Zacks Small-Cap Research

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Net Element Inc. (NETE-NASDAQ)

NETE: Q3 Revenue Rockets as PayOnline Revenues are Added; Balance Sheet Is Revamped

Current Recommendation	**BUY**
Prior Recommendation	BUY
Date of Last Change	10/15/14
Current Price (12/03/15)	$0.18
Target Price	**$1.05**

OUTLOOK

Net Element is a software and services company, in global online payments. It operates a small merchant processor in the US and a mobile payment processor in Russia. It just acquired PayOnline, a market leader in the Russian Federation in online payments.

The company is restructuring its balance sheet and has just eliminated its preferred stock through an agreement with the holders. Insiders recently funded a round for short term needs but an additional solution is needed to raise more cash.

SUMMARY DATA

52-Week High	**$1.44**
52-Week Low	**$0.06**
One-Year Return (%)	**-87.6**
Beta	**0.34**
Average Daily Volume (sh)	**8,740,541**
Shares Outstanding (mil)	**80**
Market Capitalization ($mil)	**$14**
Short Interest Ratio (days)	**0.42**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**24**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**215.1**
Earnings Per Share (%)	**N/A**
Dividend (%)	**0**
P/E using TTM EPS	**N/M**
P/E using 2015 Estimate	**N/M**
P/E using 2016 Estimate	**N/M**
Zacks Rank	**N/A**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	0.9 A	5.6 A	6.5 A	5.8 A	18.7 A
2014	4.8 A	4.9 A	6.0 A	5.4 A	21.2 A
2015	5.5 A	6.9 A	12.7 A	13.0 E	38.1 E
2016					53.5 E

Earnings per Share
(Non-GAAP EPS before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-$0.10 A	-$0.11 A	-$0.11 A	-$0.12 A	-$0.44 A
2014	-$0.11 A	-$0.07 A	-$0.05 A	-$0.00 A	-$0.19 A
2015	-$0.04 A	-$0.06 A	-$0.04 A	-$0.03 E	-$0.16 E
2016					-$0.06 E

Zacks Projected EPS Growth Rate - Next 5 Years **25%**

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WHAT'S NEW

Q3 Shows 110% Revenue Growth As PayOnline Kicks In

Net Element showed significant revenue growth in Q3 as the company benefitted from a full quarter of PayOnline revenues, and a change in accounting policy from reporting net, to gross revenues for mobile payments. In addition, there were three significant changes in the balance sheet that happened after the quarter's end as the company worked to improve its financial structure.

- First, the company cancelled the $5 million in debt that is shown on the September 30, 2105 balance sheet and returned the corresponding cash.

- Second, it raised $1.6 million from management and directors by issuing 11.6 million shares of common stock at $0.14 plus 11.6 million options on September 11th**.**

- And third, the company reached an agreement on December 1, 2015 to eliminate the preferred dividend and associated warrants created to fund the PayOnline acquisition by exchanging them for 4.9 common shares. This convertible preferred toxic financing has weighed heavily on the common stock, as the holders have immediately converted and sold the common as soon as they could after receiving the dividends regardless of price.

The company is now left with $3.2 million in debt and pays about $150,000 a quarter in interest. It burns approximately $1 million a quarter in cash and will still need additional financing. In Q4, we expect to see a number of one-time charges related to loans, derivatives and interest incurred by the restructuring of the balance sheet. We believe that most of the work has been done, and we expect to see some sort of additional lending arrangement going forward to fund operations.

Adding to investment risk has been the wild swings in stock price. While the stock has been beaten down with uncertainty at the company's ability to raise funds, selling by the preferred shareholders and an impending reverse split, the reiteration of a buy recommendation on November 24th from SeeThruEquity push the stock up from $0.06 to $0.43 in five trading days, until December 1, 2015 (when the agreement on the preferred was reached). It remains volatile.

