Zacks Small-Cap Research

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# Revolution Lighting Technologies, Inc.

**(RVLT-NASDAQ)**

## RVLT: Sales Delayed By Hurricanes Provides Investment Timing Opportunity

Using a blended valuation of PE and multiple of EBITDA versus its peers, we come up with an average price target of $10.37 by next year should our estimates prove accurate.

| | |
|---|---|
| Current Price (10/25/17) | $5.57 |
| **2018 Valuation** | **$10.37** |

## OUTLOOK

Revolution Lighting is a pure play in commercial & industrial and government LED end-user lighting products and services. It has no legacy technology dragging down growth and is projected to grow as customers reap increasingly attractive paybacks. To date, only 10% of installed lighting is LED in the US, providing extensive growth opportunity. Its sales channel has been greatly enlarged and the company in now qualified by the Navy and is bidding contracts. It also has product made in America that is having great success with the new emphasis to Buy American.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$8.94** |
| **52-Week Low** | **$5.29** |
| **One-Year Return (%)** | **-22.1** |
| **Beta** | **2.2** |
| **Average Daily Volume (sh)** | **94,378** |
| **Shares Outstanding (mil)** | **21.3** |
| **Market Capitalization ($mil)** | **$117** |
| **Short Interest Ratio (days)** | **31.2** |
| **Institutional Ownership (%)** | **32** |
| **Insider Ownership (%)** | **41** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **119** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **NM** |
| **P/E using 2017 Estimate** | **NM** |
| **P/E using 2018 Estimate** | **13.9** |

| | |
|---|---|
| **Risk Level** | **High** |
| **Type of Stock** | **Small-Value** |
| **Industry** | **Bldg. Prod. -Ltg Fix** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2015 | 20.3 A | 27.2 A | 37.7 A | 44.3 A | 129.7 A |
| 2016 | 27.6 A | 43.1 A | 50.2 A | 51.2 A | 172.1 A |
| 2017 | 30.6 A | 43.4 A | 43.1 A | 47.0 E | 164.0 E |
| 2018 | | | | | 206.3 E |

**Earnings per Share**
(Adjusted Non-GAAP EPS before non-recurring items)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2015 | -$0.09 A | -$0.03 A | $0.09 A | $0.12 A | $0.09 A |
| 2016 | -$0.06 A | $0.07 A | $0.11 A | $0.14 A | $0.29 A |
| 2017 | -$0.15 A | $0.03 A | -$0.03 A | $0.05 E | -$0.10E |
| 2018 | | | | | $0.40 E |

Zacks Projected EPS Growth Rate - Next 5 Years 15%

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## Company Slashes Q4 Expectations as Texas Projects Are Delayed

A significant disruption in business at Revolution due to hurricanes has caused a large revenue shortfall for the second half of 2017. Following a weak Q3, Revolution expects the shortfall continue in Q4 2017. Fortunately for investors **this act of God could provide a buying opportunity as the company works its way back to normal operations.** Though RVLT reported Q3 revenues in line with its preannouncement, the company just guided down significantly for Q4 from $60-66 million to $47-50 million in revenues having again reviewed the status of its customer's projects. While 50-60 projects had been affected by the weather, management believed that they would be taking product by Q4. Upon checking with customers, it was found that only 20-40% of these projects would be ready to accept delivery in Q4.

Revolution reported Q3 revenues of $43.1 million versus $50.2 million a year ago, down 14%. The majority of the shortfall was pinned on Texas. There the hurricane, plus management issues, resulted in business slipping out of the quarter, but not lost. Revenues from Texas are expected to be only $13 million to $14 million in the second half of 2017 versus the $25 million in sales in the same period last year. Management at Value Lighting has been shuffled and facilities in that region are to be consolidated resulting in lower G&A going forward. The building market in Texas continues to be robust so there is not a demand problem. As noted in the revised guidance given last month, the hurricanes primarily affected the multi-family lighting business at Value Lighting. This entity at Revolution gets as much as 70% of its sales in the last two weeks of the quarter. It was unable to ship product and customer were unable to receive product due to the disruption in travel and business closures. Also, Revolution's Georgia and Texas offices were closed for a number of days. These customers had been expected to require electrical product but construction delays set their projects behind schedule. Revolution believes these delays reduced quarterly sales by about $7 million. Additionally, a number of large deals expected at Energy Source in Connecticut and Rhode Island slipped out of the quarter. The Connecticut government has just now agreed to take some money from the utilities' Energy Efficiency Fund to pay its bills, as it cannot close its budget gap. This will reduce future available subsidies.

