

SuperCom Ltd. (Nasdaq: SPCB)

Rating: Buy

Price Target: \$10.00

Share Price: \$6.19

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April 29, 2025

Company Data

Average Daily Volume (M)	0.255
52-Week Range	2.55-18.95
Shares Outstanding (M)	3.48
Market Cap (M)	21.51
Enterprise Value (M)	48.98
Total Cash (M), mrq	3.15
Total Debt (M)	29.70
Total Debt to Cap	0.72

Estimates

FYE: Dec		2025E	2026E
EPS	Q1	(\$0.19)	
	Q2	(\$0.09)	
	Q3	(\$0.01)	
	Q4	\$0.01	
	FY	(\$0.27)	\$0.42
P/E		NA	14.7x
Rev (M)	Q1	\$7.0	
	Q2	\$7.8	
	Q3	\$7.5	
	Q4	\$7.4	
	FY	\$29.8	\$35.80
EV/Sales		1.6x	1.4x

One-Year Performance Chart



As of April 28, 2025. Source: E-Trade.

SuperCom 4Q Results: Solid Operational Progress; Some Revenue Lumpiness

Maintaining Buy rating and \$10 price target

Key Points

- **Strong margin improvement despite some revenue lumpiness.** Revenue in 4Q 2024 increased 11.6% year-over-year to \$6.33 million from \$5.67 million, while gross profit increased to \$2.7 million from \$2.35 million, with gross margin expanding to 42.7% vs 41.4% in 4Q 2023. Revenue in 4Q was slightly shy of our \$6.46 million estimate, due mainly to temporary order delays of a major monitoring contract in Europe (Romania). Non-GAAP EPS in 4Q was \$0.66, above our estimate of (\$0.45).
- **Growing momentum in the U.S. market.** Since 2Q of 2024, SuperCom has secured more than 20 new electronic monitoring (EM) contracts in the U.S., including entry into seven new states—Ohio, Arizona, Alabama, South Dakota, New York, West Virginia, and Maryland. The Company also expanded its footprint in key existing markets in California and Kentucky, primarily focused on domestic violence monitoring. Some of these wins displaced incumbent providers.
- **International markets continue to diversify.** SuperCom, together with partner company Electra Security, was awarded a five-year national electronic monitoring contract by the Israel Prison Service to cover the entire EM offender population in Israel. Additionally, the Company launched national domestic violence electronic monitoring programs in Latvia and another EU country during the second half of 2024, both secured through formal competitive tenders.
- **Balance sheet de-levering.** The Company has been reducing its outstanding debt since the end of 2023, through premium-priced share issuances,

including a \$4.37 million reduction in its long-term debt, which currently stands at \$29.7 million. The company had \$3.15 million of cash on hand at YE24.

- **Reducing our revenue growth assumptions slightly.** We are trimming slightly our 2025 revenue estimates in our model, from \$32.25 million to \$29.77 million, primarily the result of some order push-outs in Europe that have occurred in 4Q 2024. While our conversations with management lead us to believe that these orders are intact and will be recognized later in 2025, we prefer to increase our assumptions as near-term visibility improves. This reduction has the effect of reducing our EPS estimates for 2025, from (\$0.03) to (\$0.27). We are keeping our 2026 and 2027 estimates unchanged.
- **SuperCom's revenue mix is improving and could lead to further gross margin expansion.** Although gross margin in 4Q was impacted minimally by the European order delays (42.7% vs. our model's 43%), we see a more positive secular trend emerging: The higher software content of next-generation EM platforms, we believe, is likely to expand gross margin above 45% in 2025 and contribute to improving earnings leverage over the next several quarters. Additionally, the increased software content of next-generation platforms we believe is likely to minimize any potential negative of import tariffs in the U.S. market.
- **SPCB shares remain attractive, we believe.** Shares are currently trading at 14-15x our FY26 non-GAAP EPS estimate of \$0.42. Our \$10 price target assumes a P/E multiple of 24x our FY26 estimate. Moreover, yesterday's sharp sell-off, we believe, provides investors with an attractive entry point.

Key Investment Considerations

Surging electronic monitoring market in US and Europe. The global public safety and security market is experiencing substantial growth, driven by increasing concerns over security, advancements in technology, and the trend toward urbanization. Notably, North America currently holds the largest share of this global market. The electronic monitoring market in the US is substantial at a size of \$3.25 billion in 2024 and is projected to reach \$8.73 billion by 2034, exhibiting a CAGR of 10.38%, according to Market Research Future. The European electronic monitoring market, while smaller than its US counterpart, still presents a considerable opportunity. Valued at \$226 million in 2023, it is forecast to grow at a CAGR of 7.2% to \$326 million by 2028. According to data from Berg Insight, the North American electronic monitoring market is estimated at \$1.3 billion in 2023 and is projected to reach \$1.85 billion by 2028 while the European market is estimated at \$226 million in 2023 and is projected to reach \$330 million by 2028.

