



# Blackboxstocks Inc.

Q2 about inline. Despite market volatility, strong growth potential for its Blackbox fintech trading software platform. Lowering P/T to \$5.75.

## COMPANY UPDATE

Rating: BUY

Ticker: BLBX

Price: \$1.21

Target: \$5.75  
(from \$6.00)

**Q2 about inline:** Blackboxstocks recently (on August 15) reported its fiscal Q2 2022 (ending June) results. Revenue was \$1.4 million (-4% y-o-y), compared to our and consensus estimates of \$1.4 – 1.5 million. EPS was \$(0.10), compared to our and consensus estimates of \$(0.09). There was no Q2 guidance.

**Q2 market difficulties:** Q2 saw continued difficulties in macro economic conditions which created significant headwinds for financial markets returns and performance. The company launched its mobile app in April.

**Subscriber growth:** The average member count for Q2 2022 was 6,181, compared to 5,482 for Q2 2021 and 5,709 for Q1 2022.

**No guidance:** The company did not provide 2022 guidance. The company plans to release two new products Stock Nanny (portfolio management) and Blackbox Pro (for professional investor) around Q1 2023.

**Lowering estimates:** We are lowering our 2022 estimates for revenue to \$5.6 million, from \$6.6 million, and for EPS to \$(0.30) from \$(0.23). We are lowering our 2023 estimates for revenue to \$9.0 million, from \$12.0 million, and for EPS to \$0.01 from \$0.04.

**Focused on investment fintech:** Blackboxstocks goal is to provide retail investors with sophisticated trading tools together with an interactive community of traders and investors of all levels at an affordable price. This allows the users to capitalize and make profitable investment trades.

**Large market potential:** The global COVID-19 pandemic (starting in the U.S. in March 2020) created a unique environment for online companies as most of the world was locking down and sheltering-in-place (“SIP”) at home. The financial stimulus provided by governments around the world coupled with a large portion of the population confined to their homes created a newly financed captive audience for investing and day trading. The COVID-19 pandemic allowed the company to greatly increase its audience and grow its user base on a global level.

**Rise of the retail investors:** In early 2021, the “meme stock mania” swept the U.S. markets. This newfound interest in the stock markets was positive for Blackboxstocks as its user base grew rapidly in Q1 2021 and throughout 2021. These new investors benefited from strong rising financial markets in the U.S. and globally in 2021.

**Weaker markets in 2022:** However, investor interest has waned significantly in 2022 due to the weaker and declining financial markets.

**Growth is key:** We have modeled strong revenue growth next year (+61%) in 2023 after a small decline (-8%) in 2022 (due to weaker and volatile financial markets), primarily driven by growth in subscribers and its trading platform businesses.

**Positive high risks versus rewards:** Overall, concerns outweighed by growth prospects and valuation. We believe the demand for Blackboxstocks’s trading software platform will grow fueled by continued strong industry growth and increased consumer demand for investment products. We believe the ~billion dollars market potentials presents high rewards for the risks.

**Valuation attractive:** We are maintaining our BUY rating, but lowering our 12-month price target to \$5.75 from \$6.00, based on a NPV analysis, representing significant upside from the current share price. We believe this valuation appropriately balances out the company’s risks with the company’s high growth prospects and large upside opportunities.

### Company Description

Blackboxstocks, based in Dallas, TX, provides a trading software platform that offers proprietary analytics and news for stock and options traders of all levels.

