



Genasys Inc.

Q3 inline, but tempered FY23 guidance. However, Maui wildfires should be catalyst for growth. Raising P/T to \$6.00.

COMPANY UPDATE

Rating: BUY

Ticker: GNSS

Price: \$3.24

Target: \$6.00
(from \$5.75)

Q3 inline: Genasys recently (on August 10) reported its fiscal Q3 FY23 (ending June) results. Revenue was \$14 million (+1% y-o-y), compared with our estimates of \$13 million and consensus of \$14 million. EPS was \$(0.04), compared with our estimates of \$(0.07) and consensus of \$(0.05). Q3 FY23 revenue guidance was expected “to be similar” to Q3 FY22 revenue (\$14.2 million).

Q3 revenue about flat: Q3 revenues were about flat with Q3 FY22. Gross margins were also about flat (y-o-y).

Big Aramco win: In Q2, the company 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. The Aramco contract has begun revenues in Q3 FY23.

Lowered guidance for FY23 revenue: Management had qualitatively expected FY23 revenue to decline “slightly” in FY23 (vs. FY22), but now expects revenue of ~\$50 million (vs. FY22’s \$54 million). Q4 FY23 revenue is expected -5% (~\$13.5 million) from Q3 FY23 revenue (\$14.3 million).

Lowering estimates: We are lowering our FY23 estimates for revenue to \$48 million, from \$50 million, and for EPS to \$(0.29) from \$(0.26).

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 (now rebranded as Genasys Protect). This has helped win new product contracts and expand its customer base, and return to solid growth.

Maui wildfires likely to drive business: The devastating wildfires in Maui earlier this month (in August) is likely to drive increased interest in Genasys emergency mass notification software (Genasys Protect). A lack of warnings is one of the biggest criticism from the Maui wildfires.

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 overall longer term despite declines in FY23 (-10%E) with a rebound in FY24 (+10%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 raising our 12-month price target to \$6.00 from \$5.75, 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:	\$2.28 – 4.23
Shares Outstanding (million):	37
Market cap (\$million):	\$120
EV (\$million):	\$113
Debt (\$million):	\$0
Cash (\$million):	\$7
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	30
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	2023E (Cur.)	2023E (Old)	2024E (Cur.)	2024E (Old)
Q1 Dec	11A		11E	12E
Q2 Mar	11A		12E	13E
Q3 Jun	14A	13E	16E	15E
Q4 Sep	12E	15E	14E	17E
Total	48E	50E	53E	56E
EV/Revs	2.4x		2.1x	

Earnings per Share (pro forma)

	2023E (Cur.)	2023E (Old)	2024E (Cur.)	2024E (Old)
Q1 Dec	(0.10)A		(0.04)E	(0.04)E
Q2 Mar	(0.09)A		(0.01)E	(0.02)E
Q3 Jun	(0.04)A	(0.07)E	(0.02)E	(0.01)E
Q4 Sep	0.06E	0.01E	0.00E	
Total	(0.29)E	(0.26)E	(0.07)E	(0.06)E
P/E	N/A		N/A	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 7.

OVERVIEW

- Genasys recently (on August 10) reported its fiscal Q3 FY23 (ending June) results.
- Revenue was \$14 million (+1% y-o-y), compared with our estimates of \$13 million and consensus of \$14 million.
- EPS was \$(0.04), compared with our estimates of \$(0.07) and consensus of \$(0.05).
- Q3 FY23 revenue guidance was expected “to be similar” to Q3 FY22 revenue (\$14.2 million).
- Management had qualitatively expected FY23 revenue to decline “slightly” in FY23 (vs. FY22), but now expects revenue of ~\$50 million (vs. FY22’s \$54 million). Q4 FY23 revenue is expected -5% (~\$13.5 million) from Q3 FY23 revenue (\$14.3 million).
- We are lowering our FY23 estimates for revenue to \$48 million, from \$50 million, and for EPS to \$(0.29) from \$(0.26).
- We are lowering our FY24 estimates for revenue to \$53 million, from \$56 million, and for EPS to \$(0.07) from \$(0.06).

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 47% last year and our estimate of 45%.
- Operating expenses were \$8 million, compared with our estimate of \$8 million.
- Operating loss was \$1.5 million, compared with our estimate of a loss of \$2.5 million.
- Net loss was \$1.4 million, compared with our estimate of a loss of \$2.5 million.

