

Stockholm 2021

Teaser: Invitation to subscribe for shares in Safello Group AB

Important information

This document does not constitute an offer and should be regarded as an introduction to Safello Group AB's ("Safello") prospectus and does not necessarily contain all the information for making an investment decision. The investor is advised to read the prospectus, which is available on Safello's website (www.safello.com) before making an investment decision, to take note of the potential risks associated with the decision to invest in the securities.

The offer in short

The Offer:

SEK 13.5 per share. The issuances conduct of 3 000 000 new common shares corresponding to MSEK 40.5

Valuation:

Approximately MSEK 235.6 before the Offer

Subscription commitments:

The Company has received subscription commitments of approximately MSEK 32.4, a total of approximately 80 percent of the issue of shares

Key Investors:

The current shareholders White Star Capital, DCG International Investment LTD and Northzone are cornerstone investors in the IPO. The pre subscription of the cornerstone investors together with the management team and board of directors amounts to MSEK 16.2 or 40 % of the Offer

Lock-up:

The board of directors and management team, as well as the cornerstone investors have all signed a so called lock-up agreement. In total the lock-up agreement amounts to 63.9 % of the Company share after the Offering, provided that the Offer is fully subscribed

Subscription period:

19 April 2021 to and including 30 April 2021

Notice of allotment:

4 May. Settlement notes is planned to be sent out 5 May

Last day of payment:

Around 7 of May

Listing on Nasdaq First North Growth Market:

Safellos Shares are planned to be listed on Nasdaq First North Growth Market. The First day of trading is estimated to be on 12 May 2021

Minimum subscription:

The minimum subscription is 400 Shares which corresponds to SEK 5400

Other information:

ISIN-code: SE0015346895

Shortname/ticker: SFL

Financial Calendar:

Q1 report 31 May 2021

Q2 report 20 August 2021

Q3 report 29 October 2021

Q4 report 11 februari 2022



Introduction

Safello started its operations as a cryptocurrency exchange company in 2013 and is registered as a financial institution with the Swedish Financial Supervisory Authority (SFSA). It operates as a brokerage platform offering and enabling customers to safely and securely buy and sell leading cryptocurrencies such as Bitcoin (BTC) and Ethereum (ETH) with Swedish Krona.

The services offered by the Company are the following:

1. Sales of cryptocurrencies.
2. Purchases of cryptocurrencies.

As of March 31 2021, Safello had over 191 000¹ customers and processed over 412 000² orders that represent over MSEK 1,026³ in volume. The Company has been profitable since mid 2019 and its cash surplus has been deployed to grow the business. Between 2019 and 2020, the net turnover grew by 52%. The vast majority of Safello's customer base are retail customers. With its new products Safello Premium and Safello Business, the Company has started to serve high-net-worth individuals (HNWI) and companies.

The name Safello originates from the word 'Safe Fellow', as in: the safe fellow into the cryptocurrency economy. The Company's philosophy is to be a trustworthy guide to new users to make them feel secure in entering the market, while preserving their financial freedom. This foundational principle leads the Company's decision making today.

Building trust takes time that requires a diligent and prudent approach, and that has been Safello's focus during its 7 years of operation. The Company's internalized operational mantra Boring is Good reflects that its services should work and work well. While innovation is key in a competitive cryptocurrency market, it should never be at the expense of security and reliability.

The Company's growth plan is underpinned by its hyper localization strategy, a method by which the entirety of the product and offering is optimized for the local market as opposed to one or two elements of the market proposition. Safello aims to grow through this hyper localization strategy and by expanding its product offering to target a wider audience and extend the lifetime value of its existing customers.

