

## Research Report – Update

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

### Boxlight Corporation

**Speculative Buy**

John Nobile

August 21, 2019

**BOXL \$2.45 — (NASDAQ)**

	<u>2017A</u>	<u>2018A</u>	<u>2019E</u>	<u>2020E</u>
Revenues (millions)	\$25.7	\$37.8	\$43.9	\$55.0
Earnings (loss) per share	\$(1.20)	\$(0.72)	\$(0.57)	\$(0.17)

52-Week range	\$4.84 – \$1.14	Fiscal year ends:	December
Common shares out as of 8/13/19	10.7 million	Revenue per share (TTM)	\$3.73
Approximate float	4.6 million	Price/Sales (TTM)	0.7X
Market capitalization	\$26 million	Price/Sales (FY2020)E	0.5X
Tangible book value/share	\$(0.12)	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2020)E	NMF

*Boxlight Corporation, headquartered in Lawrenceville, Georgia, is a designer, producer, and distributor of interactive classroom technologies for the global education market.*

#### **Key investment considerations:**

*Maintaining Speculative Buy rating but lowering our twelve-month price target to \$5.50 per share from \$6.50 due primarily to diminished valuation.*

*2018 and 2019 acquisitions should drive strong revenue growth and gross margin expansion through 2020 as service revenue margins are expected to be greater than 60% and robotics revenue margins could exceed 50%. For 2H19 and beyond, BOXL's total gross margins are expected to be approximately 30% (versus 22.9% in 2018) due in part to increased sales of higher margin hardware, software, and professional services.*

*In August 2019, Clayton County Public Schools, Georgia's fifth-largest school district, initiated a professional development program for Boxlight's online, onsite and consultancy training.*

*In July 2019, Boxlight partnered with the Aldrin Family Foundation and ShareSpace Education to provide K-12 schools with innovative, new educational tools for Science, Technology, Engineering, Arts, and Math learning.*

*Boxlight reported (on 8/13/19) 2Q19 revenue increased 14.8% \$11.1 million from \$9.7 million. The company reported a loss of \$(0.11) per share versus a loss of \$(0.45) per share in the year-ago period. Excluding changes to the fair value of derivative liabilities, BOXL would have reported a loss of \$(0.13) per share versus a loss of \$(0.23) per share in 2Q18. We projected 2Q19 revenue of \$10.5 million and a loss of \$(0.15) per share.*

*For 2019, we project revenue growth of 16% to \$43.9 million and a loss of \$(0.57) per share. We previously forecasted revenue of \$47 million and a loss of \$(0.61) per share. Our revised forecast primarily reflects 2Q19 results and expectations for 25% revenue growth in 2H19 versus 2H18, with 30% gross margins.*

*For 2020, we project revenue growth of 25.3% to \$55 million and a loss of \$(0.17) per share. We previously forecasted revenue of \$56.5 million and a loss of \$(0.21) per share. Our revised forecast primarily reflects higher gross margins than originally anticipated (30% versus 28.8%) on a slight reduction in product sales.*

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

**Recommendation and Valuation**

**We are maintaining our Speculative Buy rating on Boxlight Corporation but lowering our twelve-month price target to \$5.50 per share from \$6.50 due primarily to diminished valuation.**

Our rating is based on nearly 30% average annual growth in the company's revenue to \$55 million in 2020 from \$25.7 million in 2017. Boxlight has exhibited strong growth in the fast growing smart education market where demand for the company's products should continue given their proven effectiveness and ease of use.

The global smart education market (valued at approximately \$57.8 billion in 2016) is projected to grow at a compound annual growth rate (CAGR) of more than 16% to 2022 according to industry report publisher, Technavio. Within this market, Boxlight derives the majority of its revenue from sales of interactive flat panel displays and projectors. Technavio projects the global interactive flat panel display market to grow at a CAGR of over 39% reaching approximately \$27.1 billion by 2021.

2018 and 2019 acquisitions should drive strong revenue growth and gross margin expansion through 2020 as service revenue margins are expected to be greater than 60% and robotics revenue margins could exceed 50%. For 2H19 and beyond, total gross margins are expected to be approximately 30% (versus 22.9% in 2018) due in part to increased sales of higher margin hardware, software, and professional services.

Shares of BOXL currently trade at a TTM price/sales multiple of 0.7X (previously 0.9X). The industry trades at a TTM price/sales multiple of 4.8X (previously 4.2X). We project sales growth of 25.3% for BOXL in 2020 compared to 7% for the industry. With sales growth outpacing the industry, we believe investors are likely to accord BOXL a multiple that approaches the industry. We applied a multiple of 1.2X (down from 1.4X previously due to diminished valuation) to our FY20 sales per share projection of \$4.89, discounted for execution risk, to derive a year-ahead value of approximately \$5.50 per share.

