



Sify Technologies Limited Sponsored ADR (SIFY)

Sify Remains Well Positioned To Capitalize On The Digital Transformation Of India's Economy; Expect New Data Center Capacity To Accelerate Growth In F2020; Maintain \$4 Target

	F2018		F2019		F2020E		F2021E	
		OLD	NEW	OLD	NEW	OLD	NEW	
June	\$0.01	\$0.02		\$0.02A		\$0.01		
Sep.	0.02	0.02		0.02		0.01		
Dec.	0.02	0.03		0.02		0.02		
Mar.	<u>0.02</u>	<u>0.03</u>		<u>0.02</u>		<u>0.02</u>		
EPS (FY)	\$0.08	\$0.09		\$0.08		\$0.07		
EPS (Cal.)	\$0.09	\$0.08		\$0.07				
P/E (FY)				17.6x		20.1x		
P/E (Cal.)		16.5x		20.1x				
EBITDA (mil)	\$43.90	\$48.00		\$59.80		\$68.40		
EV / EBITDA				5.4x		4.7x		

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2018-F2021E 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	F2012	F2013	F2014	F2015	F2016	F2017	F2018	F2019	F2020E	F2021E
Rev. (Mil.)	\$118.4	\$131.9	\$160.9	\$197.9	\$231.3	\$283.6	\$318.2	\$331.5	\$362.6	\$397.3
GAAP EPS*	(\$0.03)	\$0.04	\$0.03	\$0.03	\$0.04	\$0.06	\$0.08	\$0.09	\$0.08	\$0.07

* GAAP EPS assume a fully diluted share count of 178 million shares. Historical results and estimates assume a constant currency USD/INR exchange rate of 65.

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.

- **Fiscal and monetary stimulus will help bolster growth and investment in India , supporting the digital transformation of India's economy, which remains the primary catalyst behind Sify's growth.**
- **With its end-to-end solution, including everything from data connectivity to data center and cloud and managed services, we think Sify is well positioned to capitalize on the growing demand for data and Cloud services, which is being driven by the digitization of India's economy.**
- **Sify has a good track record of growth. However, headwinds in its Technology and Application Integration Services segments slowed growth in F2019. We expect growth to accelerate in F2020, aided by new data center capacity coming online in the 3Q:F20.**
- **We think SIFY shares are undervalued, now trading at just 4.5x our F2021 EBITDA estimate; this represents a significant discount to the peer group that trades in a range of 9x-13x estimated 12-month forward EBITDA.**
- **Our \$4 price target is based on 12x our F2021 EBITDA estimate of \$68.4 million, less projected net debt of \$136 million. The \$4 price target implies 57x our F2021 EPS estimate of \$0.07.**

Fiscal stimulus from the Indian government will help bolster economic growth... India boasts one of the fastest growing economies in the world. Still, economic activity slowed to its lowest pace in six years with 1Q:F20 GDP coming in at 5%. At the end of September, the Indian government unveiled a significant stimulus package in the form of a massive \$20 billion corporate tax cut, bringing India's corporate tax rate to 22% from 30%. This comes on the back of monetary easing from the Bank of India which has lowered interest rates by 110 basis points this year. We expect the monetary and fiscal stimulus to benefit Sify, as it will act

NR

Price Target: \$4

Price: \$1.41

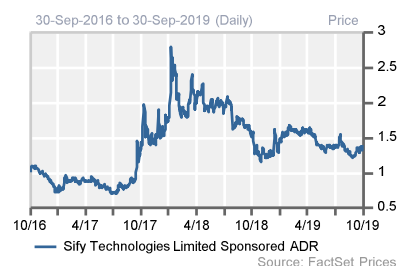
Risk Rating: M

Gregory Burns

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

Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$250
Enterprise Value	\$323
52-Week Range (NASDAQ)	2-1
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	42,000
Shares Out (Mil)	178.514
Float Shares (Mil)	24.1
Insider Ownership	86%
Institutional Holdings	1%
Annualized Dividend	\$0.01
Dividend Yield	1.0%
FCF Per Share (F2021E)	(\$0.01)
FCF Yield (F2021E)	-0.7%
Net Cash Per Share (F2021E)	(\$0.76)
Price to Book Value	1.7x
Return on Equity (F2021E)	6.8%
Total Debt to Capital	Nil
Interest Coverage Ratio	2.3x
Short Interest %	N/A
Short Interest Days To Cover	N/A
Russell 2000	1,523
Russell 2000 – Last 12 Months	-10.2%
SIFY – Last 12 Months	-6.7%



to promote growth and investment in the Indian economy.

