

Asure (NASDAQ: ASUR) Reports Strong Q3 2022 Earnings - Management Upbeat with Encouraging Top & Bottom Lines

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Asure Software, Inc. (NASDAQ: ASUR), a cloud services provider in the Human Capital Management (HCM) industry, posted stellar Q3 2022 financial results at a time when Wall Street is unforgiving to slips in execution.

With persistent inflation and a potential recession in 2023 on the horizon, small and medium-sized businesses (SMBs) crave efficiency. That's made Asure's HCM solutions more relevant than ever.

The HCM company is also seeing benefits from record-low unemployment, which continues to offset any potential recession impact and higher interest rates help Asure generate float revenue. In a sense, some of the bad headlines dominating the financial news over the past year are positive for Asure's business model, as they act as a hedge against recession.

Recent News and Accomplishments During Q3 2022

Management's strategy centers around increasing its number of integrations and partnerships to help SMBs cut costs and streamline their back office operations. HR solution provider PrismHR will now offer Asure's Payroll Tax Management Services and FlexTax platform to its client base of over 80,000 organizations.

"This new partnership provides an opportunity to significantly expand our payroll tax business into the PEO and ASO markets while enabling PrismHR to provide an alternative, standalone tax filing solution that complements their existing HR portfolio," said Pat Goepel, Chairman, and CEO of Asure. "Our deep expertise in the complex landscape of payroll taxes uniquely positions Asure to deliver not only a user-friendly software solution to PrismHR's customers but also the experienced counsel and support of a knowledgeable team of payroll tax experts."

Asure recently entered into collaboration with Equifax and its *The Work Number* tool, which is available to its software users for income and employment verification. This approach to both provide its IP and leverage the technology of other providers when

appropriate has allowed for Asure's growth to be 100% organic as opposed to through acquisitions.

"Equifax brings deep expertise in verification services, and through our integration with The Work Number, we're delivering significant benefits to our 80,000 small business customers and reseller partners and their employees," said Pat Goepel, Chairman, and CEO of Asure. "Employers will no longer have to spend time manually responding to verification requests, and their employees will have instant access, more seamless verifications in support of important life events."

During Q3 2022, Asure expanded its tax filing capabilities to help CPA firms and tax pros to streamline services for the high-demand Employee Retention Tax Credit (ERTC), which is a COVID-era policy that provided businesses up to \$26,000 per retained employee. Asure's solution helps automate back-office transactional processes of calculating the compliant tax credits and filing the necessary quarterly amended returns to qualify for the ERTC.

At Asure, we're always seeking new ways for technology to support small businesses and the organizations that serve them. Our CPA partners were telling us they couldn't keep pace with the volume of administrative work associated with ERTC demand. Our technology automates the back-office ERTC work so they can focus on high-value client work," said Pat Goepel, Chairman, and CEO of Asure. "We're excited about this new technology's ability to help drive organic growth as it allows us to serve even more payroll and non-payroll clients alike."

Lastly, Asure announced the expansion of 401(k) plan options for small employers with an additional 80+ provider integrations. This helps SMBs to remain competitive in attracting top talent by offering more enticing retirement benefits. Furthermore, the integration allows clients to sync the Asure payroll system with the 401(k) platforms to streamline enrollment, reduce dual entry, and retain compliance.

"In today's job market, prospective employees have high expectations, even from smaller organizations. Making it easy to offer 401(k) options for retirement savings is just one way that Asure is empowering our customers to be more competitive, while also removing administrative burdens," said Pat Goepel, Chairman, and CEO of Asure.

ASUR: Q3 2022 Financial Results Breakdown

Revenue rose 22% year-over-year to \$21.9 million during the third quarter of 2022 ended September 30, 2022. Even more impressive, total bookings, a forward-looking metric measuring the total value of all contracts signed, were up 91% year-over-year.

Asure did post a net loss of \$4.5 million during the quarter. This appears worrisome when you consider that the same quarter last year featured \$5.3 million of net income.

However, accounting without context can be deceiving. The \$5.3 million net income in Q3 of 2021 was the result of a \$10.5 million ETRC.

A more reliable comparison would be the adjusted EBITDA reading. Asure's adjusted EBITDA of \$2.1 million, which excludes the ETRC tailwind, shot up 71% relative to the prior year period. In other words, operating expenses are shrinking relative to revenue, leading to more profitability.

Progress on both the top and bottom lines.

Q4 2022 and Full-Year 2023 Guidance Estimates Continued Growth

Management not only raised revenue projections for Q4 2022 but shared their guidance for 2023 - a revenue growth target of 9-13% while increasing margins to 14-16%. Specifically, Asure Software estimates Q4 2022 revenues to come between \$23.5 million and \$24 million, with an adjusted EBITDA goal of \$3 million to \$3.5 million for the quarter. For the full-year 2022, the HCM services provider sees total revenue coming in between \$90 million and \$90.5 million on an adjusted EBITDA range between \$10.5 million to \$11 million. Looking forward to 2023, Asure sees revenue coming in between \$98 million and \$102 million.

Asure continues to showcase its resilience. While many SaaS companies are bleeding, Asure's retention rate and revenue per client both rose year-over-year. The company continues to be well-managed and disciplined, even as the overall economy sees some volatility and uncertainty.

Asure is a volatile micro-cap tech stock on paper, but it's becoming increasingly clear that small and medium-sized businesses are viewing the company's services and technologies as essential, not as a discretionary expense.

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