

Action Summary – 13 November 2019

Analyst Theodore R. O'Neill *is initiating coverage of Verb Technology Company, Inc. (VERB)*

- **We are initiating coverage of Verb Technology Company, Inc. with a Buy rating and an \$5.35 price target.** It's Facebook (FB-NR) meets Instagram for the CRM and business world and growing rapidly
- **CRM market is large but VERB has a chance to make it significantly larger.** VERB products are intuitive and easy to use. They can be used effectively by anyone from a crafter selling on Etsy (ETSY-NR) to a large sales-based organization.
- **Revenue recognition for subscription-based businesses may be loved by accountants,** but orders are the leading indicator and we would encourage management to continue providing aggregate order data
- **Model near term subject to significant change.** Subscription-based business models are difficult to model at the early stage and VERB is in the early stage. We would be somewhat surprised if our estimates didn't change post the 3Q19 results expected this week.
- **Shares appear to be priced significantly below absolute and comparative metrics**
- 2018 results shown are pro-forma the merger with Sound Concepts

11/12 Closing price: \$0.91	Market cap: \$22 million	Multiple of book: 1.17	EV/2020 Sales: 0.83
Shares outstanding: 23.4 million	Insider ownership: 20%	Avg. trading volume: 34,000	Dividend/Yield: NA/NA

GAAP estimates (EPS in dollars – Revenue in millions)

Period	EPS	Revenue	Op Margin
Pro-Forma FY18A	<u>(\$0.65)</u>	<u>\$12.7</u>	<u>NMF</u>
1Q19A	(\$0.14)	\$0.00	NMF
2Q19A	(\$0.11)	\$3.73	NMF
3Q19E	(\$0.15)	\$3.70	NMF
4Q19E	<u>(\$0.14)</u>	<u>\$4.00</u>	<u>NMF</u>
FY20E	<u>(\$0.55)</u>	<u>\$11.4</u>	<u>(108%)</u>
1Q20E	(\$0.13)	\$5.00	(53%)
2Q20E	(\$0.11)	\$6.00	(38%)
3Q20E	(\$0.06)	\$8.00	(16%)
4Q20E	<u>(\$0.02)</u>	<u>\$10.0</u>	<u>(3%)</u>
FY20E	<u>(\$0.32)</u>	<u>\$29.0</u>	<u>(22%)</u>

Note: Numbers may not add due to rounding. See our full model in the back of this report.

Cash balance (in millions)

• 2018A	• \$1.6
• 2019E	• \$0.1
• 2020E	• \$2.7

Debt (in millions)

• 2018A	• \$1.4
• 2019E	• \$1.4
• 2020E	• \$1.4

Modified EBITDA (in millions)

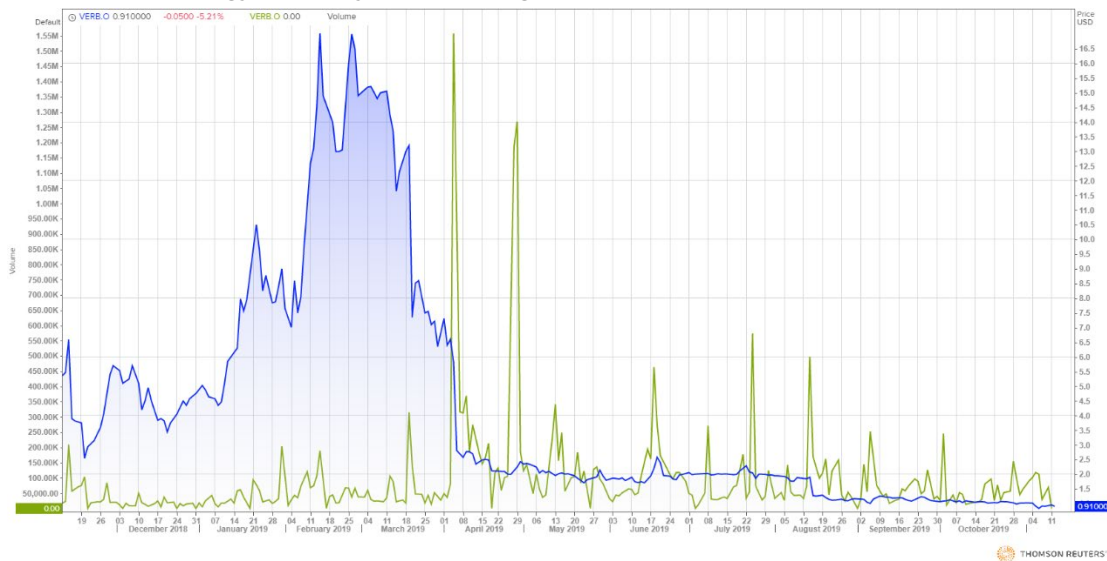
• 2018A	• NA
• 2020E	• ~ (\$10)
• 2021E	• ~ (\$4)

