

# Zacks Small-Cap Research

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

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

## Net Element Inc.

(NETE-NASDAQ)

### Q2 Results: Net Element Takes Steps to Improve Gross Margins

Using an industry average of EV/trailing GM of 9.2X the stock could be worth \$20.40 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. NETE has shown growth in the US and continues progress toward profitability, but needs to reach cash flow break even to stop equity dilution and increase share price.

Current Price (08/15/18) \$7.28  
Valuation \$20.40

### SUMMARY DATA

52-Week High \$19.39  
52-Week Low \$2.73  
One-Year Return (%) 93.7  
Beta 0.6  
Average Daily Volume (sh) 102,063

Shares Outstanding (mil) 3.9  
Market Capitalization (\$mil) \$28  
Short Interest Ratio (days) 1.1  
Institutional Ownership (%) 3  
Insider Ownership (%) 28

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

5-Yr. Historical Growth Rates  
Sales (%) 46.0  
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

Type of Stock  
Industry

High  
Small Blend  
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	16.5 A	17.1 E	18.2 E	67.8 E
2019					74.1 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	-\$0.20 A	-\$0.22 E	-\$0.14 E	-\$1.06 E
2019					-\$0.31 E

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

## WHAT'S NEW

### Q2 2018 Results

Total revenues for Q2 increased 2% year over year to \$16.5 million from \$16.1 million. North America grew 5.9% to \$14.4 million from \$13.6 million a year ago. The international segment declined 19% in the quarter from a year ago to \$2 million, again sequentially flat with Q1 and Q4 2017. The decline in international revenues was due to the elimination of the branded content business, which accounted for \$684,000 of net revenues in 2017. Taking the branded content business revenues out of both years results in 11% year over year growth in international, and total revenue growth of 6.5%. Sequentially, international has been steady, at \$2 million per quarter for the last three quarters.

Total gross margin declined to 16.1% from 17.5% a year ago, but up meaningfully from Q4's 11.4%. Margins for North America declined slightly to 15.2% from 15.7% last year, while international margins dropped to 22.4% versus 27.0% without the higher margin branded product.

Q2 of this year and last year were remarkably similar with this year showing a decline in gross margin dollars of \$100,000 and a decline in expenses of \$100,000. The main difference was in other income, where the company reported gain of \$674,000 for a number of charges including writing off the stock guarantee accrual for the acquisition of PayOnline of \$312,000 and legacy payables \$600,000, netted with an expense of \$225,000 from the aborted Bunker Capital deal.

With this, the operating loss decreased to \$1.0 million from \$1.7 million a year ago.

The net loss was \$0.9 million versus \$1.6 million in 2017.

This quarter there were 3.9 million average primary shares outstanding, while last year there were only 1.8 million, or 118% 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, taking out stock-based compensation, but leaving in other expense, declined to **\$0.20 per share versus a loss of \$0.85 per share.**

During the quarter, net cash declined by \$4.1 million. Net Element now has \$6.5 million in cash and \$6.5 million in debt. In its 10Q filing, the company indicated it needs \$6 million in cash to fund the next twelve months.

### After the Quarter Ended

Since Q2 ended, the Net Element announced two deals that should **improve revenues and margins immediately**. On July 31, 2018, Net Element **acquired a portfolio** from a partner for \$2.7 million. Revenues from this portfolio had already been included in Net Element's income statement, however now as the owner, Net Element will no longer pay the partner which will reduce the company cost of sales and increase gross margins in the North American segment. This acquisition is expected to generate well over **\$5 million in gross profits** over the next four years and expected to continue generating profits thereafter. Using linear arithmetic, this translates to \$312,500 gross margin dollars per quarter.

Aug. 09, 2018 Net Element announced a **partnership agreement** with Payment Club of Garden Grove, California ([www.paymentclub.com](http://www.paymentclub.com).) Payment Club offers subscription-based payment processing aimed at small businesses in the US who wish to pay a flat monthly fee for payment services and hardware. The deal is expected to add over \$1.5 million in gross profits and corresponding revenues over the next four years. Net Element believes these revenues will be at higher gross margins than its current average. It is also providing a \$5 million credit facility as part of Unified Payments' partnership program and financing program to fuel Payment Club's growth.

