

SuperCom Ltd. (Nasdaq: SPCB)

Rating: Buy

Price Target: \$12.00 (Previously \$10)

Share Price: \$9.73

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Company Data

Average Daily Volume (M)	0.17
52-Week Range	2.55-18.95
Shares Outstanding (M)	4.45
Market Cap (M)	46.53
Enterprise Value (M)	54.47
Total Cash (M), mrq	15.03
Total Debt (M)	23.62
Total Debt to Cap	0.39

Estimates

FYE: Dec		2025E	2026E
EPS	Q1	\$1.50A	
	Q2	\$0.49A	
	Q3	\$0.06	
	Q4	\$0.11	
	FY	\$2.15	\$1.32
P/E		4.5x	7.4x
Rev (M)	Q1	\$7.0A	
	Q2	\$7.1A	
	Q3	\$5.3	
	Q4	\$5.9	
	FY	\$25.5	\$35.80
EV/Sales		2.1x	1.5x

One-Year Performance Chart



As of August 14, 2025. Source: E-Trade.

August 15, 2025

SuperCom 2Q'25 Results: Strong Gross Margin Surge; Revenue Lumpiness Likely to Continue

Maintaining Buy rating; raising price target from \$10 to \$12.

Key Points

- **Margins continued to expand; revenue lumpiness likely to persist in 2025.** Key metrics in 2Q'25, compared to the prior year, include:
 - Revenue was \$7.1 million, vs. \$7.5 million a year ago.
 - Gross margin expanded to 59.1% from 49.6% Y/Y.
 - Operating income increased by 187% to \$1.1 million from \$0.4 million Y/Y.
 - Operating margin expanded to 15.4% from 5.3% Y/Y.
 - Net income was \$1.1 million compared to \$2.2 million (or \$0.4 million net financial gains of \$1.8 million).
 - Non-GAAP net income was \$2.2 million vs. \$3.3 million (or \$1.5 million, net financial gains of \$1.8 million).
 - EBITDA increased to \$2.5 million from \$1.6 million Y/Y.
 - Non-GAAP EPS of \$0.49 vs. our \$0.19 estimate.
 - Cash and cash equivalents of \$15.0 million, up from \$5.7 million.
- **Strong momentum in the U.S. market continues.** Since 2Q of 2024, SuperCom has secured more than 30 new electronic monitoring (EM) contracts in the U.S. Business in 2Q included new entries into Virginia, Nebraska and Tennessee. The Company also secured a statewide procurement vehicle in North Carolina and expanded service-provider partnerships in the Southeast and Midwest, while also adding new wins in Utah and Kentucky. Some of these wins displaced incumbent

providers. Many of these incremental wins carry higher gross margins, contributing to 2Q's exceptionally strong margin quarter.

- **New Europe business continues to drive results.** Although business in the United States tends to carry higher margins, SuperCom continues to generate new wins in the EU, holding a win rate exceeding 65%. Evolving national-level projects include the national Israeli EM project, the Swedish Ministry of Justice project, the Romanian Ministry of Interior project, and the Company's seventh national domestic-violence program in EMEA.
- **Balance sheet de-levering.** The Company has been reducing its outstanding debt since the end of 2023, through premium-priced debt-to-equity conversions and improving cash flow. During 2Q, working capital improved to \$40.8 million, up from \$26.1 million, Book Value of Equity increased to \$37.3 million, up from \$13.8 million, and cash and cash equivalents on the balance sheet was \$15.0 million, up from \$3.2 million at YE24.
- **Changes to our estimates.** We are again trimming our 2025 revenue estimates in our model, from \$26.87 million to \$25.46 million, primarily the result of some continued order pushouts in Europe that started in 4Q'24 and have continued into 2025. While our conversations with management lead us to believe that these orders are intact and will be recognized later in 2026 and beyond, we prefer to increase our assumptions only after near-term visibility improves. Additionally, we do not see the record 1Q and 2Q margin levels continuing through the rest of 2025 because lower revenue levels in 2H'25 are likely to negatively impact economies of scale, despite the fact that recent product mix shifts, particularly in the U.S., have been favorable to margins. The reductions in revenues in 3Q and 4Q in our model, together with lower (sub-scale) margins in 2H'25 have the effect of reducing our non-GAAP EPS estimates for 3Q and 4Q from \$0.19 and \$0.20 to \$0.06 and \$0.11, respectively. Our Adjusted EBITDA estimate for 2025 is also reduced, from \$8.36 million to \$6.97 million.
- **SPCB shares remain attractive, we believe.** Although we are reducing our 2025 estimates, we believe that SPCB shares remain attractively valued and have room for further price appreciation. Shares are currently trading at only 7.3x our revised FY26 non-GAAP EPS estimate of \$1.32. For that reason, we are bumping up our price target from \$10 to \$12. Our revised \$12 price target assumes a P/E multiple of ~9x our FY26 estimate. We anticipate estimate increases after 2025 as revenue visibility improves.

