

November 30, 2022

SOCIETY PASS INC. (NasdaqCM: SOPA)

Society Pass Inc., founded in 2018 and based in Singapore, operates e-commerce platforms in Southeast Asia. The company focuses on the fast-growing markets of Vietnam, Indonesia, the Philippines, Singapore, and Thailand, which together account for more than 80% of the Southeast Asian population. The company's vertical markets include Lifestyle, Travel, Digital Media, Mobile Telecommunications, Grocery and Food Delivery, and Loyalty. Society Pass completed an initial public offering and began trading on the Nasdaq under ticker SOPA in November 2021. SOPA shares were added to the Russell 2000 index in December 2021.

COMPANY HIGHLIGHTS

- * SOPA: Building a Loyalty-Driven E-Commerce Platform in Southeast Asia
- * Society Pass is an e-commerce company operating in fast-growing Southeast Asian markets. The company is assembling a strong e-commerce platform spanning multiple high-growth markets, including luxury fashion, hotel & travel booking, digital media, mobile telecommunications and grocery & restaurant delivery.
- * The company's business model is based upon acquiring smaller e-commerce companies with high growth potential at a relatively low cost and expanding its user base across a robust product and service ecosystem. Society Pass is integrating these diverse businesses through a loyalty program called Society Points, which is in beta testing and which we expect will be launched in early 2023.
- * Society Pass has onboarded over 3.3 million registered consumers and over 5,500 registered merchant/brands. Third-quarter 2022 revenues were \$2.1 million, up from \$83,000 in the third quarter of 2021, reflecting a rapidly accelerating platform rollout. We see the company building critical mass in its user base to support the Loyalty program.
- * The company's flagship brand is Leflair, which enables local businesses in Vietnam to sell premium domestic and foreign brands. Leflair features more than 3,500 registered brands, primarily in the categories of fashion & accessories, beauty

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KEY STATISTICS

Key Stock Statistics

Recent price (11/29/22)	\$1.43
Fair Value Estimate	\$7.50
52 week high/low	\$22.34-\$1.33
Shares outstanding (M)	26.7
Market cap (M)	\$38.2
Dividend	Nil
Yield	Nil

Sector Overview

Sector	Information Technology
Sector % of S&P 500	26.3%

Financials (\$M, as of 9/30/22)

Cash & Mkt Securities	23.9
Debt	0.9
Working Capital (\$M)	15.3
Current Ratio	2.2
Total Debt/Equity (%)	3.1%
Payout ratio	NM
Revenue (\$M) TTM	3.4
Net Income (\$M) TTM	NM
Net Margin TTM	NM

Risk

Beta	NA
Inst. ownership	2%

Valuation

P/E forward EPS	NA
Price/Sales (TTM)	11.2
Price/Book	2.3

Top Holders

BlackRock Inc.
Geode Capital Management LLC
Vanguard Group Inc.

Management

Chairman/CEO	Mr. Dennis Nguyen
CFO/Singapore Country Manager	Mr. Raymond Liang
COO	Ms. Pamela Aw-Young
Company website	https://thesocietypass.com

PRICE CHART



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& personal care, and home & lifestyle, and has registered approximately 1.5 million consumers. Historically, Leflair's peak annual revenue exceeded \$10 million, under prior management. We expect Society Pass to expand Leflair in Southeast Asia and to the Philippines and Indonesia by the first half of 2023.

- * In February 2022, Society Pass acquired Handycart, a Vietnamese online grocery and restaurant delivery app, and Pushkart, a Philippines online grocery delivery app. We view this vertical as poised for rapid growth, as both companies have their own fleet of delivery vehicles. Society Pass expects Handycart to provide delivery from 500 restaurants in Hanoi by mid-2023 and for Pushkart to double its registered user base to over 500,000 and drive app downloads to over 150,000 by mid-2023 as well.
- * Subsequently, Society Pass has closed four additional acquisitions of consumer-focused businesses in Southeast Asia, highlighted by Singapore-based Gorilla Networks, a blockchain and web3 technology-enabled mobile telecommunications operator; Thoughtful Media, a Bangkok-based, influencer advertising and social media platform; Philippines-based Mangan Group, which offers restaurant delivery services; and Nusa Trip, an Indonesia-based online travel-booking site. We view these businesses as being within Society Pass' scope of expertise and see them becoming essential components of the Society Pass product ecosystem, as well as the integrated technology platform underpinning the loyalty points program.
- * As of September 30, 2022, Society Pass held \$23.0 million in cash on its balance sheet. Working capital was \$15.3 million at September 30, 2022, down from \$30.2 million at June 30, 2022, which we attribute, in part, to the acquisitions of Nusa Trip, Thoughtful Media, and Mangan during the third quarter. In our view, Society Pass appears to be sufficiently capitalized to execute on its robust M&A strategy, while maintaining flexibility to limit share issuances.
- * Based on our EV/revenue analysis, we arrive at a fair value estimate for SOPA of \$7.50 per share, well above current levels.

