



# Genasys Inc.

*Slight Q1 upside. Large backlog and major contract wins/new product releases should drive strong growth. Lowering P/T to \$8.00.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: GNSS

Price: \$3.30  
(intraday)

Target: \$8.00  
(from \$8.50)

**Slight Q1 upside:** Genasys recently (on February 7) reported its fiscal Q1 FY22 results. Revenue was \$11 million (+33% y-o-y), compared with our estimates of \$10 million and consensus of \$11 million. EPS was \$(0.04), compared with our estimates of \$(0.07) and consensus of \$(0.04). There was no Q1 guidance.

**Solid backlog:** The company had solid growth in all products. Backlog decreased to \$31 million vs. \$36 million last quarter.

**Guidance for FY22 revenue growth, but some supply chain issues:** Management continues to expect revenue growth in FY22, but did state that there was more risk now due to ongoing supply chain issues.

**Raising estimates:** We are raising our FY22 estimates for revenue to \$52 million, from \$51 million, and for EPS to \$(0.11) from \$(0.12).

**Solid momentum:** The company has experienced strong revenue growth the past five years (+24% in FY17, +30% in FY18, +41% in FY19, +16% in FY20, and +9% in FY21). The management team has done a good job developing LRAD's core legacy Acoustic Hailing Devices (AHDs) and its newer Mass Notifications systems. This has helped win new product contracts and expand its customer base, and returning the company to strong growth.

**FY22 year of investment:** The company plans for significant investment in its business as operating expenses are expected to increase \$9 – 11 million versus FY21 operating expenses of \$22 million. The company is investing heavily in its SAAS business as it grows beyond its historical pure hardware business. It also expects to invest heavily in its sales and marketing areas.

**Zonehaven acquisition positive:** In June, Genasys acquired Zonehaven, a fast-growing provider of SaaS solutions for emergency evacuations for \$24 million. The company continues to opportunistically pursue M&A opportunities.

**Positive momentum:** FY18 revenue growth was +30% (y-o-y), FY19 +41%, FY20 +16%, and FY21 was +9%. We believe and estimate this trend will continue into FY22 (+11%E) and FY23 (+9%E).

**Large market potential:** We believe there is substantial market demand for Genasys's products due to high government needs for improved communications as well as demands from the public for public safety communications and the high value and technology of the communication products that Genasys designs and manufactures.

**Valuation positive:** We are maintaining our BUY rating, but lowering our 12-month price target to \$8.00 from \$8.50, which is based on a forward P/E multiple of 32x our FY24 EPS estimate of \$0.25. We believe this multiple is reasonable as it is its estimated near-term earnings growth rate (implying a PEG ratio of ~1 (P/E to growth rate)). We believe this valuation appropriately balances out the company's risks with the company's growth prospects and large upside opportunities.

### Company Description

Based in San Diego, CA, Genasys designs and develops proprietary sound technologies and products that are deployed by the military, public safety, and commercial organizations around the world.

United States  
Technology

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Edward Woo, CFA  
(949) 259-4932  
ewoo@ascendant.com

### Stock Data

Exchange:	NasdaqCM
52-week Range:	\$3.02 – 8.15
Shares Outstanding (million):	37
Market cap (\$million):	\$122
EV (\$million):	\$104
Debt (\$million):	\$0
Cash (\$million):	\$18
Avg. Daily Trading Vol. (\$million):	~\$0.5
Float (million shares):	29
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Dec	11A	10E	12E	11E
Q2 Mar	12E		13E	14E
Q3 Jun	14E		15E	
Q4 Sep	<u>16E</u>		<u>17E</u>	<u>18E</u>
Total	<b>52E</b>	<b>51E</b>	<b>57E</b>	
EV/Revs	2.0x		1.8x	

### Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Dec	(0.04)A	(0.07)E	(0.03)E	
Q2 Mar	(0.05)E	(0.04)E	0.01E	
Q3 Jun	(0.03)E	(0.02)E	0.04E	
Q4 Sep	<u>0.00E</u>	<u>0.01E</u>	<u>0.06E</u>	
Total	<b>(0.11)E</b>	<b>(0.12)E</b>	<b>0.08E</b>	
P/E	N/A		41x	

### Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

**For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 7.**

## OVERVIEW

- Genasys recently (on February 7) reported its fiscal Q1 FY22 (ending December) results.
- Revenue was \$11 million (+33% y-o-y), compared with our estimates of \$10 million and consensus of \$11 million.
- EPS was \$(0.04), compared with our estimates of \$(0.07) and consensus of \$(0.04).
- There was no Q1 guidance.
- Management as usual did not provide any specific forward guidance, but qualitatively continues to expect revenue growth in FY22. The company also continues to expect operating expenses to increase \$9 – 11 million versus FY21 operating expenses of \$22 million.
- We are raising our FY22 estimates for revenue to \$52 million, from \$51 million, and for EPS to \$(0.11) from \$(0.12).
- We are maintaining our FY23 estimates for revenue of \$57 million, and for EPS of \$0.08.

## ADDITIONAL DETAILS

- Gross profit for the quarter was \$5 million, compared with our estimate of \$5 million.
- Gross margin for the quarter was 46%, versus 46% last year and our estimate of 51%.
- Operating expenses were \$7 million, compared with our estimate of \$8 million.
- Operating loss was \$1.6 million, compared with our estimate of a loss of \$3.0 million.
- Net loss was \$1.3 million, compared with our estimate of a loss of \$2.7 million.
- Backlog was \$31 million vs. \$36 million last quarter.
  
- In January 2018, LRAD announced the acquisition of Genasys Holding S.L., a leading software provider of advanced location-based mass messaging solutions for emergency warning systems and workforce management. Genasys, based in Madrid, Spain, had 2017 revenues of ~\$2.3 million. The purchase price was ~\$3 million.
- In October 2019, LRAD rebranded as Genasys Inc. to reflect its broader commitment to critical communications.
- In August 2020, Genasys announced that it will acquire privately held Amika Mobile, a Canada-based enterprise software provider of critical event situational awareness, communication and control products. The purchase price was ~\$8 million. The deal closed in October 2020.
- In June 2021, Genasys acquired Zonehaven, a fast-growing provider of software-as-a-service (SaaS) solutions for emergency evacuations. Based in San Francisco, CA, Zonehaven's services are trusted by more than 170 fire districts, 140 law enforcement agencies and 200 cities, with more than 3,300 evacuation zones covering 3.2 million people in Northern California and Southern Oregon. The purchase price was \$24 million in cash and stock.

The company's balance sheet is solid with \$18 million in cash and no debt, compared with \$21 million in cash and no debt as of September.

**Exhibit 1: Genasys Inc. Stock Price (5-Years)**



Source: <https://bigcharts.marketwatch.com/>

**Exhibit 2: Consensus Expectations (as of February 7, 2022)**

	Revenue (mil)			EPS	
	<u>2022E</u>	<u>2023E</u>		<u>2022E</u>	<u>2023E</u>
Q1 Dec	\$11E		Q1 Dec	\$(0.04)E	
Q2 Mar	\$12E		Q2 Mar	\$(0.03)E	
Q3 Jun			Q3 Jun		
Q4 Sep			Q4 Sep		
Total	\$53E	\$62E	Total	\$(0.10)E	\$0.06E

