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PLUR-TSXX	
Rating:	Buy
Target:	\$1.00
Price:	\$0.39
Return:	156%
Valuation:	1.2x EV/Revenue

Market Data	
Basic Shares O/S (M)	69.7
FD Shares O/S (M)*	91.1
Market capitalization (\$M)	27.2
Enterprise Value (\$M)	16.1
Cash (\$M)	11.3
LT debt (\$M)	0.2
52 Week Range	\$0.85 - \$0.28
Avg. Weekly Volume (M)	0.6
Fiscal Year End	December 31

Financial Metrics			
In C\$000, exc EPS	2021E	2022E	2023E
Revenue	34,769	45,874	51,662
Gross Profit	1,885	3,943	4,788
EBITDA	(4,601)	(4,184)	(3,877)
Net inc	(6,081)	(4,880)	(4,604)
EPS (FD)	(\$0.10)	(\$0.07)	(\$0.06)
P/Revenue	0.8x	0.6x	0.5x

### Company Description

Plurilock is an identity-centric cybersecurity solutions provider to government institutions and businesses. The company's vision is to deliver solutions that combine next-generation identity technologies with best-of-breed cybersecurity tools. Following the acquisition Aurora Systems Consulting, Inc. effective April 1, 2021, the company started operating two business divisions, the Technology Division and the Solutions Division.



Source: Consensus Data - Refinitiv, Forecasts/Estimates - Leede Jones Gable

## Plurilock Security Inc. – Growth

We are initiating coverage of Plurilock Security Inc. with a BUY recommendation and a \$1.00 target price. Plurilock is an identity-centric cybersecurity solutions provider to government, institutions, and businesses. The company's vision is to deliver solutions that combine next-generation identity technologies with best-of-breed cybersecurity tools. Following the acquisition Aurora Systems Consulting, Inc. effective April 1, 2021, the company started operating two business divisions, the Technology Division and the Solutions Division.

### Investment Summary

**Global spending on cybersecurity products and services is expected to grow by 15% CAGR from 2021 to 2025:** The growing cyber threat, particularly ransomware attacks continues to have a massive impact on organizations across all industry verticals. According to the Identity Theft Resource Center (ITRC), the number of data breaches publicly reported so far this year has already exceeded the total for 2020, putting 2021 on track for a record year. Cybersecurity Ventures forecasts that global spending on cybersecurity products and services is expected to grow by 15% CAGR from 2021 to 2025 to US\$1.75 trillion cumulatively.

**Plurilock is pursuing a “land and expand” sales model:** Plurilock's sales model combines the resale of third-party products with upselling/cross-sales of high-margin services and Plurilock's own high-margin recurring revenue products. Plurilock's sales process relies on an organic force of specialized B2B sales representatives, a well-considered sales strategy, and extensive support from marketing teams, infrastructure, and initiatives.

**Plurilock is actively pursuing strategic acquisitions:** Plurilock's management believes that acquisitions will allow it to offer a broader suite of products which will enhance its ability to be a “single-provider solution” as this is what many customers are looking for. Additionally, management is targeting companies that will add complementary capabilities that will accelerate adoption and sales of core Plurilock technologies and the integration of these technologies into delivered solutions. Future acquisitions may include the following: enhanced, additional, and diversified product offerings and customer lists; strong brands and intellectual property; additional sales channel and partnerships; new revenue streams in adjacent market segments; and accretive revenue and costs synergies

**Plurilock strengthens its financial position:** On November 10, 2021, Plurilock announced that it has closed its previously announced \$4.6 million “bought-deal” public offering of common shares, including the exercise in full of the over-allotment option. The proceeds from the offering are expected to be used for general working capital, research and development, marketing, and general corporate purposes. As a result of the offering, we forecast that the company will have a cash position of approximately \$5.0 million at the end of 2021.

**Initiating coverage with a BUY recommendation and a \$1.00 target:** We are initiating coverage of Plurilock Security Inc. with a BUY recommendation and a \$1.00 target price. To arrive at our target price, we applied a 1.2 times multiple to our F2023 revenue estimate.

## Corporate Strategy

Plurilock is an identity-centric cybersecurity solutions provider to government institutions and businesses. The company's vision is to deliver solutions that combine next-generation identity technologies with best-of-breed cybersecurity tools. Following the acquisition Aurora Systems Consulting, Inc. effective April 1, 2021, the company started operating two business divisions, the Technology Division and the Solutions Division. The Technology Division, operated under the legacy Plurilock brand, builds, and operates Plurilock's own proprietary products. The Solutions Division, created after the acquisition of Aurora, offers Aurora's services and resells cybersecurity industry products and technologies to meet customer needs. The Solutions Division is operated under the company's subsidiary, Aurora.

**Global spending on cybersecurity products and services is expected to grow by 15% CAGR from 2021 to 2025:** The growing cyber threat, particularly ransomware attacks continue to have a massive impact on organizations across all industry verticals. According to the Identity Theft Resource Center (ITRC), the number of data breaches publicly reported so far this year has already exceeded the total for 2020, putting 2021 on track for a record year. Cybersecurity Ventures forecasts that global cybercrime costs to grow by 15% per year over the next five years, reaching US\$10.5 trillion annually by 2025, up from US\$3 trillion in 2015. The figures reflect, in part, the dramatic change that the COVID-19 pandemic has wrought. As a result, global spending on cybersecurity products and services is expected to grow by 15% CAGR from 2021 to 2025 to US\$1.75 trillion cumulatively.

**Management is looking to significantly expand its customer base:** Plurilock retains existing customers by maintaining deep engagement, including in-person sales and engineering team visits to develop and refine security strategy and client relationships. These relationships, combined with product line breadth, enable increased customer base penetration and expansion to adjacent markets through references and organic word-of-mouth marketing. In regions without a direct Plurilock presence, Plurilock employs channel partners to drive awareness and empowers these channel partners with regular close interaction and a deep library of marketing and sales collateral.

