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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
April 5, 2019

BOXL $3.07 — (NASDAQ)

	2017A	2018A	2019E	2020E
Revenues (millions)	$25.7	$37.8	$48.0	$57.5
Earnings (loss) per share	$(1.20)	$(0.72)	$(0.49)	$(0.28)

52-Week range	$17.40 – $1.14	Fiscal year ends:	December
Common shares out as of 3/25/19	10.5 million	Revenue per share (TTM)	$3.81
Approximate float	2.7 million	Price/Sales (TTM)	0.8X
Market capitalization	$32 million	Price/Sales (FY2020)E	0.6X
Tangible book value/share	$(0.31)	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:

Reiterating Speculative Buy rating on Boxlight Corporation and increasing our twelve-month price target to $6.50 per share from $5.00 due to our strong sales growth projection to 2020.

The global smart education market that Boxlight operates in is projected to grow at a compound annual growth rate (CAGR) of more than 16% to 2022. Within the global smart education market, Boxlight derives the majority 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 March 2019, Boxlight announced it acquired Modern Robotics, Inc., a Science, Technology, Engineering and Math (STEM) education company with programing and robotics solutions for the K-12 education market. The global educational robot market is projected to grow at a CAGR of approximately 28% from 2018 to 2023.

2018 and 2019 acquisitions should help drive strong revenue growth and gross margin expansion through 2020 as service revenue margins are expected to exceed 60% and robotics revenue margins could exceed 50%.

Boxlight reported (on 3/28/19) 4Q18 revenue more than doubled to 12 million. The net loss was $(0.06) per share versus a loss of $(0.66) per share in 4Q17. Included in the net loss for 4Q18 was a $0.07 per share gain related to the change in fair value liability. We projected revenue of $11 million and a loss of $(0.11) per share.

For 2019, we project revenue growth of 26.8% to $48 million and a loss of $(0.49) per share. We previously forecasted revenue of $45 million and a loss of $(0.57) per share. Our revised forecast primarily reflects the acquisition of Modern Robotics.

For 2020, we project revenue growth of 19.8% to $57.5 million and a loss of $(0.28) per share. Our forecast should be supported by the strong growth projected for the smart education market and a full year's inclusion of Modern Robotics.

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

Recommendation and Valuation

We are reiterating our Speculative Buy rating on Boxlight Corporation and increasing our twelve-month price target to $6.50 per share from $5.00 due to our strong sales growth projection to 2020.

Our rating is based on over 30% average annual growth in the company's revenue to $57.5 million in 2020 from $25.7 million in 2017. Boxlight has exhibited strong growth in the fast growing smart education market where demand for the company's products should continue given their proven effectiveness and ease of use.

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

2018 and 2019 acquisitions should help drive strong revenue growth and gross margin expansion through 2020 as service revenue margins are expected to exceed 60% and robotics revenue margins could exceed 50%.

Shares of BOXL currently trade at a TTM price/sales multiple of 0.8X (previously 0.6X). The industry trades at a TTM price/sales multiple of 5X (previously 4.3X). We project sales growth of 19.8% for BOXL in 2020 compared to 6.9% 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 (unchanged) to our FY20 sales per share projection of $5.16, discounted for execution risk, to derive a year-ahead value of approximately $6.50 per share.

Organizational History

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

April 2016	Boxlight acquired Mimio LLC, a designer, producer and 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 Development

Boxlight Acquires Modern Robotics – In March 2019, Boxlight announced it completed the acquisition of Modern Robotics, Inc., a Science, Technology, Engineering and Math (STEM) education company with programing and robotics solutions for the K-12 education market.

Modern Robotics is the developer of MyBot, a K-12 ecosystem and robotics program that helps students develop skills and a passion for programming and robotics.

Over the next 12 months, Boxlight could produce at least $2 million in robotics and programming revenues with gross profit margins over 50 percent.

Modern Robotics' current CEO, Stephen Barker, will fill the role of Vice President, STEM Education at Boxlight. Barker has more than 30 years of experience in robotics and technology innovation including developing sensors and components for Lego Robotics.

