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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

BLIN $1.85 — (NASDAQ)

February 28, 2022

	2020 A	2021 A	*2022 E*	*2023 E*
Total Revenue (in millions)	$10.9	$13.3	***$17.0***	***$19.8***
Earnings (loss) per share	($0.59)*	($1.47)**	***($0.01)****	***($0.02)***

52-Week range	$14.38 – $1.54	Fiscal year ends:	September
Shares outstanding a/o 02/08/22	10.2 million	Revenue/shares (ttm)	$1.96
Approximate float	9.1 million	Price/Sales (ttm)	0.9X
Market Capitalization	$18.9 million	Price/Sales (2023) E	1.0X
Tangible Book value/shr	($0.37)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2023) E	NMF

**Includes a per share charge of ($0.68) related to preferred dividends, a $0.29 per share gain related to fair value of warrant liabilities, and $0.27 per share gain related to government grant income. **Includes an estimated ($0.99) per share of net charges after grant income. ***Includes an estimated 0.24 per share gain related to fair value of warrant liabilities.*

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 reducing our 12-month price target to $4.00 per share from $4.75 due primarily to reduced sector multiples.

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 global customer experience management market growing 18.1% annually to approximately $39 billion by 2030, up from $8.8 billion in 2021.

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 1Q22, BLIN reported (on 2-10-22) EPS of $0.06 on revenue of $4.3 million. In 1Q21, the loss per share was ($0.26) on revenue of $2.8 million. Excluding items, we estimate the loss per share was ($0.06) compared to EPS of $0.06 in 1Q21. We projected revenue of $4 million and a loss of $760,000 or ($0.07) per share.

For FY22, we project a loss per share of ($0.01) on revenue growth of 28.4% to $17 million (prior was $16.3 million), which includes 36% growth in subscription revenue to $13.6 million. We previously estimated a loss per share of ($0.28). Our revised forecasts reflect 1Q22 results that included a gain of $2.4 million or approximately $0.24 per share from a change in fair value of warrant liabilities.

For FY23, we project a loss per share of ($0.02) on revenue growth of 16.3% to $19.8 million (unchanged), driven by recurring subscription growth of 19.5% to $16.2 million. We previously forecast breakeven bottom line results. Our revised forecast reflects operating margin expense improving to 72% compared to an estimated 83.4% in FY22.

Please view our disclosures on pages 14 – 16.

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Appreciation Potential

Maintaining Speculative Buy rating but reducing our 12-month price target to $4.00 per share from $4.75 due primarily to reduced sector multiples.

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 2Q22, the company's cash on hand of $6.4 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.

Our 12-month price target of $4.00 per share implies shares could more than double over the next twelve months. According to finviz.com (as of 02/25/22), 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 2.9X (prior was 3.2), compared to BLIN's trailing twelve month price-to-sales multiple of 1.0X (prior was 0.9X). 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 19.5% in FY23. We applied a price-to-sales multiple of 2.6X (prior was 2.8X) to our FY23 sales per share forecast of $1.88, discounted for execution risk, to obtain a year-ahead price target of approximately $4.00 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 29.3% to FY23 from FY19 and cash earnings of nearly $1.7 million in FY23 compared to estimated cash burn of $610,000 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 from the 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.

Recent Developments

<u>In 2Q22 (ending March 31, 2022)</u>

BLIN announced it will be presenting at the International Franchise Association Conference its TruPresence software suite for multi-location businesses and franchises. TruPresence will take all of the company's existing technology that is related to franchise customers and package it into a consistent software suite for new and existing customers such as 7-Eleven, CVS, Alpha Graphics, SportsClips, and the UPS store.

<u>In 1Q22 (ending December 31, 2021)</u>

The company announced its DataBravo product, which was part of the WooRank acquisition, signed a long-term license agreement with the sales intelligence company to help them provide Web intelligence to their customers. The

DataBravo offering mines search engine optimization (SEO) content accumulated by WooRank in order to identify trends and competitive differentiators related to Websites.

