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# Zacks Small-Cap Research

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## Mastech Digital (NYSE Amer: MHH)

### Mastech Digital Is Play on Economic Recovery in 2021 and 2022

Based on an industry average EV to sales of 2.4xs 2021 revenues, we believe MHH stock could be worth $42.50 per share.

| | |
|---|---|
| Current Price (02/10/21) | $17.65 |
| **Valuation** | **$42.50** |

### OUTLOOK

Mastech Digital, based outside Pittsburgh, PA is an IT staffing business with a growing data and analytics consulting and project management service serving blue chip customers in the US. The data and analytics business, Mastech InfoTrellis, was 15% of sales this quarter and its run rate grew to $28.7 million, despite the pandemic delaying projects. The acquisition of AmberLeaf will add another $11 million to that run rate. We believe that overall business has begun to return to normal and the company's austerity has resulted in higher than normal profits near term.

### SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$28.67** |
| **52-Week Low** | **$7.61** |
| **One-Year Return (%)** | **10.1** |
| **Beta** | **0.6** |
| **Average Daily Volume (sh)** | **26,614** |
| **Shares Outstanding (mil)** | **12.0** |
| **Market Capitalization ($mil)** | **$212** |
| **Short Interest Ratio (days)** | **2.2** |
| **Institutional Ownership (%)** | **17** |
| **Insider Ownership (%)** | **63** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **12.0** |
| **Earnings Per Share (%)** | **21.2** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **15.2** |
| **P/E using 2021 Estimate** | **13.1** |
| **P/E using 2022 Estimate** | **11.4** |

| | |
|---|---|
| **Risk Level** | **Average** |
| **Type of Stock** | **Small-Growth** |
| **Industry** | **IT Services** |

### ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2019 | 45 A | 48 A | 50 A | 50 A | 194 A |
| 2020 | 50 A | 48 A | 47 A | 49 A | 194 A |
| 2021 | 50 E | 52 E | 54 E | 57 E | 212 E |
| 2022 | | | | | 245 E |

**Non-GAAP Earnings Per Share**

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2019 | $0.15 A | $0.20 A | $0.23 A | $0.26 A | $0.82 A |
| 2020 | $0.23 A | $0.33 A | $0.32 A | $0.29 A | $1.16 A |
| 2021 | $0.32 E | $0.35 E | $0.35 E | $0.32 E | $1.34 E |
| 2022 | | | | | $1.55 E |

Zacks Projected EPS Growth Rate - Next 5 Years % **15**

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## WHAT'S NEW

### Mastech Digital Reports Q4 2020 and Looks Forward to Normal Growth in 2021

Mastech closed out the year slightly weaker than expected as shutdowns due to the pandemic lingered longer than expected. In March we had expected this virus to have run its course by now and for business to rebound, but the "two weeks" devolved to nine months and counting. As the company is heavily dependent on the economic cycle, we believe investors would find it a play on global recovery. The company has done remarkably well during the pandemic, as its services are both critical as well as easily done remotely. Customers have learned to adapt and function under new (albeit temporary) rules. In these late stages, customers have finally stopped delaying decisions and pressed on despite shutdowns. Mastech has seen deals that should have closed as early as Q3 2020 finally close in Q1 2021, as they had been put off long enough. While countries still haven't opened for international travel, business should pick up nonetheless in the interim.

Q4 resulted in revenues of $48.7 million down 3% from $50.3 million in Q4 2019. Gross and operating margins improved resulting in a non-GAAP earnings increase of 19%. In Q4 AmberLeaf contributed $2.1 million in revenues at lower than average corporate gross margins. Ex-AmberLeaf (which was acquired on October 1, revenues were down 7%. Management expects revenues to pick up in Q1 2021 sequentially and believe IT Staffing revenues hit bottom in Q4 2020.

Gross margin was 26.8% versus 24.5% a year ago and 27.6% in Q3 2020, as AmberLeaf brought down margins; gross margin dollars increased 2.4%. Margins are expected to improve going forward as synergies and cost cutting measures at AmberLeaf take full effect.

Looking at the two segments reveals, IT staffing decreased 7.9% to $39.8 million and was 82% of revenues. It had 1,068 billable consultants compared to 1,167 the year before and 1,037 in the third quarter of 2020. Gross margin for this segment improved to 22.2% from 21.4% last year and 22.6% in Q3 2020. Data and analytics grew 25% to $8.9 million versus $7.2 million last year or 17% of sales as AmberLeaf added $2.1 million by itself. Without AmberLeaf, this segment's revenues would have been down 4.8%. Gross margins also declined in this segment to 46.7% from 49.1% a year ago mostly due to AmberLeaf. Gross margin dollars for this segment increased 20.7%.

