

INITIATING COVERAGE

Equity | Technology/ Software-as-a-Service

SOBR Safe Inc.
(OTCQB:SOBR; Target Price: \$4.29)

SOBR Safe Inc is a tech company that is catering to a critical problem of alcohol intoxication monitoring of workers by corporates. Alcohol intoxication during working hours costs billions of dollars to corporations each year in the form of loss of productivity, accidents, and so on. Given this context, businesses are more than eager to sign up for any technological solution that can help mitigate and minimize these risks. SOBR Safe has a unique value proposition and has evolved to align with these market opportunities, to incorporate a preventive detection technology platform via partnerships, license, and acquisitions.

INVESTMENT THESIS

This is our first report on SOBR Safe and we look to provide a detailed account of the various drivers that will be responsible for the company's growth in the coming years. SOBR Safe is expected to generate revenue in the coming quarter. It is worth highlighting that insurance is the main source of demand for its product, as it has been certified as a valid safety measure by a number of national insurers, resulting in significant savings for customers. With insurance acceptance, a low price point, and a unique value proposition, the subscription-based offering is sure to attract a large number of corporate customers. Furthermore, the recurring revenue-based business model is also likely to command a higher valuation. Overall, we are optimistic about SOBR Safe and believe it is a strong emerging player in a niche that has the potential to become a multi-bagger in the coming years. We believe that SOBR Safe could really become a game changer in this space with its innovative offerings and could have a strong upside. Baptista Research looks to evaluate the different factors that could influence SOBR Safe's price in the near future and attempts to carry out an independent valuation of the company using a Discounted Cash Flow (DCF) methodology to determine a suitable price for the company's stock.

COMPANY OVERVIEW

SOBR Safe, Inc. is a tech company whose proprietary technology is being used to commercialize and advance alcohol detection devices. SOBR Safe is a non-invasive alcohol detection and identity verification software platform that can be used in school buses, commercial vehicle fleets, facility access control, addiction treatment, and managed care. Their SOBR alcohol detection device detects alcohol in a person's system by measuring the ethanol content in their sweat. SOBRSafe technology will be used in two of its first products: the SOBRtab wearable band and the SOBRCheck system. SOBRtab is a transdermal wearable band that detects alcohol and has SOBRSafe technology for real-time alcohol and heart rate monitoring. SOBRCheck, on the other hand, is the company's centralized access control solution that enables finger scanning in manufacturing facilities, warehouses, and other locations, with real-time results delivered to the employer for any necessary corrective action. SOBR Safe was founded on July 4, 2004, and is headquartered in Boulder, Colorado.

Key Report Highlights

| | |
|----------------|-----------------|
| Industry View: | Attractive |
| Stock Rating: | Buy |
| Price Target: | \$4.29 |
| Current Price: | \$2.70 |
| 52-Week-Range: | \$2.10 - \$3.25 |

| Annual Income Statement | 2021E | 2022E | 2023E |
|--------------------------------|-------|-------|-------|
| Revenues | 0.00 | 5.00 | 10.56 |
| Cost of Goods Sold | 0.00 | 1.92 | 3.34 |
| Gross Income (excl. D&A) | 0.00 | 3.08 | 7.22 |
| EBITDA | -4.61 | -2.42 | 1.52 |
| EBIT (incl. extraordinary exp) | -5.00 | -2.82 | 1.12 |
| Net Income | -5.65 | -3.42 | 0.51 |
| Cash from Operations | -3.03 | -2.23 | 1.41 |
| Free Cash Flows | -2.15 | -3.03 | 0.71 |

| Growth & Margins | 2021E | 2022E | 2023E |
|-------------------|-------|--------|--------|
| Sales Growth | NA | NA | 111.2% |
| EBITDA Margin | NA | -48.4% | 14.4% |
| EBIT Margin | NA | -56.4% | 10.6% |
| Net Profit Margin | NA | -68.4% | 4.8% |

| Valuation Ratios | Current | 2022E | 2023E |
|------------------|---------|--------|-------|
| EV/ Sales | NA | 35.8 | 19.9 |
| EV/ EBITDA | -26.2 | -74.0 | 138.2 |
| EV/ EBIT | -24.1 | -100.9 | 379.0 |
| Price/Earnings | -2.3 | -83.2 | 832.3 |

