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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Boxlight Corporation

Speculative Buy

John Nobile
August 19, 2020

BOXL $2.07 — (NASDAQ)

	2018A	2019A	2020E	2021E
Revenues (millions)	$37.8	$32.7	$30.5	$41.5
Earnings (loss) per share	$(0.72)	$(0.90)	$(0.16)	$(0.04)

52-Week range	$4.65 – $0.33	Fiscal year ends:	December
Common shares out as of 8/11/20	50.1 million	Revenue per share (TTM)	$2.34
Approximate float	44.1 million	Price/Sales (TTM)	0.9X
Market capitalization	$104 million	Price/Sales (FY2021)E	2.5X
Tangible book value/share	$0.01	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2021)E	NMF

Boxlight Corporation, headquartered in Lawrenceville, Georgia, is a designer, producer, and distributor of interactive classroom technologies for the global education market.

Key investment considerations:

Maintaining Speculative Buy rating and raising out twelve-month price target to $3.00 per share from $2.00 based on BOXL's expanded offerings in virtual, blended, and in-class learning and a strengthened balance sheet.

The adverse impact from COVID-19 on Boxlight's sales in 1H20 should start to diminish in 2H20. However, the dramatic drop in sales experienced in 2Q20 should result in a decline in full year sales. Accordingly, we project decreased sales for 2020 but expect a return to growth in 2021 as the adverse effects from COVID-19 eases and the company's partnership with Samsung makes a significant contribution to sales.

In an effort to offset the expected decline in 2020 sales, the company has reduced its annual operating budget by approximately $5 million starting in 2Q20. We project the cost reduction should enable the company to generate cash earnings of $1.1 million in 2021 compared to a cash loss of $3.2 million in 2020.

On August 12, 2020, Boxlight announced a strategic partnership with Samsung to bundle classroom displays, classroom software, and professional development services for the education market.

On June 18, 2020, Boxlight announced the release of MimioConnect, a cloud-based teaching and learning platform that helps teachers streamline lesson delivery in remote and blended classrooms.

Boxlight reported (on 8/14/20) 2Q20 revenue decreased 27.5% to $7.8 million and a loss of $(0.08) per share versus a loss $(0.13) per share in 2Q19. We projected 2Q20 revenue of $8.8 million and a loss of $(0.05) per share.

For 2020, we project revenue to decline by 7% to $30.5 million and a loss of $(0.16) per share. We previously projected revenue of $31.4 million and a loss of $(0.32) per share.

For 2021, we project revenue to increase 36.3% to $41.5 million and a net loss of $(0.04) per share. We previously projected revenue of $39.5 million and a loss of $(0.17) per share. Our forecast reflects added revenue from the Samsung partnership.

****Please view our disclosures on pages 13 - 15.***

Recommendation and Valuation

We are maintaining our Speculative Buy rating on Boxlight Corporation and raising out twelve-month price target to $3.00 per share from $2.00 based on the company's expanded offerings in virtual, blended, and in-class learning and a significantly strengthened balance sheet.

The adverse impact from COVID-19 on Boxlight's sales in 1H20 should start to diminish in 2H20. However, the dramatic drop in sales experienced in 2Q20 should result in a decline in full year sales. Accordingly, we project decreased sales for 2020 but expect a return to growth in 2021 as the adverse effects from COVID-19 eases and the company's partnership with Samsung (discussed below) makes a significant contribution to sales.

In an effort to offset the expected decline in 2020 sales, the company has reduced its annual operating budget by approximately $5 million starting in 2Q20. We project the cost reduction should enable the company to generate cash earnings of $1.1 million in 2021 compared to a cash loss of $3.2 million in 2020.

Since the company has announced the launch of its MimioConnect virtual and blended learning software in June 2020 and strengthened its balance sheet through an equity offering, shares of BOXL have traded at a forward multiple as high as 5.6X our 2021 sales estimate. Shares have since fallen back to a current forward multiple of 2.5X. We believe BOXL's multiple will expand from its current level once sustained sales growth returns. We applied a multiple of 4X to our 2021 sales per share projection of $0.83, discounted for execution risk, to derive a year-ahead price target of approximately $3.00 per share.

Recent Developments

Boxlight and Samsung Enter into Strategic Partnership - On August 12, 2020, Boxlight announced a strategic partnership to bundle classroom displays, classroom software, and professional development services for the education market. The education bundles combine Samsung display innovations with Boxlight's OKTOPUS education software and online professional development courses.

Samsung display solutions for education include digital signage, interactive Flip 2 and QBH-TR displays. Boxlight's OKTOPUS software provides a presentation solution that offers subject specific tools for teaching, assessment and polling functions, grading and reporting features, and personal device collaboration. OKTOPUS also allows existing third-party lessons to be uploaded and used in the teaching software. Boxlight's professional development courses provide training for both front of classroom Samsung displays and the OKTOPUS education software.

