

Research Note

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

Bridgeline Digital, Inc.

Speculative Buy

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February 24, 2025

BLIN \$1.57 — (NASDAQ)

	2023 A	2024 A	2025 E	2026 E
Total Revenue (in millions)	\$15.9	\$15.4	\$15.7	\$17.0
Earnings (loss) per share	(\$0.19)*	(\$0.19)	(\$0.17)	(\$0.12)
52-Week range	\$2.80 – \$0.76		Fiscal year ends:	September
Shares outstanding a/o 2/13/25	10.4 million		Revenue/shares (ttm)	\$1.48
Approximate float	8.3 million		Price/Sales (ttm)	1.1X
Market Capitalization	\$16.3 million		Price/Sales (2026) E	1.0X
Tangible Book value/shr	(\$0.25)		Price/Earnings (ttm)	NMF
Price/Book	NMF		Price/Earnings (2026) E	NMF

* Excludes an ~ (\$0.72) goodwill impairment charge

Bridgeline Digital, Inc., headquartered in Woburn, Massachusetts is a marketing technology company that offers a suite of software products that help companies grow online revenue by driving more traffic to their websites, converting more visitors to purchasers, and increasing average order value.

Key Investment Considerations:

Maintaining Speculative Buy rating and increasing our 12-month price target to \$3.50 per share from \$3.00 per share due to increases in sector valuation and our FY26 sales per share forecast.

Bridgeline Digital has growth potential for its digital engagement and artificial intelligence (AI) offerings through its sales and marketing strategy that enables a streamlined and nearly virtual sales process via an AI dashboard. Business Research Insights published a report projecting the global marketing technology industry should grow 8.5% annually to nearly \$761 billion by 2032, up from an estimated \$406.7 billion in 2024.

BLIN's growth strategy is developing partnership relationships with companies such as BigCommerce, Salesforce, and Optimizely, and launching new AI agents such as smart search, smart response, and unified search, as well as image, visual, conversation, and PDF's.

In 1Q25, Bridgeline announced it sold 28 new subscription contracts for \$2.7 million in total contract value that adds \$800,000 in annual recurring revenue.

BLIN reported (on 2-13-21) a 1Q25 loss per share of (\$0.06) on revenue of \$3.8 million compared to (\$0.06) per share on revenue of \$3.8 million in 1Q24. We projected a loss per share of (\$0.05) on revenue of \$3.8 million.

For FY25, we project a loss per share of (\$0.17) on revenue growth of 2.2% to \$15.7 million. We previously forecast a loss per share of (\$0.15) and revenues of \$15.6 million. Our revenue and loss per share forecasts reflect 1Q25 results and increased spending on sales and marketing initiatives. We also anticipate a slower pace of spending on research and development.

For FY26, we project a loss per share of (\$0.12) on revenue growth of 8.3% to \$17 million. We previously forecast a loss per share of (\$0.11) and revenues of \$16.8 million. Our forecast anticipates 9.8% growth in subscription (SaaS) and perpetual license revenue to \$13.7 million from an estimated \$12.4 million driven by increased sales and marketing spending HawkSearch and its AI search agent modules offerings.

Please view our disclosures on pages 12 – 14.

Appreciation Potential

Maintaining Speculative Buy rating and increasing our 12-month price target to \$3.50 per share from \$3.00 per share due to increases in sector valuation and our FY26 sales per share forecast.

Our rating reflects BLIN's long-term growth strategy of developing partnership relationships with companies such as BigCommerce, Salesforce, and Optimizely, and new AI agents such as smart search, smart response, smart agent and unified search, as well as image, visual, conversation, and PDF's. The company's merchandising AI agent(s) are unique in that it works directly with a customers' marketing team to continuously tune their site search's results. Also, supporting the company's growth objective was the 2024 publication by Gartner's of its first Search & Product Discover Magic Quadrant report, which recognized the company's HawkSearch offering as a top rated business-to-business search vendor. Being included in the Gartner report should provide this offering enhanced visibility, lead generation, and win ratio.

Our 12-month price target of \$3.50 per share implies shares could more than double over the next twelve months. According to finviz.com, the average trailing twelve month price-to-sales multiple for companies with similar to higher market capitalizations in the Software Application and Infrastructure sectors is 4.5X (prior was 3.7X), compared to BLIN's trailing twelve month price-to-sales multiple of 1.1X (prior was 1.2X). We anticipate investors are likely to accord Bridgeline Digital, Inc. a multiple approaching that of the sector. We applied a price-to-sales multiple of 2.9X (prior was 2.2X) to our FY26 sales per share forecast of \$1.63 (prior was \$1.61), discounted for execution risk, to obtain a year-ahead price target of approximately \$3.50 per share.

