Reinitiating Coverage

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

DecisionPoint Systems, Inc.

Speculative Buy

John Nobile
July 28, 2021

DPSI $2.10 — (OTC)

	2019A	2020A	2021E	2022E
Revenues (millions)	$43.9	$63.4	$65.0	$70.2
Earnings (loss) per share	$0.06	$0.18	$0.13*	$0.10

52-Week range	$7.00 – $1.22	Fiscal year ends:	December
Common shares out as of 5/7/21	13.9 million	Revenue per share (TTM)	$4.49
Approximate float	11.9 million	Price/Sales (TTM)	0.5X
Market capitalization	$29 million	Price/Sales (FY2022)E	0.5X
Tangible book value/share	0.05	Price/Earnings (TTM)	11.1X
Price/tangible book value	42X	Price/Earnings (FY2022)E	21X

**Includes an $0.08 per share gain from the extinguishment of debt associated with the forgiveness of PPP loans.*

DecisionPoint Systems, headquartered in Irvine CA, is a provider and integrator of mobility and wireless systems for business organizations. The company designs, deploys and supports mobile computing systems that enable customers to access employers' data networks at various locations (i.e. the retail selling floor, warehouse and distribution centers or on the road deliveries). DecisionPoint also integrates data capture equipment including bar code scanners and radio frequency identification (RFID) readers.

Key investment considerations:

Reinitiating coverage of DecisionPoint Systems, Inc. with a Speculative Buy rating and 12-month price target of $3.00 per share based on our 2022 EPS forecast.

DecisionPoint operates in the enterprise mobility market. Research and Markets estimates that the global market for BYOD & Enterprise Mobility spiked by over 21.1% in 2020 supported by the move to work from home models. The market is expected to continue to grow and reach $180.8 billion by 2027 for a CAGR of 16.7% from 2020 through 2027.

The company has supplemented its organic growth by identifying and then acquiring and integrating those businesses which has resulted in a broader and more sophisticated portfolio of product offerings. DPSI is also diversifying and expanding its customer base and the markets it serves.

We project 2021 sales growth of 2.5% to $65 million driven by strong growth of the company's enterprise mobility products and service offerings, partially offset by a large order in 2020 that was not repeated in 2021. We project EPS of $0.13, a decrease from the prior year's EPS of $0.18 primarily due to higher SG&A expenses associated with the ExtenData acquisition.

We project 2022 sales growth of 8% to $70.2 million driven by sustained product and service sales growth within the enterprise mobility market. We project EPS of $0.10, a decrease from the prior year's EPS of $0.13 primarily due to the $0.08 per share gain in 2021 associated with the forgiveness of PPP loans.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

We are reinitiating coverage of DecisionPoint Systems, Inc. (DPSI) with a **Speculative Buy** rating and 12-month price target of $3.00 per share based on our 2022 EPS forecast.

DecisionPoint operates in the high growth enterprise mobility market. Research and Markets estimates that the global market for BYOD & Enterprise Mobility spiked by over 21.1% in 2020 supported by the move to work from home models. The market is expected to continue to grow and reach $180.8 billion by 2027 for a CAGR of 16.7% from 2020 through 2027.

The company has supplemented its organic growth by identifying and then acquiring and integrating those businesses which has resulted in a broader and more sophisticated portfolio of product offerings. DPSI is also working to diversify and expand its customer base and the markets it serves.

DPSI currently trades at a P/E multiple of 19X (excluding the 1Q21 $0.08 per share gain associated with the forgiveness of PPP loans). The IT services industry currently trades at an average multiple of approximately 30X. We believe the large disparity between DPSI's multiple and the industry average is due to the markets' perception of growth prospects. With the growth in sales and normalized earnings forecasted for 2022, we believe investors are likely to accord DPSI the industry multiple. Applying a multiple of 30X to our 2022 EPS of $0.10, we derive a twelve-month value of $3.00 per share.

Business

Headquartered in Irvine CA, DecisionPoint Systems is a provider and integrator of mobility and wireless systems for business organizations. The company designs, deploys and supports mobile computing systems that enable customers to access employers' data networks at various locations (i.e. the retail selling floor, nurse workstations, warehouse and distribution centers, as well as on the road deliveries via enterprise-grade handheld computers, printers, tablets, and smart phones). DecisionPoint also integrates data capture equipment including bar code scanners and radio frequency identification (RFID) readers.

In June 2018, DPSI acquired Royce Digital Systems, Inc., a provider of enterprise print and mobile technologies, deployment services and on-site maintenance. In December 2020, DPSI acquired ExtenData Solutions, LLC, a provider of software product development, mobile computing, identification and tracking solutions, and wireless tracking solutions for enterprise mobility.

Products and Services

DecisionPoint offers mobile data collection devices such as tablets, computers, and vehicle mount computers (see picture at right), which can help organizations significantly improve efficiency to help meet customer expectations for speed and accuracy. The company also offers ruggedized mobile data collection solutions designed to perform in the most demanding environments.

Source: DecisionPoint Systems, Inc.

DecisionPoint offers wearable computers, barcode scanners, and accessories that enable hands-free operation for increased operational flexibility, improved ergonomics, and safety. The company's barcode equipment, systems, and supplies are designed to work even with damaged barcode labels.

The company's hardware partners include Zebra Technologies, Honeywell, Datalogic, Extreme Networks, and VeriFone.

