

Gatekeeper Systems (GSI) Company Report – September 29, 2018

Gatekeeper has a simple philosophy: It uses the latest in smart digital video technology to keep people safe and secure whether they are taking transit to work or riding a school bus to classes. Gatekeeper designs innovative, high-definition end-to-end video safety, and security solutions for mobile applications including, transit and school buses, light and heavy rail, ambulances, firetrucks, law enforcement vehicles, and airborne digital recording systems for military applications.

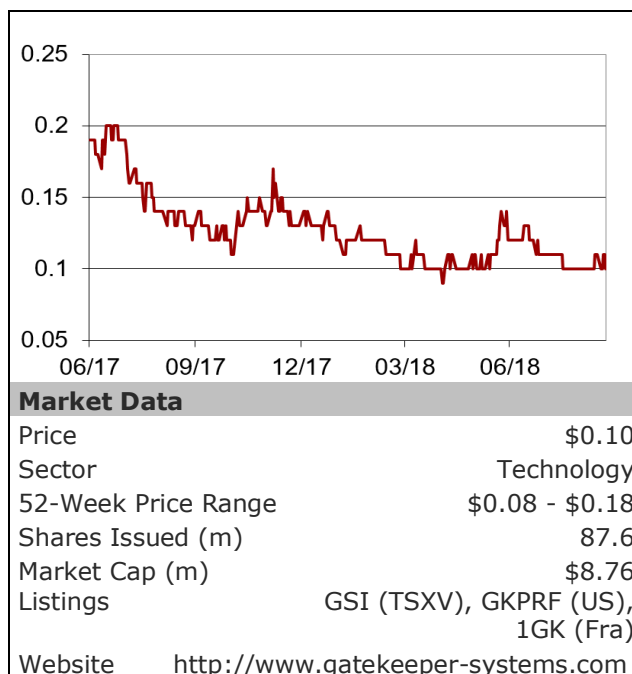
The Company has installed more than 100,000 cameras on school and transit buses and serves more than 3,500 customers all across North America.

Gatekeeper has also developed a high-speed license plate reading system, which is attached to the outside of a school bus and records video evidence required to prosecute stop arm violators. With that, the Company developed a cloud-based software application with the trade name TIM (Ticket Infraction Management) System that connects to the vehicle owner database to match the vehicle's tag with its owner and manages the entire citation cycle for stop arm infractions. Recent legislation in some US states and Canadian provinces allow authorities to use video from a school bus as evidence to issue a citation for stop arm violations.

We initiate coverage of Gatekeeper Systems with a buy recommendation and a price target of \$0.28, which is 180% above today's stock price.

GATEKEEPER

- ▣ The litigation market should become a powerful growth area for Gatekeeper. The Company has marketed its school bus stop-arm violations solution to school boards and law enforcement districts under a recurring revenue sharing model. The average citation is between \$250 USD and \$500 USD. The Company anticipates recurring revenue streams from its stop-arm business to grow substantially in the coming years.
- ▣ Moreover, the increasing demand for Video Content Analytics (VCA) and Video Surveillance as a Service (VSaaS), incorporation of artificial intelligence in video surveillance systems, and increasing demand for intelligent transportation systems in smart cities have been identified as key opportunities expected to significantly accelerate Gatekeeper's growth.



THE COMPANY

Based in Abbotsford, BC, Gatekeeper Systems Inc. provides high-definition safety and surveillance solutions for a range of clients including school districts, law enforcement, public transit authorities, as well as the US military and Coast Guard.

Each system integrates high-definition digital video (HDDV) with the Global Positioning System (GPS). A GPS integrated with video provides a full picture of where buses in the fleet are located, and what is happening on each bus in real time. In the event of a critical incident or suspicious behavior, law enforcement can be given permission to access live video from each bus allowing them to respond quickly.

The Company's high-definition platform records up to 24 cameras per vehicle, all of which are displayed on the Company's video management software, which can be used as a desktop application for managing basic incidents. In addition, Gatekeeper enterprise software allow customers to install command and control centers which provide them with the ability to download video over WiFi or through live streaming.

Gatekeeper's products are sold directly to end-user customers and through a network of distributors and system integrators who have relationships with customers in multiple mobile markets. Gatekeeper is focused on the North American market and is expanding its interest and presence with a number of international partners.

