



# Borqs Technologies Inc.

**Ticker: (Nasdaq: BRQS)**

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UPDATED

## Research Report

as of April 14, 2020

**Sector:** Technology  
**Industry:** Software - Application  
**Website:** [www.Borqs.com](http://www.Borqs.com)

### COMPANY

Borqs Technologies, Inc. ("Borqs" or "the Company"), founded in 2007, incorporated in the British Virgin Islands, with a U.S. office in Santa Clara, CA, and operating globally with research and development centers in Asia, is an end-to-end wireless product solutions provider for mobile telecommunications and Internet of Things (IoT) markets. Leveraging its proprietary Android-based cloud-enabled commercial-grade platform software, the Company provides worldwide contracted design, development and manufacturing services for leading chipset manufacturers, including Qualcomm, Intel, Freescale and Marvell, multinational original equipment manufacturers, such as LG Electronics, Micromax, Acer, Dell, Motorola, Vizio and Coolpad, as well as major mobile network operators around the globe, counting AT&T, Sprint, Verizon, China Mobile, Orange, Reliance Jio, Vodafone, Telefonica, Telcel and Claro. With presence in China, India, the U.S., Japan and South Korea, Borqs employs over 560 people and deploys its products on four continents. The Company's broad institutional shareholder base includes two of the world's leading chipset manufacturers, Intel and Qualcomm, resulting in strategic relationships, which provide early-stage access to next-generation chipset technology, as well as significant direct project workload and vertical client referrals. Trading on NASDAQ under the symbol BRQS since its August 2017 reverse merger transaction with a Special Purpose Acquisition Company (SPAC) formerly known as Pacific Special Acquisition Corp., Borqs is uniquely positioned to exploit the rapidly growing IoT and 5G technology trends as possibly the only independent publicly-listed in the U.S. provider of innovative end-to-end solutions for the ubiquitous Android operating system platform.

### PRODUCTS

Borqs produces a wide variety of connected mobile and IoT devices ranging from tablets, phones, smartwatches and other wearables, smart appliances, POS terminals and digital signage to in-vehicle infotainment (IVI) solutions developed for various prominent international brands. The Company's products operate on customized integrated BorqWare platforms utilizing scalable proprietary software elements, including base chipset solutions supporting various radio network and application processors, functionality enhancements of the open source Android software and mobile operator required services.



The Company has a history of several industry-leading innovative applications, introducing the first Android video telephony solution at a time when it was not supported on the open source platform, developing the first smartphone for a proprietary TD-SCDMA 3G network of China Mobile Ltd. (HKG: 0941), named the OPhone, which was later adapted as Android+ by Dell Technologies Inc. (NYSE: DELL) for its product line-up in the U.S., and pioneering a pipeline of world's first 4G Android wearables, including smart and fitness watches for children and adults, based on Snapdragon Wear™ chipsets developed by Qualcomm Incorporated (NASDAQ: QCOM). Notably, the Company also launched an FDD/TDD (frequency division

Speculative Buy 6 Month Target Price Range \$4.00 -\$5.50

### Key Statistics

Price 4/13/2020	4.01
52 Week High	8.40
52 Week Low	0.95
Avg. Vol (30 days)	65,000
Market Cap (Interday)M	160.92
Price/Sales (TTM)	1.25
Common Shares Outstanding (M)	40.13
Float(M)	13.31
EPS(TTM)	-2.30
Beta	1.88

Source: Yahoo Finance / Nasdaq

### Recent Highlights

- 4/13/20. The Company announced it has received a line of credit offer of up to \$150 Million dollars from a financing group for working capital needs. The Company also announced customer pre-orders forecasted at over \$100 Million dollars beginning Q2 and in 2020/2021.
- 3/11/20. The Nasdaq Stock Market® announced that trading in Borqs Technologies, Inc. (BRQS) was halted on September 24, 2019 at 4:24 pm ET. The Company's stock resumed trading on Thursday March 12, 2020.
- 1/9/20. Global Consumer Electronics company Coolpad® announced it is working with Borqs Technologies Inc, a global leader in software and products for IoT providing customizable, differentiated and scalable Android-based smart connected devices and cloud service solutions. With Borqs Technologies software, Coolpad will drive 5G product development and its adoption by global carriers. Coolpad CEO stated: "Coolpad® is pleased to be partnering with Borqs to collaborate on bringing exceptional products to the US Market. Thanks to Borqs expertise in helping leading electronics company's deliver innovative end-to-end IoT solutions, we are excited to be joining together to bring exceptional products to our customers".
- 11/19/19. The Company announced that on November 13, 2019 it received a notice from the Staff of the Listing Qualifications Department of The NASDAQ Stock Market indicating that the Company was not in compliance