Business

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

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

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

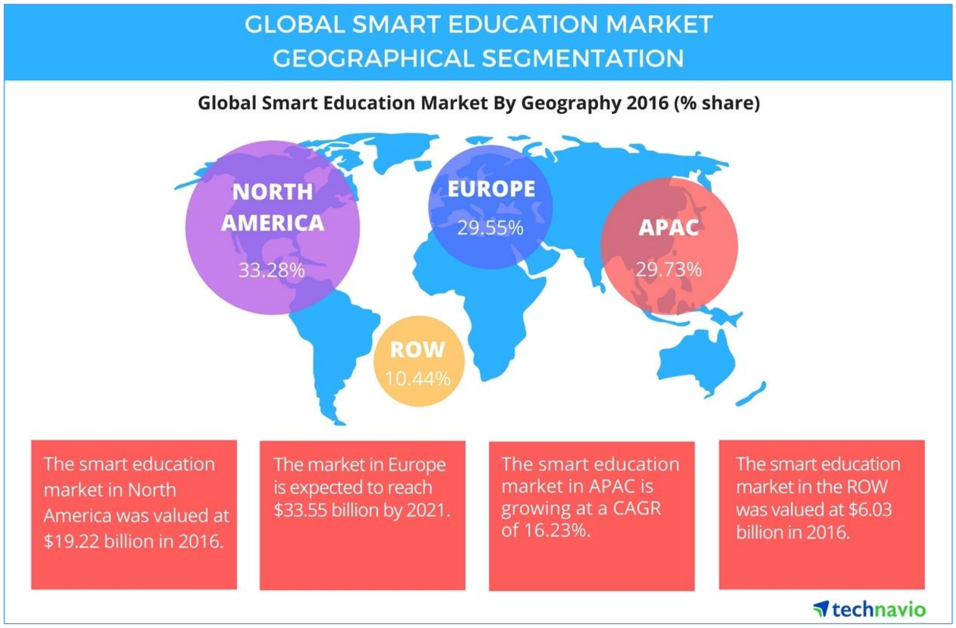
Boxlight does not manufacture any of the products it sells. Many of the company's products and components are manufactured by original design manufacturers (ODMs) and original equipment manufacturers (OEMs) located in the US, Taiwan, China, and Germany.

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

Industry

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

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



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

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

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

In the overall smart education market, interactive flat panel displays make up nearly 10% of the market and are considered to be a significant growth driver of smart education. Boxlight derives approximately two-thirds of its revenue from sales of interactive flat panel displays and projectors. Technavio projects the global interactive flat panel display market to grow 39% annually reaching approximately $27.1 billion by 2021. Technavio observed that the educational and corporate sectors were replacing projectors and white boards with interactive flat panel displays due to the fact that they are portable, eliminate shadow distractions, and have extended backlight.

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

Competition

Boxlight operates in the highly competitive interactive education industry and faces substantial competition from developers, manufacturers and 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 believes it can achieve significant costs savings by merging the operations of the companies it acquires and reducing costs through staff reductions (consolidating resources such as accounting, marketing and human resources), economies of scale (improved purchasing power with a greater ability to negotiate prices with suppliers), and improved market reach and industry visibility (increase in customer base and entry into new markets).

Economic Outlook

In January 2019, the IMF lowered its global economic growth estimate to 3.5% for 2019 and 3.6% for 2020, down from its October 2018 estimate of 3.7% for both 2019 and 2020. The downward revision was due to a weakening global expansion. Weakening financial market sentiment, trade policy uncertainty, and concerns about China's outlook continue to weigh on the global economy.

The IMF kept its economic growth estimate for the US at 2.5% for 2019 and 1.8% for 2020. The softening in 2020 is due to the unwinding of fiscal stimulus.

The third estimate of US GDP growth (released on March 28, 2019) showed the US economy grew at an annual rate of 2.2% in 4Q18, down from 3.4% in 3Q18. The 4Q18 US GDP growth estimate reflects increases in consumer spending, business investment, exports, and inventory investment, partly offset by a decline in housing investment and government spending.

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

Projections

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

2018 and 2019 acquisitions should help drive strong revenue growth and gross margin expansion through 2020 as service revenue margins are expected to be greater than 60% and robotics revenue margins are expected to be greater than 50%.

2019 – We project revenue growth of 26.8% to $48 million and a net loss of $5.3 million or $(0.49) per share. We previously forecasted revenue of $45 million and a net loss of $6.2 million or $(0.57) per share. Our revised forecast primarily reflects the acquisition of Modern Robotics.

