

# Zacks Small-Cap Research

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## Recruiter.Com

(RCRT-NASDAQ)

### RCRT: A Pure Play In Hiring and “The Great Resignation”

Based on a blended enterprise value to sales multiple of its peers of 5.8 times, we believe the stock is worth \$8.40 per share.

Current Price (11/22/21) **\$3.37**  
Valuation **\$8.40**

### OUTLOOK

Recruiter.com, headquartered in NYC, is a pure play in hiring. It provides a platform for companies to hire recruiters on a temporary gig or project basis (Recruiters on Demand) as well as providing a traditional staffing business. As more of its revenues move to its faster growing, higher margin, scalable platform and SaaS businesses we expect margins to expand and growth to accelerate. We expect the company to reach cash flow breakeven in 2022. While its staffing business is still growing, it is focusing efforts on expanding its AI enhanced platform to more verticals and geographies in the US.

### SUMMARY DATA

52-Week High **\$11.48**  
52-Week Low **\$2.53**  
One-Year Return (%) **-10.1**  
Beta **-1.1**  
Average Daily Volume (sh) **133,157**

Shares Outstanding (mil) **14.4**  
Market Capitalization (\$mil) **\$49**  
Short Interest Ratio (days) **0.2**  
Institutional Ownership (%) **14**  
Insider Ownership (%) **19**

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

5-Yr. Historical Growth Rates  
Sales (%) **172**  
Earnings Per Share (%) **N/A**  
Dividend (%) **N/A**

P/E using TTM EPS **N/A**  
P/E using 2021 Estimate **N/A**  
P/E using 2022 Estimate **N/A**

Risk Level **High**  
Type of Stock **Small Blend**  
Industry **Staffing**

### ZACKS ESTIMATES

#### Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	0.2 A	2.0 A	1.9 A	1.9 A	6.0 A
2020	2.3 A	1.9 A	2.0 A	2.3 A	8.5 A
2021	3.2 A	4.4 A	6.3 A	7.2 E	21.0 E
2022					40.0 E

#### GAAP EPS

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	NA	-\$3.18 A	-\$1.40 A	-\$8.13 A	-\$15.90
2020	-\$1.48 A	-\$4.11 A	\$0.16 A	-\$3.21 A	-\$8.74 A
2021	-\$2.40 A	\$0.60 A	-\$0.56 A	-\$0.55 E	-\$2.45 E
2022					-\$1.12 E

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## KEY POINTS

- Recruiter.com is a pure play in hiring and investing in *The Great Resignation*. In contrast to the expected post pandemic *Great Rehire*, *The Great Resignation* is being caused by a combination of factors: employees who were already planning to quit delayed their resignations due to the pandemic and as the job market recovers, they have started resigning en masse; incrementally other people, experiencing a different work environment decided to make changes, and finally, employer forced vaccinations have caused another set of people to change employers. The phenomenon is so extreme that Monster has reported that in a poll taken in July, 95% of all employees are considering changing jobs.
- The labor shortage has created in an unprecedented level of demand for workers. Recruiter.com benefits as companies move to hire more workers, thus more recruiters and better tools to fill openings. Much of what Recruiter.com does is match employers with suitable recruiting help on a gig basis. As a second derivative of hiring, the demand for recruiters have grown even faster than the demand for talent, and prices are increasing benefiting Recruiter.com.
- Recruiter.com's automated platform using AI provides a scalable model providing increasing margins through operating leverage.
- Recruiter.com closed the acquisition of Novo Group on August 27<sup>th</sup>, which we believe could add \$500,000 or more a month to sales.
- As a traditional staffing company, moving an increasing percentage of sales to its matching platform and software tools, Recruiter.com should enjoy increasing operating profits, cash flow, and valuation. Rather than trading as a staffing company the business should be valued more like a SaaS platform company as it garners more of its sales from those business lines.
- At an enterprise value of \$48 million, Recruiter.com is trading at an EV/2021 Sales of 2.3 times compared to the blended multiple of 5.8 times of its peers. We believe growth, expanding margins, analyst coverage and its new listing on NASDAQ could increase the stock's appeal and cause appreciation.

