

## INITIATING COVERAGE

### Equity | Supply Chain Solutions/ Financing

## Nisun International Inc. (NASDAQ:NISN; Target Price: \$9.10)

Nisun International is a rare undervalued gem within the supply chain space in China. Investor fears are high for Nasdaq-listed Chinese companies given the fact that Beijing has had strong ties with Russia which does not bode well in the current geopolitical climate. However, many market participants would view this as an opportunity to grab high-growth Chinese stocks are ridiculously low valuations and make hay during the recovery phase. Nisun International is one of the lowest valued Chinese high-growth stocks today and is trading at one of the lowest revenue multiples. The company is a well-known and diversified supply chain management solution provider that has already quadrupled its revenue in a year and is still continuously trading at a revenue multiple that is below 0.3. Let us take a closer look at its operations.

## INVESTMENT THESIS

This is our first report on Nisun International and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. We can see Nisun's share price is extremely low as a result of the crash in the Nasdaq and the beating that Chinese stocks have taken after the Russia-Ukraine conflict. However, Nisun International is a fundamentally strong player that is not expected to stay low in the long term. The company makes use of cutting-edge technologies, including big data, artificial intelligence, Internet of Things, and blockchain in the process of offering its supply chain and financial service solutions in order to facilitate digital transformation of financial institutions and enterprise customers. Its business comprises three main service models: SME Financing Solutions, Supply Chain Solutions and Other Financing Solutions. Baptista Research looks to evaluate the different factors that could influence Nisun International' price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

## COMPANY OVERVIEW

Nisun International Enterprise Development Group is a conglomerate holding company that provides financing solutions and technology-driven supply chain solutions in several enterprises and financial institutions in China and other parts of the world. The company provides technology supply chain management, asset routine digital transformation and technology, and financial institutions with professional solutions. Nisun International is a closed-loop network built on fintech platforms that offer a range of technology-based customised financing solutions to small and mid-size enterprises along with direct banking solutions to small and medium-sized commercial banks and other financial institutions while distributing and managing direct banking and other financial products. To collaborate on agricultural-related businesses, the company has built a strategic relationship with several companies, such as Henan Wanbang International Agricultural Products Logistics Co., Ltd. and Yingkou Yongxiang Logistics Co., Ltd.

### Key Report Highlights

Industry View:	Attractive
Stock Rating:	Buy
Price Target:	\$9.10
Current Price:	\$2.20
52-Week-Range:	\$0.53 - \$17.83

Annual Income Statement	2021	2022E	2023E
Revenues	160.20	241.30	300.70
Cost of Goods Sold	106.15	136.00	149.75
Gross Income (excl. D&A)	54.05	105.30	150.95
EBITDA	12.21	64.90	91.90
EBIT (incl. extraordinary exp)	38.19	62.61	89.50
Net Income	30.38	46.58	66.75
Cash from Operations	23.86	53.80	77.20
Free Cash Flows	18.86	47.80	77.20

Growth & Margins	2021	2022E	2023E
Sales Growth	279.7%	50.6%	24.6%
EBITDA Margin	7.6%	26.9%	30.6%
EBIT Margin	23.8%	25.9%	29.8%
Net Profit Margin	19.0%	19.3%	22.2%

Valuation Ratios	2022E	2023E	2024E
EV/ Sales	0.8	1.6	1.8
EV/ EBITDA	2.8	5.4	4.9
EV/ EBIT	2.9	5.5	5.0
Price/Earnings	7.8	11.2	10.6

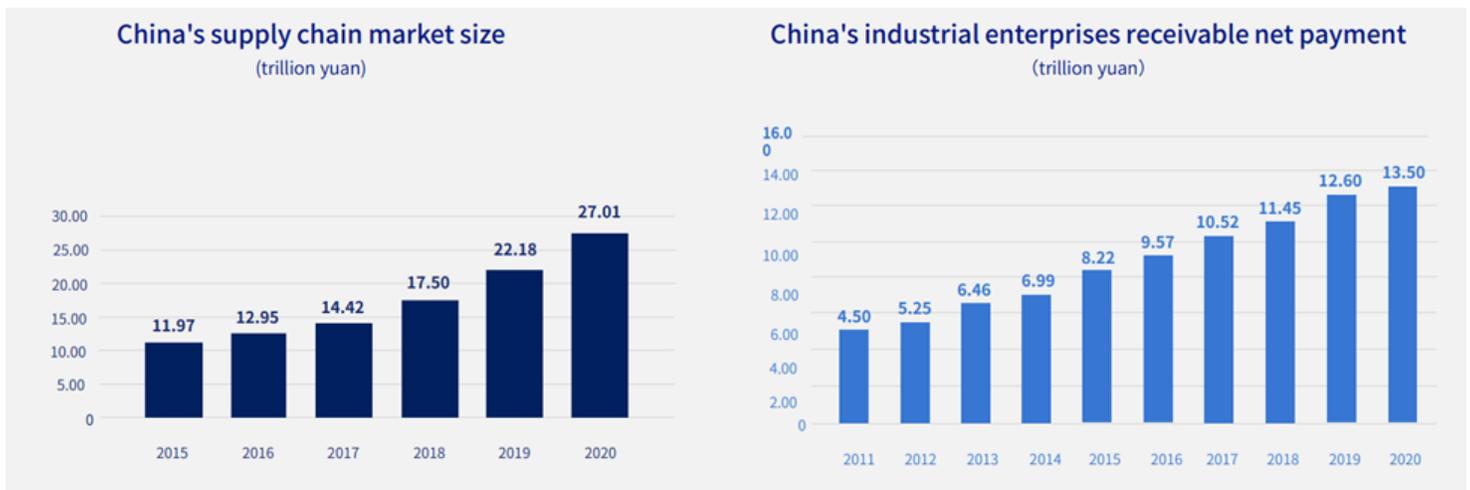
## KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1.	COAL SUPPLY CHAIN SOLUTIONS
2.	EXPANSION INTO THE AGRICULTURAL SUPPLY CHAIN
3.	E-COMMERCE, LOGISTICS & OTHER SUPPLY CHAIN OFFERINGS
4.	SME FINANCING SOLUTIONS
5.	EXPERIENCED MANAGEMENT TEAM

