



# Genasys Inc.

*Slight Q1 miss. Major contract wins should drive solid growth in FY23/24. Lowering P/T to \$6.00.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: GNSS

Price: \$3.37  
(intraday)

Target: \$6.00  
(from \$7.00)

**Slight Q1 miss:** Genasys recently (on February 9) reported its fiscal Q1 FY23 (ending December) results. Revenue was \$10.5 million (-2% y-o-y), compared with our estimates of \$11.7 million and consensus of \$11.2 million. EPS was \$(0.10), compared with our estimates of \$(0.04) and consensus of \$(0.05). There was no Q1 guidance.

**Big Aramco win:** Although this news is not in the reported Q1, the company just announced a major new client win. In February, Genasys announced a contract with Aramco, the largest energy company in the world, for Genasys Emergency Management (GEM) enterprise services.

**Guidance for FY23 revenue growth:** Management expect continued revenue growth in FY23 (was +15% in FY22). It expects operating expenses to increase by ~\$5 million in FY23 as it invests in its SaaS business.

**Lowering estimates:** We are lowering our FY23 estimates for revenue to \$56 million, from \$58 million, and for EPS to \$(0.19) from \$0.00.

**Solid momentum:** The company has experienced strong revenue growth the past six years (+24% in FY17, +30% in FY18, +41% in FY19, +16% in FY20, +9% in FY21, and +15% in FY22). The management team has done a good job developing LRAD's core legacy Acoustic Hailing Devices (AHDs) and its newer Mass Notifications (SaaS) systems. This has helped win new product contracts and expand its customer base, and return to solid growth.

**FY23 another year of investment:** The company plans for significant investment in its business as operating expenses are expected to increase \$5 million versus FY22. The increase was \$6 million in FY22 vs. FY21. 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.

**Positive momentum:** FY18 revenue growth was +30% (y-o-y), FY19 +41%, FY20 +16%, FY21 +9%, and FY22 was +15%. We believe and estimate this trend will continue with solid growth in FY23 (+4%E) and FY24 (+7%E). Solid revenue growth should translate into operating leverage particularly in FY24/25.

**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 \$6.00 from \$7.00, which is based on a forward P/E multiple of 30x our FY25 EPS estimate of \$0.20. 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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### Stock Data

Exchange:	NasdaqCM
52-week Range:	\$2.40 – 4.23
Shares Outstanding (million):	37
Market cap (\$million):	\$125
EV (\$million):	\$110
Debt (\$million):	\$0
Cash (\$million):	\$15
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	29
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Dec	11A	12E	11E	12E
Q2 Mar	13E	15E	14E	15E
Q3 Jun	16E	15E	17E	16E
Q4 Sep	<u>17E</u>		<u>18E</u>	<u>17E</u>
Total	56E	58E	60E	
EV/Revs	2.0x		1.8x	

### Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Dec	(0.10)A	(0.04)E	(0.02)E	(0.01)E
Q2 Mar	(0.04)E	0.00E	0.00E	0.02E
Q3 Jun	(0.03)E	0.01E	0.01E	0.03E
Q4 Sep	<u>(0.02)E</u>	<u>0.02E</u>	<u>0.02E</u>	<u>0.04E</u>
Total	<u>(0.19)E</u>	<u>0.00E</u>	<u>0.01E</u>	<u>0.08E</u>
P/E	N/A		337x	

### 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 9) reported its fiscal Q1 FY23 (ending December) results.
- Revenue was \$10.5 million (-2% y-o-y), compared with our estimates of \$11.7 million and consensus of \$11.2 million.
- EPS was \$(0.10), compared with our estimates of \$(0.04) and consensus of \$(0.05).
- There was no Q1 guidance.
- Management as usual did not provide any specific forward guidance, but qualitatively continues to expect revenue growth in FY23. It expects operating expenses to increase by ~\$5 million in FY23 as it invests in its SaaS business.
- We are lowering our FY23 estimates for revenue to \$56 million, from \$58 million, and for EPS to \$(0.19) from \$0.00.
- We are maintaining our FY24 revenue estimate of \$60 million, but lowering it for EPS to \$0.01 from \$0.08.

