Zacks Small-Cap Research

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Sysorex Global (SYRX-NASDAQ)

SYRX: *Transition to Data Analytics Company Focused on Enterprise Customers; Resuming Coverage*

Current Recommendation	**Outperform**
Prior Recommendation	
Date of Last Change	06/29/2015
Current Price (06/26/15)	$1.70
Six- Month Target Price	**$3.00**

OUTLOOK

Recent acquisitions have transformed Sysorex from a company that provided systems integration and consulting services primarily to the government sector into an enterprise focused technology company, with diversified offerings that include cyber and mobile security, Big Data analytics and in-memory technologies. These technologies are expected to outpace the growth of the overall general tech sector. By combining these businesses, the company expects to generate synergies, operational efficiencies and cross-selling opportunities.

SUMMARY DATA

52-Week High	**$4.45**
52-Week Low	**$0.98**
One-Year Return (%)	**-57.20**
Beta	**-0.65**
Average Daily Volume (sh)	**633,244**
Shares Outstanding (mil)	**20**
Market Capitalization ($mil)	**$34**
Short Interest Ratio (days)	**1.30**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**38**
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 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Value**
Industry	**It Services**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	5 A	15 A	14 A	16 A	51 A
2014	16 A	17 A	14 A	15 A	63 A
2015	14 A	17 E	16 E	17 E	64 E
2016					70 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-$0.04 A	-$0.04 A	-$0.02 A	-$0.04 A	-$0.09 A
2014	-$0.02 A	-$0.03 A	-$0.11 A	-$0.08 A	-$0.24 A
2015	-$0.15 A	-$0.14 E	-$0.13 E	-$0.07 E	-$0.49 E
2016					-$0.29 E

Zacks Projected EPS Growth Rate - Next 5 Years % NA

Disclosures begins on page 18

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KEY POINTS

- Through strategic M&A, Sysorex is transforming itself to an enterprise focused technology company targeting Big Data analytics, cyber-security and Internet of Things (IoT) as its primary growth markets.

- Four acquisitions over the past 2+ years have boosted revenue from $4.2 million in 2012 to $62.9 million in 2014. Recently acquired AirPatrol operates in the mobile cyber-security and location based marketing niches, LightMiner Systems is a big data analytics software platform, with high-speed database technology.

- Cyber security and Big Data analytics are generally expected to outpace the growth of the overall IT sector. Mobile technology penetration has grown dramatically over the past decade, as adoption rates of mobile devices such as smartphones and tablets are tracking significantly ahead of that of other technology platforms such as PCs or broadband. The location-based mobile security and services (LBS) market is estimated at more than $12 billion globally.

- By combining these technology offerings with cloud capabilities and accelerated data processing, Sysorex hopes to create synergies among its newly acquired businesses by cross promoting services and products. In success, we believe this could enhance the combined entity's revenue and margin growth.

OVERVIEW

Sysorex has implemented an ambitious strategy to transition to a data analytics company focused on enterprise customers. The company has entered new complementary businesses through strategic M&A, targeting Big Data analytics, cyber-security and Internet of Things (IoT) as its primary growth markets. Beginning with the acquisition of Lilien Systems in March 2013, followed by Shoom, Air Patrol and LightMiner earlier this year, these four strategic acquisitions have boosted revenue to $62.9 million in 2014, up from $4.2 million in 2012. Pursuant to the company's strategy to cross-sell its businesses, Sysorex won two contracts in April 2015 that management believes will allow Sysorex to extend Lilien into the federal sector.

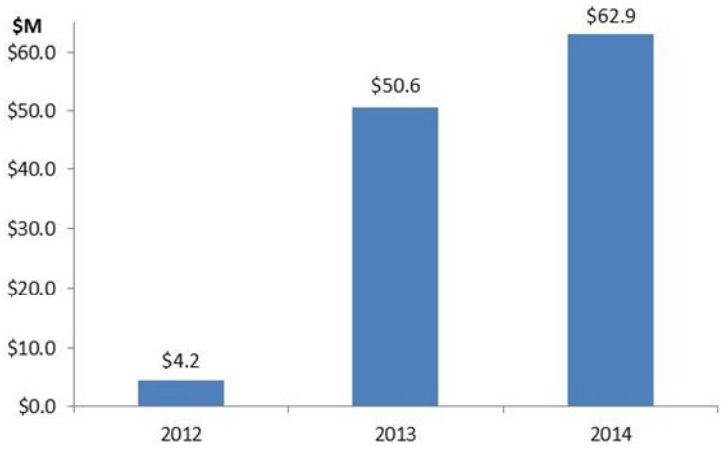
At the same time, the company expects that location based data from AirPatrol can be used to grow Big Data revenue. As more devices become connected, management expects to be able to capture data from any device and incorporate it into its data analytics platform. LightMiner's in-memory database makes it a rapid and scalable solution to address the Big Data analytic needs of enterprise customers, according to Sysorex, which believes that all of its business units will be able to leverage the LightMiner assets.

Cyber security and big data analytics, the linchpins of the company's strategy, are expected to outpace general demand for IT services. Management feels that it has assembled an experienced management team with a proven track record. **If Sysorex can create synergies among its newly acquired businesses, we believe it could enhance the combined entity's revenue growth**.