INVESTMENT THESIS

Society Pass is an e-commerce company operating in fast-growing Southeast Asian markets. It focuses on Vietnam, Indonesia, the Philippines, Singapore, and Thailand, which together account for more than 80% of the population of Southeast Asia. The company has built a strong e-commerce platform for consumer goods, luxury fashion, travel booking, digital advertising, telecom, and food and beverage delivery. It also provides related software and systems for participating merchants. The company's goal is to provide consumers with a broad selection of goods, attractive discounts, and

delivery services, while giving merchants access to e-commerce systems and exposure to potential customers.

Society Pass is integrating these diverse businesses by attracting and retaining customers through a loyalty program called Society Points, which is in beta testing and is expected to launch broadly in the beginning of 2023. The company recently announced a partnership with CoinSmart to add crypto payments capabilities to the platform. Loyalty program members will be able to redeem points to make purchases directly from Society Pass or from affiliated merchants. They will also receive personalized promotions and discounts based on the company's data capabilities and understanding of consumer shopping behavior.

We believe that this open-loop loyalty program differentiates Society Pass from other regional competitors. We think the introduction of the Society Points program, which we expect to be rolled out initially in Vietnam and the Philippines and then extended to other Southeast Asian markets, is a key tool in integrating these businesses and building "stickiness" across its user base.

The consumer portfolio includes fashion company Leflair, online grocery delivery services Pushcart and Handycart, and restaurant delivery service Mangan Group. The company has expanded its brand and service portfolio further with the addition of travel booking and digital advertising businesses, as well as Vietnam-based fashion e-commerce businesses.

Society Pass has amassed more than 3.3 million registered consumers and over 200,000 registered merchants/brands on its platforms. It expects to grow by acquiring smaller e-commerce companies that show high growth potential, but typically face challenges in securing additional funding because of their size. Society Pass acquires these companies and, thus, their users, at a relatively low cost, while retaining their management through equity awards and earnout incentives. Over the long-term, we expect Society Pass to utilize its equity to expand the portfolio as its valuation improves, thus limiting dilution.

We have a favorable view of the company's target markets given their still limited e-commerce capabilities and strong projected growth. Vietnam, Indonesia, the Philippines, Singapore, and Thailand all have young, rapidly growing populations with a median age of 25-32, compared to an estimated 42 in China, which is a much more mature market. Southeast Asian economies are also growing at a faster-than-average rate. According to the International Monetary Fund, since 2010, Southeast Asia has averaged 4.6% GDP growth, compared to 0.7% in Japan, 0.8% in the EU, and 1.7% in the U.S. In Vietnam, which we expect to be the company's main revenue driver in the near term, GDP rose at a 6.1% rate from 2011 to 2020 and is projected, by the IMF, to

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PEER COMPARISON

Company	Ticker	Recent Price (\$)	52-Week High (\$)	52-Week Low (\$)	Mkt Cap (\$MIL)	1-yr Price Change (%)	1-yr Rev Growth (%)	1 YR EPS Growth (%)	P/E Ratio	Beta	Yield (%)
SOCIETY PASS INC	NASDAQ: SOPA	1.43	22.34	1.33	38	-84	891	NA	NA	NA	NA
REVOLVE GROUP INC	NASDAQ: RVLV	25.05	81.39	20.17	1836	-67	54	70	18.7	2.08	NA
COUPANG INC	NYSE: CPNG	18.96	30.65	8.98	33565	-28	54	NA	NA	NA	NA
SEA LIMITED	NYSE: SE	54.26	307.86	40.67	30478	-81	128	NA	NA	1.50	NA

grow at a 7% rate over the next five years. We also see Vietnam's economy as poised to benefit from COVID-related lockdowns in China, as global importers shift orders for garments and electronics from China to Vietnam. Indonesia and the Philippines are also among the world's fastest-growing economies.

