



Phunware, Inc.

Q4 revenue lighter. New CEO should drive growth. Lowering P/T to \$4.50.

COMPANY UPDATE

Rating: BUY

Ticker: PHUN

Price: \$0.70 (intraday)

Target: \$4.50 (from \$5.00)

Q4 revenue lighter: Phunware recently (on March 23) reported its fiscal Q4 2022 (ending December) results. Revenue was \$4.8 million (-12% y-o-y), compared to our and consensus estimates of \$5.5 million. EPS was \$(0.11), compared to our estimates of \$(0.07) and consensus of \$(0.08). Q4 guidance was for revenue of \$5.5 million.

Q4 driven by software: Software revenue was \$1.1 million (+37% y-o-y) versus \$0.8 million y-o-y. Backlog at Q4 was about flat with Q3 \$8 million, from \$7.9 million in Q3.

No 2023 guidance: The company did not provide 2023 financial guidance.

Lowering estimates: We are lowering our 2023 estimates for revenue to \$25 million, from \$26 million, and for EPS to \$(0.21) from \$(0.19).

New CEO: In October, the company announced that its CEO Alan Knitowski will step down in December 2022. In November, the company announced Russ Buyse as its new CEO. Prior to joining Phunware, Mr. Buyse spent the past two decades in both product and services companies, from startups to enterprises, leading teams to create innovative solutions.

Focused on mobile applications: Phunware's MaaS software platform enables companies and brands to engage, manage, and monetize their mobile applications. It offers enterprise mobile software, including content management, location-based services, marketing automation, business intelligence and analytics, alerts, notifications and messaging, audience engagement, and audience monetization, as well as vertical solutions, iOS and Android-based mobile application portfolios, solutions, and services.

Lyte acquisition: In October 2021, the company closed the acquisition of privately-held Lyte Technology, a fast-growing provider of high performance computer systems, for ~\$11 million in cash and stock and earnouts. Lyte accounted for ~70% of total revenues (\$15 million) in 2022.

Large holdings of bitcoin: The company had ~\$10 million in cryptocurrency at the end of Q4. This was down from ~\$13 million in cryptocurrency held at Q3.

2021 MEME stock jumps: Due to Phunware's prior work on an app with former President Trump, Phunware's stock benefited as President Trump announced a new social media platform in October 2021. Phunware's stock in October 2021 jumped from ~\$1 to ~\$25 and has settled back (by December 2021) to ~\$2 levels (where it has been trading at or below ever since).

Large market potential: The demand for its services continues to grow fueled by its participation in four rapidly growing and evolving markets: mobile cloud software, media, big data, and cryptonetworking.

Still early but risk/reward favorable: The company expects 2023 to improve significantly y-o-y due to easier comps going forward and as business return to normal post pandemic. The company continues to expect annual revenue growth of 30% or more longer term. We believe the billion dollars market potentials presents high rewards for the risks.

Valuation attractive: We are maintaining our BUY rating, but lowering our 12-month price target to \$4.50 from \$5.00, based on a NPV analysis, representing significant 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 large upside opportunities.

Company Description

Based in Austin, TX, Phunware is a software company providing Multiscreen-as-a-Service (MaaS) enterprise cloud platform for mobile devices worldwide.

United States
Technology

March 27, 2023

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$0.69 – 3.03
Shares Outstanding (million):	104
Market cap (\$million):	\$73
EV (\$million):	\$81
Debt (\$million):	\$10
Cash (\$million):	\$2
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	99
Short Interest (million shares):	5
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	6E	7E	7E	
Q2 Jun	6E	7E	7E	
Q3 Sep	6E		7E	
Q4 Dec	<u>7E</u>		<u>8E</u>	
Total	25E	26E	28E	
EV/Revs	3x		3x	

Earnings per Share (pro forma)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	(0.05)E		(0.04)E	
Q2 Jun	(0.05)E		(0.04)E	
Q3 Sep	(0.05)E	(0.04)E	(0.04)E	
Q4 Dec	<u>(0.06)E</u>	<u>(0.04)E</u>	<u>(0.05)E</u>	
Total	(0.21)E	(0.19)E	(0.17)E	
P/E	N/A		N/A	

Important Disclosures

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

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 15.

OVERVIEW

- Phunware recently (on March 23) reported its fiscal Q4 2022 (ending December) results.
- Revenue was \$4.8 million (-12% y-o-y), compared to our and consensus estimates of \$5.5 million.
- EPS was \$(0.11), compared to our estimates of \$(0.07) and consensus of \$(0.08).
- Q4 guidance was for revenue of \$5.5 million.
- The company did not provide 2023 financial guidance.
- We are lowering our 2023 estimates for revenue to \$25 million, from \$26 million, and for EPS to \$(0.21) from \$(0.19).
- We are initiating our 2024 estimates for revenue of \$28 million, and for EPS of \$(0.17).

