Zacks Small-Cap Research

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Net Element Inc. (NETE-NASDAQ)

NETE: Financing is In Place…Now to Focus on Operations

Using an industry average of EV to GM of 6.2X we believe the stock could be worth $0.37 per share by year-end if NETE could reach profitability.

Current Price (05/18/16)	$0.30
Valuation	**$0.37**

OUTLOOK

Net Element is a software and services company, in global online payments. It operates a merchant processor in the US with and attractive offering from Aptito and a mobile payment processor in primarily in Russia. We expect revenues to grow another 24% this year without portfolio acquisitions and for losses to decrease. Investors are also expecting a reverse stock split in June to remain in compliance with NASDAQ. The company burns about $300,000 per month in cash and we believe breakeven operations could stop the equity dilution.

SUMMARY DATA

52-Week High	**$0.75**
52-Week Low	**$0.06**
One-Year Return (%)	**-54.7**
Beta	**0.57**
Average Daily Volume (sh)	**3,662,789**
Shares Outstanding (mil)	**114**
Market Capitalization ($mil)	**$34**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**31**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**197**
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-Growth**
Industry	**Internet Commerce**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	15.1 A	40.2 A
2016	11.3 E	12.1E	12.5 E	13.9 E	50.0 E
2017					56.0 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.11 A	-$0.07 A	-$0.06 A	-$0.00 A	-$0.19 A
2015	-$0.04 A	-$0.06 A	-$0.04 A	-$0.02 A	-$0.15 A
2016	-$0.01 A	-$0.01 E	-$0.01 E	-$0.01 E	-$0.05 E
2017					-$0.03 E

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

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WHAT'S NEW

Q1 Revenues Grow By 103%, and Losses Narrow

Revenues were light in the quarter just reported but losses came in essentially as expected as gross margins were slightly higher and expenses slightly lower. The **greatest progress in the quarter for the company was securing financing** to support losses for at least the next two years at the current cash burn rate. This should give investors a sigh of relief that management can now focus on the business of growing sales and reducing losses rather than raising capital. The solution will be dilutive to current shareholders however as the company has exhausted debt as an option.

Given the company current stock price **we expect the company will initiate a reverse split on or near the SEC deadline date of June 13th.** This has been a burden on the stock and we look forward to getting past it. Not only will the reverse split give better clarity to EPS calculations, we believe the company may be able to save some tax money.

Net Element reported Q1 2016 revenues of $11.3 million versus $5.5 million in 2015, up 103%. The greatest increase in revenues came from an increase in transaction volume in North America processing, which was up 52% to $7.9 million from $5.2 million in Q1 2015 but down sequentially from $8.1 million Q4 2015 due to seasonality.

PayOnline was acquired after Q1 last year and that business added $1.4 million in revenues to Q1 2016.

As we mentioned last quarter, the company changed the revenue recognition for the mobile business. That segment reported gross revenues of $2.0 million versus $0.3 million in revenues last year on a net basis. Gross margins for that business were 8.9% this year versus 96.2% last year; the dollar amount down to $178,000 versus $349,000 last year. It appears that that business is not proceeding as well as expected perhaps due to the Russian economy as a whole, or due to the loss of some customers. The CFO of that business, Irina Bukhanova, has left the company and management is looking for a replacement. The overall Q1 2016 gross margin percentage was flat with last year at 16.7%. The higher revenues contributed an extra $1 million in gross margin totaling $1.9 million versus $1 million in 2015.

Expenses in Q1 increased over last year from $3.1 million to $3.6 million. Depreciation increased $0.5 million (due to PayOnline) and the company took a $251,751 reserve for loan losses. Stock-based compensation declined from $601,000 million to $361,000 million in the quarter, reducing G&A expense.

Operating losses were $1.9 million versus $2.2 million. The non-GAAP loss (ex stock-based compensation and the loan loss reserve) was $1.3 million versus $1.6 million loss last year. N**on-GAAP EPS declined to a loss of $0.01 in 2016 from a loss of $0.04 last year**. Adjusted EBITDA was a **negative $0.2 million versus a negative $1.1 million last year**.

