Fundamental Research Corp.
Investment Analysis for Intelligent Investors

Siddharth Rajeev, B.Tech, MBA, CFA

Colin Tang, B.Com

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Siyata Mobile Inc. (TSXV: SIM) – Q3-2019 Revenues Rebound Sharply as Expected / Launching UV350 through Rogers

Sector/Industry: Special Situations

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Market Data (as of November 21, 2019)

Current Price	**$0.32**
Fair Value	**$1.14**
Rating*	**BUY**
Risk*	**4**
52 Week Range	$0.27 – $0.60
Shares O/S	124,765,891
Market Cap	$41.17 million
Current Yield	N/A
P/E (forward)	N/A
P/B	2.69x
YoY Return	-30.85%
YoY TSXV	-13.23%

*see back of report for rating and risk definitions.
*$ denotes C$ unless otherwise specified.

Highlights

- Siyata Mobile Inc. ("Siyata", "company") reported Q3-2019 financial results, with top and bottom lines improving on both a QoQ and YoY basis.
- **Sharp Rebound in Q3-2019 Revenues:** The company reported Q3-2019 revenues of $5.05 million – a QoQ improvement of 151.77% and a YoY improvement of 60.13%. We are maintaining our revenue forecast for 2019, and 2020, of $15.04 million and $31.45 million, respectively.
- **Improvement in Margins:** The company reported a Q3-2019 gross margin of 31.46% - an improvement from a Q2-2019 and Q3-2018 gross margins of 26.54% and 25.99%, respectively. Although the improvement in gross margins was expected, we believe our 2019 gross margin forecast of 32.91% is too aggressive. We have revised our 2019 gross margins downwards to 30.10%, and have also lowered our 2020 gross margin forecast to 37.52% (from 39.61%).
- EBITDA for Q3-2019 was -$0.57 million compared to -$1.10 million for Q3-2018. In addition, this compares to Q2-2019 EBITDA of -$1.79 million. The company reported a net loss of -$1.29 million (EPS: -$0.01) for Q3-2019, compared to a net loss of -$1.78 million (EPS: -$0.02) for Q3-2018, and a net loss of -$2.41 million (EPS: -$0.02) for Q2-2019. **As such, the company reported Q3-2019 EBITDA and net losses that improved on a QoQ and YoY basis.**
- Due to revisions made to gross margins, we are revising our 2019 net loss estimate from -$6.29 million (EPS: -$0.05) to -$6.72 million (EPS: -$0.05) and revising our 2020 net income forecast from $0.74 million (EPS: $0.01) to $84,257 (EPS: $0.00).
- The company announced that it had received its first purchase order to commence device trials in the field with an undisclosed global ridesharing company. **As such, we believe that Siyata has potentially opened up a new major addressable market.**

Key Financial Data (FYE - DEC 31) (C$)	2017	2018	2019E	2020E
Cash	$ 4,384,596	$ 2,420,205	$ 1,070,613	$ 2,834,337
Working Capital	$ 9,652,702	$ 4,565,215	$ 6,461,248	$ 8,849,986
Assets	$ 21,877,613	$ 17,784,342	$ 20,346,089	$ 25,224,689
Total Debt	$ 3,553,901	$ 4,134,831	$ 3,904,831	$ 4,743,113
Revenues	$ 17,753,006	$ 14,220,542	$ 15,043,730	$ 31,446,298
Net Income	$ -5,058,495	$ -11,527,981	$ -6,715,863	$ 84,257
EPS (basic)	$ -0.06	$ -0.12	$ -0.05	$ 0.00

Q3-2019 Revenues Rebound Sharply

The company reported Q3-2019 revenues of $5.05 million – a year-over-year ("YoY") increase of 60.13%. **As expected, revenues for Q3-2019 rebounded sharply from Q2-2019. Compared to the prior quarter, revenues were 151.77% higher.**

STATEMENTS OF OPERATIONS (in C$) - YE Dec 31st	Q3-2018	Q3-2019	YoY	2018 (9M)	2019 (9M)	YoY
Revenues	3,151,217	5,045,947	60.13%	11,462,934	10,086,347	-12.01%

Source: Company, FRC

However, when comparing the nine months of 2019 to the nine months of 2018, revenues decreased by 12.01% YoY. This decrease was primarily due to lower revenues for Q2-2019 (of $2.00 million) compared to revenues for Q2-2018 (of 5.28 million).

