Zacks Small-Cap Research

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

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Inuvo Inc. (INUV-AMEX)

INUV: Q3 Shows Business Returned as Yahoo Sale Was Settled

The stock is still priced well below the industry average of 1.1 times enterprise value to sales. **2016 est. revenue of $71 yields a $3.36 stock price.** Success with *SearchLinks* could double that valuation.

Current Price (10/26/16)	$1.19
Valuation	**$3.36**

OUTLOOK

Inuvo, a digital publishing and advertising technology company, reported a down year-over-year, but sequentially better, Q3, beating our revenue estimates. It resolved its Q2 problems and is back on track. This could be a good entry point for new investors particularly as we move to the seasonal strong Christmas quarter. If its new native ad product *SearchLinks* is successful, 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	**$1.13**
One-Year Return (%)	**-59.5**
Beta	**0.42**
Average Daily Volume (sh)	**40,737**
Shares Outstanding (mil)	**25**
Market Capitalization ($mil)	**$29**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**29**
Insider Ownership (%)	**18**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**13.3**
Earnings Per Share (%)	**63.8**
Dividend (%)	**N/A**
P/E using TTM EPS	**22.9**
P/E using 2016 Estimate	**52.9**
P/E using 2017 Estimate	**14.9**
Zacks Rank	**N/A**

Risk Level	**Above 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	17.5 A	19.3 E	71.2 E
2017					85.2 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 A	$0.01 E	$0.01 E
2017					$0.08 E

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

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WHAT'S NEW

Christmas is Coming: Expect Further Sequential Improvement

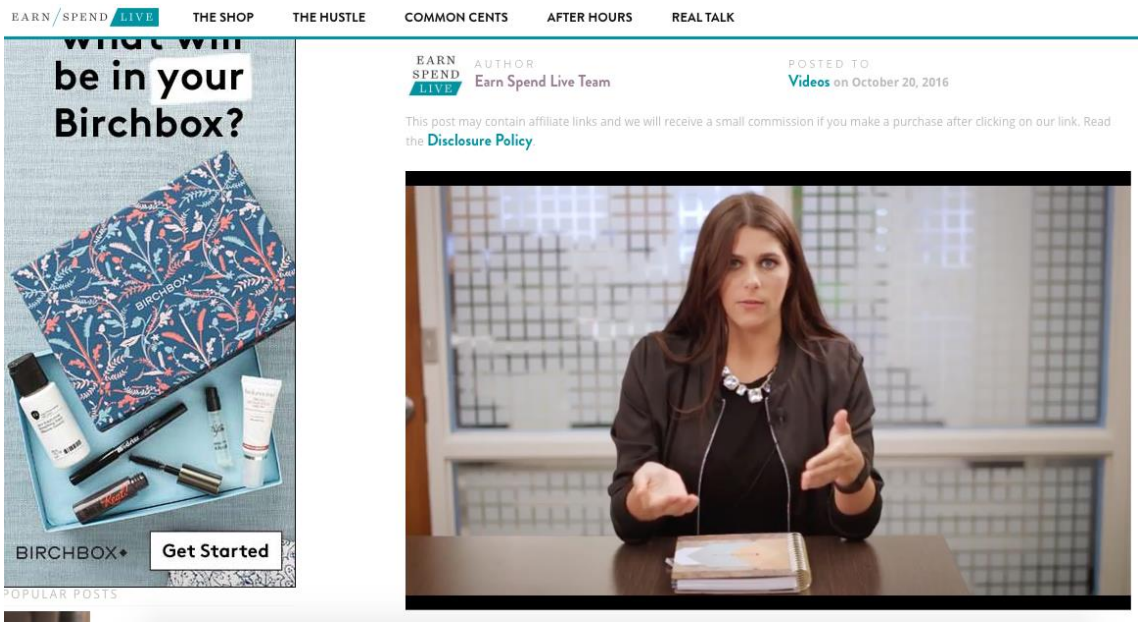
As its Q2 revenue issued were resolved, Inuvo was back on track with a sequentially improved Q3 and looks forward to another sequential improvement in Q4 in both lines of business. Revenues came in at $17.5 million versus $19.3 million last year, down 9.2% year over year, but up 11.7% sequentially. Annual revenues maybe come in fairly flat in 2016, so after a roaring 2015, the company has basically lost a year of revenue growth. Despite that, it is still on track to reach its $100 million annual run rate goal by Q4 2017.

