

Stock Data

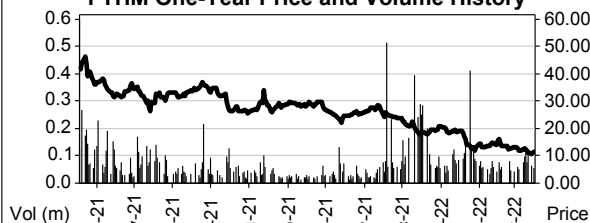
52-Week Low - High	\$10.46 - \$47.35
Shares Out. (mil)	17.02
Mkt. Cap.(mil)	\$190.95
3-Mo. Avg. Vol.	90,856
12-Mo.Price Target	\$23.00
Cash (mil)	\$37.8
Tot. Debt (mil)	\$0.1

Revenue (\$ millions)

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	49.6A	77.6E	-
2Q	84.2A	110.6E	-
3Q	100.9A	125.2E	-
4Q	95.5A	116.4E	-
YEAR	330.2A	429.7E	565.7E

EPS \$

Yr Dec	—2021—	—2022E—	—2023E—
		Curr	Curr
1Q	(0.18)A	(0.29)E	-
2Q	(0.06)A	(0.04)E	-
3Q	(0.18)A	0.03E	-
4Q	(0.16)A	(0.06)E	-
YEAR	(0.58)A	(0.36)E	0.25E

Adj. EPS
FTHM One-Year Price and Volume History


FTHM: 34th Annual ROTH Conference Takeaways

We recently hosted FTHM CEO Josh Harley and CFO/President Marco Fregenal for a series of presentations and 1x1 meetings. Our key takeaways can be found below, as well as our thoughts on the recently announced ~\$10M buyback program.

\$10M buyback in place. FTHM announced that its board of directors has approved a ~\$10M share repurchase program. The agreement does not have an expiration. To us, this further bolsters the favorable risk/reward we see in FTHM's stock and improving fundamental business, with its higher-margin ancillary services still in the very early stages of potential contribution to FTHM's P&L, most notably, gross margin upside. Likewise, FTHM has a more established balance sheet with ~\$38M in cash, which beyond potential share buybacks can be utilized for continued market expansion and scale, organically and through acquisitions. To the latter point, while shares do tend to suffer from limited open market trading volume, the repurchase agreement could work to offset some of the added dilution that comes about via FTHM's past and/or present acquisitions, as well as agent compensation, which could work to ease some concerns around investor dilution. The entire buyback at current prices would represent ~850k shares, or ~5% of FD outstanding shares.

Fireside chat takeaways. The key takeaways in our discussion were around what higher interest rates, a slowing housing market, and limited inventory could mean for its business. Management felt it was much more insulated against all these dynamics given: 1) agents can make more relative money per transaction vs other peers, which could help with agent acquisition, and 2) it charges a flat fee on transactions, as such its gross profit should be better insulated vs. a traditional revenue split model. When we speak to differentiation, we believe its flat fee model is one that truly differentiates it, and should benefit it in good times and bad in the RE market. Second, since it controls all the touch points on ancillary services, we believe this is a simple "top of funnel" growth story with "attach rates to drive over indexed profitability vs. any other peer in the space. Very few, if any, prop-tech models actually have real adj. EBITDA margins. With vertical integration and proper execution, we consider FTHM a solid long-term play/holding, and a 2022 top pick (along with VERI-Buy, and APPS-Buy). Risk/reward remains very favorable, in our view.

FTHM Intraday Price: \$11.48 at 10:31am ET

VALUATION

Our \$23 price target is computed using a ~7x multiple to our FY22E gross profit of ~\$47M.

Factors that could impede FTHM from obtaining our PT include the inability to attract and retain agents, failure to acquire a mortgage and/or title offering, failure to expand into new markets, increased competition, lack of differentiation of its technology platform, macroeconomic risks, pandemics, and housing market cyclicality.

RISKS

Risks

Ability to effectively attract and retain agents. One of FTHM's primary growth drivers is its ability to attract new agents and retain its current cohort in order to effectively scale its operations in current and new markets. If FTHM is unable to attract new agents or minimize churn, it could lose market share to competitors in the real estate brokerage market which could materially impact FTHM's transaction count and topline growth.

