

IT & Software Services

SOPA - NASDAQ

May 19, 2022

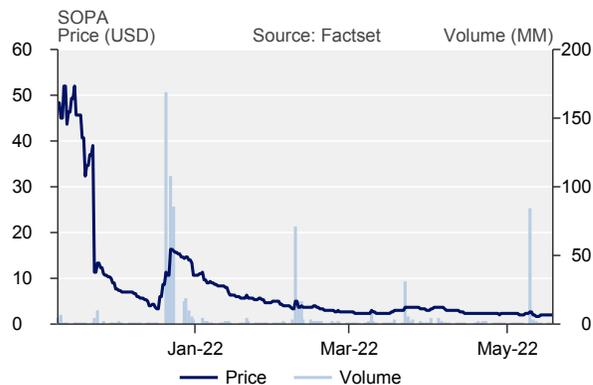
Closing Price 5/18/22	\$1.79
Rating:	Buy
12-Month Target Price:	(prior \$9.00) \$5.00
52-Week Range:	\$1.49 - \$77.34
Market Cap (M):	42.6
Shares O/S (M):	23.8
Float:	65.4%
Avg. Daily Volume (000):	3,070.9
Debt (M):	\$0.0
Dividend:	\$0.00
Dividend Yield:	0.0%
Risk Profile:	Speculative
Fiscal Year End:	December

Revenue (\$M)

	2021A	2022E	2023E
1Q	0.0	0.4A	7.6
2Q	0.0	0.7	9.2
3Q	0.1	4.7	8.4
4Q	0.4	7.1	13.0
CY	0.5	12.9	38.2
Prior	—	14.5	—

Adjusted EBITDA (\$M)

	2021A	2022E	2023E
1Q	(1.1)	(3.4)A	(1.4)
2Q	(0.1)	(3.3)	(1.2)
3Q	1.8	(3.4)	(1.1)
4Q	(5.5)	(2.7)	(1.0)
CY	(4.9)	(12.7)	(4.7)
Prior	—	(6.7)	(4.5)



Society Pass Incorporated

Buy

1Q22 Miss, Lower Estimates; Positive on Opportunities in the SE Asia E-commerce Market – Reiterate Buy, but Lower PT to \$5

Summary

- **1Q22 results reported on May 17 missed our estimates in a seasonally slow quarter, as the company is in the early stages of launching online services and adding new acquisitions.**
- **Leflair, an online seller of luxury goods, was relaunched in September 2021 in Vietnam and was the main revenue contributor. Two acquisitions in grocery and delivery were announced in February as management looks to expand organic growth with M&A.**
- **We lower our 2022 estimates to factor in slower growth from Leflair and #HOTTAB. A loyalty rewards program will be launching this summer and has the potential to create upside with high margin business. Tailwinds include attractive SE Asia markets and capital to spur growth.**
- **The company ended March 2022 with \$31M in cash (worth over two-thirds of the company's market cap) and no debt, which we believe can support organic growth for the next 2 years, per our model.**
- **We reiterate our Buy rating, but based on our wider EBITDA loss estimates and industrywide multiple compression, we lower our PT to \$5 (\$9 prior), which is based on our 10-year DCF analysis and equates to 2.3x our 2023E revenue.**

Details

1Q22 results highlight early stages of building a Southeast (SE) Asian e-commerce company. Society Pass is in the early stages of building an online luxury store (Leflair), acquisitions of online delivery companies Handycart and Pushkart (during 1Q22), a food and beverage online support company (SOPA F&B), and hardware and software solutions to merchants (#HOTTAB) in SE Asia. We have a positive view on this market given faster-than-expected growth rates, increasing mobile and ecommerce penetration, younger populations, and the opportunity to consolidate smaller companies.

1Q22 revenue of \$445K increased significantly from \$10K in the prior year quarter, but was below our estimate of \$700K. Results were held back as most of its businesses were very early stage. Almost all of the quarter's revenue came from the online ordering segment. This segment currently consists of the company's online luxury store, Leflair. Leflair revenues were suppressed from a seasonally light quarter (major holiday period in Vietnam). Also, the cost of online marketing limited the amount put to use and management is exploring alternatives. Hardware and Software segments are currently not being prioritized. 1Q22 adjusted EBITDA a loss of (\$3.4M) was wider than our estimate of (\$2.0M) and a loss of (\$1.1M) in the prior year quarter. The variance vs. our estimates is primarily due to 1x costs related to capital raises and higher growth investments and public company related costs.