Management saw renewed in sales from growth with Yahoo and expects that to continue despite its new ownership by Verizon.

Mobile is now 58% of revenues versus 38% last year and the company expects sequential growth in mobile.

SearchLinks continues to grow albeit off a small base. Revenues were up 15% sequentially from Q2 and ad clicks 20%. Its technology continues to improve and the company is capturing increased market share with its customers. SearchLinks is using contextual targeting that the company is now beginning to apply to its owned and operated web site. This means the system is looking at not only the topic the reader is currently viewing, but also what ads or products the reader had previously viewed when deciding what new ad to serve in order to optimize revenues to Inuvo. The owned and operated segment is also pioneering its use of header bidding (aka pre-bidding) to increase margins. This technology has increased profits from ads on its web site 15-20% when it is used. After its success at O&O, Inuvo plans to eventually use header bidding with the SearchLinks product to also improve its ad margins.

The company continues its push into video content and produced 75 original videos in the quarter. Most of which were used in the health, travel, living and the Earn, Spend, Live sites. Videos will be increasingly used with its direct advertising customers and in particular automotive in its Auto site.



In owned and operated the company added a new site BF essentials targeted at men 25-35. Another initiative is to repurpose content, and the company struck its first deal for this with The Financial Diet.

Q3 Earnings Results Shows A Recovery from Q2 Mishaps

Non-GAAP fully diluted EPS from continuing operations (ex-stock-based compensation) was breakeven versus earnings of $0.03 year ago. EBITDA was a positive $420,000 versus $1.35 million last year.

Partner network revenues were $6.2 million versus $7.2 last year, down 14% but up 30% sequentially. This is back to the same revenue level as Q4 2015. Owned and operated web site segment declined 5% year over year to $11.3 million, and was down 6% sequentially as problems occurring in Q3 continued into part of Q3. The segment reporting does not reflect apples to apples as the company bought some web sites that used to be part of the partner network in late 2015. Q4 2016 will anniversary these changes and show a meaningful year over year comparison.

Gross margin expanded to 71% of sales versus 69% last year primarily due to product mix, as higher margin owned and operated became 65% of sales versus 63% last year. Partner network gross revenues declined due to both lower revenue and to lower average RPCs (revenue per click.)

Marketing costs for the quarter were at 14% of owned and operated revenues down from 15% last year and but down from a high of 21% in Q1. Compensation and SG&A were $291,000 higher than last year as the company is now in a higher cost location in Little Rock and has 70 employees now versus 61 a year ago.

Operating income was a loss $452,000 versus a profit of $635,000 in 2015 and a loss of $607,000 in Q2 2016.

The company had a gain of $171,000 from its European discontinued operations that put total net income at a loss of $263,000 or $0.01. From continuing operations this was a loss of $0.02 and from non-GAAP continuing operations it was breakeven.

Due to a better than expected revenue recovery in Q3, we are raising our Q4 revenue expectations from $18.6 million to $19.3 million which will still result in a revenue decline year over year of 8%. Non-GAAP earnings per share should return to profits of $0.01 versus $0.04 in 2015. It is entirely possible however that we will not see year over year revenue growth until Q2 2017.

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 six quarter in a row of revenue growth over 30% growth, Q2 showed revenues down by 6% and Q3 revenues down 9%, but improved 12% sequentially. This revenue decline was caused by ad price and volume declines in the quarter due to uncertainly at Yahoo due to its acquisition by Verizon as well as a technical problem at the company. Inuvo adjusted its methodology and revenues have picked back up.

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

- 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 and in Q3 15%, 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 16% stake in the company (this includes Tocqueville Asset Management which he owns.) 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 1.1 times enterprise value to sales. **At a multiple of 1.1xs estimated $71 million in 2016 revenue, the stock should be worth $3.36.** 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 the nine months of 2016 the company split 29/69, 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 $71 million, the stock should be worth $3.36. However, the IPOs of Outbrain, Taboola, or Revcontent, all of whom are much more highly valued, could increase average comparable multiples.

