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# Zacks Small-Cap Research

*Sponsored – Impartial - Comprehensive*

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

## Revolution Lighting Technologies, Inc. (RVLT-NASDAQ)

### RVLT: Q1 On Target with 10% Growth, Navy Sales Gaining Traction

Using a blended valuation of PE and multiple of EBITDA versus its peers, we come up with an average price target of $4.34 by next year should our estimates prove accurate.

| | |
|---|---|
| Current Price (04/30/18) | $3.56 |
| **Valuation** | **4.34** |

### 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 15% 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 winning 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** | **$8.85** |
| **52-Week Low** | **$3.09** |
| **One-Year Return (%)** | **-55.6** |
| **Beta** | **0.5** |
| **Average Daily Volume (sh)** | **100,612** |
| **Shares Outstanding (mil)** | **22** |
| **Market Capitalization ($mil)** | **$81** |
| **Short Interest Ratio (days)** | **21.8** |
| **Institutional Ownership (%)** | **38** |
| **Insider Ownership (%)** | **42** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **80.3** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/M** |
| **P/E using 2018 Estimate** | **32.4** |
| **P/E using 2019 Estimate** | **12.3** |
| **Zacks Rank** | **N/A** |

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

### ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 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 | 35.3 A | 152.3 A |
| 2018 | 33.7 A | 40.0 E | 43.0 E | 46.0 E | 162.7 E |
| 2019 | | | | | 175.9 E |

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

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 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 | -$0.15 A | -$0.34 A |
| 2018 | -$0.06 A | $0.02 E | $0.06 E | $0.09 E | $0.11 E |
| 2019 | | | | | $0.29 E |

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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## WHAT'S NEW

### After Restructuring, Growth Returns to Revolution Lighting

RVLT returned to revenue growth by reporting Q1 revenues of $33.7 million versus $30.6 million a year ago, up 10%. While some sales did slip from Q4 into Q1, restructuring right sized the company's costs and profitability also improved. Some management changes have also improved operations. To quote the CEO "we finally got our act together." The company showed continued success penetrating the government and military markets shipping its first large order to the Navy. Increasing sales to this market could not only provide upside to estimates, sales here also lead to margin improvement.

In Q1 2018, the company had a gross margin of 34.1%, an improvement of 1.1 percentage points over last year mostly due to product mix and combined with cost reductions. The company continues its push to higher margin lamps, fixtures, and controls.

Operating expenses were $12.8 million versus $14.2 a year ago when acquisition, severance, and transition costs are included. Without those in both quarters, operating costs were $12.6 million versus $13.6 million in 2017. $400,000 of the difference was a decline in stock-based compensation.

Interest expense increased to $932,000 for the quarter from $802,000 in Q1 2017. The company expects cash flow and collections to improve throughout the course of the year and it should begin to pay down some borrowings later in the year.

GAAP net loss was $2.2 million versus a loss of $5.0 million a year ago. The company pays no taxes and has a federal tax loss carry forward of more than $50 million and a state tax loss carry forward of approximately $36 million.

GAAP EPS loss per share was $0.10 versus a loss of $0.24 per share in 2017. Excluding charges and stock based compensation the non-GAAP EPS loss was $0.06 versus a loss of $0.15 per share in Q1 2017.

Adjusted EBITDA for the quarter was $1 million versus a negative $0.4 million in 2017. The company uses EBITDA as its goal metric. This was an EBITDA margin of 2.8%.

#### Forecast Guidance

Management expects **Q2 2018 revenue in the $40 - $43 million range** and adjusted EBITDA in the 6% - 8% range. It maintains its full year 2018 revenue guidance of $165 - $175 million, versus $152 million in 2017, and adjusted EBITDA in the 8% - 10% range.

The biggest plus for the company this year is that the LED market is not showing the same price declines as last year where prices came down 35%. Prices are expected to decline only 5-10% in 2018. Other product mix factors will also help the company's profitability. More of revenues will come from higher margin fixtures. Controls should start to grow because of having a leading edge product. While only a couple million in sales of controls are in forecasts for this year, controls sells at 70-80% margins, double the company average. There is also the possibility that the company can license its controls technology to other companies.

RVLT got a second award from a large box retailer which will start to be delivered in Q2, and is in a pilot with this retailer to replace fixtures also leading to even more upside if successful.

Sales to government and military are also improving. It has had success with military bases and VA hospitals and looks for more opportunities in these verticals. In this market it has strong partners in Honeywell and Siemens.

