Zacks Small-Cap Research

May 8, 2017

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

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Inuvo Inc. (INUV-AMEX)

INUV: NetSeer Integration Continues Expanding Opportunities

At an enterprise value of $30.2 million the company is valued well below the industry average of 1.1 times enterprise value to sales. **2017 est. revenue of $89 million yields a $3.05 target stock price.**

Current Price (05/05/17)	$1.13
Valuation	**$3.05**

OUTLOOK

Inuvo, a digital publishing and advertising technology company, purchased NetSeer on Feb 8th, adding an expected $14m to 2017 revenues. It is in the process of integrating the acquisition and its products into its offering. Management's goal is to reach a revenue run rate of $100 million by the end of 2017 and with this acquisition it is more likely to achieve that. Having just reported four quarters of declining revenues, this should allow the company to return to growth this year and profitability next.

SUMMARY DATA

52-Week High	**$1.99**
52-Week Low	**$1.02**
One-Year Return (%)	**-38.6**
Beta	**0.3**
Average Daily Volume (sh)	**67,292**
Shares Outstanding (mil)	**28.5**
Market Capitalization ($mil)	**$32.3**
Short Interest Ratio (days)	**2**
Institutional Ownership (%)	**23**
Insider Ownership (%)	**18**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**11.0**
Earnings Per Share (%)	**8.5**
Dividend (%)	**N/A**
P/E using TTM EPS	**NM**
P/E using 2017 Estimate	**NM**
P/E using 2018 Estimate	**37.7**
Zacks Rank	**N/A**

Risk Level	**High**
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)
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	19.7 A	71.5 A
2017	17.2 A	21.0 E	24.0 E	27.0 E	89.2 E
2018					100.0 E

Earnings per Share
(Non-GAAP EPS from continuing operations)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	-$0.00 A	$0.01 A
2017	-$0.04 A	-$0.03 E	-$0.01 E	$0.01 E	-$0.09 E
2018					$0.03 E

Zacks Projected EPS Growth Rate - Next 5 Years % **15**

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

WHAT'S NEW

Q1 Earnings Show Revenue Miss but EPS Beat as NetSeer Becomes Integrated

Inuvo reported revenues $1.5 million less than we expected but still beat on earnings. The company is trying to maximizes profits on its cash usage and has cut back on its owned and operated marketing spend as new opportunities created by the acquisition of NetSeer has shifted invested cash to higher ROI choices. With only two months of NetSeer integration in Q1, we expect Q2 should be more representative of ongoing revenues. However the reduction of locations and data center consolidation is not expected to be started until June, and its full effect will not be in force until December. The company had 21 of its 93 employees (as of the end of March) in Sunnyvale. They will be relocated to new, less expensive facilities in San Jose after the July lease runs out.

Revenues totaled $17.2 million for Q1 2017 down 8% from an exceptionally strong Q1 2016. $1.9 million in revenues came from two months of NetSeer revenues. The company points out that the $17.2 million exactly half of the 2016 revenues for the company, meaning it is on track to beat H1 2016 as Q1 is typically seasonally lower than Q2.

Ad-tech grew 88% to $10 million while Digital Publishing fell 46% to $7.2 million. Going forward the company will not be segmenting revenues as it finds it harder and harder to determine where revenues are coming from especially with the combination with NetSeer into a unified product offering. Mobile was 57% of sales in the quarter, higher than the 2016 average of 52%.

Gross margin decline to 54% compared with 59% in Q4 2016 as Digital Publishing declined to 42% of total revenues. The company books revenues from that business gross at 100% margin before marketing expense. Overall margins for the company should decline as the ad-tech business grows as a percent of sales. Digital Publishing margins after marketing costs was 12%, up from Q4's 11% but down year over year from 21%.

Compensation and SG&A was $1.6 million higher than last year as NetSeer got integrated into the company and added more people and overhead.

Operating income was a loss $1.6 million versus a loss of $0.6 million in 2016. Of the $1.6 million loss, $350,000 was one-time expense.

The company had $43,000 in interest expense for the quarter and we expect that to rise because of the NetSeer acquisition and negative cash flow.

Loss for the quarter was $1.7 million versus a loss of $600,000. Taking out one-time expenses for the acquisition and stock-based compensation, adjusted EBITDA was a negative $313,000 versus $1.3 million last year. We are expecting another EBITDA loss next quarter but smaller than Q1's and a return to positive EBITDA as the acquisition expenses normalize.

