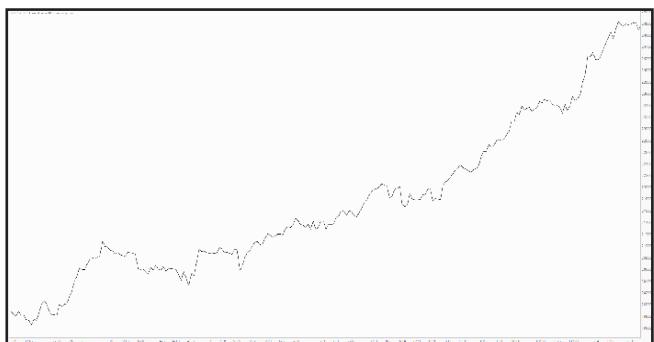




# Reviewing a record breaking 2017

## ***The markets soared, and Bowser stocks followed suit***

What a year 2017 was for the stock market. The Dow Jones' chart (below) looks like something out of an investor's dream as it climbed and climbed, finishing the year just shy of 25,000.



As is customary, at *The Bowser Report*, we'll use this issue to reflect on the past year.

### **Market Commentary**

Along with the all-time highs from all major indices, the S&P 500 managed to close all 12 months of 2017 in the black for the first time ever. Small cap stocks slightly underperformed, which is unusual due to the lacking volatility.

The technology sector gained 26% and had the best performance in 2017. The various semiconductor industries had the best individual performances, with the memory chip industry almost doubling.

Many investors anticipated market volatility due to tension with North Korea and interest rate hikes, but there were not any significant pullbacks. The U.S. Fed Funds Rate is now 1.5% after the December hike of 0.25%, and we are expecting three more hikes in 2018.

The most noteworthy event of 2017 was the passing of the Tax Bill that will significantly lower the corporate tax rate. This acted as the major catalyst for the current state of the bull market. At almost 9 years old, this bull market is almost the oldest and strongest in history.

### **Bowser Headlines**

Earnings were talked about often in 2017 as we broke down how to analyze an earnings report in the May 2017 newsletter. We discussed the components

(income statement, balance sheet and statement of cash flows), analysis and tips and tricks.

We then put this article to use in September, when we talked about the highs and lows of a busy second quarter earnings season.

2017 also featured a few special interest articles, including: what to watch for when looking to capitalize on buyout targets (June), how seasonality affects Bowser stock picks (July), important ratios when analyzing a company (August) and the effects of stale stocks and how to recognize them in your portfolio (October).

This past year also highlighted a subscriber-written article: "Anatomy of a rights offering" by Roger Otting. This piece, featured in February, looks at how to profit by lowering the average cost per share through rights offerings.

Finally, Editor Faris Sleem interviewed **OurPet's Company (OPCO)** and **LRAD Corp. (LRAD)** in April and November, respectively.

The biggest change to our newsletter in 2017 took place in March, when the *Warrant Register* exited. After over 20 years, this feature was removed due to the decreasing interest and lack of available information. It was a feature enjoyed by many, but the space it vacated allowed for more in depth Company of the Month analysis.

### **Overall Results**

To capture how the newsletter did overall, we took the companies in the January 2017 newsletter and updated their values through the course of the year. We also added new Company of the Month stocks and removed those that were acquired or recommended to be sold. Five companies left our list:

- **FitLife Brands (FTLF)** - Recommended to be sold in September 2017;
- **GigPeak (GIG)** - Merged with Integrated Device Technology in April 2017;
- **Paybox Corp. (PBOX)** - Recommended to be sold in April 2017;
- **Planet Payment (PLPM)** - Acquired by Fintrax Group in December 2017; and

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- **Precision Auto Care (PACI)** - Acquired by Icahn Automotive in July 2017.

Overall, Bowser stocks climbed 19.1%. They outgained the small cap benchmark, Russell 2000 (+12.4%), but lagged behind the larger NASDAQ Composite (+29%), Dow Jones Industrial Average (+27.1%) and S&P 500 (+20.1%).

Forty of the 55 total companies were up for the year. Leading the way were:

- **Repro-Med (REPR)**, up 115%, named the 2017 Stock of the Year in the December 2017 newsletter;
- **Precision Auto Care (PACI)**, up 96%, acquired in July 2017; and
- **MamaMancini's (MMMB)**, up 95%.

An impressive 12 companies appreciated over 50%, while 31 made double digit gains for the year.