...but the digital transformation of India's economy remains the primary catalyst driving demand for Sify's services. Government stimulus will be a positive for Sify; but the company is also benefitting from larger scale secular trends transforming India's economy. India's economy is in the early stages of a significant digital revolution that is driving exponential growth in data and demand for connectivity, as well as data center and higher-value cloud and managed services. The transformation is being accelerated by the policy agenda of the Indian government that, through initiatives such as Digital India and its Smart Cities initiative, seeks to transform India into a completely digital country.

Sify is well positioned to capitalize on the growing demand for data and cloud services in India. Sify is one of the few ICT vendors in India that can offer customers an end-to-end solution, including everything from infrastructure-led telecom and data center services to practice-led Cloud and Managed Services. We therefore think Sify will be a primary beneficiary of the digitization of India's economy, as more government and private sector business is conducted online and in the Cloud. Sify has built the necessary infrastructure assets to support this growing demand, including six company owned pan-India data centers, India's largest MPLS (Multi Protocol Label Switching) network, and a terabit scale data network connecting 41 additional data centers. As for its service capabilities, Sify operates its own cloud platform offering a choice of private, virtual and public cloud with support for AWS (NASDAQ: AMZN, NC), Microsoft Azure (NASDAQ: MSFT, NC) and Google Cloud (NASDAQ: GOOG, NC). The company also offers a host of managed services and is certified to provide hosting, application and cloud migration services for large enterprise software providers like SAP (NYSE: SAP,NC), Microsoft and Oracle (NASDAQ: ORCL, NC). Sify's infrastructure and service capabilities have delivered a long track record of growth with revenue and EBITDA rising at CAGRs of 14% and 12%, respectively, from F2015-F2019.

New data center capacity will help to reaccelerate growth in F2020. Growth slowed in F2019, with revenue rising just 4%. We do not think this is indicative of the company's longer-term track record or prospects. While Telecom Services increased 16% in F2019, Data Center and Cloud and Managed Service grew 29% and 54% respectively, Technology Integration Services increased just 1% and Application Integration Services declined 52%. As it pertains to Technology Integration Services, management is taking a more disciplined approach to the types of technology integration projects they accept. As for Application Integration, Sify lost a large government for its online testing service iTest, that created difficult comparisons; this was a one-time event, however, so we expect results to stabilize in F2020 with revenue about unchanged from F2019. Sify's Data Center and Cloud and Managed Services remain the company's primary growth drivers and we expect this to be more evident in F2020, as we do not expect the TIS and AIS segments to be nearly the drag on growth they were in F2019. Moreover, Sify continues to make significant investments in its Data Center infrastructure the we expect will accelerate growth in 2H:F20. Sify currently operates six fully committed data centers and plans to double its capacity by 2025, with the first two new data centers scheduled to come on-line in 3Q:F20. Importantly, while some capacity still needs to be sold, the new data centers are built to the specifications of an anchor tenant; so a significant amount of the new data center capacity is already contracted, which will allow the company to immediately begin monetizing its capital investments. In part aided by the new data center capacity, we expect sales growth to rebound to about 9.5% in F2020 and F2021.

We maintain a \$4 price target. Trading at 4.5x our projections on a F2021EV/EBITDA basis, SIFY stock is valued at a discount to peers in the India Telecom and application and technology integration markets, that trade in a range of 9x-13x EV/EBITDA. Given Sify's superior growth potential, in our opinion, 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 F2021 EBITDA forecast of \$68.4 million, which then subtracts projected net debt of \$136 million, to yield \$685 million, or \$3.85 on a per share basis. This \$4 price target implies 57x our F2021 EPS estimate of \$0.07.

Key Risks	Foreign exchange	Concentrated ownership	

SIFY TECHNOLOGIES LIMITED SPONSORED ADR

Table 1: Sify Technologies Ltd., Income Statement

(Dollars in millions except where noted)

