



Intrusion, Inc.

Q2 about inline. Strong growth over the next year for its cybersecurity solutions should drive stock. Raising P/T to \$6.25.

COMPANY UPDATE

Rating: BUY

Ticker: INTZ

Price: \$3.94

Target: \$6.25
(from \$6.00)

Q2 about inline: Intrusion recently (on August 4) reported its fiscal Q2 2022 (ending June) results. Revenue was \$2.1 million (+5% y-o-y), compared to our and consensus estimates of \$2.1 - 2.2 million. EPS was \$(0.21), compared to our estimate of \$(0.19) and consensus of \$(0.18). There was no Q2 guidance.

Continued Shield growth: The company's flagship Shield product continued strong growth. Shield revenue increased 69% sequentially, +139% y-o-y, and was ~16% of total revenue in Q2. New product development remains on track with the Shield cloud product and end-point solution reaching demo capabilities in Q2 and both are expected to launch in Q3 2022.

No guidance: The company again declined to provide 2022 guidance.

Slightly lowering estimates: We are lowering our 2022 estimates for revenue to \$8.4 million, from \$8.6 million, and for EPS to \$(0.80) from \$(0.78).

Focused on cybersecurity: Intrusion offers businesses of all sizes and industries products and services that leverage across its exclusive threat intelligence database which contains the historical data, known associations, and reputational behavior of over 8.5 billion IP addresses. The company believes it has the largest existing repository of reputation information on known good and bad active IP addresses.

INTRUSION Shield: The company's newest and flagship product is INTRUSION Shield which is designed to allow businesses to incorporate a Zero Trust, reputation-based security solution into their existing computing infrastructure. INTRUSION Shield observes traffic flow and instantly blocks known malicious or unknown connections from both entering or exiting a network, making it an ideal solution for protecting against Zero-Day and ransomware attacks.

Large market potential: There has been an increasing number of high profile and destructive cyberattacks that have caused significant business disruption and billions of dollars in losses. The rise of cloud computing, workforce and people mobility, and growth in connected devices has created a rapid expansion of endpoints that can be used to access a corporate computer network and system. Attacks such as the May 2021 Colonial Pipeline ransomware cyberattack have shown that destroying or locking data on an enterprise's computer network can cause widespread business and economic disruption even outside of the hacked company.

Balance sheet: The company had \$7 million in cash and \$10 million in debt (not counting the recent \$5 million in cash/debt received in July). In March, the company raised \$10 million in debt (7% due January 2024 and which was issued half in Q1 and the other half in the current Q3). The company plans to raise an additional \$15 – 20 million in 2022.

Positive high risks versus rewards: Overall, concerns outweighed by growth prospects and valuation. We believe the demand for Intrusion's cybersecurity products will grow fueled by continued strong industry growth and increased enterprise demand for cybersecurity products.

Valuation attractive: We are maintaining our BUY rating, but raising our 12-month price target to \$6.25 from \$6.00, based on a NPV analysis, representing significant upside from the current share price. We believe this valuation appropriately balances out the company's risks with the company's high growth prospects and large upside opportunities.

Company Description

Intrusion, based in Plano, TX, is a cybersecurity company protecting companies by leveraging advanced threat intelligence with real-time artificial intelligence to kill cyberattacks as they occur.

United States
Technology

August 7, 2022

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Stock Data

Exchange:	NasdaqCM
52-week Range:	1.74 – 5.47
Shares Outstanding (million):	19
Market cap (\$million):	\$75
EV (\$million):	\$78
Debt (\$million):	\$15
Cash (\$million):	\$12
Avg. Daily Trading Vol. (\$million):	\$0.3
Float (million shares):	11
Short Interest (million shares):	0.4
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 Mar	1.8A		2.9E	
Q2 Jun	2.1A	2.1E	3.2E	
Q3 Sep	2.2E		3.3E	
Q4 Dec	<u>2.3E</u>	<u>2.5E</u>	<u>3.7E</u>	
Total	8.4E	8.6E	13.0E	
EV/Revs	9x		6x	

Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.21)A		(0.17)E	
Q2 Jun	(0.21)A	(0.19)E	(0.15)E	
Q3 Sep	(0.19)E		(0.15)E	
Q4 Dec	<u>(0.18)E</u>		<u>(0.14)E</u>	
Total	(0.80)E	(0.78)E	(0.60)E	
P/E	N/A		N/A	

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 10.

