

Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

September 22, 2025

Inflection Point in Growth and Profitability / Reiterate Buy / \$6 Target

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- **Inflection Point in Growth:** Based on a call with Usio's CRO, we believe that it is poised to reaccelerate organic growth, supported by a revitalized sales model and operational efficiencies. This follows two years of flat revenue, which has irked shareholders and hurt the share price.
- **Transformational Sales Reset:** Commissions now sunset after three years, incentivizing continuous new business generation. Sales reps are empowered to sell across all four Usio product lines, unlocking significant cross-sell potential under the new UsioOne initiative. This has resulted in a record-high sales pipeline focused on high-probability opportunities.
- **Operational Improvements:** Unified, AI-assisted onboarding process reduces time-to-revenue and scales efficiently. Consolidated approach eliminates previous product silos and streamlines merchant activation.
- **PayFac Momentum Building:** Two large ISVs (bodegas & building supply retailers) entering revenue-generating phase, with go-lives in August/September 2025. Each ISV win brings numerous merchant accounts, magnifying revenue potential.
- **Financial Outlook:** High operating leverage means incremental revenue should disproportionately boost EBITDA and EPS. 2025 revenue guidance: \$87.7M–\$92.8M (+5–12% YoY). Consensus is near the low end; our estimate (\$88.5M) leaves room for upside if PayFac acceleration continues. 2026 outlook: 10%+ revenue growth and expanding EBITDA margin.
- **Attractive Valuation:** Trades at just 0.4x 2025E EV/Revenue, vs. peer average of 2.6x. Our \$6 price target still implies only 1.6x 2026E revenue, leaving significant rerating potential.
- **Investment Case:** Stronger sales discipline, clearing PayFac bottleneck, and record pipeline position, Usio is poised to accelerate growth. We see a favorable risk/reward profile with potential for significant share price appreciation as profitability becomes consistent.

Rating	BUY	Earnings Per Share				Normalized to exclude unusual items			
Target Price	\$6.00	FYE - December				2023	2024	2025E	2026E
Ticker Symbol	USIO	1Q - March		\$0.00	(\$0.01)	(\$0.01)	A	(\$0.00)	
Market	NASDAQ	2Q - June		\$0.01	\$0.00	(\$0.01)	A	(\$0.00)	
Stock Price	\$1.42	3Q - September		(\$0.04)	\$0.10	(\$0.00)		(\$0.00)	
52 wk High	\$2.92	4Q - December		\$0.00	\$0.02	\$0.00		\$0.00	
52 wk Low	\$1.24	Year		(\$0.02)	\$0.12	(\$0.02)		(\$0.00)	
Shares Outstanding:	26.5 M	Revenue (\$mm)		\$82.6	\$82.9	\$88.5		\$97.3	
Public Market Float:	16.4 M	EV/Rev		0.4X	0.4X	0.3X		0.3X	
Avg. Daily Volume	99,190	EBITDA (\$mm)		\$2.4	\$2.9	\$3.0		\$3.9	
Market Capitalization:	\$38 M	EV/EBITDA		NM	10.7X	10.2X		7.9X	
Institutional Holdings:	25.1%								
Dividend Yield:	0.0%								

Risks/Valuation

- We see four key risk categories, which we discuss in our initiation report: regulatory changes, cybersecurity risks, errors, and fraud.
- Our valuation implies a 53% premium to larger, slower-growing comps on an EV/EBITDA basis, but a 58% discount on an EV/sales basis.

Company description: Usio is a diversified payments company headquartered in San Antonio, Texas. It has proven highly innovative in new product launches, acquisitions, and customer wins, driving 24% revenue growth over the last five years.

Usio, Inc.

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Inflection Point in Growth and Profitability

We recently spoke with Greg Carter, Usio's Chief Revenue Officer, to discuss the company's revenue trajectory and strategic initiatives. Our key takeaway: Usio is positioned to reaccelerate organic growth, accelerate its PayFac onboarding, and transition to sustainable GAAP profitability. While revenue has been largely flat for the past two years, Usio has taken deliberate steps to break out of this range—including appointing Mr. Carter as CRO, revamping its sales model, and streamlining operations. With quarterly revenues holding just above \$20 million and a high fixed-cost structure, even modest top-line acceleration could drive a disproportionately large improvement in EBITDA and EPS.