	F2018	Jun	Sep	Dec	Mar	F2019	JunA	SepE	DecE	MarE	F2020E	JunE	SepE	DecE	MarE	F2021E
Total revenue	318.2	72.0	84.8	88.2	86.5	331.5	84.9	86.6	93.3	97.8	362.6	92.8	94.8	102.4	107.2	397.3
COGS	206.4	43.8	53.4	58.1	54.6	209.8	54.6	54.5	59.0	62.0	230.2	58.6	59.4	64.5	67.6	250.1
Gross profit	111.8	28.3	31.4	30.1	32.0	121.7	30.3	32.0	34.3	35.8	132.4	34.3	35.4	38.0	39.6	147.2
SG&A	67.9	16.9	19.5	18.0	19.3	73.7	16.8	17.9	18.3	19.6	72.6	19.0	19.1	19.6	21.0	78.8
EBITDA	43.9	11.4	11.9	12.1	12.6	48.0	13.4	14.1	16.0	16.2	59.8	15.2	16.2	18.4	18.6	68.4
D&A	27.0	6.0	5.9	5.7	6.1	23.6	7.8	8.1	8.5	8.8	33.2	8.9	8.9	9.0	9.0	35.9
EBIT	16.9	5.4	6.0	6.5	6.6	24.4	5.7	6.0	7.5	7.4	26.6	6.3	7.3	9.4	9.6	32.6
Interest and other expense (income)	5.6	2.1	2.7	2.7	3.1	10.5	1.0	2.6	2.6	2.6	8.8	4.3	4.3	4.3	4.3	17.1
Other expense (income)	(2.9)	0.3	(0.6)	(1.0)	(1.2)	(2.6)	(0.2)	(0.5)	(0.5)	(0.5)	(1.9)	(0.5)	(0.5)	(0.5)	(0.5)	(2.2)
EBT	14.2	3.1	3.9	4.8	4.7	16.5	4.9	4.0	5.4	5.3	19.7	2.6	3.5	5.7	5.8	17.6
Taxes	-	-	-	-	-	-	1.6	1.2	1.6	1.6	6.0	0.8	1.1	1.7	1.7	5.3
Net income	14.2	3.1	3.9	4.8	4.7	16.5	3.3	2.8	3.8	3.7	13.6	1.8	2.5	4.0	4.1	12.3
EPS - diluted	\$0.08	\$0.02	\$0.02	\$0.03	\$0.03	\$0.09	\$0.02	\$0.02	\$0.02	\$0.02	\$0.08	\$0.01	\$0.01	\$0.02	\$0.02	\$0.07
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	35.1%	39.2%	37.0%	34.1%	36.9%	36.7%	35.7%	37.0%	36.7%	36.6%	36.5%	36.9%	37.3%	37.1%	36.9%	37.0%
EBITDA	13.8%	15.8%	14.0%	13.7%	14.6%	14.5%	15.8%	16.3%	17.1%	16.6%	16.5%	16.4%	17.1%	18.0%	17.3%	17.2%
Operating margin	5.3%	7.6%	7.0%	7.3%	7.6%	7.4%	6.7%	7.0%	8.0%	7.5%	7.3%	6.8%	7.7%	9.2%	8.9%	8.2%
Net margin	4.5%	4.3%	4.6%	5.4%	5.4%	5.0%	3.9%	3.2%	4.1%	3.8%	3.8%	1.9%	2.6%	3.9%	3.8%	3.1%
Growth YoY																
YoY																
Total revenue	12.2%	2.8%	13.8%	9.6%	(7.2%)	4.2%	17.8%	2.1%	5.8%	13.1%	9.4%	9.3%	9.5%	9.8%	9.6%	9.6%
Gross profit	11.0%	5.1%	13.8%	11.3%	5.5%	8.8%	7.1%	2.1%	13.8%	12.0%	8.8%	13.2%	10.4%	10.8%	10.7%	11.2%
EBITDA	11.1%	5.9%	7.7%	12.3%	11.4%	9.3%	17.9%	18.9%	31.9%	28.3%	24.4%	13.3%	14.9%	15.0%	14.6%	14.5%
EBIT	11.1%	5.9%	7.7%	12.3%	11.4%	9.3%	17.9%	18.9%	31.9%	28.3%	24.4%	13.3%	14.9%	15.0%	14.6%	14.5%
EPS	46.1%	16.0%	24.7%	9.5%	17.2%	16.2%	7.5%	(28.6%)	(20.8%)	(20.8%)	(17.3%)	(45.7%)	(11.2%)	4.8%	9.4%	(9.5%)

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)

	F2018	F2019	F2020E	F2021E
Net income	\$14.2	\$16.5	\$13.6	\$12.3
D&A	27.0	23.6	33.1	35.9
Provision for doubtful accounts	5.7	8.3	-	-
Stock compensation	0.1	0.1	0.2	0.2
Net finance (income) / expense	5.7	10.5	-	-
Unrealized (gain) / loss on account of exchange differences	(0.0)	1.0	-	-
Amortization of leasehold prepayments	0.3	0.3	-	-
Accounts receivable	(34.2)	(33.6)	(5.1)	(19.1)
Inventory	8.2	(16.5)	3.4	(2.0)
Prepaid and other current assets	(8.0)	1.9	-	-
Accounts payable	9.3	18.5	3.5	11.1
Employee benefits	0.4	0.4	-	-
Deferred income	4.6	-	-	-
Income taxes (paid)/ refund received	-	(8.7)	-	-
Cash from operating activities	33.3	22.2	48.6	38.4
PPE	(25.7)	(58.4)	(86.3)	(39.7)
Intangible assets	(2.5)	(2.7)	-	-
Investments in debt securities	(1.1)	(0.6)	-	-
Finance income received	1.6	0.4	-	-
Cash from investing activities	(27.6)	(61.1)	(86.3)	(39.7)
Proceeds (purchase) of common stock	0.2	14.4	-	-
Debt	0.7	48.2	38.5	7.7
Finance expenses paid	(7.6)	(10.9)	-	-
Proceeds (repayment) finance lease liabilities	(6.2)	(1.4)	-	-
Dividend and distribution tax	(3.2)	(3.4)	(2.6)	(2.6)
Cash from financing activities	(16.8)	47.0	35.8	5.1
FX	-	-	-	-
Net change in cash	(11.1)	8.1	(1.8)	3.7
Cash at the beginning of period	13.3	2.2	10.3	8.5
Cash at the end of period	2.2	10.3	8.5	12.3
FCF	7.7	(36.2)	(37.6)	(1.3)
FCF / share	\$0.04	(\$0.20)	(\$0.21)	(\$0.01)

