



LANDSTAR, INC.

New Partnerships, Acquisitions, Orders, Drive Valuation

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LANDSTAR, INC. (OTC – LDSR - \$0.0022)

Price Target: \$0.027

Rating: Speculative Buy

COMPANY SNAPSHOT

LandStar, Inc., through its wholly owned subsidiary Data443™ Risk Mitigation, Inc., enables secure data – across local devices, network, cloud, and databases – at rest and in flight. ClassiDocs™, the company's award-winning data classification and governance technology, provides GDPR compliance and DSAR management coupled with DLP, CASB, SIEM, and cloud solutions to provide user-enabled, governance-enabled, up-to-date security for every data point, every time. The WordPress-based GDPR Framework enables organizations of all sizes to comply with the GDPR and other privacy frameworks. ClassiDocs™ for Blockchain provides an active implementation for blockchain transactions from inadvertent disclosure and data leaks.

KEY STATISTICS

Price as of 2/12/19	\$0.0022
52 Week High – Low	\$0.0266 - \$0.0017
Est. Shares Outstanding	4.85B
Market Capitalization	\$10.7M
Average Volume	16,083,127
Exchange	OTCPK

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Conclusion: On the heels of the ArcMail deal and a flurry of customer renewals, we reiterate our \$0.027 price target, which is an increase of roughly 10x current levels. The stock has been oversold in an environment in which its peers are raising top-line estimates and enjoying higher valuations. We envision the same for LDSR.

Rule of thumb...every \$2M in projected revenue in 2020 is worth at least \$16M in value for LDSR. Based on the peer analysis outlined on pages 3-4, it is clear that on a go-forward basis, each \$2M in revenue provides \$16M in value to SaaS information security companies such as LDSR. Thus, LDSR's current valuation should trade substantially higher just on the ArcMail deal alone.

The ArcMail partnership structure is a winner. There is tremendous synergy between the Company's ClassiDocs, ARALOC and ArcMail platforms. Plus, the structure of the deal (\$2M in rev/option to acquire the firm in stages) is a great deal for shareholders. LDSR benefits from \$2M in revenue this year with virtually no associated operating costs---the deal would be less profitable in an outright acquisition, today.

LDSR is not finished yet. We expect the continued customer renewals in its ARALOC business as well as now being able to execute cross-sales between ARALOC and ArcMail customer bases – which have a 100% overlap in requirements (all of them have requirements for these solutions). Importantly, as hinted during the quarterly calls, we believe several acquisitions are in the offing which will add revenue and profit to LDSR.

LDSR remains on track to achieve a \$40M or greater annual revenue run rate in 2020, which, if achieved, would blow away our current, near-term price target.

ARCMail IS TREMENDOUS BOON TO LDSR

The 411 on ArcMail for Data443

LandStar signed a two-year exclusive sales and marketing partnership agreement with ArcMail, a leading provider of enterprise information and email archiving solutions for businesses of all sizes across a wide range of vertical markets. This agreement is anticipated to add \$2 million in revenue over the next twelve months for the Company's Data443 subsidiary and fosters major cross-selling opportunities to its large existing customer base. The product line will be offered immediately to the Data443's international reseller and VAR channels. Management noted that the ArcMail technology offers customers easy, swift deployment and immediate cost savings. Given that ROI is a key determining factor in SaaS product acquisition and utilization, ArcMail is a great new arrow in the Company's quiver.

Founded in 2005, ArcMail is a pioneer and leader in the enterprise information and email archiving market. ArcMail offers customers a broad array of cost-effective, easy-to-use archiving solutions with comprehensive and tailorable features that ensure secure, compliant email, file, and other electronic data retention, storage, and retrieval. ArcMail solutions support all eDiscovery requests for electronically stored information for all regulated industries – Data Privacy, Healthcare, Financial Services, Legal Services, Government and Education. Key ArcMail product features include full-text indexing; granular retention rules; secure and customizable access and permissions; basic and advanced Boolean search; litigation and legal holds; and extensive import and export capabilities that accelerate and simplify eDiscovery requests and compliance audits.

