



Sify Technologies Limited Sponsored ADR (SIFY)

3Q:F23 Revenue Beat, Profit Missed Our Forecast; Think Growth Potential Of Planned Data Center Capacity Expansion Remains Unappreciated; Maintain \$7 Target

	F2022	F2023E		F2024E		F2025E	
		OLD	NEW	OLD	NEW	OLD	NEW
June	\$0.03	\$0.02A		\$0.02	\$0.01		\$0.02
Sep.	0.03	0.01A		0.02			0.03
Dec.	0.03	0.02	0.02A	0.03	0.02		0.04
Mar.	0.03	0.03	0.01	0.04	0.02		0.06
EPS (FY)	\$0.12	\$0.08	\$0.07	\$0.10	\$0.07		\$0.14
EPS (Cal.)	\$0.08	\$0.09	\$0.04		\$0.08		
P/E (FY)			26.3x		26.3x		13.1x
P/E (Cal.)			46.0x		23.0x		

Note: NR = Not Rated. Risk Ratings: H = High; M = Moderate. F2022-F2025E EPS estimates assume 178 million fully diluted shares, constant-currency USD/INR exchange rate of 65. Sum of quarterly data may not equal full-year total due to rounding and/or changes in share count. NC = Not covered by Sidoti & Company, LLC.

Year	F2016	F2017	F2018	F2019	F2020	F2021	F2022	F2023E	F2024E	F2025E
Rev.(Mil.)	\$231.3	\$283.6	\$318.2	\$331.5	\$353.1	\$374.1	\$415.8	\$504.5	\$550.8	\$667.3
GAAP EPS	\$0.04	\$0.06	\$0.08	\$0.09	\$0.06	\$0.09	\$0.12	\$0.07	\$0.07	\$0.14

Description: Sify Technologies Ltd., (www.sifytechnologies.com) is one of the largest integrated Information & Communication Technology (ICT) solutions and services companies in India, offering end-to-end solutions over a common telecom data network infrastructure. Sify's network reaches more than 1,550 cities in India and connects 45 data centers, including six owned Tier 3 data centers. Headquarters are in Chennai, India.

- **Sify delivered another quarter of strong revenue growth. Revenue in 3Q:F23 increased 31% year-over-year to \$136.9 million, topping our \$124 million forecast.**
- **Although revenue topped our estimate, operating profit was below our expectation.**
- **The revenue beat was driven by Sify's Digital Services, which had an excellent quarter, growing 90%, driven by several project completions in the quarter.**
- **Sify's Data Center services grew 19%. This was lower than we projected, but with its data center capacity set to double by the end of 2023, we remain bullish on the growth potential for this business.**
- **We think the stock price may not reflect Sify's growth potential nor the potential for profitability to improve as Sify gains leverage on its infrastructure investments and expanded headcount.**
- **Given the company's track record of revenue and operating profit growth, modest leverage and potential for further gains backed by strong secular trends, we think the stock's valuation is heavily discounted.**
- **We maintain our \$7 price target, based on 50x our F2025 EPS forecast of \$0.14 as we shift away from 70x estimated F2024 EPS. The lower multiple reflects the longer time horizon of our estimates.**
- **Given the company's growth potential and modest leverage, we maintain our moderately risky rating.**

Revenue in 3Q:F23 beat our forecast... Revenue in 3Q:F23 grew 31% to \$136.9 million, topping our \$124 million forecast, driven by Sify's Digital Services segment, where revenue increased 90% to \$48.5 million, blowing past our \$28.5 million forecast. This segment is comprised of Sify's Cloud and Managed services as well as its Technology Integration and Application Integration services. The upside was mainly timing related as the company's Technology Integration services are very project-based and several large projects were completed in the quarter. Growth in the company's Network Services was as expected with revenue rising 8% to \$51.3 million. Data Center Services grew 19% to \$37 million, missing our \$43 million forecast. Recent quarters contained some nonrecurring project work that led

