

Sekur Private Data Ltd.

(CSE: SKUR / OTCQB: SWISF / FRA: GDT0)

BUY

Current Price: C\$0.05

Fair Value: C\$0.47

Risk*: 4

Gaining Traction Amid Rising Cyber Threats and Stringent Data Privacy Regulations

Sector: Technology/Software

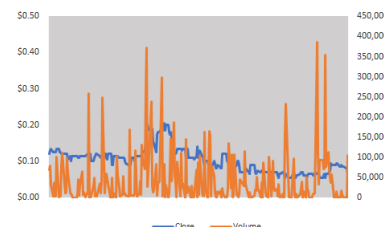
[Click here for more research on the company and to share your views](#)

Highlights

- 2023 revenue was up 27% YoY, beating our estimate by 9%. Q1-2024 revenue grew 2% QoQ and 21% YoY, but fell short of our estimate by 10%, attributed to reduced marketing initiatives.
- EBITDA and EPS remained negative, but improved YoY, aligning with our estimates.
- Although revenue growth continues to be driven by individual users in the U.S., Sekur has been **gradually adding small and medium-sized businesses (SMBs)**.
- We believe businesses handling sensitive and confidential information, such as those in the **medical, financial, and real estate sectors**, are ideal targets for Sekur. In H2-2024, the company will introduce services tailored for large enterprises, and launch an affiliate and referral program, while aggressively targeting SMBs and corporate/enterprise clients.
- **Customer Acquisition Costs (CAC) have been decreasing** for the past few quarters, dropping from US\$85 in Q2-2023, to US\$25 by Q1-2024. The significant decline in CAC was a result of the company's shift towards in-house SEO marketing, and efforts to attract resellers and distributors, while cutting back on initiatives involving social media influencers.
- Although Sekur does not disclose revenue/user or user-count, we note that the annual pricing for its solutions/services ranges between US\$77 and US\$550 per user. As Sekur continues to onboard SMBs and enterprise clients, we believe the average revenue per user should rise.
- The recent **AT&T (NYSE: T) data breach**, which impacted millions of customers, along with the cyberattacks on a software company used by thousands of **car dealers** across North America, and **Google's (NASDAQ: GOOGL) acquisition of Wiz**, a major cybersecurity player, we believe highlight the critical importance of strong cybersecurity protocols.
- We anticipate the company will achieve profitability in 2026. **Management is aiming for profitability by 2025**, with plans to cut G&A and marketing expenses by more than 50% in both 2024 and 2025.

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Price and Volume (1-year)



	YTD	12M
SKUR	-29%	-55%
CSE	3%	3%

Company Data

52-Week Range	C\$0.05 - C\$0.21
Shares O/S	120M
Market Cap.	C\$6M
Current Yield	N/A
P/E (forward)	N/A
P/B	5.9x

Key Financial Data (C\$)

YE Dec 31	2023	2024E	2025E
Cash	924,739	253,549	159,144
Working Capital	603,919	81,151	96,623
Total Assets	1,553,248	752,660	562,050
Debt	-	-	-
Revenue	497,747	690,124	903,208
Net Income	-4,754,103	-1,162,203	-200,018
EPS	-0.04	-0.01	0.00

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

Financials

2023 revenue was up 27% YoY, beating our estimate by 9%

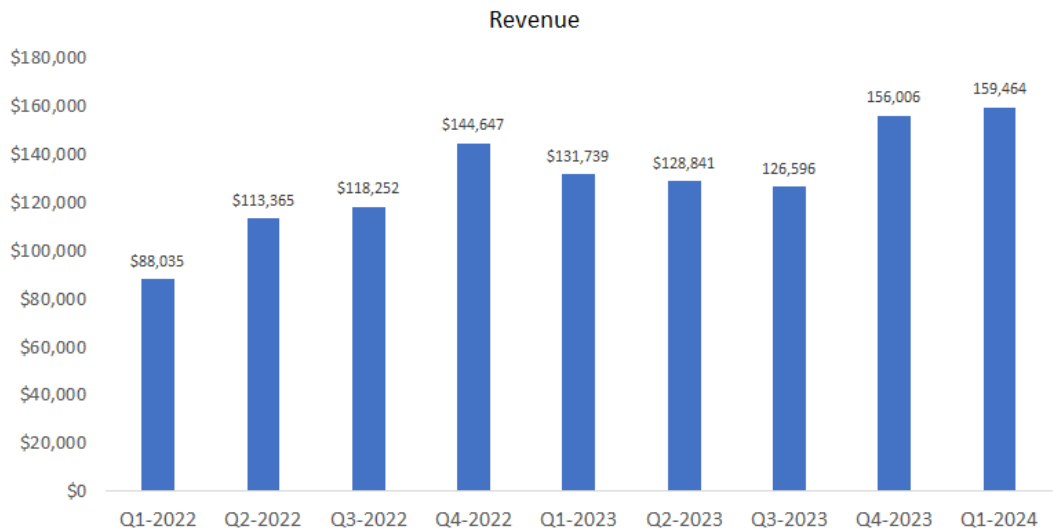
Q1-2024 revenue was up 2% QoQ, and 21% YoY, but missed our estimate by 10%, primarily due to reduced marketing initiatives

