

Action Summary – 6 May 2022

Analyst Theodore R. O'Neill *is initiating coverage of Taoping, Inc. with a Buy rating and \$7 PT*

- **We are initiating coverage of Taoping Inc. with a Buy rating and a \$7.00 price target** following its full year report released Monday 2 May which showed 124% top line growth.
- **Multiple paths to growth.** Digital Asset Mining, Data Center development, AI software platform deployed in the advertising sector using digital billboards in multiple settings across China.
- **Diverse Customer Base.** TAOP has 300+ commercial customers, across industry verticals including commercial and governmental agencies
- **Market Pioneer.** Pioneering digital asset mining since 2021, aggressively scaling mining operations in China and Kazakhstan where the government is embracing bitcoin mining
- **Industry Leader.** Combining AI software, computer and data center expertise to bridge digital asset mining and enterprise data centers
- **Experienced Management Team.** A management team with proven track record of success in internet technology and software
- **Attractive Valuation.** The shares sell at a discount to our price target and to peer metrics and while the shares have traded in the past at a small discount to its legacy Digital Culture business, now that it has been successful in growing its Digital Asset business, measurement against those peers is more appropriate.

5/5 Closing price: \$1.37	Market cap: \$20 million	2023 PE: 3.7	2023 EV / Sales: 0.47
Shares outstanding: 15 million	Insider ownership: 32%	3-mo avg. trading volume: 84,000	Dividend/Yield: NA/NA

GAAP estimates in USD\$ (Revenue in USD\$ millions)

Period	EPS	Revenue	Op. Income %
FY19A	<u>(\$0.54)</u>	<u>\$13.8</u>	<u>NMF</u>
1H20A	<u>(\$1.12)</u>	<u>\$3.74</u>	<u>NMF</u>
2H20A	<u>(\$1.39)</u>	<u>\$7.32</u>	<u>NMF</u>
FY20A	<u>(\$2.49)</u>	<u>\$11.06</u>	<u>NMF</u>
1H21A	<u>(\$1.34)</u>	<u>\$6.43</u>	<u>NMF</u>
2H21A	<u>\$0.31</u>	<u>\$18.4</u>	<u>NMF</u>
FY21A	<u>(\$0.77)</u>	<u>\$24.8</u>	<u>(35.1%)</u>
1H22E	<u>(\$0.04)</u>	<u>\$24.0</u>	<u>(2.5%)</u>
2H22E	<u>(\$0.01)</u>	<u>\$28.0</u>	<u>0.0%</u>
FY22E	<u>(\$0.05)</u>	<u>\$52.00</u>	<u>(1.2%)</u>
1H23E	<u>\$0.12</u>	<u>\$32.00</u>	<u>6.6%</u>
2H23E	<u>\$0.25</u>	<u>\$38.00</u>	<u>13.9%</u>
FY23E	<u>\$0.37</u>	<u>\$70.00</u>	<u>10.6%</u>

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

Cash balance (in millions)

• 2019A	• \$1.5
• 2020A	• \$1.1
• 2021A	• \$4.5
• 2022E	• \$1.2
• 2023E	• \$4.8

Net Capital Equipment Expenditure (in millions)

• 2019A	• \$11.2
• 2020A	• (\$1.0)
• 2021A	• \$10.7
• 2022E	• \$8.4
• 2023E	• \$15.0

Adj. EBITDA (in millions)

• 2019A	• (\$0.5)
• 2020A	• (\$12.7)
• 2021A	• (\$0.9)
• 2022E	• \$8.1
• 2023E	• \$17.6

Risks/Valuation

- Risks include: Macro-economic conditions, competition, COVID impact, regulatory changes
- Our \$7.00 target is derived using a discounted future earnings model

Company description: Taoping Inc. is a blockchain technology and smart cloud services provider. The Company is dedicated to the research and application of blockchain technology and digital assets, and continues to improve computing power and create value for the encrypted digital currency industry. Relying on its proprietary smart cloud platform, TAOP also provides solutions and cloud services to industries such as smart community, new media and artificial intelligence. www.en.taop.com for the English language version.

Investment Thesis

We are initiating coverage of, Taoping, Inc. with a Buy rating and a \$7.00 price target.

Multiple paths to growth. Taoping Inc. is a blockchain technology and smart cloud services provider. The Company provides cloud-based advertising display terminals, digital advertising distribution network and new media resource sharing platform in the Out-of-Home advertising market in China. Most recently, it has expanded its advertising reach to include EV charging stations. TAOP is also dedicated to the research and application of blockchain technology and digital assets, a new business segment the Company initiated in 2021. With multiple cloud data center deployed overseas, the Company continues to improve computing power and create value for the encrypted digital currency industry. Relying on its proprietary smart cloud platform, TAOP provides solutions and cloud services to multiple industries.

