



Knightscope, Inc.

Slight Q2 upside. We believe strong growth over the next year and AI assets to drive stock much higher. Raising P/T to \$3.75.

COMPANY UPDATE

Rating: **BUY**

Ticker: KSCP

Price: \$0.85

Target: \$3.75 from (\$3.50)

Slight Q2 upside: Knightscope recently (on August 14) reported its fiscal Q2 2023 (ending June) results. Revenue was \$3.6 million (+242% y-o-y), compared to our estimates of \$2.7 million. EPS was \$(0.08), compared to our estimates of \$(0.11). There was no Q2 guidance or consensus estimates.

Strong growth: The company's solid execution and sales wins drove strong revenue growth. Revenue growth drove operating leverage and improved margins.

No guidance: The company did not provide forward guidance. The company did qualitatively expect to reach profitability by Q4 2024.

Adjusting estimates: We are raising our 2023 estimates for revenue to \$12.7 million, from \$12.4 million, and for EPS to \$(0.31) from \$(0.38).

Focused on security technologies: The company is a leading provider of Autonomous Security Robots ("ASRs") and blue light emergency communication devices consisting of emergency blue light towers, blue light emergency phone ("E-Phone") towers, fully integrated, solar-powered cellular emergency phone towers, and emergency call box systems ("Call Box").

Targeting crime: ASRs conduct real-time on-site data collection and analysis in both indoor and outdoor spaces delivering alerts to security professionals to access the data for investigative purposes. Knightscope's technologies and products are designed to supplement the work of law enforcement and security professionals and are known to be effective in reducing crime.

Market opportunities: In the U.S., there are over 8,000 private security firms and 19,000 law enforcement agencies – a fragmented marketplace relying primarily on human beings for monitoring and patrol activities. Due to recent large rise in crime and labor and shortages issues for public safety officers, the company believes that the market for its technologies will continue to grow.

Revenue growth strong: We believe revenues should increase significantly in 2023/24. We have modeled high revenue growth in 2023 (+125%) and 2024 (+42%) and thereafter to scale up significantly which should drive improved margins and profitability. We expect the company to be profitable in 2025.

Leader in AI: The company is a pioneer in the use of AI (artificial intelligence) for its ASRs. The K3 and K5 ASRs are designed to patrol autonomously (using AI), either randomly or on a scheduled pattern. These ASRs are well developed AI machines with over 2+ million hours of commercially operating service logged.

Acquisition synergies: In October 2022, the company acquired CASE Emergency Systems for \$6.7 million. CASE is a leader in blue light emergency phones and wireless emergency communications technology, providing Knightscope with a strategic entry into a nationwide market.

Positive high risks versus high rewards: Overall, concerns outweighed by growth prospects and valuation. Knightscope's main ASRs and communication products still has long commercialization challenges ahead, but we believe the ~billion dollars market potential presents high rewards for the risks.

Valuation attractive: We are maintaining our BUY rating, but raising our 12-month price target to \$3.75 from \$3.50, based on a NPV analysis, representing significant upside from the current share price. We believe this valuation appropriately balances out the company's high risks with its high growth prospects and large upside opportunities.

Company Description

Knightscope, based in Mountain View, CA, is a security technology company whose autonomous security robots and blue light emergency communications systems help protect the places people live, work, study and visit.

United States
Technology

September 17, 2023

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Stock Data

Exchange:	NasdaqGM
52-week Range:	0.36 – 3.65
Shares Outstanding (million):	67
Market cap (\$million):	\$57
EV (\$million):	\$52
Debt (\$million):	\$1
Cash (\$million):	\$6
Avg. Daily Trading Vol. (\$million):	\$4
Float (million shares):	58
Short Interest (million shares):	5
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	2.9A		3.7E	
Q2 Jun	3.6A	2.7E	3.8E	3.6E
Q3 Sep	3.0E	2.9E	4.4E	4.0E
Q4 Dec	<u>3.2E</u>	<u>3.9E</u>	<u>6.1E</u>	<u>6.7E</u>
Total	12.7E	12.4E	18.0E	
EV/Revs	4x		3x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	(0.06)A		(0.07)E	(0.10)E
Q2 Jun	(0.08)A	(0.11)E	(0.07)E	(0.09)E
Q3 Sep	(0.09)E	(0.10)E	(0.07)E	(0.08)E
Q4 Dec	<u>(0.08)E</u>	<u>(0.10)E</u>	<u>(0.06)E</u>	<u>(0.04)E</u>
Total	(0.31)E	(0.38)E	(0.28)E	(0.31)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 15.

OVERVIEW

- Knightscope recently (on August 14) reported its fiscal Q2 2023 (ending June) results.
- Revenue was \$3.6 million (+242% y-o-y), compared to our estimates of \$2.7 million.
- EPS was \$(0.08), compared to our estimates of \$(0.11).
- There was no Q2 guidance or consensus estimates.
- The company did not provide forward guidance.
- The company did qualitatively expect to reach profitability by Q4 2024.
- We are raising our 2023 estimates for revenue to \$12.7 million, from \$12.4 million, and for EPS to \$(0.31) from \$(0.38).
- We are maintaining our 2024 estimates for revenue of \$18 million, but raising it for EPS to \$(0.28) from \$(0.31).