\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

## FINANCIAL MODEL

### Genasys Inc.

Income Statement (\$ mils)	Dec-19	Mar-20	Jun-20	Sep-20	2020	Dec-20	Mar-21	Jun-21	Sep-21	2021	Dec-21	Mar-22	Jun-22	Sep-22	2022	Dec-22	Mar-23	Jun-23	Sep-23	2023
Fiscal Year End: September 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Product sales	8.8	8.3	12.0	14.0	43.0	8.0	11.3	12.6	15.0	47.0	10.7	12.1	13.5	15.8	52.1	11.7	13.3	14.5	17.4	57.0
Contract and other					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>8.8</b>	<b>8.3</b>	<b>12.0</b>	<b>14.0</b>	<b>43.0</b>	<b>8.0</b>	<b>11.3</b>	<b>12.6</b>	<b>15.0</b>	<b>47.0</b>	<b>10.7</b>	<b>12.1</b>	<b>13.5</b>	<b>15.8</b>	<b>52.1</b>	<b>11.7</b>	<b>13.3</b>	<b>14.5</b>	<b>17.4</b>	<b>57.0</b>
<u>Cost of Revenues</u>	<u>4.2</u>	<u>4.3</u>	<u>5.5</u>	<u>6.4</u>	<u>20.4</u>	<u>4.3</u>	<u>6.0</u>	<u>5.9</u>	<u>7.3</u>	<u>23.6</u>	<u>5.8</u>	<u>6.0</u>	<u>6.8</u>	<u>7.9</u>	<u>26.5</u>	<u>5.3</u>	<u>5.6</u>	<u>5.7</u>	<u>6.4</u>	<u>23.0</u>
Gross Profit	4.6	4.0	6.5	7.6	22.6	3.7	5.3	6.7	7.7	23.4	4.9	6.0	6.8	7.9	25.6	6.5	7.7	8.9	11.0	34.0
Selling, general and administrative	2.8	2.7	3.3	3.2	12.0	3.3	3.8	4.8	5.5	17.4	5.1	5.6	6.1	6.3	23.1	5.5	5.1	5.5	6.4	22.5
Research and development	1.1	0.9	1.2	1.3	4.6	1.1	1.0	1.4	1.5	4.9	1.4	2.4	1.8	1.5	7.0	2.2	2.1	1.9	2.1	8.3
Restructuring and other					0.0					0.0					0.0					0.0
Total operating expenses	3.9	3.7	4.5	4.5	16.6	4.4	4.8	6.2	7.0	22.3	6.5	8.0	7.8	7.8	30.1	7.8	7.2	7.4	8.5	30.9
<b>Operating income (loss)</b>	<b>0.7</b>	<b>0.3</b>	<b>1.9</b>	<b>3.1</b>	<b>6.0</b>	<b>(0.7)</b>	<b>0.6</b>	<b>0.5</b>	<b>0.7</b>	<b>1.1</b>	<b>(1.6)</b>	<b>(1.9)</b>	<b>(1.1)</b>	<b>0.1</b>	<b>(4.5)</b>	<b>(1.3)</b>	<b>0.5</b>	<b>1.5</b>	<b>2.4</b>	<b>3.1</b>
Interest income (expense)	0.1	0.1	0.0	(0.1)	0.1	0.1	(0.0)	(0.0)	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income (expense)					0.0					0.0	0.3				0.3					0.0
Income before income taxes	0.8	0.4	2.0	3.0	6.2	(0.6)	0.5	0.5	0.7	1.1	(1.3)	(1.9)	(1.1)	0.1	(4.2)	(1.3)	0.5	1.5	2.4	3.1
Income taxes	0.2	0.1	0.5	(6.4)	(5.7)	(0.0)	0.3	0.2	(0.1)	0.4		(0.2)	(0.1)	0.0	(0.3)	(0.1)	0.1	0.1	0.2	0.3
Net income (loss)	0.6	0.3	1.5	9.4	11.9	(0.6)	0.3	0.3	0.8	0.7	(1.3)	(1.7)	(1.0)	0.1	(3.9)	(1.2)	0.5	1.3	2.2	2.8
<u>Nonrecurring/noncash adjustments</u>					0.0					0.0					0.0					0.0
<b>Net income (pro forma)</b>	<b>0.6</b>	<b>0.3</b>	<b>1.5</b>	<b>9.4</b>	<b>11.9</b>	<b>(0.6)</b>	<b>0.3</b>	<b>0.3</b>	<b>0.8</b>	<b>0.7</b>	<b>(1.3)</b>	<b>(1.7)</b>	<b>(1.0)</b>	<b>0.1</b>	<b>(3.9)</b>	<b>(1.2)</b>	<b>0.5</b>	<b>1.3</b>	<b>2.2</b>	<b>2.8</b>
