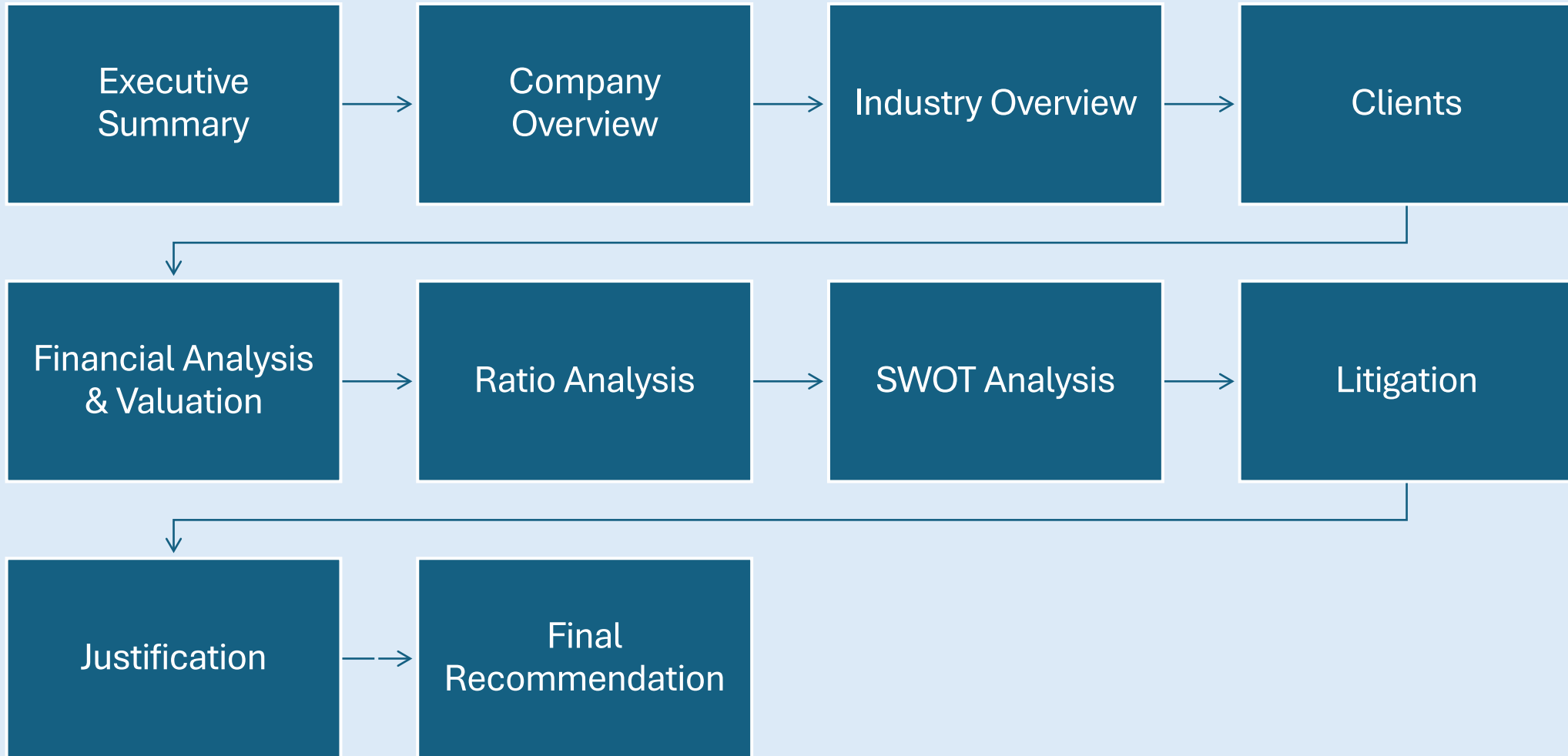




Innodata®

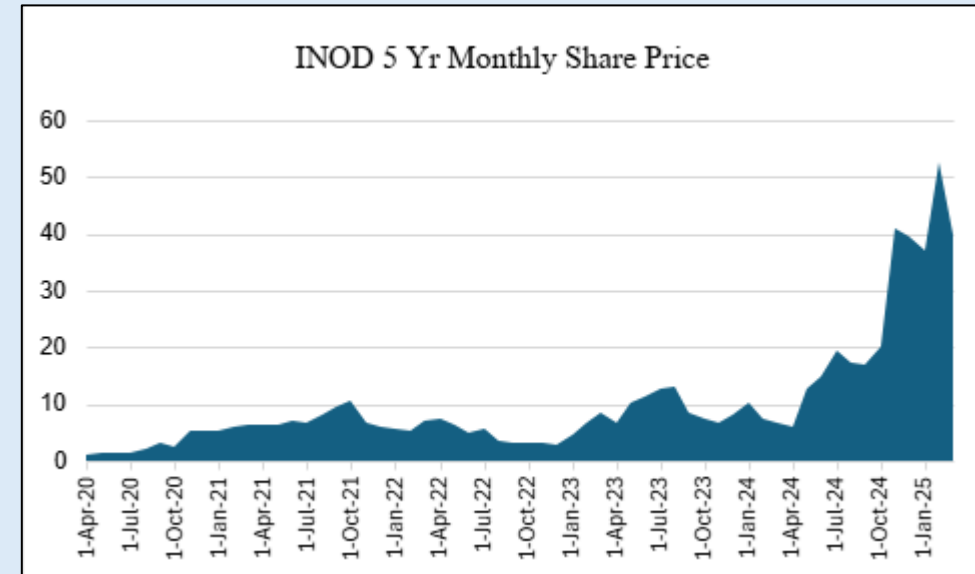
3/31/2025

Agenda



Recommendation: BUY

Recommendation Overview	
Current Share Price	\$39.38
Target Price	\$72.05
Upside	80.88%



Source: Bloomberg

Investment Basis

Growth Potential:

Rapid revenue growth driven by AI contracts.

Undervalued Market Position:

Strong fundamentals, undervalued P/S ratio.

Overstated Risks:

Market overreacting to litigation and dilution.

Company Overview

Founded in 1988, and headquartered in Ridgefield Park, New Jersey

5,000 employees internationally, with offices in Europe, East Asia and India

Key business segments are:

