

# Adesto Technologies Corporation

Nasdaq: IOTS

Adesto Technologies Corporation, together with its subsidiaries, provides application-specific and ultra-low power non-volatile memory products. The company offers standard serial flash products, including DataFlash for data-logging applications, such as industrial automation, home automation sensing, and health and fitness tracking; Fusion Flash for use in various high-volume consumer applications comprising wearables, mobile, and other applications; and EcoXip that enables enhanced processor performance and reduced system power consumption. It also provides conductive bridging random access memory based products, which include Mavriq for Internet of Things and other applications, which include camera sensors, Bluetooth low energy devices, wearables, gaming components, printer cartridges, medical equipment, and other devices; and Moneta for retail beacons, wearable medical and fitness devices, industrial and environmental sensors, agricultural monitors, and other low energy/long battery life, or energy harvesting system applications. The company sells its products directly through a network of representatives and distributors to original equipment manufacturers and original design manufacturers in the United States, Rest of Americas, Europe, the Asia Pacific, and internationally. Adesto Technologies Corporation was incorporated in 2006 and is headquartered in Santa Clara, California. (Source: SEC filings/Yahoo Finance).

**Investment Thesis:** We view Adesto as a leading provider of an emerging category of application-specific, very low-power non-volatile memory (NVM) chips for Internet-Of-Things (IOT) applications in the consumer, industrial, and wearables market. We believe that Adesto has proprietary NVM design and IP to dramatically reduce energy consumption (by a factor of 5x to 10x) in ultra-low-power always-on wearables and IOT sensor applications thus extending battery life. In our opinion, ultra-low power and application-specific, richly featured NVM chips and IP will be a key hardware building block for billions of IOT devices in emerging IOT networks. Adesto has cumulatively shipped over 300 million NVM units to over 1000 global end customers.

## Revenue, Earnings, Proforma EPS, Adjusted EBITDA Estimates and Target Price.

Our estimates for Adesto's FY17 revenues/proforma EPS are \$56.0 million/\$(0.10) with adjusted EBITDA of \$0.89 million versus FY16 revenue/proforma EPS results of \$44.0 million/\$(0.60) with adjusted EBITDA results of \$(6.71) million. Our FY18 revenue/proforma EPS estimates are \$70.0 million/\$(0.16) with adjusted EBITDA estimate of \$5.97 million. We estimate breakeven adjusted EBITDA for Adesto at quarterly revenue level of \$12 to \$13 million. Our target price of \$10 is based on a 2.8x EV/CY18 multiple on estimated CY18 revenues of \$70 million. We note that proforma EPS estimates exclude stock comp, amortization, and restructuring expenses.

## IOTS Chart, Source: BigCharts.com



**Rating**  
**Risk Rating**

**Buy**  
**High**

**Current Price (Nov 9, 2017)**  
**12-month Price Target**

**\$8.45**  
**\$10.00**

**Projected total return** **18%**

52-wk Low-High \$1.55 - \$9.20  
Shares outstanding 21.06 Mil.  
Market capitalization \$178 Mil.  
Total debt (MRQ) \$15.0 Mil.  
Cash (MRQ) \$30.5 Mil.  
Enterprise value \$163 Mil.  
Est 3-yr Sec EPS Growth 30%

Average daily volume (3 m) 194.700  
Float as % of shares out. 50%  
Short interest as % of Float 2.2%  
Insider ownership 8%  
Institutional ownership 65%

Book value/share \$1.54  
Cash/share \$1.50

Revenue (Million \$)				
	2015A	2016A	2017E	2018E
Q1	\$9.7	\$10.2	\$11.3	\$15.0E
Q2	\$10.6	\$10.3	\$13.4	\$16.3E
Q3	\$11.1	\$11.2	\$15.2	\$18.5E
Q4	\$11.8	\$12.3	\$16.0E	\$20.2E
<b>FY</b>	<b>\$43.3</b>	<b>\$44.0</b>	<b>\$56.0E</b>	<b>\$70.0E</b>
Proforma EPS (\$)				
	2015A	2016A	2017E	2018E
Q1	\$(0.18)	\$(0.16)	\$(0.10)	\$(0.01)E
Q2	\$(0.13)	\$(0.21)	\$(0.03)	\$0.01E
Q3	\$(0.07)	\$(0.19)	\$0.02	\$0.06E
Q4	\$(0.07)	\$(0.04)	\$0.02E	\$0.10E
<b>FY</b>	<b>\$(0.45)</b>	<b>\$(0.60)</b>	<b>\$(0.10)E</b>	<b>\$0.16E</b>
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Please see disclosures at the end of this report

