

## Usio, Inc.

### USIO (NASDAQ) - Buy \$6 Price Target

February 27, 2026

## Looking Past Quiet 2025: USIO's 2026 Outlook Is Quietly Improving

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With a high-visibility quarter approaching, we believe investors should re-engage with USIO shares. A number of sizable institutions have been monitoring the company closely, and after nearly two years of subdued growth, we think improving fundamentals are likely to prompt renewed buying activity.

We recently spoke with Paul Manley, the company's head of investor relations. USIO pre-announced payment volumes in January and is scheduled to report 4Q25 results next month. As management has long indicated, 2025 is unlikely to be a breakout year. Our model reflects this reality, projecting just 2.5% revenue growth versus the company's historical run-rate of at least 10%. The shortfall was largely attributable to a single client event—the loss of a major theme-park reverse-ATM program at a client—which masked otherwise strong underlying performance.

The more consequential development, however, was easy to miss. Buried in a sub-bullet of the January release was confirmation that USIO has already signed contracts with four new large customers, with revenue expected to begin flowing in 2026. We would expect management to provide additional color on the upcoming earnings call—at least around customer verticals, expected contract scale at maturity, onboarding cadence, and revenue timing.

More important than the individual wins, in our view, is what they signal: USIO's revamped "Usio One" sales strategy appears to be gaining real traction. Roughly a year ago, management shifted from siloed product-specific sales teams to a unified model in which every representative sells the full suite of offerings. At the same time, the company restructured compensation by sunsetting commissions after three years, replacing the old perpetuity model and meaningfully increasing incentives for continuous production. Chief Revenue Officer Greg Carter recently completed his second Usio One sales kickoff as the company enters its 2026 selling season with clear momentum.

As the upcoming quarter itself is likely to be modest, we would not be surprised to see short-term, quant-driven pressure on the stock following the print. We would view any such weakness as an opportunity. Looking ahead, we model a return to 10% revenue growth in 2026, and the operating leverage is compelling. Management has done an excellent job keeping expenses essentially flat during the growth lull, meaning incremental revenue should translate disproportionately into EBITDA and EPS expansion.

In short, we believe the market remains overly focused on backward-looking results, while the setup for 2026 is materially improving—and increasingly difficult to ignore.

Rating	BUY	<b>Earnings Per Share</b>				
Target Price	\$6.00	<b>Normalized to exclude unusual items</b>				
Ticker Symbol	USIO	<b>FYE - December</b>	<b>2023</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
Market	NASDAQ	1Q - March	\$0.00	(\$0.01)	(\$0.01) A	(\$0.00)
Stock Price	\$1.34	2Q - June	\$0.01	\$0.00	(\$0.01) A	(\$0.00)
52 wk High	\$2.02	3Q - September	(\$0.04)	\$0.10	(\$0.02) A	(\$0.00)
52 wk Low	\$1.24	4Q - December	\$0.00	\$0.02	(\$0.00)	(\$0.00)
		<b>Year</b>	<b>(\$0.02)</b>	<b>\$0.12</b>	<b>(\$0.04)</b>	<b>(\$0.01)</b>
Shares Outstanding:	27.3 M	<b>Revenue (\$mm)</b>	<b>\$82.6</b>	<b>\$82.9</b>	<b>\$85.0</b>	<b>\$93.6</b>
Public Market Float:	19.3 M	EV/Rev	0.4X	0.4X	0.4X	0.3X
Avg. Daily Volume	51,804	<b>EBITDA (\$mm)</b>	<b>\$2.4</b>	<b>\$2.9</b>	<b>\$2.4</b>	<b>\$3.7</b>
Market Capitalization:	\$37 M	EV/EBITDA	NM	10.4X	12.4X	8.0X
Institutional Holdings:	15.3%					
Dividend Yield:	0.0%					

### Risks/Valuation

- We see four key risk categories, which we discussed in our initiation report: regulatory changes, cybersecurity risks, errors, and fraud.
- Our valuation is based on an EV/EBITDA and EV/Revenue methodology.

