



## Equities in the 2020s

Halo Technologies (ASX:HAL) is an online equities research and trade execution software solution. Halo's products - HALO Professional, HALO Global, HALO Trading, Thematic Portfolios & Mobile Trading App – allow a seamless experience for any investor seeking to discover investment opportunities and act upon them.

### A class above its peers

Halo Technologies differs from many of its industry peers - publicly-listed and private companies alike. The majority of investing platforms launched to date have tended to be at younger investors that typically make smaller investments. Halo's solutions are aimed at more experienced and sophisticated investors (individuals, self-managed super funds and financial adviser networks). It has diverse revenue streams with subscription sales, brokerage and management fees.

### Going for growth

Halo was founded in 2018 and listed in April 2022. The company has undergone significant growth with Funds Under Management (FUM) increasing by 80% in the last 12 months. The company has undertaken several strategic moves to bring more clients onboard. In particular, it recently signed an agreement with a Sydney-based dealer group of 25 Corporate Authorised Representatives offering personal advice to established client books. The business is seeing a steady inflow of new B2B clients signing up to use the platform. It launched a new investing data software vertical for the property market. And it took early steps towards entering international markets. In particular, it bought London-based financial services entity Resilient Fund Managers to gain a footing in that market.

### Valuation of A\$0.33 per share

We value Halo Technologies at A\$0.33 per share in our base case using a Sum of the Parts Valuation. We think Halo can increase shareholder value through continued growth in FUM, the successful expansion into overseas markets like the UK, enhancements to the platform that enhance the value proposition to customers and the company edging towards both EBITDA and bottom line profitability. Please see page 7 for the key risks.

Share Price: A\$0.072

ASX: HAL

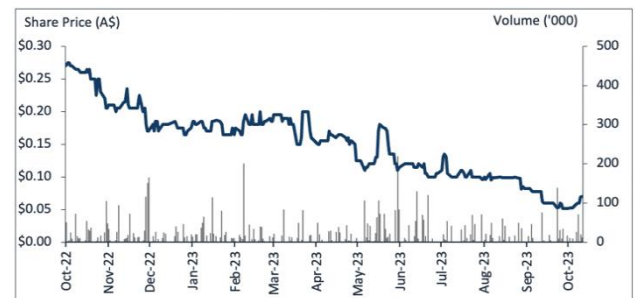
Sector: Technology

25 October 2023

Market Cap. (A\$ m)	9.3
# Shares outstanding (m)	129.5
# Share fully diluted (m)	129.5
Market Cap Full. Dil. (A\$m)	9.3
Free Float	100%
12-months high/low (A\$)	0.30/0.052
Avg. daily volume ('1000)	23.8
Website	<a href="https://halo-technologies.com">https://halo-technologies.com</a>

Source: Company, Pitt Street Research

### Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: Refinitiv Eikon, Pitt Street Research

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**Analysts: Marc Kennis, Nick Sundich**

