



# Intrusion, Inc.

*Q1 about inline. We remain positive as new contract wins and partners should drive strong growth over the next year. Lowering P/T to \$16.*

## COMPANY UPDATE

### Rating: BUY

Ticker: INTZ

Price: \$1.51

Target: \$16  
(from \$20)

**Q1 about inline:** Intrusion recently (on May 14) reported its fiscal Q1 2024 (ending March) results. Revenue was \$1.1 million (-14% y-o-y), compared to our and consensus estimates of \$1.3 million. EPS was \$(0.94), compared to our estimate of \$(1.01) and consensus of \$(1.39). There was no Q1 guidance.

**Q1 weaker:** The company's Q1 was tempered from fewer government contracts due to the federal budget issues.

**Major contracts increasing:** In April, the company announced that in partnership with iOne Resources, it won a contract (~\$1 million) to supply the Secure Electronic Transmission Services (SETs) for the 2025 Philippines midterm elections. In October 2023, the company announced a \$5 million contract with a large telecommunications provider to provide Intrusion Shield support for its data centers.

**No guidance:** The company declined to provide 2024 guidance.

**Adjusting estimates:** We are adjusting our 2024 estimates for revenue to \$6.2 million, from \$6.6 million, and for EPS to \$(1.47) from \$(1.83).

**New products:** In September 2022, the company launched its new Shield cloud product and end-point solution. In March 2023, the company released Shield Mobile. The company stated that its sales pipeline is much larger now than in the past year.

**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.

**INTRUSION Shield:** The company's 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.

**Balance sheet tight:** In Q1, the company had ~\$0 million in cash and \$2 million in debt. In April (current Q2), the company raised ~\$2.6 million selling stock.

**Reverse stock split:** In March 2024, the company effected a 1:20 reverse stock split.

**Positive high risks versus rewards:** Despite another weak Q1 (-14% y-o-y), we remain overall positive on the company longer term. We believe Q1 and recent revenue issues and concerns outweighed by growth prospects and valuation.

**Valuation attractive:** We are maintaining our BUY rating, but lowering our 12-month price target to \$16 from \$20, 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.

### Stock Data

Exchange:	NasdaqCM
52-week Range:	1.48 – 32.80
Shares Outstanding (million):	5
Market cap (\$million):	\$8
EV (\$million):	\$10
Debt (\$million):	\$2
Cash (\$million):	\$0
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	1
Short Interest (million shares):	~0
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	1.1A	1.3E	2.0E	2.4E
Q2 Jun	1.1E	1.5E	2.1E	
Q3 Sep	1.5E		2.1E	2.0E
Q4 Dec	<u>2.4E</u>		<u>3.8E</u>	<u>3.6E</u>
Total	<b>6.2E</b>	<b>6.6E</b>	<b>10.0E</b>	
EV/Revs	1.6x		1.0x	

### Earnings per Share (pro forma)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	(0.94)A	(1.01)E	(0.39)E	(0.66)E
Q2 Jun	(0.38)E		(0.28)E	(0.40)E
Q3 Sep	(0.30)E	(0.34)E	(0.14)E	(0.20)E
Q4 Dec	<u>(0.22)E</u>	<u>(0.33)E</u>	<u>(0.08)E</u>	<u>(0.11)E</u>
Total	<b>(1.47)E</b>	<b>(1.83)E</b>	<b>(0.88)E</b>	<b>(1.35)E</b>
P/E	N/A		N/A	

\*Reflects a 1:20 reverse stock split in March 2024.

### 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 13.**

### **OVERVIEW**

- Intrusion recently (on May 14) reported its fiscal Q1 2024 (ending March) results.
- Revenue was \$1.1 million (-14% y-o-y), compared to our and consensus estimates of \$1.3 million.
- EPS was \$(0.94), compared to our estimate of \$(1.01) and consensus of \$(1.39).
- There was no Q1 guidance.
- The company declined to provide 2024 guidance.
- We are adjusting our 2024 estimates for revenue to \$6.2 million, from \$6.6 million, and for EPS to \$(1.47) from \$(1.83).
- We are maintaining our 2025 revenue estimates of \$10.0 million, but raising it for EPS to \$(0.88) from \$(1.35).

### **ADDITIONAL DETAILS**

- Gross profit for the quarter was \$0.9 million, compared with our estimate of \$1.0 million.
- Gross margin for the quarter was 80%, versus our expectation of 78% and 76% last year.
- Operating expenses were \$3.4 million, versus our expectation of \$2.7 million.
- Operating loss was \$2.5 million, versus our expectation of a loss of \$1.7 million.
- Net loss was \$1.7 million, versus our expectation of a loss of \$2.0 million.
- Reverse stock split: In March 2024, the company effected a 1:20 reverse stock split.

