

Knightscope, Inc. (KSCP)
Rating: Buy

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Security Robot Business Repositioned for Accelerating Revenue Growth into 2026; Initiate Buy, \$16 PT

Stock Data		1/29/2025	
Price		\$10.43	
Exchange		NASDAQ	
Price Target		\$16.00	
52-Week High		\$31.50	
52-Week Low		\$4.89	
Enterprise Value (M)		\$42	
Market Cap (M)		\$40	
Shares Outstanding (M)		4.2	
3 Month Avg Volume		266,931	
Short Interest (M)		0.43	
Balance Sheet Metrics			
Cash (M)		\$5.2	
Total Debt (M)		\$6.7	
Total Cash/Share		\$1.23	
EPS (\$) Diluted			
Full Year - Dec	2023A	2024E	2025E
1Q	(2.86)	(3.94)A	(1.94)
2Q	(4.19)	(2.68)A	(1.57)
3Q	(5.36)	(3.58)A	(1.59)
4Q	(3.80)	(1.94)	(1.34)
FY	(16.77)	(12.15)	(6.44)
Revenue (\$M)			
Full Year - Dec	2023A	2024E	2025E
1Q	2.9	2.3A	2.8
2Q	3.6	3.2A	3.0
3Q	3.3	2.5A	3.3
4Q	3.0	2.6	3.8
FY	12.8	10.6	12.9
EBITDA (\$) Adjusted			
Full Year - Dec	2023A	2024E	2025E
1Q	(5.5)	(7.3)A	(6.5)
2Q	(4.6)	(5.8)A	(6.5)
3Q	(5.0)	(6.4)A	(6.4)
4Q	(6.0)	(6.6)	(6.4)
FY	(12.2)	(26.2)	(25.8)



Opportunity to acquire discounted shares in leading ASR business ahead of accelerating revenue growth.

We are initiating coverage of Knightscope, Inc. with a Buy rating and a 12-month price target of \$16 per share. Headquartered in Mountain View, CA, Knightscope designs, develops, manufactures, and distributes AI-powered smart security solutions such as autonomous security robots and emergency communication devices. Products are deployed to a variety of industries, including airports, casinos, hospitals, hotels, manufacturing plants, parking garages, public parks, and schools. Following a series of corporate, technology, and operating changes initiated during 2024, the company has repositioned itself for revenue growth beginning in 2H25 and accelerating into 2026. As meaningful growth returns and investors begin to extrapolate a path towards longer term profitability and free cash flow, we believe demand for KSCP shares will increase driving KSCP shares towards our \$16 price target.

Underlying secular trends and large end markets provide significant long term revenue opportunity.

Driven by underlying secular trends, including crime rates, terrorist attacks, geopolitical tensions, and even labor shortages, adoption of security robots continues to increase. These issues and demand for autonomous security robots come from multiple sectors including healthcare, corporate campuses, casinos, commercial real estate manufacturing and law enforcement which we believe represent an approximately \$41.0B recurring revenue opportunity in the United States. Based on the company's current ASR portfolio and average pricing, we believe the near-term market for Knightscope's products is close to \$4.0B.

MaaS business model accelerates growth and provides strong earnings visibility.

Today, the business generates revenue through both product sales and ongoing services, generally billed on a monthly basis. However, the developing Machine-as-a-Service model, is designed to accelerate sales cycles and deliver more high visibility recurring revenue. Customers are offered an all-inclusive subscription structure, priced competitively at anywhere from \$0.75 to \$9 per operational hour. Included services include site assessments, surveys, logistics, maintenance, charging stations, data transfer, and access to the Knightscope Security Operations Center. This operating model greatly reduces the cost of entry versus buying an autonomous robot upfront and accelerate adoption of autonomous security robots. Over time, we believe the company should be generating more than 70.0% of revenue from recurring subscription and service fees.

Restructuring should be completed in 1H25 shifting focus back towards sales growth.

Revenue declined in 2024 as the company worked through a series of organizational changes aimed at simplifying the corporate structure, upgrading technology, and improving operating efficiencies. This includes converting preferred stock to common, eliminated outstanding warrants, consolidating manufacturing, and eliminating several management positions. While some residual revenue headwind may continue in 1H24, we believe the business has greatly improved its positioning and should begin to deliver revenue growth and improving gross margin in 2H25 and accelerating in 2026.

Partnerships and technology IP create significant barriers for new entrants. After more than a decade of operations, Knightscope has developed a business infrastructure that we believe is extremely difficult for potential new entrants to replicate and positions itself to be the long-term winner in the autonomous security robot space. We believe more than \$150.0M has been invested to-date in developing technical and manufacturing expertise, which are protected by a series of patents and pending patents. In addition, the company has developed relationships with suppliers and technology partners which aid in the development of product. This includes Draganfly, Inc., a leading designer, developer, and manufacturer of unmanned aerial vehicles and Verizon Business which provides 4G LTE connectivity integrated into the K5 robots, providing secure and reliable communication for autonomous operations. Given what we view as a 10-year head start, we expect Knightscope to continue to extend its competitive advantage versus potential peers.

Inorganic growth initiatives potentially accelerate revenue growth and timeline to profitability. While the company remains focused on organic growth initiatives, we expect Knightscope to continue to look at potential acquisitions to increase revenue and potentially accelerate the timeline to profitability. The business model relies highly on the company's ability to scale operations, which could be helped through acquisition. The company's 2022 acquisition of Case Emergency Systems, Inc. could serve as a template for future transactions. However, we suspect deal pricing has been somewhat of an issue, given some elevated valuation levels across the industry. As private market pricing becomes more rationale, we expect the company to become more active in pursuing M&A.

Leverage private sector success into public-sector opportunities. New client acquisition and steady flow of customer renewals, which the company reports almost monthly, highlight the success the business is seeing in the private markets. Leveraging this success, the company recently deployed its first K5 GOV robot for a U.S. government customer. The transaction followed three years of diligence and FedRAMP authorization. With an entirely new hardware and software architecture, to comply with more stringent U.S. Federal Government requirements, we believe government agency adoption and procurement become easier. The ability to sell into U.S. government agencies significantly increases the total addressable market the company can serve and should build sales momentum towards profitability.

Valuation looks attractive versus revenue opportunity and current investor demand. We are valuing KSCP shares at \$16, reflecting a 6.0x EV/revenue on our 2025 revenue estimate of \$12.9M. Our \$16 price target represents approximately 55.0% upside from recent trading levels. Knightscope's current 4.5x EV/revenue multiple is a discount to peers, which currently trade at a median multiple of 5.8x, in the robotics space, despite in some cases having meaningfully higher revenue. Over time, we believe accelerating recurring revenue growth, increasing gross margins, and consistent profitability should warrant a premium valuation multiple. As revenue growth returns in 2H25 and accelerates in 2026, allowing investors to extrapolate a path to profitability, we believe KSCP will move towards our \$16 price target.

Risks. (1) Execution risk; (2) supply-chain disruption risk; (3) regulatory risk; (4) dilution risk; (5) intellectual property risks; (6) key personnel risks and (7) competition risk.

Company Overview

Headquartered in Mountain View, California, Knightscope, Inc. specializes in designing, building, and deploying AI-powered self-driving security robots and emergency communication systems aimed at enhancing public security. The company's security solutions cater to a diverse array of use cases, including airports, casinos, commercial real estate, corporate campuses, hospitals, hotels, and public parks and schools. The company was founded in 2013 as a direct response to national tragedies, including the Sandy Hook Elementary School shootings, the Boston Marathon bombings, and the attacks of September 11, 2001. Following a series of corporate structure, technology, and operational improvements in 2024, the company is now better positioned to begin scaling its business in 2H25 and 2026 putting the company on a path towards eventual profitability and free cash flow. Knightscope accessed the public markets in January 2022 through a traditional IPO process.

The business operates a hybrid hardware and software model to design and develop its disruptive security products. The product portfolio includes Autonomous Security Robots ("ASR") and Emergency Communication Devices ("ECD"), a business which Knightscope acquired in 2022. The company integrates its proprietary Knightscope Security Operations Center software interface into the autonomous security robot hardware and the Knightscope Emergency Management System into the emergency communication device hardware. This integration enables seamless access to real-time data collected by the sensors embedded within both ASRs and ECDs, enhancing the effectiveness of its security solutions. Manufacturing operations, which include light assembly, have recently been consolidated closer to the company's headquarters in Mountain View, California. This consolidation should improve process flow, elevate quality standards, and enhance procurement efficiencies. With more than hundred autonomous robots in service and thousands of emergency communication devices in use, Knightscope's solutions have been rigorously tested, accumulating over three million operational hours.

Knightscope's autonomous security robot business is largely based on a Machine-as-a-Service model with annual subscriptions at an effective price of approximately \$0.75 to \$9 per hour based on product and services. The subscription service includes deployment, maintenance of technology and parts, U.S.-based technical support, and regular updates for software, firmware, and hardware. Through the MaaS business model, the company generates recurring revenue, improving revenue visibility. The simplicity and scalability of this MaaS-driven approach strengthens Knightscope's market position, making its solutions accessible and adaptable to a wide range of security needs. With growing concerns surrounding crime, terrorism, and violence, alongside increasing demand for sophisticated surveillance and security systems, we are optimistic about the continued demand for its products.