Healthy cash. The company ended March 2022 with \$31M in cash and no debt. Cash included the net \$25M raise from the company's November 2021 IPO and \$10.7M net from a February 2022 capital raise. We project current cash levels should be sufficient to fund organic growth over the next two years.

Acquisitions. A key component of the company's strategy revolves around strategic acquisitions in key verticals. The company recently announced the acquisition of two companies in February, which we believe should start contributing to revenue in 2Q22.

- **Pushkart – acquired 2/14/22,** is a fast-growing grocery delivery service in the Philippines with 125K registered users. The purchase price was \$200K in cash and \$800K in stock, valued at \$3.53/share at the time of the acquisition.

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Management plans to expand the service into 19 cities and increase the registered user base to 300K total by the end of 2022. The company reported \$65K of revenue in 2021.

- **Handycart – acquired 2/25/22**, is an online food delivery business based in Hanoi, Vietnam. The purchase price was ~\$100K in cash and 25,000 shares valued at \$2.61/share. The company currently has about 40 restaurants, mainly centered around Korean cuisine, registered on its platform. In 2022, management plans to expand the offering into Ho Chi Minh City and bring the number of restaurants on the platform to 500, with the addition of Japanese and Chinese cuisines.

We project significant revenue growth for the next two years. We expect growth from spending on marketing, expansions, and launch of Loyalty Points in mid-2022. We are also factoring in acquisitions such as Pushkart.ph and Handycart, primarily starting by the end of 2Q22. According to the CEO of Leflair Group (May 11, 2022 article), the new strategy is to provide all services from online to offline sales for fashion brands for the SE Asian market; so the plan is to acquire partners in the field of advertising, distribution, and retail. Note that management plans to spin-off Leflair Group as a publicly traded company and to list on the Nasdaq by the end of 2022.

We project revenue to increase from \$0.5M in 2021, to \$12.9M in 2022, down from our prior estimate of \$14.5M primarily to factor in lower revenues in Leflair. A Loyalty Points program is planned to be launched this summer; as this is a brand-new program, we have modeled very little contribution. However, if successful, this could have a significant impact on bottom-line results as it is a higher margin business. For 2023, we are maintaining our revenue projection of \$38.2M.

We anticipate management will be aggressive in M&A, which we expect to provide upside to our estimates. With higher upfront spending and other costs, along with lower revenue in 2022, we project 2022 adjusted EBITDA loss to widen to (\$12.7M) (\$6.7M prior), from a loss of (\$4.9M) in 2021. For 2023 we project the loss narrows to (\$4.7M) (\$4.5M prior). The business mix should benefit gross margin as loyalty programs, along with SoPa F&B and #HOTTAB are higher margin businesses.

Reiterate Buy, but lower price target to \$5, from \$9. SOPA trades at an EV/revenue multiple of 0.3x our 2023 revenue estimate and note that over two-thirds of its market cap is cash. Based on our wider EBITDA estimates and the rising interest rate environment, which has led to industrywide multiple compression, we lower our price target to \$5, from \$9. Our \$5 price target is supported by our 10-year DCF analysis, which utilizes a 22% discount rate (raised from 20%), 15x terminal multiple, and 3% terminal growth rate. This equates to an EV/revenue multiple of 2.3x based on our 2023 revenue estimate, roughly in line with the peer group. Our prior \$9 price target equated to 4.5x our 2023 revenue estimate. Our positive outlook is supported by the attractive SE Asian markets and opportunities to consolidate smaller companies. Management has announced plans to spin off Leflair Group and to have it listed on the Nasdaq by the end of 2022.

Exhibit 1: Variance Table

(\$ 000s)	1Q22 A	1Q22 E	\$ Change	% Change	1Q21 A	\$ Change	% Change
Revenue	445	700	(255)	-36.4%	10	436	4582.2%
Gross Profit	(15)	102	(117)	-114.5%	(9)	(6)	68.5%
Gross Margin	-3.3%	14.6%	-17.9%		-92.4%	89.0%	
Adjusted EBITDA	(3,395)	(2,018)	(1,377)	68.3%	(1,128)	(2,267)	201.0%
Adj. EBITDA Margin	-762.7%	-288.2%	-474.5%		-11863.5%	11100.8%	
Operating Profit	(6,600)	(3,384)	(3,215)	95.0%	(2,194)	(4,406)	200.8%
Operating Margin	-1482.8%	-483.4%	-999.3%		-23079.5%	21596.7%	
Net Income	(6,591)	(3,370)	(3,222)	95.6%	(2,757)	(3,834)	139.1%
Non-GAAP Net Inc	(4,803)	(2,945)	(1,858.12)	63.1%	(2,147.07)	(2,655.84)	123.7%
Non-GAAP EPS	(\$0.22)	(\$0.13)	(0.09)	75.4%	(\$0.12)	(0.10)	89.4%

