Zacks Small-Cap Research

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ShiftPixy, Inc. (PIXY-NASDQ)

Initiating Pre-IPO Coverage of ShiftPixy

An HR & Technology Solution for the Gig Economy

We believe the stock could be worth $12.60 per share based on an industry comparables trading at 1.1 EV to sales by FY 2018 if sales targets are met.

Current Price (06/05/17)	$7.00
Valuation	**$12.60**

OUTLOOK

ShiftPixy is a start-up providing staffing services for the gig economy. Focusing first on the restaurant and hospitality vertical, the company serves as the employer of a customer's staff thereby alleviating the business of almost all human resource management related tasks. By year-end, it plans to release a novel, easy to use app, which allows establishments to keep track of workers' hours and scheduling as well as giving employers and employees a Match.com-like platform to fill shift openings. It is already at a $123 million annual run rate and is planning a geographic rollout in large dense cities.

SUMMARY DATA

52-Week High	**N/A**
52-Week Low	**N/A**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**N/A**
Shares Outstanding (mil)	**26.2**
Market Capitalization ($mil)	**$183**
Short Interest Ratio (days)	**0.0**
Institutional Ownership (%)	**0.0**
Insider Ownership (%)	**95.2**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2017 Estimate	**N/M**
P/E using 2018 Estimate	**N/M**

Risk Level	**High**
Type of Stock	**Growth**
Industry	**Temporary Staffing**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2015	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2016	$1.0 A	$2.8 A	$19.0 A	$27.9 A	$50.7 A
2017	$35.0 A	$30.8 A	$30.0 E	$60.0 E	$156 E
2018					$300 E

Earnings per Share
(EPS is GAAP earnings)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2015	NA	NA	NA	NA	NA
2016	-$0.02 A	-$0.02 A	-$0.01 A	-$0.02 E	-$0.07 E
2017	$0.00 A	$0.01 A	-$0.01 E	$0.01 E	$0.00 E
2018					-$0.05E

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INVESTMENT THESIS

- ShiftPixy is taking a unique approach to solving the human resource management problems of the gig economy. Its solution is to have its customers move their workers over to be employed by ShiftPixy, which then acts as a staffing agency for the customer. By pooling the employees of many smaller companies, ShiftPixy can administrate the human resource management function with economies of scale. In return for providing insurance, payroll processing, benefits, and compliance services these enterprises pay ShiftPixy a fee based on their payroll, that is much less than the cost of doing these functions in-house.

- ShiftPixy is first targeting the underserved restaurant and hospitality industry vertical, particularly small, and medium businesses (SMBs) with 100-500 employees. These companies are the main victims of increasing regulation. ShiftPixy currently serves about 100 clients who utilize over 3,000 workers in California. We believe there are three million restaurant and hospitality entities with under 500 employees in the US and we estimate this vertical market size is $3 billion in service fee revenue, or $30 billion in gross billings including wages.

- By pooling customers' work forces together ShiftPixy not only affords its clients with lower overall prices due larger buying power (as with worker's comp and health insurance), it also alleviates the need for clients to understand and correctly comply with increasingly complex state and federal employment regulations which are particularly onerous for employers with many part time workers.

- Another differentiator for ShiftPixy is its mobile app that is currently in beta and expected to be launched by mid-year. This app facilitates scheduling between restaurants and shift workers by matching qualified workers to shifts, while giving workers access to their schedules and earnings in real-time. It also creates a social job-seeking network for matching job openings with workers. Like a match.com it lets employers find shift workers to fill available hours and workers to find jobs. This can be used not only to fill temp or shift work but as a resource for permanent hires. Since all the workers in the network are already employees of ShiftPixy, a restaurant can get a fill in or even hire someone without any additional paperwork or onboarding.

- ShiftPixy is raising capital to further develop its custom cloud platform and fund its geographic roll out from Southern California to the San Francisco, New York, Chicago, Dallas, Orlando, Atlanta, Philadelphia, and Las Vegas areas. These locations contain 53% of all enterprises with 50 or more employees in its targeted sector.

- Management has significant experience in managing a number of staffing and insurance companies targeted at small business and created ShiftPixy to address the unique needs of the emerging gig economy.

- Based on its rapid revenue ramp and a comparable multiple of 1.1 times enterprise value to revenues we believe the company could be worth $330 million a year from now, up 80%, if sales estimates are met.