ADDITIONAL DETAILS

- Gross profit for the quarter was ~\$0 million, compared with our estimate of \$(0.2) million.
- Gross margin for the quarter was 0%, versus our expectation of -6% and -66% last year.
- Operating expenses were \$6 million, versus our expectation of \$6 million.
- Operating loss was \$5.9 million, versus our expectation of a loss of \$5.9 million.
- Net loss was \$4.8 million, versus our expectation of a loss of \$6.1 million.
- Backlog was \$4.9 million, down from \$5.2 million in Q1.

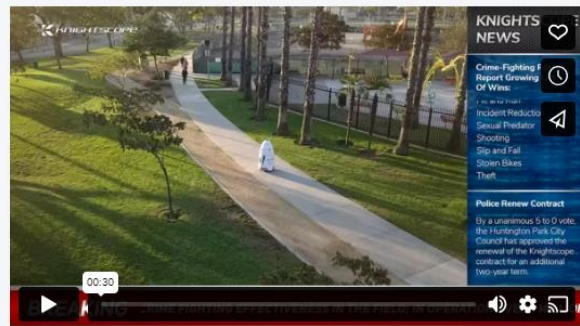
The company's balance sheet had \$6 million in cash and \$1 million in debt, compared with \$2 million in cash and \$5 million in debt at the end of March.

Exhibit 1: Knightscope Corporate Overview



Overview

Knightscope is an advanced security technology company based in Silicon Valley that builds fully autonomous security robots that deter, detect and report. Our groundbreaking technology has proven to help in fighting crime, providing security and public safety professionals unprecedented situational awareness. Knightscope's cost-effective security robots help secure the places you live, work, study and visit. Our long-term ambition is to make the United States of America the safest country in the world. #LongKnightscopeShortTheCriminals



Source: Company reports.

Exhibit 2: Knightscope's Products - Autonomous Security Robots (ASRs) and Blue Light Emergency Communication Devices



Source: Company reports.

Exhibit 3: Knightscope's Investment Summary

Summary

- Recurring Revenue**
Machine-as-a-Service (MaaS) business model drives recurring revenues at scale with hardware, software and technical support for the recurring societal problem of crime
- Autonomous Operation**
Only company operating fully autonomously 24/7/365 across an entire country without human intervention both outdoors and indoors – with real clients and 2+ million hours of field experience
- Massive and Growing Market**
\$500+ billion spent annually on security across the globe, across private and public sectors, and is an industry ripe for disruption by automation [Source: BofA Merrill Lynch Global Research]
- Proven Effective**
Company has secured numerous crime-fighting wins and holds contracts across the United States in numerous verticals in both the private and public sectors
- Technology Growth**
Unique combination of autonomous self-driving technology, robotics, artificial intelligence and electric vehicles is now scaling across the country generating millions of dollars revenue

Source: Company reports.

Exhibit 4: Knightscope Market Opportunities

\$40B+ Recurring Revenue Opportunity (USA)

Selected Vertical	Total Number of Guards and Officers	Estimated % Augmentation with Robots		Potential Annual Recurring Revenue (estimate)		
		Near-Term	Long-Term	Per Robot	Near-Term Opportunity	Long-Term Opportunity
Corporate Campuses	12,000	2%	20%	\$70,000 *	\$17M	\$168M
Healthcare	193,550				\$271M	\$2,710M
Casinos	59,160				\$83M	\$828M
Commercial Real Estate	260,400				\$365M	\$3,646M
Manufacturing & Logistics	270,869				\$379M	\$3,792M
Law Enforcement	1,000,000			\$150,000 **	\$3B	\$30B
Total	~ 1.8 million	~ 36,000 robots	~ 360,000 robots		~ \$4.1 billion	~ \$41 billion

Source: Company reports.

Exhibit 5: Knightscope Products Solution

Knightscope Solution (Software + Hardware + Humans)

- Serve all domestic public safety organizations with an amalgamated set of hardware, software and monitoring solutions
- Positively impact restricted budgets with affordable products and subscription services
- Augment expensive guard details with advanced technologies that deter, detect, observe and report 24/7/365
- Expand emergency communication end-points to provide a lifeline to those in need
- Create an open feedback loop with end users to continually advance and future-proof technological development

Autonomous Security Robots and Emergency Communication Systems



Source: Company reports.

Exhibit 6: KSOC (Knightscope Security Operations Center)

KSOC (Knightscope Security Operations Center)

- KSOC is a user interface accessible 24/7/365 remotely from anywhere with an internet connection
- ASRs feed data to the KSOC, providing guards and officers unprecedented situational awareness by giving them additional eyes, ears and a voice on the ground at multiple locations simultaneously
- The combined KSOC + ASR solution is a force multiplier that gives officers and guards an opportunity to make safer, smarter and faster decisions



Recording & Streaming

- Live 360-degree HD video
- Recorded HD-video storage
- Downloadable files for evidence

People Detection

- Detections during off hours
- Alerts for restricted places
- Direct communication capable

Facial Recognition

- Key person / VIP alerts
- User generated watchlists
- Workplace violence prevention

Thermal

- Fire detection
- Heat blooms from recently driven vehicles
- People concealed in darkness

Automatic License Plate Recognition

- Vehicle location assistance
- Approved / denied plates
- Parking monitoring

Source: Company reports.

