Usio, Inc.

USIO (NASDAQ) - Buy $6 Price Target

August 13, 2026

Usio Reports 19% Revenue Growth for 2Q but The Best is Yet to Come

Analyst: Barry M. Sine, CFA, CMT

- **Revenue Growth Is Accelerating:** 2Q revenue rose 19%, up from 16% growth in 1Q, prompting management to raise full-year revenue growth guidance to 14-16% from 10-12%.
- **Much of the Growth Is on Autopilot:** ACH customers grow as their businesses grow while PayFac ISVs keep adding merchants of their own, with the February 2025 salesforce revamp adding another layer of growth through an increasing number of omnichannel customers.
- **ION Could Be the Next Home Run:** The PostCredit-based platform is already in beta with four customers, with first significant revenue expected in 4Q and customer balances potentially reaching $200 million.
- **Operating Leverage Is Finally Working Its Magic:** EBITDA jumped 128% on just 19% revenue growth, as cash SG&A declined 1.2% and the EBITDA margin expanded to 4.8%.
- **The Best Is Yet to Come:** We model 40% EBITDA growth on just 10% revenue growth in 2027, while the average EV/EBITDA multiple of comparable fintechs supports roughly our $6 price target.

Rating	BUY
Target Price	$6.00
Ticker Symbol	USIO
Market	NASDAQ
Stock Price	$2.62
52 wk High	$2.98
52 wk Low	$1.03
Shares Outstanding:	27.6 M
Public Market Float:	19.0 M
Avg. Daily Volume	235,607
Market Capitalization:	$75 M
Institutional Holdings:	24.3%
Dividend Yield:	0.0%

Earnings Per Share	**Normalized to exclude unusual items**			
FYE - December	**2024**	**2025**	**2026E**	**2027E**
1Q - March	($0.01)	($0.01)	$0.00 A	$0.01
2Q - June	$0.00	($0.01)	$0.01 A	$0.01
3Q - September	$0.10	($0.02)	($0.00)	$0.01
4Q - December	$0.02	($0.00)	($0.00)	$0.01
Year	**$0.12**	**($0.04)**	**$0.01**	**$0.05**
Revenue ($mm)	**$82.9**	**$85.0**	**$97.3**	**$107.4**
EV/Rev	0.8X	0.8X	0.7X	0.6X
EBITDA ($mm)	**$2.9**	**$2.4**	**$3.9**	**$5.4**
EV/EBITDA	24.0X	28.8X	18.0X	12.9X

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.

Litchfield Hills Research

Usio, Inc.

USIO (NASDAQ) - Buy $6 Price Target

Usio Reports 19% Revenue Growth for 2Q, but The Best is Yet to Come

Usio reported very strong second quarter results with revenue up 19%, accelerating from 16% in the first quarter, and raised full-year revenue guidance from 10-12% to 14-16%. We note that Usio has strong operating leverage and is seeing the strongest growth in higher-margin services, including its planned ION service, which would enjoy essentially 100% margins on interest revenue from float. But, as we outline in this report, we think the best is yet to come, especially in terms of EBITDA growth. We reiterate our Buy rating and $6 price target.

Topline Grows as Customers Grow, Accelerated by Salesforce Revamp and New Products

To better understand Usio's topline growth prospects, we think it's important to understand the growth drivers. The first, and in our opinion most important, is that Usio grows along with its customers, even before its salesforce adds new customers. Its ACH customers are growing their businesses, generating more ACH revenue. In PayFac, its ISVs, or independent software vendors, embed Usio's payment APIs in their business software and keep adding more of their own customers, and these merchant customers automatically become Usio customers. Its Output Solutions customers are also growing organically. So all this growth comes automatically without Usio paying sales commissions, although there is a revenue share with the ISVs for PayFac.

The second driver is the reorganization of the sales force, initiated in February 2025, in which its eight quota-bearing sales reps now sell each of the company's services, whereas previously they were siloed, only selling the service from their own business unit. The company noted that it is seeing an increasing number of what it calls omnichannel new customers. It is also finalizing the process of creating a single onboarding portal for all of its services, making this process easier.

