

# SUMMIT DIGITAL SOLUTIONS, INC.

## Consolidated Financial Statement

For the Quarter and Year Ended December 31, 2023

(Unaudited - Expressed in thousands of USD)

**IMPORTANT NOTICE:** This financial statement contains forward-looking statements and estimates. Actual results may differ materially from these projections.

## CONSOLIDATED BALANCE SHEET

### ASSETS

#### Current Assets:

- Cash and cash equivalents: \$12,847
- Short-term investments: \$5,230
- Accounts receivable, net: \$18,935
- Unbilled revenue: \$4,562
- Prepaid expenses: \$2,183
- Other current assets: \$1,458

**Total Current Assets: \$45,215**

#### Non-Current Assets:

- Property and equipment, net: \$8,324
- Goodwill: \$15,675
- Intangible assets: \$12,458
- Right-of-use assets: \$6,892
- Other long-term assets: \$2,145

**Total Non-Current Assets: \$45,494**

**TOTAL ASSETS: \$90,709**

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### Current Liabilities:

- Accounts payable: \$7,234

- Accrued expenses: \$5,892
- Deferred revenue: \$8,456
- Current portion of lease liabilities: \$1,845
- Income taxes payable: \$2,134

**Total Current Liabilities: \$25,561**

Non-Current Liabilities:

- Long-term debt: \$12,500
- Lease liabilities: \$5,047
- Deferred tax liabilities: \$3,245
- Other long-term liabilities: \$1,892

**Total Non-Current Liabilities: \$22,684**

Shareholders' Equity:

- Common stock: \$1,000
- Additional paid-in capital: \$28,567
- Retained earnings: \$13,897
- Accumulated other comprehensive loss: \$(1,000)

**Total Shareholders' Equity: \$42,464**

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY: \$90,709**

## **CONSOLIDATED STATEMENT OF OPERATIONS**

Revenue:

- Digital transformation services: \$58,234
- IoT integration: \$15,678
- Process automation: \$9,456
- Consulting services: \$4,132

**Total Revenue: \$87,500**

Operating Expenses:

- Cost of services: \$48,125
- Research and development: \$8,750

- Sales and marketing: \$6,562
- General and administrative: \$10,938

**Total Operating Expenses: \$74,375**

Operating Income: \$13,125

Other Income/(Expense):

- Interest income: \$245
- Interest expense: \$(892)
- Other income, net: \$167

**Total Other Income/(Expense): \$(480)**

Income Before Income Taxes: \$12,645

Income tax expense: \$(3,161)

**Net Income: \$9,484**

## **CONSOLIDATED STATEMENT OF CASH FLOWS**

Operating Activities:

- Net income: \$9,484
- Depreciation and amortization: \$3,245
- Stock-based compensation: \$1,567
- Changes in working capital: \$(2,345)

**Net Cash from Operating Activities: \$11,951**

Investing Activities:

- Capital expenditures: \$(4,567)
- Acquisitions, net of cash acquired: \$(8,500)
- Purchase of investments: \$(2,500)

**Net Cash used in Investing Activities: \$(15,567)**

Financing Activities:

- Proceeds from debt: \$12,500
- Payment of lease liabilities: \$(1,845)
- Stock repurchases: \$(2,500)

**Net Cash from Financing Activities: \$8,155**

Net increase in cash and equivalents: \$4,539

Cash and equivalents, beginning of period: \$8,308

**Cash and equivalents, end of period: \$12,847**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **\*\*Organization and Basis of Presentation\*\***

Summit Digital Solutions, Inc. ("the Company") provides enterprise digital transformation services. These consolidated financial statements include the accounts of the Company and its subsidiaries.

### **\*\*Significant Accounting Policies\*\***

These financial statements are prepared in accordance with U.S. GAAP. Significant accounting policies include:

- Revenue Recognition: Performance obligations satisfied over time
- Leases: Recognized using ROU model per ASC 842
- Goodwill: Annual impairment testing
- Stock-Based Compensation: Fair value method

### **\*\*Revenue Recognition\*\***

Contract revenue is recognized as performance obligations are satisfied, primarily over time. As of December 31, 2023, remaining performance obligations were \$45.6 million.

### **\*\*Segment Information\*\***

The Company operates as a single reportable segment focused on digital transformation services.

### **\*\*Debt\*\***

In Q4 2023, the Company secured a \$12.5 million term loan facility with a 4.5% interest rate, maturing in 2028.

## **CERTIFICATION**

The undersigned officers hereby certify that this consolidated financial statement fairly presents the financial position of Summit Digital Solutions, Inc. as of December 31, 2023.

Dated: January 30, 2024

/s/ Alexandra Reeves

Dr. Alexandra Reeves

Chief Executive Officer

/s/ David Wilson

David Wilson

Chief Financial Officer

*This financial statement is unaudited and subject to adjustment during the annual audit process. All amounts are expressed in thousands of USD unless otherwise noted.*