BLIN's valuation improvement is contingent upon consistent quarterly recurring-SaaS/perpetual software revenue growth, expense leverage, narrowing of cash burn, and increased sales and marketing spending to drive growth. We forecast the company generating recurring-SaaS/perpetual software revenue growth of 9.8% in FY26, up from an anticipated increase of 2.6% in FY25. In FY24, SaaS/perpetual software revenue decreased 4.8%. We project cash burn of \$100,000 in FY26 compared to an estimated cash burn of \$388,000 in FY25. Cash burn was \$432,000 in FY24. In FY26, we anticipate that the \$688,000 increase in sales and marketing spending to \$5 million should fuel an incremental increase in SaaS/perpetual software revenue of at least \$1.2 million in FY26.

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

Overview

Bridgeline Digital, Inc., headquartered in Woburn, Massachusetts is a marketing technology company that offers a suite of products that enables its customers to grow online revenue by driving more traffic to their Websites, converting more visitors to purchasers, and increasing average order value.

The company's primarily suite of products are HawkSearch, Smart Search AI technology agents, and Woorank, which it has incorporated into the HawkSearch offering. HawkSearch is an artificial intelligence powered site search, recommendation, and personalization application, built for marketers, merchandisers, and developers to enhance, normalize, and enrich an online customer's content search and product discovery experience. In 2024, the HawkSearch expanded with the unveiling of Multi-Site Management (MSM) capabilities. The MSM offering enables organizations to centrally manage multiple Websites, while providing local sites the flexibility to tailor content for their markets. This is the only product discovery platform with this capability, and MSM should provide BLIN with competitive advantages with franchises, chains, and with brand networks.

Woorank is a Search Engine Optimization (SEO) audit tool that generates an instant performance audit of the site's technical, on-page, and off-page. Customers are provided with clear, actionable insights to help increase their search engine ranking, while boosting Website traffic, audience engagement, conversion, and customer retention rates.

The company's portfolio of offerings also includes Web Content Management, eCommerce, Digital Marketing, and Web Analytics, such as Celebros Search, which is a commerce-oriented site search product that provides Natural Language Processing with artificial intelligence to present relevant search results based on long-tail keyword searches with support for multiple languages.

HawkSearch Developments

In 2024, the company solidified its growth platform of offerings through the development of HawkSearch and AI technology offerings, which brought in 83 new licenses worth more than \$6.2 million in total contract value and in 1Q25 more than 25 new licenses were signed that should produce approximately \$800,000 in annual contract value.

HawkSearch is gaining customer acceptance due in part to its unique AI capabilities, including its Smart Search, Smart Agent, and Smart Response features, which lead to the deployment of large language models and Generative AI technology. In 2025, HawkSearch should continue to expand its product line with agentic (the technology that powers AI agents so they can act autonomously without human oversight) AI innovations, designed to drive even higher online revenue for new and established customers.

Overall, Bridgeline has enhanced the HawkSearch AI offerings by leveraging Large Language Models (LLMs), Retrieval Augmented Generation, Generative AI, and Agentic AI that are tailored to business needs. The offerings include Smart Search, Smart Response, and Smart Tools, which provide intuitive functionalities for enhanced user experiences that increase relevancy and conversion. Additional AI offerings include Smart Agent - An agentic AI interface for refining AI-driven configurations, Conversational Search - natural language search with two-way dialog for product discovery, Smart Filters for Concept Search where AI provides contextually accurate search results, Smart Response for PDFs - tools for extracting, comprehending, and summarizing PDF content, as well as Unified Search – this is HawkSearch's Agentic-AI, and its collaboration with Salesforce.com's AgentForce initiative that emphasizes advanced automation and seamless integration with intelligent agents.

Projections

Basis of Forecast

We anticipate BLIN's primary growth driver is the stream of recurring revenue from its HawkSearch technology offering that includes enhanced rapid user interface technology and AI smart search agent offerings that should provide increased revenue for its customers, reduce their implementation costs, and can complete the customer's online product catalogue. In FY24, the company sold approximately 83 licenses worth more than \$6.2 million in total contract value. Adding to this total was the sale of 28 new subscription contracts for \$2.7 million in total contract or more than \$800,000 in annual recurring revenue in 1Q25.

In FY25, the company's revenue mix is beginning to trend to its core product lines, which includes new AI search agent offerings that includes smart agentic-AI agent interface for refining configurations.. The company anticipates launching at least one new customer every week, which means that more references and recognition as a leader within the site search sector. That leadership position for the company's HawkSearch offering was recognized in Gartner's May 2024 publication of its first Magic Quadrant report for the Search & Product Discover sector.

Entering FY25, the company powered over 1,000 websites ranging from B2C enterprises like hewlettpackard.com that has more than \$1 million per hour in sales online to top B2B distributors like Consolidated Electric Distributors that have more than 750 websites and brands like Black Diamond and Oriental Trading Company are also powered by HawkSearch.