RVLT already delivered its first large order to the Navy and is bidding more work domestically and internationally. Sales to the Navy are at higher margins as the product is higher ticket ($30-60) and there is less competition. The company already sold $4 million to the Navy and has only put $5-6 million in its guidance for the full year. Certainly Revolution's ability to meet Made in America standards as well as Trade Agreement Act compliance have helped in the US government market.

The company is keeping its guidance conservative and we are sticking to the low end of that having been burned in the past. Certainly business prospects look very good especially with the ability to now sell to the Navy with the hopes of penetrating other navies worldwide. The company's strategy of providing high quality product is bearing fruit as customers become more sophisticated and learn that quality saves them money in the long run.

## INVESTMENT THESIS

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

- 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 often 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 potentially has **big upsides to sales** near term that is not in estimates and that is sales to the US Navy and other navies around the world. After a year and a half gaining compliance the company is finally shipping its first contracts and bidding on more. Since this has just started and traction could provide big upside as contracts are large and at higher than average margins. Being able to meet Made In America and Trade Agreement Act compliance also positions the company for success selling to government.

- After a revenue decline of 12% in 2017, Q1 showed 10% revenue growth and margin improvement. We predict growth of at least 7% to $163 million in sales in 2018 and fully diluted adjusted non-GAAP EPS of $0.11 versus a loss of $0.32 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. At year end the company 268 full-time employees.

## VALUATION

In the public markets the average of the three lighting company with positive earnings trades at a PE of 41 times calendar year 2018 EPS. CREE (CREE) trades at 93xs, Acuity Brands (AYI) trades at 13xs, and LSI Industries trades at 17xs. The average of Acuity's and LSI's PE multiple of 15.1XS for 2018 and a **2019 EPS estimate of $0.29 for RVLT gives us a value of $4.38.**

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 10.9 times EV/EBITDA. Using RVLT's estimated 2019 adjusted EBITDA of $13.8 million would value the company at an enterprise value of $150 million. **This equates to a stock price of $4.30 per share by 2019.**

Using an average of the two valuations of $4.38 and $4.30, RVLT stock is estimated to be worth **$4.34.**

**Calendar years**

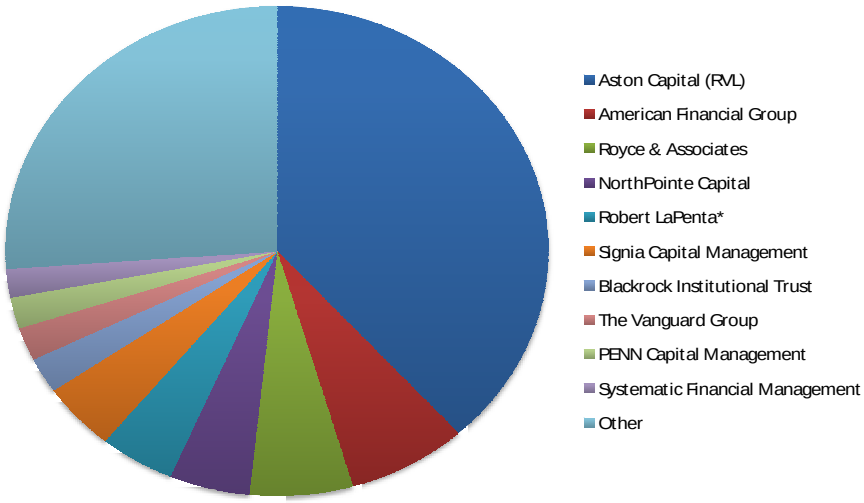
| Company | Ticker | EPS 18 | EPS 19 | Price | PE 2018 | PE 2019 | Gr Rate | EBITDA | EV | EV/EBITDA |
|---|---|---|---|---|---|---|---|---|---|---|
| Acuity Brands | AYI | 8.58 | 9.65 | 111.94 | 13.0 | 11.60 | 12% | 578 | 5,530 | 9.6 |
| Capstone Companies | CAPC | NA | NA | 0.38 | NA | NA | NA | 3 | 14 | 4.3 |
| Cree | CREE | 0.40 | NA | 37.17 | 92.9 | NA | NA | 63 | 3,480 | 54.8 |
| Energy Focus | EFOI | -0.52 | -0.29 | 2.64 | -5.1 | -9.1 | -44% | -9 | 19 | -2.1 |
| Lighting Science Group Corp. | LSCG | NA | NA | 0.01 | NA | NA | NA | -16 | 40 | -2.4 |
| LSI Industries | LYTS | 0.34 | NA | 5.86 | 17.2 | NA | NA | 18 | 246 | 13.3 |
| Orion Energy Systems | OESX | -0.22 | NA | 0.75 | -3.4 | NA | NA | -14 | 17 | -1.2 |
| **Average** | | | | | 41.1 | NA | NA | | All | 10.9 |
| | | | | | | | | | Profitable | 20.5 |