United States  
Technology

August 29, 2022

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### Stock Data

Exchange:	NasdaqCM
52-week Range:	1.05 – 8.00
Shares Outstanding (million):	14
Market cap (\$million):	\$17
EV (\$million):	\$11
Debt (\$million):	\$1
Cash (\$million):	\$7
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	7
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	1.3A	1.4E	1.8E	2.5E
Q2 Jun	1.4A	1.4E	2.1E	2.9E
Q3 Sep	1.4E	1.5E	2.5E	
Q4 Dec	<u>1.5E</u>	<u>2.4E</u>	<u>2.7E</u>	<u>4.0E</u>
Total	<b>5.6E</b>	<b>6.6E</b>	<b>9.0E</b>	<b>12.0E</b>
EV/Revs	2.0x		1.2x	

### Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.09)A		(0.03)E	0.00E
Q2 Jun	(0.10)A	(0.09)E	0.00E	0.01E
Q3 Sep	(0.05)E	(0.02)E	0.02E	0.01E
Q4 Dec	<u>(0.05)E</u>	<u>(0.03)E</u>	<u>0.02E</u>	
Total	<b>(0.30)E</b>	<b>(0.23)E</b>	<b>0.01E</b>	<b>0.04E</b>
P/E	N/A		121x	

### Important Disclosures

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 15.

**OVERVIEW**

- Blackboxstocks recently (on August 15) reported its fiscal Q2 2022 (ending June) results.
- Revenue was \$1.4 million (-4% y-o-y), compared to our and consensus estimates of \$1.4 – 1.5 million.
- EPS was \$(0.10), compared to our and consensus estimates of \$(0.09).
- There was no Q2 guidance.
- The company again declined to provide 2022 guidance.
- We are lowering our 2022 estimates for revenue to \$5.6 million, from \$6.6 million, and for EPS to \$(0.30) from \$(0.23).
- We are lowering our 2023 estimates for revenue to \$9.0 million, from \$12.0 million, and for EPS to \$0.01 from \$0.04.


**ADDITIONAL DETAILS**




- Gross profit for the quarter was \$0.9 million, compared with our estimate of \$0.8 million.
- Gross margin for the quarter was 64%, versus our expectation of 55% and 72% last year.
- Operating expenses were \$2.1 million, versus our expectation of \$1.9 million.
- Operating loss was \$1.2 million, versus our expectation of a loss of \$1.1 million.
- Net loss was \$1.3 million, versus our expectation of a loss of \$1.1 million.




The company's balance sheet had \$7 million in cash and \$1 million in debt, compared with \$9 million in cash and \$1 million in debt at the end of March. In November 2021 (as part of its uplisting), the company raised \$12 million (selling 2.4 million shares at \$5.00/share).

Exhibit 1: Blackboxstocks Inc. Corporate Overview

## What is Blackbox?



-  **Proprietary hybrid FinTech and social media platform**
-  **Provides real-time proprietary analytics and news for stock and options traders of all experience levels**
-  **Employs predictive technology enhanced by AI which strives to level the playing field for retail traders**

-  **Fully automated, user-friendly stock and options flow scanners**
-  **Robust education program including live calendared classes with a broad curriculum**
-  **Subscription-based Software as a Service ("SaaS") business model**

NASDAQ: BLBX 3

## Unique Functionality



**Gamers live stream their online games in real time**

Followers can view, listen and chat with broadcaster and other viewers

Followers can learn trading methods and strategies to master various video games






**Traders live stream their stock charts and real time analytics**

Followers can view, listen and chat with broadcaster and other viewers

Followers can learn trading methods and strategies from the broadcaster



- **Fully interactive chat and social media platform that is integrated into our dashboard**
- **Allows our users to exchange information and ideas quickly and efficiently through a common network**
- **Live audio/screenshare feature that enables our members to broadcast on their own channels**
- **Growing community of members that spans over 42 countries**

Source: Company reports.

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**Exhibit 2: Blackboxstocks Investment Highlights**

**Highlights:**

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- ✓ Unique FinTech platform with built in social media component
- ✓ Strategic partnerships in place
- ✓ Large addressable market
- ✓ Significant recurring revenue growth from SaaS revenue model
- ✓ New and exciting products in development
- ✓ Experienced management team and BOD

Source: Company reports.

