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Zacks Small-Cap Research

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Document Security Systems (DSS-NYSE-Amer)

DSS: 2018 Earnings Show Digital Authentication Revenues Up Over 50%

Based on blended multiples from its peers of 1.9 times enterprise value to sales, we believe DSS stock is worth $2.18 per share.

Current Price (03/18/19)	$1.47
Valuation	**$2.18**

OUTLOOK

Document Security Systems is a small company with extensive patented expertise in authentication, anti-counterfeiting, and document and packaging printing. It also has an IP technology enforcement and licensing business. It has recently introduced a novel authentication system that allows customers to track and authenticate products using inked or etched marks that can be read by a generic smartphone. The company has signed and is implementing this system with a Fortune 50 customer and expects to announce other customers in the next few months, which should lead to revenue growth and profits.

SUMMARY DATA

52-Week High	**$1.72**
52-Week Low	**$0.67**
One-Year Return (%)	**22.5**
Beta	**2.7**
Average Daily Volume (sh)	**1,664,229**
Shares Outstanding (mil)	**17.4**
Market Capitalization ($mil)	**$26**
Short Interest Ratio (days)	**1.7**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**25**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**1.5**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**16.3**
P/E using 2019 Estimate	**N/M**
P/E using 2020 Estimate	**N/M**

Risk Level	**High**
Type of Stock	**Small-Blend**
Industry	**Business Services**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	4.8 A	3.9 A	4.2 A	5.8 A	18.7 A
2018	4.4 A	4.1 A	4.1 A	6.0 A	18.5 A
2019	4.5 E	4.5 E	4.9 E	7.2 E	21.0 E
2020					24.2 E

Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.01 A	-$0.02 A	-$0.02 A	$0.01 A	-$0.04 A
2018	-$0.01 A	$0.16 A	-$0.02 A	-$0.02 A	$0.09 A
2019	-$0.01 E	-$0.03 E	-$0.02 E	$0.03 E	-$0.05 E
2020					$0.00 E

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

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WHAT'S NEW

DSS reported Q4 numbers in line with expectations but the 10K revealed much progress in Authentiguard. It showed revenues for that product line up were over 50% for the full year of 2018. This increase was masked by the decline of royalties from licensees in the IP business, and less low margin IT sales (primarily hardware reselling) as that business was deemphasized. While we don't know the breakdown in Q4, revenues in the total technology sales, services and licensing business were up 44% sequentially from Q3 2018, which we attribute to the large customer ramping shipments and some payments from customization and testing efforts by new potential customers.

	2017	2018	
Printed products			
Packaging printing and fabrication	11,450,000	11,741,000	2.5%
Commercial and security printing	1,105,000	1,241,000	12.3%
Technology integrated plastic cards and badges	1,902,000	1,354,000	-28.8%
Plastic cards, badges and accessories	2,569,000	2,604,000	1.4%
Total printed products	17,026,000	16,940,000	-0.5%
Technology sales, services and licensing			
Information technology sales and services	458,000	345,000	-24.7%
Digital authenticaton products and services	512,000	772,000	50.8%
Royalites from licensees	666,000	458,000	-31.2%
Total technology sales, services and licensing	1,636,000	1,575,000	-3.7%

The company continues to be in late stage talks with potential customers. We believe it may soon be signing a new customer for AuthentiGuard in the consumer industry that may allow it to issue a press release on signing. If allowed, this would give the company and its AuthentiGuard product good publicity, attract other potential customers, and give investors confidence that the product has real potential to generate large revenues down the road. To date the company's current Fortune 50 customer has not allowed DSS to release its name or talk about it in public, despite the fact it is currently rolling out implementation through out its supply chain. This second customer has paid for some testing and customization of Authentiguard and has brought multiple departments, including marketing, into the decision making. Management expects a contract could be signed in Q3 with this customer with sales starting to ramp a few months after that.

Not all company growth hinges on Authentiguard. DSS also has a strategy to grow it printed products business by expanding capacity. It has purchased new equipment and it expects that once it is put in place by June, it will have increased its capacity by 10%. This will allow it to service more customers as it has already has the demand. Part of this capacity planning is also due to the photo expansion of DSS's biggest customer, Walgreens, due to its purchase of Rite Aid stores. The integration of these stores is not yet complete and DSS still expects to see sales grow from it.

On the IP side DSS settled with Everlight and got the results of its Markman with Apple. The results of the Markman were somewhat favorable. The trial with Apple has been scheduled for February 24, 2020.

