

Action Summary – 27 September 2022

Analyst Theodore R. O'Neill *is initiating coverage of SPAR Group Inc. with a Buy rating and a \$7 price target*

- **We are initiating coverage of SPAR Group Inc. with a Buy rating and a \$7 price target.**
- **Blue-Chip customers.** SGRP is a global merchandising and brand marketing services company, providing a broad range of sales enhancing services to Blue-Chip retailers across most classes of trade and consumer goods manufacturers and distributors around the world.
- **SGRP is a key part of brand management.** We believe that the success of many consumer retail brands is largely dependent on the images of those brands and the ability to anticipate and respond promptly to changing consumer demands and fashion trends in the design, styling, production, merchandising, and pricing of products.
- **Bricks and Clicks leader. eCommerce growth is changing the retail business model, and this is good business for SGRP.** SGRP is squarely positioned as a leader in the transformation to make retail both relevant and integrated with eCommerce in a post Covid world.
- **Solid business in good times and bad.** When the economy is good, SGRP is hired to move and turn more products for customers. When the economy is bad, they reduce their field services and use SGRP to provide flexible labor.
- **Attractive Valuation.** Based on our discounted future earnings model, the value of all future earnings is \$7/share. Compared to peers, if the current 2023 average multiples of sales were applied, the shares would trade for \$45.

9/26 Closing price: \$1.45 USD	Market cap: \$33 million	Multiple of book: NMF	EV/2023 Sales: 0.23
Diluted shares outstanding: 21.8 million	Insider ownership: 60%	3-mo avg. daily trading volume: >40,000	Dividend/Yield: NA/NA

GAAP estimates (EPS in USD – Revenue in USD millions)

Period	EPS	Revenue	Op Margin
1Q21A	\$0.04	\$61.1	
2Q21A	\$0.02	\$67.2	
3Q21A	\$0.05	\$67.4	
4Q21A	<u>(\$0.21)</u>	<u>\$60.0</u>	
FY21A	<u>(\$0.08)</u>	<u>\$255.7</u>	<u>3.4%</u>
1Q22A	\$0.03	\$59.0	
2Q22A	\$0.05	\$67.8	
3Q22E	\$0.07	\$68.0	
4Q22E	<u>\$0.06</u>	<u>\$79.0</u>	
FY22E	<u>\$0.22</u>	<u>\$264.8</u>	<u>3.7%</u>
1Q23E	\$0.02	\$62.0	
2Q23E	\$0.07	\$70.0	
3Q23E	\$0.09	\$73.0	
4Q23E	<u>\$0.09</u>	<u>\$78.0</u>	
FY23E	<u>\$0.27</u>	<u>\$283.0</u>	<u>3.8%</u>

Note: Numbers may not add due to rounding. See our full model at the back of this report.

Cash balance (in USD millions)

• 2020A	• \$16.0
• 2021A	• \$13.5
• 2022E	• \$16.5
• 2023E	• \$16.9

Debt (in USD millions)

