

## SuperCom Ltd. (Nasdaq: SPCB)

### Rating: Buy

Price Target: \$12.00

Share Price: \$9.98

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Company Data		
Average Daily Volume (M)	0.17	
52-Week Range	3.08-18.95	
Shares Outstanding (M)	4.68	
Market Cap (M)	47.07	
Enterprise Value (M)	56.45	
Total Cash (M), mrq	13.13	
Total Debt (M)	24.41	
Total Debt to Cap	0.37	
Estimates		
FYE: Dec	2025E	2026E
EPS	Q1	\$1.50A
	Q2	\$0.49A
	Q3	\$0.39A
	Q4	\$0.11
	FY	\$2.48
		\$1.17
P/E		4.5x
Rev (M)	Q1	\$7.0A
	Q2	\$7.1A
	Q3	\$6.2A
	Q4	\$6.7
	FY	\$27.1
		\$35.80
EV/Sales		2.1x
		1.5x

### One-Year Performance Chart



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

### SuperCom 3Q'25 Results: Strong Gross Margin Surge; Revenue Lumpiness Likely to Continue

Maintaining Buy rating and \$12 price target.

#### Key Points

- **Margins continued to expand; revenue lumpiness likely to persist into 1H26.** Key metrics in 2Q'25, compared to the prior year, include:
  - Revenue was \$6.2 million, vs. \$6.9 million a year ago.
  - Gross margin expanded to 60.8% from 45.6% Y/Y.
  - Operating income increased to \$0.639 million from \$0.031 million Y/Y.
  - Net income was \$0.691 million compared to (\$0.443) million a year ago.
  - Non-GAAP net income was \$1.9 million vs. \$0.346 million last year.
  - EBITDA increased to \$2.2 million from \$1.1 million Y/Y.
  - Non-GAAP EPS of \$0.39 vs. our \$0.06 estimate.
  - Cash and cash equivalents of \$13.1 million, up from \$6.2 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 3Q included new entries into Virginia, Alabama, Florida, Mississippi and Wisconsin. Some of these wins displaced incumbent providers. Many of these incremental wins carry higher gross margins, contributing to 3Q's strong margin profile.

- **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, and the Romanian Ministry of Interior project, and the Company's seventh national domestic-violence program in EMEA. Business in Romania has recently paused due to political uncertainty, but may restart in 2026, according to mgt. Overall, we believe that as SuperCom continues to shift its sales and marketing focus from EMEA to North America, its margin profile will continue to expand and its recurring revenue percentage will increase.
- **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. This has continued in 3Q'25. During 3Q, working capital improved to \$41.8 million, up from \$22.6 million at YE'24, Book Value of Equity increased to \$40.8 million, up from \$11.7 million, and cash and cash equivalents on the balance sheet was \$13.1 million, up from \$3.2 million at YE24.
- **Changes to our estimates.** We are adjusting our 2025 revenue estimates in our model, from \$25.46 million to \$27.12 million, primarily the result of continued strong momentum in the United States, together with some returning business in Europe that started in 3Q'25 and is likely to continue into 2026. Additionally, we do not see the record 3Q margin levels continuing through the rest of 2025 because of product mix shifts and possibly the return of some lower-margin business in Europe and in Israel. The increases in revenues in 3Q and 4Q in our model, have the effect of increasing our non-GAAP EPS estimates for 2025 from \$2.15 to \$2.48. Our Adjusted EBITDA estimate for 2025 is also increased, from \$6.97 million to \$8.27 million.
- **SPCB shares remain attractive, we believe.** We believe that SPCB shares remain attractively valued and have room for further price appreciation. Shares are currently trading at 8.5x our revised FY26 non-GAAP EPS estimate of \$1.17. Our \$12 price target assumes a P/E multiple of ~10x our FY26 estimate. We anticipate estimate increases after 2025 as revenue visibility improves.

