

# Zacks Small-Cap Research

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## Siyata Mobile Inc.

(SYTA-NASDAQ)

### SYTA: 3Q21 Sales Miss and Lack of Growth Is Overlooked Because of SD7 Launch Partner Announcement & Refinancing

Based on the peer group average of 2.7x EV/Sales 2022 on our Sales estimate, we believe the stock could be worth \$10.00 per share.

Current Price (11/16/21) \$4.15  
Valuation \$10.00

### OUTLOOK

Siyata Mobile Inc. (SYTA) announced a weak topline result for its September quarter, but expects an acceleration for 4Q revenues and throughout 2022. While revenues have been disappointing over the past two quarters, we turn our focus to the company's SD7 device launch underway this quarter with Motorola Solutions as a logical partner.

We now forecast \$4 million of revenues in 2022 (\$2m previously) solely from the SD7 launch (mostly from North America followed by Europe in late 2022). Refinancing this week helps working capital. We estimate nearly breakeven adjusted EBITDA profitability in 2022 for a re-rating of the stock.

### SUMMARY DATA

52-Week High \$15.75  
52-Week Low \$2.60  
One-Year Return (%) -29  
Beta 1.95  
Average Daily Volume (sh) 1,607,943

Shares Outstanding (mil) 4.8  
Market Capitalization (\$mil) \$20.0  
Short Interest Ratio (days) 1  
Institutional Ownership (%) 32  
Insider Ownership (%) 14

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 2021 Estimate N/A  
P/E using 2022 Estimate N/A

#### Risk Level

Type of Stock  
Industry

Above Average  
Small-Value  
Tech-Comm Equip

### ZACKS ESTIMATES

#### Revenue

(in millions \$ USD)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2020	2.3 A	2.1 A	2.3 A	-0.7 A	6.0 A
2021	4.0 A	0.4 A	1.2 A	4.1 E	9.7 E
2022	4.2 E	4.3 E	4.5 E	5.3 E	18.3 E
2023					25.9 E

#### EPS

(\$ USD, Adjusted)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2020					-\$7.58 A
2021	-\$0.32 A	-\$1.16 A	-\$0.97 A	-\$0.27 E	-\$2.72 E
2022	-\$0.15 E	-\$0.13 E	-\$0.13 E	-\$0.13 E	-\$0.55 E
2023					-\$0.29 E

Zacks Projected EPS Growth Rate - Next 5 Years % N/A

## WHAT'S NEW

### Business Update

- Siyata Mobile Inc. (SYTA) reported September Quarter results, which were weak again and a consecutive topline shortfall versus our expectations. Revenues of \$1.2 million (-46% decline) compared to our forecast of \$3.2 million. The shortfall and weakness in topline were caused by a continued decline in Israel revenues from a winddown of 3G products and the stalling of 4G sales in North America. Yellow School buses have been slow to grow during COVID-19 impact on schools and there was a gap in cellular signal boosters revenues after fulfilling a huge order in 1Q. One positive was gross margin of 35% expanded from 32% last year despite the weak topline in 3Q.
- Trailing 12 months revenues of only \$5 million is disappointing and hindered by \$2.8 million in returns from three customers, weakness in Israel (legacy 3G) and COVID-19 impact on slow orders in the United States for the UV350 and yellow school buses.
- **We forecast \$4 million revenues for 4Q, which if achieved, would equate to nearly as much as nearly the past 12 months combined!** Our confidence is predicated on the defense contractor win announced in August, the Silk singalboosters.com agreement and UR7 & CP250 orders during 3Q.
- **Motorola Solutions (MSI) recently entered into a partnership agreement with Siyata Mobile for the launch of the new SD7 handset.** Motorola Solutions acts as a non-exclusive marketing and distribution partner. This was a very important hurdle to jumpstart the SD7 revenue rollout.
- The company also elaborated on a customized vehicle kit (VK7) with in-vehicle cradle for slide-in connection of the SD7 device tied into the vehicle's power and with an external antenna.
- We remain very optimistic about the revenue potential from the SD7 launch for 2022 & 2023. We like today's news of the Motorola Solutions partnership to help fill the gap for Motorola Solutions, which does not have a qualified Mission Critical Push-to-Talk (MCPTT) offering. We see this as a win-win and remind investors that Motorola Solutions is the #1 dominant market share leader with its LMR walkie talkies. Yet, it does not offer a cellular one or at an affordable price of \$300 like SD7.
- Non-exclusive nature of Motorola Solutions for SD7 is compelling to us. This leaves the door open for Siyata Mobile to sign additional partners as well as carriers for the SD7 in 2022. AT&T makes sense to us as a possible carrier because of its ties to FirstNet and subscriber growth hurdles it likely must meet to receive full funding and payments from the US federal government.
- **We now forecast \$4 million in revenues from the SD7 in 2022 based on \$300 pricepoint for 3% market share achievement in North America & Europe. \$8 million revenue potential for 2023.**
- While some investors initially expected to see a contribution to 4Q sales from the SD7 launch, we forecast it as a contributor beginning in 1Q22. It can take up to 60 days from when a purchase order is received to be shipped out to count as revenues. We remind investors that pilots and fine-tuning things for a new product design, such as full software smoothness and likability or the SOS button sensitivity, can take a few months to perfect and tweak. It appears that Motorola Solutions is happy with the final product and software integration. We assume an initial order is placed in December.
- **We forecast -\$1.7 million adjusted EBITDA loss for 2022 and positive \$0.3 million for 2023. Operating leverage from Selling, Marketing & General Admin should help as revenues scale up from SD7 launch and signal boosters growth.**

