

Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Tingo Group, Inc.

Rating: Speculative Buy

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TIO \$3.84 — (NASDAQ)

	2021 A*	2022 A	2023 E	2024 E
Total Revenue (in millions)	\$922	\$1,152	\$4,631	\$6,870
Earnings (loss) per share	(\$0.94)	\$0.65*	\$1.83	\$4.00

52-Week range	\$3.95 – \$0.54	Fiscal year ends:	December
Shares outstanding (a/o 5/12/23)**	163.7 million	Revenue/shares (ttm)*	\$3.31
Approximate float	117.6 million	Price/Sales (ttm)	1.2X
Market Capitalization	\$628.6 million	Price/Sales (2024) E	0.3X
Tangible Book value/shr	\$2.24	Price/Earnings (ttm)*	3.8X
Price/Book	1.7X	Price/Earnings (2024) E	1.0X

* All amounts reflect Pro-forma data as if Tingo, Inc. and MICT, Inc. were combined to form Tingo Group, Inc. at the start of a given year. 2022 Per share amount is an estimate based on 520 million average shares. **Before the end 2023, shares outstanding should approximate 520 million after conversion of preferred shares issued to Tingo, Inc. shareholders.

Tingo Group, Inc. is a global agricultural and food financial technology company with operations primarily in Africa with additional operation in Asia and the Middle East. African operations consists of a portfolio of innovative products, including a device-as-a-service smartphone and pre-loaded technology that assists its farmer customers from seed-to-sale, as well as improve their financial security by obtaining access to local, national, and global markets.

Key Investment Considerations:

Maintaining our Speculative Buy rating and increasing our 12-month price target to \$11.75 from \$6.25 per share due to an increase in our 2024 EPS forecast and expanded sector valuations.

Tingo Group has significant growth potential as an emerging agricultural and food financial technology company that provides seed-to-sale platforms for farmers in Nigeria with operations expanding to Ghana, Malawi, and other East African countries.

The February 2023 acquisition of Tingo Foods contributed \$577 million to 1Q23 revenue as demand for its initial five product offerings was substantial. This subsidiary is positioned to aviate Nigeria's reliance on over \$10 billion of high cost imports by providing a lower cost supply of finished food products.

Supporting the company's seed-to-sale mission was the signing in April 2023 of an exclusive agreement with Prime Commodity Exchange and All Farmers Association of Nigeria that secures additional supply of produce for Tingo Foods and its commodity operations through a large network of warehousing facilities in Nigeria.

TIO reported (on 5/15/23) EPS of \$0.34 on revenue of \$851 million with operating income of nearly \$261 million. We projected revenue of \$385 million, operating income of \$220 million, and EPS of \$0.28.

For 2023, we project EPS of \$1.83 on revenue of \$4.6 billion. We previously projected EPS of \$1.76 on revenue of \$3 billion. Our forecast reflects 1Q23 results and higher than anticipated contribution from the company's Tingo Foods operations, offset in part by higher than anticipated operating expenses.

For 2024, we project EPS of \$4.00 on revenue of \$6.9 billion. We previously projected EPS of \$3.77 on revenue of \$5.8 billion. Our forecast should be supported transaction volumes growth from over 30 million users on TIO's Nwassa platform, as well as significant contribution of Tingo Foods and launch of its own new facility in 2H24 that should help drive overall gross margins to 51.5% compared to 40.1% estimated for 2023.

Please view our Disclosures on pages 15 - 17

Appreciation Potential

Maintaining our Speculative Buy rating and increasing our 12-month price target to \$11.75 from \$6.25 per share due to an increase in our 2024 EPS forecast and expanded sector valuations. Our rating reflects signed trade deals and partnerships that should increase the number of customer using Tingo's platforms to at least 30 million entering 2024 from approximately 12 million entering 2Q23. The February 2023 acquisition of Tingo Foods, which contributed over \$577 million to 1Q23 revenue is positioned, as new finished food products are launch and its own newly constructed \$1.6 billion food processing plant comes online in 2H24, to aviate Nigeria's reliance on over \$10 billion of high cost imports by providing a lower cost supply of finished food products.

Supporting the company's seed-to-sale mission was the signing in April 2023 of an exclusive agreement with Prime Commodity Exchange and All Farmers Association of Nigeria (AFAN) that secures additional supply of produce for Tingo Foods and its commodity operations through a large network of warehousing facilities in Nigeria. The deal provides for TIO having the right of first refusal to purchase or trade all produce stored in the AFAN warehouses (2,322 currently active). The produce will be used primarily to serve the Tingo Foods food processing business and the Tingo DMCC commodity trading and export operations.

Our 12-month price target of \$11.75 per share implies shares have the potential to more than triple over the next twelve months. According to finviz.com, the average forward P/E multiple for companies associated with the various sectors TIO revenues will be derived from is approximately 16.2X (prior was 12.7X), compared to TIO's forward (2023) P/E multiple of 2.1X (prior was 0.6X). We anticipate investors are likely to accord Tingo Group, Inc. a multiple nearer to its own forward multiple than the average of the sector multiples. We applied a P/E multiple of 3.5X (prior was 2.1X) to our 2024 EPS forecast of \$4.00 (prior was \$3.77), discounted for execution risks, to obtain a year-ahead price target of approximately \$11.75 per share.

By the end of 2024, we project cash per share of at least \$5.22 (based on approximately 527 million shares), up from cash per share of \$0.95 at December 31, 2022.

TIO's valuation improvement is likely to occur as investor confidence in the company's operations grows. That confidence is likely contingent upon the company consistently demonstrating quarterly revenue and earnings growth, demonstrating expansion of financial transaction volumes as its customer base grows, signing of additional deals to support commodity exchange platform revenues, as well as growing the operations of Tingo Foods and successfully launching its would state-of-the-art facility in the 2H24, which should drive gross margin improvement of this subsidiary.

We believe Tingo Group, Inc. is suitable for risk tolerant investors seeking exposure to an agriculturally and food distribution focused financial technology company that is expanding within Africa countries.