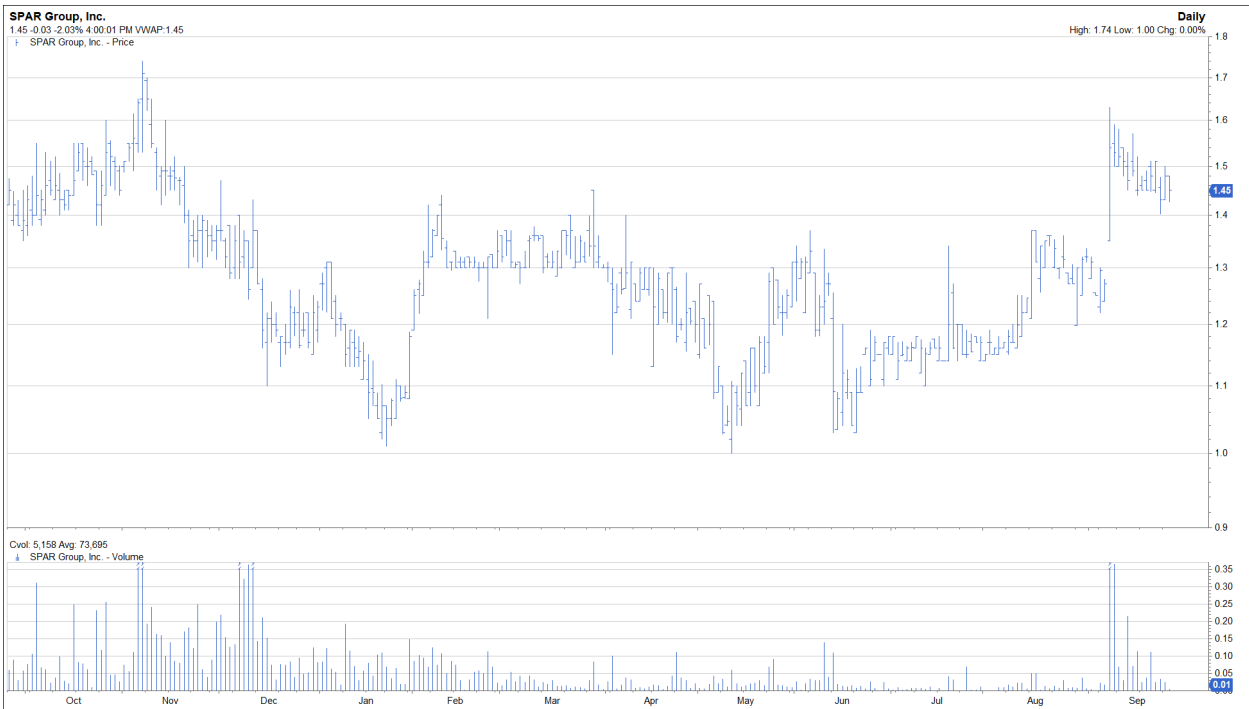
• 2020A	• \$1.0
• 2021A	• \$0.7
• 2022E	• \$1.0
• 2023E	• \$1.0

Risks/Valuation

- Risks: competitive marketplace, dependence on third party independent contractors, Covid
- Our \$7 price target is derived from our discounted future earnings model

Company description: SPAR Group is a global merchandising and marketing services company, providing a broad range of services to retailers, manufacturers, and distributors around the world. With more than 50 years of experience, 25,000+ merchandising specialists around the world, an average of 200,000+ store visits a week and long-term relationships with some of the world's leading manufacturers and retail businesses, it provides specialized capabilities across more than nine countries.

Figure 1 – SPAR Group Inc. – One-Year Trading snapshot



Source: FactSet

Investment Thesis

Blue-Chip customers. SPAR Group, Inc., is a leading global merchandising and brand marketing services company, providing a broad range of sales enhancing services to Blue-Chip retailers across most classes of trade and consumer goods manufacturers and distributors around the world. We believe that the success of many consumer retail brands is largely dependent on the images of those brands and the ability to anticipate and respond promptly to changing consumer demands and fashion trends in the design, styling, production, merchandising, and pricing of products.

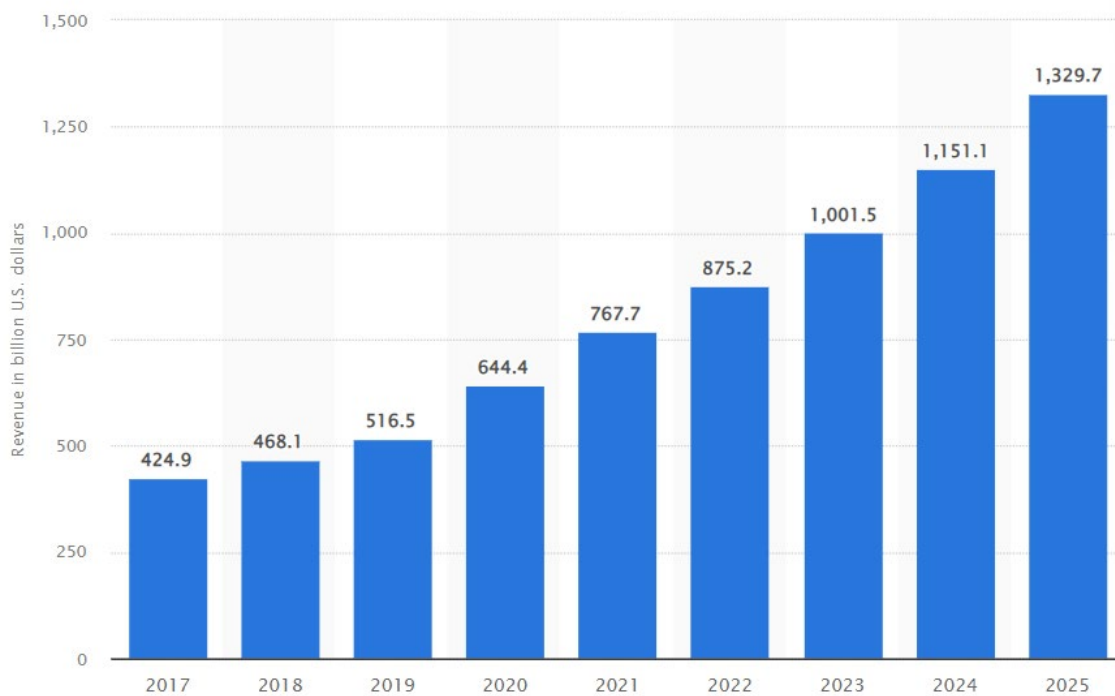
SPAR Group is a retail partner with multiple Blue-Chip customers (see Figure 5) primarily handling the merchandising of stores and the products in them, but also providing key information about trends and pricing. Merchandising is critical to merchant success because if they do not correctly gauge consumer needs and fashion trends and respond appropriately, consumers may not purchase those products and the brand names, and the images may be impaired. Merchandising products and stores requires SPAR and its clients to react appropriately to changes in fashion trends and consumer preferences. Any and all of these forces create demand for SGRP.