OVERVIEW

- Intrusion recently (on August 4) reported its fiscal Q2 2022 (ending June) results.
- Revenue was \$2.1 million (+5% y-o-y), compared to our and consensus estimates of \$2.1 - 2.2 million.
- EPS was \$(0.21), compared to our estimate of \$(0.19) and consensus of \$(0.18).
- There was no Q2 guidance.
- The company again declined to provide 2022 guidance.
- We are lowering our 2022 estimates for revenue to \$8.4 million, from \$8.6 million, and for EPS to \$(0.80) from \$(0.78).
- We are maintaining our 2023 estimates for revenue of \$13.0 million, and for EPS of \$(0.60).

ADDITIONAL DETAILS

- Gross profit for the quarter was \$1.4 million, compared with our estimate of \$1.4 million.
- Gross margin for the quarter was 68%, versus our expectation of 66% and 63% last year.
- Operating expenses were \$5.4 million, versus our expectation of \$5.0 million.
- Operating loss was \$4.0 million, versus our expectation of a loss of \$3.6 million.
- Net loss was \$4.1 million, versus our expectation of a loss of \$3.7 million.

- In June, the company appointed Kim Pinson as Chief Financial Officer. Ms. Pinson has over 25 years of experience leading finance and related functions for global software, technology, medical device, healthcare and real estate companies. Ms. Pinson replaced Franklin Byrd who resigned as CFO in May 2022 to pursue other interests.

The company's balance sheet had \$7 million in cash and \$10 million in debt (not counting the recent \$5 million in cash/debt received in July), compared with \$6 million in cash and \$5 million in debt at the end of March. In March, the company raised \$10 million in debt (7% due January 2024 and which was issued half in Q1 and the other half in the current Q3).

Exhibit 1: Intrusion, Inc. Corporate Overview



Intrusion | at a glance

Innovative provider of cyberattack prevention solutions including Zero-Days

- Long heritage in networking and cybersecurity technology
- Established relationships with DoD and Government agencies
- Owns world's most extensive advanced threat intelligence database with reputation data on over 8.5 Billion active IPs
- New pioneering cybersecurity solution positions Company for high-growth, high-margin recurring revenues
- Uplisted to the NASDAQ in October 2020
- New visionary leadership team to drive growth

Nasdaq: INTZ

"There are two type of companies: those who have been hacked, and those who don't yet know they have been hacked."*

– John Chambers, Former CEO of Cisco



Source: Company reports.

Exhibit 2: INTRUSION Shield Key Takeaways

Remember

INTRUSION Shield key takeaways

- Protects against Zero-Day and Malware-Free attacks
- Highly accurate and effective protection against previously unknown threats
- Real-time AI does deep packet inspection on all connections attempting to enter or exit your network
- Delivers Zero-Trust by killing any connection it's unable to validate as good
- Leverages advanced threat intelligence with 2+ decades of reputation history on 8.5+ billion active IP addresses
- 5.1+ billion known good; 3.4+ billion known malicious
- Does not generate time consuming and ineffective alerts



Source: Company reports.

