

## 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)

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 about inline: Blackboxstocks recently (on August 15) reported its fiscal Q2

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 12month 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

Edward Woo, CFA (561) 327-9435 ewoo@ascendiant.com

#### 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)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	1.3A		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>	2.4E	<u>2.7E</u>	4.0E
Total	5.6E	6.6E	9.0E	12.0E
EV/Revs	2.0x		1.2x	

#### Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	2022E (Old)	<u>2023E</u> (Cur.)	2023E (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	(0.05)E	(0.03)E	<u>0.02E</u>	
Total	(0.30)E	(0.23)E	0.01E	0.04E
P/E	N/A		121x	

#### **Important Disclosures**

Ascendiant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

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.

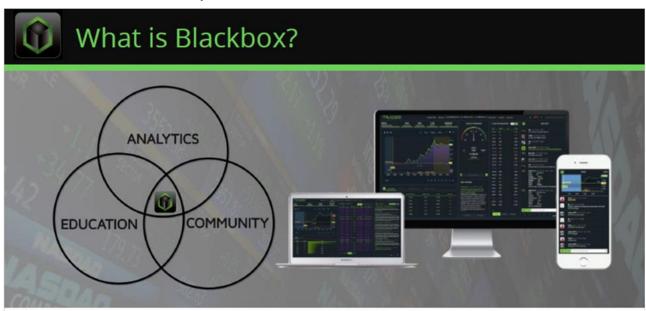
#### **ADDITIONAL DETAILS**

- 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.

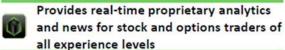
The company's balance sheet had \$7 million in cash and \$1 million in debt, compared with \$9 million in cash and \$1 million in debt at the end of March. In November 2021 (as part of its uplisting), the company raised \$12 million (selling 2.4 million shares at \$5.00/share).

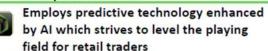


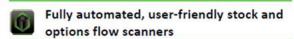
Exhibit 1: Blackboxstocks Inc. Corporate Overview

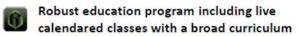


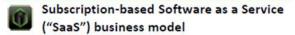












NASDAQ: BLBX



## **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 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



**Exhibit 2: Blackboxstocks Investment Highlights** 

### **Highlights:**

- 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.

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



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



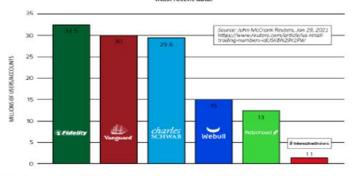
#### **Exhibit 4: Stock Market Investing Market Opportunities**



## 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/acccounts combined at six of the top online brokerages, according to the most recent data.