OVERVIEW

ShiftPixy, Inc. was founded in 2015 as a temporary staffing company, which contracted with clients who employ numerous part-time shift workers and alleviated their burdens by moving their employees over to ShiftPixy. Its customers are primarily restaurants and hospitality enterprises. The company has been

expanding its services to fulfill the needs of this unique vertical market and plans to develop its own platform to handle not only HR management, insurance, payroll and compliance, but provide an easy to use, fully integrated mobile system to hire, onboard, schedule and share part time employees among all its customers. With this approach, the customer offloads the entire employee related administrative burden to ShiftPixy and the part-time employees have the ability to manage schedules and increase wages by working at multiple restaurants owned by different entities because they all are now employees of ShiftPixy. The company has found great success in California as it pays lower worker's comp insurance rates as a large company with many employees, than its smaller customers can. It also has better buying power for health insurance and other benefits. Customers also rely on it to navigate through the complex state and federal employment regulations. In particular ACA reporting compliance is a nightmare for companies with many part time and shift workers and requires much more administrative time than in white-collar industries with salaried employees typically served by PEOs. Add this to the extremely high turnover found in this vertical requiring more hiring and onboarding, it is no wonder these companies are embracing the ShiftPixy solution.

The company generates revenues in three main ways:

- First, it provides payroll-only services administration through its wholly owned subsidiary, ShiftableHR.
- Secondly, in addition to payroll, ShiftableHR can also functions as a traditional staffing agency providing employees to these establishments.
- Third, ShiftPixy functions as employer and provides the full range of HR services including insurance, payroll, benefits, compliance, and administration services.

Rather than being a PEO or ASO, ShiftPixy considers itself a staffing provider. As such it is the employer, not a co-employer of all the workers and it takes on the full responsibilities for compliance. ShiftPixy's prime target market is businesses with 50 to 500 employees with large part-time workforces. Even though ShiftPixy is officially the employer, it does not hire or fire the workers; that responsibility is the customer's.

When customers sign up, they move the workers they choose—typically the part time and shift workers over to ShiftPixy. ShiftPixy is then responsible for all the regulatory compliance including offering health benefits to workers with over 30 hours in accordance with the ACA freeing up management and administrative time and offering less expensive solutions because of the company's larger buying power. Its unique differentiator is the ability to pool workers working for different restaurants and hotels. Customers can access this pool (soon via mobile app) to fill shift needs with people employed elsewhere making scheduling flexible and easy, and eliminating the onboarding process entirely. ShiftPixy has not yet built its own human resource platform, but uses PrismHR's software platform. It has built its own mobile app and plans to build a custom platform better suited to the gig vertical over the next year.

By being a full service solution for human resources management for the restaurant and hospitality vertical market it competes with temp agencies like Kelly Services, payroll processors like ADP, PEOs like TriNet, and soon will compete with employment matching platforms like Monster.com. While all of these companies offer a human resource management solution, none of them is taking the same approach as ShiftPixy.

ShiftPixy currently operates in Los Angeles/Southern California, but plans to open additional physical offices in San Francisco, New York, Chicago, Dallas, Orlando, Atlanta, Philadelphia, and Las Vegas where there is a physically high density or restaurants. As of April 30, 2017 the company currently serves over 94 clients who use more than 2,902 worksite employees. None of these clients represented more than 10% of its revenues. The company reports that it has a backlog of customers, and it currently is accepting new customers on an invitation-only basis.

