

**Maj Soueidan, Co-founder of
GeoInvesting
Virtual Stock Pitch
Information Analysis (OTC:IAIC)**

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**Maj Soueidan, Full-time Investor
Co-Founder, GeoInvesting, LLC
geoinvesting.com (founded in 2007)
Twitter: @majgeoinvesting, @geoinvesting
maj@geoinvesting.com**

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What Information Analysis Corp. (OTC:IAIC) Does

Founded in 1979, IAIC uses software and its full-time programmers to modernize legacy/outdated IT systems. Most of the company's revenue are generated from the U.S. federal, state and local governments, but management is also pursuing commercial markets.

IAIC Bullish Thesis – Catalyst Finally Positions Company For Consistent Growth

- After Years of mediocre financial performance, a new government contract should allow the company to achieve profitable growth for several years to come
- Federal, state and local governments have reached a tipping point, where they will be forced to accelerate spend on modernizing IT infrastructure
- Significant operating leverage should allow net income to grow much faster than revenue
- Trading at meager \$0.5X sales sets up stock for huge returns as the market re-rates the valuation for growth
- Multi-bagger Potential for short and long-term investors

IAIC Has Tier One Quality Characteristics

1. Long operating history of at least 20+ years – Yes, 40 years
2. Strong management -YES
 - Sandor Rosenberg, 73, is the founder of the Company and has been Chairman of the Board and Chief Executive Officer of the Company since 1979, and President since 1998.
3. Management focused on business, not stock price movement – YES
4. Revenue – YES
5. At or near profitability - YES

IAIC Has Tier One Quality Characteristics

- 6. High probability turnaround stories - YES
- 7. High Insider ownership – Yes, 51%
- 8. Manageable debt burden – Yes, ZERO
- 9. Ability to grow without excessive equity raises - Yes
- 10. Shares outstanding are not excessive – Yes, 11.2M

GeoInvesting IAIC Coverage History

- On [January 16, 2018](#), we established a long position in the stock at \$0.47 and added it to our Run To One Model Portfolio.
- We made sure to put out consistent reminders that it was/is a story that could take time to play out as it was/is in the early stages of its turnaround plan, and has heavy reliance on government contracts.
- Shares declined to as low as 8 cents due to delays in receiving government contracts

GeoInvesting IAIC Coverage History

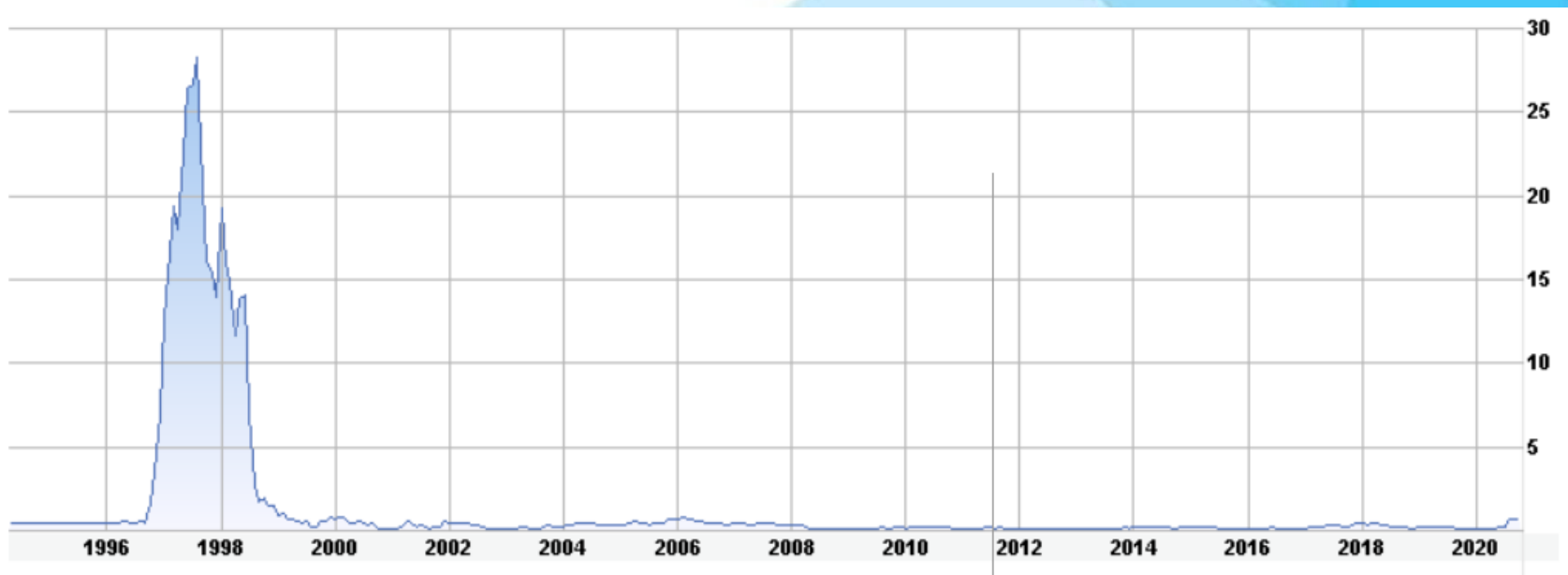
- On [August 17, 2020](#), we pointed out that information arbitrage in Q2 hinted that the company could be on the cusp of sustained revenue growth and profitability for the first time in its history. This sentiment was based on a government contract award that could generate **comparatively meaningful annually** and help the company achieve profitability. The kicker was that this contract was historically awarded to another company who initially protested the shift of the award to IAIC. Now, with its main peer out of the equation, IAIC can focus on growing its business with its rejuvenated contract pipeline, and without distraction.