Revenue continues to be driven by individual users in the U.S.

G&A and marketing expenses were lower than expected

EPS improved YoY in both 2023 and Q1-2024, meeting our estimates

STATEMENT OF OPERATIONS (C\$)						
YE Dec 31	2022	2023	YoY	Q1-2023	Q1-2024	YoY
Revenue	426,782	543,182	27%	131,739	159,464	21%
G&A and Others	1,785,336	2,908,525	63%	322,012	233,027	-28%
Marketing Expenses	5,038,529	2,038,797	-60%	588,263	217,434	-63%
EBITDA (adjusted)	(6,397,083)	(4,404,140)	-31%	(778,536)	(290,997)	-63%
Net Loss	(9,082,346)	(4,754,103)	-48%	(1,237,325)	(327,325)	-74%
EPS	(0.08)	(0.04)	-48%	(0.01)	(0.00)	-74%



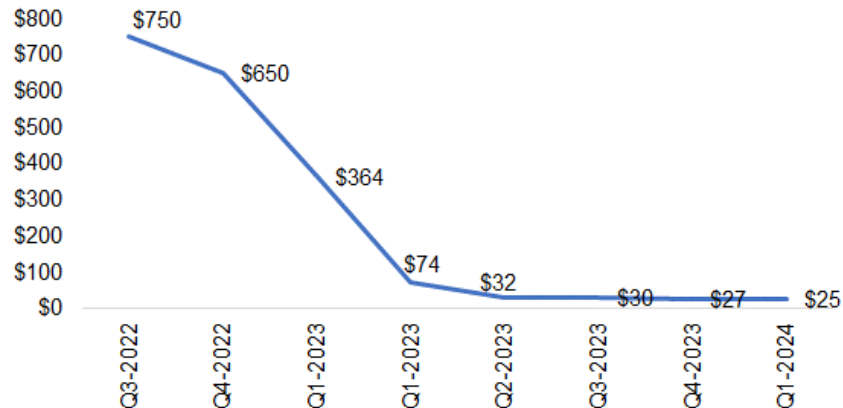
Revenue Breakdown						
	2022	2023	YoY	Q1-2023	Q1-2024	YoY
Product Type						
B2B	\$4,635	\$11,211	142%	\$644	\$3,576	455%
Sekur	\$422,147	\$531,971	26%	\$131,095	\$155,888	19%
Total	\$426,782	\$543,182	27%	\$131,739	\$159,464	21%
Geographical Location						
Latin America	\$1,611	\$7,975	395%	\$0	\$3,158	N/A
U.S.	\$425,171	\$535,207	26%	\$131,739	\$156,306	19%
Total	\$426,782	\$543,182	27%	\$131,739	\$159,464	21%

Summary of Cash Flows (in C\$)				
	2022	2023	Q1-2023	Q1-2024
Operating	-\$5,525,393	-\$3,141,003	-\$748,591	-\$437,969
Investing	-\$222,539	-\$21,996	-	-
Financing	\$956,405	\$50,000	-	\$194,762
Effects of Exchange Rate	\$17,754	-\$966	-	-
Net	-\$4,773,773	-\$3,113,965	-\$748,591	-\$243,207
Free Cash Flows to Firm (FCF)	-\$5,747,932	-\$3,162,999	-\$748,591	-\$437,969

Source: Company / FRC

Sekur has been able to reduce its CAC significantly

CAC (Management Estimates)



