

Research Report – Update

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

Phunware, Inc.

Rating: Speculative Buy

Howard Halpern

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PHUN \$2.55 — (NASDAQ)

	2023 A	2024 A	2025 E	2026 E
Revenue (in millions)	\$4.8	\$3.2	\$3.2	\$6.4
Earnings (loss) per share	(\$17.62)**	(\$0.94)	(\$0.60)	(\$0.65)
52-Week range	\$14.60 – \$2.45			Fiscal year ends: December
Shares outstanding a/o 11/6/24	20.2 million			Revenue/shares (ttm) \$0.29
Approximate float	20.1 million			Price/Sales (ttm) 8.8X
Market Capitalization	\$51.5 million			Price/Sales (2026) E 8.0X
Tangible Book value/shr	\$5.32			Price/Earnings (ttm) NMF
Price/Book	0.5X			Price/Earnings (2026) E NMF

All per share figures reflect a 1 for 50 reverse stock split effective February 27, 2024 - Revenue excludes the discontinued operations of Lyte Technologies

** Includes approximately (\$10.85) per share impairment of goodwill*

Phunware Inc., headquartered in Austin, Texas, is an enterprise software company specializing in mobile app solutions with integrated intelligent capabilities that includes generative AI technology tools. PHUN provides customers with the tools to create, implement, and manage custom mobile applications, analytics, digital advertising, and location-based services.

Key Investment Considerations:

Maintaining our Speculative Buy rating and reducing our twelve-month price target to \$5.75 per share from \$12.00 per share due primarily to a reduction in sector valuation and our initial 2026 sales per share forecast.

Phunware has significant long-term growth potential as it transitions operations to the development and deployment of its next-generation generative AI SaaS platform. This offering will be designed to democratize mobile app creation by allowing companies to create, build and deploy custom mobile apps for consumer applications and internal employee productivity. Bloomberg Intelligence projects the total generative AI market could reach \$1.3 trillion by 2032, up from \$40 billion in 2022 for annualized growth of 41.6%.

In the near-term, our forecasts should be supported by a more than three-fold increase in reported bookings to over \$3 million in 2024 from \$928,000 in 2023. Entering 1Q25, the company had total deferred revenue and backlog of \$5.2 million, up from \$4.7 million entering 1Q24.

PHUN reported (on 3-20-25) a 2024 loss of (\$0.94) per share on revenue of \$3.4 million compared to a loss of (\$17.62)* per share from continuing operations on revenue of \$4.8 million in 2023. We forecast a loss per share of (\$0.93) on revenue of \$3.6 million.

For 2025, we project a loss of (\$0.60) per share on revenue of \$3.2 million. We previously projected a loss of (\$0.56) per share on revenue of nearly \$10 million. Our revised forecasts reflect slower than anticipated revenue contribution from generative AI contracts, partly offset by interest income of nearly \$3.3 million.

For 2026, we project a loss of (\$0.65) per share on revenue doubling to \$6.4 million. Our revenue forecast reflects increased bookings and new customer contracts for the company's new generative AI offerings expected to launch in 2H25. Our loss per share forecast reflects a reduction in interest income to \$1.8 million from an estimated \$3.4 million in 2025.

Please view our Disclosures pages 15 – 17.

Appreciation Potential

Maintaining our Speculative Buy rating and reducing our twelve-month price target to \$5.75 per share from \$12.00 per share due primarily to a reduction in sector valuation and our initial 2026 sales per share forecast. Our rating and price target reflects the company's focus on transitioning operations to its own next-generation generative AI SaaS platform that will be designed to democratize mobile app creation by allowing companies of all sizes to create, build and deploy custom mobile apps for consumer applications and internal employee productivity. Generative AI utilizes deep-learning models that can generate high-quality text, images, and other content based on the data they were trained on. The company should have the financial resources to accomplish its transformation through internal development and acquisitions. At December 31, 2024, the company had approximately \$113 million in cash on its balance sheet.

We also anticipate supporting our near-term forecasts should be a more than three-fold increase in reported bookings to over \$3 million in 2024 from \$928,000 in 2023. Entering 1Q25, the company had total deferred revenue and backlog of \$5.2 million, up from \$4.7 million entering 1Q24.

Our 12-month price target of \$5.75 per share implies shares could more than double over the next twelve months. According to finviz, the average trailing twelve-month price-to-sales multiple for similar market capitalization companies in the Software – Application and Infrastructure sectors is 21.6X (prior was 28.9X). PHUN's trailing twelve-month price-to-sales multiple is 8.8X (prior was 11.4X). We anticipate investors are likely to accord PHUN a multiple approaching that of the sector. We applied a price-to-sales multiple of 20X (prior was 27.5X) to our 2026 sales per share forecast of \$0.32, discounted for execution risks, to obtain a year-ahead price target of approximately \$5.75 per share.

A higher valuation of Phunware is likely to be supported by revenue growth from the launch of its next-generation generative AI SaaS platform in 2H25. In 2026, we forecast PHUN's operating losses at \$12.2 million compared to an estimate \$12.2 in 2025. In 2026, we estimate PHUN's revenue doubling to \$6.4 million from an estimated \$3.2 million in 2025.

We believe Phunware, Inc. is most suitable for high-risk tolerant investors seeking exposure to an emerging growth company that is developing offerings to enter the generative AI market.

Overview

Phunware Inc., headquartered in Austin, Texas, is an enterprise software company specializing in mobile app solutions with integrated intelligent capabilities that includes generative AI technology tools. PHUN provides customers with the tools to create, implement, and manage custom mobile applications, analytics, digital advertising, and location-based services.

Other offerings include integrated software platforms that equips companies with the products, solutions and services necessary to engage, manage and monetize their anytime, anywhere users worldwide through its location-based software-as-a-service platform that provides an entire mobile lifecycle of applications and media in one login through one procurement relationship. PHUN's technology includes its patented location-based service technology that provides real-time unique features that include indoor and offshore tracking (as well as outdoor and onshore tracking) on the ground, in large buildings, and in the air.

