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Initial Research Report

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

Boxlight Corporation

Speculative Buy

John Nobile
March 15, 2018

BOXL $4.00 — (NASDAQ)

	2015A	2016A	2017E	2018E
Revenues (millions)	$3.4	$20.4	$26.9	$35.0
Earnings (loss) per share	$(0.55)	$(0.48)	$(0.47)	$(0.02)

52-Week range	$9.17 – $4.00	Fiscal year ends:	December
Common shares out as of 11/10/17	5.8 million	Revenue per share (TTM)	$5.25
Approximate float	1.3 million	Price/Sales (TTM)	0.8X
Market capitalization	$23 million	Price/Sales (FY2018)E	0.8X
Tangible book value/share	$(0.80)	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2018)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:

We are initiating coverage of Boxlight Corporation with a Speculative Buy rating and twelve-month price target of $7.00 per share.

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 are increasingly recognizing the importance of using technology to more effectively provide information to educate students and other users.

The global smart education market that Boxlight operates in (valued at approximately $57.8 billion in 2016) is projected to grow at a compound annual growth rate (CAGR) of more than 15% from 2017 – 2021 according to industry report publisher, Technavio.

Within the global smart education 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.

Boxlight has exhibited strong growth in the fast growing smart education market and we believe demand for the company's products will continue to grow given their proven effectiveness and ease of use.

For 2017, we project revenue will grow 32.1% to $26.9 million and a net loss of $2.5 million or $(0.47) per share.

For 2018, we project revenue will grow 30.1% to $35 million and a net loss of $165,000 or $(0.02) per share. We project BOXL's operating loss margin to narrow to (0.6%) from (8.0%) in 2017 as revenue continues to ramp and professional expenses decline.

****Please view our disclosures on pages 15 - 17.***

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

Recommendation and Valuation

We are initiating coverage of Boxlight Corporation with a Speculative Buy rating and twelve-month price target of $7.00 per share.

Our rating is based on 31% annualized growth in the company's revenue to $35 million in 2018 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 to grow 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% from 2017 – 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% to reach approximately $27.1 billion by 2021.

Shares of BOXL currently trade at a multiple of 0.8X trailing twelve months sales while the industry (electrical components and equipment) trades at a multiple of 5X trailing twelve month sales. We believe Boxlight's discount compared to the industry is due primarily to a lack of recognition of the company's growth potential. We project sales growth of 30% for BOXL in 2018 compared to 7% for the industry. Investors are likely to accord BOXL a multiple that approaches the industry. We applied a multiple of 1.6X to our FY18 sales per share projection of $4.83, discounted for execution risk, to derive a year-ahead value of approximately $7.00 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 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:


Source: Boxlight Corporation Website

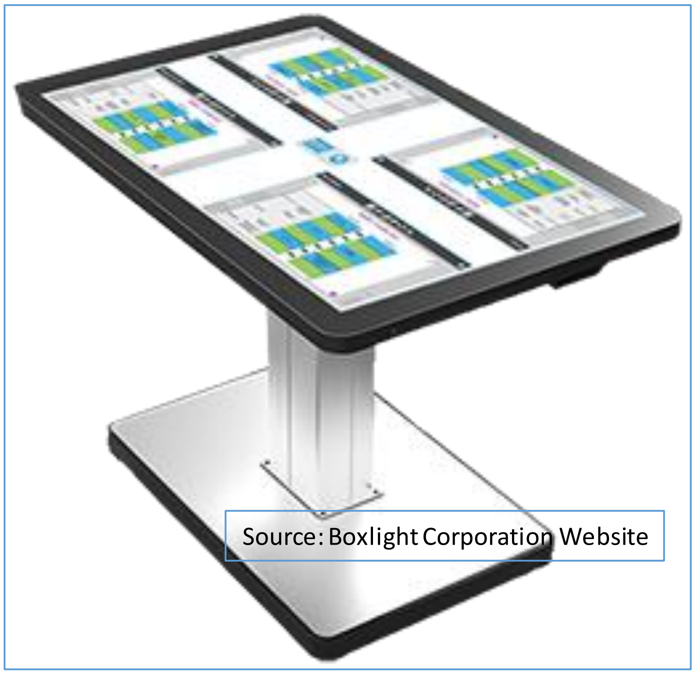
Interactive flat panel displays – Boxlight's interactive flat panel displays (pictured at right) offer the brilliance of HD and 4K Ultra HD and have touch features. The company's displays can enable up to 10 users to work at the same time.