We project a 49% increase in gross profit to $12.9 million from $8.7 million due to revenue growth and gross margins increasing to 26.9% from 22.9% in 2018. Gross margins should increase due to the higher margin contribution from the 2018 and 2019 acquisitions.

We anticipate general and administrative expenses increasing to $17 million from $15 million and R&D expenses increasing to $800,000 from $672,000 due primarily to a full year's inclusion of three acquisitions in 2018 and one in 2019.

Interest expense should decrease to $510,000 from $841,000 as high interest debt is repaid. We project the company paying no taxes due to its large amount of net operating loss carryforwards ($9.8 million as of December 31, 2018).

We project a cash loss of $2 million and a $215,000 decrease in working capital resulting in $1.8 million cash used in operations. The decrease in working capital should come primarily from increases in payables offset in part by an increase in inventories. We project $4.7 million cash from financing due to a net increase in debt and the issuance of common stock. We project a $2.9 million increase in cash to $3.8 million at December 31, 2019.

2020 – We project revenue growth of 19.8% to $57.5 million and a net loss of $3.1 million or $(0.28) per share. Our forecast should be supported by the strong growth projected for the smart education market and a full year's inclusion of Modern Robotics.

We project a 28.7% increase in gross profit to $16.6 million from $12.9 million due to revenue growth and gross margins increasing to 28.9% from 26.9% in 2019. Gross margins should increase due to growth of the company's higher margin services and robotics segments.

We anticipate general and administrative expenses increasing to $18.6 million from $17 million due primarily to increased compensation costs. R&D expenses are projected to remain flat at $800,000.

Interest expense should decrease to $380,000 from $510,000 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 $172,000 and a $1.4 million increase in working capital resulting in $1.2 million cash used in operations. The increase in working capital should come primarily from increases in receivables. We project $1.9 million cash used in financing due to the reduction in debt being partially offset by the issuance of common stock. We project a $3.1 million decrease in cash to $699,000 at December 31, 2020.

4Q and FY 2018 Financial Results

4Q18 – Revenue more than doubled to $12 million. The company reported a net loss of $594,000 or $(0.06) per share versus a loss of $4.6 million or $(0.66) per share in 4Q17. Included in the net loss for 4Q18 was a $762,000 or $0.07 per share gain related to the change in fair value of derivative liabilities. Included in the net loss for 4Q17 was an $861,000 or $0.12 per share gain related to the change in fair value of derivative liabilities. We projected 4Q18 revenue of $11 million and a net loss of $1.8 million or $(0.17) per share.

Revenue growth reflects increased sales volume. Gross profit increased more than fivefold to $3 million aided by gross margin expansion to 25.2% from 11.3%.

General and administrative expenses decreased 38.2% to $3.8 million. Research and development expenses nearly tripled to $303,000 from $108,000. Interest expense increased 73% to $299,000 from $173,000.

_FY 2018_ – Revenue increased 47% to $37.8 million from $25.7 million in 2017. The company reported a net loss of $7.2 million or $(0.72) per share versus a net loss of $6.5 million or $(1.20) per share. Included in the net loss for 2018 was a $426,000 or $0.04 per share gain related to the change in fair value of derivative liabilities and a $165,000 or $0.02 per share gain from the settlement of liabilities. Included in the net loss for 2017 was an $861,000 or $0.16 per share gain related to the change in fair value of derivative liabilities and a $276,000 or $0.05 per share gain from the settlement of liabilities.

The increase in revenue was primarily attributable to increased product volumes stemming from new contracts with school districts. Gross profit increased 34.9% to $8.7 million from $6.4 million while gross margins contracted to 22.9% from 24.9% due to a shift in product mix to lower margin flat panel displays.

General and administrative expenses increased 13.6% to $15 million from $13.2 million due to increased stock compensation expense and professional fees. R&D expenses increased 44.2% to $672,000 from $466,000. Interest expense increased to $841,000 from $635,000 due primarily to increased debt levels.

Liquidity – As of December 31, 2018, Boxlight had $901,000 cash, a current ratio of 0.8, a debt to equity ratio of 0.4, and 37% of assets were financed by equity.

In 2018, cash used in operations was $3.8 million consisting of a $4.5 million cash loss and a $722,000 decrease in working capital. The decrease in working capital was primarily due to an increase in payables and accruals. 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 $1.8 million consisted of a net increase in debt and the proceeds from the issuance of common stock. Cash decreased by $1.1 million to $901,000 at December 31, 2018.