KEY FACTORS DRIVING THE COMPANY'S PERFORMANCE

| | |
|----|--------------------------------------------|
| 1. | PRODUCT OFFERINGS, REVENUE MODEL & PRICING |
| 2. | CORE VALUE PROPOSITION & STRATEGY |
| 3. | ADDRESSABLE MARKET |
| 4. | RECENT DEVELOPMENTS |
| 5. | EXPERIENCED MANAGEMENT TEAM |

Product Offerings, Revenue Model & Pricing

- SOBR Safe's centralized product SOBRcheck is a new way to ensure worker safety that gives business owners instant peace of mind at the touch of a button.
- SOBRcheck's frontline safety screening effectively supports your substance policy with its touch-based desktop device and online reporting.
- SOBRcheck is also the solution for advanced spot testing, high-risk functions, and consistent daily screening, among other safety management applications.
- Furthermore, confirming the absence of alcohol with SOBRcheck ensures that no child is at risk. According to management estimates, this technology reduces annual average absenteeism, injury, and fatality risk by up to \$1,700 per bus while ensuring alcohol-free bus routes on a daily basis.
- This low-cost tool aids in the recruitment and retention of qualified drivers and improves all employees' health and well-being. SOBRcheck is the first user-friendly, preventative alcohol detection and identification system in the United States.
- This discrete device and powerful reporting app integrate seamlessly into your vehicle release protocols for real-time safety verification.

Technology that Travels

Solutions Across Key Applications



Uniform, objective safety verification for:

- Last mile/service fleet mgmt – centralized
- Warehousing
- Manufacturing
- Construction



Continuous on-person monitoring for:

- Teen drivers
- Last mile/service fleet mgmt – remote
- Alcohol rehab support
- Corporate wellness

Source: Company Presentation

- Other product offerings include SOBRsure, a transdermal alcohol-spotting wearable band, and SOBRSafe, non-invasive alcohol detection and identity verification software platform.
- With these offerings, the company can operate on a SaaS model. It has begun commercializing its offerings through a B2B model with trucking and logistics companies, as well as schools, at a monthly cost of around \$30 per worker.
- Lastly, the company is expected to report positive revenues in its following quarterly report, and revenue growth in 2022 should be robust.

Core Value Proposition & Strategy

- SOBR Safe has a unique value proposition as it addresses alcohol-related risks and assists businesses in providing adequate evidence to their insurance providers about reasonable safety measures taken to mitigate these risks.
- For many years, it has been a purely research-oriented company that has developed prototype technology, with commercialization beginning in the fourth quarter of 2021/ the first quarter of 2022.
- The patent-pending, proprietary SOBRcheck device solution is the only transdermal alcohol detection system on the market in the United States that can be used to prevent alcoholism.

- The device also includes a biometric thumbprint sensor that connects detection results to a specific person. Human resources and occupational safety officers, on the other hand, can use SOBR Safe's cloud-based SaaS platform to get real-time data and implement zero-tolerance policies.
- Furthermore, they are currently assessing a customer wearable solution and supplementary potential incorporations for marijuana, cocaine, and opioid detection, which is expected to be their next major strategic expansion move. Besides, offering a broader range of detection within its devices will allow them to raise prices as well.

The Value of SOBR Data

- ✓ Cloud-based IoT reporting for compliance with company policies
- ✓ Trend analysis capabilities to evidence positive behavioral change
- ✓ Data output validates safety record for insurers.

Employer Compliance Dashboard

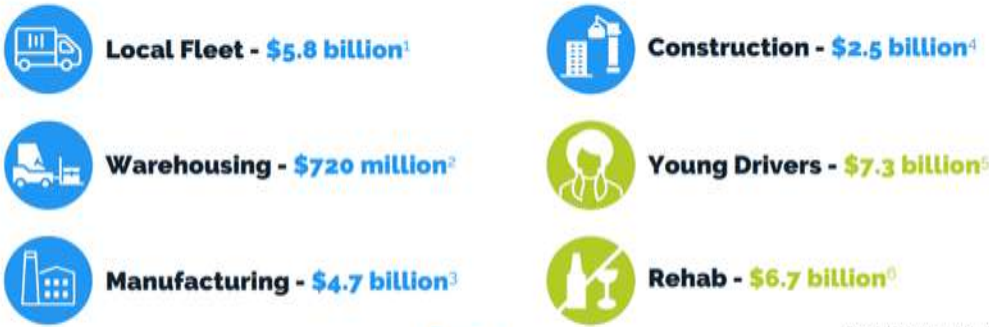
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Source: *Company Presentation*

- Given the uniqueness of their product and technology, their customers are bound to be loyal. Since the company is led by Dave Gandini, a serial entrepreneur with a track record of success in the telecommunications, technology, software, and automated packaging industries, the commercialization of its offerings is expected to be quick. Thus, it's safe to say that SOBR Safe is in a very good place right now.