EBITDA	1.2	1.0	2.6	3.0	7.8	(0.1)	1.0	1.4	1.8	4.1	(0.4)	(0.7)	0.1	1.3	0.3	(0.1)	1.7	2.7	3.6	7.9
Shares, Basic	33.0	33.1	33.3	33.5	33.2	33.6	33.7	34.1	36.2	34.4	36.5	36.6	36.8	36.9	36.7	37.0	37.1	37.3	37.4	37.2
Shares, Diluted	33.7	33.7	34.3	34.6	34.1	34.7	34.8	35.3	37.3	35.6	36.5	36.6	36.8	36.9	36.7	37.0	37.1	37.3	37.4	37.2
EPS Basic (Pro forma)	\$0.02	\$0.01	\$0.05	\$0.28	\$0.36	(\$0.02)	\$0.01	\$0.01	\$0.02	\$0.02	(\$0.04)	(\$0.05)	(\$0.03)	\$0.00	(\$0.11)	(\$0.03)	\$0.01	\$0.04	\$0.06	\$0.08
<b>EPS Diluted (Pro forma)</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.04</b>	<b>\$0.27</b>	<b>\$0.35</b>	<b>(\$0.02)</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>(\$0.04)</b>	<b>(\$0.05)</b>	<b>(\$0.03)</b>	<b>\$0.00</b>	<b>(\$0.11)</b>	<b>(\$0.03)</b>	<b>\$0.01</b>	<b>\$0.04</b>	<b>\$0.06</b>	<b>\$0.08</b>
<b>Margins</b>																				
Gross margin	52.4%	48.5%	54.1%	54.0%	52.6%	46.1%	47.2%	53.0%	51.2%	49.8%	45.8%	50.0%	50.0%	50.0%	49.1%	55.0%	58.0%	61.0%	63.0%	59.7%
Selling, general and administrative	32.1%	33.0%	27.8%	22.6%	28.0%	41.5%	33.8%	37.8%	36.5%	37.1%	48.1%	46.0%	45.0%	40.0%	44.3%	47.0%	38.0%	38.0%	37.0%	39.5%
Research and development	12.3%	11.5%	10.0%	9.4%	10.6%	13.3%	8.5%	11.0%	10.0%	10.5%	12.8%	20.0%	13.0%	9.4%	13.5%	19.0%	16.0%	13.0%	12.0%	14.6%
Operating margin	7.9%	4.0%	16.2%	22.0%	14.0%	-8.6%	4.9%	4.1%	4.7%	2.3%	-15.1%	-16.0%	-8.0%	0.6%	-8.7%	-11.0%	4.0%	10.0%	14.0%	5.5%
Tax rate, GAAP	21.7%	24.3%	23.9%	-214.9%	-92.5%	0.8%	51.9%	44.0%	-10.3%	38.1%	0.0%	10.0%	10.0%	10.0%	6.9%	10.0%	10.0%	10.0%	10.0%	10.0%
Net margin	7.1%	3.6%	12.6%	67.6%	27.6%	-7.7%	2.3%	2.3%	5.1%	1.5%	-12.2%	-14.4%	-7.2%	0.5%	-7.5%	-9.9%	3.6%	9.0%	12.6%	4.9%
<b>Y/Y % change</b>																				
Total Revenue	-14%	-19%	35%	80%	16%	-9%	37%	5%	8%	9%	33%	7%	7%	5%	11%	10%	10%	8%	10%	9%
Gross margin	-10%	-23%	41%	111%	23%	-20%	33%	3%	2%	3%	32%	13%	1%	3%	9%	32%	28%	31%	39%	33%
Selling, general and administrative	3%	10%	23%	11%	12%	18%	40%	43%	74%	45%	54%	45%	27%	15%	33%	8%	-9%	-9%	2%	-2%
Research and development	3%	-26%	0%	32%	1%	-2%	1%	16%	14%	8%	28%	152%	26%	-1%	43%	63%	-12%	8%	40%	19%
Operating income (loss)	-46%	-77%	183%	-1218%	93%	-200%	68%	-73%	-77%	-82%	132%	-450%	-308%	-86%	-518%	-20%	-128%	-235%	2467%	-169%
Net income (loss)	-41%	-74%	136%	-12213%	326%	-200%	-13%	-81%	-92%	-94%	111%	-765%	-435%	-89%	-659%	-11%	-128%	-235%	2467%	-172%
EPS Diluted (Pro forma)	-41%	-75%	129%	-11551%	318%	-197%	-16%	-81%	-92%	-94%	101%	-732%	-422%	-89%	-642%	-12%	-127%	-233%	2432%	-171%

