

Action Summary – 28 March 2025

Analyst Theodore R. O'Neill New customer demonstrates value of Actelis network products – **Reiterate our buy rating and \$5PT**

- **Meaningful new customer win.** Yesterday, the company announced it has received an order from a major North American railway group to support its Positive Train Control (PTC) system implementation across challenging sections of track. PTC represents a transformative advancement in rail safety, designed to automatically prevent train-to-train collisions, derailments from excessive speed, and movement through incorrectly positioned switches. There is a Federal mandate for PTC deployment.
- **Use demonstrates the value of ASNS products and services.** We believe this is a perfect use case for Actelis' products because it allows the railway group to deliver fiber-grade performance through existing infrastructure in an area where trenching and laying fiber would take years and be cost prohibitive. ASNS networking products can be deployed rapidly, without extensive new wiring and in remote areas where service access is limited. Actelis' hybrid-fiber networking technology offers its customers the unique ability to maximize bandwidth over existing copper infrastructure while incorporating wireless and fiber connections to ensure network diversity. This approach provides essential redundancy for safety-critical systems that cannot afford downtime.
- **Shares are priced significantly below peer averages.** The shares are selling at a discount to both our discounted price target model and its peers. While our target price of \$5 is derived from our discounted earnings model, were it to trade at the simple average of its peers at 3.67X 2026 Market cap/sales, the share price would exceed \$6.00

3/27 Closing price: \$0.95	Market cap: \$8.1 million	2026 Market cap/sales: 0.56	2026 EV/Sales: 0.27
Shares outstanding: 8.5 million	Insider ownership: ~20%	Avg. trading volume: <10,000	Dividend/Yield: NA/NA

GAAP estimates (EPS in dollars – Revenue in \$000)

Period	EPS	Revenue	Op. Margin
1Q24A	(\$0.50)	\$726	
2Q24A	(\$0.02)	\$3,431	
3Q24A	(\$0.08)	\$2,541	
4Q24A	<u>(\$0.28)</u>	<u>\$1,062</u>	
FY24A	<u>(\$0.85)</u>	<u>\$7,760</u>	<u>(50.5%)</u>
1Q25E	(\$0.25)	\$1,200	
2Q25E	(\$0.04)	\$3,000	
3Q25E	(\$0.05)	\$3,000	
4Q25E	<u>(\$0.09)</u>	<u>\$2,800</u>	
FY25E	<u>(\$0.42)</u>	<u>\$10,000</u>	<u>(27.8%)</u>
FY26E	<u>(\$0.11)</u>	<u>\$15,400</u>	<u>(4.8%)</u>

Note: Numbers may not add due to rounding or changing share count. See our full model at the back of this report.

Cash balance (\$000)

• 2022A	• \$6,016
• 2023A	• \$2,382
• 2024A	• \$2,267
• 2025E	• \$1,304
• 2026E	• \$1,924

Short term debt (\$000)