Overview

Tingo Group, Inc., headquartered in Montvale, New Jersey, is a global agricultural and food financial technology (Fintech) company with operations primarily in Africa with additional Fintech operation in Asia and the Middle East. Tingo Group owns and operates Tingo Mobile, an agricultural Fintech company operating in Africa, with a comprehensive portfolio of innovative products, including a device-as-a-service smartphone and pre-loaded technology platform and service offerings. Entering 2Q23, the company's Nwassa Agri-Fintech platform had 12 million users. Signed deals and partnerships should increase the number of users to least 30 million entering 2024. The company's mission is to assist in providing African farmers a technology platform and associated services that enables them to increase crop production yields, reduce post-harvest losses, and eliminate food insecurity, as well as enhance economic security. Its mission will be supported by the launch of a global commodity exchange platform and export business that should enable farmers to gain access to national and global markets, as well as the acquisition of a Tingo Foods a Nigerian food processing company.

Tingo Group's operations also includes insurance brokerage platform businesses in China, with over 130 offices located in China's cities and major towns along with owning and operating Magpie Securities, a regulated finance services Fintech business operating out of Hong Kong and Singapore.

History

In January 2002, the company was incorporated in Delaware as Lapis Technologies, Inc. In March 2013, its name changed to Micronet Enertec Technologies, Inc. In July 2018, after the Enertec Systems subsidiary was sold the name was changed to MICT Inc. The company's shares have been listed on the NASDAQ Capital Market under the symbol MICT since April 29, 2013. On February 27, 2022, MICT changed its name to Tingo Group, Inc. and will trade on NASDAQ under the new symbol TIO. The change reflects the 4Q22 acquisition Tingo, Inc. (detailed below).

Since 2020, new management transformed the company into a financial, financial technology (Fintech), and most recently a food processing and food commodity operation. The transformation occurred through acquisitions, transaction to acquire interests in existing insurance operations in China, and development of Fintech platforms in China, Hong Kong, and Singapore.

In 4Q22, accelerated growth opportunities occurred through the acquisition of African based Tingo, Inc. and its subsidiary Tingo, Mobile that provides mobile phone and Fintech platforms and services to approximately 9.3 million customers. Their customer base is primarily farmers in Nigeria with expansion to additional African countries along with food processing and commodity sales within Africa and international markets. The consideration paid consisted of the issuance of 19.9% of MICT's common stock to Tingo shareholders and issuance of Series A Preferred Stock and Series B Preferred Stock, each of which are convertible into shares of TIO's (as of February 27, 2023) common stock upon certain conditions being satisfied. Upon complete conversion of the preferred stock, Tingo shareholders will own approximately 75% of TIO's common stock.

In 1Q23, the company acquired Tingo Foods, a Nigerian based food processing company by agreeing to pay the owner, Dozy Mmobuosi (the owner of Tingo, Inc.), a purchase price equal to the cost value of Tingo Foods' stock. That will be satisfied by the issuance of a secured two-year 5% promissory note of \$204 million.

Recent Developments

On May 15, 2023, the company announce that is commodity trading and export operations has its first export orders in place. The orders are scheduled shipped prior to June 30, 2023.

On April 26, 2023, Tingo Group, Inc. announced it entered into a tri-partite agreement with Prime Commodity Exchange (PCX) and All Farmers Association of Nigeria (AFAN). Under the terms signed by the parties, TIO has been granted a 30-year lease over AFAN's existing network of 2,322 warehouses (could increase 80,000) covering all 774 local government areas in Nigeria. AFAN's warehouses are used for storing crops and agricultural produce for its farmers. TIO has the right of first refusal to purchase or trade the crops and other produce received into the partnership's warehouses, which is expected to provide a substantial and valuable source of supply for the company's food processing operations and its commodity trading and export business.

PCX will provide an electronic warehouse receipt system (eWRS) that interfaces with its own commodity exchange. Also, PCX utilizes its automated trading system technology to provide real-time matching, clearing and settlement of commodity transactions. The eWRS should enable TIO to automatically track crop consignments and other produce from the time it is received into the warehouses, and securely commoditize such produce to be traded efficiently in the domestic or export markets, or to be purchased by Tingo Foods for processing.

Operations

Tingo

The Tingo Mobile subsidiary will generate the vast majority of TIO's revenues. Tingo and associated operations is an agricultural and food focused financial technology company that provides its customers a comprehensive technology platform and associated operational and financial service through the use of smartphones, with a device as a service revenue model.

The company’s operations are designed to empower farmers and agricultural cooperatives within the African agricultural sector with potential expansion globally in underserved agricultural markets.

The entire ecosystem offering enables its farmer and agricultural cooperative customers to have complete Fintech and service platform of solutions that allow for farmers to increase crop production yields and reduce post-harvest losses, as well as improve their financial security by obtaining access to local, national, and global markets and reduce African food insecurity. Increased access to sell agricultural products should result from the launch of a commodity trading platform in partnership with the Dubai Multi Commodities Centre, while achieving reductions in post-harvest losses should occur through the 1Q23 acquisition of Tingo, Foods a food processing company.

The company’s Nwassa seed-to-sale marketplace platform was established to allow Nigerian farmers, agricultural cooperatives, buyer of produce, and citizens access to through its Fintech platforms to insurance, micro-finance, mobile phone, data top-up, and other supply chain offerings in order to produce agricultural products. This online marketplace facilitates farm produce to be shipped from farms across Africa to any part of the world, in retail and wholesale quantities. The financial aspect of Nwassa’s payment gateway is providing secure transaction since it designed and developed an escrow structure that should create trust between buyers and sellers, as the system provides real-time pricing, straight from the farms, eliminating middlemen. The platform is paperless, verified and matched against a smart contract.

Other offerings within the Tingo Group, Inc. operations include TingoPay, an app that is in partnership with Visa, which offers a range of business-to-consumers and business-to-business services including payment services, an e-wallet, foreign exchange, and merchant services.