Fifteen companies ended the year lower than they began it. The top losers include:

- **Cemtrex (CETX)**, down 66%, although it was the top gainer of 2016;
- **FitLife Brands (FTLF)**, down 64%, recommended to be sold in September 2017; and
- **Paybox Corp. (PBOX)**, down 55%, recommended to be sold in April 2017.

2017's picks performed better than the newsletter's above overall average. The table below shows each of last year's picks with 100 shares purchased:

	Symbol	Cost Basis	Current Value	% Change
Jan.	STKS	212	230	8%
Feb.	PACI*	83	163	96%
Mar.	CFBK	180	261	45%
Apr.	MMMB	73	142	95%
May	GLXZ†	34.5	69	100%
		34.5	55	59%
Jun.	MKRS	46	48	4%
Jul.	EMMS	292	353	21%
Aug.	NHLD	280	310	11%
Sep.	VTSI	215	264	23%
Oct.	IVFH	94	115	22%
Nov.	LTRX	182	202	11%
Dec.	LEAT	192	239	24%
		\$1,706	\$2,221	30%

\* PACI was acquired for \$37 million total  
† GLXZ doubled and dropped 25%

# Market Overview

BWSR AVG ↑ 6.1%	NASDAQ ↑ 5.5%	DJIA ↑ 4.7%	S&P 500 ↑ 4.5%	RUS 2000 ↑ 3.0%
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Stocks continued to hit all-time highs despite the tax-loss selling ahead of the New Year. Blockchain stocks and cryptocurrencies dominated headlines and showed unusual strength due to the recent hype. The strong performance from Bowser stocks was not offset by any significant leaders or laggards. Advancers led decliners 2:1, with almost 50% of past recommendations posting double-digit percentage gains.

Of 2017's recommendations, **Precision Auto Care (PACI)** was acquired at near double its original price, and **Galaxy Gaming (GLXZ)** doubled and dropped 25%.

**All in all, not a single pick from 2017 is trading below its original featured price**, and the portfolio is up 30%, beating the Dow Jones Industrial Average's return for the past year.

## Lessons Learned

Here are our top three take aways from 2017:

1. **Be patient when investing in our picks.** It can be difficult to match the original price of a recommendation. However, waiting to purchase a Company of the Month until after it settles down is something we always recommend. Remember to buy below \$3 a share.

2. **Diversify.** In 2017, it seemed that everything was going up, but the better diversified you are, the better your chances of picking a winner or winners.

3. **Have fun with investing.** Investing should be fun, especially with *The Bowser Report*. We offer an opportunity to research and invest in exciting, small companies. Enjoy these picks and try to invest in as many as possible to keep diversified.

2017 was a very successful year any way you look at it. Hopefully, you realized some profits and capitalized on the bull market.

Here's to 2018. May it be a happy and profitable year!

## 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

The Singing Machine Company (SMDM) develops, produces and distributes consumer karaoke audio equipment, accessories, music and audio consumer electronic products. SMDM collaborates with a music content service provider to offer karaoke downloads and streaming subscription services. This even allows for it to sell digital music and subscriptions to customers who purchase its competitors' karaoke machines. The company currently has 34 employees and sells its products in North America, Europe, Australia and South Africa.

## Products and Sales

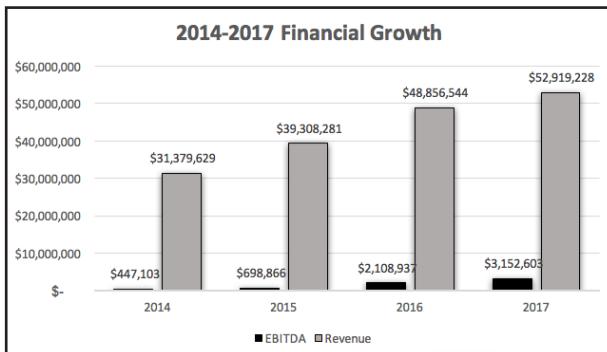
Singing Machine's sales primarily consist of classic karaoke machines and download karaoke machines, accounting for 66% and 27% of revenue in FY17, respectively. The company is looking to penetrate two new segments – streaming karaoke machines and SMC kids toy products.

Streaming karaoke machines connect to a karaoke library to stream HD videos directly to the machine via WiFi. The more exciting segment is that of SMC kids toy products. The company is launching toys ranging from sing-along music players to educational-themed learning toys with an anticipated price range of \$19.99 to \$39.99.