Bricks and Clicks. A leader in retail transformation. SGRP is squarely positioned as a leader in the transformation to make retail both relevant and integrated with eCommerce in a post Covid world. Integration of eCommerce with brick and mortar is an omnichannel approach that puts greater emphasis on inventory, in-store pickup, in-store display and point-of-sale. As customers spend relatively fewer hours in retail stores, merchandising becomes critical to both inventory management and sales. Changing the in-store shopping experience generally requires a complete remodel of the existing stores.

eCommerce growth is a driving force in retail

Spurred on by Covid, rapid growth in eCommerce (see Figure 2) over the last decade has increased pressure to transform retail and harmonize it with changes in demand. In the U.S. alone, retail ecommerce rose at a 16% CAGR from \$424.9B in 2017 to \$767.7B in 2021. That growth is fueling the need to make the retail experience far more dynamic.

Figure 2 – SPAR Group, Inc. – U.S. retail eCommerce 2017-2025E



Source: Statista 2022

Valuation and Price Target

Valuation Methodology

We believe SGRP is undervalued, and we support that belief with two valuation techniques. For the purposes of determining our price target we use a discounted future earnings model, which we then compare to its valuation relative to peers. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 3)
- 2) Valuation relative to peers (see Figure 4)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$7 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 10%. We assume the company grows rapidly until 2035 before growth eventually slows to GDP. Our valuation model is shown in Figure 3 below. Note, this model understates future new services and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$6.67 which we round up to \$7.00.

Figure 3 – SPAR Group Inc. – Price Target Calculation

Disc. Future Earnings \$6.67			
Year		EPS	Discounted EPS
2022	0	\$0.22	\$0.22
2023	1	\$0.27	\$0.25
2024	2	\$0.30	\$0.25
2025	3	\$0.35	\$0.26
2026	4	\$0.40	\$0.27
Terminal Value:			\$5.42

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 4 is a summary of our SGRP peer comparison. There are no true comps to SGRP, instead, we used companies that either provide back-office solutions or staffing. The average Market Cap/Sales for 2023 is ~3.5X. If that were to be applied to SGRP, based on our 2023 preliminary revenue target of \$283MM, the Market Cap would be \$991MM, which implies a price of just over \$45/share. Although this would imply a PE of 167X, which seems unlikely, at \$7, the PE would be a more reasonable 26x. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 4 – SPAR Group Inc. – Valuation of Peers

FactSet Ticker	Company Name	9/26 Closing Price	Market Cap \$MM	EV \$MM	2023 Consensus Multiples				
					Market Cap / Sales	EV /Sales	EV / EBITDA	Price to Book	PE
WDAY-US	Workday, Inc.	\$146.97	29,541	35,507	5.17	4.85	643.06	14.00	33.61
HUBS-US	HubSpot, Inc.	\$272.62	13,091	12,535	6.31	5.99		35.75	95.47
TOST-US	Toast, Inc.	\$17.37	5,624	7,764	2.70	2.27		16.14	
BL-US	BlackLine, Inc.	\$56.77	3,385	3,767	5.28	5.85	110.63	18.79	129.98
APPN-US	Appian Corporation	\$40.54	1,660	2,853	5.53	5.33		19.92	
PAR-US	PAR Technology Corp.	\$29.16	795	1,028	2.17	2.77		2.82	
ADV-US	Advantage Solutions Inc	\$2.38	758	2,797	0.17	0.65	5.29	1.02	3.39
BGSF-US	BGSF, Inc.	\$11.55	121	143	0.39	0.46		1.91	8.14
HHS-US	Harte-Hanks, Inc.	\$10.74	76	108	0.38	0.52	5.02		6.62
	AVERAGE				3.46	3.52	252.99	13.79	54.12
SGRP-US	Spar Group	\$1.48	32	59	0.11	0.21		1.33	
	SGRP-US Discount to peers				-97%	-94%		-90%	