Exhibit 7: Sample Customer Experience

Automation Disruption Underway

PG&E (NYSE: PCG)

Major Power Utility
Doubles Knightscope
Order to Ten Robots



ABM (NYSE: ABM)

Deploys Knightscope
Autonomous Robot in
Major Parking Facility









Long Term Technology Strategy

AUTONOMY	<ul style="list-style-type: none"> Autonomously navigate both outdoors and indoors in dynamic or static environments providing a physical deterrence 24/7/365 at low and high speeds
SEE	<ul style="list-style-type: none"> Computer Vision and Video Analytics (people, faces, vehicles, plates, gait, weapons)
FEEL	<ul style="list-style-type: none"> Thermal Imaging and Emotion Detection (fire, crowds, forensics)
HEAR	<ul style="list-style-type: none"> Acoustic Event Detection and Machine Listening (gunshot, vehicle crash, yelling, glass breaking)
SMELL	<ul style="list-style-type: none"> WMD Threat Detection (Devices, Pathogens, Chemical, Biological, Radiological and Nuclear)
SPEAK	<ul style="list-style-type: none"> Automated Pre-Recorded Broadcasts, Live Public Address, Text-to-Speech, Concierge

Source: Company report.

Exhibit 8: Business Model and Unit Economics Target

MaaS Business Model

Recurring revenue MaaS (Machine-as-a-Service) business model for the recurring societal problem of crime and terrorism

Annual automatic renewal subscriptions at an effective price of approximately \$0.75 to \$9 per hour with an all-inclusive service

- Deployment** - needs assessment, virtual demo, site assessment, site survey, shipping, logistics, setup, configuration and training
- Technology** - Autonomous Security Robot (ASR), Knightscope Security Operations Center (KSOC) user interface, charging systems, data transfer and data storage
- Service** - all maintenance, service, parts, repairs plus 24/7 U.S. based technical support
- Knightscope+** - optional 24/7 remote security monitoring by former military and law enforcement professionals
- Upgrades** - unlimited software, firmware and at times hardware upgrades improve the technology over time based on real world operating experience

1. Needs Assessment
Define a measurable pain point or problem to be solved; consider budget, funding source and signing authority; and identify all affected parties

7. Site Survey
Knightscope performs a formal site survey with the client to set/capture expectations and confirm suitability of terrain and data transmission

2. Initial Site Assessment
Determine feasibility of deployment locations for each machine

8. Pre-Deployment
New client meets with Client Experience team to ensure deployment readiness including site preparations, branding/graphics, internal communication protocols, public relations/social media plan, logistics, timing, etc.

3. Virtual Demo
Demonstrate to all stakeholders how Knightscope's technologies will fulfill the need; kick off client-required cybersecurity risk assessment, if needed

9. Deployment Setup
Knightscope deployment specialists arrive onsite to map the patrol area, setup the docking station, and test functionality

4. Proposal
Issue a proposal addressing each specific deployment location for client review and approval; clearly communicate disaster preparedness and machine cosmetic damage procedures

10. KSOC Setup
The client's deployment information is loaded into the user interface (KSOC) and prepped for 'Go Live' date

5. Accept Proposal
Client accepts the proposal and signs the corresponding Order Form

11. Training
Knightscope trains the appropriate staff on machine operations and KSOC usage

6. Order Execution
The Order Form is countersigned and approved to be scheduled for site survey.

12. Go Live
Release date for fully autonomous operation and client utilization

Unit Economics Target

Illustrative Example of Unit Economics
A notional representation based on operating experience thus far and the Company's internal targets

- High annual recurring revenue per unit economics (e.g., luxury automotive) with margins like a SaaS (Software-as-a-Service) business
- While still providing clients a very attractive price point at an effective rate of \$0.75 to \$9 per hour
- For example, a single ASR can generate ~ \$255,000 of revenue over a 5-year period and is either paid up front by the client or financed by a funding partner
- Cash outflows for building of the machine and deployment activities are incurred in year one only
- Support includes maintenance, service labor, parts, shipping, telecommunications and cloud services
- Total cash outflows over the period is ~(\$84,530) yielding a margin of \$170,470 or 67% as an example

	Year 1	Year 2	Year 3	Year 4	Year 5
Recurring Revenue Contract	\$51,000	\$51,000	\$51,000	\$51,000	\$51,000
Machine Build	(\$52,280)	\$0	\$0	\$0	\$0
Service	(\$6,450)	(\$6,450)	(\$6,450)	(\$6,450)	(\$6,450)
Net Cash Flow	(\$7,730)	\$44,550	\$44,550	\$44,550	\$44,550

Source: Company report.

Exhibit 9: Long Term Growth Strategy

Long Term Growth Strategy

WHY NOW?

- Public safety is at top of mind for the Nation
- Autonomy, robotics, artificial intelligence and electric vehicles are disruptive technologies
- Technology has been proven to be effective with over 2 million hours in field operation

MACRO

- Long-term we are targeting to put 1 million machines-in-network to assist the 1 million law enforcement professionals and 1 million security guards with a recurring revenue business model for a recurring societal problem
- Analogous to building a defense contractor but instead of focusing on the DoD, the Company is focused on the U.S. DHS, U.S. DOJ and the 19,000+ law enforcement agencies and 8,000+ private security firms

SHORT TERM

- **Verticals** – focus on commercial real estate, hospitals, hotels, residential, manufacturing, logistics, casinos, corporate campuses, and transportation
- **Marketing** - continue the Robot Roadshow as a highly unique selling tool to place our advanced technology at the doorstep of prospective clients

LONG TERM

- **FedRAMP** – continue to work towards a targeted ATO (“Authority to Operate”) with the U.S. Federal Government during 2023
- **Technology** – building a wide-ranging portfolio of form factors that can see, feel, hear and smell and operate across environments both outdoors and indoors at low and high speeds – and do 100x more than a human could ever do
- **Everywhere** – criminals and terrorists can be anywhere and therefore in order to meet our mission Knightscope needs to be everywhere



Robot Roadshow

- Kicked off a nationwide tour to allow prospective clients to experience Knightscope’s technologies up close
- A first in North America use of a transportable Pod containing a showcase of robots, capabilities and a telepresence sales team
- Effective tool in the sales process to drive closing contracts with key decision makers physically involvement and interaction with the technologies



Source: Company report.

