April 16, 2019

Zacks Small-Cap Research

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ShiftPixy, Inc. (PIXY-NASDAQ)

PIXY: Gross Margins Continue to Expand as Revenues Grow

We believe the stock could be worth $4.30 per share based on an average of 2.0 EV to revenues for calendar year 2020 if sales targets are met and using fully diluted shares.

Current Price (04/15/19)	$1.07
Valuation	**4.30**

OUTLOOK

ShiftPixy is a start-up providing staffing services for the gig economy. Focused 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 $330 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	**$1.01**
One-Year Return (%)	**-66.3**
Beta	**1.3**
Average Daily Volume (sh)	**574,458**
Shares Outstanding (mil)	**34.7**
Market Capitalization ($mil)	**$37**
Short Interest Ratio (days)	**1.8**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**73**
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

Revenues
(in millions of $)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2017	$5.7 A	$5.4 A	$4.6 A	$4.7 A	$20.2 A
2018	$6.5 A	$7.9 A	$9.4 A	$11.2 A	$35.0 A
2019	$10.5 A	$13.2 A	$14.4 E	$15.6 E	$53.7 E
2020					$80.0 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	-$0.01 A	-$0.09 E	-$0.07 E	-$0.24 E
2020					-$0.06 E

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

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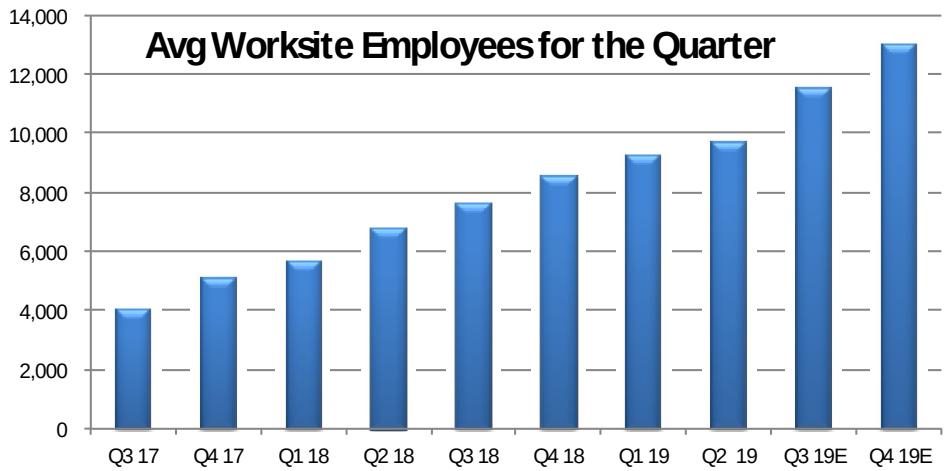
WHAT'S NEW

Gross Margin Dollars Grow 266% in Q2 FY 2019

ShiftPixy again missed our gross billings and revenue numbers for the quarter and more than compensated with its gross margin performance. We had expected the company to generate $2.5 million in gross margin, but it managed to achieve $3.2 million versus $880,000 a year ago. Gross margin dollars grew 266%. In Q1 it reported gross margin of 32.2%, but within that quarter it had had a one-time reversal of unemployment tax without which, margin would have been 22.7%. This quarter it achieved a gross margin of 24.2%, and the company expects gross margin to continue to increase with volume scale. The gross margin improved this quarter due to the advantage in scale of worker's compensation programs as well as a favorable outcome on employer payroll taxes.

Worksite employees rose from an average of 6,798 employees for the three months ended February 28, 2018, to an average of 9,660 employees in this year's quarter, up 42%. It ended the quarter with 10,090 worksite employees. Since the quarter ended the company indicted it has already added clients totally another 1,800 workers bringing that number to 11,890 today.



ShiftPixy reported gross billings for FY Q2 2019 ending February 28, 2019 of $82.5 million versus $48.6 million a year ago up 70%. This resulted in revenues of $13.2 million up 67%.