SMDM is also opening up new doors with mobile applications by launching a Stingray Kids' Karaoke App and the long-awaited Singing Machine Mobile Karaoke App. These apps were released right in time for the holidays as the company makes the majority of its sales from November through January.

Currently, new products represent a very small portion of the company's sales as some of the toys won't roll out until fall 2018. Aside from the diversity that is being added to the company's product line, it's noteworthy that the Singing Machine Mobile Karaoke App has a 48-hour subscription fee of \$9.99 or a monthly fee of \$14.99 for the music library. This is a great addition to the business model because recurring revenue channels are low-cost and allow for higher growth rates.

With respect to sales and EBITDA, SMDM has seen significant growth over the past few years.



EBITDA is a good representation of the company's earnings as taxes have offset net income over the past few years. Sales and earnings both have positive long and short-term trends, with EBITDA growing 705% since 2014. This is also impressive considering the company's market cap is under \$20 million.

## Financials and Valuation

SMDM's financial situation seems unappealing due to the misleading net income and recent imbalance in assets to liabilities. However, the company is actually in a great position to drive top and bottom line growth.

The recent increase in liabilities was due to the Toys R' Us bankruptcy resulting in an increase in debt along with higher inventories. This short-term hit is misleading, so we will use last quarter's numbers to analyze its ratios. SMDM has a current ratio (current assets divided by current liabilities) of 1.8-to-1, showing high liquidity. The company just recently took out long-term debt, but it is under \$1 million and does not represent a large portion of its liabilities.

Sales and profits have been growing at a steady rate for years now and have shown no signs of slowing. If anything, the company is allocating

its assets to ramp up production and advertisements in an attempt to sell more during the holiday season. Along those lines, SMDM recently reported that over \$14 million of Singing Machines were purchased during Black Friday and Cyber Monday. Thanksgiving weekend was the second largest weekend in the company's history for e-commerce sales.

Gross margin increased from 24.4% to 26.1% from FY16 to FY17, which was a result of lowering the cost of goods sold in comparison to revenue. Improving gross margin was a goal outlined by management in the 2016 annual filing, and this figure has continued to improve in recent months.

Even though SMDM may seem like it's just a growth stock, management has also created an abundance of value in recent years. Its book value has increased 90% in just two years and the stock is still undervalued in comparison to some industry leaders. On page 6 is a table comparing the valuation metrics of

CONTINUED ON PAGE 6...

	2015	2016	2017(A)
REVENUES	\$39,308,281	\$48,856,544	\$ 52,919,228
INCOME (LOSS)	\$170,158	\$1,703,390	\$1,706,198
WORKING CAPITAL	\$3,622,269	\$4,705,866	\$5,538,254
BOOK VALUE	\$0.10	\$0.14	\$0.19
TOTAL SHARES	38,097,226	38,146,391	38,242,535
FLOAT	N/A	N/A	11,860,000