Share count rose from 46.1 million at March 31, 2015 to 112.9 million on March 31, 2016, up 145.5% (and now stands at 114.3 million) primarily due to the toxic financing in 2015**.**

BALANCE SHEET

Net Element ended the year with $725,000 million in cash and $5.3 million in debt on which it paid $150,000 a quarter in interest. Working capital is a negative $4.1 million. It burned approximately $900,000 in cash last quarter, which we believe is the current rate.

Financing with Crede CG III

On May 2, 2016, Net Element entered into a financing with Crede CG III, a previous investor. Crede agreed to acquire three existing promissory notes that had been previously issued by the Company, of up to $4.0 million in principal amount outstanding plus interest due to RBL Capital Group. These notes can be exchanged in $100,000 tranches for stock based on the lower of (a) the closing bid price of stock on the date of the applicable exchange notice and (b) “x” the average of the 3 lowest daily dollar volume-weighted average prices (VWAPs) of the stock during the 7 trading days immediately preceding the date of the applicable notice less “y” 12% of such average of the 3 lowest daily VWAPs.

On May 2, 2016, the first tranche of $281,142 was exchanged for 978,568 shares of stock at $0.2873 per share.

On May 11, 2016 the second tranche of $250,000 was exchanged for 917,431 shares of stock at $0.2725 per share.

On May 17, 2016, the third tranche in the amount of $170,633.33 was exchanged for 664,047 shares of stock at $0.2570 per share.

Net Element controls when the tranches are converted and will make requests as the money is needed to fund day-to-day operations. When the debt is converted the company's bank let them draw down the same amount, so the result is debt stays the same and shares are converted to cash. So far the total converted is $701,775, which has been exchanged for 2.56 million shares, leaving $3.3 million. This should be enough money to last until next year at the current burn rate. At the price of $0.30 per share, conversion would result in another million shares or an incremental 12%.

In addition Crede has signed an agreement to buy equity in Net Element of up to $15 million at a future unspecified date. This will give Net Element dry powder for future acquisitions.

Q2 2016 Forecast

In Q2 we are looking for revenues of $12.2 million versus $6.9 million an increase of 75%. Non-GAAP net loss should be similar to Q1 at a loss of $0.02 versus a loss of $0.06 a year ago.

2016

We are lowering revenue forecasts for the year to $50 million due to less than expected sales in the mobile business. With funding however, we would look for the company to pursue portfolio purchases to increase numbers that we are not factoring in. Giving better gross margins than expected we are leaving EPS where it is at a non-GAAP loss of $0.05 per share.

Below $1 per share the company is out of compliance with NASDAQ requirements and it has until June 13th to reach the $1 average or reverse split the stock. We expect the stock to be reverse split so that the share count is more in line with a company its size and give more meaning to EPS number.

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.

- Its Aptito product line provides differentiation and value-added services to its generic card processing business. It recently rolled out new product for retail establishments after being heavily focused on restaurants. This business should increase margins as well as aid sales efforts by improving price/performance and customer stickiness.

- 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 $50 million in revenues in 2016 through a combination of internal growth, acquisitions and change in revenue recognition.

