



ROCKETFUEL BLOCKCHAIN, INC.

Company, Crypto eCommerce News to Drive Shares Toward 52-Week High

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ROCKETFUEL BLOCKCHAIN, INC. (OTCQB – RKFL - \$1.05)

Industry: FinTech

6-12 Mo. Price Target: \$6.15

COMPANY SNAPSHOT

RocketFuel Blockchain, Inc. is global payments processing company offering highly efficient 1-click check-out solutions to eCommerce merchants and their customers. RocketFuel’s solution focuses on enhanced customer privacy protection eliminating the risk of data breach while improving speed, security and ease of use. RKFL users are able to enjoy seamless check-out using their favorite cryptocurrencies or direct bank transfers and forget the clunky cart and card paradigm of the past. RKFL merchants are able to implement new impulse buying schemes and generate new sales channels unavailable in current eCommerce solutions.

KEY STATISTICS

Price as of 7/23/21	\$1.05
52 Week High – Low	\$5.75 - \$0.50
Est. Shares Outstanding	25.0M
Market Capitalization	\$26.2M
Average Volume	37,739
Exchange	OTCQB

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

The Bottom Line: Since our coverage initiation three months ago management has achieved its publicly stated, near-term objectives regarding product development, merchant implementations, and revenue. This accomplishment is impressive for an early-stage firm. Looking ahead, new, significant product feature news, and very favorable crypto eCommerce industry trends could drive RKFL’s shares toward its 52-week high of \$5.75, a 300% gain during 3Q21.

Key Differentiating Features Drive Deployment. RKFL is an early mover as a global provider of blockchain based one-click online consumer payment options using Bitcoin and 50+ other cryptocurrencies. What sets RKFL apart are two key features. RKFL is the first cryptocurrency payment service to provide a seamless one-click checkout experience. Plus, RKFL just introduced what it believes to be the industry's first "Price Settlement Guarantee," which allows merchants to always receive deposits equal to the listed price of goods sold without being affected by crypto-to-fiat exchange rate changes. This is a huge advantage over competing methods.

RKFL Benefits From Crypto eCommerce Trends. According to a June 2021 cryptocurrency payments industry report, nearly one-quarter of the 8,000 consumers surveyed noted that they have used crypto as method of payment, not just investment. Based on current trends, this number is set to move markedly higher, indicating huge upside for RKFL’s prospects.

Adoption and Valuation. It is expected that major nations’ central banks (e.g US) will follow China’s and other nations’ lead and announce a digital version of their own FIAT currency. These steps will validate the entire ecosystem and accelerate demand, adoption, and growth for crypto as a payment solution. Moreover, it could serve as a critical catalyst to increase RKFL’s valuation dramatically.

THE RKFL DIFFERENCE

Blockchain payments innovator **RocketFuel Blockchain, Inc. (OTCQB – RKFL)** is poised to transform the global eCommerce industry, in our view. The Company is an early mover as a global provider of one-click online payment options using Bitcoin and dozens of other cryptocurrencies. Moreover, RocketFuel is the first cryptocurrency payment service to provide a seamless and elegant one-click checkout experience that today's digital and mobile-centric consumers have come to expect from eCommerce marketplaces, such as **Amazon (NASDAQ – AMZN)**.

Following up on its one-click checkout feature, which is a major differentiator, RKFL recently introduced what management believes to be the industry's first "Price Settlement Guarantee." This feature allows merchants to always receive deposits equal to the listed price of goods sold without ever being affected by crypto-to-fiat exchange rate fluctuations. As soon as the customer pushes 'send,' RocketFuel locks in the price at the current exchange rate and settles the transaction at that rate, regardless of how the market has fluctuated in the interim. Thus, RocketFuel is the only crypto payments solution provider that guarantees merchants will receive full settlement for the price of goods or services purchased.

Similar to foreign exchange transactions, incoming cash deposits from crypto payments can fluctuate due to volatility in conversion rates, which makes it challenging for merchants to receive the full listed price of the product after an order is placed. When this happens, merchants are forced to either accept the lower settlement, contact the customer to request additional funds or decline the transaction altogether -- all of which negatively impacts merchants and makes it difficult to forecast profitability. The new feature ensures that merchants enjoy all of the benefits that crypto payments provide - low fees, fast cross-border transactions, no chargebacks, and no declines while being protected from any downside risk in exchange rate fluctuations.

Clearly, the Company offers significant advantages over competing methods, which is reflected in new customers sign-ups (up to five) with a number of other waiting in the wings during Q3 and beyond.

The RocketFuel platform, based on patent-pending technology, enables merchants and consumers to easily complete payment for goods and services using 43 different cryptocurrencies or direct bank transfer in a completely secure environment. A significant benefit of the Company's approach is that the entire shopping cart checkout process can be executed via a distributed ledger or blockchain. Thus, merchant websites will no longer be required to operate complex, and costly payment and check-out infrastructures. With the one-click checkout used on RocketFuel-partnered sites, consumers will enjoy unrivalled convenience .