**Plurilock is pursuing a "land and expand" sales model:** Plurilock's sales model combines the resale of third-party products with upselling/cross-sales of high-margin services and Plurilock's own high-margin recurring revenue products. Plurilock's sales process relies on an organic force of specialized B2B sales representatives, a well-considered sales strategy, and extensive support from marketing teams, infrastructure, and initiatives:

- Sales representatives retain and grow their customer base by maintaining close, meaningful relationships with their clients, partners, and team members. This direct engagement generates on-the-ground expertise that enables effective prioritization and decision-making, producing high rates of customer satisfaction.
- Partnerships are signed, maintained, and promoted, enabling relationship priority in pricing, knowledge distribution, and other kinds of access. Marketing of these partnerships prioritizes brand consistency and leveraging partner relationships to enable thought leadership when engaging key decision-makers.
- In addition to its force of B2B sales representatives, Plurilock may in the future add touchless self-service purchasing options operated through its corporate website, with self-service options serving as supplements to, rather than replacements for, expert B2B sales labor.

**Plurilock is looking to synergistically expand its product line of high-margin and/or AI-driven cybersecurity products:** Product line extensions will allow the company to substantively expand its customer base and drive additional high-margin sales volume. Plurilock is looking to pursue this strategy through further internal product development, acquisitions, partnerships, licensing agreements, or any combination of these that is appropriate to furthering execution of its strategy.

**Plurilock is actively pursuing strategic acquisitions:** Plurilock is pursuing strategic acquisitions to enhance its go-to-market and sales capabilities. Plurilock's management believes that acquisitions will allow it to offer a broader suite of products which will enhance its ability to be a "single-provider solution" as this is what many customers are looking for. Additionally, management is targeting companies that will add complementary capabilities that will accelerate adoption and sales of core Plurilock technologies and the integration of these technologies into delivered solutions. Future acquisitions may include, amongst others, the following: enhanced, additional, and diversified product offerings and customer lists; strong brands and intellectual property; additional sales channel and partnerships; new revenue streams in adjacent market segments; and accretive revenue and costs synergies. Plurilock does not necessarily envision integrating newly acquired businesses under one common corporate brand.

Instead, Plurilock's strategy may include maintaining the value created by the vendor by retaining the identity, specialization, and other success factors of the target firm within its local market. The company has set the following objectives pursuant to its acquisition strategy:

- Gain new customers through existing master service agreements;
- Gain additional channels in order to cross-sell high margin cybersecurity software products; and
- Expand market presence in federal, state, local, and education, and commercial verticals.

Plurilock's acquisition model is expected to include paying for acquisitions with a combination of cash, shares, and earn-out payments (debt). Acquisitions may also be structured to accommodate the continued involvement for the vendor and the retention of individuals key to the success and viability of the acquired firm.

**Plurilock strengthens its financial position:** On November 10, 2021, Plurilock announced that it has closed its previously-announced \$4.6 million "bought-deal" public offering of common shares, including the exercise in full of the over-allotment option. The proceeds from the offering are expected to be used for general working capital, research and development, marketing, and general corporate purposes. As a result of the offering, we forecast that the company will have a cash position of approximately \$5.0 million at the end of 2021.

## Company Overview

Plurilock is an identity-centric cybersecurity solutions provider to government agencies and businesses. The company operates two business divisions, the Technology Division and the Solutions Division.

**Technology Division:** Operated under the Plurilock brand, this division builds and operates Plurilock's own proprietary products. The company offers a multiple-patent-protected technology that can recognize individuals and verify identities using cutting edge behavioral biometric signatures, each generated by applying machine learning in the background to personal behavioral and input patterns, physical location, and other contextual data, as users do their normal work. Plurilock links this capability to industry-leading products and services in powerful solutions that secure the systems and attack surfaces that are of greatest cybersecurity concern in today's enterprises – all without requiring new user training, authentication steps, security hardware, or helpdesk support.

Plurilock's technology can confirm user identity without passwords, numeric MFA (multi-factor authentication) codes, fingerprints, or other common identity confirmation technologies. This enables robust control of access to key systems and data resources while eliminating obstacles that hamper adoption of other security tools. It does this by:

- observing user keyboard behavior, pointer behavior, physical location, machine identity, network context, and other factors on an ongoing basis and in real time,
- analyzing this data using machine learning techniques to generate a unique and evolving identity signature for each distinct user as work happens, and
- leveraging this identity signature to grant or deny access as appropriate, every few seconds throughout the workday, without additional user or administrator steps.

This core capability is incorporated directly into Plurilock's two branded products: Plurilock Defend and Plurilock Adapt:

- **Plurilock DEFEND:** Defend is an enterprise continuous authentication platform that confirms user identity or alerts security teams to detected intrusions in real time, as regular work is carried out, without otherwise inconveniencing or interrupting users. DEFEND works by deploying a lightweight endpoint agent that resides on end-user computing devices. The endpoint agent can be deployed on a physical computing device, such as a desktop, laptop or server, or virtually through a Virtual Desktop Infrastructure. It can run on the desktop, protecting the entire work session, or run in a web browser, protecting a single application and requiring no installation. The product uniquely identifies people by the way they use their corporate computing devices. After an initial 20 minutes of user activity, Plurilock builds a biometric profile unique to the user by analyzing keyboard and pointer behavior. The biometric profile is continuously updated using proprietary AI algorithms to

track behaviour drift over time, without requiring any IT administration. Once the initial profile is built, it is always on thereafter, constantly learning via AI and subsequent validation occurs within seconds.

- Plurilock ADAPT:** Adapt is a standards-based login multi-factor authentication (MFA) platform that provides added login security without relying on fingerprint scans, SMS codes, authenticator apps, hardware tokens, or other intrusive legacy MFA requirements. Based continuous observation and analysis, Plurilock’s patented continuous authentication algorithm ‘knows’ who was where and when on the corporate network, thus preventing intruders in real time. When an intruder is detected, the desktop agent automatically challenges them to re-authenticate, quarantines the threat, or alerts management and security teams, all in real time, based on workplace policy. Activity is retained in an audit log, giving Plurilock’s customers non-repudiation capabilities, which means that users are unable to deny they committed a malicious act.