Diverse Customer Base. TAOP has 300+ commercial customers, across industry verticals including commercial and governmental agencies in 200+ cities in China.

Market Pioneer. Pioneering digital asset mining since 2021 utilizing lower cost electricity and scaling mining operations in China and Kazakhstan where the government is embracing bitcoin mining.

Industry Leader. Combining AI software, computer and data center expertise to bridge digital asset mining and enterprise data centers

Experienced Management Team. A management team with proven track record of success in internet technology and software

Attractive valuation. While our price target is significantly above where the stock has traded, it is based on what we believe is a conservative view of the discounted value of all future earnings. Until now, the shares have traded closer to the metrics of its peers in the Digital Culture business, but now that the company is seeing revenue and growth in the Digital Asset business, we feel the comparison there is more appropriate. Our target is also supported by the significant discount at which the shares trade relative to peers shown in Figure 3.

Trading History

The shares are traded on the Nasdaq, where it has been trading since 2006 (see Figure 1). The 3-month average trading volume is 61.6k. The decline in price beginning March 11, 2022 follows a Reuters story on US and Chinese regulators in discussions regarding cooperation on certain auditing and regulatory matters. The story specifically mentioned TAOP and every Chinese company listed in the US. TAOP was not singled out.

Figure 1 – Taoping, Inc. – One-year Trading Snapshot



Source: FactSet

Valuation Methodology

We believe TAOP is undervalued and we support that belief with two valuation techniques, both of which suggest the shares are undervalued at the current price. For the purposes of determining our price target we use a discounted future earnings model. For the purpose of confirming our price target we look at comparable company valuations:

- 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 \$7.00 is based on a discounted future earnings model (Figure 2). For the purposes of deriving an earnings-based price target, we assume the company continues to grow and that growth declines over time to the same rate as GDP. The model sums up all earnings per share, discounted at 12% to arrive at a per share valuation. We believe that the 12% discount rate is appropriate given the level of risk in its fastest growing revenue segment and the uncertainty associated with both COVID, the war in Ukraine and regulatory issues for securities and currencies. On the other hand, this model understates future product developments, probably understates the tax benefits, and never has a down year in earnings. The implied share price is \$6.93 which we round up to \$7.00.

Figure 2 – Taoping, Inc.– Implied Price Target Calculation

Discounted Earnings			\$6.93
Year 1 is	Forecast	Discounted	
2022	EPS	EPS	
1	(0.05)	(\$0.05)	
2	0.37	\$0.30	
3	0.45	\$0.32	
4	0.55	\$0.35	
5	0.65	\$0.37	
Terminal Value			\$5.64

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

For our comparable valuation work, we looked at peers engaged in both the Digital Asset Business and Digital Culture. Until now, the shares have traded closer to the metrics of its peers in the Digital Culture business, but now that the company is seeing revenue and growth in the Digital Asset business, we feel the comparison there is more appropriate. If we compare TAOP to an average of its Digital Asset peers (Figure 3), the shares sell at a discount. These metrics indicate the stock price should be higher than where it is today and supports our \$7 price target. If the shares traded for \$7.00 today, its 2023 Market cap/Sales multiple would still be below average. The companies we used in Figure 3 are in similar lines of business although none of them are a perfect match.

Figure 3 – Taoping, Inc. Peer Comparison

Digital Assets Business					2023 Consensus Multiples	
FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	Market Cap / Sales	EV /Sales
CORZ-US	Core Scientific, Inc.	\$5.62	1,794	241	1.10	0.15
MARA-US	Marathon Digital Holdings Inc	\$16.78	1,729	1,780	1.44	1.48
RIOT-US	Riot Blockchain Inc	\$10.84	1,272	544	1.85	0.81
HUT-CA	Hut 8 Mining Corp.	\$3.70	635	255	2.86	1.21
HIVE-CA	HIVE Blockchain Technologies Ltd	\$1.52	621	411	3.08	1.92
BITF-CA	Bitfarms Ltd.	\$3.00	603	314		
CLSK-US	Cleanspark, Inc.	\$6.95	288	247	1.43	1.09
SDIG-US	Stronghold Digital Mining, Inc. Class A	\$3.66	73	439	0.55	
WTCG-US	Descrypto Holdings Inc	\$0.87	21	208		
BMNR-US	BitMine Immersion Technologies Inc	\$2.40	105			
GREE-US	Greenidge Generation Holdings Inc. Class A	\$6.48	83	220	1.06	0.87
TAAL-CA	Taal Distributed Information Technologies, Inc	\$1.49	54	54		
CBIT-CA	Cathedra Bitcoin Inc	\$0.38	34	35		
LUXX-CA	Luxxfolio Holdings Inc	\$0.18	13	21		
CODE-CA	Cypher Metaverse Inc	\$0.05	7	2		
AVERAGE					1.67	1.08
TAOP-US	Taoping Inc.	\$1.35	20	33	0.29	0.47
TAOP-US Premium/(Discount) to peers:					-83%	-56%
Digital Culture Business					2023 Consensus Multiples	
FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	Market Cap / Sales	EV /Sales
HCO-FR	HighCo SA	\$5.82	130	57	0.85	0.40
DKUPL-FR	Dekuple	\$32.04	133	137		
TMG-GB	Mission Group Plc	\$0.73	66	94	0.62	0.87
623-HK	SinoMedia Holding Ltd.	\$0.12	55	(79)		
HHS-US	Harte-Hanks, Inc.	\$7.97	56	83	0.26	0.39
2159-JP	Full Speed Inc.	\$4.22	66	31		
AVERAGE					0.58	0.55
TAOP-US	Taoping Inc.	\$1.35	20	33	0.29	0.47
TAOP-US Premium/(Discount) to peers:					-50%	-15%