These market size estimates point to substantial and growing markets in both the US and Europe for public safety and electronic monitoring solutions, highlighting significant potential for SuperCom's growth in these regions. The US market appears to offer a larger near-term opportunity in electronic monitoring, but the European market also presents a considerable and expanding landscape. This broad market encompasses solutions for law enforcement, emergency services, homeland security, and the

protection of critical infrastructure. Within this landscape, the electronic monitoring market represents a specialized segment focused on providing technologies and services for the tracking and supervision of individuals in various contexts, including offender management and domestic violence prevention.

We believe that SuperCom has thus far been able to capitalize on the fragmented nature of the electronic monitoring public safety market in select world regions, providing a fully developed and integrated platform at competitive price points, and as a result gaining market acceptance and share both in Europe and more recently the United States. Although the current global trade environment continues to shift toward unpredictable outcomes, we remain confident that the growing need for electronic monitoring and digital identity tracking in the public safety market will continue to create incremental market opportunities for SuperCom, as the market continues to expand and remain relatively inelastic.

Valuation

We believe that SuperCom presents a compelling investment opportunity within the digital identity and e-government sectors. The company's recent contract wins in the US and European regions and expansion into new markets signal strong growth potential. The company's focus on innovative solutions like AI-integrated platforms and new product launches position it to capitalize on the increasing demand for secure digital identity and public safety technologies. We believe the new contract wins, coupled with the introduction of new products and services and the possibility of opportunistic acquisitions, suggest a promising trajectory for long-term value creation. We believe that SPCB shares are currently undervalued relative to other public safety technology suppliers, at 14-15x our FY'26 estimates, and at an EV/FY'26 revenue multiple of ~1.4x. Assuming a reasonable peer-group adjusted P/E multiple of 24x our FY26 non-GAAP EPS estimate, we arrive at a target price of \$10.

Fiscal Year Ends December 31st

1

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

SuperCom, Ltd.

(SPCB-NASDAQ)