Gross margins held steady sequentially at 32.2% and were up slightly from 31.7% in 2016. The company is optimistic that margins will increase going forward as it sells more higher margin fixtures and controls rather than just lamps and tubes.

This company continues to increase spending on R&D while taking steps to negate this increase by consolidating facilities and streamlining operations. Total expenses ex-one time expenses were $14.2 versus $13.4 million in Q3 2016.

Interest expense was $943,000 versus $747,000 a year ago. They company continues to improve DSOs and inventory turns and is working to reduce borrowings.

GAAP EPS came in at loss of $0.12 versus a gain of $0.08 last year. Non-GAAP EPS without stock based compensation and one-time expenses was a loss of $0.03 versus a gain of $0.11 a year ago. Adjusted EBITA was $2.3 million for the quarter versus $4.6 in 2016.

## Update on Current Business

The company anticipates that backlog exiting Q4 could be as high $40 million and double what it was last year. Of that, $30 million should be from Value Lighting who has seen so many projects slip.

In Q3, the company won and shipped its first Navy contract. Revolution expects to bid on two much larger contracts in November. It has now had its factory certified and is eligible to bid on any Navy contract. It is one of only two companies able to bid certain products with the Navy.

The company is moving forward with its “Energy as a Service.” This innovative workaround to state budget woes has the company working with the local utility and banks, to execute LED replacement projects that are being paid for through the payment of an electric bill. Much like when a customer could pay off a new smartphone by signing a contract to pay a higher monthly phone service rate, the government will keep paying a higher electricity bill until it has paid off its project cost for LED replacements. Revolution, with its partner Honeywell, is enabling a state government (name of state withheld) to switch to LED in state owned buildings. A pilot program is being implemented and Revolution expects to convert a few buildings in Q4 for testing. After the pilot, the state will decide how to roll out a program. The state has 3500 buildings that it owns and occupies and Revolution believes savings could be as much as save as much as $100 million to $150 million per year on electricity if all the buildings are converted. The pilot is expected to start in Q4, and could lead to as much as $100 million in sales over the next two years.

Business continues steady at retail stores and more chains are presenting opportunities. The work with the large box retailer the company talks about is now onto phase two of 200-300 stores. This customer is now replacing fixtures as well as tubes.

The company continues to roll out new products and is very excited about a new line of state-of-the-art outdoor fixtures and a new 10-watt family of tubes.

**Q4 2017**

The company is now guiding to **Q4 2017 revenue in the range of $47 million to $50 million, down from** Q4 2016. It also projects adjusted EBITDA in the 7-9% range up from previous guidance of 5-6%. Free cash flow is expected at $9 million to $10 million. Using revenues of $48 million we get a non-GAAP EPS estimate of $0.05.

**Full Year 2017 Estimate Drops to $165 million**

**Revenue guidance for the 2017 year** was dropped to **$165 to $170 million.** It expects adjusted EBITDA in the 5-7% range and a non-GAAP net loss of $0.12 to $0.14. We are using a new non-GAAP EPS estimate of a loss of $0.10 for the year down from $0.29 last year. While the hurricanes caused short-term disruption to business then should provide even more opportunity in the future as Texas, Florida and Puerto Rico rebuild. Keep in mind most of this business was not lost, it was just pushed to the future.

We continue to be optimistic about 2018 but have reduced revenues and earnings to reflect the uncertainly around the return of business. Nonetheless, we expect a sharp rebound from the hurricane disruption and believe prices should remain stable. As the company moves up the value chain to fixtures and controls, margins should expand. And as always the Navy could provide considerable upside in business.

## INVESTMENT THESIS

- Revolution was just hit with a **sales disruption from three hurricanes** providing investors with a unique opportunity to invest. While the company did not lose business, sales were pushed out of the second half of 2017 as construction projects were halted and damage was repaired. The company should be able to recover and return to growth.

