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Zacks Small-Cap Research

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ShiftPixy, Inc. (PIXY-NASDAQ)

PIXY: Great Growth and Some Resolution of Convertible Note Disputes

We believe the stock could be worth $45.00 per share based on an average of 0.7 EV to revenues for calendar year 2020 using a maximum all in share count.

Current Price (12/20/19)	$7.79
Valuation	**45.00**

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 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 a Match.com-like platform to fill shift openings. **It is at a $420 million annual gross billing run rate** and continues to roll out services in a number of cities in the US. It is close to reaching cash flow breakeven on an operating basis.

SUMMARY DATA

52-Week High	**$83.20**
52-Week Low	**$7.34**
One-Year Return (%)	**-90.0**
Beta	**1.3**
Average Daily Volume (sh)	**11,897**
Shares Outstanding (mil)	**0.9**
Market Capitalization ($mil)	**$7.1**
Short Interest Ratio (days)	**1.2**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**66.1**
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	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Internet-Software**

ZACKS ESTIMATES

Revenues
(in millions of $)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2018	$6.5 A	$7.9 A	$9.4 A	$11.2 A	$35.0 A
2019	$10.5 A	$13.2 A	$14.3 A	$15.4 A	$53.4 A
2020	$16.6 E	$18.8 E	$20.3 E	$22.5 E	$78.1 E
2020					108.6 E

EPS
(GAAP)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2018	-$4.99 A	-$3.47 A	-$2.52 A	-$12.41	-$23.36
2019	-3.11 A	-2.75 A	-5.79 A	-10.32	-22.89
2020	-3.90 E	-1.47 E	-3.22 E	-2.80 E	-10.09 E
2020					-$6.33 E

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

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WHAT'S NEW

ShiftPixy Reports Continued High Growth and Is Making Progress Toward Problem Resolution

Trading at an enterprise value of $9 million, with a revenue run rate of $62 million and annual results that showed 53% growth, ShiftPixy certainly deserves a second look. With a new year and a new CFO, the company has put behind it a few of its missteps and has a plan to fix the rest. Clearly investors have been wary of the company, as it has been difficult to assess how much dilution would occur as the result of disputes with the convertible bondholders. But since the dispute with largest holder (CVI Investments) has been settled, wiping out a potential 250,000 shares of dilution, there is more clarity on the range of possibilities for the rest. As it now stands, at most an additional 400,000 shares could possibly be converted putting the all-in share count at 1.3 million shares. Since all the options and warrants are also out of the money, the fully diluted number is currently the same as the shares outstanding of 915,000 shares. Where the company ends up will be somewhere between 1.3 million and the 915,000. Because of this agreement with CVI the company should be reversing the $1.8 million reserve it took below the line in FYQ4 2019, either in FYQ1 or FYQ2, depending on the decision of the auditors.

While the company could use cash and a war chest to grow it has found a source of cash on its own balance sheet. It plans to get a bank loan against deposits for workers' compensation, which could provide some $3 million in cash. Longer term it will need to raise capital to fund its growth. With normalized expenses its cash burn currently runs about $400,000 a month. It should be able to reach cash breakeven shortly through increased worksite employee numbers, increased average gross margin per employee and reduced baseline expenses as litigation ends.

The company had a delay in the launch of its much anticipated mobile application and technology platform due to a dispute with its outsourced developer that has withheld code and which is ongoing. To avoid further delays, in Q3 2019 ShiftPixy has hired an in-house group to write a lot of the code and is also licensing some software at a cost of $75,000 a month. If possible it would like to settle with the outsourced developer and get the withheld code but is progressing forward with its technology solution, in customer testing at the end of 2019, which will turn on some additional revenue streams for the company in 2020.