ADDITIONAL DETAILS

- Gross profit for the quarter was \$1.0 million, compared with our estimate of \$1.6 million.
- Gross margin for the quarter was 21%, versus our expectation of 30% and 22% last year.
- Operating expenses were \$10 million, versus our expectation of \$8 million.
- Operating loss was \$9.1 million, versus our expectation of a loss of \$6.6 million.
- Net loss was \$10.9 million, versus our expectation of a loss of \$6.8 million.
- Q4 backlog was \$8 million, vs. \$7.9 million in Q3.

In October, the company announced that its CEO Alan Knitowski will step down when his contract expires on December 26, 2022. In November, the company announced Russ Buyse as its new CEO. Prior to joining Phunware, Mr. Buyse spent the past two decades in both product and services companies, from startups to enterprises, leading teams to create innovative solutions.

The company's balance sheet had \$2 million in cash and \$10 million in debt, compared with \$9 million in cash and \$13 million in debt at the end of September.

The company had ~\$10 million in cryptocurrency at the end of Q4. This was down from ~\$13 million in cryptocurrency held (653 Bitcoin and 753 ETH) at the end of Q3.

Exhibit 1: Phunware Company Overview

Who We Are

Phunware is the pioneer of Multiscreen-as-a-Service (MaaS) — the only fully integrated enterprise cloud platform for mobile that enables brands to **engage, manage** and **monetize** their anytime / anywhere users worldwide.

- **1T+** transactions per year
- **15B+** unique devices reached
- **Hundreds of millions** of videos served
- **Tens of millions** of application downloads
- **Thousands** of branded applications launched
- Tested and scalable to **25 million concurrent users**



FOUNDED
February 2009

HEADQUARTERS
Austin, TX

OFFICES
Irvine, CA
San Diego, CA
Miami, FL

WEBSITES
phunware.com
phuncoin.com | phuntoken.com
phunwallet.com
lytetechnology.com



Phunware Business Units



Software Subscriptions & Services
> Engage, Manage & Monetize

Phunware's MaaS platform is a fully-integrated enterprise cloud platform for mobile that provides the products, solutions, data and services for brands to engage, manage and monetize their anytime / anywhere users worldwide. Software subscriptions, inclusive of our industry solutions, are powered by the MaaS platform at scale.



Application Transactions
> Reach

Phunware's Customer Data Platform (CDP) is utilized by many of the world's top brands, offering data-enriched advertising opportunities to deliver personalized media to better reach and acquire customers on a 1:1 basis.



Blockchain & Crypto
> Decentralize

Leveraging over a decade of experience and our position as a public company, Phunware is commercializing a truly decentralized data economy that rewards you for being you, because the future of blockchain rests with real companies solving real problems in the real world.



Lyte by Phunware
> Enable & Empower

Lyte by Phunware is the hardware component of our business that distributes high performance computing platforms which help enable a network of decentralized oracles, validators and nodes to efficiently bridge the gap between Web2 data and Web3 applications on both desktop and mobile.

Source: Company reports.

Exhibit 2: Phunware Product Overview

Products and Solutions



SOLUTIONS




- Advocacy
- Aviation
- Healthcare
- Hospitality
- Media and Entertainment
- Residential
- Retail
- Smart City
- Smart Campus
- Smart Workplace

PRODUCTS

- Analytics**
Analyze real-time mobile app data
- Audience Monetization**
Auction mobile app content with ads
- Content Management**
Manage and distribute mobile app content
- Developer Tools**
Build native mobile apps with SDKs
- Location Based Services**
Real-time indoor blue-dot positioning and navigation
- Mobile Engagement**
Location-aware mobile app notifications
- Audiences**
Target mobile media at scale globally
- Targeted Media**
Work with our team to develop and launch targeted mobile campaigns
- Data Exchange**
Share data, build audiences and reward ecosystem stakeholders with digital assets
- Datasets**
Mobile data for analytics and data science
- PhunWallet**
Manage personal data and digital assets (planned for release in 2020-H2)

How We Work with Customers



For brands without an existing mobile app	For brands with an existing mobile app	For brands wanting advanced features and/or custom user interface
		
<p>INDUSTRY-SPECIFIC APP TEMPLATES</p> <p>Customizable and packed with features out-of-the box</p>	<p>A-LA-CARTE PHUNWARE MODULES</p> <p>Can be easily integrated into existing apps</p>	<p>CUSTOM SOLUTIONS</p> <p>Can be created by Phunware's Professional Services team</p>

Source: Company reports.

Exhibit 3: Phunware Customers and Deals

Top Tier Customers



Healthcare	Media & Entertainment	Smart City, Smart Campus, Smart Workplace
Aviation		

Typical SaaS Software Deal Structure

	Brands without Mobile Application Portfolios	Brands with Mobile Application Portfolios
MaaS Licenses	\$300K - \$600K	\$800K - \$1,000K
MaaS Services	\$50K - \$150K	\$100K - \$500K
MaaS Deal Range	1 - 5 Years	1 - 5 Years
Average Deal Size	\$350K - \$750K	\$900K - \$1,500K

Source: Company reports.

