



Analyzing an earnings report

Breaking down a company's quarterly filing to shed light on its operations

Each month we provide some level of earnings analysis for our recommendations. Beyond that, we've explained our Bowser Rating System a number of times.

However, it's important to understand the components of an earnings report to begin to formulate your own financial outlook on a company.

The Components

10-Q filings can be dull and wordy, so I'll touch on the various components that companies usually mention in their press releases. However, if at any time you feel a press release lacks information or overlooks vital aspects of the financial results, you should take a look at the filing itself.

There are three main components of an earnings report:

- Balance sheet: provides financial figures relating to the assets and liabilities;
- Income statement: usually the most commonly referenced statement, as it touches on sales, profitability, and expenses; and
- Statement of cash flows: shows any major changes in gross receipts and gross payments over the past quarter.

Analysis

The most efficient method of analyzing an earnings release is not to scrutinize every figure, but rather to focus on only a few figures. Which figures exactly vary between investors, but *The Bowser Report* has always kept it simple.

The easiest way to conduct a thorough analysis is to compare the year-over-year growth rates. Dramatic increases or decreases should then be analyzed further to enhance clarity and understanding.

Revenue, net income, earnings per share, expenses and outlook are the most important figures to examine. All of these can be found on the income statement except for outlook, which is usually mentioned in the comments from management.

Revenue growth and decreasing expenses

are the best signs of a company building a solid financial foundation. The flip side is spending more money to realize little to no sales growth, which is not a good sign.

Out of the aforementioned financial figures, you only want to see a decrease in expenses. If they have increased, then it needs to be justified by a significant increase in revenue.

Tips and Tricks

Keeping track of all the increases and decreases is not always simple, especially when you're dealing with multiple companies. If you are a dedicated investor, try keeping a log of these figures. I've included a screenshot of a basic Excel spreadsheet:

LightPath Technologies, Inc. (LPTH)				
	Revenue	Net Income	EPS	Outlook
1Q15	\$ 3,198,754	\$ 89,791	\$ 0.01	+
2Q15	\$ 4,506,547	\$ (367,234)	\$(0.02)	+
3Q15	\$ 4,190,330	\$ 842,973	\$0.05	+
4Q15	\$ 4,236,331	\$ (535,583)	\$(0.04)	+
1Q16	\$ 4,111,973	\$ 775,758	\$ 0.05	+
2Q16	\$ 4,733,604	\$ 331,467	\$0.02	+
3Q16	\$ 5,000,229	\$ 140,496	\$0.01	+
4Q16	\$ 5,869,837	\$ 1,097,667	\$ 0.07	+
1Q Growth Rate	29%	764%	400%	
2Q Growth Rate	5%	+	+	
3Q Growth Rate	19%	-83%	-80%	
4Q Growth Rate	39%	+	+	
Trend	Bullish	Bullish	Bullish	

The above table shows the earnings history of **LightPath Technologies (LPTH)**. The calculation for the year-over-year growth rate is the difference of the two figures divided by that of the earlier year. For example, for 4Q revenue growth, calculate the difference between 4Q16 and 4Q15 revenues and then divide it by the 4Q15 revenue.

LPTH is a good example of a company with steadily improving financial figures. The stock is currently trading near its 52-week high, but traded near its 52-week low following its third quarter earnings release (the result of high expectations set by strong first and second quarter results).

CONTINUED ON NEXT PAGE...

...CONTINUED FROM FRONT PAGE

For long-term investors, these short-term price swings should not be worrisome. However, understanding investor expectations before an earnings release allows you to understand whether or not the price action is justified.

If the price action is still not indicative of the financial results, make sure to read through the entire press release thoroughly in case there are any one-time expenses, legal fees or red flags that are only temporary. Since these are quarterly figures, they can be significantly offset by a one-time fee. Usually you can find this information in the analysis given by management.

The last tip that you can use to your advantage is to avoid the headlines and read the press release itself. It seems like this would be a no-brainer, but investors get used to just reading headlines as press releases can sometimes become repetitive. The headlines themselves can be misleading as they often highlight one or two positive or negative financial figures, which don't tell the full story.

