TAGLICH BROTHERS

MEMBER: FINRA, SIPC | WWW.TAGLICHBROTHERS.COM

Research Report – Update

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

OMNIQ Corp.

Rating: Speculative Buy

Howard Halpern

OMQS $5.89 — (NASDAQ)

May 31, 2022

	2019 A	2020 A	2021 A	*2022 E*	*2023 E*
Total Revenue (in millions)	$57.2	$55.2	$78.3	***$102.0***	***$117.0***
Earnings (loss) per share	($1.37)	($2.62)	($2.21)	***($0.96)***	***$0.08***

52-Week range	$16.00 – $4.35	Fiscal year ends:	December
Shares outstanding a/o 04/29/22	7.6 million	Revenue/shares (ttm)	$12.50
Approximate float	5.6 million	Price/Sales (ttm)	0.5X
Market Capitalization	$44.8 million	Price/Sales (2023) E	0.4X
Tangible Book value/shr	($2.22)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2023) E	73.6X

OMNIQ Corp. headquartered in Salt Lake City, Utah is a global provider of computerized and machine vision image processing solutions that use patented and proprietary AI technology to deliver data collection, real-time surveillance and monitoring for supply chain management, homeland security, public safety, traffic and parking management, as well as access control applications for schools, airports, and national borders. The operations of Dangot provides frictionless automated order processing and digital payment processing products, integrated work stations healthcare, robotics for smart warehouses, point of sales and self-check ins.

Key Investment Considerations:

Maintaining our Speculative Buy rating but lowering our 12-month price target to $13.00 per share from $14.50 due primarily to a reduction in sector valuation.

The company has substantial growth potential for its artificial intelligence (AI) technology solutions since analyst's project 42% annualized growth for the global AI market, reaching $667 billion in 2027 from $39.9 billion in 2019.

In 2H21, OMQS acquired a 77% interest in Dangot Computers. The remaining 23% was acquired on April 1, 2022 for $3.1 million. OMQS aims to have a sustained sales effort of Dangot's offerings to its US customer base. Dangot provides AI based solutions enabling frictionless automated non-touch order and digital point of sales payment processing products for retail, fast food, and parking markets, as well as offering integrated work stations for physicians, drug delivery, and blood tests.

In 1Q22, OMQS reported (on 05-16-22) a loss per share of ($0.36) on 33.3% revenue growth to $26.3 million. We projected a loss per share of ($0.17) on revenue of $24.5 million. In 1Q21, OMQS' loss per share was ($0.72) on revenue of $19.8 million.

For 2022, we project a loss per share to common stockholders of ($0.96) on 30.4% revenue growth to $102 million. We previously forecasted a loss per share of ($0.26) on revenue of $100 million. Our forecast reflects 1Q22 results and slower than anticipated improvement in gross margin. We forecast gross margin of 24.6% (prior was 27.9%) as the shift to higher margin revenue offerings is slower than anticipated.

For 2023, we project EPS to common stockholders of $0.08 on 14.7% revenue growth to $117 million. We previously forecasted EPS of $0.26 on revenue of $115 million. Our forecast reflects gross margin improving to 28.5% (prior was 30.8%) from an estimated 24.6% in 2022 as higher margin revenue increases.

Please view our Disclosures on pages 14 – 16.

37 Main Street, Cold Spring Harbor, N.Y. 11724
(631) 757-1500

Appreciation Potential

Maintaining OMNIQ Corp. with Speculative Buy rating but lowering our 12-month price target to $13.00 per share from $14.50 due to a reduction in sector valuation. Our rating and price target reflect our 2023 projections of 14.7% revenue growth, a swing to an operating profit of $2.3 million (from an estimated loss of $4.8 million in 2022), and cash earnings of $5.1 million, all of which should be driven by the company's ability to grow its higher margin recurring revenue AI based technology offerings and leveraging of its 2021 acquisition of Dangot Computers.

Our 12-month price target of $13.00 per share implies shares could more than double over the next twelve months. According to finviz.com (as of 05/23/22), the average price-to-sales multiple for companies with similar market capitalizations in the software application/security/communications equipment sectors is 1.9X (prior was 2.1X), compared to OMQS' trailing price-to-sales multiple of 0.5X (unchanged). We anticipate the company should see its valuation multiples expand due primarily to sales growth of higher margin AI based technology solutions that could approach 30% of total sales in 2023 with the inclusion of the acquisition of Dagnot in 2H21. Investors are likely to accord OMNIQ Corp. a multiple approaching that of the sector. We applied a price-to-sales multiple of 1X (prior was 1.1X) to our 2023 sales per share forecast of $14.92, discounted for execution and integration risks, to obtain a year-ahead price target of approximately $13.00 per share.

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

Overview

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

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

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

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

In July 2021, OMNIQ acquired a 51% interest in Israeli based Dangot Computers with a one-year option to acquire the remaining 49%. On November 24, 2021, OMQS acquired an additional 26% of Dangot for approximately $4.1 million in cash. The remaining 23% was acquired on April 1, 2022 for approximately $3.1 million.