A Fortune 100 technology company purchased additional Hawksearch licenses and launched Hawksearch on its primary eCommerce site. That online marketing promotional product company with over 40,000 customers will leverage the site search platform's AI-powered capabilities to increase conversions through autocomplete, recommendations, and navigation.

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 of the eCommerce360 offerings. 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's goal is to achieve a total revenue mix of 85% subscriptions and 15% digital engagement services.

The company has deployed its technology team to merge Celebros and HawkSearch into one single product. That 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 in 1Q22.

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.

The company's new DataBravo offering, which mines search engine optimization (SEO) content accumulated by WooRank, is anticipated to gain customer acceptance over time as it provides customers with analytical insights in order to enhance their decision making process.

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 February 2022, consulting firm Grand View Research issued a report stating that the global customer experience management market generated revenue of nearly $8.8 billion in 2021. Grand View Research predicts annualized revenue growth of 18.1% to approximately $39 billion in 2030 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. The report indicated that the US customer experience management market generated revenue of $2.9 billion in 2021 with a prediction of annualized revenue growth of 15.3% reaching approximately $9 billion by 2030.

Projections

Basis of Forecast
We anticipate the primary growth drivers will be recurring revenue from the HawkSearch technology offering that is merging 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 70.2% 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 79.6% of total sales compared to 75.1% in FY21. We forecast gross margin improving to 72.3% in FY23 due primarily to increased sales of higher margin subscription and perpetual license revenue that should account for 81.8% 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 January 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to 4.4% for 2022 and 3.8% for 2023. While the IMF's growth projection for 2022 is reduced from its earlier projection (October 2021) of 4.9%, its 2023 projection is up from its prior projection of 3.6%. The 2022 downward revision reflects the global economy entering the year in a weaker position than previously expected stemming from the new COVID-19 variant that resulted in countries re-imposing mobility restrictions, as well as rising energy prices and supply disruptions that is causing higher and more broad-based inflation than anticipated.

The IMF revised its economic growth estimate for the US to 3.9% for 2022 and 2.6% for 202. In October 2021, the IMF projected US economic growth of 4.5% and 2.2% for 2022 and 2023, respectively.

Operations – FY22
We project 28.4% total revenue growth to $17 million (prior was $16.3 million) from $13.3 million in FY21 due primarily to 36% growth in recurring subscription (SaaS) and perpetual licenses revenue to nearly $13.6 million (prior was $13.3 million), up from nearly $10 million in FY21. Also, we anticipate digital engagement services revenue of nearly $3.5 million compared to $3.3 million in FY21. Our revenue forecast reflects a full year of revenue contributions from HawkSearch and Woorank, a one-time perpetual license of $65,000 in 1Q22, and a steady ramp of recurring revenue in 2H22 that should be driven by new sales and marketing initiatives that began in 4Q21.

We forecast gross profit increasing 37% to nearly $12 million compared to $8.7 million in FY21 due to revenue growth and gross margin expanding to 70.2% from 65.8% in FY21. We project an operating loss of $2.2 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 83.4% from 65.4% (excluding restructuring and acquisition related expenses).

We project a 63.7% 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 nearly doubling to $5.4 million from $2.7 million in FY21 stemming from hiring additional sales and marketing professionals and initiating new marketing initiatives. We forecast a 48.1% increases in R&D expense to $3.5 million as the company invests in merging the HawkSearch offering with BLIN's existing Celebros offering. G&A expense should increase 51% to nearly $3.6 million from $2.4 million last year, which reflects the operations of two acquisition in FY21. We anticipated D&A expense of $1.6 million compared to $1.2 million in FY21.

We project non-operating income of $2.1 million that includes a positive change in fair value of warrant liabilities of $2.4 million, partly offset by $312,000 related to interest expense. In FY21, non-operating expense was $6.7 million due primarily to the change in fair value of warrant liabilities.

