

Zacks Small-Cap Research

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Net Element Inc. (NETE-NASDAQ)

Q3 Shows NETE as Cash Flow Positive For the Second Quarter in a Row

Using an industry average of EV/trailing GM of 16.2X and discount NETE for losses, the stock could be worth \$27 per share if the company could reach profitability.

OUTLOOK

Net Element provides software and services to merchants 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 its Netevia payments platform, and an international payment processor, operating primarily in Russia. NETE has shown growth in the US and continues progress toward sustained cash flow break-even and profitability.

Current Price (11/15/19) \$4.16
Valuation \$27.00

SUMMARY DATA

52-Week High \$9.05
52-Week Low \$3.1
One-Year Return (%) -33.8
Beta 1.5
Average Daily Volume (sh) 29,404

Shares Outstanding (mil) 4.1
Market Capitalization (\$mil) \$17
Short Interest Ratio (days) 0.5
Institutional Ownership (%) 7
Insider Ownership (%) 19

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

5-Yr. Historical Growth Rates
Sales (%) 25.2
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS N/M
P/E using 2018 Estimate N/M
P/E using 2019 Estimate N/M

Risk Level High
Type of Stock Small Blend
Industry Internet Commerce

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	13.6 A	16.1 A	14.9 A	15.5 A	60.1 A
2018	16.0 A	16.5 A	17.2 A	16.1 A	65.8 A
2019	15.0 A	16.5 A	16.8 A	17.6 E	66.0 E
2020					71.5 E

Earnings Per Share

(Non-GAAP EPS before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-\$1.15 A	-\$0.85 A	-\$0.84 A	-\$1.00 A	-\$3.54 A
2018	-\$0.40 A	-\$0.23 A	-\$0.23 A	-\$0.22 A	-\$1.07 A
2019	-\$0.28 A	-\$0.15 A	-\$0.24 A	-\$0.15 E	-\$0.82 E
2020					-\$0.75 E

Zacks Projected EPS Growth Rate - Next 5 Years % 5.0

WHAT'S NEW

Another Quarter Being Cash Flow Positive

Net Element has been fine tuning its business over the past year, focusing on more profitable business and working to eliminate the cash burn and turn it to a positive to avoid raising capital and to start the process of paying off debt. This is designed to increase the valuation of the company, which is way below that of its peers. As the largest shareholder, the CEO Oleg Firer, has the most incentive to achieve this. This quarter Net Element again had positive cash flow of \$250,000 in the quarter, down from the \$641,000 in Q2, but still positive. This is the second quarter in a row of positive operating cash flow and is a meaning achievement for a company that has been cash flow negative its entire existence. We expect this could again be achieved in the seasonally strong Christmas quarter, and portends its improved results going forward.

Q3 2019 Results

While the company did not achieve revenue growth or manage to reduce reported losses this quarter, it did manage to reduce the cash burn--- which is one of its main goals. Total revenues in Q3 2019 were \$16.8 million, compared with \$17.2 million last year (down 2.5%.) North American sales increased 2.1% year over year to \$15.9 million, while international improved sequentially to \$896,000, but was down 46% year over year. North America had an uphill battle as Visa and MasterCard started to wind down certain merchant categories at the end of last year that had resulted in \$350,000 less in revenues this year than last year. Taking those revenues out of both years, North America would have grown organically 4.5%.

Margins for North America improved to 15.8% versus 14.8% a year ago and 14.6% in Q2 2019. Management is focusing on selling higher margin services. It has seen success with its value added solutions that contributed \$572,000 of net revenues in the quarter, (up 58% from last year) at gross margins of 39.5%. Value added solutions include the Netevia platform, Aptito, mobile POS, and Europay services.

Although down year over year from the loss of a major customer, international sales increased 19.6% sequentially and margins increased to 25.8% from 22.9% a year ago, but were down from 39.0% in Q2 2019. The company expects international margin dollars to improve, but new customers are being brought on at lower than historical rates.

