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Zacks Small-Cap Research

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Document Security Systems (NYSE Amer:DSS)

Q3 Revenue Grows 59% As New Packaging and Printing Customers Come On Board

Using multiples from its peers of 2.5 times EV/Sales, we believe DSS stock is worth $13.50 per share if we use the value of the base business and add $50 million for the value of the recently acquired Impact BioMedical.

Current Price (10/26/20)	$6.82
Valuation	**$13.50**

OUTLOOK

Document Security Systems is evolving into a multi-industry business growing through opportunistic acquisitions. Its roots lie in an expertise in authentication, anti-counterfeiting, and document and packaging printing. It has a new direct marketing company and recently bought a company that is researching coronavirus solutions and is in the process of being spun off to shareholders. Another operation currently starting up is a REIT that will focus on health care facilities. Investors should look at DSS as the sum of its parts as it strives to create wealth for shareholders.

SUMMARY DATA

52-Week High	**$10.90**
52-Week Low	**$4.04**
One-Year Return (%)	**-29.0**
Beta	**2.3**
Average Daily Volume (sh)	**6,214,998**
Shares Outstanding (mil)	**5.8**
Market Capitalization ($mil)	**$39.6**
Short Interest Ratio (days)	**0.1**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**49**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**1.7**
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	**48.9**

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	3.8 R	3.5 R	2.6 R	5.7 R	15.8 R
2020	4.2 R	3.1 A	4.2 A	6.8 E	18.3 E
2021					27.0 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	-$0.74 R	-$1.00 R	-$1.53 R	-$0.27 A	-$3.39 A
2020	-$0.56 R	-$0.26 A	$0.70 A	-$0.24 E	$0.42 E
2021					-$0.65 E

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

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WHAT'S NEW

DSS Reports Q3 Revenue Growth of 59%

DSS continues its march to higher revenues and profits by moving out of unprofitable businesses and opportunistically moving into new ones. The businesses DSS is involved in are now so varied it is planning to change its name to "Alset, Inc." at its next shareholder's meeting when it also plans to vote to reincorporate the company in Texas from NY pursuant to a merger with a holding company.

This quarter revenues grew a surprise 59% compared with a restated Q3 2019 (from the sale of the plastics business.) The biggest reason for the revenues beat was unexpected sales to new customers in the packaging printing and fabrication business. Not only did the company start using its own packaging for its direct marketing business, it has added customers in the food vertical that will have no seasonality, making revenues more stable. DSS is benefitting from continuing to produce packaging while some competitors were shut down. Its business with Shutterfly is also growing as its customers buy more personalized gift items such as mugs and pillows, which results in Shutterfly buying more expensive larger boxes.

The profitable quarter was caused by a one-time gain on the move to the equity method of accounting for its minority-owned direct marketer Sharing Services Global. This move resulted in an unrealized gain on marketable securities of $7.8 million, pushing the company to paper profits. Taking out this gain, the company lost $2.4 million. The gain was not as large as we originally had expected because the auditors settled on a different date to price the stock than we used in our calculation.

Next quarter DSS's 32% of Sharing Services Global's net income will be reported as a new line item in other income. According to its most recent financial filing for the quarter ending July 31, 2020, Sharing Services generated $21.9 million in sales, and had a net loss of $1.1 million. It had free cash flow of $1.1 million. 32% ownership of it in the July quarter would have subtracted $352,000 from DSS's reported net income. DSS will start reporting its share of net income on a two-month lag basis. As a result of the lag, the company did not included any Sharing Services revenues or expenses in its September quarter. We expect it to do so in Q4 when it will consolidate SSG's numbers from August, September and October months (SSG's October quarter.) SSG will report its October quarter before DSS reports its fourth, so we will see what contribution it will have at that time. Right now management expects it to earn money in its seasonally strong Q4 and contribute to DSS net income. Much of SSG's losses come from high stock-based compensation which DSS, now in control of its board, may chose to change. We do not know what the plan on that is.

Given its revenue beat and better clarity on 2021, we are raising revenue estimates for 2020 to $18.3 from $17.1 and raising 2021 revenues to $27.0 million from $24.4 million. GAAP EPS has been cut to $0.42 this year due almost entirely to a miss on calculating the one-time gain on Sharing Services Global. For 2021 we have increased the loss per share to $0.65 from earnings of $0.07. While we think there is some accuracy in the revenue estimates, we need further clarity on expenses going forward to get a more accurate idea of potential losses or earnings.

