Microcap Research INDEPENDENT EQUITY ANALYSIS ICGH-2026-08-Q2update

IC Group Holdings Inc.

TSXV: ICGH · MARKETING TECHNOLOGY · AUG 27, 2026 · Q2 2026 UPDATE

RATING	12-MO TARGET	AT PUBLICATION	IMPLIED UPSIDE	MARKET CAP
Spec. Buy	C$1.10	C$0.42	+162%	C$17.3M

Bottom line: Microcap Research rates IC Group Holdings Inc. (TSXV: ICGH) Spec. Buy with a 12-month price target of C$1.10, about 162% above the C$0.42 share price at publication on Aug 27, 2026. Market capitalisation at publication: C$17.3M.

Q2 revenue grew 26% with 97% organic growth, but gross profit rose only 15% and IC Mobile — the largest segment — added C$0.8M of revenue while subtracting C$0.32M of gross profit. Adjusted EBITDA of C$0.67M was flat sequentially and is roughly C$0.43M ex-FX. The stock at C$0.42 is now ~0.77x LTM revenue, cheaper than at initiation. Maintain Spec. Buy, C$1.10.

KEY STATISTICS — AS OF AUG 27, 2026

Market Cap	C$17.3M
EV/Revenue (LTM)	~0.77x
EV/Adj. EBITDA (LTM)	~9.8x
Revenue (Q2 2026)	C$8.17M (+26%)
Adj. EBITDA (Q2 2026)	C$0.67M (C$0.43M ex-FX)
Gross Margin (Q2 2026)	42%

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Update Summary

This update follows IC Group's Q2 2026 results (three and six months ended June 30, 2026), released August 26, 2026, and the August 27 investor webinar. We **maintain** our **Speculative Buy** rating and **maintain** our 12-month price target of **C$1.10**, representing approximately 162% upside from C$0.42 (as of 2026-08-27). Revenue grew 26% to C$8.2M with 97% of the growth organic, but consolidated gross profit rose only 15% — IC Mobile, the largest segment, delivered a 25% revenue increase and *negative* C$0.32M of incremental gross profit. Adjusted EBITDA of C$0.67M was flat sequentially and, adjusted for a C$0.24M foreign-exchange gain and a C$0.27M insurance profit-commission timing shift, materially thinner than the headline 345% growth implies.

Our initial coverage on ICGH was published May 7, 2026, followed by a Q1 update on May 28, 2026. The thesis frames IC Group as a sub-1x-revenue MarTech compounder with Tier-1 Canadian messaging infrastructure, a scaling sports-tech SaaS platform (Fannex), and a high-margin specialty insurance book. Q2 is the second print since initiation and it sharpens, rather than resolves, the central question: whether 25%+ top-line growth converts to durable gross profit given the segment mix.

