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Zacks Small-Cap Research

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DPW Holdings (DPW-AMEX)

The Acquisitions of Enertec and I.AM Close, Adding $18 Million in Revenues to the Run Rate

Based on expected 2019 revenue and an industry average of 1.6x EV/Sales, we believe DPW could be worth $1.10.

Current Price (05/24/18)	$0.70
Valuation	$1.10

OUTLOOK

DPW moved to a holding company structure and continues to add businesses in different markets. Starting in Q4 2017, investors saw revenues begin to ramp from acquisitions and MTIX orders. Crypto mining was added in the March quarter. While MTIX textile machines are expected to provide huge upside for the company with its disruptive technology, investors are also attracted to DPW as a crypto currency play. The Enertec and I.AM acquisitions just closed, adding another $18m in revenues to the run rate. Growth should increase the company's current valuation, and with contained common share dilution, the company's share price.

SUMMARY DATA

52-Week High	**$5.50**
52-Week Low	**$0.41**
One-Year Return (%)	**29.7**
Beta	**2.5**
Average Daily Volume (sh)	**2,079,370**
Shares Outstanding (mil)	**59.3**
Market Capitalization ($mil)	**$41.5**
Short Interest Ratio (days)	**2.6**
Institutional Ownership (%)	**4.0**
Insider Ownership (%)	**13.3**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-1.3**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**N/A**
P/E using 2019 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Technology Services**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	1.9 A	2.1 A	1.8 A	2.0 A	7.6 A
2017	1.6 A	1.8 A	3.2 A	3.5 A	10.2 A
2018	5.1 A	7.3 E	11.2 E	12.9 E	36.6 E
2019					57.0 E

Earnings Per Share
(EPS is earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	-$0.03 A	$0.01 A	-$0.01 A	-$0.14 A	-$0.16 A
2017	-$0.12 A	-$0.20 A	-$0.15 A	-$0.34 A	-$0.88 A
2018	-$0.17 A	-$0.13 E	-$0.12 E	-$0.12 E	-$0.52 E
2019					-$0.40 E

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

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WHAT'S NEW

The Acquisitions of Enertec Systems and I.AM Close

On Wednesday, CooliSys Technologies closed the acquisition of Enertec Systems 2001 Ltd., of Azor, Israel, which was a subsidiary of Micronet Enertec Technologies, Inc. (Nasdaq: MICT) based in Montvale, NJ. The company paid $4,772,520 in cash and assumed $4,288,439 of revolving debt, for a total of $9.1 million. Management expects the deal to be accretive and cash flow positive and has had its eye on the purchase of this entity for a long time, as it is so synergistic with its operations. Enertec is Israel's largest private manufacturer of specialized electronic systems for the military market, generated **$8 million of revenue in 2017**, and has 70 employees. DPW believes that Enertec will have more opportunities as part of DPW as DPW is an approved vendor to sell to the US military, which Micronet was not. Combined with CooliSys, the company will target the U.S. Department of Defense's Foreign Military Sales (FMS) and Military Financing (FMF) programs as well as expand its sales by offering its new product and services portfolios to other global defense markets such as India, members of NATO, other countries, and agencies.

Yesterday, DPW announced it had **closed the acquisition of I.AM**, a hospitality company that owns five Prep Kitchen restaurants in southern California with plans to add 30 more. This entity was purchased by **Digital Lending** (DPL) and structured like a private equity deal. Digital Lending acquired the company and but through payments made from cash flow, the operators are able to acquire up to 49% of I.AM over time. In the transaction, I.AM sold to DPL, 981 shares of common stock for a purchase price of $981, representing, upon the closing, 98.1% of I.AM's outstanding common stock. I.AM now owes DPL $1,715,363, that I.AM used to acquire the restaurants. The purchase agreement provides that, as I.AM repays the outstanding loan to DPL in accordance with the loan agreement, DPL will on a pro rata basis transfer shares of common stock of I.AM to David J. Krause, up to an aggregate of 471 shares. This business is expected to add $10 in annual revenues to DPW and will be consolidated with DPW. Although this business seems unrelated to the company's other businesses, the management of DPW has considerable experience and financial success in the restaurant industry in the past, and is eager to pursue this business opportunity and grow the chain.



With these two acquisitions, we are updating our 2018 revenue forecast to $37 million versus $10 million in 2017.

Acquisitions Cause Q1 Revenues to increase 216%

DPW Holdings is beginning to see the results of all its investing, although it has just started to ramp the results. In the past six months the company has acquired numerous businesses, begun to ship orders for MTIX, and launched crypto mining and lending businesses. The company is also providing more transparency breaking out revenues for these businesses.

In Q1 the company generated its first mining revenues booking $237,000. Revenues from MTIX, an affiliated company that DPW owns 83% of were $1.8 million and only the second quarter of revenues. The rest of the business—other CooliSys revenues were $3.2 million versus $1.6 million last year, up 94% primarily because of the acquisition of Microphase. Revenues generated by Microphase and Power-Plus during the three months ended March 31, 2018, were $1,290 and $575, respectively.