Exhibit 10: Recent Customer Announcements

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Sep '2023

Gooooo! NY Sports Complex Deploys K5 and Fortune 1000 Hotel Renews Contract for 2nd Year

Robot Roadshow Landing September 22 in Richmond, VA MOUNTAIN VIEW, Calif. --(BUSINESS WIRE)--Sep. 7, 2023-- Knightscope, Inc. [Nasdaq: KSCP] ("Knightscope" or the "Company"), a leading developer of autonomous security robots and blue light emergency communication systems, today announces another

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Sep '2023

Oregon Hospital Deploys 1st K5 and Industrial Client Renews Contract for 2nd Year

MOUNTAIN VIEW, Calif. --(BUSINESS WIRE)--Sep. 6, 2023-- Knightscope, Inc. [Nasdaq: KSCP] ("Knightscope" or the "Company"), a leading developer of autonomous security robots and blue light emergency communication systems, today announces a new deployment and another contract renewal, both utilizing

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Aug '2023

Knightscope Closes 7-Robot Contract with New York Pharmaceutical Company

Robot Roadshow Landing at Global Security Exchange (GSX) Conference in Dallas September 11-13 MOUNTAIN VIEW, Calif. --(BUSINESS WIRE)--Aug. 31, 2023-- Knightscope, Inc. [Nasdaq: KSCP] ("Knightscope" or the "Company"), a leading developer of autonomous security robots and blue light emergency

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Aug '2023

Casino Expands with 3rd K5 and Police Department Renews Contract for 5th Year

Robot Roadshow Landing at Global Security Exchange (GSX) Conference in Dallas September 11-13 MOUNTAIN VIEW, Calif. --(BUSINESS WIRE)--Aug. 29, 2023-- Knightscope, Inc. [Nasdaq: KSCP] ("Knightscope" or the "Company"), a leading developer of autonomous security robots and blue light emergency

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Aug '2023

Knightscope Grabs Two New Texas Sales Totaling Four Machines

Reseller Delivers its Second Knightscope Contract New Construction Project in San Antonio Adds 16 th K1 Blue Light Tower MOUNTAIN VIEW, Calif. --(BUSINESS WIRE)--Aug. 24, 2023-- Knightscope, Inc. [Nasdaq: KSCP] ("Knightscope" or the "Company"), a leading developer of autonomous security robots

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Aug '2023

Knightscope Wins Jackpot with Another Casino Client

MOUNTAIN VIEW, Calif. --(BUSINESS WIRE)--Aug. 22, 2023-- Knightscope, Inc. [Nasdaq: KSCP] ("Knightscope" or the "Company"), a leading developer of autonomous security robots and blue light emergency communication systems, today announced two new contracts with a northern California casino.

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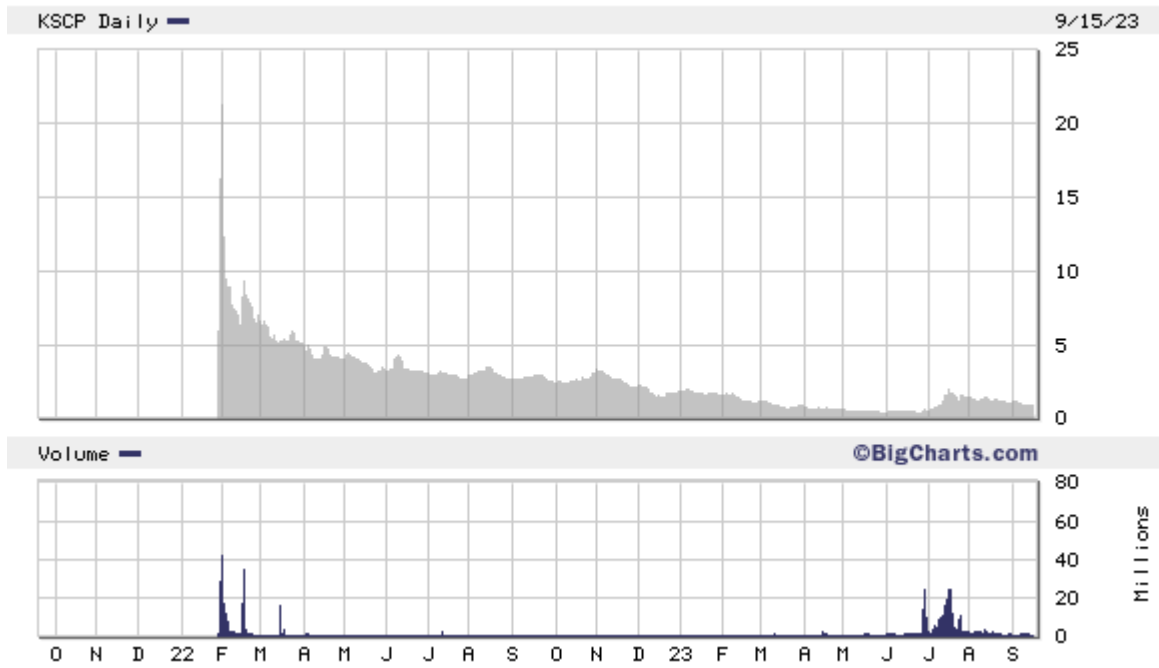
Aug '2023

