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Research Report – Update

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

Boxlight Corporation

Speculative Buy

John Nobile
November 21, 2019

BOXL $1.55 — (NASDAQ)

	2017A	2018A	2019E	2020E
Revenues (millions)	$25.7	$37.8	$39.3	$47.0
Earnings (loss) per share	$(1.20)	$(0.72)	$(0.69)	$(0.48)

52-Week range	$4.56 – $1.14	Fiscal year ends:	December
Common shares out as of 11/11/19	11.0 million	Revenue per share (TTM)	$3.80
Approximate float	9.0 million	Price/Sales (TTM)	0.4X
Market capitalization	$17 million	Price/Sales (FY2020)E	0.4X
Tangible book value/share	$(0.62)	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 $3.50 per share from $5.50 per share due primarily to our reduced 2020 sales projection.

We expect the company's sales growth to slow to 3.9% in 2019, down from 47% growth in 2018 due primarily to startup issues with the company's Clarity product and some large contracts having longer rollout periods (multi-year) compared to 2018. We expect double digit sales growth to resume in 2020 as the issues with Boxlight's Clarity product are resolved and contract wins continue.

Market Research Future projects the global smart education market to reach $952 billion by 2023 for a compound annual growth rate (CAGR) of 26% from 2017 to 2023.

In November 2019, BOXL announced it entered into an exclusive global reseller partnership agreement with Moovly Media Inc. to resell the jointly branded MimioMoovly cloud-based, video creation software.

In November 2019, BOXL announced it was selected to install interactive flat panels and other interactive technologies in school districts in Texas, Georgia, and Michigan totaling more than $750,000.

Boxlight reported (on 11/12/19) 3Q19 revenue increased 13.8% to $11.6 million and a net loss of $(0.03) per share versus a loss $(0.12) per share in 3Q18. We projected 3Q19 revenue of $15 million and EPS of $0.02.

For 2019, we project revenue growth of 3.9% to $39.3 million and a loss of $(0.69) per share. We previously forecasted revenue of $43.9 million and a loss of $(0.57) per share. Our revised forecast primarily reflects 3Q19 results and expectations for flat sequential growth in 4Q19.

For 2020, we project revenue growth of 19.6% to $47 million and a loss of $(0.48) per share. We previously forecasted revenue of $55 million and a loss of $(0.17) per share. Our revised forecast primarily reflects a slower ramp up in product sales than previously anticipated.

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

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Recommendation and Valuation

We are maintaining our Speculative Buy rating on Boxlight Corporation but lowering our twelve-month price target to $3.50 per share from $5.50 per share due primarily to our reduced 2020 sales projection.

We expect the company's sales growth to slow to 3.9% in 2019, down from 47% growth in 2018 due primarily to startup issues with the company's Clarity product and some large contracts having longer rollout periods (multi-year) compared to 2018. One contract alone (Clayton County) was installed in seven months and generated approximately 30% of the company's total sales in 2018. We expect double digit sales growth resuming in 2020 as the issues with Boxlight's Clarity product are resolved and contract wins continue within the growing education market.

The global smart education market is projected to reach $952 billion by 2023 for a compound annual growth rate (CAGR) of 26% from 2017 to 2023 according to an October 2019 report by industry report publisher Market Research Future.

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 the remainder of 2019 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.

Shares of BOXL currently trade at a trailing 12-month price/sales multiple of 0.4X (previously 0.7X). The industry trades at a TTM price/sales multiple of 4X. We project sales growth of 19.6% for BOXL in 2020 compared to 7% for the industry. With projected sales growth outpacing the industry, we anticipate investors are likely to accord BOXL a multiple that approaches the industry. We applied a multiple of 1X (down from 1.2X previously due to diminished valuation) to our FY20 sales per share projection of $3.87 (prior was $4.89), discounted for execution risk, to derive a year-ahead value of approximately $3.50 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 April 2016. A brief description can be seen in the table below:

April 2016	Boxlight acquired Mimio LLC, a designer, producer and distributer 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 distributer of interactive projectors that suit the varying needs of instructors, teachers and presenters.
May 2018	Boxlight acquired Cohuborate, Ltd., a UK-based producer and distributer 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 Expands Offerings with Addition of Moovly Video Content Creation Solution – In November 2019, Boxlight announced it entered into an exclusive global reseller partnership agreement with Moovly Media Inc.