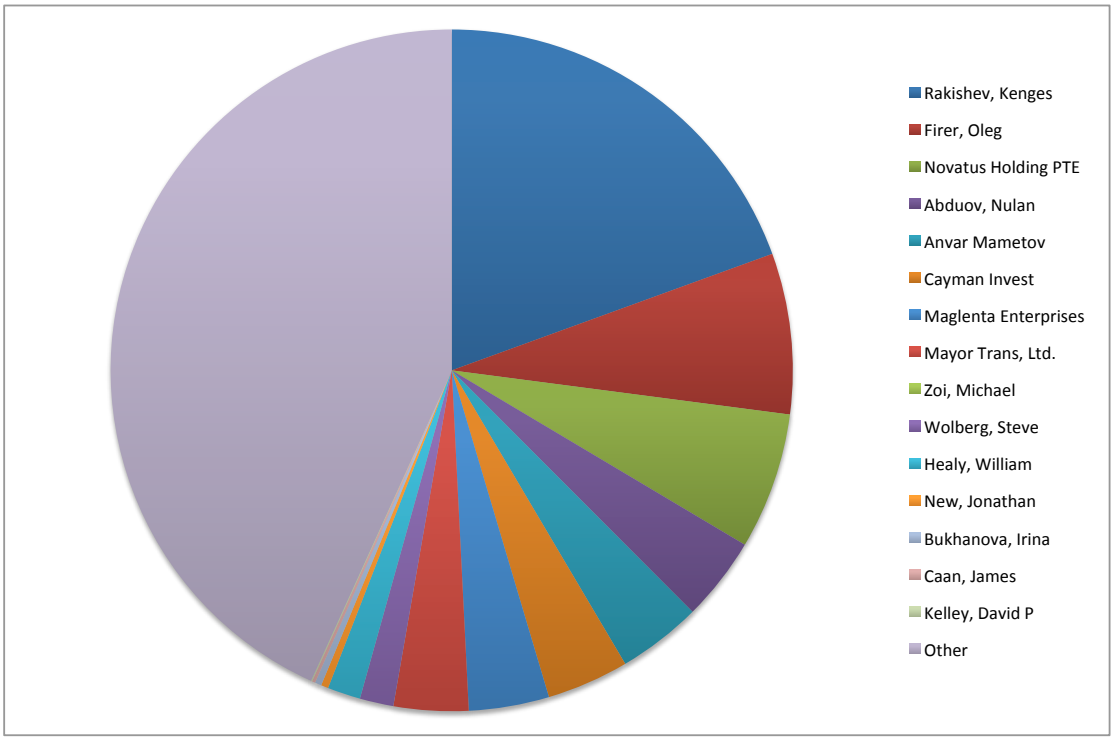
- If NETE achieves our forecasts without further common stock dilution than that already predicted and no incremental debt, we believe its common stock could be worth $0.37 per share based on an industry average valuation of approximately 6.2xs enterprise value to gross margin. However the company has a negative near term event to get past: a reverse split before June 13, 2016 in order to remain listed on NASDAQ.

VALUATION

There are a number of public companies in the merchant acquiring/processing business. The largest is Cielo (CIOXY) with a $21 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 $46 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. Since Net Element no longer reports revenues the same as its peer group it is difficult to use that as a metric. We can't use EBIDTA, as NETE is the only company with a negative EBITDA. We can us gross margin to enterprise value as that should be comparable across all companies. For the average of the group the enterprise value is 6.2 times the gross margin on a trailing basis. If we take this number and apply it to the $7.9 million gross margin we expect Net Element to generate this year we get an enterprise value of $53.9 million, and turn that back to price per share we get a share value of $0.37 by year-end. However, as the company continues to increase the share count, that valuation will decline with the increase in shares. By 2017 gross margin count be $9.7 million, 23% higher, but if the company sells 23% more of equity between now and then, the share price will remain at $0.37 even a year later due to dilution.

Company	Ticker	Gross Margin	%	Revenue 2016E	LTM	EBIDTA Margin	Enterprise Value / Sales 2016E	LTM	EV/GM	Included in Average?	Enterprise Value
Cielo	CIOXY			NA	3,020	47%	NA	7.0		n	21,240
EVERTEC	EVTC	207	55%	383	377	45%	4.3	4.4	8.0	y	1,650
First Data	FDC	4,540	58%	7,330	7,810	20%	3.9	3.7	6.3	y	28,790
Global Payments	GPN	1,750	61%	2,595	2,860	22%	4.2	3.8	6.2	y	10,840
JetPay	JTPY	17	39%	46	44	12%	1.0	1.1	2.7	y	46
PayPal	PYPL	9,250	96%	10,710	9,660	20%	3.9	4.3	4.5	y	41,760
Qiwi	QIWI	70	50%	149	140	31%	2.2	2.3	4.7	y	327
Total System Services	TSS	924	33%	2,940	2,780	19%	3.4	3.6	10.7	y	9,920
Vantiv	VNTV	1,682	53%	3,346	3,160	24%	3.4	3.6	6.7	y	11,290
Average			56%			24%	3.3	3.3	6.2		13,078