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duplex/time division duplex) combined carrier aggregation high-speed 4G Android phone, as well as other device solutions, including POS (point-of-sale) terminals playing a major role in the rapid growth of Reliance Jio, an Indian mobile carrier owned by Reliance Industries Limited (NSE: RELIANCE). In addition to numerous consumer mobile telecom devices, the Company provides specialized solutions for enterprise applications, such as rugged industrial handsets, including push-to-talk phones for Sonim Technologies (NASDAQ: SONM) and tablets for Juniper Systems in the U.S., and anti-explosion phone for ECOM Instruments in Germany, as well as IoT IVI solutions for Zhejiang Geely Holding Group Co. Ltd (HKG: 0175) in China, restaurant tablets for E la Carte on behalf of Applebee's and personal safety alert trackers for GreatCall, a wholly-owned subsidiary of Best Buy Co., Inc. (NYSE: BBY) in the U.S. The Company is also currently in development of 5G products for phones and hotspots.

### TECHNOLOGY BACKGROUND

The Company is a veteran contributor to the buildout of the Android open-source operating system (OS) deployed by Google in 2007, which along with Apple's iOS essentially marked the advent of smartphones and shaped global mobile telecommunications until present days. Collaborating with Google's Open Handset Alliance (OHA) members since July 2007, even prior to the group's formal formation later in November that year, the Company is a licensed Google Mobile Services (GMS) partner with access to Google's proprietary set of applications and application program interfaces (APIs) that support functionality across all Android-based devices.



As a certified original design manufacturer (ODM) for GMS, the Company offered customized commercial-grade Android platform software design and production management services to original equipment manufacturers (OEMs), continually expanded its network operator relationships and gradually penetrated the mobile device supply chain to integrate diverse hardware components, as well as network solutions required by IoT applications, including cloud services, security protocols and payment processing, for use in a myriad of specialized vertical applications. Most importantly, Borqs formed strategic ODM partnerships with mobile chipset manufacturers, which provided access to the foundation of the connected device development process and cemented the Company's expertise at the system-on-a-chip (SoC) level.

### STRATEGIC ADVANTAGES

In light of the ongoing global expansion of 5G networks and expected transformative IoT proliferation, the Company is positioned to capitalize on its highly competitive end-to-end technological capabilities supported by strategic partnerships with chipset providers and sensible asset-light, project-based business model with global presence.

The Company's modular BorqsWare platform architecture allows flexible and scalable custom-

### Recent Highlights Continued

with Nasdaq Listing Rule 5250(c)(1) because it did not file its Annual Report on Form 20-F for the fiscal year ended December 31, 2018 by November 11, 2019, the extended deadline previously approved by the Staff for filing such report. The Company intends to appeal the Staff's determination in order to regain compliance with the applicable listing requirements of the NASDAQ.

- 9/23/19. Borqs Technologies, Inc. announced that unaudited revenue for the year ended December 31, 2018 of the Connected Business Solutions Business Unit, or continuing operations, was \$128.4 million as compared to \$122.2 million from the calendar 2017 year, representing an increase of 5.0%. The MVNO Business Unit was reflected as discontinued operations, due to the planed sale of the unit. Unaudited Revenue for the MVNO in 2018 was \$27.4 million.
- 5/16/19. The Company announced it has completed a financing transaction via the private sale of ordinary shares to the Chongqing City-Youtong Equity Investment Fund, LLP, by which Chongqing Youtong will own approximately 9.9% of the Company's outstanding shares. The Transaction's first closing for \$10.4 million at a price of US \$3.71 per share, resulted in the issuance of 2,800,712 unregistered shares, and the second closing scheduled for November 2019 resulted in 933,571 unregistered shares being issued for assets valued at \$3.46 million.