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

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

Offerings

The company has internally developed a core set of solutions that is configurable to meet the needs of its supply chain management and smart city (includes homeland security) customers. The warehouse software offering was developed to provide customers with increased efficiency in distribution and manufacturing environments by using portable devices that extend a customer's existing software management system to the warehouse floor and dock doors. All mobility offerings can utilize the company's proof of delivery application tool, as well as its online purchasing portal software application that streamlines and simplifies ordering by providing clients with their own unique private on-line store. To maximize the online application, the company developed media and label operations that enable data collection through the use of barcode labels. Data collection and utilization of the company's patented algorithms will be a foundational element driving its AI based technology solutions offerings.

QTSaaS is a complete mobile services offering of hardware, software, services, and wireless data in a bundled recurring revenue subscription model.

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

The company's overall process from data capture and tracking of devices to AI based machine vision technologies are powered by deep neural network algorithms.

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

The vision solutions developed include Q Shield, which provides near real-time alerts against hot lists and using intelligence that can distribute the information to the appropriate authorities such as faculty personnel at a campus facility or a law enforcement and/or a security officer based on recognition and verification of people and vehicles coming and going from a facility, border crossing, and airport checkpoint.

The company has a significant opportunity within the smart city market with the development and deployment of its vehicle identity recognition (VIR) technology application that enhances its already established license plate recognition system. This offering provides actionable vehicle knowledge and critical insights for safe city, law enforcement, access control, and homeland security markets. The image-processing system leverages the company's patented technology driven by logic algorithms that provides customers a sophisticated vehicle profile with accuracy and speed. VIR output can automatically trigger real-time decision-making tasks (such as generating instant alerts or transmitting vehicle entry authorization) that are reported for further human evaluation.

Growth Strategy

The company aims to capitalize on its internally developed computerized and machine vision image processing solutions. The solutions are built on the company's patented and proprietary artificial intelligence algorithms that provide customers a set of AI based offerings based on a combination of cognitive science and machine learning-based pattern recognition technologies that pass through a multi-layered decision-making process.

OMNIQ aims to leverage its established global customer base of over 250 clients in approximately 40 countries within at least 5,000 sites globally (1,000 in the US) in order to expand their capabilities and become an end-to-end AI based technology solutions provider. The company's customer base will expand as it integrates and leverages the offerings from the July 2021 acquisition of Dagnot Computers. In 2H21, Dagnot received a $2 million order for its intelligent healthcare carts from Israel's largest health maintenance organization and an initial order for 120 of Dangot's self-ordering kiosks at Aroma Espresso Bar locations in Israel with an additional 120 in 2022. In 2022, received an order for 1,000 units of Dagnot's smart buy and go solution for a supermarket chain in Israel.

OMNIQ aims to achieve growing customer acceptance for its offerings within certain target markets. The company anticipates it can grow its customer base within the supply chain automation/mobility market (sectors include warehouse and yard management) and the smart city market (sectors include parking automation, border and access control, homeland security, and safe city and schools).

Projections

Basis of Forecast

Supporting our forecast is the near-term organic growth the company is experiencing with new orders and purchase agreements exceeding $60 million, and the acquisition of Dagnot Computers in July 2021, which has generated an annualized run rate of approximately $102 million at March 31, 2022. In 2023, we anticipate revenue growth should continue as the company obtains new customers from cross selling along with US healthcare and retail market opportunities enabled by the Dagnot acquisition, as well as deployment of the company's Q-Shield's AI based law enforcement solution offered to municipalities which should grow to at least ten US cities from two deployed at the end of 1Q22. Q-Shield is a higher margin recurring revenue sharing offering.

In 2022, we anticipate an expansion of gross margin to 24.6% compared to 21.3% in 2021 with gross margin reaching 28.5% in 2023. Gross margin improvement should occur as the company's shift to selling higher margin AI-based predictive software solutions to new and existing customers should begin making a noticeable contribution in 1H23. We anticipate higher margin AI-based solutions that include the Dagnot offering could approach 30% of total sales in 2023.

At December 31, 2021, OMQS had federal net operating loss carryforwards of approximately $34 million.

Economy

In April 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3.6% for 2022 and 2023, down from its January 2022 projection calling for 4.6% growth in 2022 and 3.8% growth in 2023. The downward revisions primarily reflect the economic damage from the war in Ukraine resulting in elevated inflation and rising interest rates.

The IMF revised its economic growth estimate for the US to an increase of 3.7% for 2022 and 2.3% for 2023. In January 2022, the IMF projected US economic growth of 4% and 2.6% for 2022 and 2023, respectively.

Operations 2022

We project 30.4% revenue growth to $102 million (prior was $100) from $78.3 million in 2021 reflecting 1Q22 results. Overall year-over-year growth should be driven by the engagement of new supply chain management, healthcare facilities, and smart city and parking and access control management customers that use its AI-based technology solutions, as well as customer growth from the Dagnot Computers acquisition in 2H21.

We forecast gross profit increasing 50.6% to $25.1 million from $16.7 million in 2021 due to revenue growth and gross margin improving to 24.6% from 21.3% in 2021 reflecting a shift in the sales mix to higher margin offerings. We project operating losses narrowing to $4.8 million compared to $10.5 million in 2021 due to revenue growth, gross margin improvement, and operating margin expense improving to 29.3% from 34.7% in 2021. In 2021, operating expenses included more than $1 million in professional fees related to the acquisition of Dagnot.

