

Stock Data

52-Week Low - High	\$1.66 - \$3.63
Shares Out. (mil)	36.89
Mkt. Cap.(mil)	\$96.82
3-Mo. Avg. Vol.	29,047
12-Mo.Price Target	\$3.00
Cash (mil)	\$27.1
Tot. Debt (mil)	\$0.0
Est. 3Yr. EPS Growth	15%

Revenue (\$ millions)

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	13.0A	13.1E	-
2Q	14.0A	14.3E	-
3Q	13.7A	14.8E	-
4Q	12.8A	14.0E	-
YEAR	53.5A	56.2E	59.0E

4Q20 and onward are continuing operations only.
non-GAAP Revenue

EPS \$

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	(0.08)A	(0.02)E	-
2Q	(0.02)A	(0.01)E	-
3Q	(0.01)A	(0.01)E	-
4Q	(0.01)A	0.00E	-
YEAR	(0.12)A	(0.04)E	0.01E

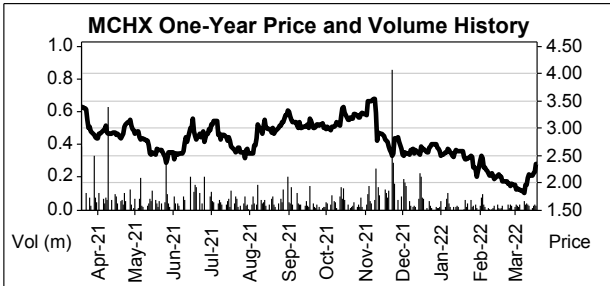
Adjusted, non-GAAP EPS

MCHX: 34th Annual ROTH Conference Takeaways

We recently hosted MCHX's Executive Chairman and Co-CEO Russell Horowitz, Co-CEO/CFO Mike Arends, and SVP of Strategic Initiatives and Investor Relations Trevor Caldwell for a series of 1x1 meetings. Our key takeaways can be found below.

Pipeline traction with better modes of client onboarding. MCHX continues to expand its enterprise customers with lower cost cloud-based integrations. While the auto vertical remains a large opportunity on both the OEM and dealer network side, the dealer side may be a laggard throughout FY22 while dealer inventories remain thin. That said, OEMs and home services remain strong areas for continued pipeline expansion this year, with a higher total customer count now than last year. New product offerings and modes of integration have contributed incremental improvements to both customer acquisition and margins. We also call out a potentially material opportunity in the near future regarding MCHX's analytics utilization for OEMs and dealers to identify new potential EV customers. With OEMs rapidly expanding EV product offerings, MCHX may have an opportunity to leverage its conversation intelligence to help OEMs and dealers better identify EV markets within the US.

We continue to see MCHX as a strong value play with FY22 and FY23 visibility stemming from its pipeline, which we believe offers incremental opportunities in the near future but potentially greater opportunities as call volumes with new customers (namely in autos) expand in the future. Much of the expected growth to come is reliant on an easing of macro factors such as supply chain issues in automotive, and general execution in the way of adding new customers to the pipeline in an array of verticals that could spark an acceleration in future growth.



VALUATION

Our \$3 PT is based on a ~2.1x multiple to FY22E revenue of ~\$56.2M.

Factors that may impede shares of MCHX from reaching our PT include an increase in competitive forces, a loss of client(s) in which MCHX may have a significant amount of revenue concentration, and adverse macroeconomic conditions.

RISKS

Competition. MCHX competes with a number of different marketing service firms, including some that are much larger than MCHX. MCHX must continue to differentiate itself from the competition by providing unique and quality products.

Significant customer concentration. A significant amount of MCHX's revenue comes from only a few customers, some of which are not subject to long term contracts. Losing one of those customers would represent a large loss of revenue for MCHX, similar to when it lost Allstate in 3Q14. Year-to-date, YP is responsible for ~28% of total GAAP revenue, while MCHX's five largest customers are responsible for ~61% of total revenue year-to-date.

Macroeconomics. Any slowdown in the economy could negatively impact MCHX as companies may reduce spending on advertising.