The Gatekeeper brand is a recognized leader in school bus security and safety for the Kindergarten to Grade 12 market, a market which includes some 550,000 school buses across North America. Prospects for growth in this area are strong with an average of 25,000 to 50,000 school buses manufactured annually.

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.

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

These stop arm violations occur when buses are stationary, the stop arm is engaged, children are getting on or off the school bus, and a driver ignores the stop arm command and drives by, risking lives. Gatekeeper's high-speed license plate reading system attaches to the outside of the school bus and records evidence required to prosecute violators.



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.

Legislation in some US states and Canadian provinces allow authorities to use video from a school bus video system as evidence to issue a citation. The Company's program is called "STUDENT PROTECTOR" and includes a cloud-based software application trade named TIMS (Traffic Infraction Management System) that connects to the vehicle owner database and manages the entire citation cycle.

One of Gatekeeper's business models provides the stop arm system free of charge to the school district and shares revenue from citations with the school districts and counties. **Knowing that in 2017 alone, more than 14 million stop arm violations occurred in the US and that a stop arm citation starts around \$250 USD, it's clear that this is a massive opportunity for Gatekeeper** (also read Growth Drivers).

Additional business models will include software licensing and service contracts.

Gatekeeper's HDDV platform is also being expanded into transit and transport. Forward facing cameras provide the high-definition imagery required to determine the cause of an accident. This information can be used to protect drivers or settle legal disputes before costs escalate using indisputable evidence.

In April 2018, the Company expanded its business scope to include the provision of maintenance, support and installation services to a major transit authority through its wholly owned US subsidiary (also read Recent Events).

Revenue for the third quarter, ended May 31, 2018 was \$2,527,308 compared to \$2,274,528 during the same period in the previous year, representing an 11% increase, and included \$311,883 of recurring revenue from the Company's US subsidiary, Gatekeeper Systems USA Inc.

Gross profit during the third quarter of 2018 was \$1,360,930 compared to \$1,183,068 during the same period in the previous year and, as a percentage of revenue, was 54%.

Increased expense levels during the third quarter, due to one-time expenditures related to setting up the US location and expanding the Company's sales team, resulted in a net loss for the quarter of \$126,209 as compared to a net income of \$139,508 for the same period in the previous year.

Deep Development Corp

While Gatekeeper is widely known for its mobile video systems on buses and trucks, the Company has a second division called Deep Development Corp, which focuses on military and oil & gas markets.

Under the brand Viperfish, digital recorders are built to meet various military specifications and are used to record video and metadata from forward looking infrared cameras, radar and high definition cameras. Post-mission analysis software is used to analyze tactical operations recorded to the Viperfish recorders.

The Company's Viperfish high-definition airborne digital video recorders are currently being used by the United States Air Force (USAF) to record long range sensors used on AC-130 Gunships, Sea King helicopters in Canada, and French Navy marine vessels.

In addition, under the brand name XFORCE the Company offers body cameras and in car video systems for law enforcement, prisoner vehicles, and other public safety applications.



The PR-104 (High definition body camera/recorder) is designed for law enforcement and meets military specifications. It will record in stunning clarity, both day and night.

Vision for the Future

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, 360 degree warning sensor systems are all areas of future growth for the Company (also read Growth Drivers).

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 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.

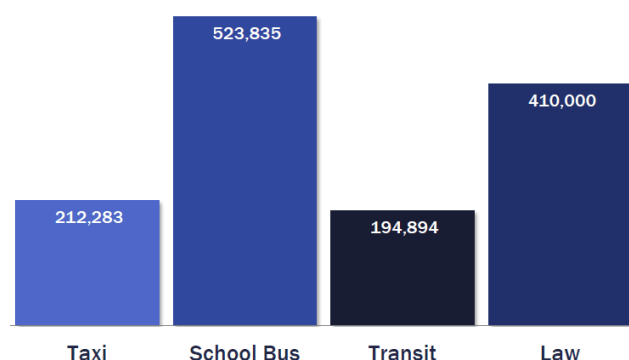
As the Company grows, it anticipates executing an aggressive sales strategy to begin managing multiple data packages its systems collect that deliver different value propositions depending on customer requirements.