GROWTH THROUGH ACQUISITIONS

California based Sysorex Global Holdings Corp. has launched an ambitious strategy to transform itself from a systems integration and consulting company to an enterprise focused technology company. The company's strategy has been to enter new complementary businesses through strategic M&A, targeting Big Data analytics, cyber-security and Internet of Things (IoT) as its primary growth markets. The company has made four strategic acquisitions over the past 2+ years, beginning with Lilien Systems in March 2013. Sysorex subsequently purchased Shoom and Air Patrol and acquired LightMiner assets earlier this year. As a result, Sysorex has added several complementary businesses and grown its revenue from $4.2 million in 2012 to $62.9 million in 2014. It has also diversified into the targeted businesses**.** In conjunction with this expansion and diversification, the company also completed a $20.0 million equity offering in April 2014, up-listing its shares to the Nasdaq following a 1 for 2 reverse stock split.

Sysorex Revenue Growth, 2012-2014 ($ Millions)



Source: Company reports

Lilien Systems

The company's acquisition of Lilien Systems in March 2013 was the most impactful in terms of revenue growth. Sysorex purchased Lilien, a California based enterprise IT infrastructure solutions provider, for $3 million in cash and 3.0 million shares. Lilien generated roughly $42 million in revenues in 2012 compared to Sysorex's $4 million. As an independent company, Lilien served about 700 commercial businesses in California, Oregon, Washington and Hawaii, according to management. Lilien's historic expertise was in Big Data and analytics.

Lilien is a premier partner with many of its technology partners. Lilien has also made the CRN list of 50 fastest-growing VARs (value added resellers) for the past several years. VARs assemble computer components in order to build complete systems. Many companies, particularly small and medium size businesses that do not have a broad and sophisticated in-house IT staff, use VARs to design, set up and install customized computer systems. Many VARs also offer other services such as strategic planning, system design, training, technical support and database development. Roughly 25% of Lilien's revenue is recurring, with contract durations that are up to about five years. This gives management visibility into the committed portion of revenue. Moreover, Lilien has a diversified revenue base, with no customer accounting for more than 15% of total revenue.

With Lilien, Sysorex's customer base changed dramatically, shifting more towards the private sector. Unlike Lilien, Sysorex has a long history of successfully bidding on government contracts and is on the GSA schedule. For example, in 2014 Sysorex was one of 13 small businesses that won a Navy contract award that could be worth as much as $250 million. Sysorex's plan is to leverage Lilien's technology and

expertise in the government space and, at the same time, tap into Lilien's 700 plus customer base for opportunities for the combined Sysorex.

The company won two contracts in April 2015 that management believes will allow it to extend Lilien into the federal sector and, in turn, maintain growth in this operating segment. These contracts – NASA SEWP V and CIO-CS – are primarily product contracts and each has a $20 billion ceiling value over multiple awards over ten years. The company also expects to add AirPatrol and LightMiner products to these contracts. The revenue that Sysorex ultimately realizes from these contracts depends on the task orders the company wins.

Specifically, in April 2015, the company announced that Lilien Systems had been selected as one of 65 prime contract holders under the Chief Information Officer – Commodities and Solutions (CIO-CS) contract by National Institutes of Health Information Technology Acquisition and Assessment Center (NITAAC). Being a prime contract holder enables Lilien to fulfill task orders from government agencies seeking to acquire IT commodities and solutions.

Earlier in April, Sysorex announced that it had been awarded a contract in NASA's (National Aeronautics and Space Administration) fifth Solutions for Enterprise-Wide Procurement (SEWP) contract vehicle, which is for a Government-wide Agency Contract (GWAC) to provide IT products, services, and solutions to the entire Federal sector.

Shoom

The company acquired Shoom in August, 2013 for $2.5 million of cash funded from Shoom's balance sheet and 1.38 million shares. Founded in 1998, California based Shoom provides cloud based data analytics and enterprise solutions to the media, publishing and entertainment industries. Management believes cloud based analytics offers substantial growth opportunities. Sysorex is leveraging Shoom's team of cloud solution engineers for the other businesses, as well as to sell Lilien's Big Data expertise and advanced analytics to Shoom customers.

Shoom historically had generated gross margins in the 75% range compared to Sysorex's roughly 45% in 2012. Shoom's software-as-a-service (SaaS) contracts generally last for at least one year or longer and Shoom also has a high customer retention rate, according to management.

AirPatrol

In April 2014, Sysorex acquired Maryland-based AirPatrol, which operates in the mobile cyber-security niche. AirPatrol's technologies detect any wireless signal (cellular, wi-fi, Bluetooth, RFID, etc.) and its existing customer base includes government agencies, the military and large corporations. Founded in 2005, AirPatrol has two patents and 13 patents pending globally on its proprietary IP. Its flagship product is *ZoneDefense,* which detects mobile devices within a monitored area to enforce no wireless zones and mitigate the risk of a security breach by managing the security controls on detected devices. For example, *ZoneDefense* can disable the camera function on unauthorized devices entering a sensitive area and turn the camera function back on once the device has left the sensitive area. This essentially creates a virtual electronic barrier to protect the sensitive area.

ZoneDefense technology is accurate to within a few feet, which provides some 10x greater accuracy compared to competitors' products, according to management. As long as the device is on, *ZoneDefense* can detect it even if it is not in use. *ZoneDefense* can also connect with other software to better monitor security within the detection zone.