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.


Source: Boxlight Corporation Website

Touch tables – (picture at right) 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.

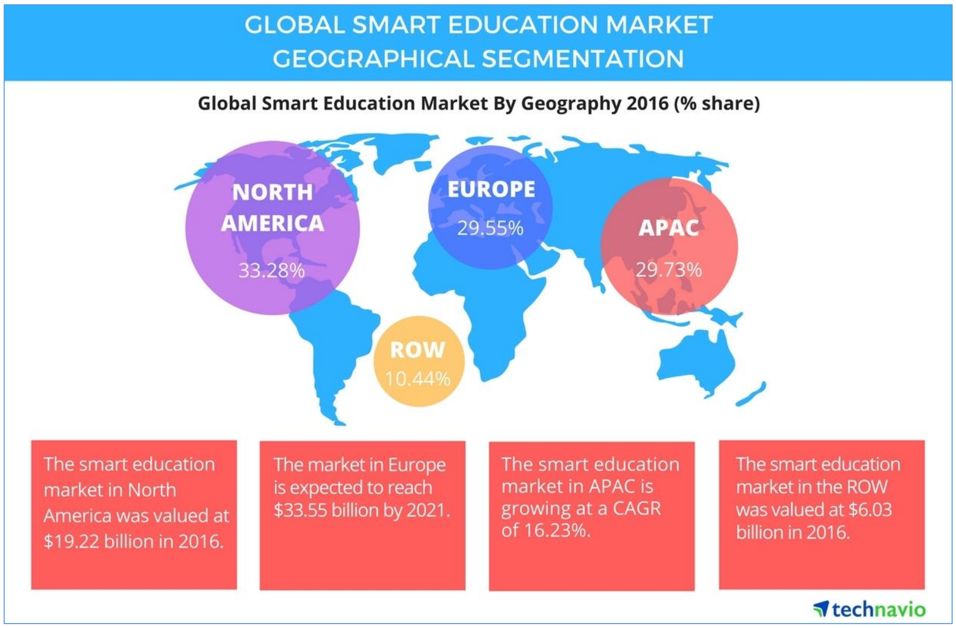
Document cameras – offer HD pictures or live HD video to be viewed by the entire class on a front-of-the-room display.

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.

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% from 2017 – 2021 according to the 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 in a rigorous overhaul 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 through the forecast period.

In the APAC region, Technavio is seeing the education industry 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 said 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. The company believes it can benefit by merging the operations of acquired companies, reducing costs through staff reductions, improved economies of scale, and improved market reach and industry visibility.

Boxlight has implemented a comprehensive plan to reach profitability that includes integrating products from acquired companies and cross training sales professionals to increase their offerings. The company is also using the proceeds from its initial public offering to add additional inventory to fulfill existing orders. Boxlight recently hired sales professionals with significant education technology sales experience in their respective territories which has resulted in its pipeline reaching a record high level.

Entering 2018, the company is seeing increased demand in the US market for educational technology and that it should have the products and infrastructure in place to handle the expected growth opportunities.

Sample Case Studies

The following summaries are from a few case studies using Boxlight's products that show their effectiveness as instructional tools.

Billings Public Schools, Billings, MT – the largest district in the state of Montana where each school can decide which interactive technology its teachers prefer to use. Despite the freedom to choose other technologies, the district's 22 elementary schools and four middle schools use Boxlight's interactive whiteboards and student-response handsets.

Kildeer Countryside School District 96, Buffalo Grove, IL – has been recognized for its academic excellence by the US Department of Education and the Illinois State Board of Education. District administrators recognized that significant changes were needed to help their students acquire the new skills mandated by today's educational standards, mainly effective communication and collaboration.