Exhibit 4: PhunToken and PhunCoin

PhunCoin + Phun



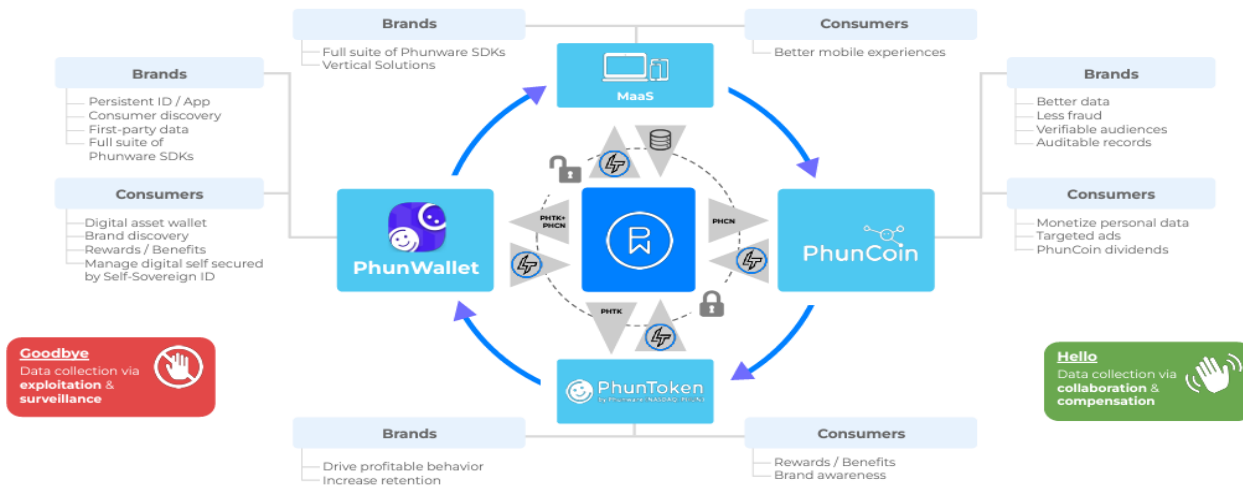
Phunware’s blockchain-enabled data exchange and mobile loyalty ecosystem are powered by two unique digital assets that help eliminate untrustworthy intermediaries and directly connect brands with consumer audiences of interest that have voluntarily opted in with their personal data and information in exchange for a benefit.



Phunware’s Phlywheel



MISSION: Deploy a self-sustaining, virtuous ecosystem that reimagines mobile engagement by decentralizing data and empowering consumers.



Goodbye
Data collection via exploitation & surveillance

Hello
Data collection via collaboration & compensation

- 940M** monthly active devices worldwide
- 5B** transactions processed daily
- 5TB** of data generated daily
- \$120M+** in private financing
- 62** employees
- 3** office locations

CONSUMERS receive PhunToken in return for profitable behavior such as completing surveys, watching videos or checking into specific locations to participate in marketing campaigns.

BRANDS can customize user interfaces to rebrand PhunToken within their existing mobile applications to avoid changing consumer behavior and maintain brand awareness. Brands also receive direct, real-time access to deterministic and intent-based data for their target consumers and can reward the right consumers for their engagement.

BRANDED MARKETPLACES will give consumers the ability to spend PhunToken on valuable goods, services and offers.

CONSUMERS will be encouraged to hold PhunToken as brands unlock more valuable tiers of rewards for consumers with an auditable record of engaging in profitable behavior.

© 2009-PRESENT PHUNWARE, INC. (NASDAQ: PHUN)

Source: Company reports.

Exhibit 5: Phunware Q4 2022 and Recent Highlights

Full Year 2022 Financial Results

- Net revenues for the year totaled \$21.8 million
- Platform revenues were \$6.5 million
- Hardware revenues were \$15.3 million
- Net loss was \$(50.9) million
- Net loss per share was \$(0.51)
- Non-GAAP Adjusted EBITDA loss was \$(23.5) million

Recent Business Highlights

- Notable Corporate Developments:
 - [Appointed Russ Buyse as Chief Executive Officer](#)
 - [Virtually Participated at the 25th Annual Needham Growth Conference](#)
 - [Announced Stock Repurchase Plan](#)
 - [Set March 2023 Financial Events Schedule](#)
- Notable Customer and Partner Wins:
 - [Launched Smart Hospitality Solution at Gaylord Hotels](#)
 - [Launched Smart Hospitality Solution at Wailea Beach Resort - Marriott, Maui](#)
 - [Announced Contract Expansion with VHC Health](#)
- Notable Product Updates:
 - [Launched Initiative to Give Back Control of Consumer Data](#)
 - [Released Experience Optimizer for Mobile Applications](#)

Source: Company reports.

Exhibit 6: Phunware Long Term Financial Plan

Target Operating Model



30%+

Year-over-Year
Net Revenues Growth

75%+

Gross Margin

Positive

Adjusted EBITDA

Source: Company reports.

