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Zacks Small-Cap Research

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Document Security Systems (NYSE Amer:DSS)

DSS Grows 12% in 2020 and Picks Up Market Share as Industry Supply Chain is Impacted

Using multiples from its peers of 2.8 times EV/Sales, we believe DSS stock is worth $5.67 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 (04/16/21)	$2.97
Valuation	**$5.67**

OUTLOOK

Document Security Systems has evolved 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, a biotech that is in the process of being spun off to shareholders, a REIT focusing on health care facilities, and an alternative trading platform for token exchange. It has recently raised cash and is armed with a $50 million war chest with which to pursue opportunities including mid sized acquisitions. Its enterprise value is approximately $40 million.

SUMMARY DATA

52-Week High	**$10.90**
52-Week Low	**$2.97**
One-Year Return (%)	**-56.0**
Beta	**2.0**
Average Daily Volume (sh)	**2,835,295**
Shares Outstanding (mil)	**27.7**
Market Capitalization ($mil)	**$82.3**
Short Interest Ratio (days)	**0.4**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**23**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-2.3**
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)
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	5.9 A	17.4 A
2021	5.9 E	4.4 E	6.5 E	9.5 E	25.7 E
2022					35.5 E

Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-$0.74 R	-$1.00 R	-$1.53 A	-$0.18 A	-$3.05 A
2020	-$0.56 R	-$0.26 A	$0.70 A	-$0.44 A	$0.59 A
2021	-$0.14 E	-$0.09 E	-$0.06 E	-$0.17 E	-$0.40 E
2022					-$0.16 E

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DSS Reports 2020 Revenue Growth of 12% Despite a Pandemic

DSS continues its march to higher revenues and profits by moving out of unprofitable businesses and opportunistically moving into new ones. 2020 revenues reached $17.4 million, growing 12% while gross margin on a continuing operations basis increased 19%. However the operating loss increased to $10.7 million from $2.6 million. Fully diluted GAAP EPS on a continuing basis was $0.59 compared to a loss of $3.05 a year ago.

Since the quarter ended, DSS increased its position in Sharing Services Global to 48.8% and at any point it may pull the trigger to go over 50% at which point it will be consolidated with DSS. In its latest quarter ending January 31, 2021 it generated $14.3 million in sales. Since sales have been declining at SSG, it is difficult to estimate what is inclusion could contribute to DSS going forward, but with its $57 million dollar run rate it could easily be more than DSS's current revenues.

Q4 2020 Earnings Results

Total revenues for the quarter were $5.9 million versus a restated $5.7 million a year ago, up 3.5%.

Printed product sales were $4.6 million versus a restated $4.8 million in Q4 2019. Walgreens' business continued weak but is back to about 80% of what it was. Despite the decline at Walgreens, the company made up for its decline by sales to its new higher margin customers. Commercial and security printing grew $98,000 year over year and was also up sequentially.

Technology sales, services, and licensing grew 5.8% to $765,000. AuthentiGuard was $555,000 of that, and flat with last year. AuthentiGuard's major customer resumed some production, but it still below former levels. It is difficult to get any new customers to start implementation due to lockdowns across the globe.

RBC Life Sciences reported revenues of $533,000 up from $172,000 a year ago, but down from Q3, as Q3 had a lot of backlog fulfillment from Q2 orders. It is expected to show sequential improvement throughout the year.

Gross margins were 29.9% down from last year's restated 56.5%, and down from Q3's 36.7% due to product mix; gross margin dollars were also down to $1.8 million from $2.1 million.

Operating expenses were a huge $8.0 million up sequentially from $3.9 million in Q3 and compared to a restated $2.4 million in 2019. SG&A contained a bonus accrual of $4.3 million for the company's Chairman. With out that expenses still almost doubled to $4.1 million. This increase was from adding the direct marketing business. We expect that Q1 should show expenses closer to that of Q3 2020.

This fourth quarter DSS's 32.6% of Sharing Services Global's net income in its October quarter, reported as a new line item in other income, was $604,000. DSS reports its share of net income on a two-month lag basis. It had no Services income in its September quarter. SSG has already reported its quarter ending January 31, 2021. It had net income $2.4 million in the quarter meaning DSS would report 32.6% or $778,254 as its share in Q1 2021 that goes up to 48.8% in Q2 with the incremental stock purchase. Sharing has stated it will be changing its fiscal year to a calendar year going forward and its quarter's will be aligned with DSS.

Other expenses contained a one-time unrealized gain on marketable securities of $2.2 million from Alset and REIT stock price changes as well as the rest of its stock portfolio.

Minority interest was a reversal of $788,000 that was caused by a gain from purchase price accounting from Impact BioMedical offset somewhat from expenses at the REIT.

The company again reported its net loss broken down by continuing operations and discontinued operations. The loss from continuing operations was $3.4 million versus a $209,000 loss last year and discontinued operations added $34,000 this quarter versus $51,000 in 2019.

