



SoundView Technology Group Update on NXT-ID; From Technology to Revenue

April 20, 2017

BOSTON, April 20, 2017 /PRNewswire/ --

SoundView Technology Group (<http://soundview.co>) releases the following company update for NXT-ID, Inc. (NASDAQ:NXTD).

NXT-ID (NXTD \$1.51)

FROM TECHNOLOGY TO REVENUE

KRIS TUTTLE, APRIL 19, 2017

Despite a positive update, a strategic merger agreement and major sequential quarterly growth shares of Nxt-ID have declined 25% over the past week. After years of being in the development stage the company is reporting very large YoY and sequential increases in revenue. The consensus view is that investors fear additional shares coming to market or a financing. But the cash flow profile of the company is now very different. Consistent high margin revenue will enable them to improve rather than impair their balance sheet.

Nxt-ID filed their 10K for 2016 and held an online presentation to review results, discuss current business plans including the proposed merger with Fit Pay and take some questions from their analysts.

We covered the Q4 results in a prior note but it's worth reiterating. **With the Q4 results, Nxt-ID transitioned from a no-revenue development-stage technology company to one generating material revenues (\$4.5M in the quarter ended December.)**

Here is a reminder of the highlights from the Q4 report:

The headline number of \$4.5M in revenue compares with \$3.2M in Q3 and nominal revenues a year ago. Revenues for the full year 2016 were \$7.7M compared with less than \$1M in 2015.

1. **LogicMark** - Most of the growth in Q4 was driven by LogicMark which continues to be a consistent and strong performer. We are expecting (and modeling) continued linear growth for LogicMark in Q1 and Q2. We could see a step up in LogicMark revenues beginning in later in 2017 with expanded distribution and strong one-time purchase products for PERS.
2. **WorldVentures** - An initial shipment of cards was delivered in Q4 for WorldVentures to complete their testing. The exact timing of the major release of the WV *flye* card will depend on the completion of tests.

In short, LogicMark is steady and growing with WorldVentures beginning to kick in with volume shipments.

The FitPay Combination

FitPay is a technology platform that enables contactless payments on mobile and wearable devices. The platform relies on the tokenization scheme made popular by Android, Apple and Samsung Pay. Thus making contactless payments possible on over 10M retail POS terminals.

The company has gone a step further in creating more open infrastructure (API and SDK) that allow their platform to be tailored for uses other than payments. For example, applications like access control in hotel rooms, office buildings and public transit.

FitPay also brings a back-end integration and relationships with service providers and card issuers. This area is one of the most difficult parts of making payments work for the consumer. Combining these integrations with Nxt-ID device level technologies can create uniquely capable products in this emerging space.

Longer term, the most interesting part of the merger may be how it changes the management team and culture of the company. The management of FitPay has deep experience in payments. The CEO, Michael Orlando, was recently a senior VP at CyberSource and the CTO, Scott Stevelinck, served as the Chief Technical Architect at Visa. There are more members of the FitPay team with strong backgrounds in the space and skills that would greatly expand and compliment what's in place today at Nxt-ID.

Until the transaction is finalized and the team settles we can't yet be sure how the staffing and roles will play out. But retaining and mixing in some of the very capable team to essentially run with the payments side of the business would be a huge asset for the combined company.

Some cynics have asked us why FitPay would merge with Nxt-ID. Our speculation is that FitPay may have leaned just a bit too heavily on the wearables market (especially the non-Apple watch part of it) and this is an area that is developing more slowly than industry experts anticipated. Consumers adoption of new technologies is hard to predict and often not linear. Wearables will certainly be commonplace, but timing of mass market acceptance is unknown.

We see the FitPay transaction as a major change for Nxt-ID, one that puts them more convincingly on the path to be a \$100M+ revenue company with the assets and management team to run it.

Model Updates, Valuation & Conclusion

Nxt-ID management doesn't give forward guidance. However, we know that the LogicMark business has been predictable and we will have two quarters of inventory build to enable the official launch of the WorldVentures *flye* card sometime in Q3. That should support very strong YoY growth in Q1 and Q2 of 2017.

1H 2017 revenues will handily exceed the entire 2016 and for the full year 2017 is shaping up to be up 3x 2016.

We've updated our IV model to reflect recent results and refined expectations for 2017 and beyond. We'll have to do it again once FitPay closes and we get another quarter or two of operating results.

Our IV estimate remains \$18/share. The updated model is below.

Link: http://s3.amazonaws.com/PUBLISHED/Nxt-ID_NXTD_SV_Update_Note_APR_2017.pdf

Additional Disclosures

SoundView serves as a strategic advisor to NXT-ID and provides advisory and other services to the company including strategy advice, company positioning, investor communication methods and ongoing technology and market research. SoundView employees do not have positions or other vested interest in NXT-ID stock at the time this report was published. (see back page for more general disclosures.)

ABOUT SOUNDVIEW RESEARCH

SoundView conducts independent research - mostly on emerging technologies. We like thematic-driven companies where technology is involved and use analysis to identify the most promising investment opportunities.

Our business model is combination of subscription fees along with some direct investments and advisory fees. We measure our success by the quality of our analysis, accuracy of the conclusions and the size and influence of our audience. We apply our own proven approach to valuation that we call intrinsic value (IV) for informing investment decisions and optimizing portfolio management.

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