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Lower Middle Market Companies

Strategic Risk & Opportunity Assessment Report



ScanTech AI Systems Inc: (NASDAQ: STAI)

Prepared by:
C2C Business Strategies LLC
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1. Executive Summary

ScanTech AI Systems Inc. (NASDAQ: STAI) is a publicly traded security solutions provider headquartered in Buford, Georgia.¹ Incorporated in 2023¹, ScanTech AI specializes in advanced non-intrusive Fixed-Gantry Computed Tomography (CT) screening technologies, leveraging proprietary artificial intelligence (AI) and machine learning capabilities to accurately detect hazardous materials and contraband.¹ The company aims to redefine checkpoint screening by offering systems that enhance efficiency and reliability across critical infrastructure industries.³

In 2024, ScanTech AI reported annual revenue of \$542.17 thousand, with a net loss of -\$23.07 million, reflecting its early commercialization stage and significant R&D and startup costs.¹ The company is actively working to strengthen its capital structure, including a recent debt-to-equity conversion and securing a promissory note, to fund its growth and address Nasdaq compliance issues.⁷ ScanTech AI's strategic focus is on accelerating product adoption, expanding its global presence through strategic partnerships, and continuously innovating its AI-driven solutions to meet evolving security challenges.³ Despite significant stock volatility and Nasdaq non-compliance pressures, the company's patented fixed-gantry CT technology and AI expertise position it as a potential disruptor in the multi-billion-dollar infrastructure protection market.³

2. Company Overview

ScanTech AI Systems Inc. is a publicly traded security solutions provider listed on the Nasdaq Global Market under the ticker symbol STAI.¹ The company was incorporated in 2023¹ and is headquartered in Buford, Georgia, USA.¹ Its official website is

<https://www.scantechais.com/>.¹

ScanTech AI's core business model is centered on the design, development, and deployment of advanced non-intrusive Fixed-Gantry Computed Tomography (CT) screening technologies.¹ The company utilizes proprietary artificial intelligence (AI) and machine learning capabilities to accurately detect explosives, weapons, narcotics, and other contraband with high precision.³ Its systems are engineered to automatically locate, discriminate, and identify materials of interest hidden inside scanned targets, ranging from suitcases and backpacks to large packages and parcels.¹

The company generates revenue through direct sales and long-term contracts with

government agencies and private sector clients, complemented by strategic partnerships and continuous R&D in advanced security screening technologies.¹⁴

ScanTech AI positions itself as an innovative security solutions provider that redefines checkpoint screening.³ It aims to significantly enhance screening efficiency and reliability, making its solutions indispensable for a wide array of critical applications.³

The company serves a broad spectrum of security-critical environments, including:

- **Airports and Commercial Security Lanes:** Enhancing passenger and baggage screening by providing clear, CT-grade imaging that enables the retention of items such as liquids and electronics during the scanning process.³
- **Border and Port Security:** Facilitating non-intrusive screening at land ports-of-entry and aiding in the efficient processing of shipments and travelers.³
- **Correctional Facilities:** Addressing the persistent challenge of contraband infiltration through advanced scanning capabilities tailored for secure institutions.³
- **Nuclear and Critical Infrastructure:** Protecting high-value assets such as nuclear power plants by quickly identifying potential threats and ensuring operational continuity.³ ScanTech AI scanners are already safeguarding Canada's largest nuclear power plants.¹¹
- **Public Events and Large-Scale Venues:** Streamlining security checkpoints, thereby reducing congestion while enhancing threat detection capabilities across diverse environments.³

As of 2024, ScanTech AI has approximately 15 employees globally.¹

Key Company Information

| Attribute | Detail |
|---------------------|--|
| Legal Name | ScanTech AI Systems Inc. ¹ |
| Headquarters | Buford, Georgia, USA ¹ |
| Website | https://www.scantechais.com/ ¹ |

| | |
|-------------------------|--|
| Ticker | STAI (NASDAQ) ¹ |
| Incorporated | 2023 ¹ |
| Industry | Security Solutions, Artificial Intelligence ³ |
| Business Model | Development and deployment of fixed-gantry CT screening solutions with AI for threat detection; revenue from direct sales and long-term contracts ³ |
| Total Employees | 15 (as of 2024) ¹ |
| Key Technologies | Patented Fixed-Gantry CT technology, proprietary AI/Machine Learning algorithms ³ |
| Key Applications | Airports, borders, ports, correctional facilities, nuclear/critical infrastructure, public events ³ |

3. Leadership and Founding Team

ScanTech AI Systems Inc. is led by an executive team with expertise in the nuclear industry, technology, and national security.