### **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$5 million, compared with our estimate of \$6 million.
- Gross margin for the quarter was 43%, versus 46% last year and our estimate of 53%.
- Operating expenses were \$8 million, compared with our estimate of \$8 million.
- Operating loss was \$3.5 million, compared with our estimate of a loss of \$1.5 million.
- Net loss was \$3.5 million, compared with our estimate of a loss of \$1.4 million.
- Backlog was N/A vs. \$22 million last quarter.
  
- 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 \$15 million in cash and no debt, compared with \$20 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 9, 2023)**

	Revenue (mil)			EPS	
	<u>2023E</u>	<u>2024E</u>		<u>2023E</u>	<u>2024E</u>
Q1 Dec	\$11E		Q1 Dec	\$(0.05)E	
Q2 Mar	\$14E		Q2 Mar	\$(0.05)E	
Q3 Jun			Q3 Jun		
Q4 Sep			Q4 Sep		
Total	\$57E	\$61E	Total	\$(0.12)E	\$0.00E

\*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-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	Dec-23	Mar-24	Jun-24	Sep-24	2024
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	8.0	11.3	12.6	15.0	47.0	10.7	13.2	14.2	16.0	54.0	10.5	13.3	15.6	16.7	56.0	11.3	14.4	16.7	17.7	60.0
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>8.0</b>	<b>11.3</b>	<b>12.6</b>	<b>15.0</b>	<b>47.0</b>	<b>10.7</b>	<b>13.2</b>	<b>14.2</b>	<b>16.0</b>	<b>54.0</b>	<b>10.5</b>	<b>13.3</b>	<b>15.6</b>	<b>16.7</b>	<b>56.0</b>	<b>11.3</b>	<b>14.4</b>	<b>16.7</b>	<b>17.7</b>	<b>60.0</b>
Cost of Revenues	4.3	6.0	5.9	7.3	23.6	5.8	6.2	7.6	8.4	27.9	5.9	7.2	8.1	8.3	29.6	5.0	6.0	6.8	7.1	24.9
Gross Profit	3.7	5.3	6.7	7.7	23.4	4.9	7.0	6.6	7.7	26.1	4.5	6.1	7.5	8.3	26.5	6.3	8.3	9.8	10.6	35.1
Selling, general and administrative	3.3	3.8	4.8	5.5	17.4	5.1	5.6	5.5	5.6	21.8	6.1	5.6	6.5	7.0	25.2	5.2	5.9	7.0	7.4	25.5
Research and development	1.1	1.0	1.4	1.5	4.9	1.4	1.9	1.7	1.7	6.7	1.9	2.1	2.2	2.3	8.6	2.2	2.3	2.3	2.3	9.1
Restructuring and other					0.0				13.2	13.2					0.0					0.0
Total operating expenses	4.4	4.8	6.2	7.0	22.3	6.5	7.5	7.2	20.4	41.6	8.0	7.7	8.7	9.3	33.8	7.4	8.2	9.3	9.7	34.6
<b>Operating income (loss)</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>(0.5)</b>	<b>(0.6)</b>	<b>(12.8)</b>	<b>(15.5)</b>	<b>(3.5)</b>	<b>(1.6)</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(7.3)</b>	<b>(1.0)</b>	<b>0.1</b>	<b>0.5</b>	<b>0.9</b>	<b>0.5</b>
Interest income (expense)	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	0.0	0.0
Other income (expense)					0.0	0.3		0.0	0.0	0.3	(0.0)				(0.0)					0.0
Income before income taxes	(0.6)	0.5	0.5	0.7	1.1	(1.3)	(0.5)	(0.6)	(12.7)	(15.2)	(3.5)	(1.6)	(1.2)	(1.0)	(7.3)	(1.0)	0.1	0.5	0.9	0.5
Income taxes	(0.0)	0.3	0.2	(0.1)	0.4	(0.0)	(0.0)	(0.0)	1.1	1.0	(0.2)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	0.0	0.0	0.1	0.1
Net income (loss)	(0.6)	0.3	0.3	0.8	0.7	(1.3)	(0.5)	(0.6)	(13.8)	(16.2)	(3.5)	(1.4)	(1.1)	(0.9)	(7.0)	(0.9)	0.1	0.4	0.8	0.5
