



Blackboxstocks Inc.

Slight Q3 miss. Market weakness weighs, but solid growth potential for its Blackbox fintech trading software platform. Lowering P/T to \$4.75.

COMPANY UPDATE

Rating: BUY

Ticker: BLBX

Price: \$0.40

Target: \$4.75
(from \$5.75)

Q3 slight miss: Blackboxstocks recently (on November 15) reported its fiscal Q3 2022 (ending September) results. Revenue was \$1.2 million (-17% y-o-y), compared to our estimates of \$1.4 million and consensus of \$1.3 million. EPS was \$(0.10), compared to our estimates of \$(0.05) and consensus of \$(0.07). There was no Q3 guidance, but the company in mid-October preannounced Q3 revenues of \$1.15 - \$1.25 million.

Q3 market difficulties: Q3 saw continued difficulties in macro economic conditions which created significant headwinds for financial markets returns and performance. YTD returns for S&P500 is -17% and NASDAQ is -30%.

Subscribers decline: The average member count for Q3 2022 was 5,197, down from 6,181 in Q2, and compared to 5,535 for Q3 2021 and 5,709 for Q1 2022.

No guidance: The company did not provide 2022 guidance. The company plans to release two new products in 2023. Stock Nanny (portfolio management) in Q1 2023 and Blackbox Pro (for professional investor) in Q2 2023.

Lowering estimates: We are lowering our 2022 estimates for revenue to \$5.0 million, from \$5.6 million, and for EPS to \$(0.34) from \$(0.30).

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 (2021 returns S&P500 was +29% and NASDAQ was +22%).

Weaker markets in 2022: However, investor interest has waned significantly in 2022 due to the weaker and declining financial markets (YTD returns S&P500 is -17% and NASDAQ is -30%).

Growth is key: We have modeled strong revenue growth next year (+40%) in 2023 after a decline (-18%) in 2022 (due to weaker and volatile financial markets), primarily driven by growth in subscribers, new products, and its trading platform businesses.

Positive high risks versus rewards: We believe the demand for Blackboxstocks's trading software platform will grow fueled by continued industry growth and consumer demand for investment products. We believe the ~billion dollars market potentials presents high rewards for the risks.

Valuation attractive: We are maintaining our BUY rating, but lowering our 12-month price target to \$4.75 from \$5.75, 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

December 7, 2022

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Stock Data

Exchange:	NasdaqCM
52-week Range:	0.37 – 5.50
Shares Outstanding (million):	13
Market cap (\$million):	\$5
EV (\$million):	\$1
Debt (\$million):	\$1
Cash (\$million):	\$5
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	7
Short Interest (million shares):	0.1
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	1.3A		1.3E	1.8E
Q2 Jun	1.4A		1.5E	2.1E
Q3 Sep	1.2A	1.4E	2.0E	2.5E
Q4 Dec	<u>1.1E</u>	<u>1.5E</u>	<u>2.2E</u>	<u>2.7E</u>
Total	5.0E	5.6E	7.0E	9.0E
EV/Revs	0.2x		0.1x	

Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.09)A		(0.03)E	
Q2 Jun	(0.10)A		(0.02)E	0.00E
Q3 Sep	(0.10)A	(0.05)E	(0.01)E	0.02E
Q4 Dec	<u>(0.05)E</u>		<u>0.01E</u>	<u>0.02E</u>
Total	(0.34)E	(0.30)E	(0.05)E	0.01E
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 15.

OVERVIEW

- Blackboxstocks recently (on November 15) reported its fiscal Q3 2022 (ending September) results.
- Revenue was \$1.2 million (-17% y-o-y), compared to our estimates of \$1.4 million and consensus of \$1.3 million.
- EPS was \$(0.10), compared to our estimates of \$(0.05) and consensus of \$(0.07).
- There was no Q3 guidance, but the company in mid-October preannounced Q3 revenues of \$1.15 - \$1.25 million.
- The company again declined to provide 2022 guidance.
- We are lowering our 2022 estimates for revenue to \$5.0 million, from \$5.6 million, and for EPS to \$(0.34) from \$(0.30).
- We are lowering our 2023 estimates for revenue to \$7.0 million, from \$9.0 million, and for EPS to \$(0.05) from \$0.01.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$0.7 million, compared with our estimate of \$0.9 million.
- Gross margin for the quarter was 60%, versus our expectation of 65% and 68% last year.
- Operating expenses were \$1.9 million, versus our expectation of \$1.7 million.
- Operating loss was \$1.2 million, versus our expectation of a loss of \$0.8 million.
- Net loss was \$1.3 million, versus our expectation of a loss of \$0.7 million.