Failure to expand into new markets. Part of FTHM's growth strategy is to expand into new verticals such as mortgage and title operations, as well as additional geographies. Expanding into these verticals and geographies could be capital intensive and failure to do so efficiently could be harmful to FTHM's operations and limit its ability to scale its operations and market share beyond current markets and residential real estate.

New entrants to the real estate industry with comparable technology. FTHM competes in a highly fragmented industry where many peers have begun to introduce technology that enables solutions to compete for agents and their clients. If FTHM is unable to continue to add value through its PaaS, cloud-based IntelliAgent software; it may begin to see its attractiveness to agents wane as competitors begin to introduce similar cloud-based brokerage platforms. Thus the success of FTHM's operations is dependent upon continual improvement of its technology for new innovations and changes in market trends.

Highly competitive industry. The real estate brokerage industry is highly competitive and fragmented and consumers have many options for finding houses and agents via the internet such as Zillow, the MLS or Realtor.com. FTHM thus must be able to continue to provide agents with quality listings and a high-quality platform experience in order to help them build their own businesses. Additionally, FTHM competes for agents based on several factors, one of which is commission structure, as many brokerages offer agents higher commissions through a discount brokerage platform. The inability of FTHM to compete with discount brokerages or other tech-enabled real estate platforms could materially impact its operations.

Cyclicality and macroeconomic sensitivity. The housing markets are typically characterized as cyclical in nature, sensitive to the ebbs and flows of the business and economic cycles, most notably changes in employment and interest rates. Additionally, the real estate industry can potentially be impacted by federal and local government regulations and reforms, as well as lending requirements by banks and government agencies like Fannie Mae and Freddie Mac. Other instances like natural disasters and pandemics can also impact FTHM's operations.

Pandemics. Unforeseen pandemics, such as that of COVID-19, could result in macroeconomic uncertainty, and potential closure of businesses, which could adversely impact home sales, as was seen earlier in 2020.

COMPANY DESCRIPTION

Company Description: Fathom Holdings (FTHM) is a cloud-based, full-service real estate brokerage platform disrupting the real estate industry by charging its agents a fixed fee per real estate transaction in an all-virtual business operating environment. The company derives its revenue through assisting customers with buying, selling, or leasing property, where it earns a commission income upon closing and agents share in that commission income, paying back a small, fixed fee rate to Fathom. The company is headquartered in Cary, North Carolina.

Fathom Holdings, Inc. (FTHM)

Fiscal year end - December

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(\$ in thousands except per share data)