Source: Company reports and Ascendant Capital Markets estimates.

**Genasys Inc.**

Balance Sheet (\$ mils)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Fiscal Year End: September 30	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	17.1	16.4	20.7	23.3	19.6	18.5	14.5	13.2	10.1	5.1	8.5	1.6	8.2	7.3	13.9	9.2
Short term investments	4.2	3.5	4.1	4.3	5.5	5.5	6.0	5.7	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Accounts receivable, net	5.9	5.8	6.4	5.4	3.2	5.4	6.3	7.7	6.8	6.8	7.8	12.0	5.9	7.5	8.4	13.2
Inventory	6.1	6.9	7.3	5.9	7.0	6.5	6.4	6.4	9.1	11.0	10.1	11.9	9.2	10.2	8.5	9.7
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	1.3	1.3	1.3	6.3	1.0	1.4	1.8	2.5	1.5	1.5	2.0	2.1	2.1	1.6	2.2	2.3
<b>Total current assets</b>	<b>34.6</b>	<b>33.9</b>	<b>39.8</b>	<b>45.3</b>	<b>36.2</b>	<b>37.2</b>	<b>35.0</b>	<b>35.5</b>	<b>31.5</b>	<b>28.3</b>	<b>32.4</b>	<b>31.5</b>	<b>29.4</b>	<b>30.5</b>	<b>37.0</b>	<b>38.3</b>
Long term securities/investments	1.3	1.6	3.3	3.8	3.6	3.6	3.5	1.9	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Property and equipment, net	2.2	2.1	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.5	1.1	0.8	0.5	0.1	(0.2)	(0.6)
Intangibles, net	3.5	3.4	3.4	3.4	12.2	12.0	37.3	36.6	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Deferred income tax	5.2	5.1	4.6	11.1	11.1	10.8	10.7	8.0	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3
Other	5.8	6.1	5.9	5.8	5.5	5.4	5.2	6.3	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
<b>Total assets</b>	<b>52.6</b>	<b>52.2</b>	<b>59.0</b>	<b>71.4</b>	<b>70.6</b>	<b>70.9</b>	<b>93.6</b>	<b>90.1</b>	<b>87.3</b>	<b>83.7</b>	<b>87.5</b>	<b>86.3</b>	<b>83.8</b>	<b>84.6</b>	<b>90.7</b>	<b>91.7</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	1.5	1.9	2.9	1.4	1.6	2.6	2.7	2.2	2.3	2.7	5.9	2.3	4.3	3.0	6.3	2.6
Accrued expenses	6.3	5.4	8.9	13.1	7.8	7.0	13.3	14.1	12.6	8.5	9.5	11.1	8.2	9.3	10.2	12.2
Deferred revenue										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.0
Short term debt	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Total current liabilities</b>	<b>8.8</b>	<b>8.4</b>	<b>12.8</b>	<b>15.5</b>	<b>10.6</b>	<b>10.7</b>	<b>17.2</b>	<b>17.5</b>	<b>16.1</b>	<b>12.4</b>	<b>16.5</b>	<b>14.6</b>	<b>12.8</b>	<b>12.6</b>	<b>16.8</b>	<b>15.1</b>
Deferred income taxes																
Other long term liabilities	7.4	7.2	7.0	6.7	7.3	7.1	11.4	6.7	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Long term debt	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>Total other liabilities</b>	<b>7.5</b>	<b>7.2</b>	<b>7.0</b>	<b>6.7</b>	<b>7.3</b>	<b>7.1</b>	<b>11.4</b>	<b>6.7</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
Common stock	0.0	0.0	0.0	0.0						0.6	1.1	1.7	2.2	2.8	3.3	3.9
Additional paid-in capital	89.9	89.8	90.9	91.2	94.9	95.2	106.6	107.1	107.3	107.3	107.3	107.3	107.3	107.3	107.3	107.3
Retained earnings	(53.1)	(52.8)	(51.3)	(41.9)	(42.5)	(42.2)	(41.9)	(41.2)	(42.5)	(44.2)	(45.2)	(45.1)	(46.3)	(45.8)	(44.5)	(42.3)
Accumulated other comprehensive in	(0.4)	(0.4)	(0.4)	(0.3)	0.2	0.1	0.3	0.0	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Other	(0.0)									1.4	1.4	1.4	1.4	1.4	1.4	1.4
<b>Total stockholders' equity</b>	<b>36.4</b>	<b>36.6</b>	<b>39.2</b>	<b>49.1</b>	<b>52.7</b>	<b>53.1</b>	<b>65.0</b>	<b>66.0</b>	<b>64.7</b>	<b>64.9</b>	<b>64.5</b>	<b>65.1</b>	<b>64.5</b>	<b>65.6</b>	<b>67.4</b>	<b>70.2</b>
<b>Total stockholders' equity and liabil</b>	<b>52.6</b>	<b>52.2</b>	<b>59.0</b>	<b>71.4</b>	<b>70.6</b>	<b>70.9</b>	<b>93.6</b>	<b>90.1</b>	<b>87.3</b>	<b>83.7</b>	<b>87.5</b>	<b>86.3</b>	<b>83.8</b>	<b>84.6</b>	<b>90.7</b>	<b>91.7</b>