**Organizational History**

In September 2014, Boxlight Corporation was incorporated in Nevada for the purpose of becoming a technology company that sells interactive educational products. The company was formed through several acquisitions that started in 2016. A brief description can be seen in the table below:

April 2016	Boxlight acquired Mimio LLC, a designer, producer and distributor of a broad range of interactive classroom technology products primarily targeted at the global K-12 education market.
May 2016	Boxlight acquired Genesis Collaboration LLC, a provider of solutions that enhance interactive learning in the business, government, and education markets.
July 2016	Boxlight acquired the Boxlight Group, a seller and distributor of interactive projectors that suit the varying needs of instructors, teachers and presenters.
May 2018	Boxlight acquired Cohuborate, Ltd., a UK-based producer and distributor of interactive display panels designed to provide new learning and working experiences through in-room and room-to-room multi-device, multi-user collaboration.
June 2018	Boxlight acquired Qwizdom Inc., a developer of software and hardware solutions that are quick to implement and designed to increase participation, provide immediate data feedback, and, accelerate and improve comprehension and learning.
August 2018	Boxlight acquired EOSEDU, LLC, a provider of technology consulting, training, and professional development services that integrate technology with curriculum in K-12 schools and districts.
March 2019	Boxlight acquired Modern Robotics Inc., a company engaged in the business of developing, selling and distributing STEM, robotics and programming solutions to the education market globally.

The company completed an initial public offering of its common stock in November 2017 and began trading under the symbol BOXL.

### ***Recent Developments***

*Boxlight Awarded Additional Programs from Clayton County Public Schools* – In August 2019, Boxlight announced Clayton County Public Schools (CCPS), Georgia’s fifth-largest school district, initiated a professional development program for online, onsite and consultancy training within its whole-class learning solution. During the 2019-20 academic year, Boxlight will provide a comprehensive program of training, professional development and ongoing support for CCPS educators. These programs will be integrated in order to facilitate the educator’s effective implementation of Boxlight’s classroom solutions and to provide those teachers with the necessary skills, knowledge, and best practices regarding usage of available technologies in their classroom.

*Boxlight, Aldrin Family Foundation and ShareSpace Education Partner to Inspire K-12 Students with Hands-On STEAM Educational Tools* – In July 2019, Boxlight announced it was partnering with the Aldrin Family Foundation (AFF) and ShareSpace Education (SSE) to provide K-12 schools with innovative, new educational tools for Science, Technology, Engineering, Arts, and Math (STEAM) learning. This partnering will help extend AFF’s mission to reach 3 to 5 million students over five years to ignite students’ passion for STEAM, with a focus on math and science, and motivate them to develop and apply core STEAM skills.

The Aldrin Family Foundation (AFF) strives to cultivate the next generation of space leaders, entrepreneurs and explorers who will extend human habitation beyond the Earth to the Moon and Mars. ShareSpace Education, one of the key organizations within the Aldrin Family Foundation, is a 501(c)(3) non-profit organization dedicated to cultivating children’s passion for science, technology, engineering, arts and math by providing innovative, interactive educational tools to schools, teachers and information educations throughout the US and abroad.

*Anacortes School District to Implement Boxlight’s Solutions Districtwide* – In July 2019, Boxlight announced the Anacortes School District (ASD) in the state of Washington was expanding use of Boxlight’s total classroom solution from its high school to all classrooms in the district. Installations were planned to take place over the summer.

### ***Business***

Boxlight Corporation, headquartered in Lawrenceville, Georgia, is a designer, producer, and distributor of interactive classroom technologies for the global education market.

Products that the company sells include flat panels (interactive flat panel pictured at right), projectors, whiteboards and peripherals. Boxlight also distributes science, technology, engineering and math (STEM) products, including its portable science lab. Besides providing hardware, engineering and manufacturing, software and content development to clients and customers, Boxlight offers services that include installation, training, consulting and maintenance.



The company has historically generated substantially all of its revenue from the sale of its software and interactive displays to the educational market.

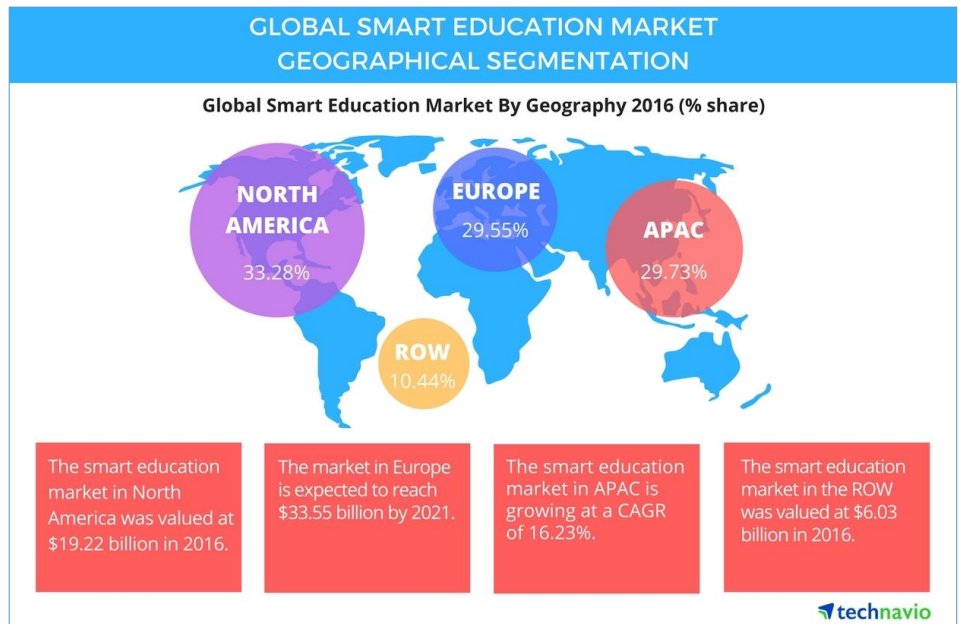
Boxlight does not manufacture any of the products it sells. Many of the company’s products and components are manufactured by original design manufacturers (ODMs) and original equipment manufacturers (OEMs) located in the US, Taiwan, China, and Germany.

