

Research Report – Update

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

DecisionPoint Systems, Inc.

Speculative Buy

John Nobile
April 12, 2022

DPSI \$3.77 — (OTC)

	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Sales (millions)	\$63.4	\$65.9	\$80.0	\$85.0
Earnings (loss) per share	\$0.37	\$0.19*	\$0.21	\$0.28

52-Week range	\$14.22 – \$3.10	Fiscal year ends:	December
Common shares out a/o 3/31/22	7.0 million	Revenue per share (TTM)	\$8.68
Approximate float	6.0 million	Price/Sales (TTM)	0.4X
Market capitalization	\$26 million	Price/Sales (FY2022)E	0.3X
Tangible book value/share	0.37	Price/Earnings (TTM)	19.8X
Price/tangible book value	10.2X	Price/Earnings (FY2022)E	13.5X

*Includes a \$0.16 per share gain from the extinguishment of debt. All per share amounts reflect 1 for 2 split on 12/20/21..

DecisionPoint Systems, headquartered in Irvine CA, is a provider of enterprise mobility solutions and services. The company partners with hardware and software companies to combine enterprise-grade handheld computers, printers, tablets, and smart phones into solutions aimed at improving an enterprises productivity and competitiveness.

Key investment considerations:

Reiterating our Speculative Buy rating and increasing our 12-month price target to \$7.50 per share from \$7.00 (adjusted for 1:2 split on 12/20/2021) based on the industry multiple applied to our 2023 EPS forecast.

DecisionPoint operates in the high growth enterprise mobility market. A report published by Allied Market Research projects the global market for Enterprise Mobility to grow to approximately \$151.5 billion by 2027 from \$19.7 billion in 2019 for a CAGR of 29.3%. The report observed that the surge in data and mobile devices in organizations along with an increase in cloud and mobile applications in various industries should drive growth in the global enterprise market.

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

We project 2022 sales growth of 21.3% to \$80 million and EPS of \$0.21 compared to EPS of \$0.03 after excluding the \$0.16 per share gain in 2021 associated with the forgiveness of PPP loans. We previously projected revenue of \$68.5 million and EPS of \$0.21 per share (adjusted for 1:2 split on 12/20/2021). Our revised projections reflect the February 2022 acquisition of Advanced Mobile Group and the lingering effect from supply chain issues.

We project 2023 sales growth of 6.3% to \$85 million driven by continued growth of the company's product and service offerings within the enterprise mobility market. We project EPS of \$0.28.

DPSI reported (on 4/1/22) 4Q21 sales decreased 9.9% to \$16.5 million primarily due industry-wide supply chain issues. The net loss was \$(0.10) per share versus EPS of \$0.08 in 4Q20. We projected revenue of \$15.6 million and EPS of \$0.03 (adjusted for 1:2 stock split on December 20, 2021).

***Please view our disclosures on pages 13 - 15.**

Recommendation and Valuation

We are reiterating our **Speculative Buy** rating of DecisionPoint Systems, Inc. and increasing our 12-month price target to \$7.50 per share from \$7.00 (adjusted for 1:2 split on 12/20/2021) based on the industry multiple applied to our 2023 EPS forecast.

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DPSI currently trades at a trailing-twelve-month P/E multiple of 20X (125X excluding the 2021 \$0.16 per share gain associated with the forgiveness of PPP loans). The IT services industry currently trades at an average multiple of approximately 30X (previously 40X) on average earnings growth of approximately 15%. With the growth in DPSI's earnings we forecast for 2023, we believe investors are likely to accord DPSI the industry multiple. Applying a multiple of 30X to our 2023 EPS of \$0.28, discounted for execution risk, we derive a twelve-month price target of \$7.50 per share.

Recent Development

DecisionPoint Acquires Advanced Mobile Group - On February 1, 2022, DecisionPoint announced the acquisition of Advanced Mobile Group, LLC, a privately held company headquartered in Doylestown, Pennsylvania. DecisionPoint acquired Advanced Mobile Group to expand its mobility-first enterprise solutions and service offerings, and to grow its capabilities in the mid-Atlantic region. Advanced Mobile Group has 600 customers and is a regional provider of services, hardware, software, integration, and wireless networking solutions, with experience in warehousing and distribution, manufacturing, mobile workforce automation, retailing, and the healthcare segments.

Business

Headquartered in Irvine CA, DecisionPoint Systems is a provider of enterprise mobility solutions and services. The company partners with hardware and software companies to combine enterprise-grade handheld computers, printers, tablets, and smart phones into solutions aimed at improving an enterprises productivity and competitiveness.

