



# Points.com Inc. (f.k.a Points International)

*Q4 upside and reinstates strong long-term outlook. We are positive on continuing strong rebound in travel industry. Raising P/T to \$22.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: PCOM

Price: \$16.56

Target: \$22.00  
(from \$21)

**Q4 upside:** Points recently (on March 9) reported its fiscal Q4 2021 results. Revenue was \$115 million (+104% y-o-y), compared to our estimate of \$100 million and consensus of \$110 million. EPS was \$0.10, compared to our estimate of \$0.10 and consensus of \$0.15. EBITDA was \$5.5 million (vs. \$0.4 million in Q4 2020), compared to our estimate of \$4.6 million. There was no Q4 guidance, but the company had preannounced results in January for revenue of \$115 million and EBITDA of \$5.3 - 5.8 million.

**Q4 strong:** In Q4, the company had broad and sustained year-over-year improvements as it had throughout 2021 as it recovered from the pandemic lows of 2020. Q4 revenue of \$115 million was above pre-pandemic revenue for Q4 2019 of \$107 million. The company noted significant signs of continued improvement in general business trends and so far in its current Q1.

**No 2022 guidance, but reinstates strong long term guidance:** The company did not provide any specific 2022 guidance. But the company has just reinstated (Q1 2022) its suspended (first initiated in Q1 2019 but was suspended in Q1 2020 due to the pandemic) its long term (3-year) financial guidance for gross profit in the “high” \$90 million range and EBITDA of “mid” \$40 million range.

**Raising estimates:** We are raising our 2022 estimates for revenue to \$430 million, from \$390 million, and for EPS to \$0.50 from \$0.42.

**Travel industry outlook continues to improve:** The company’s near term outlook is still volatile as the travel industry (airlines and hotels) is still recovering from the pandemic. However, with recent improving COVID-19 data, we expect significant improvements in the travel industry in 2022.

**Continued signs of strong travel industry rebound:** We are seeing sustained strong positive data for the global travel industry that indicate that travel is rebounding back to pre-pandemic levels. We have greater confidence in a rebound back to pre-pandemic levels in many areas of the travel industry over the next year. While international travel remains low due to the pandemic, domestic and regional travel has recovered very strong. We do note that many international countries are opening back up to tourism (including the U.S.).

**Stronger long-term pipeline:** Despite the pandemic disruptions, the company’s long-term pipeline remains solid and is even stronger than pre-pandemic. We believe there are several potential new partnerships and products that will contribute “large” incremental revenues across its core LCR, Points Travel, and Platform Partners and in all regions.

**Positive risk versus reward:** While concerns about coronavirus and travel industry rebounds remains volatile, we still believe that its long-term outlook is overall positive. We acknowledge that Points’s near term results may be volatile from coronavirus risks, but believe that its long-term fundamentals are positive. It is very positive that the company believes it will achieve its long term financial guidance within the next 3 years.

**Current valuation attractive:** Maintaining our BUY rating, but raising our 12-month price target to \$22 from \$21, which reflects a forward P/E of ~22x our 2024 EPS estimate of \$1.00. This multiple is our estimate of Points’s long-term earnings growth rate and we believe more than appropriately balances its outlook with execution risks.

### Company Description

Based in Toronto, Canada, Points.com (f.k.a. Points International) is a provider of e-commerce and technology services to loyalty program operators.

United States  
Technology

March 15, 2022

Edward Woo, CFA  
(949) 259-4932  
ewoo@ascendant.com

### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$13.98 –19.03
Shares Outstanding (million):	15
Market cap (\$million):	\$248
EV (\$million):	\$147
Debt (\$million):	\$0
Cash (\$million):	\$101
Avg. Daily Trading Vol. (\$million):	~\$1
Float (million shares):	11
Short Interest (million shares):	~0
Dividend, annual (yield):	\$0.00 (NA%)

### Revenues (US\$ million)

	<u>2022E</u> <u>(Cur.)</u>	<u>2022E</u> <u>(Old)</u>	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>
Q1 Mar	90E	85E	99E	
Q2 Jun	114E	101E	126E	
Q3 Sep	99E	96E	116E	
Q4 Dec	<u>127E</u>	<u>109E</u>	<u>134E</u>	
Total	<b>430E</b>	<b>390E</b>	<b>475E</b>	
EV/Revs	0.3x		0.3x	

