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Zacks Small-Cap Research

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Beneficient

(BENF-NASDAQ)

BENF: F2Q26 Earnings – Lower Net Loss on an Adjusted Basis

OUTLOOK

While we still see considerable upside potential for the stock over time, we recognize a meaningful upward revaluation likely necessitates sustained growth in loan origination volumes driving an inflection in profitability.

On an adjusted basis, BENF reported a net loss of ($0.29) per Class A share based on our calculations vs. our ($0.22) estimate. The "miss" entirely reflected lower weighted-average shares outstanding for the quarter, as the quarter's net loss on an adjusted basis came in meaningfully lower than our forecast. We will wait until management's post-earnings conference call on 11/18/25 to update our earnings model and valuation work.

Current Price (11/14/25)	$0.51
Valuation	**$2.00**

SUMMARY DATA

52-Week High	**$1.56**
52-Week Low	**$0.22**
One-Year Return (%)	**-59.20**
Beta	**N/A**
Average Daily Volume (sh)	**22,115,390**
Shares Outstanding (mil)	**111**
Market Capitalization ($mil)	**$56**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**93**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using F2026 Estimate	**N/A**
P/E using F2027 Estimate	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Cap**
Industry	**Financial**

ZACKS ESTIMATES

Adjusted Segment Revenues
(in thousands of $)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2024	17,849 A	19,066 A	18,146 A	16,306 A	71,367 A
2025	16,242 A	16,626 A	16,621 A	14,253 A	63,742 A
2026	13,058 A	11,420 A	12,746 E	13,001 E	51,302 E
2027					54,621 E

Adjusted Segment Earnings/Class A Share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2024	-$8.30 A	-$3.73 A	-$1.34 A	-$16.28 A	-$29.66 A
2025	-$1.16 A	-$0.52 A	-$0.73 A	-$1.61 A	-$4.02 A
2026	-$1.02 A	-$0.29 A	-$0.20 E	-$0.17 E	-$1.61 E
2027					-$0.50 E

Quarterly revenues/EPS may not equal annual revenues/EPS due to rounding.

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F2Q26 EARNINGS: LOWER NET LOSS ON AN ADJUSTED BASIS

Post-market close on 11/14/25, Beneficient reported F2Q26 (Sep) earnings results and filed the company's Quarterly Report of Form 10-Q (bringing the company current on SEC filings). On a GAAP basis, BENF reported a net loss of $0.37 per Class A diluted share for F2Q26 versus net income of $2.98 per share for F2Q25. The year-over-year variance primarily related to less favorable GAAP revenue trends as well as a $23.5 million gain on liability resolution in F2Q25.

BENF reported ($2.8) million of GAAP revenues in F2Q26 compared to $8.6 million in the prior-year period. The year-over-year decline primarily reflected investment losses driven by changes in the NAV of investments in alternative assets held by certain of the Customer ExAlt Trusts.

GAAP operating expenses totaled $15.1 million in F2Q26 compared to $22.3 million for the prior-year period. The year-over-year variance largely reflected lower compensation and professional services expenses. Excluding non-recurring items, operating expenses totaled $13.4 million for the most recent quarter, down from $22.0 million for F2Q25.

Adjusted segment revenues attributable to BENF equity holders comprising Ben Liquidity interest income, Ben Custody fees, and Corporate & Other totaled $11.4 million for F2Q26, down 13% from the prior quarter's level. Ben Liquidity interest income decreased by 4% on a sequential basis, while Ben Custody fees were down 26% compared to the prior quarter – consistent with lower NAVs of custodied assets given dispositions, distributions, and unrealized losses partially offset by new originations.

BENF reported an adjusted segment operating loss attributable to BENF equity holders of $2.8 million for F2Q26 compared to a loss of $9.2 million in F1Q26. The favorable Q/Q trend was largely a function of a lower operating loss for the Ben Liquidity segment, as well as lower corporate expenses, partially offset by a step down in Ben Custody revenue/operating income. On an adjusted basis, Beneficient reported a net loss of $0.29 per Class A share versus our $0.22 estimate. Relative to our model, the per share miss was entirely a function of lower shares outstanding, as the quarter's net loss on an adjusted basis came in meaningfully lower than our forecast (Exhibit 1).