- Cellular Signal Boosters will likely be the company's leading sales growth driver this year. We estimate that revenues from boosters can grow 125% this year including the 152% growth in 1H before stalling in 3Q. Demand is fueled by rural parts of the US, outdoor workers (fires, disasters, etc), residential landline cutters (switching over to solely cell phones), home offices boom and remote workers. Retailers, manufacturers and utility fleets are becoming more interested in order to provide enhanced and secured coverage. North America still suffers from weak cellular signals, causing dropped calls, interference during conversations and occasionally slow data speeds.
- **\$10.00 per share is our stock price worth target** based on our 2022 Sales forecast at the peer group average of 2.7x EV/Sales 2022. For now, we removed our 10% discount that we applied after very lackluster 2Q revenue results last month. Instead, we deem the Motorola Solutions agreement for the SD7 launch as an important offset to weak revenues over the past six months and inventory impairments taken. We believe that 4Q revenues can reach \$4 million and that 2022 topline growth of 85% is feasible if half of that growth comes from the SD7 new product launch contribution.

### **Our Sales Estimates for the SD7 Product Launch**

We assume 3% market share of 325,000 units market in North America = 9,750 units in 2022

We assume Europe launch (mid-2022) = 2,250 units for a partial year (2H22-loaded)

**12,000 units sold x \$300 ASP = \$3.6 million Revenues 2022 potential for SYTA**

**\$3.6 million SD7 devices revenue + 10% accessories assumption = \$4.0 million revenues in 2022**

**For 2023, we estimate \$8 million revenues from SD7 after growth in North America and Europe.**

This assumes that Motorola Solution remains active as a marketing & distribution partner and that one other tier-one (AT&T or Verizon?) or two tier-two partners begin taking orders by the end of 2022.

### **September Quarter Results**

Siyata Mobile (SYTA) reported a year-over-year sales decline of -46% year-over-year for the September quarter. \$1.2 million reported was significantly below our estimate of \$3.2 million because of continued decline in Israel revenues from a winddown of 3G products and the stalling of 4G sales in North America. Yellow School buses have been slow in recovery and there was a gap in cellular signal boosters after fulfilling a huge order in 1Q.

Inventory impairment of \$1.6 million in 3Q followed \$1.8m taken in 2Q. \$5.0 million of total inventory impairments over the past 12 months is concerning to us. Considering that equals the actual revenues of over the past 12 months. The bulk of the inventory impairment was tied to truckfone devices (CP100 & prior UV350) that were slow-moving and some prior version device before an upgrade to Android 10.

Gross margin of 35% improved by 300 bps from the year-ago period despite the weak topline. Adjusted EBITDA was negative -\$4.1 million.

Net Debt \$3.1 million as of 9/30/21. Cash and equivalents of \$3.4 million has decreased by \$6 million since March-end because of the losses, development costs of SD7 and working capital needs.

We expect a capital raise over the next six months if large purchase orders for the SD7 come to fruition. Factoring of inventory and working capital might help reduce the amount of raise needed.

We forecast \$4.1 million Sales for 4Q21

## Refinancing & Capital Structure

Yesterday, the company refinanced its convertible notes that were set to mature in mid-December. This important milestone and extended maturity of its balance debt owed likely sent a good optics signal to new potential partners. The stock price briefly jumped to \$8 intraday on the original news in late October.

\$6 million prior convertible at 12% coupon rate was refinanced at a 0% annual interest rate. The new \$7.2 million convertible note has a fixed conversion price of \$10 and matures in mid-November 2023 with principal payments beginning six months from now.

### **\$720,000 annual interest expense savings is the result and two years extended maturity.**

2.14 million warrants were issued at \$4.00 USD exercise price and 60-month maturity (November 2026). This clearly is the trade-off for have 0% debt instead of the 12% prior debt. We estimate 40% dilution.

We updated our model to account for the \$720,000 interest expense savings and the much higher share count as we assume those 2.14m warrants are likely to exercise.

Warrants count has climbed to 3.26 million as of 11/15/21. We remind investors of the dilution impact on share count if and when various tranches of warrants are exercised if become in-the-money.

