

INITIATION OF RESEARCH

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Market Statistics

Price	\$ 3.00
52 week Range	\$2.25 - \$3.14
Daily Vol (3-mo. average)	23,480
Market Cap (\$M):	\$ 58.42
Enterprise Value (\$M):	\$ 49.2
Adjusted Enterprise Value (\$M):	\$ 25.0
Shares Outstanding: (M)	19.5
Float (M)	13.0
Public Ownership	64.5%
Institutional Ownership	2.1%

Financial Summary

Cash (\$M)	\$ 9.20
Cash/Share	\$ 0.47
Debt (\$M)	\$ -
Equity (\$M)	\$ 70.00
Equity/Share	\$ 3.59

FYE: Sep 2022 2023E 2024E

(in \$M, except EPS)

Rev	\$ 49.7	\$ 114.4	\$ 124.8
Chng%	171%	130%	9%
EBITDA	\$ 0.5	\$ 4.6	\$ 5.9
Net Income	\$ (1.0)	\$ 1.6	\$ 2.9
EPS	\$ (0.05)	\$ 0.08	\$ 0.14
EV/Revenue	0.5x	0.2x	0.2x
EV/EBITDA	49.8x	5.4x	4.2x
P/E	-2.2x	1.3x	0.7x


Company Description

SSC Security Services Corp. provides physical and cyber security services to corporate and public sector clients in Canada. It provides physical security services, such as on-site security guards, remote continuous camera monitoring, mobile patrol, and investigative services. The company also provides cyber security services, including managed security, vulnerability and risk analysis, cyber security consulting, chief information security officer (CISO) consulting, and cyber security staff augmentation services. Further, it designs, builds, installs, and monitors electronic security systems. The company was formerly known as Input Capital Corp. and changed its name to SSC Security Services Corp.

SSC SECURITY SERVICES CORP. (TSXV: SECU)
COMPANY UPDATES

Continued execution of pivot strategy: The Company has continued to execute on their strategy to grow their security business through acquisitions and organic growth. After a busy 2021, SECU followed up by acquiring Logixx in 2022. The Logixx deal was an all-cash deal that transacted for approximately 3x prior years EBITDA. This presents a phenomenal value considering most private companies in this sector trade for about 4x to 6x EBITDA.

Share buyback plan: In December of 2022 the Company announced a share buyback plan. The specifics of this plan include the intent to purchase 1,200,000 shares representing 10% of float. The share buyback program was initiated on January 4, 2023 and will continue until January 3, 2024 or until all 1,200,000 shares are bought. This is in addition to the 41% of shares outstanding that the Company has bought back through NCIB and Substantial Issuer Bids over the last 5 years.

Debt free with no plans to change: SECU is in a strong position from a liquidity standpoint. They currently have no debt and management has made it clear that they will be judicious if and when they take on more debt. Additionally, the company is in a strong position from a working capital standpoint with \$24.5M in working capital to end the year. The company also has approx. \$35.7M in adjusted working capital which accounts for portions of their legacy business that will most likely become cash within the next year.

Legacy business is now immaterial: Management has noted on their most recent release that their legacy business is no longer material to their financials. As the Company continues to wind down their remaining legacy assets, we expect that those cash flows allocated to legacy assets will be reallocated to the security services portion of their business. In the meantime, we have accounted for the legacy assets on their balance sheet by including these assets into adjusted working capital. We also subtract these near cash legacy assets from Enterprise Value to arrive at Adjusted EV. We also expect SECU to start trading at a multiple that is more in-line with other security services businesses.

Consistent dividend payer: We note that the Company has paid a dividend of \$0.12 annually since inception. This results in a current dividend yield of approximately 4.4%. This consistency proves management's focus on delivering shareholder returns and has signaled that they intend to maintain this dividend for the foreseeable future.

Valuation: The Company is currently trading at 2024 expected EV/EBITDA of 4.1x vs average comps of 7.9x. We note that historically comps trade between 8.1x to 9.6x on average. Considering this historical range, we apply a range of 8.0x to 9.0x with a midpoint of 8.5x to our 2024 EBITDA and arrive at a valuation of \$4.14 to \$4.44 with a midpoint of \$4.29.

When we look at valuation through a discounted cash flow lens, we apply a discount range of 10.00% to 11.00% with a midpoint of 10.5% leading to a valuation range of \$4.63 to \$5.15 with a midpoint of \$4.88.

Business Overview

SSC Securities Services Corp. (“SSC”, “SECU” or “the Company”) is a national security company based out of Saskatchewan, Canada that is focused on growth in the physical and cyber security space. The Company currently operates as the largest publicly traded security company in Canada with approximately 2,750 employees. SSC has primarily grown by acquisition and intends to continue having M&A be a driving force of their growth. Previously SSC was Input Capital Corp. and operated outside of the security and alarm services industry.

SSC Securities Services Corp. was incorporated in October of 2011 and trades on the TSX.V under the symbol “SECU”. SSC also began trading on the OTCQX Best Market under the symbol “SECUF” in November of 2021.

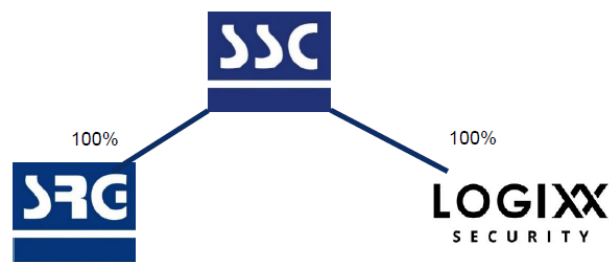
Company History

The Company was originally known as Input Capital, but prior to the inception of Input Capital the founders worked together on a fund known as Assiniboia Farmland where they operated in the agriculture industry. Founded by Doug Emsley (current CEO of SSC) and Brad Farquhar (current CFO of SSC), Assiniboia ran for 8 years and was a farm leasing business. They would buy land and then rent that land to farmers in Canada. After 8 years of 19.9% annual returns (net of fees) this farm leasing business was purchased by the Canada Pension Plan. This experience at Assiniboia gave the founders critical experience prior to the founding of Input Capital.