**Tel: +61 (0)4 4724 7909**

**[Marc.kennis@pittstreetresearch.com](mailto:Marc.kennis@pittstreetresearch.com)**

**[Nick.Sundich@pittstreetresearch.com](mailto:Nick.Sundich@pittstreetresearch.com)**



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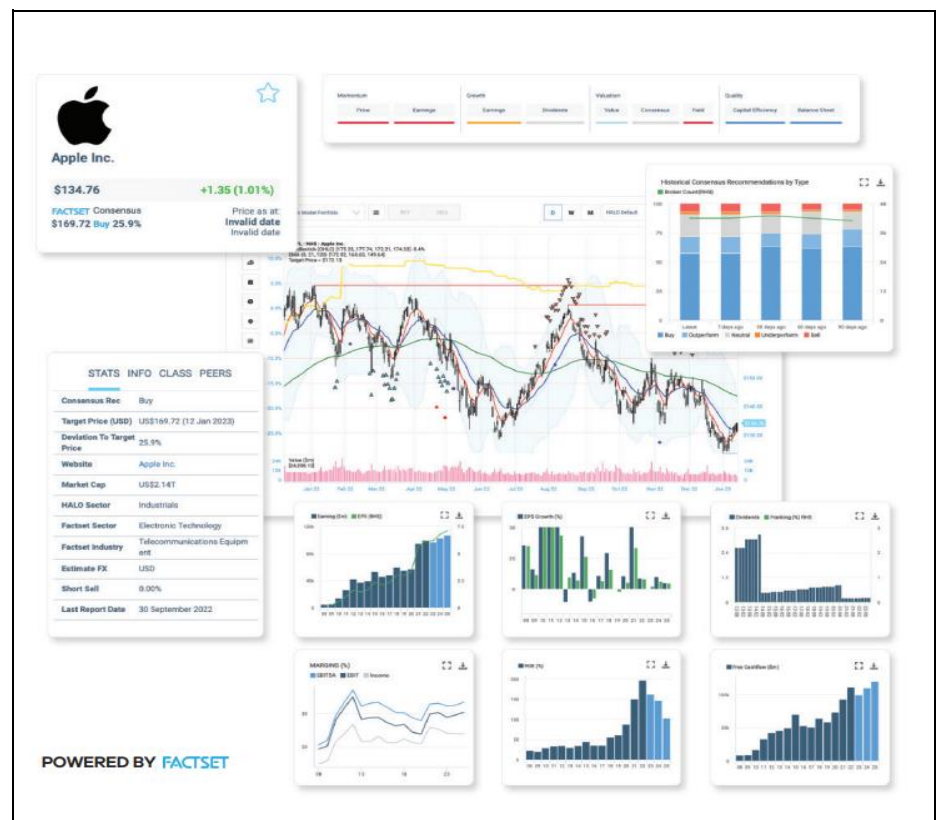


## Introducing Halo Technologies (ASX:HAL) and its Platforms

*Halo Technologies is an online equities research and trade execution software solution.*

**Who is Halo Technologies (ASX:HAL)?** Halo Technologies is an online equities research and trade execution software solution. It has the richest ‘all-round’ product suite with so many features (including portfolio analysis, consensus data, stock research and trade execution capability) and all in a single integrated investment software solution (Figure 1).

Figure 1: Examples of the data HALO has available to its clients



Source: Company

### Halo’s products

**HALO Professional:** A solution for financial advisors providing them with institutional-grade investment intelligence, bulk trade mechanisms and client management features.

**HALO Global:** A multi-functional research and investment software solution comprised of company analysis, as well as portfolio management and technical analysis tools.

**HALO Trading:** A lighter-weight, free for retail, paid for by Professional users, version of HALO Global which offers global trade execution for individual company and ETF investment and transaction feeds from non-HALO platforms. It is available in desktop and mobile format and enables investors to trade 35,000 shares and ETFs across 30 global exchanges.

**HALO Property:** This product provides insights into the Australian residential property market, providing insights to property investors and enabling them



to make better decisions. It provides performance data as well as forward predictions, other economic indicators as well as performance indicators for individual suburbs (thus enabling investors to identify the suburbs that best match their objectives).

**HALO Reports:** Halo has a suite of investing reports that are available on a standalone subscription basis. They are authored by Halo's Head of Global Equity Research Clay Carter and his research team.

The latter two products operate as features of the broader HALO platform. The platforms allow a seamless experience for any investor seeking to discover and research investment ideas, execute them, add thematic portfolios, and access market analysis.

## Vues

Additionally, Halo provides ready-to-invest proprietary thematic portfolios, known as 'vues', which is a unique offering to investors. Investors in vues maintain beneficial ownership of their underlying position and benefit from active management of portfolios by expert analysts and in-built administration tools. This differs from conventional fund managers where the fund manager owns the underlying position in any stock held in a fund.

Halo's 'vues' are an offering unique to Halo. There are no ongoing performance or administration fees to clients (just a competitive administration fee) and the investment committees monitor them daily and give comprehensive reviews every 3 months. The current portfolio of vues stands at 29 and many have delivered stellar 12 month returns. Some of these include:

- **Tech Stars**, which covers the 10 largest technology companies in the US. It has returned 61.12% in 12 months.
- **Artificial Intelligence**, which invests in companies that are set to benefit substantially from AI. Those companies don't just use AI, but AI is set to become a significant percentage of their revenues. This vue has returned 47.96% in 12 months.
- **Video Games and E-Sports**, which invests in companies benefiting from the use of social media generally. It has returned 40.17% in 12 months.
- **Big Oil**, which invests in companies that are the biggest players in the oil and gas industry. It has returned 35.94% in 12 months.

