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Zacks Small-Cap Research

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Sekur Private Data (SWISF-OTC)

SWISF: Initiating Coverage: Introducing New Products & Offerings, Enhancing Distribution as Cybersecurity Needs Grow

Cybersecurity company Sekur believes that hosting its privately-owned servers in Switzerland & not being affiliated with Big Tech are competitive advantages that can enhance the online security / privacy offerings of its product suite. Sekur is optimistic about driving sales & margins by launching new solutions, offering options to bundle multiple products and leveraging digital marketing, in turn boosting avg revenue / user & lowering customer acquisition cost.

Current Price (10/30/23)	$0.07
Valuation	**$0.15**

OUTLOOK

With the incidence & cost of data breaches rising and driving demand for solutions, the global cybersecurity market is forecast to reach nearly $425B by 2030. To position itself to benefit, Sekur continues to launch new products & form new distribution agreements. SekurVPN launched this year and >50% of customers are purchasing SekurVPN in a bundle or alone. Reflecting strong demand, Sekur announced plans to raise SekurVPN prices, which it expects to improve avg revenue per user (ARPU) 25%-30% over time. At the same time, customer acquisition costs (CAC) have declined to <US$30 per customer as of August 2023, as Sekur leverages digital marketing and email campaigns, and Sekur is tracking ahead of its targets on this metric.

SUMMARY DATA

52-Week High	**$0.16**
52-Week Low	**$0.03**
One-Year Return (%)	**N/A**
Beta	**0.3**
Average Daily Volume (sh)	**108,768**
Shares Outstanding (mil)	**120**
Market Capitalization ($mil)	**$9**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
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 2023 Estimate	**N/A**
P/E using 2024 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Avg**
Type of Stock	**N/A**
Industry	**Tech**

ZACKS ESTIMATES

Revenue
(in millions of US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021					0.1A
2022	0.1A	0.1A	0.1A	0.1A	0.3A
2023	0.1A	0.1A	0.1E	0.1E	0.4E
2024					0.6E

Loss per share
(US$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021					-0.08A
2022	-0.01A	-0.01A	-0.01A	-0.01A	-0.04A
2023	-0.01A	-0.00A	-0.00E	-0.00E	-0.02E
2024					-0.01E

Q's might not sum due to rounding, share counts Converted @0.72

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KEY POINTS– EXPANDING MARKET OPPORTUNITY

Measures to drive sales in key global markets as demand for cybersecurity solutions grows …

- Emerging technology company Sekur Private Data Ltd. sells cybersecurity and internet privacy products worldwide. The company believes hosting its privately-owned servers in Switzerland offers a competitive advantage, reflecting Switzerland's stable high-tech economy and strong online privacy regulations.

- Sekur also believes that being an independent technology solutions provider not connected to a Big Tech platform is another competitive advantage. Sekur does not use its proprietary technology to conduct data mining for sales to third-parties or analytics, which the company believes contributes to maintaining private and secure communications for its customers.

- Customers range from individual consumers to small and large businesses (SMBs) and government entities. The recent introduction of Sekur Enterprise Solutions and planned 4Q23 debut of a B2B platform are designed to strengthen Sekur's position in the SMB market segment. Data suggests that 43% of cyberattacks target small businesses and 60% of small businesses that suffer a data breach subsequently fail.

- To boost its geographic presence, Sekur continues to form new distribution agreements with resellers in target global markets, including the U.S., the world's largest market for cybersecurity tools. Outside of the U.S., the company has seen high demand for its solutions in Latin America and has formed distribution agreements with affiliates in Latin America, South East Asia, the Middle East and APAC and DACH regions, among other markets.

- As Sekur introduces new technology solutions, the company is optimistic about driving sales by offering customers the opportunity to bundle multiple products. Given the strong response Sekur has had to SekurVPN since launching the solution earlier this year, the company announced a planned price increase. Moreover, Sekur is optimistic about its bundling offering; since introducing SekurVPN, roughly half of its customer base has opted to bundle various Sekur solutions, with more than 30% including SekurVPN in the bundle or as a standalone solution.

- Bundling its products also boosts average revenue per user (ARPU), which is a key component of Sekur's 2023 optimization strategy. Another critical element is to reduce customer acquisition costs (CAC) by increasing the use of digital marketing and email campaigns. CAC has declined to under US$30 per customer as of August 2023, down from US$74 in April 2023, and Sekur is tracking ahead of targets on this metric.

- With the incidence and cost of data breaches on the rise, demand for cybersecurity products is expected to grow substantially. The global cybersecurity market was valued at roughly $150 billion in 2021, up about 12.4% compared to 2020, and is forecast to reach nearly $425 billion by 2030, according to Fortune Business Insights. With this anticipated growth as a positive tailwind, the company is optimistic about its prospects, reflecting a growing product portfolio, attractive pricing model and declining CAC.

COMPANY BACKGROUND

Growing need for cybersecurity & privacy protection …

Sekur Private Data Ltd. (OTCQB: SWISF) is an emerging company that provides cybersecurity and internet privacy technology solutions to enable customers to manage communications and data securely. The company was founded in Switzerland, which is where all its host servers are based. Sekur has a growing suite of products that it sells globally via its approved distributors and telecommunications companies, as well as through its proprietary websites. These products include tools to encrypt e-mails, facilitate secure messaging and secure communications, VPN, cloud-based storage, file-share and document management. The company's customers range in size from individual consumers to small and large businesses and government organizations. Incorporated in March 2017, Sekur completed its IPO in 2019 and rebranded as Sekur Private Data Ltd. In April 2022, when the company's shares began trading on the OTCQX under the ticker SWISF.

