

iQSTEL, Inc.

NASDAQ- IQST

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iQSTEL & Cycurion: A Strategic Cybersecurity Alliance with Real Upside– Reiterate Buy Rating and \$18 Price Target

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We recently spoke with senior executives of both iQSTEL and its new cybersecurity partner Cycurion (CYCU – NR) to discuss their recently closed partnership.

- **Strategic Alliance with Cycurion:** iQSTEL has entered a distribution and equity-based partnership with cybersecurity firm Cycurion, adding a high-margin SaaS/AI-driven security platform to its portfolio.
- **Mutual Equity Stakes Ensure Alignment:** Both firms completed a \$1M share swap (iQSTEL 5.4% of Cycurion, Cycurion 3.9% of iQSTEL), signaling long-term commitment and aligned incentives.
- **Large Growth Opportunity for Cycurion:** Despite modest Q2 revenue of \$3.9M, Cycurion reported a \$69M backlog and recently secured a \$19M government contract, indicating strong demand and scalability.
- **iQSTEL Expands into Fintech & Cybersecurity:** The GlobeTopper acquisition (51% stake) adds \$34M projected H2 2025 revenue and cash-flow positive operations, while Cycurion complements the fintech business to broaden value-added services for 600+ telecom partners.
- **Investment Thesis:** With its telecom distribution network, expanded fintech/cybersecurity portfolio, and equity-aligned partnerships, iQSTEL is positioned for asymmetric upside and multiple expansion, supporting a Buy rating.

Rating	BUY	Earnings Per Share				Normalized to exclude unusual items			
Target Price	\$18.00	FYE - December				2024	2025E	2026E	2026E
Ticker Symbol	IQST	1Q - March				(\$0.37)	(\$0.44) A	(\$0.08)	\$0.01
Market	NASDAQ	2Q - June				(\$0.90)	(\$0.82) A	(\$0.11)	(\$0.02)
Stock Price	\$6.20	3Q - September				(\$0.40)	(\$0.41)	(\$0.10)	(\$0.03)
52 wk High	\$32.68	4Q - December				(\$0.57)	(\$0.02)	(\$0.07)	(\$0.08)
52 wk Low	\$5.22	Year				(\$2.63)	(\$1.65)	(\$0.36)	(\$0.12)
Shares Outstanding:	3.6 M	Revenue (\$mm)				\$283.2	\$336.1	\$407.8	\$447.7
Public Market Float:	3.3 M	EV/Rev				0.1X	0.1X	0.1X	0.1X
Avg. Daily Volume	95,499	EBITDA (\$mm)				(\$0.0)	\$2.0	\$5.5	\$7.0
Market Capitalization:	\$22 M	EV/EBITDA				NM	14.8X	5.5X	4.3X
Institutional Holdings:	3.9%								
Dividend Yield:	0.0%								

Risks/Valuation

- The key risk factors we see are execution risk related to customer acquisition and traffic volume growth, vendor dependence and platform consolidation, and the complexity of integrating partially owned subsidiaries.
- We utilize an EV/EBITDA valuation method and compare it to telecom comps to value IQST shares.

Company description: iQSTEL is a Miami-based, international wholesale telecom carrier founded in 2008 (as Etelix). The company went public in 2018 via a reverse merger. It offers a comprehensive suite of services, including international voice and SMS termination, DID and toll-free numbers, PBX services, and SIP trunking. Through nine acquisitions, iQSTEL now operates five voice subsidiaries, two SMS subsidiaries, two fintech ventures, and one metaverse joint venture. Revenue is currently split approximately 66% voice and 34% SMS.

iQSTEL, Inc. NASDAQ- IQST

iQSTEL & Cycurion: A Strategic Cybersecurity Alliance with Real Upside

We recently spoke with iQSTEL CEO Leandro Jose Iglesias and Cycurion's CEO Kevin Kelly and subsidiary head Ed Burns about their joint cybersecurity initiatives and the role this partnership could play in unlocking new growth.

Cycurion: Background & Leadership

- **Founded:** 2017
- **Public listing:** Via a February 2025 SPAC merger
- **Founder / Visionary/ Board Chair:** Emmit McHenry, who earlier founded Network Solutions — the company that developed and administered the “.com,” “.net,” “.edu,” and “.gov” top-level domains in the early internet era
 - Network Solutions was ultimately sold to VeriSign for \$21 billion in 2000.
 - This track record establishes McHenry as a proven builder of internet infrastructure and value creation.