We anticipate revenue growth should occur through the development of partnership relationships with companies such as BigCommerce, Salesforce, Optimizely, Xngage Collaboration, and Moblico Partnership. Once a customer engages with an offering from Bridgeline, additional sales momentum should occur through the company's nearly virtual sales process via an AI dashboard.

The company should have momentum within the marketing technology (called Martech) industry, which is where there is a deployment of a broad range of tools, programs, and services that use technology to further marketing objectives. Business Research Insights published a report projecting the global marketing technology industry should grow 8.5% annually to nearly \$761 billion by 2032, up from an estimated \$406.7 billion in 2024.

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, 2024, BLIN had federal and state net operating loss carryforwards of approximately \$37.3 million and \$45.4 million, respectively.

Operations – FY25

We project 2.2% total revenue growth to \$15.7 million (prior was \$15.6 million) from \$15.4 million in FY24 due primarily to 2.6% growth in recurring subscription (SaaS) and perpetual licenses revenue to \$12.4 million, up from \$12.1 million in FY24. We anticipate virtually flat digital engagement services revenue of \$3.2 million. Our forecast reflects anticipated customer growth for the company's HawkSearch product offering along with the artificial intelligence modules to its already established customer base and new customers from obtained from agency and partner relationships. The change in our forecast reflects 1Q25 results and the budget reallocation of spending towards sales and marketing with a commensurate spending decrease in research and development.

We forecast gross profit increasing 2.1% to nearly \$10.7 million compared to \$10.4 million in FY24 due to total revenue growth. We project the operating loss narrowing to \$1.6 million from an operating loss of \$2 million in FY24. The narrowing of our operating loss forecast reflects revenue growth and improvement in operating expense margin to 78.1% from 81.1% in FY24. We anticipates gross margin to be flat compared to last year at 67.9%.

We project operating expenses of nearly \$12.3 million compared to \$12.2 million (excluding \$210,000 of restructuring charges). We anticipate sales and marketing and G&A expenses of \$4.4 million and \$3.2 million, respectively, compared to \$3.7 million and \$3.3 million, respectively in FY24. R&D expense should decrease to \$3.9 million from nearly \$4.2 million in FY24 and D&A should decrease by \$336,000 to \$750,000.

Our net loss projection is \$1.7 million or (\$0.17) per share. We previously forecast a net loss of \$1.6 million or (\$0.15) per share. The increase in our loss forecast reflects the recognition of a negative \$114,000 change in fair value of warrant liabilities recorded in 1Q25.

Finances – 2025

We project cash burn of \$388,000 and a \$657,000 decrease in working capital resulting in cash from operations of \$269,000. Cash from operations is unlikely to cover capital expenditures and debt repayment, reducing cash by \$30,000 to \$1.4 million at September 30, 2025.

Operations – FY26

We project 8.3% total revenue growth to \$17 million (prior was \$16.8 million) from an estimated \$15.7 million in FY25 due primarily to 9.8% growth in recurring subscription (SaaS) and perpetual licenses revenue to \$13.7 million, up from an estimated \$12.4 million in FY25. We anticipate digital engagement services revenue to increase by \$82,000 to \$3.3 million. Our forecast reflects accelerated new customer growth due to increased sales and marketing spending in order to expand its HawkSearch product offering within existing and new sector verticals.

We forecast gross profit increasing 9.2% to nearly \$11.6 million compared to an estimated \$10.7 million in FY25 due to total revenue growth and total gross margin expanding to 68.4% from an estimated 67.9% in FY25. We project the operating loss narrowing to \$1.2 million from an estimated operating loss of \$1.6 million in FY25. The narrowing of our operating loss forecast reflects revenue growth, gross margin expansion, and improvement in operating expense margin to 75.6% from an estimated 78.1% in FY25.

We project operating expenses increasing by \$594,000 to \$12.8 million to support revenue growth. We anticipate sales and marketing and G&A expenses increasing to \$5 million and \$3.4 million, respectively, compared to \$4.4 million and \$3.2 million, respectively that we estimate for FY25. R&D expense should decrease by \$278,000 to \$3.6 million. D&A should decrease by \$20,000 to \$730,000.

We forecast a net loss of \$1.2 million or (\$0.12) per share. We previously forecast a net loss of \$1.2 million or (\$0.11) per share.

Finances – 2026

We project cash burn of \$100,000 and a decrease in working capital of \$158,000, resulting in cash from operations of \$58,000. Cash from operations is unlikely to cover capital expenditures and debt repayment, reducing cash by \$38,000 to \$1.3 million at September 30, 2026.

1Q25 Results

1Q25

The company reported a \$36,000 increase in total net revenue to \$3.8 million compared to 1Q24. Subscription and perpetual license sales decreased \$38,000 to \$3 million compared to nearly \$3.1 million last year due primarily to a reduction in subscriptions from a legacy customer, partly offset by increased sales of the company's HawkSearch offering. Digital engagement service revenue increased \$74,000 to \$743,000 from \$669,000 in the year-ago period due primarily to increasing services volumes from HawkSearch customers.

