

SuperCom Ltd. (Nasdaq: SPCB)

Rating: Buy

Price Target: \$10.00

Share Price: \$7.21

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Company Data

Average Daily Volume (M)	0.25
52-Week Range	2.55-18.95
Shares Outstanding (M)	4.10
Market Cap (M)	29.57
Enterprise Value (M)	35.64
Total Cash (M), mrq	17.13
Total Debt (M)	23.20
Total Debt to Cap	0.40

Estimates

FYE: Dec		2025E	2026E
EPS	Q1	\$1.50A	
	Q2	\$0.19	
	Q3	\$0.19	
	Q4	\$0.20	
	FY	\$2.08	\$0.76
P/E		3.5x	9.5x
Rev (M)	Q1	\$7.0A	
	Q2	\$6.4	
	Q3	\$6.6	
	Q4	\$6.8	
	FY	\$26.9	\$35.80
EV/Sales		1.3x	1.0x

One-Year Performance Chart



As of May 15, 2025. Source: E-Trade.

SuperCom 1Q '25 Results: Significant U.S. Market Inroads; Revenue Lumpiness Likely to Continue

Maintaining Buy rating and \$10 price target

Key Points

- **Margins continued to expand; revenue lumpiness likely to persist in 2025.** Revenue in 1Q 2025 increased 2.9% year-over-year to \$7.05 million from \$6.85 million, while gross profit increased to \$4.46 million from \$3.88 million, with gross margin expanding to 63.3% versus 55.3% in 1Q 2024. Revenue in 1Q only slightly exceeded our \$6.99 million estimate, due mainly to temporary order delays of a major monitoring contract in Europe (Romania). Non-GAAP EPS in 1Q 2025 was \$1.50, due to both stronger gross and operating margins and a favorable confluence of one-time events.
- **Strong momentum in the U.S. market continues.** 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.
- **New contracts in the U.S. market.** SuperCom was awarded new monitoring contracts in Utah, Kentucky, Ohio, and Arizona. Since mid-2024, there have been eight new state market entries, with additional wins currently in progress. We believe that the recent gross margin expansion is partly the result of a higher U.S.

market presence, where network security requirements are less cumbersome and allow for greater contribution of higher-margin software to the revenue mix.

