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Zacks Small-Cap Research

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Net Element Inc. (NETE-NASDAQ)

Q3 Results as Expected, But NETE's New Product for the CBT Cannibidiol Market Adds Sizzle to the Stock

Using an industry average of EV/trailing GM of 11.9X the stock could be worth $28.40 per share by next year if NETE could reach profitability.

OUTLOOK

Net Element is a software and services company for global online and mobile payments. It operates a merchant processor in the US with an attractive merchant offering with its Aptito front-end solution, and a payment processor, operating primarily in Russia. NETE has shown growth in the US and continues progress toward profitability, but needs to reach cash flow break even to stop equity dilution and increase share price.

Current Price (11/14/18)	$6.38
Valuation	**$28.40**

SUMMARY DATA

52-Week High	**$19.39**
52-Week Low	**$3.77**
One-Year Return (%)	**63.8**
Beta	**0.4**
Average Daily Volume (sh)	**728,810**
Shares Outstanding (mil)	**3.9**
Market Capitalization ($mil)	**$25**
Short Interest Ratio (days)	**1.0**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**19**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**38.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**

Risk Level	**High**
Type of Stock	**Small Blend**
Industry	**Internet Commerce**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	11.3 A	13.7 A	14.0 A	15.3 A	54.3 A
2017	13.6 A	16.1 A	14.9 A	15.5 A	60.1 A
2018	16.0 A	16.5 A	17.2 A	17.8 E	67.4 E
2019					74.8 E

Earnings Per Share
(Non-GAAP EPS before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	-$1.32 A	-$1.00 A	-$1.15 A	-$1.63 A	-$6.05 A
2017	-$1.15 A	-$0.85 A	-$0.84 A	-$0.70 A	-$3.57 A
2018	-$0.40 A	-$0.20 A	-$0.19 A	-$0.09 E	-$1.05 E
2019					-$0.28 E

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

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WHAT'S NEW

Q3 2018 Results

Net Element continues to make progress growing revenues and reducing losses. While the going has been slow, the company's goal for 2019 is to reach cash flow breakeven followed by profitability. Certainly the recent acquisition of JetPay at 2.9 times sales was a clear indication that a profitable processing business is valuable in the M&A market and highlights how undervalued Net Element is. Its tragic flaw has been operating losses. With organic growth and new products such as third party processing for banks in Russia and a new cannabidiol vertical market offering, there could be added opportunity to accelerate revenues in 2019.

Total revenues for Q3 increased 15.7% year over year to $17.2 million from $14.9 million. All of the growth was organic. North America grew 18.8% to $15.6 million from $13.1 million a year ago. The international segment declined 7.1% in the quarter from a year ago to $1.7 million, and was down $394,000 sequentially from Q2. The decline in international revenues was due to the decision to exist the mobile payment market in Russia. Taking that business out of 2017 numbers, revenues would have been up 2.7%. Sequentially, international had been steady, at $2 million per quarter for the previous three quarters but it dipped slightly due to seasonality.

Total gross margin increased to 15.6% from 14.4% a year ago, and up significantly from the low of 11.4% in Q4 2017. Margins for North America increased slightly to 14.8% from 14.1% last year, while international margins increased to 22.4% versus 16.9% as cost savings from the consolidation of Russian operations bore fruit.

Operating expenses were flat with last year and with the increase in gross margin dollars, the operating loss declined to $0.8 million versus $1.3 million in 2017.

Other expense declined $200,000 with approximately half due to reduced interest expense as debt was paid down compared with a year ago.

With this, the operating loss and the net loss were both $0.9 million compared to a loss of $1.7 million a year ago.

This quarter there were 3.9 million average primary shares outstanding, while last year there were only 1.9 million, or 106% more than last year. As of November 14, 2018, that number was still 3.9 million shares.