The company's mission is to develop an ecosystem where digital interactions enable a more engaged, interactive, and valuable experience for its customer base and their consumers, which includes new customers for its generative AI offerings.

In October 2021, Lyte Technologies was acquired but classified as a discontinued operations during December 2023.

In 4Q24, a new interim CEO and chairman was appointed to focus on transitioning operations to its own next-generation generative AI SaaS platform that will be designed to democratize mobile app creation by allowing

companies of all sizes to create, build and deploy custom mobile apps for consumer applications and internal employee productivity. This transformation should expand the company’s customer base to include larger enterprises including governmental agencies and hospitality organizations.

Recent Developments

On November 4, 2024, the company announced it signed a term sheet to acquire a controlling interest in MyCanvass, which is indirectly majority owned and controlled by Campaign Nucleus, a SaaS platform company. If completed, PHUN will pay in excess of \$1 million through a combination of cash and stock. MyCanvass provides voter and advocacy engagement technology tools, including mobile apps. The focus is to utilize MyCanvass and its campaign canvassing and advocacy software to develop innovative approaches to identify, engage and mobilize voters, manage canvassing operations, and integrate them with campaigns globally.

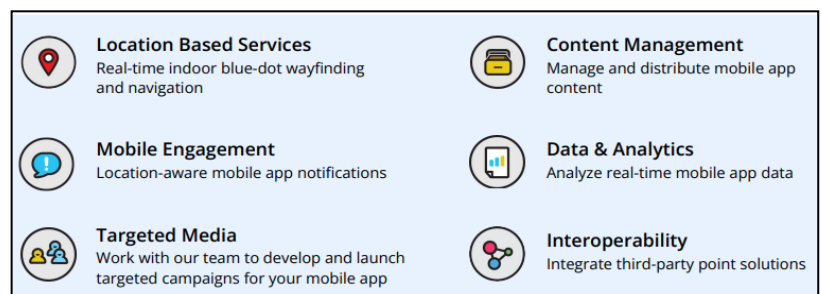
On November 5, 2024, Rahul Mewawalla was appointed as its chairmen. He previously served as a director of Phunware since October 2021. Mr. Mewawalla is expected to provide guidance to the company’s leadership team and help drive corporate strategy to accelerate expansion and innovation, which includes opportunities in generative AI, predictive analytics, and cloud-based services.

On November 21, 2024, Phunware published a survey that provides key factors that influence guest interactions and preferences for Mobile App Engagement. The finding of the survey indicated that 77% of guests expected high personal data protection, 83% of guests indicated that they were likely to provide feedback using a mobile app after participating in a resort activity or service, along with 65% of guests saying that mobile app engagement enhances their views of the resort’s commitment to the guest experience and 82% of guests indicated that using a resort’s mobile app would improve their overall experience, as well as 95% of guests supported the notion that resorts should offer real-time updates on activity and service availability.

On February 13, 2025, the company announce the appointment of Jeremy Krol as Chief Operating Officer (COO) Mr. Krol, joined Phunware in June 2024 and recently held the position of Fractional COO. He brings more than 20 years of experience with a background in engineering, finance, and technology startups. He will oversee the company’s operations to ensure the business is scalable and aligned with objectives that drive meaningful impact.

Technology Platform

PHUN’s location-based software-as-a-service cloud-based technology platform and services are designed for its customer to engage, manage and monetize their anytime, anywhere users worldwide throughout an entire mobile lifecycle of applications and media in one login through one procurement relationship. Pictured on the right are the key elements of the company’s historic value proposition. These modules are designed to assist PHUN’s customers in better understand their users, by providing the tools to engage them at the right time and in the right context.



The technology foundation developed should enable the company to make the transition and allow for the delivery of generative AI directly into users' hands, creating experiences that are highly personalized, relevant and impactful.

Once the generative AI technology platform is launched, Phunware’s complete suite of offerings should generate a growing stream of revenue through the licensing of its technology platforms and services.

Location-based Services

A critical element for the company’s future deployments and customer growth is its location-based services technology and service offerings. This module includes mapping, navigation, wayfinding, workflow, asset

management and policy enforcement. A key differentiator of Phunware's location-based services is the ability to track (a mobile device) indoors and offshore within a hospital, buildings, stadiums/arenas, cruise ships, and airplane. The company's real-time blue-dot position uses Bluetooth Low Energy beacons, or Wi-Fi, GPS and/or Li-Fi (wireless communication utilizing light to transmit data and position between devices). Its location-based services comply with the Americans with Disability Act (i.e., for the wheelchair bound and visually impaired).

Blockchain Ecosystem

In 2019, the company launched PhunToken that acts as a medium of exchange within its blockchain technology enabled rewards marketplace and data exchange. In November 2023, PHUN began evaluating the evolving business and regulatory landscapes to determine the appropriate evolution and expansion of its digital asset ecosystem for contextual engagements.

Revenue Generating Opportunities

The company's strategy reflects improving the features and scalability of PHUN's offerings to not only increase customer adoption and shorten sales cycle, but enhance the overall margin profile of each technology deployment.

Software offerings

PHUN's software development platform for mobile applications is designed to create fully customizable apps and provide related services for larger enterprises. Initial customer successes are beginning to generate word-of-mouth references, accelerating the pool of new customers. The addition of new features and functionalities to existing mobile technology offerings, such as artificial intelligence features like an AI personal concierge for property guests and intelligent reporting for property owners should be the basis for creating generative AI technology modules.

Generative AI

In October 2024, the company announced that management will focus on transforming operations through the development of a new generative AI-based platform designed to democratize access to design, user experience, and content creation so that businesses of any size can design, create, build, and deploy high-quality custom mobile applications in days or even hours. Management anticipated that by leveraging generative AI technology its new platform technology offerings will simplify mobile app design and content creation and drastically reduce the need for expensive and time-consuming design and development investments for its enterprise and government customers.

This evolution should be enable by building upon nearly 15-years of PHUN providing custom mobile app solutions to several thousand US and global customers.

