Xtract One Technologies Inc.

Watch List Launch: Efficiently 'Xtracting' Weapons and Threats in Style – The Future of Venue Safety and Security has Arrived

XTRA-TSX: $0.78
Watch List
N/A Target

Watch List Coverage: We are adding **Xtract One Technologies Inc.** ("Xtract One" or "the Company") to our **Watch List** coverage. While we have no formal recommendation, forecasts, or price target at this time, we believe the Company has demonstrated that it is **firmly entrenched in a robust growth trajectory** and is showing no signs of slowing down. Xtract One is competing in the **highly lucrative weapons detection industry**, mostly **comprised of outdated infrastructure** and **ripe for disruption**, while we believe the Company is **wielding superior technology** than its few competitors. With reinforcement of the most recent superb quarterly results, which served to recalibrate the Company's scale, we anticipate having greater confidence building out near-term forecasts – a prerequisite to a **formal rating** and **price target**.

Xtract One is an advanced technology company that is disrupting the **physical security** market with the commercialization of its integrated, layered, **artificial intelligence (AI)-powered threat detection gateway solution** with the goal of enhancing public safety. Its marquee **SmartGateway** delivers **fast, reliable, and accurate patron screening for high throughput venues**, aiming to replace antiquated metal detectors. The Company's mission is to create transformative technology solutions to deliver **exceptional experiences**, **safer environments**, **operational efficiencies**, and informed **insights** for customers and their patrons.

Watch List Thesis: We highlight the following key reasons why investors should keep a close eye on Xtract One as a company with considerable upside.

- **Heavyweight Validation:** Despite operating in the early innings of a growth trajectory pursuing significant scale, Xtract One has managed to forge **partnerships** with **industry heavyweights** in **Oak View Group** (OVG) (Private) and **Madison Square Garden Sports** (MSGS) (MSGS-NYSE, NR) across the past year-plus. Both relationships bring instant **credibility** and **validation** to the Company in staunch support of its innovative technology, along with **considerable resources and networks** to accelerate scaling. Notably, MSGS attested its conviction by making a **$13.4M investment** into Xtract One in early C2023. Alongside this strategic support, the Company's **SmartGateway** has also been included in the **Transportation Security Administration's** (TSA) **security screening product list** after a lengthy series of rigorous testing – a feat not matched by Xtract One's key competitor.

- **Hyper Growth Mode:** The Company's recent **FQ124 record results** on December 7 revealed **extraordinary y/y revenue growth** from $0.4M to **$3.0M** (i.e., **$12.0M run-rate**) within the core **Platform** segment (~96% of total revenues), which also reflected an **82% q/q increase** from FQ423's prior record. Perhaps a better forward indicator, the Company's **total contract value** (TCV) of **new quarterly bookings** saw triple-digit y/y growth of **231%** to **$9.6M**.

- **Compelling Industry Dynamics:** Competing in an industry with **high barriers to entry**, Xtract One considers just **two peers** as **competition** for a **total addressable market** (TAM) exceeding **$100B**. The Company's **eight-year head-start** on new entrants includes **total invested capital** of **$70M+** on technology and research and development. Leading with its core vertical (North American **stadiums and arenas**), swelling demand has pulled Xtract One into broader domestic markets involving **schools** and facilities spanning **distribution**, **manufacturing**, and **healthcare** – with each vertical now housing **several anchor customers**. Moreover, these markets are dwarfed by **international opportunities** where the Company's recently announced **record US$5.1M contract** represents just the tip of the global iceberg.

Valuation: N/A

Xtract One Technologies Inc.	C$ unless stated
Market Capitalization - Basic ($M)	154.7
Net Debt - FD ($M)	(34.7)
Enterprise Value - FD ($M)	156.8
Basic Shares O/S (M)	198.4
FD Shares O/S (M)	245.5
Avg. Daily Volume (000)	126.3
52 Week Range	$0.49 - $1.16
Dividend Yield	0.0%

Financial Metrics *(actual)*			
FYE - Jul 31 ($M)	2022A	2023A	LTM
Revenue	3.6	4.1	6.6
Gross Profit	n/a	n/a	n/a
Adj. EBITDA	(14.5)	(13.6)	(10.7)

Valuation Data				
		2022A	2023A	LTM
EV/Revenue	Current	43.3x	38.1x	23.8x
	Peers	10.2x	7.3x	7.1x

Quarterly Data *(actual)*					
($M)		Q223	Q323	Q423	Q124
Revenue	2023/24	0.8	0.9	1.8	3.1
Gross Profit	2023/24	n/a	n/a	n/a	2.1
Adj. EBITDA	2023/24	(3.4)	(3.1)	(2.2)	(2.0)

Corporate Officers	
Chief Executive Officer & Director	Peter Evans
Chief Financial Officer	Karen Hersh
SVP Product and Engineering	Joshua Douglas
SVP Operations	Robert Lex
VP Sales	Chris Feusner
VP Marketing	Louise Johnson

Company Description

Xtract One Technologies Inc. engages in the research, development, and commercialization of weapon/threat detection gateway solutions in North America and internationally. It operates in two segments, Platform and Xtract segments, with its core Platform segment developing and commercializing an artificial intelligence (AI) powered threat detection platform that features its innovative SmartGateway solution. The Company was formerly known as Patriot One Technologies Inc. and changed its name to Xtract One Technologies Inc. in December 2022. Xtract One was founded in 2016 and is headquartered in Toronto, Canada.

Source: S&P Capital IQ

U.S. based investors should refer to our disclaimers relevant to U.S. distributions at the end of the report.

Xtract One Technologies Inc. (XTRA-TSX $0.78) - Data Sheet

Watch List | PT: N/A

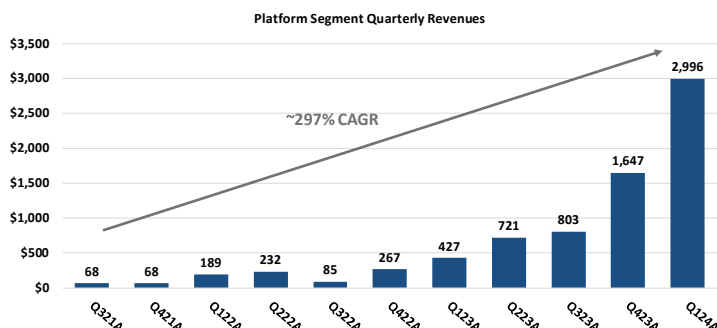Volume (K) — Price ($C) — 50-Day MA — 200-Day MA

Company Description

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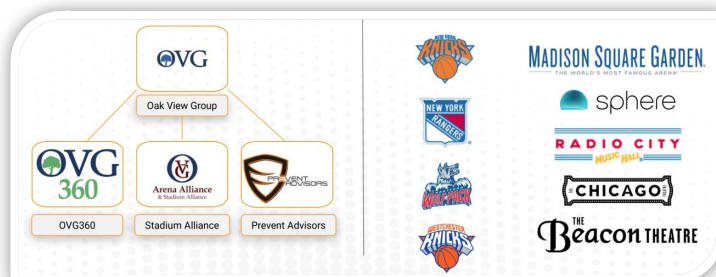
Consensus	3M Ago	Current	Return
Rating:	n/a	n/a	
Target:	n/a	n/a	n/a
Median:	n/a	n/a	n/a
High:	n/a	n/a	n/a
Low:	n/a	n/a	n/a

Consensus Distribution	
Sector Outperform/Buy	0
Sector Perform/Hold	0
Sector Underperform/Sell	0
# Est	0

Charts/Tables

Platform Segment Quarterly Revenues

~297% CAGR

Q321A	Q421A	Q122A	Q222A	Q322A	Q422A	Q123A	Q223A	Q323A	Q423A	Q124A
68	68	189	232	85	267	427	721	803	1,647	2,996

Marquee Strategic Partnerships

Summary Financials

Fiscal year/quarter	2020A	2021A	2021A	2022A	Q123A	Q223A	Q323A	Q423A	2023A	Q124A
In $000s except per share										
Revenue	2,071	1,082	1,082	3,619	647	815	875	1,774	4,111	3,116
Growth %	n/a	(47.8%)	(47.8%)	234.5%	(8.8%)	(30.8%)	(6.7%)	123.5%	13.6%	381.8%
Gross profit	n/a	n/a	n/a	n/a	339	n/a	n/a	n/a	n/a	2,084
Margin %	n/a	n/a	n/a	n/a	52.4%	n/a	n/a	n/a	n/a	66.9%
Adj. EBITDA	(18,434)	(16,685)	(16,685)	(14,472)	(4,318)	(3,350)	(3,134)	(2,225)	(13,574)	(2,033)
Growth %	n/a	NM	NM	NM	NM	NM	NM	NM	NM	NM
Margin %	(890.0%)	(1,542.1%)	(1,542.1%)	(399.9%)	(667.6%)	(411.1%)	(358.0%)	(125.4%)	(330.2%)	(65.2%)
Capex	921	492	492	96	33	0	0	0	33	0
Intensity	44.5%	45.4%	45.4%	2.6%	5.0%	0.0%	0.0%	0.0%	0.8%	0.0%
Net debt (Basic)	(22,407)	(9,652)	(9,652)	(6,277)	(2,206)	(977)	(8,551)	(8,327)	(8,327)	(5,290)
Cash	22,407	9,652	9,652	6,277	2,206	977	8,551	8,327	8,327	5,290
FCFPS (FD)	($0.12)	($0.08)	($0.08)	($0.06)	($0.02)	($0.01)	($0.03)	($0.01)	($0.08)	($0.02)

Key Statistics

52-Week High:	$1.16
52-Week Low:	$0.49
Avg. Vol (000):	126.3
Basic Shares O/S (M)	198.4
FD Shares O/S (M)	245.5
Net Debt - FD ($M)	(34.7)
Enterprise Value - FD ($M)	156.8
Div Yield:	0.0%
Fiscal Year End:	Jul-31
Employees:	70

Physical Security Solution Providers

| Company	Ticker / Exchange	Local Price	EV ($M)	Revenue Growth	EV / Revenue	EV / EBITDA	EBITDA Margin	EBITDA Growth	Revenue Growth	EV / Revenue	EV / EBITDA	EBITDA Margin	EBITDA Growth
				2023 CY					**2024 CY**				
Evolv Technologies Holdings, Inc.	EVLV-US	$4.20	561.8	40%	7.3x	NM	(66%)	NM	49%	4.9x	NM	(26%)	NM
SoundThinking, Inc.	SSTI-US	$24.88	317.5	15%	3.4x	20.2x	17%	129%	14%	3.0x	13.4x	22%	50%
Napco Security Technologies, Inc.	NSSC-US	$32.34	1,123.3	13%	6.3x	27.0x	23%	57%	11%	5.7x	19.9x	29%	35%
OSI Systems, Inc.	OSIS-US	$123.76	2,400.5	13%	1.7x	11.0x	16%	29%	11%	1.5x	8.7x	18%	27%
NICE Ltd.	NICE-US	$742.70	43,970.0	15%	5.0x	14.6x	34%	68%	10%	4.5x	13.1x	35%	11%
Verint Systems Inc.	VRNT-US	$27.08	2,345.6	1%	2.6x	9.8x	26%	100%	4%	2.5x	8.6x	29%	14%
Alarm.com Holdings, Inc.	ALRM-US	$57.93	2,760.1	4%	3.1x	19.2x	16%	61%	5%	3.0x	18.6x	16%	3%
Teledyne Technologies Incorporated	TDY-US	$420.59	22,847.1	4%	3.9x	15.5x	25%	7%	5%	3.7x	14.4x	25%	8%
ADT Inc.	ADT-US	$6.48	15,247.5	(11%)	2.7x	6.2x	43%	1%	(2%)	2.7x	6.0x	45%	3%
Allegion plc	ALLE-US	$109.75	11,299.6	12%	3.1x	12.8x	24%	24%	3%	3.0x	12.5x	24%	3%
Mean (excl. XTRA)			10,287.3	11%	3.9x	15.1x	16%	53%	11%	3.5x	12.8x	22%	17%
Median (excl. XTRA)			2,580.3	12%	3.3x	14.6x	24%	57%	8%	3.0x	13.1x	25%	11%
Xtract One Technologies Inc.	XTRA-TSX	$0.78	158.5	n/a	n/a	n/a	NM	NM	n/a	n/a	n/a	n/a	n/a

Source: S&P Capital IQ

Watch List Thesis

After introducing some of the key components that form our Watch List thesis upfront, we elaborate on each below. *Those who wish to first dive deeper into the Company's background and product offerings can skip to our Business Overview before proceeding.*

Heavyweight Validation

Arguably the most compelling component of Xtract One's early success involves the Company's **two partnerships** with **live sports and entertainment heavyweights OVG** and **MSGS**. We explore the merits of each relationship here along with delving into a couple of key third-party product validation achievements.

