

A2Z Smart Technologies Corp. (AZ)

Super Sapir Market Sweep; Local Mountain Ascended, RoW Next

► It has been a quiet couple of months for A2Z (AZ: Buy, PT \$20) since their last contract announcement in early September, with Yochananof signing a 5-year deal for 5,000 carts at a deal value of \$55 million excluding retail media revenue (a deal for which was also signed in conjunction with the contract). Yesterday, A2Z signed another 5-year, \$30 million contract for 3,000 carts with a different Israeli supermarket chain, Super Sapir, also with an additional agreement for exclusive advertising and retail media rights. But it is just another Israeli supermarket, you say. While true, this represents the first departure from their anchor client, and to us suggests two things: 1) A2Z has “won” the Israeli market, which implies that other deals might follow (Shufersal would be the big one); and 2) if we are right about 1), it means that A2Z’s primary Israeli competitor Shopic has effectively lost (we have not heard good things both locally or abroad). Why does this matter? Well, when factoring in the Trixo (read: Walmart Central America) purchase order, A2Z now has 11,000 carts on order, with definitive expansion both within Israel and outside of Israel. And, considering how favorable the retail media economics look to be within Israel, the revenue run-rate of 10-15,000 carts can scale to over \$100 million very quickly. Furthermore, because of the high-margin nature of retail media, incremental orders are extremely profitable, with long-term EBITDA margins likely well north of 50%. The bench has gotten substantially better/more well-rounded too, which is both a far cry from where the Company used to be and helps drive the contract flywheel with exponentially more speed. It feels like we are on the precipice of the dam breaking and a bunch of wins coming in over the next 12-18 months, but even with what we only know today, shares look extremely undervalued on the current revenue/EBITDA run-rate trajectory.

► Although the Super Sapir contract may not turn many heads on its own, it represents A2Z’s first significant win in Israel outside of Yachananof, who has also been steadily re-upping their purchase orders along the way. The argument has always been that, if your competitor has technology that is working which both reduces shrink and improves the customer experience, you have to have it too. This is the first sign that this argument holds water, and it is central to our thesis regarding how quickly adoption could ramp once a major breakthrough at a known retailer is made. If we run some napkin math and understand that this is only phase 1 of these contracts, 8,000 carts equal probably about 1% market share of all Israeli grocery shopping carts. It may not sound like much but a 1% market share in just the markets A2Z is currently targeting (ex-US) could generate over \$500 million in annual revenue and EBITDA of at least \$250 million. Our guess is that other Israeli chains are not far behind as checks suggest A2Z has a winning technology. A Shufersal contract would completely rewrite the local narrative given their historical investment in Israeli smart cart competitor Shopic, who we think was thrown out of Walmart Chile, contrary to media reports. And, for those belittling Israel, even if A2Z never received a single additional order outside of Israel, A2Z could still get to 50,000 carts in Israel alone over the next 2-3 years, which has even more favorable math regarding revenue and EBITDA for the reasons noted above; the stock would be worth many multiples of where it trades today. Finally, do not sleep on the customer component; this has to be a good customer experience for stores to implement this solution, and the fact that Super Sapir seems to agree with Yachananof suggests that this is a winning product that should translate to success worldwide. The catalyst path is clear and robust; do not miss it.



Change in Earnings Forecast

Rating: Buy

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Price Chart



Current Price	\$6.49
Price Target	\$20.00
52-Week Range	\$5.00 - \$12.36
Market Cap (mm)	\$272
Enterprise Value (mm)	\$189
Shares Outstanding (mm)	42
Average Volume (000s)	419
Sector Weight	Overweight

	Year to 31 Dec	2024A	1Q25A	2Q25A	3Q25A	4Q25E	2025E	2026E
New - EBITDA		(\$11)	(\$4)	(\$3)	(\$2)	(\$5)	(\$14)	\$8
Old - EBITDA		-	-	-	(\$3)	(\$3)	(\$13)	\$29
Delta % (+/-) v. Cons.								
Revenue (m)		\$7	\$2	\$1	\$2	\$2	\$7	\$38
EV/Rev		26x					29x	5x

A2Z Valuation Analysis		
<i>(\$ in millions, except per share data)</i>		
Fiscal Year Ending December 31,	2025E	2026E
Stock Price	\$6.49	\$6.49
<u>Revenue</u>		
Diluted Shares	41,923	41,923
Market Capitalization	\$259,600	\$259,600
Total Debt	(38)	(38)
Cash	70,407	70,407
Enterprise Value	189,231	189,231
Revenue	6,597	95,692
Multiple	28.7x	2.0x
Target Multiple		10x
Implied Price		\$19.97
Price Target		\$20.00
Upside to Target		208.1%

Source: Company reports and The Benchmark Company Estimates.

