

SunCar Technology Group Inc.

(SDA, Buy, \$12 PT)

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Star Potential: SDA's Unique Business Model and Massive Market Opportunity Make for a Sunny Future; Initiating at BUY with a \$12 PT

WHAT YOU SHOULD KNOW: We are initiating coverage on SunCar Technology Group with a BUY rating and \$12 PT. SunCar's three business segments address two main end-markets: 1) B2B automotive services; and 2) insurance intermediation (which SunCar calls eInsurance). With ~350MM cars on the road and ~25MM new cars sold annually, Mainland China is the largest vehicle market in the world. SunCar is addressing a combined TAM of ~\$143B split ~\$20B in B2B automotive services and ~\$123B in eInsurance. Given SunCar has achieved just a ~1% share in each market, we believe SunCar is capable of 25%+ annualized growth over the next several years. Catalysts for growth include: 1) adoption by gas-powered vehicle manufacturers, an opportunity SunCar has not yet tapped in a meaningful way. Positively, SunCar recently scored its first major gas-powered manufacturer win by signing SAIC's (600104-SHG, Not Rated) Maxus brand; 2) greater focus on insurance policy renewals, where we estimate SunCar's market share is <1%. Historically, SunCar has leaned heavily on new car policies, but we estimate policy renewals in China are 13x the number of new car policies; and 3) a more business-friendly regulatory environment in China that may enable SunCar to increase eInsurance commission rates. Rates have more than halved over the past several years, and we estimate recapturing half of the commission rate decrease would boost revenue by ~15% at relatively high incremental margins. Overall, we see revenue growing at a robust 28% CAGR through 2027, more than 3x the peer set's 9%. As such, while SunCar trades at a modest premium on an EV/Sales basis at 1.4x FY26E vs. 1.2x for the peer group, we believe SunCar's superior growth profile supports a greater premium. We view our 1.75x EV/Sales target as more than fair given SDA's attractive growth, leading market share and sustainable competitive moat.

- Unique, but powerful, business model.** SunCar's two main businesses don't have a U.S. equivalent, but have become commonplace in Mainland China. Both segments follow a B2B2C model whereby large Chinese enterprises leverage SunCar's platform to connect with retail consumers. In SunCar's Automotive Services business, over 1,400 large companies use SunCar to offer packages of automotive services as a component of their loyalty/reward programs. In the eInsurance segment, over 90 Chinese insurance providers use SunCar's platform to sell insurance through SunCar's network of 65K point-of-sale partners. SunCar has a third segment, Technology Services, that we view as an offshoot of the eInsurance business but is targeted at less tech-savvy businesses that need an SaaS solution.
- Top market share & wide moats.** Supporting our positive thesis, SunCar has a leading market share in both of its main service lines and wide competitive moats, in our view. It takes years to obtain approval with China's large enterprises and SunCar has built an impressive roster of blue-chip clients across banking, insurance, telecom, airlines and retail. New energy vehicle (NEV) partnerships have also become a strong channel for selling eInsurance given NEVs are now the majority of new car sales in China. We believe SunCar has the most NEV partners among eInsurance companies with 18 relationships, including Tesla (TSLA, Not Rated). Adding to SunCar's moat is its scale. We project SunCar will spend ~4x more on R&D than its closest eInsurance competitor in 2025. Large Chinese companies, which include many state-owned enterprises, want a vendor that has national coverage and the resources necessary to maintain a state-of-the-art tech stack.
- Valuation:** Our \$12 PT is based on a 1.75x multiple of FY26E sales.

Company Data	
Closing Price	\$9.57
Price Target	\$12.00
Market Cap (M)	\$991.82
Enterprise Value (M)	\$1,063.98
Shares Out (M)	103.64
Avg Daily Vol-3 Months (M)	0.34
Dividend / Yield	\$0.00 / 0.0%

Revisions		
	Previous	Current
Rating	-	Buy
Price Target	-	\$12.00
FY24E REV	-	465.22
FY25E REV	-	601.22
FY24E EBITDA	-	2.37
FY25E EBITDA	-	25.02

Revenue (M)			
FY Dec	2023A	2024E	2025E
Q1	-	-	-
Q2	159.38	203.09A	268.98
Q3	-	-	-
Q4	204.37	262.14	332.24
FY REV	363.75	465.22	601.22
FY EV/S	2.9x	2.3x	1.8x
FY P/S	2.7x	2.1x	1.6x

EBITDA (Adjusted)			
FY Dec	2023A	2024E	2025E
Q1	-	-	-
Q2	5.82	6.04A	8.01
Q3	-	-	-
Q4	(4.17)	(3.67)	17.02
FY EBITDA	1.65	2.37	25.02
FY EV/EBITDA	645.2x	448.3x	42.5x

Source: FactSet, BTIG Estimates and Company Documents reported as \$ currency.

FY = Fiscal Year CY = Calendar Year

Q2 corresponds to revenue for 1H of year. Q4 corresponds to 2H of year.

Investment Thesis

We view SunCar Technology Group as well-positioned to gain share in the enormous Chinese automotive market. With ~350MM registered cars on the road and new car sales annually of ~25MM units, the People's Republic of China is the largest vehicle market in the world. SunCar is addressing a combined TAM of approximately ~\$143B split ~\$20B in B2B automotive services and ~\$123B in eInsurance. Given SunCar has achieved just a ~1% share in each TAM, the company is poised to sustain 25%+ growth over the next several years. We believe SunCar has a leading market share in both of its main service lines with significant competitive advantages. With SDA shares trading at a modest premium on an EV/Sales basis despite projected three-year growth at 3x the peer group, we believe shares are attractively valued.

Upcoming Catalysts

- More eInsurance OEM partnerships in the gas-powered vehicle channel.
- New enterprise customer wins, including new branch signings of existing banking and/or insurance clients.
- Moving to quarterly financial disclosure should increase investor confidence.

Base Case Assumptions: \$12 Price Target

- Automotive service revenue increases high-single-digits per annum.
- eInsurance and Technology Services maintain high-double-digit growth through greater focus on policy renewals and share gains in the gas-powered vehicle channel.
- SunCar achieves sustained positive Adjusted EBITDA on an annual basis beginning in 2025.

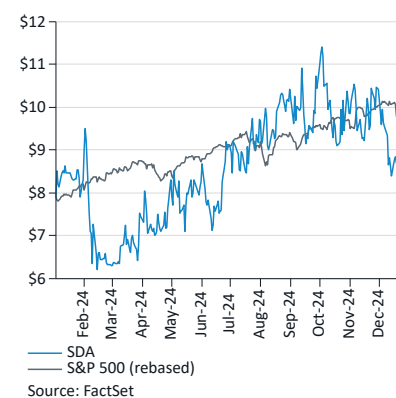
Upside Scenario: \$18/sh

- eInsurance commission rates begin expanding again after several years of compression, which cumulatively have more than halved rates to the current level of ~8%.
- Expense leverage is greater than anticipated as investment in building out the Technology Services business falls off.
- Margins expand more than expected. We note SunCar's agreements call for revenue share with eInsurance sales partners to decline with greater volume while SunCar's revenue share earned from enterprise clients rises with volumes.

Downside Scenario: \$5/sh

- Geopolitical risks emerge that could reduce SunCar's clients' appetite for new customer engagement, which could undermine SunCar's financial performance.
- FX rates move adversely. We note allowing the yuan to depreciate could be one way for the Chinese government to offset the pressure from potential tariffs.

Price Performance



Company Description

SunCar Technology Group operates two main lines of business. First, SunCar operates an automotive services platform that enables large Chinese enterprises to offer packages of automotive services as part of their consumer loyalty/rewards programs. In SunCar's second business, eInsurance, large insurance providers have integrated with SunCar's platform. Any of SunCar's sales partners can sell insurance at the point-of-sale in a process that takes a few minutes. SunCar has national coverage through a network of nearly 50,000 auto services providers and over 60,000 eInsurance sales partners. SunCar has a third reporting segment, Technology Services, for companies that choose to subscribe to SunCar's tech stack using an SaaS model. SunCar's predecessor companies were founded in 2007 and the company's principal offices are in Shanghai, China.

Initiating Coverage on SunCar Technology Group with a BUY Rating & \$12 Price Target

Executive Summary

We view SunCar Technology Group as well-positioned to gain significant market share in the enormous automotive market of the People's Republic of China (PRC or China). With ~350MM cars on the road and annual new car sales of ~25MM units, the PRC is the largest vehicle market in the world. SunCar is addressing a combined TAM of approximately ~\$143B split ~\$20B in B2B automotive services and ~\$123B in eInsurance. Given SunCar has achieved just ~1% share in each TAM, the company is poised to sustain 25%+ growth over the next several years. Catalysts for growth include:

- Increase share in the gas-powered vehicle market.** Adoption by gas-powered vehicle manufacturers is a large opportunity SunCar has not yet tapped in a meaningful way given it has historically focused more on the NEV (meaning both fully-electric and hybrid vehicles) manufacturer channel. SunCar recently scored its first major gas-powered manufacturer win by signing SAIC Maxus to a new partnership covering 100+ dealerships. While NEVs have recently become the majority of new car sales in China, gas-powered cars are still close to half the new car market and represent a significant expansion opportunity for SunCar.
- Increase share in the eInsurance renewal market.** SunCar is focusing more on insurance policy renewals, where we estimate its market share is <1%. We estimate the number of policy renewals in China is 13x the number of new car policies.
- Capitalize on a more business-friendly regulatory environment.** A more business-friendly regulatory environment in the PRC may enable SunCar to increase insurance commission rates, which have more than halved over the past several years. With eInsurance being SunCar's single largest business line, an increase in commission rates could be significant. We estimate recapturing half of the commission rate decrease over the past several years would boost revenue by ~15% at relatively high incremental margins.

We see SunCar increasing revenue at a robust 28% CAGR through 2027, over 3x the peer set's 9%. As such, while SunCar trades at a small premium at 1.4x FY26E EV/Sales vs. 1.2x for the peer group, we view shares as attractively valued on a growth-adjusted basis. Importantly, while SunCar came public via the SPAC channel, it does not have many of the issues that have historically plagued SPACs including lock-up overhangs and low stock liquidity that usually make it prohibitive for institutions to invest. All SunCar's insider lock-ups have expired, to our knowledge, and it has sufficient liquidity for most small-cap investors at ~\$3MM in daily average volume. Perhaps most importantly, SunCar has a solid balance sheet and visibility to significant Adjusted EBITDA generation, whereas many SPACs have failed because high redemptions led to underfunded business models. With all these characteristics in mind, we rate SDA shares BUY with a \$12 PT, which is based on a target of 1.75x FY26E EV/Sales.

Corporate Overview

Business Description

SunCar Technology Group is a cloud-based provider of digital services primarily focused on the automotive services and insurance market in the People's Republic of China. In each of the company's segments, it provides a B2B2C model whereby SunCar earns revenue from other businesses in a B2B relationship, but SunCar's actual transactions are being conducted with retail consumers. SunCar's predecessor companies were founded in 2007 and its principal offices are in Shanghai. SunCar operates three main businesses:

- Automotive Services.** In its automotive services segment, SunCar provides a platform for car owners to search and identify service providers, schedule appointments and make payment. Large enterprises partner with SunCar to offer packages of automotive services to their customers as part of their respective rewards/loyalty programs. SunCar's service offering spans emergency assistance, repair & maintenance, beautification and rideshare. Given there isn't a business quite like it on a standalone basis in the U.S., SunCar describes itself as a combination of AAA (Private), Jiffy Lube (SHEL, Not Rated) and Uber (UBER, Buy, \$90 PT; Analyst: Jake Fuller).
- Automotive eInsurance.** In its insurance business, SunCar has built a digital platform that enables any third party to sell automotive insurance. These third-party sale partners range from micro-entrepreneurs to SMBs that interact with the public. In addition, SunCar has developed another distribution channel for eInsurance by partnering with NEV manufacturers that can

attach insurance when a new car is sold. SunCar is also integrated into the apps of these NEV manufacturers, which enables policy renewals and other functions. On the provider side, SunCar has integrated itself into the systems of 90+ insurance companies, including all the top 10 leading auto insurance underwriters in Mainland China. This deep integration enables SunCar to process an eInsurance transaction in 2 minutes or less.

