

Gatekeeper Systems (GSI)

Company Report – May 30, 2020

Gatekeeper Systems offers wireless live-streaming video surveillance, video analytics, driver monitoring, and incident management solutions to help protect school children, public transit users, and employees on the move.

In just a few quarters, Gatekeeper has transformed itself from a digital video systems company to a fast growing Artificial Intelligence (AI) & Video Analytics provider.

Gatekeeper reported its fiscal Q2 results for the three month period ending February 29, 2020 late April. Revenue grew by 32% from \$2,698,819 to \$3,574,643 and net income dramatically improved from a net loss of \$455,525 to a net profit of \$90,551. The Company recorded its 8th consecutive quarter of year-over-year revenue growth. In fact, Gatekeeper’s revenue, gross profit, and net income all reached second quarter record highs.

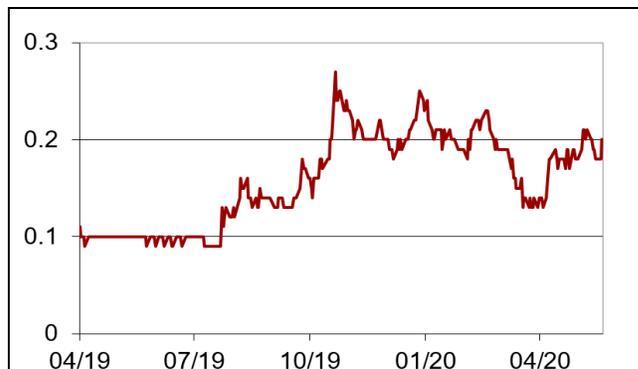
This may really set the tone for continued growth and a record financial performance in fiscal 2020. During the past five years, the first six months of Gatekeeper’s fiscal year has on average accounted for 33% of full year revenues, which puts the Company on pace to achieve \$21 million in revenue in FY2020.

We reiterate our buy recommendation for Gatekeeper Systems with a price target of \$0.69, which is 228% above today’s stock price.

GATEKEEPER

Earlier this month, Doug Dymant, the CEO of Gatekeeper Systems acquired no less than 2,916,667 common shares of Gatekeeper in a private transaction for an aggregate purchase price of \$522,000 or approximately \$0.179 per share. This is an impressive move by the Company’s CEO to show his confidence in Gatekeeper’s future. It also sends a message that the CEO does not foresee any need to do a financing at this price level, which is not a surprise to us given that the Company has now turned profitable. There are many other places that CEOs can invest in this current market environment, so it is particularly impressive that Gatekeeper’s CEO views his own company as a compelling investment opportunity.

Mr. Dymant now owns or controls 9,830,792 shares, representing 11.07% of the issued and outstanding shares of Gatekeeper on a non-diluted basis.



Market Data	
Price	\$0.21
Sector	Technology
52-Week Price Range	\$0.09 - \$0.28
Shares Issued (m)	87.9
Market Cap (m)	\$18.47
Listings	GSI (CA), GKPRF (US), 1GK (GER)
Website	http://www.gatekeeper-systems.com

THE COMPANY

Gatekeeper engineers, manufactures and distributes industry leading high-definition mobile video surveillance and safety solutions for a range of markets including school districts, law enforcement, public transit authorities, as well as the US military and Coast Guard.

Each Gatekeeper mobile video solution integrates high-definition digital video (HDDV) with the Global Positioning System (GPS) for real-time vehicle location, time, date and telematics data, and provides a comprehensive 360-degree view inside and outside vehicles.



Gatekeeper's technology is able to capture license plates of vehicles in lanes 2, 3, and 4 with high, with its latest 10 megapixel stop arm camera system.

High definition (HD) cameras work in day or night conditions and are vital for collecting evidence such as license plates of school bus stop arm violators. Gatekeeper wireless devices also provide real-time connectivity, streaming video, and vehicle tracking. All data

is recorded to a military standard digital recording system located inside the vehicle.

Gatekeeper's Canadian head office is the primary production facility and is located in Abbotsford, British Columbia, where also product research and development, design, and engineering takes place.