Although Society Pass is in the early stages of revenue generation, we think that it has made significant progress in developing its e-commerce ecosystem. Its Lifestyle vertical is led by flagship brand Leflair, which generated revenues of \$10 million in 2019, before it was acquired by Society Pass. Society Pass acquired Leflair in February 2021 and relaunched the site in September 2021.

Leflair allows local consumers to access premium domestic and foreign brands at significantly discounted prices, and works to attract customers through daily flash sales, especially of odd lots and end-of-season merchandise. Leflair features more than 3,500 registered brands, primarily in the categories of fashion & accessories, beauty & personal care, and home & lifestyle, and has approximately 1.5 million registered users and more than 460,000 Facebook followers.

In the four quarters since relaunching the site, SOPA's Online Ordering segment, primarily Leflair, has grown quarterly revenues to \$645,000, and nearly \$2.0 million in the trailing 12 months. We expect Leflair's revenues to increase significantly over the balance of the year and into next year, driven by consumer acceptance of its high-end goods, a fast-growing Vietnamese economy, and a planned expansion to the Philippines and Indonesia.

In April 2022, Society Pass restructured Leflair Vietnam's operations into a separate entity (Leflair Inc.). We view Leflair as well positioned to serve as the flagship entity for the lifestyle vertical, which can expand organically as well as acquire other lifestyle companies across Southeast Asia. Further, we think that Leflair Inc.'s plan to raise equity capital, with an ultimate goal of going public, will unlock long-term value for Society Pass under a holding company model.

Society Pass is working to increase the average transaction size in its Lifestyle vertical, which we think is likely as it expands its user base and continues to provide users with personalized offers. We also expect the Society Points loyalty program to boost the average transaction basket and convert more registered users into regular customers.

In the Food & Beverage vertical, the company's app offers grocery and restaurant delivery, as well as delivery from "big-box" stores. It also allows users to search for products and write reviews. In February 2022, Society Pass acquired Pushkart.ph, an online grocery-shopping platform in the Philippines. Pushkart.ph has more than 125,000 registered users, and over 35,000 social media followers. Society Pass sees Pushkart.ph, which has been downloaded 20,000 times, as one of the Philippines' fastest-growing e-commerce platforms. Pushkart carries 60,000 products (SKUs) and filled 12,000 orders and generated \$650,000 in gross market value (GMV) in 2021. It expects to have more than 500,000 users by the middle of 2023. This vertical in the Philippines was bolstered in July 2022, with the acquisition of Mangan Group, the leading local restaurant delivery service in the Philippines. Mangan has onboarded over 500,000 registered consumers, over 80,000 social

media followers, and over 1,200 registered restaurants as well as generating over 100,000 mobile app downloads onto its platform.

In February 2022, Society Pass entered the Vietnamese market with the acquisition of Handycart, a Vietnamese online grocery and restaurant delivery app with its own fleet of delivery vehicles. Handycart expects to provide delivery from 500 restaurants in Hanoi by the middle of 2023 and to expand into Ho Chi Minh City in the first half of 2023. Although Handycart generated a modest \$271,000 GMV in 2021, the app has 3,000 registered customers and was downloaded 10,000 times last year. We expect registered customers to grow significantly over time.

Beyond the product brand portfolio, Society Pass also acquired complementary technologies and service to enhance the business and position it for accelerating revenue growth. In June 2022, Society Pass acquired Singapore-based Gorilla Networks, a reseller of telecommunications services. We expect Society Pass to incorporate Gorilla's proprietary blockchain/web3 technology onto the rest of the ecosystem to enable consumers to convert unused mobile data into digital assets or tokens that can be redeemed for eVouchers, or be redeemed for other value-added services. Most recently, the company integrated Stripe's financial payment infrastructure, which can simplify payment flow, accept payments in multiple currencies, and features anti-fraud technology. We think this should make the platform more robust, particularly aiding the loyalty program over time.

