Society Pass Incorporated (SOPA - $1.48 - Buy)

Digital Commerce Platform for Southeast Asia | Initiate w/ Buy | PT $6

Key Points

ECommerce Holding Company. Society Pass is an acquisition-focused eCommerce holding company operating six interconnected verticals in loyalty, lifestyle, food and beverage, telecoms, digital media, and travel, connecting millions of registered consumers and thousands of registered merchants in Southeast Asia. The company has on-boarded more than 3.3 million registered consumers and over 200K registered merchants and brands. The company generated $520K of sales in 2021, with a revenue forecast of $9.5 million for 2022 and $42.7 million for 2023.

Seasoned and Diverse Executive Team. The company is led by a team of seasoned Asia-based executives who have spent a total of over 150 years on the ground in Asia with operating, marketing, technology and financial experience there. Society Pass is the sixth company that Dennis Nguyen, Group Founder, Chairman and CEO, has taken public. Over half the executives and employees are female. The company's board of directors brings diverse experiences from technology to finance, to legal, to investment banking/private equity. The company has built a sophisticated technology platform in four years and on-boarded over 3.3 million registered consumers and over 200K registered merchants/brands.

Integrated Ecosystem. Society Pass acquires companies in targeted verticals, which include lifestyle, food and beverage delivery, travel, digital media, telecommunications, and loyalty. In the lifestyle vertical, the company acquired Leflair in February 2021 and relaunched in the Vietnamese marketplace in September 2021. In food and beverage delivery, the company acquired Pushkart and Handycart in February 2022 and Mangan in July 2022. In July 2022, the company acquired Thoughtful Media, a Thailand-based digital media company. In August 2022, the company acquired NusaTrip, an Indonesia-based leading Southeast Asia OTA. The business model is to acquire companies in targeted verticals and integrate them into the platform.

Society Points – A Virtuous Cycle. The company opportunistically acquires attractively valued companies to synergistically generate additional revenue streams, optimize efficiencies for merchants, and more cost-effectively aggregate consumers and merchants through synchronized marketing campaigns. The company's loyalty platform, Society Points, drives this revenue generation and loyalty creation processes. The company has launched a beta version of the Society Pass app in June 2022 and expects to fully launch the app in 1Q 2023. A virtuous cycle of revenue, generation, and loyalty creation in SEA.

Strategies for Digital Commerce in Asia/Pacific. Southeast Asia's digital commerce revenue is expected to reach a 10-year CAGR of 32% by 2025. Business unit leaders, like Society Pass, carefully select their markets. Based on industry estimates, the expected growth of consumer spending on digital commerce for the Southeast Asian region will exceed $88 billion by 2025. This comes from a low penetration of the total retail market. Southeast Asia presents attractive growth opportunities and challenges for SoPa.

Summary

Growth Strategies. As the company continues to acquire e-commerce platforms and apps in Southeast Asia, it should dramatically increase its revenue base, registered customer base, and registered merchant base, we believe. The company beta-launched its Society Pass loyalty platform in the second quarter 2022. The company is constantly upgrading its HR talent, especially identifying and mentoring female executives. It has built a powerful and integrated technology ecosystem targeting Southeast Asia, and operates in three of the world's most attractive and fast-growing economies. Its senior executives have spent most of their lives in Southeast Asia running companies.
Digital Commerce Platform for Southeast Asia

Overview

Society Pass Inc (the “company”) acquires and operates e-commerce platforms and mobile applications through direct and indirect wholly or majority-owned subsidiaries. Fourteen companies form the Society Pass Group (the “group”).

The group currently markets to consumers and merchants in Vietnam, Indonesia, Philippines, Thailand, and Singapore. The administrative headquarters is in Singapore and a software development center transitioned from India to Philippines.

In February 2021, the company acquired an online lifestyle platform of Leflair branded assets. The company acquired NREI (Pushkart), Dream Space (Handycart) in February 2022, Gorilla Networks in June 2022, Mangan in July 2022, and NusaTrip in August 2022. The company continues to expand its e-commerce ecosystem throughout Southeast Asia by making selective acquisitions of leading e-commerce companies and applications with a focus on Vietnam, Indonesia, Philippines, and Thailand.

The business comprises six verticals: loyalty, lifestyle, food and beverage delivery, telecommunications, digital advertising, and travel. The loyalty vertical includes Society Pass App, while the lifestyle vertical includes Leflair App and Leflair.com website. Food and beverage delivery includes Pushkart App, Pushkart.ph website, Handycart App, and Handycart.vn website and telecommunications includes Gorilla App and Gorilla.com website. The digital advertising vertical includes the Thoughtful Media website, while the travel platform includes the NusaTrip website and NusaTrip app. These six e-commerce interfaces are collectively referred to as the Platform. As of September 2022, the company has onboarded more than 3.3 million registered consumers and over 200,000 registered merchants on its Platform.

