Zacks Small-Cap Research

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Inuvo Inc. (INUV-AMEX)

INUV: Zacks Company Report – Q2 Miss Should Be Followed by an Improved Q3 as Yahoo Sale is Settled

The stock is still priced well below the industry average of 1.2 times enterprise value to sales. **2016 est. revenue of $69 yields a $3.80 stock price.** Success with *SearchLinks* could double that valuation.

Current Price (08/05/16)	$1.23
Valuation	**$3.80**

OUTLOOK

Inuvo is digital publishing and advertising technology company that just reported and extremely weak Q2 after 6 quarters of over 30% growth due, it seems to be, problems at Yahoo. Indications are that business is returning and this could be a good entry point for new investors. If its new native ad product *SearchLinks* is successful, growth and valuation could accelerate dramatically. Management's goal is to reach a revenue run rate of $100 million by the end of 2017 and it is still on track to do so.

SUMMARY DATA

52-Week High	**$3.13**
52-Week Low	**$1.23**
One-Year Return (%)	**-53.4**
Beta	**0.80**
Average Daily Volume (sh)	**100,297**
Shares Outstanding (mil)	**25**
Market Capitalization ($mil)	**$30**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**30**
Insider Ownership (%)	**17**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**13.3**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**14.8**
P/E using 2016 Estimate	**NM**
P/E using 2017 Estimate	**13.5**
Zacks Rank	**N/A**

Risk Level	**Average**
Type of Stock	**Small-Blend**
Industry	**Internet-Services**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	10.1 A	10.9 A	13.0 A	15.5 A	49.6 A
2015	13.4 A	16.7 A	19.3 A	21.0 A	70.4 A
2016	18.7 A	15.6 A	16.0 E	18.6 E	69.0 E
2017					82.6 E

Earnings per Share
(Non-GAAP EPS from continuing operations)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	$0.03 A	$0.03 A	$0.03 A	$0.04 A	$0.13 A
2015	$0.03 A	$0.03 A	$0.03 A	$0.04 A	$0.13 A
2016	$0.03 A	-$0.01 A	$0.00 E	$0.01 E	$0.01 E
2017					$0.06 E

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

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WHAT'S NEW

Weak Q2 Should Be Followed by Sequential Improvement

Inuvo reported revenues of $15.6 million versus $16.7 million last year, down 6.4%. After six quarters of revenues up over 30% this result hit the stock particularly hard despite the company's warning that this quarter would be weak. While we were anticipating a weak quarter, results still missed our estimate of $17 million by $$1.4 million. Management initially thought seasonal demand weakness had shifted to Q2 as the decline in the demand, and the resulting decline in revenue per ad delivered, was what was typically seen after Christmas. It now thinks that uncertainty from the impending Yahoo sale in that period caused some customers to back away, and since it has been resolved with a sale to Verizon, business picked back up. It is also rumored in the industry that Yahoo has had a lot of issues lately and there were a number of dropped balls. This is one of the risks we have always highlighted: big dependence on Google and Yahoo for business. While not back to last year's levels, the company is seeing improved daily sales versus late Q2.

Non-GAAP fully diluted EPS was a loss of $0.01 versus earnings of $0.03 year ago.

Partner network revenues were $4.7 million versus $9.3 last year, down 49% and down 11% sequentially. There was no revenue moved out of partner into owned and operated in this comparison.

Owned and operated web site segment grew 49% year over year to $10.9 million, but down 19% sequentially.

Gross margin expanded to 75% of sales versus 58% last year primarily due to product mix, as higher margin owned and operated became 70% of sales versus 44% last year.

Marketing costs for the quarter were at 16% of owned and operated revenues up from 11% last year and but down from 21% in Q1.

Compensation and SG&A were $356,000 million higher as the company has added employees and is now in a higher cost location in Little Rock. The company added one employee this quarter to 72 people.

Operating income was a loss $607,000 versus a profit of $532,000.

Non-GAAP net income from continuing operations was a loss of $246,000 versus a gain $664,000 last year. EBITDA was still positive at $288,000 but down versus the $1.1 million a year ago. The company manages the business to stay EBITDA positive.