Operating expenses were $5.4 million versus $3.6 million a year ago. A third of the increase was due to increased salaries, wages, and payroll costs, followed by a $386,000 increase in professional fees and a $251,000 increase in commissions. In this year's quarter there was $718,000 of development costs expense versus $486,000 in the 2018 quarter.

The operating loss was $2.2 million versus $2.7 million loss a year ago.

Interest expense was $722,000 from amortization expense related to the debt discount and debt issuance costs. Only $11,556 of interest was paid in cash. As expected in the quarter, the company reversed $2.6 million of the debt issuance penalty, a one-time gain.

With no taxes paid, the company reported a loss of $339,000 million versus a loss of $2.5 million a year ago or a loss of $0.01 per share versus a $0.09 per share loss.

On a non-GAAP basis, taking out the debt issuance penalty reversal, and stock-based compensation, the loss per share was $0.09, the same as a year ago. Average shares outstanding for the quarter were 31.2 million, up 8% from a year ago.

During the quarter the company added to senior management.

In February, ShiftPixy hired of Kirk Flagg as Chief Compliance Officer and Secretary. Kirk is an accomplished veteran of the employer services industry, having served as COO of Kelly Staff Leasing, VP of Human Resources & Government Relations, as well as a senior trial attorney in the Civil Rights Division of the US Department of Justice. Kirk earned his Juris Doctorate from the University of Notre Dame Law School. He brings a wealth of legal, operations, management, and planning experience from his more than 30 years in the public and private sectors. ShiftPixy also announced that Mark Absher, who served as the company's in-house counsel, Secretary, and a member of the Board of Directors, resigned.

In March, it also hired Amy Wang as Chief Marketing Officer. She most recently served as co-founder and CEO of Dawn Design Studios, where she helped businesses grow their brands. She was previously the marketing manager for the international skin care line of Sebamed. Amy has several years experience in brand management, market strategy and business development.

Software Update

ShiftPixy continues to make progress with its app's capabilities and expects to beta test the driver metering function starting this month. It already has customers in Southern California eager to use it. The company has gotten into a dispute with the software developer to which it has outsourced development. The company claims the developer owes it functionality for which it has been paid, and the developer is demanding further money to release features. As a result ShiftPixy is working to bring software development in-house.

Raising capital

On the earnings call ShiftPixy said it is currently burning $500,000 a month in cash not including costs for product development. As of February 28, it had $1.8 million in cash, a working capital deficit of $10.5 million, and debt from its convertible of $4.9 million. On March 11, 2019, the company entered PIPE transaction to sell $4.75 million of senior convertibles notes due September 12, 2020, and warrants to purchase 2,840,909 shares of common stock. These were sold for $3,750,000, and the net proceeds from the transaction to the company were approximately $3.4 million. The company now has an all in share count of 41.9 million shares. We believe this is sufficient to get the company to cash flow breakeven.

ShiftPixy's Goal for 2019 is to Quintuple Business

ShiftPixy's management reiterated 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.

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 first targeted 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 216 clients who utilize over 10,090 workers. 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 month the company expects to add the car insurance metering product for deliveries. In future quarters, the company expects it to launch features to facilitate 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. It already has offices in Southern California, New York City, Austin, and Chicago. It plans to open offices in Miami and San Francisco.

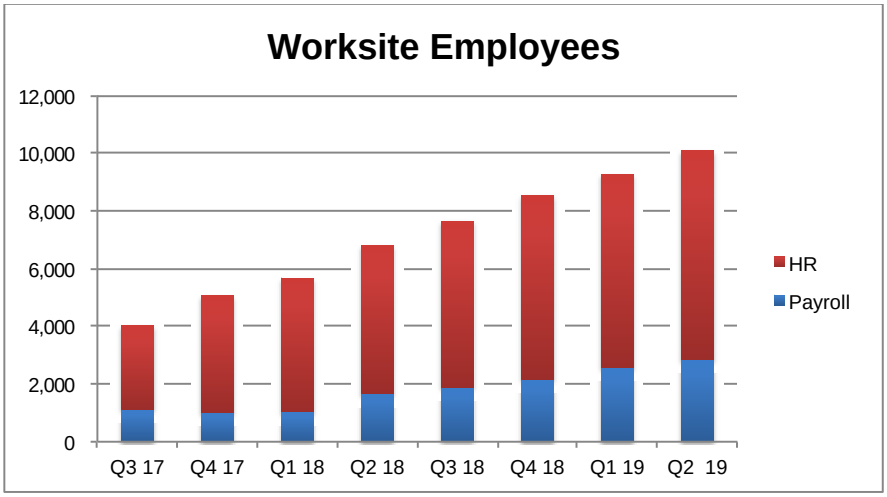
- Management has significant experience in managing a number of staffing and insurance companies targeted at small business and created ShiftPixy to address the unique needs of the emerging gig economy.

