Zacks Small-Cap Research

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Finjan Holdings (FNJN-NASDAQ)

FNJN: Finjan Launches Finjan Blue to Monetized Newly Purchased IBM Patents

Based on the average EV to Sales of comparable companies in the IP business of 1.8xs we believe FNJN Stock could be worth $6.05 per share if it does indeed collect the Blue Coat judgment as expected.

UPDATE

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

Current Price (08/25/17)	$2.51
Valuation	**$6.05**

SUMMARY DATA

52-Week High	**$3.80**
52-Week Low	**$1.13**
One-Year Return (%)	**68.5**
Beta	**-0.8**
Average Daily Volume (sh)	**239,273**
Shares Outstanding (mil)	**27.5**
Market Capitalization ($mil)	**$69**
Short Interest Ratio (days)	**1.0**
Institutional Ownership (%)	**28**
Insider Ownership (%)	**10**
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	**6.8**
P/E using 2017 Estimate	**1.9**
P/E using 2018 Estimate	**N/M**
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	24.7 A	2.3 A	2.1 E	47.1 E	76.3 E
2018					21.8 E

Earnings per Share
(GAAP 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	$0.17 A	-$0.28 A
2017	$0.69 A	-$0.29 A	-$0.14 E	$1.03 E	$1.33 E
2018					-$0.03 E

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WHAT'S NEW

Finjan announced that its wholly owned subsidiary, Finjan Blue, entered into a Patent Assignment and Support Agreement with IBM as of August 24, 2017. Finjan Blue acquired select IBM patents in the security sector in exchange for $8.5 million cash, with $2.0 million already paid upon execution and $6.5 million to be paid over the next four years. This deal includes 25 patents and 16 pending patents or applications in the cybersecurity field. The company will be filing which specific patents they are shortly. The agreement is for five years and Finjan will reap all the financial benefits of any licensing or litigation while IBM promises to support those efforts with information on those patents as needed. IBM retained the right to use those patents for its own products and services and Finjan may use them for their businesses. While there is some overlap with patents Finjan already owns, it does open up new segments of the security market. None of these patents have been defended in court nor been challenged in the USPTO.

The company has a pipeline of 30 deals and we expect it to continue to license additional cybersecurity companies throughout the course of the year with significant activity because of the end of the Blue Coat appeal process. We expect Finjan Blue patent licensing conversations to come up where relevant in these on going discussions.

VPN Product Offering

Finjan is **expected to formally launch its VPN offering on September 6, 2017, although it is already available for purchase**. According to CNET, there are about 200 VPN offerings on the marketplace and each has its pros and cons. Users are advised to decide what sites they plan to use a VPN with and if they want to use one to remain just anonymous or secure or both. The Finjan offering is novel in that **it will combine a secure browser and a VPN service in one offering**. Finjan's browser scans sites to protect users from malware and viruses and does not collect user data, while Avira's VPN keeps users anonymous. Finjan's browser does not require users to log onto the VPN first; it automatically connects via the VPN, removing steps. While the browser is open, all other apps a mobile user uses automatically are routed through the VPN. Finjan's free plan limits users to 1GB a month. Pricing for the paid version is $4.99/month or $39.99/year to use on IOS devices only, or $7.99/month or $59.99/year to use on multiple platforms.

LITGATION

Blue Coat Systems Appeal to Be Heard September 8, 2017

Oral arguments will be heard at the appeals court in DC on September 8, 2017. Finjan expects that the most likely outcome is a Rule 36 Affirmed Decision, which would be decided within two to four weeks. The big win for Finjan against Blue Coat happened on August 5, 2015 and the jury 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. The results of this appeal process should change the dynamics of negotiating with future licensees as well as Blue Coat and Symantec in particular.

In addition to the this appeal, there is another suit against Blue Coat that encompasses seven patents and addresses new products that have been introduced by Blue Coat since the lawsuit since Blue Coat I 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 27, 2017.

Symantec acquired blue Coat on August 1, 2016 for $4.5 billion; Finjan is also in litigation with Symantec with a trial date of April 9, 2018. Finjan is open to a combined resolution for the two entities.

Still Awaiting More Possible Settlements

Palo Alto Networks (PANW) There is a stay **in the case** since the Patent Office is re-examining some Finjan's patents.

FireEye (FEYE) A Markman hearing is scheduled for January 18, 2018.

Cisco (CSCO) sold its 7% ownership of Finjan after Finjan filed suit against it 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 markman hearing has been scheduled for April 20, 2018.