### Coal Supply Chain Solutions

- The coal supply chain industry is one of the core areas of expertise of Nisun International. Coal as a sector comes with a great space for growth and market opportunities in the coming years.
- To enhance the coal supply chain's core value and credit quality, the company has strengthened and improved its managing capabilities, starting with current market conditions and industry finance integration.
- This scenario caused Nisun affiliated Fanlunke Supply Chain Management's collaboration with two leading companies, Cangzhou China Railway Equipment Manufacturing Materials and Shanxi Guoxin Energy Corporation Shengda Coal.
- To deliver various services to the coal supply chain's upstream and downstream enterprises, Nisun uses its efficient core supply chain management capabilities, including pricing analysis and determination, transactional promotion, payment settlement, financing logistics guarantee, and market guidance.
- Nisun collaborated to develop their supply chain management services for the coal industry under the terms of the agreement.

- Cangzhou Railway, Nisun's collaboration partner, has amazing industry resources and information that can help reduce the operation and enterprise costs and also these circumstances play a huge role in assisting Nisun in several ways efficiently, including supervising and controlling commerce, cargo, information, and capital flows as well as moving coal commodities and supply chain operational processes so that they can improve the overall management systems.
- It is clear that this collaboration will improve Nisun's supply chain business capabilities in the coal sector. On the other hand, Nisun and Shanxi will come together to improve Shengda Coal's logistics and operational efficiency with Nisun's efficient supply chain management capabilities and Shengda Coal's industrial resources to optimise overall supply chain services. Nisun and Shengda Coal aim to maximise their gains.
- As Shengda Coal has a large market share and peak shaving capabilities, it will help Nisan expand its business and make its presence more prominent in the energy industry.



Source: Company Website

- As we can see in the above chart, the company has a vast addressable market that has been growing.
- Its supply chain solutions also earn them a one-time fee in exchange for its services provided. The company generated over \$160 million in revenues in 2021, nearly four times the turnover of 2020 and is on track for a solid 2022 as well.

## Expansion Into The Agricultural Supply Chain

- Nisun aims to grow rapidly in China's agriculture industry markets as a core supply chain solutions provider with services through digital transformation and modernisation.
- Nisun also aims to collaborate with other agricultural companies to be a supporter and leader of China's modern agriculture supply chain and industrial chain so that it can benchmark China's rural revitalisation, National strategy, and support the agriculture, rural areas and farmers in every way possible.
- According to the management team, when agriculture will merge with technology, the agricultural supply chain model has to be restructured.
- To increase the credit capacity, prevent misinformation, and improve the industrial chain, Nisun will investigate the logistics capital flow and information flow in the supply chain leveraging the relationship between the core enterprise and the primary supply chain.
- The company also aims to close the gaps between production and sales and enhance the efficiency to improve the overall domestic agriculture supply chain.
- By leveraging its technological advantages, comprehensive coverage, and dynamic circulation in the agricultural supply chain, it aims to provide clients with high-quality and effective supply chain management solutions.
- Recently, the company has announced that a subsidiary of Fintech Digital Technology Co., Ltd. and the controlled affiliate of Nisun International, Chain Management Co., Ltd., has collaborated with two other companies, including Haikou Jinlvguo Fruit Production & Marketing Cooperative and Zhengzhou Changjiu Vegetables Co., Ltd. respectively.
- The first collaboration was done with Haikou Jinlvguo Fruit Production & Marketing Cooperative; a professional cooperative economic organisation made for the farmers operating under the Qiongsan City Supply and Marketing Cooperative Association.
- The agreement indicates that Nisun will utilize its digital technology to integrate model logistics and financial technology into the agriculture supply chain.
- In short, Nisun will play the role of the link between the core businesses and the market while assisting the development of a comprehensive platform in the agricultural supply chain so that the upstream and downstream data can be shared on product-market supply and demand.
- After Haiko, it collaborated with Zhengzhou Changjiu Vegetables Co., Ltd. to improve the quality and efficiency of the company while expanding its limitations by providing the supply chain with meat, vegetable, and fruit products and other services.
- The expected annual transaction volume under this agreement is 12,000 tonnes. Later, Nisun also acquired a major interest in Youjitian, which is also an agriculture supply chain management firm. Because of these collaborations, Nisun has expanded the limitations in the agriculture supply chain domain.

