 262 consumers (26%) identified at least one potentially material error on at least one of three personal credit reports. A follow up report of 121 of these consumers published in January 2015 found that 70% still believed that at least one piece of previously disputed information was inaccurate. In addition, according to the Consumer Financial Protection Bureau, credit reporting is the second most frequent source of consumer complaints behind debt collection, with the top complaint (74%) relating to incorrect information on a credit report.

The RoCC platform therefore helps individuals to better access financial and other services, helps CRAs to have more accurate information, improve their reputation and reduce complaints, and helps creditors/lenders make more informed lending decision.



RORKEY - Register of Reputation Keys (www.RORKEY.com)

RORKEY has been created by Right of Reply as a new and disruptive application to manage users' online reputations while securing their digital identities. With RORKEY, social media users are empowered to reply in a timely and relevant manner, using their blockchain-verified digital identities, to any inaccurate online content regarding their reputations. Responses will be securely registered and certified on the blockchain. The core aim is to offer everyone, regardless of their status, the means to defend their reputations on unregulated platforms such as social media and blogs.

There are many online media platforms on which content writers and content editors are regulated. However, in an unregulated environment like social networks or private messaging, the opportunity to reply publicly, directly and immediately to any incorrect, untruthful or misleading content is currently almost zero. RORKEY allows everyone to promptly reply to such content, letting the community who can read the content know their personal truth. Until now, there has been no single trustworthy and decentralised repository that collects and stores all content related to a given individual.

The business

RORKEY is a token driven blockchain technology that allows every individual personally cited in content to reply immediately, effectively and publicly to that content, on the same platform, in a certified ecosystem. RORKEY is a Register of Reputation, which after having established a personal digital reputation identity (DRI), is capable of protecting individuals technically and legally, giving users a fair chance to exercise their "right of reply".

- RORKEY is not just a disruptive tool enabling individuals to take full control of their online reputations, but also an open-source decentralised ecosystem for digital identities.
- RORKEY's Reputation Content Scout (RCS) will contact each user as soon as their name appears in any digital content, offering the chance to reply. Proof of any reply will be saved immediately on the decentralised registry of reputation.
- RORKEY allows users to exercise the "right of reply", in a timely and effective manner. Moreover, the community is self-regulated. Members of RORKEY have the power to validate other members and evaluate their content.
- The RORKEY ecosystem is empowered by the ROR token, which works both as an economic incentive, medium of exchange to access RORKEY's services, and revenue for RORKEY.

In addition to what can be found on traditional search engines which work on algorithms and AI, RORKEY, powered by an active community, is set to create a Human Search Engine, (HSE) where users can find a more detailed, precise and personal list of online information on an individual, alongside the human sensibility of how reputation is affected by any specific piece of content. RORKEY is also a member of the Swiss Cryptovalley Association <https://cryptovalley.swiss/>