## 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 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 13% to \$68 million in revenues in 2018. It is trading at a market and an enterprise value of \$28 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 \$20.40 per share by next year based on an industry average valuation of approximately 9.2xs enterprise value to gross margin if the company achieves breakeven EBITDA results.

## VALUATION

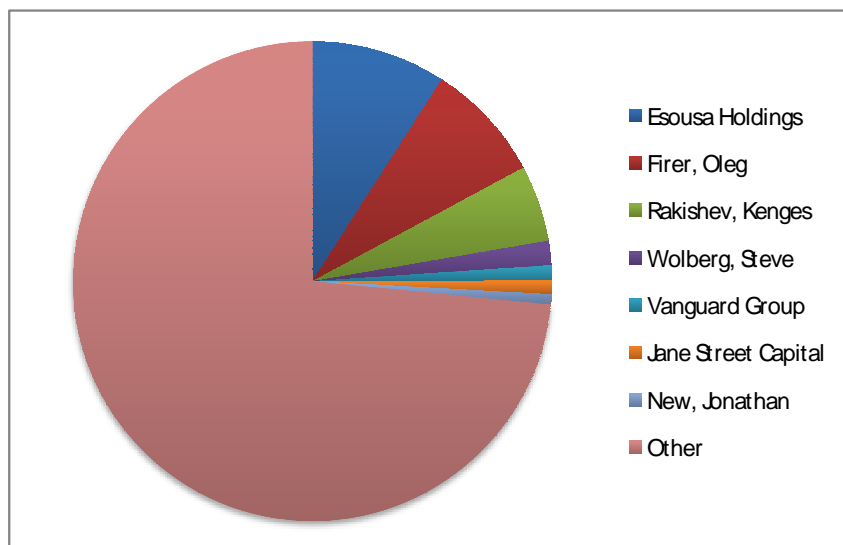
Due the variation in reporting of revenues of the various competitors of Net Element, we have chosen to use gross margin contribution as a more accurate way to value the companies. Using Net Element's peer group we find an average valuation of 8.1 times the enterprise value to trailing twelve-month gross margin. If we use that multiple and apply it Net Element's trailing 12-month gross margin of \$8.9 million, we see that the company could be worth an \$81 million market value if it were profitable. We are forecasting company reaches \$11.0 million in gross margin this year up from its trailing \$8.9 million now, and will require another \$6 million in cash burn reducing the market value. Based on EV/GM average of 9.2 times the company's market valuation could be \$95 million or \$20.40.

Company	Ticker	EBITDA	Gross Margin	%	Revenue LTM	EV/GM	EV/EBITDA	Included in Average?	Enterprise Value
Earthport	EPO.L	(9)	25	63%	40	0.9	-2.7	y	24
EVERTEC	EVTC	143	211	50%	426	10.5	15.6	y	2,230
First Data	FDC	3,000	5,010	59%	8,540	8.1	13.6	y	40,690
Global Payments	GPN	1,220	2,050	55%	3,710	11.0	18.4	y	22,450
JetPay	JTPY	4	24	31%	77	1.5	9.6	y	35
PayPal	PYPL	2,640	6,775	47%	14,520	13.9	35.7	y	94,280
Qivi	QIWI	148	178	24%	731	2.4	2.8	y	422
Total System Services	TSS	1,040	1,600	27%	6,000	14.1	21.7	y	22,530
Worldpay	WP	918	2,504	63%	3,950	12.3	33.6	y	30,880
<b>Average</b>				44%		9.2	18.9		26,690

## 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 in 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 draws added scrutiny by regulators.