Gross margin declined because of the contribution of MTIX revenues, which have only a thin margin as a manufacturing business that sells at a 5% mark up. Crypto mining revenues had a negative gross margin due to monthly recurring fixed costs at its colocation facilities, which temporarily exceed the revenues while miners were put in service. The company moved its operations to Indiana from California during the quarter where it has a much lower cost to operate due in part to energy efficiency. Gross margin in Q1 2018 was 27% versus 43% last year. MTIX had gross margins of 21.9% and SC Mining had a negative margin of 26.5%. We expect that number to continue to go down as more MTIX, and crypto are added in to the overall mix.

Operating expenses were $4.4 million versus $1.5 million a year ago. The largest increase was in G&A, which increased by $2.2 million. Much of the increase in operating expense was due to the acquisition of Microphase.

The operating loss was $3.0 million versus $0.8 million a year ago. Interest expense was $3.1 million of which $226,000 was paid in cash. The net loss was $6.1 million versus $1.0 million a year ago. The company has an unrealized loss of $4.7 million on its investment, which brought the comprehensive loss to $10.8 million. This was a loss of $0.17 per share versus a loss of $0.12 per share a year ago. The primary shares outstanding rose to 36.7 million versus 8.4 million last year. The fully diluted share count in Q1 2018 was 49.0 million versus 14.6 million. On May18th, there were 59.3 primary shares outstanding and 71.5 million fully diluted.

Other Businesses

Digital Lending is focusing on opportunistic lending and investment and is even involved in activist investing in undervalued companies. Results from this business should be variable and difficult to predict. In addition to operating income such as interest from lending, DPW expects to generate returns from increased valuation of its holding in equities and bonds and M&A activities.

Super Crypto Mining continues to increase its capabilities and received delivery of 1,000 Antminer S9s on February 1, 2018 for which it paid $4.75 million. Its goal is to have 10,000 miners in place by the end of 2018. Currently it plans to hold onto any cryptocurrency it mines and will focus on the top three: Bitcoin, Ethereum and Litecoin. We believe the company can generate between $500,000 and $1 million per quarter in cryptocurrency now. We believe revenue will quickly ramp going forward.

During the March Quarter

In January, DPW agreed to acquire the operations of Flexisphere, a small IT managed services provider that will work with Super Crypto Mining, to leverage its curated blockchain and cloud mining technology and expertise.

On February 27, 2018, DPW hired H.C. Wainwright & Co. to sell up to $50 million worth of its common stock through this ATM. As of yesterday, the company had raised net proceeds of $13 million. To date the company has been using a variety of funding sources but going forward we expect it to increasing use its ATM to pay for acquisitions and investments.

2017 Results

DPW reported revenues for 2017 increased 34% to $10.2 million from $7.6 million in 2016. This increase was due to the acquisition of 56.4% of Microphase on June 2, 2017 and all of Power-Plus Distributors on September 1, 2017. These two operations contributed $3.6 million during the year. Without them revenues would have declined to $6.4 million due almost entirely to sales declines in the European operation. Revenues in the quarter were not as high as expected for two main reasons. Delivery of MTIX machines slipped, as the lead-time to get plasma components from the subcontractor took longer than expected giving the company a slow start. With time it is expected that MTIX as well as its subcontractors should be able to shorten their production times with experience. The number of machines being built at the same time is also expected to increase. The accounting rules changed for production starting in 2018, but the auditors implemented them in Q4 meaning revenues from MTIX are now being booked as progress payments (and the corresponding management fee will be too.) So as machines are built, revenues can be booked even though the machine has not been delivered. This should smooth out revenues going forward. Secondly, an order at Gresham slipped into Q1 because a license was held up.

Gross margins increased with a change in product mix from defense to commercial and a decline in European sales. This decline in Europe, a lower margin operation, combined with increased higher margin commercial sales caused gross margins to expand to 38% from 36% a year ago.

Total operating expenses increased to $9.8 million from $3.9 million in 2016.

Engineering and development increase $400,000, of which $294,000 was due to the acquisition of Microphase and the rest due to headcount increases and increased safety license fees.
Sales and Marketing increased to $1.7 million from $0.9 million last year. The two acquisitions accounted for $397,000 of the increase. The rest was primarily due to the addition of a VP of Development and two regional sales managers.

G&A expense increased $4.7 million to $7 million of which $964,000 was due to the acquisition of Microphase. Costs increased due to legal and audit fees (an increase of $1.1 million), accounting, consultants, and stock-based compensation. Stock-based compensation for the year was $1.8 million versus $0.5 million last year.

Operating losses were $6 million versus $1.2 million a year ago.

Interest expense, mostly non-cash, increased to $5 million versus $77,000 in 2016. This interest is due to the amortization of debt discount for $4,688 (non-cash) resulting from the issuance of warrants in conjunction with the sale of debt and equity instruments of $10,589. The remaining increase was due to an increase in total borrowings.