Addressable Market

Total U.S. Market Revenue Opportunity



Green denotes wearables-only markets

¹TruckInfo; ²Zippia; ³Natl Assoc of Manufacturers; ⁴American Assoc of General Contractors; ⁵NHTSA; ⁶ResearchAndMarkets

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Source: Company Presentation

- SOBR Safe has come a long way from its laboratory beginnings as TransBiotec Inc., a detection technology development company. Its increased focus on alcohol detection and monitoring, as well as non-invasive identity verification systems, is aimed at a large market.
- In the U.S., the cost of alcohol abuse is \$249 billion per year. Workers with an alcohol problem are 270% more likely to be involved in an accident, and alcohol is involved in nearly half of all industrial accidents that result in injuries.
- The risks of alcohol intoxication among employees in the workplace are a huge addressable market. Employers and insurers in the United States spend nearly \$63 billion each year on injuries, deaths, and lost productivity caused by alcohol.
- Half of all industrial accidents are caused by alcohol, and commercial fleets experience over 11,000 alcohol-related accidents each year.
- SOBR Safe has developed a proprietary touch-based identity verification, alcohol detection, and cloud-based reporting system to address this market.
- Personal wearables, stationary access control, and telematics integration are just some of the applications for the technology. It's being prepared for school buses, commercial fleets, workplaces, managed care, young drivers, and other applications.
- This patent-pending alcohol detection solution helps keep intoxicated workers and drivers off the factory floor and off the road by allowing an offender to be identified immediately and the employer to take appropriate disciplinary action.

Recent Developments

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- SOBR Safe began its own SOBRSafe pilot program in June 2021 with Continental Services, Michigan's largest food management company.
- The program involved more than 1,800 employees working out of three locations of Continental Services who were using the SOBR Safe product i.e., its alcohol policy management solutions including a touch-based screening technology.
- The company gathered anonymized data as a foundation for a business trend analysis. After the successful pilot and after carrying out all the relevant tweaks in the technology, the SOBR Safe finally decided to proceed with its commercialization.
- The company recently announced that it has closed on its previously announced financing of \$3 million, before deducting discounts, commissions and other estimated offering expenses, from a leading healthcare fund.
- In the form of consideration, SOBR Safe issued a convertible debenture in the principal amount of \$3.05 million and warrants to purchase up to 1.2 million shares of common stock with an exercise price of \$2 per share.
- The company's enrollment and reporting software system is also fully developed and in daily use. In the words of the management, SOBR Safe stands at an inflection point and is ready for its market launch.
- The commercialization is expected to be led by their new Chief Revenue Officer, Michael Watson. Michael is uniquely qualified to lead all aspects of revenue generation for an emerging growth technology company, with expertise across product advancement, customer acquisition, and partnership formation/optimization.
- He has spent more than 25 years in various organizations and previously invented and successfully marketed a game-changing business services product for the healthcare industry.
- In both B2B and B2C environments, Michael has experience building sales systems and executing product rollouts. We can expect to see the first set of revenues for SOBR Safe in Q4 2021.

Experienced Management Team

- SOBR Safe, Inc. is spearheaded by Dave Gandini, a serial entrepreneur who has spent his career spotting and seizing business opportunities in the telecommunications, technology, software, and automated packaging industries.
- He is in charge of capital creation, new business acquisition, and business strategy at SOBR Safe. Recently, he served as the President of IPS Denver, a bank card personalization and packaging company, where he built the company from the ground to become the market leader in the US secured gift market, growing revenue from zero to \$46 million.
- In 2014, IPS was purchased by a public company. Before joining IPS, Dave worked as the COO of First World Communications, a major US internet and data center provider, where he was involved in the company's successful IPO in 2000, which raised more than \$250 million.