The next driver is new services. In our June 5, 2024 initiation report, we called Usio *The Most Innovative Company in Payments*. Two of these that are currently driving revenue are PINless debit and real-time payments. Usio developed its PINless debit product in 2016 and began expanding into real-time payments in 2023, adding real-time payment functionality to its Payments API in June 2024. It was among the earlier payment processors to offer these services, and both are now contributing meaningfully to growth.

Its new ION service is poised to be the next home run. Usio had been working on a concept for an online-banking-like service that would allow companies to process disbursements and employee expense accounts and had estimated it would take up to two years of software development to do so. Instead, in November 2025 it acquired PostCredit, which had developed similar software for movie productions to process expenses. Usio acquired it for just $500,000 in stock, issuing 354,610 shares, or $1.41 per share, and after six months of modifying and integrating it, the product is now in beta with four customers. First significant revenue is expected in the fourth quarter.

Management expects many of its customers to use ION in lieu of a primary bank account, keeping balances that could eventually total $200 million with the wholesale banks Usio plans to use for the service. There would be some type of split with the banks, but Usio would enjoy enormous amounts of new interest revenue with essentially no associated expense, implying near-100% margins on the interest revenue it retains.

EBITDA Up 128% as Operating Leverage Kicks In

As a fintech/SaaS company, Usio should enjoy exponential growth in EBITDA as revenue ramps, as its systems can handle much larger volumes than it handles now. Some of this is offset by variable costs for things like interchange fees and postage costs for paper printing. As noted, the new products that are growing fastest are also higher-margin services. Usio reported a 24.2% gross margin in the second quarter, up from 23.7% in 2024 and 23.1% in 2025. Management expects that it can get the gross margin as high as 25%, while we model just 24% for 2027.

The other driver is operating costs. Usio has held headcount down or flat and cash SG&A was actually down 1.2%. The company reported a 4.8% EBITDA margin in 2Q, driving 128% EBITDA growth on just 19% revenue growth, up from 3.5% in 2024 and 2.8% in 2025. Thus, we are starting to see the positive operating leverage work its magic. For 2027 we expect an EBITDA margin of 5.0%, driving EBITDA up 40% on just 10% revenue growth.

We think both assumptions are conservative. Based on these numbers and the current USIO EV/EBITDA multiple, that would imply a share price of about $3.65, 37% above the current $2.66, even without any multiple expansion. At the average EV/EBITDA multiple of comparable fintechs, the stock would be worth roughly our $6 price target.

Shares are Reacting to Improving Fundamentals

Source: FactSet Research Systems

Usio, Inc.

USIO (NASDAQ) - Buy $6 Price Target

Usio, Inc. – Income Forecast

2025

Fiscal years ended December 31	1Q March	2Q June	3Q September	4Q December	YEAR
Revenue	**22,009,050**	**19,960,990**	**21,180,333**	**21,889,629**	**85,040,002**
YoY growth	5.0%	-0.6%	-0.7%	6.5%	2.5%
Seq growth	7.0%	-9.3%	6.1%	3.3%	
Cost of services	17,199,907	14,820,921	16,310,314	17,073,910	65,405,052
As a percent of revenue	78.1%	74.2%	77.0%	78.0%	76.9%
Gross margin	21.9%	25.8%	23.0%	22.0%	23.1%
S,G&A - cash	4,142,895	4,638,185	4,501,762	3,940,133	17,222,975
As a percent of revenue	18.8%	23.2%	21.3%	18.0%	20.3%
Stock-based comp.	410,062	434,255	399,582	435,000	1,678,899
Cancellation of stock-based comp.	-	-	-	-	-
Depreciation and amortization	495,770	464,599	432,846	500,000	1,893,215
Operating income	**(239,584)**	**(396,970)**	**(464,171)**	**(59,415)**	**(1,160,140)**
Operating margin	-1.1%	-2.0%	-2.2%	-0.3%	-1.4%
Interest income	79,011	110,908	124,449	125,000	439,368
Other			5,000		5,000
Interest expense	(11,843)	(11,735)	(11,328)	(10,000)	(44,906)
Pretax Income	(172,416)	(297,797)	(346,050)	55,585	(760,678)
Taxes	62,554	68,857	68,857	71,163	271,431
As a percent of revenue	0.3%	0.3%	0.3%	0.3%	0.3%
Net income to common	**(234,970)**	**(366,654)**	**(414,907)**	**(15,578)**	**(1,032,109)**
Net income margin	-1.1%	-1.8%	-2.0%	-0.1%	-1.2%
Diluted shares outstanding	26,615,947	26,456,411	26,892,925	26,907,925	26,718,302
Seq change	(546,728)	(159,536)	436,514	15,000	
EPS diluted - continuing	**($0.01)**	**($0.01)**	**($0.02)**	**($0.00)**	**($0.04)**
EBITDA					
Operating income	(239,584)	(396,970)	(464,171)	(59,415)	(1,160,140)
Addback					
Depreciation and amortization	495,770	464,599	432,846	500,000	1,893,215
Stock comp. expense	410,062	434,255	399,582	435,000	1,678,899
EBITDA	**666,248**	**501,884**	**368,257**	**875,585**	**2,411,974**
YoY growth	-16.0%	-37.2%	-52.6%	69.3%	-16.4%
EBITDA margin	3.0%	2.5%	1.7%	4.0%	2.8%