**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\*\*

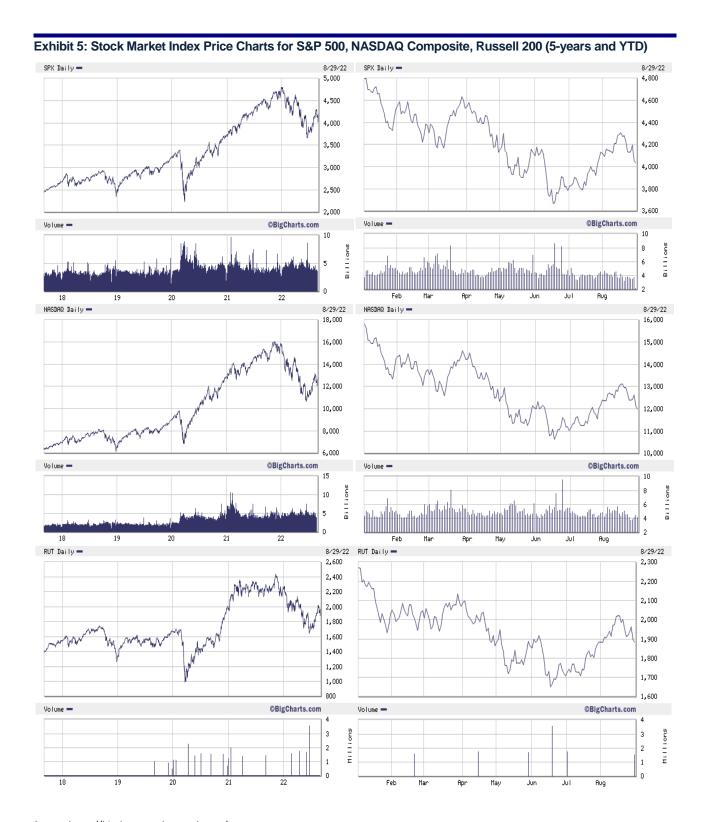


## The Market



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>	Robinhood – 22M Accounts⁵
UK – 8.6M Brokerage Accounts 2017 <sup>2</sup>	Forex Worldwide – 9.6M Traders <sup>4</sup>







#### **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**

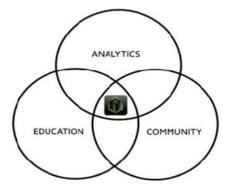
- · Volatility Indicator
- · Real Time Algorithm-Driven Stock Alerts
- Symbol Specific Alert Criteria
- · Broadcast Enabled Social Media
- · Options Heatmap
- · Pre-Configured Pre/Post Market Scanners
- Stock and Option Volume Ratio Scanner
- Members Only Live Audio





#### 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.





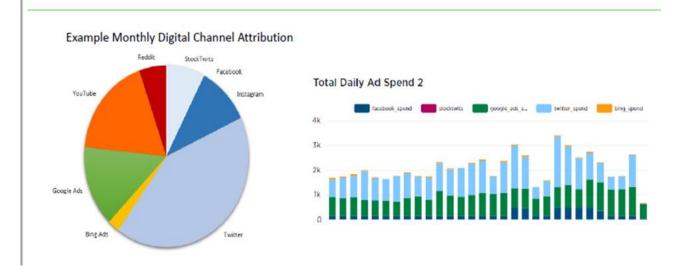
#### **Exhibit 7: Revenue Model**

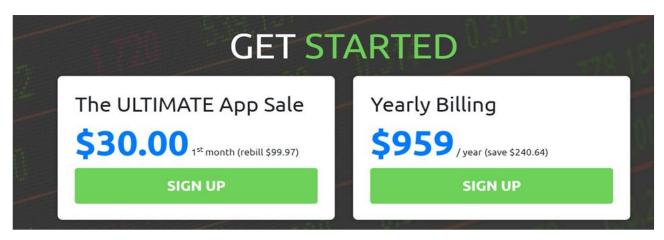


# SaaS Revenue Model/User Acquisition

### 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







#### 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









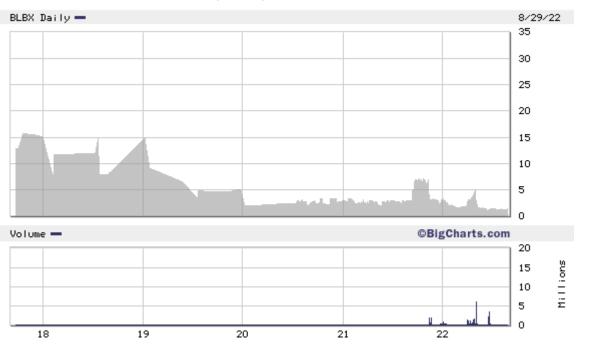
Exhibit 9: Q2 2022 and Recent Corporate Highlights

#### 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: https://bigcharts.marketwatch.com/

Exhibit 11: (	Consensus	Expectations	(as of $I$	August	15, 2022)
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	Revenue (mils)			EPS	
	<u>2022E</u>	2023E		<u>2022E</u>	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