MARKET SEGMENTS

According to IHS Inc., a global information and research provider, the global market for video surveillance equipment was estimated to be \$15 billion USD, annually, at the end of 2014, up from \$13.5 billion USD in 2013. In 2018, worldwide revenue is projected to be \$23.6 billion USD, equating to a 5-year compound annual growth rate of 12%.

North American Mobile Market

(# of vehicles)



There are many niche segments within the surveillance market, including mobile video for school buses, transit buses, trains, law enforcement personnel and vehicles, general fleet vehicles, vessels and aircraft. The global mobile video market that Gatekeeper is focused on is estimated at \$1.2 billion USD excluding body-worn cameras, aircraft and marine vessels and portable markets such as automated video enforcement technology for safe zones in and around schools, parks and road construction.

The mobile market is slower to transition from analog to IP technology than the fixed site surveillance market, however management expects there will be significant opportunities for Gatekeeper replacing existing analog cameras with high definition cameras.

The Company projects new niche market growth over the next three years and has positioned its technology platform to execute on multiple product launches to satisfy safety and security requirements of these new markets. 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.

The Company's suite of products allows for expansion into multiple niches. The 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.

Public Transport

Whether on a school bus, transit bus or in a taxi, a safe ride should be a given for passengers and drivers. Thanks to Gatekeeper's digital video recorder solutions, it is possible to detect, analyze and quickly respond to events and incidents.

Seeing everything means you can hold violators accountable, quickly resolve liability claims and protect your buses from misuse and vandalism. But seeing everything goes beyond safety. It also ensures that drivers stay on designated routes and make designated stops, improve on-time performance and operational efficiencies, and resolve liability claims quickly.

Gatekeeper's scalable G-Series Digital Video Recorders support up to 16 cameras and deliver dynamic, real-time video to give you

maximum coverage of your school buses. The S-Series cameras offer the highest resolution in the industry and feature infrared technology for precision viewing in any light, even no light. These vandal-proof cameras include a microphone for clear audio recordings.



The Gatekeeper G4-508HD4 AHD is an 8 channel video/audio recorder. It incorporates many features that dramatically increase the reliability of the DVR and the availability of recorded video.

As for taxi drivers, they never know who their next customer will be, Gatekeeper gives them reliable digital video recorder solutions in the cab that deter dangerous offenders, and in the event of an incident you immediately send help to the driver's exact location. Plus, evidence is provided in case it is necessary to prosecute criminals and quickly resolve liability claims.

Transport Services

Also, for truck drivers and trucking companies, video evidence protects against lawsuits, insurance claims, deductibles, theft, vandalism, road rage and robbery. Video is also a useful tool for training new drivers, or monitoring and coaching their driving habits.

Gatekeeper does this with digital video recorder solutions that give management and on-highway captains reliable, high resolution digital video and clear audio recordings integrated with vehicle sensors, including GPS, G-sensor and speed.

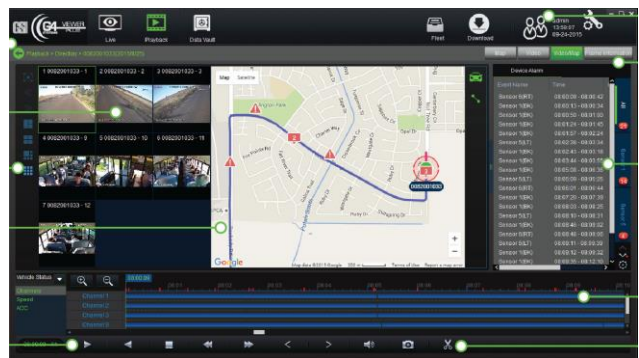
Gatekeeper also offers the SD-700 camera, which is a small, vandal resistant, outdoor camera with IR LED's for night use. It utilizes a Sony Super HAD II 700 TVL color, day/night CCD with 12 integrated IR LEDs. The camera's

housing is metal and built to survive in rugged and vandal susceptible environments. The SD-700 is ideal to mount on the outside of trucks, as it has been built to operate in extreme environments that have significant shock and vibration and can operate in a temperature range of -22°F to +131°F, (-30°C to +55°C).