Conclusion

Staying updated with quarterly earnings results does require some effort, but you gain a much better understanding of a company's outlook. If you focus on revenue, net income, earnings per share and expenses and each one's growth rate, then you

Market Overview

BWSR AVG ↑ 2.0%	NASDAQ ↑ 3.8%	RUS 2000 ↑ 2.4%	S&P 500 ↑ 1.9%	DJIA ↑ 1.7%
--------------------	------------------	--------------------	-------------------	----------------

Stocks hit all-time highs once again although fear is still looming. The Nasdaq led major indices due to certain large cap stocks surpassing earnings expectations. **Smith-Midland Corporation (SMID)** shares gained 25% following multiple positive press releases. Bowser stocks moved with the markets and closed out yet another month in the black.

can avoid the wordy SEC filings and trust your own analysis.

The Bowser Report recommends stocks with stable financial growth and promising potential. Therefore, if there is a red flag in the company's financial results, we will be sure to call your attention to it. However, knowing how to interpret financial statements will allow you to develop a further understanding and draw conclusions on your own.

As a long-term investor, you want to focus on the big picture. Don't let the price action immediately following an earnings release cause you to overthink your analysis. Trust the Game Plan and try to gain a better understanding of what is expected from management moving forward.

LightPath signs agreement

LightPath Technologies (LPTH) signed a joint development agreement with Hangzhou OLE-Systems Laser Technology Co., Ltd. to design and manufacture an optical system assembly based on LPTH's proprietary high power fiber delivery technology.

According to a new market research report from BCC Research, the global tools and components for photonic applications market should reach nearly \$10.6 billion and \$19.2 billion in 2016 and 2021, respectively, demonstrating a five-year compound annual growth rate (CAGR) of 12.7%.

Cemtrex pays cash dividend

Cemtrex (CETX) will pay its first ever cash dividend on common stock to shareholders of record as of March 31, 2017. The company is seeking to broaden its investor base, as some mutual funds will only invest in stocks that pay dividends.

CETX has already paid a prorated portion of \$1.00 per share per year, cash dividend on its outstanding Series 1 Preferred shares on March 31, 2017.

"We have sufficient cash flow and confidence in the future to give us comfort that we can afford to fund both a dividend and our ongoing acquisition program," said Saagar Govil, Cemtrex's chairman & CEO.

The Bowser Game Plan

1. **DO NOT PAY** more than \$3/share for a stock.
2. **CREATE A PORTFOLIO** of 12 to 18 stocks. **Diversification is important.**
3. **DO NOT SELL** when a stock goes above \$3/share and is moved to Page 5.
4. **DO NOT SELL** when a stock moves to a lower category.
5. **SELLING PLAN:** Sell half of your holdings when the stock doubles from your purchase price. Sell the remainder after the stock drops 25% from its most recent high. If the stock drops 50% without doubling, sell all shares.
6. **RECORD** proceeds from sales.
7. **PORTFOLIO EVALUATION** = current value of portfolio + proceeds from sales

COMPANY OF THE MONTH

Galaxy Gaming, Inc. (GLXZ) develops, acquires, manufactures, and markets technology and entertainment-based products for the gaming industry. The company's products primarily relate to licensed casino operators' table game activities and focus on either increasing their profitability, productivity and security or expanding their gaming entertainment offerings.

This is done in the form of proprietary table games, electronically-enhanced table game platforms, fully-automated electronic tables and other ancillary equipment. The products are manufactured at the company's manufacturing facility in Las Vegas, Nevada, as well as outsourced for certain sub-assemblies in the United States.

Galaxy Gaming's revenues consist primarily of recurring royalties received from its clients for the licensing of its game content and other products. The company was founded by Robert B. Saucier in 1997.

Business Model

Galaxy Gaming serves over 600 casinos that use its enhancements on approximately 5,000 gaming tables. The products and services are marketed to land-based, riverboat, cruise ship, and Internet gaming companies located in North America, the Caribbean, Central America, the British Isles, Europe and Africa. They are also marketed to Internet gaming sites worldwide.

Recurring revenues represented 99% of total revenues in 2016. Recurring revenues generally lack direct costs, thereby generating high gross profit margins in excess of 90%. These are outstanding margins for any company and made it fairly easy for GLXZ to refinance its existing long-term debt and improve cash flow.

The term loan was with Breakaway Capital Management, LLC, which seemed exceedingly confident in the company's business model and ability to pay back the loan. Mike Connolly, founder and general partner of Breakaway Capital, commented, "Galaxy Gaming's recurring business model and unique position in the marketplace are what attracted us to the opportunity."

A strategic acquisition of Prime Table Games for \$23 million in 2011 allowed GLXZ to quadruple recurring

revenues. Over 50% of the original balance has already been paid down, showing the high profitability of GLXZ's business model.