Gross profit decreased \$17,000 to over \$2.5 million from nearly \$2.6 million last year. The decrease reflects total gross margin compression to 66.9% from 68% in 1Q24. The gross margin compression reflects subscription gross margin of 70.7% compared to 73.2% last year stemming from higher server costs, partly offset by lower personnel costs. Digital engagement services gross margin improved to 51.1% compared to 43.8% last year due to a reduction in personnel costs.

Operating expenses decreased to \$3 million from nearly \$3.2 million in 1Q24. D&A expense decreased \$190,000 to \$195,000 in 1Q25 compared to \$385,000 in the year-ago period due to a reduction in amortization expense related to acquisitions completed in prior years. Restructuring and acquisition related expenses were \$10,000 compared to \$15,000 last year. R&D expense decreased by \$20,000 to nearly \$1.1 million due primarily to lower personnel costs. Sales and marketing expenses increased by \$69,000 to \$982,000 from \$913,000 in the year-ago period stemming from increases in personnel costs and marketing spending on leads and conferences. General and administrative costs increased \$5,000 to \$786,000.

Non-operating expense was \$118,000 compared to income of \$18,000 in 1Q24. Non-operating expense included a negative change in the fair value of warrant liabilities of \$114,000 compared to a positive change of \$18,000 last year. Interest expense, change in fair value of contingent consideration and other was \$4,000 compared to zero in the year-ago period.

The company reported a net loss of \$634,000 or (\$0.06) per share compared to a net loss of \$622,000 or (\$0.06) per share in the year-ago period. The current period included income tax expense of \$5,000 in each period. We projected a loss per share of (\$0.05) on total revenue of \$3.8 million.

Finances

In 1Q25, the cash burn was \$212,000 and working capital increased \$390,000 resulting in cash from operations of \$178,000. Cash from operations covered capital expenditures and payments made on debt. Cash increased by \$93,000 to nearly \$1.5 million at December 31, 2024.

Capital Structure

At December 31, 2024, BLIN had total debt of \$409,000 (of which \$201,000 was short-term) and a cash balance of nearly \$1.1 million. Total debt consisted of a \$284,000 1.3% term loan payable that matures in July 2028 and a 4% \$125,000 seller's note (related to a FY21 acquisition) that is payable over five installments and matures in September 2025.

Risks

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

Accumulated Deficit

At December 31, 2024, the company's accumulated deficit was \$92.2 million, up from \$61.8 million in FY17 (ended September 30). 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. In FY23, the operating loss was \$2.4 million (excluding charges of \$7.6 million), which should narrow to \$1.2 million in FY26. 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 10.4 million at December 10, 2022 from 4.4 million at August 10, 2020. Warrants and options could be exercised into shares of common stock of nearly 808,000 million and 2.1 million, respectively. However, warrants could expire prior to being exercised as 180,000 warrants with a \$2.85 exercise price expire in May 2026 with 592,000 warrants with a \$2.51 exercise price expire in November 2026.

Competitive Environment

The markets for BLIN's products and services that include software for Web content management, eCommerce platform software, eMarketing software, Web analytics software, Apps, artificial intelligence (AI) tools, 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. Some competitors within the industry include Algolia, Bloomreach, Coveo Solutions Inc., SearchSpring, Semrush Holdings, Inc., Sitecore and Yext, Inc. BLIN also faces competition from customers and potential customers who develop their own applications internally. The company's competitive advantage for its AI tools is called merchandising capabilities that power the underlying AI and machine learning features enabling customers to tailor the tools to their specific needs.

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. 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.

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.

Artificial Intelligence

Artificial Intelligence presents the company' with various risks, challenges, and potential unintended consequences that could disrupt its ability to effectively integrate and leverage these technologies. The process of refining and expanding its AI-driven offerings could involve higher than anticipated costs, and there can be no assurance that providing these new tool will drive customer growth or high renewal rates.

Cyber Security

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

Shareholder Control

Officers and directors own approximately 21.5% of the company's outstanding voting stock (includes Michael Taglich – Director and President of Taglich Brothers, Inc. – who left BLIN's board as of February 10, 2025) based on BLIN's FY24 10-K filing. One shareholder owns or has controlling interest in approximately 9.1% of the company's outstanding voting stock according to SC 13G/A filing in December 2024. 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

Average daily volume over the last three months (ending February 21, 2025) was approximately 225,400. BLIN has a float of approximately 8.3 million shares and outstanding shares of 10.4 million.