Q3 Results

In Q3 2015, the company reported $12.7 million versus $6 million last year (up 110%) and our estimate of $8.3 million. The company benefited from a full quarter of PayOnline revenue, which was $2.1 million versus our expectation of $1.4 million. In Q2, the company booked only $0.3 million from Pay Online in the quarter due to the timing of closing the deal. In Q1 a full quarter would have showed revenues of $1.2 million for PayOnline. The major variance with our estimate is that the company changed the way it reports mobile payments from net to gross. So rather than the $0.3 million net number reported in Q2, a gross number in Q3 came in at $2.8 million. However this revenue was at almost zero gross margins so it was profitless prosperity.

The base US credit card business grew 41% to $7.8 million or 62% of total sales due to portfolio purchases and organic growth. PayOnline contributed $2.1 million in revenues versus a pro forma $2.0 million in Q3 2014, up 1%. We believe on an apples-to-apples basis, mobile payments were also flat year over year. This is heavily impacted by currency translation.

Gross margin was up on a dollar basis to $2 million versus $1.3 million last year, but as a percentage a record low of 15.5% as reporting revenues on a gross basis did not change the profit they brought.

The company again spent $3.8 million on G&A, depreciation and amortization and loan losses, the same as in Q2. On a cash basis, the company lost $800,000 before cash interest expense of $276,000 or a burn of $1.1 million in the quarter. Operating income was flat with last year at a loss of $1.9 million.

Net Element reported an adjusted Non-GAAP loss of $2.9 million or $0.04 per share versus a loss of $2.2 million or $0.06 per share a year ago.

Mainly to pay for PayOnline, primary shares outstanding went up from 39.3 million to 68.5 million this year (up 74%) and fully diluted all-in shares outstanding, which includes out of the money options and warrants reached 90 million shares (up 86%). Since the conversion of the convertible preferred to common and the capital raise with management, both of which happened during the fourth quarter, we believe the current primary share count is about 94 million and 126 million fully diluted, near where it should stay not including the PayOnline earn-out shares.

Q4 2015 Forecast

For Q4 we expect continued growth in revenues. Given the new accounting methodology, and the higher than expected revenues from PayOnline, we are moving our Q4 revenue estimate up to $13 million versus $5.4 million, up 140%. Q4 should be slightly up for the credit card business as it is heavily weighted in the restaurant business that has a seasonally good fourth quarter. Mobile payments come mainly from telephone subscription services such as horoscopes, weather and stock quotes and has little seasonality. PayOnline is could be slightly higher. Its dating business is not Christmas dependent, but its other customers could benefit. Mostly the results from these two businesses will be more heavily dependent on exchange rates as the currency is translated from rubles to dollars.

In expenses, we expect Q4 2015 to be similar to Q3 2015 with one major difference. Since the company cancelled its debt, there should be a reversal of the $2 million gain taken in Q2 for change in fair value and settlement of beneficial conversion derivative and another possible $2 million in balance sheet adjustment resulting in large one time non-cash loss. This will improve the unadjusted net income reported the company. There will be other one-time charges for the balance sheet restructuring.

We are looking for adjusted non-GAAP EPS loss of $0.03 versus breakeven last year. Primary shares outstanding should be 94 million versus 45 million, up 109% while fully diluted numbers should be 126 million versus 54 million, up 135%.

2015

The company should generate $38 million in revenues for the year and a non-GAAP loss of $0.16. This is compared to $21 million in 2014 (up 80%) and a non-GAAP loss of $0.19.

2016

We have raised our revenues estimate for 2016 to $54 million in revenues and a loss of $0.06. We believe the company will continue to spend to grow revenues and investors should not look for the company to become profitable. That would represent revenue growth of 40%.

Catalysts To Share Price Increase

We believe the biggest factor depressing the stock price has been the constant selling of preferred stockholder who converted and sold as soon as they received their stock. Although they have been restricted to selling only 20% of the daily trading volume of the common stock, they had millions of shares and sold relentlessly. Now that they are fully converted and the selling pressure should end and the stock

should move closer to the real value of the company. Further complicating things is the threat of a need to do a reverse split to keep the stock price over $1 to remain in compliance with NASDAQ's listing requirements. Investors are afraid that the company will have to do a reverse split by year-end. The company is currently negotiating with NASDAQ for an extension and so far the exchange has agreed to give them more time to clear out the preferred stock and stabilize the cap table. The company has cancelled and returned the $5 million in debt that was on its September 30, 2015 balance sheet and is seeking new funds. To raise $5 million with equity would require an additional 21 million shares at this price so we hope some other solution could be found.

