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Research Report – Update

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

Bridgeline Digital, Inc.

Rating: Speculative Buy

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August 18, 2021

BLIN $4.53 — (NASDAQ)

	2019 A	2020 A	*2021 E*	*2022 E*
Total Revenue (in millions)	$10.0	$10.9	***$13.1***	***$17.8***
Earnings (loss) per share*	($8.16)	($0.59)**	***($0.90)****	***($0.04)***

52-Week range	$14.38 – $1.62	Fiscal year ends:	September
Shares outstanding a/o 08/12/21	8.4 million	Revenue/shares (ttm)*	$2.39
Approximate float	5.5 million	Price/Sales (ttm)	1.9X
Market Capitalization	$38.1 million	Price/Sales (2022) E	2.1X
Tangible Book value/shr	($2.93)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2022) E	NMF

**Reflects 1 for 50 reverse stock split in May 2019 **Includes a charge of ($0.68) per share related to preferred dividends, a $0.29 per share gain related to fair value of warrants, and $0.27 per share gain related to government grant income. ***Includes an estimated ($0.94) of net charges after a tax benefit and grant income.*

Bridgeline Digital, Inc., headquartered in Woburn, Massachusetts helps companies grow online revenues by increasing their traffic, conversion rate, and average order value with its eCommerce360 digital engagement offerings that include Celebros Search, Unbound, OrchestraCMS, Woorank, and HawkSearch.

Key Investment Considerations:

Maintaining Speculative Buy rating and increasing our 12-month price target to $6.50 per share from $5.25 due primarily to increased sector valuation.

Brideline Digital has substantial growth potential for its eCommerce360 digital engagement offerings through its sales and marketing strategy that enables a streamlined and nearly virtual sales process via an artificial intelligence (AI) dashboard. Analysts project the customer experience management market growing 17.5% annually to approximately $27 billion by 2028, up from $7.5 billion in 2020.

BLIN's eCommerce360 growth strategy was enhanced by acquiring Woorank (2Q21) and HawkSearch (3Q21). Also, the company's sales and marketing initiatives should be supported by the approximately $10 million of cash it had on hand on August 16, 2021, up from $4.8 million in 3Q21 reflecting the exercise of common stock warrants in July 2021.

In 3Q21, BLIN reported (on 06-16-21) a loss per share of ($0.61) on revenue of $3.4 million ($813,000 increase from 3Q20). In 3Q20, the loss per share was ($0.44). Excluding items, we estimate the loss per share was ($0.01) compared to EPS of $0.04 in 3Q20. We projected a loss per share of ($0.05) on sales of $3.3 million.

For FY21, we project a loss per share of ($0.90) on revenue growth of 19.8% to $13.1 million (prior was $12.9 million), which includes 30.3% growth in subscription revenue to $9.8 million. We previously estimated a loss per share of ($0.42). The increase in our sales forecast reflects 3Q21 results. Our loss forecast reflects approximately ($0.94) in net charges related to change in fair value of warrant liabilities and acquisition costs, partly offset by grant income and a tax benefit.

For FY22, we project a loss per share of ($0.04) on revenue growth of 36.3% to $17.8 million, driven by recurring subscription growth of 50.5% to $14.7 million. We previously projected a loss per share of ($0.12) on revenue of $16.3 million. Our revised forecast reflects higher than anticipated HawkSearch revenue.

Please view our disclosures on pages 14 – 16.

Appreciation Potential

Maintaining Speculative Buy rating and increasing our 12-month price target to $6.50 per share from $5.25 due primarily to increased sector valuation. Our aggregate total sales forecast increased to $17.8 million (due primarily to the acquisition of HawkSearch) from our prior forecast of $16.3 million; however, that increase is likely to be offset by a 9.4% increase in average shares outstanding in FY22 to nearly 8.4 million (prior was 7.7 million) stemming from the exercise of common stock warrants in 4Q21.

Our rating reflects projected recurring revenue growth from the acquisitions of Woorank (2Q21) and HawkSearch (3Q21) and the integration of their offerings into BLIN's eCommerce360 offerings and sales and marketing initiatives. Early in 4Q21, the company had cash of approximately $10 million, up from $4.8 million at the end of 3Q21 reflecting the exercise of common stock warrants in July 2021.

Our 12-month price target of $6.50 per share implies shares could appreciate nearly 45% over the next twelve months. According to finviz.com (as of 08/17/21), the average trailing twelve month price-to-sales multiple for companies with similar market capitalizations in the Software Application/Infrastructure and Internet Content sectors is 3.7X (prior was 3.1X), compared to BLIN's trailing twelve month price-to-sales multiple of 2.1X (prior was 1.1X). We anticipate investors are likely to accord Bridgeline Digital, Inc. a multiple approaching that of the sector given our forecasted recurring subscription sales growth of 50.5% in FY22. We applied a price-to-sales multiple of 3.4X (prior 2.7X) to our FY22 sales per share forecast of $2.12, discounted for execution risk, to obtain a year-ahead price target of approximately $6.50 per share.

BLIN's valuation improvement is contingent upon consistent quarterly recurring-SaaS/perpetual software revenue growth, expense leverage, and cash earnings. We forecast the company generating annualized recurring-SaaS/perpetual software revenue growth of 36.1% to FY22 from FY19 and cash earnings of nearly $1 million in FY22 compared to cash burn of $500,000 in FY20.

We believe Bridgeline Digital, Inc. is most suitable for risk tolerant investors that seek exposure to a microcap company providing digital engagement services through recurring revenue Apps and enterprise platform models for its customers.

Overview

Bridgeline Digital, Inc., headquartered in Woburn, Massachusetts is a digital engagement company that assists customers in maximizing the performance of their digital experience from Websites and intranets, to online stores and marketing and promotional campaigns. The company's platform integrates Web content management, eCommerce, marketing automation, site search, authenticated portals, social media management, as well as translation and Web analytics to help organizations deliver enhanced digital experiences. The technology offerings of the Woorank and HawkSearch acquisitions in FY21 will be integrated into and broaden BLIN's existing offerings.

The Bridgeline platform powers Websites, online stores, portals and intranets for thousands of customers that range from small and medium-sized organizations to Fortune 1000 companies. The company's primary customer verticals are franchises, healthcare, manufacturing, finance, and primarily online retails.

Platform Offerings

The company's primary technology has evolved over the last five years into eCommerce360 AI powered technology offerings that have been strategically designed to bridge the gap between Web content management, eCommerce, eMarketing, and social and Web analytics by providing all of these components in one unified and deeply integrated platform. The technology platform provides professional services to customers that enable them to support their customers in driving lead generation, increased revenue, improved customer service and loyalty, as well as enhanced employee knowledge, and reduced operational costs.