Asian Operations

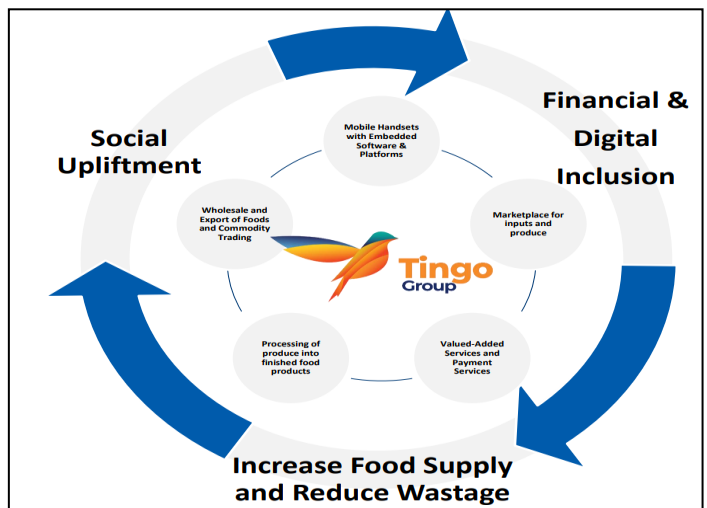
The company holds and operates financial and financial technology insurance brokerage platform business in China, with over 130 offices located in China’s cities and towns. Also, the company’s owns Magpie Securities, a regulated finance services Fintech business operating out of Hong Kong and Singapore.

The company built its insurance brokerage operations through VIE agreements with Chinese companies (such as Beijing Fucheng, Guangxi Zhongtong, and All Weather Insurance Agency). VIE stand for variable interest entity which is a legal business structure where an investor has a controlling interest despite not having a majority of voting rights since the controlling interest is arranged via a contractual relationship rather than direct ownership.

Magpie Invest, a global stock trading app was launched through its Magpie Securities subsidiary. Magpie is licensed to deal in securities, futures, and options, and also undertake the business of securities advisory services and asset management. Magpie is a member of the Hong Kong Stock Exchange, the Hong Kong Stock Exchange Clearing Company, the Hong Kong Stock Exchange China Connect and the London Stock Exchange.

Growth Potential

The company’s goals are to provide financial technology platforms and services to enhance food security, secure the financial futures of farmers in Africa, and quickly ramp revenue (see chart on right that defines Tingo’s anticipated revenue generating ecosystem – March 2023 presentation). To achieve their goals, the company has and will continue to sign trade deals, develop partnerships, utilizing its commodity trading exchange platform partnership, and complete strategic acquisitions. Internal growth should result from Tingo Group’s operations developing and implementing programs to educate its customer base as to the available tools that can be used to fully execute a farmers’ seed-to-sale production strategy. If successful,



the education programs should translate into increased transaction volumes from its existing 11.4 million customer base (entering 2023), as well as its anticipated expanded customer base to at least 30 million a majority of which should be on TIO's platform by the end of 2023. The increased customer base reflects previously signed trade deals.

Tingo Foods Acquisition

In 1Q23, the company acquired Tingo, Food, which was established by Dozy Mmobuosi (the founder of Tingo, Inc.). According to unaudited results, Tingo Foods generated revenue of approximately \$400 million in 4Q22 and in February 2023 had existing inventory of processed food products valued at \$204 million.

During the final two months of 1Q23, Tingo Foods contributed \$577 million to total revenue as demand for its initial five product offerings was substantial.

This operation should grow quickly as through a joint venture Tingo Foods has committed to build and operate a state-of-the-art \$1.6 billion food processing facility in Nigeria that could employ upwards of 12,000 people. We anticipate the company will increase its capital spending to assist in financing the new facility. The food processing facility is anticipated to be completed by the end of 1H24. The existing facility which currently produces a range of products such as rice, pasta, noodles, and other staple foods will expand into new product areas such as tea, coffee, cereals, chocolate, biscuits, cooking oils, non-dairy milks, carbonated drinks, and mineral water in 2H24. This new facility, which should be the first of its kind in Nigeria aims to reduce Africa's reliance on the import of finished food and beverage products and to increase exports of made-in-Africa produce, which in turn is expected to reduce the prices of finished products and significantly reduce shipping miles, as well as carbon emissions. This facility should be in a position to help alleviate Nigeria's reliance on \$10 billion of imports to meet its food and agricultural production shortfalls of wheat, rice, poultry, fish, food services, and consumer-oriented foods (according to an October 2021 International Trade Administration Report).

4Q22 Trade Deals

To increase the company's customer base of farmers and agricultural cooperatives, Tingo signed a trade deal with All Farmers Association of Nigeria (AFAN), which is an umbrella body for 56 farmers' commodity associations in Nigeria. AFAN committed to enroll at least 20 million new members into Tingo's platforms, including its Nwassa agricultural financial technology and services platform. As AFAN works with the Nigeria's Ministry of Agriculture its membership base could eventually increase to as much as 60 million, which should benefit Tingo beyond our forecast period.

Additional customer growth should come from the company's trade deal with the Kingdom of Ashanti, through the Ashanti Investment Trust. The Kingdom of Ashanti presides over Ghana's Ashanti Region with a population of 5.4 million. This region has an important impact over much of the country's population of 32 million. The trade deal should translate into enrolling at least 2 million new members and upwards of over 4 million new members to Tingo's financial technology platform and services.

To broaden its position in Africa, the company announced operations were launched in Malawi that will establish a strategic presence in East Africa to accelerate Tingo's Pan-African rollout. Over time this move should enable the company to enter neighboring countries such as Tanzania, Zambia, and Mozambique.

Commodity Platform Partnership

At the end of 2022, the company launched its global commodity platform and export business in partnership with the Dubai Multi Commodities Centre. Management anticipates that its relationships and trade deals such as farming cooperatives, associations in Nigeria and Ghana that include AFAN, should secured access to significant quantities of agricultural produce for export, including wheat, millet, cassava, ginger, cashew nuts, cocoa and cotton. Engagement and education of its customer base of this platform should help drive increased crop production and reduction in post-harvest losses due to this commodity platform providing direct access to export markets and potentially higher commodity prices.

The company announce its first orders should generate revenue prior to June 30, 2023. The expectation is that total value of export sales could reach at least \$1 billion dollars in 2023, with the vast majority occurring in 2H23.

Visa Partnership TingoPay– 1Q23

In February 2023, the company officially launched its Pan-African strategic partnership with Visa, which aims to improve access to digital payments and financial services, and drive financial inclusion across Africa. The Tingo Visa card and TingoPay app and TingoPay business portal, if successful will open global opportunities to Tingo's customers by enabling secure cashless payments at more than 61 million merchants in over 200 countries through Visa's global network. The integration of Visa's merchant services with TingoPay's commerce portal and the Nwassa marketplace, will enable businesses to accept payments easily and securely in any currency from retail and business customers, and use its e-wallet to immediately fund purchases of inputs and make other payments.