We treat near-the-money exercise price warrants as part of a "likely fully diluted" share count. Therefore, we count the recent 2.14m warrants at \$4.00 exercise price, but ignore the 1.3m at \$11.50 exercise (far out-of-the money from today's \$4.15 stock price). Only 205,000 of the \$6.85 exercise price warrants translated to shares recently and we would begin to count those 1.8m shares if the stock price gets to \$7.

### **We expect to use 7.2 million share count as a realistic diluted share count for 4Q.**

As of the date of this MD&A, share purchase warrants outstanding and exercisable are as follows:

Grant Date	Number of Warrants outstanding and exercisable	Exercise Price	Expiry date
24-Dec-18	31,887	\$68.29	24-Dec-21
23-Dec-19	54,248	\$51.22	23-Dec-22
28-Jul-20	74,138	\$20.49	28-Jul-22
29-Sep-20	1,805,585	\$6.85	28-Sep-25
31-Dec-20	1,294,500	\$11.50	30-Jun-24
26-Oct-21	***2,142,857	\$4.00	26-Oct-26
As of the date of this MD&A	3,260,358	\$8.62	

\*\*\* Only exercisable after a four month holding period commencing on November 10, 2021.

Source: Company filing

## NEW PRODUCT OVERVIEW (SD7 Launch)

**Our focus remains on the 2022 topline revenues potential despite weakness in trailing 12 months revenues** during the COVID-19 pandemic distractions with some customers and continued slowdown in Israel due to legacy 3G.

### SD7 = Mission Critical Push-to-Talk (MCPTT) Handset

**This launch of the SD7 device next month provides Siyata Mobile inroads into the evolving Mission-Critical Push-to-Talk (MCPTT) category.** MCPTT is the globally standardized version of PoC to meet public safety requirements for talker identification, group calls, low-latency, high availability, clear audio quality. MCPTT could steal market share from Land Mobile Radio (LMR) two-way radios.

SD7 is not a smartphone with a large distracting touchscreen. 1" OLED screen on top for glancing down to on their belt. Not text messaging friendly because enterprise customers do not want their employees sending personal text messages or getting distracted. However, it has pre-defined text messages.

- \$300 pricepoint or half the price of leading competitor offerings
- Qualcomm chipset is important and facilitates WiFi, proximity sensor, gyroscope, GPS
- LED flashlight on the SD7 is very helpful as is the 115 decibel loud speaker for clear audio
- Battery can last 12 hours and is not a sealed batter, so it is swappable
- Rotary knob for easy channel selection

Image below of SD7 rugged handset:



Source: Company's Presentation August 2021

## Back view



Source: Company's Presentation August 2021

### **Conclusion**

We estimate \$4 million sales contribution in 2022 from the new launch of SD7 rugged handset for MCPTT & PoC in North American and a partial year in Europe. \$8 million contribution estimate for 2023.

Overall gross margin could expand 700 bps to 33.5% in 2021 from improved focus and relationships in the United States (higher margin), less exposure to Israel (lower margin price-sensitive handsets market stalled on 3G and too slowly pivoting to 4G LTE) and fast-growing high margin signal boosters.

We remain optimistic about the SD7 launch, Telstra Australia (international growth driver), the Silk Worldwide agreement for cellular signal boosters and growth for yellow school buses & UV350 in 2022.

Valuation is attractive if revenues can grow 85% next year in 2022. The stock appears undervalued and due for a re-rating if revenues grow enough to reach nearly breakeven EBITDA in 2022. The stock currently trades at only 1.3x our 2022 EV/Sales forecast compared to peers at 2.7x. This 54% discount could narrow significantly if the company executes well on topline growth over the next year.

## SEGMENTS & PRODUCTS FORECASTS

Segments are currently only reported as geographic regions. Not by product group. We hope that the company will consider reporting revenues by product lines for 2021.

We attempted product area estimations of revenues and gross margins further below.

(Millions US Dollars, December Year-End)

<b>Revenues</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
United States	1.1	2.3	2.7	5.5	12.6	18.9
Canada	1.7	1.2	1.7	2.5	3.3	4.0
EMEA	8.2	6.2	1.5	1.5	2.0	2.5
Australia & New Zealand	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>	<u>0.5</u>
<b>Total Revenues</b>	<b>11.0</b>	<b>9.8</b>	<b>6.0</b>	<b>9.7</b>	<b>18.3</b>	<b>25.9</b>

<b>Revenue Growth</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
United States	NA	120%	15%	105%	130%	50%
Canada	NA	-28%	37%	45%	35%	20%
EMEA (mostly Israel)	NA	-24%	-76%	0%	35%	25%
Australia & New Zealand	NA	<u>-73%</u>	<u>1309%</u>	<u>60%</u>	<u>50%</u>	<u>45%</u>
<b>Total Revenues Growth</b>		<b>-11%</b>	<b>-39%</b>	<b>61%</b>	<b>89%</b>	<b>42%</b>

<b>% of Revenues</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
United States	10%	24%	45%	57%	69%	73%
Canada	16%	13%	28%	25%	18%	15%
EMEA	74%	63%	24%	15%	11%	10%
Australia & New Zealand	0%	0%	3%	3%	2%	2%

