



Anatomy of a Rights Offering, Redux

by Roger Otting

A few years ago, I wrote an article for *The Bowser Report* analyzing a rights offering by **Full House Resorts (FLL)**.

In that case, shareholders were given the right to purchase additional shares of the company for a bargain price, and since shares were then trading above the bargain price level, the intuitive answer of exercising the rights was easily confirmed by the math.

A somewhat similar situation presents itself now in **HC2 Holdings (HCHC)**. However, this offering has a few more factors to consider.

This article is not a comprehensive analysis, but rather an outline of some ideas an investor might consider in their investing strategy.

The Offer

HC2 Holdings issued subscription rights to shareholders of record as of October 2, 2020. For each share owned, common stockholders received the right to purchase .5462 new shares of HCHC for \$2.27 per share. Preferred shareholders also received rights to purchase common shares at the price of \$2.27. The subscription rights are exercisable for up to a total of 28,634,361 shares of HC2 Holdings' common stock. These rights are transferrable meaning they can theoretically be sold. As of this writing (October 15, 2020), no market appears to have materialized.

The rights may be exercised at any time during the subscription period, which commenced on October 7, 2020 and ends on November 20, 2020, unless extended by the company.

Effect on the Company

The company currently has a market capitalization of \$109 million. There are 46.6 million shares of common stock outstanding (from the June 30, 2020 10-Q report). If all rights are exercised, the proceeds to the company will be \$65 million, a result of about 28.6 million new shares issued at \$2.27 each.

When the rights are exercised, the proceeds received add to the value of the company. Assuming the company is fairly valued before the rights offering, the market capitalization after the offering will be around \$174 million dollars, or \$109 million (current capitalization) plus \$65 million (from the rights offering).

The proceeds of the offering are supposed to be used for general corporate purposes, including debt repayments and working capital. Either lowering debt (and interest payments) or enhancing the working capital of a small company can have a positive effect on operations,

and ideally, share price.

Analysis

On October 15, 2020, shares closed at \$2.34. Implied market capitalization for the company based on the outstanding shares reported in the 2nd quarter 10Q (46.6 million) and the market price of \$2.34 is \$109 million. The proceeds to the company from this offering, if all the rights are exercised, is \$65 million (28,634,361 shares multiplied by the offering price of \$2.27).

With the additional shares issued, the new share count will be near 75.2 million shares (the sum of ~46.6 million current shares outstanding and ~28.6 million shares from the offering). Dividing the new market cap of \$174 million by the new share count of 75.2 million yields a projected post-rights-exercise price of \$2.31 per share.

Each right allows the holder to purchase .5462 shares. A holder of 100 rights has the ability to purchase 54 shares (no fractional shares will be issued) for \$122.58 before commissions. The new shares, purchased for \$2.27 per share, provide investors with a discount of four cents each in comparison to the projected price of \$2.31.

The difference between the projected price and the offering price is \$0.04 per share. Because it takes 100 rights to purchase 54 shares at the bargain price, we can estimate the intrinsic value of the rights as follows:

$$I = (E - C) \times .5462, \text{ where}$$

I = Intrinsic value of a right

E = Estimated future cost of shares

C = Cost of shares purchased with rights.

In our example of a holder with 100 rights:

$$I = (2.31 - 2.27) \times .5462 = .021848, \text{ or } \sim 2.2 \text{ cents/right.}$$

The rights offering allows for additional participation. To the extent that other shareholders do not exercise their rights, those that do are allowed to purchase additional shares with "over-subscription rights" at the same purchase price of \$2.27 per share.

The analysis above is based on an expected market price for HCHC at \$2.31 / share. Any expected price below \$2.27 makes the intrinsic value of the right zero. Summarily, no one would pay for the right to purchase a stock at \$2.27 when they could buy the same stock on the open market for \$2.26 (or lower).

IF, and at this point, that appears to be a big "if", a market for the rights materializes, a share price below \$2.27 will indicate that any value in the right is the "time value", that is, the expectation that the stock price will

Continued on page 2...

...Continued from front page

rise before the right to exercise expires. If the share price remains above \$2.27, the market value of the right is the combination of the intrinsic value (see calculation above) and the time value.

From reading the documents put out by the company, it looks like they expect all rights to be exercised, one way or another. The next question is whether the small investor should exercise his or her rights.

Effect of Not Exercising for the Small Shareholder

Because the rights offering allows investors to purchase shares at a discount to today's market price, it will be dilutive to current shareholders who do not exercise.

An investor holding 500 shares and not exercising could see the value of his or her shares diluted by 500 shares multiplied by the (estimated) value of \$0.022/right, or \$11.

This assumes everything else stays constant. If management expectations are realized, share price could rise due to lower interest costs and a higher current ratio. Unexercised rights will be distributed to other shareholders as over-subscription rights and will likely be exercised.

