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Zacks Small-Cap Research

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mPhase Technology, Inc. (OTC Pink: XDSL)

XDSL: Positioning Platform To Benefit From EV Charging Buildout, Retailer Usage & Consumer Engagement

With roughly $32M of existing revenue, XDSL expects revenue from new growth initiatives to come on stream beginning in FY23 and that this will also shift the revenue mix to higher margins over time. The platform will enable retailers to offer push advertising to boost store traffic and also enable travelers to customize their travel experience. Importantly, in 2021, global EV sales appear to have accelerated. Favorable government policies, including tax and other subsidies, improving EV performance and growing consumer focus on sustainability are key drivers.

Current Price (04/11/22)	$0.10
Valuation	**$0.45**

OUTLOOK

mPhase Technologies is developing an electric vehicle (EV) charging network and consumer engagement platform, branded as *mPower EV+*, to position the company to benefit from the anticipated rise in electric vehicle usage and associated buildout of charging infrastructure. Expansion of charging station infrastructure is also supported by government initiatives, including recent legislation earmarking funds towards this buildout. XDSL's consumer engagement tools are expected to expand the reach of each charging station location, as well as of other retailer XDSL customers, with the goal of creating additional store traffic. XDSL anticipates generating multiple revenue streams from EV charging station operators, retailers and consumers.

SUMMARY DATA

52-Week High	**$0.43**
52-Week Low	**$0.10**
One-Year Return (%)	**N/A**
Beta	**11.71**
Average Daily Volume (sh)	**136,278**
Shares Outstanding (mil)	**80**
Market Capitalization ($mil)	**$9**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%) *	**50**
Annual Cash Dividend	**N/A**
Dividend Yield (%)	**N/A**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**

Risk Level	**Above Avg.**
Type of Stock	**Small-Growth**
Industry	**Automotive Svcs**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2020					$30 A
2021	$7.6 A	$7.6 A	$7.7 A	$7.8 A	$31 A
2022	$8.2 A	$8.3 A	$8.4 E	$8.5 E	$33 E
2023					$37 E

Per Share Data

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2020					-$1.08 A
2021	$0.01 A	$0.01 A	$0.00 A	-$0.01 A	$0.02 A
2022	$0.00 A	-$0.00 A	-$0.00 E	-$0.00 E	-$0.00 E
2023					$0.02 E

Quarters might not sum due to rounding & share counts

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KEY POINTS

- mPhase Technologies is developing an electric vehicle (EV) charging network and consumer engagement platform branded as m*Power EV+*. The company's ecosystem combines EV charging with consumer engagement tools expected to expand the reach of each charging station location, with the goal of creating additional store traffic for retailer customers and cross-promoting a growing suite of products and services.

- XDSL anticipates generating several different revenue streams from EV charging station operators, retailers and consumers. Management believes its platform contains the broadest software content of any EV charging company currently providing services and believes this will provide a key competitive advantage.

- XDSL is building on a strong existing revenue base; the company has a roughly $32 million in existing annual revenue. Revenue from new growth initiatives is expected to come on stream beginning in FY 2023. As the company introduces new services, technologies and products, XDSL expects consolidated revenue to transition to a higher margin mix over time.

- The platform will enable retailers to offer push advertising and attract store traffic and enable travelers to customize their travel experience. The initial phase of the EV+ roll-out will focus primarily on EV charging and consumer engagement. The company also has a number of other potential revenue streams under development.

- Importantly, in 2021, global EV sales appear to have accelerated, representing about 9% of the global new-car market in 2021, up from 4.1% in 2020 and 2.5% in 2019, according to industry data. Favorable government policies, including subsidies, improving EV performance and growing consumer focus on sustainability are key drivers.

- As EV adoption continues, the number of charging stations is expected to continue to expand. According to the DOE, "EV charging continues to experience rapidly changing technology and growing infrastructure." Even many existing gas stations are adding electric charging equipment in order to position themselves for the anticipated uptick in EVs. The Biden administration has a stated target of constructing a national public charging network of 500,000 ports by 2030.

- Concurrently, XDSL is expanding its footprint by focusing on markets where it can create a concentration of EV charging locations to leverage the proximity-based characteristics of its m*Power EV+* ecosystem. XDSL recently began signing agreements that fit this strategy, including agreements to install the platform at stations in Illinois, Virginia and Florida. In all, the company has a pipeline of more than 30,000 locations and plans to gain new sites via two different sales channels.

- The company's goal is to focus on markets in which it can cross-sell its growing suite of products, services and technologies. By early 2023, XDSL intends to have a multi-state footprint of more than 10,000 mPower locations. The company is engaged in discussions with EV charging manufacturers, microgrid companies and automotive OEMs to support this ambitious goal.

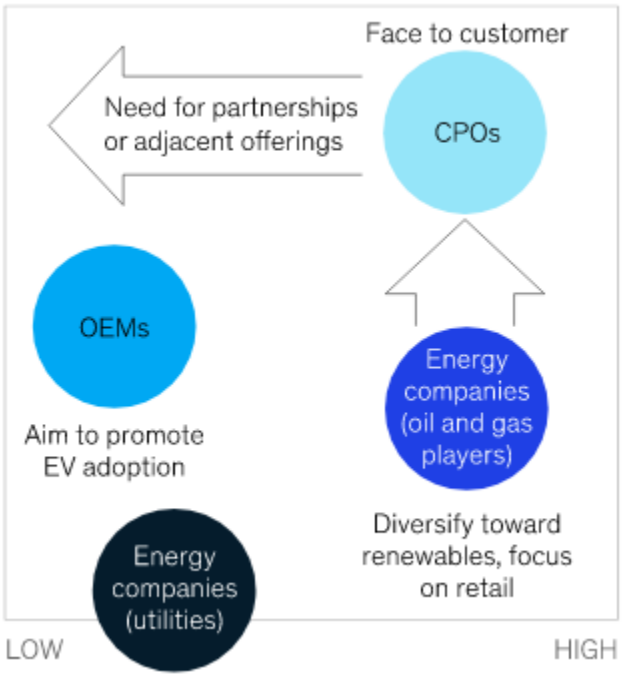
OVERVIEW

Developing Opportunities for Multiple Revenue Streams

Recent rebranding as mPower communicates focus on charging stations / consumer engagement

Maryland-based technology company mPhase Technologies, Inc. (XDSL) is developing an electric vehicle (EV) charging network and consumer engagement platform branded as m*Power EV+*. This EV+ connected ecosystem combines EV charging with consumer engagement tools expected to expand the reach of each charging station location, with the goal of creating additional store traffic for retailer customers. Management believes its platform contains the broadest software content of any EV charging company currently providing services and expects this will provide a key competitive differentiator to drive various players to the platform.