Digital Advertising

In the near-term, the company's digital advertising offerings should experience revenue and customer growth by providing digital advertising campaigns for a range of customers. PHUN is working with agencies and directly with customers to grow this operating segment. The company's digital advertising customer base includes public companies, non-profit organizations, and governmental entities. This offering places general awareness, performance-based, and retargeting advertising campaigns for customers, enabling them to successfully reach their audiences and achieve their marketing objectives. In 2024, the company will have provided digital advertising and related placements to hundreds of customer campaigns.

Increasing demand for digital advertising services should drive customer and revenue growth for this segment in 2025. Entering 4Q24, the company's plan is to expand its digital advertising platform by relaunching programmatic advertising capabilities into the core mobile platform. This will enable PHUN to assist customers conduct more efficient, scalable digital advertising campaigns through partnerships or alliances with one or more third-party programmatic advertising platforms. The integrated solution will be designed to utilize the company's generative AI technology to help customers personalize their digital advertising campaigns to individual users based on behavior, preferences, and demographics to enhance user engagement and increase conversions.

Mobile Advocacy and Engagement

The company has the financial resources to invest in enhancing its existing mobile advocacy and voter engagement technology offering through the integration of AI-powered technology including generative AI. Phunware anticipates it should be able to take advantage of each new election cycle, in which candidates set new records in spending. This enhanced offering should enable political candidates and voters connect, engage, and participate in the voting process, and for individuals and organizations to become knowledgeable about, educate others about, and advocate for events, causes and issues that are important to them.

The company's mobile advertising technology offerings and if the MyCanvass acquisition is completed will be a part of driving growth for this enhanced offering. Driving future growth should be investments being made to partner with organizations that use mobile technologies to drive voter and advocacy engagement, as well as the pursuit of global strategic partners.

Projections

Basis of Forecast

We anticipate PHUN's focus will be to invest in the development and deployment of AI technologies include generative AI to its existing mobile technology platforms. Initial deployment of the company's recurring revenue generative AI technology platform should occur during 2H25. Also, the company is likely to continue pursuing higher margin revenue from its recurring location-based technology platform offerings. At December 31, 2024, PHUN's deferred revenue and backlog combined was \$5.2 million from \$4.7 million at December 31, 2023. Entering 2025, PHUN is positioned to maintain a consistent pace of customer deployments for its technology offerings after announcing new software bookings increased to \$3.1 million compared to \$928,000 at December 31, 2023. We anticipate that during the 2H25, AI related offerings could generate minimal revenue of approximately \$550,000.

At December 31, 2024, PHUN had federal and state (local) net operating loss carryforwards of \$248.2 million and \$236.7 million, respectively with a portion beginning to expire in 2030.

Operations – 2025

We project revenue is likely to be flat compared to last year at \$3.2 million (prior was \$9.1 million). The reduction in our forecast is due primarily to the lack of visibility deployments of the company's new AI technology offering. We forecast approximately \$550,000 from the new AI technology offering compared to our prior forecast of \$4.5 million. We anticipate recurring platform sales growth to be driven by customer deployments and new customer engagements but at a slower pace than previously anticipated.

Gross profit could increase \$21,000 to \$1.5 million due to gross margin improving to 46.1% compared to 45.6% in 2024. Gross margin improvement should reflect a continued shift to higher margin offerings even through revenue is likely to be flat compared to 2024.

We project an operating loss of \$15.5 million from \$13.8 million as operating expense margin is likely to increase to 530% compared to 481% in 2024 reflecting spending on development and launch of the company new AI technology offerings. We anticipate operating expenses of \$17 million compared to \$15.3 in 2024. The increase in operating expenses should support development, deployment, and sales organizational investments to launch and integrate new AI technology offerings including its own generative AI technology platform.

We project interest income of nearly \$3.3 million compared to \$1.6 million in 2024, as the company is likely to earn interest on its cash balances that should approximate more than \$100 million on average in 2025.

We project a net loss of \$12.2 million or (\$0.6)0 per share on average shares outstanding of 20.2 million. We previously projected a net loss of \$11.2 million or (\$0.56) per share on average shares outstanding of 19.9 million.

Finances – 2025

We project a cash loss of \$11.6 million and an increase in working capital of \$1.2 million. Cash used in operations of \$12.8 million, capital expenditures of \$100,000, and \$1 million for the acquisition of MyCanvass should result in cash decreasing by \$13.9 million to \$99.1 million at December 31, 2025.

Operations – 2026

We project revenue doubling to \$6.4 million from an estimated \$3.2 million in 2025 due primarily to accelerated growth of company recurring revenue platform offerings and AI technology offerings that includes the 2H25 launch of a recurring revenue generative AI technology platform. We anticipate recurring platform sales growth to be driven by customer deployments and new customer engagements as the company builds a team of sales professionals that will target new customer for its AI technology offerings. We anticipate the company's new AI offerings should contribute approximately \$3 million to total revenue, up from an estimate \$550,000 in 2024 if the offerings gain customer acceptance.

Gross profit could reach \$3.9 million from an estimated \$1.5 million in 2025 due to revenue growth and gross margin improving to 60.9% compared to an estimated 46.1% in 2025. Gross margin improvement should reflect a continued shift to higher margin AI technology offerings.

We project the operating loss narrowing to \$15 million from an estimated \$15.5 million based on revenue growth, gross margin improvement, partly offset by and operating expense margin of 295% compared to an estimated 530% in 2025. We anticipate operating expenses of \$18.9 million compared to an estimated \$17 in 2025. The increase in operating expenses should support development, deployment, and sales organizational investments to fully integrate new AI technology offerings including its own generative AI technology platform in order to gain new customer acceptance.

We project interest income of \$1.8 million compared to an estimated \$3.3 million in 2025. The decrease reflects lower cash balances that should approximate \$85 million and lower interest rates.

We project a net loss of \$13.2 million or (\$0.65) per share on average shares outstanding of 20.4 million.

Finances – 2026

We project a cash loss of \$12.4 million and an increase in working capital of \$13.6 million. Cash used in operations of \$13.6 million and capital expenditures of \$200,000 should result in cash decreasing by \$13.8 million to \$85.3 million at December 31, 2026.

