

TORMONT 50 Tormont50 Growth Report

Tormont50: Identifying timely topics and trends in the sub-\$200 million market.

Growth Report Type: **Emerging**

Timeliness: **Current**

Date: **May 25, 2021**

GlobeX Data Ltd.

SWIS \$0.305

CSE Exchange | US OTCQB: SWISF | Market Cap \$26M

Company Overview

GlobeX Data Ltd. is a cybersecurity and internet-privacy provider which allows a client to send and receive secure military-level encrypted email and messages for a modest monthly fee. The trademarked names for each are SekurMail™ and SekurMessenger™. See Figure 1.

The company employs proprietary technology and uses 100%-owned infrastructure, most prominently a Switzerland-based server, to provide this service. The company's Sekur™ technology does not store data in cloud providers such as Amazon Web Services (AWS), Google Infrastructure or Microsoft Azure. In addition, and perhaps equally important, **GlobeX does not sell a customer's data to any third party.**

Figure 1: GlobeX's Sekur™ Technology



Sekur

Sekur is an Email and Messaging solution for security and Privacy in all your communications.

Sekur encrypts all your communications end-to-end including messages, group chats, files, recorded voice files and emails. Only you and the recipient of your message have access to the communications. Our SekurSend–Sekur Reply prevents from phishing or impersonation attacks.

- Military level encrypted Chat.
- Proprietary SekurSend – SekurReply Email.
- Confidential contact search.
- Time limit to self-destruct chats and emails.
- Private communications in a private environment.
- Unlimited size for SekurSend files.

Source: GlobeX Data Ltd.

Since inception, GlobeX has partnered with large and well-known companies to control customer acquisition costs and to establish early brand name recognition. **Some of its key partners include América Móvil SAB (NYSE: AMX), the world's seventh-largest mobile telecommunications network operator; Axiata Group Berhad (Kuala Lumpur: 6888.KL), operator of one of Southeast Asia's largest wireless networks (see below); the U.S.-based real estate firm RE/MAX (NYSE: RMAX); and SYNEX Corporation (NYSE: SNX), a leading worldwide distributor of information technology (IT) equipment.** GlobeX is now broadening its marketing approach to include fully funded direct marketing campaigns in the U.S. and in many other areas of the world.

As businesses and consumers grapple with the increasing frequency of cyberattacks, specifically the recent Microsoft and SolarWinds hacks, and now the Colonial Pipeline ransomware attack (see page 3), it seems logical that a growing number of customers will opt in to secure and private communications technologies that protect their privacy. Such an environment is ideal for GlobeX and the suite of secure, military-level encryption services. Moreover, these communications services are hosted on a nonpublic server located in Switzerland, perhaps the country which most zealously guards the privacy of individuals.

Based on conservative customer acquisition assumptions and a controlled cost structure, the company could generate operating cash flow at a C\$9 million annualized pace by the end of 2022. At that rate of cash generation, GlobeX trades at a pro forma enterprise value-to-EBITDA ratio of only around 2.3x. If the company's cash flow builds as we project, that ratio -- and GlobeX's stock price -- could normalize to substantially higher levels. We also reiterate that company insiders are heavily invested in this outcome; they own nearly 40% of the company.

Key Asia Distribution Agreement

On May 13, GlobeX signed a distribution agreement in Sri Lanka for its Sekur™ products with Dialog Axiata PLC, a unit of Malaysia-based telecom giant Axiata Group Berhad. Dialog Axiata, Sri Lanka's largest mobile network operator, has 14.9 million subscribers. Axiata Group Berhad has 150 million subscribers across nine Asian countries from Malaysia to Pakistan.

The distribution accord, which represents GlobeX's second deal with a major global telecom operator (Latin America's América Móvil is the other), has a one-year term and may be automatically renewed unless terminated by either party. GlobeX hopes that as Axiata's Sri Lankan customers adopt GlobeX's technology, it will expand into other countries served by this telecom giant.

Colonial Pipeline Ransomware Attack Illustrates Value of GlobeX's Sekur™ Technology

The now-famous May 6 hack on Colonial Pipeline, the operator of 5,500-mile pipeline that transports gasoline, jet fuel and other refined petroleum products to 14 southeastern and eastern U.S. states, is generally regarded as one of the most significant attacks on critical U.S. infrastructure in history.

Darkside, a group based in Russia, planted malicious software in Colonial's system and stole about 100 gigabytes of Colonial Pipeline's data. More importantly, Colonial had to halt all pipeline operations to contain the threat. Indeed, pipeline sensors, thermostats, valves, pumps, and automated inspection gauges monitor and control flows in virtually all modern pipelines. The company almost immediately agreed to pay US\$4.4 million (in Bitcoin) to Darkside for decryption software to get the pipeline operating again.