Chargepoint Operators Positioning For New Competitic



Source: McKinsey & Company

Moreover, the company's strategy is also consistent with the way McKinsey sees EV charging buildout progressing. As new competitors enter the market, McKinsey sees charge point operators (CPOs) adding incremental revenue opportunities in order to offer multiple services and gain traction with customers.

Specifically, while the mPower ecosystem is expected to help retailers – particularly those with EV charging capability – connect with consumers, the company expects the broad capabilities of the platform to appeal to EV station operators, retailers and consumers, as well. The company also believes that the multiple revenue opportunities in its ecosystem will enable mPower to reach profitable levels earlier than many other EV charging networks, as management believes the mPower reach extends beyond the EV charging station to provide services to retailers, consumers and others.

Source: Company presentation

The company recently rebranded as ***mPower*** to communicate its refocused strategy on charging stations combined with consumer engagement, adopting a purple color background that was selected to stand out in the marketplace. The EV charging focus is expected to position XDSL to benefit from transitions in mobility as green automotive solutions gain traction. This trend is expected to accelerate as governments encourage adoption of EVs in order to reduce growing roadway congestion and pollution. At the same time, as the economics and logistics of EVs improve, consumer sales of EVs are growing and governments and private players seek to deploy charging infrastructure.

Source: Company presentation

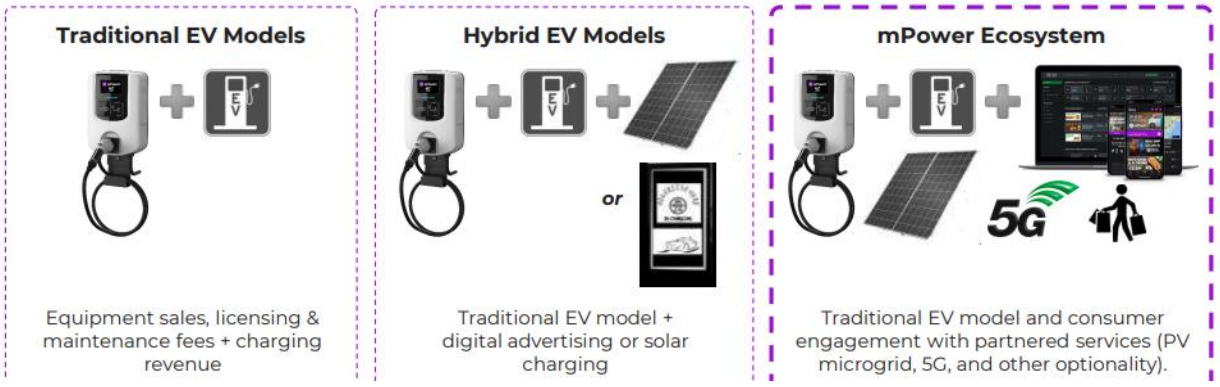
The EV-centric strategic focus represents a shift for XDSL following a management transition in 2019. The current CEO, Anshu Bhatnagar, took the helm in January of 2019, and shifted the strategy from a focus on hardware R&D to software, resulting in a SaaS/TaaS model centered on the nascent charging station silo and enabling consumer engagement at charging stations. Under the new management team, XDSL's growth strategy has transitioned to modify its technology and make it "smart" and "connected" as part of a focus on IofT (the internet of things).

Revenue model of new Smart technology platform

The company's product development strategy relies on artificial intelligence (AI) and machine learning. The company acquired a travel software platform that creates trips and itineraries (based on learning user preferences) that update dynamically as the consumer's travel plans change. To supplement this technology, the company acquired a consumer engagement platform allowing retail locations to engage with consumers and enabling the company to monetize its data.

XDSL believes its technology can provide an EV charging platform that integrates its travel software platform in order to improve the customer travel and re-fueling experience, while simultaneously helping retail customers drive traffic to their locations and monetizing revenue from the consumer and EV charging. Integrating a consumer engagement platform into EV charging allows XDSL to deliver greater functionality to broad customer base, including minority business owners, while concurrently meeting ESG goals.

Platform Differentiators / Potential Revenue Streams



Source: https://Company presentation

The company's AI-driven consumer engagement platform leverages proprietary patented technology and intellectual property, including technologies the company has acquired through recent strategic M&A transactions - CloseComms and Travel Buddhi (see below).

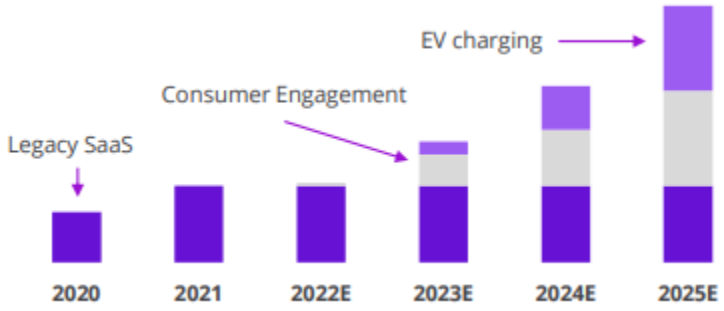
Source: Company presentation

The company anticipates generating several different revenue streams from EV charging, retailers and consumers. These potential revenue streams include:

- Maintenance revenue and equipment sales from EV charging station operators
- Push advertising from retailers that want to provide targeted promotions to consumers
- Charging revenue from consumers who need to recharge EV batteries
- Future revenue from partner solutions, such as 5G, microgrid, and solar

The company has a roughly $32 million existing revenue base. Revenue from new growth initiatives is expected to come on stream beginning in fiscal 2023 (XDSL's year ends June 30). As the company introduces various services, technologies and products, XDSL expects its revenue mix to shift over time to higher margin components.

Expected Revenue Mix Over Time



Source: https://Company presentation

Providing retailers opportunities to engage with customers

The company believes its platform can serve companies from a broad range of industries, including grocery/convenience stores and QSR (quick service restaurants). In fact, the consumer engagement module of the platform has already been successfully tested at major QSR chains such as McDonald's, Burger King, Nathan's and Subway.

Strong metrics in test pilots

Leveraging AI, the platform will "learn" individual consumer's preferences. Using this capability, the platform can then alert retailers about which promotions are appropriate to push to consumers during the consumer's travel. In recent test pilots, the engagement software has been shown to boost consumer engagement metrics and improve ROI. For example, in a test pilot at a McDonald's located in South Africa, consumers opened 6.5k promotions that the McDonald's distributed and redeemed 1.9k of these, according to management. A Subway QSR located in California sent 526 promotions, of which 318 were opened, with 36% redeemed. The company believes these ratios are above industry averages.