The Company also operates a wholly owned subsidiary in Wilmington, Delaware, which employs a team of service technicians and operates a mobile fleet of service vehicles, to provide on-site installation, service and support.

Products are sold to end-user customers through Gatekeeper's direct sales staff, and also through a network of distributors and system integrators who have relationships with customers in multiple mobile markets.

Gatekeeper is primarily focused on the North American market but is also pursuing global distribution relationships outside of North America.

Gatekeeper's HDDV platform has expanded to include transit, transport and first responder markets. The Company's products can be sold independently or as a complete end-to-end solution that includes the following components and/or features:

- High definition day/night cameras designed for extreme rugged environments;
- SP25 10 Mega Pixel license plate reading sensor system for school buses;
- Extensive range of mobile digital recording devices ranging from 4 to 24 cameras;
- Live or recorded GPS tracking;
- Voice recording on each camera;
- Wireless Downloading – WiFi and Live Streaming;
- G4 Viewer Plus Incident Management Software synchronizes GPS, video, vehicle sensors, voice and other metadata allowing end users to quickly share incidents with management or law enforcement;
- Hosted video management services with TIMS (Traffic Infraction Management System) cloud base

software application for managing citations from school bus stop arm violations and photo enforcement systems; and Artificial Intelligence (AI) for mobile applications.

Revenue for the three months ended February 29, 2020 grew 32% from \$2,698,819 to \$3,574,643. Gross profit grew 41% from \$1,142,129 in Q2 2019 to \$1,614,468 in Q2 2020. Gross margin improved 3 basis points from 42% to 45% during that time. Net income dramatically improved from a net loss of \$455,525 to a net profit of \$90,551.

A major factor contributing to Gatekeeper's increase to profitably has been its ability to contain costs while aggressively growing its revenue. Operating expenses were flat in Q2 and down approximately \$200,000 for the first half of the year. This type of efficiency and well-managed business is what small cap investors like to see!

Having sufficient inventory to fulfill orders and working capital to fund growth is imperative for the Company to take advantage of opportunities as they arise. And arise they will... The US Federal Government has committed \$25 billion to transit authorities like SEPTA to "prevent, prepare for, and respond to COVID-19".

There is a good chance that some of that spending will be earmarked to implement Smart City initiatives such as Gatekeeper's new service offerings. The Company's recently introduced Platform-as-a-Service (PaaS) is designed to make transportation systems intelligent. Gatekeeper is actively installing GPS-enabled and wirelessly connected devices on transit buses and trains. These devices allow for public transit vehicles to be interconnected into the ecosystem of a Smart City. This is important in times like these as Gatekeeper's devices can be used to instantly track infected cases in a pandemic emergency (Also read Recent Events).

MULTIPLE REVENUE STREAMS

Gatekeeper Systems USA

In March 2018, the Company expanded its strategic focus to include the transit industry

as a key growth initiative. The Company confirmed this strategic direction by creating a wholly owned US-based subsidiary, Gatekeeper Systems USA Inc, in the state of Delaware.

A couple of weeks later, Gatekeeper announced acquired certain assets of Delaware-based Spector Logistics Inc.

This asset purchase aligned with the Company's strategy to accelerate the expansion into mobile video maintenance and support services within the transit industry.

The assets purchased included assignment of existing contracts to provide mobile video surveillance products, support, and maintenance to the Southeastern Pennsylvania Transportation Authority (SEPTA). SEPTA is the sixth largest public transportation system in the USA with an average weekday ridership of approximately 1.1 million and is actively using video as protection against fraudulent claims with an installed base of more than 27,000 video cameras on vehicles and in stations.

In addition to supporting SEPTA, Gatekeeper USA is expanding its service solutions to include mobile video system manufacturing out of its newly renovated facility in Bristol PA in an effort to provide regional service for customers, comply with "Buy America" requirements and mitigate the impacts of recently introduced US trade tariffs.