The chart to the right shows the various components that the eCommerce360 offerings can accomplish. The offerings can be purchased through a cloud-based software-as-a-service (SaaS) recurring revenue model. BLIN has developed the platform with a flexible architecture that provides customers with state-of-the-art deployment, recurring maintenance, and daily technical operation and support. The offering can be purchased as a perpetual license in which the software resides on a dedicated infrastructure in either the customer's facility or managed and hosted by BLIN via a cloud-based hosted services model. Regardless of which model is used by the customer, this offering will likely require customization, thus providing BLIN with digital engagement services revenue.

Recurring revenue is provided by its eCommerce360 franchise offering that empowers large franchises, healthcare networks, associations and chapters, as well as other multi-unit organizations to manage branded networks to unify, manage, scale and optimize a hierarchy of Web properties and marketing campaigns on a global, national and local level. The platform has an easy-to-use administrative console that enables corporate marketing to provide consistency in branding and messaging, as well as providing flexible publishing capabilities at the local-market level.

The eCommerce360 offerings is powered by the company's Celebros Search technology platform that is sold and delivered through a cloud-based SaaS recurring revenue model that is primarily an out of the box offering that requires very little customization. The offering is primarily a commerce site search product that provides for Natural Language Processing with artificial intelligence to present very relevant search results based on long-tail keyword (search that is usually longer as they are more specific) searches in seven languages. The company has developed Celebros Search plug-ins that can be utilized by Bridgeline's Unbound Commerce offering in addition to many third-party Commerce platforms such as Magento, Shopify, Salesforce, etc.

HawkSearch, acquired in 3Q21, will enhance BLIN's e-commerce and enterprise site search offerings as its AI technology is aimed at enhancing a customer's merchandising capabilities, product recommendations, and personalization based on data rich search analytics. Their offerings will be integrated into BLIN's Celebros Search technology platform.

The Woorank offering assists companies increase their online traffic, leads, and sales with an artificial intelligence system that analyzes their website relative to their competitors and partners to make intelligent recommendations for optimizing search engine organic rankings.

Growth Strategy

In FY20, the company's growth strategy evolved into eCommerce360 in which its sales organization is a combination of telephone sales, partnerships in online marketplaces, and artificial intelligence dashboards that provide touchless sales opportunities. This strategic shift is enabling BLIN to streamline its sales and marketing organization that should drive increasing sales and shorter sales cycles for higher margin subscription revenue.

The company has deployed its technology team merge Celebros and HawkSearch making in one single product. That new combined product will provide customers with single technology that offers natural language processing, personalization, and recommendation capabilities. The company anticipates it can build its current Celebros and HawkSearch site search customer base that is approximately 400 entering 4Q21.

The overall measure of the company executing on its strategy with higher margin out-of-the-box tools will be if customers can increase their site traffic, shopper conversion rate, and average order value. In 2Q21, the acquisition of Woorank increased BLIN's customer base, as well as enhanced its eCommerce360 opportunity to new customer leads. In 3Q21, Bridgeline released e-commerce 360 dashboards within its HawkSearch and Woorank product lines.

A unique feature of Woorank's and BLIN's offerings is a dashboard powered by an artificial intelligence algorithm that provides existing customers with recommendations to purchase additional eCommerce360 offerings that can increase their return on investment. A small section of the Dashboard provides popups on what additional offerings should be purchased in order to improve a customers' online sales, customer acquisition and retention performance. In 3Q21, the company introduced the Woorank assistant that incorporates an artificial intelligent agent that monitors a customer's global Web vitals and makes recommendations to drive site traffic and increase their Google ranking.

Acquisitions

In FY19, the company acquired Celebros Search and OrchestraCMS. In FY21, BLIN acquired Woorank and HawkSearch. The company continues to evaluatie strategic merger and acquisition opportunities to enhance the growth potential of its recurring eCommerce360 strategy. BLIN will target technology offerings that are established within an existing online marketplace, generate revenue of at least $2 million, and are accretive to cash earnings. An acquired technology will be integrated into the company's eCommerce360 offerings and artificial intelligence recommendation dashboard algorithm.

Industry Brief

Experience Management Market

In April 2021, consulting firm Grand View Research issued a report stating that the global customer experience management market generated revenue of $7.5 billion in 2020. Grand View Research predicts annualized revenue growth of 17.5% to $27 billion in 2028 due primarily to increasing demand for personalized experiences by customers across different industries. The report observes that customer experience management represents an evolving set of practices and technologies that make a continuous transformation within organizations in order to meet and exceed consumer expectations. Business organizations understand the importance of customer experience management (like BLIN's eCommerce360 technology offerings) since it assists organizations in strengthening their brand presence, improves consumer loyalty, reduces consumer churn, and in turn, boosts business revenue.

In January 2021, Researchandmarkets published a Customer Experience Management Market report projecting 12% annualized growth to $14.5 billion in 2025, up from an estimated $8.2 billion in 2020. Supporting their growth forecast within the Customer Experience Management market is the continuing need to better understand customers in order to help organizations enhance their customer engagement strategies, as well as developing solutions that can reduce customer churn.

Projections

Basis of Forecast

We anticipate the primary growth drivers will be recurring revenue from HawkSearch (in 2Q21) that eventually be merged with the company's own Celebros Search offering, as well as recurring revenue sales from its acquisition of Woorank (in 2Q21) with additional sales coming from the company's portfolio of individual Apps to enhance each customer's content management experience and steady enterprise platform sales and associated digital engagement services. The company's Celebros and HawkSearch customer base is approximately 400.

We anticipate Woorank continuing to deliver approximately ten new customers per day along with 1,500 qualified sales leads per month. A portion of those monthly leads are likely to covert to the HawkSearch/Celebros Search offering as the combined offering should provide customers with enhanced merchandising capabilities, product recommendations, personalization, and data rich search analytics.

In FY21 (ended September 30), we anticipate gross margin expansion to 65.3% compared to 58.7% in FY20. Gross margin expansion stems from the product mix shift to higher margin subscription and perpetual license revenue that should account for 74.8% of total sales compared to 68.7% in FY20. We forecast gross margin improving to 66.9%

in FY22 due primarily to increased sales of higher margin subscription and perpetual license revenue that should account for 82.6% of total sales by September 30, 2022.

Our forecast does not include changes in the fair value of warrant liabilities or income tax expense until reported by the company. At September 30, 2020, BLIN had federal net operating loss carryforwards of approximately $37 million.