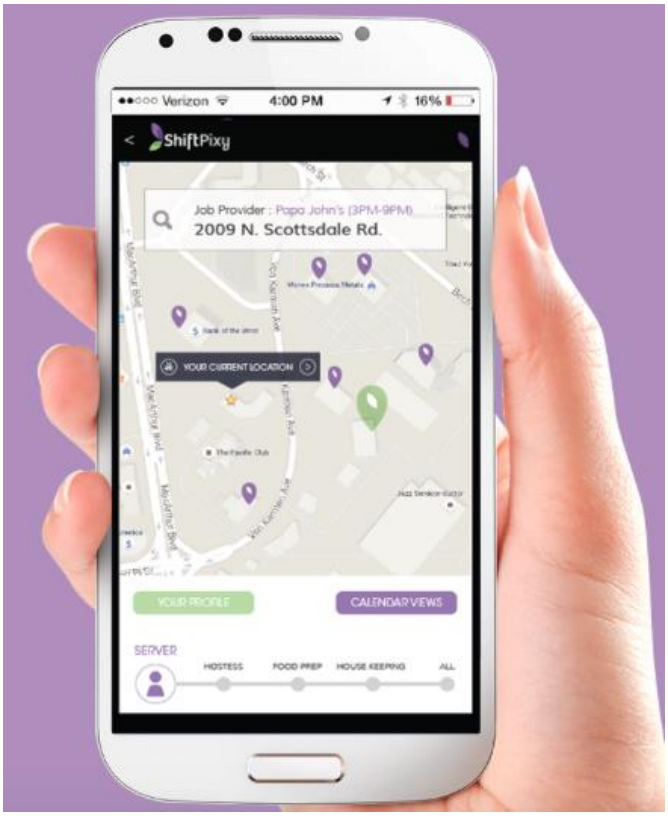
Sales and Marketing

ShiftPixy has eleven dedicated internal salesmen and eight customer service reps and instead relies on a network of property and casualty insurance agents to refer clients. This sales force calls small business clients at least annually to renew workman's comp insurance policies and it now has the ShiftPixy product to

sell as a potentially lower cost solution. ShiftPixy pays them a commission. This network currently consists of dozens of agents in the Southern California area. The company plans to negotiate an exclusive agreement with a large workman's comp insurance provider with thousands of agents to further expand its sales capabilities.

The ShiftPixy Mobile App

Now, ShiftPixy's workers have to interface with the company via the web. However mid-year, the company plans to launch a beta version of a mobile app designed to give shift workers real-time information to find and apply for available open shifts in their area. Structured like a dating app, workers are able to create an online presence with relevant resume information and availability including a video resume. The app's dashboard gives workers calendaring features to show personal schedules as well as employment opportunities for times when they are not already scheduled to work. Workers can also access a summary of their scheduled shifts including hours, duration, pay rate, work address, and distance and time from their present location.



From the app, workers can look at available shifts and sort them by starting time and date, rate, distance, role or operator type, and then request to work that shift. After submitting the request, employers can review the requests, access the worker's resume, and book or reject them. Not only can shifts be easily filled in real-time, but also employers looking to hire full time workers can use this app to quickly search for potential employees and test them as temps without having the hassle of setting them up as employees as they are already employees of ShiftPixy. After the beta, the app is expected to be available to others on iPhone and Android in Q4 2017.

This staffing app should address a major concern of restaurants in particular. Aside from payroll and benefits, a survey of TDn2K members indicated that 'finding qualified employees' is their top HR related concern for 2016. In the third quarter of 2016, 61% of restaurants in its survey reported an increase in difficulty of hiring hourly employees. Rolling 12-month turnover for hourly employees has trended up for almost three years and is a critical focus for most operators.

CASE STUDY

The R&W Enterprises, owner of the Presidente restaurant chain, has been a customer of ShiftPixy since October 2015. Its management had seen the company's Internet ads for worker's comp solutions and had just gotten an outrageous price for renewal of its current worker's comp insurance. After sitting down with its insurance agent and ShiftPixy, it decided to move all its employees to ShiftPixy for benefits, insurance, compliance and payroll processing. ShiftPixy is now the employer of its entire staff. The first reason for signing up was the much lower pricing for worker's comp via ShiftPixy from AmTrust, and the second was for aid in ACA compliance administration including filing 1095-Cs. Up until last year, the company did its own payroll and just bought insurance on its own. The complexity of ACA compliance made management realize they would have to hire another two or three people just to handle all the paperwork for its 300 employees, let alone understand the conflicting advice they were getting on the rules. ShiftPixy now files all the

compliance paperwork and offers ACA-compliant health insurance to the eligible employees. An added benefit R&W Enterprises cited for using ShiftPixy was the free employment practices liability insurance (EPLI) for the restaurant chain. ShiftPixy now does all the payroll processing and provides bi-weekly paychecks to the employees. ShiftPixy also works as liaison to AmTrust on worker's comp claims on behalf of R&W. It is very happy with the customer support and attention to detail ShiftPixy provides. For all these services it pays a flat 4% on it gross payroll amount. It is looking forward to being a beta tester of the mobile app and believes it will be most useful for getting last minute fill ins when workers call in sick.

MARKET

Although there are 55 million workers in the US who work for companies that have 0-500 employees, ShiftPixy is targeting companies with over 50 full time equivalent employees that employ a total of 7.2 million shift workers. This company size is the one newly affected by the government's Affordable Care Act that now requires all employees working more than 30 hours per week to be offered health insurance. While there is still the possibility that ACA will be altered or repealed, the complexity in complying with regulations regarding insurance and benefits should persist. These 7.2 million workers are about half the number of the 15.9 million temporary and contract workers that U.S. staffing companies employed in 2015 according to data from the American Staffing Association.