Finjan has two separate lawsuits against **ESET**. A trial date in Germany was rescheduled for October 5, 2017.

Finjan filed a complaint against **SonicWall** on August 4, 2017.

Finjan filed a patent infringement lawsuit against Bitdefender, Inc., a Florida company, and Bitdefender S.R.L., a Romanian corporation, in the U.S. Northern District of California. Finjan filed Case No. 5:17-cv-04790 on August 16, 2017. It alleges that Bitdefender infringes four U.S. Finjan patents: U.S. Patent Nos. 6,804,780; 7,930,299; 8,141,154, and 8,677,494. The accused products include Total Security anti-malware software, Mobile Security for Android devices, GravityZone Business Security which provides anti-ransomware protection, and Cloud Security for MSPs which provides cloud-based central administration for endpoint security for an entity's customers. Finjan is seeking, among other things, a jury trial, past damages not less than a reasonable royalty, injunctive relief, enhanced damages for willful infringement, and reasonable attorneys' fees and costs.

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 coincidently 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 > $156M 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.

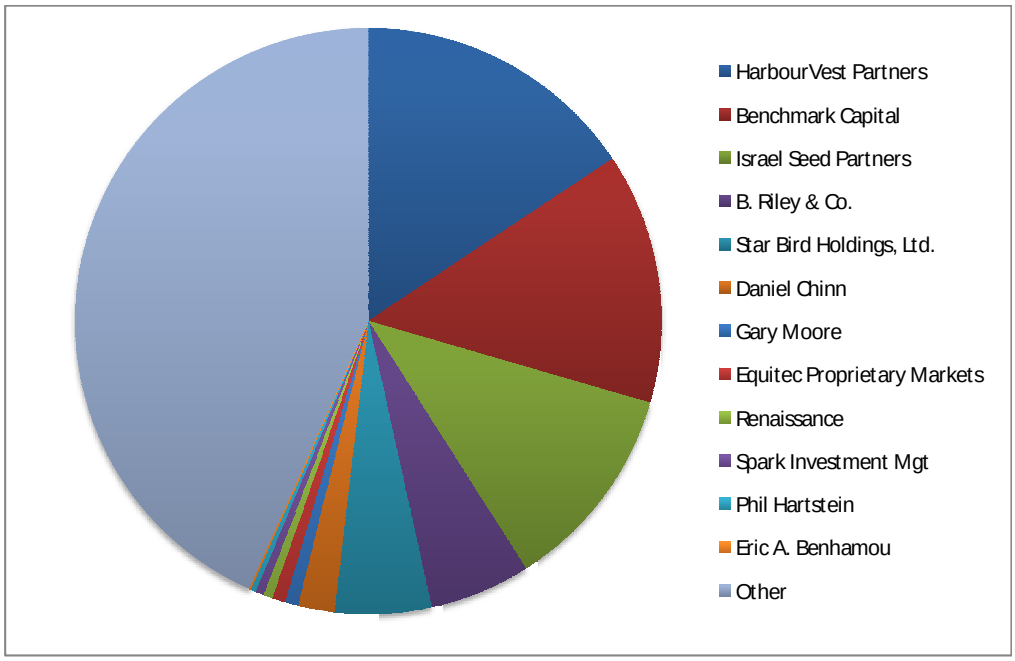
- The company's has a market cap of $79 million and an **enterprise value of $59 million** and could be worth considerably more if it is successful in its licensing pursuits. Estimating revenues of $76.3 million in 2017 and an industry multiple of 1.9 times sales, the company could be worth as much as $144 million in enterprise value if it succeeds in reaching new licensing arrangements and collecting the Blue Coat win. However the enterprise value is close to what Blue Coat owes the company if it loses the appeal, and is certainly less that what Symantec, its owner, might owe were it successfully sued, leading some investors to presume that buying Finjan outright is less expensive than paying up.

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



Both Benchmark Capital and Israel Seed Fund have been selling shares on the open market.