Two years prior to the sale of Assiniboia Farmland, the founders created Input Capital. Input Capital operated on a royalty streaming platform for farmers of canola. Input Capital would lend timely cash to canola farmers and in return would retain options to purchase a portion of the crops. This business was highly profitable until 2019 when China banned the import of canola from Canada. Input Capital also ran into a series of defaults from farmers during this time, all of which was recovered after court proceedings. As Input Capital began to wind down their canola positions, they began their transition to the security space, where Doug Emsley had decades of experience.

In 2021, Input Capital acquired SRG Security Resource Group (“SRG”), a local security services provider. They also acquired specific regional operations from Impact Security Group Inc. shortly after the SRG acquisition. Following these acquisitions, the Company changed its name to SSC Security Services Corp. At the beginning of 2022, SSC entered into an agreement to purchase Logixx Security Inc. which was a Toronto based provider. This transaction finalized in June of 2022 in cash for a valuation of approximately 3x EBITDA at a time when private transactions typically take place for 4x to 6x EBITDA.

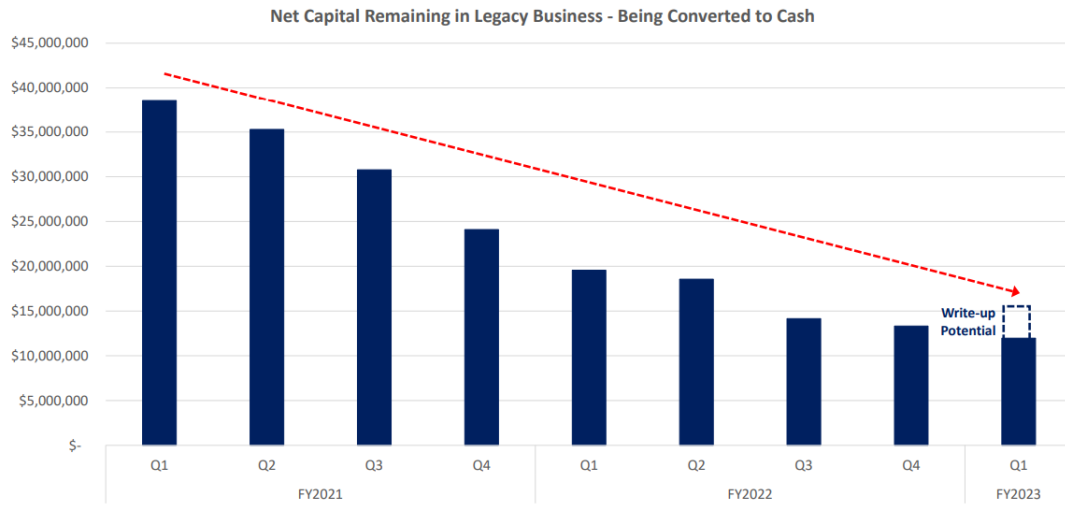
Exhibit 1: Subsidiary Ownership



Source: Company Presentations

The combination of SRG and Logixx gives SSC a strong cyber and physical security base to continue to grow both organically and through acquisition. Going forward, management has made clear that the legacy portions of SSC, namely the canola interests, are no longer material to the Company's operations.

Exhibit 2: Legacy Business Winding Down



Source: Company Presentations

Business Segments

Overview

SSC Security Services Corp. operates in two primary segments. About 85% of their revenues come from physical security services with the remaining 15% of their services coming from cyber security services. The Company boasts over 750 clients across multiple geographies with no client representing more than 10% of total revenue. Many of these clients are well-known international brands such as Uber, Apple, Coca Cola, and DHL.

Physical Security Services

SSC will contract their physical security services to a variety of different client types which can include:

- Strip malls
- Refineries
- Office buildings
- Airport clients

Onsite physical guards can be both uniformed and plainclothes. The airport offerings can include just about everything outside of passenger screening with the Company doing all the cargo screening for Air Canada.

Other offerings found under the physical security umbrella include:

- On-site security guards
- Remote video monitoring
- Mobile patrols

When implementing these offerings, the Company typically operates out of a central hub which helps reduce the labor costs as it is more efficient for one employee to monitor cameras as opposed to teams that monitor properties on foot.

This model is critical to the economics of SSC’s business. Inherent to the security industry is low margins. Key performance indicators for security services contracts are typically based on the amount of unbillable overtime expensed. Most contracts include a margin of about 3% expected overtime that cannot be billed to the client. If costs are kept below 3% the contract becomes more profitable for the Company, above 3% the contract becomes less profitable for the Company, and typically when unbillable overtime costs exceed 6% the contract becomes unprofitable for the Company.

Telling is the way that SSC was able to transform the operations at Logixx before and after the acquisition. Prior to being acquired by SSC, Logixx unbillable overtime expenses routinely ran around 8% per contract. After the acquisition, SSC was able to bring unbillable overtime expenses down to approximately 2.4%. Management expects to continue to standardize practices and improve efficiencies as they acquire new companies.

Cyber and Electronic Security Services

Cyber security services make up a smaller portion of SSC’s business offerings. These services typically entail monitoring of computer networks. Penetration into this market often starts with a short term white hat hacking contract where the Company will attempt to breach the clients software. This hack event is followed by a report that outlines the weaknesses and strengths of the client’s networks and is typically followed by engaging in a 24/7 network monitoring contract.