Minority interest was $279,000 from the losses of the portion of Microphase not owned by DPW.

This year the company issued preferred debt and paid dividends of $638,000.

The net loss to common shareholders was therefore $11.3 million versus a loss of $1.1 million. The total comprehensive loss was a loss of $5.9 million. The net loss was reduced by currency translation in the amount of $362,000 and an unrealized gain in the value of marketable securities, mainly warrants in Avalanche/MTIX, of $5.2 million. As of December 31, 2017 the value of equity securities of AVLP was $7.7 million, which is classified as available-for-sale investments. This includes marketable equity securities of

$826,000 and warrants to purchase 8,248,440 shares of AVLP common stock at an exercise price of $0.50 per share of common stock.

Q4 2017

Q4 2017 revenues of $3.5 million, an increase of 76% over the year ago quarter due primarily to the addition of Microphase and to a lesser extent, Power-Plus. Gross margins increased to 38% from 32% due mainly to the sale to MTIX and other product mix.

Operating expenses were $3.8 million versus $1.6 million in 2016 leading to an operating loss of $2.4 million versus $0.9 million.
Interest expense was $3.6 million in the quarter compared to $8,000 a year ago.

After deducting minority interest and preferred dividends, net loss to common shareholders was $6.3 million versus $0.9 million in Q4 of 2016. This resulted in an EPS loss of $0.34 per share versus a loss of $0.14 last year on 173% more shares outstanding.

FINANCIALS

2018 Forecast

Investors are focused on 2018 and 2019 revenues where more dramatic growth should appear. The biggest determinant on whether the stock price rises is whether the company can add revenues and eventually profits without diluting current common shareholders more than it grows revenues, assets, and profits.

Let's assume Coolisys is generating $21 million in revenues in 2018 without MTIX ($7.6 million base business, $6.5 million is contributed by Microphase, another $2 million is contributed by Power-Plus Technical Distributors and $5 million from Enertec). Say MTIX can deliver $7 million in revenues this year. Super Cryto Mining could add $4 million or significantly more to revenues. Add to this $6.25 million (two and a half quarters of the annual $10 million) from I.AM and **revenues could reach $38 million in revenues in 2018.**

2019 should be much higher based on a full year of the acquisitions, a full year of cryptocurrency and increasing capacity and increasing deliveries of MTIX machines.

Keep in mind that when valuing DPW, 44% of the revenues from Microphase are still owned by Microphase. For now we are using $36.6 million in revenues for 2018 until we see how cryptocurrency and hospitality plays out and whether CooliSys can grow its businesses.

We know gross margins from MTIX and Power-Plus will be low and may bring down overall margins for the company but with no insight into their business model or that of I.AM, it is difficult to forecast losses. It is also difficult to forecast the dilution the company stock will suffer as warrants and options are exercised and the company issues more equity to support losses and investment. For now we are expecting a loss to common shareholders of $34 million or a loss of $0.52 per share based on weighted average 56 million primary shares outstanding.

KEY POINTS

- Digital Power restructured its business into a holding company and changed its name to DPW Holding Inc. It plans to opportunistically pursue acquisitions in a variety of businesses. So far it has: electronics (Coolisys), lending (Digital Power Lending) and cryptocurrency mining (Super Crypto Mining.) All of these ventures are expected to increase revenues and profitability for the parent company.

- While investors initially were invested in DPW because of the company's investment and arrangement with Avalanche International (AVLP), owners of the MTIX textile machine business. This focus has now switched to interest in the cryptocurrency mining business and DPW's stock is highly correlated with the price of Bitcoin.

- The legacy electronics business has been growing through acquisition. In 2017 it added Microphase and Power-Plus Distributors and recently closed on the acquisition of Enertec, an Israeli provider of electronics to the military, which could potentially add $5 million to 2018 sales.

- DPW Lending is investing in public and private financings and just bought the majority of I.AM, a hospitality business invested in restaurants. **I.AM** could **add as much as $10 million** in annual revenues to DPW as well as positive cash flow. DPW has high hopes for I.AM, which, operates five restaurants in Southern California, and plans to add 30 more.

- It is difficult to value DPW on a per share basis as the share count keeps expanding as the company raises capital to support its acquisitions and investments. If we were to value the company on enterprise value versus its peers it could be worth $1.10 even on a fully diluted basis by next year. Its value should be higher taking into account its investments on the balance sheet in other companies and cryptocurrencies. **The question is, can the company grow to the projected $57+** million in revenues in 2019 without even more dilution than estimated from the equity, warrants, options and convertible instruments already issued and needed to be issued in order to reach that goal.

