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Zacks Small-Cap Research

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Net Element Inc. (NETE-NASDAQ)

NETE: Even Lower Non-GAAP Losses In Q2 As Net Element Controls Costs

Using an industry average of EV/trailing GM of 13.1X the stock could be worth $31 per share if NETE could reach profitability.

Current Price (08/16/19)	$3.28
Valuation	**$31.00**

OUTLOOK

Net Element is a growing 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 its Netevia payments platform, and an international payment processor, operating primarily in Russia. NETE has shown growth in the US and continues progress toward cash flow break-even and profitability.

SUMMARY DATA

52-Week High	**$9.05**
52-Week Low	**$3.22**
One-Year Return (%)	**-52.3**
Beta	**1.3**
Average Daily Volume (sh)	**19,518**
Shares Outstanding (mil)	**4.1**
Market Capitalization ($mil)	**$13.5**
Short Interest Ratio (days)	**8.9**
Institutional Ownership (%)	**6**
Insider Ownership (%)	**19**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**31.5**
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	**Above Average**
Type of Stock	**Small Value**
Industry	**Internet Commerce**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	16.1 A	65.8 A
2019	15.0 A	16.5 A	17.5 E	18.1 E	67.1 E
2020					72.7 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$1.15 A	-$0.85 A	-$0.84 A	-$1.00 A	-$3.54 A
2018	-$0.40 A	-$0.23 A	-$0.23 A	-$0.22 A	-$1.07 A
2019	-$0.28 A	-$0.15 A	-$0.13 E	-$0.05 E	-$0.60 E
2020					-$0.58 E

Zacks Projected EPS Growth Rate - Next 5 Years % **7.0**

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WHAT'S NEW

Net Element Makes Good Progress In Narrowing Losses In Q2

In the second quarter of 2019, Net Element beat both our top and bottom line non-GAAP numbers. Total revenues were flat with last year; North American sales increased 9.1% year over year while international improved sequentially, but was down 63% year over year.

Margins for North America declined to 14.6% versus 15.2% a year ago and 18.1% in Q1 2019. Although down year over year, International sales improved 10% sequentially and margin grew to 39% from 22% a year ago, and 28% in Q1 2019, as sales ramped for a major new merchant customer. The company is finally reaping the benefit of the restructuring of its operations and its change in strategy last year and should start to grow in the fourth quarter.

While revenues and gross margin were virtually flat with a year ago, the company continues to reduce costs in SG&A and amortization. This quarter saw $2 million stock-based compensation compared with only $23,000 in last year's quarter and only $142,000 for all of 2018. Because of this, the operating loss was $2.6 million versus $1.4 million last year. **On a non-GAAP basis, without stock-based compensation, the loss was only $604,000 compared to last year's $1.4 million and Q1's $803,000**. It is apparent that the company is doing its best to control costs and it is working.

Most importantly we are looking for Net Element to reach cash flow breakeven. EBITDA for the quarter was again positive at $144,000 compared with a negative $727,000 last year. The company is still burning cash at $250,000 a month after paying cash taxes and interest.

The GAAP earnings surprise came from other income. In the quarter the company took a one-time gain, reversing a reserve from PayOnline. Back in 2016, Net Element entered into an amendment to the PayOnline acquisition agreement to assume $1,433,475 of certain refundable merchant deposit reserves. The accrual consisted of an obligation of approximately $1.1 million for refundable merchant reserves. At June 30, 2019, management determined that any potential future claims from these certain merchants for these reserves were remote and reversed the amounts that remained in accrued expenses and recognized other income of approximately $1.1 million. Many of the merchants are now out of business now, and with the shut down of the subsidiary, legal concluded there was little liability for Net Element. With this reversal, the loss for the quarter was reduced to $1.5 million.

Taking out the $1.1 million gain, and the $2.0 million in stock-based compensation, the non-GAAP loss was $0.6 million or $0.15 per share compared with $0.9 million and $0.23 per share last year. This is the smallest quarterly non-GAAP operating loss in the company's history and is evidence that the company is on track toward profitability with increasing revenues.

This quarter there were 4.2 million average primary shares outstanding, compared to 3.9 million last year, up 8.9%. On August 14, 2019, the share count had declined slightly to 4.1 million shares.

On June 30, Net Element had $840,170 in cash, negative working capital of $1.0 million and $7.5 million in debt up from $6.6 million last quarter. It had $10.1 million in available credit facilities. In its 10K filing, the company indicated it would need $3.3 million in cash to fund the next twelve months. This quarter Net Element had positive cash flow of $641,000, and free cash flow of $27,000.