## OWNERSHIP



# INCOME STATEMENT

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	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	\$14.4	\$15.0	\$16.0	\$42.1	\$51.1	\$59.4	\$64.14
Yr-over-yr Growth	39.6%	30.8%	17.3%	5.9%	27.4%	5.9%	14.3%	19.1%	53.8%	21.4%	16.1%	8.0%
Cost of service	9.5	11.5	11.3	12.1	12.1	12.2	12.7	13.3	36.3	44.3	50.3	53.8
Gross margin	1.5	2.1	1.8	1.4	1.9	2.2	2.3	2.7	5.8	6.9	9.1	10.3
Gross margin %	13.7%	15.7%	14.1%	10.3%	13.6%	15.2%	15.3%	16.9%	13.7%	13.4%	15.3%	16.1%
International	2.6	2.5	1.8	2.023	2.016	2.046	2.1	2.2	12.2	8.9	8.5	10.0
Yr-over-yr Growth	-23.8%	-23.1%	-37.0%	-23.2%	-22.4%	-19.1%	20.7%	11.0%	219.6%	-26.6%	-5.3%	18.3%
International 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	0.5	0.5	2.8	2.0	1.9	2.8
Gross margin %	23.0%	27.0%	16.9%	18.4%	22.9%	22.4%	22.6%	22.5%	23.0%	21.9%	22.6%	28.0%
<b>Total revenues</b>	<b>13.6</b>	<b>16.1</b>	<b>14.9</b>	<b>15.5</b>	<b>16.0</b>	<b>16.5</b>	<b>17.1</b>	<b>18.2</b>	<b>54.3</b>	<b>60.1</b>	<b>67.8</b>	<b>74.1</b>
Yr-to-yr Growth	20.4%	17.9%	6.4%	0.9%	17.8%	2.0%	15.1%	18.0%	34.9%	10.6%	12.9%	9.3%
<b>Costs and expenses:</b>												
Cost of revenues	11.5	13.3	12.8	13.7	13.6	13.8	14.4	15.0	45.7	51.2	56.8	61.0
Gross Margin	2.1	2.8	2.1	1.8	2.4	2.7	2.8	3.2	8.6	8.8	11.0	13.1
% of Sales	15.5%	17.5%	14.4%	11.4%	14.8%	16.1%	16.2%	17.6%	15.8%	14.7%	16.2%	17.7%
G&A	2.8	2.6	2.4	2.8	2.4	2.5	2.5	2.6	8.8	10.6	10.0	10.4
Stock-based compensation	0.6	0.1	0.1	2.1	0.1	0.0	0.2	2.0	3.5	2.9	2.3	2.4
Provision for loan losses	0.3	0.9	0.3	(0.1)	0.1	0.9	0.3	0.3	1.7	1.3	1.6	1.6
Depreciation and amortization	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	3.5	2.5	2.7	2.0
Total operating expenses	4.4	4.2	3.4	5.5	3.4	4.1	3.7	5.6	17.4	17.4	16.6	16.4
<b>Loss from operations</b>	<b>(2.3)</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(3.7)</b>	<b>(1.0)</b>	<b>(1.4)</b>	<b>(0.9)</b>	<b>(2.4)</b>	<b>(8.8)</b>	<b>(8.6)</b>	<b>(5.6)</b>	<b>(3.3)</b>
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)	(0.7)
