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Zacks Small-Cap Research

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ShiftPixy, Inc. (PIXY-NASDAQ)

PIXY: ShiftPixy Wants to Quintuple Business This Year

We believe the stock could be worth $6.82 per share based on an industry average of 1.1 EV to gross sales for calendar year 2018 if sales targets are met and using fully diluted shares.

Current Price (01/14/19)	$1.51
Valuation	**6.82**

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. It is has introduced a novel, easy to use app, which will allow 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 at a $284 million annual gross billing run rate** and continues to roll out services in a number of large dense cities in the US. Its goal it to serve 50,000 worksite employees by December 2019 compared with 10,000 in 2018.

SUMMARY DATA

52-Week High	**$4.62**
52-Week Low	**$1.51**
One-Year Return (%)	**-55.0**
Beta	**2.0**
Average Daily Volume (sh)	**513,333**
Shares Outstanding (mil)	**31.1**
Market Capitalization ($mil)	**$47**
Short Interest Ratio (days)	**2.1**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**82**
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 2019 Estimate	**N/M**
P/E using 2020 Estimate	**N/M**
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Internet-Software**

ZACKS ESTIMATES

Gross Billings
(in millions of $)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2017	$35.0 A	$30.8 A	$27.5 A	$33.1 A	$126 A
2018	$40.2 A	$48.6 A	$60.2 A	$73.4 A	$222 A
2019	$70.9 A	$100 E	$125 E	$144 E	$440 E
2020					$800 E

EPS (GAAP)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2017	$0.01 A	-$0.04 A	-$0.11 A	-$0.13 A	-$0.28 A
2018	-$0.12 A	-$0.09 A	-$0.06 A	-$0.30 A	-$0.58 A
2019	-$0.07 A	-$0.02 E	-$0.06 E	-$0.03 E	-$0.12 E
2020					-$0.06 E

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

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WHAT'S NEW

ShiftPixy's Goal for 2019 is to Quintuple Business

While it will need funding, ShiftPixy's management said on its earnings call that its goal for calendar year 2019 is to end the calendar year serving **50,000 worksite employees** compared with approximately 10,000 at the end of 2018. It plans to do this while also reaching cash flow neutral by the end of August, which is the end of its fiscal year. In its presentation at a conference on January 14th, it also stated its gross billings target for the year was **$750 million.** These are certainly ambitious objectives, but the company has always been impeded by being cash constrained so if given enough capital to finish development and fund working capital, who knows what it could achieve?

Gross Margin Improves Dramatically in FY Q1 2019 With Tax Reversal

While ShiftPixy missed our gross billings and revenue numbers for the quarter it more than compensated with its gross margin performance. We had expected the company to generate $2.1 million in gross margin, but it managed to achieve $3.4 million due primarily to a one-time reversal on accrued taxes. Cost of sales was $7.0 million of which approximately $3.4 million was from additional worksite employees which rose from an average of 5,470 employees for the three months ended November 30, 2017, to an average of 8,990 employees in this year's quarter. The increase was offset by **the reversal of approximately $1.0 million of California federal unemployment tax** since this credit reduction was waived. If states have outstanding Federal Unemployment Account loans on January 1 of two consecutive years and have not paid off the balance by November 10, they are subject to a credit reduction on their Federal Unemployment Tax rate until the balance has been paid off. California paid its FUA loans earlier this year and has not taken out additional loans by November 10, 2018; as such the state will not be a credit reduction state for 2018. While the company reported gross margin of 32.2%, without this one-time reversal, margin would have been 22.7% up from 19.1% a year ago.

ShiftPixy reported gross billings for FY Q1 2019 ending November 30, 2018 of $70.9 million versus $40.2 million a year ago up 76%. This resulted in revenues of $10.5 million versus $6.5 million or growth of 62%

Operating expenses were $4.6 million, virtually flat with last year's quarter. While all the other expense categories increased, software development expense in Q1 2019 was only $310,000 compared to $1.9 million a year ago. In this year's quarter $3.2 million of development costs were capitalized versus none in 2017.

