



Genasys Inc.

Q2 about inline, but major Puerto Rico contract win should drive very strong FY25. Lowering P/T to \$4.25.

COMPANY UPDATE

Rating: BUY

Ticker: GNSS

Price: \$1.82

Target: \$4.25
(from \$4.75)

Q2 about inline: Genasys recently (on May 14) reported its fiscal Q2 FY24 (ending March) results. Revenue was \$5.7 million (-49% y-o-y), compared with our estimates of \$5.6 million and consensus of \$6.7 million. Pro forma EPS was \$(0.16), compared with our and consensus estimates of \$(0.12). There was no Q2 guidance.

Hardware deals delayed again: Q2 revenues were -58% (y-o-y). Several hardware deals expected to be booked in Q2 have been delayed until late FY24 or in FY25.

Major Puerto Rico contract win: Genasys just announced (in February) 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.

Lowered guidance for FY24 revenue: Management did not provide specific FY24 guidance, but did update its qualitative guidance for FY24 revenue to decline \$15 million from prior expectations of around \$58 million.

Lowering estimates: We are lowering our FY24 estimates for revenue to \$30 million, from \$49 million, and for EPS to \$(0.55) from \$(0.26). We are lowering our FY25 estimates for revenue to \$70 million, from \$82 million, and for EPS to \$0.06 from \$0.25.

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 Q2 FY23, the company announced a major new client win. In February 2023, 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.

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 \$7 million in cash and no debt, compared with \$14 million in cash and no debt as of December. The company just acquired (in the current Q3) a \$15 million 2-Year term loan (~11% due May 2026).

Valuation positive: We are maintaining our BUY rating, but lowering our 12-month price target to \$4.25 from \$4.75, which is based on a forward P/E multiple of 17x 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

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Stock Data

Exchange:	NasdaqCM
52-week Range:	\$1.51 – 3.92
Shares Outstanding (million):	44
Market cap (\$million):	\$80
EV (\$million):	\$73
Debt (\$million):	\$0
Cash (\$million):	\$7
Avg. Daily Trading Vol. (\$million):	\$0.3
Float (million shares):	35
Short Interest (million shares):	0.2
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>	<u>2025E</u> <u>(Cur.)</u>	<u>2025E</u> <u>(Old)</u>
Q1 Dec	4A		16E	13E
Q2 Mar	6A	6E	17E	17E
Q3 Jun	6E	14E	17E	24E
Q4 Sep	<u>14E</u>	<u>25E</u>	<u>20E</u>	<u>29E</u>
Total	30E	49E	70E	82E
EV/Revs	2.4x		1.0x	

Earnings per Share (pro forma)

	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>	<u>2025E</u> <u>(Cur.)</u>	<u>2025E</u> <u>(Old)</u>
Q1 Dec	(0.15)A		(0.01)E	(0.02)E
Q2 Mar	(0.16)A	(0.12)E	0.01E	0.02E
Q3 Jun	(0.16)E	(0.04)E	0.02E	0.12E
Q4 Sep	<u>(0.08)E</u>	<u>0.05E</u>	<u>0.04E</u>	<u>0.14E</u>
Total	(0.55)E	(0.26)E	0.06E	0.25E
P/E	N/A		30x	

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 May 14) reported its fiscal Q2 FY24 (ending March) results.
- Revenue was \$5.7 million (-49% y-o-y), compared with our estimates of \$5.6 million and consensus of \$6.7 million.
- Pro forma EPS was \$(0.16), compared with our and consensus estimates of \$(0.12).
- There was no Q2 guidance.
- Management did not provide specific FY24 guidance, but did update its 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 \$30 million, from \$49 million, and for EPS to \$(0.55) from \$(0.26).
- We are lowering our FY25 estimates for revenue to \$70 million, from \$82 million, and for EPS to \$0.06 from \$0.25.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$2 million, compared with our estimate of \$2 million.
- Gross margin for the quarter was 38%, versus 44% last year and our estimate of 35%.
- Operating expenses were \$9 million, compared with our estimate of \$8 million.
- Operating loss was \$7.0 million, compared with our estimate of a loss of \$5.9 million.
- Pro forma net loss was \$6.9 million, compared with our estimate of a loss of \$5.3 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 \$7 million in cash and no debt, compared with \$14 million in cash and no debt as of December. In October 2023, the company raised ~\$10 million selling stock (5.75 million shares at \$2.00/share). The company just acquired (in the current Q3) a \$15 million 2-Year term loan (~11% due May 2026).