The operating loss was \$853,000 versus a loss of \$762,000 last year. Most importantly we are looking for Net Element to reach cash flow breakeven. EBITDA for the quarter was a negative \$82,000 compared with a negative \$276,000 last year.

Other expense was \$187,000 versus \$174,000 on a slight increase in interest expense.

The GAAP and non-GAAP losses were \$1 million versus last year's \$900,000.

The non-GAAP loss per share was \$0.24 per share compared with \$0.23 per share last year.

This quarter there were 4.2 million average primary shares outstanding, compared to 3.9 million last year, up 6%. On November 14, 2019, the share count was 4.1 million shares.

On September 30, Net Element had \$492,656 in cash, negative working capital of \$808,000 and \$8.2 million in debt up from \$7.5 million last quarter. It had \$9.3 million in available credit facilities. This quarter Net Element had positive cash flow of \$250,000, but negative free cash flow of \$157,000 after paying for commissions and equipment. This is the second quarter in a row of positive operating cash flow.

During the Quarter

On July 1st, Aptito began processing cryptocurrency payments for its merchants.

On July 23rd, Net Element announced it won Hyde Beach House in Hollywood, Florida as a client in partnership with VIP Systems as it continues to penetrate the hospitality industry. VIP Systems is a preferred technology integrator for Marriott International, Choice Hotels International, Simon Property Group, Hotwire Communications, Morgans Hotel Group, InterContinental Hotels Group, and Related Group. Net Element offers a turnkey hospitality solution that includes everything needed for hotels to accept payments.

On August 8th Net Element launched its Netevia MasterCard®, an exclusively tailored business card for its merchants. This card allows merchants to save up to 44% on credit and debit card payment acceptance fees. Merchants can choose a percentage of card sales to be credited to the card instead of their bank account and use it for everyday business expenses. The funds are immediately available to spend, thus improving the businesses cash flow. The card also offers rewards.

Subsequent Events

On September 4th John Wiegand joined the board of directors, and is chairing the compensation committee and is a member of the audit, nominating and governance committees. John is currently the CEO of Merchant Growth Capital, a firm specializing in financing payment service providers and small businesses. Prior to MGC, he was an officer and shareholder of Merchants Capital Access, which was acquired in 2014. Prior to his tenure with Merchant Capital Access, he was a founding director of Payment Express Systems, which was acquired in 2012. Prior to that John was vice president of CIT Group, a position he achieved through the acquisition of his credit card terminal leasing company by CIT Group in 2002. He was also was an executive with several banks. He has a CPA and a BS in Accounting and an MBA in Finance, from St. Joseph's University. John replaced long time board member Drew Freeman.

On September 12th Net Element hired Tom Lineen as VP of Strategic Initiatives. In this role, Mr. Lineen will focus on identifying and developing new opportunities to integrate and monetize the company's suite of value-added solutions. He has over 20 years of experience in the payments and Fintech space, and was President & Chief Revenue Officer of US Merchant Systems. Tom restructured that business, enabling a successful exit of its core business and growing its subsidiary, [Convenient Payments](#). Previously, Tom founded Parallel Solutions (currently [Payvana](#)) and served as its President and CEO until it was sold in 2012. Prior to Parallel, Tom was a CEO of Cynergy Data Online and VP of Sales of Cynergy Data, (currently [Priority Payment Systems](#).) Prior to Cynergy Data, Tom was a Director of Sales for Authorize.net (currently [CyberSource](#).) Tom earned a BS in Accounting from North Carolina State in 1995.

INVESTMENT THESIS

- Net Element is a 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 and Netevia products provide 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.

- The company's goal in 2019 is to reach cash flow breakeven and thereafter profitability. It has been making continued progress toward that goal.
- We believe the company could grow revenues to \$66 million in 2019 while decreasing losses. It is trading at an enterprise value of \$25 million or 0.26Xs enterprise value to forecasted 2019 sales.
- If NETE achieves our forecasts without further common stock dilution and no incremental debt, we believe its common stock could be worth \$27 per share when looking at multiples of peer companies.