This revenue is recurring in nature and has larger margins than the physical security segment. SSC Security Services Corp. was able to get into this market in large part due to their acquisition of SRG. Going forward management expects to penetrate this market further through strategic acquisitions and effective hiring.

Exhibit 3: SECU Blue Chip Client Overview



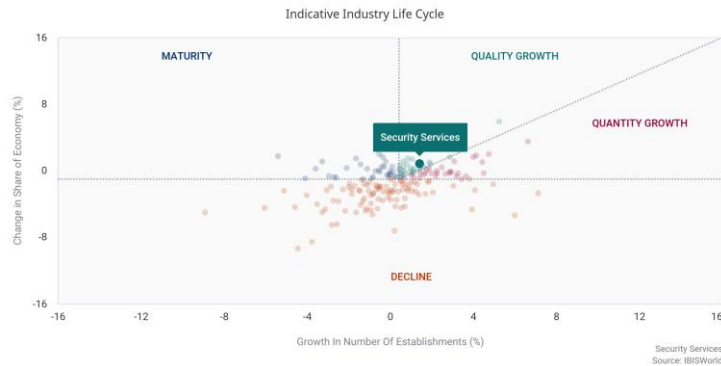
Source: Company Presentations

Market Overview

Overview

SSC Security Services Corp. operates in a highly competitive and highly acquisitive market. Overall, there is an estimated \$1.6B in total addressable market for security services providers, with the majority of that market up for grabs due to fragmentation of providers. Going forward, the market is expected to see 9.7% CAGR through 2026.

Exhibit 4: Canadian Business Segments Maturity Comparison



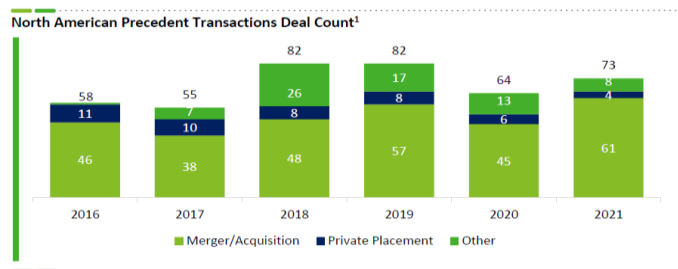
Source: Security Services of Canada Industry Report

Cyclically there is very little fluctuation between seasons. Providers will see slight fluctuations during the winter holiday season as clients require increased security, but overall month to month operations are stable. From a macro point of view the security industry tends to be resistant to recessions as most contracts with client are typically 3-5 years long. Notably, SSC has many client relationships that have lasted 15-20 years. If anything, security services become more necessary in a downturn.

External Growth

As noted, the security services industry is a very liquid market with many M&A deals per year. The larger companies in the industry tend to become acquisitive in fits and spurts but tend to not target the same companies that SSC targets due to their size. Most of the companies that SSC targets are smaller operations that have the characteristics of being started by former police officers or former security guards who do not have an exit plan and would benefit from stronger operational support. Due to companies subcontracting between each other, there are a lot of interrelationships between competitors that provides the groundwork for the M&A market to have insight into acquisition targets.

Exhibit 5: Security Services Transactions



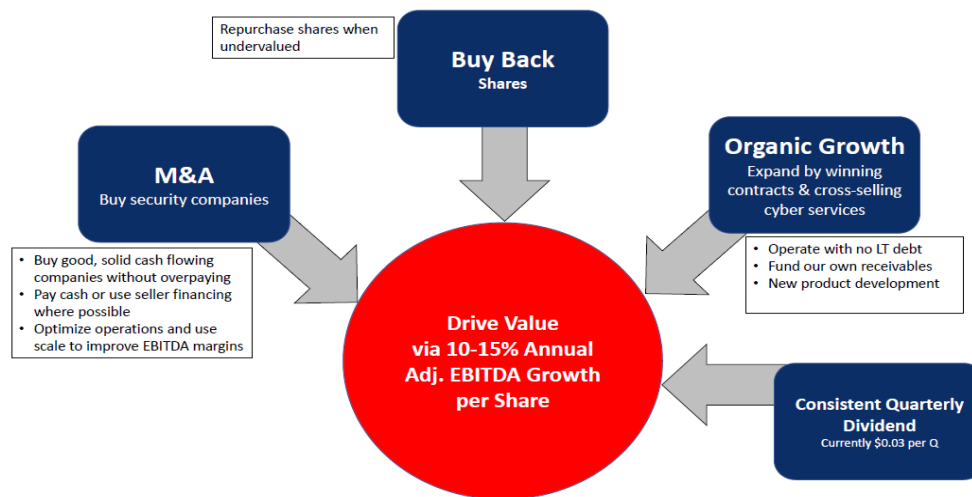
Source: Deloitte Security Services Segment Overview

Growth Strategy

Overview

Management has been explicit in their expectations going forward with the goal to generate \$200M to \$300M in revenue per year within the next 3-5 years. This will be accomplished through a combination of external and internal growth. The expectation is that top line growth will run about 10% in the physical security segment and about 20% in the cyber security segment. Externally, the Company expects to continue to be selective when purchasing companies that can be accretive to EBITDA. Aiding this growth will be the Company's strong balance sheet and lack of debt.

Exhibit 6: Company Growth Strategy



Source: Company Presentation

Risks

As with any investment, there are certain risks associated with SSC's operations as well as with the surrounding economic and regulatory environments common to the Security and Alarm Services industry and operating in a foreign country.