AI Data Preparation: Helping AI companies and enterprises train and enhance models.

Digital Transformation: Integrating AI into enterprise operations with specialized tools.

Custom Data Solutions: Tailored services for healthcare, finance, and e-commerce.



Jack S. Abuhoff - CEO since 1997, owns ~1.18M shares.



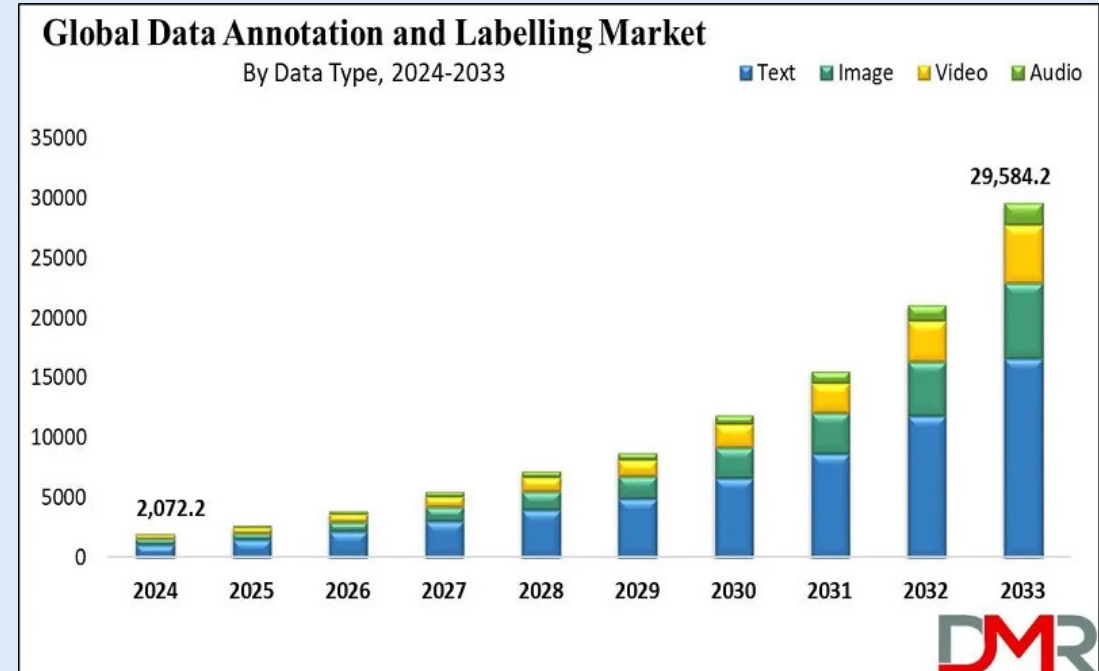
AI Data Annotation Industry Overview

- Projected to expand to \$29.58 billion by 2033, reflecting a CAGR of 34.4%. (DMR 2024)

Key Growth Drivers:

- **Surging AI Adoption**
- **Autonomous Technologies**
- **Demand for Personalized Experiences**

- Innodata is well-positioned to capitalize on this growth due to its established client relationships and specialized data solutions.