The payment processing business in the US continued to make technical and marketing progress.

During the June quarter, Aptito became a channel partner with HP for its Android-based POS devices. It then showcased Aptitio's new Android-based POS software at the National Restaurant Association Show in May. The solution uses HP hardware, Poynt, and PAX smart terminals. Net Element believes its Aptito

restaurant solutions stands out from the competition with its interactive menus, self-ordering kiosks, and seamless back-office integration.

On June 3, Net Element launched *Blade*, a proprietary, fully automated, AI powered underwriting solution with predictive scoring. Blade reduces risks and the time required for underwriting and on-boarding of new merchants. It also uses machine learning to improve its algorithms. Its purpose is to reduce potential losses attributable to chargebacks or fraud and the information it provides can be used in predicting outcomes to improve customer support, risk management, client retention, and collections. It can also review merchants in less than a minute and tell the user any problems and suggest solution

SUBSEQUENT EVENTS

- On July 1, Aptito began processing cryptocurrency payments for its merchants.

- On July 23rd, Net Element announced it won Hyde Beach House in Hollywood, Florida as a client in partnership with VIP Systems as it continues to penetrate the hospitality industry. VIP Systems is a preferred technology integrator for Marriott International, Choice Hotels International, Simon Property Group, Hotwire Communications, Morgans Hotel Group, InterContinental Hotels Group, and Related Group. Net Element offers a turnkey hospitality solution that includes everything needed for hotels to accept payments.

- On August 8, 2019 Net Element launched its Netevia MasterCard®, an exclusively tailored business card for its merchants. This card allows merchants to save up to 44% on credit and debit card payment acceptance fees. Merchants can choose a percentage of card sales to be credited to the card instead of their bank account and use it for everyday business expenses. The funds are immediately available to spend, thus improving the businesses cash flow. The card also offers rewards:

    - Up to a 1% processing fee rebate
    - A 50% discount on QuickBooks Self-Employed and Turbotax
    - A 5% discount on car rentals from Avis and Budget
    - And 4% rebates on select restaurants

We believe this is an attractive offering for small business and looks very competitive against cards such as Square's debit card that has little in rewards.

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 and Netevia products provide 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 goal in 2019 is to reach cash flow breakeven and thereafter profitability. It has been making continued progress toward that goal.

- We believe the company could grow revenues to $67 million in 2019 while decreasing losses. It is trading at an enterprise value of $22.2 million or 0.3Xs enterprise value to forecasted 2019 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 $31 per share based on an industry average valuation of approximately 13.1xs enterprise value to gross margin if the company achieves breakeven cash flow results.

VALUATION

There are a variety of ways we can value Net Element, all of which point to a much higher stock price. The problem is Net Element's history of raising capital to fund operations. Investors are wary that it may never reach breakeven and stop the dilution. This year, the company has taken efforts to reach breakeven and each quarter seems to bring it a step closer. We are confident if Net Element can start generating cash, investors will reward it with stock price appreciation and it may even become an attractive acquisition target in this increasingly consolidating industry. Here are multiple ways of valuing the company:

- Using Net Element's peer group we find an average valuation of 6.4 times the enterprise value to 2019 estimated sales. If we use that multiple and apply it Net Element's estimate of $67 million, we see that the company could be worth a $428 million enterprise value if it were profitable. Net Element is operating at much lower gross margins than the group, and thus should be valued lower due to its earnings power.

- Net Element's gross margin for the past twelve months was 16.2%. Because of its lower gross margin than any of the comps, we have been using that metric to calculate valuation. Using 13.1 times enterprise value to trailing twelve-month gross margin, Net Element's value would be 13.1 times $10.5 million or $137 million. The lowest margin company, after Net Element is Usio that operated at 22% gross margin for the past twelve months. If we take its multiple of two times sales, that is $134 million enterprise value or $127 million market value or **$31.00 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 $193 million, a market value of $187 million or $45.60 per share.