(A) FIRST NINE MONTHS ENDED 09/30/17

# 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/SYHARE; FIGURES IN PARENTHESIS ARE LOSSES.

Date of Recommend & Market	Issue/Trading Symbol	Principal Business	Price 01/05/18	Long-term Debt (Millions)	Sales Updated Quarterly (Millions)	Income/Loss Updated Quarterly (Millions)	Shares Outstanding (Millions)	Bowser Rating
<b>CATEGORY ONE: BEST COMPANIES (RATED 10+)</b>								
03/16(CM)	BROADWAY FINANCIAL (BYFC)	BANK HOLDING COMPANY	2.21	\$0.000	\$13.6	\$4.469	18.7	10
03/17(CM)	CENTRAL FEDERAL (CFBK)	BANK HOLDING COMPANY	2.61	\$0.000	\$11.8	\$3.810	16.3	11
12/16(QB)	FRANKLIN WIRELESS (FKWL)	WIRELESS SOLUTIONS	2.05	\$0.000	\$60.6	\$1.856	10.5	12
10/17(QB)	INNOVATIVE FOOD (IVFH)	FOOD PRODUCTS AND SERVICES	1.15	\$0.919	\$40.3	\$3.600	32.6	10
12/17(QB)	LEATT CORP.	PERSONAL PROTECTIVE EQUIPMENT	2.39	\$0.000	\$18.1	(\$0.252)	5.4	10
06/17(QB)	MIKROS SYSTEMS (MKRS)	ADVANCED MAINTENANCE PRODUCTS	0.48	\$0.000	\$5.8	\$0.171	35.5	10
08/17(CM)	NATIONAL HOLDINGS (NHLD)	<b>NOW ABOVE \$3/SYHARE; SEE PAGE 5</b>						
11/15(QX)	OURPET'S COMPANY (OPCO)	PET SUPPLIES	1.38	\$0.673	\$27.4	\$2.262	15.2	10
# 09/17(QX)	VIRTRA (VTSI)	LAW ENFORCEMENT TRAINING SYSTEMS	2.64	\$0.023	\$17.2	\$1.729	15.9	10
<b>CATEGORY TWO: GOOD COMPANIES (RATED 8-9)</b>								
# 05/16(CM)	CEMTREX, INC. (CETX)	ELECTRONIC MANUFACTURING	2.70	\$9.669	\$120.6	\$4.390	10.2	9
# 06/08(A)	FLEXIBLE SOLUTIONS (FSI)	SPECIALTY CHEMICALS	1.85	\$0.201	\$16.7	\$3.652	11.5	8
12/14(QB)	INT'L BALER CORP. (IBAL)	BALING EQUIPMENT	2.01	\$0.000	\$18.5	\$0.901	5.2	9
11/17(CM)	LANTRONIX (LTRX)	DATA ACCESS AND MANAGEMENT	2.02	\$0.044	\$44.4	(\$0.814)	17.9	8
07/13(CM)	LIGHTPATH TECH (LPTH)	OPTICAL COMPONENTS	2.33	\$9.771	\$30.9	\$7.781	24.5	9
04/17(QB)	MAMAMANCINI'S (MMMB)	FOOD PRODUCTS	1.42	\$0.000	\$25.1	\$0.351	31.5	9
01/15(N)	NEVADA GOLD & CASINOS (UWN)	GAMING OPERATIONS	2.63	\$16.231	\$72.7	\$0.744	17.8	8
11/14(QB)	NOBLE ROMAN'S (NROM)	PIZZA FRANCHISES AND LICENSES	0.58	\$6.396	\$9.3	(\$0.663)	20.8	8
01/17(CM)	ONE GROUP HOSPITALITY (STKS)	GLOBAL RESTAURANT OPERATIONS	2.30	\$12.031	\$70.6	\$1.103	25.1	8
07/10(QB)	REPRO MED SYSTEMS (REPR)	DESIGN/PRODUCE MED PRODUCTS	1.01	\$0.000	\$12.3	\$0.408	37.9	9
04/15(QB)	SCOTT'S LIQUID GOLD (SLGD)	HOUSEHOLD AND BEAUTY PRODUCTS	2.89	\$0.556	\$41.6	\$4.272	11.9	9
01/18(QX)	SINGING MACHINE CO. (SMDM)	KARAOKE AUDIO EQUIPMENT	0.47	\$0.737	\$56.7	\$0.590	38.3	9
04/13(CM)	SPAR GROUP (SGRP)	MERCHANDISING AND MARKETING	1.30	\$0.033	\$175.9	\$0.435	20.6	8
# 10/12(QB)	WHERE FD CMS FROM (WFCF)	<b>NOW ABOVE \$3/SYHARE; SEE PAGE 5</b>						
<b>CATEGORY THREE: SPECULATIVE COMPANIES (RATED 7 AND BELOW AND/OR NON-PROFITABLE)</b>								
# 03/13(GM)	ADDVANTAGE TECH (AEY)	CABLE TV EQUIPMENT	1.45	\$2.094	\$48.7	(\$0.098)	10.2	7
11/16(N)	CHINA NEW BORUN (BORN)	CORN PRODUCTS IN CHINA	1.38	\$43.332	\$308.6	\$11.910	25.7	NR
# 03/14(A)	COMMAND SECURITY (MOC)	<b>NOW ABOVE \$3/SYHARE; SEE PAGE 5</b>						
# 05/14(CM)	CPS TECHNOLOGIES (CPSH)	ADVANCED MATERIAL SOLUTIONS	1.75	\$0.000	\$13.7	(\$1.177)	13.2	8
06/14(A)	DYNASIL CORP. (DYSL)	OPTICAL COMPONENTS	1.22	\$1.507	\$40.2	\$3.366	17.0	NR
05/17(QB)	GALAXY GAMING (GLXZ)	GAMING INDUSTRY PRODUCTS	1.13	\$8.764	\$14.2	\$0.166	39.6	NR
# 12/15(A)	INFUSYSTEM HOLDINGS (INFU)	MEDICAL INFUSION PUMPS	2.36	\$28.957	\$68.7	(\$3.000)	22.7	NR
10/16(CM)	KOSS CORPORATION (KOSS)	STEREO ACCESSORIES	2.09	\$0.000	\$24.1	(\$0.964)	7.4	8
07/16(CM)	LRAD CORP (LRAD)	ACOUSTIC SYSTEMS	2.26	\$0.000	\$20.3	(\$0.877)	31.9	9
# 03/15(A)	NETWORK-1 TECH (NTIP)	INTELLECTUAL PROPERTY	2.50	\$0.000	\$19.5	\$4.801	24.1	7
02/15(GM)	NOVA LIFESTYLE INC. (NVFY)	FURNITURE MANUFACTURING/SALES	2.34	\$0.000	\$88.0	(\$1.180)	27.1	10
08/14(QB)	SONO-TEK CORP. (SOTK)	ULTRASONIC NOZZLES	1.89	\$1.002	\$10.0	\$0.056	15.0	7
# 06/16(A)	SUNWORKS, INC. (SUNW)	SOLAR ENERGY SYSTEMS	1.09	\$1.415	\$76.6	(\$7.457)	22.5	9

