



August 16, 2021

Key Metrics

| | |
|----------------------------|------------------|
| OLB - NASDAQ | \$5.64 |
| Pricing Date | Aug 13 2021 |
| Price Target | \$9.00 |
| 52-Week Range | \$16.40 - \$3.26 |
| Shares Outstanding (mm) | 7.3 |
| Market Capitalization (mm) | \$41.2 |
| 3-Mo Average Daily Volume | 255,067 |
| Book Value/Share | \$0.93 |
| Price/Book | 6.1x |

Revenue (000)

| | 2019A | Prior 2020A | Curr. 2020A | Prior 2021E | Curr. 2021E |
|--------|-------|----------------|----------------|----------------|----------------|
| 1Q-Mar | 2.6 | -- | 2.6 | -- | 2.2A |
| 2Q-Jun | 2.6 | -- | 2.0 | 2.4E | 2.8A |
| 3Q-Sep | 2.5 | -- | 2.3 | -- | 2.6E |
| 4Q-Dec | 2.6 | -- | 2.8 | -- | 2.9E |
| FY | 10.3 | -- | 9.8 | 10.2E | 10.6E |

GAAP EPS

| | 2019A | Prior 2020A | Curr. 2020A | Prior 2021E | Curr. 2021E |
|--------|--------|----------------|----------------|----------------|----------------|
| 1Q-Mar | (0.08) | -- | (0.10) | -- | (0.17)A |
| 2Q-Jun | (0.09) | -- | (0.09) | (0.05)E | (0.09)A |
| 3Q-Sep | (0.07) | -- | (0.11) | (0.04)E | (0.06)E |
| 4Q-Dec | (0.01) | -- | (0.01) | (0.02)E | (0.04)E |
| FY | (0.25) | -- | (0.31) | (0.28)E | (0.35)E |

Company Description:

The OLB Group is an emerging player in the fast growing financial technology, or FinTech, sector, offering its merchant customers a broad suite of products and services, including payment processing solutions, a cloud-based business management platform, a capital raising platform for private companies, and a proprietary payment gateway solution. We note that Aegis Capital acted as sole bookrunner for a public equity offering for the company in August 2020.

OLB Group, Inc.**Rating: Buy****2Q Results, Plus LOI to Acquire a Merchant Portfolio in the Fast Growing CBD Sector****Investment Highlights:**

Overview of 2Q results. The OLB Group announced 2Q revenue of \$2.8 million, well exceeding our \$2.4 million forecast, driven by increased fees from merchant processing transactions. EPS of \$(0.09) was slightly below our \$(0.05) estimate due to higher general & administrative expense, which can be attributed to increased legal and audit costs as well as higher investments in public relations and marketing.

Signed LOI to acquire a portfolio of CBD merchants. The OLB Group recently signed a non-binding letter of intent to acquire a portfolio of CBD and other merchants that will utilize the company's SecurePay payment gateway. With the merchant portfolio reporting annual transaction volume exceeding \$300 million, the planned transaction could add an incremental \$13 million in revenue, more than doubling our forecasted 2021E revenue run rate for the company of approximately \$10 million. Management also estimates an incremental \$3.6 million in annualized EBITDA from the acquisition. For the time being, however, we are maintaining our current estimates until the acquisition closes, which is expected sometime in 4Q. We note that the cannabidiol (CBD) products market is one of the fastest growing consumer products sectors in the US, and that growth could accelerate even further in the event of more favorable FDA regulation in the sector.

Reiterate BUY rating and 12-month price target of \$9. The OLB Group is an emerging player in the rapidly growing financial technology (FinTech) sector. We continue to recommend investors accumulate shares of OLB. We believe shares of OLB should trade at an Enterprise Value/2021E Revenue multiple of 5x, which generates our price target of \$9.

Offering an expanded suite of products and services in the burgeoning FinTech industry. In addition to its core eVance payment processing solutions business, the company has significantly expanded its portfolio of FinTech products in recent quarters to include a cloud-based business management platform for commerce services called OmniSoft, a unique online capital raising platform for small and mid-sized businesses called CrowdPay, and a proprietary payment gateway solution called SecurePay. In addition, the company announced it will enter the cryptocurrency mining and lending business.