The company reported a loss of $0.06 versus a loss of $0.02 last year, but on a non-GAAP basis, taking out one-time expense and stock-based compensation, the EPS loss was $0.04 versus a loss of $0.01 and beat our estimate by a penny.

Recap of NetSeer Acquisition

On February 7th the company the purchased of most of the assets of NetSeer, for 3.529 million shares of stock (or $5.8 million) and assumed $4.2 million in liabilities related to the business, comprised of debt to a bank, debt to a lender, trade payables, and severance. This totaled $10 million. The acquisition is expected to add $14 million in revenue to Inuvo in 2017 plus 20 employees. The shares are subject to a 180-day lockup. NetSeer, a provider of visual monetization solutions for advertisers and publishers, is

based in Sunnyvale, CA and was founded in 2006. It will be moving to a less expensive location in San Jose this summer. It had $14.4 million in venture funding.

This purchase adds new customers and partners as well as valuable data on consumer interest. NetSeer provides a visual monetization platform with in-Image ad technology, which will be incorporated into SearchLinks. It allows appropriate ads to be placed based on the photos and videos on a page, a technology Inuvo did not yet have despite increasing use of photos and videos on its owned sites. NetSeer's "ConceptGraph" targets ads based on the reader's intent, thus providing a more precise and predictive targeting solution for advertisers. Although the acquisition will be dilutive in 2017, the company expects it to be accretive to Adjusted EBITDA within 12 months. Inuvo is optimistic it will be able to cross sell and upsell product between the two companies' customer bases.

2017 Estimates

Based on lower digital publishing revenues and company guidance of annual revenues of $88 million to $93 million we are lowering our estimate to $89 million. Due to the earnings beat in Q1 we are reducing our non-GAAP EPS estimate by one cent to a loss of $0.09 per share versus a positive $0.01 in 2016. Once the company reaches over $100 million in sales, which we expect it to reach in 2018, we believe it will be an attractive acquisition to a larger company and the management would be willing to entertain discussions.

KEY POINTS

- Inuvo is an emerging player in the digital advertising space. 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.

- 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 particularly with new addition of NetSeer, which should be adding $15 million in revenues by itself.

- 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 $89 million in 2017 revenue, the stock should be worth $3.05.**

VALUATION

Inuvo is hybrid adtech company and digital publisher. For Q1 2017 quarter the revenue the company's revenues were 42% from the digital publisher. The company said that going forward it will no longer break out revenues into segments.

We applied average multiples of 1.1 times sales to Inuvo's historical and projected revenues based on the comparable companies in the table below. Using this multiple and applying it to 2017 estimated revenues of $89 million and the post-deal share count, the stock should be worth $3.05.

Company		Ticker	Revenue 2017E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2017E	Enterprise Value / Sales LTM	EV/ EBITDA	Included Average?	Enterprise Value
Autobytel	3%	ABTL	$158	$154	$15	0.8x	0.8x	7.9x	y	120
Blucora	5%	BCOR	$495	$472	$53	2.3x	2.4x	21.6x	y	1,137
Criteo	21%	CRTO	$940	$778	$79	3.5x	4.3x	41.8x	n	3,320
Leaf Group	11%	LFGR	$126	$114	-$23	1.1x	1.2x	-5.9x	y	133
Rocket Fuel	-11%	FUEL	$224	$252	-$5	1.0x	0.9x	-44.0x	y	235
Marchex	-23%	MCHX	$100	$130	-$19	0.0x	0.0x	0.0x	y	(0)
The Rubicon Project	-18%	RUBI	$196	$238	$57	0.5x	0.4x	1.7x	y	96
MaxPoint Interactive	5%	MXPT	$103	$98	-$5	0.2x	0.2x	-3.9x	y	18
SITO Mobile	39%	SITO	$41	$29	$0	1.5x	2.0x	-1015.3x	y	60
Travelzoo	-8%	TZOO	$109	$119	$12	0.9x	0.8x	8.1x	y	99
IAC	-2%	IAC	$3,090	$3,140	$420	2.5x	2.4x	18.3x	y	7,670
Average					**50.4**	**1.1x**	**1.1x**	**-101.1x**		**$957**