Projections

Basis of Forecast

We project significant revenue growth through our forecast period. In 2024, we anticipate revenue reaching nearly \$6.9 billion (prior was \$5.9 billion) from an estimated \$4.6 billion (prior was \$3 billion) in 2023, up from 2022 pro-forma revenue of nearly \$1.2 billion. Our revenue projections for 2023 and 2024 are predicated on Tingo Foods generating revenue of \$3.3 billion in 2024, up from an estimated \$2.4 billion in 2022. For the first two months of 1Q23, Tingo Foods generated revenue of \$577 million. We also anticipated the company successfully implementing signed trade deals that should significantly increase Tingo's new customers to at least 30 million entering 2024. That increase should cause significant transaction growth on TIO's financial technology and services platforms, resulting in higher 2H23 revenues that should continue throughout 2024. Our forecast includes a significant 2H23 contribution from the company's global commodity platform and export business in partnership with the Dubai Multi Commodities Centre (DMCC) that is anticipated to generate at least \$1 billion revenue and likely increase to approximately \$2 billion in 2024. In 2023, over 90% of DMCC revenue should occur in 2H23.

Economy

In April 2023, the International Monetary Fund (IMF) projects its Sub-Saharan Africa economic growth estimates to 3.6% for 2023 and 4.2% for 2024. The IMF anticipates economic growth in Nigeria of 3.2% in 2023 and 3% in 2024. Economic growth should be supported by measures taken to address insecurity issues in the oil sector within Nigeria.

In Nigeria, growth in agricultural output, productivity, and yield will be necessitated by projected population growth that should reach over 370 million by 2050, up from over 213 billion in 2021 according to World Bank statistics.

Operations – 2023

We project revenue increasing over 300% to \$4.6 billion (prior was \$3 billion) from approximately \$1.2 billion in 2022 (on a pro-forma basis). Tingo's operations should experience significant growth from its food processing and commodity exchange operations, as well as incremental growth from an increased customer base that should drive transaction volume on its financial technology and service platforms.

We forecast gross profit of \$1.9 billion on gross margin of 40.1%. We anticipate gross margin for the company's Tingo Mobile operations of 63% as established customer carry higher margins of approximately 80% while newer customer margins should experience lower margins during their first year. The commodity operations are anticipated to have gross margin of approximately 17.9%, while food processing gross margin should approximate nearly 40%.

We projected operating income of \$1.4 billion as the company should experience operating margin expense of 9.6%. We project operating expenses of \$446 million, which should support the company's anticipated significant revenue growth and initial costs to market its food processing operations. The increase in operating expenses reflects costs associated with operating Tingo's growing businesses (financial technology and services platforms, a food processing facility, and commodity trading platform) in Africa and legacy financial and insurance operation in Asia. Non-operating income should approximate \$1.9 million that was reported by the company in 1Q23.

We project net income attributable to Tingo Group, Inc. of \$957 million or \$1.83 per share on 524.2 million average diluted shares outstanding and income tax expense of \$454 million (a 32.1% rate). We previously forecast net income attributable to Tingo Group, Inc. of \$919 million or \$1.76 per share on 522.5 million average diluted shares

outstanding and income tax expense of \$492 million (a 35% rate). We adjusted our forecast due to 1Q23 results and expenses based on initial growth patterns for the company's food processing operations.

Operations – 2024

We project revenue increasing 48.3% to nearly \$6.9 billion from an estimated \$4.6 billion in 2023. We anticipate growth from the company's increased customer base that should reach over 30 million entering 2024, which should drive transaction volume on its financial technology and service platforms, as well as a significant contribution of nearly \$2 billion from its commodity exchange operations and over \$3.3 billion from the operations of Tingo Foods.

We forecast gross profit nearly doubling to \$3.5 billion from an estimated \$1.9 billion in 2023, on gross margin of 51.5% compared to an estimated 40.1% in 2023.

We projected operating income of \$3 billion, up from an estimated \$1.4 billion in 2023. We anticipate operating margin expense improving to 7.3% from an estimated 9.6% in 2023. We project operating expenses increasing 11.7% to \$498 million from an estimated \$446 million in 2023 in order to support revenue growth and inclusion of the company new food processing facility in 2H24.

We are not projecting non-operating expense or income until it is reported by the company. In 2023, the company could report non-operating income of nearly \$1.9 million, due primarily to interest income.

We project net income attributable to TIO of \$2.1 billion or \$4.00 per share on 524.3 million average diluted shares outstanding and income tax expense of \$942 million (a 31% rate). We previously project net income attributable to Tingo Group, Inc. of nearly \$2 billion or \$3.77 per share on 525 million average diluted shares outstanding and income tax expense of nearly \$1.1 billion (a 35% rate).

Finances

For 2023, we project cash earnings of nearly \$1.4 billion and an increase in working capital of \$460 million. Cash from operations of \$916 million should cover capital expenditures and repayment of debt. We anticipate cash should increase by \$698 million to \$1.2 billion or approximately \$2.29 per share at the end of 2023.

For 2024, we project cash earnings of \$2.6 billion and an increase in working capital of \$465 million. Cash from operations of \$2.1 billion should cover capital expenditures and repayment of debt. We anticipate cash should increase by \$1.5 billion to \$2.7 billion or at least \$5.22 per share at the end of 2024.

1Q23 Results

The company reported revenue of \$851 million consisting of \$577 million from Tingo Foods, \$253.4 million from technology platform service of Tingo Mobile's operations, and \$20.6 million from legacy MICT insurance and financial operations. Revenue in the company's technology platform service included \$125.3 million from user transaction on the Nwassa technology platform.

Gross profit was nearly \$387 million on gross margin of 45.4%. Gross margins were 39.6%, 61.6%, and 12.3%, respectively, for the company's food process, technology platform services, and legacy MICT operations. Operating income was to \$261 million after operating expense of \$126 million. Operating margin expense was 14.8%. The two largest components of operating expenses were selling and market (at \$85 million) and G&A (at nearly \$30 million). Sales and market expense included \$79.2 million from Tingo Foods in order to successfully launch its initial five products and nearly \$2.7 million related to the company's technology platform service operations. G&A expense reflects two months of Tingo Foods, a full quarter of technology platform and service operations, as well as share-based expenses to directors and employees.