### Earnings per Share (pro forma)

	<u>2022E</u> <u>(Cur.)</u>	<u>2022E</u> <u>(Old)</u>	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>
Q1 Mar	0.09E		0.12E	
Q2 Jun	0.15E	0.11E	0.23E	
Q3 Sep	0.11E	0.10E	0.20E	
Q4 Dec	<u>0.16E</u>	<u>0.12E</u>	<u>0.25E</u>	
Total	<b>0.50E</b>	<b>0.42E</b>	<b>0.80E</b>	
P/E	33x		21x	

### 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 8.**

### **OVERVIEW**

- Points recently (on March 9) reported its fiscal Q4 2021 (ending December) results.
- Revenue was \$115 million (+104% y-o-y), compared to our estimate of \$100 million and consensus of \$110 million.
- EPS was \$0.10, compared to our estimate of \$0.10 and consensus of \$0.15.
- EBITDA was \$5.5 million (vs. \$0.4 million in Q4 2020), compared to our estimate of \$4.6 million.
- There was no Q4 guidance, but the company had preannounced results in January for revenue of \$115 million and EBITDA of \$5.3 - 5.8 million.
- The company did not provide any specific 2022 guidance, but reinitiated its long term financial guidance.
- We are raising our 2022 estimates for revenue to \$430 million, from \$390 million, and for EPS to \$0.50 from \$0.42.
- We are initiating our 2023 estimates for revenue of \$475 million, and for EPS of \$0.80.

### **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$17 million, compared with our estimate of \$16 million.
- Gross margin for the quarter was 14.9%, versus 15.1% last year and our expectation of 16.1%.
- Operating expenses were \$15 million, versus our expectation of \$14 million.
- Operating income was \$1.9 million, versus our expectation of \$2.1 million.
- Net income was \$1.5 million, versus our expectation of \$1.5 million.
  
- The company has just reinitiated (Q1 2022) its suspended (first initiated in Q1 2019 but was suspended in Q1 2020 due to the pandemic) its long term (3-year) financial guidance for gross profit in the “high” \$90 million range and EBITDA of “mid” \$40 million range.
- In January, Points.com Inc. changed its name from Points International Ltd.

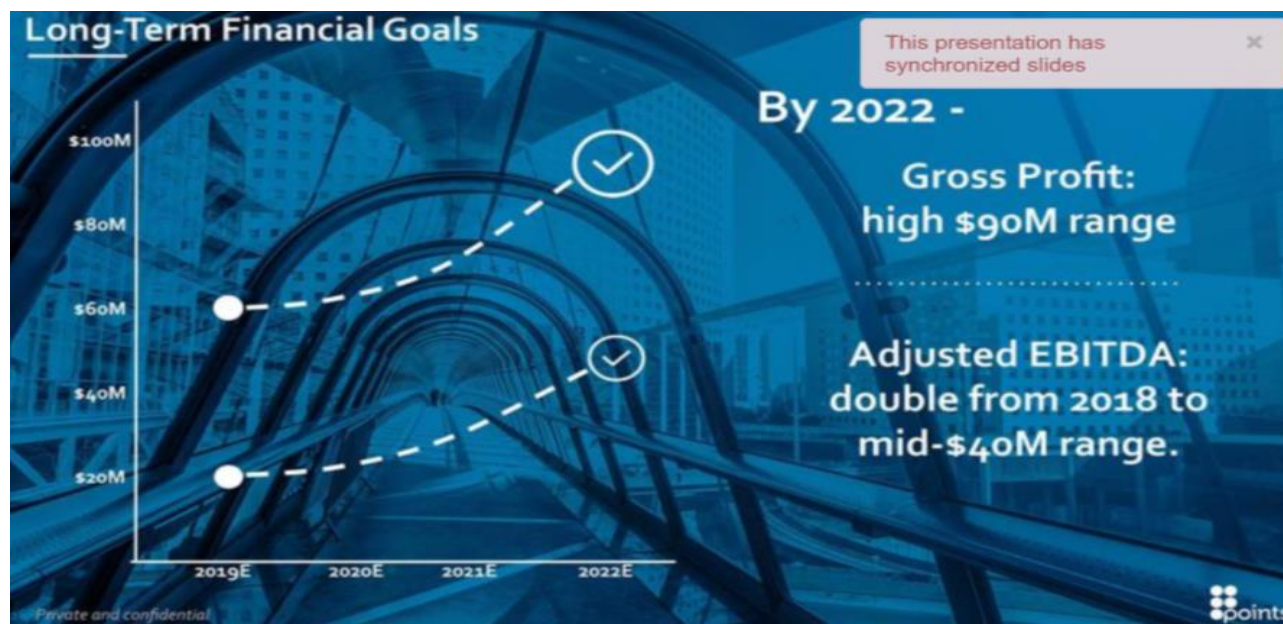
The company’s balance sheet is strong with \$101 million in cash and no debt, compared with \$87 million and no debt at the end of September. Payable to loyalty program partners totaled \$75 million, compared with \$63 million at the end of September (resulting in net cash of ~\$2/share).