Exhibit 3: Cybersecurity Market Opportunities

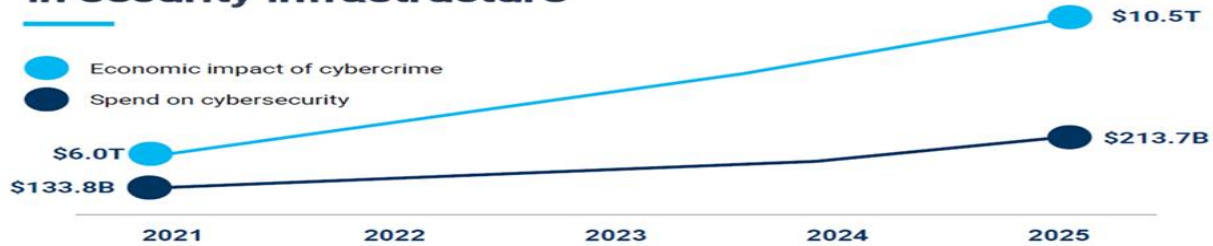
WHY NOW

Why are we seeing so many headlines?

- 61% of successful attacks use a Zero-Day*
- 34% of successful attacks use malware-free techniques*
- Traditional cybersecurity products are ineffective against Zero-Day and Malware-Free attacks
 - Most cybersecurity products work from a known bad or signature basis



Cyberattacks increasing despite growing investment in security infrastructure



Source: Spend: Gartner
Impact: Cybersecurity Ventures

Source: Company reports.

Exhibit 4: INTRUSION Shield Software Platform

DIFFERENTIATION

Introducing Zero-Trust *INTRUSION Shield*

- *INTRUSION Shield* implements Zero-Trust in a natural and bidirectional way by only allowing known good connections to proceed delivering effective protection from Zero-Day and Malware-Free attacks
- *INTRUSION Shield's* use of patented technologies along with threat intelligence database with 2+ decades of history on active IPs and real-time AI deep packet inspection allow only trusted connections to flow
- *INTRUSION Shield* is a Zero Trust Network Access (ZTNA) solution that kills malicious connections accurately and without creating alerts

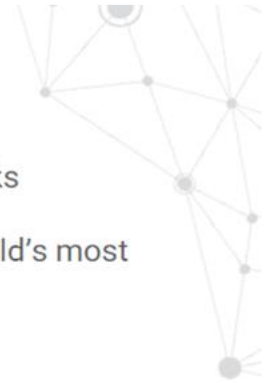


Source: Company reports.

Exhibit 5: Intrusion Investment Highlights

Why invest?

- Huge global need for solution to Zero-Day and Malware-Free attacks
- INTRUSION Shield is a highly differentiated solution leveraging world's most advanced threat intelligence to solve this problem
- New leadership team with proven success in cybersecurity
- Capitalize on multi-billion-dollar global market opportunity
- SaaS model drives high growth, high margins & free cash flow



Ground floor opportunity to participate in eliminating cybercrime!

Source: Company reports.

Exhibit 6: Company Strategic Update (as of January 2022)

The key tenets of the strategy update included:

- Broadening Shield product offering to include cloud and endpoint solutions in the second half of 2022 in addition to high availability/high throughput solutions to satisfy evolving customer needs.
- Focused messaging and marketing efforts to highlight how INTRUSION's Shield products increase the value and effectiveness of existing cybersecurity technologies that an organization already may have in place.
- Repositioning and rightsizing sales and marketing resources to align with Shield's growth opportunities.
- Improved go-to-market strategy focused on strategic partners, VARs, MSPs, and MSSPs.
- Planning capital fund raise to deliver on new market and product opportunities.
- Commitment to investing in and expanding INTRUSION's existing government business with existing and new customers.

Source: Company reports.

Exhibit 7: Intrusion, Inc. Stock Price (5-Years)



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

Exhibit 8: Consensus Expectations (as of August 4, 2022)

	Revenue (mils)			EPS	
	<u>2022E</u>	<u>2023E</u>		<u>2022E</u>	<u>2023E</u>
Q1 Mar	\$1.8A		Q1 Mar	\$(0.21)A	
Q2 Jun	\$2.2E		Q2 Jun	\$(0.18)E	
Q3 Sep	\$2.5E		Q3 Sep	\$(0.18)E	
Q4 Dec			Q4 Dec		
Total	\$9.3E	\$13.9E	Total	\$(0.72)E	\$(0.47)E

**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

Intrusion Inc.