Its first target market with many part time workers is the restaurant and hospitality industry. In 2015, 14.4 million people were employed in restaurants and there were over 1 million restaurant locations. This is about 13% of the total US workforce of 115 million. Of the 14.4 million, 1.7 million of these employees and 70,000 of the locations are in California. ShiftPixy plans to roll out services in the major markets that cover 53% of the employers with 50 or more employees in the restaurant and hospitality sector. This markets, in order of planned rollout, are: New York, Orlando, Dallas, Chicago, Las Vegas, and Atlanta.

Around 16 percent of small businesses (those with 10 to 99 employees) employ PEOs.

COMPETITION

Since ShiftPixy provides a more complete solution for the restaurant and hospitality industry vertical, it has competition from a variety of directions. Since ShiftPixy's solution is a combination of services ShiftPixy competes with PEOs (Professional Service Organization) and ASOs (Administrative Services organization) like TriNet (TNET), Insperity (NSP), and ADP TotalSource (ADP), as well as staffing companies like Kelly Services, and hiring platforms like Monster.com (MNST). CareerBuilder looks to be pulling together pieces to provide a generic solution not focused on shift workers, and TriNet is about to introduce a traditional PEO product offering targeted at restaurants and hospitality but without hiring the employees themselves and providing scheduling of shift workers. In contrast to ShiftPixy, who hires a customer's workers directly and acts as a staffing company, a PEO has a co-employment relationship with a client company in which the PEO is the employer of record for tax and regulatory purposes only and is paid a fee for services. According to the National Association of Professional Employer Organizations, there are currently 980 PEOs in the United States co-employing 3.4 million people. Since ShiftPixy uses PrismHR as its human resources platform, it also competes with other PEOs and ASOs that offer PrismHR's human resource platform. PrismHR boasts 64,000 companies use its software. It is a private company in Southborough, MA founded in 1985 and backed Accel-KKR.

PEOs and ASOs

TriNet (TNET), its closest public comparable, launched its hospitality vertical in Q1 2017. It believes the hospitality total available market or TAM is $3 billion for its services and it is targeting the 3 million enterprises with fewer than 500 employees. TriNet believes its multi-state HR solution, paperless on-boarding, integrated time and attendance system, ACA compliant benefits and workplace safety programs provide immediate value for this vertical. While this offering should provide many of the features of ShiftPixy's proposed platform it will not have the shift job matching capability the company plans to launch later this year. The company sells directly through 470 reps and has some referral deals with is now building a sales force dedicated to this vertical. TriNet charges for services by product. It charges between $100-160 per month per employee, which is 6%-15% of the payroll cost. The range is because workers comp costs vary and employees may or may not choose to use TriNet's health insurance. TriNet books net revenues and does not use the gross payroll number as ShiftPixy does.

CareerBuilder which is 53% owned by TEGNA Inc. (TGNA) looks to be building a platform similar to ShiftPixy but without the focus on a vertical or the emphasis on temporary staffing. On September 6, 2016, it bought Workterra that provides cloud-based technology for human capital management including benefit administration, benefit enrollment, and Affordable Care Act compliance for more than 600,000 people as well. Back in March it bought Aurico, company that does background screenings and drug-testing services. Both of these supplement "CareerBuilder1", its pre-hire platform and HR software solution that delivers job distribution, sourcing, workflow, CRM, data and analytics that was launched in June 2015. According to TEGNA, CareerBuilder is for sale.

Staffing Companies

There are 20,000 staffing companies in the US generating $147 billion in sales and the industry is highly competitive. According to the Staffing Industry statistics, there are 1,648 staffing agencies in California alone. The five largest staffing companies in the US are Allegis Group, Adecco, Randstad Holding (RANJY), Manpower Group Inc. (MAN), and Robert Half International Inc. (RHI).

In-House Solutions

Of course the company also needs to compete with in-house solutions. Many companies provide Human Capital Management (HCM) software and services products including companies like Workday (WDAY), Paycom (PAYC), Zenefits, and Gusto. This solution would appeal more to larger companies that are willing to devote staff to handle more administration and have better buying power for insurance and benefits.