2026E

Fiscal years ended December 31	1QA March	2QA June	3Q September	4Q December	YEAR
Revenue	**25,465,774**	**23,678,636**	**23,630,745**	**24,487,817**	**97,262,972**
YoY growth	15.7%	18.6%	11.6%	11.9%	14.4%
Seq growth	16.3%	-7.0%	-0.2%	3.6%	
Cost of services	20,328,891	17,952,649	18,195,673	18,855,619	75,332,833
As a percent of revenue	79.8%	75.8%	77.0%	77.0%	77.5%
Gross margin	20.2%	24.2%	23.0%	23.0%	22.5%
S,G&A - cash	4,356,142	4,580,548	4,489,841	4,652,685	18,079,217
As a percent of revenue	17.1%	19.3%	19.0%	19.0%	18.6%
Stock-based comp.	329,284	482,508	500,000	500,000	1,811,792
Cancellation of stock-based comp.	-	-	-	-	-
Depreciation and amortization	225,745	286,018	525,000	525,000	1,561,763
Operating income	**225,712**	**376,913**	**(79,770)**	**(45,487)**	**477,367**
Operating margin	0.9%	1.6%	-0.3%	-0.2%	0.5%
Interest income	91,491	96,198	125,000	125,000	437,689
Other					
Interest expense	(22,826)	(22,934)	(10,000)	(10,000)	(65,760)
Pretax Income	294,377	450,177	35,230	69,513	849,296
Taxes	171,874	170,097	169,753	175,910	687,634
As a percent of revenue	0.7%	0.7%	0.7%	0.7%	0.7%
Net income to common	**122,503**	**280,080**	**(134,523)**	**(106,397)**	**161,663**
Net income margin	0.5%	1.2%	-0.6%	-0.4%	0.2%
Diluted shares outstanding	27,748,037	27,819,834	27,834,834	27,849,834	27,813,135
Seq change	840,112	71,797	15,000	15,000	
EPS diluted - continuing	**$0.00**	**$0.01**	**($0.00)**	**($0.00)**	**$0.01**
EBITDA					
Operating income	225,712	376,913	(79,770)	(45,487)	477,367
Addback					
Depreciation and amortization	225,745	286,018	525,000	525,000	1,561,763
Stock comp. expense	329,284	482,508	500,000	500,000	1,811,792
EBITDA	**780,741**	**1,145,439**	**945,230**	**979,513**	**3,850,922**
YoY growth	17.2%	128.2%	156.7%	11.9%	59.7%
EBITDA margin	3.1%	4.8%	4.0%	4.0%	4.0%