Q4 Earnings Report

DSS reported total revenues of $6.0 million versus $5.8 million a year ago, up 2.1%. Printed product sales were steady growing 0.6% to $5.5 million in its seasonally biggest quarter, while Technology sales, services, and licensing increased 25% to $449,000. The company is transitioning away from lower margin IT services, especially sales of hardware as a reseller and replacing those sales with its SaaS business.

Gross margins declined to 34% from 38% and gross margin dollars were down 10%. Margin was down due to higher material costs as well as an increase in costs for outside services.

Operating expenses were up $263,000 due to an increase in spending in SG&A, despite a reduction in depreciation and amortization due to due to the write-off of the semiconductor patents.

The operating loss was $179,000 compared to a profit of $202,000 last year.

Interest expense was $32,140 versus $48,547 last year. This year had one-time expenses of $160,000 due to the decline in the value of the company's investment in Singapore eDevelopment, bringing the pretax loss to $378,000 versus a profit of $112,000. The loss per share this year was $0.02 versus a profit of $0.01 a year ago. The shares outstanding increased 19.3% to 16.8 million versus 14.1 million in 2017. On December 17, 2018, the DSS sold 612,245 shares of its common stock to an accredited investor, at a price of $0.98 per share.

SUBSEQUENT EVENTS

On January 18, 2019, DSS entered into confidential settlement agreement with Everlight regarding its lawsuit filed United States District Court for the Central District of California on June 8, 2017. Moneys received from this settlement will show up on the balance sheet as a reduction of other current and long-term liabilities on the March balance sheet.

On Jan. 23, 2019, DSS announced the opening of a technology development, customer support and product sales office in Guangzhou, China. DSS Asia Ltd. has acquired all the outstanding shares of Guangzhou HotApp Technology Ltd., a software development company based there for a $100,000, 2-year unsecured promissory note. The acquisition provides DSS Asia with the valuable licenses that are required and critical to operating within the Chinese marketplace. The Chinese market represents a $30 trillion opportunity for imported products over the next 15 years.

In February DSS released a new mobile application in Android and iOS as part of the DSS Authentiguard™ solution. The app can be used by anyone and is capable of quickly and easily authenticating product in the field and can provide data such as: product origin, movement, destination, and other supply chain related inquiries. It can track and trace functions in conjunction with serialization; and can consolidate the product information within an encrypted, secure database.

On February 18, 2019, DSS sold a $500,000 convertible promissory note to LiquidValue Development Pte Ltd at a conversion price of $1.12 per share. The note carries a fixed interest rate of 8% per annum and has a term of 12-months. The proceeds of the note were used **to purchase a license** to distribute anti-keylogging spyware product in Asia from Advanced Cyber Security Corp. and to fund the costs of the initial set-up of the company's marketing and distribution infrastructure for the product line.

2018 Year Results

For the year ended December 31, 2018, revenue decreased 1% to approximately $18.5 million versus $18.7 million in 2017. Printed products sales decreased 1% in 2018, as compared to 2017, driven by an increase in the sales of printing and packaging products of 3%. This was offset by a decrease in sales of plastic card products of 11%. Technology sales, services and licensing revenues decreased 4% in 2018, as compared to 2017, because of decreases in licensing royalties and recurring IT services, which more than offset **a $260,000 increase in sales of digital authentication products**.

Costs of revenue increased 8% in 2018 as compared to 2017, primarily due to an increase in paperboard costs and outside service costs at the packaging division.

Sales, general and administrative compensation costs, decreased 4% in 2018 as compared to 2017, primarily due to the impact of an increase of approximately $289,000 in compensation costs sharing. The cost sharing amounts are related to its IP monetization program management arrangement. DSS received funds to offset certain of its compensation expenses associated with the monetization program and is recognizing those funds received from a third party over the estimated service period of the monetization program.

Operating loss for the year was $1.7 million versus $286,000. The biggest part of other income was of course the $3.5 million gain from the extinguishment of liabilities attributed to the IP business. The net gain for 2018 was $1.5 million or $0.09 per share versus a net loss of $578,000 or $0.04 per share. There were 16.7 million share outstanding up 16% from a year ago.

In the 10K it was stated that the company is evaluating capital raising alternatives that will increase cash resources by at least $2 million by the end of the second quarter of 2019.