The adjusted non-GAAP operating loss was $0.9 million versus $1.6 million last year. The adjusted non-GAAP loss per share, taking out stock-based compensation, declined **to a loss of $0.23 per share versus a loss of $0.84 per share**.

During the quarter, net cash declined by $3.5 million sequentially, primarily due to the purchase of a portfolio. Net Element now has $2.6 million in cash, negative working capital and $6.0 million in debt. In its 10Q filing, the company indicated it needs $6 million in cash to fund the next twelve months.

Events In the Quarter

On July 31, 2018, Net Element **acquired a portfolio** from a partner for $2.7 million. Revenues from this portfolio had already been included in Net Element's income statement, however now as the owner, Net Element will no longer pay the partner which will reduce the company cost of sales and increase gross margins in the North American segment. This acquisition is expected to generate well over **$5 million in gross profits** over the next four years and expected to continue generating profits thereafter. Using linear arithmetic, this translates to $312,500 gross margin dollars per quarter.

Aug. 09, 2018 Net Element announced a **partnership agreement** with Payment Club of Garden Grove, California (www.paymentclub.com.) Payment Club offers subscription-based payment processing aimed at small businesses in the US who wish to pay a flat monthly fee for payment services and hardware. The deal is expected to add over $1.5 million in gross profits and corresponding revenues over the next four years. Net Element believes these revenues will be at higher gross margins than its current average. It is also providing a $5 million credit facility as part of Unified Payments' partnership program and financing program to fuel Payment Club's growth.

After the Quarter Ended

Net Element Plans to Bring Third Party Bank Processing to Russia in Partnership with Sputnik Bank

On October 2nd, Net Element announced a memo of understanding with Sputnik Bank of Russia to launch a new business offering third party processing to other banks in Russia. In return for Net Element's expertise, Sputnik will give Net Element 25% of its outstanding stock and potentially, a per transaction fee. Sputnik is expected to pay for all the expenses for the venture. This agreement will not be finalized until its passes regulatory approval in Russia, which is expected some time in the fourth quarter of 2018. This approval is the only thing keeping the deal from being signed as all the terms have already been agreed upon.

Sputnik is a commercial bank founded in 1990 and has $35 million in assets. It is known in the Russian financial market as a universal bank that provides a full range of banking services to both private and corporate clients. These services include payment cards, deposit accounts, wealth management, and interbank cooperation.

Sputnik will be the first entity to offer third party processing in Russia and it should fill a much-needed demand. To date we believe all the banks in Russia use in-house systems, which are expensive and in many cases aging as many systems were written in the 90s when the banking system was recreated. Sputnik is expected move its own in-house system over to this venture and will sell the processing service to small banks, third-party vendors, value-added resellers, credit organizations and sales organizations. Due to economies of scale of bank and payment processing, one large entity can more efficiently manage a system and the smaller banks will be able to outsource their IT at what is expected to be a much lower cost. Adding to the attraction for many customers will be newer software than they may currently use. A third plus will be that any bank that has merged with another will find their home grown solutions will not interoperate with each other and as a result they will not enjoy the economies of scale a merger should bring. We believe this is the first bank to provide a wholesale service to other Russian banks and if executed properly could be a huge success. In the future, this entity could even be spun off into its own independent fintech company like many of the banks in the US have done.

We wait to see the terms of a final agreement if it passes regulatory approval and reaches that stage as well as the timing on the launch of the business, but on the surface this looks to be a very favorable development for Net Element. The company expects to have a product available for sale within 12 months of the deal signing.

Net Element Launches a Cannabis Vertical Market Product

On October 22, Net Element announced the launch of a secure and compliant payment processing offering aimed at the legal cannabis industry, also called cannabidiol (CBD.) Payment processing and compliance for the legal cannabis industry has become increasingly complex; Unified Payments is addressing the challenges by offering a compliant, seamlessly integrated payment solution that makes it simple to transact. This product has been show at trade shows and has gotten great interest. This market is slightly different as a vertical as the banks have to approve the payment processing. Net Element has already signed some customers and is beginning to on board them.

