



# SurgePays, Inc.

*Q1 upside. Despite near term uncertainty with ACP, we expect continued high growth potential over the long term. Lowering P/T to \$9.50.*

## COMPANY UPDATE

Rating: **BUY**

Ticker: SURG

Price: \$3.71

Target: \$9.50  
(from \$10.00)

**Q1 upside:** SurgePays recently (on May 13) reported its fiscal Q1 2024 (ending March) results. Revenue was \$31 million (-10% y-o-y), compared to our estimates of \$25 million and consensus of \$29 million. EPS was \$0.07, compared to our estimates of \$0.03 and consensus of \$0.16. There was no Q1 guidance.

**Lower revenue due to LogicsIQ:** The company wound down its LogicsIQ business in Q3 2023 to focus on its high growth wireless and fintech products. LogicsIQ revenue decreased by \$3 million (y-o-y).

**ACP growth but program has now stopped:** The company has had a large increase in its revenue and gross margins as it ACP customer base grew significantly and the company is now focused on profitable revenue growth. The company currently has ~250,000 subscribers to its mobile wireless program (Affordable Connectivity Program ("ACP")). Each subscriber is \$30/month of revenue with 60% gross margins. However, funding for ACP has now ran out and it is uncertain when it will be reinstated.

**ACP uncertainty but likely to return:** The ACP stopped accepting new applications for enrollment in February and has announced on June 1, 2024 that the ACP has ended due to running out of funding. We believe this important program will be extended but have modeled for significantly uncertainty for when it will be reinstated or for delays.

**No 2024 guidance:** The company did not provide 2024 guidance.

**Adjusting 2024 estimates:** We are adjusting our 2024 estimates for revenue to \$97 million, from \$95 million, and for EPS to \$(0.02) from \$0.10.

**Focused on large growth opportunities:** The company is targeting the underserved markets by offering financial technology, telecommunications, and retail products for customers at local retailers in their communities. It offers prepaid wireless and underbanked financial products and services, along with popular consumer goods, to retail merchants (mainly operators of convenience stores (C-stores)) for the needs of store customers nationwide.

**Strong growth potential in wireless:** The company plans to focus on its LinkUp Mobile prepaid wireless brand which benefits from its convenience store distribution partners which should improve growth, profitability, and customer loyalty.

**Large market potential:** There are ~100 million adults in the U.S. that are underbanked. Many of these adults are conveniently located near C-stores where they can shop and acquire telecom and fintech products. This represents a significant market opportunity for SurgePays's products.

**Positive risks versus rewards:** We believe the demand for SurgePays's retail and fintech products and services will grow fueled by continued strong industry growth and advances in these industries. We believe the ~billion dollars market potentials presents high rewards for the risks.

**Low P/E:** SurgePays stock is trading at ~3x P/E based on 2023 EPS estimate, which is very low compared to any fintech, retail, or consumer company.

**Valuation attractive:** We are maintaining our BUY rating, but lowering our 12-month price target to \$9.50 from \$10.00, which is ~12x our 2025 EPS estimate of \$0.80 and is based on its long term earnings growth rate. This represents significant upside from the current share price and we believe this valuation appropriately balances out the company's risks with the company's high growth prospects and large upside opportunities.

### Company Description

SurgePays, based in Bartlett, TN, is a technology company that offers retail, telecom, and fintech products for retailers in the underbanked community.

United States  
Technology

June 5, 2024

Edward Woo, CFA  
(561) 327-9435  
ewoo@ascendant.com

### Stock Data

Exchange:	NasdaqCM
52-week Range:	3.28 – 9.23
Shares Outstanding (million):	19
Market cap (\$million):	\$70
EV (\$million):	\$32
Debt (\$million):	\$5
Cash (\$million):	\$43
Avg. Daily Trading Vol. (\$million):	\$3
Float (million shares):	14
Short Interest (million shares):	1
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	31A	25E	38E	30E
Q2 Jun	11E		31E	
Q3 Sep	22E	26E	28E	33E
Q4 Dec	<u>33E</u>	<u>34E</u>	<u>34E</u>	<u>36E</u>
Total	<b>97E</b>	<b>95E</b>	<b>130E</b>	
EV/Revs	0.3x		0.2x	

### Earnings per Share (pro forma)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	0.07A	0.03E	0.27E	0.15E
Q2 Jun	(0.14)E	(0.10)E	0.18E	0.14E
Q3 Sep	(0.03)E	0.04E	0.14E	0.23E
Q4 Dec	<u>0.08E</u>	<u>0.12E</u>	<u>0.21E</u>	<u>0.28E</u>
Total	<b>(0.02)E</b>	<b>0.10E</b>	<b>0.80E</b>	
P/E	N/A		5x	

### Important Disclosures

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

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 14.**

**OVERVIEW**

- SurgePays recently (on May 13) reported its fiscal Q1 2024 (ending March) results.
- Revenue was \$31 million (-10% y-o-y), compared to our estimates of \$25 million and consensus of \$29 million.
- EPS was \$0.07, compared to our estimates of \$0.03 and consensus of \$0.16.
- There was no Q1 guidance.
- The company did not provide 2024 guidance.
- We are adjusting our 2024 estimates for revenue to \$97 million, from \$95 million, and for EPS to \$(0.02) from \$0.10.
- We are maintaining our 2025 estimates for revenue of \$130 million, and for EPS of \$0.80.

**ADDITIONAL DETAILS**

- Gross profit for the quarter was \$8 million, compared with our estimate of \$6 million.
- Gross margin for the quarter was 26%, versus our expectation of 25% and 22% last year.
- Operating expenses were \$6.4 million, versus our expectation of \$5.5 million.
- Operating income was \$1.8 million, versus our expectation of \$0.8 million.
- Net income was \$1.2 million, versus our expectation of \$0.6 million.
  
- In November 2021, the company's stock was uplisted to the Nasdaq Capital Market (from OTCQB).
- In November 2021, the company effected a 1-for-50 reverse stock split.
  
