

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Net Element Inc.

(NETE-NASDAQ)

NETE: Net Element Continues the March to Breakeven with 2017 Results

Using an industry average of EV/trailing GM of 7.0X the stock could be worth \$24.00 per share by next year if NETE could reach profitability.

OUTLOOK

Net Element is a software and services company for global online and mobile payments. It operates a merchant processor in the US with an attractive merchant offering with its Aptito front-end solution, and a mobile payment processor, operating primarily in Russia but expanding worldwide. NETE has shown growth in the US and continues progress toward profitability, but needs to reach cash flow break even to stop equity dilution.

Current Price (04/04/18) \$6.67
Valuation \$20.00

SUMMARY DATA

52-Week High \$19.39
52-Week Low \$2.73
One-Year Return (%) -21.5
Beta 0.88
Average Daily Volume (sh) 1,665,012

Shares Outstanding (mil) 3.9
Market Capitalization (\$mil) \$26
Short Interest Ratio (days) 1.0
Institutional Ownership (%) 4
Insider Ownership (%) 28

Annual Cash Dividend \$0.00
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates

Sales (%) N/A
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS N/A

P/E using 2018 Estimate -3.6

P/E using 2019 Estimate N/A

Zacks Rank N/A

Risk Level High
Type of Stock Small Growth
Industry Internet Commerce
Zacks Rank in Industry N/A

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2016	11.3 A	13.7 A	14.0 A	15.3 A	54.3 A
2017	13.6 A	16.1 A	14.9 A	15.5 A	60.1 A
2018	14.2 E	15.7 E	16.7 E	18.3 E	65.0 E
2019					70.0 E

Earnings Per Share

(Non-GAAP EPS before non-recurring items)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2016	-\$1.32 A	-\$1.00 A	-\$1.15 A	-\$1.63 A	-\$6.05 A
2017	-\$1.15 A	-\$0.85 A	-\$0.84 A	-\$0.70 A	-\$3.57 A
2018	-\$0.43 E	-\$0.29 E	-\$0.22 E	-\$0.16 E	-\$1.09 E
2019					-\$0.42 E

Zacks Projected EPS Growth Rate - Next 5 Years % N/A

WHAT'S NEW

NETE Closes Out 2017 With 11% Growth And Declining Losses

Net Element reported that total revenues for 2017 increased 10.6% year over year to \$60.1 million from \$54.3 million a year ago. North America grew 21.4%. Mobile Payments and PayOnline have been combined to one segment called International. This segment declined 26.6% from a year ago to \$8.9 million. These two entities have had their operations integrated and cost reduced and we expect sequential revenue growth and expanding margins going forward. The international segment ended the year at an \$8.1 million run rate. The company has plans to reignite growth for both the US and international operations in 2018.

Total gross margin for the year declined to 14.7% from 15.8% and margins declined in both segments. The company expects margins in international to move back up to historical levels as revenues build as the business has a fixed cost structure that can handle a lot more volume without adding any costs.

Total operating expenses were flat with a year ago at \$17.4. The operating loss decreased to \$8.6 million from \$8.8 million a year ago.

Interest expense decreased to \$1.2 million from \$1.5 million in 2016. Going forward this could improve slightly as with cash on the balance sheet, the company may get more favorable interest terms even though they have no plans to pay off debt.

The average primary shares outstanding for the year were 2 million, while last year there were only 1.3 million, showing an increase of 50.7%.

The net loss was \$9.9 million versus \$13.5 million a year ago. The adjusted non-GAAP operating loss was \$7.0 million versus \$7.9 million last year. On a per share basis, the **adjusted non-GAAP loss per share declined to \$3.57 per share versus a loss of \$6.05 per share**. The company continues to reduce losses and grow revenues each year and we expect the same in 2018.

During the year the company raised \$14.9 million selling equity and used \$5 million to support operating activities. Another \$3.7 million was raised from debt. Net Element ended the year with **\$11.3 million in cash** and \$7 million in debt on the balance sheet.

Q4 2017 Results

Total revenues for Q4 increased 1% year over year to \$15.5 million from \$15.3 million a year ago. North America grew 5.9%, decelerating throughout the year as NETE portfolios aged. Mobile Payments and PayOnline have been combined to one segment called International. This segment declined 23.2% in the quarter from a year ago to \$2 million. These two entities have had their operations integrated and cost reduced and we expect sequential growth going forward.

Total gross margin declined to 11.4% from 14.2% and margins declined in both segments.

Total operating expenses increased to \$5.5 million from \$4.8 million mainly due to an increase in stock-based compensation in the quarter. The operating loss increased to \$3.7 million from \$2.6 million a year ago.

Interest expense decreased to \$295,000 from \$260,000 in Q4 2016.