SearchLinks Shows Promise and is Still the Key to Accelerating Growth and Improving Valuation

SearchLinks contributed $2.6 million to revenues in 2015 and is expected to kick in more meaningfully later this year. The company indicated this business grew 60% sequentially, but did not reveal the absolute number. This native advertising product could potentially generate $500,000 to $1 million PER MONTH to Inuvo per large publisher. The math is as follows: a large publisher could have as many as 500,000,000 page views a month and if the CPMs were $1 - $2, that would be (500,000,000/1000 X $1 or $2.) So 20 large customers could generate between $120 and $240 million a year, which is why shareholders are so focused on the traction of *SearchLinks*.

SaaS Platform for Merchant Marketing Introduced Today

Today the company announced the launch of *MYAP10*, a SaaS based, **white label** marketing management platform for merchants. It enables them to get paid by publishers for receiving promotional activity from them. This platform gives Inuvo's direct merchant clients the technology for sophisticated

performance marketing with their digital partners in real-time. The company cited MYAP10 the Stratosphere Casino, Hotel and Tower in Las Vegas as a newly signed client and indicates other merchants are already using it.

Q3 2016 Forecast

Q3 looks to be somewhat better than Q2, although business is not back to the levels found last year. Going into Q2 the company expected that the first half of the year may only be up 15-20% over last year and came in at 14%, below the low end. In Q2, revenues averaged $173,333 per day. In Q1 they were 207,777. Currently the company is seeing volumes at $185,000 per day versus $203,000 per day this time last year. $185,000 for 90 days is $16.7 million. Seeing how the first part of July was weaker than that we are modeling the quarter at $16 million unless the company indicates later that business has improved meaningfully.

At the current cost structure this revenue level yield non-GAAP EPS in the quarter of breakeven versus $0.03 per share last year. EBITDA would then work out to $452,000 versus $1.3 million last year.

KEY POINTS

- Inuvo is an emerging player in the digital advertising space a market that is growing over 16% per year and should benefit from this market growth. But according to IHS, native advertising, INUV's newer market, will grow much faster than that. For example it predicts mobile native advertising will increase an average of 70.7% per year to reach $8.9 billion in 2020.

- After reporting its sixth quarter in a row of over 30% growth, Q2 showed revenues down by 6%. While we expect Q3 revenues to be also down, they should improve sequentially. This revenue decline was caused by ad price and volume declines in the quarter. The company adjusted its methodology and revenues have picked back up, but are currently still down from last year's daily totals by 9%.

- The company has stated its goal is to reach a $100 million in revenue run rate by the end of 2017.

- The company's new advertising product, "*SearchLinks*," launched in July 2015, generated $2.6 million in revenues in 2015. In Q2 revenues from *SearchLinks* increased 60% sequentially, although the company did not disclose the dollar amount. It should create a barrier to entry and some stickiness for its ad business, as it is complex and possibly unique in the industry. This native advertising product is in a very high growth space and companies in that space have higher valuations. We estimate private companies in this space are valued at 3Xs revenues.

- By being located almost exclusively in Arkansas, the company has an extremely low expense structure that is far superior to all the major companies in the web content and ad tech businesses. Almost all competitors are headquartered in expensive NYC or California locations that allows Inuvo to be price competitive while staying cash flow positive and avoiding shareholder dilution.

- Charles D. Morgan, Director and former founder and Chairman of Acxiom, has a 15% stake in the company (including Tocqueville Asset Management.) We believe that this stake will help keep the company's objectives in line with that of shareholders. We believe that ultimately the company will be sold when it proves it has traction and reaches a size of interest to larger corporations.

- We believe the company is valued way below its peers. If we use enterprise value to sales (since many competitors operate at a loss), the stock is still priced well below its peers who trade at an average of 1.2 times enterprise value to sales. **At a multiple of 1.2xs estimated $69 million in**

2016 revenue, the stock should be worth $3.80. However, if *SearchLinks* gains meaningful traction, investors should look to others in the native advertising space that are currently valued at closer to 3x revenues which would reflect a valuation double that.

