



ShiftPixy, Inc.

Initiating Coverage with BUY and \$6.00 Price Target

ShiftPixy is working to reaccelerate its momentum in the very large market for gig-based human capital management.

Initiating with BUY: We are initiating coverage of ShiftPixy, Inc. with a BUY rating. ShiftPixy is a human capital solutions provider which provides flexible employment solutions primarily for the QSR (Quick Service Restaurant) industry.

PIXY solves the employee benefits problem for its employers and workers: ShiftPixy provides EAS (Employment Administrative Services) for its employer clients such as onboarding, payroll, taxes, and compliance with important regulations such as the Affordable Care Act (ACA). At the same time, the company can offer benefits to its worksite employees (WSEs) that they wouldn't otherwise have as gig workers. ShiftPixy's mobile app solves the scheduling problem for employers and workers while providing a trained on-demand workforce for employers.

ShiftPixy addresses the \$100 billion market for flexible human capital in the QSR industry: Today the QSR industry in the US employs over 5 million people, accounting for \$100 billion in labor costs. Many of these workers work part-time under flexible work arrangements. As the trend towards flexible gig employment continues to accelerate, demand for human capital solutions in QSR and elsewhere will remain high.

ShiftPixy's business model is well suited to other vertical markets: In addition to QSR, ShiftPixy has vast room to grow into other gig-oriented employment markets including retail, hospitality, healthcare, and light industrial. Each of these represents an opportunity as great or greater than QSR.

ShiftPixy has launched a national sales campaign that has the potential to reaccelerate growth in its core business and provide a catalyst for the stock: In response to pressure on its core business brought about by Covid-related disruptions to its QSR clients, ShiftPixy has built a new sales team focused on expanding its client portfolio into new metro areas and verticals. With only 2,000 active WSEs out of potentially 100s of thousands in QSR alone, the potential for growth is quite large and sales traction could be a fundamental catalyst for the company's share price.

ShiftPixy Labs has the potential to incubate new brands and businesses in the adjacent restaurant space: ShiftPixy has set up a subsidiary to provide restaurant fulfillment solutions (aka ghost kitchens) and new food concepts in partnership with its restaurant customers. If successful, this could provide a new growth engine for the company.

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

12-month price target of \$6.00 based on a NPV analysis: We calculate a 12-month price target for shares of PIXY of \$6.00. This is based on a NPV analysis, representing 27% upside from the current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and turnaround potential.

Company Description

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

United States
Human Resource and Employment Services

March 6, 2023

Lucas Ward
(561) 427-7788
lward@ascendant.com

COVERAGE INITIATION

Rating: **BUY**

Ticker: PIXY

Price: \$4.74

Target: \$6.00

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$4.32-87.00
Shares Outstanding (million):	9.67
Market cap (\$million):	\$45.8
EV (\$million):	\$44.9
Debt (\$million):	\$0
Cash (\$million):	\$0.9
Avg. Daily Trading Vol. (\$million):	\$1.8
Float (million shares):	1.1
Short Interest (million shares):	0.1
Dividend, annual (yield):	NA

Revenues (US\$ million)

	<u>2023E</u>	<u>2024E</u>	<u>2025E</u>
	<u>(Cur.)</u>	<u>(Cur.)</u>	<u>(Cur.)</u>
Q1 Nov	5.3A	6.6E	8.0E
Q2 Feb	5.5E	6.9E	8.4E
Q3 May	5.5E	6.9E	8.5E
Q4 Aug	<u>6.0E</u>	<u>7.5E</u>	<u>9.4E</u>
Total	22.3E	27.8E	34.3E
EV/Revs	2x	1.6x	1.3x

Earnings per Share (pro forma)

	<u>2023E</u>	<u>2024E</u>	<u>2025E</u>
	<u>(Cur.)</u>	<u>(Cur.)</u>	<u>(Cur.)</u>
Q1 Nov	(0.57)A	(0.64)E	(0.63)E
Q2 Feb	(0.63)E	(0.65)E	(0.64)E
Q3 May	(0.71)E	(0.61)E	(0.58)E
Q4 Aug	<u>(0.75)E</u>	<u>(0.69)E</u>	<u>(0.68)E</u>
Total	(2.65)E	(2.58)E	(2.53)E
P/E	NA	NA	NA

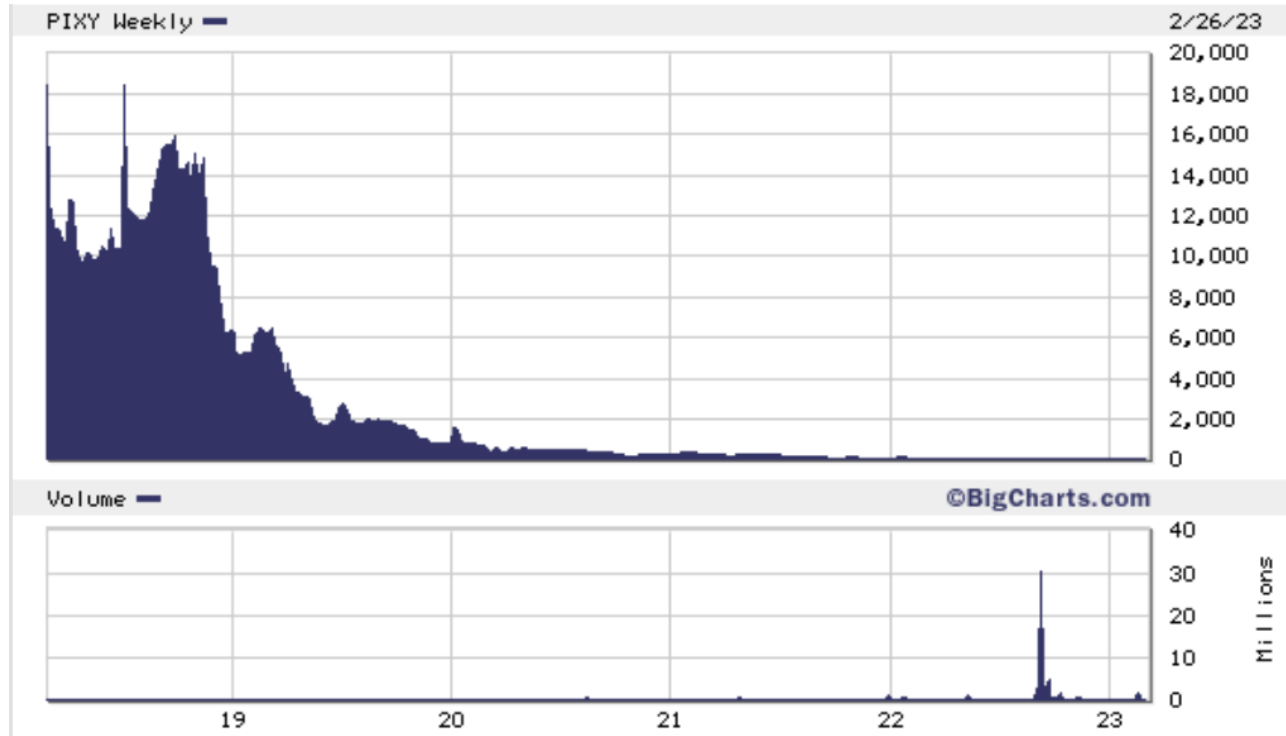
* Reflects a 1:100 reverse stock split in August 2022

Important Disclosures

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

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 23.

Exhibit 1: ShiftPixy, Inc. Weekly Stock Price (5 Years)



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

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

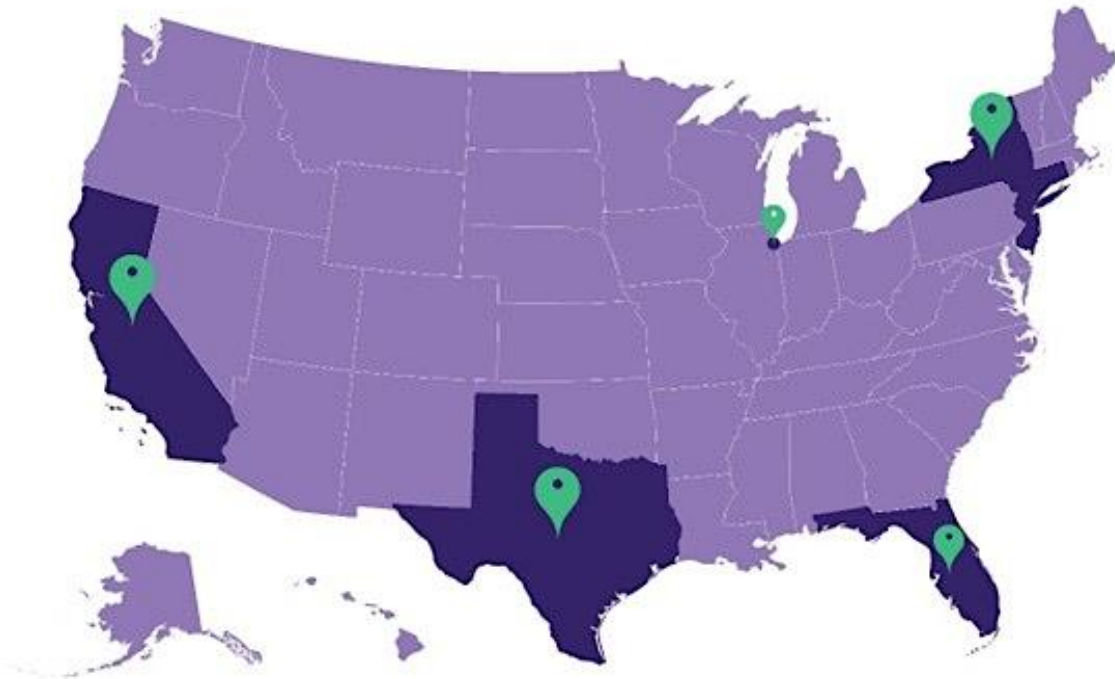
INVESTMENT THESIS

We are initiating coverage of ShiftPixy, Inc. with a BUY rating and a 12-month price target of \$6.00

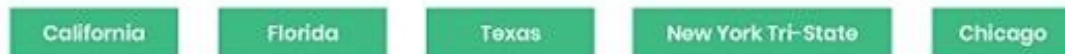
Overview. ShiftPixy is a human capital management platform. Specifically, the company provides payroll and related employment tax processing, compliance, insurance, and administrative services solutions for its employer clients, and shift work or “gig” opportunities for WSEs. ShiftPixy’s target markets include the restaurant, retail, hospitality, healthcare, and light industrial markets. The company currently has roughly 2,000 active WSEs primarily in the QSR sector. ShiftPixy receives administrative fees for its services proportional to the gross billings of its employer clients.

