

Support.com Could Keep Surging if Bitcoin's Run Continues

SPRT stock could be worth another 50% more if BTC prices stay hot

54m ago · By Mark R. Hake, CFA

When I wrote about **Support.com** (NASDAQ:[SPRT](#)) and its reverse merger with a Bitcoin mining company, **Greenidge**, on [April 8](#) I argued that it was worth 53% more, or \$7.61 per share. Now, with the merger set for a vote on Sept. 10 and then closing shortly thereafter, SPRT stock closed Friday near \$22 per share. That means that it could be overvalued

In my previous analysis, I showed that the implied market value for the combined company was valued at \$1.5 billion at the price of \$4.98 per share. I considered that too cheap since there would be \$281 million in combined EBITDA, according to the company. It put the stock on an EV/EBITDA multiple of just 5.3 times.

But now, Greenidge estimates that at a price of \$49,000 for **Bitcoin** (CCC:[BTC-USD](#)), it will make slightly less — \$224 million — by the end of 2022. This can be seen on [page 21 of the revised slide deck](#) on the [Support.com website](#). So the question remains, is SPRT stock overvalued now at \$22 per share?

The Post-Merger Value of Support.com

First, we have to do a little math. The proxy statement filed on Aug. 10 for Support.com (page 1) shows that shareholders in SPRT stock will [get 2,998,261 shares](#). This is also seen on [page 23 of slide deck](#). The new Support.com stock post-merger will have a new symbol, GREE.

Since the proxy statement estimates there are 25,701,286 shares of Support.com now outstanding, the conversion ratio will be 0.116658 (i.e., $2,998,261/25,701,286$). That means for every 100 SPRT stock shares you own you will get 11.6658 shares of GREE stock. However, this is not the final conversion ratio. That will be set just before the closing.

This also implies that today's price of \$22 for SPRT is equivalent to a post-merger price of \$188.86 for GREE stock. And since page 23 of the slide deck indicates there will be 38.963 million shares outstanding, the post-merger market value of GREE stock will be \$7.359 billion (i.e., \$188.86 x 38.963m).

In other words, the post-merger market cap has risen from \$1.5 billion in April to now about \$7.4 billion. And since the 2022 estimate for EBITDA is \$224 million (page 21 of the deck), that puts its price-to-EBITDA metric at 32.9 times.

Greenidge's Value

So, is this too high? Maybe not. After all, the EBITDA number for 2022 could come in much higher, as can be seen in the table on page 21 of the slide deck. At \$60,000 for BTC tokens, Greenidge estimates its 2022 EBITDA will be \$285 million, and it could rise to \$445 million at \$90,000 for BTC.

And don't forget that Support.com will also produce cash flow. One analyst in *Seeking Alpha* feels that Support.com's operations apart from Greenidge would produce \$7.94 million in Cash Flow from Operations (CFO) by 2025, giving the stock a value of up to \$632 million at \$24.60 per share. That could be one reason why SPRT stock has risen to \$22 per share.

Let's say that BTC rises to \$60,000, producing \$285 million in EBITDA. At 30 times EBITDA, this puts its value at \$8.55 billion or 17.78% higher than today's implied value of \$7.359 billion. In other words, SPRT stock is worth 17.78% more than \$22, or \$25.91 per share (or post-merger at \$222.10).

In fact, at \$90,000 for Bitcoin, the \$445 million in EBITDA at 30 times gives it a value of \$13.35 billion. This is 81.4% higher, implying a price of \$39.91 for SPRT stock (or post-merger at \$342.11).

In other words, at 30 times EBITDA, SPRT stock could still rise another 50% on average, reaching \$32.91 (post-merger \$282.11).

What to Do With SPRT Stock

So even though SPRT stock is very high priced now at an implied value of 33 times the estimated EBITDA, if Bitcoin keeps rising the stock could move at least 50% higher. This could happen either before the merger closes, or more likely after the closing right after Sept. 10.

Investors might consider taking a toe-hold stake in the stock now. However, keep in mind that often a “sell on the news” effect sometimes occurs with reverse mergers. That means investors should leave some room to buy GREE shares cheaper after the deal closes sometime after Sept. 10.

On the date of publication, Mark R. Hake did not hold any position directly or indirectly in any of the securities mentioned in the article. The opinions expressed in this article are those of the writer, subject to the InvestorPlace.com [Publishing Guidelines](#).

Mark Hake writes about personal finance on mrhake.medium.com and runs the [Total Yield Value Guide](#) which you can review [here](#).

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