KEY POINTS

- Document Security Systems is a decades old company with expertise in security printing, but with revenues that have been flat for the past few years. Sales are primarily from printing and packaging, but future growth is expected come from its anti-counterfeiting and authentication expertise, which has resulted in a new SaaS product that is just beginning to make inroads with customers.

- DSS has introduced a unique and patented authentication solution that enables corporate customers, as well as end user consumers, to track and authenticate products throughout the supply chain. Its novel approach, which uses double blind labeling, competes with taggants and RFID tracking but is far cheaper and can be used without specialized equipment. The system **allows anyone with a smartphone to scan a product to determine if it is genuine**.

- The company has its first Fortune 50 customer for this product, called “AuthentiGuard,” and expects other customers to sign on in the next few months as they see the unique value in its solution. We believe an increase in marketing effort, combined with a high-visibility reference customer, could be the catalysts to rapid growth for DSS.

- DSS has a uniquely structured IP enforcement business that has five different actions in process in areas of LED and Bluetooth technology that could be monetized in the next few years. Its biggest potential win is a suit against Apple for Bluetooth technology, which is used in virtually all its products. It has recently been assigned a trial date of February 24, 2020. In 2018 the company restructured its IP enforcement efforts to avoid costs while allowing it to participate in the upside of successful monetization events.

- The company trades at an enterprise value of $25 million, which is only 1.3 times EV to its trailing 12-month sales, and we believe the stock has considerable upside should the company begin to show signs of growth. Based on metrics of its peer group, **we believe it is worth $2.18 per share** using a blended average EV/sales of 1.9 times and an estimate of $21.0 million in sales in 2019. Any upside from the successful resolution of its IP enforcement efforts has not been factored into this valuation and adds considerable incremental potential for shareholders. Near term we believe announcements of new customer wins could drive the stock.

RISKS

- In 2018 two customers, Walgreens and Shutterfly were responsible for 44% of revenues. Loss of either customer would affect results significantly.
- DSS is small and not profitable and potential customers may be hesitant to do business with it particularly when implementing long term solutions due to its financial situation and limited resources.
- The company bases a lot of its potential on the success of its new AuthentiGuard product. While being competitively superior in price and capability compared with alternative solutions, it has not yet gotten traction with customers. Future growth will depend of the success of marketing to convince manufacturers to take a chance an implement its new technology.
- The company is not currently profitable and as such, has limited resources to fund growth initiatives.
- The stock trades based on the company's progress in its lawsuits against various companies in it IP enforcement efforts. It lawsuits, and primarily the one against Apple, will drive events that is expected to affect the stock price.

STATUS OF LITIGATION

Company	Date and Location	Status	Patent numbers
Apple	Case originally filed in the United States District Court for the Eastern District of Texas on November 26, 2013. The case is currently pending in the United States District Court for the Northern District of California	Trial scheduled for February 24, 2020.	6,128,290
Seoul Semiconductor	United States District Court for the Central District of California, on June 7, 2017	IPR's pending with PTAB	6949771, 7256486, 7524087
Cree	United States District Court for the Central District of California on June 8, 2017	IPR's pending with PTAB	7256486, 7524087, 6949771
Lite-On	United States District Court for the Central District of California on August 15, 2017	Lite-On has not filed IPRs.	6949771, 7524087, 7256486
Nichia	United States District Court for the Central District of California on December 7, 2017	IPR's pending with PTAB	7919787, 7652297, 6949771, 7256486

FINANCIALS

Forecasts

2019 Year

The 2019-year should show meaningful revenue growth. The company has the opportunity to capture more business from Walgreens and Shutterfly and take on new customers due to increased capacity. It has a two year plan to increase sales by 25% from these efforts. Also revenues should ramp with its Fortune 50 customer as the system is implemented throughout its organization. This coupled with sales wins expected from its fertile Authentiguard pipeline should propel the company to a conservative $21 million in revenues for 2019, up 13.3%. While new business should be profitable and at higher margins, we expect the company to continue to spend to grow while keeping EBITDA positive. We estimate a 2019 EPS loss of $0.05 or $846,000.

