Zacks Small-Cap Research

April 3, 2017

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

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Finjan Holdings (FNJN-NASDAQ)

FNJN: Changing Estimates Due to Sophos Settlement

Based on the average EV to Sales of comparable companies in the IP business of 2.5xs we believe FNJN Stock could be worth $7.78 per share if it does indeed collect the Blue Coat judgment as expected.

Current Price (03/31/17)	$1.74
Valuation	**$7.78**

UPDATE

Finjan is positioned to grow not only by pursuing IP licensing, but also by penetrating cybersecurity consulting services, and investing in new IP via R&D and cybersecurity startups. A preferred stock issued in May reduced earnings for common shareholders. At the end of 2017 we expect it to collect over $40 million from Blue Coat if the ruling is upheld on appeal, and for the company to retire its remaining preferred stock. The company continues to successfully close licensing deals and litigate other parties, both of which are accelerating.

SUMMARY DATA

52-Week High	**$1.98**
52-Week Low	**$0.87**
One-Year Return (%)	**90.8**
Beta	**0.3**
Average Daily Volume (sh)	**58,892**
Shares Outstanding (mil)	**23**
Market Capitalization ($mil)	**$40**
Short Interest Ratio (days)	**3.3**
Institutional Ownership (%)	**27**
Insider Ownership (%)	**65**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/M**
Earnings Per Share (%)	**N/M**
Dividend (%)	**N/M**
P/E using TTM EPS	**N/M**
P/E using 2017 Estimate	**1.4**
P/E using 2018 Estimate	**34.8**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Internet-Software**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	0.0 A	0.7 A	0.0 A	4.0 A	4.7 A
2016	2.3 A	6.5 A	1.1 A	8.4 A	18.4 A
2017	24.8 E	2.1 E	2.1 E	47.1 E	76.1 E
2018					21.8 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015	-$0.19 A	-$0.12 A	-$0.21 A	-$0.05 A	-$0.56 A
2016	-$0.05 A	-$0.20 A	-$0.20 A	$0.13 A	-$0.32 A
2017	$0.67 E	-$0.06 E	-$0.15 E	$1.22 E	$1.68 E
2018					$0.03 E

© Copyright 2017, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

Sophos Settlement Adds $15 Million to 2017 Revenues

Finjan won its trial against Sophos in September and was awarded $15 million for the life of the patents. It was subsequently granted pre and post trial interest. On Friday the two companies decided to settle and Finjan was paid $15 million. In addition, Finjan and Sophos cross-licensed patents in the mobile area. For this cross-license agreement Sophos is expected to pay Finjan another $2.5 million. One payment is expected on 3/31/2018 and the second on 3/31/2019. We have adjusted estimates accordingly.

Raising 2017 Forecasts

Due to Friday's settlement with Sophos we are raising full year 2017 and Q1 2017 estimates. For Q1 2017 we are now looking for $24.8 up from $9.845 million in revenues, all of which have already been announced and paid except for the estimated $100,000 in revenue we are estimating for the CybeRisk division. With expenses of $4.1 million, this would yield a fully diluted EPS of $0.67 up from the previously estimated $0.23 per share. This is compared with $2.3 million in sales and a loss of $0.05 per share in 2016.

For the 2017 year we are raising revenues to $76.1 million and $1.68 versus $18.4 million and a loss of $0.28 EPS in 2016.

Accordingly we are lowering 2018 a net $13.8 million. Removing $15 million for the Sophos win and adding on $1.25 million for the cross-licensing payment. This results in 2018 revenues of $21.8 million and $0.03. Given the nature of this business, this preliminary 2018 estimate has a huge margin of error and will change for sure.

LITGATION RECAP

Actions Against Blue Coat Systems

The big win for Finjan against Blue Coat on August 5, 2015 awarded the company $40 million. Since then, the district court granted Finjan pre and post judgment interest on the jury's award and Blue Coat has already put up a bond with the court for the $39.5 million and an incremental accounting for pretrial interest. With interest and royalties, the company estimates this could total $46 million by the time it is collected, of which, 20% will go to the litigating law firm. Symantec acquired blue Coat on August 1, 2016 for $4.5 billion and Finjan is also in litigation with Symantec with a trial date of April 9, 2018 with it.