- Dave is ably supported by CFO Jerry Wenzel who has more than 40 years of leadership experience in financial management and reporting, public accounting, and auditing.
- He has worked as a partner at B2BCFO for several years, where he provided strategic financial guidance to business owners on growth and transaction opportunities.
- He served as Chief Financial Officer of PRIDE Centric Resources, Inc., a national commercial foodservice equipment buying group, from 2016 to 2018.

Invention + Execution = Innovation

| Dave Gandini, <i>Chairman & CEO</i> | Jerry Wenzel, <i>CFO</i> | Scott Bennett, <i>EVP Ops</i> | Michael Watson, <i>EVP/CRO</i> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| 33+ years of leadership experience in: <ul style="list-style-type: none"> • Capital formation • Technology acquisitions • Sales acceleration | 40+ years of leadership experience in: <ul style="list-style-type: none"> • Financial management & reporting • Public accounting • Auditing | 20+ years of operations executive experience: manufacturing, data monetization expertise | 25+ years of sales, marketing executive experience: innovation, customer acq. expertise |



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Source: Company Presentation

- The company recently hired Dean Watson as its Chief Technology Officer. Dean is uniquely qualified to lead the evaluation and integration of emerging technologies involving light, nanosensors, optics, and more to most accurately detect alcohol, cannabis, and opioids, as well as heart rate solutions for behaviour prediction and prevention, with more than 25 years of leadership experience in technology-driven enterprises.
- He previously worked for a top 100 global automotive supplier with annual sales of more than \$2 billion and engineering centers in five different countries.
- He built a patent portfolio of over 1,600 patents, collected licensing revenues of over \$20 million, and changed the company culture from a commodities manufacturer to a forward-thinking innovation organization with the CEO.
- Dean's addition puts SOBR Safe in a strong position to carry out its detection technology rollout strategy. Lastly, we already spoke about their new Chief Revenue Officer, Michael Watson who is leading the commercialization effort.
- Overall, the company has a highly experienced leadership team at the helm that will take the company forward.

HISTORICAL FINANCIAL STATEMENTS & PROJECTIONS

| Income Statement | 12/31/19 | 12/31/20 | LTM |
|----------------------------------------------|--------------|---------------|--------------|
| Total Revenues | 0.00 | 0.00 | 0.00 |
| Cost of Goods Sold | 0.00 | 0.00 | 0.00 |
| Gross Profit | 0.00 | 0.00 | 0.00 |
| Selling General & Admin Expenses | -0.73 | -2.00 | -3.06 |
| Other Expenses/ Adjustments | 0.00 | -0.68 | -1.55 |
| EBITDA | -0.73 | -2.68 | -4.61 |
| Depreciation & Amortization | 0.00 | 0.00 | 0.00 |
| Other Operating Expenses/ Income | 0.00 | 0.00 | 0.00 |
| Operating Income | -0.79 | -2.91 | -5.00 |
| Interest Expense | 0.00 | 0.00 | 0.00 |
| Other Non Operating Income (Expenses) | 0.00 | 0.00 | 0.00 |
| Merger & Restructuring Charges | 0.00 | 0.00 | 0.00 |
| Asset Writedown | 0.00 | 0.00 | 0.00 |
| Other Unusual Items | -0.46 | -27.07 | -0.65 |
| EBT Incl. Unusual Items | -1.25 | -29.98 | -5.65 |
| Net Income | -1.25 | -29.98 | -5.65 |
| Net Income to Common Incl Extra Items | -1.25 | -30.09 | -5.65 |
| Diluted EPS Excl Extra Items | -0.25 | -1.95 | -0.22 |
| % Change YoY | | 680.00% | -88.72% |
| Weighted Average Diluted Shares Outstanding | 5.08 | 15.4 | 25.11 |
| % Change YoY | | 203.15% | 63.05% |

- Let us start off with analyzing the most recent and historical income statement as reported by the company.
- SOBR Safe is a pre-revenue company and has reported a top-line of \$0.0 for the past few years as it has been at the research stage.
- Now that its offering is developed, tried and tested, the company should actually start generating revenues from 2022.
- We see a gradual rise in the indirect expenses each year and they were close to the \$5 million mark as the company was on the verge of the product launch.
- SOBR Safe's operating income (EBIT) and the company's pre-tax margin have consistently been negative given the absence of revenues and high costs.
- Non-cash expenses in the form of depreciation and amortization should go up as its intangibles are also increasing.