Loss to common shareholders was $2.6 million versus a loss of $209,000 last year. The **fully diluted GAAP Loss per share was $0.44** versus a loss of $0.18 a year ago. **Non-GAAP it was a loss per share of $0.98** versus a loss of $0.14 last year. The shares outstanding increased 419% to 6.0 million primary shares. Primary shares outstanding as of March 16, 2021 were 27,670,125.

Balance Sheet

On December 31, 2020 the company had **$5.2 million in cash**, working capital of $3.6 million and debt of $2.3 million. It owns 64,207,378 shares (32.6%) of Sharing Services Global (OTC: SHRG) on the December balance sheet for $12.2 million. DSS owns 127,179,311 ordinary shares of Alset International Limited (formerly Singapore eDevelopment) (Ticker: 40V.SI) a publicly listed company on the Singapore Exchange. In October, the company purchased 200,000 shares of Presidio Property Trust (NASDAQ: SQFT) at the IPO price of $5.00 per share. On December 31, it was worth $4.24 per share and on March 31, $3.66. Because of these prices changes at Alset and Presidio, we believe the company could report a loss on marketable securities in Q1 of $1 million.

Since the quarter ended, the company did two capital raises. On Jan. 19, 2021 DSS sold 7,666,666 shares at $3.60 per share for gross proceeds of approximately $27.6 million and on February 8, 2021, it sold another 14,167,247 shares at $2.80 p with gross proceeds of approximately $39.7 million. It now has approximately $50 million in cash and 27.7 million shares outstanding.

Impact BioMedical

DSS is still in the process of taking Impact BioMedical public in an IPO. It has submitted an S-1 to the SEC and is waiting for comments. Prior to doing so, and in concert with this public offering, DSS anticipates a proposed dividend of Impact BioMedical shares to its shareholders. The share dividend is expected to be issued upon the S-1 becoming effective. Given the timetable, we expect this company will be granted approval in Q3, 2020 however the IPO may not occur until late 2021 or early 2022. Before the IPO, DSS wants the entity to show revenues to increase its valuation.

During the Quarter

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 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.

December 18, 2020, DSS's subsidiary Impact BioMedical Inc. entered into an exclusive ten-year distribution agreement with BioMed Technologies Asia Pacific Holdings Limited, focused on manufacturing natural probiotics. Impact will directly market, advertise, promote, distribute, and sell certain BioMed products to resellers. In connection with the agreement, Impact agreed to purchase 525 ordinary shares of BioMed at HK$9,333.33 per share for total consideration of HK$4,900,000 (approximately US$630,000).

Since the Quarter Ended

On Feb. 08, 2021, DSS announced it entered a joint venture with Coinstreet Partners and GSX Group. The JV plans to operate a digital securities exchange that utilizes the GSX STACS blockchain technology to provide a secondary market in securities tokens starting in the US market. DSS will own 60% of the joint venture. On Feb. 25, 2021 DSS announced the expansion of its DSS Securities, Inc. business through an equity interest in WestPark Capital and an investment in BMI Capital International.

On March 01, 2021 DSS announced that it increased its investment in Sharing Services Global Corporation (OTCQB: SHRG) through a $30 million convertible promissory note. On April 9, 2021 it acquired 27 million more shares of SHRG at $0.20 (spending $5.4 million), and now owns 91.2 million shares in total as well as 150 million warrants exercisable at $0.22. This now equals 48.8% of SHRG.

On April 8th a subsidiary of Impact BioMedical, Inc., invested in Vivacitas Oncology, Inc., a clinical-stage company focused on difficult to treat cancers. To add to its position, DSS Biomedical acquired Impact Oncology from Alset EHome International Limited. The principal asset of Impact Oncology consists of equity in Vivacitas.

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 this 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 approximately $35 million, that is 1.5 times EV to its current $23.6 million run rate. Incremental value includes its $6.0 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 at least $5.67 per share**.

RISKS

- For 2020, two customers, Walgreens and Shutterfly accounted for 38% of revenues. 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.