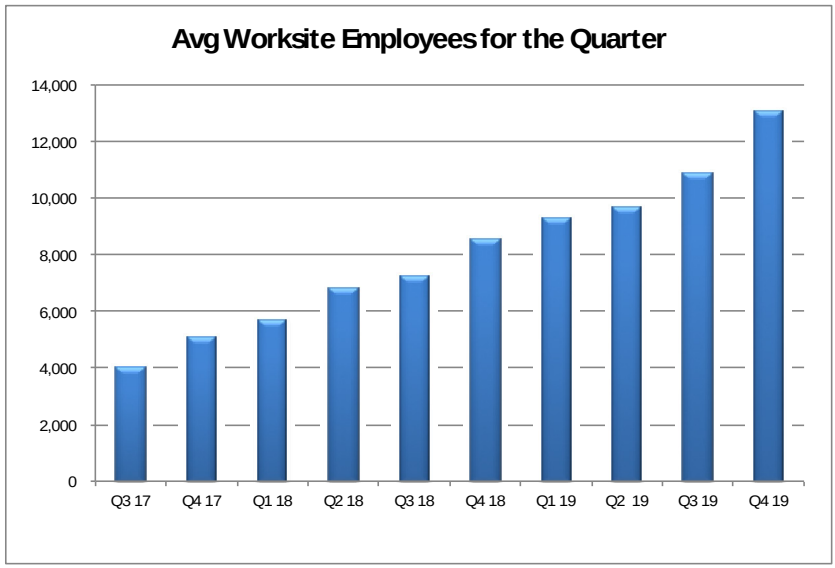
Longer term the ShiftPixy should continue to increase margins through economies of scale. Its novel approach to employee management, which enables companies to reduce their insurance and compliance costs by outsourcing the workforce to ShiftPixy, should attract more and more customers. Having delivery sharing and insurance metering should attract more chain restaurants, which are the higher margin customers for ShiftPixy.

Q4 FY2019 Results

Once again ShiftPixy beat our gross billings number, at $104.8 million compared with $73.4 million in FYQ4 2018, up 43%. Revenues were also slightly higher than expected strong at $15.4 million, **up 38%** year over year and inline with our estimates.

Gross margin dollars increased 68.3%, while the gross margin percentage also increased to 19.9% from 16.3% in 2018. While year over year improvements have been caused by lower insurance costs, the company also experiences seasonal trends. The first quarter always has the highest margins as it pays lower social security as worker max out on contributions at the end of the calendar year. As a result we expect FYQ1 to be much higher than Q4 as well as higher than the year ago period.

Worksite employees rose from an average of 10,860 employees for the three months ended May 31, 2019, to an average of 13,100 employees in this year's quarter, up 20.4% sequentially and 53.4% year over year.



Source: Zacks Investment Research

Operating expenses were $6.1 million versus $5.5 million a year ago an increase of $582,000. For year end the company added a Sales and Marketing Expense category and rearranged expenses in the stock-based comp, professional fees and general and administrative line items so we cannot analyze the quarterly changes for those categories. In the remaining lines:

- Salaries increased $560,000 with increased headcount mostly driven by bringing software development in-house
- Commissions increased $305,000 with increased sales. The company hopes to bring this down as a percentage as it sells more services to current customers, which will not incur commission payments. Also it is shifting internal resources to more of an internal, lower commissioned sales force and focusing on larger deals with multiple location franchises.
- Software development decreased $1.2 million as the company moved development in-house.
- Depreciation was up $100,000 and will increase with increased capitalized software
- The remaining categories sum increased $878,000.

The company is working on bringing down expenses particularly in professional fees that have been elevated due to legal expenses that should end once a deal with the remaining two convertible holders have been completed as well as with the software developer. Increased spending on sales and marketing will offset these declines as its new delivery service and staff sharing on its mobile app rolls out to new customers. In these expenses is $430,000 in one-time expenses mostly from legal expenses for the Kadima and note related litigation.

The operating loss was $3.0 million versus $3.7 million loss a year ago and a loss of $3.1 million in FYQ3 2019.

Total other income was an expense of $6.3 million versus $5.3 last year. Interest expense was $2.2 million from amortization expense related to the debt discount and debt issuance costs related to the March 2019 and June 2018 financings. No interest was paid in cash. Two other charges were in other income; a non-cash $98,000 inducement loss from debt and a $2.2 million non-cash gain on the change in fair value of the derivative and warrant liabilities.

With no taxes paid, the company reported a loss of $9.3 million versus a loss of $8.9 million a year ago or a loss of $10.32 per share versus a $12.41 per share loss. On a non-GAAP basis the loss per share was $9.32 versus a loss of $12.14 year ago. In this number we have taken out stock based compensation and the

$430,000 in one-time expenses. Average shares outstanding for the quarter were 905,000 million, up 26% from a year ago. Shares outstanding as of December 13, 2019 were 915,000 post split and the all in share count is now 1.3 million, an increase of 39%.

