

Research Report – Update

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

Boxlight Corporation

Speculative Buy

John Nobile

September 6, 2018

BOXL \$3.45 — (NASDAQ)

	<u>2016A</u>	<u>2017A</u>	<u>2018E</u>	<u>2019E</u>
Revenues (millions)	\$20.4	\$25.7	\$43.9	\$52.7
Earnings (loss) per share	\$(0.48)	\$(1.20)	\$(0.65)	\$(0.15)

52-Week range	\$17.40 – \$3.00	Fiscal year ends:	December
Common shares out as of 8/10/18	10.1 million	Revenue per share (TTM)	\$3.90
Approximate float	2.3 million	Price/Sales (TTM)	0.9X
Market capitalization	\$35 million	Price/Sales (FY2019)E	0.7X
Tangible book value/share	\$(0.27)	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 but reducing our twelve-month price target to \$8.00 per share from \$9.00 primarily due to diminished valuations, partly offset by our increased 2019 sales projection.

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% 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 June 2018, Boxlight announced it acquired Qwizdom, an education software company providing classroom presentation and engagement solutions. Boxlight also announced it received an \$11 million contract with Georgia's fifth-largest school district with an anticipated completion date by the end of 2018.

Boxlight reported (on 8/16/18) 2Q18 revenue increased 61.5% to \$9.7 million from \$6 million in 2Q17. The net loss was \$(0.45) per share versus \$(0.18) in 2Q17. Included in the net loss for 2Q18 was a \$(0.22) per share charge related to the change in fair value liability. We projected revenue of \$6.5 million and a loss of \$(0.14) per share.

For 2018, we project revenue growth of 70.4% to \$43.9 million and a loss of \$(0.65) per share. We previously forecasted revenue of \$33.1 million and loss of \$(0.40) per share. Our revised forecast reflects 2Q18 results and contribution from Clayton County Georgia and Beaufort County South Carolina contracts and the June 2018 acquisition of Qwizdom.

For 2019, we project revenue growth of 20.2% to \$52.7 million and a loss of \$(0.15) per share. We previously forecasted revenue of \$41.4 million and a loss of \$(0.18) per share. Our revised forecast reflects continued growth in the smart education market and growing software sales from a full year contribution from Qwizdom.

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

Recommendation and Valuation

We are reiterating our Speculative Buy rating on Boxlight Corporation but reducing our twelve-month price target to \$8.00 per share from \$9.00 primarily due to diminished valuations, partly offset by our increased 2019 sales projection.

Our rating is based on 39% average annual growth in the company's revenue to \$52.7 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 0.9X (previously 1.6X). The industry currently trades at a TTM price/sales multiple of 4.4X (previously 5.1X). We project sales growth of 20.2% for BOXL in 2019 compared to 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 1.8X (down from 2.4X previously due to diminished valuations) to our FY19 sales per share projection of \$5.02 (prior was \$4.14), discounted for execution risk, to derive a year-ahead value of approximately \$8.00 per share.

Recent Developments

Acquisition of Qwizdom - On June 25, 2018, Boxlight announced it acquired Qwizdom, an education software company providing classroom presentation and engagement solutions. Boxlight paid a combination of cash, debt and common stock valued at approximately \$2.5 million.

Qwizdom CEO, Darin Beamish, will assume the additional role of vice president software development at Boxlight and manage the global software product line with the aim to advance comprehension and learning, and accelerate and improve student outcomes. Beamish will continue to enhance the Qwizdom software platform while also leading software development for the Mimio classroom solution suite.

Contract to Install Mimio Products in Over 3,200 Classrooms - On June 21, 2018, Boxlight announced Georgia's fifth-largest school district is installing its innovative Mimio classroom solution suite in approximately 3,200 classrooms. The contract with Clayton County Public Schools (CCPS) will result in over \$11 million in sales with an anticipated completion date in 2H18.

CCPS is installing 75-inch flat panels with PC modules in 3,200 classrooms during the 2018-2019 school year. It's also implementing MimioVote (in its elementary schools), MimioPads (for teachers), MimioView document cameras, and will be standardizing on MimioStudio classroom software.

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 distributor 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 distributor 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.

