

Zacks Small-Cap Research

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Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

Net Element Inc.

(NASDAQ: NETE)

Mullen S-4 is Filed; Merger Could Close By Q3

OUTLOOK

Using the electric vehicle peer valuation of 10x EV/sales, and owning 15-21.7% of the post merger company the company could be worth \$30.00 per share once the deal closes and twice that by 2023.

Net Element signed a definitive agreement to merge with Mullen Technologies, an electric vehicle assembler and manufacturer, and plans to divest its payment processing business before year-end.

At its current enterprise value of \$64 million, the stock is getting no premium for its pending merger and is even undervalued on its card processing business.

Current Price (05/18/21) \$11.03
Valuation **\$30.00**

SUMMARY DATA

52-Week High \$17.11
52-Week Low \$2.15
One-Year Return (%) 358
Beta 2.0
Average Daily Volume (sh) 152,811

Shares Outstanding (mil) 5.2
Market Capitalization (\$mil) \$57
Short Interest Ratio (days) 0.1
Institutional Ownership (%) 11
Insider Ownership (%) 13

Annual Cash Dividend \$0.00
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates
Sales (%) 5.6
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS N/M
P/E using 2021 Estimate N/M
P/E using 2022 Estimate N/M

Risk Level

Type of Stock
Industry

High
Small Growth
Internet Commerce

ZACKS ESTIMATES

Revenue

(in millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Year |
|------|--------|--------|--------|--------|---------|
| | (Mar) | (Jun) | (Sep) | (Dec) | (Dec) |
| 2019 | 15.0 A | 16.5 A | 16.8 A | 16.6 A | 65.0 A |
| 2020 | 15.8 A | 13.7 A | 16.7 A | 19.4 A | 65.7 A |
| 2021 | 23.8 A | 24.0 E | 24.0 E | 24.1 E | 95.8 E |
| 2022 | | | | | 110.0 E |

Earnings Per Share

(Non-GAAP EPS before non-recurring items)

| | Q1 | Q2 | Q3 | Q4 | Year |
|------|-----------|-----------|-----------|-----------|-----------|
| | (Mar) | (Jun) | (Sep) | (Dec) | (Dec) |
| 2019 | -\$0.28 A | \$0.11 A | -\$0.24 A | -\$0.35 A | -\$0.76 A |
| 2020 | -\$0.32 A | -\$0.08 A | -\$0.28 A | -\$0.07 A | -\$0.73 A |
| 2021 | -\$0.11 A | -\$0.03 E | -\$0.03 E | \$0.01 E | -\$0.16 E |
| 2022 | | | | | N/A |

Zacks Projected EPS Growth Rate - Next 5 Years % **5.0**

WHAT'S NEW

Mullen S-4 Merger Document is Released

Mullen and Net Element released their S-4 merger document and we expect the deal to close sometime in Q3 or later, pending shareholder approval at a meeting still to be scheduled. A capital raise is expected simultaneously. After the merger, all that should be left in the public company will be Mullen's EV business. The dealerships are not included. The payment processing business will be removed from the entity. After the merger the company plans to trade under the ticker MULN.

As of April 30, 2021, Mullen's cash and cash equivalents amounted to \$241,771 and its total debt amounted to \$33 million, of which approximately \$10.0 million will convert into shares of Series C Preferred Stock at the time of the merger. Mullen owed \$3.8 million to the IRS and other tax jurisdictions related to payroll taxes and sales and use taxes. Mullen has agreed to sell \$20 million of convertible notes (which will convert into Series C Preferred Stock immediately prior to the merger) and warrants to an unaffiliated investor immediately prior to the merger, the notes are convertible into Series C Preferred Stock at a per share conversion price of \$.06877 and the warrants exercisable at \$0.6877. In addition, Mullen expects to enter into an agreement with Esousa to provide a \$30.0 million equity line of credit to it immediately after. Net Element may also raise additional capital prior to the merger to provide liquidity.

On a pro forma basis, Mullen would have looked as follows with a loss for 2020 of \$28.3 million and liabilities of \$47 million.

| | Pro Forma Twelve Months Ended December 31, 2020 (in thousands) |
|--|--|
| Condensed Combined Statements of Operations Data: | |
| Net revenue | \$ - |
| Operating costs and expenses from continuing operations | 12,977 |
| Operating income (loss) from continuing operations | (12,977) |
| Other income (expense) from continuing operations | (15,311) |
| Net income (loss) from continuing operations | \$ (28,288) |
| Net income (loss) per share from continuing operations: | |
| Basic | \$ (0.85) |
| Diluted | \$ (0.85) |
| Weighted average shares: | |
| Basic | 33,316 |
| Diluted | 33,316 |
| Condensed Combined Balance Sheet Data: | |
| Current assets | \$ 96,907 |
| Total assets | 103,409 |
| Current liabilities | 40,894 |
| Total liabilities | 47,048 |
| Total shareholders' equity | 56,361 |
| Total liabilities and shareholders' equity | 103,409 |

Source: Net Element

VALUATION

Overview of Reverse Merger Transaction with Mullen Technologies

Net Element and Mullen have a definitive deal for a triangular reverse merger with Mullen Technologies, a private company based in California. The closing of the transaction is conditional on SEC, shareholder and NASDAQ approval, and the completion of a capital raise of \$10 million. The definitive merger document along with the Form S-4 and preliminary proxy statement has been issued and the scheduling of the shareholder's meetings will be done shortly after the SEC deems the S-4 effective.

