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Zacks Small-Cap Research

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Document Security Systems (DSS-NYSE-Amer)

With a Record Q1 Reported, DSS Continues Restructuring For Higher Profits

Based on blended multiples from its peers of 1.8 times enterprise value to sales, we believe DSS stock is worth $17.40 per share.

Current Price (05/21/20)	$8.46
Valuation	**$17.40**

OUTLOOK

Document Security Systems is a small company with extensive patented expertise in authentication, anti-counterfeiting, and document and packaging printing. It has 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 is implementing this system with two Fortune 100 customers and others, which should ultimately lead to accelerating revenue growth and profits. It has recently branched out to other investments such as consumer product marketing firm, a REIT startup, and soon a biotech acquisition.

SUMMARY DATA

52-Week High	**$32.43**
52-Week Low	**$4.65**
One-Year Return (%)	**-71.0**
Beta	**2.5**
Average Daily Volume (sh)	**238,643**
Shares Outstanding (mil)	**2.1**
Market Capitalization ($mil)	**$18**
Short Interest Ratio (days)	**5.0**
Institutional Ownership (%)	**30**
Insider Ownership (%)	**37**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**1.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2020 Estimate	**N/M**
P/E using 2021 Estimate	**N/M**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	4.4 A	4.1 A	4.1 A	6.0 A	18.5 A
2019	4.8 A	4.1 A	3.5 A	6.8 A	19.4 A
2020	5.0 A	4.4 E	4.0 E	6.7 E	20.2 E
2021					24.4 E

Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.30 A	$4.78 A	-$0.60 A	-$0.67 A	$2.62 A
2019	-$0.72 A	-$1.07 A	-$1.56 A	-$0.27 A	-$3.39 A
2020	-$1.23 A	-$0.68 E	-$0.60 A	-$0.03 E	-$2.54 E
2021					-$1.65 E

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

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WHAT'S NEW

DSS's Files to Raise $5 Million

Yesterday DSS filed an S-1 to sell common stock to raise $5 million or a net $4.4 million dollars through Aegis Capital adding approximately 591,000 shares at yesterday's price. The cash will be used to grow its businesses, acquire new businesses, working capital, and for expenses incurred to shut down its plastics business. This capital will be used to breathe new life into DSS and hopefully transform it to a profitable growing business while improving shareholder value.

Restructuring Continues as DSS Shuts Down its Money Losing Plastics Division

While business restrictions show signs of easing, some things may be permanently changed, and one of those DSS believes may be the future use of plastic badges. The pandemics certainly has accelerated the concept of digital and touchless entry such as exemplified by boarding passes and venues may pull forward plans to use app-based entry that can be enhanced by biometrics and eschew the traditional plastic pass. The company cites hotel card keys, and smaller events being held in the future including sporting and trade shows as possible future outcomes. The pandemic was the final straw in DSS's decision to shutter its plastics business, that had sunk to losses over past three years in the best of times and it losses were expected to increase in this, the worst of times. In Q1 it took a $685,000 goodwill write-off to exit the business. In its S-1 it says it will need to use another $400,000 in cash to shut down operations. The division will have revenues in Q2 but it will be considered a discontinued operation. The good news is this shut down should reduce losses at DSS. Last year this business lost $294,000. It has a lease on space in California that costs $233,000 a year it hopes to sublet.

DSS Reports A Record Q1 in 2020

Aided by the fourth quarter acquisition of the assets of RBC Life, DSS reported a record for a first quarter. Its total revenues were over $5 million versus $4.8 million a year ago, up 4.0%. Not knowing anything about RBC we had estimated revenue of $100,000 for the quarter, but it contributed $543,000 or 11.5% of sales. It is expected to continue to grow.

Printed product sales were down 9.6% to $3.9 million. Packaging Printing and Fabrication, and Plastic Cards, Badges, and Accessories, were flattish year over year. Walgreens shuttered its photo operations in store during the quarter leading to a build up of inventory that still lingers now. Shutterfly however with its completely online operation saw growth. Commercial and Security Printing as well as Technology Integrated Plastic Cards & Badges were down due to the lack of live events and travel. We expect worse results in Q2 as Walgreens continues to work off excess inventory.

Technology sales, services, and licensing increased 8.2% to $479,000, and the AuthentiGuard part of the business grew 43.9% year over year to $331,000, up from $230,000 in Q3 2019. AuthentiGuard was down sequentially as its major customer ceased production and DSS only get paid as the customer's product is manufactured, packaged and labeled. It gets notified a month afterward, so it has little visibility into revenues.