In addition, the company generates revenue through point-of-sale transactions, reported as product revenue. This is primarily sales of the company's emergency communication devices and includes the product, shipping, and installation. Historically, these products had been manufactured in Southern California. However, as part of the company's ongoing restructuring, manufacturing has moved to Mountain View, CA. While the product sale is captured in product revenue, ongoing servicing and access to Knightscope's Emergency Management System are captured within service revenue, paid as a monthly fee.

Most revenue today is generated through a combination of product sales and the ongoing service costs of the emergency communication device business, of which there are approximately 10,000 in operation. However, as the company continues to grow the autonomous security robot business, we believe as a percentage of revenue, subscription and service revenue should exceed 70.0% over time. This should provide greater revenue visibility given the recurring nature of this revenue stream.

As of October 31, 2024, Knightscope reported a total backlog of \$2.9M, comprising \$2.4M in orders for ECDs and \$0.5M in orders for ASRs. The company also holds 12 granted patents and has additional patent

applications pending, underscoring a commitment to innovation and technological leadership in the security industry.

The company predominantly uses a direct sales approach to generate customer interest and sell new contracts. This is often done through both virtual and live product demonstrations. The company's sales team invites decision makers to attend a "Robot Roadshow" which are regularly hosted across the United States. The roadshow initiative entails a cross-country tour of a physical pod housing numerous ASRs, the K1 Blue Light Emergency Phone, and Knightscope's new Automated Gunshot Detection system. This provides a one-on-one hybrid offline/online selling technique with in-person robots and telepresence and, or, onsite sales staff.

In January 2024, Knightscope announced that it achieved an Authority-to-Operate from the Federal Risk and Authorization Management Program. FedRAMP compliance is one of the factors that allows the company to begin selling autonomous security robots into U.S. federal government agencies. We expect Knightscope to look for potential sales partners, with familiarity in government sales to expand this program. In May 2024, Knightscope deployed a K5 security robot with the Department of Veterans affairs. The deployment was facilitated by Knightscope's veteran owned small business partner, MediaNow Inc. We expect additional deployments into U.S. government agencies to be announced over the coming quarters.

Product Portfolio

An increase in crime has created a need to explore solutions that go beyond traditional human security measures. These security challenges can be met through the adoption of technology-enabled innovations. Advanced solutions can enhance surveillance and deterrence capabilities while defining a distinct segment within the security industry. Knightscope is well-equipped to capitalize on this opportunity through its innovative product offerings. By incorporating artificial intelligence, Knightscope significantly improves patrolling efficiency, streamlines customer operations, and can provide a comprehensive and effective security experience.

While not a total replacement, Knightscope's autonomous security robots can augment existing human security guards, providing real-time data and actionable intelligence through autonomous operation. The robots patrol campuses around the clock without human intervention, equipped with advanced features such as a 16-microphone array for sensitive audio detection, two-way communication functionality, and the ability to identify hidden individuals within their surveillance areas.

In addition to autonomous robots, Knightscope's product portfolio includes emergency communication devices, such as smart towers and small communication devices. The ECD product line is anchored by the K1B portfolio, a key offering introduced following the company's 2022 acquisition of Case Emergency Systems.

Below is a detailed discussion of the various ASR solutions offered by the company:

K1 Hemisphere. The K1 Hemisphere is a compact, stationary security solution designed for both indoor and outdoor environments. It features a mounted structure equipped with three cameras, providing up to 210 degrees of eye-level, high-definition video coverage. Key functionalities include a strobe light, automatic license plate recognition, optional facial recognition, automated broadcast announcements, live audio, and two-way intercom capabilities, making it a versatile and effective tool for advanced security monitoring.

K1 Tower. The K1 Tower is a stationary security robot featuring 4K ultra-HD cameras, offering 360-degree eye-level HD recording, thermal sensing, and a security call button. It is ideally suited for installation at pedestrian entrances, help points, retail aisles, and other high-traffic areas where mobility is not required.

In addition to its advanced surveillance capabilities, the K1 Tower includes people detection, signal detection, and facial recognition, enhancing workplace violence protection, real-time situational awareness, and crime reduction.


K5. The K5 ASR is designed to autonomously patrol a geo-fenced area, following either random patterns or specific patrolling algorithms. The K5 utilizes several advanced technologies including lasers, ultrasonic sensors, an inertial measurement unit, and wheel encoders, all integrated into a navigation software stack that ensures its autonomy. Each K5 ASR generates between one to two terabytes of data weekly, accumulating over 90 terabytes annually. This data is accessible for review and analysis through the Knightscope Security Operations Center, where customers can store, search, and analyze the data for forensic or archival purposes. The K5 is capable of autonomously charging itself around the clock without the need for human intervention. This ASR is designed primarily for outdoor environments of malls, corporate campuses, hospitals, stadiums, warehouses, logistics facilities, airports, train stations, and multi-level parking structures.




K3. The K3 ASR is specifically designed for indoor environments, enabling it to navigate complex and dynamic spaces such as indoor malls, office buildings, manufacturing facilities, hospitals, stadium plazas, warehouses, and schools. Equipped with 360-degree eye-level 720p video recording, it shares the advanced anomaly detection capabilities of the K5. Features such as parking utilization, parking meter monitoring, and license plate recognition are deactivated, as they are not relevant for indoor applications. The K3, like the K5 is powered by rechargeable batteries, the ASRs autonomously patrol for two to three hours before docking at a charging station for a 20-minute recharge.

KSOC software. Knightscope Security Operations Center is an intuitive, browser-based interface that integrates with Knightscope's ASRs and other products. It provides customers and security professionals with mobile eyes, ears, and voice on the ground. In the event of an alert, such as detecting an individual in a specific location at an unusual time, authorized users can access live data streams from all ASRs within their network through the KSOC. This interface can be accessed from various locations, including 911 dispatch centers, security operations centers, or remote devices such as laptops, enabling real-time situational awareness and response.

RTX Premium. RTX Premium is a virtual monitoring and response solution designed for client sites lacking the resources to manage and respond to alerts generated by Knightscope's ASRs and other products. Such sites often lack personnel to monitor video management or alarm systems, not due to an absence of need but typically because of budget constraints. A team of Risk & Threat Exposure (RTX) analysts deliver remote, event-based monitoring services utilizing Knightscope technologies, further enhancing the value and effectiveness of its offerings.

Knightscope's ASR Product Portfolio

ASR Model	Image	Technical Specifications	Use Case	Features
K1 Hemisphere		Stationary device Height: 24 inches Width: 24 inches Depth: 10 inches Weight: 30 pounds	Indoor (Reception areas, ATMs, hallways & more) & Outdoor (Lobbies, elevators, stairwells, EV charge stations)	210-degrees of eye-level HD Video Two-way intercom Broadcast announcements People detection License plate recognition

K1 Tower		Stationary device Height: 69 inches Width: 28.8 inches Length: 11.2 inches Weight: 150 pounds	Indoor (Help points, retail aisles, garages) & Outdoor (Pedestrian entrances, lobbies, shuttle stops & parking lots)	360-degree eye-level HD recording Security call button Live audio & two-way intercom Broadcast messages Automatic license plate recognition Thermal sensing Signal detection
K5		Movable device Max. speed: 3 mph Height: 64.6 inches Width: 28.8 inches Length: 44.6 inches Weight: 420 pounds	Outdoor (Corporate campus, shopping malls, hospitals, casinos, parking lots, airports, colleges, warehouses, housing complex and more)	360-degree, eye-level video streaming and ultra-HD recording People detection Thermal anomaly detection Automatic license plate recognition Live audio and two-way intercom Successfully patrols parking lots and structures
K3		Movable device Max. speed: up to 3mph Height: 51 inches Width: 24 inches Length: 44.6 inches Weight: 340 pounds	Indoor (Casinos, hospitals, indoor shopping malls, hotels, corporate buildings, warehouses)	360-degree eye-level 720p recording Signal detection Thermal detection Broadcast messages People detection Live audio and two-way intercom Security call button

Source: Company website.

The following section provides an overview of Knightscope's various ECDs, including the K1 Blue Light Tower, K1 Blue Light Emergency Phone, K1 Call Box, KEMS software, and the K1 Retrofit Kit.

K1 Blue Light Tower. The K1 Blue Light Tower functions as a fully wireless emergency communication device, providing around the clock operation in all conditions. It is equipped with features such as voice connectivity, broadcast warning capability, a flashing strobe, a 4G certified voice module, duplex wireless calling, call location identification, and a faceplate that illuminates from dusk to dawn. This device is appropriate for deployment in locations such as schools, airports, casinos, hospitals, parking lots, and retail stores as these locations often face security challenges, such as emergencies, criminal activity, or vulnerable individuals.

K1 Blue Light Emergency Phone. The K1 Blue Light Emergency Phone is a compact and fully featured emergency communication solution designed for both indoor and outdoor use. It is particularly well-suited for areas with limited space where larger tower designs may not be feasible. This device provides one-

touch connectivity and is equipped with a high-visibility blue strobe, enhancing public safety. It ensures reliable, clear voice-to-voice communication over a cellular network, offering a dependable means of emergency contact in critical situations.




