Zacks Small-Cap Research

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Elephant Talk Communications Corp. (ETAK-NYSE)

ETAK: Restructuring Progress, But More to Come

Current Recommendation	**HOLD**
Prior Recommendation	N/A
Date of Last Change	08/31/2015
Current Price (04/07/16)	$0.22
Target Price	**$0.35**

OUTLOOK

Elephant Talk Communications Corp., a provider of virtualized mobile platforms (ET Software DNA 2.0) for MNOs and MVNO operators worldwide is recovering from the loss of its 2nd largest customer. Its new Executive Chairman, a telecom turnaround specialist, is in the process of restructuring of the business to reach cash breakeven in the next two quarters and reposition the company. We expect the sale of the ValidSoft division could fund operations and pay off debt if completed in the next few months but the company may also need additional funds to execute its plans.

SUMMARY DATA

52-Week High	**$0.63**
52-Week Low	**$0.19**
One-Year Return (%)	**-38.9**
Beta	**0.16**
Average Daily Volume (sh)	**87,861**
Shares Outstanding (mil)	**162**
Market Capitalization ($mil)	**$36**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**16**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-3.5**
Earnings Per Share (%)	**N/M**
Dividend (%)	**N/A**
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-Growth**
Industry	**Comm Network Sol**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	5.4 A	5.1 A	4.4 A	5.4 A	20.4 A
2015	5.0 A	19.2 A	3.5 A	3.3 A	31.0 A
2016	3.5 E	3.7 E	4.2 E	4.4 E	15.8 E
2017					20.5 E

Earnings per Share
(GAAP EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.04 A	-$0.04 A	-$0.04 A	-$0.01 A	-$0.15 A
2015	-$0.01 A	-$0.06 A	-$0.03 A	-$0.01 A	-$0.01 A
2016	-$0.02 E	$0.01 E	$0.01 E	-$0.01 E	-$0.05 E
2017					$0.00 E

Zacks Projected EPS Growth Rate - Next 5 Years 20%

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WHAT'S NEW

Elephant Talk has announced its first quarter since new management was installed. It reported Q4 2015 revenue of $3.3 million and $31 million in revenue for the full year. This quarterly number was down slightly from the $3.5 million in Q3 2015, which had been the first full quarter since the loss of Iusacell. The company has not yet been able to sell ValidSoft, its voice authentication subsidiary. The deal it struck with Cross River Advisors in February to sell this division for $12.5 million is in default, and Cross River has lost its exclusivity in the purchase. Elephant Talk needs cash and $12.5 million from this sale could solve the majority of its financial problems. As of December 31, 2015, it had less than $900,000 in cash and negative working capital of $10.8 million. Since then it raised approximately $3.1 million: $500,000 from Cross River and approximately $2.6 million from a convertible note PIPE transaction. Debt stood at $5.8 million, and is now $8.9 million if the new notes are included. The company is now at a $14 million run rate; that number will be somewhat less once it sells ValidSoft. In Q4 we believe it burned $1.3 million in cash, but the CEO is targeting EBIDTA breakeven by Q2 2016.

The company continues to make progress right sizing. It took a $1.25 million dollar restructuring charge and a write down of assets of $1.7 million in the quarter and expects another small charge in Q1 2016. The company has reduced the workforce from 265 in November 2015, to 199 today, and expects headcount to be 160 by the end of Q2 2016. Management is using sales per employee as its metric to judge progress as well as its ability to be cash flow positive.

Until it reports next quarter, we look for: progress in the sale of ValidSoft, an alternative capital infusion and or/debt restructuring, and/or perhaps an announcement of new customers including the possibility of the customer at Verizon that is now transitioning from testing the platform to a paying customer.

