



# Genasys Inc.

*Q3 about inline, but major Puerto Rico contract win should drive very strong FY25/FY26. Raising P/T to \$4.75.*

## COMPANY UPDATE

**Rating: BUY**

Ticker: GNSS

Price: \$2.74

Target: \$4.75  
(from \$4.25)

**Q3 about inline:** Genasys recently (on August 6) reported its fiscal Q3 FY24 (ending June) results. Revenue was \$7.2 million (-50% y-o-y), compared with our estimates of \$6.0 million and consensus of \$7.0 million. Pro forma EPS was \$(0.15), compared with our estimates of \$(0.16) and consensus of \$(0.15). There was no Q3 guidance.

**Hardware deals delayed again:** Q3 revenues were -50% (y-o-y). Several hardware deals expected to be booked in Q3 have been delayed until late FY24 or in FY25.

**Major Puerto Rico contract win:** Genasys announced in February 2024 that it was selected to provide Early Warning System (EWS) for 37 dams in Puerto Rico. The contract is worth ~\$75 million in revenue for the company with the majority to be recognized in FY25/26. The contract was just finalized and signed in August.

**No updated FY24 guidance:** Management did not provide specific FY24 guidance, and did not update its prior qualitative guidance for FY24 revenue to decline \$15 million from prior expectations of around \$58 million.

**But expect very strong FY25/26:** The Puerto Rico contract will add ~\$75 million in revenue for the company with the majority to be recognized in FY25/26. This will drive very strong FY25/26 results.

**Lowering estimates:** We are lowering our FY24 estimates for revenue to \$26 million, from \$30 million, and for EPS to \$(0.57) from \$(0.55).

**Solid momentum in software:** Software revenue in FY23 was +23% y-o-y. The company has rapidly expanded its software revenues, and expects it to double in FY24 (from FY23's \$3.8 million). Its newer Mass Notifications (SaaS) systems are now rebranded as Genasys Protect. Its recent acquisition of Evertel is now rebranded as Genasys Protect CONNECT. The company continues to expect software revenues to grow sequentially with ARR at least doubling year over year at fiscal year end.

**Big Aramco win:** In February 2023, Genasys announced a major new client win with Aramco, the largest energy company in the world, for Genasys Emergency Management (GEM) enterprise services. The Aramco contract has begun revenues in Q3 FY23.

**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.

**New loan:** The company's balance sheet is solid with \$13 million in cash and \$12 million in debt, compared with \$7 million in cash and no debt as of March. The company just acquired (in Q3) a \$15 million 2-Year term loan (~11% due May 2026).

**Valuation positive:** We are maintaining our BUY rating, but raising our 12-month price target to \$4.75 from \$4.25, which is based on a forward P/E multiple of 19x our FY26 EPS estimate of \$0.25. We believe this multiple is reasonable as it is its estimated long-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, 2024

Edward Woo, CFA  
(561) 327-9435  
ewoo@ascendant.com

### Stock Data

Exchange:	NasdaqCM
52-week Range:	\$1.51 – 3.92
Shares Outstanding (million):	45
Market cap (\$million):	\$123
EV (\$million):	\$122
Debt (\$million):	\$12
Cash (\$million):	\$13
Avg. Daily Trading Vol. (\$million):	\$0.4
Float (million shares):	35
Short Interest (million shares):	0.3
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 Dec	4A		10E	16E
Q2 Mar	6A		13E	17E
Q3 Jun	7A	6E	18E	17E
Q4 Sep	<u>9E</u>	<u>14E</u>	<u>20E</u>	
Total	<b>26E</b>	<b>30E</b>	<b>62E</b>	<b>70E</b>
EV/Revs	4.7x		2.0x	

### Earnings per Share (pro forma)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Dec	(0.15)A		(0.05)E	(0.01)E
Q2 Mar	(0.16)A		(0.02)E	0.01E
Q3 Jun	(0.15)A	(0.16)E	0.00E	0.02E
Q4 Sep	<u>(0.11)E</u>	<u>(0.08)E</u>	<u>0.02E</u>	<u>0.04E</u>
Total	<b>(0.57)E</b>	<b>(0.55)E</b>	<b>(0.04)E</b>	<b>0.06E</b>
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 8.**

**OVERVIEW**

- Genasys recently (on August 6) reported its fiscal Q3 FY24 (ending June) results.
- Revenue was \$7.2 million (-50% y-o-y), compared with our estimates of \$6.0 million and consensus of \$7.0 million.
- Pro forma EPS was \$(0.15), compared with our estimates of \$(0.16) and consensus of \$(0.15).
- There was no Q3 guidance.
- Management did not provide specific FY24 guidance, and did not update its prior qualitative guidance for FY24 revenue to decline \$15 million from prior expectations of around \$58 million.
- We are lowering our FY24 estimates for revenue to \$26 million, from \$30 million, and for EPS to \$(0.57) from \$(0.55).
- We are lowering our FY25 estimates for revenue to \$62 million, from \$70 million, and for EPS to \$(0.04) from \$0.06.

