

August 26, 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, 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.

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, consumer goods, grocery and food delivery. Most recently, the company expanded into additional verticals, including travel, digital media, and mobile telecom services.
- * 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 integrates these diverse businesses through a loyalty program called Society Points, which is in beta testing and which we expect to launch broadly by the beginning of 2023.
- * As of August 2022, Society Pass had amassed more than 3.3 million registered consumers and over 205,700 affiliated merchants and brands. Second-quarter 2022 revenues of approximately \$500,000 reflect the nascent stage of its platform rollout.

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KEY STATISTICS

Key Stock Statistics

Recent price (8/24/22)	\$1.96
Fair Value Estimate	\$8.00
52 week high/low	\$77.34-\$1.49
Shares outstanding (M)	24.5
Market cap (M)	\$48
Dividend	Nil
Yield	Nil

Sector Overview

Sector	Information Technology
Sector % of S&P 500	28.4%

Financials (\$M, as of 6/30/22)

Cash & Mkt Securities	28.1
Debt	0.8
Working Capital (\$M)	30.2
Current Ratio	12.2
Total Debt/Equity (%)	2.3%
Payout ratio	NM
Revenue (\$M) TTM	1.4
Net Income (\$M) TTM	NM
Net Margin	NM

Risk

Beta	NA
Inst. ownership	3%

Valuation

P/E forward EPS	NA
Price/Sales (TTM)	34.3
Price/Book (TTM)	1.6

Top Holders

BlackRock Inc.
Deutsche Asset & Wealth Management
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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- * The company's primary revenue driver 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 fashion & accessories, beauty & personal care, and home & lifestyle categories, 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 to Philippines and Indonesia across the fourth quarter of 2022.
- * 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 the end of 2022 and for Pushkart to double its registered user base to over 500,000 and drive app downloads to over 150,000 in 2022.
- * 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 June 30, 2022, Society Pass held \$28.1 million in cash and equivalents on its balance sheet, with no long-term debt. With more than \$30 million in working capital, 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 \$8 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, 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, and food and beverage delivery, and provides related software and systems for participating merchants. It is also expanding

into additional businesses, including telecoms, digital advertising, travel booking, and food and beverage ordering.

Society Pass plans to integrate these diverse businesses by attracting and retaining customers through a loyalty program called Society Points, which has entered beta testing and is expected to launch broadly in the beginning of 2023. 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.

The consumer portfolio includes fashion company Leflair, online grocery delivery services Pushcart and Handycart, and restaurant delivery service Mangan Group. We expect the company to expand its brand and service portfolio further with the addition of a few Vietnam-based fashion e-commerce businesses to its lifestyle vertical, as well as travel booking and digital advertising businesses over the coming months.

Society Pass' 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. We think the introduction of the Society Points program, which we expect to be rolled out initially in Vietnam and Philippines and then extended to other Southeast Asian markets, is a key tool in integrating these businesses and building "stickiness" across its user base.

As of August 2022, Society Pass had amassed more than 3.3 million registered consumers and over 205,000 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, 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

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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	1.96	77.34	1.49	48	NA	891	NA	NA	NA	NA
REVOLVE GROUP INC	NASDAQ: RVLV	23.56	89.60	22.27	1728	-60	54	70	17.6	2.20	NA
COUPANG INC	NYSE: CPNG	17.25	32.88	8.98	30475	-44	54	NA	NA	NA	NA
SEA LIMITED	NYSE: SE	64.64	372.70	54.06	36311	-79	128	NA	NA	1.59	NA

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 expected to 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 as recently as 2019. Society Pass acquired the assets of 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 fashion & accessories, beauty & personal care, and home & lifestyle categories, and has approximately 1.5 million registered users and more than 460,000 Facebook followers.

In the three quarters since relaunching the site, Leflair has generated quarterly revenue close to \$500,000. 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 its expansion to Philippines and Indonesia, which we expect across the second half of 2022.

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 April 2022, Society Pass restructured Leflair Vietnam's operations into a separate entity (Leflair Inc.), appointing Mr. Loic Gautier as group CEO and Ms. Ngo Thi Cham as COO. In our view, Leflair is well positioned to serve as the flagship entity for the lifestyle vertical, which we expect to organically expand and make acquisitions of 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.

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 end of 2022. This vertical in Philippines was bolstered in July 2022, with the acquisition of Mangan Group, the leading

local restaurant delivery service in Philippines. Since its launch in December 2017, 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 end of 2022 and to expand into Ho Chi Minh City in the second half of 2022. Although Handycart generated a modest \$271,000 GMV in full year 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. 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. The #HOTTAB service, a smaller revenue-generating vertical, helps merchants, particularly in the restaurant and hotel industries, to increase revenue and lower costs. It provides merchants with an online multilingual "store front," a fully integrated POS software solution, payment infrastructure, customer analytics, and other services. #HOTTAB functions both online and offline and facilitates the redemption of vouchers and rewards. The expansion of this business will require significant additional investment. As such, we see it as a less material near-term value driver for the company.