In addition to its cyber-security functionality, AirPatrol technology can also be used to drive revenue opportunities, connecting to apps on the mobile device in order to offer location-based discounts and services. For example, the technology could offer a discount to a restaurant that is close to the device's current location. For retailers, it could offer a discount for an item, as well as suggestions for matching

that item to accessories. The use of beacons for location based advertising has garnered substantial interest. Beacons enable background positioning and detection of smart devices and create the potential to target a consumer with an appropriate location based message or offer. Air Patrol's competitive advantage is that it has a much wider coverage area, according to Sysorex. For example, it can monitor a device throughout a mall while beacon technology is generally limited to coverage in a single store. The location based mobile advertising market continues to expand and could represent a significant opportunity for Sysorex, in our view.

McKinsey notes that:

> Compared with more traditional forms of advertising such as TV or print, geo-targeted campaigns appear to have higher relevance to the consumer at the moment when a purchase decision is likely to be made and therefore boost the potential for an actual sale…. Geo-targeted advertising is emerging as a highly effective marketing vehicle that could represent more than 5 percent of total global advertising spending by 2020.

While Sysorex originally anticipated an $8 million to $10 million revenue contribution from Air Patrol in 2014, the subsidiary fell short. Management nevertheless believes that Air Patrol remains on-track to deliver strong revenue results in coming quarters.

Lightminer

In April 2015, the company purchased the assets of LightMiner Systems for roughly $3.78 million, acquiring a big data analytics software platform and its two patent pending applications. What Sysorex found attractive about LightMiner is its high-speed database technology, which management believes could be a significant competitive advantage in the nascent field of managing and analyzing Big Data. Similar to the company's other recent M&A transactions, the deal was financed with SYRX shares. LightMiner's founder Chris Baskett joined Sysorex as Vice President of Engineering.

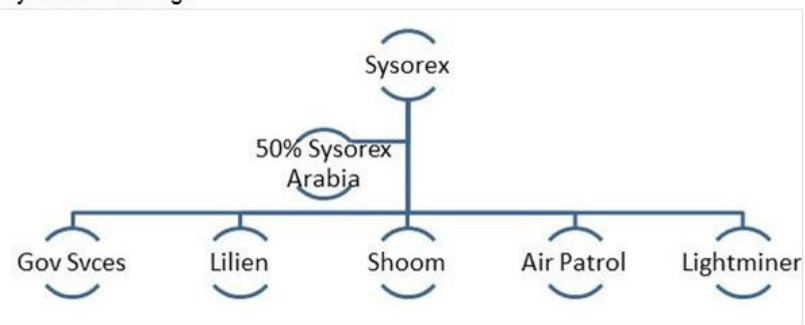
The company believes that as more devices become connected, it will be able to capture data from any device and incorporate it into its data analytics platform using LightMiner. LightMiner's in-memory database makes it a rapid and scalable solution to address the Big Data analytic needs of enterprise customers, according to Sysorex. The company believes that all of its business units will be able to leverage the LightMiner assets. Moreover, with the LightMiner transaction, the company can utilize proprietary technology for Big Data analytics, rather than relying on third party technology. Management believes that LightMiner can accelerate database performance and statistical analysis significantly.

With these acquisitions, Sysorex now has the legacy government services business, Lilien Systems, Shoom, AirPatrol and Lightminer. In addition, the company also holds a 50% stake in Sysorex Arabia LLC. Going forward as the company completes its integration, Sysorex intends to phase out the subsidiary names and to deliver the AirPatrol, Shoom and LightMiner brands as product lines. Lilien and other services will be delivered under the Sysorex brand.

EXPANDED SERVICE / PRODUCT OFFERINGS

With four key acquisitions, Sysorex has laid the groundwork and acquired the assets to **transition from a services company to a technology company.** The company now looks to exploit the market opportunities these subsidiaries present and has earmarked cyber security, internet of things and Big data analytics as the linchpins of its growth strategy, as noted. The growth in demand for these technologies is expected to outpace general demand for IT services. A recent IDC study forecasts that the Big Data technology and services market will grow at a 26.4% CAGR through 2018 to $41.5 billion, which represents a significantly higher growth rate than that of the overall IT market. Management feels that it has assembled an experienced management team with a proven track record.

Sysorex Offerings



Source: Company reports

Big Data Drives Demand for Analytics and Security

We believe the importance of cyber security technologies is illustrated by security breaches such as those involving Edward Snowden, LexisNexis and Target (TGT-not rated), among other recent examples. Moreover, as the storage of Big Data continues to expand, we believe it will drive demand for both cyber-security technologies and Big Data analytics.

Big Data Growing Exponentially

The volume of big data – datasets too large for general software tools to manage and analyze – continues to grow dramatically, as businesses and individuals digitalize their information and data. For example, Wal-Mart (WMT-not rated) processes more than one million customer transactions every hour, according to *The Economist*, with that data stored in an expanding database. The rapid increase in information collection and storage for business and personal usage is fueling the growth of Big Data and is also driving the need for better tools to analyze it and maintain its security.