**ADDITIONAL DETAILS**

- Gross profit for the quarter was \$4 million, compared with our estimate of \$2 million.
- Gross margin for the quarter was 53%, versus 47% last year and our estimate of 40%.
- Operating expenses were \$9 million, compared with our estimate of \$9 million.
- Operating loss was \$5.4 million, compared with our estimate of a loss of \$6.9 million.
- Pro forma net loss was \$6.7 million, compared with our estimate of a loss of \$7.0 million.

In September 2023, the company announced the acquisition of Evertel Technologies, the leading cross-agency collaboration platform for public safety, for \$5.8 million (25% in cash and 75% in stock). This deal closed in October 2023. Evertel's annual revenue is ~\$1 million.

The company's balance sheet is solid with \$13 million in cash and \$12 million in debt, compared with \$7 million in cash and no debt as of March. The company just acquired (in Q3) a \$15 million 2-Year term loan (~11% due May 2026).

---

**Exhibit 1: Business Outlook (as of August 6, 2024)****Business Outlook**

With the final approval from the FOMB for Puerto Rico, we remain on track to begin the implementation phase of the project later this summer. As we stated in May, we expect the project in Puerto Rico to generate approximately \$75 million in revenue for Genasys over the course of the project. We expect most of the revenue and positive cash flow to be realized in fiscal years 2025 and 2026.

The CROWS AHD program of record has been established, and initial planning for future procurement and production is underway. Though revenues are not likely to be realized this fiscal year, this substantial program should provide consistent revenues in fiscal year 2025 and the several years following.

Software revenues continue to track to expectations of finishing fiscal 2024 with both recurring revenues and ARR at least doubling year over year.

Source: Company report

---

**Exhibit 2: Genasys Inc. Stock Price (5-Years)**



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

**Exhibit 3: Consensus Expectations (as of August 6, 2024)**

	Revenue (mil)			EPS	
	2024E	2025E		2024E	2025E
Q1 Dec	\$4A		Q1 Dec	\$(0.15)A	
Q2 Mar	\$6A		Q2 Mar	\$(0.16)A	
Q3 Jun	\$7E		Q3 Jun	\$(0.15)E	
Q4 Sep	\$12E		Q4 Sep	\$(0.10)E	
<b>Total</b>	<b>\$29E</b>	<b>\$71E</b>	<b>Total</b>	<b>\$(0.55)E</b>	<b>\$(0.03)E</b>