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.

## NTIP acquires new intellectual property

**Network-1 Technologies (NTIP)** acquired a patent portfolio relating to several key technologies applicable to the Internet of Things (IoT) and Machine-to-Machine industries and next generation consumer mobile technologies.

The acquired portfolio includes 12 issued United States patents relating to the enabling technology for authenticating and using embedded SIM cards in next generation IoT, Machine-to-Machine, and other mobile devices, including smartphones, tablets and computers, as well as automobiles and drones.

## NVFY signs new product contracts

**Nova LifeStyle (NVFY)** signed initial product supply contracts to provide MGM Resorts International, The Cosmopolitan Hotel and The Bellagio Hotel in Las Vegas with Nova-designed and produced "Hollywood Glam Collection" line of furniture products. "The company has received considerable interest in this new product category," said CEO Tawny Lam.

NVFY will debut its new products at the Winter Las Vegas Market Furniture Show from January 28 to February 1. The Las Vegas Market is held twice a year, displaying the latest styles and trends in home furnishings, décor, and gifts.

# 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 01/05/18 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)	\$3.65(10)	02/12 \$2.05(8)	PLANET PAYMENT (CM:PLPM)		Acq'd by Fintrax Group
COMMAND SECURITY (A:MOC)	\$3.03(7)	03/14 \$1.92(11)	RIVERVIEW BANCORP (GS:RVS)	\$8.75(9)	06/13 \$2.30(9)
DLH HOLDINGS (CM:DLHC)	\$6.15(7)	01/14 \$1.53(9)	ROYAL BANCSHARES OF PA (GM:RBPA)	\$4.52(8)	10/14 \$1.65(9)
ELECTROMED (A:ELMD)	\$6.38(10)	09/15 \$1.64(10)	SIMULATIONS PLUS (CM:SLP)	\$15.65(9)	05/10 \$2.46(9)
EMMIS COMMUNICATIONS (GS:EMMS)	\$3.53(8)	07/17 \$2.92(8)	SMITH-MIDLAND (QX:SMID)	\$7.00(10)	02/16 \$2.38(10)
GOLDFIELD CORP. (A:GV)	\$5.05(NR)	06/12 \$1.58(8)	SOCKET MOBILE (CM:SCKT)	\$3.59(8)	09/16 \$2.59(10)
ITERIS (A:ITI)	\$7.40(7)	12/06 \$2.21(8)	VIRCO MANUFACTURING (GM:VIRC)	\$4.75(9)	06/15 \$2.51(11)
MANHATTAN BRIDGE CAPITAL (CM:LOAN)	\$5.79(10)	02/10 \$1.10(9)	WHERE FOOD COMES FROM (QB:WFCF)	\$3.25(9)	10/12 \$1.45(9)
NATIONAL HOLDINGS (CM:NHLD)	\$3.10(10)	08/17 \$2.80(10)			

## THE FOLLOWING WE SAID SHOULD BE SOLD

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

FITLIFE BRANDS (QB:FTLF)	\$0.28	09/17 \$0.32(NR)	INFOSONICS (CM:IFON) (1-for-5 rev. split Oct. '17)	Now in Bowser Database
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## BRIEFS