	Ticker	Revenue		TTM	Enterprise Value / Sales		EV/	Included	Enterprise
Company		2016E	LTM	EBITDA	2016E	LTM	EBITDA	Average?	Value
Autobytel	ABTL	$152	$149	$13	1.1x	1.2x	13.7x	y	173
Blucora	BCOR	$447	$292	$56	2.0x	3.0x	15.6x	y	883
Criteo	CRTO	$710	$472	$142	2.7x	4.1x	13.5x	n	1,920
Demand Media	DMD	$110	$114	-$25	0.5x	0.5x	-2.4x	y	58
Rocket Fuel	FUEL	$255	$235	$10	0.4x	0.5x	10.7x	y	107
Marchex	MCHX	$128	$142	-$5	0.0x	0.0x	-0.2x	y	1
The Rubicon Project	RUBI	$268	$298	$42	0.7x	0.7x	4.7x	y	195
MaxPoint Interactive	MXPT	$96	$142	-$21	0.6x	0.4x	-2.8x	y	59
SITO Mobile	SITO	$37	$38	$2	2.5x	2.5x	42.6x	y	93
Travelzoo	TZOO	$133	$135	$11	0.9x	0.9x	11.2x	y	123
IAC	IAC	$3,110	$3,250	$381	1.8x	1.7x	14.8x	y	5,650
Average				**46.3**	**1.1x**	**1.1x**	**10.8x**		**$734**

	Revenue		TTM	Enterprise Value / Sales		Valuation Range	
	2016E	LTM	EBITDA	2016E	LTM	Low	High
Inuvo	**$71**	**$73**	**3.6**	**1.1x**	**1.1x**	**$76**	**$83**

Conclusion of Enterprise Value	**$79,190,254**
Market Value	**$82,921,834**
Shares Outstanding	24,694,566
Price per Share	**$3.36**

Private Company Valuations

Inuvo major competitors for *SearchLinks* are private companies and we 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.

Recently Inuvo's ad tech competitor Media.net was purchased for $900 million in cash by a Chinese consortium. The company claims to have generated $232 million in revenue in 2015 giving the transaction a valuation of 3.9 times 2015 revenues.

Outbrain, based in Netanya, Israel has a product much like SearchLinks. It was founded in 2006 and has $194 million in funding. It did a $45 million funding round in May 2016. Outbrain 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.

