

# GoldMoney Inc.

## Q2 Financial Results Analysis

(For Period Ended Sept 30 2015)



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The BitGold Files

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# Preamble

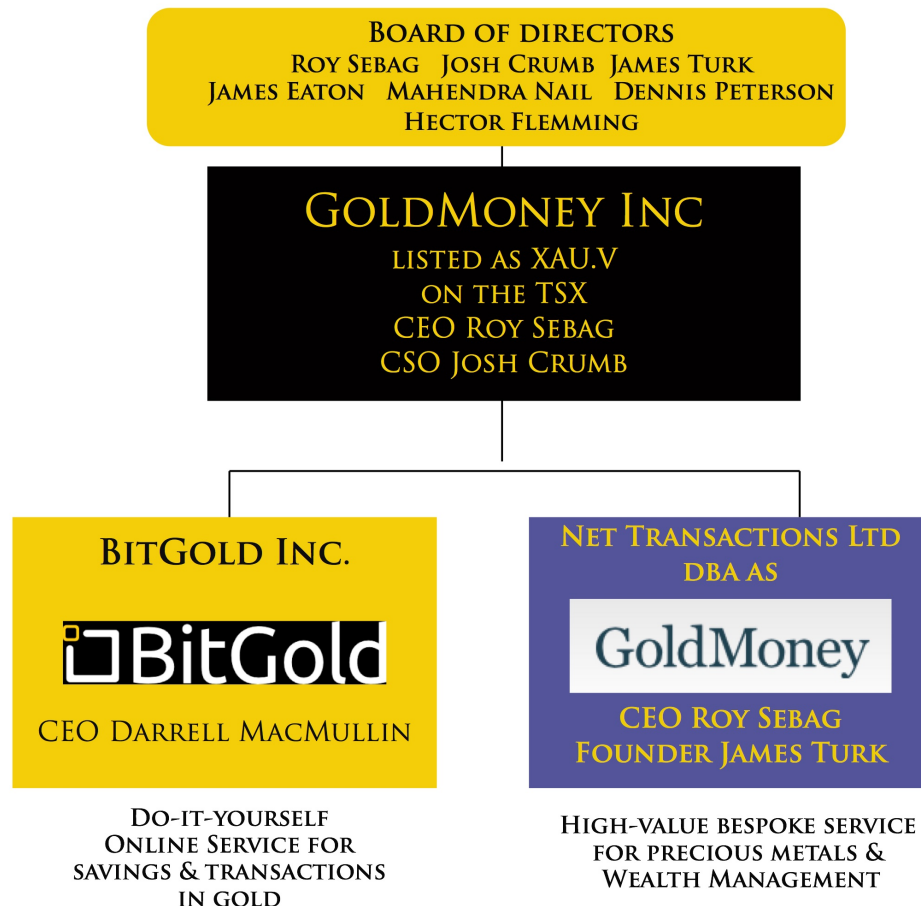
The official Q2 financial report issued by GoldMoney Inc. on November 30th, 2015, consists of two main documents:

1. GoldMoney Inc. Condensed Consolidated Interim Financial Statements - Three and Six Months ended September 30, 2015. (Expressed in Canadian Dollars. Unaudited.)

2. GoldMoney Inc. Management Discussion and Analysis for the Three and Six Months ended Sept 30 2015.

(Readers are strongly advised to read these reports carefully. They can be found at the Investors Section at [BitGold.com](http://BitGold.com) and on the Useful Links page at [TheBitGoldFiles.com](http://TheBitGoldFiles.com))

The only problem with such public company documents is that they are necessarily bound by accounting, legal and regulatory conventions. While they may make perfect sense to the Certified Financial Analysts out there, they often pose challenges for the non-professional reader.



Consequently, in this BitGold File our mission is to help the reader understand the Company's basic business model.

Q2 is the first public financial report since the acquisition of Jersey-based GoldMoney back in July by BitGold Inc. (now amalgamated under the group name of GoldMoney Inc. - see chart.)

Consequently, this quarterly report provides us with a baseline for understanding the combined Company. We will make liberal use of graphics and charts to build a picture of the company going forward.

## It's Been A Busy Six Months

In that period of time, The Company launched its BitGold platform and attracted 323,034 new users.

It raised over \$29 million of equity.

It acquired the GoldMoney precious metals business (with \$1.5 billion of customer assets under custody) for some \$59 million.

It improved its service offerings to allow people globally to buy, store and spend gold.

It hired additional key employees, including Darrell MacMullin the former head of PayPal Canada.