Gross revenues increased 14% in 2016 because of the focus on premium games (i.e. High Card Flush), which have a higher price point per unit. Moving forward, the company intends to push products with higher price points and expand its inventory of services, products and technologies. The long-term goal is to have enough quality products and services that GLXZ can provide complete turn-key systems rather than just individual products.

Expansion

For a company with a highly profitable business model, it's easy to get complacent and ignore expansion opportunities. However, Galaxy Gaming is looking to expand its product line through research and asset acquisitions.

Only one company in the table game industry, Scientific Games, Inc., has been able to offer casinos all of the table game products required. This unique ability has proven to be a huge competitive advantage, which has motivated GLXZ to invest in its comprehensive portfolio of games, products, systems, technologies and methodologies for casino table games. The decrease in research and development expenses can be attributed to the reduced costs surrounding the development of SpectrumVision, GLXZ's card marking detection system. The company has stated that it intends to ramp up R&D in 2017 and beyond.

The most noteworthy event in GLXZ's history has been the aforementioned acquisition of Prime Table Games in 2011. Since 2010, the company has acquired over 20 table games, 47 patents and patents pending, 96 worldwide trademark and design registrations and 47 domain name registrations. Over the past two years, it has also used acquisitions to enhance its Baccarat game portfolio and develop SpectrumVision.

With improved cash flow from the refinancing of its long-term debt, the company is in a good position to continue its strategic acquisitions and build its portfolio.

Promising Management

President, CEO, Secretary, Treasurer, and Chairman of the Board Robert B. Saucier has served the company since inception in 1997. Mr. Saucier has founded and grown five start-up companies. Saucier's most

CONTINUED ON PAGE 6...



	2014	2015	2016 (A)
REVENUES	\$9,764,583	\$10,855,740	\$12,316,435
INCOME (LOSS)	\$21,888	\$473,264	\$1,765,202
WORKING CAPITAL	N/A	N/A	\$440,000
BOOK VALUE	\$0.04	\$0.06	\$0.11
TOTAL SHARES	38,513,084	39,066,415	39,162,303
FLOAT	N/A	N/A	15,440,000
(A) TWELVE MONTHS ENDED 12/31/16			

MINIPRICED STOCKS IN BUYING RANGE

SYMBOLS: (A) NYSE MKT; (CM) NASDAQ CAPITAL MARKET, WAS THE SMALL CAP MARKET; (GM) NASDAQ GLOBAL MARKET, WAS NATIONAL MARKET; (N) NEW YORK STOCK EXCHANGE; (NR) NOT RATED; (QB) OTC QB MARKET; (QX) OTC QX MARKET; # PREVIOUSLY APPEARED ON LIST, BUT WAS REMOVED BECAUSE IT HAD RISEN ABOVE \$3.00/SHARE; FIGURES IN PARENTHESIS ARE LOSSES.

