

ShiftPixy, Inc.

Q2 FY23 beat due to lower operating expenses. Revenues were weaker than expected but margins are improving. Lowering P/T to \$5.50

Q2 FY23 revenues soft but EPS beat: PIXY recently (on April 18) reported its Q2 FY23 (ending February) results. Revenue was \$4.6 million (-56% YOY), compared to our estimate of \$5.5 million. EPS was \$(0.59), compared to our estimate of \$(0.63). The company did not provide any forward guidance and we are the only analyst publishing on the stock.

Core Business stabilizing: Though revenues declined 13% QOQ, total WSE's (worksites employees) in the quarter increased to 2,100, up from 2,000 in the previous quarter. In addition, gross profit improved sequentially to \$484,000 from \$421,000 in Q1 FY23, with GM coming in at 11%, up from 8% in the prior quarter. Gross profit per WSE improved slightly to \$230, compared to \$211 in the prior quarter, and a loss in the prior year period.

Lower operating expenses drive earnings beat: Operating expenses were \$5.5 million, down from \$5.6 million in the previous quarter, and much better than our expectations of \$6.9 million, due to lower-than-expected salary, SG&A, and legal expenses. This was the primary driver of the earnings beat.

Raising estimates on lower expenses: We are lowering our FY23 revenue estimate to \$20.3 million from \$22.3 million and lowering our FY24 revenue estimate to \$25.4 million from \$27.8 million. We are raising our FY23 EPS estimate to \$(2.08) from \$(2.65) on lower operating costs and higher share count. Our new FY24 EPS estimate is \$(2.34), up from \$(2.58) previously.

PIXY solves the employee benefits problem for its employers and workers: ShiftPixy provides EAS (Employment Administrative Services) for its employer clients such as onboarding, payroll, taxes, and compliance with important regulations such as the Affordable Care Act. At the same time, the company can offer benefits to its WSEs that they wouldn't otherwise have as gig workers.

National sales campaign is key to reaccelerating growth in core business: In response to pressure on its core business brought about by Covid-related disruptions to its QSR clients, ShiftPixy has built a new sales team focused on expanding its client portfolio into new metro areas and verticals. With only 2,100 active WSEs out of potentially 100s of thousands available, the potential for growth is quite large and sales traction could be a fundamental catalyst for the company's share price.

Structural challenges remain: ShiftPixy continues to face structural challenges, including high operating expenses relative to gross profit, recent client defections, ongoing lawsuits and contingencies, balance sheet pressure, and a low cash balance which will likely require further dilutive financing.

Balance Sheet: ShiftPixy exited the February quarter with \$800,000 in cash, versus quarterly cash burn needs of roughly \$5 million. The company raised \$1.4 from an At-The-Money offering in the February quarter. The ATM still has approximately 1.3 million shares left on the facility, providing a potential source of cash for the current quarter (ending May). Going forward, ShiftPixy will need to raise more funds to fuel operations while it refocuses on its core business.

Maintain BUY due to turnaround potential: We are maintaining our BUY recommendation but lowering our 12-month price target to \$5.50 from \$6.00. This is based on a NPV analysis, representing significant upside from the current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and turnaround potential.

Company Description

Based in Sunrise, FL, ShiftPixy is a human resources solutions company that matches gig workers to flexible employment in the restaurant industry.

May 8, 2023

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COMPANY UPDATE

Rating: **BUY**

Ticker: PIXY

Price: \$3.02

Target: \$5.50
(from \$6.00)

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$2.65-66.00
Shares Outstanding (million):	10.06
Market cap (\$million):	\$39.8
EV (\$million):	\$39
Debt (\$million):	\$0
Cash (\$million):	\$0.8
Avg. Daily Trading Vol. (\$ 000s):	\$324
Float (million shares):	1.45
Short Interest (million shares):	0.1
Dividend, annual (yield):	NA

Revenues (US\$ million)

	2023E (Cur.)	2023E (Old.)	2024E (Cur.)	2024E (Old.)
Q1 Nov	5.3A		6.6E	
Q2 Feb	4.6A	5.5E	5.7E	6.9E
Q3 May	5.0E	5.5E	6.3E	6.9E
Q4 Aug	5.5E	6.0E	6.9E	7.5E
Total	20.3E	22.3E	25.4E	27.8E
EV/Rev	1.9x		1.5x	

Earnings per Share (pro forma)

	2023E (Cur.)	2023E (Old.)	2024E (Cur.)	2024E (Old.)
Q1 Nov	\$(0.57)A		\$(0.61)E	\$(0.64)E
Q2 Feb	\$(0.59)A	\$(0.63)E	\$(0.56)E	\$(0.65)E
Q3 May	\$(0.56)E	\$(0.71)E	\$(0.55)E	\$(0.61)E
Q4 Aug	\$(0.59)E	\$(0.75)E	\$(0.62)E	\$(0.69)E
Total	\$(2.08)E	\$(2.65)E	\$(2.34)E	\$(2.58)E
EV/Rev	NM		NM	

