



Sify Technologies Limited Sponsored ADR (SIFY)

1Q:F21 Revenue Missed, EBITDA Beat Our Estimates; The Pandemic Is Accelerating Demand For Sify's Higher-Margin Data Center And Cloud Services; Maintain \$4 Target

	F2019		F2020		F2021E		F2022E	
		OLD	NEW	OLD	NEW	OLD	NEW	
June	\$0.02	\$0.02		\$0.01		\$0.01	\$0.02	
Sep.	0.02	0.02		0.01		0.02		
Dec.	0.03	0.01		0.01	0.02	0.02		
Mar.	<u>0.03</u>	<u>0.01</u>		<u>0.01</u>	<u>0.02</u>	<u>0.02</u>	<u>0.03</u>	
EPS (FY)	\$0.09	\$0.06		\$0.04	\$0.06	\$0.07	\$0.09	
EPS (Cal.)	\$0.08	\$0.04	\$0.06	\$0.06	\$0.08			
P/E (FY)					19.0x		12.7x	
P/E (Cal.)			19.0x		14.3x			
EBITDA (mil)	\$48.00	\$62.70		\$64.80	\$70.10	\$71.20	\$75.10	
EV / EBITDA					4.7x		4.4x	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2019-F2022E EPS estimates assume a fully diluted share count of 178 million 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. *EPS including amortization expense. *EPS including amortization expense.

Year	F2013	F2014	F2015	F2016	F2017	F2018	F2019	F2020	F2021E	F2022E
Rev.(Mil.)	\$131.9	\$160.9	\$197.9	\$231.3	\$283.6	\$318.2	\$331.5	\$353.1	\$348.0	\$383.0
GAAP EPS	\$0.04	\$0.03	\$0.03	\$0.04	\$0.06	\$0.08	\$0.09	\$0.06	\$0.06	\$0.09

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.

- **Revenue in 1Q:F20 declined 4.7%, year over year, to \$80.9 million, missing our \$88 million estimate. However, favorable revenue mix and spending discipline led to a 32% gain in EBITDA to \$17.7 million, that topped our \$15.2 million estimate. Higher depreciation and interest expense resulted in 1Q:F21 EPS declining to \$0.01 from \$0.02 in 1Q:F20, which was in line with our forecast.**
- **Although growth in F2021 will be negatively impacted by the lockdown measures taken to slow the spread of the Covid-19 virus, we think Sify remains well positioned to prosper once restrictions are lifted.**
- **Sify is will be a primary beneficiary of India's digital transformation, which will drive demand for Sify's Data Center and Cloud services, as evidenced in the strong 49% and 42% respective revenue growth these segments delivered in 1Q:F21; these gains were masked by declines in Sify's lower-margin Technology Integration and wholesale voice services.**
- **Sify is managing its liquidity well and generated strong cash flow in 1Q:F21, ending the quarter with cash of \$55 million, up from \$41 million at the end of F2020.**
- **SIFY stock trades at just 4.4x our new F2022 EBITDA estimate, a significant discount to the peer group range of 8x-12x estimated 12-month forward EBITDA.**
- **The \$4 price target is based on 12x our F2022 EBITDA estimate of \$75 million, less projected net debt of \$130 million. The \$4 price target implies 44x our new F2022 EPS estimate of \$0.09.**
- **Given the company's growth potential and modest leverage of 2.1x net debt-to-TTM EBITDA, we maintain our Moderate risk rating.**

The revenue miss to our estimates in 1Q:F21 masks strong growth in Sify's Data Center and Cloud and Managed services. Revenue in 1Q:F21 declined 5% to \$80.9 million, missing our \$88 million estimate. However, we think it is important to look at the