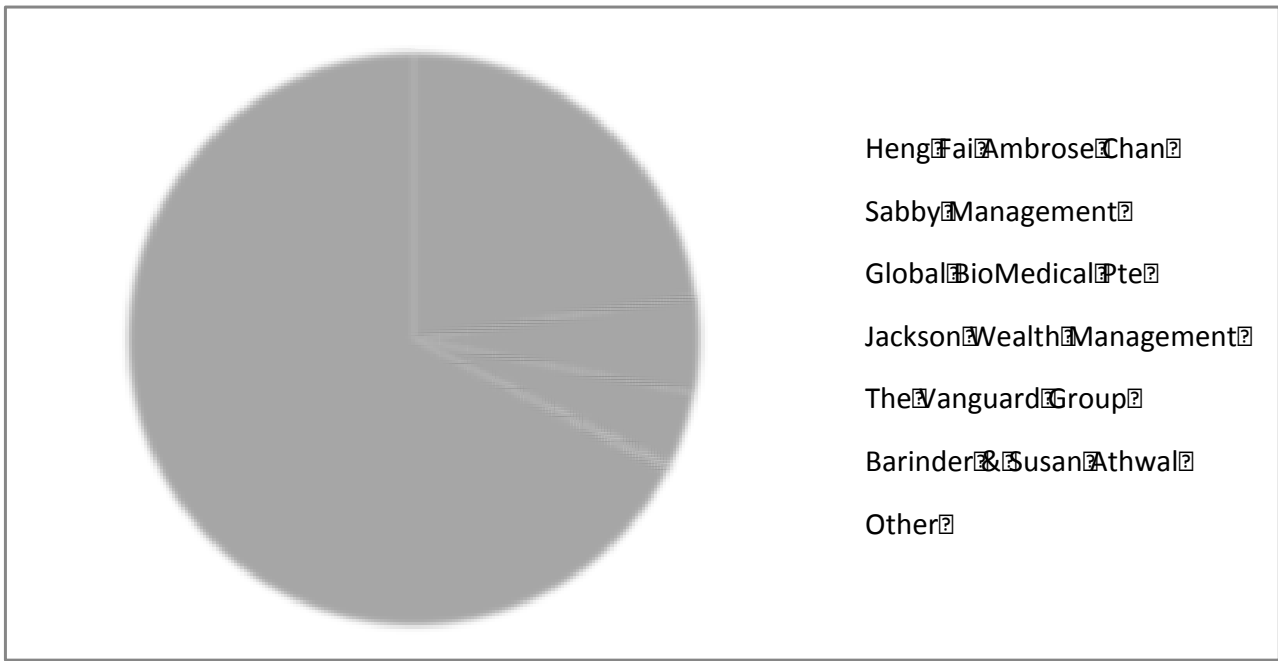
First we look at the base business, which is comprised of two main businesses with public comparables. Companies that are primarily providers of packaging and printing and those involved in higher margin anti-counterfeiting type solutions. In 2020 revenues at DSS were 75% packaging, 12% anti-counterfeiting, and 13% 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. In 2021, we are projecting 62% packaging, 14% anti-counterfeiting and 22% direct marketing.

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 2.8 times EV to sales on estimated 2021 calendar revenues. DSS's sales for 2021 are estimated at $26 million. Using the 2.8 blended multiple we get an enterprise value of $73 million. If we add $50 million value for Impact BioMedical, that is an enterprise value of $122 million and market value of $170 million, and a price per share of $5.67 per share using 30 million fully diluted shares outstanding.

		Cal. Revenue			EBIDTA		Enterprise Value / Sales			EV/EBITDA	Included	
Company	Ticker	2022E	2021E	LTM	EBITDA	Margin	2022E	2021E	LTM		in Average?	Ent. Value
Herbalife Nutricion	HLF	$6,500	$6,070	$5,540	740.9	13%	1.1x	1.2x	1.3x	9.5x	y	7,070
Nu Skin Enterprises	NUS	$2,900	$2,790	$2,580	331.6	13%	0.9x	1.0x	1.1x	8.3x	y	2,740
Tupperware	TUP	$1,980	$1,880	$1,740	255.7	15%	1.0x	1.0x	1.1x	7.6x	y	1,950
Average							**1.0x**	**1.1x**	**1.2x**	**8.5x**		**3,920**

Company	Ticker	Cal. Revenue 2022E	Cal. Revenue 2021E	Cal. Revenue LTM	EBIDTA EBITDA	EBIDTA Margin	Enterprise Value / Sales 2022E	Enterprise Value / Sales 2021E	Enterprise Value / Sales LTM	EV/EBITDA	Included in Average?	Ent. Value
Applied DNA	APDN	$12	$3	$3	-12.6	-433%	4.0x	17.2x	17.2x	-4.0x	y	50
Brady Corp.	BRC	NA	$1,137	$1,060	172.5	16%	NA	2.2x	2.4x	14.7x	y	2,530
Digimarc	DMRC	$32	$27	$24	-29.9	-125%	13.4x	15.6x	17.7x	-14.2x	y	426
Graphic Packaging	GPK	$6,940	$6,810	$6,560	912.6	14%	1.3x	1.3x	1.3x	9.7x	y	8,840
Huhtamaki	HUH1V.HE	NA	NA	$3,300	449.4	14%	NA	NA	1.4x	10.5x	y	4,720
Nocopi	NNUP	$22	$12	$3	0.5	19%	NA	NA	3.3x	17.6x	y	9
WestRock	WRK	NA	$18,600	$17,560	2730.0	16%	NA	1.2x	1.3x	8.3x	y	22,600
Zebra	ZBRA	$5,300	$5,060	$4,450	831.0	19%	5.3x	5.6x	6.4x	34.1x	y	28,350
Average							**6.0x**	**6.2x**	**6.4x**			**8,441**