- In February 2021, the company filed a Form S-1 registration statement with the SEC for the planned sale of ~25% of LogicsIQ shares to the public (IPO). LogicsIQ will remain a majority-owned subsidiary of SurgePays. The exact details and timing of the spinoff/IPO, capital structure, and management teams will be determined later. In November 2023, the company announced that it was winding down (closing) LogicsIQ but has recently announced that it is currently reevaluating its options.
- In April 2022, the company announced the acquisition of Torch Wireless, a provider of wireless broadband with the FCC's Affordable Connectivity Program (ACP) in a cash and limited royalties deal. The purchase price was ~\$800,000.
- In January 2024, the company announced the acquisition of the software development and point-of-sale ("POS") equipment and operations of DNR Business Solutions Inc. d/b/a ClearLine Mobile for \$2.5 million in cash and notes.

The company's balance sheet had \$43 million in cash and \$5 million in debt, compared with \$15 million in cash and \$5 million in debt at the end of December. In January, the company raised \$15 million selling stock (2.7 million shares at \$5.60 per share).

**Exhibit 1: SurgePays Overview**

SurgePays is a technology and telecom company focused on underbanked and underserved communities

**SurgePhone & Torch Wireless**

Wireless subsidiaries providing subsidized service to 250k+ subscribers nationwide.

**Prepaid Top-ups**

Financial empowerment for those without checking accounts or credit cards. Technology-layered platform enables clerks at 1,000s of convenience stores to process payment "top-ups" for every prepaid wireless company, load prepaid debit cards, and activate gift cards.

**LinkUp Mobile**

Lowest cost prepaid wireless brand in the industry launched in 2024.

**Nasdaq: SURG**

**250k+**  
Subscribers

**8,000+**  
Locations Nationwide

**100+ Years**  
Management Experience

**170+**  
Team Members

**Bartlett, Tennessee**  
Headquarters



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Source: Company reports.

**Exhibit 2: SurgePays's Affordable Connectivity Program (ACP)**

# SurgePhone + Torch Wireless



SurgePhone and Torch Wireless are Mobile Virtual Network Operators (MVNOs) licensed by the FCC to provide subsidized wireless services (Talk, Text & Data) to over 250,000 subscribers.

Any household receiving government benefits such as SNAP/Food Stamps, Medicaid, Veterans Pension, etc. is eligible for free wireless service.



- ▶ ACP is a government benefit program supported by the FCC
- ▶ Ensures affordability for qualified participants
- ▶ Supports connectivity for work, school, healthcare, etc.



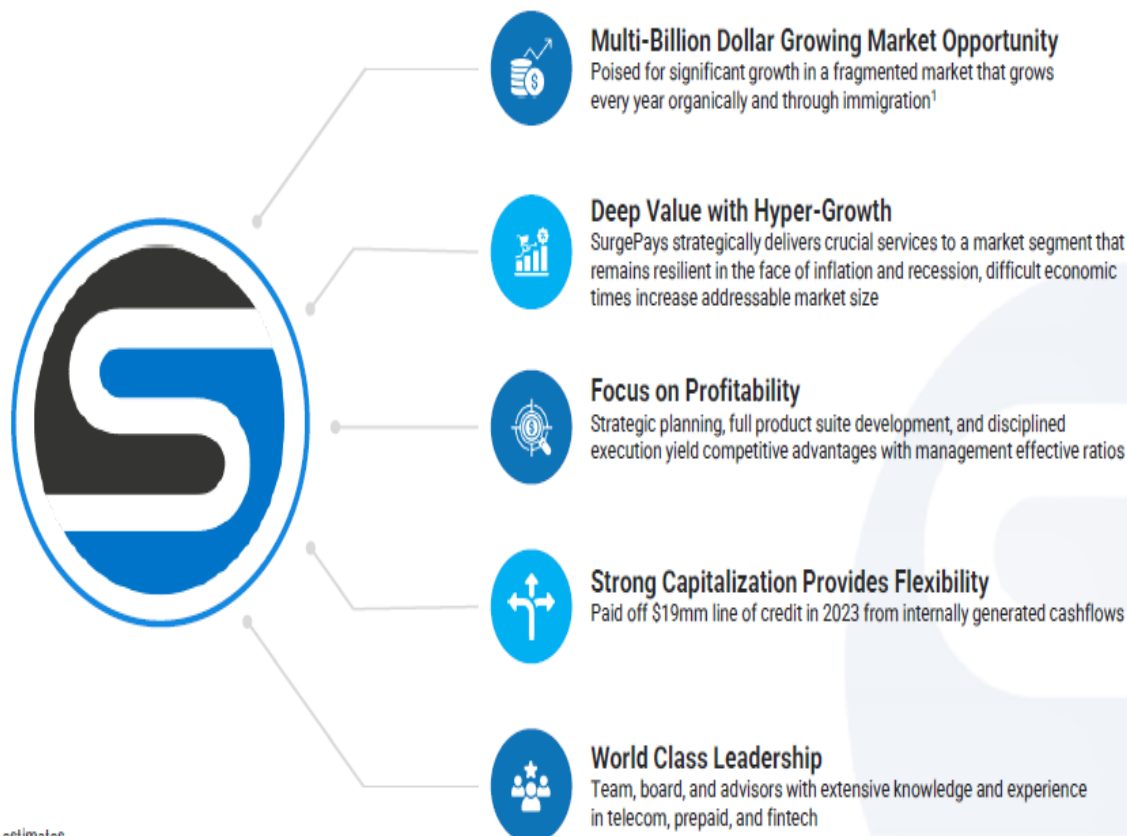
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Source: Company reports.

Exhibit 3: SurgePays Investment Highlights

# Investment Highlights



Based on internal estimates

Source: Company reports.

Exhibit 4: SurgePays Market Opportunity

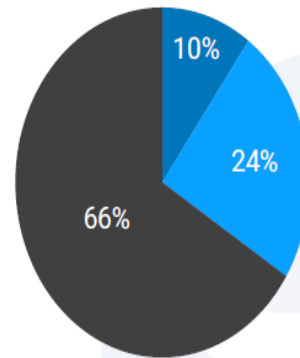
# Market Opportunity

## 100+ Million Adults in the U.S. are Prepaid Customers<sup>1</sup>

The underbanked conduct the majority of financial transactions at their trusted local convenience store closest to their home. SurgePays utilizes these stores as the points of distribution into these communities.