## Halo's market and business model

Halo's products are aimed at self-directed investors (both individuals and self-managed super funds) and financial adviser networks. These tend to be older and wealthier than users targeted by most other execution platforms in Australia (i.e. 55% were over 60s and a further 20% were 50s).

Halo sells mostly through B2B resellers, entering into distribution, reselling or co-branding agreements with them to distribute HALO products to their own clients. It shares subscription revenue with resellers and works collaboratively to ensure a high standard of user experience, minimising attrition.

Halo generates its revenues from 3 streams:

- Subscription sales from its various products.
- Brokerage (at a rate of 12 basis points or \$15 minimum for any execution across any of the 30 exchanges that are offered)

*Halo's 'vues' are an offering no other company has in the market.*



- FX fees (where applicable)
- Interest income on client cash balances
- Management fees, which are 0.8% per annum of FUM, an amount calculated daily and charged monthly.

## Omnibus

Omnibus is the company's technological system with account management and trading systems. Trading execution is achieved via an omnibus agreement and execution interface with Interactive Brokers. Normally each client would deal directly with IB operating under their custodial structure, however, with Halo, the client solely faces and interacts with Halo. The fee structure for Halo clients trading shares (both Australian and international) is the greater of \$15 or .12%.

## The key ways in which Halo stands out from its competitors

Halo has the following competitive advantages compared to other platforms:

- It has in-house research capabilities that sit alongside the trading platform.
- It has higher-margin high-net-worth customers - the average portfolio size is \$500,000.
- It is driven by feedback from platform users, both advisors and self-managed investors alike.
- It takes a significant portion of the administrative paperwork out of clients' hands with automation capabilities.
- It has multiple revenue streams.
- Its 'vues' (ready-to-invest proprietary thematic portfolios) are unparalleled as an offering to investors.
- Halo VIP; a high touch client centric offering for clients requiring additional assistance.
- A variety of B2B productivity tools, including; AML Agency for client onboarding; Bulk client upload, allowing entire clientbases to be uploaded to the platform automatically; and Bulk order functionality for advisers placing trades across many client accounts.
- The broadest equity offering available in the Australian market, with research tools and trading accessible for 35,000 stocks across 30 exchanges globally.
- Client portfolios in excess of \$3.5bn loaded onto the Halo platform, which has acted as a pipeline for conversion into new trading accounts and FUM on the platform.

## Halo's growth plans

Halo's growth strategy has three pillars.

- Organic growth through targeting of financial advisers and shadow brokers,
- Expansion of service offering and technology enhancements to drive increased revenues, and



- Strategic acquisitions, with an established team in place in the UK conducting DD on over 40 businesses with over \$1bn in FUM.
- New product types; with unlisted managed funds due to be added soon.
- Performance fees on model portfolios
- Low touch portfolio products
- The introduction of a one off share sale business

## Steps taken since listing

*Since its listing, Halo has taken several steps to position itself for future growth.*

Since its listing, Halo has taken several steps to position itself for future growth. Among them:

- Signing an exclusive 3-year collaboration agreement with Forbes Australia to receive extensive marketing and event opportunities, including on the Forbes Australia website, magazine and relevant events.
- Signed an agreement with a Sydney-based dealer group with 25 Corporate Authorised Representatives offering personal advice to established client books.
- Signed its first direct agreement with an individual Corporate Authorised Representative, in a deal representing ~A\$300m of client funds under management (FUM).
- Launched a new investing data software vertical for the Property market.
- Took early steps towards entering international markets, particularly the UK.

## The UK market opportunity

In mid-February Halo bought London-based financial services entity Resilient Fund Managers to enter the UK and European markets. This deal was approved by regulators in late September 2023. It allows Halo to operate by leveraging Resilient's existing regulatory structure – its Financial Conduct Authority (FCA). It also is a starting point for future acquisitions and distribution agreements in Europe.