RECENT DEVELOPMENTS

Year-to-date in 2022, SOPA shares have declined 82% compared to a 13% decline for the S&P 500.

In August 2022, Society Pass reported Q2 2022 revenues of \$499,000, which represented more than 63-fold growth over the

prior year. Cash on hand increased by 20% to \$28.0 million as of June 30, 2022, as compared with \$23.3 million on December 31, 2021, which we attribute to the completion of a follow-on equity offering in February 2022, partly offset by \$5.5 million in cash used by operations in the first half of 2022.

In May through 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 Philippines; and Nusa Trip, a leading online, Indonesian travel and hotel booking site.

In April 2022, Society Pass announced the completion of restructuring of Leflair Vietnam's operations into a separate entity (Leflair Inc.), appointing Mr. Loic Gautier as the new group CEO and Ms. Ngo Thi Cham as the group's new COO.

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 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 \$30 million, primarily driven by Leflair and supported by Pushkart, Handycart, and other recently completed 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 approximately \$40 million by the end of 2023 (for entities whose acquisition 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. We note that 2021 G&A expenses of \$33.7 million (up from \$3.5 million in 2020) are not indicative of future expenses, as they included nearly \$30 million for the noncash amortization of intangible assets and stock-based compensation. In 2022 and 2023, we project G&A expense of

\$27 million and \$25 million, respectively. We project operating expenses of \$26 million in 2023. We think that Leflair could be cash flow-positive by the end of 2023 based on our anticipated recent revenue growth trajectory.

We forecast net losses of \$1.02 per share in 2022 and \$0.72 per share in 2023. We forecast average shares outstanding of 27 million for 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, while its stock price remains under pressure.

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 June 30, 2022, the company had \$28.1 million in cash and equivalents on its balance sheet.

As of June 30, working capital was \$30.2 million, consisting of nearly \$33.0 million in current assets and only \$2.7 million in current liabilities. The current ratio of 12.2 is favorable relative to peers and should enable the company to execute on its strategic plan. As of June 30, 2022, Society Pass only had \$427,000 of operating lease liability for long-term obligations, and had shareholders' equity of \$34.4 million.

As of June 2022, Society Pass had 24.5 million shares outstanding. 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 Southeast 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.

Ms. Xanne Leo is the CTO and manages software development, product development and analytics teams across all business units. Ms. Leo co-founded Gorilla Networks in 2019 and conceptualized the world's first blockchain telco company.

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 31% of the stock and controls 69% 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, 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 \$1.50, and 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 market cap near \$50 million is close to one-time our 2023 year-end revenue run-rate forecast of \$40 million, and well below the average multiple of four-to-five times for a basket of comparable e-commerce peers. We have shifted our outlook to 2023 revenues to reflect a more-modest revenue growth profile for 2022, as Society Pass integrates the technology that underpins its platform, which we expect to drive superior growth starting in 2023. Still, 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 separate entity that can eventually support its own public listing can unlock shareholder value for Society Pass, with an attractive return on capital, under a holding company model.

To value Society Pass, we apply a six-times multiple to our year-end 2023 revenue run-rate forecast of \$40 million, discounted back one period at 10%. We then adjust based on our outlook for \$15 million in cash and share count of 30 million at the end of 2022, and arrive at a fair value estimate for SOPA of \$8 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. 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 2022E	Q4 2022E	2022E	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Revenue	0.5	0.4	0.5	0.9	5.2	7.0	5.0	7.0	8.0	10.0	30.0
Gross Profit	-0.2					0.4					4.6
SG&A	33.7					27.0					25.0
R&D	0.1					0.9					1.1
Operating Income	-34.2					-27.5					-21.5
Interest Expense	0.0					0.0					0.0
Pretax Income	-34.8					-27.5					-21.5
Tax Rate (%)	NA					NA					NA
Net income	-34.8					-27.5					-21.5
Diluted Shares	9.4					27.0					30.0
EPS	-3.68	-0.30	-0.31	-0.22	-0.19	-1.02	-0.21	-0.19	-0.17	-0.15	-0.72
Dividend	NA					NA					NA
Growth Rates (%)											
Revenue	NA					1,300					329
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					NA					NA
Total Debt/Equity (%)	2					NA					NA
Ratio Analysis											
Gross Profit Margin	NA					6%					15%
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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