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## SRAX, Inc. (NASDAQ: SRAX)

April 5, 2022

### Buy: Expect Strong 2022.

*Bookings in Q4 2021 and in Q1 2022 were the highest in the company's history and set up a strong 2022. The company raised revenue guidance for 2022 to a range of \$47 to \$49 million. We will revisit our estimates post release of the company's 10K in the coming days. We reiterate our Buy recommendation and price target of \$13.00 per share.*

Q4 2021 bookings of \$16.5 million were highest in the company's history and Q1 2022 bookings of \$15.6 million were the second highest in company history. Trailing 12-month bookings of \$53.3 million amply support the company's revised guidance of \$47 to \$49 million in revenue and there is room for further increases if bookings remain strong for the rest of the year. SRAX ended 2021 with 260 subscribers, up from 125 at the end of 2020. Subscribers continued to increase during Q1 and SRAX ended Q1 2022 with 284 subscribers.

Full Q4 and annual results are pending release of the 10-K, which is delayed while auditors determine how to value the company's investment in BigToken (BGTK \$0.0017). SRAX owns preferred shares in BigToken that are convertible into 149.6 billion shares, with a current market value of \$254 million and a market value at the end of 2021 of \$194 million. Marking this investment to market would result in a gain of over \$7 per share in 2021 and an additional \$1.72 per share gain in Q1.

We have not changed our estimates to reflect the limited operational data and increased revenue guidance released by the company. We will revisit our model when full year results are published. Our current revenue estimate of \$45.5 million for 2022 is at the low-end of the company's prior guidance range of \$45 to \$47 million and our current price target of \$13 is based on our current revenue estimate.

**Valuation:** Our price target of \$13 is based on an EV/Sales multiple of 7x our 2022 revenue estimate of \$45.5 million. The EV/Sales multiple is at parity to the group median of 7.0x (see table on page 2). Our price target does not include any value of its investment in BIGtoken.

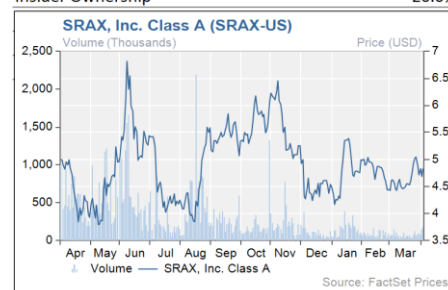
**Risks to Target:** Risks to achieving our price target include negative impacts of the COVID-19 pandemic, the ability to scale the Sequire platform, introduction of new platform services, ability to make debt and acquisition payments, potential pressure on the share price from conversion of the OID and exercise of warrants followed by sale of the shares received in the exercise.

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Current Price	\$4.83		
Price Target	\$13.00		
Estimates	F2021E	F2022E	F2023E
<b>Revenues (\$000s)</b>	\$ 30,828 E	\$ 45,473 E	\$ 56,175
1Q March	\$ 5,442 A	\$ 11,303 E	\$ 13,665
2Q June	\$ 7,677 A	\$ 10,590 E	\$ 14,025
3Q September	\$ 8,313 A	\$ 11,190 E	\$ 14,535
4Q December	\$ 9,396 E	\$ 12,390 E	\$ 13,950
	F2021E	F2022E	F2023E
<b>EPS (diluted)</b>	\$ (0.86)E	\$ 0.27 E	\$ 0.51
1Q March	\$ (0.57)A	\$ 0.07 E	\$ 0.12
2Q June	\$ (0.24)A	\$ 0.04 E	\$ 0.13
3Q September	\$ (0.15)A	\$ 0.06 E	\$ 0.14
4Q December	\$ 0.01 E	\$ 0.10 E	\$ 0.12
<b>EBITDA (\$Ms)</b>	\$ (8.4)	\$ (2.1)	\$ 9.1
<b>EV/EBITDA (x)</b>	-12.1x	-48.8x	11.3x
<b>Stock Data</b>			
52-Week Range	\$3.53	-	\$7.29
Shares Outstanding (mil.)	26.1		
Market Capitalization (mil.)	\$126		
Enterprise Value (mil.)	\$102		
Debt to Capital	0%		
Cash (mil.)	\$25.0		
Cash/Share	\$0.96		
Average Three Months Trading Volume (K)	57		
Insider Ownership	20.0%		



## Outlook

Our revenue estimates had been built off three sources of revenue: 1) Sequire, 2) BIGToken through September of 2021, and 3) conferences/events from LD Micro. Beginning in Q4 2021 we removed BIGToken from our estimates.

For 2022, we project revenue of \$45.5 million, with the entire increase driven by Sequire, offset by the elimination of \$2.5 million in revenue from BIGToken.