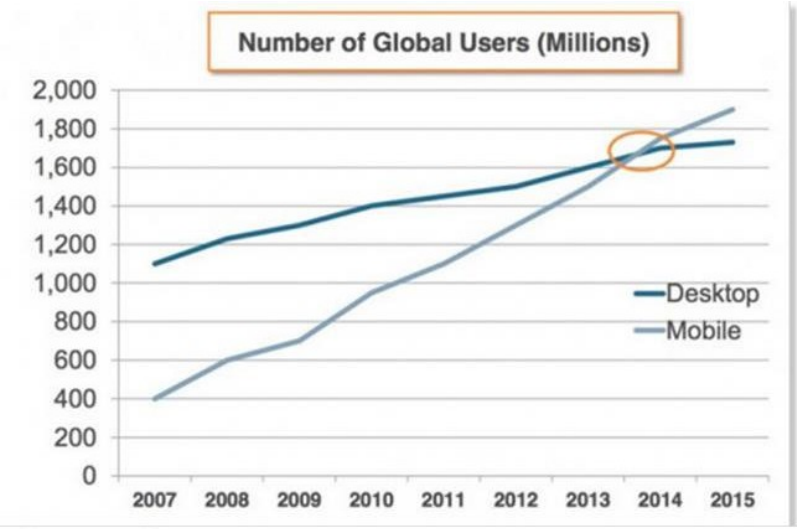
McKinsey estimates that the U.S. healthcare industry could reduce healthcare expenditures by 8% by using big data effectively and that the retail sector could improve operating margins by 60% or more. The firm cited 16 Big Data actions that retailers can use to improve their revenue and margin profile, ranging from marketing – importantly, including location based marketing – to merchandising enhancements.

According to a study by McKinsey and Gartner, 79% of businesses that employ 500 to 1,000 people view Big Data as challenging. McKinsey also estimates that by 2018, the U.S. could face a shortage of analysts with the expertise to analyze and maximize the use of Big Data.

Cyber Security More Important Than Ever

Mobile technology penetration has grown dramatically over the past decade. Adoption rates of mobile devices such as smartphones and tablets are tracking significantly ahead of that of other technology platforms such as PCs or broadband. There were 1.2 billion smartphones and tablets shipped in 2013 according to IDC, with 218 million designated for business use. Smartphone penetration reached 65.2% of the U.S. mobile subscriber market during the fourth quarter of 2013, according to comScore, up more than 11% points from the same time frame a year earlier. Smartphones took only 8-years to reach 20+% penetration globally.

With increased mobile penetration, there has been a growing trend towards BYOD (bring your own device), whereby employees bring their personal devices into the work environment for business and personal applications. Mobile apps have become an important way that users conduct commerce and access content both personally and professionally.



Source: comScore

These changes have placed greater challenges on corporate IT teams. IT's control over the company's wired network has become much more difficult in a BYOD work environment, creating challenges to maintain the benefits of mobility while concurrently monitoring security needs. In turn, this has driven demand for security to monitor mobile devices. The market for MDM (mobile device monitoring) technology is estimated at over $780 million, with more than 125 providers. Gartner predicts that it will reach $1.6 billion this year. Many of these MDM providers have sought partnerships with vendors of other mobile technologies in order to customize their mobile security offerings.

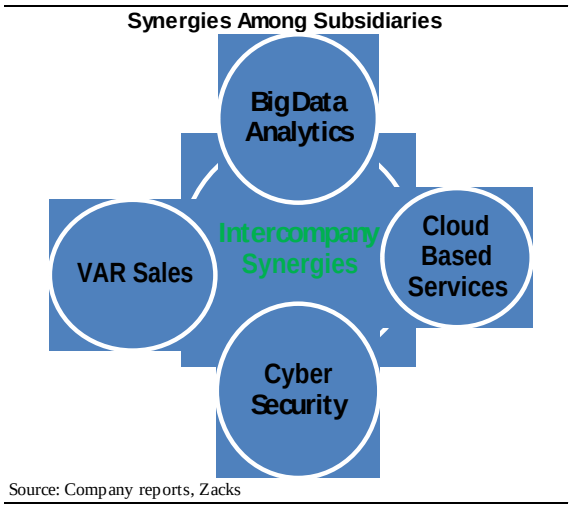
The location-based mobile security and services (LBS) market is estimated at more than $12 billion globally, according to Jupiter Research. Customers for LBS services include large bricks-and-mortar retailers, healthcare facilities, malls, hotels and resorts, gaming operators and government agencies, among others.

Moreover, as more data storage and IP traffic moves to the cloud, cloud based business analytics and business intelligence is expected to grow. Gartner expects strong demand for all types of cloud services offerings. Market research firm Markets and Markets predicts that the cloud analytics market could reach $16.52 billion by 2018, which represents a 25.8% 2013-2018 CAGR. Shoom has provided cloud solutions for over four years.

Combining Cyber Technology and Big Data Analytics with Cloud Capabilities

If Sysorex can create synergies among its newly acquired businesses by cross promoting its services and products, we believe it could enhance the combined entity's revenue growth. Management expects that as it continues to transition to technology based businesses, consolidated revenues and margins will expand. Sysorex hopes to leverage Lilien's technology and expertise into the government space, offer its legacy products, as well as products from Shoom and AirPatrol to Lilien's 700 plus customer base. Additionally, the company expects that location based data from AirPatrol can be used to grow Big Data revenue.