Subsequent Purchase Orders

The following are purchase orders ("POs") received subsequent to Q3-2019:

- Received an additional PO of $0.49 million on September 30, 2019, for the company's 4G/LTE rugged Push-to-Talk mobile devices and commercial vehicle devices from a customer that originally made a PO of $0.36 million on July 22, 2019.
- Received POs valued at approximately $0.80 million on November 12, 2019, for UV350, CP250 and CP100 in-vehicle cellular devices.
- Received a PO of $0.95 million for UV350 on November 18, 2019.

On October 24, 2019, the company launched its UV350 in-vehicle device through Rogers (TSX: RCI.B) – the largest provider of wireless communication services in Canada (Source: Canada Telecommunications). Additionally, on November 21, 2019, the company received network approval for UV350 from an undisclosed Tier 1 cellular carrier in the United States ("U.S."). As such, it is our expectation that the greater distribution from launching with Rogers, and network approval with the undisclosed Tier 1 cellular carrier in the U.S., will help boost sales of UV350 going forward.

Product Development

The company also improved the functionality of UV350, having integrated the CrisisGo app into UV350. CrisisGo is an incident management platform that coordinates messages, notifications and alerts to emergency first responders, security teams, teachers and staff. As such, this marks a safety improvement to the UV350 which, we believe, improves the marketability of UV350 to potential customers.

At the company's current run-rate, purchase orders and product development mentioned above, we believe that the company will meet our 2019 revenues forecast of $15.04 million. We have also maintained our 2020 revenues forecast of $31.45 million, but have revised longer-term revenues lower due to the expectation of lower growth rate in the company's legacy product portfolio.

Improvement in Margins

The company reported gross profit for Q3-2019 of $1.59 million, reflecting a gross margin of 31.46%. This compares to gross margins of 26.54% and 25.99% for Q2-2019 and Q3-2018, respectively. **The improvement in Siyata's gross margin was a result of higher-margin 4G product sales (i.e. UV350 and CP250) compared to lower-margin 3G legacy product sales.** For the nine months of 2019, the company reported a gross margin of 29.43%. Although the improvement in gross margin for Q3-2019 was expected, we believe that our 2019 gross margin forecast of 32.91% is too aggressive. **As such, we are revising our 2019 gross margin forecast downwards to 30.10%.** Our revised gross margin forecast reflects our belief that gross margin for Q4-2019 will remain at levels similar to the gross margin witnessed for Q3-2019. **In addition, we are revising our 2020 gross margin forecast lower to 37.52% (from 39.61%), and are also revising our longer-term gross margin forecasts slightly lower.**

Margins	Q3-2018	Q3-2019	2018 (9M)	2019 (9M)
Gross	25.99%	31.46%	28.02%	29.43%
EBITDA	-34.85%	-11.31%	-20.49%	-39.49%
EBIT	-38.66%	-16.19%	-23.20%	-46.81%
Net	-56.61%	-25.64%	-24.98%	-58.06%

Source: Company, FRC

Selling, general and administrative ("SG&A") expenses grew 12.06% YoY from Q3-2018 ($1.72 million) to Q3-2019 ($1.92 million). The increase in SG&A expenses were primarily attributed to greater expenses related to (1) advertising and marketing and (2) consulting and director fees. This was partially offset by (1) lower shareholder relations expenses and (2) salaries expenses. Although SG&A expenses increased YoY, due to the strong improvement in revenues, EBITDA, EBIT and net margins improved.

For the nine months of 2019, the company reported SG&A expenses of $5.65 million. Given the company's current run-rate for SG&A expenses, **we believe our 2019 SG&A expenses forecast of $7.61 million is reasonable.** We have also maintained our SG&A forecast for 2020 of $7.99 million. Over the long-term, we believe our forecasts for SG&A expenses were too aggressive and have revised this lower.

