

Zacks Small-Cap Research

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Net Element Inc.

(NETE-NASDAQ)

NETE: Q1 Results: Net Element Keeps Narrowing Losses As It Grows

Using an industry average of EV/trailing GM of 8.1X the stock could be worth \$21.00 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 (05/15/18) \$7.89
Valuation \$21.00

SUMMARY DATA

52-Week High \$19.39
52-Week Low \$2.73
One-Year Return (%) -1.9
Beta 0.8
Average Daily Volume (sh) 347,289

Shares Outstanding (mil) 3.9
Market Capitalization (\$mil) \$30
Short Interest Ratio (days) 1.1
Institutional Ownership (%) 4
Insider Ownership (%) 28

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

5-Yr. Historical Growth Rates
Sales (%) 63.4
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

Zacks Rank N/A

Risk Level High
Type of Stock Small Blend
Industry Internet Commerce

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	16.0 A	17.2 E	17.3 E	18.3 E	68.6 E
2019					74.8 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	-\$0.40 A	-\$0.33 E	-\$0.23 E	-\$0.20 E	-\$1.00 E
2019					-\$0.30 E

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

WHAT'S NEW

Q1 2018 Results

Total revenues for Q1 increased 18% year over year to \$16.0 million from \$13.6 million, despite a 22% decline in international revenues. North America grew 27.4% to \$14 million, sequentially up from Q4 and defying typical seasonality. With additional capital the company has been able to spend on growth. In addition, transactions are in larger dollar amounts as Net Element focuses more on eat-in dining and retail, which generate higher bills. The international segment declined 22% in the quarter from a year ago to \$2 million, but was sequentially flat with Q4. The combined Russian operations are now stable and should begin to show growth again.

During the quarter of 2018, Jon Narjarian of CNBC's *Halftime Report* and *Fast Money* and Jonathan Fichman, a fintech executive joined the board of the company.

Netevia, Net Element's proprietary multi-channel payments platform was launched in the quarter. 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.

Total gross margin declined to 14.8% from 15.5% a year ago, but rebounded from Q4's 11.4%. Margins were flat for both segments, but the lower margin US business was a bigger percent of total sales causing the decline.

Total operating expenses were reduced by \$1 million to \$3.4 million from \$4.4 million. Half a million dollars of the decline was in stock-based compensation, and \$400,000 in SG&A. SG&A is benefiting from the reduction of staff, rent, and consulting fees primarily in Russia due to the reorganization. The operating loss decreased to \$1.0 million from \$2.3 million a year ago.

Interest expense decreased by \$26,000 in Q1 2017 to \$243,000, of which \$226,000 was in cash. Other expenses were \$350,813. These were from: a penalty charge of \$75,506 paid to Esousa for not having a registration statement effective by March 31, 2018, plus a write-off of prepaid fees to Bunker Capital of \$221,160 for the cancelled deal. While the Bunker write-off was a one-time event, there will be a further \$225,000 expensed in Q2 for the Esousa penalty. The registration was delayed by the SEC and is not the fault of Net Element.

The net loss was \$1.6 million versus \$2.4 million in 2017.

This quarter there were 3.9 million average primary shares outstanding, while last year there were only 1.6 million, or 134% more than last year. As of May 14, 2018, that number was still 3.9 million shares.

The adjusted non-GAAP operating loss was \$1.5 million versus \$1.9 million last year. The **adjusted non-GAAP loss per share declined to \$0.40 per share versus a loss of \$1.15 per share.**

During the quarter the company reduced its cash by \$2.1 million. It now has \$9.2 million in cash and \$6.5 million in debt. If it uses between \$2 and \$3 million in cash per quarter it will need to raise additional cash in the next 12 months.

The company expects to see sequential growth in revenues and continued margin improvement especially since the Russian operations have been streamlined and focused. Now that it has funding the company is refocused on bringing Aptito to Russia and possibly other countries. It is planning to work with established partners for marketing, at least one of which plans to white label Aptito under its name. In addition, the

company has brought on a consultant at the cost of \$300,000 to recommend changes to increase compliance with Sarbanes Oxley so that its material weaknesses in financial reporting are identified and fixed. This will likely involve adding more staff to accounting.

