

December 1, 2021

# Zacks Small-Cap Research

*Sponsored – Impartial - Comprehensive*

Lisa Thompson  
312-265-9154  
lthompson@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

## DSS, Inc.

(NYSE Amer:DSS)

### Expect Revenues to Ramp in 2022 With Doubled Plant Capacity and New Ventures Kicking In

Using multiples from its peers of 1.4 times EV/Sales, we believe DSS stock is worth \$2.18 per share if we use the value of the base business and add \$50 million for the value of the soon to be spun off Impact BioMedical plus real estate and marketable securities.

### OUTLOOK

DSS, Inc. has evolved into a multi-industry business growing through opportunistic acquisitions. Its roots lie in 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 approximately \$69 million in cash and another \$9 million in marketable securities with which to pursue opportunities. Its current enterprise value is approximately \$227,000.

Current Price (11/30/21) \$0.78  
Valuation \$2.18

### SUMMARY DATA

52-Week High \$6.80  
52-Week Low \$0.78  
One-Year Return (%) -85  
Beta 1.8  
Average Daily Volume (sh) 820,930

Shares Outstanding (mil) 79.7  
Market Capitalization (\$mil) \$62.2  
Short Interest Ratio (days) 0.4  
Institutional Ownership (%) 38  
Insider Ownership (%) 31

Annual Cash Dividend \$0.00  
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates  
Sales (%) -0.4  
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 Above Average  
Type of Stock Small-Value  
Industry Diversified Operation

### 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	4.9 A	4.2 A	4.6 A	7.5 E	21.2 E
2022					30.0 E

#### GAAP 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	-\$1.23 R	-\$0.26 A	\$0.68 A	-\$0.44 A	\$0.59 A
2021	-\$0.20 A	-\$0.24 E	-\$0.09 A	-\$0.05 E	-\$0.27 E
2022					-\$0.28 E

## WHAT'S NEW

### Revenues Grew 24% in Q3 and the REIT Generated its First Revenues

In Q3 2021 revenues at DSS grew 24% fueled by newer ventures. Direct marketing grew 35% while the REIT, with its purchase of a health facility in Connecticut, generated its very first revenues.

Packaging, printing and fabrication grew 31% year over year and is now operating at full capacity given its own capabilities, combined with its ability to source components. It is sold out for the rest of 2021 and through the beginning of 2022. Once its new press is installed in January, it will have double its current capacity. Given capacity constraints, Walgreens and Shutterfly, its two major customers, are getting priority and other orders are being limited or turned away. Once the press is installed in Q1, that capacity will begin to fill and by Q3 the company should have it filled. If it can generate \$6 million in revenues with current capacity, we may see \$12 million from printed products by Q4 2022. Construction of the new plant and installation of the press is on schedule. In January both locations will be run in parallel until the switch over.

Direct marketing grew 35% to almost a million dollars this quarter. It is moving away from direct sales and multilevel marketing to selling through affiliates and influencers which DSS believes will result in higher margins and a simplified structure.

Impact Biomedical continues to test its products and seek out customers. DSS is on track to dividend out this entity and is waiting for SEC approval before its holds a board of directors meeting to pick a record date. Now, the plan is to wait until the entity has some revenues to show before it pursues an IPO as a separate public company. The S-1 is under review at the SEC and an IPO could happen in Q1. Revenues could start as soon as Q1 for some of its products. Near term, the company hopes to license its Laetose technology to food producers and it is in talks with a number of large companies. This technology combines sugar and inositol to lower sugar consumption and may even be able to avoid tariffs supported by big sugar. We expect a deal to be announced with at least one of these companies perhaps by year-end.

Q3 revenues for the REIT were all from the Connecticut building. On Nov 4, 2021 it bought three hospitals for a total of \$62 million located in Fort Worth, Texas, Plano, Texas, and Pittsburgh. They are rented to and operated by LifeCare Hospitals, a specialty hospital operator with a focus on long-term acute and critical care. LifeCare has eleven years remaining on its lease and has an option to renew for an additional five years. The hospitals have a total capacity of 195 hospital beds spanning a gross floor area of approximately 320,000 square feet. They are accredited by The Joint Commission and are Medicare-certified. To help facilitate the acquisition, DSS Securities, loaned AMRE \$0.8 million and American Pacific Bancorp loaned AMRE \$13.9 million. Other than that, DSS did not use any cash in the acquisition. We do not know what these three hospitals will generate in revenues to DSS. DSS has plans to spin off the REIT as a public once it gets to a suitable size which it judges to be about \$100 million to \$150 million in real estate value. This could happen as soon as the end of next year, depending on how the company decides to allocate available capital. We expect the company to buy another hospital by year end.

### Other Events During the Quarter

On July 22, 2021, DSS exercised 1 million of the available options under the Vivacitas Agreement #1 for \$1 million, increasing the company's equity position in Vivacitas to 19.3%.