EBITDA for Q3-2019 was -$0.57 million compared to Q3-2018 of -$1.10 million. The improvement in EBITDA, as mentioned above, was due to greater revenues generated for the quarter. The company reported a net loss of -$1.29 million (EPS: -$0.01) for Q3-2019, compared to a net loss of -$1.78 million (EPS: -$0.02) for Q3-2018. **In addition to bottom line results that improved on a YoY basis, bottom line results also improved on a QoQ basis.** EBITDA and net losses for Q2-2019 were -$1.79 million and -$2.41 million (EPS: -$0.02), respectively.

Revision to Bottom Line

Due to revisions made to our 2019 gross margin, we are revising our previous 2019 net loss forecast of -$6.29 million (EPS: -$0.05) to -$6.72 million (EPS: -$0.05). In addition, we are revising our previous 2020 net income forecast of $0.74 million (EPS: $0.01) to $84k (EPS: $0.00)

Deterioration in FCF

Free cash flows ("FCF") deteriorated YoY from -$3.45 million for the nine months of 2018 to -$9.46 million for the nine months of 2019. In addition to the poor operating performance in Q2-2019, the deterioration in FCF was attributed to a greater negative change in working capital for Q3-2019, compared to Q3-2018. We have looked at working capital items and have not noted any red flags.

Summary of Cash Flows ($, mm)	2018 (9M)	2019 (9M)
Operating	-$1.87	-$6.68
Investing	-$1.58	-$2.77
Financing	$0.89	$8.65
Effects of Exchange Rate	-$0.48	$0.27
Net	**-$3.04**	**-$0.53**
Free Cash Flows to Firm (FCF)	**-$3.45**	**-$9.46**

Source: Company, FRC

Balance Sheet

At the end of Q3-2019, the company reported a cash position of $1.89 million, working capital of $7.57 million and a current ratio of 3.69x. The company also maintained a debt position of $4.43 million, a majority of which are unsecured convertible debentures with an interest rate of 10.50% per annum (conversion price of $0.60 per share).

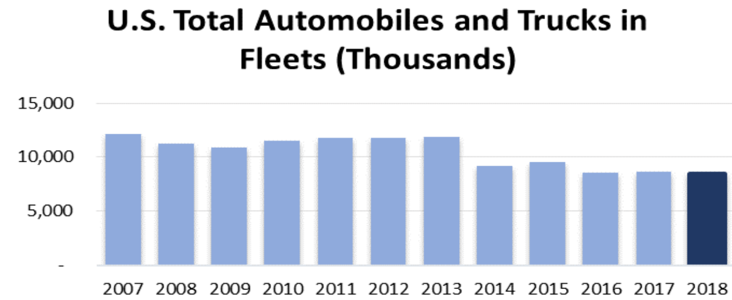
(in C$) - YE Dec 31st Liquidity & Capital Structure	Q3-2019
Cash	$ 1,888,133
Working Capital	$ 7,569,767
Current Ratio	3.69
LT Debt	$ 4,381,745
Total Debt	$ 4,431,745
LT Debt / Capital	0.24
Total Debt / Capital	0.24
Total Invested Capital	$ 16,432,610

Source: Company, FRC

Stock Options and Warrants: We estimate that the company has 11.53 million stock options (weighted average exercise price of $0.46), and 12.97 million warrants (weighted average exercise price of $0.64). We estimate that 3.78 million options and nil warrants are in the money. The company **will be able to raise up to $1.13 million** if all the in the money options are exercised.

Market Update

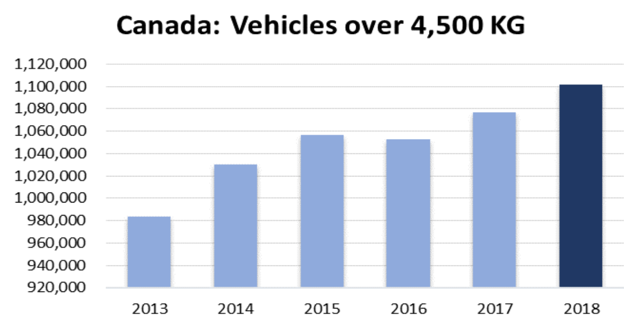
Based on data published by the Bureau of Transportation Statistics, there were an estimated total of 8.47 million automobiles and trucks in fleets in the United States ("U.S.") for 2018. For simplicity, we assume that automobile/truck fleets are commercial fleets. **Assuming that each of these vehicles may potentially transition from traditional Land Mobile Ratio ("LMR") systems to Push-to-Talk over Cellular ("PoC") systems such as the UV 350, and an average selling price of $1,000 per device, we estimate the total U.S. addressable market for Siyata is approximately $8.47 billion. This compares to our previously stated total U.S. addressable market of $8.63 billion.**