Source: Company presentation

Attracting consumers to the platform

The platform will also enable travelers to customize their travel experience. For example, EV drivers generally need to plan their trips based on where charging stations are located and their schedules. The mPower platform can provide tools for "green" consumers who need to locate nearby charging stations. Specifically, XDSL wants to "make a green lifestyle convenient and more productive" by providing tools to assist consumers in making sustainable shopping, dining, charging and other consumer decisions.

The consumer engagement portion of the EV+ platform is already deployed, with the EV charging sites set to begin the installation roll-out shortly. The company believes the scalability of the platform will also enable XDSL to offer additional services in the future, such as 5G and solar potentially, through potential affiliations with partners. XDSL believes that its ecosystem, which combines EV charging sites with non-charging retailer sites, will give companies the ability to transition to an EV-centric environment at a pace that matches their needs, while the non-charging sites in the company's footprint can supplement and support the EV charging roll-out. Additionally, the company believes this model can enable it to place charging stations in locations that would not otherwise be economically viable for most other operators at this early stage.

The company's goal is to have a full ecosystem available by mid-2022. The economic model is for mPhase to generate recurring revenue from each mPower site. Ultimately, the platform will create multiple consumer interactions that can be monetized under a hybrid SaaS/TaaS model, with a blend of recurring service fee revenue and transaction revenue. This blended structure should enable the company to offer highly competitive charging rates after it begins to reach scale.

Leveraging M&A

As noted, XDSL has leveraged strategic M&A to enhance the platform's capabilities and accelerate its implementation. The key acquisitions are highlighted below:

- Travel Buddhi, a software platform to enhance travel via ultra-customization tools that tailor a planned trip experience, in 1Q19
- Learning Track, learning management system (LMS) platform, 2Q19
- CloseComms Limited, a patented, software application platform that can be integrated into a retail customer's existing Wi-Fi infrastructure, in 2Q20

The company believes its acquisition of CloseComms was important, because it enabled XDSL to integrate its proprietary platform into a retail customer's existing Wi-Fi infrastructure and gave the company the tools to transition this technology into an EV ecosystem. The company believes this technology can provide retailers with customer data they can use to push AI-generated targeted promotions to boost store traffic and sales.

Future revenue opportunities

The initial phase of the EV+ roll-out is intended to focus primarily on EV charging and consumer engagement, as noted. However, the company also has other potential revenue streams under development. Given the expected flexibility and scale of the XDSL platform, XDSL is partnering with other providers to offer 5G, solar and other technologies in the future if demand warrants. The company is also exploring rewards and CPG programs that might eventually generate or support revenue growth down the road.

Nanotechnology / Battery

The company also has nanobattery technology that can power a wide variety of portable electronic and microelectronic devices used in military, medical, industrial, and consumer applications. This technology is part of its patent portfolio, which includes 18 patents in smart battery technology. XDSL continues to pursue strategic alternatives to monetize this portfolio and might seek monetization opportunities of this business in the future.

EXPANDING ELECTRONIC VEHICLE MARKET

The origins of the early EVs go back to the 1970s. In 1973, the Arab Oil Embargo and ensuing oil crisis and skyrocketing oil prices, gasoline shortages and concerns about dependence on foreign oil spurred interest in finding alternative automotive energy sources. Major automobile producers explored alternative fuel options including EVs. In 1973, General Motors exhibited a prototype for an urban electric car at the Environmental Protection Agency's First Symposium on Low Pollution Power Systems Development. In 1975, the US Postal Service tested electric vehicles produced by the American Motor Company.

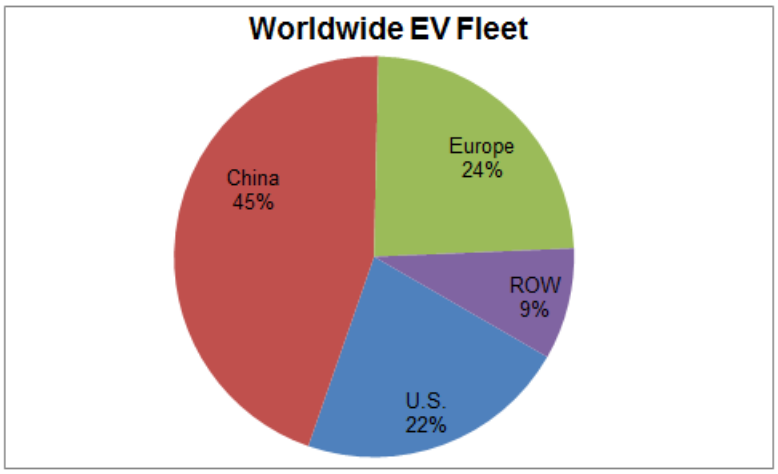
Also in 1975, the U.S. Congress passed CAFÉ (Corporate Average Fuel Economy) legislation that was intended to reverse a downward trend in gas MPG (mileage per gallon), which had fallen to 12.9 miles in 1974. The 1975 legislation mandated that cars reach 18 MPG by 1978, 27.5 by 1985 and 54.4 by 2025. One year later, Congress passed the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976, which allowed the Department of Energy to support R&D on electric and hybrid vehicles. Passages of the 1990 Clean Air Act and the 1992 Energy Policy Act sparked renewed interest in EVs. New transportation emissions regulations issued by the California Air Resources Board requiring that 10% of cars sold in the state from 2003 to 2008 be zero-emission vehicles, including EVs or hybrids, had a similar impact.

GM introduced the EV1 in 1996. The EV1 could achieve a range of 80 miles on a single charge and accelerate from 0 to 50 miles per hour in seven seconds. However, its high production costs made the EV1 unprofitable. GM discontinued the model in 2001. In Japan, Toyota introduced the Prius in 1997, which became the first mass-produced hybrid electric vehicle. Honda launched the Insight hybrid in 1999, and Toyota began commercial sales of the Prius globally in 2001.

EV Adoption Growing

In 2006, Tesla Motors, then a Silicon Valley startup, announced that it would begin producing a luxury electric sports car that could attain 200 miles on a single charge. The success of the Prius plus Tesla's announcement prompted many auto producers to renew their EV efforts and also prompted consumers' renewed interest in EVs and hybrids. The Chevy Volt hybrid and the Nissan LEAF EV were released in the U.S. in 2010. More recently, GM introduced the Bolt, which has a range of more than 235 miles. At the luxury end of the market, Tesla has delivered nearly 900,000 vehicles since it first began commercial sales.

The number of EV models has proliferated but at this early point, EVs and hybrids comprise only a small fraction of the total number of cars sold in the world. Despite significant increases in the number of EVs sold over the past decade, International Energy Agency (IEA) data indicates that EVs represented 2.6% of all new sales of cars worldwide in 2019 and comprise roughly 1% of the global car base. According to IEA data, China has about 45% of the world's EV fleet and generally ranks among the largest markets in terms of new EV sales per annum, followed by Europe and the U.S.