Q3 2020 Earnings Results

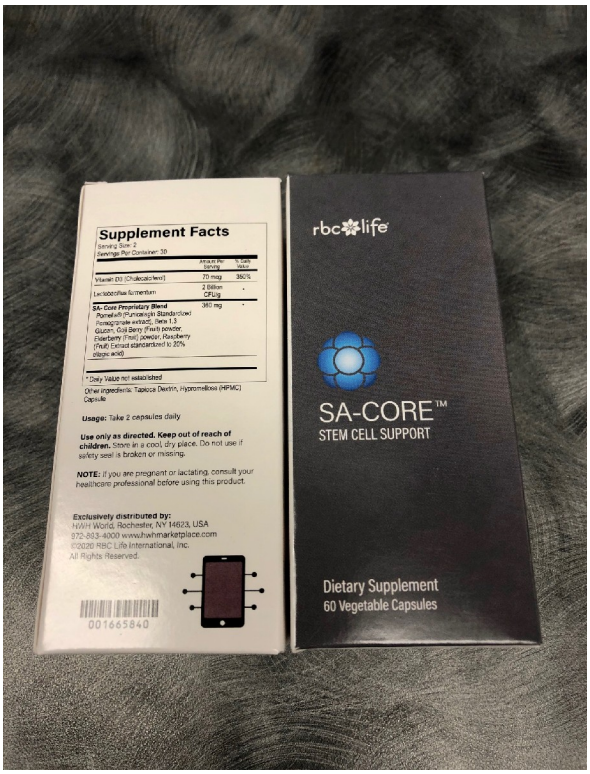
DSS closed the sale of the assets of the plastics division on August 14, 2020 and in the Q3 2020 earnings report, it was once again accounted for as a discontinued operation. The company restated Q3 2019 to account for the sale. Total revenues for the quarter were $4.2 million versus a restated $2.6 million a year ago, up 59.2%.

Printed product sales rebounded nicely in the quarter and came in at an unexpected $3.0 million versus a restated $2.1 million in Q3 2019. We had expected it to be sequentially down versus the $2.3 million in Q2. The Walgreens' business was still weak, but the company more than made up for it by adding new

customers. Even commercial and security printing showed 71% year over year growth and 140% growth sequentially driven by security printing products.

Technology sales, services, and licensing declined 3% to $483,000, but AuthentiGuard returned to growth albeit only 16.9% year over year to $359,000, from $307,000 in Q3 2019. AuthentiGuard's major customer resumed some production, but it still below former levels. During the quarter the company signed a global personal protective equipment (PPE) exporter as an early adopter of AuthentiGuard as a Service (AGaaS).

The company is in a pilot with a very large company in the wine and spirits industry but given the pandemic disruption, it has yet to pull the trigger to roll out usage. This very large company could afford DSS with million of dollars of annual revenue. Other new customer is a non-profit standards certification company that wants to put its seal of approval on products that have met its standards. It is still in the testing stage and it trying AuthentiGuard out in India on industrial wiring products. Weeding out counterfeits in such a circumstance not only exposes fake products, but also protects companies who use inauthentic and low quality product from lawsuits and expensive corrections. DSS is also using AuthentiGuard on the packaging its own nutraceutical products as shown below.



Source: DSS

RBC Life Sciences reported revenues of $715,000 up from $506,000 in Q2, as production and distribution problems were resolved and new products introduced. The company is still working to find a marketing partner with an established sales force to significantly increase sales. We expect news on this front within the next three weeks.

Gross margins were 36.7% up from last year's restated 31.6%, but down from Q2's 42.6% due to product mix; gross margin dollars were up 84.4% to $1.5 million.

Operating expenses were $3.9 million up sequentially from $2.6 million in Q2 and compared to a restated $2.0 million in 2019. Sales and marketing grew a whopping $912,000 year over year as the company invested in its direct marketing platform and continued to hire.

As expected, other expenses contained a one-time unrealized gain on marketable securities of $7.8 million from Sharing Services Global.

Minority interest was $126,000 from the 48% of its new Medical REIT venture that started on March 3, 2020. The REIT will have a number of quarters before it starts booking any revenue to offset these expenses, which are mostly salaries. We believe it is working on three different deals and expect to the first to close by year-end. DSS will book 100% of a 3% management fee on the properties the REIT acquires as revenue and revenues may not start until Q1 2021.

The company again reported its net loss broken down by continuing operations and discontinued operations. The income from continuing operations was $5.4 million versus a $1.2 million loss last year and discontinued operations lost $424,000 versus $29,000 in 2019.