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

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



#### **FINANCIAL MODEL**

#### Blackboxstocks Inc.

Income Statement (\$ mils)	2018	2019	Mar-20	lun-20	Sep-20	Doc-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Son-22	Doc-22	2022	Mar-23	lun-23	Sep-23	Doc-33	2023
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
riscar rear Ena. December or	11-A	11-7	Q IA	Q_LA	QUA	Q-7A	11-5	Q IA	QZA.	QUA	Q TA	11-5	WIA	QZA.	QUL	Q7L		Q IL	QZL	QUL	Q TL	
Total Revenue	0.7	1.1	0.4	0.8	1.1	1.0	3.4	1.5	1.5	1.5	1.7	6.1	1.3	1.4	1.4	1.5	5.6	1.8	2.1	2.5	2.7	9.0
Cost of Revenues	0.6	0.7	0.2	0.2	0.3	0.5	1.2	0.4	0.4	0.5	0.6	1.9	0.6	0.5	0.5	0.5	2.0	0.5	0.5	0.6	0.7	2.3
Gross Profit	0.0	0.4	0.2	0.6	0.8	0.5	2.2	1.1	1.1	1.0	1.1	4.3	0.7	0.9	0.9	1.1	3.6	1.3	1.6	1.9	2.0	6.7
Research & development	0.2	0.1	0.0	0.1	0.1	(0.1)	0.1	0.1	0.2	0.1	0.2	0.6	0.2	0.3	0.3	0.3	1.1	0.3	0.2	0.2	0.3	1.0
Selling, general and administr	0.9	1.0	0.3	0.3	0.5	0.6	1.8	0.6	0.6	1.1	2.3	4.6	1.2	1.2	1.0	1.1	4.5	1.0	1.0	1.0	1.1	4.1
Advertising and marketing		0.3	0.1	0.1	0.2	0.3	0.7	0.2	0.3	0.3	0.4	1.3	0.3	0.5	0.4	0.5	1.7	0.4	0.3	0.3	0.4	1.4
Depreciation and amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring and other							0.0					0.0					0.0					0.0
Total operating expenses	1.2	1.4	0.5	0.5	0.7	0.9	2.6	0.9	1.2	1.5	2.9	6.5	1.7	2.1	1.7	1.8	7.3	1.6	1.5	1.6	1.7	6.4
Operating income (loss)	(1.1)	(1.0)	(0.2)	0.0	0.1	(0.3)	(0.4)	0.1	(0.1)	(0.5)	(1.8)	(2.3)	(1.0)	(1.2)	(0.8)	(0.8)	(3.7)	(0.4)	0.1	0.3	0.3	0.2
Interest income (expense)	(0.0)	(0.6)	(0.1)	(0.1)	(0.2)	(0.2)	(0.6)	(0.1)	(0.1)	(0.0)	(0.1)	(0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.
Other income (expense)		(1.4)	0.4	0.3	0.0	(0.0)	0.6			0.0	0.0	0.0	(0.2)	(0.1)	0.1	<u>0.1</u>	(0.1)	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(1.2)	(3.0)	0.0	0.2	(0.1)	(0.5)	(0.4)	0.0	(0.2)	(0.5)	(1.9)	(2.6)	(1.2)	(1.3)	(0.7)	(0.7)	(4.0)	(0.4)	0.0	0.2	0.2	0.1
Income taxes							0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(1.2)	(3.0)	0.0	0.2	(0.1)	(0.5)	(0.4)	0.0	(0.2)	(0.5)	(1.9)	(2.6)	(1.2)	(1.3)	(0.7)	(0.7)	(4.0)	(0.4)	0.0	0.2	0.2	0.1
Nonrecurring/noncash adjustmen	nts						0.0					0.0					0.0					0.0
Net income (pro forma)	(1.2)	(3.0)	0.0	0.2	(0.1)	(0.5)	(0.4)	0.0	(0.2)	(0.5)	(1.9)	(2.6)	(1.2)	(1.3)	(0.7)	(0.7)	(4.0)	(0.4)	0.0	0.2	0.2	0.1
EBITDA	(1.1)	(1.0)	(0.2)	0.2	0.1	(0.3)	(0.3)	0.1	(0.1)	(0.1)	(0.9)	(0.9)	(0.9)	(1.0)	(0.6)	(0.5)	(3.0)	(0.1)	0.3	0.5	0.5	1.1
Shares, Basic	7.7	7.7	7.9	8.0	8.1	8.3	8.1	8.5	8.6	9.7	11.7	9.6	13.2	13.2	13.3	13.4	13.3	13.5	13.6	13.7	13.8	13.6
Shares, Diluted	7.7	7.7	13.6	13.5	8.1	8.3	8.1	14.1	8.6	9.7	11.7	9.6	13.2	13.2	13.3	13.4	13.3	13.5	13.6	13.7	13.8	13.6