- Among key acquisitions in the agriculture supply chain space, it is worth highlighting that Fintech (Henan) Supply Chain Management and a controlled affiliate of Nisun International, entered into a share purchase agreement with Henan Youjiatian Agricultural Technology, Ltd and its sole shareholder to acquire a majority equity interest in Youjiatian, an agricultural supply chain management firm. Youjiatian has recently experienced rapid growth due to the agricultural industry's booming development in Henan province.
- The team believes that the purchase of Youjiatian Agricultural will help them expand into the agricultural industry while also acquiring more companies in the sector.
- On the other hand, Sichuan Wanglianxing Agricultural Technology Development and Henan Xingyue Communication Technology have signed a strategic cooperation agreement with Nisun. Under this agreement, the three parties will work together in the agricultural commodity supply chain.
- Both Wanglianxing and Xingyue have a long history in the grain trade and have worked closely with China's State Grain Reserve Depots in Xinjiang, the Northeast, and other parts of the country.
- After these two collaborations, Nisun also signed an agreement with Henan Shiwugu to help Shiwugu expand its market share. Nisun will follow an open policy in importing grain products and providing procurement and other services.
- Nisun will use its technological advantages to fully mobilize and integrate market resources in Shiwugu's supply chain, increasing efficiency and optimizing resource integration.
- Simultaneously, the company will use its capital resources to help Shiwugu by importing grains and other agricultural products from overseas markets, lowering costs and developing a new development pattern. Overall, we believe Nisun will continue to expand its agricultural supply chain business with more such collaborations.

## **E-Commerce, Logistics & Other Supply Chain Offerings**

- Nisun has actively promoted implementing supply chain innovation technologies in the logistics field over the years, relying on its core strategy of "integrated supply chain."
- It is looking create a subdivision ecosystem that benefits all parties through the integration of technology, industry, as well as finance and continue to advocate for the development of a modern, high-quality, three-dimensional transportation network in the future.
- The company continues to explore new ways to optimize transportation structures to reduce enterprise logistics costs and promote the development of the entire domestic trade container logistics industry. For this reason, the company started collaborating with different companies.
- Recently, its controlled affiliate Fanlunke Supply Chain Management Co. has signed a partnership agreement with Beijing Jingdong Century Information Technology Co., a subsidiary of JD.com, China's leading technology-driven e-commerce company transforming to become a leading supply chain-based technology and service provider.

- The two companies collaborated to develop supply chain services for the e-commerce industry. Under the terms of the agreement, both the companies' combined their logistics networks, supply chain resources, and technologies to complement each other's strengths and collaborate on developing integrated supply chain solutions for the e-commerce industry, utilizing JD's e-commerce platform and putting the customer experience first.
- Nisun will further integrate the upstream and downstream supply chain logistics and improve efficiency because of this collaboration in order to provide comprehensive products and sales solutions.
- The Nisun management also announced a strategic cooperation contract with Shanghai Bailian Group for the procurement of information appliances such as computers, communications, and consumer electronics.
- In order to establish a new supply chain model and further develop new communication channels in China's retail industry, both parties will pool resources and create an effective bridge between supply and demand.
- China's market for 3C products (computers, communication, and consumer electronics) has exploded in recent years, owing to favourable government policies, innovative technologies, and rising market demand.
- Nisun and Shanghai Bailian will collaborate to promote China's 3C Products market's ongoing expansion and transformation. Nisun's collaboration with Shanghai Bailian aids in the company's strategy of expanding its market share.
- This partnership will also strengthen their competitive advantages in five core industries, including agriculture, e-commerce, gold, coal, and the chemical industry, by connecting more innovative resources and facilitating value sharing.
- In order to promote the development of supply chain standardization, digitalization, and globalization, Nisun will continue to strengthen its capital power to establish its presence in the industry, expand the upstream and downstream supply chains, and form an industrial cluster economy.
- Another key collaboration by the company was between Yingkou Yongxiang Logistics and Liaogang Nisun (Yingkou) Supply Chain Management Co, Ltd. Liaogang Nisun intends to become the first domestic smart supply chain provider with full-network and full-chain logistics capabilities by providing all-in-one smart logistics services for domestic trading.
- As part of the new Liaogang Nisun business segment, the two parties will pool their resources to form an overlapping team to accelerate supply chain integration and operations. The strong supply chain system of Nisun and the mature domestic container transportation services of Yongxiang Logistics will benefit Liaogang Nisun as a "smart supply chain service provider" formed by both parties.
- The management disclosed that Yingkou City's Bayuquan Domestic Trade Port would be used to increase the flow of logistics and expand cargo volume, adding new value and expanding domestic trade service logistics.

- We can see the market sizing for Nisun in the below image in yuan. Chemicals is another key industry where Nisun has supply chain operations. In the chemical field, they cooperate with the most influential plastic electronic trading center in China, which has nearly 13,000 registered members with its business covering nearly 30 provinces and cities, including Yangtze River Delta, Pearl River Delta, and Beijing-Tianjin-Hebei, among others. The center has established more than 30 designated delivery warehouses with an estimated annual transaction scale of over 40 billion yuan.