Boxlight Introduces MimioConnect™ Blended Learning Platform - On June 18, 2020, Boxlight announced the release of MimioConnect, a cloud-based teaching and learning platform that helps teachers streamline lesson delivery in remote and blended classrooms. Lessons can be presented to a group of students or assigned for individual, self-paced learning.

MimioConnect integrates with the most commonly used platforms in education including Google Classroom, Microsoft 365, Schoology, Canvas, Moodle and Blackboard. Teachers can use existing content such as PowerPoint or PDF documents, or import interactive lessons created using Smart Notebook, Promethean ActivInspire, MimioStudio™, and OKTOPUS.

Clayton County Schools Expands Partnership - On June 5, 2020, Boxlight announced that Clayton County Public Schools, Georgia's fifth-largest school district, will continue to work with the company's Professional Services division, Boxlight-EOS Education.

The EOS program will provide Clayton County Public School teachers with the training and ongoing support to help them deliver lessons in the classroom or online. The partnership will provide expanded professional training services and programs to the district during the 2020-21 academic year.

In spring 2018, Boxlight was the chosen solution for an $18 million digital classroom refresh project in Clayton County to install Mimio classroom solutions in approximately 3,200 classrooms. The installation was completed at the end of February 2019.

New Distribution Partnership in Mexico with CT Internacional del Noroeste -
On June 2, 2020, Boxlight and Edubytes, a Boxlight channel partner in Mexico specializing in the education market, announced a distribution agreement with CT Internacional del Noroeste, one of the largest IT distributors in Mexico.

This partnership will allow Boxlight to further expand in the Mexican market by facilitating access to integrated, easy-to-use technology solutions for educational institutions, and by providing new business opportunities to CT International's channels by selling comprehensive, differentiated, profitable and value-added solutions.

Organizational History

In September 2014, Boxlight Corporation was incorporated in Nevada for the purpose of becoming a technology company that sells interactive educational products. The company was formed through several acquisitions that started in April 2016. A brief description can be seen in the table below:

April 2016	Boxlight acquired Mimio LLC, a designer, producer and distributer of a broad range of interactive classroom technology products primarily targeted at the global K-12 education market.
May 2016	Boxlight acquired Genesis Collaboration LLC, a provider of solutions that enhance interactive learning in the business, government, and education markets.
July 2016	Boxlight acquired the Boxlight Group, a seller and distributer of interactive projectors that suit the varying needs of instructors, teachers and presenters.
May 2018	Boxlight acquired Cohuborate, Ltd., a UK-based producer and distributer of interactive display panels designed to provide new learning and working experiences through in-room and room-to-room multi-device, multi-user collaboration.
June 2018	Boxlight acquired Qwizdom Inc., a developer of software and hardware solutions that are quick to implement and designed to increase participation, provide immediate data feedback, and, accelerate and improve comprehension and learning.
August 2018	Boxlight acquired EOSEDU, LLC, a provider of technology consulting, training, and professional development services that integrate technology with curriculum in K-12 schools and districts.
March 2019	Boxlight acquired Modern Robotics Inc., a company engaged in the business of developing, selling and distributing STEM, robotics and programming solutions to the education market globally.
April 2020	Boxlight acquired MyStemKits Inc., a company that develops, sells, and distributes 3D printable science, technology, engineering and math curriculums incorporating 3D printed project kits for education. MyStemKits owns the right to manufacture, market, and distribute Robo 3D branded printers and associated hardware for the global education market.

The company completed an initial public offering of its common stock in November 2017 and began trading under the symbol BOXL.

Business

Boxlight Corporation, headquartered in Lawrenceville, Georgia, is a designer, producer, and distributor of interactive classroom technologies for the global education market.

Products that the company sells include flat panels (interactive flat panel pictured at top right on next page), projectors, whiteboards and peripherals. Boxlight also distributes science, technology, engineering and math (STEM) products, including its portable science lab. Besides providing hardware, engineering and manufacturing, software and content development to clients and customers, Boxlight offers services that include installation, training, consulting and maintenance.

The company has historically generated substantially all of its revenue from the sale of its software and interactive displays to the educational market.

Boxlight does not manufacture any of the products it sells. Many of the company's products and components are manufactured by original design manufacturers (ODMs) and original equipment manufacturers (OEMs) located in the US, Taiwan, China, and Germany.