### Financial Highlights\*

(\$ in USD millions)



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ization of complete wireless product solutions for the whole spectrum of enterprise and consumer telecommunication and IoT applications, including specialized often-higher-margin vertical implementations in a wide range of industries, such as utilities, mining, public safety, automobile and home appliance manufacturing, healthcare, hospitality and others. Leveraging its broad software intellectual property (IP) portfolio of approximately 130 granted and 35 pending patents covering a wide range of chipset-related software, Android enhancement, domain-specific solutions, application-specific features and system performance optimization, the Company has developed dozens of unique products, shipping over 14 million units across eleven countries on four continents. Its global customer base consists of six chipset manufacturers, including Intel, Qualcomm, Freescale and Marvell, about 30 mobile device OEMs, such as LG Electronics, Micromax, Acer, Motorola and Vizio, as well as at least ten top tier wireless service providers directly and indirectly, namely AT&T, Sprint, Verizon, China Mobile, Orange, Reliance Jio, Vodafone, Telefonica, Telcel and Claro.

Convincingly proving its track record in design, development and commercial shipments of various Android devices over the years, Borqs was named one of the fastest growing technology companies in China & Asia Pacific in years 2011-2013 by Deloitte, "Company of the Year for Innovation & Leadership in Mobile Technology for Asia Pacific" by the International Alternative Investment Review in years 2013-2016, one of the "50 Most Promising IoT Solution Providers 2016" by CIO Review magazine, as well as one of the "10 Most Innovative IoT Solution Providers" by Insights Success and "10 Fastest Growing IoT Companies" by The Silicon Review in 2017.

The Company's marketing advantage centers on strong relationships with mobile chipset manufacturers, which provided significant product development workload and recurring client referrals in the past, most recently and notably with Qualcomm, whose Snapdragon™ series of semiconductor products are at the forefront of 5G network innovation. The strategic partnership with Qualcomm established in 2013, tightened further following a joint \$9 million equity funding by Qualcomm Global Trading PTE Ltd, an investment arm of the chipset provider, and Accel India IV Ltd, immediately prior to Borqs' public SPAC merger transaction in 2017. In addition to instant credibility and shorter time-to-market prospects for Borqs' new products, the Qualcomm relationship has led to direct customer introductions in recent years and contributed material business contracts, which are ongoing.

With research and development (R&D) centers in Beijing, China and Bangalore, India, and branch offices in Santa Clara, CA in the U.S. Silicon Valley, Japan, South Korea, as well as Chongqing and Shenzhen, China, the Company's international presence appears aligned with global technical talent, production capacity and efficiency, as well as sales potential trends, in support of its project-oriented operating model, which mitigates short product life-cycle risks typical for technology environments.

The Company typically services contracts of 50 thousand to 1 million units, avoiding competition from numerous mass-volume ODMs. Following acceptance of customer-specified engineering designs, the Company produces only contracted made-to-order products for final sales without returns. It is responsible for procurement of all components, materials and tooling, as well as selection of third-party factories for product assembly, but is not involved in marketing or distribution of the end products. The Company works with several trusted manufacturing partners in Mainland China. In March 2018, Borqs acquired minority stakes of 13.8% each of two commonly owned entities, Shenzhen Crave Communication Co., Ltd ("Crave"), a manufacturer of mobile terminal devices with multiple high-speed SMT (surface-mount technology) assembly and packaging lines, with an annual capacity in excess of 10 million units, and Colmei Technology International Ltd ("Colmei"), a sales entity located in Hong Kong that has established relationships with international banks. As one of the Company's material suppliers of components engaged on multiple prior manufacturing projects, the investment is expected to provide more competitive component pricing and prioritized production capacity at Crave, as well as potential access to supply chain financing from Colmei.