DecisionPoint's software portfolio includes its Mobile Conductor Platform which provides a direct store delivery solution to the wholesale distribution market via its proof-of-delivery and route accounting applications. DPSI's ViziTrace platform provides customers with the ability to integrate radio frequency identification (RFID) technology into existing workflows. The company's managed services provide customers a way to implement, manage, monitor, and maintain all these technologies for the lifetime of the implementation, while supporting and augmenting customer's IT teams.

Acquisitions have played a significant part in DPSI's growth strategy. In June 2018, DPSI acquired Royce Digital Systems, Inc., a provider of enterprise print and mobile technologies, deployment services and on-site maintenance. In December 2020, DPSI acquired ExtenData Solutions, LLC, a provider of software product development, mobile computing, identification and tracking solutions, and wireless tracking solutions for enterprise mobility. In January 2022, DPSI acquired Advanced Mobile Group, LLC, a company that offers expertise in voice directed and RFID technologies via the ViziTrace Platform.

Products and Services

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

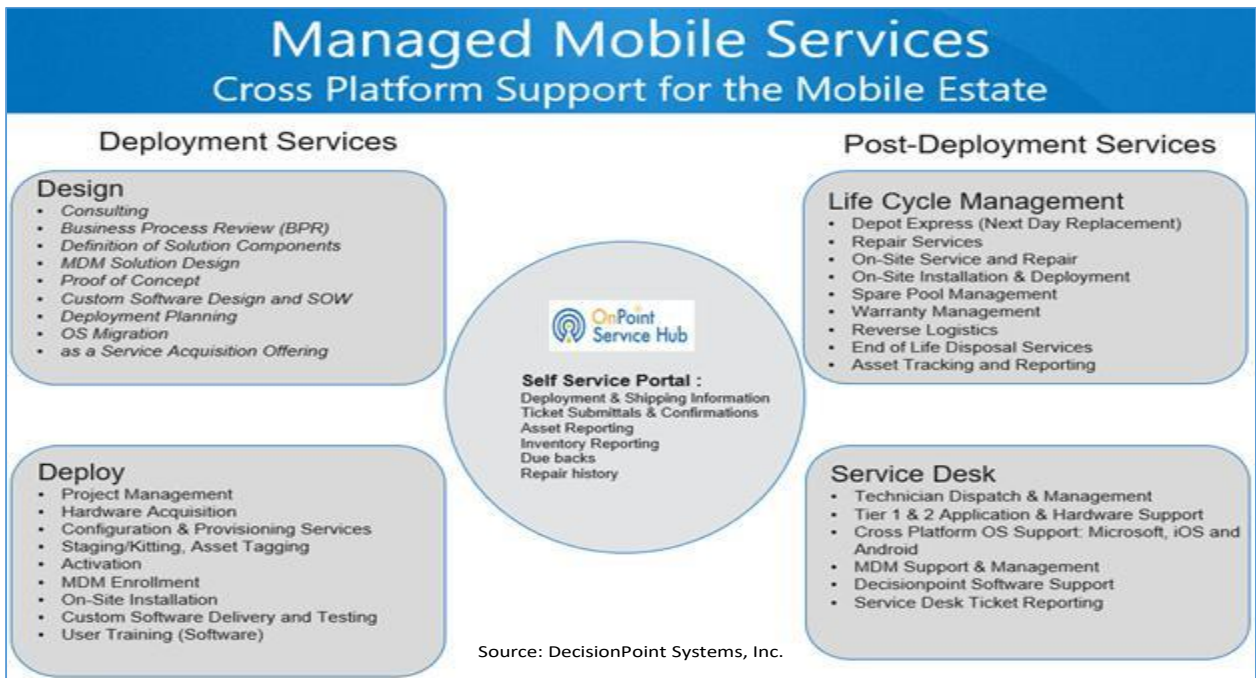


DecisionPoint offers wearable computers, barcode scanners, and accessories that enable hands-free operation for increased operational flexibility, improved ergonomics, and safety. The company’s barcode equipment, systems, and supplies are designed to work even with damaged barcode labels.

