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Research Report – Update

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

Bridgeline Digital, Inc.

Rating: Speculative Buy

Howard Halpern

January 11, 2022

BLIN $2.09 — (NASDAQ)

	2020 A	2021 A	***2022 E***	***2023 E***
Total Revenue (in millions)	$10.9	$13.3	***$16.3***	***$19.8***
Earnings (loss) per share*	($0.59)**	($1.47)**	***($0.28)***	***$0.00***

52-Week range	$14.38 – $2.00	Fiscal year ends:	September
Shares outstanding a/o 12/15/21	10.2 million	Revenue/shares (ttm)	$2.23
Approximate float	8.6 million	Price/Sales (ttm)	0.09X
Market Capitalization	$21.3 million	Price/Sales (2023) E	1.1X
Tangible Book value/shr	($0.60)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2023) E	NMF

**Reflects 1 for 50 reverse stock split in May 2019 **Includes a charge of ($0.68) per share related to preferred dividends, a $0.29 per share gain related to fair value of warrants, and $0.27 per share gain related to government grant income. ***Includes an estimated ($0.99) of net charges after grant income.*

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

Key Investment Considerations:

Maintaining Speculative Buy rating but decreasing our 12-month price target to $4.75 per share from $6.50 due to a reduced sector valuation and a higher than anticipated common share count that impacted our initial FY23 sales per share forecast.

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

BLIN's eCommerce360 growth strategy was enhanced by acquiring Woorank and HawkSearch in FY21. The company anticipates it will increase spending on R&D and sales and marketing initiatives through our forecast period in order to support recurring subscription revenue growth.

In 4Q21, BLIN reported (on 12-20-21) a loss per share of ($0.40) on revenue of $4.1 million. In 4Q20, EPS was $0.24 on revenue of $2.7 million. Excluding items, we estimate the loss per share was ($0.10) compared to EPS of $0.03 in 4Q20. We projected sales of $3.9 million and a loss of $30,000 or breakeven per share.

For FY22, we project a loss per share of ($0.28) on revenue growth of 22.9% to $16.3 million (prior was $17.8 million), which includes 33.5% growth in subscription revenue to $13.3 million. We previously estimated a loss per share of ($0.04). Our revised forecasts reflect a decrease in lower margin revenue from digital engagement services and a slower than previously anticipated ramp in recurring subscription revenue, as well as higher than anticipated R&D and sales and marketing expenses.

For FY23, we project breakeven earnings per share on revenue growth of 21.2% to $19.8 million, driven by recurring subscription growth of 25.9% to $16.8 million. Our breakeven income estimate reflects revenue growth and operating margin expense improving to 72.3% compared to an estimated 87.3% in FY22.

Please view our disclosures on pages 14 – 16.

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Appreciation Potential

Maintaining Speculative Buy rating but decreasing our 12-month price target to $4.75 per share from $6.50 due to a reduced sector valuation and a higher than anticipated common share count that impacted our initial FY23 sales per share forecast.

Our rating reflects projected recurring revenue growth from the FY21 acquisitions of Woorank and HawkSearch and the integration of their offerings into BLIN's eCommerce360 offerings. Entering FY22, the company's cash on hand of $8.9 million provides it with the ability to pay the contingent consideration owed to the principles of Woorank and HawkSearch, as well as planned increases in R&D and sales and marketing spending on initiatives that should help drive recurring subscription revenue through our forecast period.

In 4Q21, all of the company's Series D Preferred Stock was converted into BLIN's common stock. That conversion added over 1.8 million to the company's common share count increasing total shares outstanding by approximately 18% to 10.2 million at December 15, 2021. This increase restrained our initial sales per share forecast for FY23.

Our 12-month price target of $4.75 per share implies shares could more than double over the next twelve months. According to finviz.com (as of 01/10/22), the average trailing twelve month price-to-sales multiple for companies with similar market capitalizations in the Software Application/Infrastructure and Internet Content sectors is 3.2X (prior was 3.7X), compared to BLIN's trailing twelve month price-to-sales multiple of 0.9X (prior was 2.1X). We anticipate investors are likely to accord Bridgeline Digital, Inc. a multiple approaching that of the sector given our forecasted recurring subscription sales growth of 25.9% in FY23. We applied a price-to-sales multiple of 2.8X (prior 3.4X) to our FY23 sales per share forecast of $1.88, discounted for execution risk, to obtain a year-ahead price target of approximately $4.75 per share.

BLIN's valuation improvement is contingent upon consistent quarterly recurring-SaaS/perpetual software revenue growth, expense leverage, and cash earnings. We forecast the company generating annualized recurring-SaaS/perpetual software revenue growth of 30.2% to FY23 from FY19 and cash earnings of nearly $2.2 million in FY23 compared to estimated cash burn of $660,000 in FY22.

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

Overview

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

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

Platform Offerings

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

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

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

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

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

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

Growth Strategy

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

The company has deployed its technology team to merge Celebros and HawkSearch into one single product. That new combined product will provide customers with single technology that offers natural language processing, personalization, and recommendation capabilities. The company anticipates it can build its current Celebros and HawkSearch site search customer base of at least 400 entering FY22.