What Changed

- **Revenue:** +26% YoY to C$8.2M (H1: +27% to C$15.9M), with approximately 97% of Q2 growth organic — the cleanest organic read since initiation. Sequential growth was +5% versus Q1's C$7.8M.
- **Gross profit lagged badly:** +15% to C$3.4M against +26% revenue, with consolidated gross margin down to 42% from 46%. All C$0.44M of the incremental gross profit came from IC Engage (+C$0.46M) and IC Insurance (+C$0.30M); IC Mobile subtracted C$0.32M.
- **Adjusted EBITDA quality:** C$0.67M, up 345% YoY but *unchanged* sequentially, breaking the four-quarter sequential improvement streak management highlighted in Q1. Q2 other income of C$0.24M was described as comprised entirely of FX gains and is *not* added back in the reconciliation; the prior-year quarter carried a C$0.15M FX loss. Normalising both periods for FX, Adjusted EBITDA is roughly C$0.43M versus C$0.30M — call it +45%, not +345%. Management was candid on the call, with the CFO stating the 345% figure is "more a function of the base we were measuring that against a year ago."
- **Segment Adjusted EBITDA disclosed for the first time:** IC Engage C$1.154M (+385%), IC Mobile C$(0.19)M (versus +C$0.14M), IC Insurance approximately C$0.23M. Backing into the consolidated figure implies roughly **C$(0.52)M per quarter of unallocated corporate drag**, or about C$2.1M annualised — the operating segments generated approximately C$1.19M in aggregate and corporate consumed 44% of it.
- **IC Mobile deterioration:** revenue +25% to C$3.9M (fully organic), but gross margin fell to 10% from 22%, and gross profit dropped 46% to C$0.38M. Segment gross margin has now stepped down two consecutive quarters (22% → 17% → 10%). Causes cited: wholesale mix shift, carrier price increases in fiscal 2025 and again in April 2026 not fully passed through, gateway overage fees, and double-running platform costs during migration.
- **IC Insurance inflected, but on timing:** revenue +147% to C$0.90M and first segment operating income of C$0.13M. Management disclosed the split on the call: approximately C$263K from recurring underwriting growth (organic plus the October 2025 Players Health portfolio) and **C$275K from the annual profit commission**, which was recognised in Q2 this year versus Q4 last year. Net of the commission the segment was roughly breakeven, and Q4 2026 now faces a tougher comparison.

- **IC Engage carried the quarter:** revenue +12% to C$3.3M with gross margin expanding to 75% from 69% on better internal utilisation and reduced third-party fulfillment. Segment operating income +240%. Revenue was down 10% sequentially, attributed to client annual-planning seasonality. Note that C$0.237M of the segment's FX gain sits inside its Adjusted EBITDA; ex-FX the segment's growth is closer to +142% than +385%.
- **Cash and working capital:** cash fell to C$2.33M from C$4.81M at year-end. H1 operating cash flow was C$(1.38)M, though before working-capital movements operations generated +C$0.77M versus a C$0.26M use a year earlier. Deferred revenue drew down from C$2.70M (December) to C$1.60M (March) to C$1.05M (June) — two consecutive quarters, and a forward-book item to watch. Negative working capital improved to C$(0.78)M from C$(3.2)M a year ago.
- **New contracts (all post-quarter in effect):** an exclusive three-year partnership with an unnamed global venue technology provider (effective June 19, announced July 23) with no minimum revenue commitments; a renewal and expansion with a longstanding Fortune 50 technology client spanning 30 countries (June 30, announced July 8); and an enterprise messaging agreement now quantified at up to 120 million messages of throughput and **up to C$1M of incremental ARR**. None contributed to Q2.
- **Bullet Messaging:** subsequent to quarter-end, IC Group entered a convertible promissory note for up to C$500K (C$187.5K funded through August), convertible into a 15% equity interest by December 31, 2027. Management confirmed on the call that Bullet is the partner for the mobile gateway migration and that post-migration the company will own "a state-of-the-art system that we have an ownership stake in."
- **Capital structure:** bank debt reduced C$0.80M in H1 to C$6.92M; no new borrowings. 530,433 options were granted June 29 at a **C$0.45 strike** to settle 2025 executive bonuses — cash-conserving, but a market-implied valuation marker. Shares outstanding 41,290,567. Insiders hold approximately 53%.

Thesis Check

Reviewing each of the five original pillars:

- **Pillar 1 — Exceptional Organic Growth at Scale (INTACT):** +26% revenue with 97% organic is the highest organic proportion since initiation, and LTM revenue reached approximately C$30.7M. The qualifier is that growth is no longer converting proportionally: gross profit grew 15% against 26% revenue, and Adjusted EBITDA was flat sequentially. The engine runs; the transmission is slipping.
- **Pillar 2 — IC Mobile: Defensible Tier-1 Infrastructure (WEAKENED):** We flagged margin as the watch item last quarter and it deteriorated further, from 17% to 10%, with segment Adjusted EBITDA turning negative. The competitive position — one of three Tier-1 Canadian aggregators with direct carrier connections and full domestic data sovereignty — is unchanged and remains genuinely defensible. What has weakened is the economics: at roughly 80% of revenue consumed by carrier and system costs, this is a thin-spread business whose growth currently dilutes consolidated margin. Management targets a return to approximately 20% margin post-migration and claims the new platform brings "contracts that guarantee us pretty much a locked-in margin." That is a stronger forward statement than anything in the filings and is unverifiable until Q3/Q4 print. We downgrade this pillar and will not restore it without two quarters of margin evidence.
- **Pillar 3 — Fannex: A SaaS Platform at Inflection (STRENGTHENED):** IC Engage posted a 75% gross margin, 23% gross profit growth, 240% operating income growth, and the first disclosed segment Adjusted EBITDA of C$1.154M. The exclusive three-year venue technology partnership adds a distribution channel into community, educational and sports venues, and the June live-event initiative spanned 78 events across 15 teams reaching over 400,000 fans. This remains the pillar carrying the thesis.

- **Pillar 4 — Deeply Discounted Valuation (STRENGTHENED):** The dislocation widened again. At C$0.42 the enterprise value is approximately C$23.5M against LTM revenue of approximately C$30.7M — roughly **0.77x**, down from approximately 0.85x at the Q1 update and approximately 0.94x at initiation. The market is now paying less for a business that has grown revenue 26% and turned three consecutive quarters of positive Adjusted EBITDA.
- **Pillar 5 — Multiple Near-Term Catalysts (INTACT):** The catalyst set is now denser and more datable: gateway migration completion targeted for end of Q3, the venue technology partnership ramp, the Fortune 50 renewal delivering through fiscal 2026–2027, up to C$1M of new messaging ARR, and the senior lender renewal in the fall. The offsetting item is that the insurance profit commission will not repeat in Q4.

Updated Financials

METRIC	Q2 2025	Q2 2026	YOY CHANGE
Revenue (C$M)	$6.49M	**$8.17M**	+26%
Gross Profit (C$M)	$3.00M	**$3.44M**	+15%
Gross Margin	46%	**42%**	-4 pts
Adj. EBITDA (C$M)	$0.15M	**$0.67M**	+345%
Adj. EBITDA ex-FX (C$M)	$0.30M	**$0.43M**	~+45%
Net Loss (C$M)	$(0.58)M	**$(0.11)M**	improved
ARR (% of revenue)	70%	**67%**	-3 pts

Segment revenue Q2 2026: IC Engage C$3.34M (+12%), IC Mobile C$3.93M (+25%), IC Insurance C$0.90M (+147%). Segment gross margin: 75%, 10% and 62% respectively. Adjusted EBITDA ex-FX is our own normalisation, not a company-reported figure; the company does not add back foreign-exchange gains in its reconciliation.

We note the ARR metric requires care. Management disclosed recurring revenue by segment on the call — IC Mobile above 95%, IC Engage approximately 50%+, IC Insurance approximately 10% historically. Because IC Mobile is roughly half of revenue and almost entirely recurring, the blended 67–68% ARR figure is disproportionately composed of the lowest-margin, highest-variable-cost revenue in the group. We therefore assign less weight to ARR as a quality proxy than we did at initiation.

Updated Valuation

Our valuation framework is unchanged: EV/Revenue against MarTech and CPaaS peers trading at 1.5x–4x trailing revenue. We also maintain our forward FY2026 revenue estimate of approximately C$32.5M — H1 delivered C$15.9M, or 49% of the estimate, and IC Engage carries winter-sports seasonality that skews to H2, so the estimate remains achievable without heroic assumptions.

In the interest of transparency: net debt has risen to approximately C$6.2M (cash of C$2.33M against bank debt of C$6.92M, debentures of C$1.31M, shareholder advances of C$0.23M and notes of C$0.04M) from approximately C$5.5M at the Q1 update, reflecting the H1 cash drawdown. Mechanically, applying our unchanged 1.5x base multiple to C$32.5M across 41.29M shares now yields approximately **C$1.03** rather than C$1.10. We are **maintaining the C$1.10 target** on the basis that the difference falls within rounding tolerance for a speculative microcap and that management guided to a Q3 cash replenishment which reverses part of the net-debt increase. Readers should treat the base case as a C$1.03–C$1.10 band rather than a point estimate.