**Balance Sheet Drivers**

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	15%	15%	11%	45%	13%	12%	14%	17%	14%	12%	15%	13%	18%	12%	15%	13%
Accounts payable as % of total rev	17%	23%	24%	10%	20%	23%	21%	14%	21%	22%	44%	15%	37%	22%	44%	15%
Inventories as % of cost of rev	145%	162%	133%	93%	161%	108%	108%	87%	158%	182%	150%	150%	175%	182%	150%	150%
Accrued expenses as % of total rev	72%	66%	74%	94%	98%	62%	105%	94%	118%	70%	70%	70%	70%	70%	70%	70%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	61	64	48	35	35	43	45	46	57	51	52	68	45	51	52	68
Inventory Turnover	2.8x	2.5x	3.0x	4.3x	2.5x	3.7x	3.7x	4.6x	2.5x	2.2x	2.7x	2.7x	2.3x	2.2x	2.7x	2.7x
A/P Days Payable	32	41	48	19	34	39	41	26	35	40	78	27	73	48	100	36
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$1.08	\$1.08	\$1.14	\$1.42	\$1.52	\$1.53	\$1.84	\$1.77	\$1.78	\$1.78	\$1.75	\$1.77	\$1.75	\$1.77	\$1.81	\$1.88
Cash per Share (diluted)	\$0.67	\$0.64	\$0.82	\$0.91	\$0.83	\$0.79	\$0.68	\$0.56	\$0.48	\$0.34	\$0.43	\$0.24	\$0.42	\$0.39	\$0.57	\$0.44
Net cash per Share (diluted)	\$0.66	\$0.63	\$0.81	\$0.90	\$0.82	\$0.78	\$0.67	\$0.55	\$0.47	\$0.33	\$0.42	\$0.23	\$0.41	\$0.39	\$0.56	\$0.44