Fiscal Year Ends December 31st

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All figures in millions of U.S. Dollars except % and per share items

SuperCom, Ltd. (SPCB-NASDAQ)													
	Dec'22 FY	Dec'23 FY	Mar'24 Q1	Jun'24 Q2	Sep'24 Q3	Dec'24 Q4	Dec'24 FY	Mar'25 Q1	Jun'25 Q2	Sep'25 E Q3	Dec'25 E Q4	Dec'25 E FYE	Dec'26 E FY
Sales	\$ 17.649	\$ 26.570	\$ 6.852	\$ 7.545	\$ 6.911	\$ 6.327	\$ 27.635	\$ 7.048	\$ 7.140	\$ 5.321	\$ 5.947	\$ 25.457	\$ 35.797
Revenue Growth (%):													
Year/Year	NA	50.5%	7.5%	-2.6%	2.0%	11.6%	4.0%	2.9%	-5.4%	-23.0%	-6.0%	-7.9%	40.6%
Quarter/Quarter	NA	3.69	20.9%	10.1%	-8.4%	-8.5%		11.4%	1.3%	-25.5%	11.8%	NA	NA
Cost of Goods Sold	11.261	16.347	3.065	3.802	3.758	3.626	14.251	2.588	2.922	2.714	2.974	11.198	16.825
Gross Profit	\$ 6.388	\$ 10.223	\$ 3.787	\$ 3.743	\$ 3.153	\$ 2.701	\$ 13.384	\$ 4.460	\$ 4.218	\$ 2.608	\$ 2.974	\$ 14.259	\$ 18.972
Gross Margin:	36.2%	38.5%	55.3%	49.6%	45.6%	42.7%	48.4%	63.3%	59.1%	49.0%	50.0%	56.0%	53.0%
SG&A	\$ 7.843	\$ 7.660	\$ 1.913	\$ 2.045	\$ 2.099	\$ 2.688	\$ 8.745	\$ 2.272	\$ 2.146	\$ 2.075	\$ 2.141	\$ 8.634	\$ 11.097
Sales and marketing	\$ 2.657	\$ 2.200	\$ 0.524	\$ 0.686	\$ 0.625	\$ 0.566	\$ 2.401	\$ 0.678	\$ 0.684	\$ 0.692	\$ 0.714	\$ 2.767	\$ 3.938
Pct of Sales	15.1%	8.3%	7.6%	9.1%	9.0%	8.9%	8.7%	9.6%	9.6%	13.0%	12.0%	10.9%	11.0%
General and administrative	\$ 5.186	\$ 5.460	\$ 1.389	\$ 1.359	\$ 1.474	\$ 2.122	\$ 6.344	\$ 1.594	\$ 1.462	\$ 1.384	\$ 1.427	\$ 5.867	\$ 7.159
Pct of Sales	29.4%	20.5%	20.3%	18.0%	21.3%	33.5%	23.0%	22.6%	20.5%	26.0%	24.0%	23.0%	20.0%
Research & Development	\$ 3.412	\$ 3.110	\$ 0.901	\$ 0.999	\$ 0.933	\$ 0.584	\$ 3.417	\$ 0.933	\$ 0.880	\$ 0.798	\$ 0.892	\$ 3.503	\$ 4.654
Pct of Sales	19.3%	11.7%	13.1%	13.2%	13.5%	9.2%	12.4%	13.2%	12.3%	15.0%	15.0%	14%	13%
Other (income) expense, net	\$ 1.138	\$ 2.812	\$ 0.255	\$ 0.315	\$ 0.090	\$ 1.339	\$ 1.999	\$ 0.040	\$ 0.089	\$ 0.000	\$ 0.000	\$ 0.129	\$ 0.000
EBIT (Operating Income - GAAP)	\$ (6.005)	\$ (3.359)	\$ 0.718	\$ 0.384	\$ 0.031	\$ (1.910)	\$ (0.777)	\$ 1.215	\$ 1.103	\$ (0.266)	\$ (0.059)	\$ 1.992	\$ 3.222
Financial expenses, net	\$ (1.751)	\$ 0.663	\$ 0.362	\$ (1.804)	\$ 0.474	\$ (0.051)	\$ (1.019)	\$ (3.010)	\$ 0.008	\$ 0.300	\$ 0.300	\$ (2.402)	\$ 1.500
Pretax Income	\$ (7.756)	\$ (4.022)	\$ 0.356	\$ 2.188	\$ (0.443)	\$ (1.859)	\$ 0.242	\$ 4.225	\$ 1.095	\$ (0.566)	\$ (0.359)	\$ 4.394	\$ 1.722
Income Taxes	0.30	-	(0.42)	-	-	-	(0.42)	-	-	-	-	-	-
Tax %	(0.04)	-	54.0%	0.0%	0.0%	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	-	-
Equity in Earnings of Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	0
Net Income (GAAP)	(7.46)	(4.022)	0.774	2.188	(0.443)	(1.859)	0.660	4.225	1.095	(0.566)	(0.359)	4.394	1.722
Non-GAAP Adjustments	5.20	7.21	0.58	1.07	0.79	3.25	5.68	1.01	1.10	0.85	0.85	3.81	4.50
Net Income (Non-GAAP)	-\$2.254	\$3.186	\$1.349	\$3.253	\$0.346	\$1.388	\$6.336	\$5.235	\$2.190	\$0.284	\$0.491	\$8.199	\$6.222
Per Share													
EPS (GAAP)	(40.40)	(11.87)	0.80	1.20	(0.22)	(0.53)	1.25	1.21	0.24	(0.13)	(0.08)	1.25	0.37
EPS (Non-GAAP)	(12.21)	9.40	1.39	1.78	0.17	0.66	4.01	1.50	0.49	0.06	0.11	2.15	1.32
Diluted Shares Outstanding	3.69	0.33	0.97	1.82	2.04	3.48	2.08	3.50	4.50	4.50	4.60	4.28	4.70
Adjusted EBITDA (Non-GAAP)	0.20	\$6.82	\$1.965	\$1.626	\$1.077	\$1.655	\$6.323	\$2.526	\$2.540	\$0.714	\$1.191	\$6.970	\$7.022