Boxlight will resell the jointly branded MimioMoovly cloud-based, video creation software. With no installation or maintenance needed, the online tool will enable students and teachers to easily create videos using over 1.3 million royalty-free media assets – including photos, illustrations, video clips, sound and music – to support classroom instruction, flipped classroom videos, video assignments, media literacy workshops, and more.

Boxlight Awarded New District Sales Totaling More than $750,000 – In November 2019, Boxlight announced it has been selected to install interactive flat panels and other interactive technologies in school districts in Texas, Georgia and Michigan totaling more than $750,000. The new sales include West Orange Cove Independent School District in Texas, Owosso Public Schools in Michigan, and Jenkins County Schools in Georgia.

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.

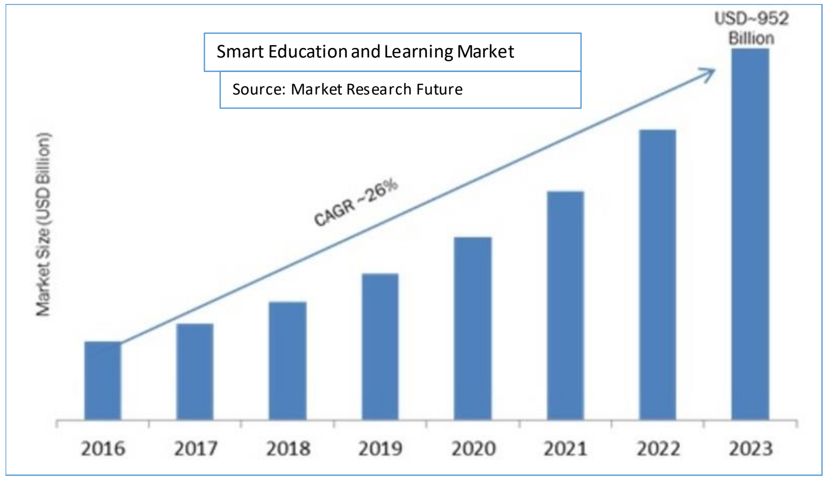
Boxlight does not manufacture any of the products it sells. Many of the company's products and components are manufactured by original design manufacturers (ODMs) and original equipment manufacturers (OEMs) located in the US, Taiwan, China, and Germany.

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 is projected to reach $952 billion by 2023 for a compound annual growth rate (CAGR) of 26% from 2017 to 2023 according to an October 2019 report by industry report publisher Market Research Future (see chart at right). Professional expertise with technology and towards digital learning are anticipated to be key drivers in the smart education and learning market.



Grand View Research said that rising demand for innovative and interactive techniques such as educational apps were expected to propel this market. Compared to traditional classrooms based on one-way learning, the learning experience in current times has transformed immensely with students being exposed to digital devices at an early age. New learning modes such as adaptive learning, simulation-based learning, blended learning, and collaborative learning have subsequently evolved and offer an enhanced learning experience.

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. In June 2019, Market Research Future projected the global educational robot market to grow at a CAGR of approximately 17.4% from 2018 to 2023 reaching a market size of over $1.5 billion. The role of educational robots is not to replace teachers but to make the whole learning process much easier and convenient for the students. Educational robots can be described as an assortment of activities, instructional curriculums, physical podiums, enlightening resources, and educational philosophy.

Competition

Boxlight operates in the highly competitive interactive education industry and faces substantial competition from developers, manufacturers and distributers 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 anticipates achieving 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 October 2019, the International Monetary Fund (IMF) lowered its global economic growth estimates to 3% for 2019 and 3.4% for 2020, down from its July 2019 estimates of 3.2% for 2019 and 3.5% for 2020. The IMF said that after slowing sharply in the last three quarters of 2018, the pace of global economic activity remains weak. Momentum in manufacturing activity has weakened substantially to levels not seen since the global financial crisis.

The IMF lowered its economic growth estimate for the US to 2.4% for 2019 but raised it to 2.1% for 2020. In July 2019, the IMF projected US growth of 2.6% for 2019 and 1.9% for 2020. The IMF said that trade tensions have resulted in tariff increases between the US and China and have hurt business sentiment and confidence globally. While financial market sentiment has been undermined by these developments, a shift toward increased monetary policy accommodation in the US has been a counterbalancing force.

