

INITIATING COVERAGE

Equity | Investment Co/ Miscellaneous

DSS Inc.
(NYSEAM:DSS; Target Price: \$1.9)

Holding companies are often good investment opportunities because they have a diverse portfolio of assets, including subsidiaries and other investments, that the market may undervalue at times. Such companies often trade at a lower valuation multiple than the sum of their parts, providing an opportunity for savvy investors to buy in at a discount. Furthermore, such investments allow investors to gain exposure to multiple sectors through a single investment, and at a low valuation. This is one of the reasons why stocks like Berkshire Hathaway are so popular with investors. However, there are few such small-cap stocks that invest in emerging companies and provide investors with significant upside. DSS Inc. is one such hidden gem in this domain that we recently discovered. The company's portfolio consists of a variety of businesses in industries such as healthcare, packaging, and financial services, and it appears to be reasonably valued for small-cap investors. In this report, we intend to conduct a thorough due diligence on DSS Inc.'s holdings and assess its suitability as an investment opportunity for small-cap investors.

INVESTMENT THESIS

This is our first report on DSS Inc and we look to provide a detailed account of the various assets owned by the company and the drivers that will be responsible for the company's growth in the coming years. The price of DSS's stock has fluctuated, but it is currently valued at a low \$0.25. The management presentation reports a sum-of-the-parts valuation that is almost 5 to 6 times this value, which places the company's market capitalization at around \$36 million. Investors will benefit greatly from this as there is a great deal of value that can be unlocked once the company's subsidiaries begin to list, which will cause the market to begin fully appreciating the value of the company's assets. The business is also led by a highly skilled management team that is selecting wise investments. Overall, we believe that DSS offers small cap investors a rather special investment opportunity today while also exposing them to a variety of industries and fast-growing companies. Baptista Research looks to evaluate the different factors that could influence DSS Inc's 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

DSS, Inc. operates globally in product packaging, biotechnology, direct, commercial lending, securities and investment management, alternative trading, digital transformation, secure living, and alternative energy. It sells nutritional and personal care products and makes custom folding cartons, mailers, photo sleeves, and 3-dimensional direct mail solutions. It also acquires equity positions in undervalued commercial banks, bank holding companies, and nonbanking licenced financial companies; and companies engaged in nonbanking activities related to banking, such as loan syndication, mortgage banking, trust and escrow services, banking technology, loan servicing, equipment leasing, problem asset management, special purpose acquisition company consulting, and advisory capital raising services. It also develops and/or acquires securities trading and funds management assets and investments, operates as a digital assets broker dealer, and provides solar farms, solar battery banks, and residential energy creation and storage services. DSS, Inc. was founded in 1984 and is headquartered in West Henrietta, New York.

Key Report Highlights

Industry View:	Attractive
Stock Rating:	Buy
Price Target:	\$1.9
Current Price:	\$0.25
52-Week-Range:	\$0.16 - \$0.75

Annual Income Statement	2022E	2023E	2024E
Revenues	47.99	62.57	100.00
Cost of Goods Sold	-34.04	-44.36	-70.87
Gross Income (excl. D&A)	13.95	18.21	29.13
EBITDA	-43.30	-23.79	8.81
EBIT (incl. extraordinary exp)	-43.30	-23.79	8.81
Net Income	-43.72	-21.60	7.00
Cash from Operations	-13.38	-9.89	5.24
Free Cash Flows	-13.38	-9.89	5.24

Growth & Margins	2022E	2023E	2024E
Sales Growth	136.6%	30.4%	59.8%
EBITDA Margin	-90.2%	-38.0%	8.8%
EBIT Margin	-90.2%	-38.0%	8.8%
Net Profit Margin	-91.1%	-34.5%	7.0%

Valuation Ratios	Current	2023E	2024E
EV/ Sales	5.8	6.9	5.6
EV/ EBITDA	NA	NA	63.7
EV/ EBIT	NA	-10.0	-23.6
Price/Earnings	NA	NA	77.7

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

1.	STRONG EXPOSURE TO FINANCIAL SERVICES
2.	PREMIER PACKAGING – THE MAJOR REVENUE EARNER
3.	AMERICAN MEDICAL REIT – POTENTIAL IPO CANDIDATE
4.	EXPOSURE TO BIOTECHNOLOGY THROUGH IMPACT BIOMEDICAL
5.	DSS PUREAIR & SHARING SERVICES
6.	EXPERIENCED MANAGEMENT TEAM