Nonrecurring/noncash adjustments					0.0				13.2	13.2					0.0					0.0
<b>Net income (pro forma)</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>(0.5)</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>(3.1)</b>	<b>(3.5)</b>	<b>(1.4)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(7.0)</b>	<b>(0.9)</b>	<b>0.1</b>	<b>0.4</b>	<b>0.8</b>	<b>0.5</b>
EBITDA	(0.2)	1.2	1.4	1.8	4.1	(0.4)	0.9	0.4	1.6	2.4	(2.4)	(0.5)	(0.2)	0.1	(3.1)	0.0	1.2	1.6	1.9	4.8
Shares, Basic	33.6	33.7	34.1	36.2	34.4	36.5	36.4	36.6	36.6	36.5	36.7	36.8	37.0	37.1	36.9	37.2	37.3	37.5	37.6	37.4
Shares, Diluted	34.7	34.8	35.3	37.3	35.6	36.5	36.4	36.6	36.6	36.5	36.7	36.8	37.0	37.1	36.9	37.2	37.3	37.5	37.6	37.4
EPS Basic (Pro forma)	(\$0.02)	\$0.01	\$0.01	\$0.02	\$0.02	(\$0.04)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.10)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.19)	(\$0.02)	\$0.00	\$0.01	\$0.02	\$0.01
EPS Diluted (Pro forma)	(\$0.02)	\$0.01	\$0.01	\$0.02	\$0.02	(\$0.04)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.10)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.19)	(\$0.02)	\$0.00	\$0.01	\$0.02	\$0.01
<b>Margins</b>																				
Gross margin	46.1%	47.2%	53.0%	51.2%	49.8%	45.8%	52.9%	46.5%	47.8%	48.3%	43.3%	46.0%	48.0%	50.0%	47.2%	56.0%	58.0%	59.0%	60.0%	58.5%
Selling, general and administrative	41.5%	33.8%	37.8%	36.5%	37.1%	48.1%	42.5%	38.9%	34.7%	40.3%	58.1%	42.0%	42.0%	42.0%	45.0%	46.0%	41.0%	42.0%	42.0%	42.5%
Research and development	13.3%	8.5%	11.0%	10.0%	10.5%	12.8%	14.4%	12.1%	10.6%	12.3%	18.5%	16.0%	14.0%	14.0%	15.3%	19.0%	16.0%	14.0%	13.0%	15.1%
Operating margin	-8.6%	4.9%	4.1%	4.7%	2.3%	-15.1%	-4.0%	-4.4%	-79.6%	-28.7%	-33.3%	-12.0%	-8.0%	-6.0%	-13.1%	-9.0%	1.0%	3.0%	5.0%	0.8%
Tax rate, GAAP	0.8%	51.9%	44.0%	-10.3%	38.1%	0.0%	8.4%	5.0%	-8.7%	-6.8%	0.0%	10.0%	10.0%	10.0%	5.2%	10.0%	10.0%	10.0%	10.0%	10.0%
Net margin	-7.7%	2.3%	2.3%	5.1%	1.5%	-12.2%	-3.7%	-4.2%	-86.2%	-30.0%	-33.4%	-10.8%	-7.2%	-5.4%	-12.4%	-8.1%	0.9%	2.7%	4.5%	0.8%
<b>YY % change</b>																				
Total Revenue	-9%	37%	5%	8%	9%	33%	17%	12%	7%	15%	-2%	1%	10%	4%	4%	8%	8%	7%	6%	7%
Gross margin	-20%	33%	3%	2%	3%	32%	30%	-2%	-1%	11%	-7%	-12%	14%	9%	1%	40%	36%	32%	27%	33%
Selling, general and administrative	18%	40%	43%	74%	45%	54%	46%	15%	1%	25%	19%	0%	19%	26%	16%	-15%	5%	7%	6%	1%
Research and development	-2%	1%	16%	14%	8%	28%	97%	23%	13%	36%	41%	12%	28%	38%	29%	11%	8%	7%	-2%	6%
Operating income (loss)	-200%	68%	-73%	-77%	-82%	132%	-195%	-221%	-1913%	-1533%	117%	203%	98%	-92%	-53%	-71%	-109%	-140%	-188%	-107%
Net income (loss)	-200%	-13%	-81%	-92%	-94%	111%	-288%	-303%	-1893%	-2403%	169%	192%	90%	-93%	-57%	-74%	-109%	-140%	-188%	-107%
EPS Diluted (Pro forma)	-197%	-16%	-81%	-92%	-94%	101%	-280%	-296%	-188%	-522%	167%	188%	88%	34%	126%	-74%	-109%	-140%	-187%	-106%