Risks/Valuation

- Risks include: Near-term volatility in earnings as business ramps up
- If the shares stay below \$1.00 there is risk that it will be de-listed
- Trading volume is low @ 34,000 average/day
- Our \$5.35 target is derived using a discounted future earnings model
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Company description: Verb Technology Company, Inc. (NASDAQ: VERB) is an applications services provider, offering cloud-based business software products. Its core products are in the Customer Relationship Management (CRM) sector that we feel are intuitive and easy to use.

Figure 1 – Verb Technology Company, Inc. - Trading snapshot



Source: Thomson Reuters Eikon

Investment Thesis

We are initiating coverage of Verb Technology Company, Inc. with a Buy rating and an \$5.35 price target. It's Facebook (FB-NR) meets Instagram for the CRM and business world and growing rapidly

CRM market is large but VERB has a chance to make it significantly larger. VERB products are intuitive and easy to use. I say that based on personal experience. They can be used effectively by anyone from a crafter selling on Etsy (ETSY-NR) to any large sales-based organization.

Revenue recognition for subscription-based businesses may be loved by accountants, but orders are the leading indicator and we would encourage management to continue providing aggregate order data. In this report we provide some background on how revenue is recognized as well as where to find it on the balance sheet.

Model near term subject to significant change. Subscription-based business models are difficult to model at the early stage that VERB is in. We would be somewhat surprised if our estimates didn't change post the 3Q19 results expected this week. As the business grows, it should grow easier to forecast.

Shares appear to be priced significantly below absolute and comparative metrics. We use a discounted earnings flow for our price target and we compare relative valuation to peers. All 2018 results shown are pro-forma the merger with Sound Concepts. The company provided the pro-forma data.

Valuation Methodology

We believe VERB is undervalued and we support that belief with a series of valuation techniques. We use two different techniques, below. For the purposes of determining our price target we use a discounted future earnings model. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$5.35 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 10%. We assume approximately 5% growth for earnings which steps down to GDP after 5-7 years. Our valuation model is shown in Exhibit 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$7.10 which we discount ~25% to \$5.35 out of an abundance of uncertainty we have with our financial projections that far into the future. Although this target is substantially above where the stock is currently, were it to trade at that level, the implied 2020 EV/Revenue would match the average of its peers at about 4x.

Figure 2 – Verb Technology Company, Inc. – Price Target Calculation

Discounted Earnings			\$ 7.10
Year 1 is	Forecast	Discounted	
2019	EPS	EPS	
1	(0.55)	(\$0.55)	
2	(0.32)	(\$0.26)	
3	0.00	\$0.00	
4	0.45	\$0.31	
5	0.75	\$0.47	
Terminal			\$7.13
Value			

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

In Figure 3 we look at a summary of VERB peers according to market cap. It is clear that on average, the multiples shrink with decreased market cap. If we compare VERB to a simple average of its peers, the shares sell at a significant discount on all measures ranging from 60% to 83%. These metrics indicate the stock price should be more than 100% higher than where it is today. Details on each of the peers can be found in Figure 5 near the back of the report. The companies we used in Figure 5 have each claimed to be in the SaaS business in regulatory filings with the SEC. In order to make the averages useful, we replaced multiples that were significantly above the mean with NA. For example, Zoom Video (ZM-NR) multiples are stratospheric so we eliminated them from the averages. P/E measures will be included when the company is profitable.

Figure 3 – Verb Technology Company, Inc. – Discount to Peers

	Price/Book	2020 EV/Sales	2019 Sales Multiple	2019 EV/Sales
Average	6.74	4.13	5.35	5.25
VERB	1.17	0.83	1.81	2.11
Discount to peers	-83%	-80%	-83%	-70%

Source: Litchfield Hills Research LLC and Refinitiv Eikon (Formerly Thomson Reuters Eikon)

Guidance and Financial Forecasts

Company provides no guidance.