Strong Exposure To Financial Services

- DSS has a significant exposure to the financial services sector, with American Pacific Bancorp (APB) being its primary asset in the line of commercial lending.
- This company offers a variety of business financial services, such as commercial business lines of credit, land development financing, and inventory financing.
- APB intends to continue developing and expanding its lending platform in order to serve small to mid-sized commercial borrowers, as well as to acquire equity positions in US commercial banks.
- Manufacturers, wholesalers, retailers, and service companies with annual revenues ranging from \$5 million to \$50 million are among APB's target customers. APB specialises in several industries, including beverage, food and agribusiness, and technology.
- APB also invests in companies engaged in nonbanking activities that are closely related to banking. APB offers a comprehensive range of financial services to businesses, including commercial business lines of credit, land development financing, inventory financing, third-party loan servicing, and services to meet the financial needs of the gig economy.

Banking & Finance

AmericanPacific Bancorp

Loan Portfolio
Approx. **\$43 Million**



Source: Company Presentation

- DSS Securities, Inc. is another financial services investment of DSS Inc., and it operates a family of businesses in several cities across the United States, including Houston, Chicago, Sacramento, Los Angeles, and New York.
- DSS Financial Management Inc. has established Liquid Value Asset Management Limited (LVAM), a Hong Kong-based fund management company, as a prime vehicle for private and institutional investors seeking a highly liquid investment fund with extremely attractive risk-adjusted returns relative to market volatility and unpredictability.
- DSS Securities has also invested strategically in three broker dealers: WestPark Capital, BMCI, and Sentinel Brokers. It has also been designated as the RIA for the DSS AmericaFirst Quantitative Funds (DSS AmericaFirst) family.

DSS SECURITIES ASSET MANAGEMENT

Over **\$1.7 Billion** Assets Under Management

FUND MANAGEMENT



Listed in HKSE: 8657



BROKER DEALER



MARKET MAKING



Source: Company Presentation

- DSS Securities established an Alternative Trading division to develop and/or acquire assets and investments in the securities trading and/or funds management arenas.
- Alternative Trading intends to own and operate one or more vertical digital asset exchanges for securities, tokenized assets, utility tokens, and cryptocurrency in the United States through an alternative trading platform based on blockchain technology.
- USX Holdings Company, Inc., a joint venture between the GSX Group, Coinstreet Partners, and DSS, Inc., is the current headquarters of the Alternative Trading division.
- This division also has an Energy-related subdivision, which was formed to help lead the company's future in the clean energy business, with a focus on environmentally responsible and sustainable measures.
- The holding company for this group, Alset Energy, Inc., and its wholly owned subsidiary, Alset Solar, Inc., pursue utility-scale solar farms to serve US regional power grids and to provide underutilised properties with small microgrids for independent energy.
- Alset Energy identifies alternative energy opportunities for investment and development in addition to solar farms, solar battery banks, and residential energy creation and storage. With cash flows coming in after a potential IPO in the coming years, the Alternative Trading division has a huge potential upside.
- The company also has a Digital Transformation division that was formed to serve as a Preferred Technology Partner and Application Development Solution for mid-cap brands in a variety of industries, including direct selling and affiliate marketing.
- Data is used to determine the most effective technological tools, such as cognitive systems, predictive analytics, cloud-based applications, and online collaborative platforms, in order to build custom applications that automate and improve the day-to-day needs of the service industries.
- The company's current headquarters are in Hong Kong. Its Secure Living division specialises in the creation of fully sustainable, secure, connected, and healthy living communities, with homes that incorporate advanced technology, energy efficiency, and quality of life living environments for both new construction and renovations of single and multi-family residential housing.
- Secure Living is currently collaborating with a number of land development partners across the United States to create entire fully sustainable, healthy living single-family subdivisions..

Premier Packaging – The Major Revenue Earner

State-of-the-Art Facility and Equipment

Completed in 2022



Source: Company Presentation

- Premier Packaging is one of the key assets and revenue contributors of DSS, offering custom packaging to clients in a variety of industries such as pharmaceuticals, beverages, and direct marketing.
- Premier also provides active and intelligent packaging, as well as document security printing, and produces a wide range of printed materials.
- The division is nearing the end of its facility expansion and has been a market leader in providing paperboard packaging solutions for over 25 years.
- DSS has invested in cutting-edge manufacturing equipment, people, and processes to boost Premier's capacity, improve quality and delivery, and ensure the company has the resources to support its growing customer base.
- With the increased capacity, it should become one of the most important contributors to the company's bottom line.

American Medical REIT – Potential IPO Candidate

- DSS Securities also includes a real estate investment trust (REIT), which is structured to acquire hospitals and other acute or post-acute care facilities and lease each property to a single operator under a triple-net lease.

