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Zacks Small-Cap Research

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Cinedigm Corp. (CIDM-NASDAQ)

CIDM: Q1 Shows Continued OTT Growth and Debt Reduction

Based on an industry average of 5.2xs enterprise value to sales, and calendar year revenues of $34 million for the Content business alone, we believe Cinedigm stock is worth $4.00 per share.

Current Price (08/22/18)	$1.39
Valuation	**$4.00**

OUTLOOK

With new Chinese ownership and a $40 million infusion of capital, Cinedigm is positioned to rapidly grow its OTT business, which we believe is worth more than twice the entire company. It growth has been augmented with its new ability to distribute movies and TV shows to and from China. The Chinese market is severely restricted by the government of China and Cinedigm will be one of few to be able to distribute US movies and TV content to the Chinese.

SUMMARY DATA

52-Week High	**$1.72**
52-Week Low	**$1.21**
One-Year Return (%)	**-4.1**
Beta	**0.27**
Average Daily Volume (sh)	**13,225**
Shares Outstanding (mil)	**35.1**
Market Capitalization ($mil)	**$49**
Short Interest Ratio (days)	**27.4**
Institutional Ownership (%)	**64**
Insider Ownership (%)	**63**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-8.2**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2019 Estimate	**N/M**
P/E using 2020 Estimate	**N/M**

Risk Level	**Average**
Type of Stock	**Small Value**
Industry	**Business Services**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2017	22.5 A	23.9 A	24.4 A	19.6 A	90.4 A
2018	15.2 A	16.3 A	18.4 A	17.6 A	67.7 A
2019	13.1 A	10.8 E	13.7 E	10.2 E	47.7 E
2020					41.1 E

Earnings Per Share

	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2017	-$0.70 A	-$0.08 A	-$0.07 A	-$1.15 A	-$1.92 A
2018	-$0.48 A	-$0.60 A	-$0.20 A	-$0.00 A	-$0.81 A
2019	-$0.09 A	-$0.19 E	-$0.22 E	-$0.21 E	-$0.67 E
2020					-$0.66 E

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

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WHAT'S NEW

FY 2019 Q1 Shows Continued OTT Growth and Debt Reduction

Revenues for the quarter ending June 30, 2018 came in slightly above expectations at $13.1 million versus $15.2 million a year ago, declining 14%. $7.1 million came from the legacy projector business and $6.0 million from content distribution and streaming. The legacy business continued to decline from $9.8 million in Q1 2018 to $7.1 million in Q1 2019 (down 27%) as studios started to fulfill their payment obligations.

The **content business grew 9%** to $6.0 million from $5.5 million, making the second quarter of growth in a row. Within this group, OTT grew, while distribution was somewhat steady. Distribution generated $3.8 million of the $6 million and OTT (both company owned and distribution for others) was $2.2 million. The company did not give last year's revenue numbers for those segments for comparison. Management was heartened by the fact that despite industry trends that point to declining physical distribution, its gross billings for DVD Blu-ray in Q1 (which is the total value of disks shipped before returns or revenue share), was up 65%. We attribute this to Cinedigm gaining market share in a consolidating industry. In addition, its OTT streaming business, which includes company-own channels, had gross billings (the total revenue generated by the content before Cinedigm calculates its share) up 30%.

Cinedigm's addressable footprint of devices reached 435 million, up 19 million, or 5% sequentially, in the June quarter. The OTT platform grew to 95 partners, up 33% over the prior year and 19% sequentially. During the quarter key deals included a multi-year agreement with DISH Networks and Sling TV as well as signed agreements with a market-leading streaming OEM manufacturer, two of the top five scaled ad-supported OTT platforms and another top three MVPD. These deals will be announced when they are launched.

Gross margin was up one percentage point, while gross margin dollars continue to fall as the digital cinema business revenues fall. Total operating expenses declined $2 million and the operating loss was $439,000 versus $896,000 a year ago. Expenses were down primarily due to the $2.3 million reduction on depreciation and amortization of property and equipment. This line item will continue to go down going forward.

Interest expense declined $1.3 million because of financial restructuring and paying off debt. During the June quarter, **debt was reduced by another net $4.3 million**. Non-recourse debt, attributable to the digital cinema business declined $8.1 million and the remaining debt increased $3.8 million.