LOOKING AHEAD

The ArcMail transaction is the latest in a series of transactions made by Data443 as it continues its path to scale the business, grow its customer base, and bring meaningful, high-margin revenues to the Company. In late 2018, Data443 closed ARALOC acquisition, and announced a letter of intent to acquire N8 Identity, a leader in agile, cloud-based identity governance solutions. We believe this and other transactions will have a very positive impact on the Company's financials, beginning in 2Q19. Clearly the future N8 integration with ARALOC, an industry-leading secure digital content distribution and communications platform that protects an organization's confidential content and intellectual property assets from leakage, combined with ClassiDocs & ArcMail provide Data443 with a powerful offering suite.

Meanwhile, Data443 has announced a series of customer renewals for its flagship offerings and we believe the seemingly endless security breach announcements by major corporations like **Facebook (NASDAQ – FB – NR)** heighten the need for and should drive sales of the Company's GDPR compliance tools. The California Consumer Privacy Act of 2018 also should serve as a critical sales and deployment catalyst not just for companies domiciled in California but around the country (<https://www.law.com/njlawjournal/2018/12/01/the-california-consumer-privacy-act-what-you-need-to-know/?slreturn=20190111162737>). Finally, investors can look to a possible up-listing to the OTCQB later this year, as LDSR records outsized sales and profit growth. Plus, we anticipate a change in the Company's ticker to more appropriately reflect the Company's business.

VALUATION

As noted above, we reiterate our \$0.027 target price for LDSR, which represents a roughly 10x jump from current levels. In our view, the stock has been mistakenly oversold since the Form 10 filing in an environment in which its peers are raising top-line estimates and enjoying higher valuations. We envision the same for LDSR. The table below illustrates that the current price/revenue valuation for the peer group for 2019 is 8.2x. By applying the same metric to LDSR's projected 2020E sales, we derive our 12-month target price. It should be noted that since our initiation of coverage report, peer group members' revenue and valuation have risen between 10-15% on average, respectively.

With the current valuation metric in mind, a rule of thumb for next year's valuation is that \$2M in projected revenue for LDSR in 2020 is worth \$16M in valuation today. Consider this:

- The current market cap for LDSR is a paltry \$11.6M
- LDSR trades at only 1.9x 2019 projected revenue (versus 10.1x the peer group)
- LDSR trades at a ridiculous 0.8x 2020 estimated 2020 revenue (versus 8.2x the peer group)
- LDSR's current valuation should trade substantially higher just on the ArcMail deal alone.
- If ArcMail only contributed \$2M next year that is worth \$16M and it is likely to be much higher
- Our current forecast calls for \$6M and \$15M in 2019 and 2020 revenue and these could be conservative

In our view, investors should use the recent ArcMail news and the pending close of other acquisitions as catalysts for a jump in value and share price for a company that appears to be hitting on all cylinders and represents limited downside risk.

Table I. LandStar, Inc. Peer Group

Company Name	Symbol	Price (2/11/19)	Mkt Cap (mil)	FY18E Revs (mil)	FY19E Revs (mil)	18E - 19E Revs Growth	2018E Price/Revs	2019E Price/Revs	LDSR @ 8.2x 2020E Price/Revs
CyberArk Software	CYBR	\$89.00	\$3,209	\$330	\$393	19.1%	9.7	8.2	
Cyren Ltd	CYRN	\$2.66	\$144	\$36	\$45	25.0%	4.0	3.2	
Imperva	IMPV	\$55.74	\$1,975	\$353	\$391	10.8%	5.6	5.1	
Okta	OKTA	\$82.95	\$9,161	\$392	\$518	32.1%	23.4	17.7	
SailPoint Tech	SAIL	\$30.80	\$2,704	\$242	\$297	22.7%	11.2	9.1	
Varonis Software	VRNS	\$64.16	\$1,890	\$270	\$318	17.8%	7.0	5.9	
Average			\$3,181	\$271	\$327	21%	10.1	8.2	
				FY 2019E Revs	FY 2020E Revs		Current 2019E Val	Current 2020E Val	12-Mo. Target Val
LandStar	LDSR		\$11.6	\$6	\$15	150.0%	1.9	0.8	\$123.0
<p>Notes:</p> <p>At current levels, the peer group trades 8.2x 2019's price/sales multiple.</p> <p>One year from now, using the same criteria and same LDSR price, illustrates that at current levels: LDSR trades at only 1.9x 2019E and 0.8x 2020E price/sales ratios.</p> <p>By utilizing the same 2019E P/Revs multiple for 2020E, in 12 mos LDSR could be worth \$123M.</p>									\$0.027
Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research									



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

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