Since the incorporation of Boxlight's products, the school district's learning director reported that teachers were seeing an increase in student engagement and teachers were better able to meet each student's needs.

Donald McKay School, Boston, MA – The Donald McKay School in East Boston was selected to pilot a selection of Boxlight's interactive technologies. The teachers found the educational technologies easy to set up and use, and were pleased with the way the devices engaged and motivated their students.

Once the teachers were using Boxlight's technologies efficiently and regularly, school administrators began hosting events for local principals who were interested in seeing the technology demonstrated.

Economic Outlook

In January 2018, the IMF raised its global economic growth estimate to 3.9% for both 2018 and 2019, up from 3.7% in October 2017. The upward revision reflects increased global economic growth momentum and the positive impact expected from recently approved US tax policy changes.

The IMF raised its economic growth estimate for the US to 2.7% in 2018 and 2.5% in 2019, up from its earlier (October 2017) growth forecast of 2.3% for 2018 and 1.9% for 2019. The upward revision reflects stronger than expected US economic activity in 2017, higher projected external demand, and the positive economic impact from recent tax policy changes, in particular the reduction in corporate tax rates and the temporary allowance for full expensing of investments.

The second estimate of US GDP growth (released on February 28, 2018) showed the US economy grew at an annual rate of 2.5% in 4Q17, down from 3.2% growth in 3Q17. The 4Q17 US GDP growth estimate primarily reflects increases in consumer spending, business investment, exports, housing investment, and federal, state and local government spending. These contributions were partly offset by declines in inventory investment.

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

Projections

Boxlight operates in the fast growing smart education market. The global smart education market (valued at approximately $57.8 billion in 2016) is projected to grow annually by more than 15% from 2017 – 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.

2017 – We project 32.1% revenue growth to $26.9 million and a net loss of $2.5 million or $(0.47) per share. Revenue growth reflects year-to-date results and industry growth projections.

We project a $251,000 increase in gross profit to $7.7 million from $7.4 million with gross margins decreasing to 28.5% from 36.4% due primarily to a full year of sales from the acquisition of Boxlight Group with its lower margin products.

We anticipate general and administrative expenses increasing to $9.3 million from $7.7 million due primarily to a full year of expenses associated with the acquisition of Boxlight Group and added professional expenses associated with the company's initial public offering. R&D expenses are projected to decrease $531,000 to $477,000 from $1 million due to lower research and development activity.

Interest expense should decrease to $553,000 from $818,000 due to lower average debt levels. We project the company paying no taxes due to its large amount of net operating loss carryforwards ($5.1 million as of December 31, 2016).

We project a cash loss of $972,000 and a $1.2 million decrease in working capital for $227,000 cash provided by operations. The decrease in working capital should come primarily from increases in payables and accrued expenses offset in part by an increase in inventories. We project $7.9 million cash provided by financing due primarily to the issuance of common stock. We project an $8.2 million increase in cash to $8.6 million at December 31, 2017.

2018 – We project revenue will grow 30.1% to $35 million and a net loss of $165,000 or $(0.02) per share. Our growth projections are in line with industry growth projections.

We project a $2.3 million increase in gross profit to $10 million from $7.7 million with gross margins remaining at 28.5%, in line with the current mix of products.

We anticipate general and administrative expenses increasing to $9.7 million from $9.3 million due primarily to increased compensation costs. R&D expenses are projected to remain relatively flat at $480,000.

Interest expense should decrease to $160,000 from $553,000 due to lower average debt levels. We project the company paying no taxes due to its large amount of net operating loss carryforwards.

We project cash earnings of $1.1 million and a $457,000 decrease in working capital for $1.5 million cash provided by operations. The decrease in working capital should come primarily from increases in payables and accrued expenses offset in part by an increase in receivables and inventories. We project $4.7 million cash used in financing due to the payoff of debt. We project a $3.1 million decrease in cash to $5.5 million at December 31, 2018.