- SSC operates in a very labor-intensive industry that is transitioning to being less labor intensive. While the Company is keeping pace with this transition, they are subject to macro forces that have the potential to increase and decrease the size of the labor pool in the short term. Additionally, certain portions of this labor force have unionized, which could pose another risk of labor disruptions outside of management control.
- The Security and Alarm Services industry is highly competitive. Driving this competition is the low barriers to entry. Unforeseen competition could arise quickly due to these low barriers to entry that would require management to adapt and respond very quickly.
- Security services are subject to slim margins that are largely dependent on managing the unbillable overtime expenses per contract. Ideally management can keep unbillable overtime labor at under 3%. Management has shown their ability to reduce these expenses when they acquired Logixx, however unbillable overtime work is subject to factors that can be outside of management's control causing contracts to be less lucrative than expected.
- The Company is exposed to business transition risk. While management has significant experience in the security services, SSC as a company is relatively new to the sector. Management has shown an ability to navigate the transition between the legacy business and the security services business, however, they are still a relatively new player in the sector.

VALUATION SUMMARY

We use a comparable analysis and a discounted cash flow analysis to help frame our valuation of SSC.

For the DCF analysis we assume a stable revenue growth rate of 9.0% which is slightly more conservative than managements estimate of top line growth rates. For the terminal growth rate, we use a range of 1.75% to 2.25% with a midpoint of 2.0%.

We note that the comparable companies tend to trade at an average EV/EBITDA range between 8.1x to 9.6x. Currently SSC is trading at 4.2x of 2024 Adjusted EV/EBITDA, we believe a multiple range of 8.0x to 9.0x with a midpoint of 8.5x is more appropriate given the historical trading range of the comps.

Comparative Analysis

(all figures in M, except per share information)

Company Name	Symbol	Price ⁽¹⁾	Mrkt Cap	EV ⁽⁴⁾	EV/Revenue ^(2,3)			EV/EBITDA ^(2,3)		
					2022	2023E	2024E	2022	2023E	2024E
ADT Inc.	ADT	\$ 7.62	\$ 6,916.29	\$ 16,555.06	2.6x	2.4x	2.3x	6.8x	6.4x	6.1x
Allegion plc	ALLE	\$ 113.38	\$ 9,962.41	\$ 11,872.91	3.6x	3.3x	3.2x	16.4x	14.0x	13.2x
Securitas AB (publ)	SECU B	\$ 8.52	\$ 4,882.33	\$ 8,808.67	0.7x	0.6x	0.6x	8.8x	7.4x	6.8x
Intelligent Monitoring Group Limited	ASX: IMB	\$ 0.07	\$ 10.78	\$ 30.00	2.0x	N/A	N/A	12.5x	N/A	N/A
GDI Integrated Facility Services Inc.	TSX: GDI	\$ 33.43	\$ 783.28	\$ 1,067.90	0.7x	0.6x	0.6x	9.5x	9.3x	9.1x
The Brink's Company	BCO	\$ 67.08	\$ 3,120.33	\$ 5,978.43	1.3x	1.2x	1.2x	7.8x	6.8x	6.2x
Prosegur Compañía de Seguridad, S.A.	BME: PSG	\$ 1.98	\$ 1,050.94	\$ 2,632.37	0.6x	0.6x	0.6x	5.4x	4.8x	4.4x
Average					1.6x	1.5x	1.4x	9.6x	8.1x	7.6x
Median					1.3x	0.9x	0.9x	8.8x	7.1x	6.5x
SSC Security Services Corp.	TSXV:SECU	\$ 2.18	\$ 42.90	\$ 18.20	0.5x	0.2x	0.2x	49.8x	5.4x	4.2x

(1) Previous day's closing price

(2) Estimates are from Capital IQ

(3) Forward estimates based on fiscal year

(4) We use Adjusted EV for SSC due to their current transition into the security services industry

All Values in USD at an exchange rate of \$1.38 CAD/USD

Source: Company reports, Capital IQ, Stonegate Capital Partners

When we apply a range of discount rates from 10.25% to 10.75% to our DCF model we arrive at a valuation range of \$4.63 to \$5.15 with a midpoint of \$4.88 at a 10.5% discount rate.

When we apply a multiple range of 8.0x to 9.0x to our 2024 estimated EBITDA we arrive at a valuation range of \$4.14 to \$4.44 with a midpoint at \$4.29.

Sensitivity Analysis:

		Terminal Growth Rates				
		1.50%	1.75%	2.00%	2.25%	2.50%
Discount rate	10.00%	\$5.05	\$5.14	\$5.24	\$5.34	\$5.46
	10.25%	\$4.87	\$4.96	\$5.05	\$5.15	\$5.25
	10.50%	\$4.71	\$4.79	\$4.88	\$4.97	\$5.06
	10.75%	\$4.56	\$4.63	\$4.71	\$4.79	\$4.88
	11.00%	\$4.41	\$4.48	\$4.56	\$4.63	\$4.71

	EV/EBITDA		
2024 EBITDA	8.00x	8.50x	9.00x
Ebitda	5.9	5.9	5.9
TEV	47.2	50.2	53.1
Cash	9.2	9.2	9.2
Near Cash	24.2	24.2	24.2
Debt	-	-	-
Mrkt Cap	80.6	83.6	86.5
S/O	19.5	19.5	19.5
Price	\$ 4.14	\$ 4.29	\$ 4.44