Table 1. Society Pass Inc. Income Statement
(\$ in 000s, except per share data)

	2017	2018	2019 A	2020 A	Mar A	Jun A	Sep A	Dec A	2021 A	Mar A	Jun E	Sep E	Dec E	2022 E	Mar E	Jun E	Sep E	Dec E	2023 E
Total Revenue	96.1	66.9	10.4	52.5	9.5	7.8	83.5	419.1	519.9	445.1	669.9	4,690.3	7,058.0	12,863.2	7,627.3	9,191.1	8,434.2	12,961.3	38,213.8
% Change Yoy		-30.4%	-84.4%	403.8%	-44.8%	NA	NA	NA	891.1%	4582.2%	8507.2%	5514.8%	1584.2%	2374.2%	1613.6%	1272.0%	79.8%	83.6%	197.1%
Total Cost of revenue	226.0	231.5	0.8	88.7	18.3	86.6	159.4	446.4	710.7	459.9	605.2	3,801.5	5,357.7	10,224.3	4,971.1	6,057.5	5,445.5	8,762.0	25,236.1
% Sales	235.1%	346.3%	7.4%	169.0%	192.4%	1112.3%	190.9%	106.5%	136.7%	103.3%	90.3%	81.1%	75.9%	79.5%	65.2%	65.9%	64.6%	67.6%	66.0%
%Chg Yoy		2.5%	-99.7%	11399.9%	-22.4%	NA	NA	NA	701.5%	2415.1%	599.1%	2284.3%	1100.2%	1338.7%	980.9%	900.9%	43.2%	63.5%	146.8%
Total Gross Profits	(129.9)	(164.7)	9.6	(36.2)	(8.8)	(78.8)	(75.9)	(27.3)	(190.8)	(14.8)	64.7	888.8	1,700.2	2,638.9	2,656.2	3,133.6	2,988.7	4,199.3	12,977.8
Total Gross Margin	-135.1%	-246.3%	92.6%	-69.0%	-92.4%	-1012.3%	-90.9%	-6.5%	-36.7%	-3.3%	9.7%	18.9%	24.1%	20.5%	34.8%	34.1%	35.4%	32.4%	34.0%
Operating Expenses																			
Selling & marketing expenses	9.2	27.3	0.0	3.1	0.9	41.3	42.8	242.2	327.2	196.1	140.7	938.1	1,058.7	2,333.5	1,525.5	1,838.2	1,686.8	2,592.3	7,642.8
% Sales	10%	41%	0%	6%	9%	530%	51%	58%	62.9%	44%	21.0%	20.0%	15.0%	18.1%	20.0%	20.0%	20.0%	20.0%	20.0%
Software development costs	-	242.0	289.2	165.5	30.2	36.8	9.7	19.1	95.8	19.5	20.1	117.3	155.3	312.2	114.4	110.3	101.2	103.7	429.6
% Sales	0.0%	362.0%	2777.6%	315.5%	317.3%	473.2%	11.6%	4.6%	23833.1%	4.4%	3.0%	2.5%	2.2%	1664.9%	1.5%	1.2%	1.2%	0.8%	19.5%
Impairment loss	-	12.6	2,798.4	16.4	200.0	-	-	-	200.0	528.6	-	-	-	528.6	-	-	-	-	-
% Sales	0.0%	18.9%	26879.2%	31.2%	2103.9%	0.0%	0.0%	0.0%	49751.2%	118.8%	0.0%	0.0%	0.0%	2819.1%	0.0%	0.0%	0.0%	0.0%	0.0%
G&A	256.7	466.0	4,212.3	3,529.0	1,954.1	1,273.7	8,292.5	21,878.1	33,398.4	5,840.7	5,483.7	5,483.7	5,483.7	22,291.8	5,567.9	5,606.5	5,482.2	5,703.0	22,359.6
% Sales	267.1%	697.0%	40460.6%	6728.0%	20556.5%	16365.5%	9927.1%	5220.7%	8308060.0%	1312.3%	818.6%	116.9%	77.7%	118889.6%	73.0%	61.0%	65.0%	44.0%	1016.5%
Total operating expenses	265.9	747.9	7,299.9	3,714.0	2,185.2	1,351.8	8,345.0	22,139.4	34,021.4	6,584.9	5,644.5	6,539.0	6,697.7	25,466.1	7,207.8	7,555.0	7,270.3	8,399.0	30,432.0
% Sales	276.7%	1118.6%	70117.6%	7080.7%	22987.1%	17369.1%	9990.0%	5283.1%	6544.0%	1479.5%	842.6%	139.4%	94.9%	198.0%	94.5%	82.2%	86.2%	64.8%	79.6%
Income (loss) from operations	(395.7)	(912.5)	(7,290.3)	(3,750.2)	(2,193.9)	(1,430.6)	(8,420.9)	(22,166.7)	(34,212.2)	(6,599.7)	(5,579.8)	(5,650.2)	(4,997.5)	(22,827.2)	(4,551.6)	(4,421.5)	(4,281.6)	(4,199.6)	(17,454.3)