K1 Call Box. The K1 Call Box is Knightscope's smallest emergency communication system, designed for easy one-touch connectivity with a simple interface. Typically mounted on a pole for outdoor use, it can be equipped with solar charging capabilities for a fully wireless solution or adapted to existing wiring. This device is designed for hands-free operation, with additional options available, including a handset and TTY pad, ensuring reliable communication in emergency situations. Well-suited for rugged and remote environments, the K1 call box is suitable for outdoors such as highways, parks, bridges, beaches, and military areas.


K1 Retrofit Kit. The K1 Retrofit Kit upgrades traditional wireline emergency systems to Knightscope's advanced hardwired or wireless configurations, advancing public safety and security technology. This kit features a bright blue LED light, 4G voice and data module, strobe light, and faceplate camera. It is an ideal solution for modernizing discontinued or outdated emergency calling equipment. By enabling features such as wireless solar power, wireless phone connectivity, and self-monitoring software, the K1 Retrofit Kit transforms standard blue-light-style phones and call boxes into state-of-the-art emergency communication devices.

The capital and maintenance expenses for Knightscope's ECDs are generally assumed by the deploying institutions, including educational campuses, transportation hubs, healthcare facilities, and commercial establishments. These entities invest in such systems to bolster public safety infrastructure and ensure dependable channels for emergency communication.

KEMS software. The KEMS platform is an advanced, cloud-based application designed to provide clients and technicians with real-time insights into the operational health and status of Knightscope's ECD devices, K1 Blue Light Towers, E-Phones, and Call Boxes. By continuously monitoring system-wide health, it delivers automated alerts for operational anomalies, facilitates real-time error diagnostics, and compiles detailed performance analytics. KEMS streamlines maintenance with automated daily email reports, eliminating the need for manual testing, while offering optional features such as text notifications and real-time graphical mapping. The software is available for purchase on a subscription basis.

Knightscope's ECD Product Portfolio

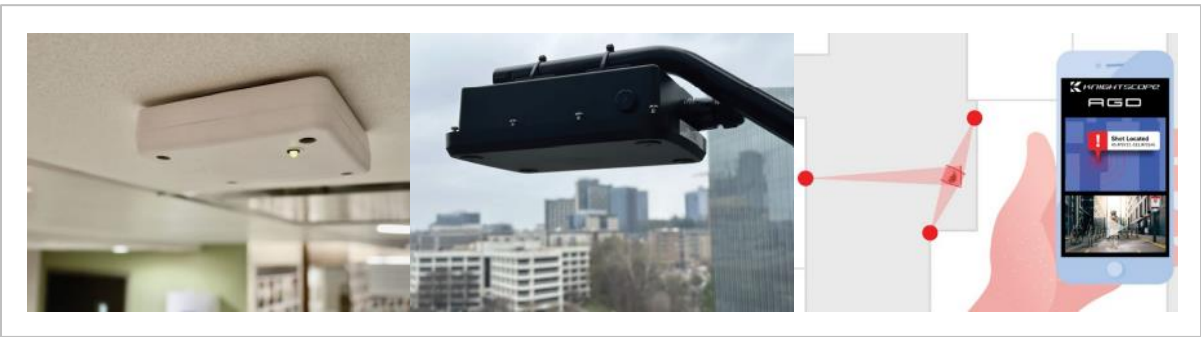
ECD Model	Image	Technical Specifications	Use Case	Features
K1 Blue Light Tower		Stationary device Height: 108 inches Weight: 208 pounds Length: 8 inches Width: 10.5 inches	Outdoor (Schools, colleges, hospitals, commercial properties, public parks, parking lots & more)	Available in AC or solar with battery back-up Duplex wireless calling Version and AT&T networked voice module Weather-proof & tamper-proof steel housing Blue-light LED positioned at the top which makes locating it easy Call location identifier
K1 Blue Light E-Phone		Stationary device Height: 31.5 inches Weight: 52 pounds Length: 8 inches Width: 10.5 inches	Indoor (Schools, airports, casinos, hospitals & more) & Outdoor (public parks, parking lots, public transit stations)	Available in AC or solar with battery back-up Duplex wireless calling Version and AT&T networked voice module Blue-light LED which makes locating it easy Optional multi-button dialing Call location identifier Over-the-Air system administration & maintenance
K1 Call Box		Stationary device Height: 19.6 inches Weight: 47.4 pounds Length: 11.3 inches Width: 15.3 inches	Outdoor (Bridges, highways, military area, parks, beaches and more)	Illuminated interior control panel Offers caller identification Tamperproof & weatherproof Lexan housing Remote programming capability Solar powered or AC with rechargeable battery Maintenance alerts via mail

K1 Retrofit Kit		Stationary device Weight: 14 pounds Voltage: 12 volts Capacity: 17 Ampere-Hour Antenna: 3 Decibel	Outdoor (Universities, corporate campuses, airports)	Bright blue LED light Faceplate with fully integrated electronics package Optional multi-button dialing Over-the-Air system administration & maintenance.
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Source: Company website.

Automated Gunshot Detection and K1 Laser. Recently, the company has introduced Automated Gunshot Detection, which can pinpoint a shooter’s location in real-time across 2D maps and 3D environments. Knightscope’s Automated Gunshot Detection system transforms chaotic shooting incidents into actionable response plans, enabling faster action and reduced response times. Equipped with both indoor and outdoor sensors, Automated Gunshot Detection provides comprehensive coverage, detecting gunshots and locating shooters with remarkable accuracy, pinpointing their position within two meters, including elevated locations. Within approximately two seconds, the system delivers localized video, sends safety alerts, and notifies first responders with detailed digital floor plans and precise intelligence. The fully automated system integrates with access control, notification systems, and security hardware to enhance response effectiveness.

Automated Gunshot Detectors



Source: AGD brochure.

Additionally, the K1 Laser, offered within Knightscope’s emergency detection suite of products, efficiently oversees fence lines, gates, points of ingress and egress, as well as restricted or access-controlled areas. It delivers actionable, data-driven behavioral insights, further augmenting security management capabilities. The K1 Laser is an advanced physical security solution leveraging lidar-based technology to detect people and objects with precision, paired with integrated perception software for greater situational awareness. Designed to enhance safety across various environments, including parking lots, building interiors, university campuses, and transit stations, the K1 Laser can be installed on fixed infrastructure or integrated with Knightscope’s K1 stationary technologies. Operating effectively in adverse weather and low-light conditions, the K1 Laser offers capabilities beyond traditional security cameras, delivering advanced detection and reducing false alarms and missed events by up to 95.0%.

Investment Overview

Our investment thesis on Knightscope, Inc. is driven by six points: (1) Strong underlying secular trends and large end markets provide significant long term revenue opportunity; (2) MaaS business model accelerates growth and provides strong earnings visibility; (3) ongoing business restructuring should be completed during 1H25 better positioning the business for growth; (4) high barriers to entry limit near term competition; (5) M&A opportunity to complement improving organic growth; and (6) leverage private sector success into large public-sector opportunities.

1. Strong underlying secular trends and large end markets provide significant long term revenue opportunity. Rising crime rates, terrorist attacks, geopolitical tensions, territorial disputes, and labor shortages, particularly in North America, are leading to increased adoption of security robots. Demand is driven from multiple sectors including healthcare, corporate campuses, casinos, commercial real estate manufacturing and law enforcement. Long term, these markets are believed to represent an approximately \$41.0B recurring revenue opportunity in the United States alone. Near term, we suspect the recurring revenue opportunity, based on average pricing of Knightscope's ASR products, to be closer to \$4.0B in the United States. If the company can execute on just 10.0% of the near-term market, we believe annual revenue could surpass \$400.0M over the next ten years, suggesting a valuation in excess of \$1.0B versus less than \$100.0M today. Given the ASR portfolio and current product pipeline, we believe Knightscope is well positioned to benefit from this growing underlying demand.

Substantial Long Term Revenue Opportunity

Select Vertical	Estimated Total Number of Officers and Guards	Estimated % Augmentation with Robots		Potential Annual Recurring Revenue (estimate)		
		Near-Term	Long-Term	Per Robot	Near-Term Opportunity	Long-Term Opportunity
Corporate Campuses	12,000	2%	20%	\$70,000 *	\$17M	\$168M
Healthcare	193,550				\$271M	\$2,710M
Casinos	59,160				\$83M	\$828M
Commercial Real Estate	260,400				\$365M	\$3,646M
Manufacturing & Logistics	270,869				\$379M	\$3,792M
Law Enforcement	1,000,000			\$150,000 **	\$3B	\$30B
Total	~ 1.8 million	~ 36,000 robots	~ 360,000 robots		~ \$4.1 billion	~ \$41 billion

* Assumed average revenue for K1 portfolio, K3 portfolio and K5 portfolio combined as well as future products and services

** Assumed average revenue for all K7, K10, and K15 versions combined

* Assumed average revenue for K1 portfolio, K3 portfolio and K5 portfolio combined as well as future products and services

** Assumed average revenue for all K7, K10, and K15 versions combined

Source: Company presentation.