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## OVERVIEW

Recruiter.com Group, Inc. headquartered in NYC, was founded in 2015, and has approximately 80 full time employees, over 150 recruiter-on-demand 1099 contractors, and about 250 temporary staff working at client locations. Management is located in the NYC area as are all but six of the employees. It operates an on-demand recruiting platform matching companies with over 30,000 small and independent recruiters looking for temporary placements. Using the platform companies can hire employees faster and at lower cost than traditional methods. The platform also provides resources for hirers and recruiters to find candidates to fill jobs using AI job-matching technology and video screening software. The company generates revenue by taking a markup on the monies paid for staffing and on-demand recruiters, as well as by selling a SaaS search tool to companies doing hiring in-house.

**Table 1. Revenue Breakdown by Product Line**  
(dollars in hundreds)

	March 31, 2020	Jun. 30, 2020	Sept. 30, 2020	Dec. 31, 2020	March 31, 2021	Jun. 30, 2021	Sept. 30, 2021
Recruiters on Demand	184,975	46,856	234,590	499,683	957,479	1,796,948	3,437,700
Consulting and staffing services	1,913,394	1,576,662	1,521,826	1,672,171	2,072,446	2,157,658	1,665,200
Permanent placement fees	137,627	153,140	131,744	95,193	39,966	188,196	403,100
Software subscriptions	-	-	-	-	-	175,790	465,100
Marketplace solutions	77,127	76,756	104,007	(113,084)	94,654	62,302	286,800
Total	2,313,123	1,853,414	1,992,167	2,153,963	3,164,545	4,380,894	6,257,900

Its various businesses, in order of contribution to 2021 revenue to date are:

- **Recruiters on Demand (45% of sales):** Is a matching platform that takes companies' hiring requirements and matches them with professional recruiters who work on a temporary basis in the model of a job shop. Recruiters charge based on time spent, at an agreed-upon rate, and are paid as gig workers. Recruiter.com gets an approximate mark up of 20-80%. When companies need to hire multiple people or have a hiring burst, they find this model far less expensive than hiring more in-house staff, or paying typical full-time placement fees. This business also includes the newly acquired Talent Effectiveness business from Novo Group, a monthly subscription executive coaching service. It generates gross margins of between 20-60%.

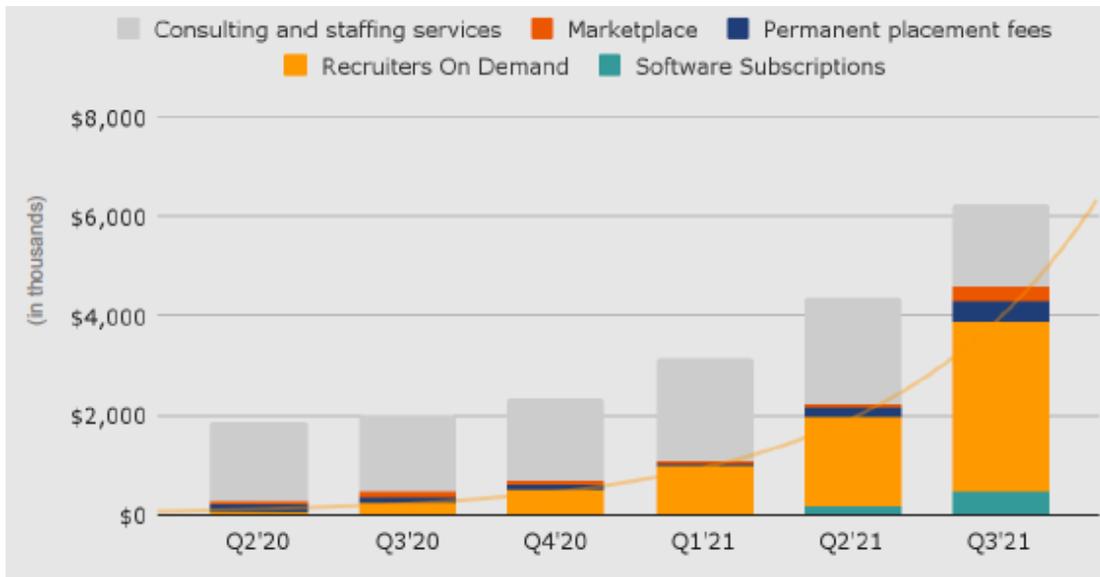
- **Consulting and Staffing (43% of sales):** Is a traditional staffing business that fills long and short-term employee needs. For these assignments, Recruiter.com is the employee of record (or it may contract that out to a third party), and generates revenue from the placement, as well as a portion of the salary paid. This business generates gross margins of between 9-25% and although it is still growing year over year, it is not the company's focus.