Exhibit 7: Phunware's Cryptocurrency Strategy (as of 11/18/21, 11/22/21, 12/9/21)

AUSTIN, Texas, Nov. 18, 2021 (GLOBE NEWSWIRE)

As part of the updated corporate cash management policy, Phunware may save and/or invest cash reserves in certain specified alternative reserve assets to include, but not limited to:

- **Bitcoin.** Phunware currently holds approximately 127 bitcoin, which were acquired at an aggregate purchase price of approximately \$7.75 million and an average purchase price of approximately \$61,238 per bitcoin, inclusive of fees and expenses. The Company expects to add to its bitcoin total as a routine part of corporate operations and treasury management for the foreseeable future.
- **Stablecoins.** Phunware expects to use reserve-backed stablecoins, including stablecoin collateral loops, to maximize its savings yields in digital US dollar equivalents that can be far more attractive than traditional legacy banking yields in Annual Percentage Yield (APY) terms. The Company will not use Tether (USDT) stablecoins as any part of this strategy and fully expects to concentrate its stablecoin exposure on assets such as [US Dollar Coin \(USDC\)](#) and [Gemini Dollar \(GUSD\)](#) amongst other equivalents.
- **Alternative cryptocurrencies.** Phunware expects to initiate numerous diversified DeFi positions and techniques to generate financial returns consistent with financial lending, borrowing, market making, yield farming, collateralized looping, swapping, staking, bridging, wrapping, pooling and pairing. The Company will maintain its DeFi strategies, positions and techniques as both confidential and proprietary information.

AUSTIN, Texas, Nov. 22, 2021 (GLOBE NEWSWIRE) -- [Phunware, Inc. \(NASDAQ: PHUN\)](#) (the "Company"), a fully-integrated [enterprise cloud platform](#) for mobile that provides products, solutions, data and services for brands worldwide, announced today it has purchased an additional 398 bitcoin for approximately \$23.8 million in cash at an average price of approximately \$59,917 per bitcoin, inclusive of fees and expenses.

As of November 22, 2021, Phunware holds an aggregate of approximately 529 bitcoin, which were acquired at an aggregate purchase price of approximately \$31.8 million and an average purchase price of approximately \$60,191 per bitcoin, inclusive of fees and expenses.

AUSTIN, Texas, Dec. 09, 2021 (GLOBE NEWSWIRE) -- [Phunware, Inc. \(NASDAQ: PHUN\)](#) (the "Company"), a fully-integrated [enterprise cloud platform](#) for mobile that provides products, solutions, data and services for brands worldwide, announced today it has purchased an additional 100 bitcoin for approximately \$4,975,000 in cash at an average price of approximately \$49,750 per bitcoin, inclusive of fees and expenses.

As of December 9, 2021, Phunware holds an aggregate of approximately 630 bitcoin, which were acquired at an aggregate purchase price of approximately \$36.8 million and an average purchase price of approximately \$58,513 per bitcoin, inclusive of fees and expenses.

Source: Company reports.

Exhibit 8: Bitcoin Price Chart (2-years)

Bitcoin to USD Chart



Source: <https://coinmarketcap.com/>

Exhibit 9: Phunware, Inc. Stock Price (18-months)



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

Exhibit 10: Acquisition of Lyte Technology (October 2021)

Phunware Closes Acquisition of High Performance Computer Provider Lyte Technology

Revenue Guidance for Fourth Quarter Fiscal 2021 Expected to Exceed \$5M

AUSTIN, Texas, Oct. 19, 2021 (GLOBE NEWSWIRE) -- [Phunware, Inc. \(NASDAQ: PHUN\)](#) (the "Company"), a fully-integrated [enterprise cloud platform](#) for mobile that provides products, solutions, data and services for brands worldwide, announced today it has formally closed the acquisition of privately-held [Lyte Technology, Inc. \("Lyte"\)](#), a fast-growing provider of high performance computer systems. The Company financed the closing consideration of \$3.32 million with cash on-hand and unsecured, non-dilutive debt.

Lyte Technology Overview

Founded in 2018, Lyte is a profitable, rapidly-growing system integrator that specializes in marketing and distributing custom, high-end computer systems off-the-shelf with advanced graphic processing units for gaming, streaming and cryptocurrency mining. Currently located in Illinois, Lyte employs over 25 people and ships thousands of computer systems per quarter to a unique customer network that has largely grown through word-of-mouth.

Acquisition Summary and Rationale (Unaudited)

- The total consideration for the acquisition consisted of cash and Company common stock valued at up to approximately \$10.98 million, a portion of which is characterized as an earn-out payment contingent upon Lyte generating at least \$12.00 million in net revenues for the one-year period post-closing.
- No Company common stock was issued at closing.
- Lyte enables Phunware to enter the high performance personal computer market, which [JPR](#) estimates is a \$32 billion USD market that is expected to grow at a 20.4% CAGR over the next five years.
- Complementary and synergistic go-to-market strategies exist, with no overlap in the companies' relevant partner or customer bases.
- Lyte's customers represent gamers, developers, content creators and crypto enthusiasts who will support the adoption, scale and infrastructure required for Phunware to deploy its decentralized data economy powered by [PhunCoin](#) and [PhunToken](#).
- For the fourth quarter of fiscal 2021, Phunware expects to report net revenues exceeding \$5.00 million.

