

## Things I Saw on My Trip to L.A.

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A few months ago, I provided some information regarding some upcoming microcap conferences that I thought were worth attending. The largest of those I referenced, my friend Chris Lahiji's "LD Micro Conference", was held in Los Angeles last week. For those who have never attended, LD Micro features approximately 240 companies presenting on 5 tracks over three days. It can be a bit overwhelming. To put that into perspective, **I saw 50 presentations during my attendance**. That is tough duty for someone with a short attention span. I thought there were some interesting presentations, so I will touch on a handful of those, and there were also some "macro" themes that I thought were interesting. I will start with the macro piece.

Given that many (but certainly not all) microcap stocks are early stage ventures, it stands to reason that there are always a handful of presenting companies at conferences such as this that are engaged in the industry de jure. Last year around this time the rage was Bitcoin and crypto currencies. LD Micro sponsored a panel discussion of crypto experts and they were asked where they thought Bitcoin would be trading twelve months from then (roughly today). I don't recall *all* the specific answers, but I do recall one of them was \$100,000, and I think all of them believed it would be higher than it was then (I think it was around \$15,000-\$16,000) and I can unequivocally say that NONE of them thought it would be where it is today. To be fair, while many of the crypto enthusiasts at the conference thought it was "just the beginning", there were also a fair number of sceptics who did not share that enthusiasm.



To put that into perspective, and I am not necessarily trying to draw parallels, this year's overriding theme was cannabis. Specifically, of the approximately 240 presenting companies, by my cursory count, there

were 27 that had at least a line of business related to cannabis. Those included cultivators, consultants, formulators, landlords, delivery services and others. Two other industries of note also included multiple presenters, security/cybersecurity and media/entertainment. That makes sense because each of those things is quite topical these days as well. Here are a few of the interesting security related presenters:

*Cyber Security:*

- BlackRidge Technology International, Inc. (BRTI)
- Cipherloc Corporation (CLOK)
- Finjan Holdings, Inc. (FNJN)
- Nubeva Technologies Ltd. (NBVAF)
- VirtualArmour International Inc. (VTLR)

*Cyber and Physical Plant Security:*

- Magal Security Systems Ltd. (MAGS)

*Personal Security:*

- Napco Security Technologies, Inc. (NSSC)
- Security Devices International, Inc. (SDEV)

I thought the media and entertainment side was particularly interesting too given the proliferation of gaming and esports, but also given the new focus (value) on original television/movie content (estimates suggest Netflix will spend **\$13 billion** on original content in 2018 versus \$6 billion the prior year). It is starting to become clear (at least to me) that content is (still) king, and small players capable of creating and delivering original content might just be onto something. Below are some of the presenters in this *genre*:

- Wow Unlimited Media Inc. (WOWMF)
- The Wonderfilm Media Corporation (WNDR.V)
- Dolphin Entertainment, Inc. (DLPN)
- Enthusiast Gaming Holdings Inc. (EGLX.V)

Beyond the above, there was one additional macro notion that jumped out at me and that was the number of presenting companies with Canadian listings. On one hand, the number of Canadian listing companies should probably not be a surprise given the large number of cannabis related stories. For a handful of reasons, not the least of which is the fact that marijuana is still Federally illegal in the U.S., many cannabis related enterprises have chosen to list on Canadian Exchanges. Again, by my unofficial count, there were 29 Canadian listed presenters. Perhaps I just never noticed or bothered to count in the past, but I suspect that is one of the larger contingencies of Canadian listings that LD has ever hosted. Unfortunately, I think that may have much to do with U.S regulators' apparent disdain for small companies and on the flipside, Canada's embrace of the same. The path of first achieving a Canadian listing and then later "uplisting" to a presumably more liquid U.S. alternative is becoming more common. I find that disconcerting, but that is a subject for another diatribe.

Aside from some of these overriding macro themes, the conference also included its usual convocation of interesting, eclectic and "off-the-beaten-path" stories. Here is a smattering albeit not complete example of some of my favorites.

First, I had three coverage stocks that presented at the conference and **I remain steadfastly bullish on each** and my research on each is available here at [www.SMM.Global](http://www.SMM.Global):

- Social Reality, Inc. (SRAX)
- AzurRx BioPharma, Inc. (AZRX)
- Summit Wireless Technologies, Inc. (WISA)

There were also some presenters that have previously presented at my co-sponsored Rocky Mountain Microcap Conferences, and I continue to follow closely with an eye towards potential coverage. Here are a few of those:

- **AmeriCann, Inc. (ACAN)** (Massachusetts based high-tech cannabis landlord...breaking ground as we speak).
- **BlackRidge Technology International, Inc. (BRTI)**. (Cybersecurity firm noted above, could be setting up for a fundamental breakout in 2019).
- **Enservco Corporation (ENSV)**. (Colorado based oil field services company has been beat up with oil prices. I covered them under a prior label, but new management has stepped up the game since then. I think the selling is quite overdone).
- **OncoSec Medical Incorporated (ONCS)**. (Promising cancer therapy being trialed in conjunction with some of the world's most prolific approved cancer drugs. Results have been promising, but clearly misunderstood in my view, *and the stock has been cut in half*. Potential for a 2019 approval. I like the risk reward. I own it as well so consider yourself fully disclosed).
- **Sierra Monitor Corporation (SRMC)**. (Established and profitable provider of monitor and control from factors for a variety of industrial applications. Here again, new management is providing new entrees into Internet-of-Things and cloud-based offerings that I believe are beginning to raise the valuation base. I expect sequential growth to accelerate. They pay a dividend as well).
- **Ur-Energy Inc. (URG)**. (Colorado based uranium producer and proud of it. Well positioned uranium pureplay. Uranium is up about 30% over the past few months).
- **Zynex, Inc. (ZYXI)**. (Nicely profitable, established legacy player in TENS pain management medical devices. Markedly improved financial performance over the past three years. Their device provide an established and reimbursed alternative to opioids, which should continue to provide some wind at their back).

