

BUSINESS UPDATE**Dave Storms**Dave@stonegateinc.com

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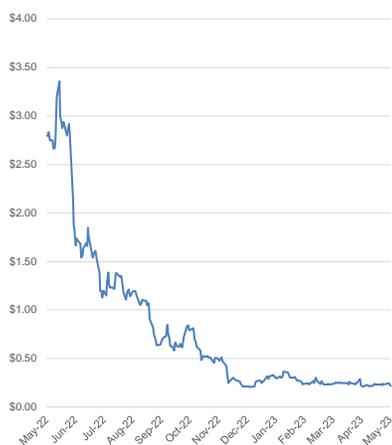
Market Statistics

| | |
|---------------------------|-----------------|
| Price | \$ 0.22 |
| 52 week Range | \$0.19 - \$4.68 |
| Daily Vol (3-mo. average) | 1,830,230 |
| Market Cap (\$M): | \$ 39.0 |
| Enterprise Value (\$M): | \$ 27.7 |
| Shares Outstanding: (\$M) | 175.4 |
| Float (M) | 170.1 |
| Public Ownership | 96.6% |
| Institutional Ownership | 0.4% |

Financial Summary

| | |
|------------|-----------|
| Equity (M) | \$ (10.8) |
| Cash (M) | \$ 11.3 |
| Debt (M) | \$ - |

| FYE: Dec | 2022 | 2023E | 2024E |
|-----------------|-----------|-----------|-----------|
| <i>(in \$M)</i> | | | |
| Rev | \$ 52.5 | \$ 52.8 | \$ 58.0 |
| Chng% | 77.7% | 0.5% | 9.9% |
| EBITDA | \$ 4.8 | \$ 5.3 | \$ 6.8 |
| EPS | \$ (1.25) | \$ (0.48) | \$ (0.35) |

**COMPANY DESCRIPTION**

Borqs Technologies Inc. is a global Internet of Things (IoT) company with operations in the U.S., India, and China. The Company's IoT segment includes both software and hardware solutions. Its IoT software business mainly serves Qualcomm for its embedded software in the advanced mobile chipsets and automobile chipsets; its IoT hardware business provides customizable, differentiated, and scalable Android-based smart connected devices. Its IoT customers mainly come from the United States, Europe, India, and China. The Company was founded in 2000 and got listed on Nasdaq in August 2017.

BORQS TECHNOLOGIES, INC. (NASDAQ: BRQS)**Company Summary**

Revamped Business Strategy: Borqs is positioned to revamp its business strategy and along with continuing in its legacy business in providing the hardware and software IoT solutions, it is seeking to develop Borqs' branded products.

One Stop Solution for IoT devices: Borqs operates as a connected products and solutions company that provides technical expertise to help OEMs and businesses at the idea stage helping them to productize. The Company also supports their clients until the mass production stage when the products are available to the customers. Borqs streamlines the entire product development and handles the challenges of selecting and managing component vendors and service providers (i.e., EMS, certification bodies and test labs), allowing customers to bring their products to market faster.

Transition to AIoT: Given the current state of the technology industry the Company is taking steps to diversify their offerings to implement AI technologies. This is leading Borqs to roll out their "IoT + AI = AIoT" campaign that will combine the technical expertise already found at Borqs with the growth potential of AI implementation to take advantage of AI technologies that will have a direct impact on customers lives. We expect more details on this transition over the coming months.

Divesting Solar Business: On December 13, 2022, the U.S. Department of Treasury, on behalf of the Committee in Foreign Investment in the United States (CFIUS), ordered Borqs to negotiate with CFIUS to fully divest Holu Hou Energy (HHE). On March 22, 2023, the Company announced that it reached an agreement with CFIUS and has 6 months to complete the divestment and a possible extension of 6 months to complete the transaction.. We expect the Company to receive a strong valuation given the attractiveness of the solar energy market and the work that BRQS has done to expand the HHE business. The cash from the sale should provide the Company with the ability to expand the business by exploring other business avenues.

Outlook: From the divestiture of HHE, we believe Borqs will be active in expanding its business. Historically, management has shown the ability to make prudent acquisitions as seen by their acquisition of HHE. A strong cash position from the sale will allow the Company to continue making strategic acquisitions to drive the business forward.

Valuation: Given the remaining uncertainty surrounding the Holu Hou divestiture, we used an EV/Rev multiple to value the IoT portion of the business and then applied a range of sales prices for the divestiture to calculate a Combined Value for BRQS. We estimate the IoT EV range to be between \$98.3M to \$156.3M, which arrives at a valuation of \$0.56 to \$0.89 with a midpoint of \$0.79, or 227% upside for strictly the IoT Segment. When we add a potential sale price range of \$80M to \$120M for the HHE divestiture, applied to the IoT Market Cap range, we believe the valuation for BRQS could be in the range of \$1.13 to \$1.46 per share with a midpoint of \$1.30.

Business Overview

Borqs Technologies, Inc., incorporated in the British Virgin Islands and listed on NASDAQ in 2017 with a stock symbol BRQS, is a globally positioned provider of 5G wireless and Internet of Things (IoT) solutions.