Boxlight’s sales force and marketing teams are primarily focused on driving sales to school districts, throughout North, Central and South America, Europe, the Middle East and Asia. The company also markets its products through distributors and resellers providing them with training to become knowledgeable about its products. Boxlight currently has approximately 800 resellers.

**Industry**

The global education industry is undergoing a significant transition, as primary and secondary school districts, colleges and universities, as well as governments, corporations and individuals around the world are increasingly recognizing the importance of using technology to more effectively provide information to educate students and other users. Smart education denotes a range of technologies employed to enhance the delivery and administration of education across various segments such as K-12, higher education, enterprise, government and healthcare.

The global smart education market (valued at approximately \$57.8 billion in 2016) is projected to grow at a compound annual growth rate (CAGR) of more than 16% from 2018 to 2022 according to industry report publisher, Technavio. Technavio observed that the North American market was the largest market for smart education, followed by Europe and the Asia Pacific (APAC) region. These three regions are areas of focus for Boxlight and account for over 90% of the global smart education market (see chart at right).



Technavio anticipates North American adoption will be driven by better online infrastructure available to educational institutions.

In Europe, the education system is being overhauled in order to suit the advanced needs of students and match global education standards. The institutions in Europe are seeking tools and technologies to develop effective and personalized educational content in an effort to strengthen each student’s learning process. As smart education can ensure this goal, Technavio projects the demand for smart education in Europe will observe significant growth.

In the APAC region, Technavio observed that the education industry is evolving rapidly in terms of the adoption of advanced education tools and technologies. The development of the educational infrastructure in many Asian counties is a major factor for the high adoption rates of interactive flat panels.

In the overall smart education market, interactive flat panel displays make up nearly 10% of the market and are considered to be a significant growth driver of smart education. Boxlight derives approximately two-thirds of its revenue from sales of interactive flat panel displays and projectors. Technavio projects the global interactive flat

panel display market to grow 39% annually reaching approximately \$27.1 billion by 2021. Technavio observed that the educational and corporate sectors were replacing projectors and white boards with interactive flat panel displays due to the fact that they are portable, eliminate shadow distractions, and have extended backlight.

The educational robot market that the company entered into in March 2019 with its acquisition of Modern Robotics promises robust growth for this segment over the next five years. ResearchandMarkets projected the global educational robot market to grow at a CAGR of approximately 28% from 2018 to 2023 reaching a market size of over \$640 million. Driving growth should be increasing expenditures in the field of research and development and growing popularity of robots as a learning tool. There is a rising adoption of educational robots in K-12 schools around the world owing to their effective interactive capability.

### ***Competition***

Boxlight operates in the highly competitive interactive education industry and faces substantial competition from developers, manufacturers and distributors of interactive learning products and solutions. The industry is characterized by frequent product introductions and rapid technological advances. Competitors that manufacture and/or distribute new, disruptive or substitute products compete for the pool of available funds that previously could have been spent on interactive displays and associated products. Boxlight's ability to integrate its existing technologies and remain innovative in developing new technologies that are desired by customers will determine its ability to grow.

### ***Strategy***

Boxlight's growth strategy includes acquiring assets and technologies of companies that have products, technologies, industry specializations or geographic coverage that extend or complement its existing product portfolio for the smart education market.

Boxlight is attempting to implement a comprehensive plan to reach profitability, which includes integrating products from acquired companies and cross training sales professionals to increase their offerings.

The company believes it can achieve significant costs savings by merging the operations of the companies it acquires and reducing costs through staff reductions (consolidating resources such as accounting, marketing and human resources), economies of scale (improved purchasing power with a greater ability to negotiate prices with suppliers), and improved market reach and industry visibility (increase in customer base and entry into new markets).

### ***Economic Outlook***

In July 2019, the IMF lowered its global economic growth estimate to 3.2% for 2019 and 3.5% for 2020 from earlier (April 2019) estimates of 3.3% for 2019 and 3.6% for 2020. The downward revisions reflect further tariffs on certain Chinese imports by the US and China retaliating by raising tariffs on certain US imports.

The IMF raised its 2019 economic growth estimate for the US to 2.6% from its April 2019 forecast of 2.3%. The 2020 estimate is unchanged at 1.9%. The upward revision for 2019 reflects stronger-than-anticipated first half performance.

The advance estimate of US GDP growth (released on July 26, 2019) showed the US economy grew at an annual rate of 2.1% in 2Q19, down from 3.1% in 1Q19. The 2Q19 US GDP growth estimate reflects increases in consumer and government spending while inventory investment, exports, and business and housing investments decreased.

Because Boxlight's business is conducted globally, the economic growth projections could constrain the company's growth.