For the quarter, the company had a net loss to common stockholders $3.4 million versus a loss of $5.2 million in the year ago quarter.

The **EPS loss in Q1 2018 was $0.09 per share versus a loss of $0.48** per share a year ago. Shares outstanding increased to 37.6 million from 10.9 million a year ago. As of August 9, 2018, the shares outstanding were down to 35.1 million.

Subsequent News

Earlier this month Cinedigm renewed its distribution deal with the Crown Media Family Networks, parent company of the Hallmark Channel, Hallmark Movies & Mysteries, and Hallmark Movies Now. Cinedigm has been its exclusive distributor for the past six years and sales have grown significantly in the past two years. Digital wholesale revenue increased 15% in the first six months of 2018. Gross revenue dollars for Hallmark are up 324% year over year for the first six months of 2018 at Walmart, while unit sales there increase 315%. Its *Royal Wedding Collection*, the movie *Campfire Kiss*, and *The Country Love Triple Feature* sold for Mother's Day boosted sales. Hallmark should have a strong second half due to the release of 25 films in Q4 of which 19 are for the Christmas season.

Today Cinedigm announced its first original scripted series. It will be about Emily "Mickey" Hahn, a writer for *New Yorker* magazine in the 30s who wrote about China. Mark Yellen Productions and Rosenbloom

Entertainment will partner with Cinedigm on this series. It will be produced in Shanghai and Hong Kong starting in 2019 and there are plans to distribute it worldwide.

KEY POINTS

- Cinedigm's prospects have been supercharged by a huge $40 million capital infusion from Chinese investor, Bison Capital, who now owns 56% of the company and has two board seats. This relationship has also enabled movie and TV distribution deals approved by the Chinese government through Starrise Media and others.

- This investment allowed Cinedigm to retire all its convertible notes and reduce future interest payments. It should also increase distribution revenues by allowing Cinedigm to release US movies to Chinese theatres as well as stream addition content to Chinese audiences. This could add millions of dollars to future revenues. The Chinese market is highly regulated and to date only major US studios have been allowed to release a limited number of movies there. Cinedigm is the first independent distributor to be given permission. Revenues from this new partnership should begin the December quarter.

- Total revenues for Cinedigm have been declining due to its legacy movie equipment business reaching its contracted ends and that trend is not expected to turn around until FY 2022. If the company manages to spin off or somehow classify its legacy business as a discontinued operation, it would immediately show significant total revenue growth. In the interim, the declining business unit will be treated as a cash cow to pay off its debt.

- Cinedigm is can be valued looking at it two main businesses and valuing them separately. If we assume the projector business has no value at all, the company's worth is entirely based on its distribution and content business. Using a metric of enterprise value to sales and its industry averages and Cinedigm's calendar year sales, we believe that business is worth $157 million or $4.00 per share. We are basing this on an estimate of $33.8 million in sales in calendar year 2018 and a peer average of 5.2 times EV to sales.

FORECASTS

FY 2019 is expected to show a significant fall off in legacy business as contracts come to a natural end. This year we are looking for revenues in this business to fall from $37.6 million to $14 million or 64%. The content business should grow to $34.0 million versus $30.1 million a year ago (up 13%) as OTT grows rapidly and physical distribution decline decreases as Cinedigm has picked up market share in this consolidating industry. This will result in total revenues of $48 million, down 30%. We have reduced out revenue estimates in Content as it is taking longer to get revenues ramped with China than expected pushing major upticks into the FY 2020 year. In the digital cinema business we fined tuned revenue estimates from services.

FY 2020 will be particularly unusual as the projector business falls off in revenues as contracts end. We are forecasting revenues for this business at $2.2 million. We also expect SG&A and other expenses to decline somewhat with revenue declines. By the end of calendar year 2020, the theatres will have to either give back their projectors, or buy them from Cinedigm. Since they have them until December 31, 2020, we will not see most of the income from these sales until that time. These sales, which could be upwards of $37 million will not be booked as revenues but as other income and fall into the FY 2021 year. The content business should continue to grow although there could be headwinds from declining physical distribution, which will continue to

be cannibalized by streaming. Content could grow to $39 million resulting in total revenues declining 14% year over year.