NR

Price Target: \$7

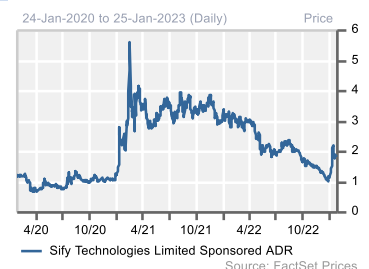
Price: \$1.84

Risk Rating: M

Gregory Burns
(212) 894-3317
(gburns@sidoti.com)

Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$340
Enterprise Value	\$541
52-Week Range (NASDAQ)	3-1
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	89,000
Shares Out (Mil)	182.742
Float Shares (Mil)	24.1
Insider Ownership	86%
Institutional Holdings	1%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (F2025E)	(\$0.10)
FCF Yield (F2025E)	NM
Net Cash Per Share (F2025E)	(\$1.63)
Price to Book Value	1.8x
Return on Equity (F2025E)	10.2%
Total Debt to Capital	56%
Interest Coverage Ratio	1.5x
Short Interest %	N/A
Short Interest Days To Cover	0.5
Russell 2000	1,890
Russell 2000 – Last 12 Months	-5.7%
SIFY – Last 12 Months	-36.8%



us to overestimate the near-term growth for this segment. That said, we remain bullish on the long-term growth potential of this segment and we continue to see it as Sify's primary growth engine. The company operates 11 data centers with about 100 megawatts of capacity and it has three green-field projects underway that will be operational by the end of 2023, nearly doubling its existing capacity with an incremental 78 megawatts. While we project steady growth from Sify's Data Center business, these new Data Centers will be a major catalyst that will accelerate growth as they come online in the latter part of the year.

...but profitability was below our forecast. Gross margin declined to 35.2% from 42% a year ago, missing our 41.1% forecast. EBITDA margin declined 500 basis points to 18.2%, missing our 22.2% forecast. Margins vary depending on the revenue mix in a given quarter, with lower-margin project work in its Technology Integration Services typically driving quarterly variances. That was the case this quarter, but Sify is also adding to its headcount to support its network investments and the growth of its Digital Services. Management, in our view, has been prudent in controlling spending, and although margins (excluding the change in revenue mix) were a little lower than we projected, the company is still delivering profitable growth and we expect to see margins rebound as the company's network and data center investments begin generating more meaningful revenue. EBITDA grew just 3% to \$24.9 million, missing our \$27.6 million forecast. Net income declined 25%, due to higher depreciation and interest expense tied to Sify's Data Center and network investments, leading to EPS of \$0.02, which was in line with our forecast.

Exhibit 1: Sify Technologies Variance Analysis						
	3Q:F23E	3Q:F23A	Var	3Q:F22A	3Q:F23A	% Change
Total revenue	\$124.0	136.9	12.9	\$104.4	136.9	31.1%
Gross Profit	51.0	48.1	(2.9)	43.9	48.1	9.6%
(%)	41.1%	35.1%		42.0%	35.1%	
EBITDA	27.6	24.9	(2.7)	24.2	24.9	2.9%
(%)	22.3%	18.2%		23.2%	18.2%	
Diluted EPS	\$0.02	\$0.02	\$0.00	\$0.03	\$0.02	(25.0%)

Sources: Sidoti & Company, LLC estimates and company filings

Valuation	<p>We maintain our \$7 price target on SIFY. The pandemic curbed India's economic growth for a short period but did not change the long-term trajectory of digital transformation. We view Sify as a primary beneficiary of this transformation. With the stock trading at enterprise value of just 4.5x our F2024 EBITDA projection and 3.5x our F2025 forecast, SIFY is valued at a steep discount to peers in the India telecom and application and technology integration market players group, which trade 8x-12x. Given Sify's track record of revenue and EBITDA growth and its potential for continued expansion, we see merit to trading at the high-end of the peer range. Our \$7 price target is based on 50x our new F2024 EPS estimate of \$0.14; previously we valued the stock at 70x estimated F2024 EPS. This new valuation equates to 10x our F2025 EBITDA estimate of \$154 million, less projected net debt of \$300 million, to yield \$1.24 billion, or \$6.80 per share. The company's growth potential and modest leverage support our moderate risk rating.</p>		
Key Risks	Foreign exchange	Concentrated ownership	