OVERVIEW

Digital Power is a 48-year-old California corporation that was founded in 1969 and went public in 1996. It is headquartered in Fremont, CA and has manufacturing divisions in Salisbury, England, Fremont, CA, and Connecticut. It also does manufacturing in China and India. Its legacy business produces: AC-DC power supplies, desktop adaptors, compact PCIs, LED drivers, distributed power front-end power supplies, capacitor chargers, solar systems, and isolated power bricks. Its revenues peaked in 1997 and it has been in a downward trend since then as Digital Power minimally invested in new products and in its base product line. New management has transacted a number of acquisitions: 56.4% of Microphase, 83% of Avalanche (who owns MTIX Ltd.), Power-Plus, Enertec, and 98.1% of I.AM.

Recap of MTIX Order

On March 15, 2017, Digital Power announced it had received a purchase order for $50 million over three years. This purchase order from MTIX Ltd. (owned by Avalanche International), a startup in the textile machinery business, is for equipment that delivers its proprietary MSLE™ processes which harnesses an innovative laser based technology to treat fabric and other materials. While pricing for these units has not been revealed, we believe they could be priced as high as seven digits for just one. The financial relationship between Avalanche and Digital Power is convoluted and difficult to follow leading to hesitation no doubt on the part of investors. Digital Power owns 83% of Avalanche. Philou Ventures, majority owner of Digital Power also owns part of Avalanche. Adding to the risk and confusion is that Avalanche is a separately traded company that is still behind on its reporting requirements. The company hopes to be caught up on filings by June. Digital Power manufactures the machines for Avalanche (owner of MTIX Ltd.). It books revenues upon delivery and installation of machines to end-user customers. Avalanche's business model is different. It plans to book revenues based on the quantity of fabric being treated and the treatment used. This is a royalty on the process and will need to be metered and monitored. These royalty revenues will not be consolidated with Digital Power's revenues.

VALUATION

As DPW Holding is spending money to grow we are valuing it on a basis of sales to enterprise value versus other companies in the electronics and manufacturing business. The majority of sales still come from this industry. While DPW Holding looks increasing like an entity such as Icahn Enterprises, and models itself as such, it is difficult to value in that mode. Investors should however keep an eye on both revenues and assets in assessing DPW's worth.

The companies shown below trade at an average of 1.6 times EV to forecasted 2018 sales and 2.6 trailing twelve-month revenues. Based on these comparables and using $37 million in revenues, we value DPW at an enterprise value of $55 million or a market value of $43 million or approximately $0.74 per share. The revenue used for DPW has been adjusted to take out the 44% of Microphase it does not own. The stock tends to trade with the cryptocurrency market. In addition to its base operating business he company has a number of assets on the balance sheet that should be added in such as marketable securities, cryptocurrency, and stock in other public companies such as Avalanche that come to over $13 million.

Looking at next year, with a full year of its acquisitions and a ramping MTIX and cryptocurrency business, revenues could be as high as $57 million. By then, using 72 million shares outstanding, the enterprise value could be $91 million, market value $80 million and the stock price $1.11 per share.

	Ticker	Calendar Revenue		TTM	Enterprise Value / Sales		EV/	Included	Enterprise
Company		2018E	LTM	EBITDA	2018E	LTM	EBITDA	Average?	Value
Boeing	BA	$97,660	$93,390	$12,120	2.0x	2.1x	16.2x	y	196,370
Emerson	EMR	$17,500	$16,540	$3,480	2.8x	2.9x	13.9x	y	48,210
Bel Fuse	BELFB	$520	$496	$38	0.6x	0.6x	7.7x	y	295
Vicor	VICR	NA	$239	$13	NA	6.3x	112.6x	y	1,505
Delta Electronics	DELTA.BK	$49,730	$50,090	$6,810	1.3x	1.3x	9.3x	y	63,340
Average					**1.6x**	**2.6x**	**31.9x**		**$61,944**

RISKS

- Building textile machinery is a new venture for the company and it may not be able to garner the expertise to fulfill orders in a timely manor.
- The company may or may not be successful in mining crypto currency profitably and much of the company's valuation depends on that success. As the company plans to hold the currency rather than convert it to cash, marking to market will cause wide swings in the company's results.
- The company may have trouble raising cash to support its new businesses.
- By raising cash through equity sales, the company has been diluting current shareholders.
- Many of the company's legacy products are not competitive with newer technologies and business from these products is expected to fall off.
- The company's new strategies to grow the company are untested and may not work.

- If the company pursues acquisitions, the company may overpay, or business will not proceed as expected and the acquisitions may be dilutive.