- **Technology Services.** Over the past 14 years, SunCar has built a modular tech stack that covers functions including customer relationship management, order management, finance and visual analysis. All of SunCar's auto service providers and insurance sales partners use at least one of these modules. SunCar has been investing heavily to turn its existing tech stack into an SaaS-enabled product. Technology Services customers include auto dealers and insurance agencies that need access to a full tech stack because they haven't built one of comparable quality. When SunCar's Technology Services customers complete an eInsurance transaction, SunCar charges an additional fee for the usage of its cloud-based technology platform, which is booked as Technology Services revenue.

Summary Business History

Sun Car Online Insurance Agency Co., Ltd. was incorporated in the People's Republic of China in December 2007. A related entity, Shengda Limited, was also incorporated at the time by SunCar's Chairman & CEO, Zaichang Ye. The eInsurance business was launched in 2007 and auto services in 2013. Auto Services Group Limited, d/b/a SunCar, was incorporated under the laws of the British Virgin Islands in September 2012 and continued in the Cayman Islands in accordance with applicable laws. In March 2022, an auto financing business, Shengda, was disposed of and the assets of Shengda Group were transferred to Jiachen Information Technology (Shanghai) Co., Ltd., (Private) an entity affiliated with Mr. Ye. In May 2022, SunCar entered into a merger agreement with Goldenbridge Acquisition Limited, a special purposes acquisition corporation. The merger was consummated on May 18, 2023 and SunCar began trading on the NASDAQ exchange under the ticker SDA. On May 19, 2023, SunCar raised additional capital in a private placement, selling 2.2MM shares at \$10.00/share for a total consideration of \$21.7MM.

Segment Analysis

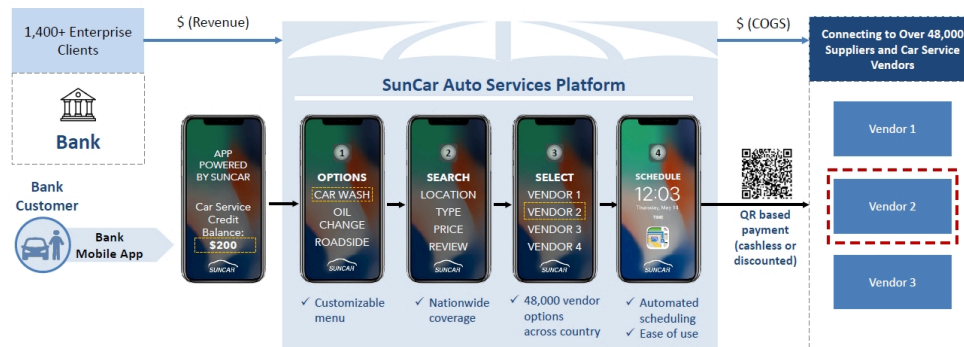
Automotive Services

How it Works

SunCar contracts with tens of thousands of vendors nationwide to provide over 300 different automotive services. Currently, there are 48,000 vendors across 33 provinces in China. SunCar generates revenue from enterprise clients that want to integrate automotive service packages into their loyalty/rewards programs. When the customer redeems the service, the enterprise client compensates SunCar and SunCar pays the service provider, all at pre-negotiated rates that embed a margin for SunCar. Redemption is facilitated either electronically or by means of paper coupons, depending on the client's preference. The entire transaction is booked as revenue for SunCar, as is the associated cost, which is recognized in integrated costs expense. Revenue is recognized at the time the performance obligation is satisfied. We estimate SunCar's normalized consolidated gross margin in the automotive services business is in the range of 12-15%.

In terms of the user flow, users first access the app of the enterprise client. Depending on how the client wants to structure its loyalty offering, customers could either have a credit balance to use as they choose or they will have a preset number of each type of service that they can redeem. Once the service type is chosen, available vendors on the SunCar platform are identified from the 48,000 vendors currently working with SunCar and the user schedules an appointment. Figure 1 below illustrates this workflow.

Figure 1: SunCar Auto Service User Flow



Source: Company presentation, BTIG Research.

SunCar classifies automotive service as either drop-in or reservation. Example of drop-in services include:

- **Beauty service.** Car wash, waxing, refinishing, cleaning, polishing and paint repairing services.
- **Maintenance services.** Oil change, oil filter change, tire maintenance, and other minor tune-up services.
- **Safety.** Routine checkups of the engine, brake, panel, tires, meters, battery and other functioning parts of the automobile.

Examples of reservation services include:

- **Designated driving.** SunCar works with designated service providers to offer a driving service for car owners.
- **Destination pickup.** Destination pickup services are offered primarily in major cities, and airport and train station pickups in other cities.
- **Non-accident roadside assistance and breakdown services.** Non-accident roadside assistance and breakdown services, such as tire changing, battery jumping and towing.
- **Car inspection.** Assisting in annual inspections at the offices of the department of motor vehicles on behalf of the end consumer, including picking up and delivery of automobiles for inspection.

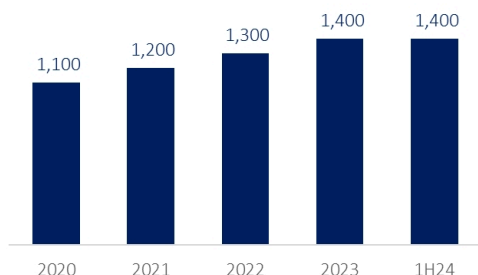
SunCar has quality standards to ensure a satisfactory customer experience. Regular quality checks are performed by a team of 60+ people with SunCar's internal goal to physically visit over half of its vendors at least once a month, although video calls and customer feedback are used as alternative quality checks. SunCar's policy is to visit a vendor that has received a customer complaint within one month of the incident and to provide special training as necessary. Repeated service failures result in termination of the contract. SunCar prefers to engage major car service chains which it sees as more capable of providing consistent service quality. As of the end of 2023, SunCar stated it works with 15 major car service chains including Chexiang (Private), TUHU (9690-HKG, Not Rated) and Cars One (Private).

Vendors and Client Base

SunCar's enterprise client base has a substantial financial services component with 900+ banks and 300+ insurance companies as customers. SunCar's client base includes many of China's most recognizable companies including Bank of China (BACHY, Not Rated), Industrial and Commercial Bank of China (IDCBY, Not Rated), China Merchants Bank (CIHKY, Not Rated), China Construction Bank (CICHY, Not Rated), People's Insurance Company of China (PPCCY, Not Rated), Ping An insurance (PNGAY, Not Rated), China Pacific Insurance (2601-HKG, Not Rated), Shenzhen Airlines (AIRRY, Not Rated), China Mobile (941-HKG, Not Rated), and China UnionPay (Private). While SunCar already has an extensive client roster, there is still room for further growth and expansion, in our view. Chinese banks and insurance agencies operate at the branch level, so while SunCar has agreements at the headquarters level with a number of large companies, it also contracts at the local branch level. For example, in October SunCar announced a collaboration with just the Shaanxi Branch of Industrial & Commercial Bank of China. While the core of SunCar's auto service client base is financial services, other large customers include airlines and telecom customers. NEV manufacturers, who are large customers of SunCar on the eInsurance side, have expressed interest in also offering SunCar's auto service solution for its customers.

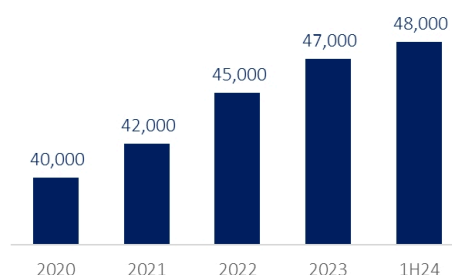
SunCar currently has over 1,400 enterprise clients signed on to its auto services solution. This compares to 1,300 in 2022 and 1,200 in 2021. On the vendor side, SunCar has been increasing the number of vendors by close to 6% annually since 2020, although it is trending closer to 4% so far in 2024. We aren't concerned by this slowdown as critical mass has already been achieved, making vendor quality the more important priority at this stage.

Figure 2: SunCar Auto Services Enterprise Client Count



Source: Company reports, BTIG Research.

Figure 3: SunCar Auto Services Vendor Count

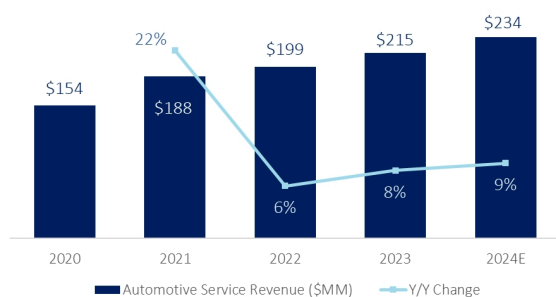


Source: Company reports, BTIG Research.

Recent Segment Performance

Automotive services came out of the pandemic with strong 22% growth in 2021, but continued social distancing and lockdowns muted 2022 growth to just 6%. Growth has climbed a few points since then, reaching 9% in 1H24, which we expect will also be the growth rate for the full year 2024.

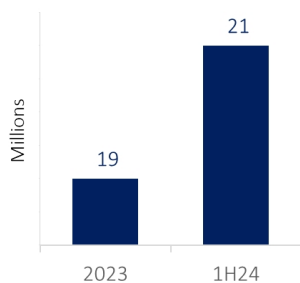
Figure 4: SunCar Automotive Service Revenue (2020-1H24)



Source: Company reports, BTIG Research.

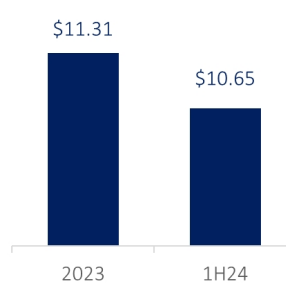
In terms of transactional activity, SunCar handled ~19MM auto services transactions in 2023 and ~21MM in the twelve months ended June 2024. We estimate ~16,000 services were performed per enterprise client on an annual basis, with the average service provider performing 440 transactions. The average transaction generates approximately \$11 in revenue for SunCar.

Figure 5: SunCar Auto Services Transactions (Trailing 12-mos)



Source: Company reports, BTIG Research.

Figure 6: SunCar Revenue Per Auto Service Transaction

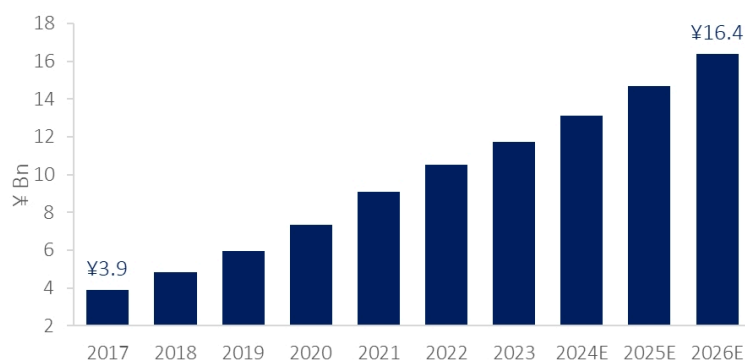


Source: Company reports, BTIG Research.

