

iQSTEL, Inc.
NASDAQ- IQST

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IQSTEL Activates AI: Reality Border Transitions from R&D to Early Commercialization

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- **AI moves from concept to commerce** - Reality Border has progressed from internal experimentation to initial commercialization, with two AI products now in market and early paying customers.
- **Capital-light by design** - Reliance on third-party foundation models and IQSTEL's existing infrastructure limits upfront investment while preserving operating leverage.
- **Distribution advantage is real** - AI products are sold through IQSTEL's established telecom and contact-center channels, accelerating go-to-market without building a standalone sales force.
- **Labor inflation strengthens the use case** - Rising minimum wages globally, including a recent 23% increase in Colombia for 2026, improve the economics of AI-driven call-center automation.
- **Option value, not a valuation crutch** - AI remains immaterial to near-term revenue but represents a long-dated, margin-enhancing growth lever layered onto IQSTEL's core telecom platform.
- **We reiterate our Buy rating.**

Rating	BUY	Earnings Per Share	Normalized to exclude unusual items			
Target Price	\$18.00	FYE - December	2024	2025E	2026E	2027E
Ticker Symbol	IQST	1Q - March	(\$0.37)	(\$0.44) A	(\$0.16)	(\$0.07)
Market	NASDAQ	2Q - June	(\$0.90)	(\$0.82) A	(\$0.15)	(\$0.06)
Stock Price	\$2.66	3Q - September	(\$0.40)	(\$0.68) A	(\$0.11)	(\$0.00)
52 wk High	\$22.95	4Q - December	(\$1.13)	(\$0.23)	(\$0.09)	\$0.04
52 wk Low	\$2.63	Year	(\$2.80)	(\$2.12)	(\$0.49)	(\$0.09)
Shares Outstanding:	4.6 M	Revenue (\$mm)	\$283.2	\$337.2	\$428.2	\$452.2
Public Market Float:	4.3 M	EV/Rev	0.0X	0.0X	0.0X	0.0X
Avg. Daily Volume	90,727	EBITDA (\$mm)	(\$0.0)	(\$1.3)	\$0.9	\$2.4
Market Capitalization:	\$12 M	EV/EBITDA	NM	-11.1X	16.3X	5.8X
Institutional Holdings:	4.6%					
Dividend Yield:	0.0%					

Risks/Valuation

- The key risk factors we see are execution risk related to customer acquisition and traffic volume growth, vendor dependence and platform consolidation, and the complexity of integrating partially owned subsidiaries.
- We utilize an EV/EBITDA valuation method and compare it to telecom comps to value IQST shares.

Company description: iQSTEL is a Miami-based, international wholesale telecom carrier founded in 2008 (as Etelix). The company went public in 2018 via a reverse merger. It offers a comprehensive suite of services, including international voice and SMS termination, DID and toll-free numbers, PBX services, and SIP trunking. Through nine acquisitions, iQSTEL now operates five voice businesses, two SMS subsidiaries, two fintech ventures, and one metaverse joint venture. Revenue is currently split approximately 80% telecom and 20% fintech.



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Capital-light AI agents begin monetization, leveraging IQSTEL's telecom and contact-center footprint

Recent disclosures and management discussions reinforce that IQSTEL has advanced its artificial intelligence strategy from early-stage experimentation into initial commercialization through its majority-owned AI subsidiary, Reality Border. While AI remains immaterial to consolidated revenue today, the initiative is notable for its capital-light structure, rapid product iteration, and direct leverage of IQSTEL's existing telecom and contact-center distribution. Consistent with our initiation thesis, we view AI not as a standalone valuation pillar at this stage, but as a long-dated, margin-enhancing growth option layered onto IQSTEL's core telecom and enterprise services platform. We expect more such AI initiatives, either organically or via acquisition, going forward.