Law Enforcement

While law enforcement officers are busy protecting the public, Gatekeeper's digital video recorder solutions are protecting them and giving them the proof they need to get the job done. Reliable, high resolution digital video and clear audio recordings are integrated with vehicle sensors, including GPS, speed and sirens. It's the evidence needed to assist with convictions, quickly resolve liability claims, protect officers from dangerous offenders and demonstrate police officer accountability.

In law enforcement or first responder vehicles, scalable G-Series Digital Video Recorders support up to 16 cameras and deliver dynamic, real-time video to give maximum coverage of the vehicles.



With G4 Viewer Plus, Gatekeeper's industry leading secure incident management software, users can easily find incidents, make clips of incidents, blur selected regions in the video, display the path of the vehicle on a map, etc.

Back in the office, finding, saving and sharing incidents is fast and easy with the G4 Viewer Plus Incident Management Software, which can retrieve video from vehicles wirelessly anytime, even when the vehicle is turned off. G4 lets you synchronize video with Integrated GPS Mapping, vehicle sensors, alarms and audio so that incidents can be seen from all angles. Live-streaming video also makes it possible to quickly identify dangerous

incidents and send backup to the officer's exact location. Finally, it also allows to view historical data to track where officers have been and what transpired in the vehicle.

Homeland Security

Whether the mission is close air support, air interdiction or force protection, operations are required to record data from sophisticated sensor, navigation and fire control system for post mission analysis.

The AC-130 gunship supports troops, provides convoy escort, and manages urban operations. Air interdiction missions are conducted against preplanned targets or targets of opportunity. Force protection missions include air base defense and facilities defense.



Deep Development Corp provided its Viperfish airborne digital recorders and post-mission analysis software for use on the AC-130 Gunships.

The sensor suite consists of a television sensor, infrared sensor, and radar. These sensors allow the gunship to visually or electronically identify friendly ground forces and targets any place, any time. The AC-130U employs synthetic apertures strike radar for long-range target detection and identification. The gunship's navigational devices include the inertial navigation systems and global positioning system.

GROWTH DRIVERS

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, with its own evidence management system, Gatekeeper has a product that is not only unique, but of tremendous benefit to private transit operators and local government.



Calgary Handibus' fleet of 107 vehicles, which includes buses dedicated to transporting pre-school children, perform approximately 400,000 trips each year.

Calgary Handibus, for example, avoided a costly insurance claim and an increase in premiums by using Gatekeeper's cameras, as they proved their bus was wrongfully claimed liable for an accident. 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 (see below), 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 you can predict things.

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 obvious sense.

A camera, 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.

Stop Arm Violations

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.

Recent deaths, and near misses of children while loading and offloading school buses, have driven new legislation that allows authorities to use video recording from the Company's license plate reading system as evidence to issue tickets.

States that have not passed legislation allowing video enforcement systems require law enforcement officers to witness the incident in order to issue a citation.



Gatekeeper's technology is able to capture license plates of vehicles in lanes 2, 3, and 4 with high, rear mounted, overview camera.

A couple of years ago, the Company recognized this new trend and initiated the development of a cloud-based software application that adds automatic license plate recognition, integrates with County Vehicle Databases, and manages the entire ticketing process.

The software synchronizes video, date and time, voice, and vehicle sensors such as activation of stop arms, signals, brake and warning lights, door switches or other electronic sensors. The synchronized data is then displayed on Gatekeeper's video

management software allowing customers to find, save, and share evidence quickly and easily.

The software provides a blurring feature that allows end-users to protect the privacy of individuals not related to the incident by covering up faces during the video clipping process. This results in the Company's video management software being used as an effective tool to help customers better manage incidents and evidence with speed and accuracy; saving significant time and money.

The Company has successfully launched five revenue sharing projects in the state of Georgia. 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.

The Company is experiencing growing enquiries, requests for tests, and evaluation programs for its stop-arm video enforcement application and has currently installed and launched pilot programs for over 20 school districts. It is anticipating that this business will grow significantly in FY2019.

RECENT EVENTS

Gatekeeper Lands Contract with Major NYC School Bus Operator

Gatekeeper keeps adding new contracts. In September 2018, it received an initial order with Logan Bus Company for the supply and installation of high-definition video systems on 40 New York City (NYC) area school buses.

Logan Bus owns more than 2,000 buses and 15-seater mini-wagons and has been providing transportation services for more than 30 years. Logan Bus is based in NYC and has multiple locations in Brooklyn, Queens, the Bronx, and Nassau County.