This asset purchase and creation of Gatekeeper USA provided the Company an opportunity to showcase its video technology to SEPTA as part of a competitive process. The Company was subsequently chosen as SEPTA's video systems supplier for new buses which SEPTA had contracted to be supplied by New Flyer. This initial order validated the Company's strategic direction and provided further opportunity for the Company to showcase its ability to provide outstanding support services. The Company was awarded further contracts by SEPTA (Also read Recent Events), and the Company is now leveraging this customer's endorsement, along with the Company's service strategy to attract other transit customers and new business in other industries.

Furthermore, the Company is expanding its Gatekeeper USA operations to include manufacturing all video products delivered to customers in the United States for transit, education and first responder markets.

Student Safety

It is illegal in every state in the USA and in every Canadian province to pass a school bus while the bus is stopped and the stop arm is engaged.

However, in the United States, The National Association of State Directors of Pupil Transportation Services conducts an annual survey of stop-arm violations. During the 2018-19 school year, 130,963 school buses reported that 95,319 vehicles passed their buses illegally on a single day (nearly one per bus per school day on average) which points to more than 17 million school bus stop-arm violations per year in the United States alone.

And in Canada, the Council of Ministers Responsible for Transportation and Highway Safety released a report stating that 79% of school aged fatalities involving a school bus occur outside the bus, in or near school bus loading zones.

As a result, several states and provinces have recently authorized the use of video and photo evidence for issuing citations as a method to deter this dangerous practice.

Gatekeeper's Stop Arm Camera (Infraction Camera) solution is specifically designed to record and target vehicles that illegally pass a school bus when the stop arm is deployed. The Company's SP-25 high-speed Stop Arm Camera can capture license plate information day or night, up to 4 lanes from a school bus.

Gatekeeper also developed a cloud-based software application named TIM's (Traffic Infraction Management System). Tags of the violators are matched with vehicle owner information and added to the rest of the evidence package recorded by the Student Protector system. Law enforcement officers log into TIMS and approve the violation by insuring all evidence is accurate and that a violation occurred. Tickets are then mailed

and tracked through the TIMS software. Violators are able to connect to TIMS and pay for the tickets online.



TIMS provides a structured approach to store, process, and track stop arm violations. It is a web based portal that provides functionality for the public who have received a stop arm violation citation/ticket and for internal staff, to document, review and track the status of alleged stop arm infraction.

Thanks to this state-of-the-art hardware and software, Gatekeeper has received increasing interest from school districts regarding the use of video evidence to help protect school children.

In 2019 for example, the Ontario government passed the Getting Ontario Moving Act which included provisions to protect school children by giving municipalities the tools they need to target drivers who threaten the safety of children crossing roads to their school or home.

Already a few weeks later, Gatekeeper received orders for approximately 100 Student Protector systems from school bus operators contracted by Niagara Student Transportation Services (NSTS). Gatekeeper estimated the value of the orders to be \$250,000, which was the largest deployment of stop-arm cameras announced in Ontario at that time.

In the State of Georgia, the Company has successfully launched five revenue sharing projects. It provides the systems free of charge, but shares the revenue: 50% goes to Gatekeeper, 25% to the school district and 25% to the county. In Georgia, stop-arm violation tickets begin at USD \$300 for the

first offence; USD \$750 for the second offense; and USD \$1,000 for subsequent offences within a five-year period.

Moreover, Gatekeeper received interest from the United Arab Emirates for its stop arm camera solution. The Company has installed a test system in that region and began streaming live video of stop arm violations from a school bus in Dubai using its enterprise software and Traffic Incident Management system (TIMS) to log school bus stop arm violations. The test system recorded numerous vehicles illegally passing a stopped school bus each day, indicating that stop arm violations are not only a North American problem, and children's safety around school buses is now a growing global concern.

In an age of ever-increasing focus on the safety of children at school, Gatekeeper technology platforms are used for recording incidents inside and outside school buses and offer valuable peace of mind to parents, administrators and public officials alike.

Gatekeeper has significant experience in supplying cameras for school bus safety. During its operating history the Company has sold over 100,000 cameras that are being used to help protect children while riding to and from school.