- **Dolan Falconer:** Serves as President and Chief Executive Officer (CEO). He has over 25 years of nuclear industry experience in managing engineering projects for both private industry and the federal government. Prior to co-founding ScanTech, Dolan co-founded and served as Executive Vice President of Parallax, Inc., an environmental and nuclear engineering company.¹⁵
- **Rocky Starns:** Serves as Executive Vice President & Chief Technology Officer (CTO). He brings over 30 years of leadership and entrepreneurial experience in manufacturing and engineering from two Fortune 50 corporations and several privately held entrepreneurial companies. His past leadership roles include CEO of Tano Automation and CEO of Renishaw, Inc.¹⁵
- **Dr. Chris Green:** Serves as Vice President of Engineering.¹⁵
- **Dr. Alfred Forbes:** Serves as Vice President of Science & Technology.¹⁵
- **Patti Bloom, M.S.:** Serves as Director of Office Operations.¹⁵

The company's **Board of Directors** includes notable figures such as:

- **Brad Buswell:** Appointed as the new Chairman of the Board of Directors in January 2025, succeeding Karl Brenza. Buswell has over three decades of experience in national security and aviation screening, including senior roles at Leidos, Morpho Detection, and Rapiscan North. His public sector experience includes serving as Deputy Under Secretary for Science and Technology at the U.S. Department of Homeland Security. He is also a U.S. Navy veteran.¹⁶

The leadership team's diverse backgrounds, particularly Dolan Falconer's nuclear industry experience and Brad Buswell's expertise in national security and aviation screening, are crucial for navigating the highly regulated security screening industry. Their focus on innovation, adaptability, and customer-centric design aligns with the company's mission to enhance security efficiency and reliability globally.³

4. Product/Service Portfolio

ScanTech AI Systems Inc. offers a specialized portfolio of security screening solutions, leveraging its proprietary fixed-gantry CT technology and advanced AI capabilities.

Core Product Offerings:

- **Fixed-Gantry Computed Tomography (CT) Screening Systems:** These are the company's flagship hardware products. Unlike traditional CT scanners that rely on moving parts, ScanTech AI's solutions employ a fixed architecture, which minimizes downtime and reduces overall operational costs.³
 - **Non-Intrusive Inspection:** Designed to accurately detect, identify, precisely locate, and discriminate materials of interest (explosives, weapons, narcotics, contraband) hidden inside scanned targets without the need to open bags, parcels, or containers.¹
 - **CT-Grade Imaging:** Provides high-quality CT-grade detection and imagery, allowing items like liquids and electronics to remain in bags during the screening process, thereby speeding up throughput.³
- **Proprietary Artificial Intelligence (AI) and Machine Learning (ML) Capabilities:** Integrated directly into its CT scanners, this software is crucial for:
 - **Rapid Threat Detection:** Facilitates quick and accurate identification of hazardous materials and contraband.³
 - **Improved Material Discrimination:** Enables the systems to accurately differentiate between various materials, enhancing detection reliability.³
 - **Continuous System Learning:** AI technologies permit continuous system learning and adaptive threat detection, ensuring effectiveness against evolving

security challenges.³

- **Virtual Sentinel™ Simulation Platform:** Used for training AI on synthetic data, potentially allowing for faster improvements in threat recognition compared to competitors.⁶
- **CustomsTrace AI™ Platform:** A newly announced platform designed to enhance goods identification and trade compliance, indicating an expansion into broader trade security solutions.¹⁷

Key Applications & Sectors:

ScanTech AI's solutions are engineered for a wide array of high-security environments, including:

- Airports and Commercial Security Lanes ³
- Border and Port Security ³
- Correctional Facilities ³
- Nuclear and Critical Infrastructure (e.g., nuclear power plants, embassies, government buildings) ³
- Public Events and Large-Scale Venues ³
- Factories and Processing Plants ⁹

Services:

- **Integrated Security Solutions:** The company aims to provide integrated multi-layer smart security solutions, often through teaming agreements with partners like ZKTeco, combining its CT screening with biometric and access control technologies.⁹

ScanTech AI's portfolio reflects its mission to redefine security screening through cutting-edge technology, offering non-intrusive, efficient, and reliable solutions for critical infrastructure worldwide.³

5. Market Position & Peer Analysis

ScanTech AI Systems Inc. holds a strategic market position as an innovative security solutions provider, specializing in AI-driven fixed-gantry CT screening technology for critical infrastructure.³

Market Position:

- **Niche Innovation:** ScanTech AI differentiates itself through its patented fixed-gantry CT technology, which eliminates moving parts, potentially leading to greater reliability, faster throughput, and lower maintenance costs compared to

traditional CT scanners.³

- **AI-Driven Detection:** The integration of AI-driven machine learning for rapid threat detection and improved material discrimination is a core competitive advantage, allowing continuous system learning and adaptive threat detection.³
- **Early Commercialization:** The company is in the early stages of commercialization, with initial pilot sales to nuclear facilities and operational testing by the TSA at Philadelphia International and San Diego International Airports.⁶
- **Compliance & Efficiency Focus:** Its solutions are designed to enhance screening efficiency and reliability, making them indispensable for security-critical environments by allowing items like liquids and electronics to remain in bags during screening.³