## Key Points

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- Recent 3Q17 Results & Company Update.** Adesto recently reported good 3Q17 revenues results of \$15.2 million (up 36% y/y and 14% q/q) and proforma EPS of \$0.02 with GAAP gross margins of 49% (versus 48.1% last quarter) driven by an improving product mix and better manufacturing efficiencies. Adesto achieved positive adjusted EBITDA of \$0.9 million versus \$0.1 million last quarter. We believe that the sequential revenue growth was driven by more design wins for Adesto's DataFlash and FusionFlash products moving into production for IOT and wearable applications in the industrial and consumer end markets. Adesto management indicated good strength in design wins which almost doubled through the first nine months of 2017 versus the same period in 2016 with 65% of 3Q17 design wins from new customers. Adesto had over 75% of new design wins from the two largest target markets of industrial and consumer applications. We believe that Adesto is making good progress in ramping higher-margin product lines such as Data Flash and FusionFlash products for very low-power, high-performance IOT and embedded applications. The revenue mix for the quarter: 55% industrial, 29% consumer, 16% from computing, automotive, communications segment with key contributions from customers in the smart meter, universal and streaming remote controls, asset trackers, fitness trackers, wireless Bluetooth consumer devices. Adesto gave guidance for sequential revenue growth of 4 to 7% with continued strength in gross margins (47 to 50%) due to better mix and manufacturing efficiencies and GAAP operating expense range of \$8.1 to \$8.3 million. Adesto had good design win momentum in new Data Flash, Fusion Flash, EcoXIP, Mavriq camera module CB RAM device, and other CB RAM device for mil/aero applications.
- We believe that Adesto's NVM advantages of low-power, high-speed, flexible and wide battery operating levels, feature-rich customization capabilities will likely allow the company to become a leading player in the IOT memory market.** Adesto's key products include DataFlash, Fusion Flash, Mavriq and Monetta ( based on a revolutionary ultra-low power NVM technology known as CB- RAM). Adesto is currently shipping DataFlash products for data-logging applications such as smart meters, fitness trackers and sensors. The Fusion Flash family is a variation of DataFlash which extends battery life by operating in a wide range of voltage and battery charging levels. We believe that the Mavriq and Monetta family ( most advanced Adesto technology) offers high-performance NVM capabilities while consuming 1/10<sup>th</sup> to 1/100<sup>th</sup> the energy of conventional flash memory chips.
- Adesto has good design win momentum which has grown from 32 in 2013 to 65 in 2014, 135 in 2015, 296 in 2016, and estimated to be over 350 design wins in 2017.** In our opinion, Adesto's design wins are "sticky" and have good visibility due to the proprietary design and low-power, high-performance, customizable nature of Adesto's NVM chips and IP.
- In 2012 Adesto acquired Atmel's serial flash memory assets and subsequently enhanced the capabilities of the product line,** added features such as wide voltage and varying battery-power operational capabilities and introduced the new DataFlash and Fusion Flash product families. We believe that Adesto has executed well in ramping these new products such as Dataflash and Fusion Flash for a wide range of industrial and consumer applications such as smart meters, asset tracking, fitness monitors, and low-power Bluetooth wireless consumer applications.
- We believe that Adesto addresses a large and fast-growing market for NVM chips in IOT applications,** growing at a healthy CAGR of 25% from \$700 million in 2015 to \$1.7 billion by 2019. We believe that the market growth is driven by the proliferation of tens of billions of low-power, always-on sensor nodes gathering and storing data in industrial, consumer/wearable, medical, security, manufacturing IOT applications.
- Advantages & Competitive Strengths of Adesto's application-specific NVM chips for IOT market.** We believe that Adesto has advantages such as ultra-low energy consumption, high reliability, and embedded intelligence functions in a very small form factor. Adesto's proprietary DataFlash and Fusion Flash product families are based on industry standard "floating gate" technology with enhancements. The new Mavriq and Monetta family of NVM products is based on Adestos's proprietary CB-RAM technology that enables ultra-low power, high-performance, and high-speed NVM applications. We believe that Adesto's NVM chips have following system-level benefits to customers:
  - Extended Battery Life: Adesto's chips operate in a wide voltage range with special low-power modes to extend battery life.
  - Better Reliability and Functionality: We believe that Adesto's chips have improved functionality and reliability by requiring fewer rewrite cycles and extending device lifetime.
  - Lower Total Cost of Ownership: In our opinion, Adesto's chips simplify and lower TCO by incorporating power management functions on the chip itself.
- Adesto Has a Diversified Customer Base.** We believe that Adesto has a diversified customer base with over 500 customers served mainly through the distribution channel for various vertical markets such as industrial, medical, consumer, wearables, security, manufacturing, etc. We note that revenues through the distribution channel represent 54% of Adesto revenues; while 46% are direct OEM customers. We note that Adesto has a diversified customer base with the top 3 customers only representing 9%, 4%, and 3% of revenues. Key OEM customers in various end markets include:

- a. Consumer Customers: SMK, Universal Electronics, JAWBONE, VTECH, Polar, TeLink.
  - b. Industrial/Automotive: Landis & Gyr, Itron, Delphi, Hyundai.
  - c. Medical: Johnson & Johnson, Boston Scientific, GE, Dexcom
  - d. Communications: Broadcom, Xilinx, Samsung e. Computing: Dell, HP.
8. **We believe that Adesto's strategy of developing and qualifying reference designs** for its NVM chips with various OEM/ODM customers allows a rapid fan-out of Adesto's chips into multiple customers and end markets. In our opinion, Adesto's IP licensing strategy for new technology such as CB-RAM technology may provide a high-margin, sticky IP licensing and royalty revenue stream from OEMs, ODMs, integrated device manufacturers, fabless chip customers, and wafer foundries.
9. **Adesto Has Leading Supply-Chain Manufacturing Partners.** We believe that Adesto operates as a fabless semiconductor platform design company and has excellent manufacturing partners such as UMC, Altis, XMC, and a new 300mm Asian Foundry partner. Adesto also works with leading assembly and test partners such as KYEC, Amkor Technology (AMKR-NC), and Greatek Electronics.
10. **Experienced Management Team.** In our opinion, Adesto has an experienced management team, led by President/CEO and Co-Founder, Narbeh Derhacobian. We believe that Mr. Derhacobian leads an experienced management team with extensive experience in the semiconductor industry at leading companies such as Advanced Micro Devices (AMD-NC), SSTI, Alliance Semiconductor, Cirrus Logic, Synaptics (SYNA-NC), LSI, Broadcom (AVGO-NC), Audience, TowerJazz, National Semiconductor. In our opinion, management has significant breadth and depth in the NVM chip industry with a broad set of customer relationships.
11. **Revenue, Earnings, Proforma EPS, Adjusted EBITDA Estimates and Target Price.** Our estimates for Adesto's FY17 revenues/proforma EPS are \$56.0 million/\$(0.10) with adjusted EBITDA of \$0.89 million versus FY16 revenue/GAAP EPS results of \$44.0 million/\$(0.60) with adjusted EBITDA results of \$(6.71) million. Our FY18 revenue/GAAP EPS estimates are \$70.0 million/\$0.16 with adjusted EBITDA estimate of \$5.97 million. We estimate breakeven adjusted EBITDA for Adesto at quarterly revenue level of \$12 to \$13 million. Our target price of \$10 is based on a 2.8x EV/CY18 multiple on estimated CY18 revenues of \$70 million.
12. **Risk Factors. Risk factors for Adesto include:**
- a. History of operating losses and inability to achieve sustained profitability going forward.
  - b. Failure to complete development and commercialize new technologies such as Dataflash, FusionFlash, and CB RAM technology.
  - c. Growth prospects may be adversely impacted if customers do not adopt Adesto's DataFlash, FusionFlash, and CB RAM chips in emerging IOT market applications.
  - d. Cyclical nature of memory industry and inability to forecast demand accurately.
  - e. Aggressive pricing pressure which could harm ASPs and margins.
  - f. Failure to strengthen key customer relationships with OEMs, ODMs.
  - g. Bottlenecks in supply chain from foundry, assembly, test manufacturing partners.