Source: Company reports and Ascendant Capital Markets estimates

**Genasys Inc.**

Cash Flow Statement (\$ mils)	Dec-19	Mar-20	Jun-20	Sep-20	2020	Dec-20	Mar-21	Jun-21	Sep-21	2021	Dec-21	Mar-22	Jun-22	Sep-22	2022	Dec-22	Mar-23	Jun-23	Sep-23	2023	
Fiscal Year End: September 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	0.6	0.3	1.5	9.4	11.9	(0.6)	0.3	0.3	0.8	0.7	(1.3)	(1.7)	(1.0)	0.1	(3.9)	(1.2)	0.5	1.3	2.2	2.8	
Depreciation	0.2	0.2	0.2	0.2	0.8	0.3	0.3	0.4	0.6	1.6	0.6	0.6	0.6	0.6	2.6	0.6	0.6	0.6	0.6	2.6	
Amortization	0.1	0.1	0.2	(0.4)	0.0	0.2	(0.2)	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	
Stock comp	0.2	0.3	0.3	0.2	1.0	0.2	0.3	0.4	0.5	1.4	0.6	0.6	0.6	0.6	2.2	0.6	0.6	0.6	0.6	2.2	
Provision for bad debts				0.0	0.0					0.0					0.0					0.0	
Deferred income taxes	0.2	0.1	0.5	(6.5)	(5.7)	(0.0)	0.3	0.3	(0.1)	0.4	(0.3)	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	
Warranty provision	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Inventory obsolescence	0.1	0.0	0.0	0.2	0.4	0.1	0.1	0.1	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other gains/losses				0.1	0.1	(0.1)	0.0	(0.0)		(0.1)					0.0					0.0	
Other				0.6	0.6		0.4	0.2	0.2	0.7	0.2				0.2					0.0	
<b>Changes in operating assets and liabilities:</b>																					
Accounts receivable	(2.3)	0.1	(0.5)	0.9	(1.8)	2.3	(2.3)	(0.6)	(1.6)	(2.1)	0.9	(0.0)	(1.0)	(4.2)	(4.3)	6.1	(1.6)	(0.9)	(4.8)	(1.2)	
Inventory	(0.3)	(0.9)	(0.5)	1.1	(0.5)	(1.1)	0.4	(0.1)	(0.1)	(0.8)	(2.8)	(1.9)	0.9	(1.8)	(5.5)	2.6	(0.9)	1.7	(1.2)	2.2	
Prepaid expenses & other curre	0.8	0.0	(0.1)	0.2	0.9	0.1	(0.4)	(0.4)	(1.0)	(1.6)	1.0	0.0	(0.6)	(0.1)	0.4	0.0	0.4	(0.6)	(0.1)	(0.2)	
Other assets				0.0	0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	0.6	0.5	1.0	(1.6)	0.5	0.2	1.0	(0.1)	(0.5)	0.6	0.1	0.4	3.2	(3.5)	0.2	1.9	(1.3)	3.4	(3.7)	0.2	
Accrued expenses	(1.9)	(1.1)	3.2	(1.4)	(1.2)	(0.3)	(1.0)	7.4	(1.1)	4.9	(1.7)	(4.1)	1.0	1.6	(3.3)	(2.9)	1.1	0.9	2.0	1.1	
Warranty settlements				0.0	0.0					0.0					0.0					0.0	
Deferred revenue				0.0	0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other liabilities				0.0	0.0					0.0		0.0	0.0	0.0	0.0	(0.9)	0.0	0.0	0.0	(0.9)	
<b>Net cash (used in) provided by</b>	<b>(1.8)</b>	<b>(0.3)</b>	<b>5.8</b>	<b>3.2</b>	<b>6.9</b>	<b>1.3</b>	<b>(0.9)</b>	<b>8.0</b>	<b>(2.2)</b>	<b>6.2</b>	<b>(2.7)</b>	<b>(6.1)</b>	<b>3.8</b>	<b>(6.6)</b>	<b>(11.7)</b>	<b>6.9</b>	<b>(0.6)</b>	<b>7.0</b>	<b>(4.4)</b>	<b>8.8</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equip	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	
Purchases of short-term investm	(0.1)	0.0	(2.3)	(0.7)	(3.0)	0.1	0.0	(0.3)	0.7	0.5	0.2				0.2					0.0	
Acquisitions					0.0	(4.4)		(11.5)		(15.8)					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
<b>Net cash used in investing activ</b>	<b>(0.1)</b>	<b>(0.0)</b>	<b>(2.3)</b>	<b>(0.7)</b>	<b>(3.1)</b>	<b>(4.3)</b>	<b>(0.1)</b>	<b>(11.9)</b>	<b>0.7</b>	<b>(15.6)</b>	<b>0.1</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.8)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(1.2)</b>	
