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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
December 5, 2018

BOXL $2.22 — (NASDAQ)

	2016A	2017A	2018E	2019E
Revenues (millions)	$20.4	$25.7	$36.9	$45.0
Earnings (loss) per share	$(0.48)	$(1.20)	$(0.84)	$(0.57)

52-Week range	$17.40 – $1.57	Fiscal year ends:	December
Common shares out as of 11/8/18	10.2 million	Revenue per share (TTM)	$3.44
Approximate float	2.4 million	Price/Sales (TTM)	0.6X
Market capitalization	$23 million	Price/Sales (FY2019)E	0.6X
Tangible book value/share	$(0.31)	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2019)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:

Reiterating Speculative Buy rating on Boxlight Corporation but reducing our twelve-month price target to $5.00 per share from $8.00 due to diminished valuations and our decreased 2019 sales projection.

The global smart education market that Boxlight operates in is projected to grow at a compound annual growth rate (CAGR) of more than 15% to 2021.

Within the global smart education market, Boxlight derives approximately two-thirds of its revenue from sales of interactive flat panel displays and projectors. The global interactive flat panel display market is projected to grow at a CAGR of over 39%, reaching approximately $27.1 billion by 2021.

In September 2018, Boxlight acquired EOS Education, a consulting and professional development company for the K-12 education market. This acquisition should enhance Boxlight's professional services division. Professional services could produce as much as 10% of BOXL's total revenues with gross profit margins in excess of 50%.

In 3Q18, Boxlight reported (on 11/13/18) flat revenue of $10.2 million. The net loss was $(0.12) per share versus EPS of $0.08 in 3Q17. Included in the net loss for 3Q18 was an $0.08 per share gain related to the change in fair value liability. We projected revenue of $17.7 million and EPS of $0.02. The shortfall was primarily due to a large portion of an order from Clayton County Georgia that will ship in 4Q18 versus our expectations for 3Q18.

For 2018, we project revenue growth of 43.2% to $36.9 million and a loss of $(0.84) per share. We previously forecasted revenue of $43.9 million and a loss of $(0.65) per share. Our revised forecast primarily reflects 3Q18 results.

For 2019, we project revenue growth of 22.1% to $45 million and a loss of $(0.57) per share. We previously forecasted revenue of $52.7 million and a loss of $(0.15) per share. Our revised forecast primarily reflects lower volumes and gross margins than originally anticipated.

****Please view our disclosures on pages 14 - 16.***

790 New York Avenue, Huntington, N.Y. 11743
(800) 383-8464 • Fax (631) 757-1333

Recommendation and Valuation

We are reiterating our Speculative Buy rating on Boxlight Corporation but reducing our twelve-month price target to $5.00 per share from $8.00 due to diminished valuations and our decreased 2019 sales projection.

Our rating is based on over 30% average annual growth in the company's revenue to $45 million in 2019 from $20.4 million in 2016. 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 15% to 2021 according to industry report publisher, Technavio. Within this market, 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 at a CAGR of over 39% reaching approximately $27.1 billion by 2021.

Shares of BOXL currently trade at a TTM price/sales multiple of 0.6X (previously 0.9X). The industry trades at a TTM price/sales multiple of 4.3X (previously 4.4X). We project sales growth of 20.2% for BOXL in 2019 compared to 8.5% 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 1.4X (down from 1.8X previously due to diminished valuations) to our FY19 sales per share projection of $4.09 (prior was $5.02), discounted for execution risk, to derive a year-ahead value of approximately $5.00 per share.

Significant Development

Boxlight Acquires EOS Education - On September 24, 2018, Boxlight announced it acquired EOSEDU, LLC (EOS Education), a consulting and professional development company for the K-12 education market.

By adding EOS Education, the company can provide teachers the training and support they need for the successful integration of technology and provide a more robust portfolio of end-to-end services that complement Boxlight's hardware and software solutions.

This acquisition should enhance Boxlight's professional services division, which could produce as much as 10% of BOXL's total revenues with gross profit margins in excess of 50%.

Boxlight acquired EOS Education for 100,000 shares of Boxlight common stock.

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 occurred in 2016.

In 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. In May 2016, Boxlight acquired Genesis Collaboration LLC, a provider of solutions that enhance interactive learning in the business, government, and education markets. In July 2016, Boxlight acquired the Boxlight Group, a seller and distributer of interactive projectors that suit the varying needs of instructors, teachers and presenters.