Q4 Results

Revenues were down sequentially to $3.3 million versus $3.5 million in Q3 2015. This was due to a deferred revenue adjustment of $800,000 to $900,000, rather than a decline in business. Actual revenue from current customers was flattish with Q3. Reported gross margins were 61.6%, a slight improvement from the 60.9% in Q3, although this again is affected by the adjustment. As the company is completely different without Iusacell it seems pointless to make any comparisons with last year's model, but we look at Q3 and Q4 for a baseline going forward on its current business. Given that ValidSoft is to be sold, even this quarter will not reflect a going forward model as all ValidSoft revenues and expenses will also be removed at that point. For example, there are 25 ValidSoft employees that will no longer be on the payroll. On the call the company stated that ValidSoft was losing $300,000 a month, and either by selling it, or improving operations, the losses should go away.

Operating expenses in the quarter were $5.6 million if you eliminate the one-time charges versus $7.4 million in 2014. Depreciation and amortization was reduced by $1 million due to the write offs. And G&A and R&D were cut with layoffs and the closing of physical locations. Only sales and marketing increased and that was by $0.4 million. Interest expense was reduced slightly by $60,000 over last year. Non-GAAP net income, ex-one time expenses and stock-based compensation was a loss of $3.1 million versus a loss of $1.7 million. The led to a **Non-GAAP EPS loss of $0.014 per share, versus a loss of $0.011 per share**.

Primary shares outstanding at year-end were 161.4 million, up from 154.7 a year ago or 4.3%. Fully diluted shares, (using the treasury stock method) decreased to 214.4 million from an average of 224.6 million at December 31, 2014. Since then at least $2.6 million in convertible notes have been sold in PIPE transactions, plus the $500,000 from Cross River adding we believe approximately 10 million shares. Therefore the all in market cap of ETAK is now $49.3 million. We are hopeful that as part of the restructuring the company will reverse split the stock to more appropriate numbers.

2016 Forecast

Assuming that new sales will take a while to hit the income statement, we are looking for 2016 revenues to be $15.8 million versus the unusual 2015 revenues of $31 million caused by the purchase of Iusacell by AT&T. Starting at a base line of $3.5 million and assuming a 2016 sale of ValidSoft we see sequential improvement in quarterly revenues throughout the year. Even if sales scores big wins this year, revenues will be slow to build as the company needs a number of months to onboard new customers and even then is paid monthly thereafter. Given that management believes it can reach EBITDA breakeven in Q2, we are looking for a loss per share of $0.05 in 2016.

INVESTMENT THESIS

- Elephant Talk provides software-defined network (SDN) platforms (ET Software DNA 2.0) that enable mobile phone service providers to increase the value of their network legacy, outsource back office operations and reduce their total cost of operations.

- The SDN market is enjoying rapid growth as operators transition away from cumbersome and expensive hardware and appliance based systems. According to SDxCentral, this market is expected to grow from $15 billion today to $105 billion by 2020 for a CAGR of 44%.

- The company owns ValidSoft, a provider of voice biometric technology. It has initiated a process to explore strategic alternatives for this division up to and including an outright sale. The company had an offer to buy the company for $12.5 million, but that deal has not occurred according to plan and may never. The company is continuing to pursue its sale.

- There is risk as the company continues to right size itself after the loss of Iusacell while adding new customers. It is currently significantly free cash flow negative but hope to reach breakeven in the next two quarters, restructure its debt, and raise more capital.

- We believe there is **considerable risk in the stock** until the company finds financing to sustain operations as it ramps current and potential new customers. This may be achieved by the sale of ValidSoft, issuing new stock or debt, or any combination thereof. While we believe in the long-term prospects of the company, short-term there are many questions. At a fully diluted market cap of $49 million and revenue run rate of $14 million and negative EBITDA we believe the company is fully valued due to short-term risks. There is risk in not knowing how much capital will cost or how much dilution may occur. There is risk ValidSoft may not be sold in a timely fashion or for a favorable price. There is risk company may (and should) reverse split the stock an action that usually causes a stock to go down (unless it is done in conjunction with an uplisting.) There is risk investors may not be expecting revenues will be down dramatically year over year for the next two quarters or that fully diluted share count has grown dramatically. When some of these risks have been mitigated we will revisit our rating but until then we maintain a hold on the stock.

