



Sify Technologies Limited Sponsored ADR (SIFY)

2Q:F25 Revenue Beat, EPS In Line; Data Center Expansion Is Delivering Strong Growth; Sify Is Positioned To Capitalize On Growing Demand For Colocation Services In India; Maintain \$18 Target

	F2023		F2024		F2025E		F2026E	
		OLD	NEW	OLD	NEW	OLD	NEW	
June	\$0.03	\$0.01		(\$0.01)A		\$0.01		
Sep.	0.01	0.00		0.00	0.00A	0.01		
Dec.	0.02	0.00		0.00		0.01		
Mar.	0.00	0.00		0.01		0.01		
EPS (FY)	\$0.06	\$0.01		\$0.01		\$0.04		
EPS (Cal.)								
P/E (FY)				NM		90.8x		
P/E (Cal.)								

Note: NR = Not Rated. Risk Ratings: H = High; M = Moderate. F2025-F2026E EPS estimates assume 430 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	F2017	F2018	F2019	F2020	F2021	F2022	F2023	F2024	F2025E	F2026E
Rev.(Mil.)	\$283.6	\$318.2	\$331.5	\$353.1	\$374.1	\$415.8	\$514.1	\$548.2	\$621.4	\$699.2
GAAP EPS	\$0.06	\$0.08	\$0.09	\$0.06	\$0.09	\$0.12	\$0.06	\$0.01	\$0.01	\$0.04

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.

- **2Q:F25 sales grew 16.9% year over year to \$158.1 million, beating our \$152.7 million forecast. Sify also posted breakeven EPS, in line with our forecast.**
- **The beat was driven by the Digital Services segment which had a strong quarter of project work.**
- **More importantly, Sify's Data Center business continues to deliver strong growth. With significant new capacity coming online, we remain bullish on the growth potential of this business.**
- **From a profit perspective, the upfront costs of Sify's infrastructure investments have reduced earnings. We expect earnings leverage to improve now that these investments are beginning to generate revenue.**
- **Given the company's cash on hand, organic cash generation, the remainder of its Kotak investment, and the recently completed rights offering, we think Sify has ample liquidity to fund its capital plans this fiscal year.**
- **At the end of 2Q:F25, net debt was \$315 million, or 2.7x trailing 12-month EBITDA.**
- **We maintain an \$18 price target based on an unchanged 75x our F2026 EPS forecast of \$0.04 multiplied by 6 (shares per ADR exchange ratio). (We maintain a moderate risk rating, which considers Sify's track record of growth and positive earnings and cash generation.**

Revenue in 2Q:F25 beat our forecast. Revenue in 2Q:F25 grew 16.9% year over year to \$158.1 million, beating our \$152.7 million forecast. The beat was driven by project-based work in the Digital Services segment which, as we saw this last quarter, can be lumpy and hard to time from a modeling perspective. As a result, Digital Services revenue grew 30% to \$50.2 million, versus our \$39 million forecast. Backed by the ongoing digital transformation of India's economy and the strong secular trends driving demand for cloud and data services, Sify's Data Center business delivered another strong quarter of growth with revenue increasing 22.7% to \$51.3 million. Lastly, Network Services revenue grew 3% to \$56.6 million, which was below our \$61.5 million forecast. The slower pace of growth this quarter was surprising but not concerning, as Sify's demand for Sify's data network services is being

NR

Price Target: \$18

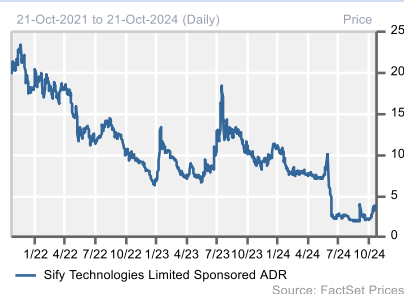
Price: \$3.63

Risk Rating: M

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Key Statistics

Market Cap (Mil)	\$258
Enterprise Value	\$515
52-Week Range (NASDAQ)	12-2
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	800,000
Shares Out (Mil)	430
Float Shares (Mil)	32.8
Insider Ownership	N/A%
Institutional Holdings	0%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (F2026E)	(\$0.13)
FCF Yield (F2026E)	-3.6%
Net Cash Per Share (F2026E)	(\$0.95)
Price to Book Value	0.6x
Return on Equity (F2026E)	3.6%
Total Debt to Capital	Nil
Interest Coverage Ratio	0.7x
Short Interest %	N/A%
Short Interest Days To Cover	1.2
Russell 2000	2,232
Russell 2000 - Last 12 Months	33.3%
SIFY - Last 12 Months	-62.3%



driven by the same factors benefiting the company's data center business. We expect growth will rebound from here in the second half.