Exhibit 1 – Marquee Strategic Partnerships
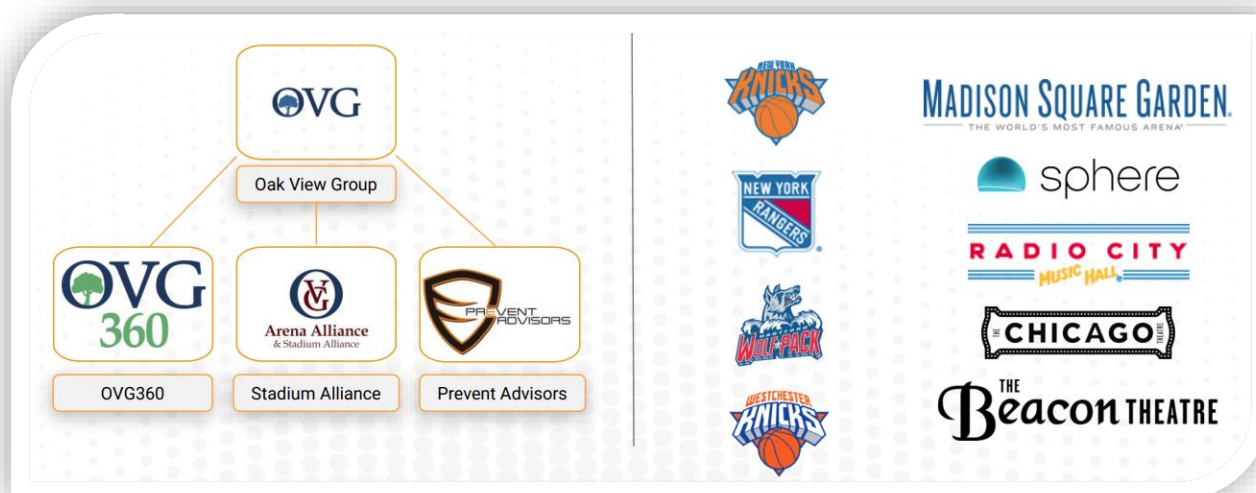
Source: Xtract One

Oak View Group Partnership

On October 5, 2022, Xtract One announced that it had forged a partnership with **OVG** that would see one of the **largest developers of sports and live entertainment venues in the world** enable its properties to utilize the Company's **SmartGateway** system *(press release)*. The partnership followed prior joint work on several projects together, including the deployment of SmartGateway solutions at the Rupp Arena in Lexington, Kentucky, and Moody Center in Austin, Texas – *we later highlight a very convincing case study that examines the Moody Center deployment and the associated value proposition of Xtract One's SmartGateway platform (here)*. The partnership aims to provide easy access to Xtract One's SmartGateway for all OVG-owned and operated venues, OVG360-managed venues, and OVG Arena Alliance members – for context, OVG counts 400+ sports and live entertainment venues that it either owns or operates globally. Not only is OVG one of the largest and premier venue owners and operators in the world, but it has also been seeing rapid growth in its portfolio – OVG boasts that it's the only company to **build and open 7 brand new state-of-the-art venues within 16 months**, while it has over **US$5B** committed to developing new arenas over the next 3 years. Additionally, OVG's security organization Prevent Advisors is the trusted security consultant to the NBA, NHL, and MLB, providing red teaming and other advisory services. The Xtract One-OVG partnership features a Master Service Agreement (MSA) that enables OVG's affiliated arenas and stadiums to essentially bypass much of the vetting process along with any detailed negotiation of terms and conditions, which have been pre-arranged; thus, the MSA helps to **meaningfully shorten Xtract One's sales cycle across OVG's venues**. Serving to validate the tremendous upside behind the partnership, the Company has gone on to announce numerous wins at OVG-operated venues in the subsequent 12+ months, including **Angel of the Winds Arena** (Washington) *(press release)*, **Simmons Bank Liberty Stadium** (Tennessee) *(press release)*, **Cross Insurance Center** (Maine) *(press release)*, **Budweiser Gardens** (Ontario) *(press release)*, **Total Mortgage Arena** (Connecticut) *(press release)*, **Acrisure Arena** (California) *(press release)*, and **Cross**

Insurance Center (Maine) *(press release)*. Additionally, the Company announced on its FQ423 earnings call in October 2023 that since formalizing the partnership, Xtract One had increased the number of units deployed at OVG venues by over **150%**. **We believe the Company has only begun to scratch the surface of the broader OVG opportunity, which has simultaneously delivered Xtract One immense product validation to prospective buyers along with a massive, growing network of sports and entertainment venues to potentially deploy across.**

Exhibit 2 – Xtract One's SmartGateway at Moody Center

Source: Xtract One website

Madison Square Garden Sports Partnership and Investment

On February 13, 2023, Xtract One announced that MSGS would invest up to **$13.4M** (US$10.0M) in the Company at a price of **$0.42** per unit, where each of the **~32M units** was comprised of one common share and one **warrant exercisable at $0.60** for a period of five years *(press release)*. The Company stated that the equity investment would enable Xtract One to further innovate its advanced security solution and accelerate its growth into new market segments. Along with the investment, Xtract One announced it had entered into a **commercial agreement** with **Sphere Entertainment** (SPHR-NYSE, NR) (formerly Madison Square Garden Entertainment (MSGE)) allowing it and its affiliate MSGE to deploy SmartGateway solutions across the recently opened **Sphere** in Las Vegas, and MSGE's portfolio of iconic venues, including New York's **Madison Square Garden**, **The Theater at Madison Square Garden**, **Radio City Music Hall**, **Beacon Theatre**, and **The Chicago Theatre**. The equity investment closed on April 12, 2023, which saw MSGS take hold of **~16%** of Xtract One's issued and outstanding shares on a non-diluted basis and **~28%** on a partially diluted basis.

This was a **landmark development** for Xtract One given the world-renowned reputation of MSGS and its associated influence and resources, **while the choice for MSGS to make a sizeable investment in the Company rather than simply partnering up should not be lost on investors – MSGS is not only interested in benefiting from Xtract One's product offerings across its growing network of venues but is obviously demonstrating its confidence in the Company's outlook by betting on and participating in any future success**. *We later provide more details (here) around a key motivation from MSGS in its investment, viewing Xtract One as its technology partner of the future.* Additionally, now that Xtract One has actually gone live in several of MSGE's referenced venues, the Company can leverage these deployments as part of its sales pitch going forward – e.g., citing the early success of the SmartGateway solutions that

have been operating at Madison Square Garden or throughout the highly impressive and hyped launch of the Sphere in Las Vegas, while enabling prospective customers to have the opportunity to also visit the venues for a first-hand experience.

Exhibit 3 – Xtract One's SmartGateways at the Sphere

Source: Strategic Investing YouTube channel

TSA and APL Validation

On June 27, 2023, Xtract One announced that its SmartGateway patron screening solution was **rigorously tested** by the **TSA** for **effectiveness** and **suitability** before being included in the TSA's 2023 **approved product list**. The extensive testing was completed by **Johns Hopkins University's Applied Physics Laboratory** (APL) – the nation's largest university-affiliated research centre – on behalf of the TSA. The verification provided by the TSA and APL signifies the SmartGateway system's adherence to documented specifications, while the testing process encompassed a wide range of threat items and scenarios, highlighting the solution's **reliability** and **performance** across a broad set of applications. With the release, a TSA representative communicated that the department's rigorous testing evaluated the Company's documented and published specifications for the SmartGateway to **ensure its claims were supported by the technology's functionality**.

Considering that the TSA is a US agency within the **Department of Homeland Security** (DHS), which has authority over the security of transportation systems across the US, **we believe this validation holds massive weight**. The TSA was created in response to the 9/11 attacks in the US with the passing of the Aviation and Transportation Security Act in November 2001. The aim was to improve airport security procedures and consolidate air travel security under a federal administrative law enforcement agency. However, the TSA also develops broad policies to protect the broader US transportation system and areas where people gather in general, including highways, railroads, bus networks, mass transit systems, ports, pipelines, cruise ships, and intermodal freight facilities. We understand that the testing conducted by Johns Hopkins University was a very **practical, real-world test environment** that spanned **three to four months** of rigorous testing, where the SmartGateway was placed in a lab for half of that duration, followed by a building lobby for the subsequent half. **Experts would then carry a broad assortment of weapons in hundreds of different positions and orientations on the body to test whether the security solution met the required standards along with any claims that the Company promotes.** The end result was the validation of Xtract One's technology and the inclusion of the SmartGateway on the TSA's approved product list.

Differentiated From Competition: Notably, this validation from the TSA has not been achieved by Xtract One's main competitor and market leader, **Evolv Technologies** (EVLV-NASDAQ, NR) *(please see our section Few Competitors for*

more information on Evolv and other peers). In fact, **a C2021 technical report found that Evolv's system was unable to consistently detect knives** (we note that Evolv may have improved this aspect of its technology in the two-plus years since that report) *(Source: BNN Bloomberg)*. Additionally, IPVM, a Pennsylvania-based technology watchdog, stated that **false alarm rates were as high as 60% at schools** that use Evolv's system to screen students. IPVM published an article on its website in September 2023 declaring that **Evolv had made a statement to IPVM admitting it deeply regretted generalizing its capabilities**; IPVM then went on to explain why generalizing ultimately conflicts with the Federal Trade Commission (FTC) guidance, which states not to exaggerate, misrepresent, or overstate claims *(Source: IPVM)*. Most recently in October 2023, **regulators from the FTC opened an investigation into Evolv's claims around the performance of its AI systems and marketing practices** *(Source: BNN Bloomberg)*. While we won't speculate on any potential outcomes from this FTC investigation into Evolv, **the bottom line is that Xtract One appears to be separating itself from its prominent competitor around the efficacy of its technology and the integrity behind the Company's claims**.

DHS SAFETY Act Designation on the Horizon: Xtract One continues to actively seek external critique and scrutiny around its SmartGateway solution from third-party agencies and institutions and is currently well into the process of pursuing a **DHS SAFETY Act Designation**. The DHS is the broader US agency that the TSA resides within – the TSA makes up about a quarter of the DHS workforce – and was created in March 2003 as a result of the Homeland Security Act of 2002. The DHS is the US federal executive department responsible for public security with stated missions involving anti-terrorism, border security, immigration and customs, cybersecurity, and disaster prevention management. In contrast to the TSA's real-world testing application, the DHS SAFETY Act Designation is more of a detailed paper and documentation exercise to demonstrate that a company is following sound business practices. The application process serves to enable the DHS to better understand a company's technology, business processes, and how it relates to the criteria set forth in the SAFETY Act; some of the criteria include demonstrated substantial utility and effectiveness, availability of the technology for immediate deployment in public and private settings, effectiveness of the technology in facilitating the defence against acts of terrorism, and many more. **Xtract One expects to receive the DHS designation within the next few months.**

What Does TSA/DHS Validation Mean for Xtract One? While certain professional sports leagues like to see either TSA or DHS SAFETY Act validation – e.g., Major League Baseball (MLB) prefers its teams to work with a security vendor that has the DHS SAFETY Act award, preferably at the "Designation" level, despite it not being an official requirement (several MLB teams do not work with a DHS designated vendor) – the biggest value to Xtract One is simply having **rigorous third-party validation** of its technology and overall platform when pitching to prospective clients. For example, if a school or hospital is considering the purchase of Xtract One's SmartGateway and they know there has been rigorous testing performed on the platform by the nation's most prominent security and defence agencies, which corroborate the Company's claims, it can provide substantial **peace of mind** while helping to **accelerate the sales cycle.**

NCS[4]

On December 17, 2021, Xtract One announced the formal release of an Operational Exercise and subsequent report executed by the **National Center for Spectator Sports Safety and Security** (NCS[4]), which documented the Company's observed performance during real-world and simulated environments *(press release)*. Xtract One stated that the exercises were conducted to demonstrate its performance relative to advertised capabilities and industry and professional sports leagues' security standards. The exercise incorporated a live stadium environment with 17K patrons and controlled observation areas, while the rigorous process was designed to observe the Company's AI-powered Gateway and platform's operational feasibility in a stadium environment and to document its capabilities relative to professional leagues' safety standards.

Despite this report being conducted about two years ago, it highlights Xtract One's **continued willingness and goal to have its solution undergo rigorous third-party testing to achieve full transparency** – both for the benefit of the Company's solution along with the integrity of the industry as a whole. The testing also allowed Xtract One the opportunity to both address any deficiencies noted within the first round of testing and demonstrate improvement in the product for a second round of testing – these improved follow-up results were included in the report.

Hyper Growth Mode

While heavyweight validation is a critical component of any Xtract One investment thesis and an indication of the Company's vast potential, validation itself doesn't automatically guarantee rapidly increasing recurring revenues and scale. Thus, **the fact that Xtract One is beginning to string together several quarters of robust y/y (and q/q) growth represents a key ingredient towards a lofty outlook and, ultimately, evidence that the Company's advanced security solution has successfully made the transition from a prototype with promise to a competitive offering in the marketplace that is gaining strong commercial traction**.

Realized Revenues: When looking at the Company's realized revenues within its core **Platform** segment (i.e., sales of the SmartGateway solution and its associated software platform), Xtract One began generating consistent quarterly sales back in **FQ321** where it produced **~$68K** in quarterly revenues. From there, the Company has seen q/q growth in the majority of quarters since, culminating with **$3.0M** in quarterly revenues generated in **FQ124** (period ending October 31, 2023), which reflected **82% q/q growth** and **602% y/y growth** *(see Exhibit 4 below for Platform segmented revenues since FQ321)*. Across the nearly three-year period since FQ321, Xtract One has generated a **compounded annual growth rate** (CAGR) of **~297%** in the segment and is beginning to realize **meaningful scale** with its current **~$12M** in **annualized run-rate revenues**.