Source: Company Presentation

## SME Financing Solutions

- Nisun International offers its efficient SME services in China. This technology-driven customised financing system improves their financing channels and provides unique solutions to new funding resources.
- There are three subsidiary companies of Nisun in this field, Fintech (Shanghai) Digital Technology Co., Ltd., Beijing Hengtai Puhui Information Service Co., Ltd., and Shanghai Nami Financial Consulting Co., Ltd. All of them are vital to the SME financing solution business.

- Underwriters and financial institutions can seamlessly use Fintech's comprehensive financing solution services to help SME issuers to issue debt securities on the country's provincial and municipal financial asset exchanges or other designated markets that include designing debt financial products and compiling product descriptions and other related consulting services.
- On the other hand, Beijing Hengtai Puhui Information Service offers a wide range of financing solutions such as due diligence, government registration, customer referral, investor education, and maintenance, etc.
- Talking about Shanghai Nami Financial Consulting, it connects institutional and individual investors to SMEs depending on their financial needs. In this supply chain finance process, Nisun plays the role of a middleman and a partner in procurement and distribution transactions, automates transaction payments while offering the best transaction terms to both suppliers and buyers.
- Besides that, Nisun offers cash flow solutions that help businesses release liquidity from their supply chains. As suppliers can quickly obtain working capital at a comparatively low cost, payment terms are ideal for them.
- Moreover, their in-work connection with commodity buyers allows them to pay overtime that is paid usually via trade credit extension. Nisun's amazing data processing and analytics capabilities help industry players to optimise transactions and several financing decisions.
- It contributes to the development of small and medium-sized enterprises and other industry participants by reducing the financing cost and improving their business efficiency, supported by advanced and cutting edge technologies such as big data, AI, IoT, and blockchain..
- Nisun earns one-time advisory fees for its services provided to SMEs for offerings on PRC provincial or national financial assets exchanges or other designated capital markets underwritten by financial institutions in accordance with the service agreements with underwriters, financial institutions or financial product providers.
- In addition, they also provide ongoing customer management services to small and medium commercial banks and financial institutions in distributing and sourcing funds for their direct banking and other financial products in exchange for recurring service fees. Their intermediary matching service fee is earned upon the purchase of the financial products.

## Experienced Management Team

- Nisun International as a parent company is spearheaded by Xiaoyun Huang, the company's Chairman and CEO since 2020, who has over 10 years of experience in the fintech industry.
- Before joining Nisun International, Mr. Huang was President and CEO of Huizhong Business Consulting, where he was a key player in the development of strategic plans and a major driver of overall business growth.
- He also served as the President and CEO of Hangzhou Rongdu Technology and Chairman and General Manager of Beijing Hengtai Puhui Information Services. Mr. Huang graduated from Shanghai University of Electric Power with a BS in Computer Science and Technology.

- The finance function of the company is managed by CFO Changjuan Liang. Ms. Liang joined Fintech (Shanghai) Investment Holding Co., Ltd. as Chief Financial Officer in May 2019. Moreover, she worked for Shanghai NiSun Enterprise Management Group Co., Ltd., a PRC company controlled by Bodang Liu and Nisun's largest shareholder. Ms. Liang graduated from China Central Radio and Television University with a Bachelor's degree in accounting.
- Jinbao Li, another Director in the company since September 2020, is the CEO and controlling shareholder of Shanghai Nami Financial Consulting Co, a consolidated affiliate of Nisun.
- He oversees and is responsible for all aspects of business operations, financial performance, and development of Shanghai Nami. His marketing and customer resources and business management experience as a senior business executive are major assets to the company.
- Xin Liu, another Director in the company, has been the Vice President of Shanghai Nima since April 2016. In that role, he manages operations aspects of Shanghai Nami's business. Mr. Li had been the Head of the International Trade department of Qingdao Antaixin Group Co., Ltd. from September 2012 to October 2014. His management skills and cross-border trade and business experience are biggest assets to Nisun.



Source: Company Presentation

- As we can see in the above snapshot, the company has managed to establish many key collaborations and clientele with major players as a result of the vast network of the management. Overall, we can say that Nisun's future is in safe hands with its experienced and knowledgeable crew.

## HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	30-06-2020	31-12-2020	30-06-2021	31-12-2021
Revenues	13.5	28.7	38.9	121.3
<i>% growth</i>		113.2%	35.6%	211.5%
Cost of Goods Sold	5.3	14.6	20.7	85.5
<i>% of revenue</i>	39.6%	51.0%	53.1%	70.5%
Gross Income (excl. D&A)	8.1	14.1	18.3	35.8
<i>% of revenue</i>	60.4%	49.0%	46.9%	29.5%
EBITDA	4.9	7.5	13.1	28.3
<i>% of revenue</i>	36.3%	25.9%	33.8%	23.4%
Depreciation & Amortization	0.6	1.7	1.1	2.2
<i>% of Fixed Assets</i>	2.1%	5.4%	3.6%	7.4%
Extraordinary Expenses	0.0	0.0	0.0	0.0
EBIT (incl. extraordinary exp)	4.3	5.8	12.0	26.2
<i>% of revenue</i>	31.7%	20.1%	30.9%	21.6%
Pretax Income	4.5	6.4	13.3	27.5
<i>% of revenue</i>	33.1%	22.3%	34.2%	22.6%
Income Tax	0.3	0.6	2.8	7.4
<i>% rate</i>	7.0%	9.8%	21.3%	27.0%
Net Income	-6.2	-7.0	10.4	20.0
<i>% of revenue</i>	-45.7%	-24.2%	26.7%	16.5%