A2Z - Income Statement, 2021-2026E						
(\$ in thousands, except per share data)						
Fiscal Year Ending December 31,	2021	2022	2023	2024	2025E	2026E
Revenues	\$2,685	9,351	11,375	7,234	6,597	38,309
<i>Yr.-Yr. Pct. Change</i>	0.0%	0.0%	21.6%	-36.4%	-8.8%	480.7%
COGS	(2,029)	(7,517)	(9,381)	(5,631)	(6,793)	(20,096)
<i>Pct. of Revenue</i>	75.6%	80.4%	82.5%	77.8%	103.0%	52.5%
Gross Profit	656	1,834	1,994	1,604	(196)	18,213
<i>Pct. of Revenue</i>	24.4%	19.6%	17.5%	22.2%	-3.0%	47.5%
<i>Yr.-Yr. Pct. Change</i>	205.1%	179.6%	8.7%	-19.5%	-112.2%	-9386.1%
Operating expenses						
Research and Development	(3,222)	(4,462)	(4,751)	(3,787)	(8,344)	(8,600)
<i>Pct. of Revenue</i>	120.0%	47.7%	41.8%	52.3%	126.5%	22.4%
Sales and Marketing	(102)	(475)	(1,377)	(1,272)	(2,182)	(4,000)
<i>Pct. of Revenue</i>	3.8%	5.1%	12.1%	17.6%	33.1%	10.4%
General and Administrative	(6,494)	(13,599)	(13,933)	(9,979)	(14,123)	(11,976)
<i>Pct. of Revenue</i>	241.9%	145.4%	122.5%	137.9%	214.1%	31.3%
Total Operating Expense	(9,818)	(18,536)	(20,061)	(15,038)	(24,649)	(24,576)
<i>Pct. of Revenue</i>	365.7%	198.2%	176.4%	207.9%	373.6%	64.2%
Adjusted EBITDA	(7,999)	(11,048)	(11,950)	(10,616)	(13,983)	8,397
<i>Yr.-Yr. Pct. Change</i>	0.0%	0.0%	8.2%	-11.2%	31.7%	-160.1%
<i>EBITDA margin</i>	-297.9%	-118.1%	-105.1%	-146.7%	-212.0%	21.9%
Depreciation and amortization	321	786	984	861	629	760
Stock based compensation & Other	842	4,868	5,134	1,957	10,233	14,000
Operating income	(\$9,162)	(16,702)	(18,068)	(13,434)	(24,845)	(6,363)
<i>Operating margin</i>	-341.2%	-178.6%	-158.8%	-185.7%	-376.6%	-16.6%
Other, Net	(30,895)	(254)	357	3,236	(905)	0
Financial Expense, Net	(91)	(1,391)	(228)	(268)	(80)	(464)
Income before taxes	(40,148)	(18,347)	(17,939)	(10,466)	(25,830)	(6,827)
Tax provisions	(142)	0	0	0	0	0
Tax percentage	-0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Comprehensive/Non-Controlling Interest	555	864	2,182	1,485	(1,208)	0
Net Loss Attributable to A2Z Shareholders	(\$39,735)	(\$17,483)	(\$15,757)	(\$8,981)	(\$27,038)	(\$6,827)
EPS	(\$1.70)	(\$0.70)	(\$0.43)	(\$0.41)	(\$0.73)	(\$0.16)
Shares Outstanding	23,341	27,682	36,853	21,833	36,798	41,923
Free Cash Flow (FCF)						
EBITDA	(7,999)	(11,048)	(11,950)	(10,616)	(13,983)	8,397
Cash Interest	(91)	(\$49)	(\$106)	(\$126)	(\$24)	\$0
Cash Taxes	(142)	\$0	\$0	\$0	\$0	\$0
Capital Expenditures	(412)	(\$727)	(\$205)	(\$108)	(\$1,222)	(\$2,260)
Working Capital Adjustments	0	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	(8,644)	(11,824)	(12,261)	(10,850)	(15,229)	6,137
FCF per Diluted Share	(\$0.37)	(\$0.43)	(\$0.33)	(\$0.50)	(\$0.41)	\$0.15
<i>Yr.-Yr. Pct. Change</i>						