DISCOUNTED CASH FLOW

SSC Security Services Corp.														
Discounted Cash Flow Model														
<i>(in \$M, except per share)</i>														
Estimates:	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2031E	Terminal Value
Revenue	25.6	18.3	49.7	114.4	124.8	136.0	148.3	161.6	176.2	192.0	209.3	228.1	248.7	
Operating Income	10.3	(1.7)	(4.0)	(0.6)	1.0	3.4	3.7	4.4	5.3	6.3	7.3	8.0	9.0	
Less: Taxes (benefit)	(0.2)	0.7	(0.3)	0.6	1.1	0.9	1.0	1.2	1.4	1.7	2.0	2.2	2.4	
NOPAT	10.5	(2.4)	(3.6)	(1.2)	(0.1)	2.5	2.7	3.2	3.9	4.6	5.3	5.8	6.5	
Plus: Depreciation & Amortization	0.0	0.1	1.8	3.2	3.2	3.1	3.1	3.1	3.0	3.1	2.9	3.0	3.0	
Plus: Changes in WC	(16.1)	1.3	8.7	2.3	2.5	2.7	3.0	3.2	3.5	3.8	4.2	4.6	5.0	
Less: Capex	-	(12.7)	(22.1)	(1.7)	(1.9)	(2.0)	(1.9)	(2.0)	(2.2)	(2.4)	(2.1)	(2.3)	(2.5)	
Free Cash Flow	(5.6)	(13.8)	(15.3)	2.6	3.8	6.3	6.9	7.5	8.2	9.1	10.4	11.1	12.0	144.1
Discount period - months				12	24	36	48	60	72	84	96	108	120	
Discount period - years				1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	
Discount factor				0.90	0.82	0.74	0.67	0.61	0.55	0.50	0.45	0.41	0.37	
PV of FCF				2.4	3.1	4.7	4.6	4.5	4.5	4.5	4.7	4.5	4.4	53.1
Growth rate assumptions:														
Revenue		-28.4%	171.4%	130.2%	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Operating Income		-116.4%	136.0%	-85.4%	-270.0%	244.7%	9.0%	17.7%	21.1%	19.9%	15.6%	9.0%	12.1%	
EBITDA		-115.6%	38.0%	-220.4%	58.7%	54.2%	4.5%	9.0%	11.4%	13.6%	9.0%	6.8%	9.0%	
Free Cash Flow		147.0%	11.3%	-117.1%	44.6%	66.5%	10.2%	7.7%	9.4%	11.8%	13.5%	6.8%	8.4%	
Margin assumptions:														
Operating Income	40.1%	-9.2%	-8.0%	-0.5%	0.8%	2.5%	2.5%	2.7%	3.0%	3.3%	3.5%	3.5%	3.6%	
D&A as a % of sales	0.2%	0.4%	3.6%	2.8%	2.6%	2.3%	2.1%	1.9%	1.7%	1.6%	1.4%	1.3%	1.2%	
EBITDA	40.3%	-8.8%	-4.5%	2.3%	3.4%	4.8%	4.6%	4.6%	4.7%	4.9%	4.9%	4.8%	4.8%	
Taxes	-2.0%	-42.9%	8.4%	-108.2%	109.6%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	
Changes in WC	-62.9%	7.0%	17.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Capex as a % of sales	0.0%	-69.4%	-44.5%	-1.5%	-1.5%	-1.5%	-1.3%	-1.3%	-1.3%	-1.3%	-1.0%	-1.0%	-1.0%	
Valuation:														
Shares outstanding	19.5													
PV of FCF	41.9													
PV of Terminal Value	53.1													
Enterprise Value	95.0													
less: Net Debt	-													
Estimated Total Value:	95.0													
Est Equity Value/share:	\$4.88													
Sensitivity Analysis:														
									Terminal Growth Rates					
									1.50%	1.75%	2.00%	2.25%	2.50%	
Discount rate	10.00%	\$5.05	\$5.14	\$5.24	\$5.34	\$5.46								
	10.25%	\$4.87	\$4.96	\$5.05	\$5.15	\$5.25								
	10.50%	\$4.71	\$4.79	\$4.88	\$4.97	\$5.06								
	10.75%	\$4.56	\$4.63	\$4.71	\$4.79	\$4.88								
	11.00%	\$4.41	\$4.48	\$4.56	\$4.63	\$4.71								
Price	\$3.00													

