

Sekur Private Data Ltd. (formerly GlobeX Data Ltd.)
(CSE: SKUR / OTCQX: SWISF / FRA: GDT0)

BUY

Current Price: C\$0.32

Fair Value: C\$1.16

Risk*: 4

Starting to Gain Traction

Sector/Industry: Technology/Software

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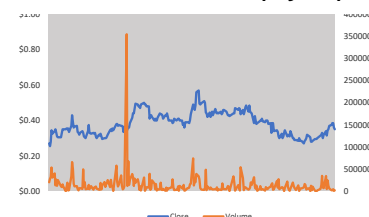
Highlights

- Q4-2021 revenue was \$81k, up 77% QoQ, **beating our estimate by 32%** due to stronger than expected growth in subscribers.
- Subscriber-count has increased from 2,550 at the end of 2021, to 3,500 currently. According to management, most of their subscribers are U.S. based individuals.
- Management is **expecting 11k subscribers by the end of this year**. As our previous forecast (35k) was highly aggressive, we are lowering our near-term revenue and EPS estimates.
- Sekur started generating revenue from Mexico in Q4. Partner, America Movil/Telcel (**the largest mobile operator in Mexico** with over 75M mobile subscribers), is planning a **nationwide launch** of SekurMessenger® .
- Sekur is also planning to commence training programs for its distributor (Tasloko/Micronet) in Colombia, Panama, Peru, and Mexico. Tasloko has a network of 2,000 resellers.
- The company has **entered into multiple partnerships to grow its subscriber-base**, including a referral agreement with Ingram Micro Cloud, a well-known distributor of IT products and solutions.
- 2021 EBITDA was -\$4.82M; 10% lower than our forecast due to higher-than-expected marketing expenses (\$3.8M vs \$2.6M). With \$9M in the treasury, and no debt, management **intends to continue pursuing aggressive marketing** campaigns this year.
- As the company does not provide segmented results, we are unable to determine its customer acquisition cost (CAC). Our discussions with management indicated that they expect CAC to be in the US\$25-US\$50 range vs subscription revenue of US\$70/year/user for the basic email package. We believe these are reasonable estimates.
- New product launches include voice and video conferencing services. **Management is also eyeing a NASDAQ listing.**
- We believe businesses operating with sensitive and confidential information (such as medical, financial, and real estate), and a segment of individuals (5% - 10%) are ideal targets for Sekur.

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Equity Analyst

Price and Volume (1-year)



	YTD	12M
SWIS	-32%	17%
CSE	-38%	-60%

Company Data

52-Week Range	\$0.22 – \$0.60
Shares O/S	117M
Market Cap.	C\$37M
Current Yield	N/A
P/E (forward)	N/A
P/B	3.2x

Key Financial Data (C\$)

YE Dec 31	2021	2022E	2023E
Cash	8,812,477	2,138,532	696,826
Working Capital	9,505,862	4,338,577	2,446,277
Total Assets	12,855,799	8,275,592	7,065,201
Debt	-	-	-
Revenue	144,881	535,695	1,534,830
Net Income	-9,412,484	-6,625,030	-5,594,439
EPS	-0.11	-0.06	-0.05

*See last page for important disclosures, rating, and risk definitions. All figures in C\$ unless otherwise specified.

2021 Financials

2021 revenue beat our estimate by 16% due to higher than expected subscriber-growth

However, EBITDA was 10% lower as marketing expenses were higher than expected (\$3.8M vs \$2.6M); we are assuming a 25% increase in marketing expenses this year

We continue to expect profitability by 2025

Strong balance sheet; subsequently raised \$0.81M

Sekur (mail+messenger) is priced US\$10/month

	2020	2021	YoY
Revenue	\$26,756	\$144,881	441%
G&A + S/W Maintenance	\$738,897	\$1,166,130	58%
Marketing Expense	\$153,333	\$3,796,378	2376%
Share-Based Compensation	\$461,803	\$4,555,966	887%
EBITDA	-\$1,327,277	-\$9,373,593	606%
EBITDA (excl. SBC)	-\$865,474	-\$4,817,627	457%

Revenue Breakdown		
	FY-2020	FY-2021
Product Type		
B2B	\$5,657	\$6,496
Sekur	\$21,099	\$138,385
	\$26,756	\$144,881
Geographical Location		
Mexico	\$0	\$585
U.S.	\$26,756	\$114,296
	\$26,756	\$114,881

Summary of Cash Flows		
(\$, mm)	2020	2021
Operating	-\$0.89	-\$4.91
Investing	\$0.00	-\$0.67
Financing	\$0.42	\$13.88
Effects of Exchange Rate	\$0.00	\$0.01
Net	-\$0.47	\$8.32
Free Cash Flows to Firm (FCF)	-\$0.89	-\$5.58