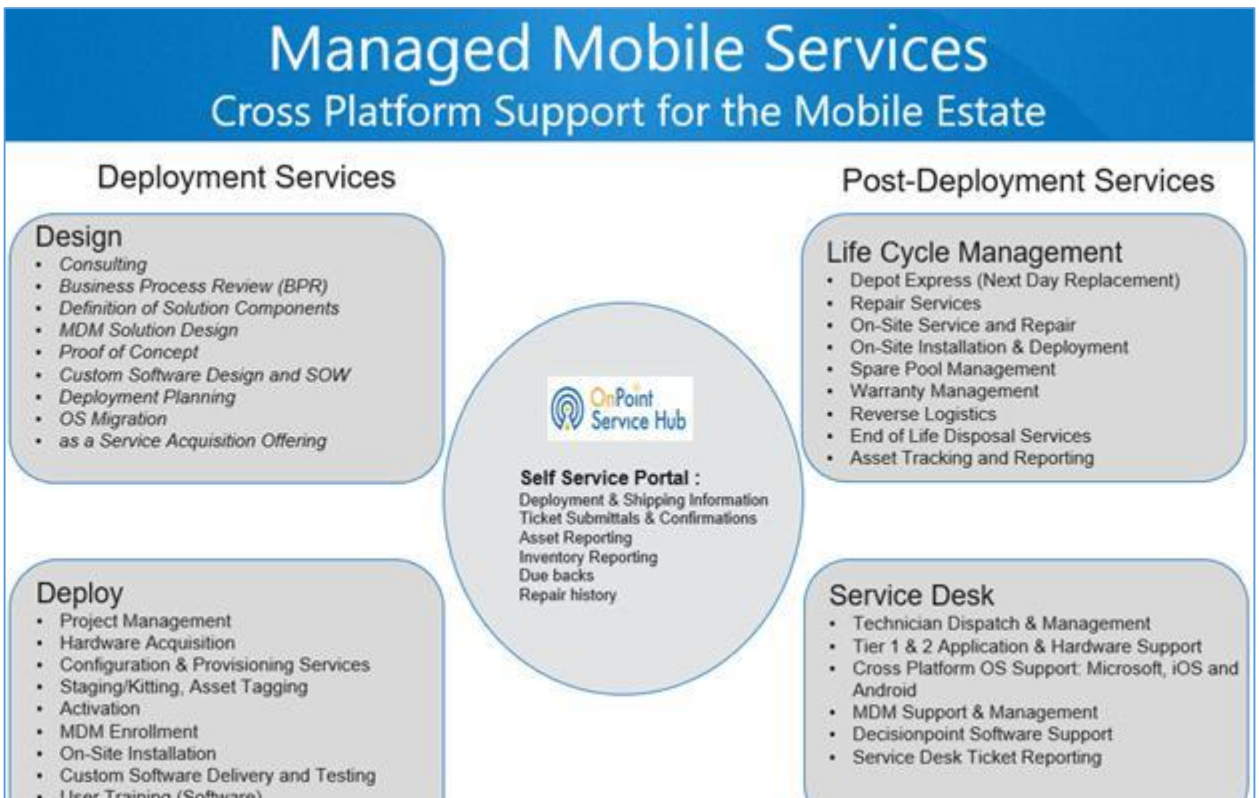
The company's offerings include software for direct store delivery management, electronic proof of delivery, and yard management to effectively track, monitor, and manage cargo from when it enters a location to when it leaves. DecisionPoint also offers custom mobile application software to meet the unique requirements a customer may have.

Some of DecisionPoint's software partners include SOTI, Ivanti, BlueFletch, VMWare-Airwatch, and MobileIron.

The company's professional services include consulting, staging, deployment, installation, repair and customer specified software customization. DecisionPoint's also offers hardware and software maintenance support for hardware and software that was acquired from the company or others.

DecisionPoint's Mobile Device Management offering allows for remote management of thousands of devices in a single interface and provides full visibility and reporting of those devices, including barcode equipment and systems.

The company's OnPoint™ Service Hub is a real-time asset management and tracking information portal that provides customers with a 24/7 view of their technology assets being managed by DecisionPoint (see example below).



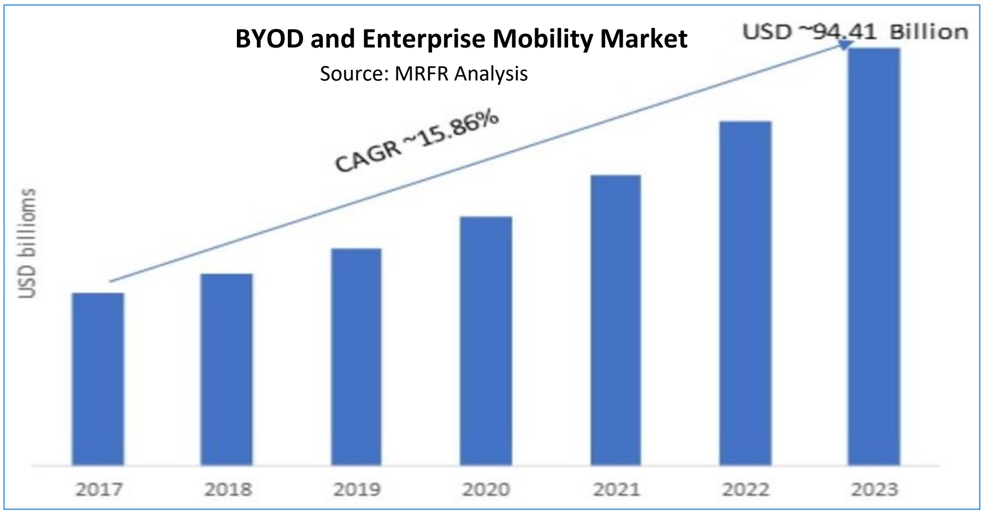
Source: DecisionPoint Systems, Inc.