The company's balance sheet had ~\$0 million in cash and \$2 million in debt, compared with ~\$0 million in cash and \$11 million in debt at the end of December. In April (current Q2), the company raised ~\$2.6 million selling stock.

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

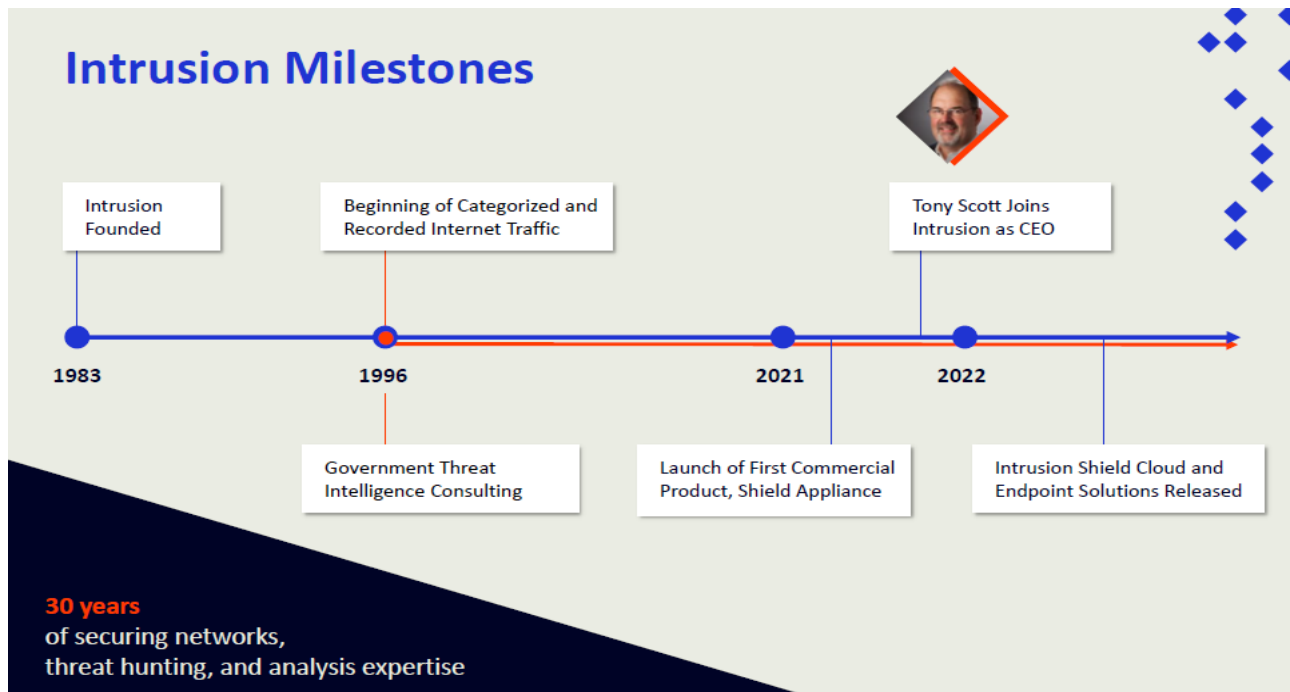
**Nasdaq: INTZ**

**“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



## Intrusion Milestones



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



**What we do...**

- ◆ Identify threats relevant to the customer's environment right now
- ◆ Block malicious connections automatically – and without alerts
- ◆ Analyze BOTH incoming and outgoing traffic making it an ideal Zero-Day solution

**195.211.77.68**

Port: 0808  
 Risk Level: 4  
 Status: **Blocked**  
 Reason: Ransomware domain

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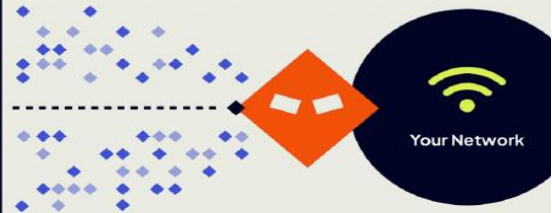
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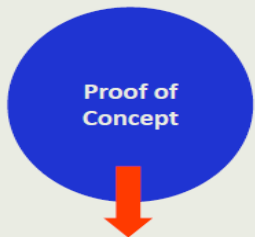
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**Go-To-Market**

Utilize proof of concept to demonstrate Intrusion Shield's value proposition



**Integrate Intrusion Shield with the customer's existing networks to detect malware and identify any nefarious IP addresses visited.**

**Observe Mode**

- ◆ After 5 days the customer can see what has been observed on the network.
- ◆ Provide reporting every day to demonstrate what Intrusion Shield has killed and why.
- ◆ Explains what would have been blocked if the customer were in protect mode.