Market Size & Trends:

- **Infrastructure Protection Market:** The broader infrastructure protection market (covering ports, borders, energy facilities, etc.) is substantial, estimated around \$148 billion in 2024 and projected to grow to nearly \$192 billion by 2029.⁶
- **Growing Demand for Advanced Security:** Increasing global security threats and the need for faster, more accurate, and less intrusive screening methods are driving demand for advanced security technologies.³
- **AI Integration in Security:** The increasing adoption of AI and machine learning in security solutions for enhanced threat detection, predictive maintenance, and operational efficiency is a key market trend.³
- **Government Investment:** Significant investments in AI infrastructure and security upgrades by governments and private sector stakeholders are fueling market growth.⁷

Peer Analysis:

The security scanning industry has long been dominated by a handful of major players, meaning ScanTech AI faces formidable competition.⁶

- **Direct Competitors (Security Screening/AI):**
 - **Leidos (NYSE: LDOS):** A prominent player in professional services, including security solutions, with substantial revenue and market presence.¹⁶
 - **Morpho Detection, Rapiscan North:** Other established players in aviation screening.¹⁶
 - **Rail Vision Ltd. (RVSN), MultiSensor AI Holdings, Inc. (MSAI), SaverOne 2014 Ltd. (SVRE), VerifyMe, Inc. (VRME), SuperCom Ltd. (SPCB):** Listed as similar companies in the information technology sector.¹⁹
- **Broader Competitors:** Companies offering traditional CT scanners or other security screening technologies.³

ScanTech AI differentiates itself by its fixed-gantry design, which aims for lower acquisition and maintenance costs, and its agile, proprietary AI algorithms that may

allow faster improvements in threat recognition.³ However, it faces the challenge of competing with deep-pocketed incumbents that have established market share and extensive resources.⁶

6. Financial Performance, Valuation & Benchmarking

ScanTech AI Systems Inc. (NASDAQ: STAI) is a publicly traded company, and its financial performance reflects its early commercialization stage, characterized by minimal revenue and significant net losses due to ongoing R&D and startup costs.

Financial Performance (Annual, as of December 31):

- **Revenue:**
 - 2024: \$542.17 thousand (up from \$0.00 in prior years) ⁴
 - 2023: \$0.00 ⁴
 - 2022: \$0.00 ⁴
- **Net Income (Loss):**
 - 2024: -\$23.07 million ¹ (also cited as -\$3.7 million ²⁰)
 - 2023: -\$15.28 million ⁵
 - 2022: -\$11.76 million ⁵
- **EBITDA:**
 - 2024: -\$10.66 million ⁵ (also cited as -\$8.89 million ⁷)
 - 2023: -\$4.4 million ⁵
 - 2022: -\$3.81 million ⁵
- **Gross Profit:**
 - 2024: \$74 thousand ⁵ (also cited as 17.4% gross margin ²¹ or 14.19% ¹⁷)
 - 2023: \$0.00 ⁵
- **Operating Expenses:**
 - 2024: \$10.76 million ⁵
 - 2023: \$9.56 million ⁵
- **Cash and Cash Equivalents:**
 - As of March 31, 2025: \$1.62 million
 - As of September 30, 2024: \$12 million
 - As of December 31, 2024: \$3.56 million
- **Total Debt:** \$19.91 million (as of March 31, 2025)
- **Shareholder Equity:** -\$4.57 million (as of March 31, 2025)

Key Observations from Financials:

- ScanTech AI is in the early stages of commercialization, with minimal revenue to

date, primarily from initial pilot sales.⁶

- The company has consistently reported net losses, indicating that expenses (especially R&D and startup costs) far exceed revenue at this stage.⁶
- The company's financial health score is rated as "WEAK" by InvestingPro, with significant debt burden and rapid cash burn being key concerns.⁷
- Cash reserves are limited, creating pressure to secure additional funding to sustain operations.⁶
- The company has recently restructured approximately \$30 million of debt into equity, issuing around 15 million unregistered shares, to strengthen its capital structure.⁷ It also secured a \$500,000 loan from Maximcash Solutions LLC, with conversion options.⁷

Valuation & Benchmarking:

- **Market Capitalization:** Approximately \$14.00 million (as of July 16, 2025) ² (also cited as \$17.90 million ⁴ and \$23.4 million ⁷).
- **Stock Price:** \$0.68 (as of July 16, 2025) ¹² (also cited as \$0.70 ² and \$0.74 ²²). The stock has experienced extreme volatility, plummeting roughly 77% in six months since its Nasdaq debut in January 2025.⁶
- **Price to Sales (P/S) Ratio (TTM):** 22.72 ²¹ (also cited as 33.02 ⁴ and 398.85 ¹⁹).
- **Price to Book (P/B) Ratio:** -0.08 ¹² (also cited as -0.08 ²¹).
- **EV to EBITDA:** -1967.8% ²¹ (also cited as -0.36 ¹²).
- **Analyst Consensus:** While not a formal consensus, some analysts suggest the stock is arguably "undervalued" relative to its fair value and management notes it trades at a "substantial discount to [the] announced merger value."⁶