- Revolution Lighting Technology is a **pure play in the LED lighting products and services space, selling to the commercial, and industrial and government sectors.**

- Revolution is exhibiting **operating leverage** that is beginning to deliver accelerating earnings. With its current structure it believes it can bring upwards of 26-28% of every dollar in revenue over $100 million to the bottom line. This means the company **could go from a loss of $0.10 per share in earnings this year to $0.40 in 2018.**

- Replacing incandescent and fluorescent lighting with LED fixtures and/or lamps typically produces measurably **significant payback** for customers. The industry is now at a point where LED prices are so low that significant savings are possible and deal sizes and opportunities are growing and easier to close. The payback period is lowered as utility and state incentives further reduce overall project costs.

- Unlike competitors, it has **no legacy fluorescent lighting** sales to cannibalize. The company growth reflects LED sales and installations alone. The company **does not compete in the consumer market** or direct to consumers, where extensive competition exists.

- The company is a **consolidation play in an extremely fragmented market.** It has brought together product companies, distributors, and turnkey solution providers who cross-pollinate and complement each other.

- Revolution has **two opportunities that could provide big upsides to sales** near term that are not in estimates. These are: increasing sales to the Navy and/or other military or government agencies, and sales based on the Buy America Act. The company has reached compliance for both programs. The Buy America products have record backlog and the company just won its first very first Navy contract and is bidding two larger contracts in Q4. It also recently won its first with the US National Guard.

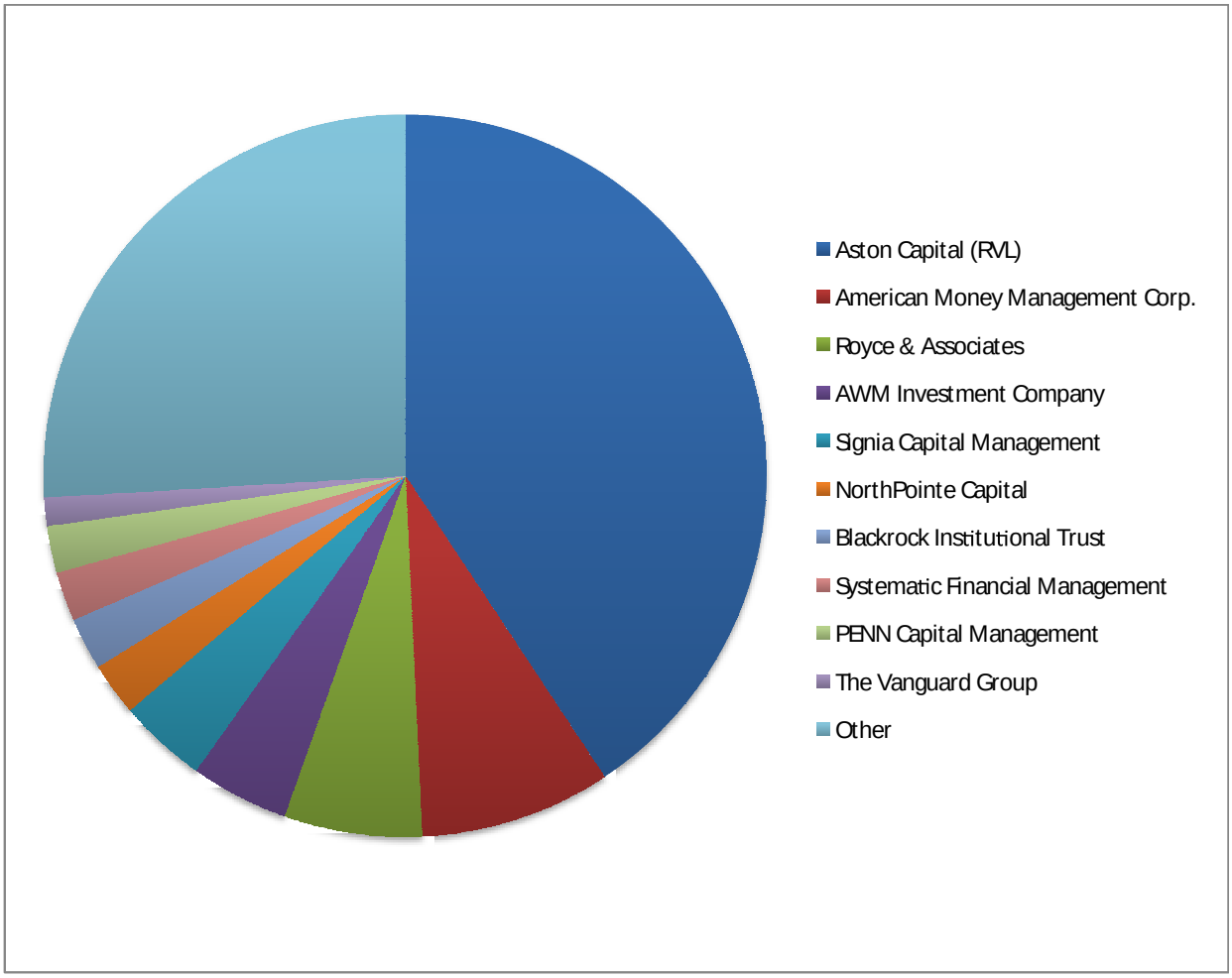
- The company grew 33% in 2016. And while hurricanes stunted Revolution's growth in 2017, we believe opportunities will be even more than before due to rebuilding. We predict sales growth of 25% to $206 million in sales in 2018 and fully diluted adjusted non-GAAP EPS of $0.40 versus a loss of $0.10 in 2017.

