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Research Report – Update

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

OMNIQ Corp.

Rating: Speculative Buy

Howard Halpern

OMQS $9.60 — (OTC)

July 13, 2021

	2018 A	2019 A	2020 A	*2021 E*	*2022 E*
Total Revenue (in millions)	$56.2	$57.2	$55.2	***$83.6***	***$111.8***
Earnings (loss) per share*	($2.18)	($1.37)	($2.62)	***($1.59)***	***$0.65***

52-Week range	$14.50 – $4.03	Fiscal year ends:	December
Shares outstanding a/o 05/13/21	4.9 million	Revenue/shares (ttm)	$13.57
Approximate float	2.9 million	Price/Sales (ttm)	0.7X
Market Capitalization	$47.0 million	Price/Sales (2022) E	0.7X
Tangible Book value/shr	($4.89)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2022) E	14.8X

All per share figures reflect the November 18, 2019 1 for 20 reverse stock split

OMNIQ Corp. headquartered in Salt Lake City, Utah is a global provider of computerized and machine vision image processing solutions that use patented and proprietary AI technology to deliver data collection, real-time surveillance and monitoring for supply chain management, homeland security, public safety, traffic and parking management, as well as access control applications. The company's technology and services enable clients to move people, assets and data safely and securely through airports, warehouses, schools, national borders, and numerous other applications and environments.

Key Investment Considerations:

Maintaining our Speculative Buy rating and 12-month price target of $18.00 per share.

OMNIQ Corp., has substantial growth potential for its artificial intelligence (AI) based technology solutions offerings based on computerized and machine vision image processing algorithms to new and existing customers. Analysts project the global AI market could reach $667 billion in 2027 from $39.9 billion in 2019.

In July 2021, the company acquired a 51% interest in Israeli based Dangot Computers Ltd. In 2020, Dangot had sales of approximately $35 million and income before taxes of approximately $2 million. OMQS anticipates it should translate Dangot's offerings to its US customer base. Primarily in Israel, Dangot provides AI based solutions that enable frictionless automated non-touch order and digital payment processing products for retail, fast food, and parking markets, as well as providing integrated work stations for physicians, drug delivery, and blood tests, along with robotic solutions for smart warehouses and point of sales.

In the first six months of 2021, OMQS generated new orders in excess of $40 million from agreements with customers in the food distributor and retailer markets, as well as customer projects based on its AI technology offering within homeland security and traffic management markets.

For 2021, we project a net loss per share to common stockholders of ($1.59) on 51.4% revenue growth to $83.6 million. We previously forecasted a loss of ($1.16) per share on revenue of $64.2 million. Our revised forecast reflects the 51% interest of Dangot acquired in July 2021.

For 2022, we project EPS to common stockholders of $0.65 on 33.8% revenue growth to $111.8 million. We previously forecasted EPS of $0.52 and revenue of $76.5 million. The increase in our forecast reflects a full year of consolidated Dangot operations, as well as acquiring the remaining 49% interest in Dangot prior to July 2022.

Please view our Disclosures on pages 16 – 18.

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Appreciation Potential

Maintaining OMNIQ Corp., with a Speculative Buy rating and 12-month price target of $18.00 per share. Our rating and price target reflects projected revenue growth and a swing to an operating profit, cash earnings, and net income in 2022. Our 2022 sales, operating profit, and cash earnings forecast should be supported by the company's ability to grow its higher margin recurring revenue AI based technology offering, as well as the integration and leveraging of its July 2021 acquisition of Dangot Computers.

Our 12-month price target of $18.00 per share implies shares could nearly double over the next twelve months. According to finviz.com (as of 7/12/21), the average price-to-sales multiple for companies with similar market capitalizations in the software application/security/communications equipment sectors is 2.4X (unchanged), compared to OMQS' trailing price-to-sales multiple of 0.7X (unchanged). We anticipate as gross margins improve to an estimated 34% in 2022 (from 19.8% in 2020) the company should see its valuation multiples expand due primarily to sales growth of higher margin AI based technology solutions. Given the higher margin sales growth from OMQS that could approach 40% of total sales in 2H22 with the inclusion of the July 2021 acquisition (of 51%) of Dagnot, investors are likely to accord OMNIQ Corp. a multiple approaching that of the sector. We applied a price-to-sales multiple of 1.6X (unchanged) to our 2022 sales per share forecast of $14.37, discounted for execution and integration risks, to obtain a year-ahead price target of approximately $18.00 per share.

OMNIQ's valuation improvement is contingent upon consistently increasing its higher margin AI based technology solutions (that includes the AI offerings from the Dagnot acquisition) through 2022 and beyond. We anticipate gross margin reaching 34% in 2022, up from 19.8% in 2020. In 2022, we anticipate the improvement in gross margin should enable OMQS to deliver operating profits, cash earnings, and net income. We forecast a swing to an operating profit of $8.3 million in 2022 from a loss of $6.6 million in 2021. In 2022, the company should generate cash earnings of $10.1 million, up from a forecasted cash burn of $2.6 million in 2021. In 2020, cash burn was nearly $6.5 million.

We believe OMNIQ, Corp. is most suitable for risk tolerant investors seeking exposure to a micro cap company providing global supply chain management offerings and AI based technology solutions.

Strategic Acquisition

In July 2021, OMNIQ Corp. acquired an interest in Israeli based Dangot Computers. OMQS paid Dangot owners approximately $7.6 million ($5.6 million cash and the balance in restricted stock) for a 51% equity interest with a one-year option to acquire the remaining 49% at the same valuation. In conjunction with the Dangot acquisition, OMQS closed on a private placement of its common stock for gross proceeds of approximately $13.8 million from the issuance of nearly 2 million shares of common stock.

Dangot operations will provide OMQS with their portfolio of solutions that includes frictionless automated order processing and digital payment processing products for the retail, fast food, and parking markets, as well as integrated work stations for physicians, drug delivery, and blood tests, and robotics for smart warehouses and point of sales and self-check in/out management solutions.

In 2020, Dangot Computers generated revenues of approximately $35 million and income before taxes of approximately $2 million on non-GAAP gross margin of approximately 35%.

On a go forward basis, management believes it is creating a $100 million combined company that will be providing automation and object identification solutions positioned to drive increased adoption of each other's offerings. Dangot's solutions are primarily sold in and outside of the Israeli market but not in the US. This should enable OMNIQ to leverage its US sales team in order to introduce Dangot's higher margin solutions to US supermarket chains and US hospitals through its existing customer base, as well as fast food restaurant chains.