Net Element shareholders are expected to own at minimum 15% of the surviving company. If Net Element provides additional capital to Mullen in the way of notes, Net Element shareholders are entitled to an additional equity.

At Net Element's current fully diluted enterprise value of \$64 million (using a \$11.15 stock price) and a 15% holding, this puts **the entire valuation of Mullen Technologies at \$427 million.**

Until then, we can look at the valuations of other EV companies and (taking out Nikola), they trade at an average of 7.1 times 2021 sales. If Mullen can produce and sell 5,000 MX-05 SUVs at \$55,000 per car that is revenue of \$275 million and 200 Dragonflies at \$150,000 add another \$30 million. This adds to a conservative \$305 million. 7.1 times that is an enterprise value of \$2.2 billion by 2023. Keep in mind the company should need at least another \$400 million to get there and we expect much of that could be loans.

So rather than \$64 million, Net Element's 15% could be worth \$325 million in 2023 or \$62.50 per share. Discounting 30% that for risk, dilution and time, we could easily see a current share price over \$30 per share once the deal closes.

Electric Vehicle Makers

| Company | Ticker | EBITDA | Revenue 2022E | Revenue 2021E | Revenue LTM | EBITDA Margin | EV/22E Sales | EV/21E Sales | EV/LTM Sales | EV/EBITDA | Included in Average? | Enterprise Value |
|--------------------|--------|--------|---------------|---------------|-------------|---------------|--------------|--------------|--------------|-----------|----------------------|------------------|
| Kandi Technologies | KNDI | (5) | NA | 137 | 77 | -7% | NA | 1.5 | 2.7 | -39.6 | y | 210 |
| Li Auto | LI | (48) | 5,210 | 2,930 | 1,449 | -3% | 2.4 | 4.3 | 8.6 | NA | y | 12,500 |
| NIO | NIO | (546) | 8,550 | 5,350 | 2,470 | -22% | 5.8 | 9.3 | 20.2 | NA | y | 49,830 |
| Nikola | NKLA | (451) | 233 | 21 | 0 | -1217568% | 16.8 | NM | NM | -8.7 | y | 3,930 |
| Tesla | TSLA | 4,550 | 65,780 | 49,250 | 35,940 | 13% | 8.6 | 11.5 | 15.7 | 124.0 | y | 564,000 |
| Workhorse Group | WKHS | (43) | 248 | 82 | 2 | -2328% | 3.2 | 9.5 | 427.1 | -18.3 | y | 782 |
| Xpeng | XPEV | (353) | 4,240 | 2,230 | 908 | NA | 3.6 | 6.8 | 16.7 | NA | y | 15,200 |
| Average | | | | | | | 6.7 | 7.1 | 81.8 | | | 126,748 |

In the S-4 there is a description of how the fairness opinion was calculated. The author used three methods, although we have no idea what the revenue and EBITDA assumptions were. The author conclusions were that Net Element stock could be worth:

- It was calculated that Net Element's enterprise value per share was \$46 using publically available revenue and EBITDA estimates compared with an average of recent SPAC transactions,
- Using established public auto companies comparables, it was determined the average EV/sales multiple was 3.5 times and the average EV/EBITDA was 15 times. Applying that to Mullen's expectations yielded a discounted \$45-\$117 and \$37-\$98 per share using the two methods respectively.

An average of all three methods gives a mid point of \$64.80 per share.

INVESTMENT THESIS

- Net Element is in the process of a reverse merger and has plans to sell off its payment processing business. If the deal goes according to plan, Net Element shareholders will own between 15% and 21.7% of the survivor company.
- Mullen Technologies is an electric car vendor that is raising money to buy an assembly plant in the US for cars that are already being produced and sold in China. Its first model is expected to be delivered in the US in 2021. This transaction should make the required capital raising process faster, less costly, and require less regulatory approval.
- Net Element's current valuation is based solely on its value as a payment processor leaving little down size for investors and much upside as business is returning to normal after pandemic lockdowns are lifted.
- A company presentation with up to date forecasts could propel the stock higher as some uncertainty is removed.