Management plans to leverage Shoom's team of cloud solution engineers for both the Lilien and legacy Sysorex businesses. At the same time, the combined entity will sell Lilien's Big Data expertise and advanced analytics to a growing customer base. With Shoom, Sysorex can allow its customers to use all of these technologies in the cloud, as well as to deploy them on-premise. With LightMiner, the company no longer needs to rely on third-party Big Data analytics technology and management believes that LightMiner can accelerate the data analytics processing. In our view, if management **executes this strategy, it can enhance the value of each subsidiary's separate area of expertise.**



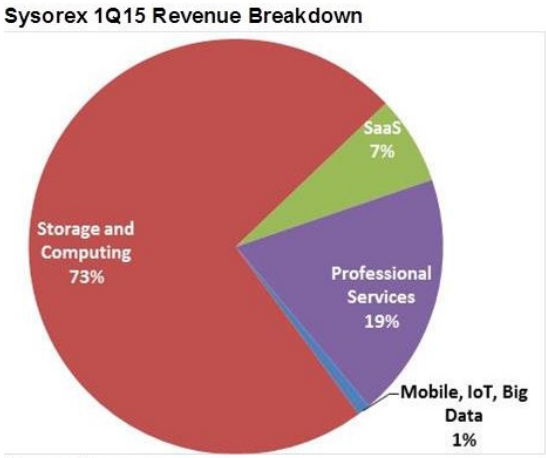
Not only does the combined company have a broader customer base, it also has a significantly broader scope of IT offerings. The Lilien purchase gave Sysorex access to partnerships with leading IT vendors such as Oracle (ORCL-not rated), Dell (DELL-not rated) and Cisco (CSCO-not rated), among others. Shoom also provides Sysorex with secure cloud-based software products that carry higher gross margins. Management intends to introduce these technologies to its U.S. Federal government contracts and to leverage Lilien's salesforce to help cross-sell all technologies available to the combined company.

Although the company is a relatively small player in the overall IT industry, reflecting its long history of work for government agencies, the company believes it remains well-positioned in terms of its cyber security and Big Data analysis initiatives for U.S. Government customers. The recent contract wins represent examples of this, in our view. According to management, the government sector is less competitive than the overall IT sector, as few companies: 1) understand how to navigate the bidding process to win sizable government awards and 2) have obtained the necessary clearance to bid for such awards.

Management believes its 40+ years of experience illustrates its understanding of the skills needed to compete in the public sector for IT contracts. In the public sector, Sysorex also often partners with large systems integrators and has acted as a subcontractor to companies such as Lockheed Martin (LMT-not rated), Northrop Grumman (NOC-not rated), SAIC (SAIC), General Dynamics (GD-not rated) and others.

FINANCIAL HISTORY

Sysorex generated total revenue of $14.1 million for the first quarter ended March 31, 2015 compared to $16.3 million for the same period in the prior year. The roughly 13% year-over-year decline was primarily the result of an unusually large order that the company recorded in 2014's first quarter that did not recur in the March 2015 quarter. The biggest revenue contributor during the quarter was Storage and Computing services, which accounted for $10.3 million or 73% of total revenue. Margins in this segment average about 20%, according to Sysorex. Management expects segment revenue to grow, reflecting recent SEWP and CIO-CS contract awards. The other segments contributed a combined 27% of revenue. Roughly $143,000 of revenue came from Sysorex' Mobile, IoT and Big Data Products segment, another $973,000 from SaaS and Professional Services accounted for another $2.7 million of revenue.



Source: Company reports.

The company recognized gross profit of $4 million for 1Q15 versus $4.4 million generated in 1Q14. However, the 1Q15 gross margin of approximately 29% versus 27% reflects the company's continued revenue shift its higher margin products and services. As the higher margin business segments grow, we would anticipate a positive impact on the company's consolidated margins.

On a GAAP basis, the company recorded a net loss attributable to common stockholders of ($2.9) million or ($0.15)/ share compared to ($780,000) or ($0.05) on AirPatrol operating expenses, as well as additional professional fees and administrative costs associated with being a public company. On a pro-forma basis, the net loss was ($1.6) million or ($0.08)/share versus ($131,000) or ($0.01). Adjusted EBITDA was a loss of ($1.3) million compared to positive $51,000.

Balance Sheet

The company had cash and equivalents of $2.7 million at the end of 1Q15. Cash used in operations was approximately $2.3 million during the quarter. The company expanded its borrowing capacity, increasing its credit limit to $10 million from $6 million. Bridge Bank also extended Sysorex a new $2 million term loan. We would like to see the company reduce its use of cash from operations.

VALUATION

Sysorex is a “show me” story at this stage, in our view, particularly following recent quarterly shortfalls. Nevertheless, for investors who can assume higher than average risk, we believe the shares represent on attractive option on the company’s ability to cross promote its broader product and service offerings. With the 57% pullback in the share price since June 2014, the shares are trading at only 0.5x TTM revenue. The risk / reward ratio appears attractive, in our view, particularly given the recent contract wins that could help Sysorex cross-promote its various services within the government sector. Moreover, management is confident that with the recent appointment of Bret Osborn as Chief Sales Officer, the company will be able to accelerate its cross-promotional strategy, although we expect revenue could remain lumpy on an interim quarterly basis in the near-term.