**Projections**

Boxlight operates in the fast growing smart education market that is projected to grow annually by more than 16% to 2022. Boxlight derives the majority of its revenue from sales of interactive flat panel displays and projectors. The global interactive flat panel display market is forecasted to grow over 39% annually to approximately \$27.1 billion by 2021.

2018 and 2019 acquisitions should support our revenue growth and gross margin forecasts through 2020 as service revenue margins are expected to be greater than 60% and robotics revenue margins are expected to be greater than 50%. For 2H19 and beyond, gross margins are expected to be approximately 30% (versus 22.9% in 2018) due to increased sales of higher margin hardware, software, and professional services.

2019 – We project revenue growth of 16% to \$43.9 million and a net loss of \$6.1 million or \$(0.57) per share. We previously forecasted revenue of \$47 million and a net loss of \$6.5 million or \$(0.61) per share. Our revised forecast primarily reflects 2Q19 results and expectations for 25% revenue growth in 2H19 versus 2H18 with 30% gross margins.

We project a 52.2% increase in gross profit to \$13.2 million from \$8.7 million due to revenue growth and gross margins increasing to 30% from 22.9% in 2018. Gross margins should benefit from the higher margin contributions associated with the company's acquisitions in 2018 and 2019.

We anticipate general and administrative expenses increasing to \$15.5 million from \$15 million and R&D expenses increasing to \$1.1 million from \$672,000 due primarily to a full year's inclusion of three acquisitions in 2018 and one in 2019.

Interest expense should increase to \$1.1 million from \$841,000 reflecting a higher average debt level. We project the company paying no taxes due to its large amount of net operating loss carryforwards (\$9.8 million as of December 31, 2018).

We project a cash loss of \$1 million and a \$586,000 decrease in working capital resulting in \$452,000 cash used in operations. The decrease in working capital should come primarily from increases in payables and accruals offset in part by a decrease in deferred revenue. We project \$1 million cash from financing due primarily to proceeds from the issuance of common stock. We project a \$592,000 increase in cash to \$1.5 million at December 31, 2019.

2020 – We project revenue growth of 25.3% to \$55 million and a net loss of \$1.9 million or \$(0.17) per share. We previously forecasted revenue of \$56.5 million and a net loss of \$2.4 million or \$(0.21) per share. Our revised forecast primarily reflects higher gross margins than originally anticipated (30% versus 28.8%) on a slight reduction in product sales.

We project a 25.3% increase in gross profit to \$16.5 million from \$13.2 million due primarily to revenue growth.

We anticipate general and administrative expenses increasing to \$17 million from \$15.5 million due primarily to increased compensation costs. R&D expenses are projected to remain relatively flat at \$1 million.

Interest expense should decrease to \$490,000 from \$1.1 million due to a lower average debt level. We project the company paying no taxes due to its large amount of net operating loss carryforwards.

We project cash earnings of \$1.4 million and a \$203,000 increase in working capital resulting in \$1.2 million cash from operations. The increase in working capital should come primarily from increases in receivables and inventories offset in part by an increase in payables and accruals. We project \$1.1 million cash used in financing due to the reduction in debt being partially offset by the issuance of common stock. We project a \$177,000 increase in cash to \$1.7 million at December 31, 2020.



**2Q19 and 1H19 Financial Results**

**2Q19** - Revenue increased 14.8% to \$11.1 million from \$9.7 million. The company reported a net loss of \$1.2 million or \$(0.11) per share versus a loss of \$4.5 million or \$(0.45) per share in 2Q18. Included in the net loss for 2Q19 was a \$263,000 or \$0.02 per share gain related to the change in fair value of derivative liabilities. Included in the net loss for 2Q18 was a \$2.2 million or \$(0.22) per share expense related to the change in fair value of derivative liabilities. Excluding these items, Boxlight would have reported a 2Q19 net loss of \$1.4 million or \$(0.13) per share and a loss of \$2.3 million or \$(0.23) per share in 2Q18. We projected 2Q19 revenue of \$10.5 million and a net loss of \$1.6 million or \$(0.15) per share.

The increase in revenue reflects an increase in sales volume. Gross profit increased 88.3% to \$3.2 million aided by gross margin expansion to 29.3% from 17.9%. The increase in gross margins was primarily due to the delivery of two large low margin projects in 2Q18.

General and administrative expenses increased 4.5% to \$3.9 million and research and development expenses increased 83.3% to \$325,000 as a result of acquisitions. Interest expense more than doubled to \$479,000 from \$207,000 as a result of increased debt.

**1H19** - Revenue increased 2.9% to \$16.1 million from \$15.7 million. The company reported a net loss of \$5.8 million or \$(0.56) per share versus a loss of \$5.4 million or \$(0.55) per share in 1H18. Included in the net loss for 1H19 was a \$1.9 million or \$(0.18) per share expense related to the change in fair value of derivative liabilities. Included in the net loss for 1H18 was a \$1.2 million or \$(0.12) per share expense related to the change in fair value of derivative liabilities. Excluding these items, Boxlight would have reported a 1H19 net loss of \$4 million or \$(0.38) per share and a loss of \$222,000 or \$(0.02) per share in 1H18.