Sekur's technology products route customers' Internet communications and data through privately owned servers situated in multiple locations in Switzerland. The company believes that operating from Switzerland as its home base is a competitive advantage, as Switzerland has a stable high-tech economy that ranks among the world's wealthiest in per capita listings. In fact, the World Economic Forum's Global Competitiveness Report lists the Swiss economy as the world's most competitive and a UN study ranks it as the most innovative market in the world. Moreover, Swiss law also supports security of online data. For instance, in 2010 the Federal Supreme Court of Switzerland found that IP addresses are personal information and that under Swiss privacy laws they may not be used to track Internet usage without the knowledge of the individuals involved.

In addition to the benefit Sekur sees in operating largely from Switzerland, the company also believes that its position as an independent technology solutions provider that is not connected to any Big Tech platform is another competitive advantage, which also contributes to maintaining private and secure communications for its customers. Specifically, Sekur does not use its proprietary technology to conduct any data mining for sales to third-parties or for data analytics,

GlobeX Data S.A. relationship

Sekur's product portfolio was developed by GlobeX Data S.A. (GDSA), a related privately held Swiss based privacy, cyber security and secure communications company. GDSA was founded in 2007 by Sekur CEO Alain Mehdi Ghiai-Chamlou, who maintains a 60.15% stake in GDSA. Sekur entered into a licensing agreement with GDSA in May of 2017 to market and distribute its suite of products globally with certain markets exempt from the agreement (these include Switzerland, Liechtenstein, Monte Carlo, Luxembourg, the U.S. and Canada and Vatican City). Given the importance of the U.S. and Canadian markets, subsequently, in March 2018, Sekur fully acquired GlobeX US, which holds an exclusive license with GDSA to market and distribute its products in those two key nations, in a related transaction (Sekur's CEO received 25 million SWISF shares). Per GlobeX US' 2017 USA license agreement with GDSA allowing it to act as the master reseller of GDSA products in the U.S. and Canada, GlobeX US – and now Sekur – pays a 10% gross revenue royalty to GDSA.

In July 2022, Sekur and GDSA amended their original license agreement to allow Sekur to market and distribute the GDSA product portfolio globally, including in Switzerland, Lichtenstein, Monte Carlo, Vatican City and Luxembourg, although in Switzerland the company is only permitted to market the GDSA products through online channels. With the acquisition of GlobeX US and the amendment to the original license deal, Sekur has the right to market the GDSA portfolio globally. GDSA licenses the products Sekur markets to the company in perpetuity. GDSA continues to upgrade and develop new features for its product portfolio such as SekurVPN and others noted below.

… and company offers products for range of users, spanning individuals to large enterprise…

Sekur offers privacy and protection solutions for customers ranging from individual users, SMBs (small and medium businesses) to large enterprises and government organizations. The company simultaneously targets consumers and SMBs through its proprietary website. Sekur Enterprise Solutions is expected to strengthen its product offerings for larger companies.

ARPU, average revenue per user, rising…

Sekur believes its products are easy to deploy and use and are priced competitively, with customizable enterprise solution prices somewhat higher than more basic consumer versions. Moreover, customers can obtain positive economics by subscribing to and bundling multiple Sekur solutions. When customers bundle add-on Sekur products, the incremental solution is generally offered at a discount to a standalone price. The company makes it simple for users to bundle multiple products, enabling customers to visit the Sekur website and select add-on offers. The company sees substantial advantages in offering add-on pricing. To-date, Sekur has found that the bundling option has been widely accepted by its customer base.

Specifically, since the company introduced SekurVPN earlier this year (see below) and customized 'a-la-carte' bundles for both consumers and businesses, roughly 50% of its customers have opted for bundled solutions. Over 30% of its total customer base have purchased SekurVPN in the bundle or as a standalone solution. To drive adoption of SekurVPN, for example, the company offered a 60% annual discount to the first 5,000 subscribers.

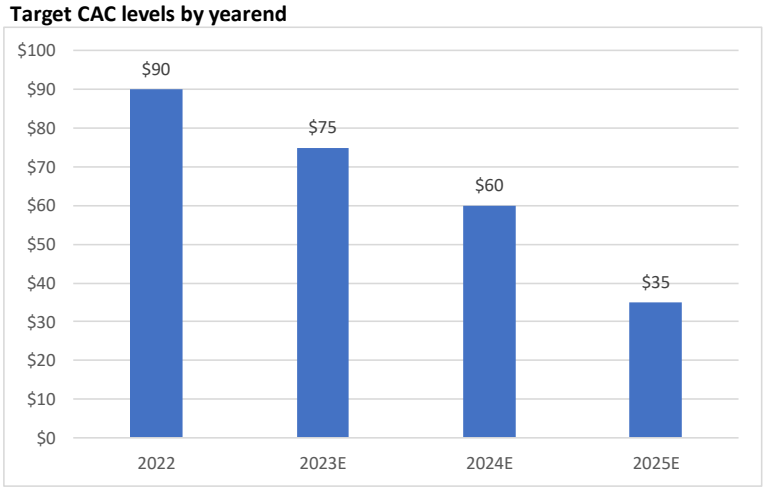
Reflecting strong demand for the product, Sekur also recently announced its plan to raise prices for SekurVPN. Last month the company noted that new signups for SekurVPN have increased, representing 60% of all new Sekur signups for the month of October. The company indicated that the price increase for SekurVPN is expected to lead to a 25% to 30% improvement in the average revenue per user (ARPU) over time. ARPU is expected to rise from just under US$9 to just under US$12, the combination of single and bundled VPN adoption.