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

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

## FINANCIAL MODEL

### Genasys Inc.

Income Statement (\$ mils)	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	Dec-24	Mar-25	Jun-25	Sep-25	2025
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
<b>Total Revenue</b>	10.7	13.2	14.2	16.0	54.0	10.5	11.2	14.3	10.7	46.7	4.4	5.7	7.2	8.5	25.8	10.1	13.0	18.2	20.4	61.7
Cost of Revenues	5.8	6.2	7.6	8.4	27.9	5.9	6.3	7.6	5.4	25.2	2.9	3.6	3.4	4.5	14.3	4.7	5.6	7.5	8.2	25.9
Gross Profit	4.9	7.0	6.6	7.7	26.1	4.5	4.9	6.7	5.3	21.5	1.5	2.2	3.8	4.0	11.4	5.5	7.4	10.8	12.2	35.9
Selling, general and administrative	5.1	5.6	5.5	5.6	21.8	6.1	6.1	6.0	6.2	24.3	6.5	6.6	6.6	6.4	26.2	6.1	6.5	9.1	9.0	30.7
Research and development	1.4	1.9	1.7	1.7	6.7	1.9	2.3	2.1	1.8	8.1	2.2	2.5	2.5	2.1	9.3	1.3	1.3	0.9	1.4	5.0
Restructuring and other				13.2	13.2					0.0					0.0					0.0
Total operating expenses	6.5	7.5	7.2	20.4	41.6	8.0	8.3	8.1	7.9	32.5	8.7	9.2	9.1	8.5	35.5	7.4	7.8	10.0	10.4	35.6
<b>Operating income (loss)</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>(3.4)</b>	<b>(1.5)</b>	<b>(2.6)</b>	<b>(11.0)</b>	<b>(7.2)</b>	<b>(7.0)</b>	<b>(5.4)</b>	<b>(4.5)</b>	<b>(24.1)</b>	<b>(1.9)</b>	<b>(0.4)</b>	<b>0.7</b>	<b>1.8</b>	<b>0.3</b>
Interest income (expense)	0.0	(0.0)			0.0		0.0			0.0				(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)
Other income (expense)	0.3		0.0	0.0	0.3	(0.0)		0.0	(0.0)	(0.0)	0.1	0.1	(1.4)	(1.2)						0.0
Income before income taxes	(1.3)	(0.5)	(0.6)	(12.7)	(15.2)	(3.5)	(3.4)	(1.4)	(2.6)	(11.0)	(7.2)	(6.9)	(6.7)	(5.1)	(25.9)	(2.5)	(1.0)	0.1	1.2	(2.1)
Income taxes		(0.0)	(0.0)	1.1	1.0		0.0	(0.0)	7.4	7.4	(0.4)	(0.0)	(0.0)	(0.3)	(0.7)	(0.3)	(0.1)	0.0	0.1	(0.2)
Net income (loss)	(1.3)	(0.5)	(0.6)	(13.8)	(16.2)	(3.5)	(3.4)	(1.4)	(10.1)	(18.4)	(6.7)	(6.9)	(6.7)	(4.9)	(25.2)	(2.3)	(0.9)	0.1	1.1	(1.9)
Nonrecurring/noncash adjustments				13.2	13.2				7.4	7.4					0.0					0.0
<b>Net income (pro forma)</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>(3.4)</b>	<b>(1.4)</b>	<b>(2.6)</b>	<b>(11.0)</b>	<b>(6.7)</b>	<b>(6.9)</b>	<b>(6.7)</b>	<b>(4.9)</b>	<b>(25.2)</b>	<b>(2.3)</b>	<b>(0.9)</b>	<b>0.1</b>	<b>1.1</b>	<b>(1.9)</b>
EBITDA	(0.4)	0.9	0.4	1.6	2.4	(2.4)	(2.3)	(0.4)	(1.7)	(6.8)	(6.1)	(5.7)	(4.3)	(3.5)	(19.6)	(0.9)	0.6	1.8	2.9	4.4