## Exhibit 1: Points.com Long Term Financial Plan

Initiated on March 2019

Suspended on April 2020

Re-Initiated on March 2022



Source: Company report

### Exhibit 2: Points.com Stock Price (Five Years)



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

### Exhibit 3: Consensus Expectations (as of March 9, 2022)

	Revenue (mil)			EPS	
	2021E	2022E		2021E	2022E
Q1 Mar	\$65A	\$85E	Q1 Mar	\$(0.08)A	\$0.09E
Q2 Jun	\$103A		Q2 Jun	\$0.03A	
Q3 Sep	\$87A		Q3 Sep	\$(0.08)A	
Q4 Dec	\$110E		Q4 Dec	\$0.15E	
Total	\$364E	\$416E	Total	\$(0.01)E	\$0.44E

\*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

**Points.com Inc. (f.k.a. Points International Ltd.)**

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	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Total Revenue</b>	<b>82.7</b>	<b>40.9</b>	<b>37.4</b>	<b>56.4</b>	<b>217.4</b>	<b>65.0</b>	<b>103.0</b>	<b>86.9</b>	<b>115.1</b>	<b>370.0</b>	<b>90.0</b>	<b>114.1</b>	<b>99.1</b>	<b>126.7</b>	<b>430.0</b>	<b>99.1</b>	<b>126.2</b>	<b>115.9</b>	<b>134.0</b>	<b>475.2</b>	
<b>Cost of Revenues</b>	<b>68.8</b>	<b>33.9</b>	<b>31.7</b>	<b>47.9</b>	<b>182.4</b>	<b>56.0</b>	<b>90.7</b>	<b>74.5</b>	<b>98.0</b>	<b>319.2</b>	<b>76.2</b>	<b>97.0</b>	<b>84.2</b>	<b>107.1</b>	<b>364.6</b>	<b>83.7</b>	<b>106.4</b>	<b>97.4</b>	<b>111.9</b>	<b>399.3</b>	
Gross Profit	13.8	7.0	5.7	8.5	35.0	9.0	12.3	12.4	17.1	50.8	13.8	17.1	14.9	19.6	65.4	15.4	19.8	18.5	22.1	75.8	
Employment costs	7.7	4.9	5.4	6.6	24.7																
Sales and marketing	0.4	0.2	0.3	0.3	1.2	3.6	4.3	4.6	5.5	17.9	4.3	4.6	4.4	6.1	19.3	4.7	4.9	5.0	6.3	20.9	
Research and development	0.8	0.7	0.7	0.6	2.8	2.5	2.9	3.6	4.3	13.3	3.2	4.0	3.5	4.4	15.0	3.4	4.3	3.9	4.6	16.2	
General and administrative	2.4	1.6	1.5	1.2	6.7	2.7	3.4	3.9	4.4	14.4	3.4	4.3	3.8	4.8	16.3	3.8	4.8	4.4	5.1	18.1	
Depreciation and amortization	1.2	1.3	1.2	1.2	4.9	1.4	1.0	1.1	1.0	4.5	1.1	1.1	1.1	1.1	4.4	1.1	1.1	1.1	1.1	4.4	
Foreign exchange loss (gain)	(0.0)	(0.1)	(0.2)	(0.4)	(0.7)					0.0					0.0					0.0	
Restructuring and other	1.8	0.0	0.0	1.8	4.4			0.4		0.4					0.0					0.0	
Total operating expenses	12.5	10.5	8.8	9.5	41.4	10.2	11.6	13.5	15.2	50.5	12.0	14.0	12.7	16.4	55.1	12.9	15.1	14.4	17.0	59.5	
<b>Operating income (loss)</b>	<b>1.3</b>	<b>(3.5)</b>	<b>(3.1)</b>	<b>(1.0)</b>	<b>(6.4)</b>	<b>(1.2)</b>	<b>0.7</b>	<b>(1.1)</b>	<b>1.9</b>	<b>0.2</b>	<b>1.8</b>	<b>3.1</b>	<b>2.2</b>	<b>3.2</b>	<b>10.3</b>	<b>2.5</b>	<b>4.7</b>	<b>4.1</b>	<b>5.1</b>	<b>16.4</b>	
Interest income (expense)	0.1	(0.2)	(0.2)	(0.1)	(0.5)	(0.1)	(0.0)	(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	
Other income (expense)	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.1)	(0.2)	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Income before income taxes	1.4	(3.7)	(3.3)	(1.2)	(6.8)	(1.5)	0.6	(1.3)	1.9	(0.4)	1.8	3.1	2.2	3.2	10.3	2.5	4.7	4.1	5.1	16.4	
Income taxes	0.3	(0.4)	(0.9)	(0.5)	(1.5)	(0.4)	0.1	(0.1)	0.3	(0.0)	0.4	0.8	0.5	0.8	2.6	0.6	1.2	1.0	1.3	4.1	
Net income (loss)	1.1	(3.3)	(2.5)	(0.7)	(5.4)	(1.1)	0.5	(1.2)	1.5	(0.3)	1.3	2.3	1.6	2.4	7.7	1.9	3.5	3.1	3.8	12.3	
