



Phunware, Inc.

Q1 revenue upside, and maintained strong 2022 guidance. We expect a return to strong growth over the next year to be positive for stock. Lowering P/T to \$6.00.

COMPANY UPDATE

Rating: BUY

Ticker: PHUN

Price: \$1.38

Target: \$6.00
(from \$6.25)

Q1 revenue upside: Phunware recently (on May 12) reported its fiscal Q1 2022 (ending March) results. Revenue was \$6.8 million (+312% y-o-y), compared to our and consensus estimates of \$6.0 million. EPS was \$(0.04), compared to our estimates of \$(0.05) and consensus of \$(0.04). Q1 revenue guidance was \$5.6 million.

Q1 driven by Lyte: The company's business overall is slowly recovering and returning to normal. Backlog at Q1 decreased to \$7.1 million, from \$8.6 million in Q4. Lyte revenue was \$4.3 million and was 63% of revenues.

Maintained positive 2022 guidance: The company maintained its 2022 revenue guidance of \$25 million. The company raised Q2 revenue guidance to \$5.3 million, from \$4.9 million.

Maintaining estimates: We are maintaining our 2022 estimates for revenue of \$25 million, and for EPS of \$(0.19).

Focused on mobile applications: Phunware's MaaS software platform enables companies and brands to engage, manage, and monetize their mobile applications. It offers enterprise mobile software, including content management, location-based services, marketing automation, business intelligence and analytics, alerts, notifications and messaging, audience engagement, and audience monetization, as well as vertical solutions, iOS and Android-based mobile application portfolios, solutions, and services.

Lyte acquisition: In October, the company closed the acquisition of privately-held Lyte Technology, Inc., a fast-growing provider of high performance computer systems, for ~\$11 million in cash and stock and earnouts.

PhunToken launch: In May 2021, Phunware launched the PhunToken Purchase Portal to begin selling PhunToken to consumers, developers and brands. PhunToken is designed to promote profitable behavior by rewarding consumers for their activities.

Large holdings of bitcoin: As of today, Phunware holds ~652 bitcoin valued at ~\$24 million (down from \$31 million last quarter). This equates to ~\$0.25 per share.

MEME stock jumps: Due to Phunware's prior work on an app with former President Trump, Phunware's stock benefited as President Trump announced a new social media platform in October. Phunware's stock in October jumped from ~\$1 to ~\$25 and has settled back (by December) to its current ~\$2 levels.

Large market potential: The demand for its services continues to grow fueled by its participation in four rapidly growing and evolving markets: mobile cloud software, media, big data, and cryptonetworking.

Still early but high growth stage: The company expects 2022 to improve significantly y-o-y due to easier comps going forward and as business return to normal post pandemic. The company continues to expect annual revenue growth of 30% or more longer term.

Positive risks versus rewards: 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 \$6.00 from \$6.25, 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 large upside opportunities.

Company Description

Based in Austin, TX, Phunware is a software company providing Multiscreen-as-a-Service (MaaS) enterprise cloud platform for mobile devices worldwide.

United States
Technology

June 4, 2022

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$0.82 – 24.04
Shares Outstanding (million):	97
Market cap (\$million):	\$134
EV (\$million):	\$127
Debt (\$million):	\$4
Cash (\$million):	\$11
Avg. Daily Trading Vol. (\$million):	\$5
Float (million shares):	94
Short Interest (million shares):	4
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	7A	6E	8E	7E
Q2 Jun	6E		7E	8E
Q3 Sep	6E		7E	8E
Q4 Dec	<u>6E</u>		<u>8E</u>	
Total	25E		30E	
EV/Revs	5x		4x	

Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.04)A	(0.05)E	(0.05)E	(0.04)E
Q2 Jun	(0.05)E		(0.04)E	
Q3 Sep	(0.05)E	(0.04)E	(0.03)E	
Q4 Dec	<u>(0.04)E</u>		<u>(0.02)E</u>	
Total	(0.19)E		(0.13)E	
P/E	N/A		N/A	

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 14.

OVERVIEW

- Phunware recently (on May 12) reported its fiscal Q1 2022 (ending March) results.
- Revenue was \$6.8 million (+312% y-o-y), compared to our and consensus estimates of \$6.0 million.
- EPS was \$(0.04) (excluding \$0.11/share in special charges and other non-recurring losses including crypto currency revaluations), compared to our estimates of \$(0.05) and consensus of \$(0.04).
- Q1 revenue guidance was \$5.6 million (+250% y-o-y).
- The company maintained 2022 revenue guidance of \$25 million.
- The company raised Q2 revenue guidance to \$5.3 million, from \$4.9 million.
- Longer term, the company continues to expect annual revenue growth of 30% or more.
- We are maintaining our 2022 estimates for revenue of \$25 million, and for EPS of \$(0.19).
- We are maintaining our 2023 estimates for revenue of \$30 million, and for EPS of \$(0.13).