… and Customer Acquisition Cost declining, which is a key goal…

Bundling its products and thereby boosting ARPU are also consistent with the company's optimization strategy, which includes reducing CAC (customer acquisition costs), an objective that has seen strong success in recent months as the Sekur product suite and global distribution network has grown and as the company leverages digital marketing channels to promote its solutions.

In January 2023, the company began an optimization and SEO strategy, including the above-noted goal to reduce CAC. The company's focus under this campaign has been to leverage targeted digital marketing tools such as Google Ads and META campaigns, and concurrently maximize the use of its proprietary Sekur website as a sales channel. Sekur initially targeted a CAC of US$75 or lower by yearend 2023 and US$60 or lower by yearend 2024, but Sekur is pacing ahead of its CAC reduction targets.

Tracking Ahead of Original Targets



Source: Zacks based on Sekur data

For example, since it first launched this optimization campaign in January 2023, Sekur's CAC has declined to US$32 per customer as of June 2023 and US$26 for August 2023. Reflecting its organic growth from SEO efforts and leveraging direct marketing to drive customer adoption and sales, CAC for full year is tracking of US$30 to US$35 or even lower, given the August rate. This is substantially below the targeted $70 the company originally established when it launched its cost and profit optimization strategy at the beginning of 2023. At that time, the strategy did not incorporate B2B partnerships, which the company sees as another tool to reduce blended CAC. The company's strategy is to increase its digital marketing budget gradually from August 2023 onward, including launching several videos on social media promoting SekurVPN in the USA, and Australia.

At the same time, the Life Time Value metrics (LTV) per customer has also increased as Sekur drives its bundling options and increases revenue per customer. Sekur expects continued growth for its SekurVPN solution and is adding enterprise features and other upgrades such as IPv6 by year end. The company also intends to refresh its production portfolio, including the planned introduction of new solutions (see below).

PRODUCT PORTFOLIO

Growing suite of technology products & solutions…

The company's products were developed by GlobeX Data S.A. (GDSA), which is a privately-held related Swiss-based privacy, cyber security and secure communications company, as noted. Sekur holds licenses for GDSA technology solutions in perpetuity. The company is the exclusive worldwide distributor and license holder of a full suite of encrypted emails and secure communication, secure cloud-based storage and document management solutions, primarily including the following:



Source: Company presentation

SekurMail

As with other Sekur products, SekurMail is Swiss-hosted, which the company believes adds an additional layer of privacy and security. SekurMail offers an encrypted email service that is private while enabling users to communicate with others within Sekur or outside of Sekur.

SekurVPN

SekurVPN uses its own proprietary infrastructure, which differentiates the product from that of many other VPNs. SekurVPN keeps users' information private and Sekur does not share their data with third party service providers. In fact, SekurVPN users do not register their phone number on the app or the web, which helps keep their personal identity data private. The company has had strong response to the SekurVPN product, as noted. Consumers have adopted SekurVPN and the company is also optimistic about business adoption of the product.

SekurVPN especially targets users who want to mask their IP address from hackers, including industrial spies. The company cites this feature as a key criterion for users when making a decision about which VPN service to use. Sekur believes that using a private VPN such as SekurVPN can lower the risk of BEC (business email compromise – see below) attacks for C-Level enterprise employees substantially. Sekur plans to market SekurVPN to the SMB and enterprise segments in 4Q23. Consistent with its optimization strategy, the company intends to combine digital marketing with email campaigns