- Based on its rapid ramp and a comparable multiple of 2.0 times enterprise value to calendar 2020 revenues, we believe the company could be worth $180 million or $4.30 per share using the fully diluted share count of 42 million.

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 9.6 times EV/EBITDA.

Using a calendar year estimate for revenues in 2019 of $60 million and 1.5 times enterprise value to sales, ShiftPixy should be worth $90 million or $2.07 per share using a fully diluted share count of 42 million shares. 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. Looking at 2020 we can see the company growing another 50% and the multiple expanding to 2.0Xs (closer to Trinet's 5Xs), with a corresponding price rise to $4.30.

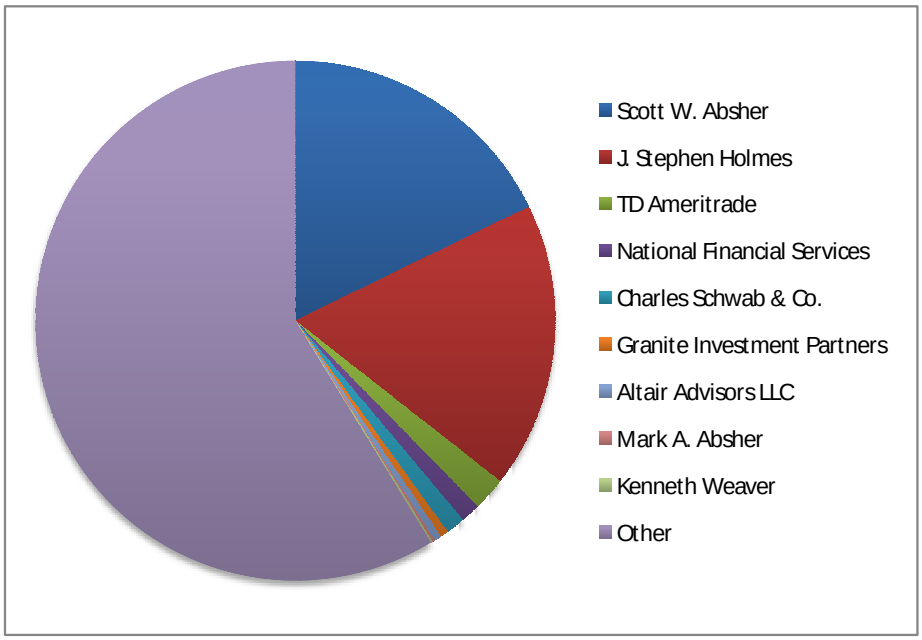
Company	Ticker	Calendar Revenue 2018	LTM	EBIDTA Margin	Enterprise Value / Sales 2018	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
AMN Healthcare Services, Inc.	AMN	2,140	2,140	13%	1.3	1.3	y	2,720
Cross Country Healthcare, Inc.	CCRN	816	816	3%	0.4	0.4	y	338
GEE Group, Inc.	JOB	159	159	7%	0.7	0.7	y	111
Insperity, Inc.	NSP	3,830	3,830	5%	1.3	1.3	y	5,050
Kelly Services, Inc. Class A	KELYA	5,510	5,510	2%	0.2	0.2	y	837
Kforce Inc.	KFRC	1,420	1,420	6%	0.7	0.7	y	974
ManpowerGroup Inc.	MAN	21,990	21,990	4%	0.3	0.3	y	5,730
ASGN Inc.	ASGN	3,400	3,400	11%	1.4	1.4	y	4,590
Randstad Holding NV	RANJY	26,920	26,920	5%	0.4	0.4	y	9,910
Robert Half International Inc.	RHI	5,800	5,800	11%	1.3	1.3	y	7,560
Staffing 360 Solutions, Inc.	STAF	261	261	2%	0.3	0.3	y	68
TrueBlue, Inc.	TBI	2,520	2,520	5%	0.4	0.4	y	988
Average				6.2%	0.7	0.7		3,240