According to the Company's filings, 340 of the Company's 564 employees, or over 60%, were technical professionals dedicated to plat-

### Select Blue Chip Customers



#### Mobile Operators



#### Chipset Companies



#### Enterprises





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form R&D and product-specific customization. In May 2019, Borqs has completed a \$10.4 million private financing transaction with the Chongqing City Youtong Equity Investment Fund, LLP ("Chongqing Youtong"), as part of a \$13.9 million strategic investment from Tongnan Economic Development Zone of Chongqing City, where the Company intends to set up an R&D center, move its Chinese head office and potentially establish manufacturing facilities in the future. The Company's operations within the area will enjoy government-supported supply chain financial assistance, favorable equipment leasing programs and local tax incentives, potentially improving Borqs global resource allocation elasticity and efficiency, especially in R&D and manufacturing.

## MARKET

Leading in global smartphone prevalence since 2011, Google's Android continues to dominate the mobile OS environment and hence the mobile application market, including IoT platforms.

- Android is inside 2.5 billion active devices produced by more than 180 hardware manufacturers. Keynote by Android Director Stephanie Cuthbertson at Google's annual I/O Conference in May 2019
- Android has a 72.3% of the worldwide mobile OS market share, over Apple's iOS with 27.0%. "Mobile Operating System Market Share Worldwide (Feb 2019 to Mar 2020)" by StatCounter
- The global mobile application market size was valued at \$106.27 billion in 2018, and projected to reach \$407.31 billion by 2026, growing at a CAGR of 18.4% from 2019 to 2026. November 2019 "Global Mobile Application Market" by Allied Market Research
- The global IoT market size was valued at \$164 Billion in 2018 and is expected to grow at a CAGR of 38.62% by 2025. January 2020 "Global IoT Market: 2025" by Valuatus

The global mobile communications market is also heavily influenced by Qualcomm, which leads the 5G processor innovation among semiconductor producers, with some of the largest manufacturers and vendors worldwide, including Samsung, Oppo and Xiaomi unveiling 5G devices based on Qualcomm's processors in 2019.

- Qualcomm leads the global mobile processor industry with a 31% market share. "Smartphone Model Market Tracker - Q3 2019" by IHS Markit
- Samsung, Oppo and Xiamo amounted to 36% of Q42019 global smartphone shipments. "Global smartphone shipments by vendor/manufacturer 2009-2019" by Statista
- The global 5G chipset market is expected to grow at a CAGR of 87.8% in the period of 2020 to 2025. "5G Chipset Market - Growth, Trends, and Forecast (2020 - 2025)" by Mordor Intelligence

Although annual unit sales have been leveling off since 2015, the global smartphone market growth will be revitalized with continuing 5G network expansion.

- There are 3.5 billion smartphone users globally in 2020, amounting to 45% of the world's population, and expected to grow to 3.8 billion in 2021. "2016-2021: Number of Smartphone Users Worldwide" by Statista
- Global smartphone unit sales to end users declined 1% in 2019, with China, India and the U.S. leading in volumes, but 5G mobile phone market share will grow rapidly, from 12% in 2020 to 43% in 2022. "Market Share: PCs, Ultramobiles and Mobile Phones, All Countries, 4Q19 Update" by Gartner
- In 2019, smartphone shipments totaled 1.37 billion units worldwide. "Global smartphone shipments by vendor/manufacturer 2009-2019" by Statista

Borqs has strong firms in it's market and many are strategic partners.



**android**

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- The smartphones market was valued at \$714.96 billion in 2019 and is expected to reach \$1.35 trillion by 2025, at a CAGR of 11.2%. “Smartphones Market Growth, Trends and Forecast (2020 - 2025)” by Mordor Intelligence
- 5G mobile subscriptions are expected to grow to 2.6 billion by the end of 2025, with the network covering up to 65 percent of the world’s population. November 2019 Ericsson Mobility Report

Smart wearable device annual sales volumes currently compose only a fifth of smartphones’, but are growing more rapidly.