This quarter there were 2.8 million average primary shares outstanding, while last year there were only 1.5 million, or 84% more than last year. As of March 29, 2018, there were 3.9 million primary shares outstanding.

The adjusted non-GAAP operating loss was \$2.0 million versus \$2.5 million last year. On a per share basis however, the **adjusted non-GAAP loss per share declined to \$0.70 per share versus a loss of \$1.63 per share.**

Recent News

Today announced Net announced it launched "Fast Pass Funding," a same-day funding service through its Netevia payment processing platform. Netevia is the name of Net Element's next generation platform. The Fast Pass service allows eligible merchants to receive funding in as little as three hours during regular business days. We believe this is a salient feature for customers, and while not unique to Net Element, will it allow to compete against other processors that cannot offer this ability. Typical average funding times had been 12 to 24 hours. This feature of the Netevia platform joins others such as fast and easy account opening and integration, payment conversion optimization, risk monitoring filters and competitive pricing.

Net Element will continue to add features to Netevia and is working to integrate blockchain into its system although this may take a while as the blockchain ecosystem matures and is put into practical applications. The company joined the Enterprise Ethereum Alliance, the world's largest open-source blockchain initiative with over 250- member companies. In January, Net Element completed a \$7.55 million PIPE with a New York-based family office to provide capital specifically for investment blockchain technology platforms.

The company sold RSUs at \$11.245 per unit, with each unit consisting of one share of common stock and 60% of a warrant at an exercise price of \$11.12.

INVESTMENT THESIS

- Net Element is growth company in the payments industry that should benefit from the adoption of mobile and online payments in the US, Russia and Eastern Europe.
- Its award-winning Aptito product line provides differentiation and value-added services to its generic card processing business. This business should increase margins as well as aid sales efforts by improving price/performance and customer stickiness.
- The company believes its intrinsic value is its payment processing portfolio and its objective is to grow that portfolio internally and through acquisition.
- We believe the company could grow revenues 8% to \$65 million in revenues in 2018 through internal growth. It is trading at a market value of \$35.3 million, and an enterprise value of \$31.0 million or 0.5Xs enterprise value to forecasted 2018 sales.
- If NETE achieves our forecasts without further common stock dilution than that already predicted and no incremental debt, we believe its common stock could be worth \$20.00 per share by next year based on an industry average valuation of approximately 7.6xs enterprise value to gross margin if the company achieves breakeven EBITDA results.

VALUATION

Due the variation in reporting of revenues of the various competitors of Net Element, we have chosen to use gross margin contribution as a more accurate way to value the companies. Using Net Element's peer group we find an average valuation of 7.6 times the enterprise value to trailing twelve-month gross margin. If we use that multiple and apply it Net Element's trailing 12-month gross margin of \$8.8 million, we see that the company could be worth \$67 million enterprise value or \$71 million market value if it were profitable. We are forecasting company reaches \$10.4 million in gross margin this year up from its trailing \$8.8 million now, and will require another \$5 million in cash burn reducing the market value. Based on EV/GM average of 7.6 times the company's valuation could be \$79 million or \$20.00.