Sysorex Peer Analysis

		6/26/2015	52-Week		Revenue ($M)			EPS		
Company	Ticker	Price	High	Low	2014A	2015E	2016E	2014A	2015E	2016E
Hewlett-Packard*	HPQ	30.53	41.10	31.00	111,450	104,810	104,230	3.74	3.65	3.81
Hortonworks	HDP	26.20	29.83	19.50	46	97	142	(14.37)	(3.32)	(3.35)
MobileIron	MOBL	6.13	12.96	5.88	127	145	175	(1.03)	(0.83)	(0.48)
SAP	SAP	72.97	82.70	62.82	17,560	20,410	21,360	3.50	3.83	4.19
Splunk*	SPLK	70.38	74.88	40.71	451	616	805	0.09	0.14	0.31
Tableau Software	DATA	116.86	123.98	57.89	413	618	839	0.52	0.40	0.67
Teradata	TDC	37.30	47.03	36.53	2,730	2,660	2,740	2.86	2.44	2.74
Unisys	UIS	20.51	30.65	18.72	3,360	3,160	3,200	0.89	0.30	0.67
Sysorex	*SYRX*	*1.70*	*4.45*	*0.98*	*63*	*64*	*70*	*($0.42)*	*($0.49)*	*($0.29)*

	Mkt	EV / Revenue			P/E		
	Cap ($M)	2014A	2015E	2016E	2014A	2015E	2016E
Hewlett-Packard*	55,259	0.5x	0.5x	0.5x	8.2x	8.4x	8.0x
Hortonworks	1,131	22.9x	11.6x	8.0x	nm	nm	nm
MobileIron	478	3.0x	3.3x	2.7x	nm	nm	nm
SAP	87,564	4.8x	4.3x	4.1x	20.8x	19.1x	17.4x
Splunk*	8,847	18.7x	14.4x	11.0x	782.0x	502.7x	227.0x
Tableau Software	5,830	12.4x	9.4x	7.0x	224.7x	292.2x	174.4x
Teradata	5,526	1.9x	2.1x	2.0x	13.0x	15.3x	13.6x
Unisys	1,024	0.3x	0.3x	0.3x	23.0x	68.4x	30.6x
Sysorex	34	0.5x	0.5x	0.5x	nm	nm	nm
Average**		8.0x	5.7x	4.5x	16.3x	27.8x	17.4x

*FY ends Oct. (HPQ) & Jan. (SPLK)
** Excluding SPLK & DATA
Source: Company reports, Yahoo Finance, Zacks

As a speculative investment and reflecting the limited track record the company has since launching its transition strategy, we expect the multiple expansion to be somewhat muted in the early days. Our initial price target is $3.00. This equates to a 0.9x multiple of revenue. It represents a significant discount to peers, as illustrated In the comparative analysis table above, although we believe no other company is directly comparable to Sysorex. In success, we would expect Sysorex to enjoy a stronger growth rate than most of the larger, more mature companies.

RECENT NEWS

On May 18, 2015, Sysorex announced it had been chosen by a Fortune 500 California-based healthcare services provider to design and develop information systems architecture and noted that the project is expected to generate revenue of almost $2 million.

On May 13, 2015, Sysorex announced that it had entered into an agreement with CrowdStar Inc., a mobile game developer, to build a real-time analytics solution to enable CrowdStar to improve its customer sentiment analysis and player retention.

On May 7, 2015, Bridge Capital Holdings increased Sysorex's credit limit from $6 million to $10 million and extended a new $2 million term loan.

On April 23, 2015, Sysorex announced that its Lilien Systems subsidiary had been selected as one of the 65 Prime Contract Holders under the CIO-CS contract by NITAAC. The CIO-CS contract was the third contract win year-to-date.

On April 7, 2015, Sysorex announced that it had been awarded a contract in NASA's fifth Solutions for Enterprise-Wide Procurement (SEWP) contract vehicle.

On March 18, 2015, Sysorex announced it had been awarded a subcontract to support Octo Consulting Group on the $249 million Enterprise Information Technology Services (EITS) Indefinite Delivery / Indefinite Quantity (ID/IQ) contract.

RISKS

- We believe the company faces competitive risk from other, larger and better capitalized players that also operate in the sector.
- Government budgetary constraints have often delayed or reduced expenditures from Sysorex's public sector customer base and could in the future.
- Despite the broader offerings resulting from the company's acquisitions, Sysorex might not be able to cross-sell its various service and product offerings as easily as management anticipates.
- Sysorex could need additional funding to support its growth.
- It could take longer than we anticipate for Sysorex to convert strong revenue into positive EPS and cash flow.
- The company is highly dependent on CEO Nadir Ali, who is driving its growth strategy, in our view.

MANAGEMENT

CEO Nadir Ali, one of the executives with the original Sysorex Information Systems (SIS), has been CEO since September 2011. Before that, he was president of Sysorex Consulting. He has more than 15 years of experience in the consulting and high tech industries. He was VP of Strategic Programs at SIS until it was acquired by Vanstar, having worked closely to complete that transaction. He co-founded Tira Capital, which invested in early stage technologies, and was a managing director there from 1998-2001. Before Tira Capital, he served as VP of Strategic Planning for e-commerce software start-up Isadra, Inc. From 1989 to 1994 he was a management consultant, with much of that experience at Deloitte & Touche LLC. Abdus Salam Qureishi, the company's chairman, is his father-in-law.

Interim CFO Wendy Loundermon has held that position since 2002. Prior to that, she was a Tax Manager at Thomson Reuters and is a CPA.

Chief Evangelist Cleve Adams joined AirPatrol in 2012. He has extensive experience in the software, mobile and network security sectors and was VP of Sales and one of the co-founders of Websense.