Source: Litchfield Hills Research LLC and FactSet

Notes on our Financial Forecasts and Company Guidance

The company provides no guidance on revenue but did provide qualitative and directional guidance for administrative expenses:

- The company expects administrative costs to decrease in 2022

We have made estimates at a very high level with the main assumption that revenue will grow, primarily in the Digital Asset side of the business and that the company will stay close to breakeven in 2022 and profitable for a full year in 2023. However, the company may choose to make longer term investments that will impact the model. The company reached profitability in 2H21 but that appears to be largely driven by reversing an accrual for doubtful accounts. At this point in the model development, our estimates could move markedly one way or the other. In addition to unknowns in the financial model, capital expenditures could run very high, necessitating additional capital raises. To support that, TAOP has filed a mixed shelf offering for \$100MM.

Company Overview

Summary

Taoping Inc. is a blockchain technology and smart cloud services provider engaged in cryptocurrency mining, NFT creation, digital advertising and related businesses. The company segments its business into what it calls **Digital Assets** and **Digital Culture**.

The Digital Assets (<50% of sales) segment focuses on developing data centers, offering cloud computing, cryptocurrency mining and new product development serving the digital asset industry. It launched its blockchain-based cryptocurrency mining operations as the first initiative of this new digital assets business segment at the end of the first quarter of 2021 and has multiple cloud data centers deployed outside of mainland China.

The Digital Culture (>50% of sales) segment or Taoping New Media, uses AI and its Smart Cloud Platform, it links consumer advertising, commercial and government agencies to manage advertising and public notices that appear on cell phones, fixed display screens and third-party online ad platforms. It has over 300 customers in China.

Digital Assets Business

Digital Business/Crypto Currency/NFT

We believe that an increasing number of business transactions will be conducted entirely on the internet and there is a growing market for managing and maintaining those transaction. We have found the best discussion of this evolving situation was written by the presumed pseudonymous Satoshi Nakamoto, the inventor of Bitcoin.

“Commerce on the Internet has come to rely almost exclusively on financial institutions serving as trusted third parties to process electronic payments. While the system works well enough for most transactions, it still suffers from the inherent weaknesses of the trust-based model. Completely non-reversible transactions are not really possible, since financial institutions cannot avoid mediating disputes. The cost of mediation increases transaction costs, limiting the minimum practical transaction size and cutting off the possibility for small casual transactions, and there is a broader cost in the loss

of ability to make non-reversible payments for non-reversible services. With the possibility of reversal, the need for trust spreads. Merchants must be wary of their customers, hassling them for more information than they would otherwise need. A certain percentage of fraud is accepted as unavoidable. These costs and payment uncertainties can be avoided in person by using physical currency, but no mechanism exists to make payments over a communications channel without a trusted party. What is needed is an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party. Transactions that are computationally impractical to reverse would protect sellers from fraud, and routine escrow mechanisms could easily be implemented to protect buyers.”

Advantages of digital currency

- Decentralized currency without a central bank or a single administrator
- Can be sent directly from one user to another
- The data structure (blockchain) serves as the public ledger of all transactions
- Relatively sound money

“Digital Business” usually refers to the entire universe of technologies that involve blockchains — the distributed ledger systems that power digital currencies like Bitcoin, but also serve as the base layer of technology for things like NFTs, the Web 3.0 and DeFi (decentralized finance) trading protocols.

At a very basic level, blockchains are shared databases that store and verify information in a cryptographically secure way. You can think of a blockchain like a Google spreadsheet, except that instead of being hosted on Google’s servers, blockchains are maintained by a network of computers all over the world. These computers (sometimes called miners or validators) are responsible for storing their own copies of the database, adding and verifying new entries, and securing the database against hackers. There are several different digital currencies, which are generically referred to as Bitcoin and the two largest are Bitcoin and Ethereum.