ShiftPixy’s stated mission is ‘to be the best online fully integrated workforce solution and employer services support platform for lower-wage workers and employment opportunities.’ To accomplish this goal, ShiftPixy began working on its HRIS (Human Resources Information Systems) platform in 2017, including a front-end desktop and mobile app to facilitate easier WSE and client onboarding processes and serve as a gig marketplace for WSEs to find shift work. Beginning in March 2019, the company transitioned the development of its app from a third-party vendor to an in-house development team and launched an early version of the application several months later. During FY2021, ShiftPixy continued to implement additional HRIS functionality in employee fulfillment, delivery, scheduling, and gig intermediation services through its mobile app. During FY2022, ShiftPixy’s app development focused on supporting growth initiatives with features such as bulk onboarding and job-matching intermediation.

Exhibit 2: ShiftPixy Primary Markets



Initially targeting the hospitality and restaurant industries in major metro markets:



15.1 Million restaurant industry employees in the U.S.

3 in 10 Restaurant cite staffing as a challenge.

1.6 Million new jobs created in the restaurant industry by 2028

Upserv; "50+ Restaurant Industry Statistics Restaurateurs Should Know in 2020" January 22, 2020

Source: Company Reports

ShiftPixy solves the recruiting and compliance headache for gig worker employers. Managing, recruiting, and scheduling a high volume of low-wage employees can be both difficult and expensive. Historically, the acquisition and recruiting of such an employee population have been a labor-intensive and expensive process in part due to high onboarding costs and complex issues surrounding such matters as tax information capture or I-9 verification. Core to ShiftPixy's value proposition is the ability to provide net cost savings and reduce the administrative burden for its employer clients. In return, employers pay administrative fees that offset the costs of the services the company provides. These services include:

- Reduced screening and onboarding costs due to access to an improved pool of qualified applicants who can be onboarded through ShiftPixy's HRIS technology platform
- Payroll tax compliance and management services
- Governmental HR compliance for the Patient Protection and Affordable Care Act
- Reduced workers' compensation premiums or enhanced coverage
- Access to a pool of potentially qualified applicants to reduce turnover costs
- Ability to fulfill supply in a tight labor market with job-matching services.

Key to the company's ability to provide these services is its investment in its HRIS technology platform. The platform is intended to make onboarding as fast and as paper-free as possible. The goal is to accumulate a large pool of qualified WSEs across multiple geographical markets and facilitate the job matching of WSEs with job opportunities. As the company's platform improves, it will be able to supply additional value-added services for its employer clients that generate additional revenue streams.

ShiftPixy provides employee benefits and employment opportunities for gig workers. The Gig Economy has given rise to controversy regarding the classification of many workers as independent contractors, rather than traditional employees. As an example, in response to significant amounts of lost tax revenue, the state of California passed legislation defining Uber and Lyft drivers as employees rather than independent contractors. In November 2020, California voters passed Proposition 22, which reclassified app-based drivers as independent contractors, but also mandated labor and wage policies including

- minimum wage requirements
- working hours limitations
- paid healthcare subsidies under certain circumstances
- accident insurance and accidental death insurance for app-based drivers

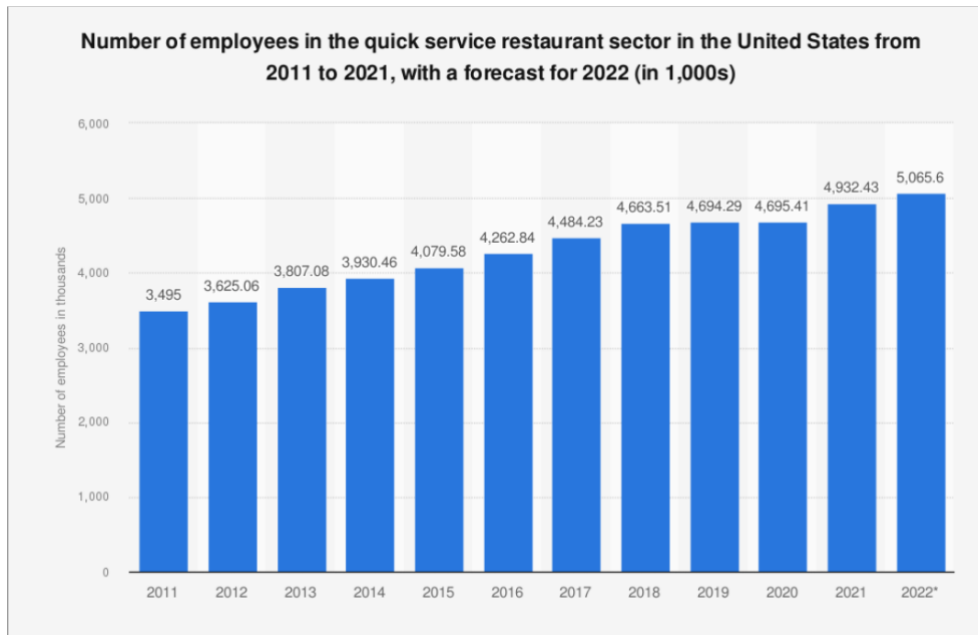
In anticipation that similar laws could pass elsewhere, ShiftPixy's business model provides a solution by absorbing its clients' workers under its corporate employee umbrella as traditional employees who receive W-2s and are entitled to participate in a full array of benefits that the company provides as part of its services for its clients. These benefits include minimum essential health insurance coverage and 401(k) plans, as well as workers' compensation coverage. In addition, ShiftPixy's economies of scale and HRIS platform allow the company to function as a labor marketplace, offering shifts to its WSEs, and a just-in-time workforce for its employers.

PIXY addresses a \$100 billion market for human capital in the QSR industry. According to IBIS, the QSR industry in the US will log \$366 billion in sales in 2023 and employ over 5 million people, many of whom work part-time. Assuming average labor costs of 28%, the market for human capital in QSR alone exceeds \$100 billion. At ShiftPixy's current rate of gross profit monetization per WSE of roughly \$600 per year, this represents an annual opportunity of over \$3 billion per year. Meanwhile, overall restaurant employment stands at over 11 million, while the hospitality industry employs an additional 15 million people, many of whom work part-time and would benefit from ShiftPixy's approach to offering benefits and flexible scheduling.

The trend towards independent employment continues to accelerate. According to Statista, the number of independent workers in the United States will exceed 73 million in 2023, up from 60 million in 2018. This means that roughly one-third of American workers are independent contractors. The total is expected to rise to 90 million in the next five years. While 'independent worker' is a broad category that includes skilled freelancers, temporary workers, as well as low-skilled workers, roughly 47% of independent workers are low-skilled workers, according to Upwork. While freelancing is growing most rapidly among highly skilled workers, the continued growth of independent workers overall means that the potential pool of WSEs continues to rise at a rate faster than that of overall US employment.

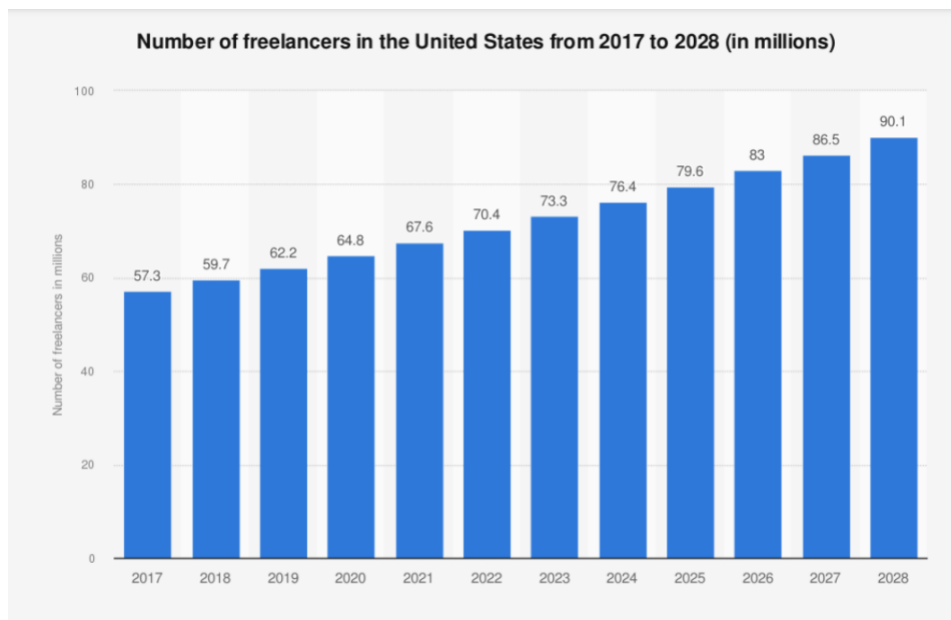
ShiftPixy has the opportunity to expand its geographic footprint in the QSR industry. With roughly 2,000 active WSEs and another 38,000 inactive WSEs on its platform, ShiftPixy has barely begun to tap its primary market. With half of its employer clients concentrated in Southern California currently, ShiftPixy currently has plans to build a national account portfolio starting with major metro markets in Florida, The West Coast, New York, Texas, and Chicago. This effort will be spearheaded by a newly formed team of senior sales reps and complemented by ShiftPixy's new business initiatives at ShiftPixy Labs (more below).

Exhibit 3: US Employment in the QSR Industry



Source: IBISWorld, Statista

Exhibit 4: Number of US Independent Workers, 2017-2028



Source: Upwork, Edelman, Statista

PIXY's technology and business model apply well to other vertical markets. Having established its technology and business model in the QSR industry, ShiftPixy sees a large opportunity to expand into similar but adjacent markets for gig labor. These include the

retail, healthcare, light industrial, and hospitality sectors. With regards to light industrial, ShiftPixy foresees an uplift from the trend towards onshoring of US manufacturing, as well as ongoing growth in e-commerce creating a need for additional warehouses and the labor necessary to expedite delivery and returns. Within healthcare, retail, and other sectors, there continues to be a tailwind from the labor force reprioritizing flexibility, control, and access to job opportunities anywhere and anytime.

ShiftPixy Labs has the potential to incubate new brands and businesses in the adjacent restaurant space. As ShiftPixy has worked to find new ways to add value for its restaurant customers, the company has hit upon the idea of helping its clients grow by providing delivery and fulfillment solutions. On the delivery front, ShiftPixy is able to provide a ‘white label’ delivery ordering solution that allows its restaurant customers to showcase their own brands while regaining control of the delivery process from independent food delivery companies. The idea is for QSRs to use their own WSEs for delivery in order to retain margin and control of the customer experience. The first development phase of this aspect of ShiftPixy’s platform involved driver onboarding functionality. Additional features currently under development or already implemented allow the company to “micro meter” the essential commercial insurance coverages required by its operator clients on a delivery-by-delivery basis (workers’ compensation and auto coverages), thereby overcoming a significant obstacle encountered by QSRs seeking to provide their own delivery services without relying on outside food delivery companies.