Source: Litchfield Hills Research LLC and FactSet

Industry Background

The merchandising and marketing outsourced services industry plays an important role in the growth and performance of some of the world's most successful product and retail companies. Merchandising services include placing orders, retail shelf maintenance, merchandising display setup, reconfiguring products on store shelves and replenishing product inventory. Additional marketing services include, but are not limited to, new store sets and remodels, audits, sales assistance, installation and assembly, product demos/sampling, promotion and more. The Company believes that merchandising and marketing services add value to retailers, manufacturers, and other businesses by making a product more visible and more available to consumers. Historically, retailers staffed their stores to ensure the store was well merchandised and the product was properly featured and placed. However, to control costs and improve margins, most retailers have reduced store payroll and increased their reliance on manufacturers to set up their own products and merchandise the shelves on behalf of the retailer. Early on, manufacturers utilized their own sales representatives to do this work. Over time, this resulted in competing manufacturer representatives working in the same stores. This often led to the best presentation of merchandise resulting from the last manufacturer representative physically in the store. As a result, retailers began looking for third parties who could manage the merchandising process and ensure that the store, in total, was ready for the consumer. The result was the growth of the merchandising and marketing services industry.

We believe this industry will continue to grow and is more important today than ever before. With the acceleration of digital and online retailing, the pressure on the physical store to remain relevant, efficient and compelling has never been higher. In addition, product manufacturers are constantly trying to grab the consumer's attention and make sure they are everywhere the consumer wants to shop. These are exactly the issues merchandising and marketing services companies solve. Merchandising and marketing services companies work to ensure the store is exceptionally merchandised and products thoughtfully featured while enabling the retailer to maintain margins and leverage payroll. As the industry evolves, these services will continue to be a significant part of retailer and manufacturer success

Company Background

SPAR Group, Inc., is a leading global merchandising and brand marketing services company, providing a broad range of sales enhancing services to retailers across most classes of trade and consumer goods manufacturers and distributors around the world. Its goal is to be the most creative, energizing, and effective global services company that drives sales, margins and operating efficiency for its clients. At the end of 2021, it operated in nine countries including the United States, Canada, Mexico, Brazil, South Africa, Australia, China, Japan, and India. Across all these countries, it successfully executes programs through its multi-lingual logistics, reporting and communication technology, which provides clients value through real-time insight on store / product conditions. It has more than 50 years of experience, an average of 25,000 merchandising specialists' network around the world working more than 11 million hours in store per year.

At retail, merchandising brand marketing specialists perform a wide range of programs to maximize product sell-through to consumers. Some of these programs include launching new products, installing displays, assembling product fixtures, and ensuring shelves are fully stocked and reordering when they are not. It also assists with sales and customer service. As retailers adapt to changes and new opportunities, its team engages in the total renovations and updating of stores, as well as preparing new locations for grand openings. Its distribution associates work in retail and consumer goods distribution centers to prepare the centers to open, testing systems, putting away, picking product, and providing peak staffing services for its clients.

It provides the "last two feet" of retail and consumer goods product merchandising and marketing. It ensures these products are presented in a compelling and exciting way exactly when and where they need to be to drive sales and margin. Its technology adds to these services by providing clients with detailed insight across all aspects of individual stores.

GROWTH STRATEGY

As the need for flexibility and efficiency in merchandising and marketing services continues to increase, both in the United States and internationally, brand owners, consumer goods companies, manufacturers and retailers will continue to rely on third-party providers for these services. SPAR is uniquely able to meet these needs because of its global reach, more than 50-year track record, access to over 25,000 merchandisers, breadth of capability, and deep expertise. It is both the depth understanding of what is needed and unique technologies that enables it to offer enhanced service in-country and across geographies.

To capitalize on the growing demand, the Company's business strategy is focused on four priorities:

- 1) Grow the Core Business
- 2) Introduce or Acquire New Services
- 3) Invest in Technology
- 4) Expand Globally.