INVESTMENT THESIS

- Net Element is a growth company in the payments industry that should benefit from the adoption of mobile and online payments in the US, Russia and Eastern Europe.
- Its award-winning Aptito product line provides differentiation and value-added services to its generic card processing business. This business should increase margins as well as aid sales efforts by improving price/performance and customer stickiness.
- The company believes its intrinsic value is its payment-processing portfolio and its objective is to grow that portfolio internally and through acquisition.
- The company's new venture with Sputnik Bank could prove very profitable as they plan to be the first bank to provide third party processing to smaller banks in Russia.
- With its CBD vertical market offering, cannabis investors looking for exposure to that high growth market have noticed the stock.
- The company's goal in 2019 is to reach cash flow breakeven and thereafter profitability.
- We believe the company could grow revenues 12% to $67 million in 2018. It is trading at a market and an enterprise value of $28 million or 0.4Xs enterprise value to forecasted 2018 sales.
- If NETE achieves our forecasts without further common stock dilution than that already predicted and no incremental debt, we believe its common stock could be worth $28.40 per share by next year based on an industry average valuation of approximately 11.9xs enterprise value to gross margin if the company achieves breakeven EBITDA results.

VALUATION

Using Net Element's peer group we find an average valuation of 11.9 times the enterprise value to trailing twelve-month gross margin. If we use that multiple and apply it Net Element's trailing 12-month gross margin of $9.5 million, we see that the company could be worth a $113 million enterprise value if it were profitable, or **$28.40 per share**.

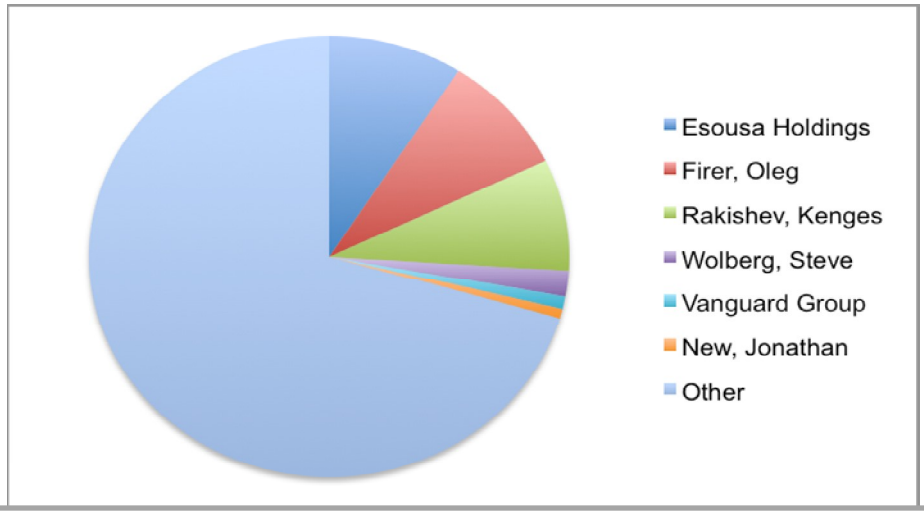
Another way to value the company is to compare it to the acquisition valuation used for its peer JetPay. In October, NCR made a cash tender offer of $5.05 for each JetPay share represents a multiple of 2.9 times the 2018 consensus revenue forecast of $63.1 million. Using that valuation metric NETE would be worth an enterprise value of $195 million, a market value of $192 million or **$50.00 per share**.