We forecast operating expenses increasing 10.3% to $29.9 million compared to $27.1 million in 2021. The increase reflects SG&A expenses of $25.7 million compared to $21.9 million in 2021 to support sales growth including expanding Dagnot offerings in the US. We anticipate D&A expense decreasing to $2.1 million from $3.4 million in 2021. R&D expense should increase to nearly $2.1 million from $1.9 million to support the continued development of the company's AI-based technology solutions.

We project interest expense of $2 million compared to $2.5 million due primarily to the engagement of lower cost financing agreements compared to 2021. Other expense should approximate $264,000 compared to income of $7,000 in 2021.

We project a net loss to common stockholders of $7.3 million or ($0.96) per share. We previously forecasted a net loss to common stockholders of $2 million or ($0.26) per share. Our forecast reflects the company recording preferred dividends of $78,000 and minority interest (a reduction) of $67,000.

Finances – 2022

We project cash burn of $3 million and a $149,000 increase in working capital resulting in cash used in operations of $3.1 million. Borrowings is unlikely to cover cash used in operations and capital expenditures that include $3.1 million to acquire the remaining 23% in Dagnot. We estimate cash decreasing by $4.5 million to $2.6 million at December 31, 2022.

Operations – 2023

We project 14.7% revenue growth to $117 million (prior was $115 million) from an estimated $102 million in 2022 driven by customer growth from OMQS's core operations that includes the deployment of Q-Shield to at least 10 US cities, and new US customers using Dagnot's technology offerings.

We forecast gross profit increasing 33% to $33.4 million from an estimated $25.1 million in 2022 due to revenue growth and gross margin improvement to 28.5% from an estimated 24.6% in 2022 reflecting a shift in the sales mix to higher margin offerings with those offerings reaching at least 30% of total revenue. We project an operating profit of $2.3 million compared to an estimated operating loss of $4.8 million due to revenue growth, gross margin expansion, and operating margin expense improving to 26.6% from an estimated 29.3% in 2022.

We forecast operating expenses increasing 3.9% to $31.1 million compared to an estimated $29.9 million in 2022. The increase reflects SG&A expenses of $26.7 million compared to an estimated $25.7 million in 2022 to support sales growth including expanding Dagnot offerings in the US. R&D expense should increase to $2.4 million from $2.1 million to support the continued development of the company's AI-based technology solutions. We anticipate D&A expense of decreasing $80,000 to $1.7 million.

We project interest expense of $1.6 million compared to an estimated $2 million in 2022. The decrease reflects lower average debt balances, partly offset by the likelihood of higher interest rates.

We project net income to common stockholders of $665,000 or $0.08 per share. We previously projected net income to common stockholders of $2 million or $0.26 per share. Our forecast reflects the company not recording any preferred dividends or minority interest income compared to a recognition of both items in 2022.

Finances – 2023

We project cash earnings of $5.1 million and a $3.3 million increase in working capital resulting in cash from operations of $1.8 million. Cash from operations is unlikely to cover capital expenditures and payment of debt obligations. We estimate cash decreasing by $336,000 to $2.3 million at December 31, 2023.

Market Briefs

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

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

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

Target Sectors
In February 2021, Grand View Research issued a report stating that the global warehouse management systems market was approximately $2.6 billion in 2020 and is projected to grow 15.3% annually reaching over $8.2 billion in 2028. Other consulting firms estimate this market could reach between $5.1 billion and $5.5 billion by 2025. Demand for warehouse management systems should be driven by changing supply chain models.

In November 2021, marketsandmarkets.com published a report indicating that the global smart cities market could grow 13.8% annually reaching $873.4 billion in 2026 from an estimated $457 billion in 2021. Global research firm OMDIA projects the global safe city (part of the smart city market) sector reaching $35.8 billion in 2024, up from $21.6 billion in 2019.

In March 2022, researchandmarkets.com published a report indicating the global intelligent traffic management sector could reach $28 billion in 2030 for an annual growth rate of 13.1% from approximately $11 million in 2022.

In January 2022, researchandmarkets.com published a report indicating the global automated parking systems market could reach $3.5 billion in 2028 for an annual growth rate of 14.1% from an estimated $1.4 billion in 2021.

According to a report published by Industry ARC consultants the global self-service kiosk market is estimated to exceed $35.8 billion in 2026. The market is estimated to grow annually by 6.4% starting in 2021.

1Q22 Results

1Q22
The company reported revenue increased 33.3% to $26.3 million from $19.8 million in 1Q21. Revenue growth reflects the additional sales channel's provided by the acquisition of Dangot Computers in July 2021.

Gross profit increased 132.5% to $6.1 million from $2.6 million in the year-ago period. The increase reflects gross margin expansion to 23.3% from 13.1% last year due primarily to a sales mix shift and the elimination of discounts that were granted in 1Q21 due to COVID-19 pandemic conditions.