The Company operates globally with research and development centers in the U.S. and Asia and is specialized in end-to-end wireless product solutions for the mobile telecommunications and Internet of Things (IoT) markets. Most recently the company has started taking steps to implement AI technology into their current IoT offerings. This is expected to generate strong growth potential for the Company.

The Company provides worldwide contracted design, development, and manufacturing services for leading chipset manufacturers by leveraging its proprietary Android-based cloud-enabled commercial-grade platform software. These manufactures include Qualcomm, Intel, Freescale, and Marvell. Borqs also provides services to multinational original equipment manufacturers, such as LG Electronics, Micromax, Acer, Dell, Motorola, Vizio and Coolpad. The Company also works with major mobile network operators around the globe, counting AT&T, Sprint, Verizon, China Mobile, Orange, Reliance Jio, Vodafone, Telefonica, Telcel and Claro.

Borqs has presence in The U.S., India, and China, employing over 250+ people and deploying its products on four continents. Borqs' collaboration with world leading chipset manufacturers provides Borqs strategic relationships and early-stage access to next-generation chipset technology, as well as significant direct project workload and vertical client referrals.

Exhibit 1: IOT solutions



Source: Company Presentation

Exhibit 2: AIoT Transition

Borqs 1.0
Global Leader - IoT Solution Provider

- Has been a global leader in providing the hardware and software, and cloud platform for customers to build IoT solutions
- Has partnered with Qualcomm to develop various Android and Linux IoT solutions



Borqs 2.0
Global Leader - AIoT Solution Provider

- Leveraging the IoT expertise, the Company plan to take advantage of the advancement of AI technologies to become the global leader in AIoT solution provider.

AI + IoT = AIoT
Artificial Intelligence Internet of Things Artificial Intelligence of Things

The Company develops wireless smart connected devices and cloud solutions. Borqs designs develops and provides turnkey solutions across device form factors such as Smartphones, Tablets, Smartwatches, Trackers, Automotive IVI, and Vertical application devices (for restaurants, payments et al.). Borqs has extensive experience in developing rugged and intrinsically safe devices. Borqs provides customers with customized, integrated, commercial-grade Android platform software and service solutions to address vertical market segment needs through the targeted BorqsWare software platform solutions.

Source: Company Presentation

Technology Background

The Company is a long-time contributor to the development of the open-source Android operating system (OS), which Google introduced in 2007. Together with Apple's iOS, these two platforms nurture the introduction of smartphones and helped shape global mobile telecommunications up to the present day.

The Company is a licensed Google Mobile Services (GMS) partner with access to Google's unique collection of applications and application program interfaces (APIs) that support functionality across all Android-based devices.

Since its inception, being an original design manufacturer (ODM) for GMS, Borqs has worked extensively in the IoT landscape, with a focus on personalization and customization for diverse sectors. Borqs was one of the first companies to customize Android for global customers, ensuring that the software was carrier-ready to be integrated with its services. Borqs reduces the complexities of IoT adoption for non-traditional applications while enabling innovation at the chipset level and fostering vertical-specific connected devices. Borqs has established strategic relationships with leading chipset vendors such as Qualcomm to provide advanced capabilities in computing and connectivity.

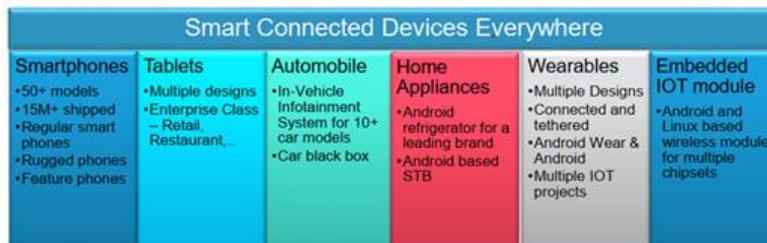
The Company is also a licensee of Qualcomm and undertakes Android-specific upgrades across the telecommunication platform. Borqs implements carrier-specific features for chipset vendors, across markets and even provides some of its own Intellectual Property. While Borqs predominantly works with OEMs (Original Equipment manufacturers) targeting the US market, they also have a large business in India. Borqs had partnered with Reliance Jio to develop premium handsets, smartwatches, trackers, and network interface cards.

The Company's modular BorqsWare platform architecture enables flexible and scalable customization of full wireless product solutions for the full range of enterprise and consumer telecommunication and Internet of Things (IoT) applications. This includes higher-margin vertical implementations in a variety of industries, including utilities, mining, public safety, automobiles, healthcare, hospitality, and others.

In its latest fleet, Borqs has successfully signed a set of revised licensing agreements with the world's leading mobile chipset vendor, which includes purchasing the 5G patent licensing agreement and use of the latest mobile chipsets. Borqs' R&D team and sales team in India are working closely with partners and customers to build the 5G ecosystem in India, including the development of 5G phones, 5G gateways for residential and business premises, and other devices.