Income to common shareholders was $5.5 million versus a loss of $1.2 million last year.

The **fully diluted GAAP EPS was $0.70** versus a loss of $1.53 a year ago. **Non-GAAP it was a loss per share of $0.47** versus a loss of $1.11 last year. The shares outstanding increased 472% to 4.6 million

primary shares and to 7.8 million fully diluted shares. Primary shares outstanding as of October 16, 2020 were 5,836,212.

Balance Sheet

On September 30, 2020 the company had **$11.6 million in cash**, working capital of $13.3 million and debt of $3.3 million. DSS owns 127,179,311 ordinary shares of Alset International Limited (formerly Singapore eDevelopment) (Ticker: 40V.SI) a publicly listed on the Singapore Exchange Limited; those shares are worth **$7.6 million**.

During the Quarter

On July 10, 2020 the company closed a 1,028,800 share offering of its common stock at $6.25 per share, for gross proceeds of $6.43 million. In addition, the underwriter had a 45-day option to purchase up to an additional 154,320 shares. The net proceeds were approximately $6.7 million.

On July 31, 2020 Document Security Systems sold 453,333 shares of its common stock at a $7.50 per share, for gross proceeds of $3.4 million. In addition, the company has granted the underwriter a 45-day option to purchase up to an additional 38,533 shares. Net proceeds were approximately $3.3 million.

On August 14, 2020, DSS collected $683,000 from the sale of the assets of DSS Plastics.

On August 21, 2020 the acquisition of Impact BioMedical closed. DSS bought Impact BioMedical for $50 million comprised of: 483,334 shares of common stock at $6.48 per share, and 46,868 shares of Series A Convertible Preferred Stock. Impact has no revenues and **spends about $2 million a year** primarily on professional services, as it has no employees or physical locations. The plan is to take Impact BioMedical public in an IPO, which is on track for Q1 2021. Prior to doing so, and in concert with this public offering, DSS anticipates a proposed dividend of Impact BioMedical shares to its shareholders whereby for every one DSS share of common stock held, the shareholder would be entitled to a bonus of four Impact shares. The planned bonus share dividends are divided into two tranches. The first tranche occurred on record date of September 7, 2020, when the board approved a special dividend of two shares of Impact BioMedical for every share of DSS common stock. These shareholders would then get a second dividend of an additional two shares of Impact BioMedical if they were the shareholders of record on the date of the proposed IPO of Impact BioMedical. The issuance of the bonus shares would occur after the registration and the IPO of Impact BioMedical's shares.

On or about August 28, 2020, the subsidiary DSS Securities, Inc. entered into a corporate venture to form and operate a **real estate title agency** "Alset Title Company, Inc." DSS Securities owns 70% of this venture with the other two shareholders are attorneys and are necessary to the state application and permitting process. There was no activity for this entity for the nine months ended September 30, 2020.

On September 1, 2020 DSS announced its Premier Packaging Corp. subsidiary signed a three-year contract with its long time second largest customer Shutterfly valued at approximately $3.2 million per year. This contract, plus the previously announced three year at $6 million per year contract with its largest customer Walgreens now assure the company of $9.2 million per year in revenues.

On Sept. 08, 2020 DSS announced Impact BioMedical began to collaborate with one of the world's largest plastic manufacturers to develop five new types of microbe-resistant plastics for cups, plates, utensils, plastic bags, and counter tops. It hopes to complete R&D in the fourth quarter, and then start negotiations for global licensing and royalty agreements.

On Sept. 17, Impact BioMedical announced it had completed efficacy testing of its proprietary 3F antiviral biofragrance, which demonstrated a 10-fold reduction of viruses on surfaces. 3F Biofragrance was designed to reduce the chances of developing resistance as seen with other antimicrobials. 3F Biofragrance has

demonstrated success as a surface disinfectant, killing the COVID-19 virus in concentrations as low as 1/5000 or 0.02%. In comparison, typical antimicrobial surface disinfectants have concentrations of 0.1% to 1.8%. Impact BioLife is currently in joint development with multiple global cosmetics and consumer products companies for the commercialization of this technology.

After the Quarter Ended

On October 1, 2020 DSS announced Impact BioMedical would initiate efficacy testing of a pan-coronavirus vaccine to protect against multiple coronaviruses. Its orally delivered vaccine already has a well demonstrated safety profile and is designed to quickly be scaled for global distribution, ease of manufacturing, and high degree of stability. It boosts a human's innate ability to fight viruses by activating all phases of the human immune system.