FY 2019 Results

For the year ShiftPixy had gross billings of $352 million compared with $222 million in FY 2018, up 58.5%. Revenues were $53.4 million, **up 52.9%** year over year.

Gross margin dollars increased 125% to $12.4 million, while the gross margin percentage also increased to 23.2% from 15.7% in 2018. We expect margins to continue to improve next year as it upsells customers to high margin services.

Operating expenses were $22.1 million versus $17.1 million a year ago an increase of $5 million.

- **Software development decreased $2.6 million** as development was brought in-house and capitalized.
- **Salaries increased $2.3 million** with increased headcount driven by bringing software development in-house. The headcount increased from an average of 44 in 2018 to 58 in 2018. As of Aug 31, 2019 there were 68 employees.
- Professional fees increased $1.8 million mostly due to litigation and legal expenses. $1.1 million was due to increased legal fees and legal settlements, $0.3 million from sales and marketing related consulting, $0.3 million for outsourced development related consulting costs, $0.3 million for administrative costs associated with the Sunz workers compensation policy, offset by a $0.3 million reduction in public company related costs, primarily due to reduced accounting and audit related costs.
- Commissions increased $1.1 million with increased sales.
- Marketing and advertising increased $661,000.
- G&A increased $837,000.

The operating loss was $9.7 million versus $11.6 million loss a year ago.

Total other income was an expense of $9.1 million versus $5.3 last year. Interest expense was $8.5 million from amortization expense related to the debt discount and debt issuance costs related to the March 2019 and June 2018 financings. No interest was paid in cash. Two other charges were in other income; a non-cash $3.9 million inducement loss from debt and a $2.6 million non-cash gain on the change in fair value of the derivative and warrant liabilities.

With no taxes paid, the company reported a loss of $18.7 million versus a loss of $16.8 million a year ago or a loss of $0.26 per share versus a $0.31 per share loss.

On a GAAP basis the loss per share was $22.89 versus a loss of $23.36 year ago. Average shares outstanding for the year were 818,000 million, up 14% from a year ago.

Balance Sheet and Cash Usage

On August 31, the company had $1.6 million in cash and its only debt was a convertible note of $3.4 million. Its working capital deficit was $18.2 million and its current ratio 0.4 times. Cash flow was a negative $2.9 million for the quarter and $8.1 million for the year, an improvement over a negative $11.5 million last year. Free cash flow was a negative $3.4 million for the quarter and $9.2 million for the year. The company raised no cash in the quarter. We expect the company to get a letter of credit to borrow against the deposits for workers' compensation that it has on the balance sheet, as is the practice in its industry. This could free up over $3 million cash for the company to use in operations. The company's current cash burn is about $400,000 per month.

Subsequent Events

On December 5, 2019, the ShiftPixy entered into an exchange agreement with CVI investments, the holder of a majority of its March 2019 convertible notes. The exchange agreement and the related revised March 2019 note agreement **revised the conversion price to $1.00 per share, extended the term of the March 2019 notes to March 1, 2022**, provided for a revised quarterly amortization schedule beginning April 1, 2020, and removed certain anti-dilution terms of the related March 2019 warrants. The holder also exchanged $222,000 of December 2018 Notes by extending the term to coincide with the revised term of the March 2019 notes and for the revised amortization schedule. ShiftPixy agreed to issue an additional $200,000 of consideration to the holder, payable in common stock, as consideration for this exchange and agreed to increase the principal outstanding on the notes exchanged by 10% from $222,000 for the December 2018 notes to $244,000 and from $2,445,000 for the March 2019 notes to $2,890,000. On December 11, 2019, the company issued **870,000 shares** of common stock to the holder in satisfaction of the additional $200,000 of consideration.

There was a **reverse split** of the shares of ShiftPixy 40:1 effective as of December 16, 2019. All numbers in this reported have been adjusted for this split.

On December 17, 2019 ShiftPixy received a letter from NASDAQ, which notified ShiftPixy that it no longer complies with the Listing Rule 5550(a)(4) by not having the minimum of 500,000 publicly held shares for the NASDAQ Capital Market. The company has a hearing scheduled for January 23, 2020.