In addition to the appeal process for this judgment, there is the new suit against Blue Coat that encompasses seven patents and addresses new products that have been introduced by Blue Coat since the lawsuit just won was filed in 2013. Specifically the company named certain of Blue Coat's ProxySG Appliances and Software, the ProxyAV Appliances and Software, and WebPulse Services (some of which Blue Coat recently launched) as products that are infringing. Trial date for Blue Coat II is set for October 30, 2017.

Blue Coat III is a lawsuit against Blue Coat in Germany. It has a trial date set for November 20, 2017.

Still Awaiting More Possible Settlements

Palo Alto Networks (PANW) The company **may soon have the stay lifted** since the Patent Office ruled on Finjan's patents. It may be more amenable to a licensing deal as this hurdle cleared. Of the 13 petitions for IPR, the PTAB has denied seven petitions in Finjan's favor, partially denied (and partially

granted) three petitions, and had granted three petitions for review. Since then, the 2 '154 petitions, 1 '633 petition and 2 '408 petitions were all found to be valid and patentable (i.e. no changes.) The company is still awaiting the results on the '494 patent review.

FireEye (FEYE) The judge **lifted the stay** on the case on March 28, 2017 and a case management conference is scheduled for April 20, 2017.

Cisco (CSCO) Despite being the fourth largest shareholder and owning 7% of Finjan, Cisco has turned out not to be immune from being sued for patent infringement. On **January 7, 2017**, Finjan filed case number 5:17-cv-00072, in its home court of Northern District of California alleging infringement of U.S. patent numbers: 6,154,844, 6,804,780, 7,647,633, 8,141,154, and 8,677,494. All five of those patents have already been successfully defended in court. In the action, Finjan is seeking, among other things, a preliminary and permanent injunction, an award to Finjan of damages, and reasonable attorneys' fees and costs. On March 6, 2017, Cisco denied Finjan's allegations of infringement, and alleged a counterclaim of breach of contract. A case management conference has been scheduled for June 8, 2017.

ESET A hearing regarding ESET's motions to dismiss was held on March 20, 2017. The company is awaiting results.

KEY POINTS

- Finjan holds a number of pioneering patents for cybersecurity hardware and software that is relevant to dozens of companies in this space.
- While it has already won a $40 million judgment against Blue Coat, its biggest opportunity is its litigation with Symantec, a much larger company that bought Blue Coat on August 1, 2016.
- The company is continuing to file new patents and create new cybersecurity products.
- While its patents have already generated > $154M in its licensing and enforcement track record, the company has the potential to continue to reap large licensing revenues from the $21 billion market for cybersecurity software, services and appliance market.
- The technology licensing market in the U.S., once an afterthought, has grown from $33 billion in 1994 to $68 billion in 2002 and is likely over $100 billion today.
- The company's win against Blue Coat proves its patents are still valued and able to be successfully defended and therefore monetized.
- The company's has a market cap of $40 million and could be worth considerably more if it is successful in its licensing pursuits. Estimating revenues of $76.1 million in 2017 and an industry multiple of 2.5 times sales, the company could be worth as much as $190 million in enterprise value by 2017 if it succeeds in reaching new licensing arrangements and collecting the Blue Coat win.