<b>Gross Margin (estimate)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
United States	NA	NA	NA	40%	46%	46%
Canada	NA	NA	NA	33%	34%	35%
EMEA	NA	NA	NA	12%	19%	23%
Australia & New Zealand	NA	NA	NA	<u>25%</u>	<u>25%</u>	<u>25%</u>
<b>Total Gross Margin</b>	<b>14.5%</b>	<b>29.2%</b>	<b>26.4%</b>	<b>33.5%</b>	<b>40.4%</b>	<b>41.7%</b>

Source: Zacks Investment Research, Inc. Tim Moore, CFA

Below are our in-house estimates of product line revenues and gross margins:

(Millions US Dollars, December Year-End)

<b><u>Sales by Product Line (estimate)</u></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Rugged Handsets (excluding UV350)	NA	7.8	2.5	2.6	2.7	2.8
In-Vehicle Devices (UV350 incl school buses)	0.0	0.0	0.9	1.3	2.3	3.4
New Launch Mission-Critical Handset (SD7)	0.0	0.0	0.0	0.0	4.0	8.0
Cellular Signal Boosters	<u>NA</u>	<u>2.1</u>	<u>2.6</u>	<u>5.8</u>	<u>9.3</u>	<u>11.6</u>
<b>Total Sales</b>	<b>11.0</b>	<b>9.8</b>	<b>6.0</b>	<b>9.7</b>	<b>18.3</b>	<b>25.9</b>

<b><u>Sales Growth by Product Lines (est)</u></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Rugged Handsets (excluding UV350)	NA	NA	NA	5%	5%	5%
In-Vehicle Devices (UV350 incl school buses)	NA	NA	NA	45%	75%	50%
New Launch Mission-Critical Handset (SD7)	NA	NA	NA	NM	NM	100%
Cellular Signal Boosters	NA	NA	NA	120%	60%	25%

<b><u>% of Revenues</u></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Rugged Handsets (excluding UV350)	NA	79%	41%	27%	15%	11%
In-Vehicle Mounted Devices (UV350)	0%	0%	15%	13%	12%	13%
New Launch Mission-Critical Handset (SD7)	0%	0%	0%	0%	22%	31%
Cellular Signal Boosters	NA	21%	44%	60%	51%	45%

<b><u>Gross Margin by Product Lines (est)</u></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Rugged Handsets (excluding UV350)	NA	NA	NA	15%	23%	23%
In-Vehicle Mounted Devices (UV350)	NA	NA	NA	33%	43%	46%
New Launch Mission-Critical Handset (SD7)	NA	NA	NA	0%	28%	34%
Cellular Signal Boosters	NA	NA	NA	42%	50%	50%
<b>Total Gross Margin</b>	<b>14.5%</b>	<b>29.2%</b>	<b>26.4%</b>	<b>33.5%</b>	<b>40.4%</b>	<b>41.7%</b>

Source: Zacks Investment Research, Inc. Tim Moore, CFA

## VALUATION

We value Siyata Mobile using a peer comparables valuation methodology based on EV/Sales for 2022 estimates. We typically prefer EV/EBITDA, P/E & P/FCF multiples, but this company has not achieved positive adjusted EBITDA on an annual basis. We forecast nearly breakeven adjusted EBITDA in 2022.

**We reach \$10.00 stock price by applying the peer group average of 2.7x EV/Sales 2022. Compared to SYTA trading at 1.3x our 2022 Sales estimate & 2.4x our 2021 Sales estimate.**

For now, we removed the 10% discount that we applied last month after very lackluster 2Q revenue results and write-downs. Instead, we deem the Motorola Solutions agreement for the SD7 launch as an important offset to weak revenues over the past six months and inventory impairments taken.

**Stock is trading at 1.3x our calendar 2022 Sales estimate, which is a 54% discount to peer group average.** This large discount appears unwarranted and could narrow if the company executes well on revenue growth and gross margin expansion in 4Q21 and 2022.

We used 4.8 million share count from September 30<sup>th</sup>, which likely increases to 7.2 million after the warrants issued this month.