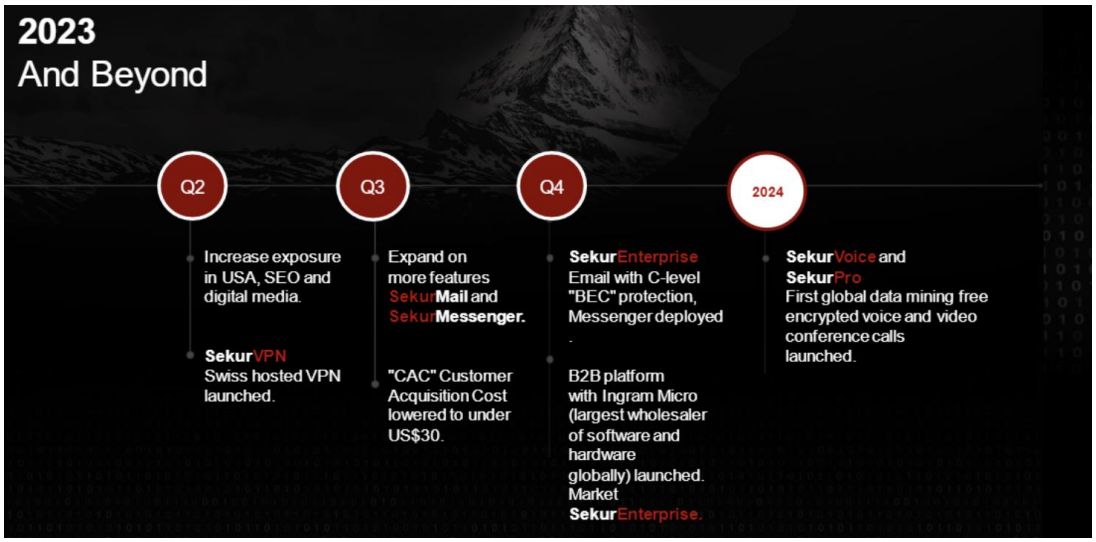
SekurMessenger

SekurMessenger is an encrypted messaging application that is designed for organizations that need to protect their flow of information and secure their communications between devices. SekurMessenger is designed to ensure that only the sender and intended recipient can read the messages. Among the various features of SekurMessenger, the solution leverages multi-vault encryption layers, segregates

users' data in virtual vaults and encrypts it with individual keys. The company does not collect or store metadata or share information with third parties. Registration in the application is done anonymously, so Sekur does not obtain users' telephone number or personal ID data.

Ongoing new product development & launches

Sekur continues to work with GDSA to identify opportunities within the cybersecurity space and develop and launch new products such as SekurVPN discussed above. The company offers privacy and protection solutions for customers ranging from individual consumers, SMBs (small and medium businesses) to large enterprises and government organizations. The company introduced SekurVPN earlier this year. Sekur plans to debut Sekur Enterprise Solutions before yearend 2023, strengthening its offerings for larger enterprises.



Source: Company presentation

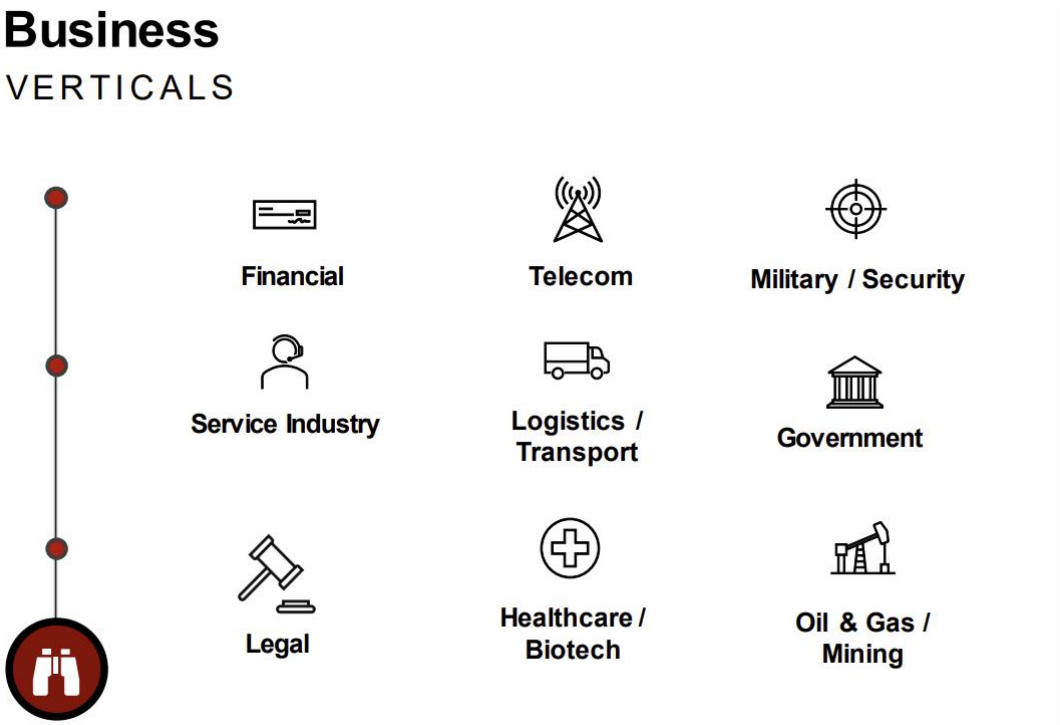
Sekur Enterprise Solutions is designed to enable organizations to host C level emails on Sekur's private network and simultaneously maintain other employees on their existing email hosting solution. With the Sekur technology, C-level officers can maintain the same company domain name as other firm employees even with their communications hosted on the SekurMail privacy platform. The company expects this solution to enable companies to protect C-suite communications, while concurrently providing a way to avoid costly email migrations for the overall firm.

As the company continues to refresh and upgrade its overall suite of products, Sekur's timeline for additional new product launches also include the expected introduction of additional tools in 2024. The need to expand and innovate cybersecurity tools reflects the ongoing rise in the security breaches and attacks.

For example, the number of Business Email Compromise (BEC) attacks on small and large businesses is growing. A BEC attack is a cybercrime in which hackers use email to try to prompt the email recipient to send money or divulge confidential company information. Nearly 20,000 BEC complaints were lodged with the FBI in 2021, according to the FBI Internet Crime Report.