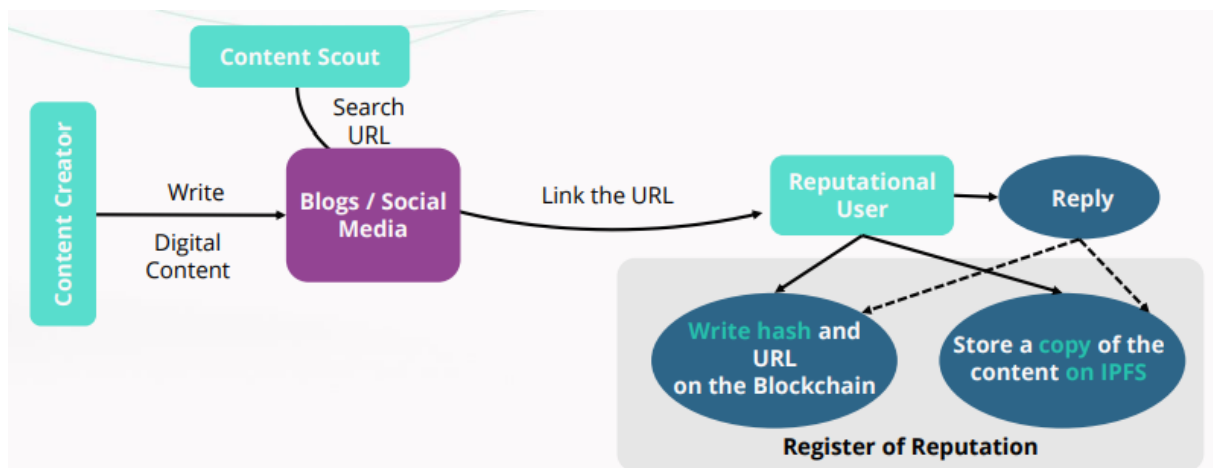
How it works

RORKEY uses a decentralised application (DApp) powered by blockchain technology to create the "Register of Reputation". Firstly, a member of the RORKEY community will be assigned a specific identity: 'the reputation name' - the one generally used when someone would write about that specific person. Then, any member of the ecosystem will be rewarded in "ROR tokens" for linking content to the digital identity of the user, who can decide either to ignore it or to reply. The reply generates a #hash that can be directly saved on the Ethereum blockchain together with the URL and link to the related 'reputation name.' Moreover, the user can decide to store a copy of the content on IPFS network, which will be complemented to his/her register. The company is also working on a technology that allows the reply to be embedded into the link of the content referring to the person, independently from where the link is posted.

RORK Token

The company plans to issue an ERC20-based token, RORK, which will be used to:

- 1) Pay to receive the personal 'reputational identity': and the services offered by RORKEY to protect the reputational identity of an individual;
- 2) Reward the Content Scouts who report the presence of a cited content;
- 3) Pay to write the hash of the content on the Ethereum blockchain and save a copy of the content on IPFS network;
- 4) Pay to post the reply to online content with the same relevance and timing on the original platform that the content was posted;
- 5) Pay for community involvement in the content creator's or content evaluation;
- 6) Reward the content creators for the creation of truthful content;
- 7) Reward the community for voting.



How RORKEY works. Source: Company

RORKEY REPUTATIONAL SEARCH ENGINE

RORKEY is also developing a new kind of search engine where humans and artificial intelligence (AI) work together.

- Major engines currently search individuals using algorithms and AI. Reputational matters require human sensibility.

- The RORKEY search engine offers the same information as traditional search engines, but on searching an individual, all additional content found by the RORKEY community and ecosystem members will be displayed.

- RORKEY uses Reputation Scouts to find what is really online on a specific person, especially content that affects their reputation, offering a much more precise and "sensible" search than any other search engine.

Social Focus

Right of Reply is not only targeting potentially large commercial markets for its products, but the company also has a focus on creating social value for a number of parties, including individuals, businesses and society in general. Right of Reply has been accepted as a member of the national body for social enterprise, Social Enterprise UK, <https://www.socialenterprise.org.uk/> in recognition of its role in supporting social justice and maintaining a free press and fair media by providing management tools for online and real world reputations. In addition, the major shareholder, ATD Associazione Tenerezza di Dio, www.atdcaritas.org is a Swiss charitable organization, and the company is looking to give 10% of its pre-tax profits to charitable causes.

Financials

2018 interims

For the six months to 30th June 2018 the company booked in maiden revenues of \$1,758,125, with the full contribution coming from the acquired Dueenne business which was acquired on 1st January. While a gross profit of \$203,665 was made, after total operating costs of \$881,135 and other expenses the net loss for the period amounted to \$687,959, with net cash used in operating activities of \$609,002. Net assets at the period end stood at \$3.12 million, with notable balance sheet items including cash of \$0.52 million and a convertible loan note liability of \$200,000 which was issued in January. The note was repaid in full plus accrued interest on 30th July 2018.

Also, following the period end, on 23rd July 2018 a 7% one-year convertible promissory note was issued for €50,000 (\$59,600), convertible at any time into new shares at a price of \$10.50. Total cash on the balance sheet stood at c.\$100,000 as at 10th August 2018, prior to the \$2,818,200 raise.