Other expense	(0.0)	(0.0)	(0.1)	(0.1)	(0.4)	0.7	0.0	0.0	0.4	(0.2)	0.3	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)	0.4	(0.2)	(0.2)	(4.8)	(1.4)	(0.5)	(0.7)
Pretax operating income (loss)	(2.5)	(1.7)	(1.7)	(4.1)	(1.6)	(1.0)	(1.1)	(2.5)	(13.6)	(10.0)	(6.5)	(4.0)
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%
<b>Operating Loss</b>	<b>(2.5)</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>(4.1)</b>	<b>(1.6)</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>(2.5)</b>	<b>(13.6)</b>	<b>(10.0)</b>	<b>(6.5)</b>	<b>(4.0)</b>
Minority interest	0.1	0.1	(0.0)	0.0	(0.0)	0.1	0.0	0.0	0.1	0.1	0.0	0.0
Net loss	(2.5)	(1.6)	(1.7)	(4.1)	(1.6)	(0.9)	(1.1)	(2.5)	(13.5)	(9.9)	(6.5)	(4.0)
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)	(0.9)	(1.1)	(2.5)	(13.5)	(9.9)	(6.5)	(4.0)
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)	0.1	0.0
Comprehensive loss	(2.5)	(1.8)	(1.6)	(4.3)	(1.6)	(0.9)	(1.1)	(2.5)	(14.4)	(10.0)	(6.5)	(4.0)
Earnings ex-one time charge	(2.5)	(1.6)	(1.7)	(4.1)	(1.6)	(0.9)	(1.1)	(2.5)	(11.4)	(10.0)	(6.5)	(4.0)
Stock-based compensation	0.6	0.1	0.1	2.1	0.1	0.1	0.2	2.0	3.5	2.9	2.4	2.4
Adjusted Non-GAAP Earnings	(1.9)	(1.5)	(1.6)	(2.0)	(1.5)	(0.8)	(0.9)	(0.5)	(7.9)	(7.0)	(4.1)	(1.6)
Yr-to-yr Growth	27.1%	29.3%	-1.2%	-20.4%	-19.2%	-49.1%	-45.8%	-72.6%	-20%	-11%	-42%	-61%
GAAP EPS	(\$1.50)	(\$1.01)	(\$0.90)	(\$1.51)	(\$0.42)	(\$0.23)	(\$0.28)	(\$0.66)	(\$10.33)	(\$5.04)	(\$1.68)	(\$0.76)
<b>Non-GAAP EPS</b>	<b>(\$1.15)</b>	<b>(\$0.85)</b>	<b>(\$0.84)</b>	<b>(\$0.70)</b>	<b>(\$0.40)</b>	<b>(\$0.20)</b>	<b>(\$0.22)</b>	<b>(\$0.14)</b>	<b>(\$6.05)</b>	<b>(\$3.57)</b>	<b>(\$1.06)</b>	<b>(\$0.31)</b>
Yr-to-yr Growth	-13%	-15%	-27%	-57%	-65%	-77%	-73%	-80%	-60.7%	-41.1%	-70.2%	-71.1%
Share outstanding	1.6	1.8	1.9	2.8	3.9	3.9	3.9	3.9	1.3	2.0	3.9	5.3
Yr-to-yr Growth	46%	52%	35%	84%	134%	118%	104%	37%	104.3%	50.7%	96.0%	36.4%
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%	127%	28%	62.8%	48.7%	118.8%	14.1%