On October 7, 2020, DSS Securities bought 200,000 shares of Presidio Property Trust, Inc. at $5 per share spending $1 million. Presidio invests primarily in commercial properties, such as office, industrial, and retail properties, as well as in residential model home properties, in regionally dominant markets across the United States.

On October 16, 2020, Global BioMedical Pte Ltd. converted 4,293 shares of its Series A Preferred Stock to 662,500 restricted shares of common at a conversion price of $6.48 per share.

KEY POINTS

- Document Security Systems sales are primarily from printing and packaging, which is expected to grow from increased capacity and by capturing market share. Longer term, its anti-counterfeiting and authentication SaaS product AuthentiGuard is expected to be a major growth driver as well as its new ventures particularly in direct marketing.

- DSS has unique and patented authentication solution, AuthentiGuard, which 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 is about to add a third, 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.

- The company has bought a development stage biotech company with promise that is to be spun off to shareholders early next year. This kicker could turn out to have great incremental value for shareholders depending on its IPO results. We have only valued its contribution to shareholder value at its purchase price of $50 million.

- DSS trades at an enterprise value of $39 million, that is 2.3 times EV to its current $16.7 million run rate. Incremental value includes its $7.6 million in stock in Alset International as well as the $50 million

purchase price of Impact BioMedical. If we use sum of the parts valuation, **we believe DSS common stock is worth $13.50 per share**.

RISKS

- For the first nine months ended September 30, 2020, Walgreens and Shutterfly accounted for approximately 21% and 16% or revenues respectively. Loss of either customer would affect results significantly. The company recently signed multi-year contracts with both customers making their loss less likely.
- 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 much traction with customers. Future growth will depend of the success of marketing to convince manufacturers to take a chance an implement its new technology.
- In the past he 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 successful or non-dilutive.
- Since it is unprofitable, DSS continues to raise money, often through equity, diluting current shareholders.
- The company may not be successful bringing Impact BioMedical public thus reducing the value to DSS shareholders.

VALUATION

Valuing DSS has become increasing complex due to the purchase of Impact BioMedical as well as its holdings in Sharing Services Global. As a result we are using sum of the parts to value the company.

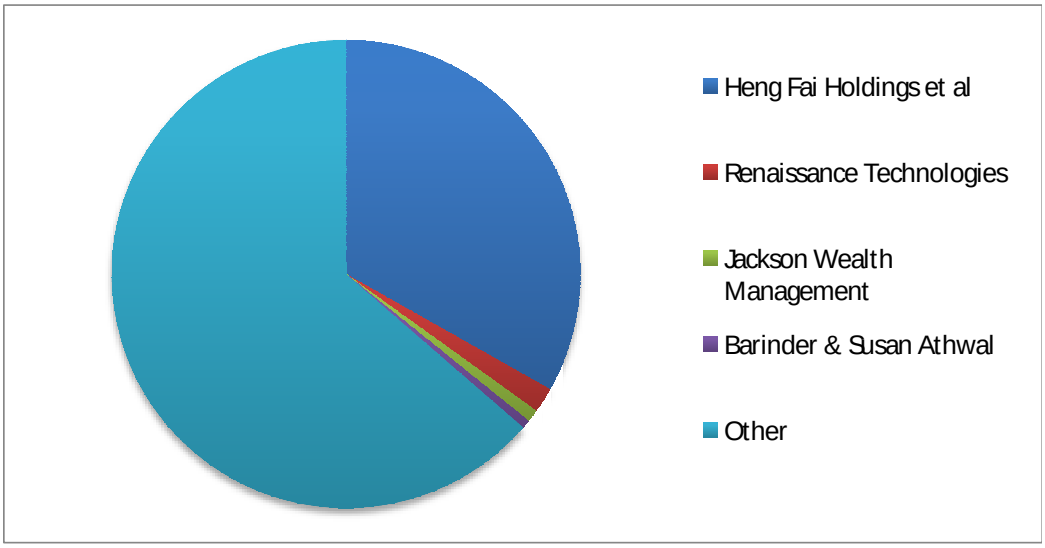
First we look at the base business, which no longer contains the plastics segment. Document Security Systems legacy business is comprised of two main businesses with public comparables. Companies that are primarily providers of packaging and printing and those involved in higher margin anti-counterfeiting type solutions. Since in 2020 we expect revenues at DSS to be roughly 74% packaging, 12% anti-counterfeiting, and 14% direct marketing we are using a blended multiple of enterprise value to sales to calculate valuation. As that percent shifts, we expect the multiple to change proportionally.