THE MARKET

According to a report from Markets and Markets, a global information and research provider, the mobile video surveillance market was valued at USD\$1.40 billion in 2017 and is expected to reach USD\$2.32 billion by 2023, at a CAGR of 8.77% between 2017 and 2023.

The increasing demand for remote video surveillance technologies, and systems that offer real-time monitoring and security for first responders, transit vehicles, school buses, and for fleet operators in general is driving the market. The market for the transportation vertical is expected to grow at the highest rate between 2017 and 2023. The demand for security systems in public transport, mass transit systems, ports, and so

on is increasing to reduce theft and other criminal activities.

Rising demand for intelligent and scalable mobile video surveillance and cloud-based surveillance and safety solutions, along with growing adoption of IP cameras, are additional factors driving the mobile video surveillance market growth. The demand for scalable, intelligent mobile video surveillance and safety solutions with the ability to connect to multiple applications may be a significant trend that could represent a key differentiator for the Company.

A rapidly growing number of commercial businesses and government organizations are deploying mobile video surveillance systems integrated with GPS to increase fleet safety and security accentuating the growth of the market. World over, the mounting security concern attributed to rising criminal and unsafe activities could be a factor increasing the demand for intelligent mobile video systems in first responder vehicles, transit vehicles, school buses, and commercial fleets.

Continued advances in video management software and analytics, and mobile networks are anticipated to create new applications. Rapid advances in networking infrastructure and technology are expected to provide a robust impetus to the demand for mobile video surveillance systems.

The latest Gatekeeper products provide customers with the ability to use its G4 Incident Management Software with its mobile video recorders, which can have four, eight, sixteen or twenty-four camera systems on a single vehicle. The software provides live, dual-streaming video technology for customers to deal with emergency situations or monitor the health of their assets and cargo from remote locations. G4 software enables a user to share incidents quickly across hundreds of users without having to download software at each desktop.

The Company believes these new niche markets have significant revenue upside to scale with its current revenue model, as well as add new recurring revenue by managing data that its devices collect.

GROWTH DRIVERS

While Gatekeeper is dedicated to offering superior HDDV systems, its future growth and success rests on offering comprehensive management solutions of the data and information that its equipment collects. For example, student tracking, stop arm violations, people counting, bus tracking, facial recognition, and 360 degree warning sensor systems are all areas of future growth for the Company.



In Mississippi, motorists pay \$750 for a first stop arm violation, and \$1500 for a second offence. With the revenue sharing potential, made possible with Gatekeepers's technology, clients see their cameras quickly paying for themselves.

The Gatekeeper stop arm camera solution was its first conduit to a recurring revenue model by way of sharing in ticket or citation revenue collected from stop arm violators. In the State of Georgia, the Company launched five projects where 50% of the stop arm citation revenue goes to Gatekeeper, 25% to the school district and 25% to the county.

In the future, Gatekeeper plans to offer customers multiple services including video management, driver analysis and other services that integrate video with operation data that delivers a positive return on investment for transportation companies.

The Company has a team committed to research and development that will harness its capabilities in integrated third-party software and hardware to deliver valuable value-added solutions that meet customer requirements and will drive future growth.

Evidence Management for the American Public Transit Industry

A significant growth opportunity lies ahead for Gatekeeper in this area. After all, with approximately 100,000 cameras installed on school and transit buses throughout North America (3,500 customers), the Company currently tracks, stores and processes a tremendous amount of data "within" and "around" public vehicles.

Statistics from the Bureau of Justice and the U.S. Dep't of Transportation make it clear that there's a tremendous need for more video surveillance data:

- The personal injury law industry is worth an estimated \$27 billion annually.
- American cities with large public transportation networks will spend millions annually "settling" public transportation lawsuits – with the huge majority settled out-of-court (although frivolous or fraudulent).
- Over 70,000 bus accidents typically occur in any given year. Causes include driver fatigue, distracted driving, speeding or violating other rules.
- 12,000 injuries annually are experienced by children on school buses.