## BALANCE SHEET

	June 30, 2018	Mar. 31, 2018	Qtr-Qtr % Change	June 30, 2017	Yr- Yr % Change
<b>Current assets:</b>					
Cash	\$6,541,652	\$9,190,957	-29%	\$1,274,279	413%
Accounts receivable, net	6,061,808	5,133,698	18%	6,007,143	1%
Prepaid expenses and other assets	1,273,303	1,881,628	-32%	1,219,524	4%
Total current assets	13,876,763	16,206,283	-14%	8,500,946	63%
Fixed assets, net	43,233	51,218	-16%	103,239	-58%
Intangible assets, net	2,741,486	2,898,765	-5%	3,308,229	-17%
Goodwill	9,643,752	9,643,752	0%	9,643,752	0%
Other long term	461,045	462,980	0%	417,574	10%
Total assets	26,766,279	29,262,998	-9%	21,973,740	22%
<b>Current liabilities:</b>					
Accounts payable	\$5,044,603	\$6,375,505	-21%	\$7,516,761	-33%
Deferred revenue	1,770,910	1,176,843	50%	439,074	303%
Accrued expenses	2,666,447	3,478,918	-23%	4,437,601	-40%
Notes payable (current portion)	924,597	1,455,376	-36%	984,720	-6%
Due to related parties	496,920	0	0%	366,636	36%
Total current liabilities	10,903,477	12,486,642	-13%	13,744,792	-21%
Notes payable (non-current portion)	5,051,708	5,044,211	0%	6,253,513	-19%
Total liabilities	15,955,185	17,530,853	-9%	19,998,305	-20%
<b>STOCKHOLDERS' DEFICIT</b>					
Common stock	385	386	0%	1,797	-79%
Paid in capital	183,223,732	183,201,232	0%	166,220,080	10%
Accumulated other comp income (loss)	(2,461,261)	(2,490,923)	-1%	(2,620,615)	-6%
Accumulated deficit	(169,870,648)	(168,966,916)	1%	(161,570,423)	5%
Noncontrolling interest	(81,114)	(11,634)	597%	(55,404)	46%
Total stockholders' deficit	10,811,094	11,732,145	-8%	1,975,435	447%
Total liabilities and stockholders' deficit	26,766,279	29,262,998	-9%	21,973,740	22%
Net Cash	5,120,135	9,190,957	-44%	(77,077)	-6743%
Current and Quick Ratio	1.3	1.3	-2%	0.6	106%
Working Capital	2,973,286	3,719,641	-20%	(5,243,846)	-157%
Total Debt	6,473,225	6,499,587	0%	7,604,869	-15%
Debt/TA	24%	22%	9%	35%	-30%
DSO	33.6	29.3	15%	34.0	-1%