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

Business

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

The company's focus is to improve, produce and distribute products offered by Mimio, the Boxlight Group and Genesis, including interactive projectors, hi-resolution interactive LED panels, and science, technology, engineering and math (STEM) data logging products. Boxlight is also focused on developing new products utilizing a combination of technologies of the Boxlight Group and Mimio.

Some of the products that the company sells include interactive flat panel displays, interactive projectors, portable interactive whiteboards, touch boards, wireless pen tablets, touch tables, STEM Labdisc data loggers, and document cameras. Boxlight also offers mobile application software and products to aid in the assessment of student comprehension.

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) overseas. Substantially all of the company's sales are made through resellers and distributors.

The following is a brief description of some of the company's products:

Interactive flat panel displays – Boxlight's interactive flat panel displays (pictured at right) offer the brilliance of HD and 4K Ultra HD and have touch features. The company's displays can enable up to 10 users to work at the same time.

Interactive projectors – allow up to 10 students to work together at the same time with the ability to use touch to draw, write, move, scale and rotate content. Images range from 104 – 140 inches.

Portable interactive whiteboards – attach to dry erase boards and allow teachers to use the boards they already have to act like an interactive whiteboard for a fraction of the cost of conventional whiteboards.

Touch boards – interactive whiteboards that allow up to six individuals to work together simultaneously. Boxlight's touch boards provide an erasable surface that can also be used as a conventional white board.

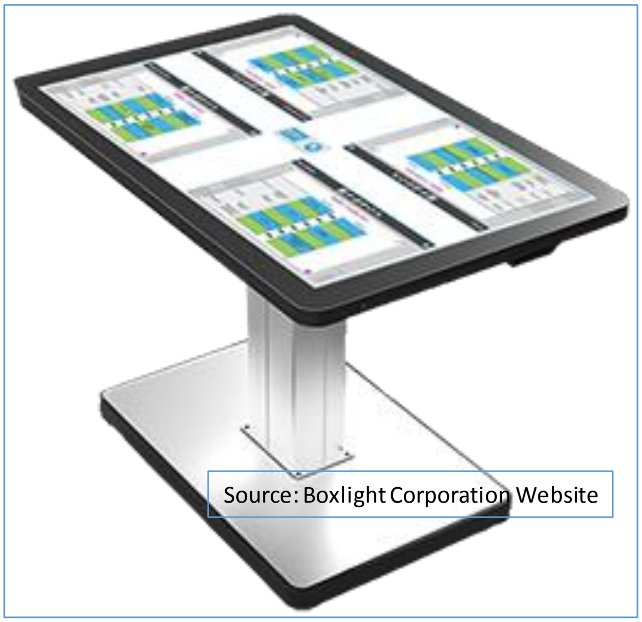
Wireless pan tablets – allow teachers to move freely around the classroom and control an interactive whiteboard from anywhere around the room. Multiple student's work can be viewed simultaneously on the front room display.

Touch tables – (pictured at top right on next page) are height adjustable to accommodate students of various heights or those using wheelchairs and allow multiple students to work together as a team for cooperative learning.

STEM labdisc data loggers – wireless devices that fit in the palms of student's hands. These devices have up to 15 built-in sensors and enable students to engage in experiments in a variety of science fields including biology, chemistry, physics, environmental science, and geography.

Document cameras – offer HD pictures or live HD video to be viewed by the entire class on a front-of-the-room display.

Mobile application software – Boxlight's mobile application software allows teachers to show any combination of a student's work on front-of-the-class displays. The software is compatible with Apple and Android phones and tablets, as well as any device with a supported Web browser – including Chromebooks, Windows, and Mac laptops, and Windows surface tablets.