SCENARIO	EV MULTIPLE (FWD REV)	PRICE / SHARE	VS. CURRENT
Bear Case	1.0x EV/Rev	C$0.64	+52%
Base Case	1.5x EV/Rev	C$1.03–1.10	+145% to +162%
Bull Case	2.0x EV/Rev	C$1.42	+238%

Based on forward FY2026 revenue of C$32.5M, net debt of approximately C$6.2M, and 41,290,567 shares outstanding. On an LTM basis at C$0.42, ICGH trades at approximately 0.77x EV/Revenue and approximately 9.8x EV/Adj. EBITDA.

Risk Update

- **Covenant Breach and Forbearance Expiry (HIGH, elevated):** This is now the primary overhang. The company was in violation of both its maximum debt-to-EBITDA and minimum fixed-charge coverage covenants at the January 1, 2026 testing date. The senior lender's December 29, 2025 letter confirms it will not demand repayment or enforce remedies before **January 1, 2027** solely on account of that breach. A breach at the January 1, 2027 test makes *all* senior debt due on demand. The CFO acknowledged the position openly on the call. Covenant tests are calculated on reported, not adjusted, EBITDA — and reported H1 EBITDA was C$0.91M.
- **November 30 Term Loan — Structure Requires Clarification (MEDIUM, new):** The MD&A describes a C$5.2M term loan "maturing November 30, 2026." On the call the CFO characterised it differently, as a three-year fixed-rate tranche with "an interest rate maturity in November." These are not the same instrument profile: one is a principal repayment against C$2.33M of unrestricted cash, the other a repricing negotiation. Management stated renewal discussions with the senior lender are in process and progressing well, and total long-term debt is expected to amortise to approximately C$7.7M by year-end — roughly 3x management's stated approximately C$2.5M annualised run-rate Adjusted EBITDA, a defensible leverage level. We consider routine renewal the likely outcome but flag the disclosure inconsistency as unresolved.
- **IC Mobile Margin Recovery Depends on a Funded Counterparty (MEDIUM, new):** The path back to approximately 20% segment gross margin runs through a gateway migration targeted for completion by end of Q3, executed with Bullet Messaging — the same private entity IC Group is financing via a C$500K convertible note with a 15% equity conversion option. Management frames this as strategic control over critical infrastructure, and owning a stake in one's platform provider is defensible. The counterpoint is concentration: if the migration slips, IC Group is a creditor to the reason it slipped. Both readings are legitimate; the dependency is real either way.
- **Gross Margin Compression (MEDIUM, worsening):** The risk we flagged at initiation and again at Q1 has intensified. Consolidated gross margin is now 42%, down from 46%, driven by IC Mobile at 10%. If IC Mobile continues growing 25% at low-teens margins, revenue growth will keep diluting consolidated economics regardless of IC Engage's performance.
- **Q4 Comparison Difficulty (LOW, new):** The C$275K insurance annual profit commission was recognised in Q2 2026 versus Q4 2025. Q4 2026 loses that contribution against a prior-year quarter that contained it.

- **Deferred Revenue Drawdown (LOW to MEDIUM, monitoring):** Deferred revenue has declined two consecutive quarters to C$1.05M. Management attributes the sequential IC Engage softness to client annual-planning cycles and points to a post-quarter mandate renewal. Plausible, but Q3 will distinguish timing from a softer forward book.
- **Illiquidity / Small-Cap Risk (HIGH, unchanged):** Approximately C$17M market cap, no formal sell-side coverage, thin TSXV volume, and insider ownership of approximately 53% leaving a genuinely narrow float. Not suitable for large positions.