SIFY TECHNOLOGIES LIMITED SPONSORED ADR

Table 1: Sify Technologies Ltd., Income Statement

(Dollars in millions except where noted)

	Jun	Sep	Dec	Mar	F2022	JunA	SepA	DecA	MarE	F2023E	JunE	SepE	DecE	MarE	F2024E	F2025E
Total revenue	99.2	107.5	104.4	104.7	415.8	118.6	122.1	136.9	127.0	504.5	129.5	135.5	137.5	148.4	550.8	667.3
COGS	60.1	64.6	60.5	62.7	247.9	75.5	76.7	88.7	77.3	318.3	77.6	81.6	81.6	88.8	329.6	390.6
Gross profit	39.2	42.8	43.9	42.0	167.9	43.1	45.4	48.1	49.7	186.3	51.9	53.9	55.9	59.6	221.2	276.6
SG&A	16.8	20.1	19.7	18.4	74.9	19.6	22.2	23.2	23.6	88.6	24.6	25.1	25.4	26.4	101.5	122.6
EBITDA	22.4	22.7	24.2	23.6	92.9	23.5	23.2	24.9	26.1	97.6	27.3	28.8	30.4	33.2	119.7	154.0
D&A	12.3	12.2	12.9	13.2	50.5	14.3	14.7	15.3	15.9	60.2	16.6	17.6	18.5	19.6	72.3	84.6
EBIT	10.0	10.6	11.4	10.5	42.4	9.2	8.5	9.6	10.2	37.5	10.7	11.2	11.9	13.5	47.4	69.4
Interest and other expense (income)	3.5	3.9	4.3	4.1	15.8	4.3	5.6	6.5	7.2	23.6	7.8	7.8	7.8	7.8	31.1	36.9
Other expense (income)	(0.2)	(0.4)	(0.3)	(0.9)	(1.8)	(1.2)	(0.4)	(0.4)	(0.5)	(2.6)	(0.5)	(0.5)	(0.5)	(0.5)	(2.2)	(2.2)
EBT	6.8	7.1	7.3	7.2	28.4	6.1	3.4	3.5	3.5	16.5	3.5	4.0	4.7	6.3	18.4	34.6
Taxes	1.7	1.6	2.0	2.2	7.6	1.9	1.7	(0.5)	1.1	4.1	1.0	1.2	1.4	1.9	5.5	10.4
Net income	5.1	5.5	5.3	5.0	20.8	4.2	1.7	4.0	2.5	12.3	2.4	2.8	3.3	4.4	12.9	24.2
EPS - diluted	\$0.03	\$0.03	\$0.03	\$0.03	\$0.12	\$0.02	\$0.01	\$0.02	\$0.01	\$0.07	\$0.01	\$0.02	\$0.02	\$0.02	\$0.07	\$0.14
Shares outstanding - diluted	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0	178.0
<u>Margins</u>																
Gross margin	39.5%	39.9%	42.0%	40.1%	40.4%	36.3%	37.2%	35.2%	39.1%	36.9%	40.1%	39.7%	40.6%	40.1%	40.2%	41.5%
EBITDA	22.5%	21.1%	23.2%	22.6%	22.3%	19.8%	19.0%	18.2%	20.5%	19.4%	21.1%	21.2%	22.1%	22.3%	21.7%	23.1%
Operating margin	10.1%	9.8%	10.9%	10.0%	10.2%	7.8%	7.0%	7.0%	8.0%	7.4%	8.3%	8.3%	8.7%	9.1%	8.6%	10.4%
Net margin	5.1%	5.1%	5.1%	4.8%	5.0%	3.5%	1.4%	2.9%	1.9%	2.4%	1.9%	2.1%	2.4%	3.0%	2.3%	3.6%
<u>Growth YoY</u>																
<u>YoY</u>																
Total revenue	22.7%	18.4%	7.6%	(0.8%)	11.1%	19.5%	13.6%	31.2%	21.3%	21.4%	9.2%	10.9%	0.4%	16.9%	9.2%	21.1%
Gross profit	18.0%	23.7%	20.6%	(4.1%)	13.4%	10.0%	5.9%	9.7%	18.3%	11.0%	20.5%	18.7%	16.1%	19.9%	18.8%	25.1%
EBITDA	26.1%	24.2%	21.9%	5.6%	18.8%	4.9%	2.2%	2.9%	10.3%	5.1%	16.3%	24.0%	22.2%	27.3%	22.6%	28.7%
EBIT	26.1%	24.2%	21.9%	5.6%	18.8%	4.9%	2.2%	2.9%	10.3%	5.1%	16.3%	24.0%	22.2%	27.3%	22.6%	28.7%
EPS	91.3%	38.5%	36.5%	(10.5%)	29.7%	(17.6%)	(68.5%)	(25.0%)	(50.9%)	(40.9%)	(42.1%)	62.3%	(17.6%)	79.7%	4.7%	88.1%