Figure 1. Society Pass Incorporated – Overview

Takeaways

eCommerce Holding Company

Incorporated in June 2018, Society Pass completed its IPO on Nasdaq in November 2021 and entered Russell’s 2000 stock index a month later. Corporate headquarters are in Singapore, with offices in Vietnam (Hanoi and Ho Chi Minh City), Indonesia (Jakarta), Philippines (Angeles and Manila), and Thailand (Bangkok). The company currently has close to 200 employees. These five countries represent 575 million of Southeast Asia’s 650 million people. The median age of these countries ranges from 26 to 32. The region’s dynamic young population spends six hours plus a day on the internet.

Society Pass is an acquisition-focused eCommerce holding company operating six interconnected verticals in loyalty, lifestyle, food and beverage, telecoms, digital media, and travel, connecting millions of registered consumers and thousands of registered merchants in Southeast Asia. The company has onboarded more than 3.3 million registered consumers and over 200K registered merchants and brands. The company generated $520K of sales in 2021, with a revenue forecast of $9.5 million for 2022 and $42.7 million for 2023.

1 Society Pass Incorporated 10-Q August 17, 2022
Seasoned and Diverse Executive Team

The company is led by a team of seasoned Asia-based executives who have spent a total of more than 150 years on the ground in Asia with operating, marketing, technology, and financial experience there. Society Pass is the sixth company that Dennis Nguyen, Group Founder, Chairman and CEO, has taken public. The Group CFO, Ray Liang, has more than 20 years of audit and control experience. Previously, Mr. Liang was the CFO of Sino Environment Technology Group Limited, a publicly listed company in Singapore. Pamela Young, the Group COO, is responsible for human resources, logistics, operations, and integration. Rokas Sidauskas is the CMO and manages the company’s marketing platform. Over half the executives and employees are female. The company’s board of directors brings diverse experiences from technology to finance, to legal, to investment banking/private equity. The company has built a sophisticated technology platform in four years and onboarded over 3.3 million registered consumers and over 200k registered merchants/brands.

Integrated Ecosystem

Society Pass acquires companies in targeted verticals, which include lifestyle, food and beverage delivery, travel, digital media, telecommunications, and loyalty. In the lifestyle vertical, the company acquired Leflair in February 2021 and relaunched in the Vietnamese marketplace in September 2021. From a revenue base of zero on 05 September 2022, the company generated close to $1,000K in 1H 22.

In food and beverage delivery, the company acquired Pushkart and Handycart in February 2022 and Mangan in July 2022. Handycart is an online restaurant delivery service in Vietnam, while Pushkart and Mangan are online grocery delivery app and restaurant delivery services in the Philippines, respectively. The company is investing modestly into the food and beverage vertical space.

In July 2022, the company acquired Thoughtful Media, a Thailand-based digital media company.

In August 2022, the company acquired NusaTrip, an Indonesia-based leading Southeast Asia Online Travel Agency (OTA).

The business model is to acquire companies in targeted verticals and integrate them into the platform.

Figure 2. Society Pass Incorporated - Complementary and Integrated Ecosystem

Source: Company reports and ThinkEquity estimates

Society Points – A Virtuous Cycle

The company opportunistically acquires attractively valued companies to synergistically generate additional revenue streams, optimize efficiencies for merchants, and more cost-effectively aggregate consumers and merchants through synchronized marketing campaigns. Society Points' ecosystem allows for:

- More revenue generation for merchants leads to creation of customer loyalty;
- More customer loyalty creation leads to more consumers for merchants; and
- More consumers for merchants leads to greater revenues for merchants.

→ VIRTUOUS CYCLE OF REVENUE GENERATION AND LOYALTY CREATION

Society Points generates loyalty from consumers to merchants through the process of converting data into loyalty and revenues for both merchants as well as the company. In essence, more revenue generation for merchants leads to the creation of customer loyalty, more customer loyalty creation leads to more consumers for merchants, and more consumers for merchants leads to greater revenues for merchants. A virtuous cycle of revenue, generation, and loyalty creation in Southeast Asia.

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2 Society Pass Incorporated 10-K March 30, 2022
Figure 3. Society Pass Incorporated – Loyalty & Revenues

Society Points: Converting Data into Loyalty & Revenues

Consumers earn and merchants issue Society Points across our 5 other unique business units. Sofi aggregates data across various touchpoints and builds a holistic view of consumer behaviour and use this behaviour to simplify multiple business models:
1) Cross-sell new merchants with other Sofi platforms
2) Cross-sell products complementary
3) Referral and online/in-store behaviour prediction
4) Cross-promotions and loyalty points

SocietyPass ecosystem becomes a key enabler for our users by converting this aggregation of data into creation of loyalty for our merchants and then generation of revenues!

Our marketing tools GENERATE revenues and CREATE loyalty for merchants, who we return to in order to ACCESS their customer data.

This virtuous cycle improves our re-targeting and analytics.

Sources: Company Reports and ThinkEquity estimates

Leflair


The operating metrics are attractive – 1.5 million registered users, 3,500 registered brands, $500K sales in the last quarter of 2021, and an average basket size of $54.

Leflair sells premium Vietnamese and international brands to the middle and upper-middle-class Vietnamese consumers in Vietnam.

These products include Chanel, Nike, Adidas, jewelry, and home furnishings. These products are typically sold in Hong Kong, Singapore, Korea, and Japan. When these products go out of season, the company sells them online and eliminates the excess inventory of these brands in Vietnam. This is how the company positions Leflair.