VALUATION

Inuvo is hybrid ad technology platform/ad network and website publisher. For H1 2016 the company split 30/70, we are using a combination of these types of pubic companies to create a blended valuation. Should *SearchLinks*, a native ad tech product be successful, we would look to higher revenue multiples as that business is much more attractive.

We applied average multiples to Inuvo's historical and projected revenues based on the comparable companies in the table below. Using this multiple and applying it to 2016 estimated revenues of $69 million, the stock should be worth $3.80. However, the IPOs of Outbrain, Taboola, or Revcontent, all of whom are much more highly valued, could increase average comparable multiples.

Company		Ticker	Revenue 2016E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2016E	Enterprise Value / Sales LTM	EV/ EBITDA	Included Average?	Enterprise Value
Autobytel	2%	ABTL	$153	$149	$11	1.2x	1.2x	16.3x	y	182
Blucora	53%	BCOR	$446	$292	$56	1.9x	2.9x	15.1x	y	850
Criteo	51%	CRTO	$710	$472	$142	3.1x	4.6x	15.4x	n	2,190
Demand Media	-4%	DMD	$115	$120	-$22	0.7x	0.7x	-3.5x	y	79
Rocket Fuel	-36%	FUEL	$294	$459	-$16	0.4x	0.3x	-7.1x	y	116
Marchex	-1%	MCHX	$142	$143	-$1	0.2x	0.2x	-16.2x	y	23
The Rubicon Project	-7%	RUBI	$277	$298	$42	1.7x	1.6x	11.3x	y	470
MaxPoint Interactive	-32%	MXPT	$96	$141	-$20	0.7x	0.4x	-3.2x	y	63
SITO Mobile	46%	SITO	$32	$22	-$1	2.3x	3.4x	-71.3x	y	74
Travelzoo	-2%	TZOO	$133	$135	$11	1.0x	1.0x	12.2x	y	134
IAC	-4%	IAC	$3,110	$3,250	$357	1.7x	1.6x	14.5x	y	5,190
Average					**41.6**	**1.2x**	**1.3x**	**-3.2x**		**$718**

	Revenue 2016E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2016E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Inuvo	**$69**	**$75**	**4.5**	**1.2x**	**1.3x**	**$81**	**$99**

Conclusion of Enterprise Value	**$89,548,039**
Market Value	**$93,279,619**
Shares Outstanding	24,567,752
Price per Share	**$3.80**

Private Company Valuations

Inuvo three major competitors for *SearchLinks* are private companies and we also need to take into account their valuation. If the product is successful, it is possible that the company could achieve a valuation closer to its private competitors—however keep in mind there is often a disconnect between venture and public company valuations.

Outbrain, based in Netanya, Israel, is the older of the two and founded in 2006 and has $194 million in funding. It did a $45 million funding round in May 2016. It has approximately 600 employees of which about 180 are in New York City, 160 in Israel and 50 in the UK. In 2014, Outbrain did $260 million in

revenues in 2014, and has an 80% CAGR. It has silently filed for an IPO. If Outbrain grew 50% in 2014 to $195, that would be a trailing valuation of 3.8 times.

Taboola founded in 2007, has raised $160 million in venture funding and is currently profitable. It expects to reach $200 million in revenues in 2016. We believe it has over 400 employees 140 of which are in its NYC headquarters and 140 are in the Israel where its R&D is based. In February management said the company was at a $250 run rate and the last round was estimated to be $700 million by the Wall Street Journal. That would probably be three times the revenue run rate. According to Tech Crunch the company is now at a near $1 billion valuation. In July 2016 it bought Israeli ConvertMedia, a recommendation engine designed specifically to find and recommend online videos for near $100 million. It was reported to have a $50 million revenue run rate.