NR

Price Target: \$4

Price: \$1.14

Risk Rating: M

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

Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$200
Enterprise Value	\$331
52-Week Range (NASDAQ)	2-1
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	158,000
Shares Out (Mil)	179.144
Float Shares (Mil)	24.2
Insider Ownership	86%
Institutional Holdings	1%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (F2022E)	\$0.04
FCF Yield (F2022E)	3.5%
Net Cash Per Share (F2022E)	(\$0.51)
Price to Book Value	1.4x
Return on Equity (F2022E)	8.5%
Total Debt to Capital	45%
Interest Coverage Ratio	1.4x
Short Interest %	N/A%
Short Interest Days To Cover	0.3
Russell 2000	1,481
Russell 2000 – Last 12 Months	-6.0%
SIFY – Last 12 Months	-16.6%



complexion of Sify's revenue to get a clear view of the health of the business. In this regard we think it was a strong quarter for the company, despite the headline miss. Specifically, Sify's Data Center Service and Cloud and Managed Services grew 49% and 42% respectively in the quarter, far outpacing the 20% and 30% growth we forecast. We think the pandemic will drive demand for Sify's infrastructure and cloud services, as it likely will further accelerate the digital transformation and cloud adoption of businesses in India. We think the company's 1Q:F21 results bear this out. There were two primary areas of weakness in the quarter that offset these gains that we are less concerned with; the first is a 42% decline in Technology Integration Services. This project-based portion of Sify's business has seen a sharp decline in activity during the pandemic. While we think this business will likely rebound as the Indian economy opens, the broader secular trend is moving away from owned IT infrastructure toward outsourced consumption-based models. This favors, Sify's Data Center and Cloud Services. Over time we expect Sify's Technology Integration services to naturally decline as a percentage of the company's overall mix. In addition the shift in mix is beneficial from a profit perspective, as Sify's Data Center and Cloud Services have gross margins ranging from 50%-60%, compared with the low-margin Technology Integration Services where the gross margins range is from 20%-25%. Finally, Sify's Network Services, declined 12%, as compared with the 4% growth we forecast. While data revenue still increased 1%, wholesale voice revenue declined 42%. Here too, voice is a lower-margin service that is not Sify's primary focus. Consumption is down because of the pandemic so we think the declines are likely temporary.

Despite the revenue miss, Sify delivered strong EBITDA growth that topped our forecast. Although revenue missed our forecast in 1Q:F21, as we noted above, the revenue mix was favorable, with higher-margin Data Center and Cloud Services making up a greater percentage of revenue. As a result, the gross margin widened to 41%, from 35.7% in 1Q:F20, and gross profit increased 10%. Management is also doing a good job managing discretionary spending. Operating expenses declined \$1.4 million from a year ago and were about \$2 million below our forecast. As a result, EBITDA increased 32% to \$17.7 million, topping our \$15.6 million estimate. A combination of higher depreciation expense tied to Sify's network and data center investments and higher interest expense (Sify is using debt to fund capital investments) led to a net income decline of 20% to \$2.6 million that exceeded our \$1.1 million projections. However, rounding resulted in EPS of \$0.01, which was in line with our forecast and down from \$0.02 a year ago.

Exhibit 1: Sify Technologies Preview						
	<u>1Q:F21E</u>	<u>1Q:F21A</u>	<u>Var</u>	<u>1Q:F20A</u>	<u>1Q:F21A</u>	<u>% Change</u>
Total revenue	\$88.0	80.9	(7.1)	\$84.9	80.9	(4.7%)
Gross Profit	32.8	33.2	0.5	30.3	33.2	9.6%
(%)	37.2%	41.0%		35.7%	41.0%	
EBITDA	15.2	17.7	2.6	13.4	17.7	31.8%
(%)	17.2%	21.9%		15.8%	21.9%	
Diluted EPS	\$0.01	\$0.01	\$0.00	\$0.02	\$0.01	(20.0%)

Sources: Sidoti & Company, LLC estimates and company filings

Valuation	We maintain a \$4 price target. While COVID-19 virus will curb economic growth in the near-term, it does not change the long-term digital transformation of India's economy. We think Sify will be a primary beneficiary of this transformation. With the stock trading at 4.4x our projections on a F2022 EV/EBITDA basis, SIFY is valued at a significant discount to peers in the India Telecom and application and technology integration markets, that trade in a range of 8x-12x EV/EBITDA. Given Sify's growth potential, we think the stock deserves to trade at the high-end of the peer group range. Thus, the \$4 price target is based on 12x our F2022 EBITDA estimate of \$75 million, less projected net debt of \$110 million, to yield \$790 million, or \$4.40 on a per share basis. Given the company's growth potential and modest leverage of 2.1x net debt-to-TTM EBITDA, we maintain a 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)