TARGET VERTICALS

Sekur markets products for consumers, SMBs, as well as larger enterprise, and government organizations. Specific verticals the company focuses on include the financial, telecom and healthcare sectors, the oil and gas space and military, as well as government, among others. Sekur's recent introduction of Sekur Enterprise Solutions is designed to expand its product offerings for larger companies and strengthen its position for this market segment, as noted.



Source: Company presentation

Many of these verticals are expected to be particularly vulnerable to cybercrime. For example, according to trade publications, regulatory agencies and the industry itself are concerned about cyberattacks on the healthcare vertical. In fact, the U.S. Department of Health and Human Services' Advanced Research Projects Agency for Health (ARPA-H) launched the Digital Health Security (DIGIHEALS) project recently in an effort to improve the electronic infrastructure of the U.S. healthcare industry. In recent months, cybercriminals targeting the healthcare sector have often used ransomware to prevent hospitals and other healthcare providers from accessing their online systems and critical data, even causing hospitals to divert ambulances, cancel appointments, and disrupt patient care. The healthcare vertical has lagged other industries in spending on cyber tools and has "outdated IT systems, fewer cybersecurity protocols and IT staff, extremely valuable data," which leads it to be an attractive target for cybercriminals. The healthcare industry is expected to spend a cumulative $125 billion from 2020 to 2025 to improve its cyber defenses, according to Cybercrime Magazine. Federal, state and local government agencies are also expected to increase spending on cyber defense, as are SMB and larger enterprises.

Offering SMB and Enterprise solutions is part of the company's core strategy, with a planned B2B platform expected to debut in 4Q23. Small businesses have a significant need for externally provided cybersecurity tools. Within the company's target silos and other sectors, small businesses are especially vulnerable to cybercrimes. According to Security Magazine, "Small businesses are attractive targets for cybercriminals because they usually lack the cybersecurity precautions of larger organizations." Often small business owners view themselves as being too small to be of interest to cyber criminals, but this is a false sense of security, as many are coming to realize because given this backdrop, some 43% of

cyberattacks target small businesses. Moreover, 60% of all small businesses victims of a data breach permanently close their doors within six months of the attack.

… incidence & cost of data breaches continues to grow.…

"The global average cost of a data breach in 2023 was US[$]4.45 million, a 15% increase over 3 years," according to IBM. Moreover, as remote work has climbed during and post the pandemic, it has increased the average total cost of a data breach and lengthened the time required to identify and contain data breaches. In the aftermath of the pandemic, the U.S. has "a new working-from-home economy," according to Stanford University, which notes that about 42% of workers working from home. As employees generate, access, and share more data remotely through cloud apps, the number of security blind spots balloons. As awareness of the threat to SME builds, McKinsey notes that "SMBs and midmarket players in particular are focused on implementing more advanced solutions."

Moreover, according to McKinsey, "many cyber solutions are mispriced for SMBs. Larger organizations can pre-pay or buy in bulk to obtain volume discounts, but many SMBs and midmarket companies are less able to negotiate hard for these services." Sekur believes its products are priced competitively and will be appealing to SMB and other potential customers.

GLOBAL PRESENCE

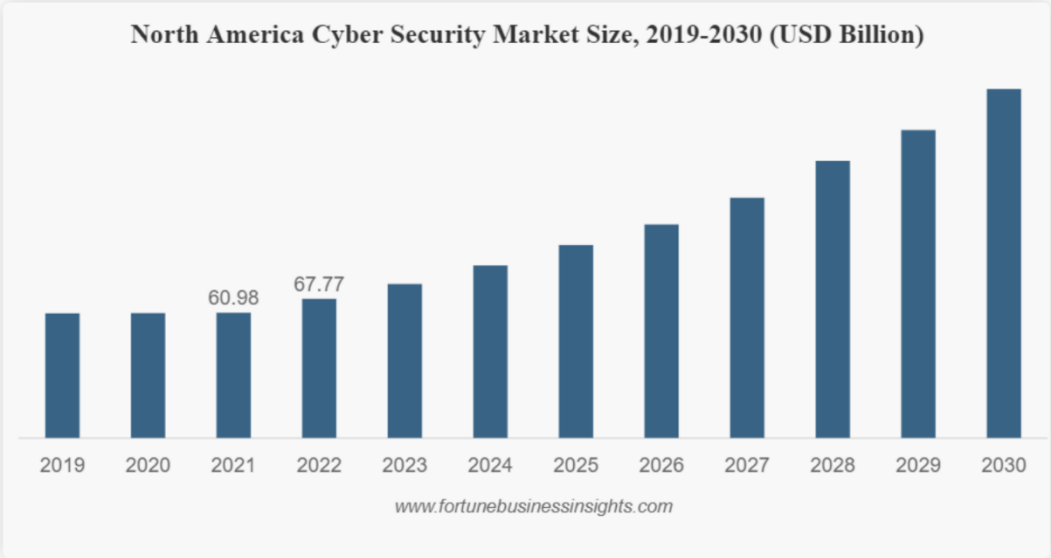
Focus on multiple markets...