Market Opportunity and Growth Outlook

Frost & Sullivan expects the B2B auto services market to reach ¥16.4B (~\$2.3B) in 2026. Based on Frost & Sullivan's ¥10.5B market size estimate for 2022, SunCar had 12.8% market share. Other named competitors include Tuhu Car Inc., Harson Auto (Private), Bosch Automotive (Private) and Beijing Qiguanghang Information Technology (Private). Combined, the top 4 service providers account for ~40% of the market. In some cases, these competitors in the auto services space are also vendors on the SunCar platform.

Figure 7: B2B Auto Services Market Size (2017-2026E)



Source: Frost & Sullivan, BTIG Research.

Assuming each car owner consumes \$200 in services annually, we estimate only 3% of car owners in the PRC are using a B2B automotive aftermarket solution. Given how many large enterprises are working with SunCar and companies like it, we believe the ultimate penetration rate will rise to at least 10% and SunCar management sees penetration potentially reaching 25% of all cars in China. At a 25% penetration rate, the B2B auto services market would reach ~\$20B, 9x larger than the prospective 2026 market size. In terms of future growth drivers for SunCar specifically, we see a significant opportunity for SunCar to increase its wallet share among existing clients. Chinese financial services firms have to be signed one by one at the branch and/or province level. For example, with one of its top banking clients for auto services, SunCar was only approved at 2 branches in 2016. That figure now stands at 42 branches and revenue from this client increased an impressive 660% from 2021 to 2023. Another large banking client has grown from 1 branch in 2015 to 130 branches today, driving 400% revenue growth from 2021 to 2023. Despite these strong gains, there is ample runway for expansion, in our view. For example, Bank of China has over 10,000 branches in the country.

Competitive Moat

SunCar's enterprise clients, which include many state-owned enterprises, frequently have rigorous vetting processes and even then, as we highlighted above, it takes years to expand, branch by branch. In terms of competition, while there are other companies that offer an automotive service transaction platform at the provincial or regional level, SunCar believes it is the only firm that has built out a nationwide solution. This is an advantage when competing for business with clients who don't want to have to work with multiple solutions providers to achieve nationwide coverage. In terms of durability, the majority of customer contracts are 2-5 years in length, but satisfaction has been high as exemplified by a >95% client retention rate for SunCar. We view the sector's upper-single-digit growth rate and low- to mid-teens gross profit margins as fairly mature, such that we don't expect aggressive entry into the market by new participants.

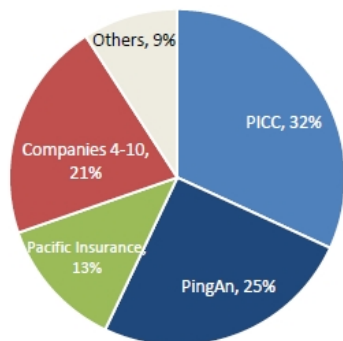
Auto eInsurance

How it Works

SunCar's eInsurance business encompasses the company's proprietary distribution capability that enables any business in China that uses SunCar's platform to sell auto insurance at the point-of-sale. Critically, SunCar is merely the intermediary and is not the underwriter, meaning it has no risk exposure. On the distribution side, SunCar has 65,000+ sales partners with car wash, detailing and repair centers being key distribution channels. Sales partners earn a revenue share on sales that declines as volume

increases. As a result, the percentage revenue share with any given sales partner typically begins falling off after the first 1-2 years. On the supply side, SunCar works with 90+ insurance companies including all the top 10 insurers in Mainland China. The Chinese insurance market is highly concentrated with the top 3 firms controlling 70% of the market.

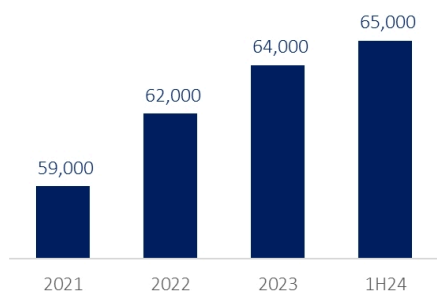
Figure 8: PRC Insurance Market Share



Source: Shisanjing Consulting (Private), company presentation, BTIG Research.

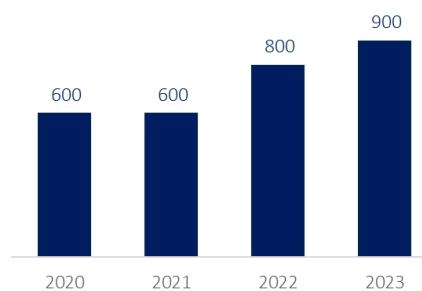
Importantly, the sales commission rate SunCar's earns from its insurer clients typically increases as volume increases, creating a positive margin expansion opportunity. At the branch level, SunCar ended 2023 with 900+ insurer branches as clients, a ~50% increase from 2 years ago. SunCar is deeply integrated with the systems of these insurance companies, which enables SunCar to generate an insurance quote in as little as two minutes after simply scanning the driver's license plate. Speed is an important factor in consummating an einsurance transaction because the vehicle owner isn't normally expecting to engage in an insurance transaction when they visit a SunCar sales partner. For the customer to agree to start the process, it has to be quick and easy. Overall, ~40% of SunCar's total insurance transactions are for policies on new cars while ~60% are policy renewals.

Figure 9: SunCar eInsurance Sales Partners



Source: Company reports, BTIG Research.

Figure 10: SunCar Insurance Company Branches Signed



Source: Company reports, BTIG Research.

In addition to SMBs and microentrepreneurs, SunCar has had great success signing partnerships with NEV manufacturers to sell insurance. SunCar has 18 NEV manufacturer partners, including Tesla, Nio (NIO, Not Rated), Zeekr (ZK, Not Rated) and Xpeng (XPEV, Not Rated).

Figure 11: Select NEV Manufacturers on SunCar's eInsurance Platform



Source: Company presentation. Coverage status: Li Auto (LI, Not Rated), Xiaomi (XIACY, Not Rated), Maxus (600104-SHG, Not Rated), Seres (601127-SHG, Not Rated), Leapmotor (ZJLMF, Not Rated), Voyah (Private), Avatr (Private), Lotus (LOT, Not Rated), JIDU (a JV of Baidu [BIDU, Not Rated] and Geely [GELYF, Not Rated]).

Recent Segment Performance

Over the 12 months ended June 2024, SunCar completed 5MM eInsurance transactions, a substantial increase from the 2.8MM transactions completed in 2023. This significant growth was driven in large part by the rapid growth in NEV sales. New NEV car sales surpassed gas-powered car sales for the first time ever in the summer of 2024. In November 2024, domestic NEV sales in the PRC hit 1.4MM, an increase of 54% vs. a (10%) decline in gas-powered vehicle sales. By comparison, in the U.S. NEV sales rose 25% y/y to 295K units in November 2024, reaching 22% of new car sales.

Figure 12: PRC Domestic New Car Sales by Powertrain

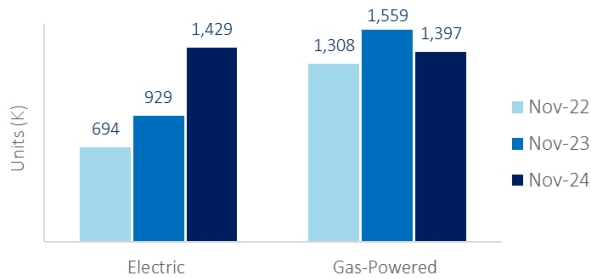
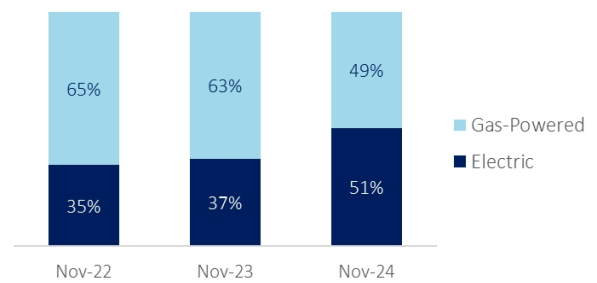


Figure 13: PRC Domestic New Car Sales Mix by Powertrain



Source (both figures above): China Association of Automobile Manufacturers, BTIG Research.

Riding the robust growth in NEV sales in China, SunCar's eInsurance transactions soared 255% in 1H24, which is on top of 118% growth in transactions in 1H23. On a trailing 12-month basis, insurance GMV reached \$1.8B in June 2024, an increase of 67% y/y. GMV growth has lagged transaction growth as the size of the average transaction has fallen and the Chinese yuan has weakened against the dollar. Revenue rose 55% in 1H24, lagging GMV growth due to a (21%) decrease in the average commission rate SunCar charged clients. Commission rates have been on a downward trend for several years, driven by regulatory scrutiny and other market fluctuations.

Figure 14: Y/Y Chg in SunCar eInsurance Transactions

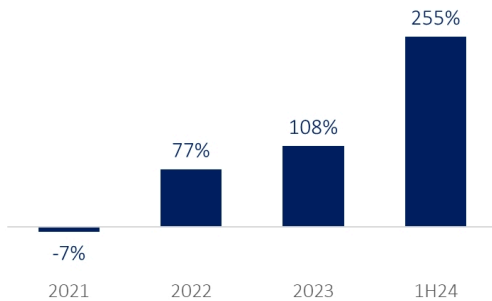
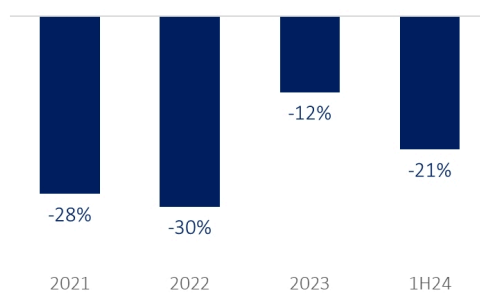


Figure 15: Y/Y Chg in SunCar eInsurance Commission Rate

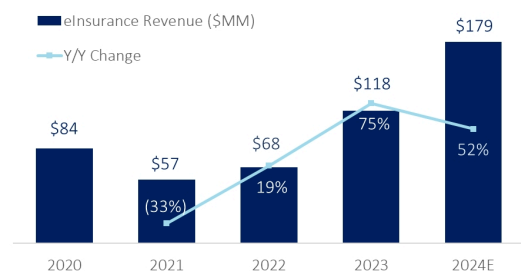


Source: Company reports, BTIG Research.

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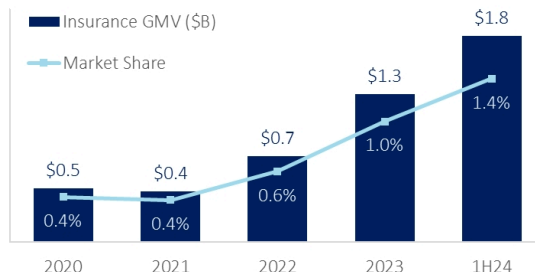
SunCar's strong eInsurance revenue growth has translated into healthy market share gains. We estimate SunCar's \$1.8B in insurance GMV in 1H24 was good for 1.4% market share of the total Chinese market. This would put SunCar's share at more than triple where it was just 3 years ago.