**Solutions Division:** The Solutions Division, operated as Aurora, offers security consulting services and resells cybersecurity industry products and technologies to meet customer needs. Aurora supports clients’ business-critical applications with a deeply consultative approach to cybersecurity, combining partner-provided solutions with in-house security services to help clients address the complex challenges of cybersecurity. Aurora sells both hardware and packaged software and offers both expert professional services and long-term managed services capabilities. Since 2001, Aurora has provided cybersecurity products and offered professional services to U.S. clients across three main segments: (1) federal government institutions; (2) state, local, education government agencies; and (3) commercial firms. Aurora’s main clients comprise large and reputable organizations such as the U.S. Department of Defense, U.S. Department of the Air Force, U.S. Department of the Navy, U.S. National Aeronautics and Space Administration, U.S. Department of the Treasury and U.S. Department of the Army. The Solutions Division, has continued to secure new business deals with major U.S. government organizations, resulting in a total of US\$13.3 million in sales from all announced contracts and purchase orders since April 2021, the date Plurilock acquired Aurora.

Exhibit 1. Aurora Systems Consulting Inc. - Cybersecurity Solutions & Consulting Solutions

**AURORA** Cybersecurity Solutions Line Card

PRODUCTS AND SOLUTIONS

<b>EDR/Endpoint</b> Symantec (A Division of Broadcom) McAfee TREND MICRO BINARY DEFENSE SOPHOS vmware Carbon Black	<b>Mail Security</b> proofpoint Symantec (A Division of Broadcom) SOPHOS FORTINET TREND MICRO KnowBe4	<b>CASB</b> Symantec (A Division of Broadcom) McAfee TREND MICRO	
<b>Vulnerability Management</b> tenable Qualys RAPID7 FORESCOUT	<b>Data Governance/Classification</b> Symantec (A Division of Broadcom) titus by HelpSystems VARONIS	<b>Data Loss Prevention</b> Symantec (A Division of Broadcom) McAfee Fidelis FORCEPOINT iBOSS	<b>Incident Response</b> Fidelis FireEye Symantec (A Division of Broadcom) RAPID7 BINARY DEFENSE vmware Carbon Black
<b>Identity &amp; Access Management</b> okta Plurilock Symantec (A Division of Broadcom) RSA SECURITY Centrify	<b>Log Management</b> LogRhythm The Security Intelligence Company McAfee FireEye Fidelis	<b>Managed Security Services</b> BINARY DEFENSE Fidelis RAPID7 digitalhands ARCTIC WOLF	<b>Mobile Security</b> McAfee Symantec (A Division of Broadcom) SOPHOS airwatch TREND MICRO
<b>Network Security &amp; Firewalls</b> FORTINET TREND MICRO paloalto networks CISCO FIREMON SOPHOS Accellion iBOSS	<b>Network Traffic Aggregation &amp; Optimization</b> Symantec (A Division of Broadcom) Gigamon allot zscaler	<b>Privileged Account Access Security</b> BeyondTrust ca CYBERARK	<b>Web Security</b> Symantec (A Division of Broadcom) McAfee zscaler SOPHOS TREND MICRO FORTINET iBOSS

## SECURITY CONSULTING SERVICES

Application Security Assessment	Mobile Security Assessment	Security Policy Development
Data Loss Prevention Technical Assessment	PCI Gap Analysis and Compliance Audit	Security Training
HIPAA Security & Compliance Audit	Penetration Testing	Security Code Review
Cyber Security Risk Assessment	Phishing Simulation Risk Assessment	Vulnerability Assessment

Source: Company reports

## Industry Overview

The growing cyber threat, particularly ransomware attacks, continue to have a massive impact on organizations across all industry verticals. According to the Identity Theft Resource Center (ITRC), the number of data breaches publicly reported so far this year has already exceeded the total for 2020, putting 2021 on track for a record year. Eva Velasquez, President and CEO of the ITRC, said 2021 is just 238 breaches away from tying the record for a single year. "It's also interesting to note that the 1,111 data breaches that the amount and quality of data being exfiltrated by hackers from cyber-attacks so far, this year exceeds the total number of data compromises from all causes in 2020."

Cybersecurity Ventures forecasts that global cybercrime costs to grow by 15% per year over the next five years, reaching US\$10.5 trillion annually by 2025, up from US\$3 trillion in 2015. The figures reflect, in part, the dramatic change that the COVID-19 pandemic has wrought. As a result, global spending on cybersecurity products and services is expected to grow by 15% CAGR from 2021 to 2025 to US\$1.75 trillion cumulatively.

Plurilock is focused on business-to-business (B2B) sales in the North American market, where there are some 65 million white-collar employees (Source: Kaiser Family Foundation). In particular, the company targets its outbound sales efforts in three markets in North America:

- Federal government sales:** The company has multiple existing contracts with both U.S. and Canadian federal government agencies and they utilize a number of procurement vehicles, including: (i) Government-Wide Acquisition Contract (GWAC), (ii) NASA Solutions for Enterprise-Wide Procurement contract (SEWP), and (iii) General Services Administration STARS-III (Streamlines Technology Acquisition Resource for Services) contract.
- State, local, and education (SLED) sales:** Plurilock maintains procurement vehicles, expertise, and existing relationships to sell to public sector and critical infrastructure organizations below the federal level. This represents an expanding area of aggressive focus for the company. Available procurement vehicles include the California Multiple Awards Schedule (CMAS) contracts. Recently awarded SLED business includes the California State Teachers' Retirement System, the California State Healthcare Agency, the California State Taxation Agency, and the California Utility Resource Organization.
- Commercial entity sales:** Key verticals in the commercial market space are marked by significant cyber-threat pressure and/or significant regulatory compliance requirements with regard to cybersecurity, data safety, and privacy.

**Governmentwide Acquisition Contract:** A GWAC is a pre-competed, multiple-award, indefinite delivery, indefinite quantity contract that government agencies can use to buy total IT solutions. This allows federal agencies to purchase an unlimited number of products or service hours under a single GWAC during a specified period of time. By centralizing the procurement of IT products and services, GWACs allow agencies to take advantage of the government's immense buying power, which can help reduce prices. Agencies place task orders against an existing GWAC for the products and services they wish to purchase. There are currently 10 GWACs managed by three agencies – U.S. General Services Administration (GSA), the National Aeronautics Space Association (NASA), and the National Institute of Health (NIH).