Shares, Basic	36.5	36.4	36.6	36.6	36.5	36.7	36.8	37.1	37.2	36.9	43.7	44.2	44.6	44.7	44.3	44.8	44.9	45.1	45.2	45.0
Shares, Diluted	36.5	36.4	36.6	36.6	36.5	36.7	36.8	37.1	37.2	36.9	43.7	44.2	44.6	44.7	44.3	44.8	44.9	45.1	45.2	45.0
EPS Basic (Pro forma)	(\$0.04)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.10)	(\$0.09)	(\$0.04)	(\$0.07)	(\$0.30)	(\$0.15)	(\$0.16)	(\$0.15)	(\$0.11)	(\$0.57)	(\$0.05)	(\$0.02)	\$0.00	\$0.02	(\$0.04)
EPS Diluted (Pro forma)	(\$0.04)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.10)	(\$0.09)	(\$0.04)	(\$0.07)	(\$0.30)	(\$0.15)	(\$0.16)	(\$0.15)	(\$0.11)	(\$0.57)	(\$0.05)	(\$0.02)	\$0.00	\$0.02	(\$0.04)
<b>Margins</b>																				
Gross margin	45.8%	52.9%	46.5%	47.8%	48.3%	43.3%	43.9%	46.9%	49.6%	46.0%	33.9%	37.9%	52.8%	47.0%	44.4%	54.0%	57.0%	59.0%	60.0%	58.1%
Selling, general and administrative	48.1%	42.5%	38.9%	34.7%	40.3%	58.1%	54.0%	42.1%	57.7%	52.1%	149.5%	115.7%	92.8%	75.0%	101.6%	60.0%	50.0%	50.0%	44.0%	49.7%
Research and development	12.8%	14.4%	12.1%	10.6%	12.3%	18.5%	20.3%	15.0%	16.5%	17.4%	50.2%	44.1%	34.8%	25.0%	36.3%	13.0%	10.0%	5.0%	7.0%	8.0%
Operating margin	-15.1%	-4.0%	-4.4%	-79.6%	-28.7%	-33.3%	-30.4%	-10.2%	-24.7%	-23.5%	-165.8%	-121.9%	-74.8%	-53.0%	-93.5%	-19.0%	-3.0%	4.0%	9.0%	0.4%
Tax rate, GAAP	0.0%	8.4%	5.0%	-8.7%	-6.8%	0.0%	-0.2%	1.8%	-280.4%	-67.3%	6.0%	0.1%	0.6%	5.0%	2.8%	10.0%	10.0%	10.0%	10.0%	10.0%
Net margin	-12.2%	-3.7%	-4.2%	-86.2%	-30.0%	-33.4%	-30.3%	-10.0%	-94.0%	-39.4%	-154.2%	-120.9%	-93.2%	-57.1%	-97.8%	-22.4%	-6.9%	0.6%	5.5%	-3.1%
<b>YY % change</b>																				
Total Revenue	33%	17%	12%	7%	15%	-2%	-15%	1%	-33%	-14%	-58%	-49%	-50%	-21%	-45%	132%	126%	154%	140%	139%
Gross margin	32%	30%	-2%	-1%	11%	-7%	-29%	2%	-31%	-18%	-67%	-56%	-43%	-25%	-47%	269%	240%	184%	206%	213%
Selling, general and administrative	54%	46%	15%	1%	25%	19%	8%	9%	11%	12%	7%	10%	11%	3%	8%	-7%	-2%	37%	41%	17%
Research and development	28%	97%	23%	13%	36%	41%	20%	25%	4%	22%	13%	11%	17%	20%	15%	-40%	-49%	-63%	-33%	-47%
Operating income (loss)	132%	-195%	-221%	-1913%	-1533%	117%	547%	131%	-79%	-29%	107%	105%	270%	71%	119%	-73%	-94%	-114%	-141%	-101%
Net income (loss)	111%	-288%	-303%	-1893%	-2403%	169%	592%	142%	-27%	13%	92%	104%	370%	-52%	37%	-66%	-87%	-102%	-123%	-92%
EPS Diluted (Pro forma)	101%	-280%	-296%	-188%	-522%	167%	583%	138%	292%	256%	61%	70%	290%	53%	91%	-67%	-87%	-102%	-123%	-92%