**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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#### Usio, Inc. – Income 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	
<b>Revenue</b>	<b>20,970,386</b>	<b>20,079,888</b>	<b>21,321,478</b>	<b>20,560,088</b>	<b>82,931,840</b>	<b>22,009,050</b>	<b>19,960,990</b>	<b>21,180,333</b>	<b>24,032,072</b>	<b>87,182,445</b>	<b>24,195,254</b>	<b>23,857,878</b>	<b>22,868,576</b>	<b>24,506,114</b>	<b>95,427,822</b>
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%	
<b>Cost of services</b>	<b>16,116,691</b>	<b>15,280,074</b>	<b>16,425,321</b>	<b>15,495,310</b>	<b>63,317,396</b>	<b>17,199,907</b>	<b>14,820,921</b>	<b>16,310,314</b>	<b>18,745,016</b>	<b>67,076,158</b>	<b>18,630,346</b>	<b>18,370,566</b>	<b>17,608,803</b>	<b>18,869,708</b>	<b>73,479,423</b>
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%
<b>S,G&amp;A - cash</b>	<b>4,060,225</b>	<b>4,000,845</b>	<b>4,119,317</b>	<b>4,547,694</b>	<b>16,728,081</b>	<b>4,142,895</b>	<b>4,638,185</b>	<b>4,501,762</b>	<b>4,325,773</b>	<b>17,608,615</b>	<b>4,597,098</b>	<b>4,532,997</b>	<b>4,345,029</b>	<b>4,656,162</b>	<b>18,131,286</b>
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
<b>Operating income</b>	<b>(281,957)</b>	<b>(208,941)</b>	<b>(376,650)</b>	<b>(602,797)</b>	<b>(1,470,345)</b>	<b>(239,584)</b>	<b>(396,970)</b>	<b>(464,171)</b>	<b>26,283</b>	<b>(1,074,442)</b>	<b>(57,190)</b>	<b>(70,685)</b>	<b>(110,257)</b>	<b>(44,755)</b>	<b>(282,887)</b>
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)
<b>Pretax income</b>	<b>(180,188)</b>	<b>145,492</b>	<b>(264,786)</b>	<b>977,766</b>	<b>678,284</b>	<b>(172,416)</b>	<b>(297,797)</b>	<b>(346,050)</b>	<b>141,283</b>	<b>(674,980)</b>	<b>57,810</b>	<b>44,315</b>	<b>4,743</b>	<b>70,245</b>	<b>177,113</b>
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%
<b>Net income to common</b>	<b>(166,330)</b>	<b>75,492</b>	<b>2,767,409</b>	<b>628,926</b>	<b>3,305,497</b>	<b>(234,970)</b>	<b>(366,654)</b>	<b>(414,907)</b>	<b>63,155</b>	<b>(953,376)</b>	<b>(14,776)</b>	<b>(27,259)</b>	<b>(63,863)</b>	<b>(3,274)</b>	<b>(109,171)</b>
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	
<b>EPS diluted - continuing</b>	<b>(\$0.01)</b>	<b>\$0.00</b>	<b>\$0.10</b>	<b>\$0.02</b>	<b>\$0.12</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.02)</b>	<b>\$0.00</b>	<b>(\$0.04)</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>
<b>EBITDA</b>															
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
<b>EBITDA</b>	<b>793,470</b>	<b>798,969</b>	<b>776,840</b>	<b>517,084</b>	<b>2,886,363</b>	<b>666,248</b>	<b>501,884</b>	<b>368,257</b>	<b>961,283</b>	<b>2,497,672</b>	<b>967,810</b>	<b>954,315</b>	<b>914,743</b>	<b>980,245</b>	<b>3,817,113</b>
YoY growth	-22.9%	-30.9%	-88.9%	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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