3Q and Nine-month Financial Results

3Q17 – Revenue increased 29.8% to $10.2 million from $7.9 million in 3Q16. The company reported net income of $470,000 or $0.08 per share versus a net loss of $102,000 or $(0.02) per share.

The increase in revenue was primarily due to the inclusion of Boxlight Group which was acquired on July 18, 2016.

While gross profit increased to $2.9 million from $2.8 million, gross margins decreased to 28.4% from 35.5% primarily due to a full quarter of lower margin sales from Boxlight Group.

General and administrative expenses increased 12% to $2.3 million from $2.1 million primarily due to the inclusion of a full quarter of operating expenses from Boxlight Group and increased professional fees related to the November 2017 initial public offering.

Research and development expenses decreased 75.2% to $60,000 from $245,000 due to lower research and development activity in 2017.

Interest expense decreased to $187,000 from $550,000 due primarily to the conversion of certain related party debt into common shares.

Nine-months 2017 – Revenue increased 32.8% to $20.4 million from $15.4 million in the same period in 2016. The company reported a net loss of $1.9 million or $(0.39) per share versus a net loss of $343,000 or $(0.08) per share.

The increase in revenue was primarily due to the inclusion of Boxlight Group which was acquired on July 18, 2016.

9M Ended (in thousands $)	2017A	2016A*
Revenue	20,407	15,371
Cost of revenue	14,596	9,485
Gross profit	5,811	5,886
General and administrative	7,049	4,701
Research and development	358	847
Operating income (loss)	(1,596)	338
Interest expense	(462)	(690)
Other income (expense)	153	9
Income before taxes	(1,905)	(343)
Income tax	-	-
Net Income / (loss)	(1,905)	(343)
EPS	(0.39)	(0.08)
Shares Outstanding	4,910	4,186
Margin Analysis		
Gross margin	28.5%	38.3%
General and administartive	34.5%	30.6%
Research and development	1.8%	5.5%
Operating margin	(7.8)%	2.2%
Year / Year Growth		
Total Revenues	32.8%	
Net Income	NMF	
EPS	NMF	

*Retrospectively adjusted for Mimio and Genesis acquisitions
Source: Company filings

Gross profit decreased to $5.8 million from $5.9 million. Gross margins decreased to 28.5% from 38.3% primarily due to lower margin sales from Boxlight Group.

General and administrative expenses increased 49.9% to $7 million from $4.7 million primarily due to the inclusion of operating expenses from Boxlight Group and increased professional fees related to the November 2017 initial public offering.

Research and development expenses decreased 57.7% to $358,000 from $847,000 due to lower research and development activity in 2017.

Interest expense decreased to $462,000 from $690,000 due primarily to the conversion and payoff of debt.

Liquidity – As of September 30, 2017, Boxlight had $783,000 cash, a current ratio of 0.7, a debt to equity ratio of 0.8, and 29% of assets were financed by equity.

Cash used in operations in the first nine months of 2017 was $597,000 consisting of a 996,000 cash loss offset in part by a $400,000 decrease in working capital. The decrease in working capital was primarily due to an increase in payables and a decrease in inventories, partly offset by an increase in receivables.

There was no cash generated from investing activities. Cash provided by financing of $948,000 consisted primarily of net proceeds from debt.

The company has $4.7 million of debt (all short-term) consisting of $2.3 million of accounts receivable financing at prime plus 4%, $1.1 million of convertible notes payable at rates ranging from 8% to 10%, $682,000 owed on its lines of credit at rates ranging from 5.75% to 10%, and a $611,000, 6.5% note payable that was in default as of September 30, 2017.

Management

James Mark Elliot, Chief Executive Officer and Director – Served as Boxlight's CEO since September, 2014. Previously served as President of Genesis. From 2005 through 2012, was President of Promethean, Inc., a manufacturer and distributor of whiteboards and interactive learning devices. He has held senior executive roles, including president, senior vice president or director roles with Apple Computer, Lawson Software, E3 Corporation, PowerCerv Technologies, Tandem Computers, and Unisys/Burroughs. BBA in Economics from the University of North Georgia and MS in Industrial Management from Georgia Institute of Technology.

