

## Searching for a Dead Cat Bounce

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November 2019

Recall, last month I wrote about the “carnage” amongst many microcap stocks we follow in one context or another, and especially those that are in the unfortunate position of relying on the capital markets to fund continued cash burns as they work towards profitability. To recap the point, it is as hard as we can ever remember it being for small emerging companies to attract capital, again, especially those that are unprofitable.

To that point, the compression in the shares of many of these companies has been marked, even alarming in some cases. To be fair, some of the compression have been justified by one or more metrics. For instance, the fact that these companies are burning cash and require additional dilution could on the face (all other things remaining equal) imply lower stock prices. Doing the simple math, setting aside any value we might add to the Company’s underlying valuation because it attracted the working capital to continue advancing the business plan, spreading the same valuation over more shares equates to a lower stock price. In addition, we are not suggesting that all or even many of the stocks taking in on the chin have done so in the absence of poor operating results or other related data points. Clearly, some of them have performed poorly or at least below expectation, which may certainly justify lower stock prices. With that said, we would reiterate a notion we have suggested many times in write-ups such as thins, which is that good companies can be too expensive, and in the inverse the stocks of some bad companies can represent compelling opportunities if they trade low enough. In the spirit of perhaps challenging “efficient markets”, we often look at year end as a spot to sometimes take advantage of small stocks that get “oversold”, in part because yearend tax selling is sometimes the root of some of that selling. I think that may be particularly true this year, because the elevated levels of many asset classes may have some investors with taxable gains that they can offset with sales of poorly performing assets. To reiterate, collectively microcap stocks certainly fit in that second batch of assets through 2019. Given the above, we have compiled a list of some of the more beaten down stock on our radar screens To be clear, if our tax selling thesis proves accurate, then some of these may get cheaper yet before the sun sets on 2019. Further, that may or may not portend a bounce as we enter 2020. Whatever the case, here is some data. We would add, you may recognize some of these names from last month’s column...

<u>Company</u>	<u>Symbol</u>	<u>Px @</u>	<u>Px @</u>	<u>Price Decline</u>
		<u>11/25/18</u>	<u>11/25/2019</u>	
Vislink Technologies Inc.	VISL	\$ 4.80	\$ 0.25	-95%
InVivo Therapeutics Holdings Corp.	NVIV	\$ 1.92	\$ 0.13	-93%
Taronis Technologies, Inc.	TRNX	\$ 31.00	\$ 2.10	-93%
TrackX Holdings Inc.	TKXHF	\$ 0.26	\$ 0.04	-85%
Aethlon Medical Inc.	AEMD	\$ 12.75	\$ 2.26	-82%
OncoSec Medical Inc.	ONCS	\$ 9.60	\$ 1.94	-80%
* Summit Wireless Tech., Inc.	WISA	\$ 3.60	\$ 0.74	-79%
eMagin Corporation	EMGAF	\$ 1.10	\$ 0.30	-73%
Hancock Jaffe Labs., Inc.	HJLI	\$ 1.88	\$ 0.54	-71%
Edison Nation, Inc.	EDNT	\$ 6.11	\$ 1.88	-69%
LightPath Technologies, Inc.	LPTH	\$ 1.75	\$ 0.59	-66%

22nd Century Group, Inc.	XXII	\$	2.94	\$	1.02	-65%
* AzurRx BioPharma Inc.	AZRX	\$	1.95	\$	0.68	-65%
Enservco Corporation	ENSV	\$	0.60	\$	0.21	-65%
Vuzix Corporation	VUZI	\$	5.80	\$	2.09	-64%
Dolphin Entertainment, Inc.	DLPN	\$	1.43	\$	0.54	-62%
* SRAX Inc.	SRAX	\$	3.17	\$	1.29	-59%
Vext Science	VAPNF	\$	1.34	\$	0.55	-59%
Sharing Services Global Corp.	SHRG	\$	0.28	\$	0.12	-57%
Wow Unlimited Media Inc.	WOWMF	\$	0.76	\$	0.33	-57%
Lightbridge Corporation	LTBR	\$	9.36	\$	4.07	-57%
* H-Source Holdings Ltd.	HSCHF	\$	0.07	\$	0.03	-51%
Eastside Distilling, Inc.	EAST	\$	6.44	\$	3.17	-51%
* Sigma Labs, Inc.	SGLB	\$	1.55	\$	0.86	-45%
CynergisTek, Inc.	CTEK	\$	4.63	\$	3.07	-34%

What is particularly disconcerting about the list above, is that these 25 companies are just some of the stocks we have looked at over the past years and are down considerably from their year ago closing prices. Further, for some of these issuers, many of these declines came in the *second half of the year*. This list includes some of our coverage names, some presenters at our past conferences, and companies we have seen present at other conferences *within the past year*. If this is how bad it has been for the one's we have seen, we are wondering how many more there are like this that we have not seen.

To be clear, certainly many companies that have seen their share prices decimated over the past 12 months deserved it. I assure you, many if not all the companies on the list above experienced some challenges and setbacks during the year that may justify some of the discounting in their shares. Further, as I noted, those that need to periodically return to the capital markets to support losses are in a particularly poor position and share price is generally where that buck stops. Moreover, while as I said, we have seen each of these present over the past year and the reason they are on this list is not just because their share prices have declined, but also because we found some merit to their plans at the time we heard them. That is, these are companies that have traded down in spit of what we thought was potential worth considering. Obviously, those we ultimately decided to cover resonated more with us than some of the others.

For the stocks on the above list that we cover, I feel confident suggesting those stocks are likely oversold and the compression in the shares may reflect a marked opportunity. For some of the others we do not know as well, perhaps the share prices really are reflective of their proper valuations. On the other hand, again contrary to efficient market theory, we tend to think most microcap stocks spend more time being improperly valued than they do properly valued. That said, we think several of these names are worth keeping an eye on, especially if as I surmised above, tax selling pushes them even lower. That sort of scenario could set some of these names up for a January bounce....

- *Dave Lavigne does not own any of the companies mentioned in this article. For disclosures regarding coverage stocks (denoted by the \* in the list above), please visit [www.trickleresearch.com](http://www.trickleresearch.com) .*