Net debt was \$3.1m as of 9/30/21

### Peer Group Valuation Table

Company	Ticker	Price	Market Cap	EV	Sales 2021E	Sales 2022E	EV/Sales	EV/Sales
			(local FX)	(local FX)	Consensus	Consensus	2021E	2022E
Motorola Solutions	MSI	254.05	42,908	47,165	8,159	8,658	5.8x	5.4x
Kyocera Corporation	6971 JT	6975	2,528	2,236	1,721	1,791	1.3x	1.2x
Sonim Technologies	SONM	1.94	17	10	55	58	0.2x	0.2x
Hytera Communications	002583 CF	5.99	11,019	14,936	7,464	8,949	2.0x	1.7x
Inseego	INSG	7.13	750	888	262	310	3.4x	2.9x
ComSovereign Holding	COMS	1.22	96	121	31	118	4.0x	1.0x
Ooma	OOMA	21.49	505	490	189	207	2.6x	2.4x
Crimson Tide Plc	TIDE LN	2.75	18	12	4	5	2.9x	2.2x
Trackdwise Designs PLC	TWD LN	200	58	57	9	22	6.4x	2.6x
Quartrix Technologies PLC	QTX LN	410	198	195	26	28	7.6x	7.1x
Audiocodes	AUDC	36.55	1,181	1,089	247	275	4.4x	4.0x
Digi International	DGII	24.47	862	737	306	332	2.4x	2.2x
<b>Peer Average</b>							<b>3.6x</b>	<b>2.7x</b>
Siyata Mobile	SYTA	\$4.15	20	23	10	18	2.4x	1.3x

**Discount to Peer Group -54% EV/Sales 2022**

Source: Bloomberg Consensus & Zacks SCR  
11/16/21 closing prices

## RISKS

- If revenue growth does not materialize for 2022. We expect high growth, but that could be curtailed if land mobile radio or other competitive alternatives are more successful than the company's offerings. Public sector and enterprise customers could incur restrained budgets or a preference for a competitive product. Cellular signal boosters revenues could decline in 2022 or the UV350 product offering become adversely impacted by the federal budget support for FirstNet.
- Competition could increase for FirstNet such as with Verizon's attempt and for other areas such as with Samsung in Mission Critical Push-to-Talk. 5G adoption could be quicker than anticipated and the company would have to respond with an improved offering of its current 4G LTE products.
- Customer returns and refunds could hinder revenue growth and achievement of revenues.
- Channel partners reliance for the majority of the company's revenues.
- History of operating losses and might not achieve profitability.
- Weaknesses for internal controls and financial reporting. Material weaknesses were previously identified in 2019 and 2020 for product returns, intercompany transactions, insufficient audit support for journal entry testing, receivables expected credit losses, obsolete inventory, share issuance costs versus transaction expenses. The company has partially remediated the weaknesses and taken steps to strengthen internal controls for financial reporting.
- Third Party Manufacturing Reliance. Manufacturing is predominantly done in China, which is subject to political risks, regulation changes and increased tariffs. Company does not own or operate its own manufacturing, which could cause a shortfall in supply and inventory. Defects or quality issues or improper design of a new product launch could hurt the company's reputation.
- Uniden license is renewed through December 2022 and no assurance that it will be extended.
- Intellectual Property infringement and protection challenges.
- Going Concern risk, cited by its auditor 6/30/21, due to recurring losses and a net capital deficiency.
- Delay in reporting of financial results. The company delayed its 4Q20, 2020 year and 1Q21 results until June 30. This delay was caused by changing its functional currency to US Dollars from Canadian Dollars, restating prior periods in USD according to IFRS, converting prior years results to US Dollars, a complaint involving their Israeli accounting firm regarding auditing, hiring a fulltime CFO in Israel to prepare audited Israeli financials, complex accounting transactions including private placements and an acquisition. The British Columbia Securities Commission warned about a cease trade order in April 2021 due to failing to file certain financial and annual documents before the applicable deadline. That cease order was revoked on July 8 after filing occurred. The company also delayed 4Q19 & 2019 results due to COVID-19 by exercising the 45-day filing extension.
- Liquidity of stock shares. 32% of shares are held by institutional investors in Israel, which tend not to trade often. Accel Telecom and Phoenix Holdings, based in Israel, have shares and warrants.
- Dilution from Equity Raises, Private Placements & Warrants Issued (SYTAW). The company will likely need to raise capital for working capital growth or acquisitions, which would be dilutive to stock shareholders. Exercise of warrants would be dilutive: 3.26 million warrants at \$8.62 weight average.
- Options Dilution: 428,568 stock options as of 9/30/21 at \$13.96 weighted average exercise price.
- Related-Party Financing & Transactions: \$183,000 payments in 2020 were related party transactions to companies controlled by the CEO, CFO, Directors and VP of Technology. Private placement with Accel Telecom for 10% convertible debentures in June 2020 during COVID-19 uncertainty, but redeemed in January 2021. \$200,000 loan to a Director in April 2019 was repaid in May 2021.
- Executive Officers & Directors could exert significant control over stockholder matters.
- Capital Structure & Different Domiciles: incorporated in Canada with headquarters in Quebec, Canada. The CEO resides in Israel, where a significant portion of revenues occurred in years past.
- Bad Debt Provisions: two of its largest customers in 2020 requested extended payment terms during COVID-19. A few customers in the field did this and some inventory had to be written off. \$1.53 million bad debt provision was taken in 2020. We do not anticipate additional bad debt to occur unless a large additional wave of COVID impacts the economy again and shutdowns.
- Impairments of inventory or intangible assets. Factoring & liens on trade receivables.
- Accounting practices can differ in Canada & Israel. IFRS and not GAAP standards. PCAOB auditor. Capitalization of development costs, collectability of trades receivables and impairment of assets.
- Currency volatility with revenues derived from several countries. US Dollar is functional currency.