Exhibit 3: IOT Solution Offerings

- Powered 50+ Android devices (phones, tablets, smart watches, automobile and 2-wheeler cockpit, rugged devices, home appliances) using a variety of components
- Devices have been shipping commercially in 15+ countries with over 30M+ units and growing



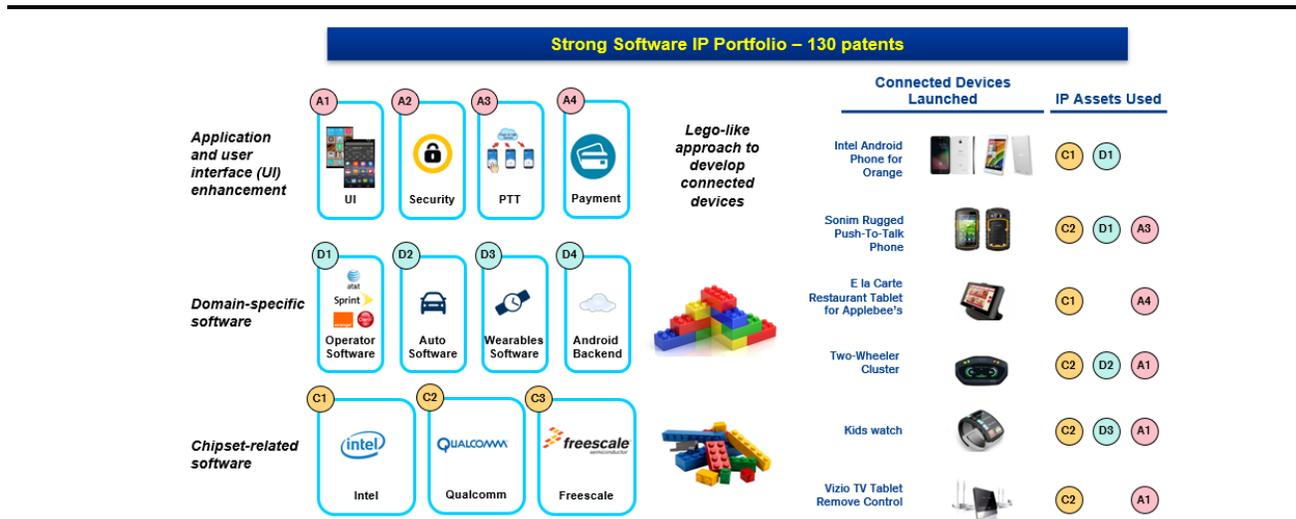
Source: Company Presentation

Key Drivers

(1) **Large Market Opportunity:** The total market is substantial:

- A) **Mobile Market:** Android has 2.5 billion active devices produced by more than 180 hardware manufacturers. Android has a 72.3% of the worldwide mobile OS market share, over Apple’s iOS with 27.0%. The global mobile application market size amounted to USD 187.58 billion in 2021 and is projected to grow at a compound annual growth rate (CAGR) of 13.4% from 2022 to 2030. (As per Grand View Research and Stat Center).
- B) The **global mobile communications market** is heavily influenced by Qualcomm, which leads the 5G processor innovation among semiconductor producers, with some of the largest manufacturers and vendors worldwide, including Samsung, Oppo and Xiaomi unveiling 5G devices based on Qualcomm’s processors in 2019. 5G mobile subscriptions are expected to grow to 2.6 billion by the end of 2025, with the network covering up to 65 per cent of the world’s population.
- C) **Wearable Market:** The global wearable market is projected to reach \$184.4 billion by 2031 growing at a CAGR of 12.8% from 2022 to 2031. (As per Allied Market Research)

Exhibit 4: Overview of Patents



Source: Company Website

(2) **R&D Centers:** Currently, the company has 3 operating R&D centers in Wisconsin, U.S., Bengaluru, India and Beijing, China. The company leverages its technical expertise from 3 locations in software development, hardware designs and engineering capabilities in collaborative efforts to develop solutions demanded by its global customers.

(3) **One Stop Solution for IoT Devices:** Borqs operates as a connected products and solutions company that provides technical expertise to help OEMs and businesses at the idea stage and help them productize. The Company also supports their clients until the mass production stage when the products are available to the customers. Borqs streamlines the entire product development and handles the challenges of selecting and managing component vendors and service providers, allowing customers to bring their products to market faster.

- (4) **Borqs Branded Products Offer Higher Margins:** Currently, the company has 130+ patent disclosures with 30+ million IoT units shipped in 15+ countries. Many of these devices/software offerings are more job-work operations based, where the company is offering its services as B2B to a host of clients.
- (5) **Network Benefits:** The Company's marketing advantage centers on strong relationships with mobile chipset manufacturers, including Qualcomm.

Exhibit 5: Blue Chip Customers



Source: Company Website

Divestiture of Holu Hou Energy:

Borqs currently holds a 51% stake in Holu Hou Energy LLC (HHE) which is acquired in July of 2022. HHE is a niche provider in solar plus energy storage products in the residential and commercial markets with an energy sharing solution to reduce the ownership cost in the energy storage systems. The solar company operates primarily in Hawaii but has recently expanded its market reach into California. HHE has a strong backlog of contracts valuing over \$150 million.