As we onboard stores to our fintech software platform, we enable store clerks to perform transactions such as prepaid wireless activation and payments, along with reloading debit cards and other financially enabling services to improve the daily lives of those without traditional access to banks, credit and checking accounts.

Over 1/3 of the U.S. Population is Under or Unbanked<sup>2</sup>



■ Unbanked   ■ Underbanked   ■ Banked

SurgePays revenue is directly tied to how many essential services we provide to those who need them most

**Addressable Market**

## 68 Million Adults in the U.S. are Underbanked<sup>1</sup>

- Residents of low-income neighborhoods visit c-stores five or more times per week due to proximity, convenience, and a lack of other stores in the neighborhood<sup>2</sup>
- Underbanked generally rely on local retailers to fill the financial services gap that leaves many families operating on a cash basis
- There are over 74,000,000 prepaid wireless subscribers in the U.S. with most paying for service (top-up) in person<sup>3</sup>
- Many c-store distributors have been doing business the same way for over 100 years and additionally do not serve Hispanic stores = primed for disruption
- Hispanic population has increased to more than 63.6 million representing over \$2 trillion in consumer spending power<sup>4</sup>
- Enabling independently owned stores to provide underbanked financial services to their community creates opportunities for upselling wholesale products



Source: Company reports.

Exhibit 5: SurgePays FinTech Suite

# FinTech Suite

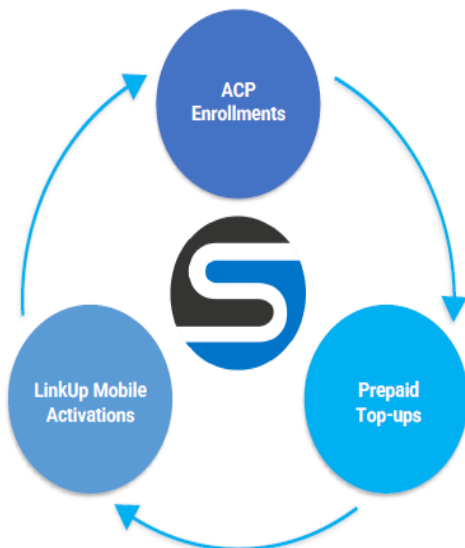
SurgePays fintech platform utilizes a suite of financial and prepaid products to convert corner stores and bodegas into tech-hubs for underbanked neighborhoods.

Dynamic Processing Solution Enables:

 <b>Wireless Plan Payments</b>	 <b>Wholesale e-Commerce Platform</b>	 <b>Sell Bitcoin</b>	 <b>Gift Cards</b>	 <b>Debit Card Reload</b>	 <b>Web based Portal or Verifone Terminal</b>
 <b>Check Cashing Software</b>	 <b>Load Amazon Cash</b>	 <b>Load iGaming Apps</b>	 <b>Activate Prepaid Wireless SIMs</b>	 <b>Utility Bill Payment</b>	 <b>Load Toll &amp; Transit</b>

## Complementary Services Drive Revenue

### Services Flywheel Powers Growth



#### Drive Wireless Subscriber Base

- ▶ Estimated 20% of transactions at C-stores are on Benefit Cards (EBT/WIC) in lower-income areas<sup>1</sup>
- ▶ Seamless lead generation when customers utilize their EBT cards
- ▶ Effortless enrollment is facilitated through the 'Surge Point of Sale' tablet
- ▶ Create loyalty with the store and community = upsell LinkUp Mobile



#### Prepaid Top-ups = Underbanked Tech Hub

- ▶ Process prepaid top-ups for every wireless company in the country
- ▶ Gather data on competitor plans and payment trends regionally to better position LinkUp Mobile
- ▶ Load debit cards and activate gift cards for cash consumers desiring digital purchasing power



#### Expanded Products & Services

- ▶ Leveraging our distinct competitive edge, compelling owner-operated stores to embrace our platform
- ▶ We are the only Prepaid wireless company that owns its own prepaid platform. We are the only prepaid top-up platform that owns its own prepaid wireless company

<sup>1</sup> HSA Consulting. <https://www.wsj.com/articles/food-stamps-are-about-to-spoil-grocery-stores-outlook-2d8851d0>

Source: Company reports.

**Exhibit 6: SurgePays Growth Strategy**

# 2024 Growth Strategies

## Services Flywheel Powers Growth

### Organic

- ▶ Successfully launch prepaid brand Linkup Mobile
- ▶ Upsell ACP customers (limit 1 per household) to prepaid wireless family plan
- ▶ Build national sales team to increase store count
- ▶ Partner with distribution companies with existing networks
- ▶ While less than 50% of Hispanic immigrants have bank accounts, those crossing the border are not banked with credit<sup>1</sup>



### Opportunistic Expansion

- ▶ Add complementary services such as Telehealth, Digital Payments & Streaming acquisitions
- ▶ Acquire distributor networks with existing footprint of independently owned stores
- ▶ Pursue additional synergistic acquisitions that achieve cost savings and increased efficiencies

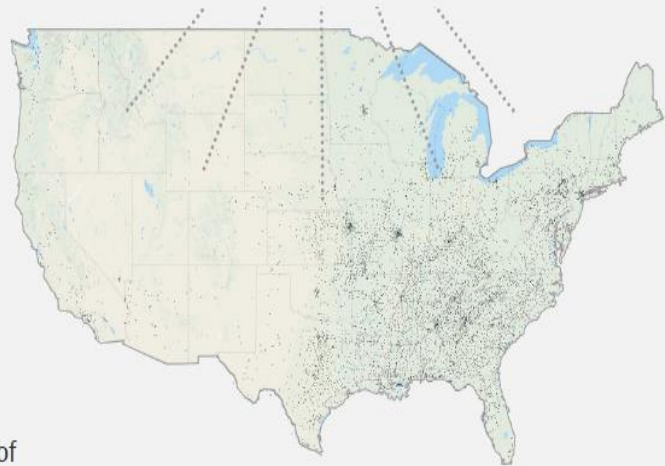
## Growth Strategies

### Organic

- Enable stores to provide a full suite of financial services to the underbanked and underserved
- Increase mobile broadband subscriber base
- Improve cash to digital conversion accessibility
- Build national sales team to grow number of stores

### Acquisitions

- Acquire distributor networks with an existing footprint of independently owned stores to add to our national network of community stores
- Acquire companies with complimentary products to add to our suite of underbanked financial or prepaid products



**Over 8,000 Stores on the SurgePays Network**

Source: Company reports.