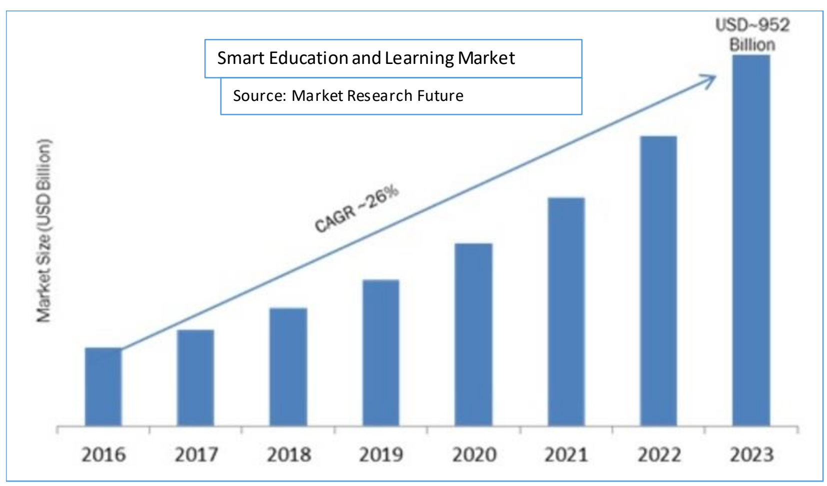
Boxlight's sales force and marketing teams are primarily focused on driving sales to school districts, throughout North, Central and South America, Europe, the Middle East and Asia. The company also markets its products through distributors and resellers providing them with training to become knowledgeable about its products. Boxlight currently has approximately 800 resellers.

Industry

The following industry projections suggest robust growth for the global smart education market. However, due to the COVID-19 pandemic, there is a risk of reduced demand for certain smart education products due to extended distance and digital learning.

The global education industry is undergoing a significant transition, as primary and secondary school districts, colleges and universities, as well as governments, corporations and individuals around the world are increasingly recognizing the importance of using technology to more effectively provide information to educate students and other users. Smart education denotes a range of technologies employed to enhance the delivery and administration of education across various segments such as K-12, higher education, enterprise, government and healthcare.

The global smart education market is projected to reach $952 billion by 2023 for a compound annual growth rate (CAGR) of 26% from 2017 to 2023 according to an April 2020 report by industry report publisher Market Research Future (see chart at right). The increase in educational institutions that are adopting advanced methods of teaching and tools, such as projectors, white boards, and smart notebooks are anticipated to be key drivers in the smart education and learning market.



Grand View Research predicts that rising demand for innovative and interactive techniques such as educational apps were expected to propel the smart education market. Compared to traditional classrooms based on one-way learning, the learning experience in current times has transformed immensely with students being exposed to digital devices at an early age. New learning modes such as adaptive learning, simulation-based learning, blended learning, and collaborative learning have subsequently evolved and offer an enhanced learning experience.

The educational robot market that the company entered in March 2019 with its acquisition of Modern Robotics promises robust growth for this segment over the next five years. In August 2019, Market Research Future projected the global educational robot market to grow at a CAGR of approximately 16.2% from 2017 to 2023 reaching a market size of over $1.5 billion. The role of educational robots is not to replace teachers but to make the whole learning process much easier and convenient for the students. Educational robots can be described as an assortment of activities, instructional curriculums, physical podiums, enlightening resources, and educational philosophy.

Competition

Boxlight operates in the highly competitive interactive education industry and faces substantial competition from developers, manufacturers and distributers of interactive learning products and solutions. The industry is characterized by frequent product introductions and rapid technological advances. Interactive whiteboards have evolved from a high-cost technology that involves multiple components, requiring professional installers, to a one-piece technology that is available at increasingly reduced price points and affords simple installations. Boxlight's ability to integrate its existing technologies and remain innovative in developing new technologies that are desired by customers will determine its ability to grow.

Strategy

Boxlight's growth strategy includes acquiring assets and technologies of companies that have products, technologies, industry specializations or geographic coverage that extend or complement its existing product portfolio for the smart education market.

Boxlight has implemented a comprehensive plan to reach profitability, which includes integrating products from acquired companies and cross training sales professionals to increase their offerings.

The company anticipates achieving significant costs savings by merging the operations of the companies it acquires and reducing costs through staff reductions (consolidating resources such as accounting, marketing and human resources), economies of scale (improved purchasing power with a greater ability to negotiate prices with suppliers), and improved market reach and industry visibility (increase in customer base and entry into new markets).

Economic Outlook

In June 2020, the International Monetary Fund (IMF) updated its global economic growth estimates to a decline of 4.9% for 2020 and growth of 5.4% for 2021, down from its April 2020 estimates calling for a decline of 3% for 2020 and growth of 5.8% for 2021. The revisions primarily reflect a more negative impact of the COVID-19 pandemic in 1H20 than originally anticipated and a more gradual recovery than previously forecast.

The IMF updated its economic growth estimate for the US to a decline of 8% for 2020 and growth of 4.5% for 2021. In April 2020, the IMF projected a decline in US growth of 5.9% for 2020 and growth of 4.7% for 2021.

The advance estimate of US GDP growth (released on July 30, 2020) showed the US economy decreased at an annual rate of 32.9% in 2Q20, greater than the 5% decline reported in 1Q19. The 2Q20 US GDP estimate primarily reflects decreases in consumer spending, exports, inventory investment, business investment, and housing investment, partially offset by an increase government spending.