Using Applied DNA, Digimarc, Nocopi and Zebra as the anti-counterfeiting revenue comps, Brady, Graphic Packaging and West Rock for packaging, and the direct marketers as another segment we get a blended multiple of 2.5 times EV to sales on estimated 2020 calendar revenues. DSS's sales for 2020 are estimated at $18.3 million. Using the 2.5xs blended multiple we get an enterprise value of $46 million. If we add $50 million value for Impact BioMedical, that is an enterprise value of $96 million and market value of $105 million, and a price per share of $13.50 per share using the 7.8 million fully diluted shares outstanding.

Company	Ticker	Cal. Revenue 2021E	Cal. Revenue 2020E	Cal. Revenue LTM	EBITDA	EBIDTA Margin	Enterprise Value / Sales 2020E	Enterprise Value / Sales LTM	EV/EBITDA	Included 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**

Company	Ticker	Cal. Revenue 2021E	Cal. Revenue 2020E	Cal. Revenue LTM	EBITDA	EBIDTA Margin	Enterprise Value / Sales 2021E	Enterprise Value / Sales 2020E	Enterprise Value / Sales LTM	EV/EBITDA	Included in Average?	Ent. Value
Herbalife Nutricion	HLF	$5,820	$5,360	$5,070	654.9	13%	1.3x	1.4x	1.4x	11.1x	y	7,280
Nu Skin Enterprises	NUS	$2,700	$2,500	$2,300	294.6	13%	1.0x	1.1x	1.2x	9.6x	y	2,830
Tupperware	TUP	$1,680	$1,540	$1,610	152.5	9%	1.1x	1.2x	1.1x	12.1x	y	1,840
Average							**1.1x**	**1.2x**	**1.3x**	**10.9x**		**3,983**

