



SoundView Technology Group Research Note: Setting Up for the New NXT-ID Inc.

November 19, 2018

BOSTON, November 19, 2018 /PRNewswire/ --

SoundView Technology Group (<http://soundview.co>) releases the following company update for (NASDAQ:NXTD).

The full report can be read at: http://s3.amazonaws.com/PUBLISHED/NXT-ID_NXTD_SV_Note_NOV_2018.pdf

NXT-ID (NXTD \$1.10)
SETTING UP FOR THE NEW NXT-ID
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Highlights

Profitable Growth & Business Expansion

With the PartX spinoff in process the "new NXT-ID" will be coming into focus. The two key factors we see driving value in the next few months are 1) sustainable revenue growth and profitability and 2) expansion into digital healthcare. We will launch coverage of PartX when it gets closer to trading.

The Logic Mark business is solid and we expect total revenues in 2019 of \$22M with 70% gross margins and 20% EBIT margins. Annual revenue growth should be in area of 25%. Even at a 15x P/E multiple this gets us to a Present Future Value (PFV) of \$3.69/share. (See model below.)

Current debt stands at about \$15M which is about \$0.60/share. Over time we'd expect management to apply these high EBIT margins to reducing the debt outstanding and associated interest payments. However right now there is more leverage in growing the business due to the high gross margins.

So far Logic Mark has grown in a single market (Personal Emergency Response or "PERS") and there is still lots of market share available for them, especially with their lower-cost non-monitored solution.

There are also brand-new initiatives for PERS-like solutions for classes of employees like hotel workers. As reported by NPR hotel workers are often exposed to dangerous situations like sexual harassment and measures are being taken to improve their safety and working conditions. One key element of these programs is a "panic button" device to be worn or carried that can be activated in case of danger.

Other applications include hikers, climbers, fisherman, hunters and children. Some national parks are beginning to consider these devices for safety reasons for all visitors. The non-monitored, low cost but very effective Logic Mark technology is a good fit for these types of applications.

Today the PERS market is \$1.85B/year according to Statista. Just focusing on their existing market, expanding consumer distribution and tapping a few new markets like hospitality would allow Logic Mark to be 5 or even 10x their current size. Execution is always critical, but the company is in a strong position.

During their Q3 investor update on November 15th, management indicated that some Logic Mark products would soon be available in some "big box" retail channels, both in-store and online, by the end of the year. We think that expanded distribution is likely to have a positive impact on revenue growth in 2019.

We revisited our earlier market analysis work and while there are competitive products Logic Mark still stacks up very favorably with respect to competition. This is especially true in the "no monthly fee" category. In addition, their track record as a provider to the VA gives them much more credibility in the space than other device makers.

The long-term story is set to benefit as Logic Mark works to tap into a much larger opportunity in the home market for digital health.

Stock Conclusion

The three most important factors that should drive NXT-ID stock higher are 1) solid sustainable growth in the existing Logic Mark business, 2) high gross margins and 3) a pending TAM expansion after entering the home healthcare monitoring segment in 2019.

Our valuation snapshot is on page 1 but at the current prices shares offer substantial returns based on our \$3.60 PFV estimate. Even if one subtracts the outstanding debt the shares should trade closer to \$3.

There's no doubt current investors are eager to see further developments, particularly 1) expansion into new channels and 2) more details around the upcoming entry into home healthcare.

Today NXT-ID trades "ex-dividend" without the "PartX" business which has been spun-off and will begin trading towards the end of the year. We will be covering the PartX business separately closer to when the shares are trading.

ABOUT SOUNDVIEW RESEARCH

SoundView conducts independent research - mostly on emerging technologies. We like thematic-driven companies where technology is involved and use analysis to identify the most promising investment opportunities.

Our business model is combination of subscription fees along with some direct investments and advisory fees. We measure our success by the quality

of our analysis, accuracy of the conclusions and the size and influence of our audience. We apply our own proven approach to valuation that we call intrinsic value (IV) for informing investment decisions and optimizing portfolio management.

Disclosures

SoundView serves as a strategic advisor to NXT-ID and provides advisory and other services including strategy advice, company positioning, investor communication methods and ongoing technology and market research. See our full page of practices and disclosures which should be attached to this report. If not, it is available at <http://soundview.co/practices>

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