

Consumer: Health & Wellness
Analysis of Sales/Earnings

Estimates Changed

Springbig Holdings, Inc. | SBIG - \$0.82 - NASDAQ | Buy

Stock Data						
52-Week Low - High	\$0.41 - \$9.98					
Shares Out. (mil)	26.21					
Mkt. Cap.(mil)	\$21.50					
3-Mo. Avg. Vol.	249,853					
12-Mo.Price Target	\$1.25					
Cash (mil)	\$3.5					
Tot. Debt (mil)	\$8.9					
Revenue (\$ millions)						
Yr Dec	—2022E—		—2023E—		—2024E—	
		Curr	Prev	Curr	Prev	
1Q	6.2A	7.3E	7.7E	9.5E	10.1E	
2Q	6.4A	7.7E	8.2E	10.2E	10.8E	
3Q	7.2A	8.3E	8.8E	10.9E	11.6E	
4Q	6.8A	8.9E	9.4E	11.6E	12.4E	
YEAR	26.6A	32.1E	34.1E	42.3E	45.0E	
EBITDA						
Yr Dec	—2022E—		—2023E—		—2024E—	
		Curr	Prev	Curr	Prev	
1Q	(2.5)A	(1.2)E	(1.4)E	0.8E	1.0E	
2Q	(3.4)A	(1.0)E	(0.8)E	1.3E	1.7E	
3Q	(3.4)A	(0.4)E	(0.1)E	1.9E	2.4E	
4Q	(3.3)A	0.2E	0.5E	2.5E	3.1E	
YEAR	(12.6)E	(2.4)E	(1.9)E	6.5E	8.2E	
EPS \$						
Yr Dec	—2022E—		—2023E—		—2024E—	
		Curr	Prev	Curr	Prev	
1Q	(0.01)A	(0.07)E	(0.09)E	0.00E	0.00E	
2Q	(0.14)A	(0.07)E	(0.06)E	0.01E	0.02E	
3Q	(0.12)A	(0.05)E	(0.04)E	0.03E	0.04E	
4Q	(0.18)A	(0.02)E	(0.01)E	0.04E	0.06E	
YEAR	(0.64)A	(0.21)E	(0.18)E	0.08E	0.13E	

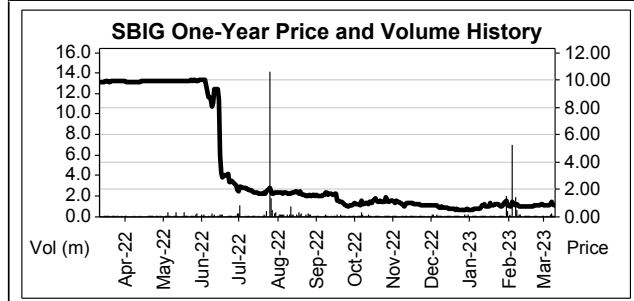
SBIG: 4Q22 Subscriptions Up, New Partnerships/Offerings On Deck, Reit Buy

Springbig reported revenue of \$6.8M, up 2% YoY (subscriptions up 33% YoY), in-line with guidance factoring in adjustments around the treatment of credits. Company guided 1Q23/FY23 top-line estimates at \$7.1-\$7.4M/\$31-\$34M, with expected AEBITDA in-line at (\$1.4M)-(\$1.2M)/(\$3.0M)-(\$1.5M). Even in a challenging cannabis retail end market, SBIG impressively continues to add ~80-100 new clients per quarter (88 in 4Q) with lower churn and over 3,000 retailers. We see several revenue/cost upside opportunities to drive estimates in '23 higher. Reiterate Buy.

Quick take: SBIG's 4Q22 came in-line with our estimates, but key recurring SaaS revenue was up 33% YoY to provide visibility for its 2023 guidance, in-line with our current estimates. In 4Q22, ~77% of the company's revenue came from subscriptions and has since ramped up in 1Q23, with management indicating ongoing success in monetizing larger clients. Guidance came in roughly in-line with our current estimates, but we believe there are several upside levers not yet factored into consensus: 1) New software offerings to integrate, including exclusive consumer subscriptions offered by retailers and managed by SBIG, entering different technology verticals within cannabis (payments), and leveraging/monetizing the robust data it collects; 2) Executing on cutting costs, with reiterated guidance to reduce YoY opex by 21%; and 3) monetizing opportunities outside the cannabis sector (new client contracts in 1Q23), which would also help de-risk the business from specific cannabis industry headwinds and executing as a technology platform. We believe monthly cash burn is down below \$500k, with a clear path towards further reductions and expected AEBITDA breakeven by the end of this year.