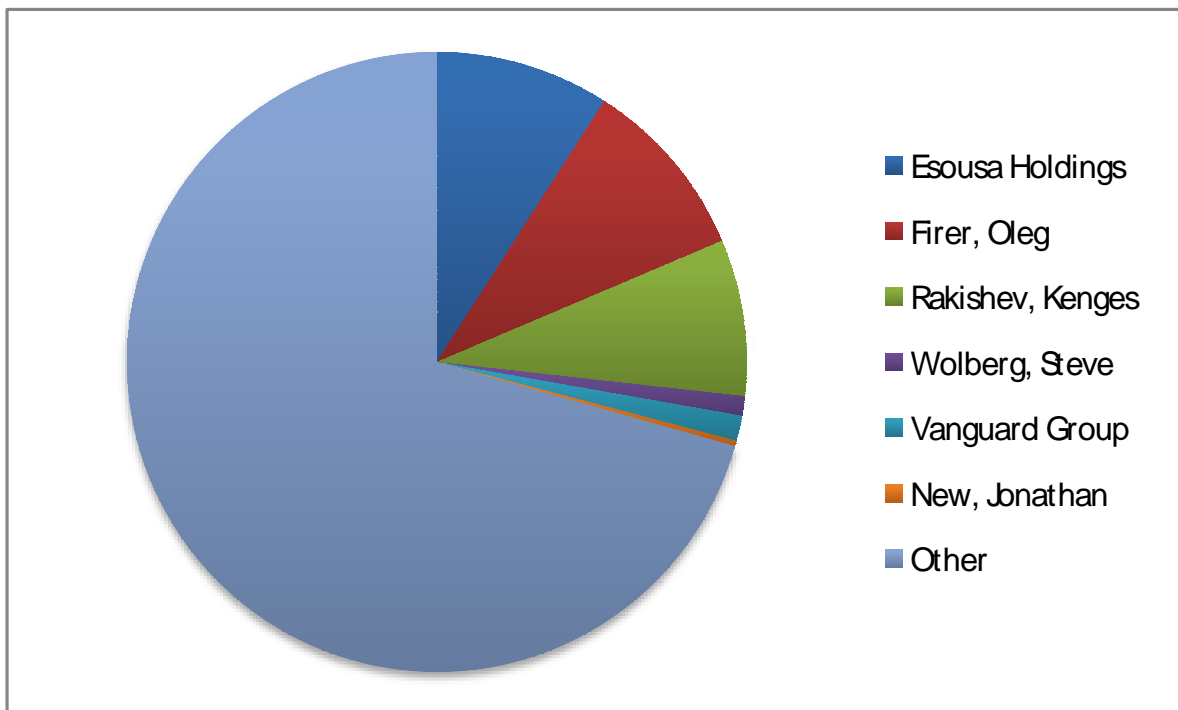
Company	Ticker	Gross		%	Revenue LTM	EV/GM	EV/EBITDA	Included in Average?	Enterprise Value
		EBITDA	Margin						
Earthport	EPO.L	(7)	20	67%	30	1.9	-5.2	n	37
EVERTEC	EVTC	139	207	51%	407	8.5	12.6	y	1,760
First Data	FDC	2,880	5,010	62%	8,130	6.7	11.6	y	33,520
Global Payments	GPN	1,100	2,050	52%	3,980	10.7	20.0	y	22,030
JetPay	JTPY	4	24	32%	73	2.0	10.7	y	47
PayPal	PYPL	2,430	13,094	100%	13,090	6.6	35.6	y	86,420
Qivi	QIWI	157	193	31%	626	3.1	3.8	y	590
Total System Services	TSS	982	1,350	27%	4,930	14.1	19.4	y	19,090
Worldpay	WP	888	2,120	53%	4,030	8.9	21.3	y	18,900
Average				51%		7.6	16.9		22,795

RISKS

- The company continues to dilute common shareholders to fund growth by selling equity. It is uncertain if the company will be able to make accretive investments with these funds and shareholders may continue suffer further dilution.
- The company is losing money and may not be able to reach profitability or positive cash flow. The company believes in spending to grow the business and investors should not expect the company to become cash flow positive.
- The company is involved in a number of lawsuits.
- The mobile and online payment market is still in its infancy and there is no assurance countries will adopt this method to pay for goods and services.
- The company is somewhat dependent on Russia and due to oil prices, political turmoil, and sanctions, and this could affect payment volumes and the ability to do business there.
- Future acquisitions may not be successfully integrated operationally or technologically. Purchased portfolios may not yield expected profits.
- The merchant acquirer market in the US is competitive and larger companies have an advantage due to economies of scale and access to capital.

- Operations in Russia and the United Federation and the Middle East face considerable political risk and the company may be prohibited from certain financial transactions by government regulation and restrictions.
- Currency, particularly the ruble, has fluctuated dramatically and could affect reported earnings and operations.