RISKS

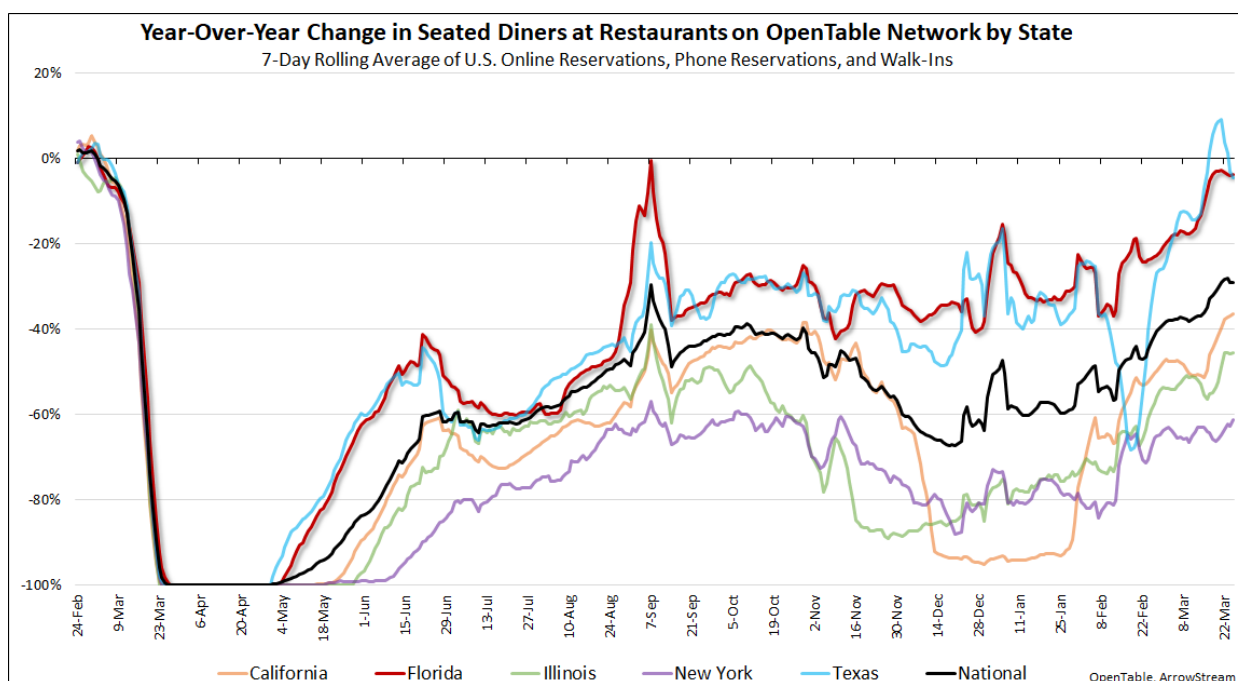
- The proposed transaction may not occur, as shareholders and NASDAQ have not yet approved the deal. It is also contingent on a \$10 million capital raise. Its completion has already been delayed.
- The survivor company may not be valued very highly by investors due to the high risk in the venture. It will have to raise a large amount of capital to achieve its goals.
- If the deal does not go through, the stock may fall to pre-deal levels and given the affect of the pandemic on Net Elements' business, the stock may even decline from those levels.
- US relations with China could impede the success of Mullen Technologies given its reliance on a China based company. Tariffs with China have changed and could change again.

PRE MERGER BUSINESS

Net Element Reports Another Record for Quarterly Revenues

Net Element reported its highest quarter revenue ever and again had positive EBITDA of \$392,000 coming off a Q4 with \$784,000 in EBITDA. It is benefiting from the economy opening up, as well as the booming Florida tourist industry as one of the only states to enjoy a fully functioning economy. Even more restaurant seating occurred in Q1 2021 than Q4 2020 according to Open Table, and we expect and even better Q2 at Net Element.

Graph 1. Year over Year Change in Seated Diners at Restaurants on OpenTable Network by State



Source: ArrowStream

Late fees of \$999,975 due from Mullen in the quarter allowed the company to report a GAAP profit of \$323,145. Q1 revenues came in at \$23.8 million up 17% from \$15.8 million a year ago and another record quarter. North American sales were up 51.0% year over year at \$22.9 million. Even international grew. It reached revenues of \$894,000 from \$683,000 a year ago, up 30.8%.

Gross margins declined for both segments. Margins for North America sunk to 12.1% versus 15.4% a year ago. International sales margins went down to 25.8% versus 30.3% a year ago. Total gross margin was 12.6% versus 16.0% a year ago. Gross margin dollars were \$3.0 million compared to \$2.5 million last year. Operating expenses were \$3.4 million versus \$3.6 million lowering the operating loss to \$355,000 versus a loss of \$1.0 million last year.

The GAAP net income to common stockholders was \$305,000 versus last year's loss of \$1.4 million. Excluding the payment due from Mullen, it was a non-GAAP loss of \$684,000 versus a loss of \$1.3 million in Q1 2020.