Operating expenses increased to $7.5 million from $5.5 million due primarily to higher SG&A, which increased 45.9% to $6.5 million due primarily to additional employees and operating activities from the acquisition of Dangot. R&D expense increased $29,000 to $523,000, while deprecation and intangible amortization expense decreased to $538,000 from $568,000 in 1Q21.

Loss from operations narrowed to $1.4 million from $2.9 million in the year-ago period due primarily to revenue growth and gross margin improvement, partly offset an increase in operating expenses. Operating margin expense improved to 28.6% from 27.8% in 1Q21.

Non-operating expense was $1.1 million compared to $479,000 in the year-ago period. Interest expense increased to $812,000 from $589,000 in 1Q21 due to a higher debt balance stemming from the company adding a new line of credit. Other expense was $264,000 compared to income of $110,000 last year.

The net loss attributable to common stockholders was $2.7 million or ($0.36) per share compared $3.4 million or ($0.72) per share. The current period included preferred dividends of $48,000 compared to $31,000 last year. Income attributable to non-controlling interest was $67,000 related to the majority interest in Dagnot acquired in July 2021. We forecasted a net loss attributable to common stockholders of $1.3 million or ($0.17) per share on revenue of $24.5 million.

Finances

In 1Q22, cash burn was $1.3 million with a $528,000 decrease in working capital resulting in cash used in operations of $775,000. Proceeds from borrowing did not cover cash used in operation, capital expenditures, and payment of non-controlling interests dividend. Cash decreased $163,000 to $6.9 million at March 31, 2022.

Capital Structure

At December 31, 2021 the company had total debt of $18.6 million consisting of a $7.5 million short-term note payable and $390,000 notes payable – related parties, as well as long-term notes payable to related parties of $195,000 and a $3.1 million long-term notes payable. The company had nearly $7.4 million outstanding on its credit facility (short-term).

The company had related party notes outstanding of $585,000 of which $390,000 is short-term and $195,000 is long-term. In March 2022, the company entered into a business finance agreement (accounts receivable facility) with Western Alliance Bank. This new agreement provides an outstanding principal amount of advances that will not exceed $8.5 million. As a result of entering into this agreement, the company paid off and terminated the factoring and security Agreement with Action Capital (supplier note). At March 31, 202, the outstanding balance was nearly $7.4 million at an interest rate of approximately 7% compared 12% interest on the prior facility.

On March 27, 2022, the company entered into another long-term loan from Leumi Bank totaling NIS 3.5 million, which at the time was approximately $1.1 million US dollars. The note accrues interest at 4.7% per annum and is payable in 8 installments of principal and interest over 4 years.

The company had other notes payable outstanding of $10.7 million of which $7.5 million is short-term and $3.1 million is long-term.

Competitive Landscape

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

OMQS' new offerings include entry into the machine vision market (products and services used to automate manufacturing and distribution processes in a variety of industries where the technology is widely recognized as an important component of automated production and quality assurance). The primary public competitor in this market in Cognex Corp.

Risks

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

Operating Losses
At March 31, 2022, OMQS' accumulated deficit was $73.3 million, up from $39.8 million in 2018. OMNIQ Corp. has yet to turn an operating profit. In 2021 the operating loss was $10.5 million compared to an operating loss of $9 million in 2019. We anticipate operating losses should narrow in 2022 with a swing to an operating profit in 2023. If operating losses do not narrow or swing to a profit as we anticipate in 2023, it could result in the company's inability to execute its growth strategy and diminish its operations.

Dilution
We anticipate the company's share count to increase due primarily to the exercise of in-the-money common stock warrants and options. In July 2021, OMQS closed a private placement of 2.1 million shares of common stock for net proceeds of approximately $13.3 million. If the company were to raise additional capital it would likely be dilutive to existing shareholders.

Accounts Payable Relationship
At March 31, 2022, the company had approximately $33 million in total accounts payable with Blue Star, an unsecured creditor that finances a substantial amount OMQS' supply chain demand with preferable credit terms. Blue Star has agreed to reduce the annual interest rate on invoices that are past due to 5%. The company anticipates, Blue Star should continue to extend the preferable payments terms in the foreseeable future. While as an unsecured creditor, Blue Star has no incentive to force a liquidation. If Blue Star were to force payment, it would significantly curtail the company's operations.

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

Intellectual Property
The company holds nine patents and has developed numerus algorithms to protect its intellectual property rights. These protections may not be adequate to prevent competitors from reverse-engineering its algorithms. Policing unauthorized use of the company's patents may be difficult and litigation could become necessary in the future to enforce its intellectual property rights. Any litigation could be time consuming and could result in substantial diversion of management's attention and resources that could diminish operations and finances.

Cyber Security
Security breaches could expose the company to a risk of loss of its customers' information, litigation and possible liability.

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

Legal Proceedings
The company was named as a defendant in a case involving a former employee who claims he is owed approximately $60,000 in unpaid commissions. OMQS believes that the former employees' claim has no apparent factual basis.

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

Integration of Acquisitions

The company has acquired multiple businesses since its inception. Future acquisitions could involve substantial investment of funds or financings, as well as resulting in related expenses and also the potential to either dilute 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.