Net income after non-controlling interests and income tax expense of nearly \$86 million (or a 32.7% rate) was approximately \$177 million or \$0.34 per share on average fully diluted shares outstanding of 524.2 million. Average

diluted shares accounts for the conversion of two classes of preferred stock issued to holders of Tingo, Inc. once shareholder approvals are obtained.

Capital Structure

On March 31, 2023, the company had cash of \$780 million, current assets of \$1.2 billion, and total assets of nearly \$2.4 billion that includes goodwill of \$232 million, intangible assets of \$322 million, and property and equipment of \$652 million.

The company had total current liabilities of \$561 million, which included related party payables of \$47 million and nearly \$306 million of other current liabilities. Long-term liabilities were \$336 million most of which is related to deferred tax liabilities of \$130 million and \$205,000 promissory note. Total stockholders' equity was \$920 million.

Market Briefs

In September 2021, the global financial technology (Fintech) market was \$110.6 billion in 2020, and is projected to experience annualized growth of 20.3% to \$698.5 billion in 2030. Fintech can be defined as the application of new technological advancements to products and services in the financial industry that aims to improve and automate (digitally) the delivery and use of financial services. The overall industry aims to compete with existing traditional financial methods in delivery of financial services by implementing several technologies such as application programming interface, artificial intelligence, blockchain, and data analytics.

African Fintech

In August 2022, McKinsey & Company published Fintech in Africa: The end of the beginning, which indicated that in 2020 and 2021 combined, the tech startups in Africa tripled to 5,200 companies with nearly half being financial technology (Fintech) companies. African Fintech's are making it their business to disrupt and augment traditional financial services. McKinsey estimates African Fintech's generated revenues of at least \$4 billion but could have been as much as 6 billion in 2020 with an average penetration levels of 3% to 5% (excluding South Africa).

In Africa, 90% of transactions are done in cash, which translates to significant growth potential for companies. According to McKinsey, if the overall sector reaches a similar penetration level seen in Kenya (a country with one of the highest levels of Fintech penetration in the world), African Fintech revenues could reach an estimated eight times their current value by 2025. Ghana and West African countries are expected to grow at the fastest annual rates of 15% and 13%, respectively, until 2025. Nigeria and Egypt should each achieve annual growth of 12% through 2025.

Fintech growth should occur due to increasing smartphone ownership, declining internet costs, expanded network coverage, a young, fast-growing, and rapidly urbanizing population, as well as the increased uses of Apps to enhance productivity and financial transactions. Fintech growth should bring social benefits within African nations.

Example presented by McKinsey's research is that Niger women who received government subsidies through mobile money instead of cash have greater power in household decision-making, while in Kenya, women-led households that adopted mobile money saw an increase in household savings. By innovating with products that meet the needs of people across cultures, genders, technology, and geography, Fintech is helping to reframe African financial services by creating new economic opportunities.

Singapore Fintech

According to a Canadian government Trade Commission report, Singapore is becoming a smart nation and digitally-enabled society. The Fintech industry will be a critical component of that growth as Singapore's central bank and financial industry regulator is keeping focused on developing the foundational digital infrastructure. At the end of 2020, over 40% of Southeast Asia's Fintechs were based in Singapore.

Market intelligence firm, Mordor Intelligence, anticipates Singapore's Fintech industry should experience annualized growth of 16% from 2023 to 2028. During the COVID-19 pandemic contributed to an accelerated pace of digital adoption. Singapore is likely to continue as a leading Fintech hub in Southeast Asia. To support Fintech growth in Singapore is having regulatory support, talent, tax treaties, ownership, and share structures within a politically friendly environment.

Competitive Landscape

Tingo Group, Inc. operations primarily operates within the financial technology sector (Fintech). The company's technology offerings in the Fintech sector competes with large, diversified software and service companies and independent suppliers of software products. Existing and potential financial institution clients could also develop and use their own in-house systems. In addition, competition can include vendors that offer similar transaction processing products and services to financial institutions.

In addition to the Fintech market, the company's Tingo Mobile competes with a large number of mobile phone carriers, which include MTN, Airtel, Glo, and 9 Mobile. Those are the four largest mobile networks and may seek to intensify their investments and expand their businesses in new markets. Current or future competitors may offer lower prices and enhanced features, and Tingo Mobile may be forced to lower its prices and upgrade its phones and network in order to maintain its market share.

The company's legacy MICT operations competes in markets that are evolving and highly competitive with current and potential future competition comes from incumbent discount brokerages, established financial technology companies, venture-backed financial technology firms, banks, cryptocurrency exchanges, asset management firms and technology platforms. The ability to compete successfully in the financial services market depends on its ability to provide easy-to-use, innovative and attractive products and services, effective customer support, attracting and retaining customers, as well as maintaining its reputation and the market perception that its offering provide value.

Public global Fintech companies include Paypal, Square Inc., Lemonade, Inc., Fiserv Inc., and Affirm.

Risks

In our view, these are the principal risks underlying the stock.

International Operations

During our forecast period, most of the company's revenue will come from Africa (Nigeria with expansion into Ghana and Malawi anticipated in 2023) through Tingo, Inc. acquisition. Those operations could be subject to economic, climate, political, and foreign currency risks, as well as management's oversight of the rapidly growing operations. Prior to acquiring Tingo Inc., the company's operations were in Asia (primarily China). Risks include economic, COVID-19 outbreaks/lockdowns, foreign currency, and political (such as the potential for sanctions from Western countries and/or from the Chinese government on foreign owned companies within China) risks.

Increasing Common Share Count

At March 31, 2023, TIO had 163.7 million common shares outstanding. The expectation is that prior to the end of 2023, all approval will be received for the conversion into common stock of preferred shares issue to the shareholders of Tingo, Inc. Once completed Tingo, Inc. shareholders will own approximately 75% of the company's common stock and outstanding common shares should approximately 515 million.

Acquisitions and Partnerships

The company has used acquisitions as part of its strategy to grow its customer base, transaction volume, and revenue. Future operation may include additional acquisitions and/or engagement of partnerships to rapidly growth operations primarily in Africa. Acquisitions and partnerships that expand the company's operations are likely to require management's time and effort in terms of building new complimentary operations and monitoring and maintain those operations. The diversion of management's focus disrupt revenue growth and/or diminish operating profits or margins from existing operations.