The company's balance sheet had \$5 million in cash and \$1 million in debt, compared with \$7 million in cash and \$1 million in debt at the end of June. In November 2021 (as part of its uplisting), the company raised \$12 million (selling 2.4 million shares at \$5.00/share).

Exhibit 1: Blackboxstocks Inc. Corporate Overview

What is Blackbox?

- Proprietary hybrid FinTech and social media platform
- Provides real-time proprietary analytics and news for stock and options traders of all experience levels
- Employs predictive technology enhanced by AI which strives to level the playing field for retail traders
- Fully automated, user-friendly stock and options flow scanners
- Robust education program including live calendared classes with a broad curriculum
- Subscription-based Software as a Service ("SaaS") business model

NASDAQ: BLBX 3

Unique Functionality

Gamers live stream their online games in real time

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

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

Traders live stream their stock charts and real time analytics

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

Followers can learn trading methods and strategies from the broadcaster

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

Source: Company reports.

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/>

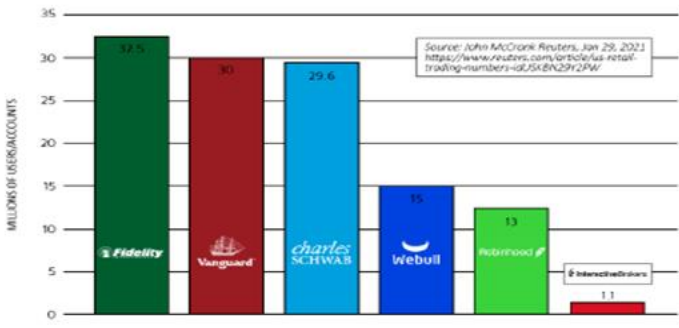
Exhibit 4: Stock Market Investing Market Opportunities



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



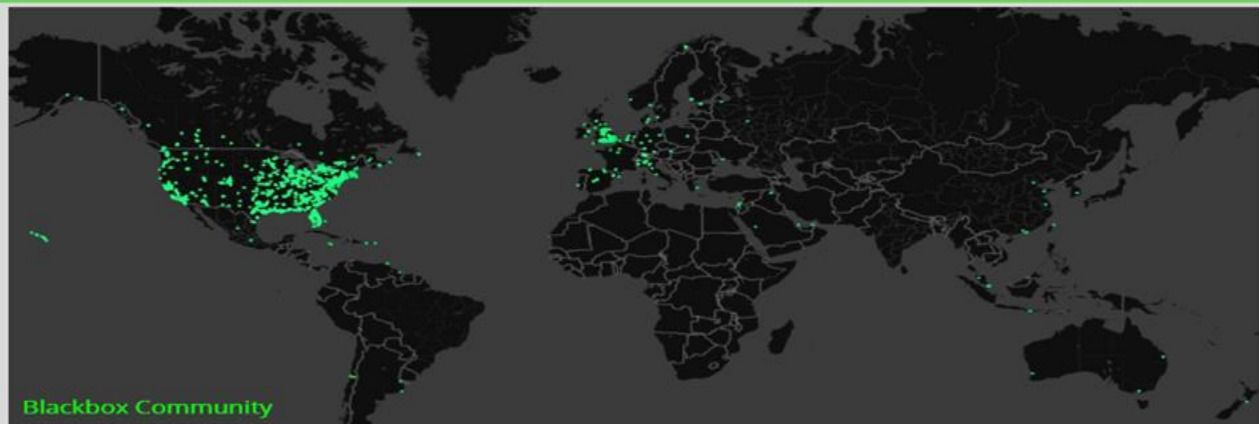
Brokerage	Millions of Users/Accounts
Fidelity	32.5
Vanguard	30
Charles Schwab	29.6
Webull	15
Robinhood	13
Interactive Brokers	1.1

Source: John McCrank Reuters, Jan 29, 2021
<https://www.reuters.com/technology/stock-trading-numbers-us-5X8N2912PW/>