Figure 16: SunCar eInsurance Revenue (2020-1H24)



Source: Company reports, BTIG Research.

Figure 17: SunCar eInsurance GMV (2020-1H24)

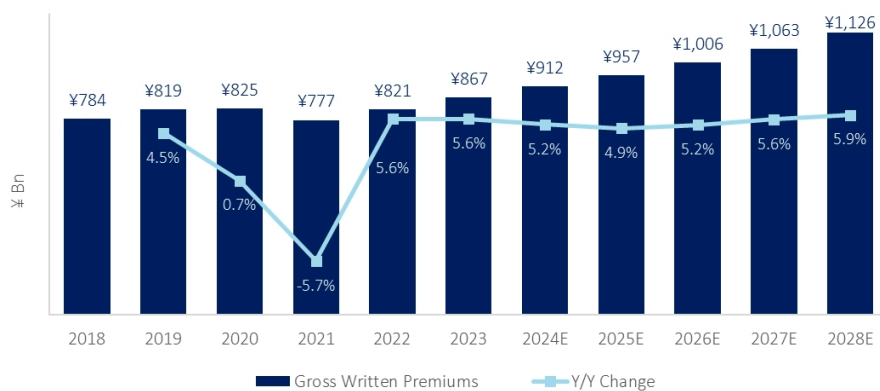


Source: Company reports, BTIG Research.

Market Opportunity & Growth Outlook

With the largest car parc in the world, China naturally has a very large automobile insurance market. Gross written premiums reached ¥867B (\$123B) in 2023. If we look back in time, the industry grew 4.5% in 2019 but slowed to 0.7% in 2020 due to tighter regulatory scrutiny that lowered premiums and commissions in the insurance ecosystem. Premiums fell 5.7% in 2021 due to the pandemic but returned to growth of 5.6% in both 2022 and 2023. Over the next four years, Frost & Sullivan projects growth in the Chinese automotive insurance market will range from 5-6%.

Figure 18: PRC Automotive Insurance Market (2018-2028E)



Source: Frost & Sullivan, BTIG Research.

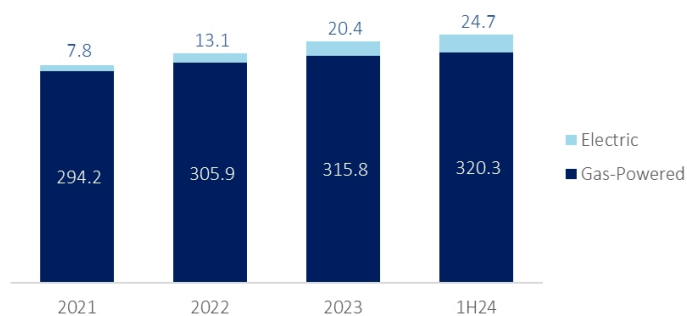
In terms of the outlook for SunCar's eInsurance business, we see three key growth drivers; 1) gaining share in the gas-powered vehicle market; 2) increasing share in the policy renewal market; and 3) capitalizing on a more business-friendly operating environment, which should manifest itself in higher commission rates.

Increase Share of the Gas-Powered Vehicle Market. There are approximately 27K 4S dealers in China -- 4S dealers are the most sophisticated type of auto dealer in China providing sales, service, spare parts and surveys. We estimate over 80% are dealerships that sell gas-powered cars. These dealers are a major opportunity for SunCar as they have historically not been interested in selling insurance, unlike NEV makers who have been early adopters of eInsurance sales. We note that in August 2024 SunCar signed a two-year partnership with SAIC Maxus, a leading Chinese gas-powered car manufacturer, involving 100+ dealerships that will adopt SunCar's online platform. The first-year GMV is estimated to be ~¥100MM, or \$14MM. That amounts to ~\$140K per dealership. If we extrapolate that to the ~22K dealerships we estimate to be outside SunCar's existing NEV customer base, it represents a \$3.1B GMV opportunity, which we estimate translates to a \$300-\$450MM revenue opportunity to SunCar.

Increase Share of the Policy Renewal Market. We estimate SunCar has processed ~3MM policy renewals over the past 12 months, which is less than 1% of the number of vehicles on the road in China, all of which will need to renew their statutory automobile liability insurance at some point, typically after one year. We believe SunCar has a compelling pathway to higher share gains in the policy renewal market as it signs more partnerships with gas-powered vehicle brands similar to the aforementioned SAIC Maxus

deal. These partnerships will integrate SunCar into the apps of these vehicle manufacturers, which should significantly enhance SunCar's ability to drive policy renewals. While electrified vehicles make up the majority of new car sales, gas-powered vehicles still make up a commanding 93% of all cars on the road in China. In other words, there are still 13x more gas-powered cars on the road than EVs, which implies a very significant growth opportunity for SunCar via policy renewals.

Figure 19: Composition of China's Car Parc by Powertrain



Source: China Ministry of Public Safety, BTIG Research.

Improved Business Environment. Another significant growth opportunity in eInsurance is a friendlier business environment, which could lead to higher commission rates. Several months ago the Chinese government signaled a significant shift towards a more pro-growth, business-friendly mindset. Over the past several years, the government had focused on reducing strains on the consumer and keeping leverage in the system under control. This led to several pro-consumer directives by China's insurance regulator that had the effect of lowering commission rates on eInsurance transactions. We estimate SunCar's 1H24 commission rate was 8% of GMV. As we previously highlighted, SunCar's commissions have declined double-digits in each of the past three years, more than halving the commission rate compared to 2020. While we are not embedding commission rate expansion in our model, we believe there is a reasonably high probability that SunCar could see a more favorable environment now that the government has expressed a greater willingness to stimulate the economy and foster a stronger business environment. In other countries such as the U.S., insurance broker commissions typically range from 10-15%, so we think there is underlying support for SunCar's commission rates to expand from the current 8%. However, the timing of an inflection in commission rates is uncertain and even so, could take some time to take hold.

Competitive Moat

Generally speaking, eInsurance clients are on 1-2 year contracts. While they are free to cancel their contracts, we believe there is a lack of alternative vendors that can service very large accounts. In our view, large clients strongly desire vendors with a national presence and that have the scale to continuously invest in a state-of-the-art tech stack like SunCar does. Competitors to SunCar in eInsurance include Cheche (CCG, Not Rated), PengCheng Insurance (Private), Meilian Insurance (Private) and Ant Insurance (Private). Of these four, Cheche has the highest market share as gross written premiums in 1H24 reached an estimated \$1.5B, about 20% less than SunCar's GMV of \$1.8B. Cheche has a similar strategy to SunCar in terms of digital distribution of auto insurance and has partnerships with 14 NEV manufacturers. We note that Cheche is spending ~\$6MM in R&D annually whereas we estimate SunCar will spend \$25MM on R&D in 2025, highlighting SunCar's scale advantage.

Technology Services

How it Works

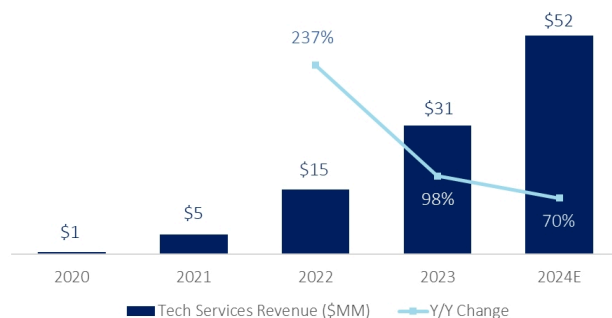
Over the past 14 years, SunCar has built a modular tech stack that covers functions including customer relationship management, order management, finance and visual analysis. All of SunCar's auto service providers and insurance sales partners use at least one of these modules. SunCar is investing heavily to turn its existing tech stack into a SaaS-enabled product. SunCar has been selling its technology services since 2020 with revenue reaching \$40MM on a trailing twelve-month basis as of June 2024. When SunCar's technology solutions customers book an insurance transaction, SunCar charges an additional fee for the usage of its cloud-based technology platform and that fee is booked as Technology Services revenue. Technology Services is best-suited for

businesses such as insurance agencies and auto dealers that have historically underinvested in their tech stack and need access to a full solution rather than just the capability to sell insurance as a point-of-sale service. For some customers, signing on for SunCar's service is about more than just generating insurance revenue. For example, access to driver data also helps dealers generate increased service and maintenance business.

Recent Segment Performance

Technology Services has grown from a de minimis percentage of revenue in 2020 to 11% in 1H24. From 2021 to 1H24 annualized, Technology Services revenue has grown 10-fold, and we model 70% growth in 2024 to \$52MM.

Figure 20: SunCar Technology Services Revenue (2020-1H24)



Source: Company reports, BTIG Research. Note: 2022 growth rate was 772% but not shown to improve chart readability.

Market Opportunity & Growth Outlook

We haven't come across any independent estimates of the market for SunCar's Technology Services business. Our own estimate is fees could be about half the einsurance commission rate, which we estimate could yield a \$175-\$225MM revenue opportunity, primarily from the ~22K 4S dealers we estimate are focused on selling gas-powered vehicles.

Competitive Moat

We view SunCar's Technology Services platform as sustained by the strength of the Automotive Services and einsurance businesses. The robustness of the ecosystem creates a virtuous cycle of client adoption, supplier integration and then data insights that SunCar leverages to keep its service offering the most innovative and useful for consumers. Having the best consumer solution drives more clients to SunCar and reinforces the loop. Therefore, in many ways, the moat for Technology Services is the same as those for Automotive Services and einsurance, which we view as strong and sustainable.

Synergies Between Business Segments

While operational synergies between the auto services and einsurance business may appear limited at first glance, we nonetheless see several reasons why the combination of the two businesses creates a stronger company.

- The two lines have different growth profiles, with auto services a steadier business that can balance out the ebbs and flows of the einsurance business.
- The Chinese government can act quickly and with little notice or opportunity for public input when making regulatory policy. Each service can come under regulatory pressure at any given time, but it is less likely that both would be under regulatory scrutiny at the same time.
- SunCar is a bigger entity with both businesses combined. This scale benefits the company when it is negotiating with large prospects.

- There are abundant cross-selling opportunities as auto service providers can also be referral sources in the insurance business. In the other direction, SunCar has been able to sell its auto services solution to many of its insurance providers, as evidenced by over 200 insurance companies signed on as enterprise clients in the Auto Services segment.

Additional Growth Opportunities

SunCar has expressed an interest in expanding overseas, including the United States. Management has indicated it would take a step-by-step approach to entering the U.S., acquiring local businesses and digitizing their operations. At this time we aren't assigning any value to such an expansion as prospects for success are uncertain. While we see the utility of a comprehensive automotive services platform in the U.S., we believe it would be challenging to change the habits of both businesses and consumers. SunCar also has opportunities to sell other types of insurance. Selling other types of property & casualty insurance would make the most sense given almost every auto insurance provider also sells property & casualty insurance. We also believe SunCar is accumulating robust datasets, particularly on the NEV side, that can be monetized on a global basis by insurance agencies looking to better inform their NEV underwriting practices.

Investment Risks

The following are items we view as among the main risks to our PT being achieved.