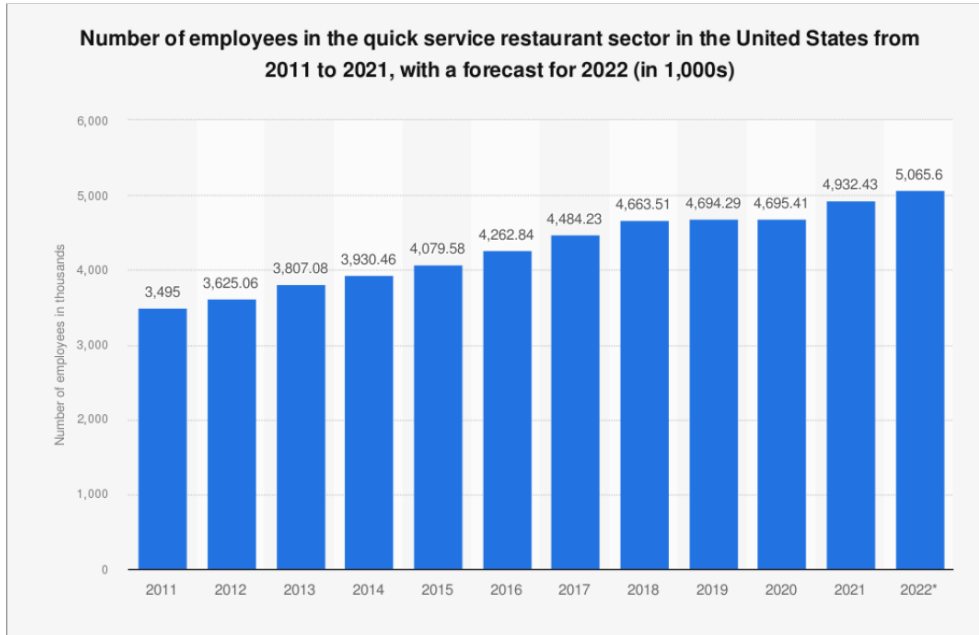
* Reflects a 1:100 reverse stock split in August 2022

Important Disclosures

Ascendant 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.

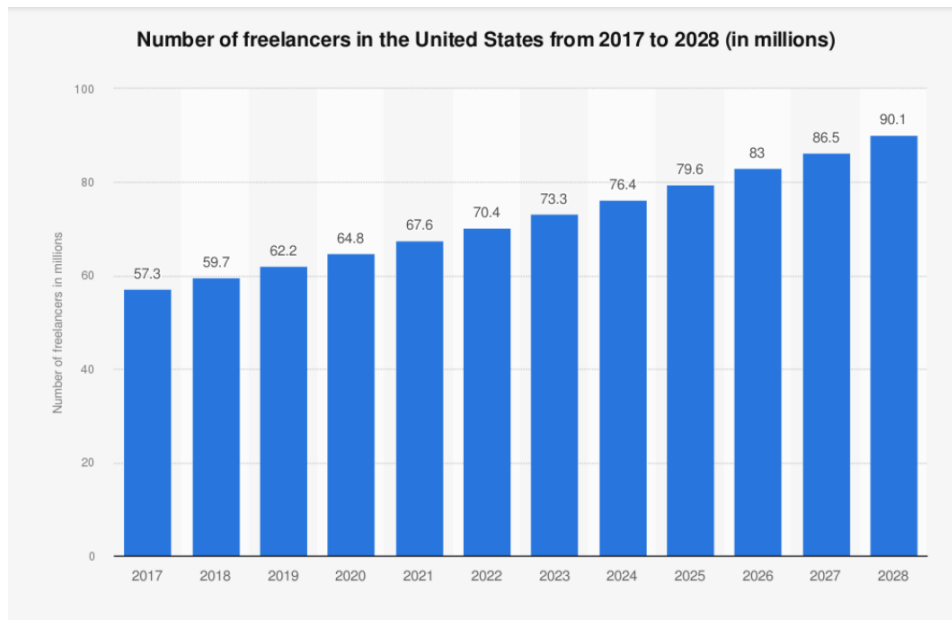
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 10.

