

July 20, 2026

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AtlasClear Holdings, Inc. (ATCH - \$0.18 - Buy)

Clearing Scale Can Reprice the Stock but Cash Earnings Must Follow

Key Points

Rating and Frame We initiate coverage of AtlasClear Holdings at BUY with a \$1.00 price target. AtlasClear owns Wilson-Davis, a self-clearing broker-dealer serving microcap and correspondent clients. **The BUY rating is based on the value a scaled, cash-profitable clearing platform could support. The price target is based on a 24- to 36-month milestone valuation, not current earnings.**

Investment Case Nine-month fiscal 2026 revenue rose 67% to \$13.51 million, but operating loss widened to \$6.27 million and operating cash use reached \$5.00 million. Stock-locate fees increased to \$3.01 million from \$14,594 and supplied most of the growth. Clearing fees fell to \$1.96 million from \$2.49 million. **The first proof point is two consecutive quarters of higher clearing fees, supported by funded accounts, assets, volumes, pricing, or correspondent revenue.** Signed agreements alone do not validate the platform.

Five correspondents announced, but funded economics are undisclosed. Dawson acquisition value remains zero until definitive, audited terms and a regulatory timetable are public.

Bank and Cash Gates Commercial Bancorp requires Federal Reserve and Wyoming approvals. Investors also need current bank financials, asset quality, capital ratios, final seller elections, required Tier 1 capital, and sweep economics. The purchase formula pays three times adjusted book value for stock consideration versus two times for cash. Up to 39.0 million bank seller shares are registered. **The target requires the bank to close within that limit, keep modeled cash consideration near \$3.3 million, and reach \$1.6 million of normalized net income.**

Corporate cash excluding customer reserves was \$16.71 million, while debt was \$14.61 million at March 31. GAAP net income included a \$10.68 million noncash earnout gain. The target requires positive operating cash flow and about \$9.8 million of adjusted net cash after residual debt, bank cash consideration, and the earnout.

Valuation and Risk The target values \$75 million of fiscal 2029 Wilson-Davis revenue at 3.3 times, producing \$247.5 million of core enterprise value. It adds \$20 million for the bank and \$9.8 million of adjusted net cash. The resulting \$277.3 million of equity value divided by 277.0 million target-period diluted shares yields \$1.00. The denominator includes the observed 2.98 cashless warrant exchange ratio, bank shares, both convertibles, paid-in-kind interest, and the full equity-plan reserve.

Fiscal 2029 adjusted EBITDA margin must reach at least 18%. Diluted shares must stay at or below 277 million. Controls must be remediated, customer reserve deficiencies must not recur, and regulatory matters must not restrict operations or bank approval. Stock-locate normalization, weak correspondent conversion, continuing cash burn, adverse bank conditions, technology delays, shelf issuance, warrant resets, or a lower valuation multiple are risks that can prevent price target achievement.

Summary

AtlasClear's upside depends on converting stock-locate-led growth and five announced correspondent relationships into recurring clearing revenue and cash earnings. The \$1.00 target requires \$75 million of fiscal 2029 core revenue, an adjusted EBITDA margin of at least 18%, positive operating cash flow, completion of Commercial Bancorp on modeled terms, adjusted net cash near \$9.8 million, and no more than 277 million diluted shares. Sequential clearing-fee growth is the next proof point. Continued cash burn, weak conversion, adverse bank conditions, control failures, reserve deficiencies, or excess dilution could require reassessing the BUY rating and price target.

Rating, Price and Target

Symbol	ATCH
Rating	Buy
Price	\$0.18
Price Target	\$1.00

Market Data

Market Cap (M)	\$26.9
Shares Outstanding (M)	150.3
Average Daily Volume (000s)	2,630.0
Float (M)	136.4
Total Debt (M)	\$2.5
Net Cash/Debt (\$M)	\$14.2
Dividend	NM

General: Pro forma net cash: \$14.2 million as of July 14, 2026, based on March 31, 2026 cash of \$16.7 million less \$2.5 million of debt remaining after assumed note conversions. Excludes subsequent cash burn and funding required for pending acquisitions.

FYE Jun	2024A	2025A
EPS ¹	(696.05)	(0.38)
Revenue (M) (\$)	4.0	10.9

¹Pro forma diluted shares: 277.0 million as of July 14, 2026, including 150.3 million basic shares, 48.5 million warrant-exchange shares, 39.0 million bank-seller shares, 20.1 million Funicular conversion shares including PIK interest, 3.6 million debenture-conversion shares, and 15.6 million equity-plan shares.