Source: Company reports and Ascendant Capital Markets estimates.

**Genasys Inc.**

Balance Sheet (\$ mils)	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	Mar-24	Jun-24	Sep-24
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	19.6	18.5	14.5	13.2	10.1	9.0	11.7	12.7	7.6	2.1	5.9	(1.7)	6.1	3.7	9.1	2.8
Short term investments	5.5	5.5	6.0	5.7	3.9	5.2	5.3	6.4	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Accounts receivable, net	3.2	5.4	6.3	7.7	6.8	5.6	5.7	6.7	3.3	7.5	9.0	12.6	5.7	8.1	9.6	13.4
Inventory	7.0	6.5	6.4	6.4	9.1	9.6	8.8	6.0	8.0	13.1	12.1	12.5	8.7	11.0	10.2	10.6
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	1.0	1.4	1.8	2.5	1.5	1.7	1.3	3.7	3.7	1.6	2.3	2.2	2.0	1.7	2.5	2.3
<b>Total current assets</b>	<b>36.2</b>	<b>37.2</b>	<b>35.0</b>	<b>35.5</b>	<b>31.5</b>	<b>31.1</b>	<b>32.8</b>	<b>35.6</b>	<b>29.1</b>	<b>30.8</b>	<b>35.9</b>	<b>32.2</b>	<b>29.0</b>	<b>31.1</b>	<b>38.0</b>	<b>35.6</b>
Long term securities/investments	3.6	3.6	3.5	1.9	3.4	2.3	2.0	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Property and equipment, net	1.9	1.9	1.8	1.8	1.8	1.7	1.6	1.8	1.8	1.4	1.1	0.7	0.4	0.0	(0.3)	(0.6)
Intangibles, net	12.2	12.0	37.3	36.6	36.0	35.6	34.6	20.6	20.3	20.3	20.3	20.3	20.3	20.3	20.3	20.3
Deferred income tax	11.1	10.8	10.7	8.0	8.3	8.4	8.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Other	5.5	5.4	5.2	6.3	6.2	6.0	5.6	5.8	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
<b>Total assets</b>	<b>70.6</b>	<b>70.9</b>	<b>93.6</b>	<b>90.1</b>	<b>87.3</b>	<b>85.1</b>	<b>85.1</b>	<b>71.9</b>	<b>64.5</b>	<b>65.9</b>	<b>70.6</b>	<b>66.6</b>	<b>63.0</b>	<b>64.8</b>	<b>71.3</b>	<b>68.6</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	1.6	2.6	2.7	2.2	2.3	3.0	2.5	2.3	2.6	3.0	6.8	2.5	4.1	3.2	7.3	2.6
Accrued expenses	7.8	7.0	13.3	14.1	12.6	10.2	11.8	12.1	8.1	9.3	10.9	11.7	7.9	10.1	11.7	12.4
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	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>10.6</b>	<b>10.7</b>	<b>17.2</b>	<b>17.5</b>	<b>16.1</b>	<b>14.3</b>	<b>15.2</b>	<b>15.4</b>	<b>11.6</b>	<b>13.2</b>	<b>18.6</b>	<b>15.1</b>	<b>12.1</b>	<b>13.3</b>	<b>18.9</b>	<b>15.0</b>
Deferred income taxes																
Other long term liabilities	7.3	7.1	11.4	6.7	6.5	6.3	6.0	6.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Long term debt	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>7.3</b>	<b>7.1</b>	<b>11.4</b>	<b>6.7</b>	<b>6.5</b>	<b>6.3</b>	<b>6.0</b>	<b>6.1</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>
Common stock										0.4	0.8	1.3	1.7	2.1	2.5	2.9
Additional paid-in capital	94.9	95.2	106.6	107.1	107.3	107.5	107.9	108.6	109.0	109.0	109.0	109.0	109.0	109.0	109.0	109.0
Retained earnings	(42.5)	(42.2)	(41.9)	(41.2)	(42.5)	(43.0)	(43.5)	(57.4)	(60.9)	(62.3)	(63.4)	(64.3)	(65.2)	(65.1)	(64.7)	(63.9)
Accumulated other comprehensive in	0.2	0.1	0.3	0.0	(0.1)	(0.1)	(0.5)	(0.8)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other										0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>Total stockholders' equity</b>	<b>52.7</b>	<b>53.1</b>	<b>65.0</b>	<b>66.0</b>	<b>64.7</b>	<b>64.5</b>	<b>63.9</b>	<b>50.4</b>	<b>47.6</b>	<b>47.4</b>	<b>46.7</b>	<b>46.2</b>	<b>45.7</b>	<b>46.3</b>	<b>47.2</b>	<b>48.4</b>
<b>Total stockholders' equity and liabil</b>	<b>70.6</b>	<b>70.9</b>	<b>93.6</b>	<b>90.1</b>	<b>87.3</b>	<b>85.1</b>	<b>85.1</b>	<b>71.9</b>	<b>64.5</b>	<b>65.9</b>	<b>70.6</b>	<b>66.6</b>	<b>63.0</b>	<b>64.8</b>	<b>71.3</b>	<b>68.6</b>