Cory Muirhead, Vice President, Logan Bus says that, "Logan and Gatekeeper share a

common vision to protect children and provide a safe, worry free experience during their bus ride to and from school. The quality and reliability of the video systems, as well as Gatekeeper's local service and support, ensures that we can meet that commitment to our customers. Parents can have full confidence and peace of mind knowing that we care as much as they do about the safety of their children."



The WDR camera correctly exposes the video for both dark areas (inside a vehicle) and bright areas (looking out doors and windows). In a mobile environment, WDR virtually eliminates the white out that occurs around vehicle windows on a bright day while maintaining observable details in dark areas.

Logan Bus and Gatekeeper are members of the New York School Bus Contractors Association, an organization of nearly 100 school transportation service companies with the primary mission of promoting safe, reliable, and cost-effective student transportation in New York State. Private school bus companies employ approximately 45,000 people, operate roughly 30,000 school vehicles, and provide service to more than 300 school districts in New York State.

Midwest Transit Chooses Gatekeeper with \$1.5M USD Contract Award

In July of this year, Gatekeeper closed a contract with Midwest Transit Inc., of Kankakee, Illinois, to supply a minimum of US\$1.5 million of mobile video system products and services. The contract is for the 18-month period from July 1, 2018 to

December 31, 2019 and represents a commitment by MTE to specify and recommend Gatekeeper products and services on its own fleet, and for use by its customers.

Midwest Transit Equipment is one of the largest bus distributors in the U.S., with operating locations in Michigan, Illinois, Indiana, Kansas, and Missouri. The company is a distributor for IC Bus, a subsidiary of Navistar, as well as for Collins Bus, Starcraft, Eldorado, Elkhart Coach, Braun Corp., Berkshire Coach, and MV-1.

MTE President and CEO, John McKinney stated, "we are thrilled with our expanded relationship with Gatekeeper. Their technology roadmap, product line, and customer service programs are exactly what our team is looking for as we execute on our aggressive growth strategy throughout North America." McKinney added, "our relationship with Gatekeeper expands beyond the technical side of the business to a trusted partner."

President and CEO of Gatekeeper Doug Dymont said, "John McKinney is one of our industry's most respected individuals, and I couldn't be more excited about our partnership. His aggressive growth plan into multiple mobile markets will give Gatekeeper an opportunity to expand our video platforms throughout all Midwest Transit's new manufactured vehicles as well as existing vehicles."

Gatekeeper Closes Attractive Acquisition in U.S.

In March 2018 Gatekeeper established Delaware-based Gatekeeper Systems USA. The division was created because the Company had an attractive acquisition in mind, and at the same time to meet Buy America regulations.

A couple of weeks later, Gatekeeper announced an acquisition through its new subsidiary. They acquired certain assets of Delaware-based Spector Logistics Inc. The assets acquired include a production facility, work force with technical expertise which expands the Company's capability in the train

market, a command and control centre in Wilmington designed to manage portable video installations for special events, crowd surveillance, and remote site-monitoring.

The business assets of Spector Logistics Inc. were acquired for a purchase price of US\$300,000 with payment terms of US\$100,000 due upon closing, US\$50,000 due April 1, 2019, and US\$150,000 payable in 12 monthly instalments of USD\$12,500 commencing May 1, 2018.

Gatekeeper USA also acquired Spector's contracts with the Southeastern Pennsylvania Transportation Authority (SEPTA), which are expected to generate approximately \$1.7-million in revenue through the provision of video system maintenance and support services of mobile video equipment on 2,400 of SEPTA's 2,800 transit buses as well as to supply and install cameras, uninterruptable power supplies and crashworthy hard drives on selected Philadelphia trains.

SEPTA is a regional public transportation authority that operates bus, subway/elevated commuter rail lines, commuter and light rail, and electric trolleybus services to nearly four million people in five counties in and around Philadelphia, Pa. SEPTA is the United States' sixth largest rapid transit system by ridership and is ranked as the fifth largest with about 306.9 million annual unlinked trips. It operates 290 active stations, more than 450 miles (720 kilometres) of track, 2,295 revenue-generating vehicles and 196 routes.

