

Gatekeeper Systems (GSI)

Company Report – March 07, 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.

The Southeastern Pennsylvania Transportation Authority (“SEPTA”) has become a cornerstone customer for the Company, following its strategic expansion into these markets. Since acquiring Delaware-based assets, which enabled the SEPTA relationship, Gatekeeper has announced additional SEPTA orders that total up to C\$25 million.

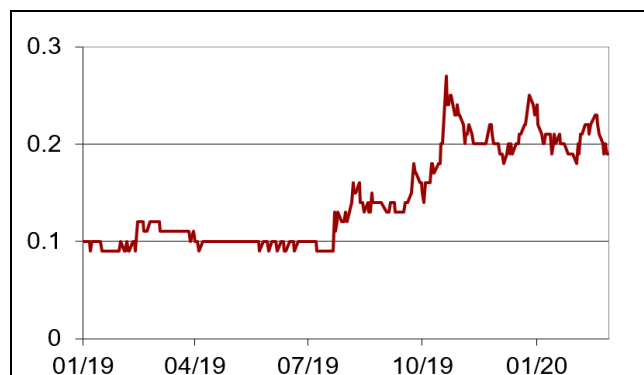
Gatekeeper’s sales and earnings have grown considerably the past quarters. Sales in the first quarter reached \$3,356,397 up 82% compared with Q1 the year before. Gross profit was up 61% and the net loss was almost entirely wiped out, while a loss of \$687,379 was recorded for Q1 last year. Also, in the fiscal year 2019, which ended August 31, 2019 sales increased by 75% compared with 2018 and the net loss was cut in half.

We reinitiate coverage of Gatekeeper Systems with a buy recommendation and a price target of \$0.65, which is 242% above today’s stock price.

GATEKEEPER

- Gatekeeper’s research and development efforts are being directed towards development of capabilities for integrating its products with third-party software and hardware in order to deliver more robust, faster to market, and cost-effective solutions.

The Company’s core strategy is to evolve its software applications to manage discrete data input, from multiple devices, and to transition parts of its business to a software-as-a-service revenue model. This model will position the Company’s software as being the gateway to multiple devices and applications all managed through a single Gatekeeper software hub.



Market Data

Price	\$0.19
Sector	Technology
52-Week Price Range	\$0.09 - \$0.28
Shares Issued (m)	87.9
Market Cap (m)	\$16.70
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 first quarter ended November 30, 2019 was \$3,356,397, the highest first quarter revenue in the Company's history and an increase of 82% when compared to \$1,839,478 for the first quarter ended November 30, 2018.

Gross profit for Q1 2019 was \$1,468,012, the highest first quarter gross profit in the Company's history and an increase of 61% when compared to \$911,286 for Q1 2018.

Net loss and comprehensive loss for Q1 2019 was only \$332, which compares to a net loss of \$687,379 for Q1 2018.

Doug Dyment, President and CEO commented, "2020 is already shaping up to be another pivotal year of growth for Gatekeeper and we are extremely happy with these record-breaking first quarter results. The Company performed well in all strategic initiatives during the quarter. We also announced the largest contracts in the Company's history which total over \$18 Million CDN. These two contracts not only represent significant growth for us in 2020 but also represent recurring revenue for up to five years from one of the largest transit agencies in North America (Also read Recent Events). It is very exciting for Gatekeeper to experience this growth and our employees are motivated to develop and launch new solutions for our customers across our various markets."

The results in the first quarter of fiscal year 2020, were actually a continuation of Gatekeeper's solid growth that started in 2019. The Company's revenue for the year ended August 31, 2019 was \$13,726,313 as compared to \$7,850,933 the year ended August 31, 2018, representing an increase of 75%. Total revenue earned for the year ended August 31, 2019 in Canada was \$9,471,307 (2018 - \$7,089,960), and total revenue earned in the United States was \$4,255,006

(2018 - \$760,973). Net loss for fiscal year 2019 was \$285,827 as compared to a net loss of \$1,323,277 for the year ended August 31, 2018.

Moreover, as at November 30, 2019, the Company's contracted sales backlog and sales funnel remains brisk, indicating the Company is currently on track to hit revenue targets for the fiscal year 2020. Increased activity in the transit market has supported the growth as well as the Company's traditional sales from the school bus market increasing over historical levels.

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.

This asset purchase aligned with the Company's strategy to accelerate the Company's 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 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.