On the fulfillment front, ShiftPixy has decided to enter the ghost kitchen business through its subsidiary, ShiftPixy Labs, which owns ShiftPixy Ghost Kitchens, Inc. The initial phase of this initiative is being implemented in ShiftPixy’s dedicated showcase kitchen facility located near its Miami headquarters. The idea of opening ghost kitchens originated from discussions with the company’s restaurant clients, combined with observations of industry trends that appear to have accelerated during the pandemic. This more centralized fulfillment option results in more economical bulk purchasing, reduced food spoilage, lower overhead, and better and more automated order completion. Improved economies of scale typically translate to significant cost reductions for operators compared to the traditional “in-person” restaurant locations, typically located in more expensive locations. ShiftPixy is also exploring equity investment in various branded restaurants that it develops and operates with its partners through ShiftPixy Labs.

ShiftPixy’s large untapped opportunities in its primary market provide the potential for stock price appreciation. As a human resource management platform, ShiftPixy has barely scratched the surface of the multi-billion-dollar market for shift labor in the QSR industry, let alone adjacent verticals. As the company launches a national salesforce with the potential to land larger accounts in new geographies and verticals, the company could potentially grow its revenue base substantially, providing a catalyst for the stock.

Valuation: PIXY represents attractive risk/reward with the potential for renewed sales momentum creating a stock price catalyst.

Based on an NPV analysis, we believe the stock PIXY is worth at least \$6.00 per share. This valuation assumes a modest penetration of the US market for US QSR shift workers of less than 2% by 2028. In addition, we use a conservative discount rate of 15% for future cashflows to account for general uncertainty relating to marketing execution. With the stock currently trading at \$4.74, near its post-IPO lows, we believe the risk/reward is attractive. In addition, the stock could experience a significant boost when the company the results of its revamped national sales campaign begin to kick in over the course of FY2023.

INVESTMENT RISKS

Liquidity and financing risks. As of November 2022, ShiftPixy had cash of \$0.9 million and a working capital deficit of \$32.1 million. During this period, the company used approximately \$3.7 million of cash from its continuing operations and incurred losses, resulting in an accumulated deficit of \$198.1 million through November 20, 2022. The recurring losses and cash used in operations are indicators of substantial doubt as to the company’s ability to continue as a going concern.

Historically, the company’s principal source of financing has come through the sale of common stock and the issuance of convertible notes. In May 2020, ShiftPixy completed an underwritten public offering, raising a total of \$12 million (\$10.3 million net of costs), and closed an additional \$1.4 million (\$1.2 million net of costs) between June 1, 2020, and July 7, 2020, pursuant to the exercise of the underwriter’s over-allotment. In October 2020, the company closed an additional \$12 million equity offering (\$10.7 million net

of costs). In May 2021, the company raised approximately \$12 million (\$11.1 million net of costs) in connection with the sale of common stock and warrants. In September 2021, the company raised approximately \$12 million (\$11.1 million net of costs) in connection with the sale of common stock and warrants. In January 2022, ShiftPixy entered into a warrant exercise agreement that raised approximately \$5.9 million (\$5.4 million net of costs), in July 2022, the company entered into a warrant exercise agreement that raised approximately \$1.3 million (\$1.2 million net of costs), and in September 2022 the company executed a private placement netting \$5 million for a total of \$56 million net of costs raised between May 2020 and September 2022.

The company's plans for the next twelve months include raising additional capital in the form of public or private equity offerings to help fund operations and strengthen its sales force strategy by focusing on staffing services as the key driver to improve margins. In addition, the company plans to invest further in the continued improvement of its HRIS platform. If the company is not able to source adequate capital from revenue growth and/or institutional investors during the next twelve months, it may need to curtail certain aspects of its operations or expansion activities, consider the sale of additional assets, or consider other means of financing. There can be no assurance that such additional financing will be available.

ShiftPixy faces stiff competition in its core staffing business. ShiftPixy competes in the same markets as many companies that offer not only staffing management products and services focused on the Gig Economy but also more traditional staffing management products and services. Some of these competitors include Barrett Business Services, Jobletics, Kelly Services, Manpower Group, Shiftgig, and Snagajob. There are limited barriers to entry and price competition in the industry is intense and increasing, particularly from larger, more traditional industry model competitors. New competitors entering ShiftPixy's markets may further increase pricing pressures.

ShiftPixy has observed that clients sometimes competitively bid out new contracts, which is a trend that is expected to continue for the foreseeable future. Some of the company's competitors have greater resources, which may enable them to compete more effectively in this market. Some competitors may devote their resources to developing and marketing products and services that will directly compete with ShiftPixy's product lines, and new, more efficient competitors may enter the market. If ShiftPixy is unable to successfully compete with existing companies and new entrants to the market, it will have a negative impact on the company's business and financial condition.

Risks related to lawsuits and contingencies. ShiftPixy is subject to a variety of claims and lawsuits. These claims arise from a wide variety of business practices, significant business transactions, operational claims, and employment practices. Adverse outcomes in some or all of these claims may result in significant monetary damages that could adversely affect the company's ability to conduct its business. In FY2022, the company spent roughly \$7.7 in professional fees, a substantial amount of which was related to litigation. Following is a (not necessarily complete) list of claims against the company:

- **Kadima litigation.** Dispute with ShiftPixy's former software developer, Kadima over payment for development services. The latest developments have been favorable for ShiftPixy but an appeal is likely.
- **Everest litigation.** A lawsuit filed by ShiftPixy's former worker's comp insurance carrier, Everest National Insurance Company claiming that ShiftPixy owes it premium payments and damages to the tune of \$1.6 million for previous policies. Litigation is ongoing in California, Illinois, and New Jersey.
- **Sunz litigation.** A lawsuit filed by ShiftPixy's former worker's comp insurance carrier, Sunz Insurance Solutions in Florida claiming that ShiftPixy owes it for a workers comp payments loss reserve funds to the tune of \$10 million. ShiftPixy is defending itself vigorously.
- **Vensure Divestiture.** On January 3, 2020, ShiftPixy entered into an asset purchase agreement with Vensure, a large PEO (Professional Employer Organization) company to which ShiftPixy assigned client contracts representing approximately 88% of its quarterly revenue as of November 30, 2019, including 100% of its existing PEO business effective as of December 31, 2019. As part of the deal, ShiftPixy transferred \$1.6 million of working capital assets associated with the assigned client contracts included in the agreement. Gross proceeds from the Asset Sale were \$19.2 million, of which \$9.7 million was received at closing and \$9.5 million was included in a note receivable, to be paid out in equal monthly payments over four years after certain transaction conditions were met. During the third quarter of FY 2022, ShiftPixy recorded an asset impairment charge of \$4 million to adjust the net realizable value of the long-term note receivable to zero. As of November

30, 2022, Vensure and the company were engaged in litigation regarding the amount owed to ShiftPixy pursuant to the note receivable.

- **Courvoisier litigation.** A lawsuit filed by ShiftPixy's former landlord in Miami, Courvoisier Center alleging breach of lease. ShiftPixy holds that the extensive renovations of the campus and building it occupied impaired its ability to conduct business and threatened the health of its employees and guests. In the quarter ended August 2022, ShiftPixy reserved \$3.9 million to cover the impairment of this operating lease. In addition, the company has filed a counterclaim and is seeking recovery for its cost of relocation.
- **Certified Tire litigation.** A lawsuit filed in California by ShiftPixy's former client, Certified Tire relating to a lawsuit filed by a former WSE of Certified Tire alleging violations of the labor code. Certified Tire alleges ShiftPixy should be responsible for the claim while ShiftPixy rejects this and is vigorously defending itself. Litigation is ongoing.
- **John Stephen Holmes bankruptcy claim.** The chapter 7 bankruptcy trustee of ShiftPixy founder, Steve Holmes has filed a claim against the company asserting that the cancellation of Mr. Holmes' preferred options on October 22, 2021 violated the automatic stay applicable to Mr. Holmes' Chapter 7 proceedings. The company has not yet filed its response, but it plans to vigorously defend itself against the claim.
- **Unpaid (accrued) payroll taxes.** As of August 2022, the company recorded accrued liabilities for payroll, payroll taxes, and employee time off of \$16 million, up from \$7.9 million in the year prior. The Company has recorded in its accrued expenses approximately \$1.1 million in interest and penalties on approximately \$12 million in delinquent outstanding payroll taxes to the IRS and other state and local agencies.

Risks related to exposure to future increases in workers comp liability. ShiftPixy is responsible for and pays workers' compensation costs for its WSEs. Until March 1, 2021, the company self-insured for up to \$500,000 per occurrence and purchased reinsurance for claims in excess of \$500,000. After March 1, 2021, the company's workers' compensation coverage moved to a prepaid premium model that does not require it to record additional reserves. ShiftPixy's workers' compensation billings are designed to cover expected claims based on insurance annuity calculations. These calculations are based on claims experienced during the company's limited operating history. At times, these costs have risen substantially as a result of increased claims and claim trends, general economic conditions, changes in business mix, increases in healthcare costs, and government regulations. Although the company carries insurance and believes that it currently has reserves sufficient to insulate it against projected losses, any unexpected changes in claim trends, including the severity and frequency of claims, actuarial estimates, and medical cost inflation, could result in costs exceeding these projections. If future claims-related liabilities increase due to unforeseen circumstances, or if new laws, rules, or regulations are implemented, costs could increase significantly. There can be no assurance that the company will be able to increase the fees charged to its clients in a timely manner and in a sufficient amount to cover increased costs as a result of any changes in claims-related liabilities.

Risks related to ShiftPixy's classification as an employer under federal and state regulations. As part of its business model, ShiftPixy will frequently sponsor the benefit plans applicable to client WSEs. For it to sponsor employee benefit plan offerings for WSEs, the company must qualify as an employer for certain purposes under the IRS Code and ERISA. In addition, its status as an employer is important for purposes of ERISA's preemption of certain state laws. The definition of employer under various laws is not uniform, and under both labor laws and ERISA, the term is defined in part by complex multi-factor tests. Generally, these tests are designed to evaluate whether an individual is an independent contractor or employee, and they provide substantial weight to whether a purported employer has the right to direct and control the details of an individual's work. However, a definitive judicial interpretation of "employer" in the context of employer relationships such as those in which the company engages has not been established. For ERISA purposes, for example, courts have held that test factors relating to the ability to control and supervise an individual are less important, while the U.S. Department of Labor has issued guidance that certain entities in the HR outsourcing industry do not qualify as common law employers for ERISA purposes. Although the company believes that it qualifies as an employer of WSEs under ERISA, and the U.S. Department of Labor has not provided guidance otherwise, the outcome of any future regulatory challenge remains unpredictable.

