

Whisper #178- BUYING THE 2021 THEME -- BACK TO NORMALCY



Whisper #176 Dec 6 2020

BITCOIN PLAY VOYAGER DIGITAL--VYGR-CSE

Crypto/bitcoin stocks had massive runs in 2021—few of them as big as Voyager Digital, one of the first US companies to offer buying and selling of crypto to retail Americans. One of my institutional contacts introduced me to the play, and I interviewed management twice. I bought the stock at \$1.81, and started selling at \$5, \$10, \$15 and finally at \$28—all within months! It was a huge win. And I never purchased the stock again—it has since gone off the board as bitcoin prices were hit incredibly hard. One of our subscribers' biggest wins of 2021!! Here is the original report:

Voyager Digital Overview

There are not a lot of ways to play cryptocurrency on the public markets. Apart from the crypto-mining stocks, the opportunities are sparse. But we recently stumbled on **Voyager Digital (VYGR – CSE / VYGYF-OTCQB)** that appears to be well-positioned to grow along with digital currency adoption. (Note the US listing is very liquid.)

I GOT LONG 20,000 SHARES AT CAD\$1.81 ON FRIDAY.

Voyager Digital operates an agency broker platform handling

digital currency trading. Agency broker is a 5-dollar word for the

same kind of brokers that you and I place our trades on. E-trade is an agency broker. (By the way, the CEO Steve Ehrlich was a founding VP of E-Trade and their CTO was the original CTO of UBER.) Interactive Brokers is an agency broker.

An agency broker is simply a platform that is trying to get the best price on a security for their clients. Whereas an exchange – like Binance or Coinbase – is intent on fulfilling your order on their platform, Voyager, as an agency broker – will scan through a list of 10 to 12 exchanges looking to fill your order at the best price.

Note that a lot of these exchanges are NOT available to the average North American retail trader. Most of the largest crypto-exchanges are based in Asia and Europe and do not allow North America retail investors to trade on their exchanges:

#	Name	Exchange Score	Volume(24h)	Web Traffic Factor	Avg. Liquidity	No. Markets	Launched	Vol. Graph (7d)
1	Binance	9.9	\$5,088,229,393 - 6%	1000	559	942	Jul 2017	
2	Coinbase Pro	9.0	\$944,618,196 - 3.3%	965	390	103	May 2014	
3	Kraken	8.7	\$522,763,161 + 7.35%	885	435	227	Jul 2011	
4	Huobi Global	8.6	\$2,379,706,698 + 7.29%	817	471	832	Sep 2013	
5	Bitfinex	8.5	\$418,666,493 + 31.14%	811	426	300	Oct 2012	
6	Bitumb	8.3	\$494,735,273 + 7.1%	859	219	127	Jan 2014	
7	Bitstamp	8.3	\$386,468,771 + 23.18%	798	277	42	Jul 2011	

<https://coinmarketcap.com/rankings/exchanges/>

As a result, Voyager can offer you a best price on bitcoin, and other cryptos – searching for best execution – whereas other North American exchanges do not.

In return for their troubles, Voyager gets a cut – they take a slice of that spread they have found on the purchase. On average Voyager makes 65 basis points on each trade.

This accounts for about 70% of the company's revenue. The other 30% of revenue comes from security lending. Just as your broker may be lending out securities (usually for short selling purposes).