## OVERVIEW

RVL LLC acquired revolution Lighting Technologies in September of 2012. RVL LLC is an investment company created by Ashton Capital and is owned primarily by Robert LaPenta and principals of Aston Capital. Since 2012, the company has acquired eight more companies in LED lighting products, full service turnkey operations and LED distribution, all of which target commercial, industrial or government end users. Its operating divisions include Energy Source, Value Lighting, Tri-State LED, E-Lighting, All-Around Lighting, and TNT Energy. The company has over 300 full-time employees distributed among 10 locations.

## OWNERSHIP

Aston Capital owns RVL 1 LLC and owns 41% of RVLT. Certain management and directors of Revolution Lighting including Robert LaPenta and James DePalma are also owners of Aston Capital. As of October 20, 2017 the company had 21.3 million shares outstanding.




## RISKS

- LED lighting products had experienced rapid declines in price due to extraordinary competition here and in China. While prices are currently stable, the company must be able to maintain parity in pricing and generate margin in order to be profitable.
- The industry is highly fragmented and currently undergoing a shake out leading to unpredictable prospects.
- Management may not be able to manage so many separately operating companies and channel conflict and overlap may be a problem in growing internally.

- Governments and utilities may stop offering subsidies and rebates making LED installation less cost effective. Alternatively given the price of oil, electricity prices may come down in some markets with the same effect.

- The production facility in California may not be able to easily scale to meet demand or costs to produce there might be uncompetitive.

## VALUATION

In the public markets the average of the three lighting company with positive earnings trades at a PE of 52.7 times calendar year 2017 EPS. CREE (CREE) trades at 84.6xs, Acuity Brands (AYI) trades at 18.8xs, and LSI Industries trades at 49.5xs. Using Acuity's PE multiple of 17.6 times 2018 EPS and a **2018 EPS estimate of $0.40 for RVLT gives us a value of $7.04**

Alternatively, we could value the company on enterprise value to trailing 12-month EBITDA as management runs the business based on EBITDA goals. If we average all the company peers together, they trade at 8.0 times EV/EBITDA. But if we eliminate the EBITDA negative companies, that rises to 18.1 times. Using RVLT's 2017 adjusted EBITDA of $14 million would value the company at an enterprise value of $268 million. **This equates to a stock price of $13.70 per share by 2018.**

Using a blended valuation of $7.04 and $13.70, RVLT stock is estimated to be worth $10.37 **by next year.**

**Calendar years**

| Company | Ticker | EPS 17 | EPS 18 | Price | PE 2017 | PE 2018 | Gr Rate | EBITDA | EV | EV/EBITDA |
|---|---|---|---|---|---|---|---|---|---|---|
| Acuity Brands | AYI | 8.58 | 9.14 | 160.90 | 18.8 | 17.60 | 7% | 606 | 6,790 | 11.2 |
| Capstone Companies | CAPC | NA | NA | 0.55 | NA | NA | NA | 4 | 25 | 6.3 |
| Cree | CREE | 0.21 | 0.40 | 33.85 | 161.2 | 84.63 | 90% | 96 | 2,830 | 29.5 |
| Energy Focus | EFOI | -0.99 | -0.28 | 2.48 | -2.5 | -8.9 | -72% | -15 | 13 | -0.8 |
| Lighting Science Group Corp. | LSCG | NA | NA | 0.02 | NA | NA | NA | -16 | 40 | -2.5 |
| LSI Industries | LYTS | 0.13 | NA | 6.43 | 49.5 | NA | NA | 15 | 211 | 14.2 |
| Orion Energy Systems | OESX | -0.59 | NA | 0.95 | -1.6 | NA | NA | -12 | 23 | -2.0 |
| **Average** | | | | | 76.5 | NA | NA | | All | 8.0 |
| | | | | | | | | | Profitable | 18.1 |