The operating loss was $1.3 million versus $3.3 million loss a year ago. Without the one-time tax reversal, this would have been a loss of $2.3 million versus $3.3 million.

Interest expense was $711,000 from amortization expense related to the debt discount and debt issuance costs. $133,333 of interest was paid in cash.

With no taxes paid, the company reported a loss of $2.0 million versus $3.3 million a year ago or a loss of $0.07 per share versus a $0.12 per share loss.

On a non-GAAP basis, taking out the tax reversal and stock-based compensation, the loss per share was $0.10 compared to the $0.12 a year ago. Average shares outstanding for the quarter were 28.9 million, up 8% from a year ago.

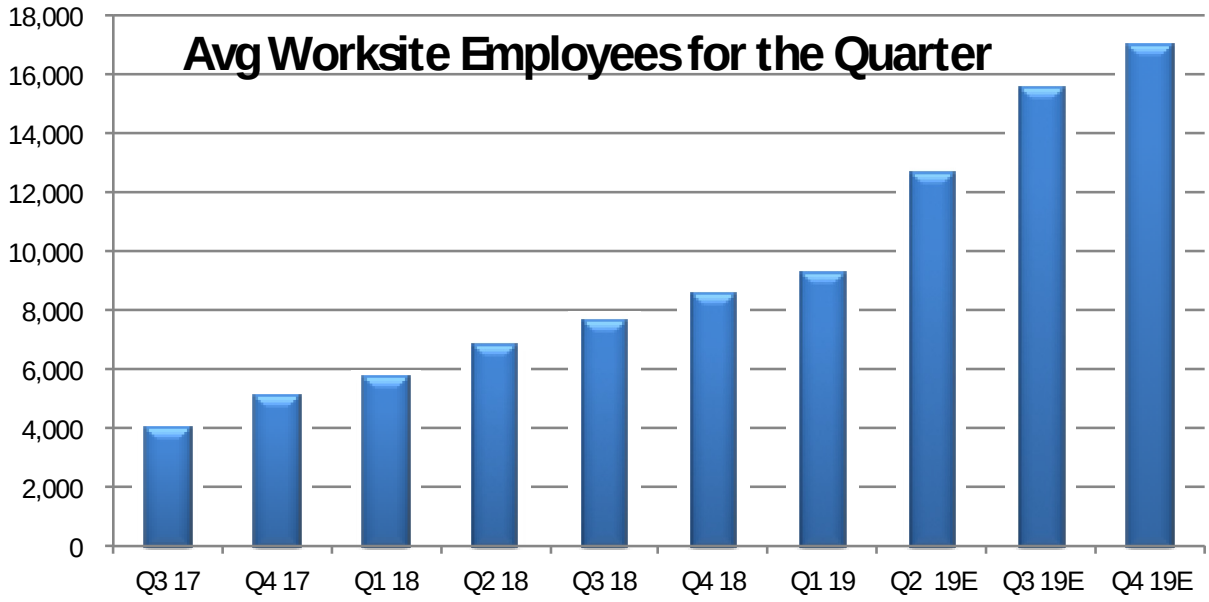
FYQ2 2019

Estimating the average number of worksite employees in Q2 at 12,600, we estimate revenues to be $14.8 million with gross billings of $100 million. Gross margin will be lower as it normally is in the beginning of the calendar year. We expect the company to take a one-time gain of $2.6 million to reverse the registration rights penalty from FYQ4 2018 due to the settlement in December. With that one time gain, it is possible that the

company will report a profitable quarter, or at least positive operating profit. We are looking for a GAAP EPS loss of $0.02 versus a loss of $0.09 a year ago.