If the company is not recognized as an employer under the Code or ERISA, it may be required to change the method by which it reports and remits payroll taxes to the tax authorities and the method by which it provides, or discontinues providing, certain employee benefits to WSEs, which could have a material adverse effect on its business and results of operations. The company may

also need to qualify as an employer of WSEs under state regulations, which govern licensing, certification, and registration requirements. Nearly all states have enacted laws and regulations in this regard. While the management believes that the company qualifies as an employer of WSEs under state regulations, requirements vary from state to state and change frequently. If the company is not able to satisfy existing or future licensing requirements or other applicable regulations in a given state, it may be prohibited from doing business in that state.

Risks related to the commercialization of ShiftPixy Labs. ShiftPixy has invested a substantial amount of time and resources in developing ShiftPixy Labs and its related services and technology. Commercialization of ShiftPixy Labs will require additional development, customer engagement, significant marketing efforts, and ongoing investment before it can provide any additional revenue. Despite these efforts, ShiftPixy Labs may not become commercially successful. Failure to successfully deploy and commercialize ShiftPixy Labs could adversely affect ShiftPixy's operating results and financial condition.

Controlling shareholder risk. Effective, September 19, 2022, ShiftPixy's Chairman and CEO, Scott Absher became the beneficial owner of approximately 90.5% of ShiftPixy's outstanding voting securities via the exercise of options for shares of preferred stock and conversion of his outstanding 8,600,000 shares of preferred stock into shares of common stock. As a controlling shareholder, Mr. Absher can continue to possess significant influence and likely can elect and continue to elect a majority of the company's board of directors and authorize or prevent proposed significant corporate transactions. Mr. Absher's ownership and control may also have the effect of delaying or preventing a future change in control, impeding a merger, consolidation, takeover, or other business combination, or discouraging a potential acquirer from making a tender offer. Individual shareholders with a minority, non-controlling stake may have limited influence over shareholder matters.

VALUATION

We see upside to \$6.00 if ShiftPixy can get traction with its national sales campaign.

Our price target is based on a NPV which assumes a very modest penetration of less than 2% of the projected 5 million shift workers in the American QSR industry by 2028. We further assume the company is able to generate \$650 in gross profit per WSE (up from \$600 in FY2022) and will require an additional \$60 million in capital to reach this level of market share. Adding net cash to the NPV of future operating profit and subtracting the estimated additional capital required, we come up with a current value for existing shareholders of \$58 million, or \$6.00 per share.

We acknowledge that as an emerging player in the highly competitive staffing industry, ShiftPixy's valuation is subject to wild uncertainty. To account for this, we use a high discount rate of 15% in our NPV calculation, and a conservative market share forecast of 1.6% by 2028. In addition, we are factoring in only one vertical (QSR). Given that ShiftPixy is far along with its brand and business model, already has a working HRIS platform, and has the potential to penetrate vertical markets other than QSR, it might appear that our valuation is on the conservative side. Yet, we believe sales expansion could prove a bigger challenge than platform development, given the competitive nature of the HCM market and the entrenched positions of large incumbents. In addition, ShiftPixy will need to raise substantial funds to get to a sustainable scale. Therefore, we feel conservatism is warranted. Still, our valuation represents 27% upside to the current stock price and is far below the stock's 52-week high of \$87 reached on February 28, 2022.

Shift Pixy's share price since IPO has been on a downtrend, having hit a split-adjusted high of \$40,800 on July 10, 2017 (right after IPO), and a low of \$4.35 on February 24, 2023. We believe a key reason for this has been a mismatch between the company's cost structure and its revenues. Another reason has been the high dilution from equity offerings. High legal costs, the impact of the pandemic, and high financing costs associated with various offerings and the company's SPAC sponsorship have also taken a toll. Notwithstanding, the company continues to have a huge opportunity in its core staffing business. With a working gig platform used by just 2,000 active WSEs out of millions of shift workers across the US, ShiftPixy could potentially grow its revenue base many times if it is able to penetrate larger accounts in more geographies and verticals. We will be watching for progress on the client sales and WSE front, as signs of momentum in these areas could provide a significant catalyst for ShiftPixy's depressed stock price. Though the marketing process is subject to uncertainty, the current valuation seems to reflect risks appropriately.

Exhibit 5: ShiftPixy, Inc. Valuation, NPV

Total QSR Shift Workers, North America, 2028	5,000,000
ShiftPixy Projected Coverage, 2028	1.6%
Projected WSEs, 2028	80,700
Projected Annual Gross Profit per WSE	\$650
Estimated Annual Gross Profit	\$52,455,000
Estimated Annual Expenses	(\$35,000,000)
Estimated Annual Net Profit	\$17,455,000
Discount Rate	15%
NPV of Future Net Profit	\$116,366,667
Net Cash	\$864,000
Estimated Additional Capital Required	(\$60,000,000)
Current Value for Existing Shareholders	\$57,230,667
Shares Outstanding	9,533,982
Estimated Value Per Share	\$6.00

Source: Company reports, ResearchAndMarkets.com, Ascendant Capital Markets estimates

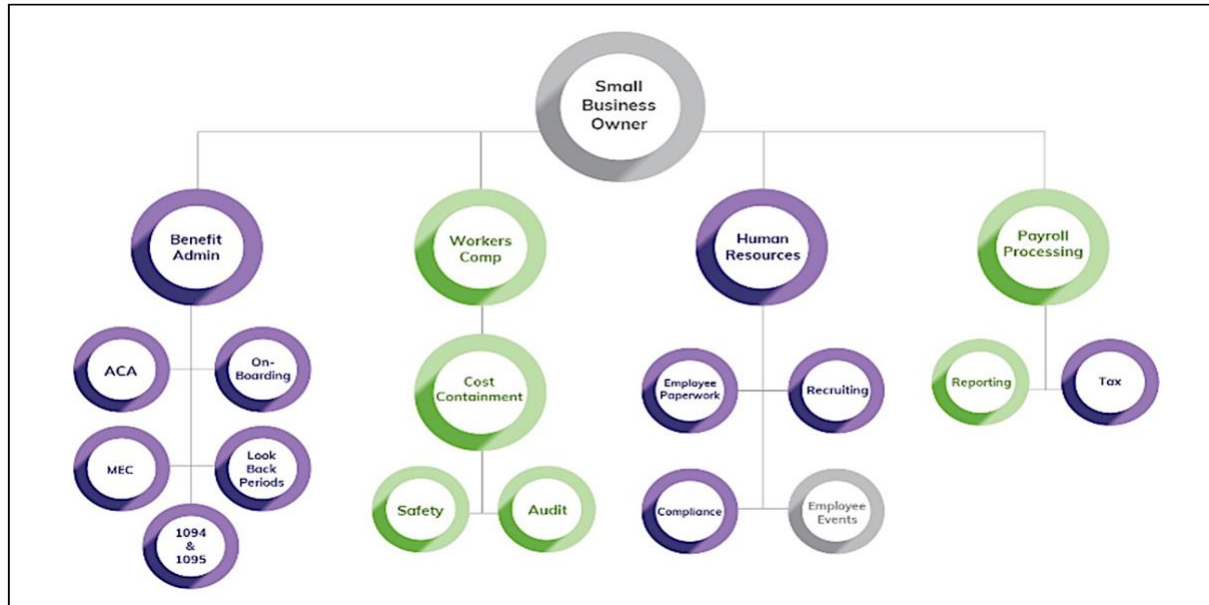
COMPANY

Background. ShiftPixy, Inc., together with its subsidiaries, provides staffing solutions in the United States. It offers employment administrative services, such as payroll processing, human resources consulting, and workers' compensation administration and coverage. The Company also operates a human resources information systems platform to assist in the onboarding of new worksite employees. The company was founded by Scott Absher and Steve Holmes in 2015 and is headquartered in Miami, Florida.

Business Model. ShiftPixy operates as a human capital management (HCM) platform. The company provides payroll and related employment tax processing, human resources and employment compliance, employment-related insurance, and employment administrative services solutions for its business clients and shift work or 'gig' opportunities and benefits for worksite employees. The company has built a phone and desktop app that serves as a marketplace solution allowing workers to access and apply for job opportunities created by ShiftPixy's clients. The app also provides back-office services, as well as real-time business information for its clients' human capital needs and requirements.

ShiftPixy provides regular payroll processing services to clients under an EAS model in addition to individual services, such as payroll tax compliance, workers' compensation insurance coverage-related services, and employee HR compliance management. As consideration for providing these services, the company receives administrative or processing fees as a percentage of a client's gross payroll. The level of fees is dependent on the services provided. ShiftPixy's primary KPI is gross billings, consisting of its clients' fully burdened payroll costs, including workers' compensation insurance premiums, employer taxes, and benefits. In 2021, the company began to operate under a direct staffing business model, in which the company employs workers directly and provides benefits for them. Under the staffing model, revenues are recognized as gross payroll plus a markup. The company's core EAS are typically provided to its clients for one-year renewable terms. The company's staffing services are typically provided to its clients under recurring revenue contracts with one of its subsidiaries.

Exhibit 6: Small Business Reporting and Administrative Burden



The company's initial market focus has been predominately lower-wage employees with high turnover, including the restaurant, retail, healthcare, light industrial, and hospitality sectors. Approximately 50% of its 2,000 active WSEs reside in Southern California. Other geographies currently include Washington State, New Mexico, Texas, New York, Florida, and Illinois. The company is pushing to expand its client portfolio nationally, as well as penetrate larger employers.

