

Member FINRA/SIPC

Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

SRAX, Inc. (NASDAQ: SRAX)

October 25, 2022

Buy: Significant Upside, Manageable Risks.

James McIlree, CFA

561-237-2709

jmcilree@dawsonjames.com

We believe there is significant upside for SRAX shares and the risks are manageable. The company has a plan to become current on its filings, which will open up funding to bridge cash needs as if monetizes its investment portfolio.

SRAX expects to become current on its filings in the near-term and if successful this could eliminate some of the major risks the company faces currently. Becoming current on its filings would address the risk of delisting and also open up funding to bridge its cash needs.

The company's rapid revenue growth in 2021 was fueled by acceptance of common stock, convertible, and warrants of its publicly-traded customers as payment for services. About 75% of Sequire revenue was accepted in securities of its customers. When the market was rising and volume high, SRAX was able to turn these shares into cash easier than it can in the current environment. To bridge its cash needs SRAX entered into a debt facility, but drawing on it requires the company to be current on its filings. This has impacted the company's liquidity meaningfully.

The company has now required customers to put up more cash and/or shares with fewer restrictions as a response to the market downturn. We expect this will reduce revenue growth and our model reflects this expectation.

The value of the portfolio is currently estimated at about \$30 million. This is before any discounts for liquidity and restrictions. It also does not include about \$10 million in value from resets that are due. In total, this \$40 million in value is about equal to the current market cap of the company. We believe becoming current on its filings will be a major catalyst for the shares and could result in a sharp increase in value.

Valuation: Our price target of \$5.30 is based on an EV/Sales multiple of 3x our 2023 revenue estimate of \$39.3 million. The EV/Sales multiple is at discount to the group median of 4.9x (see table on page 2).

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.

Current Price	\$1.63		
Price Target	\$5.30		
Estimates	F2021A	F2022E	F2023E
Revenues (\$000s)	\$ 26,707	\$ 36,681 E	\$ 39,321
1Q March	\$ 5,442	\$ 8,658 E	\$ 9,395
2Q June	\$ 7,677	\$ 9,360 E	\$ 9,838
3Q September	\$ 8,313	\$ 9,110 E	\$ 9,752
4Q December	\$ 7,744	\$ 9,553 E	\$ 10,337
	F2021A	F2022E	F2023E
EPS (diluted)	\$ (1.48)	\$ (0.19)E	\$ 0.10
1Q March	\$ (0.57)	\$ (0.19)E	\$ 0.01
2Q June	\$ (0.24)	\$ (0.07)E	\$ 0.03
3Q September	\$ (0.15)	\$ 0.02 E	\$ 0.02
4Q December	\$ (0.20)	\$ 0.03 E	\$ 0.04
EBITDA (\$Ms)	\$ 1.8	\$ 5.1	\$ 5.4
EV/EBITDA (x)	23.0x	8.3x	7.8x
Stock Data			
52-Week Range	\$1.35	-	\$6.50
Shares Outstanding (mil.)	26.0		
Market Capitalization (mil.)	\$42		
Enterprise Value (mil.)	\$42		
Debt to Capital	6%		
Cash (mil.)	\$1.3		
Cash/Share	\$0.05		
Average Three Months Trading Volume (K)	45		
Insider Ownership	20.0%		



Valuation

SaaS/Database providers' shares commonly trade between 4x and ~15x 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.	\$ 142.40	\$ 20,715.3	\$6,218.5	3.3x	\$ 1,385.5	15.0x	22.3%
CSGP	CoStar Group, Inc.	71.39	25,313.3	2,452.2	10.3x	734.0	34.5	29.9%
DNB	Dun & Bradstreet Holdings Inc	11.48	8,561.8	2,315.0	3.7x	924.0	9.3	39.9%
EFX	Equifax Inc.	157.00	25,015.1	5,220.1	4.8x	1,801.9	13.9	34.5%
GPN	Global Payments Inc.	115.66	42,929.2	8,536.8	5.0x	4,191.1	10.2	49.1%
MCO	Moody's Corporation	244.98	51,961.8	6,044.5	8.6x	2,793.5	18.6	46.2%
MSCI	MSCI Inc. Class A	412.15	37,332.5	2,420.8	15.4x	1,412.1	26.4	58.3%
NLSN	Nielsen Holdings Plc	27.98	15,412.9	3,719.9	4.1x	1,598.4	9.6	43.0%
SPGI	S&P Global, Inc.	300.39	113,265.3	12,684.7	8.9x	6,187.1	18.3	48.8%
TRU	TransUnion	56.70	16,595.3	3,926.8	4.2x	1,447.7	11.5	36.9%
VRSK	Verisk Analytics Inc	169.46	30,235.9	3,091.6	9.8x	1,572.2	19.2	50.9%
	Median				5.0x		15.0	41.8%
SRAX	SRAX, Inc. Class A	\$ 1.63	\$ 22.3	\$ 38.8	0.6x	\$ 5.4	4.2x	13.8%

Source: FactSet and Dawson James Securities estimates. SRAX EV adjusted for Sequire portfolio.