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, 2020	Mar 31, 2021E	Jun. 30, 2021E	Sep. 30, 2021E	Dec. 31, 2021E	2019R	2020	2021E	2022E
Revenue:																
Packaging Printing and Fabrication	$ 2,961,000	$ 2,775,000	$ 1,883,000	$ 4,452,000	$ 2,965,000	$ 2,098,000	$ 2,568,000	$ 4,151,000	$ 4,200,000	$ 2,200,000	$ 3,800,000	$ 4,500,000	12,071,000	11,782,000	$ 14,700,000	$ 17,640,000
Commercial and Security Printing	352,000	225,000	236,000	346,000	203,000	168,000	403,000	444,000	300,000	300,000	300,000	300,000	1,159,000	1,218,000	1,200,000	1,320,000
Technology Integrated Plastic Cards & Badges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plastic Cards, Badges and Assessories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Printed products	3,313,000	3,000,000	2,119,000	4,798,000	3,168,000	2,266,000	2,971,000	4,595,000	4,500,000	2,500,000	4,100,000	6,000,000	13,230,000	13,000,000	15,900,000	18,960,000
Yr-Yr Growth	-15.6%	-19.5%	-44.0%	209.6%	-4.4%	-24.5%	40.2%	-4.2%	42.0%	10.3%	38.0%	30.6%	1.9%	-1.7%	22.3%	19.2%
Information Technology Sales and Services	74,000	32,000	46,000	37,000	11,000	30,000	24,000	87,000	87,000	87,000	87,000	87,000	189,000	152,000	348,000	348,000
Digital Authentication Products and Services	*230,000*	*319,000*	*307,000*	*558,000*	*331,000*	*258,000*	*359,000*	*555,000*	*600,000*	*650,000*	*700,000*	*750,000*	*1,414,000*	*1,503,000*	*2,700,000*	*4,050,000*
Yr-Yr Growth	29.2%	83.3%	114.7%	101.4%	43.9%	-19.1%	16.9%	-0.5%	81.3%	151.9%	95.0%	35.1%	83.2%	6.3%	79.6%	50.0%
Royalities from Licensees	139,000	133,000	145,000	128,000	137,000	70,000	100,000	123,000	120,000	120,000	120,000	120,000	545,000	430,000	480,000	480,000
Technology sales, services and licensing	442,866	483,638	497,700	723,000	479,000	358,000	483,000	765,000	807,000	857,000	907,000	957,000	$ 2,147,740	$ 2,085,000	$ 3,528,000	$ 4,878,000
Yr-Yr Growth	-2.5%	33.6%	60.3%	61.4%	8.2%	-26.0%	-3.0%	5.8%	68.5%	139.4%	87.8%	25.1%	36.4%	-2.9%	69.2%	38.3%
Direct marketing	0	0	0	171,750	572,000	506,000	715,000	533,000	650,000	1,000,000	1,500,000	2,500,000	171,750	2,326,000	5,650,000	8,475,000
Yr-Yr Growth	NA	NA	NA	NA	NA	NA	NA	210.3%	13.6%	97.6%	109.8%	369.0%	NA	1254.3%	142.9%	50.0%
REIT	0	0	0	0	0	0	0	0	0	0	200,000	400,000	0	0	600,000	3,200,000
Total revenue	**3,755,866**	**3,483,638**	**2,616,700**	**5,692,750**	**4,219,000**	**3,130,000**	**4,169,000**	**5,893,000**	**5,957,000**	**4,357,000**	**6,507,000**	**9,457,000**	**15,549,490**	**17,411,000**	**25,678,000**	**35,513,010**
Yr-Yr Growth	-14.2%	-14.8%	-36.1%	184.9%	12.3%	-10.2%	59.3%	3.5%	41.2%	39.2%	56.1%	60.5%	6.8%	12.0%	47.5%	38.3%
Costs and expenses:																
Cost of revenue	2,533,000	2,384,000	1,786,000	3,639,000	2,641,000	1,798,000	2,637,000	4,131,000	3,975,100	2,727,100	4,236,100	6,589,100	10,342,000	11,207,000	17,527,400	13,552,300
Gross Margin	1,222,866	1,099,638	830,700	2,054,286	1,578,000	1,332,000	1,532,000	1,762,000	1,981,900	1,629,900	2,270,900	2,867,900	5,207,490	6,204,000	8,150,600	14,530,950
Gross Margin %	32.6%	31.6%	31.7%	56.5%	37.4%	42.6%	36.7%	29.9%	33.3%	37.4%	34.9%	30.3%	33%	35.6%	31.7%	40.9%
Selling, general and administrative	712,000	621,000	563,000	1,554,000	916,000	936,000	1,075,000	4,946,000	1,000,000	1,200,000	1,300,000	5,600,000	3,450,000	7,873,000	9,100,000	10,920,000
Depreciation and amortization	253,000	293,000	298,000	307,000	303,000	275,000	246,000	260,000	260,000	260,000	260,000	260,000	1,151,000	1,084,000	1,040,000	1,040,000
Professional fees	289,000	433,000	543,000	709,000	582,000	693,000	943,000	1,127,000	1,000,000	1,000,000	1,000,000	1,000,000	1,974,000	3,345,000	4,000,000	5,635,000
Stockbased compensation	31,000	28,000	273,000	89,673	28,000	56,000	133,000	(29,000)	100,000	100,000	100,000	100,000	421,673	188,000	400,000	400,000
Sales and marketing	105,000	155,000	103,000	194,000	385,000	375,000	1,015,000	1,063,000	1,100,000	1,200,000	1,300,000	1,400,000	557,000	2,838,000	5,000,000	5,000,000
Rent and utilities	99,000	92,000	96,000	204,000	116,000	94,000	74,000	75,000	75,000	75,000	75,000	75,000	491,000	359,000	300,000	300,000
Other expenses	144,000	181,000	167,000	(700,000)	167,000	139,000	409,000	339,000	258,000	258,000	258,000	258,000	(208,000)	1,054,000	1,032,000	1,700,000
R&D	0	0	(32,000)	20,000	0	0	26,000	184,000	185,000	185,000	185,000	185,000	(12,000)	210,000	740,000	120,000