Company	Ticker	Calendar Revenue 2018	LTM	EBIDTA Margin	Enterprise Value / Sales 2018	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
Match Group	MTCH	1,730	1,730	34%	10.0	10.0	y	17,260
Paychex	PAYX	3,640	3,640	42%	8.1	8.1	y	29,650
TriNet	TNET	893	893	39%	5.0	5.0	y	4,470
Workday	WDAY	2,820	2,820	-9%	15.2	15.2	y	42,880
Average				26.5%	9.6	9.6		23,565

RISKS

- The company is an early stage company and has just reported an annual gross billing run-rate of $330 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 with a unique business model 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 approximately 80% 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



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, 2019	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**	**82.500**	**90.000**	**97.500**	**$126.391**	**$222.400**	**$340.900**	**$500.00**
Yr-to-Yr Growth	15%	58%	119%	121%	76%	70%	50%	33%	149.4%	76.0%	53.3%	46.7%
Adjustment to gross billings	33.600	40.800	50.825	62.215	60.380	69.312	75.613	81.914	106.147	187.441	287.218	420.000
Net Revenue	**$6.512**	**$7.886**	**$9.375**	**$11.185**	**$10.520**	**$13.188**	**$14.387**	**$15.586**	**$20.244**	**$34.959**	**53.682**	**$80.000**
Yr-to-Yr Growth	15%	46%	103%	138%	62%	67%	53%	39%	139.3%	72.7%	53.6%	128.8%
Net Rev as % of Gross Billing	16.2%	16.2%	15.6%	15.2%	14.8%	16.0%	16.0%	16.0%	16.0%	15.7%	15.7%	16.0%
Cost of goods	5.266	7.006	7.826	9.360	7.134	9.967	10.877	11.686	16.552	29.458	39.665	57.500
Gross margin	1.246	0.880	1.550	1.825	3.386	3.221	3.510	3.900	3.692	5.500	14.017	22.500
Percent of gross billings	3.1%	1.8%	2.6%	2.5%	4.8%	3.9%	3.9%	4.0%	2.9%	2.5%	4.1%	4.5%
Percent of revenues	19.1%	11.2%	16.5%	16.3%	32.2%	24.4%	24.4%	25.0%	18.2%	15.7%	26.1%	28.1%
Salaries, wages & payroll taxes	1.180	1.346	1.310	1.547	1.795	1.987	2.000	2.000	4.269	5.383	7.782	9.727
Stock-based compensation	0.070	0.027	0.072	0.031	0.077	0.081	0.081	0.081	0.043	0.200	0.320	0.400
Commissions	0.272	0.338	0.463	0.520	0.553	0.589	0.647	0.701	0.846	1.594	2.491	3.600
Professional Fees	0.492	0.509	0.416	0.823	0.624	0.895	0.900	0.700	1.369	2.241	3.119	2.500
Software development	1.900	0.486	0.000	1.441	0.310	0.718	0.920	0.920	2.683	3.828	2.868	3.000
Depreciation and amortization	0.018	0.058	0.059	0.139	0.188	0.191	0.200	0.200	0.065	0.274	0.779	0.900
General and administrative	0.654	0.834	1.046	1.018	1.128	0.988	1.000	1.000	1.908	3.553	4.116	4.939
Total operating expenses	4.587	3.598	3.367	5.520	4.675	5.448	5.749	5.602	11.184	17.072	21.474	23.766
Operating income	(3.341)	(2.718)	(1.817)	(3.696)	(1.289)	(2.227)	(2.239)	(1.702)	(7.492)	(11.572)	(7.457)	(1.266)
Operating margin	-8.3%	-34.5%	-19.4%	-33.0%	-1.8%	-16.9%	-15.6%	-10.9%	-37%	-33%	-14%	-2%
Interest expense	0.000	0.000	0.000	(1.505)	(0.711)	(0.722)	(0.722)	(0.722)	0.000	(1.505)	(2.878)	(1.000)
Registration rights penalties	0.000	0.000	0.000	(3.500)	0.000	2.611	0.000	0.000	0.000	(3.500)	2.611	0.000
Total other income	0.000	0.000	0.000	(5.005)	(0.711)	1.889	(0.722)	(0.722)	0.000	(5.005)	(0.267)	(1.000)
Net Income	(3.341)	(2.500)	(1.817)	(8.700)	(2.000)	(0.339)	(2.961)	(2.425)	(7.492)	(16.576)	(7.725)	(2.266)
Net loss per share	**$ (0.12)**	**$ (0.09)**	**$ (0.06)**	**$ (0.30)**	**$ (0.07)**	**$ (0.01)**	**$ (0.09)**	**$ (0.07)**	**$ (0.28)**	**$ (0.58)**	**$ (0.24)**	**$ (0.06)**
Non-GAAP loss per share	$ (0.12)	$ (0.09)	$ (0.06)	$ (0.15)	$ (0.10)	$ (0.09)	$ (0.08)	$ (0.07)	$ (0.28)	$ (0.54)	$ (0.34)	$ (0.05)
Shares outstanding	26.8	28.8	28.8	28.8	28.9	31.2	34.7	34.8	26.8	28.8	32.4	35.0
Yr-to-Yr Growth	2%	10%	8%	0%	8%	8%	20%	21%	4%	8%	12%	8%
Fully diluted shares	30.1	32.2	32.7	38.0	37.3	40.9	41.9	41.9		38.0	41.5	41.9
Adjusted EBITDA	(3.253)	(2.633)	(1.686)	(3.525)	(1.024)	(1.955)	(1.757)	(1.421)	(7.383)	(11.097)	(6.358)	0.034