Sify's Data Center investments are driving strong growth. Our primary focus remains on Sify's Data Center Services, which remains the company's primary growth engine. To capitalize on the fast-growing demand for data center colocation services in India, Sify is making significant investments in expanding its Data Center capacity. These investments are laying the foundation for a long runway of growth, which is still in its early innings. Sify commissioned 6.5 megawatts of capacity in 2Q:F25 and at the end of the quarter had a total capacity of 120 megawatts, 105 megawatts being consumed by customers and the rest in different stages of contracting. Beyond this, the company has new facilities which went under construction last year and are nearing completion, that will go live in the next few months with initial design capacity of 52 megawatts, 6 megawatts of which are initially scheduled to go live. This capacity expansion leaves ample room for growth and Sify has bigger plans for this business. In total, the company aims to develop up to 25 data centers, potentially quadrupling its data center capacity to more than 400 MW.

Sify's break even earnings were in line with our forecast. The gross margin widened 80 basis points year over year to 38.1% in 2Q:F25, versus our 38.5% forecast. Sify has born the upfront cost of its infrastructure investments but has done a good job managing costs and delivering profitable growth. Accordingly, SG&A only increased by 2.5% resulting in EBITDA increasing 38.4% of \$32.4 million, versus our \$32.9 million forecast. However, Sify's infrastructure investments have increased its depreciation and interest expenses, which resulted in net income of just \$0.8 million. This equated to breakeven on a per share basis, unchanged from a year ago and in line with our forecast. With Sify's infrastructure investments beginning to generate revenue we expect operating and earnings leverage to improve.

	<u>2Q:F25E</u>	<u>2Q:F25A</u>	<u>Var</u>	<u>2Q:F24A</u>	<u>2Q:F25A</u>	<u>% Change</u>
Total revenue	\$152.7	\$158.1	5.4	\$135.2	\$158.1	16.9%
Gross Profit	58.8	60.2	1.4	50.5	60.2	19.2%
(%)	38.5%	38.1%		37.4%	38.1%	
EBITDA	32.9	32.4	(0.5)	23.4	32.4	38.4%
(%)	21.5%	20.5%		17.3%	20.5%	
Diluted EPS	\$0.00	\$0.00	(\$0.00)	\$0.00	\$0.00	NM

Sources: Sidoti & Company, LLC estimates and company filings

Valuation	We maintain our \$18 price target. Sify is changing the ratio of its American Depository Shares to its equity shares from a ratio of one to one to a ratio of one to six. ADS holders will surrender their ADSs and for every six old ADSs held they will receive one new ADS representing 6 equity shares. The equity share count will therefore not change. The stock is trading at an enterprise value of just 3.0x our F2026 EBITDA projection, a steep discount to peers in the India telecom and application and technology integration market, which trade at 8x-12x EBITDA. We think this reflects Sify's small size, emerging growth, and the large capital requirements of its expansion. Given SIFY's track record of revenue and EBITDA growth and its growth potential as new data center capacity comes online, we think the discount is unwarranted and see merit to the stock trading within the peer range. Our \$18 price target is based on an unchanged 75x our F2026 EPS estimate of \$0.04 multiplied by the new ADR exchange ratio of 6. This equates to about 10x our F2026 EBITDA estimate of \$164 million, less projected net debt of \$410 million, to yield \$1.23 billion, or \$2.85 which multiplied by 6 equates to \$17.1. The company's growth potential and modest leverage support our moderate risk rating.		
Key Risks	Foreign exchange	Concentrated ownership	

SIFY TECHNOLOGIES LIMITED SPONSORED ADR

Table 1: Sify Technologies Ltd., Income Statement

(Dollars in millions except where noted)