Turning to Beneficient's balance sheet, the fair value of Customer ExAlt Trust investments totaled $271 million as of September 30, 2025, down from $338 million as of March 31, 2025. Investments on the balance sheet serve as collateral for Ben Liquidity's loan portfolio. Net of allowances for credit losses, Ben Liquidity's loan balances totaled $223 million as of September 30, 2025 compared to $231 million as of June 30, 2025. Distributions from alternative/custodied assets totaled $4.1 million for F2Q26 compared to $3.7 million in F1Q26. Finally, as of September 30, 2025, the company maintained $4.9 million of cash and cash equivalents and $104.0 million of total debt.

Importantly, interim CEO James Silk and Chairman of the Board Tom Silks recently converted 101.3 million preferred securities into Class A common stock, thereby meaningfully enhancing shareholder alignment and bringing the company back in compliance with Nasdaq listing requirements. Looking ahead, we will wait until management's post-earnings conference call on November 18, 2025, at 8:00 am ET to update our earnings model and valuation work.

Exhibit 1: F2Q26 Actual vs. Estimates

Adjusted Business Segment Information Attributable to Ben's Equity Holders
($ thousands)

	F2Q26		Change	
	Actual	Estimate	$	%
Revenues				
Ben Liquidity	8,497	8,482	15	0.2%
Ben Custody	3,081	4,015	(934)	-23.3%
Corporate & Other	(158)	0	(158)	NM
Total Revenues	**11,420**	**12,496**	**(1,076)**	**-8.6%**
Operating Expenses				
Ben Liquidity	9,318	11,368	(2,050)	-18.0%
Ben Custody	789	1,013	(224)	-22.1%
Corporate & Other	4,125	6,467	(2,342)	-36.2%
Total Operating Expenses	**14,232**	**18,848**	**(4,616)**	**-24.5%**
Operating Income/(Loss)				
Ben Liquidity	(821)	(2,887)	2,066	-71.6%
Ben Custody	2,292	3,002	(710)	-23.7%
Corporate & Other	(4,283)	(6,467)	2,184	-33.8%
Total Operating Income/(Loss)	**(2,812)**	**(6,351)**	**3,539**	**-55.7%**
Net income/(loss) - Class A shareholders	**(2,742)**	**(6,183)**	**3,441**	**-55.6%**
Class A EPS	**($0.29)**	**($0.22)**	**($0.07)**	**31.0%**
Class A weighted average shares out, basic	9,445	27,901	(18,456)	-66.1%

Source: Company Reports and Zacks Small Cap Research estimates and calculations.

INVESTMENT THESIS

Beneficient leverages a proprietary FinTech platform and an innovative/fiduciary trust structure branded as the ExAlt Plan to provide early exit liquidity solutions and custody/data analytics services to holders of alternative assets including medium-to-high net worth (MHNW) individuals and small-to-midsized institutions (STMIs). In addition, the company delivers primary capital solutions to fundraising General Partners (GPs).

Our investment thesis revolves around:

1. **Unique business model, with sustainable competitive advantages:** Beneficient's differentiated trust structure and comprehensive FinTech platform delivers liquidity solutions to Medium-to-High Net Worth investors and Small-to-Medium Sized Institutions in a timely and cost-effective manner with price certainty. From a structural standpoint, Beneficient's trust company originates loans to specialized trusts called the Customer ExAlt Trusts, with loan proceeds allocated to acquiring alternative assets from its customers that are Limited Partners (LPs) in funds. In turn, underlying alternative assets acquired by the Customer ExAlt Trusts serve as collateral for the loans, with the trusts drawing on distributions/proceeds from investments to fund loan payments, pay transaction, trust, and custody fees, and make distributions to the beneficiaries of the Customer ExAlt Trusts. In exchange for alternative asset holdings (and unfunded commitments), Beneficient offers customers cash, BENF common/preferred stock, or a combination thereof. Ben AltAccess®, the company's proprietary end-to-end technology-enabled engine, provides liquidity solutions and related trust, custody, data analytics, transfer agency, and broker-dealer services to holders of alternative assets within an online portal built to facilitate timely and cost-effective transactions. Separately, Beneficient's state-chartered trust company subsidiary provides financing, trust, and custody services to alternative asset trusts, and is subject to regulatory oversight by the Kansas Office of the State Bank Commissioner, thereby adding credibility to the process and instilling confidence in customers.