Price Target

Our price target of \$5.30 is based on an EV/Sales multiple of 3x our 2023 revenue estimate of \$39.3 million. The EV/Sales multiple is a discount to the group median of 5.0x.

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	Restated 2020 A	Restated 2021 A	Q1 22 E	Q2 22 E	Q3 22 E	Q4 22 E	2022 E	2023 E
Revenues	\$ 6,479	\$ 26,707	\$ 8,658	\$ 9,360	\$ 9,110	\$ 9,553	\$ 36,681	\$ 39,321
Cost of Revenues	1,789	6,521	1,724	1,864	1,814	1,903	7,304	7,832
Gross Profit	4,690	20,186	6,934	7,496	7,296	7,650	29,377	31,489
Operating Expenses	7,706	20,271	6,555	6,561	6,566	6,572	26,254	28,051
Operating Income	\$ (3,016)	\$ (85)	\$ 379	\$ 936	\$ 730	\$ 1,078	\$ 3,123	\$ 3,438
Total Financial Expenses	(12,150)	(10,253)	(192)	(192)	(192)	(192)	(768)	(768)
Other	9,068	(5,956)	(5,000)	(2,500)	0	0	(7,500)	0
Pretax Income	(6,098)	(16,294)	(4,813)	(1,757)	538	886	(5,145)	2,670
Taxes (Benefit)	0	(127)	0	0	0	0	0	0
Net Income (loss) continuing operations	\$ (6,098)	\$ (16,167)	\$ (4,813)	\$ (1,757)	\$ 538	\$ 886	\$ (5,145)	\$ 2,670
Loss from noncontrolling interest	0	0	0	0	0	0	0	0
Net to SRAX, continuing operations	\$ (6,098)	\$ (16,167)	\$ (4,813)	\$ (1,757)	\$ 538	\$ 886	\$ (5,145)	\$ 2,670
Loss from discontinued operations	0	(18,595)	0	0	0	0	0	0
Net Income (Loss)	\$ (6,098)	\$ (34,762)	\$ (4,813)	\$ (1,757)	\$ 538	\$ 886	\$ (5,145)	\$ 2,670
Diluted EPS continuing operations	\$ (0.42)	\$ (1.48)	\$ (0.19)	\$ (0.07)	\$ 0.02	\$ 0.03	\$ (0.19)	\$ 0.10
Diluted Shares	14,650	23,551	25,995	26,045	26,745	26,855	26,410	27,115
Operating Income	(3,016)	(85)	379	936	730	1,078	3,123	3,438
Equity based compensation	1,852	1,006	250	250	250	250	1,000	1,000
Depreciation & Amort.	1,303	919	245	245	245	245	980	980
Adj. EBITDA	\$ 139	\$ 1,840	\$ 874	\$ 1,431	\$ 1,225	\$ 1,573	\$ 5,103	\$ 5,418
	2020 A	2021 A	Q1 22 E	Q2 22 E	Q3 22 E	Q4 22 E	2022 E	2023 E
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Revenues	27.6%	24.4%	19.9%	19.9%	19.9%	19.9%	19.9%	19.9%
Gross Profit	72.4%	75.6%	80.1%	80.1%	80.1%	80.1%	80.1%	80.1%
Operating Expenses	118.9%	75.9%	75.7%	70.1%	72.1%	68.8%	71.6%	71.3%
Operating Income	-46.6%	-0.3%	4.4%	10.0%	8.0%	11.3%	8.5%	8.7%
Total Financial Expense	-187.5%	-38.4%	-2.2%	-2.1%	-2.1%	-2.0%	-2.1%	-2.0%
Other	140.0%	-22.3%	-57.8%	-26.7%	0.0%	0.0%	-20.4%	0.0%
Net Income (Loss)	-94.1%	-130.2%	-55.6%	-18.8%	5.9%	9.3%	-14.0%	6.8%
EBITDA	2.1%	6.9%	10.1%	15.3%	13.4%	16.5%	13.9%	13.8%

Source: SRAX, Inc. and Dawson James Securities estimates

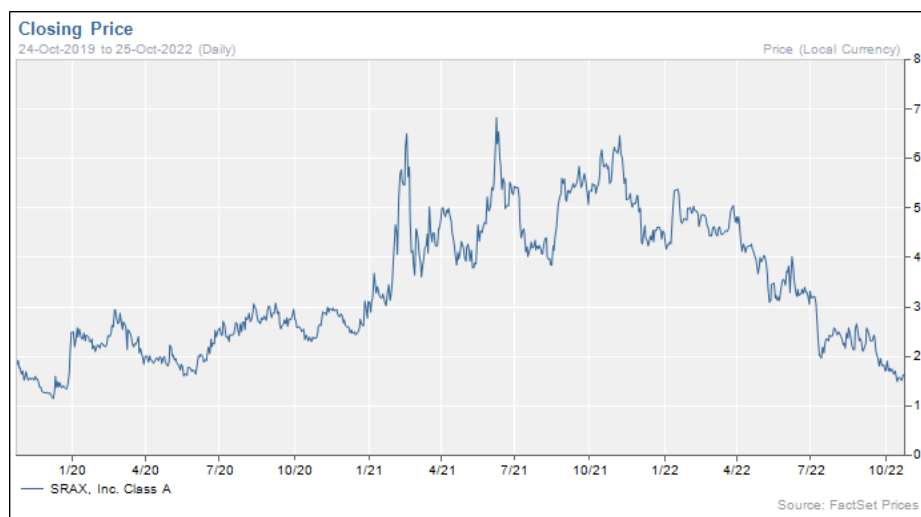
Exhibit 2. Balance Sheet and Cash Flow Statement