Buying a business with an existing FCA license is very advantageous for Halo, putting it in a better place than it would be if it had to secure a license on its own – a process that would be expected to take in excess of 12 months (if approved at all) and cost hundreds of thousands of pounds. The FCA enables it to:

- Hold and control client money
- Advise on investments (Except on pension transfers and opt outs)
- Arranging deals in investments with customers including eligible counterparties, professionals and retail investors
- Arranging safeguarding and administration of assets
- Dealing in investments as the agent
- Managing investments
- Safeguarding and administration of assets (without arranging)
- Agreeing to carry on a regulated activity.

Halo has hired a new UK MD, with details to be announced in due course, he is well known in the UK market with a proven track record in stockbroking and as a tech platform executive.



**What could the opportunity be for Halo?** It is difficult to tell although the market is significantly larger than Australia. Upon analysis Halo is far more advanced holistic portfolio than anything available in the UK. This is further demonstrated by the pipeline of clients that are awaiting the launch of the platform in the UK to use it.

## How does Halo compare to peer companies?

It is difficult to address peer companies because many in the industry are unlisted and many listed companies that may appear similar to Halo actually are not. The closest comparable company is probably Selfwealth (ASX:SWF) which is a trading and brokerage platform. However, there are some important differences including that Halo has more revenue streams beyond low-margin brokerage revenue including FX conversion fees, model portfolio fees and subscription revenue. Hub24 (ASX:HUB) and Netwealth (ASX:NWL) are even further different because they are not investor directed portfolio services. Yet Halo is a more cost-effective solution than these for global investing.

## Valuation

We value Halo on a Sum of the Parts basis at 33.0c per share in our base case.

**Core business:** We value the core business at 22.2c per share. This is based on a Market Cap to (trailing) Revenue valuation of 2.5x in our base case. Our bull case allocates a 3.0x multiple. At the current share price, Halo is trading a multiple of 0.6x. We see significant potential for a re-rating of the company. We may revisit this valuation based on the progress Halo makes in the UK and other markets given their high growth potential

**Stake in DomaCom:** Halo owns 59.5m shares in fractional investing platform DomaCom (ASX:DCL), equating to a 13.7% stake. At the current market capitalisation of \$6.5m, Halo's stake is worth \$893,198.19.

**Cash on hand:** This was A\$13.5m as at the end of FY23.

Figure 2: Halo valuation

Halo core business valuation (A\$m)	Base Case
Multiple (Market Cap to Revenue)	2.5x
<b>Value of core business (A\$m)</b>	<b>28.3</b>
<b>Stake in Domacom (ASX:DCL) (A\$m)</b>	<b>0.9</b>
<b>Cash on hand (as at June 30, 2023)</b>	<b>13.5</b>
Sum of the Parts Valuation of Halo (A\$m)	42.7
Shares on issue (m)	129.5
<b>Implied price (A\$ cents)</b>	<b>0.33</b>
Current price (A\$ cents)	0.07
Upside (%)	358.3%

Source: Pitt Street Research, Capital IQ

*We value Halo at 50.0 per share in our base case*



*We see four main ways in which Halo can increase shareholder value.*

## What are the potential value uplifts?

We see four main ways in which Halo can increase shareholder value.

- **Expansion into overseas markets.** The overseas equity markets offer a larger market opportunity for Halo than in Australia. Penetration of these markets would lead to more revenue for the company. As we have noted above, we are particularly excited about the UK market given the steps it has taken to penetrate the market.
- **Continued growth in FUM.** With many large cap fund management or investment platform stocks witnessing declines in FUM over the last couple of years, a continued defiance of the trend by Halo would lead to increased interest from investors.
- **Halo eventually moving towards profitability.** Halo expects to be EBITDA positive in 1HY24. We see Halo's bottom line entering positive territory as another eventuality that would have a significant impact on investor sentiment towards the company. Cash flow negative companies have been shunned by investors more than their peers due to the increased costs to companies in procuring debt finance and potential difficulty in securing equity finance.
- **Enhancements to the platform that enhance the value proposition to consumers.** We see potential for the company to gain new customers as it continues to develop the Halo platform, adding new features that offer more value for customers.

