



INFINITE GROUP, INC. (IGI)

Five Reasons Why IGI May Reach Our \$0.65 Target This Summer

Rob Goldman
rob@goldmanresearch.com

May 19, 2021

INFINITE GROUP, INC. (OTC – IMCI - \$0.19)

Industry: Cybersecurity

3-6 Month Price Target: \$0.65

COMPANY SNAPSHOT

Headquartered in Rochester, NY with a workforce spanning across the United States, IGI works with organizations on all levels of Information Security and Cybersecurity. Through the Company's evolution from 1986 to today, IGI has continued to build on its strong foundation of securing data, systems, and technologies to become a leader in the cybersecurity field.

KEY STATISTICS

Price as of 5/18/21	\$0.19
52 Week High – Low	\$0.32- \$0.058
Est. Shares Outstanding	29.1M
Market Capitalization	\$5.5M
Average Volume	19,259
Exchange	OTCPK

COMPANY INFORMATION

IGI
 175 Sully's Trail
 Suite 202
 Pittsford NY 14534

Web: www.igicybersecurity.com
 Email: ir@igius.com
 Phone : 585.385.0610

INVESTMENT HIGHLIGHTS

Reason #1: IGI recently filed paperwork with OTC Markets for an up-list to the OTCQB. Once this listing becomes effective it could enhance the opportunity for more investors to purchase the stock and add trading liquidity. Plus, it bodes well for future funding and M&A transactions, thereby potentially increasing the valuation.

Reason #2: IGI reported solid 1Q21 financials. Sales of \$1.8M reflected higher gross margin and a notable increase in *Nodeware®* and other product sales as compared with 1Q20. IGI received its first patent award on the Nodeware platform on May 4, 2021 per their Q1 10-Q filing. These trends bode well for second half revenue growth.

Reason #3: IGI is in the midst of a hiring spree with eight key hires in 2021 and more on the way. These moves typically signal that meaningful, future sales growth lies ahead as new employees are needed to manage future growth.

Reason #4: The Company's first acquisition as part of its rollup strategy could close before year-end. Given the marked increase in public market value versus private market value, we believe such an event could drive IGI's shares to new 52-week highs, post-closing.

Reason #5: IGI may offer the greatest upside/least downside in the space. Currently trading roughly 90% above the initiation price, IGI trades less than .6x 2021 projected revenue---an absurd discount to the median 8.5x price/sales multiple afforded the sector's leaders. Thus, we reiterate our \$0.65 price target.

RECENT EVENTS

Financials

Earlier this week, the Company reported solid 1Q21 revenue of \$1.8M, with higher gross margin and a more favorable mix of revenue during the period as compared with 1Q20. Gross margin was incrementally higher at 41.2% in the quarter versus 40.8%, likely led by the nearly 9% increase in cyber-product sales versus lower margin services. In our view this is the biggest takeaway, and it is a trend likely to continue, going forward. OPEX was about 14% higher than a year ago, reflecting a higher headcount. Finally, IGI achieved improvement in the long-term debt portion of its liabilities with debt reduced by \$119K, a rare occurrence during the COVID-19 environment.

As outlined below, we project OPEX will rise in each subsequent quarter in 2021 with the addition of new senior level hires, and in conjunction with what we believe will be higher sales, led by Nodeware, penetration testing and vCISO services. Plus, revenue growth could be bolstered by inorganic growth via the closing of targeted M&A.

Hiring Spree Portends Future Growth

IGI CyberSecurity has been very active in recent weeks, especially on the personnel front. On the heels of its branding shift to IGI Cybersecurity, which more appropriately reflects the Company's business, IGI has hired eight new senior level staff thus far in 2021. The hires include: a new Director of Cybersecurity Services, Digital Marketing Manager, and a Cybersecurity National Account Manager. Plus, the Company recently hired two cybersecurity professionals to support its growing vCISO (virtual Chief Information Security Officer) and Penetration Testing Services offerings. vCISO and Penetration Testing services represent two of the most critical and potentially fastest-growing segments of the Company's underlying services business, which still represents the largest percentage of total revenue. IGI continues to evaluate effective leadership and separation for their SaaS based software business as part of their ongoing 2021 strategy. Bringing separation between the services and software businesses will allow IGI to effectively focus on appropriate go to market strategies that bring the greatest value to the company.

As noted above, these moves typically signal that meaningful, future revenue growth lies ahead as new senior employees are needed to manage future growth. An indicator that IGI has not yet completed its hiring plans is the Company's website, which lists at least seven new openings that management plans to close in the near future. At the least, these moves provide us with confidence that IGI is on track to meet our \$9.4M revenue forecast for this year.

Looking Ahead

We envision a number of key milestone events ahead for IGI.

First, IGI's shares should enjoy additional liquidity and awareness, given that management recently filed paperwork with OTC Markets for an up-list to the OTCQB. Once this listing becomes effective it should increase the opportunity for more investors to purchase the stock, add liquidity, and in general it bodes well for future

funding and M&A transactions, thereby potentially increasing the Company's valuation. In our view, this step is also the precursor to a NASDAQ-uplisting in the next 12-18 months.

Second, mid-year results/events could prove to be major catalysts for the Company and its stock. IGI may potentially close its first acquisition, thereby adding revenue, in addition to new capabilities. The enhanced value of adding a private firm with the pubco should also play a role in increasing the overall valuation since the pubco price/sales multiples are greater than private multiples. Separately, we believe that in the second half of 2021 IGI will begin to bear the fruit generated by new hires, along with greater existing client and new client penetration with Nodeware and vCISO services. Plus, we may see an incremental uptick in sales as IGI now offers Nodeware Vulnerability Management in both the Windows and macOS environments further driving penetration into all aspects of the market.

Overall, the active IGI has a new identity, new pending up-listing, new hires, and potential acquisitions ahead, yet these milestones are not currently reflected in the stock price, in our view. The shares tripled at one point in the weeks following our January 2021 initiation. With a series of upcoming milestones around the corner, we believe that our \$0.65 price target could be reached during 3Q21 and still trade at a discount to the peer group.

RECENT TRADING HISTORY FOR IMCI

(Source: www.BigCharts.com)



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 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*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

DISCLAIMER

This *Opportunity Research* report was prepared for informational purposes only.

Goldman Small Cap Research, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research* and *Goldman Opportunity Research*. The *Select* format reflects the Firm's internally generated stock ideas along with economic and stock market outlooks. *Opportunity Research* reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored micro-cap research ideas that typically carry greater risks than those stocks covered in the *Select Research* category. It is important to note that while we may track performance separately, we utilize many of the same coverage criteria in determining coverage of all stocks in both research formats. Research reports on profiled stocks in the *Opportunity Research* format typically have a higher risk profile and may offer greater upside. *Goldman Small Cap Research* was compensated by the Company in the amount of \$4500 for a research report and update production and distribution, including a press release. All information contained in this report was provided by the Company via filings, press releases or its website, or through our own due diligence. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

Separate from the factual content of our articles about the Company, we may from time to time include our own opinions about the Company, its business, markets and opportunities. Any opinions we may offer about the Company are solely our own and are made in reliance upon our rights under the First Amendment to the U.S. Constitution, and are provided solely for the general opinionated discussion of our readers. Our opinions should not be considered to be complete, precise, accurate, or current investment advice. Such information and the opinions expressed are subject to change without notice.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such

information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report or note is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed. This report does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with FINRA, the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: www.goldmanresearch.com