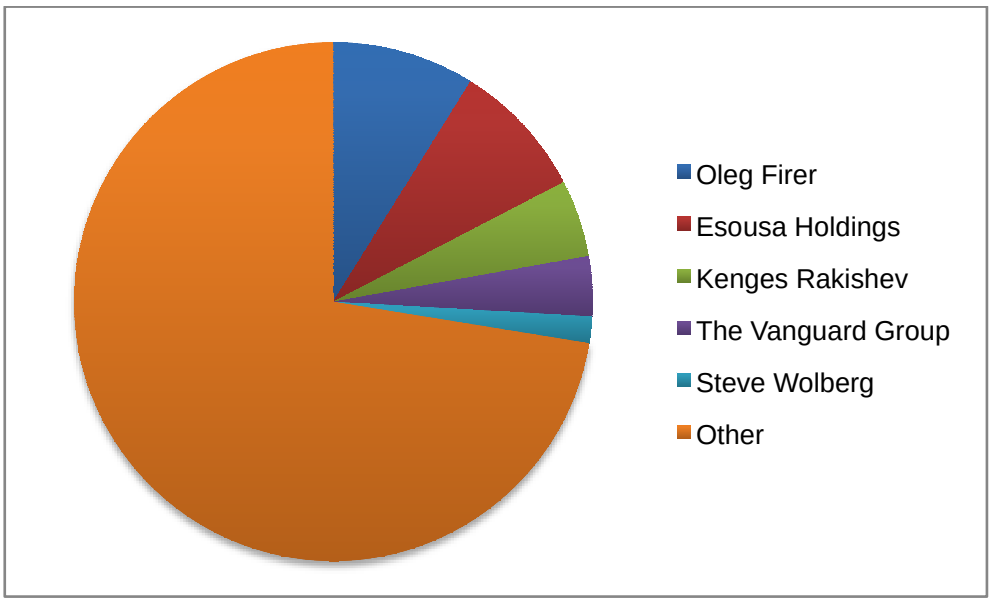
Company	Ticker	EBITDA	Gross Margin	%	Revenue 2019E	Revenue LTM	EBIDTA Margin	EV/19E Sales	EV/LTM Sales	EV/GM	EV/EBITDA	Included in Average?	Enterprise Value
EVERTEC	EVTC	186	257	54%	480	472	39%	6.3	6.4	11.7	16.2	y	3,010
Global Payments	GPN	1,440	2,271	64%	4,470	3,560	40%	6.7	8.4	13.2	20.9	y	30,060
PayPal	PYPL	2,990	7,110	44%	17,740	16,340	18%	6.7	7.3	16.8	40.0	y	119,510
Usio	PYDS	(0)	6	22%	29	27	0%	2.0	2.1	9.6	-940.0	y	56
Square	SQ	34	1,310	46%	2,280	2,844	1%	11.7	9.4	20.4	774.9	y	26,720
Total System Services	TSS	1,170	1,540	38%	4,000	4,100	29%	6.6	6.4	17.1	22.5	y	26,350
Worldpay*	WP	1,620	4,270	106%	4,270	4,045	40%	10.1	10.6	10.1	26.5	y	43,000
Average				55%			28%	6.4	6.9	13.1	-135.7		36,998

The industry continues to consolidate. In May, Global Payments (GPN) agreed to buy Total System Services (TSS) in a deal valued at $21.5 billion, or 5.3Xs revenues. Fiserv announced a $22 billion takeover of First Data Corp. (FDC) in January, and Fidelity National Information Services Inc. just bought Worldpay (WP) for $43 billion.