While the company does not provide revenue guidance, we believe, between the existing contractual backlog and an increasing number of sales opportunities, company revenue should take a meaningful step forward beginning in 2H25. We are currently modeling full year 2025 revenue of \$12.9M, up from an estimated \$10.6M of revenue in 2024.

2. MaaS business model drives accelerated growth and improves revenue visibility. Knightscope's Machine as a Service business model is strategically designed to drive both immediate and sustained revenue growth. Under MaaS, Knightscope offers customers robots through an annual all-inclusive subscription structure, priced competitively at approximately \$0.75 to \$9 per operational hour. Services include site assessments, surveys, logistics, and virtual demonstrations, maintenance, charging stations, seamless data transfer, access to the KSOC, and continuous upgrades to software, hardware, and firmware. In addition, the customer receives technical support from a U.S.-based team.

The option for customers to pay for the security robot and services monthly meaningfully reduces the cost of entry versus buying the product outright. For example, the cost of manufacturing K5 robot is can be well over \$50,000, which in many cases can be cost prohibitive to the potential customer. By spreading these costs over a full year or even long-term contract, the entry price point is meaningfully lower, and the value

proposition improves considerably for potential customers. We believe this revenue model should accelerate adoption of autonomous security robots while providing strong revenue visibility.

Attractive Unit Economics



Source: Company presentation.

Knightscope's services revenue constitutes a significant majority of its total earnings, reflecting the core strength of its recurring revenue model. For the nine months ending September 30, 2024, the company reported \$5.5M in services revenue, accounting for 68.8% of its total revenue. In 2023, Knightscope achieved \$7.2M in services revenue, representing 56.0% of total revenues and marking a robust 38.9% year-over-year growth. While the revenue mix may fluctuate near term, over time we suspect that service revenue should account for more than 70.0% of total revenue.

3. Business restructuring should be completed in 1H25 shifting focus back towards sales growth.

During 2024, the company instituted several significant changes across corporate structure, technology, and operations. While these changes may have had a negative impact on revenue growth during 2024, we believe the improvements have better positioned the business to accelerate revenue growth and improve profitability going forward.

In terms of changes to the corporate structure, Knightscope brought in a new Chief Financial Officer in 2024 and eliminated more than one third of management positions. We believe these changes should streamline decision making and improve overall efficiency of the business. The company also converted preferred stock to common stock, eliminated outstanding warrants and successfully completed a reverse stock split in September 2024. These changes meaningfully simplify the capital structure, which should, in our view, be well received by investors. In addition, the near-term risk of delisting has been removed.

During 2024, the company retired the K5 version three, upgrading most customers to the more capable K5 version five robot. As of late December, the company had completed approximately 90.0% of conversions. This process served as a meaningful headwind to revenue growth in 2024. With this process complete, we

expect management attention to turn back towards revenue growth beginning in 2H25, driving our 2025 revenue estimate of \$12.9M. In addition, the company deployed its first K5 robot to the U.S. Federal government, which we believe could serve as a catalyst for additional product deployments into the large government sector.

Last, the company has made a series of operating changes which should create stronger efficiencies within the business and help drive improved profitability and cash flow over the coming periods. Most importantly, the company consolidated assembly facilities to Mountain View, CA. This should not only create cash savings from a smaller real estate footprint but also allows the business to be more efficient in sourcing materials.

In all, we believe these changes greatly improve business positioning and should allow the company's focus to shift towards accelerating revenue growth and moving the business towards profitability going forward. This is reflected in our 2025 and 2026 forecast.

4. Partnerships, manufacturing expertise and technology create significant barriers for new entrants. With what we estimate to be more than \$150.0M invested in the business since inception, Knightscope has created robot technologies, formed partnerships, and developed intellectual property that we believe is difficult for new entrants to replicate. Today, we see limited competition for the company's autonomous security robots and believe strong intellectual property and partnerships across R&D and distribution should continue to put Knightscope in a position to be an industry leader in this space.

The company works with a diverse network of partners to drive product innovation and strengthen the product pipeline. This includes a recently announced partnership with Draganfly, Inc., a designer, developer, and manufacturer of unmanned aerial vehicles. The goal is to integrate Draganfly's advanced drone technology into Knightscope's ASR systems, marking a significant milestone in the company's AI-driven security solutions for public safety. In addition, through a collaboration, Verizon's 4G LTE connectivity was integrated into the K5 ASR, providing secure and reliable communication for autonomous operations. This connectivity enables K5 to maintain continuous surveillance, transmit real-time data, and recharge autonomously. Verizon's robust network also supports the seamless operation of other Knightscope products, including the K1 Blue Light Tower and K1 Blue Light E-Phones, ensuring operational efficiency and reliability.

In addition to its strategic partnerships, Knightscope's robust patent portfolio further strengthens its position in the market. The company currently holds twelve patents, encompassing key aspects of its ASRs, as well as the security data analysis, display, and parking monitor features of its Knightscope Security Operations Center. Additionally, Knightscope has several patent applications pending, covering innovations in ASRs, KSOC, parking monitoring, behavioural autonomous technology, and visible weapon detection. These patents not only reflect Knightscope's expertise and technological innovation in the smart security solutions space, but also provide a significant competitive advantage. By securing intellectual property, the company protects its state-of-the-art technology from replication, thereby solidifying its market leadership and reinforcing its ability to deliver unique, differentiated solutions.

5. M&A opportunity could complement improving organic growth. While Knightscope continues to concentrate on organic growth through the expansion of its ASR portfolio and enhancement of service offerings, the company remains opportunistic in pursuing acquisition opportunities. As part of its strategy to diversify into the emergency communication device business, Knightscope acquired Case Emergency Systems, a provider of blue light ECDs, in 2022. The K1B product line has emerged as an important driver for the company's growth. In 2023, Knightscope generated total revenues of \$12.8M, with \$8.6M, or 67.3% derived from emergency communication devices. We believe this acquisition represents a template for future deals as the company prioritizes existing revenue and complementary technologies that can be utilized across the Knightscope product portfolio. In addition, we believe the company would consider

acquisitions that could potentially expand or enhance current product distribution. While we believe the near-term focus remains on organic opportunities, a transaction could potentially accelerate technological advancements and expand market presence.

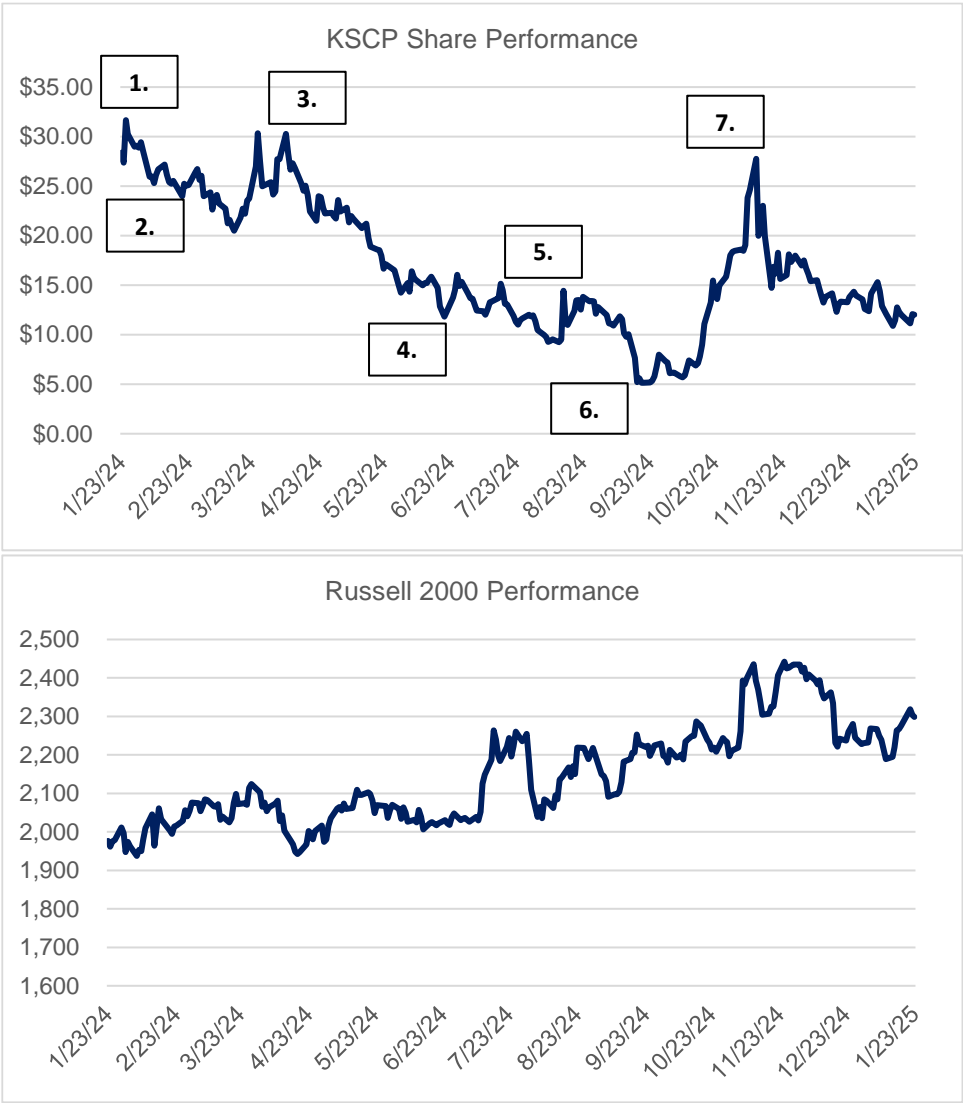
6. Leverage private sector success into public-sector opportunities. While still early in the company's development, Knightscope has deployed more than 100 autonomous security robots into the field and has approximately 10,000 emergency communication devices in service. With an Authority-to-Operate from the Federal Risk and Authorization Management Program, the company is now better positioned to leverage its successes in the private market into the government sector. In May 2024, the company deployed its first ASR into the Department of Veterans Affairs at a medical facility in San Antonio, Texas. The Veterans Health Administration is America's largest integrated health care system, providing care at 1,380 health care facilities suggesting success at the initial location could open the door to meaningful new revenue opportunities.

