



Genasys Inc.

Q4 revenue upside. Major contract wins should drive continued solid growth in FY23. Lowering P/T to \$7.00.

COMPANY UPDATE

Rating: BUY

Ticker: GNSS

Price: \$2.80

Target: \$7.00
(from \$8.00)

Q4 revenue upside: Genasys recently (on November 30) reported its fiscal Q4 FY22 (ending September) results. Revenue was \$16 million (+7% y-o-y), compared with our estimates of \$14 million and consensus of \$15 million. EPS was \$(0.02) (excluding \$(0.36) per share in goodwill impairment and special charges), compared with our estimates of \$(0.02) and consensus of \$(0.01). There was no Q4 guidance.

Backlog decline: The company had solid growth in all products and many new customer wins. However, backlog decreased to \$22 million vs. \$30 million in Q3.

Guidance for FY23 revenue growth: Management expect continued revenue growth in FY23 (was +15% in FY22). It expects operating expenses to increase by ~\$5 million in FY23 as it invests in its SaaS business.

Adjusting estimates: We are adjusting our FY23 estimates for revenue to \$58 million, from \$57 million, and for EPS to \$0.00 from \$0.08.

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. This has helped win new product contracts and expand its customer base, and return to strong growth.

FY23 another year of investment: The company plans for significant investment in its business as operating expenses are expected to increase \$5 million versus FY22. The increase was \$6 million in FY22 vs. FY21. The company is investing heavily in its SAAS business as it grows beyond its historical pure hardware business. It also expects to invest heavily in its sales and marketing areas.

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 in FY23 (+7%E) and FY24 (+4%E). Solid revenue growth should translate into operating leverage particularly in FY24.

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 lowering our 12-month price target to \$7.00 from \$8.00, which is based on a forward P/E multiple of 28x our FY25 EPS estimate of \$0.25. We believe this multiple is reasonable as it is its estimated near-term earnings growth rate (implying a PEG ratio of ~1 (P/E to growth rate)). We believe this valuation appropriately balances out the company's risks with the company's growth prospects and large upside opportunities.

Company Description

Based in San Diego, CA, Genasys designs and develops proprietary sound technologies and products that are deployed by the military, public safety, and commercial organizations around the world.

United States
Technology

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Stock Data

Exchange:	NasdaqCM
52-week Range:	\$2.40 – 4.29
Shares Outstanding (million):	37
Market cap (\$million):	\$104
EV (\$million):	\$84
Debt (\$million):	\$0
Cash (\$million):	\$20
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	29
Short Interest (million shares):	0.2
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 Dec	12E		12E	
Q2 Mar	15E		15E	
Q3 Jun	15E		16E	
Q4 Sep	<u>17E</u>	<u>16E</u>	<u>17E</u>	
Total	58E	57E	60E	
EV/Revs	1.4x		1.4x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Dec	(0.04)E	(0.03)E	(0.01)E	
Q2 Mar	0.00E	0.01E	0.02E	
Q3 Jun	0.01E	0.04E	0.03E	
Q4 Sep	<u>0.02E</u>	<u>0.04E</u>	<u>0.04E</u>	
Total	0.00E	0.08E	0.08E	
P/E	N/A		35x	

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 November 30) reported its fiscal Q4 FY22 (ending September) results.
- Revenue was \$16 million (+7% y-o-y), compared with our estimates of \$14 million and consensus of \$15 million.
- EPS was \$(0.02) (excluding \$(0.36) per share in goodwill impairment and special charges), compared with our estimates of \$(0.02) and consensus of \$(0.01).
- There was no Q4 guidance.
- Management as usual did not provide any specific forward guidance, but qualitatively continues to expect revenue growth in FY23. It expects operating expenses to increase by ~\$5 million in FY23 as it invests in its SaaS business.
- We are adjusting our FY23 estimates for revenue to \$58 million, from \$57 million, and for EPS to \$0.00 from \$0.08.
- We are initiating our FY24 estimates for revenue of \$60 million, and for EPS of \$0.08.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$8 million, compared with our estimate of \$7 million.
- Gross margin for the quarter was 48%, versus 51% last year and our estimate of 51%.
- Pro forma operating expenses were \$7 million (excluding \$13 million in special charges), compared with our estimate of \$8 million.
- Pro forma operating income was ~\$0 million, compared with our estimate of a loss of \$1.0 million.
- Pro forma net loss was \$0.7 million, compared with our estimate of a loss of \$0.9 million.
- Backlog was \$22 million vs. \$30 million last quarter.