	Revenue 2017E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2017E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Inuvo	**$89**	**$70**	**1.0**	**1.1x**	**1.1x**	**$78**	**$95**

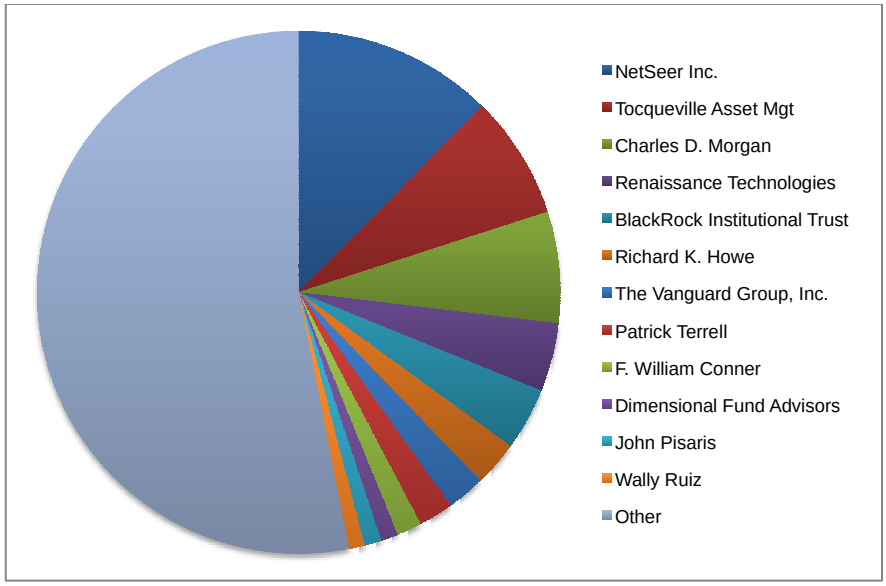
Conclusion of Enterprise Value	**$86,725,165**
Market Value	**$87,071,969**
Shares Outstanding	28,544,272
Price per Share	**$3.05**

RISKS

- There are few barriers to entry in the advertising network business and it typically operates with slim margins with competition mainly on price.
- 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.
- The company may have difficulty integrating the NetSeer products and team into its operations and the revenue expected from that business may not materialize.