Our financial forecast assumes a healthy revenue increase for FY20. We have tried to take a conservative approach towards our estimates for FY20 and they show sequential improvement. We expect to revise these estimates after the 3Q19 earnings call.

Background on rules for recognizing revenue that impact subscription-based businesses

Many software-as-a-service (SaaS) companies, including VERB report revenue in a way that differs from what most of us are used to. The rules for accounting for subscription-based business models changed recently and the rule is known as ASC 606. ASC 606 stands for Accounting Standards Codification (ASC) as Topic 606: Revenue from Contracts with Customers. ASC 606 has been put into place to improve the revenue recognition portion of financial statements and increase the consistency of financial reporting across industries. Revenue recognition is a particularly important accounting principle for subscription-based businesses. It determines the specific conditions under which income becomes realized as revenue. Simply put, under ASC 606 revenue must be recognized when and as its value is received by the customer.

Why introduce a new standard?

Existing revenue recognition guidelines are inconsistent across industries and between US GAAP and the International equivalent: IFRS, and they also fail to address certain types of arrangements. This new standard is aimed at reducing or eliminating those inconsistencies which will improve comparability and eliminate gaps.

Adopting ASC 606 mean SaaS, IoT, or any other subscription-based businesses recognize their revenue in a way that requires the ability to track their earned and deferred revenue over the entire period of the subscription. There are some accounting terms that are difficult for many to wrap their heads around. Deferred revenue is definitely one of them. Sometimes called deferred income, or unearned revenue, deferred revenue is money a company has received for goods/services that haven't been delivered to the customer - revenue that hasn't been earned yet.

As the good/ service is delivered it's recognized as revenue on the business's income statement. Before delivery, it's recorded as a liability on the balance sheet because it's income that hasn't actually been earned. This "unearned" income is what is referred to as deferred revenue.

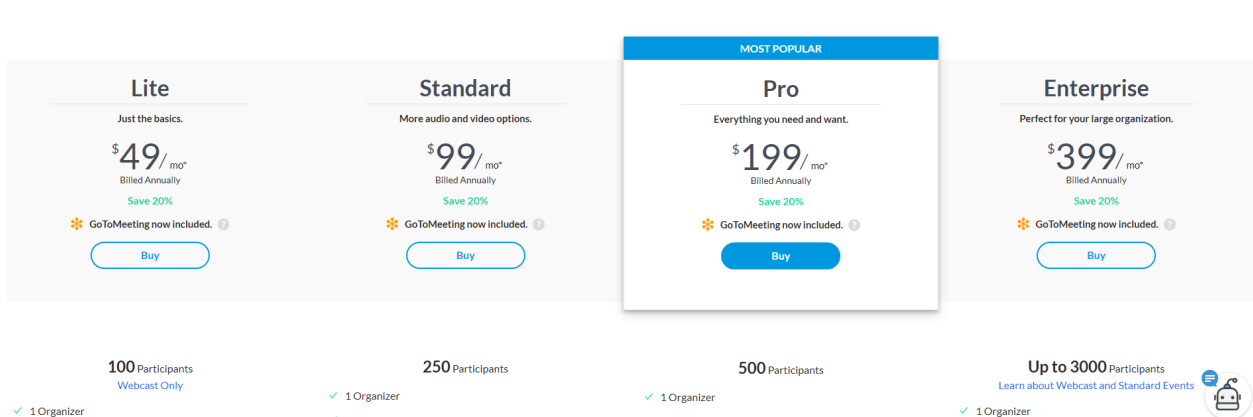
Deferred revenue refers to advance payments, such as in the case of subscription-based businesses, that a business receives for products or services to be delivered at a future time. As the business delivers the product or services, more of the deferred revenue is gradually "recognized". This recognized revenue is the earned revenue.

Revenue Recognition Principle

If you're like me, you're probably wondering why you can't just record the revenue when you receive the money. It's because of the revenue recognition principle which states you should only record revenue that is not only realized (cash has been received) but earned (a good/service has been provided). Until it's earned, the money received is a liability because it signifies an obligation to the customer.

Knowing how to deal with deferred revenue properly is a very big part of the accounting for subscription businesses. See Figure 4 (below) as an example.