Exhibit 4 – Platform Segment Quarterly Revenues ($000) and CAGR
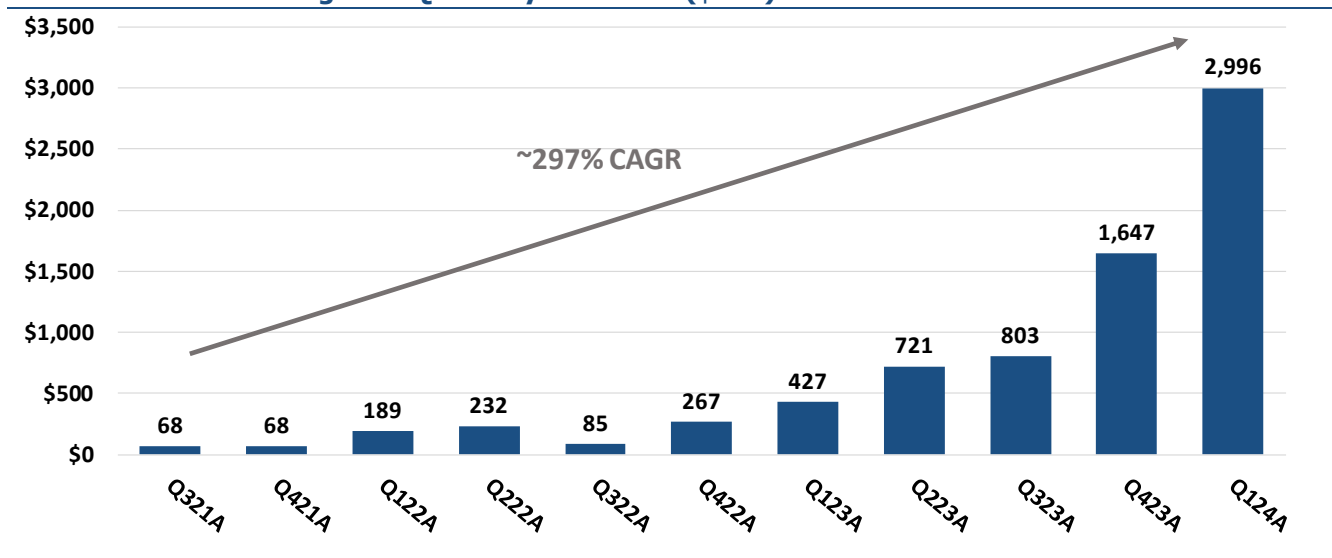
Source: Xtract One financials, Echelon

Platform Backlog, New Bookings, and Sales Pipeline: Xtract One typically lands three-year contracts with many of those spread across monthly recurring payment models *(we delve deeper into the two payment models offered by Xtract One in our Business Overview here)* and has good visibility into contracted revenues that will be recognized in future periods as performance obligations are met. Due to this visibility, Xtract One generally publishes a few metrics alongside earnings releases pertaining to the Company's **contracted backlog** – both **fully installed** and **pending installation** totals – and **new bookings** signed. The fully installed category reflects contracted customers where the Company has already installed its SmartGateway laneways and platform at the venue and thus, there is full visibility around the timing of future realized revenues, whereas in the pending installation category, the contracted agreement has been signed but there could be various circumstances delaying the timing of installations and thus, the timing certainty around future realized revenues. Those circumstances can range from being well within Xtract One's control – such as in the case where there is insufficient inventory on hand or time to complete the installation at that point, where the backlog pending installations can generally be expected to be completed within a quarter or two – to more external reasons, such as the customer preferring a phased deployment versus all at once, or in rare cases, the venue might still be under construction.

- **Contracted Backlog:** As of the end of **FQ124**, the Company reported a **total installed backlog** of **$9.3M** in **Platform** revenues, where $3.6M is expected in F2024 with the remaining $5.7M expected beyond that. The total installed backlog reflected **~393% y/y growth** from the $1.9M backlog posted exiting FQ123. Meanwhile, when considering the Company's contracted backlog that is **pending installation**, Xtract One reported an additional **$10.6M** exiting FQ124, taking its **total Platform backlog** (both installed and pending installation) to **$19.9M**, representing **~238% y/y growth** from the $5.9M reported in FQ123 (*Exhibit 5 below illustrates the full backlog of $20.1M, which includes the Xtract segment, while we opt to focus on the Platform segment as it is the Company's clear focus going forward*). Additionally, the reported Platform backlog doesn't include any deals won subsequent to October 31 and thus, doesn't include Xtract One's announced partnership with the **Kansas City Current** of the National Women's Soccer League, where the Company was selected to deploy its SmartGateway system at the brand new 11,500-seat CPKC Stadium (*press release*), along with Xtract One's announced contract win with the Indianapolis-based **Community Health Network** of hospitals following a rigorous and successful 30-day pilot (*press release*).

- **New Bookings:** Another metric Xtract One provides is its **new bookings**, which is comprised of the TCV of all new contracts signed and awarded to the Company, regardless of any performance obligations outstanding at the end of the period. Xtract One generated **$9.6M** in new bookings throughout **FQ124**, which was **nearly two-thirds of the $15.0M generated for all of F2023**.

Exhibit 5 – Xtract One's Robust Growth from March 2021 to October 2023

Source: Xtract One corporate presentations – *$10.6M of the referenced $20.1M backlog above is pending installation and/or successful trial

- **Sales Pipeline:** Finally, Xtract One has also been updating the market with respect to the size of its **sales pipeline** over the last few years. The Company's Platform pipeline currently sits at **$82M** in **TCV**, which was up **~43% y/y** from the $57M exiting October 2022, despite generating $21.7M in new bookings in the past year (i.e., converting pipeline to new bookings). Additionally, Xtract One has communicated that **40-50% of the current pipeline comprises customers outside of the Company's primary target market** (i.e., sports arenas and live entertainment venues); Xtract One is beginning to gain traction in its secondary markets of education, distribution/manufacturing, healthcare, and global markets, having won several anchor customers in each vertical (*we delve deeper into this traction and the associated opportunity across these secondary markets in our discussion around the Immense TAM*). **Notably, the Company's current pipeline has grown over 900% from the $8M presented back in March 2021** (*Exhibit 5*), **highlighting the unrestrained momentum Xtract One is generating with its SmartGateway solution across the last few years.**

Exhibit 6 – Xtract One's Target Markets
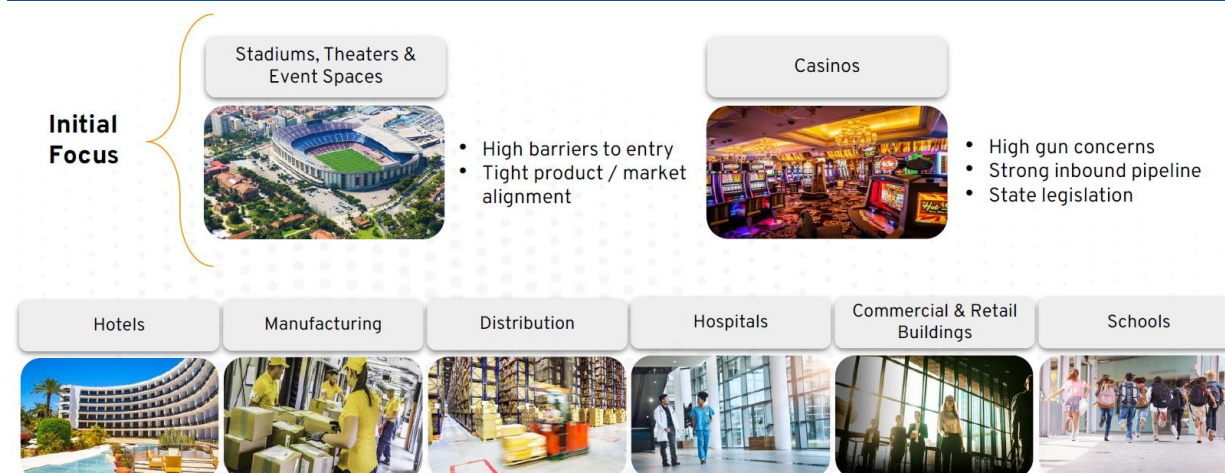
Source: Xtract One corporate presentation

Communicated Bullish Outlook: While the robust growth referenced around the Company's realized revenues, total backlog, new bookings, and sales pipeline is a compelling sign of what's to come, **Xtract One communicated on its F2023 earnings call in October that it expects similar growth trajectories and growth rates seen in F2023 (Platform revenues grew 365% y/y in F2023) to carry forward into F2024 while FQ124's 602% y/y growth serves as an early confirmation of this projection.** The Company continues to be incredibly bullish on the outlook and expects existing trends to continue and accelerate further. While we don't make any forecasts within our Watch List coverage of companies, we can take Xtract One's referenced growth commentary and contemplate what a similar growth rate in F2024 might look like. **If Xtract One delivers another 300%+ y/y growth in its Platform segment across F2024, segmented revenues would jump to ~$14.4M+ in F2024, while 200%+ growth would imply $10.8M+ in Platform revenues.**

Compelling Industry Dynamics

One of the prominent driving factors behind Xtract One's extraordinary growth trajectory surrounds the **compelling industry dynamics** across the physical security space. We explore some of the drivers behind this bullish landscape.

Immense TAM

Perhaps unfortunately, the **TAM** for physical security is not only very large but growing quickly to combat the rise of gun violence. Exhibit 7 depicts a chart highlighting the rise in **US mass shootings** (i.e., defined as incidents in which four or more people were killed or injured). The five-year period between C2014-2018 saw a high of 383 mass shooting incidents in the US compared to 610, 690, and 647 in C2020, C2021, and C2022, respectively, while C2023 is also on pace for 600+.

Exhibit 7 – Mass Shootings in the US

Mass shootings in the US are on the rise
Incidents in which four or more people were killed or injured

*data up to 26 October
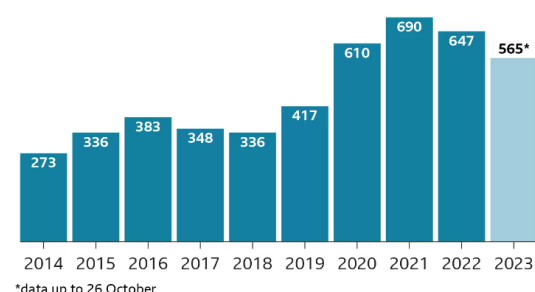
Source: British Broadcasting Corporation (BBC): Gun Violence Archive

Even more locally in Toronto, Canada's most populated city, gun violence and firearm discharges have been on the rise in the last decade *(Exhibit 8)*.

Exhibit 8 – Shootings and Firearm Discharges in Toronto
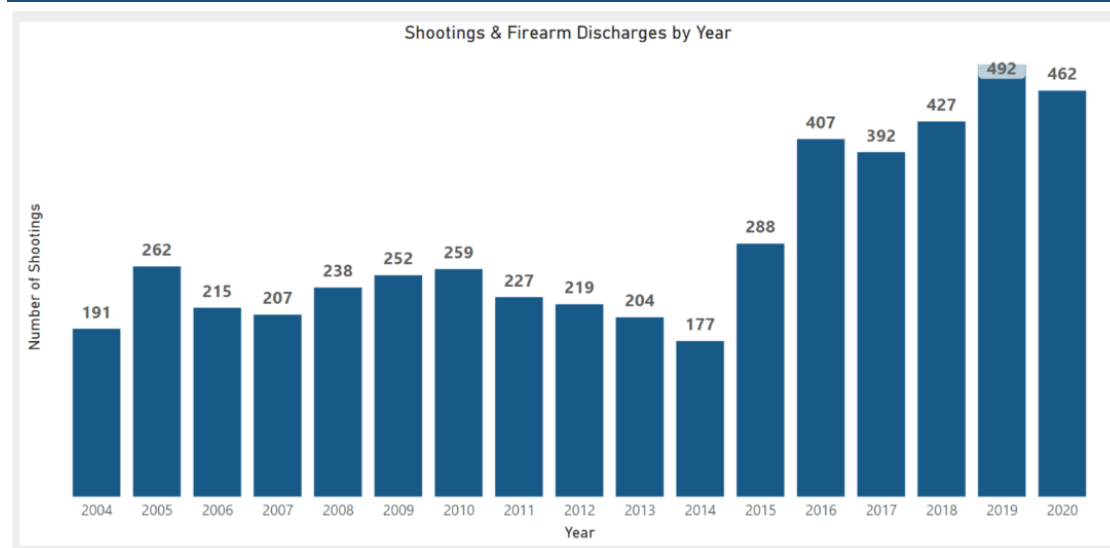
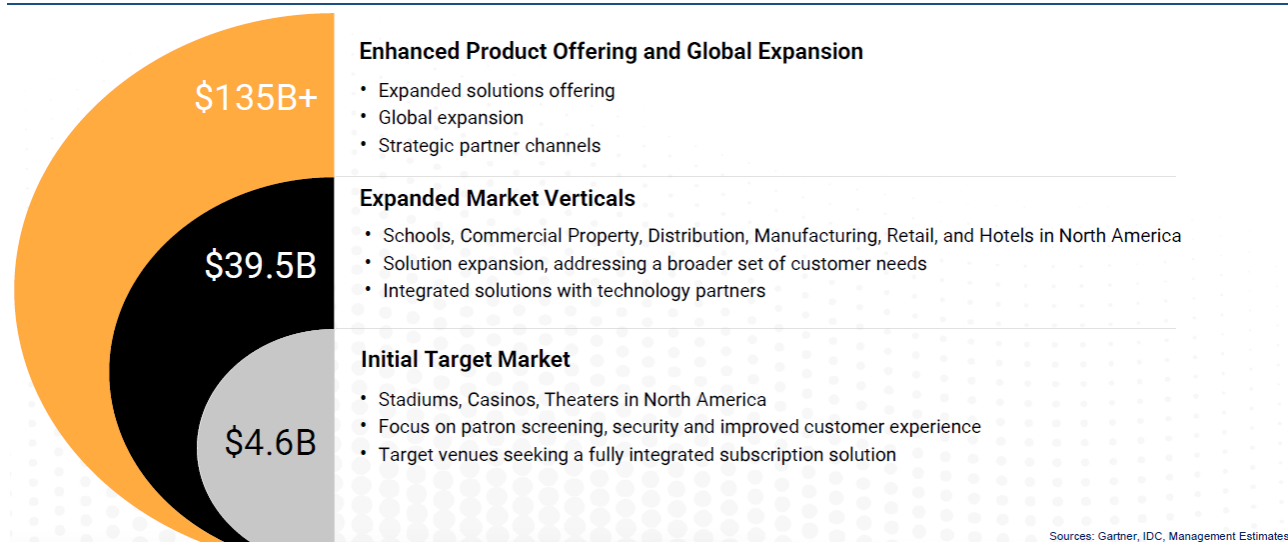*Source: Toronto Police Service data (2021)*