Shares, Diluted	'.'	7.7	13.6	13.3	0.1	0.3	0.1	14.1	0.0	9.7	11.7	9.0	13.2	13.2	13.3	13.4	13.3	13.5	13.0	13.7	13.0	13.0
EPS Basic (pro forma)	(\$0.15)	(\$0.38)	\$0.01	\$0.02	(\$0.01)	(\$0.06)	(\$0.04)	\$0.00	(\$0.03)	(\$0.05)	(\$0.16)	(\$0.27)	(\$0.09)	(\$0.10)	(\$0.05)	(\$0.05)	(\$0.30)	(\$0.03)	\$0.00	\$0.02	\$0.02	\$0.0
EPS Diluted (pro forma)	(\$0.15)	(\$0.38)	\$0.00	\$0.01	(\$0.01)	(\$0.06)	(\$0.04)	\$0.00	(\$0.03)	(\$0.05)	(\$0.16)	(\$0.27)	(\$0.09)	(\$0.10)	(\$0.05)	(\$0.05)	(\$0.30)	(\$0.03)	\$0.00	\$0.02	\$0.02	\$0.0
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Margins																						
Gross margin	7%	35%	59%	70%	74%	52%	64%	73%	72%	68%	66%	70%	54%	64%	65%	70%	64%	70%	75%	75%	75%	749
Research & development	29%	5%	8%	7%	8%	-8%	3%	9%	14%	8%	12%	11%	15%	25%	20%	20%	20%	15%	10%	10%	10%	119
Selling, general and administr	135%	98%	84%	39%	42%		52%	41%	42%	75%	137%	76%	96%	85%	70%	70%	80%	55%	48%	40%	40%	459
Advertising and marketing	0%	25%	21%	18%	16%	29%	21%	14%	24%	19%	24%	20%	23%	38%	30%	30%	30%	20%	14%	14%	14%	159
				1070	1070					-34%	-107%	-37%	-80%	-84%	-55%	-50%	-67%	-20%	3%	11%	11%	39
		-95%	-56%	6%	8%	-30%	-12%							0170								
Operating margin	-160%	-95% 0%	-56% 0%	6% 0%	8% 0%		-12% 0%	10%	-8% 0%			0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-
Operating margin Tax rate, GAAP		-95% 0% -281%	-56% 0% 10%	6% 0% 24%	8% 0% -7%	-30% 0% -50%	-12% 0% -11%	10% 0% 1%	-8% 0% -17%	0% -34%	0%	0% -43%	0% -98%	0% -94%	0% -51%	0% -46%	0% -71%	0% -22%	0% 1%	0% 9%	0% 9%	0'
Operating margin Tax rate, GAAP Net margin	-160% 0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%											09
Operating margin Tax rate, GAAP Net margin Y/Y % change	-160% 0%	0% -281%	0%	0%	0%	0%	0% -11%	0% 1%	0% -17%	0% -34%	0% -111%	-43%	-98%	-94%	-51%	-46%	-71%	-22%	1%	9%	9%	09
Operating margin Tax rate, GAAP Net margin Y/Y % change Total Revenue	-160% 0%	0% -281% 53%	0%	0%	0%	0%	0% -11% 217%	0% 1% 259%	0% -17% 81%	0% -34% 34%	0% -111% 62%	-43% 82%	-98% -15%	-94% -4%	-51% -4%	-46% -10%	-71% -8%	-22% 42%	1% 50%	9% 75%	9% 75%	0° 1° 61°
Operating margin Tax rate, GAAP Net margin Y/Y & change Total Revenue Gross margin	-160% 0%	0% -281% 53% 674%	0%	0%	0%	0%	0% -11% 217% 489%	0% 1% 259% 347%	0% -17% 81% 86%	0% -34% 34% 23%	0% -111% 62% 105%	-43% 82% 97%	-98% -15% -37%	-94% -4% -15%	-51% -4% -8%	-46% -10% -4%	-71% -8% -16%	-22% 42% 83%	1% 50% 75%	9% 75% 102%	9% 75% 88%	0° 1° 61° 87°
Operating margin Tax rate, GAAP Net margin Y/Y change Total Revenue Gross margin Research & development	-160% 0% -166%	0% -281% 53% 674% -74%	0%	0%	0%	0%	0% -11% 217% 489% 84%	0% 1% 259% 347% 280%	0% -17% 81% 86% 251%	0% -34% 34% 23% 34%	0% -111% 62% 105% -341%	-43% 82% 97% 582%	-98% -15% -37% 42%	-94% -4% -15% 70%	-51% -4% -8% 153%	-46% -10% -4% 54%	-71% -8% -16% 74%	-22% 42% 83% 47%	1% 50% 75% -39%	9% 75% 102% -13%	9% 75% 88% -13%	61' 87'