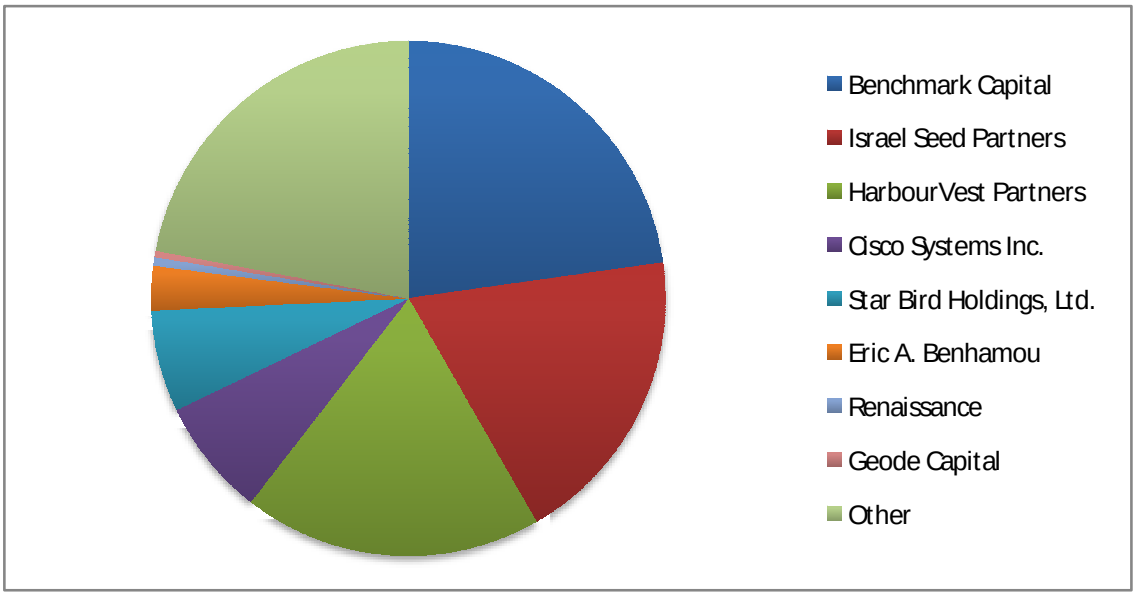
OVERVIEW

Finjan Holdings is a patent licensing and enforcement firm based in East Palo Alto, California that owns the patents of its predecessor company Finjan Inc., a cybersecurity company that was founded in Israel in 1997. It invented several technologies that are used in current cybersecurity products today. Its three main patent areas:

- Behavior-based methods to detect and prevent threats from the Internet, including email and Web malware
- "Sandboxing" or stripping applications and running potentially malicious code in a safe environment
- Mobile code replacement where the malicious code is stripped and replaced by safe code

OWNERSHIP

As of March 29, 2017



RISKS

- All of the revenues booked to date are one-time and not recurring. It will be more difficult to book revenues as more and more companies are no longer targets.
- There is no way to predict the timing of lawsuit settlements or licensing agreements, or even the length of a lawsuit.
- The stock is high risk and is expected to have wide swings in stock price depending on unpredictable events.
- The US government could to legislate new laws on patent enforcement that could affect the company's ability to monetize its patents as it currently expects.

THE PRESENT COMPANY ENFORCEMENT

Company	Date and Location	Status	Patent numbers
FireEye **($714 million)**	US District Court for the Northern District of California on July 8, 2013	Stayed lifted and case management meeting scheduled for April 20, 2017.	**6,804,780**, 8,079,086, 7,975,305, 8,225,408, **7,058,822**, 7,647,633 and 6,154,844
Blue Coat Bought by Symantec August 2016 **($755 million)**	US District Court for the Northern District of California on August 28, 2013 US District Court for the Northern District of California on July 16, 2015 German District Court in Dusseldorf	**Won $40m judgment. All patents upheld. Only 7,058,822 did not infringe.** Post-trial motions April 28, 2016 Injunction hearing Nov. 10, 2107. Trial date October 30, 2017 Trial date November 20, 2017	6,154,844, **6,804,780**, 6,965,968, **7,058,822**, 7,418,731, and 7,647,633 6,154,844; 6,965,968; 7,418,731; 8,079,086; 8,225,408; 8,566,580; 8,677,494
Proofpoint **($344 million)**	United States District Court for the Northern District of California on December 16, 2013	Settled May 23, 2016 for $10.9 million.	6,154,844, **7,058,822**, 7,613,918, 7,647,633, 7,975,305, 8,079,086, 8,141,154, and 8,225,408
Symantec **($3.6 billion)**	United States District Court for the Northern District of California on June 1, 2014	Stay lifted March 29, 2016. Trial date April 9, 2018.	6,154,844; 7,613,926; 7,756,996; 7,757,289; 7,930,299; 8,015,182; 8,141,154; and 8,677,494
Palo Alto Networks **($1.4 billion)**	United States District Court for the Northern District of California on November 4, 2014	Review completed by PTAB. Waiting for stay to be lifted.	**6,804,780**; 6,965,968; **7,058,822**; 7,418,731; 7,613,918; 7,613,926; 7,647,633; 8,141,154; 8,225,408; and 8,677,494
ESET	United States District Court for the Northern District of California on July 1, 2016 German District Court in Dusseldorf	Suing for minimum of $44 million. German trial July 6, 2017.	**6,154,844; 6,804,780;** 7,975,305; 8,079,086; 9,189,621; and 9,219,755. European Patent No. EP 0965094
Cisco **($49 billion)**	United States District Court for the Northern District of California on January 6, 2017	Initiated January 6, 2017. Case management conference June 8, 2017.	**6,154,844; 6,804,780**; 7,647,633; 8,141,154; and 8,677,494.

