



Lattice Incorporated (OTCQB: LTTC)

November 17, 2015
Target Price: \$0.24
Recent Price: \$0.04

[Watch Interview with CEO of LTTC](#)

Market Data

Fiscal Year	December
Industry	Technology
Market Cap	\$2.2M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	N/A
Price/Sales (ttm)	0.3x
Insider Ownership	15.6%
Shares Outstanding	64.0M
Float	51.4M
Avg. Daily Vol. (3 mos.)	24,552

As of November 17, 2015

Income Snapshot

	TTM
Revenue	\$8.2M
Gross Profit	\$3.3M
Gross Margin	40.1%
Net Loss	(\$3.1M)

Balance Sheet Snapshot

	MRQ
Cash	\$0.09M
Debt	\$2.8M

Company Overview

Lattice Incorporated (“LTTC” or the “Company”) is a leading provider of inmate management and communications solutions that provide greater efficiencies to correctional facilities, reduce the administrative burden on facility staff, and generate important revenue for facilities. The Company’s products and services enable inmates to maintain the bond with family and friends, which can lead to improved inmate morale during incarceration, a reduction in recidivism upon release, and a safer community.

Value Proposition

LTTC’s proven technology, which is used by over 50 correctional facilities in the U.S., Canada, Europe, Japan, and the Caribbean, has established itself as a best-in-class solution. We expect continued strong revenue growth, and we value the company using a forward EV/S multiple of 1.5x. We apply this multiple to our FY16E revenue projection of \$13.5 million to obtain a target price of \$0.24 per share.

Investment Highlights

Revenue expected to accelerate with a new sales and marketing strategy that is designed to replicate success achieved in Oklahoma

- Approximately 50%-60% market share in Oklahoma; plans to implement Oklahoma sales strategy in 8 other states; sales force increased by 4 reps
- Contracted with 11 new facilities for installs in 1Q15, leading to ~\$1.25 million in annual recurring revenue
- The FCC has announced that it is capping call rates and eliminating ancillary fees; this provides a strong opportunity for LTTC to gain market share
- LTTC estimates it needs to add 2,700 new inmates to reach EBITDA breakeven based on recurring revenue alone

International expansion expected to increase revenues and lead to greater market opportunity for LTTC

- Canadian subsidiary launched in September; awarded four installations with partnerships with Telus Canada and Wymactel
- International business plan mapped out with an initial primary focus in Western Europe and Singapore

Customer retention rate of nearly 100%

- Earning over 55% higher revenue per inmate on average (over \$800 per inmate) when compared to competitors
- When able to deploy entire solution suite, revenue per inmate can increase to as high as \$1100 per inmate

Technology investments driving increases in customer base and revenue per inmate

- Adding new CellMate platform in 2015

800% annual revenue growth over the last five years

Call center drives revenue and leads to better service versus competitors

The correctional facilities market is worth \$5 billion+

- Approximately 75% of facilities are small and fit LTTC’s target market