Operating margin	-411.8%	-1364.8%	-7025.0%	-7149.7%	-23079.5%	-18381.4%	-10080.8%	-5289.6%	-6580.7%	-1482.8%	-832.9%	-120.5%	-70.8%	-177.5%	-59.7%	-48.1%	-50.8%	-32.4%	-45.7%
EBITDA	(2,872.2)	(581.7)	(7,282.7)	(2,962.9)	(1,940.9)	(627.4)	(7,613.6)	(21,419.8)	(31,601.8)	(5,779.5)	(4,782.0)	(4,852.4)	(4,199.7)	(19,613.6)	(3,751.6)	(3,621.5)	(3,481.6)	(3,399.6)	(14,254.3)
EBITDA margin	-2989.2%	-870.0%	-69952.3%	-5648.6%	-20418.1%	-8061.4%	-9114.3%	-5111.4%	-6078.6%	-1298.5%	-713.8%	-103.5%	-59.5%	-152.5%	-49.2%	-39.4%	-41.3%	-26.2%	-37.3%
Adjusted EBITDA	(2,872.2)	(569.1)	(1,912.6)	(498.2)	(1,127.7)	(77.4)	1,845.1	(5,538.4)	(4,898.5)	(3,394.8)	(3,282.0)	(3,352.4)	(2,699.7)	(12,728.9)	(1,368.0)	(1,237.9)	(1,098.1)	(1,016.1)	(4,720.1)
Adjusted EBITDA margin	-2989.2%	-851.1%	-18370.5%	-949.8%	-11863.5%	-994.8%	2208.8%	-1321.6%	-942.2%	-762.7%	-489.9%	-71.5%	-38.3%	-99.0%	-17.9%	-13.5%	-13.0%	-7.8%	-12.4%
Total other expense	16.3	(1.6)	(8.1)	(69.4)	(561.3)	(11.2)	(7.0)	(61.9)	(641.4)	9.6	19.4	20.6	19.9	69.5	19.0	16.8	16.9	17.0	69.7
Pre-tax income/(loss)	(379.4)	(914.1)	(7,298.4)	(3,819.7)	(2,755.2)	(1,441.8)	(8,428.0)	(22,228.6)	(34,853.6)	(6,590.1)	(5,560.4)	(5,629.6)	(4,977.6)	(22,757.7)	(4,532.6)	(4,404.7)	(4,264.7)	(4,182.7)	(17,384.6)
Taxes	-	-	-	8.3	1.7	6.9	1.3	1.2	11.1	1.3	-	-	-	1.3	(679.9)	(660.7)	(639.7)	(627.4)	(2,607.7)
Tax Rate	0.0%	0.0%	0.0%	-0.2%	-0.1%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Net income/(loss)	(379.4)	(914.1)	(7,298.4)	(3,828.0)	(2,757.0)	(1,448.7)	(8,429.3)	(22,229.8)	(34,864.7)	(6,591.4)	(5,560.4)	(5,629.6)	(4,977.6)	(22,759.0)	(3,852.7)	(3,744.0)	(3,625.0)	(3,555.3)	(14,776.9)
Net loss attributable to non controlling										(43.0)									
Foreign currency translation gain/loss	(0.1)	9.1	4.0	(59.2)	33.5	(6.6)	8.9	(38.1)	(2.3)	3.0									
Comprehensive Loss	(379.5)	(905.0)	(7,294.4)	(3,887.2)	(2,723.5)	(1,455.3)	(8,420.4)	(22,267.9)	(34,867.0)	(6,588.4)	(5,560.4)	(5,629.6)	(4,977.6)	(22,759.0)	(3,852.7)	(3,744.0)	(3,625.0)	(3,555.3)	(14,776.9)
Non-GAAP net income / (loss)	(379.4)	(904.6)	(1,928.2)	(2,754.4)	(2,147.1)	(1,036.2)	(1,335.3)	(10,318.7)	(8,161.4)	(4,802.9)	(4,435.4)	(4,504.6)	(3,852.6)	(15,874.4)	(2,065.0)	(1,956.3)	(1,837.3)	(1,767.6)	(5,242.8)
GAAP EPS - diluted	N/A	N/A	(0.48)	(0.22)	(0.15)	(0.19)	(1.08)	(2.35)	(3.69)	(0.30)	(0.25)	(0.25)	(0.22)	(1.02)	(0.17)	(0.16)	(0.15)	(0.15)	(0.63)
% Change Yoy	N/A	N/A	N/A	-54.3%	NA	NA	NA	NA	1585.4%	NA	30.1%	-76.7%	-90.7%	-72.4%	-44.3%	-35.6%	-38.4%	-31.7%	-38.0%
Non-GAAP-EPS - Diluted	N/A	N/A	(0.13)	(0.16)	(0.12)	(0.14)	(0.17)	(1.09)	(1.52)	(0.22)	(0.20)	(0.20)	(0.17)	(0.79)	(0.09)	(0.08)	(0.08)	(0.07)	(0.33)
% Change Yoy	N/A	N/A	N/A	24.3%	NA	NA	NA	NA	862.4%	NA	45.1%	17.6%	-84.4%	-47.9%	NM	-57.8%	-61.0%	-56.1%	-58.6%
Average shares diluted	N/A	N/A	15,212.3	17,475.3	18,534.0	7,524.6	7,823.8	9,443.7	9,443.7	21,892.1	22,192.1	22,442.1	22,656.4	22,295.7	22,954.3	23,219.2	23,457.5	23,695.9	23,331.7