Governmental Regulation. ShiftPixy is affected by numerous federal, state and local laws and regulations relating to labor and employment matters, benefit plans and income and employment taxes. Following is a summary of the most important legal and regulatory aspects of the company's business:

- **Employer status.** ShiftPixy sponsors certain employee benefit plan offerings as the employer of its shift workers under the IRS Code of 1986 and ERISA. The multiple definitions of "employer" under both the IRS Code and ERISA are not clear and are defined in part by complex multi-factor tests under common law. The company believes that it qualifies as an employer of its shift workers under both the Code and ERISA, as well as various state regulations, but this status could be subject to challenge by various regulators. (see "Risk Factors").
- **Affordable Care Act and Health Care Reform.** The ACA was signed into law in March 2010. Many of its provisions require the issuance of additional guidance from applicable federal government agencies and the states. There could be significant changes to the ACA and health care in general, including the potential modification, amendment, or repeal of the ACA.
- **Health Insurance Portability and Accountability Act.** ShiftPixy has a responsibility to maintain the data privacy of its WSEs as it sponsors employee benefit plans and may have access to personal health information (PHI) of its employees. The manner in which the company manages protected health information is subject to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and the Health Information Technology for Economic and Clinical Health Act (the HITECH Act). HIPAA contains substantial restrictions and health data privacy, security, and breach notification requirements with respect to the use and disclosure of PHI. Further, under the HITECH Act, there are steep penalties and fines for HIPAA violations. ShiftPixy's health plans are covered entities under HIPAA, and the company is therefore required to comply with HIPAA's portability, privacy, and security requirements.
- **State regulations regarding co-employers.** Many states have adopted provisions for licensure, registration, certification, or other formal recognition of co-employers. Such laws vary from state to state but generally provide for monitoring or ensuring the fiscal responsibility of a co-employer, and in some cases codify and clarify the co-employment relationship for

unemployment, workers' compensation, and other purposes under state laws. While ShiftPixy believes that its current business primarily falls outside the scope of these laws and regulations, it is possible that regulatory authorities could determine that its activities come under this regulatory framework to some extent. In addition, many state laws require guarantees by the company of the activities of its wholly owned subsidiary, ReThink Human Capital Management, Inc. (HCM). In some states, ShiftPixy may seek licensure, registration, or certification, as applicable, together with its subsidiary, HCM, because the financials for both organizations are consolidated.

- **State unemployment tax laws.** ShiftPixy must comply with state unemployment tax requirements where its clients are located. State unemployment taxes are based on taxable wages and tax rates assigned by each state. The tax rates vary by state and are determined, in part, based on the company's prior years' compensation and unemployment claims experience in each state. Certain rates are also determined, in part, by each client's own compensation and unemployment claims experience. In addition, states have the ability under law to increase unemployment tax rates, including retroactively, to cover deficiencies in the unemployment tax funds.
- **Federal and state privacy laws.** ShiftPixy is subject to Federal and state laws and regulations regarding privacy and information security. For example, the California Consumer Privacy Act of 2018, (the CCPA), affords consumers expanded privacy protections, including individual rights to access, to require the deletion of personal information, to opt out of certain personal information sharing, and to receive detailed information about how personal information is used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. There are also a number of other pending state privacy laws that contain similar provisions to the CCPA with which the company must comply and which, in some cases, may prescribe stricter and potentially conflicting requirements.

Exhibit 7: ShiftPixy, Inc. HRIS Technology Platform



Source: Company Reports

Technology. At the heart of the company's EAS solution is a secure, cloud based HRIS platform accessible by a desktop or mobile device through which its WSEs can onboard in an efficient, paperless manner, and then find available shift work at the company's

client locations. The onboarding feature of its software enables the company to capture data regarding its assigned employees and to introduce employees to and integrate them into the ShiftPixy ecosystem. The mobile application features a chatbot that leverages artificial intelligence to aid in gathering data from workers via a series of questions designed to capture all required information, including customer-specific and governmental information. Final onboarding steps requiring signatures can also be prepared from the HRIS onboarding module.

ShiftPixy's cloud based HRIS platform captures, holds, and processes HR and payroll information for its clients and WSEs through a customized front-end interface coupled with a secure, remotely hosted database. In 2022, the company's technology development efforts focused on supporting its growth initiatives with features such as bulk onboarding, job matching intermediation, and qualified candidate pool vertical market integration. On March 2, 2023, ShiftPixy announced that the company plans to integrate of Open AI's ChatGPT technology into its HRIS platform to streamline recruiting and job-matching functionality. The company sees these technology-based services as having the potential to generate multiple streams of revenue from a variety of different markets.

Research and Development. ShiftPixy began working on its HRIS (Human Resources Information Systems) platform in 2017, including a front-end desktop app and mobile smartphone app to facilitate easier WSE and client onboarding processes and serve as a gig marketplace for WSEs to find shift work. Beginning in March 2019, the company transitioned the development of its mobile smartphone application from a third-party vendor to an in-house development team and launched an early version of the application several months later. During FY2021, ShiftPixy continued to implement additional HRIS functionality in employee fulfillment, delivery and scheduling services, and "gig" intermediation services through its mobile app. During FY2022, ShiftPixy's app development focused on supporting growth initiatives with features such as bulk onboarding and job-matching intermediation. In FY2021, ShiftPixy spent \$3.8 million on R&D, primarily to develop its app. In FY2022, the R&D spending was \$2.5 million. The company estimates it has spent a cumulative total of \$34.2 million developing its HRIS platform, including marketing expenses.

Exhibit 8: ShiftPixy, Inc. Cumulative Platform Development Spending

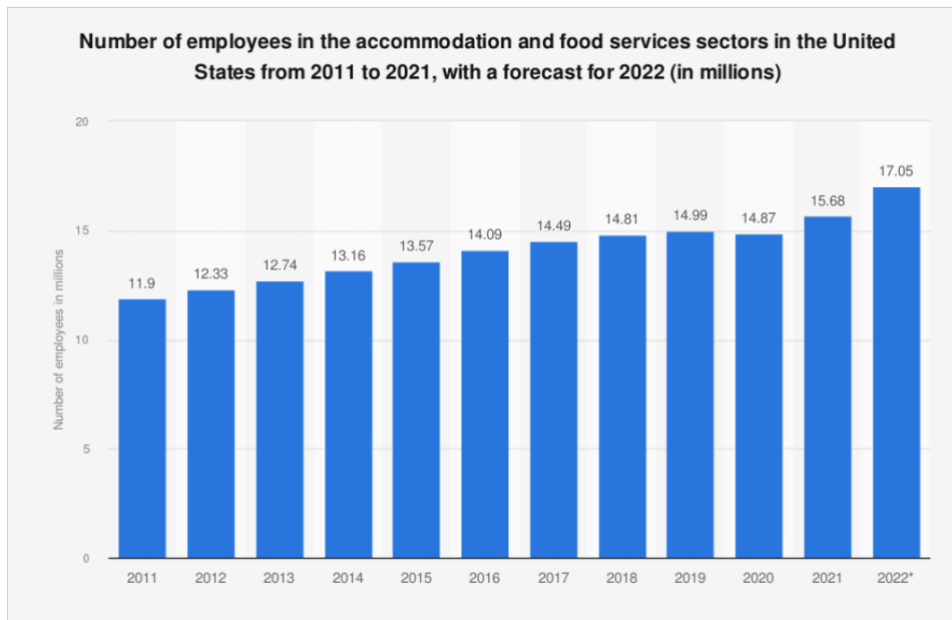
Development spending (in \$ millions)	2022	2021	2020	2019
Contract development and licenses	\$ 1.0	\$ 3.8	\$ 2.3	\$ 2.2
Internal personnel costs	3.0	3.0	1.9	1.1
Total Development spending	\$ 4.1	\$ 6.8	\$ 4.2	\$ 3.3
Marketing spending				
Advertising and Outside Marketing	\$ 2.5	\$ 2.1	\$ 0.6	\$ 1.2
Internal personnel costs	0.7	0.5	0.4	0.4
Subtotal, Marketing costs	\$ 3.3	\$ 2.6	\$ 1.0	\$ 1.6
Total, HRIS platform and mobile application spending	\$ 7.3	\$ 9.4	\$ 5.2	\$ 4.9
Cumulative Investment	\$ 34.2	\$ 30.1	\$ 20.7	\$
Portion of investment capitalized as fixed assets	\$ —	\$ —	\$ 3.7	\$
Portion of investment expensed	\$ 34.2	\$ 30.1	\$ 17.0	\$

Intellectual Property. The company has registered seven trademarks, consisting of three names (ShiftPixy, ZiPixy, and ShiftPixy Labs) and four logos (the Pixy image, the Pixy wings image and wings/name logo, and the ShiftPixy Labs logo). In addition, the company has patents pending for certain features of its mobile application in the United States, Australia, Brazil, European Union, India, Japan, Korea and Hong Kong.

Market Size. The market for shift workers in the US is large. According to IBIS, the QSR industry in the US will log \$366 billion in sales in 2023 and employ over 5 million people, many of whom work part-time. Overall restaurant employment stands at over 11 million,

while the hospitality industry employs an additional 15 million people, many of whom work part-time and would benefit from ShiftPixy's approach to offering benefits and flexible scheduling. Equally large opportunities exist in healthcare and light manufacturing.

Exhibit 9: US employment, food service and accommodation sectors



Source: IBISWorld, Statista

Market Growth Drivers. According to Statista, the number of independent workers in the United States will exceed 73 million in 2023, up from 60 million in 2018. This means that roughly one-third of American workers are independent contractors. The total is expected to rise to 90 million in the next five years, meaning that the gig workforce is now on track to surpass the full-time workforce in size by 2027. Key drivers of the trend include an increasing preference for flexibility among US workers, as well as a desire among employers to save costs and have access to a just-in-time labor force. This phenomenon has prompted changes in business strategies that will impact organizations as they battle labor shortages, inflation, and changing workforce dynamics.

Competition. Competitors to the company's business model include job marketplaces such as Upwork, Instawork, Snagajob, and Jobletics. Competitors to the company's HRIS platform include True Blue, Kelly Services, Manpower Group, and Barrett Business Services. Many of these companies are larger and more established, creating stiff competition for ShiftPixy. That being said, the market for gig employment encompasses 10s of millions of American workers and continues to reflect a secular trend towards flexibility and independence in the workforce.

Go-to-market strategy. ShiftPixy uses an internal salesforce to market its services directly to employers and to form strategic relationships with business associations for the purpose of gathering WSEs. Until the COVID-19 pandemic, this approach was effective and resulted in substantial growth. However, the COVID-19 pandemic changed the landscape in HCM due to reduced employment in the company's core restaurant and hospitality markets.

During late FY2022, the company reevaluated its growth strategy and decided to tweak its approach in order to adapt to new market conditions. In particular, the company decided to 1) launch an expanded go-to-market strategy focused on building a national account portfolio managed by a newly formed regional team of senior sales executives, and 2) launch ShiftPixy Labs in Fiscal 2023 to spearhead new revenue opportunities in the restaurant sector.

Exhibit 10: ShiftPixy Go to Market Strategy – Initial Food Markets



Source: Company Reports

On February 22, 2023, ShiftPixy announced that its national sales team had expanded its coverage roadmap to new metro areas including Chicago, Dallas, Denver, and Tampa in Q1 FY2023 and Atlanta, Boston, New York Metro, San Francisco, and Seattle by Q2 FY2023.