Clients



X



Google



Microsoft





amazon





SONY


Financial Analysis

 In 2024, Innodata's annual revenue surged by 96%, with Q4 revenue increasing 127% year-over-year to \$59.2million.

 Favorable Price-to-Sales Valuation

 The AI market is projected to grow at a 35.7% CAGR through 2030

 Innodata's "picks and shovels" approach ensures demand for its data services across the entire AI ecosystem.

 Recurring Revenue Stream & Strong Cash Flow Generation

 High Growth Stage Volatility (Beta 2.59)



"Expanding relationship with the largest customer, with additional programs and expansions valued at approximately \$24 million of annualized run rate revenue."

"Aggregate revenues from seven other Big Tech customers grew by 159% in Q4 2024 over Q3 2024."

- Using estimated 2025 revenue, Innodata appears undervalued relative to its projected growth and industry peers.
- Partnerships with major tech clients and recurring long-term contracts demonstrate strong demand, creating a stable revenue base with significant upside potential.
- With Innodata focusing heavily on scaling revenue rather than profitability, P/S multiples provide a more accurate assessment of valuation.

INOD Price-to-Sales Multiple Valuation	
Average P/S Multiple	8.8
Implied Share Price	\$72.05
INOD Market Price	\$39.38
Undervalued	80.89%

Tickers: AI, FROG, SNPS, ANSS, OKTA, TEAM

Ratio Analysis

Ratios	INOD	SNPS	ANSS
Current Ratio	2.10	2.40	3.00
Operating Margin	14.30%	22.10%	28.20%
Net Profit Margin	16.81%	36.93%	22.62%
Debt-to-Equity Ratio	0.10	0.074	0.14
Return on Equity	64.30%	26.40%	10.00%
Return on Assets	33.20%	17.90%	7.50%

SWOT Analysis

Strengths

- Specialization in AI and Data Transformation
- Possesses several intellectual property technologies
- Variety of AI-related services
- Strong client base

Weaknesses

- Larger competitors
- Overreliance on large clients
- Lack of brand recognition

Opportunities

- Potential new markets
- President in favor of AI expansion
- Demand for AI

Threats

- Litigation from various firms
- Possible Cyber-security threats
- Various industry competitors

Litigation



Bragar Eigel & Squire, P.C has filed a lawsuit on Innodata due to alleged misrepresentation of their services, and false marketing toward investors.



Holzer & Holzer, LLC is also investigating Innodata due to reports of false marketing toward their AI software



Lawsuits more focused on the communication and marketing rather than the actual capabilities

Justification for Undervaluation

- What are we seeing that the Market is not?

Overstated Risks

- The 'AI washing' lawsuit which primarily concerns communication issues rather than fundamental technological failures.
 - Share dilution concerns due to recent stock issuances are mitigated by Innodata's high ROIC of 56.16%, which significantly exceeds its WACC of 17.22%, indicating efficient capital allocation.
 - Price-to-Sales (P/S) ratio concerns that do not fully account for the company's projected revenue growth of at least 40% in 2025 based on existing long-term contracts and continued business development.
 - Volatility concerns stemming from rapid price swings due to speculation and market overreactions to short-term news events. Despite this, Innodata's fundamental business remains solid, supported by long-term contracts and partnerships.
-

Final Recommendation

Buy 437 shares totaling roughly \$16,000 and ~5% of our portfolio

Change from -15.01% weighting in industrials to -9.85%

Strong Revenue Growth from long-term contracts with major AI players

P/S multiple shows ~80% undervaluation

It is time for us to get out of the Russel and take a shot on an AI growth stock



DCF Appendix

DCF	Bull	Base
Revenue 5 yr CAGR	66.39%	66.39%
WACC	15.6%	17.22%
Stock Price	\$55.26	\$34.77
LTGR	12.68%	12.68%
Upside (Downside)	47.91%	-6.95%

Innodata is in a high-growth phase (96% YoY in 2024) making revenue projections more reliable than cash flow estimates. Revenue-based valuation methods like P/S multiples align better with Innodata's growth trajectory.

High-growth companies often experience elevated beta values, which inflates their WACC in DCF models. As Innodata matures and beta declines, DCF will become a more reliable valuation tool.