RISKS

- 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 although its goal is to become cash flow positive some time in 2019.
- 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 elsewhere internationally 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 2018 31-Mar	Q2 2018 30-Jun	Q3 2018 30-Sep	Q4 2018 31-Dec	Q1 2019 31-Mar	Q2 2019 30-Jun	Q3 2019E 30-Sep	Q4 2019E 31-Dec	2017	2018	2019E	2020E
North America Transaction	$14.0	$14.4	$15.6	$15.2	$14.4	$15.7	$16.5	$17.0	$51.1	$59.1	$63.6	$68.05
Yr-over-yr Growth	27.4%	5.9%	18.8%	12.8%	2.8%	9.1%	5.8%	12.1%	21.4%	15.6%	7.5%	7.0%
Cost of service	12.1	12.2	13.3	13.0	11.8	13.4	14.0	14.1	44.3	50.5	53.3	57.1
Gross margin	1.9	2.2	2.3	2.2	2.6	2.3	2.5	2.9	6.9	8.6	10.3	11.0
Gross margin %	13.6%	15.2%	14.8%	14.5%	18.1%	14.6%	15.0%	17.0%	13.4%	14.5%	16.1%	16.1%
International	2.0	2.0	1.7	0.9	0.7	0.7	1.0	1.1	8.9	6.6	3.5	4.6
Yr-over-yr Growth	-22.4%	-19.1%	-7.1%	-53.8%	-66.1%	-63.4%	-39.5%	17.7%	-26.6%	-25.5%	-46.9%	30.2%
International Cost of Service	1.6	1.6	1.3	0.7	0.5	0.5	0.6	0.7	7.0	5.1	2.2	2.9
Gross Margin	0.5	0.5	0.4	0.3	0.192	0.292	0.390	0.4	2.0	1.6	1.3	1.7
Gross margin %	22.9%	22.4%	22.9%	29.8%	28.1%	39.0%	39.0%	39.0%	21.9%	23.7%	36.9%	37.0%
Total revenues	**16.0**	**16.5**	**17.2**	**16.1**	**15.0**	**16.5**	**17.5**	**18.1**	**60.1**	**65.8**	**67.1**	**72.7**
Yr-to-yr Growth	17.8%	2.0%	15.7%	4.1%	-5.9%	0.1%	1.5%	12.4%	10.6%	9.5%	2.0%	8.2%
Costs and expenses:												
Cost of revenues	13.6	13.8	14.6	13.6	12.3	13.9	14.6	14.8	51.2	55.6	55.6	60.0
Gross Margin	2.4	2.7	2.7	2.5	2.8	2.6	2.9	3.3	8.8	10.2	11.6	12.7
% of Sales	14.8%	16.1%	15.6%	15.4%	18.5%	15.7%	16.4%	18.3%	14.7%	15.5%	17.2%	17.4%
SG&A	2.4	2.5	2.3	2.5	2.4	2.3	2.3	2.4	10.6	9.8	9.4	9.6
Stock-based compensation	0.1	0.0	0.0	0.0	0.0	2.0	0.0	0.0	2.9	0.1	2.0	2.0
Provision for loan losses	0.1	0.9	0.6	0.5	0.3	0.1	0.1	0.1	1.3	2.1	0.8	0.8
Depreciation and amortization	0.7	0.7	0.5	0.6	0.9	0.7	0.7	0.7	2.5	2.5	3.1	3.1
Total operating expenses	3.4	4.1	3.4	3.6	3.6	5.2	3.2	3.3	17.4	14.5	15.3	15.4
Loss from operations	(1.0)	(1.4)	(0.8)	(1.2)	(0.8)	(2.6)	(0.3)	0.0	(8.6)	(4.3)	(3.7)	(2.7)
Interest expense, net	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(1.2)	(0.8)	(1.0)	(1.6)
Other expense	(0.4)	0.7	0.0	0.4	(0.1)	1.3	0.0	0.0	(0.2)	0.8	1.2	0.0
One-time charges	0.0	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0	(0.6)	0.0	0.0
Total non-operating expenses	(0.6)	0.4	(0.2)	(0.4)	(0.3)	1.0	(0.3)	(0.3)	(1.4)	(0.7)	0.2	(1.6)
Pretax operating income (loss)	(1.6)	(1.0)	(0.9)	(1.5)	(1.1)	(1.6)	(0.6)	(0.2)	(10.0)	(5.0)	(4.7)	(4.4)
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	(1.6)	(1.0)	(0.9)	(1.5)	(1.1)	(1.6)	(0.6)	(0.2)	(10.0)	(5.0)	(4.7)	(4.4)
Minority interest	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Net loss	(1.6)	(0.9)	(0.9)	(1.5)	(1.1)	(1.5)	(0.5)	(0.2)	(9.9)	(4.9)	(4.7)	(4.4)
Foreign currency translation gain (loss)	0.0	0.0	(0.1)	0.4	(0.0)	(0.0)	0.0	0.0	(0.0)	0.3	(0.0)	0.0
Comprehensive loss	(1.6)	(0.9)	(1.1)	(1.1)	(1.1)	(1.5)	(0.5)	(0.2)	(10.0)	(4.6)	(4.7)	(4.4)
Earnings ex-one time charge	(1.6)	(0.9)	(0.9)	(0.9)	(1.1)	(2.6)	(0.5)	(0.2)	(9.9)	(4.3)	(4.5)	(4.4)
Stock-based compensation	0.1	0.0	0.0	0.0	0.0	2.0	0.0	0.0	2.9	0.1	2.0	2.0
Adjusted Non-GAAP Earnings	(1.5)	(0.9)	(0.9)	(0.9)	(1.1)	(0.6)	(0.5)	(0.2)	(7.0)	(4.2)	(2.5)	(2.4)
Yr-to-yr Growth	-19.2%	-41.7%	-44.2%	-56.5%	-27.7%	-28.3%	-39.0%	-78.1%	-12%	-40%	-41%	-4.0%
GAAP EPS	($0.42)	($0.23)	($0.23)	($0.39)	($0.29)	($0.37)	($0.13)	($0.05)	($5.04)	($1.28)	($1.16)	($1.06)
Non-GAAP EPS	**($0.40)**	**($0.23)**	**($0.23)**	**($0.22)**	**($0.28)**	**($0.15)**	**($0.13)**	**($0.05)**	**($3.54)**	**($1.07)**	**($0.60)**	**($0.58)**
Yr-to-yr Growth	-65%	-73%	-73%	-78%	-29%	-34%	-42%	-79%	-41.4%	-69.7%	-43.8%	-4.7%
Share outstanding	3.9	3.9	3.9	3.9	3.9	4.2	4.1	4.1	1.967676	3.9	4.1	4.1
Yr-to-yr Growth	134%	118%	106%	96%	1%	9%	6%	6%	50.7%	96.6%	5.6%	0.8%
Fully diluted shares	4.8	4.8	4.9	4.9	4.9	5.2	5.2	5.2	2.2	4.8	5.1	5.1
Yr-to-yr Growth	156%	140%	120%	68%	1%	9%	6%	5%	48.7%	120.1%	5.3%	0.0%
Adjusted EBITDA	(0.204)	(0.727)	(0.276)	(0.528)	0.063	0.144	0.423	0.776	(3.123)	(1.734)	1.405	2.353