Maintains a reasonably healthy balance sheet

(in C\$) - YE Dec 31st			
Liquidity & Capital Structure	2022	2023	Q1-2024
Cash	4,038,704	924,739	681,156
Working Capital	3,849,498	603,919	528,332
Current Ratio	10.54	2.50	2.81
LT Debt	-	-	-
Total Debt	-	-	-

	# Options	Strike Price	Value	#Warrants	Strike Price	Value
Total Outstanding	11,166,272	\$0.10	\$1,089,976	-	-	-
In the Money	-	-	-	-	-	-

Source: FRC / Company

As Q1 revenue fell short of our estimate, we are lowering our near and long-term revenue forecasts

FRC Projections and Valuations

	2024E (Old)	2024E (New)	2025E (Introducing)
Revenue	\$764,571	\$690,124	\$903,208
EBITDA	-\$967,456	-\$922,768	\$15,473
Net Income	-\$1,197,683	-\$1,162,203	-\$200,018
EPS	-\$0.01	-\$0.01	\$0.00

Source: FRC

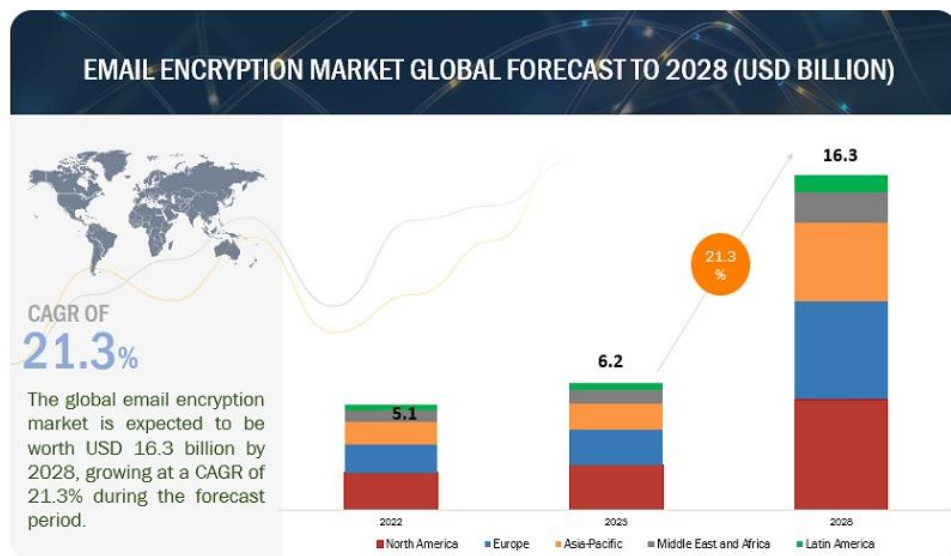
However, since Q1 EPS was in line, driven by reduced CAC and management's cost-cutting initiatives, we are maintaining our 2024 EPS estimate

As a result of our lower long-term revenue forecasts, our DCF valuation decreased from \$0.61 to \$0.47/share

DCF Model (In \$)	2024E	2025E	2029E	2030E	Terminal
EBIT	-\$922,768	\$15,473	\$8,008,039	\$12,923,914	
Non-Cash Charges	\$239,435	\$215,491	\$261,931	\$275,027	
Investment in WC	-\$148,422	-\$109,878	-\$250,911	-\$247,873	
CFO	-\$831,755	\$121,086	\$8,019,059	\$12,951,069	
CAPEX	-\$100,000	-\$100,000	-\$250,000	-\$250,000	
FCF	-\$931,755	\$21,086	\$7,769,059	\$12,701,069	
PV	-\$868,866	\$17,098	\$3,601,889	\$5,120,405	\$43,950,144
Discount Rate	15%				
Terminal Growth Rate	3%				
Total PV	\$54,727,387				
Cash - Debt (beg. of the year)	\$924,739				
Equity Value	\$55,652,126				
Shares O/S (dil)	119,632,941				
Fair Value	\$0.47				

Source: FRC

It is anticipated that the global email encryption market will grow by 21% p.a. over the next five years



Source: Markets & Markets

As Sekur does not have any publicly traded comparables, we are continuing to not use a comparables valuation model. That said, we note that Sekur is trading at 3.5x revenue (based on our 2026 revenue forecast) vs the Application Software sector average of 6.7x (Source: S&P Capital IQ).