Company Description

AtlasClear Holdings is a financial services company built around Wilson-Davis, a self-clearing broker-dealer providing trade execution, correspondent clearing, settlement, regulatory vetting, stock-locate, and securities-lending services. Wilson-Davis serves introducing brokers and customers active in microcap and restricted securities markets. AtlasClear is expanding the platform through new correspondent relationships, acquired clearing technology, and a pending acquisition of Commercial Bancorp, parent of Farmers State Bank. The proposed bank transaction is intended to add deposit, cash-sweep, and net-interest-income capabilities. AtlasClear has also announced a nonbinding proposal to acquire Dawson James Securities, which currently maintains a correspondent relationship with Wilson-Davis and broadens its capital-markets strategy.

Clearing Scale Can Reprice the Stock but Cash Earnings Must Follow

Investment Thesis

The Return Is Large Enough Only if the Operating Model Changes

We initiate coverage of AtlasClear Holdings at BUY with a \$1.00 price target. AtlasClear owns Wilson-Davis, a self-clearing broker-dealer that provides execution, clearing, stock-locate, securities-lending, and regulatory-vetting services.

The BUY rating is based on the gap between a current basic market value of about \$27.1 million and the value that a scaled, cash-profitable clearing platform could support.

The price target is based on a milestone-gated sum-of-the-parts valuation using 277.0 million target-period diluted shares. It requires Wilson-Davis to reach \$75 million of fiscal 2029 core revenue, the acquired bank to earn \$1.6 million on a normalized basis, and adjusted net cash to remain near \$9.8 million.

Figure 1. Valuation and Risk Frame

Item	Current Evidence	Requirement for \$1.00
Wilson-Davis revenue	\$13.51 million for nine months ended March 2026	\$75.0 million fiscal 2029 core revenue
Operating result	\$6.27 million nine-month operating loss	At least 18% adjusted EBITDA margin
Operating cash flow	Negative \$5.00 million for nine months	Sustained positive operating cash flow
Clearing revenue	\$1.96 million for nine months, down from \$2.49 million	Two consecutive quarters of growth, followed by a credible path to \$23 million of clearing and vetting revenue
Bank	Signed agreement with approvals pending	Close within 39 million seller shares and support \$1.6 million of normalized net income
Dilution	150.34 million basic shares plus multiple live claims	No more than 277.0 million target-period diluted shares
Controls	Disclosure controls and internal control ineffective	Remediation and no repeat customer-reserve deficiency

Sources: Company Reports and ThinkEquity estimates

The target requires a different revenue mix, positive cash conversion, acceptable bank terms, stronger controls, and a hard ceiling on dilution.

The immediate reason to own the stock is that these changes can become visible before the full fiscal 2029 model is reported. Management has identified five correspondent agreements, with Dawson James described as live. The October 2025 financing restored corporate liquidity. Commercial Bancorp is under a definitive purchase agreement, and the Federal Reserve published notice of the application in April 2026. Each item creates a measurable proof point. None establishes the target by itself.

The thesis fails if correspondent agreements do not lift clearing and commission revenue for at least two consecutive quarters. It also fails if operating cash burn continues, bank approval demands excessive capital, or target-period diluted shares exceed 277 million. The stock should be sized as a high-risk microcap position until those gates are cleared. The rating is not a substitute for dilution discipline.

At \$0.18, the current price equals 18% of the target. A \$1.00 outcome would need at least an 18% probability to cover the entry price if the residual value in a failure state were zero. Time, illiquidity, and execution risk require a materially higher confidence threshold. We view the path as sufficient for a BUY only with strict milestone monitoring and a 24- to 36-month horizon.

Variant View

The Cautious Case Is Grounded in the Filed Numbers

The cautious view starts with revenue quality. Fiscal third-quarter revenue was \$4.20 million, up from \$2.54 million, but stock-locate fees rose to \$1.36 million from \$5,873. Clearing fees were nearly unchanged at \$662,000.

For the first nine months, stock-locate fees rose to \$3.01 million from \$14,594, while clearing fees fell to \$1.96 million from \$2.49 million.

The business line proving growth is not yet the correspondent clearing line that must support the platform valuation.

The balance-sheet improvement also came with substantial issuance. Stockholders' equity moved from negative \$6.80 million at June 2025 to positive \$22.26 million at March 2026. Over that period, basic shares rose from 40.17 million to 149.79 million. Debt conversions, new equity, and noncash fair-value

changes contributed materially. The company did not create the equity improvement through retained operating earnings.