4Q22 estimates: Revenue of \$6.8M was up 2% YoY factoring in the change in the way credits are handled, beating the midpoint of its previously-guided 2022 revenue target. GMs improved to 78%, above our 75% estimate, and we expect them to hold at the high-70% level, with profitability focus tied to operational expense decreases leading to breakeven in '23. AEBITDA of (\$3.3M) was below our (\$2.5M) estimate on the lower revenue, with 1Q23/2023 guidance in-line with our current estimate. We model for AEBITDA breakeven in 4Q23 and FCF breakeven in mid-'24 but believe there is potential to quicken that timing dependent on execution on the right-sizing side.

Outlook: In a challenging U.S. cannabis industry environment, we believe SBIG remains well-positioned to add retailers and brands to its subscription-based loyalty and marketing automation platform, as five new adult-use states ramp retail access in '23. While SBIG currently trades below 1.0x 2023E EV/sales, we believe the company should trade more in line with technology peers as it proves out its technology platform, while scaling with non-cannabis clients. We adjust our 2023/2024 revenue estimates to \$32.1M/\$42.3M, leading to AEBITDA of (\$2.4M)/\$6.5M. We reiterate our Buy rating and \$1.25 PT. We would be buyers at these levels as SBIG remains our top idea.



VALUATION

Our \$1.25 price target is derived using an EV/Sales multiple of 1.0x on our '23 estimates, slightly above cannabis technology peers despite having a superior margin profile and below the ~5.1x marketing/consumer engagement sector and ~3.1x ad tech sector. We believe SBIG is valued as a cannabis company and long term should be valued three to four multiple turns higher on valuation as a technology company serving various industries.

Factors that could impede SBIG from reaching our price target include: Federal enforcement of legal state cannabis, government regulation and compliance changes, slower than expected U.S. cannabis adoption, increased large CPG and outside technology competition, changes in consumer preferences, delayed retail store growth, ongoing capital markets headwinds and macroeconomic headwinds.

RISKS

Competitive Risk: There are several new and existing cannabis technology operators looking to develop share along different parts of the technology stack. SBIG will face competition in each of the existing verticals and may experience pricing pressure as competitors scale. Additionally, upon federal legalization, we expect an entry from larger scale technology providers.

Federal Illegality Risk: Cannabis remains a Schedule 1 substance under the Controlled Substance Act (CSA) and only 21 states are federally legal to grow personal cannabis. This has affected liquidity on the custodial side and any adverse news on the regulatory side may impact SBIG's listing status or future revenue opportunity.

Consumer Risk: SBIG is dependent on consumer interest in cannabis consumption given its ties to cannabis retailers and brands. Demand for cannabis from retail consumers will remain a key component of SBIG strategy as it looks to add more dispensaries selling into legal channels.

Regulatory Risk: Several new markets are in the process of legalizing and opening up their individual cannabis markets. Any adverse ruling at the state or federal level may have negative implications for SBIG and its business model. Additionally, state decisions to limit/cap licensing may create growth headwinds in the future.

Macroeconomic Risk: Cannabis operators have been disproportionately impacted by rising rates and consumer headwinds, compounded by the ongoing difficulties on the capital markets side. If retailers choose to limit investment in loyalty marketing, SBIG's model would be impacted.

Capital Markets Risk: Raising capital has become increasingly difficult for companies involved with cannabis operations. Any additional adverse federal ruling could add further challenges to accessing additional capital.

COMPANY DESCRIPTION

SpringBig Holdings, Inc. is a software platform that provides customer loyalty and marketing automation solutions to cannabis retailers and brands in North America. The company's platform connects consumers with retailers and brands through marketing, primarily with short message service (SMS), as well as emails, a customer feedback system, and loyalty programs to support customer engagement and retention. SBIG offers subscription-based (SaaS) marketing automation solutions that provide consistency of customer communication and driving customer retention and retail foot traffic. The company's reporting and analytics offerings deliver insights that clients utilize to understand their customer base, purchasing habits, and trends.

SpringBig Holdings
(NASDAQ: SBIG)