**Solutions for Enterprise-Wide Procurement:** The SEWP Program Office manages a suite of government-wide IT products and services contracts that enable NASA and all Federal Agencies to achieve their strategic initiatives by providing streamlined access to critical technologies and solutions. The program provides the best value for the Federal Government and American taxpayer through innovative procurement processes, premier customer service and outreach, acquisition insight, and partnership with government entities and industry. SEWP allows access to US Federal Civilian & Defense agencies, representing approximately 9 million federal workers.

In May 2015, NASA released SEWP V, the latest version of the vehicle, with updates that cater to the increasing need for and widening scope of purchases. From its inception to present day, agencies across the federal government and Department of Defense (DOD) have used the contract vehicle to purchase a variety of technologies. SEWP V boasts the largest pool of contractors yet as well as detailed and automatic reporting to CIOs in order to help meet Federal Information Technology Acquisition Reform Act requirements. Agencies can use SEWP V to acquire a wide variety of both commercial and uniquely built advanced technology including desktops and servers, IT peripherals, network equipment, storage systems, security tools, software products, cloud-based services, telecommunications, healthcare IT, videoconferencing systems and other IT and audiovisual products. SEWP V also includes product-based services such as the installation and maintenance of products on the contract. The products on SEWP V are provided by 147 prime contract holders, including 120 small businesses. SEWP V is different from almost every other government-servicing contract in that it is request-based. Purchasers aren't limited to a catalogue of products and services and can instead make requests based on their up-to-the-minute needs. Contract holders then compete to provide the product or service to the exact specifications of the agency. This is one of the big advantages of SEWP V, because the competition has already occurred and can be tapped into by purchasers. In 2019 government agencies spent US\$7.9 billion through SEWP V and in 2021 it is estimated that agencies will utilize SEWP V for US\$8.8 billion in contracted spending. The SEWP surcharge for all orders is a 0.34%. The fee is included in the price of all items and is not separately listed on quotes.

**GSA 8(a) STARS III GWAC:** The 8(a) STARS III is a small business GWAC that provides flexible access to customized IT solutions from a large, diverse pool of 8(a) industry partners. This next-generation GWAC builds upon the framework of 8(a) STARS II and expands capabilities for emerging technologies. The contract offers IT services ranging from simple to complex and services-based solutions such as IT help-desk support, information assurance, cybersecurity, artificial intelligence, and more.

- The 8(a) STARS III GWAC ordering period is a five-year base with one three-year option. This ordering period began on July 2, 2021.
- The ceiling for 8(a) STARS III is US\$50 billion.
- 8(a) STARS III allows for fixed price, time and materials, labor-hour or a hybrid blend of these task order types.
- The contract access fee for the 8(a) STARS III GWAC is .75%, the same as GSA Schedules.

## Exhibit 2. Features and Benefits of 8(a) STARS III

### Features and Benefits of 8(a) STARS III

Features	Benefits
\$50 billion program ceiling and five-year base period with one three-year option	Allows for long-term planning of large-scale program requirements
Sole-source task orders up to the 8(a) competitive threshold	Enhances opportunities for 8(a) firms
Contract types include fixed-price, labor-hour, and time-and-material terms	Offers flexibility of contract types to mitigate risk
Two focused scope sub-areas	Offers access to contractors with demonstrated experience in either emerging technology or performance in an OCONUS location
Ancillary services and/or equipment are permitted when integral and necessary to the IT services-based solution	Facilitates integrated IT services-based solutions
Access to exceptionally qualified 8(a) small-business industry partners	Enables federal clients to earn small-disadvantaged business (SDB) credit
Pre-competes, easy-to-use contract with streamlined ordering procedures based on FAR 16.505	Saves time and money by reducing procurement lead time
Complimentary scope compatibility reviews	Promotes contract compliance and reduces risk of adverse audits
No protests on orders under \$10 million, except on the grounds that the order increases the scope, period, or maximum value of the GWAC	Minimizes protest risk and supports timely order award for optimal mission support

Source: U.S. General Services Administration

**California Multiple Award Schedules (CMAS):** CMAS offers a wide variety of commodity, non-IT Services, and information technology products and services at prices which have been assessed to be fair, reasonable and competitive. The CMAS Program creates a pool of suppliers that an agency can solicit offers from and when utilized correctly it can streamline the procurement process. CMAS agreements are not established through a competitive bid process conducted by the State of California. As a result, all pricing, products and/or services offered must have been previously bid and awarded on a Federal GSA schedule. The supplier completes a CMAS Application offering products and/or services at prices based on an existing Federal GSA multiple award schedule. This schedule is referred to as the “base” contract. Upon review and acceptance of the application, the CMAS Unit awards a CMAS agreement which includes the State of California contract terms and conditions, procurement codes, policies, and guidelines. For CMAS sales to local government agencies, the CMAS contractor pays a 1.25% incentive fee based on the total value of all local government orders each quarter. The use of CMAS allows access to 174+ state agencies, representing approximately 230,000 state workers.

## Leadership

Plurilock’s board and management team bring decades of combined experience in IT and cybersecurity solutions. Key leadership consists of the following individuals:

- **Ian L. Paterson, Chief Executive Officer & Director:** Mr. Paterson joined Plurilock as Vice-President, Sales in January 2016, was promoted to Chief Operation Officer in November 2018. Mr. Paterson was appointed the company’s CEO upon completion of the company’s qualifying transaction. During his tenure at Plurilock, Mr. Paterson led the initial productization and later commercialization of over 35,000 hours of academic research. As CEO, he has raised early-stage investment and closed Plurilock’s first \$1M in sales from “early adopter” customers in the US federal government, critical infrastructure, and financial services.
- **Roland Sartorius, CPA, CGA, Chief Financial Officer & Corporate Secretary:** Mr. Sartorius joined Plurilock as the CFO & Corporate Secretary in November 2017 and was appointed CFO of Plurilock in September 2020. Mr. Sartorius has over 25 years of senior CFO experience with North American and European high-growth public & private technology companies and private equity. His recent North American public company CFO tenures include Carmanah Technologies Corp. and Infosat Communications, Inc. (Bell Canada). Mr. Sartorius’ background includes being the CFO of a significant sized Swiss-based private equity firm and spending eight years with KPMG in Corporate Finance and Audit. He is also a strategic & financial advisor to several Canadian & US early-stage technology companies. Mr. Sartorius is a CPA, CGA and holds a Bachelor of Commerce & Business Administration degree from the University of British Columbia.
- **Jord Tanner, Chief Technology Officer:** Mr. Tanner joined Plurilock as Vice President, Engineering in May 2018 and was appointed CTO in December 2019. Following the company’s qualifying transaction, Mr. Tanner was appointed CTO of the company. Mr. Tanner has 25 years’ experience in technology, specializing in leadership of software development and software service delivery teams. He has held a variety of senior technical leadership roles in manufacturing, financial services, insurance, and e-commerce. Mr. Tanner served for more than a decade at Terapeak, with Director and VP roles in technical operations, software development, research, and security, and stayed with the company through a purchase by eBay. Mr. Tanner studied computer science at University of British Columbia.
- **Philip de Souza, MBA, President, Aurora Systems:** Mr. de Souza is the Founder and President of Aurora Systems. As president, Mr. de Souza is responsible for coordinating Aurora’s technology, sales and business development teams to strategically position the company as a unique and trusted advisor to its clients. Aurora has sustained a 20% growth rate over the past three years, managing effective resources and capacity utilization. More recently, Mr. de Souza led a team engaged in the design and development of SecurePATH™, a data encryption and regulatory compliance solution that is helping top-tier corporations protect their data, thereby solving a problem that costs corporations billions of dollars in theft, resources and lost intellectual property.
- **Vice Admiral, Mike McConnell, USN (Ret.) Director:** Vice Admiral Mike McConnell, USN (Ret.) was appointed to the Board in September 2020 and he is a member of the Audit and Compensation Committee. Mr. McConnell previously served as the Director of National Security Agency of the United States under President Clinton and President George H.W. Bush, then as US Director of National Intelligence under President George W. Bush and President Obama, managing an organization of 100,000 people with annual budget of US\$47 billion. Vice Admiral McConnell also served as the head of the intelligence business at Booz Allen Hamilton Inc. (NYSE: BAH) before retiring as Vice Chairman. He currently serves on the

board of directors for several companies. He twice received the nation's highest award for service in the intelligence community, once by President Clinton and once by President W. Bush. Vice Admiral McConnell holds an M.P.A. from George Washington University and has been awarded four honorary doctorate degrees, the most recent from the University of South Florida.

- **Ed Hammersla, Director:** Mr. Hammersla was more than 40 years of experience in software technology, start-ups and cyber security. Recently, Mr. Hammersla served as Chairman & CEO of Utilidata, Inc., a provider of intelligent software that protects and regulates the Grid. Prior to this, Mr. Hammersla served as President of Global Governments and Chief Strategy Officer for Forcepoint. As President of Raytheon Cyber Products, a cybersecurity software company owned by Raytheon, he led sustained double-digit growth in revenues, while coordinating M & A activities and the creation of the cyber security joint venture today known as Forcepoint. Prior to joining Raytheon Cyber Products, he held leadership positions with Trusted Computer Solutions, Sterling Software, Informix Federal and NEC. Mr. Hammersla was also involved in the development of a version of the Linux operating system called Red Hat Enterprise Linux.
- **Vice Admiral (Ret.) Jan Tighe, Advisor:** Vice Admiral Tighe retired from the US Navy in August 2018 as a Vice Admiral serving as the Deputy Chief of Naval Operations for Information Warfare and as the 66th Director of Naval Intelligence. Previously, she served as the Commander of U.S. Fleet Cyber Command and U.S. 10th Fleet where she was the first woman to command a numbered Fleet. Other flag officer assignments include interim President of the Naval Postgraduate School in Monterey, California and deputy director of operations for U.S. Cyber Command. As a career cryptologist, she served around the globe in leadership positions for both the Navy and the National Security Agency, specializing in Signals Intelligence and Cyber Operations. She is an independent director at Goldman Sachs, the Huntsman Corporation, Progressive Insurance, and IronNet Cybersecurity.

## Other Developments

**Plurilock Announces Graduation to Tier 1 Status on the TSX Venture Exchange:** On December 3, 2021, Plurilock announced that the company has been approved for graduation from Tier 2 issuer status to Tier 1 issuer status on the TSX Venture Exchange. The TSXV classifies issuers into different tiers based on certain standards including historical financial performance, stage of development and financial resources. Tier 1 is the TSXV's premier tier and is reserved for the TSXV's most advanced issuers with the most significant financial resources.

**Plurilock Announces Closing of \$4.6 Million Bought-Deal Financing Including Full Exercise of Over-Allotment Option:** On November 10, 2021, Plurilock announced that it has closed its previously-announced "bought-deal" public offering of common shares, including the exercise in full of the over-allotment option. The company issued a total of 9.2 million shares at the price of \$0.50/share for total gross proceeds of \$4.6 million. The proceeds from the offering are expected to be used for general working capital, research and development, marketing and general corporate purposes.

**Plurilock Partners with Absolute Software, Announces DEFEND Persisted Continuous Authentication Product:** On November 9, 2021, Plurilock announced a strategic partnership with Absolute Software (TSX: ABST-Not Rated). The partnership aligns with Absolute's launch of Absolute Application Persistence-as-a-Service (APaaS) and allows Plurilock to embed the power of self-healing in its DEFEND continuous authentication product. APaaS helps ensure that applications remain installed, are healthy, and effective to counteract human error, malicious actions, software collisions, and normal decay. As a result of the partnership, Plurilock will offer a new comprehensive offering called DEFEND Persisted. With the DEFEND Persisted offering, users will benefit from the existing continuous authentication technology, now with self-healing capabilities built in. By hardening DEFEND with Absolute's Application Persistence, Plurilock is helping to ensure that their product remains healthy, installed, and working effectively across its customer base. Absolute APaaS partners will also have access to telemetry data that offers insights into application health and performance.