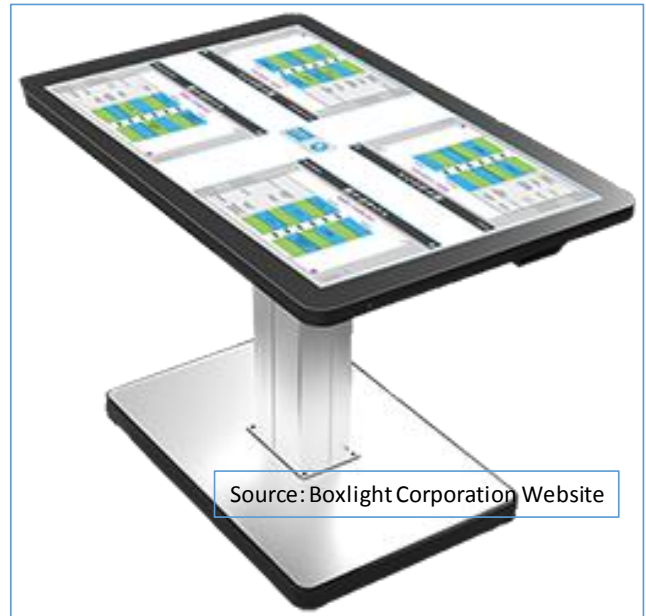
Wireless pan tablets – allow teachers to move freely around the classroom and control an interactive whiteboard from anywhere around the room. Multiple student's work can be viewed simultaneously on the front room display.

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.

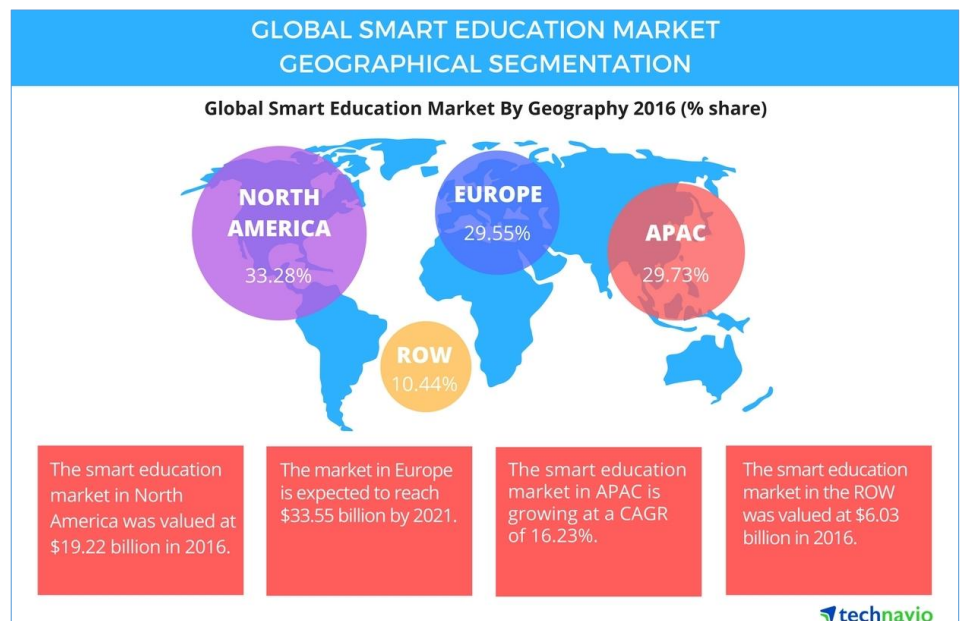
Mobile application software – Boxlight’s mobile application software allows teachers to show any combination of a student’s work on front-of-the-class displays. The software is compatible with Apple and Android phones and tablets, as well as any device with a supported Web browser – including Chromebooks,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



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 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 undergoing 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.

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

Strategy

Boxlight's growth strategy includes acquiring assets and technologies of companies that have products, technologies, industry specializations or geographic coverage that extend or complement its existing product portfolio for the smart education market. To further its strategy, the company acquired in May 2018 UK-based Cohuborate and in June 2018 Qwizdom. Through the Cohuborate acquisition, Boxlight gains Cohuborate's 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.

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. In 2018, Boxlight hired sales professionals with significant education technology experience in their respective territories which has resulted in its pipeline reaching a record high level.

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

Economic Outlook

In July 2018, the IMF kept its global economic growth estimate at 3.9% for both 2018 and 2019, unchanged from April 2018. The growth estimates assume gradual monetary tightening but still favorable financial conditions. Domestic demand growth is expected to continue at a strong pace even as overall output growth slows.