**Balance Sheet Drivers**

	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	Mar-24	Jun-24	Sep-24
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	13%	12%	14%	17%	14%	13%	9%	23%	35%	12%	15%	13%	18%	12%	15%	13%
Accounts payable as % of total rev	20%	23%	21%	14%	21%	22%	18%	15%	25%	22%	44%	15%	37%	22%	44%	15%
Inventories as % of cost of rev	161%	108%	108%	87%	158%	155%	116%	72%	135%	182%	150%	150%	175%	182%	150%	150%
Accrued expenses as % of total rev	98%	62%	105%	94%	118%	77%	84%	75%	77%	70%	70%	70%	70%	70%	70%	70%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	35	43	45	46	57	38	36	38	28	51	52	68	45	51	52	68
Inventory Turnover	2.5x	3.7x	3.7x	4.6x	2.5x	2.6x	3.4x	5.6x	3.0x	2.2x	2.7x	2.7x	2.3x	2.2x	2.7x	2.7x
A/P Days Payable	34	39	41	26	35	43	30	25	40	37	75	27	75	48	96	33
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$1.52	\$1.53	\$1.84	\$1.77	\$1.78	\$1.77	\$1.75	\$1.38	\$1.30	\$1.29	\$1.26	\$1.25	\$1.23	\$1.24	\$1.26	\$1.29
Cash per Share (diluted)	\$0.83	\$0.79	\$0.68	\$0.56	\$0.48	\$0.45	\$0.52	\$0.54	\$0.41	\$0.26	\$0.36	\$0.16	\$0.37	\$0.30	\$0.44	\$0.27
Net cash per Share (diluted)	\$0.82	\$0.78	\$0.67	\$0.55	\$0.47	\$0.45	\$0.52	\$0.54	\$0.41	\$0.26	\$0.36	\$0.16	\$0.37	\$0.30	\$0.44	\$0.27