These global trends are clearly impacting the psyche of patrons and employees congregating at these venues and public buildings, which is translating into increased demand for improved safety and security. Both private enterprises and governments seem to agree on the need to increase investment in advanced safety and security technologies to meet these demands in an unintrusive manner. According to market research firm Spherical Insights, the **global physical security market** was valued at **US$112.7B** in C2022, while the firm is calling for a 6.4% CAGR to C2032, reaching a size of US$209.5B *(Source: Spherical Insights, 2023)*. The marketing firm's definition of physical security refers to the measures and practices used to protect physical assets, people, and information from unauthorized access, theft, damage, or destruction. For a narrower focus and perhaps more relevant market, Future Market Insights has pegged the **global concealed weapon detection systems market** at **~US$706.7M** in C2023 and growing at a **12.4% CAGR** to **C2033** when it will reach **US$2.3B** in value *(Source: Future Market Insights, 2023)*. However, there's good reason to believe that this market will expand much faster than this considering that new technologies are far more advanced than legacy incumbent solutions (e.g., metal detectors), and are thus priced meaningfully higher. Additionally, given the rise of violent mass incidents referenced earlier, demand is beginning to pour in for these security solutions from areas where there may not have been a solution in place previously – e.g., **hospitals and healthcare facilities**, **schools**, and **corporate environments** such as **manufacturing** or **distribution centres**.

Xtract One has attempted to calculate various **TAM**s by gathering information around the total number of venues and buildings in each bucket and ascribing an estimate of how many SmartGateways each location would require at a set price (Xtract One hasn't released information on its pricing yet for competitive reasons). The Company's three main TAMs begin with its niche initial target market comprised of arenas and stadiums, casinos, and live entertainment venues in North America; Xtract One believes this opportunity alone is worth **~$4.6B** *(Exhibit 9)*. Expanding further into adjacent verticals within North America, such as schools, commercial property, distribution, manufacturing, retail, and hotels – where the Company has already won anchor clients, such as **Hyundai** *(press release)*, **Sentara Health** *(press release)*, and **Lakewood School District** *(press release)* – brings Xtract One's calculated TAM up to **~$40B** worth of opportunities. Finally, expanding into global markets – where we referenced earlier that the Company recently landed its **largest contract in its history** with a **global entertainment** company for **US$5.1M** in TCV across **three years** *(press release)* – brings Xtract One's TAM calculation up to **~$135B**.

Nonetheless, of more importance than pinpointing the magnitude of the TAM opportunity to Xtract One is the recognition that this is a very large, burgeoning industry that is experiencing an increased urgency of demand for

high-performance solutions across a variety of verticals. Given that the majority of existing solutions seen today (e.g., at arenas and entertainment venues) tend to be legacy technologies, such as metal detectors (either walk-through or hand-held), leading to long patron wait times and general annoyances, **we believe that the structural tailwinds in place to overhaul obsolete technology across the industry will sustain for many years to come**.

Exhibit 9 – Total Addressable Markets

Enhanced Product Offering and Global Expansion — $135B+
- Expanded solutions offering
- Global expansion
- Strategic partner channels

Expanded Market Verticals — $39.5B
- Schools, Commercial Property, Distribution, Manufacturing, Retail, and Hotels in North America
- Solution expansion, addressing a broader set of customer needs
- Integrated solutions with technology partners

Initial Target Market — $4.6B
- Stadiums, Casinos, Theaters in North America
- Focus on patron screening, security and improved customer experience
- Target venues seeking a fully integrated subscription solution

Sources: Gartner, IDC, Management Estimates

Source: Xtract One corporate presentation

High Barriers to Entry

Alongside a large TAM are the **high barriers to entry** to compete in this space, which is likely the prominent reason **Xtract One doesn't compete with many players for its contracts** *(we discuss the [competitive landscape](#) on the next page)*.

Xtract One has been working on its SmartGateway solution since **early C2016** and F2023 was the first year the Company generated over $1M in Platform revenues (Xtract One only began generating any revenues in F2020). One of the key challenges in constructing hardware that can adequately scan people for weapons is **developing a solution small enough to be practical in public spaces**, such as office buildings or schools – for example, some of Xtract One's early product iterations were as large as a car. Even recent offerings from competitors featured units [weighing hundreds of pounds](#), and thus, were problematic to relocate for the customer; this reality actually acted as a driving force behind the surging demand for Xtract One's sleek SmartGateway solution. Another developmental challenge surrounding the practicality of use is ensuring a solution **doesn't cause an unreasonable amount of friction to the patron's journey**. For example, some solutions have required patrons to go through several processes such as excessive turning, walking, or standing in order to meet the necessary accuracy thresholds, while other attempts have struggled to replicate lab results in the real world.

Total Invested Capital to Date North of $70M: In getting to this point, Xtract One has made several key investments that have helped shape the current hardware offering and software platform. Particularly in C2019, the Company entered into a perpetual exclusive licensing agreement with **Quasar Federal Systems** that provided access to patented **sensor technology**, and **magnetic detection and security screening technology**. Xtract One then acquired New Brunswick-based **EhEye** to leverage **video threat recognition software** to complement the Company's weapon detection system, before finally acquiring British Columbia-based **Xtract AI** to leverage its deep expertise around **AI**, **machine learning (ML)**, **neural networks**, and **predictive solutions**. All three C2019 investments, along with the talent and expertise they yielded, have been pivotal towards Xtract One's existing solution. Quasar's proprietary sensor technology has meaningfully contributed to Xtract One's differentiated, highly accurate solution relative to peers *(recall that we referenced Evolv's performance struggles earlier along with its FTC investigation [here](#))*. EhEye has been instrumental in building out the Company's software platform and its various capabilities, which has helped enable a

lighter, sleeker product. Finally, Xtract AI has brought a wealth of AI and ML expertise that has really helped to fine-tune the weapon detection accuracy. Based on the Company's financials, **we believe the total invested capital across these investments alone is ~$35M**. When adding the Company's **research and development** (R&D) expenses (excluding grant funding in F2021/2022 that was netted against R&D in its financial statements) since its incorporation in C2016, that figure moves closer to **~$71M** in **invested capital**. Xtract One also overhauled its leadership team by late C2020 along with its sales strategy, and gathered an abundance of market research from prospective buyers about what they liked and disliked about the existing solutions at the time, which was instrumental in evolving the Company's marquee SmartGateway offering *(please see more details about this leadership and sales pivot within our Business Overview here)*.

In sum, at this point, the Company has had nearly **eight years** of learnings in this space and has invested over **$70M** on technology and R&D alone, without considering the substantial investment in sales and marketing along with a new seasoned leadership team. **These realities help highlight the inherent barriers to entry within this space and the substantial heavy lifting and time required to even have a chance at competing; yet accumulating this would still not guarantee that a company could develop a practical, high-functioning, differentiated product that can profitably scale.**

Few Competitors

The result of an industry with high barriers to entry is limited competition; the Company considers **just two peers** as its primary competitors – **CEIA** (Private) and **Evolv Technologies**.

CEIA: CEIA is a global manufacturer of security screening equipment headquartered in Italy, specializing in the design, engineering, and production of a variety of devices including walk-through, hand-held, table-top, and ground search metal detectors, bottled liquid scanners, non-metallic cargo inspection, and loss prevention systems. The company has a US division, CEIA USA, that provides nationwide sales, service, and customer support to public (federal, state, and local governments) and private sector customers.

Exhibit 10 – CEIA OPENGATE

Source: CEIA website

The CEIA product that competes with Xtract One's SmartGateway is the **OPENGATE**, which is a fully open, active walk-through detection system composed of two freestanding pillars *(see Exhibit 10 above)*. The company touts the fact that it doesn't require any mechanical or electrical connection between the two pillars along with how portable the product is, thus lending to an ease of installation. Additionally, CEIA suggests it can detect multi-calibre weapons and improvised

explosive devices (IEDs) while being targeted for stadiums, arenas, theme parks, hospitals, museums, theatres, convention centres, and transportation hubs. The device weighs only 25 lbs and is integrated with an app designed for smartphones or tablets. OPENGATE recently earned its DHS SAFETY Act Designation and Certification in June and May of 2023, respectively.

We understand that CEIA's OPENGATE is priced as one of the cheaper options in this space and doesn't offer nearly the performance or accuracy of the company's traditional heavy-duty, metal detectors. Thus, while customers can benefit from a far more mobile and practical device for public buildings than traditional metal detectors, it comes at the cost of sacrificing accuracy for smaller weapons such as knives. We also understand that the solution does not leverage any AI or advanced technology capabilities, unlike the other two players in the space.

Evolv Technologies: Evolv is engaged in the development, manufacturing, marketing, and selling of security screening products and specific services. The company sells its AI-powered weapons detection and analytics offerings to live sports and entertainment venues, schools, hospitals, and public spaces; **Evolv would be considered the closest competitor to Xtract One considering the two companies are both leveraging AI and breakthrough technologies to solve existing walk-through weapons detection issues**. Evolv boasts that its systems have scanned more than 1B people, which is second only to the TSA in the US, while the company has been awarded the DHS SAFETY Act designation. Evolv is publicly traded on the NASDAQ under the ticker symbol "**EVLV**" and is forecasted to generate ~US$77M/US$115M in C2023/C2024 revenues.

The **Evolv Express** competes with Xtract One's SmartGateway, which uses advanced sensor technology and AI to distinguish between weapons and everyday items. Evolv states that the Express screens up to 4,000 people per hour, while image-aided alarms enable security personnel to see in real-time where the potential threat is on a person's body or in a bag (not unlike Xtract One's solution). Evolv also provides system integrations and Evolv Insights analytics to help venue operations and security management teams make evidence-based decisions to optimize staffing needs and improve patron flow.

Although Evolv is the public giant in the space, we referenced earlier *(here)* the **performance concerns** cited by **IPMV** and the recent **investigation launched** by the **FTC** into Evolv's **performance claims** that is ongoing. We also referenced the fact that Evolv has not yet achieved **TSA product validation** and its associated **rigorous real-world testing** in contrast to Xtract One. Additionally, the Evolv Express weighs ~280 lbs for a single lane and ~350 lbs for a dual lane *(source)*, making it far less mobile than Xtract One's SmartGateway, which weighs in at **~90 lbs** (**45 lbs** for each pillar, which move independently and sit on **wheels** for additional ease of repositioning) comparatively.

We believe the industry's massive TAM has more than enough opportunities to support both players in pursuit of meaningful scale, however, **there are early positive signs that seem to favour Xtract One's SmartGateway performance over Evolv's Express offering, which bodes well for the Company going forward**. We also believe that the Evolv Express is estimated to be 2.0-3.0x more expensive than Xtract One's SmartGateway based on statements made on public earnings calls.

Exhibit 11 – Evolv Express (Left) and Evolv Insights (Right)

Source: Evolv website

Other Players: As mentioned, CEIA and Evolv are really the two main companies that Xtract One often competes with for contracts, however, there are a couple of other companies on the periphery that pop up from time to time.

▪ **Liberty Defense: Liberty Defense** (SCAN-TSXV, NR) is a public Massachusetts-based company that trades on the TSX Venture (TSXV) Exchange and provides multi-technology security solutions for concealed weapons detection in high foot traffic areas and locations, such as airports, stadiums, and schools. Liberty Defense's competing product is the **HEXWAVE**, which uses millimetre wave, video-rate 3D imaging, and AI to detect both concealed metallic and non-metallic weapons and other prohibited items. The company claims to efficiently process patrons with high throughput flow (**700+ people per hour**) while not forcing them to divest of common benign items. The HEXWAVE also integrates with smart Internet of Things (IoT) functionality for connectivity to existing security systems.