ADDITIONAL DETAILS

- Gross profit for the quarter was \$1.8 million, compared with our estimate of \$2.4 million.
- Gross margin for the quarter was 26%, versus our expectation of 40% and 58% last year.
- Operating expenses were \$7 million, versus our expectation of \$7 million.
- Operating loss was \$5.0 million, versus our expectation of a loss of \$4.9 million.
- Net loss was \$4.1 million (excluding \$11 million in special charges and other non-recurring losses including crypto currency revaluations), versus our expectation of a loss of \$5.0 million.
- Q1 backlog was \$7.1 million, down from \$8.6 million in Q4.

The company's balance sheet had \$11 million in cash and \$4 million in debt, compared with \$23 million in cash and \$5 million in debt at the end of December. In Q4, due to a huge run up in its share price the company raised ~\$65 million from its ATM. The company currently has an estimated 652 Bitcoin and 1,222 ETH, valued at ~\$24 million at today's trading prices (~\$0.25/share). This was down from ~\$31 million in cryptocurrency held (641 Bitcoin and 1,217 ETH) at the end of Q4.

Exhibit 1: Phunware Product Overview

Products and Solutions



SOLUTIONS




- Advocacy
- Aviation
- Healthcare
- Hospitality
- Media and Entertainment
- Residential
- Retail
- Smart City
- Smart Campus
- Smart Workplace

PRODUCTS

- Analytics**
Analyze real-time mobile app data
- Audience Monetization**
Auction mobile app content with ads
- Content Management**
Manage and distribute mobile app content
- Developer Tools**
Build native mobile apps with SDKs
- Location Based Services**
Real-time indoor blue-dot positioning and navigation
- Mobile Engagement**
Location-aware mobile app notifications
- Audiences**
Target mobile media at scale globally
- Targeted Media**
Work with our team to develop and launch targeted mobile campaigns
- Data Exchange**
Share data, build audiences and reward ecosystem stakeholders with digital assets
- Datasets**
Mobile data for analytics and data science
- PhunWallet**
Manage personal data and digital assets
(planned for release in 2020-H2)

How We Work with Customers



For brands without an existing mobile app	For brands with an existing mobile app	For brands wanting advanced features and/or custom user interface
		
<p>INDUSTRY-SPECIFIC APP TEMPLATES</p> <p>Customizable and packed with features out-of-the box</p>	<p>A-LA-CARTE PHUNWARE MODULES</p> <p>Can be easily integrated into existing apps</p>	<p>CUSTOM SOLUTIONS</p> <p>Can be created by Phunware's Professional Services team</p>

Source: Company reports.

Exhibit 2: Phunware Customers and Deals

Top-Tier Customers



Customers by Industry			
Healthcare	Media & Entertainment	Retail	Campus
		 Aviation	 Hospitality

Typical SaaS Software Deal Structure

	Brands without Mobile Application Portfolios	Brands with Mobile Application Portfolios
MaaS Licenses	\$300K - \$600K	\$800K - \$1,000K
MaaS Services	\$50K - \$150K	\$100K - \$500K
MaaS Deal Range	1 - 5 Years	1 - 5 Years
Average Deal Size	\$350K - \$750K	\$900K - \$1,500K

Source: Company reports.

Exhibit 3: PhunToken and PhunCoin

PhunCoin + Phun



Phunware’s blockchain-enabled data exchange and mobile loyalty ecosystem are powered by two unique digital assets that help eliminate untrustworthy intermediaries and directly connect brands with consumer audiences of interest that have voluntarily opted in with their personal data and information in exchange for a benefit.

Brands

Dramatically increase brand and consumer protection while achieving substantially higher ROI on auditable media spend with consumers that have voluntarily opted in to engage through open and transparent 1:1 interactions.

Consumers

Regain complete control of their identities, including their personal data and information, through an open, transparent and auditable ecosystem that they have opted in to at their own selection in return for compensation.

What is it?

PhunCoin is a security token that is empowering consumers to take control of and be compensated for their data.

What can I do with it?

Profitable Data: Monetize your digital identity by sharing data with brands.

Give me an example!

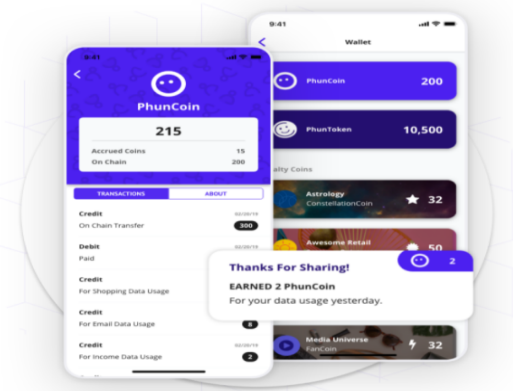
Earn PhunCoin for the value of data you provide in a survey or for completing KYC / AML.