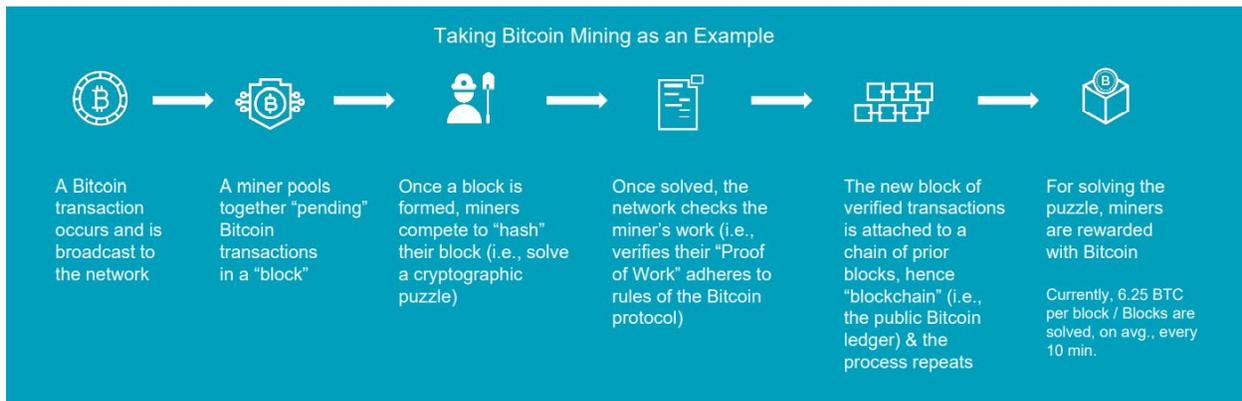
How will TAOP make money with its Digital Business?

It will “mine” crypto currency, specifically it will mine “Ether” which most people call Ethereum. As we show in Figure 4, mining refers to contributing to the blockchain in exchange for a payment in crypto currency.

Figure 4 – Taoping, Inc. – Bitcoin Mining

Mining – A system that adds transactions & provides security to the crypto blockchain; How new crypto currency enter the market

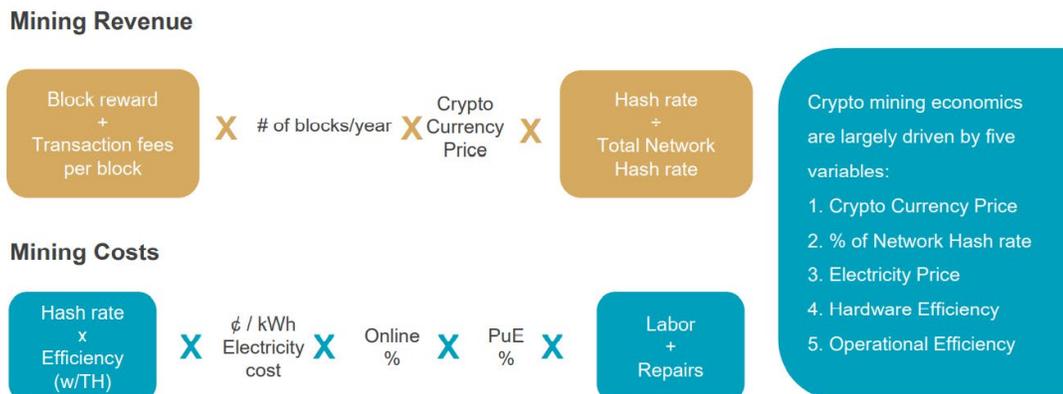
A Miner – a computer designed to solve a mathematical algorithm (i.e., the Bitcoin code)



Source: Company presentation

And mining results in income following a known formula where the cost of mining is highly correlated with the cost of electricity used by the computers solving (“hashing”) a block of crypto currency (see Figure 5).

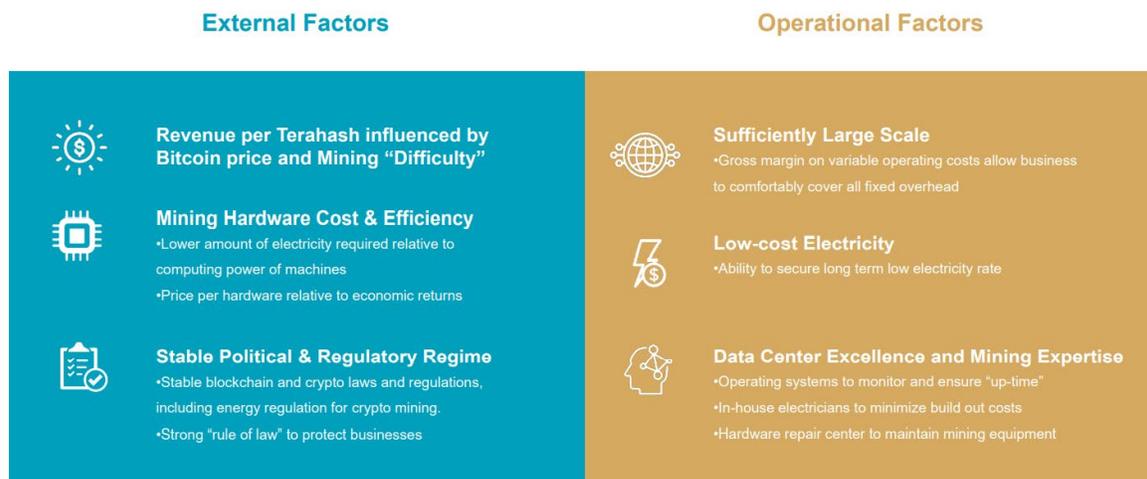
Figure 5 – Taoping, Inc. – Mining Revenue and Costs