- This company is called American Medical REIT Inc. (AMRE). It recently acquired three hospitals currently operated by LifeCare Hospitals in Fort Worth, Texas, Plano, Texas, and Pittsburgh, Pennsylvania.
- The Hospitals were purchased for a total consideration of \$62 million. This acquisition is part of DSS's strategic growth plans, which include expanding AMRE and spinning it off in an IPO at the right time.
- AMRE's first four medical facilities, acquired in 2021, totaled approximately 360,000 square feet of healthcare assets in the United States, valued at more than \$74 million.
- The division is generating average yields of around 8%, and they have a massive pipeline of future opportunities to grow AMRE.
- Despite the pandemic's impact on other commercial real estate sectors, medical real estate has shown remarkable resilience and demand. DSS has laid a solid foundation for future opportunities to expand AMRE with this acquisition.
- Overall, DSS intends to continue executing its strategic growth plans for AMRE, which will eventually lead to an IPO. They will be able to share their success with their shareholders as a result of this move.

Exposure To Biotechnology Through Impact Biomedical

Impact Biomedical



MOSQUITO TECHNOLOGY

Functional Fragrance Formulation ("3F")

A suite of functional fragrances developed for industrial and medical applications



PANDEMIC RESEARCH

Equivir

A patented OTC medication with broad antiviral activity.



LINEBACKER PLATFORM

LineBacker

Broad-spectrum universal therapeutic platform



ALTERNATIVE SUGAR

Laetose

Natural functional sugar



NEW CLASS OF MEDICINAL CHEMISTRY

Quantum

A new frontier in pharmaceutical development



ADVANCED PLASTICS

BioPlastics

Advanced plastics that break down into bio-digestible fragments



BIODEFENSE APPLICATION

Nanoparticle Applications

Prevention and mitigation of life-threatening pandemics



THERAPEUTIC MEDICAL FOODS

Medical Food

Treatment and management of Neurological Disorders, Diabetes, Metabolic Syndrome, Bacterial and Viral Infection

Source: Company Presentation

- Through its subsidiary, Impact BioMedical, Inc., DSS also has a strong presence in the biotechnology sector. Impact is dedicated to advancing medical research, development, and commercialization of solutions for human wellness and healthcare.
- Impact Bio advances drug discovery for the prevention, inhibition, and treatment of neurological, oncology, and immuno-related diseases by leveraging technology and new science with strategic partnerships.
- It also has ground-breaking alternative sugar and functional fragrance formulations aimed at the industrial and medical markets. The company is developing and/or licencing a number of important and valuable products, technologies, or compounds.
- As we can see above, Impact BioMedical is developing or licencing a number of valuable products, technologies, and compounds.
- LineBacker is a therapeutic platform for a variety of diseases, Equivir/Nemovir is a polyphenol compound with antiviral properties, Procombin is a natural preservative, VanXin is a food preservative booster, Bioplastics reduce plastic accumulation and provide antimicrobial protection, Laetose is a sugar alternative that may help with diabetes, and 3F is a botanical compound with insect repellent and antimicrobial properties.
- Quantum, a new class of medicinal chemistry that can improve the efficacy of natural compounds and existing drugs, CRST 1, an advanced adjuvant for next-generation vaccines, Keto Sweet, a sugar that prevents muscular atrophy, Solarin, an oral capsule that protects human skin from sun damage, Therapix (licence), a licence for cannabinoid technology for neurological pain and sleep apnea disorders, and Bio Med (licence), a probiotic gut health probiotic.
- BioHealth and Impact BioMedical's business models include two methodologies: licencing and sales distribution. Impact creates valuable and one-of-a-kind patented technologies that are licenced to pharmaceutical, consumer goods, and venture capital firms in exchange for usage licencing and royalties.
- They also use the DSS ecosystem to leverage its sister companies, which have global distribution networks. Impact's nutraceutical and health-related products will have direct access to end users through this global distribution model.

DSS PureAir & Sharing Services

- DSS PureAir Inc is the company's subsidiary that focuses on the commercial and residential air purification markets. Puradigm LLC, a manufacturer of proactive air and surface purification solutions, received a significant investment from DSS prior to its launch.
- The purification products from Puradigm actively and safely purify both air and surfaces in any room, including homes, offices, schools, restaurants, gyms, hospitals, assisted living facilities, food processing facilities, and more. This is also a highly scalable business.
- Puradigm's technology has been shown to be effective against a wide range of pathogens, including SARS-CoV-2, H1N1, E. coli, MRSA, Listeria, Clostridium difficile, and Staphylococcus aureus.