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- Nisun International has reported a top-line of \$121.27 million in its recent quarterly result which is a 211.51% appreciation over the previous quarter.
- The company reported a positive gross margin of 29.50% for the quarter ended 31-12-2021.
- Its EBITDA for the quarter was \$28.34 million and the EBITDA margin was 23.37%. This was a -10.38% margin contraction at the EBITDA level which is definitely a negative outcome.
- Nisun International's operating income (EBIT) was reported at \$26.16 million and a margin of 21.57%. This EBIT margin dropped by 9.33% in this quarter. The company's pre-tax margin for the quarter was 22.64%.
- Nisun International reported a net income of \$19.99 million which resulted in a diluted earnings per share (EPS) of \$0.23. The company's net margin was 16.48%.
- Nisun International generated \$23.86 million in terms of operating cash flows for the 12 months period ended 31-12-2021.
- The company was able to convert about 8.53% of its revenues into operating cash flows in the recent quarter. This quarter's EBITDA-to-operating cash flow conversion ratio is 36.52%
- Overall, Nisun International delivered a negative free cash flow of \$1.39 million for the past 12 months.

Particulars	2018	2019	2020	2021
Revenues	25.3	2.5	42.2	160.2
<i>% growth</i>		-90.0%	1567.6%	279.7%
Cost of Goods Sold	17.7	0.0	20.0	106.2
<i>% of revenue</i>	70.0%	0.8%	47.3%	66.3%
Gross Income (excl. D&A)	7.6	2.5	22.2	54.1
<i>% of revenue</i>	30.0%	99.2%	52.7%	33.7%
EBITDA	-4.1	2.9	12.2	64.9
<i>% of revenue</i>	-16.2%	113.0%	28.9%	40.5%
Depreciation & Amortization	1.2	1.7	2.2	26.7
<i>% of Fixed Assets</i>	9.1%	10.5%	7.0%	90.4%
Extraordinary Expenses	0.0	0.0	0.0	0.0

June 02, 2022

EBIT (incl. extraordinary exp)	-5.3	1.2	10.0	38.2
<i>% of revenue</i>	-21.1%	46.2%	23.8%	23.8%
Pretax Income	-5.8	1.2	10.9	40.8
<i>% of revenue</i>	-22.9%	46.6%	25.7%	25.5%
Income Tax	-0.7	-0.1	0.9	10.3
<i>% rate</i>	11.2%	-5.1%	8.7%	25.2%
Net Income	-5.1	2.7	-13.1	30.4
<i>% of revenue</i>	-20.3%	108.3%	-31.0%	19.0%

- When we analyze the company's annualized historical income statement, we see that the top-line was \$160.2 million for the previous financial year ending in 2021.
- The revenue growth was 279.71% in 2021 as compared to around 1567.59% in 2020.
- Nisun International's cost of goods sold has increased from 47.33% to 66.26% as a percentage of the top-line resulting in a drop in the gross margins.
- The company's overall annual EBITDA margin of 40.51% is higher than the reported quarterly EBITDA margin for the most recent quarter.
- Non-cash expenses in the form of depreciation and amortization have gone up as compared to the result in 2020.
- In terms of the bottom-line, Nisun International reported an operating income (EBIT) of \$38.19 million and a net income of \$30.38 million resulting in an EPS of \$1.41.
- The good news for investors holding the stock is that its net margin had increased from -31.03% in 2020 to 18.96% in 2021.

Particulars	2018	2019	2020	2021
<b>Assets</b>				
Net Intangible Fixed Assets	0.0	0.0	0.0	0.0
Net Tangible Fixed Assets	0.0	0.0	0.0	0.0
<b>Total Fixed Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<i>% of revenue</i>				

June 02, 2022

LT Investments	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0
Accounts Receivable	0.0	0.0	0.0	0.0
Cash and ST Investments	0.0	0.0	0.0	0.1
Other Current Assets	0.0	0.0	0.0	0.1
<b>Total Current Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>
Other Assets	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>
<b>Liabilities &amp; Shareholder's Equity</b>				
Equity & Minorities	-4.5	-3.2	-3.4	-2.8
LT Debt	0.0	0.0	0.0	0.0
Other LT Liabilities	0.0	0.0	0.0	0.0
<b>Total LT Liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
ST Debt	2.0	1.3	1.2	1.4
Accounts Payable	0.6	0.2	0.3	0.4
Other ST Liabilities	1.9	1.8	1.9	1.2
<b>Total Current Liabilities</b>	<b>4.5</b>	<b>3.3</b>	<b>3.4</b>	<b>3.0</b>
<b>Total Liabilities</b>	<b>4.5</b>	<b>3.3</b>	<b>3.4</b>	<b>3.0</b>

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<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>
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- Nisun has close to \$0.13 million in terms of liquidity i.e. cash and short term investments and is expected to do more fundraises to finance its future growth.