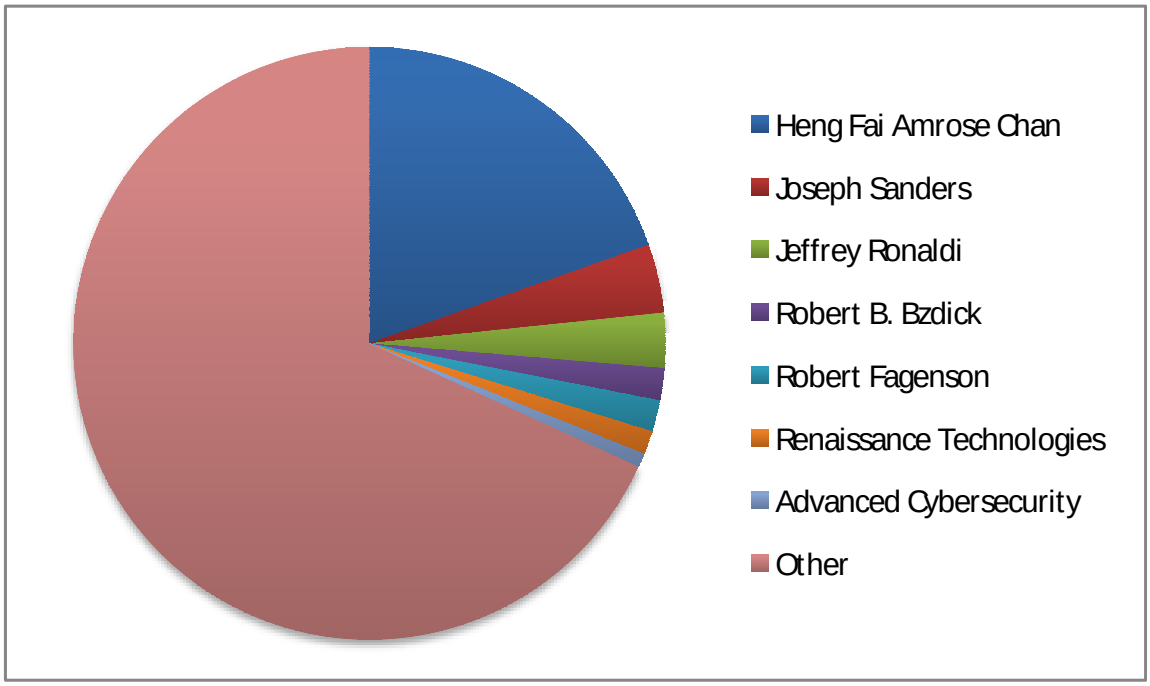
VALUATION

Document Security Systems is comprised of two main businesses with public comparables. Companies that are primarily providers of packaging and printing and those involved in higher margin anti-counterfeiting type solutions. Since in 2019 we expect revenues at DSS to be roughly 90% packaging and 10% anti-counterfeiting, we are using a blended multiple of enterprise value to sales to calculate valuation. As that percent shifts, we expect the multiple to increase proportionally.

Using Applied DNA, Digimarc, and Zebra as the anti-counterfeiting revenue comps and the rest for packaging, we get a blended multiple of 1.9 times EV to sales. Applying that to $21 million in revenues gets an enterprise and market value of $38 million, and a price per share of $2.18.

	Cal. Revenue				EBIDTA	Enterprise Value / Sales		EV/EBITDA	Included	
Ticker	2019E	2018	LTM	EBITDA	Margin	2019E	LTM		in Average?	Ent. Value
APDN	$6	$4	$4	-11.1	-269%	3.6x	5.5x	-2.0x	y	23
BRC	$1,210	$1,170	$1,170	184.0	16%	1.9x	1.9x	12.4x	y	2,280
DLAR.L	NA	NA	$507	69.9	14%	NA	1.1x	7.7x	n	538
DMRC	$23	$21	$21	-31.5	-148%	13.8x	14.9x	-10.1x	y	316
GPK	$6,270	$6,020	$6,020	920.2	15%	1.2x	1.2x	8.0x	y	7,370
HUH1V.HE	$3,310	$3,100	$3,100	379.6	12%	1.3x	1.4x	11.3x	y	4,300
WRK	$19,500	$16,720	$16,720	2860.0	17%	1.0x	1.2x	7.0x	y	20,140
ZBRA	$4,490	$4,220	$4,220	817.0	19%	2.9x	3.1x	15.8x	y	12,940
					-48%	**3.7x**	**4.2x**			