- The global market for wearables was estimated at 305.2 million units in 2019, up 71.4% from the 178.0 million units shipped in 2018. Total volumes will grow to 489.1 million units in 2023, resulting in a 5-year CAGR of 22.4%. Amounting to 22.7% of the wearable market in units, smartwatch shipments were estimated at 69.3 million in 2019 and total volumes will reach 109.2 million units worldwide in 2023, a 16.4% 5-year CAGR. Although dominated by Apple watchOS, Android will have a strong showing with kid-focused smartwatches. December 2019 “Worldwide Quarterly Wearable Device Tracker” by International Data Corporation
- The demand for wearable technology is expected to reach a market value of \$57,653 million by 2022. The smartwatch market size was valued at \$9,264.9 million in 2017 and is projected to reach \$31,070.6 million by 2025, registering a CAGR of 16.2% from 2018 to 2025. November 2019 “Global Wearable Technology Market” by Allied Market Research

**COMPETITION**

The smart device development and production landscape is extremely competitive and fragmented among large multinational mass-production predominantly-Asian companies and smaller specialized firms with different operating strategies engaged in various stages of the supply chain. A significant share of global electronic product realization, including smart devices, is performed by ODMs in Taiwan, which include Foxconn Technology Co., Ltd. (TPE: 2354), a provider of electronics manufacturing services with over 800,000 employees producing the largest share of all consumer electronics sold worldwide, Compal Electronics, Inc. (TPE: 2324), an ODM with a total workforce of 64,000, and Quanta Computer Inc. (TPE: 2382), a manufacturer of mainly notebook computers and other electronic hardware, which employs 70,000 people. The Company competes particularly directly with several much larger ODMs focusing on smart devices based in China, including Wingtech Technology Co., Ltd. (SSE: 600745), arguably the world’s largest ODM for smartphones with more than 9,000 R&D personnel and over 30,000 factory staff located globally, and annual shipments of mobile phones, tablets, laptops, IoT and automotive electronics exceeding 100 million units, as well as Huaqin Telecom Technology Co., Ltd., Shanghai Longcheer Technology Co., Ltd., and Tinno Mobile Technology Corp. The Company also competes against cloud services providers like Jasper Technologies Inc., acquired by Cisco Systems, Inc. (NASDAQ: CSCO) for \$1.4 billion in March 2016, and to an extent with global software developers that develop platform software, mobile applications and IoT solutions like Neusoft Corporation (SSE: 600718), the largest and the first publically listed (since 1996) software company in China with 20,000 employees worldwide and ten software R&D bases, Wipro Limited (NYSE: WIT), an Indian information technology solutions provider with 175,000 employees on six continents, and U.S. based companies, such as CA Technologies, a subsidiary of Broadcom Inc. (NASDAQ: AVGO), Cognizant Corporation (NASDAQ: CTSI), Intellectsoft LLC and even Google LLC, a subsidiary of Alphabet Inc. (NASDAQ: GOOGL) or Microsoft Corporation (NASDAQ: MSFT).

**MANGEMENT**

The Company was founded and is managed by high-caliber international communication technology industry veterans, harmonizing India’s software development expertise, China’s hardware production proficiency and global sales potential.

Pat Chan, Founder, Chairman, President and CEO, has over 20 years of mobile network communications experience, meanwhile receiving the “High-Caliber Talent from Overseas Award” from the Chinese government, and being named the “2012 Beijing Entrepreneur of the Year” by Silicon Dragon and “2016 CEO of the Year” by International Alternative Investment Review. Prior to founding Borqs in 2007, Mr. Chan served as SVP and GM of the infrastructure unit of UTStarcom Inc., a telecom equipment company, where he was responsible for \$1 billion business and 2,000 engineers from 2000 to 2007. He was also an Engineering Manager at Motorola responsible for the development of the GPRS switching. Mr. Chan has a BSc from the University of Toronto and MSc from the University of British Columbia, both in Computer Science.

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Anthony Chan, Executive Vice President and CFO, has more than 30 years of cross-border investments, technology transfer projects and business operations experience between China, the U.S. and Europe. Prior to joining Borqs in 2015, he served as President of Asia Sourcing for Portables Unlimited in New York, a distributor of T-Mobile USA from 2013 to 2015; and previously, from 2009 to 2013, as CFO for Tianjin Tong Guang Digital Broadcasting Co. Ltd, a mobile communications products company. Mr. Chan holds BA and MBA degrees from the University of California at Berkeley.

Hareesh Ramanna, Executive Vice President and Co-General Manager, has over 25 years of experience in mobile handset software development. Prior to joining the Company in 2009, he served as Senior Director and Head of Mobile Devices Software in Global Software Group, Motorola India Electronic Limited from 1992 to 2008. Mr. Ramanna has a BA in Electronics and Communication from National Institute of Engineering in India and a Post-Graduation Certification from Indian Institute of Science.