SG&A increased sequentially $1.1 million sequentially, with $650,000 of it being from one-time expenses from acquiring AmberLeaf. AmberLeaf added expenses. SG&A was $10.0 million compared to $$9.3 million a year ago.

Operating income decreased 10.7% to $3.1 million versus $3.5 million and margin declined to 6.4% from 6.9% a year ago with the one-time expense included; it was $3.7 million without.

Other expense declined to $196,000 compared to $327,000 a year ago as the company paid off higher interest rate debt.

For the quarter the tax rate was 30%, higher than the 25% we expected. Stock option exercises affect the rate.

GAAP net income was $2.0 million, down 11% from a year ago. On a non-GAAP basis it was $3.4 million up 19%.

GAAP EPS was $0.17 diluted compared to $0.20 a year ago and $0.32 in Q3 2020. On a non-GAAP basis it was $0.29 versus $0.26. The fully diluted share count was 12.0 million up 8.7%.

**Balance Sheet**

The company ended the quarter with $7.7 million in cash, a quick ratio of 1.9xs, working capital of $19.2 million, and debt of $17.4 million. It increased debt $8.8 million since last quarter to buy AmberLeaf, but was still down from a year ago when it had $25.3 million in debt. It paid $9.5 million in cash to buy AmberLeaf on October 1st.

**Estimates**

For 2021 we are lowering revenues to $212 million, but again tweaking EPS estimates up to a non-GAAP $1.34 per share based on continued lower spending and higher gross margins due to product mix. We had expected a bigger pick up in business by now. Shutdowns and locked downs, either fully or partially remain in much of the world, though fortunately many companies have decided life must go on and proceeded with new projects. The InfoTrellis business is starting new projects and won some contracts delayed from as far back as Q3 last year. Since the beginning of 2021, it closed two deals in Asia and one deal in Europe totally well over $1 million. It is also working to bring AmberLeaf's gross margin from its current 35% up to InfoTrellis' 55% by better consultant utilization, higher prices, and reducing its use of outside consultants.

## KEY POINTS

- Mastech Digital had historically been an IT staffing company, but it entered the data and analytics business in 2017 with its purchase of InfoTrellis. It added to this business in Q4 with the purchased of AmberLeaf. This business is higher margin and faster growing than IT staffing and is becoming an increasingly bigger part of total sales. This math should lead to accelerating earnings growth as well as a higher valuation for the stock.

- Mastech plans to augment its internal growth with acquisitions in the data and analytics space to expand its capabilities. It had been paying off debt through internally generated cash flow, which left it with increased debt capacity for asset purchases as well as cash to expand internationally as shown by its purchase of AmberLeaf.

- The economy continues to rebound from the pandemic and the demand for IT workers continues to increase. The data and analytics business in particular has continued to show healthy demand.

- MHH is trading at 1.05 times enterprise value to 2021 estimated sales versus its peers who trade at 2.4 times. At 2.4 times, the stock would be worth $41.60.

## OVERVIEW

Mastech Digital is a minority-owned IT services company headquartered in Moon Township, PA with offices in the US, Canada and India. It has domestic sales offices in: Chicago; Boston; Orlando; Tampa; Dallas; Atlanta; Houston; Freemont, CA; and Toronto, in addition to its headquarters near Pittsburgh. Internationally, the company has a sales presence in Singapore; Ireland and in the UK; and it recruits and provides IT outsourcing through its locations in Noida and Chennai, India. The company currently has approximately 1,100 North American employees and 400 employees offshore, in addition to over 180 subcontracted professionals. Originally, it was the IT staffing business of iGATE Capital Corp., a public company that was

sold to Capgemini in 2015 for $4+ billion in cash. Mastech Digital had been previously spun off as a separate public company from iGATE in 2008. Since then it has also become a consultant, project manager and VAR in the data analytics, data management and big data through its acquisition of InfoTrellis on July 13, 2017 and of AmberLeaf on October 1, 2020. It reports earnings of these two segments. IT staffing is still the largest part of the company but the smaller, faster growing, and higher margin, data and analytics business is an increasing percent of total revenues. This dynamic should result in continued accelerating earnings growth in 2021, and this growth could result in an expansion of the stock's PE ratio.