Operating margin Tax rate, GAAP Net margin  Y/Y % change Total Revenue Gross margin Research & development Selling, general and administra	-160% 0% -166%	0% -281% 53% 674% -74% 12%	0%	0%	0%	0%	0% -11% 217% 489% 84% 70%	0% 1% 259% 347% 280% 74%	0% -17% 81% 86% 251% 95%	0% -34% 34% 23% 34% 136%	0% -111% 62% 105% -341% 263%	-43% 82% 97% 582% 162%	-98% -15% -37% 42% 102%	-94% -4% -15% 70% 94%	-51% -4% -8% 153% -10%	-46% -10% -4% 54% -54%	-71% -8% -16% 74% -3%	-22% 42% 83% 47% -19%	50% 75% -39% -15%	9% 75% 102% -13% 0%	9% 75% 88% -13% 0%	61' 87' -11'
Operating margin Tax rate, GAAP Net margin YYY % change Total Revenue Gross margin Research & development Selling, general and administra Advertising and marketing	-160% 0% -166%	0% -281% 53% 674% -74% 12% #DIV/0!	0%	0%	0%	0%	0% -11% 217% 489% 84% 70% 170%	0% 1% 259% 347% 280% 74% 135%	0% -17% 81% 86% 251% 95% 143%	0% -34% 34% 23% 34% 136% 65%	0% -111% 62% 105% -341% 263% 36%	-43% 82% 97% 582% 162% 77%	-98% -15% -37% 42% 102% 44%	-94% -4% -15% 70% 94% 52%	-51% -4% -8% 153% -10% 48%	-46% -10% -4% 54% -54% 11%	-71% -8% -16% 74% -3% 36%	-22% 42% 83% 47% -19% 21%	50% 75% -39% -15% -44%	9% 75% 102% -13% 0% -18%	9% 75% 88% -13% 0% -18%	61° 87° -11° -9°
Operating margin Tax rate, GAAP Net margin Y/Y % change Total Revenue Gross margin Research & development Selling, general and administra Advertising and marketing Operating income (loss)	-160% 0% -166%	0% -281% 53% 674% -74% 12% #DIV/0! -9%	0%	0%	0%	0%	0% -11% 217% 489% 84% 70% 170% -59%	0% 1% 259% 347% 280% 74% 135% -163%	0% -17% 81% 86% 251% 95% 143% -352%	0% -34% 34% 23% 34% 136% 65% -684%	0% -111% 62% 105% -341% 263% 36% 475%	-43% 82% 97% 582% 162% 77% 452%	-98% -15% -37% 42% 102% 44% -804%	-94% -4% -15% 70% 94% 52% 894%	-51% -4% -8% 153% -10% 48% 57%	-46% -10% -4% 54% -54% 11% -58%	-71% -8% -16% 74% -3% 36% 64%	-22% 42% 83% 47% -19% 21% -64%	50% 75% -39% -15% -44% -105%	9% 75% 102% -13% 0% -18% -134%	9% 75% 88% -13% 0% -18% -137%	0° 1° 61° 87° -11° -9° -19°
Operating margin Tax rate, GAAP Net margin  Y/Y % change Total Revenue Gross margin Research & development Selling, general and administra Advertising and marketing	-160% 0% -166%	0% -281% 53% 674% -74% 12% #DIV/0!	0%	0%	0%	0%	0% -11% 217% 489% 84% 70% 170%	0% 1% 259% 347% 280% 74% 135%	0% -17% 81% 86% 251% 95% 143%	0% -34% 34% 23% 34% 136% 65%	0% -111% 62% 105% -341% 263% 36%	-43% 82% 97% 582% 162% 77%	-98% -15% -37% 42% 102% 44%	-94% -4% -15% 70% 94% 52%	-51% -4% -8% 153% -10% 48%	-46% -10% -4% 54% -54% 11%	-71% -8% -16% 74% -3% 36%	-22% 42% 83% 47% -19% 21%	50% 75% -39% -15% -44%	9% 75% 102% -13% 0% -18%	9% 75% 88% -13% 0% -18%	61° 87° -11° -9°