On Sept. 09, 2021 DSS bought 6,666,700 shares of common stock of American Pacific Bancorp at \$6.00 per share for \$40 million. American Pacific Bancorp is a subsidiary of Alset EHome International (NASDAQ:AEI.) DSS owns 127,179,311 shares of AEI. In addition, on September 8<sup>th</sup>, DSS sold Alset EHome International 12,155,591 shares of its common stock at \$1.234 per share for approximately \$15 million. It now owns over 50% of APB and now consolidates its operations with DSS. APB buys equity positions of commercial banks

in the US and has a strong pipeline of diversified loans from home mortgages, licensed medical real estate financing, district bonds, SME loans, convertible loans and profit participation loans.

On September 13, 2021, DSS finalized a shareholder agreement and joint venture between its subsidiary, DSS Financial Management and HR1 Holdings Limited to operate a vehicle for private and institutional investors seeking a highly liquid investment fund with attractive risk adjusted returns relative to market unpredictability and volatility. DFMI owns 60% of LVAM and HR1 owns 40% of this joint venture. LVAM executes within reliable platforms and broad market access and uses proprietary systems and algorithms to trade liquid exchange-traded funds (ETFs), stocks, futures, or crypto. It is aimed at providing consistent returns while offering the unique ability to liquidate the portfolio within ten minutes under normal market conditions.

## Q3 2021 Earnings Results

Total revenues for the quarter were \$4.7 million versus a restated \$3.7 million a year ago, up 23.9%. Printed product sales were \$3.4 million versus a restated \$3.0 million in Q3 2020, up 15.0%.

Three Months Ended September 30, 2021	Packaging and Printing	Investment Banking	Direct Marketing	Biohealth Group	Securities	Corporate	Total
Revenue	\$ 3,416,000	\$ -	\$ 966,000	\$ -	\$ 184,000	\$ -	\$ 4,566,000
Depreciation and amortization	152,000	-	100,000	278,000	135,000	74,000	739,000
Interest expense	11,000	-	-	-	37,000	(17,000)	31,000
Stock based compensation	1,000	-	-	-	-	12,000	13,000
Net income (loss) from continuing operations	358,000	64,000	(1,304,000)	(647,000)	(835,000)	(4,311,000)	(6,675,000)
Capital expenditures	1,399,000	-	-	-	186,000	55,000	1,640,000
Identifiable assets	24,752,000	60,388,000	43,695,000	55,848,000	11,376,000	23,017,000	219,076,000

Gross margins were 30.3% down from last year's restated 30.4%, but up sequentially; gross margin dollars were \$1.4 million up from \$1.1 million last year.

Operating expenses were \$6.9 million down significantly from the \$11.2 million in Q2 2021, but still an increase from \$3.7 million last year. Included in SG&A in Q2 2021 were about \$3 million in accruals for future spending.

Other expenses contained a one-time unrealized loss on marketable securities of \$3.0 million versus an unrealized gain of \$7.8 million a year ago. Its 48.8% of Sharing Services Global's net income produced a loss of \$1.6 million. DSS is still working to help turn around problems at Sharing. Minority interest was a reversal of \$77,000 loss.

The loss from continuing operations was \$6.7 million versus a \$5.0 million profit last year. In last year's quarter they was also a loss from discontinued operations of \$240,000.

Loss to common shareholders was \$6.6 million versus income of \$5.1 million last year. The **GAAP loss per share was \$0.09** versus income of \$0.68 per share a year ago. **Non-GAAP it was a loss per share of \$0.05** versus a loss of \$0.56 last year. The shares outstanding increased 1,453% to 71.1 million primary shares. Primary shares outstanding as of October 20, 2021 were 79,745,886.

## Balance Sheet

On September 30, 2021 the company had **\$69 million in cash**, working capital of \$84 million and debt of \$7.2 million. At quarter end it owned \$6.5 million in real estate as well as \$9.2 million in marketable securities (including 127,179,311 shares of Alset International Limited (Ticker: 40V.SI) worth \$6 million) plus its investment in Sharing Services Global (OTC: SHRG) of 91.7 million shares valued at \$16.1 million. After the quarter ended DSS also bought the three hospitals valued at \$62 million.

## Since the Quarter Ended

On November 30, DSS announced the launch of [DSS AmericaFirst Quantitative Funds](#). This suite of mutual funds, managed by DSS Wealth Management, expects to expand into numerous investment platforms including additional mutual funds, exchange-traded funds, unit investment trusts, and closed-end funds. DSS AmericaFirst Quantitative Funds currently consists of four mutual funds: The DSS AmericaFirst Income Trends Fund (Nasdaq: AFPAX; AFPUX; AFPIX), DSS AmericaFirst Defensive Growth Fund (Nasdaq: DGQAX; DGQUX; DGQIX), DSS AmericaFirst Risk-On Risk-Off Fund (Nasdaq: ABRFX; ABRUX; ABRWX), and DSS AmericaFirst Large Cap Buyback Fund (Nasdaq: SBQAX; SBQUX; SBQIX). The funds seek to outperform their respective benchmark indices by applying a quantitative rules-based approach to security selection. DSS earns fees for each fund calculated as a percentage of the average daily net assets.

## KEY POINTS

- DSS sales are primarily from printing and packaging, which is expected to grow from increased capacity and by capturing market share. It has a variety of ventures in areas such as direct marketing REITS, biotechnology it hopes to profit with.
- 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.
- After it builds its REIT to a size over \$100 million in assets, it may also spin off that entity to shareholders.
- DSS trades at an enterprise value of approximately \$227,000. Incremental value includes its \$25.3 million in securities, \$6.5 million in real estate, 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 \$2.18 per share.**

## OVERVIEW

DSS is constantly investing in new businesses and exiting others. Current the following represents its businesses. The first three are generating revenues while the others are in development.