Reported net income is a poor measure of progress. Nine-month GAAP net income was \$4.41 million, but the period included a \$10.68 million gain from reducing the estimated earnout liability. The filing linked the lower estimate to delayed implementation of software revenue targets following the Commercial Bancorp delay.

Operating loss and cash flow provide cleaner measures of economic progress.

Why the Stock Can Still Work

Wilson-Davis is a real operating asset with licenses, clearing memberships, customers, and a long history. Fiscal 2025 revenue was \$10.86 million before stock locate became material.

The first nine months of fiscal 2026 produced \$3.01 million of stock-locate revenue against \$718,000 of direct stock-locate expense. That leaves \$2.29 million of line-level contribution before allocated compensation, compliance, technology, and public-company costs.

The resulting 76% spread is not consolidated gross margin. It does show that a new activity line can contribute to fixed costs.

The current valuation also leaves room for proof to matter. At \$0.18, AtlasClear has a basic market value of about \$27.1 million. Unrestricted corporate cash was \$16.71 million and debt was \$14.61 million at March 31. The resulting net cash was only \$2.09 million, but the enterprise value remains small relative to the revenue required by the target.

A sustained rise in recurring clearing and commission revenue could change the market's assessment quickly because the starting valuation is low.

The difference between a viable BUY and an unsupported promotion is the milestone framework.

We assign no acquisition value to Dawson James. We give no separate value to software. We use the observed cashless warrant exchange ratio in the target denominator. We include bank seller shares, the equity plan, and both convertibles. The remaining upside depends on revenue, cash earnings, and risk reduction.

Operating and Corporate Status

Wilson-Davis Is the Economic Core

Wilson-Davis generates nearly all reported revenue. It clears and executes transactions, liquidates restricted and control securities, performs regulatory vetting, and engages in stock-locate and lending activity.

The company is exposed to microcap trading volumes and hard-to-borrow demand. That exposure can generate attractive fees, but it also creates cyclicity, counterparty risk, and heightened supervisory demands.

At June 2025, Wilson-Davis reported about 4,652 active accounts. Glendale Securities was the only disclosed introducing broker and represented about 6.5% of Wilson-Davis revenue.

Management has since identified five correspondent agreements. Public disclosure still lacks funded accounts, assets, transaction counts, monthly revenue, pricing, minimum commitments, and onboarding dates.

Contract count is an activity indicator, not an economic result.

Our fiscal 2029 model requires commissions to reach \$29 million, clearing and vetting revenue to reach \$23 million, stock-locate revenue to reach \$18 million, and other Wilson-Davis revenue to reach \$5 million.

The \$75 million total is more than four times the estimated fiscal 2026 level. It demands contributions from several correspondents, not one customer and one activity line.

Figure 2. Revenue Build

<u>Wilson-Davis Revenue Build</u>	<u>Fiscal 2026 Estimate</u>	<u>Fiscal 2029 Target-Period Model</u>
Commissions	\$9.1 million	\$29.0 million
Clearing and vetting	\$4.2 million	\$23.0 million
Stock locate	\$4.0 million	\$18.0 million
Trading and other	\$0.7 million	\$5.0 million
Total core revenue	\$18.0 million	\$75.0 million

Sources: Company Reports and ThinkEquity estimates

Clearing Conversion Must Replace Contract Announcements

The first operating gate is two consecutive quarters of higher clearing fees. The second is disclosure that connects the increase to new correspondent activity.

Useful evidence would include funded accounts, customer assets, trades, clearing balances, revenue per correspondent, and the time from signing to production. A rising total without that attribution would provide less confidence because legacy microcap activity can fluctuate sharply.

The quality of growth must improve with scale. Stock locate represented 22% of nine-month revenue and supplied about \$3.0 million of the \$5.4 million year-over-year increase.

The service can remain important, but the target requires commissions, clearing, vetting, and interest economics to grow faster in aggregate. A stock-locate decline before those lines scale would pressure revenue and could compress the valuation multiple at the same time.

Management has discussed a Wilson-Davis revenue level of about \$14 million as a break-even marker. That statement appears to concern subsidiary economics. It is not demonstrated by consolidated results.

AtlasClear incurred \$19.77 million of nine-month operating expenses and a \$6.27 million operating loss.

The investable test is consolidated operating break-even without fair-value gains, followed by positive operating cash flow.

Technology Needs Operating Evidence

AtlasClear acquired Pacsquare technology intended to support onboarding, trading, risk, and clearing workflows. Some delivery milestones slipped, and the company later began using portions of the platform. Technology assets carried a value of about \$1.64 million at March 2026.