OWNERSHIP



PROJECTED INCOME STATEMENT

Restated

	Mar 31, 2019R	Jun. 30, 2019R	Sep. 30, 2019R	Dec. 31, 2019R	Mar 31, 2020R	Jun. 30, 2020	Sep. 30, 2020	Dec. 31, 2020E	2019R	2020E	2021E
Revenue:											
Packaging Printing and Fabrication	$ 2,961,000	$ 2,775,000	$ 1,883,000	$ 4,688,000	$ 2,965,000	$ 2,098,000	$ 2,568,000	$ 5,000,000	12,307,000	12,631,000	$ 15,000,000
Commercial and Security Printing	352,000	225,000	236,000	346,000	203,000	168,000	403,000	200,000	1,159,000	974,000	1,200,000
Technology Integrated Plastic Cards & Badges	-	-	-	-	-	-	-	-	-	-	-
Plastic Cards, Badges and Assessories	-	-	-	-	-	-	-	-	-	-	-
Printed products	3,313,000	3,000,000	2,119,000	5,034,000	3,168,000	2,266,000	2,971,000	5,200,000	13,466,000	13,605,000	16,200,000
Yr-Yr Growth	-15.6%	-19.5%	-44.0%	224.8%	-4.4%	-24.5%	40.2%	3.3%	3.7%	1.0%	19.1%
Information Technology Sales and Services	74,000	32,000	46,000	37,000	11,000	30,000	24,000	10,000	189,000	75,000	80,000
Digital Authentication Products and Services	*230,000*	*319,000*	*307,000*	*558,000*	*331,000*	*258,000*	*359,000*	*650,000*	*1,414,000*	1,598,000	*4,000,000*
Yr-Yr Growth	29.2%	83.3%	114.7%	101.4%	43.9%	-19.1%	16.9%	16.5%	83.2%	13.0%	150.3%
Royalities from Licensees	139,000	133,000	145,000	128,000	137,000	70,000	100,000	130,000	545,000	437,000	400,000
Technology sales, services and licensing	442,866	483,638	497,700	723,000	479,000	358,000	483,000	790,000	$ 2,148,000	$ 2,110,000	$ 4,480,000
Yr-Yr Growth	-2.5%	33.6%	60.3%	61.4%	8.2%	-26.0%	-3.0%	9.3%	36.4%	-1.8%	112.3%
Direct marketing	0	0	0	0	572,000	506,000	715,000	800,000	0	2,593,000	5,500,000
Yr-Yr Growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	112.1%
REIT	0	0	0	0	0	0	0	0	0	0	810,000
Total revenue	**3,755,866**	**3,483,638**	**2,616,700**	**5,757,000**	**4,219,000**	**3,130,000**	**4,169,000**	**6,790,000**	**15,614,000**	**18,308,000**	**26,990,000**
Yr-Yr Growth	-14.2%	-14.8%	-36.1%	188.2%	12.3%	-10.2%	59.3%	17.9%	7.3%	17.3%	47.4%
Costs and expenses:											
Cost of revenue	2,533,000	2,384,000	1,786,000	NA	2,641,000	1,798,000	2,637,000	4,581,000	NA	11,657,000	15,627,000
Gross Margin	1,222,866	1,099,638	830,700	NA	1,578,000	1,332,000	1,532,000	2,209,000	NA	6,651,000	11,363,000
Gross Margin %	32.6%	31.6%	31.7%	NA	37.4%	42.6%	36.7%	32.5%	NA	36.3%	42.1%
				NA							
Selling, general and administrative	712,000	621,000	563,000	NA	916,000	936,000	1,075,000	1,100,000	NA	4,027,000	5,000,000
Depreciation and amortization	253,000	293,000	298,000	NA	303,000	275,000	246,000	300,000	NA	1,124,000	1,200,000
Professional fees	289,000	433,000	543,000	NA	582,000	693,000	943,000	943,000	NA	3,161,000	3,772,000
Stockbased compensation	31,000	28,000	273,000	NA	28,000	56,000	133,000	100,000	NA	317,000	317,000
Sales and marketing	105,000	155,000	103,000	NA	385,000	375,000	1,015,000	1,100,000	NA	2,875,000	4,600,000
Rent and utilities	99,000	92,000	96,000	NA	116,000	94,000	74,000	74,000	NA	358,000	300,000
Other expenses	144,000	181,000	167,000	NA	167,000	139,000	409,000	409,000	NA	1,124,000	1,636,000
R&D	0	0	(32,000)	NA	0	0	26,000	30,000	NA	56,000	120,000
Total costs and expenses	1,633,000	1,803,000	2,011,000	NA	2,497,000	2,568,000	3,921,000	4,056,000	NA	13,042,000	16,945,000
				NA					NA		
Operating (loss) income	(410,134)	(703,362)	(1,180,300)	NA	(920,000)	(1,236,000)	(2,389,000)	(1,847,000)	NA	(6,391,000)	(5,582,000)
Operating Margin	-10.9%	-20.2%	-45.1%	NA	-21.8%	-39.5%	-57.3%	-27.2%	NA	-34.9%	-20.7%
Other expense:				NA					NA		
Interest expense, net	(27,997)	(28,000)	(42,000)	NA	(15,000)	(15,000)	(19,000)	(19,000)	NA	(68,000)	(30,000)
Amortized debt discount	(600)	(1,000)	0	NA	0	0	(8,000)	0	NA	(8,000)	0
Impairment of investment	0	0	0	NA	0	0	0	0	NA	-	0
Gain on extinguishment of liabilities, net	0	0	0	NA	0	0	0	0	NA	-	0
Income from invest in subsidiary				NA	0	0	0	100,000	NA	100,000	500,000
Unrealized gain on marketable securities	0	0	0	NA	4,000	580,000	7,782,000	0	NA	8,366,000	0
Income before income taxes	(438,731)	(732,362)	(1,222,300)	NA	(924,000)	(671,000)	5,366,000	(1,766,000)	NA	2,005,000	(5,112,000)
				NA					NA		
Income tax expense	0	0	0	NA	0	0	0	0	NA	-	0
Loss from continuing operations	(432,000)	(732,000)	(1,222,300)	NA	(924,000)	(671,000)	5,366,000	(1,766,000)	NA	2,005,000	(5,112,000)
Loss from discontinued operations	(17,000)	(299,000)	(29,000)	NA	(1,046,000)	(232,000)	(424,000)	0	NA	(1,702,000)	0
Net income	(449,000)	(1,031,000)	(1,251,300)	NA	(1,970,000)	(903,000)	4,942,000	(1,766,000)	NA	2,005,000	(5,112,000)
Net inc. attributable to non-controlling interests			0	NA	(67,000)	(114,000)	(126,000)	(130,000)	NA	26,000	0
Net incomefrom continuing operations to common shareholders	(449,000)	(732,000)	(1,222,300)	NA	(856,000)	(557,000)	5,492,000	(1,896,000)	NA	2,183,000	(5,112,000)
Other comprehensive loss:				NA					NA		
Interest rate swap gain (loss)	(778)	(14,653)	0	NA	0	0	0	0	NA	0	0
Comprehensive income:	$ (449,347)	$ (1,045,653)	$ (1,251,300)	NA	$ (1,970,000)	$ (903,000)	$ 4,942,000	$ (1,766,000)	NA	$ 2,005,000	$ (5,112,000)
				NA					NA		
Non-GAAP earnings	(418,299)	(704,091)	(891,036)	NA	(828,000)	(1,081,000)	(2,157,000)	(1,796,000)	NA	(5,862,000)	(4,795,000)
Non-GAAP EPS	$ (0.72)	$ (0.96)	$ (1.11)	NA	$ (0.54)	$ (0.51)	$ (0.47)	$ (0.31)	NA	$ (1.67)	$ (0.82)
Continuing GAAP loss per share	**$ (0.74)**	**$ (1.00)**	**$ (1.53)**	NA	**$ (0.56)**	**$ (0.26)**	$ 1.20	**$ (0.24)**	NA	$ 0.45	**$ (0.65)**
Yr-Yr Growth	146.9%	-121.0%	154.4%	NA	-24.9%	-73.6%	-178.5%	NA	NA	NA	-244.4%
Continuing loss per diluted share	**(0.74)**	**(1.00)**	**(1.53)**		(0.56)	(0.26)	**0.70**	(0.24)		**0.42**	(0.65)
Basic shares outstanding	583,158	730,244	800,881	1,206,021	1,539,052	2,103,199	4,582,374	5,836,212	850,180	3,515,209	5,836,212
Yr-Yr Growth	5.4%	32.0%	43.3%	107.7%	163.9%	188.0%	472.2%	383.9%	52.5%	313.5%	66.0%
Diluted shares	#VALUE!	973,121	800,881	1,206,021	1,539,052	2,103,199	7,805,629	7,805,629	850,180	4,813,377	7,805,629
EBITDA	(94,000)	(630,000)	(507,000)	NA	(589,000)	(905,000)	(2,010,000)	(1,447,000)	NA	(4,951,000)	(4,065,000)