Effect of Exercising for the Small Shareholder

The purchase of new shares through exercise will result in increased exposure to HC2, decreased per share dilution and an additional lot to track.

While exercising the rights benefits buyers around \$0.04 per share (at HCHC's current market price), commissions or other fees could wipe out any savings realized from the discounted price.

Risks / Other Considerations

The rights offering has multiple risks, outlined in the prospectus supplement.

Chief among these, in my opinion, is the share dilution that occurs if rights are not exercised. The analysis above is based solely on my estimated market price per share. Another way of looking at the dilution is to examine the book value. Using the last 10-Q report and market price, I calculate a pre-rights and post-rights book value for HC2 Holdings as follows:

	Stockholders' Equity (in millions)	Shares Outstanding (in millions)	Book Value
Pre-rights	\$365.2	46.40	\$7.87
Rights	\$65.0	28.63	-
Post-rights	\$430.2	75.03	\$5.73

Market Overview

BWSR AVG ↑ 4.5%	NASDAQ ↑ 7.4%	RUS 2000 ↑ 6.8%	S&P 500 ↑ 4.8%	DOW JONES ↑ 2.3%
--------------------	------------------	--------------------	-------------------	---------------------

The stock market went against its historical trend and managed to move higher during the U.S. presidential election, which resulted in Joe Biden being named President-elect. Major indices neared all-time highs, and the Federal Reserve left rates unchanged.

Bowser stocks (up 4.5%) rallied with stocks as a whole. Socket Mobile (SCKT) led Bowser gainers while continuing its streak of new product and certification announcements. **Repro Med Systems (KRMD)** was the biggest loser after reporting weak quarterly financial results for the first time in years.

Using the current market price of \$2.34, the price/book value is 0.30. Yahoo! Finance calculates 0.35. Both indicate that this stock is trading at a good discount to book. If all rights are exercised, \$65 million will go to equity, and the new book value will be \$5.73. Essentially, not exercising is selling off a portion of the company for less than book value while not partaking in the opportunity to buy more of the discounted company yourself.

Additionally, one large shareholder, Lancer Capital, will potentially own between 8 and 28% of the common stock after the rights are exercised. As a large (and growing) shareholder, Lancer Capital's interest and yours may not coincide.

Another risk is that shareholders will create downward pressure on the stock price by selling shares obtained from exercising.

Other risks are described in the prospectus.

The Bottom Line

Any rise in the stock price between now and expiration will widen the discount and make the exercise of the rights more attractive. Any decline in the market price could result in the benefit of exercising rights being worth less than zero.

I don't think the benefits of exercising will be more than a few cents a share.

As exercising the rights is an irrevocable decision I will wait until just before November 20, 2020 to decide.

If the share price increases before November 20, I'll take another look, but for now I'm passing.

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

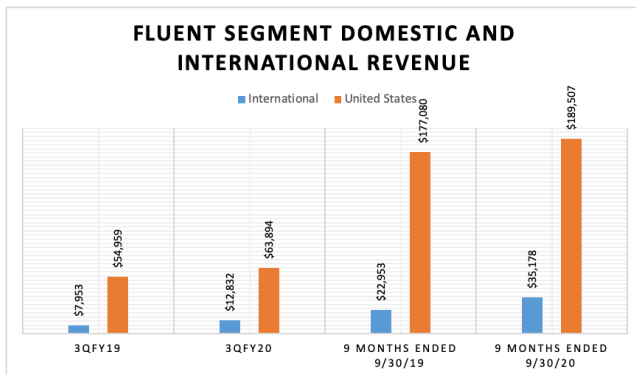
COMPANY OF THE MONTH

Fluent, Inc. (FLNT) provides data-driven digital marketing services primarily in the United States. The company also offers customer acquisition services by operating digital marketing campaigns, through which the company connects its advertiser clients with consumers. FLNT delivers data and performance-based marketing executions to approximately 500 consumer brands, direct marketers and agencies across a range of industries.

Income Breakdown

Fluent is one of the few marketing companies that has been able to regain its footing during the global pandemic. Revenues grew 21% in third quarter of 2020 to \$78.3 million from \$64.6 million in the same period last year. This growth is attributed to strong demand from the company's media and entertainment segment, including gaming apps and streaming services. Additionally, there was a lift from its financial products and services segment, which initially lagged during the start of the pandemic.