IAIC Key Statistics

- Price: ~\$0.63
- Shares Outstanding: 11.2M
- Market-cap: \$7.1M
- Enterprise Value (EV) : \$6.1M
- Full Time Employees : 21
- Insider Ownership : 51%
- Revenue (ttm) : \$12.1 million
- EBITDA (ttm) : (\$0.48) million
- EPS (ttm) : (\$0.04)
- Gross Margins : 11.4%
- EBITDA Margins : N/A
- Cash - \$0.96M
- Long-term Debt : Zero
- Current Ratio (CR) : 2.37
- Debt to Equity : Zero
- Return on Equity (ROE) : N/A
- P/S : 0.58x
- P/E : N/A
- EV/S : 0.50x
- EV/EBITDA : N/A
- TBV Per Share : \$0.09

IAIC An Underperforming Stock

- The stock has underperformed through most of its tenure as a public company outside a spike in the late 1990s when the dotcom and Y2K Armageddon hype pumped a lot of software stocks.



IAIC Historical Financial Performance

The company's revenue has been hovering around \$5 to \$10 million since 1995, while net income has been dancing around break-even since 2008.

	REV	EPS
2019	\$10.10	(\$0.06)
2018	\$8.90	\$0.00
2017	\$10.60	\$0.02
2016	\$6.70	\$0.05
2015	\$6.20	\$0.01
2014	\$5.70	\$0.00
2013	\$7.40	(\$0.01)
2012	\$7.00	\$0.01
2011	\$7.80	\$0.01
2010	\$6.90	\$0.01
2009	\$6.70	\$0.01
2008	\$6.70	(\$0.03)

Sales between 1995 and 2007 fell generally fell into a similar range.

IAIC's Inflection Event

But now, through the recent receipt of a potential \$25 million government modernization award, the company has reached a growth inflection point that will enable the company to generate consistently profitable revenue for at least the next 7 years.

IAIC's Target Industry At Tipping Point

- Approximately 80 percent of the \$90 billion federal IT budget goes toward outdated, legacy IT systems, leaving little cash for the development of new technologies commonplace in the private sector.”
- Out-of-date computer systems cost the U.S. government over \$300 million per year to maintain
- ***In all, 10 critical IT systems in government are outdated, ranging from 40 to 57 years, including systems that deal with National Security!!! Some are less than a decade old but are already essentially obsolete***

IAIC's Target Industry At Tipping Point

- The U.S. nuclear arsenal is coordinated by the 54-year-old Strategic Automated Command and Control System, run on 1970s-era IBM mainframes that still use 8-inch floppy disks.
- Two of the Treasury Department's tax systems are even older. Collectively, the 57-year-old Individual Master File and Individual Business File house tax data for more than 100 million Americans, and they're running on "low-level computer code" that predate the NASA moon landing by a decade.
- The Veterans Affairs Department's back-end system for tracking benefit claims is 52 years old, and its time-and-attendance tracking software will turn 54 this year.
- ***Many IT systems run on COBOL, a programming language that is rarely taught anymore. It's not uncommon for old IT experts to be called in to deal with COBOL related issues, often at a premium.***

So When Will The Gov't Wake Up?

We will have to wait to see if government IT budgets will start going toward modernization efforts, but Q2 2020 comments from management indicate revenue growth and profitability are in the cards:

“Despite managing our offices and employees through ever-changing directives and regulations due to the COVID health emergency, we turned the corner during this second quarter, as the largest of these delayed subcontracts emerged from protest almost a year after it was originally won. In June we were able to commence a massive modernization effort at a federal agency that could be worth upwards of \$25 million over the subcontract’s seven-year term. With the addition of this effort, we expect our third quarter to be profitable, and we should remain so for the foreseeable future”

IAIC Positive Momentum

- Regardless, IAIC is a company that has proved it can hang around.
- It has ZERO long-term and \$1 million in cash
- It appears that the **3** year backlog translates into about **\$10 million per year, giving the company a good base to grow from**
- And Q2 gave us a glimpse of the positive momentum the company is experiencing, and things have not really started rolling yet:
 - Reported breakeven 2020 Q2 results vs. a loss of \$0.02, on revenue of \$4.8 million vs. \$3.7 million. The **Quarter is the highest quarterly performance since 1998**

I just think it's the perfect set up for big returns as catalysts arrive, especially due to a changing environment that should be favorable for IAIC.

IAIC Caveats

- Government
 - Budgets
 - What happens when contracts end
- Lack of commercial market exposure
- Weak Gross Margins
 - Third party Software revenue - 1.5% (80% of Revenue)
 - Professional revenue – 35% (20% of Revenue)

IAIC Catalysts

- More Government awards as the government accelerates its efforts to modernize
 - COVID-19 exposed the outdated IT infrastructure
 - Unemployment claims processing disaster
 - PPP and SBA loan application disaster
- More aggressively target commercial markets
- Acquisitions

IAIC Catalysts

- Developing its own software will lead to higher gross margins.
 - Third party Software revenue - 1.5%
 - Professional revenue – 35%
 - May be higher moving forward
- Going after contracts directly as opposed to subcontracted work
- Operating leverage – Q2 sales were up 20% while operating expenses were down 30%

IAIC Valuation

- P/S : 0.58x
- EV/S : 0.50x

THANK YOU!

Maj Soueidan, Full-time Investor

Co-Founder, GeoInvesting, LLC

geoinvesting.com (founded in 2007)

Twitter: @majgeoinvesting, @geoinvesting

maj@geoinvesting.com