OWNERSHIP



RISKS

- The company has a new financial arrangement that is dilutive to common shareholders. It is uncertain if the company will be able to make accretive investments with this funds and shareholders may suffer further dilution.
- 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.

CASH FLOW

	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	YR 2015	Mar. 31, 2016
Cash flows from operating activities						
Net loss	$ (2,239,208)	$ (1,764,285)	$ (4,513,202)	$ (4,736,917)	$ (13,253,612)	$ (1,847,719)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Non controlling interest	$ (8,747)	$ (3,398)	$ (30,705)	$ (31,459)	$ (74,309)	$ (37,876)
Share based compensation	$ 601,371	$ 601,371	$ 601,371	$ 2,502,191	$ 4,306,304	$ 360,984
Deferred revenues	$ (34,858)					$ (171,908)
Gain on change in fair value and settlement of beneficial conversion derivative	$ 0	$ (2,022,036)	$ 1,083,028	$ 27,871,503	$ 26,932,495	$ 0
Depreciation and amortization	$ 438,769	$ 626,498	$ 851,634	$ 596,261	$ 2,513,162	$ 888,118
Non cash interest	$ 0	$ 349,146	$ (349,146)	$ 0	$ 0	$ 0
Amortization of debt discount	$ 0	$ 983,715	$ 1,626,315	$ 417,324	$ 3,027,354	$ 0
(Recovery of) provision for loan losses	$ 0	$ (94,770)	$ 94,770	$ 0	$ 0	$ 0
(Gain) loss on disposal of fixed assets	$ 0	$ (23,854)	$ (44,932)	$ 68,786	$ 0	$ 0
Loss on debt extinguishment	$ 0	$ 0	$ (79,325)	$ (27,664,655)	$ (27,743,980)	$ 0
Gain on MBF debt restructure	$ 0	$ 0	$ 0	$ (40,369)	$ (40,369)	$ 0
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates						
Account receivable	$ 131,020	$ 135,509	$ (1,469,958)	$ (298,776)	$ (1,502,205)	$ 436,453
Advances to aggregators	$ 0	$ (92,017)	$ 59,127	$ 42,912	$ 10,022	$ 0
Deferred revenue	$ 0	$ (310,241)	$ 273,477	$ 308,192	$ 271,428	$ 0
Prepaid expenses and other assets	$ 278,319	$ (104,721)	$ (263,433)	$ 381,466	$ 291,631	$ 334,291
Accounts payable	$ 667,819	$ (160,082)	$ 1,221,140	$ 1,431,700	$ 3,160,577	$ (865,158)
Accrued expenses	$ 356	$ (461,182)	$ 506,299	$ 365,257	$ 410,730	$ (44,186)
Net cash (used in) provided by operating	$ (165,159)	$ (2,305,489)	$ (1,034,911)	$ 417,324	$ (1,690,772)	$ (947,001)
Cash flows from investing activities						
Purchase of portfolio and client acquisition	$ 0	$ (303,775)	$ (119,475)	$ (454,835)	$ (878,085)	$ 0
Sale of portfolio	$ 0	$ 0	$ 300,000	$ 0	$ 300,000	$ 0
Acquisition of PayOnline assets, net of cash	$ 0	$ (3,195,452)	$ 0	$ 0	$ (3,195,452)	$ 0
Purchase of fixed and other assets	$ (6,849)	$ (58,202)	$ (419,086)	$ (95,072)	$ (579,209)	$ (396,819)
Net cash used in investing activities	$ (6,849)	$ (3,557,429)	$ (265,174)	$ (549,907)	$ (4,352,746)	$ (396,819)
Cash flows from financing activities						
Repayment to Financial Institutions	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Proceeds from preferred stock	$ 0	$ 5,500,000	$ 0	$ 0	$ 5,500,000	$ 0
Proceeds from indebtedness	$ 650,000	$ 0	$ 0	$ 0	$ 650,000	$ 75,000
Repayment of indebtedness	$ (8,710)	$ 8,710	$ 0	$ 0	$ 0	-
Note payable (non-current)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Related party advances (payments)	$ 125,000	$ (40,744)	$ 565,744	$ (318,727)	$ 331,273	$ 910,045
Net cash provided by (used in) financing	$ 766,290	$ 5,467,966	$ 565,744	$ (318,727)	$ 6,481,273	$ 985,045
Effect of exchange rate changes on cash	$ (331,346)	$ 303,903	$ 375,021	$ (262,929)	$ 84,649	$ 57,537
Net increase in cash	$ 91,048	$ (91,048)	$ (359,320)	$ (714,239)	$ 522,404	$ (301,238)
Cash at beginning of period	$ 675,231	$ 766,279	$ 675,231	$ 315,728	$ 503,343	$ 1,025,747
Cash at end of period	$ 766,279	$ 675,231	$ 315,728	$ 1,025,747	$ 1,025,747	$ 724,509
Cash paid during the period for:						
Interest	$ 118,910	$ 2,343	$ 275,933	$ 151,158	$ 548,344	$ 150,438
Taxes	$ 30,505	$ 59,706	$ (15,794)	$ 146	$ 74,563	$ 86,770
Operating cash flow	$ (1,207,815)	$ (1,347,613)	$ (760,192)	$ (1,017,335)	$ (4,332,955)	$ (636,493)
Free cash flow	$ (1,214,664)	$ (4,905,042)	$ (1,025,366)	$ (1,567,242)	$ (8,685,701)	$ (1,033,312)