	F2019	Jun	Sep	Dec	Mar	F2020	JunA	SepE	DecE	MarE	F2021E	JunE	SepE	DecE	MarE	F2022E
Total revenue	331.5	84.9	89.3	90.6	88.2	353.1	80.9	85.0	89.2	92.9	348.0	89.4	92.5	97.3	101.0	380.3
COGS	209.8	54.6	56.2	57.4	53.3	221.4	47.7	52.0	54.7	57.1	211.5	54.7	56.5	59.6	62.0	232.8
Gross profit	121.7	30.3	33.2	33.3	34.9	131.7	33.2	33.0	34.5	35.7	136.4	34.7	36.0	37.7	39.0	147.5
SG&A	73.7	16.8	16.9	16.3	19.0	69.0	15.4	16.6	16.8	17.6	66.3	17.5	17.9	18.1	18.9	72.4
EBITDA	48.0	13.4	16.3	17.0	16.0	62.7	17.7	16.4	17.7	18.2	70.1	17.2	18.2	19.6	20.1	75.1
D&A	23.6	7.8	8.1	9.3	10.1	35.2	10.1	9.7	9.7	9.6	39.1	9.6	9.6	9.5	9.6	38.3
EBIT	24.4	5.7	8.2	7.7	5.9	27.5	7.6	6.7	8.1	8.6	31.0	7.6	8.6	10.1	10.6	36.9
Interest and other expense (income)	10.5	1.0	4.0	3.9	4.3	13.2	3.6	4.2	4.2	4.2	16.3	4.2	4.2	4.2	4.2	16.9
Other expense (income)	(2.6)	(0.2)	(0.1)	(0.1)	(1.0)	(1.4)	(0.1)	(0.5)	(0.5)	(0.5)	(1.7)	(0.5)	(0.5)	(0.5)	(0.5)	(2.2)
EBT	16.5	4.9	4.3	3.8	2.6	15.7	4.1	3.0	4.4	4.9	16.4	3.9	4.9	6.4	6.9	22.2
Taxes	-	1.6	1.4	1.3	0.6	4.8	1.4	0.9	1.3	1.5	5.1	1.2	1.5	1.9	2.1	6.7
Net income	16.5	3.3	2.9	2.5	2.1	10.8	2.6	2.1	3.1	3.4	11.3	2.7	3.5	4.5	4.8	15.5
EPS - diluted	\$0.09	\$0.02	\$0.02	\$0.01	\$0.01	\$0.06	\$0.01	\$0.01	\$0.02	\$0.02	\$0.06	\$0.02	\$0.02	\$0.03	\$0.03	\$0.09
Dividend	\$0.02	-	-	-	-	\$0.02	-	-	-	-	\$0.02	-	-	-	-	\$0.02
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
Margins																
Gross margin	36.7%	35.7%	37.1%	36.7%	39.6%	37.3%	41.0%	38.8%	38.7%	38.5%	39.2%	38.8%	39.0%	38.8%	38.6%	38.8%
EBITDA	14.5%	15.8%	18.3%	18.7%	18.1%	17.8%	21.9%	19.3%	19.9%	19.6%	20.1%	19.2%	19.7%	20.2%	19.9%	19.8%
Operating margin	7.4%	6.7%	9.2%	8.5%	6.7%	7.8%	9.4%	7.9%	9.1%	9.2%	8.9%	8.5%	9.3%	10.4%	10.5%	9.7%
Net margin	5.0%	3.9%	3.3%	2.8%	2.3%	3.1%	3.3%	2.5%	3.5%	3.7%	3.2%	3.1%	3.7%	4.6%	4.8%	4.1%
Growth YoY																
YoY																
Total revenue	4.2%	17.8%	5.4%	2.8%	2.0%	6.5%	(4.7%)	(4.8%)	(1.6%)	5.2%	(1.4%)	10.5%	8.8%	9.1%	8.8%	9.3%
Gross profit	8.8%	7.1%	5.8%	10.5%	9.3%	8.2%	9.6%	(0.5%)	3.8%	2.3%	3.6%	4.7%	9.1%	9.3%	9.2%	8.1%
EBITDA	9.3%	17.9%	37.6%	40.0%	26.3%	30.6%	31.9%	0.6%	4.6%	13.9%	11.8%	(3.0%)	10.7%	10.6%	10.7%	7.2%
EBIT	9.3%	17.9%	37.6%	40.0%	26.3%	30.6%	31.9%	0.6%	4.6%	13.9%	11.8%	(3.0%)	10.7%	10.6%	10.7%	7.2%
EPS	16.2%	7.5%	(24.5%)	(47.4%)	(56.2%)	(34.2%)	(20.4%)	(28.3%)	22.3%	66.4%	3.9%	3.7%	64.1%	45.5%	41.0%	37.8%