1. Premier Packaging, the company's packaging and security printing group, operates in the paperboard folding carton, smart packaging, and document security printing markets. It markets, manufactures, and sells mailers, photo sleeves, sophisticated custom folding cartons, and complex 3-dimensional direct mail solutions. These products are designed to provide functionality and marketability while also providing counterfeit protection. Premier is currently located in Victor, NY and serves the US market.

2. Direct Marketing/Online Sales Group specializes in marketing and distributing its products and services through its subsidiary and partner network using direct marketing. Its products include, among other things, nutritional and personal care products sold throughout North America, Asia Pacific, and Eastern Europe. Direct has made substantial investments in acquiring marketing software, product opportunities, and operational capabilities in this marketplace. Additionally, it has acquired and developed an independent

contractor sales force. It has also made substantial investments into other direct marketing companies, including its investment and partnership with Sharing Services Global Corporation (OTCQB: SHRG), of which it owns 47%. Currently, Direct and SHRG operate offices in USA, Canada, Hong Kong, Singapore, S. Korea, Australia, New Zealand, Malaysia, and Singapore, with additional offices or presence being added monthly. Decentralized sharing systems' mission is to become the leading direct sales platform, training, developing, and empowering leaders on a global scale.

3. DSS Securities owns 93% of American Medical REIT (AMRE,) a REIT that invests in medical facilities. It owns a medical center in Connecticut and recently bought three hospitals. It began generating revenues in Q2 2021.

4. The BioHealth Group invests in, or acquires companies in the biohealth and biomedical fields, including businesses focused on the advancement of drug discovery and prevention, inhibition, and treatment of neurological, oncological, and immune related diseases. This division is also developing open-air defense initiatives, which curb transmission of air-borne infectious diseases, such as tuberculosis and influenza. The BioHealth Group is also targeting unmet, urgent medical needs. It is headquartered in Rochester, NY and has a research facility in Winter Haven, Florida.

5. The Securities and Fintech Group was established to develop and/or acquire assets and investments in the securities trading and/or funds management arena. Securities, in partnership with recognized global leaders in alternative trading systems, intends to own and operate in the US a single or multiple vertical digital asset exchanges for securities, tokenized assets, utility tokens, stablecoins and cryptocurrency via a digital asset trading platform using blockchain technology. The scope of services within this section is planned to include asset issuance and allocation (securities and cryptocurrency), FPO, IPO, ITO, PPO, STO and UTO listings on a primary market(s), asset digitization/tokenization (securities, currency, and cryptocurrency), and the listing and trading of digital assets (securities and cryptocurrency) on a secondary market(s). It is currently headquartered in Houston, Texas.

6. Alset Energy owns Alset Solar, Inc. that is pursuing utility-scale solar farms to serve US regional power grids and to provide underutilized properties with small microgrids for independent energy and will look at other alternative energy opportunities for investment and development. Alset Energy is also headquartered in Houston.

7. Secure Living is a real estate developer building fully sustainable, secure, and healthy living communities with homes incorporating advanced technology, energy efficiency, and quality of life living environments both for new construction and renovations for single and multi-family residential housing. Secure Living is currently working with several land development partners to develop entire fully sustainable, healthy living single-family subdivisions. Secure Living is also headquartered in Houston, Texas.

8. Blockchain Technology specializes in the development of blockchain security technologies for tracking and tracing solutions for supply chain logistics and cyber securities across global markets. DSS Blockchain leverages DSS's AuthentiChain®, which secures assets across industries to benefit product developers, manufacturers, investors, and consumers. AuthentiChain®, can be applied to decentralize ledgers, help stabilize the token economy, and protect cryptocurrency from counterfeiting, and secure negotiable legal documents and security exchanges.

---

## RISKS

- During the nine months ended September 30, 2021, two customers, Walgreens and Shutterfly accounted for 43% 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 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 increasingly 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 direct marketing. Since DSS sold off the anti-counterfeiting business, we are taking those comps out. In 2021 revenues from continuing operations at DSS are expected to be about 80% packaging and 20% direct marketing. DSS's sales for 2021 are estimated at \$21.2 million. Using the 1.44 times blended multiple we get an enterprise value of \$30.5 million and a market value of \$92.5 million.

