

Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

November 13, 2025

Inflection Quarter Sets the Stage for Reacceleration in 2026

Analyst: Barry M. Sine, CFA, CMT

- **3Q marked a clear inflection point**, with all four business units delivering sequential growth and organic trends pointing back toward double-digit expansion in 2026. Early 4Q results (Oct–mid-Nov) are tracking ahead of expectations.
- **ACH remained the growth engine**, up 36% YoY, with mix shift toward high-margin returned checks and new initiatives (PINless debit, embedded wearables) supporting continued outperformance.
- **Credit Card processing stabilized**, posting 2% YoY / 4% sequential growth as PayFac surged 32%, and a major new client onboarding 1,000+ merchants is positioned to lift the 4Q run-rate.
- **Prepaid showed early signs of recovery**, with 3% seq. growth despite a large YoY customer loss; 13 new program wins and government/healthcare traction strengthen 2026 visibility.
- **Output Solutions delivered 4% sequential growth**, supported by higher-margin digital documents and 12 new customers.
- **Usio's revamped "Usio One" cross-sell model and tighter cost discipline** drove positive EBITDA and set the stage for a 2026 reacceleration.

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	\$1.43	3Q - September				(\$0.04)	\$0.10	(\$0.02) A	(\$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	(\$0.04)	(\$0.01)
Shares Outstanding:	26.5 M	Revenue (\$mm)				\$82.6	\$82.9	\$85.0	\$93.6
Public Market Float:	21.3 M	EV/Rev				0.4X	0.4X	0.4X	0.3X
Avg. Daily Volume	84,068	EBITDA (\$mm)				\$2.4	\$2.9	\$2.4	\$3.7
Market Capitalization:	\$38 M	EV/EBITDA				NM	10.8X	12.9X	8.3X
Institutional Holdings:	24.6%								
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.

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Inflection Quarter Sets the Stage for Reacceleration in 2026

Usio reported 3Q results that, in our view, mark a clear inflection point across the business. All four operating units delivered sequential revenue growth, despite continued noise from earlier customer losses. GAAP revenue declined 0.7% YoY; however, adjusting for two downstream customer losses stemming from external M&A activity, organic growth would have approached Usio's traditional double-digit trajectory. Management's tone on our post-earnings call was noticeably more constructive compared with 2Q, and we were encouraged that the company delivered positive EBITDA even on a lower revenue base. Early 4Q trends—October and the first half of November—appear solid, strengthening our view that Usio is positioned for a return to double-digit growth in 2026.

ACH Continues to Anchor Results - 36% YoY Growth; Sustained Momentum

The ACH segment remained the standout performer, delivering 36% YoY and 3% sequential revenue growth. Representing 28% of total revenue, ACH continues to be Usio's highest-margin business and the most differentiated product line.

Key ACH Metrics:

- 36% revenue growth
- 3% sequential revenue growth
- 26% increase in electronic check transactions
- 35% increase in returned check transactions (highest-margin item)
- 8% increase in check dollars processed

With emerging initiatives such as PINless debit, embedded payments in wearable devices (including micro-form-factor fingernail chips), and rising adoption in digital commerce categories, we believe this unit will continue to outperform.

Credit Card Processing Nearing a Turning Point - Business Rebuilt After Customer Loss; PayFac Strength Evident

Despite the loss of a major client earlier this year, Usio has already replaced the revenue run-rate, enabling the Credit Card segment to post 2% YoY and 4% sequential revenue growth. This remains Usio's largest business at 35% of total revenue. The core driver continues to be PayFac, which grew 32% with 16 new customers progressing through integration. A particularly important new customer has already onboarded 1,000+ merchants and is expected to go live imminently—an event we view as potentially determinative for 4Q revenue acceleration.

Key Credit Card Metrics:

- 2% YoY revenue growth
- 4% sequential revenue growth
- 19% increase in transaction volume
- 3% increase in dollars processed

We view this segment as being at an inflection point, with multiple new merchant portfolios poised to contribute in 4Q.

Prepaid / Card Issuing Showing Early Stabilization - Still Down YoY, but Sequential Growth and Leading Indicators Positive

Card Issuing revenue declined 30% YoY, reflecting the loss of a major customer earlier in the year. Importantly, the unit delivered 3% sequential growth and now represents 13% of total revenue. The September government shutdown



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served as a unique catalyst: municipalities and counties learned of Usio through peer referrals and began efforts to use prepaid cards to bridge gaps in SNAP and benefits disbursements. Healthcare clients also contributed incremental volume. During the quarter, Prepaid signed 13 new customers, which we view as a strong forward indicator.

Key Prepaid Metrics:

- 30% YoY revenue decline
- 3% sequential revenue increase
- 33% decline in transactions
- 21% decline in dollar volume

With the customer pipeline rebuilding, we believe this unit can return to growth in 2025.