April 2025 Sales Meeting: A Strategic Reset

In April, Mr. Carter gathered Usio's seven quota-carrying sales representatives and introduced sweeping changes designed to foster accountability and growth. The most notable adjustments include:

- **Time-Limited Commissions:** Commissions now sunset after three years, compelling reps to continuously generate new business to maintain earnings levels.
- **Full Product Portfolio Access:** Each rep is now empowered to sell across Usio's four core product lines—PayFac, ACH, Prepaid Card Issuance, and Output Solutions—creating new cross-sell opportunities and incentivizing broader client engagement.
- **Performance Accountability:** The sales team was explicitly informed that underperformance will not be tolerated.

Crucially, this “carrot-and-stick” approach has been met with strong buy-in from the salesforce, who recognize the potential for higher overall compensation. Importantly, Usio now tracks the sales pipeline—not just top-of-funnel leads—and this pipeline is currently at an all-time high. Early evidence suggests the model is working, with increased wins and more robust cross-selling activity.

Operational Efficiencies and PayFac Momentum

Usio has also enhanced its operational infrastructure by consolidating previously siloed onboarding processes into a single, AI-assisted workflow. This has reduced friction, shortened customer time-to-revenue, and enabled scalability. The most significant development, however, is the clearing of the PayFac onboarding bottleneck. PayFac remains Usio's highest-value growth driver, and recent progress is encouraging:

- **Two Major ISV Wins:** Usio has successfully integrated with two large independent software vendors—one serving bodegas, the other building supply retailers. Both are entering the revenue-generating phase, with go-lives in August and September.
- **High Operating Leverage:** Because Usio's infrastructure is largely fixed, incremental PayFac revenue should flow through at very high contribution margins, amplifying EBITDA growth.

Given the embedded nature of Usio's API within these ISVs' platforms, each win represents potentially thousands of new merchant customers with minimal incremental sales effort—creating a scalable, repeatable growth engine.



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Guidance and Estimates Look Achievable

Management has guided to 5–12% revenue growth for 2025, or \$87.7M–\$92.8M. Consensus currently sits near the low end at \$87.9M; we are slightly higher at \$88.5M. If the PayFac acceleration plays out as expected, we see meaningful upside potential to both our revenue and EBITDA estimates.

For 2025, Usio projects 3–5% EBITDA margins, or \$2.6M–\$4.6M. Consensus is \$3.3M, and our model is slightly more conservative at \$3.0M. Given the company's operating leverage, we see a credible path to surpassing our estimates and consensus in 2026.

Looking forward, we forecast 2026 revenue of \$97.3M (10% YoY growth) and EBITDA of \$3.9M—while consensus is slightly higher. Given the high fixed-cost nature of Usio's business model, sustained revenue growth should drive margins significantly higher over time, bringing Usio closer to a SaaS-like financial profile.

On valuation, Usio trades at just 0.4x 2025E EV/Revenue, well below peers at 2.6x. Even at our \$6 price target, the stock would trade at only 1.6x 2026E revenue, still at a steep discount. We believe that as Usio delivers consistent growth and profitability, this valuation gap should narrow materially, offering significant share price appreciation for investors.

We Believe That Usio is at an inflection point:

- A revitalized sales strategy is producing measurable improvements.
- Operational streamlining has removed key bottlenecks, particularly in PayFac onboarding.
- Two large ISVs are about to contribute meaningfully to revenue, setting up strong performance in 4Q25 and 2026.
- Valuation remains highly attractive relative to growth potential and peers.



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Usio, Inc. – Revenue Forecast