Bridgeline Digital, Inc.
Consolidated Balance Sheets – Ending September 30
FY2023A – FY2026E
(in thousands)

	FY23A	FY24A	1Q25A	FY25E	FY26E
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,377	\$ 1,390	\$ 1,483	\$ 1,360	\$ 1,322
Accounts receivables, net	1,005	1,288	1,170	1,177	1,228
Prepaid expenses and other current assets	278	269	474	479	496
Total current assets	<u>3,659</u>	<u>2,947</u>	<u>3,127</u>	<u>3,016</u>	<u>3,046</u>
Property and equipment, net	151	74	65	64	63
Operating lease assets	390	163	122	122	122
Intangible assets, net	4,890	3,908	3,724	3,172	2,436
Goodwill	8,468	8,468	8,468	8,468	8,468
Other assets	73	42	39	99	121
Total assets	<u>\$ 17,631</u>	<u>\$ 15,602</u>	<u>\$ 15,545</u>	<u>\$ 14,941</u>	<u>\$ 14,256</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Operating lease liabilities	148	157	122	122	122
Accounts payable	1,255	1,112	1,774	1,260	1,118
Accrued liabilities	995	988	1,162	1,185	1,153
Debt	267	282	201	81	81
Deferred revenue	2,084	2,189	1,823	2,600	3,000
Total current liabilities	<u>4,749</u>	<u>4,728</u>	<u>5,082</u>	<u>5,248</u>	<u>5,474</u>
Long-term debt, net	435	244	208	163	82
Operating lease liabilities, net	241	6	-	-	-
Warrant liabilities	174	98	212	212	212
Other liabilities	572	520	493	493	493
Total long-term liabilities	<u>1,422</u>	<u>868</u>	<u>913</u>	<u>868</u>	<u>787</u>
Total liabilities	<u>\$ 6,171</u>	<u>\$ 5,596</u>	<u>\$ 5,995</u>	<u>\$ 6,116</u>	<u>\$ 6,261</u>
Stockholders' equity:					
Preferred stock, \$0.001 par value; 1,000,000 authorized					
Series C convertible preferred stock, 11,000 shares authorized	-	-	-	-	-
Common stock, \$0.001 par value; authorized 50,000,000 shares	10	10	10	10	10
Additional paid-in capital	101,275	101,833	101,940	102,315	102,715
Retained earnings (loss)	(89,577)	(91,538)	(92,172)	(93,272)	(94,502)
Accumulated other comprehensive income (loss)	(248)	(299)	(228)	(228)	(228)
Total stockholders' equity	<u>11,460</u>	<u>10,006</u>	<u>9,550</u>	<u>8,825</u>	<u>7,995</u>
Total liabilities and stockholders' equity	<u>\$ 17,631</u>	<u>\$ 15,602</u>	<u>\$ 15,545</u>	<u>\$ 14,941</u>	<u>\$ 14,256</u>
Shares Outstanding - Common Stock	10,418	14,418	10,418	10,418	10,420
Series C convertible preferred stock - outstanding	350	350	350	350	350

Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Annual Income Statement – Ending September 30
FY2023A – FY2026E
(in thousands)

	<u>FY2023A</u>	<u>FY2024A</u>	<u>FY2025E</u>	<u>FY2026E</u>
Digital engagement services	\$ 3,143	\$ 3,224	\$ 3,248	\$ 3,330
Subscription (SaaS) / Perpetual licenses	<u>12,742</u>	<u>12,134</u>	<u>12,448</u>	<u>13,670</u>
Total revenue	15,885	15,358	15,696	17,000
Cost of sales -- Digital engagement services	1,650	1,532	1,473	1,575
Cost of sales -- Subscription - Licenses	<u>3,364</u>	<u>3,392</u>	<u>3,568</u>	<u>3,790</u>
Total cost of revenue	5,014	4,924	5,041	5,365
Total Gross Profit	10,871	10,434	10,655	11,635
Operating Expenses:				
Sales and Marketing	4,757	3,715	4,357	5,045
General and Administrative	3,173	3,282	3,226	3,440
Research and Development	3,679	4,160	3,908	3,630
Depreciation and amortization	1,528	1,086	750	730
Impairment, restructuring and acquisition charges	<u>7,649</u>	<u>210</u>	<u>10</u>	<u>-</u>
Total Operating Expenses	20,786	12,453	12,251	12,845
Operating Income (loss)	(9,915)	(2,019)	(1,596)	(1,210)
Interest expense, change in fair value of contingent consideration and, and other, net	(189)	(61)	(19)	(20)
Change in fair value of warrant liabilities	575	76	(114)	-
Total Other Income (Expense)	<u>386</u>	<u>15</u>	<u>(133)</u>	<u>(20)</u>
Pre-Tax Income (loss)	(9,529)	(2,004)	(1,729)	(1,230)
Income Tax Expense (Benefit)	<u>(94)</u>	<u>(43)</u>	<u>5</u>	<u>-</u>
Net Income (loss) - to common shareholders	<u>\$ (9,435)</u>	<u>\$ (1,961)</u>	<u>\$ (1,734)</u>	<u>\$ (1,230)</u>
EPS (loss) - to common shareholders	<u>\$ (0.91)</u>	<u>\$ (0.19)</u>	<u>\$ (0.17)</u>	<u>\$ (0.12)</u>
Weighted Average Shares Outstanding	10,418	10,418	10,418	10,418
Adjusted EBITDA	\$ (309)	\$ (192)	\$ (348)	\$ (180)
Margins				
Gross Margin -- Digital engagement services	47.5%	52.5%	54.6%	52.7%
Gross Margin -- Subscription - Licenses	73.6%	72.0%	71.3%	72.3%
Total Gross Margin	68.4%	67.9%	67.9%	68.4%
Operating Margin	(62.4%)	(13.1%)	(10.2%)	(7.1%)
Sales & Marketing	29.9%	24.2%	27.8%	29.7%
General & Administrative	20.0%	21.4%	20.6%	20.2%
Research and Development	23.2%	27.1%	24.9%	21.4%
Operating expense	130.9%	81.1%	78.1%	75.6%
Pre-Tax Margins	(60.0%)	(13.0%)	(11.0%)	(7.2%)
Tax rate	1.0%	2.1%	(0.3%)	0.0%
YEAR / YEAR GROWTH				
Total Revenues	(5.6%)	(3.3%)	2.2%	8.3%
Subscription (SaaS) / Perpetual licenses	(6.0%)	(4.8%)	2.6%	9.8%

Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Income Statement Model – Ending September 30
Quarters FY2024A – 2026E
(in thousands)

	1Q24A	2Q24A	3Q24A	4Q24A	FY2024A	1Q25A	2Q25E	3Q25E	4Q25E	FY2025E	1Q26E	2Q26E	3Q26E	4Q26E	FY2026E
Digital engagement services	\$ 669	\$ 794	\$ 923	\$ 838	\$ 3,224	\$ 743	\$ 835	\$ 835	\$ 835	\$ 3,248	\$ 750	\$ 860	\$ 860	\$ 860	\$ 3,330
Subscription (SaaS) / Perpetual licenses	3,086	3,010	3,013	3,025	12,134	3,048	3,075	3,125	3,200	12,448	3,250	3,365	3,475	3,580	13,670
Total revenue	3,755	3,804	3,936	3,863	15,358	3,791	3,910	3,960	4,035	15,696	4,000	4,225	4,335	4,440	17,000
Cost of sales -- Digital engagement services	376	420	384	352	1,532	363	370	370	370	1,473	375	400	400	400	1,575
Cost of sales -- Subscription - Licenses	827	860	846	859	3,392	893	885	890	900	3,568	915	930	960	985	3,790
Total cost of revenue	1,203	1,280	1,230	1,211	4,924	1,256	1,255	1,260	1,270	5,041	1,290	1,330	1,360	1,385	5,365
Total Gross Profit	2,552	2,524	2,706	2,652	10,434	2,535	2,655	2,700	2,765	10,655	2,710	2,895	2,975	3,055	11,635
Operating Expenses:															
Sales and Marketing	913	941	949	912	3,715	982	1,075	1,125	1,175	4,357	1,200	1,235	1,280	1,330	5,045
General and Administrative	781	766	878	857	3,282	786	800	815	825	3,226	835	850	865	890	3,440
Research and Development	1,093	1,037	1,008	1,022	4,160	1,073	950	960	925	3,908	900	900	915	915	3,630
Depreciation and amortization	385	299	201	201	1,086	195	190	185	180	750	190	185	180	175	730
Impairment, restructuring and acquisition charges	15	-	53	142	210	10	-	-	-	10	-	-	-	-	-
Total Operating Expenses	3,187	3,043	3,089	3,134	12,453	3,046	3,015	3,085	3,105	12,251	3,125	3,170	3,240	3,310	12,845
Operating Income (loss)	(635)	(519)	(383)	(482)	(2,019)	(511)	(360)	(385)	(340)	(1,596)	(415)	(275)	(265)	(255)	(1,210)
Interest expense, change in fair value of contingent consideration and, and other, net	-	(53)	(5)	(3)	(61)	(4)	(5)	(5)	(5)	(19)	(5)	(5)	(5)	(5)	(20)
Change in fair value of warrant liabilities	18	(25)	88	(5)	76	(114)	-	-	-	(114)	-	-	-	-	-
Total Other Income (Expense)	18	(78)	83	(8)	15	(118)	(5)	(5)	(5)	(133)	(5)	(5)	(5)	(5)	(20)
Pre-Tax Income (loss)	(617)	(597)	(300)	(490)	(2,004)	(629)	(365)	(390)	(345)	(1,729)	(420)	(280)	(270)	(260)	(1,230)