## Exhibit 7: LinkUp Mobile

### LinkUp Mobile Prepaid Wireless Brand



Newly launched, lowest cost prepaid wireless brand



Substantial market of over 100 million prepaid customers in the U.S., predominantly using cash for their service payments



We are the only wireless company that owns our payment platform at convenience stores. This competitive advantage allows us to offer the lowest cost prepaid wireless service while paying the highest commissions to store owners – the ultimate influencers to these communities



Source: Company reports.

## Exhibit 8: End of ACP Program (May 31, 2024)

### FCC BRINGS AFFORDABLE CONNECTIVITY PROGRAM TO A CLOSE

*Absent Additional Congressional Funding, Chairwoman Rosenworcel Pens Letter to Congress Highlighting Progress That Will be Lost in Closing the Digital Divide*

WASHINGTON, May 31, 2024—Federal Communications Commission Chairwoman Jessica Rosenworcel today announced that due to a lack of additional Congressional funding, the agency will officially end the Affordable Connectivity Program (ACP) on June 1, 2024. The agency had already imposed an enrollment freeze in early February to help with the accurate forecasting of funding exhaustion and to smooth the administration of the ACP’s end. During the ACP wind-down process, Chairwoman Rosenworcel sent monthly letters to Congress stressing the importance of the program and the need for additional funding to keep the program going. In a [new letter](#) to Congress, Chairwoman Rosenworcel highlighted the nationwide need to support low-income families who struggle to pay for high-speed internet service and outlined the steps the Commission has taken to soften the impact that the conclusion of the ACP will have on enrolled households.

“The Affordable Connectivity Program filled an important gap that provider low-income programs, state and local affordability programs, and the Lifeline program cannot fully address,” **said Chairwoman Rosenworcel**. “The Commission is available to provide any assistance Congress may need to support funding the ACP in the future and stands ready to resume the program if additional funding is provided.”

Source: Federal Communications Commission.



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**Exhibit 9: Q1 2024 and Recent Highlights (as of May 13, 2024)****Management Commentary**

Chairman and CEO Brian Cox commented on the quarter's results, "The first quarter of 2024 was highlighted by continued execution on our growth strategy and solid profitability. With a substantial cash balance of over \$42 million and a full product suite, we believe we are well-positioned to become one of the country's largest distributors of prepaid wireless and underbanked financial technology services. The uncertainty surrounding ACP funding sparked a refreshing sense of urgency to grow our business. We believe our strategic hires, new technology, cash in the bank, and other corporate initiatives have put us in a great position.

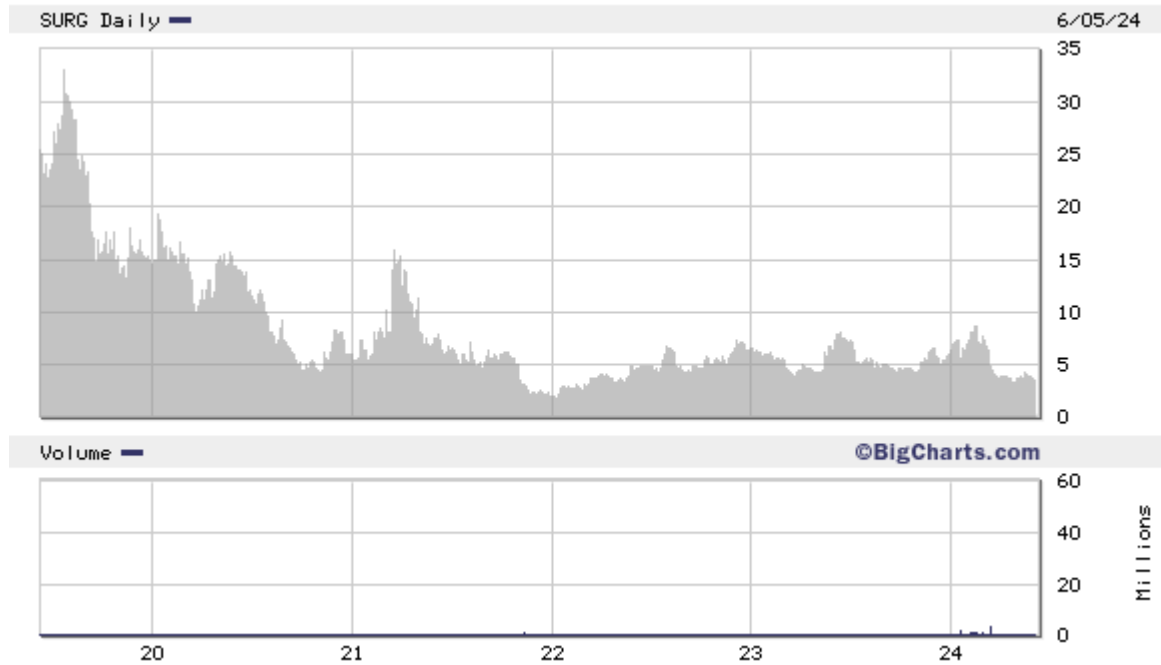
"First quarter revenues of \$31.4 million were impacted by operational changes by management last year to shift our focus away from our non-core business Lead Generation subsidiary LogicsIQ. This effectively eliminated the \$3.2 million of revenue that LogicsIQ contributed in 2023; however, it allowed our team to be completely focused on verticals aligned with our profitable and scalable business model. Despite the quarterly loss in Lead Generation revenue, we believe our new focus will benefit the Company in the long term. Most shareholders know there was a mandated pause in new ACP enrollments on February 7. Even with the pause in new enrollments, our Mobile Virtual Network Operator (MVNO wireless) revenue increased from \$28.7 million in the first quarter of 2023 to \$28.9 million in the first quarter of 2024. Net income was \$1.2 million, which included \$2 million in non-cash stock charges.