Gross margins increased slightly to 34.6% from 34.3%, and gross margin dollars were up 4.9% due to higher revenues and higher than average gross margins contributed by RBC.

Operating expenses were $3.7 million compared to $2.1 million in 2019. Included in the $3.7 million was a $685,000 one-time charge for impairment of goodwill for the plastics division. Other than that, the biggest increase in spending was from sales and marketing, which increased $289,000 and SG&A, which grew $199,000.

In the quarter the company paid no income taxes and it still has $50.6 million in federal net operating loss carry forwards.
For the first time the company reported minority interest. This was from the 48% of its new Medical REIT venture that started on March 3, 2020. The venture lost $140,000 from March 3rd to March 31st, and DSS reversed out $67,000 of it that it didn't own. Going forward we have modeled in a full quarter of minority interest. Since this REIT is a start up it will have a number of quarters before it starts booking any revenue to offset these expenses, which are mostly salaries.

The net loss to common shareholders was $1.9 million versus a GAAP loss of $451,000 last year.

After a 30 for 1 reverse split, the GAAP loss per share this year was $1.23 versus a loss of $0.72 a year ago. Non-GAAP it was a loss per share of $0.79 versus $0.72 last year. The shares outstanding increased 164% to 1.5 million versus 583,000 in Q1 2019. Shares outstanding as of May 11, 2020 were 2,078,687.

Balance Sheet

On March 31, 2020 the company had **$3.8 million in cash**, working capital of $5.5 million and debt of $3.6 million. On February 25, 2020, DSS closed an underwritten public offering of 25,555,556 shares of stock for net proceeds of $4.0 million. Of that, Heng Fai Ambrose Chan, the Chairman of the Board, purchased 11,111,112 shares for $2,000,000. In addition, on April 20, 2020 the company received **$963,000** from the federal government under the paycheck protection plan. It filed to sell additional common stock in order to raise another net $4.4 million. At today's price, that would add another 591,000 shares to the total outstanding.

DSS owns 83,174,129 ordinary shares of Singapore eDevelopment (Ticker: 40V.SI) a publicly listed on the Singapore Exchange Limited, and an existing three-year warrant to purchase up to 44,005,182 ordinary shares at an exercise price of SGD$0.040 (US$0.0298) per share. DSS adopted ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." and carries its investment in SED at cost. It is on the balance sheet as of March 31, 2019 as a value of $2,154,000. The 83.2 million shares alone have a market value of $3.1 million.

On May 7th the company did a reverse stock split of 30:1 and all numbers in this report reflect that reverse split.

Impact BioMedical

On April 27, 2020, DSS entered into a share exchange agreement to buy Impact BioMedical for $50 million comprised of: 14.5 million shares of common stock, and 46,868 shares of a new series of perpetual convertible preferred stock of DSS with a stated value of $46,868,000, or $1,000 per share. The convertible preferred will convert, subject to a 19.9% beneficial ownership conversion limitation. Holders of convertible preferred will be entitled to a liquidation preference at a liquidation value of $1,000 per share. Both DSS and SeD need approvals from their shareholders. DSS will include audited financial statements of Impact BioMedical in its proxy statement soliciting the vote. The deal is expected to close in Q3 2020. We are unsure if this transaction will result in a gain on purchase and depends how the auditors treat it and what they value it at.

RBC Life Sciences

In Q4 DSS entered into convertible notes with RBC Life Sciences, Inc. a direct seller of nutraceuticals based in Irving, Texas. In February 2020, DSS foreclosed and took ownership of certain assets of RBC, which equal or exceeds the amounts outstanding under the obligations. Then on April 8, 2020, DSS initiated foreclosure proceedings against the remaining assets of RBC and its subsidiaries at a public sale on April 23,

2020. The company was the high bidder at that foreclosure sale and it now owns and controls certain former assets of RBC and its subsidiaries. A valuation of the assets acquired is pending and we are unsure if there will be a gain on purchase on the income statement due to the auditor's treatment. In Q1 RBC contributed $573,000 in revenues and $204,000 in net income.