- **Software Subscription (5% of sales):** Companies seeking new hires can access Recruiter.com's newly introduced software as a service product which uses AI to search a database of 150 million workers scraped from various sources to find relevant candidates and email them to apply to positions. Recruiter.com charges a fee per search with a limit on number of emails sent. Prices paid per customer range from \$1000 per month to \$40,000 per month for large enterprise customers. This is a high margin business generating in excess of 90% gross margins.

- **Full-time Placement (5% of sales):** For each employee Recruiter.com places for a full time job, it generates a negotiated one-time fee that is typically 10-30% percent of the candidates first year base salary and is typically paid after 90 days of employment. Employers alert Recruiter.com of their hiring needs and candidates are sourced through independent recruiter users that access the platform and other tools. It supports and supplements the independent recruiters' efforts with dedicated internal employees.

- **Marketplace Solutions (3% of sales):** Recruiter.com also generates revenue by allowing numerous self-service businesses accessed through its platform. Companies can place online ads, or open job postings or sponsor content on our platform. It also offers career solutions, which provides services to job seekers including: resume distribution, upskilling, and training.

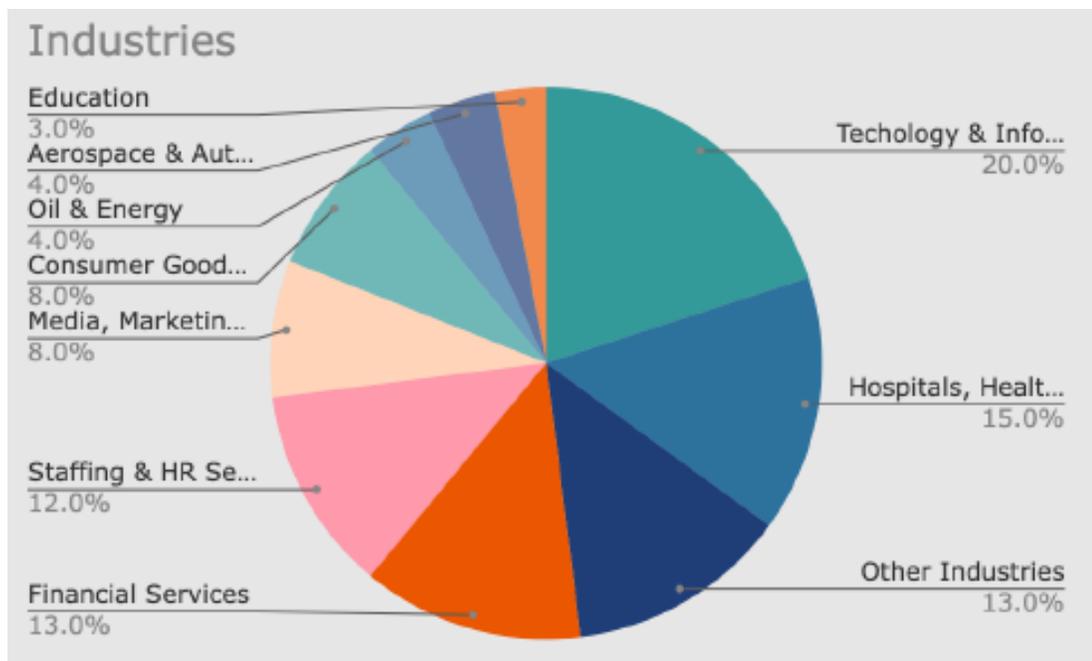
### Chart 1: Breakdown of Quarterly Revenues By Segment