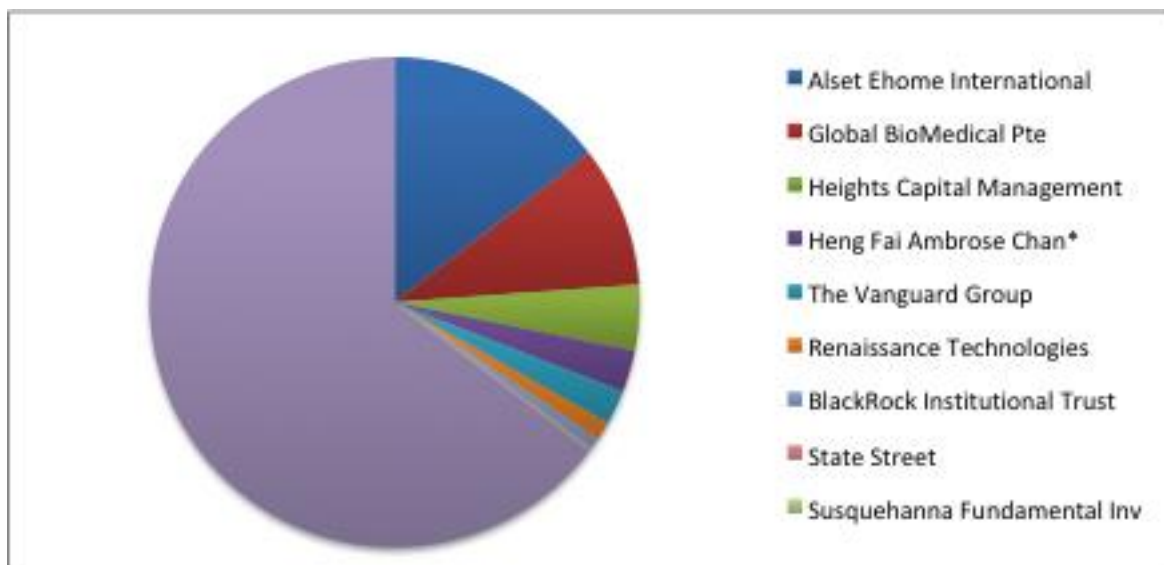
The company is in the process of spinning off Impact BioMedical to shareholders and we have no idea where it might be valued so we are just using the purchase price of \$50 million value. We will update that valuation as more information comes out. Adding the \$50 million plus \$6.5 million in real estate (at quarter end) as well as \$25.3 million in marketable securities gives a market value of about \$174 million, and a price per share of \$2.18 per share using 80 million fully diluted shares outstanding.

Ticker	Cal. Revenue		LTM	EBITDA	EBITDA Margin	EV/ Sales		LTM	EV/EBITDA	EV
	2022E	2021E				2022E	2021E			
HLF	\$5,900	\$5,900	\$5,900	904.3	15%	1.1x	1.1x	1.1x	7.2x	6,500
NUS	\$2,690	\$2,680	\$2,770	378.9	14%	0.9x	0.9x	0.9x	6.3x	2,370
TUP	\$1,670	\$1,720	\$1,840	320.5	17%	0.8x	0.8x	0.7x	4.3x	1,376
						<b>0.9x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>5.9x</b>	<b>3,415</b>

Ticker	Cal. Revenue		LTM	EBITDA	EBITDA Margin	EV/ Sales		LTM	EV/EBITDA	EV
	2022E	2021E				2022E	2021E			
BRC	\$1,321	\$1,232	\$1,190	197.6	17%	2.0x	2.1x	2.2x	13.1x	2,590
GPK	\$7,610	\$6,320	\$6,820	1020.0	15%	1.3x	1.6x	1.5x	10.0x	10,152
HUH1V.HE	\$3,863	\$3,508	\$3,390	431.2	13%	1.4x	1.5x	1.6x	12.5x	5,400
WRK	\$20,700	\$19,200	\$18,750	2900.0	15%	0.9x	1.0x	1.0x	6.7x	19,410
						<b>1.4x</b>	<b>1.6x</b>	<b>1.6x</b>	<b>10.6x</b>	<b>9,388</b>



## OWNERSHIP



\* The beneficial ownership of Heng Fai Chan includes 22,191,755 shares of common stock (27.8%), consisting of: (a) 1,614,552 shares of common stock held by Heng Fai Holdings Limited, an entity controlled by Heng Fai Chan; (b) 688,941 shares of common stock held by Heng Fai Chan directly; (c) 16,667 shares of common stock held by BMI Capital Partners International Limited; (d) 7,716,004 shares of common stock held by Global Biomedical Pte. Ltd.; and (e) 12,155,591 shares of common stock held by Alset EHome International Inc.

These 12,155,591 shares of common stock are owned directly by Alset EHome International Inc. Mr. Chan has dispositive control over the securities of the Issuer owned by Alset EHome International Inc., BMI Capital Partners International Limited and Global Biomedical Pte. Ltd. BMI Capital Partners International Limited and Global Biomedical Pte. Ltd. are each subsidiaries of entities majority-owned by Alset EHome International Inc.