Why should I want it?

Invest in the value of Phunware’s blockchain-enabled data exchange and receive a PhunCoin dividend (i.e. the “gold mine”).

How do I get some?

Available to accredited investors via Reg D.



940M monthly active devices worldwide

5B transactions processed daily

5TB of data generated daily

\$120M+ in private financing

62 employees

3 office locations

CONSUMERS receive PhunToken in return for profitable behavior such as completing surveys, watching videos or checking into specific locations to participate in marketing campaigns.

BRANDS can customize user interfaces to rebrand PhunToken within their existing mobile applications to avoid changing consumer behavior and maintain brand awareness. Brands also receive direct, real-time access to deterministic and intent-based data for their target consumers and can reward the right consumers for their engagement.

BRANDED MARKETPLACES will give consumers the ability to spend PhunToken on valuable goods, services and offers.

CONSUMERS will be encouraged to hold PhunToken as brands unlock more valuable tiers of rewards for consumers with an auditable record of engaging in profitable behavior.

© 2009-PRESENT PHUNWARE, INC. (NASDAQ: PHUN)

Source: Company reports.

Exhibit 4: Phunware Q1 2022 and Recent Highlights

Recent Business Highlights

- Notable Corporate Developments:
 - [PhunToken Now Available on Uniswap](#)
 - [Appointed Christopher Olive as Executive Vice President, General Counsel and Chief Legal Officer](#)
 - [Appointed Matt Lull as Executive Vice President & Chief Cryptocurrency Officer](#)
 - [Engaged Moneta Advisory Partners](#)
- Notable Customer and Partner Wins:
 - [Partnered with Accion Labs to Provide Mobile Solutions for Digital Transformation](#)

Source: Company reports.

Exhibit 5: Phunware Long Term Financial Plan

Target Operating Model



30%+

Year-over-Year
Net Revenues Growth

75%+

Gross Margin

Positive

Adjusted EBITDA

Source: Company reports.

Exhibit 6: Phunware's Cryptocurrency Strategy (as of 11/18/21, 11/22/21, 12/9/21)

AUSTIN, Texas, Nov. 18, 2021 (GLOBE NEWSWIRE)

As part of the updated corporate cash management policy, Phunware may save and/or invest cash reserves in certain specified alternative reserve assets to include, but not limited to:

- *Bitcoin.* Phunware currently holds approximately 127 bitcoin, which were acquired at an aggregate purchase price of approximately \$7.75 million and an average purchase price of approximately \$61,238 per bitcoin, inclusive of fees and expenses. The Company expects to add to its bitcoin total as a routine part of corporate operations and treasury management for the foreseeable future.
- *Stablecoins.* Phunware expects to use reserve-backed stablecoins, including stablecoin collateral loops, to maximize its savings yields in digital US dollar equivalents that can be far more attractive than traditional legacy banking yields in Annual Percentage Yield (APY) terms. The Company will not use Tether (USDT) stablecoins as any part of this strategy and fully expects to concentrate its stablecoin exposure on assets such as [US Dollar Coin \(USDC\)](#) and [Gemini Dollar \(GUSD\)](#) amongst other equivalents.
- *Alternative cryptocurrencies.* Phunware expects to initiate numerous diversified DeFi positions and techniques to generate financial returns consistent with financial lending, borrowing, market making, yield farming, collateralized looping, swapping, staking, bridging, wrapping, pooling and pairing. The Company will maintain its DeFi strategies, positions and techniques as both confidential and proprietary information.

AUSTIN, Texas, Nov. 22, 2021 (GLOBE NEWSWIRE) -- [Phunware, Inc. \(NASDAQ: PHUN\)](#) (the "Company"), a fully-integrated [enterprise cloud platform](#) for mobile that provides products, solutions, data and services for brands worldwide, announced today it has purchased an additional 398 bitcoin for approximately \$23.8 million in cash at an average price of approximately \$59,917 per bitcoin, inclusive of fees and expenses.

As of November 22, 2021, Phunware holds an aggregate of approximately 529 bitcoin, which were acquired at an aggregate purchase price of approximately \$31.8 million and an average purchase price of approximately \$60,191 per bitcoin, inclusive of fees and expenses.

AUSTIN, Texas, Dec. 09, 2021 (GLOBE NEWSWIRE) -- [Phunware, Inc. \(NASDAQ: PHUN\)](#) (the "Company"), a fully-integrated [enterprise cloud platform](#) for mobile that provides products, solutions, data and services for brands worldwide, announced today it has purchased an additional 100 bitcoin for approximately \$4,975,000 in cash at an average price of approximately \$49,750 per bitcoin, inclusive of fees and expenses.

As of December 9, 2021, Phunware holds an aggregate of approximately 630 bitcoin, which were acquired at an aggregate purchase price of approximately \$36.8 million and an average purchase price of approximately \$58,513 per bitcoin, inclusive of fees and expenses.

