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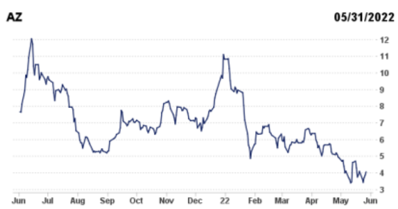
June 1, 2022

A2Z Smart Technologies Corp. (AZ)

Major Strategic Partnership Accenture-ates Growing Momentum

Change in Earnings Forecast

Rating:	***Buy***
Current Price	$4.15
Price Target	$18.00
52-Wk Range	$2.91 - $12.36
Market Cap (mm)	$155
Enterprise Value (mm)	$150
Shares Outstanding (mm)	37
Average Volume (000s)	44
Sector Weight	Overweight



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- Yesterday morning, A2Z Smart Technologies (AZ: Buy, PT $18) announced its biggest proof-of-concept point yet in inking a strategic deal with Accenture. Aside from the base fact that Accenture likely would not enter into a partnership with a random startup or a company it did not feel had a quality product, we expect Accenture will not only effectively open a majority of retails doors across all of Europe but also expand the TAM beyond grocery, as well as enhance the likelihood of a conversion from pilot to contract. This marks the third major announcement this quarter alone, including an upsized order from Yochananof in Israel ($4 million increase from $6 to $10 million) and a new pilot with Singapore's largest supermarket chain FairPrice. We expect the pace of news to remain elevated, with limited scale-up time expected under the new Accenture deal, and prior pilot plans coming to fruition. We believe investors worried about funding are missing the boat as A2Z has strong access to capital and the ability to forward fund against production. We believe it is only a matter of time before the Cust2Mate brand becomes more mainstream which would be accompanied by a substantially higher valuation.

- Beyond the instant name recognition and immediate uplift in brand confidence, we believe the Accenture partnership has multiple revenue-driving facets that could be realized more quickly than expected. For starters, Accenture should not only open the door for at least a conversation with every major retailer in Europe but we also expect Accenture will actually push the Cust2Mate product on A2Z's behalf, which could result in multiple new pilots beyond the current expected organic pace, at a minimum. Assuming adoption via this channel, Accenture will then handle all of the sales and support functionality as part of the economic agreement, increasing customer confidence while also significantly lowering A2Z's own OpEx requirements. We believe this model could be a template for other major multi-national partners looking to leverage A2Z's leading technology while also clipping a service coupon. Furthermore, while not the near-term driver of results, long-tailed SaaS revenue from ancillary streams like advertising, couponing and data services could be accelerated by one of Europe's largest players in that arena, along with any other incremental strategic partnerships A2Z signs.

- We have raised our 2022 revenue forecast by $4 million to account for the increase in Yochananof's original smart cart order. We cannot help but think that, even in Israel, grocery chain competitors will notice the revised order, which could help facilitate further domestic conversations. We had already assumed some pilots in our 2022 forecast, although any upside from Accenture or additional, unexpected wins would be above and beyond our current projections. We have not really made any material changes to the out years given uncertain timing of pilots and subsequent conversion to contracts but we can only assume that our current forecast is likely to prove meaningfully conservative given the news flow already.

FY Dec		Q1	Q2	Q3	Q4	Prior	Total	EV/EBITDA
EBITDA	**2022E**	($3)A	($2)E	($8)E	($21)E	($42)E	**($53)E**	-0x
	2023E	($10)E	($9)E	($15)E	($23)E	--	**($58)E**	-0x
	2024E	($16)E	($8)E	($8)E	($4)E	($37)E	**($36)E**	-0x
Revenue (m)	**2022E**	$1A	$8E	$2E	$8E	$16E	**$20E**	
	2023E	$6E	$7E	$11E	$21E	$43E	**$45E**	
	2024E	$26E	$33E	$42E	$54E	$154E	**$155E**	

For important disclosures, see Page 4

A2Z Valuation Analysis *($ in millions, except per share data)*		
Fiscal Year Ending December 31,	**2023E**	**PF2024E**
Stock Price	$4.15	$4.15
Revenue		
Diluted Shares	37,353	37,353
Market Capitalization	$155,015	$155,015
Total Debt	(809)	(809)
Cash	5,774	5,774
Enterprise Value	150,050	150,050
Revenue	44,640	160,940
Multiple	3.4x	0.9x
Target Multiple		5x
Implied Price		$18.03
Price Target		**$18.00**
Upside to Target		*333.7%*

Source: Company reports and The Benchmark Company Estimates.