# INCOME STATEMENT

	Mar 31, 2020R	Jun. 30, 2020R	Sep. 30, 2020R	Dec. 31, 2020	Mar 31, 2021	Jun. 30, 2021	Sep. 30, 2021	Dec. 31, 2021E	2020	2021E	2022E
<b>Revenue:</b>											
Packaging Printing and Fabrication	\$ 2,966,000	\$ 2,103,000	\$ 2,568,000	\$ 4,145,000	\$ 3,688,000	\$ 3,336,000	\$ 3,373,000	\$ 6,100,000	11,782,000	\$ 16,497,000	\$ 20,000,000
Commercial and Security Printing	203,000	169,000	403,000	443,000	158,000	40,000	43,000	200,000	1,218,000	441,000	485,100
<b>Printed products</b>	<b>3,166,000</b>	<b>2,272,000</b>	<b>2,971,000</b>	<b>4,588,000</b>	<b>3,846,000</b>	<b>3,376,000</b>	<b>3,416,000</b>	<b>6,300,000</b>	<b>13,000,000</b>	<b>16,938,000</b>	<b>20,485,100</b>
Yr-Yr Growth	-4.4%	-24.3%	40.2%	-4.4%	21.5%	48.6%	15.0%	37.3%	-1.7%	30.3%	20.9%
Direct marketing	573,000	506,000	715,000	532,000	608,000	809,000	966,000	1,200,000	2,326,000	3,583,000	6,800,000
Yr-Yr Growth	NA	NA	NA	209.8%	6.1%	59.9%	35.1%	125.6%	1254.3%	54.0%	89.8%
REIT	0	0	0	0	0	0	184,000	350,000	0	534,000	2,800,000
Yr-Yr Growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	424.3%
<b>Total revenue</b>	<b>3,739,000</b>	<b>2,778,000</b>	<b>3,686,000</b>	<b>6,722,000</b>	<b>4,943,000</b>	<b>4,185,000</b>	<b>4,566,000</b>	<b>7,500,000</b>	<b>17,411,000</b>	<b>21,194,000</b>	<b>30,085,110</b>
Yr-Yr Growth	-0.4%	-20.3%	40.9%	18.1%	32.2%	50.6%	23.9%	11.6%	12.0%	21.7%	42.0%
<b>Costs and expenses:</b>											
Cost of revenue	2,573,000	1,729,000	2,566,000	4,339,000	3,353,000	3,042,000	3,184,000	4,662,000	11,207,000	14,241,000	10,888,000
Gross Margin	1,166,000	1,049,000	1,120,000	2,383,000	1,590,000	1,143,000	1,382,000	2,838,000	6,204,000	6,953,000	12,126,126
Gross Margin %	31.2%	37.8%	30.4%	35.5%	32.2%	27.3%	30.3%	37.8%	35.6%	32.8%	40.3%
Selling, general and administrative	737,000	749,000	679,000	5,708,000	1,905,000	4,609,000	3,184,000	4,000,000	7,873,000	13,698,000	16,437,600
Depreciation and amortization	303,000	273,000	244,000	264,000	518,000	821,000	739,000	800,000	1,084,000	2,878,000	2,878,000
Professional fees	582,000	692,000	931,000	1,140,000	977,000	1,235,000	1,235,000	1,235,000	3,345,000	4,682,000	5,700,000
Stockbased compensation	90,000	47,000	128,000	(77,000)	15,000	(30,000)	13,000	13,000	11,000	11,000	400,000
Sales and marketing	560,000	340,000	1,213,000	725,000	710,000	896,000	1,060,000	1,400,000	2,838,000	4,066,000	5,000,000
Rent and utilities	115,000	78,000	60,000	106,000	73,000	75,000	42,000	42,000	359,000	232,000	300,000
Other expenses	110,000	133,000	401,000	410,000	377,000	381,000	398,000	398,000	1,054,000	1,554,000	1,700,000
R&D	0	0	37,000	173,000	244,000	211,000	190,000	190,000	210,000	835,000	120,000
<b>Total costs and expenses</b>	<b>2,565,000</b>	<b>2,312,000</b>	<b>3,693,000</b>	<b>8,449,000</b>	<b>4,819,000</b>	<b>11,240,000</b>	<b>6,861,000</b>	<b>8,078,000</b>	<b>16,951,000</b>	<b>27,956,000</b>	<b>32,535,600</b>
Operating (loss) income	(974,000)	(1,263,000)	(2,573,000)	(6,066,000)	(3,229,000)	(7,055,000)	(5,479,000)	(5,240,000)	(10,747,000)	(21,003,000)	(20,409,474)
Operating Margin	-26.0%	-45.5%	-69.8%	-90.2%	-65.3%	-168.6%	-120.0%	-69.9%	-61.7%	-99.1%	-67.8%