Figure 4 – Verb Technology Company, Inc. - Deferred Revenue Example - LogMeIn®



Source: LogMeIn website

Like many subscription businesses, GoToWebinar offers each of its plans as monthly (credit card is charged once a month) or yearly (card is charged all at once for a year’s worth of service.)

Since deferred revenue represents the value of the services that are left to be delivered at a point in time, if I purchased the annual Pro plan, my \$2,388 payment would be added to both the cash account of the balance sheet and the deferred revenue line. Every month \$199.00 would be moved out of deferred revenue and reported as revenue on the income statement.

For those following Verb, all this means is that as the company books annual contracts, you will be able to see it in the change in deferred revenue and ultimately on the income statement as revenue.

Company Overview

Verb is an applications services provider, offering cloud-based business software products under the brand name “Verb” on a subscription basis. Its products include:

- Verb Go
- tagg
- taggEDU
- taggMED
- taggLIVE
- taggNGO
- and coming soon: taggPRO

These are all variants of a CRM application (aimed at different industries) that is distinguishable from other CRM programs because it utilizes proprietary interactive video technology as the primary means of communication between sales and marketing professionals and their customers or prospects. The data collection and analytics capabilities of this application inform users right on their device how long the prospects watched the video, how many times they watched it, and what they clicked-on. It then displays information within the application to immediately separate hot leads or interested customers from those that haven’t seen the video or otherwise expressed interest in the content. These capabilities provide for a much more efficient and effective sales process, resulting in increased sales conversion rates.

Through these products, users can quickly, simply, and easily create, distribute, and post videos on social media to which they can add a choice of on-screen clickable “tags,” which are interactive icons, buttons, and other on-screen elements, that when clicked, allow their prospects and customers to respond to a users’ call to action in real-time, in

the video, while the video is playing, without leaving or stopping the video. For example, the technology allows a prospect or customer the ability to click on a product they see featured in a video and buy it, or to click on a calendar icon in the video to make an appointment with a salesperson, among many other features and functionality. Verb Go interactive videos can be distributed via email or text messaging or posted directly to social media, and no software download is required to view the Verb interactive videos. Verb Go is available by subscription for individual and enterprise users. Verb developed the proprietary patent-pending interactive video technology that serves as the basis for all of its cloud, SaaS Verb applications.

taggMED application is designed for physicians and other healthcare providers to create more efficient and effective interactive communications with patients. Patients are able to avoid unnecessary and inconvenient visits to their physicians' or other healthcare providers' offices by viewing and responding to interactive videos through in-video, on-screen clicks that are designed to assess the patient's need for an office visit. If the patient's responses to the interactive video indicate that an office visit is either necessary or desirable, the patient can schedule the office visit right in through video in real time. Patients can also download and print prescriptions, care instructions, and other physician distributed documents right from and through the video. taggMED is offered on a subscription basis.

taggEDU application is designed for teachers and school administrators for more effective communications with students, parents, and faculty. taggEDU allows teachers to deliver interactive video lessons to students that are both more engaging and more effective. taggEDU allows teachers to communicate with students through their mobile devices and computers to deliver lessons and tests/quizzes on the screen and in the tagg video. The analytics capabilities of taggEDU available on the application dashboard of the teacher or school administrator allow them to track which students watched the lesson, when, for how long, how many times, and track and report on test/quiz results. taggEDU is offered on a subscription basis.

taggLIVE is a Facebook application that works in conjunction with Facebook Live, allowing users of Facebook Live to place clickable taggs on the screens of everyone watching their Facebook Live broadcasts in real time. Viewers can click the on-screen taggs to purchase products and services placed there and offered by the person utilizing taggLIVE Facebook application.

Revenue Generation

Verb generates revenue from the following sources:

- Recurring subscription fees paid by enterprise users for access to its stand-alone applications by enterprise employees or affiliates;
- Recurring subscription fees paid by non-enterprise individual users for access to its stand-alone applications;
- In-app and online purchases by users to access various premium services, features, functionality, and options of the platform (such as the ability to purchase videos from its soon-to-be-released Video Template Store and Creator Program to which users can add their own clickable taggs), among several other add-on features and functionality;
- Recurring subscription fees paid by enterprise users for access to its applications integrated into large, third-party CRM providers such as Oracle/NetSuite; Marketo, Inc., an Adobe company ("Adobe Marketo"); Salesforce.com, Inc. ("Salesforce.com"); and Microsoft Corporation ("Microsoft"); among others;
- Recurring subscription fees paid by enterprise users who subscribe to bundled service offerings from its partners and/or their respective value-added resellers.