OWNERSHIP



PROJECTED INCOME STATEMENT

	Mar 31, 2018	Jun. 30, 2018	Sep. 30, 2018	Dec. 31, 2018	Mar 31, 2019E	Jun. 30, 2019E	Sep. 30, 2019E	Dec. 31, 2019E	2017	2018	2019E	2020E
Revenue:												
Printed products	$ 3,923,279	$ 3,724,980	$ 3,783,779	$ 5,508,224	$ 4,000,000	$ 4,000,000	$ 4,200,000	$ 6,300,000	$ 17,026,247	$ 16,940,262	$ 18,500,000	$ 20,000,000
Yr-Yr Growth	-10.9%	10.1%	0.4%	0.6%	2.0%	7.4%	11.0%	14.4%	-1.5%	-0.5%	9.2%	8.1%
Technology sales, services and licensing	454,275	362,081	310,511	447,953	450,000	500,000	700,000	850,000	1,635,625	$ 1,574,820	$ 2,500,000	$ 4,250,000
Yr-Yr Growth	23.6%	-24.2%	-28.0%	24.7%	-0.9%	38.1%	125.4%	89.8%	-13.9%	-3.7%	58.7%	70.0%
Total revenue	**4,377,554**	**4,087,061**	**4,094,290**	**5,956,177**	**4,450,000**	**4,500,000**	**4,900,000**	**7,150,000**	**18,661,872**	**18,515,082**	**21,000,000**	**24,250,000**
Yr-Yr Growth	-8.2%	5.9%	-2.5%	2.1%	1.7%	10.1%	19.7%	20.0%	-2.7%	-0.8%	13.4%	15.5%
Costs and expenses:												
Cost of revenue	2,581,615	2,756,447	2,551,782	3,963,655	2,700,000	2,800,000	3,000,000	4,300,000	11,008,882	11,853,499	12,800,000	15,212,500
Gross Margin	1,795,939	1,330,614	1,542,508	1,992,522	1,750,000	1,700,000	1,900,000	2,850,000	7,652,990	6,661,583	8,200,000	9,037,500
Gross Margin %	41.0%	32.6%	37.7%	33.5%	39.3%	37.8%	38.8%	39.9%	41.0%	36.0%	39.0%	37.3%
Selling, general and administrative (including stock based compensation)	1,782,568	1,802,096	1,610,831	1,893,115	1,900,000	1,950,000	1,950,000	2,000,000	6,465,016	7,088,610	7,800,000	7,800,000
Depreciation and amortization	345,667	346,816	310,330	278,821	278,821	278,821	278,821	278,821	1,413,838	1,281,634	1,115,284	1,100,000
Total costs and expenses	2,128,235	2,148,912	1,921,161	2,171,936	2,178,821	2,228,821	2,228,821	2,278,821	7,878,854	8,370,244	8,915,284	8,900,000
Operating (loss) income	(332,296)	(818,298)	(378,653)	(179,414)	(428,821)	(528,821)	(328,821)	571,179	(225,864)	(1,708,661)	(715,284)	137,500
Operating Margin	-7.6%	-20.0%	-9.2%	-3.0%	-9.6%	-11.8%	-6.7%	8.0%	-1.2%	-9.2%	-3.4%	0.6%
Other expense:												
Interest expense, net	(46,064)	(30,735)	(27,246)	(32,140)	(32,140)	(32,140)	(32,140)	(32,140)	(219,112)	(136,185)	(128,560)	(200,000)
Net loss on debt	0	0	0	0					0	0	0	0
Amortized debt discount	(27,731)	(6,168)	(6,168)	(6,184)	(600)	(600)	(600)	(600)	(154,142)	(46,251)	(2,400)	0
Impairment of investment		0	0	(160,000)					0	(160,000)	0	0
Gain on extinguishment of liabilities, net	0	3,532,659	0	0	0	0	0	0	0	3,532,659	0	0
Loss before income taxes	(406,091)	2,677,458	(412,067)	(377,738)	(461,561)	(561,561)	(361,561)	538,439	(599,118)	1,481,562	(846,244)	(62,500)
Income tax expense	0	0	0	16,593	0	0	0	0	(20,962)	16,593	0	0
Net loss	(406,091)	2,677,458	(412,067)	(394,331)	(461,561)	(561,561)	(361,561)	538,439	(578,156)	1,464,969	(846,244)	(62,500)
Other comprehensive loss:												
Foreign currency translation	0	0	(5,088)	5,088	0	0	(5,088)	0	0	0	0	0
Interest rate swap gain (loss)	14,889	6,963	(4,458)	(1,377)	14,889	6,963	(4,458)	0	22,274	16,017	0	0
Comprehensive loss:	$ (391,202)	$ 2,684,421	$ (421,613)	$ (395,708)	$ (446,672)	$ (554,598)	$ (371,107)	$ 538,439	**$ (555,882)**	**$ 1,480,986**	**$ (846,244)**	**$ (62,500)**
Non-GAAP earnings	(404,840)	(770,201)	(392,067)	(554,331)	(270,201)	(476,561)	(341,561)	623,439	(578,156)	(2,134,212)	(506,244)	277,500
Non-GAAP EPS	$ (0.02)	$ (0.05)	$ (0.02)	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.02)	$ 0.04	$ (0.04)	$ (0.13)	$ (0.03)	$ 0.02
Basic and diluted loss per share	**$ (0.01)**	**$ 0.16**	**$ (0.02)**	**$ (0.02)**	**$ (0.01)**	**$ (0.03)**	**$ (0.02)**	**$ 0.03**	**$ (0.04)**	**$ 0.09**	**$ (0.05)**	**$ (0.00)**
Yr-Yr Growth	0.0%	-896.9%	0.0%	-297.9%	0.0%	-119.7%	0.0%	-235.9%	-44.9%	-327.0%	-155.5%	-92.6%
Basic shares outstanding	16,599,327	16,599,327	16,767,992	17,420,000	17,426,000	17,426,000	17,436,000	17,446,000	14,424,344	16,724,376	17,433,500	17,446,000
Diluted shares		16,842,204	17,010,869	17,626,429	17,632,429	17,632,000	17,642,000	17,652,000	14,424,344	16,930,805	17,639,607	17,652,000