## INCOME STATEMENT

| Revolution Lighting Technologies | Q1 2016 31-Mar | Q2 2016 30-Jun | Q3 2016 30-Sep | Q4 2016 31-Dec | Q1 2017 31-Mar | Q2 2017 30-Jun | Q3 2017 30-Sep | Q4 2017E 31-Dec | 2015 | 2016 | 2017E | 2018E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total revenue** | **27.6** | **43.1** | **50.2** | **51.2** | **30.6** | **43.4** | **43.1** | **48.0** | **129.7** | **172.1** | **165.0** | **206.3** |
| Yr-to-yr Growth | 36% | 58% | 33% | 16% | 11% | 1% | -14% | -6% | 68.7% | 32.8% | -4.1% | 25.0% |
| Cost of services | 18.5 | 29.8 | 34.3 | 33.6 | 20.5 | 29.1 | 29.2 | 32.5 | 86.4 | 116.3 | 111.3 | 138.2 |
| Gross profit | 9.1 | 13.3 | 15.9 | 17.6 | 10.1 | 14.2 | 13.9 | 15.5 | 43.3 | 55.9 | 53.7 | 68.1 |
| Gross Margin | 32.8% | 31.0% | 31.6% | 34.4% | 33.0% | 32.8% | 32.2% | 32.3% | 33.4% | 32.5% | 32.5% | 33.0% |
| **Operating expenses:** | | | | | | | | | | | | |
| Acquisition, severance and transition costs | 1.1 | 1.9 | 0.1 | 0.7 | 0.7 | 0.9 | 1.2 | 1.0 | 2.0 | 3.9 | 3.8 | 0.0 |
| Amortization and depreciation | 1.3 | 1.6 | 1.6 | 1.6 | 1.9 | 1.8 | 1.5 | 1.5 | 4.9 | 6.1 | 6.8 | 7.0 |
| Stock-based compensation | 0.4 | 0.6 | 0.5 | 0.7 | 1.1 | 0.5 | 0.6 | 0.6 | 2.7 | 2.1 | 2.8 | 3.0 |
| Other SG&A | 7.6 | 9.3 | 10.6 | 12.0 | 10.1 | 10.4 | 11.0 | 11.1 | 32.2 | 39.4 | 42.6 | 45.0 |
| R&D | 0.6 | 0.6 | 0.7 | 0.4 | 0.4 | 0.7 | 1.1 | 0.9 | 2.5 | 2.4 | 3.1 | 4.0 |
| Total operating expenses | 11.1 | 13.9 | 13.5 | 15.4 | 14.2 | 14.2 | 15.5 | 15.1 | 44.2 | 53.9 | 59.0 | 59.0 |
| Operating income: | (2.1) | (0.5) | 2.4 | 2.2 | (4.2) | 0.0 | (1.6) | 0.4 | (0.9) | 2.0 | -5.3 | 9.1 |
| Operating margin | -7.4% | -1.3% | 4.7% | 4.3% | -13.6% | 0.1% | -3.7% | 0.8% | -0.7% | 1.2% | -3.2% | 4.4% |
| **Other income:** | | | | | | | | | | | | |
| Interest expense, net | (0.6) | (0.6) | (0.7) | (0.6) | (0.8) | (0.8) | (0.9) | (0.9) | (1.5) | (2.5) | (3.4) | (3.4) |
| Total other income | (0.6) | (0.6) | (0.7) | (0.6) | (0.8) | (0.8) | (0.9) | (0.9) | (1.5) | (2.5) | (3.4) | (3.4) |
| Income before income taxes | (2.6) | (1.1) | 1.6 | 1.6 | (5.0) | (0.7) | (2.5) | (0.5) | (2.4) | (0.5) | (8.7) | 5.7 |