31 YEARS: The median age of Robinhood users, one of the original commission-free online brokerages. More young adults are joining. Apex Clearing, which helps facilitate trades for brokerages, told Reuters around 1 million of new accounts it opened last year belonged to Gen Z investors, with an average age of 19.
John McCrank, Reuters Jan 29, 2021



The Market



Blackbox Community

USA – 54M Self Directed Investors ¹	StockTwits – 1.5M Active Monthly Users 2021 ³
USA – 23M Active Investors/Traders ¹	Robinhood – 22M Accounts⁵
UK – 8.6M Brokerage Accounts 2017 ²	Forex Worldwide – 9.6M Traders ⁴

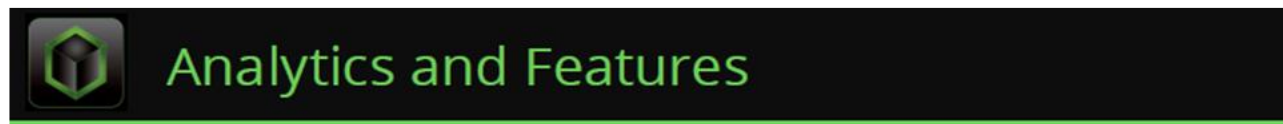
Source: Company reports.

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



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

Exhibit 6: Blackbox System Trading Software Platform



Analytics and Features

Standard Market Features

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



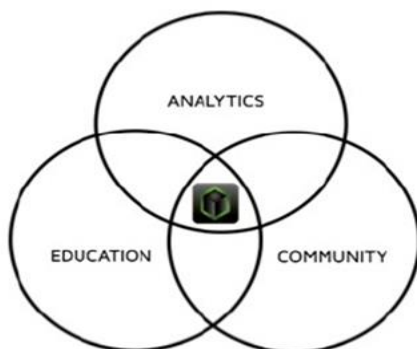
Proprietary Features

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




Development of the Blackbox System

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



Source: Company reports.

Exhibit 7: Revenue Model (pricing as of 12/7/22)

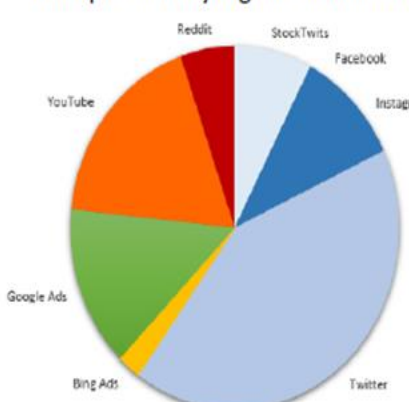


SaaS Revenue Model/User Acquisition

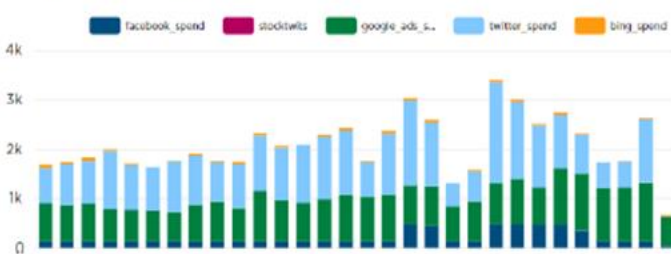
SaaS Revenue Model

- 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**

Example Monthly Digital Channel Attribution



Total Daily Ad Spend 2



GET STARTED

Monthly Billing

\$99.97 / month

SIGN UP

13 Months - SALE PRICE!


~~\$1300~~

\$859.00 / Annual (SAVE)

SIGN UP

Source: Company reports.

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

 **Ongoing Developments**

Native iOS and Android applications

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



Upgrading current social media and broadcast feature

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



 **New Products**

Portfolio Management Product

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



Blackbox Pro

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



Crypto Currency Platform

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



Source: Company reports.