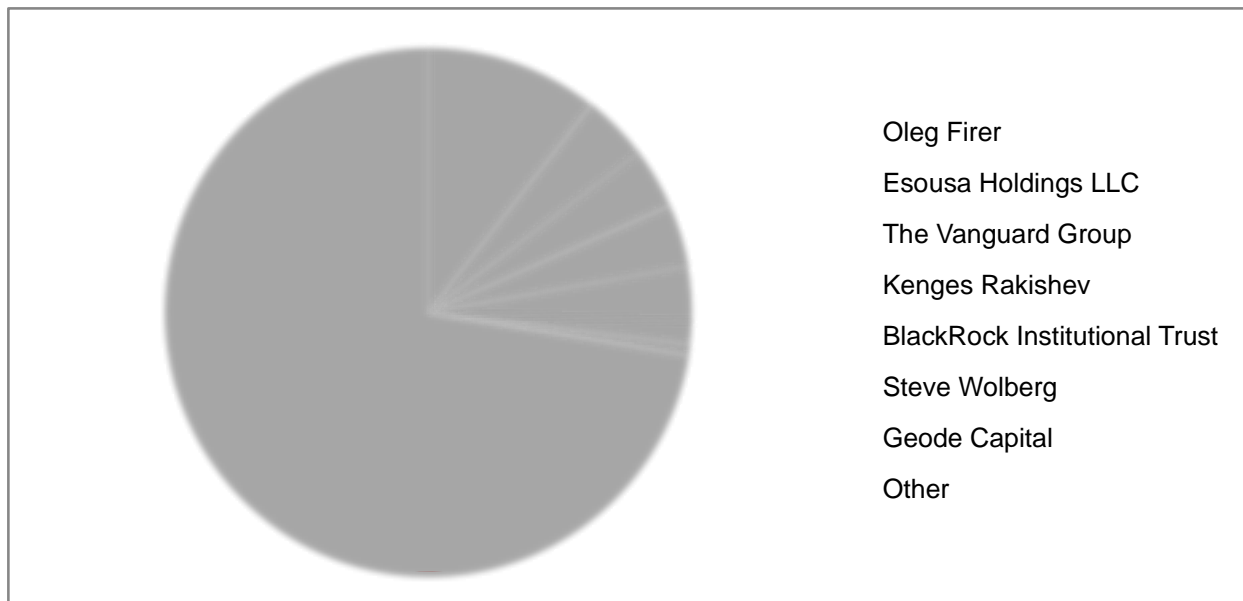
The GAAP EPS was \$0.05 versus a loss of \$0.33 while the non-GAAP loss per share was a loss per share of \$0.11 per share compared with a loss of \$0.32 per share last year. The fully diluted share count for the 2021 quarter was 5.97 million. On May 13, 2021, the primary share count was 5.2 million.

Balance Sheet

On March 31, Net Element had \$4.1 million in cash, a working capital deficit of \$1.5 million and \$9.9 million in debt.

On December 30, 2020, the company received its sixth tranche of RBL promissory notes in the aggregate gross amount of \$1,960,000. In January 2021, Net Element issued 200,000 shares of stock to ESUSA in connection with this exchange. In Q1 2021, Net Element had positive operating cash flow of \$557,177, and free cash flow of \$827,509.