Source: Company reports.

Exhibit 7: Bitcoin Price Chart (2-years)

Bitcoin to USD Chart



Source: <https://coinmarketcap.com/>

Exhibit 8: Phunware, Inc. Stock Price (9-months)



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

Exhibit 9: Acquisition of Lyte Technology (October 2021)

Phunware Closes Acquisition of High Performance Computer Provider Lyte Technology

Revenue Guidance for Fourth Quarter Fiscal 2021 Expected to Exceed \$5M

AUSTIN, Texas, Oct. 19, 2021 (GLOBE NEWSWIRE) -- [Phunware, Inc. \(NASDAQ: PHUN\)](#) (the "Company"), a fully-integrated [enterprise cloud platform](#) for mobile that provides products, solutions, data and services for brands worldwide, announced today it has formally closed the acquisition of privately-held [Lyte Technology, Inc. \("Lyte"\)](#), a fast-growing provider of high performance computer systems. The Company financed the closing consideration of \$3.32 million with cash on-hand and unsecured, non-dilutive debt.

Lyte Technology Overview

Founded in 2018, Lyte is a profitable, rapidly-growing system integrator that specializes in marketing and distributing custom, high-end computer systems off-the-shelf with advanced graphic processing units for gaming, streaming and cryptocurrency mining. Currently located in Illinois, Lyte employs over 25 people and ships thousands of computer systems per quarter to a unique customer network that has largely grown through word-of-mouth.

Acquisition Summary and Rationale (Unaudited)

- The total consideration for the acquisition consisted of cash and Company common stock valued at up to approximately \$10.98 million, a portion of which is characterized as an earn-out payment contingent upon Lyte generating at least \$12.00 million in net revenues for the one-year period post-closing.
- No Company common stock was issued at closing.
- Lyte enables Phunware to enter the high performance personal computer market, which [JPR](#) estimates is a \$32 billion USD market that is expected to grow at a 20.4% CAGR over the next five years.
- Complementary and synergistic go-to-market strategies exist, with no overlap in the companies' relevant partner or customer bases.
- Lyte's customers represent gamers, developers, content creators and crypto enthusiasts who will support the adoption, scale and infrastructure required for Phunware to deploy its decentralized data economy powered by [PhunCoin](#) and [PhunToken](#).
- For the fourth quarter of fiscal 2021, Phunware expects to report net revenues exceeding \$5.00 million.

Source: Company reports.

Exhibit 10: Phunware, Inc. Stock Price (4-years since IPO December 2018)



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

Exhibit 11: Consensus Expectations (as of May 12, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$6E		Q1 Mar	\$(0.04)E	
Q2 Jun	\$6E		Q2 Jun	\$(0.04)E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
Total	\$26E	\$33E	Total	\$(0.17)E	\$(0.13)E

*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

FINANCIAL MODEL

Phunware, Inc.