Income Statement (\$ mils)	2018	2019	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	10.3	13.6	1.8	1.7	1.6	1.6	6.6	1.9	2.0	1.8	1.6	7.3	1.8	2.1	2.2	2.3	8.4	2.9	3.2	3.3	3.7	13.0
Cost of Revenues	3.8	5.3	0.7	0.7	0.7	0.7	2.7	0.6	0.7	0.7	0.6	2.6	0.7	0.7	0.7	0.7	2.7	0.8	0.9	0.9	0.9	3.4
Gross Profit	6.4	8.3	1.0	1.0	0.9	0.9	3.9	1.2	1.2	1.1	1.1	4.7	1.2	1.4	1.5	1.6	5.7	2.1	2.3	2.4	2.8	9.6
Sales and marketing	1.6	1.3	0.5	0.5	0.9	1.9	3.8	2.7	3.7	3.8	1.8	11.9	1.5	1.8	1.6	1.6	6.5	1.7	1.7	1.8	1.8	7.0
Research & development	1.2	1.3	0.8	0.9	1.1	1.1	3.8	1.5	1.5	1.9	1.5	6.3	1.7	1.5	1.7	1.6	6.5	1.7	1.5	1.6	1.6	6.5
General and administrative	1.1	1.2	0.3	0.3	0.4	1.9	2.8	1.0	1.7	1.6	1.6	5.9	2.1	2.0	1.7	1.6	7.5	1.7	1.7	1.8	1.8	7.0
Depreciation and amortization							0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Restructuring and other							0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	4.0	3.8	1.5	1.7	2.3	4.9	10.4	5.1	6.9	7.2	4.9	24.2	5.2	5.4	5.1	4.9	20.5	5.1	5.0	5.1	5.3	20.5
Operating income (loss)	2.5	4.5	(0.5)	(0.7)	(1.4)	(3.9)	(6.5)	(3.9)	(5.7)	(6.1)	(3.8)	(19.5)	(4.0)	(4.0)	(3.6)	(3.3)	(14.8)	(3.0)	(2.7)	(2.7)	(2.5)	(10.9)
Interest income (expense)	(0.2)	(0.0)	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.1	0.0	(0.0)	0.1	(0.1)	(0.5)	(0.2)	(0.3)	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)
Other income (expense)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	0.6	0.6			0.6		0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Income before income taxes	2.1	4.3	(0.5)	(0.7)	(1.4)	(3.9)	(6.6)	(3.9)	(5.0)	(6.1)	(3.9)	(18.8)	(4.1)	(4.1)	(3.8)	(3.6)	(15.5)	(3.4)	(3.0)	(3.0)	(2.8)	(12.2)
Income taxes							0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	2.1	4.3	(0.5)	(0.7)	(1.4)	(3.9)	(6.6)	(3.9)	(5.0)	(6.1)	(3.9)	(18.8)	(4.1)	(4.1)	(3.8)	(3.6)	(15.5)	(3.4)	(3.0)	(3.0)	(2.8)	(12.2)
Nonrecurring/noncash adjustments							0.0					0.0					0.0					0.0
Net income (pro forma)	2.1	4.3	(0.5)	(0.7)	(1.4)	(3.9)	(6.6)	(3.9)	(5.0)	(6.1)	(3.9)	(18.8)	(4.1)	(4.1)	(3.8)	(3.6)	(15.5)	(3.4)	(3.0)	(3.0)	(2.8)	(12.2)
EBITDA	2.6	4.7	(0.4)	(0.6)	(1.3)	(3.7)	(6.0)	(3.6)	(4.7)	(5.8)	(3.3)	(17.5)	(3.2)	(3.4)	(3.1)	(2.8)	(12.5)	(2.5)	(2.2)	(2.2)	(2.0)	(8.8)