Sharing Services Global

Another company in nutraceuticals that DSS is pursuing is Sharing Services Global (OTCQB: SHRG). So far DSS has bought 16.1 million shares of the company. This stake is worth $1.1 million and DSS now owns 12.8% of the company. One of DSS' board members, John (JT) Thatch, has been the CEO of this company since March 2018. On April 30, 2020, the board of SSG appointed Chan Heng Fai Ambrose to its board. He is also the Chairman of the Board of DSS. We are unsure if this equity holding will have to be marked to market each quarter.

According to its most recent financial filings, in the nine months ending January 31, 2020 Sharing Services generated $106 million in sales, was profitable, and had operating cash flow of $7.7 million in those nine months. The company is trading at a market value of $9.2 million and an enterprise value of $1.2 million. Sharing Services Global Corporation is a holding company based in Plano, Texas, with subsidiaries that market and distribute health and wellness products under the Elevate brand through an independent sales force of distributors using a marketing strategy that is a form of direct selling. The Elevate health and wellness product line was launched in December 2017 and consists of nutraceutical products that the company refers to as "D.O.S.E." (Dopamine, Oxytocin, Serotonin, and Endorphins). The products can be found at www.elevacity.com

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, which is expected to grow from increased capacity and the growth of its largest customer. Longer term, its anti-counterfeiting and authentication SaaS product AuthentiGuard is expected to be a major growth driver as well as its new ventures.

- DSS's unique and patented authentication solution, AuthentiGuard, 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 two Fortune 100 customers for this product, and has other smaller customers. We believe an increase in marketing effort, combined with a high-visibility reference customer, could be the catalysts to rapid growth for DSS.

- Recently management, with the Chairman being the driving force, has begun to invest opportunistically in a variety of other industries. We expect the company to continue to invest while still focusing on its core businesses.

- DSS trades at an enterprise value of $15.4 million, that is only 0.8 times EV to its trailing 12-month sales, and we believe the stock has considerable upside as the company shows signs of growth. Based on metrics of its peer group, **we believe it is worth $17.40 per share** using a blended average EV/sales of 1.8 times and an estimate of $20.2 million in sales in 2020. Near term we believe announcements of new customer wins, or the success of new ventures could also drive the stock.

RISKS

- In 2019 two customers, Walgreens and Shutterfly were responsible for 45% of revenues versus 44% last year. 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 stock has traded based on the company's progress in its lawsuits against various companies in it IP enforcement efforts. This business is however winding down.
- The company is embarking on a number of new ventures outside its field of expertise and it is uncertain of they will be success and non-dilutive.
- Since it is unprofitable, DSS continues to raise money, often through equity, diluting current shareholders.

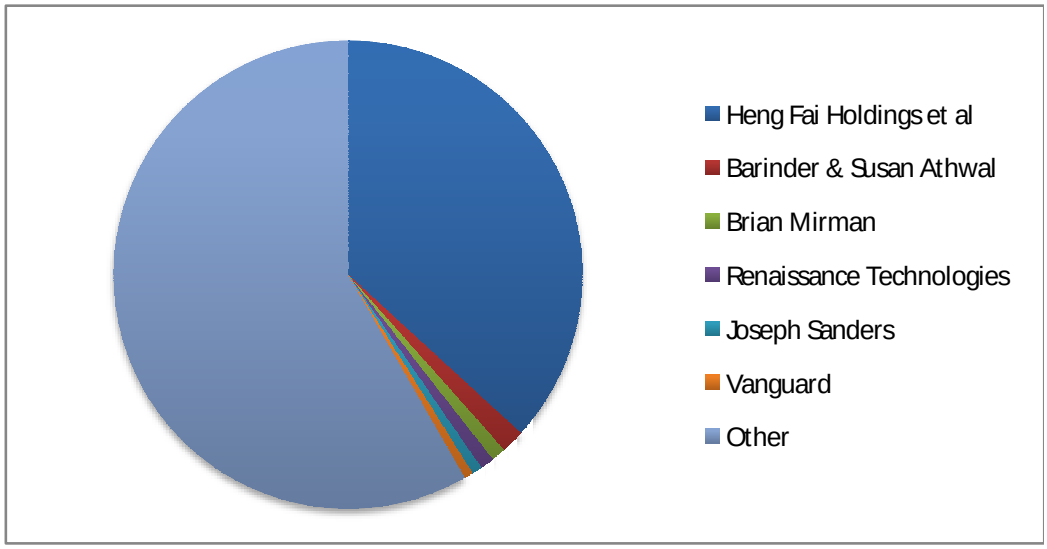
VALUATION

Since the two new ventures discussed previously have not yet closed we have not changed our valuation methodology. Once they do we will revisit valuation and look at prices of biotech startups, but for now 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 2020 we expect revenues at DSS to be roughly 89% packaging and consumer and 11% 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 and consumer, we get a blended multiple of 1.8 times EV to sales on trailing 12 months. Applying that 2020's $20.2 million to in revenues gets an enterprise value of $36 million and market value of $36.5 million, and a price per share of $17.40 using the current 2.1 million shares outstanding. By next year this moves to a multiple of 2.3 times as the product mix switches and revenues go to $24.2 million and the share count increases to 2.7 million leading to a stock price of $20.90.