We'd note the company hasn't begun to generate meaningful revenues yet – **US$0.9M** through **H123** – but has been supported by the TSA in a joint development project, which represents the majority of its revenues thus far. We understand that a key reason Liberty Defense is not a big competitive threat to Xtract One is a result of that **slower throughput** (referenced above at 700+ people per hour), which is due to how the technology operates. **Patrons cannot simply walk through the HEXWAVE but need to stop, stand, turn, and wait** – similar to technology used in airports that take a 360-degree view of a person with hands held above them – which isn't conducive to the markets and venues Xtract One is pursuing.

Exhibit 12 – HEXWAVE

Source: Liberty Defense website

- **SafePointe: SafePointe** (Parent: **SoundThinking**, SSTI-NASDAQ, NR) specializes in intelligent weapons detection technology developed with roots in US military defense programs. SafePointe's AI-based solution is designed for high-traffic environments that require highly secure, frictionless access in a low-profile factor. The company's systems have been installed in workplaces, museums, schools, casinos, financial institutions, and hospitals. SafePointe claims that it can accommodate up to **7,200 patrons per hour per lane**, and similar to the rest of the competitors, does not force patrons to remove benign items.

We understand that a wire runs underground between the security pillars supporting its electromagnetic inspection technology, which would require an additional meaningful component of installation to run the wire. When the technology is triggered by a weapon it alerts a manned control room with a video of the security entrance at the time it was activated. **However, because the company boasts that you do not need security personnel overseeing the security entrance, it may become problematic if multiple people were walking through at one time captured by the video (i.e., discerning which person is the perpetrator), along with an existing time lag (6-10 seconds) between the triggered alert and the video being sent to the control room, while more time would elapse before any actions are taken**. SafePointe was recently acquired by SoundThinking in August 2023 *(press release)* for an undisclosed amount, while we believe SafePointe has generated **~US$3.6M** in **ARR**.

Exhibit 13 – SafePointe Weapons Detection System

*Source: SoundThinking website*

In sum, when contemplating the immense TAM opportunity around the modernization of legacy technology across the physical security and weapons detection market globally, the inherent high barriers to entry in the space, along with the resulting consolidated competitive landscape, we believe that industry dynamics are very supportive to Xtract One's growth trajectory and should provide a strong tailwind for many years to come.

Business Overview

Headquartered in Toronto, Ontario, **Xtract One Technologies** develops and commercializes an integrated, layered, AI-powered threat detection gateway solution with the aim of enhancing public safety. The Company was incorporated back in March 2016 under the name Patriot One Technologies Inc. and was initially publicly listed on the TSXV by way of a reverse takeover (RTO) in C2016; it would later uplist to the TSX in C2019 and ultimately change its name to Xtract One Technologies in December 2022. The Company's mission is to create transformative technology solutions that deliver exceptional experiences, safer environments, operational efficiencies and informed insights for customers and their patrons. While the Company has two distinct operating divisions in the **Platform** and **Xtract** segments, its core business and focus surrounds the Platform segment, which is comprised of its **SmartGateway** and **Insights** AI-powered threat detection technologies.

Management and Strategic Overhaul: In **late C2020**, Xtract One appointed both **CEO Peter Evans** and **CFO Karen Hersh** *(please see our Management and Board of Directors for details around their respective backgrounds)* to help transition the Company from a start-up to one that can demonstrate **commercial traction** and **increasing scale**. Presently, the two executives remain as CEO and CFO of Xtract One and have played a substantial role in turning the Company around while firmly entrenching it within the lofty growth trajectory seen today. Prior to their appointment, the previous management team seemingly lacked the necessary experience along with a strategic focus to generate any meaningful commercial traction. Many products, channels, and markets were being experimented with in an attempt to drive revenues for the Company. When Peter and Karen came on board, they spent considerable time taking inventory of the Company's positioning and surveyed customers along with the broader market to get a better sense of where Xtract One should focus its attention. The management team decided to get **hyper-focused on weapons detection for arenas and stadiums** in particular, due to this market presenting the best product fit for the Company's SmartGateway offering (previous iterations had different names) while it also already housed an existing infrastructure of security personnel, budgets, patron conditioning, and sometimes mandates from professional sports leagues requiring a security solution. As a result, it was an easier sales proposition to show potential customers in this market that Xtract One's solution was better, faster, and cheaper than the legacy incumbent metal detector. This pivot has proved to be very successful and eventually led to the earlier referenced marquee partnership wins with **OVG** and **MSGS**.

Exhibit 14 – Xtract One's Journey
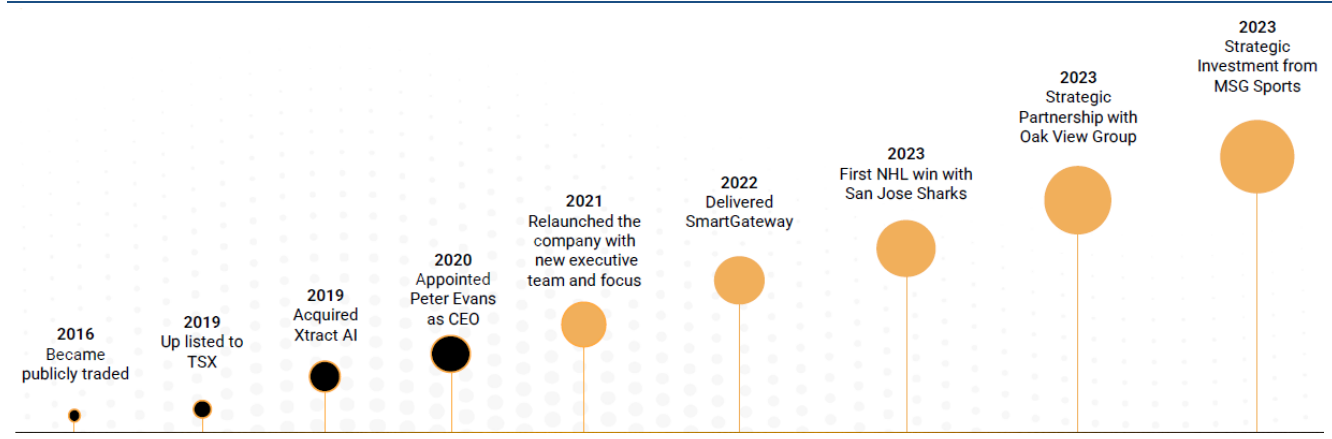
Source: Xtract One corporate presentation

Insider/MSGS Ownership: We referenced earlier *(here)* that **MSGS** took ownership of **~16%** of Xtract One's shares outstanding with its strategic investment earlier in C2023, while on a partially diluted basis and assuming the conversion of in-the-money (ITM) warrants it obtained with the deal, that ownership moves to **~26%** (as of Xtract One's current share price and exercisable dilutive securities that are ITM). There are no other large institutions with ownership, while the largest insider is CEO Peter Evans with just ~402K shares (of 198.4M total shares outstanding) and 2.4M dilutive securities. All insiders in aggregate make up less than 1% of total shares outstanding.

Manufacturing Partners, Installation: Xtract One uses contract manufacturers to assemble the SmartGateways and help with the procurement of the bill of materials. Due to this arrangement, the Company's business is not overly capital intensive while FQ124's results demonstrated that the cost of revenues was just **~33%** of revenues for a 67% gross margin. Currently, Xtract's main contract manufacturer is located in Cornwall, Ontario, and the Company has another in Montreal, Quebec. Xtract One wishes to add a third contract manufacturer soon to accommodate its large step-up in growth. Lead times can range from six to eight weeks, but the Company is confident this will be improved upon in the near future. Installation is pretty seamless as the Company has spent considerable time honing its product and software platform to make it much more ready **out-of-the-box** to facilitate scaling; unlike some competing solutions, the SmartGateway doesn't necessitate excessive calibrating before it's up and running by the customer. On average, one member of Xtract One's installation team can install between three to four SmartGateway lanes per day (i.e., two team members could install six to eight per day, and so on), while there's also a detailed training component for the customer to ensure their platform use is optimized – this helps comprise Xtract One's white glove service for its customers.

Sales Distribution, Sales Cycles: Xtract One has a pretty lean sales team at this point – when Peter and Karen came on board in late C2020, they transitioned the Company from having a bunch of sales channel partners to a lean, **direct sales** approach to achieve **proximity to the customer** and really understand the needs and demands in the market. It also provides more visibility into additional opportunities and allows the Company to better control the sales process. Additionally, security is a very sensitive and important aspect of the business for these customers and there exists a considerable amount of responsibility at stake, which also facilitates a direct sales strategy and customer-centric approach. Over the last three years, Xtract One has leveraged this customer insight toward improving the technology and SmartGateway product into what it is today. Now that the Company is starting to see a substantial amount of demand and as referenced, the product is much more ready for use out-of-the-box, Xtract One is beginning to establish agreements with **resellers and installation partners** as part of its sales strategy going forward. The Company is being very selective with its **channel partners**, ensuring they are **purpose-driven** and focused enough to be motivated while authentically representing the product.

Sales cycles have generally been between **three to four months**, however with increasing success, validation, and referral power, the sales cycle has been steadily decreasing. Historically, questions around the validity of the technology were prominent thus a meaningful amount of time went into answering those questions. More recently, these are no longer questions needing to be answered and there seems to be a consensus acknowledgment that this technology is here to stay. At this point, the sales cycle centres around the usual procurement process, approvals budget, understanding the Concept of Operations (CONOPS) document, and ensuring the prospective customer is educated about any necessary infrastructure or operations changes to facilitate the platform. Additionally, strategic partnerships – such as the one with OVG – have tremendously helped in reducing the sales cycle; as we referenced earlier, the MSA pre-arranges most of the terms and conditions for contracts covering all of OVG's owned and operated venues, so that any OVG arena wishing to deploy Xtract One's SmartGateway can avoid a lot of tedious vetting and legal processes before submitting a purchase order. Finally, the Company is starting to have success expanding existing customers' contracts, as **over 20%** of FQ124's **$9.6M** in **new bookings** was derived from additional sales to existing customers. Xtract One communicated that expansion sales involve much shorter sales cycles – often **40-60% less time and effort** is needed. These add-on wins also help to strengthen the **referral power** of the Company's platform, as these customers typically become advocates for Xtract One in helping to attract new potential customers in each respective vertical.

Business Segments

Platform (~96% of Annualized Revenues)

Xtract One's **Platform segment** is its core segment, and we believe it will likely end up being the only segment in the near future, as the Company has shifted nearly all of its focus towards it – and for good reason. As of **FQ124**, the Platform segment represents **~96%** of overall revenues and is comprised of both the **SmartGateway** hardware and the Company's software platform – **Xtract One Insights** – which provides the customer an interface to monitor and manage the Gateways while providing valuable **data and analytics** from a smartphone or tablet *(Exhibit 15)*. The SmartGateway delivers fast, reliable, and accurate patron screening for high throughput venues, replacing outdated metal detectors. The security solution uses its **AI-powered sensors** to scan patrons for guns, knives, and other prohibited items in an

unobtrusive manner (i.e., does not require patrons to set aside benign items such as cell phones or watches, etc.) as they enter facilities.

Recurring Subscription vs. Upfront Payment: Platform contracts typically span **three years** while Xtract One provides its customers with the option to pay either **upfront in a lump sum** or on a **monthly subscription basis**. The Company stated on its FQ124 earnings call that **~65%** of its customers are opting for the monthly subscription plan. Each payment model provides Xtract One different advantages as the lump-sum payment offers the Company a valuable cash infusion upfront whereas the monthly subscription delivers a recurring revenue and cash flow stream with very high visibility. Notably, **Xtract One can generally reach cash flow breakeven on a monthly subscription deal within six to eight months**. All contracts, regardless of which payment option is chosen, include the **hardware** (SmartGateway laneways), the **software platform** (each SmartGateway becomes integrated with the Company's software platform via Wi-Fi, enabling clients to extract data and analytics in real-time on a tablet, for example), and a **service and maintenance** component for the duration of the contract term – collectively, these items represent the deliverables for Xtract One against the TCV agreed upon with each customer.

Exhibit 15 – SmartGateway (Left) and Xtract One Insights (Right)

Source: Xtract One website

We turn to summarize the many benefits Xtract One's SmartGateway holds over traditional metal detectors *(most of which are summarized in Exhibit 16 on the following page).*

- **Throughput:** Xtract One claims its Gateways can speed up ingress by up to **five to seven times** compared to metal detectors, enabling up to **3,500 patrons through per hour per lane** versus metal detectors allowing roughly 500 people through per hour.

- **Staffing Costs:** Given the much faster throughput, customers don't need to deploy nearly as many security lanes compared to when using metal detectors. As a result, the **customer doesn't need to hire nearly as many security personnel to monitor the entry into facilities**.

- **Patron Experience: Patrons spend much less time outside the venue in lineups** and are **not forced to remove valuables** that would otherwise set off metal detectors. The result is much less entry friction and frustration, while it also helps reduce the risk of any violence outside the arena as time spent congregating in lineups is reduced.

- **Customer Revenues:** As a byproduct of patrons spending much less time outside of venues and more time inside, there is **more aggregate time and opportunity for guests to make purchases within the venue**.

- **Installation/Relocation:** Xtract One's SmartGateways are **sleek, lightweight, and easily moveable** via the wheels on the bottom of each unit. Metal detectors are much larger and less mobile.

▪ **Integrations:** SmartGateways can **integrate with other technologies** such as CCTV, thermal screening, ticket scanning, etc. The Company has high aspirations for eventually adding <u>new services and revenue streams</u> to the platform's capabilities.