The advance estimate of US GDP growth (released on October 30, 2019) showed the US economy grew at an annual rate of 1.9% in 3Q19, down from 2% in 2Q19. The 3Q19 US GDP growth estimate primarily reflects increases in consumer and government spending, housing investment, and exports, while business and inventory investment 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 26% to 2023.

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 the remainder of 2019 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 3.9% to \$39.3 million and a net loss of \$7.5 million or \$(0.69) per share. We previously forecasted revenue of \$43.9 million and a net loss of \$6.1 million or \$(0.57) per share. Our revised forecast primarily reflects 3Q19 results and expectations for flat sequential growth in 4Q19.

We project a 35.8% increase in gross profit to \$11.8 million from \$8.7 million due to revenue growth and gross margins increasing to 29.9% 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 \$15.9 million from \$15 million and R&D expenses increasing to \$1.2 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 $1.8 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 $5 million cash used in operations primarily from a cash loss. We project $5.2 million cash from financing due primarily to proceeds from the issuance of common stock and a net increase in debt. We project a $226,000 increase in cash to $1.1 million at December 31, 2019.

2020 – We project revenue growth of 19.6% to $47 million and a net loss of $5.9 million or $(0.48) per share. We previously forecasted revenue of $55 million and a net loss of $1.9 million or $(0.17) per share. Our revised forecast primarily reflects a slower ramp in product sales than previously anticipated due to some of the company's larger contracts having longer rollout periods than contracts in prior years.

We project a 20% increase in gross profit to $14.1 million from $11.8 million due primarily to revenue growth.

We anticipate general and administrative expenses increasing to $16.8 million from $15.9 million due primarily to increased compensation costs. R&D expenses are projected to remain relatively flat at $1.2 million.

Interest expense should increase to $2.1 million from $1.8 million due to a higher average debt level. We project the company paying no taxes due to its large amount of net operating loss carryforwards.

We project $3.5 million cash used in operations primarily from a cash loss. We project $3 million cash from financing due primarily to proceeds from the issuance of common stock and a net increase in debt. We project a $506,000 decrease in cash to $621,000 at December 31, 2020.

3Q and Nine-month 2019 Financial Results

3Q19 - Revenue increased 13.8% to $11.6 million from $10.2 million. The company reported a net loss of $294,000 or $(0.03) per share versus a loss of $1.2 million or $(0.12) per share in 3Q18. Included in the net loss for 3Q19 was a $1.4 million or $0.13 per share gain related to the change in fair value of derivative liabilities. Included in the net loss for 3Q18 was an $821,000 or $0.08 per share gain related to the change in fair value of derivative liabilities. Excluding these items, Boxlight would have reported a 3Q19 net loss of $1.7 million or $(0.16) per share and a loss of $2 million or $(0.20) per share in 3Q18. We projected 3Q19 revenue of $15 million and net income of $219,000 or $0.02 per share.

The company's revenue growth reflects increases in sales of hardware, software, and services. Gross profit increased 41.4% to $3.4 million aided by gross margin expansion to 29.6% from 23.9%. The increase in gross margins was primarily due to the delivery of two large low margin projects in 2Q18.

General and administrative expenses were flat at $4.3 million while research and development expenses were up more than three-fold to $351,000 due to increased software and engineering costs. Interest expense more than doubled to $517,000 from $188,000 as a result of increased debt.

Nine-months 2019 - Revenue increased 7.2% to $27.7 million from $25.9 million. The company reported a net loss of $6.1 million or $(0.58) per share versus a loss of $6.6 million or $(0.66) per share in the year ago period. Included in the net loss for 2019 was a

	9M Ended (in thousands $)	
	2019A	2018A
Revenue	27,711	25,856
Cost of revenue	19,440	20,218
Gross profit	8,272	5,639
General and administrative	11,912	11,183
Research and development	912	369
Operating income (loss)	(4,552)	(5,913)
Interest expense	(1,277)	(543)
Other income (expense)	66	42
Changes in fair value of derivative liabilites	(527)	(335)
Gain from settlement of liabilites	146	165
Income before taxes	(6,144)	(6,583)
Income tax	-	-
Net Income / (loss)	(6,144)	(6,583)
EPS	(0.58)	(0.66)
Shares Outstanding	10,533	9,947
Margin Analysis		
Gross margin	29.8%	21.8%
General and administartive	43.0%	43.3%
Research and development	3.3%	1.4%
Operating margin	(16.4)%	(22.9)%
Year / Year Growth		
Total Revenues	7.2%	
Net Income	NMF	
EPS	NMF	
Source: Company filings		