On December 13, 2022, the U.S. Department of Treasury, on behalf of the Committee in Foreign Investment in the United States (CFIUS), ordered Borqs to negotiate with CFIUS to fully divest HHE. The technology used by HHE is regarded as critical technology and a national security risk when being owned by a foreign entity. On March 22, 2023, the Company announced that it reached an agreement with CFIUS and has 6 months to complete the divestment. We expect the Company to receive a strong valuation given the attractiveness of the solar energy market. The cash from the sale should provide the Company with the ability to expand the business exploring other business avenues.

Most recently on April 24, 2023 it was reported that Borqs has reached an agreement to sell HHE to an undisclosed buyer at an undisclosed price. We see this as a positive development that is emblematic of the Company's ability to divest from HHE in a timely matter. This development is expected to drive a favorable valuation as it shows that BRQS has interested buyers and avoiding being a distressed seller.

Risks

Adaptability of Alternate Mobile Operating Systems – If alternative mobile operating system platforms become more widely used or accepted, or mobile chipset manufacturers, mobile device Original Equipment Manufacturers (“OEMs”) and mobile operators do not continue to make product and service offerings compatible with the Android platform, the business could be materially harmed.

Reliant of Fewer Big Players – The Company generates a significant portion of net revenues from a small number of major customers and key projects. Any loss of business from these customers or key projects could reduce their net revenues and significantly harm the business.

Rapidly Evolving Industry – Borqs Technologies operate in multiple rapidly evolving industries. If they fail to keep up with technological developments and changing requirements of their customers, the business, financial condition, and results of operations may be materially and adversely affected.

Regulatory Changes – The Chinese government exerts substantial influence over the way they may conduct their business activities, and if they are unable to substantially comply with any PRC rules and regulations, their financial condition and results of operations may be materially adversely affected for its IoT hardware business.

Competition – Borqs Technologies face intense competition from onshore and offshore third-party software providers in the Android platform and software market, and, if they are unable to compete effectively, they may lose customers and our revenues may decline.

Security Risks – Security and privacy breaches may expose the company to liability and harm its reputation and business. It remains the prime operational risk in the technology business.

VALUATION SUMMARY

We have historically used a sum of parts valuation method based on EV/Rev to value Borqs. Given the uncertainty surrounding the Holu Hou divestiture, and BRQS having quality revenue streams propped by blue chip clients, we feel comfortable using an EV/Revenue multiple to value the IoT portion of the business, layering in the Net Debt value and then applied a range of sale prices for the divestiture of HHE to calculate an approximate Combined Value of the Company.

Comparative Analysis

Borqs Technologies, Inc.
(all figures in \$M except per share information)

| Name | Ticker | Price (1) | Sh | Mkt Cap | EV | Revenues (2) | | | EBITDA (2) | | | Earnings (2) | | |
|--|-------------|----------------|--------------|----------------|----------------|--------------|----------------|----------------|---------------|---------------|---------------|------------------|------------------|------------------|
| | | | | | | TTM | 2023 E | 2024 E | TTM | 2023 E | 2024 E | TTM | 2023 E | 2024 E |
| Peers | | | | | | | | | | | | | | |
| Cognizant Technology Solutions Corporation | CTSH | \$ 63.24 | 507.5 | \$ 32,092.9 | \$ 30,936.2 | 19,414.0 | 19,369.6 | 19,472.1 | 3,534.0 | 3,562.5 | 3,306.9 | \$ 4.48 | \$ 4.42 | \$ 4.30 |
| Pristo Automation Inc. | PRST | \$ 3.23 | 52.0 | \$ 168.0 | \$ 219.9 | 29.2 | - | 34.4 | (51.6) | - | (29.6) | \$ (1.12) | \$ - | \$ (1.00) |
| Sonim Technologies, Inc. | SONM | \$ 0.96 | 41.0 | \$ 39.4 | \$ 30.8 | 82.4 | - | - | (3.2) | - | - | \$ (0.19) | \$ - | \$ - |
| ClearOne, Inc. | CLRO | \$ 2.21 | 24.0 | \$ 52.9 | \$ (3.2) | 21.8 | 43.4 | - | (5.2) | 2.6 | - | \$ 0.87 | \$ 0.15 | \$ - |
| Inventec Corporation | TWSE:2356 | \$ 1.23 | 3,587.5 | \$ 4,411.7 | \$ 4,986.0 | 17,634.5 | 17,686.1 | 17,737.5 | 296.0 | 314.7 | 345.3 | \$ 1.70 | \$ 1.71 | \$ 1.70 |
| Quanta Computer Inc. | TWSE:2382 | \$ 3.75 | 3,853.3 | \$ 14,454.6 | \$ 14,396.4 | 40,806.0 | 41,761.0 | 39,511.0 | 1,336.7 | 1,282.7 | 1,561.8 | \$ 7.34 | \$ 7.03 | \$ 7.55 |
| Thunder Software Technology Co.,Ltd. | 300496 | \$ 12.93 | 457.5 | \$ 5,916.0 | \$ 5,298.5 | 794.7 | 834.9 | 959.2 | 95.9 | 152.5 | 168.1 | \$ 1.76 | \$ 2.02 | \$ 2.21 |
| Wipro Limited | WIT | \$ 4.86 | 5,478.0 | \$ 26,623.2 | \$ 23,980.4 | 11,018.8 | 10,665.2 | 11,318.7 | 1,974.3 | 1,957.7 | 2,156.0 | \$ 20.68 | \$ 0.26 | \$ 0.28 |
| Borqs Technologies, Inc. | BRQS | \$ 0.22 | 175.4 | \$ 39.0 | \$ 27.7 | 52.5 | \$ 52.8 | \$ 58.0 | 0.0 | \$ 5.3 | \$ 6.8 | \$ (1.48) | \$ (0.48) | \$ (0.35) |
| EV/Rev (2) | | | | | | | | | | | | | | |
| EV/EBITDA (2) | | | | | | | | | | | | | | |
| P/E (2) | | | | | | | | | | | | | | |
| Median | | | | | | | | | | | | | | |
| Borqs Technologies, Inc. | BRQS | \$ 0.22 | 175.4 | \$ 39.0 | \$ 27.7 | 0.5x | 0.5x | 0.5x | 728.0x | 5.3x | 4.1x | nm | nm | nm |