Investors should continue to focus on the progress of the content business to judge the progress of the company while keeping an eye on the wind down of the projector business which may even have upside depending on how the sale of projectors goes. Worst-case scenario for this business is difficulty paying off the non-recourse loan granted to this business. The Cinedigm parent company is ultimately not responsible for that debt.

VALUATION

While there is no public company that is solely a distributor and a streaming service, there are a number of companies that do one or the other. Chicken Soup for the Soup Entertainment is close, but it also has a large TV content production piece. Netflix only streams and does not distribute for others. Companies with similar businesses to CIDM have an average valuation of 5.2xs enterprise value to calendar year sales for 2018 as well as trailing twelve months. If we use that metric and apply it to our estimate for Cinedigm's content business alone, we get an enterprise value of $157 million. Subtracting off the debt (expect for the non-recourse debt of the projector business) this equates to a share price of $4.02.

		Revenue		TTM	Enterprise Value / Sales		EV/	Included	Enterprise
Company	Ticker	2018E	LTM	EBITDA	2018E	LTM	EBITDA	in Average?	Value
Chicken Soup	CSSE	$34	$18	$28	2.9x	5.5x	3.5x	y	$98
DISH Network	DISH	$13,670	$13,990	$2,730	2.2x	2.2x	11.2x	y	$30,440
Entertainment One	ENTMF	NA	$1,380	$206	NA	2.0x	13.1x	y	$2,710
DHX Media	DHXM	NA	$319	$67	NA	2.9x	13.7x	y	$920
Gaia	GAIA	$44	$36	-$20	5.6x	6.9x	-12.3x	y	$250
Lionsgate	LGF-A	$3,974	$4,130	$501	1.8x	1.7x	14.4x	y	$7,220
Netflix	NFLX	$15,850	$13,880	$1,440	9.0x	10.3x	98.9x	y	$142,380
RLJ Entertainment	RLJE	NA	$94	$7	NA	1.7x	23.2x	y	$163
Roku	ROKU	$721	$606	$0	8.0x	9.5x	25087.0x	y	$5,770
WWE	WWE	$898	$867	$160	6.8x	7.0x	37.9x	y	$6,070
Average				**$512**	**5.2**	**5.0**	**2529.1**		**$19,602**

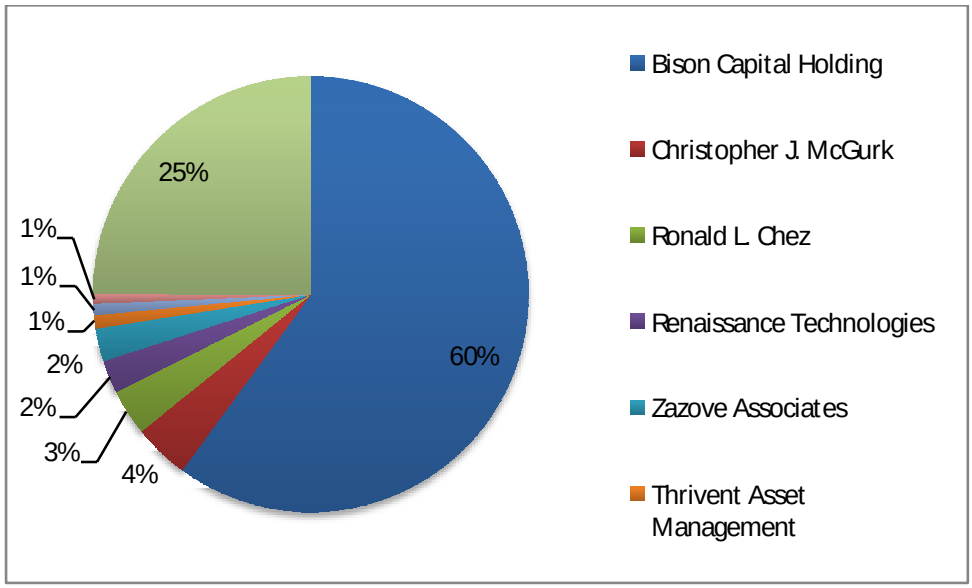
	Revenue		TTM	Enterprise Value / Sales		Valuation Range	
	2018E	LTM	EBITDA	2018E	LTM	Low	High
Cinedigm	**$33,833**	**$27,944**	**$20,807**	**5.2x**	**5.0x**	**$138,806**	**$175,514**