We project a net loss of $123,000 or ($0.01) per share. Our forecast includes a gain of $2.4 million or $0.24 per share from the change in fair value of warrant liabilities that was reported in 2Q22. We previously forecast a net loss of $2.9 million or ($0.28) per share that did not include any changes in the fair value of warrant liabilities. The improvement in our net loss forecast, after excluding fair value of warrant liabilities reflects 1Q22 results and an anticipated ramp in recurring revenue subscription growth in 2H22 from sales and marketing initiatives to accelerate customer growth.

Finances – 2022

We project cash burn of $610,000 and a $975,000 decrease in working capital resulting in cash from operations of $365,000. Cash from operations is unlikely to cover capital expenditures, repayment of debt, and payment of contingent consideration that should result in cash decreasing by nearly $4.1 million to $4.8 million at September 30, 2022.

Operations – FY23

We project 16.3% total revenue growth to $19.8 million from an estimated $17 million in FY22 due primarily to 19.5% growth in recurring subscription (SaaS) and perpetual licenses revenue to $16.2 million, up from an estimated $13.6 million in FY22. We anticipate digital engagement services revenue of $3.6 million compared to an estimated $3.5 million in FY22. 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 19.7% to $14.3 million compared to an estimated $12 million in FY22 due to revenue growth and gross margin expanding to 72.3% from an estimated 70.2% in FY22. We project operating income of $45,000 compared to an estimated operating loss of $2.2 million in FY22. The swing to operating income reflects an improvement in operating margin expense to 72% from an estimated 83.4% in FY22.

We project operating expenses increasing by $65,000 to $14.3 million as modest increases in sales and marketing and G&A expenses are likely to be nearly offset by a 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 $409,000 to $5.8 million and G&A expense increasing $47,000 to $3.6 million. R&D and D&A expenses should decrease to $3.4 million and $1.5 million, respectively, from an estimated $3.5 million and $1.6 million in FY22.

We project non-operating expense of $205,000 related to interest expense compared to non-operating income of $2.1 million that includes a positive change in fair value of warrant liabilities of $2.4 million, partly offset by $312,000 related to interest expense. We project a net loss of $160,000 or ($0.02) per share. We previously project net income of $35,000 or breakeven per share.

Finances – 2023

We project cash earnings of nearly $1.7 million and a nearly $1.3 million decrease in working capital resulting in cash from operations of $2.9 million. Cash from operations is unlikely to cover capital expenditures and payment of contingent consideration and debt, decreasing cash by $306,000 to nearly $4.5 million at September 30, 2023.

1Q22 Results

1Q22
The company reported a 51.1% increase in total net revenue to nearly $4.3 million from $2.8 million in 1Q21. Subscription and perpetual license sales increased 70.9% to $3.4 million compared to nearly $2 million in the year-ago period due primarily to multi-year license renewals and the inclusion of revenue from acquisitions completed in FY21, but also included approximately $65,000 in a one-time perpetual license sale. Digital engagement service revenue increased $32,000 to $869,000.

Gross profit increased 60% to $3 million from $1.9 million in the year-ago period. The increase reflects gross margin expansion to 70.1% from 66.3% in the year-ago period due primarily to a shift in the product mix toward higher margin recurring license revenue. Operating expenses increased to $3.5 million (includes $98,000 in restructuring and acquisition related charges) from $1.7 million (includes $210,000 in restructuring and acquisition related charges) in 1Q21. Sales and marketing expense nearly tripled to $1.2 million from $444,000 reflecting an increase in personnel to support sales growth. G&A expense increased to $873,000 from $465,000 due primarily to costs related to the FY21 acquisitions of HawkSearch and Woorank. R&D expense more than doubled to $859,000 from $349,000 due primarily to additional research and development expenses related to FY21 acquisitions. D&A expense increased to $424,000 from $232,000 stemming from the amortization of intangible assets related to FY21 acquisitions.

The company reported an operating loss was $479,000 compared to operating income of $179,000 in 1Q21.

Non-operating income was nearly $2.4 million compared to an expense of $1.3 million. Non-operating income included a positive change in the fair value of warrant liabilities to $2.4 million compared to a negative change of $1.4 million. Interest expense was to $87,000 compared to interest income of $94,000 last year which included government grant income of $88,000 stemming from the forgiveness of PPP loans received during the COVID-19 pandemic.