Quarterly revenue from engaging consumers in international markets grew sequentially from second quarter of 2020 and represented more than 5% of the company's total third quarter revenue. Below is a chart of the company's international and domestic revenue:

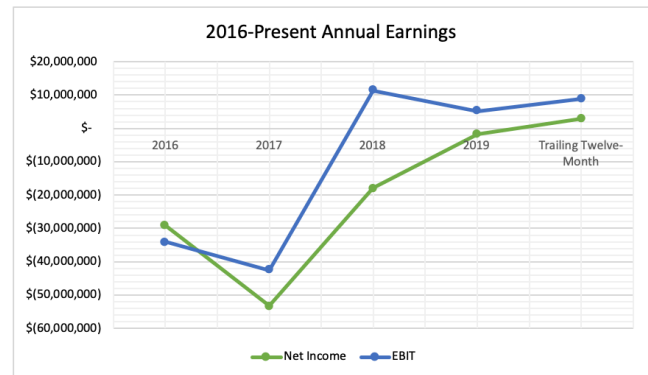


At a glance, this small increase in international revenue looks miniscule. However, quarterly international revenue increased 61% year-over-year and is outpacing domestic revenue growth. International revenue boosted profits and helped Fluent exceed media margin expectations.

Media margin is defined as revenue minus cost of revenue (exclusive of depreciation and amortization) attributable to variable costs paid for media and related expenses. It is the best indicator of the company's financial efficiency and it increased 39% to \$29.7 million in the most recent quarter.

The increase in media margin contributed to a big swing in bottom line results. EBITDA increased 167% from to \$11.6 million in the most recent quarter. Additionally, net income jumped to \$1.2 million compared to a net loss of \$4.5 million in the same period last year. Below is a

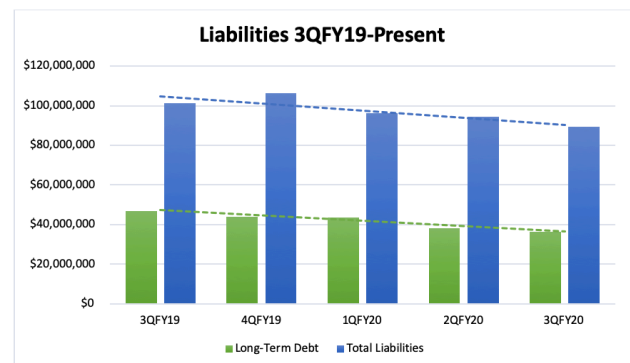
chart showing the trend in earnings since 2016:



Net income and earnings before interest and taxes (EBIT) have been in an uptrend for the past three years, continuing higher despite the global pandemic. The recent shift in net income and EBIT is great for shareholders as it will help create value in the years to come.

Balance Sheet

Fluent has built a solid fundamental foundation to create sustainable growth. Its assets outweigh liabilities 3.4:1, and the company has \$15.4 million in cash. While the balance sheet is very healthy overall, FLNT has long-term debt of \$36.4 million. Long-term debt can be a red flag if it is increasing and growth subsides, but that is not the case. Fluent has been paying off its debt gradually over the years. Below is a chart of its quarterly long-term debt and total liabilities:



Both total liabilities and long-term debt have been dropping consistently.

Liquidity is not a concern due to its high net

Continued on page 6...

	2018	2019	2020(A)
REVENUES	\$250,280,000	\$281,684,000	\$228,723,000
INCOME (LOSS)	(\$17,932,000)	(\$1,747,000)	\$2,029,000
WORKING CAPITAL	\$35,027,000	\$29,288,000	\$34,503,000
BOOK VALUE	\$2.70	\$2.66	\$2.83
TOTAL SHARES	76,706,000	79,374,000	76,330,000
FLOAT	N/A	N/A	35,600,000
(A) Nine months ended September 30, 2020			