So, as the need for evidence management grows, Gatekeeper has a product that is not only unique, but of tremendous benefit to private transit operators and local government.

SEPTA command and control room manages all video from its buses, trains and city cameras. Designing a proactive evidence management program they have been able to save approximately \$20M each year in false liability claims. Also, Clovis Unified School District, a Gatekeeper client since 2010, claims they save \$10,000 to \$20,000 in seat repair costs every year by being able to charge vandals thanks to the on-board surveillance system.

Next to the stop arm violations, the video systems could also be used to detect vehicles

that drive in the designated bus lane, or park on a bus stop.

Buses for Smart Cities

More and more cities want to become “Smart Cities” and video is one of those elements that is enabling cities to go from simple situational awareness to situational intelligence where one can predict events.

Smart Cities need increased amounts of data for planning, decision-making, and to provide new services. Mass-transit vehicles are everywhere in the city, so using them to provide real-time data for these applications makes sense.

A camera combined with analytics, for example, can detect the movement of vehicles and humans on the roads and provide data on which areas are congested, peak time traffic hours, foot traffic count, vehicular count and even operate and manage traffic control systems.

The same technology can be pivoted for other purposes. Citizens will be able to track parking spots in their area, traffic authorities can forecast traffic congestion, determine the need to close a road, decide to open a one-way street or designate a lane for buses and trolleybuses.

Moreover, the camera data can also be used to offer solutions for smaller problems, such as potholes. Most potholes start as small cracks in a road’s surface, which allow water to seep in. In winter, when the water freezes, it expands, widening the crack. If the water repeatedly thaws and refreezes, the hole can grow quickly, especially since the continued passage of vehicles will worsen the damage as they drive over it. Small potholes are a nuisance; big ones can damage cars, and even cause serious and sometimes fatal accidents.

These developing markets present a tremendous opening for Gatekeeper’s video equipment systems. This is a unique opportunity that could propel the Company into another category of growth.

RECENT EVENTS

Gatekeeper Set To Profit From Lucrative IoT Market

The Internet of Things, or IoT, is an industry that is seeing very rapid growth. Machine-to-machine communication is enabling inanimate objects to become “smart”. This technology has wide-reaching implications as connected devices improve efficiency and accuracy, enable data collection and reduce or eliminate the need for people to perform mundane tasks. Naturally, many small cap companies are out there trying to capitalize on the IoT trend.

Contrary to many others, Gatekeeper is one such company in that sector that can actually execute. Enabling connected devices within an IoT infrastructure is a natural extension to the Company’s existing service offerings as it seeks out opportunities to make the world safer for public transit users and school children.



A smart city is an umbrella of terms used to describe the act of designing a city or an urban development that is more agile and sustainable to support life – in areas cutting across roads, traffic control, sewerage systems, security, health and all other aspects of technology.

Early March, Gatekeeper announced the introduction of its Platform-as-a-Service business model, designed to enable intelligent transportation systems for Smart City initiatives. GSI has proven out a profitable business model while securing contracts for its wireless live-streaming video surveillance, video analytics, driver monitoring, and incident management solutions. Its PaaS

platform will leverage the Company's existing business by using the intelligent video devices that are already being installed for its transit authority clients. The devices are GPS-enabled and wirelessly connected, allowing for public transit vehicles to be interconnected into the ecosystem of a Smart City.

In addition to efficiency and data tracking, safety is a big selling point for Gatekeeper's services. The Company introduced its Tactical Ready Kit, another example of its Smart City system solutions. The kit is a portable unit which will allow law enforcement personnel to easily obtain real-time access to internal video and audio from a stationary or moving school bus in close proximity. This will help to determine appropriate courses of action during crisis situations. A Florida school district with a fleet of approximately 70 buses will be the first customer to deploy it. The innovative solution includes digital video recorders, interior cameras and video analytics software along with the kit. **It's easy to see how quickly revenues will be able to add up for Gatekeeper, as buses within this fleet will be outfitted with multiple pieces of equipment and contain the PaaS platform.**

Video surveillance and data gathering are seen as two controversial topics in this new connected world we live in. Not everyone is on board with one or either of these developments as privacy is always a concern. However, we think that Gatekeeper's management has positioned itself brilliantly in today's world as a company focused on safety. CEO Doug Dyment made these very concise comments about the Florida bus deal, "School bus safety and passenger protection is our mission. This solution improves safety for both the schoolchildren as well as law enforcement personnel."