## VALUATION

The pandemic has caused quite a divergence in prospects and valuations for staffing companies based on their vertical markets. Those that depend on a physical presence, health care, manufacturing, warehousing, and general office staff have been severely hurt, while those that focus on IT have thrived as they easily can have staff work remotely. If we take those focused on the tech vertical we see and average of 2.4 times EV to 2021 sales. These companies also enjoy higher EBITDA margins. Using that average multiple and applying it to Mastech's forecasted revenues the stock is worth an average of $42.53.

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| Company | Ticker | Calendar Revenue 2022E | Calendar Revenue 2021E | LTM | EBIDTA Margin | EV/Sales 2022E | EV/Sales 2021E | EV/Sales LTM | Included in Average? | Enterprise Value |
|---|---|---|---|---|---|---|---|---|---|---|
| Accenture | ACN | NA | 48,800 | 44,730 | 17% | NA | 3.4 | 3.7 | y | 165,400 |
| Cognizant | CTSH | 18,830 | 17,780 | 16,650 | 18% | 2.1 | 2.2 | 2.4 | y | 39,400 |
| Computer Task Group | CTG | NA | 370 | 364 | 3% | NA | 0.3 | 0.3 | y | 94 |
| Infosys | INFY | NA | 14,800 | 13,140 | 26% | NA | 4.9 | 5.5 | y | 71,800 |
| Kforce Inc. | KFRC | NA | 1,390 | 1,380 | 6% | NA | 0.8 | 0.8 | y | 1,050 |
| Wipro | WIT | NA | 8,900 | 8,300 | 24% | NA | 3.1 | 3.4 | y | 27,900 |
| **Average** | | | | | 15.7% | 2.1 | 2.4 | 2.7 | | 6,831 |

| | Projected 2022E | Projected Revenue 2021E | TTM | EV/Sales 2022E | EV/Sales 2021E | EV/Sales TTM | Valuation Range Low | Valuation Range High |
|---|---|---|---|---|---|---|---|---|
| | 245 | 212 | 194 | 2.1 | 2.4 | 2.7 | 515 | 516 |
| YoY growth | | | | | | | | |

| | |
|---|---|
| Conclusion of Enterprise Value | **$515,271,092** |
| Market Value | **510,845,092** |
| Fully diluted shares | 12,011,000 |
| Price per Share | **$42.53** |

## RISKS

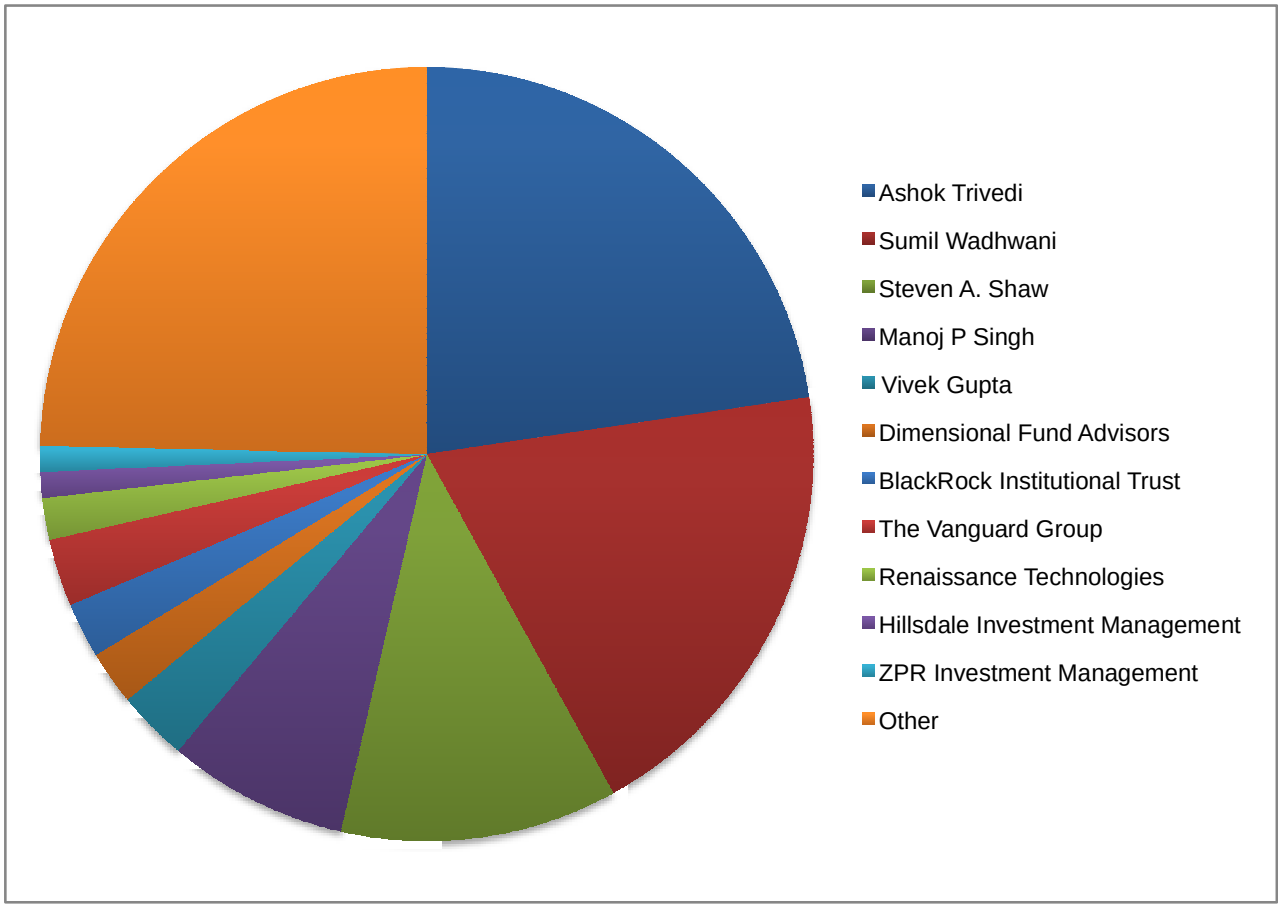
- The company is subject to the business cycle and tends to do better when the economy is robust or at the end of a recession when companies are reluctant to bring on full time hires. The current pandemic, which has resulted in business interruptions, makes it difficult to gage the current business climate both short and long term.