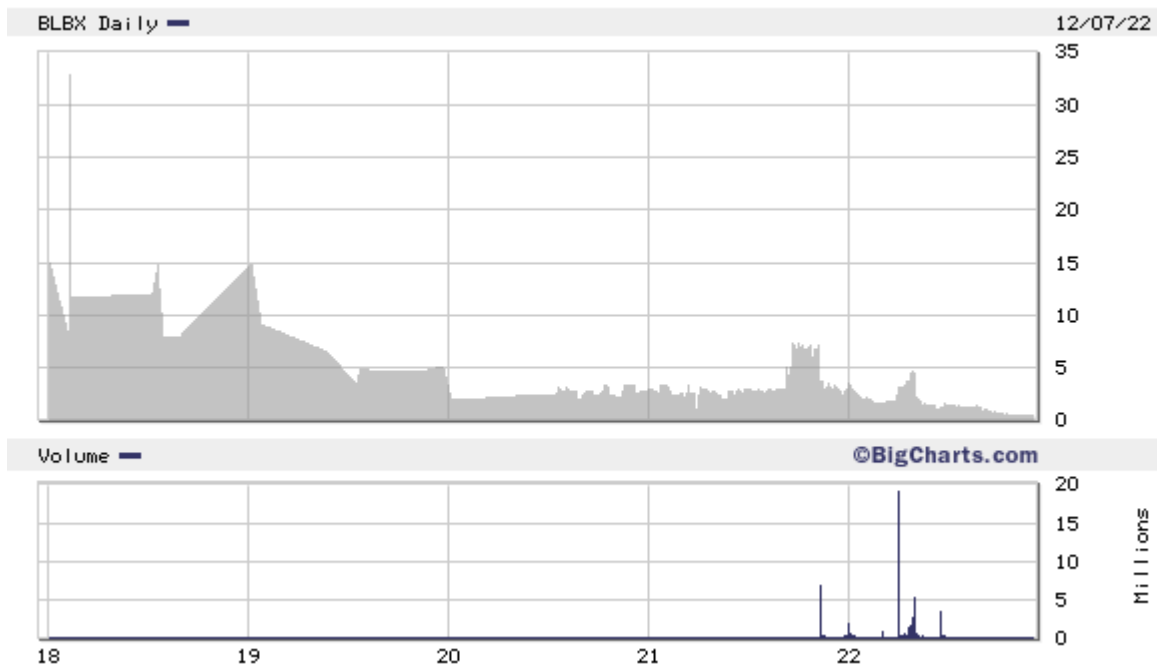
Exhibit 9: Q3 2022 and Recent Corporate Highlights

Third Quarter 2022 Financial and Operating Highlights:

- Total revenue for the third quarter was \$1,219,150 as compared to \$1,471,814 for the same period in 2021. Nine month revenue was \$3,890,951 compared to \$4,425,088 for the same period in 2021.
- The average member count for the quarter and nine months ended September 30, 2022 was 5,197 and 5,695 compared to 5,535 and 5,503 for the quarter and nine months ended September 30, 2021, respectively.
- Adjusted EBITDA was \$(1,075,690) and \$(27,230) for the three months ended September 30, 2022 and 2021, respectively. Adjusted EBITDA for the nine months ended September 30, 2022 and 2021 was (\$3,006,273) and \$10,085 respectively.
- Cash and marketable securities totaled \$5.4 million at September 30, 2022.
- During the first nine months of 2022, the Company repurchased 615,748 shares of BLBX common stock at a total cost of \$1,065,216 under the Company's \$2.5 million share repurchase program that was announced in January 2022.

Source: Company reports.

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



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

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

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$1.3A		Q1 Mar	\$(0.09)A	
Q2 Jun	\$1.4A		Q2 Jun	\$(0.10)A	
Q3 Sep	\$1.3E		Q3 Sep	\$(0.07)E	
Q4 Dec	\$1.6E		Q4 Dec	\$(0.05)E	
Total	\$5.6E	\$10.5E	Total	\$(0.32)E	\$0.04E

*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

Blackboxstocks Inc.