# INCOME STATEMENT FORECASTS

(Millions US Dollars, December Year-End)

	2018	2019	1Q20	2Q20*	3Q20*	4Q20**	2020	1Q21	2Q21***	3Q21	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
<b>Revenues</b>	<b>11.0</b>	<b>9.8</b>	<b>2.3</b>	<b>2.1</b>	<b>2.3</b>	<b>(0.7)</b>	<b>6.0</b>	<b>4.0</b>	<b>0.4</b>	<b>1.2</b>	<b>4.1</b>	<b>9.7</b>	<b>4.2</b>	<b>4.3</b>	<b>4.5</b>	<b>5.3</b>	<b>18.3</b>	<b>25.9</b>
% change (yoy)		-11%					-39%	77%	-83%	-46%	NM	62%	3%	1100%	270%	30%	88%	42%
Cost of Sales	9.4	7.1	1.5	1.4	1.5	(0.1)	4.4	2.3	0.8	0.8	2.6	6.5	2.5	2.5	2.8	3.1	10.9	15.1
Gross Profit	1.6	2.7	0.7	0.7	0.7	(0.6)	1.6	1.7	(0.5)	0.4	1.5	3.3	1.7	1.8	1.7	2.2	7.4	10.8
<b>Gross Profit Margin</b>	<b>14.5%</b>	<b>27.4%</b>	<b>32.4%</b>	<b>33.0%</b>	<b>32.1%</b>	<b>NM</b>	<b>26.4%</b>	<b>43.2%</b>	<b>-130.6%</b>	<b>35.2%</b>	<b>37.7%</b>	<b>33.5%</b>	<b>41.0%</b>	<b>41.2%</b>	<b>37.5%</b>	<b>41.7%</b>	<b>40.4%</b>	<b>41.7%</b>
Depreciation & Amortization	0.5	1.2	0.3	0.3	0.3	0.3	1.3	0.3	0.3	0.1	0.2	1.0	0.2	0.3	0.3	0.3	1.0	1.1
Research & Development	0.0	0.8	0.0	0.0	0.0	0.6	0.6	0.0	0.2	0.7	0.4	1.2	0.0	0.0	0.0	0.4	0.4	0.4
Selling & Marketing	4.2	3.6	0.8	0.8	1.0	1.1	3.7	1.0	1.2	1.3	1.4	4.8	1.2	1.0	1.0	1.1	4.3	5.2
General & Admin (incl consulting, acquisition)	2.3	2.3	0.4	0.5	0.6	1.4	2.9	1.1	1.1	1.1	1.1	4.4	1.1	1.1	1.1	1.1	4.4	4.9
Bad Debts Expense	0.0	0.0	0.0	0.0	0.0	1.5	1.5	0.0	(0.2)	0.8	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Inventory Impairment Expense	0.0	0.2	0.0	0.0	0.0	1.6	1.6	0.0	1.8	1.6	0.0	3.4	0.0	0.0	0.0	0.0	0.0	0.0
Other Impairment (Intangibles or Goodwill)	1.5	0.1	0.0	0.0	0.0	0.3	0.3	0.0	5.1	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0
Share-based Compensation	0.9	1.1	0.1	0.1	0.0	0.3	0.5	0.6	0.4	0.2	0.3	1.5	0.4	0.4	0.3	0.4	1.5	1.6
<b>Total Operating Expenses</b>	<b>9.4</b>	<b>9.3</b>	<b>1.6</b>	<b>1.6</b>	<b>2.0</b>	<b>7.1</b>	<b>12.3</b>	<b>2.9</b>	<b>10.0</b>	<b>5.7</b>	<b>3.4</b>	<b>21.9</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>3.3</b>	<b>11.6</b>	<b>13.2</b>
% change (yoy)		-1%					33%	82%	520%	184%	-53%	78%	-1%	-72%	-53%	-2%	-47%	14%
<b>Operating Income (Loss)</b>	<b>(7.8)</b>	<b>(6.6)</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(1.3)</b>	<b>(7.7)</b>	<b>(10.7)</b>	<b>(1.2)</b>	<b>(10.5)</b>	<b>(5.2)</b>	<b>(1.8)</b>	<b>(18.7)</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>(1.0)</b>	<b>(4.2)</b>	<b>(2.4)</b>
Finance & Interest Expense	0.8	1.0	0.4	0.5	0.5	0.3	1.7	0.4	0.6	0.5	0.4	1.9	0.3	0.3	0.3	0.3	1.2	1.3
Foreign Exchange Expense	(0.0)	0.1	(0.1)	(0.8)	0.1	0.5	(0.3)	0.4	(0.2)	(0.0)	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Transaction Costs (Nasdaq listing & IPO)	0.0	0.0	0.0	0.0	0.0	1.4	1.4	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Change in Value of Acquisition Earnouts	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Other Expenses (non-Operating)	1.1	1.1	0.3	(0.3)	0.6	2.3	2.9	0.9	0.4	0.4	0.4	2.2	0.3	0.3	0.3	0.3	1.2	1.3
