



Genasys Inc.

Q3 upside. Larger backlog and major contract wins should drive continued strong growth. Raising P/T to \$8.00.

COMPANY UPDATE

Rating: BUY

Ticker: GNSS

Price: \$3.22

Target: \$8.00
(from \$7.50)

Q3 upside: Genasys recently (on August 11) reported its fiscal Q3 FY22 (ending June) results. Revenue was \$14 million (+12% y-o-y), compared with our and consensus estimates of \$13 million. EPS was \$(0.02), compared with our estimates of \$(0.03) and consensus of \$(0.02). There was no Q3 guidance.

Strong backlog growth: The company had solid growth in all products and many new customer wins. Backlog increased to \$30 million vs. \$24 million last quarter.

Guidance for FY22 revenue growth, but continued supply chain issues: Management continues to expect revenue growth in FY22, but continues to face some ongoing supply chain issues with inventory shortages and higher inflation prices (though still manageable).

Adjusting estimates: We are maintaining our FY22 estimates for revenue of \$52 million, but raising it for EPS to \$(0.09) from \$(0.11).

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 return to strong growth.

FY22 year of investment: The company plans for significant investment in its business as operating expenses are expected to increase \$8 – 9 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 2021, Genasys acquired Zonehaven, a fast-growing provider of SaaS solutions for emergency evacuations for \$24 million. With wildfires and its seasons growing almost everywhere, Zonehaven has been a source of strong growth and new customer additions.

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 (+12%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 raising our 12-month price target to \$8.00 from \$7.50, 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

August 17, 2022

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Stock Data

Exchange:	NasdaqCM
52-week Range:	\$2.40 – 5.85
Shares Outstanding (million):	37
Market cap (\$million):	\$119
EV (\$million):	\$100
Debt (\$million):	\$0
Cash (\$million):	\$19
Avg. Daily Trading Vol. (\$million):	\$0.3
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		12E	
Q2 Mar	13A		15E	
Q3 Jun	14A	13E	15E	14E
Q4 Sep	<u>14E</u>	<u>16E</u>	<u>16E</u>	<u>17E</u>
Total	52E		57E	
EV/Revs	1.9x		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		(0.03)E	
Q2 Mar	(0.01)A		0.01E	
Q3 Jun	(0.02)A	(0.03)E	0.04E	0.03E
Q4 Sep	<u>(0.02)E</u>	<u>(0.03)E</u>	<u>0.04E</u>	<u>0.06E</u>
Total	(0.09)E	(0.11)E	0.08E	
P/E	N/A		40x	

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 August 11) reported its fiscal Q3 FY22 (ending June) results.
- Revenue was \$14 million (+12% y-o-y), compared with our and consensus estimates of \$13 million.
- EPS was \$(0.02), compared with our estimates of \$(0.03) and consensus of \$(0.02).
- There was no Q3 guidance.
- Management as usual did not provide any specific forward guidance, but qualitatively continues to expect revenue growth in FY22.
- We are maintaining our FY22 estimates for revenue of \$52 million, but raising it for EPS to \$(0.09) from \$(0.11).
- 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 \$7 million, compared with our estimate of \$6 million.
- Gross margin for the quarter was 47%, versus 53% last year and our estimate of 50%.
- Operating expenses were \$7 million, compared with our estimate of \$8 million.
- Operating loss was \$0.6 million, compared with our estimate of a loss of \$1.1 million.
- Net loss was \$0.6 million, compared with our estimate of a loss of \$1.0 million.
- Backlog was \$30 million vs. \$24 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 \$19 million in cash and no debt, compared with \$16 million in cash and no debt as of March.

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



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

Exhibit 2: Consensus Expectations (as of August 11, 2022)

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Dec	\$11A		Q1 Dec	\$(0.04)A	
Q2 Mar	\$13A		Q2 Mar	\$(0.01)A	
Q3 Jun	\$13E		Q3 Jun	\$(0.02)E	
Q4 Sep	\$16E		Q4 Sep	\$(0.01)E	
Total	\$53E	\$60E	Total	\$(0.09)E	\$0.02E