	2017A	2018A	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21A	2021A	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
Income Statement															
Total revenue	55,378	77,306	111,206	176,784	49,645	84,183	100,940	95,461	330,230	77,552	110,567	125,193	116,400	429,712	565,695
<i>Guidance</i>								<i>82-84</i>		<i>77-78</i>				<i>425-435</i>	
Commission and other agent-related expenses	51,903	73,437	105,257	166,366	46,400	76,729	91,263	86,117	300,510	69,370	98,113	111,020	104,135	382,637	501,151
Consolidated gross profit - implied	3,475	3,869	5,949	10,418	3,245	7,454	9,677	9,344	29,720	8,183	12,454	14,173	12,265	47,074	64,543
Operating expenses:															
Commission and other agent-related expenses	51,903	73,437	105,257	166,366	46,400	76,729	91,263	86,117	300,510	69,370	98,113	111,020	104,135	382,637	501,151
Operations and support				0	68	1,683	2,029	1,689	5,470	1,745	2,012	2,253	1,921	7,931	10,327
Technology and development								1,796	3,911	1,861	1,990	2,128	2,212	8,191	10,269
General and administrative				6,727	6,121	9,387	9,811	9,112	32,733	9,384	9,509	9,765	9,719	38,377	43,502
Marketing				587	402	378	591	524	1,896	620	663	751	698	2,733	3,685
Depreciation and amortization		23	271	165	102	745	931	453	1,817	1,100	1,250	1,250	1,300	4,900	4,540
Stock-based compensation	0	0	1,630	728	870	1,193	770	1,177	4,011	1,850	2,300	2,400	2,500	9,050	12,218
Total operating expenses (non-GAAP)	3,819	5,363	8,039	177,164	52,122	87,617	102,924	98,061	340,724	81,130	109,988	123,518	116,185	430,820	556,715
Total operating expenses (GAAP)	3,819	5,386	9,940	178,058	53,095	88,923	104,625	99,691	346,335	84,080	113,538	127,168	119,985	444,770	573,473
Adj. EBITDA		(1,240)	(2,301)	(381)	(2,042)	(2,273)	(1,807)	(2,036)	(8,159)	(3,278)	780	1,775	315	(409)	9,379
<i>Guidance</i>								<i>(2.1)-(1.9)</i>		<i>(3.2-3.3)</i>				<i>(0.5)-0.5</i>	
Operating income/(loss) (GAAP)	(344)	(1,517)	(3,991)	(1,274)	(3,449)	(4,740)	(3,685)	(4,230)	(16,105)	(6,528)	(2,970)	(1,975)	(3,585)	(15,059)	(7,778)
Gain on extinguishment of debt					(51)	0	76	306	331					0	0
Interest (expense)	(77)	(102)	(110)	(85)	(1)	1	(2)	(4)	(6)	4	4	4	4	16	16
Other income (expense), net	0	(17)	0	(10)	(5)	(33)	28	(125)	(134)	0	0	0	0	0	0
Income (loss) before taxes-(GAAP)	(421)	(1,636)	(4,100)	(1,349)	(3,395)	(4,706)	(3,583)	(4,053)	(15,738)	(6,524)	(2,966)	(1,971)	(3,581)	(15,043)	(7,762)
Provision for income taxes	0	(27)	8	8	(5)	2,615	210	427	3,247	0	0	0	0	0	0
Non-GAAP adjusted net income (loss) attributable to common	(421)	(1,640)	(2,192)	(447)	(2,427)	(786)	(2,603)	(2,449)	(8,265)	(4,674)	(666)	429	(1,081)	(5,993)	4,455
GAAP Net income/(loss)	(421)	(1,663)	(4,092)	(1,341)	(3,400)	(2,091)	(3,373)	(3,626)	(12,491)	(6,524)	(2,966)	(1,971)	(3,581)	(15,043)	(7,762)
Non-GAAP adjusted EPS-diluted	(\$0.06)	(\$0.20)	(\$0.22)	(\$0.04)	(\$0.18)	(\$0.06)	(\$0.18)	(\$0.16)	(\$0.58)	(\$0.29)	(\$0.04)	\$0.03	(\$0.06)	(\$0.36)	\$0.25
GAAP EPS - diluted	(\$0.06)	(\$0.20)	(\$0.42)	(\$0.12)	(\$0.25)	(\$0.15)	(\$0.24)	(\$0.24)	(\$0.88)	(\$0.40)	(\$0.18)	(\$0.12)	(\$0.21)	(\$0.90)	(\$0.43)
Weighted avg. shares - diluted *	6,886	8,265	9,805	11,404	13,450	14,048	14,313	15,219	14,269	16,196	16,496	16,796	17,096	16,646	17,846
Margin analysis:															
Consolidated gross profit - implied	6.3%	5.0%	5.3%	5.9%	6.5%	8.9%	9.6%	9.8%	9.0%	10.6%	11.3%	11.3%	10.5%	11.0%	11.4%
Total operating expenses (non-GAAP)	6.9%	6.9%	7.2%	100.2%	105.0%	104.1%	102.0%	102.7%	103.2%	104.6%	99.5%	98.7%	99.8%	100.3%	98.4%
Total operating expenses (GAAP)	6.9%	7.0%	8.9%	100.7%	106.9%	105.6%	103.7%	104.4%	104.9%	108.4%	102.7%	101.6%	103.1%	103.5%	101.4%
Adj. EBITDA	0.0%	(1.6%)	(2.1%)	(0.2%)	(4.1%)	(2.7%)	(1.8%)	(2.1%)	(2.5%)	(4.2%)	0.7%	1.4%	0.3%	(0.1%)	1.7%
Operating income/(loss) (GAAP)	(0.6%)	(2.0%)	(3.6%)	(0.7%)	(6.9%)	(5.6%)	(3.7%)	(4.4%)	(4.9%)	(8.4%)	(2.7%)	(1.6%)	(3.1%)	(3.5%)	(1.4%)
Tax rate	NM	NM	(0.2%)	4.8%	0.1%	(55.6%)	(5.9%)	(10.5%)	(18.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP adjusted net income (loss) attributable to common	(0.8%)	(2.1%)	(2.0%)	(0.3%)	(4.9%)	(0.9%)	(2.6%)	(2.6%)	(2.5%)	(6.0%)	(0.6%)	0.3%	(0.9%)	(1.4%)	0.8%
Non-GAAP adjusted EPS-diluted	(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%
Y/Y Growth:															
Total revenue		39.6%	43.9%	59.0%	72.1%	117.6%	80.7%	78.7%	86.8%	56.2%	31.3%	24.0%	21.9%	30.1%	31.6%
Consolidated gross profit - implied		11.3%	53.8%	75.1%	50.8%	219.6%	225.1%	215.9%	185.3%	152.1%	67.1%	46.5%	31.3%	58.4%	37.1%
General and administrative - inc. stock based comp.		46.5%	87.1%	11.7%	222.5%	279.7%	213.8%	148.0%	203.8%	52.0%	40.6%	30.9%	34.0%	38.1%	31.9%
Marketing		(19.3%)	33.5%	184.8%	74.5%	733.8%	171.2%	36.6%	60.3%	54.3%	(42.4%)	27.1%	33.3%	75.8%	34.8%
Total operating expenses (non-GAAP)		40.4%	49.9%	NM	81.6%	128.4%	84.3%	80.7%	92.3%	55.7%	25.5%	20.0%	18.5%	26.4%	29.2%
Total operating expenses (GAAP)		41.0%	84.5%	NM	84.1%	130.9%	86.9%	82.2%	94.5%	58.4%	27.7%	21.5%	20.4%	28.4%	28.9%
Adj. EBITDA		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Operating income/(loss) (GAAP)		341.5%	163.0%	NM	NM	NM	NM	NM	NM	89.3%	(37.3%)	(46.4%)	(15.2%)	NM	NM
Non-GAAP adjusted net income (loss) attributable to common		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Non-GAAP EPS		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