FINANCIALS

Income Statement

FY 2016

For the year ending August 31, 2016, the company generated $50.7 million in gross billings and $8.5 million in net revenues. The company had $1.5 million in gross margin, or 17.9%, and $3.3 million in operating expenses resulting at a loss of $1.9 million or $0.07 per share using 25.6 million shares outstanding.

Six Months Ended Feb 29, 2017

In the first six months of FY 2017, ShiftPixy has generated $65.8 million in gross billings and $11.1 million in net revenues already surpassing all of 2016. Gross margin was $3.9 million; operating expenses were $3.6 million resulting in net income of $240,000 or $0.01 per share. EBITDA was approximately $272,000.

The company had down revenues sequentially from November to February as it purged a number of clients throughout the November quarter that were not profitable. The effect of this purge continued into the May quarter as the full effect of this lost revenue was felt for a full quarter rather than partial quarter. As a result revenues are not expected to grow sequentially until Q4.

Since Q2 Ended

Since Q2 ended, ShiftPixy sold $972,500 worth of securities by selling 249,375 units: (a) one offering at a cost of $4.00 per unit, with each unit including 1 share of Common Stock and one warrant to purchase 1.5 shares of Common Stock at $4.00 per share, and (b) another offering at a cost of $4.00 per unit, with each unit including 1 share of Common Stock and one warrant to purchase one share of Common Stock at $4.00 per share. The warrants issued in connection with such units expire on March 1, 2019.

FY 2017 Forecast

For the year ending August 31, 2017 we expect gross billings of $156 million versus $51 million a year ago. Net revenue is expected to be $27.9M, gross profit of $9.5M and net income of breakeven. This forecast is very much dependent on the timing of the offering. The company is currently constrained by cash. It needs cash in order to get the worker's compensation insurance it need to on-board a large backlog of customers which will occur as soon as that cash is received. Therefore the billings number for Q4 will vary considerably based on the date the cash is received combined with the company's ability to on-board new customers.

FY 2018 Forecast

Armed with capital and a working app, we expect the company to grow as it builds clientele unconstrained by the inability to qualify for needed levels of insurance. Despite the potential repeal of the ACA, we believe there are enough other issues that are compelling for smaller companies and larger shift-based companies to sign on to ShiftPixy. Its mobile app, allowing easy to use scheduling and employee sourcing, could be a huge boon to closing new customers as it provides a unique capability versus competitors.

For 2018 we are looking for sales growth of 94% to $300 million in gross billings. We expect the company to continue to deficit spend as it capture market share and expand geographically and look for a loss of $0.05 per share for the year.

MANAGEMENT

Scott W. Absher
Co-founder, Chairman of the Board, President, and CEO

Scott co-founded ShiftPixy in June 2015. Since February 2010, he has also been President of Struxurety, an investment banking, and business insurance advisory company. Scott also co-founded NeoTactix Corp. (formerly named Entremetrix Corp.) a publicly traded BDC that invested in early stage companies in December 2000. It also provided human resource management services including payroll processing,

workers compensation, and payroll tax filings for small to medium size business. He ran this company until it ceased operations in 2008. From August 26, 2004 to July 18, 2006, he was CEO and a director of both CNS Response, Inc. and Strativation, Inc. Scott has worked in the Business Process Organization (BPO) industry since 1994. He opened and managed regional operations for two national industry participants and been active in merger and acquisition activities as well as industry consulting. He served as the President of Management Resources from 1993 to 1997, and assembled a national marketing force representing many of the top industry participants. He also served as a consultant to Aberdeen Mining Company (Formerly Motivnation Inc.). He graduated with a BA in Bible and Theology from The Moody Bible Institute in 1982.

Stephen P. DeSantis
CFO

Steve joined ShiftPixy as CFO on March 1, 2017. He has over 30 years of financial management experience in both the private and public sectors. Prior to joining ShiftPixy, Steve served as CFO of Predixion Software, Inc. He was CFO from 2009 until it was acquired in February 2017. Before that, he served as CFO of DATAllegro from 2007 through 2009. Microsoft acquired this company in August of 2008 for $280M. From 2005 through 2007, he served as CFO of Nexiant, Inc. In addition, he served as CFO of TCI Solutions, Inc. (TCI) from 1994 to 2005. After taking TCI public in 2003, he was responsible for corporate governance issues, SEC compliance, Sarbanes-Oxley compliance, business planning, corporate strategic communications, securing financing and managing investor relations, finance, accounting, IT and human resource departments. Steve was Corporate Controller at Cassette Productions Unlimited, Inc. from 1989 to 1993. He began his career in 1985 with Coopers & Lybrand after graduating from University of Southern California with a BA in Business. He earned an MBA from USC in 1997 and is a CPA.