Company	Ticker	EBITDA	Gross Margin	%	Revenue LTM	EBIDTA Margin	EV/LTM Sales	EV/GM	EV/EBITDA	Included in Average?	Enterprise Value
Earthport	EPO.L	(9)	20	64%	31	-28%	0.2	0.3	-0.8	y	7
EVERTEC	EVTC	159	211	49%	435	37%	5.7	11.8	15.6	y	2,490
First Data	FDC	3,020	5,010	58%	8,620	30%	4.8	8.2	13.7	y	41,330
Global Payments	GPN	1,220	2,050	55%	3,720	22%	6.0	10.9	18.4	y	22,440
JetPay*	JTPY	4	24	29%	81	7%	1.9	6.5	43.1	y	153
PayPal	PYPL	2,970	6,020	40%	14,970	20%	5.8	14.4	29.2	y	86,690
Total System Services	TSS	1,350	1,350	32%	4,280	32%	4.7	15.0	15.0	y	20,190
Worldpay	WP	1,170	2,120	54%	3,960	39%	8.9	16.6	30.0	y	35,120
* acquired											
Average				45%		27%	5.4	11.9	23.6		29,773

RISKS

- The company continues to dilute common shareholders to fund growth by selling equity. It is uncertain if the company will be able to make accretive investments with these funds and shareholders may continue suffer further dilution.
- The company is losing money and may not be able to reach profitability or positive cash flow. The company believes in spending to grow the business and investors should not expect the company to become cash flow positive.
- The company is involved in a number of lawsuits.
- The mobile and online payment market is still in its infancy and there is no assurance countries will adopt this method to pay for goods and services.
- The company is somewhat dependent on Russia and due to oil prices, political turmoil, and sanctions, and this could affect payment volumes and the ability to do business there.
- Future acquisitions may not be successfully integrated operationally or technologically. Purchased portfolios may not yield expected profits.
- The merchant acquirer market in the US is competitive and larger companies have an advantage due to economies of scale and access to capital.
- Operations in Russia and the United Federation and in the Middle East face considerable political risk and the company may be prohibited from certain financial transactions by government regulation and restrictions.
- Currency, particularly the ruble, has fluctuated dramatically and could affect reported earnings and operations.
- As a payment company the company is involved with blockchain. This can cause volatility in the stock as blockchain has often caused irrational exuberance among investor. It also draws added scrutiny by regulators.