**Plurilock to Acquire Assets of CloudCodes Software, Award Winning Cloud Security Provider (Private):** On October 21, 2021, Plurilock entered into definitive asset purchase agreements to acquire certain assets of CloudCodes Software Private Limited. Since 2011, CloudCodes has provided innovative cloud security SaaS solutions for protecting email and group collaboration platforms, offering single-sign-on, multi-factor authentication, and cloud data loss prevention solutions. The acquisition will add additional functionality within Plurilock's product portfolio, with CloudCodes' Cloud Access Security Broker (CASB) solution offered as an early access product under the name of Plurilock CLOUD. This additional technology solution creates new

opportunity for Plurilock's customers for a cost-effective cloud security solution and a path to integrate low-friction, high-security behavioral biometric identity with SSO and cloud security functionality. As a result, it is expected that the acquisition will help accelerate Plurilock's sales and better position the company in the growing zero trust market.

Following the acquisition, CloudCodes' existing customers will have access to a larger public organization with adequate financial resources, deep security, IT, AI capabilities and expertise, and the company's world-class sales team. The pending asset acquisitions expand Plurilock's product portfolio and offers the company's customers with cloud security solutions, including email and group collaboration platform protection, single-sign-on, multi-factor authentication, and cloud data loss prevention. The CloudCodes product will be offered as an early access offering.

Pursuant to the terms of the agreements, Plurilock will pay CloudCodes an aggregate consideration of US\$1.7 million payable as follows: (i) US\$1.0 million in cash payable on closing; and (ii) US\$700,000 in common shares of Plurilock at a deemed price of \$0.59/share that will be placed in escrow for 18 months to satisfy any indemnification obligations to the company. In 2021 (YE March 31) CloudCodes earned approximately CAD\$576k in product revenue. Following the completion of the acquisition, the company will enter the growing CASB market, which is projected to reach US\$32.99 billion by 2028 (source Verified Market Research – June 2021).

**Plurilock Submits Documentation Filing for U.S. Patent Application:** On October 28, 2021, Plurilock announced that it submitted documentation to finalize a patent pending with the United States Patent and Trademark Office that covers enhancements to its continuous authentication solution. The patent application, titled "Side-Channel Communication Reconciliation of Biometric Timing Data for User Authentication During Remote Desktop Sessions", documents a new side channel for the company's continuous authentication solutions that will eliminate timing delays for authenticating user identity for remote work setups. According to patent application documentation, the side channel enables Plurilock to solve for delays that result from working in a virtual desktop infrastructure environment, providing continuous authentication while also protecting devices from cyber attacks that target remote desktop data to steal credentials and user access.

**Plurilock Achieves SOC 2® Compliance for Demonstrating Effective Security Controls:** On October 19, 2021, Plurilock announced that it has completed a SOC 2® assessment, successfully demonstrating the organization has effective controls in place for its cybersecurity solutions, business operations procedures, and technical infrastructure. **SOC Type II is a standard with widespread adoption within the larger business community and financial vertical, resulting in increased credibility for solution providers that receive the certification.** During the assessment period, the firm reviewed access controls to Plurilock's systems, including its ADAPT and DEFEND continuous authentication products, as well as the operating effectiveness of its infrastructure and internal and external controls. By meeting the SOC Type II compliance standard, the company has demonstrated that there are controls and policies in place that mitigate risk as well as provide business continuity and customer assurance that systems and data will be protected. In addition, SOC Type II compliance validates Plurilock's role as a reliable and trusted third-party vendor for enterprise organizations within government, finance, healthcare, and education verticals, at a time where recent statistics show that 51% of organizations have experienced a data breach caused by a third-party (Source: securitymagazine.com – May 7, 2021). Further, the company has committed to only working with third-party vendors that also maintain SOC Type II compliance or equivalent controls. Plurilock utilizes Amazon Web Services, further reducing risk by benefiting from their strong infrastructure controls.

## Financial Forecast

Outlined below is our financial forecast through F2023. Our financial forecast does not include potential acquisitions which are part of the company's growth strategy.

### Exhibit 3. Plurilock Security Inc. Financial Forecast Through F2023

YE December 31	F2020	F2021E	F2022E	F2023E
Revenue (000s)	\$479	\$34,769	\$45,874	\$51,662
Gross profit (000s)	na	\$1,885	\$3,943	\$4,788
Gross margin	na	5.4%	8.6%	9.3%
EBITDA (000s)	(\$2,246)	(\$4,601)	(\$4,184)	(\$3,877)
Net income (000s)	(\$4,598)	(\$6,081)	(\$4,880)	(\$4,604)
Net margin	na	-17.5%	-10.6%	-8.9%
EPS f.d.	(\$0.16)	(\$0.10)	(\$0.07)	(\$0.06)

Source: Company reports and LJJ

## Summary and Valuation

Plurilock is an identity-centric cybersecurity solutions provider to government institutions and businesses. The company's vision is to deliver solutions that combine next-generation identity technologies with best-of-breed cybersecurity tools. The growing cyber threat, particularly ransomware attacks, continue to have a massive impact on organizations across all industry verticals. Cybersecurity Ventures forecasts that global spending on cybersecurity products and services is expected to grow by 15% CAGR from 2021 to 2025.

As seen in Exhibit 4, there is a large discrepancy between the trading multiples of companies that focus on cybersecurity as compared to companies that primarily act as value-added resellers. We believe that this discrepancy is attributable to two key factors:

- **Barriers to entry to become a trusted reseller of cybersecurity products are high:** Following the acquisition of Aurora Solutions in April 2021, Plurilock generates the majority of its revenue through its Solutions Division, which is primarily a value-added reseller of cybersecurity products. There are few barriers to entry to become a value-added reseller of IT solutions, however to become a trusted reseller of cybersecurity products barrier to entry are high. For example, as noted above, Plurilock completed its SOC 2<sup>®</sup> assessment, successfully demonstrating the organization has effective controls in place for its cybersecurity solutions, business operations procedures, and technical infrastructure. SOC Type II is a standard with widespread adoption within the larger business community and financial vertical, resulting in increased credibility for solution providers that receive the certification.
- **Companies operating the cybersecurity industry have considerably higher growth rates and margins:** In 2022 cybersecurity companies are forecast to achieve revenue growth of 40%+ and EBITDA margins of approximately 20% while, companies that primarily operate as value added resellers are forecast to achieve revenue growth of 10% and EBITDA margins of 8%.