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)

	F2019	F2020	F2021E	F2022E
Net income	\$16.5	\$10.8	\$11.2	\$15.5
D&A	23.6	32.4	38.9	38.3
Provision for doubtful accounts	8.3	-	-	-
Stock compensation	0.1	0.2	0.2	0.2
Net finance (income) / expense	10.5	-	-	-
Unrealized (gain) / loss on account of exchange differences	1.0	-	-	-
Amortization of leasehold prepayments	0.3	-	-	-
Accounts receivable	(33.6)	0.1	2.8	(17.8)
Inventory	(16.5)	4.2	1.0	(2.1)
Prepaid and other current assets	1.9	-	-	-
Accounts payable	18.5	(1.4)	(5.5)	11.9
Employee benefits	0.4	-	-	-
Deferred income	-	-	-	-
Income taxes (paid)/ refund received	(8.7)	-	-	-
Cash from operating activities	22.2	46.3	48.5	45.9
PPE	(58.4)	(63.6)	(34.8)	(38.0)
Intangible assets	(2.7)	-	-	-
Investments in debt securities	(0.6)	-	-	-
Finance income received	0.4	-	-	-
Cash from investing activities	(61.1)	(63.6)	(34.8)	(38.0)
Proceeds (purchase) of common stock	14.4	-	-	-
Debt	48.2	16.5	-	-
Finance expenses paid	(10.9)	-	-	-
Proceeds (repayment) finance lease liabilities	(1.4)	-	-	-
Dividend and distribution tax	(3.4)	(2.6)	-	-
Cash from financing activities	47.0	13.9	-	-
FX	-	-	-	-
Net change in cash	8.1	(3.4)	13.7	7.9
Cash at the beginning of period	2.2	10.3	7.0	20.7
Cash at the end of period	10.3	7.0	20.7	28.6
FCF	(36.2)	(17.3)	13.7	7.9
FCF / share	(\$0.20)	(\$0.10)	\$0.08	\$0.04

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)

	F2019	F2020	F2021E	F2022E
Cash	29.8	7.3	34.6	40.4
Restricted cash	4.8	4.8	4.8	4.8
Inventory	\$26.4	\$22.1	\$22.7	\$24.2
Accounts receivable	194.3	194.2	199.4	212.9
Prepaid expenses	6.2	6.2	6.2	6.2
Total current assets	261.4	234.7	267.7	288.5
PPE	132.9	164.1	161.3	161.3
Intangible assets	8.9	8.9	8.9	8.9
Lease payments	20.3	20.3	20.3	20.3
Other assets	28.2	28.2	28.2	28.2
Other investments	3.0	3.0	3.0	3.0
Total assets	454.7	459.1	489.3	510.2
Finance lease obligations	1.1	1.1	1.1	1.1
Borrowings	51.2	67.8	67.8	67.8
Bank overdraft	23.9	23.9	23.9	23.9
Accounts payable	125.4	124.0	127.2	135.4
Deferred income	-	-	-	-
Total current liabilities	222.1	250.1	253.3	261.4
Finance lease obligations	0.4	0.4	0.4	0.4
Long-term debt	51.2	51.2	51.2	51.2
Employee benefits	2.6	2.6	2.6	2.6
Other liabilities	18.4	18.4	18.4	18.4
Total liabilities	294.7	322.7	325.9	334.1
Share capital	27.8	27.9	28.1	28.2
Share premium	297.7	297.7	297.7	297.7
Share based payment reserve	4.7	4.7	4.7	4.7
Other components of equity	0.8	(31.1)	(12.0)	(12.0)
Accumulated deficit	(165.2)	(157.0)	(149.2)	(136.7)
Total stockholders' equity	165.8	142.3	169.3	181.9
Total liabilities and equity	460.6	465.0	495.2	516.0
ROE	10.9%	7.7%	4.7%	7.0%
Total Debt-to-capital	38.2%	45.5%	41.3%	39.5%
Net debt-to-TTM EBITDA	1.91x	2.08x	1.59x	1.37x
Cash (debt) per share	(\$0.52)	(\$0.73)	(\$0.58)	(\$0.55)

