



Travelzoo

Q1 upside, and 2022 outlook positive. Solid signs of company and travel industry recovery makes us positive. Raising P/T to \$19.

COMPANY UPDATE

Rating: BUY

Ticker: TZOO

Price: \$7.24

Target: \$19.00 (from \$18)

Q1 upside: Travelzoo recently (on April 26) reported its fiscal Q1 2022 results. Revenue was \$19 million (+29% y-o-y), compared with our and consensus estimates of \$17 million. Pro forma EPS was \$0.25, compared with our estimates of \$0.10 and consensus of \$0.06. Q1 qualitative guidance was for “substantially higher revenue and a return to profitability in Q1”.

Rebounds continues: Revenue growth was +19% in U.S. and +66% in Europe as the company continues to rebound from the pandemic lockdowns in 2020. After a weaker Q4, this quarter saw strong rebounds in the U.S. while Europe rebounded much stronger.

Omicron less impact in Q1: The company had some weakness in travel demand in Q4 due to the rise of the Omicron variant of COVID-19 especially in the U.S. But in Q1, travel rebounded again as COVID-19 eases. The company is optimistic that leisure travel can improve materially over the next year as COVID cases continues to improve and consumer demand rebounds (from pent up demand) and improves. In addition, more travel locations (including the U.S.) is opening back up to international travelers.

Subscribers increase: In Q1, the company had 16.7 million North American, and 9.1 million European subscribers to its newsletter (compared with 16.9 million and 8.4 million, respectively, last quarter). This brings total subscribers to 25.8 million (compared with 25.3 million in Q4). In Q1, Jack’s Flight Club had 1.7 million subscribers versus 1.8 million in Q4.

Q2 guidance “higher”: The company did not provide Q2 2022 guidance, but did qualitatively state that it will have “higher revenue and profitability”.

Raising 2022 estimates: We are raising our 2022 estimates for revenue to \$81 million, from \$79 million, and for EPS to \$0.87 from \$0.75. We are maintaining our 2023 estimates for revenue of \$95 million, and for EPS of \$0.94.

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, strong travel industry data leads expectations for significant improvements in the travel industry in 2022.

More solid signs of travel industry rebound: We are seeing continued positive data for the U.S. travel industry that indicate that the travel industry is recovering strongly to pre-pandemic levels or even higher. We have great confidence in a rebound in the travel industry over the next year.

Major cost cuts improves profitability: Travelzoo’s “substantial” expense reductions in 2020 and its divestiture of its money losing Asia business in Q1 2020 will position it to generate much higher profitability as revenue returns.

Long term positive: We believe that execution of its long term plan, a strong rebound/long term travel industry, history of strong recoveries for the travel industry after negative shocks or events, and a positive long-term growth outlook bodes well for its share price to increase longer term.

Current valuation attractive: We are maintaining our BUY rating, but raising our 12-month P/T to \$19 from \$18, which is based on a ~20x P/E multiple on our 2023 EPS estimate of \$0.94 which we estimate is its near term EPS growth rate. We believe this appropriately balances out the company’s risks with its high growth prospects and large upside opportunities.

Company Description

Based in New York, Travelzoo publishes emails offering travel-related specials and travel and entertainment local deals.

United States
Internet Software and Services

May 15, 2022

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$5.20 – 18.47
Shares Outstanding (million):	13
Market cap (\$million):	\$94
EV (\$million):	\$58
Debt (\$million):	\$0
Cash (\$million):	\$36
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	6
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	19A	17E	20E	21E
Q2 Jun	21E	24E	25E	28E
Q3 Sep	22E	21E	27E	25E
Q4 Dec	<u>19E</u>	<u>17E</u>	<u>23E</u>	<u>20E</u>
Total	81E	79E	95E	
EV/Revs	0.7x		0.6x	

Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	0.25A	0.10E	0.13E	0.17E
Q2 Jun	0.26E	0.39E	0.27E	0.45E
Q3 Sep	0.27E	0.25E	0.37E	0.29E
Q4 Dec	<u>0.09E</u>	<u>0.02E</u>	<u>0.17E</u>	<u>0.02E</u>
Total	\$0.87E	\$0.75E	\$0.94E	
P/E	8x		8x	

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

- Travelzoo recently (on April 26) reported its fiscal Q1 2022 (ending March) results.
- Revenue was \$19 million (+29% y-o-y), compared with our and consensus estimates of \$17 million.
- Pro forma EPS was \$0.25 (excluding \$0.06 in stock option expenses, special charges, and discontinued operations) (vs. \$(0.02) y-o-y), compared with our estimates of \$0.10 and consensus of \$0.06.
- There was no Q1 guidance, but it did qualitatively stated that it will have “substantially higher revenue and a return to profitability in Q1”.
- The company did not provide Q2 2022 guidance, but did qualitatively state that it will have “higher revenue and profitability in Q2”.
- We are raising our 2022 estimates for revenue to \$81 million, from \$79 million, and for EPS to \$0.87 from \$0.75.
- We are maintaining our 2023 estimates for revenue of \$95 million, and for EPS of \$0.94.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$16 million, compared with our estimate of \$15 million.
- Gross margin for the quarter was 85%, versus 79% last year and our expectation of 86%.
- Operating expenses were \$14 million, versus our expectation of \$14 million.
- Operating income was \$1.9 million, versus our expectation of \$1.5 million.
- Pro forma net income was \$3.1 million, versus our expectation of \$1.2 million.

- In Q1, the company had 16.7 million North American, and 9.1 million European subscribers to its newsletter (compared with 16.9 million and 8.4 million, respectively, last quarter). This brings total subscribers to 25.8 million (compared with 25.3 million in Q4). This does not count Asia subscribers (where it licenses its name) of 3.2 million vs 3.2 million last quarter.
- In Q1, Jack’s Flight Club had 1.7 million subscribers versus 1.8 million in Q4.

The company’s balance sheet is strong with \$36 million in cash (~\$3/share) and no debt, compared with \$44 million in cash and no debt as of December. We do note that its merchant payables is \$61 million so its net cash of payables is ~\$(1)/share.

Exhibit 1: Q2 2022 Guidance (as of April 26, 2022)

Looking Ahead

We currently expect higher revenue and profitability in Q2 2022. We continue to see a trend of recovery of our revenue. However, there could be unexpected fluctuations in the short term. During the pandemic, we have been able to lower our fixed costs. We believe we can keep our fixed costs relatively low in the foreseeable future—while revenue is expected to grow.

Source: Company report

Exhibit 2: Travelzoo Stock Price (Five Years)



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

Exhibit 3: Consensus Expectations (as of April 26, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$17E		Q1 Mar	\$0.06E	
Q2 Jun	\$21E		Q2 Jun	\$0.20E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
Total	\$78E	\$94E	Total	\$0.63E	\$1.11E