It strengthened its Board of Directors. In particular, James Turk, the founder of GoldMoney, brings extensive experience and credibility.

With all this activity going on in a new company, our challenge when examining the Q2 numbers will be to sort out what are "one off" or non-recurring items, from those items which will be an integral part of the company's business on a regular basis.

In the interest of clarity, we will consolidate some line items, lumping the small things into "other", especially when they are non-recurring or insignificant in amount.

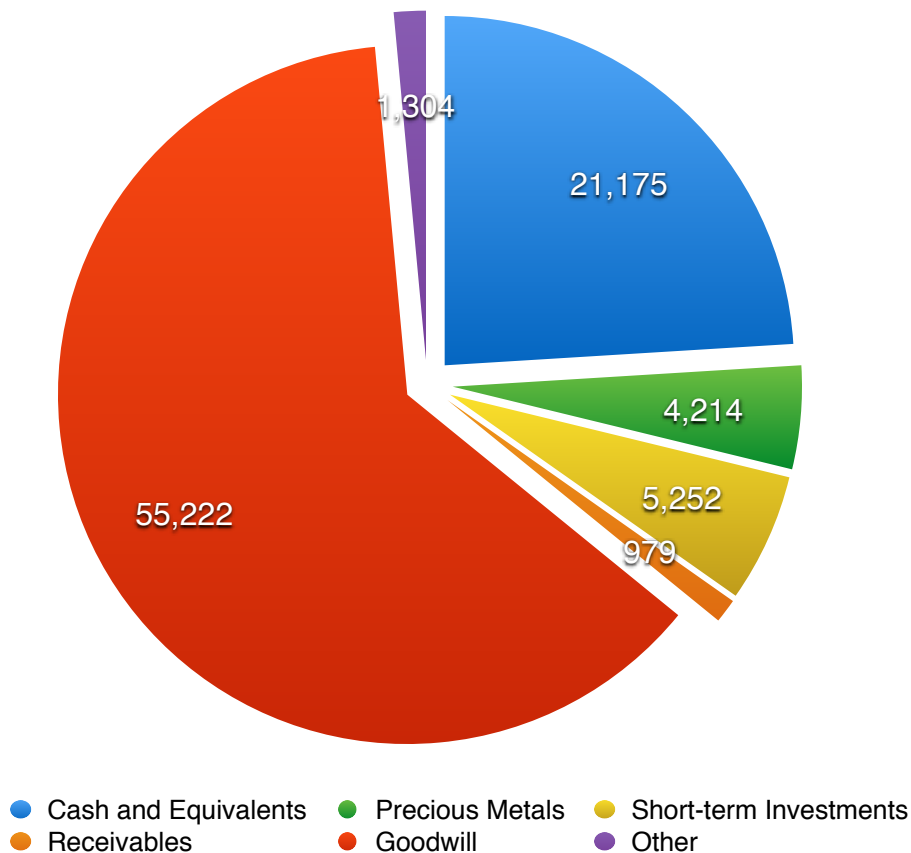


# The Balance Sheet

The first rule of any startup business is : DON'T RUN OUT OF CASH! Does GoldMoney Inc. have the cash to stay in business long enough to become profitable? An examination of the balance sheet helps us answer that key question.