**Exhibit 16 – SmartGateway vs. Traditional Metal Detectors**

Feature	Xtract One's SmartGateway	Walk-Through Metal Detector
Staffing costs (per one gate)	$	$$$
Throughput (people per hour)	Up to 3600	500
Integrations (with other technologies such as CCTV, thermal screening, ticket scanning etc.)	✓	✗
Detect small metallic objects	✓	✓ (Depending on sensitivity)
AI powered Smart Object Recognition (to recognize and distinguish threat objects from everyday objects such as phones, keys, pocket change etc.)	✓	✗
Flexible form factor	Can be deployed in different configurations	Large and unsightly
Touch-less screening	✓	Often requires secondary pat downs
Future proof design	✓	✗

Source: Xtract One website

Customer Case Study – Moody Center: A great example of why Xtract One's offering is driving such strong demand from potential customers can be illustrated by using one of the Company's premier deployments – the brand-new **Moody Center** in Austin, Texas. **OVG** funded the construction of the **15K seat venue** which opened in **April 2022** and is also the building manager. <u>Exhibit 17</u> summarizes some of the benefits Xtract One's offering has delivered for the customer and highlights the potential customer **return on investment** (ROI). In deploying Xtract One's solutions across all entrances, the venue was able to **reduce the number of metal detectors from 42 to 9 SmartGateway lanes**, while similarly **reducing the number of security staff from 84 to 27**. When factoring in the costs paid to Xtract One for its hardware and services, the deployment still yielded **cost savings for the customer exceeding $700K per year**. Ingress at the arena improved by **five to seven times faster** than traditional metal detectors, while the SmartGateways were easily rolled in and out of every event and were easily understood by all security staff. One of the events measured in the case study was a Harry Styles concert with **8-10K patrons** lined up before arena doors were opened; in just **23 minutes**, the entire crowd was processed and gained entry into the arena through the **eight** SmartGateway lanes.

Leveraging AI: One of the key acquisitions Xtract One has made over the years, and where the Company's current name emanated from, was **Xtract AI**. In September 2019, the Company acquired the British Columbia-based private company which **developed and commercialized AI, ML, deep neural networks, and predictive solutions utilizing its proprietary technology**. For example, one of Xtract AI's customers was the **Canadian Department of National Defence** where it built AI-powered software to help the government identify specific objects from cameras that were installed on the bottom of F-16 fighter jets. For Xtract One, the acquisition enabled it to leverage the Xtract AI data science team toward advancing the SmartGateway's sensor technology and overall platform. The Company's AI engine essentially helps to correlate various characteristics belonging to different objects (e.g., a cell phone, umbrella, knife, or gun) very quickly. Each object exhibits a different set of distinct characteristics, and the AI engine strives to identify the object with a high degree of probability based on those demonstrated characteristics. While the system is not perfect and false positives are common throughout the industry with every product, as we highlighted earlier, **we believe Xtract One possesses a** <u>**differentiated solution**</u> **from peers with respect to accuracy and performance, while the Company actively seeks third-party testing to be as transparent as possible**.

Exhibit 17 – Customer Case Study: Moody Center
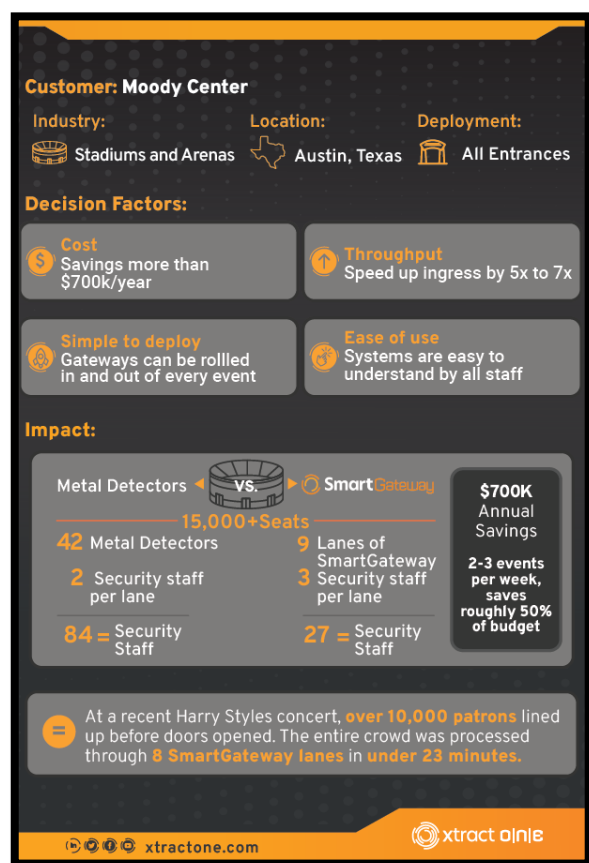
Source: Xtract One

Future Offerings and Services: Although Xtract One has clearly demonstrated that its existing Platform solution offers customers tremendous value and is generating strong demand in the market, one of the major reasons **MSGS** made its **$13.4M** investment into the Company was the opportunity it saw in Xtract One to be its **technology partner for the future**. The Company prides its platform on being **software-heavy** and **hardware-light**; this enables Xtract One to continue innovating on top of the existing platform and integrating new technology offerings into its solution. We briefly highlight a few potential innovative add-on features that should enable Xtract One to either further differentiate its solution in the market, increase its pricing, or offer additional services and revenue streams at the option of the customer.

▪ **Facial Recognition:** Xtract One has plans to integrate **facial recognition technology** into the SmartGateway and we believe there's a possibility it has already done so. Based on pictures of the new SmartGateways installed at **the Sphere** in Las Vegas (*Exhibit 18*), which show a security camera embedded near the top of the Company's devices, we believe this integration may have already been built and deployed. Nonetheless, built-in facial recognition would enable vendors to identify any banned patrons at the point of entry or help law enforcement identify any criminals in case there are any crimes committed by patrons before, during, or after an event.

▪ **Ticket Validation:** A natural extension to facial recognition that Xtract One envisions is **ticket validation**. Instead of having multiple checkpoints where patrons are walking through a SmartGateway lane to be scanned for weapons before then walking further to stop and have their ticket validated, Xtract One believes **both security clearance and ticket validation can be achieved together upon the first pass-through**. This application can also apply to the Company's broader verticals where schools, distribution/manufacturing facilities, and healthcare networks require validation for students or employees upon entry.

Exhibit 18 – Potential for Facial Recognition Integration *(Picture of SmartGateway at the Sphere)*

Source: Strategic Investing YouTube channel

- **Data and Analytics:** Xtract One already offers **data and analytics** within **Xtract One Insights**, however with continued advancements in technology and AI-driven capabilities, there's no limit to what the platform might be capable of in the years to come.

- **Advertising:** We believe as Xtract One gains scale and critical mass, the Company can explore options around selling **advertising** on the SmartGateways or perhaps charging higher prices to customers for added advertising capabilities built into the platform. Currently, the Company has a few customers that are leveraging the SmartGateway's surface space for advertising but Xtract One hasn't tried to monetize this revenue stream to their benefit. **We believe the logistical prominence of Xtract One's solutions as being front and centre to thousands of patrons entering a venue several times per week certainly holds meaningful advertising value**.

Xtract (~4% of Annualized Revenues)

As we have referenced throughout this report, the **Xtract segment** has become less of a focus for the Company going forward. In September 2019, Xtract One acquired **Xtract AI**, a talented and award-winning team of AI experts, as part of an ongoing strategic initiative to bring the Company leading-edge technologies and services to enhance its platform. Xtract AI's development and deployment of AI solutions was built upon an understanding of neural networks. The acquired company has developed novel neural network architecture and fusion techniques that are robust, efficient, and require lower memory than comparable standards. Xtract AI's video solutions use proprietary algorithms to apply human understanding to video and its analysis has been successfully deployed for the military, health and emergency services, and environmental applications.

Xtract One's management team ultimately opted to focus the Company's energy on its Platform segment because it had much more **potential to scale** and **generate consistent recurring revenues**. In contrast, the Xtract segment's revenues consisted of **professional services one-off project work**. Additionally, some of the key customers were governmental agencies, where these departments would be very price sensitive, ultimately hampering gross margins. As a result, the Company still takes on projects if they are highly synergistic to its burgeoning Platform segment but otherwise has transitioned most of the Xtract AI talent toward Platform segment initiatives; individuals who wanted to continue doing the project-based Xtract AI work have already left the Company. Nonetheless, as we've previously highlighted, the **Xtract AI team of experts has had a profound impact on the Company's marquee SmartGateway platform solution and continues to play a large role in advancing the technology further**.

Financial Position and Performance

Recent FQ124 Results

FQ124 Headline Results: Xtract One released its **FQ124** earnings results on December 7, where it generated **record quarterly revenues/gross profit/EBITDA** of **$3.1M/$2.1M/-$2.0M**. *Please see* Exhibit 19 *below for a summary of Xtract One's FQ124 results along with its historical headline financials.*

Exhibit 19 – Summary Historical Financials

Fiscal year/quarter	2020A	2021A	Q122A	Q222A	Q322A	Q422A	2022A	Q123A	Q223A	Q323A	Q423A	2023A	Q124A
In $000s except per share													
Revenue	2,071	1,082	709	1,177	939	794	3,619	647	815	875	1,774	4,111	3,116
Growth (% q/q)	n/a	n/a	166.3%	65.9%	(20.3%)	(15.4%)	n/a	(18.5%)	26.0%	7.4%	102.7%	n/a	75.7%
Growth (% y/y)	n/a	(47.8%)	88.6%	310.7%	514.6%	198.0%	234.5%	(8.8%)	(30.8%)	(6.7%)	123.5%	13.6%	381.8%
Gross profit	n/a	n/a	n/a	n/a	n/a	n/a	n/a	339	n/a	n/a	n/a	n/a	2,084
Gross profit margin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	52.4%	n/a	n/a	n/a	n/a	66.9%
EBITDA	(18,434)	(16,685)	(2,507)	(4,029)	(3,365)	(4,571)	(14,472)	(4,318)	(3,350)	(3,134)	(2,225)	(13,574)	(2,033)
EBITDA margin	(890.0%)	(1,542.1%)	(353.3%)	(342.2%)	(358.5%)	(575.8%)	(399.9%)	(667.6%)	(411.1%)	(358.0%)	(125.4%)	(330.2%)	(65.2%)
Growth (% y/y)	n/a	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Capex	921	492	39	0	81	(24)	96	33	0	0	0	33	0
Intensity	44.5%	45.4%	5.5%	n/a	8.6%	(3.0%)	2.6%	5.0%	n/a	n/a	n/a	0.8%	n/a
Net debt (*Basic, excl. leases*)	(22,407)	(9,652)	(6,987)	(6,412)	(10,611)	(6,277)	(6,277)	(2,206)	977	(8,551)	(8,327)	(8,327)	(5,290)
Cash	22,407	9,652	6,987	6,412	10,611	6,277	6,277	2,206	977	8,551	8,327	8,327	5,290
FCF (*incl. working capital adjustments*)	(18,488)	(12,186)	(2,681)	(609)	(1,836)	(4,241)	(9,367)	(3,978)	(1,137)	(5,643)	(2,809)	(13,568)	(2,995)
FCFPS (FD)	($0.12)	($0.08)	($0.02)	($0.00)	($0.01)	($0.03)	($0.06)	($0.02)	($0.01)	($0.03)	($0.01)	($0.08)	($0.02)

Segmented revenue	2020A	2021A	Q122A	Q222A	Q322A	Q422A	2022A	Q123A	Q223A	Q323A	Q423A	2023A	Q124A
Xtract	1,346	969	520	946	853	527	2,846	220	94	73	128	514	120
Growth (% q/q)	n/a	n/a	135.8%	81.8%	(9.8%)	(38.3%)	n/a	(58.2%)	(57.5%)	(22.2%)	75.1%	n/a	(5.8%)
Growth (% y/y)	n/a	(28.0%)	38.3%	229.9%	901.7%	138.7%	193.8%	(57.7%)	(90.1%)	(91.5%)	(75.8%)	(81.9%)	(45.5%)
Share %	65.0%	89.5%	73.3%	80.3%	90.9%	66.3%	78.6%	34.1%	11.5%	8.3%	7.2%	12.5%	3.9%
Platform	726	113	189	232	85	267	773	427	721	803	1,647	3,597	2,996
Growth (% q/q)	n/a	n/a	313.1%	22.3%	(63.2%)	213.5%	n/a	59.6%	69.1%	11.3%	105.2%	n/a	82.0%
Growth (% y/y)	n/a	(84.4%)	n/a	n/a	26.2%	483.3%	582.2%	125.4%	211.5%	841.4%	516.2%	365.2%	602.4%
Share %	35.0%	10.5%	26.7%	19.7%	9.1%	33.7%	21.4%	65.9%	88.5%	91.7%	92.8%	87.5%	96.1%

Source: Xtract One financials, Echelon

- **Revenues:** The stellar results only amplified the existing lofty growth trajectory, as the Company's core Platform segment generated $3.0M (~96% of total revenues in the quarter), reflecting **82% q/q revenue growth** against the previous record of $1.6M one quarter earlier in FQ423, and up **602% y/y** from FQ123's $0.4M. After putting up a record year in F2023 with $4.1M in revenues, FQ124's results represent a **$12.5M annualized run-rate** in revenues, i.e., a figure more than **three times** what was delivered in F2023.

  o **Recurring Revenues:** Xtract One communicated on the conference call that **~30%** of the quarter's Platform revenues were **recurring** due to the delivery of several large upfront orders in the period. However, the Company stated that when looking at all of its contracts in aggregate, which encompasses both realized revenues and total contracted backlog, **~65%** of customers have opted for the monthly subscription payment model. Thus, while it may be challenging for the Company to achieve sequential q/q growth on top of FQ124's performance, **we expect the percentage of recurring revenues to climb over time alongside consistency in quarterly results**.

