

Company Sponsored Research
Update Note
05/17/2019

Boxlight Corporation

(NASDAQ: BOXL)

Lower Results Than Anticipated; Strong Sales Anticipated Over Next Two Quarters with Strongest Pipeline to Date

Investment Highlights:

- Boxlight announced weaker than anticipated first quarter 2019 financial results on May 16th, 2019.** The Company reported revenue for the three months ended March 31st, 2019 of \$5.0 million, compared to \$6.0 million over the same period last year. Gross profit increased to 31.6%, as compared to 24.7% in 1Q'18. Net loss attributable to the company was \$4.7 million, or \$0.46 per share – basic and fully diluted. As of March 31st, 2019, the Company had cash and cash equivalents of \$2.7 million and shareholders' equity of \$4.5 million. The Company closed on a \$4 million investment from The Lind Partners in March 2019, which the company has indicated will be adequate to support the Company's 2019 growth.
- Q1 is traditionally a slow quarter for Boxlight and the industry more broadly.** A more robust Q2 and Q3 are expected as the Company has a very strong pipeline and has maintained its overall full year guidance. We remain optimistic for the full year 2019 with 27% revenue growth and 25% gross profit forecasted as the Company introduces new products, expands its cross-selling opportunities and grows internationally with its strong re-seller partner network and sales force. Our revised discounted cash flow model indicates a slightly higher valuation of \$6.00 per share.

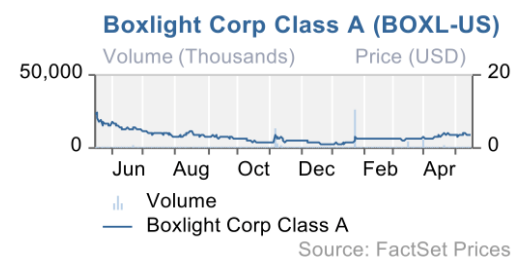
Company Description

Boxlight Corporation is a leading provider of technology solutions for the global learning market. The company develops, sells, and services its integrated, interactive solution suite including software, classroom technologies, and professional development and support services. The company was founded on September 18, 2014 and is headquartered in Lawrenceville, GA.

Technology

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Price- Volume History



Key Statistics

Closing Price (As of 05/16/2019)	\$3.85
52 Week Range	\$1.14-\$11.98
Average Daily Volume	564,669
Shares Outstanding (M)	10.52
Market Capitalization (M)	40.48
Number of Analysts Covering	4
Enterprise Value/Revenue	0.95x

Revenue(\$ in millions)

Dec. FY	2017A	2018A	2019E
1Q	4.19A	6.00A	5.01A
2Q	5.98A	9.66A	15.79E
3Q	10.23A	10.20A	17.04E
4Q	5.34A	11.98A	10.21E
FY	25.74A	37.84A	48.06E

EPS(\$)

Dec. FY	2017A	2018A	2019E
1Q	(.34)A	(.09)A	(.46)A
2Q	(.18)A	(.45)A	(.06)E
3Q	.09A	(.12)A	(.01)E
4Q	(0.99)A	(.14)A	(.09)E
FY	(1.34)A	(.72)A	(.57)E

2019 First Quarter Results

For the three months ending March 31st, 2019, Boxlight generated revenues of \$5.0 million, compared to \$6.0 million in the same period last year, down 16% as some large projects were delayed further into the year. Gross profit increased from 25% for 1Q'18 to 32% this quarter, as the company enhanced its product suite with higher margin hardware, software and professional services. The company reported a net loss of \$4.7 million, an increase in losses of \$3.8 million, or 418%, compared to their loss in 1Q'18. The loss per share - basic and diluted, was \$0.46 for the three months ending March 31st, 2019.

Liquidity and Balance Sheet

As of March 31st, 2019, Boxlight's cash and cash equivalents were equal to \$2.7 million, compared to \$0.9 million on December 31st, 2018, as the Company closed a \$4 million investment from The Lind Partners in March 2019. Total current assets decreased slightly from \$10.0 million to \$9.5 million. The Company had \$14.4 million of current liabilities and \$1.6 million of long-term debt. Total liabilities increased by 22% to \$16.2 million on March 31st, 2019. The Company reported total stockholders' equity of \$4.5 million with 10.6 million shares issued and outstanding.

Competitive Advantage

The interactive education industry is highly competitive. The company faces competition from developers, manufacturers and distributors of interactive learning products and solutions. The industry is characterized by frequent product introductions and rapid technological advancement. Research and development are key components of the industry, as companies seek to stay ahead of competitors with new hardware and software developments. Boxlight is also facing increasing international competition, as it seeks to expand its revenue within new territories. Interactive whiteboards have evolved from a high-cost technology to a ubiquitous technology at a more affordable price point. Boxlight's reputation, full product suite, and focus on client satisfaction enhance its competitive position. According to recent study by Markets and Markets, the major players in the interactive projector market include Seiko Epson Corp. (Japan), BenQ Corp. (Taiwan), Boxlight (U.S.), Dell Technologies Inc. (U.S.), Panasonic Corp. (Japan), CASIO COMPUTER Co., Ltd. (Japan), NEC Display Solutions, Ltd. (Japan), Optoma Technology Inc. (U.S.), Touchjet Inc. (Singapore), and Delta Electronics Inc. (Taiwan). We believe Boxlight is well positioned in the marketplace with its global distribution, strong leadership team, comprehensive integrated suite, and respected brand. Boxlight positions itself as an affordable, but not the cheapest product however it offers a comprehensive integrated suite with award-winning products which customers seem to value.

Risk Factors

- Boxlight Group has a history of losses, there is no assurance their losses will not continue in the future. Even with greater top line growth, Boxlight Group may struggle to achieve consistent profitability and free cash flow.
- The company may not be able to manage its acquisition strategy in a shareholder accretive manner. Acquiring and integrating businesses poses unique risks, including but not limited to management issues, control implementation difficulties, and declining employee morale and retention issues
- Boxlight operates in the highly competitive education technology industry. Boxlight faces intense competition from developers, manufacturers, and distributors of educational technology products. Boxlight's competitors may have substantially greater resources and may have already taken extensive steps to secure market share, a large company such as Apple deciding to enter the sector could be devastating for Boxlight
- Boxlight has a low cash balance and will likely require additional financing to reach consistent profitability
- Extensive reliance on external suppliers and resellers. Boxlight Corporation is dependent on suppliers to provide timely delivery of products and fulfill existing orders. The company is also dependent on resellers to continue to sell its products at attractive terms which may not occur
- Trade war and tariffs are likely to increase input costs, although the company has indicated these can be mostly offset
- Shifts in government spending around education and education technology within classrooms may affect Boxlight's strong top line growth and these changes can happen quickly
- Boxlight shareholders are likely to continue to incur substantial dilution as a result of both acquisitions and financings

These Risk Factors Are Not Comprehensive. For Full List of Risk Factors Please Read Boxlight Corporation's Latest Prospectus and/or Annual Filings

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