<b>Other Metrics</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
<i>% growth</i>		NA	NA	NA
Total Common Shares Outstanding	9	42	1,544	2,946
<i>% change</i>		348.5%	3570.4%	90.8%
Dividend Per Share	0.00	0.00	0.00	0.00
<i>% change</i>		NA	NA	NA

<b>Other Performance Ratios</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Return on Assets	-13900.0%	-8800.0%	-5133.3%	-1872.2%
Return on Equity	30.8%	54.3%	45.6%	118.7%

- The company does not pay any dividend. Nisun's total common shares outstanding have increased in 2021 by 90.80% implying a share issuance.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues.
- Nisun's total assets turnover has increased to 0.17 in 2021.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity.
- The company's overall Return on Assets is -1872.22%. Nisun's Return on Equity is 118.66% but this is positive because the company has a net loss and a negative shareholders' equity.

Particulars	2018	2019	2020	2021
<b>Assets</b>				
Net Intangible Fixed Assets	1.0	15.3	28.9	28.6
Net Tangible Fixed Assets	12.5	0.8	2.1	0.9
<b>Total Fixed Assets</b>	<b>13.5</b>	<b>16.1</b>	<b>31.0</b>	<b>29.6</b>
<i>% of revenue</i>	<i>53.3%</i>	<i>634.4%</i>	<i>73.5%</i>	<i>18.5%</i>
LT Investments	4.7	25.0	16.7	16.6
Inventories	0.4	0.6	0.0	4.0
<i>% of revenue</i>	<i>1.5%</i>	<i>25.3%</i>	<i>0.0%</i>	<i>2.5%</i>
Accounts Receivable	31.3	13.0	32.6	78.3
<i>% of revenue</i>	<i>123.8%</i>	<i>512.6%</i>	<i>77.2%</i>	<i>48.9%</i>
Cash and ST Investments	1.0	2.8	26.8	132.1
<i>% of revenue</i>	<i>3.8%</i>	<i>109.1%</i>	<i>63.6%</i>	<i>82.5%</i>

June 02, 2022

Other Current Assets	5.8	37.2	1.0	13.4
<b>Total Current Assets</b>	<b>38.4</b>	<b>52.9</b>	<b>60.4</b>	<b>227.8</b>
Other Assets	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>56.7</b>	<b>94.0</b>	<b>108.1</b>	<b>274.0</b>
<b>Liabilities &amp; Shareholder's Equity</b>				
Equity & Minorities	36.8	53.9	79.9	184.6
LT Debt	0.2	0.0	0.0	0.0
Other LT Liabilities	0.2	2.6	1.4	0.7
<b>Total LT Liabilities</b>	<b>0.4</b>	<b>2.6</b>	<b>1.4</b>	<b>0.7</b>
ST Debt	4.0	0.2	0.0	0.8
Accounts Payable	1.4	0.2	1.3	35.0
<i>% of COGS</i>	<i>5.4%</i>	<i>8.7%</i>	<i>3.1%</i>	<i>21.8%</i>
Other ST Liabilities	14.3	37.2	25.5	52.9
<b>Total Current Liabilities</b>	<b>19.7</b>	<b>37.6</b>	<b>26.8</b>	<b>88.7</b>
<b>Total Liabilities</b>	<b>20.1</b>	<b>40.2</b>	<b>28.2</b>	<b>89.4</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>56.7</b>	<b>94.0</b>	<b>108.1</b>	<b>274.0</b>

- Moving on to the company's historical annualized balance sheet, when we analyze the fixed assets versus the revenues, we see that the percentage has evolved from 73.52% to 18.45%
- Its receivables of \$78.31 million are about 48.88% of the top-line.
- Nisun International has close to \$132.11 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2021 account for around 21.85% of the cost of goods sold.
- The company's long term debt is around 0.0x times its equity.

<b>Other Metrics</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
<i>% growth</i>		NA	NA	NA
Total Common Shares Outstanding	16	18	21	40
<i>% change</i>		8.9%	16.1%	93.6%
Dividend Per Share	0.00	0.00	0.00	0.00
<i>% change</i>		NA	NA	NA

<b>Operating Ratios</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Receivables Turnover	0.8	0.2	1.3	2.0
Days Receivable	452.0	1871.2	281.6	178.4
Inventory Turnover	47.9	0.0	NA	26.7
Inventory Days	7.6	11680.0	NA	13.7
Payables Turnover	13.0	0.1	15.2	3.0
Days Payable	28.0	4015.0	23.9	120.3
Fixed Asset Turnover	1.9	0.2	1.4	5.4
Total Asset Turnover	0.4	0.0	0.4	0.6

<b>Other Performance Ratios</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
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Return on Assets	-9.1%	2.9%	-12.1%	11.1%
Return on Equity	-14.0%	5.1%	-16.4%	16.5%