Date of Recommend & Market	Issue/Trading Symbol	Principal Business	Price 05/05/17	Long-term Debt (Millions)	Sales Updated Quarterly (Millions)	Income/Loss Updated Quarterly (Millions)	Shares Outstanding (Millions)	Bowser Rating
CATEGORY ONE: BEST COMPANIES (RATED 10+)								
03/17(CM)	CENTRAL FEDERAL (CFBK)	BANK HOLDING COMPANY	2.21	\$0.000	\$11.8	\$3.810	16.3	11
07/14(QB)	FITLIFE BRANDS (FTLF)	NUTRITIONAL SUPPLEMENTS	0.70	\$0.369	\$25.3	\$0.368	10.4	12
12/16(QB)	FRANKLIN WIRELESS (FKWL)	WIRELESS SOLUTIONS	2.12	\$0.000	\$60.6	\$1.856	10.5	12
02/15(GM)	NOVA LIFESTYLE INC. (NVFY)	FURNITURE MANUFACTURING/SALES	1.54	\$0.000	\$114.8	\$0.449	26.6	11
11/15(QX)	OURPET'S COMPANY (OPCO)	PET SUPPLIES	1.60	\$0.673	\$27.4	\$2.262	15.2	10
02/17(QX)	PRECISION AUTO CARE (PACI)	AUTOMOBILE MAINTENANCE CENTERS	1.00	\$1.093	\$28.4	\$1.189	22.7	10
04/15(QB)	SCOTT'S LIQUID GOLD (SLGD)	HOUSEHOLD AND BEAUTY PRODUCTS	1.78	\$0.000	\$29.2	\$4.780	11.7	10
# 10/12(QB)	WHERE FD CMS FROM (WFCF)	FOOD VERIFICATION SERVICES	2.03	\$0.178	\$11.4	\$0.635	23.9	10
CATEGORY TWO: GOOD COMPANIES (RATED 8-9)								
03/16(CM)	BROADWAY FINANCIAL (BYFC)	BANK HOLDING COMPANY	1.87	\$0.000	\$17.8	\$4.079	18.7	8
# 03/13(GM)	ADVANTAGE TECH (AEY)	CABLE TV EQUIPMENT	1.80	\$3.466	\$38.7	\$0.294	10.1	9
11/16(N)	CHINA NEW BORUN (BORN)	CORN PRODUCTS IN CHINA	1.19	\$0.000	\$350.4	\$16.960	25.7	9
05/17(QB)	GALAXY GAMING (GLXZ)	GAMING INDUSTRY PRODUCTS	\$0.69	\$9.946	\$12.5	\$1.765	39.4	8
12/14(QB)	INT'L BALER CORP. (IBAL)	BALING EQUIPMENT	2.03	\$0.000	\$18.5	\$0.901	5.2	9
10/16(CM)	KOSS CORPORATION (KOSS)	STEREO ACCESSORIES	2.07	\$0.000	\$26.3	\$1.328	7.4	8
04/17(QB)	MAMAMANCINI'S (MMMB)	FOOD PRODUCTS	0.93	\$1.812	\$18.1	(\$0.289)	27.6	8
01/15(N)	NEVADA GOLD & CASINOS (UWN)	GAMING OPERATIONS	2.27	\$16.231	\$72.7	\$0.744	17.8	8
01/17(CM)	ONE GROUP HOSPITALITY (STKS)	GLOBAL RESTAURANT OPERATIONS	2.09	\$12.031	\$70.6	\$1.103	25.1	8
04/13(CM)	SPAR GROUP (SGRP)	MERCHANDISING AND MARKETING	0.96	\$0.004	\$152.1	\$0.818	20.7	8
CATEGORY THREE: SPECULATIVE COMPANIES (RATED 7 AND BELOW AND/OR NON-PROFITABLE)								
# 03/14(A)	COMMAND SECURITY (MOC)	SECURITY PERSONNEL/SERVICES	2.61	\$0.000	\$143.7	(\$1.429)	9.8	9
# 05/14(CM)	CPS TECHNOLOGIES (CPSH)	ADVANCED MATERIAL SOLUTIONS	1.49	\$0.000	\$19.6	\$0.427	13.2	7
06/14(A)	DYNASIL CORP. (DYSL)	OPTICAL COMPONENTS	1.42	\$0.736	\$43.4	\$0.688	16.9	7
# 06/08(A)	FLEXIBLE SOLUTIONS (FSI)	SPECIALTY CHEMICALS	1.64	\$0.402	\$15.9	\$1.834	11.5	7
08/16(CM)	FULL HOUSE RESORTS (FLL)	CASINO OPERATIONS	2.32	\$65.149	\$136.2	(\$2.062)	19.0	7
# 12/15(A)	INFUSYSTEM HOLDINGS (INFU)	MEDICAL INFUSION PUMPS	2.00	\$26.577	\$70.5	(\$0.222)	22.6	NR
07/13(CM)	LIGHTPATH TECH (LPTH)	OPTICAL COMPONENTS	2.67	\$10.167	\$24.1	\$1.672	23.7	7
07/16(CM)	LRAD CORP (LRAD)	ACOUSTIC SYSTEMS	1.73	\$0.000	\$18.5	(\$0.752)	31.8	10
11/14(QB)	NOBLE ROMAN'S (NROM)	PIZZA FRANCHISES AND LICENSES	0.48	\$2.845	\$7.8	(\$0.871)	20.7	7
07/10(QB)	REPRO MED SYSTEMS (REPR)	DESIGN/PRODUCE MED PRODUCTS	0.44	\$0.000	\$12.6	(\$0.076)	37.8	7
08/14(QB)	SONO-TEK CORP. (SOTK)	ULTRASONIC NOZZLES	1.09	\$1.075	\$10.1	\$0.035	15.0	NR
# 06/16(A)	SUNWORKS, INC. (SUNW)	SOLAR ENERGY SYSTEMS	1.39	\$1.150	\$86.4	(\$9.380)	20.9	7

We recommend only purchasing companies rated 8 or higher. If a company's rating drops, do not sell. For when to sell, refer to the Game Plan on page 2.