Conclusion of Enterprise Value	$157,160,038
Market Value	$140,999,038
Shares Outstanding	35,068,853
Price per Share	**$4.02**

RISKS

- Despite being cash flow positive, Cinedigm is not yet profitable and has declining revenues from its legacy business, which may cause growth and profitability to be challenging.
- Its relationship with Bison Capital is new and planned business strategies may not work as expected.
- China has a highly regulated business environment and changes could occur to stop Cinedigm from achieving its objectives in that country.
- The OTT streaming business is highly competitive in the US with new entrants almost on a daily basis. The company may have difficulty marketing its channels due to so many competing alternatives vying for consumer interest and dollars.
- The continued decline in DVD and Blu-ray physical distribution makes distribution growth an uphill battle.
- There is risk in the projector business, as it must resell the projectors it will own at a price sufficient to pay off loans. The number of projectors, the prices they can be sold at and the timing of these sales are variable and it is uncertain if there will be enough cash to pay off its loans.

OWNERSHIP



PROJECTED INCOME STATEMENT

	Q1 6/30/17	Q2 9/30/17	Q3 12/31/17	Q4 3/31/18	Q1 6/30/18	Q2 E 9/30/18	Q3 E 12/31/18	Q4 E 3/31/19	FY 2017	FY 2018	FY 2019E	FY 2020E
Phase I	$4,331	$5,329	$3,219	$3,903	$2,605	$500	$0	$0	$32,068	$16,782	$3,105	$0
Yr-to-yr Growth	-53%	-44%	-56%	-35%	-40%	-91%	-100%	-100%	-12%	-48%	-81%	-100%
Phase II	3,061.0	2,591	3,193	3,018	3,180	2,500	1,500	1,500	12,538	11,863	8,680	2,000
Yr-to-yr Growth	-4%	-21%	7%	-2%	4%	-4%	-53%	-50%	2%	-5%	-27%	-77%
Services	2,396	2,105	2,049	2,382	1,330	288	150	150	11,611	8,932	1,918	200
Yr-to-yr Growth	-27%	-33%	-22%	-7%	-44%	-86%	-93%	-94%	-1%	-23%	-79%	-90%
TOTAL DIGITAL CINEMA BUSINESS	**9,788**	**10,025**	**8,461**	**9,303**	**7,115**	**3,288**	**1,650**	**1,650**	**56,217**	**37,577**	**13,703**	**2,200**
Yr-to-yr Growth	-37%	-37%	-34%	-21%	-27%	-67%	-80%	-82%	-7%	-33%	-64%	-84%
Distribution	NA	NA	NA	NA	3,762	4,500	8,000	4,738	24,827	18,606	21,000	20,000
Yr-to-yr Growth	NA	NA	NA	NA	NA	NA	NA	NA	-31%	-25%	13%	-5%
OTT Streaming and Digital	NA	NA	NA	NA	2,201	3,000	4,000	3,799	9,350	11,500	13,000	18,850
Yr-to-yr Growth	NA	NA	NA	NA	NA	NA	NA	NA	19%	23%	13%	45%
OTT Channel	NA	NA	NA	NA	NA	NA	NA	NA	1,944	2,644	4,200	6,300
Yr-to-yr Growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	36%	59%	50%
OTT other	NA				NA	NA	NA	NA	7,406	8,856	8,800	12,550
Yr-to-yr Growth	NA				NA	NA	NA	NA	NA	20%	-1%	43%
CONTENT	**5,452**	**6,253**	**10,031**	**8,370**	**5,963**	**7,500**	**12,000**	**8,537**	**34,177**	**30,106**	**34,000**	**38,850**
Yr-to-yr Growth	-20%	-21%	-13%	6%	9%	20%	20%	2%	-22%	-12%	13%	14%
Total revenue	**15,240**	**16,278**	**18,492**	**17,673**	**13,078**	**10,788**	**13,650**	**10,187**	**90,394**	**67,683**	**47,703**	**41,050**
Yr-to-yr Growth	-32%	-32%	-24%	-10%	-14%	-34%	-26%	-42%	-13%	-25%	-30%	-14%
Cost of revenue	4,066	4,041	6,363	5,053	3,425	4,573	7,154	5,111	25,121	19,523	20,263	23,021
Gross profit	11,174	12,237	12,129	12,620	9,653	6,215	6,496	5,076	65,273	48,160	27,439	18,030
Gross Margin %	73%	75%	66%	71%	74%	58%	48%	50%	72%	71%	58%	44%
Operating expenses:												