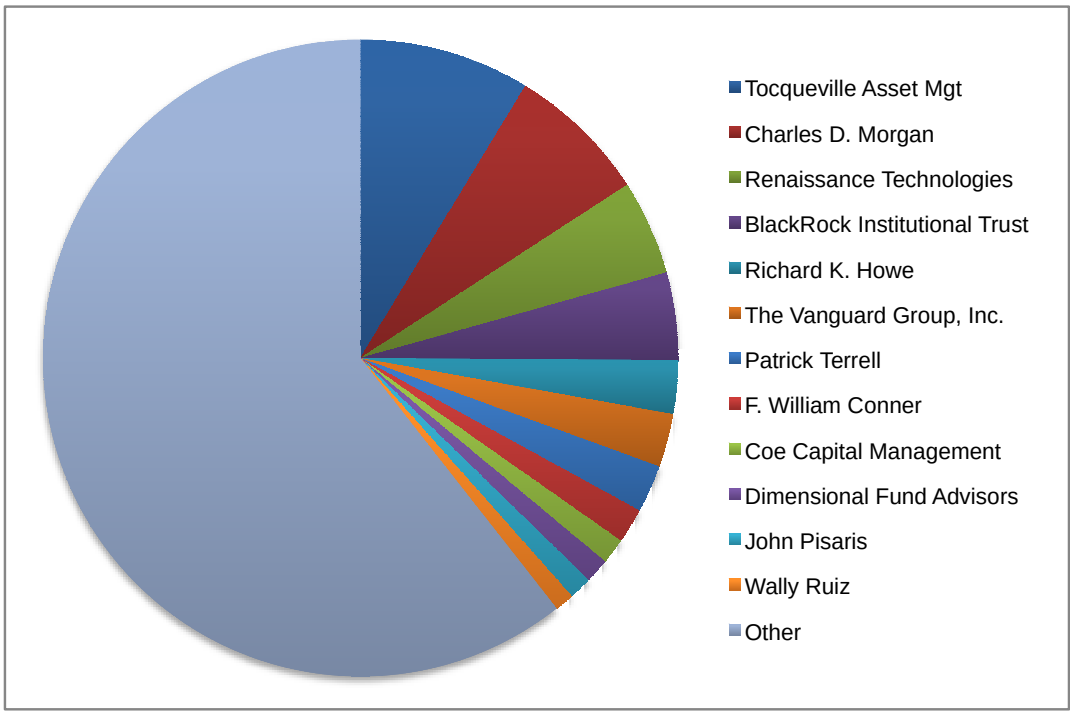
Revcontent, the Sarasota, Fla.-based company was founded in 2013 and employs approximately 100 people. It does 200 billion content recommendations per month and is believed to be the fastest growing native advertising network. It expects reach 2016 revenues of $280 million. It says it grew 600% in 2015. It has never raised outside money, and it funded the ContentClick acquisition with cash.

RISKS

- There are few barriers to entry in the advertising network business and it typically operates with slim margins with competition mainly on price.
- The company is heavily dependent upon Yahoo and Google for revenues. In Q2 2016, these companies were responsible for 65.3% and 33.3% of revenues respectively.
- Some of the company's growth is dependent on the success of a new product that is virtually untested in the market and may not be adopted by new customers.
- The digital ad business is very competitive and there is far more inventory of ad space than is needed. There could be continued price pressure that would lower click rates going forward. Much of the ad inventory in the US goes unsold; more inventory could exacerbate this supply-demand imbalance. Thus, Inuvo may have to increase volume of ads sold just to maintain revenues.
- Inuvo has limited resources with which to compete against much larger companies and this could hinder its growth.
- *SearchLinks*, a new native advertising product, may not gain traction and its advertising results may not outperform competitors, which may decrease growth and certainly future valuation.

CURRENT OWNERSHIP

Charles D. Morgan owns Tocqueville Asset Management.