*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	Q2A	Q3A	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	13.2	14.2	14.4	52.4	11.7	14.5	15.2	16.0	57.4
Contract and other					0.0					0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	8.8	8.3	12.0	14.0	43.0	8.0	11.3	12.6	15.0	47.0	10.7	13.2	14.2	14.4	52.4	11.7	14.5	15.2	16.0	57.4
<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>6.2</u>	<u>7.6</u>	<u>7.1</u>	<u>26.6</u>	<u>5.3</u>	<u>6.1</u>	<u>5.9</u>	<u>5.9</u>	<u>23.2</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	7.0	6.6	7.4	25.8	6.5	8.4	9.3	10.1	34.2
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	5.5	6.4	22.6	5.5	5.5	5.8	5.7	22.6
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	1.9	1.7	2.0	7.0	2.2	2.3	2.0	1.9	8.4
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	7.5	7.2	8.4	29.6	7.8	7.8	7.8	7.7	31.0
Operating income (loss)	0.7	0.3	1.9	3.1	6.0	(0.7)	0.6	0.5	0.7	1.1	(1.6)	(0.5)	(0.6)	(1.0)	(3.8)	(1.3)	0.6	1.5	2.4	3.2
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
Other income (expense)					0.0					0.0	0.3		0.0		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)	(0.5)	(0.6)	(1.0)	(3.5)	(1.3)	0.6	1.5	2.4	3.2
Income taxes	0.2	0.1	0.5	(6.4)	(5.7)	(0.0)	0.3	0.2	(0.1)	0.4	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.1)	0.1	0.2	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)	(0.5)	(0.6)	(0.9)	(3.3)	(1.2)	0.5	1.4	2.2	2.9
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	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)	(0.9)	(3.3)	(1.2)	0.5	1.4	2.2	2.9
EBITDA	1.2	1.0	2.6	3.0	7.8	(0.2)	1.2	1.4	1.8	4.1	(0.4)	0.9	0.4	(0.0)	0.8	(0.3)	1.6	2.5	3.4	7.2
Shares, Basic	33.0	33.1	33.3	33.5	33.2	33.6	33.7	34.1	36.2	34.4	36.5	36.4	36.6	36.7	36.5	36.8	36.9	37.1	37.2	37.0
Shares, Diluted	33.7	33.7	34.3	34.6	34.1	34.7	34.8	35.3	37.3	35.6	36.5	36.4	36.6	36.7	36.5	36.8	36.9	37.1	37.2	37.0
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)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.09)	(\$0.03)	\$0.01	\$0.04	\$0.06	\$0.08
EPS Diluted (Pro forma)	\$0.02	\$0.01	\$0.04	\$0.27	\$0.35	(\$0.02)	\$0.01	\$0.01	\$0.02	\$0.02	(\$0.04)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.09)	(\$0.03)	\$0.01	\$0.04	\$0.06	\$0.08
Margins																				
Gross margin	52.4%	48.5%	54.1%	54.0%	52.6%	46.1%	47.2%	53.0%	51.2%	49.8%	45.8%	52.9%	46.5%	51.0%	49.2%	55.0%	58.0%	61.0%	63.0%	59.6%
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%	42.5%	38.9%	44.0%	43.1%	47.0%	38.0%	38.0%	36.0%	39.3%
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%	14.4%	12.1%	14.0%	13.3%	19.0%	16.0%	13.0%	12.0%	14.7%
Operating margin	7.9%	4.0%	16.2%	22.0%	14.0%	-8.6%	4.9%	4.1%	4.7%	2.3%	-15.1%	-4.0%	-4.4%	-7.0%	-7.2%	-11.0%	4.0%	10.0%	15.0%	5.6%
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%	8.4%	5.0%	10.0%	5.1%	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%	-3.7%	-4.2%	-6.3%	-6.3%	-9.9%	3.6%	9.0%	13.5%	5.0%
Y/Y % change																				
Total Revenue	-14%	-19%	35%	80%	16%	-9%	37%	5%	8%	9%	33%	17%	12%	-4%	12%	10%	10%	8%	11%	9%
Gross margin	-10%	-23%	41%	111%	23%	-20%	33%	3%	2%	3%	32%	30%	-2%	-4%	10%	32%	21%	41%	37%	33%
Selling, general and administrative	3%	10%	23%	11%	12%	18%	40%	43%	74%	45%	54%	46%	15%	16%	30%	8%	-2%	5%	-10%	0%
Research and development	3%	-26%	0%	32%	1%	-2%	1%	16%	14%	8%	28%	97%	23%	35%	42%	63%	22%	16%	-5%	21%
Operating income (loss)	-46%	-77%	183%	-1218%	93%	-200%	68%	-73%	-77%	-82%	132%	-195%	-221%	-244%	-448%	-20%	-210%	-342%	-337%	-185%
Net income (loss)	-41%	-74%	136%	-12213%	326%	-200%	-13%	-81%	-92%	-94%	111%	-288%	-303%	-218%	-568%	-11%	-206%	-333%	-337%	-188%
EPS Diluted (Pro forma)	-41%	-75%	129%	-11551%	318%	-197%	-16%	-81%	-92%	-94%	101%	-280%	-296%	-220%	-556%	-12%	-205%	-330%	-334%	-186%