Knightscope Inks Deal with Major Player in Self Storage

Robot Roadshow Scheduled to Land in Philadelphia August 23-24 MOUNTAIN VIEW, Calif. --(BUSINESS WIRE)--Aug. 17, 2023-- Knightscope, Inc. [Nasdaq: KSCP] ("Knightscope" or the "Company"), a leading developer of autonomous security robots and blue light emergency communication systems, today

Source: Company report.

Exhibit 11: Knightscope, Inc. Stock Price (since IPO January 27, 2022)



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

FINANCIAL MODEL

Knightscope, Inc.

Income Statement (\$ mils)	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	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
Fiscal Year End: December 31	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	3.3	0.9	0.9	0.8	0.8	3.4	0.9	1.0	1.3	2.3	5.6	2.9	3.6	3.0	3.2	12.7	3.7	3.8	4.4	6.1	18.0
Cost of Revenues	4.6	1.2	1.3	1.3	1.6	5.5	1.5	1.7	2.2	3.5	9.0	3.1	3.6	2.9	2.9	12.5	3.0	3.0	3.4	4.3	13.8
Gross Profit	(1.3)	(0.3)	(0.4)	(0.5)	(0.8)	(2.1)	(0.5)	(0.7)	(0.9)	(1.2)	(3.3)	(0.2)	0.0	0.1	0.3	0.2	0.7	0.8	1.0	1.8	4.3
Research & development	3.2	1.1	1.5	1.2	1.7	5.6	1.8	2.1	2.1	2.5	8.4	1.4	1.5	1.5	1.4	5.8	1.4	1.4	1.6	1.4	5.8
Sales and marketing	7.3	3.1	3.6	0.7	4.7	12.0	3.5	1.5	1.9	1.6	8.5	1.1	1.2	1.1	1.0	4.3	1.1	1.2	1.4	1.2	4.9
General & administrative	2.8	0.5	1.1	1.5	1.7	4.9	2.3	3.0	2.9	3.5	11.7	3.6	3.3	3.3	3.2	13.4	3.3	3.2	3.1	3.4	13.0
Restructuring and other						0.0					0.0	0.1	0.0			0.1					0.0
Total operating expenses	13.3	4.7	6.2	3.5	8.1	22.5	7.7	6.5	6.9	7.6	28.6	6.3	6.0	5.9	5.6	23.7	5.8	5.8	6.1	6.0	23.7
Operating income (loss)	(14.6)	(5.1)	(6.6)	(4.0)	(8.9)	(24.6)	(8.2)	(7.2)	(7.8)	(8.8)	(32.0)	(6.5)	(5.9)	(5.7)	(5.3)	(23.6)	(5.2)	(5.0)	(5.1)	(4.2)	(19.5)
Interest income (expense)	(2.3)	(0.5)	(0.6)	(0.9)	(2.3)	(4.3)	(8.9)	0.0		(0.3)	(9.2)	(0.5)	0.0	(0.0)	(0.0)	(0.5)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Other income (expense)	(3.1)	(0.2)	(10.1)	(0.2)	(5.1)	(15.6)	7.5	8.1	2.5	(2.6)	15.6	4.6	1.1	0.0	0.0	5.7	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(20.0)	(5.8)	(17.3)	(5.1)	(16.3)	(44.5)	(9.6)	0.9	(5.2)	(11.7)	(25.6)	(2.4)	(4.8)	(5.8)	(5.4)	(18.4)	(5.2)	(5.0)	(5.1)	(4.2)	(19.5)
Income taxes	0.0					0.0					0.0					0.0					0.0
Net income (loss)	(20.0)	(5.8)	(17.3)	(5.1)	(16.3)	(44.5)	(9.6)	0.9	(5.2)	(11.7)	(25.6)	(2.4)	(4.8)	(5.8)	(5.4)	(18.4)	(5.2)	(5.0)	(5.1)	(4.2)	(19.5)
Nonrecurring/noncash adjustments						0.0					0.0					0.0					0.0