Source: Company presentation

For TAOP, it is building out a mining operation in Kazakhstan because it has access to low-cost electricity and a good regulatory regime for mining companies (See Figure 6).

Figure 6 – Taoping, Inc. – Factors affecting mining economics



Source: Company presentation

TAOP mining is focused on Ether. The most valuable virtual currency other than Bitcoin is Ether, which runs on the Ethereum blockchain. In addition to recording virtual currency transactions, the Ethereum blockchain can record and execute simple programs. It is possible, for instance, to create a program on the Ethereum blockchain that will move Ether between wallets only after a specific event.

More recently, many companies and governments have been interested in using blockchains to store data that has nothing to do with virtual currency transactions, or transactions of any sort. While banks are building blockchains that can track payments between accounts, governments are experimenting with using blockchains to store property records and votes. It also has application with non-fungible tokens thus there is potential mining revenue in managing NFTs for others.

The Digital Culture business.

The Digital Culture segment or Taoping New Media, uses AI and its Smart Cloud Platform, it links consumer advertising, commercial and government agencies to manage advertising and public notices that appear on cell phones, fixed display screens and third-party online ad platforms. It has over 300 customers in China, see Figure 7.

Figure 7 – Taoping, Inc. – Taoping New Media Alliance



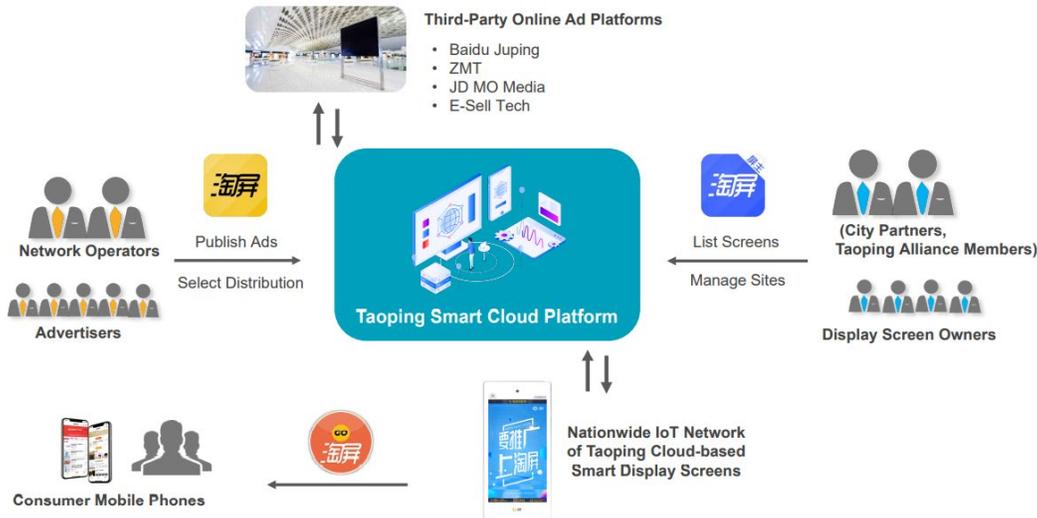
Source: Company Presentation

Out-of-Home Digital Advertising Market in China

The out-of-home advertising market refers to advertising in high traffic areas. Over 50% of commercial advertisers rated commercial buildings and public transportation hubs as the top two prime locations for advertisement placement. It is estimated that there are over 200 million people riding elevators every day in China. Precision advertisement uses digital technologies, such as internet-based ads management and distribution and big data analysis, to target its audience, and continues to be an advertiser’s focal point

Currently, most of the advertising display terminals in China are not connected to any network. Consequently, updating their media contents requires onsite manual operation through flash drives or other means. They also tend to have low asset utilization rates. In comparison, content on cloud-based terminals can be remotely uploaded, updated, and managed resulting in substantial labor cost savings for terminal operators, i.e., advertising agencies. In addition, cloud-based terminals offer advertising agencies the flexibility of fine-tuning advertisement schedules on the fly and customizing advertisement content at each location as specific as one single office building. More importantly, idle time slots on cloud-based terminals can be discovered and sold on Taoping, an online resource exchange platform. The cloud platform and the company’s AI allow these digital billboards to be used far more effectively, see Figure 8.