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

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

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

Industry Brief

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

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

Projections

Basis of Forecast
We anticipate the primary growth drivers will be recurring revenue from the HawkSearch technology offering that is being merged with the company's own Celebros Search offering, as well as recurring revenue sales from its acquisition of Woorank with additional sales coming from the company's portfolio of individual Apps to enhance each customer's content management experience and steady enterprise platform sales and associated digital engagement services. Entering FY22, the company's Celebros and HawkSearch customer base exceeds 400.

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

In FY22 (ended September 30), we anticipate gross margin expansion to 70.1% compared to 65.8% in FY21. Gross margin expansion stems from the product mix shift to higher margin subscription and perpetual license revenue that should account for 81.6% of total sales compared to 75.1% in FY21. We forecast gross margin improving to 72.7%

in FY23 due primarily to increased sales of higher margin subscription and perpetual license revenue that should account for 84.8% of total sales by September 30, 2023.

Our forecast does not include changes in the fair value of warrant liabilities or income tax expense until reported by the company. At September 30, 2021, BLIN had federal and state net operating loss carryforwards of approximately $32 million and $30 million, respectively.

Economy

In October 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 5.9% for 2021 and 4.9% for 2022. While the IMF's growth projection for 2022 is unchanged from its earlier projection (July 2021), the 2021 projection is down from 6%. The 2021 downward revision primarily reflects supply disruptions and worsening pandemic dynamics. The IMF revised its economic growth estimate for the US to an increase of 6% for 2021 and 5.2% for 2022. In July 2021, the IMF projected US economic growth of 7% and 4.9% for 2021 and 2022, respectively.

Operations – FY22

We project 22.9% total revenue growth $16.3 million (prior was $17.8 million) from $13.3 million in FY21 due primarily to 33.5% growth in recurring subscription (SaaS) and perpetual licenses revenue to $13.3 million (prior was $14.7 million), up from nearly $10 million in FY21. Partly offsetting total sales growth is a decrease in digital engagement services revenue to $3 million compared to $3.3 million in FY21. Our revenue forecast reflects a full year of revenue contributions from HawkSearch and Woorank, the ramp of which is less than previously anticipated as the company works on sales and marketing initiatives that is unlikely to impact sales until 2H22.

We forecast gross profit increasing 30.9% to $11.4 million compared to $8.7 million in FY21 due to revenue growth and gross margin expanding to 70.1% from 65.8% in FY21. We project an operating loss of $2.8 million compared to operating income of $52,000 (excludes $1.2 million in acquisition related costs) in FY21. The operating loss reflects an increase in operating margin expense to 87.3% from 87.1% (excluding acquisition costs).

We project a 64.1% increase in operating expenses to $14.2 million compared to nearly $8.7 million (excluding $1.2 million in acquisition costs) in FY21. The increase reflects costs to support sales and marketing initiatives, as well as technology improvements in order to accelerate growth of the company's product offerings. We anticipate sales and marketing expense more than doubling to $6 million from $2.7 million in FY21 stemming from hiring additional sales and marketing professionals and initiating new marketing initiatives. We forecast a 58.8% increases in R&D expense to $3.8 million as the company invests in merging the HawkSearch offering with BLIN's existing Celebros offering. G&A expense should increase by $461,000 to $2.8 million to support revenue growth. We anticipated D&A expense of $1.6 million compared to $1.2 million in FY21.

We project non-operating expense of $60,000 related to interest expense compared to an expense of $6.7 million due primarily to the change in fair value of warrant liabilities.

We project a net loss of $2.9 million or ($0.28) per share on average shares outstanding of 10.2 million. We previously forecast a net loss of $295,000 or ($0.04) per share on 8.4 million average shares outstanding. The increase in our net loss forecast reflects higher than anticipated operating expenses to support long-term recurring revenue subscription growth from the Woorank and HawkSearch acquisitions.

Finances – 2022

We project cash burn of $660,000 and a $391,000 decrease in working capital resulting in cash from operations of $269,000. Cash used in operations, capital expenditures, and payment of contingent consideration should result in cash decreasing by nearly $4.5 million to $4.4 million at September 30, 2022.

Operations – FY23

We project 21.2% total revenue growth to nearly $19.8 million from an estimated $16.3 million in FY22 due primarily to 25.9% growth in recurring subscription (SaaS) and perpetual licenses revenue to $16.8 million, up from an estimated $13.3 million in FY22. We anticipated digital engagement services revenue to be flat at $3 million.

Our revenue forecast reflects the marketing and sales initiatives that should increase the company's customer bases starting in 2H22 and throughout FY23.

We forecast gross profit increasing 25.6% to $14.4 million compared to an estimated $11.4 million in FY22 due to revenue growth and gross margin expanding to 72.7% from an estimated 70.1% in FY22. We project operating income of $75,000 compared to an estimated operating loss of $2.8 million in FY22. The swing to operating income reflects an improvement in operating margin expense to 72.3% from an estimated 87.3% in FY22.