Source: Company reports and Maxim Group LLC estimates

DISCLOSURES

Society Pass Incorporated Rating History as of 05/17/2022

powered by: BlueMatrix



Maxim Group LLC Ratings Distribution		As of: 05/18/22	
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	90%	41%
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither outperform nor underperform its relevant index over the next 12 months.	10%	39%
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	0%	0%

**See valuation section for company specific relevant indices*

I, Allen Klee, CFA, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Society Pass Incorporated

Maxim Group managed/co-managed/acted as placement agent for an offering of the securities for Society Pass Incorporated in the past 12 months.

Maxim Group received compensation for investment banking services from Society Pass Incorporated in the past 12 months.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Society Pass Incorporated in the next 3 months.

An affiliate of Maxim Group beneficially owns warrants/shares in Society Pass Incorporated .

SOPA: For Society Pass, Inc, we use the Russell 2000 as the relevant index.

Valuation Methods

SOPA: We value the shares on a 10-year discounted cash flow analysis which is supported by a forward enterprise value to revenue multiple.

Price Target and Investment Risks

SOPA: Besides general economic risks, risks specific to Society Pass Incorporated include the following; 1) limited operating history in an evolving industry, 2) limited revenues, 3) not yet profitable, 4) negative impact from COVID-19, 5) reliance on internet search engines and application marketplaces to drive traffic, 6) commerce market is highly competitive, 7) potential delays in implementation or lack of consumer acceptance of Society Points, 8) acquisitions and integration risk, 9) all operations are overseas, 10) economic, political or legal risks of Asia Pacific region, 11) exposure to currency changes, 12) high customer concentration, 13) Mr. Nguyen has majority voting control of the stock at ~70%, 14) payment processing regulatory rules, 15) regulation of the Internet, 16) the ability to access capital, 17) exposed to liabilities under the Foreign Corrupt Practices Act, if violated, 18) financial controls may not be sufficient, 19) pending litigation.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

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