Write-own Potential

Tingo Group, Inc. may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on its financial condition.

Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including customer acceptance of existing and new technology platform offerings, competition, internal operations, financial markets, domestic and international regulatory risks, cyber security, and/or other events such as auditing and managing operations in Africa and China, as well as unforeseen domestic or international political events. These risks may cause actual results to differ from expected results.

Legal Proceedings

As of December 31, 2022, there were no open legal proceedings. However, if operations in Africa were to be involved legal proceedings, those proceedings may be complicated, costly, and disruptive to its operations. Any potential negative outcomes, could have a material adverse effect on the overall company's financial condition, operating results, or ability to conduct operations.

Internal Controls

At March 31, 2023, Tingo Group, Inc. prior disclosures in its 2022 10K filing, identified that its disclosure controls and procedures over financial reporting is not effective at the reasonable assurance level due to the material weaknesses. Actions taken to alleviate the material weaknesses, the company in 3Q22, hired an additional controller, as well as a new financial manager. Additionally, management began conducting a mapping processes and controls that support financial reporting and also performed tests to examine the effectiveness of the controls. As part of the effectiveness test, gaps in the information technology general controls process were identified for the companies that were acquired and did not manage to produce a control environment without gaps. TIO's information technology team is beginning to implement a remediation plan and are in the process of fixing the gaps.

Foreign Exchange

Financial results may be negatively affected by foreign exchange rate fluctuations. TIO attempts to match sales and purchases in other currencies to achieve a natural hedge. If it is unable to fully match sales and purchases in different currencies, its business will be exposed to fluctuations in foreign exchange rates.

Shareholder Control

Officers, directors, 5%+ shareholders collectively own approximately 25.2% of the company's outstanding voting stock as of March 31, 2023 (based on company's 2022 SEC 10-K filing in March 2023). At some point in 2023, the shareholders of Tingo Inc., should own approximately 75% of the common shares of Tingo Group, Inc. (formerly known as MICT Inc.), once all preferred stock is converted by Tingo, Inc. shareholders. Collectively this ownership could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

COVID-19 Global Pandemic

A disruption of economic conditions in Africa and China could lie in the spread of COVID-19. Any global disruptions of economic activity could adversely impact corporate operating results.

Trading Volume

In 2022, average daily volume was approximately 667,000 shares. Average daily volume increased over the last three months (ending May 16, 2023) to more than 1.8 million. The company had a float of approximately 117.6 million shares and outstanding shares of approximately 163.7 million. However, after all preferred conversions occur to complete the acquisition of Tingo, Inc., common shares should approximate 515 million.

Tingo Group, Inc.
Consolidated Balance Sheets
FY2022A – FY2024E
(in thousands)

	FY2022A	1Q23A	FY2023E	FY2024E
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 500,316	\$ 780,153	\$ 1,200,149	\$ 2,748,494
Trade accounts receivable, net	11,541	356,771	707,551	1,049,583
Related party receivables	13,491	14,535	14,535	20,000
Other current assets	5,828	4,686	8,000	15,000
Total current assets	<u>531,176</u>	<u>1,156,145</u>	<u>1,930,235</u>	<u>3,833,077</u>
Property and equipment, net	855,125	651,754	650,000	900,000
Intangible assets, net	185,407	322,007	289,007	249,000
Goodwill	101,247	231,637	231,637	231,637
Operating lease right-of-use assets	2,260	2,001	2,001	2,001
Long-term deposit and prepaid expenses	514	483	483	483
Deferred tax assets	3,661	4,015	6,000	6,000
Restricted cash escrow	2,233	2,242	2,242	2,242
Investment in equity - Micronet, Ltd	735	527	527	527
Total assets	<u>\$ 1,682,358</u>	<u>\$ 2,370,811</u>	<u>\$ 3,112,132</u>	<u>\$ 5,224,967</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term loan	460	312	312	-
Trade accounts payable	11,092	204,304	150,000	100,000
Deposit held on behalf of clients	2,528	2,330	2,330	2,330
Related party payables	57,506	47,083	45,000	35,000
Lease liability	1,215	1,165	1,165	1,165
Other current liabilities	192,594	306,238	306,238	250,000
Total current liabilities	<u>265,395</u>	<u>561,432</u>	<u>505,045</u>	<u>388,495</u>
Long-term loan	377	379	379	-
Long-term operating lease liability	905	691	691	691
Promissory note	-	205,369	200,000	100,000
Deferred tax liabilities	89,597	129,565	150,000	10,000
Accrued severance pay	50	48	48	-
Temporary equity				
Preferred stock Series B subject to redemption: \$0.001 par value, 33587.21 shares authorized	553,035	553,035	-	-
Tingo Group, Inc. - Stockholders' equity	770,644	918,410	2,254,087	4,723,899
Non-controlling interest	2,355	1,882	1,882	1,882
Total equity	772,999	920,292	2,255,969	4,725,781
Total liabilities and stockholders' equity	<u>\$ 1,682,358</u>	<u>\$ 2,370,811</u>	<u>\$ 3,112,132</u>	<u>\$ 5,224,967</u>
SHARES OUT	157,600	163,727	525,000	527,000

Source: 10-K filed on 3-31-23 and Taglich Brothers estimates

Tingo Group, Inc.
Annual Income Statement
FY2021A – FY2024E
(in thousands)