Output Solutions Delivering Sequential Growth - Shift Toward Digital Documents Supporting Margin

Output Solutions revenue declined 8% YoY, but improved 4% sequentially. The business continues to benefit from a mix shift toward digital bills, which carry materially higher margins. Output represented 23% of revenue. The unit added 12 new customers, including two cross-selling into payments, reinforcing the company's Usio One strategy. We also note that 4Q typically benefits from the biennial distribution of Texas voter registration cards, which should provide a seasonal uplift.

Key Output Solutions Metrics:

- 8% YoY revenue decline
- 4% sequential revenue increase
- 6% increase in pieces mailed
- 3% increase in electronic documents delivered

Consolidated Performance & Outlook

Consolidated revenue declined 1% YoY but increased 6% sequentially. Excluding lower interest income and the two previously noted customer attrition events, underlying revenue growth would have exceeded 10%. Despite the YoY decline, Usio generated positive EBITDA, underscoring effective cost discipline. Management's revamp of the sales organization—eliminating legacy annuity-style compensation, consolidating sales under the Usio One cross-sell initiative, and implementing more aggressive incentives—has meaningfully improved execution.

Balance Sheet & Capital Allocation

- Cash: \$7.7M
- Ongoing share repurchase program
- No meaningful change to debt structure

We view the stock's relative resilience as a sign that investors are beginning to recognize sequential momentum beneath the headline numbers. With improving onboarding cadence across PayFac, an increasingly diversified ACH pipeline, early stabilization in Prepaid, and scheduled Output tailwinds in 4Q, we believe Usio is well-positioned to return to 10% revenue growth in 2026.



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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	5,844,267	5,519,700	21,600,708	5,548,969	6,230,669	6,428,694	5,630,094	23,838,425
YoY growth	16.2%	-4.5%	21.9%	16.7%	12.0%	30.0%	33.3%	35.8%	20.0%	29.5%	10.0%	20.0%	10.0%	2.0%	10.4%
Sequential growth	-1.5%	0.3%	10.5%	6.9%		9.7%	2.9%	12.6%	-5.6%		0.5%	12.3%	3.2%	-12.4%	
Percent of total revenue	18.5%	19.4%	20.2%	22.4%	20.1%	22.9%	26.0%	27.6%	23.0%	24.8%	22.9%	26.1%	28.1%	23.0%	25.0%
ACH interest	211,640	190,233	201,545	186,299	789,717	224,129	176,518	160,296	160,000	720,943	160,000	160,000	160,000	160,000	640,000
Electronic check transaction	4.0%	10.0%	25.0%	34.0%	18.0%	36.0%	33.0%	26.0%							
Returned check transactions	9.0%	13.0%	18.0%	27.0%	17.0%	24.0%	32.0%	35.0%							
Electronic check dollars processed	22.0%	36.0%	61.0%	44.0%	42.0%	42.0%	19.0%	8.0%							
Credit card	7,560,734	7,261,268	7,197,362	7,248,182	29,267,546	7,878,694	7,045,030	7,351,400	9,060,228	31,335,352	8,666,563	8,454,036	8,086,540	9,241,432	34,448,571