- The company is almost entirely dependent on the US market in the IT staffing segment.

- The top ten clients represented 48% of sales in the first nine months of 2020 with CGI being 14.8%.

- Any regulatory changes regarding H-1B visas could eventually trickle down to Mastech's pool of potential consultants; approximately 40% of its employee base is sourced from those currently holding these visas. Although there is talk about changes to visa grants for new entries into the US, Mastech sources its workforce base from those that already have the appropriate visas. A greater acceptance of remote working could decrease this risk.

## OWNERSHIP




**Source: Zacks Investment Research**

# INCOME STATEMENT

| | Q1 2019 31-Mar | Q2 2019 30-Jun | Q3 2019 30-Sep | Q4 2019 31-Dec | Q1 2020 31-Mar | Q2 2020 30-Jun | Q3 2020 30-Sep | Q4 2020 31-Dec | Q1 2021E 31-Mar | Q2 2021E 30-Jun | Q3 2021E 30-Sep | Q4 2021E 31-Dec | 2019 | 2020 | 2021E | 2022E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Billable consultants | 1,116 | 1,113 | 1,197 | 1,167 | 1,100 | 1,035 | 1,037 | 1,068 | 1,072 | 1,080 | 1,090 | 1,150 | 1,165 | 1,068 | 1,150 | 1,300 |
| Average bill rate per hour | 74.56 | 74.75 | 74.60 | NA | NA | NA | NA | NA | NA | NA | NA | NA | 74.97 | NA | NA | NA |
| IT Staffing Services | 39,431 | 41,818 | 42,463 | 43,199 | 43,065 | 40,811 | 40,207 | 39,792 | 40,000 | 40,900 | 41,500 | 43,500 | 166,911 | 163,875 | 165,900 | 187,539 |
| Yr-to-yr Growth | 7% | 8% | 10% | 10% | 9% | -2% | -5% | -7.9% | -7% | 0% | 3% | 9% | 9% | -2% | 1% | 13% |
| IT Staffing Gross Margin | 8,202 | 8,991 | 9,087 | 9,245 | 9,259 | 9,142 | 9,087 | 8,850 | 9,040 | 9,284 | 9,421 | 9,875 | 35,524 | 36,337 | 37,619 | 42,946 |
| Gross Margin % | 21% | 21.5% | 21.4% | 21.4% | 21.5% | 22.4% | 22.6% | 22.2% | 22.6% | 22.7% | 22.7% | 22.7% | 21.3% | 22.2% | 22.7% | 22.9% |
| Data & Analytics Services | 5,768 | 6,654 | 7,080 | 7,161 | 7,360 | 6,772 | 7,176 | 8,918 | 9,500 | 11,000 | 12,000 | 13,600 | 26,663 | 30,226 | 46,100 | 57,625 |
| Yr-to-yr Growth | -12% | 9% | 22% | 34% | 28% | 2% | 1% | 25% | 29% | 62% | 67% | 53% | 12% | 13% | 53% | 25% |
| Data & Analytics Gross Margin | 2,624 | 3,067 | 3,236 | 3,516 | 3,467 | 3,535 | 4,011 | 4,245 | 4,598 | 5,335 | 5,880 | 6,800 | 12,444 | 15,258 | 22,613 | 29,677 |
| Gross Margin % | 46% | 46% | 46% | 49.1% | 47% | 52% | 56% | 47.6% | 48% | 49% | 49% | 50% | 46.7% | 50.5% | 49.1% | 52% |