2024 Results

2024

Revenue decreased to \$3.2 million compared \$4.8 million (the year-ago period reflects the elimination of the discontinued operations of Lyte Technologies). In the current period, the decrease in revenue stems from development fees and additional customer reimbursable costs recognized last year that did not reoccur in 2024, as well as reduced number of advertising campaigns.

Gross profit decreased to \$1.5 million from to \$1.7 million in 2023 due primarily to lower revenue, partly offset by gross margin improving to 45.6% from 34.9% in the year-ago period.

Operating expenses decreased to \$15.3 million from \$21.6 million (excludes a \$25.9 million charge for goodwill impairment) last year. G&A expenses decreased to \$10.5 million from \$13.8 million last year due primarily to due lower payroll and related expenses stemming from a reduced headcount and lower cost related to facilities, partly offset by higher legal fees. R&D expense decreased to \$2.3 million from \$4.4 million in the year-ago period reflecting lower headcount. Sales and marketing expenses decreased to \$2.6 million from \$3.3 million in 2023 reflecting lower sales and marketing personnel headcount.

Non-operating income was \$3.6 million compared to income of \$3.7 million last year. In the current period, PHUN recorded interest income of \$1.1 million, \$535,000 gain on extinguishment of debt, and other income of \$1.5 million. The year-ago period reflects interest expense of \$1.7 million and \$237,000 related to the extinguishment of debt, which was more than offset by other income of \$5.5 million.

Net loss was \$10.3 million or (\$0.94) per share on average shares outstanding of 11 million. In the year ago period, the loss from continuing operations (excluding impairment charge of \$25.9 million) was \$16.1 million or (\$6.80) per share on 2.4 million outstanding average shares. In 3Q23, the discontinued operations of Lyte Technologies amounted to a loss of \$10.8 million or (\$4.56) per share. We forecasted a loss per share (\$0.93) on revenue of \$3.6 million

Finances

In 2024, cash burn of \$9.4 million and a \$3.7 million increase in working capital, as well as a negative \$177,000 of discontinued operation resulted in cash used in operations of \$13.3 million. Proceeds of \$122.3 million from the issuance of common stock covered cash used in operations. Cash increased by \$109 million to nearly \$113 million at December 31, 2024.

Capital Structure

At December 31, 2024, the company had no outstanding debt. The company had \$1.2 million PhunCoin rights listed as short-term deposits on its balance sheet. At December 31, 2024, the company had a digital currency asset balance of \$103,000 (compared to \$75,000 at December 31, 2023). In 1Q24, the company issued 336,550 shares of common stock to the holder of its 2022 promissory note with conversions also being made that resulted in the note being paid-in-full.

In 2024, the company had an equity distribution agreement with Canaccord Genuity LLC and at market issuance sales agreement with H.C. Wainwright. Through those two agreement, the company sold over \$122 million worth of common stock, increasing shares outstanding to 20.2 million at December 31, 2024 from 3.9 million at December 31, 2023. Also, the H.C. Wainwright agreement was terminated in 2024 along with the Cannaccord agreement being terminated in February 2025.

Mobile Markets

Generative AI (Artificial Intelligence)

Generative AI is often referred to as the culmination of deep-learning models that can generate high-quality text, images, and other content based on the data they were trained on. Bloomberg Intelligence anticipates the generative AI market could reach \$1.3 trillion by 2032, up from approximately \$40 billion in 2022 for annualized growth of 42%. The growth should be driven by training infrastructure in the near-term and gradually shifting to inference devices for large language models, digital advertising, and specialized software and services in the medium to long term. The chart on the right details the estimated market opportunity for various market segment.

Bloomberg		Bloomberg Intelligence Interactive Calculator: Generative AI Market Opportunity			
(\$ million, unless otherwise specified)					
Generative AI Revenue Projections	2022	2027E	2032E	2022-32E CAGR	
Hardware	\$37,973	\$223,615	\$641,737	33%	
Devices (Inference)	\$4,128	\$82,965	\$168,233	45%	
Computer Vision AI Products	\$1,032	\$22,124	\$60,564	50%	
Conversational AI Products	\$3,096	\$60,841	\$107,669	43%	
Infrastructure (Training)	\$33,845	\$140,650	\$473,505	30%	
AI Server	\$22,563	\$49,641	\$133,817	19%	
AI Storage	\$9,025	\$33,094	\$92,642	26%	
Generative AI Infrastructure as a Service	\$2,256	\$57,915	\$247,046	60%	
Software	\$1,493	\$58,826	\$279,899	69%	
Specialized Generative AI Assistants	\$447	\$20,864	\$89,035	70%	
Coding, DevOps and Generative AI Workflows	\$213	\$12,617	\$50,430	73%	
Generative AI Workload Infrastructure Software	\$439	\$13,468	\$71,645	66%	
Generative AI Drug Discovery Software	\$14	\$4,042	\$28,343	113%	
Generative AI Based Cybersecurity Spending	\$9	\$3,165	\$13,946	109%	
Generative AI Education Spending	\$370	\$4,669	\$26,500	53%	
Generative AI Based Gaming Spending	\$190	\$20,668	\$69,414	80%	
Generative AI Driven Ad Spending	\$57	\$64,358	\$192,492	125%	
Generative AI Focused IT Services	\$83	\$21,690	\$85,871	100%	
Generative AI Based Business Services	\$38	\$10,188	\$34,138	97%	
Total	\$39,834	\$399,345	\$1,303,551	42%	

Source: Bloomberg Intelligence, IDC, eMarketer, Statista

McKinsey & Company issued a report on the economic potential of Generative AI, which could alter the anatomy of work by augmenting the capabilities of individual workers. This could occur by automating some of their individual activities. Generative AI and other associated AI technologies have the potential to automate work activities that absorb up to 70% of an employees' time.

Mobile Applications Market

Grandview Research forecasts that the global mobile apps market could approach \$140 billion in 2030, up from \$59.7 billion in 2021 for annualized growth of approximately 13.4%. Growth should be driven by the rapid increase in global Internet usage, as well as the arrival of 5G and the introduction of advanced mobile capabilities.