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

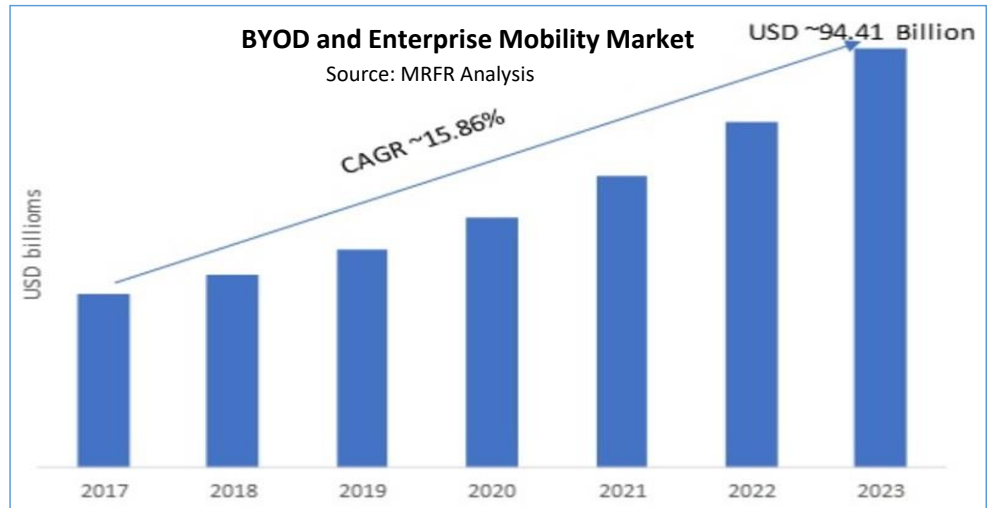
The company’s professional services include consulting, staging, deployment, installation, repair and customer specified software customization. DecisionPoint also offers hardware and software maintenance support.

DecisionPoint’s Mobile Device Management offering allows for remote management of thousands of devices in a single interface and provides full visibility and reporting of those devices, including barcode equipment and systems. The company’s OnPoint™ Service Hub is a real-time asset management and tracking information portal that provides customers with a 24/7 view of their technology assets being managed by DecisionPoint (see example below). DecisionPoint also offers “as a service” models that include devices, services, software and consulting in which customers pay a recurring monthly fee.



Enterprise Mobility Market

According to a report by Market Research Future¹, the global market for BYOD and Enterprise Mobility is expected to grow from \$39 billion in 2017 to \$94.4 billion by 2023, for a compound annual growth rate (CAGR) of approximately 15.9% during the forecast period (see chart at right). The BYOD (bring your own device) & enterprise mobility market enables employees to use their personal devices such as tablets, smartphones, and laptops for professional purposes. Increased productivity, employee satisfaction, and reduced hardware costs are considered to positively impact a company, its employees and drive overall market growth.



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

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

A report published by Allied Market Research² estimates that the global market for Enterprise Mobility was approximately \$19.7 billion in 2019 and is projected to grow to approximately \$151.5 billion by 2027 for a CAGR of 29.3%. The report observed that the surge in data and mobile devices in organizations along with an increase in cloud and mobile applications in various industries should drive growth in the global enterprise market.

The outbreak of the COVID-19 pandemic increased the trend towards remote working systems across the globe which in turn has accelerated the demand for enterprise mobility solutions among organizations. North America had the greatest market share in 2019 with more than one-third of the global enterprise mobility market.

A report published by Research and Markets³ stated that user identity verification is important as corporate content and data is being accessed by multiple mobile devices. Enterprise Mobility Management (EMM) is emerging as a one stop solution for encryption, user authentication, anti-virus controls, and remote data/device access. EMM will play a major role in managing, streamlining, viewing, tracking, monitoring and securing all content, devices and apps of an organization ensuring that only authorized employees are able to access devices from anywhere at any time to enhance company productivity.

1. <https://www.marketresearchfuture.com/reports/byod-enterprise-mobility-market-6699>
2. <https://www.prnewswire.com/news-releases/enterprise-mobility-market-to-reach-151-51-bn-globally-by-2027-at-29-3-cagr-allied-market-research-301469571.html>
3. <https://www.researchandmarkets.com/reports/4804695/byod-and-enterprise-mobility-global-market#src-pos-1>

Competition

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

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

Strategy

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

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

In December 2020, DecisionPoint acquired ExtenData Solutions whose products and services are synergistic and complimentary to those provided by the company. In February 2022, DecisionPoint acquired Advanced Mobile Group in an effort to expand its mobility-first enterprise solutions and service offerings, and to grow its capabilities in the mid-Atlantic region.

Economic Outlook

In January 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 4.4% for 2022 and 3.8% for 2023. While the IMF's growth projection for 2022 is down from its earlier projection calling for 4.9% growth (October 2021), the 2023 projection is up from 3.6%. The 2022 downward revision primarily reflects lower growth assumptions for the US and China. The upward revision for 2023 largely reflects a pickup in economic activity after the impediments to growth dissipate in 2H22.