DecisionPoint also offers "as a service" models that include devices, services, software and consulting in which customers pay a recurring monthly fee.

DecisionPoint's services can benefit enterprises by improving their speed-to-market and user adoption, and by cutting administrative costs through managing and consolidating suppliers. The company also helps enterprises in reducing ongoing support costs through preventative incident avoidance, managing back-end warranties, service contracts, and rapid repairs for multiple products and vendors.

The company provides cross-platform support for many enterprise mobility platforms including Windows, Android, and iOS.

Enterprise Mobility Market



According to a report by Market Research Future[1], the global market for BYOD and Enterprise Mobility is expected to grow from $39 billion in 2017 to $94.4 billion by 2023, for a compound annual growth rate (CAGR) of approximately 15.9% during the forecast period (see chart at right). The BYOD (bring your own device) & enterprise mobility market enables employees to use their personal devices such as tablets, smartphones, and laptops for professional purposes. Increased productivity, employee satisfaction, and reduced hardware costs are considered to positively impact a company, its employees and drive overall market growth.

The Market and Research Future report projects the global BYOD and Enterprise Mobility market is likely to show significant growth, as small and medium size enterprises adopt cloud-based services. Reduced hardware costs, increased penetration of smartphones and the rising demand for enterprise mobility software in large enterprises are also driving growth in the BYOD and enterprise mobility market.

High demand for BYOD and Enterprise Mobility solutions from various sectors such as energy and utility, healthcare and life sciences, media and entertainment, retail and consumer goods, IT and telecommunication, and transportation and logistics are expected to help drive strong growth. Significant opportunities in this market are expected in North American and Europe, attributed to the growing cloud-based applications in these regions. Also, the Asia-Pacific region is expected to account for a major share of growth during the forecast period.

A report by Research and Markets[2] estimates that the global market for BYOD & Enterprise Mobility spiked by over 21.1% in 2020 supported by the move to work from home models. The report projects the market to continue to grow and reach $180.8 billion by 2027 for a CAGR of 16.7% from 2020 through 2027.

Research and Markets reported that with COVID-19 ushering in a phase of social distancing and lockdowns, the trend towards remote working gained momentum. With the world confronted by the COVID-19 pandemic, several business operations have felt the need for technologies to remain operational amidst such emergencies.

1. https://www.marketresearchfuture.com/reports/byod-enterprise-mobility-market-6699
2. https://www.researchandmarkets.com/reports/4804695/byod-and-enterprise-mobility-global-market#src-pos-1

The pandemic accentuated the need for adaptability among organizations to shift from the traditional office model to the digital workplace. Staying ahead of the competition involves embracing the needed change which currently has companies going digital, enabling remote working options, and adopting the bring your own device approach, all characteristics of enterprise mobility.

User identity verification is important as corporate content and data is being accessed by multiple mobile devices. Enterprise Mobility Management (EMM) is emerging as a one stop solution for encryption, user authentication, anti-virus controls, and remote data/device access. EMM will play a major role in managing, streamlining, viewing, tracking, monitoring and securing all content, devices and apps of an organization ensuring that only authorized employees are able to access devices from anywhere at any time to enhance company productivity.

Competition

DecisionPoint's business is involved in automatic identification and data capture technology which refers to the methods of automatically identifying objects, collecting data about them, and entering them directly into computer systems. The automatic identification and data capture (AIDC) business is one that is highly fragmented and covered by many competitors that range from a one-man shop to multi-billion-dollar companies. DecisionPoint attempts to separate itself from the competition with its expertise and ability to help a customer manage an entire project vs. buying a product.

The following companies are examples of competitors in the AIDC Industry: CDW, a provider of thousands of products as a general IT supplier, and Denali Advanced Integration, a full system integration company with services ranging from IT Consulting, Managed Services and Enterprise Mobility Solutions. Other competitors in the US are catalog and online equipment resellers that offer end-users deeply discounted, commodity-oriented products; however, they typically offer limited or no maintenance support beyond the manufacturer's warranty.

Strategy

Acquisitions have been an important element of DecisionPoint's growth strategy and are expected to be in the future. The company has supplemented its organic growth by identifying, and then acquiring and integrating those businesses which has resulted in a broader, more sophisticated portfolio of product offerings while simultaneously diversifying and expanding its customer base and markets.

In 2019, much of DPSI's revenue growth was fueled by its June 2018 acquisition and integration of Royce Digital Systems and the company's increased focus on developing a complete managed services portfolio. The Royce acquisition expanded DecisionPoint's product portfolio with mission critical printers, consumables, and custom labels and a wide array of on-site professional services. Additionally, Royce provided new opportunities in healthcare which is incremental to the company's existing retail and logistics markets. In December 2020, DecisionPoint acquired ExtenData Solutions whose products and services are synergistic and complimentary to those provided by the company.