Cycurion is managed by seasoned leadership. Kevin Kelly serves as CEO. He was previously the CEO of global search firm Heidrick and Struggles and cybersecurity firm Halo Privacy. Mr. Burns brings extensive client relationships, including with the Departments of War and Homeland Security, as well as with the National Association of County and City Health Officials. The latter just netted Cycurion a \$19 million contract.

In its first full quarter as a public company, Cycurion reported modest revenue of just \$3.9 million but disclosed a \$69 million revenue backlog, pointing to strong prospective demand and customer commitments. Cycurion provides a SaaS / AI-driven cybersecurity platform that monitors network traffic, endpoints, and infrastructure for threats and autonomously remediates or escalates issues.

Synergy with iQSTEL: Distribution & Monetization Model

iQSTEL's role is as a distribution engine for Cycurion's cybersecurity services. The arrangement is more than just another reseller relationship, as the two companies have taken meaningful equity stakes in one another:

- iQSTEL has a global footprint across 600+ telecom operators, and will resell Cycurion's solution to their enterprise and government customers.
- Revenue from such end-customer sales will be booked by Cycurion, while iQSTEL will record commissions as revenue.
- To align incentives and signal commitment, the two companies agreed to a \$1 million share swap: Cycurion received 151k IQST shares for a 3.9% stake, and iQSTEL received 3.9 million CYCU shares for a 5.4% stake.
- Furthermore, iQSTEL is considering distributing half of its Cycurion stake to its own shareholders via a dividend.

In our opinion, this structure ensures that both parties have skin in the game and increases the likelihood the partnership will be executed meaningfully, rather than remain a symbolic deal.

Value to iQSTEL: Expanding the Portfolio, Growing Revenue

This cybersecurity arrangement complements iQSTEL's recent fintech push. On July 1, 2025, iQSTEL completed the acquisition of 51% of GlobeTopper, a B2B prepaid / gift-card / cross-border fintech platform.

- GlobeTopper is projected to contribute \$34 million in revenue and \$0.26 million EBITDA in H2 2025 alone.
- In Q3 2025, GlobeTopper is expected to generate \$16 million in revenue and \$110,000 EBITDA, making it cash-flow positive.



iQSTEL, Inc. NASDAQ- IQST

- Over time, iQSTEL plans to cross-sell GlobeTopper's fintech services to its telecom operator clients, leveraging its existing 600+ relationships.

By pairing cybersecurity (through Cycurion) with fintech (through GlobeTopper), iQSTEL is broadening its high-margin service suite to telecom partners. That better positions it to increase revenue and EBITDA and deepen partnerships rather than relying solely on connectivity services.

Investment Thesis & Outlook

We view the iQSTEL–Cycurion alliance as a strategic lever with asymmetric upside, not just another marketing tie-up. The share swap underscores mutual commitment, and if executed well, the two companies should share in each other's success.

For iQSTEL, this adds a high-margin cybersecurity service to its growing fintech stack, supplementing GlobeTopper, and enhances monetization of its telecom operator client base.

We believe the market has underappreciated the embedded optionality here. The combination of:

- A compelling distribution network (600+ global telecoms),
- A credible cybersecurity product backed by enterprise/federal credentials,
- And alignment of incentives via equity swapping

... makes this a distinctive growth lever with meaningful potential to expand iQSTEL's valuation multiple.

We reiterate our Buy rating on iQSTEL and expect this partnership to be a differentiator in its service portfolio over the next 12–24 months.



iQSTEL, Inc.