With this strategy, we expect to see top-line growth, expanded margins, and higher levels of free cash flow.

Grow the Core Business

The Company is constantly pursuing new core business services while working to earn more business from current clients. It has invested a considerable amount of management time and talent with long-tenured clients to ensure it understands their business and is well-positioned to meet their needs in the future. This includes expanding the services it offers to existing clients. At the same time, it pursues and solicits requests for proposals ("RFPs"), actively markets its services, participates in industry events and continuously looks for opportunities to grow the business.

Introducing or Acquiring New Services

The changing retail landscape and need for enhanced digital, e-commerce and fulfillment capability creates multiple opportunities for SGRP. It is constantly identifying and introducing new or complimentary capabilities that it believes the market and its clients need now or will need in the future. To accomplish this, it pursues partnerships, looks for acquisitions and explores ideas based on market trends and its own unique client experiences. Because it has a global span of world-class clients, we believe it is provided with an unparalleled window to changes and opportunities in the markets it serves.

Investing in Technology

SGRP developed a client portal it calls SPARView which enables it to communicate, plan, track, analyze and optimize its merchandising and marketing services work. It allows for the integration of its field merchandisers, client partners and management to make smarter decisions that yield better results.

Expanding Globally

The Company operates in nine countries. This provides it with the unique ability to offer services across borders and geographies driving incremental revenue and operating efficiencies. We believe its ability to offer multi-country agreements is a unique differentiator for it in the marketplace. As retail channels continue to consolidate around the globe, we believe it offers opportunities to acquire, partner or organically grow into new segments, verticals, and geographies.

DOMESTIC AND INTERNATIONAL BUSINESS

Historically, the company has operated as two divisions: Domestic and International and these were also reporting segments. To better leverage the regional footprint to align with the global growth strategy, effective January 1, 2022, the Company has realigned its segment from two divisions to three regional segments which have been recast as: **Americas** which is comprised of the United States, Canada, Brazil and Mexico, **Asia-Pacific (“APAC”)** which is comprised of Japan, China, India and Australia, and **“EMEA” which is comprised of Europe, Middle East and Africa**, which is comprised of South Africa. The Company’s business is distributed across nine countries and five continents. The Americas business is led and operated from its global headquarters in Auburn Hills, Michigan. The other regional segments are also led from its global headquarters but then has regional leadership and offices in the respective countries.

The approach to the international marketplace has historically been to establish joint ventures. We believe this approach enables it to bring the breadth of its global capabilities and tools while capitalizing on the strength and importance of local executive leadership and resources. We also believe the JV format also lowers risk.

SERVICES

The Company currently provides six principal types of services: merchandising services, brand marketing services, new store openings and remodeling services, assembly services, distribution staffing services and retail compliance and price audit services.

Merchandising Services

Merchandising services consist of regularly scheduled merchandising and marketing services provided at the retail store level for retailers, manufacturers and distributors (“syndicated merchandising services”) and “dedicated merchandising services” which are performed for a specific retailer or manufacturer by a dedicated organization, sometimes including a management team. The syndicated services are performed for multiple manufacturers and distributors while the dedicated services work exclusively for that retailer or manufacturer.

Brand Marketing Services

Brand marketing services consist primarily of specific in-store services initiated by retailers and manufacturers, such as new product launches, special seasonal or promotional merchandising, focused product support, product recalls, in-store product demonstrations and in-store product sampling. The Company also performs other project related services, such as kiosk product replenishment, inventory control, new store sets and existing store resets, re-merchandising, remodels and category implementations, under annual or stand-alone project contracts or agreements.

New Store Openings and Remodeling Services

Retailer specific services consist primarily of in-store services initiated by retailers, such as new store openings, new store sets and existing store resets and remodels, under annual or stand-alone project contracts or agreements. New store openings and remodels are particularly susceptible to external factors and these projects are being delayed by many clients due to the effects of the COVID-19 pandemic.

Assembly Services

The Company's assembly services are initiated by consumers, retailers, or manufacturers. Upon request, the Company assembles furniture, grills and many other products in stores, homes, and offices. The Company performs ongoing routed coverage at retail locations to ensure that furniture and other product lines are well displayed and maintained, and builds any new items or replacement items, as required. In addition, the Company provides in-home and in-office assembly to customers who purchase their product from retailers, whether in store, online or through catalog sales.