Lyte by Phunware



- Acquisition of Lyte Technology closed on October 21, 2021
- Added 41 team members to Phunware
- Expanded Phunware's footprint into the \$32 billion high performance personal computer market
- Complementary and synergistic go-to-market opportunities, with no overlap in the companies' relevant partner or customer bases
- Lyte's customers represent gamers, developers, content creators, crypto enthusiasts and personal productivity workers who support the adoption, scale and infrastructure required for Phunware in order to deploy its decentralized data economy powered by PhunCoin and PhunToken

Source: Company reports.

Exhibit 11: Phunware, Inc. Stock Price (4-years since IPO December 2018)

 Source: <https://bigcharts.marketwatch.com/>
Exhibit 12: Consensus Expectations (as of March 23, 2023)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$7A	\$6E	Q1 Mar	\$(0.04)A	\$(0.07)E
Q2 Jun	\$6A		Q2 Jun	\$(0.08)A	
Q3 Sep	\$5A		Q3 Sep	\$(0.08)A	
Q4 Dec	\$6E		Q4 Dec	\$(0.08)E	
Total	\$23E	\$26E	Total	\$(0.49)E	\$(0.27)E

*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

Phunware, Inc.

Income Statement (\$ mils)	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	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	1.6	1.4	2.2	5.4	10.6	6.8	5.5	4.8	4.8	21.8	5.8	6.0	6.2	7.2	25.1	6.5	6.7	6.9	8.0	28.0
Cost of Revenues	0.7	1.1	1.0	4.2	7.0	5.0	4.0	4.0	3.8	16.7	4.3	4.2	4.0	4.3	16.9	3.5	3.7	3.4	4.0	14.7
Gross Profit	1.0	0.3	1.1	1.2	3.6	1.8	1.5	0.8	1.0	5.1	1.4	1.8	2.2	2.9	8.3	2.9	3.0	3.4	4.0	13.3
Sales and marketing	0.6	0.6	0.7	1.1	3.0	1.5	1.9	1.8	1.6	6.8	1.4	1.5	1.5	1.8	6.3	1.6	1.7	1.7	2.0	7.0
General and administrative	2.8	3.0	3.3	4.2	13.3	4.3	5.3	5.2	4.8	19.6	4.0	4.2	4.3	5.0	17.6	3.9	4.0	4.1	4.8	16.8
Research and development	1.1	0.8	1.2	1.1	4.2	1.0	1.9	1.7	1.6	6.1	1.3	1.4	1.4	1.6	5.8	1.5	1.5	1.6	1.8	6.4
Restructuring and other					0.0				2.1	2.1					0.0					0.0
Total operating expenses	4.4	4.5	5.2	6.4	20.5	6.8	9.1	8.7	10.1	34.6	6.8	7.1	7.3	8.4	29.7	7.0	7.3	7.4	8.6	30.3
Operating income (loss)	(3.4)	(4.2)	(4.0)	(5.2)	(16.8)	(5.0)	(7.5)	(7.9)	(9.1)	(29.5)	(5.4)	(5.3)	(5.1)	(5.6)	(21.4)	(4.1)	(4.2)	(4.0)	(4.6)	(16.9)
Interest income (expense)	(2.2)	(1.8)	0.0	(0.4)	(4.5)	(0.4)	(0.3)	(1.0)	(0.8)	(2.4)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Other income (expense)	(6.7)	(2.3)	4.4	(28.0)	(32.6)	(9.5)	(9.3)	0.9	(1.1)	(19.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(12.4)	(8.3)	0.4	(33.7)	(53.9)	(14.9)	(17.1)	(8.0)	(10.9)	(50.9)	(5.6)	(5.5)	(5.3)	(5.8)	(22.2)	(4.3)	(4.4)	(4.2)	(4.8)	(17.7)
Income taxes				(0.4)	(0.4)				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)	(12.4)	(8.3)	0.4	(33.2)	(53.5)	(14.9)	(17.1)	(8.0)	(10.9)	(50.9)	(5.6)	(5.5)	(5.3)	(5.8)	(22.2)	(4.3)	(4.4)	(4.2)	(4.8)	(17.7)