ADESTO Income Model, kshankar@midtownpartners.c	2014A	2015A			2016A		2016A			2017E		2017E			2018E		2018E
FYE: Dec (US \$ ,Shrs in MM, Except EPS)	Year	Year	1Q/MarA	2Q/JunA	3Q/SepA	4Q/DecA	Year	1Q/MarA	2Q/JunA	3Q/SepA	4Q/Dec	Year	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Year
<b>Net revenues</b>	<b>\$41.5</b>	<b>\$43.3</b>	<b>\$10.2</b>	<b>\$10.3</b>	<b>\$11.2</b>	<b>\$12.3</b>	<b>\$44.0</b>	<b>\$11.3</b>	<b>\$13.4</b>	<b>\$15.2</b>	<b>\$16.0</b>	<b>\$56.0</b>	<b>\$15.0</b>	<b>\$16.3</b>	<b>\$18.5</b>	<b>\$20.2</b>	<b>\$70.0</b>
Cost of revenues	25.53	24.78	5.18	5.55	5.80	6.09	22.62	5.75	6.69	7.77	8.16	28.38	7.65	8.27	9.34	10.15	35.42
<b>GAAP Gross profit</b>	<b>\$15.93</b>	<b>\$18.48</b>	<b>\$5.00</b>	<b>\$4.73</b>	<b>\$5.38</b>	<b>\$6.24</b>	<b>\$21.35</b>	<b>\$5.55</b>	<b>\$6.72</b>	<b>\$7.47</b>	<b>\$7.84</b>	<b>\$27.58</b>	<b>\$7.35</b>	<b>\$8.03</b>	<b>\$9.16</b>	<b>\$10.05</b>	<b>\$34.58</b>
GAAP Research & development	14.41	12.80	3.94	4.20	4.39	3.37	15.90	3.37	3.68	3.61	3.64	14.30	3.71	3.79	3.86	3.94	15.31
GAAP SG&A	9.57	12.32	4.31	4.53	4.46	4.42	17.72	4.74	4.58	4.66	4.66	18.64	4.75	4.85	4.94	5.04	19.58
Restruct/other one-time expense	0.00	0.00	(1.96)	0.00	0.00	0.00	(1.96)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total GAAP Operating Expenses</b>	<b>23.98</b>	<b>25.12</b>	<b>6.29</b>	<b>8.73</b>	<b>8.85</b>	<b>7.79</b>	<b>31.65</b>	<b>8.11</b>	<b>8.26</b>	<b>8.26</b>	<b>8.30</b>	<b>32.93</b>	<b>8.47</b>	<b>8.64</b>	<b>8.81</b>	<b>8.98</b>	<b>34.89</b>
<b>GAAP Income (loss) from operations</b>	<b>(\$8.04)</b>	<b>(\$6.63)</b>	<b>(\$1.29)</b>	<b>(\$4.00)</b>	<b>(\$3.47)</b>	<b>(\$1.55)</b>	<b>(\$10.30)</b>	<b>(\$2.55)</b>	<b>(\$1.54)</b>	<b>(\$0.80)</b>	<b>(\$0.46)</b>	<b>(\$5.35)</b>	<b>(\$1.12)</b>	<b>(\$0.61)</b>	<b>\$0.35</b>	<b>\$1.07</b>	<b>(\$0.31)</b>
Interest / other income (expense)	(0.75)	(1.81)	(0.24)	(0.26)	(0.59)	(0.24)	(1.33)	(0.20)	(0.20)	(0.18)	(0.18)	(0.76)	(0.18)	(0.18)	(0.18)	(0.18)	(0.72)
<b>GAAP Income (loss) before tax</b>	<b>(\$8.79)</b>	<b>(\$8.44)</b>	<b>(\$1.53)</b>	<b>(\$4.26)</b>	<b>(\$4.06)</b>	<b>(\$1.78)</b>	<b>(\$11.63)</b>	<b>(\$2.75)</b>	<b>(\$1.74)</b>	<b>(\$0.98)</b>	<b>(\$0.64)</b>	<b>(\$6.11)</b>	<b>(\$1.30)</b>	<b>(\$0.79)</b>	<b>\$0.17</b>	<b>\$0.89</b>	<b>(\$1.03)</b>
GAAP Provision (benefit) for income taxes	0.14	(0.09)	0.01	0.02	0.02	(0.06)	(0.02)	0.03	0.01	0.02	0.02	0.08	0.02	0.02	0.02	0.02	0.08