We are maintaining our BUY rating, and lowering our fair value estimate from \$0.61/share to \$0.47/share. We maintain a bullish outlook on the sector, driven by stringent data privacy regulations, and rising email data breaches, cyber threats, and security awareness.

*Maintaining our risk
rating of 4*

Risks

We believe the company is exposed to the following risks:

- Yet to generate meaningful revenue
- Technological innovations are key for long-term sustainability
- **Converting users from free to paid services can be challenging**
- Rising competition among encrypted service providers

Appendix

STATEMENTS OF OPERATIONS				
(in C\$) - YE Dec 31st	2022	2023	2024E	2025E
Revenue	426,782	543,182	690,124	903,208
EXPENSES				
G&A Expense	941,682	926,793	517,925	310,755
Marketing Expense	5,038,529	2,038,797	550,000	250,000
Share-based Compensation	56,250	1,073,453	-	-
Software Maintenance	787,404	908,279	544,967	326,980
Operating Expenses	6,823,865	4,947,322	1,612,893	887,736
EBITDA	(6,397,083)	(4,404,140)	(922,768)	15,473
Depreciation	137,040	228,033	239,435	215,491
Amortization				
EBIT	(6,534,123)	(4,632,173)	(1,162,203)	(200,018)
Foreign Exchange Loss	(61,998)	(42,796)		
Interest Income	66,348	100,866		
EBT	(6,529,773)	(4,574,103)	(1,162,203)	(200,018)
Non-Recurring Expenses	2,552,573	180,000		
Taxes	-	-	-	-
Net Profit (Loss)	(9,082,346)	(4,754,103)	(1,162,203)	(200,018)
EPS	-0.08	-0.04	-0.01	0.00

BALANCE SHEET				
(in C\$) - YE Dec 31st	2022	2023	2024E	2025E
ASSETS				
CURRENT				
Cash and Cash Equiv.	4,038,704	924,739	253,549	159,144
A/R	34,041	42,746	56,723	74,236
Prepaid Expenses	180,065	39,401	35,461	37,234
Total Current Assets	4,252,810	1,006,886	345,732	270,614
Lease Right of Use				
Intangible Asset			-	-
Equipment/Others	752,399	546,362	406,927	291,436
Total Assets	5,005,209	1,553,248	752,660	562,050
LIABILITIES				
CURRENT				
A/P	364,557	364,863	226,478	135,887
Licensee Fees Payable	38,755	38,104	38,104	38,104
Total Current Liabilities	403,312	402,967	264,582	173,991
Lease				
Loans Payable	-	-	-	-
Total Liabilities	403,312	402,967	264,582	173,991
SHAREHOLDERS EQUITY				
Share Capital	22,001,842	22,457,126	22,957,126	23,057,126
Reserves	5,221,699	6,069,868	6,069,868	6,069,868
Accumulated Deficit	- 22,621,644	- 27,376,713	- 28,538,916	- 28,738,934
Total shareholders' equity (deficiency)	4,601,897	1,150,281	488,078	388,060
Total Liabilities and Shareholders Equity	5,005,209	1,553,248	752,660	562,050

STATEMENTS OF CASH FLOWS				
(in C\$) - YE Dec 31st	2022	2023	2024E	2025E
OPERATING ACTIVITIES				
Net Profit for the Year	-9,082,346	-4,754,103	-1,162,203	-200,018
Adjusted for items not involving cash:				
Depreciation and Amortization/Others	2,689,613	408,033	239,435	215,491
Stock-Based Compensation	56,250	1,073,453	-	-
Funds From Operations	-6,336,483	-3,272,617	-922,768	15,473
Change in working capital				
A/R	14,514	-8,705	-13,977	-17,514
Prepaid expenses and deposit	595,229	140,664	3,940	-1,773
A/P	215,326	306	-138,385	-90,591
Due to Related Parties	-	-	-	-
Licensee Fees Payable	-13,979	-651	-	-
NET CASH USED IN OPERATING ACTIVITIES	-5,525,393	-3,141,003	-1,071,190	-94,405
INVESTING ACTIVITIES				
Acquisition of Equipment	-222,539	-21,996	-100,000	-100,000
NET CASH USED IN INVESTING ACTIVITIES	-222,539	-21,996	-100,000	-100,000
FINANCING ACTIVITIES				
Equity	956,405	50,000	500,000	100,000
NET CASH FROM FINANCING ACTIVITIES	956,405	50,000	500,000	100,000

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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