$527,000 or $(0.05) per share expense related to the change in fair value of derivative liabilities and a $146,000 or $0.01 per share gain related to the settlement of liabilities. Included in the net loss for 2018 was a $335,000 or $(0.03) per share expense related to the change in fair value of derivative liabilities a $165,000 or $0.02 per share gain related to the settlement of liabilities. Excluding these items, Boxlight would have reported a net loss of $5.8 million or $(0.55) per share compared to a loss of $6.4 million or $(0.64) per share in 9M18.

Gross profit increased 46.7% to $8.3 million aided by gross margin expansion to 29.8% from 21.8%. General and administrative expenses increased 6.5% to $11.9 million and research and development expenses more than doubled to $912,000 from $369,000. Interest expense more than doubled to $1.3 million from $543,000.

Liquidity – As of September 30, 2019, Boxlight had $806,000 cash, a current ratio of 0.7, a debt to equity ratio of 2.3, and 15% of assets financed by equity.

In the first nine months of 2019, cash used in operations was $6.3 million consisting of a $4.2 million cash loss and a $2.1 million 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 financing of $6.2 million consisted of a net increase in debt. Cash decreased by $95,000 to $806,000 at September 30, 2019.

At September 30, 2019, the company had $8.8 million of debt ($7.2 million short-term) consisting of $4.4 million of accounts receivable financing at prime plus 4% and $4.4 million of notes payable at rates ranging from 5% to 10%.

Risks

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

Going concern - As of September 30, 2019, Boxlight had an accumulated deficit of approximately $25.4 million and a nine-month 2019 net loss of $6.1 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 September 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 9 million shares in the float and the average daily volume is approximately 68,000 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.

Consolidated Balance Sheets
(in thousands $)

	2016A*	2017A	2018A	9/19A	2019E	2020E
Cash and cash equivalents	457	2,010	901	806	1,127	621
Receivables	2,944	3,090	3,635	8,415	3,822	4,178
Inventories	4,164	4,626	4,214	3,418	3,937	4,113
Prepaid expenses	447	388	1,214	1,582	1,582	1,582
Total current assets	8,012	10,114	9,964	14,221	10,468	10,493
Net property and equipment	60	30	227	210	154	105
Intangible assets	6,833	6,127	6,352	5,777	5,610	4,868
Goodwill	4,182	4,182	4,724	4,724	4,724	4,724
Other assets	33	-	-	-	-	-
Total assets	**19,120**	**20,453**	**21,267**	**24,932**	**20,956**	**20,190**
Accounts payable and accrued expenses	8,208	6,895	7,893	9,793	8,421	8,865
Warranty reserve	-	492	580	780	780	780
Short-term debt	3,668	807	2,684	7,241	5,241	6,241
Earn-out payable	-	-	137	289	289	289
Convertible notes payable	50	50	-	-	-	-
Deferred revenue	496	1,127	938	311	311	311
Derivative liabilities	-	1,857	326	896	896	896
Other short-term liabilities	251	-	5	78	78	78
Total current liabilities	12,673	11,228	12,563	19,388	16,016	17,460
Long-term debt	4,061	-	328	1,580	1,580	1,580
Earn-out payable	-	-	273	99	99	99
Deferred revenue	272	175	135	97	97	97
Total liabilities	**17,006**	**11,403**	**13,299**	**21,164**	**17,792**	**19,236**
Total stockholders' equity	**2,114**	**9,050**	**7,968**	**3,768**	**3,164**	**955**
Total liabilities & stockholders' equity	**19,120**	**20,453**	**21,267**	**24,932**	**20,956**	**20,190**