**Centrex (CETX)** plans to release its much-anticipated Smart Desk IoT product in May 2018. . . . **Full House Resorts (FLL)** filed a universal shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission. Once declared effective by the SEC, the shelf registration will provide for the future offer and sale, from time to time, in one or more offerings of up to \$125 million in common stock, debt securities, warrants, rights, purchase contracts or units or any combination of those securities, over a three-year period. . . . **Innovative Food Holdings (IVFH)** announced that Michael Fabrico has joined the company as Chief Information Officer. . . . **LightPath Technologies (LPTH)** announced that its

wholly-owned subsidiary, ISP Optics Corporation (ISP), has been awarded a \$5 million purchase contract to supply a variety of infrared optical lens elements to a major commercial infrared vision products customer. . . .

. . . **LRAD Corp. (LRAD)** received \$895,000 in follow-on AHD orders from the Asia Pacific region. The orders are scheduled to ship in the company's current fiscal year. LRAD also announced a \$1 million LRAD 500X-RE systems and accessories order for the U.S. Air Force, scheduled to ship in the quarter ending March 31, 2018. . .

. . . **Manhattan Bridge Capital (LOAN)** announced a cash dividend of \$0.11 per share will be paid to all shareholders of record as of December 29, 2017. . . . **Nova LifeStyle (NVFY)** announced a 10b-18 share buyback program to purchase up to \$5 million of the company's common stock. The duration of the program will be one year. The company also released a series of blockchain-related headlines highlighting its new blockchain empowered technology platform, the launching of a new blockchain subsidiary, and that it will accept bitcoin as payment. . . .

**Riverview Bancorp (RVS)** declared a quarterly cash dividend of \$0.03 per share. The dividend will be payable January 23, 2018, to shareholders of record as of January 8, 2018. . . . **Smith-Midland (SMID)** declared a special dividend of \$0.05 a share to be paid on January 9, 2018 to shareholders of record as of December 27, 2017. . . .

**Sono-Tek (SOTK)** announced preliminary sales of \$2,982,000 for the three months ended November 30, 2017, compared to sales of \$2,599,000 for the prior year period, an increase of \$383,000, or 15%. SOTK also announced the development of a new coating technology: Ultrastatic Enhanced Spray Coating. . . . **Sunworks (SUNW)** reduced the size of its board of directors from eight to five as part of a strategic effort to streamline board operations.

## INSIDER TRANSACTIONS

COMPANY	SHARES TRADED	# OF TRADES	PRICE RANGE
Atlantic American	B-10,000	1	\$0.00
Broadway Financial	D-8,236	8	\$2.08-\$2.20
Central Federal	A-147,000	7	\$0.00
CPS Technologies	D-17,000	3	\$1.50-\$1.52
DLH Holdings	S-101,985x	1	\$6.15
	S-48,015	1	\$6.15
	B-3,939	1	\$6.31
Dynasil	A-34,605	5	\$1.18
	D-103,500x	1	\$0.00
	A-103,500x	1	\$0.00
Full House Resorts	S-18,000	2	\$3.93-\$4.03
InfuSystem	B-64,000	2	\$2.30-\$2.32
Iteris	OE-55,688x	4	\$0.00-\$1.87
	OE-14,752	2	\$0.00
	S-31,250	1	\$6.88
LightPath Tech.	A-4,306	3	\$2.07
	OE-30,000	1	\$1.86
The MEET Group	A-111,262	4	\$0.00
Network-1 Tech.	OE-100,000	2	\$1.14
	D-23,266	1	\$2.45
OurPet's	D-50,000	1	\$1.46
Simulations Plus	S-18,500x	1	\$16.25
Sono-Tek	S-100,000	1	\$1.67
	OE-10,000	1	\$0.91
	D-4,715x	1	\$1.93
Where Food	D-197,000	2	\$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

## Any Repro Med Systems (REPR) news?

Did Repro Med release any news? Why is it making such a big move up?

--Leon P.

There have not been any recent press releases from REPR. Top and bottom line growth, along with the outstanding catalysts, have contributed to the recent bullish action. REPR was selected as the Stock of the Year in the December issue, which touches on how the price per share doesn't always immediately indicate how well the company is doing.

We focus on selecting companies that have strong fundamentals and hidden value. Therefore, it's typical for these stocks to see short-term and long-term price increases as they get discovered.

## Nova Lifestyle (NVFY) earnings

Why is Nova Lifestyle having trouble moving forward after announcing great earnings? It would seem to me that this stock is very undervalued.