The IMF kept its economic growth estimate for the US at 2.9% in 2018 and 2.7% in 2019, unchanged from its April 2018 forecast. The IMF said that substantial fiscal stimulus together with already robust private demand should lift output and lower the unemployment rate below levels to 50 year lows. Imports are set to pick up with stronger domestic demand.

The second estimate of US GDP growth (released on August 29, 2018) showed the US economy grew at an annual rate of 4.2% in 2Q18, up from 2.2% in 1Q18. The 2Q18 US GDP growth estimate primarily reflects increases in consumer spending, exports, business investment, and government spending.

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 was valued at approximately \$57.8 billion globally in 2016 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 June 2018, Boxlight announced that Clayton County, Georgia's fifth-largest school district, is installing its innovative Mimio classroom solution suite in approximately 3,200 classrooms. Boxlight also announced it acquired Qwizdom. In May 2018, the company was awarded a significant contract for the Beaufort County South Carolina school district.

The Clayton County contract will result in over \$11 million in sales in 2018. Qwizdom's software solutions and partner relationships are expected to enhance Boxlight's existing product suite and expand the company's distribution network. The Beaufort County contract should result in approximately \$5 million in sales from 2018 to 2019. These developments should support significant growth throughout our forecast horizon.

2018 – We project revenue growth of 70.4% to \$43.9 million and a net loss of \$6.5 million or \$(0.65) per share. We previously forecasted revenue of \$33.1 million and a net loss of \$4 million or \$(0.40) per share. Our revised forecast reflects 2Q18 results and contribution from the Clayton and Beaufort County contracts, as well as the June 2018 acquisition of Qwizdom.

We project a \$4.2 million increase in gross profit to \$10.6 million from \$6.4 million with gross margins decreasing to 24.2% from 24.9% in 2017 due to lower margins in 2Q18 related to the initial deliveries of large contracts. Boxlight expects to recoup the lost margins after negotiations with its key vendor.

We anticipate general and administrative expenses increasing to \$15 million from \$13.2 million due primarily to increased compensation costs. R&D expenses are projected to remain relatively flat at \$510,000.

Interest expense should increase to \$743,000 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).

Boxlight Corporation

We project a cash loss of \$2.4 million and a \$1 million increase in working capital resulting in \$3.4 million cash used in operations. The increase in working capital is due primarily to increases in receivables and prepaid expenses offset in part by an increase in payables. We project \$2.2 million cash from financing due primarily to the issuance of common stock. We project a \$356,000 decrease in cash to \$1.7 million at December 31, 2018.

2019 – We project revenue growth of 20.2% to \$52.7 million and a net loss of \$1.6 million or \$(0.15) per share. We previously forecasted revenue of \$41.4 million and a net loss of \$1.8 million or \$(0.18) per share. Our revised forecast reflects continued growth in the smart education market and growing software sales from a full year contribution from the June 2018 acquisition of Qwizdom.

We project a 48.8% increase in gross profit to \$15.8 million from \$10.6 million due to revenue growth and gross margins increasing to 30% from our 2018 forecast of 24.2%. 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 \$16.7 million from \$15 million due primarily to increased compensation costs. R&D expenses are projected to remain relatively flat at \$480,000.

Interest expense should decrease to \$427,000 from \$743,000 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 \$1.5 million and a \$782,000 increase in working capital for \$694,000 cash provided by operations. The increase in working capital should come primarily from increases in receivables and inventories offset in part by an increase in payables and accrued expenses. We project a \$188,000 decrease in cash to \$1.5 million at December 31, 2019.

2Q18 and 1H18 Financial Results

2Q18 – Revenue increased 61.5% to \$9.7 million from \$6 million in 2Q17. The company reported a net loss of \$4.5 million or \$(0.45) per share versus a net loss of \$814,000 or \$(0.18) per share. Included in the net loss for 2Q18 was a \$2.2 million or \$(0.22) per share charge related to the change in fair value liability. We projected revenue of \$6.5 million and a net loss of \$1.4 million or \$(0.14) per share.

The increase in revenue was primarily attributable to increased product volumes. Gross profit remained flat at \$1.7 million due to sales growth being offset by gross margin contraction to 17.9% from 28.9% due to lower margins on initial deliveries for two contracts.