The company's current portfolio is available on the GSA Multiple Award Schedule, the K5 GOV ASR is easily accessible for procurement by federal agencies. Identified use cases for the K5 GOV span a broad range of critical infrastructure, including administrative buildings, airports, rail borders, ports, military bases, agency headquarters, and high-value targets, among others.

Stock Performance

Shares of Knightscope, Inc. have declined 17.4% year-to-date versus a 2.4% increase in the Russell 2000 index. Recent underperformance, including 2024, is largely attributed to reduced production and installation of ECD products, which has put downward pressure on 2024 revenue growth. Additionally, the company’s decision to replace K5 v3 ASRs with K5 v5 robots has slowed the growth of service revenues, further impacting total revenue and weighing on stock performance. In addition, production disruptions caused by the consolidation of Knightscope’s three manufacturing facilities into a single location may have also hindered business growth. While some of these headwinds may persist through the first half of 2025, we believe corporate, technology, and operating changes have better positioned the company for scalable growth moving forward. As company results begin to reflect these positive changes in the business, we believe KSCP shares should begin to outperform the broader markets.

52-Week Stock Performance, KSCP Stock Price, and Russell 2000 Index



Source: Factset as of January 29, 2025.

Listed below are select news items and developments that may have affected the stock over the last twelve months:

January 02, 2024, Knightscope announced a purchase order of thirteen K1 Blue Light E-Phones by Knightscope Authorized Partner Transportation Solutions & Lighting's division National Safety Systems. This order marked the company's first order for Georgia State University.

January 03, 2024, Knightscope received Authority to Operate certification from FedRAMP, sponsored by the U.S. Department of Veterans Affairs. This is marked as a milestone achievement as it depicts the reliability and robustness of the company's proprietary technology. This certification also gives permission to Knightscope to operate in Federal buildings.

March 13, 2024, Knightscope entered a Memorandum of Understanding agreement with a drone solutions and systems developer namely Draganfly Inc. in a bid to enhance the features of one of its pipeline products called Autonomous Security Drones. Per the terms, Knightscope will integrate Draganfly's drone technology into its ASR technology to develop Autonomous Security Drone.

June 20, 2024, Knightscope won a new contract from New York City Fire Department for KEMS software. The client has subscribed to KEMS to monitor its 518 Call Boxes across Queens, Manhattan, the Bronx, and Brooklyn.

July 16, 2024, Knightscope unveiled the K1 Laser which is a physical security solution based on lidar technology. K1 Laser monitors fence lines and gates, points of ingress and egress, and restricted or access-controlled areas efficiently, delivering data driven behavioral insights.

August 13, 2024, Knightscope received a purchase order for 23 devices by Knightscope Authorized Partner Transportation Solutions & Lighting, Inc. which will be used in a Florida-based cancer center.

October 10, 2024, Knightscope received a purchase order for 37 ECDs, out of which 20 K1 Blue Light Towers and 10 K1 Blue Light E-Phones will be installed at a university in Florida, and four 4 K1 Blue Light Towers will be installed at a South Georgia not-for-profit medical center. The rest three K1 Blue Light Towers will be used for restocking the inventory by a Knightscope Authorized Partner.

November 07, 2024, Knightscope made 14 new sales out of which three were sold to the existing client as a part of their extended agreements. The company also witnessed 10 contract renewals and made four new deployments of 5th generation K5 ASR.

November 14, 2024, Knightscope has teamed up with Verizon Business for the advancement of K5 ASR and K1 ECDs. Knightscope integrated Verizon's 4G LTE connectivity into K5 to ensure secure and reliable connectivity which aids in seamless deployment.

November 21, 2024, Knightscope announced a public offering of 1.2M shares of Class A common stock at a price of \$10.00 per share. The expected gross proceeds from this issuance of shares stands at \$12.1M, which excludes the exercise of underwriter's option of \$1.8M, underwriting discounts, commissions, and other related expenses. Knightscope plans to use net proceeds for general corporate purposes including working capital.

November 26, 2024, Knightscope closed 12 new contracts for K5 ASRs, K1B ECDs, and related services. The machines will be deployed across California, Connecticut, Delaware, Florida, Georgia, Maryland, New York, North Carolina, Ohio, South Carolina, Texas, and Washington.

Valuation

We are valuing the shares of Knightscope, Inc. at \$16.00, or approximately 6.0x EV/revenue our 2025 revenue estimate of \$12.9M. Our \$16.00 price target represents approximately 55.0% upside from the recent trading price of \$10.43 per share. We believe a multiple on revenue is appropriate given the business is just beginning to scale operations, continues to add new customer contracts, and has yet to generate positive adj. EBITDA. Over time, we expect the company to generate positive, and growing EBITDA and suspect investor attention may shift from revenue to profitability metrics, changing valuation methodology.

Price Target Build Up

EV/Revenue Valuation:	
2025 Revenue	12,855
Revenue Multiple	6.0x
Value	77,128
Debt	6,705
Cash	15,000
Share Count	5,420
Implied Share Value	\$16.00

Source: H.C. Wainwright & Co. estimates.

Long term, we believe our price target and valuation methodology may prove to be conservative should the company successfully execute on its current strategic plan. Upside to our price target could be driven by a combination of higher-than-expected revenue growth from the expansion of the current contracts or the addition of new contracts as demand for smart security solutions especially autonomous security robots continues to increase.

We project 2025 revenue at \$12.9M with an estimated year-over-year growth of 21.0%, based on the pace of contract renewals, often at higher price points, as well as a growing pipeline or new order interest. In addition, we believe the company should see a rebound in product sales during the year as disruptions from the consolidation of manufacturing facilities subside. Also, government could represent a more significant vertical in the coming years, a potential longer term growth driver. Higher revenue is likely to be weighted to 2H25 as the company continues to work through many of the organizational changes that were implemented during 2024.

Gross margin is expected to remain negative until 4Q25. This is driven by a combination of scaling revenue as well as improving efficiencies in robot assembly, which should benefit from the consolidation of manufacturing facilities. This cost optimization should result in improving gross margin performance as the business moves through 2025 and result in positive gross margin beginning in 2026. Long term, we believe gross margins could exceed 30.0% as the business reaches scale.

Once ongoing restructuring is completed, operating expense growth is expected to moderate despite increasing sales and marketing, and R&D expenses. With much of the fixed cost infrastructure in place, we believe there is a significant operating leverage opportunity which can be unlocked as revenue begins to scale.

As a result, we are modeling a 2025 adj. EBITDA loss of \$25.8M, a modest improvement from an estimated loss of \$26.2M in 2024. The improvement in adj. EBITDA should become more apparent in years 2026 and 2027 as the business begins to see more meaningful revenue growth and improvement in gross margin. Long term, at scale, we believe Knightscope could generate adj. EBITDA margins approaching 20.0%.

Public comparables. For valuation purposes, we are currently comparing Knightscope, Inc. against a series of autonomous robot and security services companies catering to both the government and private sectors. The peer group currently trades at an average forward EV/revenue multiple of 13.1x, while the median is below this average at 5.8x. Knightscope is currently trading at 2025 EV/revenue multiple of 4.5x. However, we recognize the average is skewed higher by companies such as Serve Robotics, which trade at an enterprise value close to \$1.0B, despite having a similar 2025 revenue outlook to Knightscope. We compare Knightscope with Aerovironment, Inc. which currently trades at a 2025 EV/revenue multiple of 6.0x. The two closest peers in the security space, Evolv, and Xtract One Technologies, are trading at 2025 EV/revenue multiples of 5.7x and 5.2x, respectively, largely in line with the industry median. We are valuing shares of KSCP at \$16.00, which reflects a 6.0x multiple on our 2025 revenue estimate.