At December 31, 2018, the company had $3 million of debt ($2.7 million short-term) consisting of $954,000 of accounts receivable financing at prime plus 4%, $956,000 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 $601,000 outstanding on an 8% note payable to Qwizdom shareholders with the first payment due March 2019 with subsequent quarterly payments.

In March 2019, Boxlight signed an agreement for a $4 million investment from The Lind Partners in the form of an 8% convertible note with a 24-month maturity and fixed conversion price of $4 per share.

Risks

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

Going concern - As of December 31, 2018, Boxlight had an accumulated deficit of approximately $19.2 million and a 2018 net loss of $7.2 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 December 31, 2018, 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 2.7 million shares in the float and the average daily volume is approximately 1.1 million shares.

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

Boxlight Corporation

Consolidated Balance Sheets
(in thousands $)

	2016A*	2017A	2018A	2019E	2020E
Cash and cash equivalents	457	2,010	901	3,817	699
Receivables	2,944	3,090	3,635	4,267	4,951
Inventories	4,164	4,626	4,214	5,015	5,844
Prepaid expenses	447	388	1,214	1,214	1,214
Total current assets	8,012	10,114	9,964	14,313	12,708
Net property and equipment	60	30	227	154	105
Intangible assets	6,833	6,127	6,352	5,610	4,868
Goodwill	4,182	4,182	4,724	4,724	4,724
Other assets	33	-	-	-	-
Total assets	**19,120**	**20,453**	**21,267**	**24,801**	**22,405**
Accounts payable and accrued expenses	8,208	6,895	7,893	8,777	9,999
Warranty reserve	-	492	580	580	580
Short-term debt	3,668	807	2,684	2,684	2,684
Earn-out payable	-	-	137	137	137
Convertible notes payable	50	50	-	3,667	734
Deferred revenue	496	1,127	938	938	938
Derivative liabilities	-	1,857	326	326	326
Other short-term liabilities	251	-	5	5	5
Total current liabilities	12,673	11,228	12,563	17,114	15,403
Long-term debt	4,061	-	328	328	328
Earn-out payable	-	-	273	273	273
Deferred revenue	272	175	135	135	135
Total liabilities	**17,006**	**11,403**	**13,299**	**17,850**	**16,139**
Total stockholders' equity**	**2,114**	**9,050**	**7,968**	**6,952**	**6,266**
Total liabilities & stockholders' equity	**19,120**	**20,453**	**21,267**	**24,801**	**22,405**

*Retrospectively adjusted for the acquisitions of Mimio and Genesis
** 2018 includes $3.7 million additional paid-in capital for the issuance of shares for acquisitions
** 2019 includes $900,000 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 $)

	2016A*	2017A	2018A	2019E	2020E
Revenue	20,372	25,744	37,841	48,000	57,500
Cost of revenue	12,960	19,330	29,188	35,106	40,906
Gross profit	7,412	6,414	8,653	12,894	16,595
General and administrative	7,690	13,190	14,977	17,000	18,600
Research and development	1,008	466	672	800	800
Operating income (loss)	(1,286)	(7,242)	(6,996)	(4,906)	(2,806)
Interest expense	(818)	(635)	(841)	(510)	(380)
Gain on settlement of liabilites	-	276	165	-	-
Change in fair value of derivative liabilites	-	861	426	-	-
Other income (expense)	43	201	69	100	100
Income before taxes	(2,061)	(6,539)	(7,177)	(5,316)	(3,086)
Income tax	-	-	-	-	-
Net Income / (loss)	(2,061)	(6,539)	(7,177)	(5,316)	(3,086)
EPS	(0.48)	(1.20)	(0.72)	(0.49)	(0.28)
Shares Outstanding	4,299	5,455	9,922	10,750	11,150
Margin Analysis					
Gross margin	36.4%	24.9%	22.9%	26.9%	28.9%
General and administrative	37.7%	51.2%	39.6%	35.4%	32.3%
Research and development	4.9%	1.8%	1.8%	1.7%	1.4%
Operating margin	(6.3)%	(28.1)%	(18.5)%	(10.2)%	(4.9)%
Year / Year Growth					
Total Revenues	503.3%	26.4%	47.0%	26.8%	19.8%
Net Income	NMF	217.3%	9.8%	(25.9)%	(42.0)%
EPS	NMF	150.0%	(39.7)%	(31.6)%	(44.0)%