- In January 2018, LRAD announced the acquisition of Genasys Holding S.L., a leading software provider of advanced location-based mass messaging solutions for emergency warning systems and workforce management. Genasys, based in Madrid, Spain, had 2017 revenues of ~\$2.3 million. The purchase price was ~\$3 million.
- In October 2019, LRAD rebranded as Genasys Inc. to reflect its broader commitment to critical communications.
- In August 2020, Genasys announced that it will acquire privately held Amika Mobile, a Canada-based enterprise software provider of critical event situational awareness, communication and control products. The purchase price was ~\$8 million. The deal closed in October 2020.
- In June 2021, Genasys acquired Zonehaven, a fast-growing provider of software-as-a-service (SaaS) solutions for emergency evacuations. Based in San Francisco, CA, Zonehaven's services are trusted by more than 170 fire districts, 140 law enforcement agencies and 200 cities, with more than 3,300 evacuation zones covering 3.2 million people in Northern California and Southern Oregon. The purchase price was \$24 million in cash and stock.

The company's balance sheet is solid with \$20 million in cash and no debt, compared with \$19 million in cash and no debt as of June.

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



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

Exhibit 2: Consensus Expectations (as of November 30, 2022)

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Dec	\$11A	\$11E	Q1 Dec	\$(0.04)A	\$(0.06)E
Q2 Mar	\$13A		Q2 Mar	\$(0.01)A	
Q3 Jun	\$14A		Q3 Jun	\$(0.02)A	
Q4 Sep	\$15E		Q4 Sep	\$(0.01)E	
Total	\$53E	\$58E	Total	\$(0.07)E	\$0.00E