Figure 4. Society Pass Incorporated – Lifestyle: Leflair

Sources: Company Reports and ThinkEquity estimates

Food and Beverage

Founded in the Philippines in 2016 and acquired in February 2022, Pushkart has onboarded over 125,000 registered consumers with over 20,000 app downloads. The company markets Pushkart as the Instacart of Southeast Asia.

Also in February 2022, the company also acquired Handycart, a restaurant delivery app based in Vietnam. Handycart expects to increase merchant coverage in Hanoi and Ho Chi Minh City in 2H 2022 and 2023.

Telecommunications

The company acquired Gorilla Networks in June 2022. Gorilla’s online mobile telecommunication platform enables consumers to subscribe to local mobile data and overseas internet data in different subscription packages.

Loyalty Points

The company beta-launched the loyalty app in June of 2022 and expects to fully launch the loyalty platform in 1Q 2023. At such time, consumers in Southeast Asia can then earn loyalty points at various multiple touch points in the platform – NusaTrip, Thoughtful Media, Leflair, Pushkart, Handycart, and the number of companies that Society Pass expects to acquire.

The company intends to replace cash discounting with loyalty points. Consumers can go onto the Leflair website. Instead of getting 10, 20, 30, 40, or 50% off in the form of cash, consumers can earn loyalty points.

Customers would then use those loyalty points to redeem those loyalty points with its food and beverage delivery services (Pushkart or Handycart) or use those loyalty points to buy airline tickets and redeem hotel bookings on its NusaTrip travel website.

The model converts data into loyalty. The company has built the technology platform that allows it to debit and credit thousands of transactions a day with data – what the customer bought, where they bought it, what they are searching for, how much they spent, and what they spent on.

The company collates all these data from multiple touchpoints and assign a spending profile on each individual for customer retargeting. The company offers offline and online behavior buying predictions. This program is part of the merchant marketing platform program for individual merchants as they seek to increase their foot traffic.

The company can generate revenues and create loyalty for merchants, allowing consumers to spend their loyalty points and redeem their loyalty points at different merchants on its platform.
Recent Financials and Outlook

At June 30, 2022, the company had cash balances of $28.0 million, working capital of $30.2 million, and an accumulated deficit of $61.4 million. For the six months ended June 30, 2022, the company had a net loss of $14.2 million and net cash used by operating activities of $5.4 million. Net cash used by investing activities was $228K. Net cash provided by financing activities was $10.4 million. This is primarily from $10.4 million net proceeds from IPO and $413K net proceeds from the warrants exercised.

The company is well-capitalized to implement its business plan. With the acquisitions, we forecast an expansion in revenues from $520K in 21 to $9.5 million in 22 and $42.7 million in 23.

Growth Strategies

As the company continues to acquire e-commerce platforms and apps in Southeast Asia, it will dramatically increase its revenue base, registered customer base, and registered merchant base.

The company beta launched its Society Pass loyalty platform in the second quarter 2022.

The company is constantly upgrading its HR talent, especially identifying and mentoring female executives. Many of the acquired companies are led by female CEOs.

The company has built a powerful and integrated technology ecosystem targeting Southeast Asia. It operates in three of the world’s most attractive and fast-growing economies. Its senior executives have spent most of their lives in Southeast Asia running companies.
Figure 9. Society Pass Incorporated - Highlights

Strategies for Digital Commerce in Asia/Pacific

Southeast Asia's digital commerce revenue is expected to reach a 10-year CAGR of 32% by 2025. Digital commerce providers, like Society Pass, offer purpose-built mobile app CX supported by localized supply chain management and payment methods necessary to succeed in the region.

In Asia/Pacific, 44% of consumers use mobile shopping apps, the highest in the world. However, their purchase conversion rate using mobile apps remains low.

Digital commerce service providers in the region use wholly owned or relevant local supply chain management providers to improve fulfillment in rural areas.

Alternative payment methods - cash on delivery, multiple payment platforms, interest-free installments, and bank fund transfers, are key to engaging lower-income users.

Key Assumptions

Mobile commerce revenue (for both apps and mobile web) exceeds half of the global digital commerce revenue.

The preferred payment architecture for most e-commerce card acceptors will be to hand off to a specialized payment partner with the capability to handle existing payment methods and to offer agile solutions to new payment methodologies.

Most digital commerce will move from B2C and B2B models to models that focus on the individual CX.

Cross-border purchases made by Asian shoppers will match the delivery experience of online commerce in those shoppers’ home countries. Digital commerce providers face multiple challenges in growing gross merchandise value. Marketing, product sourcing, vendor management, and delivery fulfillment are common across digital commerce. While Southeast Asian B2C digital commerce providers are newer compared with global providers in mature markets, their mission-critical priorities are mobile commerce conversion rates, implementing local payment methods, and improving their delivery fulfillment into the markets they serve.

It’s About Mobile App CX

A good CX on mobile commerce is based on users’ convenience and being able to save time. To convert audiences in emerging Southeast Asia, focus on the mobile app CX as the first and vital attribute.