The company’s balance sheet is solid with \$7 million in cash and no debt, compared with \$13 million in cash and no debt as of March.

Exhibit 1: Business Outlook (as of August 10, 2023)

Business Outlook

Software bookings are tracking ahead of internal expectations. Recent competitive wins and our brand relaunch earlier this week provide added confidence in our solutions and go-to-market approach. While our hardware pipeline continues to grow, delays in closing associated orders continue to challenge this year’s revenues. As a result, we are realigning our resources accordingly. Genasys expects Fiscal 2023 to be down from Fiscal 2022 with fourth quarter revenues approximately 5% below the prior quarter.

Source: Company report

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



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

Exhibit 3: Consensus Expectations (as of August 10, 2023)

	Revenue (mil)			EPS	
	2023E	2024E		2023E	2024E
Q1 Dec	\$11A		Q1 Dec	\$(0.10)A	
Q2 Mar	\$11A		Q2 Mar	\$(0.09)A	
Q3 Jun	\$14E		Q3 Jun	\$(0.05)E	
Q4 Sep	\$17E		Q4 Sep	\$(0.01)E	
Total	\$53E	\$58E	Total	\$(0.24)E	\$(0.12)E

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

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

FINANCIAL MODEL

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	Q2A	Q3A	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	11.2	14.3	12.4	48.4	11.2	12.2	16.0	13.9	53.3
Contract and other					0.0					0.0					0.0					0.0
Total Revenue	8.0	11.3	12.6	15.0	47.0	10.7	13.2	14.2	16.0	54.0	10.5	11.2	14.3	12.4	48.4	11.2	12.2	16.0	13.9	53.3
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	6.3	7.6	6.5	26.3	5.6	5.9	7.7	6.1	25.2
Gross Profit	3.7	5.3	6.7	7.7	23.4	4.9	7.0	6.6	7.7	26.1	4.5	4.9	6.7	6.0	22.1	5.6	6.4	8.3	7.8	28.0
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	6.1	6.0	6.2	24.4	5.1	5.0	6.7	5.8	22.7
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	2.3	2.1	2.0	8.3	2.1	2.0	2.2	1.8	8.1
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	8.3	8.1	8.2	32.7	7.3	7.0	8.9	7.7	30.8
Operating income (loss)	(0.7)	0.6	0.5	0.7	1.1	(1.6)	(0.5)	(0.6)	(12.8)	(15.5)	(3.5)	(3.4)	(1.5)	(2.2)	(10.6)	(1.7)	(0.6)	(0.6)	0.1	(2.8)
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
Other income (expense)					0.0	0.3		0.0	0.0	0.3	(0.0)		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)	(3.4)	(1.4)	(2.2)	(10.6)	(1.7)	(0.6)	(0.6)	0.1	(2.8)
Income taxes	(0.0)	0.3	0.2	(0.1)	0.4	(0.0)	(0.0)	(0.0)	1.1	1.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.1)	(0.1)	0.0	(0.3)
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)	(3.4)	(1.423)	(2.2)	(10.6)	(1.5)	(0.5)	(0.6)	0.1	(2.5)
Nonrecurring/noncash adjustments					0.0				13.2	13.2					0.0					0.0
Net income (pro forma)	(0.6)	0.3	0.3	0.8	0.7	(1.3)	(0.5)	(0.6)	(0.7)	(3.1)	(3.5)	(3.4)	(1.4)	(2.2)	(10.6)	(1.5)	(0.5)	(0.6)	0.1	(2.5)
EBITDA	(0.2)	1.2	1.4	1.8	4.1	(0.4)	0.9	0.4	1.6	2.4	(2.4)	(2.3)	(0.4)	(1.2)	(6.3)	(0.6)	0.4	0.4	1.2	1.3
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	37.1	37.2	36.9	37.3	37.4	37.6	37.7	37.5
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	37.1	37.2	36.9	37.3	37.4	37.6	37.7	37.5
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)	(\$0.09)	(\$0.04)	(\$0.06)	(\$0.29)	(\$0.04)	(\$0.01)	(\$0.02)	\$0.00	(\$0.07)
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)	(\$0.09)	(\$0.04)	(\$0.06)	(\$0.29)	(\$0.04)	(\$0.01)	(\$0.02)	\$0.00	(\$0.07)
Margins																				
Gross margin	46.1%	47.2%	53.0%	51.2%	49.8%	45.8%	52.9%	46.5%	47.8%	48.3%	43.3%	43.9%	46.9%	48.0%	45.7%	50.0%	52.0%	52.0%	56.0%	52.6%
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%	54.0%	42.1%	50.0%	50.4%	46.0%	41.0%	42.0%	42.0%	42.6%
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%	20.3%	15.0%	16.0%	17.2%	19.0%	16.0%	14.0%	13.0%	15.2%
Operating margin	-8.6%	4.9%	4.1%	4.7%	2.3%	-15.1%	-4.0%	-4.4%	-79.6%	-28.7%	-33.3%	-30.4%	-10.2%	-18.0%	-21.9%	-15.0%	-5.0%	-4.0%	1.0%	-5.2%
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%	-0.2%	1.8%	0.0%	0.2%	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%	-30.3%	-10.0%	-18.0%	-21.8%	-13.5%	-4.5%	-3.6%	0.9%	-4.7%
YY % change																				
Total Revenue	-9%	37%	5%	8%	9%	33%	17%	12%	7%	15%	-2%	-15%	1%	-23%	-10%	6%	9%	12%	12%	10%
Gross margin	-20%	33%	3%	2%	3%	32%	30%	-2%	-1%	11%	-7%	-29%	2%	-22%	-15%	23%	29%	24%	31%	27%
Selling, general and administrative	18%	40%	43%	74%	45%	54%	46%	15%	1%	25%	19%	8%	9%	12%	12%	-16%	-17%	12%	-6%	-7%
Research and development	-2%	1%	16%	14%	8%	28%	97%	23%	13%	36%	41%	20%	25%	17%	25%	10%	-14%	4%	-9%	-3%
Operating income (loss)	-200%	68%	-73%	-77%	-82%	132%	-195%	-221%	-1913%	-1533%	117%	547%	131%	-82%	-32%	-52%	-82%	-56%	-106%	-74%
Net income (loss)	-200%	-13%	-81%	-92%	-94%	111%	-288%	-303%	-1893%	-2403%	169%	592%	142%	-84%	-35%	-57%	-84%	-60%	-106%	-76%
EPS Diluted (Pro forma)	-197%	-16%	-81%	-92%	-94%	101%	-280%	-296%	-188%	-522%	167%	583%	138%	232%	242%	-58%	-84%	-60%	-106%	-77%