| Balance Sheet | 12/31/19 | 12/31/20 | LTM |
|----------------------------------------------|--------------|-------------|-------------|
| Cash And Equivalents | 0.68 | 0.23 | 2.19 |
| Accounts Receivable | 0.68 | 0.23 | 2.19 |
| Other Receivables | 0.00 | 0.00 | 0.00 |
| Notes Receivable | 0.00 | 0.00 | 0.00 |
| Total Receivables | 0.68 | 0.23 | 2.19 |
| Inventory | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | 0.01 | 0.12 | 0.02 |
| Total Current Assets | 0.69 | 0.35 | 2.21 |
| Gross Property Plant And Equipment | 0.00 | 0.00 | 0.00 |
| Accumulated Depreciation | 0.00 | 0.00 | 0.00 |
| Net Property Plant And Equipment | 0.00 | 0.00 | 0.00 |
| Goodwill | 0.00 | 0.00 | 0.00 |
| Other Intangibles | 0.00 | 0.00 | 0.00 |
| Deferred Tax Assets Long-Term | 0.00 | 0.00 | 0.00 |
| Other Long-Term Assets | 0.00 | 0.00 | 0.00 |
| Total Assets | 0.69 | 3.99 | 5.57 |
| Accounts Payable | 0.21 | 0.10 | 0.71 |
| Accrued Expenses | 1.09 | 0.45 | 0.50 |
| Short-term Borrowings | 0.93 | 0.01 | 0.00 |
| Current Portion of Long-Term Debt | 0.00 | 0.08 | 0.56 |
| Current Portion of Capital Lease Obligations | 0.00 | 0.00 | 0.00 |
| Other Current Liabilities | 2.05 | 0.28 | 1.24 |
| Total Current Liabilities | 4.28 | 0.92 | 3.00 |
| Long-Term Debt | 0.00 | 0.03 | 0.46 |
| Capital Leases | 0.00 | 0.00 | 0.00 |
| Other Non Current Liabilities | 0.00 | 0.00 | 0.00 |
| Total Liabilities | 4.28 | 0.95 | 3.46 |
| Common Stock | 0.00 | 0.00 | 0.00 |
| Additional Paid In Capital | 15.97 | 52.69 | 56.33 |
| Retained Earnings | -19.51 | -49.60 | -54.17 |
| Comprehensive Income and Other | 0.00 | 0.00 | 0.00 |
| Total Common Equity | -3.54 | 3.09 | 2.16 |
| Total Equity | -3.59 | 3.04 | 2.11 |

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| | | | |
|-----------------------------------------|--------------|--------------|--------------|
| Total Liabilities And Equity | 0.69 | 3.99 | 5.57 |
| Total Shares Out. on Filing Date | 25.98 | 25.98 | 25.98 |

- Moving on to the company's historical annualized balance sheet, when we analyze the liquidity we see that the company has over \$2 million on its balance sheet in the form of liquidity.
- While this is a positive sign, it is likely the company may have to go for another fundraise before it has sufficient funds to reach break even
- The company's long term debt is around \$0.46 million and it might increase if the management decides to use debt to fund its working capital required to reach profitability.

| Cash Flow Statement | 12/31/19 | 12/31/20 | LTM |
|------------------------------------------------|-----------------|-----------------|--------------|
| Net Income | -1.25 | -29.98 | -5.65 |
| Depreciation & Amortization | 0.00 | 0.01 | 0.39 |
| Amortization of Goodwill and Intangible Assets | 0.00 | 0.22 | 0.00 |
| Total Depreciation & Amortization | 0.00 | 0.23 | 0.39 |
| Amortization of Deferred Charges | 0.01 | 1.42 | 0.50 |
| (Gain) Loss on Sale of Investments | 0.00 | 0.04 | 0.04 |
| Asset Writedown & Restructuring Costs | 0.00 | 25.32 | 0.00 |
| Stock-Based Compensation | 0.14 | 0.29 | 0.64 |
| Provision and Write-off of Bad Debts | 0.00 | 0.00 | 0.00 |
| Other Operating Activities | 0.00 | 0.00 | 0.00 |
| Change In Accounts Receivable | 0.00 | 0.00 | 0.00 |
| Change In Inventories | 0.00 | 0.00 | 0.00 |
| Change In Accounts Payable | 0.02 | 0.11 | 0.58 |
| Change In Income Taxes | 0.00 | 0.00 | 0.00 |
| Change in Other Net Operating Assets | 0.31 | -0.01 | 0.31 |
| Cash from Operations | -0.54 | -2.19 | -3.03 |
| Memo: Change in Net Working Capital | 0.34 | 0.11 | 0.88 |
| Capital Expenditure | 0.00 | 0.00 | 0.00 |
| Cash from Investing | 0.34 | 0.11 | 0.88 |
| Total Debt Issued | 0.19 | 0.04 | 4.54 |
| Total Debt Repaid | 0.00 | 0.00 | -0.03 |
| Issuance of Common Stock | 0.04 | 0.00 | 0.00 |
| Issuance of Preferred Stock | 1.00 | 1.70 | 0.00 |
| Repurchase of Preferred Stock | 0.00 | 0.00 | 0.00 |
| Preferred Dividends Paid | 0.00 | 0.00 | 0.00 |
| Other Financing Activities | 0.00 | 0.00 | -0.28 |
| Cash from Financing | 1.23 | 1.74 | 4.23 |
| Net Change in Cash | -0.68 | 0.45 | -1.96 |