Estimating the Share Count

The hardest part about valuing Net Element has been trying to calculate and project the share count and estimate if the company is growing fast enough to keep up with the dilution. Since the company has eliminated the convertible preferred, the projections are a lot easier. It issued a PIPE offering that was bought by management and members of the board. The company issued 11.6 million in common stock at $0.14 and 11.6 million options and these need to be added to the share count shown at quarter end. Also we need to add the 4.9 shares issued to close out the convertible preferred. In addition there are upwards of 2.7 million shares that need to be added next year due to the earn out of PayOnline.

Valuation Is Based on Fully Diluted Shares

Now that the preferred stock has been eliminated and replaced with common, we expect the fully diluted shares outstanding to be **approximately 127-130 million shares** and about 94 million primary shares. At $0.24 a share this is an **enterprise value of approximately of $34 million**. Based on 2015 estimated revenues Of $38 million, that is or **0.9 times market cap to sales-- an inexpensive valuation based on comparables trading at 4.1 times.** By 2016, revenues could be as high as $54 million for another 40% increase, with most of the growth coming from the change in accounting for mobile payments followed by a full year of PayOnline.

If the company could reach profitability and trade at the average valuation of its peer, its common stock should be worth $1.05 per share based on an industry average valuation of approximately 4.1xs enterprise value to sales.

A Recap on PayOnline—A Major Mobile Payment Company in Russia

On March 17, 2015, the company announced it entered into a binding offer letter to purchase PayOnline based in Moscow from SD Ventures, for $3.6 million in cash, $3.6 million in restricted stock, plus the possibility of another $1.28 million paid 50/50 in cash and stock (a maximum of 2.7 million shares using today's price) based on earn-out hurdles. PayOnline financials were consolidated with Net Element as of May 20, 2015. The earn-out is based on PayOnline reaching a certain EBITDA for certain post-closing periods, multiplied by 1.35, and will be paid in the first three quarter of 2016 based on 2015 results. The cash was funded by the sale of stock backed up with $7 million of its $10 million line of credit. There are a number of synergies between the two companies and each hopes to expand geographically into each other's current business territories.

PayOnline is a processor of online payments and works with four or five major banks in Commonwealth of Independent States, Europe and Asia. It has 10 million active customers and more than 3,000 merchants. It's top customers: are the Russian dating site Anastasia, dating site Mamba, Kassir, the online airline and event ticker, other customers include Nokia, Microsoft, Norton and Wikipedia. It has a high level of fraud protection, works with MasterCard and Visa and is integrated into travel platforms such as SABER, Galileo and GDS. In addition to online web-based payments the company also has a mobile app that provides a wallet that can be used for person-to-person payments.

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 and Russia and ultimately globally.
- The CEO took his former company, Unified Payments, from 0 to $67 million in revenues in two years. We believe he has the experience and drive to replicate success with Net Element.
- The company has an increasingly robust platform to create a global payment system complete with merchant from end and should be able to expand geographically.
- We believe the company could grow to $38 million in revenues in 2015 through a combination of internal growth, acquisitions and change in revenue recognition.
- 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 $1.05 per share based on an industry average valuation of approximately 4.1xs enterprise value.

VALUATION

There are a number of public companies in the merchant acquiring/processing business. The largest is Cielo (CIOXY) with a $20 B enterprise value located in Brazil. The smallest is we are using is JetPay (JTPY), a credit card and payroll processor in Pennsylvania with a $50 million enterprise value. All are profitable and we expect that NETE will have to meet that hurdle in order to be awarded a comparable value. If we take the average enterprise value to sales of this group of companies of 4.1 times sales and apply it to the revenues we expect Net Element to generate this year, and its fully diluted share count next year, and turn that back to price per share we get a conservative current share value of $1.04. With 40% revenue growth in 2016 and no share dilution, the stock price could be 40% higher than that a year from now or $1.46 per share.