Total costs and expenses	1,633,000	1,803,000	2,011,000	2,377,673	2,497,000	2,568,000	3,921,000	7,965,000	3,978,000	4,278,000	4,478,000	8,878,000	7,824,673	16,951,000	21,612,000	25,115,000
Operating (loss) income	(410,134)	(703,362)	(1,180,300)	(323,387)	(920,000)	(1,236,000)	(2,389,000)	(6,203,000)	(1,996,100)	(2,648,100)	(2,207,100)	(6,010,100)	(2,617,000)	(10,747,000)	(13,461,400)	(10,584,050)
Operating Margin	-10.9%	-20.2%	-45.1%	-13.6%	-21.8%	-39.5%	-57.3%	-105.3%	-33.5%	-60.8%	-33.9%	-63.6%	-16.8%	-61.7%	-52.4%	-29.8%
Other expense:																
Other income													-	1000		
Interest expense, net	(27,997)	(28,000)	(42,000)	(2,003)	(15,000)	(15,000)	(19,000)	(67,000)	(60,000)	0	0	0	(100,000)	(116,000)	(60,000)	(30,000)
Amortized debt discount	(600)	(1,000)	0	(1,400)	0	0	(8,000)	0	0	0	0	0	(3,000)	(8,000)	0	0
Impairment of investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain on extinguishment of liabilities, net	0	0	0	0	0	0	0	969,000	0	0	0	0	0	969,000	0	0
Inc from invest in subsidiary (48.8% of SHRG)	0	0	0	0	0	0	0	604,000	778,254	600,000	800,000	1,000,000	0	604,000	3,178,254	4,449,556
Unrealized gain on marketable securities	0	0	0	0	4,000	580,000	7,782,000	2,243,000	(969,439)	(424,585)	0	0	0	10,609,000	(1,394,024)	0
Income before income taxes	(438,731)	(732,362)	(1,222,300)	(326,790)	(924,000)	(671,000)	5,366,000	(3,423,000)	(2,247,285)	(2,472,685)	(1,407,100)	(5,010,100)	(2,720,000)	1,312,000	(10,343,146)	(6,164,494)
Income tax expense	0	0	0	(125,000)	0	0	0	0	0	0	0	0	(125,000)	1,774,000	0	0
Loss from continuing operations	(432,000)	(732,000)	(1,222,300)	(208,700)	(924,000)	(671,000)	5,366,000	(3,423,000)	(2,247,285)	(2,472,685)	(1,407,100)	(5,010,100)	(2,595,000)	3,086,000	(10,343,146)	(6,164,494)
Loss from discontinued operations	(17,000)	(299,000)	(29,000)	51,000	(1,046,000)	(232,000)	(424,000)	34,000	0	0	0	0	(294,000)	(1,668,000)	0	0
Net income	(449,000)	(1,031,000)	(1,251,300)	(157,700)	(1,970,000)	(903,000)	4,942,000	(3,423,000)	(2,247,285)	(2,472,685)	(1,407,100)	(5,010,100)	(2,889,000)	1,418,000	(10,343,146)	(6,164,494)
Net inc. attributable to non-controlling interests	0	0	0	0	(67,000)	(114,000)	(126,000)	788,000	(130,000)	(130,000)	(130,000)	(130,000)	-	481,000	(520,000)	0
Net income from continuing operations to common shareholders	(449,000)	(732,000)	(1,222,300)	(208,700)	(856,000)	(557,000)	5,492,000	(2,635,000)	(2,377,285)	(2,602,685)	(1,537,100)	(5,140,100)	(2,889,000)	1,899,000	(10,863,146)	(6,164,494)
Other comprehensive loss:																
Interest rate swap gain (loss)	(778)	(14,653)	0	22,431	0	0	0	0	0	0	0	0	7,000	0	0	0
Comprehensive income:	$ (449,347)	$ (1,045,653)	$ (1,251,300)	(135,700)	$ (1,970,000)	$ (903,000)	$ 4,942,000	$ (3,423,000)	$ (2,247,285)	$ (2,472,685)	$ (1,407,100)	$ (5,010,100)	(2,882,000)	$ 1,418,000	$ (10,343,146)	$ (6,164,494)
Non-GAAP earnings	(418,299)	(704,091)	(891,036)	(159,901)	(828,000)	(1,081,000)	(2,157,000)	(5,876,000)	(1,307,846)	(2,078,100)	(1,437,100)	(5,040,100)	(2,173,327)	(9,942,000)	(10,463,146)	(5,764,494)
Non-GAAP EPS	$ (0.72)	$ (0.96)	$ (1.11)	(0.14)	$ (0.54)	$ (0.51)	$ (0.47)	$ (0.98)	$ (0.08)	$ (0.08)	$ (0.05)	$ (0.18)	(2.56)	$ (2.80)	$ (0.42)	$ (0.15)
Continuing GAAP loss per share	**$ (0.74)**	**$ (1.00)**	**$ (1.53)**	**(0.18)**	**$ (0.56)**	**$ (0.26)**	$ 1.20	**$ (0.44)**	**$ (0.14)**	**$ (0.09)**	**$ (0.06)**	**$ (0.17)**	(3.05)	$ 1.01	**$ (0.40)**	**$ (0.16)**
Yr-Yr Growth	146.9%	-121.0%	154.4%	NA	-24.9%	-73.6%	-178.5%	NA	-74.6%	-64.5%	-104.6%	NA	NA	NM	-139.4%	-60.1%
Continuing loss per diluted share	**(0.74)**	**(1.00)**	**(1.53)**	**(0.18)**	(0.56)	(0.26)	**0.70**	(0.44)	(0.12)	(0.09)	(0.05)	(0.17)	-339.8%	**0.59**	(0.40)	(0.16)
Basic shares outstanding	583,158	730,244	800,881	1,150,801	1,539,052	2,103,199	4,582,374	5,968,000	16,834,000	27,700,000	27,700,000	27,700,000	850,180	3,548,421	24,983,500	39,026,315
Yr-Yr Growth	5.4%	32.0%	43.3%	98.2%	163.9%	188.0%	472.2%	418.6%	993.8%	1217.0%	504.5%	364.1%	52.5%	317.4%	604.1%	56.2%
Diluted shares	583,158	973,121	800,881	1,150,801	1,539,052	2,103,199	7,805,629	8,439,000	19,305,000	30,171,000	30,171,000	30,171,000	850,180	6,019,207	27,454,500	39,026,315
EBITDA	(94,000)	(630,000)	(507,000)	NA	(589,000)	(905,000)	(2,010,000)	(5,972,000)	(1,636,100)	(2,288,100)	(1,847,100)	(5,650,100)	NA	(9,476,000)	(12,021,400)	(9,144,050)