**Protect Mode**

- ◆ After 5 additional days, the customer can see all the traffic that Intrusion Shield blocked.
- ◆ In protect mode, Intrusion Shield is stopping ransomware attacks that would otherwise sit on the network and observe browsing activity.
- ◆ Prevents bad actors from outbound communication that would shut down the customer's network.

Source: Company reports.

### Exhibit 3: Cybersecurity Market Opportunities

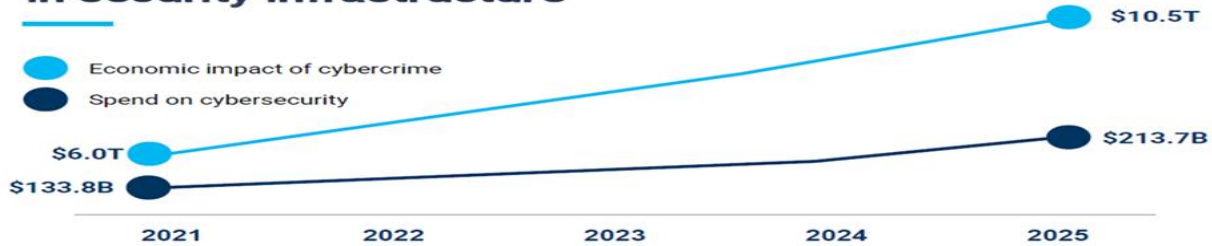
WHY NOW

## 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

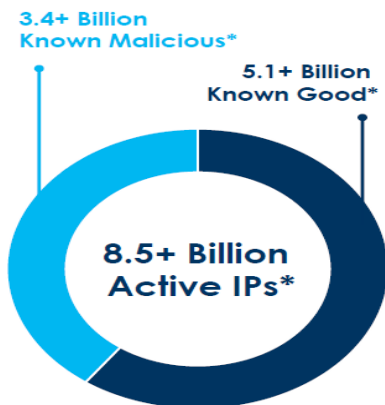
Source: Company reports.

### 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.

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## Exhibit 5: Recent New Products (Cloud and Endpoint) Launched (both in 9/22) & Shield Mobile (3/23)

### Product Pipeline

Several new Intrusion Shield products are expected to go to market in the second half of 2022, including a cloud-based product and an Intrusion Shield endpoint product



#### Cloud Based Product

- ◆ Reached full demo capabilities in the second quarter of 2022.
- ◆ This product will allow cloud downloads to be protected by Intrusion Shield technology without the requirement for dedicated hardware.
- ◆ Finalizing product launch activities.
- ◆ General availability release of the product remains on track for the third quarter 2022.



#### Endpoint Solution

- ◆ Reached full demo capabilities in the second quarter of 2022.
- ◆ This product will support Windows, iOS, MacOS, and Android clients upon release.
- ◆ Early beta feedback is positive.
- ◆ General availability release remains on track for the third quarter 2022.

## Intrusion Announces the Launch of its Shield Mobile

3/2/2023

PLANO, TX / ACCESSWIRE / March 2, 2023 / Intrusion, Inc, (NASDAQ:INTZ) a leader in cyber-attack prevention solutions, including zero-days, today announced a new mobile app that is now available in the Google Play Store:

**Intrusion Shield Mobile.**

Source: Company reports.

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## Exhibit 6: Intrusion Investment Highlights

### Reasons to Invest in Intrusion

- 1 New management team brings **emphasis on profitable growth and vision**
- 2 Intrusion's **proprietary database** has historically been under-monetized
- 3 **New cloud and end-point solutions** significantly expands total addressable market
- 4 Transition to **recurring revenue model**, focused on new solutions and enterprise business
- 5 **Long-term roadmap** with several releases building on core technology assets

Source: Company reports.

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## Exhibit 7: 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.

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Exhibit 8: Q1 2024 and Recent Highlights (as of May 14, 2024)

## Intrusion Inc. Reports First Quarter 2024 Results

5/14/2024

Intrusion Shield customer penetration continues to expand

PLANO, TX / ACCESSWIRE / May 14, 2024 /Intrusion Inc. (NASDAQ:INTZ), a leader in cyberattack prevention solutions, announced today financial results for the first quarter ended March 31, 2024.

### Recent Financial & Business Highlights:

- Improved first quarter EPS to \$(0.94) per share from \$(4.49) per share in the first quarter of 2023.
- In partnership with iOne Resources, announced a notice of award to supply the Secure Electronic Transmission Services (SETs) for the 2025 Philippines midterm elections.
- Partnered with Total Information Management Corporation (TIM) to provide advanced threat detection and prevention solutions to Orca Cold Chain Solutions to enhance supply chain security.
- Acquired a minority stake in Klever AI to help improve Intrusion Shield technology and broaden customer penetration into multiple industries.
- Regained compliance with Nasdaq's minimum bid price and equity standard requirements.