		Cal. Revenue				EBIDTA	Enterprise Value / Sales		EV/EBITDA	Included	
Company	Ticker	2021E	2020E	LTM	EBITDA	Margin	2020E	LTM		in Average?	Ent. Value
Applied DNA	APDN	NA	$7	$5	-8.2	-160%	6.4x	8.8x	-5.5x	y	45
Brady Corp.	BRC	NA	$1,074	$1,150	191.5	17%	2.2x	2.1x	12.6x	y	2,410
Digimarc	DMRC	$32	$27	$24	-32.1	-136%	6.5x	7.3x	-5.4x	y	172
Graphic Packaging	GPK	$6,420	$6,320	$6,250	866.8	14%	1.1x	1.1x	8.1x	y	7,043
Huhtamaki	HUH1V.HE	NA	NA	$3,440	437.0	13%	NA	1.3x	10.4x	y	4,540
Nocopi	NNUP	NA	NA	$3	4.7	179%	NA	2.3x	1.3x	y	6
WestRock	WRK	$18,000	$17,300	$18,210	2950.0	16%	1.0x	0.9x	5.7x	y	16,880
Zebra	ZBRA	$4,630	$4,110	$4,470	878.0	20%	3.4x	3.2x	16.1x	y	14,150
Average							**3.0x**	**3.4x**			**5,656**