Chief Sales Officer Bret Osborn was president of Lilien Systems from 2005 until it was acquired by Sysorex in 2013. Under his tenure at Lilien as VP of Sales, Lilien quadrupled its revenue, doubled the number of employees it had and was added to the CRN list of Top 50 fastest growing VARs. Before Lilien, he was Regional VP for BlueArc. Corp. from 2003-04 and Area VP for EMC Corporation from1997-2002.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Sysorex Global Holdings Income Statement & Projections ($000s)

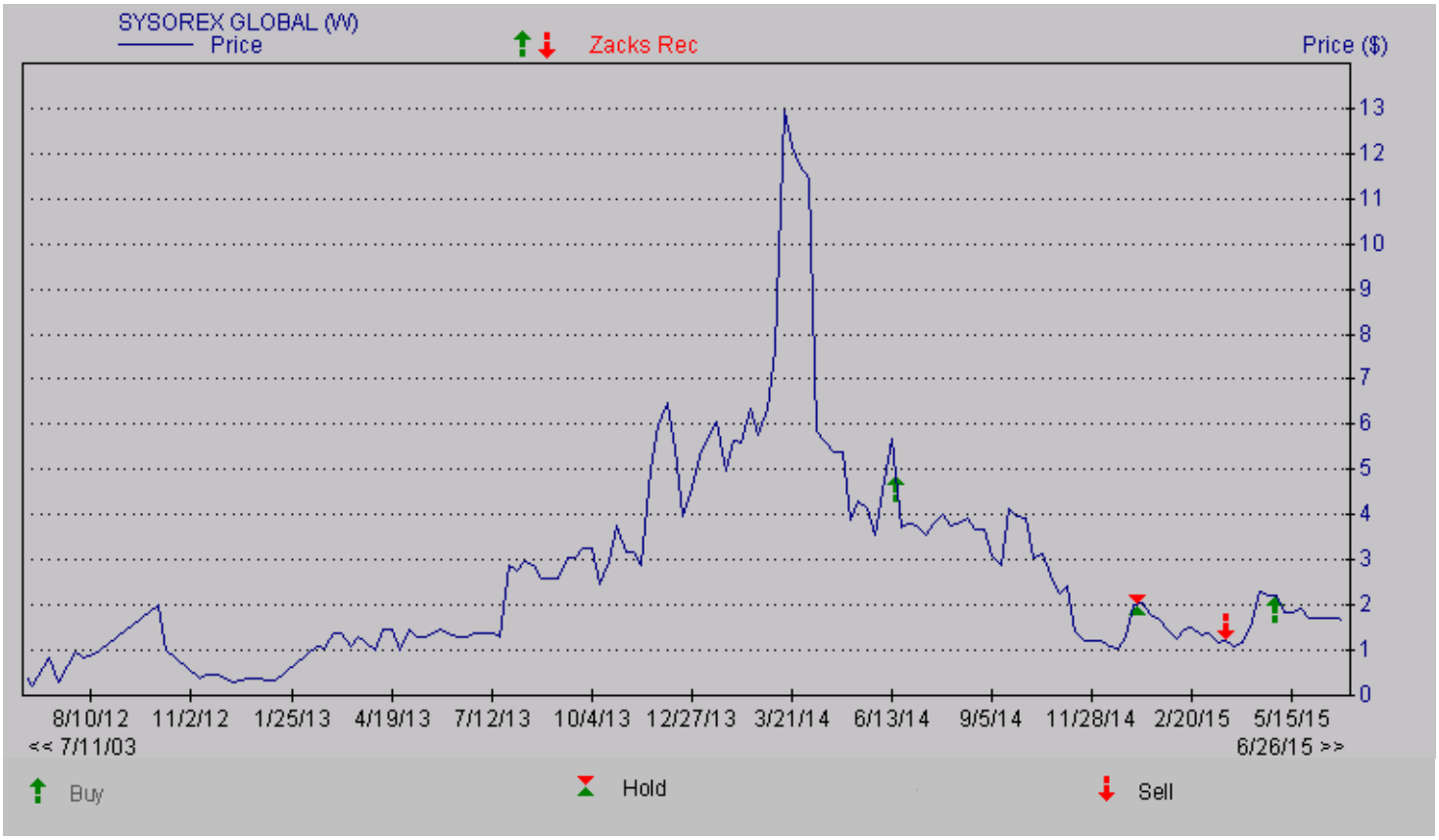
	1Q14	2Q14	3Q14	4Q14	2014	1Q15A	2Q15E	3Q15E	4Q15E	2015E	2016E
Revenues											
Mobile, IoT, Big Data						143	173	163	183	662	861
Storage and Computing						10,306	12,499	11,726	11,980	46,512	48,838
SaaS						973	1,180	1,107	1,408	4,668	5,976
Professional Services	-	-	-	-	-	2,700	3,275	3,072	3,530	12,576	14,148
Total Revenues	**$16,320**	**$17,145**	**$14,283**	**$15,201**	**$62,949**	**$14,122**	**$17,128**	**$16,068**	**$17,101**	**$64,419**	**69,823**
Products	10,708	-	-	-	-	8,650	10,375	9,733	9,932	38,689	40,047
Services	1,262	-	-	-	-	1,425	1,759	1,650	1,920	6,754	7,764
Total Cost of Revenues	11,970	11,465	10,008	10,766	44,209	10,075	12,133	11,383	11,852	45,443	47,811
Gross Profit	4,350	5,680	4,275	4,435	18,740	4,047	4,994	4,685	5,249	18,976	22,011
R&D	-					163	150	150	150	613	595
Sales and marketing	2,297	4,496	1,511	9,955	18,259	2,463	4,406	1,481	9,756	18,106	17,563
General& administrative	2,315	1,213	4,782	(4,052)	4,258	3,274	1,189	4,686	(3,971)	5,178	5,023
Acquisition related costs	104	1,091	-	(179)	1,016	76	1,069	-	(176)	970	941
Amort. of intangibles	328	1,249	443	893	2,913	882	881	882	875	3,519	3,414
Total Operating Expenses	5,044	8,050	6,736	6,616	26,446	6,858	7,695	7,199	6,634	28,386	27,534
Loss from Operations	(694)	(2,370)	(2,461)	(2,181)	(7,706)	(2,811)	(2,701)	(2,513)	(1,384)	(9,410)	(5,523)
Other Income / (Expense)		12		(12)							
Interest expense	(108)	(104)	(95)	(80)	(387)	(99)	(102)	(93)	(87)	(382)	(378)
Other	14	-	7	420	441	5	5	7	5	22	50
Total Other Income (Exp	(94)	(92)	(88)	328	54	(94)	(97)	(86)	(82)	(360)	(328)
Pretax loss	(788)	(2,462)	(2,549)	(1,853)	(7,652)	(2,905)	(2,798)	(2,599)	(1,467)	(9,770)	(5,851)
Taxes	(35)		-		-	-					
Net Loss	(823)	(2,462)	(2,549)	(1,853)	(7,652)	(2,905)	(2,798)	(2,599)	(1,467)	(9,770)	(5,851)
Non-controlling Interest	(43)	(56)	(6)	(11)	(116)	(5)	(5)	(5)	(5)	(20)	(20)
Shareholders Net Loss	(780)	(2,407)	(2,543)	(1,841)	(7,536)	(2,900)	(2,793)	(2,594)	(1,462)	(9,750)	(5,831)
LPS	**($0.05)**	**($0.13)**	**($0.13)**	**($0.11)**	**($0.42)**	**($0.15)**	**($0.14)**	**($0.13)**	**($0.07)**	**($0.49)**	**($0.29)**
Avg. shrs out (FD)	14,245	18,642	19,624	19,934	18,111	19,766	19,796	19,826	19,856	19,811	19,770
Margins (est.)											
Products	19%					17%	17%	17%	17%	18%	18%
Services / other	59%					62%	62%	62%	63%	62%	63%
Consolidated gross mgn	27%	33%	30%	29%	30%	29%	29%	29%	31%	29%	32%