Market for CRM

We estimate the annual market may be worth substantially more than SalesForce.Com's \$13 billion in revenue last year for two reasons:

- The products are intuitive, easy and frankly, fun to use
- The market is far broader. It can be used effectively by anyone from a crafter selling on Etsy (ETSY-NR) to any sales-based organizations, consumer brands, ad agencies, online marketers, advertisers, sponsors, social media influencers, enterprise users - large and small, religious organizations, health care providers, network marketing and multi-level marketing companies, media companies, major motion picture studios, social media companies, schools and training facilities, and virtually any other person or organization that seeks to attract, engage, and communicate with prospects, customers, consumers, fans, followers, patients, students, friends, and subscribers, among others, online, utilizing automated, interactive video technology.

Sales Modes:

- Prospective customers and clients can subscribe to the CRM software service on a monthly or annual contract through a simple, web-based sign-up form accessible on its website (<https://www.myverb.com>), as well as through interactive sign-up links that it distributes via email and text messaging and through social media.

- Enterprise users can subscribe to the CRM software service and then distribute custom-branded sign-up links to their internal and external staff via email or other electronic means.
- It has also entered into partnership agreements with other CRM providers to incorporate its tagg interactive video technology into such other CRM providers' software platforms to be offered to their existing and prospective client base for an additional monthly recurring fee, which fee is shared with Verb. In January 2018, it entered into such an agreement with Oracle America, Inc. "Oracle", to integrate the tagg interactive video technology into their NetSuite platform on a revenue-share basis. In February 2018, it entered into a similar agreement with Adobe Marketo, to integrate the tagg interactive video technology into their platform on a revenue-share basis. On January 23, 2019, it entered into an agreement with Microsoft, pursuant to which it will integrate the tagg interactive video technology into Microsoft's product line, beginning with its email platform, Outlook, and then other Microsoft Office 365 services. On February 4, 2019, it entered into a revenue share partnership agreement with Salesforce.com, pursuant to which it will integrate the tagg interactive video technology into the Salesforce.com CRM platform.
- It also employs a direct sales team, as well as outside sales consultants.

Competition

According to our estimates, Salesforce.com (CRM-NR), Microsoft (MSFT-NR), Oracle (ORCL-NR), SAP SE (SAPG.DE-NR), and Adobe Inc. (ADBE_NR), collectively account for approximately 40% of industry sales. These companies, as well as many others, have numerous differences in feature sets and functionality, but all share certain basic attributes. Most of them were designed before the advent and proliferation of mobile phones, social media, and the technology behind the current ubiquity of video over the internet and more recently on mobile devices. While many of them have attempted to incorporate video capabilities into their respective CRM platforms, sometimes in "bolt-on" fashion, none of them utilizes interactive video technology similar to Verb, which places clickable calls to action right in the video, including into users' pre-existing sales and product videos. In addition, tagg interactive videos are viewable on both mobile and desktop devices regardless of operating system and without the need to download a proprietary player or program.

These differences serve to highlight the reasons it has chosen not only to develop its own stand-alone SaaS cloud CRM platform, but also to incorporate and integrate its interactive video technology into the platforms of many of these large, long-term leaders in the CRM industry. This allows them to offer tagg interactive video capabilities to their large enterprise clients and customers as an upgrade feature to their CRM platform subscriptions. The viability of this strategy is evidenced by the partnerships it currently enjoys with Oracle NetSuite and Adobe Marketo, as well as new partnerships with Salesforce.com. and Microsoft, among others.