Source: Zacks from IEA data

Estimates about future EV adoption vary. For instance, according to Bloomberg, by 2040, long-range electric cars will cost less than $22,000 in current dollar terms and globally 35% of new cars will have a plug. Furthermore, BloombergNEF forecasts that EVs will comprise just under 10% of all new vehicles sold in the U.S. and Europe in 2025 and just over 29% in 2030. This is in sharp contrast to OPEC forecasts that, "By 2040, only 6% of the passenger car stock and 5.3% of commercial vehicles will be running on non-oil fuels." Nevertheless, most industry experts agree that there are many advantages to EVs. In addition to satisfying consumer environmental interests as electric cars do not emit pollution, EVs hold other advantages compared to gas-powered cars, including eliminating the cost of gasoline and need to refill the gas tank. Another significant advantage is that EVs have fewer moving parts, which is expected to result in lower maintenance cost and time for consumers.

Federal Tax Credits

Governments in many countries are also offering tax incentives to encourage consumers to purchase EVs and research has shown that government supported subsidies play an important role in increasing consumer EV adoption. Specifically, government incentives have helped drive customer adoption in several markets, according to IHS Automotive. For instance, Norway is among the leaders in the global electric vehicle/plug-in hybrid vehicle (EV/PHEV) market, generally ranking first or second on the IHS Automotive Plug-in Electric Vehicle Index.

In the U.S., the federal government has incentivized consumer purchase of EVs using tax credits since 2010. Most EVs and even hybrids have been eligible for a federal tax credit of up to $7,500, depending on the total number of EVs the OEM manufacturer has sold. (Tesla and GM cumulative EV sales to-date make their vehicles ineligible for the federal incentive program, but proposed legislative revisions might make future GM EV sales eligible). In addition to federal credits, many states also offer incentives for purchasing a new EV. For example, California has been particularly active about offering financial incentives to stimulate EV sales.

Also encouraging in terms of consumer adoption is continued improvements in EV performance and regulatory restrictions on automobile emissions. On average, the minimum performance on electric range increased to 150 kilometers (km) in 2018, from 100 km the prior year, according to McKinsey. McKinsey also notes that “governments and cities have introduced regulations and incentives to accelerate the shift to sustainable mobility. Regulators worldwide are defining more stringent emissions targets… In line with EV uptake, the buildup of charging infrastructure needs to accelerate to avoid becoming a potential bottleneck and limiting consumer-driven EV adoption.”

Importantly, in 2021, global EV sales appear to have accelerated in terms of volume and market share, according to Green Car Reports, citing a report from the International Energy Agency (IEA). Some 6.6 million plug-in vehicles were sold in 2021, which represented a greater than 100% increase compared to three million sold in 2020 and 2.2 million in 2019. Including hybrids, EV sales represented about 9% of the global new-car market in 2021, up from 4.1% in 2020 and 2.5% in 2019. The report cites favorable government policies, including subsidies, as a key driver behind EV sales growth, combined with introduction of new EV models. As McKinley notes, "the tipping point in passenger EV adoption occurred in the second half of 2020, when EV sales and penetration accelerated in major markets despite the economic crisis caused by the COVID-19 pandemic." In our view, the global supply chain issues impacting many automobile manufacturers might have been a factor, as well, although EV production, distribution and sales are expected to be impacted by global logistics issues going forward.

We believe the recent infrastructure bill underscores and potentially expands prospective opportunities for XDSL as it deploys and expands its platform. The bill envisions the expansion of the domestic EV charging station infrastructure, among other positives expected as catalysts for EV sales. Another factor that signals the rising interest in EVs, in our view, is that GM has introduced its Factory ZERO, which also bodes well, we believe, for increased EV commitments by other automotive manufacturers. Factory ZERO is an all-electric facility. It reflects GM's commitment to continue to transition its business to EVs, we believe.

EXPANDING EV CHARGING MARKET

The Biden administration, U.S. Department of Transportation (DOT) and U.S. Department of Energy (DOE) recently announced their agreement to deploy about $5 billion over 5-years to support the development of a national EV charging network along what they refer to as "designated alternative fuel corridors, particularly along the interstate highway system." They refer to this as "an important step towards making electric vehicle (EV) charging accessible to all Americans."

The number of EV charging stations represents only a small fraction compared to traditional gas stations. According to Department of Energy data, the U.S. currently has fewer than 46,000 public EV stations installed, of which fewer than an estimated 6k are fast-charging locations. This compares to more than 150,000 traditional gasoline fueling stations. Not surprisingly, California has the largest charging footprint, although stations per EV driver is relatively low, given that the state has the highest penetration of EVs.

Nevertheless, the number of charging stations continues to expand. According to the DOE, "EV charging continues to experience rapidly changing technology and growing infrastructure." Even many existing gas stations are adding electric charging equipment in order to position themselves for the anticipated uptick in EVs. The Biden administration has a stated target of constructing a national public charging network of 500,000 ports by 2030.

mPower EV+ Expands the EV Universe

Level 2 and 3 Charging Stations

Turnkey installation with leading partners.

Consumer Engagement

Our patented platform helps drive successful promotions.

Partnered Services

Ultra-highspeed 5G, solar PV microgrid and other side offerings as applicable to each site.

ESG Compliant

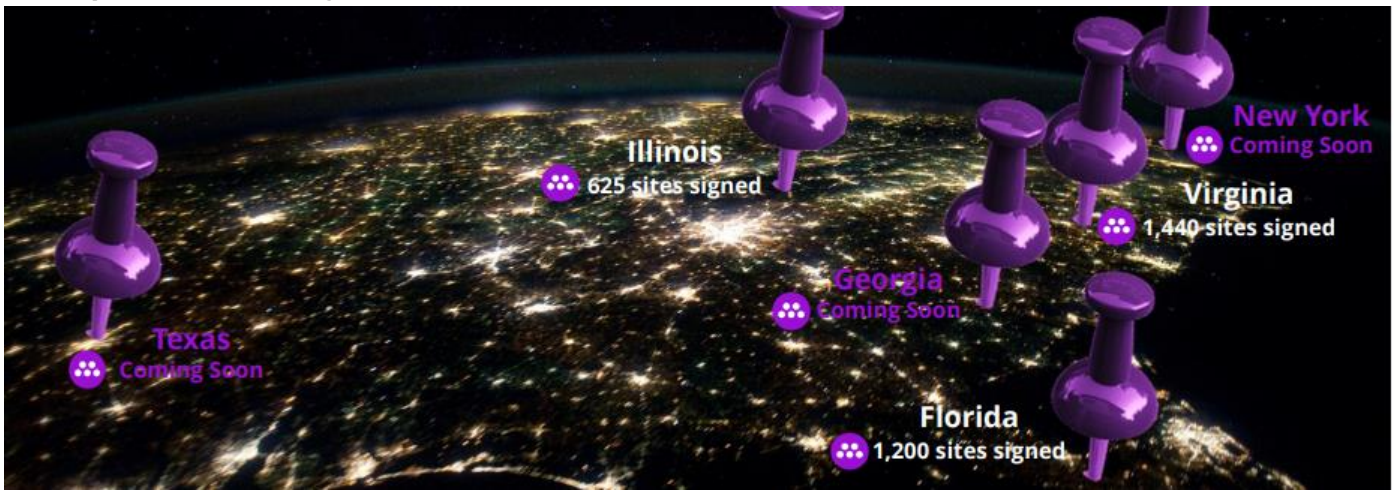
Our model enables us to place EV charging stations in areas that are underserved.