NASDAQ listing and fundraise

Right of Reply has applied to list in the US and has made an application for a NASDAQ listing, or the OTCQX International Market, in conjunction with a \$6 million equity fundraise via the issue of 400,000 new ordinary shares at a price of \$15 per share. The company is also looking to list on the Standard Segment of the Main Market of the London Stock Exchange in the coming months.

Directors

Thomas Brooks

Thomas Brooks graduated in Literature at the University of Chicago and has 20 years' experience in early-stage technology companies. He is the former Managing Director of Biopolo Ticino, Director of Development and Communications at the Institute for Research in Biomedicine, and faculty lecturer of Visual Communication and Interaction Design at the Applied Sciences University SUPSI in Switzerland. Thomas has been CEO of Right of Reply since formation in June 2016 and is also the current CEO of Pay My Time Ltd, an internet company that has developed an email platform which allows users to evaluate and monetize the exchange of their emails and therefore their time.

Matteo Flora

Matteo Flora is CEO and Founder of the TF Group S.r.l. (The Fool), an Italian technological company developing systems and technologies for the e-Reputation, e-Moderation and IT Protection. Before founding The Fool, Matteo was a strategic consultant, specialising in information and digital security. As a security evangelist he released over 100 security reports and advisories. He is also the CEO of Samadhi, an investment and management group focused on digital security, digital media and technology. Samadhi leverages its expertise and sector know-how to identify high-growth assets and assets with turnaround potential.

David Orban

David is an investor, entrepreneur, author, blogger, keynote speaker, and thought leader of the global technology landscape. His entrepreneurial accomplishments span several companies founded and grown over more than twenty years. An early adopter of blockchain technologies and an active Bitcoin investor since 2010, he was the first to own Ether during the Ethereum launch in 2014. He also led the adoption of Bitcoin and blockchain in start-ups and is an advisor and investor in numerous blockchain companies and funds, such as Bitnation, Neuromation, Sun Exchange, Wealth Migrate, Blockchain Capital, Bancor, Swarm Fund, and others.

David is the Founder and a Trustee of Network Society Research, a London-based global think tank present in over 40 countries, creating a vision and analytical tools to allow individuals, enterprises and the society at large to deal positively with the unstoppable transformation to a world based on decentralized exponential technologies that are disrupting the traditional centralized and hierarchical functions of governments and corporations. He studied Physics at the University of Milan and the University of Padua.

COUNTERPARTS, CONSULTANTS & ADVISORS

US Broker and Investment Bankers: MCAP LLC (USA).

Strategic Advisors: Network Society Lab International (USA), Berkeley Economic Advisory and Research (USA), Ignis Advisory (Switzerland), Casaleggio & Associati (Italy), Cassiopeia Services (UK).

Legal: Fubini Jorio Cavalli Associati (Italy), Altenburger LTD (Switzerland), Rob Dinener Law (USA).

Auditors: PKF - Littlejohn London.

Key Risks

Early stage nature of operations

Aside from the revenues which come from the acquired Dueenne business, Right of Reply is effectively a start-up, with minimal revenues having been earned from its three core products so far. To date the company has been in investment and development mode and remains loss making. The products and services have not been tested in the market on a large-scale basis and as yet the possible market acceptance is unknown. Therefore, there is significant risk in meeting the forecasts provided below.

Financing needs

Until the Right of Reply becomes cash flow positive it faces funding concerns. For the 2017 full year accounts the independent auditors expressed substantial doubt about the company's ability to continue as a going concern due to the losses made to date. However, this matter should be resolved assuming a successful IPO fundraise.

The company has stated that its near-term financing requirement (less than 12 months), is c.\$500,000. This includes monthly overheads of \$40,000, public reporting costs and general working capital. Beyond 12 months the company forecasts it will need c.\$4 million to implement its business plan, with c.\$1.5 million required by the end of calendar 2018. Following the IPO, a further equity fundraising is possible, which would dilute current shareholders interests.

Reliance on key personnel

Right of Reply is highly dependent on certain key personnel to market and sell its services and as such the loss of one of its key managers may adversely affect its performance. Additionally, management is under no contractual obligation to remain employed by the company, although they have no present intent to leave. The directors are also engaged in other business activities, are not full time at the company and are each expected to devote 8 hours per week to the company's business.