- **Gross Profit:** Xtract One provided **cost of revenues** and **gross profit** metrics for the first time with the release; the Company's cost of revenues is comprised of the cost to manufacture the hardware/product, the cost of delivery and installation, and cost to support the customer over the duration of the contract. Xtract One delivered an impressive **67% gross margin** in the quarter, which was up meaningfully y/y from FQ123's 52% gross margin. Going forward, the Company stated that while gross margin will fluctuate quarter to quarter depending on how much revenues consist of customers paying upfront versus the monthly subscription option, it should land somewhere in the **60%+ range** with relative consistency. Additionally, Xtract One expects to see **longer-term margin improvement** as it becomes more efficient with installations and as increased manufacturing volume leads to lower per-unit costs.

- **EBITDA, FCF:** The Company's **-$2.0M** in **EBITDA** was the **lowest quarterly EBITDA drain** Xtract One has recorded in its history (when excluding funding grants received in F2021 and F2022 that were added to the financials by lowering/offsetting operating costs) and represented the **fifth consecutive quarter of improved EBITDA** – a streak that began all the way back in FQ422 with -$4.6M in quarterly EBITDA. Despite the lofty top-line growth figures that we referenced earlier, the Company managed to **only increase its cash expenses** (includes both cash operating expenses and the cash cost of revenues) by **4% y/y**. This cost discipline also translated into the fifth consecutive quarterly improvement in **free cash flow** (FCF) (excluding working capital adjustments), where Xtract One generated **-$1.9M** in FCF in FQ124, down from the -$4.5M it generated when the streak began back in FQ422. Going forward, the Company expects to strategically invest in sales and marketing and R&D to meet the robust demand for its SmartGateway platform, however, Xtract One continues to anticipate its **revenue growth to largely outpace any expense growth. While we believe investors should applaud the Company for its cost discipline efforts alongside extraordinary growth, considering it demonstrates the scalability of the business, Xtract One's communicated upcoming targeted investments are prudent considering the robust demand environment and the associated resources to adequately facilitate that demand.**

Platform Backlog, New Bookings: Xtract One's **contracted Platform backlog (signed and installed)** reached **$9.3M** in TCV as of October 31, 2023, up from $4.1M exiting F2023 (July 31). The Company expects **$3.6M** of this backlog to be realized as revenues within one year. Xtract One's **uninstalled contracted Platform backlog** reached **$10.6M**, up from $10.4M exiting F2023 – it's important to note that a large chunk of the previous $10.4M of uninstalled backlog was converted to either installed backlog or realized revenues during the quarter before being replenished back to $10.6M with new bookings. The Company generated **$9.6M** of TCV in **new bookings** during the quarter, which compared to $2.9M in FQ123 – Xtract One generated $15.0M in new bookings throughout all of F2023, thus, FQ124's $9.6M represents nearly two-thirds of that feat in one quarter.

Outlook: The Company continues to see robust demand levels and expects to continue seeing very strong growth going forward. Some of the **milestones** that Xtract One will be focused on include:

- **DHS SAFETY Act:** Xtract One is in the late stages of its application for the DHS SAFETY Act designation award and expects to see a positive result soon;

- **Reseller Base:** The Company is looking to expand its reseller base as extensive development of its software and product offerings have made it much more simplified out-of-the-box;

- **Manufacturing Capacity:** The Company has set a target of doubling its manufacturing capacity exiting CQ124 and doubling it again exiting C2024, in order to serve the ongoing robust demand;

- **Backlog:** Xtract One is laser focused on moving new bookings through its backlog with installations and into realized revenue as fast as possible, while continually replenishing new bookings.

Balance Sheet, Shares Outstanding, Dilutive Securities: Xtract One reported cash of **$5.3M** exiting FQ124 and **no debt**. The Company's **net working capital position** (current assets less current liabilities) stood at **~$5.1M**. Xtract One exited FQ124 with **198,354,825 shares outstanding**, while the Company has **41,548,456 exercisable warrants** that are all currently **ITM** at a weighted average exercise price of **$0.63** – thus, if these warrants were exercised, they would contribute **~$26.2M** in cash to the Company. Notably, the overwhelming majority of these warrants (**~31.9M**) are held by **MSGS** with an exercise price of **$0.60** and don't expire until **F2028**. Additionally, Xtract One has **~5.6M exercisable stock options** that are **ITM**, which would yield **~$3.2M** in cash if exercised. In aggregate, the Company currently has **~47.1M dilutive securities** that are exercisable and ITM, which would generate **~$29.4M** in cash for Xtract One if they were exercised.

Historical Performance

Revenues: As we referenced earlier, Xtract One really only began generating consistent q/q realized revenue traction with its Platform segment beginning in **FQ321** (period ending April 30, 2021). This was roughly one year into the COVID-19 pandemic and thus, the Company had a meaningful decline in total revenues generated in **F2021 ($1.1M)** after **F2020**'s **$2.1M** – F2020 (July 31, 2020) would have only had less than half of its fiscal year affected by the pandemic,

while the worst of it was felt in the Company's F2021. Exhibit 20 below highlights Xtract One's segmented revenues from its first year of revenue generation in F2020 through to the recent FQ124. Recall our discussion about the new management team's pivot to focus much more of the Company's energy on the lucrative **Platform segment** and away from the **Xtract segment** *(here)*, which is depicted visually in the table below.

Exhibit 20 – Segmented Revenues ($000) *(Gold Dashed Boxes Represent Full-Year Totals)*
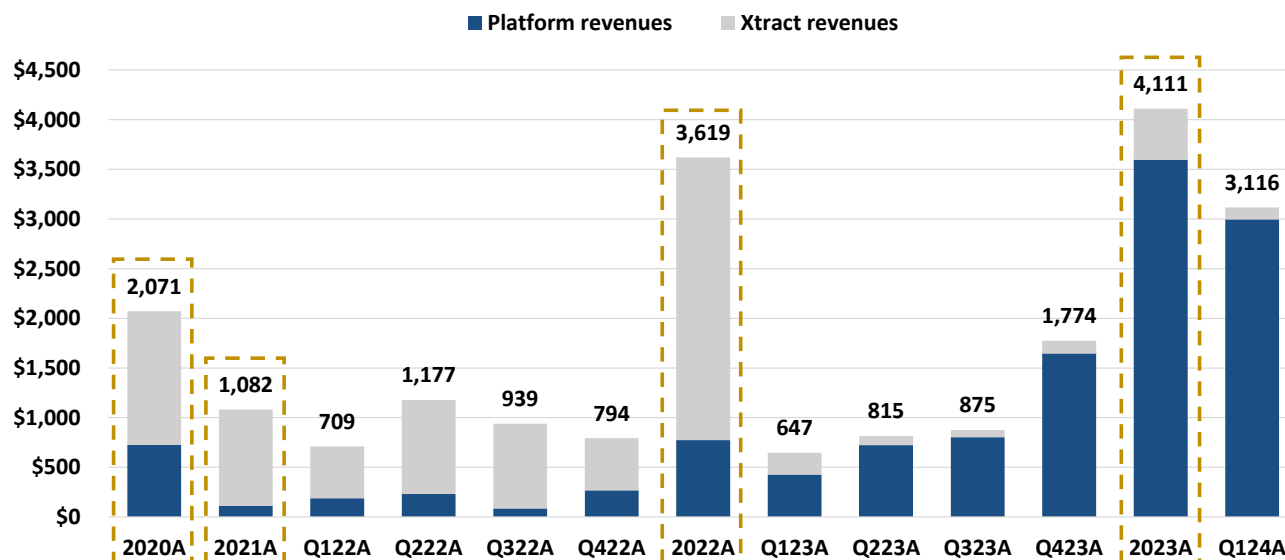
Source: Xtract One financials, Echelon

We once again highlight the **extraordinary growth** in the Platform segment's realized revenues seen across the past **nearly three years**, which has generated a **CAGR** of **297%** over that period (*Exhibit 21*). The segment is now operating at an **~$12.0M annualized run-rate**, while management's commentary around expectations for the robust growth outlook to continue with similar growth rates as seen across F2023, point to a F2024 full-year outlook that could resemble the current run-rate figure, if not higher (i.e., **230%+ y/y segmented revenue growth**). **Ultimately, we are not making forecasts within this Watch List piece, but we highlight the potential for the Company to continue operating within this lofty triple-digit growth trajectory for the foreseeable future.**

Exhibit 21 – Platform Segment Quarterly Revenues ($000) and CAGR
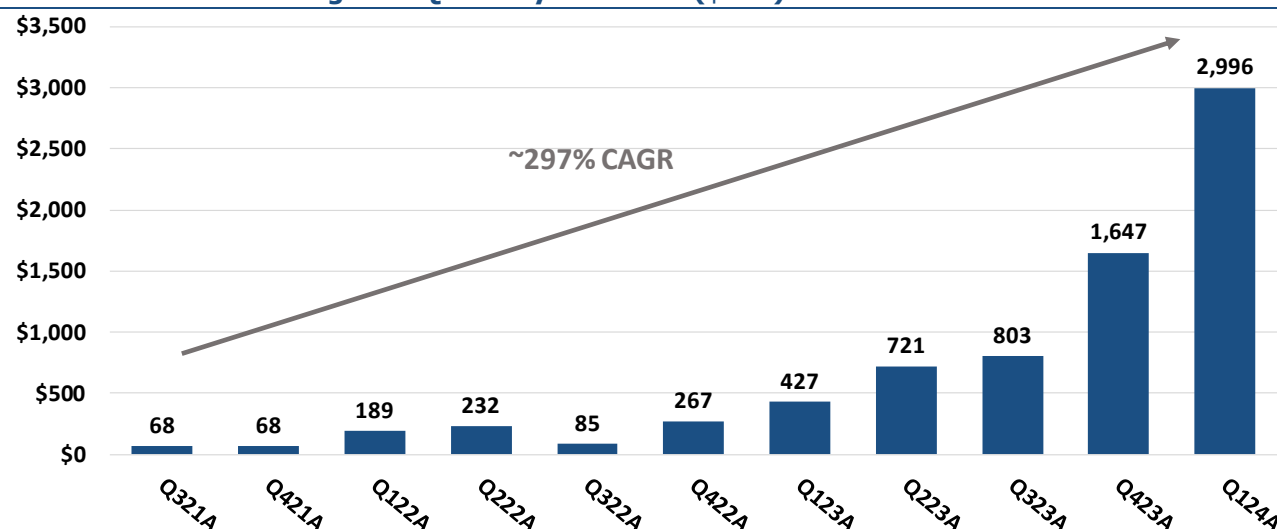
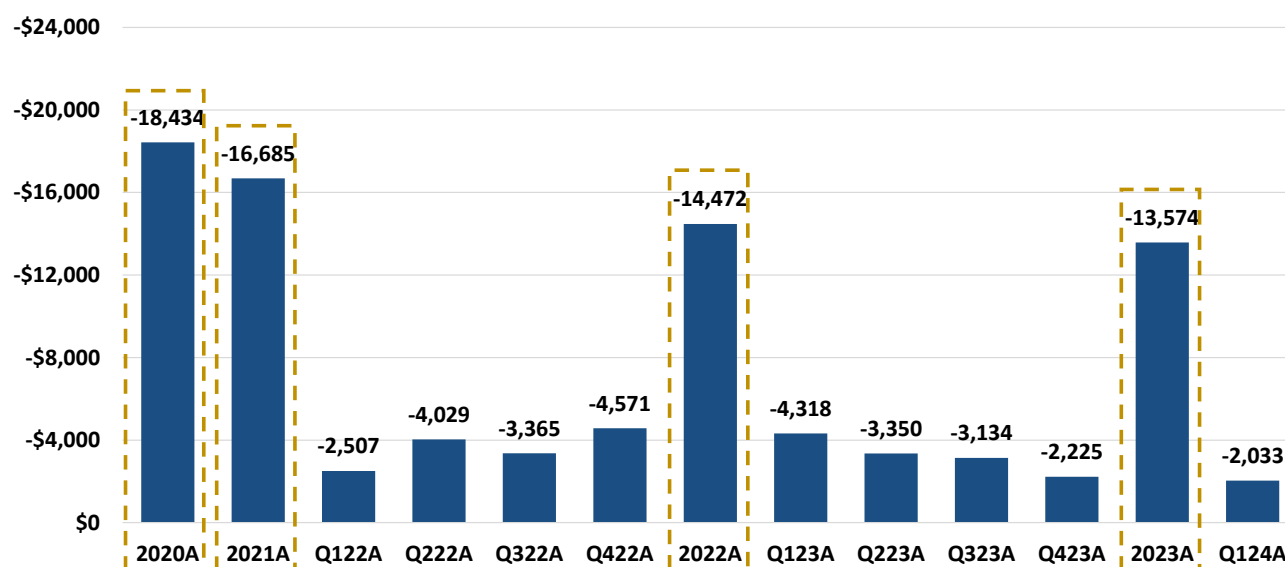*Source: Xtract One financials, Echelon*