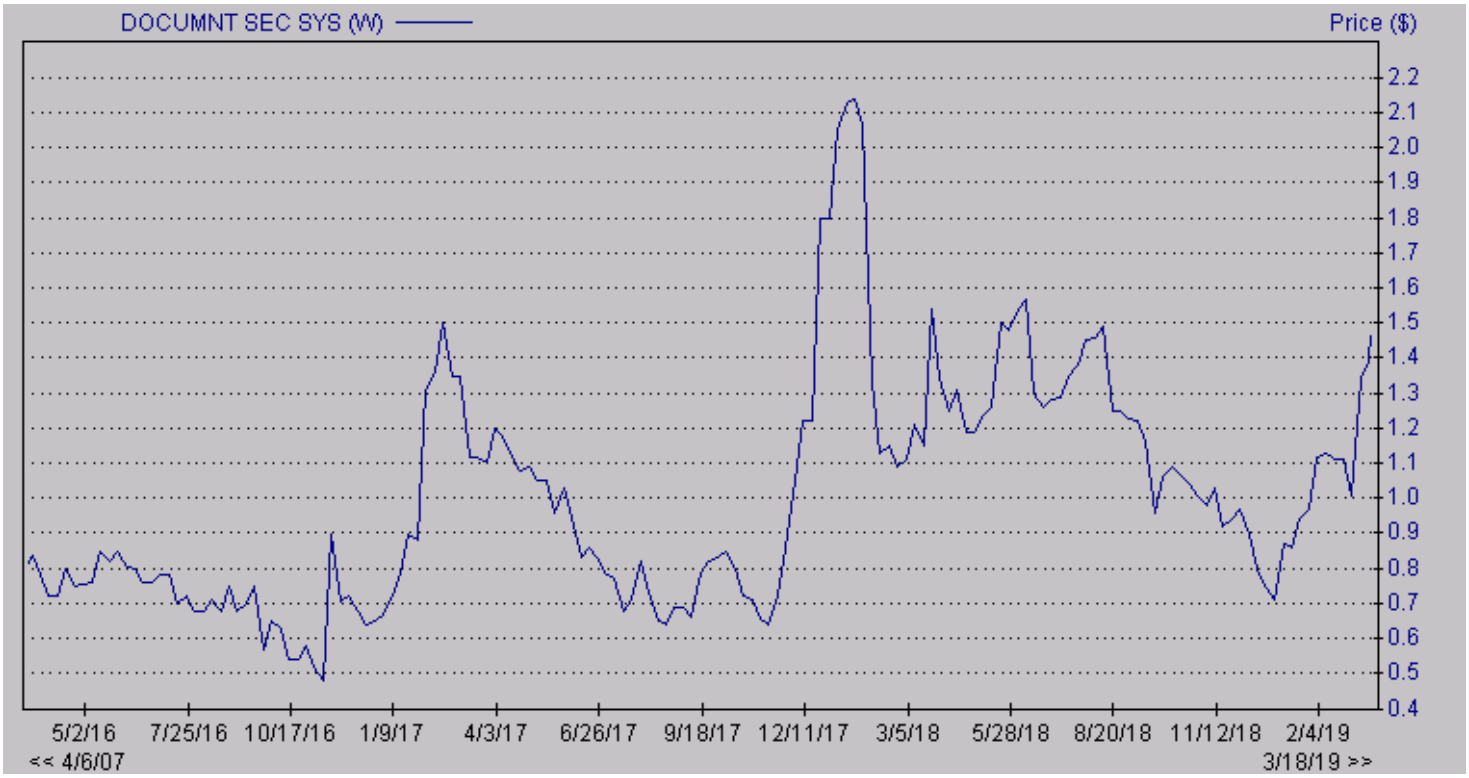
CASH FLOWS

	March 31, 2017	June 30, 2017	Sept. 30, 2017	Dec. 31, 2017	2017	March 31, 2018	June 30, 2018	Sept. 30, 2018	Dec. 31, 2018	2018
Cash flows from operating activities:										
Net income (loss)	$ (184,039)	$ (264,527)	$ (277,051)	$ 147,461	$ (578,156)	$ (406,091)	$ 2,677,458	$ (412,067)	$ (394,331)	$ 1,464,969
Adjustments to reconcile net income (loss) to net cash used by operating activities:										
Depreciation and amortization	342,774	346,975	352,040	372,049	1,413,838	345,667	346,816	310,330	278,821	1,281,634
Stock based compensation	133,807	57,553	11,751	11,751	214,862	1,251	84,922	20,444	25,116	131,733
Paid in-kind interest	18,000	18,000	18,000	18,000	72,000	12,000	0	0	0	12,000
Change in deferred tax provision	4737	4,737	4,737	66,152	80,363	0	0	0	9,673	9,673
Amortization of deferred financing costs	35,288	37,144	40,854	40,856	154,142	27,731	6,168	6,168	6,184	46,251
Gain on extinguishment of liabilities, net	0	0	0	(219,364)	(219,364)	0	(3,532,659)	0	0	(3,532,659)
Impairment of investment										160,000
Decrease (increase) in assets:										
Accounts receivable	(133,989)	150,604	75,361	(226,279)	(134,303)	25,689	92,802	(10,783)	(300,301)	(192,593)
Inventory	2,854	(320,356)	(389,233)	261,866	(444,869)	51,699	237,814	(580,842)	378,982	87,653
Prepaid expenses and other current assets	(27,076)	79,572	18,342	(19,429)	51,409	13,329	(41,100)	(27,603)	24,176	(31,198)
Restricted cash	0	0	(158,563)	158,563	0	0	0	0	0	0
Increase (decrease) in liabilities:										
Accounts payable	(419,482)	(26,108)	(61,159)	(386,682)	(893,431)	188,795	115,112	458,497	(143,568)	618,836
Accrued expenses	(259,678)	(2,513)	(605,511)	806,911	(60,791)	(103,928)	13,610	(303,852)	280,377	(113,793)
Other liabilities	0	(393,842)	393,842	(944,834)	(944,834)	(249,594)	(357,334)	(535,001)	(183,498)	(1,325,427)