Note that the data source used for the Census stopped recording information for number of fleets with less than 15 vehicles after 2013, leading to a sharp drop in recorded fleet vehicles.

Source: U.S. Department of Transportation, FRC

The addressable market for Siyata in Canada remains strong. According to data published by Statistics Canada on November 11, 2019, there were a total of 1.10 million vehicles registered nationwide that weighed in excess of 4,500 kg, which we assume comprises trucks, vans, and other potential commercial fleet vehicles. **Based on the same parameters used above, we estimate the potential Canadian commercial fleet opportunity at $1.10 billion – a revision from a potential Canadian commercial fleet opportunity of $1.08 billion.**



Source: Statistics Canada, FRC

Based on our approximations, the total North American commercial fleet market opportunity directly addressable by Siyata is $9.57 billion. Although the market size has been revised slightly lower (from $9.70 billion), readers should note that this remains a huge potentially addressable market for Siyata.

The Global Ridesharing Market

On September 9, 2019, the company announced that it had received its first PO (amount undisclosed) to commence device trials in the field with an undisclosed global ridesharing company. It is our belief that this marks a significant opportunity for the company to market its UV350 and CP250 to the ridesharing market. **Siyata's devices would help limit the distractions faced by professional drivers that are using a personal device to navigate and communicate with passengers.** The following illustrates the players in the global ridesharing market.

Players in the RideSharing Market

Source: Reuters

Although we acknowledge that it is unlikely that drivers will be willing to pay up to $1,000 for a UV 350, we believe that the company may repackage its products to a lower price point to entice drivers. Due to the preliminary nature of these device trials, we have refrained from including the additional revenue potential from the ridesharing market until more definitive information from Siyata on the outcome of the device trials is publicly available.

Valuation

Discounted Cash Flow

Our discounted cash flow ("DCF") valuation on Siyata's shares has been revised from $0.99 to $1.21. Although we revised both our gross margins and the growth rate of the company's legacy products lower, this was offset by a reduction in our long-term SG&A expenses forecast.

DCF Model		Q4-2019E	2020E	2021E	2022E	2023E	2024E	Terminal
EBIT(1-tax)		$ -978,502	$ 1,099,816	$ 4,910,587	$ 10,550,657	$ 16,105,922	$ 21,021,173	
Non-Cash Expenses		$ 225,487	$ 3,545,902	$ 2,769,244	$ 2,842,259	$ 2,927,673	$ 3,026,599	
Investment in WC		$ 8,197	$ -625,014	$ -2,223,700	$ -1,101,154	$ -3,042,987	$ -2,988,993	
CFO		$ -744,818	$ 4,020,703	$ 5,456,131	$ 12,291,762	$ 15,990,609	$ 21,058,779	
CAPEX		$ -273,601	$ -1,241,420	$ -1,257,455	$ -1,383,201	$ -1,521,521	$ -1,673,673	
FCF		$ -1,018,419	$ 2,779,283	$ 4,198,676	$ 10,908,561	$ 14,469,088	$ 19,385,107	$ 19,966,660
PV		$ -989,970	$ 2,412,183	$ 3,253,658	$ 7,547,601	$ 8,938,498	$ 10,692,360	$ 122,368,121
Discount Rate	12%							
Terminal Growth Rate	3%							
Total PV	$ 154,222,451							
Cash - Debt	$ -2,543,612							
Equity Value	$ 151,678,839							
Shares O/S (dil)	125,109,073							
Fair Value	**$ 1.21**							

Source: FRC

Comparables Valuation

Our updated comparables valuation model is outlined below:

Sector	EV/R	EV/EBITDA
Communications Equipment	3.60	12.50
Telephone and Telecommunications Equipment	2.40	13.20
Wireless Telephone Equipment	2.20	10.40
Technology Hardware and Equipment	0.90	11.90
Average	**2.28**	**12.00**

Comparables Valuation			
2024 Forecast (Gross Revenues)	$106,446,935	2024 Forecast (EBITDA)	$22,535,809
Average EV/ Revenue	2.28	Average EV/ EBITDA	12.00
Expected EV (C$)	$242,166,777	Expected EV (C$)	$270,429,705
Discounted EV (C$)	$133,573,388	Discounted EV (C$)	$149,162,542
Expected Market Cap (C$)	$131,029,776	Expected Market Cap (C$)	$146,618,930
Value per Share (C$)	**$1.05**	**Value per Share (C$)**	**$1.17**

Source: FRC / S&P Capital IQ

We are revising our fair value estimate on Siyata's shares from $1.09 per share to $1.14 per share. This is the average of all three of our valuations. We are reiterating our BUY rating.

Risks

We believe the company is exposed to the following risks (list is non-exhaustive):

- Valuation is highly dependent on penetration of the North American commercial vehicle and first responder vehicle markets. Failure to enter these markets may lead to stagnant growth.
- Whilst the company is currently the only provider of an "all in-one", in-vehicle integrated PoC communications platform, success in their field will attract rivals and competitors. Furthermore, as they are only manufacturers of the hardware, competitors with lower costs could potentially enter the market.
- Partner risk associated with distributors that work with Siyata, as Siyata does not sell their product to end consumers.
- Upgrade cycles and constant need for innovation: whilst the company are well positioned to take advantage of the LMR to PoC upgrade cycle, there is no guarantee that they will be prepared for the next upgrade cycle or will have a competitive business model in the long-run.
- Access to capital and share dilution.
- Liquidity risk.
- Exchange rate risk.

We are maintaining a risk rating of 4 (Speculative).

Appendix

BALANCE SHEET (in C$) - YE Dec 31st	2017	2018	2019E	2020E
ASSETS				
CURRENT				
Cash and Cash Equiv.	4,384,596	2,420,205	1,070,613	2,834,337
A/R	1,955,050	925,355	1,504,373	3,144,630
Inventory	4,161,406	4,981,467	4,813,994	5,503,102
Prepaids	497,910	413,114	752,187	943,389
Advance to Suppliers	1,437,261	478,517	1,577,335	1,964,740
Related Parties	776,000			
Total Current Assets	**13,212,223**	**9,218,658**	**9,718,501**	**14,390,198**
Loan to Director				
PPE	65,191	54,392	64,245	74,590
Intangibles	7,577,930	7,489,023	9,541,074	9,737,632
Goodwill	1,022,269	1,022,269	1,022,269	1,022,269
Total Assets	**21,877,613**	**17,784,342**	**20,346,089**	**25,224,689**
LIABILITIES				
CURRENT				
A/P	2,604,592	3,991,081	2,628,892	4,911,850
Other Payables				
Related Parties		198,362	198,362	198,362
Future Purchase Consideration	954,929	430,000	430,000	430,000
Current Portion of LT Debt		34,000		
Total Current Liabilities	**3,559,521**	**4,653,443**	**3,257,254**	**5,540,212**
Future Purchase Consideration	130,852			
LT Debt		196,000	196,000	196,000
Convertible Debt	3,553,901	3,904,831	3,904,831	4,743,113
Total Liabilities	**7,244,274**	**8,754,274**	**7,358,085**	**10,479,325**
SHAREHOLDERS EQUITY				
Share Capital	23,336,596	27,638,100	36,679,603	36,679,603
Reserves	2,996,875	3,750,999	5,383,295	7,056,398
AOCI	(608,945)	260,137	260,137	260,137
Deficit	(11,091,187)	(22,619,168)	(29,335,031)	(29,250,775)
Total shareholders' equity (deficiency)	**14,633,339**	**9,030,068**	**12,988,004**	**14,745,364**
Total Liabilities and Shareholders Equity	**21,877,613**	**17,784,342**	**20,346,089**	**25,224,689**