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**Exhibit 3: Blackboxstocks Stock Price (since uplisting to Nasdaq Capital Market on November 9, 2021)**



Source: <https://bigcharts.marketwatch.com/>

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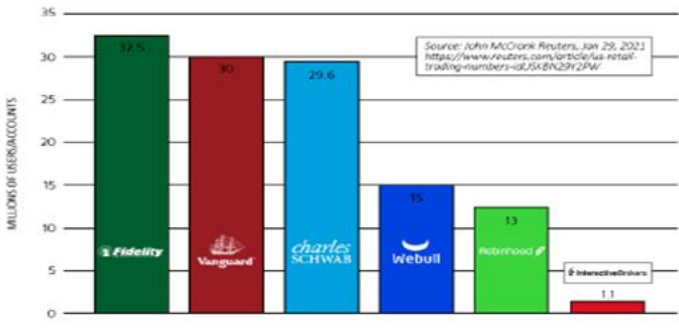
Exhibit 4: Stock Market Investing Market Opportunities



## The Market

- Primary market is day traders and swing traders
- Growing number of self directed and younger investors

**MORE THAN 100 MILLION:** The number of users/accounts combined at six of the top online brokerages, according to the most recent data.




Brokerage	Millions of Users/Accounts
Fidelity	32.5
Vanguard	30
Charles Schwab	29.6
Webull	15
Robinhood	13
Interactive Brokers	1.1


Source: John McCrank Reuters, Jan 29, 2021  
<https://www.reuters.com/story/us-retail-trading-numbers-2021-01-29/>

**31 YEARS:** The median age of Robinhood users, one of the original commission-free online brokerages. More young adults are joining. Apex Clearing, which helps facilitate trades for brokerages, told Reuters around 1 million of new accounts it opened last year belonged to Gen Z investors, with an average age of 19.

John McCrank, Reuters Jan 29, 2021



## The Market



Blackbox Community

USA – 54M Self Directed Investors <sup>1</sup>	StockTwits – 1.5M Active Monthly Users 2021 <sup>3</sup>
USA – 23M Active Investors/Traders <sup>1</sup>	<b>Robinhood – 22M Accounts<sup>5</sup></b>
UK – 8.6M Brokerage Accounts 2017 <sup>2</sup>	Forex Worldwide – 9.6M Traders <sup>4</sup>

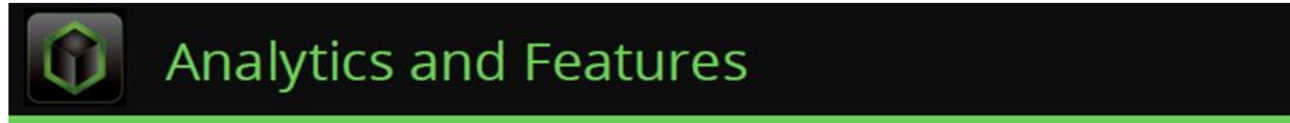
Source: Company reports.

**Exhibit 5: Stock Market Index Price Charts for S&P 500, NASDAQ Composite, Russell 200 (5-years and YTD)**



Source: <https://bigcharts.marketwatch.com/>

Exhibit 6: Blackbox System Trading Software Platform



# Analytics and Features

## Standard Market Features

- Real Time NYSE/NASDAQ Market Data
- Real Time OPRA Options Trade Data
- Streaming News Feed – Fly on the Wall
- Options News and Upgrades/Downgrades
- Institutional Grade Charts
- Earnings and Dividend Dates
- Daily Advancers / Decliners Scanner



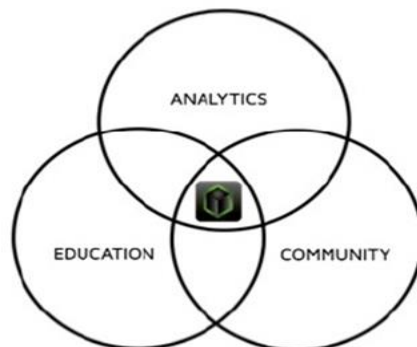
## Proprietary Features

- Volatility Indicator
- Real Time Algorithm-Driven Stock Alerts
- Symbol Specific Alert Criteria
- Broadcast Enabled Social Media
- Options Heatmap
- Pre-Configured Pre/Post Market Scanners
- Stock and Option Volume Ratio Scanner
- Members Only Live Audio