The closing of the acquisition and private placement has the potential to accelerate the company's path to up-listing its common stock to a national stock exchange.

Overview

OMNIQ Corp. headquartered in Salt Lake City, Utah is a global provider of computerized and machine vision image processing solutions using patented and proprietary AI technology to deliver data collection, real-time surveillance and monitoring for supply chain management, homeland security, public safety, traffic and parking management, and access control applications. OMQS' technology and services enable clients to move people, assets and data safely and securely through airports, warehouses, schools, national borders, and numerous other applications and environments.

The company, with its nine patents and internally developed neural network machine learning predictive algorithms that is the foundation of its AI based technology offerings, has over 250 clients in approximately 40 countries within at least 5,000 sites globally (1,000 in the US). The relationships developed with the company's client base should provide a direct conduit for sales opportunities for its higher margin AI based technology offerings.

The company has evolved into a global provider of end-to-end solutions for supply chain management customers by offering hardware, software, communications, and full lifecycle management and automations services. The evolution of the company continues with the development of its high margin AI based technology solutions that will expand its revenue footprint within existing and new supply chain management customers, as well as new smart city customers worldwide.

Historically, most of the company's sales were generated as a specialty systems integrator focusing on the design, delivery, deployment, and support of field service and supply chain mobility solutions to customers. The company's team of professionals is well positioned as they have developed the knowledge and expertise to simplify the integration process for its customers, as well as providing problem solving solutions to meet their needs, especially as AI based technology solutions become a growing part of OMQS' operations.

History

The company is a Delaware corporation that prior to 2014 operated in various business activities including oil and gas investments. In 2014, the company acquired Quest Marketing Inc. and in May 2014 changed its name to Quest Solution Inc. from Amerigo Energy, Inc. Since November 2014, the company acquired Bar Code Specialties, Inc. and ViascanQdata, Inc., the latter of which was sold in 2016 and classified as a discontinued operation.

In October 2018, the company acquired HTS Image Processing, which had proprietary patented technology - computer vision, machine learning, artificial intelligence, and pattern recognition. In 2020, EyepaxIT Consulting was acquired and in July 2021 the company acquired a 51% interest in Dagnot Computers.

In November 2019, the company changed its name to OMNIQ Corp. (from Quest Solution, Inc.) with OMQS as its trading symbol and also effected a 1-for-20 reverse common stock split.

Offerings

The company has internally developed a core set of solutions that is configurable to meet the needs of its supply chain management and smart city (includes homeland security) customers. OMQS' core applications begins with its order entry and intelligent order entry platforms that are both designed to increase productivity for remote workers in the field that need access to real-time information. The iTrack Internet tracking system offering is a management tool developed to track the deployment of hardware devices in the field and provide their repair history. The warehouse software offering was developed to provide customers with increased efficiency in distribution and manufacturing environments by using portable devices that extend a customer's existing software management system to the warehouse floor and dock doors. All mobility offerings can utilize the company's proof of delivery application tool.

Additional offerings include an online purchasing portal software application that streamlines and simplifies ordering by providing clients with their own unique private on-line store. To maximize the online application, the company developed media and label operations that enable data collection through the use of barcode labels. Data collection and utilization of the company’s patented algorithms will be a foundational element driving its AI based technology solutions offerings.

QTSaaS is a complete mobile services offering of hardware, software, services, and wireless data in a bundled recurring revenue subscription model. The company has a partnership with Hyperion Partners and wireless carriers that allows OMQS to offer mobility solutions to its customers on platforms that extend the market into new mobile applications that were not being automated.

These core offerings help provide the foundation for the company’s high margin AI based solutions through the deployment of supply chain hardware including sensors and Internet of Things (IoT) devices, as well as barcode scanners and printers, mobile computing devices, and rugged tables. Additional device offerings include RFID solutions that enable its customers to tag items or assets with critical information that can be read or collected throughout their supply chain, process, or operation.

The company’s overall process from data capture and tracking of devices to AI based machine vision technologies are powered by deep neural network algorithms. The collection and capture of data come from over 17,000 sensors and a large number of IoT devices deployed at each of the company’s current worldwide customers. OMNIQ’s RFID software and devices are part of the infrastructure that collects critical data and subsequently is the input for the proprietary algorithms that provide customized high margin software technology analytic solutions within a customers’ organization.

The company’s mobility and vision solutions are built upon its patents and algorithms and comprise foundations of AI based technology offerings. OMNIQ has designed, developed and deployed time-critical friend or foe decision-making processes through its patented algorithms that are based on a combination of cognitive science and machine learning-based artificial intelligence pattern recognitions. The process from data collection to dashboard output is arbitrated through a multilayered decision-making process which offers both speed and accuracy. The dashboard is configured to appear on desktop computers, tables, and mobile phones.

OMNIQ offers a full suite of AI based solutions that support cost-effective operations and employee productivity, either inside a facility or in an outdoor setting of a supply chain or smart city customer.

<u>Mobility</u>
OMNIQ’s higher margin mobile supply chain analytics software solutions assist businesses with data collection on the frontend and AI base analytical and predictive output on the backend that should improve a customer’s operations including overall sales, inventory management, scheduling, and production planning. The data analysis provided to customers enables them to increase efficiency, provide a better quality of service, and control costs that includes reducing labor hours, controlling inventory levels, and providing real-time access to information for remote workers. Another aspect is enhanced visibility via a mobility supply chain analytics solution that helps to eliminate out-of-stocks and overstocks, reduce theft, and fulfill online orders.

<u>Vision</u>
The vision solutions developed include Q Shield, which provides near real-time alerts against hot lists and using intelligence that can distribute the information to the appropriate authorities such as faculty personnel at a campus facility or a law enforcement and/or a security officer based on recognition and verification of people and vehicles coming and going from a facility, border crossing, and airport checkpoint. The Q Shield AI based technology solutions platform provides real time access control and automated alerts to school staff and law enforcement when suspicious activity is detected at entrances, as well as electronic roll call management that can improve dismissal operations, and emergency communications.

The company has a significant opportunity within the smart city market with the development and deployment of its vehicle identity recognition (VIR) technology application that enhances its already established license plate recognition system. This offering provides actionable vehicle knowledge and critical insights for safe city, law enforcement, access control, and homeland security markets. The image-processing system leverages the company’s patented technology driven by logic algorithms that provides customers a sophisticated vehicle profile with accuracy and speed. VIR output can automatically trigger real-time decision-making tasks (such as generating instant alerts or transmitting vehicle entry authorization) that are reported for further human evaluation. The underlying VIR technology is the foundation for solutions that analyze real-time images of all vehicles for campus and parking lot settings, for entering and exiting HOV lanes on the highway, and for safe and smart city markets in which moving vehicles on local roads and highways can be identified (by type, color, and license plate) and be cross referenced in law enforcement and security data bases in real-time that enable proactive decisions to be made by the appropriate authorities.