Source: Company Reports and The Benchmark Company Estimates

A2Z - Income Statement, 2025E

(\$ in thousands, except per share data)

	1Q	2Q	3Q	4QE	2025E
Revenues	\$1,974	\$1,160	\$1,547	\$1,916	\$6,597
<i>Yr.-Yr. Pct. Change</i>	16.3%	-24.6%	-25.4%	-0.5%	-8.8%
COGS	(1,348)	(890)	(1,021)	(3,534)	(6,793)
<i>Pct. of Revenue</i>	68.3%	76.7%	66.0%	184.5%	103.0%
Gross Profit	\$626	\$270	\$526	(\$1,618)	(\$196)
<i>Pct. of Revenue</i>	31.7%	23.3%	34.0%	-84.5%	-3.0%
<i>Yr.-Yr. Pct. Change</i>	91.4%	119.5%	-29.5%	-496.7%	-112.2%
Operating expenses					
Research and Development	(1,311)	(3,919)	(1,582)	(1,532)	(8,344)
<i>Pct. of Revenue</i>	66.4%	337.8%	102.3%	80.0%	126.5%
Sales and Marketing	(428)	(828)	(413)	(513)	(2,182)
<i>Pct. of Revenue</i>	21.7%	71.4%	26.7%	26.8%	33.1%
General and Administrative	(6,415)	(2,320)	(2,644)	(2,744)	(14,123)
<i>Pct. of Revenue</i>	325.0%	200.0%	170.9%	143.2%	214.1%
Total Operating Expense	(8,154)	(7,067)	(4,639)	(4,789)	(24,649)
<i>Pct. of Revenue</i>	413.1%	609.2%	299.9%	250.0%	373.6%
Adjusted EBITDA	(3,508)	(\$3,426)	(\$2,390)	(\$4,659)	(\$13,983)
<i>Yr.-Yr. Pct. Change</i>	15.5%	10.8%	43.5%	65.1%	31.7%
<i>EBITDA margin</i>	-177.7%	-295.3%	-154.5%	-243.2%	-212.0%
Depreciation and amortization	151	123	165	190	629
Stock based compensation & Other	3,869	3,248	1,558	1,558	10,233
Operating income	(\$7,528)	(\$6,797)	(\$4,113)	(\$6,407)	(\$24,845)
<i>Operating margin</i>	-381.4%	-585.9%	-265.9%	-334.4%	-376.6%
Other, Net	400	(4,135)	2,830	0	(905)
Financial Expense, Net	375	(223)	(116)	(116)	(80)
Income before taxes	(6,753)	(11,155)	(1,399)	(6,523)	(25,830)
Tax provisions	0	0	0	0	0
<i>Tax percentage</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Other Comprehensive/Non-Controlling Interest	332	(1,634)	94	0	(1,208)
Net Loss Attributable to A2Z Shareholders	(\$6,421)	(\$12,789)	(\$1,305)	(\$6,523)	(\$27,038)
EPS	(\$0.19)	(\$0.36)	(\$0.04)	(\$0.18)	(\$0.73)
Shares Outstanding	33,029	35,304	36,798	36,798	36,798
Free Cash Flow (FCF)					
EBITDA	(3,508)	(3,426)	(2,390)	(4,659)	(13,983)
Cash Interest	(74)	(74)	124	0	(24)
Cash Taxes	0	0	0	0	0
Capital Expenditures	(46)	(46)	(565)	(565)	(1,222)
Working Capital Adjustments	0	0	0	0	0
Free Cash Flow	(3,628)	(3,546)	(2,831)	(5,224)	(15,229)
FCF per Diluted Share	(\$0.11)	(\$0.10)	(\$0.08)	(\$0.14)	(\$0.41)
<i>Yr.-Yr. Pct. Change</i>	44.7%	66.2%	-5.1%	8.7%	-16.7%

Source: Company Reports and The Benchmark Company Estimates

A2Z - Income Statement, 2026E

(\$ in thousands, except per share data)