Distribution Staffing Services

The Company offers staff and distribution center experienced resources to retailers and consumer goods manufacturers. These services support new distribution center set up and testing, receiving, put-away and picking, packing and shipping activities. Demand for these services has increased as the growth of online has accelerated and more retailers and manufacturers are shipping products directly to the end consumer for these facilities.

Retail Compliance and Price Audit Services

The Company's retail compliance and price audit services are initiated by retailers and manufacturers and focus on the following: validating store promotions; auditing compliance with branding and signage; verifying product placement and displays; collecting inventory levels and; out-of-stock status and more. In addition, the Company provides competitive price intelligence gathering for retailers as well as ensuring price accuracy and consistency within the retail itself.

CUSTOMERS

The Company currently represents numerous manufacturers and/or retail clients in a wide range of retail segments and stores worldwide, and its customers (see Figure 5) include the following markets:

Retail segments served include:

- Automotive
- Cash and Carry
- Consumer Electronics
- Convenience
- Discount
- Dollar
- Grocery and Drug

- Home Improvement
- Mass Merchandisers
- Office Supply
- Pharmacies

Manufacturer segments served include:

- Automotive Aftermarket
- Beverage
- Consumables
- Consumer Electronics
- Financial Products
- Household Products
- Personal Technology

Figure 5 – Spar Group – Blue-Chip Client List



Source: Company Presentation

Financial Projections and Guidance

The company does not provide guidance. Sales growth in 2022 appears low but comes in the face of both COVID shutdowns in China and changes in Mexican labor law that restricts gig workers. Revenue from Mexico was ~9% of revenue in 2021 and has now been cut in half. On the expense side, there was an agreed upon change in control of the majority shareholder/founders that cleaned up the capital structure, but incurred a ~\$4MM charge in 4Q21. Although that charge results in the company reporting a loss, on the operating income line, it has shown a profit every quarter for 31 of the last 32 quarters.

Management

Michael R. Matacunas serves as the Chief Executive Officer, President and Director of SGRP and has held such positions since his appointment as Chief Executive Officer of SGRP on February 16, 2021. Mr. Matacunas is a Fortune 500 veteran with more than 30 years of relevant leadership experience. He has worked in public and private companies, developed, and led international business growth, driven exceptional operational results, and built world-class teams. Mr. Matacunas was previously the Chief Administrative Officer at Dollar Tree, Inc., where he helped drive top line growth from \$6b to \$22b+ and oversaw the successful multi-billion-dollar acquisition and integration of Family Dollar Stores, including, among other things, merchandising, sourcing, operational and executive improvements. Prior to this, Mr. Matacunas was CEO of a successful retail professional services business that transformed leading global retailers, wholesalers, and consumer packaged goods companies. Mike's experience also includes strategy, consulting, and world-wide roles at leading technology companies, including IBM and Manhattan Associates. Mr. Matacunas earned a B.A. Degree in Economics from Boston University and an MBA from the College of William & Mary Mason School of Business.

Fay DeVriese serves as the Chief Financial Officer of SGRP and has done so since August 31, 2020. Prior to joining SGRP, she served as Chief Financial Officer at Letica Corporation and has served in financial leadership roles at DSM Engineering Plastics, Eaton Corporation, Continental Automotive Systems and Motorola. Ms. DeVriese is a certified public accountant, licensed in the State of New York. She earned a Bachelor of Business Administration degree from the State University of New York.

Kori G. Belzer serves as the Chief Operating Officer of SGRP and has done so since January 1, 2004. From 2000 through 2003, Ms. Belzer served as the Chief Operating Officer of SPAR Administrative Services, Inc. (then known as SPAR Management Services, Inc.) ("SAS"), and SPAR Business Services, Inc. (then known as SPAR Marketing Services, Inc.), each an affiliate of SGRP (see Transactions with Related Persons, Promoters and Certain Control Persons, below). From 1997 to 2000, Ms. Belzer served as Vice President Operations of SAS and as Regional Director of SAS from 1995 to 1997. Prior to 1995, she served as Client Services Manager for SPAR/Service, Inc.