| Pretax Margin | -9.5% | -2.6% | 3.2% | 3.1% | -16.2% | -1.7% | -5.8% | -1.0% | -2% | 0% | -5% | 3% |
| Income tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Tax rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net income | (2.6) | (1.1) | 1.6 | 1.6 | (5.0) | (0.7) | (2.5) | (0.5) | (2.4) | (0.5) | (8.7) | 5.7 |
| Stk based compensation | 0.4 | 0.6 | 0.5 | 0.7 | 1.1 | 0.5 | 0.6 | 0.6 | 2.7 | 2.1 | 2.8 | 3.0 |
| One-time expenses | 1.1 | 1.9 | 0.1 | 0.7 | 0.7 | 0.9 | 1.2 | 1.0 | 2.0 | 3.9 | 3.8 | - |
| Non-GAAP Income from continuing | (1.0) | 1.3 | 2.2 | 3.0 | (3.2) | 0.6 | (0.7) | 1.1 | 2.3 | 5.5 | (2.1) | 8.7 |
| Net Margin | -3.8% | 3.1% | 4.4% | 5.8% | -10.4% | 1.5% | -1.6% | 2.3% | 1.8% | 3.2% | -1.3% | 4.2% |
| Yr-to-yr Growth | -14% | -427% | 64% | 43% | 204% | -52% | -131% | -62% | -126.5% | 139.2% | -138.7% | -512.3% |
| **Net income per share:** | | | | | | | | | | | | |
| EPS | (0.16) | (0.06) | 0.08 | 0.08 | (0.24) | (0.04) | (0.12) | (0.02) | (0.16) | (0.03) | (0.42) | 0.27 |
| EPS Diluted | (0.16) | (0.06) | 0.08 | 0.08 | (0.24) | (0.04) | (0.12) | (0.02) | (0.14) | (0.03) | (0.41) | 0.26 |
| **Adjusted Non-GAAP Diluted** | **(0.06)** | **0.07** | **0.11** | **0.15** | **(0.15)** | **0.03** | **(0.03)** | **0.05** | **0.09** | **0.29** | **(0.10)** | **0.40** |
| | -26.5% | -342.1% | 25.8% | 24.8% | 138.5% | -55.3% | -129.8% | -64.7% | -109.3% | 228.4% | -135% | -497% |
| **Shares** | | | | | | | | | | | | |
| Basic | 16.1 | 18.9 | 20.5 | 20.5 | 20.6 | 20.8 | 20.9 | 21.3 | 14.9 | 19.0 | 20.9 | 21.3 |
| Diluted | 16.7 | 19.4 | 20.5 | 20.5 | 20.6 | 20.8 | 20.9 | 21.8 | 16.9 | 19.1 | 21.0 | 21.9 |
| | 5.2% | 17.7% | 16.7% | 14.8% | 23.7% | 7.1% | 2.2% | 6.4% | 63.3% | 12.7% | 10.2% | 3.9% |
| Adjusted EBITDA | 0.8 | 3.5 | 4.6 | 5.2 | (0.4) | 3.2 | 2.3 | 3.5 | 8.6 | 14.1 | 8.0 | 19.1 |
| EBITDA Margin | 3.0% | 8.1% | 9.2% | 10.1% | -1.4% | 7.3% | 5.3% | 7.3% | 6.7% | 8.2% | 4.9% | 9.2% |
| | 6800% | 212% | 52% | 16% | -153% | -8% | -50% | -33% | | 63% | -43% | 137% |