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 11/06/20	Long-term Debt (Millions)	Sales Updated Quarterly (Millions)	Income/Loss Updated Quarterly (Millions)	Shares Outstanding (Millions)	Bowser Rating
CATEGORY ONE: BEST COMPANIES (RATED 10+)								
10/20(A)	CBDMD, INC. (YCBD)	CANNIBIDOIL (CBD) PRODUCTS	2.78	\$1.639	\$39.7	\$29.767	51.3	10
09/20(GS)	CLEAN ENERGY FUELS (CLNE)	NATURAL GAS FOR VEHICLES	2.42	\$32.872	\$336.4	\$35.224	204.7	10
# 05/14(CM)	CPS TECHNOLOGIES (CP SH)	ADVANCED MATERIAL SOLUTIONS	1.41	\$0.150	\$22.2	\$1.483	13.3	11
11/20(GM)	FLUENT, INC. (FLNT)	DIGITAL MARKETING SERVICES	2.67	\$36.388	\$308.7	\$2.985	76.3	10
04/17(QB)	MAMAMANCINI'S (MMMB)	FOOD PRODUCTS	2.08	\$3.639	\$40.9	\$2.465	33.7	10
# 07/19(QB)	TABLE TRAC (TBTC)	CASINO SYSTEMS AND SUPPORT	2.75	\$0.265	\$6.4	\$0.574	4.5	10
# 05/18(CM)	TAITRON COMPONENTS (TAIT)	ELECTRONIC COMPONENTS	2.54	\$0.000	\$7.3	\$1.557	5.6	11
CATEGORY TWO: GOOD COMPANIES (RATED 8-9)								
12/19(GS)	ALASKA COMMUNICATIONS (ALSK)	NOW ABOVE \$3 PER SHARE; SEE PAGE 5 (FOLLOW-THROUGH)						
02/18(QB)	ALTIGEN COMMUNICATION (ATGN)	CLOUD-BASED IP SOLUTIONS	2.06	\$0.818	\$11.1	\$1.901	23.0	9
08/20(GS)	BGC PARTNERS (BGCP)	NOW ABOVE \$3 PER SHARE; SEE PAGE 5 (FOLLOW-THROUGH)						
07/20(CM)	ENGLOBAL CORP. (ENG)	ENGINEERING SERVICES	0.78	\$3.371	\$65.3	\$0.215	27.5	9
03/20(CM)	FLEXSHOPPER (FPAY)	VIRTUAL LEASE-TO-OWN MARKET	1.71	\$32.630	\$88.8	\$0.577	17.7	9
12/14(QB)	INT'L BALER CORP. (IBAL)	BALING EQUIPMENT	1.11	\$0.000	\$12.3	\$0.312	5.2	9
# 07/13(CM)	LIGHTPATH TECH (LPTH)	OPTICAL COMPONENTS	2.50	\$4.297	\$37.0	\$2.339	26.0	8
05/19(N)	SAFE BULKERS (SB)	MARINE DRY BULK TRANSPORTATION	0.91	\$538.508	\$198.0	\$15.765	101.5	9
# 10/12(QB)	WHERE FD CMS FROM (WFCF)	FOOD VERIFICATION SERVICES	1.90	\$0.391	\$20.3	\$1.507	24.8	9
04/20(N)	WIDEPOINT CORP. (WYY)	MOBILITY MANAGEMENT SOLUTIONS	0.65	\$0.000	\$101.7	\$0.226	83.3	8
CATEGORY THREE: SPECULATIVE COMPANIES (RATED 7 AND BELOW AND/OR NON-PROFITABLE)								
10/18(CM)	AEHR TEST SYSTEMS (AEHR)	SEMICONDUCTOR TEST EQUIPMENT	1.27	\$1.341	\$18.8	(\$2.282)	37.6	8
04/19(N)	ARC DOCUMENT SOLUTIONS (ARC)	DOCUMENT SOLUTIONS	1.29	\$87.374	\$352.0	\$4.675	42.8	7
10/19(QB)	BAB, INC. (BABB)	FAST CASUAL RESTAURANT FRANCHISES	0.56	\$0.143	\$2.5	\$0.150	7.3	NR
# 07/18(CM)	BETTER ONLINE SOLUTIONS (BOSC)	RFID AND MOBILE SOLUTIONS	2.39	\$1.893	\$32.2	(\$2.469)	4.3	NR
02/20(QB)	BUTLER NATIONAL (BUKS)	AEROSPACE AND DEFENSE PRODUCTS	0.47	\$3.211	\$65.9	\$3.234	67.7	7
05/20(GM)	DESWELL INDUSTRIES (DSWL)	PLASTIC & ELECTRONIC COMPONENTS	2.83	\$0.000	\$65.4	(\$1.320)	16.0	7
01/19(CM)	FORWARD INDUSTRIES (FORD)	CARRYING CASES AND ACCESSORIES	1.58	\$0.760	\$35.0	(\$4.507)	9.6	NR
05/17(QB)	GALAXY GAMING (GLXZ)	GAMING INDUSTRY PRODUCTS	1.14	\$46.378	\$15.7	(\$0.662)	18.3	NR
# 12/18(CM)	GSE SYSTEMS (GVP)	DATA ACCESS AND MANAGEMENT	1.02	\$10.000	\$69.4	(\$15.979)	20.1	NR
# 06/19(N)	HC2 HOLDINGS (HCHC)	DIVERSIFIED HOLDING COMPANY	2.31	\$633.800	\$1,877.7	(\$107.500)	46.8	9
10/17(QB)	INNOVATIVE FOOD (IVFH)	FOOD PRODUCTS AND SERVICES	0.34	\$5.967	\$56.4	(\$4.872)	34.7	NR
03/19(CM)	INSIGNIA SYSTEMS (ISIG)	MARKETING SERVICES	0.95	\$0.000	\$21.3	(\$3.440)	12.1	NR
10/16(CM)	KOSS CORPORATION (KOSS)	STEREO ACCESSORIES	2.07	\$0.000	\$18.3	(\$0.466)	7.4	9
# 08/17(CM)	NATIONAL HOLDINGS (NHLD)	INVESTMENT BANKING	1.83	\$0.000	\$19.6	(\$3.301)	13.5	7
# 02/15(GM)	NOVA LIFESTYLE INC. (NVFY)	FURNITURE MANUFACTURING/SALES	2.00	\$0.150	\$14.7	(\$10.270)	5.6	9
# 09/16(CM)	SOCKET MOBILE (SCKT)	DATA CAPTURE PRODUCTS	2.51	\$0.208	\$18.9	\$0.185	6.0	7
09/19(QB)	TECHPRECISION (TPCS)	METAL COMPONENTS AND SYSTEMS	1.35	\$2.446	\$15.0	(\$0.679)	29.4	NR
02/19(QB)	TSS, INC. (TSSI)	END-USER AND ENTERPRISE SYSTEMS	0.62	\$2.598	\$41.6	(\$1.159)	17.9	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 are a few category changes stemming from the most recent earnings detailed on page 7.