Nonrecurring/noncash adjustments					0.0	10.8	9.7			20.6					0.0					0.0
Net income (pro forma)	(12.4)	(8.3)	0.4	(33.2)	(53.5)	(4.1)	(7.4)	(8.0)	(10.9)	(30.3)	(5.6)	(5.5)	(5.3)	(5.8)	(22.2)	(4.3)	(4.4)	(4.2)	(4.8)	(17.7)
EBITDA	(2.4)	(2.7)	(2.5)	(4.0)	(11.7)	(4.2)	(6.6)	(6.7)	(5.9)	(23.5)	(4.5)	(4.5)	(4.3)	(4.7)	(18.0)	(3.2)	(3.4)	(3.2)	(3.8)	(13.5)
Shares, Basic	64.6	71.6	74.3	91.0	75.4	96.8	97.7	98.8	102.6	99.0	103.6	103.9	104.2	104.5	104.1	104.8	105.1	105.4	105.7	105.3
Shares, Diluted	64.6	71.6	74.3	91.0	75.4	96.8	97.7	98.8	102.6	99.0	103.6	103.9	104.2	104.5	104.1	104.8	105.1	105.4	105.7	105.3
EPS Basic (pro forma)	(\$0.19)	(\$0.12)	\$0.01	(\$0.37)	(\$0.71)	(\$0.04)	(\$0.08)	(\$0.08)	(\$0.11)	(\$0.31)	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.06)	(\$0.21)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.17)
EPS Diluted (pro forma)	(\$0.19)	(\$0.12)	\$0.01	(\$0.37)	(\$0.71)	(\$0.04)	(\$0.08)	(\$0.08)	(\$0.11)	(\$0.31)	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.06)	(\$0.21)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.17)
Margins																				
Gross margin	58%	22%	53%	22%	34%	26%	28%	17%	21%	23%	25%	30%	35%	40%	33%	45%	45%	50%	50%	48%
Sales and marketing	34%	44%	33%	21%	28%	22%	35%	38%	33%	31%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
General and administrative	168%	210%	153%	77%	125%	64%	96%	109%	101%	90%	70%	70%	70%	70%	70%	60%	60%	60%	60%	60%
Research and development	64%	59%	54%	21%	39%	15%	34%	35%	34%	28%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Operating margin	-207%	-292%	-187%	-96%	-158%	-74%	-137%	-166%	-190%	-135%	-93%	-88%	-83%	-78%	-85%	-63%	-63%	-58%	-58%	-60%
Tax rate, GAAP	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-751%	-578%	17%	-615%	-503%	-220%	-311%	-169%	-228%	-234%	-96%	-91%	-86%	-81%	-88%	-66%	-66%	-61%	-60%	-63%
Y/Y % change																				
Total Revenue	-38%	-35%	-31%	168%	6%	312%	282%	120%	-12%	105%	-15%	10%	30%	50%	15%	12%	11%	11%	11%	11%
Gross margin	-38%	-78%	-49%	-14%	-46%	86%	387%	-30%	-18%	40%	-19%	19%	172%	189%	63%	102%	67%	59%	39%	61%
Sales and marketing	-8%	131%	87%	187%	83%	167%	202%	154%	42%	125%	-3%	-22%	-15%	13%	-8%	12%	11%	11%	11%	11%
General and administrative	-30%	-20%	-23%	24%	-14%	56%	74%	57%	15%	48%	-6%	-20%	-17%	4%	-10%	-4%	-5%	-5%	-5%	-4%
Research and development	22%	124%	103%	37%	59%	-5%	122%	44%	43%	47%	32%	-26%	-15%	3%	-6%	12%	11%	11%	11%	11%
Operating income (loss)	-12%	41%	-46%	64%	-4%	47%	80%	95%	74%	75%	7%	-30%	-35%	-38%	-28%	-24%	-20%	-22%	-17%	-21%
Net income (loss)	212%	136%	-104%	440%	141%	21%	106%	-2255%	-67%	-5%	-63%	-68%	-34%	-47%	-56%	-23%	-20%	-21%	-17%	-20%
EPS Diluted (pro forma)	98%	38%	-105%	202%	77%	-78%	-35%	-1722%	-71%	-57%	27%	-30%	-37%	-48%	-31%	-24%	-21%	-22%	-18%	-21%