## BALANCE SHEET

| | Sept 30, 2017 | June 30, 2017 | % Change Sept-Jun | Sept. 30, 2016 | Yr-Yr % Change |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and equivalents | **$917** | **$475** | 93% | **$3,911** | -77% |
| Accounts receivable, net | 47,970 | 50,664 | -5% | 47,678 | 1% |
| Unbilled contract receivable | 5,511 | 6,255 | -12% | 7,869 | -30% |
| Inventories, net | 33,638 | 31,234 | 8% | 24,225 | 39% |
| Other current assets | 12,087 | 9,814 | 23% | 6,487 | 86% |
| Total current assets | 100,123 | 98,442 | 2% | 90,170 | 11% |
| | | | | | |
| Property and equipment, net | 1,802 | 1,651 | 9% | 1,218 | 48% |
| | | | | | |
| **Other assets** | | | | | |
| Goodwill | 72,210 | 72,210 | 0% | 71,827 | 1% |
| Intangible assets, net of accumulated amortization | 39,821 | 41,166 | -3% | 44,472 | -10% |
| Other assets | 979 | 1,202 | -19% | 474 | 107% |
| Total other assets | 113,010 | 114,578 | -1% | 116,773 | -3% |
| Total assets | 214,935 | 214,671 | 0% | 208,161 | 3% |
| | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable | 26,451 | 26,294 | 1% | 25,241 | 5% |
| Notes payable | **2,360** | **2,360** | 0% | 11,360 | -79% |
| Related party payable | 1,000 | 0 | NM | 0 | 0% |
| Accrued and other current liabilities | 11,636 | 11,556 | 1% | 9,849 | 18% |
| Purchase price obligations, current | **168** | **561** | -70% | 2,899 | -94% |
| Total current liabilities | 41,615 | 40,771 | 2% | 49,349 | -16% |
| | | | | | |
| **Long-term liabilities** | | | | | |
| Revolving credit facility | **40,659** | **38,741** | 5% | **25,513** | 59% |
| Related party payable | **9,565** | **11,065** | -14% | **2,565** | 273% |
| Note payable | **1,796** | **1,886** | -5% | **3,156** | -43% |
| Purchase price obligations, non-current | **0** | **0** | 0% | **2,518** | -100% |
| Other liabilities | 325 | 386 | -16% | 1,497 | -78% |
| Total Liabilities | 93,960 | 92,849 | 1% | 84,598 | 11% |
| | | | | | |
| **Stockholder's equity** | | | | | |
| Common stock | 21 | 21 | 0% | 21 | 0% |
| Additional paid-in capital | 204,351 | 202,678 | 1% | 200,329 | 2% |
| Accumulated deficit | (83,397) | (80,877) | 3% | (76,787) | 9% |
| Total stockholders' equity | 120,975 | 121,822 | -1% | 123,563 | -2% |
| Total liabilities and stockholders' equity | $214,935 | $214,671 | 0% | $208,161 | 3% |
| | | | | | |
| Current ratio | 2.4 | 2.4 | 0% | 1.8 | 32% |
| Quick ratio | 1.6 | 1.6 | -3% | 1.3 | 20% |
| Working Capital | 58,508 | 57,671 | 1% | 40,821 | 43% |
| Net Cash as % of assets | 0% | 0% | 93% | 2% | -77% |
| Cash per share | $0.00 | $0.00 | 91% | $0.00 | -77% |
| Debt % of assets | 25% | 25% | 0% | 57% | -55% |
| Inventory Turnover | 3.8 | 3.6 | 6% | 3.4 | 12% |
| Days Sales | 150 | 159 | -6% | 127 | 18% |