Most experts believe that Darkside did not directly hack into Colonial's operating system. Such systems at large organizations are generally well protected. Instead, the hacker group probably gained access through the company's non-secured email system. (Most email systems store data in cloud providers.) For example, an employee may have inadvertently opened an email that contained malware, allowing it to spread throughout Colonial's network. Such an email hack (and its enormous physical and financial consequences) likely could have been prevented if Colonial had used GlobeX's SekurMail™ email service.

Work From Home Concerns Also Illustrate Sekur™'s Value

A related issue is the effect of the COVID-19 pandemic on large financial firms, including hedge funds. As employees increasingly work from home, cybersecurity concerns mount. Specifically, protecting a hedge fund's proprietary information and strategies become more difficult when, for example, an employee uses the same home internet network as her children. In this case too, use of GlobeX's secure email service can dramatically limit the possibility of being hacked.

Potential Monthly Cash Generation Potential

In Table 1, we estimate the monthly cash flows that GlobeX could generate from five major customer groups -- U.S. mass markets; partnerships with América Móvil, RE/MAX and SYNEX; the expected 4Q 2021 launch of its Sekur™Pro Videoconferencing tool; and emerging markets, including Southeast Asian customers. By year-end 2022, it seems possible that GlobeX's operating cash flow could reach about C\$770,000 per month. Important to note: 1) this cash flow level is based on what appears to be conservative customer acquisition rates; and 2) GlobeX's monthly fixed costs are estimated to be around C\$360,000 by year-end 2022.

Table 1: Potential GlobeX Monthly Revenue Run Rate by Year-End 2022

(in Canadian dollars: exchange rate US\$1.00 equals C\$1.20)

<u>Customer Segment</u>	<u>Potential Incremental Gross Margin Per Customer</u>	<u>Monthly Customer Base</u>	<u>Monthly Gross Margin</u>	<u>Comments/Assumptions</u>
U.S. Mass Market	\$7.00	125,000	\$875,000	Assume that ~1% of the 12.5 million audience on conservative media (TV, Radio, Websites) to become Sekur™ subscribers.
RE/MAX Realtors, SYNEX and Other Resellers	\$5.00	5,000	\$25,000	Assume that several thousand RE/MAX agents become customers. Incremental gross margin is C\$5 per customer per month.
América Móvil/Telcel	\$2.00	60,000	\$120,000	Assume that about 1% of America Movil's Mexico and Colombia business subscribers become customers. Incremental gross margin is C\$2 per customer per month.
Sekur™ Pro Video Conferencing - Launch is Expected in 4Q 2021	\$50.00	1,000	\$50,000	GlobeX expects to have at least 1,000 customers by year-end 2022.
Emerging Markets, Including Asia	\$3.00	20,000	<u>\$60,000</u>	Telecom/Government customers
TOTAL			\$1,130,000	
Potential Monthly Fixed Costs			\$360,000	By year-end 2022, advertising expenses could be \$300,000 per month and regular operating expenses about \$60,000 per month.
Potential Monthly Operating Cash Flow			\$770,000	

Good Cost Controls and Strong Balance Sheet

Over the last five reported quarters, GlobeX has controlled its costs well. Despite expected low revenue through March 31, 2021 as the company is building out its business and its offerings, GlobeX's operating cash flow deficit has averaged only about C\$315,000 per quarter. See Table 2.

In May 2021, GlobeX raised C\$2.2 million in a private placement of common stock and warrants, bringing its cash balance to C\$4.78 million. The company's shares outstanding now total 85.2 million. GlobeX's cash, which represents nearly 20% of its stock market capitalization, now equals more than 12 months of its expected C\$360,000 peak monthly spending level -- C\$300,000 on advertising and C\$60,000 of operating expenses). See page 4.

Table 2: GlobeX Selected Quarterly Financial Information

*(in thousands of Canadian \$,
except for shares outstanding)*

	<u>1Q 2021</u>	<u>4Q 2020</u>	<u>3Q 2020</u>	<u>2Q 2020</u>	<u>1Q 2020</u>
Revenue	\$9	\$6	\$5	\$8	\$7
Operating Income	(\$1,289)	(\$594)	(\$179)	(\$320)	(\$262)
Operating Cash Flow	(\$694)	(\$340)	(\$151)	(\$183)	(\$214)
Cash	\$2,856	\$495	\$519	\$668	\$749
Debt - Period End	\$0	\$0	\$0	\$0	\$0
Shares Outstanding (Millions) (A)	76.6	57.0	54.5	54.5	53.6

(A) As of May 25, 2021, shares outstanding are 85.2 million.

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