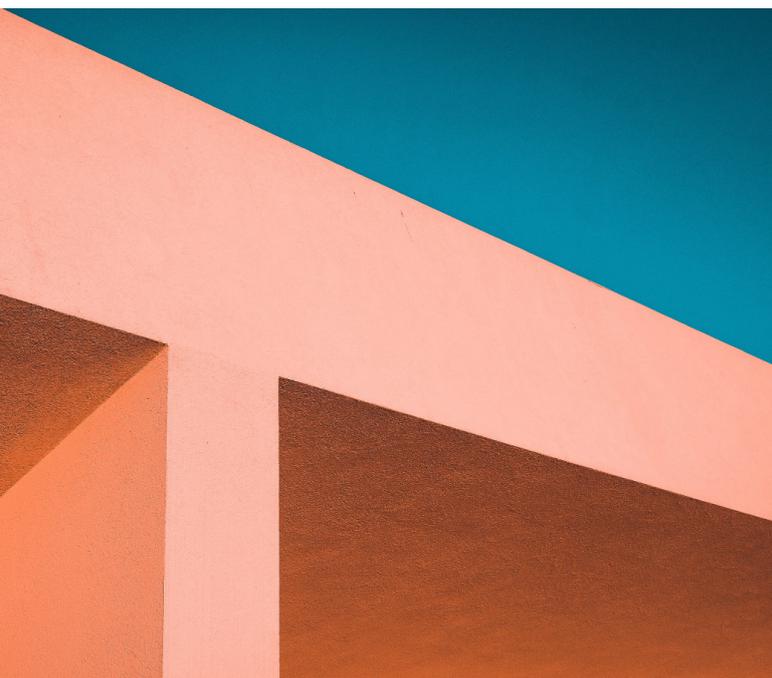
¹ Company back office data as per March 31, 2021

² Company back office data as per March 31, 2021

³ Company back office data as per March 31, 2021



Key performance metrics



Internally Safello measures performance by the following metrics in order to gauge the Company's performance.

Key Metrics/Data*	2020	2019
Total number of customers	170 000	110 000
New clients added during the year	60 000	51 000
Active clients	77 000	50 000
Recurring clients	24 000	4 000
Number of executed orders	165 000	120 000

*Rounded to nearest '000, un-audited numbers, based on Safello internal data.

New clients added during the year are clients that have established a user account with Safello. The number of new registered clients has increased by 18% during 2020.

Active clients are clients that have made at least one trade in the financial year. The number of active clients has increased by 54% during 2020.

Recurring clients are clients that have made at least two transactions on Safello's platforms. The number of recurring clients has increased by 480% during 2020.

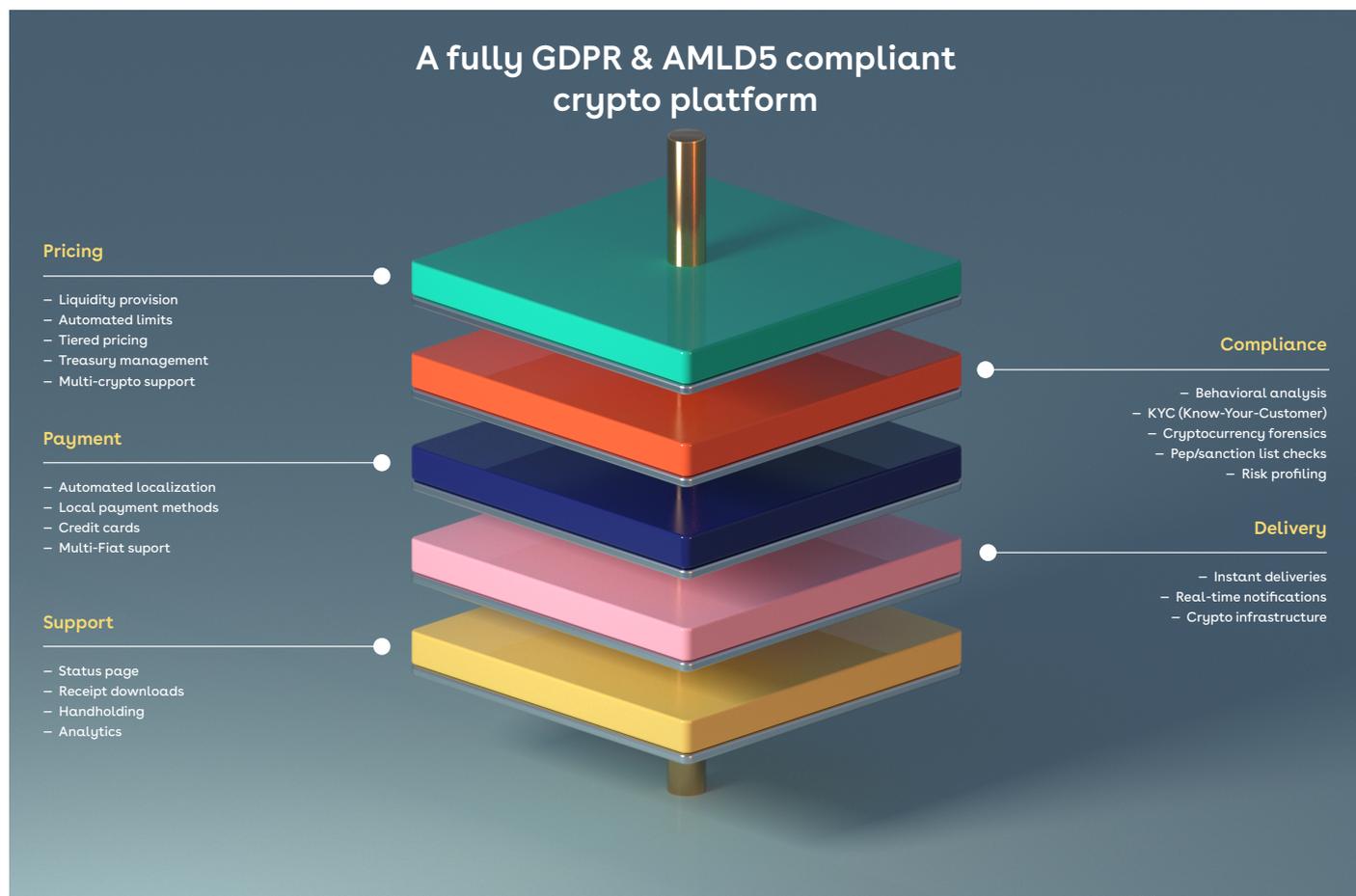
The number of executed orders during a period is a good measure of interest from the clients. The number of executed orders has increased by 38% during 2020.