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

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

	2016A*	2017A	2018A	2019E	2020E
Revenue	20,372	25,744	37,841	39,312	47,000
Cost of revenue	12,960	19,330	29,188	27,560	32,900
Gross profit	7,412	6,414	8,653	11,752	14,100
General and administrative	7,690	13,190	14,977	15,912	16,800
Research and development	1,008	466	672	1,212	1,200
Operating income (loss)	(1,286)	(7,242)	(6,996)	(5,372)	(3,900)
Interest expense	(818)	(635)	(841)	(1,792)	(2,060)
Gain on settlement of liabilites	-	276	165	146	-
Change in fair value of derivative liabilites	-	861	426	(527)	-
Other income (expense)	43	201	69	91	100
Income before taxes	(2,061)	(6,539)	(7,177)	(7,454)	(5,860)
Income tax	-	-	-	-	-
Net Income / (loss)	(2,061)	(6,539)	(7,177)	(7,454)	(5,860)
EPS	(0.48)	(1.20)	(0.72)	(0.69)	(0.48)
Shares Outstanding	4,299	5,455	9,922	10,748	12,150
Margin Analysis					
Gross margin	36.4%	24.9%	22.9%	29.9%	30.0%
General and administrative	37.7%	51.2%	39.6%	40.5%	35.7%
Research and development	4.9%	1.8%	1.8%	3.1%	2.6%
Operating margin	(6.3)%	(28.1)%	(18.5)%	(13.7)%	(8.3)%
Year / Year Growth					
Total Revenues	503.3%	26.4%	47.0%	3.9%	19.6%

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

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

	3/18A	6/18A	9/18A	12/18A	2018A	3/19A	6/19A	9/19A	12/19E	2019E	3/20E	6/20E	9/20E	12/20E	2020E
Revenue	5,997	9,663	10,196	11,985	37,841	5,013	11,096	11,603	11,600	39,312	7,050	14,100	16,450	9,400	47,000
Cost of revenue	4,516	7,938	7,764	8,970	29,188	3,428	7,848	8,164	8,120	27,560	4,935	9,870	11,515	6,580	32,900
Gross profit	1,481	1,725	2,432	3,015	8,653	1,585	3,248	3,439	3,480	11,752	2,115	4,230	4,935	2,820	14,100
General and administrative	3,194	3,726	4,262	3,795	14,977	3,760	3,894	4,258	4,000	15,912	4,200	4,200	4,200	4,200	16,800
Research and development	93	177	99	303	672	236	325	351	300	1,212	300	300	300	300	1,200
Operating income (loss)	(1,806)	(2,178)	(1,929)	(1,083)	(6,996)	(2,411)	(971)	(1,170)	(820)	(5,372)	(2,385)	(270)	435	(1,680)	(3,900)
Interest expense	(147)	(207)	(188)	(299)	(841)	(281)	(479)	(517)	(515)	(1,792)	(515)	(515)	(515)	(515)	(2,060)
Gain on settlement of liabilites	26	103	36	-	165	146	-	-	-	146	-	-	-	-	-
Change in fair value of derivative liabilites	1,035	(2,192)	821	762	426	(2,162)	263	1,372	-	(527)	-	-	-	-	-
Other income (expense)	(13)	17	39	26	69	21	24	21	25	91	25	25	25	25	100
Income before taxes	(905)	(4,457)	(1,221)	(594)	(7,177)	(4,687)	(1,163)	(294)	(1,310)	(7,454)	(2,875)	(760)	(55)	(2,170)	(5,860)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (loss)	(905)	(4,457)	(1,221)	(594)	(7,177)	(4,687)	(1,163)	(294)	(1,310)	(7,454)	(2,875)	(760)	(55)	(2,170)	(5,860)
EPS	(0.09)	(0.45)	(0.12)	(0.06)	(0.72)	(0.46)	(0.11)	(0.03)	(0.11)	(0.69)	(0.25)	(0.06)	(0.00)	(0.17)	(0.48)
Shares Outstanding	9,617	9,811	10,096	10,173	9,922	10,256	10,590	10,746	11,400	10,748	11,700	12,000	12,300	12,600	12,150
Margin Analysis															
Gross margin	24.7%	17.9%	23.9%	25.2%	22.9%	31.6%	29.3%	29.6%	30.0%	29.9%	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%	36.7%	34.5%	40.5%	59.6%	29.8%	25.5%	44.7%	35.7%
Research and development	1.6%	1.8%	1.0%	2.5%	1.8%	4.7%	2.9%	3.0%	2.6%	3.1%	4.3%	2.1%	1.8%	3.2%	2.6%
Operating margin	(30.1)%	(22.5)%	(18.9)%	(9.0)%	(18.5)%	(48.1)%	(8.8)%	(10.1)%	(7.1)%	(13.7)%	(33.8)%	(1.9)%	2.6%	(17.9)%	(8.3)%
Year / Year Growth															
Total Revenues	43.0%	61.5%	(0.3)%	124.5%	47.0%	(16.4)%	14.8%	13.8%	(3.2)%	3.9%	40.6%	27.1%	41.8%	(19.0)%	19.6%