General and administrative expenses increased to \$3.7 million from \$2.3 million due to increased stock compensation expense, contract services, commissions and professional fees. Research and development expenses increased to \$177,000 from \$107,000 due to enhancements to the company's software products and new hardware launches. Interest expense increased to \$207,000 from \$107,000 due primarily to increased debt levels.

1H18 – Revenue increased 53.9% to \$15.7 million from \$10.2 million in 1H17. The company reported a net loss of \$5.4 million or \$(0.55) per share versus a net loss of \$2.4 million or \$(0.51) per share. Included in the net loss for 1H18 were \$1.2 million or \$(0.12) per share charges related to the change in fair value liability.

The increase in revenue was primarily attributable to increased product volumes. Gross profit increased to \$3.2 million from \$2.9 million while gross margins decreased to 20.5% from 28.6% due to lower margins on initial deliveries for two contracts.

Boxlight Corporation

General and administrative expenses increased to \$6.9 million from \$4.8 million due to increased stock compensation expense and professional fees. Research and development expenses decreased to \$270,000 from \$298,000. Interest expense increased to \$354,000 from \$276,000 due primarily to increased debt levels.

Liquidity – As of June 30, 2018, Boxlight had \$1.8 million cash, a current ratio of 0.9, a debt to equity ratio of 0.3, and 36% of assets were financed by equity.

In 1H18, cash used in operations was \$2.3 million consisting of a \$2.7 million cash loss and a \$425,000 decrease in working capital. Working capital decreased primarily due to a decrease in inventories offset in part by an increase in receivables.

Cash provided by investing activities of \$868,000 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 \$1.2 million consisted of a net increase in debt and the proceeds from the issuance of common stock offset in part by principal payments on short-term debt. Cash decreased by \$211,000 to \$1.8 million at June 30, 2018.

At June 30, 2018, the company had \$2.3 million of debt (\$1.8 million short-term) consisting of \$1.1 million of accounts receivable financing at prime plus 4%, 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.

	6M Ended (in thousands \$)	
	2018A	2017A
Revenue	15,660	10,179
Cost of revenue	12,454	7,268
Gross profit	3,206	2,911
General and administrative	6,920	4,754
Research and development	270	298
Operating income (loss)	(3,984)	(2,141)
Interest expense	(354)	(275)
Other income (expense)	3	41
Changes in fair value of derivative liabilities	(1,156)	-
Gain from settlement of liabilities	129	-
Income before taxes	(5,362)	(2,375)
Income tax	-	-
Net Income / (loss)	(5,362)	(2,375)
EPS	(0.55)	(0.51)
Shares Outstanding	9,760	4,622
Margin Analysis		
Gross margin	20.5%	28.6%
General and administrative	44.2%	46.7%
Research and development	1.7%	2.9%
Operating margin	(25.4)%	(21.0)%
Year / Year Growth		
Total Revenues	53.8%	
Net Income	NMF	
EPS	NMF	
Source: Company filings		

Risks

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

Going concern - As of June 30, 2018, Boxlight had an accumulated deficit of approximately \$17.4 million and a net loss of \$5.4 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 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.

Ineffective disclosure controls and procedures – As of June 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 2.3 million shares in the float and the average daily volume is approximately 215,000 shares.

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

Boxlight Corporation

Consolidated Balance Sheets
(in thousands \$)

	2015A*	2016A*	2017A	6/18A	2018E	2019E
Cash and cash equivalents	994	457	2,010	1,799	1,654	1,466
Receivables	1,132	2,944	3,090	5,020	5,264	6,325
Inventories	3,550	4,164	4,626	3,487	4,748	5,270
Prepaid expenses	327	447	388	1,978	1,978	1,978
Total current assets	6,003	8,012	10,114	12,284	13,645	15,040
Net property and equipment	-	60	30	324	310	291
Intangible assets	180	6,833	6,127	6,850	6,479	5,737
Goodwill	45	4,182	4,182	4,405	4,405	4,405
Other assets	10	33	-	-	-	-
Total assets	6,238	19,120	20,453	23,863	24,839	25,473
Accounts payable and accrued expenses	5,171	8,208	6,895	8,168	8,309	9,223
Warranty reserve	-	-	492	627	627	627
Short-term debt	920	3,668	807	1,745	663	-
Convertible notes payable	95	50	50	50	50	50
Deferred revenue	-	496	1,127	1,727	1,727	1,727
Derivative liabilities	-	-	1,857	1,892	1,892	1,892
Other short-term liabilities	11	251	-	136	136	136
Total current liabilities	6,197	12,673	11,228	14,345	13,404	13,655
Long-term debt	-	4,061	-	547	547	328
Earn-out payable	-	-	-	273	273	273
Deferred revenue	-	272	175	168	168	168
Total liabilities	6,197	17,006	11,403	15,333	14,392	14,424
Total stockholders' equity**	41	2,114	9,050	8,530	10,446	11,049
Total liabilities & stockholders' equity	6,238	19,120	20,453	23,863	24,839	25,473