Income Statement (\$ mils)	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	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	2.6	2.2	3.1	2.0	10.0	1.6	1.4	2.2	5.4	10.6	6.8	5.7	6.2	6.3	25.0	8.1	6.9	7.4	7.6	30.0
Cost of Revenues	1.1	0.8	0.9	0.6	3.4	0.7	1.1	1.0	4.2	7.0	5.0	3.7	4.0	3.8	16.6	4.1	3.4	3.3	3.4	14.3
Gross Profit	1.5	1.4	2.2	1.4	6.6	1.0	0.3	1.1	1.2	3.6	1.8	2.0	2.2	2.5	8.5	4.1	3.4	4.1	4.2	15.7
Sales and marketing	0.6	0.3	0.4	0.4	1.7	0.6	0.6	0.7	1.1	3.0	1.5	1.3	1.4	1.3	5.4	1.4	1.2	1.3	1.3	5.1
General and administrative	3.9	3.8	4.3	3.4	15.4	2.8	3.0	3.3	4.2	13.3	4.3	4.3	4.3	4.1	17.1	5.7	4.5	4.1	3.8	18.0
Research and development	0.9	0.4	0.6	0.8	2.6	1.1	0.8	1.2	1.1	4.2	1.0	1.2	1.3	1.3	4.8	1.5	1.2	1.3	1.4	5.4
Restructuring and other			4.5	4.5						0.0					0.0					0.0
Total operating expenses	5.4	4.4	9.7	4.6	24.1	4.4	4.5	5.2	6.4	20.5	6.8	6.8	7.0	6.7	27.3	8.5	6.9	6.7	6.4	28.5
Operating income (loss)	(3.9)	(3.0)	(7.5)	(3.2)	(17.5)	(3.4)	(4.2)	(4.0)	(5.2)	(16.8)	(5.0)	(4.8)	(4.8)	(4.2)	(18.8)	(4.5)	(3.4)	(2.6)	(2.3)	(12.8)
Interest income (expense)	(0.1)	(0.5)	(1.4)	(1.5)	(3.4)	(2.2)	(1.8)	0.0	(0.4)	(4.5)	(0.4)	(0.1)	(0.1)	(0.1)	(0.6)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)
Other income (expense)	(0.1)	0.3	(1.5)	(1.3)	(6.7)	(2.3)	4.4	(28.0)	(32.6)	(9.5)	0.0	0.0	0.0	(9.5)	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(4.0)	(3.5)	(8.6)	(6.2)	(22.2)	(12.4)	(8.3)	0.4	(33.7)	(53.9)	(14.9)	(4.8)	(4.9)	(4.3)	(28.9)	(4.5)	(3.5)	(2.7)	(2.3)	(13.1)
Income taxes				0.0	0.0				(0.4)	(0.4)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(4.0)	(3.5)	(8.6)	(6.2)	(22.2)	(12.4)	(8.3)	0.4	(33.2)	(53.5)	(14.9)	(4.8)	(4.9)	(4.3)	(28.9)	(4.5)	(3.5)	(2.7)	(2.3)	(13.1)
Nonrecurring/noncash adjustments			4.5	4.5						0.0	10.8				10.8					0.0
Net income (pro forma)	(4.0)	(3.5)	(4.1)	(6.2)	(17.7)	(12.4)	(8.3)	0.4	(33.2)	(53.5)	(4.1)	(4.8)	(4.9)	(4.3)	(18.0)	(4.5)	(3.5)	(2.7)	(2.3)	(13.1)
EBITDA	(3.2)	(1.8)	(1.3)	(2.1)	(8.4)	(2.4)	(2.7)	(2.5)	(4.0)	(11.7)	(4.2)	(4.2)	(4.2)	(3.6)	(16.3)	(3.9)	(2.9)	(2.0)	(1.7)	(10.5)
Shares, Basic	40.1	41.9	44.3	51.0	44.3	64.6	71.6	74.3	91.0	75.4	96.8	97.3	97.6	97.9	97.4	98.2	98.5	98.8	99.1	98.7
Shares, Diluted	41.0	41.9	44.3	51.0	44.3	64.6	71.6	74.3	91.0	75.4	96.8	97.3	97.6	97.9	97.4	98.2	98.5	98.8	99.1	98.7
EPS Basic (pro forma)	(\$0.10)	(\$0.08)	(\$0.09)	(\$0.12)	(\$0.40)	(\$0.19)	(\$0.12)	\$0.01	(\$0.37)	(\$0.71)	(\$0.04)	(\$0.05)	(\$0.05)	(\$0.04)	(\$0.19)	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.13)
EPS Diluted (pro forma)	(\$0.10)	(\$0.08)	(\$0.09)	(\$0.12)	(\$0.40)	(\$0.19)	(\$0.12)	\$0.01	(\$0.37)	(\$0.71)	(\$0.04)	(\$0.05)	(\$0.05)	(\$0.04)	(\$0.19)	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.13)
Margins																				
Gross margin	59%	65%	71%	70%	66%	58%	22%	53%	22%	34%	26%	35%	35%	40%	34%	50%	50%	55%	55%	52%
Sales and marketing	23%	13%	12%	19%	17%	34%	44%	33%	21%	28%	22%	22%	22%	20%	21%	17%	17%	17%	17%	17%
General and administrative	149%	170%	137%	167%	154%	168%	210%	153%	77%	125%	64%	75%	70%	65%	68%	70%	65%	55%	50%	60%
Research and development	33%	17%	18%	40%	26%	64%	59%	54%	21%	39%	15%	21%	21%	21%	19%	18%	18%	18%	18%	18%
Operating margin	-146%	-134%	-240%	-157%	-175%	-207%	-292%	-187%	-96%	-158%	-74%	-83%	-78%	-66%	-75%	-55%	-50%	-35%	-30%	-43%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-150%	-159%	-274%	-305%	-222%	-751%	-578%	17%	-615%	-503%	-220%	-84%	-79%	-67%	-115%	-56%	-51%	-36%	-31%	-44%
YY % change																				
Total Revenue	-50%	-60%	-44%	-25%	-48%	-38%	-35%	-31%	168%	6%	312%	300%	185%	18%	135%	20%	20%	20%	19%	20%
Gross margin	-43%	-48%	-31%	0%	-34%	-8%	-78%	-49%	-14%	-46%	86%	544%	90%	109%	135%	130%	71%	89%	64%	86%
Sales and marketing	-16%	-58%	-46%	-37%	-39%	-8%	131%	87%	187%	83%	167%	98%	90%	14%	78%	-7%	-7%	-7%	2%	-5%
General and administrative	-1%	-5%	14%	-9%	0%	-30%	-20%	-23%	24%	-14%	56%	43%	31%	-1%	29%	32%	4%	-6%	-8%	6%
Research and development	-34%	-65%	-46%	-9%	-39%	22%	124%	103%	37%	59%	-5%	43%	12%	19%	16%	46%	3%	3%	2%	12%
Operating income (loss)	17%	2%	227%	-16%	42%	-12%	41%	-46%	64%	-4%	47%	14%	19%	-19%	12%	-11%	-28%	-46%	-46%	-32%
Net income (loss)	13%	14%	253%	59%	72%	212%	136%	-104%	440%	141%	21%	-42%	-1410%	-87%	-46%	-70%	-27%	-45%	-45%	-55%
EPS Diluted (pro forma)	-16%	6%	48%	22%	15%	98%	38%	-105%	202%	77%	-78%	-57%	-1098%	-88%	-74%	10%	-28%	-46%	-46%	-29%