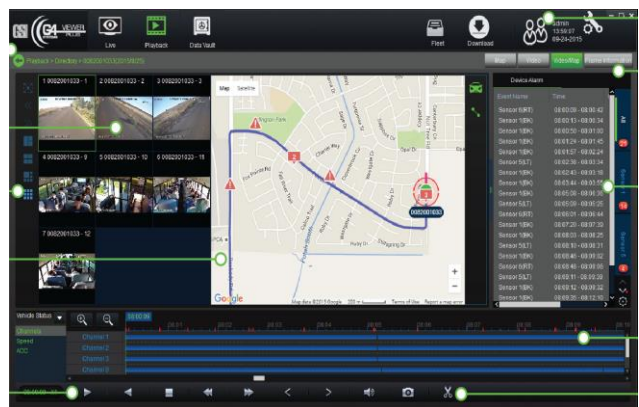
However, in the United States, The National Association of State Directors of Pupil Transportation Services conducts an annual survey of stop-arm violations. During the 2018-19 school year, 130,963 school buses reported that 95,319 vehicles passed their buses illegally on a single day (nearly one per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

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 Awarded Contracts Worth up to \$18.1 Million in One Month

In October 2019, Gatekeeper Systems USA was first contracted by SEPTA to supply and install digital video recorders (DVRs) on SEPTA vehicles and trains in **a contract valued at approximately C\$6.3 million.**

The DVRs include crash hardened memory modules for recording video evidence and comply with the recommendations made by the National Transportation Safety Board (NTSB). The NTSB has investigated numerous rail transit incidents and has recommended the installation of inward and outward facing audio and image recorders and has identified them as being critical to improve operational safety and aiding in accident investigations. Delivery of the equipment is scheduled for Spring of this year.

Just one week later, SEPTA awarded Gatekeeper Systems USA a contract to

provide annually recurring vehicle video system maintenance services for the public transportation firm's approximately 3,000 vehicles.

This annually recurring contract is valued at approximately C\$2.36 million per year. SEPTA has approved an initial three year service term beginning in November 2019 for approximately C\$7.1 million, plus two one-year extension options, for a total potential **contract value of up to C\$11.8 million over five years.**



SEPTA is actively using video evidence as protection against fraudulent claims and has installed more than 27,000 video cameras on vehicles and in stations.

Doug Dyment, President and CEO commented, "We are extremely pleased to be awarded the vehicle video system maintenance contract from SEPTA. Our relationship with SEPTA began approximately 18 months ago when we made the strategic decision to expand our efforts in the US transit industry. Since then, we have won several transit-related contracts which has driven significant growth in our company. Gatekeeper's vision to add layers of recurring revenue streams to our business model is being executed on by our team. Our innovations in video management and analytics, together with our excellent customer service, has been validated by way of this contract and we are proud to be SEPTA's video solutions provider."

The Company views Philadelphia and surrounding counties serviced by SEPTA as a strategic platform to provide additional services to the North American transit market. Revenues related to transit have been

increasing, and the Company is optimistic about expansion opportunities in the transit market.

As a result, the Company has expanded its Gatekeeper USA operations in the first quarter of 2020 to include manufacturing and assembly of all video products delivered to customers in the United States for transit, education and first responder markets. Gatekeeper USA has also recently increased its service fleet vehicles by 50% to support growing business at SEPTA. The US operation is a model that can be extrapolated to differentiate the Company and obtain greater market share.

Video Analytics Software Being Installed On Tennessee School Buses

A few days ago, 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 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

Gatekeeper's revenue for the three months ended November 30, 2019 was \$3,356,397 as

compared to \$1,839,478 during the three months ended November 30, 2018, representing an increase of 82%. Revenue is earned in two main regions, being Canada and United States. Total revenue earned for the three months ended November 30, 2019 in Canada was \$718,871 (2018 - \$1,362,755), and total revenue earned in the United States was \$2,637,526 (2018 - \$476,723).

Cost of sales for the three months ended November 30, 2019 was \$1,888,385 compared to \$928,192 for the three months ended November 30, 2018 representing a 103% increase in direct costs. Tariffs imposed by the US government on products manufactured in China, was the primary factor increasing product cost and reducing the gross profit margin.

Amounts in \$000's	11/30/19	11/30/18
Net Sales	3,356	1,839
Cost of Goods Sold	1,888	928
Gross Profit	1,468	911
G&A	603	654
Selling & Marketing	540	664
Operating Expenses	1,497	1,664
Net Income (Loss)	(0)	(687)
Diluted Shares Outs.	87,706	87,597
Diluted EPS	(0.00)	(0.01)
Selected income statement data for the quarters ending November 30, 2019 and November 30, 2018. Source: Company Filing		

Gross Margin for the three months ended November 30, 2019 was \$1,468,012 compared to \$911,286 for the three months ended November 30, 2018 representing a 61% increase in gross margin.

Overall operating expenses for the three months ended November 30, 2019 were \$1,497,217, as compared to \$1,664,260 for the three months ended November 30, 2018 representing a 10% decrease in operating expenses. This is a significant achievement, and evidence of managements successful execution, knowing that sales in the first quarter shot up 82% year over year.

Net loss for the three months ended November 30, 2019 was only \$332 as compared to a net loss of \$687,379 for the

three months ended November 30, 2018, representing an increase in profitability of 100%.

