

***Ladies and gentleman, Thank you for standing by. The conference will begin shortly.**

BOS

Veidan Conference Coordinator:

Ladies and gentlemen, thank you for standing by.

Welcome to the **BOS Fourth Quarter 2019 results** conference call.

All participants are at present in listen-only mode. Following management's formal presentation instructions will be given for the question and answer session.

For operator assistance during the conference, please press *0.

As a reminder, this conference call is being recorded, and will be available on the BOS website as of tomorrow.

I would now like to turn over the call to **Mr. John Nesbett of IMS.**

Please go ahead.

Good morning and thank you for calling in to review B.O.S. fourth quarter 2019 results. Management will provide an overview of the results followed by a question and answer session.

I will now take a brief moment to read the Safe Harbor statement. The forward-looking statements contained herein reflect management's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties that could cause the actual results to differ materially from those in the forward-looking statements, all of which are difficult to predict and many of which are beyond the control of BOS. These risk factors and uncertainties include, amongst others, the dependency of sales being generated from one or few major customers, the uncertainty of BOS being able to maintain current gross profit margins, inability to

keep up or ahead of technology and to succeed in a highly competitive industry, inability to maintain marketing and distribution arrangements and to expand our overseas markets, uncertainty with respect to the prospects of legal claims against BOS, the effect of exchange rate fluctuations, general worldwide economic conditions and continued availability of financing for working capital purposes and to refinance outstanding indebtedness ; and additional risks and uncertainties detailed in BOS' periodic reports and registration statements filed with the U.S. Securities and Exchange Commission. BOS undertakes no obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

On the call this morning, we have Eyal Cohen, CEO. I will now turn the call over to Eyal. Please go ahead, Eyal.

Eyal Cohen:

Thank you, John, and thank you all for joining us today.

The press release that we've just released describes in detail what worked well and what didn't in the year 2019. To summarize:

Worked well in the year 2019:

First – The Supply Chain division had a tremendous year with growth in revenues and backlog.

Second - By the acquisition of the Robotics business, we made significant progress in positioning our Company for long-term sustainable growth in revenues and profits, based on advanced technology and a footprint in the international markets.

Didn't work well in the year 2019:

First: Following the acquisition of the Robotics business in June 2019, we encountered unforeseen challenges within the acquired business, which adversely impacted our financial results for the year.

Second: There was a decrease in the revenues of our legacy RFID business

Our plan for the year 2020

We have implemented cost reductions and organizational changes in the Company that are expected to yield estimated annual savings of \$600,000.

Also, in 2019 we incurred \$1.3 million of additional expenses, which we don't expect to recur in 2020. These expenses are attributed to the Robotics business acquisition, the handling of an attempt for a hostile takeover, and costs related to the retirement arrangement with our prior co-ceo, Yuval Viner.

These savings will offset the expected costs of \$400,000 related to our efforts to increase our presence in the U.S. market during year 2020.

In December 2019, we established a sales office in Dallas, and we are steadily and carefully allocating resources to ensure our long-term success in the U.S. market. It's important to note that the robotics orders are typically large, with a longer sales cycle and—the average product delivery timing is six months. We expect to begin receiving orders from the U.S. market in 2020 and anticipate that we'll start to recognize revenue from the U.S. in the first half of 2021.

Assuming that overall revenues remain generally consistent with 2019, we believe we will return to sustained profitability during 2020.

Let me take a minute to update you on the impact of Covid-19 on our business. From an operations standpoint, we are running our business effectively with an extremely heightened focus on keeping our expenses low and payments tight.

Our business divisions are considered essential for our customers, most of which are from the defense and food industry. Given the critical role we play in their operations, we are working very closely to ensure we continue to service their needs.

One of the sectors that has been hit hard is the retail sector.

We have a unit that focuses exclusively on inventory counting services mainly for food retail, and last year it accounted for approximately \$3.5 million in revenue. We chose to temporarily put the employees in that unit on unpaid leave until the retail sector opens up again.

This is a very seasonal business with a strong 4th quarter, so I don't expect this downturn to have a significant impact on our overall net profit in the year 2020.

Finally, our sales and marketing efforts, particularly in the U.S. market, continue to be a key focus and, like most of us, we are simply using virtual meetings rather than face to face meetings for the time being.

Thank you all for taking the time to join us today. This completes my review, and now, I would be happy to take your questions.

Operator: Thank you, sir. Ladies and gentlemen, at this time we will begin the question-and-answer session. If you have a question, please press star-one. If you wish to cancel your request, please press star-two. If you are using speaker equipment, kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by we poll for your questions. *[pause]* The first question is from Todd Felte of RHK Capital. Please go ahead.