Exhibit 1: US Employment in the QSR Industry



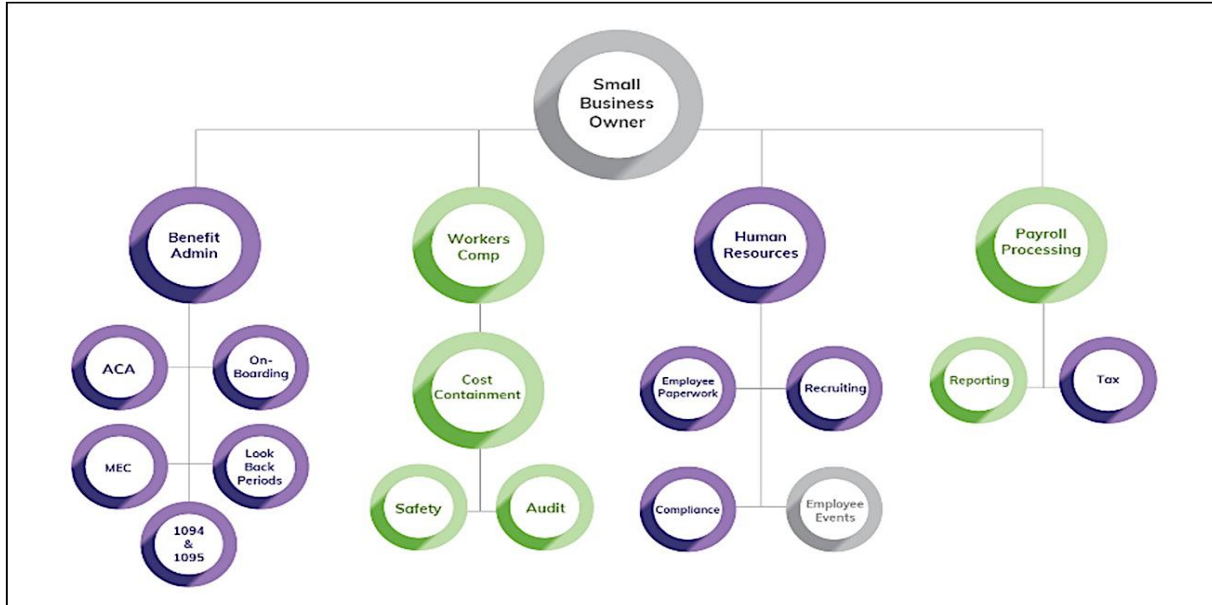
Source: IBISWorld, Statista

Exhibit 2: Number of US Independent Workers, 2017-2028



Source: Upwork, Edelman, Statista

Exhibit 3: Small Business Reporting and Administrative Burden



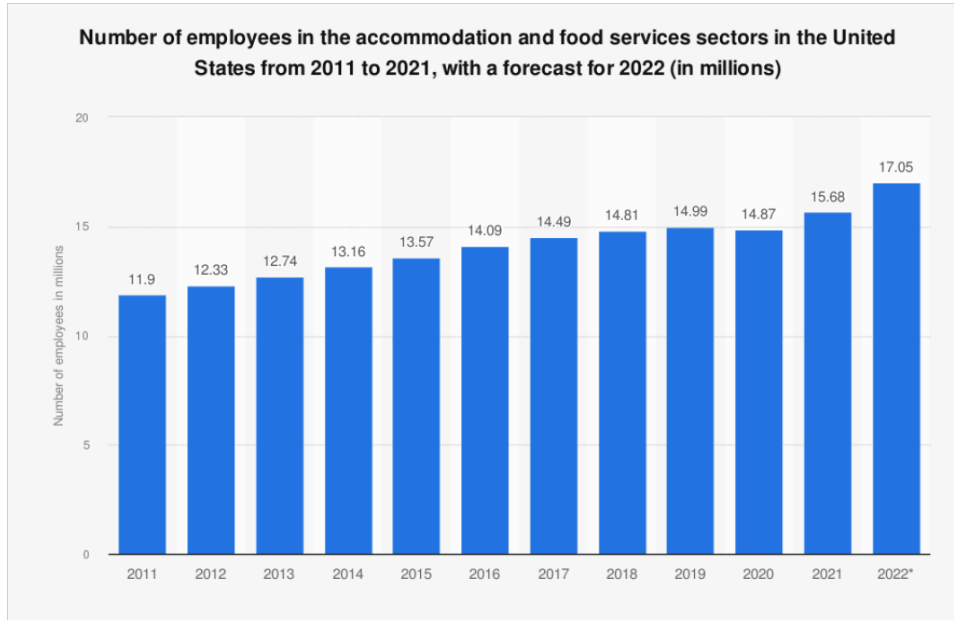
Source: Company Reports

Exhibit 4: ShiftPixy, Inc. HRIS Technology Platform



Source: Company Reports

Exhibit 5: US employment, food service and accommodation sectors



Source: IBISWorld, Statista

Exhibit 6: ShiftPixy Go to Market Strategy – Initial Food Markets



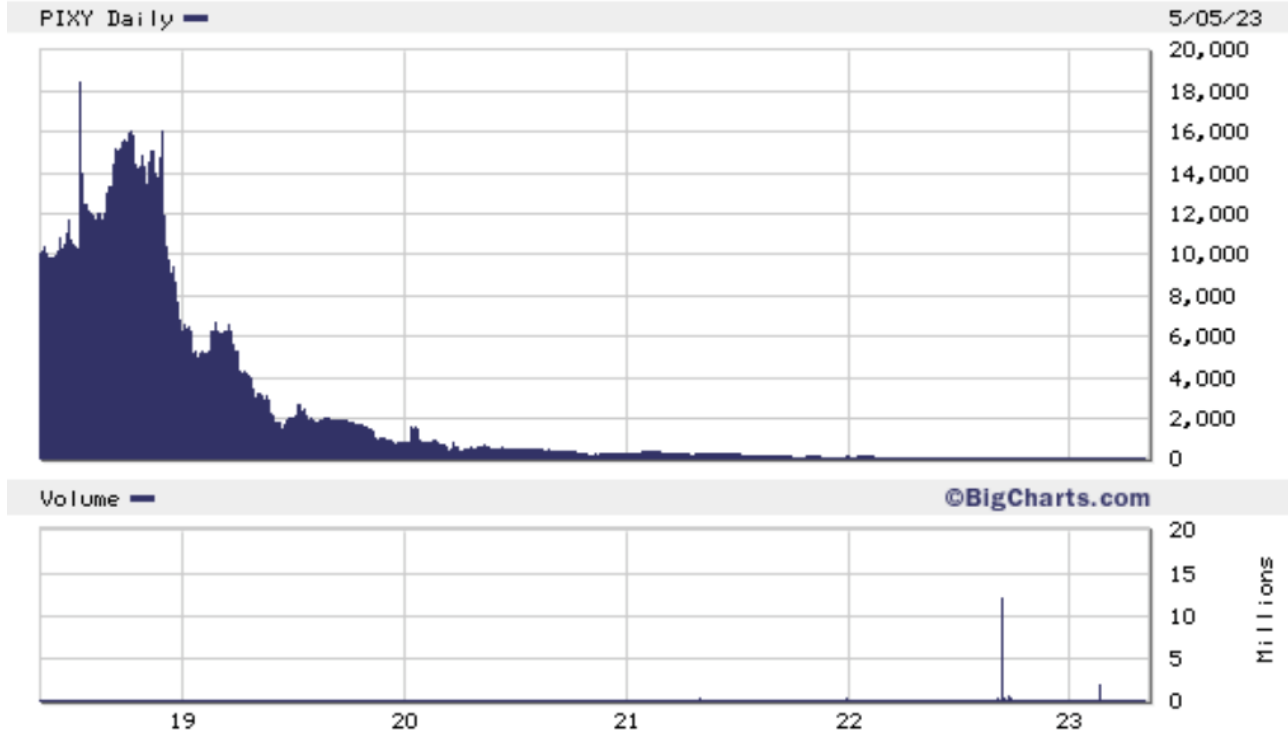
Source: Company Reports

Exhibit 7: ShiftPixy Billings and Revenue Breakdown, Q1 FY2023 vs. Q1 FY2022

	For the Three Months Ended			
	February 28, 2023		February 28, 2022	
Gross Billings for HCM	\$	11,993	\$	12,594
Gross Wages for HCM		(10,435)		(11,006)
Total Net Revenue for HCM		1,558		1,588
Revenue for Staffing		3,021		8,849
Total Net Revenues (in thousands)		4,579	\$	10,437
Increase (Decrease), Quarter over Quarter (in thousands)		(5,858)		8,000
Percentage Increase (Decrease), Quarter over Quarter		(56.1)%		333.3 %
Cost of Revenues (in thousands)		4,095	\$	10,498
Increase (Decrease), Quarter over Quarter (in millions)		(6,403)		8,100
Percentage Increase (Decrease), Quarter over Quarter	\$	—		385.7 %
Gross Profit (in thousands)	\$	484	\$	(61)
Increase (Decrease), Quarter over Quarter (in millions)		545		(100)
Percentage Increase (Decrease), Quarter over Quarter		(893.4)%		(25.0)%
Gross Profit Percentage of Revenues		10.6 %		(0.6)%

Source: Company Reports

Exhibit 8: ShiftPixy, Inc. Daily Stock Price (5 Years)