Source: Company reports and Ascendiant Capital Markets estimates.



Blackboxstocks Inc

Balance Sheet (\$ mils)	Dec-18	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-2
iscal Year End: December 31	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																		
Cash and cash equivalents	0.0	0.0	0.1	0.2	0.2	1.0	1.1	0.6	0.4	2.4	0.7	0.3	1.8	1.4	0.8	1.1	1.5	2.
Short term investments										8.0	7.9	6.7	4.7	4.7	4.7	4.7	4.7	4.
Accounts receivable, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.
Inventory					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.
Deferred income taxes													0.0	0.0	0.0	0.0	0.0	0.
Prepaid expenses and other		0.0	0.0						0.2	0.2	0.1	0.1	0.1	0.1	0.7	0.8	0.9	1.
Total current assets	0.0	0.0	0.1	0.2	0.2	1.0	1.1	0.7	0.6	10.7	8.7	7.2	6.7	6.3	6.3	6.6	7.3	7.
Property and equipment, net	0.0	0.1	0.1	0.1	0.1	0.1	0.3	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.2	0.1	0.1	(0.
Intangibles, net													0.0	0.0	0.0	0.0	0.0	0
Deferred income tax													0.0	0.0	0.0	0.0	0.0	0.
Other	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					0.0	0.0	0.0	0.0	0.0	0.
Total assets	0.2	0.3	0.3	0.4	0.4	1.2	1.5	1.2	1.1	11.2	9.1	7.6	7.1	6.6	6.4	6.7	7.3	7.
Liabilities and stockholders' equity																		
Accounts payable	0.5	0.6	0.6	0.7	0.6	0.4	0.4	0.4	0.5	0.6	0.7	0.8	0.8	0.9	1.0	1.2	1.4	1
Accrued expenses	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Unearned subscriptions	0.1	0.2	0.3	0.3	0.4	1.0	1.1	0.9	0.8	1.3	1.2	0.9	0.9	0.9	0.9	0.9	0.9	0
Deferred income tax													0.0	0.0	0.0	0.0	0.0	0
Warrant liabilities		1.4	1.1	0.6	0.0								0.0	0.0	0.0	0.0	0.0	0
Other	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0
Short term debt	0.4	1.0	<u>1.1</u>	1.1	0.8	0.4	0.3	0.2	0.1	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.
Total current liabilities	1.4	3.6	3.4	3.1	2.1	2.0	1.8	1.6	1.5	2.9	2.9	2.7	2.8	2.8	3.0	3.1	3.4	3.
Deferred income taxes													0.0	0.0	0.0	0.0	0.0	0
Warrant liabilities													0.0	0.0	0.0	0.0	0.0	0
Other long term liabilities		0.1	0.1	0.0	0.0	0.0	0.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0
Deferred revenue													0.0	0.0	0.0	0.0	0.0	0.
Long term debt						0.9	0.9	0.9	0.9	0.1	0.1	0.1	0.1	0.1	<u>0.1</u>	0.1	0.1	0.
Total other liabilities	0.0	0.1	0.1	0.0	0.0	0.9	1.1	1.3	1.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Common stock	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.4	0.5	0.7	0
Additional paid-in capital	2.5	3.4	3.5	3.8	4.9	5.4	5.7	5.8	6.2	17.6	17.7	17.8	17.8	17.8	17.8	17.8	17.8	17
Retained earnings	(3.8)	(6.8)	(6.8)	(6.6)	(6.7)	(7.2)	(7.2)	(7.4)	(7.9)	(9.8)	(11.0)	(12.4)	(13.1)	(13.8)	(14.2)	(14.2)	(13.9)	(13
Other		' '					' '				(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0
Accumulated other comprehensive in	ncome										,	,	0.0	0.0	0.0	0.0	0.0	0
Total stockholders' equity	(1.1)	(3.3)	(3.2)	(2.7)	(1.7)	(1.8)	(1.4)	(1.6)	(1.7)	7.8	5.8	4.6	4.0	3.4	3.1	3.3	3.6	4.
Total stockholders' equity and liabil	li 0.2	0.3	0.3	0.4	0.4	1.2	1.5	1.2	1.1	11.2	9.1	7.6	7.1	6.6	6.4	6.7	7.3	7.