Internal Controls

At March 31, 2022, the company identified material weaknesses in its controls related to segregation of duties and other immaterial weaknesses in several areas of data management and documentation. At the end of 2021, the OMQS engaged a professional consulting firm to help with implementing an internal process in accordance with section 404a of the Sarbanes-Oxley Act 2000. The company is in the documentation phase of the process. OMQS is likely to need to hire additional staff in order to alleviate its internal control weaknesses.

Shareholder Control

Officers and directors collectively own approximately 16.1% of the company's outstanding voting stock and additionally one shareholder owns approximately 9.3% of the company's outstanding voting stock as of December 31, 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 increased to 39,000 in from approximately 4,700 in 2020. Average daily volume decreased over the last three months (ending May 27, 2022) to 17,000. OMQS has a float of approximately 5.6 million shares and outstanding shares of 7.6 million.

OMNIQ Corp.
Consolidated Balance Sheets
FY2019 – FY2023E
(in thousands)

	FY19A	FY20A	FY21A	1Q22A	**FY22E**	**FY23E**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,615	$ 4,594	$ 7,085	$ 6,922	**$ 2,632**	**$ 2,296**
Accounts receivable, net	6,694	9,661	27,123	29,789	**28,339**	**29,250**
Inventory	1,889	1,507	6,955	7,517	**7,692**	**7,779**
Prepaid expenses	362	670	1,987	1,443	**1,428**	**1,755**
Other crrent assets	65	10	9	10	**10**	**10**
Total current assets	10,625	16,442	43,159	45,681	**40,102**	**41,090**
Property and equipment, net	463	289	1,127	1,009	**1,050**	**1,075**
Goodwill	13,921	14,695	16,453	16,453	**16,453**	**16,453**
Trade name, net	1,458	1,028	2,421	2,272	**1,825**	**1,640**
Customer relationships, net	6,012	4,479	6,069	5,793	**5,000**	**4,200**
Other intangibles, net	1,138	1,042	865	818	**800**	**680**
Cash, restricted	533	533	-	-	**-**	**-**
ROU asset	131	76	3,556	3,278	**2,577**	**2,017**
Other assets	172	74	1,431	1,630	**1,630**	**971**
Total assets	$ 34,453	$ 38,658	$ 75,081	$ 76,934	**$ 69,437**	**$ 68,126**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities	18,694	26,811	45,553	48,348	**47,006**	**44,133**
Line of credit	1,365	4,914	5,951	7,353	**8,000**	**8,500**
Accrued payroll and sales tax	1,556	1,717	2,658	3,365	**4,000**	**4,250**
Notes payable, related parties	1,025	433	390	390	**293**	**-**
Notes payable	6,497	6,449	7,521	7,547	**3,403**	**1,603**
Lease liability	54	31	1,341	1,304	**1,304**	**1,104**
Other current liabilities	1,599	1,412	2,683	2,681	**2,681**	**2,681**
Total current liabilities	30,790	41,767	66,097	70,988	**66,687**	**62,271**
Notes payable, related party	1,172	683	293	195	**-**	**-**
Accrued interest and accrued liabilities, related party	76	56	63	68	**60**	**-**
Notes payable	143	1	2,646	3,128	**3,128**	**3,128**
Lease liability	80	48	2,266	2,024	**2,024**	**2,024**
Other long term liabilities	384	1,146	1,418	73	**73**	**73**
Stockholders' equity:						
Series C Preferred Stock; $0.001 par value 4,828,530 shares Designated	5	2	1	1	**1**	**1**
Common stock,$0.001 par value; authorized 200,000 shares;	4	5	20	20	**20**	**20**
Additional Paid-in capital	46,861	51,842	70,606	71,413	72,771	75,271
Retained earnings (deficit)	(45,063)	(56,726)	(70,571)	(73,255)	**(77,770)**	**(77,105)**
Accumulated other comprehensive income (loss)	1	(166)	(154)	(164)	**2,443**	**2,443**
Total OmniQ stockholders' equity	1,808	(5,043)	(98)	(1,985)	**(2,535)**	**630**
Non-controling interest	-	-	2,396	2,443	**-**	**-**
Total Equity (deficit)			2,298	458	**(2,535)**	**630**
Total liabilities and stockholders' equity	$ 34,453	$ 38,658	$ 75,081	$ 76,934	**$ 69,437**	**$ 68,126**
Common Shares Outstanding	3,960	4,685	7,460	7,560	**7,575**	**7,600**
Series C outstanding - Preferred	4,829	2,145	545	545	**545**	**-**

Source: Company reports and Taglich Brothers estimates

OMNIQ Corp.
Annual Income Statement
FY2019 – FY2023E
(in thousands)