CURRENT CUSTOMERS

For the year ended December 31, 2015, the Company had two customers that accounted for 50% and 33% of total revenue. If we assume that Iusacell was $15.5 million that means Vodafone Spain, the largest customer, generated $10.2 million in 2015. In addition to Vodafone's own low-priced service *Lowi*, Elephant Talk provides the platform for six different MVNO operators on the Vodafone España network. These six operators are: Lebara Mobile ES, BT Movil, Eroski Movil, NEO SKY (bought by MasMovil), HITS Mobile, and Orbitel. Elephant Talk renewed its five-year contract with Vodafone España in 2013.

The rest of the business contributed $5.3 million in 2015. The grand majority of these revenues come from **Zain Saudi Arabia** and **Netherlands ETAK** who operates as an MVNE for T-Mobile, and some from Valid Soft.

ValidSoft

ValidSoft is a software and services provider of User Authentication, Voice Biometric and Device Trust technology and solutions to financial services governments and enterprise customers. Elephant Talk recently announced that it was exploring strategic options for ValidSoft up to and including its sale. The company was bought in 2010 for approximately $15 million in stock. Most of the $3 million in goodwill that the company has on its balance sheet is from ValidSoft. The company does not break out revenues for this entity. The division is located in London and employs 25 people and has been losing $300,000 a month. Should the company be sold we expected a large write off given its purchase price combined with its cumulative losses and the expected sale price as evidenced by Cross River's offer.

New Business Opportunities

ETAK has an agreement with Verizon (VZ) to provide a platform for its MVNOs. In this relationship, Elephant Talk is fully referenced when a virtual operator requires Enablement Services. A small team in the US supports this relationship. It has been through the testing phase and is about to start generating revenues with a customer next quarter. Verizon has 100s of MNVOs operating off its network powered by its own in-house system, but Elephant Talk is targeting new ones being brought on board that are current Verizon customers but do not as of yet offer a mobile product. The company has been marketing jointly with Verizon.

RISKS

- Steven Van der Velden, who was Chairman, CEO and President, and is the majority shareholder of the company, resigned as of November 16, 2015. He was replaced as Chairman by (Hal) Turner, who in turn brought on Gary Brandt as Chief Restructuring Officer. They are implementing a complete revamp of the company.
- The majority of the revenues are from one customer Vodafone Spain; 88% of revenues in Q3 ($3.1 million) were from two customers both based in Europe.
- There is currency risk as most of the company's operations are in Euros.
- The company was given a going concern opinion by its auditors because of it negative cash flow since it lost its contract with Iusacell. The company needs to raise considerably more cash to maintain operations and pay off current debt.

VALUATION

While there are many MVNEs worldwide, many are private. Those that are public are all small expect for Amdocs a $7.7 billion company. On average they trade at 1.9 times enterprise value to sales. They also trade at an average of 11.7x enterprise value to EBITDA. Looking to our 2017 estimated revenues and

EBITDA for ETAK, and using fully diluted market caps and an industry average multiples we get a stock price of $0.19 per share. The company believes in future quarters it can get back to its past EBITDA of $2.3 million per quarter. If it can, then at that point the stock would be worth $0.50 on an enterprise value to sales basis. Taking an average of the two, we get a price of $0.35 by 2017.

MVNEs

Company	Ticker	Revenue 2016E	Revenue LTM	EBIDTA Margin	EV/TTM EBIDTA	Diluted Enterprise Value / Sales 2016E	Diluted Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
Amdocs	DOX	$3,783	$3,660	19%	10.6x	2.1x	2.1x	y	7,660
Redknee Solutions	RKN.TO	$212	$210	12%	15.6x	1.5x	1.4x	y	296
CSG Systems	CSGS	$751	$752	21%	9.0x	2.1x	1.9x	y	1,440
MER Telemanagement Sol	MTSL	NA	$15	-5%	-3.2x	NA	0.3x	n	4
Ericsson	ERIC	$29,390	$30,350	15%	5.9x	0.9x	0.9x	n	26,680
Average				**17%**	11.7x	**1.9x**	**1.8x**		**$3,132**