Sysorex Global Holdings Balance Sheet ($000s)

	31-Dec-13	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15
Cash & equivalents	2,229	3,335	4,933	2,729	3,228	2,695
Restricted cash	71	71	161	-	-	-
Accounts receivable	9,581	9,675	11,860	8,545	8,225	9,069
Notes receivable related part	-	-	90	90	90	90
Note receivable	1,130	1,130	130	2,130	1,294	1,702
Inventory	75	127	428	444	610	542
Prepaid expenses	382	1,030	1,043	6,398	7,151	7,179
Other	6,120	5,925	6,464	1,390	1,463	1,490
Total Current Assets	**19,588**	**21,293**	**25,108**	**21,726**	**22,061**	**22,767**
Property and Equipment	291	265	610	660	1,308	1,227
Software dev costs	57	123	190	256	278	357
Prepaid Licenses & Maint. Co	4,268	5,917	5,983	5,906	6,200	5,818
Intangible assets	7,328	7,000	11,496	18,579	17,676	16,794
Goodwill	5,708	5,767	10,516	13,157	13,166	13,166
Other assets	1,635	1,315	19,247	1,270	1,371	1,350
Total Assets	**38,874**	**41,680**	**73,150**	**61,554**	**62,060**	**61,479**
Accounts payable	8,435	8,739	7,932	6,374	7,468	8,282
Accrued expenses	1,219	1,093	1,403	3,492	3,299	2,811
Accrued compensation	2,622	2,605	1,932			
Deferred revenue	7,402	7,167	7,907	7,863	8,689	8,888
ST debt (inc'd related)	7,039	6,522	13,341	6,134	5,418	7,272
Advances payable	722	722	722	-	-	-
Total Current Liabilities	**$27,440**	**$26,848**	**$33,238**	**$23,863**	**$24,874**	**$27,253**
Deferred revenue	4,845	6,840	6,788	6,810	7,181	6,781
Long term debt	292	250	225	100	100	100
Other	-	-	167	167	684	650
Total Liabilities	**$32,577**	**$33,938**	**$40,418**	**$30,940**	**$32,839**	**$34,784**
Non- controlling Interest	(1,480)	(1,523)	(1,578)	(1,584)	(1,596)	(1,601)
Stckhldrs' Equity / (Def)	6,297	7,742	32,732	30,614	29,221	26,695
Total Liabs & Stockholders' Et	**$38,874**	**$41,680**	**$73,150**	**$61,554**	**$62,060**	**$61,479**

Source: Company reports

HISTORICAL ZACKS RECOMMENDATIONS



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