Benchmarking Context:

- ScanTech AI's valuation reflects its high-risk, early-stage nature, with significant market skepticism about its ability to execute and the ongoing need for capital.⁶
- Its P/S ratio is significantly higher than some peers, reflecting minimal revenue despite its market capitalization.⁴
- The company's financial struggles and regulatory missteps have overshadowed its technological potential.¹⁰

7. Mergers & Acquisitions (M&A) and Transactional Activity

ScanTech AI Systems Inc. has undergone significant transactional activity, primarily focused on its public listing through a SPAC merger and subsequent capital restructuring to fund its growth.

- **Business Combination with Mars Acquisition Corp. (SPAC Merger) (January 2025):** ScanTech Identification Beam Systems, LLC completed a business combination with Mars Acquisition Corp. (a SPAC). This transaction resulted in ScanTech becoming a publicly traded company, ScanTech AI Systems Inc., listed on NASDAQ under the ticker STAI. The business combination valued TruGolf at an implied enterprise value of \$125 million, including certain payments contingent on future milestones, and an \$80 million equity value. This public listing was intended to accelerate software development, golf simulator manufacturing and sales, and finalize new-generation hardware and software technology.¹³
 - **Strategic Rationale:** This merger provided ScanTech AI with access to public capital markets for potential future growth financing and enhanced its ability to pursue market expansion and technological innovation.²³ The transition from MARX to STAI ticker symbolized access to significant capital channels and liquidity for ScanTech's expansion plans.²³
- **Debt Restructuring & Equity Conversion (Recent):** ScanTech AI successfully restructured approximately \$30 million of debt into equity, issuing around 15 million unregistered shares to institutional stakeholders. This debt-to-equity conversion is part of the company's efforts to strengthen its capital structure and facilitate expansion.⁷
- **Promissory Note (Recent):** The company secured a \$500,000 loan from Maximcash Solutions LLC, with the option to convert the loan balance into common stock, indicating flexible financial strategies for liquidity.⁷
- **Teaming Agreement with ZKTeco (Recent):** ScanTech AI entered into a strategic Teaming Agreement with ZKTeco, a global leader in biometric security and identity verification technology. This partnership aims to develop integrated multi-layer smart security solutions for critical infrastructure markets worldwide. It is expected to expand market reach, drive sales revenue, and enhance technical innovation by combining complementary technologies.⁹

These activities collectively demonstrate ScanTech AI's aggressive strategy to fund its commercialization efforts, expand its technological capabilities, and secure strategic partnerships to gain market share in the rapidly evolving security screening industry.

8. SWOT Analysis

A comprehensive SWOT analysis of ScanTech AI Systems Inc. reveals its strategic positioning in the security screening market, highlighting its strengths, weaknesses, opportunities, and threats.

Strengths

- **Proprietary Fixed-Gantry CT Technology:** Possesses patented fixed-gantry CT technology that eliminates moving parts, leading to potentially greater reliability, faster throughput, and lower acquisition/maintenance costs compared to traditional CT scanners.³
- **AI-Driven Threat Detection:** Integrates advanced AI and machine learning for rapid, accurate threat detection and improved material discrimination. AI enables continuous system learning and adaptive threat detection against evolving security challenges.³
- **Comprehensive Application Scope:** Solutions are applicable across a wide array of high-security environments, including airports, borders, ports, correctional facilities, nuclear/critical infrastructure, and public events.³
- **Early Commercial Validation:** Has secured initial pilot sales (e.g., to nuclear facilities) and is undergoing operational testing by the TSA at major airports, demonstrating early market acceptance.⁶
- **Strategic Partnerships:** Teaming agreements (e.g., with ZKTeco) expand market reach and create comprehensive security solutions by integrating complementary technologies.⁹
- **Cost Advantages:** Claims lower acquisition and maintenance costs compared to conventional systems, making it an attractive option for government agencies and private sector stakeholders.³

Weaknesses

- **Minimal Revenue & Persistent Net Losses:** Currently in early commercialization with very limited revenue and significant, ongoing net losses, indicating a high cash burn rate and dependence on external financing.¹
- **Limited Cash Runway:** Cash reserves are expected to sustain operations for a limited period, creating pressure to achieve milestones and secure additional funding.⁶
- **Nasdaq Compliance Issues:** Has faced Nasdaq deficiency notices for failing to file quarterly reports and not meeting minimum market value requirements, leading to stock volatility and potential delisting risk.⁷
- **High Stock Volatility & Low Market Cap:** The stock has experienced extreme volatility and decline since its public listing, with a very small market capitalization, which can deter institutional investors and impact future capital raises.²
- **Significant Debt Burden:** Operates with a significant debt burden, despite recent

restructuring efforts, which could impact its operational capabilities and lead to further dilution.⁷