Michael Pope, President and Director – Served as Boxlight's President since July, 2015 and as a director since September 2014. He served as Managing Director of Vert Capital Corp., a Los Angeles based merchant bank, and its affiliates from October 2011 to October 2016, managing portfolio holdings in education, consumer products and digital media. From May 2008 to October 2011, was CFO and COO for the Taylor Family, managing family investment holdings in consumer products, professional services, real estate and education. Also held positions including senior SEC reporting at Omniture and Assurance Associate at Grant Thornton and is a CPA. Undergraduate and graduate degrees in accounting from Brigham Young University.

Sheri Lofgren, Chief Financial Officer – Served as Boxlight's CFO since September, 2014 and was previously the CFO of Genesis. She previously served as CFO at Logical Choice Technologies, Inc., a company affiliate and distributor of interactive whiteboards from 2005 to 2013. Worked at KPMG and Tarica and Whittemore, an Atlanta based CPA firm, as an audit manager. BA in Business Administration – Accounting from Georgia State University and is a CPA.

Henry Nance, Chief Operating Officer – Served as Boxlight's COO since September 2014. He began his career with the Boxlight Group in 1999 where he served as president since 2009. Prior experience includes managing commercial and residential construction working in the San Juan Islands, Washington State and Northern California.

Risks

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

Going concern - As of September 30, 2017, Boxlight was in default of certain of its debt obligations and had an accumulated deficit of approximately $7.4 million and a working capital deficit of $4.4 million. These factors raise substantial doubt regarding the company's ability to continue as a going concern.

History of losses - For the years ended December 31, 2016 and 2015, Boxlight had consolidated net losses of approximately $2.1 million and $2.3 million, respectively. There can be no assurance that the company's losses will not continue in the future. We project losses will narrow to $165,000 in 2018 from $2.5 million in 2017.

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 has adversely affected its revenue and may continue to do so.

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.

Risks related to foreign operations - Sales outside the US represented approximately 7% and 15% of Boxlight's combined revenues for the years ended December 31, 2016 and 2015, respectively, (on a pro forma basis and assuming the acquisitions of Mimio, the Boxlight Group and Genesis were completed on January 1, 2015). International operations carry certain risks and associated costs, such as the complexities and expense of administering a business abroad, complications in compliance with, and unexpected changes in regulatory requirements, foreign laws, international import and export legislation, trading and investment policies, exchange controls, and tariffs and other trade barriers. The company will also be exposed to fluctuations in foreign currencies that may materially adversely affect its results of operations.

Ineffective disclosure controls and procedures – As of September 30, 2017, the company's disclosure controls and procedures were deemed not effective due to the lack of a functioning audit committee, a majority of independent members, and a majority of outside directors on Boxlight's board of directors, resulting in ineffective oversight in the establishment, and lack of monitoring of required internal controls and procedures.

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 1.3 million shares in the float and the average daily volume is approximately 1,200 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	9/17A	2017E	2018E
Cash and cash equivalents	994	457	783	8,607	5,460
Receivables	1,132	2,944	5,169	3,888	5,058
Inventories	3,550	4,164	2,371	6,183	8,040
Prepaid expenses	327	447	1,435	1,435	1,435
Total current assets	6,003	8,012	9,758	20,114	19,994
Net property and equipment	-	60	34	30	15
Intangible assets	180	6,833	6,300	6,121	5,587
Goodwill	45	4,182	4,182	4,182	4,182
Other assets	10	33	1	1	1
Total assets	**6,238**	**19,120**	**20,275**	**30,448**	**29,779**
Accounts payable and accrued expenses	5,171	8,208	8,853	12,188	15,849
Short-term debt	920	3,668	3,616	3,616	-
Convertible notes payable	95	50	1,050	1,050	-
Deferred revenue	-	496	404	404	404
Other short-term liabilities	11	251	250	250	250
Total current liabilities	6,197	12,673	14,173	17,508	16,503
Long-term debt	-	4,061	-	-	-
Deferred revenue	-	272	239	239	239
Total liabilities	**6,197**	**17,006**	**14,412**	**17,747**	**16,742**
Total stockholders' equity*	**41**	**2,114**	**5,863**	**12,701**	**13,036**
Total liabilities & stockholders' equity	**6,238**	**19,120**	**20,275**	**30,448**	**29,779**