Valuation Comparison Tables

in \$ Millions		H.C.W.		Enterprise	2025		2025	
Company	Ticker	Rating	Price	Value	Sales	EBITDA	EV/Sales	EV/EBITDA
Autonomous Security Robot Comparables								
ADT Inc.	ADT	NR	\$7.60	14,501	5,095	2,721	2.8x	5.3x
Aerovironment Inc.	AVAV	NR	\$171.28	4,902	824	148	6.0x	33.1x
Cognex Corporation	CGNX	NR	\$39.20	6,958	1,015	215	6.9x	32.4x
Draganfly, Inc.	DPRO	Buy	\$3.35	16	16	NA	1.0x	NA
Evolv Technologies Holdings, Inc.	EVLV	NR	\$3.89	747	131	NA	5.7x	NA
Intuitive Surgical, Inc.	ISRG	NR	\$572.71	201,850	9,515	3,972	21.2x	50.8x
Serve Robotics, Inc.	SERV	NR	\$16.11	981	13	NA	73.7x	NA
SoundThinking, Inc.	SSTI	NR	\$13.39	180	108	21	1.7x	8.5x
Stryker Corporation	SYK	NR	\$391.07	164,690	24,410	6,745	6.7x	24.4x
Xtract One Technologies Inc.	XTRA.TO	Buy	C\$0.52	112	22	NA	5.2x	NA
Average							13.1x	25.8x
Median							5.8x	28.4x
KnightScope, Inc.	KSCP	Buy	\$10.43	57.9	12.9	NA	4.5x	NA

Source: Factset as of January 29, 2025, and H.C. Wainwright & Co. estimates.

Recent Financial Performance

Knightscope reported 3Q24 results on November 14, 2024. Revenue for the third quarter declined 23.7% to \$2.5M from \$3.3M in the year-ago quarter. Decline in the top-line was attributed to lower ECD product sales which were \$1.4M, down 35.6% year over year. This decrease was due to disruptions led by restructuring including the relation of manufacturing. As this restructuring is completed over the coming quarters, we believe new product sales should rebound, which we view as a potential catalyst for shares.

The company reported gross loss of \$0.7M against a gross profit of \$50,000 in the same period last year. The primary factor behind this loss is the short-term impact of the company's recent restructuring strategy which is causing increase in costs and putting pressure on gross margin. However, we suspect these changes should result in reduced fixed as well as variable costs over time.

Operating expense was \$7.0M in the third quarter, a 7.8% increase from \$6.5M in the year-ago quarter period. This increase was attributed to restructuring charges of \$33K, \$0.9M increase in investor relations costs and \$0.7M rise in third-party professional fees, legal and finance services. Although investments in sales and marketing and R&D will lead to growth in expenses in the future, we believe costs associated with restructuring will eventually decline, suggesting more moderate expense growth moving forward.

The company reported an adj. EBITDA loss of \$6.4M in 3Q24, wider than the year-ago loss of \$5.0M. As the company completes its ongoing restructuring and begins to scale revenue, beginning in 2H25, we believe the path towards operating profitability should become clearer.

3Q24 Financial Summary

<i>in \$000s</i>	3Q24	2Q24	3Q23
Revenue	2,535	3,203	3,324
Cost of Revenue	3,235	3,761	3,274
Gross Profit	(700)	(558)	50
<i>Gross Margin</i>	-27.6%	-17.4%	1.5%
Operating Expenses	7,041	6,203	6,533
Operating Income	(7,741)	(6,761)	(6,483)
<i>Operating Margin</i>	(305.4%)	(211.1%)	(195.0%)
Adj. EBITDA	(6,403)	(5,841)	(5,034)
<i>Adj. EBITDA margin</i>	(252.6%)	(182.4%)	(151.4%)

Source: Company reports.

As of September 30, 2024, the company's available cash stands at \$5.2M. On November 22, 2024, Knightscope announced a public offering of 1.2M shares of Class A common stock at a price of \$10.00 per share. The gross proceeds from this issuance of shares stands at \$12.1M, excluding the underwriter's option to subscribe to common stock worth of \$1.8M. Knightscope plans to use net proceeds for general corporate purposes including working capital.

Management Profile

William Santana Li, Chairman & CEO: Mr. Li, an American entrepreneur, has been the Chairman and CEO of Knightscope since September 2013. He has more than 30 years of global experience in the automotive sector which includes his various business and technical positions at Ford Motor Company across four continents. He became the youngest senior executive at Ford at the age of 28 years. Mr. Li has also founded and lead multiple startups including GreenLeaf LLC, a Ford Motor Company subsidiary where he served as COO. He also founded Carbon Motors Corporation where he served as Chairman and CEO. In addition, Mr. Li established Model E Corporation and served as president and CEO. Mr. Li holds a BSEE degree from Carnegie Mellon University and an MBA degree from the University of Detroit Mercy.

Apoorv S Dwivedi, Executive Vice President & Chief Financial Officer: Mr. Dwivedi has an extensive work experience in startups. Prior to Knightscope, he served as the Chief Financial Officer of Nxu, Inc., Director of Finance at Cox Automotive, and Director of Presales at Workiva. He started his career with ABN-AMRO, N.A., thereafter he worked in various corporate finance roles at General Electric Company. He brings along extensive finance, corporate and startup experiences. Mr. Dwivedi obtained bachelor's degree in finance and an MBA degree from Loyola University and Yale School of Management, respectively.

Risks

Execution risk. Knightscope has strong long-term outlook for its proprietary ASR technology backed by recurring revenue business model. However, the execution of business growth strategies is subject to several factors such as availability of funding, macroeconomic uncertainties, lack of R&D, changing industry dynamics, and most importantly customers' acceptance for the technology and its long-term use.

Supply-chain disruption risk. The company has transformed its production process from a work cell environment into a traditional assembly line process to support its cost-minimization efforts. However, depending solely on third-party suppliers for assembling ASRs and ECDs may be an important risk. Any disruption in this supply chain which might arise due to unwanted incident at the supplier's end such as quality issues, delivery delays, financial issues, non-compliance and regulatory concerns, engaging into unethical practices along with any other systemic issues, may present a critical risk.

Regulatory risk. The company's proprietary technology is based on AI. Hence, Knightscope's business faces significant challenges in terms of regulatory risk. Due to growing data privacy concerns and cyberattacks, and fears related to lack of transparency in the functioning of AI powered devices and possible malfunctioning, Knightscope is exposed to compliance and regulatory hurdles which in turn might slow its business growth. Additionally, any unfavorable changes in government policies, regulations and incentives may not bode well for the company's competitive positioning, financial results, and the future growth prospects.

Dilution risk. Knightscope has utilized a sizable amount of cash to fund its business operations. The company is currently banking on its well-defined go-to-market strategy, organic and inorganic business expansion strategy and strong partnerships. However, the company might need additional financial flexibility to execute its business development plans, which may come in the form of public or private equity or debt financing, bank loans, asset sales, or government grants. Any equity-related financing would dilute stakeholders' equity impacting current earnings per share expectations and per share price target. Also, the company possess a risk of not being able to raise capital to fuel its business growth and meet its regular corporate spending.

Key personnel risk. As the company does not have any succession plan in place, the company always remains exposed to loss of any key personnel. This loss might impact the business operations and development adversely and impact the timeline of achieving certain business goals and meet performance objectives. All these factors might turn investors jittery about the company thereby impacting KSCO's share price performance.

Competition risk. Given the immense prospects in the security robot market, not only Knightscope but also other players are making concerted efforts to bolster their footprint in this booming market. Hence, Knightscope faces significant competition in both of its revenue segments. Moreover, to sustain or further strengthen market position, Knightscope is required to make continuous investment in operational and marketing strategies, along with product and technology innovation. Any delay in making the necessary investments due to a lack of adequate capitalization may have a material adverse impact on the company's financial performance. Moreover, the company faces competition from existing private security firms which operate on lower cost base, have greater dynamic models and offer other incentives to end users.

Intellectual property risk. Protecting intellectual properties is costly in terms of time and financial resources. Failing in this task might have adverse impacts on the company's competitive position as intellectual properties including patents, trademarks and copyrights help in preventing competitors from replicating its proprietary technology. Any adverse event on this front may lead to a negative impact on business and financial results.

Share volatility. Knightscope, Inc. common stock, like many other small capitalization companies, is subject to significant share volatility. Over the course of the last 52 weeks, KSCP shares have traded as high as \$35.75 and as low as \$4.89.