<b>Income before Taxes</b>	<b>(8.9)</b>	<b>(7.7)</b>	<b>(1.2)</b>	<b>(0.6)</b>	<b>(1.9)</b>	<b>(9.9)</b>	<b>(13.6)</b>	<b>(2.1)</b>	<b>(10.9)</b>	<b>(5.7)</b>	<b>(2.2)</b>	<b>(20.9)</b>	<b>(1.5)</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(1.4)</b>	<b>(5.4)</b>	<b>(3.7)</b>
Income Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income (Loss) reported</b>	<b>(8.9)</b>	<b>(7.7)</b>	<b>(1.2)</b>	<b>(0.6)</b>	<b>(1.9)</b>	<b>(9.9)</b>	<b>(13.6)</b>	<b>(2.1)</b>	<b>(10.9)</b>	<b>(5.7)</b>	<b>(2.2)</b>	<b>(20.9)</b>	<b>(1.5)</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(1.4)</b>	<b>(5.4)</b>	<b>(3.7)</b>
Net Income (Loss) Adjusted (Non-IFRS, Non-GAAP)	(7.4)	(7.5)	(1.2)	(0.6)	(1.9)	(8.1)	(11.8)	(2.1)	(5.9)	(4.9)	(2.2)	(15.2)	(1.5)	(1.3)	(1.3)	(1.4)	(5.4)	(3.7)
Net Income (Loss) Adjusted (excl stock comp)	(6.5)	(6.4)	(1.1)	(0.6)	(1.8)	(7.8)	(11.2)	(1.5)	(5.6)	(4.7)	(1.9)	(13.7)	(1.1)	(0.9)	(1.0)	(1.0)	(3.9)	(2.1)
<b>EPS (reported)</b>	<b>\$(13.53)</b>	<b>\$(9.48)</b>					<b>\$(9.15)</b>	<b>\$(0.45)</b>	<b>\$(2.26)</b>	<b>\$(1.18)</b>	<b>\$(0.31)</b>	<b>\$(4.19)</b>	<b>\$(0.21)</b>	<b>\$(0.18)</b>	<b>\$(0.17)</b>	<b>\$(0.19)</b>	<b>\$(0.75)</b>	<b>\$(0.51)</b>
EPS Adjusted (Non-IFRS, Non-GAAP)	\$(11.23)	\$(9.34)					\$(7.92)	\$(0.45)	\$(1.23)	\$(1.02)	\$(0.31)	\$(3.01)	\$(0.21)	\$(0.18)	\$(0.17)	\$(0.19)	\$(0.75)	\$(0.51)
EPS Adjusted (excl stock comp)	\$(9.94)	\$(7.95)					\$(7.58)	\$(0.32)	\$(1.16)	\$(0.97)	\$(0.27)	\$(2.72)	\$(0.15)	\$(0.13)	\$(0.13)	\$(0.13)	\$(0.55)	\$(0.29)
<b>EBITDA (reported)</b>	<b>(7.2)</b>	<b>(5.4)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>(7.4)</b>	<b>(9.4)</b>	<b>(0.9)</b>	<b>(10.1)</b>	<b>(5.1)</b>	<b>(1.6)</b>	<b>(17.7)</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(3.2)</b>	<b>(1.3)</b>
EBITDA Adjusted (Non-IFRS, Non-GAAP)	(5.7)	(5.3)	(0.6)	(0.6)	(0.9)	(5.5)	(7.6)	(0.9)	(5.2)	(4.3)	(1.6)	(12.0)	(1.0)	(0.8)	(0.7)	(0.8)	(3.2)	(1.3)
EBITDA Adjusted (excl stock comp)	(4.9)	(4.2)	(0.5)	(0.5)	(0.9)	(5.2)	(7.1)	(0.3)	(4.8)	(4.1)	(1.3)	(10.5)	(0.6)	(0.4)	(0.4)	(0.4)	(1.7)	0.3
Diluted Shares (weighted average)	0.7	0.8	0.9	0.9	1.0	3.2	1.5	4.7	4.8	4.8	7.2	5.4	7.2	7.2	7.2	7.3	7.2	7.3
<b>Margins:</b>																		
Gross Margin	14.5%	27.4%	32.4%	33.0%	32.1%	NM	26.4%	43.2%	-130.6%	35.2%	37.7%	33.5%	41.0%	41.2%	37.5%	41.7%	40.4%	41.7%
EBITDA Margin Adjusted (excl one-offs & stock)	-44.4%	-42.4%	-20.2%	-25.4%	-39.0%	NM	-118.6%	-7.2%	NM	-336.1%	-31.8%	-108.4%	-13.5%	-8.5%	-8.9%	-7.3%	-9.4%	1.3%
EBITDA Margin (reported)	-65.9%	-55.0%	-24.3%	-28.3%	-41.0%	NM	-157.6%	-21.9%	NM	-418.8%	-39.2%	-182.3%	-23.2%	-17.8%	-15.5%	-14.8%	-17.6%	-4.9%
OpEx % of Sales	85%	94%	71%	76%	88%	NM	205%	73%	2798%	464%	82%	226%	70%	65%	59%	61%	63%	51%
Selling & Marketing % of Sales	38%	36%	35%	35%	45%	NM	62%	24%	35%	34%	33%	50%	28%	24%	22%	21%	24%	20%
General & Admin % of Sales	21%	24%	18%	23%	26%	NM	48%	26%	321%	86%	27%	45%	26%	26%	24%	21%	24%	19%