* Reflects a 1:100 reverse stock split in August 2022

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

FINANCIAL MODEL

ShiftPixy

Income Statement (\$ mils)	2020	2021	2022	Nov-22	Feb-23	May-23	Aug-23	2023	Nov-23	Feb-24	May-24	Aug-24	2024	2025
Fiscal Year End: August 31	FY-A	FY-A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	FY-E
Sales	8.6	23.4	36.0	5.3	4.6	5.0	5.5	20.3	6.6	5.7	6.3	6.9	25.4	31.4
Cost of Revenues	7.7	23.1	34.2	4.8	4.1	4.6	5.1	18.6	5.9	5.2	5.5	6.1	22.6	26.6
Gross profit	1.0	0.3	1.8	0.4	0.5	0.4	0.4	1.7	0.7	0.6	0.8	0.8	2.8	4.7
Operating expenses														
Salaries, Wages and Payroll Taxes	7.2	11.1	13.6	2.3	2.6	2.5	2.8	10.1	3.3	2.9	3.0	3.3	12.5	14.1
Commissions	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General and Administrative	4.2	8.2	12.8	2.0	1.8	2.0	2.1	7.8	2.2	1.9	1.9	2.1	8.1	8.8
Professional Fees	3.4	4.1	7.7	1.2	0.9	1.2	1.5	4.8	1.5	1.5	1.5	1.5	6.0	5.6
Research and Development	2.2	3.8	2.5	0.1	0.1	0.1	0.2	0.5	0.2	0.2	0.1	0.1	0.6	0.4
Stock based Compensation-general and Administ	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.3
Depreciation and Amortization	0.3	0.4	0.5	0.1	0.2	0.2	0.2	0.6	0.2	0.2	0.2	0.2	0.6	0.6
Total operating expenses	19.0	27.7	37.2	5.6	5.5	5.9	6.7	23.8	7.3	6.6	6.7	7.4	28.0	29.8
Loss from operations	(18.0)	(27.3)	(35.4)	(5.2)	(5.0)	(5.5)	(6.3)	(22.1)	(6.7)	(6.0)	(5.9)	(6.6)	(25.2)	(25.1)
Other income (expenses)														
Other Income	0.0	0.0	0.3	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Interest Expense	(2.5)	(0.0)	(0.0)	0.0	(0.2)	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0
Impaired Asset Expense (1,2)	(3.5)	0.0	(7.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expensed SPAC offering costs	0.0	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss from debt conversion (3)	(62.1)	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
Change in Fair Value of Derivative Liability	1.8	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
Inducement Loss	(0.6)	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
Loss on Debt Extinguishment	(5.1)	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
Gain on Convertible Note Settlement	(0.3)	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
Total other income (expenses)	(72.4)	0.0	(8.1)	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Earnings (Loss) before Taxes	(90.4)	(27.3)	(43.4)	(5.2)	(4.6)	(5.5)	(6.3)	(21.7)	(6.7)	(6.0)	(5.9)	(6.6)	(25.2)	(25.1)
Provision for Income Tax	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
Net Income (Loss) from continued operations	(90.4)	(27.4)	(43.4)	(5.2)	(4.6)	(5.5)	(6.3)	(21.7)	(6.7)	(6.0)	(5.9)	(6.6)	(25.2)	(25.1)
Earnings of Discontinued Operations	15.1	(2.5)	(0.6)	(0.2)	(0.6)	(0.2)	(0.2)	(1.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	0.0
Warrant Modification Expense (4, 5)	0.0	0.0	(15.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock Dividend (6)	0.0	0.0	0.0	(127.5)	0.0	0.0	0.0	(127.5)	0.0	0.0	0.0	0.0	0.0	0.0
Non-controlling interest				(0.5)										
Net income	(75.3)	(29.9)	(59.7)	(132.9)	(5.8)	(5.7)	(6.5)	(150.3)	(6.8)	(6.1)	(6.0)	(6.7)	(25.6)	(25.1)
Nonrecurring/noncash adjustments	(68.4)	0.0	(24.1)	(127.5)	0.0	0.0	0.0	(127.5)	0.0	0.0	0.0	0.2	0.2	0.3
Net income (pro forma)	(7.0)	(29.9)	(35.6)	(5.4)	(5.8)	(5.7)	(6.5)	(22.9)	(6.8)	(6.1)	(6.0)	(6.9)	(25.8)	(25.4)
EBITDA	(17.8)	(27.0)	(34.9)	(5.1)	(4.9)	(5.4)	(6.2)	(21.5)	(6.5)	(5.9)	(5.8)	(6.4)	(24.6)	(24.5)
Weighted average common shares outstanding Shares, Basic and Diluted	0.18	0.34	0.40	9.53	9.70	10.11	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
EPS Diluted (pro forma)	\$ (38.22)	\$ (88.59)	\$ (88.49)	\$ (0.57)	\$ (0.59)	\$ (0.56)	\$ (0.59)	\$ (2.08)	\$ (0.61)	\$ (0.56)	\$ (0.55)	\$ (0.62)	\$ (2.34)	\$ (2.31)
Margins														
Gross margin	11%	1%	5%	8%	11%	8%	8%	9%	10%	10%	12%	12%	11%	15%
Salaries, Wages and Payroll Taxes	84%	47%	38%	43%	57%	50%	50%	50%	50%	50%	48%	48%	49%	45%
General and Administrative	48%	35%	36%	37%	39%	39%	39%	38%	33%	33%	31%	31%	32%	28%
Software and Development	26%	16%	7%	1%	3%	2%	4%	2%	3%	3%	2%	1%	2%	1%
Operating margin	-209%	-117%	-98%	-99%	-110%	-110%	-115%	-108%	-101%	-105%	-95%	-95%	-99%	-80%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-872%	-128%	-166%	-2523%	-126%	-114%	-118%	-739%	-103%	-107%	-97%	-97%	-101%	-80%
Y/Y % change														
Revenue	-17%	171%	54%	-41%	-56%	-48%	-21%	-43%	25%	25%	25%	25%	25%	23%
COGS	-10%	201%	48%	-41%	-61%	-49%	-21%	-46%	22%	26%	20%	20%	22%	18%
Gross Profit	-50%	-66%	451%	-39%	-893%	-34%	-18%	-2%	56%	18%	88%	88%	61%	68%
Salaries, Wages and Payroll Taxes	15%	54%	22%	-42%	-29%	-23%	-1%	-26%	46%	10%	20%	20%	23%	13%
General and Administrative	-17%	96%	56%	-16%	-12%	-26%	-65%	-39%	10%	7%	-1%	-1%	4%	8%
Professional Fees	-14%	21%	88%	-31%	-48%	-55%	-5%	-38%	26%	72%	25%	0%	26%	-7%
Software and Development	8%	68%	-33%	-95%	-89%	-65%	2400%	-81%	233%	68%	0%	-50%	25%	-33%
Total operating expenses	9%	46%	34%	-39%	-38%	-37%	-30%	-36%	30%	20%	13%	9%	18%	6%
Operating Income	16%	52%	29%	-39%	-44%	-37%	-31%	-38%	27%	20%	8%	4%	14%	0%
Net income	317%	-60%	100%	1425%	-67%	-56%	-69%	152%	-95%	6%	6%	2%	-83%	-2%
EPS	#DIV/0!	132%	0%	-98%	-98%	-98%	-97%	-98%	8%	-6%	-3%	5%	13%	-2%