Balance Sheet Drivers																		
	Dec-18	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	0%	4%	0%	0%	0%	0%	0%	0%	10%	13%	8%	7%	7%	7%	37%	37%	37%	37%
A/P as % of total rev	303%	238%	154%	81%	53%	34%	24%	30%	36%	35%	55%	58%	58%	58%	56%	56%	56%	56%
Accrued exp related as % of total rev	76%	22%	22%	17%	5%	1%	1%	0%	0%	0%	1%	0%	2%	2%	2%	2%	2%	2%
Activity Ratios																		
A/R Days Sales Outstanding	2	2	1	1	2	2	1	2	1	1	1	1	3	3	3	3	3	3
Book & Cash Value (per share)																		
Book Value per Share (diluted)	(\$0.15)	(\$0.43)	(\$0.24)	(\$0.20)	(\$0.21)	(\$0.21)	(\$0.10)	(\$0.19)	(\$0.18)	\$0.67	\$0.44	\$0.35	\$0.30	\$0.25	\$0.23	\$0.24	\$0.26	\$0.29
Cash per Share (diluted)	\$0.00	\$0.00	\$0.01	\$0.01	\$0.02	\$0.12	\$0.08	\$0.07	\$0.04	\$0.89	\$0.65	\$0.54	\$0.50	\$0.46	\$0.41	\$0.43	\$0.46	\$0.49
Net cash per Share (diluted)	(\$0.05)	(\$0.13)	(\$0.08)	(\$0.07)	(\$0.07)	(\$0.04)	(\$0.01)	(\$0.05)	(\$0.07)	\$0.80	\$0.57	\$0.46	\$0.42	\$0.38	\$0.34	\$0.35	\$0.38	\$0.42



Blackboxstocks Inc.