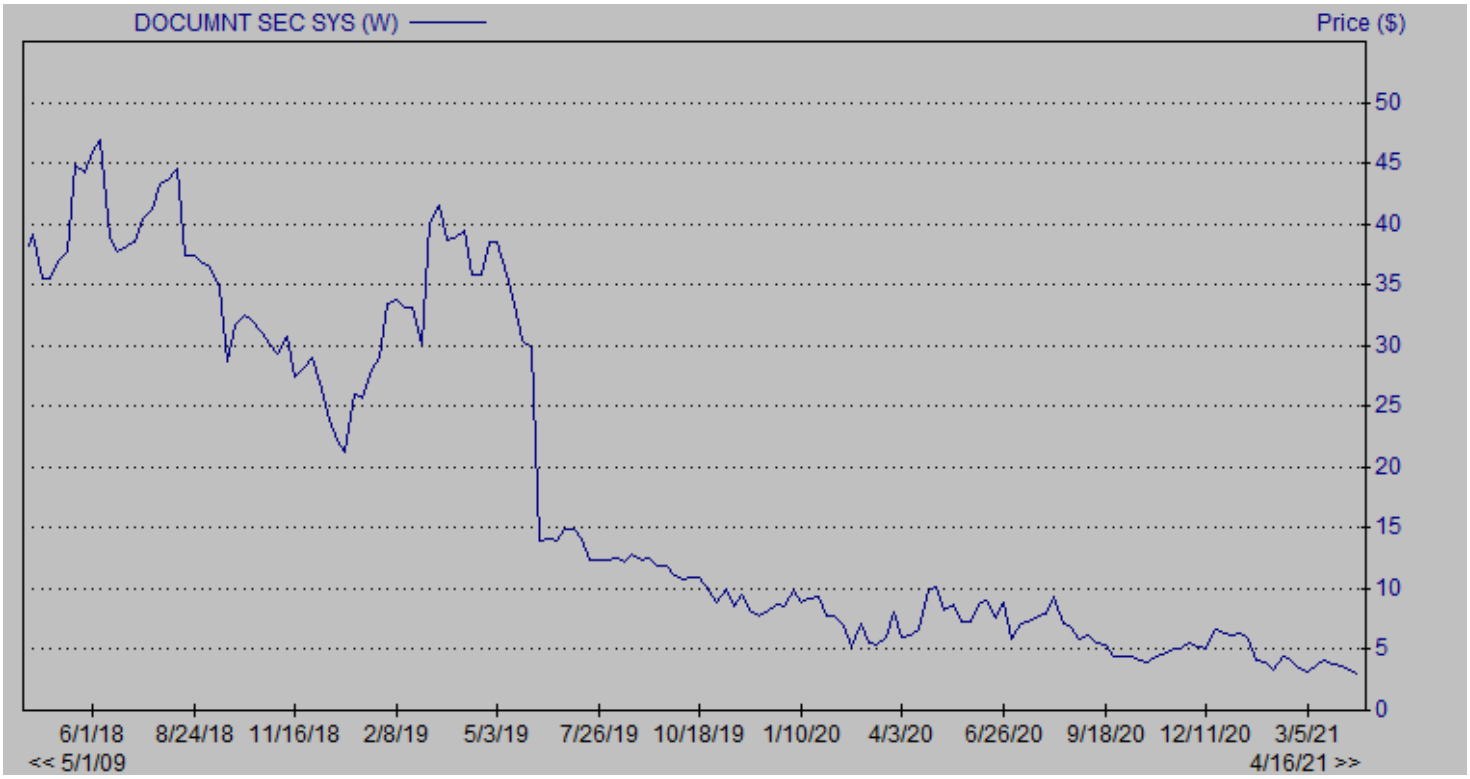
CASH FLOWS

	Sept. 30, 2019R	Dec. 31, 2019R	2019R	Sept. 30, 2020	Dec. 31, 2020	2020
Cash flows from operating activities:						
Net income (loss)	$ (1,222,000)	$ (209,000)	$ (2,595,000)	$ 5,366,000	$ (685,000)	$ 3,086,000
Adjustments to reconcile net income (loss) to net cash used by operating activities:						
Depreciation and amortization	298,000	307,000	1,151,000	246,000	260,000	1,084,000
Stock based compensation	272,654	90,409	421,673	132,000	(28,000)	188,000
Income from equity investment	0	0	0	0	(604,000)	(604,000)
Unrealized gain on investment	0	0	0	(7,781,000)	(2,244,000)	(10,609,000)
Paid in-kind interest	0	0	0	0	0	0
Deferred tax benefit	0	(125,419)	(125,419)	0	(1,774,000)	(1,774,000)
Amortization of deferred financing costs	(1,000)	1,901	1,901	0	0	0
Gain on extinguishment of liabilities, net	0	0	0	0	(969,000)	(969,000)
Impairment of goodwill	0	0	0	0	0	0
Decrease (increase) in assets:						
Accounts receivable	380,000	(1,863,000)	(1,659,000)	(250,000)	(1,458,000)	(309,000)
Inventory	(563,000)	(580,000)	(848,000)	(881,000)	442,000	(705,000)
Prepaid expenses and other current assets	(209,895)	2,000	(154,000)	(590,000)	172,000	(499,000)
Other assets	0	0	0	528,000	(79,000)	355,000
Restricted cash	0	0	0	0	0	0
Increase (decrease) in liabilities:						
Accounts payable	125,000	126,000	392,000	669,000	(84,000)	(201,000)
Accrued expenses	(113,097)	56,000	(307,000)	421,000	3,978,000	4,230,000
Deferred rev and customer deposits	0	21,000	21,000	0	0	0
Other liabilities	(127,000)	(297,000)	(1,750,000)	726,000	185,000	1,044,000
Net cash used by operating activities	(1,160,338)	(2,470,109)	(5,450,845)	(1,414,000)	(2,888,000)	(5,683,000)
Cash flows from investing activities:						