CASH FLOWS

	6 Mo Jun. 30, 2019R	Sept. 30, 2019R	6 Mo Ending Jun. 30, 2020	Sept. 30, 2020
Cash flows from operating activities:				
Net income (loss)	$ (1,164,000)	$ (1,222,000)	$ (1,595,000)	$ 5,366,000
Adjustments to reconcile net income (loss) to net cash used by operating activities:				
Depreciation and amortization	546,000	298,000	578,000	246,000
Stock based compensation	58,610	272,654	84,000	132,000
Unrealized gain on investment	0	0	(584,000)	(7,781,000)
Amortization of deferred financing costs	1,000	(1,000)	0	0
Decrease (increase) in assets:				
Accounts receivable	(176,000)	380,000	1,399,000	(250,000)
Inventory	295,000	(563,000)	(266,000)	(881,000)
Prepaid expenses and other current assets	53,895	(209,895)	(81,000)	(590,000)
Other assets		0	(94,000)	528,000
Increase (decrease) in liabilities:				
Accounts payable	141,000	125,000	(786,000)	669,000
Accrued expenses	(249,903)	(113,097)	(169,000)	421,000
Other liabilities	(1,326,000)	(127,000)	133,000	726,000
Net cash used by operating activities	(1,820,398)	(1,160,338)	(1,381,000)	(1,414,000)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(95,000)	(507,000)	(84,000)	(19,000)
Purchase of investment	0	0	(1,291,000)	1,191,000
Purchase of marketable securities	0	0	(1,392,000)	(5,189,000)
Issuance of note receivable	0	0	(566,000)	(8,000)
Purchase of intangible assets	(350,000)	(7,816)	0	111,000
Net cash used by investing activities	(445,000)	(514,816)	(3,333,000)	(3,914,000)
Cash flows from financing activities:				
Payments of long-term debt	(56,000)	(64,000)	(142,000)	(2,000)
Borrowing of LTD		588,000	1,272,000	0
Borrowing from lines of credit	0	0	0	(500,000)
Borrowings from revolver		0	(500,000)	500,000
Borrowings from convertible note	500,000	0	0	0
Issuance of common stock, net	4,879,844	161,767	10,220,000	9,929,000
Net cash used by financing activities	5,323,844	685,767	10,850,000	9,927,000
Net cash used by discontinued oper.	(135,267)	(464,733)	(56,000)	(130,000)
Net decrease in cash	2,923,179	(1,454,120)	6,080,000	4,599,000
Cash and restricted cash at beginning of period	2,448,000	5,371,179	1,096,000	7,176,000
Cash and restricted cash at end of period	$ 5,371,179	$ 3,917,059	$ 7,176,000	$ 11,645,000
Operating Cash Flow	$ (558,390)	$ (652,346)	$ (1,517,000)	$ (2,037,000)
Free Cash Flow	$ (1,003,390)	$ (1,167,162)	$ (2,892,000)	$ (754,000)