## RISKS

- LED lighting products had experienced rapid declines in price due to extraordinary competition here and in China. While prices are currently more 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 consolidation.
- 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.

## OWNERSHIP

Aston Capital owns RVL 1 LLC and owns 38% of RVLT. Certain management and directors of Revolution Lighting including Robert LaPenta and James DePalma are also owners of Aston Capital. Robert LaPenta's position shown below is shares owned by him in addition to shares owned by RVL 1 LLC. As of April 27, 2018 the company had 22.4 million shares outstanding.



## INCOME STATEMENT

| Revolution Lighting Technologies | Q1 2017 31-Mar | Q2 2017 30-Jun | Q3 2017 30-Sep | Q4 2017 31-Dec | Q1 2018 31-Mar | Q2 2018E 30-Jun | Q3 2018E 30-Sep | Q4 2018E 31-Dec | 2016 | 2017 | 2018E | 2019E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total revenue** | **30.6** | **43.4** | **43.1** | **35.3** | **33.7** | **40.0** | **43.0** | **46.0** | **172.1** | **152.3** | **162.7** | **175.9** |
| Yr-to-yr Growth | 11% | 1% | -14% | -31% | 10% | -8% | 0% | 30% | 32.8% | -11.5% | 6.8% | 8.1% |
| Cost of services | 20.5 | 29.1 | 29.2 | 22.6 | 22.2 | 26.4 | 28.4 | 30.3 | 116.3 | 101.4 | 107.3 | 116.1 |
| Restructuring costs | 0.0 | 0.0 | 0.0 | 9.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 9.3 | 0.0 | 0.0 |
| Gross profit | 10.1 | 14.2 | 13.9 | 3.5 | 11.5 | 13.6 | 14.6 | 15.7 | 55.9 | 41.7 | 55.4 | 59.8 |
| Gross Margin | 33.0% | 32.8% | 32.2% | 9.8% | 34.1% | 34.0% | 34.0% | 34.1% | 32.5% | 27.4% | 34.0% | 34.0% |
| | | | | | | | | | | | | |
| **Operating expenses:** | | | | | | | | | | | | |
| Acquisition, severance and transition costs | 0.7 | 0.9 | 1.2 | 3.3 | 0.2 | 0.0 | 0.0 | 0.0 | 3.9 | 6.1 | 0.2 | 0.0 |
| Amortization and depreciation | 1.9 | 1.8 | 1.5 | 0.8 | 1.0 | 1.0 | 1.0 | 1.0 | 6.1 | 6.1 | 4.0 | 4.0 |
| Stock-based compensation | 1.1 | 0.5 | 0.6 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 2.1 | 3.0 | 2.8 | 2.8 |
| Other SG&A | 10.1 | 10.4 | 11.0 | 12.6 | 10.1 | 10.3 | 10.5 | 11.0 | 39.4 | 44.0 | 41.9 | 42.0 |
| R&D | 0.4 | 0.7 | 1.1 | 1.5 | 0.8 | 0.8 | 0.8 | 0.8 | 2.4 | 3.7 | 3.3 | 4.0 |
| Total operating expenses | 14.2 | 14.2 | 15.5 | 19.0 | 12.8 | 12.8 | 13.0 | 13.5 | 53.9 | 62.9 | 52.1 | 52.8 |
| | | | | | | | | | | | | |
| Operating income: | (4.2) | 0.0 | (1.6) | (15.5) | (1.3) | 0.8 | 1.6 | 2.2 | 2.0 | (21.2) | 3.3 | 7.0 |
| Operating margin | -13.6% | 0.1% | -3.7% | -44.0% | -3.8% | 2.0% | 3.7% | 4.7% | 1.2% | -13.9% | 2.0% | 4.0% |
| | | | | | | | | | | | | |
| **Other income:** | | | | | | | | | | | | |