*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	Q1E	Q2E	Q3E	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	11.7	14.5	15.1	16.7	58.0	12.2	15.1	15.7	17.3	60.3
Contract and other					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	8.0	11.3	12.6	15.0	47.0	10.7	13.2	14.2	16.0	54.0	11.7	14.5	15.1	16.7	58.0	12.2	15.1	15.7	17.3	60.3
<u>Cost of Revenues</u>	<u>4.3</u>	<u>6.0</u>	<u>5.9</u>	<u>7.3</u>	<u>23.6</u>	<u>5.8</u>	<u>6.2</u>	<u>7.6</u>	<u>8.4</u>	<u>27.9</u>	<u>5.5</u>	<u>6.1</u>	<u>6.0</u>	<u>6.3</u>	<u>24.0</u>	<u>4.5</u>	<u>5.6</u>	<u>5.7</u>	<u>6.2</u>	<u>22.0</u>
Gross Profit	3.7	5.3	6.7	7.7	23.4	4.9	7.0	6.6	7.7	26.1	6.2	8.4	9.1	10.3	34.0	7.7	9.5	10.0	11.1	38.3
Selling, general and administrative	3.3	3.8	4.8	5.5	17.4	5.1	5.6	5.5	5.6	21.8	5.5	6.1	6.3	7.0	24.9	5.6	6.2	6.6	7.3	25.7
Research and development	1.1	1.0	1.4	1.5	4.9	1.4	1.9	1.7	1.7	6.7	2.2	2.3	2.1	2.3	9.0	2.3	2.4	2.2	2.3	9.2
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	7.8	8.4	8.5	9.3	33.9	7.9	8.6	8.8	9.5	34.9
Operating income (loss)	(0.7)	0.6	0.5	0.7	1.1	(1.6)	(0.5)	(0.6)	(12.8)	(15.5)	(1.5)	0.0	0.6	1.0	0.1	(0.2)	0.9	1.3	1.6	3.5
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	0.0	0.0
Other income (expense)					0.0	0.3		0.0	0.0	0.3					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)	(1.5)	0.0	0.6	1.0	0.1	(0.2)	0.9	1.3	1.6	3.5
Income taxes	(0.0)	0.3	0.2	(0.1)	0.4		(0.0)	(0.0)	1.1	1.0	(0.2)	0.0	0.1	0.1	0.0	(0.0)	0.1	0.1	0.2	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)	(1.4)	0.0	0.5	0.9	0.1	(0.2)	0.8	1.1	1.4	3.1
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)	(1.4)	0.0	0.5	0.9	0.1	(0.2)	0.8	1.1	1.4	3.1
EBITDA	(0.2)	1.2	1.4	1.8	4.1	(0.4)	0.9	0.4	1.6	2.4	(0.5)	1.0	1.6	2.0	4.0	0.7	1.9	2.2	2.6	7.4
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	37.0	37.1	36.9	37.2	37.3	37.5	37.6	37.4
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	37.0	37.1	36.9	37.2	37.3	37.5	37.6	37.4
EPS Basic (Pro forma)	(\$0.02)	\$0.01	\$0.01	\$0.02	\$0.02	(\$0.04)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.04)	\$0.00	\$0.01	\$0.02	\$0.00	(\$0.01)	\$0.02	\$0.03	\$0.04	\$0.08
EPS Diluted (Pro forma)	(\$0.02)	\$0.01	\$0.01	\$0.02	\$0.02	(\$0.04)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.04)	\$0.00	\$0.01	\$0.02	\$0.00	(\$0.01)	\$0.02	\$0.03	\$0.04	\$0.08
Margins																				
Gross margin	46.1%	47.2%	53.0%	51.2%	49.8%	45.8%	52.9%	46.5%	47.8%	48.3%	53.0%	58.0%	60.0%	62.0%	58.7%	63.0%	63.0%	64.0%	64.0%	63.5%
Selling, general and administrative	41.5%	33.8%	37.8%	36.5%	37.1%	48.1%	42.5%	38.9%	34.7%	40.3%	47.0%	42.0%	42.0%	42.0%	43.0%	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%	19.0%	16.0%	14.0%	14.0%	15.5%	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%	-13.0%	0.0%	4.0%	6.0%	0.1%	-2.0%	6.0%	8.0%	9.0%	5.8%
Tax rate, GAAP	0.8%	51.9%	44.0%	-10.3%	38.1%	0.0%	8.4%	5.0%	-8.7%	-6.8%	10.0%	10.0%	10.0%	10.0%	10.0%	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%	-11.7%	0.0%	3.6%	5.4%	0.1%	-1.8%	5.4%	7.2%	8.1%	5.2%
YY % change																				
Total Revenue	-9%	37%	5%	8%	9%	33%	17%	12%	7%	15%	10%	10%	7%	4%	7%	4%	4%	4%	4%	4%
Gross margin	-20%	33%	3%	2%	3%	32%	30%	-2%	-1%	11%	27%	21%	38%	35%	30%	24%	13%	11%	7%	13%
Selling, general and administrative	18%	40%	43%	74%	45%	54%	46%	15%	1%	25%	8%	9%	15%	26%	14%	2%	2%	4%	4%	3%
Research and development	-2%	1%	16%	14%	8%	28%	97%	23%	13%	36%	63%	22%	24%	38%	35%	4%	4%	4%	-3%	2%
Operating income (loss)	-200%	68%	-73%	-77%	-82%	132%	-195%	-221%	-1913%	-1533%	-5%	-100%	-196%	-108%	-101%	-84%	#DIV/0!	108%	56%	4375%
Net income (loss)	-200%	-13%	-81%	-92%	-94%	111%	-288%	-303%	-1893%	-2403%	5%	-100%	-192%	-107%	-100%	-84%	#DIV/0!	108%	56%	4375%
EPS Diluted (Pro forma)	-197%	-16%	-81%	-92%	-94%	101%	-280%	-296%	-188%	-522%	5%	-100%	-191%	-234%	-102%	-84%	#DIV/0!	105%	54%	4315%