Projections

The adverse impact from COVID-19 on Boxlight's sales in 1H20 should start to diminish in 2H20. However, the dramatic drop in sales experienced in 2Q20 should result in a decline in full year sales. Accordingly, we project decreased sales for 2020 but expect a return to growth in 2021 as the adverse effects from COVID-19 eases.

In an effort to offset the expected decline in 2020 sales, the company has reduced its annual operating budget by approximately $5 million starting in 2Q20. We project the cost reduction should enable the company to generate cash earnings in 2021 compared to a cash loss in 2020.

2020 – We project revenue to decline by 7% to $30.5 million and a net loss of $5.3 million or $(0.16) per share. We previously projected revenue of $31.4 million and a net loss of $4.5 million or $(0.32) per share. Our projections reflect 2Q20 results and an increase in the average number of shares outstanding to 32.6 million from 10.7 million in 2019.

We project a 9.7% increase in gross profit to $9.5 million from $8.7 million as gross margins improve to 31.3% from 26.5% in 2019.

We anticipate general and administrative expenses decreasing to $13.5 million from $15.8 million due to the reduction in the company's operating budget that started in 2Q20. R&D expenses are projected to remain relatively flat at $1.2 million.

Interest expense should decline to $1.3 million from $1.8 million as the company pays down its debt with funds from equity offerings. We project the company paying no taxes due to its large amount of net operating loss carryforwards ($19.6 million as of December 31, 2019).

We project a cash loss of $3.2 million and a decrease in working capital of $318,000 resulting in cash used in operations of $2.9 million. We project $40.3 million cash from financing due primarily to proceeds from the issuance of common stock offset in part by the pay down of debt. We project a $37.2 million increase in cash to $38.4 million at December 31, 2020.

2021 – We project revenue to increase by 36.3% to $41.5 million and a net loss of $1.8 million or $(0.04) per share. We previously projected revenue of $39.5 million and a net loss of $2.5 million or $(0.17) per share. Our projections reflect added revenue from the partnership with Samsung and an increase in the average number of shares outstanding to 50.1 million. Supporting our forecast should be the easing of COVID-19 conditions, a growing educational market, and prior year acquisitions.

We project a 35.1% increase in gross profit to $12.9 million from $9.5 million with gross margins of 31%.

We anticipate general and administrative expenses remaining flat at $13.5 million due to a full year of reduced operating budget measures. R&D expenses are projected to remain relatively flat at $1.2 million.

Interest expense should decrease to $100,000 from $1.3 million in 2020 on reduced debt and we project the company paying no taxes.

We project cash earnings of $1.1 million and an increase in working capital of $1.4 million resulting in cash used in operations of $344,000. We project a $344,000 decrease in cash to $38.1 million at December 31, 2021.

2Q and 1H20 Financial Results

2Q20 - Revenue decreased 27.5% to $7.8 million from $10.8 million. The company reported a net loss of $1.4 million or $(0.08) per share versus a loss of $1.4 million or $(0.13) per share in 2Q19. Included in the net loss for 2Q20 was a $74,000 loss related to the change in fair value of derivative liabilities and a $53,000 gain from the settlement of liabilities. Included in the net loss for 2Q19 was a $263,000 gain related to the change in fair value of derivative liabilities. Excluding these items, Boxlight would have reported a 2Q20 net loss of $1.4 million or $(0.08) per share compared to a loss of $1.7 million or $(0.16) per share in 2Q19. We projected 2Q20 revenue of $8.8 million and a net loss of $781,000 or $(0.05) per share.

The decrease in revenue reflects COVID-19 pandemic conditions. Gross profit decreased 10% to $2.7 million as higher gross margins (34.4% in 2Q20 versus 27.7% in 2Q19) were more than offset by lower revenue. The increase in gross margins was primarily due to changes in the product mix.

General and administrative expenses decreased 17.9% to $3.9 million while research and development expenses decreased to $285,000 from $325,000. Interest expense increased to $628,000 from $479,000 as a result of increased debt.

1H20 - Revenue decreased 14.2% to $13.6 million from $15.8 million. The company reported a net loss of $3.4 million or $(0.22) per share versus a loss of $6 million or $(0.58) per share in 1H19. Included in the net loss for 1H20 was a $46,000 loss related to the change in fair value of derivative liabilities and a $1.1 million gain from the settlement of liabilities. Included in the net loss for 1H19 was a $1.9 million loss related to the change in fair value of derivative liabilities and a $146,000 gain from the settlement of liabilities. Excluding these items, Boxlight would have reported a 1H20 net loss of $4.5 million or $(0.30) per share and a loss of $4.3 million or $(0.41) per share in 1H19.