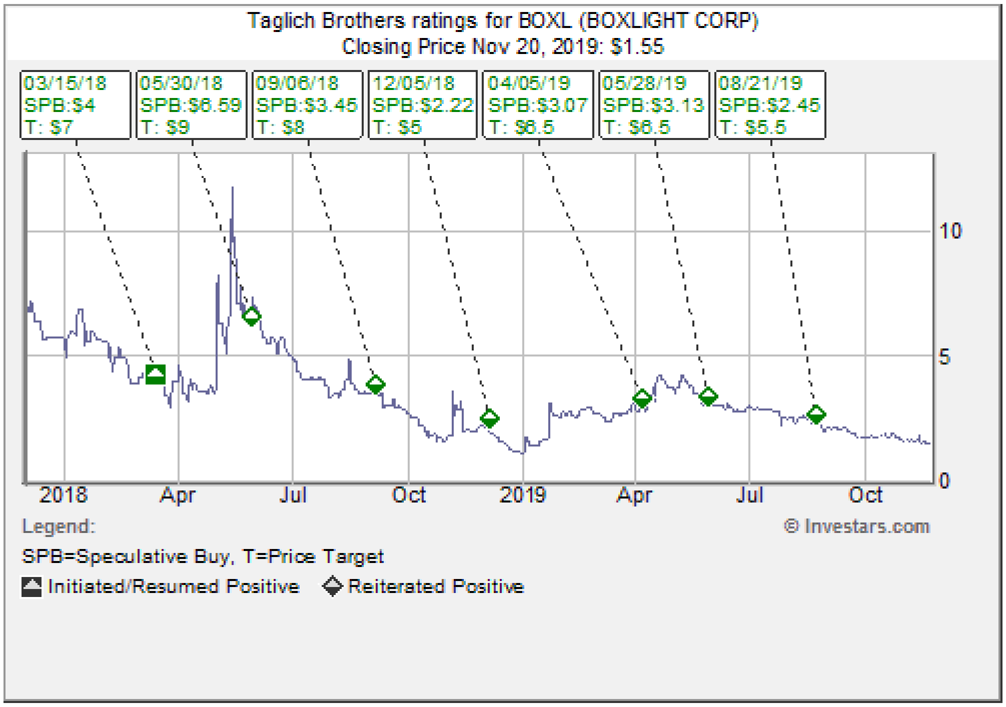
*Retrospectively adjusted for the acquisitions of Mimio and Genesis
Source: Company filings and Taglich Brothers' estimates