We are currently valuing Plurilock using a 1.2 times multiple to our F2023 revenue estimate. We believe that this multiple is fair as the company currently generates the majority of its revenue for the Solutions Division, which is primarily a value-added reseller of cyber security products. However, Plurilock is focused on upselling and cross selling of its high-margin products and services to its existing client and if the company is successful with this initiative, it will have a material impact on revenue and margins. Once this happens, we believe that a multiple expansion would be warranted.

### Exhibit 4. Industry Comparables

Company	Symbol	Current \$	Market Cap (\$000s)	EV (\$000s)	EV/Revenue			EV/EBITDA		
					2021E	2022E	2023	2021	2022	2023
<b>Cyber Security Companies</b>										
Palo Alto Networks	PANW-N	\$523.43	\$51,645	\$48,483	11.4x	9.0x	7.4x	46.8x	37.8x	33.7x
Palantir Technologies	PLTR-N	\$19.46	\$38,747	\$36,544	23.9x	18.3x	14.0x	78.8x	68.5x	50.3x
CrowdStrike Holdings Inc.	CRWD-Q	\$204.32	\$46,616	\$45,597	32.5x	23.5x	17.6x	nm	nm	nm
Okta Inc.	OKTA-Q	\$230.44	\$35,432	\$34,759	27.5x	20.0x	15.1x	na	na	nm
Zscaler Inc.	ZS-Q	\$297.76	\$41,701	\$41,044	61.0x	41.0x	30.5x	na	nm	nm
Absolute Software	ABST-Q	\$9.04	\$449	\$674	5.6x	3.3x	2.9x	21.1x	16.0x	14.2x
<b>Cyber companies Average</b>					<b>23.5x</b>	<b>16.7x</b>	<b>12.7x</b>	<b>41.3x</b>	<b>32.7x</b>	<b>26.3x</b>
<b>Value Added Resellers</b>										
Converge Technology Solutions	CTS-TSX	\$11.83	\$2,542	\$2,322	1.5x	1.1x	1.0x	25.9x	13.7x	10.7x
ICF International Inc.	ICFI-Q	\$104.41	\$1,971	\$2,208	1.4x	1.3x	1.3x	14.2x	13.3x	12.4x
CDW Corporation	CDW-Q	\$198.21	\$26,902	\$30,694	1.4x	1.4x	1.3x	17.9x	16.7x	14.6x
Computacenter plc	CCC-LSE	\$28.22	\$3,188	\$3,153	0.5x	0.5x	0.5x	9.3x	9.2x	9.0x
Softcat plc	SCT-LSE	\$18.50	\$3,682	\$3,589	2.8x	3.0x	2.8x	28.7x	28.0x	26.4x
PC Connection, Inc.	CNXN-Q	\$45.45	\$1,191	\$1,109	0.4x	0.4x	0.4x	11.0x	9.9x	na
Softchoice Corporation	SFTC-TSX	\$11.74	\$699	\$852	0.8x	0.7x	0.6x	9.9x	7.1x	6.2x
<b>VAR Average</b>					<b>1.3x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>16.7x</b>	<b>14.0x</b>	<b>13.2x</b>
<b>Plurilock Security Inc.</b>	<b>PLUR-TSXV</b>	<b>\$0.39</b>	<b>\$27</b>	<b>\$17</b>	<b>0.5x</b>	<b>0.4x</b>	<b>0.3x</b>	<b>na</b>	<b>na</b>	<b>na</b>

\*Share prices are from market close December 7, 2021

Source: Bloomberg L.P. and LJJ

**We are initiating coverage of Plurilock Security Inc. with a BUY recommendation and a \$1.00 target price.** To arrive at our target price, we applied a 1.2x times multiple to our F2023 revenue estimate.

## Appendix A: Financial Forecast

## Exhibit 5. Income Statement

December 31	2020	%	2021E	%	2022E	%	2023E	%
<b>Revenue</b>	<b>479</b>	<b>100</b>	<b>34,769</b>	<b>100</b>	<b>45,874</b>	<b>100</b>	<b>51,662</b>	<b>100</b>
Cost of goods sold	79	16	32,883	95	41,931	91	46,874	91
<b>Gross Profit</b>	<b>401</b>	<b>84</b>	<b>1,885</b>	<b>5</b>	<b>3,943</b>	<b>9</b>	<b>4,788</b>	<b>9</b>
G&A	1,355	283	2,866	8	3,296	7	3,533	7
Selling, marketing & distribution	862	180	2,286	7	3,271	7	3,540	7
R&D	430	1	1,335	1	1,561	1	1,592	1
<b>EBITDA</b>	<b>(2,246)</b>	<b>(469)</b>	<b>(4,601)</b>	<b>(13)</b>	<b>(4,184)</b>	<b>(9)</b>	<b>(3,877)</b>	<b>(8)</b>
Amortization	0	0	0	0	137	0	139	0
<b>EBIT</b>	<b>(2,246)</b>	<b>(469)</b>	<b>(4,601)</b>	<b>(13)</b>	<b>(4,322)</b>	<b>(9)</b>	<b>(4,016)</b>	<b>(8)</b>
Interest expense	32	7	129	0	100	0	100	0
Share based comp.	787	164	1,000	3	1,000	2	1,000	2
FX	(15)	(3)	45	0	0	0	0	0
Other	1,547	323	306	1	0	0	0	0
<b>Earnings before taxes</b>	<b>(4,598)</b>	<b>(959)</b>	<b>(6,081)</b>	<b>(17)</b>	<b>(5,422)</b>	<b>(12)</b>	<b>(5,116)</b>	<b>(10)</b>
Current taxes	0	0	0	0	(542)	(1)	(512)	(1)
Future Taxes	0	0	0	0	0	0	0	0
Taxes	0	0	0	0	(542)	(1)	(512)	(1)
<b>Net Income</b>	<b>(4,598)</b>	<b>(959)</b>	<b>(6,081)</b>	<b>(17)</b>	<b>(4,880)</b>	<b>(11)</b>	<b>(4,604)</b>	<b>(9)</b>
<b>EPS Basic</b>	<b>(\$0.16)</b>		<b>(\$0.10)</b>		<b>(\$0.07)</b>		<b>(\$0.06)</b>	
<b>EPS f.d.</b>	<b>(\$0.16)</b>		<b>(\$0.10)</b>		<b>(\$0.07)</b>		<b>(\$0.06)</b>	