Significant cross-selling opportunities. The OLB Group's core eVance business has successfully established relationships and does business with thousands of merchant customers and clients in the U.S., including traditional bricks-and-mortar retailers, eCommerce retailers, restaurants, service companies, and others. We believe these established relationships represent a significant opportunity for the company to market and cross-sell its new FinTech products, which should not only help drive incremental revenue and profitability, but should also help further entrench the company's relationships with these merchants.

Risks. Potential investment risks to attainment of our price target include delays and business disruption as a result of the ongoing COVID-19 pandemic, regulatory risk in the highly scrutinized financial services sector, possible dilution from future capital raises, competitive risk, and potential technological obsolescence in a rapidly evolving industry.

Figure 1. Historical and Projected Income Statement

THE OLB GROUP, INC.
INCOME STATEMENT (in \$000)

| Period Ending | 2018 | 2019 | 2020 | 1Q21 | 2Q21 | 3Q21E | 4Q21E | 2021E |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Revenue | \$9,020 | \$10,292 | \$9,767 | \$2,226 | \$2,834 | \$2,608 | \$2,930 | \$10,598 |
| % Change yr-yr | | 14.1% | -5.1% | -14.8% | 41.7% | 13.0% | 3.0% | 8.5% |
| Operating Expense | 9,553 | 10,560 | 10,501 | 3,210 | 3,500 | 2,921 | 3,076 | 12,707 |
| % of revenue | 105.9% | 102.6% | 107.5% | 144.2% | 123.5% | 112.0% | 105.0% | 119.9% |
| Operating Income | (533) | (269) | (735) | (983) | (666) | (313) | (146) | (2,109) |
| Net Margin | -5.9% | -2.6% | -7.5% | -44.2% | -23.5% | -12.0% | -5.0% | -19.9% |
| Interest and other expense | 860 | 1,075 | 1,042 | 117 | (0) | 120 | 130 | 367 |
| Pretax income | (1,394) | (1,343) | (1,777) | (1,100) | (666) | (433) | (276) | (2,475) |
| Provision for Income Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) | (1,394) | (1,343) | (1,777) | (1,100) | (666) | (433) | (276) | (2,475) |
| Diluted earnings per share: | (\$0.26) | (\$0.25) | (\$0.31) | (\$0.17) | (\$0.09) | (\$0.06) | (\$0.04) | (\$0.35) |
| Avg.diluted shares outstanding | 5,411 | 5,453 | 5,711 | 6,300 | 7,117 | 7,300 | 7,300 | 7,004 |

Source: Aegis Capital Corporation and Company Reports

Figure 2. Historical Annual Cash Flow Statement**THE OLB GROUP, INC.****STATEMENT OF CASH FLOWS (in \$000)**

| | 2018 | 2019 | 2020 |
|--|--------------|-------------|--------------|
| Net Income (Loss) | (\$1,394) | (\$1,343) | (\$1,777) |
| Depreciation and amortization | 583 | 842 | 861 |
| Stock based compensation | 186 | 265 | 298 |
| Non-cash interest expense | 8 | | 204 |
| Gain on settlement of payables | (16) | | 1 |
| Bad debt expense | 38 | | |
| <i>Changes in Assets and Liabilities</i> | | | |
| Accounts receivable | 64 | (73) | 123 |
| Prepaid expenses | 64 | 4 | 101 |
| Other current assets | (8) | (100) | |
| Other long-term assets | (27) | 63 | (68) |
| Accounts payable | 149 | 125 | (233) |
| Accrued expenses - related party | 239 | 372 | 236 |
| Other accrued liabilities | (17) | (10) | 25 |
| Deferred revenue | | 100 | (100) |
| Net Cash From Operations | (131) | 245 | (327) |
| Purchase of property, plant, and equipment | | | (150) |
| Acquisition of intangible asset | | | |
| Proceeds from note receivable | 175 | | |
| Cash received in business combination | 43 | | |
| Net Cash from Investing Activities | 218 | - | (150) |
| Proceeds from notes payable | 3,055 | 361 | 236 |
| Proceeds from exercise of warrants | | | 95 |
| Proceeds from sale of common stock | | | 5,446 |
| Proceeds from sale of warrants | | | 155 |
| Payment on notes payable - related parties | (30) | | |
| Payment of deferred offering costs | | (210) | (293) |
| Payments on notes payable | (3,000) | | (1,845) |
| Net Cash from Financing Activities | 25 | 151 | 3,794 |
| Net Increase (Decrease) in Cash | 112 | 396 | 3,317 |
| Cash, Beginning of the Period | - | 112 | 508 |
| Cash, End of the Period | 112 | 508 | 3,824 |