Economic Outlook

In April 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 6% for 2021 and 4.4% for 2022. In January 2021, the IMF predicted GDP growth of 5.5% for 2021 and 4.2% for 2022. The 2021 upward revision primarily reflects additional fiscal policy support in a few large economies and an anticipated vaccine-powered recovery in 2H21.

The IMF revised its economic growth estimate for the US to an increase of 6.4% for 2021 and 3.5% for 2022. In January 2021, the IMF projected US economic growth of 5.1% for 2021 and 2.5% for 2022.

The third estimate of US GDP growth (released on June 24, 2021) showed the US economy increased at an annual rate of 6.4% in 1Q21, up from the 4.3% increase reported in 4Q20. The 1Q21 US GDP estimate primarily reflects increases in consumer spending, business investment, government spending and housing investment, partially offset by decreases in inventory investment and exports.

1Q21 and FY20 Financial Results

1Q21 - Total revenue decreased 12.1% to $16.1 million primarily due to a decrease in hardware and software sales in the retail sector as a result of significant equipment upgrade (and resulting purchases of the company's products) in the prior year period from one of the company's largest customers. The decrease in sales was partly offset by a $2.8 million increase in overall sales associated with the acquisition of ExtenData in December 2020. Net income increased to $1.3 million or $0.08 per share versus net income of $1 million or $0.07 per share. Net income for 1Q21 included a $1.2 million or $0.08 per share gain from the extinguishment of debt associated with the forgiveness of PPP loans.

Gross margins increased to 23.9% from 23.6% due primarily to a greater percentage of higher margin professional service sales (25.8% of total revenue versus 17.5%).

SG&A expenses increased to $3.5 million from $2.8 million primarily due to increased expenses associated with the ExtenData acquisition.

Interest expense decreased to $29,000 from $99,000 as a result of decreased debt levels and lower interest rates.

FY20 - Total revenue increased 44.4% to $63.4 million. Product sales increased 58.4% while service sales increased 6.6%. Net income increased to $2.9 million or $0.18 per share versus net income of $891,000 or $0.06 per share.

Income Statements
(in thousands $)

	1Q21A	1Q20A
Product	11,925	15,095
Service	4,147	3,192
Net sales	16,072	18,287
Product	9,451	12,074
Service	2,783	1,895
Cost of sales	12,234	13,969
Gross profit	3,838	4,318
Sales and marketing	1,889	1,644
General and administrative	1,620	1,148
Operating income (loss)	329	1,526
Other income	1,211	-
Interest expense	(29)	(99)
Income (loss) before taxes	1,511	1,427
Income taxes / (benefit)	178	398
Net income (loss)	1,333	1,029
EPS	0.08	0.07
Shares Outstanding	15,788	15,642
Margin Analysis		
Gross margin	23.9%	23.6%
Sales and marketing	11.8%	9.0%
General and administrative	10.1%	6.3%
Operating margin	2.0%	8.3%
Net margin	8.3%	5.6%
Tax rate	NMF	27.9%
Year / Year Growth		
Total Revenues	(12.1)%	

Source: Company filings

Gross margins decreased to 23.4% from 24.5% due primarily to a greater percentage of lower margin product sales (80% of total revenue versus 72.9%).

SG&A expenses increased to $10.8 million from $8.9 million. Interest expense decreased to $319,000 from $649,000 as a result of decreased debt levels.

Liquidity

As of March 31, 2021, the company had $1.8 million cash, a current ratio of 1X, $202,000 of debt ($150,000 long-term), and shareholder's equity of $13.2 million or $0.95 per share.

Cash provided by operations in the first three months of 2021 was $1.3 million consisting primarily of cash earnings of $575,000 and a $683,000 decrease in working capital. The decrease in working capital was primarily due to a decrease in receivables offset in part by a decrease in payables. Cash used in investing was $243,000 consisting primarily of cash paid for acquisitions. Cash used in financing was $1.2 million and consisted primarily of the pay down of debt. Cash decreased by $189,000 to $1.8 million at March 31, 2021.

DecisionPoint has a $10 million line of credit with Pacific Western Business Finance with a maturity date of September 2023. The line of credit bears interest at the prime rate plus 1.25% with a floor of 4.75%. As of March 31, 2021, the company had no outstanding borrowings under the line of credit and an available balance of $6.2 million (determined from a borrowing base calculation on the existing accounts receivable balance.

In August 2020, DecisionPoint received $150,000 in connection with a promissory note from the SBA under the Economic Injury Disaster Loan (EIDL) program pursuant to the CARES Act. Under the terms of the EIDL promissory note, interest accrues on the outstanding principal at an interest rate of 3.75% per annum with a term of 30 years with equal monthly payments of principal and interest of $731 beginning on August 27, 2021.

Projections

<u>Operations 2021</u>
We project sales growth of 2.5% to $65 million driven by sustained product and service sales growth within the enterprise mobility market, partially offset by lower sales due to a large order in 2020 that was not repeated in 2021. We project net income of $2.1 million or $0.13 per share, a decrease from the prior year's net income of $2.9 million or $0.18 per share primarily due to higher SG&A expenses associated with the ExtenData acquisition.

Gross margins are projected to improve to 23.9% from 23.4% in 2020 as the company generates a greater percentage of its sales from higher margin services (25.5% in 2021 versus 20% in 2020). Product gross margins (currently the majority of sales) are currently 20.8% while service margins are currently 32.9%.