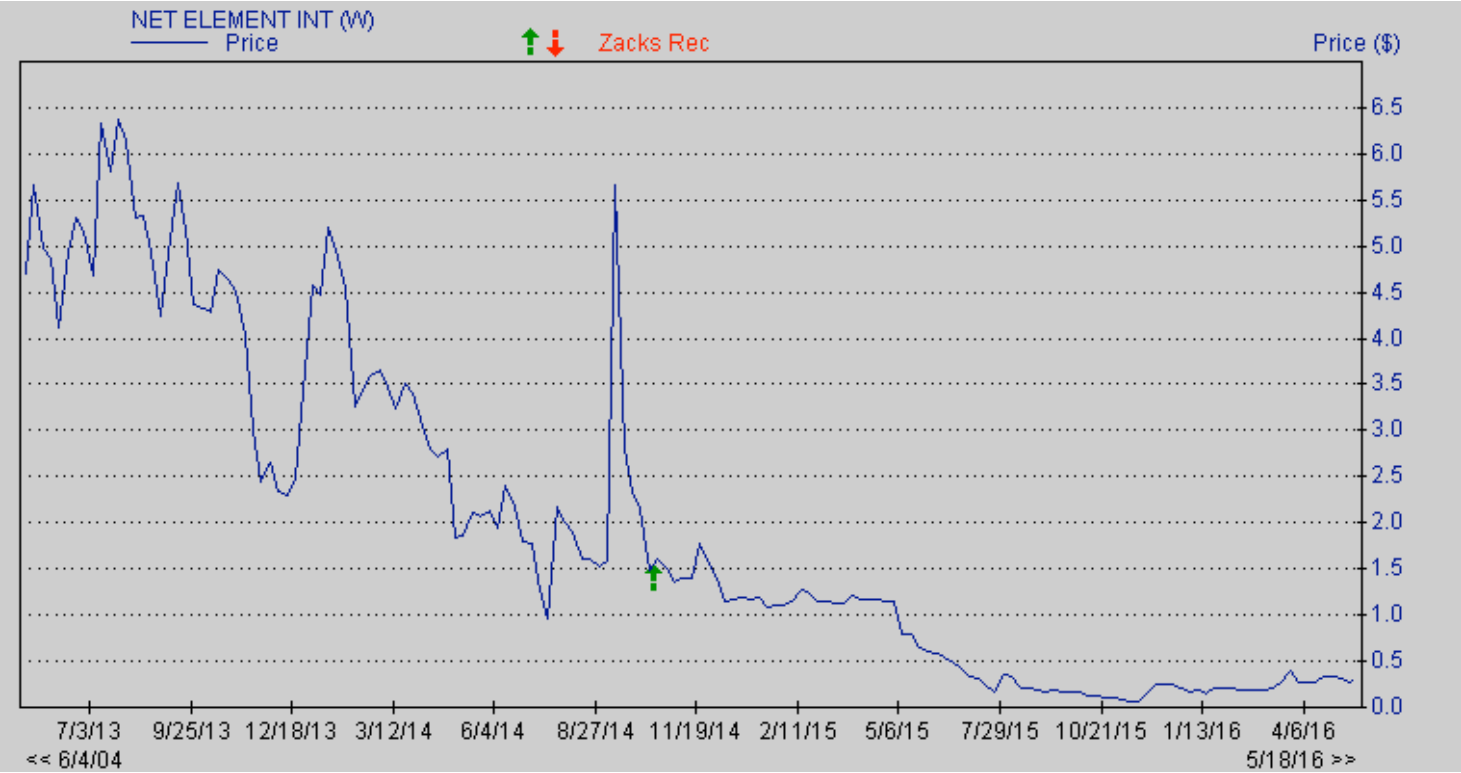
BALANCE SHEET

	Mar. 31, 2016	Dec. 31, 2015	% Change
Current assets:			
Cash	**$724,509**	**$1,025,747**	-29%
Accounts receivable, net	4,424,761	5,198,993	-15%
Prepaid expenses and other assets	1,311,979	1,106,016	19%
Total current assets	6,461,249	7,330,756	-12%
Fixed assets, net	151,212	162,123	-7%
Intangible assets, net	4,969,863	5,423,880	-8%
Goodwill	9,643,752	9,643,752	0%
Other long term	389,680	353,050	10%
Total assets	21,615,756	22,913,561	-6%
Current liabilities:			
Accounts payable	$5,075,959	$5,858,837	-13%
Deferred revenue	572,002	743,910	-23%
Accrued expenses	3,131,234	2,975,066	5%
Notes payable (current portion)	**570,017**	**518,437**	10%
Due to related parties	**1,239,856**	**329,881**	276%
Total current liabilities	10,589,068	10,426,131	2%
Notes payable (non-current portion)	3,469,983	3,446,563	1%
Total liabilities	14,059,051	13,872,694	1%
STOCKHOLDERS' DEFICIT			
Common stock	11,317	11,262	0%
Paid in capital	154,782,677	154,351,558	0%
Accumulated other comp income (loss)	(1,595,563)	(1,565,822)	2%
Accumulated deficit	(145,802,767)	(143,955,048)	1%
Noncontrolling interest	161,041	198,917	-19%
Total stockholders' deficit	7,556,705	9,040,867	-16%
Total liabilities and stockholders' deficit	21,615,756	22,913,561	-6%
Net Cash	(1,085,364)	177,429	-712%
Current and Quick Ratio	0.6	0.7	-13%
Working Capital	(4,127,819)	(3,095,375)	33%
Total Debt Plus Preferred	5,279,856	4,294,881	23%
Debt/TA	24%	19%	30%