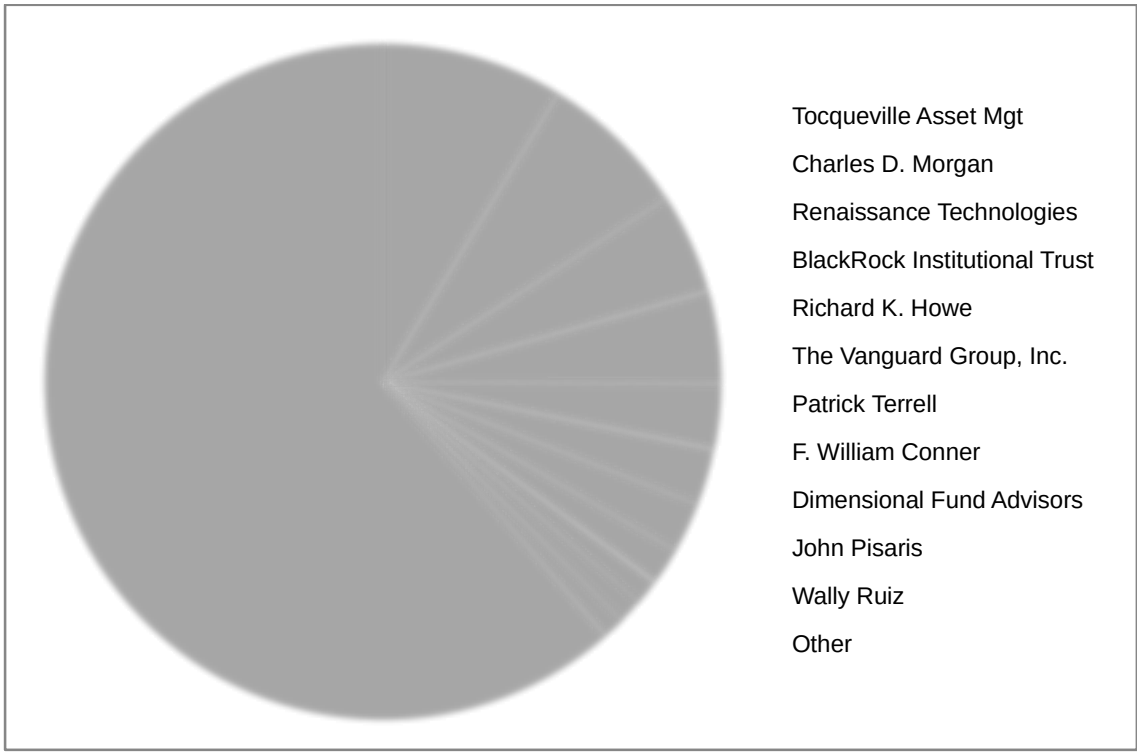
Revcontent, the Sarasota, Fla.-based company was founded in 2013 and employs approximately 100 people. It does 200 billion content recommendations per month and is believed to be the fastest growing native advertising network. It expects reach 2016 revenues of $280 million. It says it grew 600% in 2015. 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 2016 30-Sep	Q4 2016E 31-Dec	2014	2015	2016E	2017E
Partner Network Revenue	7.6	$9.3	$7.2	$6.2	5.3	$4.7	$6.2	$6.5	25.7	30.3	22.7	29.5
Yr-to-yr Growth	39%	67%	2%	-18%	-30%	-49%	-14%	5%	-29%	18%	-25%	30%
Partner network gross margin	1.5	2.2	1.4	1.5	1.0	0.8	1.1	1.1	5.5	6.6	4.0	5.9
% GM partner network	20%	24%	19%	21%	19%	17%	17%	17%	21%	22%	19%	20%
Owned and operated, excluding Appbar	5.8	7.3	12.0	14.8	13.4	$10.9	$11.3	$12.8	21.8	40.0	48.4	55.7
Yr-to-yr Growth	59%	52%	114%	93%	129%	49%	-5%	-14%	157%	83%	21%	15%
Appbar	$0.1	$0.1	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0	2.1	0.4	0.0	0.0
Yr-to-yr Growth	-90%	-83%	-74%	-63%	-100%	-100%	-100%	-100%	-80%	-82%	NM	0%
Owned and Operated GM	5.8	7.4	12.0	14.8	13.4	10.9	11.3	12.8	23.7	40.1	48.4	55.7
% GM owned and operated	100%	100%	100%	100%	100%	100%	100%	100%	99%	99%	100%	100%
Total revenue	**13.4**	**16.7**	**19.3**	**21.0**	**18.7**	**15.6**	**17.5**	**19.3**	**49.6**	**70.4**	**71.2**	**85.2**
Yr-to-yr Growth	33%	53%	48%	36%	40%	-6%	-9%	-8%	-9.8%	42%	1%	20%
							11.7%					
Total Cost of services	6.1	8.4	5.9	4.7	4.3	4.0	5.1	5.4	20.4	25.0	18.8	14.5
Gross profit	7.4	9.6	13.4	16.4	14.4	11.7	12.3	13.9	29.2	46.7	52.4	61.6
Gross Margin %	55%	58%	69%	78%	77%	75%	71%	72%	58.8%	66%	74%	72%
Operating expenses:												
Marketing	4.9	6.6	10.2	12.7	11.1	9.4	9.9	11.0	17.5	34.3	41.4	46.2
Profit after marketing of owned and operated	0.9	0.8	1.8	2.2	2.3	1.5	1.4	1.8	6.3	5.7	7.0	9.5
Margin Percent	15%	11%	15%	14%	21%	16%	14%	14%	26%	14%	14%	17%
Compensation	1.2	1.3	1.5	1.5	1.7	1.6	1.7	1.7	4.8	5.6	6.7	8.5
SG&A	1.0	1.2	1.0	1.4	1.3	1.3	1.2	1.3	4.4	4.6	5.1	6.0