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	Markman scheduled for January 18, 2018.	**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 Court of Appeals	**Won $40m judgment. All patents upheld. Only 7,058,822 did not infringe.** Oral arguments Sept. 8, 2017 Injunction hearing Nov. 10, 2017.	6,154,844, **6,804,780**, 6,965,968, **7,058,822**, 7,418,731, and 7,647,633
Blue Coat II	US District Court for the Northern District of California on July 16, 2015	Trial date October 30, 2017	6,154,844; 6,965,968; 7,418,731; 8,079,086; 8,225,408; 8,566,580; 8,677,494
Blue Coat III	German District Court in Dusseldorf	Trial date November 27, 2017	
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.	Awaiting review 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. Markman scheduled for Sept. 24, 2017 German trial October 5, 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. Mediation at JAMS August 30, 2017. Markman scheduled April 20, 2018.	**6,154,844; 6,804,780**; 7,647,633; 8,141,154; and 8,677,494.
SonicWall **($1.4 billion)**	United States District Court for the Northern District of California on August 4, 2017	Initiated August 4, 2017.	**6,154,844; 6,804,780; 6,965,968; 7,058,822; 7,613,926;** 7,647,633; **7,975,305;** 8,141,154**; 8,225,408;** 8,677,494**.**
Bitdefender	United States District Court for the Northern District of California on August 16, 2017	Initiated August 16, 2017.	**6,804,780; 7,930,299; 8,141,154; and 8,677,494**

Highlighted patent numbers have been successfully defended in court.

VALUATION

Current thinking on Finjan's valuation is the price of the entire company versus the amount of the cost of a license from them. At an enterprise value of $59 million, it might be cheaper for Blue Coat (actually its parent company Symantec) to buy the entire company than pay the $45 million it may owe, not including the cost of litigation to go through the appeal, two more trials and litigation for Symantec products with results unknown. It is not unheard of for companies to have done this in the past when they lost a lawsuit to another company.

On the other hand, valuing 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 Inventergy Global (INVT) and Pendrill (PCO) with $1 million enterprise values, to Interdigital (IDCC) with an enterprise value of $1.9 billion and $418 million in sales expected this year. On average, the companies with revenues trade at an average of 2.6X 2017 estimated calendar revenues.

Using a valuation based on enterprise value to sales is easier for unprofitable companies. If Finjan were to generate $76.3 million in sales in 2017, we could see the market putting a 2.6 times sales multiple on it as shown in the industry average below. Using that and working back to market value per share, we see that given those revenues, Finjan should be worth $7.96 per share, assuming a settlement is received from Blue Coat if the appeal is won.

IP Companies

	Ticker	Revenue		EV/	EBIDTA	Enterprise Value / Sales		Included	Enterprise
Company		2017E	LTM	EBITDA	Margin	2017E	LTM	in Average?	Value
Acacia Research	ACTG	$75	$112	2.9x	12%	0.6x	0.4x	y	$48
Interdigital	IDCC	$418	$712	5.0x	75%	4.4x	2.6x	y	$1,850
Inventergy Global	INVT	NA	$2	-2.8x	-258%	NA	0.8x	n	$1
Marathon	MARA	$33	$35	2.4x	25%	0.7x	0.6x	y	$23
Neonode	NEON	$12	$9	-12.9x	-35%	5.9x	7.6x	y	$70
Network-1	NTIP	NA	$51	1.2x	70%	NA	0.7x	n	$38
Parkervision	PRKR	$1	$4	-1.6x	-314%	23.3x	8.0x	n	$33
Pendrell	PCO	NA	$36	-0.3x	67%	NA	0.0x	n	$1
Rambus	RMBS	$391	$379	12.7x	8%	3.5x	3.6x	y	$1,360
RPX	RPXC	$328	$333	2.6x	63%	1.4x	1.4x	y	$463
VirnetX	VHC	NA	$2	-7.8x	-1535%	NA	134.7x	n	$209
FORM Holdings	FH	NA	$37	-2.8x	-36%	NA	1.0x	n	$35
Quarterhill	QTRH	$79	$73	1.7x	46%	1.7x	1.8x	y	$133
Average				**2.0x**	**28%**	**2.6x**	**2.6x**		**$564**

	Revenue		EBITDA	Enterprise Value / Sales		Valuation Range	
	2017E	LTM	Margin	2017E	LTM	Low	High
Finjan	**$76**	**$37**		**2.6x**	**2.6x**	**$94**	**$199**

Conclusion of Enterprise Value	**$198,700,260**
Market Value	**$218,600,260**
Shares Outstanding	27,462,154
Price per Share	**$7.96**

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 $419 million adding actuals and revenues for similar licensing rates 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	
Cisco	48,300	1%	30.0	
SonicWall	NA	NA	20.0	
Bitdefender	103	100%	10.0	
Total potential			286.3	
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**	**15.0**	
Veracode	230	DK	2.0	
Avira Holding	DK	DK	4.9	
Total actual	DK	DK	**59.7**	46.0
TOTAL			$373.0	
Plus Blue Coat			**419.0**	

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 or cost 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.