Cash Expenses: When turning to the Company's **cash expenses** (we include all operating and cost of revenue expenses in this calculation before taking out share-based compensation, depreciation, and amortization, along with certain other non-cash expenses, such as impairment of goodwill, losses on inventory, etc.), we see a **favourable trend of cost discipline and control** (we also note that in **F2021** and **F2022**, we've added back **$6.9M** and **$3.3M**, respectively, in **grant funding** to operating costs, as these grants were included in Xtract One's financials by offsetting (lowering) operating expenses by those amounts; in effect, we are excluding their contribution) *(Exhibit 22 depicts Xtract One's cash expenses from F2020)*. For example, while Xtract One generated record revenue of $4.1M in F2023, the year also coincided with a **record low** for the Company's **cash expenses** at **$17.4M**. In **FQ124**, we referenced earlier the **~4% y/y increase in cash expenses while revenues surged 382% y/y**. As Xtract One has fine-tuned its offering over the years and also shifted its focus toward the Platform segment, the Company is beginning to benefit from the upfront heavy lifting across its product development initiatives, while internal restructuring away from the Xtract segment's costly project work has also led to improved efficiencies. **Going forward, the Company expects a modest increase in sales and marketing and R&D to help facilitate incoming demand but continues to expect revenue growth to meaningfully outpace expense growth.**

Exhibit 22 – Cash Expenses ($000) *(Gold Dashed Boxes Represent Full-Year Totals)*
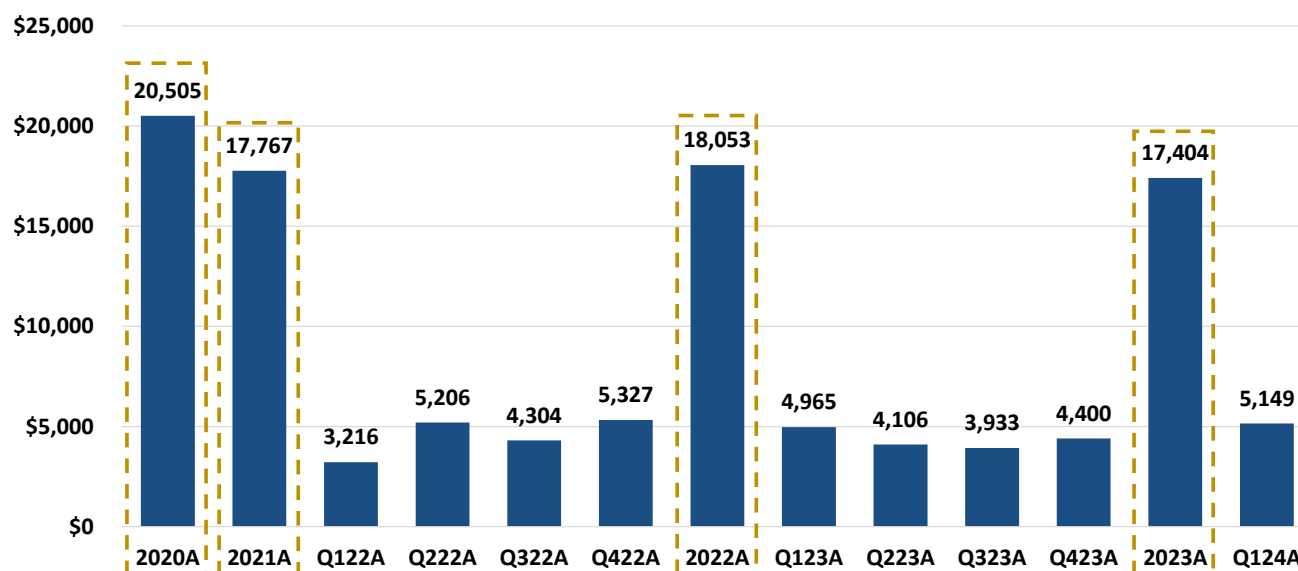
Source: Xtract One financials, Echelon

EBITDA, FCF: The operating leverage discussed above has translated into **improved profitability** metrics for Xtract One in the form of **steadily lower EBITDA drains**, which includes **five consecutive quarters of improvement** (again, we note that we are excluding grant funding received by the Company in F2021 and F2022, which served to artificially lower operating expenses in those years) *(Exhibit 23 depicts Xtract One's EBITDA from F2020)*. After seeing full-year EBITDA totals from **F2020-F2023** of **-$18.4M**, **-$16.7M**, **-$14.5M**, and **-$13.6M**, respectively, **FQ124's -$2.0M** in EBITDA translates to an **annualized EBITDA run-rate of -$8.1M** – if achieved, this would represent a **significant improvement y/y** and put the Company on a **clear path to EBITDA breakeven with further scale**. As for **FCF**, we referenced earlier that the Company has enjoyed **capital-light operations** (i.e., by leveraging contract manufacturers versus servicing the manufacturing duties, facility, and equipment internally) and so FCF tends to track pretty close to EBITDA when excluding working capital adjustments. For example, **F2023** and **FQ124** saw **FCF** (excluding working capital adjustments) at **-$13.1M** and **-$1.9M** against our associated EBITDA calculations of -$13.6M and -$2.0M, respectively.

Exhibit 23 – EBITDA Drain ($000) *(Gold Dashed Boxes Represent Full-Year Totals)*

Source: Xtract One financials, Echelon

Relative Valuation

Given that Xtract One remains in the early innings of a lofty growth trajectory that is pursuing significant scale, along with the fact that we have not made any financial forecasts within this piece, which would generate forward valuation multiples, **we do not place undue significance on relative valuation**. We simply provide a few **Physical Security Solution Providers** (*Exhibit 24*) for reference, but not to help ascribe a value to Xtract One (we note that our comps table below does not include Xtract One as we do not make any forward forecast assumptions and thus, the Company does not have C2023/C2024 financials/forecasts; we believe the LTM valuation would not be relevant considering Xtract One's growth). Additionally, just one publicly listed peer can likely be seen as a directly comparable company, which is Evolv. For what it's worth, if we take Xtract One's current **enterprise value** of **~$156.8M** along with its **FQ124 annualized revenue run-rate** of **$12.5M**, the Company is trading at a **F2024 EV/revenue multiple** of **~12.6x** while **growing well north of 300% y/y**, while Evolv is currently trading at 4.9x C2024 revenues while being forecasted to grow at 49% y/y. However, the bottom line is that with the Company's currently towering growth rates, **we believe near-term valuation multiples hold little relevance considering that the multiple is rapidly compressing with every quarter.**

Exhibit 24 – Physical Security Solution Provider Peers

Company	Ticker / Exchange	Local Price	Market cap ($M)	Net debt	Enterprise Value ($M)	CY2023						CY2024					
						Revenue Growth	EV / Revenue	Gross Margin	EBITDA Margin	EV / EBITDA	EBITDA Growth	Revenue Growth	EV / Revenue	Gross Margin	EBITDA Margin	EV / EBITDA	EBITDA Growth
Evolv Technologies Holdings, Inc.	EVLV-US	$4.20	634.8	(137.3)	561.8	40%	7.3x	44%	(66%)	NM	NM	49%	4.9x	60%	(26%)	NM	NM
SoundThinking, Inc.	SSTI-US	$24.88	316.5	3.7	317.5	15%	3.4x	57%	17%	20.2x	129%	14%	3.0x	59%	22%	13.4x	50%
Napco Security Technologies, Inc.	NSSC-US	$32.34	1,189.1	(68.9)	1,123.3	13%	6.3x	48%	23%	27.0x	57%	11%	5.7x	53%	29%	19.9x	35%
OSI Systems, Inc.	OSIS-US	$123.76	2,102.4	328.7	2,400.5	13%	1.7x	34%	16%	11.0x	29%	11%	1.5x	35%	18%	8.7x	27%
NICE Ltd.	NICE-US	$742.70	46,991.5	(909.0)	43,970.0	15%	5.0x	71%	34%	14.6x	68%	10%	4.5x	72%	35%	13.1x	11%
Verint Systems Inc.	VRNT-US	$27.08	1,706.5	238.0	2,345.6	1%	2.6x	71%	26%	9.8x	100%	4%	2.5x	71%	29%	8.6x	14%
Alarm.com Holdings, Inc.	ALRM-US	$57.93	2,895.8	(151.5)	2,760.1	4%	3.1x	62%	16%	19.2x	61%	5%	3.0x	63%	16%	18.6x	3%
Teledyne Technologies Incorporated	TDY-US	$420.59	19,845.4	2,735.5	22,847.1	4%	3.9x	44%	25%	15.5x	7%	5%	3.7x	44%	25%	14.4x	8%
ADT Inc.	ADT-US	$6.48	5,913.0	9,429.5	15,247.5	(11%)	2.7x	77%	43%	6.2x	1%	(2%)	2.7x	77%	45%	6.0x	3%
Allegion plc	ALLE-US	$109.75	9,634.7	1,796.2	11,299.6	12%	3.1x	43%	24%	12.8x	24%	3%	3.0x	43%	24%	12.5x	3%
		Mean	9,123.0	1,326.5	10,287.3	11%	3.9x	55%	16%	15.1x	53%	11%	3.5x	58%	22%	12.8x	17%
		Median	2,499.1	120.9	2,580.3	12%	3.3x	52%	24%	14.6x	57%	8%	3.0x	60%	25%	13.1x	11%

Source: S&P Capital IQ, Echelon

Management and Board of Directors

Peter Evans, CEO and Director

Peter brings over 25 years of experience with venture capital, private equity, and public enterprise companies in the technology, telecom, SaaS, and cyber-security industries. As a four-time high-tech CEO, Peter has demonstrated repeated success in driving revenue growth and accelerated profitability, by delivering innovative solutions to target markets, and triggered multiple profitable liquidity events.

Karen Hersh, CFO and Corporate Secretary

Karen has extensive experience working with high-growth technology companies across a broad spectrum of finance activities including strategic planning, financial reporting, and mergers and acquisitions. Karen was formerly the CFO of a global private equity company focused on cybersecurity technologies.

Joshua Douglas, SVP Product and Engineering

Joshua is a recognized expert in the fields of behavioural analytics, cybersecurity, and physical security. With a successful career working as a product management and engineering leader, Joshua has helped companies of all sizes bring products to market with increased customer satisfaction.

Robert Lex, SVP Operations

Robert has 25 years' experience in global manufacturing operations and supply chain management. He has led successful operational excellence restructurings built around a set of core principles starting with a customer-centric approach and has developed scalable efficient processes.

Chris Feusner, VP Sales

Chris is a 20-year security industry veteran who understands how to develop and deploy effective go-to-market strategies across multiple industries. Chris also has extensive experience developing and overseeing sales expansion through channel partners.

Louise Johnson, VP Marketing

Louise has built up her expertise in marketing, brand awareness, and customer engagement over her 15+ years as a sales and marketing professional. She has played critical roles in the successful execution of customer acquisition campaigns for innovative technologies and products.

Peter Van Der Gracht, Chairman of the Board

A serial technology entrepreneur who has successfully launched, financed, operated, and sold five technology companies, including Nexus, Imedia, Teraspan, Fatport, and Wavemakers.

Bill Maginas, Director

The former President of Johnson Controls Canada brings a great deal of industry expertise to the Board. Bill offers a broad range of expertise including business process improvement, change management, growth, and strategy.

Lea M. Ray, Director

A certified director (ICD.D) of the Institute of Corporate Directors and a Chartered Professional Accountant. She has served on a number of publicly listed (TSX) entities.

John Gillies, Director

Over 33 years of federal government experience within national and international security and intelligence environments. Worked with Canadian Security Intelligence Service (CSIS) and RCMP.

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% of Total (excluding Restricted)	32%	47%	5%	0%	16%		
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PRICE CHART, RATING & PRICE TARGET HISTORY

Xtract One Technologies Inc. (TSX:XTRA)
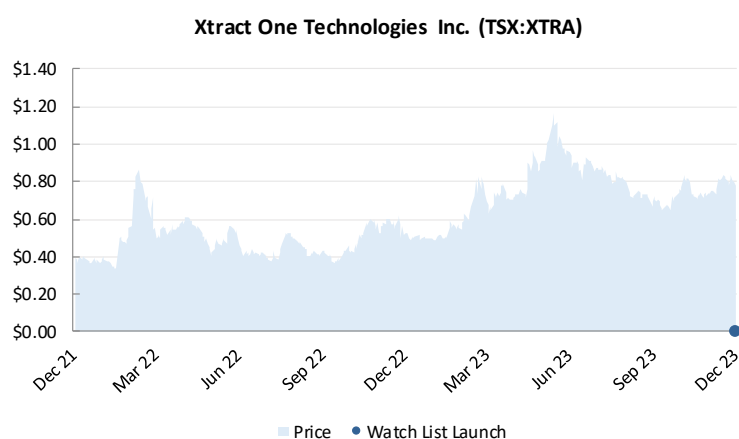
Date	Target ($)	Rating
12 Dec 2023	n/a	Watch List

Watch List as of: Dec 12, 2023
Data sourced from: S&P Capital IQ

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