| Interest expense, net | (0.8) | (0.8) | (0.9) | (1.3) | (0.9) | (0.9) | (0.9) | (0.9) | (2.5) | (3.9) | (3.6) | (3.0) |
| Write off of intangibles, goodwill, restructuring | - | - | - | (28.8) | - | - | - | - | - | (28.8) | 0.0 | - |
| Total other income | (0.8) | (0.8) | (0.9) | (30.2) | (0.9) | (0.9) | (0.9) | (0.9) | (2.5) | (32.7) | (3.6) | (3.0) |
| | | | | | | | | | | | | |
| Income before income taxes | (5.0) | (0.7) | (2.5) | (45.7) | (2.2) | (0.2) | 0.7 | 1.3 | (0.5) | (53.9) | (0.3) | 4.0 |
| Pretax Margin | -16.2% | -1.7% | -5.8% | -129.5% | -6.5% | -0.4% | 1.6% | 2.9% | 0% | -35% | 0% | 2% |
| | | | | | | | | | | | | |
| Income tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Tax rate | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net income | (5.0) | (0.7) | (2.5) | (45.7) | (2.2) | (0.2) | 0.7 | 1.3 | (0.5) | (53.9) | (0.3) | 4.0 |
| | | | | | | | | | | | | |
| Stk based compensation | 1.1 | 0.5 | 0.6 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 2.1 | 3.0 | 2.8 | 2.8 |
| One-time expenses | 0.7 | 0.9 | 1.2 | 41.5 | 0.2 | - | - | - | 3.9 | 44.2 | - | - |
| Non-GAAP Income from continuing | (3.2) | 0.6 | (0.7) | (3.5) | (1.3) | 0.5 | 1.4 | 2.0 | 5.5 | (6.7) | 2.5 | 6.8 |
| Net Margin | -10.4% | 1.5% | -1.6% | -9.8% | -4.0% | 1.4% | 3.2% | 4.4% | 3.2% | -4.4% | 1.5% | 3.9% |
| Yr-to-yr Growth | 204% | -52% | -131% | -217% | -58% | -13% | -301% | -159% | 139.2% | -222.5% | -136.6% | 177.6% |
| | | | | | | | | | | | | |
| **Net income per share:** | | | | | | | | | | | | |
| EPS | (0.24) | (0.04) | (0.12) | (2.17) | (0.10) | (0.01) | 0.03 | 0.06 | (0.03) | (2.59) | (0.02) | 0.17 |
| EPS Diluted | (0.24) | (0.04) | (0.12) | (2.17) | (0.10) | (0.01) | 0.03 | 0.06 | (0.03) | (2.59) | (0.02) | 0.17 |
| **Adjusted Non-GAAP Diluted** | **(0.15)** | **0.03** | **(0.03)** | **(0.16)** | **(0.06)** | **0.02** | **0.06** | **0.09** | **0.29** | **(0.32)** | **0.11** | **0.29** |
| | 138.5% | -55.3% | -129.8% | -217.4% | -60.3% | -19.6% | -288.5% | -155.2% | 229.3% | -212% | -134% | 164% |
| **Shares** | | | | | | | | | | | | |
| Basic | 20.6 | 20.8 | 20.9 | 21.1 | 21.8 | 22.4 | 22.4 | 22.4 | 19.0 | 20.8 | 22.2 | 23.3 |
| Diluted | 20.6 | 20.8 | 20.9 | 21.1 | 21.9 | 22.4 | 22.4 | 22.4 | 19.0 | 20.8 | 22.2 | 23.3 |
| | 23.7% | 7.1% | 2.2% | -0.5% | 5.9% | 7.7% | 6.8% | 6.1% | 12.4% | 9.5% | 6.6% | 5.0% |
| | | | | | | | | | | | | |
| Adjusted EBITDA | (0.4) | 3.2 | 2.3 | 0.4 | 1.0 | 2.8 | 3.6 | 4.2 | 14.1 | 4.7 | 10.2 | 13.8 |
| EBITDA Margin | -1.4% | 7.3% | 5.3% | 1.1% | 2.8% | 7.1% | 8.5% | 9.2% | 8.2% | 3.1% | 6.3% | 7.9% |
| | -153% | -8% | -50% | -92% | -319% | -11% | 59% | 962% | 63% | -67% | 118% | 35% |