Total operating expenses	7.1	9.1	12.7	15.6	14.0	12.3	12.8	14.0	26.7	44.6	53.2	60.7
Operating income:	0.3	0.5	0.635	0.7	0.4	-0.6	-0.4522	-0.1	2.5	2.1	-0.8	0.9
Operating margin	1.9%	3.2%	3.3%	3.5%	2.2%	-3.9%	-2.6%	-0.6%	5.0%	3.0%	-1.1%	1.0%
Other income:												
Interest expense, net	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.4)	(0.1)	-	-
Total other income	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.4)	(0.3)	-0.1	0.0
Income before income taxes	0.2	0.5	0.6	0.7	0.4	(0.6)	(0.5)	(0.1)	2.1	1.9	-0.9	0.9
Pretax Margin	1.5%	3.0%	3.2%	3.3%	2.0%	-4.0%	-2.7%	-0.8%	4.3%	2.7%	-1.2%	1.0%
Income tax benefit	(0.4)	(0.0)	0.0	0.1	0.0	(0.1)	(0.0)	(0.0)	(0.2)	(0.4)	(0.1)	0.1
Tax rate	-204%	-7%	1%	11%	2%	9%	9%	9%	-7.1%	-18.7%	12.0%	5.8%
Net income from continuing operations	0.6	0.5	0.6	0.6	0.4	(0.6)	(0.4)	(0.1)	2.3	2.2	(0.8)	0.8
Net income from discontinued operations	0.0	(0.0)	0.0	-	0.0	(0.0)	0.1718	-	(0.0)	0.0	-	-
Net income	0.6	0.5	0.6	0.6	0.4	(0.6)	(0.263)	(0.1)	2.3	2.3	(0.8)	0.8
Stk based compensation	0.1	0.1	0.3	0.3	0.4	0.3	0.3	0.3	1.0	0.8	1.0	1.3
One-time expenses	(0.4)	-	-	-	(0.0)	-	-	-	0.1	-	-	-
Non-GAAP Income from continuing	0.2	0.7	0.9	0.942	0.7	(0.2)	(0.1)	0.2	3.3	3.0	0.2	2.1
Yr-over-Yr									393.3%	-6.5%	-92.3%	803.3%
Net income per share:												
Basic from continuing	0.03	0.02	0.02	0.03	0.02	(0.02)	(0.02)	(0.01)	0.10	0.09	(0.03)	0.03
Diluted from continuing	0.03	0.02	0.02	0.02	0.02	(0.02)	(0.02)	(0.01)	0.09	0.09	(0.03)	0.03
Non-GAAP Diluted from continuing	**0.01**	**0.03**	**0.03**	**0.04**	**0.03**	**(0.01)**	**(0.00)**	**0.01**	**0.13**	**0.11**	**0.01**	**0.08**
	-69.1%	5.5%	26.3%	-5.3%	182.1%	-137.2%	-113.9%	-80.5%	358%	-16%	-91%	750%
Shares												
Basic	24.1	24.3	24.3	24.4	24.4	24.6	24.7	24.9	23.5	24.2	24.6	25.9
Diluted	24.2	24.7	24.8	24.9	24.6	24.6	24.7	24.9	24.1	24.5	24.7	26.2
	3.2%	2.7%	2.7%	1.7%	1.3%	-0.5%	-0.4%	0.2%	3.7%	1.6%	0.6%	6.2%
Adjusted EBITDA	0.67	1.09	1.35	1.55	1.30	0.29	0.42	0.74	5.48	4.66	2.75	4.01
	-50%	-9%	15%	-13%	93%	-74%	-69%	-53%	46%	-15%	-41%	46%