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	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	17.1	16.4	20.7	23.3	19.6	18.5	14.5	13.2	10.1	9.0	11.7	2.9	8.0	6.3	13.3	9.4
Short term investments	4.2	3.5	4.1	4.3	5.5	5.5	6.0	5.7	3.9	5.2	5.3	5.3	5.3	5.3	5.3	5.3
Accounts receivable, net	5.9	5.8	6.4	5.4	3.2	5.4	6.3	7.7	6.8	5.6	5.7	10.9	5.9	8.2	8.8	12.1
Inventory	6.1	6.9	7.3	5.9	7.0	6.5	6.4	6.4	9.1	9.6	8.8	10.6	9.2	11.1	8.9	8.9
Deferred income taxes												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	1.7	1.3	1.9	2.1	1.8	2.3	2.1
Total current assets	34.6	33.9	39.8	45.3	36.2	37.2	35.0	35.5	31.5	31.1	32.8	31.6	30.5	32.6	38.6	37.7
Long term securities/investments	1.3	1.6	3.3	3.8	3.6	3.6	3.5	1.9	3.4	2.3	2.0	2.0	2.0	2.0	2.0	2.0
Property and equipment, net	2.2	2.1	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.6	1.3	1.0	0.6	0.3	(0.0)
Intangibles, net	3.5	3.4	3.4	3.4	12.2	12.0	37.3	36.6	36.0	35.6	34.6	34.6	34.6	34.6	34.6	34.6
Deferred income tax	5.2	5.1	4.6	11.1	11.1	10.8	10.7	8.0	8.3	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Other	5.8	6.1	5.9	5.8	5.5	5.4	5.2	6.3	6.2	6.0	5.6	5.6	5.6	5.6	5.6	5.6
Total assets	52.6	52.2	59.0	71.4	70.6	70.9	93.6	90.1	87.3	85.1	85.1	83.6	82.1	83.9	89.5	88.3
Liabilities and stockholders' equity																
Accounts payable	1.5	1.9	2.9	1.4	1.6	2.6	2.7	2.2	2.3	3.0	2.5	2.1	4.3	3.2	6.6	2.4
Accrued expenses	6.3	5.4	8.9	13.1	7.8	7.0	13.3	14.1	12.6	10.2	11.8	10.1	8.2	10.1	10.7	11.2
Deferred revenue												0.0	0.0	0.0	0.0	0.0
Deferred income tax												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	0.0	0.0	0.0	0.0	0.0
Total current liabilities	8.8	8.4	12.8	15.5	10.6	10.7	17.2	17.5	16.1	14.3	15.2	13.1	12.5	13.4	17.3	13.5
Deferred income taxes												6.0	6.0	6.0	6.0	6.0
Other long term liabilities	7.4	7.2	7.0	6.7	7.3	7.1	11.4	6.7	6.5	6.3	6.0	6.0	6.0	6.0	6.0	6.0
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
Total other liabilities	7.5	7.2	7.0	6.7	7.3	7.1	11.4	6.7	6.5	6.3	6.0	6.0	6.0	6.0	6.0	6.0
Common stock	0.0	0.0	0.0	0.0									0.7	1.1	1.4	1.8
Additional paid-in capital	89.9	89.8	90.9	91.2	94.9	95.2	106.6	107.1	107.3	107.5	107.9	107.9	107.9	107.9	107.9	107.9
Retained earnings	(53.1)	(52.8)	(51.3)	(41.9)	(42.5)	(42.2)	(41.9)	(41.2)	(42.5)	(43.0)	(43.5)	(44.5)	(45.6)	(45.1)	(43.7)	(41.6)
Accumulated other comprehensive income	(0.4)	(0.4)	(0.4)	(0.3)	0.2	0.1	0.3	0.0	(0.1)	(0.1)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other	(0.0)											1.1	1.1	1.1	1.1	1.1
Total stockholders' equity	36.4	36.6	39.2	49.1	52.7	53.1	65.0	66.0	64.7	64.5	63.9	64.4	63.6	64.5	66.2	68.7
Total stockholders' equity and liabilities	52.6	52.2	59.0	71.4	70.6	70.9	93.6	90.1	87.3	85.1	85.1	83.6	82.1	83.9	89.5	88.3