Software Update

ShiftPixy continues to make progress with its app's capabilities and has rolled out the driver metering function to limited customers this past quarter. Management believes **the availability of this product alone should cause accelerating sales** to new customers, as it is a unique and salient differentiator. The company has hired delivery people who can be shared among its customers. As an example, a Mexican chain, is sharing the same driver who is making deliveries for five or six of its restaurants in nearby locations. This driver is wearing the restaurant's uniform despite being employed ShiftPixy and fulfilling orders from restaurants of this chain owned by different franchisers. To date ShiftPixy is not charging its customers for these deliveries as it is still in the testing phase.

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 246 clients who utilize over 13,000 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. It has added the car insurance metering product for deliveries and scheduling between restaurants and shift workers by matching qualified workers to shifts, while giving workers access to their schedules and earnings in real-time which are both being tested by a few customers. 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, Chicago, and Orlando. 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 modest comparable multiple of 0.7 times enterprise value to calendar 2020 revenues, we believe the company could be worth at least $60 million or $45.00 per share.

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.

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 0.2-1.6 enterprise value to sales with an average of 0.7 times estimated 2020 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 7.2 times EV/EBITDA.

Using a calendar year estimate for revenues in 2020 of $87 million and 1.5 times enterprise value to sales, ShiftPixy should be worth $130 million or about $100 per share using an all in share count of 1.3 million shares. Even if we use 0.7 times, the stock price would be $45 per share.

Company	Ticker	Calendar Revenue 2020E	LTM	EBIDTA Margin	Enterprise Value / Sales 2020E	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
AMN Healthcare Services, Inc.	AMN	2,370	2,160	11%	1.5	1.6	y	3,470
Cross Country Healthcare, Inc.	CCRN	854	808	2%	0.6	0.6	y	511
GEE Group, Inc.	JOB	156	153	7%	0.7	0.7	y	102
Insperity, Inc.	NSP	4,720	4,210	5%	0.7	0.8	y	3,340
Kelly Services, Inc. Class A	KELYA	5,390	5,430	2%	0.2	0.2	y	930
Kforce Inc.	KFRC	1,410	1,460	6%	0.7	0.6	y	923
ManpowerGroup Inc.	MAN	20,800	21,060	4%	0.3	0.3	y	6,360
ASGN Inc.	ASGN	4,180	3,830	11%	1.1	1.2	y	4,700
Robert Half International Inc.	RHI	6,310	6,020	11%	1.1	1.2	y	6,990
Staffing 360 Solutions, Inc.	STAF	319	289	2%	0.2	0.2	y	68
TrueBlue, Inc.	TBI	2,320	2,430	5%	0.4	0.4	y	963
Average				6.1%	0.7	0.7		2,578

Company	Ticker	Calendar Revenue 2020E	LTM	EBIDTA Margin	Enterprise Value / Sales 2020E	Enterprise Value / Sales LTM	Included in Average?	Enterprise Value
Match Group	MTCH	2,420	1,960	33%	8.9	10.9	y	21,420
Paychex	PAYX	4,100	3,900	41%	7.5	7.9	y	30,810
TriNet	TNET	1,010	928	30%	4.1	4.4	y	4,110
Workday	WDAY	4,360	3,440	-6%	8.3	10.5	y	36,120
Average				24.6%	7.2	8.4		23,115

RISKS

- The company is an early stage company and has just reported an annual gross billing run-rate of $420 million. It is very difficult to project revenue and net income with 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.

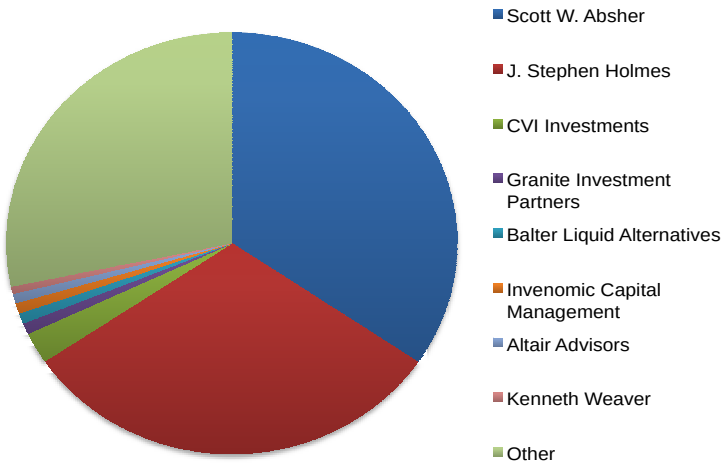
- As ShiftPixy expands geographically to other states, its offering may not be as compelling in those states compared with California as the economic savings may not be the same due to different pricing for salaries and insurance and different regulatory burdens. Gross billings from customers in California are approximately 86% of the total gross billings.