Source: Company presentation

Concurrently, XDSL is expanding its footprint by focusing on markets where it can create a concentration of EV charging locations to leverage the proximity-based characteristics of its mPower EV+ ecosystem. XDSL recently began signing agreements that fit this strategy. In 2021, XDSL announced 3,265 mPower ecosystem sites in three states, with additional expansion coming in new states and regions by mid-2022. For example, in October of 2021, XDSL signed deals with members of various retailer organizations in Illinois and Florida. The company expects to replicate these types of agreements in other U.S. markets as it drives its expansion strategy.

In each region, the first phase of installation involves the consumer engagement platform in exchange for a base recurring monthly fee. Once the installation of EV charging stations is complete, the company expects to generate additional monthly recurring revenue. In the Midwest, the company's initial footprint encompasses 625 mPower locations in Illinois, including convenience stores, gas stations, restaurants and other businesses that focus primarily on serving mobile consumers. In other regions, the company will install about 1,200 mPower locations in Florida; and approximately 1,440 mPower locations in Virginia.

EV Expansion Plans by State



Source: https://Company presentation

The company's goal is to focus on markets in which it can cross-sell its growing suite of products, services and technologies. With locations secured in Virginia, Illinois and Florida, as noted above, the company will have some 3,265 stations, convenience stores, restaurants and other locations interacting with the platform.

In all, the company has a pipeline of more than 30,000 locations and plans to gain new sites via two different sales channels. One channel will target owner-operators/franchisees. The other sales channel will target corporate-owned chains, such as Subway and McDonald's noted above. The company's initial target is to install the consumer engagement component of the platform at all locations and EV charging at about 15%. By early 2023, XDSL intends to have a multi-state footprint of more than 10,000 mPower locations. The company is engaged in discussions with EV charging manufacturers, microgrid companies and automotive OEMs to support this goal.

EV CHARGING INDUSTRY

Several EV-charging network providers are in the process of installing charging infrastructure. For example, EVgo's strategy has been to form affiliations with retailers and has resulted in agreements with Albertsons, Whole Foods and Kroger, among others, to install charging stations in adjacent parking lots. Certain gas station operators are also installing EV chargers, as noted, as are others such as 7-Eleven. DOE supports the buildout of EV charging infrastructure, as discussed in greater detail above.

	FY 2022[1] AMOUNT						
FORMULA PROGRAMS							
National Highway Performance Program (NHPP)	$28.4 B[2]						
Surface Transportation Block Grant Program (STBG)	$12.5 B[2,3]						
Congestion Mitigation & Air Quality Improvement Program (CMAQ)	$2.5 B[2]						
National Highway Freight Program (NHFP)	$1.4 B[2]						
State Planning and Research (SPR)	$983.3 M[4]						
Metropolitan Planning (PL)	$438.1 M[2]						
Carbon Reduction Program	$1.2 B[2,5]						
National Electric Vehicle (NEVI) Formula Program	$685 M[2,5,6]						

Source: Company presentation

EV CHARGING INDUSTRY: HIGHLIGHT VARIOUS PLAYERS

The EV charging sector is a nascent and growing one, with various players entering the market to benefit from its anticipated expansion and opportunities. We highlight certain key players below. Given the early stage of this sector, the expansion outlook is expected to support the growth of many early movers within the space. As noted, XDSL believes its platform contains the broadest software content of any EV charging company currently providing services. Management expects this will provide a key competitive advantage.

According to trade publications, construction of an EV Level 2 charger costs an estimated $3,000 to $5,000 to install. DC fast chargers, which Industry players generally view as a key means to stimulating EV adoption, cost $125,000 to $300,000 per installation. Federal and state tax incentives and subsides can offset a portion and sometime all of the cost of installation. Energy.com notes that the EV charging stations market is projected to reach nearly $104 billion by 2028, implying a 26+% CAGR from 2021 to 2028.

In addition to players noted below that are specifically focused on EV charging, many other players are also getting involved. For instance, traditional energy companies such as Shell and BP, among others, are entering the EV charging space. Shell purchased GreenLots and intends to deploy about 500,000 electric charging stations. Convenience store retailer 7-Eleven is another player that is also installing EV charging to complement its traditional business focus, as noted.

Beam Global

San Diego, California-based Beam Global is a clean-tech company that develops sustainable and renewable energy infrastructure products for a variety of uses, including EV charging. Beam provides infrastructure solutions to EV charging operators. Beam identifies its competitor sector as the ecosystem of general contractors, electrical contractors, consultants, engineers, permitting specialists and others that are involved with executing grid-tied EV charger installation construction.

Blink Charging

Blink owns, operates and provides EV charging equipment and networked EV charging services. The company’s primary product line and services are related to its Blink EV charging network, which includes proprietary cloud-based software that operates, maintains, and tracks charging stations within the network and the charging data associated with this network, as well as EV charging equipment; and EV related services. Blink has deployed EV chargers in various U.S. transit venues, including airports, as well as onsite at car dealers, healthcare locations, hotels and other sites, according to company documents.

ChargePoint Holdings

ChargePoint provides hardware, software and services for commercial, fleet and residential customers. The company operates a leading EV charging network. According to company documents, the ChargePoint cloud subscription platform and software-defined charging hardware are designed to include options for charging at freestanding homes and multifamily buildings, as well as in corporate settings and parking, hospitality, retail and transport fleet locations. The company notes that more than 3.6 billion electric miles have been driven on the ChargePoint network and more than 113 million charges have been delivered, enabling drivers to circumvent the need to consume 145+ million gallons of gas.

EVgo, Inc.