Economy

In July 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 6% for 2021 and 4.9% for 2022. While the IMF's growth projection for 2021 is unchanged from its earlier projection (April 2021), the 2022 projection is up from 4.4%. The 2022 upward revision primarily reflects additional fiscal policy support in advanced economies in 2H21 and improved health metrics across the group.

The IMF revised its economic growth estimate for the US to an increase of 7% for 2021 and 4.9% for 2022. In April 2021, the IMF projected US economic growth of 6.4% for 2021 and 3.5% for 2022.

Operations – FY21

We project 19.8% total revenue growth to $13.1 million (prior was $12.9 million) driven by 30.3% sales growth in recurring subscription and perpetual licenses to $9.8 million. Partly offsetting total sales growth is a decrease in digital engagement services revenue to $3.3 million compared to $3.4 million in FY20 reflecting the ongoing shift to sales of out of the box ready recurring revenue licenses that require less customization services. The increase in our revenue forecast reflects 3Q21 results.

We forecast gross profit increasing 33.3% to $8.5 million compared to $6.4 million in FY20 due primarily to revenue growth and gross margin expanding to 65.3% from 58.7% in FY20. We project operating income of $279,000 (excludes $862,000 in acquisition related expenses) compared to a loss of $1.3 million (excludes $366,000 of restructuring charges) in FY20. The swing to an operating profit reflects revenue growth, gross margin expansion, and operating margin expense improving to 63.1% (excluding acquisition related expenses) from 70.4% in FY020.

We forecast operating expenses (excluding items in each period) increasing to $8.3 million from $7.7 million in FY20. The increase reflects costs associated with supporting the operation of Woorank and HawkSearch, and increases in research and development technology spending, partly offset by a reduced headcount in 1H21, as well as the streamlining of the company's sales and support programs that is becoming more automated.

We project non-operating expense of $5.9 million due primarily to the change in fair value of warrant liabilities reported in the first nine months of FY21, compared to income of nearly $2 million due to the change in fair value of warrant liabilities and government grant income in FY20.

We project a net loss of $5.4 million or ($0.90) per share. We previously forecast a net loss of $2.3 million or ($0.42) per share. We estimate excluding the fair value of warrant liabilities, acquisition related expenses, government grant income, and an income tax benefit recorded in 3Q21, net income of $262,000 or $0.04 per share. Our forecast reflects average shares outstanding of 5.9 million compared to our prior forecast of 5.4 million.

Finances – 2021

We project cash earnings of $622,000 and a $314,000 decrease in working capital resulting in cash from operations of $936,000. The decrease in working capital was due primarily to an increase in deferred revenue, partly offset by an increase in receivables. Cash from operations and over $14.5 million of net proceeds from common and preferred stock offerings, and the exercise of common stock warrants should more than cover capital expenditures and payment of contingent consideration and deferred cash payables. We estimate cash increasing by nearly $8.5 million to $9.3 million at September 30, 2021.

Operations – FY22

We project 36.3% total revenue growth $17.8 million (prior was $16.3 million) from an estimated $13.1 million in FY21 due primarily to 50.5% growth in recurring subscription (SaaS) and perpetual licenses revenue to $14.7 million (prior was $13.3 million), up from an estimated $9.8 million in FY21. Partly offsetting total sales growth is a decrease in digital engagement services revenue to $3.1 million compared to an estimated $3.3 million in FY21. Our revenue forecast reflects a full year of higher than anticipated revenue contributions from HawkSearch and Woorank.

We forecast gross profit increasing 39.6% to $11.9 million compared to an estimated $8.5 million in FY21 due to revenue growth and gross margin expanding to 66.9% from an estimated 65.3% in FY21. We project an operating loss of $255,000 compared to operating income of $279,000 (excludes $862,000 in acquisition related costs) in FY21. The operating loss reflects an increase in operating margin expense to 68.3% from an estimated 63.1% (excluding acquisition costs).

We project a 47.5% increase in operating expenses to $12.2 million compared to an estimated $8.3 million (excluding $862,000 in acquisition costs) in FY21. The increase reflects costs to support sales and marketing initiatives, as well as technology improvements in order to accelerate growth of the company's product offerings. We anticipate sales and marketing expense nearly doubling to $5.3 million from an estimated $2.7 million in FY21 stemming from hiring additional sales and marketing professionals and marketing initiatives. We forecast increases in G&A expense of $484,000 to $2.8 million, R&D expense of $797,000 to $2.9 million, and D&A expense of $112,000 to $1.2 million. The increase in expenses should support revenue growth.

We project non-operating expense of $40,000 related to interest expense compared to an expense of $5.9 million due primarily to the change in fair value of warrant liabilities.

We project a net loss of $295,000 or ($0.04) per share on average shares outstanding of 8.4 million. We previously forecast a net loss of $945,000 or ($0.12) per share on 7.7 million average shares outstanding. The improvement in our net loss forecast reflects higher than anticipated revenue from the Woorank and HawkSearch acquisitions.

Finances – 2022

We project cash earnings of $995,000 and a $297,000 increase in working capital resulting in cash from operations of $698,000. The increase in working capital was due primarily to decreases in payables and accruals. Cash from operations is unlikely to cover capital expenditures and payment of contingent consideration and deferred cash payable, decreasing cash by nearly $2 million to $7.3 million at September 30, 2022.

3Q21 and 9M21 Results

2Q21

The company reported a 30.9% increase in total net revenue to $3.4 million from $2.6 million in the year-ago period. Subscription and perpetual license sales increased 36.7% to $2.6 million compared to $1.9 million in 3Q20 due primarily to multi-year license renewals and a $923,000 contribution from Woorank and HawkSearch combind. Digital engagement service revenue increased $108,000 to $821,000.

Gross profit increased 44.4% to $2.3 million from $1.6 million in the year-ago period. The increase reflects gross margin expansion to 65.4% from 59.3% in the year-ago period due primarily to a shift in the product mix toward higher margin recurring license revenue. Operating expenses increased to $2.3 million (excludes $568,000 in acquisition related charges) from $1.4 million in 3Q20. Sales and marketing expense more than doubled to $760,000 from $312,000 as the company completed the HawkSearch acquisition and incurred higher third-party subcontractor costs. G&A expense increased to $608,000 from $464,000 in the year-ago period reflecting the operations its two acquisitions. R&D and D&A expenses were $625,000 and $306,000, respectively compared to $402,000 and $224,000, respectively in the year-ago period.

BLIN's had an operating loss of $47,000 (excludes $568,000 in acquisition related charges) compared to operating income of $157,000 in 3Q20.