Net income (pro forma)	(20.0)	(5.8)	(17.3)	(5.1)	(16.3)	(44.5)	(9.6)	0.9	(5.2)	(11.7)	(25.6)	(2.4)	(4.8)	(5.8)	(5.4)	(18.4)	(5.2)	(5.0)	(5.1)	(4.2)	(19.5)
EBITDA	(12.8)	(4.5)	(6.0)	(3.2)	(8.1)	(21.7)	(7.1)	(6.2)	(6.1)	(7.0)	(26.5)	(5.2)	(4.5)	(4.7)	(4.3)	(18.7)	(4.1)	(4.0)	(4.0)	(3.1)	(15.2)
Shares, Basic	10.2	10.2	10.2	10.2	12.0	10.63	31.7	35.7	36.9	38.0	35.6	42.7	57.2	67.3	68.3	58.9	69.3	70.3	71.3	72.3	70.8
Shares, Diluted	10.2	10.2	10.2	10.2	12.0	10.63	31.7	49.7	36.9	38.0	35.6	42.7	57.2	67.3	68.3	58.9	69.3	70.3	71.3	72.3	70.8
EPS Basic (pro forma)	(\$1.96)	(\$0.56)	(\$1.70)	(\$0.50)	(\$1.36)	(\$4.18)	(\$0.30)	\$0.02	(\$0.14)	(\$0.31)	(\$0.72)	(\$0.06)	(\$0.08)	(\$0.09)	(\$0.08)	(\$0.31)	(\$0.07)	(\$0.07)	(\$0.07)	(\$0.06)	(\$0.28)
EPS Diluted (pro forma)	(\$1.96)	(\$0.56)	(\$1.70)	(\$0.50)	(\$1.36)	(\$4.18)	(\$0.30)	\$0.02	(\$0.14)	(\$0.31)	(\$0.72)	(\$0.06)	(\$0.08)	(\$0.09)	(\$0.08)	(\$0.31)	(\$0.07)	(\$0.07)	(\$0.07)	(\$0.06)	(\$0.28)
Margins																					
Gross margin	-39%	-37%	-46%	-67%	-94%	-60%	-58%	-66%	-69%	-50%	-59%	-7%	0%	4%	8%	1%	18%	21%	23%	29%	24%
Research & development	97%	130%	168%	158%	202%	164%	195%	199%	160%	105%	150%	48%	42%	50%	45%	46%	37%	37%	37%	23%	32%
Sales and marketing	219%	354%	391%	89%	555%	353%	370%	145%	147%	68%	151%	39%	33%	35%	30%	34%	31%	31%	31%	20%	27%
General & administrative	84%	63%	123%	196%	199%	143%	246%	284%	224%	150%	208%	126%	92%	110%	100%	106%	90%	85%	70%	55%	72%
Operating margin	-439%	-584%	-727%	-509%	-1050%	-721%	-869%	-694%	-600%	-373%	-568%	-225%	-167%	-191%	-167%	-186%	-140%	-132%	-115%	-69%	-108%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-600%	-664%	-1902%	-648%	-1926%	-1305%	-1017%	83%	-404%	-497%	-455%	-84%	-135%	-192%	-168%	-145%	-140%	-133%	-116%	-69%	-108%
YY % change																					
Total Revenue						2%	9%	14%	65%	178%	65%	207%	242%	131%	36%	125%	27%	7%	47%	91%	42%
Gross margin						58%	73%	63%	71%	49%	61%	-61%	-101%	-112%	-121%	-105%	-415%	8711%	828%	617%	2660%
Research & development						73%	-67%	13%	0%	19%	51%	-83%	6%	1%	-4%	-31%	-77%	3%	16%	-14%	0%
Sales and marketing						64%	14%	-58%	174%	-66%	-29%	-68%	-21%	-45%	-40%	-49%	1%	-1%	30%	27%	13%
General & administrative						75%	-52%	27%	-2%	21%	140%	-69%	-10%	1%	-3%	15%	-75%	-3%	-4%	9%	-3%
Operating income (loss)						68%	62%	9%	95%	-1%	30%	-21%	-18%	-26%	-39%	-26%	-21%	-16%	-11%	-21%	-17%
Net income (loss)						122%	67%	-105%	3%	-28%	-42%	-75%	-653%	10%	-54%	-28%	112%	5%	-11%	-21%	6%
EPS Diluted (pro forma)						113%	-46%	-101%	-72%	-77%	-83%	-81%	-580%	-40%	-74%	-57%	31%	-14%	-16%	-26%	-12%