Location-based Services

Meticulous Research published a report projecting the global location-based services market to reach \$239.7 billion in 2029, up from an estimated \$89 billion in 2022 for annualized growth of 15.1%. Primary drivers are expected to be increased smartphone usage as the United Nations reported that approximately 41.5% of the total world population used a smartphone in 2019. As technology advances, industries seem to be willing to adopt new systems, primarily to improve their efficiency. Driving location-based services growth should be increased usage within the healthcare sector.

Competitive Landscape

The mobile applications technology and solutions market is highly competitive and fragmented. The introduction of new technologies and the potential entry of new competitors into the market would result in increased competition. Primary publicly trading competitors include Adobe and Oracle, along with private companies such as Urban Airship, Chaotic Moon, and Adroll.

Phunware's competition in the AI and generative AI space come from small privately owned companies, as well as parges of large organizations such as Amazon Web Service, Microsoft Azure, Google Cloud, Meta, and managed professional service organizations such as Accenture and Lockheed Martin. Also, competition could come from custom-developed, company-specific AI platforms and applications developed by internal IT organizations.

Competitors are likely to have the ability to devote greater resources to the development, promotion and sale of their technology offerings. The major competitive factors in this market include product features and functionality.

Risks

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

Operating Losses

Phunware Inc. has yet to generate an operating profit. At December 31, 2024, the company's accumulated deficit was approximately \$313.3 million, up from \$102 million in 2017. Losses are likely to continue through our forecast period. The lack of operating profits is unlikely but could result in the company's ability to execute its growth strategy. Common stock offerings in 2021, 2022, 2023, and 2024 provided proceeds in excess of \$240 million, which should provide a runway for the company to execute its growth strategy through our forecast period, as cash on hand as of December 31, 2024 if nearly \$113 million.

New Management Team

In 4Q24, the company's CEO was replaced by Stephen Chen, the company's then Chairperson and Class I director, as Interim CEO. Additional professionals were hired in management and director position and they will be relied upon to execute on the company's business plan and to identify and pursue new opportunities, as well as provide service and product innovations. If Phunware's new management team is unable to execute a timely and orderly transition and successfully integrate the new leadership, revenue growth and improved operating results may not occur, which would adversely impact the company's overall financial condition.

Generative AI

In October 2024, PHUN announced the development of a new generative AI-driven software development platform that will be designed to harness and integrate the power of artificial intelligence in a manner that will enable businesses to quickly develop and monetize custom mobile app solutions at a lower cost, making them accessible to small and medium-sized businesses. This transformation will require a significant investment to complete a technology platform for long-term growth. The investments to be made is likely to include the expansion of ability to go to market, sell and provide technology and service offerings to global customers. Phunware does not anticipate to be profitable in the near future, which could diminish the valuation potential over our forecast period.

Legal Proceedings

On February 18, 2022, certain stockholders filed a lawsuit against Phunware. The plaintiffs invested in various early rounds of financing while the company was private and claims Phunware should not have subjected their shares to a 180-day lock up period. Plaintiffs allege that the stock price dropped significantly during the lock up period and seek damages, costs and professional fees. In March 2025, a bench trial occurred and the expectation is for the court to render an order or ruling in the case in 3Q25. PHYN intends to defend against the remaining claims in this lawsuit and any appeals.

Intellectual Property

The company protects its intellectual property through trade secrets law, patents, copyrights, trademarks and contracts, as well as the establishment of business procedures designed to maintain the confidentiality of proprietary information such as the use of its licenses with customers and use of confidentiality agreements and intellectual property assignment agreements with employees, consultants, business partners, etc.

PHUN holds 18 issued patents, six pending patents, and one allowed patent in various areas including content management, location services and cryptocurrency.

Third parties may infringe on or misappropriate IP rights, or otherwise independently develop substantially equivalent products and/or services. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm its business and/or ability to compete.

Competition

PHUN operates in markets that are highly competitive, with relatively low barriers to entry for some software, product or service organizations. Competitors could be larger and have greater name recognition, much longer operating histories, larger marketing budgets and significantly greater resources. As new technologies and market entrants occur, the expectation is competition is likely to intensify in the future, which could diminish future operations.

Customer Growth

Customer growth will depend of expanding sales and renewals of sales of the company's recurring revenue offering and services to new and existing customers. If new customers in the generative AI market does not materialize is would likely diminish future operations.

Cyber Security

PHUN operates large and complex technology networks and systems to process, transmit and securely store electronic information and to communicate among locations and customers that contain significant amounts of client data. If its systems prove not to be secure, the company could suffer significant harm since client contracts typically contain provisions that require their data to remain confidential.

Internal Controls

As of December 31, 2024, a material weaknesses in the company's internal controls were identified over financial reporting stemming from the design of information technology general controls related to user access, program change, and appropriate segregation of duties for certain IT applications. Also, cost cutting measures and headcount turnover in the company's accounting department resulted in business process controls were not effectively designed and implemented due to a lack of segregation of duties between preparer and reviewer.

Management is seeking to update the company's processes and/or provide sufficient resources toward the proper mitigation of these material control weaknesses. Management is committed to continuously improving the internal control over financial reporting and will work diligently to review financial reporting controls and procedures. However, there can be no assurance that these remediation efforts will be successful or that internal controls over financial reporting will be effective as a result of those efforts.

Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including competition, operations, financial markets, regulatory risk, and/or other events including the wind-down of the discontinued operations, and integration of acquired operations, as well as data and cyber security breaches. These risks may cause actual results to differ from expected results.

Trading Volume

Based on our calculations, the average daily-volume in 2024 was 3.2 million. During the three months period ending April 4, 2025, average daily volume decreased to 734,000. The company has an estimated float and shares outstanding of 20.1 million and 20.2 million, respectively.