Geopolitical & Regulatory Risk

Regulatory policy in China can be unpredictable and regulations can be implemented with little advance notice. At least three distinct actions from the PRC's primary insurance regulator, the China Banking and Insurance Regulatory Commission, have been made since 2017, including the Notice to Overhaul Chaotic Auto Insurance Market in July 2017, the Notice on Further Strengthening Regulation on Auto Insurance in January 2019 and the Implementation of Comprehensive Reform of Auto Insurance in September 2020. Furthermore, the Chinese economy is currently subject to a variety of active and potential future tariffs and other restrictions implemented by the U.S. government. These policies could have a significant detrimental effect on the Chinese economy, which could adversely impact SunCar's end-markets. Furthermore, the PRC and the United States have engaged in other policy matters such as a few years ago when the U.S. threatened to de-list the stocks of Chinese companies that did not subject themselves to inspection by the Public Company Accounting Oversight Board. While that matter has largely been satisfied with little disruption, it is an example of how tensions between the PRC and the U.S. could have a detrimental effect on SunCar's status as a U.S.-listed stock. Future policy and/or regulatory tensions may emerge in the future.

Class A Shares Represent a Minority Voting Stake in the Company

SunCar has a dual-class share structure with Class B shares holding ten votes to one for each Class A share. Mr. Zaicheng Ye beneficially owns 47MM Class B shares, equal to ~95% of the total outstanding Class B shares. As such, Mr. Ye has voting control of the company and there is no guarantee that he will vote his shares in a way that aligns with the interests of Class A shareholders.

A Large Shareholder is Potentially Selling SunCar Shares

SunCar's largest shareholder other than Mr. Ye is KMBP Holdings Limited (Private), a special purpose vehicle ultimately controlled by China Renaissance Capital Investment (Private). China Renaissance Capital is a Hong Kong-based investment firm that owns 20.8MM shares of SunCar. KMBP was a shareholder in SunCar prior to the merger with Goldenbridge and has filed a prospectus to sell SunCar shares from time to time. We do not know how much, if any, of its SunCar stake KMBP plans to sell and at what pace. If KMBP sells its shares in a manner that puts undue selling pressure on the stock, the share price could diverge from our assessment of fair value for an extended period of time.

High Headline Customer Concentration

SunCar's three largest customers accounted for 54% of revenue in 1H24 with amounts ranging from 16-20%. We believe these three firms are People's Insurance Company of China, Pacific Insurance and Ping An Insurance. If SunCar were to lose any of these customers, it would be detrimental to its business. Having said that, customer exposure as reported in SunCar's filings are

aggregated, but in actuality business is conducted at the branch level. The loss of business with one branch would not necessarily affect business with another branch.

Semiannual SEC Filings

To date, SunCar has disclosed financial results on a semiannual basis. While we understand the company may move to quarterly disclosure, until that happens, investors should note the more limited cadence of financial disclosure.

Foreign Exchange Rates

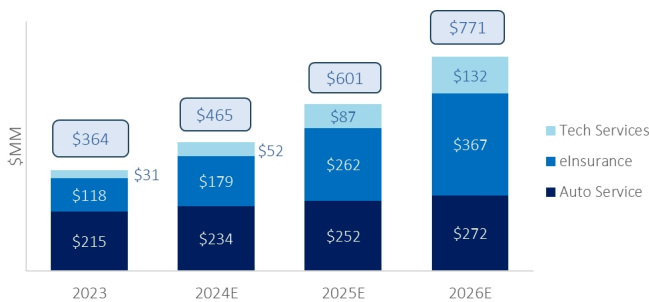
As a U.S.-listed stock that conducts business in Chinese yuan (also known as the renminbi), SDA shares would be pressured by a weakening in the yuan. The yuan has depreciated ~3% so far in 2024, ~3% in 2023 and a more substantial ~8% in 2022.

Financial Outlook

Projecting 28% Revenue Growth CAGR Through 2027

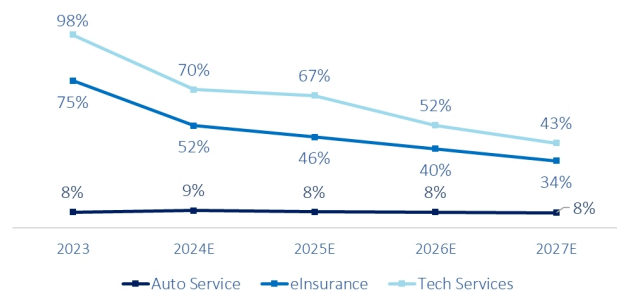
eInsurance and Technology Services have been the fastest growing segments of SunCar's business and we expect that will continue to be the case. We model automotive services growing at an 8% CAGR through 2027 while we expect eInsurance revenue to achieve a 40% CAGR through 2027. In terms of business fundamentals, we expect the growth rate of new NEV car sales will inevitably slow now that it has reached a majority of new cars sold. We expect SunCar can more than offset slower new NEV sales through greater penetration in the policy renewal space and greater market share in the gas-powered market. As we highlighted earlier, these expansion opportunities are much larger markets than where SunCar has historically been focused on. Higher commission rates are an additional revenue driver, but we conservatively assume no change in commission rates in our model. Lastly, we model Technology Services revenue will generally track eInsurance's rapid growth given it is an attendant revenue component for many eInsurance transactions. We expect the growth rate in Technology Services to be higher than eInsurance at a 54% CAGR due to the smaller revenue base.

Figure 21: Projected Revenue by Segment (2024E-2026E)



Source: Company reports, BTIG Research.

Figure 22: Projected Growth by Segment (2023A-2026E)

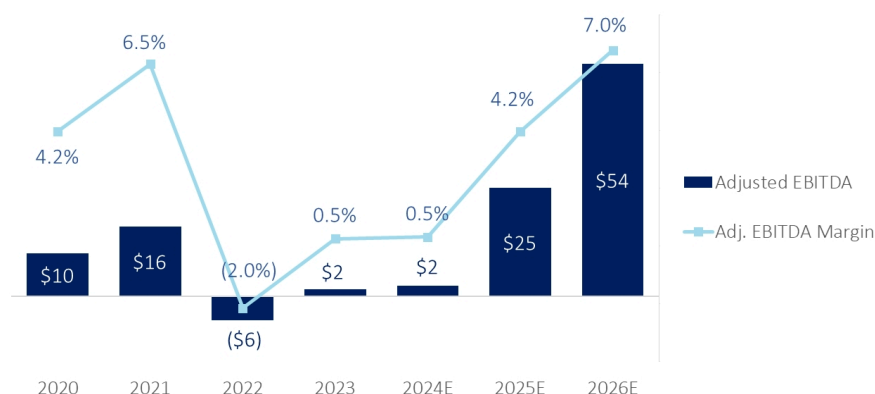


Source: Company reports, BTIG Research.

In terms of margins, eInsurance gross margins are north of 80% (although there are additional promotional services expense) while automotive services gross margins are reliably in the 12-15% range given the cost-plus business model. Having said that, we see incremental margins improving over time in the eInsurance segment as volume thresholds with sales partners are achieved, which triggers lower commission pay-outs. Additionally, the company is in the early years of most partnerships and promotional expenses are the highest during the first 12-24 months of a new partnership. We estimate SunCar will generate \$2MM in Adjusted EBITDA in 2024 rising to \$25MM in 2025 and to \$54MM in 2026.

We also want to highlight that in March 2024 SunCar made a one-time grant of 8.8MM Class A shares with a fair value of \$62MM. This grant vested immediately and was expensed upfront. Our discussions with the company indicate this grant was geared towards employees outside senior management and there are no future plans for a similar equity grant. We also note management is in position for an additional 1.6MM earnout shares should company revenue exceed \$459MM in 2024.

Figure 23: Projected SunCar Adjusted EBITDA (2020-2026E)



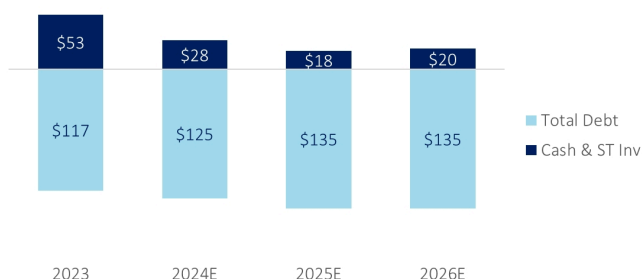
Source: Company reports, BTIG Research.

Solid Balance Sheet & Cash Flow Starting in 2026

We believe SunCar has a sound balance sheet with cash and short-term investments totaling \$45MM. SunCar has short-term borrowings of \$81MM and an amount due to a related party of \$34MM. With respect to short-term borrowings, SunCar borrows from over 20 local bank branches at interest rates of up to 5.20% as of the end of 2023. The amount due to a related party is with the Shengda Group. Of the \$34MM, \$29MM falls due on December 31, 2025 and bears interest at a rate of 1%. The remaining \$5MM is interest-free and can be settled on demand. Given the overlap in ownership between Shengda and SunCar, we believe any inability by SunCar to meet its related-party debt obligation would be successfully renegotiated.

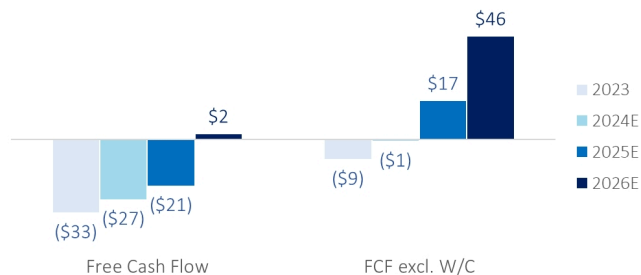
Turning to cash flow, SunCar has historically generated negative free cash flow, primarily due to negative working capital as it pays some suppliers and service providers in advance. For example, cumulative free cash flow from 2021-2023 totaled a \$73MM outflow, but was a positive \$20MM excluding working capital consumption. We project the business will be FCF-negative through 2025 before turning modestly free cash flow positive in 2026. We model SunCar increasing short-term borrowings by \$20MM through the end of 2025 to maintain positive cash.

Figure 24: Projected SunCar Cash and Debt (2023-2026E)



Source: Company reports, BTIG Research.

Figure 25: Projected SunCar Free Cash Flow (2023-2026E)



Source: Company reports, BTIG Research.