The decrease in revenue is primarily due to the COVID-19 pandemic. Gross profit decreased 8.1% to $4.3 million as higher gross margins (31.6% in 1H20 versus 29.5% in 1H19) were more than offset by lower revenue. The increase in gross margins was primarily due to changes in the product mix.

General and administrative expenses decreased 6.9% to $7.1 million while research and development expenses increased to $602,000 from $561,000. Interest expense increased to $1.1 million from $760,000 as a result of increased debt.

	6M Ended (in thousands $)	
	2020A	2019A
Revenue	13,551	15,795
Cost of revenue	9,269	11,133
Gross profit	4,282	4,662
General and administrative	7,137	7,662
Research and development	602	561
Operating income (loss)	(3,457)	(3,561)
Interest expense	(1,088)	(760)
Other income (expense)	76	45
Changes in fair value of derivative liabilites	(46)	(1,899)
Gain from settlement of liabilites	1,140	146
Income before taxes	(3,375)	(6,029)
Income tax	-	-
Net Income / (loss)	(3,375)	(6,029)
EPS	(0.22)	(0.58)
Shares Outstanding	15,066	10,424
Margin Analysis		
Gross margin	31.6%	29.5%
General and administartive	52.7%	48.5%
Research and development	4.4%	3.6%
Operating margin	(25.5)%	(22.5)%
Year / Year Growth		
Total Revenues	(14.2)%	
Net Income	NMF	
EPS	NMF	

Source: Company filings

Liquidity – At June 30, 2020, Boxlight had $6.1 million in cash and $7.1 million of debt ($5.8 million short-term) consisting of $1.6 million of accounts receivable financing at prime plus 4%, $4.4 million of notes payable at rates ranging from 5% to 10%, and $1 million from the paycheck protection program (PPP) at a rate of 1%. The PPP loan is forgivable to the extent the borrower uses the loan for eligible purposes, including payroll, benefits, rent and utilities.

In 1H20, cash used in operations was $6.2 million consisting of a $2.9 million cash loss and a $3.3 million increase in working capital. The increase in working capital was primarily due to an increase in receivables and prepaid expenses. Cash used in investing consisted of cash paid for acquisitions. Cash provided by financing of $11.4 million consisted primarily of proceeds from the issuance of common stock. Cash increased by $5 million to $6.1 million at June 30, 2020.

Subsequent to 2Q20, the company raised $34.5 million in a public offering of approximately 17.3 million shares of its common stock at a price of $2 per share.

Risks

In our view, these are the principal risks underlying the stock.

Pandemic concerns – As a result of the ongoing COVID-19 pandemic, there is a risk that modification of the traditional classroom setting may result in reduced demand for the company's classroom solutions, including reduced demand for interactive displays due to extended or indefinite distance and digital learning. The pandemic may also cause customers to suspend their decisions on using the company's products and services and make it impossible to attend or sponsor trade shows or other conferences in which BOXL's products and services are presented to customers and potential customers. These events could have a material adverse impact on the company's operations.

Competition – Boxlight operates in the highly competitive interactive education industry. The company faces substantial competition from developers, manufacturers and distributors of interactive learning products and solutions. Many of these competitors have significantly greater financial and other resources than Boxlight does and have spent significant amounts of resources to try to enter or expand their presence in the market. Increased competition or other competitive pressures may continue to result in price reductions, reduced margins or loss of market share.

Technological obsolescence - The market for interactive learning and collaboration solutions is still emerging and evolving and is characterized by rapid technological change and frequent new product introductions. There can be no assurance that Boxlight's products will not suffer from technological obsolescence in the future.

Reliance on third party suppliers – The company does not manufacture any of the products it sells and distributes but relies on third party suppliers. Boxlight's suppliers may not be able to always supply components or products on a timely basis and on favorable terms, and as a result, the company's dependency on third party suppliers could adversely affect its revenue.

Reliance on resellers - Substantially all of Boxlight's sales are made through resellers and distributors. Such resellers and distributors may no longer sell the company's products, or may reduce efforts to sell its products.

Reliance on government funding for schools - Decreases in the spending policies or budget priorities for government funding of schools, colleges, universities, other education providers or government agencies may have a material adverse effect on the company's revenue.

Ineffective disclosure controls and procedures – As of June 30, 2020, the company's disclosure controls and procedures were deemed not effective due to insufficient written policies and procedures over accounting transaction processing, capital transactions and period end financial disclosure