In July 2022, Society Pass acquired Singapore-based Thoughtful Media, a social commerce-focused Multi-Platform Network (MPN) that recorded revenues of \$5.8 million in 2021. Its network has uploaded over 675,000 videos with over 80 billion video views since 2010, and the current network of 263 YouTube Channels has onboarded over 85 million subscribers. We see digital advertising tools enhancing the Society Points program and its portfolio brands via data-driven marketing campaigns.

In August 2022, Society Pass entered the travel market with the acquisition of NusaTrip, an online Indonesian travel-booking site. NusaTrip is the first Indonesian online travel agency (OTA) accredited by the International Air Transport Association. NusaTrip has leveraged its first-mover advantage among Indonesian corporate and retail customers to engage with more than 80 million unique visitors, and onboard more than 1.2 million registered users, 500 airlines, and 200,000 hotels around the world.

RECENT DEVELOPMENTS

Reflecting a "risk-off" equity environment for small-cap stocks, due to rising interest rates and economic slowdowns, shares of SOPA have declined 84% year to date, compared to a 17% decline for the S&P 500.

In November 2022, Society Pass reported Q3 2022 total revenues of \$2.1 million, which represents a multi-fold increase over the preceding quarters. Cash and equivalents declined to \$23.0 million, from \$28.0 million at June 30, 2022, reflecting cash used by operations to invest in its growth through the integration of recent acquisitions.

In November 2022, Society Pass announced that it integrated Stripe's financial payment solutions infrastructure onto its platform.

Between May and August 2022, Society Pass closed on four additional acquisitions of consumer-focused businesses in Southeast Asia: Gorilla Networks, a Singapore-based reseller of telecommunications services with proprietary e-commerce technologies; Thoughtful Media, a Singapore-based social media platform; Philippines-based Mangan Group, the leading restaurant delivery service in the Philippines; and Nusa Trip, a leading online, Indonesian travel and hotel-booking site.

In February 2022, Society Pass acquired Dream Space Trading Company, the operator of Handycart.vn, a Vietnamese delivery service. Handycart will become part of the Society Pass Food & Beverage vertical, and its founder, Seo Jun Ho, will serve as the head of this vertical in Vietnam.

In February 2022, Society Pass acquired Pushkart.ph, an online grocery delivery service in the Philippines. The acquisition marks the company's entry into the Philippines market. Pushkart will become part of the Society Pass Food & Beverage vertical, and its founder, Michael Lim, will serve as the head of this vertical in the Philippines.

In February 2022, Society Pass raised \$11.5 million in gross proceeds from a secondary equity offering of 3.485 million shares and warrants for the same number of shares. In its November 2021 IPO, the company raised a net \$25.5 million by selling 3.125 million shares at a price of \$9 per share. It also began trading on the Nasdaq under the ticker symbol SOPA. In December 2021, SOPA was added to the Russell 2000 index.

EARNINGS & GROWTH ANALYSIS

We forecast 2022 revenues of \$7 million and 2023 revenue of \$40 million, driven by on-line travel booking, digital marketing, and the company's flagship Leflair brand, supported by the smaller Pushkart and Handycart acquisitions. We expect the broad launch of the Society Points programs to accelerate the revenue growth trajectory, and we forecast a revenue run rate of \$60 million by the end of 2023 (for entities whose acquisitions have already closed).

We expect the Lifestyle vertical to be the primary driver of long-term revenue growth as it carries inventory and books revenue for product sales. In contrast, the Food and Beverage, Travel, and Loyalty Points verticals will be commission-based businesses in which Society Pass takes a small percentage of the revenue generated by its merchant partners.

We look for Society Pass to generate overall portfolio gross margins of approximately 20% over time. In 2022 and 2023, we project G&A expense of about \$30 million in each period. We project an operating loss of \$29.6 million in 2022, narrowing to a \$22 million loss in 2023. We think that Leflair could turn cash flow-positive by the end of 2023 based on our anticipated recent revenue growth trajectory.