We project operating expenses increasing by $45,000 to $14.3 million as modest increases in sales and marketing and G&A expenses are likely to be nearly offset by reduction in R&D and D&A expenses. The level of operating expenses should continue to support initiatives to grow the company's customer base. We anticipate sales and marketing expense increasing $115,000 to $6.1 million and G&A expense increasing $215,000 to $3 million. R&D and D&A expenses should decrease to $3.6 million and $1.5 million, respectively, from an estimated $3.8 million and $1.6 million in FY22.

We project non-operating expense of $40,000 related to interest expense compared to an estimated expense of $60,000 in FY22. We project net income of $35,000 or breakeven per share on average shares outstanding of 10.5 million.

Finances – 2023
We project cash earnings of nearly $2.2 million and a nearly $1.3 million decrease in working capital resulting in cash from operations of $3.4 million. Cash from operations is likely to cover capital expenditures and payment of contingent consideration and debt, increasing cash by $404,000 to nearly $4.8 million at September 30, 2023.

FY21 Results

FY21
The company reported a 21.6% increase in total net revenue to $13.3 million from $10.9 million in FY20. Subscription and perpetual license sales increased 32.9% to $10 million compared to $7.5 million last year due primarily to multi-year license renewals and a $2.6 million contribution from Woorank and HawkSearch combined. Digital engagement service revenue decreased $113,000 to $3.3 million.

Gross profit increased 36.3% to $8.7 million from $6.4 million in the year-ago period. The increase reflects gross margin expansion to 65.8% from 58.7% in the year-ago period due primarily to a shift in the product mix toward higher margin recurring license revenue. Operating expenses increased to $8.7 million (excludes $1.2 million in acquisition related charges) from $7.7 million (excludes $366,000 in restructuring charges) in FY20. R&D expense increased 45.5% to $2.4 million from $1.6 million due primarily to the allocation of support team and third-party subcontractor costs and additional research and development expenses related to the acquisition of HawkSearch and Woorank. D&A expense increased 24.2% to $1.2 million from $968,000 stemming from the amortization of intangible assets related to FY21 acquisitions. Sales and marketing expense increased $112,000 to $2.7 million to support sales growth. G&A expense decreased to $2.4 million from $2.5 million.

The company incurred acquisition related legal and investment banking expenses of $1.2 million, compared to $366,000 in charges related to workforce reductions in FY20. Excluding those charges BLIN had operating income of $52,000 compared to an operating loss of $1.3 million in FY20.

Non-operating expense was $6.7 million compared to income of $2 million. Non-operating expense included a negative change in the fair value of warrant liabilities to $5.9 million compared to a gain of $1 million. Interest expense increased to $883,000 from $7,000 last year due to one-time costs related to the HawkSearch acquisition. The company recognized government grant income of $88,000 and $960,000, respectively, in FY21 and FY20 stemming from the forgiveness of PPP loans received during the COVID-19 pandemic.

The net loss was $8.7 million or ($1.47) per share compared to $2.1 million or ($0.59) per share. The current period included an income tax benefit of nearly $1.2 million compared to an expense of $11,000 in FY20. We estimate, excluding deemed dividends, change in fair value of warrant liabilities, restructuring and acquisition related expenses, and government grant income, a net loss of $831,000 or ($0.14) per share compared to a net loss of $1.3 million or ($0.36) per share. We projected a loss per share of ($0.90) on sales of $13.1 million.

4Q21 Results
BLIN reported a 51.7% increase in total revenue to $4.1 million from $2.7 million in the year-ago period due to a 67.2% increase in subscription and perpetual license sales to $3.4 million and a $52,000 increase in services revenue to $753,000.

Gross profit increased 52.6% to $2.8 million from $1.8 million in the year-ago period, reflecting gross margin expansion to 67.9% from 67.5% in 4Q20. Operating expenses decreased to $3 million (excludes $373,000 in acquisition related charges) from $1.7 million in the year-ago period. The increase reflects supporting the operations of two acquisition completed during 9M21.

BLIN reported an operating loss of $246,000 (excludes $373,000 in acquisition related charges) compared to operating income of $171,000 in the year-ago period.

Non-operating expense was $741,000 compared to income of $906,000. Non-operating expense included a positive change in the fair value of warrant liabilities of $135,000 that was more than offset by interest expense of $876,000. Non-operating income in the year-ago period included government grant income of $960,000, partly offset by interest expense of $4,000 and negative change in fair value of warrant liabilities of $50,000.

The net loss was $3.4 million or ($0.40) per share compared to net income of $1.1 million or $0.21 per share. In 4Q21, excluding deemed dividends and acquisition charges, we estimate the net loss per share should approximate ($0.15) compared EPS of $0.03 in the year ago period that excludes government grant income and change in fair value of warrant liabilities.