- 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 may needs to raise more capital to reach profitability.

- It is in litigation with certain of its convertible note holders, which could be costly and result in even more dilution to the common stock.

OWNERSHIP



Source: SEC Filings, Zacks Investment Research

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, 2019	Q4 Aug 31, 2019	Q1 Nov 30, 2019E	Q2 Feb 28, 2020E	Q3 May 31, 2020E	Q4 Aug 31, 2020E	FY 2018	FY 2019	FY 2020E	FY 2021E
Gross billings	**40.200**	**48.600**	**60.200**	**73.400**	**70.900**	**82.500**	**94.220**	**104.816**	**112.000**	**125.000**	**135.000**	**150.000**	**$222.400**	**$352.436**	**$522.000**	**$678.60**
Yr-to-Yr Growth	15%	58%	119%	121%	76%	70%	57%	43%	58%	52%	43%	43%	76.0%	58.5%	48.1%	30.0%
Adjustment to gross billings	33.600	40.800	50.825	62.215	60.380	69.312	79.916	89.392	95.424	106.250	114.750	127.500	187.441	299.200	443.924	570.024
Net Revenue	**$6.512**	**$7.886**	**$9.375**	**$11.185**	**$10.520**	**$13.188**	**$14.304**	**$15.424**	**$16.576**	**$18.750**	**$20.250**	**$22.500**	**$34.959**	**53.436**	**78.076**	**$108.576**
Yr-to-Yr Growth	15%	46%	103%	138%	62%	67%	53%	38%	58%	42%	42%	46%	72.7%	52.9%	46.1%	39.1%
Net Rev as % of Gross Billing	16.2%	16.2%	15.6%	15.2%	14.8%	16.0%	15.2%	14.7%	14.8%	15.0%	15.0%	15.0%	15.7%	15.2%	15.0%	16.0%
Cost of goods	5.266	7.006	7.826	9.360	7.134	9.967	11.592	12.353	11.872	13.750	15.120	16.950	29.458	41.046	57.692	81.432
Gross margin	1.246	0.880	1.550	1.825	3.386	3.221	2.712	3.071	4.704	5.000	5.130	5.550	5.500	12.390	20.384	27.144
Percent of gross billings	3.1%	1.8%	2.6%	2.5%	4.8%	3.9%	2.9%	2.9%	4.2%	4.0%	3.8%	3.7%	2.5%	3.5%	3.9%	4.0%
Percent of revenues	19.1%	11.2%	16.5%	16.3%	32.2%	24.4%	19.0%	19.9%	28.4%	26.7%	25.3%	24.7%	15.7%	23.2%	26.1%	25.0%
Salaries, wages & payroll taxes	1.180	1.346	1.310	1.547	1.795	1.987	1.814	2.107	2.200	2.250	2.300	2.350	5.383	7.702	9.100	10.920
Stock-based compensation	0.070	0.027	0.072	0.194	0.077	0.081	(0.005)	0.478	0.120	0.120	0.120	0.120	0.363	0.632	0.480	0.500
Commissions	0.272	0.338	0.463	0.520	0.553	0.589	0.765	0.825	0.862	0.950	1.013	1.110	1.594	2.732	3.935	5.022
Professional Fees	0.492	0.509	0.416	0.660	0.624	0.895	1.280	1.119	1.200	1.000	0.800	0.600	2.078	3.918	3.600	3.000
Sales and Marketing	NA	NA	NA	0.547	NA	NA	NA	0.300	0.300	0.300	0.300	0.300	0.547	1.208	1.200	2.500