INCOME STATEMENT

	Q1 2015 31-Mar	Q2 2015 30-Jun	Q3 2015 30-Sep	Q4 2015 31-Dec	Q1 2016 31-Mar	Q2 2016E 30-Jun	Q3 2016E 30-Sep	Q4 2016E 31-Dec	2014	2015	2016E	2017E
North America Transaction	$5.2	$6.3	$7.8	$8.1	$7.9	$8.0	$7.5	$8.2	$19.3	$27.39	$31.55	$34.08
Yr-over-yr Growth	26.4%	37.1%	41.4%	58.3%	51.7%	27.6%	-4.2%	1.1%	30.6%	41.7%	15.2%	8.0%
Credit card cost of service	4.6	5.5	6.5	7.0	6.7	6.9	6.5	7.1	15.9	23.5	27.0	28.6
Gross margin	0.6	0.8	1.3	1.2	1.2	1.1	1.1	1.1	3.4	3.9	4.5	5.5
Gross margin %	11.1%	13.1%	17.1%	14.3%	15.3%	14.0%	14.0%	14.0%	17.6%	14.2%	14.3%	16.0%
Mobile payments	0.4	0.3	2.8	5.6	2.0	2.3	3.0	3.5	1.9	9.0	10.8	13.0
Yr-over-yr Growth		-2.2%	470.2%	NM	448.9%	594.8%	7.3%	-37.0%	-52.8%	385.5%	19.3%	20.0%
Cost of Service	0.0	0.0	2.8	5.3	1.8	2.1	2.8	3.2	0.0	8.1	10.0	11.9
Gross Margin	0.349	0.3	0.0	0.216	0.178	0.2	0.2	0.3	1.9	0.9	0.8	1.0
Gross margin %	96.2%	95.5%	1.3%	3.9%	8.9%	7.5%	7.5%	7.5%	100%	10.2%	7.8%	8.0%
PayOnline	-	0.3	2.1	1.4	1.4	1.8	2.0	2.2	0%	3.8	7.4	8.5
Yr-over-yr Growth	-	NA	NA	NA	NA	NA	-2.6%	52.1%	NA	NA	95.0%	15.0%
Online Solutions Cost of Service	-	0.0	1.5	0.9	0.9	1.2	1.3	1.5	0.0	2.4	4.9	5.5
Gross Margin	-	0.3	0.6	0.5	0.5	0.6	0.7	0.7	0.0	1.4	2.5	3.1
Gross margin %		100.0%	29.0%	37.9%	35.1%	34.0%	34.0%	34.0%	NA	38.1%	34%	36.0%
Total revenues	5.5	6.9	12.7	15.1	11.3	12.1	12.5	13.9	**21.2**	**40.2**	**49.8**	**55.6**
Yr-to-yr Growth	14.4%	40.6%	110.3%	179.3%	103.2%	75.2%	-1.4%	-8.0%	13.0%	89.8%	23.7%	11.6%
Costs and expenses:												
Cost of revenues	4.6	5.5	10.7	13.2	9.4	10.2	10.5	11.7	15.9	34.0	41.9	46.0
Gross Margin	0.9	1.4	2.0	1.9	1.9	1.9	2.0	2.2	5.3	6.3	7.9	9.6
% of Sales	16.7%	20.8%	15.5%	12.7%	16.7%	15.7%	15.6%	15.5%	25.1%	15.6%	15.9%	17.2%
G&A	2.6	3.2	2.8	5.0	2.4	2.6	2.6	2.7	11.4	13.6	10.2	11.3
Provision for loan losses	0.0	0.1	0.3	0.2	0.3	0.1	0.1	0.1	(1.2)	0.6	0.6	0.6
Depreciation and amortization	0.4	0.6	0.9	0.6	0.9	0.9	0.9	0.9	2.4	2.5	3.6	3.6
Total operating expenses	3.1	3.9	3.9	5.9	3.6	3.5	3.5	3.6	12.6	16.8	14.3	15.4
Loss from operations	(2.2)	(2.5)	(1.9)	(3.9)	(1.7)	(1.6)	(1.6)	(1.5)	(7.2)	(10.5)	(6.4)	(5.9)
Loss from operations ex-one time	(2.2)	(2.5)	(1.9)	(3.9)	(1.7)	(1.6)	(1.6)	(1.5)	(8.4)	(10.5)	(6.4)	(5.9)
Interest expense, net	(0.1)	(1.3)	(1.6)	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	(3.7)	(3.6)	(0.7)	(0.7)