Figure 8 – Taoping, Inc. – Taoping New Media



Source: Company presentation

Competition

In the Digital Culture segment, there are many small IT service companies in China providing one-off software packages to solve one aspect of the problems, but fewer integrated solutions combining technology platform, resource exchange and sharing, and big data services. For example, in the new media industry, it encounters competition from 56iq.com, Fujian Star-net Communication Co., Ltd, Shanghai View Show Technology Co., Ltd., and Maipu Communications Technology Co., Ltd. Taoping New Media Co., Ltd, competes with advertising agencies, such as Focus Media, Air Media, and Vision China in some geographic regions in China.

The Digital Assets industry is a highly competitive and evolving industry and new competitors and/or emerging technologies could enter the market and affect the company's competitiveness in the future. Other market participants in the digital assets industry include investors and speculators, retail users transacting in digital assets, and service companies that provide a variety of services including buying, selling, payment processing and storing of digital assets. To continue to be successful, it will require sufficient additional capital to build additional facilities and to acquire new available mining equipment and related infrastructure.

Board and Management

Jianghuai Lin, CEO

Mr. Lin graduated from Wuhan University with a Master Degree in Software Engineering. He is now a current member of the Shenzhen Committee of the CPPCC, a member of Shenzhen Youth Federation and the Vice President of Shenzhen Young Entrepreneurs Association. Mr. Lin has nearly 20 years of hands-on experience in corporate strategy and corporate governance, with particular expertise in the development of IT and Internet industries. During the period of September 2000 to June 2004, Mr. Lin served as the President of Hong Kong United Development Group. In July 2004, he served as the Chairman of iASPEC Software Company Ltd. In September 2008, Mr. Lin was elected Director of the Board of China Information Technology, Inc., which is a listed company in Nasdaq and later he served as the Company's Chief Executive Officer. From June 2018 to present, he served as Chairman and Chief Executive Officer (CEO) of the Board of Directors of Taoping Inc.

Zhiqiang Zhao, President

Mr. Zhao has extensive experience in corporate operations and integrations, strategy planning and human resources management. From March 2003 to March 2005, Mr. Zhao served as Supervisor of Human Resources for the Foxconn Technology Group; from April 2005 to July 2006, as Admin and Human Resource Director of iASPEC Software Engineering Company Ltd; from July 2006 to August 2010, as Deputy General Manager of iASPEC; from November 2010, as the COO and Vice President of China Information Technology Co., Ltd; from August 2010, he was vice chairman of iASPEC, and from November 2010, Mr. Zhao began serving as Chief Operating Officer of China Information Technology, Inc. (CNIT) In August 2015, Mr. Zhao was appointed as CNIT's President and from October 2015, he has served as Interim Chief Finance Officer (CFO). From June 2018 to present, he served as President and Chief Financial Officer (CFO) of Taoping Inc. Mr. Zhao holds a Bachelor degree in Mechanical & Electrical Engineering from Inner Mongolia University.

Liqiong (Iris) Yan, CFO

Ms. Yan has over ten years' experience in finance, investor relations and corporate governance. Ms. Yan served as the Company's Assistant CFO since 2018, prior to that she was the Director of Investor Relations and Secretary of the Board of TAOP since 2007. During her tenure, Ms. Yan assisted in Company's NASDAQ listing, Company's strategic acquisitions and overseas equity/debt financings, and was instrumental in strategy planning, financial management and capital strategy management. Ms. Yan is a Certified Management Accountant (CMA) licensed by the Institute of Management Accountants. Ms. Yan received a postgraduate diploma in Investment from Fudan University and a bachelor's degree in International Economics from Beijing Normal University.

Zhixiong Huang, COO

Mr. Huang holds a bachelor degree in computer science from Hohai University and has over 20 years-experience in information technology. He is currently a director of the Shenzhen Computer Association, and an expert with the Shenzhen Expert Association, and the Shenzhen Science and Technology Innovation Association. From July 2001 to March 2002, Mr. Huang served as the general manager of product development of Shenzhen Runsheng Information Systems Company Ltd. From September 2002 to October 2006, Mr. Huang served as the deputy general manager of iASPEC, where he supervised the company's research and development activities and consulted on various types of sophisticated, technical issues. From January 2006 to September 2013, he served as CNIT's vice president, and was Chief Technology Officer from December 2008 to September 2013. Mr. Huang has been the general manager of iASPEC Zhongtian Software Co., Ltd. since November 2010 and vice president of iASPEC Geo Information Technology Co., Ltd. since May 2013. Mr. Huang was appointed as CNIT's senior vice president in March 2014. From August 2015 till now, he served as the Chief Operating Officer of CNIT. Since June 2018, he has served as Chief Operating Officer (COO) of Taoping Inc.