BOARD OF DIRECTORS

Scott Absher

Kenneth W. Weaver

Ken joined the board on December 9, 2016. His substantial financial background qualifies him as an audit committee financial expert under applicable rules. Ken serves as the chairman and only director of the Audit Committee, Compensation Committee, and Nominations Committee. Since April 2012 to date, he has been the sole proprietor of Ken Weaver Consulting, providing operations consulting for TVV Capital, a Nashville Private Equity firm. Before his service with TVV, Ken spent over 30 years with Bridgestone Corporation, having served in various responsible leadership roles, including as President, Bridgestone North American Tire Commercial Sales, CFO, Bridgestone Americas and Chairman, CEO and President, Firestone Diversified Products. He earned both his BA in business and his MBA from Pennsylvania State University.

After the offering there are plans to bring on another two more independent directors.

VALUATION

As a start-up we believe that ShiftPixy should be valued first on revenues to enterprise value focusing on later years. While it reports revenue on a gross basis like a staffing company, we believe its value proposition is much higher and it should be able to command higher fees for its services as it fulfills a customer's needs more like a technology company and a PEO. Given this, we believe given the

company's growth prospects, its unique product offering, and it long term potential for higher margins it should initially trade at the high end of valuation for staffing companies. Its staffing company competitors are much larger companies and are trading in a range of 0.2-1.3 enterprise value to sales with an average of 0.6 times estimated 2017 calendar year sales. However it is evolving into a SaaS/PEO type company, which has the potential for higher EBITDA margins and thus valuations. These companies trade at an average valuation of 6.0 times EV/EBITDA.

At $7 per share the stock offering has priced ShiftPixy at a pre money valuation of $183 million, which is approximately 1.5 times its February 2017 $123 million revenue run rate. Using a calendar year estimate for revenues in 2018 of $300 million and the high end of industry valuations (due to its above average growth) of 1.1 times enterprise value to sales, ShiftPixy could be worth $330 million by 2018 or $12.60 per share.

Additionally as ShiftPixy adds features and capabilities equal to or surpassing competitors like TriNet, its margins could expand which could warrant even higher valuation multiples.

Company	Ticker	Calendar Revenue 2017E	LTM	EBIDTA Margin	Enterprise Value / Sales 2017E	LTM	Included in Average?	Enterprise Value
AMN Healthcare Services, Inc.	AMN	2,000	1,930	12%	1.1	1.1	y	2,107
Cross Country Healthcare, Inc.	CCRN	875	845	5%	0.5	0.5	y	457
GEE Group, Inc.	JOB	173	86	5%	0.4	0.7	y	64
Insperity, Inc.	NSP	3,270	3,020	4%	0.4	0.5	y	1,414
Kelly Services, Inc. Class A	KELYA	5,260	5,220	2%	0.2	0.2	n	855
Kforce Inc.	KFRC	1,360	1,330	6%	0.5	0.5	y	622
ManpowerGroup Inc.	MAN	20,090	19,820	4%	0.4	0.4	y	7,198
On Assignment, Inc.	ASGN	2,630	2,480	10%	1.3	1.4	y	3,439
Randstad Holding NV	RANJY	NA	21,540	5%	NA	0.5	n	10,676
Robert Half International Inc.	RHI	5,250	5,240	12%	1.1	1.1	y	5,761
Staffing 360 Solutions, Inc.	STAF	197	188	1%	0.1	0.1	y	19
TrueBlue, Inc.	TBI	2,530	2,670	5%	0.5	0.5	y	1,258
Average				6.3%	0.6	0.7		2,234

Company	Ticker	Calendar Revenue 2017E	LTM	EBIDTA Margin	Enterprise Value / Sales 2017E	LTM	Included in Average?	Enterprise Value
Match Group	MTCH	1,283	1,260	29%	4.5	4.6	y	5,753
Paychex	PAYX	3249	3,110	43%	6.4	6.7	y	20,944
TriNet	TNET	721	682	26%	3.3	3.5	y	2,392
Workday	WDAY	2,020	1,570	-17%	9.9	12.7	y	19,918
Average				20.2%	6.0	6.9		12,252

RISKS

- The company is an early stage company and has just reached an annual gross billing run-rate of $123M. The company is now hovering close to profitability however it is very difficult to project revenue and net income with only twenty-four months of operating history.