Net income was $1.9 million or $0.06 per share compared to a net loss of $1.2 million or ($0.26) per share. In the current period, in order to conform to generally-accepted accounting principles the company needed to exclude from net income the change in fair value of in-the-money warrant derivative liabilities of $1.2 million resulting in net income of $625,000 or $0.06 per diluted share. We estimated, excluding change in fair value of all warrant liabilities, a net loss of $569,000 or ($0.06) per share compared to net income of $279,000 or $0.06 per share. We projected a loss per share of ($0.07) on sales of $4 million.

Finances
In 1Q22, the cash burn was $12,000 and working capital decreased $91,000 resulting in cash from operations of $79,000. Cash from operations did not cover capital expenditures, repayment of debt, and payment of contingent consideration. Cash decreased $2.5 million to nearly $6.4 million at December 31, 2021.

Capital Structure
At December 31, 2021, BLIN had total debt of $1.7 million (of which $609,000 was short-term) and a cash balance of nearly $6.4 million. Total debt consisted of a $676,000 vendor loan payable that accrues interest at 3% per annually that has principal and interest payable in two lump-sum installments with the loan maturing on February 1, 2023, a $269,000 term loan payable that matures on October 10, 2022, and a $453,000 1.3% term loan payable that matures on April 30, 2027.

In addition, the company has a 4% $344,000 seller's note (related to a FY21 acquisition) that is payable over five installments and matures on January 1, 2026.

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 December 31, 2021, the company's accumulated deficit was $80.4 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 $1.1 million. If operating profits 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 February 8, 2022 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 782,000, respectively.

Global Health and Politics
A disruption of global economic conditions due to COVID-19 and/or war-like conditions in Eastern Europe that cause Western nations to impose economic sanctions against Russian banks and Oligarchs, could result in disruptions of economic activity that in turn could adversely impact the company's corporate operating results.

Customer Concentration
In 1Q22 (the period ending December 31, 2021), BLIN had no customers account for more than 10% of total revenue compared one customer accounting for 12% in 1Q21. In 1Q22, one customer accounted for 23% of accounts receivable compared to two customers accounting for 54% in 1Q21.

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 6.2% of the company's outstanding voting stock (includes Michael Taglich – Director and President of Taglich Brothers, Inc.) based on BLIN's proxy filing on February 14, 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 February 28, 2022) to approximately 286,000. BLIN has a float of approximately 9.1 million shares and outstanding shares of 10.2 million.