Highlighted patent numbers have been successfully defended in court.

VALUATION

Valuation of an IP company, even with a track record, is very difficult. It is even more so with a company like Finjan that has only two court victories, five recent licensing arrangements, and no recurring revenues. We can however look at other IP companies to see how the market values them to make some comparisons. There seems to be two different types of companies in this space, the older stable revenue generating companies like Rambus (RMBS), and the upstarts that trade on events and potential. We can see from the table below, this ranges from Pendrell (PCO) with a negative $8 million enterprise value, to Interdigital (IDCC) with an enterprise value of $2.3 billion and $404 million in sales expected next year. On average, the companies with revenues trade at an average of 2.5X 2017 estimated calendar revenues.

Using a valuation based on enterprise value to sales is easier for unprofitable companies. If Finjan were to generate $76.1 million in sales in 2017, we could see the market putting a 2.5 times sales multiple on it as shown in the industry average below. Using that and working back to enterprise value per share, we see that given those revenues, Finjan should be worth $7.78 per share, assuming a settlement is received from Blue Coat if the appeal is won. The Sophos win of $15 million has now been added to revenues.

Company	Ticker	Revenue 2017E	Revenue LTM	EV/ EBITDA	EBIDTA Margin	Enterprise Value / Sales 2017E	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
Acacia Research	ACTG	$127	$153	3.2x	26%	1.0x	0.8x	y	$128
Interdigital	IDCC	$404	$666	4.6x	73%	5.6x	3.4x	y	$2,260
Inventergy Global	INVT	$16	$2	-3.0x	-240%	0.9x	7.2x	y	$15
Marathon	MARA	$45	$44	4.0x	24%	0.7x	0.7x	y	$32
Neonode	NEON	$24	$10	-18.3x	-39%	3.1x	7.1x	y	$73
Network-1	NTIP	NA	$66	1.2x	78%	NA	0.9x	n	$62
Parkervision	PRKR	$37	$4	-1.6x	-346%	0.6x	5.6x	n	$23
Pendrell	PCO	NA	$59	-0.3x	46%	NA	-0.1x	n	-$8
Rambus	RMBS	$389	$337	14.3x	7%	3.7x	4.2x	y	$1,430
RPX	RPXC	$332	$333	2.4x	62%	1.5x	1.5x	y	$488
Xperi	TSRA	$408	$260	10.3x	65%	4.1x	6.5x	y	$1,683
VirnetX	VHC	NA	$2	-3.7x	-1934%	NM	59.2x	n	$92
FORM Holdings	FH	NA	$39	1.0x	28%	NM	0.2x	n	$9
Wi-Lan	WILN	$73	$93	2.3x	63%	1.9x	1.5x	y	$135
Average				**2.2x**	**5%**	**2.5x**	**3.7x**		**$694**

	Revenue 2017E	Revenue LTM	EBITDA Margin	Enterprise Value / Sales 2017E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Finjan	**$76**	**$18**	**-154%**	**2.5x**	**3.7x**	**$67**	**$190**