Liquidity risk - Shares of Boxlight Corporation have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 44.1 million shares in the float and the average daily volume is approximately 17.4 million shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	2017A	2018A	2019A	6/20A	2020E	2021E
Cash and cash equivalents	2,010	901	1,173	6,133	38,410	38,066
Receivables	3,090	3,635	3,665	5,357	3,383	4,611
Inventories	4,626	4,214	3,319	2,868	2,462	3,182
Prepaid expenses	388	1,214	1,766	3,173	3,173	3,173
Total current assets	10,114	9,964	9,923	17,531	47,429	49,032
Net property and equipment	30	227	207	199	189	172
Intangible assets	6,127	6,352	5,559	5,575	5,575	5,575
Goodwill	4,182	4,724	4,724	4,723	4,723	4,723
Other assets	-	-	56	62	62	62
Total assets	**20,453**	**21,267**	**20,469**	**28,090**	**57,978**	**59,564**
Accounts payable and accrued expenses	6,895	7,893	9,753	6,024	8,139	10,340
Warranty reserve	492	580	13	3	3	3
Short-term debt	807	2,684	4,905	5,772	1,500	1,500
Earn-out payable	-	137	387	122	122	122
Convertible notes payable	50	-	-	-	-	-
Deferred revenue	1,127	938	1,972	1,578	1,578	1,578
Derivative liabilities	1,857	326	147	192	192	192
Other short-term liabilities	-	5	31	31	31	31
Total current liabilities	11,228	12,563	17,208	13,722	11,565	13,766
Long-term debt	-	328	1,309	1,278	-	-
Earn-out payable	-	273	-	-	-	-
Other long-term liabilities	-	-	17	9	9	9
Deferred revenue	175	135	2,583	2,350	2,350	2,350
Total liabilities	**11,403**	**13,299**	**21,117**	**17,359**	**13,924**	**16,125**
Total stockholders' equity	**9,050**	**7,968**	**(648)**	**10,731**	**44,054**	**43,439**
Total liabilities & stockholders' equity	**20,453**	**21,267**	**20,469**	**28,090**	**57,978**	**59,564**

*2020 includes $3.6 million additional paid-in capital related to conversion of payables
Source: Company filings and Taglich Brothers' estimates

Income Statements for the Fiscal Years Ended
(in thousands $)

	2017A	2018A	2019A	2020E	2021E
Revenue	25,744	37,841	32,735	30,451	41,500
Cost of revenue	19,330	29,188	24,053	20,930	28,635
Gross profit	6,414	8,653	8,682	9,521	12,865
General and administrative	13,190	14,977	15,773	13,537	13,500
Research and development	466	672	1,229	1,202	1,200
Operating income (loss)	(7,242)	(6,996)	(8,320)	(5,218)	(1,835)
Interest expense	(635)	(841)	(1,794)	(1,312)	(100)
Gain on settlement of liabilites	276	165	118	1,139	-
Change in fair value of derivative liabilites	861	426	245	(47)	-
Other income (expense)	201	69	88	126	100
Income before taxes	(6,539)	(7,177)	(9,663)	(5,312)	(1,835)
Income tax	-	-	-	-	-
Net Income / (loss)	(6,539)	(7,177)	(9,663)	(5,312)	(1,835)
EPS	(1.20)	(0.72)	(0.90)	(0.16)	(0.04)
Shares Outstanding	5,455	9,922	10,689	32,583	50,100
Margin Analysis					
Gross margin	24.9%	22.9%	26.5%	31.3%	31.0%
General and administrative	51.2%	39.6%	48.2%	44.5%	32.5%
Research and development	1.8%	1.8%	3.8%	3.9%	2.9%
Operating margin	(28.1)%	(18.5)%	(25.4)%	(17.1)%	(4.4)%
Year / Year Growth					
Total Revenues	26.4%	47.0%	(13.5)%	(7.0)%	36.3%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2019A - 2021E
(in thousands $)