In February 2021, OMNIQ announced it was testing its newly developed system for High Occupancy Vehicle lanes in the state of New York. This solution has a patent pending system that employs special imaging units and deep-learning analytics to count the number of occupants for restricted lanes and the ability to report vehicle registration and the number occupants in a vehicle. In 2021, the company announced its AI based vehicle recognition systems and parking technology solutions were deployed by a number of customers in Georgia.

Growth Strategy

The company aims to capitalize on its internally developed computerized and machine vision image processing solutions that are based on patented and proprietary artificial intelligence algorithms that will be deployed to customers through its higher margin AI based technology solutions offerings. The company's AI based technology offerings are based on a combination of cognitive science and machine learning-based pattern recognition technologies that pass through a multi-layered decision-making process to offer both speed and accuracy.

The company has already established itself as a global systems integrator for the design, delivery, deployment and support of fully integrated mobile and automatic identification data collection solutions primarily in the supply chain management and smart and safe city markets. OMNIQ aims to leverage its established global customer base of over 250 clients in approximately 40 countries within at least 5,000 sites globally (1,000 in the US) in order to expand their capabilities and become an end-to-end AI based technology solutions provider. The company's customer base will expand as it integrates and leverages the offerings from the July 2021 acquisition of Israeli based Dagnot Computers.

The sales team's mission is to increase sales of the company's high margin AI based technology solutions to US and global customers. That process starts with the sales team engaging existing supply chain management customers, as well as new governmental and smart city customers through pilot programs. The aim of pilot programs is to validate the AI based technology solution offered to a customer that should eventually lead to multi-year high margin contracts.

OMNIQ aims to achieve growing customer acceptance for its offerings within certain target markets. The company anticipates it can grow its customer base within the supply chain automation/mobility market (sectors include warehouse and yard management) and the smart city market (sectors include parking automation, border and access control, homeland security, and safe city and schools). During the first six months of 2021, a key indicator of customer acceptance was new orders exceeding $40 million.

Partnerships should provide the company with significant revenue opportunities. In March 2021, the company announced a partnership with Professional Logistics South Africa, a provider of operations and solutions addressing all aspects of risk control to aviation and logistics companies in South Africa and other countries in Africa. The partnership will offer customers security, access control and warehouse management solutions throughout the African continent which has a population of approximately 1.2 billion people. The initial purchase order is expected to be based on recurring revenue model.

Projections

<u>Basis of Forecast</u>

Supporting our forecast is the near-term organic growth the company is experiencing with new orders and purchase agreements exceeding $40 million during the first six months of 2021 and the acquisition of Dagnot Computers in

July 2021. In 2020, Dagnot generated revenue of approximately $35 million and income before taxes of approximately $2 million. Revenue momentum including leveraging the Dagnot acquisition is likely to continue through our forecast period since the COVID-19 pandemic environment has shown the desire of companies to maximize efficiency, automation, and touchless supply chain activities, all of which OMNIQ can offer to its existing and new customers.

In 2021, we anticipate an expansion of gross margin to 21.1% compared to 19.8% in 2020 with gross margin reaching 34% in 2022. Gross margin expansion stems from the company's shift to selling higher margin AI-based predictive software solutions to new and existing customers that should begin making a noticeable contribution starting in 2H21. We anticipate higher margin AI-based solutions that include the Dagnot offering could approach 40% of total sales in 2H22.

At December 31, 2020, OMQS had federal net operating loss carryforwards of approximately $22.1 million.

Economy

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 upward revision primarily reflects expectations that the COVID-19 vaccine should enable a strengthening of economic activity later in the year.

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 IMF increased their forecast due primarily to the US stimulus package enacted in 2021 and progress in vaccinating the population.

Operations 2021

We project 51.4% total revenue growth to $83.6 million (prior was $64.2 million) from $55.2 million in 2020 supported by 1Q21 results and an approximate $16.5 million contribution from slightly less than six months of revenue from Dangot Computers.

We forecast gross profit increasing to $17.6 million compared to $10.9 million in 2020 due primarily to sales growth and gross margin expanding to 21.1% from 19.8% last year. We project the operating loss narrowing to $6.6 million from $9 million in 2020. The narrowing of the operating loss reflects sales growth, gross margin expansion, and operating margin expense improving to 29% from 36% last year. We forecast operating expenses increasing to $24.2 million compared to $19.9 million in 2020 due primarily to a 26.5% increase in SG&A expense to $20 million due primarily to support sales growth and operations of Dagnot Computers. We anticipate a $200,000 increase in R&D expense to $2 million with D&A expense flat at $2.3 million.

We project non-operating interest expense decreasing to $2.4 million from $2.6 million due primarily to a lower average debt balance in 1H21 with other income of $110,000 compared to $112,000 in the year-ago period.

We project a net loss to common stockholders of $9.5 million or ($1.59) per share compared to a loss of $11.3 million or ($2.62) per share. We previously forecast a net loss of $5.8 million or ($1.16) per share. Our forecast reflects the company recording preferred dividends of $121,000 compared to $191,000 in the year-ago period. The increase in our loss forecast reflects higher than anticipated operating expenses stemming from the July 2021 acquisition of Dagnot and an estimated $480,000 in minority interest. We anticipate average shares increasing to 6 million from 4.3 million in 2020 due to the July 2021 common stock private placement offering and exercise of warrants and stock options.

Finances – 2021

We project cash burn of $2.6 million and a $2.7 million decrease in working capital resulting in cash used in operations of $67,000. The decrease in working capital was due primarily to an increase in payables and accruals, partly offset by increases in receivables and inventory. A common stock offering for gross proceeds of $13.8 million and the exercise of options and warrants is likely to cover cash used in operations and cash paid to acquire a 51% interest in Dagnot. We anticipate cash increasing by nearly $1.9 million to $6.4 million at December 31, 2021.

Operations – 2022

We project 33.8% total revenue growth to $111.8 million (prior was $76.5 million) from an estimated $83.6 million in 2021 driven by existing customer acceptance of its AI-based technology solutions, engagement of new supply chain management and governmental customers that will also use its AI-based technology solutions, as well as a full year of revenue from the Dagnot Computers acquisition.