FINANCIALS

Gatekeeper's revenue for the three months ended May 31, 2018 of \$2,527,308 represents an increase of 11% as compared to \$2,274,528 for the three months ended May 31, 2017. The Company's US subsidiary, Gatekeeper Systems USA Inc., commenced operations in April 2018 and contributed \$311,883 of revenue to the quarter.

Gross margins as a percentage of revenue in third quarter of 2018 was at 54%, compared to 52% in third quarter of 2017. Gatekeeper Systems USA Inc. generated a gross profit of 56%.

Selling and marketing expenses during the three months ended May 31, 2018 were \$641,069 compared to \$426,004 during the three months ended May 31, 2017, representing a 50% increase. S&M expenses are comprised of sales salaries, commissions and direct selling expenses. During the quarter, several large US customers have agreed to transition their bus fleets from competitors' video, necessitating increase travel and other sales efforts. Three additional salespeople have also been hired to provide increased coverage within targeted markets. The Company expects to continue current levels of sales and marketing expenditures, and increase them as required, as it works to build out Gatekeeper's brand awareness and increase market share.

For the three months ended May 31, 2018, net loss was \$126,209, compared to a net income of \$139,508 during the three months ended May 31, 2017. Excluding non-cash charges of \$38,902 for depreciation and impairment, \$42,728 of unrealized foreign currency gain, and \$108,235 of share-based payments, the adjusted net loss was \$21,800 for the three months ended May 31, 2018, as compared to an adjusted net income of \$149,597 for the three months ended May 31, 2017.

For the nine months, ended May 31, 2018, net sales were \$5,194,527, compared to \$4,953,564 in the same period in 2017, an increase of 5%. Net loss for the nine months ended May 31, 2018 was \$966,048 or \$0.01 per diluted share, compared to a loss of \$445,835 or \$0.01 per diluted share in the comparable period last year.

Amounts in \$000's	05/31/18	05/31/17
Net Sales	2,527	2,275
Cost of Goods Sold	1,166	1,091
Gross Profit	1,361	1,183
G&A	601	398
Selling & Marketing	641	426
Operating Expenses	1,519	1,051
Net Income (Loss)	(126)	140
Diluted Shares Outs.	87,597	71,660
Diluted EPS	(0.00)	0.00
Selected income statement data for the quarters ending May 31, 2018 and May 31, 2017. Source: Company Filing		

Balance Sheet as of May 31, 2018

Gatekeeper has a solid balance sheet with over \$4.6 million in cash and no long term debt. In addition, it has working capital of \$6.71 million and a very impressive current ratio of 10.3.

Amounts in \$000's	05/31/18	05/31/17
Cash and Cash Eq.	4,625	6,312
Accounts Receivable	1,462	1,145
Inventories	847	1,014
Total Current Assets	7,434	8,666
Property & equipment	466	205
Total Assets	8,047	8,871
Accounts Payable	718	565
Total Current Liabilities	719	826
Total Liabilities	719	826
Total Stockholder Equity	7,328	8,045
Selected balance sheet data for May 31, 2018 and May 31, 2017. Source: Company Filing		

As part of the Company's corporate finance strategy, Gatekeeper successfully raised \$4,256,000 from over-subscribed private placements during fiscal 2017. The Company will continue to assess its capital needs, but believes its current working capital is sufficient. The need for additional capital in the form of equity is not required unless there is a defined event or combination of events that require additional financing. On June 12, 2018, the Company also entered into a non-dilutive, revolving secured operating loan facility of up to an aggregate principal amount not to exceed CAD\$1,000,000 or USD\$800,000.

OUTLOOK & VALUATION

Gatekeeper's core business of providing high-definition safety and surveillance solutions is growing at a solid pace. Thanks to these tools, its clients are armed with the right tools to detect, analyze, and respond to safety and security threats anytime; and to reduce losses arising through false liability claims.

Gatekeeper's design philosophy is based on evolution not revolution. That means that they build on proven technologies which

means greater reliability and dependability in an industry where there is no room for error and where users can't afford to have missing or corrupted video and data.

Two major US contracts were announced in the third quarter within the Company's target markets. Initial contracts to provide products, maintenance, installation and support to the SEPTA totaled approximately \$1.8 million Canadian. In more recent weeks, Gatekeeper announced contracts with Midwest Transit Equipment valued at USD\$1.5 million and an attractive initial order from Logan Bus Company.