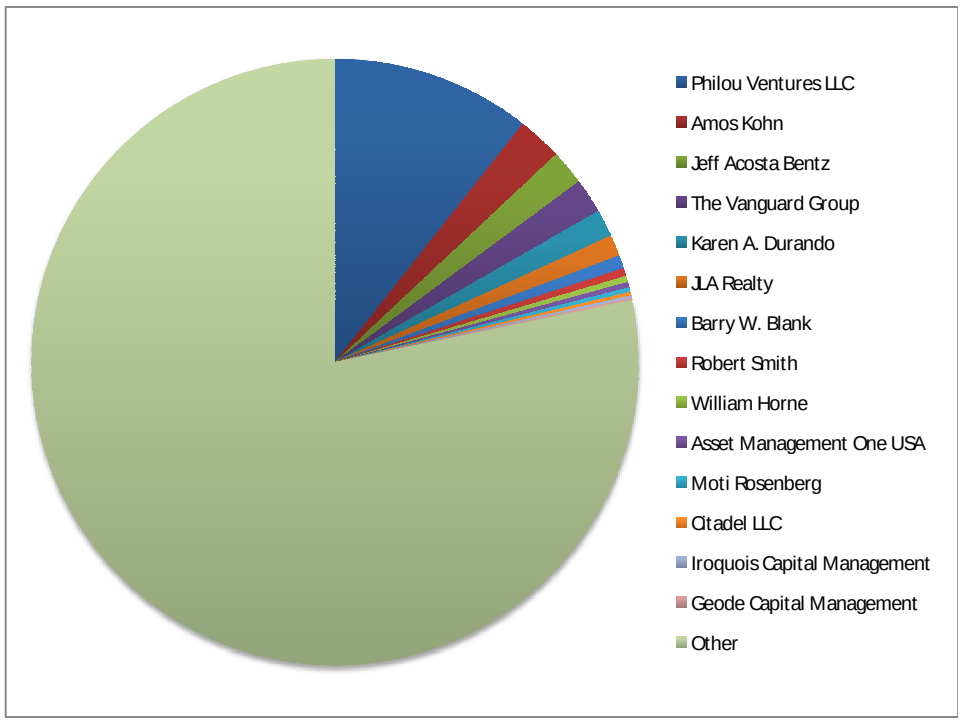
- Military spending is subject to risk as programs could be cut or restrictions put on foreign sales by a new administration.

- Most of Digital Power's competitors are much larger and have greater resources with which to compete. In the past the company has been passed by due to its small size and weak financials.

- MTIX, the company that placed the order for textile machines to be manufactured by Digital Power, is owned by Avalanche (soon to be MTIX International), which is partly owned by Philou Ventures and 83% owned by Digital Power. Philou also owns 11% of Digital Power. The two companies also have Milton C. Ault, III as their Executive Chairman of the Board and William Horne as a Board member. This could lead to a conflict of interest between the two companies, particularly in pricing and investment contribution. Since there is no transparency as to pricing or expenses to be born by each entity there is risk that profits could be shifted away from Digital Power to Avalanche. Added to the risk is that Avalanche is behind in its reporting and has not submitted a 10Q or K with the SEC since February 2016. Management said it plans to be caught up with its reporting by July.

OWNERSHIP

As of May 17, 2018, Philou Ventures, owned by the family of the Chairman of the board, owned 6.3 million or 10.6% of the 59.3 million primary shares outstanding.