Income 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	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
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	1.2	1.1	5.0	1.3	1.5	2.0	2.2	7.0	
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	0.3	1.9	0.3	0.4	0.5	0.6	1.8	
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	0.7	0.8	3.1	1.0	1.1	1.5	1.7	5.3	
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	0.2	1.1	0.2	0.1	0.2	0.2	0.8	
Selling, general and administrative	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	1.2	0.9	4.5	0.9	1.0	1.2	1.0	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	0.3	1.6	0.3	0.2	0.3	0.3	1.1
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	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	1.9	1.5	7.2	1.4	1.3	1.7	1.5	5.9	
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)	(1.2)	(0.7)	(4.1)	(0.4)	(0.2)	(0.2)	0.1	(0.7)	
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)	(0.0)	
Other income (expense)	(1.4)	0.4	0.3	0.0	(0.0)	(0.0)	0.6	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.1)	(0.1)	0.1	(0.3)	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)	(1.3)	(0.6)	(4.5)	(0.4)	(0.2)	(0.2)	0.1	(0.7)	
Income taxes							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)	(1.3)	(0.6)	(4.5)	(0.4)	(0.2)	(0.2)	0.1	(0.7)	
Nonrecurring/noncash adjustments							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)	(1.3)	(0.6)	(4.5)	(0.4)	(0.2)	(0.2)	0.1	(0.7)	
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)	(1.1)	(0.5)	(3.5)	(0.2)	0.0	0.0	0.3	0.2	
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	13.2	13.3	13.2	13.4	13.5	13.6	13.7	13.5	
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	13.2	13.3	13.2	13.4	13.5	13.6	13.7	13.5	
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)	(\$0.10)	(\$0.05)	(\$0.34)	(\$0.03)	(\$0.02)	(\$0.01)	\$0.01	(\$0.05)	
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)	(\$0.10)	(\$0.05)	(\$0.34)	(\$0.03)	(\$0.02)	(\$0.01)	\$0.01	(\$0.05)	
Margins																							
Gross margin	7%	35%	59%	70%	74%	52%	64%	73%	72%	68%	66%	70%	54%	64%	60%	70%	62%	75%	75%	75%	75%	75%	
Research & development	29%	5%	8%	7%	8%	-8%	3%	9%	14%	8%	12%	11%	15%	25%	25%	20%	21%	15%	10%	10%	10%	11%	
Selling, general and administrative	135%	98%	84%	39%	42%	61%	52%	41%	42%	75%	137%	76%	96%	85%	98%	80%	90%	70%	65%	60%	45%	58%	
Advertising and marketing	0%	25%	21%	18%	16%	29%	21%	14%	24%	19%	24%	20%	23%	38%	34%	30%	32%	20%	14%	14%	14%	15%	
Operating margin	-160%	-95%	-56%	6%	8%	-30%	-12%	10%	-8%	-34%	-107%	-37%	-80%	-84%	-98%	-60%	-81%	-30%	-14%	-9%	6%	-10%	
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Net margin	-166%	-281%	10%	24%	-7%	-50%	-11%	1%	-17%	-34%	-111%	-43%	-98%	-94%	-107%	-55%	-89%	-31%	-14%	-9%	6%	-10%	
YY % change																							
Total Revenue		53%					217%	259%	81%	34%	62%	82%	-15%	-4%	-17%	-34%	-18%	5%	5%	64%	98%	40%	
Gross margin		674%					489%	347%	86%	23%	105%	97%	-37%	-15%	-28%	-30%	-27%	45%	22%	107%	112%	70%	
Research & development		-74%					84%	280%	251%	34%	-341%	582%	42%	70%	170%	13%	64%	8%	-57%	-34%	-1%	-27%	
Selling, general and administrative		12%					70%	74%	95%	136%	263%	162%	102%	94%	9%	-61%	-3%	-24%	-20%	0%	11%	-9%	
Advertising and marketing	#DIV/0!						170%	135%	143%	65%	36%	77%	44%	52%	46%	-19%	26%	-11%	-61%	-33%	-8%	-33%	
Operating income (loss)		-9%					-59%	-163%	-352%	-684%	475%	452%	-804%	894%	140%	-63%	78%	-60%	-82%	-85%	-119%	-83%	
Net income (loss)		159%					-88%	-71%	-226%	596%	262%	637%	-9996%	441%	159%	-68%	71%	-67%	-84%	-86%	-120%	-85%	
EPS Diluted (pro forma)		156%					-89%	-72%	-297%	481%	158%	517%	-10711%	252%	91%	-71%	25%	-68%	-84%	-86%	-120%	-85%	