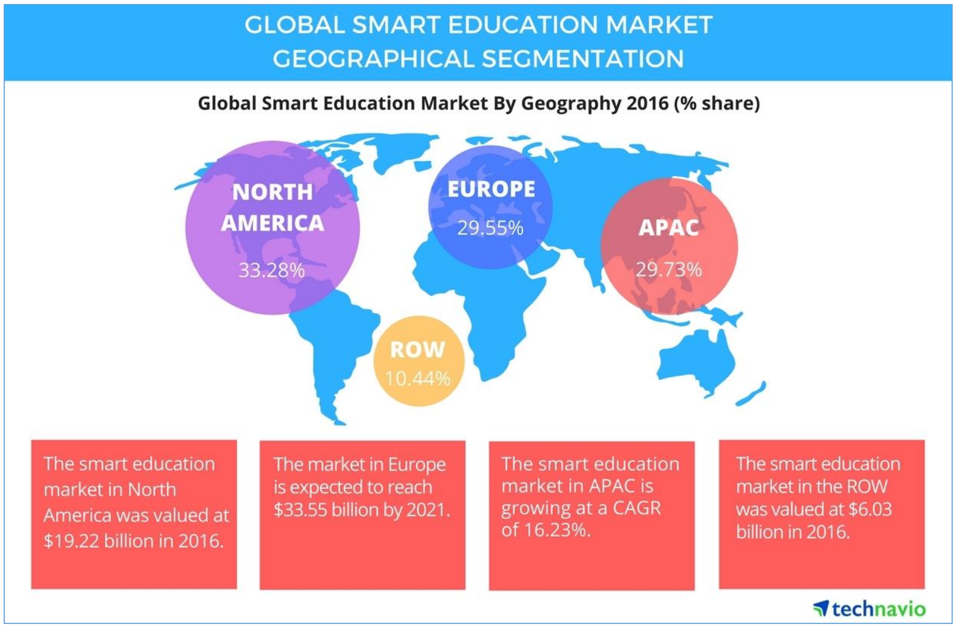


Source: Boxlight Corporation Website

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 15% to 2021 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 market research firm Futuresource projects a very robust rate of growth for interactive flat panel displays. In February 2018, Futuresource estimated flat panel displays grew 48% annually from 2013 to 2017. Futuresource expects this strong rate of growth to continue. Between 2013 and 2017 over half of sales were for displays over 70 inches and that two-thirds of US classrooms now have interactive displays.

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. To further its strategy, in May 2018, the company acquired UK-based Cohuborate, Qwizdom in June 2018, and EOS in September 2018. Through the Cohuborate acquisition, Boxlight gains their sales and operations team and a network of reseller partners to distribute Boxlight's products to the education market throughout the UK. Qwizdom's software and partner relationships are expected to enhance Boxlight's existing product suite and expand the company's distribution network. EOS will enable Boxlight to provide the training and support services that teachers need to successfully integrate Boxlight's technology.

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. In 2018, Boxlight hired sales professionals with significant education technology experience in their respective territories.

Economic Outlook

In October 2018, the IMF lowered its global economic growth estimate to 3.7% for both 2018 and 2019, down 0.2% for both periods from its July 2018 estimate. The downward revision was due to rising trade barriers and a reversal of capital flows to emerging economies.

The IMF kept its economic growth estimate for the US at 2.9% for 2018 but lowered its 2019 estimate to 2.5%, down 0.2% from its July 2018 estimate. While the IMF believes that economic momentum is still strong as fiscal stimulus continues to rise, the downward revision for 2019 reflects $200 billion in tariffs on US imports from China.

The 2nd estimate of US GDP growth (released on November 28, 2018) showed the US economy grew at an annual rate of 3.5% in 3Q18, down from 4.2% in 2Q18. The 3Q18 US GDP growth estimate primarily reflects increases in consumer spending, inventory investment, government spending, and business investment.

Because Boxlight's business is conducted globally, the economic growth projections both domestically and abroad, should allow for continued growth.

Projections

Boxlight operates in the fast growing smart education market that is projected to grow annually by more than 15% to over $116 billion by 2021. Boxlight derives approximately two-thirds 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.

In its 3Q18 conference call, Boxlight said that its sales pipeline was seeing meaningful growth through the addition of Complete Technical Solutions (CTS) as a value added reseller. CTS has significant penetration in the UK market and expectations are for that region to contribute as much as 10% of total revenue in 2019 (approximately 95% of total revenue was generated by sales in the US in 9M18).

In October 2018, Boxlight announced that South Carolina's Beauford County School District was purchasing 1,750 75-inch ProColor interactive flat panel displays. In September 2018, Boxlight announced that California's Huntington Beach City School District added 60 of its MimioSpace collaborative systems to its classrooms. Boxlight also announced it acquired EOS Education. These developments should support significant growth throughout our forecast horizon.

2018 – We project revenue growth of 43.2% to $36.9 million and a net loss of $8.3 million or $(0.84) per share. We previously forecasted revenue of $43.9 million and a net loss of $6.5 million or $(0.65) per share. Our revised forecast primarily reflects 3Q18 results.

We project a $2 million increase in gross profit to $8.4 million from $6.4 million with gross margins decreasing to 22.8% from 24.9% in 2017 due to a shift to lower margin flat panel sales.