INCOME STATEMENT

	2017				2018							
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2E**	**Q3E**	**Q4E**	**2016**	**2017**	**2018E**	**2019E**
Coolisys ex-MTIX	1,628	1,822	3,220	3,330	3,166	3,250	5,600	7,000	7,596	10,000	19,016	25,000
Gross Margin	708	730	1,096	NA	1,063	1,091	1,880	2,351	2,706	NA	6,386	8,500
%	43%	40%	34%	NA	34%	34%	34%	34%	36%	NA	34%	34%
MTIX				174	1,793	1,800	1,800	1,900	0	174	7,293	12,000
Gross Margin				NA	393	394	394	416		NA	1,597	2,640
%					22%	22%	22%	22%		NA	22%	22%
Cryptocurrency Mining					237	1,000	1,300	1,500			4,037	10,000
Gross Margin					-63	0	65	120			122	400
%					-27%	0%	5%	8%			3%	4%
Hospitality					0	1,250	2,500	2,500			6,250	10,000
Gross Margin					0	750	1,500	1,500			3,750	6,000
%					0%	60%	60%	60%			60%	60%
							0					
Total revenue	**1,628**	**1,822**	**3,220**	**3,504**	**5,196**	**7,300**	**11,200**	**12,900**	**7,596**	**10,174**	**36,596**	**57,000**
Yr-to-yr Growth	-5%	-12%	76%	76%	219%	301%	248%	268%	-2%	34%	260%	56%
Total Cost of services	920	1,092	2,124	2,189	3,803	5,064	7,360	8,513	4,890	6,325	24,741	39,460
Gross profit	708	730	1,096	1,315	1,393	2,236	3,840	4,387	2,706	3,849	11,855	17,540
Gross Margin %	43%	40%	34%	38%	27%	31%	34%	34%	36%	38%	32%	31%
Operating expenses:												
Engineering and development	227	265	306	322	342	371	400	500	709	1,120	1,613	2,420
Selling and marketing	295	327	423	676	725	785	844	1,000	916	1,721	3,354	5,030
General and administrative	973	1,582	1,685	2,752	3,222	4,790	5,875	6,375	2,300	6,992	20,262	30,392
Change in fair value of digital currency	NA	NA	NA	NA	71	0	0	0	0	0	71	0
Total operating expenses	1,495	2,174	2,414	3,750	4,360	5,945	7,119	7,875	3,925	9,833	25,299	37,842
Operating income:	(787)	(1,444)	(1,318)	(2,435)	(2,967)	(3,709)	(3,279)	(3,488)	(1,219)	(5,984)	(13,444)	(20,302)
Operating margin	-48.3%	-79.3%	-40.9%	-69.5%	-57.1%	-50.8%	-29.3%	-27.0%	-16.0%	-58.8%	-36.7%	-35.6%
Other income:												
Interest expense, net	(207)	(407)	(753)	(3,623)	(3,132)	(4,000)	(4,000)	(4,000)	77	(4,990)	(15,132)	(5,000)
Total other income	(207)	(407)	(753)	(3,623)	(3,132)	(4,000)	(4,000)	(4,000)	77	(4,990)	(15,132)	(5,000)
Income before income taxes	(994)	(1,851)	(2,071)	(6,058)	(6,099)	(7,709)	(7,279)	(7,488)	(1,142)	(10,974)	(28,576)	(25,302)
Pretax Margin	-61.1%	NM	-64.3%	-172.9%	-117.4%	NM	-65.0%	-58.0%	-15.0%	-107.9%	-78.1%	-44.4%
Income tax benefit	0	0	0	78	4	0	0	0	20	78	4	0
Tax rate	0%	0%	0%	-1%	0%	0%	0%	0%	-1.8%	-0.7%	0.0%	0.0%
After tax Income	(994)	(1,851)	(2,071)	(6,136)	(6,095)	(7,709)	(7,279)	(7,488)	(1,122)	(10,896)	(28,572)	(25,302)
Minority interest	0	(112)	(104)	(63)	36	0	0	0	0	(279)	300	300
Net income	(994)	(1,739)	(1,967)	(5,980)	(6,059)	(7,709)	(7,279)	(7,488)	(1,122)	(10,617)	(28,872)	(25,602)
Preferred deemed dividends	0	(319)	0	(265)	0	0	0	0	0	-584	0	0
Preferred dividends Ser C	0	(8)	(27)	(19)	0	0	0	0	0	-54	0	0
Net income to common	**(994)**	**(2,066)**	**(1,994)**	**(6,264)**	**(6,059)**	**(7,709)**	**(7,279)**	**(7,488)**	**(1,122)**	**(11,255)**	**(28,872)**	**(25,602)**
Change in currency	0	0	0	152	26	0	0	0	0	152	26	0
Net unrealized loss on securities available for sale	0	0	0	5,171	(4,741)	0	0	0	0	5,171	(4,741)	0
Total comprehensive loss	(994)	(2,066)	(1,994)	(941)	(10,774)	(7,709)	(7,279)	(7,488)	(1,122)	(5,932)	(33,587)	(25,602)
Stk based compensation	157	595	517	562	1,438	1,438	1,438	1,438	543	1,831	5,752	5,752
Non-GAAP Income	(837)	(1,471)	(1,477)	(5,702)	(4,621)	(6,271)	(5,841)	(6,050)	(579)	(8,786)	(23,120)	(19,850)
Yr-to-yr Growth	462%	-1450%	NM	994%	452%	326%	295%	6%	-24%	1417%	163%	-14%
Net income per share:												
EPS	**($0.12)**	**($0.20)**	**($0.15)**	**($0.28)**	**($0.17)**	**($0.13)**	**($0.12)**	**($0.12)**	**($0.16)**	**($0.88)**	**($0.52)**	**($0.40)**
Non-GAAP Diluted	($0.10)	($0.14)	($0.11)	($0.26)	($0.13)	($0.11)	($0.09)	($0.09)	($0.08)	($0.69)	($0.42)	($0.31)
Yr-to-yr Growth	354.1%	NM	NM	234.3%	26.1%	-24.7%	-12.3%	-63.2%	-91%	-91%	1971%	1971%
Shares												
Basic	8,383	10,468	13,745	22,186	36,710	59,257	62,000	64,000	6,917	12,789	55,492	64,000
Yr-to-yr Growth	24%	54%	103%	227%	338%	466%	351%	188%	2%	85%	334%	15%
All in Shares	14,592	26,638	34,633	33,570	49,002	71,549	72,000	72,000	11,568	27,358	66,138	72,000
Yr-to-yr Growth	115%	293%	337%	194%	236%	169%	108%	114%	46%	136%	142%	9%

BALANCE SHEET

Since the quarter closed DPW Holding closed the acquisition of Enertec. It paid $4,772,520 in cash, and assumed $4,288,439 of the revolving debt of Enertec. Concurrently with the closing of the transaction, DPW made certain cash payments to reduce the revolving credit lines to Enertec from certain banks and to support Enertec's longer-term manufacturing contracts.