Conclusion of Enterprise Value	**$190,105,985**
Market Value	**$192,205,985**
Shares Outstanding	24,693,667
Price per Share	**$7.78**

Another way to look at possible revenues from current activity is to compare the relevant revenues of the various companies involved. We are taking a general guess that 20% of Websense's revenues were affected by Finjan patents which resulted in a licensing fee of $8 million before the Markman Hearing. Proofpoint just yielded $10.9 million right at the pre-trial hearing. F5 inked a deal for $4 million in the early stages of litigation. Avast just licensed its AVG products for $7.745 million soon after a dispute was raised.

The jury in the Sophos case awarded Finjan $15 million, the high end of the expert witnesses range and including pre and post interest. It was settled before appeal for $15 million. Blue Coat went through the full trial and was awarded $40 million. The sum is already up to $46 million as interest and royalties for additional products sold during the litigation process is added on. Looking at the rest of the companies we can derive revenues $389 million adding actuals and for similar licensing at the same stage as Websense. Judgments, of course, may be all over the place.

	2016 Revenues	% Relevant	License	Judgment
Estimated				
FireEye	$720	30%	$21.6	
Proofpoint	373	50%	18.7	
Symantec (2 segments)	4,200	30%	126.0	
Palo Alto Networks	1,500	20%	30.0	
ESET	NA	NA	30.0	44.0
Cisco	48,300	1%	30.0	
Total potential			256.3	
Actual				
Blue Coat				46.0
Websense	DK	DK	8.0	
Avast Software	DK	DK	10.7	
Undisclosed	DK	DK	3.7	
Proofpoint	373	DK	10.9	
European undisclosed			0.6	
F5	2,024	DK	4.0	
Sophos	**447**	**DK**	**20.0**	
Veracode	230	DK	2.0	
Total actual	DK	DK	**39.8**	46.0
TOTAL			$343.1	
Plus Blue Coat			**389.1**	

Cybersecurity companies

The new consulting venture, once it starts to generate meaningful revenues, will have different peer comparables where valuations are much higher. For example, FireEye bought Madiant for $1 billion or approximately 7 times sales. Another comparable would be root9b, a company with $141 million enterprise value and a run rate of $38 million, or 3.7 times.