\$ in millions	2021E	2022E	2023E
Sequire	27.4	44.5	55.2
BIGToken	2.5	0.0	0.0
Conference & other	0.9	1.0	1.0
<b>Total</b>	<b>\$ 30.8</b>	<b>\$ 45.5</b>	<b>\$ 56.2</b>

Source: SRAX, Inc. and Dawson James Securities estimates

We have modeled subscribers increasing from 260 at the end of 2021 to 415 by the end of 2022.

## Valuation

SaaS/Database providers' shares commonly trade between 4x and 20x forward-12-month (FTM) sales partly due to their 40% to 55% EBITDA margins. We think SRAX is capable of achieving that level of margins, but it will require greater scale.

		Price	TEV	FTM Sales	EV/	EBITDA	EV/	EBITDA
			(\$ in M)	(\$ in M)	Sales		EBITDA	Margin
BR	Broadridge Financial Solutions, Inc.	\$ 156.61	\$ 22,718.0	\$ 5,915.2	3.8x	\$ 1,357.1	16.7x	22.9%
CSGP	CoStar Group, Inc.	67.64	23,301.0	2,249.0	10.4x	626.0	37.2	27.8%
DNB	Dun & Bradstreet Holdings Inc	17.48	11,185.2	2,310.8	4.8x	902.1	12.4	39.0%
EFX	Equifax Inc.	234.50	34,025.5	5,448.3	6.2x	1,987.8	17.1	36.5%
GPN	Global Payments Inc.	140.50	51,799.0	8,660.3	6.0x	4,137.8	12.5	47.8%
INFO	IHS Markit Ltd.	108.61	48,262.5	4,907.7	9.8x	2,275.2	21.2	46.4%
MCO	Moody's Corporation	342.38	70,208.0	6,611.8	10.6x	3,274.4	21.4	49.5%
MSCI	MSCI Inc. Class A	519.51	45,988.5	2,338.8	19.7x	1,383.4	33.2	59.1%
NLSN	Nielsen Holdings Plc	27.44	15,459.1	3,654.0	4.2x	1,564.3	9.9	42.8%
SPGI	S&P Global, Inc.	414.30	100,315.4	13,032.0	7.7x	6,788.9	14.8	52.1%
TRU	TransUnion	100.62	24,191.8	3,891.5	6.2x	1,453.9	16.6	37.4%
VRSK	Verisk Analytics Inc	217.01	38,314.2	3,135.9	12.2x	1,572.4	24.4	50.1%
	Median				7.0x		16.9	42.6%
SRAX	SRAX, Inc. Class A	\$ 4.83	\$ 102.5	\$ 48.2	2.1x	\$ 10.8	9.5x	22.5%

Source: FactSet and Dawson James Securities estimates

Based on our forward-12-month revenue estimate of \$48.2 million, SRAX shares trade below that range, or at 2.1x forward-12-month sales, and at 1.8x our 2023 sales estimate of \$56.2 million.

## Price Target

Our price target of \$13 is based on an EV/Sales multiple of 7x our 2022 revenue estimate of \$45.5 million. The EV/Sales multiple is at parity to the group median of 7.0x.

## Risk Analysis

Risks to achieving our price target include negative impacts of the COVID-19 pandemic, the ability to scale the Sequire platform, introduction of new platform services, ability to make debt and acquisition payments, potential pressure on the share price from conversion of the OID and exercise of warrants followed by sale of the shares received in the exercise.