Valuation

Automotive Services Segment Valuation

We cannot find a single company in either China or the U.S. that pursues both B2B Automotive Services and elnsurance, prompting us to take a sum-of-the-parts approach to value SunCar. In thinking about Automotive Services, at its core it is a service marketplace and a loyalty platform. However, unlike most other digital service marketplaces, SunCar operates in the B2B space using a cost-plus model. Those factors make it quite different from service marketplaces that are typically traded in the public markets as most have B2C models and most do not have a built-in profit margin mechanism. One company that had some

similarities to SunCar is Points.com (Private) given it was a B2B platform for loyalty programs and gross margins were similar to SunCar's segment margin. Unfortunately Points.com is no longer public as it was acquired by Plusgrade (Private) in 2022 for \$385MM, which was ~1.0x EV/Sales. Given Points.com is no longer publicly traded, we look to competitors named in SunCar's filings. Of those, China-based TUHU is the only one that is publicly traded. TUHU does offer a package of auto services for its customers, but we find that it primarily generates revenue from the actual performance of automotive repair and maintenance. Indeed, TUHU is a major service provider on SunCar's platform. This difference makes TUHU a less than ideal comp as it has materially different financial characteristics, risk profile, and client bases. Having said that, both SunCar's automotive services business and TUHU are growing at roughly the same rate -- in the high single digits -- and have common business drivers such as the size of China's car parc. We also note that TUHU trades at ~0.6x EV/Sales, which isn't dissimilar from the 1.0x we observed for Points.com. Overall, we believe a valuation of 0.8x sales is appropriate for the Automotive Services business.

eInsurance & Technology Services Segment Valuation

The eInsurance business has a reasonably close comp in Cheche, but we note that SunCar's business is growing significantly faster. We expect SunCar's eInsurance revenue will grow 46% in 2025 while consensus pegs Cheche's 2025 revenue growth at 2%. Moreover, if we aggregate SunCar's eInsurance and Technology Solutions businesses, it appears to us to have meaningfully wider margins than Cheche, which is projected to be EBITDA-negative in 2024 and only barely EBITDA-positive in 2025. As such, while we are mindful of Cheche as a comp, we think it's worthwhile to also look elsewhere. While there are several publicly-traded insure-techs, we shy away from looking at companies like Lemonade (LMND, Not Rated) that actually underwrite insurance given the materially different risk profile. We view insurance distribution platforms including EverQuote (EVER, Not Rated), QuinStreet (QNST, Not Rated) and LendingTree (TREE, Not Rated) as reasonably good comps. We also looked at traditional insurance broker businesses, of which there are two sizable brokers that trade in Australia in Steadfast Financial (SDF-ASX, Not Rated) and AUB Group (AUB-ASX, Not Rated). We also extended our analysis to digital platforms that generate commission revenue on the sale of services. These business typically charge commissions in a similar range to SunCar's eInsurance business, further giving us confidence in their appropriateness as comps. Pursuing this line of thinking leads us to ticketing business including Live Nation (LYV, Not Rated), Vivid Seats (SEAT, Not Rated) and Eventbrite (EB, Not Rated), as well as service marketplaces like ANGI Homeservices (ANGI, Neutral; Analyst: Jake Fuller) and Expedia (EXPE, Buy, \$200 PT; Analyst: Jake Fuller). While we acknowledge this is a bit of a hodgepodge of comps, we think it's a logical peer group and the market seems to recognize the similarities as well as they trade with a fairly strong correlation on a growth-adjusted basis. The average EV/Sales multiple for this set of comps is 1.2x and the average 3-year growth rate is 9%. SunCar eInsurance and Technology Solutions businesses are growing materially faster than 9%, but we also think a countervailing discount is warranted given the various risks of investing in China right now given geopolitical issues and a comparatively weaker economy vs. the United States. Overall, we value the eInsurance segment at 2.0x sales and the faster growing Technology Services business at 3.0x sales.

Figure 26: eInsurance Segment Peer Valuation

Company	Ticker	Rating	12/27/24	Price	3-Yr Rev Growth	EBITDA Margin			EV/Sales			EV/EBITDA			Mkt Cap (\$MM)
			Price	Target		2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	
Cheche Group	CCG	NR	\$0.90	--	6%	(1.9%)	(1.4%)	0.5%	0.1x	0.1x	0.1x	nm	nm	23.8x	78
EverQuote	EVER	NR	\$19.68	--	13%	11.2%	11.2%	12.0%	1.3x	1.1x	1.0x	11.9x	9.9x	8.1x	732
QuinStreet	QNST	NR	\$23.85	--	26%	3.3%	7.7%	8.8%	2.1x	1.3x	1.2x	64.6x	17.0x	13.7x	1,331
LendingTree	TREE	NR	\$39.25	--	8%	10.7%	11.6%	13.0%	1.1x	1.0x	0.9x	10.4x	8.2x	6.9x	524
AUB Group	AUB-AU	NR	A\$31.45	--	6%	31.9%	34.9%	35.7%	2.3x	2.1x	2.0x	7.2x	6.1x	5.7x	A\$3,667
Steadfast Financial	SDF-AU	NR	A\$5.94	--	8%	31.6%	31.7%	32.1%	3.8x	3.4x	3.2x	12.2x	10.8x	9.9x	A\$6,570
Live Nation	LYV	NR	\$131.85	--	11%	9.2%	9.0%	9.2%	1.4x	1.2x	1.1x	15.4x	13.6x	12.3x	32,345
Vivid Seats	SEAT	NR	\$3.79	--	6%	19.5%	19.0%	20.2%	1.5x	1.5x	1.4x	7.8x	7.7x	6.8x	834
Eventbrite	EB	NR	\$3.37	--	9%	10.9%	15.0%	14.6%	1.0x	1.0x	0.9x	9.5x	6.6x	5.9x	325
Expedia	EXPE	Buy	\$186.11	\$200	7%	21.1%	21.6%	22.2%	1.3x	1.2x	1.2x	6.4x	5.8x	5.3x	25,261
ANGI Inc.	ANGI	Neutral	\$1.65	--	(0%)	12.1%	13.2%	14.1%	0.4x	0.4x	0.4x	3.1x	3.1x	2.8x	834
Average					9%	14.5%	15.8%	16.6%	1.5x	1.3x	1.2x	14.8x	8.9x	9.2x	
Median					8%	11.2%	13.2%	14.1%	1.3x	1.2x	1.1x	10.0x	8.0x	6.9x	

Source: Factset, company reports, BTIG Research. Note: Expedia and ANGI Inc. covered by Jake Fuller.

Establishing SunCar Price Target of \$12

Our target sales multiples of 0.8x Automotive Services, 2.0x eInsurance and 3.0x Technology Services leads to a consolidated target sales multiple of 1.75x and an enterprise value of \$1.3B. That is consistent with 25x our 2026 Adjusted EBITDA estimate, which we view as a reasonable premium to the group's 9x. We believe a premium for SunCar is justified as Adjusted EBITDA is still in the early stages of ramping and should grow much faster than the peer group. Specifically, we project SunCar's Adjusted EBITDA will increase 115% from 2025 to 2026, over 7x greater than consensus peer group expectations for 15% EBITDA growth.

Figure 27: Valuation Summary

	2026 Sales (\$MM)	Ev/Sales Multiple	Value (\$MM)	Per Share
Automotive Service	272.0	0.80x	218	\$1.92
eInsurance & Tech Solutions	366.6	2.00x	733	\$6.48
Technology Services	132.3	3.00x	397	\$3.51
Subtotal	770.9	1.75x	1,348	\$11.90
+/- Net Cash/(Debt)			30	\$0.27
=Equity Value			1,378	\$12

Source: Company reports, BTIG Research. Note: Our target share price would bring all of SunCar's warrants into the money. As such, our valuation assumes 113MM fully diluted shares and includes an estimated \$100MM in gross proceeds from the conversion of warrants.

Income Statement

Suncar Technology Group, Inc.														
(Dollars and Shares in 000s)	2020	2021	2022	1H23	2H23	2023	1H24	2H24E	2024E	1H25E	2H25E	2025E	2026E	2027E
Income Statement														
Auto Service	154,238	187,880	199,294	98,813	116,166	214,979	107,451	126,272	233,723	116,369	135,995	252,365	272,049	292,725
% growth		21.8%	6.1%	10.0%	6.1%	7.9%	8.7%	8.7%	8.7%	8.3%	7.7%	8.0%	7.8%	7.6%
Auto E-insurance Service	84,161	56,766	67,640	47,710	70,399	118,109	73,747	105,599	179,346	114,308	147,521	261,829	366,561	491,191
% growth		(32.6%)	19.2%	62.6%	83.8%	74.6%	54.6%	50.0%	51.8%	55.0%	39.7%	46.0%	40.0%	34.0%
Technology Service	526	4,589	15,479	12,855	17,803	30,658	21,888	30,265	52,153	38,304	48,727	87,031	132,287	189,170
% growth		772.4%	237.3%	132.4%	79.0%	98.1%	70.3%	70.0%	70.1%	75.0%	61.0%	66.9%	52.0%	43.0%
Revenue	238,925	249,235	282,413	159,379	204,369	363,746	203,086	262,136	465,222	268,981	332,243	601,225	770,897	973,086
% growth	-9.8%	4.3%	13.3%	27.8%	29.6%	28.8%	27.4%	28.3%	55.7%	32.4%	26.7%	59.2%	28.2%	26.2%
Integrated Service Cost	131,932	156,852	166,793	87,854	121,699	209,553	107,621	125,010	232,631	115,031	134,159	249,191	267,697	286,871
Promotional Service Expenses	79,515	55,222	65,500	49,563	62,941	112,504	71,135	100,319	171,454	108,021	138,670	246,691	343,834	458,773
Profit After Integrated Services & Promo Costs	27,478	37,161	50,120	21,962	19,729	41,689	24,330	36,808	61,137	45,929	59,414	105,343	159,366	227,443
% of revenue	11.5%	14.9%	17.7%	13.8%	9.7%	11.5%	12.0%	14.0%	26.0%	17.1%	17.9%	35.0%	20.7%	23.4%
Selling Expenses	6,835	12,731	16,477	12,793	7,785	20,578	10,199	15,728	25,927	13,718	16,346	30,064	38,545	48,654
General & Administrative	7,780	10,420	37,742	4,020	18,442	22,462	40,537	17,039	57,576	17,887	21,164	39,051	48,566	59,358
Research & Development	5,029	3,651	8,478	4,020	10,091	14,111	32,205	13,107	45,312	13,718	14,286	28,005	36,232	41,843
Total Operating Expenses	231,091	238,876	294,990	158,250	220,958	379,208	261,697	271,202	532,899	268,375	324,626	593,002	734,874	895,498
Operating Income	7,834	10,359	(12,577)	1,129	(16,589)	(15,462)	(58,611)	(9,066)	(67,677)	606	7,617	8,223	36,023	77,588
Financial Expenses	(2,100)	(3,045)	(3,659)	(1,915)	(2,520)	(4,435)	(2,302)	(2,500)	(4,802)	(2,580)	(2,718)	(5,298)	(5,573)	(4,748)
Investment Income	255	759	441	323	195	518	306	300	606	300	300	600	600	600
Change in FV of Warrant Liabilities	0	0	0	0	(629)	(629)	0	0	0	0	0	0	0	0
Other (Income) Expense, net	2,385	2,457	5,121	2,450	2,551	5,001	734	0	734	0	0	0	0	0
Pre-Tax Income	8,374	10,530	(10,674)	1,987	(16,992)	(15,007)	(59,873)	(11,266)	(71,139)	(1,674)	5,200	3,525	31,050	73,440
Income Tax Expense	1,752	938	231	850	1,722	2,572	267	0	267	0	0	0	4,658	11,016
Net Income	6,622	9,592	(10,905)	1,137	(18,714)	(17,579)	(60,140)	(11,266)	(71,406)	(1,674)	5,200	3,525	26,393	62,424
Net Income Attributable to NCI	3,219	5,650	(5,230)	4,515	4,818	9,333	2,443	1,127	3,570	167	(520)	(353)	(2,639)	(6,242)
Net Loss Attributable to Ordinary Shareholders	3,403	3,942	(5,675)	(3,378)	(23,532)	(26,912)	(62,583)	(12,393)	(74,976)	(1,842)	5,720	3,878	29,032	68,667
Non-GAAP Diluted Adjusted EPS			(\$0.07)	(\$0.04)	(\$0.26)	(\$0.31)	(\$0.67)	(\$0.12)	(\$0.75)	(\$0.02)	\$0.05	\$0.04	\$0.25	\$0.57
Diluted Shares Outstanding			81,600	81,375	89,508	85,441	93,663	105,000	99,332	108,000	112,000	110,000	115,000	120,000
Adjusted EBITDA Reconciliation														
Operating Income	7,834	10,359	(12,577)	1,129	(16,591)	(15,462)	(58,611)	(9,066)	(67,677)	606	7,617	8,223	36,023	77,588
Depreciation & Amortization	1,613	4,055	5,078	2,840	1,274	4,114	1,813	2,400	4,213	2,400	2,400	4,800	5,800	5,800
Stock-Based Compensation	520	1,668	1,599	776	10,519	11,295	62,785	3,000	65,785	5,000	7,000	12,000	12,000	12,000
Transaction Fees	130		357	1,071	631	1,702	53	-	53	-	-	-	-	-
Adjusted EBITDA	9,967	16,212	(5,543)	5,816	(4,167)	1,649	6,040	(3,666)	2,374	8,006	17,017	25,023	53,823	95,388

Source: Company reports, BTIG Research.