Merchant Acquring/Processing

Company	Ticker	Revenue 2015E	Revenue LTM	EBIDTA Margin	Enterprise Value / Sales 2015E	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
Cielo	CIOXY	NA	2,750	46%	NA	7.3	n	20,130
Vantiv	VNTV	1,670	3,040	24%	6.2	3.4	y	10,290
Total System Services	TSS	2,750	2,700	29%	4.0	4.1	y	11,120
Global Payments	GPN	2,448	2,820	22%	4.1	3.6	y	10,050
EVERTEC	EVTC	372	371	44%	5.2	5.3	y	1,950
Heartland Payment System	HPY	817	2,590	13%	4.1	1.3	y	3,330
JetPay	JTPY	43	42	9%	1.2	1.2	y	50
Qiwi	QIWI	170	150	32%	3.5	4.0	y	596
First Data	FDC	7,540	7,720	23%	4.8	4.7	y	36,080
Average				25%	4.1	3.4		9,183

	Projected Revenue 2015E	Projected Revenue LTM	EBITDA Margin	Enterprise Value / Sales 2015E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Net Element	**$38**	**$31**	**-7%**	**4.1x**	**3.4x**	**$105**	**$158**
YoY growth							

Conclusion of Enterprise Value	**$131,295,666**
Market Value	**$133,544,346**
Shares Outstanding	128,000,000
Price per Share	**$1.04**

RISKS

- The company needs to raise cash. It may not be successful in this effort or even if it is, it may not be able to without diluting current shareholders.
- The company is losing money and may not be able to reach profitability or positive cash flow.
- The company is involved in a number of lawsuits with former management and business partners.
- The Russian mobile and online payment market is still in its infancy and there is no assurance the country will adopt this method to pay for goods and services. In addition due to oil prices and political turmoil, retail sales in Russia have declined and this could affect payment volumes.
- 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.
- Operations in Russia and the United Federation face considerable political risk and may be prohibited from certain financial transactions by governments.
- Currency, particularly the ruble, has fluctuated dramatically and could affect reported earnings and operations.

PAYONLINE HISTORICAL INCOME STATEMENT

						Full QTR			
	Q1 2014	**Q2 2014**	**Q3 2014**	**Q4 2014**	**Q1 2015**	**Q2 2015**	**Q3 2015**	**2013**	**2014**
Net Revenues	1,390,235	1,815,570	2,035,260	1,488,163	1,202,878	1,205,310	2,052,672	5,997,495	6,729,228
Yr-to-yr					-13.5%	-33.6%	0.9%		12.2%
Direct expenses:									
Bank commissions	947,362	NA	NA	NA	802,092	NA	NA	4,047,877	4,595,623
Employee salaries and related benefits	249,875	NA	NA	NA	139,276	NA	NA	966,162	814,121
Technology consulting and maintenance	22,431	NA	NA	NA	19,817	NA	NA	46,586	86,475
Professional fees and other consulting expenses	17,171	NA	NA	NA	42,300	NA	NA	96,101	225,598
Marketing expenses	9,411	NA	NA	NA	44,048	NA	NA	306,613	201,176
Lease expenses	68,050	NA	NA	NA	34,019	NA	NA	298,651	216,876
Communications	8,996	NA	NA	NA	6,191	NA	NA	49,165	38,938
Depreciation expenses	5,416	NA	NA	NA	3,908	NA	NA	16,528	20,112
Amortization expenses	12,522	NA	NA	NA	14,729	NA	NA	37,506	65,714
Other direct expenses	58,305	NA	NA	NA	22,024	NA	NA	54,151	36,075
Total direct expenses	1,399,539	NA	NA	NA	1,128,404	NA	NA	5,919,340	6,300,709
Yr-to-yr					-19.4%				6.4%
Net Revenues less Direct Expenses	**9,304**				**74,474**			**58,155**	**428,520**
Yr-to-yr					700.5%				636.9%