2. **Growth – shifting into gear:** We expect origination volumes to start to reaccelerate reflecting a number of powerful industry and company-specific factors. First, ongoing growth in alternative AUM generates rising demand for liquidity, particularly as distribution activity remains muted more broadly reflecting lackluster exit markets and extended holding periods. While GPs can access the secondary markets for larger, more complex liquidity transactions, Beneficient focuses on underserved MHNW investors and STMIs that value certainty of price, cost, and time when seeking early liquidity options. Of the $16+ trillion of global alternative AUM, recent studies estimate MHNW individuals and STMI investors in the U.S. hold a growing $2+ trillion of related assets, with annual demand for liquidity reaching $100+ billion over the next five years. On top of that, the company's GP Solutions and Primary Commitment Program businesses target private funds with identifiable liquidity and fundraising needs. In aggregate, related funds represent north of $400 billion of potential new business. As such, even a fractional win rate likely translates into meaningful transaction volumes and TBV/earnings accretion for BENF.

   Second, Beneficient maintains a comprehensive go-to-market strategy spanning multiple clients, distribution channels, and approaches. GP Solutions targets funds facing identifiable liquidity needs including absolute/relative performance issues, limited carry potential, first-time managers, and those nearing winddown. The company's Preferred Liquidity Program (PLP) offering leverages Beneficient's AltAccess platform to deliver turnkey liquidity, primary capital, custody, and reporting services to platform customers. Furthermore, the recently launched Primary Capital Program (PCP) supports GP fundraising initiatives, with Beneficient financing commitments to new alternative asset funds.

3. **Exposure to optimized alternative asset portfolio:** Beneficient has organically constructed a value-added balance sheet mostly comprised of loans collateralized by alternative asset fund holdings and direct investments. The underlying collateral remains well diversified across asset classes (private equity, real estate, natural resources, debt, and venture capital), sectors, and geographies. Stepping back, management has deliberately built the loan portfolio by leveraging the endowment model of investing. More specifically, Beneficient's approach incorporates longer-term time horizons, higher allocations to illiquid alternative assets, and broad diversification to lower correlations, minimize risk, and ultimately optimize returns. Continued growth of Beneficient's alternative asset portfolio drives accelerating interest income on loans to the Customer ExAlt Trusts, with the potential to earn additional interest based on various factors. Furthermore, balance sheet growth promotes stepped up deal flow for Ben Liquidity, thereby driving higher revenues and operating income.

INVESTMENT RISKS

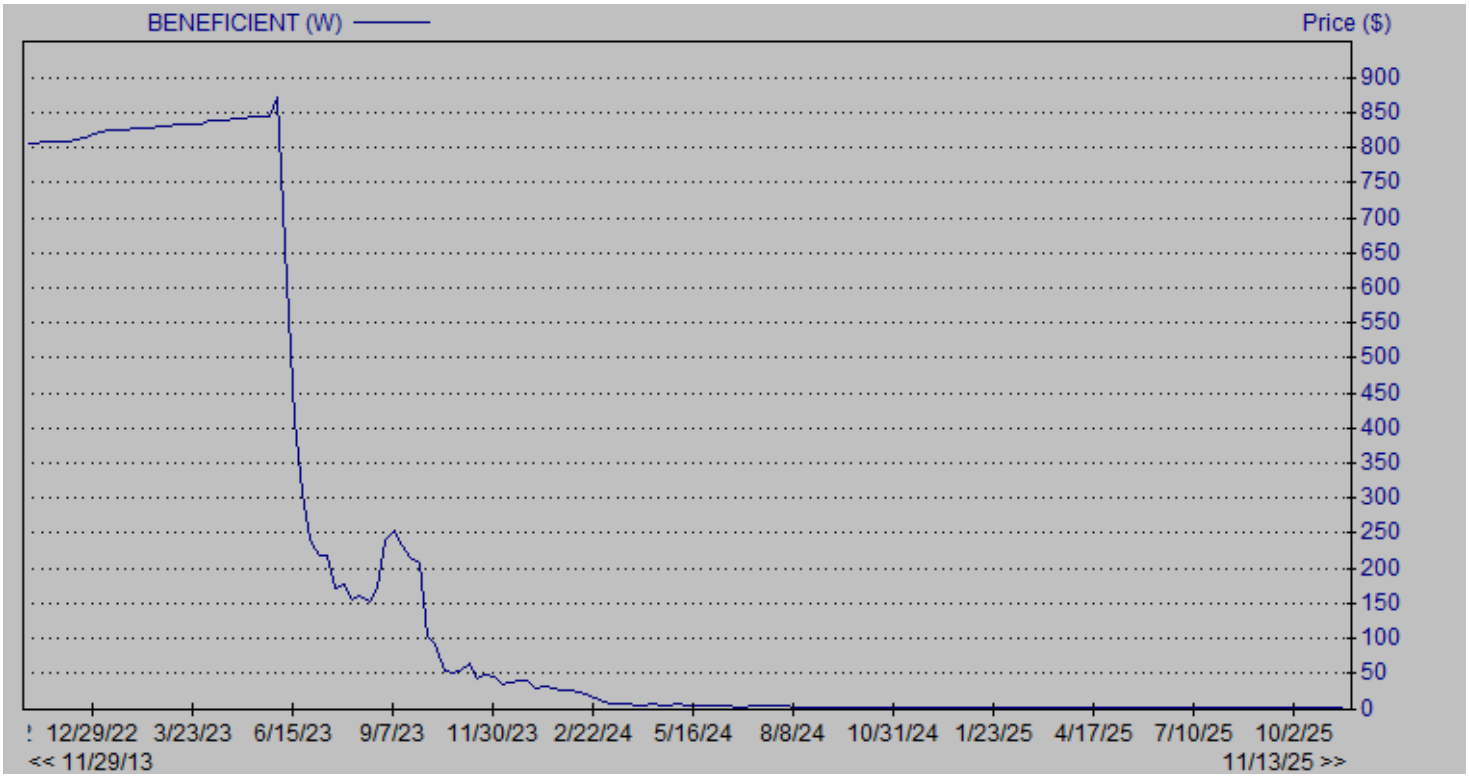
1. **Management in transition:** While we applaud the Board's decision to separate the Chairman and Chief Executive Officer roles, Mr. Heppner's recent resignation adds uncertainty to the story, in our minds. More specifically, we look forward to learning more about incoming-CEO Mr. Silk's vision for the strategic direction of the company along with his plans to accelerate growth and reach profitability on a sustainable basis. Furthermore, we await clarity on Beneficient's ownership profile, particularly as it relates to Mr. Heppner's holdings of Class B and preferred shares.