SG&A	6,318	6,247	9,259	6,630	6,543	6,400	7,500	6,000	23,776	28,454	26,443	17,000
Provision for doubtful accounts	-	949	631	(589)	65	500	500	500	1,213	991	1,565	1,000
Restructuring expenses, net	-	-	-	-	-	-	-	-	87	-	-	-
Goodwill impairment	-	-	-	-	-	-	-	-	-	-	-	-
Litigation and related, net	-	-	-	-	-	-	-	-	-	-	-	-
Dep and amortization of property and equipt	4,357	3,645	2,213	2,197	2,089	1,887	1,882	1,796	27,722	12,412	7,654	6,500
Amortization of intangible assets	1,395	1,395	1,395	1,395	1,395	1,395	1,395	1,395	5,718	5,580	5,580	5,580
Total operating expenses	12,070	12,236	13,498	9,633	10,092	10,182	11,277	9,691	58,516	47,437	41,242	30,080
Operating income:	(896)	1	(1,369)	2,987	(439)	(3,967)	(4,781)	(4,615)	6,757	723	(13,803)	(12,051)
Operating margin	-5.9%	0.0%	-7.4%	16.9%	-3.4%	-36.8%	-35.0%	-45.3%	7.5%	1.1%	-28.9%	-29.4%
Other income:												
interest expense, net	(4,041)	(3,975)	(3,147)	(3,029)	(2,695)	(2,695)	(2,695)	(2,695)	(18,995)	(14,193)	(10,780)	(10,780)
Loss on extingusihment of note payable	-	-	-	-	(10)	-	-	-	(1,063)	-	(10)	-
Debt conv exp and loss on ext of notes payable	-	(3,205)	(1,299)	-	-	-	-	-	(4,352)	(4,504)	-	-
Other (expense) income, net	(69)	(133)	(40)	(35)	-	-	-	-	31	(277)	-	-
Gain on termination of capital lease	-	-	-	-	-	-	-	-	2,535	-	-	-
Change in fair value of interest rate derivatives	40	43	44	30	-	-	-	-	142	157	-	-
Total other income	(4,070)	(7,270)	(4,442)	(3,034)	(2,705)	(2,695)	(2,695)	(2,695)	(21,702)	(18,817)	(10,790)	(10,780)
Income before income taxes	(4,966)	(7,269)	(5,811)	(47)	(3,144)	(6,662)	(7,476)	(7,310)	(14,945)	(18,094)	(24,593)	(22,831)
Pretax Margin	-32.6%	-44.7%	-31.4%	-0.3%	-24.0%	-61.8%	-54.8%	-71.8%	-16.5%	-26.7%	-51.6%	-55.6%
Income taxes	(186)	(196)	(113)	94	(139)	(100)	(100)	(100)	(252)	(401)	(439)	-
Tax rate	4%	3%	2%	-200%	4%	2%	1%	1%	2%	2%	2%	0%
Net loss	(5,152)	(7,465)	(5,924)	47	(3,283)	(6,762)	(7,576)	(7,410)	(15,197)	(18,495)	(25,032)	(22,831)
Yr-over-Yr	13%	1446%	1132%	-100%	-36%	-9%	28%	-15866%	-64%	22%	35%	-9%
Net loss attributable to noncontrolling interest	6	11	15	9	16	15	15	15	68	41	61	61
Net loss attributable to controlling interests	(5,146)	(7,454)	(5,909)	9	(3,267)	(6,747)	(7,561)	(7,395)	(15,129)	(18,454)	(24,971)	(22,770)
Preferred stock dividends	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(89)	(356)	(356)	(356)	(356)
Net loss attributable to common stockholders	(5,235)	(7,543)	(5,998)	(80)	(3,356)	(6,836)	(7,650)	(7,484)	(15,485)	(18,810)	(25,327)	(23,126)
Net income per share:												
Primary EPS	**(0.48)**	**(0.60)**	**(0.20)**	**(0.00)**	**(0.09)**	**(0.19)**	**(0.22)**	**(0.21)**	**(1.92)**	**(0.81)**	**(0.67)**	**(0.66)**
Diluted EPS	(0.42)	(0.53)	(0.18)	0.00	(0.08)	(0.18)	(0.21)	(0.20)	(1.64)	(0.76)	(0.61)	(0.62)
	-15%	1008%	273%	-100%	-81%	-65%	12%	-17391%	-64%	-54%	-20%	2%
Shares												
Basic	10,920	12,651	29,389	37,545	37,639	35,069	35,069	35,069	8,049	23,105	37,639	35,069
Yr-over-Yr	65%	75%	251%	275%	245%	177%	19%	-7%	24%	187%	63%	-7%
Diluted	12,332	14,132	32,283	40,436	41,231	36,869	36,869	36,869	9,466	24,796	41,231	36,869
GAAP Adjusted EBITDA	**5,379**	**5,875**	**5,476**	**6,309**	**3,147**	**(99)**	**(918)**	**(838)**	**43,363**	**23,039**	**1,291**	**1,374**
EBITDA Margin	35%	36%	30%	36%	24%	-1%	-7%	-8%	48%	34%	3%	3%