SG&A expenses should increase to $14 million from $10.8 million with the increase in sales and added headcount from recent acquisitions. We project SG&A expense margins of 21.6% in 2021 compared to 17% in 2020.

Interest expense should approximate $44,000 as the company pays off its remaining debt. Taxes are estimated at a rate of 19.5%.

<u>Finances 2021</u>
We project $2.2 million cash provided by operations will be derived primarily from cash earnings. Cash used in investing of $470,000 should consist of $300,000 of capital expenditures and $170,000 of acquisition costs. Cash used in financing should consist primarily of the pay down of debt. Cash should increase by $363,000 to $2.4 million at December 31, 2021.

<u>Operations 2022</u>
We project sales growth of 8% to $70.2 million driven by continued growth of the company's product and service offerings within the enterprise mobility market. We project net income of $1.5 million or $0.10 per share compared to an EPS projection of $0.05 after excluding the $0.08 per share gain in 2020 associated with the forgiveness of PPP loans.

Gross margins are projected to remain relatively stable at 23.8% with product gross margins of 20.8% and service margins of 32.9%.

SG&A expenses should increase to $14.6 million from $14 million to support sales growth. We project SG&A expense margins of 20.7% in 2022 compared to 21.6% in 2021.

We project no interest expense as the company should have no debt. Taxes are estimated at a rate of 29.8%.

Finances 2022
We project $2.9 million cash provided by operations will be derived primarily from cash earnings. Cash used in investing of $300,000 should consist of capital expenditures. Cash should increase by $2.6 million to $4.9 million at December 31, 2022.

Management

Steve Smith, Chief Executive Officer and Director - CEO and director since April 2016. From 2011 to April 2016 served as Sales Director – Global Accounts for Zebra Technologies Corporation. From May 2009 to October 2014, served as a Sales Director at Motorola Solutions. Previously served as Sr. Vice President, Worldwide Sales and Services at Intelleflex. In 1991, joined Ericsson Communications as Director of Sales and Marketing. B.S. degree from Long Island University.

Melinda Wohl, Vice President, Finance and Administration - Vice President, Finance and Administration since 2008. Joined DecisionPoint in 2004. Prior, served as Corporate Controller for Abracon Corporation. B.A. degree with an emphasis in Finance from California State University Fullerton.

Risks

In our view, these are the principal risks underlying shares of DPSI.

Funding requirements – DPSI may need to raise additional monies in order to fund its growth strategy and fully implement its business plan. Specifically, DPSI may need to raise additional funds in order to pursue rapid expansion, develop new or enhanced services and products, and acquire complementary businesses or assets. There can be no assurance that additional financing will be available when needed, on favorable terms, or at all.

COVID-19 - A novel strain of coronavirus, COVID-19, is highly contagious and has spread throughout the US and to most of the countries in the world. The pandemic has not had a material adverse effect on the company's results of operations and financial performance however, the pandemic has, and may continue to adversely affect certain of DPSI's customers. It may also impact the ability of the company's service providers, partners, and suppliers to operate and fulfill their contractual obligations resulting in an increase in their costs and delays in performance. These supply chain effects, and the direct effect of the virus and the disruption on certain of DPSI's customers' operations, may adversely impact aggregate customer demand for DPSI's products and services.

Technological obsolescence – Customer requirements for mobile computing products and services are rapidly evolving and technological changes in the industry occur rapidly. To keep up with new customer requirements and distinguish DPSI from its competitors, the company must frequently introduce new products and services and enhancements to its existing products and services. The company may not be able to launch new or improved products or services before its competition which could cause the company's business to suffer.

Competition – DPSI competes primarily with well-established companies, many of which have greater resources. Barriers to entry are not significant and start-up costs are relatively low, so competition may increase in the future. New competitors may be able to launch businesses similar to DPSI's and current competitors may replicate the company's business model. If the company is unable to effectively compete, it will lose sales to its competitors and revenues will decline.

DPSI's current and prospective competitors include other wireless mobile solutions companies such as CDW, Peak Ryzex, Stratix, Denali Advanced Integration, Optical Fushion, Barcoding Inc., and Quest Solution.

Dependence on a small number of customers - A significant portion of DPSI's revenue is dependent upon a small number of customers. The company had two customers who, together, represented 35% of its revenue for the year ended December 31, 2019. DPSI's top two customers represented approximately 52% of its revenue for the nine months ended September 30, 2020 (latest figures available). The loss of a significant customer could have a material adverse impact on the company.

Dependence on key wireless carrier relationships – DPSI has established key wireless carrier relationships with Sprint, T-Mobile, and Verizon. The company has an informal arrangement with these carriers pursuant to which they provide DPSI referrals of end users interested in field mobility solutions, and DPSI, in turn, provides solutions which require cellular data networks. The company does not have any binding agreements with these carriers. If these carriers were to terminate or materially reduce their business relationships with DPSI, its operating results would be materially harmed.

Integration risk - The ExtenData acquisition (closed in December 2020) was a significant acquisition for DPSI and there can be no assurance that the company will be able to successfully integrate ExtenData into its overall business or otherwise realize the expected benefits of the acquisition. The inability of management to successfully integrate acquired businesses or technologies could have a material adverse effect on the company's business, operating results and financial condition.