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0	
<b>Net income (pro forma)</b>	<b>1.1</b>	<b>(3.3)</b>	<b>(2.5)</b>	<b>(0.7)</b>	<b>(5.4)</b>	<b>(1.1)</b>	<b>0.5</b>	<b>(1.2)</b>	<b>1.5</b>	<b>(0.3)</b>	<b>1.3</b>	<b>2.3</b>	<b>1.6</b>	<b>2.4</b>	<b>7.7</b>	<b>1.9</b>	<b>3.5</b>	<b>3.1</b>	<b>3.8</b>	<b>12.3</b>	
EBITDA	3.6	0.3	(1.1)	0.4	3.1	1.2	3.4	2.0	5.5	12.1	3.9	5.2	4.3	5.3	18.7	4.6	6.8	6.2	7.2	24.8	
Shares, Basic	13.2	13.2	13.2	13.2	13.2	13.6	14.9	14.9	14.9	14.6	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	
Shares, Diluted	13.6	13.6	13.6	13.6	13.6	14.0	15.3	15.3	15.3	15.0	15.3	15.3	15.4	15.3	15.3	15.3	15.3	15.4	15.3	15.3	
EPS Basic (Pro forma)	\$0.08	(\$0.25)	(\$0.19)	(\$0.05)	(\$0.41)	(\$0.08)	\$0.03	(\$0.08)	\$0.10	(\$0.02)	\$0.09	\$0.16	\$0.11	\$0.16	\$0.52	\$0.12	\$0.24	\$0.21	\$0.25	\$0.82	
EPS Diluted (Pro forma)	\$0.08	(\$0.25)	(\$0.18)	(\$0.05)	(\$0.40)	(\$0.08)	\$0.03	(\$0.08)	\$0.10	(\$0.02)	\$0.09	\$0.15	\$0.11	\$0.16	\$0.50	\$0.12	\$0.23	\$0.20	\$0.25	\$0.80	
<b>Margins</b>																					
Gross margin	16.7%	17.1%	15.2%	15.1%	16.1%	13.8%	11.9%	14.3%	14.9%	13.7%	15.3%	15.0%	15.0%	15.5%	15.2%	15.5%	15.7%	16.0%	16.5%	16.0%	
Employment costs	9.3%	12.0%	14.5%	11.7%	11.3%																
Sales and marketing	0.5%	0.6%	0.7%	0.5%	0.6%	5.5%	4.1%	5.2%	4.8%	4.8%	4.8%	4.0%	4.4%	4.8%	4.5%	4.7%	3.9%	4.3%	4.7%	4.4%	
Research and development	0.9%	1.8%	1.8%	1.1%	1.3%	3.9%	2.8%	4.1%	3.7%	3.6%	3.5%	3.5%	3.5%	3.5%	3.5%	3.4%	3.4%	3.4%	3.4%	3.4%	
General and administrative	2.9%	4.0%	4.0%	2.1%	3.1%	4.2%	3.3%	4.5%	3.8%	3.9%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	
Operating margin	1.6%	-8.6%	-8.4%	-1.8%	-2.9%	-1.9%	0.7%	-1.3%	1.6%	0.1%	2.0%	2.7%	2.2%	2.5%	2.4%	2.5%	3.7%	3.6%	3.8%	3.4%	
Tax rate, GAAP	21.7%	11.2%	25.9%	41.6%	21.4%	27.5%	24.3%	7.1%	18.6%	4.4%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Net margin	1.4%	-8.1%	-6.6%	-1.2%	-2.5%	-1.7%	0.4%	-1.4%	1.3%	-0.1%	1.5%	2.1%	1.6%	1.9%	1.8%	1.9%	2.8%	2.7%	2.8%	2.6%	
<b>Y/Y % change</b>																					
Total Revenue	-14%	-59%	-62%	-47%	-46%	-21%	152%	132%	104%	70%	38%	11%	14%	10%	16%	10%	11%	17%	6%	11%	
Gross margin	3%	-66%	-59%	-52%	-47%	-35%	76%	117%	101%	45%	53%	39%	20%	15%	29%	12%	16%	25%	13%	16%	
Employment costs	1%	-35%	-31%	-25%	-23%																
Sales and marketing	11%	-43%	-41%	-20%	-24%	744%	1643%	1688%	1743%	1366%	21%	7%	-4%	11%	8%	8%	8%	14%	4%	8%	
Research and development	22%	11%	1%	-3%	7%	236%	301%	445%	580%	381%	25%	36%	-3%	4%	13%	7%	7%	14%	3%	7%	
General and administrative	52%	-14%	-29%	-51%	-16%	12%	107%	163%	268%	114%	27%	29%	-4%	9%	14%	10%	11%	17%	6%	11%	
Operating income (loss)	-41%	-142%	-295%	-125%	-139%	-191%	-120%	-64%	-285%	-104%	-247%	348%	-291%	70%	4097%	39%	51%	90%	58%	59%	
Net income (loss)	-36%	-153%	-325%	-124%	-145%	-198%	-114%	-50%	-324%	-94%	-222%	418%	-232%	57%	-2342%	39%	51%	90%	58%	59%	
EPS Diluted (Pro forma)	-34%	-280%	-329%	-125%	-172%	-195%	-112%	-56%	-299%	-94%	-212%	418%	-231%	57%	-2291%	39%	51%	90%	58%	59%	