Source: Company reports and Ascendant Capital Markets estimates.

Knightscope, 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	Dec-24
Fiscal Year End: December 31	Q4A			Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																	
Cash and cash equivalents	7.1			9.7	10.7	21.1	15.6	11.1	4.8	2.4	5.8	4.0	(0.4)	(3.8)	(7.8)	(12.2)	(16.1)
Short term investments												0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	0.9			1.0	1.2	2.0	1.6	0.3	1.4	1.9	2.0	1.7	1.8	2.0	2.1	2.5	3.4
Inventory									2.6	2.7	2.7	2.7	2.9	3.3	3.4	4.0	5.5
Deferred income taxes												0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.9			1.2	1.4	1.3	1.3	2.0	1.3	1.5	1.4	1.5	1.6	1.8	1.9	2.2	3.1
Total current assets	8.8			11.9	13.3	24.3	18.5	13.3	10.1	8.4	12.0	9.9	5.8	3.4	(0.4)	(3.5)	(4.2)
Autonomous Security Robots, net	2.3			2.9	3.0	3.4	4.0	4.6	5.9	5.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Property and equipment, net	0.0			0.1	0.1	0.1	0.2	0.2	0.6	1.0	1.0	0.8	0.6	0.4	0.2	0.1	(0.1)
Leases	1.6			1.2	1.1	0.9	0.8	0.6	2.0	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Intangibles, net									3.4	3.3	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Deferred income tax												0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2			0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total assets	12.9			16.1	17.6	28.9	23.5	18.8	22.1	20.4	25.2	22.9	18.7	16.1	12.1	8.8	8.0
Liabilities and stockholders' equity																	
Accounts payable	0.2			0.6	1.5	1.1	1.2	1.7	2.5	1.7	1.5	1.3	1.4	2.8	2.8	3.3	4.6
Accrued expenses	0.9			0.4	1.2	0.5	0.6	1.2	2.4	1.8	2.4	2.3	2.4	2.8	2.8	3.3	4.6
Deferred revenue	0.5			0.9	0.9	1.3	1.5	1.4	1.7	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Deferred income tax												0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities				1.3								0.0	0.0	0.0	0.0	0.0	0.0
Leases	0.6			0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other	0.5			0.6	0.9	1.1	1.2	0.6	1.1	1.4	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Short term debt				5.6	7.1				2.1	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total current liabilities	2.6			10.0	12.2	4.6	5.3	5.4	10.5	9.0	9.3	8.9	9.2	10.9	11.1	12.0	14.6
Deferred income taxes												0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities	5.6			16.7	30.6	22.7	14.5	12.0	11.2	6.5	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Other long term liabilities									0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Leases	1.1			0.7	0.5	0.3	0.1		1.3	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Deferred revenue												0.0	0.0	0.0	0.0	0.0	0.0
Long term debt	4.6								6.6	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	11.3			17.3	31.1	23.0	14.7	12.0	19.4	12.1	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Preferred stock	65.2			82.3	57.2	40.0	36.6	36.1	35.8	34.7	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Common stock	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.9	1.8	2.6	3.5	4.4	5.2
Additional paid-in capital	3.1			3.9	30.7	84.6	89.3	92.9	95.7	106.3	121.2	121.2	121.2	121.2	121.2	121.2	121.2
Retained earnings	(69.2)			(97.4)	(113.7)	(123.3)	(122.4)	(127.7)	(139.3)	(141.8)	(146.6)	(152.3)	(157.7)	(162.9)	(167.9)	(173.0)	(177.3)
Other												0.1	0.1	0.1	0.1	0.1	0.1
Accumulated other comprehensive income												3.0	3.0	3.0	3.0	3.0	3.0
Total stockholders' equity	(1.0)			(11.2)	(25.7)	1.3	3.5	1.4	(7.8)	(0.7)	9.2	7.4	2.9	(1.4)	(5.6)	(9.9)	(13.2)
Total stockholders' equity and liabilities	12.9			16.1	17.6	28.9	23.5	18.8	22.1	20.4	25.2	22.9	18.7	16.1	12.1	8.8	8.0

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	Dec-24
	Q4A			Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	103%			154%	166%	133%	120%	151%	57%	51%	39%	50%	50%	50%	50%	50%	50%
Inventory as % of total rev	0%			0%	0%	0%	0%	0%	109%	93%	75%	90%	90%	90%	90%	90%	90%
A/P as % of total rev	28%			72%	179%	114%	119%	131%	105%	58%	43%	43%	43%	75%	75%	75%	75%
Accrued exp related as % of total rev	104%			54%	141%	48%	56%	89%	102%	64%	68%	75%	75%	75%	75%	75%	75%
Activity Ratios																	
A/R Days Sales Outstanding	94			111	127	188	141	22	52	58	52	50	50	50	50	50	50
Book & Cash Value (per share)																	
Book Value per Share (diluted)	-\$0.10			-\$1.10	-\$2.15	\$0.04	\$0.07	\$0.04	-\$0.21	-\$0.02	\$0.16	\$0.11	\$0.04	-\$0.02	-\$0.08	-\$0.14	-\$0.18
Cash per Share (diluted)	\$0.69			\$0.95	\$0.90	\$0.67	\$0.31	\$0.30	\$0.13	\$0.06	\$0.10	\$0.06	-\$0.01	-\$0.05	-\$0.11	-\$0.17	-\$0.22
Net cash per Share (diluted)	\$0.24			\$0.40	\$0.30	\$0.67	\$0.31	\$0.30	-\$0.10	-\$0.06	\$0.09	\$0.05	-\$0.01	-\$0.06	-\$0.12	-\$0.18	-\$0.23

Source: Company reports and Ascendant Capital Markets estimates

Knightscope, Inc.