Finances
In FY21, the cash burn was $109,000 and working capital increased $880,000 resulting in cash used in operations of $989,000. Proceeds from the issuance of common and preferred stock, and proceeds from the exercise of common stock warrants more than cash used in operations and the cost to purchase Woorank and HawkSearch. Cash increased $8 million to nearly $8.9 million at September 30, 2021.

Capital Structure
At September 30, 2021, BLIN had total debt of $2 million and a cash balance of nearly $8.9 million. Total outstanding debt reflects the assumption of a Woorank note to one of the selling shareholders. The short-term portion of long-term debt was $732,000.

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

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

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

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

Competitive Landscape

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

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

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

Risks

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

Accumulated Deficit
At September 30, 2021, the company's accumulated deficit was $82.3 million, up from $61.8 million in FY17 (ended September 30). However, Bridgeline Digital, Inc. had its first operating profits of $150,000 and $164,000 in 3Q20 and 4Q20, respectively, with an operating profit in FY21 (excluding acquisition and restructuring costs) of $52,000. While we anticipate an operating loss in FY22 with a swing to a modest operating profit in FY23, we anticipate FY22 and FY23 cash earnings (combined) of $1.5 million. If operating profits are larger than anticipated or cash earnings do not occur, it could result in the company's inability to execute its growth strategy and diminish its operations.

Dilution
The common stock offerings made in February 2021 and May 2021, as well as the exercise of common stock warrants and convertible preferred stock increased common shares outstanding to 10.2 million at December 15, 2021 from 4.4 million at August 10, 2020.

The company has warrants and options that could be exercised into shares of common stock of 1.8 million and 799,000, respectively.

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

Customer Concentration
In FY21 (the period ending September 30, 2021), BLIN had no customers account for more than 10% of total revenue compared one customer accounting for 12% in FY20. In FY21, two customers accounted for 23% of accounts receivable compared to three customers accounting for 39% in FY20.

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

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

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

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

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

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

Shareholder Control
Officers and directors own approximately 6.3% of the company's outstanding voting stock (includes Michael Taglich – Director and President of Taglich Brothers, Inc.) based on BLIN's 10-K filing on December 20, 2021. Collectively this ownership could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

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

Trading Volume
In 2021, average daily volume was approximately 3 million. Average daily volume decreased over the last three months (ending January 10, 2021) to approximately 785,000. BLIN has a float of approximately 8.6 million shares and outstanding shares of 10.2 million.

Bridgeline Digital, Inc.
Consolidated Balance Sheets – Ending September 30
FY2020A – FY2023E
(in thousands)

	FY20A	FY21A	**FY22E**	**FY23E**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 861	$ 8,852	**$ 4,376**	**$ 4,779**
Accounts receivables, net	665	1,370	**1,358**	**1,234**
Prepaid expenses	268	179	**244**	**216**
Other current assets	111	17	**17**	**17**
Total current assets	1,905	10,418	**5,995**	**6,247**
Property and equipment, net	238	252	**250**	**265**
Operating lease assets	294	481	**285**	**475**
Intangible assets, net	2,617	7,755	**6,261**	**4,846**
Goodwill	5,557	15,985	**15,985**	**15,985**
Other assets	49	76	**26**	**26**
Total assets	$ 10,660	$ 34,967	**$ 28,802**	**$ 27,844**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Operating lease liabilities	96	161	**135**	**125**
Accounts payable	1,311	974	**948**	**1,199**
Accrued liabilities	599	908	**975**	**1,241**
Debt	88	732	**540**	**224**
Purchase price and contingent consideration payable	-	3,463	**2,400**	-
Deferred revenue	1,511	2,097	**2,500**	**3,100**
Total current liabilities	3,605	8,335	**7,498**	**5,889**
Long-term debt, net	-	1,197	**657**	**433**
Operating lease liabilities, net	198	320	**224**	**142**
Purchase price and contingent consideration payable	-	2,360	-	-
Warrant liabilities	2,486	4,404	**4,404**	**4,404**
Other liabilities	15	774	**1,472**	**1,794**
Total long-term liabilities	2,699	9,055	**6,757**	**6,773**
Total liabilities	$ 6,304	$ 17,390	**$ 14,255**	**$ 12,662**
Stockholders' equity:				
Preferred stock, $0.001 par value; 1,000,000 authorized				
Series C convertible preferred stock, 11,000 shares authorized	-	-	-	-
Series C convertible preferred stock, 4,200 shares authorized				
Series A convertible preferred stock	-	-	-	-
Common stock, $0.001 par value; authorized 50,000,000 shares	4	10	**10**	**10**
Additional paid-in capital	78,316	100,207	**100,807**	**101,407**
Retained earnings (loss)	(73,583)	(82,287)	**(85,917)**	**(85,882)**
Accumulated other comprehensive income (loss)	(381)	(353)	**(353)**	**(353)**
Total stockholders' equity	4,356	17,577	**14,547**	**15,182**
Total liabilities and stockholders' equity	$ 10,660	$ 34,967	**$ 28,802**	**$ 27,844**
Shares Outstatnding - Common Stock	4,420	10,187	**10,200**	**10,245**
Series C convertible preferred stock - outstanding	350	350	350	350
Series D convertible preferred stock - outstanding	-	-	-	-
Series A convertible preferred stock - outstanding	-	-	-	-

Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Annual Income Statement – Ending September 30
FY2020A – FY2023E
(in thousands)

	FY2020A	FY2021A	**FY2022E**	**FY2023E**
Digital engagement services	$ 3,409	$ 3,296	**$ 3,000**	**$ 3,000**
Subscription (SaaS) / Perpetual licenses	7,498	9,963	**13,300**	**16,750**
Total revenue	10,907	13,259	**16,300**	**19,750**
Cost of sales -- Digital engagement services	1,831	1,743	**1,560**	**1,600**
Cost of sales -- Subscription - Licenses	2,676	2,790	**3,315**	**3,795**
Total cost of revenue	4,507	4,533	**4,875**	**5,395**
Total Gross Profit	6,400	8,726	**11,425**	**14,355**
Operating Expenses:				
Sales and Marketing	2,614	2,726	**6,015**	**6,130**
General and Administrative	2,455	2,359	**2,820**	**3,035**
Research and Development	1,641	2,387	**3,790**	**3,600**
Depreciation and amortization	968	1,202	**1,610**	**1,515**
Restructuring and acquisition related expenses	366	1,235	**-**	**-**
Total Operating Expenses	8,044	9,909	**14,235**	**14,280**
Operating Income (loss)	(1,644)	(1,183)	**(2,810)**	**75**
Interest expense and other , net	(7)	(883)	**(60)**	**(40)**
Government grant income	960	88	-	-
Change in fair value of warrant liabilities	1,028	(5,885)	-	-
Total Other Income (Expense)	1,981	(6,680)	**(60)**	**(40)**
Pre-Tax Income (loss)	337	(7,863)	**(2,870)**	**35**
Income Tax Expense (Benefit)	11	(1,174)	**-**	**-**
Net Income (loss)	$ 326	$ (6,689)	**$ (2,870)**	**$ 35**
Dividends on convertible preferred stock	(2,420)	(2,015)	-	-
Net Income (loss) - to common shareholders	$ (2,094)	$ (8,704)	**$ (2,870)**	**$ 35**
EPS (loss) - to common shareholders	$ (0.59)	$ (1.47)	**$ (0.28)**	**$ 0.00**
Weighted Average Shares Outstanding	3,555	5,936	**10,193**	**10,481**
EBITDA	$ (116)	$ 1,441	**$ (1,000)**	**$ 1,850**
Margins				
Gross Margin -- Digital engagement services	46.3%	47.1%	**48.0%**	**46.7%**
Gross Margin -- Subscription - Licenses	64.3%	72.0%	**75.1%**	**77.3%**
Total Gross Margin	58.7%	65.8%	**70.1%**	**72.7%**
Operating Margin	(15.1%)	(8.9%)	**(17.2%)**	**0.4%**
Sales & Marketing	24.0%	20.6%	**36.9%**	**31.0%**
General & Administrative	22.5%	17.8%	**17.3%**	**15.4%**
Research and Development	15.0%	18.0%	**23.3%**	**18.2%**
Operating expense	73.8%	74.7%	**87.3%**	**72.3%**
Pre-Tax Margins	3.1%	(59.3%)	**(17.6%)**	**0.2%**
Tax rate	3.3%	14.9%	**0.0%**	**0.0%**
YEAR / YEAR GROWTH				
Total Revenues	9.6%	21.6%	**22.9%**	**21.2%**
Subscription (SaaS) / Perpetual licenses	28.5%	32.9%	**33.5%**	**25.9%**

Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Income Statement Model – Ending September 30
Quarters FY2021A – 2023E
(in thousands)