(in C\$) - YE Dec 31st		
Liquidity & Capital Structure	2020	2021
Cash	494,927	8,812,477
Working Capital	554,456	9,505,862
Current Ratio	7.39	73.86
LT Debt	-	-
Total Debt	-	-
LT Debt / Capital	-	-
Total Debt / Capital	-	-

Source: FRC / Company

Sekur® Plans and Pricing

(In US\$)	Per Month	Per Year
Sekur® for Consumers	\$10	\$100
Sekur® for Business	\$15	\$150
SekurMail® for Consumers	\$7	\$70
SekurMail® for Business	\$10	\$100
SekurMessenger® for Consumers	\$5	\$50
SekurMessenger® for Business	\$7	\$70

Source: Company / FRC

Pricing Plans of Email Service Providers as of May 2022 (in US\$)

High-end Email Plans	US\$/Month	Storage (GB)	US\$/GB
Tutanota	\$52.59	1,000	0.05
SekurMail® Business	\$10.00	100	0.10
Runbox	\$6.66	50	0.13
LuxSci	\$10.00	50	0.20
Posteo	\$5.25	20	0.26
Theyz	\$9.95	30	0.33
Mailfence	\$26.29	50	0.53
TorGuard	\$15.95	20	0.80
ProtonMail	\$5.66	5	1.13
Countermail	\$4.83	4	1.21
Kolabnow	\$10.10	5	2.02
Hushmail	\$49.98	10	5.00

Source: privateproxyguide.com / various

Sekur is competitively priced, with one of the lowest price per storage capacity

Management is targeting 11k subscribers by the end of 2022

Marketing to 30M+ businesses in the U.S



Private and Secure Instant Messenger Only

- Message non-Sekur user with Chat-by-Invites
- Sekur Numbers for Full Privacy
- No Phone Number Mining
- No Data Mining
- No Address Book Mining
- Self-Destruct Timer on All Messages
- Unlimited Encrypted Messages
- Unlimited Voice Recording Messages
- Unlimited File Transfers



Private and Secure Email

- 1 Secure Email Account
- 100GB of Email Storage
- Email non-Sekur users with SekurSend
- Self-Destruct Email Message with SekurSend
- Unlimited Large Emails with SekurSend
- No Data Mining



Private and Secure Email & Instant Messenger Bundle

- 1 Secure Email and Messenger Account
- 100GB of Email Storage
- Email non-Sekur users with SekurSend
- Self-Destruct Email Message with SekurSend
- Message non-Sekur user with Chat-by-Invites
- Sekur Numbers for Full Privacy
- No Phone Number Mining
- No Data Mining
- No Address Book Mining
- Self-Destruct Timer on All Messages
- Unlimited Encrypted Messages
- Unlimited Voice Recording Messages
- Unlimited File Transfers
- Unlimited Large Emails with SekurSend

Source: Company

Stock Options and Warrants

16.54M options (weighted average price \$0.39), and 31.80M warrants (\$0.51) are outstanding. In-the-money options and warrants can bring in \$2.46M if exercised.

FRC Projections and Valuation

We are lowering our 2022 revenue and EPS estimates as our previous subscriber-count forecast was highly aggressive

As a result, our DCF valuation declined from \$1.21 to \$1.16 per share

We are continuing to value the company based on a user-base of over 500k by 2030

As Sekur does not have a direct publicly traded comparable, we are not using a comparables valuation model; however, we note that Sekur is trading at 2.8x the present value of our 2026 revenue forecast vs the Application Software sector average of 7.1x (Source: S&P Capital IQ).

	2022 (Old)	2022 (New)	2023 (Introducing)
Revenue	\$1,919,405	\$535,695	\$1,534,830
EBITDA (adjusted)	-\$6,405,018	-\$6,618,832	-\$5,588,241
Net Income	-\$6,405,018	-\$6,625,030	-\$5,594,439
EPS	-\$0.05	-\$0.06	-\$0.05

GlobeX Revenue Projections	2022E	2023E
Subscribers		
Direct consumer	6,930	31,185
B2B	539	2,426
SekurPro	25	501
Total	7,700	34,111

Net revenue	2022E	2023E
Direct consumer	506,444	1,392,722
B2B	25,872	71,148
SekurPro	3,379	70,960
Total	535,695	1,534,830