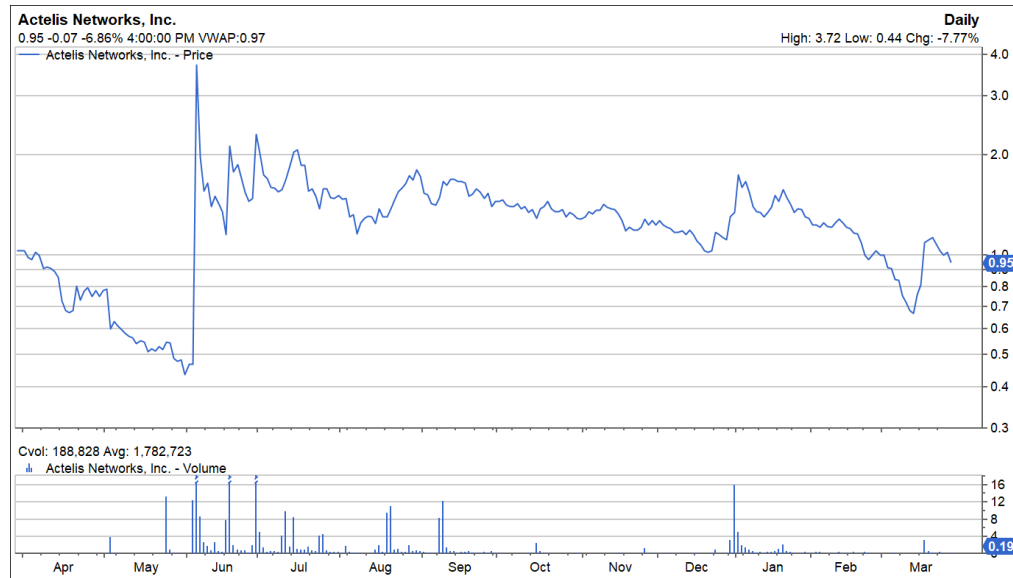
• 2022A	• \$553
• 2023A	• \$1,335
• 2024A	• \$774
• 2025E	• \$1,000
• 2026E	• \$1,000

Risks/Valuation

- Risks include competition, history of losses, industry regulatory actions and changes in technology
- Our \$5.00 target is derived using a discounted future earnings model

Company description: Actelis Networks, Inc. is a market innovator in hybrid fiber-copper, cyber-hardened networking solutions for rapid deployment in wide-area IoT applications, including government, ITS, military, utility, rail, telecom, and campus networks. Actelis' innovative portfolio offers fiber-grade performance with the flexibility and cost-efficiency of hybrid fiber-copper networks. Through its "Cyber Aware Networking" initiative, Actelis also provides AI-based cyber monitoring and protection for all edge devices, enhancing network security and resilience.

Figure 1 – Actelis Networks – One-year trading snapshot



Source: FactSet

New Customer and Positive Train Control Background

New customer. The company has not provided the name of the customer, but we believe it is likely one of the Class 1 Railroads that operates in areas of avalanches, landslides, and severe weather. That would make it one of the railroads operating in the west and it could be in the U.S. or Canada. Those railroads are BNSF Railway, Canadian National Railway, Canadian Pacific or the Union Pacific Railroad. What seems likely to us is that the ability to use the signal lines that already run along the tracks, the railroad saves money, allows rapid deployment and is already hardened against extreme weather events. The rollout of PTC has been ongoing since 2008 under Federal mandate.

Positive Train Control According to Union Pacific, PTC is a complex, nationwide system of newly developed technologies that continuously relays critical information such as speed limits, train movement authorization, switch positions, work zone locations and other operational data. It must factor in locomotive and rail car mix; train length, weight and speed; terrain and signal aspects to determine safe stopping distances. Additionally, any PTC hardware or software component failure also defaults to stopping the train, thus reducing rail network capacity. Implementing PTC properly requires integrating thousands of components across the telecommunications spectrum.

Valuation Methodology

We believe ASNS is undervalued, and we support that belief with a series of valuation techniques. We use two different techniques, below. To determine our price target, we use a discounted future earnings model, and we validate that result with a comparison to peers, i.e.:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)

2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$5.00 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 8%. We assume approximately 30%-50% EPS near-term growth for earnings which steps down to GDP after 5-7 years. Our valuation model is shown in Figure 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$4.56, which we round to \$5.00. Although this target is substantially above where the stock is currently, were it to trade at the simple average of its peers at 3.67X 2026 Market cap/sales, the share price would exceed \$6.00.