Source: Company reports, Ascendant Capital Markets estimates

* Reflects a 1:100 reverse stock split in August 2022

ShiftPixy

Balance Sheet (\$ mils)	Aug-20	Aug-21	Aug-22	Nov-22	Feb-23	May-23	Aug-23	Nov-23	Feb-24	May-24	Aug-24	Aug-25
Fiscal Year End: August 31	Q4A	Q4A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q4E
Current Assets												
Cash and Cash Equivalents	4.3	1.2	0.6	0.9	0.8	1.2	(3.4)	(6.7)	(15.6)	(20.2)	(24.6)	(44.7)
Cash and Marketable Securities Held in Trust Account (1)	0.0	0.0	117.0	117.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivables	0.3	0.5	0.3	0.2	0.7	0.8	0.9	1.1	0.9	1.0	1.1	1.4
Unbilled Accounts Receivable	2.3	2.7	2.1	2.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Notes Receivables-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
Prepaid Expenses	0.7	0.6	0.7	0.5	0.2	0.2	0.2	0.3	0.2	0.3	0.3	0.4
Other Current Assets	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Deposits-workers Compensation	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets of Discontinued Operations	1.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	9.0	5.7	120.9	122.3	4.226	4.7	0.2	(2.9)	(12.0)	(16.5)	(20.8)	(40.5)
Noncurrent Assets												
Fixed Assets	0.6	2.8	2.8	3.0	2.8	2.6	2.5	2.3	2.2	2.0	1.9	1.3
Deposits-workers Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Notes Receivables-net	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Right-of-use - Operating Lease	0.0	0.0	4.1	4.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Deferred Charges	0.0	48.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current Assets of Discontinued Operations	2.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits and Other Assets	0.4	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Deposits-workers Compensation	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	17.4	62.9	128.6	130.3	11.8	12.1	7.5	4.2	(5.0)	(9.7)	(14.1)	(34.4)
Current Liabilities												
Accounts Payable	3.8	6.6	17.1	15.8	16.5	18.6	20.4	23.9	20.8	22.2	24.4	29.2
Payrolls and Related Liabilities	5.8	7.9	16.1	18.8	20.9	20.9	20.9	20.9	20.9	20.9	20.9	20.9
Accrued Workers' Compensation Costs	0.5	0.7	0.6	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Convertible Notes, 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
Derivative Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities of Discontinued Operations	1.7	1.5	1.4	1.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Registration Rights Penalties Accrual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Class a Common shares subject to possible redemption 11,50C	0.0	0.0	117.0	117.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	11.8	16.6	152.1	154.4	39.5	41.6	43.4	46.9	43.8	45.2	47.4	52.2
Noncurrent Liabilities												
Accrued Workers' Compensation Costs	1.2	1.6	1.2	1.2	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Payroll and Related Liabilities - Long Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Convertible Notes, 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
Operating Lease Liability, Noncurrent	0.0	0.0	3.5	3.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Minority Interest	0.0	47.5	9.5	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Class a Common Shares Subject to Possible Redemption 11,50	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current Liabilities of Discontinued Operation	4.4	3.8	3.3	3.4	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Total liabilities	17.5	69.5	169.6	171.9	47.5	49.5	51.4	54.9	51.8	53.2	55.4	60.1
Shareholders' Equity												
Common Stock - Par Value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional Paid in Capital	119.4	142.8	151.7	156.5	168.2	172.2	172.2	172.2	172.2	172.2	172.2	172.2
Treasury Stock - Common	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Deficit	(119.5)	(149.3)	(192.7)	(198.1)	(203.9)	(209.6)	(216.1)	(222.9)	(229.0)	(235.0)	(241.7)	(266.8)
Stock Subscription Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholders Equity	(0.0)	(6.5)	(41.0)	(41.7)	(35.7)	(37.4)	(43.9)	(50.7)	(56.8)	(62.8)	(69.5)	(94.6)
Total Liabilities & Shareholders Equity	17.4	62.9	128.6	130.3	11.8	12.1	7.5	4.2	(5.0)	(9.7)	(14.1)	(34.4)