Founded in 2010, EVgo owns and operates a public direct current (DC) fast charging network powered by renewable energy. EVgo provides EV charging infrastructure to consumers and businesses. EVgo's strategy has been to partner with automotive OEMs, as well as with national and regional grocery store chains, hotels, shopping centers, gas stations, and other venues to deploy its EV charging infrastructure. EVgo also deploys fleet-charging solutions for light- to heavy-duty EV fleets.

Volta Inc.

Volta cites its mission as one of building electric fueling infrastructure to create an EV charging network to capitalize on the anticipated shift from ICE (internal combustion engine) automotive power to electric power. The company's strategy is to deploy media-enabled charging stations in high-traffic locations that enable its media partners that advertise on the charging stations' digital displays to reach consumers at their point of entry to retail and other locations. Volta also expects to leverage data to deliver EV charging solutions to drivers.

MANAGEMENT AND INSIDE OWNERSHIP

CEO

As noted, Anshu Bhatnagar was named CEO in January of 2019. He has extensive international business experience, including managing international trade and distribution companies specializing in food products from January 2008 through February 2021. He was also a Managing Member of Blue Capital Group, a real estate oriented multi-family office from January 2008 to December 2016. He began his technology career working on major federal government projects for Oracle and Computer Science Corp. He eventually formed his own firm (2Pi Solutions) in this space, which was ranked as one of the top 100 fastest growing companies in the U.S. before its sale in 2010.

CFO

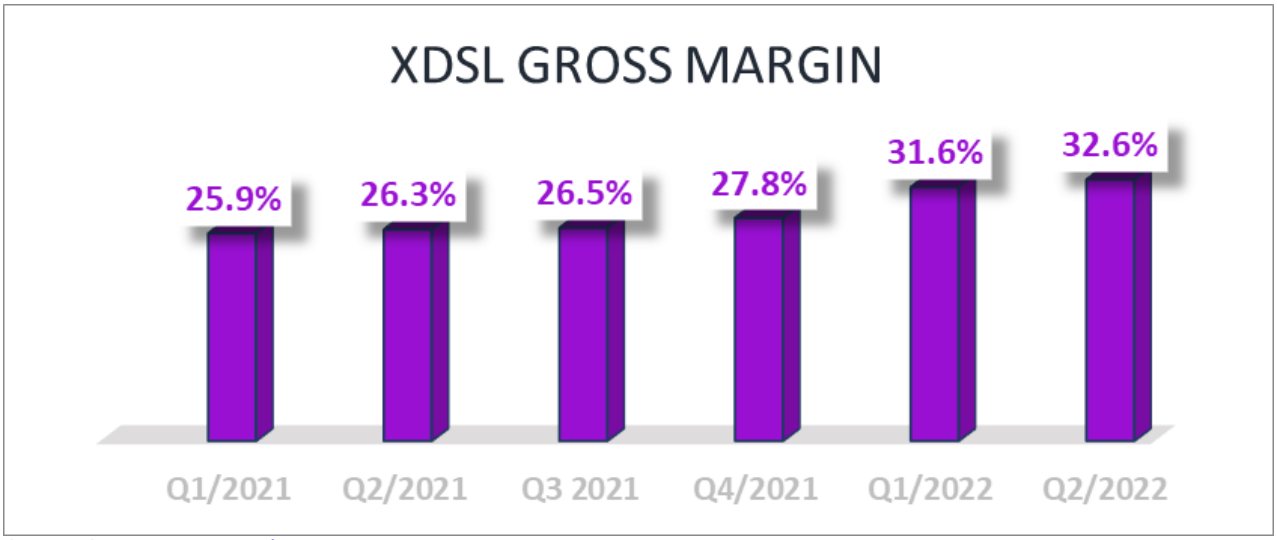
In November of 2021, XDSL appointed Angelia Lansinger Hrytsyshyn as CFO. She has 18+ years of experience in various financial and accounting roles. She previously served as Treasurer of American Trading and Production Corporation/Atapco Properties, a commercial real estate development company. Prior to that, she held various financial roles at Constellation (a subsidiary of Exelon). Prior to that, she was in SEC External Reporting for PHH Corp. and performed SEC Audits of Fortune 500 companies for PWC.

Insiders collectively hold almost 50% of XDSL shares. A primary 2022 goal for the company is to uplist XDSL shares to a listed exchange.

FINANCIAL OVERVIEW

Recent results

The company generates revenue from existing businesses formed in the last several years, and is layering on EV+ revenue, which is expected to become a major revenue contributor in 2022. In fiscal 2021 (the year ended June 30, 2021), XDSL generated revenue of $30.7 million, up 1% compared to $30.3 million in the prior year. The company's cost of revenue fell slightly to $22.5 million. Operating expenses declined 76% year-over-year to about $5.0 million, primarily reflecting the absence of about $16.2 million of noncash stock compensation expense that had been paid to executives in the prior year. Net income in fiscal 2021 was $1.7 million. In fiscal 2020, XDSL generated a net loss of $14.1 million.



Source: Company presentation

mPhase reported 2Q FY 2022 revenue of $8.3 million, which management noted was a company record. This compares to $7.6 million in the same quarter of FY 2021. On the higher revenue, the company's gross profit margin increased to 32.6% compared to 26.3% in the prior year 2Q. However, 2Q FY2022 operating income fell by roughly 10% year-over-year to $1.2 million, as costs have increased to support the strategy and expected growth.

Management has guided to double digit revenue growth and improving margins, as revenue from new growth initiatives begins to contribute to consolidated revenue. Over time, the company expects gross margins to expand from the roughly 32% level to more than 60%, as installations increase and recurring revenue builds.

Balance sheet

The company had $2.5 million of cash at the end of fiscal 2021. XDSL has entered into various securities purchase agreements (SPA) for investors to purchase notes and warrants. The company repaid six convertible notes in 2021. As of February 7, 2022, mPhase had also prepaid $1.0 million of the Evergreen convertible notes, reducing the outstanding debt of the Evergreen notes to $1.3 million. The company's goal is to improve its capital structure and pay down the balance over the next few months. The company also prepaid $1.0 million of convertible debt in the December-end quarter and indicated that it intends to repay the remaining $1.3 million by the note due date.

VALUATION

We believe it is difficult to compare mPhase to most other publically-traded companies noted earlier, given that its focus differs from that of many others engaged in providing services and products to the nascent EV charging sector. Nevertheless, the shares trade at a significant discount to the group. In our view, XDSL shares represent an option on management's ability to continue to execute its growth and expansion strategy as mobility transitions to electric power and the company capitalizes on the expected continued consumer adoption of EVs and green technology. Moreover, at this initial stage, we would expect XDSL to have a high growth rate in these early years if the company's platform gains traction successfully.