--Rich Kealey

The NVFY run of 1,250% that started in 2016 likely left a large number of investors buying too late. These runs usually result in sell pressure down the road on any sudden increase in share price.

Another factor is the frequency of press releases. Although a press release can be great short-term, they become meaningless in the long run when too frequent. This results in a "buy the rumor, sell the news" mindset and does not price the stock efficiently.

# COMPANY OF THE MONTH... CONTINUED

SMDM with that of Hasbro (HAS), Mattel (MAT) and the leisure industry:

	Price/Earnings	Price/Book	Price/Sales
<b>SMDM</b>	10.5	2.5	0.3
<b>MAT</b>	Negative EPS	3.7	1
<b>HAS</b>	19.4	5.8	2.2
<b>Industry Avg</b>	27.3	3.1	2.9

SMDM's metrics are all substantially lower than that of its competitors, showing an undervaluation. The most appealing metric is the price/sales ratio, which indicates that SMDM is selling at a cheap price when taking into account its sales.

## Catalysts

One unusual catalyst for Singing Machine is a management team that actually delivers. Aside from the team's experience, they set out to achieve five goals throughout FY17:

1. Increase revenues through product expansion,
2. Drive down costs as a percentage of sales,
3. Improve profitability,
4. Decrease inventory, and
5. Reduce related-party debt.

The company increased revenues by 8.3%, increased margins to improve profitability and reduced related-party debt by 36%. The only hiccup was a 47% increase in inventory due to the lower than anticipated sales of its download product series and purchases of goods to be shipped in fiscal 2018. Overall, management achieved four out of the five goals while also increasing book value.

The corporate tax cut that recently passed is also going to benefit SMDM in the long run. The company paid a 34% income tax on FY17's net income and that rate will drop to 21% with the new legislation. Although this will also give its competitors an edge, it will allow SMDM

to improve its bottom line as its top line growth is already outstanding.

## Risks

Quarterly sales have the potential to be inconsistent due to the unusually high sales during the holiday season. This is technically a short-term risk, but it is noteworthy for long-term investors who track earnings performance. Seasonality is an issue for any toy company, so lower sales are typically accounted for in the slower quarters.

Stating that SMDM is a toy company may be a bit of a stretch, but it has sold its products in stores like Costco, Target, Sam's Club, Walmart, Best Buy and Toys R' Us for some time now.

The recent Toys R' Us bankruptcy is a red flag and caused SMDM to take on debt. To clarify, the Toys R' Us bankruptcy was due to poor management decisions and occurred so that the company could avoid going out of business. Aside from the increase in debt, there have not been any other negative effects.

## Conclusion

Singing Machine offers an investment opportunity near its recent 52-week lows. The sell pressure has been a result of misleading financial results and the Toys R' Us bankruptcy. However, both of these risks have already taken their toll, and SMDM is still making record sales.

Down the road, we'll be looking for strong sales numbers in the holiday season and traction from its new product lines. Since they represent 2% of the company's sales, there is a lot of room for growth. Management has a history of delivering on its promises, which is not only impressive, but also rare for an OTC company. All in all, SMDM is an undervalued OTC stock that has outstanding long-term growth potential.

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## Beginner's Portfolio Up 260%

BOUGHT: LEAT @ \$2.39 per share plus \$10 commissions = \$488

SOLD: PLPM acquired @ \$4.50 per share = \$900

	<u>Cost</u>	<u>01/05/18</u>		<u>Cost</u>	<u>01/05/18</u>		<u>Cost</u>	<u>01/05/18</u>		<u>Proceeds</u>
										<u>From Sales</u>
AAME	280/Mar '12	365	UWN	180/Jul '15	263	EMMS†	560/Aug '17	706		
SGRP	178/Apr '13	130	OPCO†	196/Dec '15	276	NHLD†	546/Sep '17	620		10,773
AEY	248/May '13	145	BYFC†	398/Apr '16	442	VTSI†	560/Dec '17	528		900
MOC	209/May '14	303	FLL†*	384/Sep '16	363	IVFH†	274/Dec '17	230		(478)
DYSL	185/Aug '14	122	MMMB†*	200/Jun '17	284	LTRX†	390/Dec '17	404		
RBPA*	188/Nov '14	226	MKRS†	114/Jul '17	96	LEAT†	488/Jan '18	478		11,195

**Current Holdings Value:** 5,981

Original cost for all stocks: \$4,766

\*Half of original holdings

†Bought 200 Shares

Gain: 16,966 minus 4,766 = 12,410

Percentage of gain: 12,410 divided by 4,766 x 100 = 260.4

**Compound Annual Growth Rate:** 8.17%

**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

With Fintrax Group's acquisition of **Planet Payment (PLPM)** closing in December 2017, our shares were tendered for cash per the buyout agreement. Replacing PLPM is December 2017's Company of the Month, **Leatt Corp. (LEAT)**. The Beginner's Portfolio continued its climb, eclipsing a 260% all-time gain.