Some of MCHX's customers have substantial negotiating leverage. MCHX's largest customers have significant leverage in negotiating contractual arrangements, disputes or disagreements with MCHX. These factors could result in an adverse financial impact.

Pandemics. Especially that of COVID-19.

Readers should recognize that the risks outlined above do not represent a comprehensive list of all risk factors that may impact price target achievement.

COMPANY DESCRIPTION

MCHX, a leading mobile advertising analytics company, was incorporated in Delaware in 2003. The company's primary business, its performance-based digital call advertising platform, consists of separate platforms: Call Analytics, Call Analytics for Search, Display Analytics and Call Marketplace. MCHX provides products and services for businesses that focus on consumer phone calls to drive sales. The company is headquartered in Seattle, Washington.

Marchex, Inc.

Fiscal year end - December

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(\$ in millions, except per share data)

	2019A	1Q20A	2Q20A	3Q20A	4Q20A	2020A	1Q21A	2Q21A	3Q21A	4Q21A	2021A	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
Income Statement																	
Revenue	54.5	12.0	12.7	13.8	12.7	51.2	13.0	14.0	13.7	12.8	53.5	13.1	14.3	14.8	14.0	56.2	59.0
<i>Guidance</i>																	
Service costs*	18.0	4.8	5.0	5.6	5.5	20.9	5.4	5.5	5.5	5.3	21.7	5.4	5.5	5.9	5.5	22.3	22.2
Gross profit	36.5	7.2	7.7	8.2	7.2	30.3	7.6	8.5	8.2	7.5	31.8	7.7	8.8	8.9	8.5	33.9	36.8
Sales and marketing*	13.7	4.2	4.8	4.0	3.7	16.7	3.6	2.7	3.9	3.3	13.5	3.4	3.5	3.6	3.4	13.9	14.4
Product development*	17.8	5.4	5.3	5.2	5.2	21.0	5.3	4.8	3.2	2.8	16.1	4.0	4.2	4.3	4.2	16.7	17.1
General & administrative*	13.0	3.5	2.8	3.5	3.0	12.8	2.6	2.5	1.9	2.3	9.3	2.0	2.2	2.2	2.1	8.6	8.7
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock-based compensation	2.8	1.0	0.8	0.8	1.0	3.6	0.7	0.7	0.6	0.7	2.7	0.8	0.8	0.9	1.1	3.6	3.8
Amortization of intangibles	6.3	1.8	1.2	1.2	1.2	5.3	1.2	1.4	1.1	0.8	4.5	1.0	1.0	1.0	1.0	4.0	4.0
Acquisition-related/restructuring charges	(0.4)	(0.6)	(0.4)	0.0	(0.1)	(1.0)	0.0	0.1	(0.0)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Operating costs & expenses	50.4	33.8	13.8	13.8	13.0	74.4	12.8	11.4	10.1	9.3	43.6	10.4	10.9	11.2	10.7	43.3	44.2
Operating income	(14.0)	(26.6)	(6.1)	(5.7)	(5.7)	(44.1)	(5.2)	(2.9)	(1.9)	(1.8)	(11.8)	(2.7)	(2.2)	(2.3)	(2.2)	(9.4)	(7.4)
Gain on sales and disposals of intangible assets, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domain sales contribution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted OIBA**	(5.3)	(4.8)	(4.6)	(3.7)	(3.7)	(16.9)	(3.4)	(0.9)	(0.3)	(0.3)	(4.9)	(0.9)	(0.4)	(0.4)	(0.1)	(1.8)	0.4