(1) Previous day's closing price; all figures in USD

To determine an appropriate valuation for the IoT segment we use a comparative analysis based on FY24 Estimates. Current IoT comps are trading at an average of 2.7x EV/Rev. Due to Borqs having robust revenue streams from a global customer base, a track record of performance with strong recent results, and the new AIoT initiative we believe BRQS should be trading closer to peers. This leads to a valuation range of 1.5x to 2.5x with a midpoint of 2.0x, which returns an EV range of \$87.0M to \$145.0M with a midpoint of \$116.0M.

| | Valuation Range | | | | | | | | |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1.5x | | | 2.0x | | | 2.5x | | |
| EV/Rev multiple | | | | | | | | | |
| IOT Revenue FY24 Estimate | 58.0 | | | 58.0 | | | 58.0 | | |
| Estimated EV | 87.0 | | | 116.0 | | | 145.0 | | |
| Less: Net Debt | (11.3) | | | (11.3) | | | (11.3) | | |
| Estimated IoT Market Cap (\$M) | \$ 98.3 | | | \$ 127.3 | | | \$ 156.3 | | |
| Potential HHE Sale Price | 80.0 | 100.0 | 120.0 | 80.0 | 100.0 | 120.0 | 80.0 | 100.0 | 120.0 |
| Combined Value (\$M) | \$ 178.3 | \$ 198.3 | \$ 218.3 | \$ 207.3 | \$ 227.3 | \$ 247.3 | \$ 236.3 | \$ 256.3 | \$ 276.3 |
| No of Shares (in million) | 175.4 | 175.4 | 175.4 | 175.4 | 175.4 | 175.4 | 175.4 | 175.4 | 175.4 |
| Per Share Value | \$ 1.02 | \$ 1.13 | \$ 1.24 | \$ 1.18 | \$ 1.30 | \$ 1.41 | \$ 1.35 | \$ 1.46 | \$ 1.58 |

From the IoT EV range we subtract the current net debt to arrive at a Market Cap range of \$98.3M to \$156.3M. Given the pending sale of the HHE segment and the unusual circumstances surrounding this sale we then add the projected proceeds from the divestiture to the IoT Estimated Market Cap in order to determine a Combined Value of the Company.

To arrive at the potential HHE sales price we started with similar transactions for IBI Group and Hill International that indicate an EV/Rev multiple of ~0.8x. When we apply this multiple to HHE's 2022 revenues (estimated at \$250M per their committed contract) we arrive at a valuation of approximately \$100M for BRQS's share of HHE. Given the recent updates from the Company noting the strong interest in HHE, we feel comfortable applying a \$80M to \$120M sales range for HHE.

With a potential sale price range of \$80M to \$120M applied to the above Total EV range we believe the valuation could be in the range of \$1.13 to \$1.46 per share with a midpoint of \$1.30.

Lastly, we believe that with or without the HHE divestiture, Borqs is in a strong position and is trading well below what we believe is reasonable. At the above stated Market Cap Range of \$98.3M to \$156.3M for the IoT Segment, Borqs would be valued in a range of \$0.56 to \$0.89 with a midpoint of \$0.73. This segment alone accounts for a 227% upside to the current share price, at the midpoint.