The engine behind the scenes

To offer Safello's products to its end customers the Company has built its backend platform and back office from the ground up. Safello's AMLD5 and GDPR compliant platform has matured over the past seven years of continuous development and improvements. A big emphasis in this development process is on automation and scalability. This touches upon the architectural setup using cloud services and the connection to multiple globally operating liquidity providers to source cryptocurrencies and sell cryptocurrencies to fiat money, such as SEK.

For certain actions the Company integrated leading platforms to enhance capabilities. A good example of this is the integration with cryptocurrency forensics software, where Safello relies on the global market leaders in the space that have the biggest databases of identified cryptocurrency addresses associated with nefarious activity. In the make or buy decision-making process Safello ensures that the 3rd party software can be deeply integrated into its platform. This helps Safello keep its code base lean and secure.





From complexity to simplicity

To offer an elegant user experience, Safello had to take a process that is inherently complex and simplify these complexities for the end user where possible. This approach enabled Safello to deliver an on-boarding experience that is unrivaled in a compliant environment. The same approach is applied throughout the lifecycle

of Safello products, often through iterative improvements to shave off complexity and time-consuming obstacles to benefit the end user.

Buying and selling Crypto

From complexity to simplicity

Amount to buy

- Fetch geography
- Serve best version of widget
- FIAT input
- Fetch price
- Fee calculation & display
- Crypto address input
- Crypto address validation
- Crypto forensics
- Next step

Terms & conditions

- PEP & sanction check
- Next or back

BankID

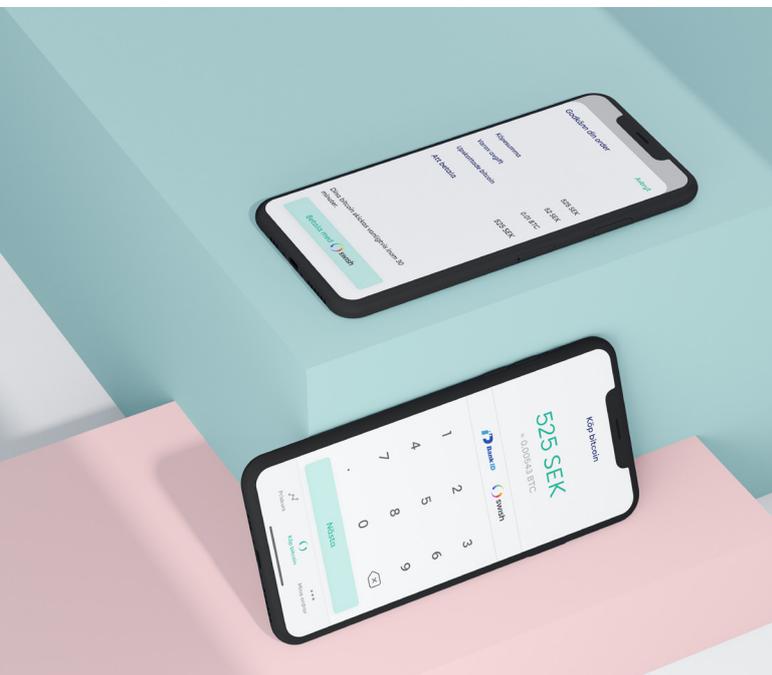
- ID verification through e-ID
- Check spending limits
- Check risk profile
- Check behavior
- Next or back