**Exhibit 1. Income Statement**

\$ in 000's	2018	2019	2020	Q1 21 A	Q2 21 A	Q3 21 A	Q4 21 E	2021 E	2022 E
Revenues	\$ 9,881	\$ 3,584	\$ 8,647	\$ 5,442	\$ 7,677	\$ 8,313	\$ 9,396	\$ 30,828	\$ 45,473
Cost of Revenues	3,157	1,680	2,589	1,650	1,453	1,804	1,786	6,693	9,063
Gross Profit	6,724	1,904	6,058	3,792	6,224	6,509	7,610	24,135	36,410
Operating Expenses	18,443	19,762	17,655	5,218	7,293	8,107	8,114	28,732	29,247
Operating Income	\$ (11,719)	\$ (17,858)	\$ (11,597)	\$ (1,426)	\$ (1,069)	\$ (1,598)	\$ (504)	\$ (4,597)	\$ 7,163
Total Financial Expenses	(3,057)	(716)	(12,150)	(15,025)	(382)	(518)	(90)	(16,015)	32
Other	23,519	1,715	9,068	4,507	(4,561)	(2,487)	0	(2,541)	0
Pretax Income	8,744	(16,859)	(14,679)	(11,944)	(6,012)	(4,603)	(594)	(23,153)	7,195
Taxes	0	0	26	0	0	0	0	0	0
Loss from noncontrolling interest	0	0	0	854	272	774	945	2,845	0
Net Income (Loss)	\$ 8,744	\$ (16,859)	\$ (14,705)	\$ (11,090)	\$ (5,740)	\$ (3,829)	\$ 351	\$ (20,308)	\$ 7,195
Diluted EPS	\$ 0.86	\$ (1.37)	\$ (1.00)	\$ (0.57)	\$ (0.24)	\$ (0.15)	\$ 0.01	\$ (0.86)	\$ 0.27
Diluted Shares	10,121	12,293	14,650	19,412	23,631	25,020	26,147	23,553	26,949
Operating Income	(11,719)	(17,858)	(11,597)	(1,426)	(1,069)	(1,598)	(504)	(4,597)	7,163
Equity based compensation	1,879	1,167	1,852	253	253	251	251	1,008	1,004
Depreciation & Amort.	768	1,163	1,303	384	372	366	366	1,488	940
Adj. EBITDA	\$ (9,073)	\$ (15,528)	\$ (8,442)	\$ (789)	\$ (444)	\$ (981)	\$ 113	\$ (2,101)	\$ 9,107
	2018	2019	2020	Q1 21 A	Q2 21 A	Q3 21 A	Q4 21 E	2021 E	2022 E
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenues	32.0%	46.9%	29.9%	30.3%	18.9%	21.7%	19.0%	21.7%	19.9%
Gross Profit	68.0%	53.1%	70.1%	69.7%	81.1%	78.3%	81.0%	78.3%	80.1%
Operating Expenses	186.7%	551.4%	204.2%	95.9%	95.0%	97.5%	86.3%	93.2%	64.3%
Operating Income	-118.6%	-498.3%	-134.1%	-26.2%	-13.9%	-19.2%	-5.4%	-14.9%	15.8%
Total Financial Expense	-30.9%	-20.0%	-140.5%	-276.1%	-5.0%	-6.2%	-1.0%	-51.9%	0.1%
Other	238.0%	47.9%	104.9%	82.8%	-59.4%	-29.9%	0.0%	-8.2%	0.0%
Net Income (Loss)	88.5%	-470.4%	-170.1%	-203.8%	-74.8%	-46.1%	3.7%	-65.9%	15.8%
EBITDA	-91.8%	-433.3%	-97.6%	-14.5%	-5.8%	-11.8%	1.2%	-6.8%	20.0%

Source: SRAX, Inc. and Dawson James Securities estimates



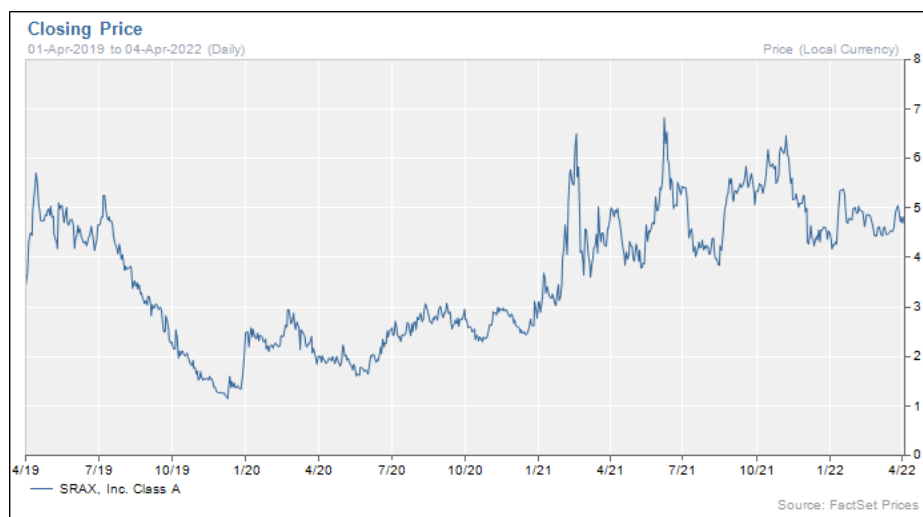
**Exhibit 2. Balance Sheet and Cash Flow Statement**