## BALANCE SHEET

| | Mar. 31, 2018 | Dec. 31, 2017 | % Change Mar-Dec | Mar. 31, 2017 | % Change Yr-Yr |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and equivalents | **$1,439** | **$945** | 52% | **$1,169** | 23% |
| Accounts receivable, net | 29,746 | 34,972 | -15% | 46,156 | -36% |
| Unbilled contract receivable | 6,557 | 6,083 | 8% | 8,326 | -21% |
| Inventories, net | 27,276 | 26,164 | 4% | 30,279 | -10% |
| Other current assets | 10,416 | 9,510 | 10% | 8,947 | 16% |
| Total current assets | 75,434 | 77,674 | -3% | 94,877 | -20% |
| | | | | | |
| Property and equipment, net | 2,125 | 1,603 | 33% | 1,528 | 39% |
| | | | | | |
| **Other assets** | | | | | |
| Goodwill | 61,508 | 61,508 | 0% | 72,074 | -15% |
| Intangible assets, net of accumulated amortization | 27,518 | 28,372 | -3% | 42,406 | -35% |
| Other assets | 1,051 | 1,077 | -2% | 1,318 | -20% |
| Total other assets | 90,077 | 90,957 | -1% | 115,798 | -22% |
| Total assets | 167,636 | 170,234 | -2% | 212,203 | -21% |
| | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable | 24,605 | 28,833 | -15% | 27,273 | -10% |
| Notes payable | **1,886** | **1,796** | 5% | **2,360** | -20% |
| Related party payable | 1,200 | **1,000** | 20% | 1,500 | -20% |
| Accrued and other current liabilities | 9,822 | 11,570 | -15% | 11,836 | -17% |
| Purchase price obligations, current | **130** | **130** | 0% | **2,074** | -94% |
| Total current liabilities | 37,643 | 43,329 | -13% | 45,043 | -16% |
| | | | | | |
| **Long-term liabilities** | | | | | |
| Revolving credit facility | **40,060** | **38,633** | 4% | **40,812** | -2% |
| Related party payable | **11,720** | **11,720** | 0% | **2,565** | 357% |
| Note payable | **180** | **270** | -33% | **2,006** | -91% |
| Other liabilities | 375 | 419 | -11% | 314 | 19% |
| Total Liabilities | 89,978 | 94,371 | -5% | 90,740 | -1% |
| | | | | | |
| **Stockholder's equity** | | | | | |
| Common stock | 22 | 21 | 5% | 21 | 5% |
| Additional paid-in capital | 208,928 | 204,944 | 2% | 201,592 | 4% |
| Accumulated deficit | (131,292) | (129,102) | 2% | (80,150) | 64% |
| Total stockholders' equity | 77,658 | 75,863 | 2% | 121,463 | -36% |
| Total liabilities and stockholders' equity | $167,636 | $170,234 | -2% | $212,203 | -21% |
| | | | | | |
| Current ratio | 2.0 | 1.8 | 12% | 2.1 | -5% |
| Quick ratio | 1.3 | 1.2 | 8% | 1.4 | -11% |
| Working Capital | 37,791 | 34,345 | 10% | 49,834 | -24% |
| Net Cash as % of assets | 1% | 1% | 55% | 1% | 56% |
| Cash per share | $0.00 | $0.00 | 44% | $0.00 | 13% |
| Debt % of assets | 33% | 31% | 5% | 23% | 40% |
| Inventory Turnover | 2.4 | 2.0 | 18% | 2.3 | 2% |
| Days Sales | 110 | 104 | 6% | 133 | -17% |