Source: Aegis Capital Corporation and Company Reports

Figure 3. Historical Annual Balance Sheet**THE OLB GROUP, INC.
CONSOLIDATED BALANCE SHEET (in \$000)**

| <u>ASSETS</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|----------------|----------------|---------------|
| Current Assets | | | |
| Cash | 112 | 508 | 3,824 |
| Accounts receivable | 406 | 479 | 356 |
| Prepaid expenses | 21 | 17 | 16 |
| Other current assets | 8 | 108 | 9 |
| Total Current Assets | <u>547</u> | <u>1,112</u> | <u>4,205</u> |
| Property and equipment, net | 66 | 37 | 20 |
| Intangible assets | 4,148 | 3,335 | 2,641 |
| Deferred offering costs | | 210 | |
| Operating lease right-of-use asset | | | 270 |
| Goodwill | 6,858 | 6,858 | 6,858 |
| Other long-term assets | <u>380</u> | <u>317</u> | <u>384</u> |
| Total Assets | <u>11,999</u> | <u>11,869</u> | <u>14,378</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | | |
| Liabilities | | | |
| Accounts payable | 468 | 593 | 360 |
| Accrued expenses - related party | 640 | 1,012 | |
| Accrued expenses | 74 | 74 | 104 |
| Other accrued liabilities | 15 | 5 | 86 |
| Deferred revenue | | 100 | |
| Note payable - current portion | | 325 | 450 |
| Note payable - related party - current portion | 25 | 386 | |
| Total Current Liabilities | <u>1,221</u> | <u>2,494</u> | <u>999</u> |
| Long-term Liabilities | | | |
| Note payable, net | 9,500 | 9,175 | 7,441 |
| Notes payable - related party | 3,000 | 3,000 | |
| | | | 185 |
| Total Liabilities | <u>13,721</u> | <u>14,669</u> | <u>8,625</u> |
| Stockholders' Equity | | | |
| Preferred stock | | | 0 |
| Common stock | 1 | 1 | 1 |
| Additional paid-in capital | 15,786 | 16,051 | 26,380 |
| Accumulated deficit | (17,508) | (18,852) | (20,629) |
| Total Equity | <u>(1,722)</u> | <u>(2,800)</u> | <u>5,752</u> |
| Total Liabilities & Stockholders' Equity | <u>11,999</u> | <u>11,869</u> | <u>14,378</u> |

Source: Aegis Capital Corporation and Company Reports

Required Disclosures

Price Target

Our 12-month price target on shares of OLB is \$9.

Valuation Methodology

We derive our price target by applying an Enterprise Value/2021E Revenue multiple of 5x.

Risk Factors

- Business delays and overall disruption resulting from the ongoing COVID-19 pandemic.
- Regulatory risk, particularly in the highly scrutinized industry of financial services.
- Possible dilution to shareholders from future capital raises.
- Competitive risk from new product introductions.
- Risk of technological obsolescence of certain products or services in the rapidly evolving FinTech sector.

For important disclosures go to www.aegiscap.com.

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Neither the research analyst who prepared this report or a member of the research analyst's household has a financial position in the debt or equity securities of the subject company.

Aegis Capital Corp. makes a market in OLB Group, Inc..

Aegis Capital Corp. has performed investment banking services for and received fees from OLB Group, Inc. within the past 12 months.



**Investment Banking
Services/Past 12 Mos.**

| Rating | Percent | Percent |
|--------------------|--------------|--------------|
| BUY [BUY] | 92.78 | 40.00 |
| HOLD [HOLD] | 7.22 | 28.57 |
| SELL [SELL] | 0.00 | 0.00 |

Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

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