Net Income Before Minority Interest	(8.93)	(8.35)	(1.54)	(4.27)	(4.08)	(1.72)	(11.61)	(2.78)	(1.75)	(1.00)	(0.66)	(6.18)	(1.32)	(0.81)	0.15	0.87	(1.11)
Minority Interest Income/Pref Stk Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>GAAP Net income (loss)</b>	<b>(\$8.93)</b>	<b>(\$8.35)</b>	<b>(\$1.54)</b>	<b>(\$4.27)</b>	<b>(\$4.08)</b>	<b>(\$1.72)</b>	<b>(\$11.61)</b>	<b>(\$2.78)</b>	<b>(\$1.75)</b>	<b>(\$1.00)</b>	<b>(\$0.66)</b>	<b>(\$6.18)</b>	<b>(\$1.32)</b>	<b>(\$0.81)</b>	<b>\$0.15</b>	<b>\$0.87</b>	<b>(\$1.11)</b>
GAAP EPS (basic)	(\$0.93)	(\$0.84)	(\$0.10)	(\$0.29)	(\$0.27)	(\$0.11)	(\$0.77)	(\$0.18)	(\$0.11)	(\$0.05)	(\$0.03)	(\$0.36)	(\$0.06)	(\$0.04)	\$0.01	\$0.04	(\$0.05)
<b>GAAP EPS (fully diluted)</b>	<b>(\$0.93)</b>	<b>(\$0.84)</b>	<b>(\$0.10)</b>	<b>(\$0.29)</b>	<b>(\$0.27)</b>	<b>(\$0.11)</b>	<b>(\$0.77)</b>	<b>(\$0.18)</b>	<b>(\$0.11)</b>	<b>(\$0.05)</b>	<b>(\$0.03)</b>	<b>(\$0.36)</b>	<b>(\$0.06)</b>	<b>(\$0.04)</b>	<b>\$0.01</b>	<b>\$0.04</b>	<b>(\$0.05)</b>
<b>Capital Spending</b>	<b>\$0.76</b>	<b>\$0.50</b>	\$0.35	\$0.76	\$1.25	\$0.12	<b>\$2.48</b>	\$0.60	\$1.06	\$1.00	\$1.00	<b>\$3.66</b>	\$1.00	\$1.00	\$1.00	\$1.00	<b>\$4.00</b>
<b>Depreciation &amp; Amortization expense</b>	<b>\$1.16</b>	<b>\$1.04</b>	\$0.23	\$0.20	\$0.26	\$0.30	<b>\$0.99</b>	\$0.30	\$0.34	\$0.30	\$0.40	<b>\$1.34</b>	\$0.40	\$0.40	\$0.40	\$0.40	<b>\$1.60</b>
<b>Amortization of acquisition-related intangible assets</b>	<b>\$1.99</b>	<b>\$1.65</b>	\$0.31	\$0.31	\$0.31	\$0.31	<b>\$1.24</b>	\$0.31	\$0.31	\$0.30	\$0.30	<b>\$1.22</b>	\$0.30	\$0.30	\$0.30	\$0.30	<b>\$1.20</b>
<b>Stock Comp Expenses</b>	<b>\$0.31</b>	<b>\$0.79</b>	\$0.81	\$0.82	\$0.88	\$0.84	<b>\$3.34</b>	\$0.82	\$0.98	\$1.10	\$0.70	<b>\$3.61</b>	\$0.80	\$0.80	\$0.90	\$0.90	<b>\$3.40</b>
<b>Other restructuring/one-time expenses</b>	<b>\$1.32</b>	<b>\$1.28</b>	(\$1.96)	\$0.00	\$0.00	\$0.00	<b>(\$1.96)</b>	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$0.00</b>	\$0.00	\$0.00	\$0.00	\$0.00	<b>\$0.00</b>
<b>Proforma Net Income</b>	<b>(\$5.32)</b>	<b>(\$4.64)</b>	<b>(\$2.39)</b>	<b>(\$3.14)</b>	<b>(\$2.89)</b>	<b>(\$0.58)</b>	<b>(\$9.00)</b>	<b>(\$1.64)</b>	<b>(\$0.46)</b>	<b>\$0.40</b>	<b>\$0.34</b>	<b>(\$1.36)</b>	<b>(\$0.22)</b>	<b>\$0.29</b>	<b>\$1.35</b>	<b>\$2.07</b>	<b>\$3.49</b>
<b>PROFORMA EPS (fully diluted)</b>	<b>(\$0.55)</b>	<b>(\$0.45)</b>	<b>(\$0.16)</b>	<b>(\$0.21)</b>	<b>(\$0.19)</b>	<b>(\$0.04)</b>	<b>(\$0.60)</b>	<b>(\$0.10)</b>	<b>(\$0.03)</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>(\$0.10)</b>	<b>(\$0.01)</b>	<b>\$0.01</b>	<b>\$0.06</b>	<b>\$0.10</b>	<b>\$0.16</b>