A2Z - Income Statement, 2019-2024E *($ in thousands, except per share data)*						
Fiscal Year Ending December 31,	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Revenues	**$1,384**	**$1,068**	**$2,685**	**19,500**	**44,640**	**155,340**
Yr.-Yr. Pct. Change	*-99.3%*	*-22.8%*	*0.0%*	*0.0%*	*128.9%*	*248.0%*
COGS	(783)	(853)	(2,029)	(59,500)	(80,000)	(160,000)
Pct. of Revenue	*56.6%*	*79.9%*	*75.6%*	*305.1%*	*179.2%*	*103.0%*
Gross Profit	**601**	**215**	**656**	**(40,000)**	**(35,360)**	**(4,660)**
Pct. of Revenue	*43.4%*	*20.1%*	*24.4%*	*-205.1%*	*-79.2%*	*-3.0%*
Yr.-Yr. Pct. Change	*-99.3%*	*-64.2%*	*205.1%*	*-6197.5%*	*-11.6%*	*-86.8%*
Operating expenses						
Research and Development	(414)	(418)	(3,222)	(5,565)	(7,965)	(10,365)
Pct. of Revenue	*29.9%*	*39.1%*	*120.0%*	*28.5%*	*17.8%*	*6.7%*
Sales and Marketing	(87)	(108)	(102)	(4,583)	(10,583)	(16,583)
Pct. of Revenue	*6.3%*	*10.1%*	*3.8%*	*23.5%*	*23.7%*	*10.7%*
General and Administrative	(754)	(2,365)	(6,494)	(3,496)	(4,496)	(5,496)
Pct. of Revenue	*54.5%*	*221.4%*	*241.9%*	*17.9%*	*10.1%*	*3.5%*
Total Operating Expense	(1,255)	(2,891)	(9,818)	(13,644)	(23,044)	(32,444)
Pct. of Revenue	*90.7%*	*270.7%*	*365.7%*	*70.0%*	*51.6%*	*20.9%*
Adjusted EBITDA	**(385)**	**(1,862)**	**(7,999)**	**(52,876)**	**(57,636)**	**(36,336)**
Yr.-Yr. Pct. Change	*-101.9%*	*-109.2%*	*0.0%*	*0.0%*	*9.0%*	*-37.0%*
EBITDA margin	*-64.1%*	*-866.0%*	*-297.9%*	*-271.2%*	*-129.1%*	*-23.4%*
Depreciation and amortization	205	213	321	528	528	528
Stock based compensation & Other	64	601	842	240	240	240
Operating income	**($654)**	**($2,676)**	**($9,162)**	**(53,644)**	**(58,404)**	**(37,104)**
Operating margin	*-47.3%*	*-250.6%*	*-341.2%*	*-275.1%*	*-130.8%*	*-23.9%*
Other, Net	(1,792)	(3,228)	(30,895)	(64)	(64)	(64)
Financial Expense, Net	(109)	(32)	(91)	8	8	8
Income before taxes	(2,555)	(5,936)	(40,148)	(53,700)	(58,396)	(37,096)
Tax provisions	(380)	(17)	(142)	0	0	0
Tax percentage	*-14.9%*	*-0.3%*	*-0.4%*	*0.0%*	*0.0%*	*0.0%*
Other Comprehensive/Non-Controlling Interest	(75)	(1,311)	555	(572)	0	0
Net Loss Attributable to A2Z Shareholders	**($3,010)**	**($7,264)**	**($39,735)**	**($54,272)**	**($58,396)**	**($37,096)**
EPS	**($0.07)**	**($0.12)**	**($1.70)**	**($2.02)**	**($2.18)**	**($1.38)**
Shares Outstanding	40,455	50,275	23,341	26,836	26,836	26,836
Free Cash Flow (FCF)						
EBITDA	(385)	(1,862)	(7,999)	(52,876)	(57,636)	(36,336)
Cash Interest	(109)	(32)	(91)	$8	$8	$8
Cash Taxes	(380)	(17)	(142)	$0	$0	$0
Capital Expenditures	(28)	(227)	(412)	($820)	($820)	($820)
Working Capital Adjustments	0	0	0	$0	$0	$0
Free Cash Flow	(902)	(2,138)	(8,644)	(53,688)	(58,448)	(37,148)
FCF per Diluted Share	**($0.02)**	**($0.04)**	**($0.37)**	**($2.00)**	**($2.18)**	**($1.38)**
Yr.-Yr. Pct. Change						

Source: Company Reports and The Benchmark Company Estimates

Important Disclosures

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Firm-Wide Stock Ratings Distribution

As of March 31, 2022

	All Covered Companies		Investment Banking Clients	
Buy	**277**	**82.4%**	**79**	**23.5%**
Hold	**58**	**17.3%**	**1**	**0.3%**
Sell	**1**	**0.3%**	**0**	**0%**

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Buy: Stock is expected to outperform the analyst's defined Sector/Industry Index* over the following 6 to 12 months.

Speculative Buy: The stock has a market value below $100M and/or a higher financial risk profile. It is expected to outperform the analyst's defined sector/industry index over the following 6 to 12 months.

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Overweight: Analyst's defined Sector/Industry Index* is expected to outperform the S&P 500 over the following 6 to 12 months.

Market Weight: Analyst's defined Sector/Industry Index* is expected to perform in-line with the S&P 500 over the following 6 to 12 months.

Underweight: Analyst's defined Sector/Industry Index* is expected to underperform the S&P 500 over the following 6 to 12 months.

Benchmark Disclosures as of June 1, 2022

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 Tracxpoint 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, most of our broader streaming, early stage and SaaS-exposed companies still tend to trade in a range of 4-6x. As such, we are ascribing a 5x 2024E revenue multiple to arrive at our $18 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.

Price Charts

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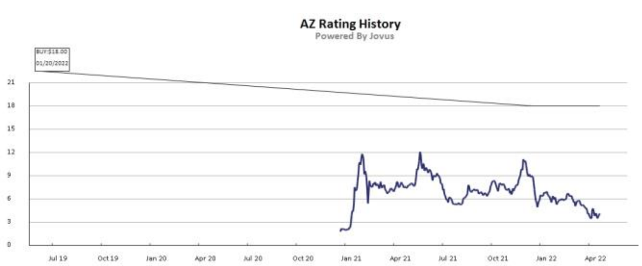

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