YoY growth	3.0%	2.0%	0.4%	5.8%	2.8%	4.2%	-3.0%	2.1%	25.0%	7.1%	10.0%	20.0%	10.0%	2.0%	9.9%
Sequential growth	10.3%	-4.0%	-0.9%	0.7%		8.7%	-10.6%	4.3%	23.2%		-4.3%	-2.5%	-4.3%	14.3%	
Percent of total revenue	36.1%	36.2%	33.8%	35.3%	35.3%	35.8%	35.3%	34.7%	37.7%	35.9%	35.8%	35.4%	35.4%	37.7%	36.1%
Credit card transaction volume	18.0%	19.0%	22.0%	34.0%	24.0%	65.0%	69.0%	19.0%							
Credit card dollars	8.0%	10.0%	7.0%	15.0%	10.0%	17.0%	9.0%	3.0%							
Prepaid card	3,341,224	3,673,418	4,017,153	3,048,855	14,080,650	2,907,451	2,726,410	2,796,782	2,439,084	10,869,727	3,343,569	3,271,692	2,936,621	2,487,866	12,039,747
YoY growth	-30.5%	-29.6%	-14.3%	-24.1%	-24.8%	-13.0%	-25.8%	-30.4%	-20.0%	-22.8%	15.0%	20.0%	5.0%	2.0%	10.8%
Sequential growth	-16.9%	9.9%	9.4%	-24.1%		-4.6%	-6.2%	2.6%	-12.8%		37.1%	-2.1%	-10.2%	-15.3%	
Percent of total revenue	15.9%	18.3%	18.8%	14.8%	17.0%	13.2%	13.7%	13.2%	10.1%	12.5%	13.8%	13.7%	12.8%	10.2%	12.6%
Prepaid interest	402,741	334,624	309,131	299,183	1,345,679	182,661	134,823	137,841	135,000	590,325	135,000	135,000	135,000	135,000	540,000
Load volume	108.0%	55.0%	21.0%	36.0%	35.0%	-15.0%	-51.0%	-46.0%							
Transaction volume	26.0%	58.0%	56.0%	7.0%	45.0%	5.0%	-37.0%	-33.0%							
Purchase dollars	42.0%	39.0%	23.0%		26.0%	-8.0%	-23.0%	(21)							
Output solutions	5,537,923	4,686,869	5,253,388	5,140,816	20,618,996	5,732,867	4,642,901	4,844,496	6,683,061	21,903,325	6,306,154	5,571,481	5,086,721	6,816,722	23,781,078
YoY growth	-7.1%	-3.3%	2.2%	13.0%	0.6%	3.5%	-0.9%	-7.8%	30.0%	6.2%	10.0%	20.0%	5.0%	2.0%	8.6%
Sequential growth	21.7%	-15.4%	12.1%	-2.1%		11.5%	-19.0%	4.3%	38.0%		-5.6%	-11.7%	-8.7%	34.0%	
Percent of total revenue	26.4%	23.3%	24.6%	25.0%	24.9%	26.0%	23.3%	22.9%	27.8%	25.1%	26.1%	23.4%	22.2%	27.8%	24.9%
Output interest	34,390	39,146	40,389	37,003	150,928	38,731	43,084	45,251	35,000	162,066	35,000	35,000	35,000	35,000	140,000
Transactions/pieces mailed				5.4%	24.5%	5.0%	5.4%	6.0%							
Electronic documents delivered							20.0%	3.0%							
Total	20,970,386	20,079,888	21,321,478	20,560,088	82,931,840	22,009,050	19,960,990	21,180,333	24,032,072	87,182,445	24,195,254	23,857,878	22,868,576	24,506,114	95,427,822
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	5.0%	-0.6%	-0.7%	16.9%	5.1%	9.9%	19.5%	8.0%	2.0%	9.5%
Sequential growth	8.3%	-4.2%	6.2%	-3.6%		7.0%	-9.3%	6.1%	13.5%		0.7%	-1.4%	-4.1%	7.2%	
Total dollars (thousands)	\$1,500,000	\$1,736,000	\$2,020,000	1,844,000	\$7,100,000	\$2,000,000	\$1,940,000	\$2,180,000							
YoY growth	22.0%	33.5%	44.3%	34.6%	34.0%	33.3%	11.8%	7.9%							
Revenue per transaction dollar	0.0140	0.0116	0.0106	0.0111	0.0117	0.0110	0.0103	0.0097							
Total transactions (thousands)	9,800	11,100	12,700	13,272	46,872	13,700	14,100	16,200							
	-18.0%	23.3%	30.9%	34.1%	26.0%	39.8%	27.0%	27.6%							