	F2023	Jun	Sep	Dec	Mar	F2024	JunA	SepA	DecE	MarE	F2025E	JunE	SepE	DecE	MarE	F2026E
Network Connectivity Services	\$204.7	\$52.7	\$54.9	\$53.5	\$64.4	\$225.6	\$59.5	\$56.6	\$58.3	\$65.7	\$240.1	\$63.6	\$65.7	\$63.6	\$69.6	\$262.5
Data Center Services	155.8	41.6	41.8	42.0	44.6	170.1	51.7	51.3	54.6	59.8	217.4	62.5	64.1	68.3	71.8	266.7
Digital Services	153.7	37.2	38.5	37.7	39.2	152.6	33.8	50.2	39.3	40.6	163.9	39.0	43.2	43.2	44.7	170.1
Total revenue	514.2	131.5	135.2	133.2	148.3	548.2	144.9	158.1	152.3	166.1	621.4	165.1	172.9	175.0	186.1	699.2
COGS	328.9	82.6	84.8	82.9	94.0	344.3	91.7	97.9	93.0	101.4	384.0	99.7	105.1	105.5	112.4	422.6
Gross profit	185.2	48.9	50.5	50.3	54.3	203.9	53.2	60.2	59.3	64.7	237.4	65.5	67.9	69.5	73.7	276.6
SG&A	88.2	21.2	27.1	24.3	23.4	96.0	24.4	27.8	25.7	26.6	104.6	27.2	27.7	28.0	29.4	112.3
EBITDA	97.0	27.6	23.4	26.0	30.9	107.9	28.8	32.4	33.5	38.2	132.8	38.2	40.2	41.5	44.3	164.3
D&A	61.1	17.2	18.7	18.2	19.4	73.5	20.1	20.4	21.6	22.6	84.7	23.8	24.3	24.8	25.4	98.4
EBIT	35.9	10.4	4.6	7.8	11.6	34.4	8.7	12.0	12.0	15.5	48.2	14.4	15.9	16.7	18.9	65.9
Interest and other expense (income)	22.0	8.8	4.7	8.1	9.9	31.4	10.3	10.7	11.4	11.4	43.8	11.4	11.4	11.4	11.4	45.7
Other expense (income)	(2.0)	(0.1)	(0.9)	0.0	(0.4)	(1.4)	(0.9)	(0.0)	(0.5)	(0.5)	(2.0)	(0.5)	(0.5)	(0.5)	(0.5)	(2.2)
EBT	16.0	1.8	0.8	(0.3)	2.1	4.4	(0.7)	1.3	1.1	4.6	6.3	3.5	5.0	5.8	8.0	22.4
Taxes	5.3	0.8	0.6	(0.1)	1.5	2.8	0.9	0.6	0.3	1.4	3.2	1.1	1.5	1.7	2.4	6.7
Net income	10.6	1.0	0.2	(0.2)	0.6	1.6	(1.6)	0.8	0.8	3.2	3.1	2.5	3.5	4.0	5.6	15.6
EPS - diluted	\$0.06	\$0.01	\$0.00	(\$0.00)	\$0.00	\$0.01	(\$0.01)	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.04
Shares outstanding - diluted	178.0	178.0	178.0	178.0	178.0	178.0	178.0	430.0	430.0	430.0	367.0	430.0	430.0	430.0	430.0	430.0
Margins																
Gross margin	36.0%	37.2%	37.3%	37.8%	36.6%	37.2%	36.7%	38.1%	38.9%	39.0%	38.2%	39.7%	39.2%	39.7%	39.6%	39.6%
EBITDA	18.9%	21.0%	17.3%	19.5%	20.9%	19.7%	19.9%	20.5%	22.0%	23.0%	21.4%	23.2%	23.2%	23.7%	23.8%	23.5%
Operating margin	7.0%	7.9%	3.4%	5.8%	7.8%	6.3%	6.0%	7.6%	7.9%	9.3%	7.8%	8.7%	9.2%	9.5%	10.2%	9.4%
Net margin	2.1%	0.8%	0.2%	(0.2)%	0.4%	0.3%	(1.1)%	0.5%	0.5%	2.0%	0.5%	1.5%	2.0%	2.3%	3.0%	2.2%
Growth YoY																
YoY																
Network Connectivity Services	11.0%	11.2%	5.4%	4.8%	19.1%	10.2%	12.8%	3.0%	9.0%	2.0%	6.4%	7.0%	16.0%	9.0%	6.0%	9.3%
Data Center Services	36.6%	3.4%	6.7%	13.4%	13.6%	9.2%	24.3%	22.7%	30.0%	34.0%	27.9%	21.0%	25.0%	25.0%	20.0%	22.7%
Digital Services	37.3%	18.5%	24.9%	(22.3)%	(8.7)%	(0.7)%	(9.1)%	30.3%	4.3%	3.6%	7.4%	15.4%	(14.0)%	9.8%	10.1%	3.7%
Total revenue	25.3%	10.4%	10.7%	(2.5)%	8.8%	6.6%	10.2%	16.9%	14.3%	12.1%	13.4%	13.9%	9.4%	15.0%	12.0%	12.5%
Gross profit	14.0%	12.3%	11.3%	4.9%	12.1%	10.1%	8.9%	19.2%	17.8%	19.2%	16.4%	23.0%	12.7%	17.3%	13.9%	16.5%
EBITDA	10.9%	15.6%	0.7%	5.2%	22.8%	11.3%	4.2%	38.4%	29.0%	23.3%	23.1%	32.8%	24.3%	23.8%	16.1%	23.7%
EBIT	(2.9)%	8.2%	(45.4)%	(17.0)%	38.0%	(4.1)%	(16.6)%	158.3%	53.6%	34.1%	39.9%	65.6%	32.4%	39.4%	21.9%	36.8%
EPS	(31.1)%	(78.4)%	(86.6)%	NM	NM	(85.0)%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