*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 \$3.3 million additional paid-in capital for the issuance of shares for acquisitions

Source: Company filings and Taglich Brothers' estimates

Boxlight Corporation

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

	<u>2015A*</u>	<u>2016A*</u>	<u>2017A</u>	<u>2018E</u>	<u>2019E</u>
Revenue	3,377	20,372	25,744	43,860	52,700
Cost of revenue	<u>2,277</u>	<u>12,960</u>	<u>19,330</u>	<u>33,237</u>	<u>36,890</u>
Gross profit	1,100	7,412	6,414	10,624	15,810
General and administrative	2,942	7,690	13,190	14,970	16,700
Research and development	<u>208</u>	<u>1,008</u>	<u>466</u>	<u>510</u>	<u>480</u>
Operating income (loss)	(2,050)	(1,286)	(7,242)	(4,857)	(1,370)
Interest expense	(98)	(818)	(635)	(743)	(427)
Gain on settlement of liabilities		-	276	129	-
Change in fair value of derivative liabilities		-	861	(1,157)	-
Other income (expense)	<u>(111)</u>	<u>43</u>	<u>201</u>	<u>104</u>	<u>200</u>
Income before taxes	(2,259)	(2,061)	(6,539)	(6,524)	(1,597)
Income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income / (loss)	<u>(2,259)</u>	<u>(2,061)</u>	<u>(6,539)</u>	<u>(6,524)</u>	<u>(1,597)</u>
EPS	<u>(0.55)</u>	<u>(0.48)</u>	<u>(1.20)</u>	<u>(0.65)</u>	<u>(0.15)</u>
Shares Outstanding	4,084	4,299	5,455	10,020	10,500
<u>Margin Analysis</u>					
Gross margin	32.6%	36.4%	24.9%	24.2%	30.0%
General and administrative	87.1%	37.7%	51.2%	34.1%	31.7%
Research and development	6.2%	4.9%	1.8%	1.2%	0.9%
Operating margin	(60.7)%	(6.3)%	(28.1)%	(11.1)%	(2.6)%
<u>Year / Year Growth</u>					
Total Revenues		503.3%	26.4%	70.4%	20.2%
Net Income		NMF	217.3%	(0.2)%	(75.5)%
EPS		NMF	150.0%	(45.7)%	(76.6)%