Gross profit increased 50.7% to \$4.8 million aided by gross margin expansion to 30% from 20.5%. General and administrative expenses increased 10.6% to \$7.7 million and research and development expenses more than doubled to \$561,000 from \$270,000. Interest expense more than doubled to \$760,000 from \$354,000.

**Liquidity** – As of June 30, 2019, Boxlight had \$945,000 cash, a current ratio of 0.7, a debt to equity ratio of 1.9, and 15% of assets financed by equity.

In 1H19, cash used in operations was \$4 million consisting of a \$3.3 million cash loss and a \$751,000 increase in working capital. The increase in working capital was primarily due to an increase in receivables offset in part by an increase in payables and accruals. Cash provided by investing activities of \$10,000 consisted of cash receipts from acquisitions. Cash provided by financing of \$4.1 million consisted of a net increase in debt. Cash increased by \$44,000 to \$945,000 at June 30, 2019.

At June 30, 2019, the company had \$6.6 million of debt (\$4.5 million short-term) consisting of \$1.9 million of accounts receivable financing at prime plus 4% and \$4.7 million of notes payable at rates ranging from 5% to 10%.

	6M Ended (in thousands \$)	
	2019A	2018A
Revenue	16,109	15,660
Cost of revenue	11,276	12,454
Gross profit	4,833	3,206
General and administrative	7,654	6,920
Research and development	561	270
Operating income (loss)	(3,382)	(3,984)
Interest expense	(760)	(354)
Other income (expense)	45	3
Changes in fair value of derivative liabilities	(1,899)	(1,156)
Gain from settlement of liabilities	146	129
Income before taxes	(5,850)	(5,362)
Income tax	-	-
Net Income / (loss)	<u>(5,850)</u>	<u>(5,362)</u>
EPS	<u>(0.56)</u>	<u>(0.55)</u>
Shares Outstanding	10,424	9,760
<b>Margin Analysis</b>		
Gross margin	30.0%	20.5%
General and administrative	47.5%	44.2%
Research and development	3.5%	1.7%
Operating margin	(21.0)%	(25.4)%
<b>Year / Year Growth</b>		
Total Revenues	2.9%	
Net Income	NMF	
EPS	NMF	
Source: Company filings		

## **Risks**

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

Going concern - As of June 30, 2019, Boxlight had an accumulated deficit of approximately \$25.1 million and a 1H19 net loss of \$5.8 million. These factors raise substantial doubt regarding the company's ability to continue as a going concern.

Competition – Boxlight operates in the highly competitive interactive education industry. The company faces substantial competition from developers, manufacturers and distributors of interactive learning products and solutions. Many of these competitors have significantly greater financial and other resources than Boxlight does and have spent significant amounts of resources to try to enter or expand their presence in the market. In addition, low cost competitors have appeared in China and other countries. Increased competition or other competitive pressures may continue to result in price reductions, reduced margins or loss of market share.

Technological obsolescence - The market for interactive learning and collaboration solutions is still emerging and evolving and is characterized by rapid technological change and frequent new product introductions. There can be no assurance that Boxlight's products will not suffer from technological obsolescence in the future.

Reliance on third party suppliers – The company does not manufacture any of the products it sells and distributes but relies on third party suppliers. Boxlight's suppliers may not be able to always supply components or products on a timely basis and on favorable terms, and as a result, the company's dependency on third party suppliers could adversely affect its revenue.

Reliance on resellers - Substantially all of Boxlight's sales are made through resellers and distributors. Such resellers and distributors may no longer sell the company's products, or may reduce efforts to sell its products.

Reliance on government funding for schools - Decreases in the spending policies or budget priorities for government funding of schools, colleges, universities, other education providers or government agencies may have a material adverse effect on the company's revenue.

Ineffective disclosure controls and procedures – As of June 30, 2019, the company's disclosure controls and procedures were deemed not effective due to insufficient personnel resources within the accounting function to segregate the duties between preparation and review of financial statements and insufficient written policies over accounting transaction processing and period end financial disclosures.

Liquidity risk - Shares of Boxlight Corporation have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 4.6 million shares in the float and the average daily volume is approximately 62,000 shares.

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



Boxlight Corporation

Consolidated Balance Sheets  
(in thousands \$)