Purchase of property, plant and equipment	(507,000)	(345,000)	(947,000)	(19,000)	(222,000)	(325,000)
Purchase of investments	0	(1,829,245)	(1,829,245)	1,191,000	(9,691,000)	(9,791,000)
Purchase of marketable securities	0	0	0	(5,189,000)	6,581,000	0
Issuance of note receivable	0	(793,195)	(793,195)	(8,000)	0	(574,000)
Purchase of intangible assets	(7,816)	(11,919)	(369,735)	111,000	(111,000)	0
Net cash used by investing activities	(514,816)	(2,979,359)	(3,939,175)	(3,914,000)	(3,443,000)	(10,690,000)
Cash flows from financing activities:						
Payments of long-term debt	(64,000)	(47,000)	(167,000)	(2,000)	(160,000)	(304,000)
Borrowing of LTD	0	0	0	0	6,000	1,278,000
Borrowing from lines of credit	587,750	(500,000)	587,750	(500,000)	500,000	0
Borrowings from revolver	0	500,000	500,000	500,000	0	0
Payments of revolver	0	0	0	0	(500,000)	(500,000)
Borrowings from convertible note	0	500,000	500,000	0	0	0
Issuance of common stock, net	161,767	1,617,295	6,658,906	9,929,000	46,000	20,195,000
Subscription receivable, net	0	0	0	0	0	0
Net cash used by financing activities	685,767	2,070,045	8,079,656	9,927,000	(108,000)	20,669,000
Net cash used by discontinued oper.	(464,733)	421,733	(43,000)	(130,000)	20,000	(166,000)
Net decrease in cash	(1,454,120)	(3,379,423)	(1,352,000)	4,599,000	(6,419,000)	4,130,000
Cash and restricted cash at beginning of period	5,371,179	3,917,059	2,448,000	7,176,000	11,645,000	1,096,000
Cash and restricted cash at end of period	$ 3,917,059	$ 537,636	$ 1,096,000	$ 11,645,000	$ 5,226,000	$ 5,226,000
Operating Cash Flow	$ (652,346)	$ 64,891	$ (1,145,845)	$ (2,037,000)	$ (6,044,000)	$ (9,598,000)
Free Cash Flow	$ (1,167,162)	$ (2,121,273)	$ (4,291,825)	$ (754,000)	$ (16,068,000)	$ (19,714,000)