We anticipate general and administrative expenses increasing to $15.4 million from $13.2 million due primarily to increased compensation costs. R&D expenses are projected to remain relatively flat at $494,000.

Interest expense should increase to $733,000 from $635,000 due to higher average debt levels. We project the company paying no taxes due to its large amount of net operating loss carryforwards (approximately $7.6 million as of December 31, 2017).

We project a cash loss of $4.8 million and a $459,000 decrease in working capital resulting in $4.3 million cash used in operations. The decrease in working capital is due primarily to increases in payables offset in part by increases in deferred charges. We project $900,000 cash from investing primarily from cash acquired through acquisitions. We project $2.9 million cash from financing due to a net increase in debt and the issuance of common stock. We project a $509,000 decrease in cash to $1.5 million at December 31, 2018.

2019 – We project revenue growth of 22.1% to $45 million and a net loss of $6.2 million or $(0.57) per share. We previously forecasted revenue of $52.7 million and a net loss of $1.6 million or $(0.15) per share. Our revised forecast primarily reflects lower volumes and gross margins than originally anticipated.

We project a 42.7% increase in gross profit to $12 million from $8.4 million due to revenue growth and gross margins increasing to 26.6% from our 2018 forecast of 22.8%. Gross margins should increase due to a full year contribution of higher margin software sales from Qwizdom.

We anticipate general and administrative expenses increasing to $17 million from $15.4 million due primarily to the inclusion of three acquisitions in 2018. R&D expenses are projected to remain relatively flat at $500,000.

Interest expense should increase to $900,000 from $733,000 due to higher average debt levels. We project the company paying no taxes due to its large amount of net operating loss carryforwards.

We project a cash loss of $3.2 million and a $484,000 decrease in working capital resulting in $2.7 million cash used in operations. The decrease in working capital should come primarily from increases in payables offset in part by an increase in receivables. We project $3 million cash from financing due to a net increase in debt and the issuance of common stock. We project a $298,000 increase in cash to $1.8 million at December 31, 2019.

3Q18 and Nine Month 2018 Financial Results

3Q18 – Revenue remained relatively flat at $10.2 million. The company reported a net loss of $1.2 million or $(0.12) per share versus net income of $470,000 or $0.08 per share in 3Q17. Included in the net loss for 3Q18 was a $822,000 or $0.08 per share gain related to the change in fair value liability. We projected 3Q18 revenue of $17.7 million and net income of $157,000 or $0.02 per share.

Gross profit decreased 16.1% to $2.4 million due to gross margin contraction to 23.9% from 28.4% due to a shift in product mix to lower margin flat panel displays.

General and administrative expenses increased 85.7% to $4.3 million due to increased stock compensation expense, contract services, commissions and professional fees. Research and development expenses increased 63.8% to $99,000 due to R&D contractors and increased compensation. Interest expense remained relatively flat at $188,000.

Nine-months 2018 – Revenue increased 26.7% to $25.9 million from $20.4 million in the year-ago period. The company reported a net loss of $6.6 million or $(0.66) per share versus a net loss of $1.9 million or $(0.39) per share. Included in the net loss for 2018 were $335,000 or $(0.03) per share charges related to the change in fair value liability and a $165,000 or $0.02 per share gain from the settlement of liabilities.

The increase in revenue was primarily attributable to increased product volumes. Gross profit decreased to $5.6 million from $5.8 million attributable to gross margin contraction to 21.8% from 28.5% due to lower margins on initial deliveries for two contracts and a shift in product mix to lower margin flat panel displays.

General and administrative expenses increased 58.6% to $11.2 million from $7 million due to increased stock compensation expense and professional fees. R&D expenses were $369,000. Interest expense increased to $543,000 from $462,000 due primarily to increased debt levels.

Liquidity – As of September 30, 2018, Boxlight had $1.6 million cash, a current ratio of 0.9, a debt to equity ratio of 0.5, and 28% of assets were financed by equity.

In 9M18, cash used in operations was $3.8 million consisting primarily of a cash loss. Cash provided by investing activities of $900,000 consisted of $1.3 million of cash receipts from acquisitions offset in part by $410,000 cash paid for acquisitions. Cash provided by financing of $2.5 million consisted of a net increase in debt and the proceeds from the issuance of common stock. Cash decreased by $424,000 to $1.6 million at September 30, 2018.