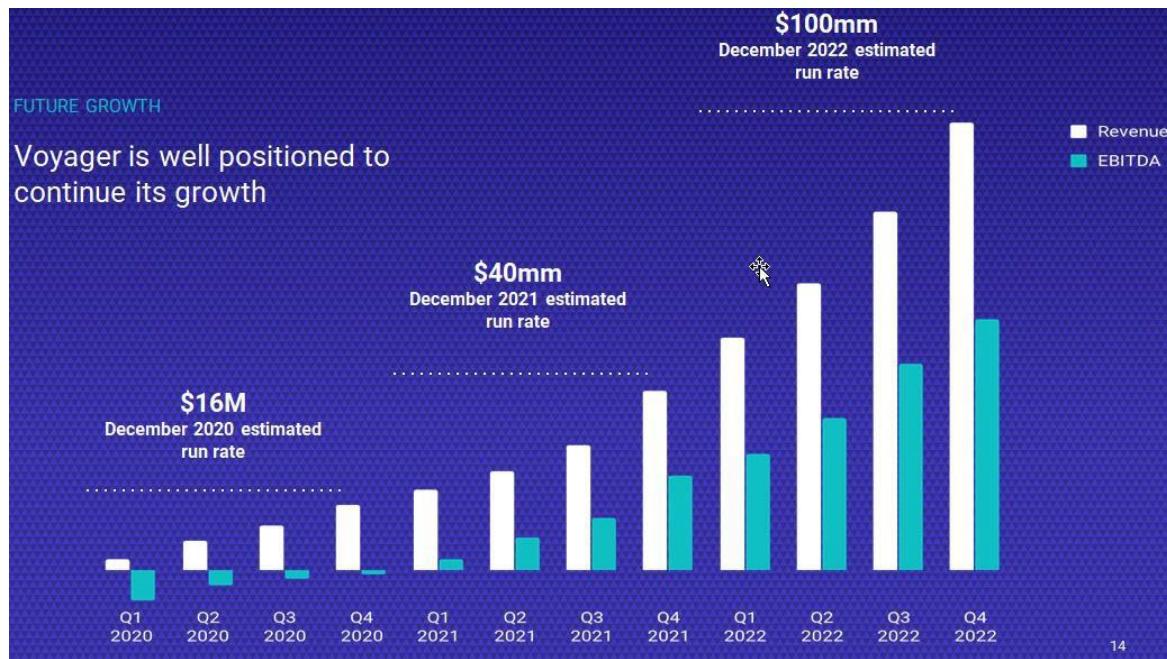
Voyager does the same on their platform. In return they collect the borrow – or the interest – which amounts to about 2.5% on their assets under management.

Again the need for capital in the overseas cryptomarket is almost bottomless. And while those overseas exchange are VERY profitable, they have a difficult time finding banking partners and securing lending facilities.

The Voyager platform is available in the United States. They recently acquired a European platform, LGO, that is already fully regulated in Europe, which expedite a launch there. They expect to launch in Canada as well in the new year.

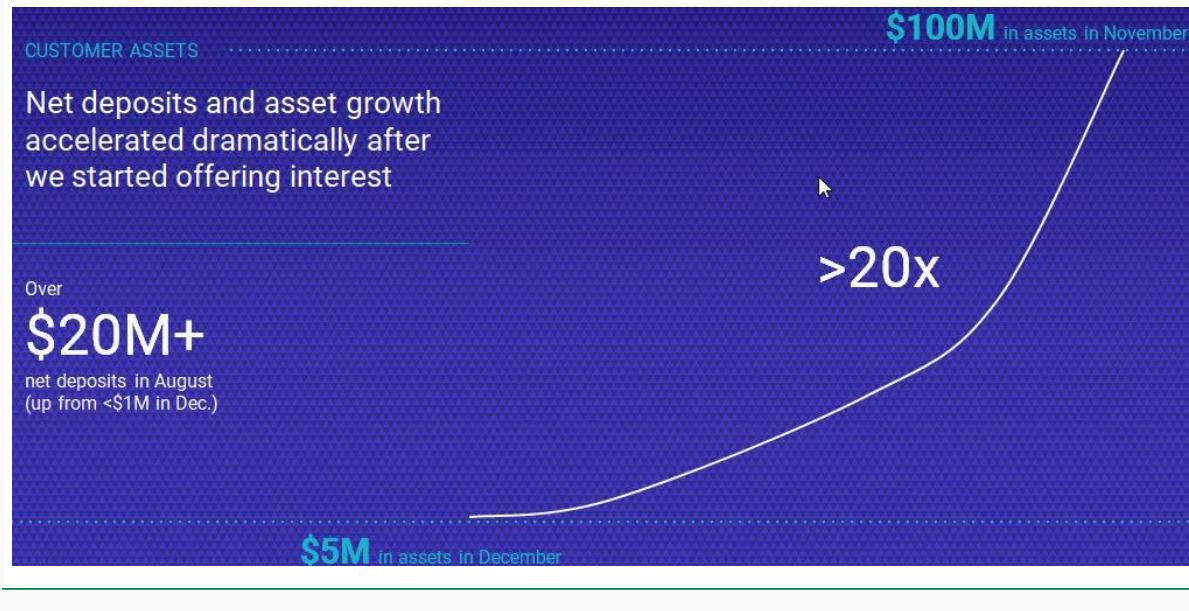
It's hard to overstate how important – and how difficult – it has been for crypto-exchanges to secure regulatory approval in the US. ***Companies that are successful in secure the blessings of the regulatory authorities will have a significant first-mover advantage.***

With this expansion, Voyager is expecting to grow the business significantly over the next few years.