Gatekeeper's business is focused on monitoring very public and possibly vulnerable areas such as transit systems and school buses. We think that the surveillance and data gathering the Company makes possible through its services will be seen as substantially positive motivations for doing business in this field. This will reflect well on Gatekeeper's brand and make it possible for the Company to aggressively grow.

Video Analytics Software Being Installed On Tennessee School Buses

Late February 2020, Gatekeeper announced that it had completed the installation of a school bus interior video analytics platform on approximately one-half of the fleet of school buses in the Cheatham County School District (CCSD) in Ashland City, Tennessee. The remaining buses are expected to be completed imminently.



Gatekeeper's Video Analytics software platform allows transit authorities to monitor vehicle assets and manage the increasing volume of video data..

"Gatekeeper's software is so easy to use, and its zoom feature allows our security officers to identify problems quickly using fewer cameras," commented Jeff Hobbs, Assistant Transportation Director, CCSD. "No matter what happens on a bus, I'm confident I have the video evidence I need to deal with parents. Gatekeeper's support is outstanding."

CCSD has operated Gatekeeper's new G4 video management software for approximately two months, to monitor the interior of their school buses. The G4 software offers advanced video analytics and video clipping, which allows security officers to react faster to complaints and share information efficiently, thereby ensuring a more comfortable environment for children riding on school buses.

FINANCIALS

Revenue grew 53% from \$4,538,297 to \$6,931,041 for the six months ended February 29, 2020. Gross profit grew 50% from \$2,053,415 in H1 2019 to \$3,082,481 in H1 2020 while gross margin declined 1 basis point from 45% to 44%.

Cost of sales for the three and six months ended February 29, 2020 was \$1,960,175 and \$3,848,560, respectively, compared to \$1,556,690 and \$2,484,882 for the same prior year comparable periods, representing an increase in direct costs of 26% and \$55%, respectively.

Tariffs imposed by the US government, effective September 2018, on products manufactured in China was the primary factor increasing product cost and reducing the gross profit margin.

Amounts in \$000's	02/29/20	02/28/19
Net Sales	3,575	2,699
Cost of Goods Sold	1,960	1,557
Gross Profit	1,614	1,142
G&A	588	665
Selling & Marketing	592	584
Operating Expenses	1,552	1,566
Net Income (Loss)	67	(456)
Diluted Shares Outs.	94,651	87,597
Diluted EPS	0.00	(0.00)

Selected income statement data for the quarters ending February 29, 2020 and February 28, 2019. Source: Company Filing

Gross Margin for the three months and six months ended February 29, 2020 was \$1,614,468 and \$3,082,481, respectively, compared to \$1,142,129 and \$2,053,415 for the same prior year comparable periods, representing an increase in gross margin of 41% and 50%, respectively.

Overall operating expenses for the three and six months ended February 29, 2020 was \$1,551,966 and \$3,049,181, respectively, as compared to \$1,565,750 and \$3,230,010 for the same prior year comparable periods representing a decrease in operating expenses of 1% and 6%, respectively. During the current fiscal quarter, management continued to implement its operating cost management plan implemented in Q3 2019 with the goal to be profitable year over year despite pressure on gross margin caused by changes in tariff policies between China and United States.

Net income turned from a net loss of \$1,142,904 to a net profit of \$90,219. Gatekeeper has recorded positive net income

in three of the last four quarters with a narrow loss in Q1. **Its net income for those last four quarters combines to be \$856,000.**

Balance Sheet as of February 29, 2020

At February 29, 2020, the Company had cash and cash equivalents of \$1,619,950 and working capital of \$6,346,481 which compared to \$2,236,279 and \$5,179,418, respectively at February 28, 2019. The Company has a solid current ratio of 7.09.