No uptime, onboarding-time, throughput, automation, or unit-cost measures are public.

The platform receives no separate value in the price target. It supports the \$75 million revenue forecast only if operating measures show that new correspondents can be added without proportional cost growth.

By fiscal 2029, the model requires an adjusted EBITDA margin of at least 18%. That equates to approximately \$13.5 million of adjusted EBITDA and an implied 18.3 times core enterprise-value-to-adjusted-EBITDA multiple.

Failure to automate compliance and operations would make that margin unlikely.

Commercial Bancorp Is Both a Catalyst and a Gate

AtlasClear signed a February 2026 agreement to acquire Commercial Bancorp, parent of Farmers State Bank. The acquisition requires Federal Reserve and Wyoming approvals.

It also requires final seller elections, sufficient cash for the cash component and tax true-ups, and enough regulatory capital to operate the bank and support the proposed sweep strategy.

The consideration formula is unusually important. Sellers choosing all stock or a mix of one-third cash and two-thirds stock receive three times their portion of adjusted book value, plus allocated premises value and a tax benefit.

Sellers choosing all cash receive two times adjusted book value, plus the same additional items.

The higher multiple for stock economically encourages a stock election. It should not be treated by itself as evidence that sellers view AtlasClear shares as undervalued.

Each seller may value the shares using either the \$0.23 closing price on the agreement date or the closing price immediately before the acquisition closes. A lower selected price produces more shares for the same stock consideration.

The June 2026 Form S-3 registers up to 39.0 million shares for bank sellers and identifies that amount as the maximum under the agreement. We use all 39.0 million shares in the target denominator.

Management has cited approximately \$1.9 million of 2025 bank revenue, \$0.5 million of net income, and \$4 million of book value. These figures are not a substitute for current audited statements, loan composition, asset quality, deposit funding, capital ratios, or regulatory examination results.

Our \$20 million bank value requires normalized net income of \$1.6 million and applies a 12.5 times multiple. That earnings level depends on acceptable asset quality, the required capital injection, and demonstrated sweep economics.

Dawson James Remains Outside Valuation

The announced Dawson James transaction remains a nonbinding letter of intent. No definitive consideration, audited financial information, financing plan, or regulatory timetable is public.

Dawson can contribute to Wilson-Davis as a correspondent without being acquired. We recognize that clearing revenue if it appears in filed results, but we assign no acquisition value.

The proposal also requires governance discipline. AtlasClear director Robert Keyser leads Dawson James and controls Sixth Borough Capital Fund. Sixth Borough participated in AtlasClear financings, and Dawson acted as placement agent.

In our view, a definitive transaction would require clear recusal, independent approval, fair consideration, and complete dilution terms before warranting any acquisition value.

Financial Review

Revenue Growth Has Not Reached the Bottom Line

Fiscal third-quarter 2026 revenue increased 65% to \$4.20 million from \$2.54 million. Operating expenses nearly doubled to \$7.13 million. The operating loss widened to \$2.93 million from \$1.07 million.

For the nine-month period, revenue increased to \$13.51 million from \$8.09 million, while operating loss widened to \$6.27 million from \$3.16 million.

Compensation, payroll taxes, and benefits were \$8.24 million for the nine months. Regulatory and professional costs were \$3.30 million. Stock compensation was \$2.48 million. Data-processing and clearing costs were \$2.55 million, and direct stock-locate expense was \$718,000.

The model requires fixed-cost absorption, but the reported cost base has expanded with revenue so far.

GAAP earnings include large changes in the value of financial instruments and contingent liabilities. Nine-month net income of \$4.41 million included the \$10.68 million earnout gain and other noncash changes.

Fiscal 2025 showed a similar disconnect between positive net income and an operating loss. We do not use GAAP net income for the core valuation until fair-value effects become immaterial.

Liquidity Is Conditional

Corporate cash was \$16.71 million at March 31, while debt was \$14.61 million. Debt included the \$11.71 million fair-value carrying amount of the Funicular secured convertible note, \$1.93 million of subordinated borrowings, \$0.56 million of promissory notes, and a \$0.41 million debenture host.

Customer and broker reserve balances are restricted or operational. They are not acquisition cash.

Operating activities used \$5.00 million during the first nine months of fiscal 2026. The March quarter used approximately \$4.00 million. Financing activities supplied \$16.63 million for the nine-month period.

The company has demonstrated access to capital, but the business has not yet funded itself.

Our target assumes adjusted net cash of \$9.8 million. The bridge starts with \$16.71 million of cash. It assumes the Funicular note and the \$0.15 debenture convert and are included in diluted shares.