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

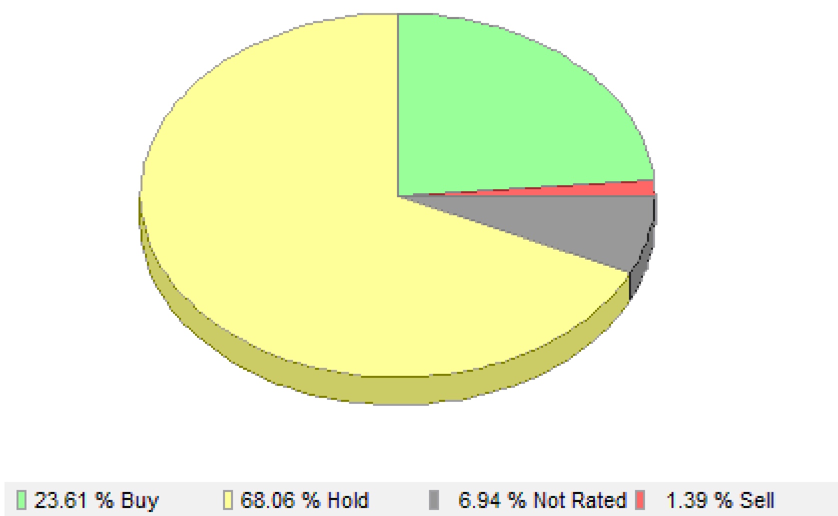
	2016A*	2017A	2018A	9M19A	2019E	2020E
Net income (loss)	(2,062)	(6,539)	(7,178)	(6,144)	(7,454)	(5,860)
Bad debt expense	425	(89)	76	(79)	(79)	-
Change in allowance for sales returns	53	408	191	(84)	(84)	-
Change in inventory reserve	14	134	34	(82)	(82)	-
Change in fair value of derivative liability	-	-	(427)	527	527	-
Stock compensation expense	464	4,344	1,985	896	1,600	1,600
Other share-based payments	-	-	36	36	50	50
Depreciation & amortization	353	747	886	689	814	791
Loss on disposal of other assets	-	7	-	-	-	-
Amortization of debt discount	18	-	66	211	211	211
Debt extension fees	350	-	-	-	-	-
Gain on settlement of liabilities	-	(276)	-	(146)	(146)	-
Gain on settlement of accounts payable	-	-	(62)	-	-	-
Gain on settlement of derivattive liabilities	-	(861)	(104)	-	-	-
Cash earnings (loss)	(385)	(2,125)	(4,497)	(4,177)	(4,643)	(3,208)
Changes in assets and liabilities						
Receivables	(910)	(465)	(73)	(4,611)	(187)	(356)
Inventories	2,654	(596)	836	1,264	104	(386)
Prepaid expenses and other	325	79	(805)	(283)	(368)	-
Warranty reserve	-	-	-	199	200	-
Accounts payable and accrued expenses	629	1,152	989	1,919	528	444
Deferred revenues	4	614	(225)	(664)	(665)	-
Other short-term liabilities	(8)	(2)	-	73	73	-
Accrued interest on long-term debt	61	-	-	-	-	-
(Increase) decrease in working capital	2,755	782	722	(2,103)	(315)	(298)
Net cash provided by (used in) operations	**2,370**	**(1,343)**	**(3,775)**	**(6,280)**	**(4,958)**	**(3,506)**
Cash acquired through acquisitions	358	-	1,310	10	10	-
Cash paid for acquisitions	-	-	(410)	-	-	-
Cash paid for furniture and fixtures	-	-	-	(4)	(4)	
Payment made for purchase of intangible assets	-	(10)	-	-	-	-
Proceeds from sales of property, equipment and other	9	-	-	-	-	-
Net cash provided by (used in) investing	**367**	**(10)**	**900**	**7**	**6**	**-**
Proceeds from short-term debt	6,941	10,215	23,861	22,025	22,025	19,500
Proceeds from convertible note payable	-	-	-	4,000	4,000	3,500
Debt issuance costs	-	-	-	(170)	(170)	-
Principal payments on short-term debt	(10,580)	(12,966)	(22,499)	(19,627)	(21,627)	(22,000)
Principal payments on convertible debt	(60)	-	-	-	-	-
Proceeds from subscriptions receivable	2	-	-	-	-	-
Distributions to the member	(815)	-	-	-	-	-
Other	-	-	-	(23)	(23)	-
Proceeds from the issuance of common stock	1,219	5,679	420	-	1,000	2,000
Net cash provided by (used in) financing	**(3,293)**	**2,928**	**1,782**	**6,205**	**5,205**	**3,000**
Effect of currency exchange rates	19	(21)	(16)	(27)	(27)	-
Net change in cash	**(537)**	**1,554**	**(1,109)**	**(95)**	**226**	**(506)**
Cash - beginning of period	**994**	**456**	**2,010**	**901**	**901**	**1,127**
Cash - end of period	**456**	**2,010**	**901**	**806**	**1,127**	**621**

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

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	**2**	**10**
Hold		
Sell		
Not Rated	**1**	**25**

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Public companies mentioned in this report:

Apple Computer (NASDAQ: AAPL)
Moovly Media Inc. (OTC: MVVYF)
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.

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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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