Exhibit 1: Business Outlook (as of May 14, 2024)**Business Outlook**

Over the past several weeks, we have had numerous constructive conversations with our Puerto Rican customer, PREPA. As a result of those conversations, we now expect the project in Puerto Rico to generate approximately \$75 million in revenue to Genasys. The timing of revenue recognition is not yet clear, however the Company expects to receive an initial award payment, in addition to the return of the \$3.5 million bid bond shortly after signing the final terms and conditions of the contract. Design approval and equipment installation is expected to be broken down into seven separate groups of dams, each with their own Emergency Operations Center (EOC). While the initial RFP contemplated completion of all installations within 240 days of the total project approval, the revised approach of sequentially approving and installing groups of dams could extend beyond the end of fiscal 2025.

Regardless of precise timing, the project in Puerto Rico is expected to generate substantial EBITDA and cash. Importantly, by breaking down the project into distinct groups, the cash for deposits, installation, and final approvals is expected to flow consistently over the duration of the project. This approach is expected to lead to overall better margins in our hardware business as overhead absorption should be more distributed, especially as the CROWS 16 program ramps up.

Today's announced financing is expected to provide adequate resources to enable Genasys to continue growing its software business, while ramping production and deliveries to our hardware customers. Profits from the Puerto Rico dam project and future CROWS 16 deliveries are expected to not only enable timely repayment of the debt obligation, but also strengthen the Company's balance sheet.

Entering fiscal 2024, we expected a very back end loaded year from a revenue standpoint, given the exceptionally low initial backlog. Though the US DoD budget was passed at the end of March, we have yet to see related funding and subsequent purchase orders flow to Genasys. While funding and orders are still considered likely to progress, and we are very confident that CROWS 16 and the Puerto Rico dam project will drive substantial revenues in fiscal 2025 and beyond, we no longer expect fiscal 2024 hardware revenues to meet prior forecasts. Software revenues are still expected to grow sequentially with ARR at least doubling year over year at fiscal year end.

Source: Company report

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



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

Exhibit 3: Consensus Expectations (as of May 14, 2024)

	Revenue (mil)			EPS	
	2024E	2025E		2024E	2025E
Q1 Dec	\$4A		Q1 Dec	\$(0.15)A	
Q2 Mar	\$7E		Q2 Mar	\$(0.12)E	
Q3 Jun	\$15E		Q3 Jun	\$(0.03)E	
Q4 Sep			Q4 Sep		
Total	\$49E	\$87E	Total	\$(0.27)E	\$0.16E