ShiftPixy Labs. On July 29, 2020, the company announced the launch of ShiftPixy Labs, which includes the development of ghost kitchens in conjunction with its subsidiary, ShiftPixy Ghost Kitchens, Inc. Ghost kitchens are central kitchens that provide fulfillment solutions for restaurants through digital order and delivery networks. As they do not need to accommodate sit-down customers, ghost kitchens can be located in lower-cost locations and be set up for maximum efficiency and optimized scale. Frequently ghost kitchens will cook for multiple real or virtual restaurants simultaneously. Through its ghost kitchen initiative, ShiftPixy intends to work with its QSR customers to bring various food delivery concepts to market that will combine with its HRIS platform to create an easily replicated, comprehensive food preparation and delivery solution. The initial phase of this initiative is being implemented in the company's dedicated showcase kitchen facility located near its Miami headquarters, which the company is already showcasing through the distribution of video programming on social media produced and distributed by the company's media subsidiary, ShiftPixy Productions, Inc. If successful, the company hopes to replicate this initiative in similarly constructed facilities throughout the United States and in selected international locations.

SPAC sponsorship initiative. In order to jumpstart its growth following the setbacks created by the Covid pandemic, ShiftPixy decided to incubate new businesses via the formation of four SPACs (Special Purpose Acquisition Vehicles). Each SPAC sought to raise approximately \$150 million in capital investment, through an IPO, to acquire companies in the light industrial, healthcare, and technology segments of the staffing industry, as well as one or more insurance entities. Through its subsidiary, ShiftPixy acquired a 15% interest in each SPAC. On March 18, 2022, the IPO registration statements related to three of the SPACs, Vital Human Capital, Inc., TechStackery, Inc., and Firemark Global Capital, Inc., were withdrawn. The registration statement covering the IPO of the fourth SPAC, IHC, was declared effective by the SEC on October 19, 2021, and IHC units consisting of one share of common stock and an accompanying warrant to purchase one share of IHC common stock, began trading on the NYSE on October 20, 2021, raising gross

proceeds for IHC of \$115 million. These funds were placed, along with interest in a special trust account in anticipation of a business combination with a national staffing company.

The terms of the SPAC called for IHC to consummate a business combination within twelve months. Though the company was able to obtain an extension, at a special meeting of the stockholders of IHC on October 14, 2022, IHC shareholders holding 11.2 million public shares exercised their right to redeem their shares for a pro-rata portion of the funds in the trust account. As a result, IHC was dissolved on November 14, 2022. In FY 2022, ShiftPixy recorded financing costs of \$3.6 million related to its SPAC sponsorships.

Management Team. ShiftPixy is headed up by its **Chairman, CEO, and Co-Founder, Scott Absher**. Mr. Absher is also ShiftPixy's controlling shareholder. In addition to ShiftPixy, Mr. Absher is also CEO of Insurity Capital, Inc., CEO of Struxurety, and also serves as President of Entremetrix Corp. Other key team members include:

- **CFO, Douglas Beck.** Mr. Beck took over from Dominic Carney in January 2023. Previously, Mr. Beck has been CFO of a number of firms, primarily in the life sciences space. These include Beyond Air, Relmeda Therapeutics, TheraQuest Biosciences, iBio, and Lev Pharmaceuticals.
- **CTO, Doug Moss.** Mr. Doug Moss has served as Chief Technology Officer at ShiftPixy, Inc. since April 2019. Mr. Moss originally joined ShiftPixy as Senior Director of Development after a successful career at companies such as Levy Restaurants, Pacific Life, The Los Angeles Galaxy, and his own consulting firm, Evergreen Experience.
- **COO and Executive Director, Amanda Murphy.** Ms. Murphy has served as Chief Operating Officer at ShiftPixy since January 2022 and served as its Director of Operations from January 2016 until January 2022. Ms. Murphy has been active in the operations side of the staffing industry at a senior level since 2007.
- **CMO, Amy Wang.**
- **COO of ShiftPixy Lab, John Bissell.** Mr. Bissell has been the Chief Operating Officer of ShiftPixy Labs since December 2022. John has held leadership positions for Dairy Queen, Taco John's International, and Del Taco Restaurants. He has served on multiple brand operations advisory committees and participated in initiatives to bring new ideas, technologies, menu items, kitchen and building designs, and systems to national implementation.
- **Chief Sales Officer, QSR, Rodney Diekema.** Mr. Diekema has been Chief Sales Officer, QSR at ShiftPixy since December 2022. Mr. Diekema has spent many years in the Outsourced Human Capital Management Industry across sectors including Employee Leasing, PEO, ASO, and Staffing. Mr. Diekema previously served ShiftPixy both as Director of National Accounts and as a member of the Acquisition Team. Before joining ShiftPixy, he was the founder of PEO.com, a national educational and information provider for the PEO Industry, and was also CEO of PEO Network, a consulting organization for the PEO Industry.
- **Chief Sales Officer, Staffing, Eduardo Dominguez.** Mr. Dominguez has been Chief Sales Officer, Staffing at ShiftPixy since December 2022. He previously served on the executive team at ShiftPixy as Senior Vice President for Strategic Planning, overseeing M&A strategy and leading strategic enterprise implementations, corporate business development programs, and national sales initiatives. Prior to joining ShiftPixy, Mr. Dominguez served as a director and global department head for an international HRIS firm and spent many years as the Sr. Executive Vice President of a national staffing firm.

FINANCIALS

Overview. ShiftPixy has an August year-end and has been public since June 2017. Due to frequent financings, exercise of warrants, and conversion of preferred stock to common, the share count has increased dramatically from a split-adjusted 288,000 at the end of November 2020 to 9.53 million at the end of November 2022. In addition, the company has conducted 2 reverse stock splits:

- 1:40 on December 16, 2019
- 1:100 on September 1, 2022

ShiftPixy's accumulated deficit totaled \$198.1 million at the end of November 2022. Excluding the cash held in the trust account of ShiftPixy's now-liquidated SPAC, IHC, the company would have had assets of \$12.5 million versus liabilities of \$54.1 million at the end of November 2022, resulting in total negative equity of \$41.7 million in the same quarter.

Revenue classification. ShiftPixy operates under two separate arrangements with its clients, depending on the employer. Under the HCM (Human Capital Management) model, revenues are reported on a gross basis and include hourly wages paid to WSEs. Increasingly, ShiftPixy has been migrating its clients to a Staffing model, wherein it reports revenues net of wages paid to WSEs. In both cases, the primary driver of its gross profit is administrative fees that the company charges for handling various HR-related functions for its clients. Due to a shifting mix between HCM and Staffing business, current revenues are not fully comparable with prior revenues.

Exhibit 11: ShiftPixy Billings and Revenue Breakdown, Q1 FY2023 vs. Q1 FY2022

	For the Three Months Ended	
	November 30, 2022	November 30, 2021
Gross Billings for HCM	\$ 11.7	\$ 14.1
Gross Wages for HCM	\$ (10.3)	\$ (12.3)
Total Net Revenue for HCM	\$ 1.4	1.8
Revenue for Staffing	3.8	7.1
Total Net Revenues (in millions)	\$ 5.3	\$ 8.9
Increase (Decrease), Quarter over Quarter (in millions)	(3.6)	6.4
Percentage Increase (Decrease), Quarter over Quarter	(40.4)%	257.2 %
Cost of Revenues (in millions)	\$ 4.8	\$ 8.2
Increase (Decrease), Quarter over Quarter (in millions)	(3.4)	6.30
Percentage Increase (Decrease), Quarter over Quarter	(41.5)%	314.3 %
Gross Profit (in millions)	\$ 0.4	\$ 0.7
Increase (Decrease), Quarter over Quarter (in millions)	(0.3)	0.2
Percentage Increase (Decrease), Quarter over Quarter	(42.9)%	35.5 %
Gross Profit Percentage of Revenues	7.5 %	7.8 %

Discontinued operations. As a result of ShiftPixy's January 2020 asset purchase agreement with Vensure, ShiftPixy continues to book earnings (losses) from discontinued operations. In FY2022, these amounted to \$(0.6) million based upon a revaluation of the company's workers' comp claims reserve associated with the clients transferred to Vensure.

Recent Results. On February 9, 2023, ShiftPixy reported its most recent results for the quarter ended November 2022. Highlights were as follows:

- ShiftPixy served approximately 68 clients and an average of 2,000 WSEs for the period ending November 30, 2022, vs. 72 clients and an average of 3,000 WSEs for the same period ending November 30, 2021.
- Revenues decreased by \$3.7 million YoY, primarily due to the loss of a few clients during the second half of Fiscal 2022, for which the full impact was reflected during Q1 FY2023.
- Gross margin was 7.5% for the quarter ended November 30, 2022, down marginally from 7.8% in the prior year's quarter.
- Operating expenses declined from \$9.3 million in the prior year period to \$5.6 million in the November 2022 quarter. Salaries and Wages, Professional Fees, Software Development (R&D), and G&A were all down significantly.
- Operating loss for the quarter declined by approximately \$3.4 million YoY to \$5.2 million.
- Net loss before preferred dividend was \$5.4 million versus \$8.7 million in the prior year period.

- The company booked a preferential stock dividend of \$127 million in the quarter, bringing the net loss attributable to shareholders to \$132.6 million. The dividend was a result of ShiftPixy's CEO and controlling shareholder, Scott Absher converting 8,600,000 preferred shares into common stock. This transaction had the effect of increasing ShiftPixy's share count from a split-adjusted 402,000 shares to 9.53 million shares, with Mr. Absher retaining ownership of 90% of the outstanding common shares.
- Net loss per common share was \$(13.90) versus \$(24.00) in the prior year period. Though the net loss was much larger in the November 2022 quarter - net loss attributable to PIXY shareholders of \$(152.7) vs \$(59.7) in the prior year period - the greatly expanded share count in the quarter had the effect of reducing the net loss per share.

Introducing estimates. Given the myriad of non-recurring, non-cash items on the company's income statement, we are introducing estimates on a pro-forma basis. Currently, there are no other analysts covering ShiftPixy and therefore no consensus estimates. In addition, the company does not typically hold quarterly earnings calls nor provide earnings guidance. For the FY2023 ending August, we are modeling a net loss of \$(25.2) million on revenues of \$22.3 million, with EPS of \$(2.65). Our estimates exclude the preferential stock dividend booked in the first fiscal quarter. For FY2024 and FY2025, we are modeling mid-20% revenue growth and gradually improving margins as the company refocuses on building a national client portfolio and benefits from greater scale. Our estimates for FY2024 call for a net loss of \$(25.0) million and EPS of \$(2.58) on revenues of \$27.8 million. For FY2025 we project a net loss of \$(24.5) million on revenues of \$34.3 million and EPS of \$(2.53).