"Regarding the Affordable Connectivity Program, or ACP, there are currently several proposals in Congress to fund the program. Several members of Congress on both sides of the line have expressed support for the program, including but not limited to Senator Kaine, who said 'Access to high-speed internet is a necessity. I was proud that we took steps to make internet more affordable for millions of families as part of the Bipartisan Infrastructure Law,' and Senator Padilla who said, 'We must fully fund this program to ensure millions of families can afford to get connected at home.' Senator JD Vance stated 'That's why I'm doing all that I can to ensure the ACP has the funding it needs. I'm proud to introduce this amendment with Senator Luján because it reflects a bipartisan consensus of the Senate. I look forward to getting this done.' We hope that based on the strong support from Congress on both sides, this essential program, which assists more than 20 million households, will continue to be funded. While we hope ACP funding passes, we aren't waiting for approval and have created a plan to expand revenue in our non-ACP businesses.

"Our team has put together a comprehensive strategic plan that we are confident will enable us to grow our SurgePays nationwide network, which is a product-agnostic delivery system to the underbanked and underserved utilizing convenience stores as the points of distribution. If the ACP is funded, we will be in a fantastic situation immediately. If the ACP is not funded, in the next 12 months, we will look to grow revenue to levels not just to replace the ACP revenue but exceed it with the rollout and scaling of our prepaid wireless company, LinkUp Mobile. Keep in mind that if ACP is not funded, millions will be looking for a new prepaid wireless company to replace their subsidized service. We believe our relationship with our existing ACP base and access to those utilizing other ACP companies will give us the upper hand in converting these folks into LinkUp Mobile customers. In any scenario, we believe we have the team, the products, and the distribution to be extremely successful regardless of how the ACP funding situation plays out."

Source: Company reports.

**Exhibit 10: SurgePays, Inc. Stock Price (5-Years)**



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

**Exhibit 11: Consensus Expectations (as of May 13, 2024)**

	Revenue (mils)			EPS	
	2024E	2025E		2024E	2025E
Q1 Mar	\$29E		Q1 Mar	\$0.16E	
Q2 Jun	\$22E		Q2 Jun	\$0.07E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
<b>Total</b>	<b>\$112E</b>	<b>\$130E</b>	<b>Total</b>	<b>\$0.55E</b>	<b>\$0.80E</b>

*\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.*

Source: Company report, LSEG, and Ascendant Capital Markets estimates

## FINANCIAL MODEL

### SurgePays Inc.

Income Statement (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025
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
<b>Total Revenue</b>	<b>21.1</b>	<b>28.0</b>	<b>36.2</b>	<b>36.2</b>	<b>121.5</b>	<b>34.8</b>	<b>35.9</b>	<b>34.2</b>	<b>32.3</b>	<b>137.1</b>	<b>31.4</b>	<b>10.8</b>	<b>22.2</b>	<b>32.6</b>	<b>97.0</b>	<b>37.7</b>	<b>30.7</b>	<b>27.8</b>	<b>33.9</b>	<b>130.1</b>
Cost of Revenues	18.5	25.8	34.3	29.5	108.1	27.1	25.9	23.7	24.9	101.5	23.2	8.1	16.7	24.5	72.5	25.1	19.9	18.0	22.1	85.1
Gross Profit	2.6	2.2	1.9	6.7	13.5	7.7	10.0	10.5	7.4	35.6	8.2	2.7	5.6	8.2	24.6	12.6	10.7	9.7	11.9	45.0
Depreciation and amortization					0.0					0.0					0.0					0.0
Selling, general and administrative	3.7	3.0	2.9	3.2	12.8	3.0	3.8	3.4	6.6	16.8	6.4	6.5	6.7	6.5	26.1	6.4	6.8	6.7	7.1	27.0
Restructuring and other					0.0					0.0					0.0					0.0
Total operating expenses	3.7	3.0	2.9	3.2	12.8	3.0	3.8	3.4	6.6	16.8	6.4	6.5	6.7	6.5	26.1	6.4	6.8	6.7	7.1	27.0
<b>Operating income (loss)</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>3.5</b>	<b>0.6</b>	<b>4.7</b>	<b>6.2</b>	<b>7.1</b>	<b>0.9</b>	<b>18.9</b>	<b>1.8</b>	<b>(3.8)</b>	<b>(1.1)</b>	<b>1.6</b>	<b>(1.5)</b>	<b>6.2</b>	<b>4.0</b>	<b>3.1</b>	<b>4.8</b>	<b>18.0</b>
Interest income (expense)	(0.2)	(0.6)	(0.7)	(0.5)	(2.0)	(0.2)	(0.2)	(0.1)	(0.1)	(0.6)	(0.1)	0.4	0.4	0.4	1.1	0.4	0.6	0.6	0.7	2.4
Other income (expense)	0.0	0.5	0.2	(0.0)	0.6	0.0	(0.1)	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(1.2)	(1.0)	(1.5)	3.0	(0.7)	4.5	6.0	7.1	0.8	18.4	1.6	(3.4)	(0.7)	2.0	(0.4)	6.7	4.6	3.7	5.5	20.4
Income taxes					0.0				(2.3)	(2.3)	0.4	(0.7)	(0.1)	0.4	0.0	1.3	0.9	0.7	1.1	4.1
Net income (loss)	(1.2)	(1.0)	(1.5)	3.0	(0.7)	4.5	6.0	7.1	3.0	20.6	1.2	(2.7)	(0.6)	1.6	(0.4)	5.3	3.6	3.0	4.4	16.3
Nonrecurring/noncash adjustments		0.1			0.1					0.0					0.0					0.0
<b>Net income (pro forma)</b>	<b>(1.2)</b>	<b>(0.9)</b>	<b>(1.5)</b>	<b>3.0</b>	<b>(0.6)</b>	<b>4.5</b>	<b>6.0</b>	<b>7.1</b>	<b>3.0</b>	<b>20.6</b>	<b>1.2</b>	<b>(2.7)</b>	<b>(0.6)</b>	<b>1.6</b>	<b>(0.4)</b>	<b>5.3</b>	<b>3.6</b>	<b>3.0</b>	<b>4.4</b>	<b>16.3</b>
EBITDA	(0.9)	(0.1)	(0.8)	4.1	2.4	5.0	6.4	7.5	3.4	22.3	4.0	(1.8)	0.9	3.6	6.8	8.2	6.0	5.1	6.8	26.1
Shares, Basic	12.1	12.3	12.4	12.8	12.40	14.1	14.2	14.3	14.4	14.3	17.7	19.4	19.6	19.8	19.1	19.9	20.0	20.2	20.4	20.1
Shares, Diluted	12.1	12.3	12.4	12.8	12.4	14.5	15.1	15.1	15.0	14.9	18.7	19.6	19.8	20.0	19.5	20.1	20.2	20.4	20.6	20.3
EPS Basic (pro forma)	(\$0.10)	(\$0.07)	(\$0.12)	\$0.23	(\$0.05)	\$0.32	\$0.42	\$0.50	\$0.21	\$1.45	\$0.07	(\$0.14)	(\$0.03)	\$0.08	(\$0.02)	\$0.27	\$0.18	\$0.15	\$0.21	\$0.81
<b>EPS Diluted (pro forma)</b>	<b>(\$0.10)</b>	<b>(\$0.07)</b>	<b>(\$0.12)</b>	<b>\$0.23</b>	<b>(\$0.05)</b>	<b>\$0.31</b>	<b>\$0.40</b>	<b>\$0.47</b>	<b>\$0.20</b>	<b>\$1.38</b>	<b>\$0.07</b>	<b>(\$0.14)</b>	<b>(\$0.03)</b>	<b>\$0.08</b>	<b>(\$0.02)</b>	<b>\$0.27</b>	<b>\$0.18</b>	<b>\$0.14</b>	<b>\$0.21</b>	<b>\$0.80</b>
<b>Margins</b>																				
Gross margin	12%	8%	5%	19%	11%	22%	28%	31%	23%	26%	26%	25%	25%	25%	25%	34%	35%	35%	35%	35%
Selling, general and administrative	17%	11%	8%	9%	11%	9%	11%	10%	20%	12%	20%	60%	30%	20%	27%	17%	22%	24%	21%	21%
Operating margin	-5%	-3%	-3%	10%	1%	14%	17%	21%	3%	14%	6%	-35%	-5%	5%	-2%	17%	13%	11%	14%	14%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	-299%	-12%	26%	20%	20%	20%	-5%	20%	20%	20%	20%	20%
Net margin	-6%	-3%	-4%	8%	-1%	13%	17%	21%	9%	15%	4%	-25%	-3%	5%	0%	14%	12%	11%	13%	13%
<b>YY % change</b>																				
Total Revenue	92%	146%	149%	156%	138%	64%	28%	-6%	-11%	13%	-10%	-70%	-35%	1%	-29%	20%	185%	25%	4%	34%
Gross margin	133%	65%	1%	272%	118%	192%	358%	446%	11%	165%	6%	-73%	-47%	10%	-31%	54%	299%	75%	46%	83%
Selling, general and administrative	22%	11%	27%	-17%	7%	-19%	26%	17%	104%	31%	115%	69%	97%	-1%	55%	0%	4%	0%	9%	3%
Operating income (loss)	-50%	-40%	157%	-267%	-111%	-548%	-832%	-835%	-75%	2877%	-63%	-161%	-116%	88%	-108%	255%	-206%	-375%	191%	#####
Net income (loss)	-75%	355%	-10%	-144%	-95%	-475%	-713%	-575%	1%	-3129%	-73%	-145%	-108%	-46%	-102%	336%	-236%	-626%	167%	#####
EPS Diluted (pro forma)	-95%	7%	-76%	-130%	-98%	-411%	-632%	-492%	-14%	-2859%	-79%	-135%	-106%	-59%	-101%	305%	-232%	-610%	159%	#####