Figure 2 – Actelis Networks – Price Target Calculation

Discounted future earnings: \$4.56		
YEAR	EPS	Discounted EPS
2025	(\$0.42)	(\$0.42)
2026	(\$0.11)	(\$0.10)
2027	\$0.00	\$0.00
2028	\$0.15	\$0.12
2029	\$0.20	\$0.15
Terminal Value		\$4.82

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

If we compare ASNS to the simple average of its peers, the shares sell at a discount on sales measures ranging from 85% to 93% (see Figure 3). Were the shares to trade simply to the average of its peers, (and we would argue that due to its growth potential, it should trade above average), it would exceed our price target. Details on each of the peers can be found in Figure 4 near the back of the report. The companies we used in Figure 4 are in similar lines of business although none of them are a perfect match.

Figure 3 – Actelis Networks – Discount to Peers

	2026 Market Cap / Sales	2026 EV / Sales
Average	3.67	3.79
ASNS	0.56	0.27
Discount to peers	85%	93%

Source: Litchfield Hills Research LLC and FactSet

Guidance and Financial Forecasts

The company provides no guidance. Our forecast assumes that the company reaches sustainable B/E in 4Q26 and can do so at approximately ~\$4.5MM/quarter of revenue. We do not need to make more aggressive assumptions to justify our assertion that the shares are undervalued. In addition, if our forecast is correct, we do not see a near-term need for capital if nothing else changes. We would expect a capital raise in the future if the company needs it to support significantly greater growth than is in our forecasts.

Figure 4 – Actelis Networks – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2026 Consensus Multiples			
					PE	EV /Sales	Market Cap / Sales	EV / EBITDA
CSCO-US	Cisco Systems Inc (US Listing)	\$60.99	242,636	258,316	15.48	4.43	4.16	13.58
SIEGY-US	Siemens AG (Adr 2:1)	\$123.99	197,779	239,419	18.64	2.60	2.11	13.18
HON-US	Honeywell Intl Inc	\$212.12	137,617	160,816	18.61	3.80	3.26	14.83
ANET-US	Arista Networks, Inc.	\$86.94	109,642	103,133	27.59	9.72	10.39	23.93
PANW-US	Palo Alto Networks Inc	\$189.95	125,766	132,328	50.47	12.23	11.63	71.55
FTNT-US	Fortinet Inc.	\$102.09	78,505	75,810	36.62	9.88	10.23	33.82
ERIXF-US	Telefon AB L.M.Ericsson (Class B)	\$8.33	27,920	26,743	13.82	1.00	1.07	6.79
NOKBF-US	Nokia Corp. (FI Listing)	\$5.25	30,028	26,058	13.31	1.17	1.32	8.21
CHKP-US	Check Point Software	\$230.58	24,988	24,807	21.03	8.54	8.60	22.30
AKAM-US	Akamai Technologies	\$81.85	12,309	15,671	12.12	3.59	2.82	13.33
CIEN-US	Ciena Corp.	\$69.42	9,868	10,498	19.30	2.07	1.94	17.33
JNPR-US	Juniper Networks	\$36.10	12,028	12,481	16.12	2.21	2.13	10.97
TENB-US	Tenable Holdings Inc.	\$36.78	4,425	4,214	20.92	3.92	4.12	45.84
BDC-US	Belden Inc.	\$105.98	4,268	5,267	13.21	1.85	1.50	
KTOS-US	Kratos Defense & Security Solutions Inc.	\$32.96	5,038	4,926	45.19	3.17	3.24	38.74
EXTR-US	Extreme Networks Inc	\$15.20	2,018	2,100	14.69	1.69	1.62	
CALX-US	Calix Inc.	\$36.84	2,457	2,138	26.54	2.16	2.49	14.79
MRCY-US	Mercury Systems Inc	\$46.55	2,778	3,133	46.26	3.22	2.84	29.55
HLIT-US	Harmonic Inc	\$10.15	1,188	1,239	10.60	1.60	1.53	
DGII-US	Digi International	\$29.80	1,100	1,200	13.97	2.68	2.46	
ADTN-US	ADTRAN Holdings Inc (US Listing)	\$9.46	755	1,315	19.91	1.13	0.64	
LTRX-US	Lantronix	\$2.69	104	109	7.13	0.77	0.74	
AVERAGE					21.89	3.79	3.67	23.67
ASNS-US	Actelis Networks, Inc.	\$1.00	9	4	NA	0.27	0.55	1.06
ASNS Discount to peers:						-93%	-85%	-96%