Guangzeng Chen, CTO

Mr. Chen graduated from Zhengzhou University with a Bachelor's degree in Computer Science and owns over 10 years of experience in research and development management of IT and Internet products. From June 2004 to April 2011, he served as the Director of R&D at Videohome Technology Co., Ltd., with leading products exported to many countries. From May 2011 to February 2014, he served as the Project Manager at CoolPad Group Limited and completed the technical innovation work for many projects. In March 2014, he joined China Information Technology, Inc. and has successively served as Senior Project Manager, Director of Quality Assurance Center and Vice President of Strategic R&D Center. Since June 2015, he has been appointed as Chief Technology Officer ("CTO") of China Information Technology, Inc.

Dongfeng Wang, Chief Strategy Officer

Mr. Dongfeng Wang has 22 years of work experience in the Internet industry. In 2004, Mr. Wang founded Zcom Digital Magazine, one of the earliest e-magazine platforms in China. In 2009, Mr. Wang co-founded Forgame Holdings Ltd., a company engaged in the business of game and fintech in China, and successfully listed the company on the Main Board of The Stock Exchange of Hong Kong Limited in 2013. In 2017, Mr. Wang started investments in blockchain technology and digital assets mining operations as a venture partner of Longling Capital Co. Ltd, a Chinese venture capital firm specializing in seed stage, early stage and angel investments. Mr. Wang graduated from Beijing Construction University with a bachelor's degree in International Trade.

Figure 9 – Taoping, Inc. – Income Statement (000)

December year-end	2018	2019A	2020		2020	2021A		2021A	2022E		2022E	2023E		2023E
	Year	Year	1H20A	2H20A	Year	1H21A	2H21A	Year	1H22E	2H22E	Year	1H23E	2H23E	Year
Total revenue	\$20,578	\$13,791	\$3,737	\$7,325	\$11,063	\$6,426	\$18,420	\$24,846	\$24,000	\$28,000	\$52,000	\$32,000	\$38,000	\$70,000
<i>Growth</i>		-33%			-20%	72%	151%	125%	374%	52%	109%	133%	36%	35%
Cost of Goods	10,924	7,189	2,270	4,849	7,119	4,287	11,216	15,503	15,600	18,200	33,800	19,200	20,900	40,100
Gross Profit	9,654	6,602	1,467	2,477	3,944	2,138	7,204	9,343	8,400	9,800	18,200	12,800	17,100	29,900
Gross Margin	46.9%	47.9%	39.3%	33.8%	35.6%	33.3%	39.1%	37.6%	35.0%	35.0%	35.0%	40.0%	45.0%	42.7%
Sales & Marketing	\$429	\$524	\$144	\$570	\$714	\$193	\$501	\$694	\$500	\$500	\$1,000	\$1,000	\$1,000	\$2,000
% of total revenue	2%	4%	4%	8%	6%	3%	3%	3%	2%	2%	2%	3%	3%	3%
Administrative expense	\$4,300	\$6,658	\$7,064	\$9,643	\$16,707	\$13,607	(\$724)	\$12,883	\$5,500	\$6,200	\$11,700	\$6,500	\$7,500	\$14,000
% of total revenue	21%	48%	189%	132%	151%	212%	-4%	52%	23%	22%	23%	20%	20%	20%
R&D	\$4,756	\$3,593	\$1,803	\$2,086	\$3,889	\$2,260	\$2,219	\$4,479	\$3,000	\$3,100	\$6,100	\$3,200	\$3,300	\$6,500
% of total revenue	23%	26%	48%	28%	35%	35%	12%	18%	13%	11%	12%	10%	9%	9%
Total Operating Expenses	9,485	10,774	9,011	12,300	21,310	16,060	1,996	18,056	9,000	9,800	18,800	10,700	11,800	22,500
Operating Income	169	(4,172)	(7,544)	(9,823)	(17,367)	(13,922)	5,208	(8,714)	(600)	0	(600)	2,100	5,300	7,400
Operating Margin		-30.3%	-201.9%	-134.1%	-157.0%	-216.7%	28.3%	-35.1%	-2.5%	0.0%	-1.2%	6.6%	13.9%	10.6%
Total Other Items	509	315	(203)	(197)	(399)	(175)	(1,030)	(1,206)	(100)	(100)	(200)	(100)	(100)	(200)
Pre-Tax Income	678	(3,857)	(7,747)	(10,020)	(17,766)	(14,097)	4,178	(9,920)	(700)	(100)	(800)	2,000	5,200	7,200
Pre-Tax Margin			-207.3%	-136.8%	-160.6%	-219.4%	22.7%	-39.9%	-2.9%	-0.4%	-1.5%	6.3%	13.7%	10.3%
Taxes (benefit)	(1,201)	(274)	(70)	(1)	(71)	1	4	5	(70)	(10)	(80)	200	1,400	1,600
Tax Rate	-177.3%	7.1%	0.9%	0.0%	0.4%	0.0%	0.1%	-0.1%	10.0%	10.0%	10.0%	10.0%	26.9%	22.2%
Net Income (loss)	1,879	(3,582)	(7,677)	(10,018)	(17,695)	(14,098)	4,173	(9,925)	(630)	(90)	(720)	1,800	3,800	5,600
Net Margin		-26.0%	-205.4%	-136.8%	-159.9%	-219.4%	22.7%	-39.9%	-2.6%	-0.3%	-1.4%	5.6%	10.0%	8.0%
EPS, as reported	0.24	(0.54)	(1.12)	(1.39)	(2.49)	(1.34)	0.31	(0.77)	(0.04)	(0.01)	(0.05)	0.12	0.25	0.37
Diluted Shares Outstanding	6,928	6,965	7,100	7,450	7,373	10,800	14,500	12,850	14,700	15,000	14,850	15,000	15,000	15,000