Net cash used by operating activities	(486,804)	(312,761)	(576,590)	87,021	(1,289,134)	(93,452)	(356,391)	(1,074,709)	141,631	(1,382,921)
Cash flows from investing activities:										
Purchase of property, plant and equipment	(66,206)	(299,453)	(72,691)	(520,469)	(958,819)	(132,937)	(178,465)	(214,849)	(477,162)	(1,003,413)
Purchase of intangible assets	(4,949)	46	0	(6,649)	(11,552)	(15,780)	(4,357)	(25,334)	(54,667)	(100,138)
Net cash used by investing activities	(71,155)	(299,407)	(72,691)	(527,118)	(970,371)	(148,717)	(182,822)	(240,183)	(531,829)	(1,103,551)
Cash flows from financing activities:										
Payments of long-term debt	(203,647)	(204,001)	(204,771)	(205,913)	(818,332)	(206,542)	(551,760)	(207,775)	(222,004)	(1,188,081)
Borrowing from eqt line of credit	0	0	0	522,000	522,000	0	0	87,703	414,452	502,155
Issuance of common stock, net	0	0	783,094	168,024	951,118	0	0	300,000	587,755	887,755
Subscription receivable, net	0	0	0	0	0	288,000	0	0	0	288,000
Net cash used by financing activities	(203,647)	(204,001)	578,323	484,111	654,786	81,458	(551,760)	179,928	780,203	489,829
Net decrease in cash	(761,606)	(816,169)	(70,958)	44,014	(1,604,719)	(160,711)	(1,090,973)	(1,134,964)	390,005	(1,996,643)
Cash and restricted cash at beginning of period	6,049,347	5,287,741	4,471,572	4,400,614	6,049,347	4,444,628	4,283,917	3,192,944	2,057,980	4,444,628
Cash and restricted cash at end of period	$ 5,287,741	$ 4,471,572	$ 4,400,614	$ 4,444,628	$ 4,444,628	$ 4,283,917	$ 3,192,944	$ 2,057,980	$ 2,447,985	$ 2,447,985
Operating Cash Flow	$ 350,567	$ 199,882	$ 150,331	$ 436,905	$ 1,137,685	$ (19,442)	$ (417,295)	$ (75,125)	$ (74,537)	$ (586,399)
Free Cash Flow	$ 279,412	$ (99,525)	$ 77,640	$ (90,213)	$ 167,314	$ (168,159)	$ (600,117)	$ (315,308)	$ (606,366)	$ (1,689,950)

