

Madison Holdings | 8057 HK

The blockchain story

The only Hong Kong-listed company with direct exposure to blockchain technology and cryptocurrencies

Actively acquires profitable cryptocurrency companies

Vision to become a full-suite blockchain technology services provider

Eying the global market. Madison Holdings is a Hong Kong-listed fintech company primarily engaged in two segments: cryptocurrency exchange and blockchain-assisted advisory and value added services. Its vision is to rapidly become a global fintech powerhouse, and in particular to become a full-suite blockchain technology services provider by 2H FY18. The company has made SPA announcements for 1) 20% equity stake in BitPoint, a major Japanese cryptocurrency exchange player, for c.HK\$362m and 2) 51% equity stake in Diginex, a cryptocurrency mining company with 2.2 megawatts of datacenters under management located across Asia and Europe, for US\$60m.

Profitable acquisition targets. The cryptocurrency industry is generally a profitable segment. Before Madison Holdings completes its acquisition of shares in BitPoint, BitPoint is wholly owned by Remixpoint (3825 JP, Not Rated). Management of BitPoint forecasts net profit of JPY13.9b (HK\$986m) for the year to Mar 2019, as it has seen rapid growth of customer accounts from 14,000 in Sep 2017 to 40,000 in Feb 2018. We also believe Diginex has achieved positive EBITDA.

Strategy and business model. Madison Holdings' strategy to become a full-suite blockchain technology services provider is rooted in a business model comprising of three components: (1) earn stable future cashflow by hedging cryptocurrency risk and leasing space and infrastructure to miners, (2) operate a cryptocurrency exchange platform, and (3) provide turnkey blockchain technology services such as crypto valuation and rating, ICO advisory and rating, investment banking, IR, and PR. The third component can be facilitated through Madison Holdings' financial services arm.



Non Rated

Current price:

HK\$1.69

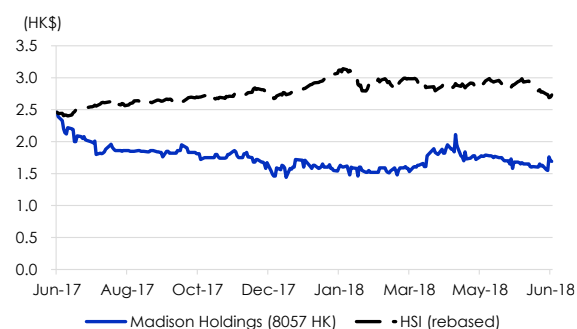
(as at 29 Jun 2018 mid-day closing)

Trading data

52-week range	1.35
Market capitalization (m)	6,878
Shares outstanding (m)	4,070
Free float (%)	35
3M average daily T/O (m share)	17.0
3M average daily T/O (US\$ m)	3.7

Source: Bloomberg, CCBIS

Share price vs HSI index



Source: Bloomberg, CCBIS

Stock performance

Performance over	1M	3M	12M
Absolute	2.4	(5.1)	(31.3)
Relative (%) to HSCEI	7.9	(0.8)	(42.2)

Source: Bloomberg, CCBIS

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Rating definitions:**Outperform (O) – expected return > 10% over the next twelve months****Neutral (N) – expected return between -10% and 10% over the next twelve months****Underperform (U) – expected return < -10% over the next twelve months****Analyst certification:**

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