Other expense	0.0	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	(0.2)	(0.1)	(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	0.0	0.0	0.0
Gain on change in conversion derivative	0.0	2.0	(1.1)	(27.9)	0.0	0.0	0.0	0.0	0.0	(26.9)	0.0	0.0
One-time charges	0.0	0.0	0.1	27.7	0.0	0.0	0.0	0.0	1.0	27.7	0.0	0.0
Total non-operating expenses	(0.1)	0.7	(2.6)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(2.9)	(2.8)	(0.7)	(0.7)
Pretax operating income (loss)	(2.2)	(1.8)	(4.5)	(4.8)	(1.9)	(1.8)	(1.8)	(1.7)	(10.1)	(13.3)	(7.1)	(6.5)
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
Operating Loss	(2.2)	(1.8)	(4.5)	(4.8)	(1.9)	(1.8)	(1.8)	(1.7)	(10.3)	(13.3)	(7.1)	(6.5)
Minority interest	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0
Net loss	(2.2)	(1.8)	(4.5)	(4.9)	(1.8)	(1.8)	(1.8)	(1.7)	(10.2)	(13.4)	(7.1)	(6.5)
Preferred dividend	0.0	(0.5)	(0.6)	(0.4)	0.0	0.0	0.0	0.0	0.0	(1.6)	0.0	0.0
Net loss to common stock	(2.2)	(2.3)	(5.1)	(5.3)	(1.8)	(1.8)	(1.8)	(1.7)	(10.2)	(15.0)	(7.1)	(6.5)
Foreign currency translation gain (loss)	(0.1)	(0.1)	(0.2)	0.1	(0.0)	0.0	0.0	0.0	(1.1)	(0.3)	0.0	0.0
Comprehensive loss	(2.3)	(1.9)	(5.3)	(5.0)	(1.9)	(1.8)	(1.8)	(1.7)	(11.3)	(15.3)	(7.1)	(6.5)
Earnings ex-one time charge	(2.3)	(3.8)	(3.5)	(2.9)	(1.6)	(1.7)	(1.7)	(1.6)	(11.2)	(12.6)	(7.1)	(6.5)
Stock-based compensation	0.6	0.6	0.6	2.5	0.4	0.4	0.4	0.4	4.3	4.3	1.4	1.4
Adjusted Non-GAAP Earnings	(1.6)	(3.2)	(2.9)	(2.1)	(1.3)	(1.4)	(1.3)	(1.2)	(6.9)	(9.8)	(5.7)	(5.1)
Yr-to-yr Growth	-54%	174%	32%	-6056%	-23.1%	-57.7%	-55.5%	-41.3%	-64%	42%	-42%	-10%
GAAP EPS	**($0.05)**	**($0.04)**	**($0.08)**	**($0.05)**	**($0.02)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.27)**	**($0.21)**	**($0.06)**	**($0.04)**
Total loss per share	($0.05)	($0.04)	($0.08)	($0.05)	($0.02)	($0.02)	($0.01)	($0.01)	($0.27)	($0.21)	($0.06)	($0.04)
Non-GAAP EPS	**($0.04)**	**($0.06)**	**($0.04)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.19)**	**($0.15)**	**($0.05)**	**($0.03)**
Yr-to-yr Growth									-73%	-17%	-68%	-28%
Share outstanding	46.1	49.7	68.5	95.0	112.9	114.6	119.2	122.2	37.3	63.9	117.2	146.2
Yr-to-yr Growth	42%	54%	74%	112%	145%	131%	74%	29%	31%	72%	83%	25%
Fully diluted shares	60.7	67.8	90.0	127.9	127.6	136.5	145.5	154.4	46.3	86.6	141.0	160.8
Yr-to-yr Growth	47%	64%	86%	138%	110%	101%	62%	21%	24%	87%	63%	14%

HISTORICAL STOCK PRICE



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