Todd Felte: Yes. First of all, congratulations on another year of record revenues. I was wondering if you foresee any more anticipated write-downs for goodwill or intangible assets in the year to come, or if we are hopefully through with those?

Eyal Cohen: Thank you, Todd. Thank you for joining us today. It's a very good question, and I think we had a very tough year, especially with the robotic business. We had to build the business, and we had to build

from the beginning the strategy of the business. We got technology, but we had to rebuild the business again, from the aspect of the strategy, the target markets. And because of that, we had to – we had to write off the goodwill and relate it with the acquisition. And the current goodwill that we have in the balance sheet does not require a very high level of revenues in the future in order to justify these numbers. So, I believe we will reach our target in year '20 and '21, and I don't anticipate additional write-off of goodwill. But we have to know something that I saw that in other companies as well, that at the moment that there is a huge gap between the book value and the market cap, there is a pressure from the accountants to do amortization, or write-off. It happened in a lot of companies, not in our case, but I am sure that gradually over year '20, and following the measures that we took, especially the cost reductions, and especially considering the – all the – from our perspective, non-recurrent expenses that we had in year '19, I am sure that the share price will go gradually up, and it will at least reach to the level of the equity of the company, and then we won't have any issue on that matter.

Todd Felte: Sure. And, finally, I was hoping maybe you could add a little color to the situation around the COVID-19 virus. I know you mentioned in your press release that, you know, your robotics kind of provide a safe work environment. Have you seen any renewed interest or increased interest in your robotics, as people want a more reliable and stable workforce that, you know, can come to work and not have to worry about a virus?

Eyal Cohen: Yes. So, we have to split the answer to two. From the – from our client, that are not from the food segment, they put all the investment in hold – on hold, including investment in automation, at this stage. I am sure that following the corona crisis, they will reconsider it in a

positive way to invest in automation, especially because of the corona. The other segment, which is our clients from the food industry, especially in the U.S. market, we see growing demands for adding line of productions, because of the growing demand for food, on their side. And we are optimistic that it – the coronavirus in that aspect, give us very good push to the U.S. market.

Todd Felte: Okay. And finally, on your electronic component business, are you seeing any increased orders, as people have kind of leaned towards outsourcing away from China, based on China's inability to provide a consistent supply chain during the crisis?

Eyal Cohen: We see – we see that, but not because of that reason. You know, on the electronic components we are working hand by hand with the Israeli defense industry. And the Israeli defense industry had a very good year, mainly in the Far East, mainly in India. And we see that gradually, the focus is going to the U.S. market, and we see a growing demand from the partner of the Israeli defense industry for components. And we believe that in year '19 and year '20 we will see in our Supply Chain Division that the portion of revenues in the U.S. market will grow on account of decrease in the revenues – on the sales to the Far East.

Todd Felte: Thank you. I look forward to witnessing the success of the company. Thank you.

Eyal Cohen: Thank you, Todd.

Operator: The next question is from Jennifer Wilford of Comstock Partners. Please go ahead.

Jennifer Wilford: Good morning. Could you talk for just a minute about your liquidity? It looks like it's a relatively low cash balance at the end of the year, so I'm just curious if you could give us some detail on the plans for 2020?

Eyal Cohen: Yes. From a liquidity standpoint, we strength our liquidity in the first quarter of this year, through credit lines, in order to prevent the dilution, especially with the current share price. So, this improved liquidity. In addition to our cost reduction, it should help us to go through this challenging period.

Jennifer Wilford: Okay, thank you.

Operator: If there are any additional questions, please press star-one. If you wish to cancel your request, please press star-two. If you are using speaker equipment, kindly lift the handset before pressing the numbers. Your questions will be polled in the order they are received. Please stand by we poll for more questions. *[pause]* There are no further questions. Before I ask Mr. Cohen to go ahead with his closing statement, I would like to remind participants that a replay of this call will be available on the company website, www.boscorporate.com, by tomorrow. Mr. Cohen, would you like to make your concluding statement?

Eyal Cohen: Yes. Thank you. I would like to thanks our dedicated employees and their families, our loyal customers, and our supportive vendors. I would like also to thank our major shareholders for their continued support in such a challenging period. I am confident that we'll pass these challenging times successfully, and that BOS will emerge well positioned towards sustainable growth and profit. Thank you for joining us today, and I look forward to the rapid and effective conclusion of this health crisis. Thank you.

Operator: This concludes BOS fourth quarter and full year 2019 results conference call. Thank you for your participation. You may go ahead and disconnect.

[End of conference call.]