We forecast gross profit more than doubling to $38 million compared to an estimated $17.6 million in 2021 due primarily to sales growth and gross margin expanding to 34 % from an estimated 21.1% last year reflecting a shift in the sales mix to higher margin offerings. We project a swing to an operating profit of $8.3 million compared to an operating loss of $6.6 million in 2021. Our forecast for an operating profit reflects sales growth, gross margin expansion, and operating margin expense improving to 26.5% from an estimated 29% in 2021. We anticipate the company should be able to eliminate at least $3 million in operating expenses as the integration of Dagnot is completed by the end of 2022.

We forecast operating expenses increasing 22.3% to $29.7 million compared to an estimated $24.2 million in 2021. The increase reflects SG&A expenses of $25 million compared to an estimated $20 million in 2021 to support sales growth including expanding Dagnot offerings in the US. R&D expense should increase $400,000 to $2.4 million to support the continued development of the company's AI-based technology solutions. We anticipate D&A expense flat $2.3 million.

We project interest expense of nearly $2.7 million compared to nearly $2.4 million in 2021 due primarily to higher interest rates.

We project net income to common stockholders of $5.1 million or $0.65 per share compared to an estimated loss of $9.5 million or ($1.59) per share in the year-ago period. We previously forecast net income of nearly $3.1 million or $0.52 per share. Our forecast reflects the company recording preferred dividends of $120,000 and minority interest of $500,000. The swing to net income and increase from our prior forecast is primarily driven by sales of higher margin AI-based technology solutions and a full year of Dagnot operations. We anticipate average shares increasing to nearly 7.8 million compared to nearly 6 million in 2021 due to the common share offering in 2H21 and continued exercise of common stock warrants and options.

Finances – 2022

We project cash earnings of $10.1 million and a $5.1 million increase in working capital resulting in cash from operations of $5 million. The increase in working capital was due primarily to a decrease in payables and accruals and increases in receivables and inventory. Cash from operations and the exercise of options/ warrants is unlikely to cover the cash paid to acquire the remaining 49% in Dagnot. We estimate cash decreasing by $783,000 to $5.7 million at December 31, 2022.

Market Briefs

Artificial Intelligence (AI)

Growth in the company's operations and progression to profitability will be based on its deployments of its AI based technology solutions. AI is the utilization of computers using large sets of data that uses algorithms to learn and create neural connections that eventually turn into predictive.

In July 2020, consulting firm Grandview Research issued a report indicating that the global artificial intelligence market should grow 42.2% annually reaching nearly $667 billion in 2027, up from $39.9 billion in 2019. Industry growth should be supported by the increasing and continuous research and innovation by large technology companies that is likely to drive the adoption of advanced technologies in industries such as automotive, healthcare, retail, finance, manufacturing, and law enforcement.

In March 2021, ROBO Global Artificial Intelligence factsheet anticipates AI will be disrupting global business in industries such as healthcare, financial services, technology, transportation, manufacturing, and retail. The report forecasts global sales from AI for enterprise applications could grow 53% annually reaching $31.2 billion in 2025, up from $16.2 billion in 2018.

Supply Chain

In March 2021, Emergen Research issued a report indicating that the global supply chain analytics market could exceed $13.5 billion in 2028 from $3.4 billion in 2020 for annualized growth of 18.9%. The primary growth driver is likely to be rising volumes of business data generated by various industries and the increasing adoption of big data technologies across various industries.

In the US, IBISWorld anticipates as COVID-19 pandemic conditions ease, the industry should recover and experience annual growth of 3.9% reaching $9.2 billion in 2025 from an estimated $7.5 billion in 2020.

Based on IBISWorld's forecast for end user markets for the Supply Chain Management Services industry, if the percentages for consumer products, transportation, and technology and healthcare markets (61.1% combined) hold, 2025 spending by those end users should approximate $5.6 billion, up from $4.6 billion forecast for 2020.

Target Sectors

In February 2021, Grand View Research issued a report stating that the global warehouse management systems market was approximately $2.6 billion in 2020 and is projected to grow 15.3% annually reaching over $8.2 billion in 2028. Other consulting firms estimate this market could reach between $5.1 billion and $5.5 billion by 2025. Demand for warehouse management systems should be driven by changing supply chain models of product manufacturers and rapidly growing consumer demand, especially in the transport and logistics and retail sectors. The need for manufacturers to automate warehouse management processes and curtail costs globally is one of the key trends triggering the market's growth.

In September 2020, marketsandmarkets.com published a report indicating that the global smart cities market could grow 14.8% annually reaching $820.7 billion in 2025 from an estimated $410.8 billion in 2020. Driving market growth through the forecast period is the increasing demand for public safety, a rising urban population, and growing government initiatives. The technologies used to support the increasing demand for public safety include video surveillance, real-time license plate and facial recognition solutions, as well as DNA typing. Global research firm OMDIA projects the global safe city (part of the smart city market) sector reaching $35.8 billion in 2024, up from $21.6 billion in 2019.

In October 2020, the business analytics and consulting firm Adroit Market Research issued a forecast for the smart traffic management sector indicating sales could reach $47 billion in 2025. In February 2021, Juniper Research issued a study indicating that the implementation of smart traffic management systems in the US could save cities $277 billion by 2025 primarily through reducing emissions and congestion. The study anticipated that investments in smart parking technology solutions could reach $1 billion by 2025 from an estimated $460 million in 2021.

In September 2020, Grand View Research issued a report stating the global automated parking systems market could reach nearly $3 billion in 2027, up from $1.2 billion in 2019 for annualized growth of 10.9%.

In January 2021, VMR (Verified Market Research) published a report indicating that the automated border control market could reach over $2.5 billion in 2027 from $747.1 million in 2019 for annualized growth of approximately 17.7%. Driving growth should be the growing need for automation across all border crossings.

In September 2020, researchandmarkets.com published a report on the global access control market, which estimates 8.2% annual growth to $12.8 billion in 2025 from an estimated $8.6 billion in 2020. Driving growth is technological advancements and increasing deployment of wireless security systems, and increasing adoption of Internet-of-Things security systems with cloud computing platforms. The latter is leading to the adoption of access control as a service, as well as moving to utilizing mobile-based access control solutions.

1Q21 Results

The company reported total net revenue increased 43.1% to $19.8 million due primarily to fulfillment and deliveries of the company's lower margin legacy product offering to customers that were waiting for COVID-19 pandemic conditions to ease.