Source: SEC Filings, ROTH Capital Partners Estimates

*2021 quarterlies may not sum to annual due to restatement of expense line items

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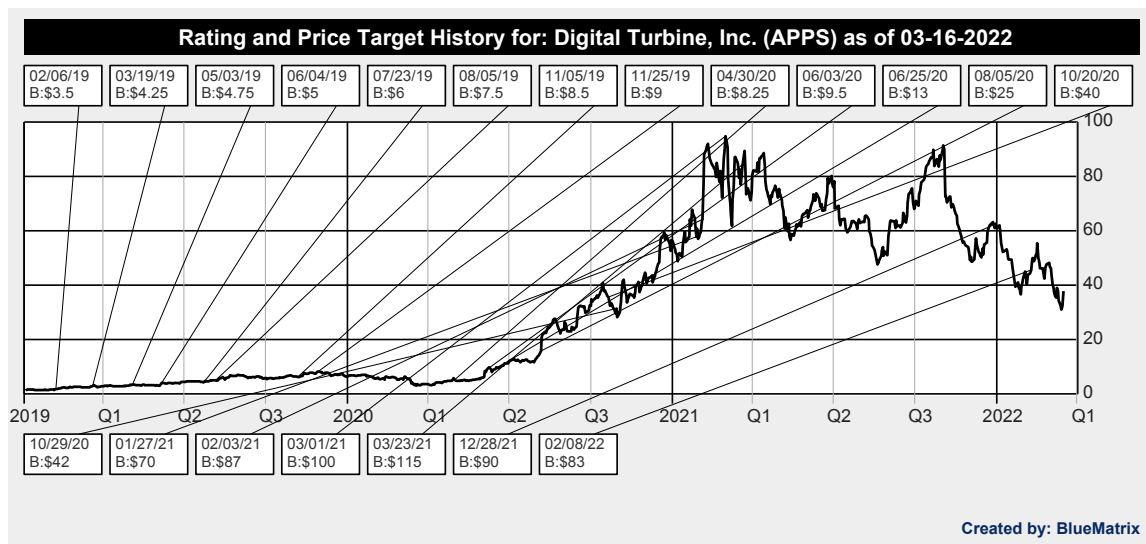
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Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 03/17/22	
			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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Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

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