OWNERSHIP



INCOME STATEMENT

	Q1 2017 31-Mar	Q2 2017 30-Jun	Q3 2017 30-Sep	Q4 2017 31-Dec	Q1 2018 31-Mar	Q2 2018 30-Jun	Q3 2018 30-Sep	Q4 2018E 31-Dec	2016	2017	2018E	2019E
North America Transaction	$11.0	$13.6	$13.1	$13.4	$14.0	$14.4	$15.6	$16.0	$42.1	$51.1	$60.0	$64.77
Yr-over-yr Growth	39.6%	30.8%	17.3%	5.9%	27.4%	5.9%	18.8%	19.1%	53.8%	21.4%	17.3%	8.0%
Cost of service	9.5	11.5	11.3	12.1	12.1	12.2	13.3	13.5	36.3	44.3	51.1	54.7
Gross margin	1.5	2.1	1.8	1.4	1.9	2.2	2.3	2.5	5.8	6.9	8.9	10.1
Gross margin %	13.7%	15.7%	14.1%	10.3%	13.6%	15.2%	14.8%	15.6%	13.7%	13.4%	14.8%	15.6%
International	2.6	2.5	1.8	2.0	2.0	2.0	1.7	1.8	12.2	8.9	7.5	10.0
Yr-over-yr Growth	-23.8%	-23.1%	-37.0%	-23.2%	-22.4%	-19.1%	-7.1%	-13.4%	219.6%	-26.6%	-16.4%	34.0%
International Cost of Service	2.0	1.8	1.5	1.6	1.6	1.6	1.3	1.4	9.4	7.0	5.8	7.2
Gross Margin	0.6	0.7	0.3	0.4	0.5	0.5	0.4	0.4	2.8	2.0	1.7	2.8
Gross margin %	23.0%	27.0%	16.9%	18.4%	22.9%	22.4%	22.9%	22.4%	23.0%	21.9%	22.6%	28.0%
Total revenues	**13.6**	**16.1**	**14.9**	**15.5**	**16.0**	**16.5**	**17.2**	**17.8**	**54.3**	**60.1**	**67.4**	**74.8**
Yr-to-yr Growth	20.4%	17.9%	6.4%	0.9%	17.8%	2.0%	15.7%	14.8%	34.9%	10.6%	12.3%	10.9%
Costs and expenses:												
Cost of revenues	11.5	13.3	12.8	13.7	13.6	13.8	14.6	14.9	45.7	51.2	56.9	61.9
Gross Margin	2.1	2.8	2.1	1.8	2.4	2.7	2.7	2.9	8.6	8.8	10.6	12.9
% of Sales	15.5%	17.5%	14.4%	11.4%	14.8%	16.1%	15.6%	16.3%	15.8%	14.7%	15.7%	17.3%
G&A	2.8	2.6	2.4	2.8	2.4	2.5	2.3	2.5	8.8	10.6	9.8	10.0
Stock-based compensation	0.6	0.1	0.1	2.1	0.1	0.0	0.0	2.0	3.5	2.9	2.1	2.2
Provision for loan losses	0.3	0.9	0.3	(0.1)	0.1	0.9	0.6	0.0	1.7	1.3	1.6	1.6
Depreciation and amortization	0.7	0.6	0.6	0.7	0.7	0.7	0.5	0.6	3.5	2.5	2.4	2.0
Total operating expenses	4.4	4.2	3.4	5.5	3.4	4.1	3.4	5.1	17.4	17.4	16.0	15.8
Loss from operations	(2.3)	(1.3)	(1.3)	(3.7)	(1.0)	(1.4)	(0.8)	(2.2)	(8.8)	(8.6)	(5.4)	(2.9)
Interest expense, net	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(1.5)	(1.2)	(0.9)	(0.8)
Other expense	(0.0)	(0.0)	(0.1)	(0.1)	(0.4)	0.7	0.0	0.0	0.4	(0.2)	0.4	0.0