Source: Voyager Investor Presentation

Voyager has about 100,000 user accounts and 150,000 wallet addresses right now. That amounts to \$100 million of assets as of November. This is a 20x increase in assets since the beginning of the year.





Source: Voyager Investor Presentation

In Q3 Voyager did about \$2 million of revenue. The December run-rate has already more than doubled that – to a quarterly rate of \$4 million.

You put this together and it's a compelling growth story. What's more, Voyager spread revenue appears to be far more tied to the lesser crypto offerings than it is to Bitcoin. While the move we have seen so far in digital currencies has been mostly a Bitcoin move, I would expect that to change. We will see a widening of the rally to the other coins.

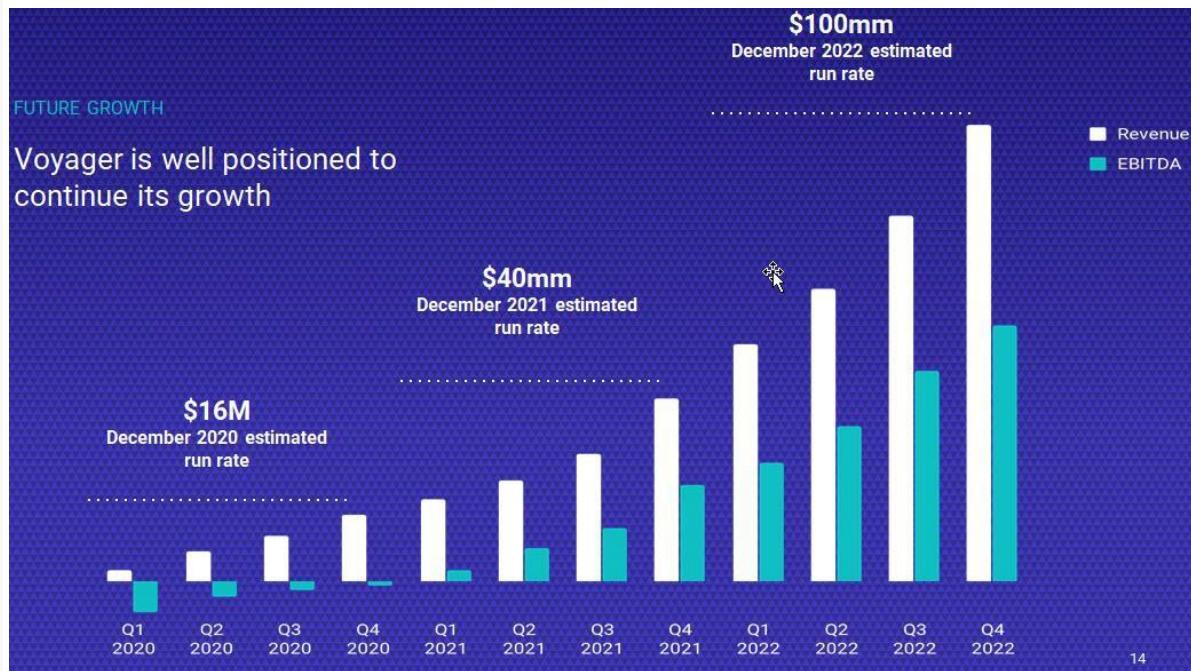
While Bitcoin has broken its all-time high, the other crypto-coins in the market have not, and “altcoins” have traditionally lagged behind Bitcoin price increases.

That should benefit Voyager.

This stock is NOT cheap at a market cap of \$200 million. So I will be quite vigilant with a 20% stop loss likely. But in this market, valuation is secondary to growth. Voyager has a strong growth profile and that will trump valuation concerns for now. Most

growth stocks in any sector trade at a very high PE/PS etc. for a LONG time if they are successful.

The main catalyst here will just be continued growth. They expect to hit positive cash flow in the very near term.



Founders

Steve Ehrlich

Co-founder & CEO

Fmr. VP Brokerage at E*TRADE
and CEO at Lightspeed Financial



Oscar Salazar

Co-founder & Advisor

Fmr. architect and
founding CTO at Uber



Historic Chart for Cdn:VYGR by Stockwatch.com 604.687.1500 - (c) 2020
Fri Dec 4 2020 Op=1.80 Hi=1.85 Lo=1.65 Cl=1.77 Vol=676.691 Year hi=1.90 lo=0.165

I see 2021 as a big year for crypto to get MUCH more mainstream, and YVGR is, IMHO, a great pick and shovel play. It may trade with Bitcoin instead of on its own merits though.



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