	FY19 A	FY20 A	FY21 A	**FY22 E**	**FY23 E**
Revenues	$ 57,199	$ 55,209	$ 78,251	**$ 102,022**	**$ 117,000**
Cost of sales	43,165	44,293	61,582	**76,919**	**83,620**
Gross Profit	14,034	10,916	16,669	**25,103**	**33,380**
Operating Expenses:					
Research and development	1,063	1,805	1,873	**2,098**	**2,400**
SG&A	13,682	15,802	21,865	**25,701**	**26,675**
Depreciation	151	178	251	**363**	**340**
Intangible amortization	2,002	2,114	3,160	**1,780**	**1,700**
Total Operating Expenses	16,898	19,899	27,149	**29,942**	**31,115**
Operating Income (loss)	(2,864)	(8,983)	(10,480)	**(4,839)**	**2,265**
Interest expense, net	(2,555)	(2,628)	(2,515)	**(2,012)**	**(1,600)**
Other income (expense)	(23)	112	7	**(264)**	**-**
Total Other Income (expense)	(2,578)	(2,516)	(2,508)	**(2,276)**	**(1,600)**
Pre-Tax Income (loss)	(5,442)	(11,499)	(12,988)	**(7,115)**	**665**
Income Tax Expense (benefit)	14	5	156	**84**	**-**
Net income (loss)	(5,456)	(11,504)	(13,144)	**(7,199)**	**665**
Minority interest (income) loss	-	-	218	**67**	**-**
Preferred stock dividend	(146)	(191)	(77)	**(78)**	**-**
Net income (loss) to common stockholders	$ (5,310)	$ (11,313)	$ (13,439)	**$ (7,344)**	**$ 665**
EPS (Loss) per share to common stockholders	$ (1.37)	$ (2.62)	$ (2.21)	**$ (0.96)**	**$ 0.08**
Avg Shares Outstanding	3,889	4,322	6,083	**7,622**	**7,844**
Adjusted EBITDA	$ 1,177	$ (3,061)	$ (3,231)	**$ (926)**	**$ 5,905**
Margin Analysis					
Gross margin	24.5%	19.8%	21.3%	**24.6%**	**28.5%**
Research and development	1.9%	3.3%	2.4%	**2.1%**	**2.1%**
Selling, general, and administrative	23.9%	28.6%	27.9%	**25.2%**	**22.8%**
Operating margin	(5.0%)	(16.3%)	(13.4%)	**(4.7%)**	**1.9%**
Pre-tax margin	(9.5%)	(20.8%)	(16.6%)	**(7.0%)**	**0.6%**
YEAR / YEAR GROWTH					
Total Revenues	1.8%	(3.5%)	41.7%	**30.4%**	**14.7%**

Source: Company reports and Taglich Brothers estimates

OMNIQ Corp.
Income Statement Model
Quarters FY2021 – 2023E
(in thousands)

	Q1 21 A	Q2 21 A	Q3 21 A	Q4 21 A	FY21 A	Q1 22 A	Q2 22 E	Q3 22 E	Q4 22 E	FY22 E	Q1 23 E	Q2 23 E	Q3 23 E	Q4 23 E	FY23 E
Revenues	$ 19,751	$ 13,119	$ 20,513	$ 24,868	$ 78,251	$ 26,322	$ 25,000	$ 25,100	$ 25,600	$ 102,022	$ 29,000	$ 28,000	$ 29,000	$ 31,000	$ 117,000
Cost of sales	17,115	9,820	15,842	18,805	61,582	20,194	19,050	18,825	18,850	76,919	21,170	20,160	20,590	21,700	83,620
Gross Profit	2,636	3,299	4,671	6,063	16,669	6,128	5,950	6,275	6,750	25,103	7,830	7,840	8,410	9,300	33,380
Operating Expenses:															
Research and development	494	468	474	437	1,873	523	525	525	525	2,098	600	600	600	600	2,400
SG&A	4,438	4,109	6,801	6,517	21,865	6,476	6,375	6,400	6,450	25,701	6,500	6,575	6,600	7,000	26,675
Depreciation	43	42	82	84	251	93	90	90	90	363	85	85	85	85	340
Intangible amortization	525	522	1,528	585	3,160	445	445	445	445	1,780	425	425	425	425	1,700
Total Operating Expenses	5,500	5,141	8,885	7,623	27,149	7,537	7,435	7,460	7,510	29,942	7,610	7,685	7,710	8,110	31,115
Operating Income (loss)	(2,864)	(1,842)	(4,214)	(1,560)	(10,480)	(1,409)	(1,485)	(1,185)	(760)	(4,839)	220	155	700	1,190	2,265
Interest expense, net	(589)	(714)	(587)	(625)	(2,515)	(812)	(400)	(400)	(400)	(2,012)	(400)	(400)	(400)	(400)	(1,600)
Other income (expense)	110	49	(159)	7	7	(264)	-	-	-	(264)	-	-	-	-	-
Total Other Income (expense)	(479)	(665)	(746)	(618)	(2,508)	(1,076)	(400)	(400)	(400)	(2,276)	(400)	(400)	(400)	(400)	(1,600)
Pre-Tax Income (loss)	(3,343)	(2,507)	(4,960)	(2,178)	(12,988)	(2,485)	(1,885)	(1,585)	(1,160)	(7,115)	(180)	(245)	300	790	665
Income Tax Expense (benefit)	-	3	116	37	156	84	-	-	-	84	-	-	-	-	-
Net income (loss)	(3,343)	(2,510)	(5,076)	(2,215)	(13,144)	(2,569)	(1,885)	(1,585)	(1,160)	(7,199)	(180)	(245)	300	790	665
Minority interest (income) loss	-	-	166	52	218	67	-	-	-	67	-	-	-	-	-
Preferred stock dividend	(31)	(25)	(12)	(9)	(77)	(48)	(10)	(10)	(10)	(78)	-	-	-	-	-
Net income (loss) to common stockholders	$ (3,374)	$ (2,535)	$ (5,254)	$ (2,276)	$ (13,439)	$ (2,684)	$ (1,895)	$ (1,595)	$ (1,170)	$ (7,344)	$ (180)	$ (245)	$ 300	$ 790	$ 665
EPS (Loss) per share to common stockholders	$ (0.72)	$ (0.51)	$ (0.73)	$ (0.30)	$ (2.21)	$ (0.36)	$ (0.25)	$ (0.21)	$ (0.15)	$ (0.96)	$ (0.02)	$ (0.03)	$ 0.04	$ 0.10	$ 0.08
Avg Shares Outstanding	4,701	4,930	7,225	7,475	6,083	7,511	7,585	7,610	7,780	7,622	7,800	7,825	7,850	7,900	7,844
Adjusted EBITDA	$ (1,322)	$ (289)	$ (1,704)	$ 84	$ (3,231)	$ (646)	$ (435)	$ (135)	$ 290	$ (926)	$ 1,130	$ 1,065	$ 1,610	$ 2,100	$ 5,905
Margin Analysis															
Gross margin	13.3%	25.1%	22.8%	24.4%	21.3%	23.3%	23.8%	25.0%	26.4%	24.6%	27.0%	28.0%	29.0%	30.0%	28.5%
Research and development	2.5%	3.6%	2.3%	1.8%	2.4%	2.0%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	1.9%	2.1%
Selling, general, and administrative	22.5%	31.3%	33.2%	26.2%	27.9%	24.6%	25.5%	25.5%	25.2%	25.2%	22.4%	23.5%	22.8%	22.6%	22.8%
Operating margin	(14.5%)	(14.0%)	(20.5%)	(6.3%)	(13.4%)	(5.4%)	(5.9%)	(4.7%)	(3.0%)	(4.7%)	0.8%	0.6%	2.4%	3.8%	1.9%
Pre-tax margin	(16.9%)	(19.1%)	(24.2%)	(8.8%)	(16.6%)	(9.4%)	(7.5%)	(6.3%)	(4.5%)	(7.0%)	(0.6%)	(0.9%)	1.0%	2.5%	0.6%
YEAR / YEAR GROWTH															
Total Revenues	43.1%	3.5%	29.6%	92.8%	41.7%	33.3%	90.6%	22.4%	2.9%	30.4%	10.2%	12.0%	15.5%	21.1%	14.7%