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

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

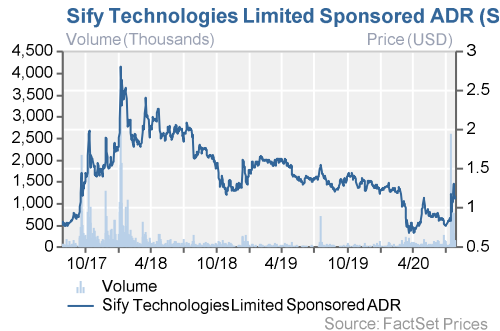
Appendix Required Disclosures

Required Disclosures

Sify Technologies Limited Sponsored ADR (SIFY-\$1.14) NR Price Target: \$4 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	11/27/17	1.7	NR	3	H
Risk Rating	4/17/18	2.1			M
PT	7/13/18	2		4	



Valuation	We maintain a \$4 price target. While COVID-19 virus will curb economic growth in the near-term, it does not change the long-term digital transformation of India's economy. We think Sify will be a primary beneficiary of this transformation. With the stock trading at 4.4x our projections on a F2022 EV/EBITDA basis, SIFY is valued at a significant discount to peers in the India Telecom and application and technology integration markets, that trade in a range of 8x-12x EV/EBITDA. Given Sify's growth potential, we think the stock deserves to trade at the high-end of the peer group range. Thus, the \$4 price target is based on 12x our F2022 EBITDA estimate of \$75 million, less projected net debt of \$110 million, to yield \$790 million, or \$4.40 on a per share basis. Given the company's growth potential and modest leverage of 2.1x net debt-to-TTM EBITDA, we maintain a Moderate risk rating.		
Key Risks	Foreign exchange	Concentrated ownership	

Sidoti & Company. Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. 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.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

Sidoti Company Sponsored Research Rating System The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of "Moderately Risky" (M) and "Highly Risky" (H) ratings. "Moderately Risky" suggests companies, that while still

subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “Highly Risky” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 07/28/20, Company Sponsored Research provides research on 21 companies, of which 16 (76%) are rated Moderately Risky and 5 (23%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. 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 differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. 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.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. 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.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1212 Avenue of the Americas, (Attention: Director of Research), New York, NY 10036 USA.

Compensation. Sidoti & Company, LLC received a flat fee of \$40,000, renewable annually from the company discussed in this report for the creation and dissemination of an Initiation Report and three Update Reports, including this report. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds a conference twice a year and charges a fee of \$5,000 per conference for presenting companies. Sidoti does not currently have a current investment banking services relationship with the company discussed in this report, or contemporaneously with any other companies discussed in other (Sidoti) *Company Sponsored Research* reports. Sidoti has not received investment banking income from the company discussed in the report in the past 12 months, and does not expect to receive investment banking income from the company discussed in the report in the next 12 months. Of securities rated in other Sidoti Company Sponsored Research reports, Sidoti has received investment banking income from 0 companies (0%) in the past 12 months. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member of the selling group in, a securities underwriting. Sidoti’s role in any issuer’s investment banking transaction can be viewed in that issuer’s filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for brokerage commission revenue in connection with market trading the securities of this company. Sidoti & Company, LLC has received compensation for non-investment banking services

on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Sidoti & Company, LLC analysts. These non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Sidoti & Company, LLC. This company has paid a fee to Sidoti & Company, LLC to present at the September 2019 Sidoti Fall Conference.

Sidoti Analysts. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. 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 and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

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 research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

Analyst Certification. 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.

Source

Key Statistics data is sourced from FactSet Research Systems