Source: Company reports and LJJ

## Exhibit 6. Balance Sheet

December 31	2020		2021E		2022E		2023E	
<b>Assets</b>								
Cash	1,721	77	5,001	35	4,296	25	4,983	26
Accounts receivable	119	5	4,800	33	7,799	45	8,782	46
Inventories	0	0	1,000	7	1,050	6	1,103	6
Prepaid expenses	208	9	400	3	917	5	1,033	5
Other assets	69	3	69	0	69	0	69	0
<b>Total Current Assets</b>	<b>2,117</b>	<b>95</b>	<b>11,271</b>	<b>78</b>	<b>14,132</b>	<b>82</b>	<b>15,970</b>	<b>84</b>
Gross prop., plant & equip.	54	2	254	2	354	2	454	2
Less: accum. depreciation	27	1	55	0	85	0	115	1
Net property, plant & equip.	28	1	199	1	270	2	339	2
Goodwill	0	0	2,239	16	2,239	13	2,239	12
Intangible assets	70	3	670	5	562	3	454	2
Right of use assets	14	1	11	0	11	0	11	0
Other assets	0	0	13	0	13	0	13	0
<b>Total Assets</b>	<b>2,228,523</b>	<b>100</b>	<b>14,402</b>	<b>100</b>	<b>17,225</b>	<b>100</b>	<b>19,025</b>	<b>100</b>
<b>Liabilities</b>								
Accounts payable	410	18	7,500	52	11,469	67	12,915	68
Current portion LTD	0	0	0	0	0	0	0	0
Current portion of lease liabilities	17	1	13	0	13	0	13	0
Unearned revenue	0	0	8	0	8	0	8	0
Other	95	4	0	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>521,173</b>	<b>23</b>	<b>7,521</b>	<b>52</b>	<b>11,489</b>	<b>67</b>	<b>12,936</b>	<b>68</b>
LTD	30	1	224	2	224	1	224	1
Other	0	0	0	0	0	0	0	0
<b>Total Liabilities</b>	<b>551,173</b>	<b>25</b>	<b>7,744</b>	<b>54</b>	<b>11,713</b>	<b>68</b>	<b>13,160</b>	<b>69</b>
<b>Shareholders Equity</b>								
Common stock & paid-in cap.	10,132	455	20,147	140	22,881	133	26,838	141
Additional paid in cap.	945	42	1,945	14	2,945	17	3,945	21
Acc other comprehensive income	0	0	46	0	46	0	46	0
Retained earnings	(9,400)	(422)	(15,481)	(107)	(20,360)	(118)	(24,964)	(131)
<b>Total Shareholder's Equity</b>	<b>1,677</b>	<b>75</b>	<b>6,657</b>	<b>46</b>	<b>5,513</b>	<b>32</b>	<b>5,865</b>	<b>31</b>
<b>Total Liab. &amp; Shareholders Equity</b>	<b>2,229</b>	<b>100</b>	<b>14,402</b>	<b>100</b>	<b>17,225</b>	<b>100</b>	<b>19,025</b>	<b>100</b>

Source: Company reports and L/JG

## Exhibit 7. Statement of Cash Flows

December 31	2020	2021E	2022E	2023E
<b>Operating Activities</b>				
Net income	(4,598)	(6,081)	(4,880)	(4,604)
Depreciation	0	28	29	31
Amortization	24	8	108	108
Financing costs	33	129	100	100
Share based compensation	787	1,000	1,000	1,000
Other	1,554	(165)	0	0
FX gain (loss)	0	100	0	0
<b>Cash Flow from ops. before NCWC</b>	<b>(2,201)</b>	<b>(4,981)</b>	<b>(3,642)</b>	<b>(3,365)</b>
Net change in working capital	377	(450)	402	295
<b>Cash Flow from operations</b>	<b>(1,823)</b>	<b>(5,431)</b>	<b>(3,240)</b>	<b>(3,071)</b>
<b>Investing Activities</b>				
Purchase of capital assets	(28)	(100)	(100)	(100)
Acquisitions	0	(1,246)	0	0
Increase in other assets	0	0	0	0
<b>Total</b>	<b>(28)</b>	<b>(1,346)</b>	<b>(100)</b>	<b>(100)</b>
<b>Financing Activities</b>				
Inc. (dec.) in LTD	(343)	194	0	0
Issue of common shares	2,304	10,015	2,735	3,957
Proceeds from convertible notes	1,307	0	0	0
Lease payments	(18)	0	0	0
Financing costs	0	(129)	(100)	(100)
Other	188	0	0	0
<b>Total</b>	<b>3,437</b>	<b>10,080</b>	<b>2,635</b>	<b>3,857</b>
FX	(12)	(23)	0	0
Inc. (dec.) in cash position	1,585	3,280	(705)	686
Effect of FX	0	0	0	0
Cash position, beg. of year	147	1,721	5,001	4,296
<b>Cash position, end of year (bank indebt.)</b>	<b>1,721</b>	<b>5,001</b>	<b>4,296</b>	<b>4,983</b>

Source: Company reports and LJG

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<b>Under Review</b>	The rating is temporarily placed under review until further information is disclosed.
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RECOMMENDATION	NO. OF COMPANIES	%
Buy	8	42%
Speculative Buy	6	32%
Hold	5	26%
Sell	-	-
Tender	-	-
Under Review	-	-

### Historical Target Price