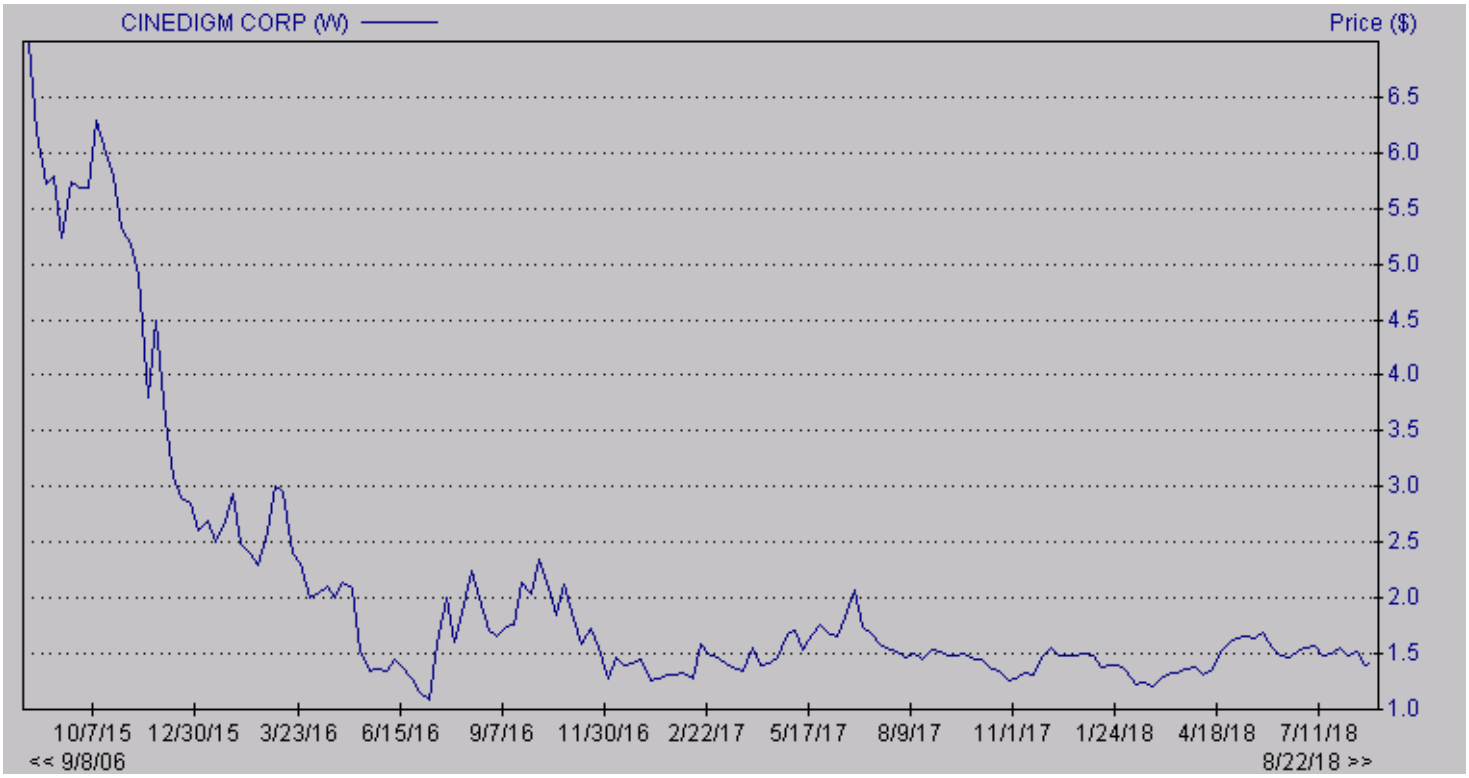
BALANCE SHEET

	June 30, 2018	Mar. 31, 2018	Qtr-Qtr % Change	June 30, 2017	Yr-Yr % Change
Current assets					
Cash and cash equivalents	$ 17,820	$ 17,952	-1%	$9,792	82%
Accounts receivable, net	32,996	38,128	-13%	40,262	-18%
Inventory, net	641	792	-19%	803	-20%
Unbilled revenue	3,808	6,799	-44%	5,204	-27%
Prepaid and other current assets	9,081	10,497	-13%	12,320	-26%
Total current assets	64,346	74,168	-13%	68,381	-6%
Restricted cash	1,000	1,000	0%	1,000	0%
Property and equipment, net	19,588	21,483	-9%	29,081	-33%
Intangible assets, net	13,261	14,653	-9%	18,833	-30%
Goodwill	8,701	8,701	0%	8,701	0%
Debt issuance costs	0	0	0%	656	-100%
Other assets	1,164	1,177	-1%	1,558	-25%
Total assets	108,060	121,182	-11%	128,210	-16%
Current liabilities					
Accounts payable and accrued expenses	64,232	69,225	-7%	**61,451**	5%
Current portion of notes payable	**25,155**	**4,775**	427%	19,599	28%
Current portion of notes payable, non-recourse	**512**	**512**	0%	5,854	-91%
Current portion of capital leases	0	0	0%	36	-100%
Current portion of deferred revenue	1,603	1,821	-12%	2,186	-27%
Total current liabilities	91,502	76,333	20%	89,126	3%