Category Changes

This month there were a number of recommendations that reported their earnings. Each one reported an increase in revenues and eight of twelve reported higher net income.

As a result, more companies move up this month than down. Those moving up are **FitLife Brands (FTLF)** from Cat. 2 to Cat. 1, **Broadway Financial (BYFC)** and **SPAR Group (SGRP)** from Cat. 3 to Cat. 2. Moving down is **LightPath Technologies (LPTH)**, falling from Cat. 2 to Cat. 3.

LRAD receives large order

LRAD Corporation (LRAD) announced a second LRAD 360XT systems order from one of the largest oil and gas companies in Eurasia. The mobile mass notification system in the \$1.6 million order will have LRAD's solar power option and be integrated with a

gas detection alarm system. The order is scheduled to ship during calendar 2017.

"The advanced technology and superior intelligibility of the LRAD 360XT systems announced last October led to a second order from this customer," remarked Richard S. Danforth, CEO of LRAD Corporation.

Sunworks announces partnership

Sunworks (SUNW) announced a partnership with Yaskawa Solectria Solar to install co-branded transformerless three-phase string inverters. Sunworks chose Yaskawa Solectria Solar inverters based on reliability, support and the ongoing successful relationship between both companies.

"Yaskawa Solectria Solar was chosen after extensive evaluation to be our partner of choice for this program," said Robert Lopez, VP Procurement of Sunworks.

FOLLOW-THROUGH AND STOCKS TO SELL

WE ENCOURAGE SUBSCRIBERS TO BUY OUR STOCKS WHEN THEY ARE \$3 OR LESS. HOWEVER, WHEN THEY GO ABOVE \$3, WE FOLLOW THEM IN THE FIRST GROUP BELOW. IN BOTH OF THE FOLLOWING LISTS, COLUMN 1 GIVES THE SHARE PRICE AS OF 05/05/17 PLUS THE CURRENT BOWSER RATING. COLUMN 2 IN THE FIRST LIST BELOW INCLUDES THE MONTH/YEAR WE ORIGINALLY RECOMMENDED THE ISSUE, THE PRICE PER SHARE THEN AND THE BOWSER RATING. (NR=not rated)

ISSUE/EXCHANGE SYMBOL	1	2	ISSUE/EXCHANGE SYMBOL	1	2
ATLANTIC AMERICAN (GM:AAME)	\$3.80(9)	02/12 \$2.05(8)	NETWORK-1 TECHNOLOGIES (A:NTIP)	\$4.55(7)	03/15 \$2.29(10)
CEMTREX, INC. (CM:CETX)	\$3.22(NR)	05/16 \$1.96(8)	PLANET PAYMENT (CM:PLPM)	\$4.18(8)	07/15 \$2.42(10)
DLH HOLDINGS (CM:DLHC)	\$5.05(7)	01/14 \$1.53(9)	RIVERVIEW BANCORP (GS:RVSB)	\$7.11(9)	06/13 \$2.30(9)
ELECTROMED (A:ELMD)	\$4.73(8)	09/15 \$1.64(10)	ROYAL BANCSHARES OF PA (GM:RBPA)	\$4.23(7)	10/14 \$1.65(9)
GOLDFIELD CORP. (A:GV)	\$4.65(9)	06/12 \$1.58(8)	SIMULATIONS PLUS (CM:SLP)	\$12.45(10)	05/10 \$2.46(9)
ITERIS (A:ITI)	\$5.28(9)	12/06 \$2.21(8)	SMITH-MIDLAND (QX:SMID)	\$8.00(10)	02/16 \$2.38(10)
MANHATTAN BRIDGE CAPITAL (CM:LOAN)	\$5.60(10)	02/10 \$1.10(9)	SOCKET MOBILE (CM:SCKT)	\$4.14(8)	09/16 \$2.59(10)
MEET GROUP (CM:MEET)	\$6.09(10)	10/15 \$1.62(10)	VIRCO MANUFACTURING (GM:VIRC)	\$4.25(10)	06/15 \$2.51(11)

THE FOLLOWING WE SAID SHOULD BE SOLD

(COLUMN 2 SHOWS THE DATE, PRICE AND BOWSER RATING WHEN WE RECOMMENDED THE STOCK BE SOLD)