| **Revenue** | **$45,199** | **$48,472** | **$49,543** | **$50,360** | **$50,425** | **$47,583** | **$47,383** | **$48,710** | **$49,500** | **$51,900** | **$53,500** | **$57,100** | **$193,574** | **$194,101** | **$212,000** | **$245,164** |
| Yr-to-yr Growth | 4% | 8% | 12% | 13% | 12% | -2% | -4% | -3% | -2% | 9% | 13% | 17% | 9.3% | 0.3% | 9.2% | 16% |
| Cost of revenue | 34,364 | 36,418 | 37,214 | 37,597 | 37,706 | 34,927 | 34,293 | 35,636 | 35,862 | 37,281 | 38,200 | 40,426 | 145,593 | 142,562 | 151,768 | 172,541 |
| Gross profit | 10,835 | 12,054 | 12,329 | 12,763 | 12,719 | 12,656 | 13,090 | 13,074 | 13,638 | 14,619 | 15,301 | 16,675 | 47,981 | 51,539 | 60,232 | 72,623 |
| Gross Margin % | 24.0% | 24.9% | 24.9% | 24.5% | 25.2% | 26.6% | 27.6% | 26.8% | 27.6% | 28.2% | 28.6% | 29.2% | 24.8% | 26.6% | 28.4% | 29.6% |
| | | | | | | | | | | | | | | | | |
| SG&A | 8,965 | 9,544 | 9,259 | 9,295 | 10,243 | 9,042 | 8,873 | 9,978 | 9,700 | 10,228 | 10,880 | 12,672 | 37,063 | 38,136 | 43,480 | 48,641 |
| Impairment of goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 |
| Revaluation of contingent consideration liabilty | 0 | (6,069) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (6,069) | 0 | - | 0 |
| Total operating expenses | 8,965 | 3,475 | 9,259 | 9,295 | 10,243 | 9,042 | 8,873 | 9,978 | 9,700 | 10,228 | 10,880 | 12,672 | 30,994 | 38,136 | 43,480 | 48,641 |
| | | | | | | | | | | | | | | | | |
| Operating income: | 1,870 | 8,579 | 3,070 | 3,468 | 2,476 | 3,614 | 4,217 | 3,096 | 3,938 | 4,391 | 4,421 | 4,003 | 16,987 | 13,403 | 16,752 | 23,983 |
| Operating margin | 4.1% | 17.7% | 6.2% | 6.9% | 4.9% | 7.6% | 8.9% | 6.4% | 8.0% | 8.5% | 8.3% | 7.0% | 8.8% | 6.9% | 7.9% | 9.8% |
| | | | | | | | | | | | | | | | | |
| **Other income:** | | | | | | | | | | | | | | | | |
| Interest income | (539) | (468) | (413) | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Other income | (15) | (39) | 33 | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Total other income | (554) | (507) | (380) | (327) | (226) | (157) | (191) | (196) | (220) | (210) | (200) | (190) | (1,768) | (770) | (820) | (760) |
| | | | | | | | | | | | | | | | | |
| Income before income taxes | 1,316 | 8,072 | 2,690 | 3,141 | 2,250 | 3,457 | 4,026 | 2,900 | 3,718 | 4,181 | 4,221 | 3,813 | 15,219 | 12,633 | 15,932 | 23,223 |