## CASH FLOWS

| $ in Thousands | 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 | 3 Months Ended Dec 31, 2017 | Year Ended Dec 31, 2017 | 3 Months Ended March 31, 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | | | | | | | |
| Net loss | $ (2,616) | $ (1,127) | $ 1,629 | $ 1,592 | $ (4,955) | $ (727) | $ (2,520) | $ (45,705) | $ (53,907) | $ (2,190) |
| **Adjustments to reconcile net loss to net cash used in operating activities:** | | | | | | | | | | |
| Amortization and depreciation | 100 | 98 | 109 | 82 | 1,939 | (1,678) | 5,549 | 1,739 | 7,549 | 1,367 |
| Amortization of intangibles and other assets | 1,210 | 1,467 | 1,518 | 1,531 | 0 | 3,471 | 2,080 | (5,812) | 0 | 0 |
| Reacquired common stock issued for acquisition | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in fair value of contingent consideration | 377 | 455 | (901) | (2,179) | (785) | (860) | 43 | 169 | (1,433) | 0 |
| Deferred income tax benefit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock-based compensation | 430 | 593 | 462 | 656 | 1,118 | 478 | 601 | 779 | 2,976 | 673 |
| Impairment of goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,702 | 10,702 | 0 |
| Impairment of intangible assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,480 | 10,480 | 0 |
| Restructuring expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16,908 | 16,908 | 0 |
| Other non-cash items affecting net loss | 0 | 0 | 181 | 1,168 | 21 | (124) | 41 | (123) | (185) | 86 |
| **Changes in operating assets and liabilities, net of the effect of acquisitions (Note 2):** | | | | | | | | | | |
| Increase in trade accounts receivable, net | 5,119 | (5,532) | (4,908) | (6,459) | 7,161 | (4,478) | 2,694 | 8,236 | 13,613 | 5,226 |
| Increase in unbilled contract receivables | 1,064 | (154) | (3,836) | (2,298) | 1,841 | 2,071 | 744 | (572) | 4,084 | (474) |
| Increase in inventories, net | (3,734) | 691 | 1,321 | (2,708) | (3,571) | (985) | (2,404) | (411) | (7,371) | (1,112) |
| Increase in other assets | (222) | (1,130) | (1,073) | (2,397) | (1,549) | (445) | (3,270) | 407 | (4,857) | (1,709) |
| Decrease in accounts payable and other liabilities | (1,751) | 3,732 | 2,357 | 8,878 | (5,432) | (947) | 810 | 10 | (5,559) | (6,308) |
| Decrease in accrued compensation and benefits | 116 | (116) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash used in operating activities | 93 | (1,023) | (3,322) | (3,302) | (4,212) | (4,224) | (1,181) | 2,617 | (7,000) | (4,441) |
| **Cash Flows from Investing Activities:** | | | | | | | | | | |
| Acquisition of businesses, net of cash acquired | 0 | (9,464) | (949) | (947) | 0 | 0 | 0 | (530) | (530) | 0 |
| Payment of acquisition obligations | 0 | (1,015) | 0 | 0 | 0 | (284) | 0 | 0 | (284) | 0 |
| Purchase of property and equipment | (46) | (64) | (110) | (335) | (231) | (421) | (309) | (98) | (1,059) | (292) |
| Proceeds from the sale of assets | 0 | 0 | 2 | (2) | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash used in investing activities | (46) | (10,543) | (1,103) | (11,827) | (231) | (421) | (309) | (628) | (1,873) | (292) |
| **Cash Flows from Financing Activities:** | | | | | | | | | | |
| Fee pertaining to the issuance of common stock | (60) | (11) | 71 | 0 | 0 | 0 | 0 | 0 | 0 | 3,600 |
| Fee pertaining to the issuance of debt | 0 | 0 | 0 | 0 | 0 | 0 | 603 | 0 | 0 | 0 |
| Issuance of common stock, net of fees and expenses | 0 | 16,191 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayments of short-term borrowings and notes payable | (60) | (120) | (90) | (90) | (10,090) | (90) | (90) | (2,090) | (12,360) | 0 |
| Proceeds of loans from related party note payable | 0 | 0 | 0 | 0 | 0 | 7,000 | 0 | 3,655 | 10,655 | 200 |
| Repayments of loans from affiliates of controlling stockholder | 0 | 0 | 0 | 0 | 0 | 0 | (500) | (1,500) | (2,000) | 0 |
| Proceeds from revolving credit facility, net | 1,144 | (594) | 2,937 | 480 | 14,819 | (2,072) | 1,919 | (2,026) | 12,640 | 1,427 |
| Net cash provided by financing activities | 1,024 | 15,466 | 2,919 | 390 | 4,729 | 4,838 | 1,932 | (1,961) | 8,935 | 5,227 |
| (Decrease) increase in Cash and Cash Equivalents | (4,398) | 3,900 | (1,506) | (14,739) | 286 | 193 | 442 | 28 | 62 | 494 |
| Cash and Cash Equivalents, beginning of period | 219 | 1,290 | 5,190 | 3,911 | 883 | 1,169 | 475 | 917 | 883 | 945 |
| Cash and Cash Equivalents, end of period | 1,290 | 5,190 | 3,911 | 883 | 1,169 | 1,362 | 917 | 945 | 945 | 1,439 |

## HISTORICAL STOCK PRICE



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