Clean Energy Fuels (CLNE) is moving from Category 2 to Category 1 with its Bowser Rating increasing from 9 to 10.

CPS Technologies (CP SH) is also moving from Category 2 to Category 1 with its Bowser Rating jumping from 8 to 11.

ENGlobal (ENG) is moving down from Category 1 to Category 2 with its Bowser Rating sliding from 10 to 9 as its most recent quarterly earnings were down year-over-year.

Alaska Communications acquisition

Alaska Communications (ALSK) entered into a definitive agreement pursuant to be acquired by an affiliate of Macquarie and GCM in an all cash transaction valued at approximately \$300 million, including debt. The transaction will result in Alaska Communications becoming a privately-held company and is expected to close in the second half of 2021.

Under the terms of the agreement, an affiliate of Macquarie and GCM will acquire all the outstanding shares of Alaska Communications common stock for \$3.00 per share in cash. The acquisition is under investigation to ensure fair value for shareholders.

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 **11/06/20** 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
ALASKA COMMUNICATIONS (GS:ALSK)	\$3.05(8)	12/19 \$1.70(8)	ORION ENERGY SYSTEMS (CM:OESX)	\$7.31(7)	11/19 \$2.93(9)
BGC PARTNERS (GS:BGCP)	\$3.16(NR)	08/20 \$2.89(8)	RADA ELECTRONIC (CM:RADA)	\$6.80(9)	03/18 \$2.16(10)
CARPARTS.COM (GS:PRTS)	\$13.99(NR)	06/18 \$1.61(8)	REPRO MED SYSTEMS (QB:KRMD)	\$3.98(7)	07/10 \$0.16(8)
CF BANKSHARES. (CM:CFBK)	\$13.88(11)	03/17 \$9.00(11)	RETRACTABLE TECHNOLOGIES (A:RVP)	\$7.65(10)	01/20 \$1.48(10)
*Price adjusted for 1-for-5 reverse split (Aug. '18)			RIVERVIEW BANCORP (GS:RVSB)	\$4.75(NR)	06/13 \$2.30(9)
DLH HOLDINGS (CM:DLHC)	\$8.95(9)	01/14 \$1.53(9)	SCHMITT INDUSTRIES (CM:SMIT)	\$5.39(NR)	09/18 \$2.76(11)
ELECTROMED (A:ELMD)	\$8.41(9)	09/15 \$1.64(10)	SMITH-MIDLAND (QX:SMID)	\$7.20(7)	02/16 \$2.38(10)
FRANKLIN WIRELESS (QB:FKWL)	\$17.19(9)	12/16 \$2.70(12)	SONO-TEK CORP. (QB:SOTK)	\$3.89(10)	08/14 \$1.11(8)
INFUSYSTEM HOLDINGS (A:INFU)	\$13.14(8)	12/15 \$2.88(8)	TOMI ENVIRONMENTAL (QB:TOMZ)	\$7.14(11)	06/20 \$6.56(10)
LEATT CORP. (QB:LEAT)	\$5.98(10)	12/17 \$1.92(10)	*Price adjusted for 1-for-8 reverse split (Sep. '20)		
LIBERATED SYNDICATION (QB:LSYN)	\$3.65(NR)	08/18 \$1.61(8)	TRXADE GROUP (CM:MEDS)	\$4.62(10)	08/19 \$4.20(9)
MANHATTAN BRIDGE CAPITAL (CM:LOAN)	\$4.33(NR)	02/10 \$1.10(9)	*Price adjusted for 1-for-6 reverse split (Feb. '20)		

THE FOLLOWING WE SAID SHOULD BE SOLD

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

MIKROS SYSTEMS (QB:MKRS)	\$0.11	12/19 \$0.12	SINGING MACHINE CO. (QX:SMDM)	\$0.26(7)	09/20 \$0.25(7)
SEACHANGE INT'L (GS:SEAC)	\$0.76	10/20 \$0.76			