NASDAQ - IQST

iQSTEL Income Forecast

Dollars in thousands		2025E					2026E					2027E				
Fiscal years ended December 31		1QA	2QA	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
		March	June	September	December		March	June	September	December		March	June	September	December	
Revenue		57,633	72,183	84,589	121,698	336,103	79,544	95,139	94,663	138,414	407,760	88,046	105,259	104,852	149,559	447,716
YoY growth		12.1%	-8.2%	55.9%	23.0%	18.7%	38.0%	31.8%	11.9%	13.7%	21.3%	10.7%	10.6%	10.8%	8.1%	9.8%
Seq growth		-41.7%	-74.5%	17.2%	43.9%		-34.6%	19.6%	-0.5%	46.2%		-36.4%	19.5%	-0.4%	42.6%	
Cost of revenue		55,698	70,312	82,330	117,554	323,527	76,955	92,206	92,048	133,545	394,753	84,854	101,693	101,744	143,854	432,145
As a percent of revenue		96.6%	97.4%	97.3%	96.6%	96.3%	96.7%	96.9%	97.2%	96.5%	96.8%	96.4%	96.6%	97.0%	96.2%	96.5%
Gross profit		1,935	1,871	2,259	4,144	12,576	2,589	2,933	2,615	4,870	13,007	3,193	3,565	3,108	5,705	15,571
Gross margin		3.4%	2.6%	2.7%	3.4%	3.7%	3.3%	3.1%	2.8%	3.5%	3.2%	3.6%	3.4%	3.0%	3.8%	3.5%
General and administration		2,539	2,528	2,961	3,651	11,678	2,267	2,711	2,367	4,429	11,774	2,553	3,052	2,621	5,235	13,462
As a percent of revenue		4.4%	3.5%	3.5%	3.0%	3.5%	2.9%	2.9%	2.5%	3.2%	2.9%	2.9%	2.9%	2.5%	3.5%	3.0%
Operating income		(604)	(656)	(701)	493	898	322	221	248	440	1,233	639	513	487	471	2,109
Operating margin		-1.0%	-0.9%	-0.8%	0.4%	0.3%	0.4%	0.2%	0.3%	0.3%	0.3%	0.7%	0.5%	0.5%	0.3%	0.5%
Other Income																
Other income		23	22	20	20	86	20	20	20	20	80	20	20	20	20	80
Other expense		(11)	(69)	(10)	(10)	(100)	(10)	(10)	(10)	(100)	(130)	(10)	(10)	(10)	(200)	(230)
Interest expense		(532)	(459)	(500)	(500)	(1,991)	(500)	(500)	(500)	(500)	(2,000)	(500)	(500)	(500)	(500)	(2,000)
Change in fair value						-					-					-
Loss on debt settlement		-	(1,096)			(1,096)					-					-
Total Non-operating income		(520)	(1,601)	(490)	(490)	(3,101)	(490)	(490)	(490)	(580)	(2,050)	(490)	(490)	(490)	(680)	(2,150)
Profit before taxes		(1,124)	(2,257)	(1,191)	3	(2,203)	(168)	(269)	(242)	(140)	(817)	149	23	(3)	(209)	(41)
Income taxes		21	92	-	-	112	-	-	-	-	-	-	-	-	-	-
Tax rate		-1.8%	-4.1%	0.0%	0.0%	-5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income		(1,144)	(2,349)	(1,191)	3	(2,315)	(168)	(269)	(242)	(140)	(817)	149	23	(3)	(209)	(41)
Non-controlling interests		13	58	58	58	188	100	100	100	100	400	100	100	100	100	400
Net Income to iQSTEL Inc.		(1,158)	(2,407)	(1,249)	(55)	(4,869)	(268)	(369)	(342)	(240)	(1,217)	49	(77)	(103)	(309)	(441)
Diluted shares outstanding		2,630	2,953	3,053	3,153	2,947	3,253	3,353	3,453	3,553	3,403	3,653	3,753	3,853	3,953	3,803
Seq change		243	675	100	100		100	100	100	100		100	100	100	100	
EPS diluted		(\$0.44)	(\$0.82)	(\$0.41)	(\$0.02)	(\$1.65)	(\$0.08)	(\$0.11)	(\$0.10)	(\$0.07)	(\$0.36)	\$0.01	(\$0.02)	(\$0.03)	(\$0.08)	(\$0.12)
EBITDA																
Telcom		594	513	444	185	1,808	961	907	601	1,740	4,209	1,347	1,281	834	2,292	5,754
Fintech and parent		(839)	(1,090)	(761)	188	234	302	221	268	470	1,263	399	293	287	291	1,269
EBITDA		(245)	(578)	(317)	373	2,042	1,264	1,128	869	2,210	5,472	1,746	1,574	1,121	2,582	7,023
YoY growth		-469.7%	-818.7%	-573.5%	-254.1%	-7204.4%	-616.0%	-295.3%	-374.3%	491.9%	168.0%	38.2%	39.5%	28.9%	16.8%	28.4%
EBITDA margin		-0.4%	-0.8%	-0.4%	0.3%	0.6%	1.6%	1.2%	0.9%	1.6%	1.3%	2.0%	1.5%	1.1%	1.7%	1.6%

Source: Company reports and Litchfield Hills Research



iQSTEL, Inc. NASDAQ - IQST

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