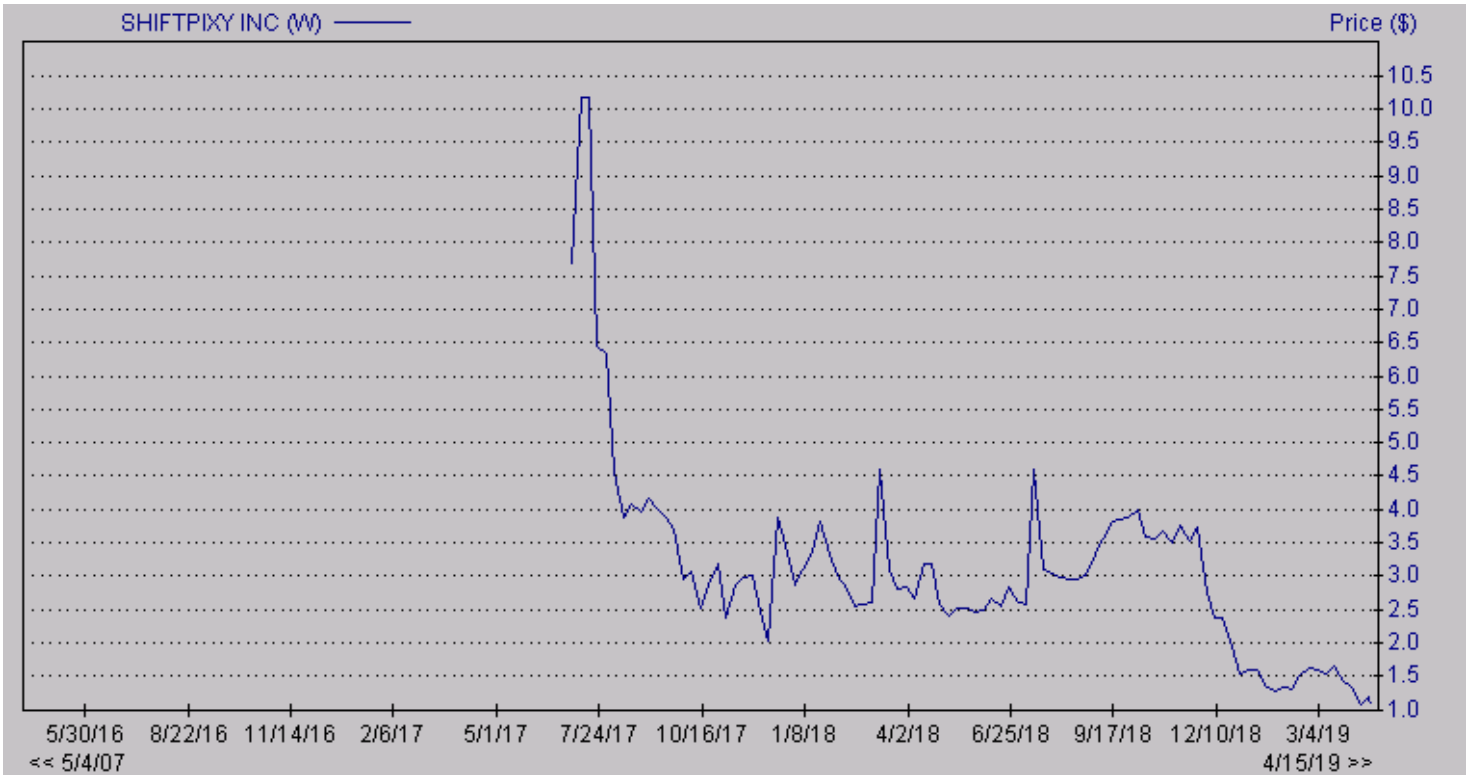
BALANCE SHEET

	Feb 28, 2018	Nov 30, 2018	Qtr-Qtr % Change	February 28, 2018	Yr-Yr % Change
Assets:					
Cash and cash equivalents	**$ 1,798,867**	**$ 227,454**	691%	$ 904,421	99%
Accounts receivable	743,580	129,452	474%	191,910	287%
Unbilled accounts receivable	5,170,887	4,759,141	9%	0	NM
Deposit workers' compensation	2,164,847	1,923,465	13%	0	NM
Prepaid expenses	314,187	378,525	-17%	2,780,159	-89%
Other current assets	219,590	351,555	-38%	33,279	560%
Total current assets	10,411,958	7,769,592	34%	3,909,769	166%
Fixed assets	3,150,767	3,337,861	-6%	1,061,901	197%
Deposits- workers' comp	3,968,435	2,841,882	40%	0	NM
Deposits and other	94,375	94,375	0%	158,415	-40%
Total Assets	17,625,535	14,043,710	26%	5,130,085	244%
Current Liabilities:					
Accounts payable	1,690,384	1,486,581	14%	1,359,927	24%
Payroll related liabilities	11,476,809	7,488,262	53%	3,329,263	245%
Convertible note, net	**4,854,933**	**6,309,104**	-23%	0	NM