BALANCE SHEET

	Dec. 31, 2018	Sept. 30, 2018	Qtr-Qtr Growth	Dec. 31, 2017	Yr-Yr Growth
Current assets:					
Cash	$ 2,317,659	$ 2,051,800	13.0%	$ 4,188,623	-44.7%
Restricted cash	130,326	6,180	2008.8%	256,005	-49.1%
Accounts receivable, net	2,217,877	1,917,576	15.7%	2,025,284	9.5%
Inventory	1,563,593	1,942,575	-19.5%	1,651,246	-5.3%
Prepaid expenses & other curr assets	285,580	309,755	-7.8%	261,324	9.3%
Total current assets	6,515,035	6,227,886	4.6%	8,382,482	-22.3%
Property, plant and equipment, net	5,014,494	4,736,113	5.9%	4,805,640	4.3%
Investment	324,930	484,930	-33.0%	484,930	-33.0%
Other assets	90,319	90,320	0.0%	83,376	8.3%
Goodwill	2,453,597	2,453,597	0.0%	2,453,597	0.0%
Other intangible assets, net	881,411	842,385	4.6%	1,220,752	-27.8%
Total assets	15,279,786	14,835,231	3.0%	17,430,777	-12.3%
Current liabilities:					
Accounts payable	1,347,491	1,491,058	-9.6%	728,652	84.9%
Accrued expenses & deferred revenue	1,106,346	831,689	33.0%	1,105,718	0.1%
Other current liabilities	2,255,942	2,295,681	-1.7%	2,953,629	-23.6%
Short-term debt	**0**	**0**	0.0%	**3,645,760**	-100.0%
Current portion of long-term debt, net	**713,427**	**796,734**	-10.5%	**966,506**	-26.2%
Total current liabilities	5,423,206	5,415,162	0.1%	9,400,265	-42.3%
Long-term debt, net	**1,721,936**	**1,354,264**	27.1%	**1,734,171**	-0.7%
Other long-term liabilities	391,325	582,653	-32.8%	1,384,500	-71.7%
Deferred tax liability, net	168,986	125,982	34.1%	125,982	34.1%
Stockholders' equity					
Common stock	348,517	336,272	3.6%	331,987	5.0%
Additional paid-in capital	107,624,666	107,024,040	0.6%	106,633,708	0.9%
Accumulated other comp loss	(7,052)	(5,675)	24.3%	(23,069)	-69.4%
Accumulated deficit	(100,391,798)	(99,997,467)	0.4%	(101,856,767)	-1.4%
Total stockholders' equity	7,574,333	7,357,170	3.0%	4,785,859	58.3%
Total liabilities and stockholders' equity	15,279,786	14,835,231	3.0%	$ 17,430,777	-12.3%
Current ratio	1.2	1.2	4.5%	0.9	34.7%
Quick ratio	0.9	0.8	15.4%	0.7	27.5%
Working Capital	1,091,829	812,724	34.3%	(1,017,783)	-207.3%
Net cash	2,317,659	2,051,800	13.0%	4,188,623	-44.7%
Debt	2,435,363	2,150,998	13.2%	6,346,437	-61.6%
Debt/TA	16%	14%	9.9%	36%	-56.2%

HISTORICAL STOCK PRICE



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