OWNERSHIP



INCOME STATEMENT

	2016				2017				2018				2015	2016	2017	2018E	2019E
	Q1 2016 31-Mar	Q2 2016 30-Jun	Q3 2016 30-Sep	Q4 2016 31-Dec	Q1 2017 31-Mar	Q2 2017 30-Jun	Q3 2017 30-Sep	Q4 2017 31-Dec	Q1 2018E 31-Mar	Q2 2018E 30-Jun	Q3 2018E 30-Sep	Q4 2018E 31-Dec					
North America Transaction	\$7.9	\$10.4	\$11.2	\$12.7	\$11.0	\$13.6	\$13.1	\$13.4	\$12.2	\$13.6	\$14.5	\$16.0	\$27.4	\$42.1	\$51.1	\$56.3	\$60.80
Yr-over-yr Growth	51.7%	65.9%	42.9%	56.4%	39.6%	30.8%	17.3%	5.9%	11.3%	-0.1%	10.5%	19.1%	41.7%	53.8%	21.4%	10.1%	8.0%
Cost of service	6.7	9.0	9.6	11.1	9.5	11.5	11.3	12.1	10.5	11.5	12.3	13.6	23.5	36.3	44.3	47.9	51.3
Gross margin	1.2	1.4	1.6	1.6	1.5	2.1	1.8	1.4	1.7	2.1	2.2	2.5	3.9	5.8	6.9	8.4	9.6
Gross margin %	15.3%	13.8%	14.3%	12.2%	13.7%	15.7%	14.1%	10.3%	13.9%	15.4%	15.2%	15.7%	14.2%	13.7%	13.4%	14.9%	15.7%
International	3.4	3.3	2.8	2.6	2.6	2.5	1.8	2.0	2.0	2.1	2.2	2.3	3.8	12.2	8.9	8.7	10.0
Yr-over-yr Growth	NA	NM	37.5%	82.3%	-23.8%	-23.1%	-37.0%	-23.2%	-22.1%	-16.0%	25.0%	14.8%	NA	219.6%	-26.6%	-2.6%	15.0%
Online Solutions Cost of Service	2.7	2.5	2.1	2.0	2.0	1.8	1.5	1.6	1.6	1.6	1.6	1.7	2.4	9.4	7.0	6.7	7.2
Gross Margin	0.7	0.8	0.7	0.6	0.598	0.7	0.3	0.4	0.373	0.473	0.573	0.6	1.4	2.8	2.0	2.0	2.8
Gross margin %	19.8%	23.5%	25.3%	23.8%	23.0%	27.0%	16.9%	18.4%	18.4%	22.3%	25.8%	26.0%	38.1%	23.0%	21.9%	23.3%	28.0%
Total revenues	11.3	13.7	14.0	15.3	13.6	16.1	14.9	15.5	14.2	15.7	16.7	18.3	40.2	54.3	60.1	65.0	70.8
Yr-to-yr Growth	103.2%	98.2%	10.5%	1.4%	20.4%	17.9%	6.4%	0.9%	4.9%	-2.6%	12.2%	18.5%	89.8%	34.9%	10.6%	8.2%	8.9%
Costs and expenses:																	
Cost of revenues	9.4	11.5	11.7	13.1	11.5	13.3	12.8	13.7	12.1	13.1	13.9	15.3	34.0	45.7	51.2	54.6	58.5
Gross Margin	1.875	2.2	2.3	2.2	2.1	2.8	2.1	1.8	2.1	2.6	2.8	3.0	6.3	8.6	8.8	10.4	12.4
% of Sales	16.7%	16.1%	16.5%	14.2%	15.5%	17.5%	14.4%	11.4%	14.6%	16.4%	16.6%	16.4%	15.6%	15.8%	14.7%	16.0%	17.4%
G&A	2.1	2.0	2.3	2.4	2.8	2.6	2.4	2.8	2.5	2.5	2.5	2.6	9.3	8.8	10.6	10.1	10.4
Stock-based compensation	0.4	2.0	0.7	0.4	0.6	0.1	0.1	2.1	0.2	0.2	0.2	2.0	4.3	3.5	2.9	2.6	2.6
Provision for loan losses	0.3	0.1	0.3	1.0	0.3	0.9	0.3	(0.1)	0.3	0.3	0.3	0.3	0.6	1.7	1.3	1.2	1.2
Depreciation and amortization	0.9	0.8	0.8	1.0	0.7	0.6	0.6	0.7	0.7	0.6	0.6	0.5	2.5	3.5	2.5	2.4	2.0
Total operating expenses	3.6	5.0	4.1	4.8	4.4	4.2	3.4	5.5	3.7	3.6	3.6	5.4	16.8	17.4	17.4	16.3	16.2
Loss from operations	(1.7)	(2.8)	(1.8)	(2.6)	(2.3)	(1.3)	(1.3)	(3.7)	(1.6)	(1.0)	(0.8)	(2.4)	(10.5)	(8.8)	(8.6)	(5.8)	(3.8)
Interest expense, net	(0.150)	(0.4)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(3.6)	(1.5)	(1.2)	(1.1)	(1.0)
Other expense	(0.0)	(0.0)	0.4	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	0.0	0.0	0.0	0.0	(0.1)	0.4	(0.2)	0.0	0.0