Publicly traded companies mentioned herein include:

ADT, Inc. (ADAT; not rated)
Aerovironment Inc. (AVAV; not rated)
Cognex Corporation (CGNX; not rated)
Draganfly, Inc. (DPRO; Buy; Buck)
Evolv Technologies Holdings, Inc. (EVLV; not rated)
Factset Research Systems, Inc. (FDS; not rated)
Ford Motor Company (F; not rated)
Intuitive Surgical, Inc. (ISRG; not rated)
Oceaneering International, Inc. (OLL; not rated)
Serve Robotics, Inc. (SERV; not rated)
SoundThinking, Inc. (SSTI; not rated)
Stryker Corporation (SYK; not rated)
Xtract One Technologies Inc. (XTRA.TO; Buck; Buy)

Knightscope, Inc.: Income Statement

Knightscope, Inc.
H.C. Wainwright & Co., LLC
(\$000s) in U.S. dollars; December Year-End

Fiscal Year in \$ 000's	2023							2024E					2025E					
Revenue	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A	1Q24A	2Q24A	3Q24A	4Q24E	2024E	1Q25E	2Q25E	3Q25E	4Q25E	2025E	2026E
Service revenue	3,407	5,162	1,748	1,825	1,915	1,681	7,169	1,691	1,950	1,861	1,908	7,410	1,850	1,869	1,887	1,906	7,513	10,894
Product revenue	-	469	1,149	1,738	1,409	1,332	5,628	563	1,253	674	725	3,215	906	1,132	1,449	1,855	5,342	7,478
Net Sales	3,407	5,631	2,897	3,563	3,324	3,013	12,797	2,254	3,203	2,535	2,632	10,624	2,756	3,001	3,337	3,761	12,855	18,372
Cost of sales	5,464	8,950	3,110	3,554	3,274	4,883	14,821	3,699	3,761	3,235	3,158	13,853	3,169	3,338	3,589	3,707	13,803	17,127
Gross Profit / (Loss)	(2,057)	(3,319)	(213)	9	50	(1,870)	(2,024)	(1,445)	(558)	(700)	(526)	(3,229)	(413)	(337)	(252)	55	(949)	1,245
Gross Margin (%)	(60.4%)	(58.9%)	(7.4%)	0.3%	1.5%	(62.1%)	(15.8%)	(64.1%)	(17.4%)	(27.6%)	(20.0%)	(30.4%)	(15.0%)	(11.2%)	(7.6%)	1.5%	(7.4%)	6.8%
Operating Expenses:																		
Research and development expenses	5,601	8,449	1,397	1,482	1,903	1,569	6,351	1,569	1,637	1,770	1,841	6,817	2,117	2,434	2,921	3,506	10,978	11,253
Sales and marketing expenses	12,017	8,500	1,128	1,193	1,395	1,463	5,179	1,506	1,537	1,000	1,040	5,083	1,227	1,448	1,665	1,915	6,256	6,443
General and administrative expenses	4,880	11,700	3,639	3,274	3,235	2,437	12,585	3,641	2,734	4,238	4,408	15,021	4,055	3,649	3,102	2,637	13,443	13,779
Restructuring charges	-	-	144	5	-	-	149	119	295	33	-	447	-	-	-	-	-	-
Total operating expenses	22,498	28,649	6,308	5,954	6,533	5,469	24,264	6,835	6,203	7,041	7,288	27,367	7,399	7,532	7,689	8,057	30,677	31,475
Profit / (Loss) from operations (EBIT)	(24,555)	(31,968)	(6,521)	(5,945)	(6,483)	(7,339)	(26,288)	(8,280)	(6,761)	(7,741)	(7,815)	(30,597)	(7,812)	(7,869)	(7,941)	(8,003)	(31,626)	(30,230)
EBIT Margin (%)	NMF	(567.7%)	(225.1%)	(166.9%)	(195.0%)	(243.6%)	(205.4%)	(367.3%)	(211.1%)	(305.4%)	(296.9%)	(288.0%)	(283.5%)	(262.2%)	(238.0%)	(212.8%)	(246.0%)	(164.5%)
Depreciation and amortization	1,552	1,710	557	598	606	603	2,364	629	651	614	423	2,317	436	442	448	455	1,781	1,913
Stock-based compensation	1,269	3,539	446	731	843	706	2,726	334	269	724	796	2,123	876	964	1,060	1,166	4,066	4,472
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA (Non-GAAP)	(21,734)	(26,719)	(5,518)	(4,616)	(5,034)	(6,007)	(21,175)	(7,317)	(5,841)	(6,403)	(6,595)	(26,156)	(6,501)	(6,464)	(6,433)	(6,381)	(25,779)	(23,845)
Adjusted EBITDA Margin (%)	NA	(474.5%)	(190.5%)	(129.6%)	(151.4%)	(199.4%)	(165.5%)	(324.6%)	(182.4%)	(252.6%)	(250.6%)	(246.2%)	(235.9%)	(215.4%)	(192.8%)	(169.7%)	(200.5%)	(129.8%)
Other Income (expense)																		
Interest income (expense), net	(4,333)	(9,235)	(502)	48	(8)	(89)	(551)	(65)	(128)	(130)	(168)	(491)	(168)	(168)	(168)	(168)	(671)	(671)
Change in fair value of warrant and derivative liabilities	(15,718)	16,207	4,665	1,150	(1,800)	895	4,910	770	681	(2,966)	-	(1,515)	-	-	-	-	-	-
Other income (expense), net	763	(647)	(86)	(51)	(51)	(1)	(189)	(17)	(63)	(67)	-	(147)	-	-	-	-	-	-
Total other income / (expense)	(19,288)	6,325	4,077	1,147	(1,859)	805	4,170	688	490	(3,163)	(168)	(2,153)	(168)	(168)	(168)	(168)	(671)	(671)
Profit / (Loss) before taxes	(43,843)	(25,643)	(2,444)	(4,798)	(8,342)	(6,534)	(22,118)	(7,592)	(6,271)	(10,904)	(7,982)	(32,749)	(7,980)	(8,037)	(8,109)	(8,170)	(32,296)	(30,900)
Income tax expense/ (benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Profit (Loss)	(43,843)	(25,643)	(2,444)	(4,798)	(8,342)	(6,534)	(22,118)	(7,592)	(6,271)	(10,904)	(7,982)	(32,749)	(7,980)	(8,037)	(8,109)	(8,170)	(32,296)	(30,900)
Profit Margin (%)	NMF	(455.4%)	(84.4%)	(134.7%)	(251.0%)	(216.9%)	(172.8%)	(336.8%)	(195.8%)	(430.1%)	(303.3%)	(308.3%)	(289.6%)	(267.8%)	(243.0%)	(217.2%)	(251.2%)	(168.2%)
Basic Earnings per Share	(206.19)	(36.06)	(2.86)	(4.19)	(5.36)	(3.80)	(16.77)	(3.94)	(2.68)	(3.58)	(1.94)	(12.15)	(1.94)	(1.57)	(1.59)	(1.34)	(6.44)	(4.35)
Diluted Earnings per Share	(206.19)	(36.06)	(2.86)	(4.19)	(5.36)	(3.80)	(16.77)	(3.94)	(2.68)	(3.58)	(1.94)	(12.15)	(1.94)	(1.57)	(1.59)	(1.34)	(6.44)	(4.35)
Average Shares Outstanding (Basic)	213	711	855	1,144	1,555	1,720	1,319	1,927	2,337	3,042	4,106	2,853	4,106	5,106	5,106	6,106	5,106	7,106
Average Shares Outstanding (Diluted)	213	711	855	1,144	1,555	1,720	1,319	1,927	2,337	3,042	4,106	2,853	4,106	5,106	5,106	6,106	5,106	7,106
Operating Metrics																		
Revenue Growth		65.3%	206.9%	241.9%	156.5%	28.3%	127.3%	-22.2%	-10.1%	-23.7%	-12.6%	-17.0%	22.3%	-6.3%	31.6%	42.9%	21.0%	42.9%
Price	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43	\$10.43
Market Capitalization (\$000s)	2,218	7,891	8,917	11,937	16,221	17,940	17,940	20,102	24,378	31,731	42,825	42,825	42,825	53,255	53,255	63,685	63,685	74,115
Enterprise Value (\$000s)	(1,422)	11,779	11,520	6,641	11,883	16,900	16,900	21,513	25,670	33,237	37,231	37,231	44,044	46,290	53,115	55,440	55,440	67,791
Price-to-Earnings	-0.1x	-0.3x	-3.6x	-2.5x	-1.9x	-2.7x	-0.6x	-2.6x	-3.9x	-2.9x	-5.4x	-0.9x	-5.4x	-6.6x	-6.6x	-7.8x	-1.6x	-2.4x
EV to Adj. EBITDA	0.1x	-0.4x	-2.1x	-1.4x	-2.4x	-2.8x	-0.8x	-2.9x	-4.4x	-5.2x	-5.6x	-1.4x	-6.8x	-7.2x	-8.3x	-8.7x	-2.2x	-2.8x
Shareholders Equity	(82,933)	(43,586)	(35,405)	(25,318)	(25,171)	(26,634)	(26,634)	(26,638)	11,176	9,255	14,800	14,800	7,696	15,623	8,574	16,570	16,570	15,142
Net Debt	(3,640)	3,888	2,603	(5,296)	(4,338)	(1,040)	(1,040)	1,411	1,292	1,506	(5,595)	(5,595)	1,219	(6,965)	(140)	(8,245)	(8,245)	(6,324)

Source: Factset as of January 29, 2025, and H.C. Wainwright & Co. estimates.