Source: Company reports.

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**Exhibit 9: Intrusion, Inc. Stock Price (5-Years)**



\*Reflects a 1:20 reverse stock split in March 2024

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

**Exhibit 10: Consensus Expectations (as of May 14, 2024)**

	Revenue (mils)			EPS	
	2024E	2025E		2024E	2025E
Q1 Mar	\$1.3E		Q1 Mar	\$(1.39)E	
Q2 Jun	\$1.4E		Q2 Jun	\$(0.70)E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
<b>Total</b>	<b>\$6.5E</b>		<b>Total</b>	<b>\$(5.00)E</b>	<b>\$0.00E</b>

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

\*Reflects a 1:20 reverse stock split in March 2024

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

**FINANCIAL MODEL**

**Intrusion Inc.**

Income Statement (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025
Fiscal Year End: December 31	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>Total Revenue</b>	<b>1.8</b>	<b>2.1</b>	<b>2.2</b>	<b>1.4</b>	<b>7.5</b>	<b>1.3</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>5.6</b>	<b>1.1</b>	<b>1.1</b>	<b>1.5</b>	<b>2.4</b>	<b>6.2</b>	<b>2.0</b>	<b>2.1</b>	<b>2.1</b>	<b>3.8</b>	<b>10.0</b>
Cost of Revenues	0.7	0.7	1.0	0.5	2.9	0.3	0.3	0.3	0.3	1.3	0.2	0.2	0.3	0.5	1.2	0.4	0.4	0.4	0.8	2.0
Gross Profit	1.2	1.4	1.2	0.9	4.7	1.0	1.1	1.1	1.1	4.4	0.9	0.9	1.2	1.9	5.0	1.6	1.7	1.7	3.0	8.0
Sales and marketing	1.5	1.8	1.7	2.0	7.0	1.7	1.4	1.4	1.2	5.7	1.2	0.8	1.0	1.0	4.0	1.2	1.2	0.8	1.1	4.3
Research & development	1.7	1.5	1.5	1.9	6.5	1.8	1.5	1.2	1.1	5.6	1.0	1.1	0.8	1.1	4.0	1.2	1.0	0.8	1.1	4.2
General and administrative	2.1	2.0	1.9	1.5	7.5	1.5	1.2	1.3	1.2	5.2	1.2	0.7	0.9	1.0	3.8	1.2	0.9	0.7	1.1	4.0
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
Total operating expenses	5.2	5.4	5.0	5.4	21.0	5.0	4.1	3.8	3.5	16.4	3.4	2.7	2.7	3.0	11.8	3.6	3.1	2.4	3.4	12.5
<b>Operating income (loss)</b>	<b>(4.0)</b>	<b>(4.0)</b>	<b>(3.8)</b>	<b>(4.5)</b>	<b>(16.3)</b>	<b>(4.0)</b>	<b>(2.9)</b>	<b>(2.7)</b>	<b>(2.4)</b>	<b>(12.0)</b>	<b>(2.5)</b>	<b>(1.8)</b>	<b>(1.4)</b>	<b>(1.1)</b>	<b>(6.8)</b>	<b>(2.0)</b>	<b>(1.4)</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>(4.5)</b>
Interest income (expense)	(0.1)	(0.5)	0.9	(0.7)	(0.3)	(0.7)	(0.2)	(0.5)	(0.4)	(1.8)	(0.2)	(0.0)	(0.0)	(0.0)	(0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
Other income (expense)		0.4	(0.0)		0.4					0.0	1.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(4.1)	(4.1)	(2.9)	(5.2)	(16.2)	(4.7)	(3.1)	(3.2)	(2.8)	(13.9)	(1.7)	(1.8)	(1.5)	(1.1)	(6.2)	(2.0)	(1.5)	(0.8)	(0.4)	(4.7)
Income taxes					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(4.1)	(4.1)	(2.9)	(5.2)	(16.2)	(4.7)	(3.1)	(3.2)	(2.8)	(13.9)	(1.7)	(1.8)	(1.5)	(1.1)	(6.2)	(2.0)	(1.5)	(0.8)	(0.4)	(4.7)
Nonrecurring/noncash adjustments					0.0					0.0	(0.0)				(0.0)					0.0