Dollars in thousands, except per share data
Fiscal years ended December 31

	2024					2025E					2026E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	March	June	September	December		March	June	September	December		March	June	September	December	
ACH	3,881,734	3,894,330	4,302,510	4,599,750	16,678,324	5,044,517	5,192,224	5,163,012	5,519,700	20,919,453	5,548,969	6,230,669	5,679,313	5,630,094	23,089,045
YoY growth	16.2%	-4.5%	21.9%	16.7%	12.0%	30.0%	33.3%	20.0%	20.0%	25.4%	10.0%	20.0%	10.0%	2.0%	10.4%
Sequential growth	-1.5%	0.3%	10.5%	6.9%		9.7%	2.9%	-0.6%	6.9%		0.5%	12.3%	-8.8%	-0.9%	
Percent of total revenue	18.5%	19.4%	20.2%	22.4%	20.1%	22.9%	26.0%	23.2%	22.7%	23.6%	22.7%	25.8%	23.7%	22.7%	23.7%
ACH interest	211,640	190,233	201,545	186,299	789,717	224,129	176,518	200,000	200,000	800,647	200,000	200,000	200,000	200,000	800,000
Electronic check transaction	4.0%	10.0%	25.0%	34.0%	18.0%	36.0%	33.0%								
Returned check transactions	9.0%	13.0%	18.0%	27.0%	17.0%	24.0%	32.0%								
Electronic check dollars processed	22.0%	36.0%	61.0%	44.0%	42.0%	42.0%	19.0%								
Credit card	7,560,734	7,261,268	7,197,362	7,248,182	29,267,546	7,878,694	7,045,030	7,917,098	9,060,228	31,901,050	8,666,563	8,454,036	8,708,808	9,241,432	35,070,839
YoY growth	3.0%	2.0%	0.4%	5.8%	2.8%	4.2%	-3.0%	10.0%	25.0%	9.0%	10.0%	20.0%	10.0%	2.0%	9.9%
Sequential growth	10.3%	-4.0%	-0.9%	0.7%		8.7%	-10.6%	12.4%	14.4%		-4.3%	-2.5%	3.0%	6.1%	
Percent of total revenue	36.1%	36.2%	33.8%	35.3%	35.3%	35.8%	35.3%	35.6%	37.3%	36.0%	35.4%	35.1%	36.3%	37.3%	36.0%
Credit card transaction volume	18.0%	19.0%	22.0%	34.0%	24.0%	65.0%	69.0%								
Credit card dollars	8.0%	10.0%	7.0%	15.0%	10.0%	17.0%	9.0%								
Prepaid card	3,341,224	3,673,418	4,017,153	3,048,855	14,080,650	2,907,451	2,726,410	2,812,007	2,439,084	10,884,952	3,343,569	3,271,692	2,952,607	2,487,866	12,055,734
YoY growth	-30.5%	-29.6%	-14.3%	-24.1%	-24.8%	-13.0%	-25.8%	-30.0%	-20.0%	-22.7%	15.0%	20.0%	5.0%	2.0%	10.8%
Sequential growth	-16.9%	9.9%	9.4%	-24.1%		-4.6%	-6.2%	3.1%	-13.3%		37.1%	-2.1%	-9.8%	-15.7%	
Percent of total revenue	15.9%	18.3%	18.8%	14.8%	17.0%	13.2%	13.7%	12.6%	10.0%	12.3%	13.7%	13.6%	12.3%	10.0%	12.4%
Prepaid interest	402,741	334,624	309,131	299,183	1,345,679	182,661	134,823	350,000	350,000	1,017,484	350,000	350,000	350,000	350,000	1,400,000
Load volume	108.0%	55.0%	21.0%	36.0%	35.0%	-15.0%	-51.0%								
Transaction volume	26.0%	58.0%	56.0%	7.0%	45.0%	5.0%	-37.0%								
Purchase dollars	42.0%	39.0%	23.0%		26.0%	-8.0%	-23.0%								
Output solutions	5,537,923	4,686,869	5,253,388	5,140,816	20,618,996	5,732,867	4,642,901	5,778,727	6,683,061	22,837,556	6,306,154	5,571,481	6,067,663	6,816,722	24,762,020
YoY growth	-7.1%	-3.3%	2.2%	13.0%	0.6%	3.5%	-0.9%	10.0%	30.0%	10.8%	10.0%	20.0%	5.0%	2.0%	8.4%
Sequential growth	21.7%	-15.4%	12.1%	-2.1%		11.5%	-19.0%	24.5%	15.6%		-5.6%	-11.7%	8.9%	12.3%	
Percent of total revenue	26.4%	23.3%	24.6%	25.0%	24.9%	26.0%	23.3%	26.0%	27.5%	25.8%	25.8%	23.1%	25.3%	27.5%	25.4%
Output interest	34,390	39,146	40,389	37,003	150,928	38,731	43,084	35,000	35,000	151,815	35,000	35,000	35,000	35,000	140,000
Transactions/pieces mailed				5.40	24.50	5.00	5.40								
Electronic documents delivered							20.00								
Total	20,970,386	20,079,888	21,321,478	20,560,088	82,931,840	22,009,050	19,960,990	22,255,844	24,287,072	88,512,956	24,450,254	24,112,878	23,993,392	24,761,114	97,317,638
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	5.0%	-0.6%	4.4%	18.1%	6.7%	11.1%	20.8%	7.8%	2.0%	9.9%
Sequential growth	8.3%	-4.2%	6.2%	-3.6%		7.0%	-9.3%	11.5%	9.1%		0.7%	-1.4%	-0.5%	3.2%	

Source: Company reports and Litchfield Hills Research LLC



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Usio, Inc. – Income Forecast