The IMF revised its economic growth estimate for the US to an increase of 4% for 2022 and 2.6% for 2023. In October 2021, the IMF projected US economic growth of 5.2% and 2.2% for 2022 and 2023, respectively.

The third estimate of US GDP growth (released on March 30, 2022) showed the US economy increased at an annual rate of 6.9% in 4Q21, up from the 2.3% increase reported in 3Q21. The 4Q21 US GDP estimate primarily reflects increases in inventory investment, exports, consumer spending, and business investment, partially offset by decreases in both federal and state and local government spending.

4Q and FY2021 Financial Results

4Q21 – Net sales decreased 9.9% to \$16.5 million primarily due industry-wide supply chain issues. The net loss was \$701,000 or \$(0.10) per share versus net income of \$600,000 or \$0.08 per share. We projected revenue of \$15.6 million and net income of \$224,000 or \$0.03 per share (adjusted for 1:2 stock split on December 20, 2021).

DecisionPoint Systems, Inc.

Gross profit decreased to \$3.8 million from \$4.5 million. Gross margins decreased to 22.9% from 24.5% while SG&A expenses increased to \$4.7 million from \$3.6 million resulting in an operating loss of \$921,000 versus operating income of \$930,000.

Interest expense decreased to \$12,000 from \$87,000 as a result of decreased debt levels.

FY2021 – Net sales increased 4.1% to \$65.9 million from \$63.4 million primarily due to an \$11 million increase in sales associated with the ExtenData acquisition partially offset by a decrease in hardware and software sales in the retail sector due to significant equipment upgrades that occurred in the prior year period from one of DPSI's largest customers, as well as supply chain issues impacting product availability in 2021. Net income decreased to \$1.4 million or \$0.19 per share versus net income of \$2.9 million or \$0.37 per share (adjusted for 1:2 stock split on December 20, 2021). Net income for 2021 included a \$1.2 million or \$0.16 per share gain from the extinguishment of debt associated with the forgiveness of PPP loans.

Gross profit increased to \$15.3 million from \$14.8 million. Gross margins decreased to 23.2% from 23.4% due primarily to low consumables margins associated with customers of ExtenData (acquired in December 2020) and lower services margins due to higher fixed personnel costs.

SG&A expenses increased to \$14.9 million from \$10.8 million primarily due to increased expenses associated with the ExtenData acquisition.

Interest expense decreased to \$79,000 from \$319,000 as a result of decreased debt levels.

Liquidity

As of December 31, 2021, the company had \$2.6 million cash, a current ratio of 1.1X, \$149,000 of debt (\$146,000 long-term), and shareholder's equity of \$14.3 million or \$2.03 per share.

In 2021, cash provided by operations was \$2.4 million consisting primarily of cash earnings. Cash used in investing was \$541,000 consisting of cash paid for acquisitions and capital expenditures. Cash used in financing was \$1.2 million and consisted primarily of the pay down of debt. Cash increased by \$582,000 to \$2.6 million at December 31, 2021.

DecisionPoint has a \$9 million line of credit with MUFU Union Bank with a maturity date of July 31, 2024. The line of credit bears interest at the LIBOR rate plus 2.5% or a base rate offered by the bank (4.75% as of December 31, 2021). As of December 31, 2021, the company had no outstanding borrowings under the line of credit.

In August 2020, DecisionPoint received \$150,000 in connection with a promissory note from the SBA under the Economic Injury Disaster Loan (EIDL) program pursuant to the CARES Act. Under the terms of the EIDL promissory note, interest accrues on the outstanding principal at an interest rate of 3.75% per annum with a term of 30 years with equal monthly payments of principal and interest of \$731 beginning on August 27, 2021. As of December 31, 2021, the company has \$149,000 outstanding under this loan.

Projections

Operations 2022

We project sales growth of 21.3% to \$80 million and net income of \$1.6 million or \$0.21 per share compared to EPS of \$0.03 after excluding the \$0.16 per share gain in 2021 associated with the forgiveness of PPP loans. We previously projected revenue of \$68.5 million and net income of \$1.5 million or \$0.21 per share (adjusted for 1:2 split on 12/20/2021). Our revised projections reflect the February 2022 acquisition of Advanced Mobile Group and the lingering effect from supply chain issues.

Gross margins are projected to remain relatively stable at 23.2%.

SG&A expenses should increase to \$16.4 million from \$14.9 million to support sales growth. We project SG&A expense margins of 20.5% in 2022 compared to 22.7% in 2021.

We project no interest expense as the company should paid off its debt. Taxes are estimated at a rate of 26.5%.