INFOSONICS (CM:IFON)	\$0.49	12/16 \$0.39(8)	PAYBOX CORP. (PBOX)	\$0.27	04/17 \$0.27(7)
----------------------	--------	-----------------	---------------------	--------	-----------------

BRIEFS

Cemtrex (CETX) received a multi-million dollar order from a new customer, HBH GmbH. The company expects to execute this order over the next 18-month period. . . . Horton Capital Partners Fund, LP, a major holder of **CPS Technologies (CPSH)**, published a presentation urging the company's shareholders to vote "AGAINST" its current slate of directors at the upcoming annual shareholders meeting to be held on May 5, 2017. . . . **Dynasil (DYSL)** upgraded and launched their new e-commerce business, which is accessible at www.dynasil.com. The new online store features both stock products and the opportunity to request custom and OEM solutions. . . . **Iteris (ITI)** announced the Orange County Transportation Authority (OCTA) has engaged with the company to conduct a Vehicle-to-Infrastructure State of the Practice Review. . . . **LRAD Corp. (LRAD)** announced two additions to the company's ONE VOICE product line, the LRAD DS-60X and

the LRAD DS-60XL. . . . **Repro Med Systems (REPR)** announced that the United States Food and Drug Administration (FDA) renewed the company's Certificate to Foreign Government (CFG). REPR also announced the establishment of a new medical advisory council. . . . **Socket Mobile (SCKT)** announced the expansion of the DuraCase product line to support Samsung's J3 and J5 mobile phones. The DuraCase is a one-handed, protective casing for both the mobile phone and attached 800 Series barcode scanning solution. . . . **Simulations Plus (SLP)** signed a distributor agreement in India with Electrolab India Pvt. Ltd. . . . **Smith-Midland Corporation (SMID)** recently hosted a six-person delegation from one of China's largest construction companies to discuss a licensing arrangement. NSCG contacted the SMID subsidiary, Easi-Set Worldwide President Art Miles, to discuss a licensing agreement that would allow the company to manufacture SlenderWall across China, with Easi-Set supplying technical and logistics support. There can be no assurance

that a licensing agreement with SMID will be established. Easi-Set Worldwide also provided a project update. The Bolles School in Jacksonville, FL had to expand with portable buildings. Bolles added three modular trailer-type buildings to its Middle School Bartram Campus in the 1990s for needed classroom space. Leesburg Concrete Co. Inc, an Easi-Set Building licensed producer, embraced the project as an opportunity to put its innovative and technology-driven savvy to the test.

INSIDER TRANSACTIONS IN MAY

COMPANY	SHARES TRADED	# OF TRADES	PRICE RANGE
Broadway Financial	A-30,002	7	\$0.00
Dynasil Corporation	A-30,753	5	\$1.26
International Baler	B-3,070	3	\$2.00
Iteris	S-100,000x	1	\$6.00
The Meet Group	D-59,026	8	\$5.59-\$6.02
	S-17,316	4	\$5.96
	A-26,088	3	\$0.00
Network-1 Tech.	S-36,455x	2	\$1.18
Socket Mobile	D-13,916	5	\$4.24-\$4.50
	A-13,266	3	\$2.74-\$2.92
	B-650	2	\$2.74
Sono-Tek Corporation	S-15,600	4	\$1.08-\$1.10
The ONE Group	A-22,167	1	\$0.00

A-Acquisition (Non Open Market), B-Bought, D-Disposition (Non Open Market), OE-Option Exercise, S-Sold, x-indirect holdings. Information obtained from Nasdaq.com.

BUCKAROOS SPEAK

Recommended action for RBPAA

Do you have any information on the proposed acquisition by Bryn Mawr Bank (BMTC) announced in January? Could you recommend action by holders of RBPAA? I am thinking about reducing my limit order to split the premium and avoid an odd number of BMTC shares.

--Elmer Mulhausen, Clifton, TX

The Bryn Mawr Bank Corp. (BMTC) acquisition of **Royal Bancshares of Pennsylvania (RBPAA)** for \$127.7 million rewarded shareholders with a below average premium. Although RBPAA has performed exceptionally since our recommendation, the premium was technically 5% at the time the acquisition was announced.