William Linnane joined SGRP in July 2021 as its Chief Strategy and Growth Officer. He is an internationally experienced business, merchandising, retail, and finance leader with more than 20 years of relevant leadership experience. He has worked in the US, in Europe and in Australia; leading multi-billion-dollar businesses and driving exceptional operational results with different market conditions. He was recently the CEO of a successful advisory and investment firm focused on M&A and retail restructurings. Prior to that, Mr. Linnane was President of Kmart's Pharmacy, Drugstore and Grocery businesses in the U.S. and Puerto Rico, Chief Merchant at a leading book retailer in Europe, and led the Beverage, Candy and Snacks business for Tesco in the UK, working with Coca-Cola, PepsiCo, Nestle, Mars, Mondelez and others to drive branded growth opportunities via merchandising and other initiatives, including digital strategies. Mr. Linnane is a qualified accountant and started his career in finance working in the UK and Ireland at Kingfisher PLC (LSE: KGFL) and Tesco PLC (LSE: TSCO). He has strong experience in strategy, finance, operations, merchandising, sourcing, and leadership roles. Mr. Linnane holds an MA in Economics from Trinity College, University of Dublin.

Ron Lutz joined SGRP in July 2021 as its Chief Global Commercial Officer. He built a 35-year executive career guiding Fortune 100 companies and private organizations in the retail customer experience space. He has led retail organizations through transformational growth, change management and market expansions. Throughout his career he has held responsibilities in the areas of sales, operations, strategy, marketing, omni-channel customer experience development, international expansion, and acquisitions. Most recently, Ron was consulting as an international strategic retail advisor. Prior to this, he was the Chief Client Officer at a private retail services and solutions company. With his extensive background in the industry, Ron has served in the capacity and/or held titles such as Chief Marketing Officer, Chief Customer Officer, VP Customer Experience Deployment, VP New Store – Remerchandising, VP Enterprise Print /Fixtures, and VP Store Service Solutions. Earlier in his career, he served as a Vice President with Lowe's Companies (NYSE: LOW), where he led the deployment of an omni-channel customer experience solution across 2,000+ North American retail store locations. He also had responsibility for new store development in emerging markets and store renovations across the US, Canada, and Mexico.

Figure 6 – SPAR Group Inc. – Comp Table

FactSet Ticker	Company Name	9/26 Closing Price	Market Cap \$MM	EV \$MM	2023 Consensus Multiples				
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HHS-US	Harte-Hanks, Inc.	\$10.74	76	108	0.38	0.52	5.02		6.62
	AVERAGE				<u>3.46</u>	<u>3.52</u>	<u>252.99</u>	<u>13.79</u>	<u>54.12</u>
SGRP-US	Spar Group	\$1.48	32	59	0.11	0.21		1.33	
	SGRP-US Discount to peers				-97%	-94%		-90%	

Source: FactSet and Litchfield Hills Research LLC

Figure 7 – SPAR Group Inc. – Income Statement (\$millions except per share)

December ending year	2020A	2021A				2021A	2022E				2022E	2023E				2023E
	Year	Q1A	Q2A	Q3A	Q4A	Year	Q1A	Q2A	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
Total revenue	\$230.5	\$61.1	\$67.2	\$67.4	\$60.0	\$255.7	\$59.0	\$67.8	\$68.0	\$70.0	\$264.8	\$62.0	\$70.0	\$73.0	\$78.0	\$283.0
<i>Growth</i>						11%	-3%	1%	1%	17%	4%	5%	3%	7%	11%	7%
Cost of Goods	185.3	48.8	55.2	54.8	49.4	208.2	47.2	54.9	55.0	57.0	214.0	50.2	56.7	59.1	63.2	229.2
Gross Profit	45.2	12.3	12.0	12.6	10.6	47.5	11.8	12.9	13.0	13.0	50.8	11.8	13.3	13.9	14.8	53.8
Gross profit margin	20%	20%	18%	19%	18%	19%	20%	19%	19%	19%	19%	19%	19%	19%	19%	19%
SG&A	33.3	9.0	9.6	9.4	8.8	36.8	9.3	10.1	9.6	10.0	38.9	10.0	10.0	10.0	11.0	41.0
Depreciation	2.1	0.5	0.5	0.5	0.5	2.1	0.5	0.5	0.5	0.5	2.0	0.5	0.5	0.5	0.5	2.0
Total Expenses	35.5	9.5	10.1	9.9	9.3	38.9	9.8	10.6	10.1	10.5	41.0	10.5	10.5	10.5	11.5	43.0
Earnings (loss) from Operations	9.7	2.7	1.9	2.7	1.4	8.7	2.1	2.4	2.9	2.5	9.8	1.3	2.8	3.4	3.3	10.8
	4.2%	4.4%	2.8%	4.0%	2.3%	3.4%	3.5%	3.5%	4.3%	3.6%	3.7%	2.1%	4.0%	4.6%	4.3%	3.8%
Total Other income/(expense)	(0.4)	(0.1)	(0.1)	0.0	(4.4)	(4.6)	(0.1)	(0.0)	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0
Tax expense/(benefit)	0.3	0.9	0.6	0.5	0.1	2.1	0.6	0.7	0.9	0.8	2.9	0.4	0.8	1.0	1.0	3.2
Net income	9.0	1.8	1.1	2.1	(3.1)	2.0	1.5	1.6	2.0	1.8	6.8	0.9	2.0	2.4	2.3	7.5
Less Net (income) from non-controlling interest	(5.6)	(0.9)	(0.6)	(1.0)	(1.3)	(3.8)	(0.8)	(0.5)	(0.4)	(0.4)	(2.0)	(0.4)	(0.4)	(0.4)	(0.4)	(1.6)
Net income (loss) attributable to SGRP	\$3.4	\$0.9	\$0.5	\$1.2	(\$4.4)	(\$1.8)	\$0.7	\$1.1	\$1.6	\$1.4	\$4.8	\$0.5	\$1.6	\$2.0	\$1.9	\$5.9
Fully diluted EPS	\$0.16	\$0.04	\$0.02	\$0.05	(\$0.21)	(\$0.08)	\$0.03	\$0.05	\$0.07	\$0.06	\$0.22	\$0.02	\$0.07	\$0.09	\$0.09	\$0.27
Diluted common shares	21.155	21.581	21.617	21.589	21.320	21.564	21.800	21.800	21.800	21.800	21.800	21.900	21.900	21.900	21.900	21.900