Worksite Employees

The company reported that it had added 25 new clients since November 30, 2018. With these new clients it now services roughly an additional 3,300 new worksite employees (up from the November average of 9,278). In the earnings call the company said it had eliminated some of the unprofitable customers, and we do not know how many worksite employees that involved that could reduce the average. The company said these incremental worksite employees should generate approximately $85.9 million in additional gross billings per year. This compares with the $28 million in incremental annual revenues booked in Q4 2018. We know that in general, the greatest addition of worksite employees comes right after December 31, as many customers want to end the calendar year before changing systems because of both the tax year, and because many have workers' compensation insurance policies that also run out at year-end.



Business Update

ShiftPixy continues to make progress with its app's capabilities and expects to beta test scheduling functionality, as well as let onboarded employees look at shift opportunities, in this current February quarter. This progress was expected earlier and the schedule slipped because the company doesn't have the cash to fund development.

The new, metered driver insurance product is completed but has not yet launched, as ShiftPixy needs cash to pay for its development. This feature allows restaurants to use their own employees to make deliveries economically as they only pay for insurance while the employee is out on a delivery.

The company is now onboarding larger client operators that are interested in its self-delivery option and its technology platform to access a live on demand pool of employees. Its average employee per client was approximately 50-60 and now this average is trending upwards to about 500 employees for new customers.

Raising capital

On the earnings call ShiftPixy said it is currently burning $400,000 a month in cash not including costs for product development. As of November 30, it had $227,000 in cash, a working capital deficit of $12.9 million, and debt from its convertible of $6.3 million. In December the company issued 1,285,245 shares of common stock as repayment of $1,780,606 in principal and $139,300 in accrued interest of convertible notes. It also settled with its institutional investors relating to its technical defaults in failing to meet deadlines set forth in agreements between it and the investors for filing a registration statement and for having the registration statement declared effective by the SEC. Under the settlement agreements, ShiftPixy increased the principal amount of the notes payable to the investors by **$888,888** in full settlement of the previously accrued $3.5 million default amount. With these adjustments, the working capital deficit would be $8.3 million and debt of $5.3 million in convertible debt.

The company had had a two-part capital raising strategy. The convertibles were issued to solve short-term cash flow issues and to pay for software development for the three key client features: onboarding, scheduling and intermediation. The convert did not seem to cover the development costs, and the company is currently in the process of raising additional financing. This financing is expected to fund the company until cash flow breakeven and the remaining development cost, which could occur by Q4 of FY 2019.

If the company burns $400,000 per month for 9 months, the maximum amount is $3.6 million. If we say that in December the company burned $400,000 and reaches zero in August 2019 and reduce that amount by an equal amount each month that is **$1.6 million until breakeven** in August. The biggest problem forecasting and calculating a valuation is estimating how much cash will be spent on software development this year.

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 has been launched and is rolling out capabilities. It is being used now to onboard new employees. This quarter, the company expects it will be able to 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. Later it will also create a social job-seeking network for matching job openings with workers. Like a match.com it will let 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. In the future this app will allow non-ShiftPixy employees to search for job opportunities.

- ShiftPixy is working to further develop its custom mobile and cloud platforms and continue its geographic roll out from Southern California, New York, Austin, Orlando, and Chicago. It plans to open an office Miami this month. It is also eyeing San Francisco, Dallas, Atlanta, Philadelphia, and Las Vegas. These locations contain more than 53% of all enterprises with 50 or more employees in its targeted sectors.

- 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 ramp and a comparable multiple of 1.1 times enterprise value to calendar gross billings we believe the company could be worth $278 million or $6.82 per share using the fully diluted share count of 40 million. This could double next year if our estimates are met.

OVERVIEW

ShiftPixy, Inc. was founded in 2015 as a temporary staffing company. It contracts with clients who employ numerous part-time shift workers and alleviates their burdens by moving their employees over to ShiftPixy. Its customers are primarily restaurants and hospitality enterprises in California, but it is now signing customers in the transportation last mile and the staffing services businesses as well as other US locations. The company has been expanding its services and is 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 locations 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.