Notes payable, non-recourse, net	**29,478**	**37,570**	-22%	48,408	-39%
Notes payable, net	**8,826**	**25,435**	-65%	60,008	-85%
Deferred revenue, net of current portion	3,471	3,842	-10%	4,954	-30%
Other long-term liabilities	280	306	-8%	382	-27%
Total liabilities	133,557	143,486	-7%	202,878	-34%
Stockholders' deficit					
Preferred stock	3,559	3,559	0%	3,559	0%
Class A common stock	35	35	0%	12	192%
Paid in capital	366,398	366,223	0%	288,672	27%
Treasury stock	(11,603)	(11,603)	0%	0	NM
Accumulated deficit	(382,581)	(379,225)	1%	(365,650)	5%
Accumulated other comprehensive loss	(34)	(38)	-11%	(41)	-17%
Total stockholder's deficit of Cinedigm	(24,226)	(21,049)	15%	(73,448)	-67%
Deficit attributable to noncontrolling interest	(1,271)	(1,255)	1%	(1,220)	4%
Total deficit	(25,497)	(22,304)	14%	(74,668)	-66%
Total liabilities and deficit	108,060	121,182	-11%	128,210	-16%
Current ratio	0.7	1.0	-28%	0.8	-8%
Quick ratio	0.7	1.0	-28%	0.8	-8%
Working capital	(27,156)	(2,165)	1154%	(20,745)	31%
Non-recourse debt	29,990	38,082	-21%	54,262	-45%
Other debt	33,981	30,210	12%	79,607	-57%
Total Debt	63,971	68,292	-6%	133,869	-52%
Debt/TA	59%	56%	5%	104%	-43%