Gain on asset disposal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on change in conversion derivative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(26.9)	0.0	0.0	0.0	0.0
Loss from stock value guarantee	0.0	(2.2)	(1.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.7)	0.0	0.0	0.0
One-time charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27.7	0.0	0.0	0.0	0.0
Total non-operating expenses	(0.2)	(2.6)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)	(2.8)	(4.8)	(1.4)	(1.1)	(1.0)
Pretax operating income (loss)	(1.9)	(5.4)	(3.5)	(2.8)	(2.5)	(1.7)	(1.7)	(4.1)	(1.9)	(1.3)	(1.1)	(2.6)	(13.3)	(13.6)	(10.0)	(6.9)	(4.8)
Income tax provision	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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%
Operating Loss	(1.9)	(5.4)	(3.5)	(2.8)	(2.5)	(1.7)	(1.7)	(4.1)	(1.9)	(1.3)	(1.1)	(2.6)	(13.3)	(13.6)	(10.0)	(6.9)	(4.8)
Minority interest	0.0	0.0	0.0	0.0	0.1	0.1	(0.0)	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0
Net loss	(1.8)	(5.3)	(3.5)	(2.8)	(2.5)	(1.6)	(1.7)	(4.1)	(1.9)	(1.3)	(1.1)	(2.6)	(13.3)	(13.5)	(9.9)	(6.9)	(4.8)
Preferred dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.6)	0.0	0.0	0.0	0.0
Net loss to common stock	(1.8)	(5.3)	(3.5)	(2.8)	(2.5)	(1.6)	(1.7)	(4.1)	(1.9)	(1.3)	(1.1)	(2.6)	(14.8)	(13.5)	(9.9)	(6.9)	(4.8)
Foreign currency translation gain (loss)	(0.0)	(0.5)	(0.1)	(0.3)	0.0	(0.1)	(0.1)	0.2	0.0	0.0	0.0	0.0	(0.3)	(0.9)	(0.0)	0.0	0.0
Comprehensive loss	(1.9)	(5.8)	(3.6)	(3.1)	(2.5)	(1.8)	(1.6)	(4.3)	(1.9)	(1.3)	(1.1)	(2.6)	(15.2)	(14.4)	(10.0)	(6.9)	(4.8)
Earnings ex-one time charge	(1.8)	(3.2)	(2.3)	(2.8)	(2.5)	(1.6)	(1.7)	(4.1)	(1.9)	(1.3)	(1.1)	(2.6)	(15.7)	(11.4)	(10.0)	(6.9)	(4.8)
Stock-based compensation	0.4	2.0	0.7	0.4	0.6	0.1	0.1	2.1	0.2	0.2	0.2	2.0	4.3	3.5	2.9	2.6	2.6
Adjusted Non-GAAP Earnings	(1.5)	(1.2)	(1.6)	(2.5)	(1.9)	(1.5)	(1.6)	(2.0)	(1.7)	(1.1)	(0.9)	(0.6)	(9.8)	(7.9)	(7.0)	(4.3)	(2.2)
Yr-to-yr Growth	-9.7%	-63.4%	-44.6%	19.4%	27.1%	29.3%	-1.2%	-20.4%	-11.4%	-25.8%	-45.2%	-67.6%	42%	-20%	-11%	-39%	-49%
GAAP EPS	(\$1.64)	(\$4.59)	(\$2.47)	(\$1.86)	(\$1.50)	(\$1.01)	(\$0.90)	(\$1.51)	(\$0.49)	(\$0.34)	(\$0.27)	(\$0.66)	(\$23.22)	(\$10.33)	(\$5.04)	(\$1.75)	(\$0.91)
Non-GAAP EPS	(\$1.32)	(\$1.00)	(\$1.15)	(\$1.63)	(\$1.15)	(\$0.85)	(\$0.84)	(\$0.70)	(\$0.43)	(\$0.29)	(\$0.22)	(\$0.16)	(\$15.39)	(\$6.05)	(\$3.57)	(\$1.09)	(\$0.42)
Yr-to-yr Growth	-63%	-84%	-97%	-26%	-13%	-15%	-27%	-57%	-62%	-66%	-74%	-77%	727%	-60.7%	-41.1%	-69.3%	-61.6%
Share outstanding	1.1	1.2	1.4	1.5	1.6	1.8	1.9	2.8	3.9	3.9	4.0	4.0	0.6	1.3	2.0	3.9	5.3
Yr-to-yr Growth	145%	134%	1948%	61%	46%	52%	35%	84%	134%	120%	112%	42%	72%	104.3%	50.7%	100.3%	33.5%
Fully diluted shares	1.3	1.3	1.6	1.8	1.9	2.0	2.1	3.8	4.8	4.8	4.8	4.8	0.9	1.5	2.2	4.8	5.5
Yr-to-yr Growth	110%	95%	74%	38%	48%	52%	36%	114%	156%	140%	126%	28%	87%	62.8%	48.7%	118.5%	14.3%