- Moving on to the company's historical annualized cash flow statement, we see that SOBR Safe has actually burnt over \$3 million in the past 12 months which was greater than it did in 2020.
- Also, we see a visible investment in working capital in the past 12 months as it continues to develop its offering. Naturally, its amortization expenses have also risen.
- We expect equity fundraising to finance the operating cash loss and the investments for the coming few quarters before the company hits break even.

| Ratios | 12/31/18 | 12/31/19 | LTM |
|-------------------------------------|----------|-----------|-----------|
| Return Ratios: | | | |
| Return on Assets % | 0.00% | -77.80% | -60.50% |
| Return on Capital % | 29.60% | -92.20% | -160.10% |
| Return On Equity % | 0.00% | 10831.00% | -651.40% |
| Return on Common Equity % | 0.00% | 13472.30% | -607.60% |
| Short Term Liquidity: | | | |
| Current Ratio | 16.00% | 38.00% | 74.00% |
| Quick Ratio | 16.00% | 25.00% | 73.00% |
| Op Cash Flow to Current Liab | -13.00% | -238.00% | -101.00% |
| Long-Term Solvency: | | | |
| Total Debt / Equity | -25.90% | 3.80% | 48.10% |
| Total Debt / Capital | -34.90% | 3.70% | 32.50% |
| Total Liabilities / Total Assets | 620.10% | 23.80% | 62.10% |
| EBIT / Interest Expense | -172.00% | -2056.00% | -1153.00% |
| EBITDA / Interest Expense | 0.00% | -1892.00% | -1064.00% |
| (EBITDA - Capex) / Interest Expense | 0.00% | -1892.00% | -1064.00% |
| FFO Interest Coverage | -119.00% | -1549.00% | -698.00% |
| FFO to Total Debt (x) | -0.58 | -1889.00% | -2.98 |
| Total Debt / EBITDA | 0.00 | -0.04 | -0.22 |
| Net Debt / EBITDA | 0.00 | 0.04 | 0.25 |
| Net Debt / (EBITDA - Capex) | 0.00 | 0.04 | 0.25 |

- The company does not pay any dividend given its accumulated losses. This is also the reason why most of its return ratios are all negative.
- All the company's turnover ratios are non-existent because it doesn't generate revenues.
- All the company's return ratios are negative but they should turn positive from 2022 onwards.
- SOBR Safe does employ some debt on its balance sheet which explains why the company's Return on Equity is higher than its Return on Assets and this is because it uses debt to maximize shareholder returns.

| Financial Forecasts | 2020 | 2021E | 2022E | 2023E |
|----------------------------|-------------|--------------|--------------|--------------|
| Total Revenues | 0 | 0 | 5.00 | 10.56 |
| % Change YoY | | | | 111.20% |
| Cost of Goods Sold | 0 | 0 | -1.92 | -3.34 |
| % Margin | | | -38.40% | -31.63% |
| Gross Profit | 0 | 0.00 | 3.08 | 7.22 |
| % Margin | | | 61.60% | 68.37% |
| EBITDA | -2.68 | -4.61 | -2.42 | 1.52 |
| % Margin | | | -48.40% | 14.39% |
| Operating Income | -2.91 | -5.00 | -2.82 | 1.12 |
| % Margin | | | -56.40% | 10.61% |
| Net Income | -29.98 | -5.65 | -3.42 | 0.51 |
| % Margin | | | -68.40% | 4.83% |
| Cash from Operations | -2.19 | -3.03 | -2.23 | 1.41 |
| % Margin | | | -44.53% | 13.39% |
| Free Cash Flows | -2.08 | -2.15 | -3.03 | 0.71 |
| % Margin | | | -60.53% | 6.76% |