Note: Historical results and estimates assume constant currency USD/INR exchange rate of 65

Sources: Sidoti & Company, LLC. estimates and company reports

Table 2: Sify Technologies Ltd.. Cash Flow Statement

(Dollars in millions except where noted)

	F2022	F2023E	F2024E	F2025E
Net income	\$19.3	\$12.3	\$12.9	\$24.2
D&A	50.7	61.9	72.3	84.6
Provision for doubtful accounts	6.7	-	-	-
Stock compensation	0.4	0.2	0.2	0.2
Net finance (income) / expense	15.8	-	-	-
Unrealized (gain) / loss on account of exchange differences	(0.2)	-	-	-
Amortization of leasehold prepayments	-	-	-	-
Accounts receivable	(62.8)	(10.7)	(20.8)	(52.4)
Inventory	(15.3)	2.0	(1.2)	(6.7)
Prepaid and other current assets	10.6	-	-	-
Accounts payable	21.0	32.5	7.4	39.7
Employee benefits	(1.1)	-	-	-
Deferred income	-	-	-	-
Income taxes (paid)/ refund received	(19.6)	-	-	-
Cash from operating activities	34.5	90.5	70.7	89.5
PPE	(104.6)	(164.6)	(160.0)	(106.8)
Intangible assets	-	-	-	-
Investments in debt securities	(4.1)	-	-	-
Finance income received	-	-	-	-
Cash from investing activities	(112.4)	(164.6)	(160.0)	(106.8)
Proceeds (purchase) of common stock	0.7	-	-	-
Debt	85.5	83.1	53.8	38.5
Finance expenses paid	(17.1)	-	-	-
Proceeds (repayment) finance lease liabilities	(4.9)	-	-	-
Dividend and distribution tax	-	-	-	-
Cash from financing activities	64.2	83.1	53.8	38.5
FX	-	-	-	-
Net change in cash	(13.7)	9.0	(35.5)	21.2
Cash at the beginning of period	84.3	70.6	79.6	44.2
Cash at the end of period	70.6	79.6	44.2	65.4
FCF	(70.1)	(74.1)	(89.3)	(17.2)
FCF / share	(\$0.39)	(\$0.42)	(\$0.50)	(\$0.10)

Note: Historical results and estimates assume constant currency USD/INR exchange rate of 65

Sources: Sidoti & Company, LLC. estimates and company reports

Table 3: Sify Technologies Ltd., Balance Sheet

(Dollars in millions except where noted)