FINANCIALS

There has been some confusion as what the company defines as gross billings, net revenues, and cost of goods. The following explanation is taken from the company's filings and can be used to compare and contrast it with other staffing companies and PEOs. There are extreme inconsistencies as to how companies in these businesses report revenues, but there are new requirements being implemented to make companies report in the manner ShiftPixy currently does. While other companies report a variety of net and gross numbers on the revenue line, the gross margins being reported by all should be similar.

Revenue Recognition

The company's revenues are primarily attributable to fees for providing staffing solutions and PEO services. The company recognizes revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) the product has been shipped or the services have been rendered to the customer; (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

Gross billings are primarily based on:

- the payroll cost of worksite employees;
- the employer portion of payroll-related taxes;
- employee benefit programs;
- workers' compensation insurance coverage and
- admin fees and delivery fees, which are the fees charged to clients for providing payroll processing and temporary staffing services.

Net revenues **exclude the payroll cost of website employees** component of gross billings. With respect to employer payroll taxes, employee benefit programs, workers' compensation insurance, ShiftPixy believes it is the primary obligor, has latitude in establishing price, selecting suppliers, and determining the service specifications and, as such, the gross billings for those components are included as net revenues. Net revenues are recognized ratably over the payroll period as worksite employees perform their service at the client worksite.

Consistent with revenue recognition policy, direct costs do not include the payroll cost of our worksite employees. Cost of revenue is primarily comprised of all other costs related to our worksite employees, such as the employer portion of payroll-related taxes, employee benefit plan premiums and workers' compensation insurance costs.

VALUATION

As a start-up we believe that ShiftPixy should be valued first on gross billings 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 0.2-1.4 enterprise value to sales with an average of 0.7 times estimated 2018 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 7.4 times EV/EBITDA.

Using a calendar year estimate for gross billings in 2019 of $253 million and 1.1 times enterprise value to sales, ShiftPixy could be worth $278 million or $6.82 per share using a fully diluted share count of 40 million shares. In calendar year 2019, gross billings could be $550 million, which would be double the $6.82 stock price. 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 2018E	LTM	EBIDTA Margin	Enterprise Value / Sales 2018E	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
AMN Healthcare Services, Inc.	AMN	2,150	2,120	12%	1.4	1.5	y	3,100
Cross Country Healthcare, Inc.	CCRN	816	835	4%	0.4	0.4	y	333
GEE Group, Inc.	JOB	160	165	7%	0.7	0.6	y	105
Insperity, Inc.	NSP	3,820	3,690	5%	0.9	1.0	y	3,570
Kelly Services, Inc. Class A	KELYA	5,530	5,520	2%	0.1	0.1	y	775
Kforce Inc.	KFRC	1,410	1,400	6%	0.6	0.6	y	830
ManpowerGroup Inc.	MAN	22,100	22,240	4%	0.2	0.2	y	4,470
ASGN Inc.	ASGN	3,380	3,150	11%	1.2	1.2	y	3,930
Randstad Holding NV	RANJY	NA	27,600	5%	NA	0.4	n	9,910
Robert Half International Inc.	RHI	5,780	5,660	11%	1.2	1.2	y	6,700
Staffing 360 Solutions, Inc.	STAF	267	246	2%	0.3	0.3	y	73
TrueBlue, Inc.	TBI	2,500	2,520	5%	0.4	0.4	y	940
Average				6.3%	0.7	0.7		2,257

Company	Ticker	Calendar Revenue 2018E	LTM	EBIDTA Margin	Enterprise Value / Sales 2018E	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
Match Group	MTCH	1,720	1,650	34%	7.3	7.6	y	12,560
Paychex	PAYX	3,560	3,510	41%	6.3	6.4	y	22,520
TriNet	TNET	881	872	40%	3.5	3.5	y	3,050
Workday	WDAY	2,810	2,620	-9%	12.4	13.2	y	34,710
Average				26.6%	7.4	7.7		18,210