CASH FLOW

	March 31, 2015	June 30, 2015	Sept. 30, 2015
	3 month	3 month	3 month
Cash flows from operating activities			
Net loss	$ (2,239,208)	$ (1,764,285)	$ (4,513,202)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Non controlling interest	$ (8,747)	$ (3,398)	$ (30,705)
Share based compensation	$ 601,371	$ 601,371	$ 601,371
Deferred revenue	$ (34,858)	$ (275,383)	$ 273,477
Gain on change in fair value and settlement of beneficial conversion derivative	$ 0	$ (2,022,036)	$ 1,083,028
Depreciation and amortization	$ 438,769	$ 626,498	$ 851,634
Non cash interest	$ 0	$ 349,146	$ (349,146)
Amortization of debt discount	$ 0	$ 983,715	$ 1,626,315
(Recovery of) provision for loan losses	$ 0	$ (94,770)	$ 94,770
(Gain) loss on disposal of fixed assets	$ 0	$ (23,854)	$ (44,932)
Gain on disposal of derivative		$ 0	$ 0
Loss on debt extinguishment	$ 0	$ 0	$ (79,325)
Gain on MBF debt restructure			$ 0
	$ (1,844,044)	$ (2,224,367)	$ (1,088,086)
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates			
Account receivable	$ 114,305	$ 152,224	$ (1,469,958)
Advances to aggregators	$ 16,715	$ (108,732)	$ 59,127
Prepaid expenses and other assets	$ 278,319	$ (104,721)	$ (263,433)
Accounts payable	$ 667,819	$ (160,082)	$ 1,221,140
Accrued expenses	$ 356	$ (461,182)	$ 506,299
Net cash (used in) provided by operating activities	$ (165,159)	$ (2,305,489)	$ (1,034,911)
Cash flows from investing activities			
Purchase of portfolio and client acquisition costs	$ 0	$ (303,775)	$ (119,475)
Sale of portfolio	$ 0	$ 0	$ 300,000
Acquisition of PayOnline assets, net of cash received	$ 0	$ (3,195,452)	$ 0
Purchase of fixed and other assets	$ (6,849)	$ (58,202)	$ (419,086)
Net cash used in investing activities	$ (6,849)	$ (3,557,429)	$ (265,174)
Cash flows from financing activities			
Repayment to Financial Institutions	$ 0	$ 0	$ 0
Proceeds from preferred stock	$ 0	$ 5,500,000	$ 0
Proceeds from indebtedness	$ 650,000	$ 0	$ 0
Repayment of indebtedness	$ (8,710)	$ 8,710	$ 0
Note payable (non-current)	$ 0	$ 0	$ 0
Related party advances (payments)	$ 125,000	$ (40,744)	$ 565,744
Net cash provided by (used in) financing activities	$ 766,290	$ 5,467,966	$ 565,744
Effect of exchange rate changes on cash	$ (331,346)	$ 303,903	$ 375,021
Net increase in cash	$ 91,048	$ (91,048)	$ (359,503)
Cash at beginning of period	$ 675,231	$ 766,279	$ 675,231
Cash at end of period	$ 766,279	$ 675,231	$ 315,728
Cash paid during the period for:			
Interest	$ 118,910	$ 2,343	$ 275,933
Taxes	$ 30,505	$ 59,706	$ (15,794)