| Pretax Margin | 2.9% | 16.7% | 5.4% | 6.2% | 4.5% | 7.3% | 8.5% | 6.0% | 7.5% | 8.1% | 7.9% | 6.7% | 7.9% | 6.5% | 7.5% | 9.5% |
| | | | | | | | | | | | | | | | | |
| Income taxes | 352 | 2,114 | 741 | 867 | 381 | 488 | 1,028 | 875 | 911 | 1,024 | 1,034 | 934 | 4,074 | 2,772 | 3,903 | 6,270 |
| Tax rate | 27% | 26% | 28% | 28% | 17% | 14% | 26% | 30% | 25% | 25% | 25% | 25% | 26.8% | 22% | 25% | 26% |
| Net income | 964 | 5,958 | 1,949 | 2,274 | 1,869 | 2,969 | 2,998 | 2,025 | 2,807 | 3,157 | 3,186 | 2,878 | 11,145 | 9,861 | 12,029 | 16,953 |
| Yr-over-Yr | -30% | 112% | 20% | 160% | 94% | -50% | 54% | -11% | 50% | 6% | 6% | 42% | 67% | -12% | 22% | 41% |
| | | | | | | | | | | | | | | | | |
| Stk based compensation | 236 | 267 | 263 | 170 | 456 | 612 | 462 | 491 | 500 | 500 | 500 | 500 | 936 | 2,021 | 2,000 | 1,100 |
| One-time expenses | 431 | (4,046) | 338 | (224) | 377 | 328 | 386 | 931 | 522 | 522 | 522 | 522 | (5,518) | 2,022 | 2,088 | 1,700 |
| Non-GAAP Income | 1,631 | 2,179 | 2,550 | 2,891 | 2,702 | 3,909 | 3,846 | 3,447 | 3,829 | 4,179 | 4,208 | 3,900 | 9,251 | 13,904 | 16,117 | 19,753 |
| Yr-over-Yr | -17% | -5% | 16% | 63% | 66% | 79% | 51% | 19% | 42% | 7% | 9% | 13% | 12.1% | 50% | 16% | 23% |
| | | | | | | | | | | | | | | | | |
| **Net income per share:** | | | | | | | | | | | | | | | | |
| Primary EPS | 0.09 | 0.54 | 0.18 | 0.21 | 0.17 | 0.26 | 0.26 | 0.17 | 0.23 | 0.26 | 0.26 | 0.23 | 1.01 | 0.83 | 0.99 | 1.33 |
| Diluted EPS | 0.09 | 0.53 | 0.17 | 0.20 | 0.16 | 0.25 | 0.25 | 0.17 | 0.23 | 0.26 | 0.27 | 0.24 | 0.99 | 0.83 | 1.00 | 1.33 |
| Diluted Non-GAAP EPS | 0.15 | 0.20 | 0.23 | 0.26 | 0.23 | 0.33 | 0.32 | 0.29 | 0.32 | 0.35 | 0.35 | 0.32 | 0.82 | 1.16 | 1.34 | 1.55 |
| | -18% | -6% | 16% | 61% | 59% | 68% | 40% | 12% | 38% | 6% | 10% | 13% | 11% | 41% | 15% | 16% |
| **Shares** | | | | | | | | | | | | | | | | |
| Basic | 10,998 | 11,022 | 11,039 | 11,049 | 11,127 | 11,271 | 11,381 | 12,011 | 12,011 | 12,111 | 12,211 | 12,311 | 11,029 | $11,950 | $12,161 | $12,711 |
| Yr-over-Yr | 0.7% | 0.9% | 0.7% | 0.5% | 1.2% | 2.3% | 3.1% | 8.7% | 7.9% | 7.5% | 7.3% | 2.5% | 1% | 8% | 2% | 5% |
| Diluted | 11,218 | 11,164 | 11,205 | 11,314 | 11,675 | 11,948 | 12,042 | 12,011 | 12,011 | 12,011 | 12,011 | 12,011 | 11,232 | 11,950 | $12,011 | 12,711 |
| Yr-over-Yr | 1.4% | 0.2% | -0.1% | 1.1% | 4.1% | 7.0% | 7.5% | 6.2% | 2.9% | 0.5% | -0.3% | 0.0% | 1% | 6% | 1% | 6% |