- The technology is adaptable to any size indoor space and includes free-standing, wall-mounted, HVAC, and personal protection devices. Puradigm is the market's most validated purifier.
- DSS PureAir's focus on air purification, as well as its investment in Puradigm, reflect the company's desire to enter new markets and diversify its revenue streams.
- Apart from air purification, DSS has taken a significant exposure to sharing services as well.
- HWH World, Inc., one of DSS's wholly-owned subsidiaries, promotes health, wealth, and happiness through its HWH Marketplace, which includes herbal nutraceutical alternatives, consumables and topicals, dietary supplements, beauty and skin care products, personal care, gut health products, aloe vera-based supplements, and other wellness products.
- In addition, the company is developing educational tools and savings programmes to assist users in managing their finances and establishing personal financial goals.
- HWH World is also collaborating with partners to acquire or partner in healthy living products and services, such as a global travel membership network. Service Exchange Global Corporation, a subsidiary of Decentralized, markets and distributes health and wellness products primarily in the United States and Canada under the "Elevate" brand.
- The company sells its goods and services via its independent contractor distribution system and its own website, www.elevacity.com. Elevacity's signature products include "Happy Coffees" and "Nootropic Beverages," as well as a "healthy shake," "Keto Coffee Booster," "Energy Caps," "XanthoMax Happy Caps," "Wellness Vitamin Patches," and other beauty and skin care products. Sharing Services' Elevacity division debuted its new business brand, "The Happy Co.," in February 2021.
- Sharing Services overall is expected to contribute significantly to DSS's revenue.

Experienced Management Team

DSS Leadership

DSS Leadership

Our leadership team consists of global business professionals with immense expertise and diversified talent.

With experience that spans the breadth of our business lines and investment sectors, our leadership team has a successful track record of empowering their teams to achieve maximum success and shareholder value.



Heng Fai Ambrose Chan

Executive Chairman

Area of expertise: Financial Restructuring, Corporate Transformation



Frank D. Heuszel

Chief Executive Officer

Area of expertise: Asset Management, Financial Engineering and Legal



Tung Moe Chan

Executive Director

Area of expertise: Property Development and Management, Global Business Operations



Jason T. Grady

Chief Operating Officer, President of Premier Packaging Corporation

Area of expertise: Operations, Sales Management, Investor Relations.



Todd D. Macko

Chief Financial Officer

Area of expertise: Capital Budgeting and Competitive Analysis.

Source: Company Presentation

- DSS is led by Frank D. Heuszel, who has served on DSS's Board of Directors since July 2018 and has been the company's Chief Executive Officer (CEO) since April 2019.
- Mr. Heuszel had over 35 years of senior executive experience with major US and international banking organisations prior to joining DSS.
- He also ran a successful law practise focused on bank regulation and operation, bank litigation management, corporate restructures, and mergers and acquisitions.
- DSS's Chief Operating Officer (COO) is Jason Grady, who joined the company in August 2019. Prior to that, he was President of Premier Packaging Corporation, a multi-division folding carton and consumer packaging company and wholly owned subsidiary of DSS, where he had worked for eight years as Vice President of Sales.
- Mr. Grady has successfully led key initiatives for operational advancements, mergers and acquisitions, international sales growth, and the development of strategic sales management and corporate marketing strategies during his tenure.
- Mr. Grady held senior management positions in marketing and business development prior to joining DSS.
- Todd D. Macko is DSS's Chief Financial Officer (CFO), having been appointed in August 2021. He previously served as DSS's Interim CFO and Vice President of Finance, where he assisted the CEO with all aspects of financial and regulatory reporting, as well as day-to-day management of the company's Accounting and Finance team.

- Mr. Macko is a CPA with over 25 years of public and corporate financial management, business leadership, and corporate strategy experience. Prior to joining DSS, he held several senior management positions as Controller for various companies.
- Last but not least, Heng Fai Ambrose Chan, who has served as Chairman of the Board since March 2019, is a seasoned global business executive with over 40 years of experience and a proven track record of success in investment, mergers and acquisitions, corporate finance, and strategic business development. In addition, he serves as the Chairman of Radiant Venture Capital, a venture capital firm.
- Overall, it is safe to say that DSS is in the hands of industry veterans with extensive experience..