DCF Model (In \$)	2022E	2023E	2030E
EBIT	-6,631,228	-5,600,637	44,937,598
Non-Cash Charges	1,145,190	1,202,139	1,689,007
Investment in WC	-1,506,660	450,594	-624,583
CFO	-6,992,698	-3,947,903	46,002,022
CAPEX	-500,000	-500,000	-500,000
FCF	-7,492,698	-4,447,903	45,502,022
PV	-6,747,064	-3,482,845	13,394,441
Discount Rate	15%		
Terminal Growth Rate	3%		
Total PV	151,513,287		
Cash - Debt	8,812,477		
Equity Value	160,325,764		
Shares O/S (dil)	130,771,623		
Fair Value	1.16		

Source FRC

We are maintaining our BUY rating, and adjusting our fair value estimate from \$1.21 to \$1.16 per share. Demand for encrypted and secure services is rising from a segment of individuals/businesses who are willing to switch from free/conventional offerings to paid services to ensure data privacy and curb cybercrime. We believe Sekur has an edge over the status quo and its competitors as its products are private, secure, and competitively priced.

*We are maintaining
our risk rating of 4
(Speculative)*

Risks

We believe the company is exposed to the following risks:

- The company is in early stages, and yet to generate meaningful revenue.
- Must constantly keep its technology up-to-date to remain ahead of the curve.
- **Getting users to switch from free to paid email/messaging services can be challenging.**
- Rising competition among private encrypted service providers.
- We are not expecting the company to break-even before 2025.

Appendix

STATEMENTS OF OPERATIONS			
(in C\$) - YE Dec 31st	2021	2022E	2023E
Net Revenue	144,881	535,695	1,534,830
COGS			
Gross Profit	144,881	535,695	1,534,830
EXPENSES			
SG&A Expense	371,981	409,179	429,638
Marketing Expense	3,796,378	4,772,500	4,621,943
Share-based Compensation	4,555,966	1,138,992	1,195,941
Software Maintenance	794,149	833,856	875,549
EBITDA	(9,373,593)	(6,618,832)	(5,588,241)
Depreciation	6,198	6,198	6,198
EBIT	(9,379,791)	(6,625,030)	(5,594,439)
Foreign Exchange Loss	(39,739)		
Interest Income	7,046		
EBT	(9,412,484)	(6,625,030)	(5,594,439)
Non-Recurring Expenses			
Taxes	-	-	-
Net Profit (Loss)	(9,412,484)	(6,625,030)	(5,594,439)
EPS	-0.11	-0.06	-0.05
BALANCE SHEET			
(in C\$) - YE Dec 31st	2021	2022E	2023E
ASSETS			
CURRENT			
Cash and Cash Equiv.	8,812,477	2,138,532	696,826
A/R	48,555	485,550	126,150
Prepaid Expenses	775,294	1,938,235	2,035,147
Total Current Assets	9,636,326	4,562,317	2,858,124
Lease Right of Use			
Intangible Asset	2,552,573	2,552,573	2,552,573
Equipment/Others	666,900	1,160,702	1,654,504
Total Assets	12,855,799	8,275,592	7,065,201
LIABILITIES			
CURRENT			
A/P	77,730	171,006	359,113
Licensee Fees Payable	52,734	52,734	52,734
Total Liabilities	130,464	223,740	411,847
SHAREHOLDERS EQUITY			
Share Capital	20,982,323	21,794,878	24,794,878
Reserves	5,228,563	5,228,563	5,228,563
Accumulated Deficit	-13,485,551	-18,971,589	-23,370,087
Total shareholders' equity (deficiency)	12,725,335	8,051,852	6,653,354
Total Liabilities and Shareholders Equity	12,855,799	8,275,592	7,065,201

STATEMENTS OF CASH FLOWS			
(in C\$) - YE Dec 31st	2021	2022E	2023E
OPERATING ACTIVITIES			
Net Profit for the Year	-9,412,484	-6,625,030	-5,594,439
Adjusted for items not involving cash:			
Stock-based Compensation	4,555,966	1,138,992	1,195,941
Depreciation and Amortization	6,198	6,198	6,198
FOREX	-12,242		
Common Stock Issued for Services	268,714		
Funds From Operations	-4,593,848	-5,479,840	-4,392,300
Change in working capital			
A/R	-29,083	-436,995	359,400
Prepaid expenses and deposit	-345,160	-1,162,941	-96,912
A/P	49,946	93,276	188,107
Due to Related Parties	-2,759	0	0
Licensee Fees Payable	14,486	0	0
NET CASH USED IN OPERATING ACTIVITIES	-4,906,418	-6,986,500	-3,941,705
INVESTING ACTIVITIES			
Acquisition of Equipment	-673,098	-500,000	-500,000
NET CASH USED IN INVESTING ACTIVITIES	- 673,098	- 500,000	- 500,000
FINANCING ACTIVITIES			
Proceeds from equity issue	13,884,824	812,555	3,000,000
NET CASH FROM FINANCING ACTIVITIES	13,884,824	812,555	3,000,000

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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