Structure and Control Reality Border to Enable Speed and Focus

Reality Border was formed in 2023 as a joint venture and is 51% owned by IQSTEL, with the remaining 49% held by CEO Jose Enrique Puente and other investors. The company is headquartered in Spain, and management emphasized the close geographic proximity and long-standing working relationship between Puente and IQSTEL CEO Leandro Iglesias as enabling frequent collaboration and rapid execution.

Reality Border currently operates with a small, focused team of approximately five employees, consisting of:

- CEO Jose Enrique Puente
- Three software developers based in Spain
- Diana Fernandez - a marketing professional based in Bogota

This lean structure reflects management's strategy to rely on third-party foundation models and IQSTEL's existing commercial infrastructure rather than building a large standalone organization.

Leveraging Founder Expertise Through Jose Enrique Puente

Jose Enrique Puente brings experience across digital platforms, customer engagement technologies, and enterprise software development. Before forming Reality Border, Puente worked in roles spanning product development and emerging technology initiatives focused on interactive user experiences and automation. His professional relationship with IQSTEL management predates the formal JV and was a key driver behind the 2023 partnership.

Pivot from Metaverse R&D to Revenue-Oriented Enterprise AI

Reality Border's early work in 2023 centered on an immersive, metaverse-style digital environment—defined here as a persistent, interactive digital space enabling real-time engagement via avatars, conversational interfaces, and workflow automation. Importantly, this effort was not positioned as a consumer VR product, but rather as an R&D environment to validate conversational UX, multilingual interaction, and agent orchestration. Based on enterprise feedback and observed demand, management pivoted in 2024 toward practical, revenue-oriented AI agents deployed across web and voice channels, directly informing the development of AIRWEB and IQ2Call. Management characterized the metaverse phase as an internal innovation step rather than a commercial endpoint.



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Deploying AIRWEB to Automate Web and Voice Engagement

AIRWEB is a 24/7 AI assistant designed to embed AI chat and voice avatars directly into websites and phone workflows and is targeted at small businesses. The product is targeted primarily at small and mid-sized businesses seeking low-cost, multilingual customer engagement automation. The AI avatar on Airweb's website provided us with the following product milestones to date:

- January 2024: Launch of interactive web AI agent with text and push-to-talk support
- June 2024: Introduction of 24/7 voice-enabled support across 57 languages (web and phone)
- September 2024: Autonomous outbound calling for prospecting, qualification, and scheduling
- November 2024: Smart Call AI Agent plan with dedicated U.S. number and bundled analytics
- February 2025: API and custom AI agent solutions supporting customer-provided models
- May 2025: Real-time campaign management and analytics dashboards
- August 2025: Global VoIP reach and compliance enhancements
- November 2025: Public rollout with stable, scalable deployments

Source: Airweb.ai

According to management, AIRWEB currently has approximately 60–80 users in free trials and two paying customers, one of which uses the platform for internal workflows rather than external customer engagement.

Introducing IQ2Call to Replace and Augment Call-Center Agents

Introduced in August 2025, IQ2Call is an AI-first call center solution designed to automate inbound and outbound voice interactions, with optional escalation to human agents. The product is positioned as a cost-reduction and scalability tool for enterprises operating contact centers, particularly in labor-intensive regions and is targeted at mid-size to large organizations. IQ2Call is distributed through IQSTEL's existing contact-center sales channels and infrastructure, allowing Reality Border to pursue commercialization without building a separate sales organization.

Capitalizing on Labor Inflation in Key Markets

Management highlighted recent labor cost inflation in Latin America as a potential tailwind for AI-driven call center automation. In December 2025, Colombia approved a ~23% increase in the national minimum wage for 2026, raising it from approximately COP 1.42 million per month in 2025 to roughly COP 1.75 million per month, excluding transportation allowances. We view this wage increase as directionally supportive of automation adoption in contact-center-heavy markets.