	<u>FY21 A*</u>	<u>FY22 A**</u>	<u>FY23 E</u>	<u>FY24 E</u>
Revenues	\$ 921,514	\$ 1,151,600	\$ 4,631,245	\$ 6,870,000
Cost of revenues	<u>577,812</u>	<u>477,000</u>	<u>2,773,291</u>	<u>3,329,000</u>
Gross Profit	<u>343,702</u>	<u>674,600</u>	<u>1,857,954</u>	<u>3,541,000</u>
Operating Expenses:				
Research and development	1,275		2,613	4,000
Selling and marketing	7,458		272,568	275,000
Amortization of intangible assets	75,420		44,389	53,180
General and administration expenses, other	306,597		126,627	166,000
Total Operating Expenses	<u>390,750</u>	<u>120,000</u>	<u>446,197</u>	<u>498,180</u>
Operating Income (loss)	<u>(47,048)</u>	<u>554,601</u>	<u>1,411,757</u>	<u>3,042,820</u>
Other income (loss), net	1,622		425	-
Finance income (expense), net	395	-	1,444	-
Total Other Expense (income)	<u>(637)</u>	<u>899</u>	<u>1,869</u>	<u>-</u>
Pre-Tax Income (loss)	<u>(47,685)</u>	<u>555,500</u>	<u>1,413,626</u>	<u>3,042,820</u>
Income Tax Expense (Benefit)	<u>81,262</u>	<u>218,467</u>	<u>454,261</u>	<u>942,705</u>
Equity investment (loss)		-	(832)	(800)
Net income (loss)	<u>(128,947)</u>	<u>337,032</u>	<u>958,533</u>	<u>2,099,315</u>
(Loss) attributable to non-controlling interest	(730)	(1,268)	(1,264)	(1,200)
Net income (loss) attributable to Tingo Group, Inc.	<u>(128,217)</u>	<u>338,300</u>	<u>957,269</u>	<u>2,098,115</u>
Earning (loss) per share attributable to TIO	<u>\$ (0.94)</u>	<u>\$ 0.65</u>	<u>\$ 1.83</u>	<u>\$ 4.00</u>
Avg Shares Outstanding	137,057	520,000	524,225	524,338
Adjusted EBITDA	\$ 408,987	\$ 954,500	\$ 1,847,907	\$ 3,096,000
Margin Analysis				
Gross margin	37.3%	58.6%	40.1%	51.5%
Research and development	0.1%	0.2%	0.1%	0.1%
Selling and marketing	0.8%	0.8%	5.9%	4.0%
Depreciation and Amortization (intangible assets)	8.2%	6.1%	1.0%	0.8%
General and administration expenses, other	33.3%	3.4%	2.7%	2.4%
Operating margin	(5.1%)	48.2%	30.5%	44.3%
Pre-tax margin	(5.2%)	48.2%	30.5%	44.3%
Tax rate	NMF	39.3%	32.1%	31.0%
YEAR / YEAR GROWTH				
Total Revenues		25.0%	302.2%	48.3%

Source: SEC Filings and Taglich Brothers estimates

* Based on the company's 2/9/23 8-K/A filing that presented it as if Tingo, Inc. and MICT, Inc. were a combined entity on January 1, 2021.

** Based on TIO's 2022 Financial Presentation where certain pro-form information was provided and derived by Taglich Brothers. Note: 2022 EPS is a Taglich Brothers estimate.

Tingo Group, Inc.
Income Statement Model - Quarterly
2023 E – 2024E
(in thousands)

	Q1 23 A	Q2 23 E	Q3 23 E	Q4 23 E	FY23 E	Q1 24 E	Q2 24 E	Q3 24 E	Q4 24 E	FY24 E
Revenues	\$ 851,245	\$ 915,000	\$ 1,265,000	\$ 1,600,000	\$ 4,631,245	\$ 1,310,000	\$ 1,395,000	\$ 1,645,000	\$ 2,520,000	\$ 6,870,000
Cost of revenues	464,391	513,800	781,050	1,014,050	2,773,291	706,250	739,250	730,500	1,153,000	3,329,000
Gross Profit	386,854	401,200	483,950	585,950	1,857,954	603,750	655,750	914,500	1,367,000	3,541,000
Operating Expenses:										
Research and development	363	500	750	1,000	2,613	1,000	1,000	1,000	1,000	4,000
Selling and marketing	85,068	60,000	62,500	65,000	272,568	60,000	55,000	75,000	85,000	275,000
Amortization of intangible assets	11,119	11,100	11,090	11,080	44,389	11,070	11,060	11,050	20,000	53,180
General and administration expenses, other	29,627	30,000	32,000	35,000	126,627	37,500	38,500	40,000	50,000	166,000
Total Operating Expenses	126,177	101,600	106,340	112,080	446,197	109,570	105,560	127,050	156,000	498,180
Operating Income (loss)	260,677	299,600	377,610	473,870	1,411,757	494,180	550,190	787,450	1,211,000	3,042,820
Other income (loss), net	425	-	-	-	425	-	-	-	-	-
Finance income (expense), net	1,444	-	-	-	1,444	-	-	-	-	-
Total Other Expense (income)	1,869	-	-	-	1,869	-	-	-	-	-
Pre-Tax Income (loss)	262,546	299,600	377,610	473,870	1,413,626	494,180	550,190	787,450	1,211,000	3,042,820
Income Tax Expense (Benefit)	85,914	95,872	120,835	151,640	454,261	153,000	170,435	243,985	375,285	942,705
Equity investment (loss)	(208)	(208)	(208)	(208)	(832)	(200)	(200)	(200)	(200)	(800)
Net income (loss)	176,424	203,520	256,567	322,022	958,533	340,980	379,555	543,265	835,515	2,099,315
(Loss) attributable to non-controlling interest	(316)	(316)	(316)	(316)	(1,264)	(300)	(300)	(300)	(300)	(1,200)
Net income (loss) attributable to Tingo Group, Inc.	176,740	203,204	256,251	321,706	957,269	340,680	379,255	542,965	835,215	2,098,115
Earning (loss) per share attributable to TIO	\$ 0.34	\$ 0.39	\$ 0.49	\$ 0.61	\$ 1.83	\$ 0.65	\$ 0.72	\$ 1.04	\$ 1.59	\$ 4.00
Avg Shares Outstanding	524,214	524,220	524,230	524,235	524,225	524,300	524,325	524,350	524,375	524,338
Adjusted EBITDA	\$ 378,557	\$ 405,700	\$ 483,700	\$ 579,950	\$ 1,847,907	\$ 505,250	\$ 561,250	\$ 798,500	\$ 1,231,000	\$ 3,096,000
Margin Analysis										
Gross margin	45.4%	43.8%	38.3%	36.6%	40.1%	46.1%	47.0%	55.6%	54.2%	51.5%
Research and development	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%
Selling and marketing	10.0%	6.6%	4.9%	4.1%	5.9%	4.6%	3.9%	4.6%	3.4%	4.0%
Depreciation and Amortization (intangible assets)	1.3%	1.2%	0.9%	0.7%	1.0%	0.8%	0.7%	0.8%	0.8%	0.8%
General and administration expenses, other	3.5%	3.3%	2.5%	2.2%	2.7%	2.9%	2.8%	2.4%	2.0%	2.4%
Operating margin	30.6%	32.7%	29.9%	29.6%	30.5%	37.7%	39.4%	47.9%	48.1%	44.3%
Pre-tax margin	30.8%	32.7%	29.9%	29.6%	30.5%	37.7%	39.4%	47.9%	48.1%	44.3%
Tax rate	32.7%	32.0%	32.0%	32.0%	32.1%	31.0%	31.0%	31.0%	31.0%	31.0%
YEAR / YEAR GROWTH										
Total Revenues	NA	NA	NA	NA	302.2%	53.9%	52.5%	30.0%	57.5%	48.3%