	F2022	F2023E	F2024E	F2025E
Cash	58.2	67.2	31.8	53.0
Restricted cash	12.2	12.2	12.2	12.2
Inventory	\$37.0	\$35.0	\$36.3	\$43.0
Accounts receivable	216.3	227.0	247.9	300.3
Prepaid expenses	14.8	14.8	14.8	14.8
Total current assets	338.6	356.3	342.9	423.2
PPE	256.8	346.0	433.6	455.8
Intangible assets	9.8	9.8	9.8	9.8
Lease payments	-	-	-	-
Other assets	32.9	32.9	32.9	32.9
Other investments	7.3	7.3	7.3	7.3
Total assets	645.4	752.2	826.5	929.0
Finance lease obligations	-	-	-	-
Borrowings	109.4	109.4	109.4	109.4
Bank overdraft	5.7	5.7	5.7	5.7
Accounts payable	174.4	206.9	214.3	253.9
Deferred income	-	-	-	-
Total current liabilities	324.7	357.2	364.5	404.2
Finance lease obligations	-	-	-	-
Long-term debt	119.5	148.8	202.6	241.1
Employee benefits	2.2	2.2	2.2	2.2
Other liabilities	55.0	55.0	55.0	55.0
Compulsory convertible debentures	-	53.8	53.8	53.8
Other	-	-	-	-
Other	-	-	-	-
Total liabilities	501.4	617.0	678.2	756.3
Share capital	28.3	28.5	28.6	28.8
Share premium	302.7	302.7	302.7	302.7
Share based payment reserve	5.4	5.4	5.4	5.4
Other components of equity	1.2	(20.0)	(20.0)	(20.0)
Accumulated deficit	(114.9)	(102.6)	(89.7)	(65.4)
Total stockholders' equity	222.7	214.0	227.1	251.5
Total liabilities and equity	724.1	831.0	905.3	1,007.8
ROE	10.7%	6.2%	5.9%	10.2%
Total Debt-to-capital	50.7%	54.7%	57.9%	58.2%
Net debt-to-TTM EBITDA	1.76x	1.89x	2.28x	1.89x
Cash (debt) per share	(\$0.92)	(\$1.04)	(\$1.54)	(\$1.63)

Note: Historical results and estimates assume constant currency USD/INR exchange rate of 65

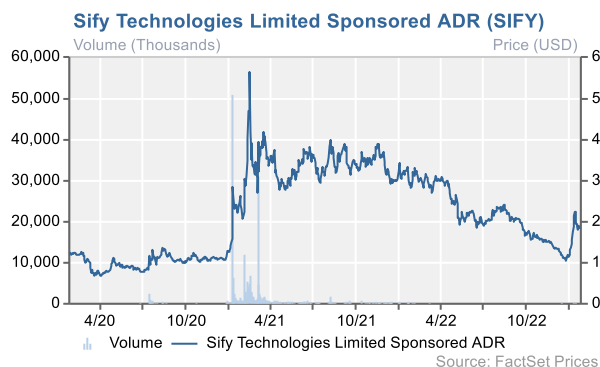
Sources: Sidoti & Company, LLC. estimates and company reports

Required Disclosures

Sify Technologies Limited Sponsored ADR (SIFY-\$1.84) NR Price Target: \$7 Risk Rating: M

Rating and Price Target History Table

Action Date	Px	Rating	PT	Risk Rating
PT 1/28/21	2.3		5	
PT 5/7/21	2.9		6	
PT 10/29/21	3.5		7	



Valuation

We maintain our \$7 price target on SIFY. The pandemic curbed India's economic growth for a short period but did not change the long-term trajectory of digital transformation. We view Sify as a primary beneficiary of this transformation. With the stock trading at enterprise value of just 4.5x our F2024 EBITDA projection and 3.5x our F2025 forecast, SIFY is valued at a steep discount to peers in the India telecom and application and technology integration market players group, which trade 8x-12x. Given Sify's track record of revenue and EBITDA growth and its potential for continued expansion, we see merit to trading at the high-end of the peer range. Our \$7 price target is based on 50x our new F2024 EPS estimate of \$0.14; previously we valued the stock at 70x estimated F2024 EPS. This new valuation equates to 10x our F2025 EBITDA estimate of \$154 million, less projected net debt of \$300 million, to yield \$1.24 billion, or \$6.80 per share. The company's growth potential and modest leverage support our moderate risk rating.