Source: Company reports and Litchfield Hills Research LLC

Figure 10 – Taoping, Inc. – Balance Sheet (000)

December year-end	FY2023E	FY2022E	FY2021A	FY2020A	FY2019A
Balance sheet					
Current Assets					
Cash and S.T.I.	\$25,847	\$9,247	\$4,531	\$1,097	\$1,520
Accounts receivable	20,000	15,000	7,110	7,183	13,659
Inventories	10,000	8,000	6,541	3,202	1,065
Other assets	8,000	4,000	2,886	947	2,788
Total Current Assets	63,847	36,247	21,068	12,430	19,032
Net PP&E	24,000	22,000	21,562	10,852	11,836
Other non-current assets	8,000	7,000	4,525	7,495	9,747
Total Assets	\$95,847	\$65,247	\$47,155	\$30,777	\$40,616
Current Liabilities					
Trade payables	\$40,000	\$20,000	\$9,873	\$14,857	\$12,587
Other payables and accruals	8,000	5,000	3,398	439	259
Deferred revenue	0	0	0	0	0
Other current liabilities	20,000	18,000	13,493	14,027	12,470
Total current liabilities	68,000	43,000	27,343	29,800	26,007
Interest bearing borrowings	0	0	0	0	0
Other Liabilities	0	0	562	0	0
Total Liabilities	68,000	43,000	27,905	29,800	26,007
Stockholders' Equity					
Preferred stock	0	0	0	0	0
Share Capital	104	104	0	0	0
Additional paid-in-capital	225,000	225,000	197,589	160,935	156,763
Retained earnings	(197,257)	(202,857)	(202,137)	(192,213)	(174,518)
Cum. Other comp and non-controlling interes	0	0	23,799	32,253	32,363
Total stockholders' equity	27,847	22,247	19,250	976	14,608
Total Liabilities and equity	\$95,847	\$65,247	\$47,155	\$30,777	\$40,616

Source: Company reports and Litchfield Hills Research LLC

Figure 11 – Taoping, Inc. – Cash Flow (000)

	FY23E	FY22E	FY21E	FY20A	FY19A
Net Income	\$5,600	(\$720)	(\$9,925)	(\$17,695)	(\$3,582)
Accounts receivables	(5,000)	(7,890)	74	6,476	(5,503)
Prepayments, deposits and other rec.	(2,000)	(1,459)	(3,339)	(2,137)	1,491
Other assets	(4,000)	(1,114)	(1,939)	1,841	(2,408)
Net PP&E	(2,000)	(438)	(10,710)	984	(11,238)
Goodwill & Intangibles	0	0	0	1	18,961
Other non-current	(1,000)	(2,475)	2,970	2,252	(7,204)
Trade payables	20,000	10,127	(4,985)	2,271	9,969
Customer deposits	0	(579)	102	(215)	692
Other payables and accruals	3,000	1,602	2,959	180	(4,126)
Deferred revenue	0	0	0	0	0
Other current liabilities	2,000	4,507	(534)	1,558	12,470
Interest bearing borrowings	0	0	0	0	0
Other Liabilities	0	(562)	562	0	0
Preferred stock	0	0	0	0	0
Share Capital	0	104	0	0	(42)
Additional paid-in-capital	0	27,411	36,654	4,173	105,022
Cum. trans. adj. and treasury stock	0	(23,799)	(8,455)	(110)	32,363
Dividends	0	0	0	0	0
Total Cash Flow	\$16,600	\$4,715	\$3,434	(\$423)	\$146,864

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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Total return is defined as price appreciation plus dividend yield.



**Taoping, Inc. TAOP-US - Buy-
\$7.00 Price Target**

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