<b>Net income (pro forma)</b>	<b>(4.1)</b>	<b>(4.1)</b>	<b>(2.9)</b>	<b>(5.2)</b>	<b>(16.2)</b>	<b>(4.7)</b>	<b>(3.1)</b>	<b>(3.2)</b>	<b>(2.8)</b>	<b>(13.9)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(1.5)</b>	<b>(1.1)</b>	<b>(6.2)</b>	<b>(2.0)</b>	<b>(1.5)</b>	<b>(0.8)</b>	<b>(0.4)</b>	<b>(4.7)</b>
EBITDA	(3.2)	(3.2)	(5.3)	(1.8)	(13.5)	(3.6)	(2.2)	(2.0)	(1.7)	(9.4)	(1.8)	(1.6)	(1.2)	(0.8)	(5.4)	(1.8)	(1.2)	(0.5)	(0.1)	(3.6)
Shares, Basic	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.6	1.2	1.9	4.9	5.0	5.1	4.2	5.2	5.3	5.4	5.5	5.4
Shares, Diluted	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.6	1.2	1.9	4.9	5.0	5.1	4.2	5.2	5.3	5.4	5.5	5.4
EPS Basic (pro forma)	(\$4.24)	(\$4.20)	(\$2.94)	(\$4.98)	(\$16.40)	(\$4.49)	(\$2.93)	(\$2.78)	(\$1.80)	(\$11.46)	(\$0.94)	(\$0.38)	(\$0.30)	(\$0.22)	(\$1.47)	(\$0.39)	(\$0.28)	(\$0.14)	(\$0.08)	(\$0.88)
EPS Diluted (pro forma)	(\$4.24)	(\$4.20)	(\$2.94)	(\$4.98)	(\$16.40)	(\$4.49)	(\$2.93)	(\$2.78)	(\$1.80)	(\$11.46)	(\$0.94)	(\$0.38)	(\$0.30)	(\$0.22)	(\$1.47)	(\$0.39)	(\$0.28)	(\$0.14)	(\$0.08)	(\$0.88)
<b>Margins</b>																				
Gross margin	64%	68%	55%	63%	62%	76%	78%	78%	79%	78%	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Sales and marketing	79%	88%	78%	140%	93%	133%	97%	92%	84%	101%	104%	75%	65%	44%	64%	60%	55%	40%	30%	43%
Research & development	90%	72%	66%	130%	86%	137%	99%	80%	83%	99%	90%	100%	49%	44%	64%	59%	49%	40%	30%	42%
General and administrative	112%	100%	84%	105%	99%	115%	81%	89%	86%	92%	104%	65%	60%	40%	61%	59%	45%	35%	30%	40%
Operating margin	-217%	-192%	-174%	-313%	-216%	-309%	-199%	-183%	-175%	-215%	-219%	-160%	-94%	-44%	-109%	-98%	-69%	-35%	-10%	-45%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-221%	-198%	-133%	-360%	-216%	-362%	-213%	-219%	-206%	-248%	-152%	-163%	-97%	-46%	-99%	-100%	-71%	-37%	-11%	-47%
<b>Y/Y % change</b>																				
Total Revenue	-1%	5%	21%	-12%	3%	-29%	-29%	-33%	-5%	-25%	-14%	-23%	5%	78%	11%	80%	85%	35%	56%	60%
Gross margin	-4%	13%	6%	-15%	0%	-16%	-18%	-4%	19%	-7%	-9%	-21%	8%	81%	15%	80%	85%	35%	56%	60%
Sales and marketing	-46%	-50%	-55%	12%	-41%	19%	-22%	-21%	-43%	-19%	-32%	-40%	-26%	-16%	-29%	4%	36%	-17%	17%	9%
Research & development	12%	-3%	-22%	28%	2%	9%	-2%	-20%	-39%	-14%	-43%	-22%	-36%	-6%	-28%	18%	-9%	10%	6%	6%
General and administrative	112%	21%	16%	-7%	27%	-27%	-42%	-29%	-23%	-31%	-22%	-38%	-29%	-17%	-26%	2%	28%	-21%	17%	5%
Operating income (loss)	2%	-30%	-37%	18%	-17%	2%	-26%	-30%	-47%	-26%	-39%	-38%	-46%	-55%	-44%	-19%	-20%	-50%	-65%	-33%
Net income (loss)	4%	-18%	-52%	35%	-14%	17%	-23%	10%	-46%	-14%	-64%	-41%	-54%	-61%	-56%	19%	-20%	-48%	-62%	-24%
EPS Diluted (pro forma)	-5%	-25%	-57%	22%	-22%	6%	-30%	-5%	-64%	-30%	-79%	-87%	-89%	-88%	-87%	-58%	-26%	-52%	-65%	-40%

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:20 reverse stock split in March 2024