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 2016 31-Dec	Q1 2017 31-Mar	Q2 2017E 30-Jun	Q3 2017E 30-Sep	Q4 2017E 31-Dec	2015	2016	2017E	2018E
Ad-Tech	7.6	$9.3	$7.2	$6.2	5.3	$4.7	$6.2	$9.8	10.0	$13.0	$15.0	$17.3	30.3	26.0	$55.3	70.8
Yr-to-yr Growth	39%	67%	2%	-18%	-30%	-49%	-14%	58%	88%	174%	143%	76%	18%	-14%	112%	28%
Ad-Tech gross margin	1.5	2.2	1.4	1.5	1.0	0.8	1.1	1.9	2.1	2.6	3.0	3.5	6.6	4.7	$11.2	13.4
% GM Ad-Tech	20%	24%	19%	21%	19%	17%	17%	19%	21%	20%	20%	20%	22%	19%	20%	19%
Digital Publishing	5.8	7.3	12.0	14.8	13.4	$10.9	$11.3	$9.8	7.2	$7.0	$7.0	$8.0	40.0	45.5	29.2	29.2
Yr-to-yr Growth	59%	52%	114%	93%	129%	49%	-5%	-34%	-46%	-36%	-38%	-19%	83%	14%	-36%	0%
Digital Publishing gross margin	5.8	7.4	12.0	14.8	13.4	10.9	11.3	9.8	7.2	7.0	7.0	8.0	40.1	45.4	29.2	29.2
% GM Digital Publishing	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	99%	100%	100%	100%
Total revenue	**13.4**	**16.7**	**19.3**	**21.0**	**18.7**	**15.6**	**17.5**	**19.7**	**17.2**	**21.0**	**24.0**	**27.0**	**70.4**	**71.5**	**89.2**	**100.0**
Yr-to-yr Growth	33%	53%	48%	36%	40%	-6%	-9%	-7%	-8%	34%	37%	37%	42%	2%	25%	12%
	-13%				-11%											
Total Cost of services	6.1	8.4	5.9	4.7	4.3	4.0	5.1	8.0	7.9	11.4	14.0	15.5	25.0	21.4	48.8	21.0
Gross profit	7.4	9.6	13.4	16.4	14.4	11.7	12.3	11.7	9.3	9.6	10.0	11.5	46.7	50.2	40.4	42.7
Gross Margin %	55%	58%	69%	78%	77%	75%	71%	59%	54%	46%	42%	42%	66%	70%	45%	43%
Operating expenses:																
Marketing	4.9	6.6	10.2	12.7	11.1	9.4	9.9	8.8	6.5	6.2	6.2	7.0	34.3	39.2	25.8	25.7
Profit after marketing of Digital Publishing	0.9	0.8	1.8	2.2	2.3	1.5	1.4	1.0	0.8	0.8	0.8	1.0	5.7	6.2	3.4	3.5
Margin %	15%	11%	15%	14%	21%	16%	14%	11%	12%	12%	12%	12%	14%	14%	12%	12%
Compensation	1.2	1.3	1.5	1.5	1.7	1.6	1.7	1.9	2.4	2.6	2.6	2.6	5.6	6.8	10.1	10.0
SG&A	1.0	1.2	1.0	1.4	1.3	1.3	1.2	1.2	2.1	2.1	1.9	1.8	4.6	5.0	7.9	7.2
Total operating expenses	7.1	9.1	12.7	15.6	14.0	12.3	12.8	11.9	11.0	10.8	10.7	11.4	44.6	51.0	43.9	42.9
Operating income:	0.3	0.5	0.635	0.7	0.4	(0.6)	(0.5)	(0.2)	(1.6)	(1.2)	(0.7)	0.0	2.1	(0.9)	(3.5)	(0.2)
Operating margin	1.9%	3.2%	3.3%	3.5%	2.2%	-3.9%	-2.6%	-1.0%	-9.6%	-5.8%	-2.8%	0.1%	3.0%	-1.2%	-3.9%	-0.2%
Other income:																
Interest expense, net	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)
Total other income	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.3)	(0.1)	(0.3)	(0.1)
Income before income taxes	0.2	0.5	0.6	0.7	0.4	(0.6)	(0.5)	(0.2)	(1.7)	(1.3)	(0.7)	(0.1)	1.9	(1.0)	(3.8)	(0.3)
Pretax Margin	1.5%	3.0%	3.2%	3.3%	2.0%	-4.0%	-2.7%	-1.2%	-9.8%	-6.0%	-3.0%	-0.3%	2.7%	-1.3%	-4.2%	-0.3%
Income tax benefit	(0.4)	(0.0)	0.0	0.1	0.0	(0.1)	(0.0)	0.1	-	-	-	-	(0.4)	(0.0)	-	-
Tax rate	-204%	-7%	1%	11%	2%	9%	9%	-27%	0%	0%	0%	9%	-18.7%	3.1%	0.0%	5.8%
Net income from continuing operations	0.6	0.5	0.6	0.6	0.4	(0.6)	(0.4)	(0.3)	(1.7)	(1.3)	(0.7)	(0.1)	2.2	(0.9)	(3.8)	(0.3)
Net income from discontinued operations	0.0	(0.0)	0.0	-	0.0	(0.0)	0.2	(0.0)	(0.0)	-	-	-	0.0	0.2	(0.0)	-
Net income	0.6	0.5	0.6	0.6	0.4	(0.6)	(0.3)	(0.3)	(1.7)	(1.3)	(0.7)	(0.1)	2.3	(0.8)	(3.8)	(0.3)
Stk based compensation	0.1	0.1	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.8	1.3	1.2	1.3
One-time expenses	(0.4)	-	-	-	(0.0)	-	-	-	0.4	-	-	-	-	(0.0)	0.7	-
Non-GAAP Income from continuing	0.2	0.7	0.9	0.942	0.7	(0.2)	(0.1)	(0.0)	(1.0)	(1.0)	(0.4)	0.2	3.0	0.3	(2.6)	0.9
Yr-over-Yr													-6.5%	-88.9%	-869.4%	-135.6%
Net income per share:																
Basic from continuing	0.03	0.02	0.02	0.03	0.02	(0.02)	(0.02)	(0.01)	(0.06)	(0.04)	(0.03)	(0.00)	0.09	(0.04)	(0.13)	(0.01)
Diluted from continuing	0.03	0.02	0.02	0.02	0.02	(0.02)	(0.02)	(0.01)	(0.06)	(0.04)	(0.03)	(0.00)	0.09	(0.04)	(0.13)	(0.01)
Non-GAAP Diluted from continuing	**0.01**	**0.03**	**0.03**	**0.04**	**0.03**	**(0.01)**	**(0.00)**	**(0.00)**	**(0.04)**	**(0.03)**	**(0.01)**	**0.01**	**0.11**	**0.01**	**(0.09)**	**0.03**
	-69.1%	5.5%	26.3%	-5.3%	182.1%	-137.2%	-113.9%	-103.2%	-233.3%	239.5%	208.5%	-717.4%	-16%	-88%	-770%	-134%
Shares																
Basic	24.1	24.3	24.3	24.4	24.4	24.6	24.7	24.9	27.0	28.5	28.5	28.5	24.2	24.6	28.2	29.4
Diluted	24.2	24.7	24.8	24.9	24.6	24.6	24.7	24.9	27.2	28.7	28.7	28.7	24.5	24.7	28.4	29.7
	3.2%	2.7%	2.7%	1.7%	1.3%	-0.5%	-0.4%	0.2%	10.8%	17.0%	16.4%	15.3%	1.6%	0.6%	14.9%	4.9%
Adjusted EBITDA	0.67	1.09	1.35	1.55	1.30	0.29	0.42	0.61	(0.31)	(0.22)	0.33	1.01	4.66	2.62	0.7	2.88
	-50%	-9%	15%	-13%	93%	-74%	-69%	-61%	-124%	-178%	-22%	64%	-15%	-44%	-73%	309%