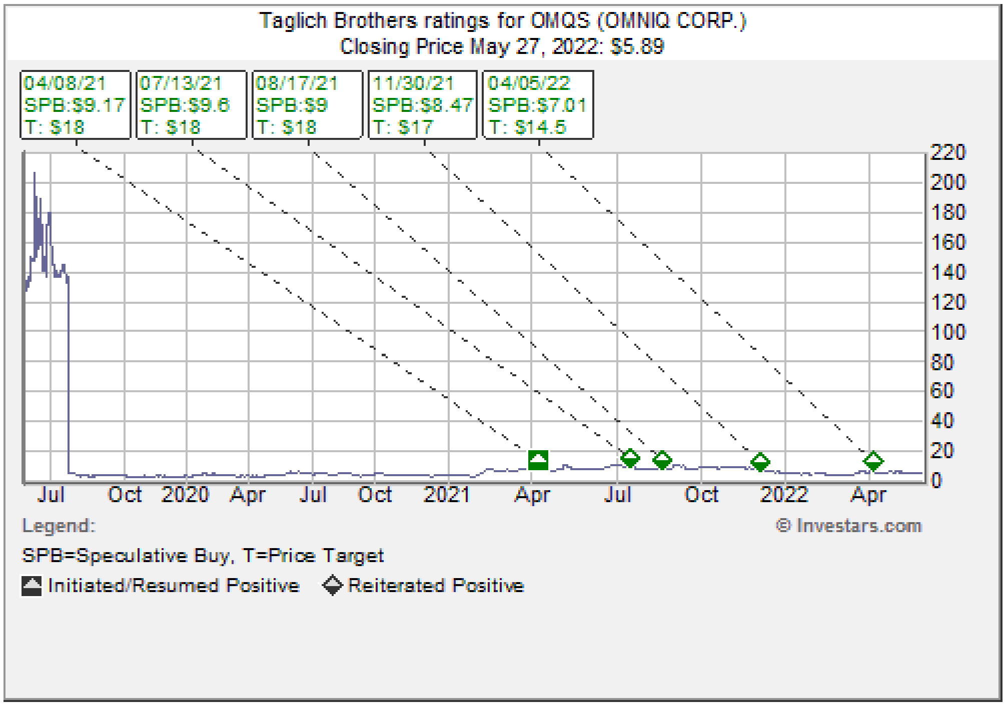
Source: Company reports and Taglich Brothers estimates

OMNIQ Corp.
Cash Flow Statement
FY2019 – FY2023E
(in thousands)