## BALANCE SHEET

| | Dec. 31, 2020 | Sept. 30, 2020 | Qtr-Qtr % Growth | Dec. 31, 2019 | Yr-Yr % Growth |
|---|---|---|---|---|---|
| **Current assets:** | | | | | |
| Cash and equivalents | **$ 7,677** | **$ 4,014** | 91.3% | **$ 2,981** | 157.5% |
| Accounts receivable, net | 32,134 | 31,258 | 2.8% | 32,352 | -0.7% |
| Prepaid expenses & other curr assets | 1,346 | 2,647 | -49.1% | 1,597 | -15.7% |
| Total current assets | 41,157 | 37,919 | 8.5% | 36,930 | 11.4% |
| | | | | | |
| Equipment, software and leasehold net | 1,971 | 2,133 | -7.6% | 2,476 | -20.4% |
| Deferred income taxes | 796 | 0 | NM | 0 | NM |
| Right-of-use assets | 3,286 | 3,642 | -9.8% | 4,617 | -28.8% |
| Non-current deposits | 396 | 392 | 1.0% | 405 | -2.2% |
| Goodwill, net | 32,510 | 26,106 | 24.5% | 26,106 | 24.5% |
| Intangible assets, net | 21,930 | 18,052 | 21.5% | 20,050 | 9.4% |
| Total assets | 102,046 | 88,244 | 15.6% | 90,584 | 12.7% |
| | | | | | |
| **Current liabilities:** | | | | | |
| Current portion of long-term debt, net | **4,400** | **4,575** | -3.8% | **4,576** | -3.8% |
| Accounts payable | 2,589 | 3,114 | -16.9% | 4,027 | -35.7% |
| Accrued payroll and related costs | 12,374 | 11,325 | 9.3% | 7,902 | 56.6% |
| Current portion of operating lease liability | 1,079 | 1,188 | -9.2% | 1,396 | -22.7% |
| Other accrued liabilities | 1,529 | 739 | 106.9% | 1,191 | 28.4% |
| Total current liabilities | 21,971 | 20,941 | 4.9% | 19,092 | 15.1% |
| | | | | | |
| Long-term debt, net | **12,875** | **3,865** | 233.1% | **20,682** | -37.7% |
| Contingent consideration liabilities | **2,882** | **0** | NA | **0** | NA |
| Lease liability | 2,325 | 2,558 | -9.1% | 3,321 | -30.0% |
| Long term accrued income taxes | 165 | 185 | -10.8% | 185 | -10.8% |
| Long term payroll tax liability | 2,295 | 3,107 | -26.1% | 0 | NM |
| Long term deferred income taxes | 0 | 726 | -100.0% | 1,025 | -100.0% |
| Total liabilities | 42,513 | 31,382 | 35.5% | 44,305 | -4.0% |
| | | | | | |
| **Stockholders' equity** | | | | | |
| Common stock | 130 | 130 | 0.0% | 127 | 2.4% |
| Additional paid-in capital | 25,509 | 24,901 | 2.4% | 21,939 | 16.3% |
| Retained earnings | 38,620 | 36,595 | 5.5% | 28,759 | 34.3% |
| Accumulated other comp loss | (539) | (577) | -6.6% | (358) | 50.6% |
| Treasury stock, at cost | (4,187) | (4,187) | 0.0% | (4,187) | 0.0% |
| Total stockholders' equity | 59,533 | 56,862 | 4.7% | 46,280 | 28.6% |
| Total liabilities and stockholders' equity | 102,046 | 88,244 | 15.6% | 90,585 | 12.7% |
| | | | | | |
| Current and quick ratio | 1.9 | 1.8 | 3.5% | 1.9 | -3.2% |
| Working Capital | 19,186 | 16,978 | 13.0% | 17,838 | 7.6% |
| Net cash | 7,677 | 4,014 | 91.3% | 2,981 | 157.5% |
| Debt | 17,275 | 8,440 | 104.7% | 25,258 | -31.6% |
| Debt/TA | 17% | 10% | 77.0% | 28% | -39.3% |