*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	3/19E	6/19E	9/19E	12/19E	2019E	3/20E	6/20E	9/20E	12/20E	2020E
Revenue	5,997	9,663	10,196	11,985	37,841	7,600	9,600	19,200	11,600	48,000	9,200	11,500	23,000	13,800	57,500
Cost of revenue	4,516	7,938	7,764	8,970	29,188	5,624	7,056	14,016	8,410	35,106	6,624	8,223	16,330	9,729	40,906
Gross profit	1,481	1,725	2,432	3,015	8,653	1,976	2,544	5,184	3,190	12,894	2,576	3,278	6,670	4,071	16,595
General and administrative	3,194	3,726	4,262	3,795	14,977	4,250	4,250	4,250	4,250	17,000	4,650	4,650	4,650	4,650	18,600
Research and development	93	177	99	303	672	200	200	200	200	800	200	200	200	200	800
Operating income (loss)	(1,806)	(2,178)	(1,929)	(1,083)	(6,996)	(2,474)	(1,906)	734	(1,260)	(4,906)	(2,274)	(1,573)	1,820	(779)	(2,806)
Interest expense	(147)	(207)	(188)	(299)	(841)	(130)	(130)	(130)	(120)	(510)	(110)	(100)	(90)	(80)	(380)
Gain on settlement of liabilites	26	103	36	-	165	-	-	-	-	-	-	-	-	-	-
Change in fair value of derivative liabilites	1,035	(2,192)	821	762	426	-	-	-	-	-	-	-	-	-	-
Other income (expense)	(13)	17	39	26	69	25	25	25	25	100	25	25	25	25	100
Income before taxes	(905)	(4,457)	(1,221)	(594)	(7,177)	(2,579)	(2,011)	629	(1,355)	(5,316)	(2,359)	(1,648)	1,755	(834)	(3,086)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (loss)	(905)	(4,457)	(1,221)	(594)	(7,177)	(2,579)	(2,011)	629	(1,355)	(5,316)	(2,359)	(1,648)	1,755	(834)	(3,086)
EPS	(0.09)	(0.45)	(0.12)	(0.06)	(0.72)	(0.24)	(0.19)	0.06	(0.12)	(0.49)	(0.21)	(0.15)	0.16	(0.07)	(0.28)
Shares Outstanding	9,617	9,811	10,096	10,173	9,922	10,600	10,700	10,800	10,900	10,750	11,000	11,100	11,200	11,300	11,150
Margin Analysis															
Gross margin	24.7%	17.9%	23.9%	25.2%	22.9%	26.0%	26.5%	27.0%	27.5%	26.9%	28.0%	28.5%	29.0%	29.5%	28.9%
General and administrative	53.3%	38.6%	41.8%	31.7%	39.6%	55.9%	44.3%	22.1%	36.6%	35.4%	50.5%	40.4%	20.2%	33.7%	32.3%
Research and development	1.6%	1.8%	1.0%	2.5%	1.8%	2.6%	2.1%	1.0%	1.7%	1.7%	2.2%	1.7%	0.9%	1.4%	1.4%
Operating margin	(30.1)%	(22.5)%	(18.9)%	(9.0)%	(18.5)%	(32.6)%	(19.9)%	3.8%	(10.9)%	(10.2)%	(24.7)%	(13.7)%	7.9%	(5.6)%	(4.9)%
Year / Year Growth															
Total Revenues	43.0%	61.5%	(0.3)%	124.5%	47.0%	26.7%	(0.7)%	88.3%	(3.2)%	26.8%	21.1%	19.8%	19.8%	19.0%	19.8%
Net Income	(42.0)%	447.5%	(359.8)%	(89.0)%	9.8%	185.0%	(54.9)%	NMF	128.1%	(25.9)%	(8.5)%	(18.1)%	NMF	(38.5)%	(42.0)%
EPS	(72.1)%	157.9%	(249.5)%	(92.7)%	(39.7)%	158.5%	(58.6)%	NMF	112.9%	(31.6)%	(11.9)%	(21.0)%	NMF	(40.6)%	(44.0)%