	Mar. 31, 2018	Dec. 31, 2017	Qtr-Qtr % Growth	Mar. 31, 2017	Yr-Yr % Growth
CURRENT ASSETS:					
Cash and cash equivalents	$ 630	$ 1,478	-57.4%	$ 1,138	-44.6%
Marketable securities	1,938	1,835	5.6%	0	NM
Digital currencies	166	0	NM	0	NM
Accounts receivable, net	1,565	1,898	-17.5%	1,030	51.9%
Accounts receivable - related parties	1,967	174	1030.5%	0	NM
Prepaid expenses and other current assets	2,702	1,407	92.0%	272	893.4%
Inventories, net	2,237	1,993	12.2%	937	138.7%
Total current assets	11,205	8,785	27.5%	3,377	231.8%
Intangible assets	2,868	2,898	-1.0%	0	NM
Goodwill	3,652	3,652	0.0%	0	NM
Property and equipment, net	8,590	1,217	605.8%	543	1482.0%
Investments - related party, net	2,970	2,333	27.3%	1,653	79.7%
Investments in warrants and common stock -related	4,624	7,728	-40.2%	0	NM
Investments in preferred stock of private company	1,000	1,000	0.0%	0	NM
Other investments	2,011	1,637	22.8%	20	9955.0%
Other investments, related parties	893	917	-2.6%	0	NM
Deposits and loans	0	0	0.0%	112	-100.0%
Other assets	680	343	98.3%	0	NM
Total Non- current assets	27,288	21,725	25.6%	2,328	1072.2%
Total assets	38,493	30,510	26.2%	5,705	574.7%
CURRENT LIABILITIES:					
Accounts payable	4,680	4,273	9.5%	896	422.3%
Accounts payable - related parties	81	70	15.7%	28	189.3%
Advances on future receipts, net	**3,775**	**1,963**	92.3%	0	NM
Short term advances	**2,776**	**2,439**	13.8%	0	NM
Short term advances, related party	**295**	**245**	20.4%	0	NM
Revolving credit facility	**339**	**388**	-12.6%	0	NM
Note payable - related party	**3,160**	**134**	2258.2%	**250**	1164.0%
Note payable	**162**	**402**	-59.7%	**220**	-26.4%
Convertible note payable	**0**	**398**	-100.0%	0	NM
Other current liabilities	727	708	2.7%	448	62.3%
Total current liabilities	15,995	11,020	45.1%	1,842	768.3%
Note payable	**520**	**525**	-1.0%	0	NM
Note payable, related parties	**146**	**175**	-16.6%	0	NM
Convertible notes - related party, net	**0**	**0**	0.0%	**78**	-100.0%
Total Liabilities	16,661	11,720	42.2%	1,920	767.8%
SHAREHOLDERS' EQUITY:					
Common shares	42	30	40.0%	0	NM
Additional paid-in capital	50,728	36,888	37.5%	17,736	186.0%
Accumulated deficit	(29,471)	(23,412)	25.9%	(13,152)	124.1%
Accumulated other comprehensive loss	(212)	4,503	-104.7%	(799)	-73.5%
Total Digital Power shareholders' equity	21,087	18,009	17.1%	3,785	457.1%
Non-controlling interest	745	781	-4.6%	0	NM
Total Equity	21,832	18,790	16.2%	3,785	476.8%
Total liabilities and stockholders' equity	38,493	$ 30,510	26.2%	5,705	574.7%
Current Ratio	0.7	0.8	-12.1%	1.8	-61.8%
Quick Ratio	0.6	0.6	-9.0%	1.3	-57.7%
Working Capital	(4,790)	(2,235)	114.3%	1,535	-412.1%
Total Debt	11,173	6,669	67.5%	548	1938.9%
Debt/equity	51%	35%	44.2%	14%	253.5%
Market cap	42,072	61,035	-31.1%	6,071	593.0%
Enterprise value	52,615	66,226	-20.6%	5,481	859.9%
Fully diluted market cap	50,800	50,472	0.7%	8,120	525.6%
Fully diluted enterprise value	61,343	49,128	24.9%	7,310	739.2%