CASH FLOWS

	FY Year 2017	3 Mo Jun 30, 2017	3 Mo Sep 30, 2017	3 Mo Dec 31, 2017	3 Mo Mar 31, 2018	FY Year 2018	3 Mo Jun 30, 2018
Cash flows from operating activities:							
Net loss	(15,197)	(5,152)	(7,465)	$ (5,924)	47	(18,495)	(3,283)
Adjustments to reconcile net loss to net cash provided by operating activities:							
Depreciation and amortization	33,440	5,752	5,040	3,608	3,592	17,992	3,484
Gain on termination of capital lease	(2,535)	-	-	-	-	-	-
Loss on disposal of property and equipment	-	2	62	-	-	64	-
Amortization of debt issuance costs included in interest expense	2,688	487	581	505	462	2,035	410
Provision for doubtful accounts	1,213	-	949	631	(589)	991	65
Provision for inventory reserve	376	529	188	(390)	(719)	(392)	(28)
Stock-based compensation and expenses	1,726	317	330	1,567	65	2,279	86
Change in fair value of interest rate derivatives	142	40	43	44	30	157	-
Accretion and PIK interest expense added to note payable	1,034	410	152	300	441	1,303	489
Debt conversion expense and loss on extinguishment of notes payable	5,415	-	3,205	1,299	-	4,504	-
Changes in operating assets and liabilities;							
Accounts receivable	(2,186)	13,346	13,144	(12,110)	490	14,870	5,067
Inventory	511	(195)	(196)	389	739	737	179
Unbilled revenue	(85)	451	536	(79)	(2,052)	(1,144)	2,991
Prepaid expenses and other assets	1,873	907	(187)	1,663	551	2,934	1,429
Accounts payable and accrued expenses	5,932	(11,623)	(50)	2,707	5,650	(3,316)	(4,985)
Deferred revenue	(2,648)	(645)	(498)	(574)	(405)	(2,122)	(589)
Net cash provided by operating activities	31,699	4,626	15,834	(6,364)	8,302	22,397	5,315
Cash flows from investing activities:							
Purchases of property and equipment	(481)	(227)	(118)	(186)	(394)	(925)	(194)
Purchases of intangible assets	(5)	-	-	(3)	(3)	(6)	(3)
Net cash used in investing activities	(486)	(227)	(118)	(189)	(397)	(931)	(197)
Cash flows from financing activities:							
Payment of notes payable	(53,088)	(6,976)	(8,066)	(23,333)	(3,354)	(41,729)	(8,250)
Net repayments under revolving credit agreement	(2,328)	-	(7,624)	(166)	(3,582)	(11,372)	-
Proceeds from issuance of notes payable	5,525	-	-	10,000	-	10,000	3,000
Repurchase of Class A common stock	-	-	-	(163)	-	(163)	-
Net proceeds from issuance of common stock	-	-	-	28,054	(23)	28,031	-
Principal payments on capital leases	(224)	(30)	(28)	(8)	-	(66)	-
Payments of debt issuance costs	(2,035)	(167)	(129)	(274)	(211)	(781)	-
Change in restricted cash balances	7983	-	-	-	-	-	-
Capital contributions from noncontrolling interest	39	-	-	-	-	-	-
Net cash used in financing activities	(44,128)	(7,173)	(15,847)	14,110	(7,170)	(16,080)	(5,250)
Net change in cash and cash equivalents	(12,915)	(2,774)	$ (131)	$ 7,557	$ 735	5,386	(132)
Cash and cash equivalents at beginning of period	25,481	12,566	9,792	$ 9,661	$ 17,218	12,566	17,952
Cash and cash equivalents at end of period	12,566	9,792	9,661	$ 17,218	$ 17,953	17,952	17,820
Cash interest paid	16,464	3,449	6,495	8,533	(4,589)	13,888	-
Cash taxes paid	322	89	89	89	135	402	-
Cash flow	28,302	2,385	3,085	1,640	3,329	10,438	1,223
Free cash flow	27,816	2,158	2,967	1,451	2,932	9,507	1,026

HISTORICAL STOCK PRICE



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