The Company's main focus over the next 24 months will be the North American market but it plans to introduce the technology in select countries outside of North America through strategic partnerships. The need to protect children in and around school buses, as well as increase safety on highways, is a global concern. New partnerships may be added to expand their technology to other select countries.

The global video surveillance market is expected to reach \$23.6 billion USD this year. The emergence of video analytics, cloud-based services for centralized data, the prevalence of hi-definition cameras, and the increasing need for physical security are all major factors fueling growth in the security and surveillance markets.

The litigation market should become a giant growth drivers for Gatekeeper. The Company has marketed its school bus stop-arm violations solution to school boards and law enforcement districts under a recurring revenue sharing model. The average citation is between \$250 USD and \$500 USD. Gatekeeper's stop-arm enforcement application is currently installed and in pilots on school buses in several school districts. The Company anticipates recurring revenue streams from its stop-arm business to grow substantially over the coming years.

Moreover, the increasing demand for Video Content Analytics (VCA) and Video Surveillance as a Service (VSaaS), incorporation of artificial intelligence in video surveillance systems, increasing demand for

intelligent transportation systems in smart cities, and integration of surveillance with technologies have been identified as the key opportunities expected to significantly accelerate Gatekeeper's growth.

With a clean balance sheet and attractive growth potential for both 2018 and 2019, Gatekeeper is a fundamentally solid Company in the tech industry. When the Company's cash is subtracted from its current market cap, the entire business is valued by the market at a little over \$4 million, or about half of its annual revenue.

Valuation

Given the still emerging nature of Gatekeeper's earnings, a multiple-based valuation is challenging. Instead, we apply a Discounted Cash Flow (DCF) model.

Based on 87.6 million shares outstanding, the intrinsic value of Gatekeeper's shares derived from our model is \$0.28.

Consequently, we initiate coverage of Gatekeeper Systems with a buy recommendation and a price target of \$0.28, which is 180% above today's stock price.

SHARE DATA & OWNERSHIP

As of July 30, 2018, Gatekeeper had approximately 87.6 million common shares outstanding. In addition, the Company had 10.64 million warrants outstanding with an exercise price of \$0.30.

Finally, Gatekeeper has about 7.22 million stock options outstanding with a weighted average exercise price of \$0.18. Each stock option entitles its holder to purchase one common share of the Company.

MANAGEMENT

■ DOUG DYMENT - PRESIDENT AND 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.

▣ **GORDON CLISSOLD, FCPA, FCGA - CFO**

Gordon Clissold, FCPA, FCGA, brings more than 20 years' experience as an operational and financial manager within a diverse set of industries, including manufacturing, wholesale distribution, and technology. His professional experience includes organizational leadership, strategic planning, corporate finance, financial

modelling, ERP and financial systems implementation, internal control development, and due diligence for mergers and acquisitions.

▣ **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.

ANNUAL INCOME STATEMENT FY 2015 – 9M 2018

All numbers in thousands

PERIOD ENDING	FY 2015	FY 2016	FY 2017	9M 2018
Total Revenue	5,944	9,900	7,605	5,195
Cost of Sales	3,251	4,848	3,753	2,427
Gross Profit	2,693	5,051	3,852	2,767
Operating Expenses				
General and Administrative	1,596	1,743	1,534	1,477
Selling and Marketing	1,509	1,663	1,628	1,591
R&D	635	837	787	778
Total Operating Expenses	3,740	4,243	3,949	3,845
Operating Income (Loss)	(1,047)	808	(98)	(1,078)
Income from Continuing Operations				
Interest Income (Expense)	1	1	13	23
Foreign Exchange	126	50	(162)	110
Net Income (Loss)	(921)	696	(332)	(966)
Preferred Stock And Other Adjustments	-	-	-	-
Net Income Applicable To Common Shares	\$(921)	\$696	\$(332)	\$(966)

Annual Income Statement FY 2015 – 9M 2018. Source: Company Filings



TSX Venture: GSI

Company Headquarters

31127 Wheel Avenue, Suite 301
Abbotsford, BC V2T 6H1
Canada

Company Contact Information

Douglas Dymont, President & CEO
Phone: +1 604-864-6187

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Contact: editor@smallcaps.us

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