*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
Source: Company filings and Taglich Brothers' estimates

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

	2015A*	2016A*	2017E	2018E
Revenue	3,377	20,372	26,906	35,000
Cost of revenue	2,277	12,960	19,244	25,025
Gross profit	1,100	7,412	7,663	9,975
General and administrative	2,942	7,690	9,349	9,700
Research and development	208	1,008	477	480
Operating income (loss)	(2,050)	(1,286)	(2,164)	(205)
Interest expense	(98)	(818)	(553)	(160)
Other income (expense)	(111)	43	204	200
Income before taxes	(2,259)	(2,061)	(2,513)	(165)
Income tax	-	-	-	-
Net Income / (loss)	(2,259)	(2,061)	(2,513)	(165)
EPS	(0.55)	(0.48)	(0.47)	(0.02)
Shares Outstanding	4,084	4,299	5,394	7,240
Margin Analysis				
Gross margin	32.6%	36.4%	28.5%	28.5%
General and administrative	87.1%	37.7%	34.7%	27.7%
Research and development	6.2%	4.9%	1.8%	1.4%
Operating margin	(60.7)%	(6.3)%	(8.0)%	(0.6)%
Year / Year Growth				
Total Revenues		503.3%	32.1%	30.1%
Net Income		NMF	21.9%	(93.4)%
EPS		NMF	(2.8)%	(95.1)%

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

Quarterly Income Statements 2016A - 2018E
(in thousands $)

	3/16A*	6/16A*	9/16A*	12/16A*	2016A*	3/17A	6/17A	9/17A	12/17E	2017E	3/18E	6/18E	9/18E	12/18E	2018E
Revenue	3,075	4,418	7,878	5,001	20,372	4,194	5,984	10,228	6,500	26,906	5,450	7,800	13,300	8,450	35,000
Cost of revenue	1,815	2,587	5,084	3,474	12,960	2,995	4,273	7,328	4,648	19,244	3,897	5,577	9,510	6,042	25,025
Gross profit	1,260	1,831	2,794	1,527	7,412	1,199	1,711	2,900	1,853	7,663	1,553	2,223	3,791	2,408	9,975
General and administrative	1,432	1,219	2,050	2,989	7,690	2,451	2,303	2,295	2,300	9,349	2,350	2,400	2,450	2,500	9,700
Research and development	337	265	245	161	1,008	190	107	60	120	477	120	120	120	120	480
Operating income (loss)	(509)	347	499	(1,623)	(1,286)	(1,442)	(699)	545	(568)	(2,164)	(917)	(297)	1,221	(212)	(205)
Interest expense	(44)	(95)	(550)	(129)	(818)	(169)	(107)	(187)	(90)	(553)	(70)	(50)	(30)	(10)	(160)
Other income (expense)	-	61	(51)	33	43	50	(8)	112	50	204	50	50	50	50	200
Income before taxes	(553)	313	(102)	(1,719)	(2,061)	(1,561)	(814)	470	(608)	(2,513)	(937)	(297)	1,241	(172)	(165)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (loss)	(553)	313	(102)	(1,719)	(2,061)	(1,561)	(814)	470	(608)	(2,513)	(937)	(297)	1,241	(172)	(165)
EPS	(0.13)	0.07	(0.02)	(0.40)	(0.48)	(0.34)	(0.18)	0.08	(0.09)	(0.47)	(0.13)	(0.04)	0.17	(0.02)	(0.02)
Shares Outstanding	4,183	4,412	4,186	4,299	4,299	4,622	4,622	5,811	6,520	5,394	7,240	7,240	7,240	7,240	7,240
Margin Analysis															
Gross margin	41.0%	41.4%	35.5%	30.5%	36.4%	28.6%	28.6%	28.4%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%	28.5%
General and administrative	46.6%	27.6%	26.0%	59.8%	37.7%	58.4%	38.5%	22.4%	35.4%	34.7%	43.1%	30.8%	18.4%	29.6%	27.7%
Research and development	11.0%	6.0%	3.1%	3.2%	4.9%	4.5%	1.8%	0.6%	1.8%	1.8%	2.2%	1.5%	0.9%	1.4%	1.4%
Operating margin	(16.6)%	7.9%	6.3%	(32.5)%	(6.3)%	(34.4)%	(11.7)%	5.3%	(8.7)%	(8.0)%	(16.8)%	(3.8)%	9.2%	(2.5)%	(0.6)%
Year / Year Growth															
Total Revenues					503.3%	36.4%	35.4%	29.8%	30.0%	32.1%	29.9%	30.3%	30.0%	30.0%	30.1%
Net Income					NMF	NMF	NMF	(560.8)%	(64.7)%	21.9%	(40.0)%	(63.5)%	163.9%	(71.7)%	(93.4)%
EPS					NMF	NMF	NMF	(431.9)%	(76.7)%	(2.8)%	(61.7)%	(76.7)%	111.8%	(74.5)%	(95.1)%