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	Q1E	Q2E	Q3E	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	8.0	6.2	12.2	6.5	13.9	12.0	18.4	12.5
Short term investments	5.5	5.5	6.0	5.7	3.9	5.2	5.3	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Accounts receivable, net	3.2	5.4	6.3	7.7	6.8	5.6	5.7	6.7	5.9	8.2	8.7	12.6	6.1	8.5	9.1	13.1
Inventory	7.0	6.5	6.4	6.4	9.1	9.6	8.8	6.0	9.7	11.1	9.1	9.5	7.9	10.2	8.5	9.4
Deferred income taxes									0.0	0.0	0.0	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	2.1	1.8	2.3	2.2	2.1	1.8	2.4	2.3
Total current assets	36.2	37.2	35.0	35.5	31.5	31.1	32.8	35.6	32.0	33.6	38.6	37.2	36.5	38.9	44.7	43.7
Long term securities/investments	3.6	3.6	3.5	1.9	3.4	2.3	2.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Property and equipment, net	1.9	1.9	1.8	1.8	1.8	1.7	1.6	1.8	1.4	1.1	0.7	0.4	0.1	(0.3)	(0.6)	(0.9)
Intangibles, net	12.2	12.0	37.3	36.6	36.0	35.6	34.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6
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	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Total assets	70.6	70.9	93.6	90.1	87.3	85.1	85.1	71.9	68.0	69.2	73.9	72.1	71.1	73.2	78.6	77.2
Liabilities and stockholders' equity																
Accounts payable	1.6	2.6	2.7	2.2	2.3	3.0	2.5	2.3	4.3	3.2	6.6	2.5	4.5	3.4	6.8	2.6
Accrued expenses	7.8	7.0	13.3	14.1	12.6	10.2	11.8	12.1	8.2	10.1	10.6	11.7	8.6	10.5	11.0	12.1
Deferred revenue									0.0	0.0	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	0.0	0.0
Other	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.0	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	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	12.5	13.4	17.1	14.1	13.0	13.9	17.8	14.7
Deferred income taxes																
Other long term liabilities	7.3	7.1	11.4	6.7	6.5	6.3	6.0	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Long term debt	0.0	0.0	0.0						0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	7.3	7.1	11.4	6.7	6.5	6.3	6.0	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Common stock									0.4	0.7	1.1	1.4	1.8	2.1	2.5	2.8
Additional paid-in capital	94.9	95.2	106.6	107.1	107.3	107.5	107.9	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4	50.4
Retained earnings	(42.5)	(42.2)	(41.9)	(41.2)	(42.5)	(43.0)	(43.5)		(1.4)	(1.4)	(0.8)	0.1	(0.1)	0.7	1.8	3.2
Accumulated other comprehensive income	0.2	0.1	0.3	0.0	(0.1)	(0.1)	(0.5)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	52.7	53.1	65.0	66.0	64.7	64.5	63.9	50.4	49.4	49.7	50.6	51.9	52.0	53.2	54.7	56.4
Total stockholders' equity and liabilities	70.6	70.9	93.6	90.1	87.3	85.1	85.1	71.9	68.0	69.2	73.9	72.1	71.1	73.2	78.6	77.2

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	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	13%	12%	14%	17%	14%	13%	9%	23%	18%	12%	15%	13%	18%	12%	15%	13%
Accounts payable as % of total rev	20%	23%	21%	14%	21%	22%	18%	15%	37%	22%	44%	15%	37%	22%	44%	15%
Inventories as % of cost of rev	161%	108%	108%	87%	158%	155%	116%	72%	175%	182%	150%	150%	175%	182%	150%	150%
Accrued expenses as % of total rev	98%	62%	105%	94%	118%	77%	84%	75%	70%	70%	70%	70%	70%	70%	70%	70%
Activity Ratios																
A/R Days Sales Outstanding	35	43	45	46	57	38	36	38	45	51	52	68	45	51	52	68
Inventory Turnover	2.5x	3.7x	3.7x	4.6x	2.5x	2.6x	3.4x	5.6x	2.3x	2.2x	2.7x	2.7x	2.3x	2.2x	2.7x	2.7x
A/P Days Payable	34	39	41	26	35	43	30	25	70	48	98	35	89	54	109	37
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	\$1.35	\$1.35	\$1.37	\$1.40	\$1.40	\$1.43	\$1.46	\$1.50
Cash per Share (diluted)	\$0.83	\$0.79	\$0.68	\$0.56	\$0.48	\$0.45	\$0.52	\$0.54	\$0.41	\$0.36	\$0.52	\$0.37	\$0.57	\$0.52	\$0.68	\$0.52
Net cash per Share (diluted)	\$0.82	\$0.78	\$0.67	\$0.55	\$0.47	\$0.45	\$0.52	\$0.54	\$0.41	\$0.36	\$0.52	\$0.37	\$0.57	\$0.52	\$0.68	\$0.52