- **Balance sheet de-levering.** The Company has been reducing its outstanding debt since the end of 2023, through premium-priced debt-to-equity conversions, including another significant reduction in its long-term debt in 1Q 2025. Long-term debt currently stands at \$24.2 million versus \$29.7 million at YE'24. The Company raised \$16 million in new capital in 1Q 2025 and had \$17.13 million of cash at quarter-end.
- **Changes to our estimates.** We are again trimming slightly our 2025 revenue estimates in our model, from \$29.77 million to \$26.87 million, primarily the result of some order pushouts in Europe (Romania) that have occurred in 4Q 2024 and have continued into 1Q 2025. 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 only after near-term visibility improves. At the same time, we have expanded our 2025 gross margin assumptions from 47.1% to 55.7%. While we do not see the record 1Q margin levels continuing through the year, recent product mix shifts have been very favorable to margins.
- **SuperCom's revenue mix is improving and could lead to further gross margin expansion over 2024 levels.** Although the record gross margin in 1Q 2025 of 63.3% was likely an anomaly impacted favorably by first-time U.S. system deployments, we see a generally 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 effect of import tariffs in the U.S. market.
- **SPCB shares remain attractive, we believe.** Shares are currently trading at 9.5x our revised FY26 non-GAAP EPS estimate of \$0.76 (previously \$0.42). Our \$10 price target assumes a P/E multiple of 13x our FY26 estimate. We anticipate further estimate increases in 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 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	\$ 26.570	\$ 6.852	\$ 7.545	\$ 6.911	\$ 6.327	\$ 27.635	\$ 7.048	\$ 6.413	\$ 6.635	\$ 6.770	\$ 26.866	\$ 35.797	\$ 39.735
Revenue Growth (%):														
Year/Year	NA	50.5%	7.5%	-2.6%	2.0%	11.6%	4.0%	2.9%	-15.0%	-4.0%	7.0%	-2.8%	33.2%	11.0%
Quarter/Quarter	NA	3.69	20.9%	10.1%	-8.4%	-8.5%		11.4%	-9.0%	3.5%	2.0%	NA	NA	NA
Cost of Goods Sold	11.261	16.347	3.065	3.802	3.758	3.626	14.251	2.588	3.014	3.118	3.182	11.902	16.825	18.477
Gross Profit	\$ 6.388	\$ 10.223	\$ 3.787	\$ 3.743	\$ 3.153	\$ 2.701	\$ 13.384	\$ 4.460	\$ 3.399	\$ 3.516	\$ 3.588	\$ 14.963	\$ 18.972	\$ 21.258
Gross Margin:	36.2%	38.5%	55.3%	49.6%	45.6%	42.7%	48.4%	63.3%	53.0%	53.0%	53.0%	55.7%	53.0%	53.5%
SG&A	\$ 7.843	\$ 7.660	\$ 1.913	\$ 2.045	\$ 2.099	\$ 2.688	\$ 8.745	\$ 2.272	\$ 2.114	\$ 2.189	\$ 2.166	\$ 8.741	\$ 10.739	\$ 11.126
Sales and marketing	\$ 2.657	\$ 2.200	\$ 0.524	\$ 0.686	\$ 0.625	\$ 0.566	\$ 2.401	\$ 0.678	\$ 0.641	\$ 0.730	\$ 0.677	\$ 2.726	\$ 3.580	\$ 3.576
Pct of Sales	15.1%	8.3%	7.6%	9.1%	9.0%	8.9%	8.7%	9.6%	10.0%	11.0%	10.0%	10.1%	10.0%	9.0%
General and administrative	\$ 5.186	\$ 5.460	\$ 1.389	\$ 1.359	\$ 1.474	\$ 2.122	\$ 6.344	\$ 1.594	\$ 1.472	\$ 1.460	\$ 1.489	\$ 6.015	\$ 7.159	\$ 7.550
Pct of Sales	29.4%	20.5%	20.3%	18.0%	21.3%	33.5%	23.0%	22.6%	23.0%	22.0%	22.0%	22.4%	20.0%	19.0%
Research & Development	\$ 3.412	\$ 3.110	\$ 0.901	\$ 0.999	\$ 0.933	\$ 0.584	\$ 3.417	\$ 0.933	\$ 0.834	\$ 0.862	\$ 0.880	\$ 3.509	\$ 4.654	\$ 5.166
Pct of Sales	19.3%	11.7%	13.1%	13.2%	13.5%	9.2%	12.4%	13.2%	13.0%	13.0%	13.0%	13%	13%	13%
Other (income) expense, net	\$ 1.138	\$ 2.812	\$ 0.255	\$ 0.315	\$ 0.090	\$ 1.339	\$ 1.999	\$ 0.040	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.040	\$ 0.000	\$ 0.000
EBIT (Operating Income - GAAP)	\$ (6.005)	\$ (3.359)	\$ 0.718	\$ 0.384	\$ 0.031	\$ (1.910)	\$ (0.777)	\$ 1.215	\$ 0.452	\$ 0.464	\$ 0.542	\$ 2.673	\$ 3.580	\$ 4.967
Financial expenses, net	\$ (1.751)	\$ 0.663	\$ 0.362	\$ (1.804)	\$ 0.474	\$ (0.051)	\$ (1.019)	\$ (3.010)	\$ 0.300	\$ 0.300	\$ 0.300	\$ (2.110)	\$ 1.500	\$ 1.500
Pretax Income	\$ (7.756)	\$ (4.022)	\$ 0.356	\$ 2.188	\$ (0.443)	\$ (1.859)	\$ 0.242	\$ 4.225	\$ 0.152	\$ 0.164	\$ 0.242	\$ 4.783	\$ 2.080	\$ 3.467
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	0
Net Income (GAAP)	(7.46)	(4.022)	0.774	2.188	(0.443)	(1.859)	0.660	4.225	0.152	0.164	0.242	4.783	2.080	3.467
Non-GAAP Adjustments	5.20	7.21	0.58	1.07	0.79	3.25	5.68	1.01	0.70	0.70	0.70	3.11	1.50	1.50
Net Income (Non-GAAP)	\$-2.254	\$3.186	\$1.349	\$3.253	\$0.346	\$1.388	\$6.336	\$5.235	\$0.852	\$0.864	\$0.942	\$7.893	\$3.580	\$4.967
Per Share														
EPS (GAAP)	(40.40)	(11.87)	0.80	1.20	(0.22)	(0.53)	1.25	1.21	0.03	0.04	0.05	1.33	0.44	0.71
EPS (Non-GAAP)	(12.21)	9.40	1.39	1.78	0.17	0.66	4.01	1.50	0.19	0.19	0.20	2.08	0.76	1.01
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	4.90
Adjusted EBITDA (Non-GAAP)	0.20	\$6.82	\$1.965	\$1.626	\$1.077	\$1.655	\$6.323	\$2.526	\$1.832	\$1.964	\$2.042	\$8.364	\$8.980	\$10.467

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	6	75.00	2	33.33
HOLD	1	12.50	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	12.50	1	100.00

As of March 2025.

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



Source: E-Trade.

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