Adjusted EBITDA***	(3.5)	(4.3)	(4.2)	(3.3)	(3.2)	(15.0)	(3.0)	(0.5)	0.0	0.1	(3.5)	(0.5)	0.0	0.0	0.3	(0.2)	2.4
Interest income (expense), net	0.8	0.1	0.0	(0.0)	(0.0)	0.1	(0.0)	2.5	(0.0)	0.0	2.5	0.1	0.1	0.1	0.1	0.2	0.2
Other income (expense), net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.2	0.0	5.2	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(3.2)	(4.2)	(4.2)	(3.3)	(3.2)	(14.9)	(3.0)	(0.4)	5.2	(1.8)	(4.2)	(2.7)	(2.1)	(2.2)	(2.2)	(9.2)	(7.2)
Income taxes	(1.7)	(0.9)	(0.0)	(0.1)	(0.1)	(1.1)	0.1	(0.0)	(0.0)	0.2	0.2	0.2	0.2	0.2	0.2	1.0	1.0
GAAP Net income from continuing operations	(11.5)	(25.5)	(6.0)	(5.6)	(5.6)	(42.8)	(5.3)	(0.3)	3.3	(2.0)	(4.4)	(2.9)	(2.3)	(2.5)	(2.4)	(10.2)	(8.2)
GAAP Net income allocable to common shareholders	(11.5)	(24.9)	(6.0)	(5.6)	(5.4)	(41.9)	(5.3)	(0.3)	3.3	(2.0)	(4.4)	(2.9)	(2.3)	(2.5)	(2.4)	(10.2)	(8.2)
Adjusted Non-GAAP Net Income from continuing operations**	(5.7)	(3.205)	(3.8)	(3.3)	(2.8)	(13.0)	(3.4)	(0.8)	(0.3)	(0.4)	(4.9)	(1.0)	(0.4)	(0.4)	(0.2)	(2.0)	0.5
GAAP EPS - fully diluted - continuing operations	(\$0.25)	(\$0.54)	(\$0.12)	(\$0.12)	(\$0.13)	(\$0.93)	(\$0.12)	(\$0.01)	\$0.07	(\$0.04)	(\$0.10)	(\$0.07)	(\$0.05)	(\$0.06)	(\$0.05)	(\$0.23)	(\$0.18)
Adjusted Non-GAAP EPS- fully diluted**	(\$0.13)	(\$0.07)	(\$0.08)	(\$0.08)	(\$0.06)	(\$0.28)	(\$0.08)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.12)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.04)	\$0.01
Adj. Non-GAAP shares- Diluted	46.2	46.8	47.0	47.1	44.1	46.3	48.4	48.5	49.0	48.8	43.9	48.9	49.0	49.1	49.2	49.1	49.5
Margin Analysis																	
Service costs*	33.0%	40.2%	39.1%	40.8%	43.0%	40.8%	41.8%	39.0%	40.2%	41.5%	40.6%	41.3%	38.5%	39.9%	39.3%	39.7%	37.6%
Gross margin	67.0%	59.8%	60.9%	59.2%	57.0%	59.2%	58.2%	61.0%	59.8%	58.5%	59.4%	58.7%	61.5%	60.1%	60.7%	60.3%	62.4%
Sales and marketing*	25.2%	34.7%	38.0%	28.7%	29.1%	32.5%	28.0%	19.3%	28.5%	25.8%	25.3%	26.0%	24.7%	24.5%	24.2%	24.8%	24.4%
Product development*	32.6%	44.6%	41.7%	37.4%	40.7%	41.0%	41.0%	34.2%	23.2%	22.1%	30.1%	30.3%	29.2%	29.3%	30.1%	29.7%	29.0%
General & administrative*	23.9%	28.8%	22.4%	25.2%	23.8%	25.0%	20.2%	17.6%	13.7%	18.2%	17.4%	15.6%	15.7%	15.0%	15.3%	15.4%	14.7%
Operating income	(25.6%)	(221.3%)	(47.8%)	(41.1%)	(45.2%)	(86.0%)	(40.4%)	(20.4%)	(13.8%)	(14.0%)	(22.1%)	(20.8%)	(15.1%)	(15.5%)	(16.0%)	(16.7%)	(12.5%)
Adjusted OIBA	(9.8%)	(40.3%)	(36.5%)	(27.1%)	(29.2%)	(33.1%)	(26.4%)	(6.4%)	(2.1%)	(2.5%)	(9.2%)	(7.0%)	(2.5%)	(2.6%)	(1.0%)	(3.2%)	0.7%