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)

	F2023	F2024	F2025E	F2026E
Cash	56.2	63.2	66.1	50.8
Restricted cash	18.4	26.6	26.6	26.6
Inventory	\$29.9	\$52.2	\$42.2	\$46.5
Accounts receivable	224.9	217.0	279.6	314.7
Prepaid expenses	14.2	13.4	13.4	13.4
Total current assets	343.4	372.4	428.0	452.0
PPE	343.2	495.5	610.9	666.4
Intangible assets	-	-	-	-
Lease payments	-	-	-	-
Other assets	69.8	111.7	111.7	111.7
Other investments	16.1	18.5	18.5	18.5
Total assets	772.5	998.1	1,169.2	1,248.5
Finance lease obligations	-	-	-	-
Borrowings	87.9	99.2	99.2	99.2
Bank overdraft	14.6	7.5	7.5	7.5
Accounts payable	197.6	215.6	249.6	274.7
Deferred income	-	-	-	-
Total current liabilities	339.5	360.2	394.2	419.4
Finance lease obligations	-	-	-	-
Long-term debt	212.6	270.9	340.1	378.6
Employee benefits	2.0	2.5	2.5	2.5
Other liabilities	65.3	88.8	88.8	88.8
Compulsory convertible debentures	-	-	-	-
Other	-	-	-	-
Other	-	-	-	-
Total liabilities	619.4	722.3	825.6	889.2
Share capital	28.3	28.4	28.6	28.7
Share premium	302.8	303.6	303.6	303.6
Share based payment reserve	5.6	5.4	5.4	5.4
Other components of equity	31.6	135.4	199.9	199.9
Accumulated deficit	(104.5)	(103.1)	(100.0)	(84.3)
Total stockholders' equity	263.8	369.7	437.5	453.3
Total liabilities and equity	883.1	1,092.0	1,263.1	1,342.5
ROE	4.4%	0.5%	0.8%	3.6%
Total Debt-to-capital	53.2%	50.0%	50.1%	51.3%
Net debt-to-TTM EBITDA	2.47x	2.66x	2.66x	2.48x
Cash (debt) per share	(\$1.35)	(\$1.62)	(\$0.96)	(\$0.95)

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)

	F2023	F2024	F2025E	F2026E
Net income	\$10.4	\$0.8	\$3.1	\$15.6
D&A	61.1	73.4	87.2	98.4
Provision for doubtful accounts	5.7	4.1	-	-
Stock compensation	0.3	0.1	0.2	0.2
Net finance (income) / expense	22.0	29.8	-	-
Unrealized (gain) / loss on account of exchange differences	(0.7)	1.1	-	-
Amortization of leasehold prepayments	(0.0)	0.0	-	-
Accounts receivable	(6.2)	(7.4)	(62.7)	(35.0)
Inventory	7.2	(22.3)	10.0	(4.3)
Prepaid and other current assets	1.4	(9.9)	-	-
Accounts payable	43.7	43.5	34.0	25.1
Employee benefits	(0.9)	-	-	-
Deferred income	-	-	-	-
Income taxes (paid)/ refund received	(21.0)	(39.3)	-	-
Cash from operating activities	128.3	76.7	71.8	100.0
PPE	(178.7)	(171.1)	(198.9)	(153.8)
Intangible assets	-	-	-	-
Investments in debt securities	(8.4)	(2.4)	-	-
Finance income received	-	-	-	-
Cash from investing activities	(205.3)	(192.8)	(198.9)	(153.8)
Proceeds (purchase) of common stock	0.1	0.6	60.8	-
Debt	105.1	163.5	69.2	38.5
Finance expenses paid	(25.0)	(43.8)	-	-
Proceeds (repayment) finance lease liabilities	(4.1)	(5.8)	-	-
Dividend and distribution tax	-	-	-	-
Cash from financing activities	76.1	114.5	130.0	38.5
FX	-	-	-	-
Net change in cash	(0.9)	(1.6)	3.0	(15.3)
Cash and equivalents at the beginning of period	70.6	69.7	68.1	71.1
Cash and equivalents at the end of period	69.7	68.1	71.1	55.7
FCF	(50.4)	(94.4)	(127.0)	(53.8)
FCF / share	(\$0.28)	(\$0.53)	(\$0.35)	(\$0.13)