	2016A*	2017A	2018A	6/19A	2019E	2020E
Cash and cash equivalents	457	2,010	901	945	1,493	1,670
Receivables	2,944	3,090	3,635	7,391	4,269	4,889
Inventories	4,164	4,626	4,214	3,250	4,391	4,813
Prepaid expenses	447	388	1,214	1,475	1,475	1,475
<b>Total current assets</b>	<b>8,012</b>	<b>10,114</b>	<b>9,964</b>	<b>13,061</b>	<b>11,627</b>	<b>12,847</b>
Net property and equipment	60	30	227	210	154	105
Intangible assets	6,833	6,127	6,352	5,995	5,610	4,868
Goodwill	4,182	4,182	4,724	4,724	4,724	4,724
Other assets	33	-	-	-	-	-
<b>Total assets</b>	<b>19,120</b>	<b>20,453</b>	<b>21,267</b>	<b>23,990</b>	<b>22,115</b>	<b>22,544</b>
Accounts payable and accrued expenses	8,208	6,895	7,893	10,108	9,392	10,374
Warranty reserve	-	492	580	652	652	652
Short-term debt	3,668	807	2,684	4,513	1,513	513
Earn-out payable	-	-	137	197	197	197
Convertible notes payable	50	50	-	-	-	-
Deferred revenue	496	1,127	938	334	334	334
Derivative liabilities	-	1,857	326	2,268	2,268	2,268
Other short-term liabilities	251	-	5	37	37	37
<b>Total current liabilities</b>	<b>12,673</b>	<b>11,228</b>	<b>12,563</b>	<b>18,109</b>	<b>14,393</b>	<b>14,375</b>
Long-term debt	4,061	-	328	2,064	1,064	-
Earn-out payable	-	-	273	213	213	213
Deferred revenue	272	175	135	116	116	116
<b>Total liabilities</b>	<b>17,006</b>	<b>11,403</b>	<b>13,299</b>	<b>20,502</b>	<b>15,786</b>	<b>14,704</b>
<b>Total stockholders' equity**</b>	<b>2,114</b>	<b>9,050</b>	<b>7,968</b>	<b>3,488</b>	<b>6,330</b>	<b>7,840</b>
<b>Total liabilities &amp; stockholders' equity</b>	<b>19,120</b>	<b>20,453</b>	<b>21,267</b>	<b>23,990</b>	<b>22,115</b>	<b>22,544</b>

\*Retrospectively adjusted for the acquisitions of Mimio and Genesis

\*\* 2019 includes \$1 million additional paid-in-capital related to acquisitions and conv. of notes payable

Source: Company filings and Taglich Brothers' estimates

Boxlight Corporation

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

	<u>2016A*</u>	<u>2017A</u>	<u>2018A</u>	<u>2019E</u>	<u>2020E</u>
Revenue	20,372	25,744	37,841	43,909	55,000
Cost of revenue	<u>12,960</u>	<u>19,330</u>	<u>29,188</u>	<u>30,736</u>	<u>38,500</u>
Gross profit	7,412	6,414	8,653	13,173	16,500
General and administrative	7,690	13,190	14,977	15,454	17,000
Research and development	<u>1,008</u>	<u>466</u>	<u>672</u>	<u>1,061</u>	<u>1,000</u>
Operating income (loss)	(1,286)	(7,242)	(6,996)	(3,342)	(1,500)
Interest expense	(818)	(635)	(841)	(1,062)	(490)
Gain on settlement of liabilities	-	276	165	146	-
Change in fair value of derivative liabilities	-	861	426	(1,899)	-
Other income (expense)	<u>43</u>	<u>201</u>	<u>69</u>	<u>95</u>	<u>100</u>
Income before taxes	(2,061)	(6,539)	(7,177)	(6,062)	(1,890)
Income tax	-	-	-	-	-
Net Income / (loss)	<u>(2,061)</u>	<u>(6,539)</u>	<u>(7,177)</u>	<u>(6,062)</u>	<u>(1,890)</u>
EPS	<u>(0.48)</u>	<u>(1.20)</u>	<u>(0.72)</u>	<u>(0.57)</u>	<u>(0.17)</u>
Shares Outstanding	4,299	5,455	9,922	10,662	11,250
<u>Margin Analysis</u>					
Gross margin	36.4%	24.9%	22.9%	30.0%	30.0%
General and administrative	37.7%	51.2%	39.6%	35.2%	30.9%
Research and development	4.9%	1.8%	1.8%	2.4%	1.8%
Operating margin	(6.3)%	(28.1)%	(18.5)%	(7.6)%	(2.7)%
<u>Year / Year Growth</u>					
Total Revenues	503.3%	26.4%	47.0%	16.0%	25.3%

\*Retrospectively adjusted for the acquisitions of Mimio and Genesis  
Source: Company filings and Taglich Brothers' estimates

Boxlight Corporation

Quarterly Income Statements 2018A - 2020E  
(in thousands \$)