EBITDA	(\$4.90)	(\$4.63)	(\$0.74)	(\$3.50)	(\$3.25)	(\$0.92)	(\$8.41)	(\$1.89)	(\$0.84)	(\$0.13)	\$0.31	(\$2.54)	(\$0.35)	\$0.16	\$1.12	\$1.84	\$2.77
<b>Adjusted EBITDA (ex-stock comp, restruct expenses)</b>	<b>(\$3.31)</b>	<b>(\$2.57)</b>	<b>(\$1.87)</b>	<b>(\$2.69)</b>	<b>(\$2.03)</b>	<b>(\$0.11)</b>	<b>(\$6.71)</b>	<b>(\$1.09)</b>	<b>\$0.10</b>	<b>\$0.92</b>	<b>\$0.96</b>	<b>\$0.89</b>	<b>\$0.40</b>	<b>\$0.91</b>	<b>\$1.97</b>	<b>\$2.69</b>	<b>\$5.97</b>
GAAP Weighted average shares (basic)	9.66	9.81	14.97	14.98	15.03	15.35	15.09	15.64	16.34	21.06	21.30	18.59	21.41	21.51	21.62	21.73	21.57
<b>GAAP Weighted average shares (diluted)</b>	<b>9.66</b>	<b>9.81</b>	<b>14.97</b>	<b>14.98</b>	<b>15.03</b>	<b>15.35</b>	<b>15.09</b>	<b>15.64</b>	<b>16.34</b>	<b>21.06</b>	<b>21.30</b>	<b>18.59</b>	<b>21.41</b>	<b>21.51</b>	<b>21.62</b>	<b>21.73</b>	<b>21.57</b>
<b>Margins (Pct. Rev)</b>																	
GAAP Gross Margins	38.4%	42.7%	49.1%	46.0%	48.1%	50.6%	48.6%	49.1%	50.1%	49.0%	49.0%	49.3%	49.0%	49.3%	49.5%	49.8%	49.4%
GAAP R&D	34.8%	29.6%	38.7%	40.8%	39.3%	27.3%	36.2%	29.8%	27.4%	23.7%	22.8%	25.5%	24.8%	23.2%	20.9%	19.5%	21.9%
GAAP SG&A	23.1%	28.5%	42.4%	44.1%	39.9%	35.8%	40.3%	41.9%	34.2%	30.6%	29.1%	33.3%	31.7%	29.7%	26.7%	25.0%	28.0%
GAAP Operating Margins	-19.4%	-15.3%	-12.7%	-38.9%	-31.0%	-12.5%	-23.4%	-22.6%	-11.5%	-5.2%	-2.9%	-9.6%	-7.4%	-3.7%	1.9%	5.3%	-0.4%
Other Income (Expenses)	-1.8%	-4.2%	-2.3%	-2.5%	-5.3%	-1.9%	-3.0%	-1.7%	-1.5%	-1.2%	-1.1%	-1.4%	-1.2%	-1.1%	-1.0%	-0.9%	-1.0%
GAAP Pre-tax Margins	-21.2%	-19.5%	-15.0%	-41.4%	-36.3%	-14.5%	-26.4%	-24.3%	-13.0%	-6.4%	-4.0%	-10.9%	-8.6%	-4.8%	0.9%	4.4%	-1.5%
GAAP Tax Rate (Pct.)	-1.6%	1.1%	-0.9%	-0.4%	-0.4%	3.5%	0.1%	-1.0%	-0.7%	-1.7%	-3.1%	-1.3%	-1.5%	-2.5%	11.8%	2.3%	-7.8%
GAAP Net Margin	-21.5%	-19.3%	-15.1%	-41.5%	-36.5%	-14.0%	-26.4%	-24.5%	-13.1%	-6.5%	-4.1%	-11.0%	-8.8%	-5.0%	0.8%	4.3%	-1.6%
<b>Segment Revenue Model (%)</b>																	
Commodity/BIOS Flash	10%	11%	10%	10%	9%	8%	9%	7%	9%	9%	8%	8%	8%	7%	7%	6%	7%
Data Flash	70%	73%	71%	71%	71%	69%	70%	71%	66%	63%	63%	65%	63%	61%	59%	57%	60%
Fusion Flash	20%	17%	20%	19%	20%	23%	20%	22%	25%	28%	30%	27%	28%	31%	32%	35%	32%
CB RAM, EcoXip, Other New	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	2%	1%
<b>Segment Revenue Total (%)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Midtownpartners Estimates/SEC Filings