Key Risks

Foreign exchange

Concentrated ownership

(IF A COMPANY SPONSORED RESEARCH ("CSR") REPORT, ALSO REFER TO ADDITIONAL CSR-SPECIFIC DISCLOSURES PROVIDED BELOW)

Rating System

Sidoti's Equity Research rating system consists of BUY AND NEUTRAL recommendations. However, we do not assign these traditional ratings for companies covered under our Company Sponsored Research program. Companies (or equity securities) covered by our CSR program are classified as NOT RATED (NR) and are only assigned a HIGH (H) or MODERATE (M) risk rating. Unless otherwise noted in a report, Sidoti ratings should be interpreted as follows:

Rating	Industry	Interpretation
BUY	All, except Utilities	Capital appreciation of at least 25% over the next 12 months
NEUTRAL	All, except Utilities	Capital appreciation of less than 25% over the next 12 months
BUY	Utilities(a)	Capital appreciation of at least 15% over the next 12 months
NEUTRAL	Utilities(a)	Capital appreciation of less than 15% over the next 12 months
HIGH (RISK)	All in CSR program	Companies/equities with among others, one or more of the following characteristics: <ul style="list-style-type: none"> significant potential for loss of principal; significant share price volatility; limited revenue or cash flow and/or high unpredictability associated with revenue and cash flow; short and/or unprofitable operating history; potentially significant issues regarding operational and/or financial success; problematic financial, liquidity, legal, regulatory or political issues; upcoming need for additional capital when availability is questionable;

		<ul style="list-style-type: none"> • significant related party transactions which could lead to a conflict of interest; • any other factor that the analyst believes could materially and adversely impact the subject company and/or the value of its securities.
MODERATE (RISK)	All in CSR program	<p>Companies which have many of the same risks as described under the HIGH risk rating, but which risks are mitigated (on a relative basis and in the opinion of the analyst) due to, among others, one or more of the following:</p> <ul style="list-style-type: none"> • more stable and predictable revenue, profits and cash flow; • more established operating history; • more favorable operating or business environment • lower potential for financial, liquidity, regulatory or political issues; or • less onerous upcoming capital needs.

(a) those with at least 75% of operations derived from regulated state and federal businesses

Percentage of Covered Companies with Each Rating and Realization of Investment Banking Income from Covered Companies Over the Past 12 Months:

With reference to the information described in the header immediately above please refer to the table below, which is as of, and reflects information immediately prior to, the publication of this report:

Rating	# of Companies	% (b)	Realized Investment Banking Income (# of companies with rating)	Realized Investment Banking Income (% of companies with rating)
BUY	100	61.3%	1	1.0%
NEUTRAL(a)	14	8.6%	1	7.1%
NR -CSRs Moderate Risk (c)	42	25.8%	0	0.0%
NR -CSRs High Risk (c)	7	4.3%	0	0.0%
TOTAL	163	100.0%	2	1.2%

(a) Of the NEUTRALS 8 trade above our price target.

(b) Numbers may not add due to rounding or because of a pending drop of coverage.

(c) 85.7% of our CSRs are moderate risk, while 14.3% are high risk.

Certain Risks

A universal risk to all our price targets is that the analyst's estimates or forecasts may not be met. Past performance should not be construed as indicative of future performance. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the "Risk Factors" section in the SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Certain information Regarding Analyst Compensation

Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking activities, brokerage activities, from issuers participating in Sidoti's Company Sponsored Research program, from covered (and non-covered) companies paying to attend our conferences or compensating Sidoti for arranging Non-Deal Road Show (NDR) meetings, but compensation is not directly related to any of these revenue streams. As noted below such factors present a potential conflict of interest.