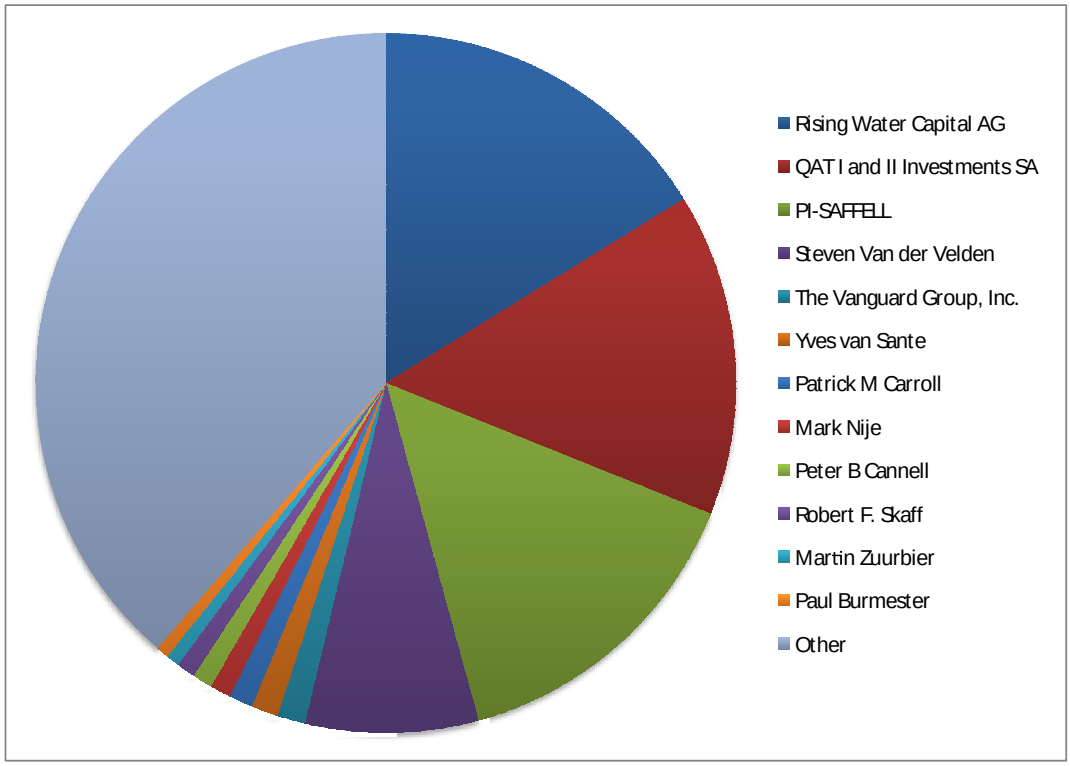
	Revenue 2017E	Revenue 2016E	EBIDTA Margin	Enterprise Value / Sales 2017E	Enterprise Value / Sales 2016E	Valuation Range Low	Valuation Range High
YoY growth	**$21**	**$16**	**16%**	**1.9x**	**1.8x**	**$29**	**$38**

Conclusion of Enterprise Value	**$33,454,037**	**$107,854,667**
Market Value**	**$40,522,757**	**$114,923,387**
Shares Outstanding	214,662,287	214,662,287
Price per Share	**$0.19**	**$0.50**

$0.35

OWNERSHIP

There are 161.6 million shares outstanding as of February 29, 2016. Steven van der Velden, former Chairman and CEO, owns approximately 31.5% of QAT, which owns 51.3% of the outstanding capital stock of Rising Water Capital. These three combined own 39% of the total outstanding.