Non-operating expense was $4.2 million compared to an expense of $1.8 million. Non-operating expense included a negative change in the fair value of warrant liabilities. Interest expense in each period was $9,000 and $2,000, respectively.

The net loss was $3.6 million or ($0.61) per share compared to $1.7 million or ($0.44) per share. The current period included an income tax benefit of nearly $1.2 million compared to an expense of $6,000 in 3Q20. We estimate, excluding items in each period, net loss per share of ($0.01) compared to EPS of $0.04. We projected a loss per share of ($0.05) on sales of $3.3 million.

9M21 Results

BLIN reported an 11.6% increase in total revenue to $9.2 million from $8.2 million in the year-ago period due to a 20.3% increase in subscription and perpetual license sales to $6.6 million, partly offset by a $165,000 decrease in services revenue to $2.5 million.

Gross profit increased 29.7% to $5.9 million from $4.6 million in the year-ago period, reflecting gross margin expansion to 64.9% from 55.8% in 9M20. Operating expenses decreased to $5.6 million (excludes $862,000 in acquisition related charges) from $6 million (excludes $373,000 in acquisition and restructuring related charges) in 9M20. The decrease reflects reduced headcount and personnel expenses in 1H21.

in thousands $	9 Mos. 2021	9 Mos. 2020	% D
Total Revenue	$ 9,155	$ 8,202	11.6%
Cost of sales	3,216	3,622	(11.2%)
Gross Profit	5,939	4,580	29.7%
Total Operating Expenses	6,502	6,388	1.8%
Operating Income (loss)	(563)	(1,808)	NMF
Total Other Income (Expense)	(5,939)	1,075	
Pre-Tax Income (loss)	(6,502)	(733)	NMF
Income Tax Expense (Benefit)	(1,175)	9	NMF
Dividends & deemed dividends preferred	-	(2,420)	
Net Income (loss)	$ (5,327)	$ (3,162)	NMF
EPS (loss)	$ (1.04)	$ (0.97)	NMF
Avg Shares	5,118	3,265	
Margins			
Gross Margins	64.9%	55.8%	
Operating Margin	(6.1%)	(22.0%)	
Selling expense	34.6%	47.9%	
General and Administrative expense	36.6%	61.7%	
Tax Rate	18.1%	(1.2%)	

Source: company reports

BLIN reported an operating profit of $299,000 (excludes $862,000 in acquisition related charges) compared to a loss of $1.4 million (includes $373,000 in acquisition and restructuring related charges) in the year-ago period.

Non-operating expense was $5.9 million compared to income of $1.1 million. Non-operating expense included a negative change in the fair value of warrant liabilities of $6 million, interest expense of $7,000, and grant income of $88,000. In 9M20, non-operating income was almost exclusively related to a gain in the change in fair value of warrant liabilities.

The net loss was $5.3 million or ($1.04) per share compared to a net loss of $3.2 million or ($0.97) per share. We estimate excluding items, EPS of $0.06 in 9M21 compared to a loss per share of $0.44 in the year-ago period.

Finances

In 9M21, cash earnings of $334,000 and a $4,000 decrease in working capital resulting in cash from operations of $338,000. Cash from operations, proceeds from the issuance of common and preferred stock, and proceeds from the exercise of common stock warrants more than offset the cost to purchase Woorank and HawkSearch and repayment of debt. Cash increased $3.9 million to nearly $4.8 million at June 30, 2021.

Capital Structure

At June 30, 2021 the company had total debt of $2 million and a cash balance of nearly $4.8 million. Total outstanding debt reflects the assumption of a Woorank note to one of the selling shareholders. The short-term portion of long-term debt was $755,000.

In February 2021, BLIN sold 880,000 shares of its common stock to institutional and accredited investors at $3.10 per share in a registered direct offering. Net proceeds were approximately $2.5 million.

In May 2021, BLIN sold nearly 1.1 million shares of its common stock at $2.28 per share. Additionally, the company sold to certain institutional investors 2,700 shares of newly designated series D convertible preferred stock at a price of $1,000 per share and warrants to purchase up to an aggregate of 592,105 shares of common stock at an exercise price of $2.51 per share. The company received net proceeds from the private placement of common stock on convertible preferred stock of approximately $4.6 million. Joseph Gunnar & Co. acted as the lead placement agent and Taglich Brothers, Inc. acted as the co-placement agent. The proceeds from this combined offering will be used in connection with the acquisition of HawkSearch.

The series D preferred stock is convertible into nearly 1.2 million shares of common stock at a conversion price of $2.28 per share. Our forecast assumes that the company will obtain shareholder approval to provide for mandatory conversion of all the series D preferred stock. We estimate shares outstanding after the conversion of nearly 7.7 million, compared to approximately 6.5 million as of May 14, 2021.

Subsequent to the end of 3Q21, we estimate the company received proceeds from the exercise of common stock warrants that brought cash on hand as of August 16, 2021 of approximately $10 million, from the $4.8 million at June 30, 2021.

Competitive Landscape

The markets for BLIN's products and services that include software for Web content management, eCommerce platform software, eMarketing software, Web analytics software, Apps, and digital engagement services are highly competitive, fragmented, and rapidly changing. The barriers to entry are relatively low with the markets being significantly affected by new product introductions. Competition can be intense with the introduction of new technologies and market participants. The industry is constantly evolving and competition is likely to increase in the future. The primary competitive factors within the industry include platform integration, product functionality, ease of use, scalability, open architecture, cost of ownership, integration with third-party applications and data sources, and name recognition and brand reputation.

While competitors typically offer their Web application software as a single point of entry type, BLIN's eCommerce360 offerings provides enterprise customers integrated software with an architecture that is flexible and capable of being deployed in either a Cloud/SaaS or dedicated server environment.

Some competitors within the industry that likely have greater financial resources than BLIN include HubSpot, Constant Contact, Shopify, SAP, Adobe, Unbxd, and Nosto.

Risks

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

Accumulated Deficit

At June 30, 2021, the company's accumulated deficit was $78.9 million, up from $61.8 million in FY17 (ended September 30). However, Bridgeline Digital, Inc. had its first operating profits of $150,000 and $164,000 in 3Q20 and 4Q20, respectively, with an operating profit in 9M21 (excluding acquisition costs) of $299,000. While we anticipate operating losses through the balance of our forecast period, we anticipate FY21 and FY22 cash earnings (combined) of over $1.6 million. If operating profits are larger than anticipated or cash earnings do not occur, it could result in the company's inability to execute its growth strategy and diminish its operations.