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

	FY20A	FY21A	1Q22A	**FY22E**	**FY23E**
ASSETS					
Current assets:					
Cash and cash equivalents	$ 861	$ 8,852	$ 6,356	**$ 4,757**	**$ 4,451**
Accounts receivables, net	665	1,370	1,262	**1,419**	**1,165**
Prepaid expenses and other current assets	379	196	397	**406**	**329**
Total current assets	1,905	10,418	8,015	**6,583**	**5,945**
Property and equipment, net	238	252	250	**255**	**260**
Operating lease assets	294	481	434	**300**	**200**
Intangible assets, net	2,617	7,755	7,354	**6,555**	**5,355**
Goodwill	5,557	15,985	15,985	**15,985**	**15,985**
Other assets	49	76	120	**698**	**594**
Total assets	$ 10,660	$ 34,967	$ 32,158	**$ 30,376**	**$ 28,339**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Operating lease liabilities	96	161	151	**135**	**125**
Accounts payable	1,311	974	1,359	**1,693**	**1,449**
Accrued liabilities	599	908	1,061	**1,270**	**1,373**
Debt	88	732	609	**540**	**224**
Purchase price and contingent consideration payable	-	3,463	1,045	**2,430**	-
Deferred revenue	1,511	2,097	1,793	**2,300**	**3,125**
Total current liabilities	3,605	8,335	6,018	**8,368**	**6,295**
Long-term debt, net	-	1,197	1,133	**657**	**433**
Operating lease liabilities, net	198	320	283	**224**	**142**
Purchase price and contingent consideration payable	-	2,360	2,430	-	-
Warrant liabilities	2,486	4,404	1,963	**1,000**	**1,157**
Other liabilities	15	774	778	**500**	**535**
Total long-term liabilities	2,699	9,055	6,587	**2,381**	**2,267**
Total liabilities	$ 6,304	$ 17,390	$ 12,605	**$ 10,749**	**$ 8,562**
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**	**10**
Additional paid-in capital	78,316	100,207	100,270	**100,467**	**100,767**
Retained earnings (loss)	(73,583)	(82,287)	(80,415)	**(80,538)**	**(80,698)**
Accumulated other comprehensive income (loss)	(381)	(353)	(312)	**(312)**	**(312)**
Total stockholders' equity	4,356	17,577	19,553	**19,627**	**19,767**
Total liabilities and stockholders' equity	$ 10,660	$ 34,967	$ 32,158	**$ 30,376**	**$ 28,329**
Shares Outstatnding - Common Stock	4,420	10,187	10,187	**10,200**	**10,245**
Series C convertible preferred stock - outstanding	350	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	**$ 3,479**	**$ 3,600**
Subscription (SaaS) / Perpetual licenses	7,498	9,963	**13,552**	**16,200**
Total revenue	10,907	13,259	**17,031**	**19,800**
Cost of sales -- Digital engagement services	1,831	1,743	**1,801**	**1,840**
Cost of sales -- Subscription - Licenses	2,676	2,790	**3,279**	**3,650**
Total cost of revenue	4,507	4,533	**5,080**	**5,490**
Total Gross Profit	6,400	8,726	**11,951**	**14,310**
Operating Expenses:				
Sales and Marketing	2,614	2,726	**5,381**	**5,790**
General and Administrative	2,455	2,359	**3,563**	**3,610**
Research and Development	1,641	2,387	**3,534**	**3,400**
Depreciation and amortization	968	1,202	**1,624**	**1,465**
Restructuring and acquisition related expenses	366	1,235	**98**	**-**
Total Operating Expenses	8,044	9,909	**14,200**	**14,265**
Operating Income (loss)	(1,644)	(1,183)	**(2,249)**	**45**
Interest expense and other, net	(7)	(883)	**(312)**	**(205)**
Government grant income	960	88	**-**	**-**
Change in fair value of warrant liabilities	1,028	(5,885)	**2,441**	**-**
Total Other Income (Expense)	1,981	(6,680)	**2,129**	**(205)**
Pre-Tax Income (loss)	337	(7,863)	**(120)**	**(160)**
Income Tax Expense (Benefit)	11	(1,174)	**3**	**-**
Net Income (loss)	$ 326	$ (6,689)	**$ (123)**	**$ (160)**
Dividends on convertible preferred stock	(2,420)	(2,015)	-	-
Net Income (loss) - to common shareholders	$ (2,094)	$ (8,704)	**$ (123)**	**$ (160)**
EPS (loss) - to common shareholders	$ (0.59)	$ (1.47)	**$ (0.01)**	**$ (0.02)**
Weighted Average Shares Outstanding	3,555	5,936	**10,303**	**10,535**
EBITDA	$ (116)	$ 1,441	**$ (269)**	**$ 1,810**
Margins				
Gross Margin -- Digital engagement services	46.3%	47.1%	**48.2%**	**48.9%**
Gross Margin -- Subscription - Licenses	64.3%	72.0%	**75.8%**	**77.5%**
Total Gross Margin	58.7%	65.8%	**70.2%**	**72.3%**
Operating Margin	(15.1%)	(8.9%)	**(13.2%)**	**0.2%**
Sales & Marketing	24.0%	20.6%	**31.6%**	**29.2%**
General & Administrative	22.5%	17.8%	**20.9%**	**18.2%**
Research and Development	15.0%	18.0%	**20.8%**	**17.2%**
Operating expense	73.8%	74.7%	**83.4%**	**72.0%**
Pre-Tax Margins	3.1%	(59.3%)	**(0.7%)**	**(0.8%)**
Tax rate	3.3%	14.9%	**(2.5%)**	**0.0%**
YEAR / YEAR GROWTH				
Total Revenues	9.6%	21.6%	**28.4%**	**16.3%**
Subscription (SaaS) / Perpetual licenses	28.5%	32.9%	**36.0%**	**19.5%**