**Intrusion Inc.**

Balance Sheet (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	6.1	7.0	6.9	3.0	0.4	0.3	0.2	0.1	0.1	2.3	1.5	1.8	(2.0)	(3.3)	(4.2)	(3.9)
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	1.2	1.3	0.9	0.5	0.5	0.2	0.5	0.4	0.3	0.6	0.9	1.4	1.1	1.2	1.2	2.1
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.6	0.8	2.9	1.9	0.4	0.4	0.3	0.6	0.4	0.4	0.5	0.8	0.5	0.5	0.5	0.9
Total current assets	7.9	9.1	10.7	5.4	1.3	0.9	0.9	1.1	0.8	3.3	2.9	4.0	(0.3)	(1.6)	(2.5)	(0.8)
Property and equipment, net	1.1	1.3	1.7	2.2	2.5	2.5	2.8	2.9	3.0	3.0	3.1	3.1	3.1	3.1	3.4	3.5
Intangibles, net										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	2.4	2.2	1.9	1.7	1.5	1.2	0.9	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total assets</b>	<b>11.4</b>	<b>12.5</b>	<b>14.4</b>	<b>9.3</b>	<b>5.2</b>	<b>4.7</b>	<b>4.7</b>	<b>6.2</b>	<b>5.7</b>	<b>8.3</b>	<b>7.9</b>	<b>9.0</b>	<b>4.7</b>	<b>3.5</b>	<b>2.8</b>	<b>4.6</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	0.8	0.5	1.2	1.3	1.5	1.8	2.5	2.2	1.9	1.9	2.6	4.1	1.2	1.3	1.2	2.3
Accrued expenses	0.9	0.9	1.1	0.4	0.5	0.2	0.6	0.2	0.4	0.7	0.9	1.5	1.2	1.3	1.2	2.3
Deferred revenue	0.3	1.3	0.9	0.5	0.2	1.1	0.9	0.4	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Deferred income tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.7	1.0	1.0	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Short term debt	2.9	6.8	9.6	10.1	10.7	10.9	11.0	10.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
<b>Total current liabilities</b>	<b>6.6</b>	<b>10.5</b>	<b>13.7</b>	<b>13.2</b>	<b>13.8</b>	<b>14.8</b>	<b>15.7</b>	<b>14.3</b>	<b>5.4</b>	<b>5.7</b>	<b>6.7</b>	<b>8.7</b>	<b>5.6</b>	<b>5.7</b>	<b>5.7</b>	<b>7.7</b>
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	1.8	1.0	0.4	0.2	0.2	0.2	0.1	1.5	1.5	1.5	1.5	1.5	2.2	2.2	2.2	2.2
Deferred revenue										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term debt	1.8	2.9	0.8				0.4			0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total other liabilities</b>	<b>3.5</b>	<b>3.9</b>	<b>1.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>
Preferred stock									9.3	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Common stock	0.2	0.2	0.2	0.2	0.2	0.2	0.2	(0.3)	(0.3)	(0.2)	(0.1)	0.1	0.2	0.4	0.5	0.7
Additional paid-in capital	85.7	86.6	90.8	92.3	92.4	94.0	96.0	101.0	101.9	101.9	101.9	101.9	101.9	101.9	101.9	101.9
Retained earnings	(84.2)	(88.2)	(91.1)	(96.3)	(101.1)	(104.2)	(107.4)	(110.2)	(111.9)	(113.8)	(115.3)	(116.4)	(118.4)	(119.9)	(120.7)	(121.1)
Other	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)			4.0	4.0	4.0	4.0	4.0	4.0	4.0
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)
<b>Total stockholders' equity</b>	<b>1.3</b>	<b>(1.9)</b>	<b>(0.5)</b>	<b>(4.2)</b>	<b>(8.8)</b>	<b>(10.3)</b>	<b>(11.5)</b>	<b>(9.6)</b>	<b>(1.2)</b>	<b>1.1</b>	<b>(0.2)</b>	<b>(1.2)</b>	<b>(3.1)</b>	<b>(4.4)</b>	<b>(5.0)</b>	<b>(5.3)</b>
<b>Total stockholders' equity and liabil</b>	<b>11.4</b>	<b>12.5</b>	<b>14.4</b>	<b>9.3</b>	<b>5.2</b>	<b>4.7</b>	<b>4.7</b>	<b>6.2</b>	<b>5.7</b>	<b>8.3</b>	<b>7.9</b>	<b>9.0</b>	<b>4.7</b>	<b>3.5</b>	<b>2.8</b>	<b>4.6</b>