Gross profit decreased 13.2% to $2.6 million from $3 million in 1Q20. The decrease reflects gross margin contraction to 13.3% from 22% in the year-ago period due primarily to a sales mix shift to lower-margin legacy products to a few large customers. Operating expenses increased to $5.5 million from nearly $5.1 million due primarily to higher SG&A and R&D costs. SG&A expense increased to $4.4 million from $4.1 million due to expansion of the company's HTS subsidiary and higher compensation costs. R&D expense increased to $494,000 from $386,000 in 1Q20 due to the development of proprietary product offerings. Depreciation and intangible amortization increased to $568,000 compared to $549,000 in the year-ago period.

Loss from operations was nearly $2.9 million compared to $2 million in the year-ago period due to gross margin contraction, partly offset by sales growth and operating margin expense improving to 27.8% from 36.8% in 1Q20.

Non-operating expense was $479,000 compared to $837,000 in 1Q20. Interest expense decreased to $589,000 from $795,000 in the year-ago period due primarily to a lower daily credit line balance. Other income was $110,000 compared to an expense of $42,000 in 1Q20.

The net loss attributable to common stockholders was $3.4 million or ($0.72) per share compared $2.9 million or ($0.74) per share. The current period included preferred dividends of $31,000 compared to $72,000 in the year-ago period. We forecast a net loss attributable to common stockholders of $2 million or ($0.42) per share on sales of $14.3 million.

Finances
In 1Q21, cash burn was nearly $1.8 million with a $4.3 million decrease in working capital resulting in cash from operations of $2.5 million. The decrease in working capital was due primarily to an increase in payables and accruals, partly offset by an increase in receivables. Cash from operations and the sale of other assets did not cover the repayment of the company's credit line. Cash decreased $1.9 million to $2.7 million at March 31, 2021.

Capital Structure
At March 31, 2021 the company had total debt of $7.4 million consisting of a $6.4 million short-term note payable and $390,000 notes payable – related parties, as well as $585,000 in long-term notes payable.

The company had related party notes outstanding of $975,000 of which $292,000 and $390,000 is scheduled to be repaid in 2021 and 2022, respectively. The company has a supplier note and other notes payable of nearly $6.5 million. The note is due over the next twelve months, however, like in prior years, the company will likely seek to extend the repayment deadline.

In 1Q21, the company had no outstanding balance on its line of credit. The company has a factoring and security agreement with Action Capital Corporation in order to obtain short-term credit line financing. The outstanding principal amount of advances will not exceed $5 million and Action Capital will reserve and withhold an amount equal to 5% of the face amount of each account purchased under the agreement. The annual interest rate will equal the prime rate (as stated by Wells Fargo Bank) plus 2%, as well as a monthly fee equal to 0.75% of such average outstanding balance.

Competitive Landscape

The company's operations have customers in the mobile systems integration and machine vision markets. The mobile systems integration market has a few large competitors and numerous smaller niche players. Competition can occur between channel partners (Stratix, Peak Technologies, and Lowry). For specific solutions, the company competes with niche players that are often focused on a single industry. Hardware sales within the mobile systems integration market has significant pricing pressures. Overall, the industry is characterized by rapid technological change and the need for continual enhancement of existing products and development of new services in order to meet customer needs.

OMQS' new offerings include entry into the machine vision market (products and services used to automate manufacturing and distribution processes in a variety of industries where the technology is widely recognized as an important component of automated production and quality assurance). The primary public competitor in this market in Cognex Corp. with other large and small competitors including, but not limited to vendors of machine vision systems, manufacturers of image processing systems that include sensors, as well as system integrators and internal engineering departments of potential customers. The ability to compete in the machine vision market depends on the ability to design and sell high-quality products and higher margin services through the development of new functionality that meet evolving customer requirements. Primary competitive factors affecting the choice of a machine vision system include vendor reputation, product functionality and performance, ease of use, price, and post-sales support.

Risks

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

Operating Losses – Going Concern
At March 31, 2021, the company's accumulated deficit was $60.1 million, up from $39.8 million in 2018. OMNIQ Corp. has yet to turn an operating profit. In 2020, the company had an operating loss of approximately $9 million compared to an operating loss of $2.9 million in 2019. We anticipate operating losses should narrow during our forecast period reflecting sales growth of higher margin offerings. If operating losses do not narrow, it could result in the company's inability to execute its growth strategy and diminish its operations.

The company's continuation as a going concern will depend upon its ability to generate sufficient cash flow to meet its obligations. The plan to eliminate the company's going concern situation includes improving cash flow, maintaining moderate cost reductions, creation of additional sales and profits across its product lines, and obtaining sufficient financing to restructure current debt.

Dilution
We anticipate the company's share count to increase due primarily to the exercise of in-the-money common stock warrants and options. In July 2021, OMQS closed a private placement of 2 million shares of common stock for gross proceeds of approximately $13.8 million. If the company were to raise additional capital it would likely be dilutive to existing shareholders.

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

Customer Concentration
In 1Q21, OMQS had one customer account for approximately 35.8% of total revenue compared to one customer that accounted for approximately 32.5% of total revenue in the year-ago period. In 1Q21 and 1Q20, two customers accounted for approximately 57.6% and 36.6%, respectively, of accounts receivable.

Intellectual Property
The company holds nine patents and has developed numerus algorithms to protect its intellectual property rights. These protections may not be adequate to prevent competitors from reverse-engineering its algorithms.

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

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 OMQS's information technology systems, its customers' or its own data, including intellectual property and other confidential business information.

While OMNIQ has invested in the protection of data and information technology as well as training, there can be no assurance that its efforts will prevent significant breakdowns, breaches in systems, or other cyber incidents that could have a material adverse effect upon the company's reputation, business, operations or financial condition.

Legal Proceedings
The company is pursuing legal claims against two former employees who resigned to launch a competing business, RedLPR. The claims include trade secret misappropriation and tortious interference. Also, related to the RedLPR case, OMQS was named a defendant in a Mississippi state lawsuit brought by Riverland Technologies. Riverland is a party to the previously mentioned claims. The company was named defendant in a case involving a former employee who claims he is owed approximately $60,000 in unpaid commissions. The company's believes that the former employees' claims has no apparent factual basis.

Third Party Suppliers
The use of outside manufacturers and suppliers could adversely affect the company's operations if they were to lose value added reseller status for supply chain management products. The company's ability to grow revenue depends on its ability to timely obtain an adequate delivery of hardware in order to supply its customers with products and service offerings.