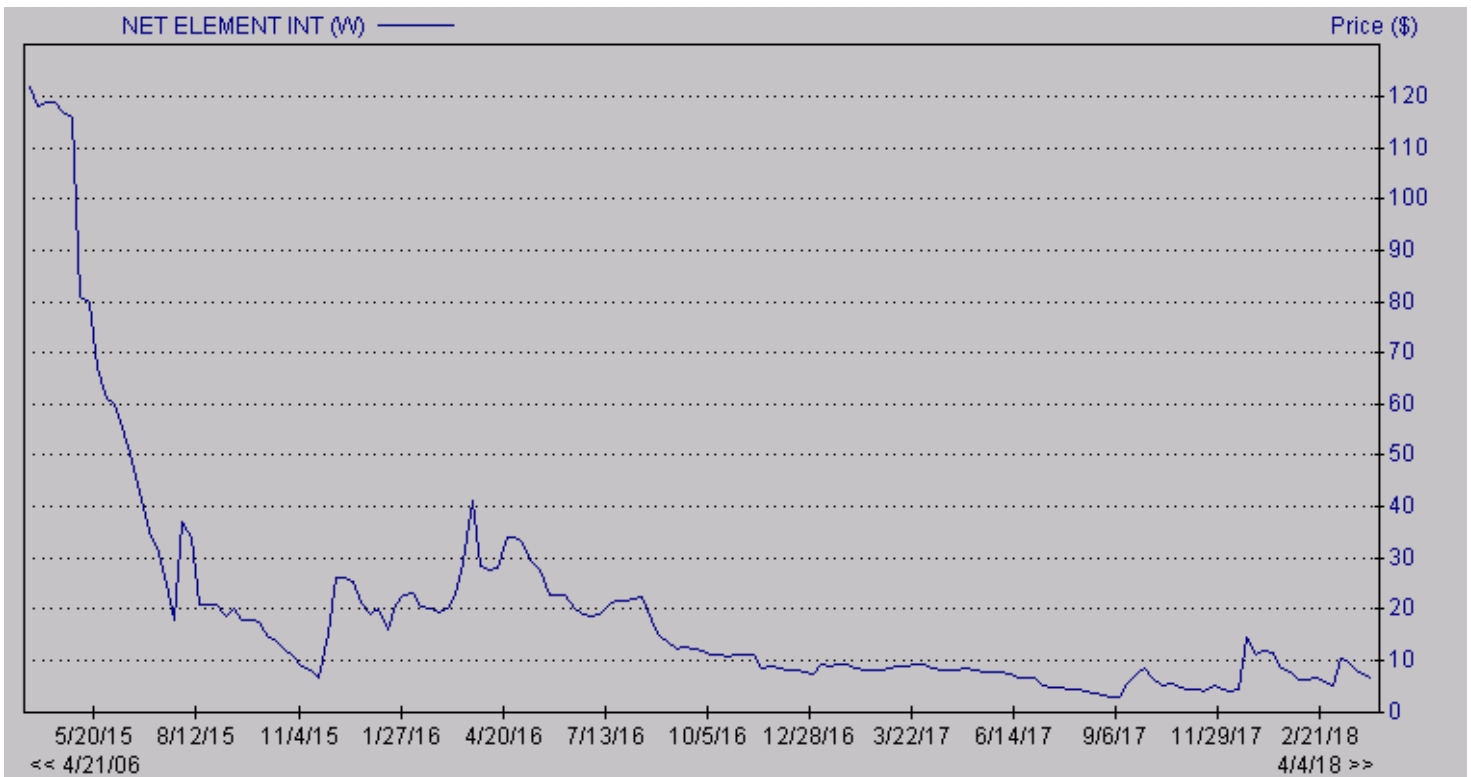
BALANCE SHEET

	Dec 31, 2017	Sept 30, 2017	Qtr-Qtr % Change	Dec 31, 2016	Yr- Yr % Change
Current assets:					
Cash	\$11,285,669	\$922,102	1124%	\$621,635	1715%
Accounts receivable, net	5,472,856	4,446,358	23%	7,126,429	-23%
Prepaid expenses and other assets	2,282,614	1,658,200	38%	1,467,897	56%
Total current assets	19,041,139	7,026,660	171%	9,215,961	107%
Fixed assets, net	58,268	64,381	-9%	117,295	-50%
Intangible assets, net	3,127,760	3,242,889	-4%	3,589,850	-13%
Goodwill	9,643,752	9,643,752	0%	9,643,752	0%
Other long term	460,511	456,948	1%	603,209	-24%
Total assets	32,331,430	20,434,630	58%	23,170,067	40%
Current liabilities:					
Accounts payable	\$6,785,459	\$6,067,319	12%	\$7,510,113	-10%
Deferred revenue	1,712,591	1,196,743	43%	1,355,972	26%
Accrued expenses	3,674,430	3,419,879	7%	5,518,823	-33%
Notes payable (current portion)	2,493,973	503,041	396%	808,976	208%
Due to related parties	0	376,593	-100%	299,004	-100%
Total current liabilities	14,666,453	11,563,575	27%	15,492,888	-5%
Notes payable (non-current portion)	4,521,449	6,887,382	-34%	3,615,782	25%
Total liabilities	19,187,902	18,450,957	4%	19,108,670	0%
STOCKHOLDERS' DEFICIT					
Common stock	385	2,142	-82%	154	150%
Paid in capital	183,119,222	167,805,711	9%	163,920,066	12%
Stock subscription receivable	(50,585)	-	-	-	-
Accumulated other comp income (loss)	(2,530,238)	(2,528,424)	0%	(2,486,616)	2%
Accumulated deficit	(167,356,070)	(163,272,959)	3%	(157,442,585)	6%
Noncontrolling interest	(39,186)	(22,797)	72%	70,378	-156%
Total stockholders' deficit	13,143,528	1,983,673	563%	4,061,397	224%
Total liabilities and stockholders' deficit	32,331,430	20,434,630	58%	23,170,067	40%
Net Cash	11,285,669	42,468	26475%	(486,345)	-2421%
Current and Quick Ratio	1.3	0.6	114%	0.6	118%
Working Capital	4,374,686	(4,536,915)	-196%	(6,276,927)	-170%
Total Debt	7,015,422	7,767,016	-10%	4,723,762	49%
Debt/TA	22%	38%	-43%	20%	6%
DSO	32.2	27.2	18%	42.5	-24%