**Balance Sheet Drivers**

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	35%	38%	130%	130%	28%	29%	21%	46%	34%	34%	34%	34%	25%	25%	25%	25%
A/P as % of total rev	44%	25%	53%	88%	115%	122%	170%	162%	167%	167%	167%	167%	60%	60%	60%	60%
Accrued exp related as % of total rev	49%	42%	51%	31%	40%	14%	43%	16%	31%	60%	60%	60%	60%	60%	60%	60%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	58	56	38	33	32	13	28	24	20	50	50	50	50	50	50	50
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$1.36	(\$1.91)	(\$0.55)	(\$4.04)	(\$8.39)	(\$9.65)	(\$10.00)	(\$6.12)	(\$0.63)	\$0.23	(\$0.04)	(\$0.23)	(\$0.59)	(\$0.83)	(\$0.93)	(\$0.97)
Cash per Share (diluted)	\$6.36	\$7.25	\$6.97	\$2.89	\$0.39	\$0.28	\$0.15	\$0.09	\$0.07	\$0.48	\$0.30	\$0.35	(\$0.38)	(\$0.62)	(\$0.78)	(\$0.70)
Net cash per Share (diluted)	\$1.50	(\$2.80)	(\$3.54)	(\$6.81)	(\$9.80)	(\$9.91)	(\$9.73)	(\$6.84)	(\$0.86)	\$0.13	(\$0.04)	\$0.01	(\$0.71)	(\$0.94)	(\$1.10)	(\$1.02)