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

Boxlight Corporation

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

	<u>3/17A</u>	<u>6/17A</u>	<u>9/17A</u>	<u>12/17A</u>	<u>2017A</u>	<u>3/18A</u>	<u>6/18A</u>	<u>9/18E</u>	<u>12/18E</u>	<u>2018E</u>	<u>3/19E</u>	<u>6/19E</u>	<u>9/19E</u>	<u>12/19E</u>	<u>2019E</u>
Revenue	4,194	5,984	10,228	5,338	25,744	5,997	9,663	17,700	10,500	43,860	8,450	10,550	21,050	12,650	52,700
Cost of revenue	<u>2,995</u>	<u>4,273</u>	<u>7,328</u>	<u>4,734</u>	<u>19,330</u>	<u>4,516</u>	<u>7,938</u>	<u>13,275</u>	<u>7,508</u>	<u>33,237</u>	<u>5,915</u>	<u>7,385</u>	<u>14,735</u>	<u>8,855</u>	<u>36,890</u>
Gross profit	1,199	1,711	2,900	604	6,414	1,481	1,725	4,425	2,993	10,624	2,535	3,165	6,315	3,795	15,810
General and administrative	2,451	2,303	2,295	6,037	13,190	3,194	3,726	4,000	4,050	14,970	4,100	4,150	4,200	4,250	16,700
Research and development	<u>190</u>	<u>107</u>	<u>60</u>	<u>109</u>	<u>466</u>	<u>93</u>	<u>177</u>	<u>120</u>	<u>120</u>	<u>510</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>	<u>480</u>
Operating income (loss)	(1,442)	(699)	545	(5,542)	(7,242)	(1,806)	(2,178)	305	(1,178)	(4,857)	(1,685)	(1,105)	1,995	(575)	(1,370)
Interest expense	(169)	(107)	(187)	(172)	(635)	(147)	(207)	(198)	(191)	(743)	(157)	(124)	(90)	(56)	(427)
Gain on settlement of liabilities	-	-	-	-	276	26	103	-	-	129	-	-	-	-	-
Change in fair value of derivative liabilities	-	-	-	-	861	1,035	(2,192)	-	-	(1,157)	-	-	-	-	-
Other income (expense)	<u>50</u>	<u>(8)</u>	<u>112</u>	<u>322</u>	<u>201</u>	<u>(13)</u>	<u>17</u>	<u>50</u>	<u>50</u>	<u>104</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>200</u>
Income before taxes	(1,561)	(814)	470	(5,392)	(6,539)	(905)	(4,457)	157	(1,319)	(6,524)	(1,792)	(1,179)	1,955	(581)	(1,597)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (loss)	<u>(1,561)</u>	<u>(814)</u>	<u>470</u>	<u>(5,392)</u>	<u>(6,539)</u>	<u>(905)</u>	<u>(4,457)</u>	<u>157</u>	<u>(1,319)</u>	<u>(6,524)</u>	<u>(1,792)</u>	<u>(1,179)</u>	<u>1,955</u>	<u>(581)</u>	<u>(1,597)</u>
EPS	<u>(0.34)</u>	<u>(0.18)</u>	<u>0.08</u>	<u>(0.80)</u>	<u>(1.20)</u>	<u>(0.09)</u>	<u>(0.45)</u>	<u>0.02</u>	<u>(0.13)</u>	<u>(0.65)</u>	<u>(0.17)</u>	<u>(0.11)</u>	<u>0.19</u>	<u>(0.06)</u>	<u>(0.15)</u>
Shares Outstanding	4,622	4,622	5,811	6,765	5,455	9,617	9,811	10,150	10,500	10,020	10,500	10,500	10,500	10,500	10,500
<u>Margin Analysis</u>															
Gross margin	28.6%	28.6%	28.4%	11.3%	24.9%	24.7%	17.9%	25.0%	28.5%	24.2%	30.0%	30.0%	30.0%	30.0%	30.0%
General and administrative	58.4%	38.5%	22.4%	113.1%	51.2%	53.3%	38.6%	22.6%	38.6%	34.1%	48.5%	39.3%	20.0%	33.6%	31.7%
Research and development	4.5%	1.8%	0.6%	2.0%	1.8%	1.6%	1.8%	0.7%	1.1%	1.2%	1.4%	1.1%	0.6%	0.9%	0.9%
Operating margin	(34.4)%	(11.7)%	5.3%	(103.8)%	(28.1)%	(30.1)%	(22.5)%	1.7%	(11.2)%	(11.1)%	(19.9)%	(10.5)%	9.5%	(4.5)%	(2.6)%
<u>Year / Year Growth</u>															
Total Revenues	36.4%	35.4%	29.8%	6.7%	26.4%	43.0%	61.5%	73.1%	96.7%	70.4%	40.9%	9.2%	18.9%	20.5%	20.2%
Net Income	NMF	NMF	(560.8)%	213.7%	217.3%	(42.0)%	447.5%	(66.6)%	(75.5)%	(0.2)%	98.0%	(73.5)%	NMF	(55.9)%	(75.5)%
EPS	NMF	NMF	(431.9)%	99.3%	150.0%	(72.1)%	157.9%	(80.9)%	(84.2)%	(45.7)%	81.4%	(75.3)%	NMF	(55.9)%	(76.6)%