RISKS

- The company is an early stage company and has just reported an annual gross billing run-rate of $294 million. It is very difficult to project revenue and net income with such a short operating history and such rapid growth.
- 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/or replaced. In the tax bill about to be passed the individual mandate has been eliminated. In addition, possible changes laws regulating documenting workers as citizens such as eVerify could also impact business.
- 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 risk in tax reporting issues.
- As ShiftPixy expands geographically to other states, its offering may not be as compelling in those states compared with California as the economic savings may not be the same due to different pricing for

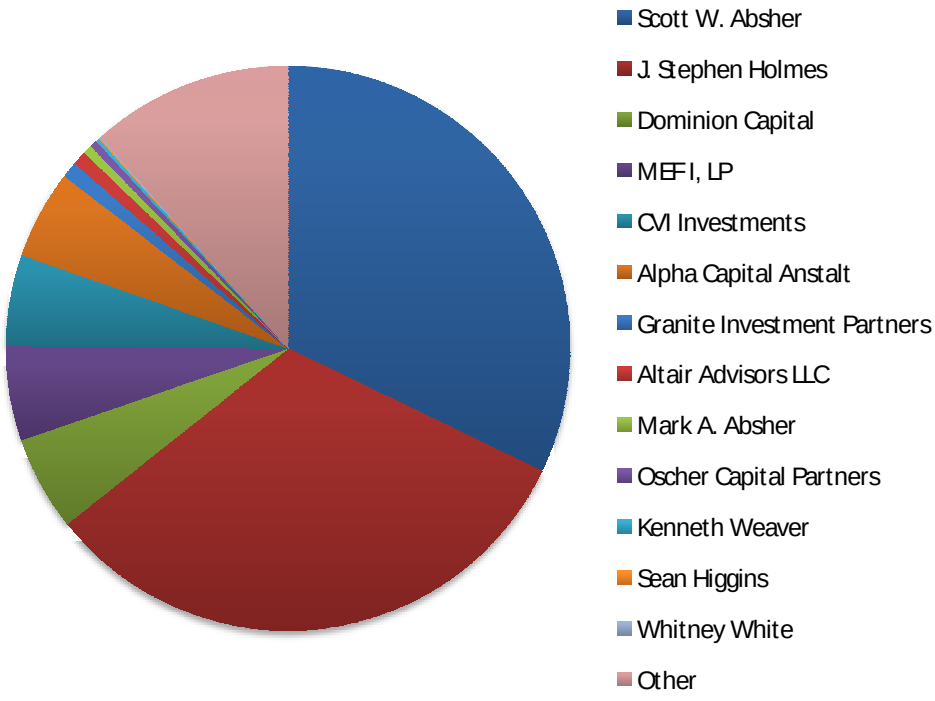
salaries and insurance and different regulatory burdens. Revenues from customers in California are currently 82% of the total revenues.

- ShiftPixy must be careful in managing its risk from its customer base. Restaurants operate on very thin margins and have the highest risk for failure of any industry.

- The company is not yet profitable nor cash flow breakeven. It needs to raise more capital to sustain it to profitability. It is currently in the process of trying to raise capital.