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. Net Element plans to introduce Aptito into Russia and other countries.
- 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 14% to \$69 million in revenues in 2018 through internal growth. It is trading at a market value of \$30 million, and an enterprise value of \$27 million or 0.4Xs 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 8.1xs enterprise value to gross margin if the company achieves breakeven EBITDA results.

VALUATION

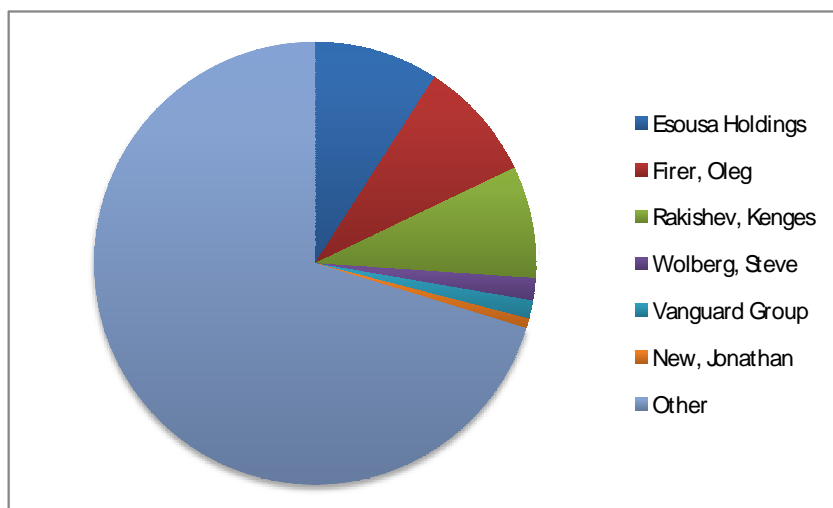
Due the variation in reporting of revenues of the various competitors of Net Element, we have chosen to use gross margin contribution as a more accurate way to value the companies. Using Net Element's peer group we find an average valuation of 8.1 times the enterprise value to trailing twelve-month gross margin. If we use that multiple and apply it Net Element's trailing 12-month gross margin of \$9.1 million, we see that the company could be worth \$74 million enterprise value or \$77 million market value if it were profitable. We are forecasting company reaches \$10.7 million in gross margin this year up from its trailing \$9.1 million now, and will require another \$8 million in cash burn reducing the market value. Based on EV/GM average of 8.1 times the company's market valuation could be \$81 million or \$21.00.

Company	Ticker	Gross		Revenue %	LTM	EV/GM EV/EBITDA		Included in Average?	Enterprise Value
		EBITDA	Margin						
Earthport	EPO.L	(9)	20	64%	31	0.8	-1.8	n	16
EVERTEC	EVTC	139	207	51%	407	9.0	13.3	y	1,850
First Data	FDC	2,930	5,010	60%	8,330	7.3	12.5	y	36,540
Global Payments	GPN	1,100	2,050	52%	3,980	10.5	19.5	y	21,460
JetPay	JTPY	4	24	31%	76	1.9	10.8	y	44
PayPal	PYPL	2,640	13,094	95%	13,800	6.5	32.0	y	84,520
Qawi	QIWI	151	193	29%	674	2.0	2.6	y	387
Total System Services	TSS	982	1,350	27%	4,930	13.7	18.8	y	18,490
Worldpay	WP	918	2,120	54%	3,950	14.3	33.0	y	30,290
Average				50%		8.1	17.8		24,198

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.
- 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 draw added scrutiny by regulators.