BALANCE SHEET

	Mar 31, 2017	Dec 31, 2016	Qtr-Qtr % Change	March 31, 2016	Yr-Yr % Change
Current assets					
Cash	$3,923,517	$3,946,804	-1%	$4,433,537	-12%
Accounts receivable, net	7,138,288	7,586,129	-6%	5,065,091	41%
Unbilled revenue	0	8,644	-100%	8,727	-100%
Prepaid expenses and other current assets	341,978	284,469	20%	280,619	22%
Total current assets	11,403,783	11,826,046	-4%	9,787,974	17%
Property and equipment, net	1,554,099	1,615,223	-4%	1,854,313	-16%
Other assets					
Goodwill	9,773,842	5,760,808	70%	5,760,808	70%
Intangible assets, net of accumulated amortization	12,116,278	8,343,876	45%	9,086,657	33%
Other assets	86,507	15,186	470%	218,745	-60%
Total other assets	21,976,627	14,119,870	56%	15,066,210	46%
Total assets	34,934,509	27,561,139	27%	26,708,497	31%
Current liabilities					
Accounts payable	10,016,747	9,280,779	8%	7,664,096	31%
Accrued expenses and other current liabilities	2,633,628	2,689,640	-2%	2,860,740	-8%
Revolving credit line - current portion	1,100,000	0	NM	0	NM
Total current liabilities	13,750,375	11,970,419	15%	10,524,836	31%
Long-term liabilities					
Deferred tax liability	3,738,500	3,738,500	0%	3,799,600	-2%
Revolving credit line - long term	2,500,000	0	NM	0	NM
Other long-term liabilities	361,317	326,428	11%	701,957	-49%
Total long-term liabilities	6,599,817	4,064,928	62%	4,501,557	47%
Total Liabilities	20,350,192	16,035,347	27%	15,026,393	35%
Stockholder's equity					
Total stockholders' equity	14,584,317	11,525,792	27%	11,682,104	25%
Total liabilities and stockholders' equity	$34,934,509	$27,561,139	27%	$26,708,497	31%
Quick Ratio	0.8	1.0	-16%	0.9	-11%
Working Capital	(2,346,592)	(144,373)	1525%	(736,862)	218%
Cash as % of assets	11%	14%	-22%	17%	-32%
Cash per share	$0.15	$0.15	-1%	$0.18	-19%
Debt % of assets	10%	0%	NM	3%	292%