Source: Company reports and Ascendant Capital Markets estimates.

Phunware, Inc.

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	23.5	2.7	0.9	23.1	10.8	2.7	8.5	2.0	4.8	0.7	(3.4)	(5.7)	(11.5)	(14.9)	(18.0)	(19.4)
Short term investments									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	0.9	0.7	1.2	1.0	1.2	0.8	1.7	1.0	2.0	2.1	2.1	2.5	2.2	2.3	2.4	2.7
Inventory				2.6	4.7	3.5	3.2	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Deferred income taxes									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Digital currencies	1.1	0.8	0.8	32.6	24.2	12.6	12.6	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Prepaid expenses and other	0.8	1.6	0.7	0.7	1.3	1.2	0.8	1.0	1.0	1.1	1.1	1.3	1.2	1.2	1.2	1.4
Total current assets	26.3	5.7	3.6	60.0	42.3	20.8	26.9	16.9	20.7	16.8	12.8	11.0	4.8	1.5	(1.5)	(2.3)
Property and equipment, net	0.0				0.1	0.1	0.2	0.2	0.3	0.5	0.6	0.8	1.1	1.7	2.0	2.6
Intangibles, net	26.0	26.0	25.9	36.5	36.3	36.0	35.7	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6	33.6
Deferred income tax	0.5	0.5	0.5	1.3	1.3	1.3	1.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Restricted cash	0.1	0.1	0.1						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	2.0	1.9	1.8	1.5	1.5	3.0	4.3	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Total assets	54.9	34.2	32.0	99.3	81.4	61.2	68.5	56.8	60.7	57.0	53.0	51.5	45.6	42.9	40.2	40.0
Liabilities and stockholders' equity																
Accounts payable	7.8	7.0	7.1	6.6	6.8	7.5	7.5	7.7	11.5	12.1	12.4	14.3	12.9	13.4	13.8	15.9
Accrued expenses	6.7	4.0	2.9	10.0	7.5	7.6	6.5	3.8	8.6	9.1	9.3	10.7	9.7	10.1	10.3	11.9
Deferred revenue	2.2	2.0	1.8	4.0	3.3	1.7	1.7	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
PhunCoin deposits	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Deferred income tax									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities	2.5	1.8	1.8	3.6	3.8	1.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Factored receivables payable									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	10.0	0.1	0.1	4.9	3.5	2.0	12.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Total current liabilities	30.4	16.2	14.9	30.3	26.1	21.2	29.9	25.6	34.2	35.1	35.7	39.1	36.6	37.5	38.1	41.9
Deferred income taxes	0.5	0.5	0.5	1.3	1.3	1.3	1.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Warrant liabilities									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.4	1.3	1.2	1.1	1.0	2.2	3.3	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Deferred revenue	2.1	1.8	1.3	1.3	1.0	0.9	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Long term debt	3.9	3.9	1.0						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	8.0	7.6	4.1	3.7	3.3	4.4	5.8	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Preferred stock									0.9	1.7	2.5	3.4	4.2	5.1	5.9	6.7
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	1.7	2.5	3.4	4.2	5.1	5.9	6.7
Additional paid-in capital	175.0	177.3	180.9	264.9	266.6	267.5	272.7	275.6	275.6	275.6	275.6	275.6	275.6	275.6	275.6	275.6
Retained earnings	(158.2)	(166.5)	(167.5)	(199.3)	(214.2)	(231.3)	(239.3)	(250.2)	(255.8)	(261.3)	(266.6)	(272.4)	(276.6)	(281.1)	(285.2)	(290.1)
Accumulated other comprehensive income	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Non-controlling interest									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	16.6	10.5	13.0	65.3	52.0	35.7	32.8	24.9	20.2	15.5	11.0	6.1	2.7	(0.9)	(4.3)	(8.2)
Total stockholders' equity and liabilities	54.9	34.2	32.0	99.3	81.4	61.2	68.5	56.8	60.7	57.0	53.0	51.5	45.6	42.9	40.2	40.0

Balance Sheet Drivers

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	48%	110%	34%	13%	19%	22%	17%	22%	18%	18%	18%	18%	18%	18%	18%	18%
Accounts payable as % of total rev	473%	490%	328%	122%	100%	137%	158%	161%	200%	200%	200%	200%	200%	200%	200%	200%
Accrued expenses as % of total rev	408%	278%	134%	186%	111%	138%	138%	81%	150%	150%	150%	150%	150%	150%	150%	150%
Activity Ratios																
A/R Days Sales Outstanding	51	41	51	16	16	13	32	18	31	31	31	31	31	31	31	31
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$0.26	\$0.15	\$0.18	\$0.72	\$0.54	\$0.37	\$0.33	\$0.24	\$0.19	\$0.15	\$0.11	\$0.06	\$0.03	-\$0.01	-\$0.04	-\$0.08
Cash per Share (diluted)	\$0.36	\$0.04	\$0.01	\$0.25	\$0.11	\$0.03	\$0.09	\$0.02	\$0.05	\$0.01	-\$0.03	-\$0.05	-\$0.11	-\$0.14	-\$0.17	-\$0.18
Net cash per Share (diluted)	\$0.15	-\$0.02	\$0.00	\$0.20	\$0.08	\$0.01	-\$0.04	-\$0.08	-\$0.05	-\$0.09	-\$0.13	-\$0.15	-\$0.20	-\$0.23	-\$0.26	-\$0.27

Source: Company reports and Ascendant Capital Markets estimates

Phunware, Inc.