Source: Taglich Brothers estimates

Tingo Group, Inc.
Cash Flow Statement
FY2022A – FY2024E
(in thousands)

Cash Flows from Operating Activities

Net Income (loss)*	\$ (48,611)	\$ 176,424	\$ 958,533	\$ 2,099,315
Equity in net (income) loss from equity method investment	746	208	1,264	1,200
Provision for doubtful accounts	618	570	2,000	3,000
Depreciation and amortization	39,766	111,055	400,000	500,000
Shares issued to service providers and employees	6,417	6,795	15,000	10,000
Stock-based compensation for employees and consultants	208	30	100	100
Loss from disposal of property and equipment	-	-	-	-
Cash earnings (burn)	<u>(856)</u>	<u>295,082</u>	<u>1,376,897</u>	<u>2,613,615</u>

Changes In:

Deferred taxes, net	28,759	(3,656)	(2,339)	-
Long-term deposit and prepaid expenses	311	30	31	-
Right-of-use assets	1,311	259	259	-
Lease liabilities	(1,518)	(265)	(50)	-
Restricted cash escrow	184	-	(9)	-
Accrued interest due to related party	(266)	(1,894)	(12,506)	(10,000)
Trade accounts receivable, net	7,747	(150,131)	(696,010)	(342,032)
Other current assets	1,685	1,367	(2,172)	(7,000)
Trade accounts payable	(2,234)	(2,458)	138,908	(50,000)
Deposit held on behalf of clients	(573)	(198)	(198)	-
Accrued interest and exchange rate differences on loans from others	(59)	1,369	-	-
Other current liabilities	<u>11,520</u>	<u>103,288</u>	<u>113,644</u>	<u>(56,238)</u>
(Increase)/decrease in Working Capital	<u>46,867</u>	<u>(52,289)</u>	<u>(460,442)</u>	<u>(465,270)</u>
Net cash provided (used in) Operations	<u>46,011</u>	<u>242,793</u>	<u>916,455</u>	<u>2,148,345</u>

Cash Flows from Investing Activities

Loan to related party	(791)	-	-	-
Purchase of property and equipment	(39,645)	(3)	(250,000)	(500,000)
Acquisition of Tingo Foods	-	56,849	56,849	-
Receipt of loan from related party (Miconet)	534	-	-	-
Acquisition of Tingo Mobile, Inc.	430,563	-	-	-
Loan provided to Tingo pursuant to the merger agreement	<u>(23,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flow provided (used in) Investing Activities	<u>366,961</u>	<u>56,846</u>	<u>(193,151)</u>	<u>(500,000)</u>

Cash Flows from Financing Activities

Receipt of short-term loans from banks and others	144	-	-	-
Repayment of bank loans and others	(859)	(149)	(691)	-
Repayment of loan to related party	(10,000)	(8,125)	(8,125)	-
Repayment of promissory note	-	-	(5,369)	(100,000)
Proceeds from exercise of warrants	-	-	-	-
Proceeds from exercise of options	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by Financing	<u>(10,715)</u>	<u>(8,274)</u>	<u>(14,185)</u>	<u>(100,000)</u>

Effect of exchange rates

	1,256	(11,519)	(11,519)	-
Net change in Cash and restricted Cash	403,513	279,846	697,600	1,548,345
Cash beginning of period	<u>99,036</u>	<u>502,549</u>	<u>502,549</u>	<u>1,200,149</u>
Cash (and restricted) End of Period	<u>\$ 502,549</u>	<u>\$ 782,395</u>	<u>\$ 1,200,149</u>	<u>\$ 2,748,494</u>

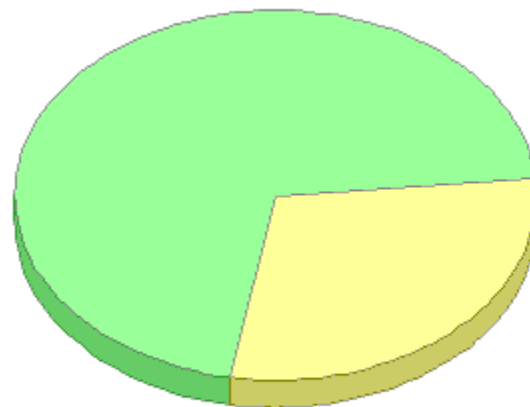
Source: SEC Filings and Taglich Brothers estimates

2022 include only one month of Tingo, Inc.

Price Chart



Taglich Brothers Current Ratings Distribution



70.83 % Buy | 29.17 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	5	26
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. While Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company with in the last three years, it does have a Capital Markets agreement with the company.

On February 13, 2023, Taglich Brothers, Inc. and its Capital Market division signed a consulting agreement with MICT, Inc. (now doing business as Tingo Group, Inc.), whereby they agreed to pay Taglich Brothers, Inc., \$10,000 per month for Capital Market services.

All research issued by Taglich Brothers, Inc. is based on public information. Tingo, Group, Inc. does not pay Taglich Brothers, Inc. for the creation and dissemination of research reports.

General Disclosures

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

Analyst Certification

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report. I pledge that my current ownership in GBOX will always align with my rating.

Public Companies mentioned in this report:

Affirm	(Nasdaq: AFRM)	Fiserv, Inc.	(NASDAQ: FISV)
Lemonade, Inc.	(Nasdaq: LMND)	PayPal Holdings, Inc.	(Nasdaq: PYPL)
BLOCK, Inc.	(NYSE: SQ)		

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.