OWNERSHIP



INCOME STATEMENT

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018E	Q3 2018E	Q4 2018E	2016	2017	2018E	2019E
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec				
North America Transaction	\$11.0	\$13.6	\$13.1	\$13.4	\$14.0	\$15.0	\$15.0	\$16.0	\$42.1	\$51.1	\$60.0	\$64.76
Yr-over-yr Growth	39.6%	30.8%	17.3%	5.9%	27.4%	10.2%	14.3%	19.1%	53.8%	21.4%	17.3%	8.0%
Cost of service	9.5	11.5	11.3	12.1	12.1	12.9	12.8	13.6	36.3	44.3	51.4	55.0
Gross margin	1.5	2.1	1.8	1.4	1.9	2.1	2.2	2.4	5.8	6.9	8.6	9.8
Gross margin %	13.7%	15.7%	14.1%	10.3%	13.6%	14.0%	14.7%	15.0%	13.7%	13.4%	14.3%	15.1%
International	2.6	2.5	1.8	2.0	2.0	2.1	2.2	2.3	12.2	8.9	8.7	10.0
Yr-over-yr Growth	-23.8%	-23.1%	-37.0%	-23.2%	-22.4%	-16.3%	24.6%	14.5%	219.6%	-26.6%	-3.0%	15.4%
Online Solutions Cost of Service	2.0	1.8	1.5	1.6	1.6	1.6	1.7	1.7	9.4	7.0	6.5	7.2
Gross Margin	0.6	0.7	0.3	0.4	0.5	0.5	0.6	0.6	2.8	2.0	2.1	2.8
Gross margin %	23.0%	27.0%	16.9%	18.4%	22.9%	23.9%	25.5%	25.7%	23.0%	21.9%	24.6%	28.0%
Total revenues	13.6	16.1	14.9	15.5	16.0	17.1	17.2	18.3	54.3	60.1	68.6	74.8
Yr-to-yr Growth	20.4%	17.9%	6.4%	0.9%	17.8%	6.0%	15.5%	18.5%	34.9%	10.6%	14.3%	8.9%
Costs and expenses:												
Cost of revenues	11.5	13.3	12.8	13.7	13.6	14.5	14.5	15.3	45.7	51.2	57.9	62.2
Gross Margin	2.1	2.8	2.1	1.8	2.4	2.6	2.8	3.0	8.6	8.8	10.7	12.6
% of Sales	15.5%	17.5%	14.4%	11.4%	14.8%	15.2%	16.1%	16.4%	15.8%	14.7%	15.6%	16.9%
G&A	2.8	2.6	2.4	2.8	2.4	2.4	2.5	2.6	8.8	10.6	9.9	10.4
Stock-based compensation	0.6	0.1	0.1	2.1	0.1	0.2	0.2	2.0	3.5	2.9	2.5	2.5
Provision for loan losses	0.3	0.9	0.3	(0.1)	0.1	0.3	0.3	0.3	1.7	1.3	1.0	1.0
Depreciation and amortization	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	3.5	2.5	2.8	2.0
Total operating expenses	4.4	4.2	3.4	5.5	3.4	3.6	3.7	5.6	17.4	17.4	16.3	15.9
Loss from operations	(2.3)	(1.3)	(1.3)	(3.7)	(1.0)	(1.0)	(0.9)	(2.6)	(8.8)	(8.6)	(5.5)	(3.3)
Interest expense, net	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(1.5)	(1.2)	(0.9)	(0.8)
Other expense	(0.0)	(0.0)	(0.1)	(0.1)	(0.4)	(0.2)	0.0	0.0	0.4	(0.2)	(0.6)	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
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
Loss from stock value guarantee	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
Total non-operating expenses	(0.3)	(0.4)	(0.4)	(0.4)	(0.6)	(0.5)	(0.2)	(0.2)	(4.8)	(1.4)	(1.4)	(0.8)
Pretax operating income (loss)	(2.5)	(1.7)	(1.7)	(4.1)	(1.6)	(1.5)	(1.1)	(2.8)	(13.6)	(10.0)	(6.4)	(4.1)
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	(2.5)	(1.7)	(1.7)	(4.1)	(1.6)	(1.5)	(1.1)	(2.8)	(13.6)	(10.0)	(6.4)	(4.1)
Minority interest	0.1	0.1	(0.0)	0.0	(0.0)	0.0	0.0	0.0	0.1	0.1	(0.0)	0.0
Net loss	(2.5)	(1.6)	(1.7)	(4.1)	(1.6)	(1.5)	(1.1)	(2.8)	(13.5)	(9.9)	(6.4)	(4.1)
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
Net loss to common stock	(2.487)	(1.6)	(1.7)	(4.1)	(1.6)	(1.5)	(1.1)	(2.8)	(13.5)	(9.9)	(6.4)	(4.1)
Foreign currency translation gain (loss)	0.0	(0.1)	(0.1)	0.2	0.0	0.0	0.0	0.0	(0.9)	(0.0)	0.0	0.0
Comprehensive loss	(2.5)	(1.8)	(1.6)	(4.3)	(1.6)	(1.5)	(1.1)	(2.8)	(14.4)	(10.0)	(6.4)	(4.1)
Earnings ex-one time charge	(2.5)	(1.6)	(1.7)	(4.1)	(1.6)	(1.5)	(1.1)	(2.8)	(11.4)	(10.0)	(6.4)	(4.1)
Stock-based compensation	0.6	0.1	0.1	2.1	0.1	0.2	0.2	2.0	3.5	2.9	2.5	2.5
Adjusted Non-GAAP Earnings	(1.9)	(1.5)	(1.6)	(2.0)	(1.5)	(1.3)	(0.9)	(0.8)	(7.9)	(7.0)	(3.9)	(1.6)
Yr-to-yr Growth	27.1%	29.3%	-1.2%	-20.4%	-19.2%	-16.3%	-41.5%	-59.5%	-20%	-11%	-44%	-59%
GAAP EPS	(\$1.50)	(\$1.01)	(\$0.90)	(\$1.51)	(\$0.42)	(\$0.38)	(\$0.28)	(\$0.70)	(\$10.33)	(\$5.04)	(\$1.63)	(\$0.77)
Non-GAAP EPS	(\$1.15)	(\$0.85)	(\$0.84)	(\$0.70)	(\$0.40)	(\$0.33)	(\$0.23)	(\$0.20)	(\$6.05)	(\$3.57)	(\$1.00)	(\$0.30)
Yr-to-yr Growth	-13%	-15%	-27%	-57%	-65%	-62%	-72%	-71%	-60.7%	-41.1%	-72.0%	-69.7%
Share outstanding	1.6	1.8	1.9	2.8	3.9	3.9	4.0	4.0	1.3	2.0	3.9	5.3
Yr-to-yr Growth	46%	52%	35%	84%	134%	118%	112%	42%	104.3%	50.7%	99.6%	33.9%
Fully diluted shares	1.9	2.0	2.1	3.8	4.8	4.8	4.8	4.8	1.5	2.2	4.8	5.5
Yr-to-yr Growth	48%	52%	36%	114%	156%	140%	126%	28%	62.8%	48.7%	118.6%	14.2%