STATEMENTS OF OPERATIONS (in C$) - YE Dec 31st		2017		2018		2019E		2020E
Revenues		17,753,006		14,220,542		15,043,730		31,446,298
COGS		13,874,261		12,161,044		10,515,568		19,647,400
Gross Profit		**3,878,745**		**2,059,498**		**4,528,163**		**11,798,899**
EXPENSES								
SG&A Expense		6,194,423		8,378,308		7,610,917		7,991,463
Share-based Compensation		1,070,464		1,102,313		1,632,296		1,673,103
EBITDA		**(3,386,142)**		**(7,421,123)**		**(4,715,050)**		**2,134,332**
Depreciation & Amortization		302,273		704,749		985,254		1,034,517
EBIT		**(3,688,415)**		**(8,125,872)**		**(5,700,304)**		**1,099,816**
Financing Costs		164,098		975,468		1,015,559		1,015,559
EBT		**(3,852,513)**		**(9,101,340)**		**(6,715,863)**		**84,257**
Non-Recurring Expenses		1,239,982		2,426,641				
Taxes		-34,000						
Net Profit (Loss)		**(5,058,495)**		**(11,527,981)**		**(6,715,863)**		**84,257**
FOREX Translation Adj.		-159,809		869,082				
Comprehensive Net Profit (Loss)		**(5,218,304)**		**(10,658,899)**		**(6,715,863)**		**84,257**
Shares outstanding		80,380,048		95,375,747		124,765,891		124,765,891
EPS	$	-0.06	$	-0.12	$	-0.05	$	0.00

STATEMENTS OF CASH FLOWS (in C$) - YE Dec 31st	2017	2018	2019E	2020E
OPERATING ACTIVITIES				
Net Profit for the Year	(5,058,495)	(11,527,981)	(6,715,863)	84,257
Adjusted for items not involving cash:				
Amortization	302,273	704,749	985,254	1,034,517
Share-based Compensation	1,070,464	1,102,313	1,632,296	1,673,103
Finance Fees		350,930		838,282
Accretion of Future Purchase Consideration	479,522	519,148		
Recovery of Deferred Tax	(34,000)			
Impairment of Intangibles		1,954,000		
Unrealized FOREX				
Funds From Operations	**(3,240,236)**	**(6,896,841)**	**(4,098,313)**	**3,630,159**
Change in working capital				
A/R	(1,159,440)	2,211,552	(579,018)	(1,640,257)
Inventory	(1,702,867)	(481,223)	167,473	(689,108)
A/P	735,005	1,195,915	(1,362,189)	2,282,958
Prepaids			(339,073)	(191,202)
Deferred Charges				
Advances to Suppliers			(1,098,818)	(387,405)
Related Parties	(411,570)	974,362	-	-
NET CASH USED IN OPERATING ACTIVITIES	**(5,779,108)**	**(2,996,235)**	**(7,309,938)**	**3,005,144**
INVESTING ACTIVITIES				
PPE	(33,707)	(4,264)	(59,115)	(62,071)
Acquisition Costs	(150,000)	(804,929)		
Intangibles	(3,014,725)	(2,070,000)	(2,988,042)	(1,179,349)
NET CASH USED IN INVESTING ACTIVITIES	**(3,198,432)**	**(2,879,193)**	**(3,047,157)**	**(1,241,420)**
FINANCING ACTIVITIES				
Equity Issue	5,134,000	2,080,710	2,850,000	
Issue Costs	(1,200,465)	(375,423)		
ST Loans			(34,000)	
Loans	4,286,024	230,000		
Exercise of Options	205,000	410,000		
Exercise of Warrants	3,921,107	1,324,464	5,862,745	
Exercise of Agent's Options	387,542	143,564	328,758	
NET CASH FROM FINANCING ACTIVITIES	**12,733,208**	**3,813,315**	**9,007,503**	-
Foreign Exchange / Others	370,874	97,722		
INCREASE IN CASH FOR THE YEAR	**4,126,542**	**(1,964,391)**	**(1,349,592)**	**1,763,724**
CASH, BEGINNING OF THE YEAR	258,054	4,384,596	2,420,205	1,070,613
CASH, END OF THE YEAR	**4,384,596**	**2,420,205**	**1,070,613**	**2,834,337**

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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