INCOME STATEMENT

In Thousands	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017E Q1E	2017E Q2E	2017E Q3E	2017E Q4E	2015	2016	2017E	2018E
Websense	$2,000	$0	$0	$1,000	$0	$0	$0	$0	$0	$3,000	$0	$0
Other licenses	300	2,178	1,000	4,000	9,745	2,000	2,000	2,000	4,675	7,478	$15,745	20,000
CybeRisk Security Solutions	20	50	141	98	100	100	100	100	12	309	$400	500
Blue Coat	0	0	0	0	0	0	0	45,000	0	0	45,000	0
Proofpoint	0	4,300	0	3,300	0	0	0	0	0	7,600	0	0
Sophos					15,000	0	0	0			15,000	1,250
Total Revenues	**2,320**	**6,528**	**1,141**	**8,398**	**24,845**	**2,100**	**2,100**	**47,100**	**4,687**	**18,387**	**76,145**	**21,750**
Cost of revenues	0	2,237	0	800	4,075	147	147	9,147	814	3,037	13,025	4,350
Gross profit	2,320	4,291	1,141	7,598	20,771	1,953	1,953	37,953	3,873	15,350	63,121	17,400
Gross Margin	100%	66%	100%	90%	84%	93%	93%	81%	83%	83%	83%	80%
Operating Expenses:												
SG&A	3,433	3,339	4,184	3,474	3,900	3,900	5,200	6,900	17,367	14,430	19,900	16,200
R&D	51	54	259	206	200	200	200	200	391	570	800	500
Total operating expenses	3,484	3,393	4,443	3,680	4,100	4,100	5,400	7,100	17,758	15,000	20,700	16,700
Operating Income	(1,164)	898	(3,302)	3,918	16,671	(2,147)	(3,447)	30,853	(13,885)	350	42,421	700
Other Income												
Gain on settlements	0	0	0	0	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	1,271	0	0	0
Interest income	1	0	0	0	0	0	0	0	12	1	0	0
Total other income	1	0	0	0	0	0	0	0	1,283	1	0	0
Pretax profit	(1,163)	898	(3,302)	3,918	16,671	(2,147)	(3,447)	30,853	(12,602)	351	42,421	700
Income taxes	-	-	-	-	-	-	-	-	0	0	0	0
Tax rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(1,163)	898	(3,302)	3,918	16,671	(2,147)	(3,447)	30,853	(12,602)	351	42,421	700
Accretion of Preferred Stock	-	(5,480)	(1,309)	0	-	(816)	-	-	-	(6,789)	(816)	-
Net inc. to common shareholders	(1,163)	(4,582)	(4,611)	3,918	16,671	(1,331)	(3,447)	30,853	(12,602)	(6,438)	41,605	700
Net Income Per Share:												
EPS	**($0.05)**	**($0.20)**	**($0.20)**	**$0.16**	**$0.67**	**($0.06)**	**($0.15)**	**$1.22**	**($0.56)**	**($0.28)**	$1.68	$0.03
Diluted EPS	($0.05)	($0.20)	($0.18)	$0.16	$0.67	($0.06)	($0.15)	$1.22	($0.52)	($0.26)	**$1.68**	**$0.03**
Avg Shares Outstanding	22,709	22,764	22,854	22,901	23,139	23,239	23,339	23,439	22,549	22,837	22,931	23,600
Diluted Shares	24,628	24,973	25,063	24,694	24,932	25,032	25,132	25,232	24,468	24,630	24,723	25,393
Stock-based Comp	142	311	229	190	142	142	142	142	766	872	872	872
Non-GAAP Income	(1,021)	(4,271)	(4,382)	4,108	16,813	(2,005)	(3,305)	30,995	(11,836)	(5,566)	42,477	1,572
Non-GAAP EPS	**($0.04)**	**($0.19)**	**($0.19)**	**$0.18**	**$0.73**	**($0.09)**	**($0.14)**	**$1.32**	**($0.52)**	**($0.24)**	**$1.72**	**$0.06**

BALANCE SHEET

$ in Thousands	Dec. 31, 2016	Sept 30, 2016	% Change	Dec. 31, 2015	% Change
Current assets:					
Cash and cash equivalents	$13,678	$11,563	18%	$6,101	124%
Accounts receivable, net	1,066	-		-	
Prepaid expenses and other current assets	292	185	58%	322	-9%
Total current assets	15,036	11,748	28%	6,423	134%
Property and equipment, net	203	224	-9%	257	-21%
Investments	2,745	2,745	0%	2195	25%
Other long term assets	321	325	-1%	325	-1%
Total Assets	18,305	15,042	22%	9,200	99%
Current Liabilities:					
Accounts payable	1,858	2,132	-13%	2,220	-16%
Accounts payable - related parties	88	13	577%	17	418%
Accrued expenses	1,832	2,298	-20%	450	307%
Accrued income taxes	3	9	-67%	9	-67%
Other current liabilities	33	0	NM	32	3%
Total current liabilities	3,814	4,452	-14%	2,728	40%
Other non-current liabilities	119	124	-4%	130	-8%
Total Liabilities	3,933	4,576	-14%	2,858	38%
Redeemable Preferred Stock	13,486	13,686	-1%	0	NM
Stockholders' Equity					
Common stock	2	2	0%	2	0%
Additional paid-in capital	18,140	17,950	1%	23,946	-24%
Retained earnings	(17,256)	(21,172)	-18%	(17,606)	-2%
Total Stockholders' Equity	886	(3,220)	-128%	6,342	-86%
Total Liabilities & Stockholders' Equity	$18,305	$15,042	22%	$9,200	99%
Cash per share	$0.60	$0.51	19%	$0.26	131%
Working Capital	$11,222	$7,296	54%	$3,695	204%
Quick ratio	3.9	2.6	49%	2.4	67%
Debt/TA	74%	91%	-19%	0%	NM