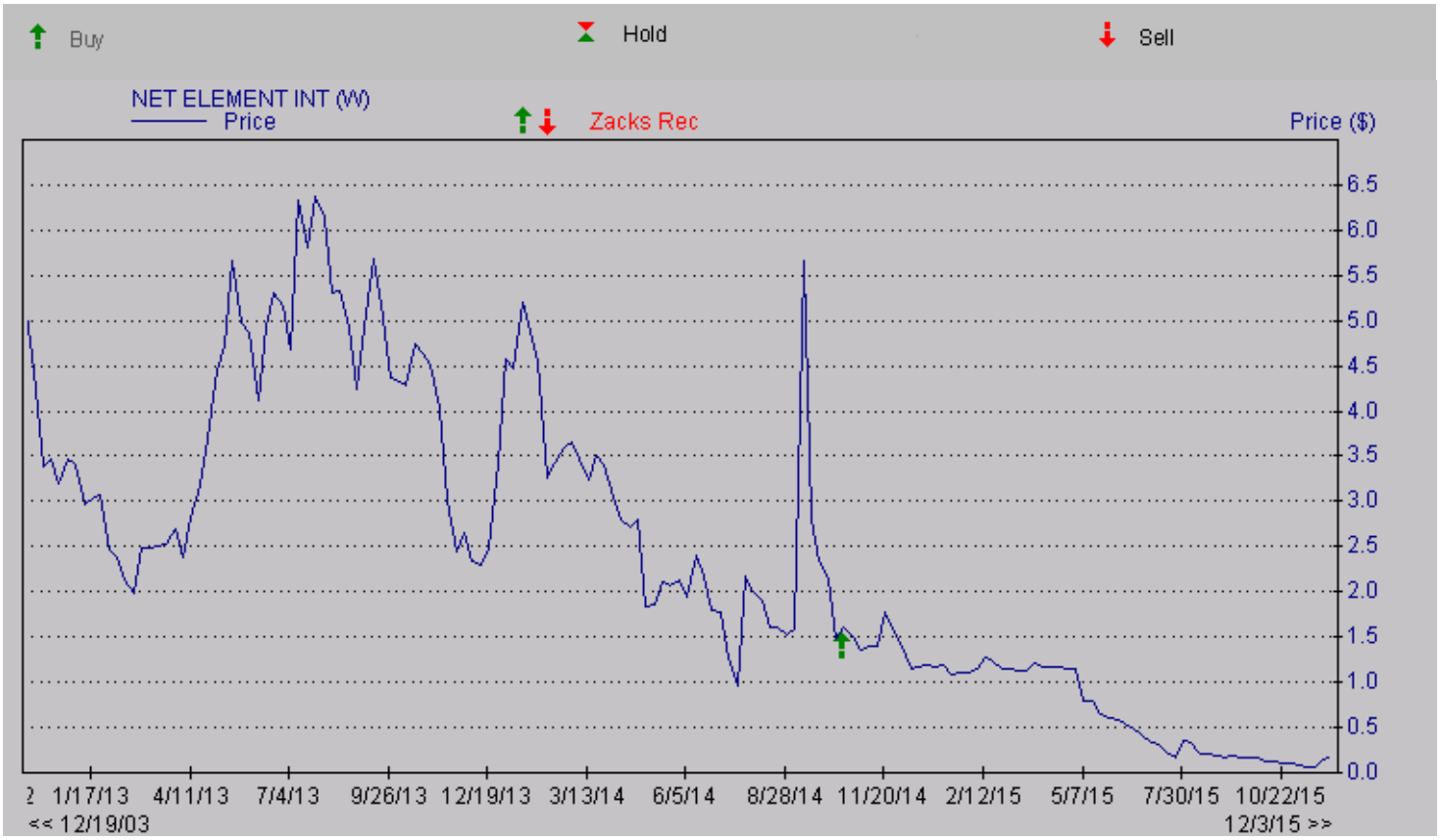
BALANCE SHEET

	Sept. 30, 2015	June 30, 2015	% Change
Current assets:			
Cash	**$315,728**	**$675,231**	-53%
Funds in Escrow	**$5,000,000**	**$5,000,000**	0%
Accounts receivable, net	4,539,765	3,493,939	30%
Advances to aggregators, net	45,114	113,841	-60%
Prepaid expenses and other assets	952,283	768,663	24%
Total current assets	10,852,890	10,051,674	8%
Fixed assets, net	200,932	137,583	46%
Intangible assets, net	8,116,787	8,651,527	-6%
Goodwill	6,671,750	6,671,750	0%
Other long term	335,268	288,283	16%
Total assets	26,177,627	25,800,817	1%
Current liabilities:			
Accounts payable	$4,388,770	$3,217,611	36%
Deferred revenue	530,013	241,304	120%
Accrued expenses	2,580,818	2,747,967	-6%
BCF deriative liabilities	428,884	368,571	16%
Warrant derivative liability	3,978,495	3,623,182	10%
Short term notes payable (net of discount)	**694,445**	**277,778**	150%
Notes payable (current portion)	**950,894**	**318,405**	199%
Due to related parties	**467,806**	**83,257**	462%
Total current liabilities	14,020,125	10,878,075	29%
Notes payable (non-current portion)	3,014,106	3,646,595	-17%
Total liabilities	17,034,231	14,524,670	17%
Series A Convertible Preferred stock	953,903	2,832,082	-66%
STOCKHOLDERS' DEFICIT			
Common stock	7,775	5,761	35%
Paid in capital	149,507,581	144,416,472	4%
Stock subscription	(1,111,130)	(1,111,130)	0%
Accumulated other comprehensive income (loss)	(1,665,625)	(1,475,981)	13%
Accumulated deficit	(138,779,508)	(133,645,034)	4%
Noncontrolling interest	230,400	253,977	-9%
Total stockholders' deficit	9,143,396	11,276,147	-19%
Total liabilities and stockholders' deficit	26,177,627	25,800,817	1%
Net Cash	3,202,583	4,995,791	-36%
Current and Quick Ratio	0.8	0.9	-16%
Working Capital	(3,167,235)	(826,401)	283%
Total Debt Plus Preferred	5,556,135	4,694,606	18%
Debt/TA	17%	16%	8%