Source: Company reports and Ascendant Capital Markets estimates.

## Points.com Inc. (f.k.a. Points International Ltd.)

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	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	104.5	98.6	64.0	73.1	84.7	85.9	85.2	99.6	92.4	108.7	101.8	120.2	106.3	125.5	122.7	137.0
Short term investments									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restricted cash	1.2	0.5	0.6	0.3	0.6	2.0	2.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Funds receivable from payment proc	1.6	7.7	3.6	5.8	9.0	6.7	5.7	7.7	6.1	7.7	6.7	8.5	6.7	8.5	7.8	9.0
Security deposits									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	14.5	9.3	8.7	3.6	6.0	6.0	12.4	13.1	5.0	6.3	5.5	7.0	5.5	7.0	6.4	7.4
Prepaid expenses and other	1.9	1.5	1.8	3.1	2.9	4.0	4.5	4.4	3.4	4.3	3.8	4.8	3.8	4.8	4.4	5.1
Note receivable																
Deferred income taxes	0.2	0.2	0.6	1.8	1.5	0.7	0.2	0.2								
Total current assets	123.8	117.8	79.4	87.5	104.7	105.2	110.2	126.5	108.3	128.5	119.2	142.0	123.6	147.2	142.8	160.0
Property and equipment, net	2.3	2.0	1.7	1.5	1.3	1.2	1.2	1.1	1.5	1.9	2.3	2.7	3.1	3.5	3.9	4.3
Intangibles, net	12.8	12.7	12.6	12.1	11.7	11.5	10.7	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Goodwill	7.1	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.2	4.7	4.2	3.7	3.2	2.7	2.2	1.7
Deferred income taxes	2.4	2.7	3.0	3.1	3.4	3.7	4.1	4.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Note receivable									0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Long term investments									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.0	2.5	2.3	2.1	1.9	1.7	1.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total assets	151.5	143.3	104.7	112.0	128.6	128.9	133.1	148.7	128.7	148.8	139.4	162.1	143.6	167.1	162.6	179.7
<b>Liabilities and stockholders' equity</b>																
Accounts payable and accrued liabilities	9.3	7.1	4.7	5.8	5.4	5.0	9.5	9.3	7.3	9.2	8.0	10.2	8.0	10.2	9.4	10.8
Payable to loyalty program partners	57.7	59.6	30.2	50.6	60.1	61.9	63.3	75.3	58.9	74.6	64.8	82.9	64.8	82.5	75.8	87.6
Provisions									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income tax	0.6	0.4	0.4	0.5	0.7	0.7	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.2	2.5	2.2	2.0	2.1	2.1	2.1	2.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Short term debt				3.5					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	70.8	69.7	37.5	62.4	68.3	69.7	76.6	88.7	67.3	85.1	74.0	94.3	74.0	93.9	86.4	99.6
Deferred income taxes	0.9	1.0	1.0	1.7	1.5	1.0	1.1	1.0								
Other long term liabilities	1.8	1.6	1.4	1.2	0.9	0.6	0.3	0.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Long term debt	40.0	35.0	30.0	11.5					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	42.7	37.6	32.4	14.4	2.5	1.6	1.4	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Common stock	48.8	48.9	49.1	49.3	72.8	73.2	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0
Treasury Stock																
Additional paid-in capital		0.7	1.5	1.8	2.0	1.1	2.6	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Retained earnings	(10.0)	(13.3)	(15.8)	(16.5)	(17.5)	(17.1)	(18.3)	(16.8)	(15.5)	(13.1)	(11.5)	(9.1)	(7.2)	(3.7)	(0.6)	3.2
Accumulated other comprehensive income	(0.8)	(0.3)	(0.0)	0.6	0.6	0.5	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Other									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	38.0	36.1	34.8	35.2	57.8	57.6	55.1	59.0	60.3	62.6	64.3	66.7	68.5	72.0	75.1	78.9
Total stockholders' equity and liabilities	151.5	143.3	104.7	112.0	128.6	128.9	133.1	148.7	128.7	148.8	139.4	162.1	143.6	167.1	162.6	179.7