**Fiscal Year Ends December 31st**

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

SuperCom, Ltd. (SPCB-NASDAQ)	Dec'22	Dec'23	Mar'24	Jun'24	Sep'24	Dec'24	Dec'24	Mar'25	Jun'25	Sep'25	Dec'25 E	Dec'25 E
	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FYE
Sales	\$ 17,649	\$ 26,570	\$ 6,852	\$ 7,545	\$ 6,911	\$ 6,327	\$ 27,635	\$ 7,048	\$ 7,140	\$ 6,224	\$ 6,675	\$ 27,087
Revenue Growth (%):												\$ 35.797
Year/Year	NA	50.5%	7.5%	-2.6%	2.0%	11.6%	4.0%	2.9%	-5.4%	-9.9%	5.5%	-2.0%
Quarter/Quarter	NA	3.69	20.9%	10.1%	-8.4%	-8.5%		11.4%	1.3%	-12.8%	7.2%	NA
Cost of Goods Sold	11,261	16,347	3,065	3,802	3,758	3,626	14,251	2,588	2,922	2,441	3,104	11,055
Gross Profit	\$ 6,388	\$ 10,223	\$ 3,787	\$ 3,743	\$ 3,153	\$ 2,701	\$ 13,384	\$ 4,460	\$ 4,218	\$ 3,783	\$ 3,571	\$ 16,032
Gross Margin:	36.2%	38.5%	55.3%	49.6%	45.6%	42.7%	48.4%	63.3%	59.1%	60.8%	53.5%	59.2%
SG&A	\$ 7,843	7,660	1,913	2,045	2,099	2,688	8,745	2,272	2,146	2,130	2,370	8,918
Sales and marketing	\$ 2,657	2,200	0,524	0,686	0,625	0,566	2,401	0,678	0,684	0,634	0,768	2,764
Pct of Sales	15.1%	8.3%	7.6%	9.1%	9.0%	8.9%	8.7%	9.6%	9.6%	10.2%	11.0%	10.2%
General and administrative	\$ 5,186	5,460	1,389	1,359	1,474	2,122	6,344	1,594	1,462	1,496	1,602	6,154
Pct of Sales	29.4%	20.5%	20.3%	18.0%	21.3%	33.5%	23.0%	22.6%	20.5%	24.0%	23.0%	22.7%
Research & Development	\$ 3,412	3,110	0,901	0,999	0,933	0,584	3,417	0,933	0,880	0,882	1,001	3,696
Pct of Sales	19.3%	11.7%	13.1%	13.2%	13.5%	9.2%	12.4%	13.2%	12.3%	14.2%	14.0%	14%
Other (income) expense,net	\$ 1,138	2,812	0,255	0,315	0,090	1,339	1,999	0,040	0,089	0,132	0,000	0,261
EBIT (Operating Income - GAAP)	\$ (6,005)	\$ (3,359)	\$ 0,718	\$ 0,384	\$ 0,031	\$ (1,910)	\$ (0,777)	\$ 1,215	\$ 1,103	\$ 0,639	\$ 0,200	\$ 3,157
Financial expenses,net	\$ (1,751)	0,663	\$ 0,362	\$ (1,804)	\$ 0,474	\$ (0,051)	\$ (1,019)	\$ (3,010)	\$ 0,008	\$ (0,052)	\$ 0,300	\$ (2,754)
Pretax Income	\$ (7,756)	\$ (4,022)	\$ 0,356	\$ 2,188	\$ (0,443)	\$ (1,859)	\$ 0,242	\$ 4,225	\$ 1,095	\$ 0,691	\$ (0,100)	\$ 5,911
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	0.691	(0,100)	5,911
Non-GAAP Adjustments	5.20	7.21	0.58	1.07	0.79	3.25	5.68	1.01	1.10	1.21	0.65	3.96
Net Income (Non-GAAP)	-\$2,254	\$3,186	\$1,349	\$3,253	\$0,346	\$1,388	\$6,336	\$5,235	\$2,190	\$1,900	\$0,550	\$9,875
Per Share												
EPS (GAAP)	(40.40)	(11.87)	0.80	1.20	(0.22)	(0.53)	1.25	1.21	0.24	0.14	(0.02)	1.57
EPS (Non-GAAP)	(12.21)	9.40	1.39	1.78	0.17	0.66	4.01	1.50	0.49	0.39	0.11	2.48
Diluted Shares Outstanding	3.69	0.33	0.97	1.82	2.04	3.48	2.08	3.50	4.50	4.90	4.90	4.45
Adjusted EBITDA (Non-GAAP)	0.20	\$6,82	\$1,965	\$1,626	\$1,077	\$1,655	\$6,323	\$2,526	\$2,540	\$2,153	\$1,050	\$8,269
												\$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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