CASH FLOW

	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	2016 Year	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	March 31, 2015	2015 Year
Cash flows from operating activities:										
Net loss	$ 3,916	$ (3,302)	$ 899	$ (1,163)	$ 350	$ (1,059)	$ (4,700)	$ (2,641)	$ (4,202)	$ (12,602)
Adjustments to reconcile net loss to net cash used in operating activities:										
Gain on Investment	0	0	0	0	0	0	0	(1,271)	0	(1,271)
Depreciation and amortization	(40)	15	13	14	63	15	9	19	7	50
Loss on disposal of assets	0	0	0	0	0	34	0	0	0	34
Stock-based compensation	(764)	229	311	142	872	124	187	100	355	766
Changes in operating assets and liabilities:										
Accounts receivable	0	0	0	0	(1,066)	0	0	55	1,961	2,016
Inventories	0	0	0	0	0	0	0	0	0	0
Prepaid expenses and other current assets	(228)	4	95	38	30	(81)	(23)	(153)	47	(210)
Other long-term assets	(2)	(1)	1	0	4	(24)	(70)	0	(231)	(325)
Accrued expenses	(5,030)	(665)	2,517	(4)	1,382	13	(361)	(44)	42	(350)
Accounts payable	2,009	936	(985)	(39)	(362)	72	669	152	(348)	545
Accounts payable - related parties	2	(5)	(3)	4	71	9	0	(10)	(82)	(83)
Other assets	0	0	0	0	0	97	65	0	0	162
Other liabilities	25	(10)	3	(31)	(10)	0	0	0	0	0
Accrued income taxes	0	0	0	0	(6)	1	0	0	8	9
Total Adjustments	(3,224)	259	1,628	(32)	43	87	280	0	1,397	1,764
Net cash used in operating activities	(112)	(2,799)	2,851	(1,039)	1,328	260	476	(1,152)	(2,443)	1,343
Cash flows from investing activities:										
Purchases of property and equipment	0	(9)	0	0	(9)	(11)	(54)	(133)	(77)	(275)
Proceeds from investment	0	0	0	0	0	0	0	826	0	826
Purchase of additional investment	500	(300)	(250)	0	(550)	(250)	(500)	0	0	(750)
Net cash provided by (used in) investing activities	500	(309)	(250)	0	(559)	(261)	(554)	693	(77)	(199)
Proceeds from exercise of stock options										
Proceeds for sale of Preferred, net	(18,980)	0	9,490	0	9,490					
Redemption Series A Preferred shares	0	(2,593)	0	0	(2,793)					
Proceeds from exercise of stock options	(152)	35	76	0	111	97	29	0	20	54
Net cash provided by financing activities	(19,132)	(2,558)	9,566	0	6,808	97	29	0	20	54
Net decrease in cash and cash equivalents	(18,744)	(5,666)	12,167	(1,039)	7,577	96	(49)	(3,100)	(2,500)	1,198
Cash and cash equivalents - beginning	11,563	17,229	15,005	6,101		7,156	11,905	15,005	17,505	
Cash and cash equivalents - ending	(7,181)	11,563	17,229	15,005	13,678	6,101	7,156	11,905	15,005	6,101
Cash paid for income taxes	7	0	0	0	0	7	0	0	0	7
Non-cash investing and financing activities										
Additional investment held by investee	0	0	0	0	0	0	0	445	0	445
Accretion of preferred stock to redemption value	(10,960)	1,309	5,480	0	6,789					
Purchase of property and equipment in exchange for finance agreement	0	0	0	0	0	0	0	0	0	0
Operating cash Flow	**3,112**	**(3,058)**	**1,223**	**(1,007)**	**1,285**	**(886)**	**(4,504)**	**(3,793)**	**(3,840)**	**(13,023)**
Free cash flow	3,612	(3,349)	973	(1,007)	744	(1,125)	(4,950)	(2,834)	(3,763)	(12,672)

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Lisa Thompson, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.