Software development	1.900	0.486	0.000	1.441	0.310	0.718	0.000	0.181	0.200	0.200	0.200	0.200	3.828	1.209	0.800	0.700
Depreciation and amortization	0.018	0.058	0.059	0.140	0.188	0.191	0.222	0.239	0.240	0.250	0.260	0.270	0.274	0.839	1.020	1.100
General and administrative	0.654	0.834	1.046	0.470	1.128	0.988	1.763	0.852	0.852	0.800	0.780	0.760	3.005	3.823	3.192	3.831
Total operating expenses	4.587	3.598	3.367	5.520	4.675	5.448	5.838	6.102	5.975	5.870	5.773	5.710	17.071	22.063	22.127	23.472
				1.872												
Operating income	(3.341)	(2.718)	(1.817)	(3.695)	(1.289)	(2.227)	(3.126)	(3.030)	(1.271)	(0.870)	(0.643)	(0.160)	(11.571)	(9.673)	(1.743)	3.672
Operating margin	-8.3%	-34.5%	-19.4%	-33.0%	-1.8%	-16.9%	-21.9%	-19.6%	-1.1%	-4.6%	-3.2%	-0.7%	-33%	-18%	-2%	3%
Interest expense	0.000	0.000	0.000	(1.751)	(0.957)	(0.969)	(4.345)	(2.236)	(2.300)	(2.300)	(2.400)	(2.500)	(1.751)	(8.507)	(9.500)	(10.000)
Registration rights penalties	0.000	0.000	0.000	(3.500)	0.000	2.611	0.000	(1.800)	0.000	1.800	0.000	0.000	(3.500)	0.811	1.800	0.000
Inducement loss from debt	0.000	0.000	0.000	0.000	0.000	(1.556)	(2.273)	(0.098)	0.000	0.000	0.000	0.000	0.000	(3.927)	-	0.000
Chg in FV of der. & warr. liability	0.000	0.000	0.000	0.000	0.000	0.000	4.748	(2.179)	0.000	0.000	0.000	0.000	0.000	2.569	-	0.000
Total other income	0.000	0.000	0.000	(5.251)	(0.957)	0.087	(1.870)	(6.314)	(2.300)	(0.500)	(2.400)	(2.500)	(5.251)	(9.054)	(7.700)	(10.000)
Net Income	(3.341)	(2.500)	(1.817)	(8.946)	(2.246)	(2.140)	(4.996)	(9.344)	(3.571)	(1.370)	(3.043)	(2.660)	(16.822)	(18.727)	(9.443)	(6.328)
Net loss per share	**$ (4.99)**	**$ (3.47)**	**$ (2.52)**	**$ (12.41)**	**$ (3.11)**	**$ (2.75)**	**$ (5.79)**	**$ (10.32)**	**$ (3.90)**	**$ (1.47)**	**$ (3.22)**	**$ (2.80)**	**$ (23.36)**	**$ (22.89)**	**$ (10.09)**	**$ (6.33)**
Non-GAAP loss per share	$ (4.89)	$ (3.74)	$ (2.42)	$ (12.14)	$ (3.00)	$ (2.64)	$ (5.80)	$ (9.32)	$ (3.77)	$ 0.59	$ (3.09)	$ (2.67)	$ (22.85)	$ (21.59)	$ (11.50)	$ (5.83)
Shares outstanding	0.669	0.720	0.720	0.721	0.723	0.780	0.863	0.905	0.915	0.933	0.945	0.950	0.720	0.818	0.936	1.000
Yr-to-Yr Growth	-97%	-97%	-97%	-97%	8%	8%	20%	26%	27%	20%	10%	5%	8%	14%	14%	22%
Fully diluted shares	0.752	0.805	0.720	0.949	0.933	1.023	1.113	1.155	1.315	1.333	1.345	1.350	0.949	1.468	1.336	1.336
Adjusted EBITDA	(3.253)	(2.633)	(1.686)	(3.362)	(1.024)	(1.955)	(2.910)	(2.313)	(0.911)	(0.500)	(0.263)	0.230	(10.934)	(8.202)	(1.443)	5.272