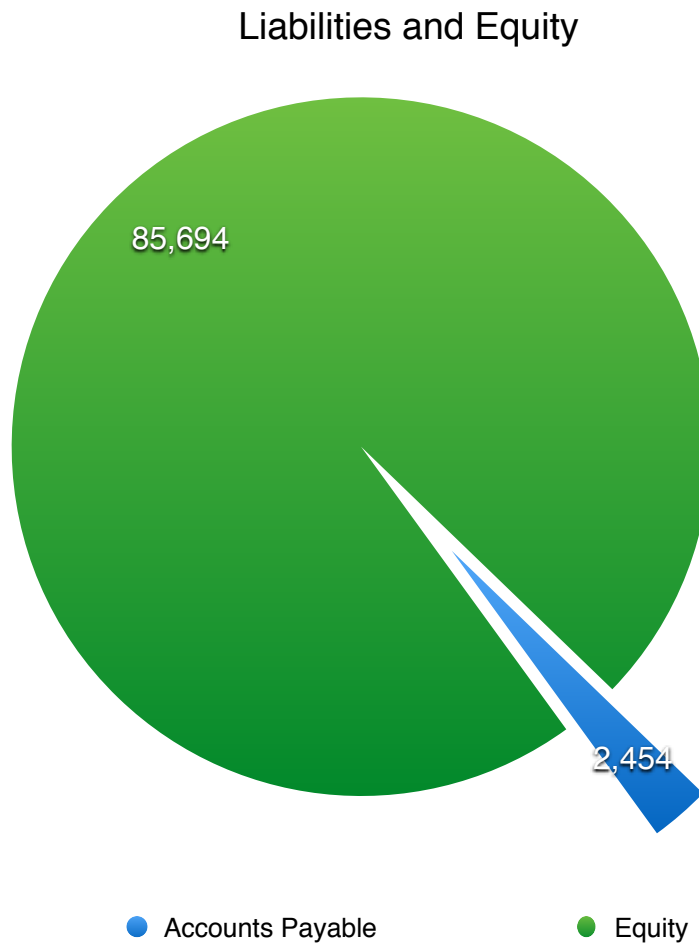
As of the end of September, the Company had over \$30 million of cash, precious metals and short-term investments with which to fund its business development. Against that, it had no long-term debt and \$2.45 million in accounts payable. This is a very strong balance sheet. With a Current Ratio of over 12, clearly the company will have no trouble paying its current bills. We shall later explore the issue of how long this cash can fund the Company.

ASSETS As Of Sept 30 2015 (in '000s)



The biggest asset on the balance sheet is the Goodwill from the GoldMoney acquisition. The trouble with Goodwill is you can't spend it. How should the Company value this asset? Note 4 of the financial statements points out that the Company will give themselves up to a year after the acquisition date to make adjustments to this figure, based on operating results and other factors. They caution that these changes could be significant. However, any write-downs would be accounting entries, and would not consume any cash.

On the other side of the Balance Sheet are \$2.4 million in accounts payable and the rest is shareholder equity.



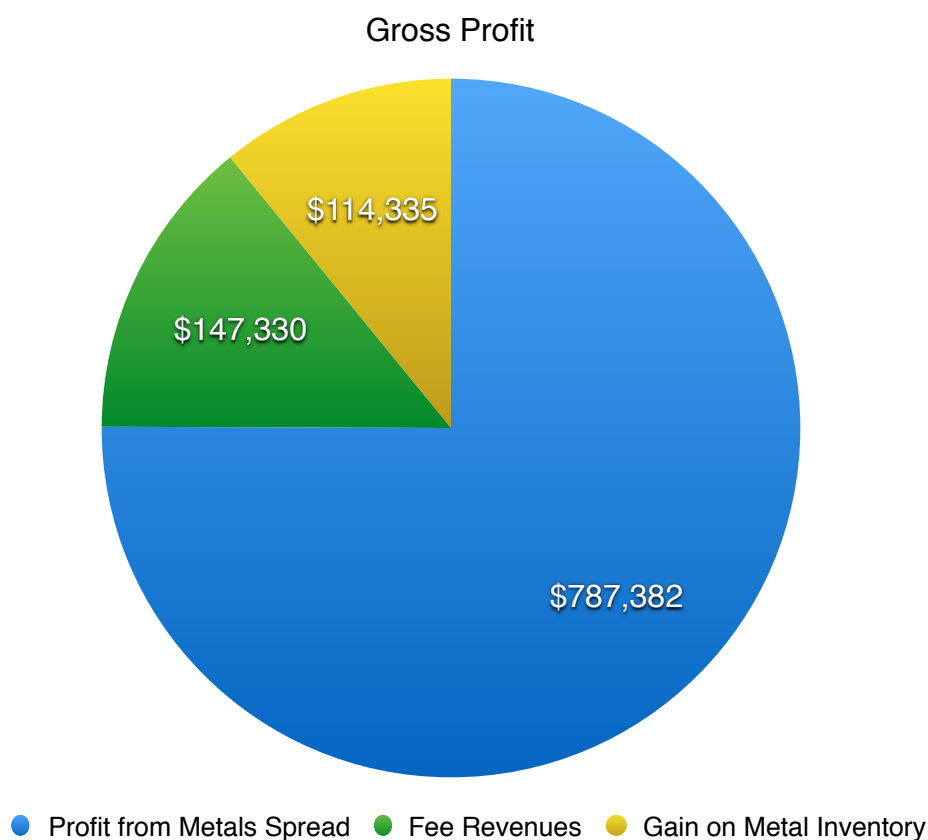
There were 52,432,601 common shares outstanding as of September 30th. Equity per share was \$1.63 and cash and equivalents per share was \$0.57.