Gain on asset disposal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on change in conversion derivative	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss from stock value guarantee	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.7)	0.0	0.0	0.0
One-time charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total non-operating expenses	(0.3)	(0.4)	(0.4)	(0.4)	(0.6)	0.4	(0.2)	(0.2)	(4.8)	(1.4)	(0.5)	(0.8)
Pretax operating income (loss)	(2.5)	(1.7)	(1.7)	(4.1)	(1.6)	(1.0)	(0.9)	(2.4)	(13.6)	(10.0)	(6.3)	(3.7)
Income tax provision	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operating Loss	(2.5)	(1.7)	(1.7)	(4.1)	(1.6)	(1.0)	(0.9)	(2.4)	(13.6)	(10.0)	(6.3)	(3.7)
Minority interest	0.1	0.1	(0.0)	0.0	(0.0)	0.1	0.0	0.0	0.1	0.1	0.1	0.0
Net loss	(2.5)	(1.6)	(1.7)	(4.1)	(1.6)	(0.9)	(0.9)	(2.4)	(13.5)	(9.9)	(6.3)	(3.7)
Preferred dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net loss to common stock	(2.5)	(1.6)	(1.7)	(4.1)	(1.6)	(0.9)	(0.9)	(2.4)	(13.5)	(9.9)	(6.3)	(3.7)
Foreign currency translation gain (loss)	0.0	(0.1)	(0.1)	0.2	0.0	0.0	(0.1)	0.0	(0.9)	(0.0)	(0.1)	0.0
Comprehensive loss	(2.5)	(1.8)	(1.6)	(4.3)	(1.6)	(0.9)	(0.8)	(2.4)	(14.4)	(10.0)	(6.3)	(3.7)
Earnings ex-one time charge	(2.5)	(1.6)	(1.7)	(4.1)	(1.6)	(0.9)	(0.9)	(2.4)	(11.4)	(10.0)	(6.3)	(3.7)
Stock-based compensation	0.6	0.1	0.1	2.1	0.1	0.1	0.0	2.0	3.5	2.9	2.2	2.2
Adjusted Non-GAAP Earnings	(1.9)	(1.5)	(1.6)	(2.0)	(1.5)	(0.8)	(0.9)	(0.4)	(7.9)	(7.0)	(4.1)	(1.5)
Yr-to-yr Growth	27.1%	29.3%	-1.2%	-20.4%	-19.2%	-49.1%	-44.2%	-81.5%	-20%	-11%	-42%	-63%
GAAP EPS	($1.50)	($1.01)	($0.90)	($1.51)	($0.42)	($0.23)	($0.23)	($0.61)	($10.33)	($5.04)	($1.62)	($0.70)
Non-GAAP EPS	**($1.15)**	**($0.85)**	**($0.84)**	**($0.70)**	**($0.40)**	**($0.20)**	**($0.23)**	**($0.09)**	**($6.05)**	**($3.57)**	**($1.05)**	**($0.28)**
Yr-to-yr Growth	-13%	-15%	-27%	-57%	-65%	-77%	-73%	-86%	-60.7%	-41.1%	-70.6%	-73.0%
Share outstanding	1.6	1.8	1.9	2.8	3.9	3.9	3.9	3.9	1.3	2.0	3.9	5.3
Yr-to-yr Growth	46%	52%	35%	84%	134%	118%	106%	37%	104.3%	50.7%	96.6%	36.0%
Fully diluted shares	1.9	2.0	2.2	3.8	4.8	4.8	4.9	4.8	1.5	2.2	4.8	5.5
Yr-to-yr Growth	48%	52%	41%	114%	156%	140%	120%	28%	62.8%	48.7%	119.3%	13.8%