VALUATION

There are a variety of ways we can value Net Element, all of which point to a much higher stock price. The problem is Net Element's history of raising capital to fund operations. Investors are wary that it may never reach breakeven and stop the dilution. This year, the company has taken efforts to reach cash breakeven and each quarter seems to bring it a step closer. We are confident if Net Element can start generating cash, investors will reward it with stock price appreciation and it may even become an attractive acquisition target in this increasingly consolidating industry. Here are multiple ways of valuing the company:

- Using Net Element's peer group we find an average valuation of 7.8 times the enterprise value to 2019 estimated sales. If we use that multiple and apply it Net Element's estimate of \$66 million, we see that the company could be worth a \$515 million enterprise value if it were profitable. Net Element is operating at much lower gross margins than the group, and thus should be valued lower due to its earnings power.
- Net Element's gross margin for the past twelve months was 16.4%. Because of its lower gross margin than any of the comps, we have been using that metric to calculate valuation. Using 16.2 times **enterprise value to trailing twelve-month gross margin**, Net Element's value would be 16.2 times \$10.6 million or \$172 million or \$40 per share. The lowest margin company, after Net Element is Usio that operated at 21% gross margin for the past twelve months. If we take its multiple of 5.9 times EV/Gross margin, that is \$62 million enterprise value or \$55 million market value or \$13.30 per share. An average of the Usio comp, and the industry comp, gets us a blended value of **\$27 per share**.
- Another way to value the company is to compare it to the acquisition valuation used for its peer JetPay. Last October, NCR made a cash tender offer of \$5.05 for each JetPay share represented a multiple of 2.9 times its 2018 consensus revenue forecast of \$63.1 million. Using that valuation metric on NETE's 2019 revenues would be worth an enterprise value of \$191 million, a market value of \$184 million or \$44.80 per share.

Merchant Acquiring/Processing

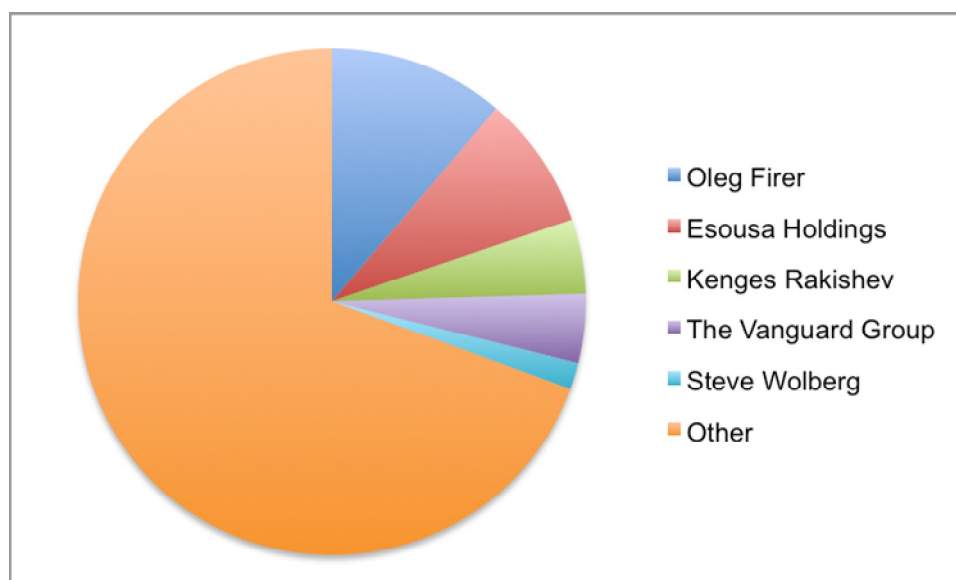
Company	Ticker	EBITDA	Gross Margin	%	Revenue 2019E	Revenue LTM	EBIDTA Margin	EV/19E Sales	EV/LTM Sales	EV/GM	EV/EBITDA	Included in Average?	Enterprise Value
EVERTEC	EVTC	190	257	54%	482	478	40%	5.5	5.5	10.3	13.9	y	2,640
Global Payments	GPN	1,570	2,270	60%	5,630	3,800	41%	11.0	16.3	27.3	39.5	y	62,050
PayPal	PYPL	3,240	7,110	42%	17,750	17,040	19%	6.6	6.9	16.5	36.2	y	117,370
Usio	USIO	(2)	6	21%	29	27	-8%	1.1	1.2	5.9	-15.7	y	33
Square	SQ	80	1,310	62%	2,230	2,118	4%	12.4	13.1	21.1	347.4	y	27,700
Fidelity National Info Services	FIS	2,830	2,850	31%	10,320	9,160	31%	10.0	11.2	36.1	36.4	y	102,930
Average				45%			21%	7.8	9.0	19.5	76.3		57,005