Source: Company reports and Ascendant Capital Markets estimates

**Intrusion Inc.**

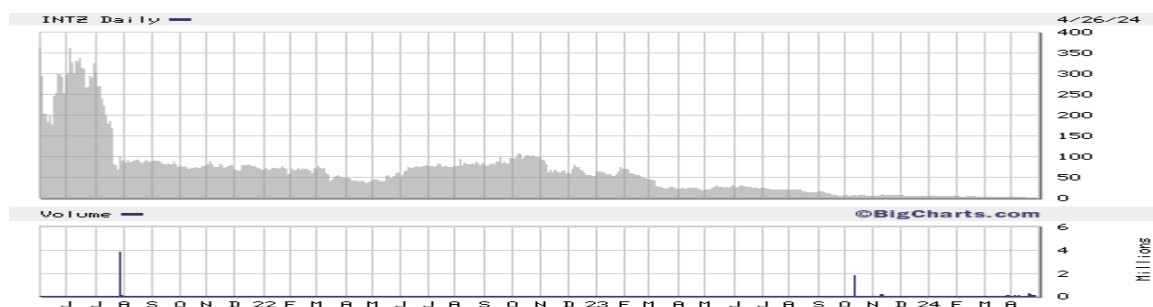
Cash Flow Statement (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	(4.1)	(4.1)	(2.9)	(5.2)	(16.2)	(4.7)	(3.1)	(3.2)	(2.8)	(13.9)	(1.7)	(1.8)	(1.5)	(1.1)	(6.2)	(2.0)	(1.5)	(0.8)	(0.4)	(4.7)	
Depreciation	0.3	0.3	0.3	0.4	1.3	0.4	0.4	0.4	0.4	1.7	0.4	0.1	0.1	0.1	0.7	0.1	0.1	0.1	0.1	0.4	
Amortization					0.0					0.0	0.1				0.1					0.0	
Debt related amortization expen	0.0	0.4	1.2	0.7	2.3	0.6	0.2	0.6	0.3	1.7	(0.8)				(0.8)					0.0	
Stock comp	0.4	0.4	(1.8)	2.4	1.5	0.1	0.3	0.3	0.3	1.0	0.1	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.6	
A/R reserves					0.0		0.0	(0.0)	0.1	0.1					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	0.0	
Writedowns and impairments					0.0					0.0					0.0					0.0	
Other gains/losses		(0.4)	0.0		(0.4)					0.0					0.0					0.0	
Other	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.3					0.0					0.0	
<b>Changes in operating assets and liabilities:</b>																					
Accounts receivable	(0.1)	(0.1)	0.4	0.4	0.5	0.1	0.2	(0.3)	0.1	0.1	0.1	(0.4)	(0.2)	(0.5)	(1.0)	0.2	(0.0)	0.0	(1.0)	(0.8)	
Inventory					0.0					0.0					0.0					0.0	
Prepaid expenses & other curre	(0.3)	(0.1)	(0.0)	(1.1)	(1.5)	1.5	(0.1)	0.1	(0.4)	1.2	0.3	0.0	(0.1)	(0.3)	(0.2)	0.3	(0.0)	0.0	(0.4)	(0.1)	
Income tax					0.0					0.0					0.0					0.0	
Other assets					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	0.4	(0.2)	0.9	(0.8)	0.2	0.0	0.1	0.9	(0.6)	0.4	(0.1)	(0.0)	0.7	1.5	2.1	(2.8)	0.0	(0.0)	1.0	(1.8)	
Accrued expenses					0.0					0.0		0.3	0.2	0.5	1.1	(0.2)	0.0	(0.0)	1.0	0.8	
Deferred revenue	(0.2)	1.0	(0.4)	(0.4)	(0.1)	(0.3)	1.0	(0.3)	(0.4)	(0.0)	0.5				0.5					0.0	
Other liabilities		(0.9)	(0.1)	(0.0)	(1.0)	(0.1)	(0.1)	(0.1)	0.0	(0.3)	(0.0)	0.0	0.0	0.0	(0.0)	0.7	0.0	0.0	0.0	0.7	
<b>Net cash (used in) provided by</b>	<b>(3.5)</b>	<b>(3.7)</b>	<b>(2.4)</b>	<b>(3.6)</b>	<b>(13.2)</b>	<b>(2.3)</b>	<b>(1.0)</b>	<b>(1.5)</b>	<b>(3.0)</b>	<b>(7.8)</b>	<b>(1.1)</b>	<b>(1.7)</b>	<b>(0.7)</b>	<b>0.4</b>	<b>(3.1)</b>	<b>(3.6)</b>	<b>(1.2)</b>	<b>(0.5)</b>	<b>0.5</b>	<b>(4.9)</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equip	(0.2)	(0.3)	0.3	(0.1)	(0.3)	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.4)	(0.2)	(0.1)	(0.4)	(0.2)	(0.8)	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions					0.0					0.0					0.0					0.0	
Other			(0.9)	(0.3)	(1.2)	(0.3)	(0.4)	(0.3)	(0.3)	(1.3)	(0.4)				(0.4)					0.0	
<b>Net cash used in investing acti</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(0.4)</b>	<b>(1.5)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(1.4)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.8)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(0.8)</b>	
<b>Cash flow from financing activities</b>																					
Issuance of debt	5.0	4.3	0.0	0.0	9.3					0.0	1.3	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(0.4)	0.4	(1.0)	(1.1)	(2.1)	(0.0)	0.0	0.0	(0.7)	(0.7)	(0.3)				(0.3)					0.0	
Issuance of stock	0.9	0.3	4.0	1.2	6.4	0.0	1.3	1.7	4.0	7.0	0.5	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exe	0.1	0.0		(0.0)	0.1	0.0				0.0					0.0					0.0	
Other					0.0		(0.1)	(0.0)	0.1	0.0		4.0			4.0					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) fina</b>	<b>5.6</b>	<b>4.9</b>	<b>3.0</b>	<b>0.1</b>	<b>13.6</b>	<b>0.0</b>	<b>1.3</b>	<b>1.7</b>	<b>3.4</b>	<b>6.3</b>	<b>1.5</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>	<b>5.5</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	
<b>Net increase (decrease) in cash</b>	<b>2.0</b>	<b>0.9</b>	<b>(0.1)</b>	<b>(3.9)</b>	<b>(1.1)</b>	<b>(2.6)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.0)</b>	<b>(2.9)</b>	<b>(0.0)</b>	<b>2.2</b>	<b>(0.8)</b>	<b>0.3</b>	<b>1.7</b>	<b>(3.8)</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>0.3</b>	<b>(5.7)</b>	
<b>Beginning cash and equivalents</b>	<b>4.1</b>	<b>6.1</b>	<b>7.0</b>	<b>6.9</b>	<b>4.1</b>	<b>3.0</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>3.0</b>	<b>0.1</b>	<b>0.1</b>	<b>2.3</b>	<b>1.5</b>	<b>0.1</b>	<b>1.8</b>	<b>(2.0)</b>	<b>(3.3)</b>	<b>(4.2)</b>	<b>1.8</b>	
<b>Ending cash and equivalents</b>	<b>6.1</b>	<b>7.0</b>	<b>6.9</b>	<b>3.0</b>	<b>3.0</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>2.3</b>	<b>1.5</b>	<b>1.8</b>	<b>1.8</b>	<b>(2.0)</b>	<b>(3.3)</b>	<b>(4.2)</b>	<b>(3.9)</b>	<b>(3.9)</b>	

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

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## Intrusion, Inc.



\*Reflects a 1:20 reverse stock split in March 2024

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

	Report Date		Price
Report	Date	Rating	Target
1	7/25/2022	Buy	120.00
2	8/7/2022	Buy	125.00
3	11/19/2022	Buy	130.00
4	3/7/2023	Buy	120.00
5	6/1/2023	Buy	110.00
6	9/5/2023	Buy	100.00
7	11/23/2023	Buy	90.00
8	4/29/2024	Buy	20.00

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

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## Risks & Considerations

Risks to attainment of our share price target include balance sheet/liquidity risks, technological changes, customer demand for cybersecurity and software technologies, investor sentiment for investing in technology stocks, consumer and stock market sentiment, industry growth for software and technology companies, competition, changing macroeconomic factors, and changes in government regulations.

## 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 April 15, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	55	98%	18	33%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	56	100%	18	32%



### **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.

### **Dissemination of Research**

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

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