## CASH FLOWS

| | Year 2018 | 3 Mo Ended Mar 31, 2019 | 3 Mo Ended Jun 30, 2019 | 3 Mo Ended Sep 30, 2019 | 3 Mo Ended Dec 31, 2019 | Year 2019 | 3 Mo Ended Mar 31, 2020 | 3 Mo Ended Jun 30, 2020 | 3 Mo Ended Sep 30, 2020 |
|---|---|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | | | | | |
| Net income | 6,691 | 964 | 5,958 | 1,949 | 2,274 | 11,145 | 1,869 | 2,959 | 2,998 |
| **Adjustments to reconcile net income to net cash provided by operating activities:** | | | | | | | | | |
| Depreciation and amortization | 3,182 | 839 | 869 | 869 | 857 | 3,434 | 873 | 868 | 858 |
| Bad debt expense | 10 | - | 30 | 50 | - | 80 | - | - | - |
| Interest amortization of deferred financing costs | 100 | 26 | 26 | 26 | 26 | 104 | 26 | 26 | 26 |
| Stock-based compensation | 470 | 236 | 267 | 263 | 170 | 936 | 456 | 612 | 462 |
| Deferred income taxes, net | 171 | (95) | 1,549 | (75) | (57) | 1,322 | (182) | (6) | (111) |
| Impairment of goodwill | 9,738 | - | - | - | - | - | - | - | - |
| Reevaluation of contingent consideration liability | (11,056) | - | (6,069) | - | - | (6,069) | - | - | - |
| Loss on disposition of fixed assets | 7 | - | - | - | - | - | 2 | - | - |
| Long term accrued income taxes | 136 | - | - | - | (19) | (19) | - | - | - |
| Operating lease assets and liabilities, net | - | - | 95 | 5 | - | 100 | (37) | 14 | 27 |
| **Change in operating assets and liabilities:** | | | | | | | | | |
| Accounts receivable & unbilled receivables | (7,428) | (1,051) | 3,310 | 781 | 2,608 | 5,648 | (1,244) | 2,388 | (50) |
| Prepaid expenses and other current assets | 283 | 110 | (248) | (52) | (196) | (386) | 492 | (169) | (1,373) |
| Accounts payable | (901) | (196) | (22) | 450 | (332) | (100) | (587) | (367) | 41 |
| Accrued payroll | (1,241) | (112) | 2,472 | (260) | (1,926) | 174 | 1,554 | 1,655 | 3,321 |
| Other accrued liabilities | (461) | 327 | (448) | 232 | (375) | (264) | (276) | 668 | (732) |
| Deferred revenues | (172) | 80 | (164) | 72 | (9) | (21) | (151) | 122 | (104) |
| Net cash used by operating activities | (471) | 1,128 | 7,625 | 4,310 | 3,021 | 16,084 | 2,795 | 8,770 | 5,363 |
| **Cash flows from Investing activities:** | | | | | | | | | |
| (Payment for) recovery of non-current deposits | (285) | 9 | 84 | 37 | 5 | 135 | 17 | 3 | (7) |
| Capital expenditures | (771) | (404) | (190) | (292) | (128) | (1,014) | (119) | (36) | (105) |
| Net cash used in investing activities | (1,056) | (395) | (106) | (255) | (123) | (879) | (102) | (33) | (112) |
| **Cash flows from Financing activities:** | | | | | | | | | |
| Borrowings on revolving credit facility, net | 4,526 | 656 | (4,183) | (4,701) | 4,252 | (3,976) | (2,244) | (2,307) | (4,950) |
| (Repayments) on term loan facility | (4,003) | (1,144) | (1,144) | (1,144) | (6,143) | (9,575) | (1,144) | (5,106) | (1,144) |
| Proceeds from the issuance of common shares | - | | 106 | - | 62 | 168 | - | 107 | (2) |
| Payment of deferred financing costs | (71) | - | - | - | - | - | - | - | - |
| Purchase of treasury stock | (20) | | (13) | - | - | (13) | - | - | - |
| Proceeds from the exericise of stock options | 118 | - | - | - | 7 | 7 | 556 | 765 | 9 |
| **Net cash provided by financing activities** | 550 | (488) | (5,234) | (5,845) | (1,822) | (13,389) | (2,832) | (6,541) | (6,087) |
| Effect of exchange rate changes of cash | (207) | 9 | 36 | (116) | (58) | (129) | (267) | (38) | 107 |
| Net change - cash | (1,184) | 254 | 2,321 | (1,906) | 1,018 | 1,687 | (406) | 2,168 | (729) |
| Cash, beginning of quarter | 2,478 | 1,294 | 1,548 | 3,869 | 1,963 | 1,294 | 2,981 | 2,575 | 4,743 |
| Cash, end of period | 1,294 | 1,548 | 3,869 | 1,963 | 2,981 | 2,981 | 2,575 | 4,743 | 4,014 |
| **Supplemental information:** | | | | | | | | | |
| Interest paid | 2,060 | - | - | - | - | 1,780 | - | - | - |
| Income taxes paid | 2,031 | - | - | - | - | 2,634 | - | - | - |
| **Cash Flow** | 9,449 | 1,970 | 2,725 | 3,087 | 3,251 | 11,033 | 3,007 | 4,473 | 4,260 |
| **Free cash flow** | 8,678 | 1,566 | 2,535 | 2,795 | 3,123 | 10,019 | 2,888 | 4,437 | 4,155 |

## HISTORICAL STOCK PRICE




**Source: Zacks Investment Research**

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