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

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

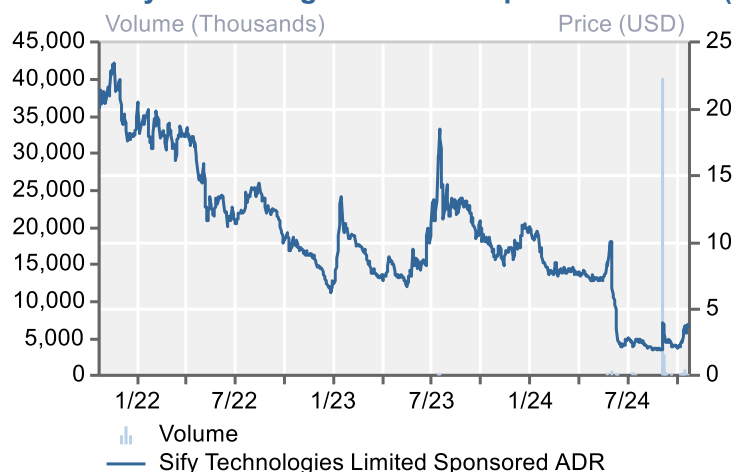
Required Disclosures

Sify Technologies Limited Sponsored ADR (SIFY-\$3.63) NR Price Target: \$18 Risk Rating: M

Rating and Price Target History Table

Action Date	Px	Rating	PT	Risk Rating
PT 10/29/21	3.5		7	
PT 4/18/24	1.2		3	
PT 10/4/24	2.3		18	

Sify Technologies Limited Sponsored ADR (\$



Valuation	<p>We maintain our \$18 price target. Sify is changing the ratio of its American Depository Shares to its equity shares from a ratio of one to one to a ratio of one to six. ADS holders will surrender their ADSs and for every six old ADSs held they will receive one new ADS representing 6 equity shares. The equity share count will therefore not change. The stock is trading at an enterprise value of just 3.0x our F2026 EBITDA projection, a steep discount to peers in the India telecom and application and technology integration market, which trade at 8x-12x EBITDA. We think this reflects Sify's small size, emerging growth, and the large capital requirements of its expansion. Given SIFY's track record of revenue and EBITDA growth and its growth potential as new data center capacity comes online, we think the discount is unwarranted and see merit to the stock trading within the peer range. Our \$18 price target is based on an unchanged 75x our F2026 EPS estimate of \$0.04 multiplied by the new ADR exchange ratio of 6. This equates to about 10x our F2026 EBITDA estimate of \$164 million, less projected net debt of \$410 million, to yield \$1.23 billion, or \$2.85 which multiplied by 6 equates to \$17.1. The company's growth potential and modest leverage support our moderate risk rating.</p>		
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, as well as a NOT RATED classification. We do not assign these BUY or NEUTRAL 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	<p>Companies/equities with among others, one or more of the following characteristics:</p> <ul style="list-style-type: none"> • significant potential for loss of principal; • significant share price volatility;

		<ul style="list-style-type: none"> • 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; • 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	36	24.8%	3	8.3%
NEUTRAL(a)	16	11.0%	0	0.0%
NOT RATED	1	0.7%	0	0.0%
NR -CSRs Moderate Risk (c)	83	57.2%	2	2.4%
NR -CSRs High Risk (c)	8	5.5%	0	0.0%
TOTAL	145	100%	5	3.4%

(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) 90.2% of our CSRs are moderate risk, while 8.7% 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 subject company's 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

Prior to December 31, 2022, Sidoti held multiple conferences a year and charged a fee of up to \$6,000 per conference to presenting companies. Beginning January 2023, Sidoti Events, LLC (“Sidoti Events”), an affiliate of Sidoti by common ownership, began to hold these conferences. Sidoti or Sidoti Events may also receive a fee of up to \$8,000 for scheduling a Non-Deal Roadshow (“NDR”) day. Sidoti Events reimburses Sidoti for certain services provided by Sidoti to Sidoti Events in respect of these conferences (or NDR days) pursuant to an Expense Sharing Arrangement. The table below sets forth instances where Sidoti or Sidoti Events received non-investment revenue from the company covered hereunder, if any, over the past 12 months:

Conferences	NDR Days

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

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SPECIAL CSR-RELATED DISCLOSURES

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

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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