OWNERSHIP



Source: Zacks Investment Research

PROJECTED INCOME STATEMENT

	Mar 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar 31, 2020	Jun. 30, 2020E	Sep. 30, 2020E	Dec. 31, 2020E	2019	2020E	2021E
Revenue:											
Packaging Printing and Fabrication	$ 2,961,000	$ 2,775,000	$ 1,883,000	$ 4,688,000	$ 2,966,000	$ 2,075,000	$ 2,500,000	$ 5,000,000	12,307,000	12,541,000	$ 15,000,000
Commercial and Security Printing	352,000	225,000	251,000	331,000	203,000	220,000	300,000	320,000	1,159,000	1,043,000	1,500,000
Technology Integrated Plastic Cards & Badges	503,000	158,000	306,000	295,000	220,000	500,000	-	-	1,262,000	720,000	-
Plastic Cards, Badges and Assessories	550,000	465,000	595,000	751,000	560,000	650,000	-	-	2,361,000	1,210,000	-
Printed products	4,366,054	3,623,191	3,035,219	6,065,000	3,949,000	3,445,000	2,800,000	5,320,000	17,089,000	15,514,000	16,500,000
Yr-Yr Growth	11.3%	-2.7%	-19.8%	10.1%	-9.6%	-4.9%	-7.7%	-12.3%	0.9%	-9.2%	6.4%
Information Technology Sales and Services	74,000	32,000	46,000	37,000	11,000	10,000	10,000	10,000	189,000	41,000	200,000
Digital Authentication Products and Services	*230,000*	*319,000*	*307,000*	*558,000*	*331,000*	*200,000*	*400,000*	*700,000*	*1,414,000*	1,631,000	*4,000,000*
Yr-Yr Growth	29.2%	83.3%	114.7%	101.4%	43.9%	-37.3%	30.3%	25.4%	83.2%	15.3%	145.2%
Royalities from Licensees	139,000	133,000	145,000	128,000	137,000	130,000	130,000	130,000	545,000	527,000	500,000
Technology sales, services and licensing	442,866	483,638	497,700	723,000	479,000	340,000	540,000	840,000	$ 2,148,000	$ 2,199,000	$ 4,700,000
Yr-Yr Growth	-2.5%	33.6%	60.3%	61.4%	8.2%	-29.7%	8.5%	16.2%	36.4%	2.4%	113.7%
RBC Life Sciences	0	0	0	0	573,000	600,000	650,000	700,000	0	2,523,000	3,200,000
Total revenue	**4,808,920**	**4,106,829**	**3,532,919**	**6,788,000**	**5,001,000**	**4,385,000**	**3,990,000**	**6,860,000**	**19,409,230**	**20,236,000**	**24,400,000**
Yr-Yr Growth	9.9%	0.5%	-13.7%	14.0%	4.0%	6.8%	12.9%	1.1%	4.8%	4.3%	20.6%
Costs and expenses:											
Cost of revenue	3,159,551	2,897,674	2,217,822	4,327,447	3,271,000	2,977,300	2,637,000	4,622,800	12,602,494	13,508,100	15,604,000
Gross Margin	1,649,369	1,209,155	1,315,097	2,460,553	1,730,000	1,407,700	1,353,000	2,237,200	6,806,736	6,727,900	8,796,000
Gross Margin %	34.3%	29.4%	37.2%	36.2%	34.6%	32.1%	33.9%	32.6%	35.1%	33.2%	36.0%
Selling, general and administrative	920,000	814,000	773,000	1,760,000	1,119,000	1,200,000	1,200,000	1,000,000	4,267,000	4,519,000	4,200,000
Depreciation and amortization	294,407	336,740	420,063	352,626	360,000	300,000	300,000	30,000	1,403,836	990,000	1,800,000
Professional fees	292,000	434,000	544,000	717,000	601,000	600,000	400,000	600,000	1,987,000	2,201,000	2,000,000
Stockbased compensation	31,000	28,000	273,000	89,673	90,000	100,000	100,000	100,000	421,673	390,000	390,000