BALANCE SHEET

| Borqs Technologies, Inc. | | | | | | | | |
|--|----------------|---------------|----------------------|----------------------|----------------|----------------------|----------------------|----------------|
| Consolidated Balance Sheets (\$Ms) | | | | | | | | |
| Fiscal Year: December | | | | | | | | |
| ASSETS | FY 2019 | FY2020 | H1 Jun-21 | H2 Dec-21 | FY 2021 | H1 Jun-22 | H2 Dec-22 | FY 2022 |
| Current Assets | | | | | | | | |
| Cash and cash-equivalents | 1.0 | 3.0 | 8.8 | 7.7 | 7.7 | 18.4 | 11.3 | 11.3 |
| Restricted cash | 5.0 | 0.0 | - | 0.2 | 0.2 | - | 0.0 | 0.0 |
| Time Deposits | - | - | - | - | - | - | 1.4 | - |
| Accounts receivables, net | 1.7 | 0.9 | 3.3 | 2.3 | 2.3 | 3.3 | 3.5 | 3.5 |
| Inventories, net | 4.5 | 2.7 | 12.8 | 7.2 | 7.2 | 6.6 | 4.2 | 4.2 |
| Prepaid expenses and other current assets | 16.0 | 17.2 | 12.6 | 13.8 | 13.8 | 12.1 | 7.5 | 7.5 |
| Amounts due from related parties | 0.9 | - | - | - | - | - | - | - |
| Current assets held for sale | 6.0 | - | - | - | - | - | - | - |
| Deferred cost of revenue | - | - | - | - | - | - | - | - |
| Total Current Assets | 35.2 | 23.9 | 37.4 | 31.2 | 31.2 | 40.4 | 28.0 | 26.6 |
| Non- Current Assets | | | | | | | | |
| Property and Equipment, net | 0.2 | 0.2 | 0.3 | 0.7 | 0.7 | 3.0 | 1.0 | 1.0 |
| Intangible assets, net | 9.4 | 3.5 | 2.8 | 5.4 | 5.4 | 4.9 | - | - |
| Right of use asset | 0.7 | 0.7 | 0.7 | 1.7 | 1.7 | 2.0 | 0.7 | 0.7 |
| Deferred Tax assets | 1.0 | 1.1 | 1.0 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Non-current assets held for sale | 10.3 | - | - | - | - | 0.6 | - | - |
| Construction in progress | - | - | - | 0.1 | 0.1 | - | - | - |
| Contract assets | - | - | - | 1.5 | 1.5 | - | - | - |
| Goodwill | - | - | - | 12.3 | 12.3 | 12.2 | - | - |
| Deferred cost of revenues | - | - | - | - | - | - | - | - |
| Other non-current assets | - | - | - | - | - | - | - | - |
| Total Non-current assets | 21.6 | 5.5 | 4.7 | 22.1 | 22.1 | 23.2 | 2.2 | 2.2 |
| Total Assets | 56.8 | 29.4 | 42.2 | 53.3 | 53.3 | 63.6 | 30.1 | 28.7 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | | |
| Current Liabilities | | | | | | | | |
| Accounts payable | 16.3 | 13.0 | 7.2 | 10.2 | 10.2 | 9.1 | 7.1 | 7.1 |
| Accrued expenses and other payables | 32.5 | 42.5 | 15.2 | 27.9 | 27.9 | 28.4 | 23.9 | 23.9 |
| Contract liabilities | 6.5 | 7.4 | - | 8.4 | 8.4 | - | 4.0 | 4.0 |
| Lease liabilities- current | 0.8 | 0.3 | 0.7 | 1.0 | 1.0 | 1.6 | 0.5 | 0.5 |
| Amount due to related parties- current | 3.5 | 3.1 | 3.1 | 2.5 | 2.5 | 1.6 | 0.7 | 0.7 |
| Deferred revenues- current | 0.1 | 0.1 | - | - | - | - | - | - |
| Income tax payable | 0.9 | 1.9 | 0.3 | 0.4 | 0.4 | 0.2 | 0.0 | 0.0 |
| Short-term bank and other borrowings | 5.0 | 2.4 | - | 1.3 | 1.3 | 1.1 | - | - |
| Long-term bank borrowings- current portion | 13.0 | 13.0 | - | 1.3 | 1.3 | - | - | - |
| contingent liability in relation to disposal of a subsidiary | - | 3.2 | - | - | - | - | - | - |
| Current liabilities held for sale | 21.0 | - | - | - | - | - | - | - |
| Contingent consideration -current | - | - | - | 1.4 | 1.4 | 1.4 | - | - |
| Convertible notes | - | - | - | 10.0 | 10.0 | 8.4 | 1.7 | 1.7 |
| Advances from customers | - | - | 4.5 | - | - | 8.5 | - | - |
| Total Current Liabilities | 99.6 | 86.8 | 31.0 | 64.4 | 64.4 | 60.1 | 37.9 | 37.9 |
| Long Term Liabilities | | | | | | | | |
| Unrecognized tax benefits | 2.0 | 2.1 | 2.1 | 2.2 | 2.2 | - | 2.0 | 2.0 |
| Long-term bank borrowings | - | 1.3 | - | 0.7 | 0.7 | - | - | - |
| Deferred tax liabilities | 1.8 | 1.0 | 1.0 | 2.2 | 2.2 | 2.1 | 0.9 | 0.9 |
| Lease liabilities- non current | - | 0.4 | - | 0.8 | 0.8 | - | 0.0 | 0.0 |
| Long -term payables | 0.4 | - | 0.2 | 0.4 | 0.4 | 1.3 | 0.4 | 0.4 |
| Other non-current liabilities | - | 0.1 | - | 0.0 | 0.0 | - | - | - |
| Deferred government grants | - | - | 0.2 | - | - | - | - | - |
| non-current liabilities held for sale | 1.8 | - | - | - | - | 2.5 | - | - |
| Deferred revenues | - | - | - | - | - | - | - | - |
| Total Long Term Liabilities | 5.9 | 4.8 | 3.6 | 6.1 | 6.1 | 5.9 | 3.4 | 3.4 |
| Total Liabilities | 105.5 | 91.6 | 34.6 | 70.5 | 70.5 | 66.1 | 41.3 | 41.3 |
| Shareholders' Equity | | | | | | | | |
| Ordinary shares | - | - | - | - | - | - | - | - |
| Additional Paid-in capital | 150.5 | 171.6 | 232.9 | 262.3 | 262.3 | 286.1 | 310.3 | 310.3 |
| Subscription receivable | (15.3) | (19.4) | (19.4) | (15.3) | (15.3) | (19.0) | (14.4) | (14.4) |
| Statutory reserve | 2.1 | 2.1 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Accumulated deficit | (179.7) | (215.2) | (207.7) | (271.0) | (271.0) | (277.4) | (305.1) | (305.1) |
| Accumulated other comprehensive loss | (1.9) | (1.2) | - | (1.1) | (1.1) | - | (3.5) | (3.5) |
| Total Stockholders Equity | (44.3) | (62.1) | 7.7 | (23.2) | (23.2) | (8.4) | (10.8) | (10.8) |
| Non- controlling interest | (4.4) | (0.1) | (0.1) | 6.0 | 6.0 | 6.0 | (0.4) | 6.0 |
| Total Liabilities and Shareholders' Equity | 56.8 | 29.4 | 42.2 | 53.3 | 53.3 | 63.6 | 30.1 | 36.5 |