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- The company does not pay any dividend. Nisun International's total common shares outstanding have increased in 2021 by 93.63% implying a share issuance.
- The receivables turnover helps quantify a company's effectiveness in collecting the money owed by clients and demonstrates how well it uses and manages the credit it extends to customers.
- As per the days receivable, the company takes an average period of 178.4 days to collect money from its clients which appears to be on the higher side and blocking its working capital.
- The inventory turnover shows the number of times a given company has sold and replaced inventory during the year and is an indicator of how many days of working capital is blocked in inventory.
- As per the inventory days ratio, Nisun International holds an average inventory of 13.7 days which appears to be reasonable.
- The accounts payable turnover is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. It shows how many days of credit a company gets from its suppliers.
- As per the days payable, the company takes an average period of 120.3 days to pay off its creditors which appears to be reasonable.
- The fixed asset turnover ratio measures how well a company generates sales from its tangible as well as intangible fixed assets. The higher the ratio, the greater the company's efficiency to its assets to generate revenues.
- Nisun International's fixed assets turnover ratio of 5.4 has increased in 2021 indicating that the company is generating greater revenues from its fixed assets.
- The total asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is, with respect to using its assets to generate revenues. Nisun International's total assets turnover has increased to 0.58 in 2021.
- Return on assets is an excellent indicator of how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet.
- On the other hand, the return on equity of a company measures the value creation of the management and profitability in relation to stockholders' equity. The company's overall Return on Assets is 11.09%.
- Nisun International's Return on Equity is 16.46%. The company's Return on Equity is higher than its Return on Assets and this is because it uses debt to maximize shareholder returns.

Particulars	2019	2020	2021	2022E	2023E	2024E
Revenues	2.5	42.2	160.2	241.3	300.7	357.8
% growth		1567.6%	279.7%	50.6%	24.6%	19.0%
Cost of Goods Sold	0.0	20.0	106.2	136.0	149.7	175.0
% of revenue	0.8%	47.3%	66.3%	56.4%	49.8%	48.9%
Gross Income (excl. D&A)	2.5	22.2	54.1	105.3	151.0	182.8
% of revenue	99.2%	52.7%	33.7%	43.6%	50.2%	51.1%
EBITDA	-4.1	2.9	12.2	64.9	91.9	134.2
% of revenue	-162.1%	6.8%	7.6%	26.9%	30.6%	37.5%
Depreciation & Amortization	1.2	1.7	2.2	2.3	2.4	2.5
EBIT	1.2	10.0	38.2	62.6	89.5	131.7
% of revenue	46.2%	23.8%	23.8%	25.9%	29.8%	36.8%
EBT (GAAP)	1.2	10.9	40.8	62.1	89.0	131.2
% of revenue	46.6%	25.7%	25.5%	25.7%	29.6%	36.7%
Net Income (GAAP)	2.7	-13.1	30.4	46.6	66.7	98.4
% of revenue	108.3%	-31.0%	19.0%	19.3%	22.2%	27.5%
Earnings Per Share (GAAP)	0.08	0.53	1.41	1.17	1.68	2.47

Particulars	2019	2020	2021	2022E	2023E	2024E
Net Income (GAAP)	2.7	-13.1	30.4	46.6	66.7	98.4
+ Depreciation & Amortization	1.2	1.7	2.2	2.3	2.4	2.5
+/- Working Capital, Deferred Taxes & Other Adjustments	-3.6	14.1	-8.7	4.9	8.0	23.2
<b>Cash Flow from Operations</b>	<b>0.3</b>	<b>2.7</b>	<b>23.9</b>	<b>53.8</b>	<b>77.2</b>	<b>124.1</b>
% of EBITDA	-8.3%	94.1%	195.4%	82.9%	84.0%	92.5%
Net Capex	-0.4	-0.3	-5.0	-6.0	0.0	0.0
% of revenues	15.4%	0.7%	3.1%	2.5%	0.0%	0.0%
Other Investment Cash Flow items	-1.6	-4.4	-25.1	-25.1	-24.9	-24.7
<b>Cash Flow after Investments</b>	<b>-2.0</b>	<b>-4.7</b>	<b>-30.1</b>	<b>-31.1</b>	<b>-24.9</b>	<b>-24.7</b>

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<b>Free Cash Flow</b>	<b>-0.1</b>	<b>2.4</b>	<b>18.9</b>	<b>47.8</b>	<b>77.2</b>	<b>124.1</b>
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<b>Growth &amp; Margins</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Sales Growth		1567.6%	279.7%	50.6%	24.6%	19.0%
EBITDA Margin	-162.1%	6.8%	7.6%	26.9%	30.6%	37.5%
EBIT Margin	46.2%	23.8%	23.8%	25.9%	29.8%	36.8%
Net Profit Margin	108.3%	-31.0%	19.0%	19.3%	22.2%	27.5%

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<b>Leverage Ratios</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net Debt	-3	-27	-131	-179	-256	-380
Net Debt/ Equity	-0.1	-0.3	-0.7			
Net Debt/ EBITDA	NA	NA	NA	NA	NA	NA