OWNERSHIP

With convertible converted



INCOME STATEMENT

	Q1 Nov 30, 2017	Q2 Feb 28, 2018	Q3 May 31, 2018	Q4 Aug 31, 2018	Q1 Nov 30, 2018	Q2 Feb 28, 2019E	Q3 May 31, 2019E	Q4 Aug 31, 2019E	FY 2017	FY 2018	FY 2019E	FY 2020E
Gross billings	**40.200**	**48.600**	**60.200**	**73.400**	**70.900**	**100.000**	**125.000**	**144.100**	**$126.391**	**$222.400**	**$440.000**	**$800.00**
Yr-to-Yr Growth	15%	58%	119%	121%	76%	106%	108%	96%	149.4%	76.0%	97.8%	81.8%
Adjustment to gross billings	33.600	40.800	50.825	62.215	60.380	85.162	106.453	122.719	106.147	187.441	374.714	672.000
Net Revenue	**$6.512**	**$7.886**	**$9.375**	**$11.185**	**$10.520**	**$14.838**	**$18.547**	**$21.381**	**$20.244**	**$34.959**	**65.286**	**$128.000**
Yr-to-Yr Growth	15%	46%	103%	138%	62%	88%	98%	91%	139.3%	72.7%	86.8%	266.1%
Net Rev as % of Gross Billing	16.2%	16.2%	15.6%	15.2%	14.8%	14.8%	14.8%	14.8%	16.0%	15.7%	14.8%	16.0%
Cost of goods	5.266	7.006	7.826	9.360	7.134	12.338	15.047	16.626	16.552	29.458	51.145	42.000
Gross margin	1.246	0.880	1.550	1.825	3.386	2.500	3.500	4.755	3.692	5.500	14.141	20.000
Percent of gross billings	3.1%	1.8%	2.6%	2.5%	4.8%	2.5%	2.8%	3.3%	2.9%	2.5%	3.2%	2.5%
Percent of revenues	19.1%	11.2%	16.5%	16.3%	32.2%	16.8%	18.9%	22.2%	18.2%	15.7%	21.7%	15.6%
Salaries, wages & payroll taxes	1.180	1.346	1.310	1.547	1.795	1.800	1.800	1.900	4.269	5.383	7.295	9.119
Stock-based compensation	0.070	0.027	0.072	0.031	0.077	0.077	0.077	0.077	0.043	0.200	0.309	0.150
Commissions	0.272	0.338	0.463	0.520	0.553	0.600	0.700	0.800	0.846	1.594	2.653	5.760
Professional Fees	0.492	0.509	0.416	0.823	0.624	0.700	0.500	0.500	1.369	2.241	2.324	2.000
Software development	1.900	0.486	0.000	1.441	0.310	0.500	1.500	0.500	2.683	3.828	2.810	2.000
Depreciation and amortization	0.018	NA	NA	NA	0.188	0.188	0.188	0.188	0.065	0.274	0.751	0.500
Registration rights penalties	0.000	0.000	0.000	3.500	0.000	(2.611)	0.000	0.000	0.000	3.500	0.000	0.000
General and administrative	0.654	0.892	1.105	0.901	1.128	1.128	1.128	1.128	1.908	3.553	4.512	5.414
Total operating expenses	4.587	3.598	3.367	9.020	4.675	2.382	5.893	5.093	11.184	20.572	20.654	24.293
Operating income	(3.341)	(2.718)	(1.817)	(7.196)	(1.289)	0.118	(2.393)	(0.338)	(7.492)	(15.072)	(6.513)	(4.293)
Operating margin	-8.3%	-34.5%	-19.4%	-64.3%	-1.8%	0.8%	-12.9%	-1.6%	-37%	-43%	-10%	-3%
Interest expense	0.000	0.000	0.000	(1.505)	0.711	0.711	0.711	0.711	0.000	(1.505)	2.844	2.000
Total other income	0.000	0.000	0.000	(1.505)	0.711	0.711	0.711	0.711	0.000	(1.505)	2.844	2.000
Net Income	(3.341)	(2.500)	(1.817)	(8.700)	(2.000)	(0.593)	(3.104)	(1.048)	(7.492)	(16.576)	(3.669)	(2.293)
Net loss per share	**$ (0.12)**	**$ (0.09)**	**$ (0.06)**	**$ (0.30)**	**$ (0.07)**	**$ (0.02)**	**$ (0.06)**	**$ (0.03)**	**$ (0.28)**	**$ (0.58)**	**$ (0.12)**	**$ (0.06)**
Non-GAAP loss per share	$ (0.12)	$ (0.09)	$ (0.06)	$ (0.15)	$ (0.10)	$ (0.10)	$ (0.10)	$ (0.03)	$ (0.28)	$ (0.42)	$ (0.11)	$ (0.06)
Shares outstanding	26.8	28.8	28.8	28.8	28.9	31.1	31.1	31.1	26.8	28.8	30.6	39.7
Yr-to-Yr Growth	2%	10%	8%	0%	8%	8%	8%	8%	4%	8%	6%	30%
Fully diluted shares	30.1	32.2	32.7	38.0	37.3	39.5	39.5	39.5		38.0	39.7	39.7