# The Statement of Loss for Q2

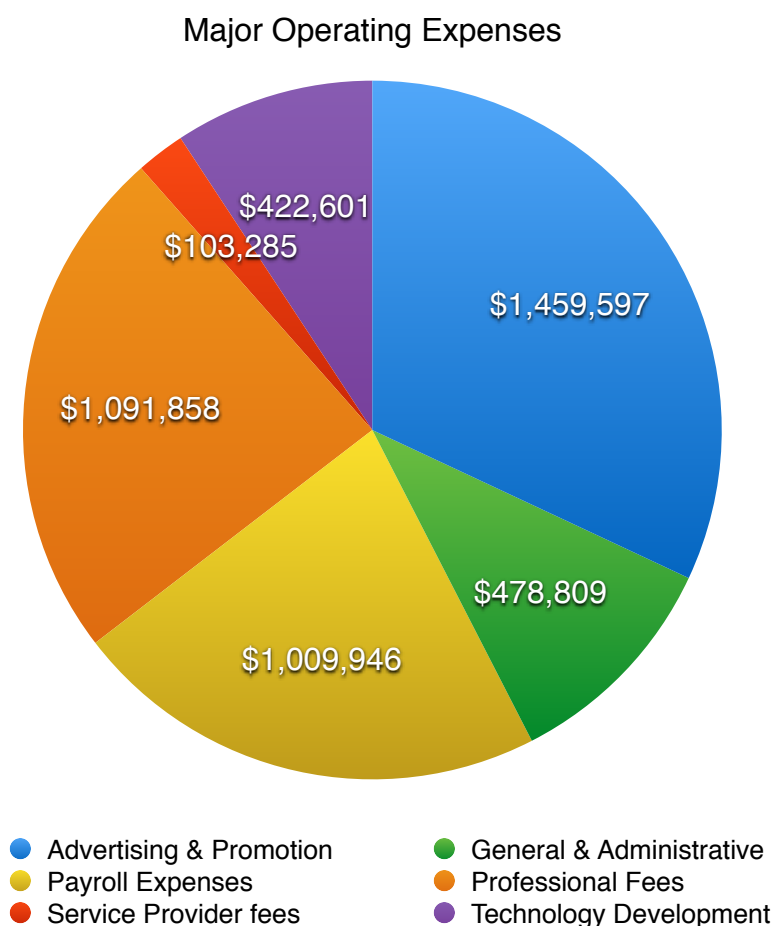
The Company only launched its services in May and had no previous applicable operating history. It is still essentially in startup mode. Additionally, the very idea of digitally-enabled gold money is new to most people. Losses were expected and losses were incurred. Since Q2 was the first quarter to include both Bitgold and GoldMoney business divisions, we will focus on the Q2 three-month operating period and not the six-months' numbers. (Note that the Company's fiscal year end is March 31st.)

We start by looking at Revenues. The gross revenues were reported at \$66,247,974. We, like many other analysts, will simply deduct the Cost Of Sales (\$65,460,592) for the metals purchased on behalf of clients and focus instead on the net number or Gross Profit, since this is the amount the Company actually gets to use. Gross Profit was \$1,049,047 with the following components...



Over time we expect the spread and fee revenues to grow as the user base increases and the gains on metal inventory to diminish in relative size. The revenues per user are still at a very low level but we expect them to increase over time as users build understanding of and confidence in the platform and as new features are added.

Against the Gross Profit were total charges of \$5,935,449 of which the major Operating Expenses were...



**With adjustments, the Total Comprehensive Loss for the three-month period was \$4,886,402 which works out to \$(0.09) per share.**

**The per share loss for the six-month period was \$(0.18).**

## A Look at Ongoing Operating Costs

If we are to use this quarter's results as a baseline for future quarters, we need to make some adjustments based on the financial notes and Management's Discussion of those results.

**Advertising & Promotion** - These expenditures are being made to increase the client base as rapidly as possible, especially on the BitGold side of the business. The objective is to reach a critical mass of users and gain network effects. It seems to be working in that they reached over 500,000 clients in November and the acquisition cost per client is declining. We assume that the ongoing budget for Advertising & Promotion will be maintained or increased.

**General & Administrative** - We expect these costs to grow modestly in line with the overall growth of the business. Being a Cloud type business, the Company does not need extensive physical facilities.

**Payroll Expenses** - There were some \$530,000 of one-time severance costs related to the acquisition of GoldMoney. So payroll levels next quarter will be much lower and then grow in line with new hires.