BRIEFS

Aehr Test Systems (AEHR) won and received an initial order for multiple DiePak® Carriers for test and burn-in of its lead customer's next generation 3D sensor modules for mobile devices. . . . **cbdMD (YCBD)** expanded its sales through Life Time and will be expanding into all Life Time Cafes nationwide due to the brands' strong retail sales performance and sell-through. YCBD also confirmed that it is on track to submit its Novel Foods Dossier with the United Kingdom's Food Safety Agency (FSA) by the required regulatory filing deadline of March 31, 2021. . . . **DLH Holdings Corp. (DLHC)** announced Sandra Halverson, MPH, PhD has been appointed chief scientist. . . . **Galaxy Gaming (GLXZ)** received a \$4 million loan. . . . **Insignia Systems (ISIG)** donated 100,000 meals to Feeding America. . . . **LightPath Technologies (LPTH)** announced the availability of optics produced from Sumita's high-index

glass, K-PSFn202. . . . **Trxade Group's (MEDS)** Bonum Health subsidiary partnered with SingleCare, the prescription savings service, to enhance Bonum's enterprise telehealth solutions with prescription discounts. . . . **MamaMancini's (MMMB)** engaged B&A Food Brokers (B&A), one of the largest independent food brokers, for food service sales solicitation in the MidAtlantic region of the United States. MMMB also secured milestone new product placements with tier-1 national retailer accounts for its plant-based meatballs made with Beyond Meat®, pasta bowls and beef meatballs and sauce. . . . **Manhattan Bridge Capital (LOAN)** declared a quarterly dividend of \$0.11 per share to be paid to all shareholders of record as of December 31, 2020. . . . **RADA Electronic Industries Ltd. (RADA)** received \$20 million in accumulated new orders since mid-September 2020. . . . **Smith-Midland Corp. (SMID)** won two awards for its recent SlenderWall architectural cladding project in Tysons, VA.

Its subsidiary, Easi-Set Worldwide, later announced M&W Precast LLC as its newest Building Producer. . . . **Schmitt Industries (SMIT)** appointed Lillian Tung to the board of directors and Philip Bosco, CPA, as CFO. SMIT also regained compliance with the NASDAQ. . . . **Socket Mobile (SCKT)** announced a new line of scanning sleds: DuraSled™, tailored to offer optimal fit and performance for the 2020 iPhone SE. Additionally, its SocketScan S550 Contactless Membership Card Reader/Writer passed Apple Pay VAS certification. . . . **TechPrecision Corp. (TPCS)** entered into a definitive agreement to purchase STADCO, a privately-held company. . . . **TOMI Environmental Solutions (TOMZ)** successfully deployed SteraBot™ at the Lithuanian University Hospital of Health Sciences.

INSIDER TRANSACTIONS

COMPANY	SHARES TRADED	# OF TRADES	PRICE RANGE
Aehr Test Sys. (AEHR)	A-42,583	7	\$0.00-\$1.14
	A-23,321x	2	\$0.00
Carparts.com (PRTS)	S-150,000	7	\$12.53-\$13.27
	OE-150,000	7	\$1.12-\$7.43
DLH Holdings (DLHC)	A-63,177	7	\$0.00
Forward Ind. (FORD)	S-9,450	1	\$1.55
Insignia Systems (ISIG)	S-1,097,799	3	\$1.06-\$1.80
	B-14,787	1	\$0.60
Koss Corp. (KOSS)	D-44,000	1	\$0.00
	A-44,000	1	\$0.00
Liberated Synd. (LSYN)	A-60,000	1	\$0.00
Manhattan Bridge (LOAN)	B-32,287	1	\$4.19
	S-31,887	1	\$4.19
National Holdings (NHLD)	OE-113,124	3	\$0.00
Orion Energy (OESX)	A-23,705	1	\$0.00
Retractable Tech. (RVP)	B-1,600	3	\$8.24-\$8.89
Sono-Tek Corp. (SOTK)	A-4,028	1	\$0.00
	D-1,611	1	\$5.06

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

Alaska Communications voting

Should shareholders vote for or against the buyout? The acquisition price is below its book value.

-- Dennis T.

Multiple lawfirms have already launched investigations regarding the **Alaska Communications (ALSK)** buyout since the price is below its book value and not that far off from its June 2020 high. With financials improving and share price increasing since our recommendation in December 2019, the buyout is not ideal.

Your vote should be determined by whether you want the instant payout at a 7-year high or to take more risk for a long-term hold.

The company could still receive a different bid,

ideally above its current book value of \$3.21.

COVID-19 stocks

Is it worth buying any COVID-19 stocks with cases going back up?

-- Dave S.

Most of the COVID-19 stocks have not responded to the recent resurgence in cases. A few vaccine stocks recovered with the markets but did not show relative strength.