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Operating a Secure, Inference-Driven AI Architecture

Reality Border's AI products utilize OpenAI foundation models for language generation, while inference orchestration—the real-time execution, routing, monitoring, and scaling of AI responses—is managed within Reality Border's proprietary platform. Inference is a critical determinant of latency, reliability, and cost control in production AI deployments. All AI traffic is routed through Cyclerion (NASDAQ – CYCU) ARx, a third-party cloud-based cybersecurity platform, providing reverse-proxy shielding, API and web application firewalling, bot defense, and behavioral threat analytics. At present, Cyclerion services are being provided at no incremental cost during early commercialization, according to management, given the two companies' close strategic relationship and cross-shareholding.

Targeting Initial Revenue While Preserving Upside Optionality

Management expects Reality Border to generate approximately \$250,000 in revenue during 2026, driven primarily by AIRWEB and IQ2Call subscriptions. This revenue level would require onboarding on the order of ~25 AI agents, which management indicated could potentially be achieved with a single mid-sized enterprise customer. No patents have yet been issued or filed, though management stated that IP protection is planned as workflows and orchestration layers mature.

Reinforcing Strategic Discipline While Building AI Optionality

- **Capital-Light AI Strategy:** Reliance on third-party foundation models materially reduces R&D and balance-sheet risk.
- **Early Monetization Focus:** AI initiatives are explicitly designed around near-term revenue use cases rather than speculative scale.
- **Distribution Leverage:** IQSTEL's existing telecom and contact-center footprint accelerates go-to-market execution.
- **Optionality, Not Dependence:** AI represents a long-dated upside lever rather than a core valuation driver at this stage.

We believe that Reality Border reflects a disciplined approach to AI commercialization within IQSTEL—prioritizing practical deployment, capital efficiency, and integration with existing assets. While still early, the initiative aligns with IQSTEL's broader strategy to incrementally layer higher-margin services onto its global connectivity platform without introducing outsized execution or financial risk. We continue to view AI as incrementally positive, strategically rational, and appropriately sized relative to IQSTEL's core telecom operations, consistent with the framework laid out in our initiation report.