Blackboxstocks Inc.																						
Cash Flow Statement (\$ mils)	2018	2019	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activ																						
Net income	(1.2)	(3.0)	0.0	0.2	(0.1)	(0.5)	(0.4)	0.0	(0.2)	(0.5)	(1.9)	(2.6)	(1.2)	(1.3)	(0.7)	(0.7)	(4.0)	(0.4)	0.0	0.2	0.2	0.1
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.4
Amortization							0.0					0.0	0.0	0.0			0.0					0.0
Debt related amortization exper	0.0	1.9	0.4	0.2	0.1	0.2	0.9	0.1	0.1	0.0	0.0	0.2					0.0					0.0
Dividend							0.0					0.0					0.0					0.0
Stock comp				0.1	0.1	0.1	0.2		0.0	0.4	0.9	1.4	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.5
Deferred rent							0.0					0.0					0.0					0.0
A/R reserves	0.1						0.0					0.0					0.0					0.0
Deferred income taxes							0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in fair value of warrant	liability	0.1	(0.6)	(0.5)	(0.0)	0.0	(1.2)					0.0					0.0					0.0
Writedowns and impairments							0.0					0.0					0.0					0.0
Other gains/losses					0.0	(0.0)	0.0			(0.0)	(0.0)	(0.0)	0.2	0.1			0.3					0.0
Other				0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)			2.0		2.0					0.0
Changes in operating assets and	liabilities:																					
Accounts receivable	(0.1)	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Contract assets							0.0					0.0					0.0					0.0
Inventory					(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)			(0.0)					0.0
Prepaid expenses & other curre	0.1	0.0				0.0	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	0.1	(0.0)	(0.0)	(0.0)	0.1	(0.6)	(0.1)	(0.1)	(0.1)	(0.9)
Income tax							0.0					0.0					0.0					0.0
Other assets							0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.2	0.1	0.0	0.0	(0.1)	(0.2)	(0.3)	0.0	0.1	0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.3	0.1	0.2	0.2	0.1	0.6
Accrued expenses	0.1	0.1	0.0	0.0	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)		0.0	(0.0)			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contract liabilities							0.0					0.0					0.0					0.0
Unearned subscriptions	0.1	0.1	0.1	0.1	0.1	0.6	0.8	0.1	(0.2)	(0.2)	0.5	0.3	(0.1)	(0.3)			(0.4)					0.0
Other liabilities	0.2						0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash (used in) provided by	(0.5)	(0.7)	(0.0)	0.1	0.0	0.1	0.1	0.2	(0.3)	(0.2)	(0.5)	(0.7)	(8.0)	(1.2)	1.5	(0.4)	(1.0)	(0.6)	0.3	0.5	0.5	0.7
Cash flow from investing activi	l ties																					
Purchases of property and equi	1	(0.0)				(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)		(0.0)	0.0	(0.0)	(0.1)	0.0	(0.0)	(0.1)	0.0	(0.1)
Purchases of short-term investr		(0.0)				(0.0)	0.0	(0.0)	(0.0)	(0.0)	(8.0)	(8.0)	(0.1)	1.1	0.0	(0.0)	1.0	0.0	(0.0)	(0.1)	0.0	0.0
Acquisitions	l						0.0				(0.0)	0.0	(0.1)				0.0					0.0
Other					0.0	0.0	0.0					0.0					0.0					0.0
Net cash used in investing acti	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(8.0)	(8.1)	(0.1)	1.1	0.0	(0.0)	0.9	0.0	(0.0)	(0.1)	0.0	(0.1)
Net cash used in investing acti	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)		0.0	(0.0)	0.5	0.0	(0.0)	(0.1)	0.0	(0.1)
Cash flow from financing activi	ties																					
Issuance of debt	0.7	0.8	0.2	0.1	(0.0)	1.0	1.4					0.0	1		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of debt	(0.3)	(0.5)	(0.1)	(0.2)	(0.1)	(0.5)	(1.0)	(0.2)	(0.2)	(0.0)	(0.0)	(0.5)	(0.0)	(0.0)			(0.1)					0.0
Issuance of stock	0.2	0.3			0.1	0.3	0.4	0.1	0.0		10.5	10.7			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from stock option exe	ercises						0.0					0.0					0.0					0.0
Other							0.0			0.0	(0.0)	0.0	(0.9)	(0.1)			(0.9)					0.0
Dividends and distributions							0.0					0.0					0.0					0.0
Cash provided by (used in) fina	0.5	0.7	0.1	(0.0)	(0.0)	0.8	8.0	(0.1)	(0.2)	(0.0)	10.5	10.2	(0.9)	(0.1)	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate on cash							0.0					0.0					0.0					0.0
Net increase (decrease) in cash	0.0	(0.0)	0.1	0.1	0.0	0.8	1.0	0.1	(0.5)	(0.2)	2.0	1.5	(1.8)	(0.3)	1.5	(0.5)	(1.0)	(0.6)	0.3	0.5	0.5	0.6
Beginning cash and equivalent		0.0	0.0	0.1	0.2	0.2	0.0	1.0	1.1	0.6	0.4	1.0	2.4	0.7	0.3	1.8	2.4	1.4	0.8	1.1	1.5	1.4
Ending cash and equivalents	0.0	0.0	0.1	0.2	0.2	1.0	1.0	1.1	0.6	0.4	2.4	2.4	0.7	0.3	1.8	1.4	1.4	0.8	1.1	1.5	2.0	2.0

Source: Company reports and Ascendiant Capital Markets estimates



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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.

#### **Ascendiant Capital Markets, LLC Rating System**

Prior to January 31, 2014, ASCM used the following rating system:

**Strong Buy:** We expect the stock to provide a total return of 30% or more within a 12-month period.

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

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

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

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or

whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano

cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

#### Ascendiant Capital Markets, LLC Distribution of Investment Ratings (as of July 14, 2022)

#### Investment Banking Services

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

#### **Other Important Disclosures**

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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