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	Q4E	FY-E	Q1E	Q2E	Q3E	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)	(1.4)	0.0	0.5	0.9	0.1	(0.2)	0.8	1.1	1.4	3.1	
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	2.6	
Amortization	0.1	0.1	0.2	(0.4)	0.0	0.2	(0.2)	0.0	0.0	0.0	0.0	0.4	0.2	0.6	0.6					0.0					0.0	
Stock comp	0.2	0.3	0.3	0.2	1.0	0.2	0.3	0.4	0.5	1.4	0.6	0.7	0.4	0.4	2.0	0.4	0.4	0.4	0.4	1.4	0.4	0.4	0.4	0.4	1.4	
Provision for bad debts				0.0	0.0					0.0					0.0					0.0					0.0	
Deferred income taxes	0.2	0.1	0.5	(6.5)	(5.7)	(0.0)	0.3	0.3	(0.1)	0.4	(0.3)	(0.0)	(0.0)	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Warranty provision	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0					0.0					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	0.2					0.0					0.0	
Other gains/losses				0.1	0.1	(0.1)	0.0	(0.0)	(0.1)	0.7	0.2	(0.2)	0.0	13.9	13.9					0.0					0.0	
Other				0.6	0.6			0.4	0.2	0.2					0.0					0.0					0.0	
Changes in operating assets and liabilities:																										
Accounts receivable	(2.3)	0.1	(0.5)	0.9	(1.8)	2.3	(2.3)	(0.6)	(1.6)	(2.1)	0.9	1.2	(0.2)	(1.1)	0.9	0.8	(2.3)	(0.5)	(3.9)	(5.9)	6.5	(2.4)	(0.6)	(4.1)	(0.5)	
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	2.8	0.2	(3.7)	(1.4)	2.0	(0.5)	(3.5)	1.6	(2.3)	1.7	(0.9)	0.1	
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	(2.3)	(1.3)	1.6	0.3	(0.5)	0.1	1.5	0.0	0.3	(0.5)	0.1	(0.1)	
Other assets				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	2.0	(1.1)	3.3	(4.1)	0.1	2.0	(1.1)	3.5	(4.3)	0.1	
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	0.3	(2.8)	(3.9)	1.9	0.4	1.1	(0.4)	(3.1)	2.0	0.4	1.2	0.5	
Warranty settlements				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	
Other liabilities				0.0	0.0					0.0					0.0					0.0					0.0	
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	0.6	0.0	(4.4)	(1.5)	6.3	(5.4)	(5.1)	7.8	(1.6)	6.6	(5.6)	7.2	
Cash flow from investing activities																										
Purchases of property and equip	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.2)	(0.2)	(0.0)	(0.0)	(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	(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	0.2	0.2					0.0					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	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.2)	(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	
Repayment of debt		(0.0)	(0.0)	0.0	(0.0)		(0.1)	0.0	0.0	(0.1)		(0.0)	(0.3)	(0.3)						0.0					0.0	
Issuance of stock					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)	(0.4)	(0.4)					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	0.3	0.3					0.0					0.0	
Other					0.0					0.0					0.0					0.0					0.0	
Dividends and distributions					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)	(0.4)	(1.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash	0.0	(0.0)	(0.0)	0.0	0.0	0.0	(0.0)	0.0	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)						0.0					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	(0.1)	(1.8)	(4.7)	(1.8)	6.0	(5.7)	(6.3)	7.5	(1.9)	6.3	(5.9)	6.0	
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	12.7	8.0	6.2	12.2	12.7	6.5	13.9	12.0	18.4	6.5	
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	12.7	12.7	8.0	6.2	12.2	6.5	6.5	13.9	12.0	18.4	12.5	12.5	

Source: Company reports and Ascendant Capital Markets estimates

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Genasys Inc.



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

	Report Date		Price
Report	Date	Rating	Target
1	1/16/2018	B	3.50
2	2/9/2018	B	3.50
3	5/16/2018	B	3.75
4	8/15/2018	B	4.00
5	8/23/2018	B	4.50
6	12/14/2018	B	4.00
7	2/17/2019	B	4.25
8	5/8/2019	B	4.50
9	8/13/2019	B	4.75
10	12/15/2019	B	4.50
11	2/11/2020	B	4.75
12	5/12/2020	B	5.50
13	8/11/2020	B	5.75
14	12/14/2020	B	8.50
15	2/13/2021	B	8.75
16	5/17/2021	B	9.00
17	8/7/2021	B	9.50
18	11/23/2021	B	8.50
19	3/2/2022	B	8.00
20	5/14/2022	B	7.50
21	8/17/2022	B	8.00

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BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

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Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 7, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

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