Source: Company presentation

With the company's recent purchase of GlobeX US and modification of its license deal with GDSA. geographically, Sekur can market its products globally. The company is developing a worldwide presence through its proprietary website and also via authorized dealers. Although the company expects to continue to expand its global footprint and has formed multiple agreements and channel partnerships in recent months (see below), the U.S. remains a key target market.

The U.S., as the world's largest economy, has been hit hard by cybercrime. Given the growing sophistication of many cyber thieves, the World Economic Forum 2020 Global Risk report estimates the likelihood of their detection and prosecution in the U.S. to be as low as 5%. Moreover, as noted, the working-from-home economy also increases the need for cybersecurity. According to Fortune Business Insights, the North American Cybersecurity Market is expected to reach $19.4 billion by 2030, up from $11.9 billion in 2022 (see chart below), and the global market is expected to reach nearly $425 billion.



Thus, the demand for solutions and tools to thwart cybercriminals is expected to rise dramatically in the U.S. and other markets over the next several years. To penetrate the U.S. market, Sekur signed a reseller agreement with Nobleus, an e-commerce platform that offers tools and resources for online businesses, granting Nobleus the right to distribute and resell the company's solutions in the U.S. The upcoming launch of its B2B platform in 4Q23 is a key component of Sekur's strategy to penetrate the U.S. and other markets.

… with existing & new distribution agreements...

The company also expects the B2B platform will help boost average spend per customer and customer retention. Sekur is optimistic about the prospects of SekurMail and other solutions geared for the enterprise silo. The company also intends to maintain its outreach to the consumer market at the same time. Outside of the U.S., the company has seen high demand for its solutions in Latin America. To drive adoption in Latin America, Sekur has launched Sekur messenger with America Movil, which ranks as the largest telecom operator in Latin America and 7th largest globally. America Movil has 270 million subscribers in Latin America and will offer Sekur solutions to its customers.

Sekur also continues to sign distribution agreements for other markets, as well. For example, Sekur has signed agreements for distribution in Morocco and with multiple resellers in the SAARC, South East Asia and APAC regions, particularly targeting the financial services, legal services, healthcare and telecom verticals, among others. Recently, Sekur announced its plans to launch its products in German, accompanied by a digital marketing campaign in the DACH region that encompasses Germany, Austria

and Switzerland by yearend 2023. Combined GDP of all DACH countries is about US$5.35 trillion. Sekur has also signed a distribution agreement with Solutions Communications & Security Systems, a Jordanian corporation, securing distribution in Jordan and Iraq.

ECONOMIC MARKET OPPORTUNITY

Need for protection is growing as cybercrimes become more sophisticated…

As noted, the incidence of data breaches and cyberattacks are on the rise, as the digital economy continues to grow. the World Economic Forum 2020 Global Risk report note that "Cyberattacks have become a common hazard for individuals… [and cyberattacks] can take a multitude of forms—from data theft and ransomware to the overtaking of systems with potentially large-scale harmful consequences."

Importantly, cyberattacks result in financial losses, loss of brand reputation and other potential issues. McKinsey estimates that cybercrime will cost the global economy about $10.5 trillion annually by 2025, putting growing pressure on users to protect the safety of their communications, data and privacy through the use of cybersecurity tools such as those provided by Sekur and others.

Organizations spent roughly $150 billion on cybersecurity globally in 2021, up about 12.4% compared to 2020. Nevertheless, Mckinsey believes that a gap exists between the $150 billion vended market and a fully addressable market, at an approximately 10% penetration of security solutions today.

MANAGEMENT

Chief Executive Officer

The company's founder, Alain Ghiai, serves as CEO and is a director. He led the company through the IPO process in July 2019. Mr. Ghiai is also the majority shareholder of GDSA, which he founded, as well. He founded Sekur in 2017 and has served as its CEO since then. He has more than 15 years of experience in the software industry.

Scott Davis works alongside CEO Alain Ghiai on managing the company's finances. He is a CPA and a partner of Cross Davis & Company LLP Chartered Professional Accountants, which is a Vancouver, British Columbia-based firm that provides accounting and management services, with a focus on publicly listed companies. Mr. Davis has held CFO positions at several TSX Venture Exchange-listed companies. His prior experience includes senior management positions, including four years at Appleby as an Assistant Financial Controller, two years at Davison & Company LLP Chartered Professional Accountants as an Auditor, and five years with Pacific Opportunity Capital Ltd. as an Accounting Manager, among other senior positions. Mr. Davis has been a service provider to technology companies for more than eight years, according to the company.

RECENT RESULTS

1H2023 Highlights

Sekur reported revenues of $260,580 for 1H23, compared to $201,400 for the comparable period of 2022. Revenues reflect direct website purchases and / or sales net of any agreements with channel partners. Marketing for 1H23 was $883,057, down from $3,246,206 for 1H22. Data center and hardware maintenance of $335,000 was higher than $260,000 registered in 1H22. R&D and software maintenance expense for 1H23 was $382,578 compared to $364,211. The company registered a net loss of $1,967,899 compared to a net loss of $3,936,056 for 1H22.

Specifically, in 2Q23, the company reported revenues of $128,841 compared to $113,365 for 2Q22. The company reported a net loss of $730,574 for 2Q23 compared to a net loss of $2,227,618 for the same period of 2022. Significant variances include lower marketing expense ($294,794 for 2Q23 versus $1,710,693 for 2Q22). Marketing costs have decreased substantially compared to 2022, as the company has focused on digital marketing campaigns and direct email marketing. However, given the planned promotional activity in 4Q23, our forecast for marketing expense is for slight increases over the next two quarters.