OWNERSHIP



INCOME STATEMENT

| | Q1 2020 31-Mar | Q2 2020 30-Jun | Q3 2020 30-Sep | Q4 2020 31-Dec | Q1 2021 31-Mar | Q2 2021E 30-Jun | Q3 2021E 30-Sep | Q4 2021E 31-Dec | 2019 | 2020 | 2021E | 2022E |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|-----------------|-----------------|-----------------|---------------|
| North America Transaction | \$15.2 | \$13.0 | \$16.1 | \$18.3 | \$22.9 | \$23.0 | \$23.0 | \$23.0 | \$61.8 | \$62.56 | \$91.89 | \$102.92 |
| Yr-over-yr Growth | 5.5% | -17.5% | 0.9% | 16.5% | 51.0% | 77.2% | 43.1% | 25.4% | 4.5% | 1.3% | 46.9% | 12.0% |
| Cost of service | 12.8 | 11.0 | 14.1 | 15.7 | 20.1 | 20.1 | 20.0 | 19.9 | 52.4 | 53.6 | 80.2 | 88.0 |
| Gross margin | 2.3 | 2.0 | 2.0 | 2.7 | 2.8 | 2.9 | 3.0 | 3.1 | 9.4 | 9.0 | 11.7 | 14.9 |
| Gross margin % | 15.4% | 15.1% | 12.4% | 14.6% | 12.1% | 12.5% | 13.0% | 13.5% | 15.2% | 14.3% | 12.8% | 14.5% |
| International | 0.7 | 0.7 | 0.7 | 1.1 | 0.9 | 1.0 | 1.0 | 1.1 | 3.2 | 3.1 | 3.9 | 4.2 |
| Yr-over-yr Growth | 0.0% | -1.1% | -26.1% | 19.0% | 30.8% | 34.9% | 51.1% | -1.1% | -51.5% | -2.3% | 25.3% | 6.5% |
| International Cost of Service | 0.5 | 0.5 | 0.5 | 0.8 | 0.7 | 0.8 | 0.8 | 0.8 | 2.3 | 2.3 | 3.0 | 3.0 |
| Gross Margin | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 | 0.9 | 0.9 | 1.0 | 1.2 |
| Gross margin % | 30.3% | 29.7% | 28.0% | 25.2% | 25.8% | 25.0% | 25.0% | 25.0% | 27.8% | 28.0% | 25.2% | 28.0% |
| Total revenues | 15.8 | 13.7 | 16.7 | 19.4 | 23.8 | 24.0 | 24.0 | 24.1 | 65.0 | 65.7 | 95.8 | 107.1 |
| Yr-to-yr Growth | 5.3% | -16.8% | -0.5% | 16.6% | 50.1% | 74.9% | 43.4% | 23.9% | -1.2% | 1.1% | 45.9% | 11.8% |
| Costs and expenses: | | | | | | | | | | | | |
| Cost of revenues | 13.3 | 11.5 | 14.6 | 16.5 | 20.8 | 20.9 | 20.8 | 20.7 | 54.7 | 55.9 | 83.1 | 91.0 |
| Gross Margin | 2.5 | 2.2 | 2.2 | 2.9 | 3.0 | 3.1 | 3.2 | 3.4 | 10.3 | 9.8 | 12.7 | 16.1 |
| % of Sales | 16.0% | 15.9% | 13.0% | 15.2% | 12.6% | 13.0% | 13.5% | 14.0% | 15.8% | 15.0% | 13.3% | 15.0% |
| SG&A | 2.3 | 1.4 | 1.6 | 1.7 | 1.9 | 1.8 | 1.9 | 1.9 | 9.3 | 7.0 | 7.5 | 8.0 |
| Stock-based compensation | 0.0 | 0.0 | 1.1 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 2.1 | 2.7 | 0.0 | 2.0 |
| Provision for loan losses | 0.4 | 0.0 | 0.6 | 0.5 | 0.7 | 0.4 | 0.3 | 0.3 | 1.4 | 1.6 | 1.7 | 1.5 |
| Depreciation and amortization | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 3.1 | 3.0 | 2.9 | 2.9 |
| Total operating expenses | 3.6 | 2.2 | 4.1 | 4.5 | 3.4 | 2.9 | 2.9 | 2.9 | 15.9 | 14.3 | 12.2 | 14.4 |
| Loss from operations | (1.0) | (0.0) | (1.9) | (1.5) | (0.4) | 0.2 | 0.3 | 0.4 | (5.6) | (4.5) | 0.5 | 1.7 |
| Loss from operations ex-one time | (1.0) | (0.0) | (1.9) | (1.5) | (0.4) | 0.2 | 0.3 | 0.4 | (5.6) | (4.5) | 0.5 | 1.7 |