Source: Company reports and Ascendant Capital Markets estimates.

**Genasys Inc.**

Balance Sheet (\$ mils)	Dec-21	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
Fiscal Year End: September 30	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	10.1	9.0	11.7	12.7	7.6	6.4	3.0	8.7	4.8	3.5	8.7	5.4	5.8	2.7	6.9	(0.5)
Short term investments	3.9	5.2	5.3	6.4	6.6	5.6	3.5	1.5	8.8	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Accounts receivable, net	6.8	5.6	5.7	6.7	3.3	3.6	10.4	6.0	4.4	2.8	5.7	6.4	5.1	7.3	10.5	15.5
Inventory	9.1	9.6	8.8	6.0	8.0	9.4	8.0	6.5	6.9	6.6	7.3	6.8	8.1	10.2	11.2	12.2
Deferred income taxes												0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	1.5	1.7	1.3	3.7	3.7	2.4	2.4	2.6	2.1	6.3	5.9	1.1	1.8	1.6	2.7	2.7
<b>Total current assets</b>	<b>31.5</b>	<b>31.1</b>	<b>32.8</b>	<b>35.6</b>	<b>29.1</b>	<b>27.3</b>	<b>27.3</b>	<b>25.2</b>	<b>27.0</b>	<b>22.3</b>	<b>31.6</b>	<b>23.8</b>	<b>24.8</b>	<b>25.9</b>	<b>35.4</b>	<b>33.9</b>
Long term securities/investments	3.4	2.3	2.0	0.8	1.0	0.6	0.4		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Property and equipment, net	1.8	1.7	1.6	1.8	1.8	1.7	1.7	1.6	1.6	1.5	1.4	0.9	0.5	0.1	(0.4)	(0.8)
Intangibles, net	36.0	35.6	34.6	20.6	20.3	19.8	19.3	18.7	23.5	23.0	22.4	22.4	22.4	22.4	22.4	22.4
Deferred income tax	8.3	8.4	8.4	7.4	7.4	7.4	7.4					0.0	0.0	0.0	0.0	0.0
Other	6.2	6.0	5.6	5.8	4.9	4.9	4.7	4.4	4.2	3.9	3.7	3.7	3.7	3.7	3.7	3.7
<b>Total assets</b>	<b>87.3</b>	<b>85.1</b>	<b>85.1</b>	<b>71.9</b>	<b>64.5</b>	<b>61.7</b>	<b>60.8</b>	<b>49.9</b>	<b>56.6</b>	<b>51.0</b>	<b>59.4</b>	<b>51.2</b>	<b>51.7</b>	<b>52.3</b>	<b>61.5</b>	<b>59.5</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	2.3	3.0	2.5	2.3	2.6	3.5	3.3	2.8	1.9	2.6	3.6	1.3	3.7	2.9	7.9	3.0
Accrued expenses	12.6	10.2	11.8	12.1	8.1	7.4	8.2	7.5	8.6	8.3	7.7	6.0	7.1	9.1	12.8	14.3
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	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Short term debt	0.3	0.3										0.0	0.0	0.0	0.0	0.0
<b>Total current liabilities</b>	<b>16.1</b>	<b>14.3</b>	<b>15.2</b>	<b>15.4</b>	<b>11.6</b>	<b>11.9</b>	<b>12.5</b>	<b>11.3</b>	<b>11.5</b>	<b>11.9</b>	<b>12.3</b>	<b>8.2</b>	<b>10.8</b>	<b>12.0</b>	<b>20.7</b>	<b>17.3</b>
Deferred income taxes																
Warrant liability												3.1	3.1	3.1	3.1	3.1
Other long term liabilities	6.5	6.3	6.0	6.1	5.2	5.0	4.7	4.8	4.5	4.2	3.9	3.9	3.9	3.9	3.9	3.9
Long term debt												11.7	11.7	11.7	11.7	11.7
<b>Total other liabilities</b>	<b>6.5</b>	<b>6.3</b>	<b>6.0</b>	<b>6.1</b>	<b>5.2</b>	<b>5.0</b>	<b>4.7</b>	<b>4.8</b>	<b>4.5</b>	<b>4.2</b>	<b>18.7</b>	<b>18.7</b>	<b>18.7</b>	<b>18.7</b>	<b>18.7</b>	<b>18.7</b>
Common stock												0.3	0.6	0.9	1.2	1.5
Additional paid-in capital	107.3	107.5	107.9	108.6	109.0	109.5	110.0	110.4	123.7	125.1	125.4	125.4	125.4	125.4	125.4	125.4
Retained earnings	(42.5)	(43.0)	(43.5)	(57.4)	(60.9)	(64.3)	(66.0)	(76.1)	(82.8)	(89.7)	(96.4)	(101.3)	(103.5)	(104.4)	(104.3)	(103.2)
Accumulated other comprehensive income	(0.1)	(0.1)	(0.5)	(0.8)	(0.5)	(0.4)	(0.4)	(0.5)	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Other												0.3	0.3	0.3	0.3	0.3
<b>Total stockholders' equity</b>	<b>64.7</b>	<b>64.5</b>	<b>63.9</b>	<b>50.4</b>	<b>47.6</b>	<b>44.8</b>	<b>43.6</b>	<b>33.8</b>	<b>40.6</b>	<b>34.9</b>	<b>28.5</b>	<b>24.3</b>	<b>22.3</b>	<b>21.7</b>	<b>22.1</b>	<b>23.5</b>
<b>Total stockholders' equity and liabilities</b>	<b>87.3</b>	<b>85.1</b>	<b>85.1</b>	<b>71.9</b>	<b>64.5</b>	<b>61.702</b>	<b>60.8</b>	<b>49.9</b>	<b>56.6</b>	<b>51.0</b>	<b>59.4</b>	<b>51.2</b>	<b>51.7</b>	<b>52.3</b>	<b>61.5</b>	<b>59.5</b>