The industry continues to consolidate. In May, Global Payments (GPN) agreed to buy Total System Services (TSS) in a deal valued at \$21.5 billion, or 5.3Xs revenues. Fiserv announced a \$22 billion takeover of First Data Corp. (FDC) in January, and Fidelity National Information Services Inc. just bought Worldpay (WP) for \$43 billion.

RISKS

- 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 although its goal is to become cash flow positive some time in 2019.
- 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 elsewhere internationally 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.
- As a payment company the company is involved with blockchain. This can cause volatility in the stock as blockchain has often caused irrational exuberance among investor. It also draws added scrutiny by regulators.

OWNERSHIP



Source: Zacks Investment Research, SEC filing

INCOME STATEMENT

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019E	2017	2018	2019E	2020E
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec				
North America Transaction	\$14.0	\$14.4	\$15.6	\$15.2	\$14.4	\$15.7	\$15.9	\$16.5	\$51.1	\$59.1	\$62.5	\$66.90
Yr-over-yr Growth	27.4%	5.9%	18.8%	12.8%	2.8%	9.1%	2.1%	8.8%	21.4%	15.6%	5.7%	7.0%
Cost of service	12.1	12.2	13.3	13.0	11.8	13.4	13.4	13.7	44.3	50.5	52.4	56.0
Gross margin	1.9	2.2	2.3	2.2	2.6	2.3	2.5	2.8	6.9	8.6	10.2	10.9
Gross margin %	13.6%	15.2%	14.8%	14.5%	18.1%	14.6%	15.8%	16.8%	13.4%	14.5%	16.3%	16.3%
International	2.0	2.0	1.7	0.9	0.7	0.7	0.9	1.1	8.9	6.6	3.4	4.6
Yr-over-yr Growth	-22.4%	-19.1%	-7.1%	-53.8%	-66.1%	-63.4%	-45.8%	17.7%	-26.6%	-25.5%	-48.4%	34.2%
International Cost of Service	1.6	1.6	1.3	0.7	0.5	0.5	0.7	0.7	7.0	5.1	2.3	2.9
Gross Margin	0.5	0.5	0.4	0.3	0.2	0.3	0.2	0.4	2.0	1.6	1.1	1.7
Gross margin %	22.9%	22.4%	22.9%	29.8%	28.1%	39.0%	25.8%	39.0%	21.9%	23.7%	33.4%	37.0%
Total revenues	16.0	16.5	17.2	16.1	15.0	16.5	16.8	17.6	60.1	65.8	66.0	71.5
Yr-to-yr Growth	17.8%	2.0%	15.7%	4.1%	-5.9%	0.1%	-2.5%	9.3%	10.6%	9.5%	0.3%	8.4%
Costs and expenses:												
Cost of revenues	13.6	13.8	14.6	13.6	12.3	13.9	14.1	14.4	51.2	55.6	54.6	58.9
Gross Margin	2.4	2.7	2.7	2.5	2.8	2.6	2.7	3.2	8.8	10.2	11.3	12.6
% of Sales	14.8%	16.1%	15.6%	15.4%	18.5%	15.7%	16.3%	18.2%	14.7%	15.5%	17.2%	17.6%
SG&A	2.4	2.5	2.347	2.5	2.4	2.299	2.399	2.4	10.6	9.8	9.5	9.6
