

LANDSTAR, INC.

LDSR Primed For Major Rise in its Stock Price

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LANDSTAR, INC. (OTC – LDSR - \$0.0009)

Price Target: \$0.006

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. the WordPress GDPR Framework with over 20,000 active users enables organizations of all sizes to comply with the GDPR and other privacy frameworks.

KEY STATISTICS

Price as of 9/24/19	\$0.0009
52 Week High – Low	\$0.0098 - \$0.0004
Est. Shares Outstanding	7.37B
Market Capitalization	\$6.3M
Average Volume	8,111,552
Exchange	OTCPK

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Conclusion: On the heels of its recent acquisitions, contracts, and a flurry of customer renewals, we reiterate our Speculative Buy rating. Our adjusted price target reflects an increase of nearly 7x current share price levels. The stock has been oversold in an environment in which its peers are raising top-line estimates and enjoying outsized valuations. We envision the same for LDSR.

Rule of thumb... Our peer analysis illustrates that on a go-forward basis, each \$2M in revenue provides \$14M in value to SaaS information security companies such as LDSR. Trading at a considerable discount to its peers, LDSR's current valuation should be substantially greater than the present low price and will only increase as revenue grows.

The Data Express acquisition is a major revenue booster. There is tremendous synergy between the Company's ClassiDocs, ARALOC, ArcMail and Data Express platforms. The Company is one of the world's leading vendors for secure sensitive data transfer for hybrid cloud. The total deal value is \$2.8M for a company generating in \$1.4M in revenue and \$800K in cash flow. LDSR benefits from roughly \$1M in revenue this year.

LDSR is not finished yet. LDSR is close to securing another transaction of a firm generating \$2.5M+ in annual sales and it should be closed by year-end. This entity could account for as much as one-third of 2020 revenue and may enable LDSR to record operating profit next year. .

We forecast a jump in top-line from \$2.2M in 2019 to \$6.5M in 2020 and if additional acquisitions are closed, LDSR could achieve a year-end annual revenue run rate of \$20M in 2020. Clearly this type of performance would blow away our current price target.

VALUATION

As noted above, our adjusted target price represents a roughly 7x jump from current levels. In our view, the stock has been mistakenly oversold due to the protracted negotiations associated with its M&A activity---which is not unusual with small, privately held companies. The table below illustrates that the current price/revenue valuation for the peer group for 2019 is 7.3x. By applying the same metric to LDSR's projected 2020E sales, we derive our 12-month target price.

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 \$14M in valuation today. Consider this:

- The current market cap for LDSR is a paltry \$6.3M
- LDSR trades at only 2.9x 2019 projected revenue (versus 7.3x the peer group)
- LDSR trades at a ridiculous 1x 2020 estimated 2020 revenue (versus 6.9x the peer group)
- LDSR's current valuation should trade substantially higher just on the Data Express deal alone.
- Data Express' estimated \$1.5M contribution next year that is worth nearly \$14M
- Our current forecast calls for \$2.2M and \$6.5M in 2019 and 2020 revenue, respectively and these figures could be conservative

In our view, investors should use the recent M&A news and the pending close of other acquisitions serve 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 (9/24/19)	Mkt Cap (mil)	FY19E Revs (mil)	FY20E Revs (mil)	19E - 20E Revs Growth	2019E Price/Revs	2020E Price/Revs	LDSR @ 7.3x 2020E Price/Revs
CyberArk Software	CYBR	\$100.88	\$3,794	\$423	\$501	18.4%	9.0	7.6	
Cyren Ltd	CYRN	\$1.71	\$92	\$39	\$45	15.4%	2.4	2.0	
Okta	OKTA	\$102.39	\$12,261	\$563	\$735	30.6%	21.8	16.7	
SailPoint Tech	SAIL	\$19.82	\$1,766	\$280	\$325	16.1%	6.3	5.4	
Varonis Software	VRNS	\$61.89	\$1,877	\$257	\$272	5.8%	7.3	6.9	
Median			\$1,877	\$280	\$325	16%	7.3	6.9	
				FY 2019E Revs	FY 2020E Revs		Current 2019E Val	Current 2020E Val	12-Mo. Target Val
LandStar	LDSR		\$6.3	\$2.2	\$6.5	195.5%	2.9	1.0	\$47.5
<p>Notes:</p> <p>At current levels, the peer group trades 7.3x 2019's price/sales multiple.</p> <p>One year from now, using the same criteria and same LDSR price, illustrates that at current levels:</p> <p>LDSR trades at only 2.9x 2019E and 1.0x 2020E price/sales ratios.</p> <p>By utilizing a 7.3x 2020E P/Revs multiple for 2020E, in 12 mos LDSR could be worth \$47.5M.</p> <p>Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research</p>									\$0.027

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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