2. **GAAP reporting clouds underlying financial performance and economic interests:** BENF's GAAP income statement consolidates investment income and gains/losses on financial instruments held by Customer ExAlt Trusts, or the customized trust vehicles that facilitate the exchange of alternative assets for cash and/or equity or debt securities. Related income/losses represent NAV markups/markdowns on underlying fund holdings and fair value changes of equity/debt/derivative securities. Importantly, the Customer ExAlt Trusts are not legally owned by the company, and do not directly impact the economic interests of BENF equity holders. Furthermore, interest and fee income related to transactions between the company's operating subsidiaries – Ben Liquidity and Ben Custody – and Customer ExAlt Trusts are eliminated from consolidated financial statements despite related allocations to BENF equity holders. From our perspective, GAAP reporting misrepresents the underlying financial performance of the company, particularly as it relates to the economic interests of BENF equity holders. As such, we focus exclusively on adjusted segment reporting for our analysis and valuation work.

3. **Model partially reliant on issuing BENF (preferred) stock to finance liquidity transactions:** One of the primary reasons behind management's decision to go public was the ability to offer BENF common/preferred stock in connection with Ben Liquidity's delivery of early liquidity solutions for its customers' alternative assets. Equity-linked transactions remain dependent on the relative attractiveness of BENF stock (versus other liquidity options and retaining illiquid assets). Factors influencing that analysis include projected stock price performance, volatility, and liquidity. To be sure, BENF has meaningfully underperformed since the de-SPAC in June 2023 reflecting various headwinds including the complexity of Beneficient's structure and business model, continued net losses on a GAAP basis, and ongoing legal issues. As such, we suspect accelerating Ben Liquidity transaction volumes will be partially dependent on a sustained period of stock price stability and building trading volumes. Moreover, further equity issuances to fund alternative asset exchanges likely dilute existing shareholders and drive stepped up volatility of investment income on the GAAP P&L.

4. **Capital to fund growth:** As Beneficient increasingly taps into the liquidity needs of MHNW individuals and STMI investors, LiquidTrust (cash considerations in exchange for alternative assets) acceptance and adoption will likely ramp up in concert. As such, the company seemingly needs broader access to capital to fund accelerating cash considerations, particularly as cash flow from operations likely remains insufficient to fund growth in the near term. One option is for management to tap the equity markets via a shelf registration.

HISTORICAL STOCK PRICE



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