*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	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Product sales	10.7	13.2	14.2	16.0	54.0	10.5	11.2	14.3	10.7	46.7	4.4	5.7	6.0	13.9	30.0	15.7	17.2	17.1	20.0	70.0
Contract and other					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	10.7	13.2	14.2	16.0	54.0	10.5	11.2	14.3	10.7	46.7	4.4	5.7	6.0	13.9	30.0	15.7	17.2	17.1	20.0	70.0
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	3.6	7.7	17.7	6.8	7.2	7.0	8.0	29.0
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	2.4	6.3	12.3	8.9	10.0	10.1	12.0	41.0
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	6.9	6.8	26.9	7.1	7.2	8.0	8.0	30.3
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	2.4	2.8	9.9	2.0	1.7	0.9	1.4	6.0
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	9.3	9.6	36.8	9.1	9.0	8.9	9.4	36.4
Operating income (loss)	(1.6)	(0.5)	(0.6)	(12.8)	(15.5)	(3.5)	(3.4)	(1.5)	(2.6)	(11.0)	(7.2)	(7.0)	(6.9)	(3.3)	(24.5)	(0.2)	1.0	1.2	2.6	4.7
Interest income (expense)	0.0	(0.0)			0.0		0.0			0.0			(0.5)	(0.5)	(1.0)	(0.4)	(0.4)	(0.4)	(0.5)	(1.7)
Other income (expense)	0.3		0.0	0.0	0.3	(0.0)		0.0	(0.0)	(0.0)	0.1	0.1			0.1					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)	(7.4)	(3.8)	(25.3)	(0.6)	0.6	0.8	2.1	3.0
Income taxes		(0.0)	(0.0)	1.1	1.0		0.0	(0.0)	7.4	7.4	(0.4)	(0.0)	(0.4)	(0.2)	(1.0)	(0.1)	0.1	0.1	0.2	0.3
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)	(7.0)	(3.6)	(24.3)	(0.5)	0.6	0.7	1.9	2.7
Nonrecurring/noncash adjustments				13.2	13.2				7.4	7.4					0.0					0.0
Net income (pro forma)	(1.3)	(0.5)	(0.6)	(0.7)	(3.1)	(3.5)	(3.4)	(1.4)	(2.6)	(11.0)	(6.7)	(6.9)	(7.0)	(3.6)	(24.3)	(0.5)	0.6	0.7	1.9	2.7
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)	(5.6)	(2.1)	(19.5)	1.1	2.3	2.5	3.9	9.7
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	44.7	44.8	44.4	44.9	45.0	45.2	45.3	45.1
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	44.7	44.8	44.4	44.9	45.0	45.2	45.3	45.1
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)	(\$0.16)	(\$0.08)	(\$0.55)	(\$0.01)	\$0.01	\$0.02	\$0.04	\$0.06
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)	(\$0.16)	(\$0.08)	(\$0.55)	(\$0.01)	\$0.01	\$0.02	\$0.04	\$0.06
Margins																				
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%	40.0%	45.0%	41.0%	57.0%	58.0%	59.0%	60.0%	58.6%
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%	115.0%	49.0%	89.5%	45.0%	42.0%	47.0%	40.0%	43.3%
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%	40.0%	20.0%	33.0%	13.0%	10.0%	5.0%	7.0%	8.6%
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%	-115.0%	-24.0%	-81.5%	-1.0%	6.0%	7.0%	13.0%	6.7%
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%	5.0%	5.0%	3.9%	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%	-117.2%	-26.2%	-81.1%	-3.2%	3.3%	4.2%	9.5%	3.8%
Y/Y % change																				
Total Revenue	33%	17%	12%	7%	15%	-2%	-15%	1%	-33%	-14%	-58%	-49%	-58%	30%	-36%	260%	200%	185%	44%	133%
Gross margin	32%	30%	-2%	-1%	11%	-7%	-29%	2%	-31%	-18%	-67%	-56%	-64%	18%	-43%	505%	359%	320%	92%	233%
Selling, general and administrative	54%	46%	15%	1%	25%	19%	8%	9%	11%	12%	7%	10%	15%	10%	10%	8%	9%	16%	18%	13%
Research and development	28%	97%	23%	13%	36%	41%	20%	25%	4%	22%	13%	11%	12%	57%	22%	-7%	-32%	-64%	-50%	-39%
Operating income (loss)	132%	-195%	-221%	-1913%	-1533%	117%	547%	131%	-79%	-29%	107%	105%	375%	27%	123%	-98%	-115%	-117%	-178%	-119%
Net income (loss)	111%	-288%	-303%	-1893%	-2403%	169%	592%	142%	-27%	13%	92%	104%	393%	-64%	32%	-93%	-108%	-110%	-152%	-111%
EPS Diluted (Pro forma)	101%	-280%	-296%	-188%	-522%	167%	583%	138%	292%	256%	61%	70%	309%	14%	84%	-93%	-108%	-110%	-151%	-111%