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- Now let us move on to Baptista Research's forecasts for SOBR Safe's income statement and cash flows. We forecast a top-line of \$5 million for 2022 and \$10.56 million for 2023.
- We expect a gross margin above 60% given the nature of product offering and the industry that SOBR Safe operates in. This margin should increase in 2023 on account of better scale.
- SOBR Safe's EBIT margin is expected to be -48.4% in 2022, about 14.39% in 2023.
- Our estimate for the company's Net Income (GAAP) is \$-3.03 million in 2022 and \$0.51 million in 2023. The company should break even at all levels in 2023.
- We expect the overall cash flow growth to follow a similar trend in 2022 and 2023. In terms of the cash flows, we expect SOBR Safe to generate around \$-2.23 million in operating cash flows in 2022 and \$1.41 in 2023.
- SOBR Safe is expected to invest a lower amount in capex and other investing activities in 2021.
- Overall, the company is expected to generate free cash flows to the tune of \$-3.03 million in 2022 and \$0.71 million in 2023. SOBR Safe's Net Debt is expected to increase in 2021 and is expected to follow a similar trend over the coming years.

DISCOUNTED CASH FLOW (DCF) VALUATION

Key DCF Assumptions

| | |
|----------------|-------|
| WACC | 19.3% |
| CoD | 0.0% |
| CoE | 19.9% |
| Market Rate | 6.0% |
| Risk Free Rate | 1.9% |
| Beta | 3.0 |
| Terminal Value | 210 |
| Tax Rate | 0.0% |

- For the purpose of carrying out the discounted cash flow valuation of SOBR Safe, we have used the standard capital asset pricing model (CAPM).
- We have used a 6.0% equity market risk premium based on the S&P 500 returns for the past 5 years. The risk-free rate has been assumed as the 10-year Treasury Constant Maturity Rate of the U.S. at 1.9%.
- The company's stock is less volatile than the market as a whole and has a beta of 1.0 which we shall use without leveraging the same as we are going for the enterprise value approach.
- This is used in order to arrive at the cost of equity (CoE) of 19.9% which appears reasonable for a company like SOBR Safe.
- Based on the company's long term debt and interest payments, the cost of debt is 15.0%.
- After incorporating the CoE and the CoD and average tax rate of 0.0%, we arrive at a Weighted Average Cost of Capital (WACC) of 19.3%.
- The terminal value is a key component of any DCF valuation as it accounts for the largest chunk of the total projected value of the company. There are a number of methodologies used to determine the same such as the perpetual growth rate method or the multiples method.
- In this case, we have gone ahead and determined the terminal value by applying the current EV/Sales ratio of 16.9 to our forecasted revenues of 2023.

| EV and Market Cap | Current | 2022E | 2023E |
|----------------------------------------|---------|-------|-------|
| Price (\$) | 2.70 | 4.29 | 8.13 |
| Outstanding Number of shares (million) | 25.98 | 25.98 | 34.98 |

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| | | | |
|-----------------------------|-------|--------|--------|
| Total Market Cap (millions) | 70.15 | 111.40 | 284.54 |
| Net Debt | -1.73 | -0.10 | -0.90 |
| Enterprise Value (millions) | 70.14 | 149.89 | 179.00 |

- After applying the discount rate (WACC) of 19.3%, we arrive at a price target of \$4.29 for 2022.
- Our target price at the end of 2022 is \$4.29 and for 2023 is \$8.13 which implies a total appreciation of nearly 3x in the coming 3 years in the stock price.
- During this phase, we see the EV/ EBITDA turn positive at 117.7x in 2023. The EV/ EBIT will also become a positive 159.82x in 2023 when the company becomes profitable.

| Valuation Ratios | Current | 2022E | 2023E |
|------------------|---------|--------|--------|
| EV/ Sales | NA | 29.98 | 16.95 |
| EV/ EBITDA | -15.22 | -61.94 | 117.76 |
| EV/ EBIT | -14.03 | -53.15 | 159.82 |
| Price/Earnings | -12.42 | -32.57 | 557.92 |