## Key risks

We see the following key risks associated with Halo Technologies:

**Competition risk** – The wealth management industry is highly competitive with countless solutions for investors and, consequently, countless competitors. There is the risk that these competitors (including traditional fund managers and other stockbrokers) are able to take some of Halo's business or inhibit Halo's growth.

**Regulatory risk** – Halo's industry is highly regulated and there is the risk that regulations change to the detriment of Halo. In particular, Halo's ability to do business in the way it does now is contingent on its Australian Financial Services License (AFSL).

**Technology risk** – There is the risk that Halo's technology fails to deliver optimal outcomes for the business. In particular, we note the risks of obsolescence, cybersecurity risks as well as the risk that the omnibus agreement with Interactive Brokers is torn up.

**Key personnel risk** – There is the risk that Halo loses key individuals and is unable to replace them and/or their contribution to the business.





## Appendix I – Halo’s Management

**Matthew Roberts, Managing Director** – Matthew is a highly-experienced executive with a career of over 20 years in financial services. He has specialised in unique business structures, mergers, acquisitions, and the growth and development of companies in Australia, Europe, and the United States. He is also a Director of diversified financial services business AIG Group.

**George Paxton, CEO** – George is an experienced finance executive and has spent more than 15 years working in financial services with experience across research, funds management and corporate finance across different geographies, including Europe, Asia, and the USA. He has been involved in the creation of investment research products since 2006, on both institutional and retail or High Net Worth (HNW) side. In Australia, he has worked in equities research delivering research for a predominantly retail and high net worth client base, as a portfolio manager of investment products for retail investors, and at Halo since its inception. He is a CFA charterholder, is RG146 Compliant and holds a BA (Hons) in Law & Economics from Queen Mary University of London.

**Ivan Oshry, Non-Executive Director** – Ivan has 30 years of experience of legal practice in Australia and internationally, specialising in commercial and corporate law. He has advised on a large number of transactions for both listed and unlisted entities and has been a guest speaker at various local, interstate and international seminars dealing with mergers and acquisitions and equity capital market topics. Ivan holds a Bachelor of Arts and LLB degree from the University of Natal and higher diplomas in Company Law and Tax from the University of Witwatersrand. He is also a fellow of the Securities Institute of Australia.

**Philippa Lewis, Non-Executive Director** – Philippa has over 20 years’ experience serving public and private companies as a chair and non-executive director. She has founded and managed both private and public start-up companies, and has experience in product development, product commercialisation and disruptive technology.

**Nicolas Bryon, Executive Director** – Nicolas has been involved in creating management information systems since his career began with Qantas in 1995. He brings substantial experience in managing development teams to deliver world-class products and infrastructure, as well as providing the financial market and trading system knowledge to deliver world class applications that retail, high net worth investors and advisers alike require to manage their day-to-day investing activities. He has been involved in analysing companies and managing portfolios in financial markets for more than 20 years in various capacities. He holds a BSc (Hons) from Macquarie University.

**Peter Oxlade, Non-Executive Director** – Peter joined the board in October 2023. He is a highly experienced senior executive with more than 40 years’ experience in financial markets, specialising in derivatives and leveraged products. He gained his initial experience working in stockbroking and foreign exchange broking before moving into senior management roles. He has successfully established retail and institutional business units for several global financial companies and helped pioneer the popularisation of Contracts for Difference (CFDs) in Australia and the Asia Pacific.



## Appendix II – Analyst certification

Nick Sundich, lead analyst on this report, is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful of corporate advisory firms.

Marc Kennis has been an equities analyst since 1996.

- Marc obtained a Master of Science degree in Economics from Tilburg University, Netherlands, in 1996 and a post-graduate degree in investment analysis in 2001
- Since 1996, he has worked for a variety of brokers and banks in the Netherlands, including ING and Rabobank, where his focus has been on the technology sector, including the semiconductor sector
- After moving to Sydney in 2014, he worked for several Sydney-based brokers before setting up TMT Analytics Pty Ltd, an issuer-sponsored equity research firm
- In July 2016, with Stuart Roberts, Marc co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including technology companies

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