Source: Recruiter.com

On September 9, 2021 Recruiter.com launched Amplify, an AI powered solution for proactive candidate outreach. Due to the tight labor market, Recruiter.com believes businesses must be more proactive and seek out candidates not actively looking for a job. Amplify actively campaigns job posts to a massive audience of potential talent profiles to get the candidates interested and engaged. Amplify uses technology from two of Recruiter.com’s recent acquisitions: AI software from Upsider and job posting technology of Uncubed. Amplify is initially being marketed to employers looking to hire media and creative talent using its newly acquired Mediabistro job board that focuses on that vertical. It will then be rolled out to other verticals. Recruiter.com currently has a well-diversified client base involved in a variety of verticals. As seen in the pie chart the largest sector is technology at 20% of total clients.

### Chart 2. Pie Chart of Customers by Industry



Source: Recruiter.com

## The Acquisition of Novo Group

In order to add to its Recruiter on Demand segment, on August 27, 2021 Recruiter.com Group completed the acquisition of the [Novo Group, Inc.](#) for \$6.9 million. Novo Group is a talent acquisition practice based in Brookfield, Wisconsin recruiting primarily for life sciences, manufacturing, and consumer goods companies. This acquisition further diversifies Recruiter.com's client base both geographically and by industry.

The purchase price of \$6,904,545 consisted of: \$1,337,500 in cash; a \$3 million promissory note with an interest rate of 6%, that matures on February 1, 2024; working capital adjustments of \$217,045, and 508,711 restricted shares of common stock. There is also an earn-out tied to revenue over eight calendar quarters beginning on January 1, 2022 and ending on December 31, 2023 equal to 5% of target revenue. According to pro forma statements, Novo would have added \$4.1 million in revenues and \$759,000 in losses to Recruiter in the nine months ending September 30<sup>th</sup>. Going forward, management believes the acquisition is non-dilutive.

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## FINANCIALS

### First Nine Months of 2021

Revenues for the first nine months of 2021 grew 124% to \$13.8 million from \$6.2 million in 2020. This was mostly due to organic growth as well as the launch of software subscription. Revenues from the acquisitions of OneWire on May 11<sup>th</sup>, Uncubed on July 7<sup>th</sup>, and Novo on August 27<sup>th</sup> were all incremental. One customer accounted for 14% of these revenues. Gross margin dollars grew 188%, and the gross margin improved to 33.7% from 26.2% a year ago as software and platform revenues became a bigger part of total revenues.

Operating expenses grew 92.4% to \$13.1 million, taking out the one-time impairment expense of \$2.5 million resulting in operating margin improvement of 23% as losses went from 84% of sales to 61%. The biggest increase in spending was in G&A, which increased \$4.5 million and contained approximately \$100,000 in one time expenses from fees associated with uplisting to NASDAQ and the acquisitions of OneWire, Uncubed, and Novo and \$1.2 million more in stock-based compensation.

Other income was \$530,000 versus an expense of \$3.8 million a year ago. Interest expense was \$3.2 million versus \$1.1 million of which only \$176,000 was paid for in cash in 2021. The remaining items were all one-time non-cash adjustment other than \$3,000 in grant money.

The company paid no taxes and the net loss was \$10.4 million versus \$9.0 million. Adjusted EBITDA for the nine months was a negative \$3.1 million compared to a negative \$2.0 million a year ago. The share count averaged 6.6 million for the nine months, up 40.5% from a year ago.

### Balance Sheet

The company ended the September quarter with \$5.3 million in cash, a current ratio of 1.4x, working capital of \$3.2 million and debt of \$4.9 million. Its cash flow (not including changes in working capital) for the nine months was a negative \$6.3 compared to a negative \$2.1 million in the nine months ending September 30, 2020. The cash balance on November 9, 2021 was \$3,661,179, which the company expects to last the next 12 months. The shares outstanding as of November 1, 2021 were 14,394,329.