BALANCE SHEET

	Sept 30, 2016	June 30, 2016	% Change
Current assets			
Cash	$3,638,111	$3,974,793	-8%
Accounts receivable, net	6,315,256	5,316,043	19%
Unbilled revenue	10,999	8,385	31%
Prepaid expenses and other current assets	383,752	412,749	-7%
Total current assets	10,348,118	9,711,970	7%
Property and equipment, net	1,751,924	1,846,632	-5%
Other assets			
Goodwill	5,760,808	5,760,808	0%
Intangible assets, net of accumulated amortization	8,574,936	8,805,996	-3%
Other assets	29,229	29,229	0%
Total other assets	14,364,973	14,596,033	-2%
Total assets	26,465,015	26,154,635	1%
Current liabilities			
Accounts payable	7,873,231	7,416,600	6%
Accrued expenses and other current liabilities	2,804,056	2,853,143	-2%
Total current liabilities	10,677,287	10,269,743	4%
Long-term liabilities			
Deferred tax liability	3,799,600	3,799,600	0%
Other long-term liabilities	330,008	701,957	-53%
Total long-term liabilities	4,129,608	4,501,557	-8%
Total Liabilities	14,806,895	14,771,300	0%
Stockholder's equity			
Common stock, $.001 par value	25,213	24,823	2%
Additional paid-in capital	130,241,873	129,428,346	1%
Accumulated deficit	(117,212,407)	(116,374,506)	1%
Treasury stock, at cost	(1,396,559)	(1,396,559)	0%
Total stockholders' equity	11,658,120	11,682,104	0%
Total liabilities and stockholders' equity	$26,465,015	$26,453,404	0%
Quick Ratio	1.0	0.9	2%
Working Capital	(329,169)	(557,773)	-41%
Cash as % of assets	14%	15%	-10%
Cash per share	$0.15	$0.16	-7%
Debt % of assets	1%	3%	-54%

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	3 Months Ended 9/30/16
Operating activities:								
Net income	626,310	445,008	651,394	617,062	2,339,774	374,274	(574,828)	(263,073)
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	556,296
Deferred income taxes	-	-	-	233,480	233,480	-	-	-
Amortization of financing fees	9,533	645	3,226	6,400	19,804	6,400	6,400	6,400
Adjustment of European liabilities related to discontinued operations	(20,461)	9,056	(45,206)	(3,140)	(59,751)	(5,144)	-	(171,844)
Provision of doubtful accounts	(80)	(12,956)	-	7,000	(6,036)	(464)	(293)	6,557
Stock based compensation	51,924	82,750	251,144	321,726	707,544	359,338	327,110	315,596
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**	**449,932**
Free cash flow	**141,145**	**658,992**	**1,101,748**	**1,207,939**	**3,109,824**	**902,368**	**(3,003)**	**216,036**
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)	(1,008,384)
Prepaid expenses and other assets	57,613	(52,712)	(3,622)	(20,649)	(19,370)	64,747	50,986	22,597
Accounts payable	1,307,931	1,357,947	573,126	1,306,902	4,545,906	(2,411,075)	(247,496)	628,475
Accrued expenses and other liabilities	(837,934)	841,541	59,668	(1,117,638)	(1,054,363)	(299,033)	4,105	(54,941)
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)	37,679
Investing activities:								
Purchases of equipment and capitalized development costs	(239,427)	(337,713)	(473,538)	(475,210)	(1,525,888)	(372,598)	(322,886)	(233,896)
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)	(233,896)
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)	-	(128,790)
Proceeds from revolving line of credit	-	-	1,500,000	2,500,000	4,000,000	-	3,750,000	(3,750,000)
Payments on revolving line of credit	-	(1,793,275)	(1,500,000)	(2,500,000)	(5,793,275)	-	(3,750,000)	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)	(11,675)
Net cash used in financing activities	(183,725)	(2,241,915)	(1,514,059)	(98,006)	(4,037,705)	(24,811)	(13,019)	(140,465)
Effect of exchange rate changes	-	-	-	-	-	-	-	-
Net change - cash	(1,790,908)	1,855,722	142,599	335,266	542,679	176,333	(458,744)	(336,682)
Cash, beginning of quarter	3,714,525	1,923,617	3,779,339	3,921,938		4,257,204	4,433,537	3,974,793
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	3,638,111
Supplemental information:								
Interest paid	37,075	34,684	31,210	19,167	122,136	18,063	16,466	20,556
Income taxes paid	97,483	-	-	182,970	280,453	-	10,000	16,000
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	449,932
Free cash flow	141,145	658,992	1,101,748	1,207,939	3,109,824	902,368	(3,003)	216,036
EBITDA	1,075,264	1,044,345	1,355,412	1,695,316	5,170,337	1,302,907	287,590	419,691

STOCK PRICE CHART


INUVO INC (W)
Price ($)
3.6
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
12/11/13
3/5/14
5/28/14
8/20/14
11/12/14
2/4/15
4/29/15
7/22/15
10/14/15
1/6/16
3/30/16
6/22/16
9/14/16
<< 11/12/04
10/26/16 >>

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