Accrued workers' compensation cost	1,012,676	634,697	60%	0	NM
Registration rights penalty accrual	0	3,500,000	-100%	0	NM
Other current liabiliities	1,837,493	1,230,418	49%	688,311	167%
Total current liabilities	20,872,295	20,649,062	1%	5,377,501	288%
Accrued workers' compensation costs	2,009,869	1,639,900	23%	0	NM
Total Liabilities	22,882,164	22,288,962	3%	5,377,501	326%
Stockholders' Equity					
Common Stock	3,212	2,983	8%	2,881	11%
Additional paid in capital	23,055,582	19,728,657	17%	15,210,030	52%
Accumulated deficit	(28,315,423)	(27,976,892)	1%	(15,460,327)	83%
Total Stockholders' Equity	(5,256,629)	(8,245,252)	-36%	(247,416)	2025%
Total Liabilities and Stockholders' Equity	17,625,535	14,043,710	26%	5,130,085	244%
Current and quick ratios	0.5	0.4	33%	0.7	-31%
Cash as % of assets	10%	2%	530%	18%	-42%
Working Capital	(10,460,337)	(12,879,470)	-19%	(1,467,732)	613%
Debt	4,854,933	6,309,104	-23%	0	NM
Debt/Total Assets	28%	45%	-39%	0%	NM