Finances 2022

We project \$2.7 million cash provided by operations will be derived from cash earnings of \$4 million and a \$1.3 million increase in working capital. Cash used in investing of \$400,000 should consist of capital expenditures. Cash should increase by \$2.2 million to \$4.8 million at December 31, 2022.

Operations 2023

We project sales growth of 6.3% to \$85 million driven by continued growth of the company's product and service offerings within the enterprise mobility market. We project net income of \$2.1 million or \$0.28 per share compared to our projected EPS of \$0.21 in 2022.

Gross margins are projected to remain relatively stable at 23.3%.

SG&A expenses should increase to \$16.9 million from \$16.4 million to support sales growth. We project SG&A expense margins of 19.9% in 2023 compared to 20.5% in 2022.

We project no interest expense as the company should have no debt. Taxes are estimated at a rate of 26.5%.

Finances 2023

We project \$3.4 million cash provided by operations will be derived from cash earnings of \$4.3 million and a \$994,000 increase in working capital. Cash used in investing of \$400,000 should consist of capital expenditures. Cash should increase by \$3 million to \$7.7 million at December 31, 2023.

Risks

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

COVID-19 – The COVID-19 pandemic has impacted and may continue to impact DPSI's business operations, including its employees, customers, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time.

Supply chain issues – The company's 2021 results were impacted by supply chain issues which adversely affected product availability and resulted in supply-chain related hardware cost increases. While this has had an adverse impact on DPSI's short-term financial results, there can be no assurance that this will not adversely impact long-term financial results.

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

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

DPSI's competitors include CDW, Denali Advanced Integration, and other companies in the automatic identification and data capture (AIDC) industry.

Dependence on a small number of customers - A significant portion of DPSI's revenue is dependent upon a small number of customers. The company had two customers who represented 24% of its revenue for 2021. The loss of a significant customer could have a material adverse impact on the company.

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

Liquidity risk - Shares of DecisionPoint have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 6 million shares in the float and the average daily volume is approximately 2,000 shares.

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

DecisionPoint Systems, Inc.

Consolidated Balance Sheets
(in thousands \$)

	2019A	2020A	2021A	2022E	2023E
Cash	2,620	2,005	2,587	4,774	7,727
Accounts receivable	8,710	16,438	12,302	14,889	15,819
Inventory	3,825	884	2,111	2,559	2,717
Deferred costs	2,201	1,744	1,998	1,998	1,998
Prepaid expenses and other	268	67	336	336	336
Total current assets	17,624	21,138	19,334	24,556	28,598
Operating lease assets	516	583	329	329	329
Property and equipment, net	239	751	834	935	1,012
Deferred costs	1,258	2,097	1,492	1,492	1,492
Deferred tax assets	2,659	1,973	1,999	1,999	1,999
Intangible assets	2,394	4,663	3,564	3,564	3,564
Goodwill	6,990	8,128	8,128	8,128	8,128
Other assets	19	22	50	50	50
Total assets	31,699	39,355	35,730	41,053	45,172
Accounts payable	10,589	12,852	10,273	12,454	13,224
Accrued expenses and other	2,222	2,807	3,220	3,906	4,151
Deferred revenue	3,630	4,617	4,599	4,599	4,599
Line of credit	3,177	1,206	-	-	-
Current portion of debt	144	-	3	-	-
Due to related parties	124	34	-	-	-
Current portion of operating lease liabilities	140	261	257	257	257
Total current liabilities	20,026	21,777	18,352	21,217	22,231
Deferred revenue	1,979	3,140	2,510	2,510	2,510
Long-term debt	390	1,361	146	-	-
Operating lease liabilities	388	340	83	83	83
Other	-	873	381	381	381
Total liabilities	22,783	27,491	21,472	24,191	25,205
Total stockholders' equity (deficit)	8,916	11,864	14,258	16,862	19,967
Total liabilities & stockholders' equity	31,699	39,355	35,730	41,053	45,172

Source: Company filings, Taglich Brothers' estimates

DecisionPoint Systems, Inc.