Sales and marketing	116,000	164,000	111,000	225,000	405,000	380,000	400,000	400,000	616,000	1,585,000	3,170,000
Rent and utilities	190,000	176,000	187,000	297,000	207,000	207,000	177,875	148,750	850,000	740,625	740,625
Other expenses	227,000	230,000	239,000	(542,000)	219,000	219,000	219,000	219,000	154,000	876,000	876,000
R&D	1,000	18,000	(32,000)	1,000	0	0	0	0	(12,000)	0	0
Impariment of goodwill	0	0	0	0	685,000	0	0	0	0	685,000	0
Total costs and expenses	2,071,407	2,200,740	2,515,063	2,900,299	3,686,000	3,006,000	2,796,875	2,497,750	9,687,509	11,986,625	13,176,625
Operating (loss) income	(422,038)	(991,585)	(1,199,966)	(439,746)	(1,956,000)	(1,598,300)	(1,443,875)	(260,550)	(2,880,773)	(5,258,725)	(4,380,625)
Operating Margin	-8.8%	-24.1%	-34.0%	-6.5%	-39.1%	-36.4%	-36.2%	-3.8%	-14.8%	-26.0%	-18.0%
Other expense:											
Interest expense, net	(27,997)	(37,952)	(50,776)	(15,641)	(15,000)	(15,000)	(10,000)	(10,000)	(132,366)	(50,000)	(30,000)
Amortized debt discount	(600)	(600)	(351)	(350)	0	0	0	0	(1,901)	0	0
Impairment of investment	0	0	0	0	0	0	0	0	0	0	0
Gain on extinguishment of liabilities, net	0	0	0	0	0	0	0	0	0	0	0
Gain on marketable securities					4,000	0	0	0	0	4,000	0
Loss before income taxes	(450,635)	(1,030,137)	(1,251,093)	(455,737)	(1,967,000)	(1,613,300)	(1,453,875)	(270,550)	(3,015,040)	(5,308,725)	(4,410,625)
Income tax expense	0	0	0	(125,487)	0	0	0	0	(125,487)	0	0
Net loss	(450,635)	(1,030,137)	(1,251,093)	(330,250)	(1,967,000)	(1,613,300)	(1,453,875)	(270,550)	(2,889,553)	(5,308,725)	(4,410,625)
Minority interest	0	0	0	0	67,000	201,000	201,000	201,000	0	670,000	-
Net loss to common shareholders	(450,635)	(1,030,137)	(1,251,093)	(330,250)	(1,900,000)	(1,412,300)	(1,252,875)	(69,550)	(2,889,553)	(4,638,725)	(4,410,625)
Other comprehensive loss:											
Interest rate swap gain (loss)	(778)	(14,653)	22,483	0	0	0	0	0	7,052	0	0
Comprehensive loss:	$ (451,413)	$ (1,044,790)	$ (1,228,610)	$ (330,250)	$ (1,967,000)	$ (1,613,300)	$ (1,453,875)	$ (270,550)	$ (2,882,501)	$ (5,308,725)	$ (4,410,625)
Non-GAAP earnings	(419,934)	(1,002,228)	(919,829)	(240,577)	(1,125,000)	(1,312,300)	(1,152,875)	30,450	(2,467,880)	(2,162,634)	(4,070,625)
Non-GAAP EPS	$ (0.72)	$ (1.37)	$ (1.15)	$ (0.20)	$ (0.73)	$ (0.63)	$ (0.55)	$ 0.01	$ (2.90)	$ (1.03)	$ (1.52)
GAAP Basic and diluted loss per share	**$ (0.72)**	**$ (1.07)**	**$ (1.56)**	**$ (0.27)**	**$ (1.23)**	**$ (0.68)**	**$ (0.60)**	**$ (0.03)**	**$ (3.39)**	**$ (2.54)**	**$ (1.65)**
Yr-Yr Growth	140.0%	-122.5%	160.4%	-59.4%	71.4%	-36.7%	-61.4%	-90.5%	-229.2%	-25.1%	-34.9%
Basic shares outstanding	583,158	730,244	800,881	1,206,021	1,539,052	2,078,687	2,078,687	2,669,704	850,180	2,091,532	2,669,704
Yr-Yr Growth	5.4%	32.0%	43.3%	107.7%	163.9%	184.7%	159.6%	121.4%	52.5%	146.0%	27.6%
Diluted shares	590,039	973,121	1,068,786	1,206,021	1,539,052	2,078,687	2,078,687	2,669,704	850,180	2,091,532	2,700,000