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	1Q22A*	2Q22E	3Q22E	4Q22E	**FY2022E**	1Q22E	2Q22E	3Q22E	4Q22E	**FY2023E**
Digital engagement services	$ 837	$ 885	$ 821	$ 753	$ 3,296	$ 869	$ 870	$ 870	$ 870	**$ 3,479**	$ 900	$ 900	$ 900	$ 900	**$ 3,600**
Subscription (SaaS) / Perpetual licenses	1,999	1,989	2,624	3,351	9,963	3,417	3,335	3,375	3,425	**13,552**	3,600	4,100	4,200	4,300	**16,200**
Total revenue	2,836	2,874	3,445	4,104	13,259	4,286	4,205	4,245	4,295	**17,031**	4,500	5,000	5,100	5,200	**19,800**
Cost of sales -- Digital engagement services	365	466	441	472	1,743	451	450	450	450	**1,801**	460	460	460	460	**1,840**
Cost of sales -- Subscription - Licenses	592	601	753	844	2,790	829	810	815	825	**3,279**	855	925	930	940	**3,650**
Total cost of revenue	957	1,067	1,194	1,316	4,533	1,280	1,260	1,265	1,275	**5,080**	1,315	1,385	1,390	1,400	**5,490**
Total Gross Profit	1,879	1,808	2,251	2,788	8,726	3,006	2,945	2,980	3,020	**11,951**	3,185	3,615	3,710	3,800	**14,310**
Operating Expenses:															
Sales and Marketing	444	524	761	997	2,726	1,231	1,325	1,400	1,425	**5,381**	1,375	1,450	1,465	1,500	**5,790**
General and Administrative	465	608	608	678	2,359	873	875	900	915	**3,563**	885	890	910	925	**3,610**
Research and Development	349	479	625	934	2,387	859	875	900	900	**3,534**	850	850	850	850	**3,400**
Depreciation and amortization	232	240	305	425	1,202	424	405	400	395	**1,624**	375	370	365	355	**1,465**
Restructuring and acquisition related expenses	210	84	568	373	1,235	98	-	-	-	**98**	-	-	-	-	-
Total Operating Expenses	1,700	1,935	2,867	3,407	9,909	3,485	3,480	3,600	3,635	**14,200**	3,485	3,560	3,590	3,630	**14,265**
Operating Income (loss)	179	(128)	(616)	(619)	(1,183)	(479)	(535)	(620)	(615)	**(2,249)**	(300)	55	120	170	**45**
Interest expense and other, net	6	(4)	(9)	(876)	(883)	(87)	(80)	(75)	(70)	**(312)**	(60)	(55)	(50)	(40)	**(205)**
Government grant income	88	-	-	-	88	-	-	-	-	-	-	-	-	-	-
Change in fair value of warrant liabilities	(1,441)	(418)	(4,161)	135	(5,885)	2,441	-	-	-	**2,441**	-	-	-	-	-
Total Other Income (Expense)	(1,347)	(422)	(4,170)	(741)	(6,680)	2,354	(80)	(75)	(70)	**2,129**	(60)	(55)	(50)	(40)	**(205)**
Pre-Tax Income (loss)	(1,168)	(550)	(4,786)	(1,360)	(7,863)	1,875	(615)	(695)	(685)	**(120)**	(360)	(0)	70	130	**(160)**
Income Tax Expense (Benefit)	(6)	7	(1,176)	1	(1,174)	3	-	-	-	**3**	-	-	-	-	-