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

	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Product sales	31,990	50,673	50,480	61,200	64,600
Service sales	<u>11,899</u>	<u>12,687</u>	<u>15,463</u>	<u>18,800</u>	<u>20,400</u>
Net sales	43,889	63,360	65,943	80,000	85,000
Cost of product sales	25,866	40,129	39,943	48,409	51,099
Cost of service sales	<u>7,267</u>	<u>8,413</u>	<u>10,696</u>	<u>13,010</u>	<u>14,117</u>
Cost of sales	<u>33,133</u>	<u>48,542</u>	<u>50,639</u>	<u>61,419</u>	<u>65,215</u>
Gross profit	10,756	14,818	15,304	18,581	19,785
Sales and marketing	4,907	5,587	7,354	8,000	8,250
General and administrative	<u>3,999</u>	<u>5,203</u>	<u>7,552</u>	<u>8,400</u>	<u>8,670</u>
Operating income (loss)	1,850	4,028	398	2,181	2,865
Other income	-	213	1,211	-	-
Interest expense	<u>(649)</u>	<u>(319)</u>	<u>(79)</u>	<u>-</u>	<u>-</u>
Income (loss) before taxes	1,201	3,922	1,530	2,181	2,865
Income taxes / (benefit)	<u>310</u>	<u>1,061</u>	<u>116</u>	<u>578</u>	<u>759</u>
Net income (loss)	<u>891</u>	<u>2,861</u>	<u>1,414</u>	<u>1,603</u>	<u>2,105</u>
EPS	<u>0.12</u>	<u>0.37</u>	<u>0.19</u>	<u>0.21</u>	<u>0.28</u>
Shares Outstanding	7,671	7,811	7,593	7,600	7,600
<u>Margin Analysis</u>					
Gross margin - product	19.1%	20.8%	20.9%	20.9%	20.9%
Gross margin - service	38.9%	33.7%	30.8%	30.8%	30.8%
Gross margin	24.5%	23.4%	23.2%	23.2%	23.3%
Sales and marketing	11.2%	8.8%	11.2%	10.0%	9.7%
General and administrative	9.1%	8.2%	11.5%	10.5%	10.2%
Operating margin	4.2%	6.4%	0.6%	2.7%	3.4%
Net margin	2.0%	4.5%	2.1%	2.0%	2.5%
Tax rate	25.8%	27.1%	7.6%	26.5%	26.5%
<u>Year / Year Growth</u>					
Total Revenues	24.8%	44.4%	4.1%	21.3%	6.3%
Net Income	(77.6)%	221.1%	(50.6)%	13.4%	31.3%
EPS	(83.4)%	215.3%	(49.2)%	13.3%	31.3%

Source: Company filings, Taglich Brothers' estimates

DecisionPoint Systems, Inc.

2021A - 2023E Quarterly Income Statements
(in thousands \$)

	<u>1Q21A</u>	<u>2Q21A</u>	<u>3Q21A</u>	<u>4Q21A</u>	<u>2021A</u>	<u>1Q22E</u>	<u>2Q22E</u>	<u>3Q22E</u>	<u>4Q22E</u>	<u>2022E</u>	<u>1Q23E</u>	<u>2Q23E</u>	<u>3Q23E</u>	<u>4Q23E</u>	<u>2023E</u>
Product sales	11,925	11,574	14,349	12,634	50,480	13,750	16,450	15,700	15,300	61,200	14,550	17,350	16,550	16,150	64,600
Service sales	4,147	3,595	3,870	3,849	15,463	4,250	5,050	4,800	4,700	18,800	4,600	5,500	5,200	5,100	20,400
Net sales	16,072	15,169	18,219	16,483	65,943	18,000	21,500	20,500	20,000	80,000	19,150	22,850	21,750	21,250	85,000
Cost of product sales	9,451	9,208	11,267	9,995	39,943	10,876	13,012	12,419	12,102	48,409	11,509	13,724	13,091	12,775	51,099
Cost of service sales	2,783	2,465	2,764	2,706	10,696	2,941	3,495	3,322	3,252	13,010	3,183	3,806	3,598	3,529	14,117
Cost of sales	12,234	11,673	14,031	12,701	50,639	13,817	16,507	15,740	15,355	61,419	14,692	17,530	16,689	16,304	65,215
Gross profit	3,838	3,496	4,188	3,782	15,304	4,183	4,993	4,760	4,645	18,581	4,458	5,320	5,061	4,946	19,785
Sales and marketing	1,889	1,910	1,812	1,743	7,354	1,800	2,150	2,050	2,000	8,000	1,860	2,220	2,110	2,060	8,250
General and administrative	1,620	1,474	1,498	2,960	7,552	1,890	2,260	2,150	2,100	8,400	1,950	2,330	2,220	2,170	8,670
Operating income (loss)	329	112	878	(921)	398	493	583	560	545	2,181	648	770	731	716	2,865
Other income	1,211	-	-	-	1,211	-	-	-	-	-	-	-	-	-	-
Interest expense	(29)	(21)	(17)	(12)	(79)	-	-	-	-	-	-	-	-	-	-
Income (loss) before taxes	1,511	91	861	(933)	1,530	493	583	560	545	2,181	648	770	731	716	2,865
Income taxes / (benefit)	178	(79)	249	(232)	116	131	155	148	145	578	172	204	194	190	759
Net income (loss)	1,333	170	612	(701)	1,414	362	429	411	401	1,603	476	566	537	526	2,105
EPS	0.17	0.02	0.08	(0.10)	0.19	0.05	0.06	0.05	0.05	0.21	0.06	0.07	0.07	0.07	0.28
Shares Outstanding	7,894	7,604	7,230	7,003	7,593	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600