Income Tax Expense (Benefit)	5	5	5	(58)	(43)	5	-	-	-	5	-	-	-	-	-
Net Income (loss) - to common shareholders	\$ (622)	\$ (602)	\$ (305)	\$ (432)	\$ (1,961)	\$ (634)	\$ (365)	\$ (390)	\$ (345)	\$ (1,734)	\$ (420)	\$ (280)	\$ (270)	\$ (260)	\$ (1,230)
EPS (loss) - to common shareholders	\$ (0.06)	\$ (0.06)	\$ (0.03)	\$ (0.04)	\$ (0.19)	\$ (0.06)	\$ (0.04)	\$ (0.04)	\$ (0.03)	\$ (0.17)	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.12)
Weighted Average Shares Outstanding	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418	10,418
Adjusted EBITDA	\$ (117)	\$ (83)	\$ 3	\$ 5	\$ (192)	\$ (193)	\$ (45)	\$ (75)	\$ (35)	\$ (348)	\$ (150)	\$ (15)	\$ (10)	\$ (5)	\$ (180)
Margins															
Gross Margin -- Digital engagement services	43.8%	47.1%	58.4%	58.0%	52.5%	51.1%	55.7%	55.7%	55.7%	54.6%	50.0%	53.5%	53.5%	53.5%	52.7%
Gross Margin -- Subscription - Licenses	73.2%	71.4%	71.9%	71.6%	72.0%	70.7%	71.2%	71.5%	71.9%	71.3%	71.8%	72.4%	72.4%	72.5%	72.3%
Total Gross Margin	68.0%	66.4%	68.7%	68.7%	67.9%	66.9%	67.9%	68.2%	68.5%	67.9%	67.7%	68.5%	68.6%	68.8%	68.4%
Operating Margin	(16.9%)	(13.6%)	(9.7%)	(12.5%)	(13.1%)	(13.5%)	(9.2%)	(9.7%)	(8.4%)	(10.2%)	(10.4%)	(6.5%)	(6.1%)	(5.7%)	(7.1%)
Sales & Marketing	24.3%	24.7%	24.1%	23.6%	24.2%	25.9%	27.5%	28.4%	29.1%	27.8%	30.0%	29.2%	29.5%	30.0%	29.7%
General & Administrative	20.8%	20.1%	22.3%	22.2%	21.4%	20.7%	20.5%	20.6%	20.4%	20.6%	20.9%	20.1%	20.0%	20.0%	20.2%
Research and Development	29.1%	27.3%	25.6%	26.5%	27.1%	28.3%	24.3%	24.2%	22.9%	24.9%	22.5%	21.3%	21.1%	20.6%	21.4%
Operating expense	84.9%	80.0%	78.5%	81.1%	81.1%	80.3%	77.1%	77.9%	77.0%	78.1%	78.1%	75.0%	74.7%	74.5%	75.6%
Pre-Tax Margins	(16.4%)	(15.7%)	(7.6%)	(12.7%)	(13.0%)	(16.6%)	(9.3%)	(9.8%)	(8.6%)	(11.0%)	(10.5%)	(6.6%)	(6.2%)	(5.9%)	(7.2%)
Tax rate	(0.8%)	(0.8%)	(1.7%)	11.8%	2.1%	(0.8%)	0.0%	0.0%	0.0%	(0.3%)	0.0%	0.0%	0.0%	0.0%	0.0%
YEAR / YEAR GROWTH															
Total Revenues	(8.0%)	(7.1%)	0.7%	1.7%	(3.3%)	1.0%	2.8%	0.6%	4.5%	2.2%	5.5%	8.1%	9.5%	10.0%	8.3%
Subscription (SaaS) / Perpetual licenses	(4.4%)	(8.0%)	(4.9%)	(1.5%)	(4.8%)	(1.2%)	2.2%	3.7%	5.8%	2.6%	6.6%	9.4%	11.2%	11.9%	9.8%

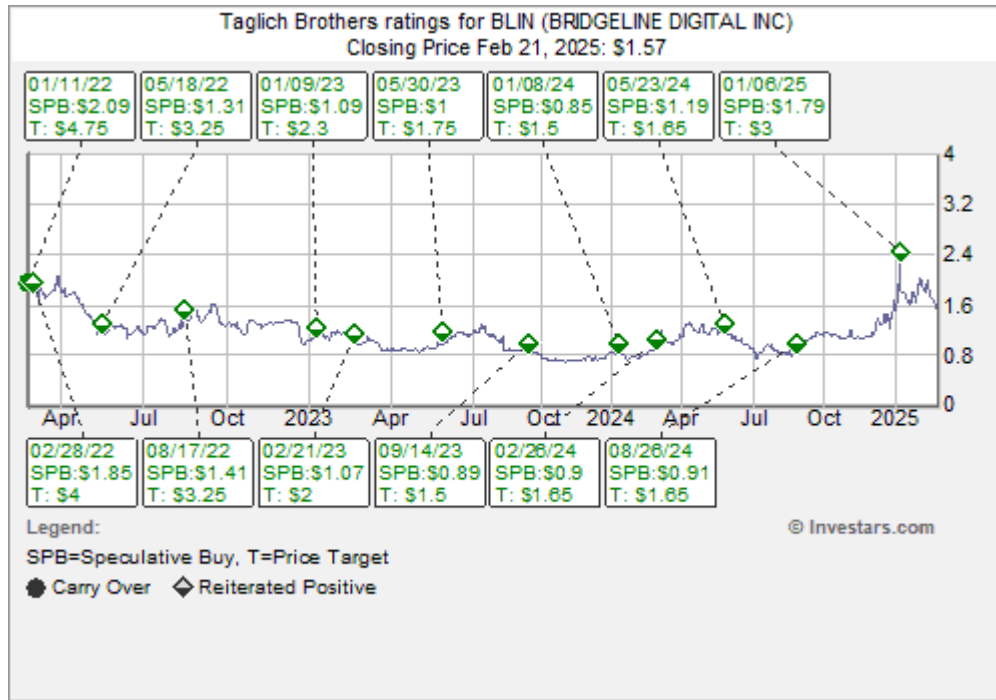
Source: Company reports and Taglich Brothers estimates