*Retrospectively adjusted for the acquisitions of Mimio and Genesis

Source: Company filings and Taglich Brothers' estimates

Boxlight Corporation

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

	2015A*	2016A*	2017A	6m18A	2018E	2019E
Net income (loss)	(2,259)	(2,062)	(6,539)	(5,362)	(6,524)	(1,597)
Bad debt expense	6	425	(89)	16	16	-
Change in allowance for sales returns	-	53	408	114	114	-
Change in inventory reserve	-	14	134	(82)	(82)	-
Change in allowance for doubtful accounts	-	-	-	-	-	-
Change in fair value of derivative liability	-	-	-	1,157	1,157	-
Stock compensation expense	-	464	4,344	1,111	2,200	2,200
Depreciation & amortization	-	353	747	382	762	761
Loss on disposal of other assets	-	-	7	-	-	-
Amortization of debt discount	7	18	-	56	112	112
Debt extension fees	-	350	-	-	-	-
Gain on settlement of debt	-	-	(276)	-	-	-
Gain on settlement of accounts payable	-	-	-	(26)	(26)	-
Gain on settlement of derivative liabilities	-	-	(861)	(104)	(104)	-
Cash earnings (loss)	(2,246)	(385)	(2,125)	(2,738)	(2,375)	1,476
<i>Changes in assets and liabilities</i>						
Receivables	1,507	(910)	(465)	(1,578)	(2,174)	(1,061)
Inventories	284	2,654	(596)	1,872	(122)	(522)
Prepaid expenses and other	172	325	79	(1,573)	(1,590)	-
Other assets	-	-	-	-	-	-
Accounts payable and accrued expenses	523	629	1,152	980	2,024	801
Warranty reserve	-	-	-	132	132	-
Deferred revenues	-	4	614	592	593	-
Other short-term liabilities	(24)	(8)	(2)	-	136	-
Accrued interest on log-term debt	-	61	-	-	-	-
(Increase) decrease in working capital	2,462	2,755	782	425	(1,001)	(782)
Net cash provided by (used in) operations	216	2,370	(1,343)	(2,313)	(3,376)	694
Cash acquired through acquisitions	8	358	-	1,278	1,278	-
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)	868	868	-
Proceeds from short-term debt	605	6,941	10,215	10,512	10,512	-
Proceeds from convertible note payable	95	-	-	-	-	-
Proceeds from factoring of accounts receivable	49	-	-	-	-	-
Principal payments on short-term debt	(12)	(10,580)	(12,966)	(9,683)	(10,765)	(882)
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	2,420	-
Net cash provided by (used in) financing	738	(3,293)	2,928	1,249	2,167	(882)
Effect of currency exchange rates	-	19	(21)	(15)	(15)	-
Net change in cash	962	(537)	1,554	(211)	(356)	(188)
Cash - beginning of period	32	994	456	2,010	2,010	1,654
Cash - end of period	994	456	2,010	1,799	1,654	1,466

*Retrospectively adjusted for the acquisitions of Mimio and Genesis

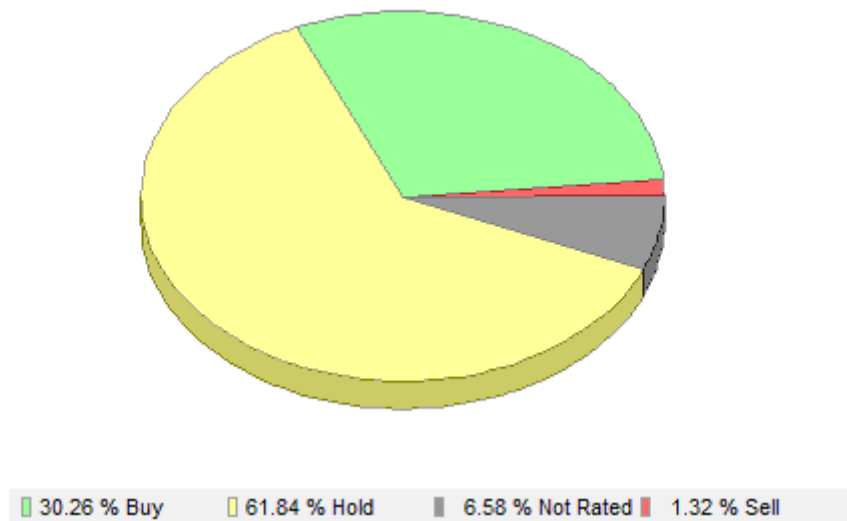
Source: Company filings and Taglich Brothers' estimates

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Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	3	12
Hold		
Sell		
Not Rated	1	50

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Public companies mentioned in this report:

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

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Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

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Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

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