CASH FLOW

	3 Months Ending Feb 28, 2019	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	$ (338,531)	$ (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	191,114	187,723	274,321	139,335	59,342	57,949	17,695	65,369
Amort. Debt discount, debt iss.	691,902	710,922	704,746	704,746	0	0	0	0
Stock issued for services	0	112,503	162,857	37,503	75,000	3,114	47,240	329,645
Stock-based compensation	81,092	77,222	200,332	30,925	72,311	26,800	70,296	43,415
Registration rights penalties	(2,611,112)	0	3,500,000	3,500,000	0	0	0	0
Non-cash interest	211,101	86,777						
Changes in assets and liabilities:								
Restricted cash-worker's comp	0	0	(305,218)	(305,218)	0	0	0	0
Accounts recievable	(614,128)	(18,521)	317,859	196,916	(115,937)	279,279	(42,399)	(372,352)
Unbilled accounts receivable	(411,746)	1,433,490	(6,192,631)	(6,192,631)	0	0	0	0
Prepaid expenses	64,338	184,477	(210,814)	(692,261)	574,418	114,917	(207,888)	(2,344,192)
Other current assets	131,965	(92,654)	(242,985)	(81,189)	(144,433)	(16,916)	(447)	57,566
Deposits and other assets	0	26,231	5,874	17,374	20,435	(8,935)	(23,000)	(21,867)
Deposits- workers' comp	(1,367,935)	(891,694)	(1,233,435)	(1,233,435)	0	0	0	0
Accounts payable	203,803	240,120	85,987	396,236	(509,702)	(413,391)	612,844	334,027
Payroll related liabilities	3,988,547	(1,988,379)	7,088,187	4,101,687	2,045,691	1,034,001	(93,192)	1,665,739
Accrued workers' comp costs	747,948	1,068,402	1,206,195	1,206,195	0	0	0	0
Other current liabilities	607,075	(725,503)	1,676,939	1,160,729	106,881	546,236	(136,907)	157,713
Net Cash Used In Operating Activities	1,575,433	(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	(4,020)	(493,259)	(3,018,580)	(2,085,378)	(83,722)	(822,075)	(27,405)	(4,661)
Net Cash Used In Investing Activities	(4,020)	(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	0	(50,000)	50,000	0	0	12,000,000
Issuance costs from common stock	0	0	0	0	0	0	0	(1,112,739)
Proceeds from issuance of common stock with warrants	0	0	0	0	0	0	0	1,577,500
Proceeds from exercise of warrants	0	660,000	75,000	75,000	(50,000)	0	50,000	145,000
Proceeds from issuance of convertible notes	0	0	9,000,000	9,000,000	0	0	0	0
Issuance costs from convertible notes	0	0	(765,077)	(765,077)	0	0	0	0
Net Cash Provided By Financing Activities	0	660,000	8,309,923	8,259,923	0	0	50,000	12,609,761
Net Increase in Cash	1,571,413	(1,422,329)	(4,246,922)	462,397	282,965	(1,917,904)	(3,074,380)	5,028,173
Cash - Beginning of Period	227,454	1,649,783	5,896,705	1,187,386	904,421	2,822,325	5,896,705	868,532
Cash - End of Period	1,798,867	227,454	1,649,783	1,649,783	1,187,386	904,421	2,822,325	5,896,705
	0							
Cash Paid During the Period for:								
Income taxes	0	0	0	0	0	0	0	0
Interest	11,556	133,333	133,333	133,333	0	0	0	0
Operating cash flow	(66,325)	(1,735,241)	(16,101,826)	(8,528,800)	(1,685,666)	(2,634,134)	(3,253,226)	(7,383,206)
Free cash flow	(70,345)	(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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