It then deducts approximately \$2.50 million of residual debt, \$3.32 million of modeled bank cash consideration, the \$0.69 million earnout liability, and a \$0.40 million liquidity reserve.

The model requires operating cash generation to offset bank capital needs, integration spending, and any cash burn after March 2026.

Capitalization and Dilution

The Target Uses an Exchange-Adjusted Denominator

AtlasClear had 150,337,774 basic shares outstanding on June 5, 2026. The target uses 277.0 million diluted shares because \$1.00 makes several securities economically relevant and because the cashless warrant formula has already produced dilution below the stated exercise price.

The October 2025 warrants are exercisable at an initial \$0.75 or exchangeable through a Black-Scholes cashless formula.

Holders exchanged approximately 1.41 million warrants in the March quarter and received 4.21 million shares. The observed ratio was 2.98 shares for each warrant surrendered.

We apply that ratio to the remaining 16.26 million warrants, producing 48.48 million modeled shares. We assume no exercise proceeds.

The Funicular note bears 11%, permits paid-in-kind interest, matures in October 2030, and converts initially at \$0.75. The March filing showed 14.17 million if-converted shares.

We use 20.07 million shares to allow for paid-in-kind accretion through fiscal 2029 if the holder does not convert earlier. The \$500,000 debenture converts at \$0.15 and adds 3.56 million shares.

The target also includes all 39.0 million registered bank seller shares and the full 15.59 million equity-plan reserve.

The equity plan matters at \$1.00 because executive awards are linked to stock-price milestones beginning at \$0.75 and including \$1.00. Using the full reserve avoids relying on an unissued-award estimate that may change as the price rises.

Figure 3. Target Price Dilution

Target-Period Diluted Shares	Shares
Basic shares at June 5, 2026	150.338 million
Remaining 2025 warrants at observed 2.98 exchange ratio	48.477 million
Maximum registered bank seller shares	39.000 million
Funicular conversion including modeled paid-in-kind accretion	20.068 million
\$0.15 debenture conversion	3.556 million
Full equity-plan reserve	15.590 million
Target-period diluted shares	277.029 million

Sources: Company Reports and ThinkEquity estimates

The 277.0 million ceiling is a valuation gate. It leaves no room for a large additional discounted financing, a larger bank issuance, material anti-dilution adjustments, or acquisition shares outside the model.

The \$100 million universal shelf provides financing capacity, but current small-float rules constrain near-term issuance. Capacity can expand if market value rises. Use of that capacity without proportional enterprise value would invalidate the target.

Valuation Analysis

A Single Milestone-Gated Price Target

We use a sum-of-the-parts framework because current earnings are distorted by fair-value accounting and because the bank is not yet consolidated.

The \$1.00 price target is a 24- to 36-month milestone value based on the market being able to underwrite fiscal 2029 results. Current disclosures do not support \$1.00 as a conventional 12-month risk-adjusted target.

The target applies only if the operating and capital milestones become visible during the stated horizon.

The core is valued at 3.3 times \$75 million of fiscal 2029 revenue, producing \$247.50 million of enterprise value.

The multiple is above the current revenue ratios of larger public brokerage and market-infrastructure companies. It requires revenue growth above 40%, an adjusted EBITDA margin of at least 18%, positive cash flow, recurring correspondent economics, and remediated controls.

The bank receives \$20 million based on \$1.6 million of normalized net income at 12.5 times. Adjusted net cash adds \$9.8 million.

Figure 4. Valuation Analysis

Valuation Bridge	Arithmetic	Value
Wilson-Davis core enterprise value	\$75.0 million fiscal 2029 revenue x 3.3	\$247.50 million
Commercial Bancorp	\$1.6 million normalized net income x 12.5	\$20.00 million
Adjusted net cash	Cash less residual debt, bank cash consideration, earnout, and liquidity reserve	\$9.80 million
Implied equity value	Sum of components	\$277.30 million
Target-period diluted shares	Exchange-adjusted and if-converted	277.03 million
Implied value per share	\$277.30 million divided by 277.03 million	\$1.00
Price target	Rounded	\$1.00

Sources: Company Reports, and ThinkEquity estimates

No Dawson acquisition value or separate technology value is included. The valuation also assumes the bank seller issuance remains within the 39.0 million registered maximum.

The price target is mathematically supported only by the fiscal 2029 revenue, margin, bank earnings, net cash, and dilution assumptions shown above.