**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

Travelzoo

Income Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Revenue	20.3	7.0	13.8	12.5	53.6	14.3	19.1	15.7	14.1	63.2	18.5	21.0	22.3	18.9	80.7	20.2	25.1	26.8	23.0	95.1
Cost of Revenues	2.7	2.1	2.9	2.8	10.6	3.0	2.5	3.0	3.0	11.5	2.8	2.8	3.6	3.0	12.3	2.5	3.1	3.4	2.8	11.8
Gross Profit	17.6	4.9	10.9	9.7	43.0	11.3	16.6	12.7	11.1	51.7	15.6	18.1	18.8	15.9	68.4	17.7	22.0	23.5	20.2	83.3
Operating expenses:																				
Sales and marketing	13.1	4.3	6.9	6.3	30.6	6.8	7.3	7.7	8.5	30.3	8.6	9.0	9.0	9.0	35.6	9.5	10.5	10.0	10.0	40.0
Product development	1.4	0.6	0.6	0.5	3.1	0.7	0.7	0.7	0.5	2.6	0.5	0.5	0.5	0.5	2.0	0.5	0.5	0.5	0.5	0.0
General and administrative	5.5	6.6	4.5	3.8	20.5	4.6	5.1	4.6	5.6	19.8	4.7	5.0	5.5	5.5	20.7	6.1	7.1	7.5	7.5	28.2
Restructuring and other	2.9				2.9					0.0					0.0					0.0
Total operating expenses	23.0	11.5	12.1	10.6	57.1	12.0	13.1	13.0	14.6	52.6	13.7	14.0	14.5	14.5	56.7	15.6	17.6	17.5	17.5	68.2
Operating income (loss)	(5.3)	(6.6)	(1.2)	(0.9)	(14.1)	(0.8)	3.5	(0.3)	(3.4)	(1.0)	1.9	4.1	4.3	1.4	11.7	2.1	4.4	6.0	2.7	15.1
Interest income and other	(1.8)	(0.9)	(0.4)	1.2	(1.8)	(0.1)	0.7	3.3	0.1	4.0	1.4	0.0	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(7.1)	(7.5)	(1.6)	0.3	(15.9)	(0.9)	4.2	3.1	(3.3)	3.0	3.3	4.1	4.3	1.4	13.1	2.1	4.4	6.0	2.7	15.1
Income taxes	(0.5)	(1.3)	(0.2)	(0.4)	(2.4)	0.7	1.1	0.2	(0.2)	1.9	1.0	0.8	0.9	0.3	2.9	0.4	0.9	1.2	0.5	3.0
Net income (loss)	(6.6)	(6.2)	(1.4)	0.7	(13.5)	(1.6)	3.0	2.8	(3.0)	1.2	2.4	3.3	3.4	1.1	10.2	1.7	3.5	4.8	2.2	12.1
Nonrecurring/noncash adjustments	5.6	4.1	2.4	1.4	13.5	1.4	1.4	1.3	1.3	5.4	0.8				0.8					0.0
Net income	(1.0)	(2.1)	1.0	2.1	0.1	(0.3)	4.4	4.2	(1.7)	6.6	3.1	3.3	3.4	1.1	11.0	1.7	3.5	4.8	2.2	12.1