BALANCE SHEET

	Aug 31, 2019	May 31, 2019	Qtr-Qtr % Change	Aug 31, 2018	Yr-Yr % Change
Assets:					
Cash and cash equivalents	**$ 1,561,000**	**$ 2,931,274**	-47%	**$ 1,649,783**	-5%
Accounts receivable	272,000	338,112	-20%	110,931	145%
Unbilled accounts receivable	9,478,000	6,700,054	41%	6,192,631	53%
Deposit workers' compensation	1,957,000	2,250,103	-13%	1,672,097	17%
Prepaid expenses	519,000	762,990	-32%	563,002	-8%
Other current assets	244,000	227,103	7%	258,901	-6%
Total current assets	14,031,000	13,209,636	6%	10,447,345	34%
Fixed assets	3,360,000	3,013,062	12%	3,032,325	11%
Deposits- workers' comp	6,281,000	5,438,125	15%	2,201,556	185%
Deposits and other	124,000	94,083	32%	120,606	3%
Total Assets	23,796,000	21,754,906	9%	15,801,832	51%
Current Liabilities:					
Accounts payable	3,061,000	2,178,351	41%	1,246,461	146%
Payroll related liabilities	16,412,000	14,311,903	15%	9,476,641	73%
Convertible note, net	**3,351,000**	**1,407,340**	138%	**6,171,315**	-46%
Derivative liability	3,756,000	1,577,328	138%	0	0%
Accrued workers' compensation cost	1,957,000	1,027,043	91%	305,217	541%
Registration rights penalty accrual	1,800,000	0	NM	3,500,000	-49%
Other current liabiliities	1,850,000	1,670,997	11%	1,955,921	-5%
Total current liabilities	32,187,000	22,172,962	45%	22,655,555	42%
Accrued workers' compensation costs	4,379,000	3,000,732	46%	900,978	386%
Total Liabilities	36,566,000	25,173,694	45%	23,556,533	55%
Stockholders' Equity					
Common Stock	4,000	3,604	11%	2,886	39%
Additional paid in capital	32,501,000	32,183,503	1%	18,465,419	76%
Treasury stock	(325,000)				
Accumulated deficit	(44,950,000)	(35,605,895)	26%	(26,223,006)	71%
Total Stockholders' Equity	(12,445,000)	(3,418,788)	264%	(7,754,701)	60%
Total Liabilities and Stockholders' Equity	24,121,000	21,754,906	11%	15,801,832	53%
Current and quick ratios	0.4	0.6	-27%	0.5	-5%
Cash as % of assets	7%	13%	-51%	10%	-37%
Working Capital	(18,156,000)	(8,963,326)	103%	(12,208,210)	49%
Debt	3,351,000	1,407,340	138%	6,171,315	-46%
Debt/Total Assets	14%	6%	118%	39%	-64%