KEY RISKS

- It is important to highlight the key risks associated with an investment in SOBR Safe as well as the inherent risks associated with the financial projections and price forecasts presented in this report.
- SOBR Safe is currently at a pre-revenue stage and there is no certainty regarding the product acceptance in the market. All we are relying on is the basic rationale with respect to the utility of the product and the management claims of its effectiveness.
- One of the biggest risks that the company is facing currently is the ongoing impact of COVID-19 around the world, because of which the stock markets in general could be affected. SOBR Safe's research and operations could be affected materially given the rapidly spreading Omicron variant.
- To accommodate growth and compete effectively, the company will need working capital to have adequate funds to onboard logistics companies and other prospective clients. It might not have adequate funds for the same.
- The management may be unable to successfully implement and execute their business strategies, operating plans and growth initiatives. In case the management fails to manage their growth and organizational change effectively, it may harm their business and the results of operations.
- SOBR Safe has a certain level of dependence on third-parties for developing and supplying its offering as well as for the growth and scale up of the company. Therefore, any change in contractual relationships or disruption of service provided by these third-party service providers may adversely affect them and subject them to liability.
- Proper utilization and protection of their intellectual property and non-infringement of third parties' intellectual property within the U.S. and other countries where SOBR Safe plans to expand are vital for their business to succeed.
- There could be a possible dilution and loss of value of their equity shares because the company might require regular infusion of funds through equity issuances for funding their losses until they break even.
- If the management fails to raise additional capital, they may need to reduce, defer, curtail or cease their operations, including the product design, development, and marketing.
- SOBR Safe's ability to continue as a going concern is contingent upon the ability to raise additional capital through the sale of securities and incurrence of debt. Additionally, the future capital requirements of the company depend on many factors including the rate of revenue growth, selling price of the platform subscription and research and development efforts which raise substantial doubt about the company's ability to continue as a going concern.
- It is worth highlighting that the extent to which Covid-19 impacts the financial results of the company is highly uncertain and could significantly disrupt the operations including sales, manufacturing and supply chain-related activities. It could also result in social, economic, and labor instability in the countries where the customers and suppliers operate.

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- With respect to our price projection, we would like to clarify that the valuation of SOBR Safe in this report is specific to the date of the analysis i.e. 15-03-2022.
- Another one of the biggest risks to SOBR Safe's model is the fact that the company's top-line growth is assumed to be consistently growing by a certain rate in the model. There is a possibility that this assumption might not hold true if the COVID-19 situation persists for too long. With respect to our price projection, we would like to clarify that the valuation of SOBR Safe in this report is specific to the date of the analysis i.e. 15th March 2022.
- We must emphasize that the projected valuation and the share price of SOBR Safe are dependent on the realization of the revenue growth, free cash flows and the other assumptions taken into account. Our analysis cannot be directed to providing any assurance about the achievability of these financial forecasts. There is a possibility that the actual results of the company are different from the projected results as a result of unexpected events and circumstances such as the realization of the threats mentioned in the paragraph above. Lastly, we would like to clarify that we had no interaction with the management of the company and they did not comment on the achievability or the reasonableness of the assumptions underlying the financial forecasts. Please check out our detailed disclosures at the end for further details.

ANALYST RATINGS

- Buy: Expected to outperform market over next 6 to 12 months. Minimal risk to fundamentals and valuation. Good long-term investment.
- Outperform: Expected to outperform the market over next 6 to 12 months but there is a moderate risk to fundamentals and valuation.
- Sell: Expected to significantly underperform the market over next 6 to 12 months. There is a strong likelihood of the security delivering negative returns and a very high risk to fundamentals and valuation.
- Underperform: Expected to underperform the market over next 6 to 12. There is a moderate to high risk to fundamentals and valuation.
- Hold: Expected to perform in line with the market over next 6 to 12 months. However, there is a moderate to high risk to fundamentals and valuation.

ANALYST INDUSTRY VIEWS

- Attractive: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
- In-Line: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
- Cautious: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
- Benchmarks for each region are as follows: North America - S&P 500; Latin America – MSCI EM Latin America Index; Europe – MSCI Europe; Japan - TOPIX; Asia - relevant country index or sub-regional index. Please contact us to know the relevant index in case it is not specified in the report.

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