<b>Cash flow from financing activities</b>																					
Issuance of debt					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt		(0.0)	(0.0)	0.0	(0.0)		(0.1)	0.0	0.0	(0.1)					0.0					0.0	
Issuance of stock					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repurchase of common stock		(0.4)			(0.4)					0.0	(0.4)				(0.4)					0.0	
Proceeds from stock option exe	0.1	0.1	0.8	0.1	1.1	0.1	(0.0)	0.0	0.0	0.1	0.0				0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) fina</b>	<b>0.1</b>	<b>(0.3)</b>	<b>0.7</b>	<b>0.1</b>	<b>0.7</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Effect of exchange rate on cash	0.0	(0.0)	(0.0)	0.0	0.0	0.0	(0.0)	0.0	(0.1)	(0.1)	(0.0)				(0.0)					0.0	
<b>Net increase (decrease) in cash</b>	<b>(1.8)</b>	<b>(0.7)</b>	<b>4.3</b>	<b>2.7</b>	<b>4.5</b>	<b>(2.9)</b>	<b>(1.1)</b>	<b>(3.9)</b>	<b>(1.5)</b>	<b>(9.5)</b>	<b>(3.0)</b>	<b>(6.4)</b>	<b>3.5</b>	<b>(6.9)</b>	<b>(12.9)</b>	<b>6.6</b>	<b>(0.9)</b>	<b>6.7</b>	<b>(4.7)</b>	<b>7.6</b>	
<b>Beginning cash and equivalents</b>	<b>19.5</b>	<b>17.8</b>	<b>17.1</b>	<b>21.3</b>	<b>19.5</b>	<b>24.0</b>	<b>21.1</b>	<b>19.9</b>	<b>16.0</b>	<b>24.0</b>	<b>14.5</b>	<b>11.5</b>	<b>5.1</b>	<b>8.5</b>	<b>14.5</b>	<b>1.6</b>	<b>8.2</b>	<b>7.3</b>	<b>13.9</b>	<b>1.6</b>	
<b>Ending cash and equivalents</b>	<b>17.8</b>	<b>17.1</b>	<b>21.3</b>	<b>24.0</b>	<b>24.0</b>	<b>21.1</b>	<b>19.9</b>	<b>16.0</b>	<b>14.5</b>	<b>14.5</b>	<b>11.5</b>	<b>5.1</b>	<b>8.5</b>	<b>1.6</b>	<b>1.6</b>	<b>8.2</b>	<b>7.3</b>	<b>13.9</b>	<b>9.2</b>	<b>9.2</b>	

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

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## Genasys Inc.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date		Price
	Date	Rating	Target
1	1/16/2018	B	3.50
2	2/9/2018	B	3.50
3	5/16/2018	B	3.75
4	8/15/2018	B	4.00
5	8/23/2018	B	4.50
6	12/14/2018	B	4.00
7	2/17/2019	B	4.25
8	5/8/2019	B	4.50
9	8/13/2019	B	4.75
10	12/15/2019	B	4.50
11	2/11/2020	B	4.75
12	5/12/2020	B	5.50
13	8/11/2020	B	5.75
14	12/14/2020	B	8.50
15	2/13/2021	B	8.75
16	5/17/2021	B	9.00
17	8/7/2021	B	9.50
18	11/23/2021	B	8.50

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**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

## Ascendant Capital Markets, LLC Rating System

*Prior to January 31, 2014, ASCM used the following rating system:*

**Strong Buy:** We expect the stock to provide a total return of 30% or more within a 12-month period.

**Buy:** We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

**Neutral:** We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

**Sell:** We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

**Speculative Buy:** This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.



### Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of January 15, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	40	98%	16	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	41	100%	16	39%

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