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1 Digital Commerce, Asia. Statista
4 Gartner. Digital Commerce Asia Pacific 2019
The first-generation mobile apps were usually clones of the principal desktop web versions and determined the final CX for the user. Subsequent iterations of their mobile apps were optimized to provide a greater focus on overall CX and to improve the in-app conversion rates.

Regional and local B2C digital commerce providers struggle to get the same conversion rates on mobile apps compared with desktops, even when they see increasing levels of mobile transactions. According to Criteo, the mobile share of digital commerce transactions in Southeast Asia has grown by 19% year-over-year to achieve more than a third of total transactions. According to a GlobalWebIndex survey, Vietnam and Indonesia rank fourth and seventh globally for mobile commerce penetration, which far exceeds the global average penetration of about 40%. This is a shared issue faced by digital commerce providers in mature markets like the U.S. and Europe. For Southeast Asia, mobile superiority is about winning the mobile app audience because only a minority of the total Southeast Asian respondents shopped via mobile web browsers.

It’s About Friction-Free Payments

The second attribute of successful mobile commerce apps is making payments easy for the customer. B2C digital commerce providers need to incorporate payment solution providers to accept COD payments. Without trusted and friction-free mobile payment methods, mobilizing digital commerce is restricted to urban, banked customers with credit facilities. According to the World Bank, only 27% of Southeast Asia’s people have a bank account. Debit or credit cards in the region stand at less than 10% penetration. COD will be a critical step to include a significant portion of Southeast Asian customers who still reside in rural areas.
areas. The final check-out hurdle cannot be overcome without implementing local payment methods to address regional distrust of online retailers and fear of credit card fraud.

More than a third of Southeast Asia online shoppers still prefer to pay COD\(^7\). Business unit leaders need to lead the implementation of the COD payment partnerships or new setups. This has to happen simultaneously with the standard payment methods of credit cards, digital payments (PayPal and Alipay), credit card payments, and banks preferred by Southeast Asian users.

**Figure 12. Preferred Payment Methods of Online Shoppers in Southeast Asia and the Pacific**

![Preferred Payment Methods Graph]

Sources: South Asia, Asia/Pacific 2019, Statista

**It’s About Mission-Critical Fulfillment**

Southeast Asia spans an area of more than 4.5 million square kilometers. It poses a cross-border and international supply chain management challenge that is unprecedented. Local digital commerce providers, such as Tokopedia and 11street, partner with local third-party logistics (3PL) companies to build up local warehouses and set up after-sales service teams — all to ensure delivery times are kept down to the minimum. A robust regional network of 3PL partners (such as SingPost, aCommerce, Anchanto, and DHL) and local 3PL providers (such as Ninja Van and Gojek) facilitated the success of regional B2C e-commerce providers such as Lazada, 11street, and Qoo10.

There is still no single, clearly dominant supply chain provider that can holistically manage this. Digital commerce providers must daisy-chain multiple providers to fulfill a wider geographical reach.

**To Win in Southeast Asia**

Southeast Asia boasts strong growth in smartphone usage and ownership. Still, issues of undeveloped mobile payment services, lack of trust with unreliable smaller B2C digital commerce providers, and poor CX on mobile apps continue to hamper growth. Underpinning the acquisition of Lazada Group, Alibaba and Tencent Holdings have also entered the fray to establish a regional mobile payment platform with strategic acquisitions in a concerted bid to increase B2C digital commerce. This is unlike in China, where the pervasive Alipay makes up 95% of payments done via mobile e-commerce apps.

Business unit leaders, like Society Pass, carefully select their markets. Based on industry estimates, the expected growth of consumer spending on digital commerce for the Southeast Asian region will exceed $88 billion by 2025. This comes from a low penetration of the total retail market.

The Southeast Asian CAGR of digital commerce is expected to be larger than all other geographical regions (except India and Greater China).\(^8\) Of the fastest-growing digital commerce economies globally, five Southeast Asian countries (Malaysia, Indonesia, Philippines, Vietnam, and Thailand) are ranked among the top 10 positions. According to a study performed by Google and Temasek, Indonesia alone will present an e-commerce market opportunity of $46 billion by 2025.\(^9\) Indonesia might well represent the largest potential market, but it is also the most difficult for digital commerce due to poor infrastructure and unclear regulations.

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\(^7\) ASEAN UP 2019  
\(^8\) Statista 2019  
\(^9\) Tech in Asia
Southeast Asia presents attractive growth opportunities and challenges for new and incumbent B2C digital commerce entrants. Peripheral opportunities to win are also present for Society Pass, specializing in vertical categories such as fashion, digital content, consumer electronics, and cosmetics.

**The Impact**

Society Pass is positioned to grow its digital commerce operations in Southeast Asia with an agile and aggressive approach. Strategies designed for mature markets are unlikely to work, as digital commerce penetration is still low in Southeast Asia. It does not follow the conditions of mature markets, such as the U.S., China, and Europe.

Society Pass establishes the conditions for market success through beneficial partnerships and collaborations with local supply chain solutions and mobile payment providers. The company is strengthening its businesses by continuing its focus on delivering the best CX and converting the mobile app audiences to increase its GMV. This does result in an inevitably higher investment cost of the business in Southeast Asia.