INCOME STATEMENT

| Borgs Technologies, Inc. Consolidated Statements of Income (in M\$, except per share amounts) Fiscal Year: December | | | | | | | | | | | |
|---|----------------|------------------|----------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | FY 2020 | FY 2021 | H1 Jun-22 | H2 Dec-22 | FY 2022 | H1E Jun-23 | H2E Dec-23 | FY 2023 E | H1E Jun-24 | H2E Dec-24 | FY 2024 E |
| Revenues | 26.8 | 29.6 | 30.1 | 22.4 | 52.5 | 27.0 | 25.7 | 52.8 | 28.4 | 29.6 | 58.0 |
| Total revenues | \$ 26.8 | \$ 29.6 | \$ 30.1 | \$ 22.4 | \$ 52.5 | \$ 27.0 | \$ 25.7 | \$ 52.8 | \$ 28.4 | \$ 29.6 | \$ 58.0 |
| Operating Costs | (25.2) | (27.0) | (25.9) | (15.6) | (41.4) | (20.6) | (19.6) | (40.1) | (21.6) | (21.3) | (42.9) |
| Gross Margin | 1.6 | 2.6 | 4.3 | 6.8 | 11.1 | 6.5 | 6.2 | 12.7 | 6.8 | 8.3 | 15.1 |
| Sales and Marketing expenses | (0.8) | (0.2) | (0.2) | (0.1) | (0.3) | (0.2) | (0.2) | (0.4) | (0.2) | (0.2) | (0.4) |
| General and administrative expenses | (33.3) | (23.6) | (5.4) | (1.8) | (7.2) | (3.5) | (3.3) | (6.9) | (3.7) | (3.8) | (7.5) |
| Research and Development expenses | (8.2) | (5.3) | (2.0) | (2.5) | (4.5) | (2.2) | (2.1) | (4.2) | (2.3) | (2.4) | (4.6) |
| Other Operating income | - | 0.2 | - | 0.1 | 0.1 | - | - | - | - | - | - |
| Operating Income | (40.6) | (26.2) | (3.3) | 2.5 | (0.8) | 0.6 | 0.6 | 1.2 | 0.6 | 1.8 | 2.5 |
| Interest Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Interest Expenses | (3.8) | (11.7) | (0.9) | (10.8) | (11.7) | (0.9) | (10.7) | (11.6) | (0.8) | (9.2) | (10.0) |
| Other Income | 0.2 | 2.4 | 0.4 | (0.1) | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.3 |
| Other Expenses | (0.2) | (3.2) | (1.4) | (0.7) | (2.1) | (0.5) | (0.5) | (1.0) | (0.5) | (0.5) | (1.0) |
| Gain (Loss) on disposal of subsidiary | 10.1 | (0.3) | - | (3.6) | (3.6) | - | - | - | - | - | - |
| Contingency (loss) reversal | (3.1) | 3.3 | - | - | - | - | - | - | - | - | - |
| Gain (loss) on debt settlement | 0.0 | (17.2) | - | 0.2 | 0.2 | - | - | - | - | - | - |
| Change in fair value of contingent consideration for the acquisition of HHE | - | (0.1) | - | - | - | - | - | - | - | - | - |
| Loss related to equity financing | - | - | - | (3.7) | (3.7) | - | - | - | - | - | - |
| Loss on additional acquisition cost to HHE in shares | - | - | - | (6.0) | (6.0) | - | - | - | - | - | - |
| Foreign exchange gain (loss) | 1.6 | (2.7) | 0.0 | (1.5) | (1.5) | - | - | - | - | - | - |
| EBT | (35.7) | (55.7) | (5.3) | (23.6) | (28.9) | (0.6) | (10.5) | (11.1) | (0.4) | (7.7) | (8.1) |
| Tax Expense | (0.4) | 0.4 | - | (0.1) | (0.1) | - | - | - | - | - | - |
| Net Income (Loss) from continuing operations | (36.1) | (55.2) | (5.3) | (23.7) | (28.9) | (0.6) | (10.5) | (11.1) | (0.4) | (7.7) | (8.1) |
| (Loss) income from operations of discontinued operations | 1.3 | (1.4) | - | (9.9) | (9.9) | - | - | - | - | - | - |
| Income tax benefit | - | - | - | - | - | - | - | - | - | - | - |
| Net Loss | (34.8) | (56.6) | (5.3) | (33.6) | (38.9) | (0.6) | (10.5) | (11.1) | (0.4) | (7.7) | (8.1) |