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	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	19.6	18.5	14.5	13.2	10.1	9.0	11.7	12.7	7.6	6.4	3.0	1.4	4.3	2.2	5.1	1.2
Short term investments	5.5	5.5	6.0	5.7	3.9	5.2	5.3	6.4	6.6	5.6	3.5	3.5	3.5	3.5	3.5	3.5
Accounts receivable, net	3.2	5.4	6.3	7.7	6.8	5.6	5.7	6.7	3.3	3.6	10.4	9.4	5.6	6.9	9.2	10.5
Inventory	7.0	6.5	6.4	6.4	9.1	9.6	8.8	6.0	8.0	9.4	8.0	9.7	9.8	10.7	11.5	9.2
Deferred income taxes												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	2.4	2.4	1.6	2.0	1.5	2.4	1.8
Total current assets	36.2	37.2	35.0	35.5	31.5	31.1	32.8	35.6	29.1	27.3	27.3	25.6	25.2	24.8	31.8	26.3
Long term securities/investments	3.6	3.6	3.5	1.9	3.4	2.3	2.0	0.8	1.0	0.6	0.4	0.4	0.4	0.4	0.4	0.4
Property and equipment, net	1.9	1.9	1.8	1.8	1.8	1.7	1.6	1.8	1.8	1.7	1.7	1.3	1.0	0.7	0.3	(0.0)
Intangibles, net	12.2	12.0	37.3	36.6	36.0	35.6	34.6	20.6	20.3	19.8	19.3	19.3	19.3	19.3	19.3	19.3
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	4.7	4.7	4.7	4.7	4.7	4.7
Total assets	70.6	70.9	93.6	90.1	87.3	85.1	85.1	71.9	64.5	61.7	60.8	58.8	58.1	57.3	64.0	58.2
Liabilities and stockholders' equity																
Accounts payable	1.6	2.6	2.7	2.2	2.3	3.0	2.5	2.3	2.6	3.5	3.3	1.8	4.1	2.7	7.0	2.1
Accrued expenses	7.8	7.0	13.3	14.1	12.6	10.2	11.8	12.1	8.1	7.4	8.2	8.7	7.8	8.6	11.2	9.7
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	0.8	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						0.0	0.0	0.0	0.0	0.0
Total current liabilities	10.6	10.7	17.2	17.5	16.1	14.3	15.2	15.4	11.6	11.9	12.5	11.5	11.9	11.3	18.1	11.8
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	5.0	4.7	4.7	4.7	4.7	4.7	4.7
Long term debt	0.0	0.0	0.0									0.0	0.0	0.0	0.0	0.0
Total other liabilities	7.3	7.1	11.4	6.7	6.5	6.3	6.0	6.1	5.2	5.0	4.7	4.7	4.7	4.7	4.7	4.7
Common stock												0.4	0.8	1.2	1.6	2.0
Additional paid-in capital	94.9	95.2	106.6	107.1	107.3	107.5	107.9	108.6	109.0	109.5	110.0	110.0	110.0	110.0	110.0	110.0
Retained earnings	(42.5)	(42.2)	(41.9)	(41.2)	(42.5)	(43.0)	(43.5)	(57.4)	(60.9)	(64.3)	(66.0)	(68.2)	(69.7)	(70.3)	(70.9)	(70.7)
Accumulated other comprehensive in	0.2	0.1	0.3	0.0	(0.1)	(0.1)	(0.5)	(0.8)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Other												0.9	0.9	0.9	0.9	0.9
Total stockholders' equity	52.7	53.1	65.0	66.0	64.7	64.5	63.9	50.4	47.6	44.8	43.6	42.6	41.5	41.3	41.2	41.7
Total stockholders' equity and liabil	70.6	70.9	93.6	90.1	87.3	85.1	85.1	71.9	64.5	61.702	60.8	58.8	58.1	57.3	64.0	58.2