### Development of the Blackbox System

The Blackbox System was made available for use to subscribing customers worldwide in September 2016. We use a web-based platform focused on providing proprietary analytics and broadcast enabled social media for our community of members. Our product offering is comprised of three key elements: trading analytics, social media interaction and educational programs and resources.



Source: Company reports.

Exhibit 7: Revenue Model



## SaaS Revenue Model/User Acquisition

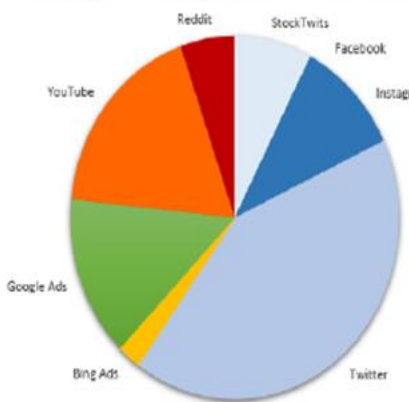
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### SaaS Revenue Model

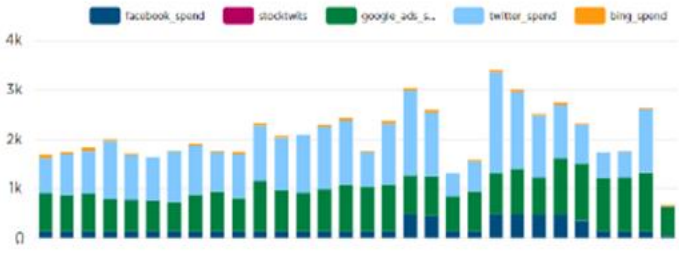
- Monthly or Annual subscriptions for \$99.57 or \$959.00
- No tiered or a la carte pricing
- Growth driven by **digital marketing** and **affiliate advertising**

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#### Example Monthly Digital Channel Attribution



#### Total Daily Ad Spend 2



# GET STARTED

The ULTIMATE App Sale

**\$30.00** 1<sup>st</sup> month (rebill \$99.97)

SIGN UP

Yearly Billing

**\$959** / year (save \$240.64)

SIGN UP

Source: Company reports.



## Exhibit 8: Current and Planned Product Developments (as of Q1 2022)

### Ongoing Developments

#### Native iOS and Android applications

- Includes most of the features and functions currently available on our desktop version
- Allows members to use our platform at work
- Provides access to a broader base of subscribers
- Launching in April 2022



#### Upgrading current social media and broadcast feature

- Eliminates cumbersome on-boarding process
- Provides single authentication process for all platform channels
- Reduces risk of reliance on a third party



### New Products

#### Portfolio Management Product

- Targets entire retail investor segment
- Utilizes existing proprietary technology
- Much larger market >100 million US
- Launch: Q3 2022



#### Blackbox Pro

- Designed for professionals
- More advanced analytical tools
- Higher price point due to exchange premium
- Streamlines authentication with exchanges



#### Crypto Currency Platform

- Combines a quotation and execution system with the BLBX social media platform
- Targets asset class with explosive growth and a technology focused investor base



Source: Company reports.