	3/19A	6/19A	9/19A	12/19A	2019A	3/20A	6/20A	9/20E	12/20E	2020E	3/21E	6/21E	9/21E	12/21E	2021E
Revenue	4,993	10,801	11,603	5,338	32,735	5,723	7,828	11,500	5,400	30,451	6,225	12,450	14,525	8,300	41,500
Cost of revenue	3,321	7,812	8,164	4,756	24,053	4,132	5,137	7,935	3,726	20,930	4,295	8,591	10,022	5,727	28,635
Gross profit	1,672	2,989	3,439	582	8,682	1,591	2,691	3,565	1,674	9,521	1,930	3,860	4,503	2,573	12,865
General and administrative	3,766	3,896	4,258	3,853	15,773	3,937	3,200	3,200	3,200	13,537	3,300	3,350	3,400	3,450	13,500
Research and development	236	325	351	317	1,229	317	285	300	300	1,202	300	300	300	300	1,200
Operating income (loss)	(2,330)	(1,232)	(1,170)	(3,588)	(8,320)	(2,663)	(794)	65	(1,826)	(5,218)	(1,670)	210	803	(1,177)	(1,835)
Interest expense	(281)	(479)	(517)	(517)	(1,794)	(459)	(628)	(200)	(25)	(1,312)	(25)	(25)	(25)	(25)	(100)
Gain on settlement of liabilites	146	-	-	(28)	118	1,086	53	-	-	1,139	-	-	-	-	-
Change in fair value of derivative liabilites	(2,162)	263	1,372	772	245	28	(75)	-	-	(47)	-	-	-	-	-
Other income (expense)	21	24	21	22	88	58	18	25	25	126	25	25	25	25	100
Income before taxes	(4,606)	(1,424)	(294)	(3,339)	(9,663)	(1,950)	(1,426)	(110)	(1,826)	(5,312)	(1,670)	210	803	(1,177)	(1,835)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (loss)	(4,606)	(1,424)	(294)	(3,339)	(9,663)	(1,950)	(1,426)	(110)	(1,826)	(5,312)	(1,670)	210	803	(1,177)	(1,835)
EPS	(0.45)	(0.13)	(0.03)	(0.30)	(0.90)	(0.16)	(0.08)	(0.00)	(0.04)	(0.16)	(0.03)	0.00	0.02	(0.02)	(0.04)
Shares Outstanding	10,256	10,590	10,746	11,165	10,689	12,494	17,637	50,100	50,100	32,583	50,100	50,100	50,100	50,100	50,100
Margin Analysis															
Gross margin	33.5%	27.7%	29.6%	10.9%	26.5%	27.8%	34.4%	31.0%	31.0%	31.3%	31.0%	31.0%	31.0%	31.0%	31.0%
General and administrative	75.4%	36.1%	36.7%	72.2%	48.2%	68.8%	40.9%	27.8%	59.3%	44.5%	53.0%	26.9%	23.4%	41.6%	32.5%
Research and development	4.7%	3.0%	3.0%	5.9%	3.8%	5.5%	3.6%	2.6%	5.6%	3.9%	4.8%	2.4%	2.1%	3.6%	2.9%
Operating margin	(46.7)%	(11.4)%	(10.1)%	(67.2)%	(25.4)%	(46.5)%	(10.1)%	0.6%	(33.8)%	(17.1)%	(26.8)%	1.7%	5.5%	(14.2)%	(4.4)%
Year / Year Growth															
Total Revenues	(16.7)%	11.8%	13.8%	(55.5)%	(13.5)%	14.6%	(27.5)%	(0.9)%	1.2%	(7.0)%	8.8%	59.0%	26.3%	53.7%	36.3%

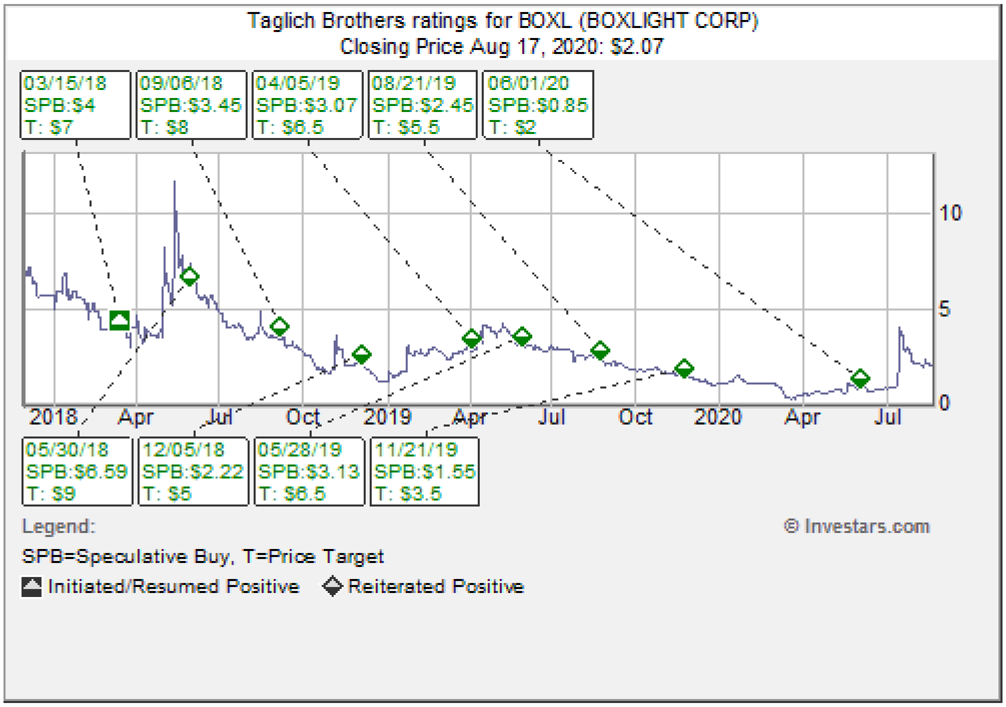
Source: Company filings and Taglich Brothers' estimates

Statement of Cash Flows for the Periods Ended
(in thousands $)