PROJECTED INCOME STATEMENT

Inuvo	Q1 2015 31-Mar	Q2 2015 30-Jun	Q3 2015 30-Sep	Q4 2015 31-Dec	Q1 2016 31-Mar	Q2 2016 30-Jun	Q3 2016E 30-Sep	Q4 2016E 31-Dec	2015	2016E	2017E
						29.2%					
Partner Network Revenue	7.6	$9.3	$7.2	$6.2	5.3	$4.7	$5.0	$5.6	30.3	20.6	26.8
Yr-to-yr Growth	39%	67%	2%	-18%	-30%	-49%	-31%	-10%	18%	-32%	30%
Owned and operated, excluding Appbar	5.8	7.3	12.0	14.8	13.4	$10.9	$11.2	$13.0	40.0	48.5	55.8
Yr-to-yr Growth	59%	52%	114%	93%	129%	49%	-6%	-12%	83%	21%	15%
Appbar	$0.1	$0.1	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	0.4	0.0	0.0
Yr-to-yr Growth	-90%	-83%	-74%	-63%	-100%	-100%	-100%	-100%	-82%	NM	0%
Total revenue	**13.4**	**16.7**	**19.3**	**21.0**	**18.7**	**15.6**	**16.0**	**18.6**	**70.4**	**69.0**	**82.6**
Yr-to-yr Growth	33%	53%	48%	36%	40%	-6%	-17%	-12%	42%	-2%	20%
Cost of services	6.1	8.4	5.9	4.7	4.3	4.0	3.9	4.5	25.0	16.7	12.4
Partner network gross margin	1.5	2.2	1.4	1.5	1.0	0.8	0.9	1.1	6.6	3.8	5.4
% GM partner network	20%	24%	19%	21%	19%	17%	18%	19%	22%	19%	20%
Owned and Operated GM	5.8	7.4	12.0	14.8	13.4	10.9	11.2	13.0	40.1	48.5	55.8
% GM owned and operated	100%	100%	100%	100%	100%	100%	100%	100%	99%	100%	100%
Gross profit	7.4	9.6	13.4	16.4	14.4	11.7	12.1	14.1	46.7	52.3	61.1
Gross Margin %	55%	58%	69%	78%	77%	75%	76%	76%	66%	76%	74%
Operating expenses:											
Marketing	4.9	6.6	10.2	12.7	11.1	9.4	9.4	10.9	34.3	40.8	46.3
Profit after marketing of owned and operated	0.9	0.8	1.8	2.2	2.3	1.5	1.8	2.1	5.7	7.7	9.5
Margin Percent	15%	11%	15%	14%	21%	16%	16%	16%	14%	16%	17%
Compensation	1.2	1.3	1.5	1.5	1.7	1.6	1.8	1.8	5.6	6.9	8.5
SG&A	1.0	1.2	1.0	1.4	1.3	1.3	1.3	1.4	4.6	5.3	6.0
Total operating expenses	7.1	9.1	12.7	15.6	14.0	12.3	12.5	14.1	44.6	53.0	60.8
Operating income:	0.3	0.5	0.6	0.7	0.4	-0.6	-0.4	-0.1	2.1	-0.7	0.4
Operating margin	1.9%	3.2%	3.3%	3.5%	2.2%	-3.9%	-2.6%	-0.3%	3.0%	-1.0%	0.4%
Other income:											
Interest expense, net	(0.1)	(0.0)	(0.0)	(0.030)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	-	-
Total other income	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.3)	-0.1	0.0
Income before income taxes	0.2	0.5	0.6	0.7	0.4	-0.6	-0.4	-0.1	1.9	-0.8	0.4
Pretax Margin	1.5%	3.0%	3.2%	3.3%	2.0%	-4.0%	-2.7%	-0.4%	2.7%	-1.1%	0.4%
Income tax benefit	(0.4)	(0.0)	0.0	0.1	0.0	(0.1)	(0.0)	(0.0)	(0.4)	(0.1)	0.0
Tax rate	-204%	-7%	1%	11%	2%	2%	2%	2%	-18.7%	7.8%	5.8%
Net income from continuing operations	0.606	0.5	0.6	0.6	0.372	(0.6)	(0.4)	(0.1)	2.2	(0.7)	0.3
Net income from discontinued operations	0.020	(0.0)	0.0	-	0.002	(0.0)	-	-	0.0	-	-
Net income	0.626	0.5	0.6	0.6	0.374	(0.6)	(0.4)	(0.1)	2.3	(0.7)	0.3
Stk based compensation	0.052	0.1	0.3	0.3	0.359	0.3	0.3	0.3	0.8	1.0	1.3
One-time expenses	(0.410)	-	-	-	(0.021)	-	-	-	-	-	-
Non-GAAP Income from continuing	0.248	0.7	0.9	0.942	0.710	(0.2)	(0.1)	0.2	3.0	0.3	1.6
Yr-over-Yr									-6.5%	-90.0%	430.3%
Net income per share:											
Basic from continuing	0.03	0.02	0.02	0.03	0.02	(0.02)	(0.02)	(0.00)	0.09	(0.03)	0.01
Diluted from continuing	0.03	0.02	0.02	0.02	0.02	(0.02)	(0.02)	(0.00)	0.09	(0.03)	0.01
Non-GAAP Diluted from continuing	**0.01**	**0.03**	**0.03**	**0.04**	**0.03**	**(0.01)**	**(0.00)**	**0.01**	**0.11**	**0.01**	**0.06**
	-69.1%	5.5%	26.3%	-5.3%	182.1%	-137.2%	-111.9%	-74.2%	-16%	-89%	400%
Shares											
Basic	24.1	24.3	24.3	24.4	24.4	24.6	24.7	24.8	24.2	24.6	25.9
Diluted	24.2	24.7	24.8	24.9	24.6	24.6	24.8	24.9	24.5	24.7	26.2
	3.2%	2.7%	2.7%	1.7%	1.3%	-0.5%	0.0%	0.1%	1.6%	0.7%	6.0%
Adjusted EBITDA	0.67	1.09	1.35	1.55	1.30	0.29	0.45	0.80	4.66	2.85	3.49
	-50%	-9%	15%	-13%	93%	-74%	-67%	-48%	-15%	-39%	23%