Liquidity risk - Shares of DecisionPoint 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 11.9 million shares in the float and the average daily volume is approximately 2,000 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 $)

	2018A	2019A	2020A	3/21A	2021E	2022E
Cash	2,450	2,620	2,005	1,816	2,368	4,947
Accounts receivable	8,190	8,710	16,438	10,591	16,856	18,213
Inventory	356	3,825	884	1,005	901	974
Deferred costs	1,966	2,201	1,744	2,108	2,108	2,108
Prepaid expenses and other	141	268	67	381	381	381
Total current assets	13,103	17,624	21,138	15,901	22,614	26,622
Operating lease assets	-	516	583	520	520	520
Property and equipment, net	140	239	751	741	811	858
Deferred costs	746	1,258	2,097	1,911	1,911	1,911
Deferred tax assets	2,924	2,659	1,973	1,930	1,930	1,930
Intangible assets	3,127	2,394	4,663	4,386	3,555	2,447
Goodwill	6,990	6,990	8,128	8,128	8,128	8,128
Other assets	48	19	22	22	22	22
Total assets	**27,078**	**31,699**	**39,355**	**33,539**	**39,491**	**42,438**
Accounts payable	6,704	10,589	12,852	8,156	13,096	14,156
Accrued expenses and other	2,119	2,222	2,807	2,555	2,878	3,110
Deferred revenue	3,811	3,630	4,617	4,970	4,970	4,970
Line of credit	3,196	3,177	1,206	-	-	-
Current portion of debt	422	144	-	-	-	-
Due to related parties	108	124	34	52	-	-
Current portion of operating lease liabilities	-	140	261	265	265	265
Total current liabilities	16,360	20,026	21,777	15,998	21,209	22,501
Deferred revenue	1,079	1,979	3,140	3,042	3,042	3,042
Long-term debt	1,488	390	1,361	150	-	-
Operating lease liabilites	-	388	340	271	271	271
Other	452	-	873	846	846	846
Total liabilities	**19,379**	**22,783**	**27,491**	**20,307**	**25,368**	**26,660**
Total stockholders' equity (deficit)	**7,699**	**8,916**	**11,864**	**13,232**	**14,122**	**15,778**
Total liabilities & stockholders' equity	**27,078**	**31,699**	**39,355**	**33,539**	**39,491**	**42,438**

Source: Company filings, Taglich Brothers' estimates

DecisionPoint Systems, Inc.

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

	2018A	2019A	2020A	2021E	2022E
Product sales	26,009	31,990	50,673	48,425	52,600
Service sales	9,149	11,899	12,687	16,547	17,600
Net sales	35,158	43,889	63,360	64,972	70,200
Cost of product sales	21,614	25,866	40,129	38,359	41,659
Cost of service sales	6,287	7,267	8,413	11,103	11,810
Cost of sales	27,901	33,133	48,542	49,462	53,469
Gross profit	7,257	10,756	14,818	15,510	16,731
Sales and marketing	3,341	4,907	5,587	7,559	7,840
General and administrative	3,433	3,999	5,203	6,480	6,720
Operating income (loss)	483	1,850	4,028	1,471	2,171
Other income	-	-	213	1,211	-
Interest expense	(391)	(649)	(319)	(44)	-
Income (loss) before taxes	92	1,201	3,922	2,638	2,171
Income taxes / (benefit)	(3,883)	310	1,061	514	647
Net income (loss)	3,975	891	2,861	2,124	1,524
EPS	0.35	0.06	0.18	0.13	0.10
Shares Outstanding	11,328	15,341	15,622	15,857	15,880
Margin Analysis					
Gross margin - product	16.9%	19.1%	20.8%	20.8%	20.8%
Gross margin - service	31.3%	38.9%	33.7%	32.9%	32.9%
Gross margin	20.6%	24.5%	23.4%	23.9%	23.8%
Sales and marketing	9.5%	11.2%	8.8%	11.6%	11.2%
General and administrative	9.8%	9.1%	8.2%	10.0%	9.6%
Operating margin	1.4%	4.2%	6.4%	2.3%	3.1%
Net margin	11.3%	2.0%	4.5%	3.3%	2.2%
Tax rate	NMF	25.8%	27.1%	19.5%	29.8%
Year / Year Growth					
Total Revenues		24.8%	44.4%	2.5%	8.0%
Net Income		(77.6)%	221.1%	(25.8)%	(28.2)%
EPS		(83.4)%	215.3%	(26.9)%	(28.3)%

Source: Company filings, Taglich Brothers' estimates

2020A - 2022E Income Statements
(in thousands $)