In our view, at their current level, XDSL shares do not reflect the benefits of the company's strategy and anticipated growth prospects. The shares trade at only 0.3x reported FY 2021 revenue. XDSL shares trade at only 0.3x and 0.2x our respective FY 2022E and 2023E revenue projections. By comparison, other companies mentioned earlier trade at significantly higher multiples on the same valuation metric, as illustrated below. As mPhase continues to boost awareness of the company's strategy and the automotive mobility industry transition continues, in turn driving EV charging network expansion, we would anticipate multiple expansion if the company can execute its strategy successfully. We also note that if deployments and revenue ramp faster than we currently anticipate, we believe our FY 2023 revenue projection could prove conservative.

XDSL Peer Analysis

		4/9/2022	Revenue ($M)			EPS		
Company	Ticker	Price	2021A	2022E	2023E	2021A	2022E	2023E
Beam Global	BEEM	51.77	52	28	27	(5.77)	(4.48)	(4.84)
Blink Charging	BLNK	25.05	21	33	59	(1.32)	(1.64)	(1.55)
ChargePoint Holdings	CHPT	16.76	241	472	740	(0.61)	(0.71)	(0.50)
EVgo, Inc.	EVGO	12.48	22	52	139	(0.58)	(0.50)	(0.35)
Volta Inc.	VLTA	2.99	N/A	32	77	N/A	(1.68)	(0.75)
mPower*	XDSL	0.10	31	33	37	0.02	(0.00)	0.02

	52-Week		Mkt	Price / Revenue			P/E		
	High	Low	Cap ($M)	2021A	2022E	2023E	2021A	2022E	2023E
Beam Global	51.77	138.52	3,346	64.5x	119.3x	123.9x	-9.0x	-11.6x	-10.7x
Blink Charging	49.00	17.93	1,058	50.5x	32.5x	18.1x	-19.0x	-15.3x	-16.2x
ChargePoint Holdings	36.86	11.21	5,560	23.1x	11.8x	7.5x	-27.5x	-23.6x	-33.5x
EVgo, Inc.	19.59	7.00	3,434	154.7x	66.7x	24.6x	-21.5x	-25.0x	-35.7x
Volta Inc.	14.34	2.78	474	N/A	14.6x	6.2x	N/A	-1.8x	-4.0x
Average				73.2x	49.0x	36.1x	-19.2x	-15.4x	-20.0x
Average ex outliers				36.8x	19.6x	10.6x			
mPower*	0.43	0.10	9	0.3x	0.3x	0.2x	4.9x	-78.6x	5.5x

*FY ends in June

Source: Company reports, Yahoo Finance, Thomson Reuters, Zacks

We expect the shares to begin to reflect the company's opportunities over time, as XDSL reaches a growing number of milestones. For instance, as the company deploys the platform to a growing number of venues and expands its footprint, we would expect the shares to begin to mirror that expansion. Similarly, as the company grows recurring revenue – which is a key mPhase goal – we would also expect the shares to begin to reflect the benefit of that, as well as the anticipated shift to higher margin revenue and expected benefit to gross margins and operating leverage.

To support its efforts, the company also continues to make operational additions. For instance, mPhase recently appointed James Engler, Jr. to its board as an independent director. He is a financial industry veteran. The company also recently named Isida Tushe as General Counsel and Corporate Secretary, and Soni Arunima Thakur to lead its sales efforts. Respectively, they have extensive experience in the energy and automotive industries. mPhase also continues to move towards uplisting XDSL shares, which Is a key 2022 goal for the company, as noted. We believe a potential uplisting to a listed exchange could expand the pool of investors for the shares and raise the company's profile within the investment community. In our view, these efforts are not reflected in the share price at the current level.

Even at about $0.45 – roughly their 52-week high – the shares would still trade at a substantial discount to the group. As the company maintains its growth strategy, we would expect the shares to move towards their 52-week high on the way to even higher levels over time, if management successfully executes its initiatives. We believe the risk / reward ratio could be attractive for investors who want exposure to the sector and have a higher than average risk tolerance and longer time horizon. If mPhase can deliver growth on the initiatives discussed above, in success we would anticipate share price appreciation over time.

Any delay or failure in successful execution of the strategy could cause the share price to decline and represent a potential risk to our valuation, but we believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon. In our view, XDSL shares represent an option on management's ability to continue to execute its growth strategy successfully.

RISKS

We believe risks to XDSL achieving its goals, and to our valuation, include the following, among others.

- Among the biggest risks, in our view, is that the XDSL does not gain market share as quickly as the company expects, which leads to slower than anticipated deployments and revenue ramp.
- The company might not gain traction through its new sales channels as quickly as it expects.
- The impact of the pandemic could linger and result in deployment delays.
- The company could incur unanticipated costs associated with its initiatives.
- Competition could increase.
- The company might need to raise capital to support its strategy that might be dilutive to current shareholders.

RECENT NEWS

- On February 10, 2022, mPhase Technologies reported FY 2022 2Q results.
- mPhase Technologies announced the prepayment of convertible debt on February 10, 2022.
- On January 25, 2022, mPhase provided a corporate update for 2022.
- On January 20, 2022, mPhase named James Engler, Jr. to its board.
- mPhase named Isida Tushe as general counsel on January 19, 2022.
- On December 8, 2021, mPhase announced its corporate name change and delivery schedule for EV charging equipment.
- mPhase named Angelia Hrytsyshyn as CFO on November 19, 2001.