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Income Statement USD in millions (except per share data)	2020 Dec-20	2021 Dec-21	1Q22 Mar-22	2Q22 Jun-22	3Q22 Sep-22	4Q22 Dec-22	2022 Dec-22	1Q23E Mar-23	2Q23E Jun-23	3Q23E Sep-23	4Q23E Dec-23	2023E Dec-23	1Q24E Mar-24	2Q24E Jun-24	3Q24E Sep-24	4Q24E Dec-24	2024E Dec-24
Revenue																	
Total Revenue	\$15.2	\$24.0	\$6.2	\$6.4	\$7.2	\$6.8	\$26.6	\$7.3	\$7.7	\$8.3	\$8.9	\$32.1	\$9.5	\$10.2	\$10.9	\$11.6	\$42.3
y/y growth	0%	58%	19%	10%	18%	-2%	11%	17%	20%	15%	31%	21%	31%	33%	32%	31%	32%
Cost of Sales	5.0	6.9	1.7	1.8	1.7	1.5	6.7	1.6	1.7	1.7	1.9	6.9	2.0	2.1	2.3	2.4	8.9
Gross profit before Biological Asset adjustment	10.2	17.1	4.5	4.6	5.5	5.3	19.9	5.7	6.0	6.5	7.0	25.2	7.5	8.1	8.6	9.2	33.4
Adj. Gross Margins	67.2%	71.2%	72.6%	71.9%	76.4%	78.1%	74.6%	78.0%	78.0%	79.0%	79.0%	78.5%	79.0%	79.0%	79.0%	79.0%	79.0%
Operating Expense																	
Sales and marketing	4.8	10.2	2.9	3.1	3.1	3.2	12.4	2.5	2.6	2.7	2.8	10.7	2.6	2.4	2.4	2.4	9.9
Product development	4.4	8.4	2.6	2.9	2.8	3.0	11.4	2.3	2.3	2.2	2.1	9.0	2.2	2.2	2.2	2.0	8.6
General and administrative	2.6	5.0	1.5	3.9	3.2	3.8	12.4	2.5	2.5	2.5	2.4	9.9	2.5	2.5	2.6	2.8	10.4
Adjusted Operating expenses post-accounting change	-	-	7.0	8.0	8.9	8.6	32.5	-	-	-	-	-	-	-	-	-	-
Total operating expenses	11.8	30.6	7.0	8.0	8.9	8.6	32.5	7.4	7.5	7.5	7.4	29.6	7.2	7.2	7.2	7.2	28.9
% revenue	0%	127%	113%	125%	124%	127%	122%	101%	97%	90%	83%	92%	76%	71%	66%	62%	68%
Operating Income/Loss	(1.6)	(6.5)	(2.5)	(3.4)	(3.4)	(3.3)	(12.6)	(1.7)	(1.5)	(0.9)	(0.4)	(4.4)	0.3	0.8	1.4	2.0	4.5
Other expenses - Non Operating	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in FV of warrants	-	-	-	2.9	0.8	0.4	4.1	-	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	(0.1)	(0.2)	(0.3)	(0.3)	(0.9)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
SCE/depreciation	-	-	(0.3)	(1.1)	-	(0.1)	(1.5)	-	-	-	-	-	-	-	-	-	-
Interest income	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	(0.2)	(0.1)	(1.2)	(1.5)	-	-	-	-	-	-	-	-	-	-
Forgiveness of PPP Loan	-	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction costs allocated to warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation expense/other	-	-	-	(0.6)	-	(0.1)	(0.7)	-	-	-	-	-	-	-	-	-	-
Total other Income (Expense)	0.0	0.8	(0.4)	0.8	0.4	(1.3)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)
Income before taxes	(1.6)	(5.7)	(2.9)	(2.6)	(3.0)	(4.6)	(13.1)	(2.0)	(1.8)	(1.2)	(0.7)	(5.6)	(0.0)	0.5	1.1	1.7	3.3
Provision for Income Taxes	-	(0.0)	-	-	-	(0.0)	(0.0)	-	-	-	-	-	(0.0)	0.2	0.3	0.5	1.0
Net Income (Loss)	(1.6)	(5.8)	(2.9)	(2.6)	(3.0)	(4.6)	(13.1)	(2.0)	(1.8)	(1.2)	(0.7)	(5.6)	(0.0)	0.4	0.8	1.2	2.3
EPS - FD Reported	(0.11)	(0.43)	(0.21)	(0.13)	(0.12)	(0.18)	(0.64)	(0.07)	(0.07)	(0.05)	(0.02)	(0.21)	(0.00)	0.01	0.03	0.04	0.08
Weighted average number of common outstanding - diluted	14.0	13.4	13.6	19.3	25.6	26.3	21.2	26.3	26.3	26.3	26.3	26.3	26.3	26.3	28.3	28.3	27.3
Adjusted EBITDA reconciliation																	
Net Income/(loss)	(1.6)	(5.8)	(0.1)	(2.6)	(3.1)	(4.6)	(13.1)	(2.0)	(1.8)	(1.2)	(0.7)	(5.6)	(0.0)	0.4	0.8	1.2	2.3
Interest/finance expense	(0.0)	(0.0)	0.1	0.2	0.3	0.3	0.9	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2
Change in fair value of warrants	-	-	-	(2.9)	(0.8)	(0.5)	(4.2)	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	(1.6)	(5.6)	(2.5)	(3.4)	(3.4)	(3.3)	(12.6)	(1.2)	(1.0)	(0.4)	0.2	(2.4)	0.8	1.3	1.9	2.5	6.5
EBITDA margin %	-12%	-23%	-40%	-53%	-47%	-49%	-47%	-16%	-13%	-5%	2%	-7%	8%	13%	18%	21%	15%

Source: SEC Filings, company press releases and ROTH MKM estimates

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Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/10/23	
			Count	Percent
Buy [B]	367	74.29	220	59.95
Neutral [N]	97	19.64	29	29.90
Sell [S]	3	0.61	0	0
Under Review [UR]	25	5.06	9	36.00

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Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

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