CASH FLOWS

	Year 2016	Mar. 31, 2017	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017	Year 2017	Mar. 31, 2018
Cash flows from operating activities:							
Net loss	$ (1,122)	$ (994)	$ (1,851)	$ (2,071)	$ (5,979)	$ (10,895)	$ (6,095)
Adjustments required to reconcile net income to net cash provided by operating activities:							
Depreciation	161	33	45	50	66	194	115
Interest expense - debt discount	0	195	392	652	3,449	4,688	3,051
Amortization of intangible asset	34	0	2	4	55	61	33
Accretion of discount on note receivable	(2)	(7)	(12)	(17)	(418)	(454)	(485)
Stock-based compensation	543	157	595	517	562	1,831	1,438
Revaluation of digital currencies							71
Realized losses on sale of marketable securities							42
Interest expense on conversion of demand notes to common	0	13	0	0	0	13	0
Deferred taxes	0	0	0	0	(226)	(226)	0
Provision for bad debt	32	0	0	0	(32)	(32)	0
Impairment of investment in Telkoor	0	0	0	0	0	0	0
Write down of inventory	68	0	0	0	0	0	0
Changes in operatin assets and liabilities							
Accounts receivable	(311)	413	238	(1,388)	1,022	285	344
Account payable - related party	0	28	(28)	104	(34)	70	11
Accounts receivable - related party	77	0	0	0	(174)	(174)	(1,793)
Digital currencies							(237)
Prepaid expenses & other current assets	(119)	15	57	(238)	(598)	(764)	604
Other investments, related party	0	0	0	0	(335)	(335)	0
Other assets	(11)	(29)	(53)	(115)	127	(70)	(381)
Inventories	209	193	23	12	(128)	100	(215)
Accts payable	322	(338)	347	2,074	(566)	1,517	527
Deferred revs and other current liabilities	(181)	0	0	0	0	0	0
Other current liabilities	(58)	49	(356)	(288)	669	74	11
Net cash provided by operating activities	(358)	(272)	(601)	(704)	(2,540)	(4,117)	(2,959)
Cash flows from investing activities:							
Purchase of property and equipment	(85)	(3)	(18)	(1)	(381)	(403)	(7,478)
Proceeds from sale of property and equipment	0	0	0	0	17	17	0
Purchase of intangible asset	0	0	0	(50)	0	(50)	(3)
Purchase of Power-plus	0	0	0	(409)	31	(378)	0
Cash received upon acquisition of Microphase	0	0	0	0	111	111	0
Sale of investment	90	0	0	0	0	0	0
Investments - related party	(1,034)	(610)	(917)	(1,183)	(491)	(3,201)	(147)
Inv in warrants and common stock - related party							(1,555)
Investment in real property	0	0	(300)	0	0	(300)	0
Investments in marketable securities	0	0	0	0	(1,486)	(1,486)	(657)
Sale of marketable securities	0	0	0	0	64	64	430
Investments other companies	0	(20)	(75)	70	25	0	0
Loan to related parties	0	0	0	(54)	10	(44)	0
Proceeds from loans to related parties	0	0	0	0	35	35	16
Investments in debt and equity securities	0	0	0	0	(3,039)	(3,039)	(371)
Loan to third party	0	(59)	(430)	(325)	814	0	0
Net cash from(used) in investing activities	(1,029)	(692)	(1,740)	(1,952)	(4,290)	(8,674)	(9,765)
Cash flows from financing activities:							
Proceeds from sales of common stock and warrants	541	300	0	445	1,290	2,035	6,243
Proceeds from issuance of preferred stock	0	0	1,540	0	0	1,540	0
Financing cost for sale of common and warrants	0	(73)	(202)	0	(22)	(297)	(858)
Proceeds from stock option exercises	0	0	0	0	557	557	98
Proceeds from warrant exercises	0	0	0	0	2,245	2,245	867
Proceeds from convertible notes payable	0	0	354	1,160	1,404	2,918	1,000
Payments on convertible note payable	0	0	0	(157)	0	(157)	0
Proceeds from notes payable- related party	0	350	0	0	0	350	0
Proceeds from notes payable	0	520	190	75	72	857	8,550
Proceeds from short-term advances - related party	0	0	0	0	245	245	50
Payment on short term advances							(425)
Proceeds from short-term advances	0	0	0	0	2,439	2,439	762
Payments on note payable	0	0	0	(30)	(160)	(190)	(5,247)
Proceeds from advances on future receipts	0	0	0	1,772	1,117	2,889	2,990
Payments on advances on future receipts	0	0	0	(439)	(1,087)	(1,526)	(1,917)
Payments of preferred dividends	0	0	0	(8)	(27)	(35)	0
Financing cost for sale of debt securities	0	0	0	(122)	0	(122)	0
Payments on revolving credit facility	0	0	(268)	(213)	(43)	(524)	(221)
Net proceeds from issuance of convert - related parties	488	0	0	0	0	0	0
Proceeds frm short term loan - related party	250	0	0	0	0	0	0
Net cash provided by financing actvities	1,279	1,097	1,614	2,483	8,030	13,224	11,892
Effect of exchange rate changes on cash and cash equivalents	(137)	9	32	44	(36)	49	(16)
Increase (Decrease) in cash and cash equivalents	(245)	142	(695)	(129)	1,164	482	(848)
Cash and cash equivalents at the beginning of the period	1,241	996	1,138	443	314	996	1,478
Cash and cash equivalents at the end of the period	$ 996	$ 1,138	$ 443	$ 314	$ 1,478	$ 1,478	$ 630
Cash paid for interest	$ 0	NA	NA	NA	NA	$ 271	$ 226
Cash flow	(286)	(603)	(829)	(865)	(2,523)	(4,820)	(1,830)
Free cash flow	(371)	(606)	(847)	(866)	(2,904)	(5,223)	(9,308)

HISTORICAL STOCK PRICE



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