As always, you should stick to the Game Plan. In this scenario, you would have sold half of your holdings when the stock doubled from your purchase price. Sell the remainder after the stock drops 25% from its most recent high. The stock has had multiple sharp pullbacks within the past year. However, any price increase over \$4.10 for RBPAA exceeds the premium paid by BMTC, indicating that the stock is slightly overvalued.

In conclusion, regardless of the outstanding investigations, shares of RBPAA should have already been sold. If you have not exited your position, then you may want to do your own research on BMTC or take your profits as any market value over \$4.10 is greater than the premium.

COMPANY OF THE MONTH... CONTINUED

impressive start-up was International Pacific, an Inc. 500 company which recorded almost a 2,500% growth rate over a five-year period. With respects to experience in the casino industry, Saucier founded Mars Hotel Corporation, the first non-tribal casino in Washington State.

Out of the four other directors and executives, CFO Gary A. Vecchiarelli is the only one without industry-specific experience. However, it is not necessary to have this if the main focus is on the financial aspect of the business.

Director Bryan W. Waters is also focused on the financial stability of the start-up and plays a large role in strategic planning.

The other two directors, William A. Zender and Norm DesRosiers, have outstanding experience in the gaming industry and industry regulatory organizations. This adds a tremendous amount of value to the board as it's rare to find professionals with such extensive experience in this industry.

Risks

The risks outlined by management in the past reiterate the need for adaptation in this rapidly-evolving industry. If the company stops increasing its product line and completing strategic acquisitions, long-term outlook will likely plateau. Even with this possibility, the company will still remain highly-profitable due to its high margins and low costs.

There are not many barriers that prevent new companies from entering the industry, so customer retention is vital. This has not been an issue for Galaxy Gaming, but could harm its competitors as they do not have a business model with such high

margins.

With regard to its financial situation, the only red flag is the long-term debt. GLXZ refinanced this debt in order to yield approximately \$2.9 million of additional cash flow in the first year alone. Net income and revenues are increasing rapidly, so the ability to pay off this loan should not be an issue.

Outlook for the casino industry was starting to look grim, but the most recent quarterly earnings releases from some of the industry leaders reaffirmed positive guidance for the years to come. If larger casinos start to struggle, GLXZ's proprietary technology is low-cost and gives the house a higher winning percentage. This would attract new clients down the road.

Conclusion

The unique business model of Galaxy Gaming alone is enough to attract long-term investors. Market value and book value have been consistently increasing due to the company's ability to add value to its product line and increase profit margins. With the majority of industry risks resulting in a competitive advantage for GLXZ, it's unlikely that growth will be hindered by any unforeseen short-term issues. Moving forward, it's important that the company moves towards having a complete product line to dominate the marketplace. With the abundance of acquisitions and new products within the past six years, we are confident that it will achieve this and add even more value for shareholders.

*Office: Spencer Street, Las Vegas, NV, 89119,
Phone: (702) 939-3254, www.galaxygaming.com*

Beginner's Portfolio Up 250%

BOUGHT: None this month.

SOLD: None this month.

	<u>Cost</u>	<u>05/05/17</u>		<u>Cost</u>	<u>05/05/17</u>		<u>Cost</u>	<u>05/05/17</u>	<u>Proceeds</u>
AAME	280/Mar '12	385	RBPAA*	188/Nov '14	212	PLPM†	590/Jan '16	836	From Sales 10,815
ITI*	162/Aug '12	264	NTIP*	235/Apr '15	228	SMID†*	540/Mar '16	800	
SGRP	178/Apr '13	96	UWN	180/Jul '15	227	BYFC†	398/Apr '16	374	
AEY	248/May '13	180	SLGD	122/ Jul '15	178	SUNW†	482/Jul '16	278	
MOC	209/May '14	261	OPCO†	196/Dec '15	320	FLL†	384/Sep '16	464	
DYSL	185/Aug '14	142	INFU†	608/Jan '16	400	PACI†	198/Apr '17	200	

Current Holdings Value: 5,845

Original cost for all stocks: \$4,766

*Half of original holdings

Proceeds from Sales: 10,815

†Bought 200 Shares

Total Value of Portfolio: 16,660

Gain: 16,660 minus 4,766 = 11,894

Percentage of gain: 11,894 divided by 4,766 x 100 = 249.6

Compound Annual Growth Rate: 8.33%

Comments: This is a simulated portfolio for those who would like to actively participate in the stock market...**They want an approach that will serve as a learning situation**...An investment of up to \$300 a month is required...**With each new Company of the Month, 100 shares were purchased until we had 18**...We use an internet broker...**We follow the Bowser Game Plan. Portfolio started Sep. '01.**

BEGINNER'S PORTFOLIO EXPLANATION

After a busy month in April, this month there were no purchases or sales. The portfolio continued to gain, led by **Smith-Midland (SMID)** and **OurPet's Company (OPCO)**.