- **Undisclosed Employee Count:** The number of employees is not consistently or clearly listed, making it difficult to assess the scale of its human capital resources.¹

Opportunities

- **Growing Infrastructure Protection Market:** The broader infrastructure protection market is substantial (estimated \$148 billion in 2024, growing to \$192 billion by 2029), providing a vast and expanding addressable market for ScanTech AI's solutions.⁶
- **Increasing Demand for Advanced Security:** Rising global security threats and the need for faster, more accurate, and less intrusive screening methods drive demand for its technology.³
- **AI-Driven Innovation:** Continued investment in AI (e.g., CustomsTrace AI™ platform) can enhance product functionality, provide deeper insights, and maintain a competitive edge in the evolving security landscape.¹⁷
- **Strategic Partnerships:** Opportunities to deepen collaborations with security technology providers (e.g., ZKTeco) and government agencies to expand market reach, drive sales, and co-develop integrated solutions.⁹
- **Global Expansion:** Potential to scale operations globally, leveraging its technology in new international markets.²³
- **Government Funding:** Significant investments in AI infrastructure and security upgrades by governments and private sector stakeholders can provide funding opportunities.⁷

Threats

- **Intense Competition:** Faces fierce competition from established players in the security scanning industry (e.g., Leidos, Morpho Detection, Rapiscan North) who possess significant resources and market dominance.⁶
- **Regulatory Hurdles & Compliance:** The security industry is highly regulated, requiring continuous adaptation to evolving standards and compliance with Nasdaq listing rules, which can be costly and impact market credibility.⁷
- **Technology Obsolescence:** The rapid pace of technological advancements in security screening requires continuous R&D investment to avoid obsolescence and maintain a competitive edge.¹⁸

- **Market Skepticism & Funding Difficulties:** Persistent losses, high cash burn, and stock volatility can lead to market skepticism and difficulties in securing future funding rounds on favorable terms.⁶
- **Shareholder Dilution:** The ongoing need for capital, particularly through equity financings, poses a near- to medium-term dilution risk for existing shareholders.⁷
- **Operational Reliability:** Maintaining high operational reliability and security for its systems is crucial to prevent downtime, data breaches, and reputational damage, which could lead to customer churn.³

9. Customer Segmentation & Deep Dive

ScanTech AI Systems Inc. serves a diverse range of customers within the critical infrastructure and security sectors, providing tailored screening solutions to meet their specific needs.

Primary Customer Segments:

- **Airports & Commercial Security Lanes:** This segment includes airport authorities, airlines, and commercial building operators. They seek efficient and non-intrusive screening solutions for passengers and baggage to enhance security, reduce wait times, and improve the traveler experience.³
 - *Needs:* High throughput, accurate threat detection (explosives, weapons), ability to leave liquids/electronics in bags, and compliance with aviation security standards.
 - *Examples:* TSA (Transportation Security Administration) at Philadelphia International and San Diego International Airports.¹¹
- **Border & Port Security:** This segment includes government agencies responsible for border control, customs, and port authorities. They require advanced screening for cargo, parcels, and travelers to detect contraband (narcotics, weapons) and ensure trade compliance.³
 - *Needs:* Non-intrusive inspection of large packages/parcels, rapid identification of hazardous materials, and integration with trade compliance platforms (e.g., CustomsTrace AI™).¹
- **Correctional Facilities:** This segment includes prisons and detention centers. They face the persistent challenge of contraband infiltration and require specialized scanning capabilities to prevent the entry of prohibited items.³
 - *Needs:* Advanced scanning tailored for secure institutions, high precision in detecting hidden items, and robust systems that minimize human error.
- **Nuclear & Critical Infrastructure:** This segment includes operators of nuclear

power plants, embassies, corporate headquarters, and other government and commercial buildings. They require high-security screening to protect high-value assets and ensure operational continuity against potential threats.³

- *Needs:* Quick identification of potential threats, reliable and accurate detection of hazardous materials, and systems that enhance security protocols.
- *Examples:* Canada's largest nuclear power plants.¹¹
- **Public Events & Large-Scale Venues:** This segment includes organizers and operators of large public gatherings (e.g., sports stadiums, concert halls). They need streamlined security checkpoints to reduce congestion while enhancing threat detection capabilities.³
 - *Needs:* Fast and efficient screening processes, ability to handle high volumes of people/bags, and systems that enhance overall safety.
- **Strategic Partners (B2B):** Companies like ZKTeco (biometric security, access control) who integrate ScanTech AI's technology into broader multi-layer security solutions. They seek complementary technologies to expand their market reach and offer comprehensive security ecosystems.⁹

ScanTech AI's customer segmentation strategy is to provide tailored, high-precision security screening solutions that address the critical and evolving needs of these diverse, high-stakes environments.