Cash Flow Statement (\$ mils)	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	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	
Fiscal Year End: December 31	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																						
Net income	(19.3)	(5.6)	(17.2)	(4.9)	(16.2)	(43.8)	(9.6)	0.9	(5.2)	(11.7)	(25.6)	(2.4)	(4.8)	(5.8)	(5.4)	(18.4)	(5.2)	(5.0)	(5.1)	(4.2)	(19.5)	
Depreciation	1.4	0.3	0.4	0.4	0.4	1.6	0.4	0.3	0.5	0.6	1.7	0.6	0.6	0.2	0.2	1.6	0.2	0.2	0.2	0.2	0.8	
Amortization						0.0					0.0					0.0					0.0	
Non-cash lease expense						0.0					0.0					0.0					0.0	
Debt related amortization expense	1.5	0.4	0.4	0.5	3.0	4.3	8.9	0.7	1.2	0.3	9.2	0.6	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.0	
Stock comp	0.5	0.2	0.2	0.4	0.4	1.3	0.7	0.7	1.2	1.2	3.8	0.6	0.9	0.0	0.0	3.2	0.0	0.0	0.0	0.0	3.4	
Deferred income taxes						0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0	
Change in fair value of warrant	2.4		10.7		5.0	15.7	(7.5)	(8.1)	(2.5)	2.0	(16.2)	(4.7)	(1.2)			(5.8)					0.0	
Accrued interest						0.0	0.0			0.0		0.5	(0.1)			0.4					0.0	
Writedowns and impairments						0.0					0.0					0.0					0.0	
Other gains/losses			(0.8)			(0.8)					0.0					0.0					0.0	
Other	0.1		0.0			0.0					0.0					0.0					0.0	
Changes in operating assets and liabilities:																						
Accounts receivable	(0.2)	(0.3)	0.4	(0.2)	(0.2)	(0.3)	(0.8)	0.3	1.3	(0.7)	0.2	(0.5)	(0.2)	0.4	(0.1)	(0.4)	(0.3)	(0.1)	(0.3)	(0.9)	(1.6)	
Inventory						0.0				(0.0)	(0.0)	(0.1)	0.0	(0.0)	(0.2)	(0.3)	(0.4)	(0.1)	(0.6)	(1.5)	(2.6)	
Prepaid expenses & other current assets	0.1	(1.3)	1.4	(0.4)	(0.2)	(0.5)	0.1	(0.1)	(0.1)	0.4	0.4	(0.2)	(0.1)	(0.1)	(0.1)	(0.4)	(0.2)	(0.1)	(0.3)	(0.9)	(1.5)	
Income tax						0.0					0.0					0.0					0.0	
Other assets	0.1	0.1				0.1				(0.0)	(0.0)	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(0.7)	0.6	(0.3)	0.1	1.0	1.3	(0.4)	0.2	0.5	0.8	0.9	(0.8)	(0.2)	(0.2)	0.1	(1.1)	1.4	0.1	0.5	1.3	3.2	
Accrued expenses	(0.8)	(0.1)	0.0	0.1	0.3	0.3	(0.7)	0.1	0.6	1.2	1.2	(0.6)	0.6	(0.2)	0.1	(0.0)	0.4	0.1	0.5	1.3	2.2	
Deferred revenue	(0.0)	(0.4)	0.2	0.5	0.0	0.4	0.4	0.2	(0.2)	0.1	0.6	0.7	(0.5)			0.2					0.0	
Other liabilities	(0.1)	0.2	(0.2)	0.3	0.1	0.4	0.2	0.1	(0.7)	0.2	(0.2)	0.4	0.1	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	(15.2)	(5.8)	(4.8)	(3.1)	(6.5)	(20.1)	(8.4)	(5.3)	(4.8)	(5.6)	(24.1)	(6.5)	(4.7)	(4.9)	(4.5)	(20.6)	(3.3)	(4.0)	(4.3)	(3.9)	(15.6)	
Cash flow from investing activities																						
Purchases of property and equipment		(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)		(0.0)	(0.1)	(0.4)	(0.0)	(0.0)	(0.0)	(0.5)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	
Purchases of short-term investments						0.0					0.0					0.0					0.0	
Acquisitions						0.0				(5.4)	(5.4)					0.0					0.0	
Other	(0.6)	(0.4)	(0.5)	(0.8)	(0.5)	(2.2)	(0.8)	(0.9)	(1.1)	(1.6)	(4.4)	(0.3)	(1.4)			(1.7)					0.0	
Net cash used in investing activities	(0.6)	(0.4)	(0.5)	(0.9)	(0.5)	(2.3)	(0.8)	(0.9)	(1.1)	(7.1)	(9.9)	(0.8)	(1.4)	(0.0)	(0.0)	(2.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	
Cash flow from financing activities																						
Issuance of debt	3.6			1.5	8.1	9.6				3.2	3.2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(2.9)					0.0					0.0					0.0					0.0	
Issuance of stock	21.5	6.4	10.0	0.2	(0.0)	16.5	19.5	0.5	1.0	1.5	22.5	4.7	9.5	0.0	0.0	14.2	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercise	0.0				0.0	0.0	0.1	0.1	0.3	1.8	2.4	0.2	0.0			0.3					0.0	
Other						0.0	(0.1)		(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	3.0	3.0	3.0					0.0	
Dividends and distributions						0.0					0.0					0.0					0.0	
Cash provided by (used in) financing activities	22.2	6.4	10.0	1.7	8.1	26.1	19.5	0.7	1.3	6.5	28.0	4.9	9.6	3.0	0.0	17.5	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash						0.0					0.0					0.0					0.0	
Net increase (decrease) in cash	6.4	0.3	4.7	(2.3)	1.1	3.7	10.3	(5.6)	(4.6)	(6.2)	(6.0)	(2.3)	3.5	(1.9)	(4.5)	(5.3)	(3.3)	(4.1)	(4.4)	(4.0)	(15.7)	
Beginning cash and equivalents	0.7	7.2	7.4	12.1	9.8	7.2	10.8	21.2	15.6	11.1	10.8	4.8	2.5	5.9	4.0	4.8	(0.4)	(3.8)	(7.8)	(12.2)	(0.4)	
Ending cash and equivalents	7.2	7.4	12.1	9.8	10.8	10.8	21.2	15.6	11.1	4.9	4.8	2.5	5.9	4.0	(0.4)	(0.4)	(3.8)	(7.8)	(12.2)	(16.1)	(16.1)	

Source: Company reports and Ascendant Capital Markets estimates

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Knightscope, Inc.

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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%

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

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