EARNINGS

	<u>Quarter Ended</u>	<u>Current Sales</u>	<u>Same Period Last Year</u>	<u>Current Earnings</u>	<u>Same Period Last Year</u>	<u>Comments</u>
Broadway Financial (BYFC)	03/31/17	\$5,496,000	\$4,158,000	\$1,232,000	\$633,000	
FitLife Brands (FTLF)	12/31/16	\$3,697,996	\$2,791,515	(\$1,164,394)	(\$1,750,475)	
LightPath Technologies (LPTH)	03/31/17	\$8,490,042	\$4,111,973	\$100,824	\$775,758	(A)
LRAD Corp. (LRAD)	03/31/17	\$5,742,000	\$3,603,000	\$298,000	(\$665,000)	
Manhattan Bridge Capital (LOAN)	03/31/17	\$1,329,605	\$1,104,590	\$791,149	\$695,324	
OurPet's (OPCO)	03/31/17	\$6,536,810	\$6,175,985	\$383,377	\$266,581	
Riverview Bancorp (RVSB)	03/31/17	\$12,469,000	\$10,057,000	\$2,034,000	\$1,405,000	
Royal Bancshares of PA (RBPAA)	03/31/17	\$9,469,000	\$9,421,000	\$1,855,000	\$2,265,000	(B)
Simulations Plus (SLP)	02/28/17	\$5,705,590	\$5,163,726	\$1,195,760	\$1,145,349	
Socket Mobile (SCKT)	03/31/17	\$5,622,000	\$5,044,000	\$386,000	\$548,000	(C)
SPAR Group (SGRP)	12/31/16	\$44,543,000	\$32,276,000	\$506,000	\$1,935,000	(D)
Virco Manufacturing (VIRC)	01/31/17	\$23,441,000	\$19,494,000	(\$4,985,000)	(\$5,726,000)	

(A) "The acquisition of ISP Optics Corporation, which was completed last quarter, better positions us for accelerated revenue and profitability growth. The results of this third quarter demonstrate that growth," remarked LPTH's president and CEO, Jim Gaynor.

(B) Kevin Tylus, RBPAA'S president and CEO, noted, "Loan growth positively contributed to our first quarter results. We also significantly reduced our other real estate owned assets by 40%. While we are in the

midst of our merger planning activities with Bryn Mawr Bank Corporation, we remain equally focused on the daily operations of the bank and serving our customers."

(C) SCKT's reduction in earnings is the result of higher income tax expense.

(D) Cost of revenues increased 49%, offsetting SGRP's 38% increase in net revenues. The higher cost of sales combined with a 31% increase in selling general and administrative costs resulted in the 74% drop in earnings.

NOTES BY THE EDITOR

The past month was filled with outstanding press releases and earnings reports from Bowser stocks. New contracts and strategic partnerships were quite common despite the low number of headlines from smaller stocks.

Although our recommendations gained for another month, price action was not necessarily indicative of the value added by the press releases. For example, Sunworks (SUNW) announced multiple strategic partnerships that directly added value, but shares dropped 10% for the month.



On the other hand, LRAD Corporation (LRAD) shares soared 20% for the month. The stock price immediately pushed higher after announcing another contract of over \$1 million and two additions to its product line.

This month's front page article focuses on forecasting earnings expectations and understanding the dynamics of quarterly financial results. This can be very beneficial for long-term investors as price action may not be indicative of the company's financial performance.

Our analysis is based on financial strength and promising outlook. As long-term investors, it's important to stay focused on why the stock was appealing to us in the first place. By doing this, we can remain up-to-date on the inner workings of these rapidly changing companies and further understand their potential.

FIVE BOWSER STOCKS UP AND DOWN

MamaMancini's	UP	28%	Mova LifeStyle	DOWN	20%
Smith-Midland	UP	25%	The Goldfield Corp.	DOWN	11%
LRAD Corporation	UP	20%	DLH Holdings	DOWN	10%
FitLife Brands	UP	17%	Central Federal Corp.	DOWN	10%
OurPet's	UP	12%	Sunworks	DOWN	10%