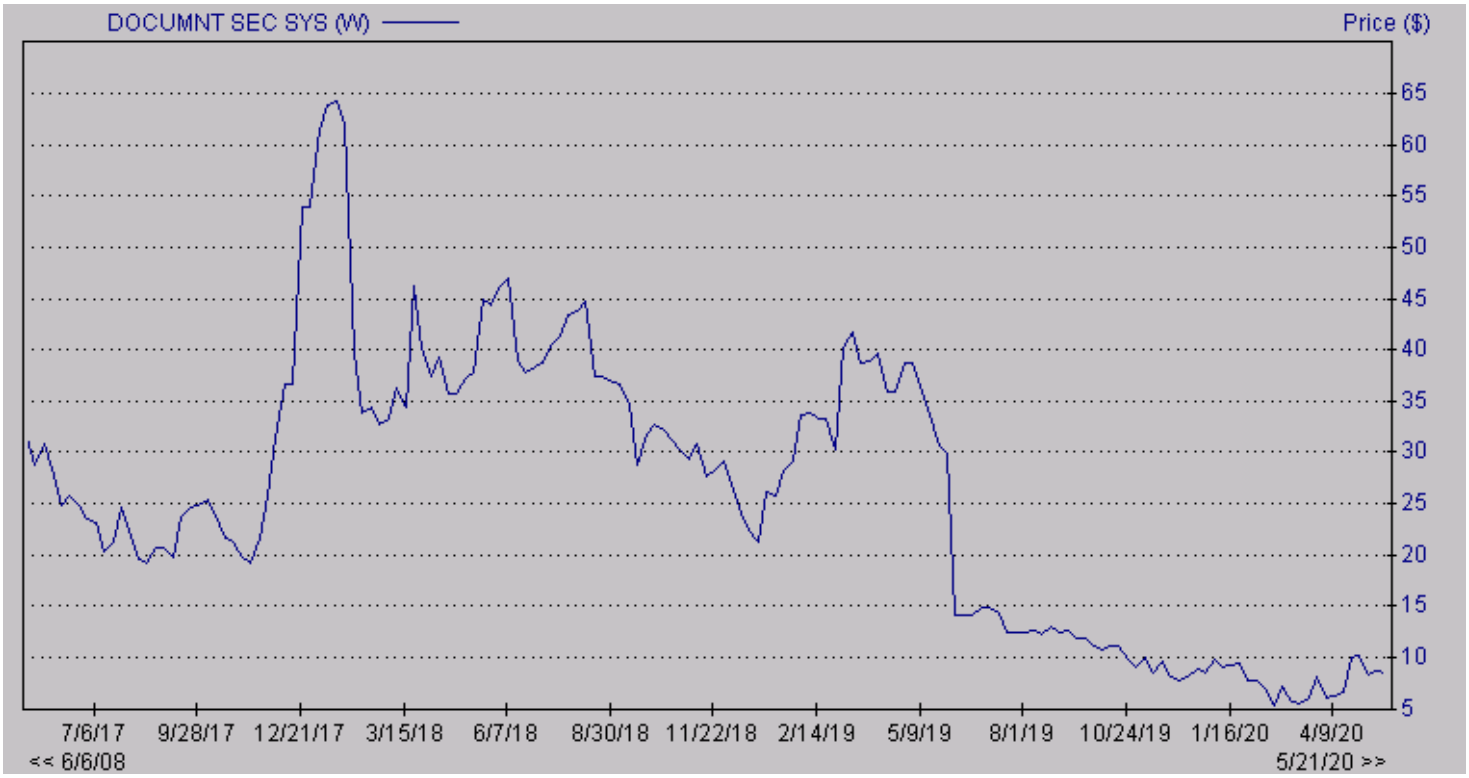
CASH FLOWS

	2018	March 31, 2019	June 30, 2019	Sept. 30, 2019	Dec. 31, 2019	2019	March 31, 2020
Cash flows from operating activities:							
Net income (loss)	$ 1,464,579	$ (450,450)	$ (1,030,822)	$ (1,250,671)	$ (157,204)	$ (2,889,147)	$ (1,967,000)
Adjustments to reconcile net income (loss) to net cash used by operating activities:							
Depreciation and amortization	1,281,634	294,407	336,740	420,064	352,625	1,403,836	360,000
Stock based compensation	131,733	30,701	27,909	272,654	90,409	421,673	90,000
Unrealized gain on investment							(4,000)
Paid in-kind interest	12,000	0	0	0	0	0	0
Change in deferred tax provision	9,673	0	0	0	(125,419)	(125,419)	0
Amortization of deferred financing costs	46,251	600	0	(249)	1,550	1,901	0
Gain on extinguishment of liabilities, net	(3,532,659)	0	0	0	0	0	0
Impairment of investment	160,000	0	0	0	0	0	685,000
Decrease (increase) in assets:							
Accounts receivable	(192,593)	(277,951)	(68,350)	436,451	(2,084,179)	(1,994,029)	630,000
Inventory	87,653	217,926	73,556	(379,773)	(55,806)	(144,097)	(35,000)
Prepaid expenses and other current assets	(31,198)	720	53,175	(213,999)	26,260	(133,844)	(54,000)
Restricted cash	0	0	0	0	0	0	(4,000)
Increase (decrease) in liabilities:							
Accounts payable	618,836	(100,692)	317,188	(222,981)	151,488	145,003	(3,000)
Accrued expenses	(113,793)	(213,370)	(36,533)	(68,838)	39,705	(279,036)	(167,000)
Other liabilities	(1,325,427)	(378,183)	(519,675)	(555,018)	(296,839)	(1,749,715)	0
Net cash used by operating activities	(1,383,311)	(876,292)	(846,812)	(1,562,360)	(2,057,410)	(5,342,874)	(469,000)
Cash flows from investing activities:							
Purchase of property, plant and equipment	(1,003,413)	(210,945)	(50,610)	(561,793)	(165,528)	(988,876)	(105,000)
Purchase of investment	0	0	0	0	(1,829,245)	(1,829,245)	(566,000)
Issuance of note receivable	0	0	0	0	(793,195)	(793,195)	(462,000)
Purchase of intangible assets	(100,138)	(350,000)	0	(7,816)	(11,919)	(369,735)	0
Net cash used by investing activities	(1,103,551)	(560,945)	(50,610)	(569,609)	(2,799,887)	(3,981,051)	(1,133,000)
Cash flows from financing activities:							
Payments of long-term debt	(1,188,081)	(57,309)	(64,251)	(72,826)	(80,082)	(274,468)	(121,000)
Borrowing from lines of credit	502,155	500,000	0	87,750	0	587,750	200,000
Borrowings from revolver	0	0	0	0	500,000	500,000	300,000
Borrowings from convertible note	0	0	0	0	0	500,000	0
Issuance of common stock, net	887,755	(6,793)	0	5,048,404	1,617,295	6,658,906	3,929,000
Subscription receivable, net	288,000	0	0	0	0	0	0
Net cash used by financing activities	489,829	435,898	4,822,386	676,691	2,037,213	7,972,188	4,308,000
Net decrease in cash	(1,997,033)	(1,001,339)	3,924,964	(1,455,278)	(2,820,084)	(1,351,737)	2,706,000
Cash and restricted cash at beginning of period	4,444,628	2,447,595	1,446,256	5,371,220	3,915,942	2,447,595	1,095,858
Cash and restricted cash at end of period	$ 2,447,595	$ 1,446,256	$ 5,371,220	$ 3,915,942	$ 1,095,858	$ 1,095,858	$ 3,801,858
Operating Cash Flow	$ (586,789)	$ (124,742)	$ (666,173)	$ (558,202)	$ 161,961	$ (1,187,156)	$ (1,521,000)
Free Cash Flow	$ (1,690,340)	$ (685,687)	$ (716,783)	$ (1,127,811)	$ (1,844,731)	$ (4,375,012)	$ (1,626,000)