BALANCE SHEET

	June 30, 2019	Mar. 31, 2018	Qtr-Qtr % Change	June 30, 2018	Yr- Yr % Change
Current assets:					
Cash	**$840,170**	**$476,989**	76%	**$6,541,652**	-87%
Accounts receivable, net	5,073,168	5,134,505	-1%	6,061,808	-16%
Prepaid expenses and other assets	978,737	1,426,214	-31%	1,273,303	-23%
Total current assets	6,892,075	7,037,708	-2%	13,876,763	-50%
Equipment, net	16,205	21,853	-26%	43,233	-63%
Intangible assets, net	6,237,789	6,330,652	-1%	2,741,486	128%
Goodwill	9,007,752	9,007,752	0%	9,643,752	-7%
Operating lease right-of-use asset	442,094	471,307	-6%	0	NM
Other long term	655,180	654,754	0%	461,045	42%
Total assets	23,251,095	23,524,026	-1%	26,766,279	-13%
Current liabilities:					
Accounts payable	$5,274,782	$5,301,425	-1%	$5,044,603	5%
Deferred revenue	449,451	972,650	-54%	1,770,910	-75%
Accrued expenses	1,700,003	2,753,464	-38%	2,666,447	-36%
Notes payable (current portion)	**224,364**	**330,749**	-32%	**924,597**	-76%
Operating lease liability (current portion)	**61,108**	90,321	-32%	**0**	NM
Due to related parties	**200,694**	**271,972**	-26%	**496,920**	-60%
Total current liabilities	7,910,402	9,720,581	-19%	10,903,477	-27%
Operating lease liability (net of current)	380,986	380,986	0%	0	NM
Notes payable (non-current portion)	**7,074,978**	**5,960,361**	19%	**5,051,708**	40%
Total liabilities	15,366,366	16,061,928	-4%	15,955,185	-4%
STOCKHOLDERS' DEFICIT					
Common stock	410	386	6%	385	6%
Paid in capital	185,267,054	183,261,238	1%	183,223,732	1%
Accumulated other comp income (loss)	(2,252,261)	(2,246,724)	0%	(2,461,261)	-8%
Accumulated deficit	(174,950,546)	(173,413,099)	1%	(169,870,648)	3%
Noncontrolling interest	(179,928)	(139,703)	29%	(81,114)	122%
Total stockholders' deficit	7,884,729	7,462,098	6%	10,811,094	-27%
Total liabilities and stockholders' deficit	23,251,095	23,524,026	-1%	26,766,279	-13%
Net Cash	415,112	476,989	-13%	5,120,135	-92%
Current and Quick Ratio	0.9	0.7	20%	1.3	-32%
Working Capital	(1,018,327)	(2,682,873)	-62%	2,973,286	-134%
Total Debt	7,500,036	6,563,082	14%	6,473,225	16%
Debt/TA	32%	28%	16%	24%	33%
DSO	28.1	31.1	-10%	33.6	-16%