Simon Sun, Executive Vice President and Co-General Manager, has more than 20 years of experience in research and development and product engineering in the mobile industry. Prior to joining the Company in 2013, Mr. Sun was the Co-Founder and CEO of Nollec Wireless, Ltd., a mobile handset design house, from 2007 to 2013, and previously, between 2006 and 2007, VP of Engineering for CEC Wireless, mobile handset design house in China. He has a BA in Industrial Engineering from Tianjin University of China.

George Thangadurai, Executive Vice President and President of International Business, has over 20 years of experience in strategy and marketing. Prior to joining Borqs in 2014, he served as GM of Strategy & Product Management at Intel Corporation for the Mobile PC business and GM of Client Services business. Mr. Thangadurai has an MSEE degree in Computer Engineering from the University of Rhode Island and a BE degree in Electronics and Communication from Madurai University in India.

## FINANCIALS

According to the 6-K/A filing published in February 2020, for the six-month period ended June 30, 2019, Borqs reported (unaudited) \$27.2 million in Net Revenues, \$16.8 million in Cost of Goods Sold, \$10.4 million in Gross Profit and \$9.2 million in Operating Expenses. Loss from continuing operations, net of interest and other expenses was (\$1.2) million; and Net Loss after discontinued operations was (\$3.6) million overall. Net Revenues for the six months were down significantly from the same period in the prior year and the Net Loss compared to a Net Profit in the first half of 2018. For the nine months ended September 30, 2019, the Company reported \$100.2 million in Net Revenues and \$83.6 million Cost of Goods Sold, or Gross Profit of \$16.6 million. The Company's Balance Sheet at June 30, 2019 showed Total Assets of \$90.2 million, Total Liabilities of \$105.8 million, and a Total Stockholders' Equity Deficit of (\$15.6) million.

According to the 20-F filing published in February 2020, for the full fiscal year ended December 31, 2018 (audited), total Net Revenues were \$128.4 million, up 5.0% from \$122.2 million in the 2017 fiscal year (audited); with a Gross Profit/Loss of (\$6.0) million, down from \$18.7 million in the prior year. Operating Loss of (\$66.7) million was a significant increase from Operating Loss of (\$8.4) million in the prior year. The Net Loss of (\$71.8) million was a substantial increase from the Net Loss of (\$12.6) million in the prior year. This was primarily attributable to \$66.7 million of non-recurring or non-cash items. Based on Management's presentation, the adjusted non-GAAP EBITDA (earnings before interest, taxes and depreciation) was \$8.7 million in 2018. The Company's audit for December 31, 2019 fiscal year is ordinarily due to be filed with the SEC before April 30, 2020, however the SEC is granting automatic extensions for 45 days to June 15, 2020 particularly during the COVID-19 environment.

The financial results in both years reflect the Company's mobile virtual network operations (MVNO) business unit as a "Discontinued Operation" due to the anticipated sale of the unit for \$15.75 million, expected to close during the 4th quarter of 2020, for which the Company has already received a non-refundable down payment of \$6.1 million from a purchaser completing due diligence. In light of declining sales and their importance in overall revenue stream, Management decided in 2018 to sell the MVNO unit to focus on growth opportunities in its ongoing operations of the core connected solutions business, which is anticipated to yield higher margins going forward. The MVNO unit represented less than 20% of overall consolidated revenues before discontinued.

Adding to Borqs' notable shareholder base of institutional investors and strategic funds, such as Intel Capital, Norwest Venture Partners, SK Telecom China Fund, Keytone Ventures and GSR Ventures, which provided funding prior to 2017, the Company has completed two additional noteworthy strategic private placement transactions in the last three years, raising over \$20 million. Qualcomm Ventures and

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Accel Partners India has invested \$9 million in March 2017 and Chongqing City Youtong Equity Investment Fund invested \$10.4 million for 2.8 million shares or \$3.71 per share in May 2019.