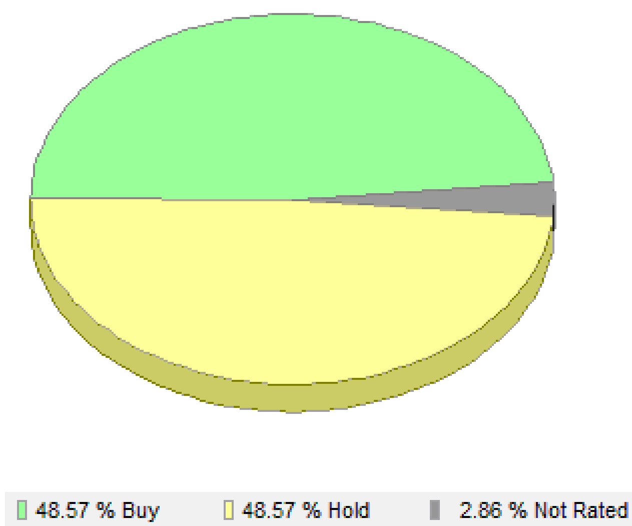
	2017A	2018A	2019A	6M20A	2020E	2021E
Net income (loss)	(6,539)	(7,178)	(9,663)	(3,376)	(5,312)	(1,835)
Bad debt expense	(89)	76	82	93	93	-
Change in allowance for sales returns	408	191	(248)	(69)	(69)	-
Change in inventory reserve	134	34	(13)	(21)	(21)	-
Change in fair value of derivative liability	-	(427)	(245)	46	46	-
Change in fair value of earn-out payable	-	-	-	4	4	
Shares issued for interest payable on notes payable	-	-	-	147	294	
Stock compensation expense	4,344	1,985	1,138	520	1,200	1,200
Other share-based payments	-	36	126	8	20	20
Depreciation & amortization	747	886	909	440	880	879
Loss on disposal of other assets	7	-	-	-	-	-
Amortization of debt discount	-	66	496	407	800	800
Gain on settlement of liabilities	(276)	-	(118)	(1,140)	(1,140)	-
Gain on settlement of accounts payable	-	(62)	-	-	-	-
Gain on settlement of derivative liabilities	(861)	(104)	-	-	-	-
Cash earnings (loss)	(2,125)	(4,497)	(7,536)	(2,941)	(3,205)	1,064
Changes in assets and liabilities						
Receivables	(465)	(73)	142	(1,716)	282	(1,228)
Inventories	(596)	836	1,295	508	406	(719)
Prepaid expenses and other	79	(805)	(462)	(1,407)	(1,407)	-
Other assets	-	-	-	(6)	(6)	-
Warranty reserve	-	-	(61)	(10)	(10)	-
Accounts payable and accrued expenses	1,152	989	1,878	(6)	1,694	539
Deferred revenues	614	(225)	177	(627)	(627)	-
Other short-term liabilities	(2)	-	43	(1)	-	-
Other liabilites	-	-	-	(7)	(7)	-
Accrued interest on long-term debt	-	-	-	-	(6)	-
(Increase) decrease in working capital	782	722	3,012	(3,272)	318	(1,408)
Net cash provided by (used in) operations	**(1,343)**	**(3,775)**	**(4,524)**	**(6,213)**	**(2,887)**	**(344)**
Cash acquired through acquisitions	-	1,310	10	1	1	-
Cash paid for acquisitions	-	(410)	-	(100)	(100)	-
Cash paid for furniture and fixtures	-	-	(3)	-	-	-
Payment made for purchase of intangible assets	(10)	-	-	-	-	-
Proceeds from sales of property, equipment and other	-	-	-	-	-	-
Net cash provided by (used in) investing	**(10)**	**900**	**7**	**(99)**	**(99)**	**-**
Proceeds from short-term debt	10,215	23,861	22,775	5,667	5,667	-
Proceeds from convertible note payable	-	-	5,250	750	750	-
Proceeds from payment protection plan	-	-	-	1,008	1,008	-
Debt issuance costs	-	-	(214)	(41)	(41)	-
Principal payments on short-term debt	(12,966)	(22,499)	(23,328)	(6,697)	(12,247)	-
Other	-	-	(23)	-	-	-
Proceeds from the issuance of common stock	5,679	420	-	10,694	45,194	-
Net cash provided by (used in) financing	**2,928**	**1,782**	**4,460**	**11,381**	**40,331**	**-**
Effect of currency exchange rates	(21)	(16)	68	(108)	(108)	-
Net change in cash	**1,554**	**(1,109)**	**11**	**4,960**	**37,237**	**(344)**
Cash - beginning of period	**456**	**2,010**	**901**	**1,173**	**1,173**	**38,410**
Cash - end of period	**2,010**	**901**	**912**	**6,133**	**38,410**	**38,066**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**2**	**11**
Hold		
Sell		
Not Rated		

Important Disclosures

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I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Apple Computer (NASDAQ: AAPL)
Moovly Media Inc. (OTC: MVVYF)
Unisys (NYSE: UIS)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.