EBITDA	(4.8)	(6.0)	(0.6)	(0.4)	(11.8)	(0.3)	4.0	0.2	(3.0)	0.8	2.5	4.2	4.4	1.5	12.6	2.2	4.8	6.0	3.1	16.0
Shares, Basic	11.4	11.3	11.3	11.3	11.3	11.4	11.5	11.6	12.1	11.6	12.1	12.2	12.2	12.1	12.1	12.3	12.4	12.4	12.4	12.3
Shares, Diluted	11.4	11.3	11.3	11.3	11.3	11.4	13.4	12.9	12.1	13.0	12.5	12.6	12.6	12.6	12.6	12.7	12.8	12.8	12.8	12.8
EPS Basic (Pro forma)	(0.09)	(0.19)	0.09	0.19	0.01	(0.02)	0.38	0.36	(0.14)	0.57	0.26	0.27	0.28	0.09	0.90	0.14	0.28	0.39	0.18	0.98
EPS Diluted (Pro forma)	(0.09)	(0.19)	0.09	0.19	0.01	(0.02)	0.33	0.32	(0.14)	0.51	0.25	0.26	0.27	0.09	0.87	0.13	0.27	0.37	0.17	0.94
Margins																				
Gross margin	86.7%	69.4%	78.8%	77.6%	80.3%	78.9%	86.8%	80.9%	78.8%	81.8%	84.7%	86.5%	84.0%	84.0%	84.8%	87.5%	87.5%	87.5%	88.0%	87.6%
Operating margin	-26%	-95%	-9%	-7%	-26%	-5%	18%	-2%	-24%	-2%	10%	20%	19%	7%	15%	10%	17%	22%	12%	16%
Net margin	-33%	-88%	-10%	5%	-25%	-11%	16%	18%	-21%	2%	13%	16%	15%	6%	13%	8%	14%	18%	9%	13%
Sales and marketing	64%	61%	50%	51%	57%	48%	38%	49%	60%	48%	47%	43%	40%	48%	44%	47%	42%	37%	44%	42%
General and administrative	27%	95%	33%	30%	38%	32%	27%	29%	39%	31%	25%	24%	25%	29%	26%	30%	28%	28%	33%	30%
Tax rate, GAAP	7%	17%	15%	-119%	15%	-82%	27%	8%	8%	61%	29%	20%	20%	20%	22%	20%	20%	20%	20%	20%
Y/Y % change																				
Revenue	-34%	-75%	-46%	-54%	-52%	-30%	172%	14%	13%	18%	29%	10%	42%	34%	28%	9%	20%	20%	21%	18%
Cost of Revenues	-8%	-22%	-2%	-13%	-11%	12%	18%	2%	7%	9%	-6%	12%	19%	1%	6%	-11%	11%	-6%	-9%	-4%
Operating income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	19%	NM	NM	NM	8%	7%	40%	93%	29%
Net income (loss)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	9%	20%	NM	NM	-30%	7%	40%	93%	19%
EPS Diluted (Pro forma)	NM	NM	254%	NM	-98%	NM	NM	257%	NM	NM	NM	-20%	-17%	NM	71%	-48%	5%	37%	90%	9%