Source: FactSet and Litchfield Hills Research LLC

Figure 5 – Actelis Networks – Income Statement (\$000)

December ending year	2023A Year	2024A				2024A Year	2025E				2025E Year	2026E				2026E Year
		Q1A	Q2A	Q3A	Q4A		Q1E	Q2E	Q3E	Q4E		Q1E	Q2E	Q3E	Q4E	
Total revenue	\$5,606	\$726	\$3,431	\$2,541	\$1,062	\$7,760	\$1,200	\$3,000	\$3,000	\$2,800	\$10,000	\$2,800	\$3,400	\$4,000	\$5,200	\$15,400
Growth	-37%	-61%	81%	201%	4%	38%	65%	-13%	18%	164%	29%	133%	13%	33%	86%	54%
Cost of Goods	3,706	506	1,488	798	698	3,490	720	1,050	1,050	980	3,800	980	1,190	1,400	1,820	5,390
Gross Profit	1,900	220	1,943	1,743	364	4,270	480	1,950	1,950	1,820	6,200	1,820	2,210	2,600	3,380	10,010
Gross Margin	33.9%	30.3%	56.6%	68.6%	34.3%	55.0%	40.0%	65.0%	65.0%	65.0%	62.0%	65.0%	65.0%	65.0%	65.0%	65.0%
R&D	\$2,702	\$647	\$603	\$543	\$590	\$2,383	\$575	\$575	\$575	\$600	\$2,325	\$600	\$600	\$600	\$600	\$2,400
% of total revenue	48.2%	89.1%	17.6%	21.4%	55.6%	30.7%	47.9%	19.2%	19.2%	21.4%	23.3%	21.4%	17.6%	15.0%	11.5%	15.6%
Sales and Marketing	3,030	627	647	727	638	2,639	700	800	900	1,000	3,400	1,000	1,000	1,200	1,400	4,600
General and administrative	3,531	817	790	790	772	3,169	800	800	800	850	3,250	900	900	950	1,000	3,750
Total Operating Expenses	9,263	2,092	2,040	2,060	2,001	8,191	2,075	2,175	2,275	2,450	8,975	2,500	2,500	2,750	3,000	10,750
Operating Income	(7,363)	(1,872)	(97)	(317)	(1,637)	(3,921)	(1,595)	(225)	(325)	(630)	(2,775)	(680)	(290)	(150)	380	(740)
Operating Margin	-131.4%	-257.8%	-2.8%	-12.5%	-154.1%	-50.5%	-133.0%	-7.5%	-10.8%	-22.5%	-27.8%	-24.3%	-8.5%	-3.8%	7.3%	-4.8%
Total Other Items	1,077	(115)	19	(194)	(163)	(453)	(10)	(10)	(10)	(10)	(40)	(10)	(10)	(10)	(10)	(40)
Pre-Tax Income	(6,286)	(1,987)	(78)	(511)	(1,800)	(4,374)	(1,605)	(235)	(335)	(640)	(2,815)	(690)	(300)	(160)	370	(780)
Pre-Tax Margin	-112.1%	-273.7%	-2.3%	-20.1%	-169.4%	-56.4%	-133.8%	-7.8%	-11.2%	-22.9%	-28.2%	-24.7%	-8.8%	-4.0%	7.1%	-5.1%
Taxes (benefit)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	(6,286)	(1,986)	(78)	(511)	(1,799)	(4,374)	(1,605)	(235)	(335)	(640)	(2,815)	(690)	(300)	(160)	370	(780)
Net Margin	-112.1%	-273.6%	-2.3%	-20.1%	-169.4%	-56.4%	-133.8%	-7.8%	-11.2%	-22.9%	-28.2%	-24.6%	-8.8%	-4.0%	7.1%	-5.1%
Total GAAP EPS	(2.61)	(0.50)	(0.02)	(0.08)	(0.28)	(0.85)	(0.25)	(0.04)	(0.05)	(0.09)	(0.42)	(0.10)	(0.04)	(0.02)	0.05	(0.11)
Diluted Shares Outstanding	2,413	3,979	4,258	6,015	6,332	5,146	6,500	6,700	6,800	6,900	6,725	6,950	7,000	7,050	7,100	7,025