Margin Analysis

Gross margin - product	20.7%	20.4%	21.5%	20.9%	20.9%	20.9%	20.9%	20.9%	20.9%	20.9%	20.9%	20.9%	20.9%	20.9%	20.9%
Gross margin - service	32.9%	31.4%	28.6%	29.7%	30.8%	30.8%	30.8%	30.8%	30.8%	30.8%	30.8%	30.8%	30.8%	30.8%	30.8%
Gross margin	23.9%	23.0%	23.0%	22.9%	23.2%	23.2%	23.2%	23.2%	23.2%	23.2%	23.3%	23.3%	23.3%	23.3%	23.3%
Sales and marketing	11.8%	12.6%	9.9%	10.6%	11.2%	10.0%	10.0%	10.0%	10.0%	10.0%	9.7%	9.7%	9.7%	9.7%	9.7%
General and administrative	10.1%	9.7%	8.2%	18.0%	11.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.2%	10.2%	10.2%	10.2%	10.2%
Operating margin	2.0%	0.7%	4.8%	(5.6)%	0.6%	2.7%	2.7%	2.7%	2.7%	2.7%	3.4%	3.4%	3.4%	3.4%	3.4%
Net margin	8.3%	1.1%	3.4%	(4.3)%	2.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Tax rate	11.8%	(86.8)%	28.9%	24.9%	7.6%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%

Year / Year Growth

Total Revenues	(12.1)%	(3.1)%	63.9%	(9.9)%	4.1%	12.0%	41.7%	12.5%	21.3%	21.3%	6.4%	6.3%	6.1%	6.3%	6.3%
Net Income	29.5%	(83.3)%	182.0%	(216.8)%	(50.6)%	(72.8)%	152.3%	(32.8)%	157.2%	13.4%	31.5%	32.0%	30.5%	31.3%	31.3%
EPS	28.3%	(82.8)%	205.1%	(230.3)%	(49.2)%	(71.8)%	152.4%	(36.1)%	152.7%	13.3%	31.5%	32.0%	30.5%	31.3%	31.3%

Source: Company filings, Taglich Brothers' estimates

Taglich Brothers, Inc.

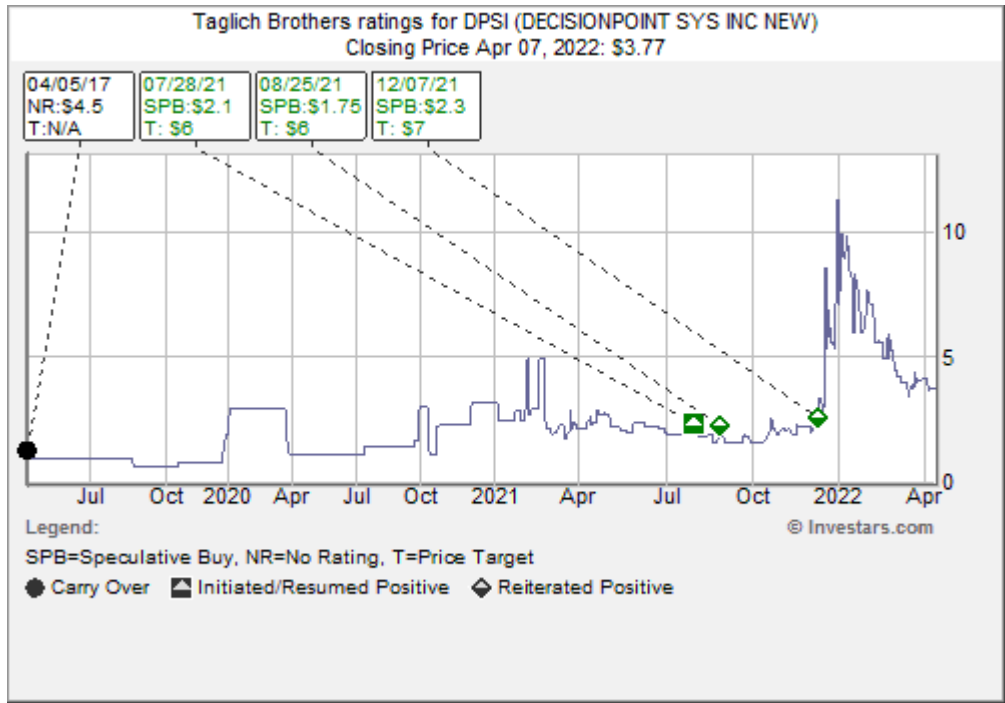
DecisionPoint Systems, Inc.