RECENT NEWS

- Sekur signed a multinational distribution agreement covering Jordan and Iraq on November 1, 2023.
- On October 10, 2023, Sekur announced a pending price to increase for SekurVPN.
- Sekur announced plans to launch its communications suite in German in the DACH region on October 3, 2023.
- On September 12, 2023, Sekur signed a distribution agreement with VYRE Network's VBNGtv channel to feature and distribute Sekur solutions.
- On September 7, 2023, Sekur signed an agreement with Zimtu Capital Corp. to provide specific services from its ZimtuADVANTAGE program for three months.
- Sekur lowered August 2023 CAC to US$26, as announced on September 6, 2023.
- Sekur signed a distribution agreement in Morocco on August 2, 2023.
- Sekur announced CAC of US$32 for June 2023 month to-date on June 14, 2023.
- Sekur announced a 1Q23 y/y 50% sales increase on May 25, 2023.
- On May 16, 2023, Sekur launched its new custom bundle packages.
- Sekur reduced CAC to US$74 per customer on May 9, 2023, which represented a 79% decline from CAC of US$364 per customer in 1Q23.
- On April 18, 2023, Sekur launched SekurVPN, which is believes is the first commercially available non-big-tech powered, Swiss-hosted privacy focused VPN in the world.

VALUATION

SWISF shares dropped sharply this year, reflecting, we believe, concerns about the impact of inflation and interest rates, general market volatility and sector multiple contractions. They have remained under pressure and it would not surprise us to see investors wait in the near-term for upcoming milestones. Nevertheless, if the company can deliver on its growth initiatives, in success we would anticipate share price appreciation over time.

We believe it is difficult to compare SWISF shares to those of other publicly traded companies. While there are companies that provide services similar to one or more solutions the company offers – including companies such as SentinelOne and Palo Alto Networks, as well as large tech players such as Microsoft, Cisco Systems and others, these companies are at different stages of development and many have broader offerings compared to Sekur's focus on enabling online privacy and security. Nevertheless, we believe general sector multiples can provide some benchmark for SWISF shares.

The players noted above trade at a wide range of multiples of forward revenue that range from mid-single digits to >9x. However, industry multiples have contracted from about 18x-20x pre-pandemic on a price-to-sales (P/S) basis. We would also expect Sekur to record faster growth at this early stage in its development and off a significantly lower base and believe a normalized P/S more aligned with pre-pandemic multiples is appropriate. While it is difficult to know the revenue arc for Sekur at this early stage, given the strong response the company has seen to recently introduced tools such as SekurVPN and expected success of SekurEnterprise, the recently announced price increase and bundling options and continued formation of new channel partnerships, we believe it is not unreasonable to expect that Sekur could deliver revenue of US$2-$3 million in the 2027-28 timeframe.

Discounting this estimate back at 7%, using a P/S multiple at the higher end of the sector multiple range and applying a confidence metric of about 90% to reflect the higher risk SWISF faces, we derive a valuation of about US$0.15 per SWISF share. If revenue ramps faster/lower than we anticipate, it could cause us to reevaluate our confidence factor in the future.

If the company delivers milestones earlier than anticipated, it could impact these multiples and adjustments. Conversely, any delay or failure in successful execution of the strategy could represent a potential risk to our valuation and cause the share price to decline. We believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon.

RISKS

We believe risks to Sekur achieving its goals, and to our valuation, include the following, among others.

- Sekur might not gain market share as quickly as the company expects, which could lead to slower than anticipated revenue ramp.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- The company might need to raise capital to support its strategy that might be dilutive to current shareholders.
- The company faces FX risk as it expands distribution into additional international markets.
- The inflation and interest rate environments might have a greater impact on overall traction and revenue than the company expects.
- Technology changes -- trends such as AI and ChatGPT, for example – might have a greater than expected impact on the cybersecurity industry and Sekur might not be able to incorporate and / or upgrade its solutions as rapidly as better capitalized companies.
- The company is highly dependent on its CEO and if he were to leave, it could represent a setback in maintaining the growth strategy.