Source: Company reports and Ascendant Capital Markets estimates

**Genasys Inc.**

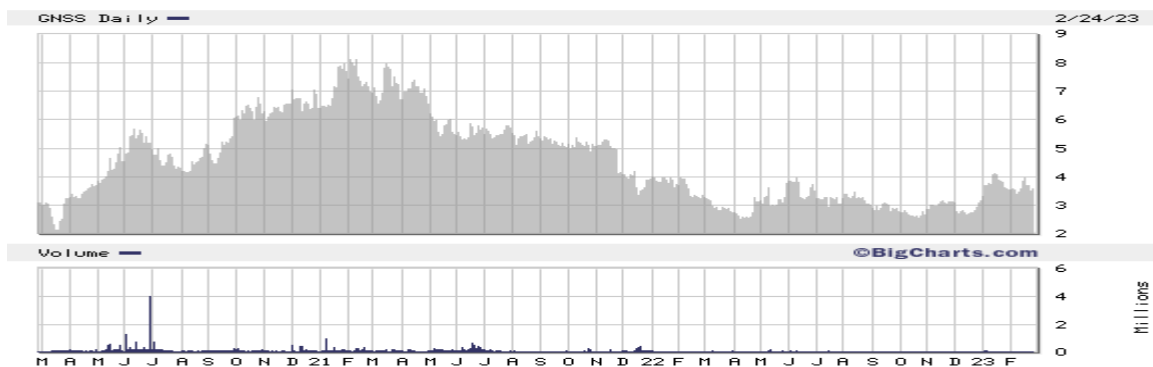
Cash Flow Statement (\$ mils)	Dec-19	Mar-20	Jun-20	Sep-20	2020	Dec-20	Mar-21	Jun-21	Sep-21	2021	Dec-21	Mar-22	Jun-22	Sep-22	2022	Dec-22	Mar-23	Jun-23	Sep-23	2023	Dec-23	Mar-24	Jun-24	Sep-24	2024	
Fiscal Year End: September 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<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)	(0.5)	(0.6)	(13.8)	(16.2)	(3.5)	(1.4)	(1.1)	(0.9)	(7.0)	(0.9)	0.1	0.4	0.8	0.5	
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	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	0.4	0.2	0.2	0.8	0.2				0.8	0.2				0.8	
Stock comp	0.2	0.3	0.3	0.2	1.0	0.2	0.3	0.4	0.5	1.4	0.6	0.7	0.4	0.6	2.2	0.4	0.4	0.4	0.4	1.7	0.4	0.4	0.4	0.4	1.7	
Provision for bad debts					0.0					0.0					0.1					0.1					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)	1.0	0.7		0.0	0.0	0.0	0.0	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	0.1	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	0.1	0.2	0.3	0.0				0.0	0.0	0.0	0.0	0.0	0.0	
Other gains/losses					0.1	(0.1)	0.0	(0.0)		(0.1)				13.2	13.2					0.0					0.0	
Other					0.6		0.4	0.2	0.2	0.7	0.2	(0.2)	0.0	0.0	0.0	0.0				0.0					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	1.2	(0.2)	(1.1)	0.8	3.5	(4.2)	(1.5)	(3.6)	(5.9)	6.9	(2.4)	(1.5)	(3.8)	(0.8)	
Inventory	(0.3)	(0.9)	(0.5)	1.1	(0.5)	(1.1)	0.4	(0.1)	(0.1)	(0.8)	(2.8)	(0.5)	0.7	2.6	0.1	(2.0)	(5.1)	1.0	(0.4)	(6.5)	3.8	(2.3)	0.8	(0.4)	1.9	
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	(0.2)	0.3	(0.8)	0.2	0.6	2.1	(0.7)	0.1	2.1	0.2	0.2	(0.8)	0.2	(0.1)	
Other assets					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	0.7	(0.4)	(0.2)	0.2	0.2	0.4	3.8	(4.3)	0.1	1.7	(0.9)	4.0	(4.6)	0.1	
Accrued expenses	(1.9)	(1.1)	3.2	(1.4)	(1.2)	(0.3)	(1.0)	7.4	(1.1)	4.9	(1.7)	(2.7)	1.4	(1.6)	(4.6)	(5.0)	1.2	1.6	0.8	(1.4)	(3.7)	2.1	1.6	0.7	0.7	
Warranty settlements					0.0					0.0					0.0					0.0	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	(1.0)	0.0	0.0	0.0	(1.0)	
<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>(0.4)</b>	<b>2.5</b>	<b>1.0</b>	<b>0.5</b>	<b>(4.9)</b>	<b>(6.0)</b>	<b>4.1</b>	<b>(7.2)</b>	<b>(14.0)</b>	<b>8.0</b>	<b>(2.1)</b>	<b>5.7</b>	<b>(6.0)</b>	<b>5.6</b>	
<b>Cash flow from investing activities</b>																										
Purchases of property and equi	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.2)	(0.2)	(0.0)	(0.0)	(0.2)	(0.4)	(0.1)	(0.3)	(0.3)	(0.3)	(1.0)	(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)	0.2	0.1	0.3	(0.4)				(0.4)					0.0	
Acquisitions					0.0	(4.4)		(11.5)		(15.8)					0.0					0.0					0.0	
Other					0.0					0.0					0.0					0.0					0.0	