	1Q21A	2Q21A	3Q21A	4Q21A	FY2021A	1Q22E	2Q22E	3Q22E
Digital engagement services	$ 837	$ 885	$ 821	$ 753	$ 3,296	$ 750	$ 750	$ 750
Subscription (SaaS) / Perpetual licenses	1,999	1,989	2,624	3,351	9,963	3,200	3,300	3,375
Total revenue	2,836	2,874	3,445	4,104	13,259	3,950	4,050	4,125
Cost of sales -- Digital engagement services	365	466	441	472	1,743	390	390	390
Cost of sales -- Subscription - Licenses	592	601	753	844	2,790	800	825	840
Total cost of revenue	957	1,067	1,194	1,316	4,533	1,190	1,215	1,230
Total Gross Profit	1,879	1,808	2,251	2,788	8,726	2,760	2,835	2,895
Operating Expenses:								
Sales and Marketing	444	524	761	997	2,726	1,475	1,500	1,515
General and Administrative	465	608	608	678	2,359	685	695	715
Research and Development	349	479	625	934	2,387	935	940	950
Depreciation and amortization	232	240	305	425	1,202	410	405	400
Restructuring and acquisition related expenses	210	84	568	373	1,235	-	-	-
Total Operating Expenses	1,700	1,935	2,867	3,407	9,909	3,505	3,540	3,580
Operating Income (loss)	179	(128)	(616)	(619)	(1,183)	(745)	(705)	(685)
Interest expense and other , net	6	(4)	(9)	(876)	(883)	(15)	(15)	(15)
Government grant income	88	-	-	-	88	-	-	-
Change in fair value of warrant liabilities	(1,441)	(418)	(4,161)	135	(5,885)	-	-	-
Total Other Income (Expense)	(1,347)	(422)	(4,170)	(741)	(6,680)	(15)	(15)	(15)
Pre-Tax Income (loss)	(1,168)	(550)	(4,786)	(1,360)	(7,863)	(760)	(720)	(700)
Income Tax Expense (Benefit)	(6)	7	(1,176)	1	(1,174)	-	-	-
Net Income (loss)	$ (1,162)	$ (557)	$ (3,610)	$ (1,361)	$ (6,689)	$ (760)	$ (720)	$ (700)
Dividends on convertible preferred stock	-	-	-	(2,015)	(2,015)	-	-	-
Net Income (loss) - to common shareholders	$ (1,162)	$ (557)	$ (3,610)	$ (3,376)	$ (8,704)	$ (760)	$ (720)	$ (700)
EPS (loss) - to common shareholders	$ (0.26)	$ (0.11)	$ (0.61)	$ (0.40)	$ (1.47)	$ (0.07)	$ (0.07)	$ (0.07)
Weighted Average Shares Outstanding	4,420	5,000	5,939	8,382	5,936	10,188	10,190	10,195
EBITDA	$ 672	$ 235	$ 300	$ 234	$ 1,441	$ (285)	$ (250)	$ (235)
Margins								
Gross Margin -- Digital engagement services	56.4%	47.4%	46.3%	37.3%	47.1%	48.0%	48.0%	48.0%
Gross Margin -- Subscription - Licenses	70.4%	69.8%	71.3%	74.8%	72.0%	75.0%	75.0%	75.1%
Total Gross Margin	66.3%	62.9%	65.4%	67.9%	65.8%	69.9%	70.0%	70.2%
Operating Margin	6.3%	(4.4%)	(17.9%)	(15.1%)	(8.9%)	(18.9%)	(17.4%)	(16.6%)
Sales & Marketing	15.7%	18.2%	22.1%	24.3%	20.6%	37.3%	37.0%	36.7%
General & Administrative	16.4%	21.2%	17.6%	16.5%	17.8%	17.3%	17.2%	17.3%
Research and Development	12.3%	16.7%	18.1%	22.8%	18.0%	23.7%	23.2%	23.0%
Operating expense	59.9%	67.3%	83.2%	83.0%	74.7%	88.7%	87.4%	86.8%
Pre-Tax Margins	(41.2%)	(19.1%)	(138.9%)	(33.1%)	(59.3%)	(19.2%)	(17.8%)	(17.0%)
Tax rate	0.5%	(1.3%)	24.6%	(0.1%)	14.9%	0.0%	0.0%	0.0%
YEAR / YEAR GROWTH								
Total Revenues	0.1%	5.0%	30.9%	51.7%	21.6%	39.3%	40.9%	19.7%
Subscription (SaaS) / Perpetual licenses	15.1%	8.2%	36.7%	67.2%	32.9%	60.1%	65.9%	28.6%