INCOME STATEMENT

Elephant Talk Communications, Inc.	Q4 2014 31-Dec	Q1 2015 31-Mar	Q2 2015 30-Jun	Q3 2015 30-Sep	Q4 2015 31-Dec	Q1 2016E 31-Mar	Q2 2016E 30-Jun	Q3 2016E 30-Sep	Q4 2016E 31-Dec	2015	2016E	2017E
Non-GAAP (cash) revenues	8.3	$8.0	$7.4	$3.4	$2.5					21.3		
Total GAAP revenue	**5.5**	**5.0**	**19.2**	**3.5**	**3.3**	**3.5**	**3.7**	**4.2**	**4.4**	**31.0**	**15.8**	**20.5**
Yr-to-yr Growth	-1%	-7%	279%	-22%	-40%	-30%	-81%	20%	34%	52.4%	-49.1%	30.0%
Cost of services	1.6	1.9	1.4	1.4	1.3	1.3	1.2	1.4	1.6	5.9	5.5	4.1
Gross profit	3.8	3.1	17.8	2.1	2.0	2.2	2.3	2.6	2.8	25.1	10.3	16.4
Gross Margin	70.0%	62.7%	92.5%	60.9%	61.6%	62.9%	63.0%	63.0%	64.0%	80.9%	65.3%	80.0%
Operating expenses:												
Product Development	1.5	1.0	1.5	1.0	1.0	0.8	0.7	0.8	0.8	4.5	3.1	3.0
Sales and Marketing	0.6	0.7	0.3	0.6	1.0	0.8	1.0	1.0	1.1	2.6	3.9	5.1
G&A	2.8	3.0	2.7	2.5	2.3	1.6	1.4	1.4	1.4	11.7	5.8	5.6
Depreciation and Amortization	2.4	1.7	1.7	1.8	1.4	1.4	1.4	1.0	1.0	6.6	4.7	2.0
Restructuring charge	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	1.3	0.0	0.0
Impairment for assets held and used	0.0	0.0	0.9	0.0	1.7	0.0	0.0	0.0	0.0	2.7	0.0	0.0
Total operating expenses	7.4	6.4	7.2	5.9	8.6	4.6	4.4	4.2	4.3	29.4	17.5	15.7
					5.6							
Operating income:	(3.5)	(3.3)	10.6	(3.8)	(6.6)	(2.4)	(2.1)	(1.6)	(1.5)	(4.3)	(7.2)	0.8
Operating margin	-65.0%	-65.1%	55.2%	-109.4%	-201.6%	-67.2%	-56.8%	-37.0%	-33.7%	-13.9%	-45.4%	3.8%
Other income:												
Interest income	0.0	0.0	0.0	0.0	0.0	-	-	-	-	0.1	-	-
Interest expense	(0.345)	(0.4)	(0.6)	(0.3)	(0.285)	(0.3)	(0.3)	(0.3)	0.0	(1.5)	(0.9)	(0.2)
Int exp. For debt discount & converstion feature	(0.7)	(0.1)	(0.4)	(0.1)	(0.1)	-	-	-	-	(0.7)	-	-
Change in fair value of conversion feature	-	-	-	-	0.3	-	-	-	-	0.3	-	-
Change in fair value of warrant liabilities	0.2	0.2	0.1	-	(0.4)	-	-	-	-	-	-	-
Loss on extinquishment of debt	(0.0)	2.5	-	-	-	-	-	-	-	2.5	-	-
Other income	(0.2)	(1.2)	0.2	0.1	0.0	-	-	-	-	(0.9)	-	-