BALANCE SHEET

	June 30, 2016	March 31, 2016	% Change
Current assets			
Cash	$3,974,793	$4,433,537	-10%
Accounts receivable, net	5,316,043	5,065,091	5%
Unbilled revenue	8,385	8,727	-4%
Prepaid expenses and other current assets	412,749	280,619	47%
Total current assets	9,711,970	9,787,974	-1%
Property and equipment, net	1,846,632	1,854,313	0%
Other assets			
Goodwill	5,760,808	5,760,808	0%
Intangible assets, net of accumulated amortization	8,805,996	9,086,657	-3%
Other assets	29,229	218,745	-87%
Total other assets	14,596,033	15,066,210	-3%
Total assets	26,154,635	26,708,497	-2%
Current liabilities			
Accounts payable	7,416,600	7,664,096	-3%
Accrued expenses and other current liabilities	2,853,143	2,860,740	0%
Total current liabilities	10,269,743	10,524,836	-2%
Long-term liabilities			
Deferred tax liability	3,799,600	3,799,600	0%
Other long-term liabilities	701,957	701,957	0%
Total long-term liabilities	4,501,557	4,501,557	0%
Total Liabilities	14,771,300	15,026,393	-2%
Stockholder's equity			
Common stock, $.001 par value	24,823	24,823	0%
Additional paid-in capital	129,428,346	129,428,346	0%
Accumulated deficit	(116,374,506)	(116,374,506)	0%
Treasury stock, at cost - 376,527 shares	(1,396,559)	(1,396,559)	0%
Total stockholders' equity	11,682,104	11,682,104	0%
Total liabilities and stockholders' equity	$26,453,404	$26,708,497	-1%
Quick Ratio	0.9	0.9	2%
Working Capital	(557,773)	(736,862)	-24%
Cash as % of assets	15%	17%	-8%
Cash per share	$0.16	$0.18	-10%
Debt % of assets	3%	3%	2%