At September 30, 2018, the company had $3.7 million of debt ($3.3 million short-term) consisting of $1.3 million of accounts receivable financing at prime plus 4%, $1.1 million of notes payable at 5%, a $500,000, 7% promissory note, a $500,000, 10% line of credit with an outstanding balance of $54,000, and $656,000 outstanding on an 8% note payable to Qwizdom shareholders with the first payment due March 2019 with subsequent quarterly payments.

	9M Ended (in thousands $)	
	2018A	2017A
Revenue	25,856	20,407
Cost of revenue	20,217	14,596
Gross profit	5,639	5,811
General and administrative	11,183	7,049
Research and development	369	358
Operating income (loss)	(5,913)	(1,596)
Interest expense	(543)	(462)
Other income (expense)	42	153
Changes in fair value of derivative liabilites	(335)	-
Gain from settlement of liabilites	166	-
Income before taxes	(6,583)	(1,905)
Income tax	-	-
Net Income / (loss)	(6,583)	(1,905)
EPS	(0.66)	(0.39)
Shares Outstanding	9,947	4,910
Margin Analysis		
Gross margin	21.8%	28.5%
General and administartive	43.3%	34.5%
Research and development	1.4%	1.8%
Operating margin	(22.9)%	(7.8)%
Year / Year Growth		
Total Revenues	26.7%	
Net Income	NMF	
EPS	NMF	
Source: Company filings		

Risks

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

Going concern - As of September 30, 2018, Boxlight had an accumulated deficit of approximately $18.6 million and a 9M18 net loss of $6.6 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. Boxlight's reduced R&D spending could result in the technological obsolescence of its products in the future.

Market saturation – Boxlight cites estimates from Futuresource Consulting Ltd. that approximately 47% of classrooms in the US, 85% of classrooms in the UK, and 53% of classrooms in Australia already have an interactive display. As a result of the high levels of penetration in developed markets, the education market for interactive displays in those regions may have reached saturation levels making future sales growth in those markets and other developed markets with similar penetration levels difficult to achieve.

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, 2018, the company's disclosure controls and procedures were deemed not effective due to insufficient review of material agreements to ensure the accuracy and completeness of financial reporting, insufficient personnel resources in accounting and insufficient written policies and procedures 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 2.4 million shares in the float and the average daily volume is approximately 573,000 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 $)

	2015A*	2016A*	2017A	9/18A	2018E	2019E
Cash and cash equivalents	994	457	2,010	1,586	1,501	1,799
Receivables	1,132	2,944	3,090	6,626	4,095	5,000
Inventories	3,550	4,164	4,626	3,906	4,067	4,719
Deferred charges	-	-	-	3,450	3,450	3,450
Prepaid expenses	327	447	388	1,602	1,602	1,602
Total current assets	6,003	8,012	10,114	17,170	14,715	16,571
Net property and equipment	-	60	30	286	310	291
Intangible assets	180	6,833	6,127	6,796	6,479	5,737
Goodwill	45	4,182	4,182	4,483	4,483	4,483
Other assets	10	33	-	-	-	-
Total assets	**6,238**	**19,120**	**20,453**	**28,735**	**25,987**	**27,082**
Accounts payable and accrued expenses	5,171	8,208	6,895	8,472	10,155	11,783
Warranty reserve	-	-	492	979	979	979
Short-term debt	920	3,668	807	3,265	3,715	4,715
Earn-out payable	-	-	-	137	137	137
Convertible notes payable	95	50	50	50	50	50
Deferred revenue	-	496	1,127	5,750	2,000	2,500
Derivative liabilities	-	-	1,857	1,088	1,088	1,088
Other short-term liabilities	11	251	-	-	-	-
Total current liabilities	6,197	12,673	11,228	19,741	18,124	21,252
Long-term debt	-	4,061	-	383	383	383
Earn-out payable	-	-	-	273	273	273
Deferred revenue	-	272	175	163	163	163
Total liabilities	**6,197**	**17,006**	**11,403**	**20,560**	**18,943**	**22,071**
Total stockholders' equity**	**41**	**2,114**	**9,050**	**8,175**	**7,045**	**5,010**
Total liabilities & stockholders' equity	**6,238**	**19,120**	**20,453**	**28,735**	**25,987**	**27,082**

*Retrospectively adjusted for the acquisitions of Mimio and Genesis
** 2017 includes $5.6 million additional paid-in-capital for the issuance of stock - related parties
** 2018 includes $3.7 million additional paid-in capital for the issuance of shares for acquisitions
Source: Company filings and Taglich Brothers' estimates