**Professional Fees** - The bulk of the professional fees were non-recurring and related to the acquisition of GoldMoney. They will drop significantly next quarter. However, the Company operates globally in a heavily regulated and complex environment, so professional fees will be an ongoing feature of doing business.

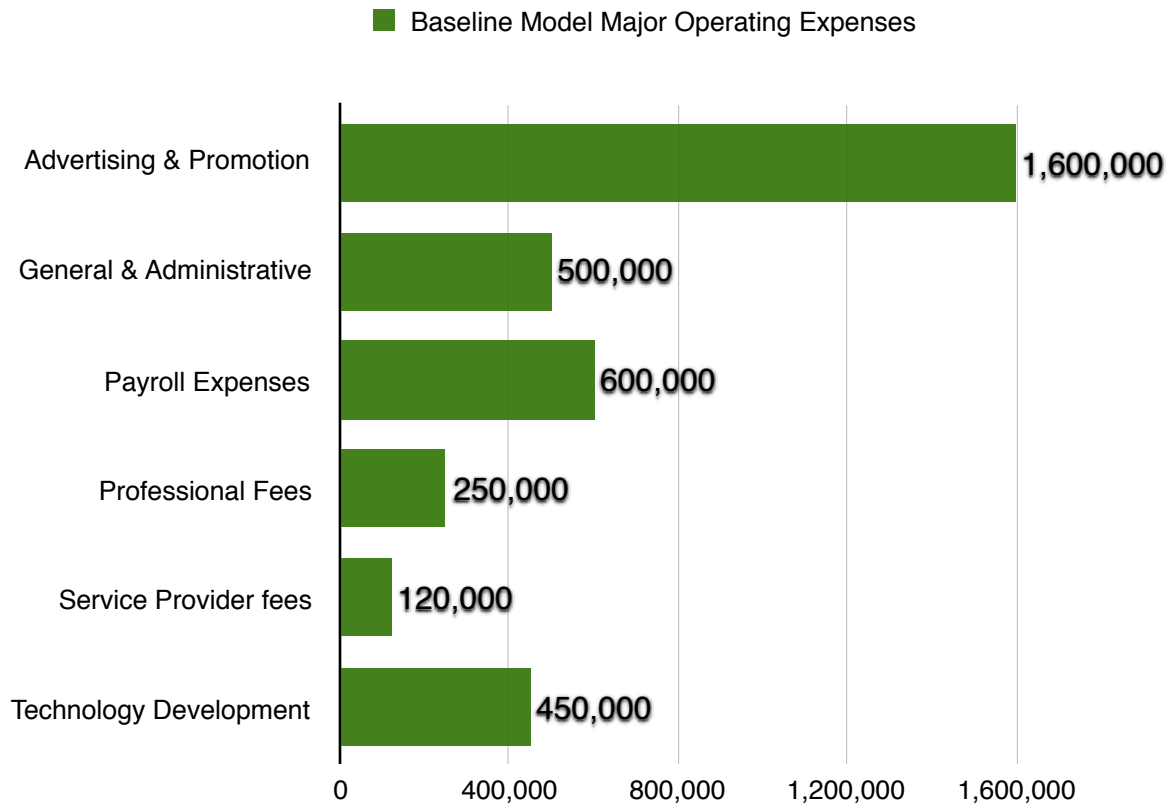
**Service Provider Fees** - ongoing and growing modestly. The Company operates an Internet-based business and will need lots of computing power to service its growing client base.

**Technology Development** - Management has ambitious plans to add new features to its technology platform. These include Merchant Services and a new Software Development Kit (SDK) for developers. We expect this line item to grow modestly over time.

In the last section, we shall create a hypothetical model to explore the critical issue of how much time does the company have to become profitable or be forced to raise more cash.



## A Possible Baseline Quarterly Operating Cost Model



which would total **\$3,520,000 per quarter or \$1.17 million per month.**

**Last quarter the business generated cash of about \$350,000 per month.**

So at those levels, the company would be consuming about \$820,000 of cash per month. If nothing changed that represents **37 months before the company would run out of cash.**

It is our opinion that GoldMoney Inc has a generous amount of time to reach positive cash flow with its existing business model, given its strong balance sheet and its rapidly growing user base.

We shall use Q2 as the baseline against which to measure future progress. The combination of gold money and advanced technology makes for a most intriguing proposition. Q3 ends December 31st after which we will produce our next report to see how GoldMoney Inc. is doing.