Exhibit 12: ShiftPixy, Inc. Annual Historical and Projected Financial Metrics

Fiscal Year End: August 31	2020	2021	2022	2023	2024	2025
(\$ millions except EPS)	FY-A	FY-A	FY-A	FY-E	FY-E	FY-E
Total revenue	8.6	23.4	36.0	22.3	27.8	34.3
Loss from operations	(18.0)	(27.3)	(35.4)	(24.4)	(24.4)	(24.2)
Earnings (Loss) before Taxes	(90.4)	(27.3)	(43.4)	(24.4)	(24.4)	(24.2)
Net loss (Pro Forma)	(7.0)	(29.9)	(35.6)	(25.2)	(25.0)	(24.5)
EPS Diluted (pro forma)	\$ (38.22)	\$ (88.59)	\$ (88.49)	\$ (2.65)	\$ (2.58)	\$ (2.53)
Net cash used in operating activities	(16.9)	(21.5)	(17.5)	(23.7)	(20.8)	(19.7)

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

Source: Company Reports, Ascendant Capital Markets Estimates

Cash runway. Since 2020, the company has used \$17-20 million in cash annually to fund its operations. In order to fund its cash needs, the company has conducted a series of financings. Between May 2020 and September 2022, the company raised a net total of \$56 million from 8 separate transactions. Most recently, the company raised \$5 million through an equity private placement with an institutional investor which closed on September 23, 2022. During the November 2022 quarter, the company used \$3.7 million in cash for operations and finished the quarter with \$0.9 million of available cash. Given this, the company will likely need to finance again very soon.

Exhibit 13: ShiftPixy Financing History May 2020 through September 2022

(\$ millions)

Date	Gross	Net	Type
May-20	12	10.3	public offering
Jul-20	1.4	1.2	over-allotment
Oct-20	12	10.7	equity offering
May-21	12	11.1	common stock and warrants
Sep-21	12	11.1	common stock and warrants
Jan-22	5.9	5.4	warrant exercise agreement
Jul-22	1.3	1.2	warrant exercise agreement
Sep-22	5	5	private placement
Totals	61.6	56	

Source: Company Reports

Investment outlook. From an investment standpoint, we believe ShiftPixy is best viewed as a turnaround story with a very large market opportunity in its core staffing business. If the company can make significant progress towards expanding its client base to new metro areas and possibly new verticals, then revenue and earnings will likely be able to improve significantly. However, if the company has difficulties in making progress on the sales front, then revenue growth and profitability may not be achieved or will likely grow at a low rate or even not at all. Therefore, the key to achieving or beating our estimates will be the company's ability to grow its employer and WSE client bases.

Exhibit 14: ShiftPixy, Inc. Financial Metrics

Exchange:	NasdaqCM
52-week Range:	\$4.32-87.00
Shares Outstanding (million):	9.5
Market cap (\$million):	\$45.2
EV (\$million):	\$44.3
Debt (\$million):	\$0
Cash (\$million):	\$0.9
Avg. Daily Trading Vol. (\$million):	\$1.8
Float (million shares):	1.1
Short Interest (million shares):	0.1
Dividend, annual (yield):	NA

Source: Company Reports, Yahoo Finance, Ascendant Capital Markets Estimates

FINANCIAL MODEL

ShiftPixy

Income Statement (\$ mils)	2020	2021	2022	Nov-22	Feb-23	May-23	Aug-23	2023	Nov-23	Feb-24	May-24	Aug-24	2024	2025
Fiscal Year End: August 31	FY-A	FY-A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	FY-E
Sales	8.6	23.4	36.0	5.3	5.5	5.5	6.0	22.3	6.6	6.9	6.9	7.5	27.8	34.3
Cost of Revenues	7.7	23.1	34.2	4.8	5.1	5.1	5.5	20.5	5.9	6.2	6.1	6.6	24.8	29.2
Gross profit	1.0	0.3	1.8	0.4	0.4	0.4	0.5	1.8	0.7	0.7	0.8	0.9	3.1	5.2
Operating expenses														
Salaries, Wages and Payroll Taxes	7.2	11.1	13.6	2.3	2.5	2.5	2.7	9.9	2.6	2.8	2.8	3.0	11.1	12.8
Commissions	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General and Administrative	4.2	8.2	12.8	2.0	2.1	2.1	2.3	8.5	2.2	2.3	2.1	2.3	8.9	9.6
Professional Fees	3.4	4.1	7.7	1.2	1.4	2.0	2.0	6.6	1.5	1.5	1.5	1.5	6.0	5.6
Research and Development	2.2	3.8	2.5	0.1	0.1	0.2	0.2	0.6	0.2	0.2	0.1	0.1	0.6	0.4
Stock based Compensation-general and Administ	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.3
Depreciation and Amortization	0.3	0.4	0.5	0.1	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.6	0.6
Total operating expenses	19.0	27.7	37.2	5.6	6.2	7.0	7.4	26.2	6.7	6.9	6.6	7.3	27.4	29.3
Loss from operations	(18.0)	(27.3)	(35.4)	(5.2)	(5.8)	(6.5)	(6.9)	(24.4)	(6.0)	(6.2)	(5.8)	(6.4)	(24.4)	(24.2)
Other income (expenses)														
Other Income	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Expense	(2.5)	(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
Impaired Asset Expense (1,2)	(3.5)	0.0	(7.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expensed SPAC offering costs	0.0	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss from debt conversion (3)	(62.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Fair Value of Derivative Liability	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inducement Loss	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss on Debt Extinguishment	(5.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on Convertible Note Settlement	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other income (expenses)	(72.4)	0.0	(8.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings (Loss) before Taxes	(90.4)	(27.3)	(43.4)	(5.2)	(5.8)	(6.5)	(6.9)	(24.4)	(6.0)	(6.2)	(5.8)	(6.4)	(24.4)	(24.2)
Provision for Income Tax	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (Loss) from continued operations	(90.4)	(27.4)	(43.4)	(5.2)	(5.8)	(6.5)	(6.9)	(24.4)	(6.0)	(6.2)	(5.8)	(6.4)	(24.4)	(24.2)
Earnings of Discontinued Operations	15.1	(2.5)	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	0.0
Warrant Modification Expense (4, 5)	0.0	0.0	(15.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred Stock Dividend (6)	0.0	0.0	0.0	(127.5)	0.0	0.0	0.0	(127.5)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	(75.3)	(29.9)	(59.7)	(132.9)	(6.0)	(6.7)	(7.1)	(152.7)	(6.1)	(6.3)	(5.9)	(6.5)	(24.8)	(24.2)
Nonrecurring/noncash adjustments	(68.4)	0.0	(24.1)	(127.5)	0.0	0.0	0.0	(127.5)	0.0	0.0	0.0	0.2	0.2	0.3
Net income (pro forma)	(7.0)	(29.9)	(35.6)	(5.4)	(6.0)	(6.7)	(7.1)	(25.2)	(6.1)	(6.3)	(5.9)	(6.7)	(25.0)	(24.5)
EBITDA	(17.8)	(27.0)	(34.9)	(5.1)	(5.6)	(6.4)	(6.8)	(23.8)	(5.8)	(6.0)	(5.7)	(6.2)	(23.8)	(23.6)
Weighted average common shares outstanding Shares, Basic and Diluted	0.18	0.34	0.40	9.53	9.53	9.53	9.53	9.53	9.53	9.67	9.67	9.67	9.67	9.67
EPS Diluted (pro forma)	\$ (38.22)	\$ (88.59)	\$ (88.49)	\$ (0.57)	\$ (0.63)	\$ (0.71)	\$ (0.75)	\$ (2.65)	\$ (0.64)	\$ (0.65)	\$ (0.61)	\$ (0.69)	\$ (2.58)	\$ (2.53)
Margins														
Gross margin	11%	1%	5%	8%	8%	8%	8%	8%	10%	10%	12%	12%	11%	15%
Salaries, Wages and Payroll Taxes	84%	47%	38%	43%	45%	45%	45%	45%	40%	40%	40%	40%	40%	37%
General and Administrative	48%	35%	36%	37%	38%	39%	39%	38%	33%	33%	31%	31%	32%	28%
Software and Development	26%	16%	7%	1%	2%	4%	3%	3%	3%	3%	1%	1%	2%	1%
Operating margin	-209%	-117%	-98%	-99%	-105%	-119%	-115%	-110%	-91%	-90%	-84%	-85%	-88%	-70%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-872%	-128%	-166%	-2523%	-109%	-122%	-118%	-686%	-93%	-91%	-86%	-86%	-89%	-70%
Y/Y % change														
Revenue	-17%	171%	54%	-41%	-47%	-43%	-14%	-38%	25%	25%	25%	25%	25%	23%
COGS	-10%	201%	48%	-41%	-52%	-44%	-14%	-40%	22%	22%	20%	20%	21%	18%
Gross Profit	-50%	-66%	451%	-39%	-821%	-27%	-10%	0%	56%	56%	88%	88%	72%	68%
Salaries, Wages and Payroll Taxes	15%	54%	22%	-42%	-32%	-24%	-3%	-27%	17%	11%	11%	11%	12%	15%
General and Administrative	-17%	96%	56%	-16%	4%	-18%	-62%	-33%	10%	9%	-1%	-1%	4%	8%
Professional Fees	-14%	21%	88%	-31%	-17%	-25%	27%	-14%	26%	7%	-25%	-25%	-9%	-7%
Software and Development	85%	68%	-33%	-95%	-91%	-30%	2400%	-78%	233%	100%	-50%	-50%	7%	-33%
Total operating expenses	9%	46%	34%	-39%	-30%	-25%	-23%	-29%	18%	11%	-5%	-2%	5%	7%
Operating Income	16%	52%	29%	-39%	-36%	-25%	-24%	-31%	15%	7%	-11%	-8%	0%	-1%
Net income	317%	-60%	100%	1425%	-65%	-48%	-66%	156%	-95%	5%	-12%	-9%	-84%	-2%
EPS	#DIV/0!	132%	0%	-98%	-98%	-97%	-96%	-97%	12%	4%	-13%	-7%	-3%	-2%