10. Sales & Distribution Strategy Analysis

ScanTech AI Systems Inc.'s sales and distribution strategy is primarily focused on direct engagement with its high-value, high-security target customers, complemented by strategic partnerships to expand its market reach.

Sales Channels:

- **Direct Sales to Government Agencies:** The company directly sells its advanced security systems to federal and state government agencies, including those responsible for airport security (e.g., TSA), border protection, and critical infrastructure.¹¹ This often involves direct proposals, demonstrations, and long-term contracts.
- **Direct Sales to Private Sector Clients:** ScanTech AI also engages directly with private sector clients, such as operators of nuclear power plants, corporate headquarters, and large commercial buildings, who require high-security screening solutions.¹¹
- **Strategic Partnerships:** The company actively pursues teaming agreements and

strategic partnerships (e.g., with ZKTeco). These collaborations are crucial for expanding market reach and potential revenue streams by integrating complementary technologies and leveraging partners' established global distribution networks and customer bases.⁹

- **Industry Events & Conferences:** Participation in industry events like the Smart Business Dealmakers Conference allows the CEO to speak on scaling innovation and high-impact M&A, which can attract potential clients and partners.²⁵

Go-to-Market (GTM) Strategy:

- **Technology-Driven Value Proposition:** The GTM narrative heavily emphasizes its cutting-edge fixed-gantry CT technology and AI-driven capabilities. It highlights benefits such as non-intrusive screening, high precision detection of various threats, minimized downtime, and lower acquisition/maintenance costs compared to traditional systems.³
- **Compliance & Reliability as Differentiators:** Marketing efforts likely stress the systems' ability to accurately and quickly detect hazardous materials and contraband without human error, ensuring compliance with industry regulations and enhancing security reliability.³
- **Addressing Evolving Threats:** The company positions its AI-driven systems as continuously learning and adapting to evolving security challenges, offering a future-proof solution.³
- **Global Expansion:** The GTM strategy includes plans to expand its market presence and scale operations globally, leveraging partnerships to reach critical infrastructure markets worldwide.⁹
- **Thought Leadership:** CEO Dolan Falconer's participation in industry conferences and emphasis on transparency in business model and fundamentals contribute to building market credibility and visibility.¹¹
- **Product Portfolio Expansion:** Plans to further expand its portfolio (e.g., CustomsTrace AI™ platform) and make technology more accessible and intelligent, broadening its appeal to new customer segments.¹³

The strategy is designed to be high-touch and technology-focused, aiming to secure long-term contracts with key institutional and private sector clients by demonstrating superior performance and cost-effectiveness.

11. Operational Efficiency Metrics

ScanTech AI Systems Inc.'s operational efficiency is currently focused on managing its cash burn and optimizing expenditures as it advances its commercialization efforts. As an early-stage company, traditional revenue-based efficiency metrics are not yet fully indicative of mature operational performance.

Key Operational Observations and Metrics (Inferred/Qualitative):

- **Revenue per Employee:** In 2024, the company's revenue per employee was \$36,144, indicating a relatively low level of productivity for its workforce, which is typical for a pre-revenue or early-revenue tech company with significant R&D staff.⁴
- **Profits per Employee:** The company reported a negative profit per employee of -\$1.69 million in 2024, reflecting its ongoing net losses.²²
- **Gross Margin:** Gross profit margins were 17.4%²¹ (also cited as 14.19%¹⁷ and 40.97%) in 2024, indicating the profitability of its initial sales.
- **EBITDA Margin:** EBITDA margin was significantly negative at -1967.8% in 2024²¹ (also cited as -17.29%), reflecting high operating expenses relative to minimal revenue.
- **Cash Burn Rate:** The company is "quickly burning through cash," a critical operational challenge. Its cash reserves are expected to sustain operations for a limited period, creating pressure to secure additional funding.⁶
- **Operating Expense Management:** Operating expenses are substantial due to R&D and startup costs.⁵ However, the company is reviewing its cost structure to optimize expenditures and improve the overall cash burn rate.¹⁰
- **Inventory Turnover:** The inventory turnover was 0.53 for the trailing twelve months (TTM) as of 2024, indicating slow movement of inventory, which is common for hardware-centric companies in early commercialization.²²
- **Asset Turnover:** The asset turnover was 0.31 in 2024, suggesting inefficient use of assets to generate revenue.²²
- **Fixed-Gantry Design Benefits:** The fixed-gantry CT scanners are designed to minimize downtime and reduce overall operational costs (maintenance, acquisition) compared to traditional CT scanners, which contributes to operational efficiency for its customers.³
- **AI for Efficiency:** The integration of AI facilitates continuous system learning and adaptive threat detection, enhancing screening efficiency and reliability, and potentially reducing human error.³

Overall, ScanTech AI's operational efficiency is currently measured by its ability to prudently manage its financial resources and effectively advance its commercialization efforts with a lean team, while actively seeking to extend its cash runway and improve its profitability metrics.