**Conclusion**

Mobile commerce superiority is foremost. Society Pass has purpose-built the most relevant CX for users through constant refinement of its mobile app.

The company has set up its own logistics solutions, which are more costly, but mostly outsources to capable local 3PL partners that can satisfy the local users’ expectations.

COD remains a preferred and significant mode of payment in Southeast Asia's emerging markets, which the Company has implemented over and above the default payment channels.

**Concentration of risk**

For the years ended December 31, 2021 and 2020, the following customers accounted for 10% or more of the company’s revenues.

**Figure 14. Society Pass Incorporated - Major Customers**

<table>
<thead>
<tr>
<th>Customer</th>
<th>Year ended December 31, 2021</th>
<th>Percentage of revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiki Smart Logistic*</td>
<td>$387,213</td>
<td>74%</td>
</tr>
<tr>
<td>PayDollars - Payment**</td>
<td>94,698</td>
<td>18%</td>
</tr>
<tr>
<td>Aryaduta Hospitality &amp; Leisure Group</td>
<td>$40,719</td>
<td>75%</td>
</tr>
</tbody>
</table>

* The Company engaged Tiki Smart Logistic for collection of cash on delivery arrangement from end customer

** Valuation Risks**

Risk factors include the possibility that the expected organic profit growth does not materialize.
Risks also include a failure to integrate the acquired units with the rest of the organization which reduces the potential portfolio synergies — which can result in an undifferentiated holding company rather than a roughly coherent enterprise.

As the of low-interest rates and cheap money ends, the company needs a new approach to strategic governance. The company must replace the top-down approach of acquisitions with a more bottom-up approach to innovation. While acquisitions seem like a cheap way to become more innovative, the most important innovation comes from inside the firm — from those close to customers, clients, suppliers, and technologies10. The Company must pursue a bottom-up innovation strategy.

**Recent Financial Results**

Second Quarter and Six Months Summary

Revenue Recognition

The company generates its revenues from a mix of e-commerce activities (B2C), grocery and food delivery (B2C), telecommunication reseller (B2C), and the services provided to merchants for their business growth (B2B). The company operates under four business segments e-Commerce, grocery and food delivery, telecommunication reseller, and Merchant POS.

The company generated revenues of $499K and $8K during the three months ended June 30, 2022 and 2021, respectively. During the six-month ended June 30, 2022 and 2021, the company generated revenue of $944K and $17K, respectively. The increase in revenue for three months and six-month was mainly due to increased sales from the online platforms and newly acquired subsidiaries.

E-Commerce mainly offers an online lifestyle platform under the brand name Leflair.

During the six months ended June 30, 2022, the company generated revenue of $893K in the Lifestyle sector. During the three months ended June 30, 2022, the company generated revenue of $482K in the Lifestyle sector.

Merchant POS offers both software and hardware products and services.

During the six months ended June 30, 2022 and 2021, the company generated $22K and $17K, revenue from software fees.

During the three months ended June 30, 2022 and 2021, the company generated $11K and $8K, revenue from software fees.

Grocery and food delivery consists of online grocery under the brand name Pushkart and food delivery service under the brand name Handycart.

During the six months ended June 30, 2022, the company generated $24K revenue from this stream.

During the three months ended June 30, 2022, the company has generated $8K revenue from this stream.

Telecommunication reseller provides local mobile data plans and overseas internet data plans under the brand Gorilla.

During the six months ended June 30, 2022, the company generated $6K revenue from this stream.

During the three months ended June 30, 2022, the company has generated $6K revenue from this stream.

### Figure 15. Society Pass Incorporated – Segment Mix

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Grocery &amp; Food Deliveries</th>
<th>Telecommunication Reseller</th>
<th>e-Commerce</th>
<th>Merchant POS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from external customers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales - online ordering</td>
<td>$467</td>
<td>$467</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales - online platform</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Sales - data</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Software sales</td>
<td>-</td>
<td>-</td>
<td>11</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Hardware sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total revenue</td>
<td>489</td>
<td>6</td>
<td>459</td>
<td>11</td>
<td>499</td>
</tr>
</tbody>
</table>

Sources: Company Reports and ThinkEquity Estimates

Gross Loss

The company reported a gross loss of $138 and $79K for the three months ended June 30, 2022 and 2021 respectively. During the six months ended June 30, 2022 and 2021, the company reported a gross loss of $15K and $88K, respectively. The decrease in gross loss is due to increased revenue from e-commerce and the acquired telecommunication reseller business.

Sales and Marketing Expenses

The company reported expenses of $253K and $41K for the three months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and 2021, the company reported expenses of $449K and $42K, respectively. The increase is primarily from the increase in sales activity and the related promotion expenses for new merchants joining its e-commerce platform. The increase in marketing cost is to attract customers’ attention to its e-commerce platform.

Software Development Cost

The company reported expenses of $17K and $37K for the three months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and 2021, the company reported expenses of $37K and $67K, respectively. The decrease is primarily due to the restructuring of the technology development team.

General and Administrative Expenses

The company reported expenses of $7 million and $4 million for the three months ended June 30, 2022 and 2021, respectively. During the six months ended June 30, 2022 and 2021, the company reported expenses of $13 million and $6 million, respectively. The increase is primarily from costs related to a business acquisition.