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)

	F2018	F2019	F2020E	F2021E
Cash	30.6	29.8	28.0	31.7
Restricted cash	4.6	4.8	4.8	4.8
Inventory	\$9.9	\$26.4	\$23.0	\$25.0
Accounts receivable	164.8	194.3	199.4	218.5
Prepaid expenses	6.4	6.2	6.2	6.2
Total current assets	216.4	261.4	261.4	286.2
PPE	111.0	132.9	186.0	189.9
Intangible assets	9.0	8.9	8.9	8.9
Lease payments	20.7	20.3	20.3	20.3
Other assets	17.1	28.2	28.2	28.2
Other investments	2.2	3.0	3.0	3.0
Total assets	376.3	454.7	507.8	536.5
Finance lease obligations	1.4	1.1	1.1	1.1
Borrowings	22.6	51.2	89.7	97.4
Bank overdraft	32.6	23.9	23.9	23.9
Accounts payable	113.2	125.4	128.9	140.0
Deferred income	18.0	-	-	-
Total current liabilities	187.9	222.1	264.1	282.9
Finance lease obligations	1.5	0.4	0.4	0.4
Long-term debt	31.0	51.2	51.2	51.2
Employee benefits	2.3	2.6	2.6	2.6
Other liabilities	15.1	18.4	18.4	18.4
Total liabilities	237.8	294.7	336.7	355.6
Share capital	23.4	27.8	27.9	28.1
Share premium	287.6	297.7	297.7	297.7
Share based payment reserve	4.8	4.7	4.7	4.7
Other components of equity	0.5	0.8	0.8	0.8
Accumulated deficit	(177.7)	(165.2)	(154.2)	(144.5)
Total stockholders' equity	138.5	165.8	176.9	186.8
Total liabilities and equity	376.3	460.6	513.7	542.4
ROE	10.9%	10.9%	8.1%	6.8%
Total Debt-to-capital	27.9%	38.2%	44.3%	44.3%
Net debt-to-TTM EBITDA	1.16x	1.91x	2.20x	1.98x
Cash (debt) per share	(\$0.29)	(\$0.52)	(\$0.74)	(\$0.76)

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

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

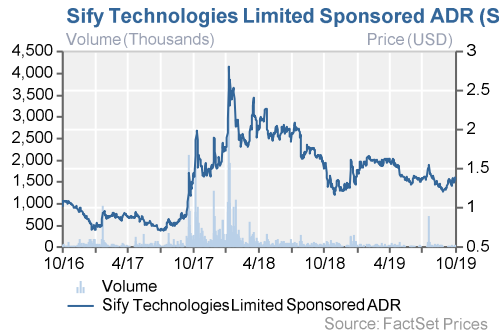
Appendix Required Disclosures

Required Disclosures

Sify Technologies Limited Sponsored ADR (SIFY-\$1.41) 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	0	H
Risk Rating	4/17/18	2.1			M
PT	7/13/18	2		4	



Key Risks	Foreign exchange	Concentrated ownership	
------------------	------------------	------------------------	--

Valuation:

We maintain a \$4 price target. Trading at 4.5x our projections on a F2021EV/EBITDA basis, SIFY stock is valued at a discount to peers in the India Telecom and application and technology integration markets, that trade in a range of 9x-13x EV/EBITDA. Given Sify's superior growth potential, in our opinion, 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 F2021 EBITDA forecast of \$68.4 million, which then subtracts projected net debt of \$136 million, to yield \$685 million, or \$3.85 on a per share basis. This \$4 price target implies 57x our F2021 EPS estimate of \$0.07.

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

APPENDIX CONTINUED

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 10/01/19, Company Sponsored Research provides research on 17 companies, of which 13 (76%) are rated Moderately Risky and 4 (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

APPENDIX CONTINUED

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 2018 Sidoti Fall Conference.

Sidoti Analysts. The research analyst 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. 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.

Source

Key Statistics data is sourced from FactSet Research Systems