	<u>3/18A</u>	<u>6/18A</u>	<u>9/18A</u>	<u>12/18A</u>	<u>2018A</u>	<u>3/19A</u>	<u>6/19A</u>	<u>9/19E</u>	<u>12/19E</u>	<u>2019E</u>	<u>3/20E</u>	<u>6/20E</u>	<u>9/20E</u>	<u>12/20E</u>	<u>2020E</u>
Revenue	5,997	9,663	10,196	11,985	37,841	5,013	11,096	15,000	12,800	43,909	8,250	14,850	20,900	11,000	55,000
Cost of revenue	4,516	7,938	7,764	8,970	29,188	3,428	7,848	10,500	8,960	30,736	5,775	10,395	14,630	7,700	38,500
Gross profit	1,481	1,725	2,432	3,015	8,653	1,585	3,248	4,500	3,840	13,173	2,475	4,455	6,270	3,300	16,500
General and administrative	3,194	3,726	4,262	3,795	14,977	3,760	3,894	3,900	3,900	15,454	4,250	4,250	4,250	4,250	17,000
Research and development	93	177	99	303	672	236	325	250	250	1,061	250	250	250	250	1,000
Operating income (loss)	(1,806)	(2,178)	(1,929)	(1,083)	(6,996)	(2,411)	(971)	350	(310)	(3,342)	(2,025)	(45)	1,770	(1,200)	(1,500)
Interest expense	(147)	(207)	(188)	(299)	(841)	(281)	(479)	(156)	(146)	(1,062)	(137)	(127)	(118)	(108)	(490)
Gain on settlement of liabilities	26	103	36	-	165	146	-	-	-	146	-	-	-	-	-
Change in fair value of derivative liabilities	1,035	(2,192)	821	762	426	(2,162)	263	-	-	(1,899)	-	-	-	-	-
Other income (expense)	(13)	17	39	26	69	21	24	25	25	95	25	25	25	25	100
Income before taxes	(905)	(4,457)	(1,221)	(594)	(7,177)	(4,687)	(1,163)	219	(431)	(6,062)	(2,137)	(147)	1,677	(1,283)	(1,890)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (loss)	(905)	(4,457)	(1,221)	(594)	(7,177)	(4,687)	(1,163)	219	(431)	(6,062)	(2,137)	(147)	1,677	(1,283)	(1,890)
EPS	(0.09)	(0.45)	(0.12)	(0.06)	(0.72)	(0.46)	(0.11)	0.02	(0.04)	(0.57)	(0.19)	(0.01)	0.15	(0.11)	(0.17)
Shares Outstanding	9,617	9,811	10,096	10,173	9,922	10,256	10,590	10,800	11,000	10,662	11,100	11,200	11,300	11,400	11,250
<u>Margin Analysis</u>															
Gross margin	24.7%	17.9%	23.9%	25.2%	22.9%	31.6%	29.3%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
General and administrative	53.3%	38.6%	41.8%	31.7%	39.6%	75.0%	35.1%	26.0%	30.5%	35.2%	51.5%	28.6%	20.3%	38.6%	30.9%
Research and development	1.6%	1.8%	1.0%	2.5%	1.8%	4.7%	2.9%	1.7%	2.0%	2.4%	3.0%	1.7%	1.2%	2.3%	1.8%
Operating margin	(30.1)%	(22.5)%	(18.9)%	(9.0)%	(18.5)%	(48.1)%	(8.8)%	2.3%	(2.4)%	(7.6)%	(24.5)%	(0.3)%	8.5%	(10.9)%	(2.7)%
<u>Year / Year Growth</u>															
Total Revenues	43.0%	61.5%	(0.3)%	124.5%	47.0%	(16.4)%	14.8%	47.1%	6.8%	16.0%	64.6%	33.8%	39.3%	(14.1)%	25.3%

\*Retrospectively adjusted for the acquisitions of Mimio and Genesis

Source: Company filings and Taglich Brothers' estimates

Boxlight Corporation

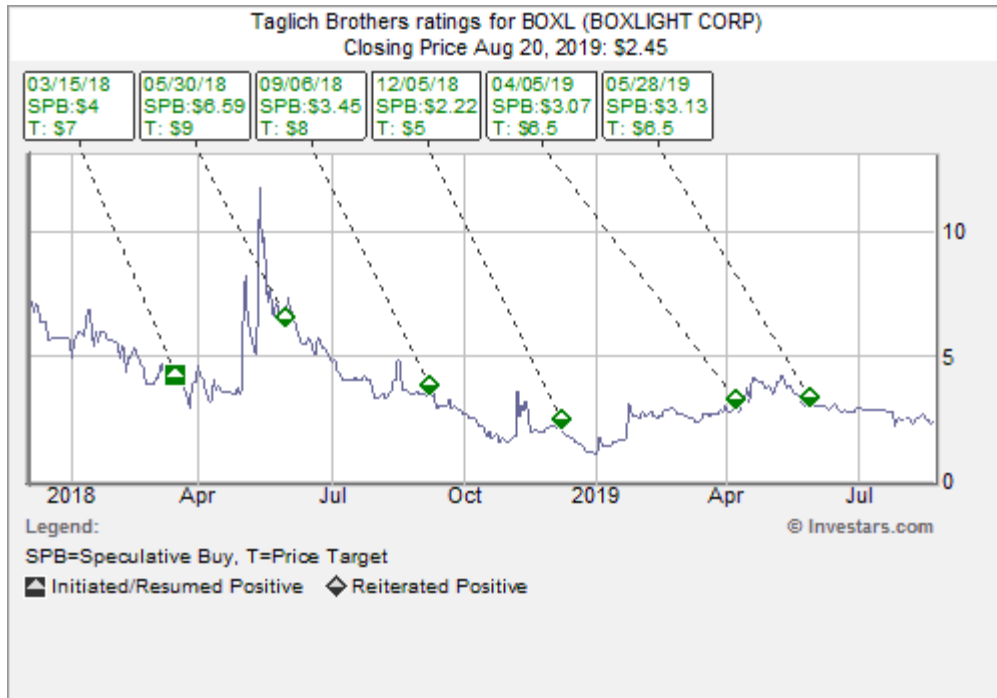
Statement of Cash Flows for the Periods Ended  
(in thousands \$)