Stock-based compensation	0.1	0.0	0.0	0.0	0.0	2.0	0.0	0.0	2.9	0.1	2.0	2.0
Provision for loan losses	0.1	0.9	0.6	0.5	0.3	0.1	0.4	0.4	1.3	2.1	1.3	1.3
Depreciation and amortization	0.7	0.7	0.5	0.6	0.9	0.7	0.8	0.8	2.5	2.5	3.1	3.1
Total operating expenses	3.4	4.1	3.4	3.6	3.6	5.2	3.6	3.6	17.4	14.5	16.0	16.0
Loss from operations	(1.0)	(1.4)	(0.762)	(1.2)	(0.803)	(2.6)	(0.853)	(0.4)	(8.6)	(4.3)	(4.6)	(3.4)
Interest expense, net	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(1.2)	(0.8)	(1.0)	(1.7)
Other expense	(0.4)	0.7	0.0	0.4	(0.1)	1.3	0.1	0.0	(0.2)	0.8	1.3	0.0
One-time charges	0.0	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0	(0.6)	0.0	0.0
Total non-operating expenses	(0.6)	0.4	(0.2)	(0.4)	(0.3)	1.0	(0.2)	(0.3)	(1.4)	(0.7)	0.2	(1.7)
Pretax operating income (loss)	(1.6)	(1.0)	(0.9)	(1.5)	(1.1)	(1.6)	(1.0)	(0.6)	(10.0)	(5.0)	(5.7)	(5.1)
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
Tax rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operating Loss	(1.6)	(1.0)	(0.9)	(1.5)	(1.1)	(1.6)	(1.0)	(0.6)	(10.0)	(5.0)	(5.7)	(5.1)
Minority interest	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Net loss	(1.6)	(0.9)	(0.910)	(1.5)	(1.1)	(1.5)	(1.011)	(0.6)	(9.9)	(4.9)	(5.7)	(5.1)
Foreign currency translation gain (loss)	0.0	0.0	(0.1)	0.4	(0.0)	(0.0)	0.0	0.0	(0.0)	0.3	(0.0)	0.0
Comprehensive loss	(1.6)	(0.9)	(1.1)	(1.1)	(1.1)	(1.5)	(1.0)	(0.6)	(10.0)	(4.6)	(5.7)	(5.1)
Earnings ex-one time charge	(1.6)	(0.9)	(0.9)	(0.9)	(1.1)	(2.6)	(1.0)	(0.6)	(9.9)	(4.3)	(5.4)	(5.1)
Stock-based compensation	0.1	0.0	0.0	0.0	0.0	2.0	0.0	0.0	2.9	0.1	2.0	2.0
Adjusted Non-GAAP Earnings	(1.5)	(0.9)	(0.9)	(0.9)	(1.1)	(0.6)	(1.0)	(0.6)	(7.0)	(4.2)	(3.4)	(3.1)
Yr-to-yr Growth	-19.2%	-41.7%	-44.2%	-56.5%	-27.7%	-28.3%	12.1%	-28.0%	-12%	-40%	-19%	-7.9%
GAAP EPS	(\$0.42)	(\$0.23)	(\$0.23)	(\$0.39)	(\$0.29)	(\$0.37)	(\$0.24)	(\$0.15)	(\$5.04)	(\$1.28)	(\$1.39)	(\$1.24)
Non-GAAP EPS	(\$0.40)	(\$0.23)	(\$0.23)	(\$0.22)	(\$0.28)	(\$0.15)	(\$0.24)	(\$0.15)	(\$3.54)	(\$1.07)	(\$0.82)	(\$0.75)
Yr-to-yr Growth	-65%	-73%	-73%	-78%	-29%	-34%	5%	-32%	-41.4%	-69.7%	-23.8%	-8.3%
Share outstanding	3.9	3.9	3.9	3.9	3.9	4.2	4.2	4.1	1.967676	3.9	4.1	4.1
Yr-to-yr Growth	134%	118%	106%	96%	1%	9%	6%	6%	50.7%	96.6%	5.8%	0.4%
Fully diluted shares	4.8	4.8	4.9	4.9	4.9	5.2	5.2	5.2	2.2	4.8	5.1	5.2
Yr-to-yr Growth	156%	140%	120%	68%	1%	9%	7%	5%	48.7%	120.1%	5.5%	0.0%