BALANCE SHEET

	Sept. 30, 2020	Jun. 30, 2020	Qtr-Qtr % Growth	Sept. 30, 2019	Yr-Yr % Growth
Current assets:					
Cash	$ 11,645,000	$ 7,176,000	82.5%	$ 3,916,332	34.9%
Accounts receivable, net	2,589,000	2,445,000	-31.7%	2,127,727	-4.6%
Inventory	2,396,000	1,774,000	1.8%	1,651,884	39.5%
Assets held for sale	0	236,000	NA	0	0.0%
Prepaid expenses & other curr assets	1,136,000	510,000	-5.0%	470,047	99.2%
Total current assets	17,766,000	12,141,000	24.0%	8,165,990	28.3%
Property, plant and equipment, net	4,141,000	4,257,000	-13.6%	5,122,138	-12.3%
Investment	11,386,000	3,445,000	59.9%	324,930	960.2%
Marketable securities	5,814,000	1,976,000	246.7%	0	NA
Note receivable	529,000	522,000	-58.4%	0	NA
Non-current assets held for sale	886,000	1,608,000	NA	0	NA
Other assets	210,000	311,000	475.9%	90,319	244.3%
Right-of-use assets	17,000	37,000	-96.7%	1,344,601	-97.2%
Goodwill	1,769,000	1,769,000	-97.8%	2,453,597	-27.9%
Other intangible assets, net	39,475,000	1,347,000	65.1%	1,048,503	15.5%
Total assets	81,993,000	27,413,000	-72.8%	18,550,078	39.4%
Current liabilities:					
Accounts payable	1,402,000	690,000	-54.5%	1,341,003	-55.9%
Accrued expenses & deferred revenue	1,272,000	883,000	25.1%	779,638	7.8%
Other current liabilities	1,248,000	522,000	33.8%	935,404	-64.6%
Current liabilities held for sale	274,000	274,000	NA	0	NA
Current portion of long-term debt, net	**261,000**	**426,000**	5.7%	**467,382**	22.2%
Current portion of lease liability	13,000	35,000	-90.5%	361,713	-89.5%
Total current liabilities	4,470,000	2,830,000	-32.4%	3,885,140	-37.6%
Long-term debt, net	**3,041,000**	**3,388,000**	39.6%	**2,361,696**	72.3%
Lease liability	4,000	3,000	-99.6%	1,007,251	-99.7%
Non-current liabilities held for sale	612,000	677,000	NA	0	NA
Other long-term liabilities	507,000	507,000	0.0%	311,986	53.9%
Deferred tax liability, net	44,000	44,000	0.0%	168,986	-74.1%
Stockholders' equity					
Common stock	103,000	60,000	15.4%	603,613	-89.7%
Convertible preferred stock	1,000	0	-100.0%		0.0%
Additional paid-in capital	174,423,000	126,058,000	2.7%	113,335,147	11.6%
Non-controlling interest in subsidiary	(307,000)	(181,000)	-100.6%	0	NA
Accumulated deficit	(100,905,000)	(105,973,000)	0.8%	(103,123,741)	4.0%
Total stockholders' equity	73,315,000	19,964,000	-78.5%	10,815,019	71.2%
Total liabilities and stockholders' equity	81,381,000	$ 27,413,000	-72.8%	18,550,078	39.4%
Current ratio	4.0	4.3	83.3%	2.1	105.7%
Quick ratio	3.4	3.7	90.4%	1.7	102.9%
Working Capital	13,296,000	9,311,000	66.0%	4,280,850	89.0%
Net cash	11,645,000	7,176,000	129.1%	3,916,332	34.9%
Debt	3,302,000	3,814,000	5.1%	2,829,078	64.8%
Debt/TA	4%	14%	286.7%	15%	18.2%

HISTORICAL STOCK PRICE



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