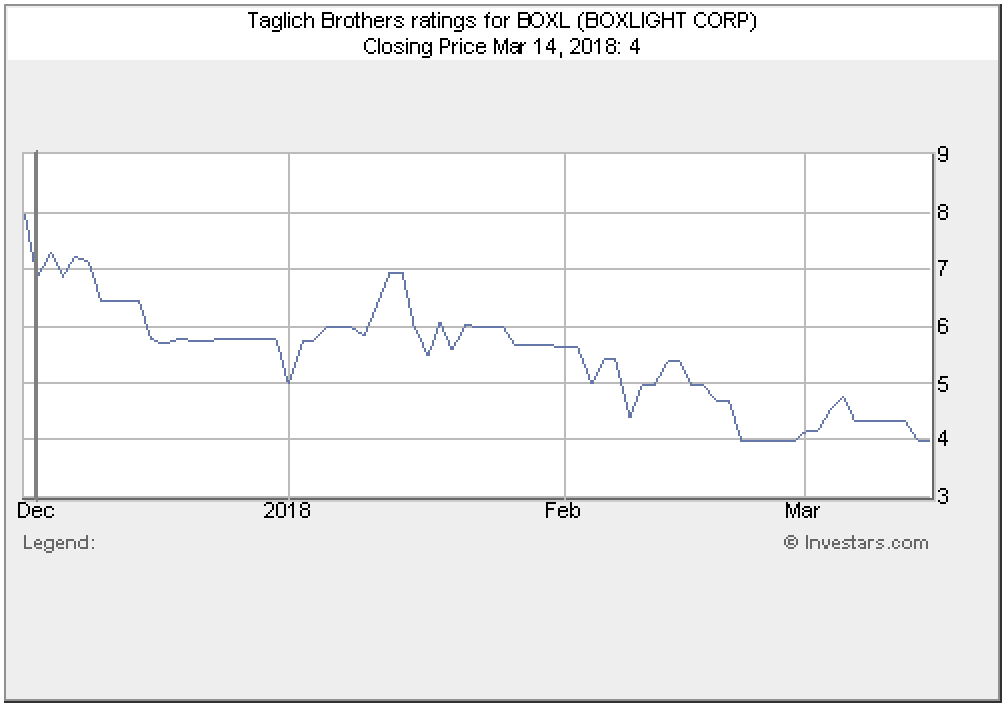
*Retrospectively adjusted for the acquisitions of Mimio and Genesis
Source: Company filings and Taglich Brothers' estimates