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iQSTEL Income Forecast

Dollars in thousands
Fiscal years ended December 31

	2025E					2026E					2027E				
	1QA	2QA	3QA	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	March	June	September	December		March	June	September	December		March	June	September	December	
Revenue	57,633	72,183	102,868	104,550	337,234	105,050	106,050	107,050	110,050	428,200	108,050	109,050	114,050	121,050	452,200
YoY growth	12.1%	-8.2%	89.6%	5.7%	19.1%	82.3%	46.9%	4.1%	5.3%	27.0%	2.9%	2.8%	6.5%	10.0%	5.6%
Seq growth	-41.7%	-74.5%	42.5%	1.6%		0.5%	-68.6%	0.9%	2.8%		-1.8%	-74.5%	4.6%	6.1%	
Cost of revenue	55,698	70,312	100,127	101,956	328,092	102,250	103,223	104,089	107,005	416,567	104,957	105,928	110,669	117,459	439,013
As a percent of revenue	96.6%	97.4%	97.3%	97.5%	97.3%	97.3%	97.3%	97.2%	97.2%	97.3%	97.1%	97.1%	97.0%	97.0%	97.1%
Gross profit	1,935	1,871	2,741	2,594	9,141	2,800	2,827	2,961	3,045	11,633	3,093	3,122	3,381	3,591	13,187
Gross margin	3.4%	2.6%	2.7%	2.5%	2.7%	2.7%	2.7%	2.8%	2.8%	2.7%	2.9%	2.9%	3.0%	3.0%	2.9%
General and administration	2,539	2,528	3,300	3,230	11,597	3,230	3,230	3,230	3,230	12,922	3,230	3,230	3,230	3,230	12,922
As a percent of revenue	4.4%	3.5%	3.2%	3.1%	3.4%	3.1%	3.0%	3.0%	2.9%	3.0%	3.0%	3.0%	2.8%	2.7%	2.9%
Operating income	(604)	(656)	(559)	(636)	(2,456)	(430)	(403)	(269)	(185)	(1,289)	(137)	(108)	151	361	265
Operating margin	-1.0%	-0.9%	-0.5%	-0.6%	-0.7%	-0.4%	-0.4%	-0.3%	-0.2%	-0.3%	-0.1%	-0.1%	0.1%	0.3%	0.1%
Other income	(520)	(1,601)	(1,695)	-	(3,816)	-	-	-							
Profit before taxes	(1,124)	(2,257)	(2,254)	(636)	(6,272)	(430)	(403)	(269)	(185)	(1,289)	(137)	(108)	151	361	265
Income taxes	21	92	72	70	254	70	70	70	70	280	70	70	70	70	280
Tax rate	-1.8%	-4.1%	-3.2%	-11.0%	-4.1%	-16.3%	-17.4%	-26.0%	-37.7%	-21.7%	-50.9%	-64.5%	46.5%	19.4%	105.6%
Net income	(1,145)	(2,349)	(2,326)	(706)	(6,526)	(500)	(473)	(339)	(255)	(1,569)	(207)	(178)	81	291	(15)
Non-controlling interests	13	58	141	141	353	100	100	100	100	400	100	100	100	100	400
Net income to iQSTEL Inc.	(1,158)	(2,407)	(2,467)	(847)	(6,879)	(600)	(573)	(439)	(355)	(1,969)	(307)	(278)	(19)	191	(415)
Diluted shares outstanding	2,630	2,953	3,654	3,754	3,248	3,854	3,954	4,054	4,154	4,004	4,254	4,354	4,454	4,554	4,404
Seq change	243	675	3,654	100		100	100	100	100		100	100	100	100	
EPS diluted	(\$0.44)	(\$0.82)	(\$0.68)	(\$0.23)	(\$2.12)	(\$0.16)	(\$0.15)	(\$0.11)	(\$0.09)	(\$0.49)	(\$0.07)	(\$0.06)	(\$0.00)	\$0.04	(\$0.09)
EBITDA															
Net income	(1,145)	(2,349)	(2,326)	(706)	(6,526)	(500)	(473)	(339)	(255)	(1,569)	(207)	(178)	81	291	(15)
Depreciation and amortization	127	161	162	160	610	160	160	160	160	640	160	160	160	160	640
Interest expense	532	459	342	342	1,675	342	342	342	342	1,368	342	342	342	342	1,368
FX gain losses	32	(66)	(13)	-	(47)	-	-	-	-	-	-	-	-	-	-
Loss on debt settlement	33	879	1,346	-	2,257	-	-	-	-	-	-	-	-	-	-
Loss on salary settlement	-	217	-	-	217	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	-	22	16	15	53	15	15	15	15	60	15	15	15	15	60
Other non-recurring	151	(10)	49	-	190	-	-	-	-	-	-	-	-	-	-
Taxes	26	99	93	90	307	90	90	90	90	360	90	90	90	90	360
EBITDA	(245)	(588)	(331)	(99)	(1,263)	107	134	268	352	859	400	429	688	898	2,413
YoY growth															
EBITDA margin	-0.4%	-0.8%	-0.3%	-0.1%	-0.4%	0.1%	0.1%	0.2%	0.3%	0.2%	0.4%	0.4%	0.6%	0.7%	0.5%
EBITDA by business unit															
Telcom	593	513	605	440	2,151	620	647	766	850	2,883	858	887	1,130	1,340	4,215
Fintech	-	-	79	91	170	117	117	132	132	498	172	172	188	188	720
Pre-revenue companies	(1)	(0)	(0)	(0)	(3)	(0)	(0)	(0)	(0)	(2)	(0)	(0)	(0)	(0)	(2)
iQSTEL	(837)	(1,100)	(1,013)	(630)	(3,580)	(630)	(630)	(630)	(630)	(2,520)	(630)	(630)	(630)	(630)	(2,520)
EBITDA	(245)	(588)	(331)	(99)	(1,263)	107	134	268	352	859	400	429	688	898	2,413

Source: Company reports and Litchfield Hills Research



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