**Balance Sheet Drivers**

	Dec-21	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
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	14%	13%	9%	23%	35%	21%	17%	24%	48%	110%	83%	13%	18%	12%	15%	13%
Accounts payable as % of total rev	21%	22%	18%	15%	25%	31%	23%	26%	43%	45%	50%	15%	37%	22%	44%	15%
Inventories as % of cost of rev	158%	155%	116%	72%	135%	149%	105%	121%	239%	184%	216%	150%	175%	182%	150%	150%
Accrued expenses as % of total rev	118%	77%	84%	75%	77%	66%	57%	70%	198%	145%	107%	70%	70%	70%	70%	70%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	57	38	36	38	28	29	65	50	92	44	71	68	45	51	52	68
Inventory Turnover	2.5x	2.6x	3.4x	5.6x	3.0x	2.7x	3.8x	3.3x	1.7x	2.2x	1.8x	2.7x	2.3x	2.2x	2.7x	2.7x
A/P Days Payable	35	43	30	25	40	50	40	46	59	66	95	25	71	47	96	33
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$1.78	\$1.77	\$1.75	\$1.38	\$1.30	\$1.22	\$1.18	\$0.91	\$0.93	\$0.79	\$0.64	\$0.54	\$0.50	\$0.48	\$0.49	\$0.52
Cash per Share (diluted)	\$0.48	\$0.45	\$0.52	\$0.54	\$0.41	\$0.34	\$0.19	\$0.27	\$0.32	\$0.16	\$0.29	\$0.22	\$0.23	\$0.16	\$0.25	\$0.09
Net cash per Share (diluted)	\$0.47	\$0.45	\$0.52	\$0.54	\$0.41	\$0.34	\$0.19	\$0.27	\$0.32	\$0.16	\$0.03	-\$0.04	-\$0.03	-\$0.10	-\$0.01	-\$0.17