During the first half of 2019, Borqs restructured its borrowing capacity, replacing all of the SPD Silicon Valley Bank Co., Ltd. loans with a new \$12.5 million revolving line of credit from Partners For Growth V, L.P. with a maturity date in March 2021, and a \$5.0 million credit facility from The Hong Kong and Shanghai Banking Corporation Limited, with a maturity date in May 2020. As of June 30, 2019, Borqs had Cash and Equivalents of \$8.2 million, Short-term Bank and Other Borrowings of \$6.3 million, Long-term Bank Borrowings - Current Portion of \$2.0 million and Other Non-Current Liabilities of \$11.8 million. On April 13, 2020, the Company announced it secured an offer for a \$150 Million dollar credit facility for its pre-orders forecasted of over \$100 Million dollars.

## GROWTH OUTLOOK

Continually expanding its IP with innovative design capabilities and vertical application flexibility, which just in 2018 alone contributed \$5.6 million in capitalized non-project-specific software engineering costs, the Company has an industry-leading competence to significantly grow its project volume, especially in the U.S., Japan, China, Europe and India, where enhanced connectivity infrastructure of 5G networks and rapid adoption of cloud-based IoT solutions is most prevalent. Leveraging its Qualcomm 5G chip suite licensee status, as well as strong relationships with mobile device OEMs and network operators in these regions, the Company could significantly augment its revenues by capturing a small portion of this huge market, increasingly focusing on high-end connected products. Exploiting growing enterprise digitalization, the Company is also positioned to increase revenue by expanding its customer base for its tested IVI, restaurant, smart home and smart city solutions, and deploying high-value connected IoT devices and cloud-enabled services for vertical applications in various other industries. Finally, the Company could be expected to continually broaden and upgrade its product portfolio of wearables developed on Qualcomm® Snapdragon Wear™, both in terms of smart watches for different segments of the consumer market, as well as various ultra-low power kid, pet, elderly and fitness trackers based on emerging LTE M1 and NB1 technologies, including medical alert devices already deployed by Best Buy's subsidiary GreatCall, which is a leading provider of connected health and personal emergency response services to the aging population, with more than one million subscribers. Significant increase in demand for such services and products is expected due to the COVID pandemic.

The Company just announced pre-order forecasts estimated at over \$100 million scheduled for delivery beginning in the 2nd quarter of 2020 and extending into the year 2021. This order backlog could lead to a return to profitability, assuming improved margins.

## VALUATION

Since the merger with SPAC, which valued the Company at \$303 million in August 2017, Borqs has continued to grow its core connected solutions revenue in the subsequent two years (the last available financial results highlights for the nine months ended September 30, 2019), yet its market valuation declined significantly. In the most recent private transaction in May 2019, the Company sold its shares at \$3.71 per share to Chongqing City Youtong Equity Investment Fund, which together with other six most significant institutional investors (of 5% or more of the Company's interests) hold nearly 60% of outstanding ordinary shares, while Directors and Executive Officers hold 6%, based on 40,131,294 fully-diluted figure as of January 31, 2020, disclosed in the latest 20-F filing. Together with other strategic venture funds and institutions, which hold less than 5% each, the Company has a broad base of committed investors, who are not likely to dispose of their holdings at the current price level, even if the shares were registered and free-trading, without subject to customary limitations.

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Borqs is leading 5G and smart-phone technology.



Mobile devices embedded with Borqs software



## Borqs Technologies Inc.

Ticker: (Nasdaq: BRQS)

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UPDATED

## Research Report

as of April 14, 2020

Sector: Technology  
Industry: Software - Application  
Website: [www.Borqs.com](http://www.Borqs.com)

The Company's current valuation of \$161 million at \$4.01 per share as of closing on April 13, represents just 1.25x of its annual fiscal 2018 revenues of \$128.42 million. Until recently the share price suffered from general market uncertainty regarding the COVID-19 pandemic, which likely has resulted in business disruptions, temporary factory shutdowns, as well as production and order delays for the Company. This was further magnified by disproportionate selling pressure since the Company's stock resumed trading in mid-March, which likely pushed BRQS to extreme oversold levels in this stressful environment. With the abrupt capitulation on the part of weak-hand investors seemingly ended, the stock price appears to have settled firmly in a narrow band around \$1.25 per share for the past few weeks up until April 10th. Then beginning April 13th, the shares rebounded significantly upon announcement of an offer for a \$150 Million dollar credit line and \$100 Million dollar purchase orders. The rise in stock price was dramatic given the stocks relatively low public float. In light of China's recent easing of restrictions related to the country-specific progression of COVID-19, BRQS' trading should improve, especially with the recent announcements of new material contract awards for the next twelve months.