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

	2015A*	2016A*	2017A	2018E	2019E
Revenue	3,377	20,372	25,744	36,856	45,000
Cost of revenue	2,277	12,960	19,330	28,468	33,035
Gross profit	1,100	7,412	6,414	8,388	11,966
General and administrative	2,942	7,690	13,190	15,432	17,000
Research and development	208	1,008	466	494	500
Operating income (loss)	(2,050)	(1,286)	(7,242)	(7,538)	(5,535)
Interest expense	(98)	(818)	(635)	(733)	(900)
Gain on settlement of liabilites		-	276	165	-
Change in fair value of derivative liabilites		-	861	(336)	-
Other income (expense)	(111)	43	201	93	200
Income before taxes	(2,259)	(2,061)	(6,539)	(8,349)	(6,235)
Income tax	-	-	-	-	-
Net Income / (loss)	(2,259)	(2,061)	(6,539)	(8,349)	(6,235)
EPS	(0.55)	(0.48)	(1.20)	(0.84)	(0.57)
Shares Outstanding	4,084	4,299	5,455	9,931	11,000
Margin Analysis					
Gross margin	32.6%	36.4%	24.9%	22.8%	26.6%
General and administrative	87.1%	37.7%	51.2%	41.9%	37.8%
Research and development	6.2%	4.9%	1.8%	1.3%	1.1%
Operating margin	(60.7)%	(6.3)%	(28.1)%	(20.5)%	(12.3)%
Year / Year Growth					
Total Revenues		503.3%	26.4%	43.2%	22.1%
Net Income		NMF	217.3%	27.7%	(25.3)%
EPS		NMF	150.0%	(29.9)%	(32.6)%

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

Quarterly Income Statements 2017A - 2019E
(in thousands $)

	3/17A	6/17A	9/17A	12/17A	2017A	3/18A	6/18A	9/18A	12/18E	2018E	3/19E	6/19E	9/19E	12/19E	2019E
Revenue	4,194	5,984	10,228	5,338	25,744	5,997	9,663	10,196	11,000	36,856	7,200	9,000	18,000	10,800	45,000
Cost of revenue	2,995	4,273	7,328	4,734	19,330	4,516	7,938	7,764	8,250	28,468	5,328	6,638	13,185	7,884	33,035
Gross profit	1,199	1,711	2,900	604	6,414	1,481	1,725	2,432	2,750	8,388	1,872	2,363	4,815	2,916	11,966
General and administrative	2,451	2,303	2,295	6,037	13,190	3,194	3,726	4,262	4,250	15,432	4,250	4,250	4,250	4,250	17,000
Research and development	190	107	60	109	466	93	177	99	125	494	125	125	125	125	500
Operating income (loss)	(1,442)	(699)	545	(5,542)	(7,242)	(1,806)	(2,178)	(1,929)	(1,625)	(7,538)	(2,503)	(2,013)	440	(1,459)	(5,535)
Interest expense	(169)	(107)	(187)	(172)	(635)	(147)	(207)	(188)	(191)	(733)	(240)	(230)	(220)	(210)	(900)
Gain on settlement of liabilites	-	-			276	26	103	36	-	165	-	-	-	-	-
Change in fair value of derivative liabilites	-	-			861	1,035	(2,192)	821	-	(336)	-	-	-	-	-
Other income (expense)	50	(8)	112	322	201	(13)	17	39	50	93	50	50	50	50	200
Income before taxes	(1,561)	(814)	470	(5,392)	(6,539)	(905)	(4,457)	(1,221)	(1,766)	(8,349)	(2,693)	(2,193)	270	(1,619)	(6,235)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (loss)	(1,561)	(814)	470	(5,392)	(6,539)	(905)	(4,457)	(1,221)	(1,766)	(8,349)	(2,693)	(2,193)	270	(1,619)	(6,235)
EPS	(0.34)	(0.18)	0.08	(0.80)	(1.20)	(0.09)	(0.45)	(0.12)	(0.17)	(0.84)	(0.24)	(0.20)	0.02	(0.15)	(0.57)
Shares Outstanding	4,622	4,622	5,811	6,765	5,455	9,617	9,811	10,096	10,200	9,931	11,000	11,000	11,000	11,000	11,000
Margin Analysis															
Gross margin	28.6%	28.6%	28.4%	11.3%	24.9%	24.7%	17.9%	23.9%	25.0%	22.8%	26.0%	26.3%	26.8%	27.0%	26.6%
General and administrative	58.4%	38.5%	22.4%	113.1%	51.2%	53.3%	38.6%	41.8%	38.6%	41.9%	59.0%	47.2%	23.6%	39.4%	37.8%
Research and development	4.5%	1.8%	0.6%	2.0%	1.8%	1.6%	1.8%	1.0%	1.1%	1.3%	1.7%	1.4%	0.7%	1.2%	1.1%
Operating margin	(34.4)%	(11.7)%	5.3%	(103.8)%	(28.1)%	(30.1)%	(22.5)%	(18.9)%	(14.8)%	(20.5)%	(34.8)%	(22.4)%	2.4%	(13.5)%	(12.3)%
Year / Year Growth															
Total Revenues	36.4%	35.4%	29.8%	6.7%	26.4%	43.0%	61.5%	(0.3)%	106.1%	43.2%	20.1%	(6.9)%	76.5%	(1.8)%	22.1%
Net Income	NMF	NMF	(560.8)%	213.7%	217.3%	(42.0)%	447.5%	(359.8)%	(67.2)%	27.7%	197.6%	(50.8)%	NMF	(8.3)%	(25.3)%
EPS	NMF	NMF	(431.9)%	99.3%	150.0%	(72.1)%	157.9%	(249.5)%	(78.3)%	(29.9)%	160.2%	(56.1)%	NMF	(15.0)%	(32.6)%