BALANCE SHEET

	Sept 30, 2018	June 30, 2018	Qtr-Qtr % Change	Sept 30, 2017	Yr- Yr % Change
Current assets:					
Cash	**$2,563,104**	**$6,541,652**	-61%	**$922,102**	178%
Accounts receivable, net	4,970,697	6,061,808	-18%	4,446,358	12%
Prepaid expenses and other assets	1,679,092	1,273,303	32%	1,658,200	1%
Total current assets	9,212,893	13,876,763	-34%	7,026,660	31%
Equipment, net	34,267	43,233	-21%	64,381	-47%
Intangible assets, net	5,354,237	2,741,486	95%	3,242,889	65%
Goodwill	9,643,752	9,643,752	0%	9,643,752	0%
Other long term	603,110	461,045	31%	456,948	32%
Total assets	24,848,259	26,766,279	-7%	20,434,630	22%
Current liabilities:					
Accounts payable	$5,407,971	$5,044,603	7%	$6,067,319	-11%
Deferred revenue	1,173,802	1,770,910	-34%	1,196,743	-2%
Accrued expenses	2,247,101	2,666,447	-16%	3,419,879	-34%
Notes payable (current portion)	**484,490**	**924,597**	-48%	**503,041**	-4%
Due to related parties	**441,606**	**496,920**	-11%	**376,593**	17%
Total current liabilities	9,754,970	10,903,477	-11%	11,563,575	-16%
Notes payable (non-current portion)	**5,072,396**	**5,051,708**	0%	**6,887,382**	-26%
Total liabilities	14,827,366	15,955,185	-7%	18,450,957	-20%
STOCKHOLDERS' DEFICIT					
Common stock	385	385	0%	2,142	-82%
Paid in capital	183,223,732	183,223,732	0%	167,805,711	9%
Accumulated other comp income (loss)	(2,315,394)	(2,461,261)	-6%	(2,528,424)	-8%
Accumulated deficit	(170,781,062)	(169,870,648)	1%	(163,272,959)	5%
Noncontrolling interest	(106,768)	(81,114)	32%	(22,797)	368%
Total stockholders' deficit	10,020,893	10,811,094	-7%	1,983,673	405%
Total liabilities and stockholders' deficit	24,848,259	26,766,279	-7%	20,434,630	22%
Net Cash	1,637,008	5,120,135	-68%	42,468	3755%
Current and Quick Ratio	0.9	1.3	-26%	0.6	55%
Working Capital	(542,077)	2,973,286	-118%	(4,536,915)	-88%
Total Debt	5,998,492	6,473,225	-7%	7,767,016	-23%
Debt/TA	24%	24%	0%	38%	-36%
DSO	26.3	33.6	-22%	27.2	-3%