Source: Company reports and Ascendant Capital Markets estimates

**Genasys Inc.**

Cash Flow Statement (\$ mils)	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	Dec-24	Mar-25	Jun-25	Sep-25	2025	
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	
<b>Cash flow from operating activities</b>																					
Net income	(1.3)	(0.5)	(0.6)	(13.8)	(16.2)	(3.5)	(3.4)	(1.4)	(10.1)	(18.4)	(6.7)	(6.9)	(6.7)	(4.9)	(25.2)	(2.3)	(0.9)	0.1	1.1	(1.9)	
Depreciation	0.6	0.6	0.6	0.6	2.6	0.6	0.6	0.6	0.6	2.6	0.7	0.7	0.7	0.7	2.9	0.7	0.7	0.7	0.7	2.9	
Amortization	0.0	0.4	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.6					0.0	
Stock comp	0.6	0.7	0.4	0.6	2.2	0.4	0.5	0.4	0.3	1.6	0.4	0.5	0.3	0.3	1.6	0.3	0.3	0.3	0.3	1.2	
Provision for bad debts				0.1	0.1					0.0					0.0					0.0	
Deferred income taxes	(0.3)	(0.0)	(0.0)	1.0	0.7			(0.0)	7.4	7.4			(0.5)	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	
Warranty provision	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.1)						0.0	
Inventory obsolescence	0.0	0.0	0.1	0.2	0.3	0.0	0.0	0.1	0.1	0.3	0.0	0.0	0.1	0.1	0.1					0.0	
Warrants revaluation													0.1	0.1	0.1					0.0	
Other gains/losses				13.2	13.2					0.0	0.0	0.0	0.0	0.0	0.0					0.0	
Other	0.2	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.5)	(0.0)	0.5	(0.0)						0.0	
<b>Changes in operating assets and liabilities:</b>																					
Accounts receivable	0.9	1.2	(0.2)	(1.1)	0.8	3.5	(0.3)	(6.7)	4.4	0.8	1.7	1.6	(2.8)	(0.8)	(0.3)	1.4	(2.2)	(3.2)	(4.9)	(9.0)	
Inventory	(2.8)	(0.5)	0.7	2.6	0.1	(2.0)	(1.4)	1.3	1.3	(0.8)	(0.4)	0.3	(0.8)	0.6	(0.4)	(1.4)	(2.0)	(1.0)	(1.0)	(5.5)	
Prepaid expenses & other curre	1.0	(0.2)	0.3	(0.8)	0.2	0.6	1.2	(0.1)	(0.1)	1.7	(0.2)	(4.2)	0.4	4.8	0.8	(0.7)	0.2	(1.2)	0.1	(1.6)	
Other assets					0.0					0.0				0.0	0.0					0.0	
Accounts payable	0.1	0.7	(0.4)	(0.2)	0.2	0.2	0.9	(0.2)	(0.5)	0.4	(0.9)	0.7	2.0	(2.3)	(0.5)	2.4	(0.8)	5.0	(4.9)	1.8	
Accrued expenses	(1.7)	(2.7)	1.4	(1.6)	(4.6)	(5.0)	(1.0)	0.4	(0.5)	(6.1)	(0.0)	0.3	(0.9)	(1.7)	(2.4)	1.1	2.0	3.7	1.5	8.3	
Warranty settlements					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	(1.0)	0.0	0.0	0.0	(1.0)	
<b>Net cash (used in) provided by</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>(2.6)</b>	<b>(5.4)</b>	<b>3.2</b>	<b>(9.6)</b>	<b>(5.7)</b>	<b>(6.8)</b>	<b>(7.5)</b>	<b>(3.3)</b>	<b>(23.3)</b>	<b>0.6</b>	<b>(2.7)</b>	<b>4.5</b>	<b>(7.2)</b>	<b>(4.8)</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equi	(0.2)	(0.0)	(0.0)	(0.2)	(0.4)	(0.1)	(0.1)	(0.1)	(0.0)	(0.2)	(0.1)	(0.0)	(0.0)	(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	
Purchases of short-term investn	0.2	(0.2)	0.2	0.1	0.3	(0.4)	1.5	2.2	2.5	5.8	(7.3)	5.8	(1.0)		(2.6)					0.0	
Acquisitions					0.0					0.0	(0.9)	0.0			(0.9)					0.0	
Other					0.0					0.0	(0.8)				(0.8)					0.0	
<b>Net cash used in investing activ</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>1.4</b>	<b>2.2</b>	<b>2.5</b>	<b>5.5</b>	<b>(9.1)</b>	<b>5.8</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>(4.7)</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			13.7	0.0	13.7	0.0	0.0	0.0	0.0	0.0	
Repayment of debt		(0.0)	(0.3)		(0.3)					0.0					0.0					0.0	
Issuance of stock					0.0					0.0	10.4			0.0	10.4	0.0	0.0	0.0	0.0	0.0	
Repurchase of common stock	(0.4)	(0.6)	(0.1)	0.0	(1.1)					0.0					0.0					0.0	
Proceeds from stock option exe	0.0	0.1	0.2	0.0	0.3	0.0	0.0	(0.2)	0.1	(0.1)		(0.0)		(0.0)						0.0	
Other					0.0					0.0		(0.2)			(0.2)					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) fina</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>(0.2)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>10.4</b>	<b>(0.2)</b>	<b>13.7</b>	<b>0.0</b>	<b>23.9</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)	(0.1)	(0.1)	(0.2)	0.0	0.0	0.0	(0.0)	0.0	0.0	(0.0)	(0.0)		(0.0)					0.0	
<b>Net increase (decrease) in cash</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>(1.2)</b>	<b>(3.4)</b>	<b>5.7</b>	<b>(4.1)</b>	<b>(4.4)</b>	<b>(1.2)</b>	<b>5.1</b>	<b>(3.6)</b>	<b>(4.1)</b>	<b>0.3</b>	<b>(3.0)</b>	<b>4.2</b>	<b>(7.5)</b>	<b>(6.0)</b>	
<b>Beginning cash and equivalent</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>7.2</b>	<b>3.8</b>	<b>13.7</b>	<b>9.5</b>	<b>5.1</b>	<b>3.9</b>	<b>9.0</b>	<b>9.5</b>	<b>5.4</b>	<b>5.8</b>	<b>2.7</b>	<b>6.9</b>	<b>5.4</b>	
<b>Ending cash and equivalents</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>7.2</b>	<b>3.8</b>	<b>9.5</b>	<b>9.5</b>	<b>5.1</b>	<b>3.9</b>	<b>9.0</b>	<b>5.4</b>	<b>5.4</b>	<b>5.8</b>	<b>2.7</b>	<b>6.9</b>	<b>(0.5)</b>	<b>(0.5)</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	Report Date	Rating	Price 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
23	3/7/2023	B	6.00
24	5/9/2023	B	5.75
25	8/27/2023	B	6.00
26	12/8/2023	B	4.50
27	2/26/2024	B	4.75
28	5/31/2024	B	4.25

- Ascendant Capital Markets, LLC has received compensation for investment banking services from the company in the past 12 months.

### IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied



on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

## Risks & Considerations

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 July 12, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	58	98%	21	36%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	59	100%	21	36%

### **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.

### **General Disclaimer**

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

### **Additional Disclosures**

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.