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- Now let us move on to Baptista Research's forecasts for Nisun International's income statement and cash flows.
- We forecast a top-line growth of 50.6% for 2022, around 24.6% for 2023, and about 19.0% for 2024.
- This growth is expected to translate into an EBITDA of \$64.9 million in 2022 with a margin of 26.90%
- Nisun International's EBIT margin is expected to be 25.95% in 2022, about 29.76% in 2023, and 36.80% in 2024.
- Our estimate for the company's Net Income (GAAP) is \$46.58325 million implying a net margin of 19.31% and resulting in an earnings per share of \$1.17.
- We expect the growth to follow a similar trend in 2023 and 2024.
- In terms of the cash flows, we expect Nisun International to generate around \$53.8021 million in operating cash flows in 2022.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 82.90%
- Nisun International is expected to invest a lower amount in capex and other investing activities in 2022.
- Overall, the company is expected to generate free cash flows to the tune of \$47.8021 million in 2022.
- Nisun International's Net Debt is expected to decrease in 2022 and is expected to follow a similar trend over the coming years.
- The Net Debt-to-EBITDA ratio is a measure of leverage, calculated as a company's interest-bearing liabilities minus cash or cash equivalents, divided by its EBITDA. It shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.
- Nisun International's Net Debt-to-EBITDA ratio is expected to be NA in 2022 which indicates that the company is over-leveraged.
- Net-Debt-to-Equity ratio, also known as the gearing ratio shows how encumbered a company is with its debt.
- The company's Net Debt-to-Equity ratio for 2021 is -0.71 and it indicates that the company has no gearing.

**DISCOUNTED CASH FLOW (DCF) VALUATION****Key DCF Assumptions**

WACC	56.2%
CoD	25.0%
CoE	9.2%
Market Rate	6.0%
Risk Free Rate	1.6%
Beta	1.27
Perpetual Growth Rate (g)	-4.3%
Terminal Value	205
Tax Rate	22.0%

- For the purpose of carrying out the discounted cash flow valuation of Nisun International, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years.
- The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.60%.
- The company's stock is more volatile than the market as a whole and has a beta of 1.3 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 9.2% which appears reasonable for a company like Nisun International.
- Based on the company's long term debt and interest payments, the cost of debt is 25.0%.
- After incorporating the CoE and the CoD and average tax rate of 22.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 56.2%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 1.8 to our forecasted revenues of 2024.

<b>EV and Market Cap</b>	<b>Current</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
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Price (\$)	2.2	9.1	18.8	26.1
Outstanding Number of shares (million)	40	40	40	40
Total Market Cap (billion)	0.09	0.36	0.75	1.04
Net Debt	-131	-179	-256	-380
Enterprise Value (billion)	-0.04	0.18	0.49	0.66

- After applying the discount rate (WACC) of 56.2%, we arrive at a price target of \$9.1 for 2022.
- Our target price at the end of 2023 is \$18.8 and for 2024 is \$26.1 which implies a total appreciation of nearly 1092.3% in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA to be in the range of 2.84 and 5.36
- The EV/ EBIT will be in the range of 2.95 to 5.50 over the coming 3 years.

Valuation Ratios	Current	2022E	2023E	2024E
EV/ Sales	-0.3	0.8	1.6	1.8
EV/ EBITDA	NA	2.8	5.4	4.9
EV/ EBIT	NA	2.9	5.5	5.0
Price/Earnings	2.9	7.8	11.2	10.6

## KEY RISKS

- It is important to highlight the key risks associated with an investment in Nisun International as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- To accommodate growth and compete effectively, the Nisun management will need working capital to maintain adequate inventory levels, develop additional procedures and controls and increase, train, motivate and manage its work force. There is a possibility that Nisun International's management may struggle to successfully implement and execute their business tactics, operating strategies and growth initiatives.
- If the management fails to accomplish their growth and organizational modification effectively, it may destroy their business and operational results.
- As it operates in China, Nisun International does rely on support from the Government to continue scaling. It also has a dependence on third parties to grow and scale the company. Therefore, any change in pledged relationships may badly affect them and subject them to liability.
- The future of Nisun's business will depend upon its ability to obtain and retain customers and when needed, obtain sufficient financing and support from creditors, while it continues to strive to achieve and maintain profitable operations. Moreover, the growth and success of Nisun International's business depend on its ability to develop new services and enhance existing services in order to keep pace with rapid changes in technology.
- There is a possibility that the company may not be successful in anticipating or responding to these developments in a timely manner and the failure to adapt to these services and technologies may result in the growth of the company being hampered.
- One of the most significant risks that the company is currently facing is the ongoing global impact of Covid-19 as well as the geopolitical situation between Russia and Ukraine which could have a material impact on Nisun International' research and operations. A negative news associated with the trade ties between U.S. and China could also affect the company.
- There could be a possible dilution and loss of value of their equity shares because the company might require an infusion of funds through equity issuances for funding their losses until they break even.
- If the management fails to raise additional capital, they may need to reduce, defer, curtail or cease their operations, including the product design, development, and marketing.
- Nisun International's ability to continue as a going concern might be contingent upon the ability to raise additional capital through the sale of securities and incurrence of debt. Additionally, the future capital requirements of the company depend on many factors including the rate of revenue growth, selling price of the platform subscription and research and development efforts which raise substantial doubt about the company's ability to continue as a going concern.
- It is worth highlighting that the extent to which Covid-19 impacts the financial results of the company is highly uncertain and could significantly disrupt the operations including sales, manufacturing and supply chain-related activities. It could also result in social, economic, and labor instability in the countries where the customers and suppliers operate.

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- With respect to our price projection, we would like to clarify that the valuation of Nisun International in this report is specific to the date of the analysis i.e. 02-06-2022.
- Another one of the biggest risks to Nisun International' model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of Nisun International in this report is specific to the date of the analysis i.e. 02<sup>nd</sup> June 2022.
- We must emphasize that the projected valuation and the share price of Nisun International are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

## ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

## ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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