Shares, Basic	13.0	13.5	13.7	13.8	14.5	16.8	14.7	17.5	17.6	17.9	18.9	18.0	19.1	19.4	19.6	19.8	19.5	20.0	20.2	20.4	20.6	20.3
Shares, Diluted	15.1	15.4	13.7	13.8	14.5	16.8	14.7	17.5	17.6	17.9	18.9	18.0	19.1	19.4	19.6	19.8	19.5	20.0	20.2	20.4	20.6	20.3
EPS Basic (pro forma)	\$0.16	\$0.32	(\$0.04)	(\$0.05)	(\$0.10)	(\$0.23)	(\$0.45)	(\$0.22)	(\$0.28)	(\$0.34)	(\$0.20)	(\$1.05)	(\$0.21)	(\$0.21)	(\$0.19)	(\$0.18)	(\$0.80)	(\$0.17)	(\$0.15)	(\$0.15)	(\$0.14)	(\$0.60)
EPS Diluted (pro forma)	\$0.14	\$0.28	(\$0.04)	(\$0.05)	(\$0.10)	(\$0.23)	(\$0.45)	(\$0.22)	(\$0.28)	(\$0.34)	(\$0.20)	(\$1.05)	(\$0.21)	(\$0.21)	(\$0.19)	(\$0.18)	(\$0.80)	(\$0.17)	(\$0.15)	(\$0.15)	(\$0.14)	(\$0.60)
Margins																						
Gross margin	63%	61%	58%	61%	59%	58%	59%	66%	63%	62%	65%	64%	64%	68%	69%	70%	68%	72%	73%	74%	75%	74%
Sales and marketing	16%	10%	28%	29%	56%	123%	58%	145%	186%	208%	110%	164%	79%	88%	75%	71%	78%	60%	55%	54%	44%	54%
Research & development	12%	10%	42%	55%	68%	67%	57%	79%	78%	102%	89%	87%	90%	72%	79%	71%	78%	59%	49%	49%	44%	50%
General and administrative	11%	9%	14%	20%	24%	117%	43%	53%	87%	88%	99%	81%	112%	100%	79%	71%	89%	59%	54%	54%	49%	54%
Operating margin	24%	33%	-26%	-43%	-89%	-249%	-99%	-211%	-288%	-336%	-233%	-268%	-217%	-192%	-164%	-143%	-177%	-106%	-85%	-83%	-67%	-84%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	21%	32%	-28%	-45%	-90%	-249%	-100%	-211%	-253%	-335%	-234%	-258%	-221%	-198%	-174%	-157%	-185%	-118%	-96%	-93%	-76%	-94%
Y/Y % change																						
Total Revenue		33%					-51%	3%	18%	15%	4%	10%	-1%	5%	20%	40%	15%	56%	53%	50%	61%	55%
Gross margin		29%					-53%	17%	22%	21%	16%	19%	-4%	13%	33%	51%	22%	75%	65%	61%	73%	68%
Sales and marketing		-19%					194%	427%	653%	327%	-7%	212%	-46%	-50%	-57%	-10%	-45%	18%	-5%	8%	11%	8%
Research & development		6%					189%	95%	69%	72%	39%	67%	12%	-3%	-7%	12%	3%	2%	4%	-7%	0%	0%
General and administrative		6%					138%	280%	420%	322%	-12%	109%	112%	21%	8%	0%	27%	-18%	-17%	3%	11%	-7%
Operating income (loss)		82%					-245%	729%	691%	334%	-2%	199%	2%	-30%	-41%	-14%	-24%	-24%	-32%	-24%	-25%	-26%
Net income (loss)		101%					-252%	684%	562%	329%	-2%	185%	4%	-18%	-38%	-6%	-17%	-17%	-26%	-20%	-22%	-21%
EPS Diluted (pro forma)		98%					-259%	512%	418%	246%	-13%	133%	-5%	-25%	-43%	-10%	-24%	-21%	-29%	-23%	-25%	-24%