# CASH FLOWS

	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	June 30, 2018 3 month
<b>Cash flows from operating activities</b>								
Net loss	\$ (13,487,537)	\$ (2,487,498)	\$ (1,640,339)	\$ (1,702,536)	\$ (4,083,112)	\$ (9,913,485)	\$ (1,610,847)	\$ (903,730)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>								
Non controlling interest	\$ (128,539)	\$ (50,701)	\$ (75,081)	\$ 32,607	\$ (16,389)	\$ (109,564)	\$ 27,553	\$ (69,482)
Share based compensation	\$ 3,463,435	\$ 596,404	\$ 128,537	\$ 111,277	\$ 2,104,206	\$ 2,940,424	\$ 82,011	\$ 22,500
Deferred revenues	\$ 0	\$ (445,953)	\$ (470,945)	\$ 757,670	\$ 159,228	\$ 0	\$ 0	\$ 58,319
Depreciation and amortization	\$ 3,466,510	\$ 657,363	\$ 573,018	\$ 630,020	\$ 673,584	\$ 2,533,985	\$ 703,538	\$ 662,525
Non cash interest	\$ 852,408	\$ 46,135	\$ 48,113	\$ 4,526	\$ 16,028	\$ 114,802	\$ 16,759	\$ 18,437
Amortization of deferred revenue	\$ (1,221,177)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(Recovery of ) provision for loan losses	\$ 500,000	\$ 0	\$ 192,895	\$ (192,895)	\$ 0	\$ 0	\$ 0	\$ 0
Amorization of prepaid costs	\$ 967,313	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates</b>								
Account receivable	\$ (2,751,144)	\$ 510,498	\$ 1,402,637	\$ 1,508,130	\$ (418,840)	\$ 3,002,425	\$ 1,032,930	\$ (461,525)
Deferred revenue	\$ 1,833,239	\$ 0	\$ 0	\$ 0	\$ 356,619	\$ 356,619	\$ (535,748)	\$ 535,748
Prepaid expenses and other assets	\$ (570,582)	\$ (231,755)	\$ 516,416	\$ (637,212)	\$ (670,434)	\$ (1,022,985)	\$ (308,648)	\$ (47,937)
Accounts payable	\$ 0	\$ 0	\$ 220,990	\$ 0	\$ (220,990)	\$ 0	\$ (545,306)	\$ (1,566,462)
Accrued expenses	\$ 0	\$ 0	\$ 1,655,971	\$ 0	\$ (1,655,971)	\$ 0	\$ 0	\$ 0
Accounts payable and accrued expenses	\$ 3,797,753	\$ 449,284	\$ (2,422,982)	\$ (545,334)	\$ (552,659)	\$ (2,943,154)	\$ 0	\$ 0
Net cash (used in) provided by operating	\$ (3,278,321)	\$ (956,223)	\$ (1,747,731)	\$ (33,747)	\$ (2,431,769)	\$ (5,040,933)	\$ (1,137,758)	\$ (1,751,607)
<b>Cash flows from investing activities</b>								
Purchase of portfolio and client acquisition	\$ (1,319,820)	\$ (403,585)	\$ (562,562)	\$ (414,514)	\$ (504,437)	\$ (1,885,098)	\$ (401,980)	\$ (476,466)
Receipt of excess deposits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,826	\$ 149,826	\$ 0	\$ 0
Purchase of fixed and other assets	\$ (187,089)	\$ 355	\$ 180,068	\$ (102,993)	\$ (180,771)	\$ (103,341)	\$ (2,393)	\$ 12,291
Net cash used in investing activities	\$ (1,506,909)	\$ (403,230)	\$ (382,494)	\$ (517,507)	\$ (535,382)	\$ (1,838,613)	\$ (404,373)	\$ (464,175)
<b>Cash flows from financing activities</b>								
Proceeds from indebtedness	\$ 3,170,540	\$ 92,000	\$ 3,206,792	\$ (59,759)	\$ 439,791	\$ 3,678,824	\$ 0	\$ 0
Repayment of indebtedness	\$ (71,700)	\$ (92,680)	\$ (532,238)	\$ 351,558	\$ (725,420)	\$ (998,780)	\$ (515,834)	\$ (522,831)
Cash received from issuance of shares and	\$ 300,000	\$ 1,437,132	\$ 0	\$ (287,034)	\$ 13,734,337	\$ 14,884,435	\$ 0	\$ 0
Related party advances (payments)	\$ 1,027,874	\$ 57,159	\$ (57,159)	\$ 77,587	\$ (77,587)	\$ 0	\$ (33,027)	\$ 67,954
Net cash provided by (used in) financing	\$ 4,426,714	\$ 1,493,611	\$ 2,617,395	\$ 82,352	\$ 13,371,121	\$ 17,564,479	\$ (548,861)	\$ (454,877)
Effect of exchange rate changes on cash	\$ (45,596)	\$ 57,288	\$ (25,972)	\$ (11,812)	\$ (40,403)	\$ (20,899)	\$ (3,720)	\$ 21,353
Net increase in cash	\$ (404,112)	\$ 191,446	\$ 461,198	\$ (480,714)	\$ 10,363,567	\$ 10,664,034	\$ (2,094,712)	\$ (2,649,306)
Cash at beginning of period	\$ 1,025,747	\$ 621,635	\$ 813,081	\$ 1,274,279	\$ 922,102	\$ 621,635	\$ 11,285,669	\$ 9,190,957
Cash at end of period	\$ 621,635	\$ 813,081	\$ 1,274,279	\$ 793,565	\$ 11,285,669	\$ 11,285,669	\$ 9,190,957	\$ 6,541,651
<b>Cash paid during the period for:</b>								
Interest	\$ 611,625	\$ 166,394	\$ 150,438	\$ 398,231	\$ 279,041	\$ 1,074,820	\$ 226,479	\$ 217,753
Taxes	\$ 94,718	\$ 64,314	\$ 86,770	\$ 22,628	\$ 0	\$ 86,942	\$ 4,140	\$ 0
Operating cash flow	\$ (5,587,587)	\$ (1,684,250)	\$ (1,243,802)	\$ (359,331)	\$ (1,146,455)	\$ (4,433,838)	\$ (780,986)	\$ (211,431)
Free cash flow	\$ (7,094,496)	\$ (2,087,480)	\$ (1,626,296)	\$ (876,838)	\$ (1,681,837)	\$ (6,272,451)	\$ (1,185,359)	\$ (675,606)

# HISTORICAL STOCK PRICE





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