\$ in 000's	2018	2019	2020	2021 E	2022 E
<b>Current Assets</b>					
Cash and Cash Equivalents	2,785	32	451	13,340	16,960
Accounts Receivables	1,829	805	2,608	2,574	3,395
Prepaid Expenses	467	715	367	1,128	1,487
Marketable Securities	0	0	8,447	18,221	18,221
Designated assets for return of capital	0	0	0	6,255	0
Other Current Assets	387	306	0	0	0
<b>Total Current Assets</b>	<b>\$ 5,468</b>	<b>\$ 1,858</b>	<b>\$ 11,873</b>	<b>\$ 41,519</b>	<b>\$ 40,063</b>
<b>Non Current Assets</b>					
Notes Receivable	0	0	893	926	926
Property and Equipment, net	192	191	118	157	169
Intangible Assets	1,763	1,966	2,409	1,895	2,023
Right-of-Use Asset	0	456	366	286	286
Investment in FPVD	0	0	0	179,475	179,475
Other Assets	51	118	3	36	36
Goodwill	15,645	15,645	23,351	23,351	23,351
<b>Total Assets</b>	<b>\$ 23,118</b>	<b>\$ 20,234</b>	<b>\$ 39,013</b>	<b>\$ 247,645</b>	<b>\$ 246,329</b>
<b>Current Liabilities</b>					
AP and Accrued Expenses	3,575	2,442	3,561	4,444	5,860
Derivative liability	496	4,397	0	0	0
Deferred Revenue	0	0	4,842	19,624	14,949
Other Current Liabilities	0	537	3,869	673	673
Payroll protection loan	0	0	747	0	0
OID convertible debentures	0	0	6,016	0	0
Series A Preferred	0	0	0	6,247	0
<b>Total Current Liabilities</b>	<b>\$ 9,017</b>	<b>\$ 7,376</b>	<b>\$ 19,035</b>	<b>\$ 30,988</b>	<b>\$ 21,482</b>
<b>Non Current Liabilities</b>					
Lease Obligation	0	352	243	148	148
Payroll protection loan	0	0	379	0	0
Deferred tax liability	0	0	131	131	131
<b>Total Stockholders' Equity</b>	<b>14,101</b>	<b>12,506</b>	<b>19,225</b>	<b>216,377</b>	<b>224,568</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$ 23,118</b>	<b>\$ 20,234</b>	<b>\$ 39,013</b>	<b>\$ 247,645</b>	<b>\$ 246,329</b>
	2018	2019	2020	2021 E	2022 E
<b>Operating Activities</b>					
Net Income	8,744	(16,859)	(14,705)	(20,308)	7,195
Depreciation and Amortization	768	1,163	1,303	1,488	940
Stock based Compensation	1,879	1,167	1,852	1,008	1,004
Other	(22,481)	(654)	1,317	17,711	0
Working Capital	(2,572)	(167)	(3,256)	(11,513)	(4,439)
<b>Operating Cash Flow</b>	<b>\$ (13,663)</b>	<b>\$ (15,350)</b>	<b>\$ (13,489)</b>	<b>\$ (13,514)</b>	<b>\$ 4,700</b>
<b>Investing Activities</b>					
CapEx	(82)	(73)	0	(122)	(100)
Digital Currency Assets/Other	(63)	0	32	(33)	0
Development of Software	(961)	(1,292)	(1,205)	(891)	(980)
Sale of marketable securities	0	0	916	6,715	0
Acquisition/Disposal	22,981	570	6,303	(2,049)	0
<b>Cash from Investing Activities</b>	<b>\$ 21,875</b>	<b>\$ (795)</b>	<b>\$ 6,046</b>	<b>\$ 3,620</b>	<b>\$ (1,080)</b>
<b>Financing Activities</b>					
Debt	(6,545)	0	7,862	1,736	0
Equity	100	13,393	0	21,047	0
Other	0	0	0	0	0
<b>Cash from Financing Activities</b>	<b>\$ (6,445)</b>	<b>\$ 13,393</b>	<b>\$ 7,862</b>	<b>\$ 22,783</b>	<b>\$ -</b>
<b>Change in Cash</b>	<b>\$ 1,768</b>	<b>\$ (2,752)</b>	<b>\$ 419</b>	<b>\$ 12,889</b>	<b>\$ 3,620</b>

Source: SRAX, Inc. and Dawson James Securities estimates

**Important Disclosures:**

**Price Chart:**



**Price target and ratings changes over the past three years:**

Initiated – Buy – April 19, 2021 – Price Target \$10.00

Update – Buy – May 18, 2021 – Price Target \$10.00

Price Target Change – Buy – August 18, 2021 – Price Target changed from \$10.00 to \$11.50

Update – Buy – September 29, 2021 – Price Target \$11.50

Update – Buy – October 1, 2021 – Price Target \$11.50

Update – Buy – November 16, 2021 – Price Target \$11.50

Update – Buy – January 3, 2022 – Price Target \$11.50

Price Target Change – Buy – January 10, 2022 – Price Target changed from \$11.50 to \$13.00

Update – Buy – February 22, 2022 – Price Target \$13.00

Update – Buy – April 5, 2022 – Price Target \$13.00

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- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of... 15-Mar-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	74%	4	13%
Market Perform (Neutral)	11	26%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	42	100%	4	10%

#### **Analyst Certification:**

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