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

Particulars	12/31/21	3/31/22	6/30/22	9/30/22
Revenues	7	12	12	12
<i>% growth</i>		74.2%	-4.3%	0.8%
Cost of Goods Sold	-5	-5	-8	-11
<i>% of revenue</i>	-69.1%	-44.2%	-65.2%	-95.9%
Gross Income (excl. D&A)	2	7	4	0
<i>% of revenue</i>	30.9%	55.8%	34.8%	4.1%
EBITDA	-5	-3	-8	-11
<i>% of revenue</i>	-74.9%	-28.3%	-68.1%	-94.9%
Depreciation & Amortization	2	3	3	3
<i>% of Fixed Assets</i>	2.0%	3.0%	2.7%	2.4%
Extraordinary Expenses	0	0	0	0
EBIT (incl. extraordinary exp)	-8	-7	-11	-14
<i>% of revenue</i>	-106.8%	-54.8%	-95.0%	-119.6%
Pretax Income	-14	-9	-5	-29
<i>% of revenue</i>	-204.2%	-72.8%	-46.0%	-243.8%
Income Tax	0	-1	-1	-9
<i>% rate</i>	2.1%	10.1%	14.0%	30.1%
Net Income	-14	-8	-5	-20
<i>% of revenue</i>	-200.0%	-65.4%	-39.5%	-170.4%

Particulars	12/31/21	3/31/22	6/30/22	9/30/22
Cash from Operations	6	-6	-8	-9
<i>% of revenue</i>	91.2%	-49.3%	-66.9%	-78.4%
Cash from Investing	72	5	1	11
<i>% of Fixed Assets</i>	-63.3%	-4.9%	-0.9%	-9.5%
Free Cash Flows	-65	-11	-9	-21
<i>% of revenue</i>	-925.6%	-92.9%	-75.9%	-174.5%

- Let us start off with analyzing the most recent and historical quarterly data reported by the company.
- DSS has reported a top-line of \$11.86 million in its recent quarterly result which is a 0.76% appreciation over the previous quarter.
- The company reported a positive gross margin of 4.13% for the quarter ended 9/30/22.
- Its EBITDA for the quarter was \$-11.26 million and the EBITDA margin was -94.94%.
- This was a -26.80% margin contraction at the EBITDA level which is definitely a negative outcome.
- DSS's operating income (EBIT) was reported at \$-14.18 million and a margin of -119.56%. This EBIT margin dropped by 24.57% in this quarter. The company's pre-tax margin for the quarter was -243.76%.
- DSS reported a net income of \$-20.21 million which resulted in a diluted earnings per share (EPS) of \$-0.15. The company's net margin was -170.40%.
- Now let us move on to the cash flow generation in the recent quarter.
- DSS burnt \$-9.3 million in terms of operating cash flows for the quarter ended 9/30/22.
- The company was able to convert about -78.41% of its revenues into operating cash flows in the recent quarter.
- This quarter's EBITDA-to-operating cash flow conversion ratio is 82.59%
- Overall, DSS delivered a negative free cash flow of \$20.7 million for the past quarter.

Balance Sheet	12/31/21	3/31/22	6/30/22	9/30/22
Assets				
Net Intangible Fixed Assets	95	93	90	95
Net Tangible Fixed Assets	18	17	27	25
Total Fixed Assets	113	110	117	120
<i>% of revenue</i>	<i>1606.4%</i>	<i>896.8%</i>	<i>995.7%</i>	<i>1009.8%</i>

LT Investments	26	30	34	38
Inventories	8	10	9	9
<i>% of revenue</i>	117.0%	79.5%	77.6%	73.0%
Accounts Receivable	12	13	20	21
<i>% of revenue</i>	169.7%	104.4%	166.3%	179.3%
Cash and ST Investments	57	54	44	23
<i>% of revenue</i>	801.7%	437.5%	373.4%	192.7%
Other Current Assets	3	2	2	3
Total Current Assets	80	78	75	56
Other Assets	63	63	57	52
Total Assets	283	282	283	265

Liabilities & Shareholder's Equity

Equity & Minorities	198	194	192	183
<i>% of capital employed</i>	77.8%	76.1%	86.6%	75.7%
LT Debt	56	59	20	50
Other LT Liabilities	1	2	10	9
Total LT Liabilities	57	61	30	59

<i>% of capital employed</i>	22.2%	23.9%	13.4%	24.3%
ST Debt	0	0	0	0
<i>% of capital employed</i>	0.0%	0.0%	0.0%	0.0%
Accounts Payable	2	2	2	4
<i>% of COGS</i>	27.2%	19.9%	17.9%	34.1%
Other ST Liabilities	26	24	60	20
<i>% of revenue</i>	366.7%	197.5%	506.4%	164.6%
Total Current Liabilities	28	27	62	24
Total Liabilities	85	88	91	82
Total Liabilities & Shareholder's Equity	283	282	283	265