Bridgeline Digital, Inc.
Cash Flow Statement – Ending September 30
FY2023A – FY2026E
(in thousands)

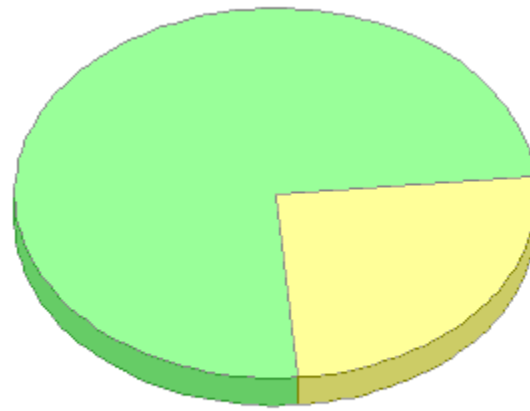
	FY2023 A	FY2024 A	1Q25A	FY2025 E	FY2026 E
<i>Cash Flows from Operating Activities</i>					
Net Income (loss)	\$ (9,435)	\$ (1,961)	\$ (634)	\$ (1,734)	\$ (1,230)
Amortization of intangibles	1,378	982	184	682	665
Depreciation and amortization	177	130	17	68	65
Deferred income taxes	(63)	(65)	-	-	-
Goodwill impairment	7,517	-	-	-	-
Change in fair value of warrant liabilities	(575)	(76)	114	114	-
Stock-based compensation	571	558	107	482	400
Cash earnings (burn)	(430)	(432)	(212)	(388)	(100)
<i>Changes In:</i>					
Accounts receivables	184	(280)	107	111	(51)
Prepaid expenses and Other current assets	(39)	7	(204)	(210)	(17)
Other assets	33	3	(3)	-	-
Accounts payable and accrued liabilities	264	(160)	860	345	(174)
Deferred revenue	194	95	(354)	411	400
Other liabilities	71	2	(16)	-	-
(Increase)/decrease in Working Capital	707	(333)	390	657	158
Net cash Provided by (Used in) Operations	<u>277</u>	<u>(765)</u>	<u>178</u>	<u>269</u>	<u>58</u>
<i>Cash Flows from Investing Activities</i>					
Purchase of property and equipment	(25)	(29)	(5)	(20)	(15)
Net cash used in Investing	<u>(25)</u>	<u>(29)</u>	<u>(5)</u>	<u>(20)</u>	<u>(15)</u>
<i>Cash Flows from Financing Activities</i>					
Payment on long-term debt	(399)	(209)	(83)	(282)	(81)
Payments of contingent consideration and deferred cash payable	(250)	-	-	-	-
Net cash provided by Financing	<u>(649)</u>	<u>(209)</u>	<u>(83)</u>	<u>(282)</u>	<u>(81)</u>
Exchange rate	(82)	16	3	3	-
Net change in Cash	(479)	(987)	93	(30)	(38)
Cash Beginning of Period	2,856	2,377	1,390	1,390	1,360
Cash End of Period	<u>\$ 2,377</u>	<u>\$ 1,390</u>	<u>\$ 1,483</u>	<u>\$ 1,360</u>	<u>\$ 1,322</u>

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



75 % Buy | 25 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	17
Hold		
Sell		
Not Rated		

Important Disclosures

As of February 21, 2025, 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 80,576 shares of BLIN common stock and owns or has a controlling interest in 100,500 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 8,714 shares of BLIN common stock and owns or has a controlling interest in 13,000 shares of common stock underlying warrants issued. 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 3,661 warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 3,388 shares of BLIN common stock and 10,700 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, 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:

Coveo Solutions Inc.	(NASDAQ: CVOSF)	Shopify Inc.	(NYSE: SHOP)
Semrush Holdings, Inc.	(NYSE: SEMR)	Yext, Inc.	(NYSE: YEXT)

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.