| Interest expense, net | (0.3) | (0.3) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (1.1) | (1.4) | (1.4) | (1.3) |
| Other expense | 0.0 | 0.0 | (0.1) | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 1.5 | (0.1) | 0.0 | 0.0 |
| Gain on asset disposal | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| One-time charges | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | (1.3) | 0.0 | 1.0 | 0.0 |
| Total non-operating expenses | (0.3) | (0.3) | (0.4) | (0.4) | 0.6 | (0.4) | (0.4) | (0.4) | (1.0) | (1.5) | (0.4) | (1.3) |
| Pretax operating income (loss) | (1.4) | (0.3) | (2.3) | (1.9) | 0.3 | (0.2) | (0.1) | 0.1 | (6.6) | (6.0) | (0.9) | 0.4 |
| 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 | (1.4) | (0.3) | (2.3) | (1.9) | 0.3 | (0.2) | (0.1) | 0.1 | (6.6) | (6.0) | (0.9) | 0.4 |
| Minority interest | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 |
| Net loss to common stock | (1.4) | (0.3) | (2.3) | (1.9) | 0.3 | (0.2) | (0.1) | 0.1 | (6.5) | (5.9) | (0.9) | 0.4 |
| Foreign currency translation gain (loss) | 0.1 | (0.1) | (0.0) | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 |
| Comprehensive loss | (1.2) | (0.4) | (2.3) | (1.9) | 0.3 | (0.2) | (0.1) | 0.1 | (6.5) | (5.9) | (0.9) | 0.4 |
| Earnings ex-one time charge | (1.4) | (0.3) | (2.3) | (1.9) | (0.7) | (0.2) | (0.1) | 0.1 | (5.1) | (5.9) | (0.9) | 0.4 |
| Stock-based compensation | 0.0 | 0.0 | 1.1 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 2.1 | 2.7 | 0.0 | 2.0 |
| Adjusted Non-GAAP Earnings | (1.3) | (0.3) | (1.2) | (0.3) | (0.7) | (0.2) | (0.0) | 0.088 | (3.1) | (3.2) | (0.8) | 2.4 |
| Yr-to-yr Growth | 20.1% | -167.7% | 24.6% | -77.7% | -48.5% | -51.7% | -96.9% | -127.4% | -26% | 4.1% | -73.7% | -379.5% |
| GAAP EPS | (\$0.33) | (\$0.08) | (\$0.52) | (\$0.39) | \$0.05 | (\$0.03) | (\$0.01) | \$0.01 | (\$1.60) | (\$1.34) | (\$0.16) | \$0.07 |
| Non-GAAP EPS | (\$0.32) | (\$0.08) | (\$0.28) | (\$0.07) | (\$0.11) | (\$0.03) | (\$0.01) | \$0.02 | (\$0.76) | (\$0.73) | (\$0.16) | \$0.45 |
| Yr-to-yr Growth | 13.5% | -168.1% | 15.0% | -81.3% | -64.3% | -61.2% | -97.3% | -125.8% | -29.1% | -4.8% | -79.5% | -389.9% |
| Share outstanding | 4.1 | 4.2 | 4.5 | 4.9 | 6.0 | 5.2 | 5.2 | 5.2 | 4.0 | 4.4 | 5.4 | 5.2 |
| Yr-to-yr Growth | 5.8% | -0.6% | 8.3% | 19.2% | 44.4% | 24.5% | 15.6% | 6.1% | 4.5% | 9.4% | 22.0% | -3.6% |
| All in shares | 4.3 | 5.1 | 5.4 | 5.5 | 6.6 | 5.8 | 5.8 | 5.8 | 4.0 | 5.1 | 6.0 | 5.8 |
| Yr-to-yr Growth | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -16.7% | 0.0% | 0.0% | 17.5% |
| Adjusted EBITDA | (0.221) | 0.763 | (0.066) | 0.784 | 0.392 | 0.925 | 1.040 | 1.168 | (0.414) | 1.261 | 3.525 | 6.599 |