Source: Company reports and Ascendant Capital Markets estimates.

Phunware, Inc.

Balance Sheet (\$ mils)	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
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	0.8	0.2	1.1	3.9	23.5	2.7	0.9	23.1	10.8	9.5	6.2	3.0	6.8	0.0	(0.6)	(1.9)
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	0.9	0.9	1.2	0.7	0.9	0.7	1.2	1.0	1.2	2.0	2.1	2.2	2.8	2.4	2.5	2.6
Inventory								2.6	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Digital currencies					1.1	0.8	0.8	32.6	24.2	24.2	24.2	24.2	24.2	24.2	24.2	24.2
Prepaid expenses and other	0.5	0.6	0.5	0.3	0.8	1.6	0.7	0.7	1.3	1.1	1.2	1.2	1.5	1.2	1.3	1.4
Total current assets	2.2	1.6	2.8	4.9	26.3	5.7	3.6	60.0	42.3	41.5	38.4	35.3	40.1	32.6	32.3	31.0
Property and equipment, net	0.0	0.0	0.0	0.0	0.0				0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.5
Intangibles, net	26.0	26.0	26.0	26.0	26.0	26.0	25.9	36.5	36.3	36.3	36.3	36.3	36.3	36.3	36.3	36.3
Deferred income tax	0.2	0.2	0.2	0.5	0.5	0.5	0.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Restricted cash	0.1	0.1	0.1	0.1	0.1	0.1	0.1			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.3	0.3	0.3	2.0	1.9	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total assets	28.8	28.2	29.4	31.8	54.9	34.2	32.0	99.3	81.4	80.7	77.7	74.6	79.3	72.0	71.6	70.5
Liabilities and stockholders' equity																
Accounts payable	10.7	9.7	9.1	8.5	7.8	7.0	7.1	6.6	6.8	11.5	12.3	12.7	16.3	13.8	14.8	15.2
Accrued expenses	4.4	4.4	10.1	8.4	6.7	4.0	2.9	10.0	7.5	6.4	6.9	7.1	12.2	10.3	11.1	11.4
Deferred revenue	3.1	3.0	3.2	2.4	2.2	2.0	1.8	4.0	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
PhunCoin deposits	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Deferred income tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities			1.2	1.6	2.5	1.8	1.8	3.6	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Factored receivables payable	0.5	0.4	0.4							0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	1.2	1.3	1.7	4.4	10.0	0.1	0.1	4.9	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Total current liabilities	21.1	20.0	26.9	26.5	30.4	16.2	14.9	30.3	26.1	29.7	30.9	31.5	40.2	35.9	37.6	38.3
Deferred income taxes	0.2	0.2	0.2		0.5	0.5	0.5	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Warrant liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.2	0.2	0.7	1.4	1.3	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Deferred revenue	3.2	2.9	2.0	2.7	2.1	1.8	1.3	1.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Long term debt	2.9	4.4	4.8	4.0	3.9	3.9	1.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	6.4	7.7	7.2	7.4	8.0	7.6	4.1	3.7	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Preferred stock																
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.1	1.7	2.3	2.8	3.4	4.0
Additional paid-in capital	129.4	132.0	135.2	144.2	175.0	177.3	180.9	264.9	266.6	266.6	266.6	266.6	266.6	266.6	266.6	266.6
Retained earnings	(127.6)	(131.1)	(139.6)	(145.8)	(158.2)	(166.5)	(167.5)	(199.3)	(214.2)	(219.1)	(224.0)	(228.2)	(232.8)	(236.3)	(238.9)	(241.3)
Accumulated other comprehensive income	(0.5)	(0.5)	(0.4)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Non-controlling interest										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	1.4	0.5	(4.8)	(2.0)	16.6	10.5	13.0	65.3	52.0	47.7	43.4	39.7	35.7	32.8	30.7	28.9
Total stockholders' equity and liabilities	28.8	28.2	29.4	31.8	54.9	34.2	32.0	99.3	81.4	80.7	77.7	74.6	79.3	72.0	71.6	70.5