Source: Company reports, Kingswood Capital Partners estimates.

Risks to Our Price Target

Company-specific risks to our target price include:

Growing revenue share from few concentrated large customers in recent years: In 2023, nearly 59% of net revenue derived from two large customers while in 2022 ~36% revenue was derived from one large customer. The loss of any of these clients will have a significant impact on the top-line of the company.

Highly fragmented competitive landscape: The industry remains fluid with new technological advancements introduced into the market frequently, thus aiding the entry of new products and players. The intensity of the competition puts pressure on average selling prices and increases the length of the sales cycle for SuperCom products. An increase in the number of bidders for government orders could affect the win-rate.

Rapid and significant technological changes in the electronic monitoring industry could negatively impact SuperCom's competitive position and may require significant additional capital expenditures to address. The electronic monitoring industry is subject to rapid advances and innovations in technology. SuperCom could face competition in the future from companies using new technologies and new safety systems, including new entrants who are developing or have announced alternative technologies, some of which would compete directly with one or more of SuperCom's existing or planned products and services.

Uncertain geopolitical environment: SuperCom's executive office and R&D department is based in Israel. The country is currently facing political tension due to the ongoing war against Hamas and Hezbollah. All Israelis are mandated to perform several days of annual military reserve duty each year until they reach the age of 40, which may cause disruption of daily business or delay in product launches. The war may also threaten the free movement of raw materials and delay export of finished products to end customers.

Uncertainty regarding the performance of acquired entities: SuperCom has acquired several relevant companies to build up synergy in its business. But there is a risk to the performance of the new subsidiaries which may result in lower-than-expected returns and negatively affect SuperCom's financial performance.

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Kingswood Capital Partners, LLC				
Investment Banking Services/Past 12 Months				
Rating	Count	Percent	Count	Percent
BUY	9	81.81	2	22.22
HOLD	1	9.09	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	9.09	1	100.00

As of July 2025.

SuperCom, Ltd. Rating History as of August 14, 2025



Source: E-Trade.

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