Management

Rory J. Cutaia, Chairman of the Board, President, Chief Executive Officer, Secretary, and Treasurer

Rory J. Cutaia has been Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer since the formation of CMG, in which roles he has continued to serve through the October 2014 acquisition of bBooth USA to current. Mr. Cutaia founded CMG in 2012 and bBooth, Inc. in 2014. In May 2014, CMG and bBooth, Inc. merged and became known as bBoothUSA, which entity was acquired in October 2014 by GSD. Prior to that, from October 2006 to August 2011, he was a partner and *Entrepreneur-in-Residence* at Corinthian Capital Group, Inc. ("Corinthian"), a private equity fund based in New York City that invested in middle-market, U.S. based companies. During his tenure at Corinthian, from June 2008 to October 2011, he was the co-founder and Executive Chairman of Allied Fiber, Inc., a company engaged in the construction of a nation-wide fiber-optic network, and from June 2007 to August 2011, Mr. Cutaia was the Chief Executive Officer of GreenFields Coal Company, a company engaged in the deployment of technology to recycle coal waste and clean-up coal waste sites. Before joining Corinthian, from January 2000 to October 2006, he founded and was the Chairman and Chief Executive Officer of The Telx Group, Inc. ("Telx"), a company engaged in the telecom carrier inter-connection, co-location, and data center business, which he sold in 2006. Before founding Telx, he was a practicing lawyer with Shea & Gould, a prominent New York City law firm. Mr. Cutaia obtained his Juris Doctorate degree from the Fordham University School of Law in 1985 and his Bachelor of Science, *magna cum laude*, in business management from the New York Institute of Technology in 1982.



Verb Technology Company, Inc.

VERB-Buy-\$5.35 PT

Jeffrey R. Clayborne, Chief Financial Officer

Jeffrey R. Clayborne has been Chief Financial Officer since July 15, 2016. Mr. Clayborne is an experienced finance professional with an entrepreneurial spirit and proven record of driving growth and profit for both Fortune 50 companies, as well as start-up companies. Prior to joining the Company, Mr. Clayborne served as Chief Financial Officer and a consultant with Breath Life Healing Center from August 2015 to July 2016. From September 2014 to August 2015, he served as Vice President of Business Development of Incroud, Inc. and from May 2012 to September 2014, Mr. Clayborne served as President of Blast Music, LLC. Prior to this, Mr. Clayborne was employed by Universal Music Group where he served as Vice President, Head of Finance & Business Development for Fontana, where he managed the financial planning and analysis of the sales and marketing division and led the business development department. He also served in senior finance positions at The Walt Disney Company, including Senior Finance Manager at Walt Disney International, where he oversaw financial planning and analysis for the organization in 37 countries. Mr. Clayborne began his career as a CPA at McGladrey & Pullen LLP (now, RSM US LLP), then at KPMG Peat Marwick LLP (now, KPMG LLP). He brings with him more than 20 years of experience in all aspects of strategy, finance, business development, negotiation, and accounting. Mr. Clayborne earned his Master of Business Administration degree from the University of Southern California, with high honors.