Balance Sheet Drivers

	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
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	18%	25%	15%	15%	48%	110%	34%	13%	19%	19%	19%	19%	18%	18%	18%	18%
Accounts payable as % of total rev	404%	440%	290%	419%	473%	490%	328%	122%	100%	200%	200%	200%	200%	200%	200%	200%
Accrued expenses as % of total rev	167%	200%	321%	414%	408%	278%	134%	186%	111%	111%	111%	111%	150%	150%	150%	150%
Activity Ratios																
A/R Days Sales Outstanding	31	38	33	30	51	41	51	16	16	31	31	31	31	31	31	31
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$0.03	\$0.01	-\$0.11	-\$0.04	\$0.26	\$0.15	\$0.18	\$0.72	\$0.54	\$0.49	\$0.44	\$0.41	\$0.36	\$0.33	\$0.31	\$0.29
Cash per Share (diluted)	\$0.02	\$0.00	\$0.03	\$0.08	\$0.36	\$0.04	\$0.01	\$0.25	\$0.11	\$0.10	\$0.06	\$0.03	\$0.07	\$0.00	-\$0.01	-\$0.02
Net cash per Share (diluted)	-\$0.08	-\$0.13	-\$0.12	-\$0.09	\$0.15	-\$0.02	\$0.00	\$0.20	\$0.08	\$0.06	\$0.03	-\$0.01	\$0.03	-\$0.04	-\$0.04	-\$0.05

Source: Company reports and Ascendant Capital Markets estimates

Phunware, Inc.