Phunware, Inc.
Consolidated Balance Sheets
FY2023A – FY2026E
(in thousands)

	FY23A	FY24A	FY25E	FY26E
ASSETS				
Current assets:				
Cash	\$ 3,934	\$ 112,974	\$ 99,073	\$ 85,266
Accounts receivable, net	550	276	356	711
Current assets of discontinued operations	28	-	-	-
Digital currencies	75	103	103	103
Prepaid expenses and other current assets	374	406	500	750
Total current assets	4,961	113,759	100,032	86,830
Property and equipment, net	40	24	20	15
Right-of-use asset	1,451	840	840	840
Other assets	276	158	158	363
Total assets	\$ 6,728	\$ 114,781	\$ 101,050	\$ 88,048
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	7,836	3,754	2,500	1,500
Accrued expenses	437	148	112	160
Lease liability	629	313	313	313
Deferred revenue	1,258	1,034	1,100	1,200
PhunCoin deposits	1,202	1,202	1,202	1,202
Current portion of long-term debt, net	4,936	-	-	-
Current liabilities of discontinued operations	205	-	-	-
Total current liabilities	16,503	6,451	5,227	4,375
Deferred revenue	651	528	750	1,000
Lease liability	1,031	619	619	619
Stockholders' equity:				
Common stock, \$.0001 par value; authorized 1,00,000,000 shares;	-	2	2	2
Treasury stock at cost	(502)	(502)	(502)	(502)
Additional paid-in capital	292,467	421,003	421,603	422,403
Accumulated other comprehensive	(418)	-	(1,104)	(1,104)
Retained earnings (accumulated deficit)	(303,004)	(313,320)	(325,545)	(338,745)
Total stockholders' equity	(11,457)	107,183	94,454	82,054
Total liabilities and stockholders' equity	\$ 6,728	\$ 114,781	\$ 101,050	\$ 88,048
SHARES OUT	3,851	20,157	20,200	20,300

Source: Company reports and Taglich Brothers estimates

Phunware, Inc.
Annual Income Statement
FY2023 – FY2026E
(in thousands)

	<u>FY23 A</u>	<u>FY24 A</u>	<u>FY25 E</u>	<u>FY26E</u>
Net revenues	\$ 4,830	\$ 3,189	\$ 3,200	\$ 6,400
Cost of sales	<u>3,146</u>	<u>1,735</u>	<u>1,725</u>	<u>2,500</u>
Gross Profit	<u>1,684</u>	<u>1,454</u>	<u>1,475</u>	<u>3,900</u>
Operating Expenses:				
Sales and marketing	3,329	2,605	3,050	3,550
General and administrative	13,780	10,473	11,500	12,350
Research and development	4,449	2,265	2,400	3,000
Impairment of goodwill	25,891	-	-	-
Total Operating Expenses	<u>47,449</u>	<u>15,343</u>	<u>16,950</u>	<u>18,900</u>
Operating Income (loss)	(45,765)	(13,889)	(15,475)	(15,000)
Interest (expense) income	(1,733)	1,597	3,250	1,800
Gain (loss) on extinguishment of debt (PPP forgiveness)	(237)	535	-	-
Fair value adjustment for warrant liabilities	253	-	-	-
Impairment of digital currencies	(50)	-	-	-
Other income (expense) includes sale of digital assets	<u>5,543</u>	<u>1,482</u>	<u>-</u>	<u>-</u>
Total Other Income (expense)	<u>3,776</u>	<u>3,614</u>	<u>3,250</u>	<u>1,800</u>
Pre-Tax Income (loss)	(41,989)	(10,275)	(12,225)	(13,200)
Income Tax Expense (Benefit)	<u>29</u>	<u>41</u>	<u>-</u>	<u>-</u>
Net income (loss) - continuing operations	<u>(42,018)</u>	<u>(10,316)</u>	<u>(12,225)</u>	<u>(13,200)</u>
Discontinued operations (loss)	(10,841)	-	-	-
Net income (loss)	<u>(52,859)</u>	<u>(10,316)</u>	<u>(12,225)</u>	<u>(13,200)</u>
Earning (loss) per share - continuing operations	<u>\$ (17.65)</u>	<u>\$ (0.94)</u>	<u>\$ (0.60)</u>	<u>\$ (0.65)</u>
Discontinued operations	(4.56)	-	-	-
Earning (loss) per share	<u>\$ (22.21)</u>	<u>\$ (0.94)</u>	<u>\$ (0.60)</u>	<u>\$ (0.65)</u>
Avg Shares Outstanding	2,380	10,972	20,215	20,255
Adjusted EBITDA	\$ (31,297)	\$ (10,317)	\$ (14,875)	\$ (14,200)
Margin Analysis				
Gross margin	34.9%	45.6%	46.1%	60.9%
Sales and marketing	68.9%	81.7%	95.3%	55.5%
General and administrative	285.3%	328.4%	359.4%	193.0%
Research and development	92.1%	71.0%	75.0%	46.9%
Operating margin	(947.5%)	(435.5%)	(483.6%)	(234.4%)
Pre-tax margin	(869.3%)	(322.2%)	(382.0%)	(206.3%)
Tax rate	(0.1%)	(0.4%)	0.0%	0.0%
YEAR / YEAR GROWTH				
Total Revenues	(25.9%)	(34.0%)	0.3%	100.0%

Source: Company reports and Taglich Brothers estimates

Taglich Brothers, Inc.

Phunware, Inc.
Income Statement Model
Quarters FY2024A – 2026E
(in thousands)