	Dec'22 FY	Mar'23 Q1	Jun'23 Q2	Sep'23 Q3	Dec'23 Q4	Dec'23 FY	Mar'24 Q1	Jun'24 Q2	Sep'24 Q3	Dec'24 Q4	Dec'24 FY	Mar'25 E Q1	Jun'25 E Q2	Sep'25 E Q3	Dec'25 E Q4	Dec'25 E FYE	Dec'26 E FY	Dec'27 E FYE
Sales	\$ 17.649	\$ 6.376	\$ 7.748	\$ 6.778	\$ 5.668	\$ 26.570	\$ 6.852	\$ 7.545	\$ 6.911	\$ 6.327	\$ 27.635	\$ 6.989	\$ 7.847	\$ 7.533	\$ 7.403	\$ 29.771	\$ 35.797	\$ 39.735
Revenue Growth (%):																		
Year/Year	NA	NA	NA	NA	NA	50.5%	7.5%	-2.6%	2.0%	11.6%	4.0%	2.0%	4.0%	9.0%	17.0%	7.7%	20.2%	11.0%
Quarter/Quarter	NA	NA	21.5%	-12.5%	-16.4%	3.69	20.9%	10.1%	-8.4%	-8.5%		10.5%	12.3%	-4.0%	-1.7%	NA	NA	NA
Cost of Goods Sold	11.261	4.794	5.482	2.751	3.320	16.347	3.065	3.802	3.758	3.626	14.251	3.604	4.237	3.992	3.923	15.757	18.614	20.662
Gross Profit	\$ 6.388	\$ 1.582	\$ 2.266	\$ 4.027	\$ 2.348	\$ 10.223	\$ 3.787	\$ 3.743	\$ 3.153	\$ 2.701	\$ 13.384	\$ 3.385	\$ 3.610	\$ 3.541	\$ 3.479	\$ 14.014	\$ 17.183	\$ 19.073
Gross Margin:	36.2%	24.8%	29.2%	59.4%	41.4%	38.5%	55.3%	49.6%	45.6%	42.7%	48.4%	48.4%	46.0%	47.0%	47.0%	47.1%	48.0%	48.0%
SG&A	\$ 7.843	\$ 1.656	\$ 1.846	\$ 1.624	\$ 2.534	\$ 7.660	\$ 1.913	\$ 2.045	\$ 2.099	\$ 2.688	\$ 8.745	\$ 2.303	\$ 2.586	\$ 2.558	\$ 2.440	\$ 9.887	\$ 10.739	\$ 11.126
Sales and marketing	\$ 2.657	\$ 0.572	\$ 0.556	\$ 0.531	\$ 0.541	\$ 2.200	\$ 0.524	\$ 0.686	\$ 0.625	\$ 0.566	\$ 2.401	\$ 0.699	\$ 0.785	\$ 0.829	\$ 0.740	\$ 3.052	\$ 3.580	\$ 3.576
Pct of Sales	15.1%	9.0%	7.2%	7.8%	9.5%	8.3%	7.6%	9.1%	9.0%	8.9%	8.7%	10.0%	10.0%	11.0%	10.0%	10.3%	10.0%	9.0%
General and administrative	\$ 5.186	\$ 1.084	\$ 1.290	\$ 1.093	\$ 1.993	\$ 5.460	\$ 1.389	\$ 1.359	\$ 1.474	\$ 2.122	\$ 6.344	\$ 1.604	\$ 1.801	\$ 1.729	\$ 1.699	\$ 6.834	\$ 7.159	\$ 7.550
Pct of Sales	29.4%	17.0%	16.6%	16.1%	35.2%	20.5%	20.3%	18.0%	21.3%	33.5%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	20.0%	19.0%
Research & Development	\$ 3.412	\$ 0.813	\$ 0.849	\$ 0.774	\$ 0.651	\$ 3.110	\$ 0.901	\$ 0.999	\$ 0.933	\$ 0.584	\$ 3.417	\$ 0.839	\$ 0.942	\$ 0.904	\$ 0.888	\$ 3.573	\$ 4.654	\$ 5.166
Pct of Sales	19.3%	12.8%	11.0%	11.4%	11.5%	11.7%	13.1%	13.2%	13.5%	9.2%	12.4%	12.0%	12.0%	12.0%	12.0%	0.12	0.13	0.13
Other (income) expense, net	\$ 1.138	\$ 0.176	\$ 0.229	\$ 0.793	\$ 1.614	\$ 2.812	\$ 0.255	\$ 0.315	\$ 0.090	\$ 1.339	\$ 1.999	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000
EBIT (Operating Income - GAAP)	\$ (6.005)	\$ (1.063)	\$ (0.658)	\$ 0.836	\$ (2.451)	\$ (3.359)	\$ 0.718	\$ 0.384	\$ 0.031	\$ (1.910)	\$ (0.777)	\$ 0.243	\$ 0.082	\$ 0.079	\$ 0.151	\$ 0.555	\$ 1.790	\$ 2.781
Financial expenses, net	\$ (1.751)	\$ 0.472	\$ 0.397	\$ 0.690	\$ (0.896)	\$ 0.663	\$ 0.362	\$ -1.804	\$ 0.474	\$ -0.051	\$ -1.019	\$ 0.900	\$ 0.400	\$ 0.100	\$ 0.100	\$ 0.303	\$ 0.303	\$ 0.303
Pretax Income	\$ (7.756)	\$ (1.535)	\$ (1.055)	\$ 0.146	\$ (1.555)	\$ (4.022)	\$ 0.356	\$ 2.188	\$ (0.443)	\$ (1.859)	\$ 0.242	\$ (0.657)	\$ (0.318)	\$ (0.021)	\$ 0.051	\$ 0.252	\$ 1.487	\$ 2.478
Income Taxes	0.30						(0.42)	-	-	-	(0.42)	-	-	-	-	-	-	-
Tax %	(0.04)	0.0%	0.0%	0.0%	0.0%	-	54.0%	0.0%	0.0%	0.0%	0.63	0.0%	0.0%	0.0%	0.0%	-	-	-
Equity in Earnings of Affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0
Net Income (GAAP)	(7.46)	(1.54)	(1.06)	0.15	(1.56)	(4.022)	0.774	2.188	(0.443)	(1.859)	0.660	(0.657)	(0.318)	(0.021)	0.051	0.252	1.487	2.478
Non-GAAP Adjustments	5.20	1.28	1.39	2.52	3.25	7.21	0.58	1.07	0.79	3.25	5.68							
Net Income (Non-GAAP)	-\$2.254	-\$0.256	\$0.334	\$2.668	\$1.699	\$3.186	\$1.349	\$3.253	\$0.346	\$1.388	\$6.336	-\$0.657	-\$0.318	-\$0.021	\$0.051	\$0.252	\$1.487	\$2.478
Per Share																		
EPS (GAAP)	(40.40)	(6.40)	(4.20)	0.58	(2.75)	(11.87)	0.80	1.20	(0.22)	(0.53)	1.25	(0.19)	(0.09)	(0.01)	0.01	(0.27)	0.42	0.69
EPS (Non-GAAP)	(12.21)	(1.07)	1.33	10.62	3.00	9.40	1.39	1.78	0.17	0.66	4.01	(0.19)	(0.09)	(0.01)	0.01	(0.27)	0.42	0.69
Diluted Shares Outstanding	3.69	0.24	0.25	0.25	0.57	0.33	0.97	1.82	2.04	3.48	2.08	3.48	3.48	3.48	3.48	3.48	3.50	3.60
Adjusted EBITDA (Non-GAAP)	0.20	0.38	0.89	2.67	2.89	\$6.82	\$1.965	\$1.626	\$1.077	\$1.655	\$6.323	-\$0.657	-\$0.318	-\$0.021	\$0.051	\$3.309	\$4.544	\$5.535

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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Company-Specific Disclosures

Distribution of Ratings				
Kingswood Capital Partners, LLC				
Investment Banking Services/Past 12 Months				
Rating	Count	Percent	Count	Percent
BUY	5	71.43	1	20.00
HOLD	1	14.29	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	14.29	1	100.00

As of March 2025.

SuperCom, Ltd. Rating History



As of April 28, 2025. Source: E-Trade.

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