\*2Q20, 3Q20, 4Q20 were restated for currency translation from CAD to USD. Not exact numbers. Exact figures to be released by company during upcoming earnings releases

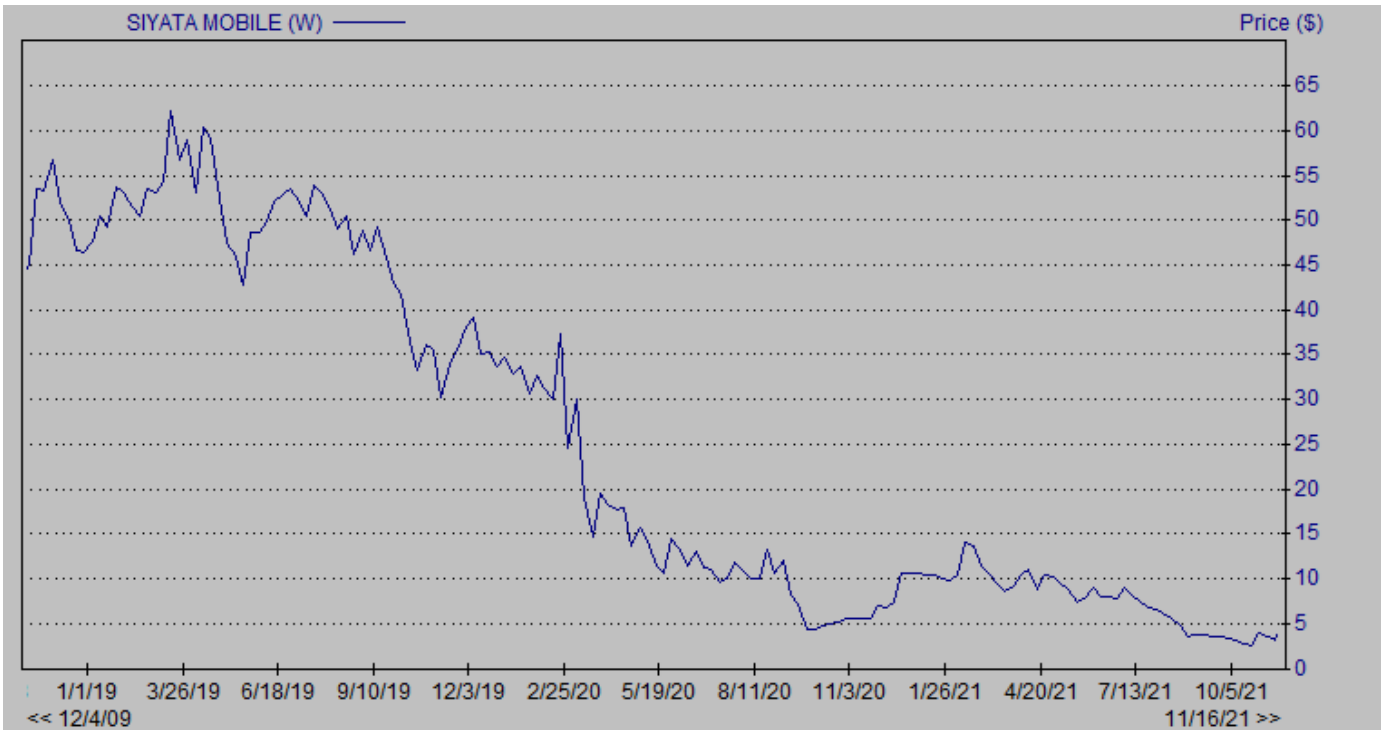
\*\*4Q20 revenues were negative due to two large customers returns in Israel caused by COVID-19 budget constraints. Those returns created COGS inflow. Stock split, options, warrants September 2020 for Nasdaq listing

\*\*\*Impairments of Intangibles and Goodwill are added back to adjusted Net Income and Adj EBITDA due to non-cash items. Bad Debt Expense or Gain is also ignored for adjusted Net Inc or EBITDA

Source: Zacks Investment Research, Inc. Tim Moore, CFA

Company previously reported in Canadian Dollars. Recently restated to US Dollars as functional currency for 2020, 2019, 2018

## HISTORICAL STOCK PRICE



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