Dilution

The common stock offerings made in February 2021 and May 2021, as well as the exercise of common stock warrants increased common shares outstanding to nearly 8.4 million at August 12, 2021 from 4.4 million at August 10, 2020.

The expectation is that the convertible preferred stock issued in May 2021 will be converted into common stock in FY22 and increase the common stock by over 1.2 million.

The company has warrants and options that could be exercised into shares of common stock of 1.8 million and 573,000, respectively.

COVID-19 Global Pandemic

A disruption of US economic conditions lies in the global spread of COVID-19. Any global disruptions of economic activity could adversely impact corporate operating results.

Customer Concentration
In 3Q21, BLIN had no customers account for more than 10% of total revenue compared one customer accounting for 11% in 3Q20. In 3Q21, one customer accounted for 16% of accounts receivable compared to two customers accounting for 26% in 3Q20.

Intellectual Property
The company relies on a combination of copyright, trademark and trade secret laws, as well as licensing agreements, third-party non-disclosure agreements and other contractual measures to protect its intellectual property rights. These protections may not be adequate to prevent competitors from copying or reverse-engineering BLIN's products or competitors independently developing technologies that are similar or superior to its technology. To protect trade secrets and other proprietary information, employees, consultants, advisors and collaborators are required to enter into confidentiality agreements.

Policing unauthorized use of the company's products may be difficult and litigation could become necessary in the future to enforce its intellectual property rights. Any litigation could be time consuming and result in substantial diversion of management's attention and resources that could diminish operations and finances.

Hosting Services
The company hosts its cloud Software-as-a-Service and manages hosting customers via a third-party, Amazon Web Services. Any interruptions in its services might reduce revenue, as well as cause customer credits and or refunds to be issued. These issues could reduce the company's customer renewal rate.

Cyber Security
Security breaches could expose the company to a risk of loss of its customers' information, litigation and possible liability. While security measures are in place, they may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error or malfeasance and result in someone obtaining unauthorized access to BLIN's information technology systems, customers' or its own data, including intellectual property and other confidential business information.

While BLIN relies on encryption and authentication technology from third parties, the technologies used may not be sufficient to protect transmission of confidential data. Any liability issues not covered by insurance or that is in excess of insurance coverage could harm BLIN's reputation, business, and operating results.

Integration of Acquisitions
Since 2000, the company has acquired multiple businesses. Future acquisitions could involve substantial investment of funds or financings, as well as resulting in related expenses and also the potential to either dilute the interests of existing shareholders or result in the issuance or assumption of debt. Future acquisitions may require management's time and effort to generate revenues and operating profits that could take away from existing operations.

Shareholder Control
Officers and directors own approximately 5.6% of the company's outstanding voting stock (includes Michael Taglich – Director and President of Taglich Brothers, Inc.) as of June 28, 2021 (from an S-3 file on July 9, 2021). Collectively this ownership could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

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.

Trading Volume
In 2020, average daily volume was approximately 524,000. Average daily volume increased over the last three months (ending August 17, 2021) to approximately 9.7 million. BLIN has a float of approximately 5.5 million shares and outstanding shares of 8.4 million as of August 10, 2021.

Bridgeline Digital, Inc.
Consolidated Balance Sheets – Ending September 30
FY2019A – FY2022E
(in thousands)

	FY19A	FY20A	3Q21A	**FY21E**	**FY22E**
ASSETS					
Current assets:					
Cash and cash equivalents	$ 296	$ 861	$ 4,768	**$ 9,320**	**$ 7,343**
Accounts receivables, net	979	665	1,325	**1,306**	**1,484**
Prepaid expenses	351	268	389	**454**	**501**
Other current assets	49	111	600	**650**	**700**
Total current assets	1,675	1,905	7,082	**11,730**	**10,028**
Property and equipment, net	299	238	248	**255**	**260**
Operating lease assets	-	294	533	**533**	**584**
Intangible assets, net	3,509	2,617	8,159	**5,159**	**3,331**
Goodwill	5,557	5,557	15,961	**15,961**	**15,961**
Other assets	115	49	80	**80**	**80**
Total assets	$ 11,155	$ 10,660	$ 32,063	**$ 33,718**	**$ 30,244**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Operating lease liabilities	-	96	176	**176**	**176**
Accounts payable	1,740	1,311	2,169	**1,512**	**1,310**
Accrued liabilities	835	599	754	**680**	**560**
Debt	-	88	755	**625**	**461**
Purchase price and contingent consideration payable	-	-	6,187	**4,187**	**2,187**
Deferred revenue	1,262	1,511	2,796	**2,900**	**3,200**
Total current liabilities	3,837	3,605	12,837	**10,080**	**7,894**
Long-term debt, net	-	-	1,288	**1,288**	**838**
Operating lease liabilities, net	-	198	356	**759**	**393**
Warrant liabilities	3,514	2,486	8,823	**8,823**	**8,823**
Other liabilities	8	15	425	**775**	**338**
Total long-term liabilities	3,522	2,699	10,892	**11,645**	**10,392**
Total liabilities	$ 7,359	$ 6,304	$ 23,729	**$ 21,725**	**$ 18,286**
Stockholders' equity:					
Preferred stock, $0.001 par value; 1,000,000 authorized					
Series C convertible preferred stock, 11,000 shares authorized	-	-	-	-	-
Series C convertible preferred stock, 4,200 shares authorized					
Series A convertible preferred stock	-	-	-	-	-
Common stock, $0.001 par value; authorized 50,000,000 shares	3	4	7	**10**	**10**
Additional paid-in capital	75,620	78,316	87,663	**93,067**	**93,342**
Retained earnings (loss)	(71,489)	(73,583)	(78,910)	**(80,658)**	**(80,968)**
Accumulated other comprehensive income (loss)	(338)	(381)	(426)	**(426)**	**(426)**
Total stockholders' equity	3,796	4,356	8,334	**11,993**	**11,958**
Total liabilities and stockholders' equity	$ 11,155	$ 10,660	$ 32,063	**$ 33,718**	**$ 30,244**
Shares Outstatnding - Common Stock	2,798	4,420	5,392	**8,394**	**8,400**
Series C convertible preferred stock - outstanding	441	350	350	-	-
Series D convertible preferred stock - outstanding	-	-	4,200	4,200	4,200
Series A convertible preferred stock - outstanding	262,300	-	-	-	-

Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Annual Income Statement – Ending September 30
FY2019A – FY2022E
(in thousands)