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

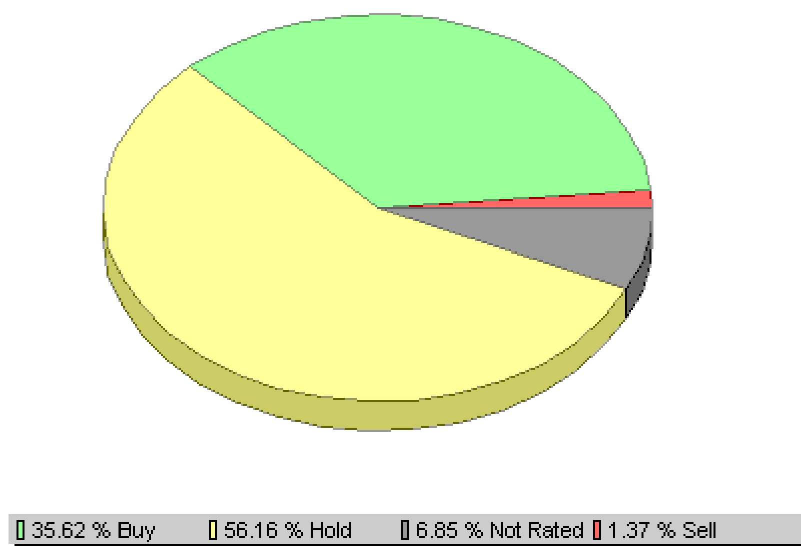
	2015A*	2016A*	9m17A	2017E	2018E
Net income (loss)	(2,259)	(2,062)	(1,905)	(2,513)	(165)
Bad debt expense	6	425	-	-	-
Change in allowance for sales returns	-	53	283	283	-
Change in inventory reserve	-	14	(15)	(15)	-
Change in allowance for doubtful accounts	-	-	24	24	-
Stock compensation expense	-	464	50	500	500
Depreciation & amortization	-	353	559	742	727
Amortization of debt discount	7	18	-	-	-
Debt extension fees		350	-	-	-
Write-off of fixed asset	-	-	7	7	-
Cash earnings (loss)	(2,246)	(385)	(997)	(972)	1,062
Changes in assets and liabilities					
Receivables	1,507	(910)	(2,532)	(944)	(1,170)
Inventories	284	2,654	1,808	(2,019)	(1,858)
Prepaid expenses and other	172	325	(992)	(988)	-
Other assets	-	-	23	32	-
Accounts payable and accrued expenses	523	629	2,141	5,165	3,484
Deferred revenues	-	4	(125)	(125)	-
Other short-term liabilities	(24)	(8)	(2)	(1)	-
Accrued interest on log-term debt	-	61	79	79	-
(Increase) decrease in working capital	2,462	2,755	400	1,199	457
Net cash provided by (used in) operations	**216**	**2,370**	**(597)**	**227**	**1,519**
Cash acquired through acquisitions	8	358	-	-	-
Payments for property, equipment and other	-	9	-	-	-
Net cash provided by (used in) investing	**8**	**367**	**-**	**-**	**-**
Proceeds from short-term debt	605	6,941	4,301	4,301	-
Proceeds from convertible note payable	95	-	1,000	1,000	-
Proceeds from factoring of accounts receivable	49	-	-	-	-
Principal payments on short-term debt	(12)	(10,580)	(4,353)	(4,353)	(3,616)
Principal payments on convertible debt	-	(60)	-	-	(1,050)
Proceeds from subscriptions receivable	1	2	-	-	-
Distributions to the member	-	(815)	-	-	-
Proceeds from the issuance of common stock	-	1,219	-	7,000	-
Net cash provided by (used in) financing	**738**	**(3,293)**	**948**	**7,948**	**(4,666)**
Effect of currency exchange rates	-	19	(25)	(25)	-
Net change in cash	**962**	**(537)**	**326**	**8,150**	**(3,147)**
Cash - beginning of period	**32**	**994**	**457**	**457**	**8,607**
Cash - end of period	**994**	**457**	**783**	**8,607**	**5,460**

*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	**1**	**4**
Hold		
Sell		
Not Rated	**1**	**33**

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.