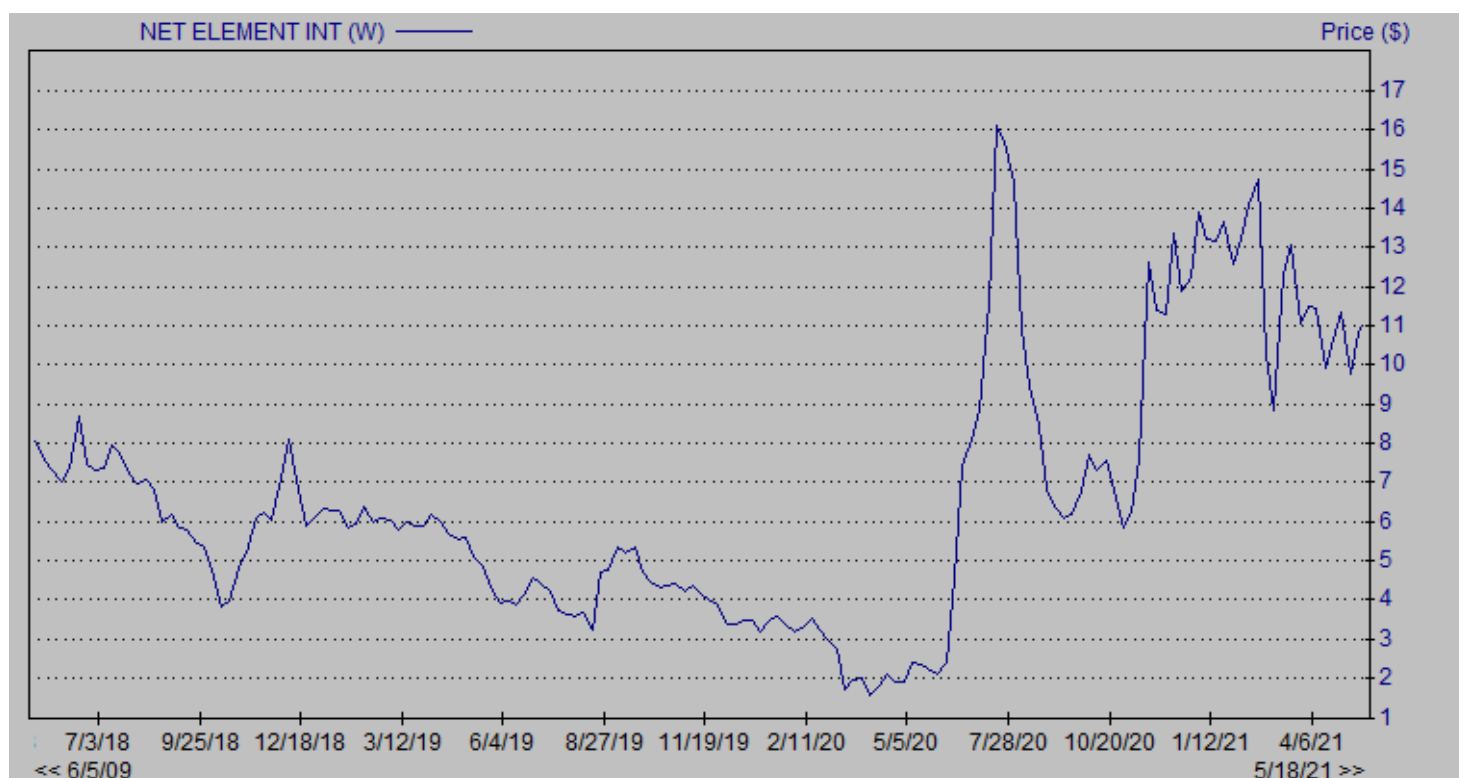
BALANCE SHEET

| | Mar 31, 2021 | Dec 31, 2020 | Qtr-Qtr % Change | Mar 31, 2020 | Yr- Yr % Change |
|---|--------------------|--------------------|---------------------|------------------|--------------------|
| Current assets: | | | | | |
| Cash | \$4,102,887 | \$4,541,013 | -10% | \$606,672 | 576% |
| Accounts receivable, net | 8,918,185 | 7,109,173 | 25% | 4,021,585 | 122% |
| Due from Mullen Technologies | 1,479,975 | 480,000 | 208% | 0 | NA |
| Prepaid expenses and other assets | 1,245,783 | 1,837,972 | -32% | 1,300,316 | -4% |
| Total current assets | 15,746,830 | 13,968,158 | 13% | 5,928,573 | 166% |
| Intangible assets, net | 3,078,168 | 1,595,326 | 93% | 5,348,652 | -42% |
| Goodwill | 7,681,186 | 7,681,186 | 0% | 7,681,186 | 0% |
| Operating lease right-of-use asset | 767,047 | 801,062 | -4% | 349,036 | 120% |
| Other long term | 1,017,401 | 780,998 | 30% | 654,897 | 55% |
| Total assets | 28,290,632 | 24,826,730 | 14% | 19,962,344 | 42% |
| Current liabilities: | | | | | |
| Accounts payable | \$8,850,045 | \$7,171,376 | 23% | \$4,509,311 | 96% |
| Deferred revenue | 1,126,500 | 1,607,329 | -30% | 2,001,091 | -44% |
| Accrued expenses | 2,836,955 | 4,604,097 | -38% | 930,912 | 205% |
| Notes payable (current portion) | 1,093,288 | 1,330,018 | -18% | 909,086 | 20% |
| Operating lease liability (current portion) | 107,355 | 140,973 | -24% | 101,777 | 5% |
| Due to related parties | 214,778 | 216,657 | -1% | 75,355 | 185% |
| Total current liabilities | 14,228,921 | 15,070,450 | -6% | 8,527,532 | 67% |
| Operating lease liability (net of current) | 660,622 | 660,621 | 0% | 247,259 | 167% |
| Notes payable (non-current portion) | 8,598,754 | 8,613,587 | 0% | 8,352,627 | 3% |
| Total liabilities | 23,488,297 | 24,344,658 | -4% | 17,127,418 | 37% |
| STOCKHOLDERS' DEFICIT | | | | | |
| Common stock | 519 | 499 | 4% | 412 | 26% |
| Paid in capital | 191,711,341 | 189,700,103 | 1% | 185,337,965 | 3% |
| Accumulated other comp income (loss) | (2,240,828) | (2,259,410) | -1% | (2,143,374) | 5% |
| Accumulated deficit | (184,387,504) | (184,692,067) | 0% | (180,116,849) | 2% |
| Noncontrolling interest | (281,193) | (267,053) | 5% | (243,227) | 16% |
| Total stockholders' deficit | 4,802,335 | 2,482,072 | 93% | 2,834,927 | 69% |
| Total liabilities and stockholders' deficit | 28,290,632 | 26,826,730 | 5% | 19,962,345 | 42% |
| Net Cash | 4,102,887 | 4,541,013 | -10% | 606,672 | 576% |
| Current and Quick Ratio | 1.1 | 0.9 | 19% | 0.7 | 59% |
| Working Capital | 1,517,909 | (1,102,292) | -238% | (2,598,959) | -158% |
| Total Debt | 9,906,820 | 10,160,262 | -2% | 9,337,068 | 6% |
| Debt/TA | 35% | 41% | -14% | 47% | -25% |
| DSO | 34.2 | 33.4 | 2% | 23.2 | 48% |