	FY2019A	FY2020A	**FY2021E**	**FY2022E**
Digital engagement services	$ 4,117	$ 3,409	**$ 3,293**	**$ 3,100**
Subscription (SaaS) / Perpetual licenses	5,835	7,498	**9,772**	**14,705**
Total revenue	9,952	10,907	**13,065**	**17,805**
Cost of sales -- Digital engagement services	2,261	1,831	**1,732**	**1,780**
Cost of sales -- Subscription - Licenses	3,099	2,676	**2,804**	**4,115**
Total cost of revenue	5,360	4,507	**4,536**	**5,895**
Total Gross Profit	4,592	6,400	**8,529**	**11,910**
Operating Expenses:				
Sales and Marketing	4,824	2,614	**2,728**	**5,250**
General and Administrative	3,246	2,455	**2,331**	**2,815**
Research and Development	2,185	1,641	**2,103**	**2,900**
Depreciation and amortization	620	968	**1,088**	**1,200**
Impairment of goodwill	3,732	-	**-**	**-**
Restructuring and acquisition related expenses	1,053	366	**862**	**-**
Total Operating Expenses	15,660	8,044	**9,112**	**12,165**
Operating Income (loss)	(11,068)	(1,644)	**(583)**	**(255)**
Interest expense and other , net	(304)	(7)	**(17)**	**(40)**
Amortization of debt discount	(231)	-	**-**	**-**
Warrant liability expense	(11,272)	-	**-**	**-**
Government grant income	-	960	**88**	**-**
Change in fair value of warrant liabilities	11,272	1,028	**(6,020)**	**-**
Other income (expense), net	2,133	-	**-**	**-**
Total Other Income (Expense)	1,598	1,981	**(5,949)**	**(40)**
Pre-Tax Income (loss)	(9,470)	337	**(6,532)**	**(295)**
Income Tax Expense (Benefit)	4	11	**(1,175)**	**-**
Net Income (loss)	$ (9,474)	$ 326	**$ (5,357)**	**$ (295)**
Dividends on convertible preferred stock	(308)	(2,420)	**-**	**-**
Net Income (loss) - to common shareholders	$ (9,782)	$ (2,094)	**$ (5,357)**	**$ (295)**
EPS (loss) - to common shareholders	$ (8.16)	$ (0.59)	**$ (0.90)**	**$ (0.04)**
Weighted Average Shares Outstanding	1,199	3,555	**5,939**	**8,408**
EBITDA	$ (5,353)	$ (116)	**$ 1,549**	**$ 1,345**
Margins				
Gross Margin -- Digital engagement services	45.1%	46.3%	**47.4%**	**42.6%**
Gross Margin -- Subscription - Licenses	46.9%	64.3%	**71.3%**	**72.0%**
Total Gross Margin	46.1%	58.7%	**65.3%**	**66.9%**
Operating Margin	(111.2%)	(15.1%)	**(4.5%)**	**(1.4%)**
Sales & Marketing	48.5%	24.0%	**20.9%**	**29.5%**
General & Administrative	32.6%	22.5%	**17.8%**	**15.8%**
Research and Development	22.0%	15.0%	**16.1%**	**16.3%**
Operating expense	157.4%	73.8%	**69.7%**	**68.3%**
Pre-Tax Margins	(95.2%)	3.1%	**(50.0%)**	**(1.7%)**
Tax rate	(0.0%)	3.3%	**18.0%**	**0.0%**
YEAR / YEAR GROWTH				
Total Revenues	(26.7%)	9.6%	**19.8%**	**36.3%**
Subscription (SaaS) / Perpetual licenses	(12.3%)	28.5%	**30.3%**	**50.5%**

Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Income Statement Model – Ending September 30
Quarters FY2020A – 2022E
(in thousands)