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	3 Months Ended 12/31/16	Year 2016	3 Months Ended 3/31/17
Operating activities:											
Net income	626,310	445,008	651,394	617,062	2,339,774	374,274	(574,828)	(263,073)	(229,308)	(772,584)	(1,693,054)
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	551,386	2,209,738	693,175
Deferred income taxes	-	-	-	233,480	233,480	-	-	-	(61,100)	(61,100)	-
Amortization of financing fees	9,533	645	3,226	6,400	19,804	6,400	6,400	6,400	-	25,600	6,400
Adjustment of European liabilities related to discontinued operations	(20,461)	9,056	(45,206)	(3,140)	(59,751)	(5,144)	-	(171,844)	-	(176,988)	1,109
Provision of doubtful accounts	(80)	(12,956)	-	7,000	(6,036)	(464)	(293)	6,557	-	5,800	-
Stock based compensation	51,924	82,750	251,144	321,726	707,544	359,338	327,110	315,596	262,222	1,264,266	292,334
Other, net	(251,084)	-	251,084	-	0	-	-	-	-	0	-
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)	(1,268,518)	(583,082)	2,740,326
Prepaid expenses and other assets	57,613	(52,712)	(3,622)	(20,649)	(19,370)	64,747	50,986	22,597	81,326	219,656	109,577
Accounts payable	1,307,931	1,357,947	573,126	1,306,902	4,545,906	(2,411,075)	(247,496)	628,475	1,407,548	(622,548)	(2,844,928)
Accrued expenses and other liabilities	(837,934)	841,541	59,668	(1,117,638)	(1,054,363)	(299,033)	4,105	(54,941)	(71,006)	(420,875)	(989,738)
Other, net	11,801	-	(11,801)	-	-	-	-	-	(34,864)	(34,864)	-
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	733,650	1,053,019	(1,684,799)
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)	(186,991)	(1,116,371)	(151,424)
Grant funds received for equipment and office construction	-	-	-	-	-	-	-	-	-	-	-
Net cash from NetSeer Asset Acquisition										-	235,763
Net cash used in investing activities	(239,427)	(337,713)	(473,538)	(475,210)	(1,525,888)	(372,598)	(322,886)	(233,896)	(186,991)	(1,116,371)	84,339
Financing activities:											
Payoff of NetSeer debt acquired									-	-	(2,015,577)
Deposit to collateralize letter of credit						-	-	-	-	-	-
Prepaid financing fees and other	-	-	-	25,600	25,600	-	-	-	25,600	25,600	-
Net taxes paid on RSU grants exercised	-	(251,083)	-	(109,525)	(360,608)	(11,952)	-	(128,790)	(63,094)	(203,836)	-
Proceeds from revolving line of credit	-	-	1,500,000	2,500,000	4,000,000	-	3,750,000	(3,750,000)	7,950,000	7,950,000	3,600,000
Payments on revolving line of credit	-	(1,793,275)	(1,500,000)	(2,500,000)	(5,793,275)	-	(3,750,000)	3,750,000	(7,950,000)	(7,950,000)	-
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)	(8,760)	(46,313)	(7,250)
Treasury stock repurchase										(22,499)	
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)	(46,254)	(247,048)	1,577,173
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)	500,405	(310,400)	(23,287)
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	3,974,793	3,974,793	3,946,804
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	3,946,804	3,664,393	3,923,517
Supplemental information:											
Interest paid	37,075	34,684	31,210	19,167	122,136	18,063	16,466	20,556	17,666	72,751	25,317
NetSeer stock issuance										-	4,459,244
Writedown of domain names and cont. liab.										-	222,477
Income taxes paid	97,483	-	-	182,970	280,453	-	10,000	16,000	-	26,000	-
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	-	-	300,001	-
Write down of domain names due to partial settlement of cont. liability						-	46,367	-	-	46,367	-
Cash Flow	380,572	996,705	1,575,286	1,683,149	4,635,712	1,274,966	319,883	449,932	523,200	2,494,732	(700,036)
Free cash flow	141,145	658,992	1,101,748	1,207,939	3,109,824	902,368	(3,003)	216,036	336,209	1,378,361	(851,460)
EBITDA	417,647	1,031,389	1,355,412	1,702,316	5,170,337	1,302,907	287,590	419,691	(313,492)	(313,492)	325,509

STOCK PRICE CHART



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.