	Q1 24 A	Q2 24 A	Q3 24 A	Q4 24 A	FY24 A	Q1 25 E	Q2 25 E	Q3 25 E	Q4 25 E	FY25 E	Q1 26 E	Q2 26 E	Q3 26 E	Q4 26 E	FY26E
Net revenues	\$ 921	\$ 1,011	\$ 665	\$ 592	\$ 3,189	\$ 550	\$ 600	\$ 800	\$ 1,250	\$ 3,200	\$ 1,300	\$ 1,475	\$ 1,725	\$ 1,900	\$ 6,400
Cost of sales	397	541	343	454	1,735	375	400	425	525	1,725	550	575	650	725	2,500
Gross Profit	524	470	322	138	1,454	175	200	375	725	1,475	750	900	1,075	1,175	3,900
Operating Expenses:															
Sales and marketing	443	609	619	934	2,605	650	700	800	900	3,050	800	875	950	925	3,550
General and administrative	2,471	2,299	2,281	3,422	10,473	2,700	2,800	2,900	3,100	11,500	3,000	3,050	3,100	3,200	12,350
Research and development	484	496	612	673	2,265	600	600	600	600	2,400	800	800	700	700	3,000
Total Operating Expenses	3,398	3,404	3,512	5,029	15,343	3,950	4,100	4,300	4,600	16,950	4,600	4,725	4,750	4,825	18,900
Operating Income (loss)	(2,874)	(2,934)	(3,190)	(4,891)	(13,889)	(3,775)	(3,900)	(3,925)	(3,875)	(15,475)	(3,850)	(3,825)	(3,675)	(3,650)	(15,000)
Interest (expense) income	(108)	231	371	1,103	1,597	1,000	900	700	650	3,250	600	500	400	300	1,800
Gain (loss) on extinguishment of debt (PPP forgiveness)	535	-	-	-	535	-	-	-	-	-	-	-	-	-	-
Impairment of digital currencies	(56)	-	-	56	-	-	-	-	-	-	-	-	-	-	-
Other income (expense) includes sale of digital assets	211	72	59	1,140	1,482	-	-	-	-	-	-	-	-	-	-
Total Other Income (expense)	582	303	430	2,299	3,614	1,000	900	700	650	3,250	600	500	400	300	1,800
Pre-Tax Income (loss)	(2,292)	(2,631)	(2,760)	(2,592)	(10,275)	(2,775)	(3,000)	(3,225)	(3,225)	(12,225)	(3,250)	(3,325)	(3,275)	(3,350)	(13,200)
Income Tax Expense (Benefit)	-	-	-	41	41	-	-	-	-	-	-	-	-	-	-
Net income (loss) - continuing operations	(2,292)	(2,631)	(2,760)	(2,633)	(10,316)	(2,775)	(3,000)	(3,225)	(3,225)	(12,225)	(3,250)	(3,325)	(3,275)	(3,350)	(13,200)
Discontinued operations (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(2,292)	(2,631)	(2,760)	(2,633)	(10,316)	(2,775)	(3,000)	(3,225)	(3,225)	(12,225)	(3,250)	(3,325)	(3,275)	(3,350)	(13,200)
Earning (loss) per share - continuing operations	\$ (0.33)	\$ (0.32)	\$ (0.25)	\$ (0.15)	\$ (0.94)	\$ (0.14)	\$ (0.15)	\$ (0.16)	\$ (0.16)	\$ (0.60)	\$ (0.16)	\$ (0.16)	\$ (0.16)	\$ (0.17)	\$ (0.65)
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earning (loss) per share	\$ (0.33)	\$ (0.32)	\$ (0.25)	\$ (0.15)	\$ (0.94)	\$ (0.14)	\$ (0.15)	\$ (0.16)	\$ (0.16)	\$ (0.60)	\$ (0.16)	\$ (0.16)	\$ (0.16)	\$ (0.17)	\$ (0.65)
Avg Shares Outstanding	6,864	8,299	11,104	17,620	10,972	20,200	20,210	20,220	20,230	20,215	20,240	20,250	20,260	20,270	20,255
Adjusted EBITDA	\$ (2,169)	\$ (2,198)	\$ (2,885)	\$ (3,065)	\$ (10,317)	\$ (3,625)	\$ (3,750)	\$ (3,775)	\$ (3,725)	\$ (14,875)	\$ (3,650)	\$ (3,625)	\$ (3,475)	\$ (3,450)	\$ (14,200)
Margin Analysis															
Gross margin	56.9%	46.5%	48.4%	23.3%	45.6%	31.8%	33.3%	46.9%	58.0%	46.1%	57.7%	61.0%	62.3%	61.8%	60.9%
Sales and marketing	48.1%	60.2%	93.1%	157.8%	81.7%	118.2%	116.7%	100.0%	72.0%	95.3%	61.5%	59.3%	55.1%	48.7%	55.5%
General and administrative	268.3%	227.4%	343.0%	578.0%	328.4%	490.9%	466.7%	362.5%	248.0%	359.4%	230.8%	206.8%	179.7%	168.4%	193.0%
Research and development	52.6%	49.1%	92.0%	113.7%	71.0%	109.1%	100.0%	75.0%	48.0%	75.0%	61.5%	54.2%	40.6%	36.8%	46.9%
Operating margin	(312.1%)	(290.2%)	(479.7%)	(826.2%)	(435.5%)	(686.4%)	(650.0%)	(490.6%)	(310.0%)	(483.6%)	(296.2%)	(259.3%)	(213.0%)	(192.1%)	(234.4%)
Pre-tax margin	(248.9%)	(260.2%)	(415.0%)	(437.8%)	(322.2%)	(504.5%)	(500.0%)	(403.1%)	(258.0%)	(382.0%)	(250.0%)	(225.4%)	(189.9%)	(176.3%)	(206.3%)
Tax rate	0.0%	0.0%	0.0%	(1.6%)	(0.4%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YEAR / YEAR GROWTH															
Total Revenues	(31.5%)	(21.9%)	(46.9%)	(37.0%)	(34.0%)	(40.3%)	(40.7%)	20.3%	111.1%	0.3%	136.4%	145.8%	115.6%	52.0%	100.0%