CASH FLOWS

	YR 2017	Mar. 31, 2018 3 month	June 30, 2018 3 month	Sept 30, 2018 3 month	Dec. 31, 2018 3 month	YR 2018	Mar. 31, 2019 3 month	June 30, 2019 3 month
Cash flows from operating activities								
Net loss	$ (9,913,485)	$ (1,610,847)	$ (903,730)	$ (910,412)	$ (1,511,193)	$ (4,936,182)	$ (1,120,847)	$ (1,537,445)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:								
Non controlling interest	(109,564)	27,553	(69,482)	(25,653)	(18,969)	(86,551)	(13,966)	(40,225)
Share based compensation	2,940,424	82,011	22,500	22,500	15,006	142,017	15,006	2,005,841
Deferred revenues	356,619	-	58,319	(594,360)	319,299	(216,742)	(523,199)	(523,199)
Net non cash items in other income	-	-	-	-	(1,202,201)	(1,202,201)	-	-
Impairment for goodwill	-	-	-	-	636,000	636,000	-	-
Depreciation and amortization	2,533,985	703,538	662,525	463,384	625,190	2,454,637	851,220	747,347
Non cash interest	114,802	16,759	18,437	13,804	24,442	73,442	14,314	7,397
(Recovery of) provision for loan losses	-	-	-	-	16,238	16,238	10,013	(18,940)
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates								
Account receivable	3,002,425	1,032,930	(461,525)	(191,804)	(1,883,356)	(1,503,755)	1,151,285	13,976
Deferred revenue	-	(535,748)	535,748	-	-	-	-	-
Prepaid expenses and other assets	(1,047,811)	(308,648)	(47,937)	814,391	(73,403)	384,403	253,634	415,012
Accounts payable and accrued expenses	(2,943,154)	(545,306)	(1,566,462)	24,352	3,058,618	971,202	(875,266)	(1,429,936)
Net cash (used in) provided by operating	(5,065,759)	(1,137,758)	(1,751,607)	(383,798)	5,671	(3,267,492)	(237,806)	(360,172)
Cash flows from investing activities								
Purchase of portfolio and client acquisition	(1,885,098)	(401,980)	(476,466)	(2,973,150)	(1,561,668)	(5,413,264)	(651,365)	(558,913)
Receipt of excess deposits	149,826	-	-	-	-	-	-	-
Purchase of fixed and other assets	(103,341)	(2,393)	12,291	(124,939)	110	(114,931)	(413,132)	(55,155)
Net cash used in investing activities	(1,838,613)	(404,373)	(464,175)	(3,098,089)	$ (1,561,558)	(5,528,195)	(1,064,497)	(614,068)
Cash flows from financing activities								
Proceeds from indebtedness	3,678,824	-	-	-	2,131,500	2,131,500	-	1,116,500
Repayment of indebtedness	(998,780)	(515,834)	(522,831)	(419,871)	(1,326,598)	(2,785,134)	(102,700)	(106,384)
Cash received from issuance of shares and	14,884,435	-	-	-	-	-	-	-
Lease liability							471,307	(29,213)
Related party advances (payments)	-	(33,027)	67,954	(74,192)	39,265	-	(171,615)	338,176
Net cash provided by (used in) financing	17,564,479	(548,861)	(454,877)	(494,063)	$ 844,167	(653,634)	196,992	1,319,079
Effect of exchange rate changes on cash	(20,899)	(3,720)	21,353	(2,597)	(49,435)	(34,399)	(12,497)	18,768
Net increase in cash	10,639,208	(2,094,712)	(2,649,306)	(3,978,547)	$ (761,155)	(9,483,720)	(1,117,808)	363,607
Cash at beginning of period	1,094,063	11,733,271	9,638,559	6,989,253	$ 3,010,706	11,733,271	2,249,551	1,131,743
Cash at end of period	11,733,271	9,638,559	6,989,253	3,010,706	$ 2,249,551	2,249,551	1,131,743	1,495,350
Cash paid during the period for:								
Interest	1,074,820	226,479	217,753	201,678	127,827	773,737	230,789	245,135
Taxes	86,942	4,140	-	40,792	16,939	61,871	46,932	56,909
Operating cash flow	(4,077,219)	(780,986)	(211,431)	(1,030,737)	$ (1,096,188)	(3,119,342)	(767,459)	640,776
Free cash flow	(5,915,832)	(1,185,359)	(675,606)	(4,128,826)	$ (2,657,746)	(8,647,537)	(1,831,956)	26,708

HISTORICAL STOCK PRICE



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