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	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
Assets																	
Cash and cash equivalents	10.1	9.0	11.7	12.7	7.6	6.4	3.0	8.7	4.8	3.5	14.7	2.9	8.6	6.8	14.0	7.6	
Short term investments	3.9	5.2	5.3	6.4	6.6	5.6	3.5	1.5	8.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	
Accounts receivable, net	6.8	5.6	5.7	6.7	3.3	3.6	10.4	6.0	4.4	2.8	3.5	10.5	7.9	9.7	9.9	15.2	
Inventory	9.1	9.6	8.8	6.0	8.0	9.4	8.0	6.5	6.9	6.6	5.4	11.5	11.8	13.2	10.5	12.0	
Deferred income taxes											0.0	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	0.9	1.8	2.8	2.1	2.6	2.6	
Total current assets	31.5	31.1	32.8	35.6	29.1	27.3	27.3	25.2	27.0	22.3	27.4	29.7	34.1	34.8	40.0	40.4	
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	1.1	0.6	0.2	(0.2)	(0.7)	(1.1)	
Intangibles, net	36.0	35.6	34.6	20.6	20.3	19.8	19.3	18.7	23.5	23.0	23.0	23.0	23.0	23.0	23.0	23.0	
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	0.0	
Other	6.2	6.0	5.6	5.8	4.9	4.9	4.7	4.4	4.2	3.9	3.9	3.9	3.9	3.9	3.9	3.9	
Total assets	87.3	85.1	85.1	71.9	64.5	61.7	60.8	49.9	56.6	51.0	55.8	57.7	61.6	61.8	66.6	66.6	
Liabilities and stockholders' equity																	
Accounts payable	2.3	3.0	2.5	2.3	2.6	3.5	3.3	2.8	1.9	2.6	2.6	2.1	5.7	3.8	7.4	3.0	
Accrued expenses	12.6	10.2	11.8	12.1	8.1	7.4	8.2	7.5	8.6	8.3	4.2	9.7	11.0	12.1	12.0	14.0	
Deferred revenue											0.0	0.0	0.0	0.0	0.0	0.0	
Deferred income tax											0.0	0.0	0.0	0.0	0.0	0.0	
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	1.0	1.0	1.0	1.0	
Short term debt	0.3	0.3									0.0	0.0	0.0	0.0	0.0	0.0	
Total current liabilities	16.1	14.3	15.2	15.4	11.6	11.9	12.5	11.3	11.5	11.9	7.8	12.8	16.7	15.9	19.4	17.0	
Deferred income taxes											4.2	4.2	4.2	4.2	4.2	4.2	
Other long term liabilities	6.5	6.3	6.0	6.1	5.2	5.0	4.7	4.8	4.5	4.2			4.2	4.2	4.2	4.2	
Long term debt											15.0	15.0	15.0	15.0	15.0	15.0	
Total other liabilities	6.5	6.3	6.0	6.1	5.2	5.0	4.7	4.8	4.5	4.2	19.2	19.2	19.2	19.2	19.2	19.2	
Common stock											0.5	1.0	1.6	2.1	2.6	3.1	
Additional paid-in capital	107.3	107.5	107.9	108.6	109.0	109.5	110.0	110.4	123.7	125.1	125.1	125.1	125.1	125.1	125.1	125.1	
Retained earnings	(42.5)	(43.0)	(43.5)	(57.4)	(60.9)	(64.3)	(66.0)	(76.1)	(82.5)	(89.7)	(96.7)	(100.4)	(100.9)	(100.3)	(99.6)	(97.7)	
Accumulated other comprehensive in	(0.1)	(0.1)	(0.5)	(0.8)	(0.5)	(0.4)	(0.4)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	
Other											0.3	0.3	0.3	0.3	0.3	0.3	
Total stockholders' equity	64.7	64.5	63.9	50.4	47.6	44.8	43.6	33.8	40.6	34.9	28.7	25.6	25.6	26.7	28.0	30.4	
Total stockholders' equity and liabil	87.3	85.1	85.1	71.9	64.5	61.702	60.8	49.9	56.6	51.0	55.8	57.7	61.6	61.8	66.6	66.6	

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	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
Prepaid as % of total rev	14%	13%	9%	23%	35%	21%	17%	24%	48%	110%	15%	13%	18%	12%	15%	13%	
Accounts payable as % of total rev	21%	22%	18%	15%	25%	31%	23%	26%	43%	45%	44%	15%	37%	22%	44%	15%	
Inventories as % of cost of rev	158%	155%	116%	72%	135%	149%	105%	121%	239%	184%	150%	150%	175%	182%	150%	150%	
Accrued expenses as % of total rev	118%	77%	84%	75%	77%	66%	57%	70%	198%	145%	70%	70%	70%	70%	70%	70%	
Activity Ratios																	
A/R Days Sales Outstanding	57	38	36	38	28	29	65	50	92	44	52	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	2.7x	2.7x	2.3x	2.2x	2.7x	2.7x	
A/P Days Payable	35	43	30	25	40	50	40	46	59	66	65	24	76	48	96	33	
Book & Cash Value (per share)																	
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	\$0.57	\$0.57	\$0.59	\$0.62	\$0.67	
Cash per Share (diluted)	\$0.48	\$0.45	\$0.52	\$0.54	\$0.41	\$0.34	\$0.19	\$0.27	\$0.32	\$0.16	\$0.40	\$0.14	\$0.27	\$0.23	\$0.38	\$0.24	
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	\$0.07	-\$0.20	-\$0.07	-\$0.11	\$0.05	-\$0.09	

Source: Company reports and Ascendant Capital Markets estimates

Genasys Inc.