Source: Company reports and Ascendant Capital Markets estimates.

Travelzoo

Balance Sheet (\$ mils)	Mar-20				Jun-20				Sep-20				Dec-20				Mar-21				Jun-21				Sep-21				Dec-21				Mar-22				Jun-22				Sep-22				Dec-22				Mar-23				Jun-23				Sep-23				Dec-23			
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1A	Q2E	Q3E	Q4E	Q1A	Q2E	Q3E	Q4E	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E																
Assets																																																																
Cash and cash equivalents	\$ 12.1	\$ 25.6	\$ 50.5	\$ 63.1	\$ 70.9	\$ 81.0	\$ 65.2	\$ 43.8	\$ 35.6	\$ 40.0	\$ 42.6	\$ 46.8	\$ 68.9	\$ 73.1	\$ 76.7	\$ 81.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Short term investments																																																																
Accounts receivable, net	7.7	4.0	4.2	4.5	7.3	9.9	9.1	15.3	18.2	19.0	20.3	17.2	11.1	13.8	14.7	12.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Deposits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																
Prepaid expenses and other current assets	4.0	1.8	1.4	1.4	3.4	3.3	3.1	2.9	4.1	1.3	1.3	1.3	1.4	1.6	1.6	1.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0																				
Deferred income taxes			0.3	0.9	1.4	1.6	2.9	3.2																																																								
Total current assets	23.9	31.5	56.6	70.0	83.1	95.9	80.4	65.5	57.9	61.3	65.1	66.3	82.3	89.4	94.0	96.2	82.3	89.4	94.0	96.2	82.3	89.4	94.0	96.2	82.3	89.4	94.0	96.2	82.3	89.4	94.0	96.2	82.3	89.4	94.0	96.2	82.3	89.4	94.0	96.2	82.3	89.4	94.0	96.2																				
Deposits	0.4	2.0	2.0	1.9	2.5	2.7	9.4	7.9	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6																								
Investments	2.3	2.2	2.1																																																													
Deferred income taxes	3.4	4.3	4.4	5.1	4.4	3.6	3.6	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9																												
Property and equipment, net	2.0	1.7	1.5	1.3	1.2	1.0	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6																												
Other	12.3	9.9	9.1	8.5	8.5	8.6	8.0	7.7	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8																												
Intangibles	16.5	16.1	15.8	15.5	15.2	14.9	14.6	14.4	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1	16.1																												
Total assets	\$ 60.8	\$ 67.7	\$ 91.4	\$ 102.4	\$ 114.8	\$ 126.8	\$ 116.9	\$ 100.1	\$ 92.9	\$ 96.2	\$ 100.1	\$ 101.2	\$ 117.3	\$ 124.4	\$ 129.0	\$ 131.2																																																
Liabilities and stockholders' equity																																																																
Accounts payable	\$ 12.8	\$ 29.7	\$ 53.0	\$ 7.0	\$ 8.8	\$ 8.5	\$ 11.9	\$ 4.0	\$ 3.5	\$ 3.5	\$ 3.7	\$ 3.7	\$ 17.3	\$ 19.6	\$ 19.4	\$ 19.4																																																
Merchant payables				57.1	70.1	82.2	73.2	68.7	60.5	60.5	60.5	60.5	60.5	60.5	60.5	60.5																																																
Accrued expenses	6.5	5.4	7.0	8.6	10.8	8.2	7.5	9.7	9.2	9.4	9.7	9.7	10.4	11.8	11.7	11.7																																																
Deferred revenue	2.5	2.8	2.8	2.7	2.4	2.2	1.8	1.7	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3																																																
Income tax payable and other	7.6	6.7	5.9	4.6	4.6	4.3	4.0	3.9	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3																																																
Debt	\$ 10.0	\$ 5.4	\$ 5.4	\$ 2.8	\$ 3.5	\$ 3.2			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -																																																
Total current liabilities	39.4	49.9	74.0	82.9	100.1	108.7	98.4	88.0	78.8	79.0	79.5	79.5	93.9	97.5	97.3	97.3																																																
Debt				0.8	0.2				-	-	-	-	-	-	-	-																																																
Other liabilities	19.2	13.6	12.7	12.2	12.8	12.5	12.0	11.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0																																																
Total non-current liabilities					13.0	12.5	12.0	11.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0																																																
Minority interest		4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6																																																
Common stock	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1																																																
Treasury stock					(1.6)	(1.6)	(1.6)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)	(5.5)																																																
Retained earnings	(4.3)	0.2	(1.1)	(0.4)	(2.0)	1.0	3.8	0.8	2.9	6.2	9.6	10.7	12.4	15.9	20.6	22.8																																																
Additional paid-in capital		4.0	5.2	6.2	4.3	5.0	3.4	4.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0																																																
Unearned compensation																																																																
Accumulated other comprehensive (loss) in	6.4	(4.7)	(4.1)	(4.1)	(3.6)	(3.5)	(3.9)	(3.8)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)																																																
Accumulated deficit										(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)																																																
Total stockholders' equity	2.2	4.2	4.7	6.5	1.7	5.6	6.5	0.6	3.1	6.2	9.6	10.8	12.4	15.9	20.7	22.9																																																
Total stockholders' equity and liabilities	\$ 60.8	\$ 67.7	\$ 91.4	\$ 102.4	\$ 114.8	\$ 126.8	\$ 116.9	\$ 100.1	\$ 92.9	\$ 96.2	\$ 100.1	\$ 101.2	\$ 117.3	\$ 124.4	\$ 129.0	\$ 131.2																																																

Source: Company reports and Ascendant Capital Markets estimates.