## 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	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	2%	4%	5%	5%	5%	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Accounts payable as % of total rev	11%	17%	13%	10%	8%	5%	11%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Funds receivable as % of total rev	2%	19%	10%	10%	14%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Payable to loyalty program partners as %	70%	146%	81%	90%	92%	60%	73%	65%	65%	65%	65%	65%	65%	65%	65%	65%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	16	20	21	6	8	5	13	10	5	5	5	5	5	5	5	5
A/P Days Payable	12	19	13	11	9	5	12	9	9	9	9	9	9	9	9	9
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$2.81	\$2.66	\$2.57	\$2.60	\$4.13	\$3.77	\$3.60	\$3.85	\$3.94	\$4.09	\$4.17	\$4.36	\$4.48	\$4.71	\$4.88	\$5.16
Cash per Share (diluted)	\$7.80	\$7.31	\$4.77	\$5.41	\$6.09	\$5.74	\$5.71	\$6.61	\$6.13	\$7.20	\$6.70	\$7.95	\$7.04	\$8.29	\$8.06	\$9.05
Net cash per Share (diluted)	\$4.85	\$4.73	\$2.56	\$4.31	\$6.09	\$5.74	\$5.71	\$6.61	\$6.13	\$7.20	\$6.70	\$7.95	\$7.04	\$8.29	\$8.06	\$9.05
Net (of partner) operating cash per Share	\$0.70	\$0.90	\$0.59	\$1.00	\$2.44	\$2.14	\$1.95	\$2.19	\$2.68	\$2.82	\$2.93	\$3.09	\$3.24	\$3.45	\$3.65	\$3.91