### 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>
ADDvantage Technologies (AEY)	09/30/17	\$12,333,174	\$9,766,167	(\$259,085)	(\$191,547)	(A)
LRAD Corp. (LRAD)	09/30/17	\$7,501,000	\$4,895,000	\$166,000	(\$514,000)	(B)
MamaMancini's (MMMB)	10/31/17	\$7,351,355	\$4,576,225	\$203,354	\$80,603	(C)
National Holdings (NHLD)	09/30/17	\$45,370,000	\$46,079,000	\$3,619,000	(\$5,315,000)	
Virco Manufacturing (VIRC)	10/31/17	\$68,794,000	\$67,795,000	\$2,524,000	\$23,998,000	(D)

(A) "We reported strong top line revenue growth in both the fourth quarter and full fiscal year, driven by the acquisition of Triton Datacom's assets which expanded our Telco offering into the desktop phone segment and broadened our customer reach," commented David Humphrey, president and CEO of AEY. "While we are pleased with the consistent positive cash flows that the Cable TV segment generates, we are proactively working to continually improve operational efficiencies and to maximize the profitability of this business"

(B) Richard S. Danforth, LRAD's CEO: "Our investments in additional sales and engineering personnel and the expansion of our AHD and mass notification product lines are beginning to bear fruit, as demonstrated by the \$7.5 million in fiscal Q4 2017 revenues reported today, 53% higher than the \$4.9 million in revenues recorded in fiscal Q4 2016."

(C) "We are pleased with the consistent expansion in our most important growth metrics during the past year, and we have every expectation of continuing progress," remarked Carl Wolf, CEO of MMMB. "Third quarter results were impacted positively by the placement of additional products in major grocery retailers including Sam's Club, Costco, HyVee, Publix, Whole Foods, The Fresh Market, Ahold and QVC."

(D) VIRC chairman and CEO, Robert Virtue: "Overall, market stability and operating efficiencies have improved enough that we feel comfortable resuming payment of a quarterly cash dividend. The Great Recession was very damaging to public school spending. Our fortunes rise and fall in parallel with the health of America's public schools. Now that school funding has stabilized, and our own market share has expanded, cash flows have become more reliable."



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## NOTES BY THE EDITOR

Happy New Year Bowser Buckaroos! It has been an honor to help you all profit in such an outstanding year in the stock market. As a young long-term investor and trader, I can optimistically say that these are some of the most opportunistic years to invest in stocks!

I'm not one for New Years resolutions, but I do like to set goals for myself and for *The Bowser Report*. Throughout 2018, I will have three main goals: (1) **add value for both online and hard copy subscribers**, (2) **adjust the current selection process to recommend higher-caliber companies**, and (3) **keep things simple**.

### FIVE BOWSER STOCKS UP AND DOWN

Koss	UP	31%	Innovative Food	DOWN	13%
National Holdings	UP	26%	Galaxy Gaming	DOWN	12%
SPAR Group	UP	25%	Virco Mfg.	DOWN	9%
Leatt	UP	24%	Full House Resorts	DOWN	6%
The MEET Group	UP	24%	Network-1 Tech.	DOWN	6%



The investment process can cause many individuals to overthink price movement and headlines. It's always important to keep things simple and trust the process. You are only truly a long-term investor if you are alright with the market closing for five years before reopening.

I encourage all subscribers, old and new, to set goals for 2018 in order to be the best investor that you can be. All in all, we had an outstanding 2017, and I'm eager to see what 2018 has in store for us!

**In the December 2017 newsletter we announced the members only forum coming to our website.** We are excited to announce January 15 as the launch date!

There will be a "How to Post" blog entry/video to teach you how to submit a post on the forum. We encourage you to be as collaborative as possible.

All subscribers who post before February 15 will receive a free copy of the January 2018 *Database*!

**BR** the Bowser Report

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