Source: Company reports and Ascendant 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-23
Fiscal Year End: December 31	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	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	0.6	1.3	0.7	0.7	0.7	1.1
Short term investments										8.0	7.9	6.7	4.7	2.0	2.0	2.0	2.0	2.0
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	0.0	0.0	0.0	0.1	0.1
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	0.0
Deferred income taxes														0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other		0.0	0.0	0.2	0.2	1.0	1.1	0.7	0.6	10.7	0.1	0.1	0.1	0.1	0.5	0.5	0.7	0.8
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	5.5	3.4	3.3	3.3	3.5	4.0
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	0.5	0.4	0.3	0.2	0.2	0.2
Intangibles, net														0.0	0.0	0.0	0.0	0.0
Deferred income tax														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
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	6.0	3.8	3.6	3.5	3.8	4.1
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	0.7	0.7	0.7	0.8	1.1	1.2
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	0.0
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	0.6	0.6	0.6	0.6	0.6	0.6
Deferred income tax														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
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	0.1
Short term debt	0.4	1.0	1.1	1.1	0.8	0.4	0.3	0.2	0.1	1.0	1.0	0.9	0.9	0.0	0.0	0.0	0.0	0.0
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	2.4	1.4	1.5	1.6	1.9	2.0
Deferred income taxes														0.0	0.0	0.0	0.0	0.0
Warrant liabilities														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	0.3
Deferred revenue														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	0.0	0.0	0.0	0.0	0.0	0.0
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	0.3	0.3	0.3	0.3	0.3	0.3
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	0.0
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	0.0	0.1	0.3	0.4	0.5	0.6
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	18.0	18.0	18.0	18.0	18.0	18.0
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)	(13.7)	(14.3)	(14.7)	(14.9)	(15.1)	(15.0)
Other											(0.9)	(0.9)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Accumulated other comprehensive income														(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
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	3.3	2.0	1.8	1.7	1.6	1.8
Total stockholders' equity and liabili	0.2	0.3	0.3	0.4	0.4	1.2	1.5	1.2	1.1	11.2	9.1	7.6	6.0	3.8	3.6	3.5	3.8	4.1

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	Q3A	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%	61%	61%	56%	56%	56%	56%
Accrued exp related as % of total rev	76%	22%	22%	17%	5%	1%	1%	0%	0%	0%	1%	0%	1%	1%	2%	2%	2%	2%
Activity Ratios																		
A/R Days Sales Outstanding	2	2	1	1	2	2	1	2	1	1	1	1	4	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	\$0.25	\$0.15	\$0.13	\$0.12	\$0.12	\$0.13
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	\$0.41	\$0.24	\$0.20	\$0.20	\$0.20	\$0.22
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	\$0.33	\$0.24	\$0.20	\$0.20	\$0.20	\$0.22

Source: Company reports and Ascendant Capital Markets estimates

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	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																							
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)	(1.3)	(0.6)	(4.5)	(0.4)	(0.2)	(0.2)	0.1	(0.7)	
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	0.1	0.1	0.1	0.1	0.1	0.1	0.4	
Amortization							0.0					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					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	
Change in fair value of warrant liability	0.1	(0.6)	(0.5)	(0.0)	(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	0.1		0.4					0.0	
Other					(0.0)	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)					0.0					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	(0.4)	(0.0)	(0.2)	(0.1)	(0.7)	
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	
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	(0.1)	(0.1)	0.1	0.1	0.1	0.3	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)	(0.3)		(0.7)					0.0	
Other liabilities	0.2						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)	(0.8)	(1.2)	(1.5)	(0.4)	(3.9)	(0.5)	0.0	0.1	0.4	0.0	
Cash flow from investing activities																							
Purchases of property and equi	(0.0)	(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)	(0.2)	
Purchases of short-term investments							0.0				(8.0)	(8.0)	(0.1)	1.1	2.0		3.0					0.0	
Acquisitions							0.0					0.0					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	1.9	(0.0)	2.9	(0.0)	(0.0)	(0.1)	(0.0)	(0.2)	
Cash flow from financing activities																							
Issuance of debt	0.7	0.8	0.2	0.1	(0.0)	1.0	1.4					0.0				(0.9)	(0.9)	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)	(0.0)		(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	10.7				0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercises							0.0					0.0					0.0					0.0	
Other							0.0			0.0	(0.0)	0.0	(0.9)	(0.1)	(0.1)	2.0	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	0.8	(0.1)	(0.2)	(0.0)	10.5	10.2	(0.9)	(0.1)	(0.2)	1.1	(0.1)	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)	0.3	0.6	(1.2)	(0.6)	(0.0)	0.0	0.3	(0.2)	
Beginning cash and equivalents	0.0	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	0.6	2.4	1.3	0.7	0.7	0.7	1.3	
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	0.6	1.3	1.3	0.7	0.7	0.7	1.1	1.1	

Source: Company reports and Ascendant Capital Markets estimates

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Blackboxstocks Inc.

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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 October 7, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

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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