<b>Other expense:</b>											
Other income	0	0	0	0	0	250,000	325,000	350,000	1000	925,000	
Interest expense, net	(8,000)	(15,000)	(19,000)	(74,000)	32,000	1,379,000	1,562,000	1,562,000	(116,000)	4,535,000	(30,000)
Amortized debt discount	0	0	(8,000)	0	0	0	0	0	(8,000)	0	0
Impairment of investment	0	0	0	0	0	0	0	0	0	0	0
Gain on extinguishment of debt, net	0	0	0	969,000	116,000	0	0	0	969,000	116,000	0
Inc from invest in subsidiary (48.8% of SHRG)	0	0	0	604,000	(579,000)	(332,000)	(1,645,000)	(1,000,000)	604,000	(3,556,000)	(2,000,000)
Unrealized gain on marketable securities	4,000	580,000	7,782,000	2,243,000	(1,076,000)	(6,821,000)	(2,996,000)	0	10,609,000	(10,893,000)	0
<b>Income before income taxes</b>	<b>(978,000)</b>	<b>(698,000)</b>	<b>5,182,000</b>	<b>(3,293,000)</b>	<b>(4,736,000)</b>	<b>(12,579,000)</b>	<b>(8,233,000)</b>	<b>(4,678,000)</b>	<b>1,312,000</b>	<b>(20,024,000)</b>	<b>(22,439,474)</b>
Income tax expense	0	0	0	0	(838,000)	(1,854,000)	(1,624,000)	(935,600)	1,774,000	(5,251,600)	0
Loss from continuing operations	(978,000)	(698,000)	5,182,000	(3,293,000)	(3,898,000)	(10,725,000)	(6,609,000)	(3,742,400)	3,086,000	(20,024,000)	(22,439,474)
Loss from discontinued operations	(989,000)	(208,000)	(240,000)	(231,000)	(114,000)	2,079,000	0	0	(1,668,000)	1965,000	0
<b>Net income</b>	<b>(1,967,000)</b>	<b>(906,000)</b>	<b>4,942,000</b>	<b>(3,293,000)</b>	<b>(4,012,000)</b>	<b>(8,646,000)</b>	<b>(6,609,000)</b>	<b>(3,742,400)</b>	<b>1,418,000</b>	<b>(14,772,400)</b>	<b>(22,439,474)</b>
Net inc. attributable to non-controlling interests	(67,000)	(114,000)	126,000	536,000	31,000	228,000	77,000	(130,000)	481,000	206,000	0
<b>Net income cont ops to common shareholders</b>	<b>(1,045,000)</b>	<b>(584,000)</b>	<b>5,068,000</b>	<b>(2,757,000)</b>	<b>(3,981,000)</b>	<b>(8,418,000)</b>	<b>(6,532,000)</b>	<b>(3,872,400)</b>	<b>1,899,000</b>	<b>(14,566,400)</b>	<b>(22,439,474)</b>
Non-GAAP earnings	(955,000)	(1,117,000)	(2,586,000)	(6,046,000)	(3,006,000)	(1,295,000)	(3,523,000)	(3,859,400)	(10,704,000)	(14,671,400)	(22,039,474)
Non-GAAP EPS	\$ (0.62)	\$ (0.53)	\$ (0.56)	\$ (1.01)	\$ (0.15)	\$ (0.04)	\$ (0.05)	\$ (0.05)	\$ (3.02)	\$ (0.29)	\$ (0.28)
<b>Continuing GAAP loss per share</b>	<b>\$ (0.68)</b>	<b>\$ (0.28)</b>	<b>\$ 1.16</b>	<b>\$ (0.46)</b>	<b>\$ (0.20)</b>	<b>\$ (0.24)</b>	<b>\$ (0.09)</b>	<b>\$ (0.05)</b>	<b>\$ 1.01</b>	<b>\$ (0.28)</b>	<b>\$ (0.28)</b>
Yr-Yr Growth	-8.3%	-72.3%	-175.9%	NA	-69.8%	-13.1%	-107.9%	NA	NM	-127.8%	0.5%
Continuing loss per diluted share	(0.68)	(0.28)	0.68	(0.46)	(0.18)	(0.23)	(0.09)	(0.05)	0.59	(0.28)	(0.28)
Basic shares outstanding	1,539,052	2,103,199	4,582,374	5,968,000	19,432,831	34,888,054	71,157,697	79,745,886	3,548,421	51,306,117	80,000,000
Yr-Yr Growth	163.9%	188.0%	472.2%	418.6%	1162.6%	1558.8%	1452.9%	1236.2%	317.4%	1345.9%	55.9%
Diluted shares	1,539,052	2,103,199	7,805,629	8,439,000	21,903,831	35,984,413	71,157,697	79,745,886	6,019,207	52,197,957	80,000,000
EBITDA	(581,000)	(943,000)	(2,201,000)	(5,879,000)	(2,696,000)	(6,264,000)	(4,727,000)	(4,427,000)	(9,604,000)	(18,114,000)	(17,131,474)