Goodwill and Intangibles
The company has $15.7 million in goodwill and intangible assets on its balance sheet at the end of 1Q21. If goodwill or amortizable intangible assets become impaired, it may be required to record a significant charge. Goodwill is required to be evaluated for impairment. Factors that could impact the carrying value of goodwill include a decline in stock price and market capitalization, decrease in estimated future cash flows, and slower than anticipated growth rates. Any significant charge could result in a material adverse impact on the company's future operations.

Internal Controls
At March 31, 2021, the company identified material weaknesses in its controls related to segregation of duties and other immaterial weaknesses in several areas of data management and documentation. In 2020, the company implemented new ERP and accounting software that should allow for a higher level of control, better audit trail, and improved segregation of duties. OMQS will still need to eventually hire additional staff in order to alleviate its internal control weaknesses.

Shareholder Control
Officers and directors collectively own approximately 35.7% of the company's outstanding voting stock and additionally one shareholder owns approximately 20.4% of the company's outstanding voting stock as of December 31, 2020. 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 4,700. Average daily volume increased over the last three months (ending July 12, 2021) to 8,000. OMQS has a float of approximately 2.9 million shares and outstanding shares of 4.9 million.

OMNIQ Corp.
Consolidated Balance Sheets
FY2018 – FY2022E
(in thousands)

	FY18A	FY19A	FY20A	1Q21A	**FY21E**	**FY22E**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 378	$ 1,615	$ 4,594	$ 2,669	**$ 6,444**	**$ 5,662**
Accounts receivable, net	12,262	6,694	9,661	11,428	**13,928**	**17,083**
Inventory	1,803	1,889	1,507	2,347	**2,565**	**3,691**
Prepaid expenses	169	362	670	634	**627**	**727**
Other crrent assets	78	65	10	12	**12**	**12**
Total current assets	14,690	10,625	16,442	17,090	**23,577**	**27,174**
Property and equipment, net	389	463	289	248	**300**	**310**
Goodwill	13,921	13,921	14,695	14,695	**23,333**	**25,000**
Trade name, net	1,805	1,458	1,028	927	**828**	**628**
Customer relationships, net	7,514	6,012	4,479	4,133	**2,746**	**3,500**
Other intangibles, net	1,267	1,138	1,042	1,008	**2,800**	**4,683**
Cash, restricted	532	533	533	-	**-**	**-**
ROU asset	-	131	76	69	**69**	**69**
Other assets	30	172	74	42	**42**	**74**
Total assets	$ 40,148	$ 34,453	$ 38,658	$ 38,212	**$ 53,695**	**$ 61,438**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities	17,484	18,694	26,811	34,074	**34,796**	**33,836**
Line of credit	4,534	1,365	4,914	-	**-**	**-**
Accrued payroll and sales tax	2,173	1,556	1,717	1,364	**1,500**	**1,800**
Notes payable, related parties	1,891	1,025	433	390	**390**	**293**
Notes payable	8,823	6,497	6,449	6,449	**6,271**	**6,174**
Lease liability	-	54	31	32	**32**	**32**
Other current liabilities	265	1,599	1,412	1,380	**1,380**	**1,380**
Total current liabilities	35,170	30,790	41,767	43,689	**44,369**	**43,515**
Notes payable, related party	1,912	1,172	683	585	**293**	**-**
Accrued interest and accrued liabilities, related party	33	76	56	59	**50**	**35**
Notes payable	130	143	1	-	**-**	**-**
Lease liability	-	80	48	40	**40**	**40**
Minority interest	-	-	-	-	**590**	**1,090**
Other long term liabilities	610	384	1,146	1,178	**993**	**993**
Stockholders' equity:						
Series C Preferred Stock; $0.001 par value 4,828,530 shares Designated	5	5	2	2	**2**	**2**
Common stock,$0.001 par value; authorized 200,000 shares;	4	4	5	5	**5**	**5**
Common stock,$0.001 par value; 554,233 shares to be received	(2,616)	-	-	-	-	-
Common stock to be repurchased	(230)	-	-	-	-	-
Additional Paid-in capital	44,882	46,861	51,842	52,819	**73,493**	**76,729**
Retained earnings (deficit)	(39,753)	(45,063)	(56,726)	(60,104)	**(66,080)**	**(60,910)**
Accumulated other comprehensive income (loss)	1	1	(166)	(61)	**(61)**	**(61)**
Total stockholders' equity	2,293	1,808	(5,043)	(7,339)	**7,359**	**15,765**
Total liabilities and stockholders' equity	$ 40,148	$ 34,453	$ 38,658	$ 38,212	**$ 53,695**	**$ 61,438**
Common Shares Outstanding	3,597	3,960	4,685	4,716	**7,300**	**7,600**
Series C outstanding	4,829	4,829	2,145	2,145	**2,145**	**2,145**

Source: Company reports and Taglich Brothers estimates

OMNIQ Corp.
Annual Income Statement
FY2018 – FY2022E
(in thousands)

	FY18 *	FY19 A	FY20 A	**FY21 E**	**FY22 E**
Revenues	$ 56,202	$ 57,199	$ 55,209	**$ 83,570**	**$ 111,815**
Cost of sales	43,140	43,165	44,293	**65,930**	**73,825**
Gross Profit	13,062	14,034	10,916	**17,640**	**37,990**
Operating Expenses:					
Research and development		1,063	1,805	**1,969**	**2,400**
SG&A		13,682	15,802	**19,988**	**24,950**
Depreciation		151	178	**178**	**200**
Intangible amortization		2,002	2,114	**2,100**	**2,100**
Total Operating Expenses	16,086	16,898	19,899	**24,235**	**29,650**
Operating Income (loss)	(3,024)	(2,864)	(8,983)	**(6,595)**	**8,340**
Interest expense, net	(1,570)	(2,555)	(2,628)	**(2,389)**	**(2,670)**
Other income (expense)	(1,133)	(23)	112	**110**	**-**
Minority interest (income) loss	-	-	-	**(480)**	**(500)**
Total Other Income (expense)	(2,703)	(2,578)	(2,516)	**(2,759)**	**(3,170)**
Pre-Tax Income (loss)	(5,727)	(5,442)	(11,499)	**(9,354)**	**5,170**
Income Tax Expense (benefit)	(505)	14	5	**-**	**-**
Net income (loss) - continuing operations	(5,222)	(5,456)	(11,504)	**(9,354)**	**5,170**
Preferred stock dividend	189	(146)	(191)	**(121)**	**(120)**
Net income (loss) to common stockholders	$ (5,411)	$ (5,310)	$ (11,313)	**$ (9,475)**	**$ 5,050**
EPS (Loss) per share to common stockholders	$ (2.18)	$ (1.37)	$ (2.62)	**$ (1.59)**	**$ 0.65**
Avg Shares Outstanding	2,482	3,889	4,322	**5,955**	**7,781**
Adjusted EBITDA	$ 1,158	$ 1,177	$ (3,061)	**$ (418)**	**$ 12,240**
Margin Analysis					
Gross margin	23.2%	24.5%	19.8%	**21.1%**	**34.0%**
Research and development	N/A	1.9%	3.3%	**2.4%**	**2.1%**
Selling, general, and administrative	N/A	23.9%	28.6%	**23.9%**	**22.3%**
Operating margin	(5.4%)	(5.0%)	(16.3%)	**(7.9%)**	**7.5%**
Pre-tax margin	(10.2%)	(9.5%)	(20.8%)	**(11.2%)**	**4.6%**
YEAR / YEAR GROWTH					
Total Revenues		1.8%	(3.5%)	**51.4%**	**33.8%**