\$ in 000's	Restated 2020 A	2021 A	2022 E	2023 E
Current Assets				
Cash and Cash Equivalents	450	1,348	5,883	6,008
Accounts Receivables	1,409	821	1,047	1,699
Contracts Receivable		844	844	844
Marketable Securities	8,447	15,617	23,776	23,776
Designated assets for return of capital	0	3,925	0	0
Prepaid Expenses	361	430	530	574
Other Current Assets	0	0	0	0
Discontinued operations	1,206	0	0	0
Total Current Assets	\$ 11,873	\$ 22,985	\$ 32,080	\$ 32,902
Non Current Assets				
Notes Receivable	893	935	935	0
Property and Equipment, net	117	114	114	114
Intangible Assets	1,492	1,443	1,363	1,363
Right-of-Use Asset	366	257	257	257
Investment in FPVD	0	0	1,000	1,000
Other Assets	2	36	36	36
Goodwill	17,906	17,906	17,906	17,906
Total Assets	\$ 39,013	\$ 43,676	\$ 53,691	\$ 53,578
Current Liabilities				
AP and Accrued Expenses	2,708	4,095	5,051	5,466
Deferred Revenue	4,842	12,859	14,659	10,284
Other Current Liabilities	3,417	763	941	1,018
Payroll protection loan	747	10	0	0
OID convertible debentures	6,016	1,164	1,222	1,222
Series A Preferred	0	3,925	0	0
Liabilities for disposal	1,305	0	0	0
Revolving line of credit	0	0	11,450	11,450
Total Current Liabilities	\$ 19,035	\$ 22,816	\$ 33,324	\$ 29,441
Non Current Liabilities				
Lease Obligation	243	114	114	114
Payroll protection loan	379	0	0	0
Deferred tax liability	131	0	0	0
Total Stockholders' Equity	19,225	20,746	20,253	24,023
Total Liabilities & Stockholders' Equity	\$ 39,013	\$ 43,676	\$ 53,691	\$ 53,578
Operating Activities	2020 A	2021 A	2022 E	2023 E
Net Income	(14,705)	(41,227)	(5,145)	2,670
Loss from discontinued operations	(4,641)	(25,060)	0	0
Income (loss) from continuing operations	(10,064)	(16,167)	(5,145)	2,670
Depreciation and Amortization	712	919	980	980
Stock based Compensation	1,615	1,006	1,000	1,000
Other	1,259	15,237	(8,159)	0
Working Capital	(2,676)	(16,312)	10,669	(3,644)
Cash used in continuing operations	(9,154)	(15,317)	(655)	1,005
Cash used in discontinued operations	(4,335)	(8,118)	0	0
Operating Cash Flow	\$ (13,489)	\$ (23,435)	\$ (655)	\$ 1,005
Investing Activities				
CapEx	0	(69)	(100)	(100)
Digital Currency Assets/Other	32	(33)	0	0
Development of Software	(633)	(798)	(800)	(880)
Sale of marketable securities	519	7,902	0	0
Acquisition/Disposal	6,303	(3,004)	(1,000)	0
Cash from Continuing operations	6,221	3,998		
Cash from discontinued operations	(175)	841		
Cash from Investing Activities	\$ 6,046	\$ 4,839	\$ (1,900)	\$ (980)
Financing Activities				
Debt	7,862	0	6,990	0
Equity	0	15,443	100	100
Other	0	0	0	0
Cash from continuing operations	7,862	15,443	7,090	100
Cash from discontinued operations	0	4,736	0	0
Cash from Financing Activities	\$ 7,862	\$ 20,179	\$ 7,090	\$ 100
Change in Cash	\$ 419	\$ 1,583	\$ 4,535	\$ 125

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
 Update – Buy – July 14, 2022 – Price Target \$13.00
 Price Target Change – Buy – August 15, 2022 – Price Target changed from \$13.00 to \$10.00
 Price Target Change – Buy – September 26, 2022 – Price Target changed from \$10.00 to \$6.00
 Price Target Change – Buy – October 19, 2022 – Price Target changed from \$6.00 to \$5.30
 Update – Buy – October 21, 2022 – Price Target \$5.30
 Update – Buy – October 25, 2022 – Price Target \$5.30

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has not engaged in investment banking relationships with the subject company in the prior twelve months, as a manager or co-manager of a public offering and has not received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has received/earned other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director, or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of October 19, 2022, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts, or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation

that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Ratings Definitions:

- 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 19-Oct-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	83%	3	12%
Market Perform (Neutral)	4	13%	1	25%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.