# CASH FLOWS

	March 31, 2020R	June 30, 2020R	Sept. 30, 2020R	Dec. 31, 2020	2020	March 31, 2021	June 30, 2021	Sept. 30, 2021
<b>Cash flows from operating activities:</b>								
Net income (loss)	\$ (920,000)	\$ (672,000)	\$ 5,187,000	\$ (425,000)	\$ 3,086,000	\$ (3,898,000)	\$ (10,889,000)	\$ (6,675,000)
<b>Adjustments to reconcile net income (loss) to net cash used by operating activities:</b>								
Depreciation and amortization	303,000	270,000	239,000	272,000	1,084,000	518,000	817,000	740,000
Stock based compensation	90,000	(36,000)	127,000	7,000	188,000	15,000	(30,000)	89,000
Income from equity investment	0	0	0	(604,000)	(604,000)	579,000	332,000	1,645,000
Unrealized gain on investment	(4,000)	(580,000)	(7,781,000)	(2,244,000)	(10,609,000)	1,076,000	6,822,000	2,996,000
Deferred tax benefit	0	0	0	(1,774,000)	(1,774,000)	(838,000)	(1,855,000)	(1,622,000)
Accretion of debt dis, fee, & prepaid exp	0	0	0	0	0	0	(1,698,000)	(589,000)
Amortization of deferred financing costs	0	0	0	0	0	0	0	0
Gain on extinguishment of liabilities, net	0	0	0	(969,000)	(969,000)	(116,000)	0	0
Impairment of goodwill	0	0	0	0	0	0	0	0
<b>Decrease (increase) in assets:</b>								
Accounts receivable	284,000	1,115,000	(683,000)	(1,025,000)	(309,000)	90,000	276,000	463,000
Inventory	(29,000)	(237,000)	(881,000)	442,000	(705,000)	(601,000)	(664,000)	(315,000)
Prepaid expenses and other current assets	(30,000)	(56,000)	(592,000)	179,000	(499,000)	(92,000)	(467,000)	282,000
Other assets	(129,000)	35,000	1,415,000	(966,000)	355,000	(382,000)	494,000	(137,000)
Restricted cash	0	0	0	0	0	0	0	0
<b>Increase (decrease) in liabilities:</b>								
Accounts payable	11,000	(777,000)	667,000	(102,000)	(201,000)	106,000	53,000	273,000
Accrued expenses	(157,000)	(5,000)	205,000	4,187,000	4,230,000	(3,472,000)	4,274,000	1,006,000
Deferred rev and customer deposits	0	0	0	0	0	0	0	0
Other liabilities	0	133,000	726,000	185,000	1,044,000	(778,000)	80,000	(356,000)
Net cash used by operating activities	(581,000)	(894,000)	(1,371,000)	(2,837,000)	(5,683,000)	(7,793,000)	(2,455,000)	(2,200,000)
<b>Cash flows from investing activities:</b>								
Purchase of property, plant and equipment	(68,000)	(12,000)	(19,000)	(226,000)	(325,000)	(72,000)	(1,191,000)	(1,553,000)
Purchase of real estate	0	0	0	0	0	0	(6,565,000)	0
Purchase of investments	(566,000)	(725,000)	1,191,000	(9,691,000)	(9,791,000)	(3,230,000)	(14,884,000)	(912,000)
Purchase of marketable securities	0	(1,392,000)	(5,189,000)	6,581,000	0	(4,329,000)	(4,460,000)	0
Acquisition of American Pacific Bancorp	0	0	0	0	0	0	0	1,235,000
Purchase of equity investment	0	0	0	0	0	0	(400,000)	(876,000)
Sale of marketable securities	0	0	0	0	0	2,188,000	6,997,000	0
Issuance of note receivable	(462,000)	(104,000)	(8,000)	0	(574,000)	(1,006,000)	1,006,000	(24,048,000)
Purchase of intangible assets	0	0	111,000	(111,000)	0	0	(585,000)	(530,000)
Note receivable investment	0	0	0	0	0	0	(18,799,000)	18,799,000
Net cash used by investing activities	(1,096,000)	(2,233,000)	(3,914,000)	(3,447,000)	(10,690,000)	(6,449,000)	(38,881,000)	(7,885,000)
<b>Cash flows from financing activities:</b>								
Payments of long-term debt	(88,000)	(54,000)	(2,000)	(160,000)	(304,000)	(89,000)	8,000	(1,812,000)
Borrowing of LTD	0	1,272,000	0	6,000	1,278,000	110,000	6,218,000	774,000
Borrowing from lines of credit	200,000	(200,000)	(500,000)	500,000	0	0	0	0
Borrowings from revolver	300,000	(800,000)	500,000	0	0	0	0	0
Payments of revolver	0	0	0	(500,000)	(500,000)	0	0	0
Borrowings from convertible note	0	0	0	0	0	0	0	0
Deferred financing fees	0	0	0	0	0	0	(186,000)	0
Issuance of common stock, net	3,929,000	6,291,000	9,929,000	46,000	20,195,000	61,068,000	45,704,000	14,965,000
Subscription receivable, net	0	0	0	0	0	0	0	0
Net cash used by financing activities	4,341,000	6,509,000	9,927,000	(108,000)	20,669,000	61,089,000	51,744,000	13,927,000
Net cash used by discontinued oper.	42,000	(8,000)	(173,000)	(27,000)	(166,000)	(12,000)	3,176,000	0
Net decrease in cash	2,706,000	3,374,000	4,642,000	(6,419,000)	4,130,000	46,835,000	13,584,000	3,842,000
Cash and rest. cash at beginning of period	1,096,000	3,802,000	7,176,000	11,645,000	1,096,000	5,183,000	52,018,000	65,645,000
Cash and restricted cash at end of period	\$ 3,802,000	\$ 7,176,000	\$ 11,645,000	\$ 5,226,000	\$ 5,183,000	\$ 52,018,000	\$ 65,602,000	\$ 69,487,000
<b>Operating Cash Flow</b>	<b>\$ (531,000)</b>	<b>\$ (1,018,000)</b>	<b>\$ (2,228,000)</b>	<b>\$ (5,737,000)</b>	<b>\$ (9,598,000)</b>	<b>\$ (2,664,000)</b>	<b>\$ (6,501,000)</b>	<b>\$ (3,416,000)</b>
<b>Free Cash Flow</b>	<b>\$ (599,000)</b>	<b>\$ (1,030,000)</b>	<b>\$ (945,000)</b>	<b>\$ (15,765,000)</b>	<b>\$ (19,714,000)</b>	<b>\$ (2,736,000)</b>	<b>\$ (8,277,000)</b>	<b>\$ (3,734,000)</b>