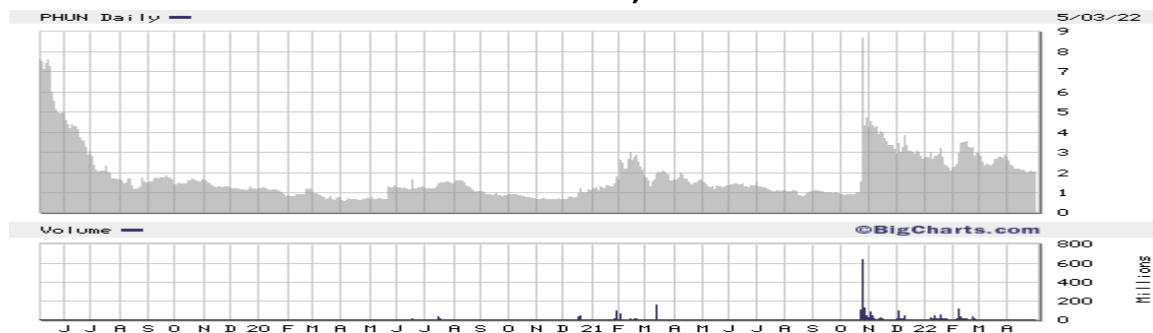
Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																				
Net income	(4.0)	(3.5)	(8.6)	(6.2)	(22.2)	(12.4)	(8.3)	(1.1)	(31.8)	(53.5)	(14.9)	(4.8)	(4.9)	(4.3)	(28.9)	(4.5)	(3.5)	(2.7)	(2.3)	(13.1)
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	0.0	0.0	0.0	0.0	0.0
Amortization	0.0	0.0	0.0	0.0	0.1	0.1	(0.1)	0.0	0.0	0.0					0.0					
Debt related amortization expen	0.0	0.3	2.0	(0.1)	2.2	1.6	1.1		0.2	2.9	0.2				0.2					
Stock comp	0.6	1.1	1.7	1.0	4.5	1.1	1.4	1.5	1.0	4.9	0.6	0.6	0.6	0.6	2.3	0.6	0.6	0.6	0.6	2.3
Deferred rent					0.0					0.0					0.0					0.0
A/R reserves	(0.0)	(0.0)	0.0	0.2	0.2	(0.2)	0.2	0.0	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	0.0
Change in fair value of warrant liability			(1.2)	0.4	(0.9)	0.9	(0.7)	(0.1)	18.0	18.1	0.2				0.2					0.0
Writedowns and impairments		0.1	(0.1)	2.2	2.2	0.1	0.7		(0.8)	0.0	9.4				9.4					0.0
Other gains/losses				(0.5)	(0.5)	5.8	2.2	(2.9)	9.4	14.5					0.0					0.0
Other					0.0		0.1	0.2	(0.8)	(0.5)	(0.1)				(0.1)					0.0
Changes in operating assets and liabilities:																				
Accounts receivable	0.8	0.0	(0.3)	0.2	0.8	(0.0)	0.3	(0.5)	0.3	(0.0)	(0.2)	(0.8)	(0.1)	(0.1)	(1.2)	(0.6)	0.4	(0.2)	(0.1)	(0.4)
Inventory					0.0				(0.9)	(0.9)	(2.1)				(2.1)					0.0
Prepaid expenses & other curre	(0.1)	(0.1)	0.1	0.2	0.1	(0.5)	0.1	0.1	(0.0)	(0.4)	(0.7)	0.2	(0.1)	(0.0)	(0.6)	(0.3)	0.2	(0.1)	(0.0)	(0.2)
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	0.0
Accounts payable	0.9	(0.5)	0.2	(0.1)	0.4	(0.7)	(0.6)	0.0	(0.3)	(1.6)	0.2	4.7	0.8	0.4	6.1	3.6	(2.5)	1.0	0.4	2.5
Accrued expenses	0.6	0.2	0.5	(0.3)	1.1	(2.3)	(2.5)	1.9	(1.2)	(4.1)	(1.5)	(1.2)	0.5	0.2	(2.0)	5.1	(1.9)	0.8	0.3	4.3
Deferred revenue	(0.8)	(0.5)	(0.6)	(0.1)	(2.0)	(0.8)	(0.4)	(0.7)	0.8	(1.2)	(1.0)				(1.0)					0.0
Other liabilities			4.5	(1.5)	3.0	0.1	(0.5)	(3.2)	2.9	(0.8)	(0.2)	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0
Net cash (used in) provided by	(1.9)	(2.8)	(1.8)	(4.5)	(11.0)	(7.3)	(7.1)	(4.7)	(3.4)	(22.5)	(10.2)	(1.3)	(3.2)	(3.2)	(17.9)	3.9	(6.6)	(0.6)	(1.2)	(4.6)
Cash flow from investing activities																				
Purchases of property and equipment					0.0					0.0	(0.1)	0.0	(0.1)	0.0	(0.2)	0.0	(0.2)	0.0	(0.2)	(0.3)
Purchases of short-term investments					0.0				(41.3)	(41.3)	(0.5)				(0.5)					0.0
Acquisitions					0.0	(1.1)	(0.4)		(3.6)	(5.1)					0.0					0.0
Other					0.0					0.0					0.0					0.0
Net cash used in investing activ	0.0	0.0	0.0	0.0	0.0	(1.1)	(0.4)	0.0	(44.9)	(46.4)	(0.6)	0.0	(0.1)	0.0	(0.6)	0.0	(0.2)	0.0	(0.2)	(0.3)
Cash flow from financing activities																				
Issuance of debt	3.2	2.8	4.8	4.6	15.4	10.0		(0.0)	4.7	14.7		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of debt	(0.6)	(0.7)	(3.4)	(5.3)	(10.1)	(11.8)	(13.3)	(0.0)	(1.1)	(26.2)	(1.6)				(1.6)					0.0
Issuance of stock			1.3	7.8	9.2	29.7	(0.0)	2.9	62.1	94.7		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from stock option exe	0.0	0.1	0.0	0.0	0.1	0.1	0.0	0.0	4.7	4.8	0.0				0.0					0.0
Other					0.0					0.0					0.0					0.0
Dividends and distributions					0.0					0.0					0.0					0.0
Cash provided by (used in) fina	2.5	2.2	2.7	7.2	14.6	27.9	(13.3)	2.9	70.5	88.0	(1.6)	0.0	0.0	0.0	(1.6)	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate on cash	(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
Net increase (decrease) in cash	0.6	(0.7)	1.0	2.8	3.7	19.5	(20.8)	(1.8)	22.2	19.1	(12.3)	(1.3)	(3.3)	(3.2)	(20.2)	3.9	(6.8)	(0.6)	(1.4)	(4.9)
Beginning cash and equivalents	0.4	0.9	0.2	1.2	0.4	4.0	23.6	2.8	1.0	4.0	23.1	10.8	9.5	6.2	23.1	3.0	6.8	0.0	(0.6)	3.0
Ending cash and equivalents	0.9	0.2	1.2	4.0	4.0	23.6	2.8	1.0	23.1	23.1	10.8	9.5	6.2	3.0	3.0	6.8	0.0	(0.6)	(1.9)	(1.9)

Source: Company reports and Ascendant Capital Markets estimates

ANALYST CERTIFICATION

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Phunware, Inc.



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

Report	Report Date	Rating	Price
1	6/16/2020	Buy	4.00
2	8/17/2020	Buy	4.25
3	11/10/2020	Buy	4.50
4	4/4/2021	Buy	4.75
5	5/19/2021	Buy	5.00
6	8/23/2021	Buy	4.50
7	12/5/2021	Buy	6.00
8	3/27/2022	Buy	6.25

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Risks & Considerations

Risks to attainment of our share price target include balance sheet/liquidity risks, changes and demand for mobile technologies, investor sentiment for investing in technology stocks, and consumer sentiment and industry growth for mobile technology companies, competition, changing macroeconomic factors, and changes in government regulations.

Ascendant Capital Markets, LLC Rating System

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

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.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of April 17, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	13	32%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	13	31%

Other Important Disclosures

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