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	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	13%	12%	14%	17%	14%	13%	9%	23%	35%	21%	17%	13%	18%	12%	15%	13%
Accounts payable as % of total rev	20%	23%	21%	14%	21%	22%	18%	15%	25%	31%	23%	15%	37%	22%	44%	15%
Inventories as % of cost of rev	161%	108%	108%	87%	158%	155%	116%	72%	135%	149%	105%	150%	175%	182%	150%	150%
Accrued expenses as % of total rev	98%	62%	105%	94%	118%	77%	84%	75%	77%	66%	57%	70%	70%	70%	70%	70%
Activity Ratios																
A/R Days Sales Outstanding	35	43	45	46	57	38	36	38	28	29	65	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	2.7x	3.8x	2.7x	2.3x	2.2x	2.7x	2.7x
A/P Days Payable	34	39	41	26	35	43	30	25	40	50	40	26	66	42	82	30
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$1.52	\$1.53	\$1.84	\$1.77	\$1.78	\$1.77	\$1.75	\$1.38	\$1.30	\$1.22	\$1.18	\$1.15	\$1.11	\$1.11	\$1.10	\$1.11
Cash per Share (diluted)	\$0.83	\$0.79	\$0.68	\$0.56	\$0.48	\$0.45	\$0.52	\$0.54	\$0.41	\$0.34	\$0.19	\$0.14	\$0.22	\$0.16	\$0.24	\$0.14
Net cash per Share (diluted)	\$0.82	\$0.78	\$0.67	\$0.55	\$0.47	\$0.45	\$0.52	\$0.54	\$0.41	\$0.34	\$0.19	\$0.14	\$0.22	\$0.16	\$0.24	\$0.14

Source: Company reports and Ascendant Capital Markets estimates

Genasys Inc.