CASH FLOWS

	Mar. 31, 2016 3 month	June 30, 2016 3 month	Sept 30, 2016 3 month	Dec. 31, 2016 3 month	YR 2016	Mar. 31, 2017 3 month	June 30, 2017 3 month	Sept 30, 2017 3 month	Dec. 31, 2017 3 month	YR 2017
Cash flows from operating activities										
Net loss	\$ (1,847,719)	\$ (5,346,448)	\$ (3,469,541)	\$ (2,823,829)	\$ (13,487,537)	\$ (2,487,498)	\$ (1,640,339)	\$ (1,702,536)	\$ (4,083,112)	\$ (9,913,485)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:										
Non controlling interest	\$ (37,876)	\$ (38,792)	\$ (33,682)	\$ (18,189)	\$ (128,539)	\$ (50,701)	\$ (75,081)	\$ 32,607	\$ (16,389)	\$ (109,564)
Share based compensation	\$ 360,984	\$ 2,014,589	\$ 732,701	\$ 355,161	\$ 3,463,435	\$ 596,404	\$ 128,537	\$ 111,277	\$ 2,104,206	\$ 2,940,424
Deferred revenues	\$ (171,908)	\$ (245,979)	\$ 552,890	\$ (135,003)	\$ 0	\$ (445,953)	\$ (470,945)	\$ 757,670	\$ 159,228	\$ 0
Gain on change in fair value and settlement of beneficial conversion derivative	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Depreciation and amortization	\$ 888,118	\$ 844,534	\$ 764,886	\$ 968,972	\$ 3,466,510	\$ 657,363	\$ 573,018	\$ 630,020	\$ 673,584	\$ 2,533,985
Non cash interest	\$ 0	\$ 297,434	\$ 444,423	\$ 110,551	\$ 852,408	\$ 46,135	\$ 48,113	\$ 4,526	\$ 16,028	\$ 114,802
Amortization of deferred revenue	\$ 0	\$ 0	\$ 0	\$ (1,221,177)	\$ (1,221,177)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(Recovery of) provision for loan losses	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 500,000	\$ 0	\$ 192,895	\$ (192,895)	\$ 0	\$ 0
Amortization of prepaid costs	\$ 0	\$ 0	\$ 0	\$ 967,313	\$ 967,313	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates										
Account receivable	\$ 436,453	\$ (768,019)	\$ (278,818)	\$ (2,140,760)	\$ (2,751,144)	\$ 510,498	\$ 1,402,637	\$ 1,508,130	\$ (418,840)	\$ 3,002,425
Advances to aggregators	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Deferred revenue	\$ 0	\$ 0	\$ 0	\$ 1,833,239	\$ 1,833,239	\$ 0	\$ 0	\$ 0	\$ 356,619	\$ 356,619
Prepaid expenses and other assets	\$ 334,291	\$ (63,359)	\$ (602,430)	\$ (239,084)	\$ (570,582)	\$ (231,755)	\$ 516,416	\$ (637,212)	\$ (670,434)	\$ (1,022,985)
Accounts payable	\$ (865,158)	\$ 1,086,148	\$ (220,990)	\$ 0	\$ 0	\$ 0	\$ 220,990	\$ 0	\$ (220,990)	\$ 0
Accrued expenses	\$ (44,186)	\$ 1,700,157	\$ (1,655,971)	\$ 0	\$ 0	\$ 0	\$ 1,655,971	\$ 0	\$ (1,655,971)	\$ 0
Accounts payable and accrued expenses	\$ (909,344)	\$ 2,786,305	\$ (1,876,961)	\$ (368,025)	\$ 3,797,753	\$ 449,284	\$ (2,422,982)	\$ (545,334)	\$ (552,659)	\$ (2,943,154)
Net cash (used in) provided by operating	\$ (947,001)	\$ (817,169)	\$ (4,210,955)	\$ (2,210,831)	\$ (3,278,321)	\$ (956,223)	\$ (1,747,731)	\$ (33,747)	\$ (2,431,769)	\$ (5,040,933)
Cash flows from investing activities										