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

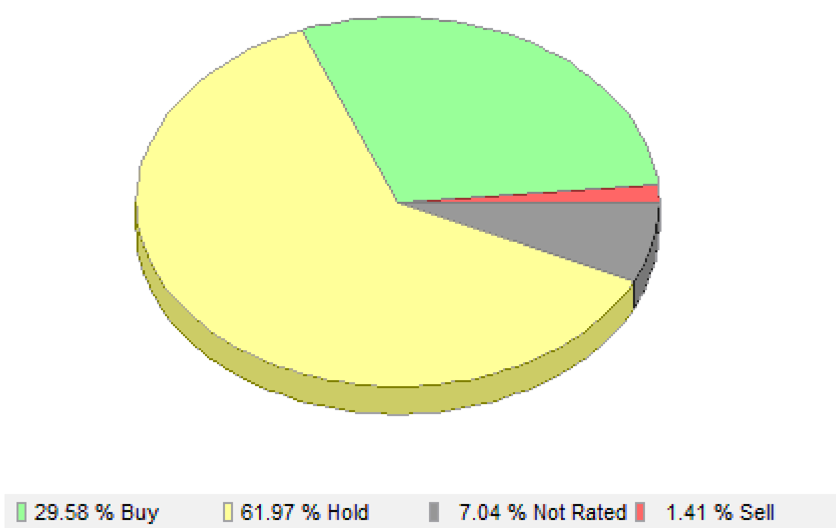
Statement of Cash Flows for the Periods Ended
(in thousands $)

	2016A*	2017A	2018A	2019E	2020E
Net income (loss)	(2,062)	(6,539)	(7,178)	(5,316)	(3,086)
Bad debt expense	425	(89)	76	-	-
Change in allowance for sales returns	53	408	191	-	-
Change in inventory reserve	14	134	34	-	-
Change in fair value of derivative liability	-	-	(427)	-	-
Stock compensation expense	464	4,344	1,985	2,400	2,400
Other share-based payments	-	-	36	-	-
Depreciation & amortization	353	747	886	814	791
Loss on disposal of other assets	-	7	-	-	-
Amortization of debt discount	18	-	66	66	66
Debt extension fees	350	-	-	-	-
Gain on settlement of debt	-	(276)	-	-	-
Gain on settlement of accounts payable	-	-	(62)	-	-
Gain on settlement of derivattive liabilities	-	(861)	(104)	-	-
Cash earnings (loss)	(385)	(2,125)	(4,497)	(2,036)	172
Changes in assets and liabilities					
Receivables	(910)	(465)	(73)	133	(1,751)
Inventories	2,654	(596)	836	(801)	(829)
Prepaid expenses and other	325	79	(805)	-	-
Accounts payable and accrued expenses	629	1,152	989	884	1,223
Deferred revenues	4	614	(225)	-	-
Other short-term liabilities	(8)	(2)	-	-	-
Accrued interest on long-term debt	61	-	-	-	-
(Increase) decrease in working capital	2,755	782	722	215	(1,357)
Net cash provided by (used in) operations	**2,370**	**(1,343)**	**(3,775)**	**(1,821)**	**(1,185)**
Cash acquired through acquisitions	358	-	1,310	-	-
Cash paid for acquisitions	-	-	(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	**367**	**(10)**	**900**	**-**	**-**
Proceeds from short-term debt	6,941	10,215	23,861	2,770	-
Proceeds from convertible note payable	-	-	-	4,400	-
Proceeds from factoring of accounts receivable	-	-	-	-	-
Principal payments on short-term debt	(10,580)	(12,966)	(22,499)	(2,700)	-
Principal payments on convertible debt	(60)	-	-	(733)	(2,933)
Proceeds from subscriptions receivable	2	-	-	-	-
Distributions to the member	(815)	-	-	-	-
Proceeds from the issuance of common stock	1,219	5,679	420	1,000	1,000
Net cash provided by (used in) financing	**(3,293)**	**2,928**	**1,782**	**4,737**	**(1,933)**
Effect of currency exchange rates	19	(21)	(16)	-	-
Net change in cash	**(537)**	**1,554**	**(1,109)**	**2,916**	**(3,118)**
Cash - beginning of period	**994**	**456**	**2,010**	**901**	**3,817**
Cash - end of period	**456**	**2,010**	**901**	**3,817**	**699**

*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**	**8**
Hold		
Sell		
Not Rated	**2**	**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.