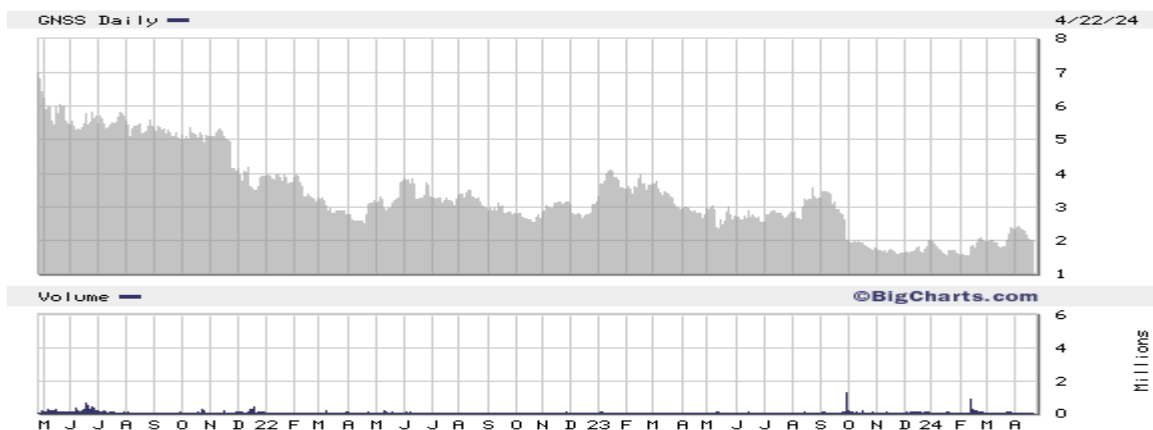
Cash Flow Statement (\$ mils)	Dec-21	Mar-22	Jun-22	Sep-22	2022	Dec-22	Mar-23	Jun-23	Sep-23	2023	Dec-23	Mar-24	Jun-24	Sep-24	2024	Dec-24	Mar-25	Jun-25	Sep-25	2025	
Fiscal Year End: September 30	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
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)	(7.0)	(3.6)	(24.3)	(0.5)	0.6	0.7	1.9	2.7	
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			0.4					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	0.5	0.5	2.0	0.5	0.5	0.5	0.5	2.1	
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			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Warranty provision	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)		(0.0)						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					0.0	
Other gains/losses				13.2	13.2					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	
Changes in operating assets and liabilities:																					
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	(0.6)	(7.1)	(4.4)	2.6	(1.8)	(0.1)	(5.3)	(4.6)	
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	1.2	(6.1)	(5.0)	(0.3)	(1.4)	2.7	(1.5)	(0.5)	
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)	5.4	(0.9)	0.1	(0.9)	0.7	(0.5)	(0.1)	(0.8)	
Other assets					0.0					0.0					0.0	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	0.0	(0.5)	(0.7)	3.7	(1.9)	3.6	(4.5)	0.9	
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	(4.1)	5.5	1.7	1.3	1.1	(0.1)	2.1	4.3	
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	0.0	
Other liabilities					0.0					0.0			0.0	0.0	0.0	(1.0)	0.0	0.0	0.0	(1.0)	
Net cash (used in) provided by	(2.7)	(0.4)	2.5	1.0	0.5	(4.9)	(2.6)	(5.4)	3.2	(9.6)	(5.7)	(6.8)	(3.9)	(11.5)	(27.9)	6.0	(1.5)	7.5	(6.1)	5.9	
Cash flow from investing activities																					
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)	(0.3)	(0.3)	(0.8)	(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			(1.5)					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	
Net cash used in investing activ	0.1	(0.2)	0.2	(0.1)	(0.1)	(0.5)	1.4	2.2	2.5	5.5	(9.1)	5.8	(0.3)	(0.3)	(3.9)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	
Cash flow from financing activities																					
Issuance of debt					0.0					0.0			15.0	0.0	15.0	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	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	
Cash provided by (used in) fina	(0.4)	(0.5)	(0.2)	0.0	(1.1)	0.0	0.0	(0.2)	0.1	(0.1)	10.4	(0.2)	15.0	0.0	25.2	0.0	0.0	0.0	0.0	0.0	
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	
Net increase (decrease) in cash	(3.0)	(1.2)	2.5	0.9	(0.9)	(5.3)	(1.2)	(3.4)	5.7	(4.1)	(4.4)	(1.2)	10.8	(11.8)	(6.6)	5.7	(1.8)	7.2	(6.4)	4.7	
Beginning cash and equivalents	14.5	11.5	10.3	12.8	14.5	13.7	8.4	7.2	3.8	13.7	9.5	5.1	3.9	14.7	9.5	2.9	8.6	6.8	14.0	2.9	
Ending cash and equivalents	11.5	10.3	12.8	13.7	13.7	8.4	7.2	3.8	9.5	9.5	5.1	3.9	14.7	2.9	2.9	8.6	6.8	14.0	7.6	7.6	

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
25	8/27/2023	B	6.00
26	12/8/2023	B	4.50
27	2/26/2024	B	4.75

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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.

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

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