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	3QA	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	21,180,333	24,032,072	87,182,445	24,195,254	23,857,878	22,868,576	24,506,114	95,427,822
YoY growth	-2.2%	-5.6%	3.9%	6.2%	0.4%	5.0%	-0.6%	-0.7%	16.9%	5.1%	9.9%	19.5%	8.0%	2.0%	9.5%
Seq growth	8.3%	-4.2%	6.2%	-3.6%		7.0%	-9.3%	6.1%	13.5%		0.7%	-1.4%	-4.1%	7.2%	
Cost of services	16,116,691	15,280,074	16,425,321	15,495,310	63,317,396	17,199,907	14,820,921	16,310,314	18,745,016	67,076,158	18,630,346	18,370,566	17,608,803	18,869,708	73,479,423
As a percent of revenue	76.9%	76.1%	77.0%	75.4%	76.3%	78.1%	74.2%	77.0%	78.0%	76.9%	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%	23.0%	22.0%	23.1%	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	4,501,762	4,325,773	17,608,615	4,597,098	4,532,997	4,345,029	4,656,162	18,131,286
As a percent of revenue	19.4%	19.9%	19.3%	22.1%	20.2%	18.8%	23.2%	21.3%	18.0%	20.2%	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	399,582	435,000	1,678,899	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	432,846	500,000	1,893,215	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)	(464,171)	26,283	(1,074,442)	(57,190)	(70,685)	(110,257)	(44,755)	(282,887)
Operating margin	-1.3%	-1.0%	-1.8%	-2.9%	-1.8%	-1.1%	-2.0%	-2.2%	0.1%	-1.2%	-0.2%	-0.3%	-0.5%	-0.2%	-0.3%
Interest income	115,354	107,270	125,564	116,558	464,746	79,011	110,908	124,449	125,000	439,368	125,000	125,000	125,000	125,000	500,000
Other	-	261,413	-	1,476,272	1,737,685	-	-	5,000	-	5,000	-	-	-	-	-
Interest expense	(13,585)	(14,250)	(13,700)	(12,267)	(53,802)	(11,843)	(11,735)	(11,328)	(10,000)	(44,906)	(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)	(346,050)	141,283	(674,980)	57,810	44,315	4,743	70,245	177,113
Taxes	(13,858)	70,000	(3,032,195)	348,840	(2,627,213)	62,554	68,857	68,857	78,128	278,396	72,586	71,574	68,606	73,518	286,283
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)	(414,907)	63,155	(953,376)	(14,776)	(27,259)	(63,863)	(3,274)	(109,171)
Net income margin	-0.8%	0.4%	13.0%	3.1%	4.0%	-1.1%	-1.8%	-2.0%	0.3%	-1.1%	-0.1%	-0.1%	-0.3%	0.0%	-0.1%
Diluted shares outstanding	26,508,872	26,534,407	27,322,497	27,162,675	26,852,129	26,615,947	26,456,411	26,892,925	26,907,925	26,718,302	26,922,925	26,937,925	26,952,925	26,967,925	26,945,425
Seq change	5,621	25,535	788,090	(159,822)		(546,728)	(159,536)	436,514	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)	(\$0.02)	\$0.00	(\$0.04)	(\$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)	(464,171)	26,283	(1,074,442)	(57,190)	(70,685)	(110,257)	(44,755)	(282,887)
Addback															
Depreciation and amortization	576,154	547,849	583,718	555,581	2,263,302	495,770	464,599	432,846	500,000	1,893,215	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	399,582	435,000	1,678,899	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	368,257	961,283	2,497,672	967,810	954,315	914,743	980,245	3,817,113
YoY growth	-22.9%	-30.9%	-882.9%	74.7%	21.2%	-16.0%	-37.2%	-52.6%	85.9%	-13.5%	45.3%	90.1%	148.4%	2.0%	52.8%
EBITDA margin	3.8%	4.0%	3.6%	2.5%	3.5%	3.0%	2.5%	1.7%	4.0%	2.9%	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	09/30/2025	\$1.41	26.5	37.9	33.7	83.7	2.1	0.4x	15.7x
USIO @ 2025E	12/31/25	\$1.41	26.5	37.9	33.7	85.0	2.4	0.4x	14.0x
USIO @ \$6 target on 2052E	12/31/25	\$6.00	26.5	159.0	154.7	85.0	2.4	1.8x	64.2x
USIO @ \$6 target on 2026E	12/31/26	\$6.00	26.5	159.0	154.7	93.6	3.7	1.7x	41.3x
ACI Worldwide, Inc.	09/30/2025	\$46.96	103.1	4,903.9	5,619.7	1,594.3	434.1	3.5x	12.9x
Bread Financial Holdings, Inc.	09/30/2025	\$61.72	45.7	2,920.5	2,928.5	4,787.0	-	0.6x	
Euronet Worldwide, Inc.	09/30/2025	\$69.83	42.0	2,989.4	3,398.6	3,989.8	635.0	0.9x	5.4x
EVERTEC, Inc.	09/30/2025	\$29.27	64.0	1,867.0	2,494.7	845.5	296.4	3.0x	8.4x
Fidelity National Information Serv	09/30/2025	\$66.04	517.9	34,297.3	46,797.3	10,127.0	4,122.0	4.6x	11.4x
Fiserv, Inc.	09/30/2025	\$64.94	537.9	34,626.9	63,900.9	20,456.0	8,971.0	3.1x	7.1x
Jack Henry & Associates, Inc.	09/30/2025	\$166.49	72.4	12,099.3	12,131.9	2,375.3	773.5	5.1x	15.7x
Shift4 Payments, Inc. Class A	09/30/2025	\$72.75	67.6	6,485.2	11,009.6	3,330.6	586.4	3.3x	18.8x
PayPal Holdings, Inc.	09/30/2025	\$65.47	935.7	62,875.8	64,287.8	31,789.0	6,787.0	2.0x	9.5x
Block, Inc. Class A	09/30/2025	\$62.06	547.7	39,966.3	38,595.2	24,121.1	2,414.1	1.6x	16.0x
WEX Inc.	09/30/2025	\$140.75	34.3	4,946.1	4,361.3	2,628.2	1,013.3	1.7x	4.3x
Corpay, Inc.	09/30/2025	\$282.56	70.0	20,058.4	23,310.4	3,974.6	2,150.5	5.9x	10.8x
Average								2.7x	10.9x

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



Usio, Inc.

USIO (NASDAQ) - Buy \$6 Price Target

Disclosures:

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