Conclusion

Q2 was a quarter of divergence. IC Engage delivered exactly what the thesis requires — 75% gross margin, 240% operating income growth, and a distribution partnership plus a Fortune 50 renewal that land in H2 and 2027. IC Mobile did the opposite, growing revenue 25% while destroying C$0.32M of gross profit and turning segment Adjusted EBITDA negative. Consolidated Adjusted EBITDA of C$0.67M was flat sequentially and, once foreign-exchange gains and the insurance commission timing shift are stripped out, materially thinner than the 345% headline. Management deserves credit for saying so themselves on the call rather than hiding behind the number.

The thesis is not broken, but it is now more concentrated than we underwrote. Three of five pillars strengthened or held; the IC Mobile economics pillar weakened and its repair depends on a Q3 platform migration executed through a partner IC Group is financing. Behind that sits the January 1, 2027 covenant test, which is the genuine binding constraint on this equity — not the November loan event, which management appears well positioned to renew.

At C$0.42 per share and a market capitalisation of approximately C$17.3M, ICGH trades at roughly 0.77x LTM revenue — cheaper than at our Q1 update and cheaper than at initiation, despite three consecutive quarters of positive Adjusted EBITDA and a widening organic growth profile. The Tier-1 messaging licence, the Lloyd's Coverholder authority, the 100-plus team live-event footprint and the new venue distribution channel remain ascribed essentially no value. We **maintain** our **Speculative Buy** rating with a C$1.10 price target, and we will treat Q3 gross margin in IC Mobile as the single most important datapoint for whether this rating survives into 2027.

IC Group Holdings Inc. (ICGH) — key questions

> **What is Microcap Research's rating and price target on IC Group Holdings Inc. (ICGH)?**
>
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> **What does IC Group Holdings Inc. (ICGH) do?**
>
> Our initial coverage on ICGH was published May 7, 2026, followed by a Q1 update on May 28, 2026. The thesis frames IC Group as a sub-1x-revenue MarTech compounder with Tier-1 Canadian messaging infrastructure, a scaling sports-tech SaaS platform (Fannex), and a high-margin specialty insurance book.

What is the investment thesis for IC Group Holdings Inc. (ICGH)?

Q2 revenue grew 26% with 97% organic growth, but gross profit rose only 15% and IC Mobile — the largest segment — added C$0.8M of revenue while subtracting C$0.32M of gross profit. Adjusted EBITDA of C$0.67M was flat sequentially and is roughly C$0.43M ex-FX. The stock at C$0.42 is now ~0.77x LTM revenue, cheaper than at initiation. Maintain Spec. Buy, C$1.10.

How is IC Group Holdings Inc. (ICGH) valued?

Our valuation framework is unchanged: EV/Revenue against MarTech and CPaaS peers trading at 1.5x–4x trailing revenue. We also maintain our forward FY2026 revenue estimate of approximately C$32.5M — H1 delivered C$15.9M, or 49% of the estimate, and IC Engage carries winter-sports seasonality that skews to H2, so the estimate remains achievable without heroic assumptions.

What are the key risks for IC Group Holdings Inc. (ICGH)?

Risks flagged in this report — Covenant Breach and Forbearance Expiry (HIGH, elevated); November 30 Term Loan — Structure Requires Clarification (MEDIUM, new); IC Mobile Margin Recovery Depends on a Funded Counterparty (MEDIUM, new); Gross Margin Compression (MEDIUM, worsening); Q4 Comparison Difficulty (LOW, new); Deferred Revenue Drawdown (LOW to MEDIUM, monitoring); Illiquidity / Small-Cap Risk (HIGH, unchanged)

What are the key financial metrics for IC Group Holdings Inc. (ICGH)?

As of Aug 27, 2026 — Market Cap: C$17.3M · EV/Revenue (LTM): ~0.77x · EV/Adj. EBITDA (LTM): ~9.8x · Revenue (Q2 2026): C$8.17M (+26%) · Adj. EBITDA (Q2 2026): C$0.67M (C$0.43M ex-FX) · Gross Margin (Q2 2026): 42%.

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