

SKYX Platforms

Raises Capital at Favorable Price

Oct 10, 2024

Technology

SKYX

NCM

Rating

Outperform

Unchanged

Current Price

\$1.25

Target Price

\$5.00

Market Capitalization

126.99m

Shares Outstanding

101.59m

Float

63.80

Institutional Holdings

8.55%

12-Month Low/High

\$0.72/\$1.95

Average 90-Day Volume

306450

Fiscal Year End

12/31/2024

Scores additional funding. This week, the company announced that it secured \$11 million in additional funding through the issuance of convertible preferred shares. At \$2 per share, the company raised the funds at a premium to the current share price, which has fluctuated around \$1 per share in recent months. The shares will pay an 8% annualized dividend (quarterly installments) and are convertible to common shares at \$2 per share.

Strategic relationship. Lance Shaner is the leading investor in the preferred share offering, which includes several other company insiders. Notably, Mr. Shaner, who chairs SKYX's Hotel Advisory Board, is the CEO of Shaner Hotel Group, a leading developer of Marriot hotels. In our view, the vote of confidence given by Mr. Shaner could signal potential hotel partnerships for the company in the future and serves as continued validation of the company's technology by industry insiders.

Assuages investor fears. As of June 30, the company had \$12.7 million of cash and restricted cash, and roughly \$17.8 million of total debt. We believe the issuance will serve to assuage investors' fears about the company's ability to reach profitability without highly dilutive funding. With the expectation that the company will swing towards positive cashflow generation during 2025, we do not anticipate that the company will need additional funding before that time.

Outperform rating. Near current levels, the SKYX shares trade at 0.8 times enterprise value to our 2025 revenue forecast, well below peers. Our \$5 price target reflects a target multiple of roughly 3.7 times enterprise value to our 2025 revenue forecast, more in line with peers.

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Revenues (\$ MIL)

Period	2023A	2024E	2025E
Q1	0.0	19.0A	
Q2	15.0	21.4A	
Q3	21.6	24.1E	
Q4	22.1	28.0E	
	58.8A	92.5E	140.3E

EPS (\$)

Period	2023A	2024E	2025E
Q1	(0.10)	(0.10)A	
Q2	(0.14)	(0.08)A	
Q3	(0.08)	(0.10)E	
Q4	(0.13)	(0.08)E	
	(0.45)	(0.36)E	(0.22)E

Company Profile

SKYX Platforms is a developer of safe and smart technologies for homes and commercial buildings. With the introduction of its weight-supporting ceiling receptacle and technology-enhanced light fixtures and plug-and-play smart home devices, the company is aiming to revolutionize the lighting and smart home industries. The company holds more than 30 patents in the U.S and Internationally including China, Europe, and 2 patents in India, and has roughly 60 patents pending. Its innovative technology has been recognized by several industry standard-setting organizations over the last several years including UL, FCC, the National Electrical Code (NEC), ANSI, NEMA, IAEI and the American Institute of Architects. Importantly, SKYX's patented ceiling receptacle technology eliminates the dangerous wiring process inherent to changing traditional ceiling fixtures. The ceiling receptacle serves as a weight-supporting outlet on the ceiling into which is plugged a fixture, known as the "SkyPlug." SKYX's patents extend to the technology for both the receptacle and fixture (SkyPlug). The company went public on February 10, 2022, and trades on the NASDAQ under the symbol "SKYX." SKYX is headquartered in Pompano Beach, FL.