Payment

- Payment input
- Payment confirmed
- Payment denied
- Auto next

Delivery

- Payout initiated
- Confirmation crypto amount
- Zero confirmation blockchain
- End process/open status page



Use of proceeds

There are several motivations for the Initial Public Offering on First North. Each plays a role in strengthening the Company and improving its growth prospects.

With the additional capital from the Offer, the Company can accelerate its growth trajectory, tapping into opportunities within the Swedish market and internationally. The funds from this Offer will be put to use to execute on the business plan, and, if necessary, to bridge potential working capital shortfall due to the envisioned expansion.

The Offer amounts to MSEK 40.5. The issue costs related to the Offer are estimated to amount to approximately MSEK 4.8 and the net proceeds corresponds to approximately MSEK 35.7. The Company has received pre-subscriptions corresponding to 80% of the Offer, amounting to MSEK 32.4. The net proceeds from the Offer will be used as outlined below

- Around 40% of the proceeds will be used to build additional market presence, in Sweden and potentially in Norway, Denmark, Finland and the UK. This will include operating costs for setting up local organisations, as well as increased marketing and PR efforts and to build a focused client service team.
- Around 30% will be used to enhance the product offering to include new features and, in due course, new business lines.
- Around 15% will serve as a working capital buffer that will serve as a cushion to handle treasury in peak periods, to cover shortfall in slower market periods, allowing for potential margin pressure and for general corporate purposes.
- Around 15% will be used to strengthen internal structures and the leadership team, including the areas of risk, finance and legal.

Scheduled products and services

The following products and services are scheduled to be developed and released during 2021. These products and services have been researched and are planned to be launched in the development approach:

1. Safello Wallet
2. Safello Subscription

Both of these have been often requested and data identified them as growth opportunities. Safello Wallet is the most highly desired product from Safello customers and a necessity to develop to stay competitive in the long run. Storing funds is a core function and enabler of other services and products.

Safello Wallet

Today users purchase cryptocurrency to a cryptocurrency wallet of their own choosing. This is seen as something positive for the more advanced user since it provides the freedom of choice. For the novel user this unfortunately creates a barrier to get started. Safello Wallet removes this obstacle for onboarding new users to the cryptocurrency economy by offering the possibility for the user to store their purchased cryptocurrency directly with Safello. This will provide a seamless onboarding experience that opens up the market to a much wider target audience. The demand for this service is growing.

The market has matured to a point where the Company can confidently move into the custodial business. A key aspect of this is that the security measures and processes of the infrastructure partners in the space have matured and Safello's research has identified those suitable for the Safello Wallet product. The initial target audience for Safello Wallet is the retail market with the intention to include all audiences in the product portfolio.

Safello Subscription

An often requested feature from Safello users is to purchase cryptocurrency on a recurring basis. Much like a weekly/monthly savings plan, the user would be able to convert part of their income to purchase cryptocurrency automatically. This creates an advantageous purchasing strategy of cost averaging the users cryptocurrency portfolio. For Safello this offers a more predictable recurring revenue stream. It would reduce the exposure to the seasonality of the market, which today is a side effect of the incidental transactional business. In other words, the volume Safello exchanges is today dependent on the market volatility.



Geographical expansion possibilities

In line with the Company's growth plan Safello contemplates to first expand within the Nordics and the UK, followed by wider European expansion within the EU and EFTA. When the strategy at the early stages proves to be successful the expansion phase can be accelerated. Prioritization of specific markets can change based on developments in the market and opportunities that may arise.

Assessment of The Nordic countries

In the Nordic countries Norway has been the laggard in terms of platforms serving the market. The delay was caused by the Norwegian authorities taking a different view on VAT tax applicability compared to the rest of Europe. Once the VAT case that started in Sweden and was supported by Safello was won in the European Court of Justice, Norway ended up following suit and followed the ruling. Since then there have been positive developments in the Norwegian market where cryptocurrency companies can register with the local FSA. There is an opportunity for Safello to enter this market as the competition has not yet developed to the same maturity level as Sweden.