Factors that May Influence Continuation of Coverage and Related Potential Conflicts of Interest

Sidoti research analysts generally do not cover (or continue to cover) those companies where Sidoti does not deem coverage to be profitable. In determining whether coverage is profitable, Sidoti considers among other things, (a) an estimate of invoice payments received from its institutional investor clients as it relates to a covered company; (b) whether management of a covered company participates in Sidoti-sponsored conferences and/or non-deal roadshows (Sidoti receives a fee from the issuer if the issuer presents at a conference and may receive a fee from the issuer if it schedules an NDR); and (c) whether a covered company has in the past or is inclined to include Sidoti in an investment banking transaction as a co-manager or otherwise. A possible effect of factors (b) and (c) above may be that continued coverage decisions are based, in part, on the willingness of management of covered

companies to participate in, and compensate Sidoti for, such conferences and NDR meetings, as well as inclusion in investment banking transactions. This approach could be viewed as presenting potential conflicts of interest.

Sidoti and Analyst Ownership of Securities Described Herein and Other Analyst Restrictions

Sidoti does NOT own securities of the issues described herein. Sidoti policy does not allow an analyst or a member of their household or any account in which they otherwise hold a beneficial interest to own shares in any company that he/she covers. Sidoti policy does not allow employees or household members to serve as an officer or director of a covered company. Sidoti does not make a market in any securities.

Sidoti Investment Banking Revenue Realized from the Subject Company in the Last 12 Month

Sidoti has non-research employees that will seek compensation for investment banking services from the company covered hereunder. As of the date hereof, Sidoti may expect to receive or may intend to seek investment banking compensation from any of its covered companies, including the subject company covered herein, within the next 3 months (additional detail, if any, is provided in a special disclosure below). Investment banking services, as defined under FINRA Rule 2241, includes, among other things, acting as an underwriter in or as a member of the selling group in a securities underwriting. Sidoti's role in most investment banking transactions can be viewed on this company's filings at www.sec.gov. The table below sets forth instances where Sidoti has received investment banking revenue from the company covered hereunder in the last twelve months, if any:

Date	Role	Transaction	Security

Sidoti Non-Investment Revenue Realized from the Subject Company in the Last 12 Months

Sidoti holds multiple conferences a year and charges a fee of up to \$6,000 per conference to presenting companies depending on the event. Sidoti may also receive a fee of up to \$8,000 for scheduling an NDR day. The table below sets forth instances where Sidoti received non-investment revenue from the company covered hereunder, if any, over the past 12 months:

Conferences	NDR Days
May 2022	
August 2022	

Additional Disclosures Specific to the Subject Company of this Report Including the Pursuit or Expectation of Investment Banking Revenue in the Next Three Months

None.

Analyst Certification

The research analyst that authors this report, Gregory Burns, certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be directly or indirectly related to the analyst's specific recommendations or views contained in this research report.

Other Disclosures

This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. Sidoti does not maintain a predetermined schedule for publication of research and will not necessarily update this report. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. Past performance should not be construed as indicative of future performance. Information contained herein is based on sources Sidoti believes to be reliable, but it does not guarantee their accuracy. Targets, forecasts, estimates, valuations, and opinions concerning the subject company or its securities, and information involving composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only a single factor in making their investment decisions. This research report is not a substitute for the exercise of your independent judgment. At times, Sidoti may

be in possession of material non-public information, none of which is used in the preparation of our research. Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti receives and seeks to receive, through the efforts of non-research employees, commission sharing agreement compensation from institutional investors in connection with providing securities-related services including access to this report. Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