CASH FLOW

	Year Ending Aug 31, 2019	3 Months Ending Aug 31, 2019	3 Months Ending May 31, 2019	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
Net Income	$ (18,727,000)	$ (9,344,111)	$ (4,996,022)	$ (2,386,681)	$ (2,000,186)	$ (16,576,479)	$ (8,699,060)	(1,817,319)	$ (2,718,883)	$ (3,341,217)
Adjustments to reconcile net loss to net cash used in operating activities:										
Excess of derv liab over notes at issuance	2,588,000	0	$ 2,588,000	0	0	0	0	0	0	0
Inducement loss	3,829,000	450	$ 2,273,000	1,555,550	0	0	0	0	0	0
Depreciation and amortization	839,000	238,640	$ 221,523	191,114	187,723	274,321	139,335	59,342	57,949	17,695
Settlement of reg. rights penalties accrual	0	2,611,112	$ 0	(2,611,112)	0	0	-	0	0	0
Amort. Debt discount, debt iss.	5,607,000	2,008,224	$ 1,703,352	1,184,502	710,922	951,000	951,000	0	0	0
Stock issued for services	263,000	37,994	$ 112,503	0	112,503	162,857	37,503	75,000	3,114	47,240
Stock-based compensation	369,000	215,429	$ (4,743)	81,092	77,222	200,332	30,925	72,311	26,800	70,296
Registration rights penalties	(811,000)	(811,000)	$ 0	0	0	3,500,000	3,500,000	0	0	0
Non-cash interest	509,000	490	$ 210,632	211,101	86,777	0				
Change in FV derivative & warrant liabilities	(2,569,000)	2,179,342	$ (4,748,342)	0	0	0				
Changes in assets and liabilities:										
Restricted cash-worker's comp	0	0	$ 0	0	0	(305,218)	(305,218)	0	0	0
Accounts recievable	(161,000)	66,181	$ 405,468	(614,128)	(18,521)	317,859	196,916	(115,937)	279,279	(42,399)
Unbilled accounts receivable	(3,286,000)	(2,778,577)	$ (1,529,167)	(411,746)	1,433,490	(6,192,631)	(6,192,631)	0	0	0
Prepaid expenses	43,000	242,988	$ (448,803)	64,338	184,477	(210,814)	(692,261)	574,418	114,917	(207,888)
Other current assets	15,000	(16,798)	$ (7,513)	131,965	(92,654)	(242,985)	(81,189)	(144,433)	(16,916)	(447)
Deposits and other assets	(3,000)	(29,523)	$ 292	0	26,231	5,874	17,374	20,435	(8,935)	(23,000)
Deposits- workers' comp	(4,364,000)	(549,425)	$ (1,554,946)	(1,367,935)	(891,694)	(1,233,435)	(1,233,435)	0	0	0
Accounts payable	1,815,000	883,110	$ 487,967	203,803	240,120	85,987	396,236	(509,702)	(413,391)	612,844
Payroll related liabilities	6,935,000	2,099,738	$ 2,835,094	3,988,547	(1,988,379)	7,088,187	4,101,687	2,045,691	1,034,001	(93,192)
Accrued workers' comp costs	5,129,000	2,307,420	$ 1,005,230	747,948	1,068,402	1,206,195	1,206,195	0	0	0
Other current liabilities	(106,000)	178,924	$ (166,496)	607,075	(725,503)	1,676,939	1,160,729	106,881	546,236	(136,907)
Net Cash Used In Operating Activities	(2,086,000)	(459,392)	(1,612,971)	1,575,433	(1,589,070)	(9,292,011)	(5,465,894)	366,687	(1,095,829)	(3,096,975)
CASH FLOWS FROM INVESTING ACTIVITIES:										
Purchase of fixed assets	(1,167,000)	(585,903)	$ (83,818)	(4,020)	(493,259)	(3,018,580)	(2,085,378)	(83,722)	(822,075)	(27,405)
Issuance of related party note receivable	(325,000)	(325,000)	$ 0	0	0	0	0	0	0	0
Net Cash Used In Investing Activities	(1,492,000)	(910,903)	(83,818)	(4,020)	(493,259)	(3,018,580)	(2,085,378)	(83,722)	(822,075)	(27,405)
CASH FLOWS FROM FINANCING ACTIVITIES:										
Proceeds from issuance of common stock	0	0	0	0	0	0	(50,000)	50,000	0	0
Issuance costs from common stock	0	0	0	0	0	0	0	0	0	0
Proceeds from issuance of common stock with warrants	0	0	0	0	0	0	0	0	0	0
Proceeds from exercise of warrants	660,000	0	0	0	660,000	75,000	75,000	(50,000)	0	50,000
Proceeds from issuance of convertible notes	3,750,000	0	3,750,000	0	0	9,000,000	9,000,000	0	0	0
Issuance costs from convertible notes	(485,198)	0	$ (485,198)	0	0	(765,077)	(765,077)	0	0	0
Repayment of convertible notes	(435,606)	0	$ (435,606)	0	0	0	-	0		
Proceeds from stock subscription receivable	0	0	0	0	0	0	0	0	0	0
Net Cash Provided By Financing Activities	3,489,196	0	2,829,196	0	660,000	8,309,923	8,259,923	0	0	50,000
Net Increase in Cash	(88,804)	(1,370,295)	1,132,407	1,571,413	(1,422,329)	(4,000,668)	708,651	282,965	(1,917,904)	(3,074,380)
Cash - Beginning of Period	1,650,000	2,931,274	2,045,121	473,708	1,896,037	5,896,705	1,187,386	904,421	2,822,325	5,896,705
Cash - End of Period	1,561,196	1,560,979	3,177,528	2,045,121	473,708	1,896,037	1,896,037	1,187,386	904,421	2,822,325
				0						
Cash Paid During the Period for:										
Income taxes	0	0	0	0	0	0	0	0	0	0
Interest	226,000	106	81,005	11,556	133,333	133,333	133,333	0	0	0
Operating cash flow	(8,103,000)	(2,863,430)	(2,640,097)	(1,774,434)	(825,039)	(11,487,969)	(4,040,297)	(1,610,666)	(2,631,020)	(3,205,986)
Free cash flow	(9,270,000)	(3,449,333)	(2,723,915)	(1,778,454)	(1,318,298)	(14,506,549)	(6,125,675)	(1,694,388)	(3,453,095)	(3,233,391)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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