<b>Net cash used in investing acti</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>(0.2)</b>	<b>0.2</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(1.4)</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	0.0	
Repayment of debt		(0.0)	(0.0)	0.0	(0.0)		(0.1)	0.0	0.0	(0.1)		(0.0)	(0.3)		(0.3)					0.0	0.0	0.0	0.0	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	0.0	
Repurchase of common stock		(0.4)			(0.4)					0.0	(0.4)	(0.6)	(0.1)	0.0	(1.1)					0.0	0.0	0.0	0.0	0.0	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	0.1	0.2	0.0	0.3	0.0				0.0	0.0	0.0	0.0	0.0	0.0	
Other					0.0					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	0.0	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>(0.5)</b>	<b>(0.2)</b>	<b>0.0</b>	<b>(1.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</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)	(0.1)	(0.1)	(0.2)	0.0				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>(1.2)</b>	<b>2.5</b>	<b>0.9</b>	<b>(0.9)</b>	<b>(5.3)</b>	<b>(6.3)</b>	<b>3.8</b>	<b>(7.5)</b>	<b>(15.3)</b>	<b>7.7</b>	<b>(2.4)</b>	<b>5.4</b>	<b>(6.3)</b>	<b>4.4</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>10.3</b>	<b>12.8</b>	<b>14.5</b>	<b>13.7</b>	<b>8.4</b>	<b>2.1</b>	<b>5.9</b>	<b>13.7</b>	<b>(1.7)</b>	<b>6.1</b>	<b>3.7</b>	<b>9.1</b>	<b>(1.7)</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>10.3</b>	<b>12.8</b>	<b>13.7</b>	<b>13.7</b>	<b>8.4</b>	<b>2.1</b>	<b>5.9</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>6.1</b>	<b>3.7</b>	<b>9.1</b>	<b>2.8</b>	<b>2.8</b>	

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

## Genasys Inc.



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

	Report Date		Price
Report	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
19	3/2/2022	B	8.00
20	5/14/2022	B	7.50
21	8/17/2022	B	8.00
22	12/5/2022	B	7.00

- Ascendant Capital Markets, LLC has not received compensation for investment banking services from the company in the past 12 months.

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Risks to attainment of our share price target include changes and demand for technology, investor sentiment for investing in technology stocks, and consumer sentiment and industry growth for technology manufacturing companies, competition, changing macroeconomic factors, and changes in government budgets and political priorities.

### **Ascendant Capital Markets, LLC Rating System**

**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 Distribution of Investment Ratings (as of January 15, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	44	98%	18	41%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	45	100%	18	40%

### Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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