SPECIAL CSR-RELATED DISCLOSURES

Very Important Notice to Recipients Regarding Purpose and Usage of CSR Reports

If demarcated “Company Sponsored Research” on the cover page of this document, this report was commissioned for a fee by the subject company and is part of our Company Sponsored Research (“CSR”) program. All Sidoti & Company, LLC (“Sidoti”) research is prepared only for market professionals and institutional investor customers based on publicly available information. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. Sidoti research does not provide individually tailored investment advice and has been prepared without regard to the circumstances and objectives of those who receive it. Should recipients use the information contained herein to assist them in making an investment decision, they must consider this report as only one factor in making their investment decisions, exercise their own independent judgment and carefully consider the appropriateness of an investment based on their individual circumstances and objectives – including, without limitation, financial status, risk tolerance and risk/return preferences. An investment in the securities described herein may not meet any or all of the recipient’s income, capital appreciation or other objectives and is subject to considerable risks. No non-institutional investor recipient should make an investment in the securities discussed herein without first having received advice from his or her purchaser representative, qualified financial advisor and tax and legal advisors. For more information concerning the valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact Sidoti’s Client Support Team at US/Canada +1 212-453-7000. Alternatively, you may contact a Sidoti investment representative by mailing Sidoti & Company, LLC, Attention: Director of Research, 1177 Avenue of the Americas, 5th Floor, New York, NY 10036, USA.

CSR Fees and Related Potential Conflicts of Interest

Sidoti receives a flat fee of \$40,000 from companies who commissioned CSR coverage from Sidoti prior to January 1, 2023 (“Pre-2023 CSRs”) and \$50,000 from companies that are not Pre-2023 CSRs. Those Pre-2023 CSRs will pay a flat fee of \$45,000 for an additional year of coverage when renewing in 2023. This fee is for the production and dissemination of an Initiation Report (if the initial year of the contract) and quarterly update reports during the one-year term of a CSR contract. (Sidoti does not accept stock or warrant compensation). Such contractually required reports coincide with initiation of coverage and the subject companies’ quarterly earnings releases. Sidoti may also publish reports on its CSR companies between each earnings report for which it has a contractual obligation to publish. The purpose of the CSR fee is to subsidize the high costs of providing securities research coverage. Sidoti’s receipt of a fee from the issuer described herein for producing this report could present potential conflicts of interest. To mitigate the potential for conflicts, Sidoti:

- assures its contracts with the issuer described herein allows for Sidoti’s full editorial control of all research and, within reason, the timing of its release;
- requires the term of a contract extend for one full year, which contract the issuer cannot unilaterally terminate;
- provides Sidoti the ability to terminate the contract under certain circumstances;
- insists that, at a minimum, pro-rata payment of the annual fee is received prior to the publication or release of a research report;
- utilizes analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct;
- provide analysts with full discretion on the price target and over other coverage points based on their own due diligence;
- maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst;
- does not directly tie analyst compensation to their willingness to cover a company on a commissioned basis, provided however that the provision of CSR coverage is one of several overall considerations that is factored into Sidoti’s determination of analyst compensation; and
- does not directly or indirectly tie analyst compensation to the specific recommendations or views expressed in any research report.

Notwithstanding the measures set forth above to mitigate the risk of potential conflicts of interest, Sidoti makes no representations and does not warrant that such measures can or will fully eradicate potential conflicts.

Certain Additional CSR Risk Considerations

Many companies covered under Sidoti's CSR program can be classified as microcap stocks, which equities typically bear certain risks that are not as prevalent in the "Blue Chip", large capitalization, mid capitalization or even the small capitalization segment of the market. Microcap stocks are more prone to trade at discounts. They generally have smaller trading volume and smaller public floats than companies with larger market capitalization, which can lead to an inability to buy or sell shares (liquidity risk) in quantity without moving the market (or at all), large bid-ask spreads, and increased stock price volatility (which can result) even if a trade involves a very small number of shares. In addition, microcaps tend to have significant company specific risks that contribute to lower valuations and may limit stock price appreciation. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market. Given the foregoing, readers of this report are urged to pay special attention to the risk rating and risk factors set forth in this report, as well as to seek more detailed information regarding risks by reviewing the company's public filings at www.sec.gov.

Source(s)

Key Statistics data is sourced from FactSet Research Systems