Amortization of deferred financing costs	(0.2)	(0.1)	(0.4)	(0.0)	(0.0)	-	-	-	-	(0.5)	-	-
Total other income	(1.3)	1.1	(1.0)	(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	0.0	(0.7)	(0.9)	(0.2)
Income before income taxes	(1.9)	(2.2)	9.6	(4.1)	(7.1)	(2.7)	(2.4)	(1.9)	(1.4)	(5.0)	(8.1)	0.6
Provision for income tax	0.1	(0.1)	0.1	0.0	0.0	-	-	-	-	0.0	-	-
Tax rate	-6%	3%	1%	0%	0%	0%	0%	0%	0%	0.0%	0.0%	0.0%
Net income	(2.0)	(2.1)	9.5	(4.2)	(7.0)	(2.7)	(2.4)	(1.9)	(1.4)	(5.0)	(8.1)	0.6
Currency translation	(1.0)	(1.7)	0.5	-	(1.5)	-	-	-	-	(2.7)	-	-
Comprehensive loss	(3.0)	(3.8)	10.0	(4.2)	(8.5)	(2.7)	(2.4)	(1.9)	(1.4)	(7.7)	(8.1)	0.6
Stk based compensation	0.4	0.8	0.8	0.9	1.0	0.8	0.8	0.8	0.8	3.5	2.7	2.7
One-time expenses	(0.0)	(2.5)	(15.3)	(0.2)	3.0	-	-	-	-	3.9	-	-
Non-GAAP Income	(1.7)	(5.5)	10.3	(3.2)	(3.1)	(1.8)	(1.7)	(1.1)	(0.7)	(1.6)	(5.3)	3.3
Yr-over-Yr					-701%					-92.5%	NM	NM
Net income per share:												
Basic	**(0.01)**	**(0.01)**	**0.06**	**(0.03)**	**(0.04)**	**(0.02)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.03)**	**(0.05)**	**0.00**
Non-GAAP Primary	(0.01)	(0.04)	0.07	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.03)	0.02
					90%	-66%	-116%	-67%	-79%			
Shares												
Basic	151.6	154.9	156.4	160.2	161.6	164.0	166.0	168.0	170.0	158.2	167.0	170.0
	12.3%	9.2%	6.8%	7.2%	6.6%	5.9%	6.1%	4.9%	5.2%	7.1%	5.6%	1.8%
Diluted	224.6	226.8	226.9	216.1	214.7	220.8	226.7	226.7	226.7	221.1	225.2	226.7
					-4.4%	-2.6%	-0.1%	4.9%	5.6%	48.2%	1.8%	0.6%
Adjusted EBITDA	2.06	2.30	2.19	(1.21)	(1.29)	(0.17)	0.00	0.20	0.27	1.99	0.30	5.47
Cap EX	2.20	1.51	2.60	2.61	0.98	0.40	0.50	2.00	2.00	7.71	4.90	4.50
Free cash flow	(0.15)	0.79	(0.41)	(3.83)	(2.27)	(0.57)	(0.50)	(1.80)	(1.73)	(5.72)	(4.60)	0.97
EPS times 10	($0.08)	($0.24)	$0.45	($0.15)	($0.14)	($0.08)	($0.07)	($0.05)	($0.03)	$0.07	$0.24	$0.15
Fully diluted shares divided by 10	22.5	22.7	22.7	21.6	21.5	22.1	22.7	22.7	22.7	22.1	22.5	22.7