	2016A*	2017A	2018A	6M19A	2019E	2020E
Net income (loss)	(2,062)	(6,539)	(7,178)	(5,850)	(6,062)	(1,890)
Bad debt expense	425	(89)	76	(52)	(52)	-
Change in allowance for sales returns	53	408	191	(150)	(150)	-
Change in inventory reserve	14	134	34	92	92	-
Change in fair value of derivative liability	-	-	(427)	1,899	1,899	-
Stock compensation expense	464	4,344	1,985	321	2,400	2,400
Other share-based payments	-	-	36	24	24	-
Depreciation & amortization	353	747	886	467	814	791
Loss on disposal of other assets	-	7	-	-	-	-
Amortization of debt discount	18	-	66	143	143	143
Debt extension fees	350	-	-	-	-	-
Gain on settlement of liabilities	-	(276)	-	(146)	(146)	-
Gain on settlement of accounts payable	-	-	(62)	-	-	-
Gain on settlement of derivative liabilities	-	(861)	(104)	-	-	-
Cash earnings (loss)	(385)	(2,125)	(4,497)	(3,252)	(1,038)	1,444
<i>Changes in assets and liabilities</i>						
Receivables	(910)	(465)	(73)	(3,548)	44	(763)
Inventories	2,654	(596)	836	1,260	(177)	(422)
Prepaid expenses and other	325	79	(805)	(176)	(261)	-
Warranty reserve	-	-	-	72	72	-
Accounts payable and accrued expenses	629	1,152	989	2,233	1,499	982
Deferred revenues	4	614	(225)	(624)	(623)	-
Other short-term liabilities	(8)	(2)	-	32	32	-
Accrued interest on long-term debt	61	-	-	-	-	-
(Increase) decrease in working capital	2,755	782	722	(751)	586	(203)
<b>Net cash provided by (used in) operations</b>	<b>2,370</b>	<b>(1,343)</b>	<b>(3,775)</b>	<b>(4,003)</b>	<b>(452)</b>	<b>1,241</b>
Cash acquired through acquisitions	358	-	1,310	10	10	-
Cash paid for acquisitions	-	-	(410)	-	-	-
Payment made for purchase of intangible assets	-	(10)	-	-	-	-
Proceeds from sales of property, equipment and other	9	-	-	-	-	-
<b>Net cash provided by (used in) investing</b>	<b>367</b>	<b>(10)</b>	<b>900</b>	<b>10</b>	<b>10</b>	<b>-</b>
Proceeds from short-term debt	6,941	10,215	23,861	9,676	9,676	-
Proceeds from convertible note payable	-	-	-	4,000	4,000	-
Debt issuance costs	-	-	-	(170)	(170)	-
Principal payments on short-term debt	(10,580)	(12,966)	(22,499)	(9,454)	(12,457)	(1,000)
Principal payments on convertible debt	(60)	-	-	-	(1,000)	(1,064)
Proceeds from subscriptions receivable	2	-	-	-	-	-
Distributions to the member	(815)	-	-	-	-	-
Proceeds from the issuance of common stock	1,219	5,679	420	-	1,000	1,000
<b>Net cash provided by (used in) financing</b>	<b>(3,293)</b>	<b>2,928</b>	<b>1,782</b>	<b>4,052</b>	<b>1,049</b>	<b>(1,064)</b>
Effect of currency exchange rates	19	(21)	(16)	(15)	(15)	-
<b>Net change in cash</b>	<b>(537)</b>	<b>1,554</b>	<b>(1,109)</b>	<b>44</b>	<b>592</b>	<b>177</b>
<b>Cash - beginning of period</b>	<b>994</b>	<b>456</b>	<b>2,010</b>	<b>901</b>	<b>901</b>	<b>1,493</b>
<b>Cash - end of period</b>	<b>456</b>	<b>2,010</b>	<b>901</b>	<b>945</b>	<b>1,493</b>	<b>1,670</b>

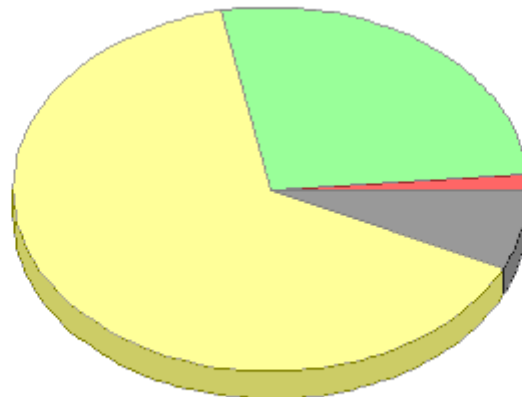
\*Retrospectively adjusted for the acquisitions of Mimio and Genesis

Source: Company filings and Taglich Brothers' estimates

**Price Chart**



**Taglich Brothers' Current Ratings Distribution**



■ 26.76 % Buy   ■ 64.79 % Hold   ■ 7.04 % Not Rated   ■ 1.41 % Sell

<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
Rating	#	%
Buy	2	9
Hold		
Sell		
Not Rated	1	25

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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 within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid a monetary fee of \$4,500 (USD) in February 2018 for the creation and dissemination of research reports for the first three months. After the first three months from initial publication, the company pays a monthly monetary fee of \$1,500 (USD) to Taglich Brothers, Inc., for a minimum of six months for the creation and dissemination of research reports.

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

#### **Public companies mentioned in this report:**

Apple Computer (NASDAQ: AAPL)  
Unisys (NYSE: UIS)

### **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.

**Dropping Coverage** – Research coverage discontinued due to the acquisition of the company, termination of research services, 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.**

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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.