BALANCE SHEET

	Mar. 31, 2018	Dec 31, 2017	Qtr-Qtr % Change	Mar. 31, 2017	Yr- Yr % Change
Current assets:					
Cash	\$9,190,957	\$11,285,669	-19%	\$813,081	1030%
Accounts receivable, net	5,133,698	5,472,856	-6%	6,724,985	-24%
Prepaid expenses and other assets	1,881,628	2,282,614	-18%	1,686,126	12%
Total current assets	16,206,283	19,041,139	-15%	9,224,192	76%
Fixed assets, net	51,218	58,268	-12%	113,908	-55%
Intangible assets, net	2,898,765	3,127,760	-7%	3,466,408	-16%
Goodwill	9,643,752	9,643,752	0%	9,643,752	0%
Other long term	462,980	460,511	1%	536,512	-14%
Total assets	29,262,998	32,331,430	-9%	22,984,772	27%
Current liabilities:					
Accounts payable	\$6,375,505	\$6,785,459	-6%	\$8,337,673	-24%
Deferred revenue	1,176,843	1,712,591	-31%	910,019	29%
Accrued expenses	3,478,918	3,674,430	-5%	5,366,887	-35%
Notes payable (current portion)	1,455,376	2,493,973	-42%	719,564	102%
Due to related parties	0	0	0%	356,200	-100%
Total current liabilities	12,486,642	14,666,453	-15%	15,690,343	-20%
Notes payable (non-current portion)	5,044,211	4,521,449	12%	3,844,115	31%
Total liabilities	17,530,853	19,187,902	-9%	19,534,458	-10%
STOCKHOLDERS' DEFICIT					
Common stock	386	385	0%	1,753	-78%
Paid in capital	183,201,232	183,119,222	0%	165,833,480	10%
Stock subscription receivable	0	(50,585)	-100%	0	0%
Accumulated other comp income (loss)	(2,490,923)	(2,530,238)	-2%	(2,474,513)	1%
Accumulated deficit	(168,966,916)	(167,356,070)	1%	(159,930,083)	6%
Noncontrolling interest	(11,634)	(39,186)	-70%	19,677	-159%
Total stockholders' deficit	11,732,145	13,143,528	-11%	3,450,314	240%
Total liabilities and stockholders' deficit	29,262,998	32,331,430	-9%	22,984,772	27%
Net Cash	9,190,957	11,285,669	-19%	813,081	1030%
Current and Quick Ratio	1.3	1.3	0%	0.6	121%
Working Capital	3,719,641	4,374,686	-15%	(6,466,151)	-158%
Total Debt	6,499,587	7,015,422	-7%	4,919,879	32%
Debt/TA	22%	22%	2%	21%	4%
DSO	29.3	32.2	-9%	45.3	-35%