The Bowser System focuses on fundamentally sound companies. So unless there is a major shift in a company's underlying financials, then any investment would be speculation and considered high risk.

COMPANY OF THE MONTH... CONTINUED

working capital and current ratio of 1.8. Overall, its balance sheet is an example of the company's asset efficiency and minimal liquidity risk.

Valuation

FLNT is a growth stock but has created an abundance of value for shareholders over the years. Book value grew to \$2.83 in its most recent quarter, making it undervalued relative to its price per share of \$2.67. Its Price/Earnings (P/E) ratio of 70 is misleading due to the GAAP net income and does not accurately represent its earnings growth. The company's non-GAAP P/E ratio is 10.7, which is lower than that of its competitors.

Its Price/Sales (P/S) ratio of 0.7 is attractive for long-term investors considering its recent sales growth. The industry average P/S ratio is 1.3, showing a severe undervaluation. Overall, the company's sales and increasing book value make it an appealing value investment compared to other digital marketing firms.

Spin Off and Ownership

In February of 2018, the company's board approved a plan to spin off Red Violet, its data and analytics business. The spin off has allowed investors to more properly value FLNT and provide more insight into its financial performance. Red Violet trades on the Nasdaq under the ticker symbol RDVT and continues to provide cloud-based, mission-critical information solutions to enterprises in a variety of industries.

The spin off helped propel FLNT to new all-time highs, but the stock later fell down to \$1.02 in March 2020. We could not recommend FLNT in March because of its net loss, but it has since improved its financials and insiders have accumulated more shares. Insiders currently own 46% of the outstanding shares and purchased 74,870 shares in 2020. Insiders have not sold any shares and institutional ownership has maintained despite the big pullback earlier in the year.

Institutional investors own 30% of the outstanding shares and 56% of the float. There are 82 institutions currently holding FLNT, five of which own over one million shares. A stock trading under \$3 and its book value with high institutional ownership is rare. This should help drive its stock price higher in the future as long as it can maintain healthy financials.

Outlook and Conclusion

The continuation of the pandemic into the holiday season will hurt marketing companies worldwide. However, FLNT management has expressed that this could even accelerate the ongoing shift to performance-based digital solutions for marketers. Early indicators for the fourth quarter are still pointing to a seasonal lift in holiday shopping patterns. The company's media and entertainment vertical has been growing rapidly in 2020 and has not shown any signs of slowing down.

Industry outlook is fantastic considering digital media has recently overtaken aggregate spending in offline media marketing in the United States for the first time ever. Media spending on mobile platforms is expected to be the fastest growing segment of media spending into 2022. Further, marketers are increasing their focus and spending on recognizing consumer identities and tracking consumer behaviors across channels and devices, rather than simply targeting their advertising based on anonymized online behaviors.

With individual and industry outlook remaining solid despite the global pandemic, FLNT is in a great position to capture more market share. The company has boosted its sales growth and improved bottom line results significantly. Moving forward, we would like to see earnings continue to trend higher and its international revenue sustain its recent surge.

Office: 300 Vesey St. 9th Fl., New York, NY, Phone: 646-669-7272, www.fluentco.com

Beginner's Portfolio Up 313%

BOUGHT: CLNE @ \$2.42 per share (200 Shares) = \$484

SOLD: SB @ \$0.98 per share (200 Shares) = \$196

	<u>Cost</u>	<u>11/06/20</u>	<u>Cost</u>	<u>11/06/20</u>	<u>Cost</u>	<u>11/06/20</u>	<u>Proceeds</u>		
AAME	280/Mar '12	203	SMIT†	578/Oct '18	1,078	FPAY†	200/Apr '20	342	From Sales
MMMB†*	200/Jun '17	208	AEHR†	368/Dec '18	254	ALSK†	450/May '20	610	
NHLD†	546/Sep '17	366	TSSI†	198/Mar '19	124	WYY†	106/May '20	130	196
VTSI†	560/Dec '17	790	ISIG†	262/Apr '19	190	ENG†	162/Sep '20	156	(484)
LEAT†*	488/Jan '18	598	HCHC†	460/Jul '19	462	BGCP†	512/Sep '20	632	12,806
BOSC†	510/Aug '18	478	BUKS†	134/Mar '20	94	CLNE†	484/Nov '20	484	

Current Holdings Value: 6,898

Original cost for all stocks: \$4,766

*Half of original holdings

Proceeds from Sales: 12,806

†Bought 200 Shares

Total Value of Portfolio: 19,704

Gain: 19,704 minus 4,766 = 14,938

Percentage of gain: 14,938 divided by 4,766 x 100 = 313.4

Compound Annual Growth Rate: 7.68%

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 \$600 a month is required... **With each new Company of the Month, 100 shares are purchased until we had 18**... We use an internet broker... **We follow the Bowser Game Plan. Portfolio started Sep. '01.**

Beginner's Portfolio Explanation

The Beginner's Portfolio increased slightly once again. **Safe Bulkers (SB)** dropped 50% without doubling, so we sold all holdings in accordance with the Game Plan. September's Company of the Month, **Clean Energy Fuels (CLNE)**, replaced SB.