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	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	15%	15%	11%	45%	13%	12%	14%	17%	14%	13%	9%	13%	18%	12%	15%	13%
Accounts payable as % of total rev	17%	23%	24%	10%	20%	23%	21%	14%	21%	22%	18%	15%	37%	22%	44%	15%
Inventories as % of cost of rev	145%	162%	133%	93%	161%	108%	108%	87%	158%	155%	116%	150%	175%	182%	150%	150%
Accrued expenses as % of total rev	72%	66%	74%	94%	98%	62%	105%	94%	118%	77%	84%	70%	70%	70%	70%	70%
Activity Ratios																
A/R Days Sales Outstanding	61	64	48	35	35	43	45	46	57	38	36	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	2.6x	3.4x	2.7x	2.3x	2.2x	2.7x	2.7x
A/P Days Payable	32	41	48	19	34	39	41	26	35	43	30	27	73	48	100	36
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$1.08	\$1.08	\$1.14	\$1.42	\$1.52	\$1.53	\$1.84	\$1.77	\$1.78	\$1.77	\$1.75	\$1.76	\$1.73	\$1.75	\$1.79	\$1.85
Cash per Share (diluted)	\$0.67	\$0.64	\$0.82	\$0.91	\$0.83	\$0.79	\$0.68	\$0.56	\$0.48	\$0.45	\$0.52	\$0.28	\$0.42	\$0.37	\$0.56	\$0.45
Net cash per Share (diluted)	\$0.66	\$0.63	\$0.81	\$0.90	\$0.82	\$0.78	\$0.67	\$0.55	\$0.47	\$0.45	\$0.52	\$0.28	\$0.42	\$0.37	\$0.56	\$0.45

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	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
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)	(0.9)	(3.3)	(1.2)	0.5	1.4	2.2	2.9	
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	0.4	0.2		0.6					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	0.7	0.4	0.4	2.0	0.4	0.4	0.4	0.4	1.4	
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	(0.4)	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	
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					0.0	
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		0.0					0.0	
Changes in operating assets and liabilities:																					
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)	(5.3)	(3.3)	5.0	(2.3)	(0.6)	(3.3)	(1.1)	
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	(1.8)	(4.4)	1.4	(1.8)	2.2	0.0	1.8	
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	(0.6)	0.5	(0.2)	0.3	(0.5)	0.2	(0.2)	
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)	(0.4)	0.0	2.1	(1.1)	3.4	(4.3)	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)	(2.7)	1.4	(1.7)	(4.7)	(1.9)	1.9	0.5	0.5	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	
Other liabilities				0.0	0.0					0.0					0.0	(0.9)	0.0	0.0	0.0	(0.9)	
Net cash (used in) provided by	(1.8)	(0.3)	5.8	3.2	6.9	1.3	(0.9)	8.0	(2.2)	6.2	(2.7)	(0.4)	2.5	(9.6)	(10.2)	5.4	(1.4)	7.3	(3.7)	7.7	
Cash flow from investing activities																					
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)	(0.0)	(0.0)	(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	
Purchases of short-term investr	(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		0.2					0.0	
Acquisitions					0.0	(4.4)		(11.5)		(15.8)					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing acti	(0.1)	(0.0)	(2.3)	(0.7)	(3.1)	(4.3)	(0.1)	(11.9)	0.7	(15.6)	0.1	(0.2)	0.2	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	
Cash flow from financing activities																					
Issuance of debt					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	
Issuance of stock					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)		(1.1)					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		0.3					0.0	
Other					0.0					0.0					0.0					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
Cash provided by (used in) fina	0.1	(0.3)	0.7	0.1	0.7	0.1	(0.1)	0.0	0.0	0.0	(0.4)	(0.5)	(0.2)	0.0	(1.1)	0.0	0.0	0.0	0.0	0.0	
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)					0.0	
Net increase (decrease) in cash	(1.8)	(0.7)	4.3	2.7	4.5	(2.9)	(1.1)	(3.9)	(1.5)	(9.5)	(3.0)	(1.2)	2.5	(9.9)	(11.6)	5.1	(1.7)	7.0	(4.0)	6.5	
Beginning cash and equivalents	19.5	17.8	17.1	21.3	19.5	24.0	21.1	19.9	16.0	24.0	14.5	11.5	10.3	12.8	14.5	2.9	8.0	6.3	13.3	2.9	
Ending cash and equivalents	17.8	17.1	21.3	24.0	24.0	21.1	19.9	16.0	14.5	14.5	11.5	10.3	12.8	2.9	2.9	8.0	6.3	13.3	9.4	9.4	

Source: Company reports and Ascendant Capital Markets estimates

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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

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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 July 14, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	15	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	15	36%

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