CASH FLOWS

	3 Months Ended 3/31/15	3 Months Ended 6/30/15	3 Months Ended 9/30/15	3 Months Ended 12/31/15	Year 2015	3 Months Ended 3/31/16	3 Months Ended 6/31/16
Operating activities:							
Net income	626,310	445,008	651,394	617,062	2,339,774	374,274	(574,828)
Adjustments to reconcile net income to net cash provided by operating activities:							
Settlement of tax liability	(406,453)	-	-	-	(406,453)	-	-
Depreciation and amortization	370,883	472,202	463,644	500,621	1,807,350	540,562	561,494
Deferred income taxes	-	-	-	233,480	233,480	-	-
Amortization of financing fees	9,533	645	3,226	6,400	19,804	6,400	6,400
Adjustment of European liabilities related to discontinued operations	(20,461)	9,056	(45,206)	(3,140)	(59,751)	(5,144)	-
Provision of doubtful accounts	(80)	(12,956)	-	7,000	(6,036)	(464)	(293)
Stock based compensation	51,924	82,750	251,144	321,726	707,544	359,338	327,110
Other, net	(251,084)	-	251,084	-	0	-	-
Cash Flow	**380,572**	**996,705**	**1,575,286**	**1,683,149**	**4,635,712**	**1,274,966**	**319,883**
Free cash flow	**141,145**	**658,992**	**1,101,748**	**1,207,939**	**3,109,824**	**902,368**	**(3,003)**
Change in operating assets and liabilities:							
Accounts receivable and unbilled revenue	(2,287,739)	1,052,586	176,822	(943,282)	(2,001,613)	1,944,137	(250,317)
Prepaid expenses and other assets	57,613	(52,712)	(3,622)	(20,649)	(19,370)	64,747	50,986
Accounts payable	1,307,931	1,357,947	573,126	1,306,902	4,545,906	(2,411,075)	(247,496)
Accrued expenses and other liabilities	(837,934)	841,541	59,668	(1,117,638)	(1,054,363)	(299,033)	4,105
Other, net	11,801	-	(11,801)	-	-	-	-
Net cash provided by operating activities	(1,367,756)	4,435,350	2,130,196	908,482	6,106,272	573,742	(122,839)
Investing activities:							
Purchases of equipment and capitalized development costs	(239,427)	(337,713)	(473,538)	(475,210)	(1,525,888)	(372,598)	(322,886)
Grant funds received for equipment and office construction	-	-	-	-	-	-	-
Net cash used in investing activities	(239,427)	(337,713)	(473,538)	(475,210)	(1,525,888)	(372,598)	(322,886)
Financing activities:							
Deposit to collateralize letter of credit						-	-
Prepaid financing fees and other	-	-	-	25,600	25,600	-	-
Net taxes paid on RSU grants exercised	-	(251,083)	-	(109,525)	(360,608)	(11,952)	-
Proceeds from revolving line of credit	-	-	1,500,000	2,500,000	4,000,000	-	3,750,000
Payments on revolving line of credit	-	(1,793,275)	(1,500,000)	(2,500,000)	(5,793,275)	-	(3,750,000)
Proceeds from term note payable	-	(381,282)	381,282	-	-	-	-
Payments on term note payable and capital leases	(183,725)	-	(1,711,616)	(14,081)	(1,909,422)	(12,859)	(13,019)
Net cash used in financing activities	(183,725)	(2,241,915)	(1,514,059)	(98,006)	(4,037,705)	(24,811)	(13,019)
Effect of exchange rate changes	-	-	-	-	-	-	-
Net change - cash	(1,790,908)	1,855,722	142,599	335,266	542,679	176,333	(458,744)
Cash, beginning of quarter	3,714,525	1,923,617	3,779,339	3,921,938		4,257,204	4,433,537
Cash, end of period	1,923,617	3,779,339	3,921,938	4,257,204	4,257,204	4,433,537	3,974,793
Supplemental information:							
Interest paid	37,075	34,684	31,210	19,167	122,136	18,063	16,466
Income taxes paid	97,483	-	-	182,970	280,453	-	10,000
Cash received from construction allowance	-	-	-	200,000	200,000	-	-
Non-cash investing and financing activities:							
Purchase of property and equipment under capital lease	-	103,609	-	-	103,609	-	-
Purchase of intangible assets through a contingent liability	-	715,874	-	-	715,874	-	-
Stock issuance for partial settlement of cont. liability *						-	300,001
Write down of domain names due to partial settlement of cont. liability						-	46,367
Cash Flow	380,572	996,705	1,575,286	1,683,149	4,635,712	1,274,966	319,883
Free cash flow	141,145	658,992	1,101,748	1,207,939	3,109,824	902,368	(3,003)
EBITDA	1,075,264	1,044,345	1,355,412	1,695,316	5,170,337	1,302,907	287,590

* May 2015 web site purchase

STOCK PRICE CHART



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