We forecast net losses of \$1.21 per share in 2022, and a per-share loss of \$0.74 in 2023. We forecast average shares outstanding of 24.5 million for the full year 2022, and 30 million for 2023. We expect Society Pass to limit equity dilution over the near-term, as it opportunistically builds out its product and service portfolio primarily using cash on hand.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Society Pass is Medium. In our view, the company has sufficient resources to execute on its M&A strategy and launch its Society Points program across an expanded product and service footprint. We expect Society Pass to expand its portfolio of e-commerce businesses across a growing geographic footprint, and to post stronger results over time.

As noted above, the company raised \$25.5 million from its November 2021 IPO and an additional \$11.5 million from a secondary offering in February 2022. As of September 30, 2022, the company had \$23.0 million in cash and equivalents on its balance sheet.

As of September 30, working capital was \$15.3 million, consisting of \$28.0 million in current assets and \$12.7 million in current liabilities. The current ratio of 2.2 is favorable relative to peers and should enable the company to execute on its strategic plan. As of September 30, 2022, Society Pass only had \$349,000 of operating lease liability for long-term obligations, and had shareholders' equity of \$27.6 million.

At September 30, 2022, Society Pass had 25.9 million shares outstanding, up 5.4% from June 30, 2022, as the company issued 1.3 million shares as consideration for recent acquisitions.

Society Pass does not pay a cash dividend on its common stock, and we do not expect it to initiate one in the near term.

MANAGEMENT

Mr. Dennis Nguyen is the founder, chairman and CEO of Society Pass. He has more than 25 years of consulting, investment banking, and venture capital experience, and has founded and brought public a range of Asian companies. Mr. Nguyen holds a double BA in Economics and Chinese Literature from the University of California, Irvine; a JD from the University of Minnesota; an MA in International Studies from Johns Hopkins; and an MBA from the University of Chicago.

Mr. Ray Liang is the company's CFO and Singapore country manager. Mr. Liang has two decades of accounting, strategy, and finance experience, including positions at Primeforth Capital and Sino Environment Technology. Mr. Liang has a BA in Accounting from the University of Queensland.

Ms. Pamela Aw-Young is the COO and is responsible for human resources, supply chain, network planning, commercial operations, vendor contracts, and processes across all business units. Ms. Aw-Young earned a BS in Computer Science from the University of San Francisco.

Mr. Rokas Sidlauskas joined the company in September 2022 as the CMO and is responsible for all marketing, CRM, SEO, and social media activities across all business units. He is also the product lead for the Society Pass app. Mr. Sidlauskas earned a BA in European Studies and Politics from the University of West of England.

Mr. Howie Ng is vice president, technology, and is responsible for the design/implementation of architecture, including security, database, frontend, backend and middleware, API, microservices, loyalty and payment gateways. He earned a BS in Computer Science from the National University of Singapore.

The five-member Society Pass board includes a majority of independent directors. Independent directors chair the key audit, remuneration, and nominating/corporate governance committees, which we view favorably.

Society Pass executives and insiders, including board members, own approximately 45% of the company's stock and control 77% of the voting rights. CEO Nguyen owns approximately 20% of the stock and controls a majority of the voting rights. We are encouraged by all board members owning SOPA stock.

We note that nearly half of the company's senior managers, and more than half of all employees, are women, which we view favorably from a corporate governance and ESG standpoint. We also believe that this gender diversity is important from a business perspective, as women are the company's primary target market, especially in the Lifestyle vertical.

RISKS

Investors in Society Pass face risks. Society Pass is a new, still unprofitable company operating in the competitive e-commerce industry, and must rely on outside capital to fund its growth-by-acquisition strategy. The company's success will also depend on its ability to efficiently target online advertising and attract and retain consumers with its loyalty points program. It also faces risks from general economic weakness, a potential decline in demand for luxury goods, and the retention of key personnel.

The easing of the pandemic could slow the migration of customers to e-commerce channels, as more consumers return to physical stores. At the same time, the loosening of pandemic-related restrictions should benefit the company's food and travel-related businesses.