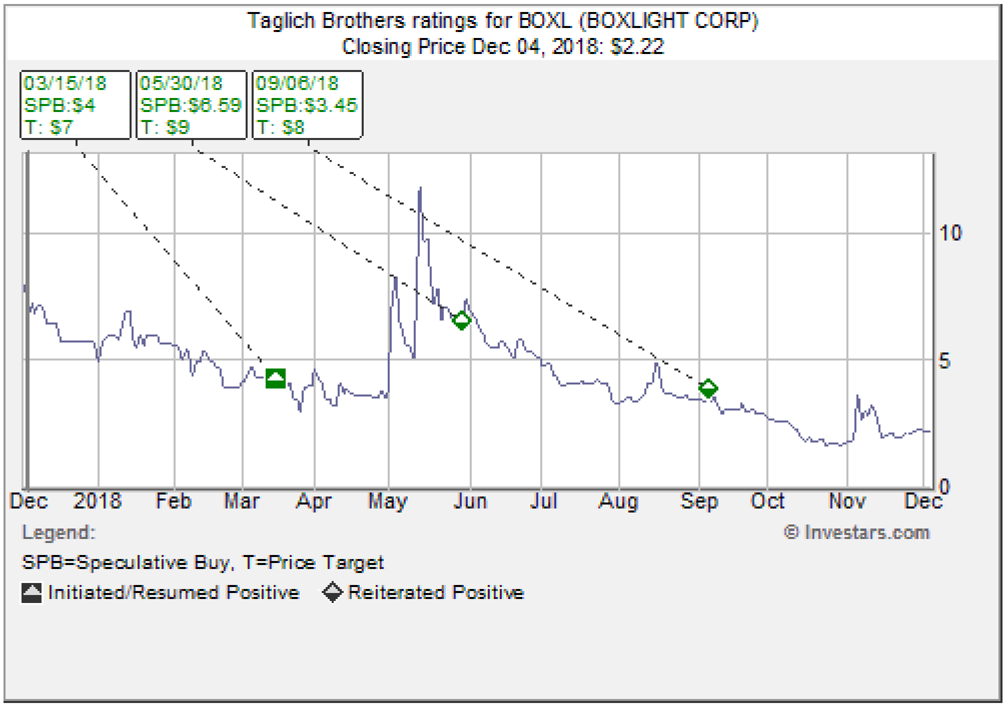
*Retrospectively adjusted for the acquisitions of Mimio and Genesis
Source: Company filings and Taglich Brothers' estimates