Figure 5 – Verb Technology Company, Inc. – Comp Table

Ticker	Company Name	Close	Market Cap	EV	Price to Book	2020 EV / Revenue	2019 Sales Multiple	2019 EV / Revenue
CRM	Salesforce.Com Inc	\$163.78	\$141,881	\$139,224	7.35	6.64	8.41	8.25
NOW	ServiceNow Inc	\$250.30	\$46,877	\$46,092	NA	10.42	13.58	13.36
RMD	Resmed Inc	\$145.64	\$20,688	\$21,736	9.77	6.91	7.12	7.48
ZM.O	Zoom Video Communicat	\$68.41	\$18,708	\$18,113	25.15	NA	NA	NA
RNG	RingCentral Inc	\$171.61	\$14,122	\$13,921	NA	12.69	15.87	15.64
WORK.K	Slack Technologies Inc	\$20.10	\$10,953	\$10,179	14.79	12.06	17.99	16.72
LOGM.O	LogMeIn Inc	\$69.30	\$3,371	\$3,451	1.22	2.62	2.68	2.74
QLYS.O	Qualys Inc	\$84.74	\$3,260	\$2,962	9.03	8.07	10.14	9.21
VRNT.O	Verint Systems Inc	\$48.51	\$3,190	\$3,583	2.51	2.42	2.33	2.61
LPSN.O	LivePerson Inc	\$34.69	\$2,298	\$2,247	12.81	6.39	7.89	7.71
ALRM.O	Alarm.com Holdings Inc	\$45.36	\$2,221	\$2,120	6.61	3.90	4.67	4.46
EGHT.K	8x8 Inc	\$20.32	\$2,018	\$2,048	8.41	3.84	4.59	4.66
FSCT.O	ForeScout Technologies	\$34.03	\$1,534	\$1,450	16.33	3.74	4.51	4.26
EBIX.O	Ebix Inc	\$37.82	\$1,252	\$1,980	2.34	2.86	2.13	3.37
PLUS.O	ePlus inc	\$89.68	\$1,202	\$1,232	2.67	0.77	0.78	0.80
NXGN.O	NextGen Healthcare Inc	\$17.22	\$1,126	\$1,083	2.88	1.92	2.08	2.00
TBI	TrueBlue Inc	\$23.41	\$909	\$1,028	1.46	0.44	0.38	0.43
HLIT.O	Harmonic Inc	\$8.08	\$721	\$802	2.99	1.83	1.83	2.04
AMSWA.O	American Software Inc	\$16.82	\$519	\$432	4.54	3.61	4.62	3.85
EGAN.O	eGain Corp	\$7.69	\$231	\$196	8.90	2.40	3.17	2.70
CSLT.K	Castlight Health Inc	\$1.50	\$210	\$156	1.17	1.16	1.48	1.10
ASUR.O	Asure Software Inc	\$8.32	\$145	\$251	1.49	2.92	1.49	2.58
SHSP.O	SharpSpring Inc	\$9.60	\$100	\$84	3.52	3.09	4.47	3.75
NH.O	NantHealth Inc	\$0.72	\$77	\$296	NA	2.75	0.79	3.02
OSS.V	OneSoft Solutions Inc	\$0.66	\$55	\$46	6.65	7.29	20.41	17.02
QUMU.O	Qumu Corp	\$2.60	\$34	\$31	9.05	1.00	1.25	1.12
QUIK.O	QuickLogic Corp	\$0.26	\$33	\$26	2.06	1.00	3.24	2.50
XDSL.PK	mPhase Technologies Inc	\$0.80	\$11	\$12	16.89			
BKYI.O	BIO-Key International Inc	\$0.54	\$8	\$8	0.96	1.15	1.30	1.27
NBVA.V	Nubeva Technologies Ltd	\$0.07	\$3	(\$2)	0.59			
TPTW.PK	TPT Global Tech Inc	\$0.02	\$3	\$3				
INLX.PK	Intellinetics Inc	\$0.09	\$2	\$6	NA	1.73	0.66	2.27
IMCI.PK	Infinite Group Inc	\$0.04	\$1	\$4	NA			
	Average				6.74	4.13	5.35	5.25
VERB.O	Verb Technology Compar	\$0.92	\$22	\$24	1.17	0.83	1.81	2.11
	Verb Valuation Premium/(Discount) to Peers				-83%	-80%	-66%	-60%

Source: Litchfield Hills Research LLC and Refinitiv Eikon (formerly Thomson Reuters Eikon)

Figure 6 – Verb Technology Company, Inc. – Income Statement

(\$ in thousands except per share)											
December year-end	Pro-Forma										
	2018	2019E				2019E	2020E				2020E
	Year	Q1A	Q2A	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
Total revenue	\$12,766	\$9	\$3,733	\$3,700	\$4,000	\$11,442	\$5,000	\$6,000	\$8,000	\$10,000	\$29,000
<i>Growth</i>						-10%					153%
Cost of Goods	7,173	30	2,042	1,998	2,040	6,110	2,550	3,060	4,000	5,100	14,710
Gross Profit	5,593	(21)	1,691	1,702	1,960	5,332	2,450	2,940	4,000	4,900	14,290
Gross Margin	43.8%	NA	45.3%	46.0%	49.0%	46.6%	49.0%	49.0%	50.0%	49.0%	49.3%
Depreciation	\$0	\$3	\$567	\$565	\$570	\$1,705	\$570	\$570	\$570	\$570	\$2,280
% of total revenue	0%	33%	15%	15%	14%	15%	11%	10%	7%	6%	8%
R&D	\$3,174	\$564	\$1,335	\$1,300	\$1,400	\$4,599	\$1,250	\$1,300	\$1,300	\$1,300	\$5,150
% of total revenue	25%	NA	36%	35%	35%	40%	25%	22%	16%	13%	18%
General and administrative	\$10,575	\$2,186	\$3,262	\$3,000	\$3,000	\$11,448	\$3,300	\$3,320	\$3,400	\$3,320	\$13,340
% of total revenue	83%	NA	87%	81%	75%	100%	66%	55%	43%	33%	46%
Total Operating Expenses	13,749	2,753	5,164	4,865	4,970	17,752	5,120	5,190	5,270	5,190	20,770
Operating Income	(8,156)	(2,774)	(3,473)	(3,163)	(3,010)	(12,420)	(2,670)	(2,250)	(1,270)	(290)	(6,480)
Operating Margin						-108.5%	-53.4%	-37.5%	-15.9%	-2.9%	-22.3%
Total Other Items	(3,650)	(234)	1,130	(100)	(100)	696	(100)	(100)	(100)	(100)	(400)
Pre-Tax Income	(11,806)	(3,008)	(2,343)	(3,263)	(3,110)	(11,724)	(2,770)	(2,350)	(1,370)	(390)	(6,880)
Pre-Tax Margin							-55.4%	-39.2%	-17.1%	-3.9%	-23.7%
Taxes (benefit)	1	0	0	0	0	0	0	0	0	0	0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (loss)	(11,807)	(3,008)	(2,343)	(3,263)	(3,110)	(11,724)	(2,770)	(2,350)	(1,370)	(390)	(6,880)
Net Margin						-102.5%	-55.4%	-39.2%	-17.1%	-3.9%	-23.7%
EPS, as reported	(0.65)	(0.14)	(0.11)	(0.15)	(0.14)	(0.55)	(0.13)	(0.11)	(0.06)	(0.02)	(0.32)
Diluted Shares Outstanding	18,147	21,000	21,642	21,645	21,648	21,484	21,651	21,487	21,654	21,490	21,571