Dollars in thousands, except per share data

Fiscal years ended December 31

	2024					2025E					2026E				
	1Q	2Q	3Q	4Q	YEAR	1QA	2QA	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	March	June	September	December		March	June	September	December		March	June	September	December	
Revenue	20,970,386	20,079,888	21,321,478	20,560,088	82,931,840	22,009,050	19,960,990	22,255,844	24,287,072	88,512,956	24,450,254	24,112,878	23,993,392	24,761,114	97,317,638
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	5.0%	-0.6%	4.4%	18.1%	6.7%	11.1%	20.8%	7.8%	2.0%	9.9%
Seq growth	8.3%	-4.2%	6.2%	-3.6%		7.0%	-9.3%	11.5%	9.1%		0.7%	-1.4%	-0.5%	3.2%	
Cost of services	16,116,691	15,280,074	16,425,321	15,495,310	63,317,396	17,199,907	14,820,921	17,359,558	18,943,916	68,324,303	18,826,696	18,566,916	18,474,912	19,066,058	74,934,581
As a percent of revenue	76.9%	76.1%	77.0%	75.4%	76.3%	78.1%	74.2%	78.0%	78.0%	77.2%	77.0%	77.0%	77.0%	77.0%	77.0%
Gross margin	23.1%	23.9%	23.0%	24.6%	23.7%	21.9%	25.8%	22.0%	22.0%	22.8%	23.0%	23.0%	23.0%	23.0%	23.0%
S,G&A - cash	4,060,225	4,000,845	4,119,317	4,547,694	16,728,081	4,142,895	4,638,185	4,006,052	4,371,673	17,158,805	4,645,548	4,581,447	4,558,744	4,704,612	18,490,351
As a percent of revenue	19.4%	19.9%	19.3%	22.1%	20.2%	18.8%	23.2%	18.0%	18.0%	19.4%	19.0%	19.0%	19.0%	19.0%	19.0%
Stock-based comp.	499,273	460,061	569,772	564,300	2,093,406	410,062	434,255	435,000	435,000	1,714,317	500,000	500,000	500,000	500,000	2,000,000
Cancellation of stock-based comp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	576,154	547,849	583,718	555,581	2,263,302	495,770	464,599	500,000	500,000	1,960,369	525,000	525,000	525,000	525,000	2,100,000
Operating income	(281,957)	(208,941)	(376,650)	(602,797)	(1,470,345)	(239,584)	(396,970)	(44,766)	36,483	(644,837)	(46,990)	(60,485)	(65,264)	(34,555)	(207,294)
Operating margin	-1.3%	-1.0%	-1.8%	-2.9%	-1.8%	-1.1%	-2.0%	-0.2%	0.2%	-0.7%	-0.2%	-0.3%	-0.3%	-0.1%	-0.2%
Interest income	115,354	107,270	125,564	116,558	464,746	79,011	110,908	125,000	125,000	439,919	125,000	125,000	125,000	125,000	500,000
Other	-	261,413	-	1,476,272	1,737,685	-	-	-	-	-	-	-	-	-	-
Interest expense	(13,585)	(14,250)	(13,700)	(12,267)	(53,802)	(11,843)	(11,735)	(10,000)	(10,000)	(43,578)	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
Pretax income	(180,188)	145,492	(264,786)	977,766	678,284	(172,416)	(297,797)	70,234	151,483	(248,496)	68,010	54,515	49,736	80,445	252,706
Taxes	(13,858)	70,000	(3,032,195)	348,840	(2,627,213)	62,554	68,857	76,773	83,780	291,964	73,351	72,339	71,980	74,283	291,953
As a percent of revenue	-0.1%	0.3%	-14.2%	1.7%	-3.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Net income to common	(166,330)	75,492	2,767,409	628,926	3,305,497	(234,970)	(366,654)	(6,540)	67,703	(540,461)	(5,341)	(17,824)	(22,245)	6,161	(39,247)
Net income margin	-0.8%	0.4%	13.0%	3.1%	4.0%	-1.1%	-1.8%	0.0%	0.3%	-0.6%	0.0%	-0.1%	-0.1%	0.0%	0.0%
Diluted shares outstanding	26,508,872	26,534,407	27,322,497	27,162,675	26,852,129	26,615,947	26,456,411	26,471,411	26,486,411	26,507,545	26,501,411	26,516,411	26,531,411	26,546,411	26,523,911
Seq change	5,621	25,535	788,090	(159,822)		(546,728)	(159,536)	15,000	15,000		15,000	15,000	15,000	15,000	
EPS diluted - continuing	(\$0.01)	\$0.00	\$0.10	\$0.02	\$0.12	(\$0.01)	(\$0.01)	(\$0.00)	\$0.00	(\$0.02)	(\$0.00)	(\$0.00)	(\$0.00)	\$0.00	(\$0.00)
EBITDA															
Operating income	(281,957)	(208,941)	(376,650)	(602,797)	(1,470,345)	(239,584)	(396,970)	(44,766)	36,483	(644,837)	(46,990)	(60,485)	(65,264)	(34,555)	(207,294)
Addback															
Depreciation and amortization	576,154	547,849	583,718	555,581	2,263,302	495,770	464,599	500,000	500,000	1,960,369	525,000	525,000	525,000	525,000	2,100,000
Stock comp. expense	499,273	460,061	569,772	564,300	2,093,406	410,062	434,255	435,000	435,000	1,714,317	500,000	500,000	500,000	500,000	2,000,000
EBITDA	793,470	798,969	776,840	517,084	2,886,363	666,248	501,884	890,234	971,483	3,029,849	978,010	964,515	959,736	990,445	3,892,706
YoY growth	-22.9%	-30.9%	-882.9%	74.7%	21.2%	-16.0%	-37.2%	14.6%	87.9%	5.0%	46.8%	92.2%	7.8%	2.0%	28.5%
EBITDA margin	3.8%	4.0%	3.6%	2.5%	3.5%	3.0%	2.5%	4.0%	4.0%	3.4%	4.0%	4.0%	4.0%	4.0%	4.0%