	2020A	1Q21A	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E
Product sales	50,673	11,925	11,200	11,200	14,100	48,425	13,100	12,150	12,100	15,250	52,600
Service sales	12,687	4,147	3,800	3,800	4,800	16,547	4,350	4,100	4,050	5,100	17,600
Net sales	63,360	16,072	15,000	15,000	18,900	64,972	17,450	16,250	16,150	20,350	70,200
Cost of product sales	40,129	9,451	8,870	8,870	11,167	38,359	10,375	9,623	9,583	12,078	41,659
Cost of service sales	8,413	2,783	2,550	2,550	3,221	11,103	2,919	2,751	2,718	3,422	11,810
Cost of sales	48,542	12,234	11,420	11,420	14,388	49,462	13,294	12,374	12,301	15,500	53,469
Gross profit	14,818	3,838	3,580	3,580	4,512	15,510	4,156	3,876	3,849	4,850	16,731
Sales and marketing	5,587	1,889	1,890	1,890	1,890	7,559	1,960	1,960	1,960	1,960	7,840
General and administrative	5,203	1,620	1,620	1,620	1,620	6,480	1,680	1,680	1,680	1,680	6,720
Operating income (loss)	4,028	329	70	70	1,002	1,471	516	236	209	1,210	2,171
Other income	213	1,211	-	-	-	1,211	-	-	-	-	-
Interest expense	(319)	(29)	(15)	-	-	(44)	-	-	-	-	-
Income (loss) before taxes	3,922	1,511	55	70	1,002	2,638	516	236	209	1,210	2,171
Income taxes / (benefit)	1,061	178	16	21	299	514	154	70	62	361	647
Net income (loss)	2,861	1,333	38	49	703	2,124	362	166	147	849	1,524
EPS	0.18	0.08	0.00	0.00	0.04	0.13	0.02	0.01	0.01	0.05	0.10
Shares Outstanding	15,622	15,788	15,880	15,880	15,880	15,857	15,880	15,880	15,880	15,880	15,880
Margin Analysis											
Gross margin - product	20.8%	20.7%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%	20.8%
Gross margin - service	33.7%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%	32.9%
Gross margin	23.4%	23.9%	23.9%	23.9%	23.9%	23.9%	23.8%	23.9%	23.8%	23.8%	23.8%
Sales and marketing	8.8%	11.8%	12.6%	12.6%	10.0%	11.6%	11.8%	11.8%	11.8%	11.8%	11.2%
General and administrative	8.2%	10.1%	10.8%	10.8%	8.6%	10.0%	9.6%	10.3%	10.4%	8.3%	9.6%
Operating margin	6.4%	2.0%	0.5%	0.5%	5.3%	2.3%	3.0%	1.5%	1.3%	5.9%	3.1%
Net margin	4.5%	8.3%	0.3%	0.3%	3.7%	3.3%	2.1%	1.0%	0.9%	4.2%	2.2%
Tax rate	27.1%	11.8%	29.8%	29.8%	29.8%	19.5%	29.8%	29.8%	29.8%	29.8%	29.8%
Year / Year Growth											
Total Revenues	44.4%					2.5%	8.6%	8.3%	7.7%	7.7%	8.0%
Net Income	221.1%					(25.8)%	(72.8)%	330.8%	199.8%	20.7%	(28.2)%
EPS	215.3%					(26.9)%	(73.0)%	330.8%	199.8%	20.7%	(28.3)%

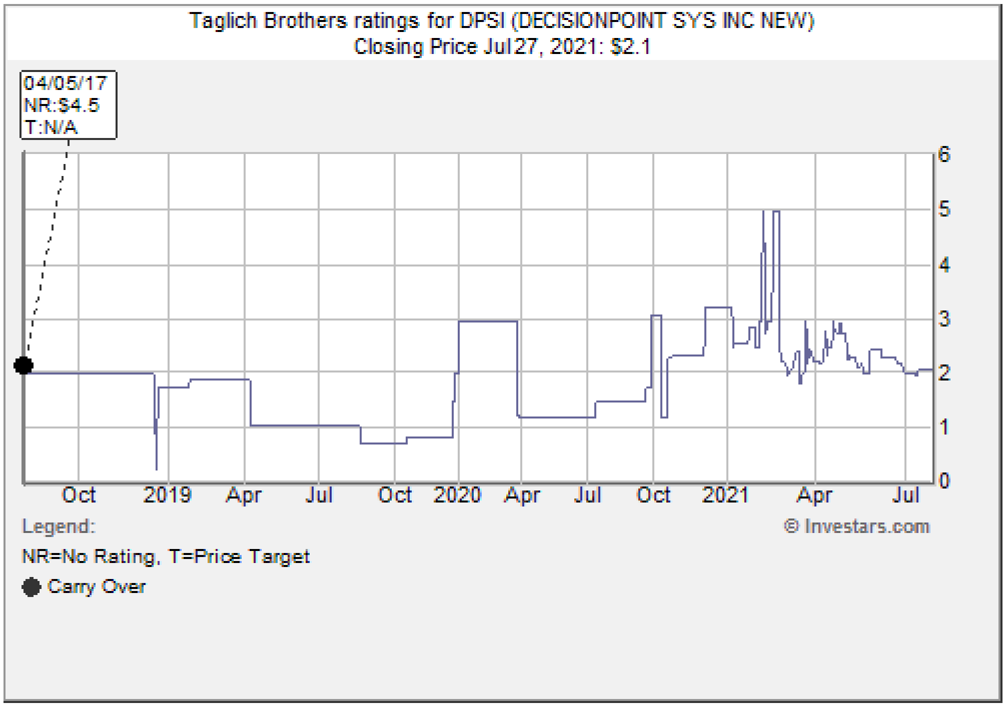
Source: Company filings, Taglich Brothers' estimates