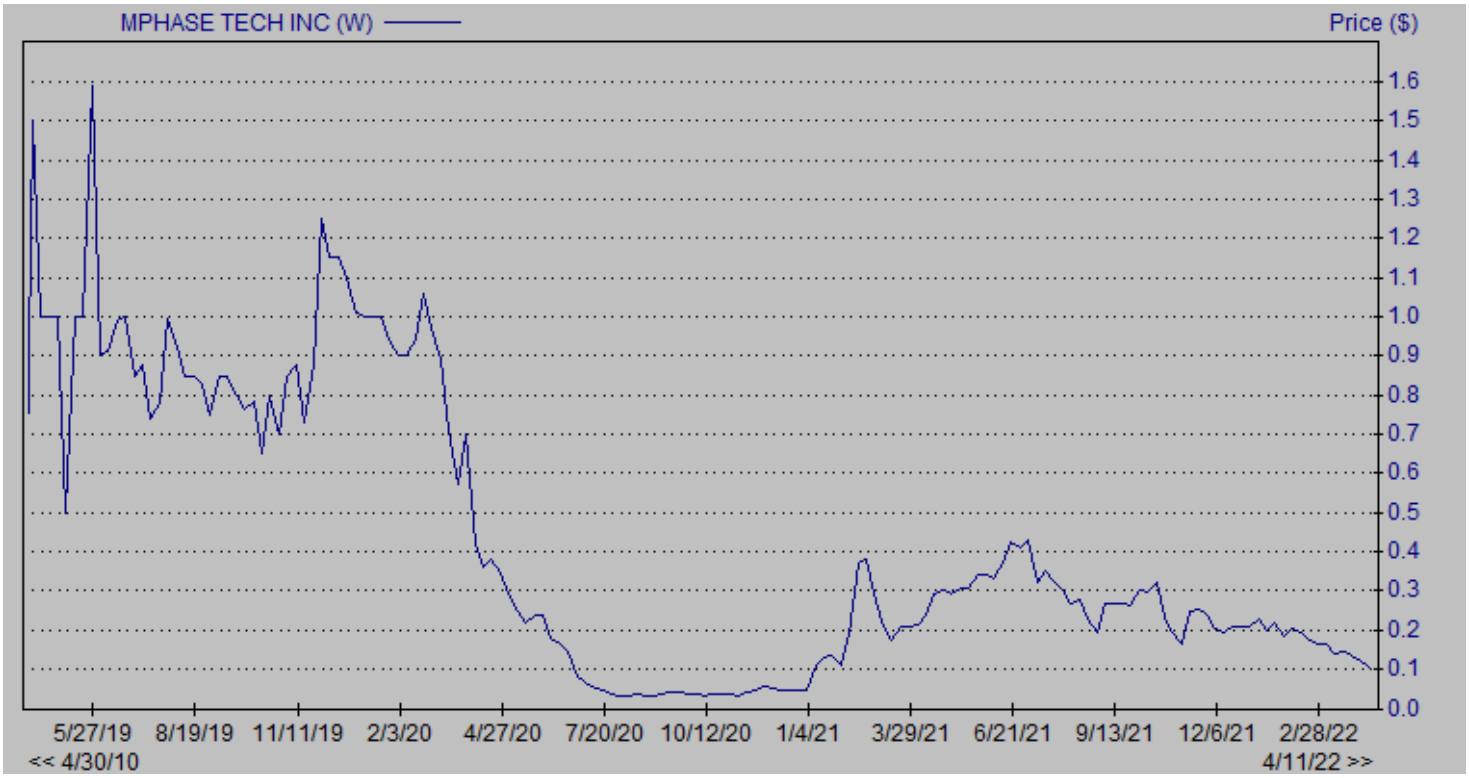
PROJECTED FINANCIALS

mPhase Technologies, Inc. ($ millions except per share data)
Fiscal year ends June 30

	Jun-20 FY 2020	Sep-20	Dec-20	Mar-21	Jun-21	Jun-21 FY 2021	Sep-21	Dec-21	Mar-22E	Jun-22E	Jun-22 FY 2022	Jun-23 FY 2023
Revenue	$30.28	$7.59	$7.64	$7.66	$7.79	$30.67	$8.23	$8.34	$8.35	$8.49	$33.41	$37.00
Cost of revenue	22.58	5.63	5.63	5.63	5.63	22.50	5.63	5.63	5.64	5.74	22.63	24.38
Gross Profit	7.70	1.96	2.01	2.03	2.16	8.17	2.60	2.71	2.70	2.75	10.77	12.63
Operating Expenses:												
Software development costs	0.99	-	-	0.60	1.83	2.43	-	0.31	0.32	0.32	0.95	1.03
Salaries and benefits	17.59	0.52	0.27	0.22	0.13	1.14	0.22	0.24	0.24	0.24	0.95	1.03
G&A	1.70	0.25	0.42	0.04	0.69	1.39	1.01	0.97	0.98	0.98	3.93	4.29
Total Operating Expenses	20.27	0.77	0.69	0.86	2.65	4.96	1.22	1.53	1.53	1.54	5.83	6.35
Operating income (loss)	(12.58)	1.20	1.32	1.18	(0.49)	3.21	1.38	1.19	1.17	1.21	4.94	6.27
Other Income (Expense):												
Interest expense	(0.22)	(0.09)	(0.03)	(0.41)	(0.16)	(0.68)	(0.10)	(0.08)	(0.08)	(0.08)	(0.34)	(0.37)
Chg fair value derivative liab, other	1.58	0.27	(0.11)	2.35	0.76	3.27	0.05	-	-	-	0.05	
Initial derivative expense	(1.61)	(0.37)		(1.87)	(1.40)	(2.24)			-	-	-	-
Amort debt discounts, other	(0.90)	(0.32)	(0.17)	(0.48)	0.34	(2.03)	(1.04)	(1.04)	(1.04)	(1.05)	(4.17)	
Gain (loss) extinguishment & debt settlement	(0.36)	0.03		(0.43)	0.96	0.15		(0.17)	(0.17)	(0.17)	(0.50)	
Loss on asset disposal	(0.01)	-	-	-	(0.34)	-	-	-	-	-	-	-
Total Other Income (Expense)	(1.52)	(0.48)	(0.31)	(0.84)	0.60	(1.54)	(1.08)	(1.29)	(1.29)	(1.30)	(4.96)	(4.00)
Income (loss) before income taxes	(14.09)	0.72	1.01	0.34	(0.39)	1.67	0.29	(0.10)	(0.12)	(0.09)	(0.02)	2.27
Income taxes	-	-	-	-	-		-	-	-	-	-	-
Net income (loss)	(14.09)	0.72	1.01	0.34	(0.39)	1.67	0.29	(0.10)	(0.12)	(0.09)	(0.02)	2.27
						-						
Other comprehensive income (loss):						-						
Unrealized (loss) gain on foreign curre	0.11	(0.12)	(0.02)	0.01	(0.00)	(0.12)	0.01	0.00	0.00	0.00	0.02	0.02
Comprehensive income (loss)	(13.98)	0.60	0.98	0.34	(0.40)	1.54	0.31	(0.10)	(0.12)	(0.09)	(0.00)	2.29
						-	-					
EPS / (LPS)	(1.08)	0.01	0.01	0.00	(0.01)	0.02	0.00	(0.00)	(0.00)	(0.00)	(0.00)	0.02
Weighted average shares outstanding	13.1	63.2	74.0	77.0	78.3	73.1	78.9	80.2	80.2	80.2	80.7	82.2
Avg shares out (FD)	13.1	96.2	105.7	81.5	77.3	73.1	120.3	80.2	80.2	80.2	80.7	121.3
Gross mgn	25.4%	25.9%	26.3%	26.5%	27.8%	26.6%	31.6%	32.6%	32.4%	32.4%	32.2%	34.1%

Source: Company reports, Zacks estimates

HISTORICAL STOCK PRICE



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