Summary Balance Sheet & Cash Flow

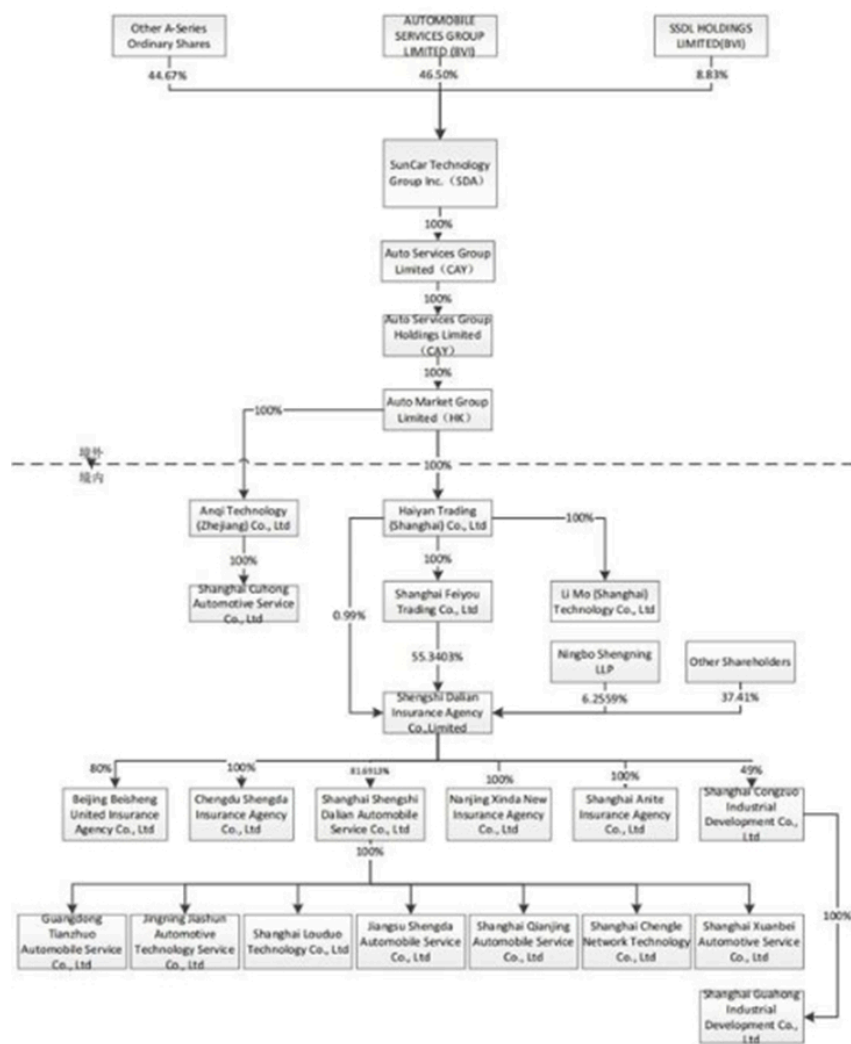
Suncar Technology Group, Inc.														
(Dollars and Shares in 000s)														
	2020	2021	2022	1H23	2H23	2023	1H24	2H24E	2024E	1H25E	2H25E	2025E	2026E	2027E
Summary Balance Sheet														
Cash	76,883	34,517	21,200	35,460	30,854	30,854	20,886	17,116	17,116	12,500	16,574	16,574	18,985	22,846
Restricted Cash	2,666	2,830	2,717	2,653	2,741	2,741	2,843	2,843	2,843	2,843	2,843	2,843	2,843	2,843
Short-Term Investments	18,743	29,147	26,544	20,985	21,596	21,596	20,913	10,913	10,913	5,913	913	913	913	913
Accounts Receivable	48,980	85,637	85,619	74,593	56,043	56,043	76,630	87,494	87,494	99,887	113,072	113,072	144,983	183,008
Prepaid & Other	8,896	5,740	9,270	43,601	63,963	63,963	69,564	79,426	79,426	90,677	102,646	102,646	131,614	166,133
Total Current Assets (excl discount'd ops)	156,168	157,871	145,350	177,292	175,197	175,197	190,836	197,793	197,793	211,820	236,048	236,048	299,338	375,744
Long-Term Investments	307	314	290	276	282	282	275	275	275	275	275	275	275	275
Accounts Payable	17,308	31,491	24,200	30,326	26,641	26,641	52,115	59,504	59,504	67,932	76,899	76,899	98,601	124,461
Short-Term Debt	60,875	69,030	74,653	85,199	83,029	83,029	81,324	91,324	91,324	96,324	101,324	101,324	101,324	71,324
Deferred Revenue	1,053	1,901	3,569	3,870	3,050	3,050	1,959	2,237	2,237	2,554	2,891	2,891	3,706	4,679
Tax Payable	3,460	2,505	2,042	4,037	1,364	1,364	1,695	1,695	1,695	1,695	1,695	1,695	1,695	1,695
Amount Due to Related Party - Short-Term	-	-	45,564	168	4,751	4,751	4,557	4,557	4,557	4,557	4,557	4,557	4,557	4,557
Total Current Liabilities (excl discount'd ops)	100,622	107,814	155,192	125,973	124,392	124,392	144,677	165,189	165,189	188,587	213,480	213,480	273,726	345,519
Amount Due to Related Party - Long-Term	-	-	-	43,330	29,688	29,688	29,004	29,004	29,004	29,004	29,004	29,004	29,004	29,004
Shareholders Equity	2,979	(21,436)	(5,284)	9,250	16,078	16,078	15,619	15,619	15,619	15,619	15,619	15,619	15,619	15,619
Non-Controlling Interests	46,492	47,899	42,060	44,638	51,912	51,912	53,821	53,821	53,821	53,821	53,821	53,821	53,821	53,821
Total Equity	49,471	26,463	36,776	53,888	67,990	67,990	69,440	69,440	69,440	69,440	69,440	69,440	69,440	69,440
Summary Cash Flow Statement														
Net Income	6,622	9,592	(10,905)	1,136	(18,715)	(17,579)	(60,140)	(11,266)	(71,406)	(1,674)	5,200	3,525	26,393	62,424
Provision (Reversal) for Credit Losses	0	0	25,981	(3,694)	(418)	(4,112)	2,654	3,000	5,654	3,400	3,900	7,300	9,360	11,815
Depreciation & Amortization	1,613	4,055	5,078	2,840	1,274	4,114	1,813	2,400	4,213	2,400	2,400	4,800	5,800	5,800
Amortization of Right of Use Asset	0	0	619	350	404	754	392	400	792	415	435	850	900	950
Share-Based Compensation	520	1,668	1,599	0	11,295	11,295	62,785	3,000	65,785	5,000	7,000	12,000	12,000	12,000
Deferred Income Tax Benefit	(2,333)	(1,124)	(1,951)	(207)	908	701	(750)	0	(750)	0	0	0	0	0
Working Capital	5,038	(33,471)	(36,513)	(22,397)	(1,406)	(23,803)	(9,347)	(16,651)	(25,998)	(18,846)	(18,848)	(37,694)	(43,561)	(48,424)
Other	68	175	0	1,447	(1,447)	0	5,218	0	5,218	0	0	0	0	0
Cash Flow from Operations	11,528	(19,105)	(16,092)	(20,525)	(7,126)	(27,651)	(2,625)	(19,117)	(21,742)	(9,305)	86	(9,219)	10,891	44,565
Capex + Internal-Use Software	(9,488)	(1,284)	(4,351)	(577)	(4,351)	(4,928)	(245)	(4,652)	(4,897)	(5,311)	(6,012)	(11,323)	(8,480)	(10,704)
Free Cash Flow	2,040	(20,389)	(20,443)	(21,102)	(11,477)	(32,579)	(2,870)	(23,770)	(26,640)	(14,617)	(5,926)	(20,543)	2,411	33,861
FCF before W/C	(2,998)	13,082	16,070	1,295	(10,071)	(8,776)	6,477	(7,118)	(641)	4,230	12,922	17,152	45,973	82,285
% of sales	(1.3%)	5.2%	5.7%	0.8%	(4.9%)	(2.4%)	3.2%	(2.7%)	(0.1%)	1.6%	3.9%	2.9%	6.0%	8.5%
Capex % of sales	4.0%	0.5%	1.5%	0.4%	2.1%	1.4%	0.1%	1.0%	1.1%	1.0%	1.0%	1.9%	1.1%	1.1%
Proceeds from Short-Term Loan	77,722	76,812	122,249	68,271	36,235	104,506	56,979	10,000	66,979	5,000	5,000	10,000	0	0
Repayments of Short-Term Loan	(60,036)	(70,193)	(111,103)	(53,418)	(40,552)	(93,970)	(56,771)	0	(56,771)	0	0	0	0	(30,000)
Repayment of Payables to Related Party	0	0	0	0	(10,000)	(10,000)	0	0	0	0	0	0	0	0
Cash Req'd on Reverse Recapitalization	0	0	0	(482)	550	68	0	0	0	0	0	0	0	0
Proceeds from Private Placement	0	0	0	21,737	0	21,737	0	0	0	0	0	0	0	0
Proceeds from Issuance of Ordinary Shares	0	0	0	0	18,468	18,468	0	0	0	0	0	0	0	0
Share Repurchase	0	0	0	0	(2,000)	(2,000)	0	0	0	0	0	0	0	0
Payments for Offering Costs	0	0	0	(623)	623	0	0	0	0	0	0	0	0	0
Contribution from Non-Controlling Shareholders	33,097	0	0	0	0	0	0	0	0	0	0	0	0	0
Repurchase of NCI	(1,090)	(1,184)	(510)	0	0	0	0	0	0	0	0	0	0	0
Sale of ST Investments	0	0	0	0	0	0	0	(10,000)	(10,000)	(5,000)	(5,000)	(10,000)	0	0
Dividend to Non-Controlling Shareholders	0	(6,620)	0	0	2,213	2,213	0	0	0	0	0	0	0	0

Source: Company reports, BTIG Research.

Appendix A: Organizational Structure

Given the complexity of the rules for entities operating in the PRC, we provide this section on SunCar's organizational structure for the benefit of existing and prospective investors. The chart below summarizes the Company's corporate structure and identifies its principal subsidiaries, where the entities below the dashed line are organized in PRC under PRC laws. We encourage readers to fully read through SunCar's SEC filings for a more comprehensive description of the company's organizational structure.

Figure A-1: SunCar Organizational Structure



Source: Company reports, BTIG Research.

SunCar conducts its operations in China primarily through its PRC Operating Entities. SunCar is a holding company and conducts substantially all of its business in China through its subsidiaries in China (the "PRC Operating Entities"). It may rely on dividends to be paid by its PRC Operating Entities to fund its cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to shareholders, to service any debt and to pay operating expenses. SunCar, including all of its subsidiaries, does not have a variable interest entity structure.