Controlling shareholder interest

Prior to IPO, Right of Reply's two largest shareholders hold a controlling interest in the company. ATD Associazione Tenerezza di Dio, a Swiss charitable organisation, owns a 36.38% stake. While there is no beneficial owner of the shares, the control of them is exercised by the Board of Directors of the Association, which includes Chairman Alfredo Villa, an employee of Right of Reply. Mount Street Garden Holding has a 21.13% stake, with the beneficial owner Cristina Uccelli being the wife of Alfredo Villa.

Currency risk

Right of Reply's functional currency is sterling and its reporting currency US dollars, therefore any movements in value of the currencies will affect the financial results on translation. In addition, the same risk is experienced with the acquired Dueenne business which has a functional currency of Romanian leu. Upon any potential listing in the UK, currency movements may have an effect on how investors value the company's shares.

Business Model & Forecasts

Right of Reply's business model, including market and financial assumptions, is as follows.

Digital Reputation Identity (DRI)

The DRI has to be acquired by every Right of Reply platform user. This is a blockchain Private Key and KYC process, given by Right of Reply Plc, which allows an individual to be registered with their reputation identity name on the Rorkey: Reputation Online Register. This is necessary to prove the identity of a person and allows them to exercise their right to reply to online content. There is an una tantum (one time) cost for every user that want to have access to all the Right of Reply products and services.

- The cost is **\$30 una tantum**

ROR business model

ROR services and tools allow a registered individual to reply to all content issued by authorised editors like online newspaper and bloggers.

There are 3 players targeted for monetisation of the product:

The ROR individual premium user (IPU): a person often cited in newspapers and blogs who generally has staff or a specialised company to reply on their behalf (i.e. celebrities/politicians). They are considered as a premium user and have to pay a fee to reply.

- This user will pay a monthly subscription **fee of \$500**

The ROR individual user (IU): a person cited by newspapers and blogs mainly in the context of a specific event or situation. Someone that is being put in a situation where they would like to exercise their right of reply but are not used to doing so or don't have the financial resources, the cultural capability or the knowledge to exercise a personal and constitutional right.

- This user, once registered and purchased the DRI, can reply to content **for free up to 10 times.**

The online editor (OE): a company that publishes authorised content online and is legally responsible for what they publish. Using the RoR system allows people to reply in a timely manner and with the same relevance. Thanks to RoR the OE reduces the time and cost related to the management of this important legal issue and offers readers more fair and truthful information.

To have the right to use RoR as a default reply system the OE has to pay an annual subscription fee and a nominal amount for every reply posted by the person cited - if there is a reply that means a reply was probably needed and thanks to that reply the OE sees their legal responsibility reduced to nil.

The OE will pay:

- An annual fixed subscription fee equal to **\$0.05 per reader** of the publication.
- a flat fee of **\$5** for every reply posted by someone cited in the publication.
- a fee of **\$100** if the reply is also included in a waiver of responsibility.

ROCC business model

ROCC services and tools allow a registered individual to amend their own credit report to correct mistakes and to contextualise the reason regarding a specific debt position expressed in the credit report. The credit agency will benefit from these corrections and amendments because they will reduce their legal responsibilities and offer their client a more precise report.

There are 2 players targeted:

The ROCC individual checked (ID): the person on which the credit report, credit score and financial history has been issued by a Credit Rating Agency, and who wishes to amend and correct the report.

- The ID will pay a flat **fee of \$5** to amend, contextualise and correct the credit report

The Credit Rating Agency (CRA): a company that issues credit reports and credit scores on individuals. In offering the ROCC system to individuals and by allowing them to amend, correct and contextualise their report in a timely manner and with the same relevance, the CRA is reducing their responsibility, time and costs related to the management of this important legal issue and offering customers the ability to provide fair and truthful information.

The CRA will pay:

- An annual fixed subscription **fee equal to \$0.05** per person checked.
- a flat **fee of \$10** for every amended post in the credit report.

RORKEY Business model

RORKEY services and tools allow a registered individual to reply to any post about them on any form of unregulated online content, such as a post on social media, by embedding their reply into their name once the DRI is used.