* In 2020, the company restated the components of operating expenses. 2018's total operating expense remains unchanged but we do not have the individual components to show for comparative purposes.

Source: Company reports and Taglich Brothers estimates

OMNIQ Corp.
Income Statement Model
Quarters FY2020 – 2022E
(in thousands)

	Q1 20 A	Q2 20 A*	Q3 20 A*	Q4 20 A*	FY20 A	Q1 21 A	Q2 21 E	Q3 21 E	Q4 21 E	**FY21 E**	Q1 22 E	Q2 22 E	Q3 22 E	Q4 22 E	**FY22 E**
Revenues	$ 13,799	$ 12,677	$ 15,833	$ 12,900	$ 55,209	$ 19,751	$ 13,945	$ 24,325	$ 25,550	**$ 83,570**	$ 26,900	$ 27,415	$ 28,500	$ 29,000	**$ 111,815**
Cost of sales	10,763	10,099	13,024	10,407	44,293	17,115	11,500	18,625	18,690	**65,930**	18,150	18,300	18,550	18,825	**73,825**
Gross Profit	3,036	2,578	2,809	2,493	10,916	2,636	2,445	5,700	6,860	**17,640**	8,750	9,115	9,950	10,175	**37,990**
Operating Expenses:															
Research and development	386				1,805	494	475	500	500	**1,969**	600	600	600	600	**2,400**
SG&A	4,137				15,802	4,438	4,000	5,750	5,800	**19,988**	5,900	6,100	6,375	6,575	**24,950**
Depreciation	47				178	43	45	45	45	**178**	50	50	50	50	**200**
Intangible amortization	502				2,114	525	525	525	525	**2,100**	525	525	525	525	**2,100**
Total Operating Expenses	5,072	3,892	5,830	5,105	19,899	5,500	5,045	6,820	6,870	**24,235**	7,075	7,275	7,550	7,750	**29,650**
Operating Income (loss)	(2,036)	(1,314)	(3,021)	(2,612)	(8,983)	(2,864)	(2,600)	(1,120)	(10)	**(6,595)**	1,675	1,840	2,400	2,425	**8,340**
Interest expense, net	(795)	(418)	(744)	(671)	(2,628)	(589)	(500)	(650)	(650)	**(2,389)**	(675)	(670)	(665)	(660)	**(2,670)**
Other income (expense)	(42)	(260)	(16)	430	112	110	-	-	-	**110**	-	-	-	-	**-**
Minority interest (income) loss	-	-	-	-	-	-	-	(225)	(255)	**(480)**	(300)	(200)	-	-	**(500)**
Total Other Income (expense)	(837)	(678)	(760)	(241)	(2,516)	(479)	(500)	(875)	(905)	**(2,759)**	(975)	(870)	(665)	(660)	**(3,170)**
Pre-Tax Income (loss)	(2,873)	(1,992)	(3,781)	(2,853)	(11,499)	(3,343)	(3,100)	(1,995)	(915)	**(9,354)**	700	970	1,735	1,765	**5,170**
Income Tax Expense (benefit)	-	-	-	5	5	-	-	-	-	**-**	-	-	-	-	**-**
Net income (loss) - continuing operations	(2,873)	(1,992)	(3,781)	(2,858)	(11,504)	(3,343)	(3,100)	(1,995)	(915)	**(9,354)**	700	970	1,735	1,765	**5,170**
Preferred stock dividend	(72)	(54)	(32)	(33)	(191)	(31)	(30)	(30)	(30)	**(121)**	(30)	(30)	(30)	(30)	**(120)**
Net income (loss) to common stockholders	$ (2,945)	$ (2,046)	$ (3,813)	$ (2,891)	$ (11,313)	$ (3,374)	$ (3,130)	$ (2,025)	$ (945)	**$ (9,475)**	$ 670	$ 940	$ 1,705	$ 1,735	**$ 5,050**
EPS (Loss) per share to common stockholders	$ (0.74)	$ (0.49)	$ (0.83)	$ (0.63)	$ (2.62)	$ (0.72)	$ (0.64)	$ (0.29)	$ (0.13)	**$ (1.59)**	$ 0.09	$ 0.12	$ 0.22	$ 0.22	**$ 0.65**
Avg Shares Outstanding	3,984	4,141	4,589	4,600	4,322	4,701	4,890	6,890	7,338	**5,955**	7,685	7,800	7,815	7,825	**7,781**
Adjusted EBITDA	$ (833)	$ (551)	$ (890)	$ (788)	$ (3,061)	$ (1,322)	$ (1,055)	$ 425	$ 1,535	**$ (418)**	$ 2,475	$ 2,740	$ 3,500	$ 3,525	**$ 12,240**
Margin Analysis															
Gross margin	22.0%	20.3%	17.7%	19.3%	19.8%	13.3%	17.5%	23.4%	26.8%	**21.1%**	32.5%	33.2%	34.9%	35.1%	**34.0%**
Research and development	N/A	N/A	N/A	N/A	3.3%	2.5%	3.4%	2.1%	2.0%	**2.4%**	2.2%	2.2%	2.1%	2.1%	**2.1%**
Selling, general, and administrative	N/A	N/A	N/A	N/A	28.6%	22.5%	28.7%	23.6%	22.7%	**23.9%**	21.9%	22.3%	22.4%	22.7%	**22.3%**
Operating margin	(14.8%)	(10.4%)	(19.1%)	(20.2%)	(16.3%)	(14.5%)	(18.6%)	(4.6%)	(0.0%)	**(7.9%)**	6.2%	6.7%	8.4%	8.4%	**7.5%**
Pre-tax margin	(20.8%)	(15.7%)	(23.9%)	(22.1%)	(20.8%)	(16.9%)	(22.2%)	(8.2%)	(3.6%)	**(11.2%)**	2.6%	3.5%	6.1%	6.1%	**4.6%**
YEAR / YEAR GROWTH															
Total Revenues	(25.9%)	(10.3%)	21.3%	12.0%	(3.5%)	43.1%	10.0%	53.6%	98.1%	**51.4%**	36.2%	96.6%	17.2%	13.5%	**33.8%**

* In 2020, the company restated the components of operating expenses. Total operating expense remains unchanged for the quarters of 2020. We will restate 2020 quarters as 2021 quarters are reported.