Figure 5. Public Comps Are a Ceiling Check

Company	Directional Market Metric as of July 13, 2026	Why Comparable	Why Imperfect
Siebert Financial (SIEB)	About 0.7 times market value to 2025 revenue	Small public brokerage with stock-borrow activity	Profitable, larger, and different business mix
StoneX Group (SNEX)	About 1.8 times market value to trailing operating revenue	Clearing, execution, and market infrastructure	Global scale, diversified earnings, and stronger controls
BGC Group (BGC)	About 1.4 times market value to annualized first-quarter revenue	Brokerage and market infrastructure	Far larger, profitable, and more liquid
Interactive Brokers (IBKR)	About 40 times earnings	Brokerage, clearing, and customer cash economics	Exceptional automation, scale, and profitability

Sources: FactSet, Company Reports, and ThinkEquity estimates

The comp set does not support 3.3 times revenue for AtlasClear today. It supports the conclusion that the target needs a different company profile.

AtlasClear must combine much faster growth with cash profitability and lower governance risk.

If the market applies a mature brokerage multiple after the milestones are met, the \$1.00 target will not be reached.

Figure 6. Milestones Required to Reach \$1.00

Timing	Required Milestone	Evidence That Clears the Gate	What Blocks the Target
Fiscal 2026 filing	Establish a clean operating baseline	Revenue near or above \$18 million, clear stock-locate economics, and disclosure of unrestricted cash and net capital	Fair-value gains presented as operating progress, rising cash burn, or lower liquidity
Next two reported quarters	Convert correspondents into revenue	Clearing fees grow sequentially twice, with accounts, volume, assets, pricing, or customer contribution disclosed	Contract announcements without clearing revenue growth
By March 2027	Demonstrate operating leverage	Quarterly operating loss below \$0.5 million and cash use moving toward break-even	Expenses rise as fast as revenue or stock compensation masks the cost base
First half of calendar 2027	Resolve bank gate	Federal Reserve and Wyoming approvals, current bank financials, acceptable asset quality, final consideration, and capital plan	Denial, extended delay, adverse conditions, weak asset quality, or a large Tier 1 requirement
At bank closing	Protect per-share economics	No more than 39 million seller shares and modeled cash consideration near \$3.3 million	More shares, larger cash and tax true-ups, or capital taken from Wilson-Davis
By July 2027	Prove cash conversion and control	Positive quarterly operating cash flow, no reserve deficiency, and credible control remediation	Continued burn, another reserve shortfall, or ineffective controls
Through target period	Contain dilution	Target-period diluted shares at or below 277 million, with warrants and convertibles retired, converted, or fully reserved	Shelf issuance, anti-dilution adjustments, paid-in-kind accretion, or awards above the ceiling
Fiscal 2029 underwrite	Support the valuation multiple	Credible path to \$75 million of core revenue, 18% adjusted EBITDA margin, \$1.6 million of bank net income, and \$9.8 million of adjusted net cash	Revenue below the required path, weak mix, no bank earnings, or a lower market multiple

Sources: Company Reports and ThinkEquity estimates

Corner Conditions and Failure Points

Regulatory Capital and Customer Protection Come First

Wilson-Davis reported \$15.16 million of net capital at March 31. The formal minimum under the alternative method was \$0.25 million.

A separate clearing constraint requires at least \$10.0 million of excess net capital to clear fully disclosed correspondent business.

The company therefore operated above both thresholds, but the usable buffer was much smaller than the comparison with the statutory minimum suggests.

Customer-reserve compliance has not been flawless. The September 2025 filing disclosed a \$604,710 customer-reserve deficiency that was corrected on October 1.

The December quarter disclosed a \$1.31 million deficiency that was corrected on January 2. The March quarter showed a \$1.25 million excess.

Another reserve deficiency could increase regulatory scrutiny during correspondent expansion and bank review.

A legacy FINRA matter involving short-sale and anti-money-laundering rules remains under SEC appeal after a July 2025 National Adjudicatory Council decision set aggregate fines at \$490,000. AtlasClear accrued \$100,000.

This matter is separate from an earlier anti-money-laundering enforcement action. A final sanction above the accrual would be manageable in isolation, but the supervisory record can affect approval timing and compliance costs.

Internal Controls Limit the Confidence Ceiling

Disclosure controls and internal control over financial reporting were ineffective through March 2026.

The weaknesses involved preparation of generally accepted accounting principles financial statements, complex instruments, merger accounting, and going-concern analysis.

The fiscal 2025 auditor issued an unmodified opinion with a substantial-doubt paragraph. Management later concluded that the October financing alleviated the going-concern condition.