- When we look at the quarterly Balance Sheet of the company, we see that the Fixed Asset base has evolved from \$117.19 million to \$119.76 million over the last 2 quarters.
- The current level of fixed assets, including tangibles & intangibles, is around 1009.78% of the company's quarterly turnover.
- The company's receivables were around 179.26% of the quarterly top-line.
- As a result of the negative free cash flows, the company had a final cash and short-term investment balance of \$22.85 million.
- When we analyze the capital structure of DSS, we realize that the company relies more on equity to finance its operations.
- The company's equity accounts for 75.69% of its total capital employed whereas debt (both long-term and short-term) accounts for about 24.31% of the total capital.
- DSS's payables account for 34.15% of its cost of goods sold.
- The following chart demonstrates the evolution of the company's working capital elements and its current ratio over the past 4 quarters.

Particulars	2018	2019	2020	2021
Revenues	19	16	15	20
<i>% growth</i>		-16.0%	-1.2%	31.9%
Cost of Goods Sold	-12	-10	-11	-14
<i>% of revenue</i>	-64.0%	-66.5%	-71.6%	-71.0%
Gross Income (excl. D&A)	7	5	4	6
<i>% of revenue</i>	36.0%	33.5%	28.4%	29.0%
EBITDA	0	-1	-10	-19
<i>% of revenue</i>	-2.3%	-9.5%	-67.4%	-94.7%
Depreciation & Amortization	1	1	1	4
<i>% of Fixed Assets</i>	15.3%	14.6%	2.0%	3.8%

Extraordinary Expenses	0	0	0	0
EBIT (incl. extraordinary exp)	-2	-3	-11	-24
<i>% of revenue</i>	-9.2%	-16.8%	-74.4%	-116.0%
Pretax Income	1	-3	0	-40
<i>% of revenue</i>	8.0%	-17.5%	1.9%	-198.2%
Income Tax	0	0	-2	-7
<i>% rate</i>	1.4%	-6.3%	-555.2%	17.6%
Net Income	1	-3	2	-33
<i>% of revenue</i>	7.9%	-18.6%	12.4%	-163.3%

- When we analyze the company's annualized historical income statement, we see that the top-line was \$20.28 million for the previous financial year ending in 2021.
- The revenue growth was 31.95% in 2021 as compared to around -1.16% in 2020.
- DSS's cost of goods sold has increased from -71.63% to -70.96% as a percentage of the top-line resulting in a drop in the gross margins.
- The company's overall annual EBITDA margin of -94.72% 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, DSS reported an operating income (EBIT) of \$-23.53 million and a net income of \$-33.12 million resulting in an EPS of \$-0.6.
- The slightly worrying news for investors holding the stock is that its net margin had decreased from 12.36% in 2020 to -163.31% in 2021.

Particulars	2018	2019	2020	2021
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Assets

Net Intangible Fixed Assets	3	3	50	95
Net Tangible Fixed Assets	5	4	4	18
Total Fixed Assets	8	8	55	113
<i>% of revenue</i>	<i>45.0%</i>	<i>50.5%</i>	<i>355.2%</i>	<i>559.2%</i>
LT Investments	0	2	23	26
Inventories	2	1	2	8
<i>% of revenue</i>	<i>8.4%</i>	<i>8.8%</i>	<i>12.8%</i>	<i>40.7%</i>
Accounts Receivable	2	4	4	12
<i>% of revenue</i>	<i>12.0%</i>	<i>27.4%</i>	<i>23.4%</i>	<i>59.1%</i>
Cash and ST Investments	2	1	5	57
<i>% of revenue</i>	<i>13.2%</i>	<i>7.1%</i>	<i>33.7%</i>	<i>279.1%</i>
Other Current Assets	0	1	2	3
Total Current Assets	7	7	12	80
Other Assets	0	3	1	63
Total Assets	15	20	92	283
Liabilities & Shareholder's Equity				
Equity & Minorities	8	12	77	198

LT Debt	2	2	2	56
Other LT Liabilities	1	1	5	1
Total LT Liabilities	2	4	7	57
ST Debt	0	1	0	0
Accounts Payable	1	1	1	2
<i>% of COGS</i>	<i>7.3%</i>	<i>9.6%</i>	<i>9.5%</i>	<i>9.5%</i>
Other ST Liabilities	4	2	7	26
Total Current Liabilities	5	4	9	28
Total Liabilities	8	8	15	85
Total Liabilities & Shareholder's Equity	15	20	92	283

- 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 355.24% to 559.22%
- Its receivables of \$11.98 million are about 59.07% of the top-line.
- DSS has close to \$56.6 million in terms of liquidity i.e. cash and short term investments.
- On the other hand, its payables for 2021 account for around 9.47% of the cost of goods sold.
- The company's long term debt is around 0.3x times its equity.