Source: Company reports and Ascendant Capital Markets estimates.

Intrusion Inc.

Balance Sheet (\$ mils)	Dec-18	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	Dec-23
Fiscal Year End: December 31	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																		
Cash and cash equivalents	1.7	3.3	3.2	2.9	1.5	16.7	13.1	9.3	7.2	4.1	6.1	7.0	8.9	5.6	5.3	2.8	(0.3)	(2.6)
Short term investments													0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	2.0	1.6	1.0	1.1	1.0	1.2	1.3	1.7	1.0	1.0	1.2	1.3	1.2	1.3	1.6	1.8	1.8	2.1
Deferred income taxes													0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.1	0.2	0.2	0.4	0.6	0.4	0.7	0.5	0.6	0.4	0.6	0.8	0.8	0.9	0.7	0.8	0.8	0.9
Total current assets	3.7	5.1	4.4	4.3	3.2	18.3	15.1	11.5	8.8	5.5	7.9	9.1	10.9	7.7	7.6	5.3	2.3	0.4
Property and equipment, net	0.2	0.3	0.3	0.3	0.4	0.5	0.6	1.1	1.2	1.1	1.1	1.3	1.3	1.4	1.4	1.5	2.0	2.1
Intangibles, net													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
Other	0.2	1.4	1.4	1.3	1.2	1.1	1.2	1.3	2.7	2.7	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total assets	4.1	6.8	6.1	5.9	4.8	19.9	16.8	13.8	12.8	9.2	11.4	12.5	14.4	11.3	11.3	9.0	6.6	4.7
Liabilities and stockholders' equity																		
Accounts payable	0.2	1.1	1.1	1.2	1.4	0.4	0.9	1.4	0.7	0.7	0.8	0.5	0.6	0.6	1.7	1.9	2.0	2.2
Accrued expenses	2.0	0.1	0.1	0.1		0.6	0.7	0.9	1.0	0.5	0.9	0.9	1.1	1.2	1.7	1.9	2.0	2.2
Deferred revenue	1.0	0.5	0.3	0.2	0.1	0.2	0.1	1.2	0.8	0.6	0.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Deferred income tax													0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.3	0.3	0.3	0.3	0.5	0.6	0.8	1.4	1.6	1.7	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Short term debt				0.3	0.4	0.4	0.4				2.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Total current liabilities	3.3	1.9	1.7	1.9	2.2	2.1	2.7	4.2	4.0	3.4	6.6	10.5	10.7	10.8	12.5	12.9	13.0	13.5
Deferred income taxes													0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	1.3	1.3	1.2	1.1	1.9	1.7	1.7	2.0	1.9	1.8	1.0	1.0	1.0	2.2	2.2	2.2	2.2
Deferred revenue													0.0	0.0	0.0	0.0	0.0	0.0
Long term debt	1.8			0.3	0.2	0.2	0.2				1.8	2.9	7.9	7.9	7.9	7.9	7.9	7.9
Total other liabilities	1.9	1.3	1.3	1.5	1.3	2.1	2.0	1.7	2.0	1.9	3.5	3.9	8.9	8.9	10.1	10.1	10.1	10.1
Preferred stock	1.8	1.8	1.7	1.7									0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.6	1.1	1.5	1.9	2.3	2.8
Additional paid-in capital	56.6	56.8	56.9	56.9	58.9	77.2	77.6	78.4	83.2	84.2	85.7	86.6	86.6	86.6	86.6	86.6	86.6	86.6
Retained earnings	(59.2)	(54.8)	(55.2)	(56.0)	(57.4)	(61.3)	(65.2)	(70.1)	(76.2)	(80.1)	(84.2)	(88.2)	(92.0)	(95.6)	(99.0)	(102.0)	(105.1)	(107.9)
Other	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Accumulated other comprehensive in	(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)
Total stockholders' equity	(1.1)	3.6	3.2	2.5	1.3	15.7	12.1	8.0	6.8	3.9	1.3	(1.9)	(5.2)	(8.4)	(11.4)	(13.9)	(16.6)	(19.0)
Total stockholders' equity and liabili	4.1	6.8	6.1	5.9	4.8	19.9	16.8	13.8	12.8	9.2	11.4	12.5	14.4	11.3	11.3	9.0	6.6	4.7