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – Verb Technology Company, Inc. – Balance Sheet

(\$ in thousands except per share)			
			Pro-Forma
December year-end	FY2020E	FY2019E	FY2018
Balance sheet			
Current Assets			
Cash and S.T.I.	\$2,730	\$135	\$1,622
Accounts receivable	1,500	1,300	975
Inventories	200	175	123
Other assets	<u>1,000</u>	<u>250</u>	<u>241</u>
Total Current Assets	5,430	1,860	2,961
Net PP&E	125	125	123
Other non-current assets	100	50	27
Total Assets	<u>\$26,655</u>	<u>\$24,035</u>	<u>\$28,027</u>
Current Liabilities			
Accounts payable and accrued ex.	\$5,000	\$3,000	\$2,241
Notes payable	\$400	\$400	\$319
Deferred revenue	\$4,000	\$1,000	\$327
Other current liabilities	<u>\$3,000</u>	<u>\$1,000</u>	<u>\$820</u>
Total current liabilities	<u>14,400</u>	<u>6,400</u>	<u>3,876</u>
Notes payable	1,000	1,000	1,092
Other Liabilities	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Total Liabilities	18,400	10,400	4,968
Stockholders' Equity			
Preferred stock	0	0	0
Common stock	104	104	2
Additional paid-in-capital	67,000	66,000	63,802
Retained earnings	(59,349)	(52,469)	(40,745)
Cum. Other comp and treasury stock	<u>500</u>	<u>0</u>	<u>0</u>
Total stockholders' equity	<u>8,255</u>	<u>13,635</u>	<u>23,059</u>
Total Liabilities and equity	<u>\$26,655</u>	<u>\$24,035</u>	<u>\$28,027</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – Verb Technology Company, Inc. – Cash Flow

(\$ in thousands except per share)			
	FY20E	FY19E	Pro-Forma FY18
Net Income	(\$6,880)	(\$11,724)	(\$11,807)
Accounts receivable	(200)	(325)	(975)
Inventories	(25)	(52)	(123)
Other assets	(750)	(9)	(200)
PP&E	0	(2)	(92)
Goodwill	1,000	2,916	(24,916)
Other non-current	(50)	(23)	(18)
Accounts payable and accrued ex.	2,000	759	721
Customer deposits	1,000	831	169
Notes payable	0	81	(2,791)
Deferred revenue	3,000	673	327
Other current liabilities	2,000	180	(431)
Notes payable	0	(92)	1,092
Other Liabilities	0	3,000	0
Preferred stock	0	0	0
Common stock	0	102	1
Additional paid-in-capital	1,000	2,198	41,052
Cum. trans. adj. and treasury stock	500	0	0
Dividends	0	0	(398)
Total Cash Flow	\$2,595	(\$1,487)	\$1,611

Source: Litchfield Hills Research LLC

Disclosures:

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We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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