Adjusted EBITDA	(6.4%)	(36.1%)	(32.7%)	(24.0%)	(25.3%)	(29.3%)	(23.1%)	(3.8%)	0.1%	0.5%	(6.5%)	(4.0%)	0.3%	0.1%	1.9%	(0.4%)	4.1%
Tax Rate	13.0%	3.6%	0.4%	1.4%	1.7%	2.6%	(1.4%)	11.9%	(1.3%)	(13.8%)	(5.6%)	(9.3%)	(11.8%)	(11.1%)	(11.3%)	(10.8%)	(13.7%)
Adj. Non-GAAP Net Income	(10.5%)	(26.7%)	(29.9%)	(23.6%)	(21.9%)	(25.4%)	(26.4%)	(5.7%)	(2.2%)	(2.8%)	(9.1%)	(7.7%)	(2.8%)	(2.9%)	(1.1%)	(3.6%)	0.8%
Percentage Change Y/Y																	
Revenue	(36.1%)	(54.5%)	(51.7%)	(44.3%)	(5.6%)	(6.0%)	8.1%	10.1%	(0.7%)	0.8%	4.4%	0.9%	2.0%	8.0%	9.4%	5.0%	5.1%
Service costs*	(63.4%)	(66.0%)	(64.2%)	(55.8%)	(65.0%)	16.0%	12.3%	9.9%	(2.2%)	(2.8%)	3.9%	(0.2%)	0.8%	7.1%	3.7%	2.8%	(0.5%)
Sales and marketing*	3.8%	5.9%	23.3%	4.6%	(14.0%)	21.3%	(12.8%)	(44.0%)	(1.5%)	(10.5%)	(18.7%)	(6.4%)	30.6%	(7.2%)	2.5%	2.9%	3.3%
Product development*	18.1%	19.3%	7.5%	2.1%	(3.3%)	18.1%	(0.7%)	(9.7%)	(38.5%)	(45.4%)	(23.3%)	(25.4%)	(12.9%)	36.4%	49.2%	3.6%	2.7%
General & administrative*	41.6%	11.9%	(4.6%)	34.2%	5.7%	(1.7%)	(24.1%)	(13.4%)	(46.2%)	(22.6%)	(27.4%)	(22.2%)	(9.0%)	18.7%	(8.6%)	(7.0%)	0.4%
Operating income	143.6%	1557.9%	377.7%	321.1%	(67.1%)	215.6%	(80.3%)	(52.9%)	(66.6%)	(68.8%)	(73.2%)	(48.1%)	(24.7%)	20.7%	25.3%	(20.2%)	(21.6%)
Adjusted OIBA	268.0%	(799.3%)	(850.6%)	(712.9%)	(74.6%)	217.7%	(29.2%)	(80.5%)	(92.2%)	(91.4%)	(70.8%)	(73.1%)	(60.4%)	33.2%	(56.2%)	(63.4%)	(123.3%)
Adjusted EBITDA	(256.7%)	(474.5%)	(480.1%)	(403.4%)	(417.6%)	333.3%	(30.7%)	(87.3%)	(100.4%)	(101.9%)	(77.0%)	(82.6%)	(108.1%)	(15.2%)	333.9%	(94.0%)	(1258.7%)
Adj. Non-GAAP Net income	(2954.0%)	(738.4%)	(919.6%)	(998.1%)	(81.1%)	128.0%	7.0%	(79.1%)	(90.9%)	(87.0%)	(62.5%)	(70.6%)	(49.8%)	46.0%	(57.2%)	(59.1%)	(125.0%)
Adj. Non-GAAP EPS- fully diluted	(3037.0%)	(722.1%)	(890.1%)	(1065.2%)	99.6%	115.4%	14.5%	(77.5%)	(91.2%)	(87.0%)	(57.1%)	(71.1%)	(50.9%)	42.2%	(58.3%)	(62.8%)	(123.9%)

Source: SEC Filings, ROTH Capital Partners Estimates

*Excludes stock-based compensation

**Excludes domain sales & gains

***Starting from 1Q14, includes domain sales & gains

FY19/20 restated as continuing operations; quarterlies may not sum to annual

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Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/18/22	
			Count	Percent
Buy [B]	348	82.86	234	67.24
Neutral [N]	45	10.71	24	53.33
Sell [S]	0	0.00	0	0
Under Review [UR]	27	6.43	17	62.96

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Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

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