Net Loss

For the three months ended June 30, 2022, the Company reported a net loss of $7.6 million, compared to $4.3 million for the same period ended June 30, 2021. During the six months ended June 30, 2022, the company incurred a loss of $14.2 million, compared to $7.1 million for the same period ended June 30, 2021. The increase in net loss is primarily attributable to increased general and administrative expenses.

Liquidity and Capital Resources

As of June 30, 2022, the company had cash and cash equivalents of $28 million, accounts receivable of $52 million, deposits, pre-payments and other receivables of $5 million and inventories of $336K. For the six months ended June 30, 2022, the company’s stockholders’ equity was $35 million.

Cash Flows
For the six months ended June 30, 2022, the company incurred a net loss of $14 million and net cash used by operating activities of $5 million. Net cash used by investing activities was $228K. Net cash provided by financing activities was $10 million, resulting primarily from the $10 million net proceeds from the public offering and $413K of net proceeds from the C1 warrants exercised during the period ended June 30, 2022.

**Figure 18. Society Pass Incorporated – Cash Flow Summary**

<table>
<thead>
<tr>
<th>(U.S. dollars in thousands, except per share data)</th>
<th>Six Months Ended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2022</td>
<td>June 30, 2021</td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>$(5,448)</td>
<td>$(1,514)</td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$(228)</td>
<td>$(200)</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>$10,351</td>
<td>$1,323</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents, end of period</td>
<td>$28,013</td>
<td>$143</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Company Reports and ThinkEquity Estimates

**Risks**

The company’s limited operating history in an evolving industry makes it challenging to evaluate prospects. In addition, failure to raise capital as needed will have a material adverse effect on operations.

The e-commerce market is competitive. If the company does not maintain R&D, marketing, sales, and client support on a competitive basis, the business could be adversely affected. The company relies on internet search engines and application marketplaces to drive its Platform traffic. If links to the company’s applications and website are not displayed prominently, traffic to its Platform and business would be weaker. Further, a lack of consumer acceptance of Society Points could have a material adverse effect on business.

The company’s failure to successfully market its brands could negatively impact its business. A decline in the demand for goods and services of the merchants included in the Platform could result in adverse financial results.

The company’s acquisition activity could have adverse effects on its business.

All of the company’s operations are overseas. The company is subject to changes in Southeast Asia’s economic, political, or legal environment. Many economies in that region are experiencing inflationary pressures, which decrease profitability. The payment processing regulatory regimes in the operating countries could have adverse consequences on the business. The company is also exposed to foreign exchange risk.

As a controlled company under the rules of the Nasdaq Capital Market, it may be exempt from certain corporate governance requirements that could have an adverse effect on public shareholders. Dennis Nguyen, Founder, Chairman, and CEO, is the beneficial owner of voting stock with 69% of the voting power.

For additional risk considerations, please refer to the company’s SEC filings.
### Figure 19. Society Pass Incorporated - Income Statement, 2020-2023E