| Net Income(loss) attributable to non controlling interest-continuing operations | (0.0) | (0.1) | - | (0.2) | (0.2) | - | - | - | - | - | - |
| Net Income(loss) attributable to non controlling interest-discontinued operations | 0.7 | (0.7) | - | (4.6) | (4.6) | - | - | - | - | - | - |
| Less:Net Income(loss) attributable to non controlling interest | \$ 0.72 | \$ (0.74) | \$ - | \$ (4.83) | \$ (4.83) | \$ - |
| Net loss attributable to Borgs Technologies | (35.5) | (55.9) | (5.3) | (28.8) | (34.0) | (0.6) | (10.5) | (11.1) | (0.4) | (7.7) | (8.1) |
| Adj EBITDA | - | 2.0 | (1.6) | 6.4 | 4.8 | 2.1 | 3.1 | 5.3 | 2.8 | 4.0 | 6.8 |
| Net Earnings(loss) per share from continuing operations attributable BRQS | | | | | | | | | | | |
| Loss per share- Basic | (13.0) | (7.5) | (0.23) | (1.02) | (1.25) | (0.03) | (0.46) | (0.48) | (0.02) | (0.34) | (0.35) |
| Loss per share- Diluted | (13.0) | (7.5) | (0.23) | (1.02) | (1.25) | (0.03) | (0.46) | (0.48) | (0.02) | (0.34) | (0.35) |
| Number of ordinary shares used in earnings per share computation: | | | | | | | | | | | |
| Weighted Average number of shares used in calculating continuing operations- Basic | 2.8 | 7.4 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| Weighted Average number of shares used in calculating continuing operations- Diluted | 2.8 | 7.4 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |
| Margin Analysis | | | | | | | | | | | |
| Gross Margin | 6.0% | 8.8% | 14.2% | 30.5% | 21.2% | 24.0% | 24.0% | 24.0% | 24.0% | 28.0% | 26.0% |
| Operating Margin | -151.8% | -88.5% | -11.0% | 11.2% | -1.5% | 2.2% | 2.2% | 2.2% | 2.2% | 6.2% | 4.3% |
| Pre-Tax Margin | -133.4% | -188.3% | -17.5% | -105.5% | -55.0% | -2.2% | -40.7% | -21.0% | -1.6% | -26.0% | -14.0% |
| Net Income Margin | -132.7% | -189.0% | -17.5% | -128.5% | -64.8% | -2.2% | -40.7% | -21.0% | -1.6% | -26.0% | -14.0% |
| Tax Rate | 1.1% | -0.8% | 0.0% | 0.2% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Growth Rate Y/Y | | | | | | | | | | | |
| Total Revenue | -73.0% | 10.5% | 141.2% | 31.2% | 77.7% | -10.3% | 15.0% | 0.5% | 5.0% | 15.0% | 9.9% |
| Total cost of revenues | -74.4% | 7.2% | 141.4% | -4.2% | 53.7% | -20.5% | 25.8% | -3.1% | 5.0% | 8.9% | 6.9% |
| Selling, General and Administrative | 34.4% | -29.3% | -78.4% | -254.9% | -69.5% | -34.3% | 82.4% | 0.0% | 5.0% | 15.0% | 0.0% |
| Operating Income | 39.3% | -35.6% | -87.5% | 696.8% | -97.0% | -118.2% | -77.2% | -249.4% | 5.0% | 221.5% | 110.6% |
| Pre-Tax Income | 9.7% | 56.0% | -82.2% | -9.5% | -48.1% | -88.7% | -55.7% | -61.7% | -26.0% | -26.5% | -26.4% |
| Net Income | 3.2% | 57.4% | -82.2% | 9.4% | -39.1% | -88.7% | -63.6% | -67.5% | -26.0% | -26.5% | -26.4% |
| EPS | 1375.0% | -42.3% | 0.0% | -70.5% | -83.3% | -88.7% | -55.4% | -61.5% | -26.0% | -26.5% | -26.4% |
| Share Count- fully diluted | 2.78 | 7.37 | 22.95 | 22.95 | 22.95 | 22.95 | 22.95 | 22.95 | 22.95 | 22.95 | 22.95 |
| (1) Excludes 1x items | | | | | | | | | | | |
| (2) Using applicable tax rate | | | | | | | | | | | |

Source: Company Reports, Stonegate Capital Partners estimates

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