



SOUNDVIEW RESEARCH

NXT-ID INC. (OTC QB: NXTD \$3.05)

WOCKET LAUNCHES INTO WAITING MARKET

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Summary: The Wocket™ was officially launched on May 28th at the Plaza Hotel in NYC. All the feedback we received from attending suggests that consumers who get a chance to see and understand it, immediately want one. It's a viable way to deliver something consumers can use as a digital wallet that is secure, private, and able to handle all their payment, identification, and loyalty needs. The Wocket is really a wallet replacement, and the functional demonstration worked very well. We'll be monitoring the progress and consumer reaction very closely over the next few months with an eye to validating our IV model, which currently suggests a stock value of \$11.70/share. We have also extended our forecast to arrive at a projected IV in 2015 of \$20.55.

Additional Details: As a prelude to what will be a more active marketing phase, the event included attendance by the media, investors, analysts, and Miss Universe 2012, which added a special level of energy and media attention.

In addition to elaborating on the key features, there was a live demonstration of using the Wocket to do a typical transaction by swiping the card, just as one does with a standard plastic debit or credit card.

Online preorders are available with first units shipping to consumers in September at a price of \$149.99, plus some optional services for customers that require additional protection.

Wocket is NXT-ID's replacement for a conventional wallet. The heart of it is the device itself which securely stores cards digitally – that covers virtually all of the important cards consumers carry in a wallet today, including credit, debit, ATM, loyalty, gift, ID, membership, insurance, medical information, and coupons. Wocket locks a user's private information in an electronic "vault" where only an authenticated owner can authorize access to the data. The case provides some space for cash and a driver's license.

As concerns continue to mount in the U.S. and around the world about identity theft and data hacking, the timing of the launch of the Wocket helps NXT-ID channel media attention into



Former Miss Universe 2012, Olivia Culpo, displays the Wocket

their marketing strategy. The Wocket addresses the important issues not adequately addressed currently by smart phones and other mobile devices.

The biggest advantages are in authentication and security. The Wocket uses biometric technology to provide identity protection and security. All information used with the Wocket is encrypted by the owner's personal biometric stamp. NXT-ID is a pioneer in biometric technology, and the Wocket incorporates some of the most advanced biometric technology on the market (see our report, "[Mobile Security Beyond the Password](#)", for an in depth discussion of the technology). The device protects whatever information is stored in it so that it cannot be released to any other individual or device without the user's permission.

All payment cards and other dynamic stripe cards are swiped directly into the Wocket during the initial set-up process. Barcodes and text, such as voter's registration, loyalty and/or membership cards, may all be scanned or entered into the Wocket. All information is encrypted by the owner's personal biometric stamp and can be accessed via a low power touch screen or optionally, a voice command.

Information is placed on a tamper-proof encrypted chip inside the Wocket rather than on anywhere in the cloud. Any attempt to access the encrypted chip will result in destroying any information stored on it.

If a Wocket or Wocket card is stolen, the company can guarantee that the Wocket is worthless to anyone besides its owner. The security technology incorporated by the Wocket zeroes out any relevant information on the card dynamically after each use. Hence, the card used with the Wocket becomes a blank piece of plastic to a thief. For added peace of mind, NXT-ID will be offering customers an insurance plan for stolen, misplaced, or lost Wockets.

The Wocket can securely store up to 10,000 items including - debit/credit/loyalty/gift cards, health information, coupons, and miscellaneous records.

Battery life is expected to be one year or more, depending on frequency of use. A light will appear on the device weeks before the battery is due for replacement, so users can replace the conventional lithium ion battery that is widely available at a variety of retail stores around the world.



The Wocket Smart Wallet

NXT-ID has an FAQ section on the Wocket website that addresses key questions and issues associated with the device (see: <http://wocketwallet.com/>).

NXT-ID has started taking pre-orders for the Wocket on their [website](#), with plans to ship the first devices in September. Unlike many digital devices on the market today, the Wocket is being

manufactured in America. NXT-ID is planning a significant promotional campaign this summer to increase customer awareness and drive more pre-sales.

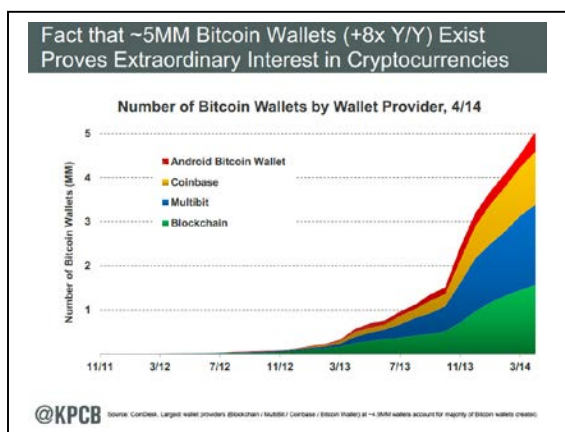
Sales Projections and Intrinsic Valuation: Over the past year we've seen plenty of data showing that there is strong desire for a device like the Wocket. Consumers are still waiting for an actual product to buy and use. Initial sales volumes will depend on initial orders, and initially, on the ability of NXT-ID to ramp production and manage some longer lead time components.

After a review of our current projections and intrinsic valuation (IV) model, we don't see anything that needs to be changed. However, extending the projections and model out an additional year allows us to publish a 2015 IV estimate of \$20.55.

Our current estimate for sales in 2014 is 40K units, which grow fast in later years to reach nearly 1M units in 2018 and 1.5M units in 2019. These unit projections are still very low considering the small penetration rate needed to generate those numbers. If the Wocket is successful, unit growth can be much faster. Many investors were surprised by how quickly new categories like the iPad reached large numbers of units after consumer adoption. We won't have any real visibility on these longer term projections until 2015, but have a credible working forecast to start with.

Although digital currencies are not the initial focus for the Wocket, we were impressed with the figures showing consumer adoption of bitcoin wallets grew from under 500K to over 5M in one year!

Conclusion: The official launch of the Wocket has certainly increased our confidence in the IV model shown below. As consumers begin to use the device in the real world, we'll know much more.



There's huge demand to use digital payments and have a secure digital wallet that is easy to use and genuinely safe. Consumers are nearly clamoring for it. Although other companies have done Kickstarter campaigns and showed slick videos, the NXT-ID Wocket will be helping to define this market in the next few months.

The stock has been holding steady after a major post-IPO run, but our IV clearly shows there is far more to go if the Wocket is delivered on time and consumers have a good experience with it.

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