- The company is entering a mature industry and it may be difficult to dislodge entrenched competitors. Some of these competitors are multi-billion companies with much greater resources and proven track record for customers.

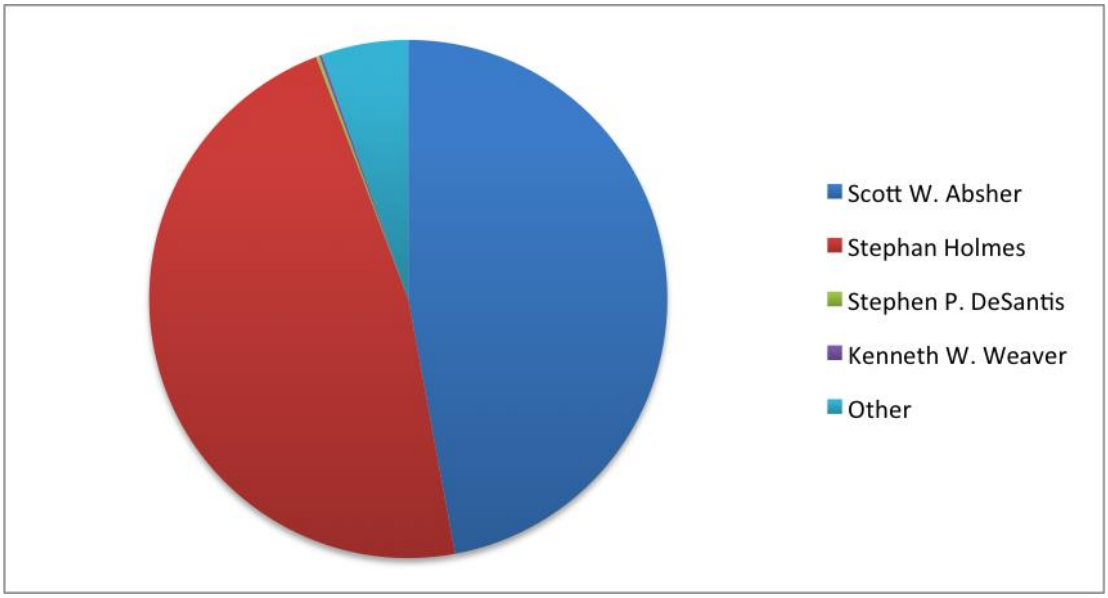
- Part of the company's selling point is to enable customers to lessen the burden of the Affordable Care Act, which has a reasonable possibility of being repealed and replaced. In addition, possible changes laws regulating documenting workers as citizens could also impact business.

- The company has no CTO and only two members on the board of directors.

- The restaurant industry is notorious for rapid turnover and using undocumented workers for staff particularly in California. New government regulations could put further burdens in management of this workforce. Also being a largely cash business, clients may subject ShiftPixy to in tax reporting issues.