(in thousands, except per share amounts)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues, net</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales - online ordering</td>
<td>$ - 482</td>
<td>$ 434</td>
<td>$ 488</td>
<td>$ 2,854</td>
<td>$ 5,592</td>
<td>$ 9,368</td>
<td>$ 120</td>
<td>$ 42,317</td>
</tr>
<tr>
<td>Software sales</td>
<td>48</td>
<td>37</td>
<td>11</td>
<td>11</td>
<td>25</td>
<td>25</td>
<td>72</td>
<td>240</td>
</tr>
<tr>
<td>Hardware sales</td>
<td>4</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>20</td>
<td>20</td>
<td>46</td>
<td>240</td>
</tr>
<tr>
<td>Total revenues</td>
<td>52</td>
<td>520</td>
<td>445</td>
<td>499</td>
<td>2,899</td>
<td>5,637</td>
<td>9,480</td>
<td>42,677</td>
</tr>
<tr>
<td><strong>Cost of sales:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of online ordering</td>
<td>- 408</td>
<td>396</td>
<td>458</td>
<td>2,517</td>
<td>6,194</td>
<td>9,565</td>
<td>34,940</td>
<td></td>
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<tr>
<td>Software sales</td>
<td>79</td>
<td>303</td>
<td>64</td>
<td>41</td>
<td>23</td>
<td>23</td>
<td>150</td>
<td>108</td>
</tr>
<tr>
<td>Hardware sales</td>
<td>10</td>
<td>0</td>
<td>-</td>
<td>0</td>
<td>30</td>
<td>30</td>
<td>60</td>
<td>235</td>
</tr>
<tr>
<td>Total cost of revenues</td>
<td>89</td>
<td>711</td>
<td>460</td>
<td>499</td>
<td>2,570</td>
<td>6,247</td>
<td>9,775</td>
<td>35,283</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>(36)</td>
<td>(191)</td>
<td>(15)</td>
<td>(0)</td>
<td>329</td>
<td>(610)</td>
<td>(296)</td>
<td>7,394</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>0%</td>
<td>-11%</td>
<td>-3%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and marketing expenses</td>
<td>3</td>
<td>327</td>
<td>196</td>
<td>253</td>
<td>350</td>
<td>584</td>
<td>1,383</td>
<td>4,621</td>
</tr>
<tr>
<td>Software development costs</td>
<td>166</td>
<td>96</td>
<td>20</td>
<td>17</td>
<td>180</td>
<td>170</td>
<td>387</td>
<td>370</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>16</td>
<td>200</td>
<td>529</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>3,529</td>
<td>33,398</td>
<td>5,841</td>
<td>7,345</td>
<td>4,525</td>
<td>5,005</td>
<td>22,716</td>
<td>14,045</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>3,714</td>
<td>34,021</td>
<td>6,585</td>
<td>7,616</td>
<td>5,055</td>
<td>5,759</td>
<td>25,015</td>
<td>19,036</td>
</tr>
<tr>
<td>Operating expense ratio</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
<td>102%</td>
<td>NM</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>Income (loss) from operations</td>
<td>(3,750)</td>
<td>(34,212)</td>
<td>(6,600)</td>
<td>(7,161)</td>
<td>(4,726)</td>
<td>(6,369)</td>
<td>(25,311)</td>
<td>(11,642)</td>
</tr>
<tr>
<td><strong>Other income (expense):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income/expense, net</td>
<td>49</td>
<td>42</td>
<td>4</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>30</td>
<td>54</td>
</tr>
<tr>
<td>Other expenses</td>
<td>21</td>
<td>600</td>
<td>(14)</td>
<td>(0)</td>
<td>(10)</td>
<td>(10)</td>
<td>(34)</td>
<td>(64)</td>
</tr>
<tr>
<td>Total other expense</td>
<td>69</td>
<td>641</td>
<td>(10)</td>
<td>25</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>(10)</td>
</tr>
<tr>
<td>Income (loss) from operations before income taxes</td>
<td>(3,819)</td>
<td>(34,853)</td>
<td>(6,590)</td>
<td>(7,161)</td>
<td>(4,726)</td>
<td>(6,369)</td>
<td>(25,307)</td>
<td>(11,632)</td>
</tr>
<tr>
<td>Income taxes</td>
<td>8</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>(3,827)</td>
<td>(34,864)</td>
<td>(6,591)</td>
<td>(7,587)</td>
<td>(4,726)</td>
<td>(6,369)</td>
<td>(25,307)</td>
<td>(11,632)</td>
</tr>
<tr>
<td>Net loss attributable to non-controlling interest</td>
<td>-</td>
<td>100</td>
<td>43</td>
<td>82</td>
<td>20</td>
<td>20</td>
<td>165</td>
<td>205</td>
</tr>
<tr>
<td>Comprehensive loss attributable to Society Pass Incorporated</td>
<td>(3,827)</td>
<td>(34,764)</td>
<td>(6,591)</td>
<td>(7,444)</td>
<td>(4,706)</td>
<td>(6,349)</td>
<td>(25,142)</td>
<td>(11,427)</td>
</tr>
<tr>
<td><strong>Earnings per share attributable to Society Pass Incorporated</strong></td>
<td>$ (0.56)</td>
<td>$ (3.68)</td>
<td>$ (0.30)</td>
<td>$ (0.31)</td>
<td>$ (0.17)</td>
<td>$ (0.23)</td>
<td>$ (0.99)</td>
<td>$ (0.41)</td>
</tr>
<tr>
<td>Weighted average common shares outstanding: Diluted</td>
<td>6,990,131</td>
<td>9,443,741</td>
<td>21,892,111</td>
<td>24,347,607</td>
<td>27,000,000</td>
<td>28,000,000</td>
<td>25,309,930</td>
<td>28,000,000</td>
</tr>
</tbody>
</table>

Sources: Company Reports and ThinkEquity Estimates
Figure 20. Society Pass Incorporated — Valuation Comparable, Prices as of 9/24/2022

(Amounts listed in USD. Numbers in millions, except per share data)