	4Q22E	**FY2022E**	1Q22E	2Q22E	3Q22E	4Q22E	**FY2023E**
Digital engagement services	$ 750	**$ 3,000**	$ 750	$ 750	$ 750	$ 750	**$ 3,000**
Subscription (SaaS) / Perpetual licenses	3,425	**13,300**	3,600	4,100	4,350	4,700	**16,750**
Total revenue	4,175	**16,300**	4,350	4,850	5,100	5,450	**19,750**
Cost of sales -- Digital engagement services	390	**1,560**	400	400	400	400	**1,600**
Cost of sales -- Subscription - Licenses	850	**3,315**	855	950	965	1,025	**3,795**
Total cost of revenue	1,240	**4,875**	1,255	1,350	1,365	1,425	**5,395**
Total Gross Profit	2,935	**11,425**	3,095	3,500	3,735	4,025	**14,355**
Operating Expenses:							
Sales and Marketing	1,525	**6,015**	1,500	1,515	1,550	1,565	**6,130**
General and Administrative	725	**2,820**	735	750	765	785	**3,035**
Research and Development	965	**3,790**	900	900	900	900	**3,600**
Depreciation and amortization	395	**1,610**	390	385	375	365	**1,515**
Restructuring and acquisition related expenses	-	-	-	-	-	-	-
Total Operating Expenses	3,610	**14,235**	3,525	3,550	3,590	3,615	**14,280**
Operating Income (loss)	(675)	**(2,810)**	(430)	(50)	145	410	**75**
Interest expense and other , net	(15)	**(60)**	(10)	(10)	(10)	(10)	**(40)**
Government grant income	-	-	-	-	-	-	-
Change in fair value of warrant liabilities	-	-	-	-	-	-	-
Total Other Income (Expense)	(15)	**(60)**	(10)	(10)	(10)	(10)	**(40)**
Pre-Tax Income (loss)	(690)	**(2,870)**	(440)	(60)	135	400	**35**
Income Tax Expense (Benefit)	-	-	-	-	-	-	-
Net Income (loss)	$ (690)	**$ (2,870)**	$ (440)	$ (60)	$ 135	$ 400	**$ 35**
Dividends on convertible preferred stock	-	-	-	-	-	-	-
Net Income (loss) - to common shareholders	$ (690)	**$ (2,870)**	$ (440)	$ (60)	$ 135	$ 400	**$ 35**
EPS (loss) - to common shareholders	$ (0.07)	**$ (0.28)**	$ (0.04)	$ (0.01)	$ 0.01	$ 0.04	**$ 0.00**
Weighted Average Shares Outstanding	10,200	**10,193**	10,205	10,215	10,750	10,755	**10,481**
EBITDA	$ (230)	**$ (1,000)**	$ 25	$ 400	$ 585	$ 840	**$ 1,850**
Margins							
Gross Margin -- Digital engagement services	48.0%	**48.0%**	46.7%	46.7%	46.7%	46.7%	**46.7%**
Gross Margin -- Subscription - Licenses	75.2%	**75.1%**	76.2%	76.8%	77.8%	78.2%	**77.3%**
Total Gross Margin	70.3%	**70.1%**	71.1%	72.2%	73.2%	73.9%	**72.7%**
Operating Margin	(16.2%)	**(17.2%)**	(9.9%)	(1.0%)	2.8%	7.5%	**0.4%**
Sales & Marketing	36.5%	**36.9%**	34.5%	31.2%	30.4%	28.7%	**31.0%**
General & Administrative	17.4%	**17.3%**	16.9%	15.5%	15.0%	14.4%	**15.4%**
Research and Development	23.1%	**23.3%**	20.7%	18.6%	17.6%	16.5%	**18.2%**
Operating expense	86.5%	**87.3%**	81.0%	73.2%	70.4%	66.3%	**72.3%**
Pre-Tax Margins	(16.5%)	**(17.6%)**	(10.1%)	(1.2%)	2.6%	7.3%	**0.2%**
Tax rate	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**
YEAR / YEAR GROWTH							
Total Revenues	1.7%	**22.9%**	10.1%	19.8%	23.6%	30.5%	**21.2%**
Subscription (SaaS) / Perpetual licenses	2.2%	**33.5%**	12.5%	24.2%	28.9%	37.2%	**25.9%**

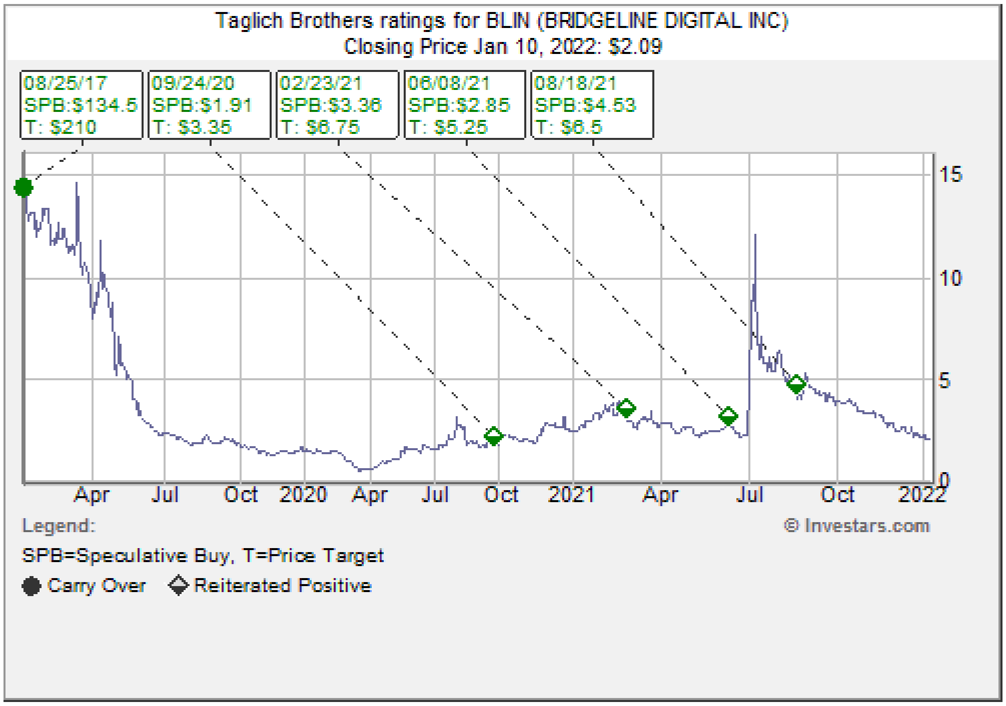
Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Cash Flow Statement – Ending September 30
FY2020A – FY2023E
(in thousands)