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	Mar. 31, 2018 3 month
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)	\$ (1,610,847)
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)	\$ 27,553
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	\$ 82,011
Deferred revenues	\$ (171,908)	\$ (245,979)	\$ 552,890	\$ (135,003)	\$ 0	\$ (445,953)	\$ (470,945)	\$ 757,670	\$ 159,228	\$ 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	\$ 703,538
Non cash interest	\$ 0	\$ 297,434	\$ 444,423	\$ 110,551	\$ 852,408	\$ 46,135	\$ 48,113	\$ 4,526	\$ 16,028	\$ 114,802	\$ 16,759
Amortization of deferred revenue	\$ 0	\$ 0	\$ 0	\$ (1,221,177)	\$ (1,221,177)	\$ 0	\$ 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	\$ 0
Amorization of prepaid costs	\$ 0	\$ 0	\$ 0	\$ 967,313	\$ 967,313	\$ 0	\$ 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	\$ 1,032,930
Deferred revenue	\$ 0	\$ 0	\$ 0	\$ 1,833,239	\$ 1,833,239	\$ 0	\$ 0	\$ 0	\$ 356,619	\$ 356,619	\$ (535,748)
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)	\$ (308,648)
Accounts payable	\$ (865,158)	\$ 1,086,148	\$ (220,990)	\$ 0	\$ 0	\$ 0	\$ 220,990	\$ 0	\$ (220,990)	\$ 0	\$ (545,306)
Accrued expenses	\$ (44,186)	\$ 1,700,157	\$ (1,655,971)	\$ 0	\$ 0	\$ 0	\$ 1,655,971	\$ 0	\$ (1,655,971)	\$ 0	\$ 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)	\$ 0
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)	\$ (1,137,758)
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)	\$ (401,980)
Receipt of excess deposits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,826	\$ 149,826	\$ 0
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)	\$ (2,393)
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)	\$ (404,373)
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	\$ 0
Repayment of indebtedness	\$ 0	\$ 0	\$ (110,434)	\$ 38,734	\$ (71,700)	\$ (92,680)	\$ (532,238)	\$ 351,558	\$ (725,420)	\$ (998,780)	\$ (515,834)
Cash received from issuance of shares and	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 300,000	\$ 1,437,132	\$ 0	\$ (287,034)	\$ 13,734,337	\$ 14,884,435	\$ 0
Related party advances (payments)	\$ 910,045	\$ 0	\$ (792,266)	\$ 910,095	\$ 1,027,874	\$ 57,159	\$ (57,159)	\$ 77,587	\$ (77,587)	\$ 0	\$ (33,027)
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	\$ (548,861)
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)	\$ (3,720)
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	\$ (2,094,712)
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	\$ 11,285,669
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	\$ 9,190,957
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	\$ 226,479
Taxes	\$ 86,770	\$ 86,770	\$ 0	\$ 0	\$ 94,718	\$ 64,314	\$ 86,770	\$ 22,628	\$ 0	\$ 86,942	\$ 4,140
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)	\$ (780,986)
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)	\$ (1,185,359)

HISTORICAL STOCK PRICE



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