Net Income (loss)	$ (1,162)	$ (557)	$ (3,610)	$ (1,361)	$ (6,689)	$ 1,872	$ (615)	$ (695)	$ (685)	**$ (123)**	$ (360)	$ (0)	$ 70	$ 130	**$ (160)**
Dividends on convertible preferred stock	-	-	-	(2,015)	(2,015)	-	-	-	-	-	-	-	-	-	-
Net Income (loss) - to common shareholders	$ (1,162)	$ (557)	$ (3,610)	$ (3,376)	$ (8,704)	$ 1,872	$ (615)	$ (695)	$ (685)	**$ (123)**	$ (360)	$ (0)	$ 70	$ 130	**$ (160)**
EPS (loss) - to common shareholders	$ (0.26)	$ (0.11)	$ (0.61)	$ (0.40)	$ (1.47)	$ 0.06	$ (0.06)	$ (0.07)	$ (0.07)	**$ (0.01)**	$ (0.04)	$ (0.00)	$ 0.01	$ 0.01	**$ (0.02)**
Weighted Average Shares Outstanding	4,420	5,000	5,939	8,382	5,936	10,626	10,190	10,195	10,200	**10,303**	10,205	10,630	10,650	10,655	**10,535**
EBITDA	$ 672	$ 235	$ 300	$ 234	$ 1,441	$ 106	$ (65)	$ (155)	$ (155)	**$ (269)**	$ 150	$ 500	$ 560	$ 600	**$ 1,810**
Margins															
Gross Margin -- Digital engagement services	56.4%	47.4%	46.3%	37.3%	47.1%	48.1%	48.3%	48.3%	48.3%	**48.2%**	48.9%	48.9%	48.9%	48.9%	**48.9%**
Gross Margin -- Subscription - Licenses	70.4%	69.8%	71.3%	74.8%	72.0%	75.7%	75.7%	75.9%	75.9%	**75.8%**	76.2%	77.4%	77.9%	78.1%	**77.5%**
Total Gross Margin	66.3%	62.9%	65.4%	67.9%	65.8%	70.1%	70.0%	70.2%	70.3%	**70.2%**	70.8%	72.3%	72.7%	73.1%	**72.3%**
Operating Margin	6.3%	(4.4%)	(17.9%)	(15.1%)	(8.9%)	(11.2%)	(12.7%)	(14.6%)	(14.3%)	**(13.2%)**	(6.7%)	1.1%	2.4%	3.3%	**0.2%**
Sales & Marketing	15.7%	18.2%	22.1%	24.3%	20.6%	28.7%	31.5%	33.0%	33.2%	**31.6%**	30.6%	29.0%	28.7%	28.8%	**29.2%**
General & Administrative	16.4%	21.2%	17.6%	16.5%	17.8%	20.4%	20.8%	21.2%	21.3%	**20.9%**	19.7%	17.8%	17.8%	17.8%	**18.2%**
Research and Development	12.3%	16.7%	18.1%	22.8%	18.0%	20.0%	20.8%	21.2%	21.0%	**20.8%**	18.9%	17.0%	16.7%	16.3%	**17.2%**
Operating expense	59.9%	67.3%	83.2%	83.0%	74.7%	81.3%	82.8%	84.8%	84.6%	**83.4%**	77.4%	71.2%	70.4%	69.8%	**72.0%**
Pre-Tax Margins	(41.2%)	(19.1%)	(138.9%)	(33.1%)	(59.3%)	43.7%	(14.6%)	(16.4%)	(15.9%)	**(0.7%)**	(8.0%)	(0.0%)	1.4%	2.5%	**(0.8%)**
Tax rate	0.5%	(1.3%)	24.6%	(0.1%)	14.9%	0.2%	0.0%	0.0%	0.0%	**(2.5%)**	0.0%	0.0%	0.0%	0.0%	**0.0%**
YEAR / YEAR GROWTH															
Total Revenues	0.1%	5.0%	30.9%	51.7%	21.6%	51.1%	46.3%	23.2%	4.7%	**28.4%**	5.0%	18.9%	20.1%	21.1%	**16.3%**
Subscription (SaaS) / Perpetual licenses	15.1%	8.2%	36.7%	67.2%	32.9%	70.9%	67.7%	28.6%	2.2%	**36.0%**	5.4%	22.9%	24.4%	25.5%	**19.5%**

