Press Release
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Equity Research | CRUNCHFISH: Three avenues to address the strained financing

While the commercialization of Crunchfish's solution for offline payments has shown a longer sales cycle than expected, the company continues to build a broader base of potential counterparties and business arrangements. We see particular (albeit binary) potential in the new partnership with the world's largest IT consulting firm, TCS, as an offline complement to their distributed ledger technology, and in the ongoing trial and proposal process with an undisclosed major payment provider. Strengthened by a new U.S. patent approval, Crunchfish is also exploring alternative ways to secure funding, with sharing future revenues for present-day financing being a shareholder-friendly option, if available. Overall, we see a fair chance for the share to stabilize and regain momentum, provided that a rights issue can be avoided.

Three promising avenues

Among all of Crunchfish's current activities, we identify three avenues that hold particular promise. One is the alliance agreement with Tata Consultancy Services (TCS), the largest IT consultancy company in the world, targeting CBDC projects where Crunchfish will augment TCS's Quartz solution for CBDCs with offline payments capabilities. Although there are no formal commitments on either side, the partnership with TCS—an IT consultancy giant with offices in 55 countries—significantly expands Crunchfish's reach and presence, enabling a greater potential scale of relevant customer interactions.

Secondly, the security and vulnerability assessment for a major payment platform provider announced in late May has now progressed to a request for a Proof-of-Concept for trusted crypto operations in their mobile clients as well as a proposal for usage of Crunchfish's solution throughout all their payment products.

Financing a pressing issue

As for the third avenue, on the financial side, Crunchfish's cash position is now at SEK 12.5m, with a total cash outflow of SEK 9.5m in Q2'24 alone, meaning that cash reserves will need to be replenished soon. Crunchfish is currently in discussions with a financing firm that offers funding based on a share of future revenues. While this approach could benefit shareholders, it will likely come at a high cost (a rough estimate of 10% of future revenues was mentioned on the Q2 call, but this is likely an underestimation). It would also probably prove difficult to ring-fence part of Crunchfish's future revenues. If this revenue share avenue fails to deliver, a rights issue is likely.

As the company continues to expand its potential base of potential customers, we see a fair chance for a an agreement in the coming year. However, any resulting revenues will accrue gradually. With confirmed dialogues with MasterCard, Google and many others, we look forward to seeing the first signs of traction soon. Until financing is clarified, our Fair Value assessment hinges on whether a rights issue can be avoided.

Read the full report here: https://www.emergers.se/crunchfish_x24/

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