How deep is the Bitcoin Well

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Despite an increase in volatility, Bitcoin (and cryptocurrencies in general) have experienced tremendous growth and acceptance in the market with institutional and retail interest driving increasing valuations, liquidity, and opportunity. It appears we are in the early innings of a very long game for the blockchain industry as adoption rates grow, investors embrace cryptocurrency as part of respectable portfolio and mainstream media identifies cryptocurrencies as a distinct asset class. Then there's the whole decentralized finance, fiat currency argument that could be an entire article in of itself but perhaps another day. The reality is Bitcoin appears to be well on its way to becoming a legitimate investment/currency as validated by Elon Musk. You can interpret that however you desire.

Today we are looking at what is about to be the newest publicly traded entrant into the world of Bitcoin finance and the first publicly traded Bitcoin ATM company. Bitcoin Well Inc. (TSXV: BTWC) is going public via a reverse takeover by Red River Capital Corp. Trading of the shares begin today on the TSX Venture Exchange as a Tier 2 Technology Issuer.

So what exactly is Bitcoin Well? The Company offers convenient and secure online and in-person solutions to help you buy and sell your Bitcoin and other cryptocurrencies through a trusted Bitcoin ATM network and suite of web-based transaction services. Founded in 2013 by CEO Adam O'Brien, the Company is an industry leader and trusted voice in Bitcoin transactions and education. Today they have over 145 owned and operated cryptocurrency ATMs throughout Canada and have recently expanded into the United Kingdom. However, don't pigeonhole this as simply an ATM

company, this is a Fintech company through and through. Bitcoin Well is expanding its service offering online to include additional support for bill payments and interact-sell, point of sale systems, and gift cards through proprietary software. The ultimate objective is to be able to do anything you can do at a bank and more, only using Bitcoin or other cryptocurrencies in a seamless manner.

The key differentiator between Bitcoin Well and others in the space like crypto exchanges, PayPal, Mogo and the like is that the Company utilizes a non-custodial platform or direct to consumer model. The time between depositing funds into the ATM and Bitcoin delivery to your wallet is approximately 8 seconds. The fact that the Company never holds client funds during the transaction has numerous benefits. For starters, as a consumer you aren't at risk of default (remember Quadriga), non-delivery or delay when attempting to access your Bitcoin. It also reduces cost for Bitcoin Well as they aren't required to be regulated by a securities exchange. Additionally, the Company isn't exposed to price fluctuations in the price of Bitcoin, unless they choose to be.

But now we get into the interesting part of the story. Revenue is driven by transactions, which arguably increase when Bitcoin is either rising or more volatile. The Company is seeing 8% gross profit margins, based on Q1 results and is already churning out substantial revenue. Record first quarter results included revenue increasing by over 342% to $27.5 million in Q1 2021 compared to $6.2 million for the same period in 2020. Average revenue generated per machine in Q1 2021 was over $83,000, and this was actually down from $113,940 per machine in 2020, largely due to access to certain machines being limited due to COVID 19 related restrictions. Keep in mind that the landed and branded cost of these ATMs is roughly $20,000, while the incremental cost of the rest of the infrastructure to add a

new machine is nominal. I like this math.

M&A is a core strategy of the Company and they most recently announced the acquisition of Paradime LTD o/a AlphaVend, currently the second largest Bitcoin ATM operator in the UK. Bitcoin Well now owns and operates 26 machines across England, Scotland and Wales, establishing a presence in key metropolitan centres such as London, Manchester and Glasgow. Additional growth will come from organic expansion of ATMs and engagement with hosts (ex. cafes & convenience stores). And don't forget the technology side of the business as the Company expands further into the more traditional banking services. We all know what kind of income can be generated from banking fees.

Source: Bitcoin Well Corporate Presentation

Where will the stock open up and start trading? I guess we'll find out as the day progresses. However, key items to note are that there are 163 million shares outstanding but over 46% are held by insiders including 45% in the control of CEO Adam O'Brien. The Company is already cash flow positive and also has the $7 million raised in a private placement as part of the qualifying transaction creating options for growth and M&A. That qualifying transaction was priced at $0.25/share which would value the company at approximately $41 million but we'll know more as trading closes on day one.