Source: Company reports and Taglich Brothers estimates

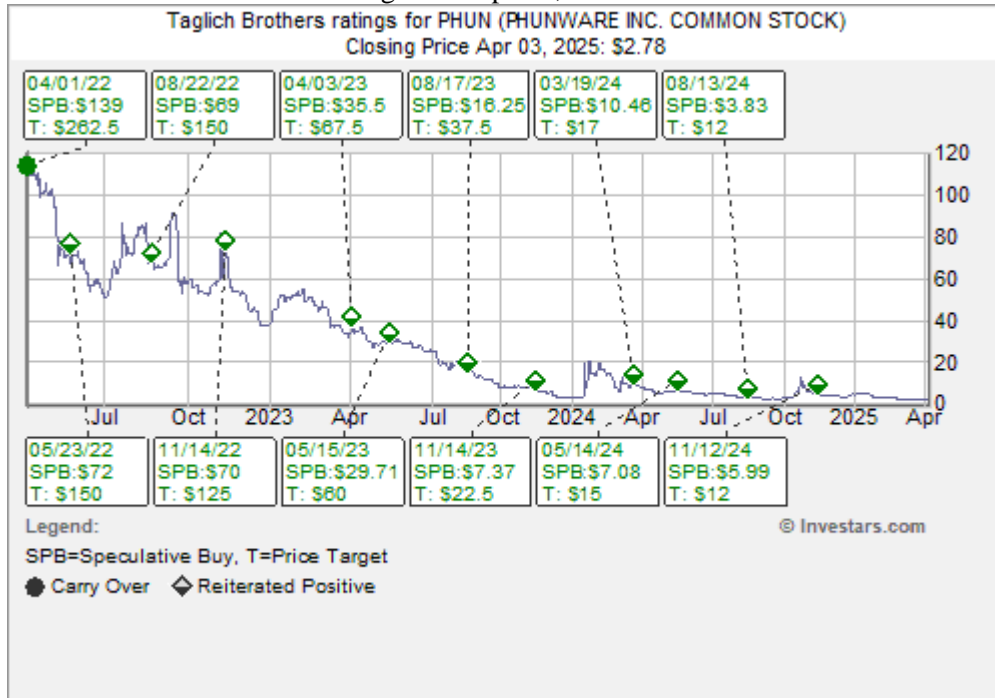
Phunware, Inc.
Cash Flow Statement
FY2024 – FY2026E
(in thousands)

	<u>FY2023A</u>	<u>FY2024A</u>	<u>FY2025E</u>	<u>FY2026E</u>
<i>Cash Flows from Operating Activities</i>				
Net Income (loss) from continuing operations	\$ (41,944)	\$ (10,316)	\$ (12,225)	\$ (13,200)
Impairment of goodwill and other long lived assets	25,819	-	-	-
Accretion of debt discount and deferred financing costs	-	-	-	-
(Gain) loss on extinguishment of debt	237	(535)	-	-
Non-cash writeoff of accounts payable	-	(1,403)	-	-
Other adjustments	2,046	1,219	-	-
Stock-based compensation	4,071	1,656	600	800
Gain on sale of digital currencies	(5,310)	-	-	-
Cash earnings (burn)	<u>(15,081)</u>	<u>(9,379)</u>	<u>(11,625)</u>	<u>(12,400)</u>
<i>Changes In:</i>				
Accounts receivable	235	130	(80)	(356)
Prepaid expenses and other assets	283	86	(94)	(250)
Accounts payable	(688)	(2,933)	(1,254)	(1,000)
Accrued expenses	-	-	(36)	48
Lease liability	(959)	(682)	-	-
Deferred revenue	(896)	(347)	288	350
(Increase)/decrease in Working Capital	<u>(2,025)</u>	<u>(3,746)</u>	<u>(1,176)</u>	<u>(1,208)</u>
Cash flows from (used) operating activities - continuing operations	(17,106)	(13,125)	(12,801)	(13,608)
Cash flows from (used) operating activities - discontinued operations	(1,329)	(177)	-	-
Net cash from (used) from operating activities	<u>(18,435)</u>	<u>(13,302)</u>	<u>(12,801)</u>	<u>(13,608)</u>
<i>Cash Flows from Investing Activities</i>				
Proceeds received from sale of digital currencies	15,390	-	-	-
Acquisitions, net of cash acquired	-	-	(1,000)	-
Capital expenditures	-	-	(100)	(200)
Investing Activities - continuing operations	15,390	-	(1,100)	(200)
Investing Activities - discontinued operations	(8)	-	-	-
Cash flow provided (used in) Investing Activities	<u>15,382</u>	<u>-</u>	<u>(1,100)</u>	<u>(200)</u>
<i>Cash Flows from Financing Activities</i>				
Payments on senior convertible note	(5,057)	-	-	-
Proceeds from common stock, net of issuance costs	10,476	122,342	-	-
Proceeds from exercise of options to purchase common stock	58	-	-	-
Payment for stock repurchase	(502)	-	-	-
Net cash provided (used) by Financing	<u>4,975</u>	<u>122,342</u>	<u>-</u>	<u>-</u>
Effect of exchange rates	57	-	-	-
Net change in Cash and restricted cash	1,979	109,040	(13,901)	(13,808)
Cash and restricted cash Beginning of Period	<u>1,955</u>	<u>3,934</u>	<u>112,974</u>	<u>99,073</u>
Cash (and restricted) End of Period	<u>\$ 3,934</u>	<u>\$ 112,974</u>	<u>\$ 99,073</u>	<u>\$ 85,266</u>

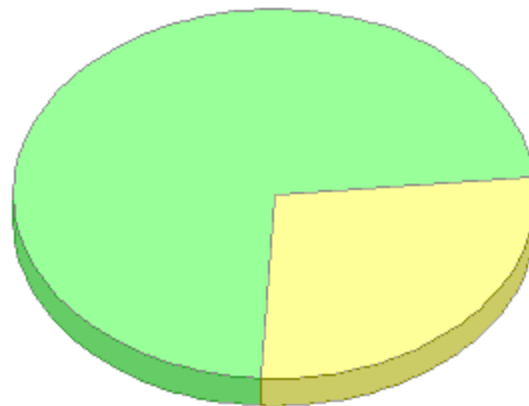
Source: Company reports and Taglich Brothers estimates

Price Chart

Closing Price April 4, 2025: \$2.55



Taglich Brothers Current Ratings Distribution



72.73 % Buy | 27.27 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	3	25
Hold		
Sell		
Not Rated		

Important Disclosures

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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.

Public Companies mentioned in this report:

Adobe, Inc.	(NASDAQ: ADBE)	CISCO Systems, Inc.	(NASDAQ: CSCO)
Oracle Corporation	(NYSE: ORCL)	Microsoft Corporation	(NASDAQ: MSFT)
Amazon.com, Inc.	(NASDAQ: AMZN)	Alphabet Inc.	(NASDAQ: GOOG)

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.