Source: Company reports and Litchfield Hills Research LLC



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Usio Trades at a Significant Discount to Comps – Our \$6 Target Implies a Slight Premium on EV/EBITDA

Company Name	Fiscal Period	Price	Shares Outstanding	Market Value	Enterprise Value	Sales	EBITDA	Enterprise Value/ Sales	Enterprise Value/ EBITDA
USIO	06/30/2025	\$1.42	26.5	37.6	33.6	83.9	2.1	0.4x	15.7x
USIO @ 2025E	12/31/25	\$1.42	26.5	37.6	33.6	88.5	3.0	0.4x	11.1x
USIO @ \$6 target on 2025E	12/31/25	\$6.00	26.5	159.0	155.0	88.5	3.0	1.8x	51.1x
USIO @ \$6 target on 2026E	12/31/26	\$6.00	26.5	159.0	155.0	97.3	3.9	1.6x	39.8x
ACI Worldwide, Inc.	06/30/2025	\$50.89	103.2	5,251.4	6,008.0	1,594.3	434.1	3.8x	13.8x
Bread Financial Holdings, Inc.	06/30/2025	\$63.46	46.6	2,959.9	3,368.9	4,787.0	-	0.7x	
Euronet Worldwide, Inc.	06/30/2025	\$89.21	41.0	3,657.3	3,954.9	3,989.8	635.0	1.0x	6.2x
EVERTEC, Inc.	06/30/2025	\$33.67	64.0	2,154.3	2,833.0	845.5	296.4	3.4x	9.6x
Fidelity National Information Ser	06/30/2025	\$65.11	522.4	34,012.1	46,407.1	10,127.0	4,122.0	4.6x	11.3x
Fiserv, Inc.	06/30/2025	\$131.80	543.6	71,645.6	100,900.6	20,456.0	8,971.0	4.9x	11.2x
Jack Henry & Associates, Inc.	06/30/2025	\$151.97	72.9	11,074.3	11,023.5	2,375.3	773.5	4.6x	14.3x
Shift4 Payments, Inc. Class A	06/30/2025	\$86.89	67.3	7,683.8	9,510.8	3,330.6	586.4	2.9x	16.2x
PayPal Holdings, Inc.	06/30/2025	\$68.22	955.4	65,175.9	67,339.9	31,789.0	6,787.0	2.1x	9.9x
Block, Inc. Class A	06/30/2025	\$77.03	549.6	46,956.4	45,601.5	24,121.1	2,414.1	1.9x	18.9x
WEX Inc.	06/30/2025	\$163.44	34.3	5,600.2	5,375.0	2,628.2	1,013.3	2.0x	5.3x
Corpay, Inc.	06/30/2025	\$301.93	70.6	21,320.6	23,945.5	3,974.6	2,150.5	6.0x	11.1x
Average								2.9x	11.7x

Source: FactSet Research Systems, Company reports, and Litchfield Hills Research LLC



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Disclosures:

Analyst Certification

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