CASH FLOWS

| | YR 2019 | Mar. 31, 2020 | June 30, 2020 | Sept 30, 2020 | Dec. 31, 2020 | YR 2020 | Mar. 31, 2021 |
|--|----------------|----------------|---------------|----------------|----------------|----------------|---------------|
| | | 3 month | 3 month | 3 month | 3 month | | 3 month |
| Cash flows from operating activities | | | | | | | |
| Net loss | \$ (6,458,382) | \$ (1,366,216) | \$ (325,272) | \$ (2,329,569) | \$ (1,920,377) | \$ (5,941,434) | \$ 304,562 |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | | | | | |
| Non controlling interest | (106,261) | (11,228) | (13,725) | (12,916) | 2,815 | (35,054) | (14,140) |
| Share based compensation | 2,050,862 | 38,400 | 7,499 | 1,089,114 | 1,583,139 | 2,718,152 | 11,258 |
| Deferred revenues | (94,732) | (470,205) | 360,791 | (437,267) | 752,893 | 206,212 | (480,829) |
| Impairment for goodwill | 1,326,566 | - | - | - | - | - | - |
| Depreciation and amortization | 3,120,243 | 779,443 | 772,401 | 749,474 | 734,481 | 3,035,799 | 735,678 |
| Non cash interest | 56,875 | 12,294 | 34,258 | 36,818 | 302,634 | 386,004 | |
| (Recovery of) provision for loan losses | (9,226) | 485 | (9,153) | 11,515 | 121 | 2,968 | 648 |
| Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates | | | | | | | |
| Account receivable | (263,758) | 2,520,395 | (1,819,889) | 655,057 | (1,937,120) | (581,557) | (2,075,791) |
| Due from Mullen | - | - | - | - | (480,000) | (480,000) | (999,975) |
| Prepaid expenses and other assets | (132,218) | 364,019 | (651,405) | (94,897) | 580,731 | 198,448 | (162,100) |
| Accounts payable and accrued expenses | (1,642,618) | (1,419,019) | 880,841 | 380,680 | 3,058,618 | 3,512,074 | 425,421 |
| Net cash (used in) provided by operating | (2,152,649) | 448,368 | (763,654) | 48,009 | 3,288,889 | 3,021,612 | (2,255,268) |
| Cash flows from investing activities | | | | | | | |
| Purchase of portfolio and client acquisition | (2,313,662) | (427,031) | 67,681 | (79,721) | (164,462) | (603,533) | (148,192) |
| Sale of portfolio | - | - | - | - | 162,000 | 162,000 | - |
| Purchase of fixed and other assets | (138,000) | 6,049 | (41,715) | (543,379) | (797,765) | (1,376,810) | 418,612 |
| Net cash used in investing activities | (2,451,662) | (420,982) | 25,966 | (623,100) | (800,227) | (1,818,343) | 270,420 |
| Cash flows from financing activities | | | | | | | |
| Proceeds from SBA loans | - | - | 651,392 | - | - | 651,392 | - |
| Proceeds from indebtedness | 3,034,500 | 155,206 | 19,108 | 1,510,656 | 2,981,220 | 4,666,190 | 2,000,000 |
| Repayment of indebtedness | (162,447) | (145,040) | 145,040 | - | (2,971,054) | (2,971,054) | (251,547) |
| Lease liability | 380,986 | (31,950) | (32,918) | 518,104 | - | 420,608 | (33,618) |
| Related party advances (payments) | 202,471 | 133,743 | 25,689 | 70,277 | 25,867 | 255,576 | (52,590) |
| Net cash provided by (used in) financing | 3,455,510 | 111,959 | 808,311 | 2,099,037 | 3,405 | 3,022,712 | 1,662,245 |
| Effect of exchange rate changes on cash | 15,505 | 5,969 | 8,620 | 10,463 | (45,277) | (20,225) | (20,120) |
| Net increase in cash | (1,133,296) | 145,314 | 79,243 | 1,534,409 | 2,446,790 | 4,205,756 | (342,723) |
| Cash at beginning of period | 2,249,551 | 1,116,255 | 1,261,569 | 1,340,812 | 2,875,221 | 1,116,255 | 5,322,011 |
| Cash at end of period | 1,116,255 | 1,261,569 | 1,340,812 | 2,875,221 | 5,322,011 | 5,322,011 | 4,979,288 |
| Cash paid during the period for: | | | | | | | |
| Interest | 730,993 | 336,120 | - | 630,446 | 94,070 | 1,060,636 | 1,446,640 |
| Taxes | 120,544 | - | - | 92,259 | 174,300 | 266,559 | 266,559 |
| Operating cash flow | (114,055) | (1,017,027) | 826,799 | (892,831) | 1,455,706 | 372,647 | 557,177 |
| Free cash flow | (2,565,717) | (1,438,009) | 852,765 | (1,515,931) | 655,479 | (1,445,696) | 827,597 |

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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