Balance Sheet Drivers

	Aug-20	Aug-21	Aug-22	Nov-22	Feb-23	May-23	Aug-23	Nov-23	Feb-24	May-24	Aug-24	Aug-25
	Q4A	Q4A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q4E
Book & Cash Value (per share)												
Book Value per Share (diluted)	(0.10)	(17.36)	(101.81)	(4.37)	(3.68)	(3.70)	(3.99)	(4.61)	(5.16)	(5.71)	(6.32)	(8.60)
Cash per Share (diluted)	14.94	3.18	292.08	12.44	0.08	0.12	(0.31)	(0.61)	(1.42)	(1.84)	(2.24)	(4.07)
Net cash per Share (diluted)	14.94	3.18	292.08	12.44	0.08	0.12	(0.31)	(0.61)	(1.42)	(1.84)	(2.24)	(4.07)

Source: Company reports, Ascendant Capital Markets estimates

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Cash Flow Statement (\$ mils)	2020	2021	2022	Nov-22	Feb-23	May-23	Aug-23	2023	Nov-23	Feb-24	May-24	Aug-24	2024	2025
Fiscal Year End: August 31	FY-A	FY-A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	FY-E
Cash flow from operating activities														
Net loss	(75.3)	(29.9)	(44.0)	(5.4)	(5.8)	(5.7)	(6.5)	(23.4)	(6.8)	(6.1)	(6.0)	(6.7)	(25.6)	(25.1)
Income (loss) from discontinuing operations	15.1	(2.5)	(0.6)	(0.2)	(0.6)									
Non-controlling interest					(0.5)									
Net loss from continuing operations	(90.5)	(27.4)	(43.4)	(5.2)	(4.6)	(5.7)	(6.5)	(23.4)	(6.8)	(6.1)	(6.0)	(6.7)	(25.6)	(25.1)
Adjustments to reconcile net loss from continuing operations to net cash used in continuing operating activities:														
Bad debt expense	0.0	0.0	0.0	0.0	0.0									
Expense related to Preferred Options	62.1	0.0	0.0	0.0	0.0			0.6	0.2	0.2	0.2	0.2	0.6	0.6
Depreciation and amortization	0.3	0.4	0.5	0.1	0.2	0.2	0.2							
Impaired asset expense	3.5	0.0	4.0	0.0	0.0									
Gain on convertible note settlement	(0.8)	0.0	0.0	0.0	0.0									
ROU asset impairment	0.0	0.0	3.9	0.0	0.0									
Stock issued for services	0.1	0.0	0.0	0.0	0.1									
Stock-based compensation	1.3	1.6	1.3	0.3	0.2									
Expense related to warrant modification	0.0	0.0	0.0	0.1	0.0									
Expense related to warrant exchange	0.6	0.0	0.0	0.0	0.0									
Inducement loss on note conversions	0.6	0.0	0.0	0.0	0.0									
Expensed SPAC offering costs	0.0	0.0	0.5	0.0	0.0									
Non-cash lease expense	0.0	0.0	0.4	0.0	0.1									
Change in fair value of note receivable	1.1	0.0	0.0	0.0	0.0									
Change in fair value of derivative and warrant liability	(1.8)	0.0	0.0	0.0	0.0									
Excess of derivative liabilities over Notes at issuance	0.0	0.0	0.0	0.0	0.0									
Amortization of debt discount and debt issuance cost	6.7	0.0	0.0	0.0	0.0									
Loss (Gain) associated with note defaults, net	0.0	0.0	0.0	0.0	0.0									
Interest paid in common shares	0.0	0.0	0.0	0.0	0.0									
Changes in operating assets and liabilities														
Accounts receivable	(0.2)	(0.2)	0.2	0.0	(0.5)	(0.1)	(0.1)	(0.6)	(0.2)	0.1	(0.1)	(0.1)	(0.2)	(0.3)
Unbilled accounts receivable	(0.9)	(0.4)	0.6	(0.6)	0.5									
Prepaid expenses and other current assets	(0.4)	0.1	(0.2)	0.1	0.3	(0.0)	(0.0)	0.4	(0.0)	0.0	(0.0)	(0.0)	(0.1)	(0.1)
Other current assets	0.2	0.0	0.0	0.0	0.0									
Other long term assets					(0.1)									
Deposits – workers' compensation	(0.0)	0.5	0.5	0.0	0.0									
Deposits and other assets	(0.3)	(0.5)	0.0	(0.0)	0.0									