Knightscope, Inc.: Balance Sheet

Knightscope, Inc.
H.C. Wainwright & Co., LLC
(\$000s) in U.S. dollars; December Year-End

Fiscal Year	2023							2024E					2025E					
in \$ 000's	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A	1Q24A	2Q24A	3Q24A	4Q24E	2024E	1Q25E	2Q25E	3Q25E	4Q25E	2025E	2026E
Assets																		
Current assets																		
Cash	10,749	4,810	2,375	5,842	4,611	2,282	2,282	2,487	2,625	5,199	12,300	12,300	5,486	13,670	6,845	14,950	14,950	13,029
Restricted cash	100	-	100	100	100	100	100	100	101	102	102	102	102	102	102	102	102	102
Accounts receivable	1,189	1,370	1,856	2,043	2,094	2,090	2,090	3,094	3,508	2,355	1,586	1,586	1,601	1,677	1,792	1,937	1,937	3,523
Inventory	-	2,560	2,698	2,671	3,159	2,320	2,320	2,883	3,242	2,896	1,904	1,904	1,841	1,866	1,927	1,909	1,909	2,369
Prepaid expenses	1,299	1,349	1,365	1,302	1,218	1,421	1,421	1,357	1,250	977	721	721	695	658	622	618	618	833
Total current assets	13,337	10,089	8,394	11,958	11,182	8,213	8,213	9,921	10,726	11,529	16,613	16,613	9,724	17,973	11,288	19,517	19,517	19,856
Autonomous Security Robots, net	2,971	5,850	5,804	6,753	7,776	8,845	8,845	8,487	8,538	8,781	9,155	9,155	9,000	8,860	8,740	8,646	8,646	8,451
Property and equipment, net	117	614	1,007	976	920	857	857	790	756	722	698	698	675	652	630	609	609	533
Operating lease right-of-use-assets	1,077	2,012	1,849	1,680	1,504	1,458	1,458	1,273	1,086	556	556	556	556	556	556	556	556	556
Goodwill	-	1,344	1,344	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922	1,922
Intangible assets, net	-	2,056	1,919	1,783	1,646	1,557	1,557	1,478	1,399	1,320	1,291	1,291	1,262	1,233	1,204	1,175	1,175	1,058
Other assets	78	117	95	95	95	122	122	122	123	92	92	92	92	92	92	92	92	92
Total Assets	17,580	22,082	20,412	25,167	25,045	22,974	22,974	23,993	24,550	24,922	30,327	30,327	23,232	31,288	24,431	32,517	32,517	32,469
Liabilities																		
Current liabilities																		
Accounts payable	1,514	2,457	1,688	1,519	1,718	1,858	1,858	1,499	2,615	2,563	2,423	2,423	2,431	2,561	2,753	2,843	2,843	4,223
Accrued expenses	1,191	2,403	1,843	2,433	1,559	1,155	1,155	1,232	1,880	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744	1,744
Deferred revenue	889	1,711	2,386	2,444	1,884	1,741	1,741	1,659	2,288	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477	2,477
Operating lease liabilities, current	648	731	807	748	701	733	733	755	787	557	557	557	557	557	557	557	557	557
Debt obligations, current	7,109	2,144	866	546	273	-	-	-	-	2,773	2,773	2,773	2,773	2,773	2,773	2,773	2,773	2,773
Other current liabilities	893	1,063	1,423	1,651	1,561	1,459	1,459	1,357	1,329	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409	1,409
Total Current Liabilities	12,244	10,509	9,013	9,341	7,696	6,946	6,946	6,502	8,899	11,523	11,383	11,383	11,391	11,521	11,713	11,803	11,803	13,183
Long term liabilities:																		
Debt obligations, net	-	6,554	4,112	-	-	1,242	1,242	3,898	3,917	3,932	3,932	3,932	3,932	3,932	3,932	3,932	3,932	3,932
Preferred stock warrant liability	30,566	10,011	6,068	5,102	6,752	5,976	5,976	5,298	-	-	-	-	-	-	-	-	-	-
Derivative liability	-	1,146	467	240	390	271	271	179	34	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	-	356	334	313	284	259	259	227	224	212	212	212	212	212	212	212	212	212
Operating lease liabilities, noncurrent	485	1,309	1,130	953	783	711	711	512	300	-	-	-	-	-	-	-	-	-
Total long term liabilities	31,051	19,376	12,111	6,608	8,209	8,459	8,459	10,114	4,475	4,144	4,144	4,144	4,144	4,144	4,144	4,144	4,144	4,144
Total Liabilities	43,295	29,885	21,124	15,949	15,905	15,405	15,405	16,616	13,374	15,667	15,527	15,527	15,535	15,665	15,857	15,947	15,947	17,327
Preferred Stock	57,218	35,783	34,693	34,536	34,311	34,203	34,203	34,015	-	-	-	-	-	-	-	-	-	-
Shareholders' Equity (Deficit)																		
Common stock - Share Capital																		
Opening	-	19	38	47	74	82	38	2	2	3	3	2	4	4	5	5	4	6
Additional Capital	-	19	9	27	8	(80)	(36)	0	1	0	1	2	-	1	-	1	2	1
Closing	19	38	47	74	82	2	2	2	3	3	4	4	4	5	5	6	6	7
Additional paid-in capital																		
Opening	-	30,745	95,716	106,332	121,190	129,671	95,716	134,822	142,410	186,494	195,477	134,822	209,004	209,880	225,843	226,903	209,004	243,068
Additional Capital	-	64,971	10,616	14,858	8,481	5,151	39,106	7,588	44,084	8,983	13,527	74,182	876	15,963	1,060	16,165	34,064	29,471
Closing	30,745	95,716	106,332	121,190	129,671	134,822	134,822	142,410	186,494	195,477	209,004	209,004	209,880	225,843	226,903	243,068	243,068	272,539
Accumulated other comprehensive income, series A convertible preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock subscribed but not issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated deficit	(113,697)	(139,340)	(141,784)	(146,582)	(154,924)	(161,458)	(161,458)	(169,050)	(175,321)	(186,225)	(194,207)	(194,207)	(202,187)	(210,224)	(218,333)	(226,504)	(226,504)	(257,404)
Total shareholders' equity (deficit)	(82,933)	(43,586)	(35,405)	(25,318)	(25,171)	(26,634)	(26,634)	(26,638)	11,176	9,255	14,800	14,800	7,696	15,623	8,574	16,570	16,570	15,142
Total Liabilities & shareholders equity	17,580	22,082	20,412	25,167	25,045	22,974	22,974	23,993	24,550	24,922	30,327	30,327	23,232	31,288	24,431	32,517	32,517	32,469
Cash	10,749	4,810	2,375	5,842	4,611	2,282	2,282	2,487	2,625	5,199	12,300	12,300	5,486	13,670	6,845	14,950	14,950	13,029
Debt	7,109	8,698	4,978	546	273	1,242	1,242	3,898	3,917	6,705	6,705	6,705	6,705	6,705	6,705	6,705	6,705	6,705
Net debt	(3,640)	3,888	2,603	(5,296)	(4,338)	(1,040)	(1,040)	1,411	1,292	1,506	(5,595)	(5,595)	1,219	(6,965)	(140)	(8,245)	(8,245)	(6,324)

Source: H.C. Wainwright & Co. estimates.

Source: Factset as of January 29, 2025, and H.C. Wainwright & Co. estimates.

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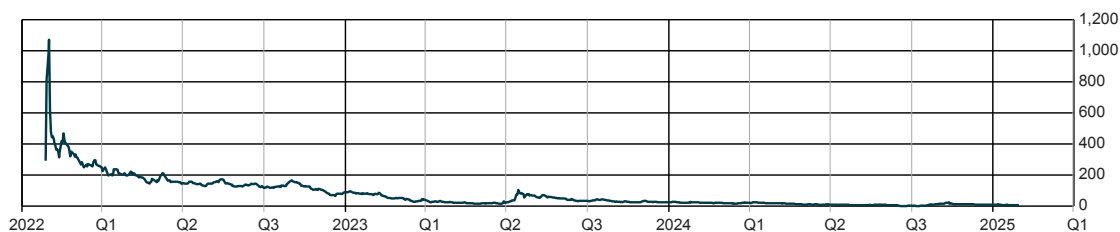
RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.

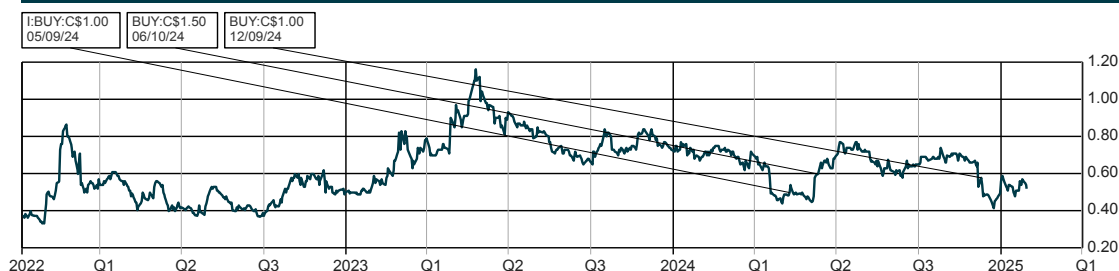
Rating and Price Target History for: Knightscope, Inc. (KSCP-US) as of 01-29-2025



Rating and Price Target History for: Draganfly Inc. (DPRO-US) as of 01-29-2025



Rating and Price Target History for: Xtract One Technologies Inc. (XTRA.TO) as of 01-29-2025



Related Companies Mentioned in this Report as of January/29/2025					
Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
Draganfly Inc.	DPRO-US	Buy	\$7.00	\$3.35	\$18
Xtract One Technologies Inc.	XTRA.TO	Buy	C\$1.00	C\$0.52	C\$114

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Distribution of Ratings Table as of January 29, 2025				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	577	86.77%	129	22.36%
Neutral	82	12.33%	10	12.20%
Sell	1	0.15%	0	0.00%
Under Review	5	0.75%	2	40.00%

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