Other Metrics	2018	2019	2020	2021
Total Cash Dividends Paid	0.00	0.00	0.00	0.00
<i>% growth</i>		NA	NA	NA
Total Common Shares Outstanding	1	2	28	84
<i>% change</i>		256.9%	1236.7%	202.6%
Dividend Per Share	0.00	0.00	0.00	0.00
<i>% change</i>		NA	NA	NA

Operating Ratios	2018	2019	2020	2021
Receivables Turnover	8.3	3.7	4.3	1.7
Days Receivable	43.8	100.0	85.3	215.6
Inventory Turnover	-7.6	-7.5	-5.6	-1.7
Inventory Days	-48.1	-48.4	-65.0	-209.5
Payables Turnover	-8.8	-6.9	-7.5	-7.5

Days Payable	-41.6	-52.6	-48.4	-48.7
Fixed Asset Turnover	2.2	2.0	0.3	0.2
Total Asset Turnover	1.2	0.8	0.2	0.1

Other Performance Ratios	2018	2019	2020	2021
Return on Assets	9.6%	-14.3%	2.1%	-11.7%
Return on Equity	19.3%	-23.5%	2.5%	-16.7%

- The company does not pay any dividend.
- DSS's total common shares outstanding have increased in 2021 by 202.60% 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 215.6 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, DSS holds an average inventory of -209.5 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 -48.7 days to pay off its creditors which appears to be on the lower side and implies that it gets limited credit.
- 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.
- DSS's fixed assets turnover ratio of 0.2 has decreased in 2021 indicating that the company is generating lower 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.
- DSS's total assets turnover has decreased to 0.07 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 -11.72%.

- DSS's Return on Equity is -16.71%. The company's Return on Equity is lower than its Return on Assets and this is because it does not resort to using significant capital gearing.

Particulars	2020	2021	2022E	2023E	2024E
Revenues	15	20	48	63	100
<i>% growth</i>		31.9%	136.6%	30.4%	59.8%
Cost of Goods Sold	-11	-14	-34	-44	-71
<i>% of revenue</i>	-71.6%	-71.0%	-70.9%	-70.9%	-70.9%
Gross Income (excl. D&A)	4	6	14	18	29
<i>% of revenue</i>	28.4%	29.0%	29.1%	29.1%	29.1%
EBITDA	-10	-19	-43	-24	9
<i>% of revenue</i>	-67.4%	-94.7%	-90.2%	-38.0%	8.8%
Depreciation & Amortization	1	4	0	0	0
EBIT	-11	-24	-43	-24	9
<i>% of revenue</i>	-74.4%	-116.0%	-90.2%	-38.0%	9.0%
EBT (GAAP)	0	-40	-51	-25	8
<i>% of revenue</i>	1.9%	-198.2%	-105.8%	-39.8%	8.0%
Net Income (GAAP)	2	-33	-44	-22	7
<i>% of revenue</i>	12.4%	-163.3%	-91.1%	-34.5%	7.0%
Earnings Per Share (GAAP)	0.32	-0.60	-0.39	-0.16	0.00

Forecasted Cash Flow Statement (USD Million)

Particulars	2020	2021	2022E	2023E	2024E
Net Income (GAAP)	2	-33	-44	-22	7
+ Depreciation & Amortization	1	4	0	0	0
+/- Working Capital, Deferred Taxes & Other Adjustments	-9	23	30	12	-2
Cash Flow from Operations	-6	-6	-13	-10	5
<i>% of EBITDA</i>	<i>56.9%</i>	<i>30.2%</i>	<i>30.9%</i>	<i>41.6%</i>	<i>59.5%</i>
Capital Expenditure	0	-14	0	0	0
<i>% of revenues</i>	<i>2.1%</i>	<i>70.4%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Other Investment Cash Flow items	11	136	0	0	0
Cash Flow after Investments	11	122	0	0	0
Free Cash Flow	-6	-20	-13	-10	5

Key Ratios

Growth & Margins	2020	2021	2022E	2023E	2024E
Sales Growth	-1.2%	31.9%	136.6%	30.4%	59.8%
EBITDA Margin	-67.4%	-94.7%	-90.2%	-38.0%	8.8%

EBIT Margin	-74.4%	-116.0%	-90.2%	-38.0%	9.0%
Net Profit Margin	12.4%	-163.3%	-91.1%	-34.5%	7.0%

Leverage Ratios	2020	2021	2022E	2023E	2024E
Net Debt	-3	-1	44	0	0
Net Debt/ Equity	0.0	0.0			
Net Debt/ EBITDA	NA	NA	-1.0	NA	NA

Now let us move on to Baptista Research's forecasts for DSS's income statement and cash flows.