	1Q20A	2Q20A	3Q20A	4Q20A	FY2020A	1Q21A	2Q21A	3Q21A	4Q21E	**FY2021E**	1Q22E	2Q22E	3Q22E	4Q22E	**FY2022E**
Digital engagement services	$ 1,096	$ 899	$ 713	$ 701	$ 3,409	$ 837	$ 885	$ 821	$ 750	**$ 3,293**	$ 775	$ 775	$ 775	$ 775	**$ 3,100**
Subscription (SaaS) / Perpetual licenses	1,736	1,839	1,919	2,004	7,498	1,999	1,989	2,624	3,160	**9,772**	3,580	3,630	3,700	3,795	**14,705**
Total revenue	2,832	2,738	2,632	2,705	10,907	2,836	2,874	3,445	3,910	**13,065**	4,355	4,405	4,475	4,570	**17,805**
Cost of sales -- Digital engagement services	568	459	400	404	1,831	374	474	449	435	**1,732**	445	445	445	445	**1,780**
Cost of sales -- Subscription - Licenses	790	740	672	474	2,676	583	592	744	885	**2,804**	1,015	1,020	1,030	1,050	**4,115**
Total cost of revenue	1,358	1,199	1,072	878	4,507	957	1,066	1,193	1,320	**4,536**	1,460	1,465	1,475	1,495	**5,895**
Total Gross Profit	1,474	1,539	1,560	1,827	6,400	1,879	1,808	2,252	2,590	**8,529**	2,895	2,940	3,000	3,075	**11,910**
Operating Expenses:															
Sales and Marketing	1,032	786	312	484	2,614	444	524	760	1,000	**2,728**	1,200	1,300	1,350	1,400	**5,250**
General and Administrative	751	721	464	519	2,455	465	608	608	650	**2,331**	675	700	715	725	**2,815**
Research and Development	390	426	402	423	1,641	349	479	625	650	**2,103**	725	725	725	725	**2,900**
Depreciation and amortization	258	249	224	237	968	232	240	306	310	**1,088**	300	300	300	300	**1,200**
Impairment of goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring and acquisition related expenses	5	367	1	(7)	366	210	84	568	-	**862**	-	-	-	-	-
Total Operating Expenses	2,436	2,549	1,403	1,656	8,044	1,700	1,935	2,867	2,610	**9,112**	2,900	3,025	3,090	3,150	**12,165**
Operating Income (loss)	(962)	(1,010)	157	171	(1,644)	179	(127)	(615)	(20)	**(583)**	(5)	(85)	(90)	(75)	**(255)**
Interest expense and other , net	-	(1)	(2)	(4)	(7)	6	(4)	(9)	(10)	**(17)**	(10)	(10)	(10)	(10)	**(40)**
Government grant income	-	-	-	960	960	88	-	-	-	**88**	-	-	-	-	-
Change in fair value of warrant liabilities	1,101	1,820	(1,843)	(50)	1,028	(1,441)	(418)	(4,161)	-	**(6,020)**	-	-	-	-	-
Other income (expense), net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income (Expense)	1,101	1,819	(1,845)	906	1,981	(1,347)	(422)	(4,170)	(10)	**(5,949)**	(10)	(10)	(10)	(10)	**(40)**
Pre-Tax Income (loss)	139	809	(1,688)	1,077	337	(1,168)	(549)	(4,785)	(30)	**(6,532)**	(15)	(95)	(100)	(85)	**(295)**
Income Tax Expense (Benefit)	3	-	6	2	11	(6)	7	(1,176)	-	**(1,175)**	-	-	-	-	-
Net Income (loss)	$ 136	$ 809	$ (1,694)	$ 1,075	$ 326	$ (1,162)	$ (556)	$ (3,609)	$ (30)	**$ (5,357)**	$ (15)	$ (95)	$ (100)	$ (85)	**$ (295)**
Dividends on convertible preferred stock	(2,393)	(27)	-	-	(2,420)	-	-	-	-	-	-	-	-	-	-
Net Income (loss) - to common shareholders	$ (2,257)	$ 782	$ (1,694)	$ 1,075	$ (2,094)	$ (1,162)	$ (556)	$ (3,609)	$ (30)	**$ (5,357)**	$ (15)	$ (95)	$ (100)	$ (85)	**$ (295)**
EPS (loss) - to common shareholders	$ (0.81)	$ 0.18	$ (0.44)	$ 0.24	$ (0.59)	$ (0.26)	$ (0.11)	$ (0.61)	$ (0.00)	**$ (0.90)**	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	**$ (0.04)**
Weighted Average Shares Outstanding	2,798	4,413	3,877	4,527	3,555	4,420	5,000	5,939	8,395	**5,939**	8,400	8,405	8,410	8,415	**8,408**
EBITDA	$ (669)	$ (344)	$ 435	$ 462	$ (116)	$ 672	$ 235	$ 302	$ 340	**$ 1,549**	$ 395	$ 315	$ 310	$ 325	**$ 1,345**
Margins															
Gross Margin -- Digital engagement services	48.2%	48.9%	43.9%	42.4%	46.3%	55.3%	46.4%	45.3%	42.0%	**47.4%**	42.6%	42.6%	42.6%	42.6%	**42.6%**
Gross Margin -- Subscription - Licenses	54.5%	59.8%	65.0%	76.3%	64.3%	70.8%	70.2%	71.6%	72.0%	**71.3%**	71.6%	71.9%	72.2%	72.3%	**72.0%**
Total Gross Margin	52.0%	56.2%	59.3%	67.5%	58.7%	66.3%	62.9%	65.4%	66.2%	**65.3%**	66.5%	66.7%	67.0%	67.3%	**66.9%**
Operating Margin	(34.0%)	(36.9%)	6.0%	6.3%	(15.1%)	6.3%	(4.4%)	(17.9%)	(0.5%)	**(4.5%)**	(0.1%)	(1.9%)	(2.0%)	(1.6%)	**(1.4%)**
Sales & Marketing	36.4%	28.7%	11.9%	17.9%	24.0%	15.7%	18.2%	22.1%	25.6%	**20.9%**	27.6%	29.5%	30.2%	30.6%	**29.5%**
General & Administrative	26.5%	26.3%	17.6%	19.2%	22.5%	16.4%	21.2%	17.6%	16.6%	**17.8%**	15.5%	15.9%	16.0%	15.9%	**15.8%**
Research and Development	13.8%	15.6%	15.3%	15.6%	15.0%	12.3%	16.7%	18.1%	16.6%	**16.1%**	16.6%	16.5%	16.2%	15.9%	**16.3%**
Operating expense	86.0%	93.1%	53.3%	61.2%	73.8%	59.9%	67.3%	83.2%	66.8%	**69.7%**	66.6%	68.7%	69.1%	68.9%	**68.3%**
Pre-Tax Margins	4.9%	29.5%	(64.1%)	39.8%	3.1%	(41.2%)	(19.1%)	(138.9%)	(0.8%)	**(50.0%)**	(0.3%)	(2.2%)	(2.2%)	(1.9%)	**(1.7%)**
Tax rate	2.2%	0.0%	(0.4%)	0.2%	3.3%	0.5%	(1.3%)	24.6%	0.0%	**18.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**
YEAR / YEAR GROWTH															
Total Revenues	19.2%	24.7%	(2.3%)	0.6%	9.6%	0.1%	5.0%	30.9%	44.5%	**19.8%**	53.6%	53.3%	29.9%	16.9%	**36.3%**
Subscription (SaaS) / Perpetual licenses	33.3%	43.1%	21.8%	19.8%	28.5%	15.1%	8.2%	36.7%	57.7%	**30.3%**	79.1%	82.5%	41.0%	20.1%	**50.5%**

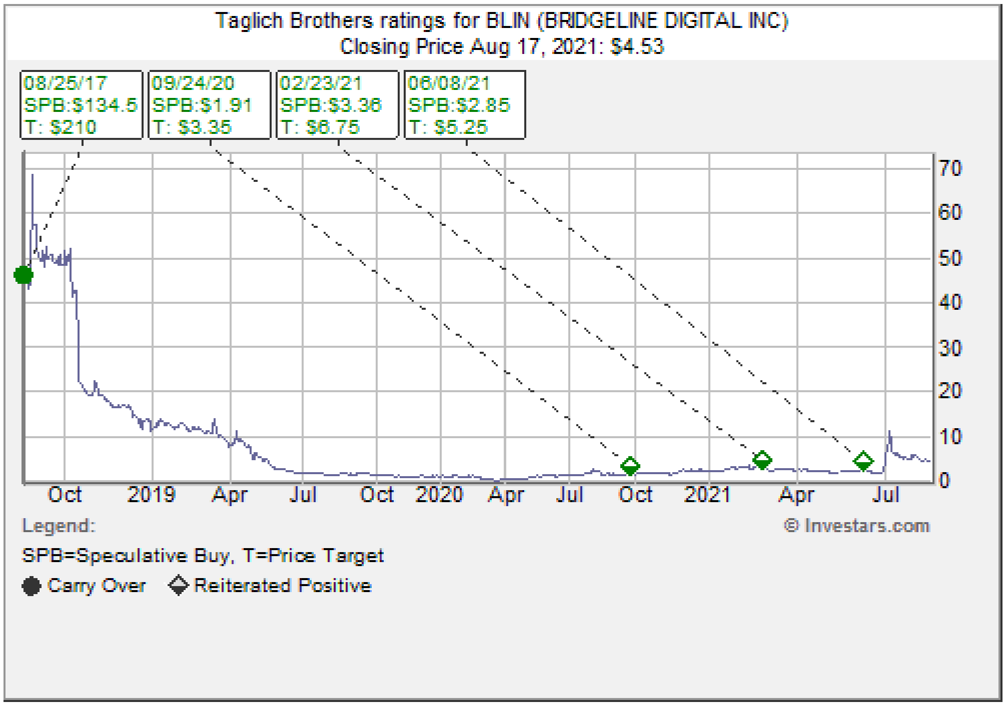
Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Cash Flow Statement – Ending September 30
FY2019A – FY2022E
(in thousands)