BALANCE SHEET

	Post Dec Settlement	Nov 30, 2018	Aug 31, 2018	Qtr-Qtr % Change	Nov 30, 2017	Yr-Yr % Change
Assets:						
Cash and cash equivalents	**$ 227,454**	**$ 227,454**	**$ 1,649,783**	-86%	**$ 2,822,325**	-92%
Accounts receivable	129,452	129,452	110,931	17%	471,189	-73%
Unbilled accounts receivable	4,759,141	4,759,141	6,192,631	-23%	0	NM
Deposit workers' compensation	1,923,465	1,923,465	1,672,097	15%	0	NM
Prepaid expenses	378,525	378,525	563,002	-33%	2,895,076	-87%
Other current assets	351,555	351,555	258,901	36%	16,363	2048%
Total current assets	7,769,592	7,769,592	10,447,345	-26%	6,204,953	25%
Fixed assets	3,337,861	3,337,861	3,032,325	10%	297,775	1021%
Deposits- workers' comp	2,841,882	2,841,882	2,201,556	29%	0	NM
Deposits and other	94,375	94,375	120,606	-22%	149,480	-37%
Total Assets	14,043,710	14,043,710	15,801,832	-11%	6,652,208	111%
Current Liabilities:						
Accounts payable	1,486,581	1,486,581	1,246,461	19%	1,773,318	-16%
Payroll related liabilities	7,488,262	7,488,262	9,476,641	-21%	2,295,262	226%
Convertible note, net	**5,278,086**	**6,309,104**	**7,156,515**	-12%	0	NM
Accrued workers' compensation cost	634,697	634,697	305,217	108%	0	NM
Registration rights penalty accrual	**0**	3,500,000	3,500,000	0%	0	NM
Other current liabiliities	1,230,418	1,230,418	1,955,921	-37%	142,075	766%
Total current liabilities	16,118,044	20,649,062	23,640,755	-13%	4,210,655	390%
Accrued workers' compensation costs	1,639,900	1,639,900	900,978	82%	0	NM
Total Liabilities	17,757,944	22,288,962	24,541,733	-9%	4,210,655	429%
Stockholders' Equity						
Common Stock	2,983	2,983	2,886	3%	2,880	4%
Additional paid in capital	19,728,657	19,728,657	17,233,919	14%	15,180,117	30%
Accumulated deficit	(27,976,892)	(27,976,892)	(25,976,706)	8%	(12,741,444)	120%
Total Stockholders' Equity	(8,245,252)	(8,245,252)	(8,739,901)	-6%	2,441,553	-438%
Total Liabilities and Stockholders' Equity	9,512,692	14,043,710	15,801,832	-11%	6,652,208	111%
Current and quick ratios	0.5	0.4	0.4	-15%	1.5	-74%
Cash as % of assets	2%	2%	10%	-84%	42%	-96%
Working Capital	(8,348,452)	(12,879,470)	(13,193,410)	-2%	1,994,298	-746%
Debt	5,278,086	6,309,104	7,156,515	-12%	0	NM
Debt/Total Assets	38%	45%	45%	-1%	0%	NM