OWNERSHIP

Pre-Offering



INCOME STATEMENT

	Q1 Nov 30, 2015	Q2 Feb 29, 2016	Q3 May 30, 2016	Q4 Aug 31, 2016	Q1 Nov 30, 2016	Q2 Feb 28, 2017	Q3 May 30, 2017E	Q4 Aug 31, 2017E	FY 2015	FY 2016	FY 2017E	FY 2018E
Gross billings	**0.982**	**2.771**	**18.965**	**$27.954**	**$35.037**	**$30.758**	**$30.000**	**$60.000**	**$0.078**	**$50.672**	**$155.796**	**$300.000**
Adjustment to gross billings	0.937	2.441	15.749	23.084	29.356	25.350	36.065	48.600	0.060	42.211	139.370	246.000
Net Revenue	$0.045	$0.330	$3.216	$4.870	$5.682	$5.409	$5.40	$11.40	$0.018	$8.461	$27.890	$54.00
Yr-to-Yr Growth					12633%	1538%	68%	134%		47687%	230%	94%
Cost of goods	0.159	0.421	2.534	3.830	3.593	3.619	3.600	7.600	0.012	6.944	18.412	35.000
Gross margin	-0.115	-0.091	0.682	1.040	2.089	1.790	1.800	3.800	0.006	1.516	9.479	19.000
Percent of sales	-257.1%	-27.5%	21.2%	21.4%	36.8%	33.1%	33.3%	33.3%	34.2%	17.9%	34.0%	35.2%
Operating expenses												
Sales and Marketing	0.054	0.083	0.357	0.526	0.487	0.603	0.700	0.900	0	1.020	2.690	3.500
Product development	0.017	0.026	0.111	0.163	0.022	0.000	0.000	0.000	0	0.317	0.022	1.200
Customer support	0.029	0.045	0.195	0.287	0.297	0.269	0.250	1.200	0	0.557	2.016	9.600
General and administrative	0.078	0.121	0.517	0.762	0.915	1.047	1.200	1.500	0.060	1.478	4.661	6.000
Total operating expenses	0.177	0.275	1.180	1.739	1.720	1.919	2.150	3.600	0.060	3.371	9.389	20.300
Operating income	(0.292)	(0.366)	(0.498)	(0.699)	0.369	(0.129)	(0.350)	0.200	(0.054)	(1.855)	0.090	(1.300)
Operating margin	-654%	-111%	-15%	-14%	6%	-2%	-6%	2%	-303%	-22%	0%	-2%
Total other income	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Net Income	(0.292)	(0.366)	(0.498)	(0.699)	0.369	(0.129)	(0.350)	0.200	(0.054)	(1.855)	0.090	(1.300)
Net loss per share	**$ (0.01)**	**$ (0.01)**	**$ (0.02)**	**$ (0.03)**	**$ 0.01**	**$ (0.01)**	**$ (0.01)**	**$ 0.01**	**$ (0.00)**	**$ (0.07)**	**$ 0.00**	**$ (0.05)**
Shares outstanding	25.6	25.6	25.6	25.6	25.6	25.6	25.6	27.6	24.1	25.6	26.1	27.6
Adjusted EBITDA	(0.282)	(0.356)	(0.488)	(0.688)	0.385	(0.113)	(0.334)	0.216		(1.827)	0.155	(1.200)

BALANCE SHEET

	February 28, 2017	February 29, 2016	% Change
Assets:			
Cash and cash equivalents	$ 572,055	$ 271,212	111%
Accounts receivable	123,236	5,557	2118%
Prepaid expenses	999,852	0	NM
Other current assets	84,011	0	NM
Total current assets	1,779,154	276,769	543%
Fixed assets	320,762	16,577	1835%
Intangibles, net	0	48,833	-100%
Deposits and other	132,540	4,375	2929%
Total Assets	2,232,456	346,554	619%
Current Liabilities:			
Accounts payable	437,805	56,711	672%
Payroll related liabilities	680,558	9,776	6862%
Other current liabiliities	223,066	0	NM
Total current liabilities	1,341,429	66,487	1918%
Total Liabilities	1,341,429	66,487	1918%
Stockholders' Equity			
Common Stock	2,635	2,546	3%
Additional paid in capital	2,557,005	517,449	394%
Stock subscription receiveable	0	(290)	-100%
Accumulated deficit	(1,668,613)	(242,184)	589%
Total Stockholders' Equity	891,027	277,521	221%
Total Liabilities and Stockholders' Equity	2,232,456	344,008	549%
Net cash	$572,055	$271,212	111%
Current and quick ratios	1.3	4.2	-68%
Cash as % of assets	26%	79%	-67%
Working Capital	437,725	210,282	108%

CASH FLOWS

	Six Months Ending Feb 28, 2017	Six Months Ending Feb 29, 2016
Net Income	$ 239,624	$ (200,414)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	32,673	2,505
Changes in operating assets and liabilities:		
Accounts recievable	(66,798)	(5,556)
Prepaid expenses	(656,856)	16,129
Other current assets	(10,529)	(4,374)
Other assets	(27,927)	0
Accounts payable	(388,642)	56,711
Payroll related liabilities	(42,157)	3,227
Accounts payable - related party	0	0
Other current liabilities	101,797	
Net Cash Used In Operating Activities	(818,815)	(131,772)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(4,662)	(67,916)
Purchase of intangibles	0	0
Net Cash Used In Investing Activities	(4,662)	(67,916)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock with warrants	527,000	367,250
Proceeds from stock subscription receivable	0	0
Net Cash Provided By Financing Activities	527,000	367,250
Net Increase in Cash	(296,477)	167,562
Cash - Beginning of Period	868,532	103,650
Cash - End of Period	572,055	271,212
Operating cash flow	272,297	(197,909)
Free cash flow	267,635	(265,825)

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