Amounts in \$000's	02/29/20	02/28/19
Cash and Cash Eq.	1,620	2,236
Accounts Receivable	2,986	1,844
Inventories	2,107	1,046
Total Current Assets	7,388	6,176
Property & equipment	623	626
Total Assets	8,163	6,349
Accounts Payable	935	898
Total Current Liabilities	1,041	997
Total Liabilities	1,105	997
Total Stockholder Equity	7,058	5,953

Selected balance sheet data for February 29, 2020 and February 28, 2019. Source: Company Filing

Cash provided through operating activities was \$178,804 for the six months ended February 29, 2020, as compared to cash used of \$1,571,989 during the six months ended February 29, 2019. The cash provided is attributable to an increase in profitability and receivables during the current period in comparison to the prior year comparable period.

During the second fiscal quarter, the Company increased inventory levels as a hedge against potential supply chain risks in China relating to the Coronavirus outbreak.

This strategy proved to be successful since most projects scheduled to be shipped during the second quarter were received into inventory. The Company also developed plans to ensure delivery of products required for delivery in its third quarter, including for the \$6.3M SEPTA contract announced October 9th, 2019.

OUTLOOK & VALUATION

Gatekeeper's stock reacted positively to Mr. Dymment's share purchase early May, rising to \$0.20. In fact, the stock has remarkably recovered its entire COVID-19 related loss. On March 20th, the stock dipped to \$0.12 down from \$0.19 two weeks prior. This quick recovery is a feat not many companies have been able to pull off.

Although it shouldn't be a surprise in this case. First, Gatekeeper, in early April, reiterated that its business with the Southeastern Pennsylvania Transportation Authority (SEPTA) - the Company's largest customer - would continue its normal operations. Already back then it was clear that Gatekeeper could come out of the entire COVID-19 situation relatively unscathed, as it could rely on a strong business model, smart planning and exceptional execution.

Also in April, the Company reported record second quarter revenue, gross profit, and net income for the three month period ended February 29, 2020. Revenue grew 32% from \$2,698,819 in Q2 2019 to \$3,574,643 in Q2 2020. Gross profit grew 41% from \$1,142,129 in Q2 2019 to \$1,614,468 in Q2 2020. And net income significantly improved from a net loss of \$455,525 in Q2 2019 to a net profit of \$90,551 in Q2 2020. Gatekeeper has recorded positive net income in three of the last four quarters with a narrow loss in Q1. Its net income for those last four quarters combines to be \$856,000.

On top of that, the outlook for the Company remains outstanding. Gatekeeper's Platform as a Service (PaaS) strategy provides its customers with multiple services from Mobile Artificial Intelligence (MAI™) for smart city applications to end to end high definition video and data management solutions.

This strategy could gain the attention of other transit authorities throughout North America, especially given the fact that they have earned the trust of the 6th largest transit authority in North America. Moreover, even during COVID-19 isolation, Gatekeeper reported that it continued to take orders for the school bus market.

Gatekeeper still only has a market cap of about CAD\$16 million. This level of valuation in the technology space is usually reserved for a highly speculative company with little to no revenue and a weak balance sheet. Gatekeeper however has worked hard to gain a solid financial footing from both an income statement and balance sheet perspective.

All in all, Gatekeeper presents a combination that is hard to find in the small cap investment space: growing financials, a solid balance sheet, a straightforward business plan that is being executed successfully, and a strong management team.

Valuation

We value Gatekeeper Systems no longer as a digital video systems company, but as a software company, as a big majority of its revenue is derived from that area.

On average, software companies trade, or are bought out, at approximately 5 times their 12-months trailing revenue. For example, Dialog Semiconductor bought Adesto Technologies Corp. (IOTS) for approximately \$500 million enterprise value. Adesto is a provider of custom integrated circuits (ICs) and embedded systems for the Industrial Internet of Things (IIoT) market. Its 12-months trailing revenue was about \$118 million.