Balance Sheet as of November 30, 2019

At November 30, 2019, the Company had cash and cash equivalents of \$2,035,767 and working capital of \$6,218,444 which compared to \$3,343,032 and \$5,813,147, respectively at August 31, 2019. The Company has a solid current ratio of 4.30.

Amounts in \$000's	11/30/19	11/30/18
Cash and Cash Eq.	2,035	3,343
Accounts Receivable	3,300	1,332
Inventories	2,077	1,138
Total Current Assets	8,106	6,653
Property & equipment	659	436
Total Assets	8,918	7,236
Accounts Payable	1,536	838
Total Current Liabilities	1,887	840
Total Liabilities	1,956	840
Total Stockholder Equity	6,962	6,396
Selected balance sheet data for November 30, 2019 and November 30, 2018. Source: Company Filing		

Cash provided through operating activities was \$216,589 for the three months ended November 30, 2019, as compared to cash used of \$707,089 during the three months ended November 30, 2018. The cash consumption is attributable to an increased comparative loss and changes in working capital relating to an increase in inventory and prepaid production costs, combined with a decrease in payables.

Effective July 12, 2019, the Company entered into an amended non-dilutive, revolving and non-revolving, secured line of credit of up to \$1,000,000 with its bank.

OUTLOOK & VALUATION

Gatekeeper's core business of providing high-definition safety and surveillance solutions is growing at a solid pace. 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.

Within the school bus market, Gatekeeper is already working with 3000 clients, ranging from smaller school bus operators through to large contractors that operate fleets of thousands of buses. With an estimated market of 550,000 yellow school buses just in the United States, the potential for further growth is enormous.

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 key opportunities expected to significantly accelerate Gatekeeper's growth.

With more than 100,000 video devices now installed across the spectrum of product lines, Gatekeeper is an established market leader. Moreover, the Company remains at the forefront thanks to continued technological developments that make its systems better and more effective.

Gatekeeper remains committed to engineering and manufacturing industry leading HDDV systems that incorporate the latest software, features and functionality. Management believes that accelerating future growth is dependent upon being able to provide comprehensive, integrated management solutions for the data and information that is being collected, combined with intelligent applications able to analyze and interpret video as it is being recorded.

Additionally, offering the capability to provide professional, hosted data management services to monitor, review and package video evidence, on behalf of customers, is another potential area of growth that could represent significant scalable recurring revenue.

Product development efforts have been focused on emerging technologies that incorporate intelligent self-diagnostics, video

analytics, artificial intelligence ("AI"), deep learning, and overall data management.

In fact, the Company believes that AI has the potential to transition conventional dumb mobile video systems to intelligent machine vision solutions that automatically make decisions without human interaction. These intelligent machine vision solutions could change the way conventional systems manage data. Examples of applications that could greatly benefit from new AI algorithms are driver performance monitoring, abnormal passenger behavior, passenger tracking and counting and illegal passing of vehicles while buses are stopped putting passengers at risk during loading and unloading.

Gatekeeper's decision to expand its strategic focus to include the transit industry as a key growth initiative has proved to be successful. The Company views Philadelphia and surrounding counties serviced by SEPTA as a strategic platform to provide additional services to the North American transit market.

With a clean balance sheet and attractive growth potential for years to come, Gatekeeper is a fundamentally solid company in the tech industry.

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) a couple of weeks ago 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 \$0.65.

Consequently, we reinitiate coverage of Gatekeeper Systems with a buy recommendation and a price target of \$0.65, which is 242% above today's stock price.

SHARE DATA & OWNERSHIP

As of November 30, 2019, Gatekeeper had approximately 87.9 million common shares outstanding. In addition, the Company had about 7.52 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 – 3M 2020

All numbers in thousands

PERIOD ENDING	FY 2017	FY 2018	FY 2019	3M 2020
Total Revenue	7,605	7,851	13,726	3,356
Cost of Sales	3,753	3,662	7,622	1,888
Gross Profit	3,852	4,189	6,104	1,468
Operating Expenses				
General and Administrative	1,534	2,136	2,642	603
Selling and Marketing	1,628	2,334	2,493	540
R&D	787	1,114	1,349	355
Total Operating Expenses	3,949	5,584	6,483	1,497
Operating Income (Loss)	(98)	(1,395)	(379)	(29)
Income from Continuing Operations				
Interest Income (Expense)	13	32	42	10
Foreign Exchange	(162)	132	67	(9)
Net Income (Loss)	(332)	(1,323)	(295)	(16)
Foreign Currency Translation Differences	-	-	9	15
Net Income Applicable To Common Shares	\$(332)	\$(1,323)	\$(286)	\$(0)

Annual Income Statement FY 2017 – 3M 2020. Source: Company Filings

GATEKEEPER

CA: GSI
US: GKPRF
GER: 1GK

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