# CASH FLOW

| $ in Thousands | 3 Months Ended March 31, 2015 | 3 Months Ended June 30, 2015 | 3 Months Ended Sep. 30, 2015 | 3 Months Ended Dec. 31, 2015 | 3 Months Ended March 31, 2016 | 3 Months Ended June 30, 2016 | 3 Months Ended Sept. 30, 2016 | 3 Months Ended Dec. 31, 2016 | 3 Months Ended March 31, 2017 | 3 Months Ended June 30, 2017 | 3 Months Ended Sept 30, 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | | | | | | | | |
| Net loss | $ (2,046) | $ (1,488) | $ (285) | $ 1,437 | $ (2,616) | $ (1,127) | $ 1,629 | $ 1,592 | $ (4,955) | $ (727) | $ (2,520) |
| **Adjustments to reconcile net loss to net cash used in operating activities:** | | | | | | | | | | | |
| Depreciation | 143 | 136 | 136 | 135 | 100 | 98 | 109 | 82 | 126 | 135 | NA |
| Amortization of intangibles and other assets | 890 | 1,009 | 1,077 | 1,342 | 1,210 | 1,467 | 1,518 | 1,531 | 1,813 | 1,658 | 2,080 |
| Reacquired common stock issued for acquisition | (547) | 0 | 0 | 547 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in fair value of contingent consideration | 406 | 79 | 254 | 125 | 377 | 455 | (901) | (2,179) | (785) | (860) | 43 |
| Stock-based compensation | 534 | 629 | 919 | 637 | 430 | 593 | 462 | 656 | 1,118 | 478 | 601 |
| Other non-cash items affecting net loss | 0 | 0 | 0 | 0 | 0 | 0 | 181 | 1,168 | 21 | (124) | 41 |
| **Changes in operating assets and liabilities, net of the effect of acquisitions (Note 2):** | | | | | | | | | | | |
| Increase in trade accounts receivable, net | 2,916 | (5,700) | (5,505) | (6,822) | 5,119 | (5,532) | (4,908) | (6,459) | 7,161 | (4,478) | 2,694 |
| Increase in unbilled contract receivables | 0 | 0 | (2,955) | 709 | 1,064 | (154) | (3,836) | (2,298) | 1,841 | 2,071 | 744 |
| Increase in inventories, net | (4,604) | (1,325) | 239 | (1,544) | (3,734) | 691 | 1,321 | (2,708) | (3,571) | (985) | (2,404) |
| Increase in other assets | (142) | (295) | 360 | (622) | (222) | (1,130) | (1,073) | (2,397) | (1,549) | (445) | (3,270) |
| Decrease in accounts payable and other liabilities | (4,223) | (88) | 1,672 | 5,171 | (1,751) | 3,732 | 2,357 | 8,878 | (5,432) | (947) | 810 |
| Decrease in accrued compensation and benefits | (527) | 326 | 201 | 0 | 116 | (116) | 0 | 0 | 0 | 0 | 0 |
| Net cash used in operating activities | (7,200) | (6,717) | (3,887) | (6,085) | 93 | (1,023) | (3,322) | (3,302) | (4,212) | (4,224) | (1,181) |
| **Cash Flows from Investing Activities:** | | | | | | | | | | | |
| Acquisition of businesses, net of cash acquired | (100) | 0 | (10,148) | (251) | 0 | (9,464) | (949) | (947) | 0 | 0 | 0 |
| Payment of acquisition obligations | | | | | 0 | (1,015) | 0 | 0 | 0 | (284) | 0 |
| Purchase of property and equipment | (160) | (80) | (180) | (42) | (46) | (64) | (110) | (335) | (231) | (421) | (309) |
| Proceeds from the sale of assets | | | | | 0 | 0 | 2 | (2) | 0 | 0 | 0 |
| Net cash used in investing activities | (260) | (80) | (10,328) | (553) | (46) | (10,543) | (1,103) | (11,827) | (231) | (421) | (309) |
| **Cash Flows from Financing Activities:** | | | | | | | | | | | |
| Fee pertaining to the issuance of common stock | (287) | 68 | 219 | 0 | (60) | (11) | 71 | 0 | 0 | 0 | 0 |
| Fee pertaining to the issuance of debt | | | | | | | | | | | 603 |
| Issuance of common stock, net of fees and expenses | 0 | 0 | 9,525 | (565) | 0 | 16,191 | 1 | 0 | 0 | 0 | 0 |
| Repayments of short-term borrowings and notes payable | (120) | 120 | (300) | (90) | (60) | (120) | (90) | (90) | (10,090) | (90) | (90) |
| Proceeds of loans from related party note payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,000 | 0 |
| Repayments of loans from affiliates of controlling stockholder | 0 | (180) | 180 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (500) |
| Proceeds from revolving credit facility, net | 3,469 | 5,637 | 4,990 | (830) | 1,144 | (594) | 2,937 | 480 | 14,819 | (2,072) | 1,919 |
| Net cash provided by financing activities | 3,062 | 5,645 | 14,614 | 1,577 | 1,024 | 15,466 | 2,919 | 390 | 4,729 | 4,838 | 1,932 |
| (Decrease) increase in Cash and Cash Equivalents | (4,398) | (1,152) | 399 | (5,061) | (4,398) | 3,900 | (1,506) | (14,739) | 286 | 193 | 442 |
| Cash and Cash Equivalents, beginning of period | 6,033 | 1,635 | 483 | 882 | 219 | 1,290 | 5,190 | 3,911 | 883 | 1,169 | 475 |
| Cash and Cash Equivalents, end of period | 1,635 | 483 | 882 | 219 | 1,290 | 5,190 | 3,911 | 883 | 1,169 | 1,362 | 917 |

## HISTORICAL STOCK PRICE



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