Source: Company Reports; Stonegate Capital Markets

BALANCE SHEET

SSC Security Services Corp. Consolidated Balance Sheets (C\$000s) Fiscal Year End: September											
ASSETS	Q1 Dec-20	Q2 Mar-21	Q3 Jun-21	Q4 Sep-21	FY 2021	Q1 Dec-21	Q2 Mar-22	Q3 Jun-22	Q4 Sep-22	FY 2022	Q1 Dec-22
Cash	29.5	20.4	25.0	28.8	28.8	31.2	31.8	15.3	11.2	11.2	9.2
Accounts Receivable	-	2.1	2.7	4.8	4.8	4.5	3.4	16.7	20.9	20.9	23.5
Trade and other receivables	0.9	-	-	-	-	-	-	-	-	-	-
Contract Assets	-	-	-	0.0	0.0	-	-	0.2	0.2	0.2	0.3
Inventories	-	0.1	0.0	-	-	-	-	0.3	0.3	0.3	0.3
Prepaid Expenses	0.1	0.2	0.2	0.2	0.2	0.5	0.3	1.1	1.0	1.0	1.0
Other Financial Assets	0.0	1.0	2.0	1.5	1.5	1.3	1.3	1.0	0.5	0.5	0.4
Income tax recoverable	-	-	-	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Legacy contract assets	-	-	-	0.0	0.0	-	-	-	-	-	-
Mortgages and loans receivable	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.5	2.6	2.6	2.6
Current portion of canola interests	1.0	0.6	-	-	-	-	-	-	-	-	-
Assets held for sale	6.5	5.5	4.6	3.7	3.7	1.3	1.3	0.8	0.8	0.8	0.8
Total Current Assets	39.0	31.0	35.6	40.0	40.0	39.9	39.1	36.0	37.7	37.7	38.1
Legacy contract assets	-	-	-	10.4	10.4	-	10.2	8.0	8.0	8.0	7.1
Mortgages and loans receivable	25.5	22.6	17.0	11.5	11.5	7.4	6.1	3.9	1.9	1.9	1.5
Property and equipment	-	0.9	0.8	0.9	0.9	0.8	0.7	3.0	3.2	3.2	3.7
Deferred income tax assets	3.4	3.4	2.9	2.4	2.4	2.4	2.3	1.9	2.5	2.5	2.4
Intangible assets	-	9.1	9.0	10.3	10.3	10.1	9.9	20.2	20.7	20.7	20.4
Goodwill	-	9.4	9.4	9.4	9.4	9.4	9.4	13.9	13.8	13.8	13.8
Crop interests	12.3	11.6	11.0	-	-	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	10.4	-	0.3	-	-	-
Total Assets	80.3	88.0	85.7	84.9	84.9	80.4	77.8	87.2	87.7	87.7	87.0
LIABILITIES AND SHAREHOLDERS' EQUITY											
Accounts payable and accrued liabilities	-	3.4	3.5	4.5	4.5	4.6	3.8	9.8	11.8	11.8	11.7
Trade and Other Payables	2.8	-	-	-	-	-	-	-	-	-	-
Revolving Credit Facility	-	-	-	-	-	-	-	-	-	-	-
Income tax payable	-	0.0	0.1	-	-	-	-	0.4	0.4	0.4	0.2
Obligation under lease	-	0.0	0.0	0.1	0.1	0.1	0.1	0.5	0.5	0.5	-
Contract liabilities	-	0.1	0.0	0.0	0.0	0.1	0.0	0.3	0.5	0.5	0.3
Long-term debt	0.2	0.2	0.4	2.3	2.3	0.2	-	-	-	-	-
Other current liabilities	0.2	-	-	-	-	-	-	-	-	-	0.8
Total Current Liabilities	3.1	3.7	4.0	6.9	6.9	5.0	4.0	10.6	13.2	13.2	13.0
Obligor under lease	7.5	5.8	2.7	0.3	0.3	0.3	-	-	-	-	-
Long-term debt	-	0.3	0.3	0.3	0.3	0.3	0.3	0.7	0.8	0.8	1.0
Deferred income tax liability	-	2.1	2.1	1.6	1.6	1.4	1.2	3.6	3.0	3.0	3.0
Total Liabilities	10.7	12.0	9.0	9.0	9.0	6.9	5.4	14.8	17.0	17.0	17.0
Share capital	74.6	81.6	81.6	81.6	81.6	80.2	80.0	79.8	79.6	79.6	79.2
Contributed surplus	4.1	4.1	4.1	4.1	4.1	4.1	4.2	4.2	4.2	4.2	4.3
Deficit	(9.1)	(9.6)	(8.9)	(9.8)	(9.8)	(10.9)	(11.8)	(11.6)	(13.2)	(13.2)	(13.5)
Total Parent Net Equity	69.6	76.0	76.7	75.9	75.9	73.5	72.4	72.4	70.6	70.6	70.0
Total Consolidated Equity	69.6	76.0	76.7	75.9	75.9	73.5	72.4	72.4	70.6	70.6	70.0
Total Liabilities and Shareholders' Equity	80.3	88.0	85.7	84.9	84.9	80.4	77.8	87.2	87.7	87.7	87.0
Liquidity											
Current Ratio	12.4x	8.3x	8.9x	5.8x	5.8x	8.0x	9.9x	3.4x	2.9x	2.9x	2.9x
Quick Ratio	9.4x	6.3x	7.4x	5.1x	5.1x	7.4x	9.2x	3.1x	2.5x	2.5x	2.6x
Working Capital (M\$)	35.9	27.2	31.6	33.2	33.2	34.9	35.1	25.4	24.5	24.5	25.2
Adjusted Working Capital (M\$)	61.4	49.8	48.5	55.1	55.1	42.3	51.5	37.3	34.3	34.3	33.7
Leverage											
Debt to Equity	11.1%	8.3%	4.4%	3.8%	3.8%	1.1%	0.5%	1.6%	1.9%	1.9%	1.5%
Debt to Capital	9.6%	7.2%	3.9%	3.4%	3.4%	1.0%	0.4%	1.3%	1.5%	1.5%	1.2%