As is typically the case with new technologies and applications with a broad scope, we expect early adopters to dominate usage during 2021 as online merchants shopping cart and payment solutions providers implement the crypto acceptance functionality, with mass market utilization occurring in 2022. With estimates suggesting that the number of (non-Facebook) crypto wallet holders will grow to 250M+ in the next 2-3 years, up from 68M today, substantial adoption lies ahead. Given that the phase from early adoption to mass market adoption can take 12-18 months, we believe that the Company could enjoy exponential merchant sign-ups going forward, along with consumer utilization, from 2021-2022, with the greatest recurring platform utilization by consumers beginning in 2023.

The Problem

eCommerce has enjoyed wide, mainstream adoption and in many cases has emerged as the shopping method of choice for consumers during the COVID-19 pandemic. Unfortunately, for merchants and consumers alike, many of the payment system setups and associated technologies in place today have underlying issues, which in turn have a deleterious effect on merchant/consumer transaction execution.

For consumers, payment systems and shopping cart utilization can be awkward and clunky, require multiple steps and redirects to 3rd parties, and may not be secure, resulting in a less than stellar customer experience. For merchants, the current eCommerce payment infrastructure is even more problematic. In most cases, merchants are required to use an intermediary, costing billions in excess expenses annually. Roughly 1 in 5 carts leave without completing a transaction because consumers do not trust the merchant's system. Plus, in most cases, fees are high, payments are delayed, and exorbitant fees due to fraud, fraud prevention, and chargebacks related to the inefficient back-end operations can be excessive, reducing profits.

The Solution

In contrast, by leveraging modern blockchain technology and its proprietary platform, RocketFuel offers consumers a single-click pay solution, pay with crypto or direct bank transfer option with no redirects or filling out forms as the information is stored at once. The process is seamless-simple, efficient, secure, and convenient. Merchants generate higher shopping cart conversion, pay lower fees, have greater security, transparency, less fraud, and improved cash flow. With a better experience for both sides of the transaction, and improved order and shipping fulfillment, merchants can foster loyalty and generate recurring business.

The Ultimate Driver: Crypto eCommerce

According to a June 2021 cryptocurrency payments report produced by PYMNTS and BitPay, nearly one-quarter of the 8,000 consumers surveyed noted that they have used crypto as method of payment, not just investment. This includes for goods and services ranging from groceries to streaming services to gaming. Based on current trends, this number is set to move markedly higher, indicating huge upside for RKFL's prospects. For example, one very encouraging statistic derived from the report revolves around crypto purchase preferences:

"...over half of the 8,000-plus respondents "are more likely to shop with a merchant if they accept cryptocurrency as a payment option."

Going forward, we expect to see a dramatic rise in crypto eCommerce adoption and utilization. Given the clear benefits of the RKFL solution for merchants and consumers alike, the Company is set to achieve leadership status in 2022 and beyond.

Forecasts and Valuation

To simplify and streamline our initial forecasts, we have estimated \$100M in business transacted at an average fee of 1.8% for Year 1 (Apr 2021-Mar 2022), reduced to 1.5% on \$800M in transactions in FY23E and \$2.5B in transactions for FY24E. While we believe additional revenue streams could be booked in FY23E, we view such contribution as a bonus at this time. However, we do project \$2.5M in licensing revenue and other fees in FY24E.

Based on this model, we project revenue of \$1.8M in FY22E with a loss of \$2.45M, or (\$0.09) and revenue of \$12M in FY23E with net profit of \$650K, or \$0.02. We preliminarily project \$40M in revenue (\$37.5M in transaction fees and \$2.5M in licensing fees) for FY24E with net of \$7.3M, or \$0.22, and a net margin of 18.3%.

Given the game-changing technology and its resultant impact on the use of cryptocurrencies along with ecommerce efficiency and volume, we believe that RKFL could be afforded premium valuations as adoption occurs. Going forward, we recommend investors value the Company based on milestone events such as merchant signup as we view 2021 as a key infrastructure, proof-of-concept year, with major revenue growth in the cards in 2022 (fiscal 2023). Our 6-12-month target of \$6.15 reflects a reasonable 4x our FY24 (CY23) sales estimate of \$40M and roughly 28x our \$0.22 EPS forecast. This target could prove to be conservative if adoption accelerates later this year or in early 2022.

Finally, we believe that as a critical mass adoption among merchant occurs, the Company could emerge as a takeover candidate by a leading payment services or provider entity. RocketFuel's leadership has an enviable history of building and selling technology start-ups at key inflection points. While this event may not occur, it may have an occasional impact on valuation and should provide further confidence in management's capabilities.

SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

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