BALANCE SHEET

	Dec. 31, 2020	Sept. 30, 2020	Qtr-Qtr % Growth	Dec. 31, 2019
Current assets:				
Cash	$ 5,226,000	$ 11,645,000	-55.1%	$ 1,096,248
Accounts receivable, net	3,910,000	2,589,000	51.0%	4,211,906
Inventory	1,955,000	2,396,000	-18.4%	1,366,000
Assets held for sale - discontinued	0	0	0.0%	342,000
Prepaid expenses & other curr assets	1,359,000	1,136,000	19.6%	459,868
Total current assets	12,450,000	17,766,000	-29.9%	7,476,022
Property, plant and equipment, net	4,146,000	4,141,000	0.1%	4,328,000
Other Investments	1,788,000	11,386,000	-84.3%	2,154,175
Investment, equity method	12,234,000	0	NA	0
Marketable securities	9,136,000	5,814,000	57.1%	0
Note receivable	537,000	529,000	1.5%	793,195
Non-current assets held for sale	744,000	886,000	-16.0%	1,812,000
Other assets	384,000	210,000	82.9%	49,875
Right-of-use assets	182,000	17,000	970.6%	144,000
Goodwill	26,862,000	1,769,000	1418.5%	2,453,597
Other intangible assets, net	23,456,000	39,475,000	-40.6%	934,765
Total assets	91,919,000	81,993,000	12.1%	20,145,629
Current liabilities:				
Accounts payable	1,482,000	1,402,000	5.7%	1,492,494
Accrued expenses & deferred revenue	5,270,000	1,272,000	314.3%	935,041
Other current liabilities	1,435,000	1,248,000	15.0%	390,494
Current liabilities held for sale	240,000	274,000	-12.4%	274,000
Revolving line of credit	**0**	**0**	0.0%	**500,000**
Current portion of long-term debt, net	**278,000**	**261,000**	6.5%	**440,699**
Current portion of lease liability	167,000	13,000	1184.6%	123,000
Total current liabilities	8,872,000	4,470,000	98.5%	4,155,728
Long-term debt, net	**1,976,000**	**3,041,000**	-35.0%	**2,309,847**
Lease liability	15,000	4,000	275.0%	19,000
Non-current liabilities held for sale	505,000	612,000	-17.5%	807,000
Other long-term liabilities	507,000	507,000	0.0%	507,058
Deferred tax liability, net	3,499,000	44,000	7852.3%	43,567
Stockholders' equity				
Common stock	116,000	103,000	12.6%	24,000
Convertible preferred stock	1,000	1,000	0.0%	0
Additional paid-in capital	174,380,000	174,423,000	0.0%	115,560,000
Non-controlling interest in subsidiary	3,430,000	(307,000)	-1217.3%	0
Accumulated deficit	(101,382,000)	(100,905,000)	0.5%	(103,280,945)
Total stockholders' equity	76,545,000	73,315,000	4.4%	12,303,055
Total liabilities and stockholders' equity	91,414,000	81,381,000	12.3%	20,146,000
Current ratio	1.4	4.0	-64.7%	1.8
Quick ratio	1.2	3.4	-65.6%	1.5
Working Capital	3,578,000	13,296,000	-73.1%	3,320,294
Net cash	5,226,000	11,645,000	-55.1%	596,248
Debt	2,254,000	3,302,000	-31.7%	3,250,546
Debt/TA	2%	4%	-39.2%	16%

HISTORICAL STOCK PRICE



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