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

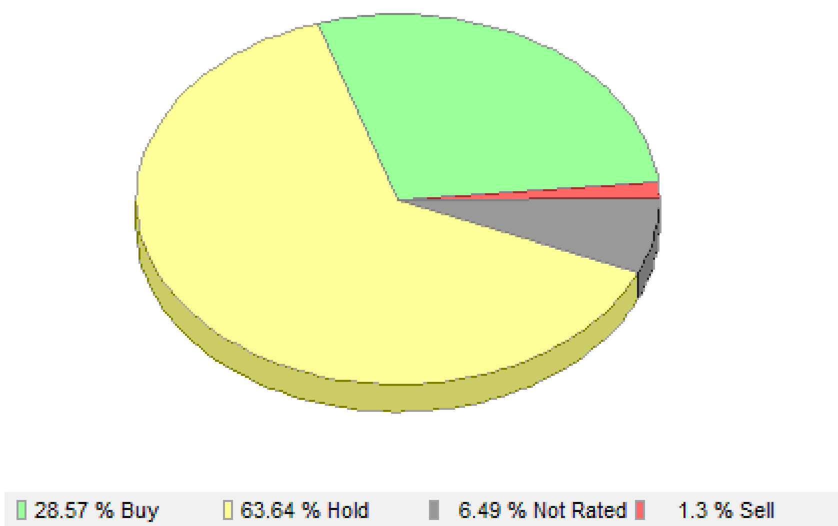
	2015A*	2016A*	2017A	9m18A	2018E	2019E
Net income (loss)	(2,259)	(2,062)	(6,539)	(6,583)	(8,349)	(6,235)
Bad debt expense	6	425	(89)	53	53	-
Change in allowance for sales returns	-	53	408	296	296	-
Change in inventory reserve	-	14	134	(24)	(24)	-
Change in allowance for doubtful accounts	-	-	-	-	-	-
Change in fair value of derivative liability	-	-	-	335	335	-
Stock compensation expense	-	464	4,344	1,567	2,200	2,200
Other share-based payments	-	-	-	24	24	-
Depreciation & amortization	-	353	747	630	762	761
Loss on disposal of other assets	-	-	7	-	-	-
Amortization of debt discount	7	18	-	66	88	88
Debt extension fees		350	-	-	-	-
Gain on settlement of debt	-	-	(276)	-	-	-
Gain on settlement of accounts payable	-	-	-	(62)	(62)	-
Gain on settlement of derivattive liabilities	-	-	(861)	(104)	(104)	-
Cash earnings (loss)	(2,246)	(385)	(2,125)	(3,802)	(4,781)	(3,186)
Changes in assets and liabilities						
Receivables	1,507	(910)	(465)	(3,058)	(505)	(905)
Inventories	284	2,654	(596)	1,199	559	(652)
Prepaid expenses and other	172	325	79	(1,263)	(1,214)	-
Other assets	-	-	-	-	-	-
Deferred charges	-	-	-	(3,450)	(3,450)	-
Accounts payable and accrued expenses	523	629	1,152	1,494	3,731	1,541
Warranty reserve	-	-	-	477	477	-
Deferred revenues	-	4	614	4,616	861	500
Other short-term liabilities	(24)	(8)	(2)	-	-	-
Accrued interest on log-term debt	-	61	-	-	-	-
(Increase) decrease in working capital	2,462	2,755	782	15	459	484
Net cash provided by (used in) operations	**216**	**2,370**	**(1,343)**	**(3,787)**	**(4,322)**	**(2,702)**
Cash acquired through acquisitions	8	358	-	1,310	1,310	-
Cash paid for acquisitions	-	-	-	(410)	(410)	-
Payment made for purchase of intangible assets	-	-	(10)	-	-	-
Proceeds from sales of property, equipment and other	-	9	-	-	-	-
Net cash provided by (used in) investing	**8**	**367**	**(10)**	**900**	**900**	**-**
Proceeds from short-term debt	605	6,941	10,215	17,498	22,498	21,000
Proceeds from convertible note payable	95	-	-	-	-	-
Proceeds from factoring of accounts receivable	49	-	-	-	-	-
Principal payments on short-term debt	(12)	(10,580)	(12,966)	(15,450)	(20,000)	(20,000)
Principal payments on convertible debt	-	(60)	-	-	-	-
Proceeds from subscriptions receivable	1	2	-	-	-	-
Distributions to the member	-	(815)	-	-	-	-
Proceeds from the issuance of common stock	-	1,219	5,679	420	420	2,000
Net cash provided by (used in) financing	**738**	**(3,293)**	**2,928**	**2,468**	**2,918**	**3,000**
Effect of currency exchange rates	-	19	(21)	(5)	(5)	-
Net change in cash	**962**	**(537)**	**1,554**	**(424)**	**(509)**	**298**
Cash - beginning of period	**32**	**994**	**456**	**2,010**	**2,010**	**1,501**
Cash - end of period	**994**	**456**	**2,010**	**1,586**	**1,501**	**1,799**

*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	**3**	**11**
Hold		
Sell		
Not Rated	**1**	**50**

Important Disclosures

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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.

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.