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Exhibit 9: Q2 2022 and Recent Corporate Highlights

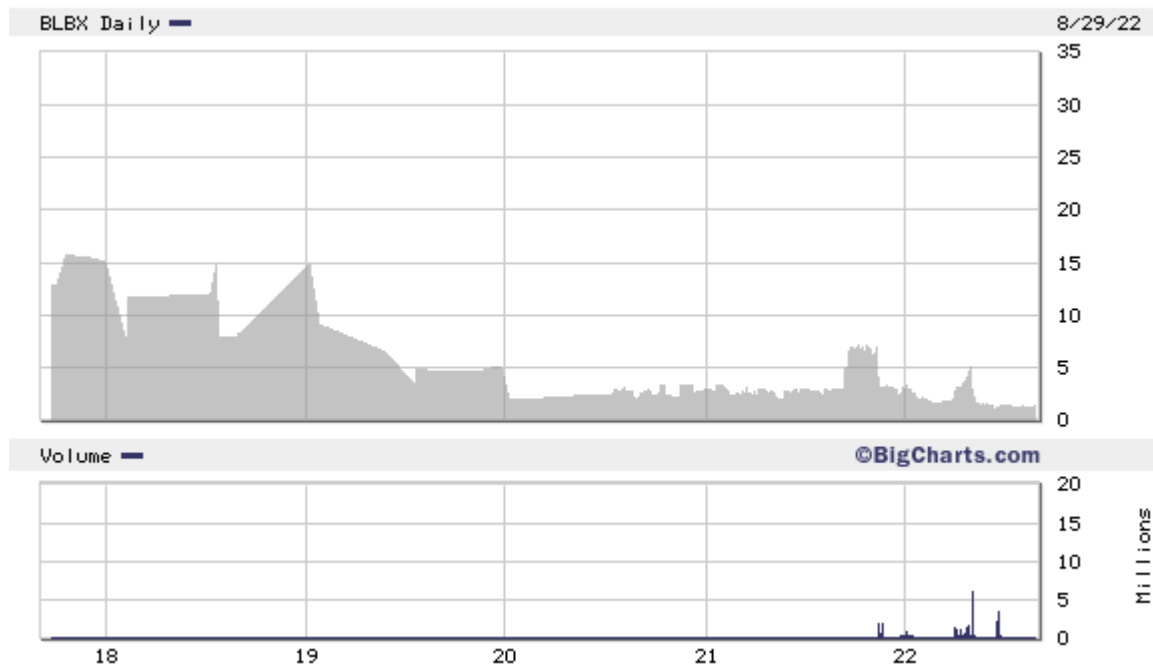
**Second Quarter 2022 Financial and Operating Highlights:**

- Total revenue for the second quarter was \$1,399,315 as compared to \$1,463,608 for the same period in 2021 and \$1,272,486 for the first quarter of 2022.
- The average member count for the quarter ended June 30, 2022 was 6,181 compared to 5,482 for the quarter ended June 30, 2021 and 5,709 for the quarter ended March 31, 2022.
- Adjusted EBITDA was \$(1,036,737) and \$(112,141) for the three months ended June 30, 2022 and 2021, respectively.
- Cash and marketable securities totaled \$7.1 million at June 30, 2022.
- During the first six months of 2022, the Company repurchased 499,028 shares of BLBX common stock at a total cost of \$945,449 under the Company's \$2.5 million share repurchase program announced in January 2022.
- The mobile application of the Blackbox platform for iOS and Android phones and devices was released in April.

Source: Company reports.

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### Exhibit 10: Blackboxstocks Inc. Stock Price (5-Years)



Source: <https://bigcharts.marketwatch.com/>

### Exhibit 11: Consensus Expectations (as of August 15, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$1.3A		Q1 Mar	\$(0.09)A	
Q2 Jun	\$1.5E		Q2 Jun	\$(0.09)E	
Q3 Sep	\$1.9E		Q3 Sep	\$(0.03)E	
Q4 Dec			Q4 Dec		
Total	\$7.3E	\$14.8E	Total	\$(0.22)E	\$0.15E

\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates







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## **Blackboxstocks Inc.**

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**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

### Ascendant Capital Markets, LLC Rating System

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**Buy:** We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

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**Sell:** We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

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Total return is defined as price appreciation plus dividend yield.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	15	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	15	36%

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