12. Technology & IP Strategy

ScanTech AI Systems Inc.'s technology and intellectual property (IP) strategy is foundational to its business model, centered on its proprietary fixed-gantry CT technology, advanced AI algorithms, and a robust patent portfolio designed to protect its innovative security screening solutions.

Key Technologies and IP Focus:

- **Patented Fixed-Gantry CT Technology:** This is the core technological asset. ScanTech AI's patented fixed-gantry CT scanners utilize a unique architecture that eliminates moving parts, distinguishing them from traditional CT scanners. This design is claimed to minimize maintenance downtime, reduce operational costs, and enhance reliability.³
- **Proprietary Artificial Intelligence (AI) and Machine Learning (ML) Capabilities:** The company integrates advanced AI and ML directly into its systems for:
 - **Accurate Threat Detection:** Enables precise detection of explosives, weapons, narcotics, and other contraband.³
 - **Material Discrimination Algorithms:** Utilizes proprietary CT imaging and material discrimination algorithms to accurately identify hazardous materials.³
 - **Continuous Learning:** AI allows for continuous system learning and adaptive threat detection, ensuring the systems remain effective against evolving security challenges.³
 - **Virtual Sentinel™ Simulation Platform:** Used for training AI on synthetic data, potentially allowing for faster improvements in threat recognition.⁶
- **Non-Intrusive Screening:** The technology allows for screening without the need to remove liquids, electronics, or dense packaging, enhancing efficiency and user experience.³
- **Patent Portfolio:** ScanTech AI relies on a combination of patent, trademark, copyright, unfair competition, and trade secret laws to protect its proprietary rights.¹⁸ While specific patent numbers are not detailed in the provided snippets, the company's emphasis on "patented fixed-gantry CT technology" and "proprietary AI" suggests a robust IP strategy.³
- **R&D Focus:** The company is committed to continuous R&D in advanced security screening technologies, with proceeds from capital raises earmarked for product development and market expansion.¹³
- **CustomsTrace AI™ Platform:** The development of this platform indicates an expansion of its IP into AI-driven solutions for goods identification and trade compliance.¹⁷

ScanTech AI's IP strategy is comprehensive, focusing on protecting its core

technological innovations through patents and proprietary software, while continuously investing in R&D to expand its product offerings and maintain its leadership in security screening.

13. Risk Heatmap

ScanTech AI Systems Inc. operates in a dynamic and high-risk security technology sector, facing various inherent risks that could impact its financial performance, operations, and strategic objectives.

Risk Heatmap

| Risk Category | Level of Risk | Key Contributing Factors |
|---|---------------|---|
| Financial Solvency & Liquidity | High | Minimal revenue, persistent net losses, negative shareholder equity, and high cash burn rate, making it highly dependent on external financing to continue operations. ¹ |
| Nasdaq Compliance | High | Has faced Nasdaq deficiency notices for failing to file quarterly reports and not meeting minimum market value requirements, leading to stock volatility and potential delisting risk. ⁷ |
| Market Competition | High | Operates in a highly competitive security scanning industry with numerous established and emerging players, including larger companies with greater financial resources and market |

| | | |
|---|----------------|---|
| | | share. ² |
| Execution Risks | Medium to High | Challenges in scaling manufacturing, distribution, sales, installation, and servicing capacities to meet industry and customer expectations. Strategic partnerships are in early stages of development. ²⁴ |
| Regulatory & Compliance | Medium | The security industry is highly regulated, requiring continuous adaptation to evolving standards. Non-compliance can lead to penalties and reputational damage. ⁷ |
| Shareholder Dilution | Medium | The ongoing need for capital, particularly through equity financings (e.g., debt-to-equity conversions, promissory notes), poses a near- to medium-term dilution risk for existing shareholders. ⁷ |
| Technology Commercialization | Medium | As an early-stage company, there is inherent risk in successfully translating its proprietary technology and pilot projects into commercially viable, revenue-generating products at scale. ⁶ |
| Stock Price Volatility | High | The stock price has shown extreme volatility and decline since its public listing, impacting investor confidence and potentially limiting future capital raises. ⁶ |
| Intellectual Property Protection | Low to Medium | While the company has patented technology, the ability to obtain, maintain, and protect its intellectual property is crucial for competitive advantage and is subject to |

| | | |
|--|--|---------------------------------|
| | | legal challenges. ¹⁸ |
|--|--|---------------------------------|

14. Strategic Recommendations

ScanTech AI Systems Inc. is at a critical juncture, with its future success dependent on advancing its innovative security solutions, securing critical funding, and strategically leveraging its unique technology.