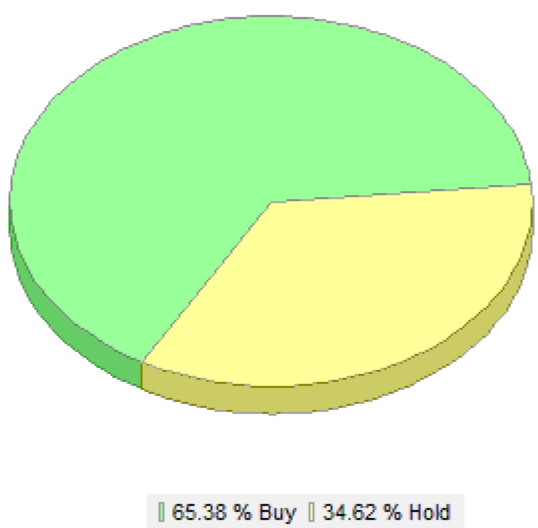
	FY2020 A	FY2021 A	**FY2022 E**	**FY20232 E**
Cash Flows from Operating Activities				
Net Income (loss)	$ 326	$ (6,689)	**$ (2,870)**	**$ 35**
Loss on disposal of property and equipment	-	-	-	-
Amortization of intangibles	891	1,130	**1,525**	**1,440**
Depreciation	61	70	**85**	**75**
Other amortization	16	2	-	-
Deferred income taxes	-	(1,196)	-	-
Government grant income	(960)	(88)	-	-
Change in fair value of contingent consideration	-	170	-	-
Change in fair value of warrant liabilities	(1,028)	5,885	-	-
Stock-based compensation	194	607	**600**	**600**
Cash earnings (burn)	(500)	(109)	**(660)**	**2,150**
Changes In:				
Accounts receivables	630	36	**11**	**124**
Prepaid expenses	89	149	**(65)**	**28**
Other current assets and other assets	(21)	99	-	-
Accounts payable and accrued liabilities	(585)	(920)	**41**	**517**
Deferred revenue	(75)	(613)	**403**	**600**
Other liabilities	(36)	369	-	-
(Increase)/decrease in Working Capital	2	(880)	**391**	**1,269**
Net cash Provided by (Used in) Operations	(498)	(989)	**(269)**	**3,419**
Cash Flows from Investing Activities				
Purchase of property and equipment	-	(79)	**(75)**	**(75)**
Software development	-	(30)	-	-
Purchase of business, net of cash acquired	-	(4,408)	-	-
Net cash used in Investing	-	(4,517)	**(75)**	**(75)**
Cash Flows from Financing Activities				
Proceeds from issuance of common stock, net	-	4,626	-	-
Proceeds from stock option and warrant excercises	-	7,127	-	-
Proceeds from convertible preferred to acquire HawkSearch, net	-	2,526	-	-
Proceeds received under paycheck protection program	1,048	-	-	-
Payment on long-term debt	-	(603)	**(732)**	**(540)**
Payments of contingent consideration and deferred cash payable	-	(203)	**(3,400)**	**(2,400)**
Net cash provided by Financing	1,048	13,473	**(4,132)**	**(2,940)**
Exchange rate	15	24	-	-
Net change in Cash	565	7,991	**(4,476)**	**404**
Cash Beginning of Period	296	861	**8,852**	**4,376**
Cash End of Period	$ 861	$ 8,852	**$ 4,376**	**$ 4,779**

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	5	21
Hold		
Sell		
Not Rated		

Important Disclosures

As of January 10, 2022, Taglich Brothers, Inc. and/or its affiliates own or have controlling interests in approximately 1% of BLIN common stock. Michael Taglich, President of Taglich Brothers, Inc. owns or has a controlling interest in 59,973 shares of BLIN common stock and owns or has a controlling interest in 138,038 shares of common stock underlying warrants and options issued and 350 shares of convertible Series C Preferred Stock (into approximately 39,000 common shares). Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 3,714 shares of BLIN common stock and owns or has a controlling interest in 14,538 shares of common stock underlying warrants issued. William Cooke, Vice President of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 1,847 shares of BLIN common stock. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in an estimated 7,929 warrants. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 2,759 share of BLIN common stock and an estimated 3,661 warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 7,033 shares of BLIN common stock and an 11,939 warrants. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. Prior to FY19, Taglich Brothers was the Placement Agent for many of BLIN's private offerings and debt issuances. In February 2021 and May 2021, Taglich Brothers Inc. acted as co-placement agent for a registered direct common stock (convertible preferred) offerings for which it received a fee and placement agent warrants.

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

General Disclosures

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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:

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

Meaning of Ratings

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

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

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

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

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

Some notable Risks within the Microcap Market

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

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