INCOME STATEMENT

	2016				2017E							
In Thousands	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3E**	**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	2,300	2,000	2,000	4,675	7,478	$16,045	20,000
CybeRisk Security Solutions	20	50	141	98	2	9	100	200	12	309	$311	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**	**24,747**	**2,309**	**2,100**	**47,200**	**4,687**	**18,387**	**76,356**	**21,750**
Cost of revenues	0	2,237	0	800	3,783	225	147	9,154	814	3,037	13,010	4,350
Gross profit	2,320	4,291	1,141	7,598	20,964	2,084	1,953	38,046	3,873	15,350	63,346	17,400
Gross Margin	100%	66%	100%	90%	85%	90%	93%	81%	83%	83%	83%	80%
Operating Expenses:												
SG&A	3,433	3,339	4,184	3,474	4,537	4,635	5,200	7,000	17,367	14,430	21,372	16,000
R&D	51	54	259	206	153	334	300	250	391	570	1,037	1,000
Avira license fee						0	325	325			650	1,300
Total operating expenses	3,484	3,393	4,443	3,680	4,690	4,969	5,825	7,575	17,758	15,000	23,059	18,300
Operating Income	(1,164)	898	(3,302)	3,918	16,274	(2,885)	(3,872)	30,796	(13,885)	350	40,287	(900)
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	16,274	(2,885)	(3,872)	30,796	(12,602)	351	40,287	(900)
Income taxes	-	-	-	-	324	(56)	-	-	0	0	268	0
Tax rate	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%	1%	0%
Net Income	(1,163)	898	(3,302)	3,918	15,950	(2,829)	(3,872)	30,796	(12,602)	351	40,019	(900)
Accretion of Preferred Stock	-	(5,480)	(1,309)	0	-	(3,925)	-	-	-	(6,789)	(3,925)	-
Net inc. to common shareholders	(1,163)	(4,582)	(4,611)	3,918	15,950	(6,754)	(3,872)	30,796	(12,602)	(6,438)	36,094	(900)
Net Income Per Share:												
EPS	**($0.05)**	**($0.20)**	**($0.20)**	**$0.17**	**$0.69**	**($0.29)**	**($0.14)**	**$1.03**	**($0.56)**	**($0.28)**	$1.33	($0.03)
Diluted EPS	($0.05)	($0.20)	($0.20)	$0.17	$0.69	($0.29)	($0.14)	$1.03	($0.52)	($0.28)	**$1.33**	**($0.03)**
Avg Shares Outstanding	22,709	22,764	22,854	22,901	23,133	23,257	27,460	27,560	22,549	22,837	25,353	27,560
Diluted Shares	22,792	22,847	22,937	22,984	23,217	27,536	27,543	30,000	24,468	22,920	27,074	30,000
Stock-based Comp	142	311	229	190	209	419	419	419	766	872	872	872
Non-GAAP Income	(1,021)	(4,271)	(4,382)	4,108	16,159	(6,335)	(3,453)	31,215	(11,836)	(5,566)	36,966	(28)
Non-GAAP EPS	**($0.04)**	**($0.19)**	**($0.19)**	**$0.18**	**$0.70**	**($0.27)**	**($0.13)**	**$1.13**	**($0.52)**	**($0.24)**	**$1.37**	**($0.00)**

BALANCE SHEET

$ in Thousands	June 30, 2017	Mar. 31, 2017	Qtr-Qtr % Change	June 30, 2016	Yr-Yr % Change
Current assets:					
Cash and cash equivalents	$39,884	$26,434	51%	$17,229	131%
Accounts receivable, net	9	2	350%	-	NM
Prepaid expenses and other current assets	412	283	46%	189	118%
Total current assets	40,305	26,719	51%	17,418	131%
Property and equipment, net	178	191	-7%	230	-23%
Investments	2,618	2,618	0%	2,445	7%
Other long term assets	322	322	0%	324	-1%
Total Assets	43,423	29,850	45%	20,417	113%
Current Liabilities:					
Accounts payable	3,558	5,003	-29%	1,196	197%
Accounts payable - related parties	25	23	9%	18	39%
Accrued expenses	367	1,049	-65%	2,963	-88%
Accrued income taxes	241	327	-26%	9	2578%
Warrant liability	3313	0	NM	0	NM
Other current liabilities	35	20	75%	0	NM
Total current liabilities	7,539	6,422	17%	4,186	80%
Other non-current liabilities	102	119	-14%	134	-24%
Total Liabilities	7,641	6,541	17%	4,320	77%
Series A Preferred Stock	0	6,264	-100%	14,970	-100%
Series A-1 Preferred Stock	18,009	0	NM	0	NM
Stockholders' Equity					
Common stock	2	2	0%	2	0%
Additional paid-in capital	18,349	18,349	0%	18,996	-3%
Retained earnings	(1,306)	(1,306)	0%	(17,870)	-93%
Total Stockholders' Equity	17,045	17,045	0%	1,127	1412%
Total Liabilities & Stockholders' Equity	$43,423	$29,850	45%	$20,417	113%
Cash per share	$1.71	$1.16	47%	$0.76	127%
Working Capital	$32,766	$20,297	61%	$13,232	148%
Quick ratio	5.3	4.2	28%	4.2	28%
Debt/TA	41%	21%	98%	73%	-43%