Source: Company reports and Taglich Brothers estimates

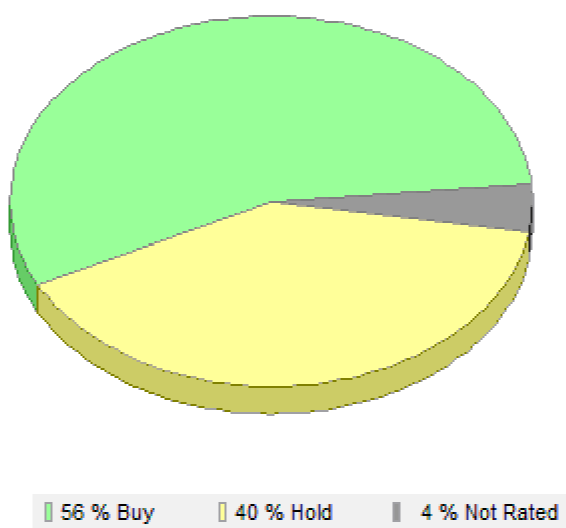
OMNIQ Corp.
Cash Flow Statement
FY2018 – FY2022E
(in thousands)

	FY2018A	FY2019A	FY2020A	1Q21A	**FY2021E**	**FY2022E**
Cash Flows from Operating Activities						
Net Income (loss)	$ (5,222)	$ (5,456)	$ (11,504)	$ (3,343)	**$ (9,354)**	**$ 5,170**
Change in deferred tax allowance	(552)	-	-	-	**-**	**-**
Early extinguishment of debt	-	-	(948)	-	**-**	**-**
Minority interest	-	-	-	-	**590**	**500**
Stock-based compensation	2,387	1,267	2,012	974	**3,900**	**2,100**
Stock and warrants issued for services	-	-	1,640	-	**-**	**-**
Excess fair value of common stock issued for debt conversion	1,264	-	-	-	**-**	**-**
Depreciation and amortization	1,841	2,154	2,292	568	**2,278**	**2,300**
Amortization of ROU asset	-	93	55	7	**7**	**-**
Write-off of other assets	(36)	-	-	-	**-**	**-**
Other	(10)	-	-	-	**-**	**-**
Amortization of debt discount	59	-	-	-	**-**	**-**
Cash earnings (burn)	(269)	(1,942)	(6,453)	(1,794)	**(2,579)**	**10,070**
Changes In:						
Accounts receivable	(5,853)	5,568	(2,953)	(1,767)	**(4,267)**	**(3,154)**
Prepaid expenses	322	(271)	(313)	36	**43**	**(100)**
Inventory	(429)	(178)	381	(840)	**(1,058)**	**(1,126)**
Other assets	49	(11)	84	-	**32**	**(32)**
Accounts payable and accrued liabilities	8,146	2,011	8,062	7,266	**7,985**	**(960)**
Accrued payroll and sales taxes payable	642	(617)	161	(353)	**(217)**	**300**
Accrued interest and accrued liabilities, related party	-	43	(20)	-	**(6)**	**(15)**
Lease liability	-	(89)	(55)	(7)	**-**	**-**
Other liabilities	88	(259)	686	(32)	**-**	**-**
(Increase)/decrease in Working Capital	2,965	6,197	6,033	4,303	**2,512**	**(5,087)**
Net cash (used) provided by operations	2,696	4,255	(420)	2,509	**(67)**	**4,982**
Cash Flows from Investing Activities						
Restricted cash	153	-	-	-	**-**	**-**
Purchase of property and equipment	(29)	(134)	(4)	(2)	**(10)**	**(50)**
Cash paid for acquistion net	(23)	-	-		**(5,600)**	**(5,600)**
Common stock issued to acquire Dagnot	-	-	-	-	**(2,000)**	**(2,000)**
Cash from sale of assets	42	-	-	-	**-**	**-**
Other assets	8	(117)	98	565	**-**	**-**
Cash Flows from Investing Activities	151	(251)	94	563	**(7,610)**	**(7,650)**
Cash Flows from Financing Activities						
Proceeds from ESPP stock issuance	-	1	1	1	**1**	**1**
Proceeds from issuance of restricted common stock for acquisition	-	-	-	-	**2,000**	**2,000**
Proceeds from sale of common stock, net of estimated costs	11	3,770	-	-	**12,400**	**-**
Proceeds from the exercise of warrants	-	-	-	-	**165**	**80**
Proceeds from the exercise of stock options	-	-	-	-	**385**	**194**
Payments on notes/loans payable	(3,819)	(3,369)	(1,023)	(142)	**(568)**	**(390)**
Proceeds from the issuance of notes/loans payable	487	-	898	-	**-**	**-**
Proceeds from (payments on) line of credit	866	(3,169)	3,549	(4,914)	**(4,914)**	**-**
Due to owner	(100)	-	-	-	**-**	**-**
Net cash provided by (used in) Financing	(2,555)	(2,767)	3,425	(5,055)	**9,469**	**1,885**
Foreign currency translation adjustment	61	-	(120)	58	**58**	**-**
Net change in Cash	353	1,237	2,979	(1,925)	**1,850**	**(783)**
Cash Beginning of Period	25	378	1,615	4,594	**4,594**	**6,444**
Cash End of Period	$ 378	$ 1,615	$ 4,594	$ 2,669	**$ 6,444**	**$ 5,662**

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 the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company with in the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. In March 2021, the company paid Taglich Brothers a monetary fee of $4,500 (USD) representing payment for the creation and dissemination of research reports for three months. Three-months after publication of the initial report (August 2021), the company will begin paying Taglich Brothers a monthly monetary fee of $1,500 (USD) for the creation and dissemination of research reports.

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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:

Cognex Corporation (NASDAQ: CGNX)

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.