There will be 1 player.

The RORKEY individual replier (IR): a person cited in an unregulated post on social media, that would like to have the person writing about them use their DRI to allow them to reply to that post or to have the post removed by the social media manager.

This user, once registered and after purchasing the DRI, can reply to posts for 1 Reputation Token/RORK token (**1 token = \$1**).

Market and strategy assumptions

The business plan will focus on expanding services into the following markets over the next three years:

- 2019: RoR and ROCC services in Italy (pilot project and market).
- 2020: RoR and ROCC services in Italy and UK and launching the Reputation Token.
- 2021: RoR, ROCC and RORKEY in the USA.

Assumptions – Italian Market (2019)

- ✓ Number of online newspapers and registered blogs:
 - 8 major newspapers (>100,000 copies)¹
 - 145 online registered newspapers in 2003²
 - Active registered digital publications are 2,059³
- ✓ Number of readers of newspapers and registered blogs:
 - 34.2 million total digital audience⁴
- ✓ Number of potential IPU, cited daily:
 - 500 TV personalities
 - 300 digital personalities
 - 5,000 politicians (local and national)
 - 15,000 entrepreneurs
 - 1,000 sport and recreations
- ✓ Number of PR agencies
 - 150 registered⁵
- ✓ Number of individuals sporadically cited in newspaper and blogs
 - 15,000
- ✓ Number of Credit Agencies
 - 64 Banking & Finance registered institutions⁶
- ✓ Number of persons checked by credit agency
 - 51 million (80% Italian citizens)
 - 8 million (foreigners)
- ✓ Expected number of online newspapers and registered blogs offering RoR and their average number of readers:
 - 5 newspapers and blogs
 - 12 million readers
- ✓ Expected number of individuals replying by IU thanks to RoR:
 - 36,500/year (overall 100 replies a day in total)
- ✓ Expected number of individual professional users replying by IPU thanks to RoR:
 - 21,700 potential IPU 5% using RoR or 1085 IPU
- ✓ Expected numbers of credit agencies offering ROCC and number of persons checked:
 - 3

¹ <https://www.truenumbers.it/diffusione-giornali-in-italia/>

² https://it.wikipedia.org/wiki/Quotidiani_in_Italia

³ <http://www.elencopubblico.roc.aqcom.it>

⁴ <http://www.audiweb.it/news/comunicati-stampa/total-digital-audience-marzo2018.html>

⁵ <http://www.unicomitalia.org/chi-siamo>

⁶ <https://www.assofin.it/chi-siamo/le-associate.php>

- ✓ Expected numbers of individual checked persons (ID) willing to correct and amend credit reports
 - 58 million x 1% = 580,000 individuals
- ✓ Number of overall potentials DRI registrations
 - 34.2 million x 0.5 % of population = 171,000

Forecasts

Working with management and using the above assumptions we have put together forecasts for the 2019, 2020 and 2021 financial years (to December).

2019 revenue (9 months of operation)

- From DRI registrations 171,000 x \$30 x $\frac{3}{4}$ = **\$3,847,500**
- From IPU subscriptions 1,085 x \$500 x $\frac{3}{4}$ = **\$406,875**
- From newspaper subscriptions per reader: 12 million x \$0.05 x $\frac{3}{4}$ = **\$450,000**
- From newspaper on reply: 36,500 x \$5 x $\frac{3}{4}$ = **\$136,875**
- From Credit Agency subscription per reader: 59 million x \$0.01 x $\frac{3}{4}$ = **\$442,500**
- From Credit Agency on amend of credit report: 580,000 x \$10 x $\frac{3}{4}$ = **\$4,350,000**
- From Creditor on amend of credit report: 580,000 x \$5 x $\frac{3}{4}$ = **\$2,175,000**

For 2020, growth of 2.5 times the 2019 revenue figures is assumed, rising to 4 times the 2019 figures in 2021. We assume no corporation tax is paid until 2021 due to historic losses and a 19% rate in 2021. Our total P&L forecasts are presented in the table below:

Year to Dec	\$	2018	2019	2020	2021
ROR		0	993,750	3,312,500	5,300,000
ROCC		0	6,967,500	23,225,000	37,160,000
RORKEY (DRI)		0	3,847,000	12,823,333	20,517,333
BSS-ONE		1,758,125	2,450,000	2,600,000	3,000,000
TOTAL REVENUES		1'758'125	14,258,250	41,960,833	65,977,333
Cost of goods sold		-1,554,460	-8,554,950	-25,176,500	-39,586,400
GROSS PROFIT		203'665	5,703,300	16,784,333	26,390,933
CORPORATE COSTS					
Board of directors and officers		-72,000	-250,000	-700,000	-900,000
Audit and Legal		-125,000	-150,000	-280,000	-350,000
Market, listing, PR, expenses		-30,000	-200,000	-600,000	-900,000
TOTAL CORPORATE COSTS		-227,000	-600,000	-1,580,000	-2,150,000
OPERATING EXPENSES					
General and admin		-333,197	-250,000	-400,000	-1,000,000
Sales and marketing		-289,208	-2,000,000	-7,000,000	-9,000,000
Research and development		-42,219	-1,500,000	-1,500,000	-4,000,000
TOTAL OPERATING EXPENSES		-891,624	-3,750,000	-8,900,000	-14,000,000
PRE-TAX PROFIT		-687,959	1,353,300	6,304,333	10,240,933
Charity donations		0	-135,330	-630,433	-1,024,093
NET INCOME FROM SUBSIDIARIES		-2,993	148,000	365,000	480,000
Tax		0	0	0	-2,231,555
NET PROFIT TO SHAREHOLDERS		-690,152	1,365,970	6,038,900	7,465,285

Conclusion

While still in the early stage of its development, Right of Reply has an attractive suite of disruptive products in our view, which all solve a largely unmet need to growing problems. As discussed, online reputation management is an expanding market, important to both individuals and companies, with a large range of users around the world being potential customers of the company's products. If the business plan is followed, Right of Reply will be the first to market with its core offerings, with there being seven revenue potential revenue streams in addition to contributions from the investments in subsidiaries. The wider focus on advancing social good, combined with the charitable donations from profits, will be particularly attractive to socially conscious investors.

Peer analysis

With Right of Reply's market cap at IPO expected to be c.\$41 million, this represents a 2021 earnings multiple of just 5.5 times if the forecasts on page 18 are met. This valuation looks cheap, and to put it in context we take a look at a selection of Nasdaq listed software companies which are of a similar size to Right of Reply. Looking only at companies capitalised at up to \$150 million, and after removing outliers trading on a PE of over 200, we identify seven such companies which are profitable on a historic basis, presented in the table below.

Company	TIDM	Market Cap (m)	Historic PE
TSR Inc	TSRI	\$14.0	29.5
Image Sensing Systems Inc	ISNS	\$30.0	14
GSE Systems Inc	GVP	\$61.7	11.3
Evolving Systems Inc	EVOL	\$27.3	7.8
Finjan Holdings Inc	FNJN	\$135.0	7.4
VirTra Inc	VTSI	\$40.5	5.9
SeaChange International Inc	SEAC	\$62.7	4.4

Data source: Sharepad

We calculate a sector average PE multiple of 11.5 times. **Applying this multiple to our 2021 figures for Right of Reply would equate to a market cap of \$85.64 million, or \$31.10 per share, representing 109% upside from the IPO price. This suggests that significant potential upside is on offer to investors should forecasts be met.** A similar analysis of London-listed software companies (profitable, sub-£150 million market cap and removing outliers trading on a multiple of over 50 times earnings) shows an average sector PE multiple of 22.6 times. Applying this to our 2021 forecasts for Right of Reply suggests a valuation of \$61.58 per share, or 310% upside from the IPO price.