The revenue-based valuation of other companies competing for the same market is far more favorable. Based on data provided by Reuters as of market close on April 9, 2019, Wipro Limited (NYSE: WIT), an Indian information technology solutions provider, trades at 1.82 times revenues for the year ended in March 2019, while Wingtech Technology Co., Ltd. (SSE: 600745), a Chinese ODM specializing in smart devices, commands a price-to-revenue multiple of 7.02, based on annual figures from December 2018. In comparison to its industry counterparts, the Company appears significantly undervalued on revenue basis. Aligning the valuation with a price-to-revenue multiple of at least 1.5 would translate to a market capitalization of \$193 million, or \$4.80 per share. Therefore, we are assigning an updated target price range of \$4.00 to \$5.50 per share over the next 6 months. There is a potential for an even higher valuation based on the Company's ability to deliver revenue growth and profitability. Finally, assuming it effectively penetrates the premium 5G and IoT cloud-enabled marketplace for high-value products supported by its core technology competence, the Company's shares could possibly return to its previous highs.

### Offices



### Corporate Contact Information

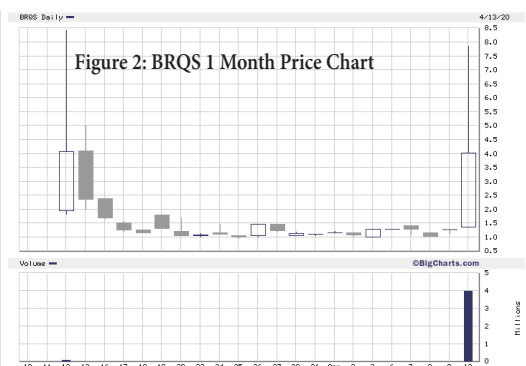
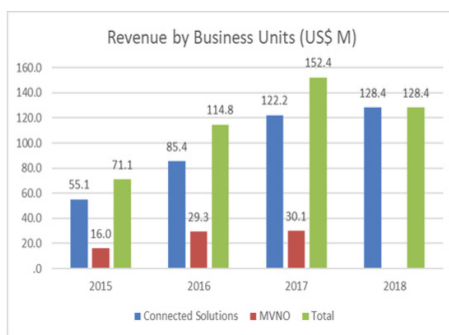
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All figures below are quoted in US Dollars and in Thousands

All figures below are quoted in US Dollars and in thousands

Income Statement				Balance Sheet				Cash Flow Statement			
	FY 12/31/17	FY 12/31/18	6 Mo 6/30/19		FY 12/31/17	FY 12/31/18	as of 6/30/19		FY 12/31/17	FY 12/31/18	6 Mo 6/30/19
Revenue	\$ 122,233	128,420	27,189	Current Assets	\$ 133,810	53,834	62,218	Operating Cash Flow	(12,633)	2,581	N/A
Gross Profit	\$ 18,739	(6,023)	10,406	Total Assets	\$ 163,011	80,392	90,206	Investing Cash Flow	(8,120)	(4,261)	N/A
Oper Loss/income	\$ (8,407)	(66,668)	1,187	Total Liabilities	\$ 116,006	102,866	105,787	Financing Cash Flow	31,861	(11,540)	N/A
Net Loss/Income	\$ (12,569)	(71,764)	(3,616)	Total Shareholder's Equity	\$ 47,005	(22,474)	(15,581)	Cash at end of period	13,009	1,931	8,153

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**Borqs Technologies Inc.****Ticker: (Nasdaq: BRQS)**

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**UPDATED  
Research Report**

as of April 14, 2020

**Sector:** Technology  
**Industry:** Software - Application  
**Website:** [www.Borqs.com](http://www.Borqs.com)**ADDITIONAL DISCLOSURES****Receipt of Compensation:**

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