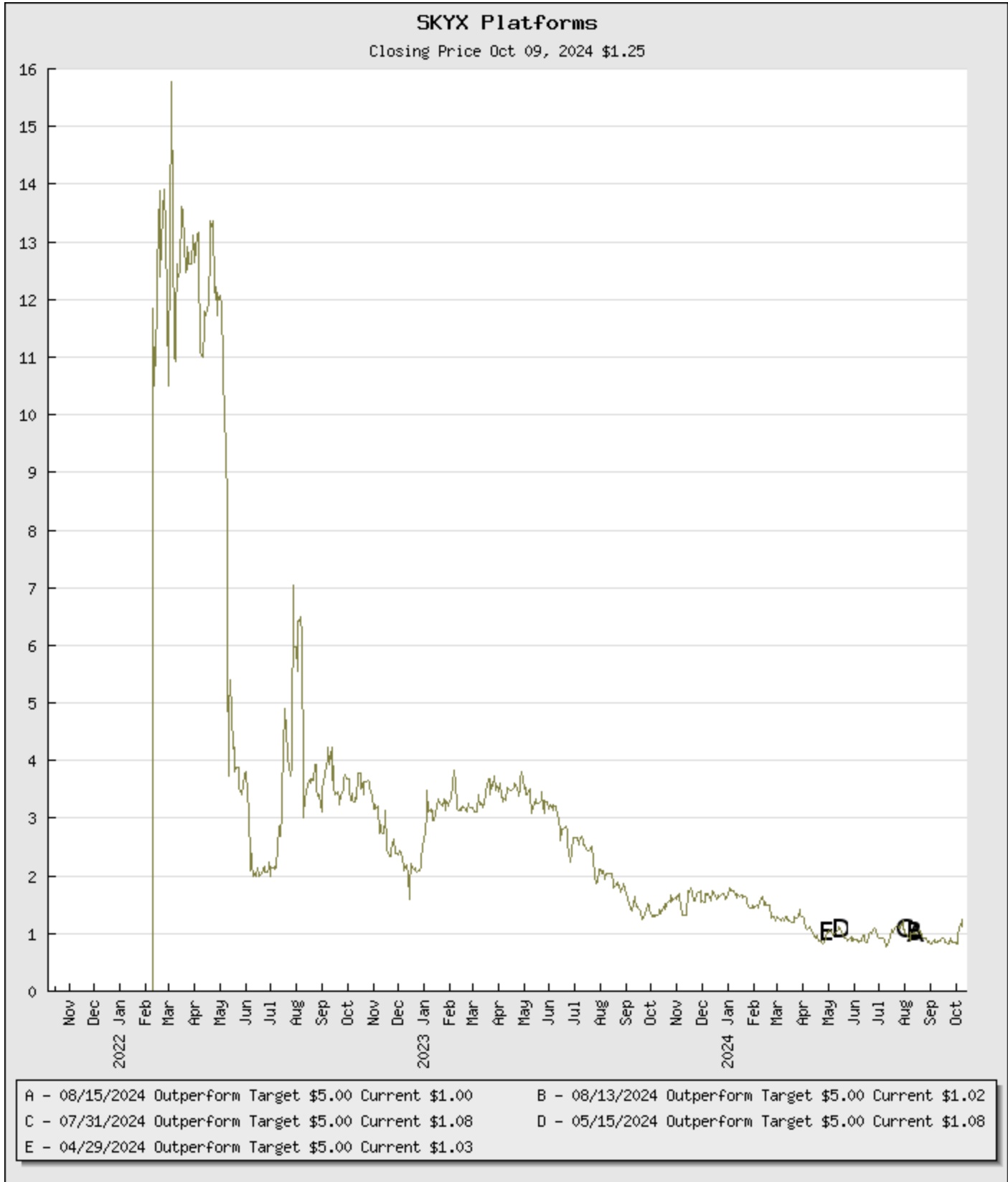
Fundamental Analysis 3.0/5.0 Checks

In our assessment, we gave the company 3.0 checks, which implies an average score. This analysis takes into account the company's corporate governance / management, market opportunity analysis, competitive position, operating leverage and financial leverage. The company scored high for its experienced management team as well as its expansive market opportunity. It also scored well for its operating leverage. The company could score higher upon reaching profitability and demonstrated adoption of its products by the market.

Valuation Summary

Near current levels, the SKYX shares trade at 0.8 times enterprise value to our 2025 revenue forecast, well below peers. The peers group trades at an average of 4.0 times 2025 revenue. SKYX's peer group consists of companies that focus on smart and connectivity related technology. Our \$5 price target reflects a target enterprise value multiple of roughly 3.7 times our 2025 revenue forecast, closer to peers. Our enterprise value calculation uses 105 million diluted shares outstanding, inclusive of the 5.5 million convertible preferred shares (\$2 exercise price). Our target multiple is at a discount to its peers since most of its peers are profitable, unlike SKYX. We believe there is additional valuation upside as the company tracks towards positive cash flow generation. Additionally, we believe the prospect for mandatory NEC standardization approval represents significant upside potential for the shares, as such a move could enhance its revenue growth trajectory.

Risks to achieving our price target include manufacturing delays of products that integrate the company's technology, difficulty integrating the company's products with retail operations, inflationary pressure and material shortages, and failure to gain brand recognition, among others.



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Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclical, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	90%	25%
Market Perform: potential return is -15% to 15% of the current price	10%	3%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

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