- We forecast a top-line growth of 136.6% for 2022, around 30.4% for 2023, and about 30.4% for 2024.
- This growth is expected to translate into an EBITDA of \$-43.298658 million in 2022 with a margin of -90.23%.
- DSS's EBIT margin is expected to be -90.23% in 2022, about -38.02% in 2023, and -38.02% in 2024.
- Our estimate for the company's Net Income (GAAP) is \$-43.718742 million implying a net margin of -91.10% and resulting in an earnings per share of \$-0.39.
- We expect the growth to follow a similar trend in 2023 and 2024.
- In terms of the cash flows, we expect DSS to generate around \$-13.379285322 million in operating cash flows in 2022.
- This implies an EBITDA-to-Operating-Cash-Flow conversion ratio of 30.90%
- DSS 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 \$-13.37 million in 2022.
- DSS's Net Debt is expected to increase 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.
- DSS's Net Debt-to-EBITDA ratio is expected to be -0.29 in 2022 which indicates that the company is not 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 0.00 and it indicates that the company has no gearing.

DISCOUNTED CASH FLOW VALUATION

Key DCF Assumptions

WACC	12.3%
CoD	3.5%
CoE	12.1%
Market Rate	6.0%
Risk Free Rate	3.5%
Beta	1.44
Perpetual Growth Rate (g)	17.1%
Terminal Value	-110
Tax Rate	17.6%

- For the purpose of carrying out the discounted cash flow valuation of DSS, 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 3.45%.
- The company's stock is more volatile than the market as a whole and has a beta of 1.4 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 12.1% which appears reasonable for a company like DSS.
- Based on the company's long term debt and interest payments, the cost of debt is 3.5%.
- After incorporating the CoE and the CoD and average tax rate of 17.6%, we arrive at a Weighted Average Cost of Capital (WACC) of 12.3%.
- 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 5.6 to our forecasted revenues of 2024.

EV and Market Cap	Current	2022E	2023E	2024E
Price (\$)	0.23	1.9	3.0	3.9
Outstanding Number of shares (million)	139	139	139	139
Total Market Cap (billion)	0.03	0.26	0.41	0.54
Net Debt	-1	12	22	17
Enterprise Value (billion)	0.03	0.28	0.43	0.56

- After applying the discount rate (WACC) of 12.3%, we arrive at a price target of \$1.9 for 2022.
- Our target price at the end of 2023 is \$3.0 and for 2024 is \$3.9 which implies a total appreciation of nearly 1601.6% in the coming 3 years in the stock price.

Valuation Ratios	Current	2022E	2023E	2024E
EV/ Sales	1.5	5.8	6.9	5.6
EV/ EBITDA	NA	NA	NA	63.7
EV/ EBIT	NA	NA	-10.0	-23.6
Price/Earnings	NA	NA	NA	77.7

- During this phase, we see the EV/ EBITDA to be in the range of 63.70 and 63.70
- The EV/ EBIT will be in the range of -23.59 to -10.00 over the coming 3 years.

KEY RISKS

- It is important to highlight the key risks associated with an investment in DSS Inc as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- DSS is a typical holding company of multiple subsidiaries and holds multiple assets. If one of these assets experiences operational difficulties or financial challenges, it could negatively impact the entire holding company and its stock price.
- In order to accommodate growth and add more investments, DSS' management will need funding which may lead to dilution.
- There is also the chance that DSS may take on debt to fund their investments or other activities, which could increase their financial leverage and exposure to interest rate risks.
- If the holding company is unable to service its debt or meet its financial obligations, it could negatively impact the value of its stock. The company also faces a concentration risk i.e., it hold a significant portion of their investments in a single industry or sector (in this case, financial services), which could increase their exposure to risks specific to that industry or sector.
- With respect to our price projection, we would like to clarify that the valuation of DSS Inc in this report is specific to the date of the analysis i.e. 09-03-2023.
- Another one of the biggest risks to DSS Inc' 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 DSS Inc in this report is specific to the date of the analysis i.e. 09th March 2023.
- We must emphasize that the projected valuation and the share price of DSS Inc 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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