BALANCE SHEET

	Mar. 31, 2020	Dec. 31, 2019	Qtr-Qtr % Growth	March 31, 2019	Yr-Yr % Growth
Current assets:					
Cash	$ 3,802,000	$ 1,096,248	246.8%	$ 1,336,754	184.4%
Restricted cash	0	0	0.0%	109,892	-100.0%
Accounts receivable, net	3,582,000	4,211,906	-15.0%	2,495,828	43.5%
Inventory	1,743,000	1,707,690	2.1%	1,345,667	29.5%
Prepaid expenses & other curr assets	514,000	459,868	11.8%	309,223	66.2%
Total current assets	9,641,000	7,475,712	29.0%	5,597,364	72.2%
Property, plant and equipment, net	4,925,000	5,060,698	-2.7%	5,015,358	-1.8%
Investment	2,154,000	2,154,175	0.0%	324,930	562.9%
Marketable securities	570,000	0	NM	0	NM
Note receivable	1,255,000	793,195	58.2%	0	NM
Other assets	54,000	49,875	8.3%	90,319	-40.2%
Right-of-use assets	1,119,000	1,222,742	-8.5%	1,396,278	-19.9%
Goodwill	1,769,000	2,453,597	-27.9%	2,453,597	-27.9%
Other intangible assets, net	816,000	934,765	-12.7%	1,291,868	-36.8%
Total assets	22,303,000	20,144,759	10.7%	16,169,714	37.9%
Current liabilities:					
Accounts payable	1,489,000	1,492,494	-0.2%	1,246,798	19.4%
Accrued expenses & deferred revenue	706,000	935,041	-24.5%	965,652	-26.9%
Other current liabilities	390,000	390,494	-0.1%	1,846,281	-78.9%
Revolving line of credit	**800,000**	**500,000**	60.0%	**0**	NA
Current portion of long-term debt, net	**403,000**	**440,699**	-8.6%	**698,369**	-42.3%
Current portion of lease liability	369,000	397,097	-7.1%	360,839	2.3%
Total current liabilities	4,157,000	4,155,825	0.0%	5,117,939	-18.8%
Long-term debt, net	**2,427,000**	**2,309,847**	5.1%	**1,680,285**	44.4%
Lease liability	750,000	825,645	-9.2%	1,059,802	-29.2%
Other long-term liabilities	507,000	507,058	0.0%	350,906	44.5%
Deferred tax liability, net	44,000	43,567	1.0%	168,986	-74.0%
Stockholders' equity					
Common stock	42,000	723,612	-94.2%	360,054	-88.3%
Additional paid-in capital	119,624,000	114,860,150	4.1%	108,281,820	10.5%
Non-controlling interest in subsidiary	(67,000)	0	NA	0	NA
Accumulated other comp loss	0	0	0.0%	(7,830)	-100.0%
Accumulated deficit	(105,181,000)	(103,280,945)	1.8%	(100,842,248)	4.3%
Total stockholders' equity	14,418,000	12,302,817	17.2%	7,791,796	85.0%
Total liabilities and stockholders' equity	22,303,000	20,144,759	10.7%	$ 16,169,714	37.9%
Current ratio	2.3	1.8	28.9%	1.1	112.1%
Quick ratio	1.9	1.4	36.9%	0.8	128.7%
Working Capital	5,484,000	3,319,887	65.2%	479,425	1043.9%
Net cash	3,002,000	596,248	403.5%	1,336,754	124.6%
Debt	3,630,000	3,250,546	11.7%	2,378,654	52.6%
Debt/TA	16%	16%	0.9%	15%	10.6%

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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