Similarly, the Danish financial authority did not require a registration with the local Financial Supervisory Authority for some time which left the country in an ambiguous state where the local banks have been known to be particularly hostile towards cryptocurrency. Since Safello already has obtained a Danish banking relationship, it will lead to an advantage for the go-to-market execution. Denmark has now followed the EU rules to require registration, which paves the way for a market entry. Finland on the other hand has seen decent adoption in terms of regulation and execution by local competition. Meanwhile Iceland has seen an all out ban of cryptocurrency sales as a response to the troubles it experienced during the financial crisis, and thus this isn't a part of Safello's expansion plans.

Long Term Goals

Safello's new product launches and iterative development cycles keeps innovation at the forefront. Through its product development the Company targets new audiences. While the current user base of Safello consists primarily of retail customers, the Safello Premium product has started to attract HNWI's while Safello Business is attracting companies.

Safello's long term goals will be achieved by:

1. Expand the product offering to better suit the needs and extend the lifetime value of Swedish customers.
2. Expand the target audience in the Swedish market from retail to HNWI and companies.
3. Apply the hyper localization strategy to adjacent markets in the Nordics and new markets.

Expanded business model

Safello's transactional model charges a commission on each order and is simple to apply and follow, but leaves the Company exposed to the volatility of the market.

To counter this exposure to market volatility, there are two new business models Safello plans to develop:

1. A subscription based business model.
2. An interest based business model.

The subscription based business model will be part of the 'Safello Subscription' product and delivers a predictable revenue stream where every day, month, quarter (an interval set by the user), a trade is made and a fee is earned. Think of it as a savings product equivalent to a deposit bank account. This enables Safello to introduce a churn rate key performance indicator (KPI) and measure this revenue stream in annual recurring revenues (ARR). The advantage of this model is that the revenues become more predictable while the revenues are spread out over time reducing the exposure to the seasonality of the market.

An interest based business line could be introduced in future products. With this business model, Safello would break away from the transactional model and reduce the volatility inherent in the transactional model. The interest would be earned from protocols through the process of staking. Safello, as the facilitator, would collect and distribute the interest earned to the end user, while charging a fee for the service. The viability of this model has not yet been proven or tested by Safello. However, companies like Coinbase have announced support for staking services where customers can deposit their cryptocurrency into the Ethereum protocol to earn interest.

Investment highlights

- Profitable and is cash flow positive since 2019, but are planning to increase investments in accordance with the Motives of the Offer
- Strong organic growth with a net turnover about approximately MSEK 315 (MSEK 206) during 2020, corresponding to an increase of approximately 52%
- Scalable business model with strategy on geographical expansion
- Strong list of shareholders, including the cornerstone investors such as White Star Capital, DCG International Investment LTD and Northzone
- Experienced and Management & board of directors with focus on compliance, growth, investment banking and cryptocurrency
- A strategy to perform complementary acquisitions to establish a stronger industry position and increase growth going forward. The Company has previously made several acquisitions, most recent the acquisition of the company behind the website bitcoin.se
- Safello is registered as a financial institution with the Swedish Financial Supervisory Authority since 2013
- Strong focus on compliance has resulted in a fully AMLD5 and GDPR compliant platform

Words from the CEO

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Investing in Safello means investing in a company that will defend those values as we help to accelerate the adoption of cryptocurrencies."

Governments and financial institutions are grappling with the implications of cryptocurrency mass adoption on monetary policy, geopolitics and their economies. We haven't seen such a technological shift since the advent of the Internet in the late nineties. The impact of which can only truly be assessed now, more than 20 years later. It created a whole new world, a world we started to refer to as online.

Today, two decades later, everything is online. Falling in love, paying bills, shopping groceries and visiting your doctor - the most fundamental things in life - simply moved online. And while we're still only scratching the surface of understanding the long term impact on humanity, it's safe to say that the Internet has changed our lives forever.

A similar path we envision for cryptocurrencies and its underlying blockchain technology. In this transformation, Safello, your safe fellow, has positioned itself as the entry point to this world. We encourage and support the financial freedom that cryptocurrencies bring about, while we ensure a safe and trusting environment for our customers. The values of this new financial system are set today.

Investing in Safello means investing in a company that will defend those values as we help to accelerate the adoption of cryptocurrencies.



Frank Schuil
Board member and CEO since 2013