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

	2019A	2020A	2021A	2022E	2023E
Net income (loss)	891	2,861	1,414	1,603	2,105
Depreciation & amortization	809	891	1,387	1,388	1,218
Gain on extinguishment of debt	-	-	(1,211)	-	-
Amortization of deferred financing costs	304	157	24	24	24
Share-based compensation	324	87	1,003	1,000	1,000
Acquisition earn-out adjustment	(110)	-	(187)	-	-
Deferred taxes	265	686	(26)	-	-
Allowance for doubtful accounts	5	25	-	-	-
Cash earnings (loss)	2,488	4,707	2,404	4,015	4,347
<i>Changes in assets and liabilities</i>					
Accounts receivable	(503)	(5,853)	4,136	(2,587)	(931)
Inventory	(3,469)	2,945	(1,227)	(448)	(158)
Deferred costs	(746)	(382)	351	-	-
Prepaid expenses and other	(148)	254	(294)	-	-
Other assets	21	(8)	(28)	-	-
Accounts payable	4,047	585	(2,579)	2,181	770
Accrued expenses and other	275	294	277	(106)	(169)
Due to related parties	16	(90)	(34)	-	-
Operating lease liabilities	(163)	6	(7)	(320)	(506)
Deferred revenue	717	1,738	(648)	-	-
(Increase) decrease in working capital	47	(511)	(53)	(1,280)	(994)
Net cash provided by (used in) operations	2,535	4,196	2,352	2,736	3,354
Purchases of property and equipment	(175)	(93)	(371)	(400)	(400)
Cash paid for acquisitions	(500)	(3,409)	(170)	-	-
Net cash provided by (used in) investing	(675)	(3,502)	(541)	(400)	(400)
Repayment of term debt	(1,636)	(646)	-	(149)	-
Line of credit	(19)	(1,971)	(1,206)	-	-
Proceeds from issuance of term debt	-	1,361	-	-	-
Debt issuance costs	(36)	(53)	-	-	-
Taxes paid in lieu of shares issued	-	-	(25)	-	-
Proceeds from exercise of stock options	1	-	2	-	-
Net cash provided by (used in) Financing	(1,690)	(1,309)	(1,229)	(149)	-
Net change in cash	170	(615)	582	2,187	2,954
Cash - beginning of period	2,450	2,620	2,005	2,587	4,774
Cash - end of period	2,620	2,005	2,587	4,774	7,727

Source: Company filings, Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



60 % Buy | 40 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months			
Rating		#	%
Buy		5	25
Hold			
Sell			
Not Rated			

Important Disclosures

As of April 6, 2022, Michael Taglich, President of Taglich Brothers, Inc. and a Director of DecisionPoint Systems, Inc. owns or has a controlling interest in 1,596,990 shares of DPSI common stock and warrants to acquire 157,555 shares of common stock. Robert Taglich, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 746,376 shares of DPSI common stock, and warrants to acquire 157,555 shares of DPSI common stock. William Cooke, Vice President - Investment Banking of Taglich Brothers, Inc. and a Director of DecisionPoint Systems, Inc. owns or has a controlling interest in warrants to acquire 34,305 shares of DPSI common stock. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 6,915 shares of DPSI common stock and warrants to purchase 68,610 shares of common stock. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in warrants to purchase 16,250 shares of DPSI common stock. John Nobile, the research analyst of this report, owns or has a controlling interest in 1,214 shares of DPSI common stock and warrants to purchase 7,600 shares of DPSI common stock. Other employees at Taglich Brothers, Inc. also own or have controlling interests in warrants to purchase 92,976 shares of DPSI common stock. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In December 2012, and November 2013, Taglich Brothers Inc. served as the placement agent in private placements of convertible preferred stock for the company. In March 2016, Taglich Brothers Inc. served as the placement agent in a private placement of secured notes for the company. In June 2018, Taglich Brothers Inc. served as the placement agent in a private placement of common stock for the company. In October 2018, Taglich Brothers Inc. served as the placement agent in private placements of notes and common stock for the company.

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

General Disclosures

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

Analyst Certification

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

Public companies mentioned in this report:

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

Meaning of Ratings

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

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

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

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

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

Some notable Risks within the Microcap Market

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

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