EARNINGS

	<u>Quarter</u>	<u>Current</u>	<u>Same</u>	<u>Current</u>	<u>Same</u>	<u>Comments</u>
	<u>Ended</u>	<u>Sales</u>	<u>Period</u>	<u>Earnings</u>	<u>Period</u>	
			<u>Last Year</u>		<u>Last Year</u>	
Alaska Communications (ALSK)	09/30/20	\$60,514,000	\$59,128,000	\$2,280,000	\$1,999,000	
ARC Document Solutions (ARC)	09/30/20	\$72,379,000	\$94,104,000	\$2,628,000	\$1,059,000	
BAB, Inc. (BABB)	08/31/20	\$624,420	\$793,239	\$103,611	\$149,476	
BGC Partners (BGCP)	09/30/20	\$422,618,000	\$490,048,000	\$19,381,000	(\$3,529,000)	
Clean Energy (CLNE)	09/30/20	\$70,886,000	\$74,434,000	(\$2,539,000)	(\$6,045,000)	
CPS Technologies (CPSH)	09/26/20	\$4,452,387	\$4,387,125	\$231,016	(\$495,970)	
ENGlobal Corp. (ENG)	09/26/20	\$15,729,000	\$13,974,000	(\$1,110,000)	(\$716,000)	(A)
LightPath Technologies (LPTH)	09/30/20	\$9,508,972	\$7,551,930	\$97,068	(\$1,375,157)	
Orion Energy (OESX)	09/30/20	\$26,281,000	\$48,322,000	\$1,914,000	\$6,721,000	
Repro Med Systems (KRMD)	09/30/20	\$6,080,315	\$6,617,397	\$249,175	\$651,813	
Riverview Bancorp (RVSB)	09/30/20	\$14,768,000	\$15,062,000	\$2,543,000	\$4,534,000	
Schmitt Industries (SMIT)	08/31/20	\$1,507,000	\$3,342,000	\$150,659	\$169,808	(B)
Sono-Tek Corp. (SOTK)	08/31/20	\$3,481,000	\$3,346,000	\$177,763	\$114,765	
Trxade Group (MEDS)	09/29/20	\$6,332,000	\$2,311,000	\$138,391	\$27,565	
Where Food Comes From (WFCF)	09/30/20	\$6,197,000	\$6,232,000	\$730,000	\$460,000	

(A) *ENG CEO William A. Coskey, P.E: "As a result of the pandemic, the company experienced certain project delays, temporary facility closures, together with our customers delaying decisions on new awards. Currently, we estimate that the total value of our potential opportunities in the modular engineered process plants and renewable fuel facilities sector, including projects we are actively bidding on, exceeds \$321 million."*

(B) *"The first quarter of fiscal year 2021 has been a period of investment and execution. Our Ample Hills team has been exclusively focused on re-opening stores and factory and re-establishing the business, while our measurement products segment team has shifted focus from building a foundation to revenue generation and cost reduction," explained Michael Zapata, SMIT's chairman and chief executive officer.*

NOTES BY THE EDITOR

The stock market did not react to the presidential election as most investors had anticipated. Major indices moved up and different groups such as solar stocks and marijuana stocks gained following Joe Biden's victory.

Regardless of the market performance moving forward, the volatility increase ahead of the event shows that most of these events are "baked in" ahead of time. By the election, solar stocks had appreciated 200% in just a few months.



The lessons from this major event reinforce July 2020 front page article's key takeaway: avoid hype and focus on underlying fundamentals. Both **Alaska Communications (ALSK)** and **BGC Partners (BGCP)** are perfect examples, having surpassed \$3 this month despite recent underperformance.

All in all, Bowser stocks continue to succeed despite a global pandemic and numerous political risk factors.

If you are looking for small stock ideas beyond the monthly Company of the Month, check out *The Bowser Database*, the most recent issue of which just published, featuring over 250 small companies and previous recommendations.

For more details on getting your copy, please email: customerservice@thebowserreport.com.

FIVE BOWSER STOCKS UP AND DOWN

Socket Mobile (SCKT)	UP	93%	Repro Med (KRMD)	DOWN	42%
Alaska Comm. (ALSK)	UP	51%	Trxade Group (MEDS)	DOWN	28%
cbdMD, Inc. (YCBD)	UP	40%	CPS Tech. (CPSH)	DOWN	22%
Insignia Systems (ISIG)	UP	40%	National Holdings (NHLD)	DOWN	16%
CarParts.com (PRTS)	UP	34%	Innovative Food (IVFH)	DOWN	16%