| Company                          | Stock Price (1) | Market Value of Equity | Enterprise Value(2) | Sales LTM | Sales CY+1 | Sales CY+2 | EBITDA LTM | EBITDA CY+1 | EBITDA CY+2 | EPS CY+1 | CY+2 | EPS Growth | Projected EPS | PEG |
|----------------------------------|-----------------|------------------------|---------------------|-----------|-----------|-----------|------------|------------|------------|-----------|-------|-------|------------|--------------|-----|
| DoorDash, Inc.                   | 52.01           | 20,080.0               | 16,577.0            | 2.94x     | 2.61x     | 2.13x     | NM         | 53.2x      | 32.0x      | NM       |       |         |              |     |
| Global-e Online Ltd.             | 27.08           | 4,237.2                | 3,972.9             | 13.01     | 9.52      | 6.51      | NM         | 90.7       | 55.7      | NM       |       |       |              |     |
| Grab Holdings Limited            | 2.75            | 10,591.2               | 5,960.2             | 7.20      | 4.66      | 3.13      | NM         | NM         | NM        | NM       |       |       |              |     |
| Just Eat Takeaway.com N.V.       | 13.98 (3)       | 2,984.3                | 4,741.2             | 0.89      | 0.85      | 0.75      | NM         | NM         | 75.1      | NM       |       |       |              |     |
| Meituan                          | 20.42 (4)       | 126,379.6              | 120,458.3           | 4.39      | 3.86      | 2.95      | NM         | 300.3      | 43.3      | NM       |       |       |              |     |
| MercadoLibre, Inc.               | 815.01          | 41,026.2               | 43,768.2            | 4.95      | 4.15      | 3.31      | 49.3       | 40.7       | 27.4      | 74.8    |       |       |              |     |
| Pinduoduo Inc.                   | 60.05 (5)       | 75,926.4               | 61,396.6            | 4.21      | 3.56      | 2.93      | 20.1       | 13.9       | 11.7      | 22.0    |       |       |              |     |
| The RealReal, Inc.               | 1.59            | 151.4                  | 436.9               | 0.77      | 0.70      | 0.56      | NM         | NM         | NM        | NM      |       |       |              |     |
| Revolve Group, Inc.              | 23.64           | 1,733.4                | 1,512.0             | 1.43      | 1.40      | 1.26      | 14.6       | 18.7       | 14.7      | 15.3    |      |       |              |     |
| Sea Limited                      | 53.81           | 30,227.1               | 27,662.7            | 2.35      | 2.23      | 1.79      | NM         | NM         | NM        | NM      |       |       |              |     |
| Zomato Limited                   | 0.75 (3)        | 6,235.5                | 5,395.9             | 9.19      | 7.18      | 5.37      | 9.90       | 9.50       | 8.60      | 15.6    |       |       |              |     |

High 13.01x 9.52x 6.51x 49.3x 300.3x 75.1x 74.8x 785.4x 103.2x 52.4% 5.0x
Average 4.67 3.70 2.79 28.0 86.2 37.1 37.4 211.2 58.1 8.2% 2.2
Low 0.77 0.70 0.58 14.6 13.9 11.7 15.3 19.5 17.4 0.0% 0.5

Society Pass Incorporated 1.48 37.6 10.0 6.89x 1.00x 0.24x NM NM NM NM NM 0.0% NM

(1) Financial data provided by Cap IQ, Google Finance, Company Reports and ThinkEquity estimates as of 09/24/2022
(2) Calculated as Market Value of Equity plus total debt, non-controlling interest and preferred stock, less cash & equivalents.
(3) Converted to USD from EUR at an exchange rate of 0.972.
(4) Converted to USD from CNY at an exchange rate of 0.140.
(5) Converted to USD from INR at an exchange rate of 0.012.

Sources: S&P Cap IQ, Google Finance, Company Reports, and ThinkEquity Estimates

Figure 21. Society Pass Incorporated – 3-Year Price Target and Rating History

<table>
<thead>
<tr>
<th>Date</th>
<th>Key Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2022</td>
<td>Society Pass incorporated, Initiate with Buy, PT $8</td>
</tr>
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</table>

Sources: S&P Cap IQ, Google Finance, and ThinkEquity Estimates
Important Disclosures

Analyst Certification

The analyst, Ashok Kumar, responsible for the preparation of this research report attests to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers; and (2) that no part of the research analyst’s compensation was, is, or will be directly related to the specific recommendations or views in this research report.

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ThinkEquity, LLC

ThinkEquity, LLC is a member of FINRA and SIPC. ThinkEquity expects to receive or intends to seek investment banking business from the subject company in the next three months. ThinkEquity does not make a market in the securities of the subject company of this report at the time of publication. ThinkEquity does not hold a beneficial ownership of more than 1% or more of any class of common equity securities of the subject company.

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Ratings Definitions

ThinkEquity rating definitions are expressed as the total return relative to the expected performance of S&P 500 over a 12-month period.

BUY (B) - Total return expected to exceed S&P 500 by at least 10%
HOLD (H) - Total return expected to be in-line with S&P 500
SELL (S) - Total return expected to underperform S&P 500 by at least 10%

Current Ratings Distribution

This Equity Ratings Distribution reflects the percentage distribution for rated equity securities for the twelve month period June 30, 2019 through June 30, 2020. Within the twelve month period ended June 30, 2020, ThinkEquity, LLC has provided investment banking services to 54% of companies with equity rated a Buy, 0% of companies with equity rated a Hold and 0% of companies with equity rated a Sell. As of June 30, 2020, ThinkEquity, LLC had twenty-three stocks under coverage: Buy 23 (100%), Hold 0 (0%), Sell 0 (0%).

<table>
<thead>
<tr>
<th>ThinkEquity rating distribution by percentage (as of September 26, 2022):</th>
</tr>
</thead>
<tbody>
<tr>
<td>All companies under coverage:</td>
</tr>
<tr>
<td>Buy (1)</td>
</tr>
<tr>
<td>Hold (2)</td>
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<tr>
<td>Sell (3)</td>
</tr>
<tr>
<td>All companies under coverage to which it has provided investment banking services in the previous 12 months:</td>
</tr>
<tr>
<td>Buy (1)</td>
</tr>
<tr>
<td>Hold (2)</td>
</tr>
<tr>
<td>Sell (3)</td>
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</table>