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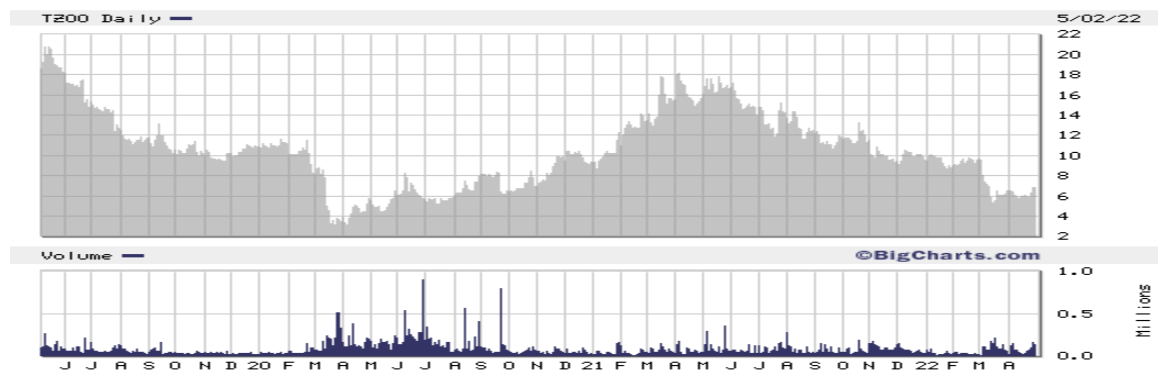
Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																				
Net income	(7.7)	(6.3)	(1.2)	0.7	(14.6)	(1.7)	3.1	2.8	(3.0)	1.2	2.4	3.3	3.4	1.1	10.2	1.7	3.5	4.8	2.2	12.1
Depreciation and amortization	0.6	0.7	0.6	0.5	2.3	0.5	0.5	0.4	0.4	1.8	0.6	0.1	0.1	0.1	0.8	0.1	0.4	0.1	0.4	0.9
Deferred income taxes	(0.6)	(1.2)	0.0	(0.8)	(2.6)	0.5	0.6	(0.1)	(0.3)	0.8	0.1	-	-	-	0.1	-	-	-	-	-
Provision for losses on accounts receiv	1.4	1.0	1.5	1.5	5.4	(0.5)	(0.4)	(0.9)	1.7	(0.1)	(1.4)	-	-	-	(1.4)	-	-	-	-	-
Non-cash revenues other than barter	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock comp and tax benefits from opti	0.0	4.1	1.1	1.0	6.2	0.9	0.9	1.0	1.0	3.7	0.5	0.5	0.5	0.5	2.2	0.5	0.5	0.5	0.5	2.2
Accrued interest income from investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/losses	3.6	0.1	0.1	(1.3)	2.5	(0.2)	(0.4)	(3.2)	-	(3.6)	(0.2)	(0.5)	(0.5)	(0.5)	(1.8)	(0.5)	(0.5)	(0.5)	(0.5)	(2.2)
FX gains/losses	(0.7)	0.2	(0.1)	(0.1)	(0.7)	(0.2)	(0.1)	(0.0)	(0.1)	(0.4)	(0.0)	-	-	-	(0.0)	-	-	-	-	-
Other	-	(1.5)	-	-	(1.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:																				
Accounts receivable	2.5	3.7	0.1	(0.1)	6.2	(2.2)	(2.6)	0.9	(6.3)	(10.2)	(3.2)	(0.8)	(1.3)	3.1	(2.2)	6.1	(2.7)	(0.9)	2.1	4.6
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses & other current ass	0.9	0.6	0.9	(0.4)	1.9	(2.4)	(0.4)	(6.7)	1.4	(8.1)	2.2	1.9	(0.0)	-	4.1	(0.1)	(0.2)	0.0	-	(0.3)
Accounts payable	(6.4)	16.7	22.9	(5.2)	28.0	1.7	(0.3)	3.6	(7.8)	(2.7)	0.1	0.1	0.1	-	0.3	13.7	2.2	(0.1)	-	15.8
Merchant payables	-	-	-	15.4	15.4	13.2	12.0	(8.7)	(4.3)	12.2	(8.0)	-	-	-	(8.0)	-	-	-	-	-
Accrued expenses	0.7	(2.1)	(0.0)	(0.9)	(2.3)	(0.6)	0.3	(0.6)	0.8	(0.1)	-	0.2	0.3	-	0.5	0.7	1.3	(0.1)	-	2.0
Deferred revenue	0.9	0.4	(0.0)	-	1.2	(0.7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income tax payable and other	1.8	0.2	(1.8)	(0.9)	(0.7)	(0.3)	(0.4)	(1.3)	(0.8)	(2.7)	-	-	-	-	-	-	-	-	-	-
Net cash (used in) provided by operati	\$ (3.1)	\$ 16.6	\$ 24.1	\$ 9.2	\$ 46.8	\$9.064	\$ 12.8	\$(12.7)	\$(17.4)	\$ (8.2)	\$ (6.8)	\$ 4.7	\$ 2.7	\$ 4.3	\$ 4.9	\$ 22.2	\$ 4.5	\$ 3.8	\$ 4.6	\$ 35.1
Cash flow from investing activities																				
Purchases of property and equipment	(0.1)	(0.1)	(0.0)	(0.0)	(0.3)	(0.0)	(0.1)	0.1	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.4)	(0.1)	(0.4)	(0.9)