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

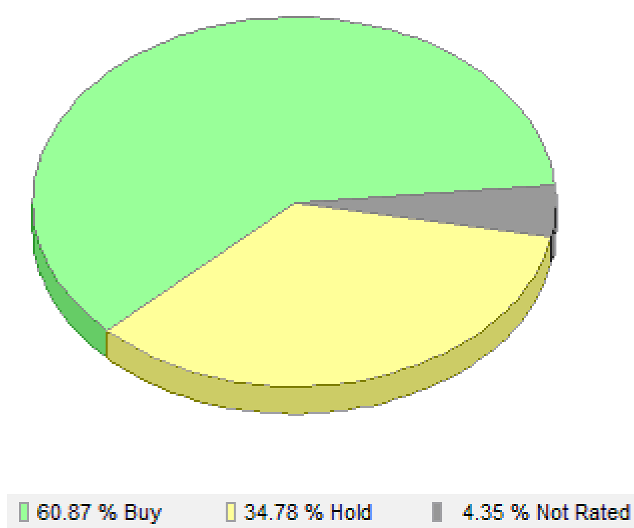
	2018A	2019A	2020A	3M21A	2021E	2022E
Net income (loss)	3,975	891	2,861	1,333	2,124	1,524
Depreciation & amortization	689	809	891	360	1,348	1,361
Gain on extinguishment of debt	-	-	-	(1,211)	(1,211)	-
Amortization of deferred financing costs	57	304	157	17	68	68
Share-based compensation	83	324	87	33	132	132
Acquisition earn-out adjustment	60	(110)	-	-	-	-
Deferred taxes	(3,910)	265	686	43	43	43
Allowance for doubful accounts	(14)	5	25	-	-	-
Cash earnings (loss)	940	2,488	4,707	575	2,504	3,128
Changes in assets and liabilities						
Accounts receivable	(1,743)	(503)	(5,853)	5,847	(418)	(1,356)
Inventory	250	(3,469)	2,945	(121)	(17)	(73)
Deferred costs	(287)	(746)	(382)	(178)	(178)	-
Prepaid expenses and other	36	(148)	254	(326)	(314)	-
Other assets	(29)	21	(8)	(5)	-	-
Accounts payable	1,185	4,047	585	(4,696)	244	1,061
Acrrued expenses and other	23	275	294	(109)	191	131
Due to related parties	35	16	(90)	18	(34)	-
Operating lease liabilites	-	(163)	6	(2)	6	(11)
Deferred revenue	1,417	717	1,738	255	255	-
(Increase) decrease in working capital	887	47	(511)	683	(265)	(249)
Net cash provided by (used in) operations	**1,827**	**2,535**	**4,196**	**1,258**	**2,239**	**2,880**
Purchases of property and equipment	(84)	(175)	(93)	(73)	(300)	(300)
Cash paid for acquisitions	(4,189)	(500)	(3,409)	(170)	(170)	-
Net cash provided by (used in) investing	**(4,273)**	**(675)**	**(3,502)**	**(243)**	**(470)**	**(300)**
Repayment of term debt	(385)	(1,636)	(646)	-	(202)	-
Line of credit	(67)	(19)	(1,971)	(1,206)	(1,206)	-
Proceeds from issuance of term debt	2,250	-	1,361	-	-	-
Debt issuance costs	(165)	(36)	(53)	-	-	-
Proceeds from issuance of common stock	3,168	-	-	-	-	-
Common stock issuance costs	(507)	-	-	-	-	-
Proceeds from exercise of stock options	1	1	-	2	2	-
Net cash provided by (used in) Financing	**4,295**	**(1,690)**	**(1,309)**	**(1,204)**	**(1,406)**	**-**
Net change in cash	**1,849**	**170**	**(615)**	**(189)**	**363**	**2,580**
Cash - beginning of period	**601**	**2,450**	**2,620**	**2,005**	**2,005**	**2,368**
Cash - end of period	**2,450**	**2,620**	**2,005**	**1,816**	**2,368**	**4,947**

Source: Company filings, 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 the date of this report, Michael Taglich, President of Taglich Brothers, Inc. and a Director of DecisionPoint Systems, Inc. owns or has a controlling interest in 1,518,106 shares of DPSI common stock, warrants to acquire 271,034 shares of common stock, and options to acquire 35,000 shares of common stock. Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 793,205 shares of DPSI common stock, and warrants to acquire 250,402 shares of DPSI common stock. Robert Schroeder, Vice President - Investment Banking of Taglich Brothers, Inc. and a Director of DecisionPoint Systems, Inc. owns or has a controlling interest in 83,615 shares of DPSI common stock and warrants to acquire 228,441 shares of DPSI common stock. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 6,915 shares of DPSI common stock and warrants to purchase 68,610 shares of common stock. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in warrants to purchase 31,950 shares of DPSI common stock. John Nobile, the research analyst of this report, owns or has a controlling interest in 1,214 shares of DPSI common stock and warrants to purchase 7,600 shares of DPSI common stock. Other employees at Taglich Brothers, Inc. also own or have controlling interests in warrants to purchase 220,460 shares of DPSI common stock. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In December 2012, and November 2013, Taglich Brothers Inc. served as the placement agent in private placements of convertible preferred stock for the company. In March 2016, Taglich Brothers Inc. served as the placement agent in a private placement of secured notes for the company. In June 2018, Taglich Brothers Inc. served as the placement agent in a private placement of common stock for the company. In October 2018, Taglich Brothers Inc. served as the placement agent in private placements of notes and common stock for the company.

All research issued by Taglich Brothers, Inc. is based on public information. The company will pay a monthly monetary fee of $1,500 (USD) for the creation and dissemination of research reports for a minimum of twelve months after publication of the initiation report.

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, 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:

Datalogic (OTC: DLGI)
Extreme Networks (Nasdaq: EXTR)
Honeywell (Nasdaq: HON)
VMWare (NYSE: VMW)
Zebra Technologies (Nasdaq: ZBRA)

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.