Source: Company Reports, Stonegate Capital Partners

INCOME STATEMENT

SSC Security Services Corp.																
Consolidated Statements of Income (in C\$000s, except per share amounts)																
Fiscal Year End: September																
	FY 2021	Q1 Dec-21	Q2 Mar-22	Q3 Jun-22	Q4 Sep-22	FY 2022	Q1 Dec-22	Q2 E Mar-23	Q3 E Jun-23	Q4 E Sep-23	FY 2023E	Q1 E Dec-23	Q2 E Mar-24	Q3 E Jun-24	Q4 E Sep-24	FY 2024E
Revenues	\$ 18.3	\$ 5.9	\$ 5.5	\$ 11.8	\$ 26.5	\$ 49.7	\$ 28.0	\$ 28.3	\$ 28.8	\$ 29.3	\$ 114.4	\$ 30.6	\$ 30.8	\$ 31.4	\$ 32.0	\$ 124.8
Other revenue & inc	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	18.3	5.9	5.5	11.8	26.5	49.7	28.0	28.3	28.8	29.3	114.4	30.6	30.8	31.4	32.0	124.8
Operating Expenses:																
Cost of sales	15.3	5.0	4.5	10.0	21.8	41.2	23.8	24.0	24.5	24.9	97.1	26.0	26.2	26.7	27.1	105.9
Gross Profit	3.0	0.9	1.0	1.9	4.7	8.5	4.2	4.3	4.3	4.4	17.3	4.6	4.7	4.7	4.8	18.8
Corporate administration	4.1	1.6	1.5	2.3	5.3	10.7	3.7	3.7	3.7	3.7	14.6	3.7	3.7	3.7	3.7	14.6
D&A	0.7	0.2	0.3	0.5	0.8	1.8	0.8	0.8	0.8	0.8	3.2	0.8	0.8	0.8	0.8	3.2
Total Operating Expenses	4.7	1.8	1.8	2.7	6.1	12.5	4.5	4.5	4.5	4.5	17.9	4.5	4.5	4.5	4.5	17.9
Operating Income	(1.7)	(0.9)	(0.8)	(0.9)	(1.4)	(4.0)	(0.2)	(0.2)	(0.1)	(0.0)	(0.6)	0.2	0.2	0.3	0.4	1.0
Interest income	2.0	0.2	0.2	0.1	0.1	0.6	0.1	0.4	0.4	0.4	1.2	0.4	0.4	0.4	0.4	1.4
Interest expense	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Total financing gains/loses	1.7	0.2	0.2	0.1	0.1	0.6	0.1	0.3	0.3	0.3	1.0	0.3	0.3	0.3	0.3	1.3
Gain from legacy business	2.1	(0.1)	0.2	1.7	(0.2)	1.6	0.4	0.4	0.4	0.4	1.7	0.4	0.4	0.4	0.4	1.7
Other gains/loses	0.5	0.1	0.1	0.2	0.1	0.5	0.1	-	-	-	0.1	-	-	-	-	-
Profit Before Taxes	2.6	(0.7)	(0.4)	1.0	(1.3)	(1.3)	0.4	0.5	0.6	0.7	2.3	0.9	0.9	1.0	1.1	4.0
Provision for Income Tax	0.7	(0.2)	(0.1)	0.3	(0.3)	(0.3)	0.1	0.1	0.2	0.2	0.6	0.2	0.3	0.3	0.3	1.1
Net Income	1.9	(0.5)	(0.3)	0.8	(1.0)	(1.0)	0.3	0.4	0.5	0.5	1.6	0.7	0.7	0.8	0.8	2.9
Dividend Per Share	\$ 0.12	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.12	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.12	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.12
Basic EPS	\$ 0.09	\$ (0.03)	\$ (0.01)	\$ 0.04	\$ (0.05)	\$ (0.05)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.08	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.14
Diluted EPS	\$ 0.09	\$ (0.03)	\$ (0.01)	\$ 0.04	\$ (0.05)	\$ (0.05)	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.08	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.14
WTD Shares Out - Basic	20.3	17.4	19.8	19.7	19.6	19.6	19.9	20.1	20.3	20.5	20.5	20.7	20.9	21.1	21.3	21.3
WTD Shares Out - Diluted	20.3	18.9	20.7	20.7	19.7	19.7	20.2	20.4	20.6	20.8	20.8	21.0	21.2	21.4	21.6	21.6
EBITDA	\$ 1.5	\$ (0.4)	\$ (0.1)	\$ 1.5	\$ (0.5)	\$ 0.5	\$ 1.3	\$ 1.0	\$ 1.1	\$ 1.2	\$ 4.6	\$ 1.4	\$ 1.4	\$ 1.5	\$ 1.6	\$ 5.9
Adjusted EBITDA	\$ 3.3	\$ 0.1	\$ 0.2	\$ 0.4	\$ 1.4	\$ 2.1	\$ 0.9	\$ 1.0	\$ 1.1	\$ 1.2	\$ 4.6	\$ 1.4	\$ 1.4	\$ 1.5	\$ 1.6	\$ 5.9
Margin Analysis																
Gross Margin	16.6%	15.7%	18.2%	15.7%	17.7%	17.0%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%
Operating Margin	-9.2%	-15.0%	-15.3%	-7.5%	-5.2%	-8.0%	-0.8%	-0.7%	-0.4%	-0.1%	-0.5%	0.5%	0.6%	0.9%	1.1%	0.8%
EBITDA Margin	8.4%	-7.1%	-1.4%	12.9%	-2.0%	1.0%	4.5%	3.6%	3.9%	4.1%	4.0%	4.5%	4.6%	4.8%	5.0%	4.7%
Pre-Tax Margin	14.1%	-11.2%	-7.0%	8.8%	-4.9%	-2.6%	1.5%	1.9%	2.1%	2.4%	2.0%	3.0%	3.1%	3.3%	3.5%	3.2%
Net Income Margin	10.2%	-8.1%	-5.2%	6.4%	-3.7%	-2.0%	1.0%	1.4%	1.6%	1.7%	1.4%	2.2%	2.2%	2.4%	2.6%	2.3%
Tax Rate	27.9%	27.7%	25.9%	26.7%	25.1%	25.3%	31.2%	27.0%	27.0%	27.0%	27.8%	27.0%	27.0%	27.0%	27.0%	27.0%
Dividend Yield	4.8%	4.2%	4.0%	4.6%	3.9%	3.9%	4.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Growth Rate Y/Y																
Total Revenue	-28.4%	37.6%	19.3%	200.9%	382.0%	171.4%	376.2%	413.8%	143.9%	10.6%	130.2%	9.1%	9.1%	9.1%	9.1%	9.1%
Total cost of revenues	30.5%	63.1%	-4.6%	180.0%	496.8%	168.5%	317.4%	348.7%	127.9%	5.3%	114.2%	7.7%	7.7%	7.7%	7.7%	7.7%
Operating Income	-116.4%	-797.4%	-58.6%	45.4%	-265.8%	136.0%	-74.2%	-76.4%	-86.9%	-97.2%	-85.4%	-166.8%	-195.5%	-342.7%	-1046.6%	-270.0%
Pre-Tax Income	-72.2%	-164.6%	-308.9%	-39.9%	281.5%	-150.7%	-162.9%	-239.2%	-40.5%	-153.1%	-272.1%	118.3%	76.8%	67.7%	61.2%	77.1%
EBITDA	-84.8%	-172.9%	-32.2%	0.6%	16.6%	-67.2%	-400.7%	-1459.8%	-27.1%	-324.9%	815.9%	9.5%	37.7%	35.5%	33.8%	28.4%