CASH FLOWS

	YR 2016	Mar. 31, 2017 3 month	June 30, 2017 3 month	Sept 30, 2017 3 month	Dec. 31, 2017 3 month	YR 2017	Mar. 31, 2018 3 month	June 30, 2018 3 month	Sept 30, 2018 3 month
Cash flows from operating activities									
Net loss	$ (13,487,537)	$ (2,487,498)	$ (1,640,339)	$ (1,702,536)	$ (4,083,112)	$ (9,913,485)	$ (1,610,847)	$ (903,730)	$ (910,412)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:									
Non controlling interest	$ (128,539)	$ (50,701)	$ (75,081)	$ 32,607	$ (16,389)	$ (109,564)	$ 27,553	$ (69,482)	$ (25,653)
Share based compensation	$ 3,463,435	$ 596,404	$ 128,537	$ 111,277	$ 2,104,206	$ 2,940,424	$ 82,011	$ 22,500	$ 22,500
Deferred revenues	$ 0	$ (445,953)	$ (470,945)	$ 757,670	$ 159,228	$ 0	$ 0	$ 58,319	$ (594,360)
Depreciation and amortization	$ 3,466,510	$ 657,363	$ 573,018	$ 630,020	$ 673,584	$ 2,533,985	$ 703,538	$ 662,525	$ 463,384
Non cash interest	$ 852,408	$ 46,135	$ 48,113	$ 4,526	$ 16,028	$ 114,802	$ 16,759	$ 18,437	$ 13,804
Amortization of deferred revenue	$ (1,221,177)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
(Recovery of) provision for loan losses	$ 500,000	$ 0	$ 192,895	$ (192,895)	$ 0	$ 0	$ 0	$ 0	$ 0
Amorization of prepaid costs	$ 967,313	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates									
Account receivable	$ (2,751,144)	$ 510,498	$ 1,402,637	$ 1,508,130	$ (418,840)	$ 3,002,425	$ 1,032,930	$ (461,525)	$ (191,804)
Deferred revenue	$ 1,833,239	$ 0	$ 0	$ 0	$ 356,619	$ 356,619	$ (535,748)	$ 535,748	$ 0
Prepaid expenses and other assets	$ (570,582)	$ (231,755)	$ 516,416	$ (637,212)	$ (670,434)	$ (1,022,985)	$ (308,648)	$ (47,937)	$ 814,391
Accounts payable	$ 0	$ 0	$ 220,990	$ 0	$ (220,990)	$ 0	$ (545,306)	$ (1,566,462)	$ 24,352
Accrued expenses	$ 0	$ 0	$ 1,655,971	$ 0	$ (1,655,971)	$ 0	$ 0	$ 0	$ 0
Accounts payable and accrued expenses	$ 3,797,753	$ 449,284	$ (2,422,982)	$ (545,334)	$ (552,659)	$ (2,943,154)	$ 0	$ 0	$ 0
Net cash (used in) provided by operating	$ (3,278,321)	$ (956,223)	(1,747,731)	(33,747)	$ (2,431,769)	$ (5,040,933)	$ (1,137,758)	(1,751,607)	(383,798)
Cash flows from investing activities									
Purchase of portfolio and client acquisition	$ (1,319,820)	$ (403,585)	$ (562,562)	$ (414,514)	$ (504,437)	$ (1,885,098)	$ (401,980)	$ (476,466)	$ (2,973,150)
Receipt of excess deposits	$ 0	$ 0	$ 0	$ 0	$ 149,826	$ 149,826	$ 0	$ 0	$ 0
Purchase of fixed and other assets	$ (187,089)	$ 355	$ 180,068	$ (102,993)	$ (180,771)	$ (103,341)	$ (2,393)	$ 12,291	$ (124,939)
Net cash used in investing activities	$ (1,506,909)	$ (403,230)	$ (382,494)	$ (517,507)	$ (535,382)	$ (1,838,613)	$ (404,373)	$ (464,175)	$ (3,098,089)
Cash flows from financing activities									
Proceeds from indebtedness	$ 3,170,540	$ 92,000	$ 3,206,792	$ (59,759)	$ 439,791	$ 3,678,824	$ 0	$ 0	$ 0
Repayment of indebtedness	$ (71,700)	$ (92,680)	$ (532,238)	$ 351,558	$ (725,420)	$ (998,780)	$ (515,834)	$ (522,831)	$ (419,871)
Cash received from issuance of shares and	$ 300,000	$ 1,437,132	$ 0	$ (287,034)	$ 13,734,337	$ 14,884,435	$ 0	$ 0	$ 0
Related party advances (payments)	$ 1,027,874	$ 57,159	$ (57,159)	$ 77,587	$ (77,587)	$ 0	$ (33,027)	$ 67,954	$ (74,192)
Net cash provided by (used in) financing	$ 4,426,714	$ 1,493,611	$ 2,617,395	$ 82,352	$ 13,371,121	$ 17,564,479	$ (548,861)	$ (454,877)	$ (494,063)
Effect of exchange rate changes on cash	$ (45,596)	$ 57,288	$ (25,972)	$ (11,812)	$ (40,403)	$ (20,899)	$ (3,720)	$ 21,353	$ (2,597)
Net increase in cash	$ (404,112)	$ 191,446	$ 461,198	$ (480,714)	$ 10,363,567	$ 10,664,034	$ (2,094,712)	$ (2,649,306)	$ (3,978,547)
Cash at beginning of period	$ 1,025,747	$ 621,635	$ 813,081	$ 1,274,279	$ 922,102	$ 621,635	$ 11,285,669	$ 9,190,957	$ 6,541,651
Cash at end of period	$ 621,635	$ 813,081	$ 1,274,279	$ 793,565	$ 11,285,669	$ 11,285,669	$ 9,190,957	$ 6,541,651	$ 2,563,104
Cash paid during the period for:									
Interest	$ 611,625	$ 166,394	$ 150,438	$ 398,231	$ 279,041	$ 1,074,820	$ 226,479	$ 217,753	$ 201,678
Taxes	$ 94,718	$ 64,314	$ 86,770	$ 22,628	$ 0	$ 86,942	$ 4,140	$ 0	$ 40,792
Operating cash flow	$ (5,587,587)	$ (1,684,250)	$ (1,243,802)	$ (359,331)	$ (1,146,455)	$ (4,433,838)	$ (780,986)	$ (211,431)	$ (1,030,737)
Free cash flow	$ (7,094,496)	$ (2,087,480)	$ (1,626,296)	$ (876,838)	$ (1,681,837)	$ (6,272,451)	$ (1,185,359)	$ (675,606)	$ (4,128,826)

HISTORICAL STOCK PRICE


NET ELEMENT INT (W)
Price ($)
42
40
38
36
34
32
30
28
26
24
22
20
18
16
14
12
10
8
6
4
2
12/30/15
3/23/16
6/15/16
9/7/16
11/30/16
2/22/17
5/17/17
8/9/17
11/1/17
1/24/18
4/18/18
7/11/18
10/3/18
<< 12/1/06
11/14/18 >>

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