COMPANY DESCRIPTION

Society Pass Inc., founded in 2018 and based in Singapore, operates e-commerce platforms in Southeast Asia. The company focuses on the fast-growing markets of Vietnam, Indonesia, the Philippines, Singapore, and Thailand, which together account for more than 80% of the Southeast Asian population. The company's vertical markets include Lifestyle, Grocery and Food Delivery, Mobile Telecommunications, Loyalty, Travel, and Digital Media. Society Pass completed an initial public offering and began trading on the Nasdaq under the ticker SOPA in November 2021. SOPA shares were added to the Russell 2000 index in December 2021.

VALUATION

Since completing its IPO in November 2021, Society Pass shares have been volatile. The shares have traded between \$77 and \$1.33, most recently trading near the bottom of this range. We attribute much of the volatility to changing investor sentiment toward small-cap stocks, particularly those of tech companies based in Asia, amid increased economic uncertainty and the lingering effects of the COVID-19 pandemic on its target markets. Although revenue growth has been slower than we initially projected, we think that Society Pass is benefitting from more-favorable economic terms among its acquired companies, which is likely to contribute to enhanced long-term growth, and seemingly is under-appreciated by investors.

The company's recent \$38 million market cap is less than one-time our 2023 year-end revenue run-rate forecast of \$60 million, which annualizes our Q4 2023 revenue estimate of \$15 million, and is well below the average multiple of 3.5-times for a basket of comparable e-commerce peers, which we note has declined significantly over the course of 2022. We believe the current valuation does not seem to reflect adequately the company's growth prospects, driven by acquisitions, the loyalty points program, and continued economic recovery in Southeast Asia. Further, we think that the restructuring of Leflair to a separately traded entity, should Society Pass proceed in that way, may unlock shareholder value for Society Pass, with an attractive return on capital, under a holding company model.

To value Society Pass, we apply a four-times multiple, to our year-end 2023 revenue run-rate forecast of \$60 million, adjust for \$23 million in net cash, and estimated share count of 34 million at the end of 2023, to arrive at a fair value estimate for SOPA of \$7.50 per share, well above current levels.

In our view, a premium to the peer average is warranted, given the early stage of Society Pass' revenue-growth trajectory and its prospects for reaching critical mass in its user base to leverage the launch its loyalty program in 2023. We note that our revenue assumptions could change significantly, as the company continues its M&A strategy and integrates new companies into its product and service ecosystem.

Steve Silver,
Argus Research Analyst

INCOME STATEMENT

Growth Analysis (\$MIL)	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022E	2022E	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Revenue	0.5	0.4	0.5	2.1	4.0	7.0	5.0	8.0	12.0	15.0	40.0
Gross Profit	-0.2					0.5					8.0
SG&A	33.7					30.0					30.0
R&D	0.1					0.1					0.1
Operating loss	-34.2					-29.6					-22.1
Interest Expense	0.0					0.0					0.0
Pretax Income	-34.8					-29.6					-22.1
Tax Rate (%)	NA					NA					NA
Net income	-34.8					-29.6					-22.1
Diluted Shares	9.4					24.5					30.0
EPS	-3.68	-0.30	-0.31	-0.39	-0.21	-1.21	-0.21	-0.20	-0.18	-0.15	-0.74
Dividend	NA					NA					NA
Growth Rates (%)											
Revenue	NA					1,300					471
Operating Income	NA					NA					NA
Net Income	NA					NA					NA
EPS	NA					NA					NA
Valuation Analysis											
Price (\$): High	77.34					NA					NA
Price (\$):Low	3.27					NA					NA
PE: High	NA					NA					NA
PE: Low	NA					NA					NA
PS: High	NA					NA					NA
PS: Low	NA					NA					NA
Yield: High	NA					NA					NA
Yield: Low	NA					NA					NA
Financial & Risk Analysis (\$MIL)											
Cash	28.1					NA					NA
Working Capital	27.2					NA					NA
Current Ratio	12.1					NA					NA
LTDebt/Equity (%)	0.0					NA					NA
Total Debt/Equity (%)	2.0					NA					NA
Ratio Analysis											
Gross Profit Margin	NA					7%					20%
Operating Margin	NA					NA					NA
Net Margin	NA					NA					NA
Return on Assets (%)	NA					NA					NA
Return on Equity (%)	NA					NA					NA
Op Inc/Int Exp	NA					NA					NA
Div Payout	NA					NA					NA

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