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – SPAR Group Inc. – Balance Sheet (\$millions)

December ending year	FY2023E	FY2022E	FY2021A	FY2020A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$16.9	\$16.5	\$13.5	\$16.0
Accounts receivable	65.0	60.0	54.2	46.9
Inventories	0.0	0.0	0.0	0.0
Other assets	12.0	8.0	4.4	3.6
Total Current Assets	93.9	84.5	72.0	66.5
Net PP&E	4.0	3.0	2.9	2.8
Other non-current assets	6.0	6.0	6.5	6.0
Total Assets	\$112.9	\$101.5	\$89.0	\$84.0
Current Liabilities				
Accounts payable	11.0	10.0	8.9	7.9
Accrued expenses	38.0	36.0	33.1	28.1
Other current liabilities	12.0	10.0	8.2	7.0
Total current liabilities	61.0	56.0	50.2	42.9
Operating leases liabilities less current	1.0	1.0	0.8	1.5
Long-term debt	1.0	1.0	0.7	1.0
Total Liabilities	63.0	58.0	51.7	45.4
Stockholders' Equity				
Preferred stock	0.1	0.1	0.0	0.0
Common stock	0.6	0.6	0.2	0.2
Additional paid-in-capital	18.5	18.0	17.2	16.6
Retained earnings	18.2	12.2	7.4	9.2
Cum. trans. adj. and treasury stock	12.5	12.5	12.5	12.5
Total stockholders' equity	49.9	43.5	37.3	38.6
Total Liabilities and equity	\$112.9	\$101.5	\$89.0	\$84.0

Source: Company reports and Litchfield Hills Research LLC

Figure 9 – SPAR Group Inc. – Cash Flow (\$millions)

	2023E	2022E	2021A
Net Income	\$5.94	\$4.80	(\$1.78)
Accounts receivable	(5.00)	(5.83)	(7.26)
Inventories	0.00	0.00	0.00
Other assets	(4.00)	(3.62)	(0.75)
PP&E	(1.00)	(0.07)	(0.13)
Goodwill & Intangibles	0.00	0.46	(0.45)
Long term assets	(1.00)	(0.40)	1.10
Accounts payable	1.00	1.06	1.08
Accrued expenses	2.00	1.97	3.29
Lines of credit & short-term loans	0.00	0.96	1.71
Other current liabilities	2.00	1.81	1.22
Operating leases liabilities less current	0.00	0.24	(0.74)
Long-term debt	0.00	0.30	(0.30)
Preferred stock	0.00	0.11	0.00
Common stock	0.00	0.39	0.00
Additional paid-in-capital	0.50	0.77	0.59
Non-controlling int., treasury and other	0.00	0.03	(0.08)
Other			
Total Cash Flow	\$0.44	\$2.98	(\$2.50)

Source: Litchfield Hills Research LLC

Disclosures:

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SPAR Group, Inc.

SGRP-US - Buy \$7 PT

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