FINANCIAL MODEL

Sekur

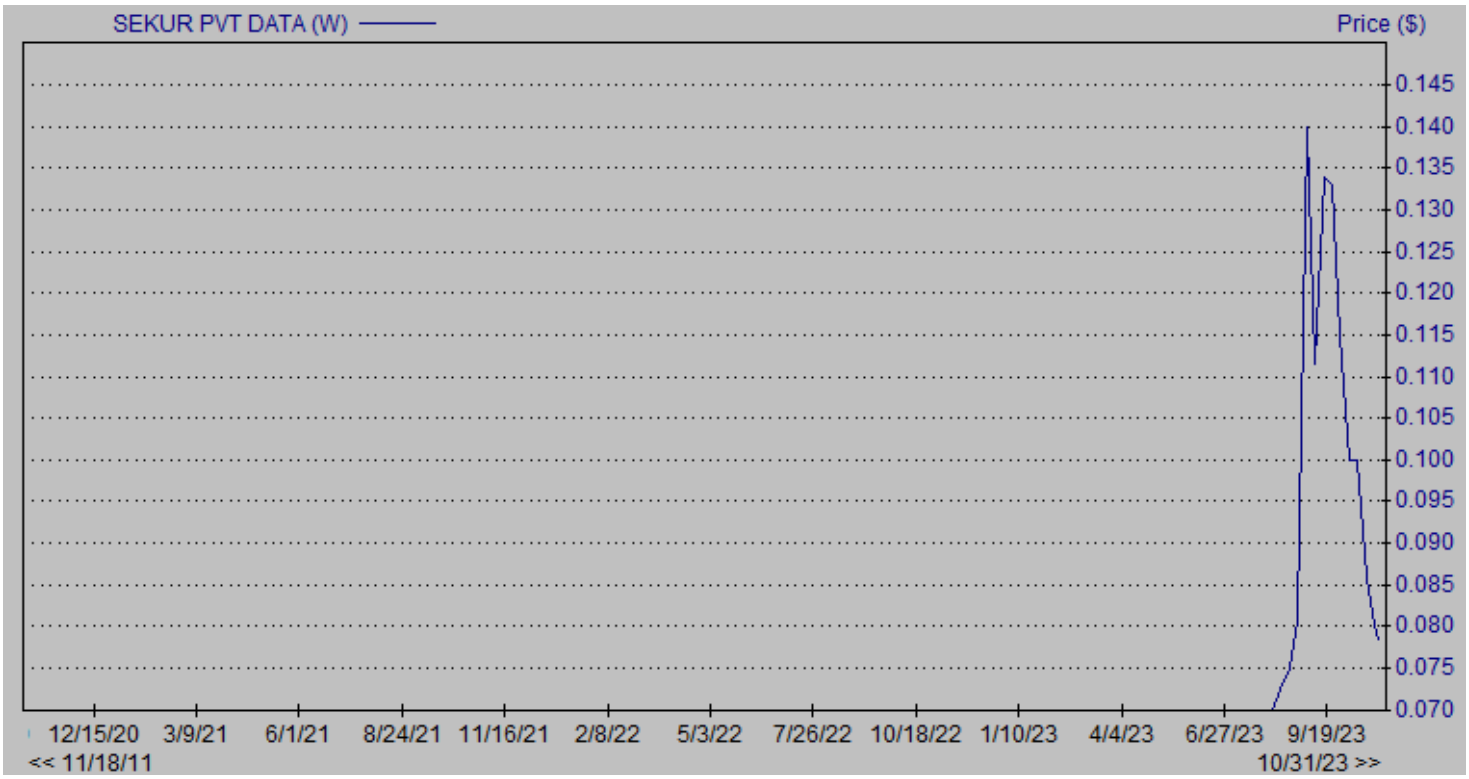
Sekur Private Data (Canadian $)

	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23E	4Q23E	2023E
Revenue	144,881	88,035	113,365	118,252	144,647	464,299	131,739	128,841	130,001	131,171	521,751
Expenses											
Accounting & audit	195,331	12,220	35,760	9,485	64,015	121,480	79,860	15,165	15,301	15,439	125,766
Consulting fees	139,008	1,296	25,364	8,813	20,013	55,486	852	13,114	13,232	13,351	40,549
Data center & hardware maintenance	-	70,000	190,000	109,417	154,580	523,997	170,000	165,000	166,485	167,983	669,468
Marketing	3,796,378	1,535,513	1,710,693	982,455	725,599	4,954,260	588,263	294,794	297,447	300,124	1,480,628
R&D & softwaremaintenance	455,097	92,547	271,664	134,867	288,326	787,404	116,909	265,669	268,060	270,473	921,111
Other	(14,110,486)	76,317	106,407	188,702	62,583	434,009	436,054	113,652	114,675	115,707	780,088
Total	(9,524,672)	1,787,893	2,339,888	1,433,739	1,315,116	6,876,636	1,391,938	867,394	875,201	883,077	4,017,610
Operating income / (loss)	9,669,553	(1,699,858)	(2,226,523)	(1,315,487)	(1,170,469)	(6,412,337)	(1,260,199)	(738,553)	(745,200)	(751,907)	(3,495,859)
Interest income	7,046	3,452	8,270	21,613	33,013	66,348	32,393	27,029	27,272	27,518	114,212
FX	(39,739)	(12,032)	(9,365)	16,022	(38,869)	(44,244)	(9,519)	(19,050)	(19,221)	(19,394)	(67,185)
Total other income / (expense)	(32,693)	(8,580)	(1,095)	37,635	(5,856)	22,104	22,874	7,979	8,051	8,123	8,196
Net loss	9,636,860	(1,708,438)	(2,227,618)	(1,277,852)	(1,176,325)	(6,390,233)	(1,237,325)	(730,574)	(737,149)	(743,784)	(3,487,662)
Net loss per share	$0.11	($0.01)	($0.02)	($0.01)	($0.01)	($0.06)	($0.01)	($0.01)	($0.01)	($0.01)	($0.03)
Avg shares out	87,769,397	113,976,099	116,044,811	116,925,426	117,069,076	116,003,853	117,025,441	117,025,441	117,025,571	117,025,701	117,025,539

Source: Company reports, Zacks estimates

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