Here are a few of the more *unique* stories I saw at LD Micro:

**22nd Century Group, Inc. (XXII)**. The Company employs proprietary genetic engineering and plant breeding to produce a very low nicotine tobacco/cigarette for use as a smoking cessation aid. They recently “submitted a Premarket Tobacco Application (PMTA) with the U.S. Food and Drug Administration (FDA) seeking authorization to commercialize the Company’s cigarette products. The Company could benefit markedly from FDA proposed rules that would limit the amount of nicotine in all cigarettes sold in the United States to minimally or non-addictive levels. It has attracted a large short, which can be bad...or good.

**Lightbridge Corporation (LTBR)**. LTBR provides consulting services to the nuclear industry but is also developing two revolutionary nuclear fuel product designs each utilizing proprietary metallic fuel rod technology designed for both existing and new build reactors. The technology could substantially increase the efficiency and the safety of legacy nuclear fuels. That seems *disruptive* to me? Believe it or not, **the company’s current cash position is higher than its market cap**, (although they *are* burning cash).

**Cavitation Technologies, Inc. (CVAT)**. CVAT has developed patented and patent-pending devices and technologies designed to reduce processing costs, improve yield and lessen the environmental impact of large-scale industrial liquid-processing applications. That touches a multitude of industries and applications. One of their technologies allows beverages to “*flow-through advanced hydrodynamic cavitation, which induces physical and chemical restructuring at the molecular level, obtaining desirable*

*changes in alcoholic and non-alcoholic beverages*". To translate, it can change a bad bottle of wine or alcohol into (literally) a gold metal winning bottle in a few minutes. Apparently, they have developed a consumer version of the technology that a JV partner will be marketing soon. That would kill it on Home Shopping Network. One other thing, **the Enterprise Value is under \$5 million.**

**Newgioco Group, Inc. (NWGI).** *"Newgioco Group, Inc., together with its subsidiaries, is a fully integrated, licensed gaming technology company. The Company conducts its business primarily through retail neighborhood betting shops and internet-based betting software platform under the registered brand Newgioco through our licensed website www.newgioco.it situated in Italy"*. The Company is currently rolling out a turnkey sports wagering platform initially to Native American casinos across the U.S. I would think that recent sports betting rulings from the U.S. Supreme Court could enhance the Company's U.S. expansion.

**Intellicheck, Inc. (IDN).** *Intellicheck is a trusted industry leader in technology solutions that provide real-time identification authentication and age verification. Founded in 1994, Intellicheck has grown to serve dozens of Fortune 500 companies including retail and financial industry clients, police departments, national defense clients at agencies, major seaports, and military bases, and diverse state and federal government agencies.* I have followed this for some time now, and I get the feeling that they are building business momentum. Conceptually, I think they could ultimately get a boost from cannabis legalization across the states as well. Potential vape legislation could contribute as well.

**SG Blocks, Inc. (SGBX).** *SG Blocks, Inc. engages in fabricating modules for construction of buildings in the United States. The company redesigns, repurposes, and converts heavy-gauge steel cargo shipping containers into green building blocks for commercial, industrial, and residential building construction; and purpose-built modules for construction. It also provides engineering and project management services related to the use of modified containers in construction.* SGBX creates incredible commercial structures out of otherwise vacant steel shipping containers and they build them faster and cheaper than conventional building methods/materials. I think there are about 30 million of those taking up space across the globe. **Their current backlog is approaching \$130 million which they believe they will deliver through the end of 2020.** Trailing 12-month revenues were about \$8 million, so if we do the math, it looks like 2019 and 2020 should reflect substantial breakout results.

**Luna Innovations Incorporated (LUNA).** *Luna Innovations Incorporated was founded in 1990 and has been successful in taking innovative technologies from the applied research stage to product development and ultimately to the commercial market. In some cases, the successes led to the creation of independent businesses. They have created companies in our area of focus, sold some of them to industry leaders in their fields, raised private capital, formed joint ventures and entered into a number of licensing agreements.* I suspect LUNA may win the conference award for employing the most PhD's. They do some pretty heady stuff, but they are producing nice sequential numbers. Here's the crazy part. The market cap is just under \$90 million which looks like about 4X 2018 (run rate) sales, **but over ½ of the market cap (approximately \$47 million) is cash.** What are we missing here?

**Edison Nation, Inc. (EDNT).** *Edison Nation, Inc. is a vertically integrated innovation aggregation and full-service product development and manufacturing company, offering innovation sourcing, design, sales, fulfillment and shipping services. Edison Nation's model is to provide a risk mitigated platform that connects innovators with companies to bring new products to market.* To translate, they provide inventors access to all the things they need to actually create and sell a product, that they would otherwise have no clue how to deploy. I don't know if this will necessarily be the conference's biggest winner, but it gets my vote for the most intriguing plan.