	1QE	2QE	3QE	4QE	2026E
Revenues	\$2,832	\$5,963	\$11,272	\$18,243	\$38,309
<i>Yr.-Yr. Pct. Change</i>	43.4%	414.0%	628.6%	852.2%	480.7%
COGS	(3,680)	(4,525)	(4,701)	(7,191)	(20,096)
<i>Pct. of Revenue</i>	129.9%	75.9%	41.7%	39.4%	52.5%
Gross Profit	(\$848)	\$1,438	\$6,571	\$11,052	\$18,213
<i>Pct. of Revenue</i>	-29.9%	24.1%	58.3%	60.6%	47.5%
<i>Yr.-Yr. Pct. Change</i>	-235.4%	432.5%	1149.2%	-783.0%	-9386.1%
Operating expenses					
Research and Development	(2,000)	(2,100)	(2,200)	(2,300)	(8,600)
<i>Pct. of Revenue</i>	70.6%	35.2%	19.5%	12.6%	22.4%
Sales and Marketing	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
<i>Pct. of Revenue</i>	35.3%	16.8%	8.9%	5.5%	10.4%
General and Administrative	(2,844)	(2,944)	(3,044)	(3,144)	(11,976)
<i>Pct. of Revenue</i>	100.4%	49.4%	27.0%	17.2%	31.3%
Total Operating Expense	(5,844)	(6,044)	(6,244)	(6,444)	(24,576)
<i>Pct. of Revenue</i>	206.4%	101.4%	55.4%	35.3%	64.2%
Adjusted EBITDA	(3,002)	(\$916)	\$4,017	\$8,298	\$8,397
<i>Yr.-Yr. Pct. Change</i>	-14.4%	-73.3%	-268.1%	-278.1%	-160.1%
<i>EBITDA margin</i>	-106.0%	-15.4%	35.6%	45.5%	21.9%
Depreciation and amortization	190	190	190	190	760
Stock based compensation & Other	3,500	3,500	3,500	3,500	14,000
Operating income	(\$6,692)	(\$4,606)	\$327	\$4,608	(\$6,363)
<i>Operating margin</i>	-236.3%	-77.2%	2.9%	25.3%	-16.6%
Other, Net	0	0	0	0	0
Financial Expense, Net	(116)	(116)	(116)	(116)	(464)
Income before taxes	(6,808)	(4,722)	211	4,492	(6,827)
Tax provisions	0	0	0	0	0
<i>Tax percentage</i>	0.0%	0.0%	0.0%	0.0%	0.0%
Other Comprehensive/Non-Controlling Interest	0	0	0	0	0
Net Loss Attributable to A2Z Shareholders	(\$6,808)	(\$4,722)	\$211	\$4,492	(\$6,827)
EPS	(\$0.19)	(\$0.13)	\$0.01	\$0.11	(\$0.16)
Shares Outstanding	36,798	36,798	41,923	41,923	41,923
Free Cash Flow (FCF)					
EBITDA	(3,002)	(916)	4,017	8,298	8,397
Cash Interest	0	0	0	0	0
Cash Taxes	0	0	0	0	0
Capital Expenditures	(565)	(565)	(565)	(565)	(2,260)
Working Capital Adjustments	0	0	0	0	0
Free Cash Flow	(3,567)	(1,481)	3,452	7,733	6,137
FCF per Diluted Share	(\$0.10)	(\$0.04)	\$0.08	\$0.18	\$0.15
<i>Yr.-Yr. Pct. Change</i>	-11.8%	-59.9%	-207.0%	-229.9%	-135.4%

Source: Company Reports and The Benchmark Company Estimates

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Company	Disclosure
A2Z Smart Technologies Corp.	3

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Investment Risk

There are a multitude of risks we see A2Z facing as they begin their journey in a relatively nascent marketplace. Although they already have 1 commercial order for \$6 million and 3 pilots signed, there is no guarantee that they will be successful in winning new business or expanding existing relationships. There is also substantial competition in the space, with established big names and new startups entering on a regular basis. COVID-19 has created substantial headwinds for the entire industry as well. Even with some initial wins on the books, A2Z is still effectively in start-up mode and will likely require additional capital infusions to fund growth. And, as is often the case in newly created, early-stage markets, valuation remains highly subjective.

Valuation Methodology

As is often the case in newly created, early-stage markets, valuation remains highly subjective. If public estimates are accurate, Caper was acquired by Instacart for ~35x revenue. We also believe Standard Cognition and Tracpoint carry private valuations north of \$1 billion. However, there are no real public yardsticks by which to compare A2Z, and thus we are left to rely on an EV/Revenue multiple based off of a model that has a multitude of unknown variables around order size, timing and SaaS uplift. While growth multiples have come in substantially, even using half the Caper multiple plus a discount for the out year at 10x yields our \$20 per share price target. We note that our target does not include any incremental value from the other A2Z business segments, which we view as free as optionality.



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