

# INFINITE GROUP, INC.

## The Next Major Cybersecurity Mover

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<b>INFINITE GROUP, INC. (OTCQB – IMCI - \$0.124)</b>	
Industry: Cybersecurity	Price Target: \$0.65

### COMPANY SNAPSHOT

Headquartered in Pittsford, NY with a workforce spanning across the United States, IGI works with organizations on all levels of Information Security and Cybersecurity. IGI is also the OEM of the Nodeware® vulnerability management solution, an award-winning SaaS platform that continuously scans networks to identify critical vulnerabilities. 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 3/4/22	\$0.124
52 Week High – Low	\$0.3398- \$0.066
Est. Shares Outstanding	32.2M
Market Capitalization	\$4.0M
Average Volume	18,500
Exchange	OTCQB

### COMPANY INFORMATION

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### INVESTMENT HIGHLIGHTS

**A Four-Fold Share Price Jump in 4 Months?** In our view, IMCI is on the cusp of a series of moves that could drive its stock toward our \$0.65 price target during Q2. We present four factors that affirm this investment thesis.

**Factor #1: The Cyber Landscape Plays to IMCI's Strengths.** Cyber vulnerabilities rank as the #1 concern for companies, including small businesses, as noted in a recent Allianz Risk Barometer update. According to Accenture's Cost of Cybercrime Study, 43% of cyber attacks target small businesses, yet only 14% are prepared for them. This scenario should drive deployment of IMCI's SaaS-based Nodeware® in 2022 and 2023.

**Factor #2: Pending Acquisition to Add Revenue, Customers, Profit.** In February, IMCI, as part of its mentioned strategic roll-up strategy, announced its plans to acquire Pratum, Inc. Pratum could add \$4M+ in annual revenue and a large customer base, as well as complementary services and products. The deal is slated to close in 2Q22.

**Factor #3: Even at Our Target Price, IMCI Would Be Cheap.** Pubco peer valuations and M&A activity price/revenue multiples illustrate a 10.2x multiple on 2022E sales. Using \$11M in revenue as a no growth figure, reaching \$0.65 would assume an 80% industry multiple discount. Given the expectation of meaningful sales growth, the discount should narrow considerably, making \$0.65 a potentially conservative expectation.

**Factor #4: Upcoming Milestones Abound.** M&A closing, cross-sales, potential NASDAQ uplist could serve as major share price appreciation catalysts.

## KEY POINTS

### *IMCI's Core Business is Well-Positioned*

As noted above, Accenture's Cost of Cybercrime Study notes that 43% of cyber attacks in 2021 targeted small businesses, yet only 14% are prepared to defend them. By utilizing targeted services and affordable SaaS-based platforms, the aforementioned outliers that have not yet employed cybersecurity tools can adopt IMCI's diverse and market sized offerings. This scenario should drive deployment of IMCI's SaaS-based Nodeware® in 2022 and 2023, as well as a series of recurring services. IMCI sells its cybersecurity software and services through channel partners, which include direct channel partners, Telarus, SYNEX, and Staples, and through their direct cybersecurity services teams. Cybersecurity services include Chief Information Security Team as a Service (CISOTaaS™), penetration testing services (PenLogic™), security assessments, incident response and others, and are provided through channel partners and direct to end customers.

While we are waiting for IMCI's 10-K to be filed, we believe the figures will confirm a rising contribution of Nodeware® and cyber-specific services/solutions to overall revenue. Clearly management is anticipating a meaningful increase in sales in 2022/2023 from its own efforts and via acquisition, as IMCI has dramatically built up its sales and managerial team over the past few quarters.

### *Pending Acquisition Elevates IMCI's Status*

IMCI has a long history in the information security industry. The growing deployment of cutting-edge Nodeware®, its SaaS-based vulnerability management platform that targets small-medium sized enterprises, fosters more profitable SaaS-based and other solutions for the Company going forward. Interestingly, the pending Pratum acquisition serves as a favorable complement to IMCI's overall business and opens the door for considerable cross-sale opportunities.

As part of a strategic roll-up strategy identifying other cybersecurity companies to acquire, IMCI has put its first forward by announcing the definitive agreement to acquire Pratum, Inc. Pratum is an information security services firm founded in 2008 that helps guide organizations in IT risk management, and compliance. With approximately \$4.3 million in annual sales, Pratum provides cybersecurity consulting services, security assessments, and SOC/XDR services, which is a strategic fit for IGI. Importantly, Pratum serves an expansive client portfolio that includes clients nationwide and overseas, ranging from small businesses to multinational corporations across industries. Together, IMCI and Pratum can offer best-in-class software and services to a broad base of clients nationwide. The deal is slated to close in 2Q22.

### *Valuation, Price Target, Upcoming Events*

A review of 2021 M&A transactions and publicly traded peers (see Table I) and their current valuations on a price/revenue multiple basis illustrate a roughly 10x multiple on 2022E sales. Using \$11M in revenue as a no growth figure for IMCI in 2022 (just as an example), reaching \$0.65 would assume a more than 80% discount to the peer group's price/revenue multiple. With a series of upcoming milestone events, including the aforementioned pending acquisition, a potential up-list to NASDAQ, and the expectation of meaningful sales growth, the discount should narrow considerably, making \$0.65 a potentially conservative expectation. Once the 10-K is filed we plan to perform a more in-depth review of IMCI and its outlook for 2022 and beyond.

**Table I. IMCI Publicly-Traded Peer Group (Large-Cap)**

Company Name	Symbol	Price (3/4/22)	Mkt Cap (mil)	FY22E Revs (mil)	FY23E Revs (mil)	22E - 23 Revs Growth	2022E Price/Revs	2023E Price/Revs
CrowdStrike	CRWD	\$179.03	\$41,059	\$1,430	\$2,010	40.6%	28.7	20.4
CyberArk	CYBR	\$160.24	\$6,371	\$590	\$713	20.8%	10.8	8.9
Palo Alto	PANW	\$557.51	\$54,906	\$5,460	\$6,660	22.0%	10.1	8.2
Qualys	QLYS	\$128.26	\$5,041	\$484	\$565	16.7%	10.4	8.9
Rapid7	RPD	\$103.80	\$6,169	\$680	\$828	21.8%	9.1	7.5
Tenable	TENB	\$55.57	\$6,273	\$668	\$803	20.2%	9.4	7.8
<b>Average</b>			<b>\$19,970</b>	<b>\$1,552</b>	<b>\$1,930</b>	<b>24%</b>		
<b>Median</b>							<b>10.2</b>	<b>8.6</b>

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 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*.

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