Source: Company reports and Ascendant Capital Markets estimates.

**SurgePays Inc.**

Balance Sheet (\$ mils) Fiscal Year End: December 31	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
<b>Assets</b>																	
Cash and cash equivalents	3.4	8.7	7.9	7.0	8.9	5.2	12.7	14.6	42.9	43.0	43.4	46.1	56.1	61.7	66.6	73.1	
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts receivable, net	5.6	8.3	9.5	9.2	9.7	10.3	9.8	9.5	8.3	3.2	6.7	9.8	11.3	9.2	8.3	10.2	
Lifeline revenue due from USAC																	
Inventory	3.1	5.7	9.5	11.2	15.5	18.1	14.5	9.0	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3	
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Prepaid expenses and other	0.2	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.5	0.2	0.4	0.5	0.4	0.3	0.3	0.3	
<b>Total current assets</b>	<b>12.4</b>	<b>22.7</b>	<b>27.0</b>	<b>27.6</b>	<b>34.2</b>	<b>33.7</b>	<b>37.3</b>	<b>33.4</b>	<b>59.1</b>	<b>53.7</b>	<b>57.8</b>	<b>63.8</b>	<b>75.1</b>	<b>78.6</b>	<b>82.6</b>	<b>90.9</b>	
Property and equipment, net	0.2	0.9	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.2	0.1	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	
Note receivable	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Intangibles, net	3.3	3.1	2.9	3.2	3.1	3.1	2.9	2.7	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	
Goodwill	0.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	
Investment in Centercom	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Deferred income tax								2.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Other	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	
<b>Total assets</b>	<b>17.8</b>	<b>29.5</b>	<b>33.4</b>	<b>34.0</b>	<b>40.6</b>	<b>39.9</b>	<b>43.2</b>	<b>41.9</b>	<b>69.6</b>	<b>64.2</b>	<b>68.1</b>	<b>74.0</b>	<b>85.3</b>	<b>88.6</b>	<b>92.5</b>	<b>100.8</b>	
<b>Liabilities and stockholders' equity</b>																	
Accounts payable and accrued exp	5.6	11.3	13.7	18.8	20.7	16.8	12.8	6.4	6.5	2.2	4.6	6.8	10.9	8.9	8.0	9.8	
Accounts payable and accrued exp	1.4	2.2	3.6	1.7	2.0	0.5	1.0	1.0	0.6	0.2	0.4	0.6	1.1	0.9	0.8	1.0	
Credit card liability										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred revenue	0.3	0.1	1.9	0.2	0.7	0.0	0.1	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred income tax								0.6	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0	
Warrant liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Short term debt	1.5	7.7	7.8	2.7	2.3	1.2	0.6	4.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	
<b>Total current liabilities</b>	<b>8.9</b>	<b>21.3</b>	<b>26.9</b>	<b>23.5</b>	<b>25.7</b>	<b>18.5</b>	<b>14.5</b>	<b>12.7</b>	<b>9.4</b>	<b>4.8</b>	<b>7.4</b>	<b>9.7</b>	<b>13.7</b>	<b>11.5</b>	<b>10.5</b>	<b>12.5</b>	
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Warrant liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other long term liabilities	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	
Deferred revenue										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long term debt	6.1	5.6	5.6	5.0	4.5	4.5	4.5	0.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	
<b>Total other liabilities</b>	<b>6.5</b>	<b>6.0</b>	<b>6.0</b>	<b>5.4</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>0.8</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	3.9	5.8	7.7	9.6	11.5	13.4	
Additional paid-in capital	38.7	39.4	39.5	40.8	41.1	41.6	41.9	43.4	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	
Retained earnings	(36.3)	(37.3)	(38.8)	(35.8)	(31.3)	(25.3)	(18.2)	(15.2)	(14.0)	(16.7)	(17.2)	(15.6)	(10.2)	(6.6)	(3.6)	0.7	
Minority Interest	(0.0)	0.0	(0.2)	0.1	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Accumulated other comprehensive income										0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Total stockholders' equity</b>	<b>2.4</b>	<b>2.2</b>	<b>0.5</b>	<b>5.1</b>	<b>10.0</b>	<b>16.6</b>	<b>23.8</b>	<b>28.4</b>	<b>56.2</b>	<b>55.4</b>	<b>56.8</b>	<b>60.3</b>	<b>67.6</b>	<b>73.1</b>	<b>78.0</b>	<b>84.3</b>	
<b>Total stockholders' equity and liabil</b>	<b>17.8</b>	<b>29.5</b>	<b>33.4</b>	<b>34.0</b>	<b>40.6</b>	<b>39.9</b>	<b>43.2</b>	<b>41.9</b>	<b>69.6</b>	<b>64.2</b>	<b>68.1</b>	<b>74.0</b>	<b>85.3</b>	<b>88.6</b>	<b>92.5</b>	<b>100.8</b>	