BALANCE SHEET

	Sept 30, 2019	June 30, 2019	Qtr-Qtr % Change	Sept 30, 2018	Yr- Yr % Change
Current assets:					
Cash	\$492,656	\$840,170	-41%	\$2,563,104	-81%
Accounts receivable, net	5,545,309	5,073,168	9%	4,970,697	12%
Prepaid expenses and other assets	1,367,083	978,737	40%	1,679,092	-19%
Total current assets	7,405,048	6,892,075	7%	9,212,893	-20%
Equipment, net	9,550	16,205	-41%	34,267	-72%
Intangible assets, net	5,951,219	6,237,789	-5%	5,354,237	11%
Goodwill	9,007,752	9,007,752	0%	9,643,752	-7%
Operating lease right-of-use asset	411,996	442,094	-7%	0	NA
Other long term	655,702	655,180	0%	603,110	9%
Total assets	23,441,267	23,251,095	1%	24,848,259	-6%
Current liabilities:					
Accounts payable	\$5,350,538	\$5,274,782	1%	\$5,407,971	-1%
Deferred revenue	944,283	449,451	110%	1,173,802	-20%
Accrued expenses	1,637,549	1,700,003	-4%	2,247,101	-27%
Notes payable (current portion)	114,160	224,364	-49%	484,490	-76%
Operating lease liability (current portion)	31,010	61,108	-49%	0	NA
Due to related parties	135,311	200,694	-33%	441,606	-69%
Total current liabilities	8,212,851	7,910,402	4%	9,754,970	-16%
Operating lease liability (net of current)	380,986	380,986	0%	0	NA
Notes payable (non-current portion)	7,982,730	7,074,978	13%	5,072,396	57%
Total liabilities	16,576,567	15,366,366	8%	14,827,366	12%
STOCKHOLDERS' DEFICIT					
Common stock	411	410	0%	385	7%
Paid in capital	185,282,062	185,267,054	0%	183,223,732	1%
Accumulated other comp income (loss)	(2,247,888)	(2,252,261)	0%	(2,315,394)	-3%
Accumulated deficit	(175,961,173)	(174,950,546)	1%	(170,781,062)	3%
Noncontrolling interest	(208,712)	(179,928)	16%	(106,768)	95%
Total stockholders' deficit	6,864,700	7,884,729	-13%	10,020,893	-31%
Total liabilities and stockholders' deficit	23,441,267	23,251,095	1%	24,848,259	-6%
Net Cash	492,656	415,112	19%	2,563,104	-81%
Current and Quick Ratio	0.9	0.9	3%	0.9	-5%
Working Capital	(807,803)	(1,018,327)	-21%	(542,077)	49%
Total Debt	8,232,201	7,500,036	10%	5,998,492	37%
Debt/TA	35%	32%	9%	24%	45%
DSO	30.0	28.1	7%	26.3	14%