Under PRC laws and regulations, the PRC Operating Entities may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, the PRC Operating Entities are required to set aside at least 10% of their after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entities in China is also required to further set aside a portion of its after-tax profits to fund the employee

welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. In addition, the Enterprise Income Tax Law, or EIT, and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are incorporated.

Appendix B: Summary Timeline of the Merger of SunCar Technology and Goldenbridge Acquisition Limited

While it has been over a year since the merger of Goldenbridge Acquisition Limited and SunCar, we still think it is useful to read through the timeline of how the merger came about and was consummated. The following is an abridged version of the timeline as more fully described in SunCar's SEC filings.

August 12, 2019: Goldenbridge Acquisition Limited (GBRG), a British Virgin Islands business company, is incorporated as a blank check company for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

March 4, 2021: GBRG consummated its IPO of 5MM GBRG Units at \$10.00 per unit, generating gross proceeds of \$50MM. Simultaneously with the IPO, GBRG also consummated the sale of 350K Private Units generating total proceeds of \$3.5MM. Exercise of GBRG's over-allotment option generated an additional \$7.5MM in gross proceeds.

March 2021 - April 2022: GBRG reviewed more than 30 merger candidates in different industries. GBRG entered into discussions or negotiations with representatives of more than 10 potential business combination targets, including SunCar. By carefully assessing a group of public comparable companies, GBRG derived a peer-group sector weighted average Enterprise Value/Revenue multiple of 2.5x for SunCar.

April 26, 2022: Representatives of SunCar's financial advisors reached out to representatives of GBRG's expressing SunCar's interest and intention to engage into a discussion with GBRG with a potential business combination transaction without specifying any proposed terms for such transaction.

April 27, 2022: Representatives of SunCar hosted a conference call with representatives of GBRG to discuss SunCar's business and operations, including SunCar's businesses in enterprise automotive after-sales services and online auto insurance intermediation service in China, and the competitive environment in which SunCar operates.

April 29, 2022: Representatives of GBRG and SunCar held a conference call. Both parties were interested in a business combination and SunCar began providing due diligence materials to GBRG. On the same day, GBRG had an internal conference and analyzed SunCar's financial and business information including reviewing the market research by Frost & Sullivan. Representatives of GBRG sent SunCar a draft letter of intent indicating, among other things, a pre-money enterprise value for SunCar of \$1.0 billion and one board seat to be appointed by GBRG after the business combination.

April 30, 2022: Representatives of SunCar hosted a conference call with representatives of GBRG discussing commercial and legal matters. GBRG and SunCar reached an agreement on the pre-money enterprise valuation of SunCar. GBRG proposed the pre-money equity interest of SunCar to be \$800 million. While SunCar indicated that based on its own valuation model, the pre-money enterprise value of SunCar was \$1 billion, in the spirit of cooperation, SunCar agreed to GBRG's valuation. In consideration of SunCar agreeing to the \$800 million valuation, GBRG agreed to add earn-out shares. The maximum earn-out shares is 4.8MM.

May 5, 2022: GBRG and SunCar executed a letter of intent.

May 6, 2022 - May 11, 2022: Representatives of GBRG and its outside counsels and advisors held a number of phone calls and working sessions with representatives of SunCar concerning due diligence.

May 23, 2022: The parties entered into the Merger Agreement and certain ancillary agreements.

Appendix C: Management Biographies

Key Executives

Zaichang Ye - Chairman, Director & Chief Executive Officer. Mr. Zaichang Ye established Shengda Limited, a predecessor of SunCar, on December 5, 2007 and served as an executive Director and legal representative until May 2012 and served as general manager from April 2010 to May 2012. Prior to founding SunCar, he served as the legal representative and an executive director of Shanghai Jiamei Shenghai Culture Communication Co., Ltd. (Private) from December 2003 to April 2016. Mr. Ye has been a director of Shanghai Evening News Media Co., Ltd. (Private) since August 2004. He has been a supervisor of Shanghai Shouheng Commercial Consulting Co., Ltd. (Private) since August 2005. He has been the legal representative and an executive director of Haiyan Trading since November 2012. He became the chief strategy officer of Shengda Group in March 2014. He has been the legal representative and an executive director of Jiachen Information Technology (Shanghai) Co., Ltd. (Private) since March 2007.

Bohong Du - Director & Chief Financial Officer. Mr. Bohong Du joined SunCar in March 2008. Prior to joining SunCar, Mr. Du served as a manager of Shanghai Fosun High Technology (Group) Co., Ltd. (656-HKG, Not Rated) from March 1998 to September 2002. Mr. Du served as a manager of Shanghai Fosun Information Industry Co., Ltd from October 2002 to January 2003. He was a vice president at Jiamei Communication Holdings Limited from April 2003 to November 2013 (Private).

Zhunfu Lei - Chief Technology Officer & Chief Operating Officer. Mr. Zhunfu Lei joined SunCar as the legal representative and an executive Director of Shengda Limited in May 2012. He has been the legal representative, a director and a general manager of Jiangsu Shengda Automobile Service Co., Ltd., a wholly-owned subsidiary of SunCar, since July 2012. He has been the legal representative, an executive director and a manager of Beijing Beisheng (Private) since January 2010. He also served as the legal representative, a director and a manager of Shengshi Dalian Automobile, a unit of SunCar, from June 2013 to April 2016. Mr. Lei is Mr. Ye's brother-in-law.

Saiye Gu, Vice President. Ms. Saiye Gu joined SunCar as a Director on March 23, 2014. She is primarily responsible for the operations of the eInsurance division. She was the legal representative, a director and a manager of Shengshi Dalian Automobile from April 2016 to December 2016.

Independent Directors

Haidong Zhang. Mr. Haidong Zhang is the founder and chairman of First Pacific Technology Group (Private). Before founding First Pacific in September 2006, Mr. Zhang served as manager of North China Region at Oracle, Inc. (ORCL, Not Rated) from May 2004 to September 2006.

Lin Bao. Ms. Lin Bao has served as the Chief Financial Officer of Jayud Global Logistics Limited (JYD, Not Rated) since October 2022. She served as the Chief Financial Officer of Shanghai Eagsen Intelligent Co., Ltd (Private) in Shanghai from November 2019 to March 2020, and from April 2020 to September 2022 she served as the Chief Financial Officer of Eagsen, Inc. (Private). Previously, she was Chief Financial Officer at Jufel International Group (Private) in Shanghai from 2018 to 2019, and Chief Financial Officer at Balintimes Online Media Ltd. (Private) in Shanghai from 2014 to 2015.

Yongsheng Liu. Mr. Yongsheng Liu served as the chief executive officer and chairman of Goldenbridge from August 2020 until the merger with SunCar. He has served as Chief Operating Officer of Goldenstone Acquisition Limited (GDST, Not Rated) since April 2021. Mr. Liu served as the Chairman and Chief Executive Officer of Wealthbridge Acquisition Limited, a special purpose acquisition company, from June 2018 until its business combination with Scienjoy Inc. (SJ, Not Rated) in May 2020, and had served as the Vice Chairman of Scienjoy's Board of Directors since then. From March 2017 to April 2018, Mr. Liu served as the Chairman of the Board of Directors and Chief Executive Officer of Royal China Holdings Limited (1683-HKG, Not Rated), during which he spearheaded the company's international growth strategy focused at acquiring targets in the aviation industry and financial sector.

BTIG Covered Companies Mentioned in this Report

SunCar Technology Group Inc. (SDA, Buy, \$12 PT; Closing Price: \$9.57)

Angi Inc. (ANGI, Neutral, Closing Price: \$1.65)

Expedia Group, Inc. (EXPE, Buy, \$200 PT; Closing Price: \$186.11)

Uber Technologies, Inc. (UBER, Buy, \$90 PT; Closing Price: \$61.13)

Appendix: Analyst Certification and Other Important Disclosures

Analyst Certification

I, Marvin Fong, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

Regulatory Disclosures

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BTIG LLC's ("BTIG") ratings, effective June 12, 2017, are defined as follows:

BUY – A security which is expected to produce a positive total return of 15% or greater over the 12 months following the recommendation. The BUY rating may be maintained as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

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Current Rating Distribution (as of December 30, 2024):

Coverage Universe	Count	Percent	Inv. Banking Relationships	Count	Percent
Buy	264	61.4%	Buy	79	29.9%
Neutral	164	38.1%	Neutral	37	22.6%
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For purposes of FINRA ratings distribution rules, BTIG's stock ratings of Buy, Neutral and Sell fall into Buy, Hold and Sell categories, respectively.

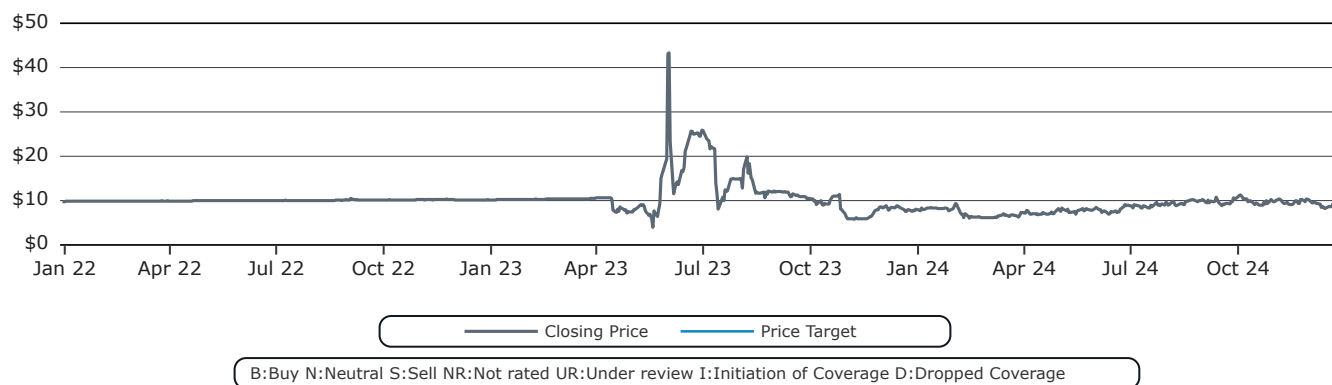
Company Valuation and Risk Disclosures

SunCar Technology Group Inc. (SDA, Buy, \$12 PT)

Valuation: Our \$12 PT is based on 1.75x 2026E EV/Sales.

Risks: Downside risks include slower-than-expected growth in any of SunCar's three reporting segments, unanticipated regulatory pressure that may result in lower insurance activity and/or lower commission rates, greater-than-expected competitive pressure including new market entrants, lower-than-expected margin development, inability to rollover debt on reasonable terms, greater-than-expected share-based compensation grants that could dilute existing shareholders, worse-than-expected performance in the Chinese economy, a move away from car ownership in China that could reduce the attractiveness of automotive services as a loyalty vehicle, slower-than-expected growth in electric vehicle sales, adverse geopolitical and/or trade developments, unfavorable foreign exchange rate movements, decisions by SunCar's controlling shareholder that may not be in the best interests of Class A shareholders, selling pressure from SunCar's largest institutional shareholder.

SunCar Technology Group Inc. Rating History as of 12/27/2024



Company-Specific Regulatory Disclosures

BTIG LLC expects to receive or intends to seek compensation for investment banking services in the next 3 months from: SunCar Technology Group Inc. (SDA)

BTIG LLC had an investment banking services client relationship during the past 12 months with: SunCar Technology Group Inc. (SDA)

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