Purchase of portfolio and client acquisition	\$ 0	\$ 0	\$ 0	\$ (1,319,820)	\$ (1,319,820)	\$ (403,585)	\$ (562,562)	\$ (414,514)	\$ (504,437)	\$ (1,885,098)
Receipt of excess deposits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,826	\$ 149,826
Purchase of fixed and other assets	\$ (396,819)	\$ (558,741)	\$ (391,158)	\$ 1,159,629	\$ (187,089)	\$ 355	\$ 180,068	\$ (102,993)	\$ (180,771)	\$ (103,341)
Net cash used in investing activities	\$ (396,819)	\$ (558,741)	\$ (391,158)	\$ (160,191)	\$ (1,506,909)	\$ (403,230)	\$ (382,494)	\$ (517,507)	\$ (535,382)	\$ (1,838,613)
Cash flows from financing activities										
Proceeds from indebtedness	\$ 75,000	\$ 1,140,000	\$ 1,453,500	\$ 502,040	\$ 3,170,540	\$ 92,000	\$ 3,206,792	\$ (59,759)	\$ 439,791	\$ 3,678,824
Repayment of indebtedness	\$ 0	\$ 0	\$ (110,434)	\$ 38,734	\$ (71,700)	\$ (92,680)	\$ (532,238)	\$ 351,558	\$ (725,420)	\$ (998,780)
Cash received from issuance of shares and Note payable (non-current)	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000	\$ 1,437,132	\$ 0	\$ (287,034)	\$ 13,734,337	\$ 14,884,435
Related party advances (payments)	\$ 910,045	\$ 0	\$ (792,266)	\$ 910,095	\$ 1,027,874	\$ 57,159	\$ (57,159)	\$ 77,587	\$ (77,587)	\$ 0
Net cash provided by (used in) financing	\$ 985,045	\$ 1,140,000	\$ 661,234	\$ 1,750,869	\$ 4,426,714	\$ 1,493,611	\$ 2,617,395	\$ 82,352	\$ 13,371,121	\$ 17,564,479
Effect of exchange rate changes on cash	\$ 57,537	\$ (741,514)	\$ 192,807	\$ (143,498)	\$ (45,596)	\$ 57,288	\$ (25,972)	\$ (11,812)	\$ (40,403)	\$ (20,899)
Net increase in cash	\$ (301,238)	\$ (90,918)	\$ (3,748,072)	\$ (763,651)	\$ (404,112)	\$ 191,446	\$ 461,198	\$ (480,714)	\$ 10,363,567	\$ 10,664,034
Cash at beginning of period	\$ 1,025,747	\$ 724,509	\$ 633,591	\$ 1,385,286	\$ 1,025,747	\$ 621,635	\$ 813,081	\$ 1,274,279	\$ 922,102	\$ 621,635
Cash at end of period	\$ 724,509	\$ 633,591	\$ 1,385,286	\$ 621,635	\$ 621,635	\$ 813,081	\$ 1,274,279	\$ 793,565	\$ 11,285,669	\$ 11,285,669
Cash paid during the period for:										
Interest	\$ 150,438	\$ 150,438	\$ (127,741)	\$ 149,952	\$ 611,625	\$ 166,394	\$ 150,438	\$ 398,231	\$ 279,041	\$ 1,074,820
Taxes	\$ 86,770	\$ 86,770	\$ 0	\$ 0	\$ 94,718	\$ 64,314	\$ 86,770	\$ 22,628	\$ 0	\$ 86,942
Operating cash flow	\$ (808,401)	\$ (2,474,662)	\$ (1,008,323)	\$ (1,296,201)	\$ (5,587,587)	\$ (1,684,250)	\$ (1,243,802)	\$ (359,331)	\$ (1,146,455)	\$ (4,433,838)
Free cash flow	\$ (1,205,220)	\$ (3,033,403)	\$ (1,399,481)	\$ (1,456,392)	\$ (7,094,496)	\$ (2,087,480)	\$ (1,626,296)	\$ (876,838)	\$ (1,681,837)	\$ (6,272,451)

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Lisa Thompson, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business. SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.