Source: Company Reports, Stonegate Capital Partners estimates

CASH FLOW STATEMENT

SSC Security Services Corp.
 Consolidated Cash Flow Statements (C\$000s)
 Fiscal Year End: September

CASH FLOW	Q1 Dec-20	Q2 Mar-21	Q3 Jun-21	Q4 Sep-21	FY 2021	Q1 Dec-21	Q2 Mar-22	Q3 Jun-22	Q4 Sep-22	FY 2022	Q1 Dec-22
Operating Activities											
Net income	0.7	0.1	1.3	(0.3)	1.9	(0.5)	(0.3)	0.8	(1.0)	(1.0)	0.3
Amortization of capital and intangible assets	0.1	0.2	0.2	0.2	0.7	0.2	0.3	0.5	0.7	1.8	0.8
Deferred share unit expense (recovery)	(1.0)	0.2	(0.0)	0.1	(0.7)	0.2	0.1	(0.2)	0.5	0.6	(0.1)
Share based payments	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.0
Income tax (recovery) expense	0.3	0.1	0.4	(0.1)	0.7	(0.2)	(0.1)	0.3	(0.3)	(0.3)	(0.3)
Income tax recovered	-	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)	-	0.0	0.0	-
Interest revenue	(0.6)	(0.5)	(0.4)	(0.4)	(2.0)	(0.2)	(0.2)	(0.1)	(0.1)	(0.6)	(0.1)
Interest received	2.3	0.1	(0.2)	0.4	2.5	0.3	0.2	0.4	0.1	1.0	0.2
Cost of sales - legacy options	2.5	0.5	0.4	(1.8)	1.7	0.0	-	-	0.0	0.0	-
Gain from legacy business	(0.3)	(1.7)	(1.8)	1.7	(2.1)	0.1	(0.2)	(1.7)	0.2	(1.6)	(0.4)
Market value adjustments	-	-	-	-	-	-	-	-	-	-	-
Other income	(0.0)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	(0.0)	(0.1)	0.0	(0.2)	(0.0)
Changes in non-cash working capital items	(0.4)	0.1	(0.0)	(1.1)	(1.4)	(0.0)	0.4	(1.3)	(3.0)	(4.0)	(2.8)
Cash flow generated/(absorbed) from operating activities	3.6	(1.0)	(0.2)	(1.3)	1.1	(0.2)	0.2	(1.4)	(2.8)	(4.2)	(2.4)
Investing Activities											
Proceeds from legacy assets	-	-	-	5.9	5.9	-	-	-	7.9	7.9	-
Legacy operations	(0.8)	2.1	2.5	(3.8)	-	2.5	0.4	4.9	(7.8)	-	1.4
Proceeds from repayment of mortgages and loans receivable	1.1	3.5	6.0	5.7	16.3	4.2	1.3	2.4	(0.0)	8.0	0.4
Purchase of property and equipment	-	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.0)	(0.7)	(0.1)	(1.0)	(0.3)
Purchase of intangible assets	-	-	-	(1.4)	(1.4)	-	-	-	-	-	(0.0)
Acquisition of subsidiary, net of cash acquired	-	(11.2)	-	-	(11.2)	-	-	(21.0)	(0.2)	(21.1)	-
Other investing activities	-	-	-	-	-	-	-	-	-	-	-
Cash flow generated/(absorbed) from investing activities	0.4	(5.7)	8.5	6.3	9.5	6.6	1.7	(14.3)	(0.3)	(6.3)	1.5
Financing Activities											
Dividends paid	(0.5)	(0.5)	(0.6)	(0.6)	(2.3)	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)	(0.6)
Interest expense	0.1	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.1	0.0
Interest paid	(0.2)	-	(0.1)	-	(0.3)	(0.0)	-	(0.0)	-	(0.0)	-
Principal lease payments	-	-	-	(0.2)	(0.2)	-	-	-	(0.2)	(0.2)	(0.2)
Repayments on long-term debt	-	-	-	(5.2)	(5.2)	-	-	-	(2.5)	(2.5)	-
Draws on long-term debt	(0.0)	(1.7)	(3.0)	4.7	-	(2.1)	(0.5)	-	2.5	-	-
Repayments on revolving credit facility	-	-	-	-	-	-	-	-	-	-	-
Draws on revolving credit facility	-	-	-	-	-	-	-	-	-	-	-
Purchase of common shares	(1.2)	(0.2)	0.0	-	(1.4)	(1.5)	(0.2)	(0.2)	(0.2)	(2.2)	(0.4)
Proceeds from shares issued	-	0.0	-	-	0.0	0.2	0.0	-	(0.0)	0.2	-
Cash flow generated/(absorbed) by financing activities	(1.8)	(2.4)	(3.7)	(1.2)	(9.0)	(4.0)	(1.3)	(0.8)	(1.0)	(7.1)	(1.1)
Net Cash flow in the year	2.2	(9.1)	4.6	3.8	1.6	2.4	0.6	(16.5)	(4.1)	(17.6)	(2.0)
Cash and Cash Equivalents											
Beginning Cash balance	27.2	29.5	20.4	25.0	27.2	28.8	31.2	31.8	15.3	28.8	11.2
Ending Cash balance	29.5	20.4	25.0	28.8	28.8	31.2	31.8	15.3	11.2	11.2	9.2

Source: Company Reports, Stonegate Capital Partners

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