CASH FLOW

	June 30, 2017	Mar. 31, 2017	2016 Year	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	2015 Year	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	March 31, 2015
Cash flows from operating activities:												
Net income	$ (2,830)	$ 15,950	$ 350	$ 3,916	$ (3,302)	$ 899	$ (1,163)	$ (12,602)	$ (1,059)	$ (4,700)	$ (2,641)	$ (4,202)
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	0	(1,271)	0
Depreciation and amortization	13	12	63	(40)	15	13	14	50	15	9	19	7
Loss on disposal of assets	0	0	0	0	0	0	0	34	34	0	0	0
Stock-based compensation	210	209	872	(764)	229	311	142	766	124	187	100	355
Changes in operating assets and liabilities:												
Accounts receivable	(7)	1,064	(1,066)	0	0	0	0	2,016	0	0	55	1,961
Inventories	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid expenses and other current assets	(128)	8	30	(228)	4	95	38	(210)	(81)	(23)	(153)	47
Other long-term assets	(1)	0	4	(2)	(1)	1	0	(325)	(24)	(70)	0	(231)
Accrued expenses	(682)	(783)	1,382	(5,030)	(665)	2,517	(4)	(350)	13	(361)	(44)	42
Accounts payable	(1,445)	3,145	(362)	2,009	936	(985)	(39)	545	72	669	152	(348)
Accounts payable - related parties	2	(65)	71	2	(5)	(3)	4	(83)	9	0	(10)	(82)
Other assets	0	0	0	0	0	0	0	162	97	65	0	0
Other liabilities	15	(13)	(10)	25	(10)	3	(31)	0	0	0	0	0
Accrued income taxes	(86)	324	(6)	0	0	0	0	9	1	0	0	8
Total Adjustments	(2,332)	3,680	43	(3,224)	259	1,628	(32)	1,764	87	280	0	1,397
Net cash used in operating activities	(4,939)	19,851	1,328	(112)	(2,799)	2,851	(1,039)	1,343	260	476	(1,152)	(2,443)
Cash flows from investing activities:												
Purchases of property and equipment	0	0	(9)	0	(9)	0	0	(275)	(11)	(54)	(133)	(77)
Proceeds from investment	0	127	0	0	0	0	0	826	0	0	826	0
Purchase of additional investment	0	0	(550)	500	(300)	(250)	0	(750)	(250)	(500)	0	0
Net cash provided by (used in) investing activities	0	127	(559)	500	(309)	(250)	0	(199)	(261)	(554)	693	(77)
Proceeds from exercise of stock options												
Proceeds from common share offering	10,385	0	0	0	0	0	0	0	0	0	0	0
Proceeds for sale of Preferred A-1, net	14,375	0	0	0	0	0	0	0	0	0	0	0
Proceeds for sale of Preferred A, net	0	0	9,490	(18,980)	0	9,490	0	0	0	0	0	0
Redemption Series A Preferred shares	(6,555)	(7,222)	(2,793)	0	(2,593)	0	0	0	0	0	0	0
Proceeds from exercise of stock options	(201)	0	111	(152)	35	76	0	54	97	29	0	20
Net cash provided by financing activities	18,004	(7,222)	6,808	(19,132)	(2,558)	9,566	0	54	97	29	0	20
Net decrease in cash and cash equivalents	13,065	12,756	7,577	(18,744)	(5,666)	12,167	(1,039)	1,198	96	(49)	(3,100)	(2,500)
Cash and cash equivalents - beginning	17,229	(13,678)	6,101	11,563	17,229	5,062	6,101	4,903	7,156	11,905	15,005	17,505
Cash and cash equivalents - ending	39,884	17,229	13,678	13,678	11,563	17,229	5,062	6,101	6,101	7,156	11,905	15,005

HISTORICAL STOCK PRICE



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