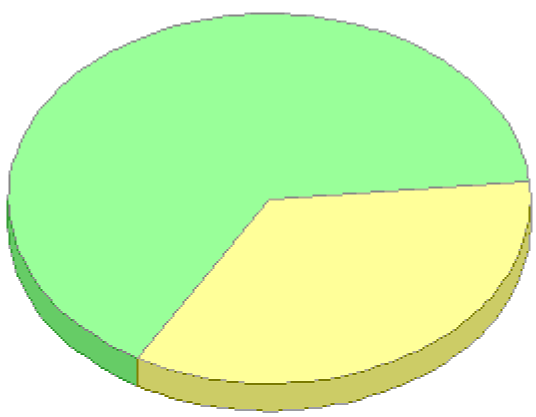
	FY2019 A	FY2020 A	9 Mos.21A	**FY2021 E**	**FY2022 E**
Cash Flows from Operating Activities					
Net Income (loss)	$ (9,474)	$ 326	$ (5,327)	**$ (5,357)**	**$ (295)**
Loss on disposal of property and equipment	9	-	-	**-**	**-**
Amortization of intangibles	544	891	726	**965**	**965**
Depreciation	66	61	38	**50**	**50**
Other amortization	39	16	13	**13**	**-**
Deferred income taxes	-	-	(1,181)	**(1,181)**	**-**
Goodwill impairment	3,732	-	-	**-**	**-**
Amortization of debt discount	231	-	-	**-**	**-**
Warrant liability expense	11,272	-	-	**-**	**-**
Government grant income	-	(960)	(88)	**(88)**	**-**
Change in fair value of warrant liabilities	(13,404)	(1,028)	6,020	**6,020**	**-**
Stock-based compensation	249	194	133	**200**	**275**
Cash earnings (burn)	(6,736)	(500)	334	**622**	**995**
Changes In:					
Accounts receivables	1,306	630	75	**(641)**	**(177)**
Prepaid expenses	127	89	(67)	**(186)**	**(47)**
Other current assets and other assets	116	(21)	(186)	**(539)**	**(50)**
Accounts payable and accrued liabilities	448	(585)	100	**282**	**(322)**
Deferred revenue	478	(75)	75	**1,389**	**300**
Other liabilities	58	(36)	7	**9**	**-**
(Increase)/decrease in Working Capital	2,533	2	4	**314**	**(297)**
Net cash Provided by (Used in) Operations	(4,203)	(498)	338	**936**	**698**
Cash Flows from Investing Activities					
Purchase of property and equipment	(11)	-	(52)	**(65)**	**(50)**
Software development	(20)	-	(30)	**(30)**	**-**
Purchase of business, net of cash acquired	-	-	(4,358)	**(4,358)**	
Acquisition of businesses	(5,668)	-	-	**-**	**-**
Net cash used in Investing	(5,699)	-	(4,440)	**(4,453)**	**(50)**
Cash Flows from Financing Activities					
Proceeds from issuance of common stock, net	4,757	-	4,626	**4,626**	**-**
Proceeds from stock option and warrant excercises	-	-	1,354	**7,400**	**-**
Proceeds from convertible preferred to acquire HawkSearch, net	-	-	2,525	**2,525**	
Proceeds from issuance of preferred stock, net	9,049	-	-	**-**	**-**
Borrowing on bank line of credit	75	-	-	**-**	**-**
Proceeds received under paycheck protection program	-	1,048	-	**-**	**-**
Payment on long-term debt	-	-	(494)	**(573)**	**(625)**
Payments of contingent consideration and deferred cash payable	-	-	(45)	**(2,045)**	**(2,000)**
Payments on bank line of credit	(2,156)	-	-	**-**	**-**
Payments on term notes from Montage Capital	(922)	-	-	**-**	**-**
Payments on promissory term notes	(941)	-	-	**-**	**-**
Cash dividends paid on Series A convertible preferred stock	(315)	-	-	**-**	**-**
Net cash provided by Financing	9,547	1,048	7,966	**11,933**	**(2,625)**
Exchange rate	7	15	43	**43**	**-**
Net change in Cash	(348)	565	3,907	**8,459**	**(1,977)**
Cash Beginning of Period	644	296	861	**861**	**9,320**
Cash End of Period	$ 296	$ 861	$ 4,768	**$ 9,320**	**$ 7,343**

Source: Company reports 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

As of August 17, 2021 and the July 9, 2021 S-3 filing, Taglich Brothers, Inc. and/or its affiliates own or have controlling interests in approximately 1% of BLIN common stock. Michael Taglich, President of Taglich Brothers, Inc. owns or has a controlling interest in 57,594 shares of BLIN common stock and owns or has a controlling interest in 297,628 shares of common stock underlying warrants and options issued and 350 shares of convertible Series C Preferred Stock (into approximately 39,000 common shares). Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in approximately 14,538 shares of common stock underlying warrants issued. Robert Schroeder, Vice President of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 195 shares of BLIN common stock and an estimated 8,500 shares of common stock underlying warrants issued. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in an estimated 7,929 warrants. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 1,090 share of BLIN common stock and an estimated 3,661 warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 3,956 shares of BLIN common stock and an estimated 20,449 warrants. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. Prior to FY19, Taglich Brothers was the Placement Agent for many of BLIN's private offerings and debt issuances. In February 2021 and May 2021, Taglich Brothers Inc. acted as co-placement agent for a registered direct common stock (convertible preferred) offerings for which it received a fee and placement agent warrants.

All research issued by Taglich Brothers, Inc. is based on public information. Bridgeline Digital, Inc. does not pay Taglich Brothers, Inc. for the creation and dissemination of research reports.

General Disclosures

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

Analyst Certification

I, Howard Halpern, 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:

HubSpot, Inc.	(NYSE: HUBS)	Shopify Inc.	(NYSE: SHOP)
SAP SE	(NYSE: SAP)	Adobe Inc.	(NYSE: ADBE)

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.