## BALANCE SHEET

	Sept. 30, 2021	Jun. 30, 2021	Qtr-Qtr % Growth	Sept. 30, 2020	Yr-Yr % Growth
<b>Current assets:</b>					
Cash	\$ 69,137,000	\$ 65,645,000	5.3%	\$ 11,645,000	493.7%
Restricted cash	350,000	0	NM	0	NM
Accounts receivable, net	2,774,000	3,223,000	-13.9%	2,589,000	7.1%
Inventory	3,535,000	3,220,000	9.8%	2,396,000	47.5%
Current portion of note receivable, net	19,716,000	14,511,000	35.9%	0	NM
Prepaid expenses & other curr assets	1,469,000	1,751,000	-16.1%	1,136,000	29.3%
Total current assets	96,981,000	88,350,000	9.8%	17,766,000	445.9%
Property, plant and equipment, net	6,396,000	4,970,000	28.7%	4,141,000	54.5%
Investment, real estate	6,495,000	6,565,000	-1.1%	0	NA
Other investments	11,337,000	13,329,000	-14.9%	11,386,000	-0.4%
Investment, equity method	16,107,000	17,033,000	-5.4%	0	NA
Marketable securities	9,207,000	7,319,000	25.8%	5,814,000	58.4%
Note receivable	4,483,000	3,023,000	48.3%	529,000	747.4%
Non-current assets held for sale	0	0	0.0%	886,000	-100.0%
Other assets	409,000	308,000	32.8%	210,000	94.8%
Right-of-use assets	198,000	118,000	67.8%	17,000	1064.7%
Deferred tax asset, net	283,000	0	NA	0	NA
Goodwill	43,807,000	26,862,000	63.1%	1,769,000	2376.4%
Other intangible assets, net	23,373,000	23,284,000	0.4%	39,475,000	-40.8%
Total assets	219,076,000	191,161,000	14.6%	81,993,000	167.2%
<b>Current liabilities:</b>					
Accounts payable	1,948,000	1,591,000	22.4%	1,402,000	38.9%
Accrued expenses & deferred revenue	9,555,000	8,026,000	19.1%	1,272,000	651.2%
Other current liabilities	415,000	736,000	-43.6%	1,248,000	-66.7%
Current liabilities held for sale	0	0	0.0%	274,000	-100.0%
Current portion of long-term debt, net	<b>498,000</b>	<b>687,000</b>	-27.5%	<b>261,000</b>	90.8%
Current portion of lease liability	122,000	101,000	20.8%	13,000	838.5%
Total current liabilities	12,538,000	11,141,000	12.5%	4,470,000	180.5%
Long-term debt, net	<b>6,664,000</b>	<b>7,467,000</b>	-10.8%	<b>3,041,000</b>	119.1%
Lease liability	75,000	17,000	341.2%	4,000	1775.0%
Non-current liabilities held for sale	0	0	0.0%	612,000	-100.0%
Other long-term liabilities	507,000	507,000	0.0%	507,000	0.0%
Deferred tax liability, net	0	1,341,000	-100.0%	44,000	-100.0%
<b>Stockholders' equity</b>					
Common stock	1,594,000	1,351,000	18.0%	103,000	1447.6%
Convertible preferred stock	0	0	0.0%	1,000	-100.0%
Additional paid-in capital	294,682,000	279,947,000	5.3%	174,423,000	68.9%
Non-controlling interest in subsidiary	23,395,000	3,171,000	637.8%	(307,000)	-7720.5%
Accumulated deficit	(120,379,000)	(113,781,000)	5.8%	(100,905,000)	19.3%
Total stockholders' equity	199,292,000	170,688,000	16.8%	73,315,000	171.8%
Total liabilities and stockholders' equity	219,076,000	191,161,000	14.6%	81,381,000	169.2%
Current ratio	7.7	7.9	-2.5%	4.0	94.6%
Quick ratio	7.5	7.6	-2.5%	3.4	116.8%
Working Capital	84,443,000	77,209,000	9.4%	13,296,000	535.1%
Net cash	69,137,000	65,645,000	5.3%	11,645,000	493.7%
Debt	7,162,000	8,154,000	-12.2%	3,302,000	116.9%
Debt/TA	3%	4%	-23.4%	4%	-19.4%

## HISTORICAL STOCK PRICE



## DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (Zacks SCR), a division of Zacks Investment Research (ZIR), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

### ANALYST DISCLOSURES

Zacks SCR Analysts hereby certify that the view expressed in this research report or blog article accurately reflect the personal views of the analyst about the subject securities and issuers. Zacks SCR also certifies that no part of any analysts' compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report or blog article. Zacks SCR believes the information used for the creation of this report or blog article has been obtained from sources considered reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice. The Zacks SCR Twitter is covered herein by this disclosure.

### INVESTMENT BANKING AND FEES FOR SERVICE

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer.

The non-investment banking services provided to the issuer include the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR.

Each issuer has entered into an agreement with Zacks to provide continuous independent research for a period of no less than one year in consideration of quarterly payments totaling a maximum fee of \$40,000 annually.

### POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the Valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.

SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

### ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or Tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

### CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.