## During the Third Quarter

In July Recruiter.com did a large capital raise while uplisting to NASDAQ and cleaning up its balance sheet eliminating debt and convertible instruments. The specifics are as follows:

### Shares Issued For Cash

On July 2, 2021 Recruiter.com sold 2.4 million shares of common stock at \$4.99 per share and 2.4 million common stock warrants at a price of \$0.01 per share in an underwritten public offering of 2.4 million units. The warrants have an exercise price of \$5.50. It also issued 360,000 warrants at a price of \$0.01 per share upon exercise of the underwriter's over-allotment option. On July 8, 2021 it issued another 360,000 shares for the underwriter's over-allotment option. Recruiter.com received total **gross proceeds of \$13,800,00** from these transactions.

### Issuance of Warrants

On July 2, 2021 the Company issued a pre-funded warrant to purchase 587,945 shares of common stock to one previous Series D holder. The warrants have an exercise price of \$.01.

On July 2, 2021 the Company issued 240,000 Representative warrants with an exercise price of \$6.25 in conjunction with the underwritten public offering.

### Shares issued upon conversion of preferred stock

In July the Company issued:

- 1,293,430 shares of common stock upon the conversion of 376,275 shares of its Series D preferred.
- 3,229,225 shares of common stock upon the conversion of 645,845 shares of its Series E preferred.
- 234,237 shares of common stock upon the conversion of 46,847 shares of its Series F preferred.

### Warrants exercised

On July 2, 2021 the company issued 522,108 shares of common stock upon the conversion of 522,108 Series D warrants.

### Shares issued upon conversion of convertible notes

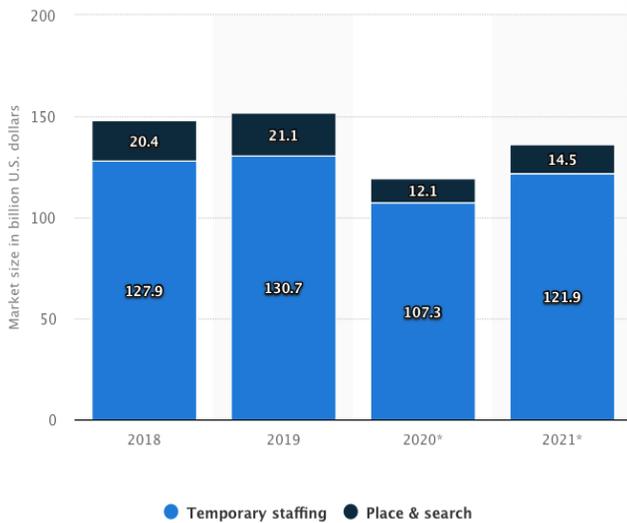
On July 2, 2021 the company issued 1,489,437 shares of common stock upon the conversion of \$5,588,359 of the convertible debentures outstanding,

## Business Acquisitions

On July 7, 2021, Recruiter.com bought the assets related to Finalist, an online marketplace for sourcing and screening early-professional software and data candidates and assets related to Uncubed's job board technology and candidate engagement platform which includes Mediabistro, a job board and professional community for media, content, and creative professionals. It paid \$3.5 million, consisting of: \$500,000 in cash, a \$1,750,000 promissory note with an interest rate of 6% and a maturity date of July 1, 2023, and 257,545 shares of stock. The agreement includes an earnout provision of up to an additional \$1,350,000 in stock. In the first six months of 2021, these assets generated \$555,600 in revenues and lost \$800,000.

On August 27th Recruiter.com closed the \$6.9 million acquisition of Novo Group.

## MARKET DATA



Source: Statistica

market should grow at a CAGR of 6.76% in 2020-2025, from a base of \$580M in 2019 according to its AI in Recruitment Market report.

The labor shortage due to the pandemic, government policies, and political tensions among nations has caused global disruption of supply chains, and certainly near term, there has been no sign of abating. According to data compiled by WaveTrackR, the number of unfilled job openings is increasing while at the same time the number of candidates is decreasing causing employers to pay more to hire than ever before. The industry is ripe for disruption as all are willing to try new methods to hire including more outreach to people not actively looking for jobs. As shown below the number of jobs posted increased in August 327% while applications were only up 87%, with the jobs growth accelerating while applications decelerate.