INCOME STATEMENT

Dollars in Millions	2014				2014						
	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15 (est.)	2014	2015E	2016E
Credit card processing	$4.1	$4.6	$5.6	$5.2	$5.2	$6.3	$7.8	8.0	$19.4	$27.28	$32.50
Yr-over-yr Growth	NM	-0.6%	1.0%	10.9%	26.5%	37.1%	40.6%	55.0%	31.0%	40.6%	19.2%
Mobile payments	0.8	0.3	0.5	0.250	0.363	0.331	2.8	2.8	1.8	6.3	11.6
Yr-over-yr Growth	-13.6%	-66.3%	-54.4%	-75.2%	-51.6%	-2.1%	506.0%	1018.6%	-54.4%	249.4%	84.4%
PayOnline	1.4	NA	NA	NA	0.0	0.3	2.1	2.2		4.6	9.4
Total revenues	4.8	**4.9**	**6.0**	**5.4**	5.5	6.9	12.7	13.0	**21.2**	**38.1**	**53.5**
Yr-to-yr Growth	457.9%	-12.4%	-7.6%	-5.9%	14.4%	40.6%	110.3%	140.2%	13.0%	79.9%	40.3%
Costs and expenses:											
Cost of revenues	3.5	3.3	4.7	4.3	4.6	5.5	10.7	11.0	15.9	31.8	44.8
Gross Margin	1.3	1.6	1.3	1.1	0.9	1.4	2.0	2.0	5.3	6.3	8.7
% of Sales	27.1%	31.9%	21.7%	20.7%	16.7%	20.8%	15.5%	15.4%	25.1%	16.6%	16.3%
G&A	3.1	2.5	2.4	3.2	2.6	3.2	2.8	2.9	11.4	11.5	12.2
Provision for loan losses	0.1	(1.5)	0.1	0.1	0.0	0.1	0.3	0.1	(1.2)	0.5	0.4
Depreciation and amortization	0.6	0.6	0.7	0.5	0.4	0.6	0.9	0.9	2.4	2.8	3.4
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
Total operating expenses	3.8	1.6	3.3	3.8	3.1	3.9	3.9	3.9	12.6	14.8	16.0
Loss from operations	(2.5)	(0.1)	(1.9)	(2.7)	(2.2)	(2.5)	(1.9)	(1.9)	(7.2)	(8.4)	(7.3)
Loss from operations ex-one time	(2.5)	(1.3)	(1.9)	(2.7)	(2.2)	(2.5)	(1.9)	(1.9)	(8.4)	(8.4)	(7.3)
Interest expense, net	(1.1)	(1.8)	(0.8)	(0.1)	(0.1)	(1.3)	(1.6)	(1.5)	(3.7)	(4.5)	(1.4)
Other expense	(0.0)	(0.0)	(0.1)	(0.1)	0.0	(0.0)	(0.0)	0.0	(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	0.1	0.0
Gain on change in conversion derivative	0.0	0.0	0.0	0.0	0.0	2.0	(1.1)	(2.0)	0.0	(1.1)	0.0
One-time charges	0.0	3.2	(2.1)	(0.1)	0.0	0.0	0.1	0.0	1.0	0.0	0.0
Total non-operating expenses	(1.1)	1.4	(3.0)	(0.2)	(0.1)	0.7	(2.6)	(3.5)	(2.9)	(5.5)	(1.4)
Loss from continuing operations before tax	(3.6)	1.3	(4.9)	(3.0)	(2.2)	(1.8)	(4.537)	(5.4)	(10.1)	(12.9)	(8.7)