Balance Sheet Drivers

	Dec-18	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	Dec-23
	Q4A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	4%	4%	9%	23%	41%	23%	38%	24%	35%	22%	35%	38%	38%	38%	25%	25%	25%	25%
A/P as % of total rev	8%	32%	59%	70%	89%	26%	48%	69%	41%	44%	44%	25%	25%	25%	60%	60%	60%	60%
Accrued exp related as % of total rev	78%	2%	5%	3%	0%	40%	37%	44%	53%	32%	49%	42%	50%	50%	60%	60%	60%	60%
Activity Ratios																		
A/R Days Sales Outstanding	69	41	52	58	58	70	63	77	52	57	58	56	50	50	50	50	50	50
Book & Cash Value (per share)																		
Book Value per Share (diluted)	(\$0.07)	\$0.23	\$0.23	\$0.18	\$0.09	\$0.93	\$0.69	\$0.45	\$0.38	\$0.21	\$0.07	(\$0.10)	(\$0.27)	(\$0.43)	(\$0.57)	(\$0.69)	(\$0.81)	(\$0.92)
Cash per Share (diluted)	\$0.11	\$0.22	\$0.23	\$0.21	\$0.10	\$0.99	\$0.75	\$0.53	\$0.40	\$0.22	\$0.32	\$0.36	\$0.45	\$0.28	\$0.27	\$0.14	(\$0.01)	(\$0.13)
Net cash per Share (diluted)	(\$0.01)	\$0.22	\$0.23	\$0.16	\$0.06	\$0.96	\$0.71	\$0.53	\$0.40	\$0.22	\$0.08	(\$0.14)	(\$0.30)	(\$0.46)	(\$0.47)	(\$0.59)	(\$0.74)	(\$0.84)

Source: Company reports and Ascendant Capital Markets estimates

Intrusion Inc.