1. **Achieve Nasdaq Compliance & Stabilize Stock Price:** Prioritize and promptly address all Nasdaq compliance issues, including timely filing of financial reports and maintaining the minimum bid price. Consider strategic actions like a reverse stock split if necessary, while carefully managing potential negative market sentiment. Transparent communication on compliance efforts is crucial.⁷
2. **Secure Sustainable Funding & Improve Liquidity:** Aggressively pursue and secure additional capital through a mix of equity financings and non-dilutive funding (e.g., government grants, strategic partnerships). This is critical to extend the cash runway and fund ongoing development and commercialization without excessive dilution.⁶
3. **Accelerate Product Adoption & Commercialization:** Focus on converting pilot sales and testing (e.g., airport deployments) into full commercial contracts. Demonstrate steady revenue growth and operational profitability to build market credibility and attract broader investment.⁶
4. **Deepen Strategic Partnerships:** Continue to forge and strengthen strategic partnerships with security technology providers (e.g., ZKTeco) and government agencies. These collaborations can expand market reach, drive sales revenue, and enhance technical innovation by integrating complementary technologies.⁹
5. **Optimize Operational Efficiency & Cost Control:** Implement rigorous cost optimization programs across R&D, manufacturing, and general & administrative expenses to improve the overall cash burn rate and enhance gross margins. Focus on streamlining processes to meet growing demand efficiently.³
6. **Leverage AI for Continuous Innovation:** Continuously invest in and leverage its proprietary AI and machine learning capabilities to enhance threat detection accuracy, improve material discrimination, and develop new features (e.g., CustomsTrace AI™). This will maintain a technological edge and address evolving security challenges.³

15. Market Trends & Strategic Outlook, and CEO Strategic Supplement

ScanTech AI Systems Inc. is strategically positioned within the rapidly evolving global security technology landscape, aiming to capitalize on the growing demand for advanced, AI-driven screening solutions.

Market Trends & Strategic Outlook

The strategic outlook for ScanTech AI is largely positive, driven by several key market trends:

- **Growing Infrastructure Protection Market:** The global infrastructure protection market is substantial and projected for significant growth (from \$148 billion in 2024 to \$192 billion by 2029). This provides a vast and expanding addressable market for ScanTech AI's solutions.⁶
- **Increasing Security Threats & Demand for Advanced Screening:** Rising global security threats and the need for faster, more accurate, and less intrusive screening methods are driving demand for innovative security technologies. This includes a focus on detecting explosives, weapons, and narcotics.³
- **AI Integration in Security:** The increasing adoption of AI and machine learning in security solutions is a transformative trend, enhancing threat detection, predictive maintenance, and operational efficiency. ScanTech AI's core capabilities align perfectly with this trend.³
- **Government Investment in Security Infrastructure:** Significant investments in AI infrastructure and security upgrades by governments and private sector stakeholders are fueling market growth and creating funding opportunities.⁷
- **Shift to Non-Intrusive & Efficient Screening:** The demand for screening systems that allow items to remain in bags (e.g., liquids, electronics) and reduce checkpoint congestion is a key driver, aligning with ScanTech AI's core value proposition.³

ScanTech AI's strategic outlook is to capitalize on these trends by continuously innovating its technology, expanding its market reach through strategic partnerships, and achieving profitability through operational excellence. The company aims to bolster its position in the security screening industry and contribute to sustained revenue growth.¹⁶

CEO Strategic Supplement (Dolan Falconer's Vision)

Dolan Falconer, CEO and President of ScanTech AI Systems Inc., articulates a strategic vision centered on pioneering next-generation security screening, driving innovation through AI, and expanding the company's global footprint to address evolving security challenges.

His leadership philosophy and strategic focus areas include:

- **Pioneering AI-Driven Security:** Falconer is committed to leading the development and deployment of advanced non-intrusive 'fixed-gantry' CT screening technologies powered by artificial intelligence and machine learning. This positions ScanTech AI at the forefront of global security innovation.³
- **Operational Excellence & Market Penetration:** He emphasizes a relentless focus on operational excellence and penetrating multiple market verticals for security screening. This includes ensuring its scanning equipment can instantly identify threats with minimal maintenance downtime and at a fraction of the cost of traditional CT scanners.¹¹
- **Strategic Partnerships for Global Reach:** Falconer actively pursues strategic teaming agreements (e.g., with ZKTeco) to expand market reach and deliver integrated, multi-layer smart security solutions for critical infrastructure customers worldwide. This is crucial for scaling capabilities.⁹
- **Commitment to Transparency & Investor Confidence:** He acknowledges the importance of continuous investor communication and transparency into the company's business model and fundamentals, particularly amidst market volatility. This aims to rebuild and maintain investor confidence.¹¹
- **Unlocking Shareholder Value:** The overarching goal is to enhance the company's ability to pursue its strategic vision of innovation, adaptability, and customer-centric design, ultimately unlocking shareholder value in growth sectors.¹³
- **Addressing Nasdaq Compliance:** He is focused on navigating Nasdaq compliance issues, including addressing minimum bid price requirements, to maintain market credibility and attract broader investment.⁸

In essence, CEO Dolan Falconer's strategic supplement would highlight a commitment to disciplined execution, leveraging cutting-edge AI technology, and prudent financial management to establish ScanTech AI as a leader in the global security screening market.

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