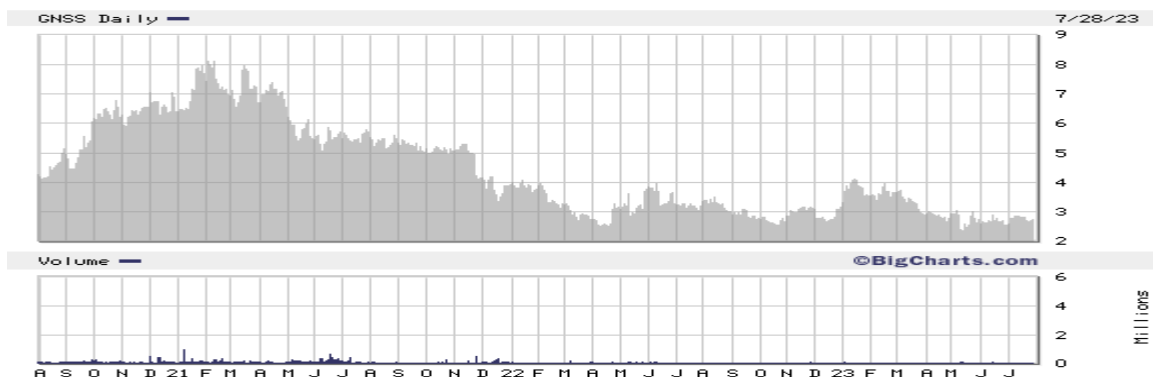
Cash Flow Statement (\$ mils)	Dec-19	Mar-20	Jun-20	Sep-20	2020	Dec-20	Mar-21	Jun-21	Sep-21	2021	Dec-21	Mar-22	Jun-22	Sep-22	2022	Dec-22	Mar-23	Jun-23	Sep-23	2023	Dec-23	Mar-24	Jun-24	Sep-24	2024	
Fiscal Year End: September 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	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)	(13.8)	(16.2)	(3.5)	(3.4)	(1.4)	(2.2)	(10.6)	(1.5)	(0.5)	(0.6)	0.1	(2.5)	
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	2.5	
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	0.2	0.2	0.2	0.6	0.2	0.2	0.2	0.2	0.6	
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	0.5	0.4	0.4	1.7	0.4	0.4	0.4	0.4	1.6	
Provision for bad debts				0.0	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	
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	0.1	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	0.1	0.1	0.2	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)				13.2	13.2					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	0.0	0.0	0.0	0.0	0.0	0.0	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)	(1.1)	0.8	3.5	(0.3)	(6.7)	0.9	(2.6)	3.8	(1.3)	(2.3)	(1.3)	(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	2.6	0.1	(2.0)	(1.4)	1.3	(1.7)	(3.9)	(0.1)	(0.9)	(0.8)	2.3	0.5	
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	1.2	(0.1)	0.8	2.6	(0.3)	0.5	(0.9)	0.6	(0.2)	
Other assets				0.0	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	0.9	(0.2)	(1.5)	(0.5)	2.2	(1.4)	4.2	(4.9)	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	(1.6)	(4.6)	(5.0)	(1.0)	0.4	0.5	(5.1)	(0.9)	0.7	2.6	(1.4)	1.0	
Warranty settlements				0.0	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	
Other liabilities				0.0	0.0					0.0					0.0					0.0	0.0	0.0	0.0	0.0	(1.0)	
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	1.0	0.5	(4.9)	(2.6)	(5.4)	(2.2)	(15.0)	3.3	(1.9)	3.3	(3.6)	1.1	
Cash flow from investing activities																										
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)	(0.1)	(0.1)	(0.3)	(0.5)	(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)	1.5	2.2		3.3					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	
Net cash used in investing activ	(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	(0.1)	(0.1)	(0.5)	1.4	2.2	(0.3)	2.8	(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	0.0	
Repayment of debt		(0.0)	(0.0)	0.0	(0.0)	(0.1)	0.0	0.0	(0.1)	(0.3)	(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	
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	(0.2)		(0.2)					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	
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	(0.2)	0.0	(0.2)	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)	(0.2)	0.0	0.0	0.0		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	0.9	(0.9)	(5.3)	(1.2)	(3.4)	(2.5)	(12.3)	3.0	(2.2)	3.0	(3.9)	(0.1)	
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	13.7	8.4	7.2	3.8	13.7	1.4	4.3	2.2	5.1	1.4	
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	13.7	13.7	8.4	7.2	3.8	1.4	1.4	4.3	2.2	5.1	1.2	1.2	

Source: Company reports and Ascendant Capital Markets estimates

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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

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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 Distribution of Investment Ratings (as of July 14, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	51	98%	16	31%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	52	100%	16	31%

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