Source: Company reports, Ascendant Capital Markets estimates

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

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Balance Sheet (\$ mils)	Aug-20	Aug-21	Aug-22	Nov-22	Feb-23	May-23	Aug-23	Nov-23	Feb-24	May-24	Aug-24	Aug-25
Fiscal Year End: August 31	Q4A	Q4A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q4E
Current Assets												
Cash and Cash Equivalents	4.3	1.2	0.6	0.9	0.7	(10.9)	(16.4)	(21.1)	(26.4)	(32.6)	(37.2)	(56.9)
Cash and Marketable Securities Held in Trust Account (1)	0.0	0.0	117.0	117.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivables	0.3	0.5	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.4
Unbilled Accounts Receivable	2.3	2.7	2.1	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Notes Receivables-net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid Expenses	0.7	0.6	0.7	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.9
Other Current Assets	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Deposits-workers Compensation	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets of Discontinued Operations	1.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	9.0	5.7	120.9	122.3	4.5	(7.1)	(12.6)	(17.2)	(22.5)	(28.7)	(33.2)	(52.6)
Noncurrent Assets												
Fixed Assets	0.6	2.8	2.8	3.0	2.9	2.7	2.6	2.4	2.3	2.1	2.0	1.4
Deposits-workers Compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Notes Receivables-net	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Right-of-use - Operating Lease	0.0	0.0	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Deferred Charges	0.0	48.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current Assets of Discontinued Operations	2.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits and Other Assets	0.4	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Deposits-workers Compensation	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	17.4	62.9	128.6	130.3	12.2	0.5	(5.1)	(9.9)	(15.3)	(21.7)	(26.4)	(46.4)
Current Liabilities												
Accounts Payable	3.8	6.6	17.1	15.8	21.5	16.5	18.0	19.4	20.2	19.8	21.6	25.7
Payrolls and Related Liabilities	5.8	7.9	16.1	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8
Accrued Workers' Compensation Costs	0.5	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Convertible Notes, Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities of Discontinued Operations	1.7	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Registration Rights Penalties Accrual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Class a Common shares subject to possible redemption 11,50C	0.0	0.0	117.0	117.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	11.8	16.6	152.1	154.4	42.3	37.3	38.8	40.1	41.0	40.5	42.3	46.5
Noncurrent Liabilities												
Accrued Workers' Compensation Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payroll and Related Liabilities - Long Term	1.2	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Convertible Notes, Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Lease Liability, Noncurrent	0.0	0.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Minority Interest	0.0	47.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Class a Common Shares Subject to Possible Redemption 11,50	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current Liabilities of Discontinued Operation	4.4	3.8	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Total liabilities	17.5	69.5	169.6	171.9	59.8	54.8	56.3	57.7	58.5	58.1	59.9	64.0
Shareholders' Equity												
Common Stock - Par Value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional Paid in Capital	119.4	142.8	151.7	156.5	156.5	156.5	156.5	156.5	156.5	156.5	156.5	156.5
Treasury Stock - Common	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Deficit	(119.5)	(149.3)	(192.7)	(198.1)	(204.1)	(210.9)	(218.0)	(224.1)	(230.3)	(236.2)	(242.7)	(266.9)
Stock Subscription Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholders Equity	(0.0)	(6.5)	(41.0)	(41.7)	(47.6)	(54.4)	(61.5)	(67.6)	(73.9)	(79.8)	(86.2)	(110.4)
Total Liabilities & Shareholders Equity	17.4	62.9	128.6	130.3	12.2	0.5	(5.1)	(9.9)	(15.3)	(21.7)	(26.4)	(46.4)

Balance Sheet Drivers

	Aug-20	Aug-21	Aug-22	Nov-22	Feb-23	May-23	Aug-23	Nov-23	Feb-24	May-24	Aug-24	Aug-25
	Q4A	Q4A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q4E
Book & Cash Value (per share)												
Book Value per Share (diluted)	(0.10)	(17.36)	(101.81)	(4.37)	(5.00)	(5.70)	(6.45)	(7.09)	(7.64)	(8.25)	(8.92)	(11.42)
Cash per Share (diluted)	14.94	3.18	292.08	12.44	0.07	(1.14)	(1.72)	(2.21)	(2.73)	(3.37)	(3.85)	(5.88)
Net cash per Share (diluted)	14.94	3.18	292.08	12.44	0.07	(1.14)	(1.72)	(2.21)	(2.73)	(3.37)	(3.85)	(5.88)

Source: Company reports, Ascendant Capital Markets estimates

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Cash Flow Statement (\$ mils)	2020	2021	2022	Nov-22	Feb-23	May-23	Aug-23	2023	Nov-23	Feb-24	May-24	Aug-24	2024	2025
Fiscal Year End: August 31	FY-A	FY-A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	FY-E
Cash flow from operating activities														
Net loss	(75.3)	(29.9)	(44.0)	(5.4)	(6.0)	(6.7)	(7.1)	(25.2)	(6.1)	(6.3)	(5.9)	(6.5)	(24.8)	(24.2)
Income (loss) from discontinued operations	15.1	(2.5)	(0.6)	(0.2)										
Net loss from continuing operations	(90.5)	(27.4)	(43.4)	(5.2)	(6.0)	(6.7)	(7.1)	(25.2)	(6.1)	(6.3)	(5.9)	(6.5)	(24.8)	(24.2)
Adjustments to reconcile net loss from continuing operations to net cash used in continuing operating activities:														
Bad debt expense	0.0	0.0	0.0	0.0										
Expense related to Preferred Options	62.1	0.0	0.0	0.0										
Depreciation and amortization	0.3	0.4	0.5	0.1	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.6	0.6
Impaired asset expense	3.5	0.0	4.0	0.0										
Gain on convertible note settlement	(0.8)	0.0	0.0	0.0										
ROU asset impairment	0.0	0.0	3.9	0.0										
Stock issued for services	0.1	0.0	0.0	0.0										
Stock-based compensation	1.3	1.6	1.3	0.3										
Expense related to warrant modification	0.0	0.0	0.0	0.1										
Expense related to warrant exchange	0.6	0.0	0.0	0.0										
Inducement loss on note conversions	0.6	0.0	0.0	0.0										
Expensed SPAC offering costs	0.0	0.0	0.5	0.0										
Non-cash lease expense	0.0	0.0	0.4	0.0										
Change in fair value of note receivable	1.1	0.0	0.0	0.0										
Change in fair value of derivative and warrant liability	(1.8)	0.0	0.0	0.0										
Excess of derivative liabilities over Notes at issuance	0.0	0.0	0.0	0.0										
Amortization of debt discount and debt issuance cost	6.7	0.0	0.0	0.0										
Loss (Gain) associated with note defaults, net	0.0	0.0	0.0	0.0										
Interest paid in common shares	0.0	0.0	0.0	0.0										
Changes in operating assets and liabilities														
Accounts receivable	(0.2)	(0.2)	0.2	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	(0.0)	0.0	(0.0)	(0.1)	(0.1)
Unbilled accounts receivable	(0.9)	(0.4)	0.6	(0.6)										
Prepaid expenses and other current assets	(0.4)	0.1	(0.2)	0.1	(0.0)	0.0	(0.0)	0.0	(0.1)	(0.0)	0.0	(0.1)	(0.1)	(0.2)
Other current assets	0.2	0.0	0.0	0.0										
Deposits – workers’ compensation	(0.0)	0.5	0.5	0.0										
Deposits and other assets	(0.3)	(0.5)	0.0	(0.0)										
Accounts payable and other accrued liabilities	(0.6)	2.7	6.4	(1.3)	5.7	(5.0)	1.5	0.9	1.3	0.9	(0.4)	1.8	3.5	4.2
Payroll related liabilities	3.2	2.1	8.2	2.7										
Accrued workers’ compensation	1.0	0.6	(0.5)	(0.0)										
Other current liabilities	(0.8)	0.0	0.0	0.0										
Net cash used in continuing operating activities	(15.6)	(20.5)	(17.5)	(3.7)	(0.2)	(11.6)	(5.5)	(23.7)	(4.7)	(5.3)	(6.2)	(4.6)	(20.8)	(19.7)
Net cash used by discontinued operating activities	(1.3)	(1.0)	(0.0)	0.0										
Net cash used in operating activities	(16.9)	(21.5)	(17.5)	(3.7)	(0.2)	(11.6)	(5.5)	(23.7)	(4.7)	(5.3)	(6.2)	(4.6)	(20.8)	(19.7)
Investing Activities														
Purchase of fixed assets	(0.2)	(2.6)	(0.5)	(0.4)	0.0	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0
Investment of IHC IPO proceeds into Trust Account	0.0	0.0	(117.0)	0.0										
Disposal of fixed assets	0.0	0.0	0.0	0.0										
Issuance of related party note receivable	0.0	0.0	0.0	0.0										
Proceeds from working capital adjustment – sale of assets	0.1	0.0	0.0	0.0										
Proceeds from sale of assets	9.5	0.0	0.0	0.0										
Net cash used in investing activities	9.4	(2.6)	(117.5)	(0.4)	0.0	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0
Financing Activities														
Proceeds from initial public offering IHC	0.0	0.0	116.7	0.0										
Proceeds from issuance of common stock and warrants	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
Proceeds from Public offering, net of offering costs	11.5	10.7	0.0	0.0										
Issuance costs related to common stock issuance	0.0	0.0	0.0	0.0										
Proceeds from stock subscription receivable	0.0	0.0	0.0	0.0										
Deferred offering costs	0.0	(0.8)	0.0	0.0										
SPAC offering costs paid	0.0	0.0	(3.7)	0.0										
Proceeds from private placement offering, net of offering costs	0.0	11.1	4.2	0.0										
Proceeds from private placement prefunded warrants, net of offering cost	0.0	0.0	6.9	4.4										
Preferred stock issued	0.0	0.0	3.7	0.0										
Repayment of convertible notes	(1.2)	0.0	0.0	0.0										
Issuance costs related to convertible notes	0.0	0.0	0.0	0.0										
Proceeds from issuance of convertible notes	0.0	0.0	0.0	0.0										
Proceeds from exercise of warrants	0.0	0.0	6.6	0.0										
Net cash provided by financing activities	10.3	21.0	134.4	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash increase (decrease)	2.7	(3.1)	(0.6)	0.2	(0.2)	(11.6)	(5.5)	(24.1)	(4.7)	(5.3)	(6.2)	(4.6)	(20.8)	(19.7)
Cash balance at beginning of period	1.6	4.3	1.2	0.6	0.9	0.7	(10.9)	0.6	(16.4)	(21.1)	(26.4)	(32.6)	(23.5)	(44.3)
Cash balance at end of period	4.3	1.2	0.6	0.9	0.7	(10.9)	(16.4)	(23.5)	(21.1)	(26.4)	(32.6)	(37.2)	(44.3)	(64.0)

Source: Company reports, Ascendant Capital Markets estimates

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Total return is defined as price appreciation plus dividend yield.

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			Count	Percent
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Total	45	100%	18	40%

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