Source: Company reports and Ascendant Capital Markets estimates

**Points.com Inc. (f.k.a. Points International Ltd.)**

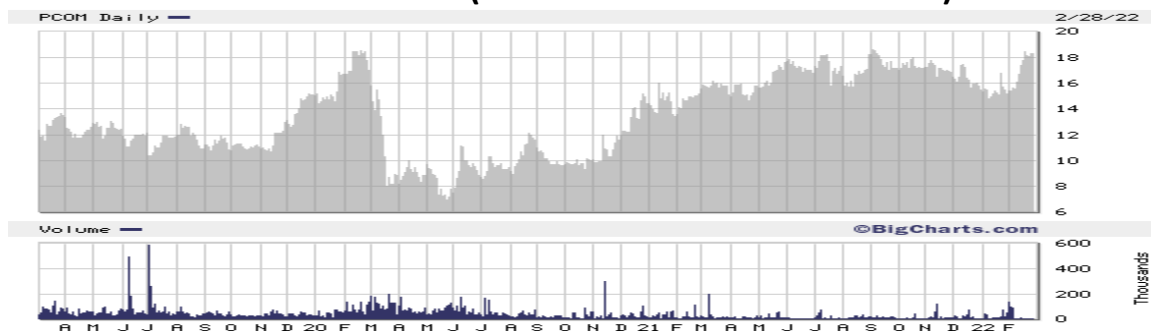
Cash Flow Statement (\$ mils) Fiscal Year End: December 31	2020				2021				2022				2023							
	Mar-20 Q1A	Jun-20 Q2A	Sep-20 Q3A	Dec-20 Q4A	Mar-21 Q1A	Jun-21 Q2A	Sep-21 Q3A	Dec-21 Q4A	Mar-22 Q1E	Jun-22 Q2E	Sep-22 Q3E	Dec-22 Q4E	Mar-23 Q1E	Jun-23 Q2E	Sep-23 Q3E	Dec-23 Q4E	2023 FY-E			
<b>Cash flow from operating activities</b>																				
Net income	1.1	(3.3)	(2.5)	(0.7)	(5.4)	(1.1)	0.5	(1.2)	1.5	(0.3)	1.3	2.3	1.6	2.4	7.7	1.9	3.5	3.1	3.8	12.3
Depreciation	0.6	0.6	0.6	(0.6)	1.3	0.5	0.3	1.1	2.7	4.5	0.6	0.6	0.6	0.6	2.4	0.6	0.6	0.6	0.6	2.4
Amortization	0.6	0.6	0.6	1.7	3.6	0.9	0.8		(1.7)	0.0	0.5	0.5	0.5	0.5	2.0	0.5	0.5	0.5	0.5	2.0
Foreign exchange gain	(1.1)	0.2	0.8	1.2	1.1	(0.1)	0.1	(0.4)	(0.5)	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock comp	0.9	0.8	1.0	0.5	3.1	0.9	1.6	1.6	2.5	6.7	1.0	1.0	1.0	1.0	4.0	1.0	1.0	1.0	1.0	4.0
Financing costs					0.0			(0.7)	1.1	0.4					0.0					0.0
Deferred income taxes	0.2	(0.3)	(0.4)	0.4	(0.1)	(0.5)	(0.8)	(0.1)	0.4	(1.1)	2.4	0.0	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0
Tax benefit of stock option exercises					0.0					0.0	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)
Funds receivable from payment	1.3	0.7		0.3	2.3		(1.4)		1.4	0.0	1.7	(1.6)	1.0	(1.9)	(0.8)	1.9	(1.8)	0.7	(1.2)	(0.5)
Other gains/losses	(1.4)	2.6	0.2	0.4	1.8		(0.1)	0.4	(0.8)	(0.6)					0.0					0.0
Acquisition expense					0.0					0.0					0.0					0.0
Other	0.1	0.0	(0.1)	1.4	1.4	(0.4)		(0.2)	(0.6)	(1.1)					0.0					0.0
<b>Changes in operating assets and liabilities:</b>																				
Accounts receivable					0.0					0.0	8.1	(1.3)	0.8	(1.5)	6.1	1.5	(1.5)	0.6	(1.0)	(0.4)
Note receivable					0.0					0.0	(0.4)	0.0	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0
Prepaid expenses & other current assets					0.0					0.0	1.0	(0.9)	0.6	(1.0)	(0.4)	1.0	(1.0)	0.4	(0.7)	(0.3)
Accounts payable and accrued expenses					0.0					0.0	(2.0)	2.0	(1.2)	2.2	0.9	(2.2)	2.2	(0.8)	1.5	0.6
Payable to loyalty program partners					0.0					0.0	(16.4)	15.8	(9.8)	18.1	7.6	(18.1)	17.7	(6.7)	11.8	4.7
Deferred revenue					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax payable and other	(5.3)	(1.8)	(28.2)	21.1	(14.1)	4.3	3.3	1.6	9.3	18.5	(2.9)	0.0	0.0	0.0	(2.9)	0.0	0.0	0.0	0.0	0.0
<b>Net cash (used in) provided by</b>	<b>(2.9)</b>	<b>0.1</b>	<b>(27.9)</b>	<b>25.8</b>	<b>(5.0)</b>	<b>4.5</b>	<b>4.2</b>	<b>2.1</b>	<b>15.3</b>	<b>26.1</b>	<b>(6.2)</b>	<b>17.3</b>	<b>(5.9)</b>	<b>19.4</b>	<b>24.5</b>	<b>(12.9)</b>	<b>20.2</b>	<b>(1.7)</b>	<b>15.3</b>	<b>20.8</b>
<b>Cash flow from investing activities</b>																				
Purchases of property and equip	(0.3)	(0.0)	(0.0)	(0.1)	(0.5)	(0.3)	(0.2)	(0.3)	(0.2)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)
Additions to intangible assets	(0.6)	(0.5)	(0.5)	(0.2)	(1.8)	(0.2)	(0.3)	(0.2)	(0.2)	(0.9)					0.0					0.0
Purchases of short-term investments					0.0					0.0					0.0					0.0
Sale of short-term investments					0.0					0.0					0.0					0.0
Acquisitions					0.0					0.0					0.0					0.0
Other					0.0					0.0					0.0					0.0
<b>Net cash used in investing activ</b>	<b>(0.9)</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(2.3)</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(1.8)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(4.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(4.0)</b>
<b>Cash flow from financing activities</b>																				
Issuance of debt	40.0	(5.0)	(5.0)	10.0	40.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of debt	(0.3)	(0.3)	(0.3)	(25.3)	(26.3)	(15.3)	(0.3)	(0.3)	(0.3)	(16.2)					0.0					0.0
Issuance of stock					0.0	23.3				23.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of common stock	(1.0)				(1.0)		(0.5)	(2.3)	(0.5)	(3.3)					0.0					0.0
Proceeds from stock option exe	(1.1)	(0.0)	(0.0)	(0.0)	(1.1)	(0.5)	(1.7)	(0.1)	(0.1)	(2.3)					0.0					0.0
Other					0.0					0.0					0.0					0.0
<u>Dividends and distributions</u>					0.0					0.0					0.0					0.0
<b>Cash provided by (used in) fina</b>	<b>37.5</b>	<b>(5.3)</b>	<b>(5.3)</b>	<b>(15.4)</b>	<b>11.5</b>	<b>7.5</b>	<b>(2.4)</b>	<b>(2.7)</b>	<b>(0.9)</b>	<b>1.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Effect of exchange rate on cash	0.9	(0.1)	(0.7)	(1.1)	(1.1)	0.1	(0.1)	0.3	0.5	0.8					0.0					0.0
<b>Net increase (decrease) in cash</b>	<b>34.6</b>	<b>(5.9)</b>	<b>(34.6)</b>	<b>9.1</b>	<b>3.1</b>	<b>11.6</b>	<b>1.2</b>	<b>(0.7)</b>	<b>14.5</b>	<b>26.6</b>	<b>(7.2)</b>	<b>16.3</b>	<b>(6.9)</b>	<b>18.4</b>	<b>20.5</b>	<b>(13.9)</b>	<b>19.2</b>	<b>(2.7)</b>	<b>14.3</b>	<b>16.8</b>
<b>Beginning cash and equivalents</b>	<b>70.0</b>	<b>104.5</b>	<b>98.6</b>	<b>64.0</b>	<b>70.0</b>	<b>73.1</b>	<b>84.7</b>	<b>85.9</b>	<b>85.2</b>	<b>73.1</b>	<b>99.6</b>	<b>92.4</b>	<b>108.7</b>	<b>101.8</b>	<b>99.6</b>	<b>120.2</b>	<b>106.3</b>	<b>125.5</b>	<b>122.7</b>	<b>120.2</b>
<b>Ending cash and equivalents</b>	<b>104.5</b>	<b>98.6</b>	<b>64.0</b>	<b>73.1</b>	<b>73.1</b>	<b>84.7</b>	<b>85.2</b>	<b>85.2</b>	<b>99.6</b>	<b>99.6</b>	<b>92.4</b>	<b>108.7</b>	<b>101.8</b>	<b>120.2</b>	<b>120.2</b>	<b>106.3</b>	<b>125.5</b>	<b>122.7</b>	<b>137.0</b>	<b>137.0</b>