Control remediation is a valuation milestone because the target requires a premium multiple.

A recurring reporting error, late filing, or new material weakness would weaken confidence in the revenue mix, share count, and bank integration. The target assumes clean reporting before the market grants credit for fiscal 2029 economics.

Low Price and Limited Liquidity Magnify Capital Risk

AtlasClear completed a 1-for-60 reverse split at the end of 2024. The stock now trades near \$0.18.

Continued low pricing creates exchange-listing risk and makes equity financing more dilutive. The share count has already expanded rapidly, so another distressed recapitalization could add enterprise resources while reducing per-share value.

The variable-price warrant exchange is the most immediate mechanical risk. At lower prices, the formula can issue more shares per warrant.

The target denominator uses the observed 2.98 ratio, but a worse exchange outcome or a new below-market issuance can raise dilution further. The Funicular note also contains anti-dilution protection.

A total above 277 million shares breaks the valuation bridge.

The Premium Multiple May Never Arrive

The target requires a 3.3 times revenue multiple for the core, compared with directional public-market ratios near 0.7 to 1.8 times for selected brokerage and infrastructure companies.

AtlasClear must earn that premium through growth, margin, cash conversion, and control remediation. The market may still refuse the premium because of microcap exposure, limited liquidity, regulatory history, or customer concentration.

The company can meet operating milestones and still fall short if investors value it like a small brokerage rather than a scalable infrastructure platform. That multiple risk makes position size and milestone discipline essential.

Catalysts and Next Proof Points

Fiscal 2026 results should establish the revenue and cash baseline. Stock-locate revenue, clearing fees, commission revenue, unrestricted cash, operating cash flow, and Wilson-Davis net capital will show whether the March quarter represented a pause or a deterioration.

The next two quarterly filings must show sequential clearing growth. Disclosure connecting that growth to new correspondents would be more valuable than another contract announcement.

Evidence of funded accounts, transaction volume, assets, or recurring minimums would allow the market to underwrite the fiscal 2029 model.

Bank approval is the largest event catalyst. Approval alone is insufficient. Investors need final consideration, seller elections, shares issued, audited bank results, asset quality, required capital, and eligible sweep balances.

Those terms determine whether the bank adds earnings or consumes liquidity.

Capital-structure actions can also move value. Retirement or renegotiation of the cashless warrants would reduce the most reflexive source of dilution.

Conversion or repayment of the \$0.15 debenture would remove a near-term claim. Clear limits on shelf use and equity awards would strengthen the 277 million share ceiling.

Conclusion**We initiate coverage at BUY with a \$1.00 price target.**

The current business does not yet support that value. The target reflects what AtlasClear can be worth if Wilson-Davis becomes a scaled, cash-profitable correspondent clearer, the bank closes on acceptable terms, and dilution remains contained.

The required operating change is substantial. Core revenue must rise from an estimated \$18 million in fiscal 2026 to \$75 million in fiscal 2029. Adjusted EBITDA margin must reach at least 18%.

The bank must support \$1.6 million of normalized net income. Adjusted net cash must remain near \$9.8 million, and target-period diluted shares must stay at or below 277 million.

Clearing revenue, not contract count or noncash net income, is the next proof point. Positive operating cash flow is the second. Bank approval and acceptable closing terms are the third.

During the 24- to 36-month target period, missed clearing conversion, continued cash burn, adverse bank conditions, another reserve deficiency, failure to remediate internal controls, or dilution above 277 million shares could warrant reassessment of the BUY rating and \$1.00 price target.