However, we take a very conservative approach, leaving lots of room for upside adjustment and value Gatekeeper at 3 times its 12-months trailing revenue. Based on 87.9 million shares outstanding, the intrinsic value of Gatekeeper's shares derived from that model is \$0.69.

Consequently, we reinitiate coverage of Gatekeeper Systems with a buy recommendation and a price target of \$0.69, which is 228 above today's stock price.

SHARE DATA

As of February 29, 2020, Gatekeeper had approximately 87.9 million common shares outstanding. In addition, the Company had

about 7.47 million stock options outstanding with a weighted average exercise price of \$0.17. Each stock option entitles its holder to purchase one common share of the Company.

MANAGEMENT

▣ DOUG DYMENT - PRESIDENT & CEO

Douglas Dymont, founded Gatekeeper Systems Inc. in 1997, but is recognized as playing a leading role in the video security industry since 1992. At that time, Mr. Dymont developed and sold a school bus video system to Silent Witness Enterprises Ltd. This product led the company into the global security market, where they secured top market space, and generated \$35 to \$40 million in revenue. At Silent Witness Enterprises, Mr. Dymont was a key player on the business development team responsible for the expansion of its security cameras through OEMs with large multi-national companies and security distributors. Mr. Dymont's focus on improving safety in the fleet environment, coupled with his more than 20 years of experience leading sales, business development, operations, and research and development teams, has enabled him to grow Gatekeeper into the foremost provider of digital video security solutions.

▣ KELSEY CHIN - CFO

Ms. Chin is a Chartered Professional Accountant and has served as Chief Financial Officer of several publicly listed companies.

She is intricately familiar with accounting principles and analyzing and preparing financial statements within the industry which the Company operates.

▣ DOUGLAS FRASER - VP PRODUCT MANAGEMENT

Douglas Fraser was appointed VP Product Management/Programs at Gatekeeper in 2005, and despite a brief absence, has been an integral part of the organization in developing innovative products. He brings with him over 20 years of experience in project and product management, operations, business development, channel management and sales. Mr. Fraser has managed senior-level relationships with Fortune 500 companies across the globe. Before rejoining Gatekeeper, he served as the Senior Global Product Manager at Honeywell Inc., where he headed their video system product. While there, he achieved net sales in excess of \$50 million. Mr. Fraser earned his MBA from the Ivey School of Business, University of Western Ontario, and also holds a Masters of Electrical Engineering from the University of Alberta.

▣ JEFF GRUBAN - VP SALES & BUSINESS DEVELOPMENT

Jeff Gruban's professional career has been in the telecommunications industry with senior roles in sales and business development. He was formerly Director of Canadian Sales for PCT International, and held senior sales roles at TVC Canada (formerly Comsource Inc.).

ANNUAL INCOME STATEMENT FY 2017 – 6M 2020

All numbers in thousands

PERIOD ENDING	FY 2017	FY 2018	FY 2019	6M 2020
Total Revenue	7,605	7,851	13,726	6,931
Cost of Sales	3,753	3,662	7,622	3,849
Gross Profit	3,852	4,189	6,104	3,082
Operating Expenses				
General and Administrative	1,534	2,136	2,642	1,191
Selling and Marketing	1,628	2,334	2,493	1,132
R&D	787	1,114	1,349	727
Total Operating Expenses	3,949	5,584	6,483	3,049
Operating Income (Loss)	(98)	(1,395)	(379)	33
Income from Continuing Operations				
Interest Income (Expense)	13	32	42	17
Foreign Exchange	(162)	132	67	(12)
Net Income (Loss)	(332)	(1,323)	(295)	52
Foreign Currency Translation Differences	-	-	9	39
Net Income Applicable To Common Shares	\$(332)	\$(1,323)	\$(286)	\$90

Annual Income Statement FY 2017 – 6M 2020. Source: Company Filings

GATEKEEPER

CA: GSI
US: GKPRF
GER: 1GK

Company Headquarters

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