2027E

Fiscal years ended December 31	1Q March	2Q June	3Q September	4Q December	YEAR
Revenue	**28,148,756**	**26,913,748**	**25,694,372**	**26,606,717**	**107,363,592**
YoY growth	10.5%	13.7%	8.7%	8.7%	10.4%
Seq growth	15.0%	-4.4%	-4.5%	3.6%	
Cost of services	21,393,054	20,454,449	19,527,723	20,221,105	81,596,330
As a percent of revenue	76.0%	76.0%	76.0%	76.0%	76.0%
Gross margin	24.0%	24.0%	24.0%	24.0%	24.0%
S,G&A - cash	5,348,264	5,113,612	4,881,931	5,055,276	20,399,083
As a percent of revenue	19.0%	19.0%	19.0%	19.0%	19.0%
Stock-based comp.	500,000	500,000	500,000	500,000	2,000,000
Cancellation of stock-based comp.	-	-	-	-	-
Depreciation and amortization	525,000	525,000	525,000	525,000	2,100,000
Operating income	**382,438**	**320,687**	**259,719**	**305,336**	**1,268,180**
Operating margin	1.4%	1.2%	1.0%	1.1%	1.2%
Interest income	125,000	125,000	125,000	125,000	500,000
Other					
Interest expense	(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
Pretax Income	497,438	435,687	374,719	420,336	1,728,180
Taxes	84,446	80,741	77,083	79,820	322,091
As a percent of revenue	0.3%	0.3%	0.3%	0.3%	0.3%
Net income to common	**412,992**	**354,946**	**297,635**	**340,516**	**1,406,089**
Net income margin	1.5%	1.3%	1.2%	1.3%	1.3%
Diluted shares outstanding	27,864,834	27,879,834	27,894,834	27,909,834	27,887,334
Seq change	15,000	15,000	15,000	15,000	
EPS diluted - continuing	**$0.01**	**$0.01**	**$0.01**	**$0.01**	**$0.05**
EBITDA					
Operating income	382,438	320,687	259,719	305,336	1,268,180
Addback					
Depreciation and amortization	525,000	525,000	525,000	525,000	2,100,000
Stock comp. expense	500,000	500,000	500,000	500,000	2,000,000
EBITDA	**1,407,438**	**1,345,687**	**1,284,719**	**1,330,336**	**5,368,180**
YoY growth	80.3%	17.5%	35.9%	35.8%	39.4%
EBITDA margin	5.0%	5.0%	5.0%	5.0%	5.0%

Source: Company reports and Litchfield Hills Research LLC

Disclosures:

Analyst Certification
We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

FINRA Compliant Research Report
We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110.

MiFID II Compliant Research Report
Our research is classified as minor non-monetary benefit under MiFID II. This applies to all forms of transmission, including email, website, and financial platforms such as Bloomberg, FactSet, S&P Global, Refinitiv, and 13 others. We do not seek payment from the asset management community and do not have any execution function. Investors can continue to receive our research under the MiFID II regime without the need for a contract for services to be put in place. This applies to all forms of transmission, including email, website, and financial platforms.

Litchfield Hills Research LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.
HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.
SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.
Total return is defined as price appreciation plus dividend yield.

Other Disclosures
Litchfield Hills Research, LLC ("LHR") is not a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission nor a member of the Financial Industry Regulatory Authority. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to law or regulation or which would subject LHR or any divisions, subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LHR and the subject company. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied, or distributed to any other party, without the prior express written permission of LHR or the subject company. All trademarks, service marks, and logos used in this report are trademarks, service marks, registered trademarks, or service marks of LHR or its affiliates. The information, tools, and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. LHR may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting, or tax advice or a representation that any investment or strategy is suitable, appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. LHR does not offer advice on the tax consequences of investment, and you are advised to contact an independent tax adviser. LHR believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in this report were obtained or derived from sources LHR believes are reliable, but LHR makes no representations as to their accuracy or completeness.

Ownership and Material Conflicts of Interest
The analyst owns no shares of the subject company. The analyst and his family have no known material conflicts of interest in authoring this report.

Investment Banking and Fees for Services
Litchfield Hills Research has not received compensation for advisory or investment banking services from the Company in the past 12 months. Litchfield Hills Research LLC has received compensation from the subject company for distribution and investor targeting services.

Market Making
Litchfield Hills Research, LLC does not make a market in the subject company's securities.

Additional information is available upon request. LHR accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to LHR. This report is not to be relied upon in substitution for the exercise of independent judgment.