BALANCE SHEET

	Dec 31, 2015	Sept 30, 2015	% Change
CURRENT ASSETS			
Cash and cash equivalents	**$369,250**	**$858,911**	-57%
Financing receivable	**272,425**	**0**	
Restricted cash	**246,151**	**383,283**	-36%
Accounts receivable	1,112,032	2,812,162	-60%
Prepaid expenses and other current assets	2,016,236	1,677,013	20%
Total current assets	4,016,094	5,731,369	-30%
NON-CURRENT ASSETS			
OTHER ASSETS	473,893	1,096,774	-57%
PROPERTY AND EQUIPMENT, NET	13,051,375	17,445,139	-25%
INTANGIBLE ASSETS, NET	258,630	3,275,756	-92%
ASSETS HELD FOR SALE	4,564,972	0	NM
GOODWILL	3,027,422	3,115,142	-3%
TOTAL ASSETS	25,392,386	30,664,180	-17%
CURRENT LIABILITIES			
Accounts payable and customer deposits	2,639,863	1,923,945	37%
Obligations under capital leases (current portion)	310,403	493,858	-37%
Deferred Revenue	1,259,545	1,971,150	-36%
Change in deferred revenues	**(711,605)**	**(677,901)**	5%
Accrued expenses and other payables	5,031,712	2,630,359	91%
2014 10% + libor 3rd Party Loan (net of OID of $798,894 at December, 2014)	**5,580,277**	**5,839,533**	-4%
Total current liabilities	14,821,800	12,858,845	15%
LONG TERM LIABILITIES			
Derivative Liabilities	945,618	**0**	
Non-current portion of obligation under capital leases	5,621	37,340	-85%
Other long term loan	0	**283,518**	-100%
Non-current portion of deferred revenue	1,066,687	1,111,764	-4%
Other long term liabilities	260,290	0	NM
9% Sub Conv Promissory Note	**238,829**	0	NM
Total long term liabilities	2,517,045	1,432,622	76%
Total liabilities	17,338,845	14,291,467	21%
Commitments and Contingencies (See Notes)			
STOCKHOLDERS' EQUITY			
Common Stock	269,470,165	268,147,697	0%
Accumulated other comprehensive income (loss)	(5,789,975)	(4,395,196)	32%
Accumulated deficit	(255,635,531)	(247,388,888)	3%
Elephant Talk Communications, Corp. stockholders' equity	8,044,659	16,363,613	-51%
NON-CONTROLLING INTEREST	8,882	9,100	-2%
Total stockholders' equity	8,053,541	16,372,713	-51%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$25,392,386	$30,664,180	-17%
Current and Quick Ratio	0.3	0.4	-39%
Net cash	$887,826	$858,911	3%
Working Capital	(10,805,706)	(7,127,476)	52%
Total Debt	5,819,106	6,123,051	-5%
TD/TA	23%	20%	15%

CASH FLOW

	31-Mar-15	30-Jun-15	30-Sep-15
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(2,125,173)	9,521,918	(4,156,337)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,746,147	1,745,034	1,781,478
Provision for doubtful accounts	8,184	17,230	(25,414)
Stock based compensation	831,813	752,510	937,101
Change in fair value of warrant liability	(246,702)	(149,203)	-
Amortization of deferred financing costs	62,502	362,845	41,224
Interest expense relating to debt discount and conversion feature	63,972	403,679	125,086
Unrealized foreign currency translation gain (loss)	1,191,270	(155,252)	(82,760)
Extinguishment of Debt	(2,475,799)	-	4,951,598
Impairments for assets held and used	-	937,835	-
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	(5,983,834)	10,289,300	994,422
Decrease (increase) in prepaid expenses, deposits and other assets	489,564	610,503	(112,891)
Increase (decrease) in accounts payable and customer deposits	626,729	1,401,175	(207,308)
Increase (decrease) in deferred revenue	2,981,659	(11,871,208)	17,896,808
Increase (decrease) in accrued expenses and other payables	296,266	(1,037,134)	(447,693)
Increase (decrease) in non-cash accrued expenses related to extinguishment of Debt	-	-	
Net cash provided by (used in) operating activities	(2,533,402)	12,829,232	21,695,314
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	**(1,511,179)**	**(2,602,129)**	**(2,612,460)**
Net cash used in investing activities	(1,511,179)	(2,602,129)	(2,612,460)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Financing related fees	-	(67,445)	(83,223)
Financing receivable	2,000,000	-	0
Exercise of warrants and options	5,861	-	0
Interest paid for property and equipment acquired under capital leases		-	0
Principal payment on 2014 10% LIBOR 3rd Party Loan		(9,927,333)	4,427,333
Net cash provided by financing activities	2,005,861	(9,994,778)	4,344,110
		-	
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	1,129,253	5,507	(834,462)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(909,467)	1,581,102	
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	1,176,650	994,693	1,232,525
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	994,693	1,232,525	858,911
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	359,521	506,911	269,589
Cash paid during the period for income taxes	14,246	235	290

HISTORICAL ZACKS RECOMMENDATIONS



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