* In 1Q22, EPS per share is derived after excluding $1.247 million change in fair value of in-the-money warrant derivative liabilities from net income of $1.872 million.

Source: Company reports and Taglich Brothers estimates

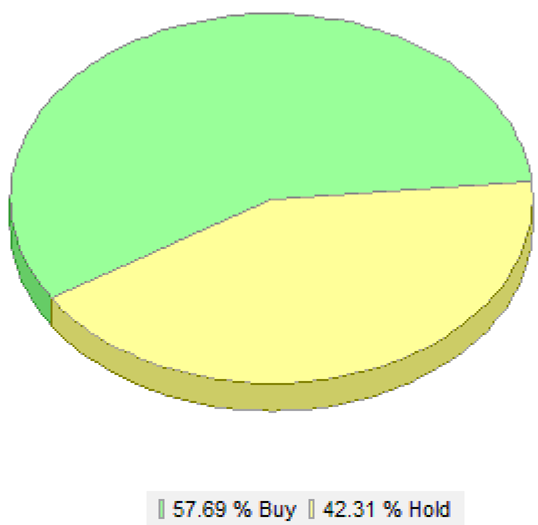
Bridgeline Digital, Inc.
Cash Flow Statement – Ending September 30
FY2020A – FY2023E
(in thousands)

	FY2020 A	FY2021 A	1Q22A	**FY2022 E**	**FY20232 E**
Cash Flows from Operating Activities					
Net Income (loss)	$ 326	$ (6,689)	$ 1,872	**$ (123)**	**$ (160)**
Loss on disposal of property and equipment	-	-	-	-	-
Amortization of intangibles	891	1,130	401	**1,532**	**1,440**
Depreciation and amortization	61	70	23	**92**	**75**
Other amortization	16	2	-	-	-
Deferred income taxes	-	(1,196)	-	-	-
Government grant income	(960)	(88)	-	-	-
Change in fair value of contingent consideration	-	170	70	**70**	-
Change in fair value of warrant liabilities	(1,028)	5,885	(2,441)	**(2,441)**	-
Stock-based compensation	194	607	63	**260**	**300**
Cash earnings (burn)	(500)	(109)	(12)	**(610)**	**1,655**
Changes In:					
Accounts receivables	630	36	106	**(50)**	**255**
Prepaid expenses and Other current assets	89	149	(188)	**(50)**	**255**
Other assets	(21)	99	(5)	**(210)**	**77**
Accounts payable and accrued liabilities	(585)	(920)	506	**1,081**	**(142)**
Deferred revenue	(75)	(613)	(307)	**203**	**825**
Other liabilities	(36)	369	(21)	-	-
(Increase)/decrease in Working Capital	2	(880)	91	**975**	**1,269**
Net cash Provided by (Used in) Operations	(498)	(989)	79	**365**	**2,924**
Cash Flows from Investing Activities					
Purchase of property and equipment	-	(79)	(18)	**(75)**	**(75)**
Software development	-	(30)	(46)	**(185)**	**(185)**
Purchase of business, net of cash acquired	-	(4,408)	-	-	-
Net cash used in Investing	-	(4,517)	(64)	**(260)**	**(260)**
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)	(81)	**(732)**	**(540)**
Payments of contingent consideration and deferred cash payable	-	(203)	(2,423)	**(3,468)**	**(2,430)**
Net cash provided by Financing	1,048	13,473	(2,504)	**(4,200)**	**(2,970)**
Exchange rate	15	24	(7)	-	-
Net change in Cash	565	7,991	(2,496)	**(4,095)**	**(306)**
Cash Beginning of Period	296	861	8,852	**8,852**	**4,757**
Cash End of Period	$ 861	$ 8,852	$ 6,356	**$ 4,757**	**$ 4,451**

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 February 25, 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

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

Analyst Certification

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

Public Companies mentioned in this report:

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

Meaning of Ratings

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

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

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

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

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

Some notable Risks within the Microcap Market

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

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