CASH FLOW

	3 Months Ending Nov 30, 2018	Year Ending Aug 31, 2018	3 Months Ending Aug 31, 2018	3 Months Ending May 31, 2018	3 Months Ending Feb 28, 2018	3 Months Ending Nov 30, 2017	Year Ending Aug 31, 2017
Net Income	$ (2,000,186)	$ (16,576,479)	$ (8,699,060)	(1,817,319)	$ (2,718,883)	$ (3,341,217)	$ (7,491,990)
Adjustments to reconcile net loss to net cash used in operating activities:							
Depreciation and amortization	187,723	274,321	139,335	59,342	57,949	17,695	65,369
Amort. Debt discount, debt iss.	710,922	704,746	704,746	0	0	0	0
Stock issued for services	112,503	162,857	37,503	75,000	3,114	47,240	329,645
Stock-based compensation	77,222	200,332	30,925	72,311	26,800	70,296	43,415
Registration rights penalties	0	3,500,000	3,500,000	0	0	0	0
Non-cash interest	86,777						
Changes in assets and liabilities:							
Restricted cash-worker's comp	0	(305,218)	(305,218)	0	0	0	0
Accounts recievable	(18,521)	317,859	196,916	(115,937)	279,279	(42,399)	(372,352)
Unbilled accounts receivable	1,433,490	(6,192,631)	(6,192,631)	0	0	0	0
Prepaid expenses	184,477	(210,814)	(692,261)	574,418	114,917	(207,888)	(2,344,192)
Other current assets	(92,654)	(242,985)	(81,189)	(144,433)	(16,916)	(447)	57,566
Deposits and other assets	26,231	5,874	17,374	20,435	(8,935)	(23,000)	(21,867)
Deposits- workers' comp	(891,694)	(1,233,435)	(1,233,435)	0	0	0	0
Accounts payable	240,120	85,987	396,236	(509,702)	(413,391)	612,844	334,027
Payroll related liabilities	(1,988,379)	7,088,187	4,101,687	2,045,691	1,034,001	(93,192)	1,665,739
Accrued workers' comp costs	1,068,402	1,206,195	1,206,195	0	0	0	0
Other current liabilities	(725,503)	1,676,939	1,160,729	106,881	546,236	(136,907)	157,713
Net Cash Used In Operating Activities	(1,589,070)	(9,538,265)	(5,712,148)	366,687	(1,095,829)	(3,096,975)	(7,576,927)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of fixed assets	(493,259)	(3,018,580)	(2,085,378)	(83,722)	(822,075)	(27,405)	(4,661)
Net Cash Used In Investing Activities	(493,259)	(3,018,580)	(2,085,378)	(83,722)	(822,075)	(27,405)	(4,661)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Proceeds from issuance of common stock	0	0	(50,000)	50,000	0	0	12,000,000
Issuance costs from common stock	0	0	0	0	0	0	(1,112,739)
Proceeds from issuance of common stock with warrants	0	0	0	0	0	0	1,577,500
Proceeds from exercise of warrants	660,000	75,000	75,000	(50,000)	0	50,000	145,000
Proceeds from issuance of convertible notes	0	9,000,000	9,000,000	0	0	0	0
Issuance costs from convertible notes	0	(765,077)	(765,077)	0	0	0	0
Net Cash Provided By Financing Activities	660,000	8,309,923	8,259,923	0	0	50,000	12,609,761
Net Increase in Cash	(1,422,329)	(4,246,922)	462,397	282,965	(1,917,904)	(3,074,380)	5,028,173
Cash - Beginning of Period	1,649,783	5,896,705	1,187,386	904,421	2,822,325	5,896,705	868,532
Cash - End of Period	227,454	1,649,783	1,649,783	1,187,386	904,421	2,822,325	5,896,705
Cash Paid During the Period for:							
Income taxes	0	0	0	0	0	0	0
Interest	133,333	133,333	133,333	0	0	0	0
Operating cash flow	(1,735,241)	(16,101,826)	(8,528,800)	(1,685,666)	(2,634,134)	(3,253,226)	(7,383,206)
Free cash flow	(2,228,500)	(19,120,406)	(10,614,178)	(1,769,388)	(3,456,209)	(3,280,631)	(7,387,867)

HISTORICAL STOCK PRICE



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