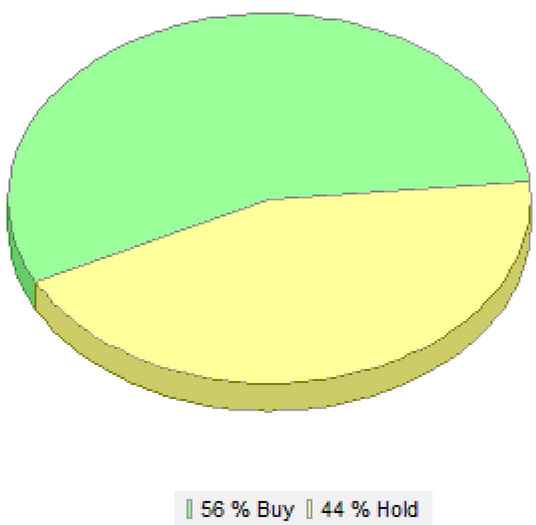
	FY2019A	FY2020A	FY2021A	1Q22A	**FY2022E**	**FY2023E**
Cash Flows from Operating Activities						
Net Income (loss)	$ (5,456)	$ (11,504)	$ (13,144)	$ (2,569)	**$ (7,199)**	**$ 665**
Loss on disposal of property and equipment	-	-	-	46	**46**	**-**
Early extinguishment of debt	-	(948)	-	-	**-**	**-**
Stock-based compensation	1,267	2,012	2,552	460	**2,000**	**2,400**
Stock and warrants issued for services	-	1,640	188	-	**-**	**-**
Depreciation and amortization	2,154	2,292	3,411	538	**2,152**	**2,040**
Amortization of ROU asset	93	55	199	222	**222**	**-**
Cash earnings (burn)	(1,942)	(6,453)	(6,794)	(1,303)	**(2,779)**	**5,105**
Changes In:						
Accounts receivable	5,568	(2,953)	(3,291)	(2,641)	**(1,216)**	**(911)**
Prepaid expenses	(271)	(313)	(295)	506	**559**	**(327)**
Inventory	(178)	381	(538)	(678)	**(737)**	**(87)**
Deferred tax assets, net	-	-	58	(65)	**-**	**-**
Other assets	(11)	84	(117)	(167)	**(199)**	**659**
Accounts payable and accrued liabilities	2,011	8,062	8,352	3,017	**1,453**	**(2,873)**
Accrued payroll and sales taxes payable	(617)	161	(180)	737	**1,342**	**250**
Accrued interest and accrued liabilities, related party	43	(20)	7	5	**(3)**	**(60)**
Lease liability	(89)	(55)	(192)	(220)	**-**	**-**
Other liabilities	(259)	686	(185)	34	**(1,347)**	**-**
(Increase)/decrease in Working Capital	6,197	6,033	3,619	528	**(149)**	**(3,348)**
Net cash (used) provided by operations	4,255	(420)	(3,175)	(775)	**(2,928)**	**1,757**
Cash Flows from Investing Activities						
Restricted cash	-	-	-	-	**-**	**-**
Purchase of property and equipment	(134)	(4)	(299)	(41)	**(400)**	**(400)**
Payments for acquisition, net of cash acquired	-	-	(4,992)	-	**-**	**-**
Payment for additonal ownership in subsidiary	-	-	(4,012)	-	**(3,100)**	
Cash from sale of assets	-	-	-	-	**-**	**-**
Other assets	(117)	98	68	(23)	**(46)**	**-**
Cash Flows from Investing Activities	(251)	94	(9,235)	(64)	**(3,546)**	**(400)**
Cash Flows from Financing Activities						
Proceeds from ESPP stock issuance	1	1	16	8	**8**	**-**
Proceeds from sale of common stock, net	3,770	-	13,297	-	**-**	**-**
Proceeds from the exercise of stock options and warrants	-	-	438	41	**81**	**100**
Proceeds (payments) on notes/loans payable	(3,369)	(1,023)	(4,612)	566	**(3,231)**	**(1,793)**
Proceeds from the issuance of notes/loans payable	-	898	4,603	-	**-**	**-**
Proceeds from (payments on) line of credit - Action Capital	(3,169)	3,549	1,037	1,699	**(1,699)**	**-**
Proceeds from (payments on) line of credit - Western Alliance Bank	-	-	-	-	**8,500**	**-**
Dividends paid to non-controlling interests	-	-	(306)	(1,346)	**(1,346)**	**-**
Net cash provided by (used in) Financing	(2,767)	3,425	14,473	968	**2,313**	**(1,693)**
Foreign currency translation adjustment	-	(120)	(105)	(292)	**(292)**	**-**
Net change in Cash	1,237	2,979	1,958	(163)	**(4,453)**	**(336)**
Cash Beginning of Period, including restricted cash	378	1,615	5,127	7,085	**7,085**	**2,632**
Cash End of Period, including restricted cash	$ 1,615	$ 5,127	$ 7,085	$ 6,922	**$ 2,632**	**$ 2,296**

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	25
Hold		
Sell		
Not Rated		

Important Disclosures

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

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

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, Axos Clearing, 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:

Cognex Corporation	(NASDAQ: CGNX)

Meaning of Ratings

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

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

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

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

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

Some notable Risks within the Microcap Market

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

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