Accounts payable and other accrued liabilities	(0.6)	2.7	6.4	(1.3)	0.5	2.0	1.9	3.1	3.5	(3.1)	1.4	2.2	4.0	4.7
Payroll related liabilities	3.2	2.1	8.2	2.7	2.2									
Accrued workers' compensation	1.0	0.6	(0.5)	(0.0)	(0.4)									
Other current liabilities	(0.8)	0.0	0.0	0.0	0.0									
Net cash used in continuing operating activities	(15.6)	(20.5)	(17.5)	(3.7)	(1.6)	(3.6)	(4.6)	(19.9)	(3.3)	(8.9)	(4.6)	(4.4)	(21.3)	(20.1)
Net cash used by discontinued operating activities	(1.3)	(1.0)	(0.0)	0.0	0.0									
Net cash used in operating activities	(16.9)	(21.5)	(17.5)	(3.7)	(1.6)	(3.6)	(4.6)	(19.9)	(3.3)	(8.9)	(4.6)	(4.4)	(21.3)	(20.1)
Investing Activities														
Purchase of fixed assets	(0.2)	(2.6)	(0.5)	(0.4)	0.1	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0
Investment of IHC IPO proceeds into Trust Account	0.0	0.0	(117.0)	0.0										
Redemption of Trust Account					117.6									
Disposal of fixed assets	0.0	0.0	0.0	0.0	0.0									
Issuance of related party note receivable	0.0	0.0	0.0	0.0	0.0									
Proceeds from working capital adjustment – sale of assets	0.1	0.0	0.0	0.0	0.0									
Proceeds from sale of assets	9.5	0.0	0.0	0.0	0.0									
Net cash used in investing activities	9.4	(2.6)	(117.5)	(0.4)	117.7	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0
Financing Activities														
Proceeds from initial public offering IHC	0.0	0.0	116.7	0.0										
Payment to IHC shareholders					(117.6)									
Proceeds from issuance of common stock and warrants	0.0	0.0	0.0	0.0	0.0	4.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Public offering, net of offering costs	11.5	10.7	0.0	0.0										
Issuance costs related to common stock issuance	0.0	0.0	0.0	0.0	0.0									
Proceeds from stock subscription receivable	0.0	0.0	0.0	0.0	0.0									
Deferred offering costs	0.0	(0.8)	0.0	0.0	0.0									
SPAC offering costs paid	0.0	0.0	(3.7)	0.0	0.0									
Proceeds from private placement offering, net of offering costs	0.0	11.1	4.2	0.0	0.0									
Proceeds from private placement prefunded warrants, net of offering cost	0.0	0.0	6.9	4.4	(0.0)									
Proceeds from At-The-Market Offering, net of offering costs					1.4									
Proceeds from prefunded warrant exercises				0.0	0.0									
Preferred stock issued	0.0	0.0	3.7	0.0	0.0									
Repayment of convertible notes	(1.2)	0.0	0.0	0.0	0.0									
Issuance costs related to convertible notes	0.0	0.0	0.0	0.0	0.0									
Proceeds from issuance of convertible notes	0.0	0.0	0.0	0.0	0.0									
Proceeds from exercise of warrants	0.0	0.0	6.6	0.0	0.0									
Net cash provided by financing activities	10.3	21.0	134.4	4.4	(116.1)	4.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash increase (decrease)	2.7	(3.1)	(0.6)	0.2	(0.046)	0.4	(4.6)	(16.2)	(3.3)	(8.9)	(4.6)	(4.4)	(21.3)	(20.1)
Cash balance at beginning of period	1.6	4.3	1.2	0.6	0.864	0.8	1.2	0.6	(3.4)	(6.7)	(15.6)	(20.2)	(15.6)	(36.9)
Cash balance at end of period	4.3	1.2	0.6	0.864	0.818	1.2	(3.4)	(15.6)	(6.7)	(15.6)	(20.2)	(24.6)	(36.9)	(57.0)

Source: Company reports, Ascendant Capital Markets estimates

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