Cash Flow Statement (\$ mils)	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	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(12.4)	(8.3)	(1.1)	(31.8)	(53.5)	(14.9)	(17.1)	(8.0)	(10.9)	(50.9)	(5.6)	(5.5)	(5.3)	(5.8)	(22.2)	(4.3)	(4.4)	(4.2)	(4.8)	(17.7)	
Depreciation	0.0	(0.0)	0.0	0.0	0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amortization	0.1	(0.1)	0.0	0.0	0.0					0.0					0.0					0.0	
Debt related amortization expen	1.6	1.1		0.2	2.9	0.2	0.1	0.4	0.3	1.0					0.0					0.0	
Stock comp	1.1	1.4	1.5	1.0	4.9	0.6	0.7	0.9	0.8	3.0	0.8	0.8	0.8	0.8	3.4	0.8	0.8	0.8	0.8	3.4	
Deferred rent					0.0					0.0					0.0					0.0	
A/R reserves	(0.2)	0.2	0.0	0.0	0.0					0.0					0.0					0.0	
Deferred income taxes					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in fair value of warrant l	0.9	(0.7)	(0.1)	18.0	18.1	0.2	(2.7)	(0.8)	(0.1)	(3.3)					0.0					0.0	
Writedowns and impairments	0.1	0.7		(0.8)	0.0	9.4	12.2		1.4	22.9					0.0					0.0	
Other gains/losses	5.8	2.2	(2.9)	9.4	14.5				2.1	2.1					0.0					0.0	
Other		0.1	0.2	(0.8)	(0.5)	(0.1)	0.4	0.7	0.5	1.5					0.0					0.0	
Changes in operating assets and liabilities:																					
Accounts receivable	(0.0)	0.3	(0.5)	0.3	(0.0)	(0.2)	0.4	(0.9)	0.7	0.0	(1.0)	(0.1)	(0.1)	(0.3)	(1.5)	0.2	(0.1)	(0.1)	(0.4)	(0.3)	
Inventory				(0.9)	(0.9)	(2.1)	1.2	0.2	0.3	(0.4)					0.0					0.0	
Prepaid expenses & other curre	(0.5)	0.1	0.1	(0.0)	(0.4)	(0.7)	0.1	0.4	(0.2)	(0.5)	(0.0)	(0.0)	(0.0)	(0.2)	(0.3)	0.1	(0.0)	(0.0)	(0.2)	(0.1)	
Income tax					0.0					0.0					0.0					0.0	
Other assets					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(0.7)	(0.6)	0.0	(0.3)	(1.6)	0.2	0.7	0.0	0.2	1.1	3.8	0.5	0.3	1.9	6.6	(1.4)	0.5	0.3	2.2	1.6	
Accrued expenses	(2.3)	(2.5)	1.9	(1.2)	(4.1)	(1.5)	1.1	(0.7)	(0.1)	(1.3)	4.8	0.4	0.2	1.5	6.9	(1.1)	0.4	0.3	1.6	1.2	
Deferred revenue	(0.8)	(0.4)	(0.7)	0.8	(1.2)	(1.0)	(1.7)	0.2	1.3	(1.1)					0.0					0.0	
Other liabilities	0.1	(0.5)	(3.2)	2.9	(0.8)	(0.2)	(0.2)	(0.2)	(0.3)	(0.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	(7.3)	(7.1)	(4.7)	(3.4)	(22.5)	(10.2)	(4.8)	(7.9)	(4.0)	(26.8)	2.9	(3.9)	(4.0)	(2.0)	(7.1)	(5.5)	(2.8)	(2.8)	(0.8)	(11.9)	
Cash flow from investing activities																					
Purchases of property and equipment					0.0	(0.1)	(0.1)	(0.1)	(0.0)	(0.3)	(0.0)	(0.3)	(0.0)	(0.3)	(0.6)	(0.3)	(0.6)	(0.3)	(0.6)	(1.8)	
Purchases of short-term investments				(41.3)	(41.3)	(0.5)	(0.4)		1.3	0.4					0.0					0.0	
Acquisitions	(1.1)	(0.4)		(3.6)	(5.1)		(1.1)		(1.3)	(2.4)					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing acti	(1.1)	(0.4)	0.0	(44.9)	(46.4)	(0.6)	(1.6)	(0.1)	(0.0)	(2.3)	(0.0)	(0.3)	(0.0)	(0.3)	(0.6)	(0.3)	(0.6)	(0.3)	(0.6)	(1.8)	
Cash flow from financing activities																					
Issuance of debt	10.0		(0.0)	4.7	14.7			11.8		11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(11.8)	(13.3)	(0.0)	(1.1)	(26.2)	(1.6)	(1.6)	(1.6)	(3.4)	(8.1)					0.0					0.0	
Issuance of stock	29.7	(0.0)	2.9	62.1	94.7			3.7	0.6	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exe	0.1	0.0	0.0	4.7	4.8	0.0			0.0	0.0					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
Cash provided by (used in) fina	27.9	(13.3)	2.9	70.5	88.0	(1.6)	(1.6)	13.9	(2.7)	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.1)	(0.1)	0.1	(0.1)					0.0					0.0	
Net increase (decrease) in cash	19.5	(20.8)	(1.8)	22.2	19.1	(12.3)	(8.1)	5.8	(6.6)	(21.2)	2.8	(4.1)	(4.1)	(2.3)	(7.7)	(5.8)	(3.4)	(3.1)	(1.4)	(13.7)	
Beginning cash and equivalents	4.0	23.6	2.8	1.0	4.0	23.1	10.8	2.7	8.5	23.137	2.0	4.8	0.7	(3.4)	2.0	(5.7)	(11.5)	(14.9)	(18.0)	(5.7)	
Ending cash and equivalents	23.6	2.8	1.0	23.1	23.1	10.8	2.7	8.5	2.0	1.955	4.8	0.7	(3.4)	(5.7)	(5.7)	(11.5)	(14.9)	(18.0)	(19.4)	(19.4)	

Source: Company reports and Ascendant Capital Markets estimates

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Phunware, Inc.



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

	Report Date		Price
Report	Date	Rating	Target
1	6/16/2020	Buy	4.00
2	8/17/2020	Buy	4.25
3	11/10/2020	Buy	4.50
4	4/4/2021	Buy	4.75
5	5/19/2021	Buy	5.00
6	8/23/2021	Buy	4.50
7	12/5/2021	Buy	6.00
8	3/27/2022	Buy	6.25
9	6/4/2022	Buy	6.00
10	8/23/2022	Buy	5.75
11	11/12/2022	Buy	5.00

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BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

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Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of January 15, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	44	98%	18	41%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	45	100%	18	40%

Other Important Disclosures

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