Name	TIDM	Market Cap (m)	PE
Eckoh PLC	ECK	£104.20	41.3
Pennant International Group PLC	PEN	£48.60	34.3
Oxford Metrics PLC	OMG	£94.30	30.2
Cerillion PLC	CER	£48.50	24.2
Gresham Technologies PLC	GHT	£107.60	23.9
Sopheon PLC	SPE	£102.10	23.6
Ingenta PLC	ING	£22.00	22.4
Quartix Holdings PLC	QTX	£124.30	21.3
Spectra Systems Corp	SPSY	£51.00	21.1
Arcotech Group PLC	ARC	£16.60	17.7
Pelatro PLC	PTRO	£23.90	17.2
Spectra Systems Corp	SPSC	£51.00	16.9
Smartspace Software PLC	SMRT	£18.70	11.7
SimiGon Ltd	SIM	£7.50	10.2

Data source: Sharepad

DISCLAIMER & RISK WARNING

It is the policy of ALIGN Research to only cover companies in which we have conviction in the investment case. Our “Conviction Buy” recommendation is derived from our conviction in either taking equity as payment for our research services, or applying our fee to the purchase of equity in a covered company whilst absorbing the cash cost of our freelance analyst payments.

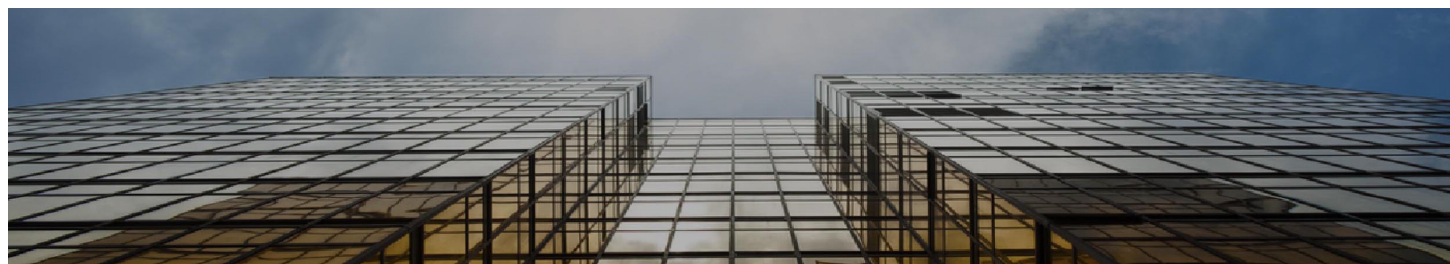
Right of Reply is a research client of Align Research. Full details of our Company & Personal Account Dealing Policy can be found on our website <http://www.alignresearch.co.uk/legal/>

ALIGN Research has made every reasonable effort to ensure the accuracy of the information in our research reports and on our website, although this can not be guaranteed. Our research reflects the objective views of our team of analysts. As we actively seek to take the majority of our fees by the way of equity payment in the companies we cover, we believe that we are aligned with both investors and the subject company. Additionally, we only write about those companies that we have conviction in. However, as a consequence of this alignment, our vested interest is in an increase in value of the subject company’s equity. As such, we can not be seen to be impartial in relation to the outcome of our reports.

ALIGN Research has both a personal & company dealing policy (covering staff & consultants) in relation to the dealing in the shares, bonds or other related instruments of companies that we follow & which adhere to industry standard personal account dealing (PAD) rules. ALIGN Research may publish follow up notes on these securities/companies but has no scheduled commitment and may cease to follow these securities/companies without notice. Our reports are not subject to any prohibition on dealing ahead of their dissemination by staff members.

Your capital is at risk by investing in securities and the income from them may fluctuate. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results. Nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell securities by us. As we have no knowledge of your individual situation and circumstances the investment(s) covered may not be suitable for you. You should not make any investment decision without consulting a fully qualified financial advisor. The marketability of some of the companies we cover is limited and you may have difficulty buying or selling in volume. Additionally, given the smaller capitalisation bias of our coverage, the companies we cover should be considered as high risk.

ALIGN reports may not be reproduced in whole or in part without prior permission from ALIGN Research. This financial promotion has been approved by Align Research Limited, which is authorised & regulated by the Financial Conduct Authority. FRN No. 768993. © 2018 Align Research Limited.



Align Research Limited
7 Moorhead Lane
ShIPLEY
UK
BD18 4JH

Tel: 0203 609 0910
E: info@alignresearch.co.uk