**Balance Sheet Drivers**

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	1%	0%	0%	0%	0%	0%	1%	1%	2%	2%	2%	2%	1%	1%	1%	1%
A/P and accrued exp as % of total rev	27%	40%	38%	52%	59%	47%	37%	20%	21%	21%	21%	21%	29%	29%	29%	29%
A/P and accrued exp related as % of total rev	6%	8%	10%	5%	6%	1%	3%	3%	2%	2%	2%	2%	3%	3%	3%	3%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	24	27	24	23	25	26	26	27	24	27	27	27	27	27	27	27
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$0.20	\$0.18	\$0.04	\$0.40	\$0.69	\$1.10	\$1.58	\$1.89	\$3.01	\$2.83	\$2.87	\$3.02	\$3.36	\$3.62	\$3.82	\$4.09
Cash per Share (diluted)	\$0.29	\$0.71	\$0.63	\$0.55	\$0.61	\$0.34	\$0.84	\$0.97	\$2.30	\$2.19	\$2.19	\$2.31	\$2.79	\$3.05	\$3.27	\$3.55
Net cash per Share (diluted)	-\$0.35	-\$0.37	-\$0.44	-\$0.05	\$0.14	-\$0.03	\$0.51	\$0.64	\$2.02	\$1.93	\$1.93	\$2.05	\$2.53	\$2.80	\$3.01	\$3.30