Purchases of short-term investments	-	-	-	-	-	-	-	0.1	-	0.1	-	-	-	-	-	-	-	-	-	-
Sale of short-term investments	-	-	-	0.8	0.8	-	-	-	-	-	0.2	-	-	-	0.2	-	-	-	-	-
Acquisitions	(0.7)	(0.4)	-	2.6	1.5	-	-	-	-	-	(1.0)	-	-	-	(1.0)	-	-	-	-	-
Purchases of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	\$ (0.8)	\$ (0.5)	\$ (0.0)	\$ 3.4	\$ 2.1	\$ (0.0)	\$ (0.1)	\$ 0.1	\$ 0.1	\$ 0.1	\$ (0.9)	\$ (0.1)	\$ (0.1)	\$ (0.1)	\$ (1.2)	\$ (0.1)	\$ (0.4)	\$ (0.1)	\$ (0.4)	\$ (0.9)
Cash flow from financing activities																				
Repayment of loans from principal stoc	(1.0)	(3.1)	-	(1.7)	(5.8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase of common stock	(1.2)	-	-	-	(1.2)	(1.6)	-	-	(3.9)	(5.5)	-	-	-	-	-	-	-	-	-	-
Proceeds from stock option exercises	-	-	-	0.3	0.3	-	(3.1)	(2.4)	(0.1)	(5.6)	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash provided by (used in) financing :	\$ (2.2)	\$ (3.1)	\$ -	\$ (1.4)	\$ (6.8)	\$ (1.6)	\$ (3.1)	\$ (2.4)	\$ (4.1)	\$ (11.1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Effect of exchange rate on cash and cast	(0.3)	(0.3)	1.0	1.2	1.6	0.3	0.4	(0.8)	(0.1)	(0.3)	(0.5)	-	-	-	(0.5)	-	-	-	-	-
Net increase (decrease) in cash and ei	(6.3)	12.6	25.0	12.4	43.7	7.7	10.1	(15.8)	(21.4)	(19.4)	(8.3)	4.6	2.6	4.2	3.1	22.1	4.2	3.7	4.3	34.2
Beginning cash and equivalents	19.4	13.0	25.6	50.7	19.4	63.1	70.8	80.9	65.1	63.1	43.7	35.4	40.0	42.6	43.7	46.8	68.9	73.1	76.7	46.8
Ending cash and equivalents	13.0	25.6	50.7	63.1	63.1	70.8	80.9	65.1	43.7	43.7	35.4	40.0	42.6	46.8	46.8	68.9	73.1	76.7	81.0	81.0

Source: Company reports and Ascendant Capital Markets estimates.

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

Report	Report Date	Rating	Price Target
50	2/8/2018	Hold	
51	4/25/2018	Hold	
52	7/25/2018	Hold	
53	10/24/2018	Hold	
54	2/7/2019	Hold	
55	4/29/2019	Hold	
56	7/25/2019	Hold	
57	10/28/2019	Hold	
58	3/3/2020	Hold	
59	6/25/2020	Hold	
60	8/5/2020	Hold	
61	10/22/2020	Hold	
62	3/25/2021	Buy	\$ 20.00
63	4/28/2021	Buy	\$ 21.00
64	8/8/2021	Buy	\$ 22.00
65	11/21/2021	Buy	\$ 20.00
66	3/17/2022	Buy	\$ 18.00

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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.

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

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