Cash Flow Statement (\$ mils)	2018	2019	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	FY-A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																							
Net income	2.3	4.5	(0.5)	(0.7)	(1.4)	(3.9)	(6.5)	(3.9)	(5.0)	(6.1)	(3.9)	(18.8)	(4.1)	(4.1)	(3.8)	(3.6)	(15.5)	(3.4)	(3.0)	(3.0)	(2.8)	(12.2)	
Depreciation	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.3	0.8	0.3	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.4	
Amortization							0.0					0.0					0.0					0.0	
Debt related amortization expense	0.0	0.0					0.0					0.0	0.0				0.0					0.0	
Stock comp	0.0	0.0	0.0	0.1	0.1	0.1	0.3	0.2	0.8	0.1	0.2	1.3	0.4	0.4	0.4	0.4	1.7	0.4	0.4	0.4	0.4	1.7	
A/R reserves							0.0		0.0			0.0					0.0					0.0	
Deferred income taxes							0.0					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Writedowns and impairments						1.1	1.1					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other gains/losses							0.0	(0.6)	(0.0)			(0.7)					0.0					0.0	
Other	0.1	0.2	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.0	0.1	0.2	0.1				0.1					0.0	
Changes in operating assets and liabilities:																							
Accounts receivable	(1.0)	0.4	0.5	(0.0)	0.0	(0.2)	0.3	(0.1)	(0.4)	0.6	0.0	0.2	(0.1)	(0.1)	0.1	(0.1)	(0.2)	(0.3)	(0.2)	(0.1)	(0.2)	(0.8)	
Inventory	0.0						0.0					0.0					0.0					0.0	
Prepaid expenses & other current assets	(0.0)	(0.1)	(0.0)	(0.2)	(0.3)	0.3	(0.3)	(0.4)	0.3	(0.2)	0.3	0.0	(0.3)	(0.1)	(0.0)	(0.0)	(0.5)	0.2	(0.1)	(0.0)	(0.1)	(0.0)	
Income tax							0.0					0.0					0.0					0.0	
Other assets							0.0					0.0		0.2	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	
Accounts payable	0.4	(0.5)	(0.1)	0.0	0.2	(0.5)	(0.3)	0.5	0.6	(0.5)	(0.5)	0.0	0.4	(0.3)	0.0	0.0	0.2	1.1	0.2	0.1	0.3	1.6	
Accrued expenses							0.0					0.0		(0.0)	0.2	0.1	0.3	0.6	0.2	0.1	0.3	1.1	
Deferred revenue	0.6	(0.5)	(0.2)	(0.1)	(0.1)	0.1	(0.3)	(0.0)	1.0	(0.3)	(0.3)	0.4	(0.2)				(0.2)					0.0	
Other liabilities							0.0					0.0		(0.8)	0.0	0.0	(0.8)	1.2	0.0	0.0	0.0	1.2	
Net cash (used in) provided by	2.6	4.3	(0.1)	(0.9)	(1.3)	(2.8)	(5.2)	(3.6)	(3.0)	(6.2)	(3.8)	(16.6)	(3.5)	(4.6)	(3.0)	(3.1)	(14.2)	(0.1)	(2.4)	(2.5)	(2.1)	(7.0)	
Cash flow from investing activities																							
Purchases of property and equipment	(0.2)	(0.3)	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.2)	(0.6)	(0.2)	(0.0)	(1.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.6)	(0.2)	(0.2)	(0.6)	(0.2)	(1.1)	
Purchases of short-term investments							0.0					0.0					0.0					0.0	
Acquisitions							0.0	(0.1)				(0.1)					0.0					0.0	
Other							0.0			0.0		0.0					0.0					0.0	
Net cash used in investing activities	(0.2)	(0.3)	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.2)	(0.7)	(0.2)	(0.0)	(1.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.6)	(0.2)	(0.2)	(0.6)	(0.2)	(1.1)	
Cash flow from financing activities																							
Issuance of debt	0.2			0.6			0.6					0.0	5.0	5.1	5.0	0.0	15.1	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(1.3)	(1.9)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.6)	(0.1)	(0.7)	(0.4)				(0.4)					0.0	
Issuance of stock							18.2	18.2		4.8	0.8	5.6	0.9	(0.4)	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercise	0.2	0.2	0.1	0.0	0.1	0.0	0.2	0.2	0.0	0.1		0.2	0.1				0.1					0.0	
Other							0.0					0.0		1.0			1.0					0.0	
Dividends and distributions		(0.7)	(0.1)	(0.0)			(0.1)					0.0					0.0					0.0	
Cash provided by (used in) financing activities	(0.9)	(2.3)	0.1	0.6	0.1	18.2	18.9	0.2	(0.1)	4.3	0.7	5.1	5.6	5.7	5.0	0.0	16.3	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash							0.0					0.0					0.0					0.0	
Net increase (decrease) in cash	1.4	1.7	(0.1)	(0.3)	(1.4)	15.2	13.4	(3.6)	(3.7)	(2.2)	(3.1)	(12.6)	2.0	0.9	1.8	(3.3)	1.5	(0.2)	(2.5)	(3.1)	(2.3)	(8.2)	
Beginning cash and equivalents	0.2	1.7	3.3	3.2	2.9	1.5	3.3	16.7	13.1	9.3	7.2	16.7	4.1	6.1	7.0	8.9	4.1	5.6	5.3	2.8	(0.3)	5.6	
Ending cash and equivalents	1.7	3.3	3.2	2.9	1.5	16.7	16.7	13.1	9.3	7.2	4.1	4.1	6.1	7.0	8.9	5.6	5.6	5.3	2.8	(0.3)	(2.6)	(2.6)	

Source: Company reports and Ascendant Capital Markets estimates

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Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

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Total return is defined as price appreciation plus dividend yield.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Sell	1	2%	0	0%
Total	42	100%	15	36%

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