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – Actelis Networks – Balance Sheet (\$000)

December ending year	FY2026E	FY2025E	FY2024A	FY2023A	FY2022A
Balance sheet					
Current Assets					
Cash and S.T.I.	\$1,924	\$1,304	\$2,267	\$2,382	\$6,016
Accounts receivable	3,500	2,200	1,616	664	3,034
Inventories	2,400	2,000	2,436	2,526	1,179
Other assets	<u>300</u>	<u>300</u>	<u>584</u>	<u>340</u>	<u>678</u>
Total Current Assets	8,124	5,804	6,903	5,912	10,907
Net PP&E	50	50	38	61	80
Other non-current assets	<u>1,000</u>	<u>1,000</u>	<u>792</u>	<u>4,658</u>	<u>3,340</u>
Total Assets	<u>\$9,774</u>	<u>\$7,454</u>	<u>\$8,225</u>	<u>\$11,223</u>	<u>\$14,819</u>
Current Liabilities					
Accounts and other payables	\$4,000	\$2,000	\$982	\$1,769	\$1,781
Short term borrowings	\$1,000	\$1,000	\$774	\$1,335	\$553
Accrued royalties	\$1,000	\$1,000	\$673	\$1,062	\$900
Other current liabilities	<u>\$3,000</u>	<u>\$2,500</u>	<u>\$2,154</u>	<u>\$2,746</u>	<u>\$2,968</u>
Total current liabilities	9,000	6,500	4,583	6,912	6,202
Long-term loan, net	0	0	150	3,154	4,625
Other non-current	<u>700</u>	<u>600</u>	<u>507</u>	<u>769</u>	<u>727</u>
Total Liabilities	9,700	7,100	5,240	10,835	11,554
Warrants to placement agent	230	230	228	159	0
Stockholders' Equity					
Preferred stock					
Total stockholders' equity	<u>(156)</u>	<u>124</u>	<u>2,757</u>	<u>229</u>	<u>3,265</u>
Total Liabilities and equity	<u>\$9,774</u>	<u>\$7,454</u>	<u>\$8,225</u>	<u>\$11,223</u>	<u>\$14,819</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – Actelis Networks – Cash Flow (\$'000)

	2025E	2024A	2023A
Net Income	(\$2,815)	(\$4,374)	(\$6,286)
Accounts receivable	(584)	(952)	2,370
Inventories	436	90	(1,347)
Other current	284	(244)	338
Net PP&E	(12)	23	19
Prepaid	(108)	100	(100)
Other non-current	(208)	3,866	(1,318)
Accounts and other payables	1,018	(787)	(12)
Short term borrowings	226	(561)	782
Accrued royalties	327	(389)	162
Other current liabilities	346	(592)	(222)
Long-term loan, net	(150)	(3,004)	(1,471)
Other non-current	93	(262)	42
Warrants to placement agent	2	69	159
Common stock	0	0	0
Additional paid in capital	182	6,902	3,250
Other comprehensive loss	0	0	0
Treasury stock and note	0	0	0
Dividend/Financing/Adj. Other	0	0	0
Total Cash Flow	(\$963)	(\$115)	(\$3,634)

Source: Litchfield Hills Research LLC

Disclosures:

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NASDAQ: ASNS - Buy-US\$5.00 PT

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