Source: Company reports and Ascendant Capital Markets estimates

**SurgePays Inc.**

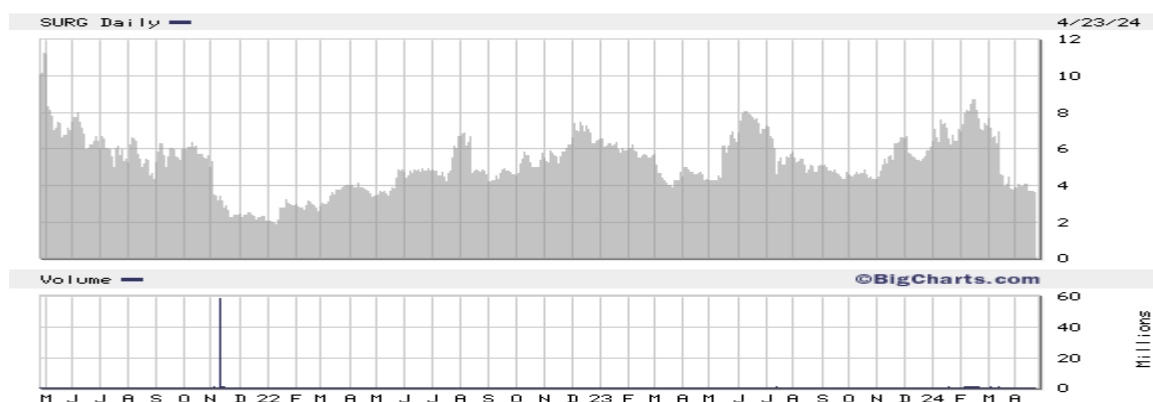
Cash Flow Statement (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	(1.2)	(0.9)	(1.8)	3.3	(0.6)	4.5	6.1	7.0	3.0	20.6	1.2	(2.7)	(0.6)	1.6	(0.4)	5.3	3.6	3.0	4.4	16.3	
Depreciation	0.2	0.2	0.3	0.3	0.9	0.2	0.2	0.2	0.2	0.9	0.2	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.4	
Amortization	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.2	0.1				0.1					0.0	
Debt related amortization expense		0.0	0.3	0.1	0.5					0.0	0.0				0.0					0.0	
Dividend					0.0					0.0					0.0					0.0	
Stock comp	0.0	0.0	0.0	0.1	0.1	0.3	0.3	0.3	1.5	2.4	1.9	1.9	1.9	1.9	7.7	1.9	1.9	1.9	1.9	7.7	
Deferred rent					0.0					0.0					0.0					0.0	
A/R and inventory reserves			0.1	(0.1)	(0.0)				0.1	0.1					0.0					0.0	
Deferred income taxes					0.0					0.0	0.3	0.0	0.0	0.0	0.3	(0.7)	0.0	0.0	0.0	(0.7)	
Change in fair value of warrant liability		0.2	(0.2)	0.0	0.0					0.0					0.0					0.0	
Writedowns and impairments					0.0					0.0					0.0					0.0	
Other gains/losses	0.0	(0.6)	0.1	0.0	(0.4)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)				(0.1)					0.0	
Other					0.0					0.0					0.0					0.0	
<b>Changes in operating assets and liabilities:</b>																					
Accounts receivable	(2.4)	(2.7)	(1.1)	0.3	(5.9)	(0.4)	(0.6)	0.5	0.1	(0.4)	1.3	5.0	(3.4)	(3.1)	(0.3)	(1.5)	2.1	0.9	(1.9)	(0.4)	
Lifeline revenue due from USAC					0.0					0.0					0.0					0.0	
Inventory	1.3	(2.6)	(3.9)	(1.7)	(6.9)	(4.3)	(2.6)	3.5	5.5	2.1	1.7				1.7					0.0	
Prepaid expenses & other curre	(0.2)	0.2	(0.1)	0.0	(0.1)	(0.1)	0.0	(0.0)	0.0	(0.1)	(0.3)	0.3	(0.2)	(0.2)	(0.4)	0.1	0.1	0.0	(0.1)	0.2	
Income tax					0.0					0.0					0.0					0.0	
Other assets				13.0	13.0				(2.8)	(2.8)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(1.0)	5.7	4.5	(10.1)	(0.8)	1.4	(3.0)	1.9	(0.3)	(0.0)	(2.4)	(4.3)	2.4	2.2	(2.2)	4.2	(2.0)	(0.8)	1.8	3.1	
Accrued expenses	(0.0)	0.8	(0.8)	1.0	1.0	(1.3)	(0.3)	(5.4)	(5.4)	(12.4)		(0.4)	0.2	0.2	0.0	0.5	(0.2)	(0.1)	0.2	0.4	
Deferred revenue	0.0	(0.2)	1.8	(1.7)	(0.0)	0.5	(0.7)	0.1	(0.1)	(0.2)	(0.0)				(0.0)					0.0	
Other liabilities	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	2.0	(2.0)	(0.0)	(0.0)	(0.0)	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	
<b>Net cash (used in) provided by</b>	<b>(3.3)</b>	<b>0.2</b>	<b>(0.8)</b>	<b>4.7</b>	<b>0.8</b>	<b>2.9</b>	<b>(2.6)</b>	<b>8.1</b>	<b>2.0</b>	<b>10.3</b>	<b>4.0</b>	<b>0.0</b>	<b>0.4</b>	<b>2.7</b>	<b>7.2</b>	<b>10.0</b>	<b>5.6</b>	<b>4.9</b>	<b>6.4</b>	<b>27.0</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equi	(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	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions		(1.1)			(1.1)					0.0					0.0					0.0	
Other				(0.4)	(0.4)	(0.2)	(0.1)			(0.3)					0.0					0.0	
<b>Net cash used in investing acti</b>	<b>(0.0)</b>	<b>(1.1)</b>	<b>0.0</b>	<b>(0.4)</b>	<b>(1.5)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Cash flow from financing activities</b>																					
Issuance of debt	0.5	6.2			6.7					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(0.0)	(0.0)	(0.0)	(5.2)	(5.2)	(0.9)	(1.1)	(0.6)	(0.1)	(2.6)	(0.4)				(0.4)					0.0	
Issuance of stock					0.0					0.0	15.9	0.0	0.0	0.0	15.9	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercises				0.0	0.0		0.2			0.2	8.8				8.8					0.0	
Other					0.0					0.0					0.0					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) fina</b>	<b>0.5</b>	<b>6.2</b>	<b>(0.0)</b>	<b>(5.2)</b>	<b>1.457</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(2.4)</b>	<b>24.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>24.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Effect of exchange rate on cash					0.0					0.0					0.0					0.0	
<b>Net increase (decrease) in cash</b>	<b>(2.8)</b>	<b>5.3</b>	<b>(0.8)</b>	<b>(0.9)</b>	<b>0.8</b>	<b>1.8</b>	<b>(3.7)</b>	<b>7.5</b>	<b>1.9</b>	<b>7.6</b>	<b>28.3</b>	<b>0.0</b>	<b>0.4</b>	<b>2.7</b>	<b>31.5</b>	<b>10.0</b>	<b>5.6</b>	<b>4.9</b>	<b>6.4</b>	<b>27.0</b>	
<b>Beginning cash and equivalents</b>	<b>6.3</b>	<b>3.4</b>	<b>8.7</b>	<b>7.9</b>	<b>6.3</b>	<b>7.0</b>	<b>8.9</b>	<b>5.2</b>	<b>12.7</b>	<b>7.0</b>	<b>14.6</b>	<b>42.9</b>	<b>43.0</b>	<b>43.4</b>	<b>14.6</b>	<b>46.1</b>	<b>56.1</b>	<b>61.7</b>	<b>66.6</b>	<b>46.1</b>	
<b>Ending cash and equivalents</b>	<b>3.4</b>	<b>8.7</b>	<b>7.9</b>	<b>7.0</b>	<b>7.0</b>	<b>8.9</b>	<b>5.2</b>	<b>12.7</b>	<b>14.6</b>	<b>14.6</b>	<b>42.9</b>	<b>43.0</b>	<b>43.4</b>	<b>46.1</b>	<b>46.1</b>	<b>56.1</b>	<b>61.7</b>	<b>66.6</b>	<b>73.1</b>	<b>73.1</b>	

Source: Company reports and Ascendant Capital Markets estimates

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## SurgePays, Inc.



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

	Report Date		Price
Report	Date	Rating	Target
1	1/24/2022	Buy	7.00
2	4/10/2022	Buy	8.00
3	5/29/2022	Buy	8.50
4	8/31/2022	Buy	8.75
5	11/20/2022	Buy	9.00
6	4/2/2023	Buy	9.50
7	5/30/2023	Buy	10.50
8	8/26/2023	Buy	11.00
9	12/5/2023	Buy	11.50
10	3/31/2024	Buy	10.00

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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 Distribution of Investment Ratings (as of April 15, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	55	98%	18	33%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	56	100%	18	32%

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Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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