### Midtown Partners & Co. LLC. - Investment Ratings

Rating	Rating Description	Number of Companies Covered	Midtown Partners & Co. LLC Rating Distribution Percentage	Investment Banking Clients	Percent Banking Clients
Strong Buy	We expect these shares to increase in value by at least 20% over the next 12 months.	9	47.4%	1	5.4%
Buy	We expect these shares to increase in value by at least 10% over the next 12 months	3	15.8%		
Neutral	We expect these shares to remain within a range +/- 10% within the next 12 months	7	36.8%	0	0%
Sell	We expect these shares to decrease in value by at least 10% over the next 12 months				
Not Rated	The ratings for the subject company have been temporarily suspended by Midtown Partners & Co. LLC				

### Midtown Partners & Co. LLC & Co., Inc. - Risk Ratings

Rating	Rating Description
Low	Financial results of companies with a "Low" risk rating have a high level of predictability and / or their share prices are subject to low volatility as measured by Beta
Moderate	Financial results of companies with a "Moderate" risk rating have a moderate level of predictability and / or their share prices are subject to moderate volatility as measured by Beta.
High	Financial results of companies with a "High" risk rating have a low level of predictability and / or their share prices are subject to high volatility as measured by Beta.
Speculative	Financial results of companies with a "Speculative" risk rating have a very low level of predictability and / or their share prices are subject to high volatility as measured by Beta. Investments in these shares carry very high risk.

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