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

## Points.com Inc. (f.k.a. Points International Ltd.)



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

Report	Date	Rating	Price
40	3/14/2018	BUY	14.00
41	5/11/2018	BUY	15.00
42	8/9/2018	BUY	18.00
43	11/15/2018	BUY	17.00
44	3/7/2019	BUY	16.00
45	5/17/2019	BUY	15.00
46	8/2/2019	BUY	16.00
47	11/18/2019	BUY	17.00
48	1/25/2020	BUY	19.00
49	3/9/2020	BUY	20.00
50	5/17/2020	BUY	13.00
51	8/17/2020	BUY	14.00
52	11/12/2020	BUY	13.00
53	2/17/2021	BUY	18.00
54	3/10/2021	BUY	20.00
55	5/16/2021	BUY	21.00
56	8/23/2021	BUY	22.00
57	11/22/2021	BUY	21.00

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

## IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any



information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

### Risks & Considerations

Risks to attainment of our share price target include changes in competition, economic conditions, changes and demand for loyalty program technology, investor sentiment for investing in technology stocks, and consumer sentiment and industry growth for travel and technology companies.

### 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 January 15, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	40	98%	16	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	41	100%	16	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.

### **Dissemination of Research**

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

### **General Disclaimer**

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

### **Additional Disclosures**

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.