CASH FLOWS

	YR 2017	Mar. 31, 2018 3 month	June 30, 2018 3 month	Sept 30, 2018 3 month	Dec. 31, 2018 3 month	YR 2018	Mar. 31, 2019 3 month	June 30, 2019 3 month	Sept 30, 2019 3 month
Cash flows from operating activities									
Net loss	\$ (9,913,485)	\$ (1,610,847)	\$ (903,730)	\$ (910,412)	\$ (1,511,193)	\$ (4,936,182)	\$ (1,120,847)	\$ (1,537,445)	\$ (1,010,629)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:									
Non controlling interest	(109,564)	27,553	(69,482)	(25,653)	(18,969)	(86,551)	(13,966)	(40,225)	(28,783)
Share based compensation	2,940,424	82,011	22,500	22,500	15,006	142,017	15,006	2,005,841	15,008
Deferred revenues	356,619	-	58,319	(594,360)	319,299	(216,742)	(523,199)	(523,199)	494,832
Net non cash items in other income	-	-	-	-	(1,202,201)	(1,202,201)	-	-	-
Impairment for goodwill	-	-	-	-	636,000	636,000	-	-	-
Depreciation and amortization	2,533,985	703,538	662,525	463,384	625,190	2,454,637	851,220	747,347	755,985
Non cash interest	114,802	16,759	18,437	13,804	24,442	73,442	14,314	7,397	14,972
(Recovery of) provision for loan losses	-	-	-	-	16,238	16,238	10,013	(18,940)	8,927
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates									
Account receivable	3,002,425	1,032,930	(461,525)	(191,804)	(1,883,356)	(1,503,755)	1,151,285	13,976	(423,880)
Deferred revenue	-	(535,748)	535,748	-	-	-	-	-	-
Prepaid expenses and other assets	(1,047,811)	(308,648)	(47,937)	814,391	(73,403)	384,403	253,634	415,012	(442,293)
Accounts payable and accrued expenses	(2,943,154)	(545,306)	(1,566,462)	24,352	3,058,618	971,202	(875,266)	(1,429,936)	(182,855)
Net cash (used in) provided by operating	(5,065,759)	(1,137,758)	(1,751,607)	(383,798)	5,671	(3,267,492)	(237,806)	(360,172)	(798,716)
Cash flows from investing activities									
Purchase of portfolio and client acquisition	(1,885,098)	(401,980)	(476,466)	(2,973,150)	(1,561,668)	(5,413,264)	(651,365)	(558,913)	(412,204)
Receipt of excess deposits	149,826	-	-	-	-	-	-	-	-
Purchase of fixed and other assets	(103,341)	(2,393)	12,291	(124,939)	110	(114,931)	(413,132)	(55,155)	4,659
Net cash used in investing activities	(1,838,613)	(404,373)	(464,175)	(3,098,089)	(1,561,558)	(5,528,195)	(1,064,497)	(614,068)	(407,545)
Cash flows from financing activities									
Proceeds from indebtedness	3,678,824	-	-	-	2,131,500	2,131,500	-	1,116,500	920,184
Repayment of indebtedness	(998,780)	(515,834)	(522,831)	(419,871)	(1,326,598)	(2,785,134)	(102,700)	(106,384)	(110,204)
Cash received from issuance of shares and Lease liability	14,884,435	-	-	-	-	-	-	-	-
Related party advances (payments)	-	(33,027)	67,954	(74,192)	39,265	-	471,307	(29,213)	(30,098)
Net cash provided by (used in) financing	17,564,479	(548,861)	(454,877)	(494,063)	844,167	(653,634)	196,992	1,319,079	865,824
Effect of exchange rate changes on cash	(20,899)	(3,720)	21,353	(2,597)	(49,435)	(34,399)	(12,497)	18,768	(6,555)
Net increase in cash	10,639,208	(2,094,712)	(2,649,306)	(3,978,547)	(761,155)	(9,483,720)	(1,117,808)	363,607	(346,992)
Cash at beginning of period	1,094,063	11,733,271	9,638,559	6,989,253	3,010,706	11,733,271	2,249,551	1,131,743	1,495,350
Cash at end of period	11,733,271	9,638,559	6,989,253	3,010,706	2,249,551	2,249,551	1,131,743	1,495,350	1,148,358
Cash paid during the period for:									
Interest	1,074,820	226,479	217,753	201,678	127,827	773,737	230,789	245,135	255,069
Taxes	86,942	4,140	-	40,792	16,939	61,871	46,932	56,909	16,703
Operating cash flow	(4,077,219)	(780,986)	(211,431)	(1,030,737)	(1,096,188)	(3,119,342)	(767,459)	640,776	250,312
Free cash flow	(5,915,832)	(1,185,359)	(675,606)	(4,128,826)	(2,657,746)	(8,647,537)	(1,831,956)	26,708	(157,233)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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