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
Loss from continuing operations	(3.6)	1.3	(4.9)	(3.0)	(2.2)	(1.8)	(4.537)	(5.4)	(10.2)	(12.9)	(8.7)
Minority interest	0.0	0.0	0.0	(0.0)	0.0	0.0	0.024	0.0	0.0	0.0	0.0
Net loss	(3.6)	1.3	(4.9)	(3.0)	(2.2)	(1.8)	(4.513)	(5.3)	(10.2)	(12.9)	(8.7)
Preferred dividend	0.0	0.0	0.0	0.0	0.0	(0.5)	(0.621)	0.0	0.0	(1.1)	0.0
Net loss to common stock		1.3	(4.9)	(3.0)	(2.2)	(2.3)	(5.135)	(5.3)	(10.2)	(15.0)	(8.7)
Foreign currency translation gain (loss)	1.3	(0.1)	(0.3)	(2.0)	(0.1)	(0.1)	(0.190)	(0.2)	(1.1)	0.0	0.0
Comprehensive loss	(2.3)	1.2	(4.6)	(4.9)	(2.3)	(1.9)	(5.3)	(5.1)	(11.3)	(12.9)	(8.7)
Earnings ex-one time charge	(2.2)	(1.9)	(2.7)	(3.0)	(2.3)	(3.786)	(3.533)	(3.352)	(11.2)	(12.9)	(8.7)
Stock-based compensation	0.1	0.7	0.5	3.0	0.6	0.6	0.6	0.6	4.3	2.4	2.4
Adjusted Non-GAAP Earnings	(3.6)	(1.2)	(2.2)	0.0	(1.7)	(3.2)	(2.932)	(2.750)	(6.9)	(10.5)	(6.3)
Yr-to-yr Growth	25%	-62%	-34%	-101%	-51%	173%	32%	-8054%	-64%	52%	
GAAP EPS	**($0.09)**	**$0.04**	**($0.12)**	**($0.11)**	**($0.05)**	**($0.04)**	**($0.08)**	**($0.05)**	**($0.27)**	**($0.20)**	**($0.09)**
Total loss per share	($0.11)	$0.04	($0.12)	($0.11)	($0.05)	($0.04)	($0.08)	($0.05)	($0.27)	($0.20)	($0.09)
Non-GAAP EPS	($0.07)	($0.06)	($0.12)	($0.11)	($0.04)	($0.06)	($0.04)	($0.03)	($0.27)	($0.20)	($0.09)
Fully dil. Non-GAAP EPS	($0.05)	($0.05)	($0.10)	($0.09)	($0.04)	($0.06)	($0.04)	($0.03)	($0.24)	($0.15)	($0.07)
Non-GAAP EPS	**($0.11)**	**($0.04)**	**($0.06)**	**$0.00**	**($0.04)**	**($0.06)**	**($0.04)**	**($0.03)**	**($0.19)**	**($0.16)**	**($0.06)**
Yr-to-yr Growth									-73%	-12%	-61%
Share outstanding	32.4	32.4	39.3	44.8	46.1	49.7	68.5	93.5	37.3	64.5	97.7
Yr-to-yr Growth	15%	15%	40%	53%	42%	54%	74%	109%	31%	73%	52%
Fully diluted shares	41.3	41.3	48.3	53.7	55.1	67.8	90.0	126.4	46.3	84.8	129.5
Yr-to-yr Growth	11%	11%	30%	40%	33%	64%	86%	135%	24%	83%	53%

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