Figure 7. AtlasClear Holdings, Inc. – Income Statement

	FOR THE YEAR ENDED June 30, 2025	FOR THE PERIOD ENDED June 30, 2024
REVENUES		
Commissions	\$ 5,937,532	\$ 2,679,673
Vetting fees	1,459,321	499,125
Clearing fees	3,165,714	756,393
Net gain/(loss) on firm trading accounts	6,580	10,046
Other revenue	287,465	56,246
TOTAL REVENUES	10,856,612	4,001,483
EXPENSES		
Compensation, payroll taxes and benefits	6,150,257	2,386,837
Data processing and clearing costs	2,104,107	1,299,527
Regulatory, professional fees and related expenses	4,137,631	11,649,470
Stock compensation - founder share transfer	—	1,462,650
Communications	650,560	254,608
Occupancy and equipment	211,347	76,324
Transfer fees	210,423	75,425
Bank charges	223,938	88,253
Bad debt	398,826	-
Intangible assets amortization	1,362,446	791,375
Other	324,358	185,840
TOTAL EXPENSES	15,773,893	18,270,309
LOSS FROM OPERATIONS	(4,917,281)	(14,268,826)
OTHER INCOME/(EXPENSE)		
Interest income	1,996,399	1,195,081
Net gain on settlement	-	146,706
Loss on AtlasClear asset acquisition	-	(86,392,769)
Change in fair value, warrant liability derivative	184,594	-
Change in fair value, convertible note derivative	3,990,385	(3,585,902)
Change in fair value, long-term and short-term note derivative	12,369,120	(11,208,055)
Change in fair value, contingent guarantee	(839,775)	(3,256,863)
Change in fair value, non-redemption agreement	-	(164,626)
Change in fair value, WDCO sellers convertible notes	49,348	-
Change in fair value, earnout liability	929,000	(1,335,000)
Change in fair value, subscription agreement	(64,298)	(38,796)
Change in fair value, stock payable	232,793	985,072
Change in fair value, Tau agreement	(357,435)	-
Extinguishment of accrued expenses	-	879,473
Interest expense	(8,081,938)	(3,732,178)
TOTAL OTHER INCOME/(EXPENSE)	10,408,193	(106,507,857)
NET INCOME/(LOSS) BEFORE INCOME TAXES	5,490,912	(120,776,683)
Income tax (expense) benefit	259,381	569,736
NET INCOME/(LOSS)	5,750,293	(120,206,947)
Diluted net income (loss) per share, non-redeemable common stock	\$ (0.38)	\$ (696.05)
Basic and diluted weighted average shares outstanding, non-redeemable common stock	5,987,645	178,651

Sources: Company Reports and ThinkEquity Estimates

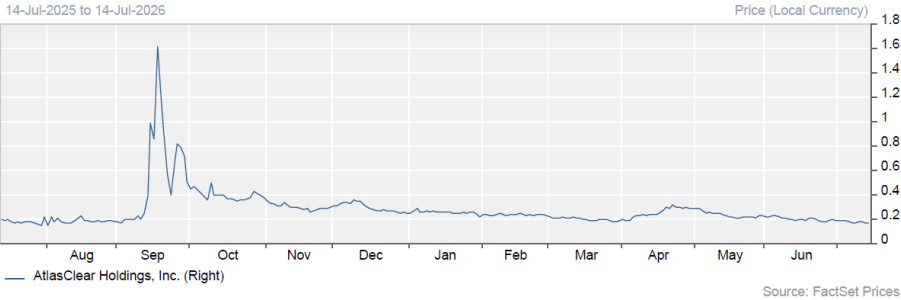
Figure 8. AtlasClear Holdings, Inc. - Valuation Comparable, Prices as of 7/14/2026

Valuation	MCAP (USD)	EV (USD)	EV / Sales			EV / EBITDA			EV / EBIT			Price / Earnings		
			LTM	2025	2026	LTM	2025	2026	LTM	2025	2026	LTM	2025	2026
AtlasClear Holdings	27	1	0.06x	--	0.05x	--	--	(0.4x)	--	--	(0.1x)	(8.1x)	--	9.0x
Siebert Financial	68	-124	(1.40x)	--	--	--	--	--	--	--	--	(12.3x)	--	--
StoneX Group	8,974	26,171	0.17x	6.34x	4.66x	10.3x	--	--	10.8x	--	--	20.2x	28.8x	18.4x
BGC Group	5,241	6,701	2.08x	2.28x	1.97x	16.1x	--	7.0x	22.0x	--	8.5x	29.8x	9.3x	7.8x
			0.23x	4.31x	2.23x	13.2x	-	3.3x	16.4x	-	4.2x	7.4x	19.1x	11.7x
			0.12x	4.31x	1.97x	13.2x	-	3.3x	16.4x	-	4.2x	6.1x	19.1x	9.0x

Sources: FactSet, Google Finance, and ThinkEquity Estimates

Figure 9. AtlasClear Holdings, Inc. – Price Target and Rating History

AtlasClear Holdings, Inc. vs.
14-Jul-2025 to 14-Jul-2026



Date	Key Development
7/20/2026	AtlasClear Holdings, Inc. Initiate Buy. PT \$1

Sources: FactSet, Google Finance, and ThinkEquity Estimates

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HOLD (H) - Total return expected to be in-line with S&P 500

SELL (S) - Total return expected to underperform S&P 500 by at least 10%

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ThinkEquity rating distribution by percentage (as of July 20, 2026):			
All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
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Hold (2)	0.00%	Hold (2)	0%
Sell (3)	0.00%	Sell (3)	0%