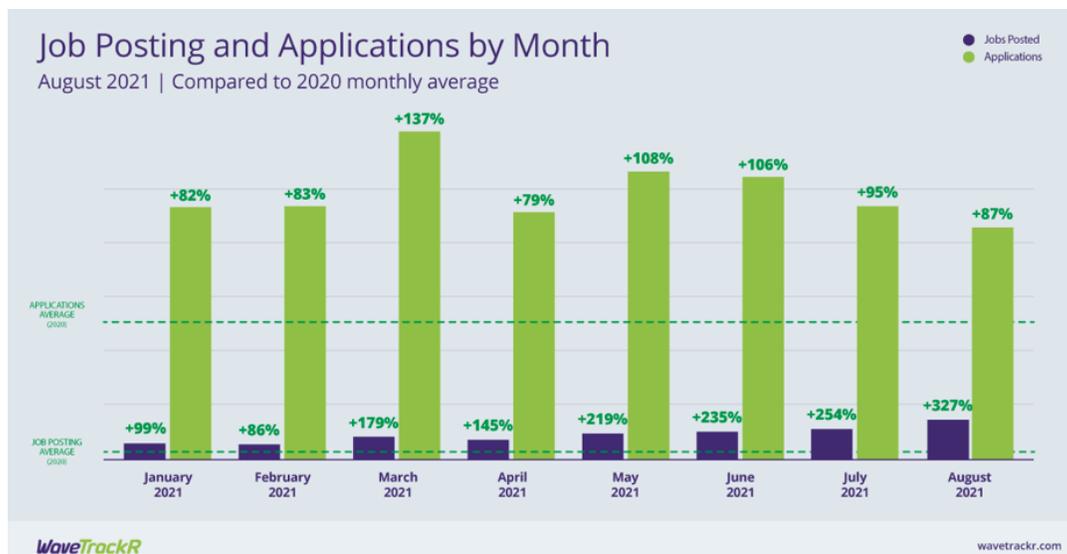
### The Staffing and recruiting industry market

According to Statistica, the staffing and recruiting market was \$151.8 billion in the U.S. in 2019, and was predicted to decrease to \$119.4 billion in 2020 due to pandemic shut downs, a decrease of 21% decrease. [The temporary staffing segment is significantly larger than recruitment segment.](#)

According to ReportLinker, the outsourced recruiting and talent acquisition market in the US is expected to reach \$14.4 billion by 2027 from \$8.6 billion today and grow at a CAGR of 13.8%. The US market was \$1.7 billion in 2020.

The global AI recruitment market is expected to grow at a CAGR of 7.6% until 2027, according to Absolute Market Insights. IndustryArc believes the AI recruiting

market should grow at a CAGR of 6.76% in 2020-2025, from a base of \$580M in 2019 according to its AI in Recruitment Market report.



Source: WaveTrackR

## COMPETITION

Recruiter.com competes with several online and offline platforms and services, including the following:

- Traditional talent acquisition and staffing service providers such as:
  - The Adecco Group (ADEN.SW)
  - Korn Ferry (KFY)
  - Russell Reynolds Associates, Inc.
  - Robert Half International, Inc. (RHI)
- Other e-staffing and recruitment marketplace providers, such as:
  - Hired.com
  - Scout Exchange
  - Reflik
- Professional and personal social media platforms, such as
  - LinkedIn (LNKD)
  - Facebook (FB)
- Job boards, classified ads, and other traditional means such as:
  - Craigslist
  - CareerBuilder
  - Indeed
  - Monster
  - ZipRecruiter (ZIP)

## VALUATION

As Recruiter.com is composed of two main businesses with vastly different business models we choose to value the company as a composite based on percent of revenues using different comparable companies for the two businesses. For Recruiters on Demand plus software subscriptions we look at platform companies based on operating leverage, while for the traditional staffing and placement business we look at staffing companies. Averages for each are shown below:

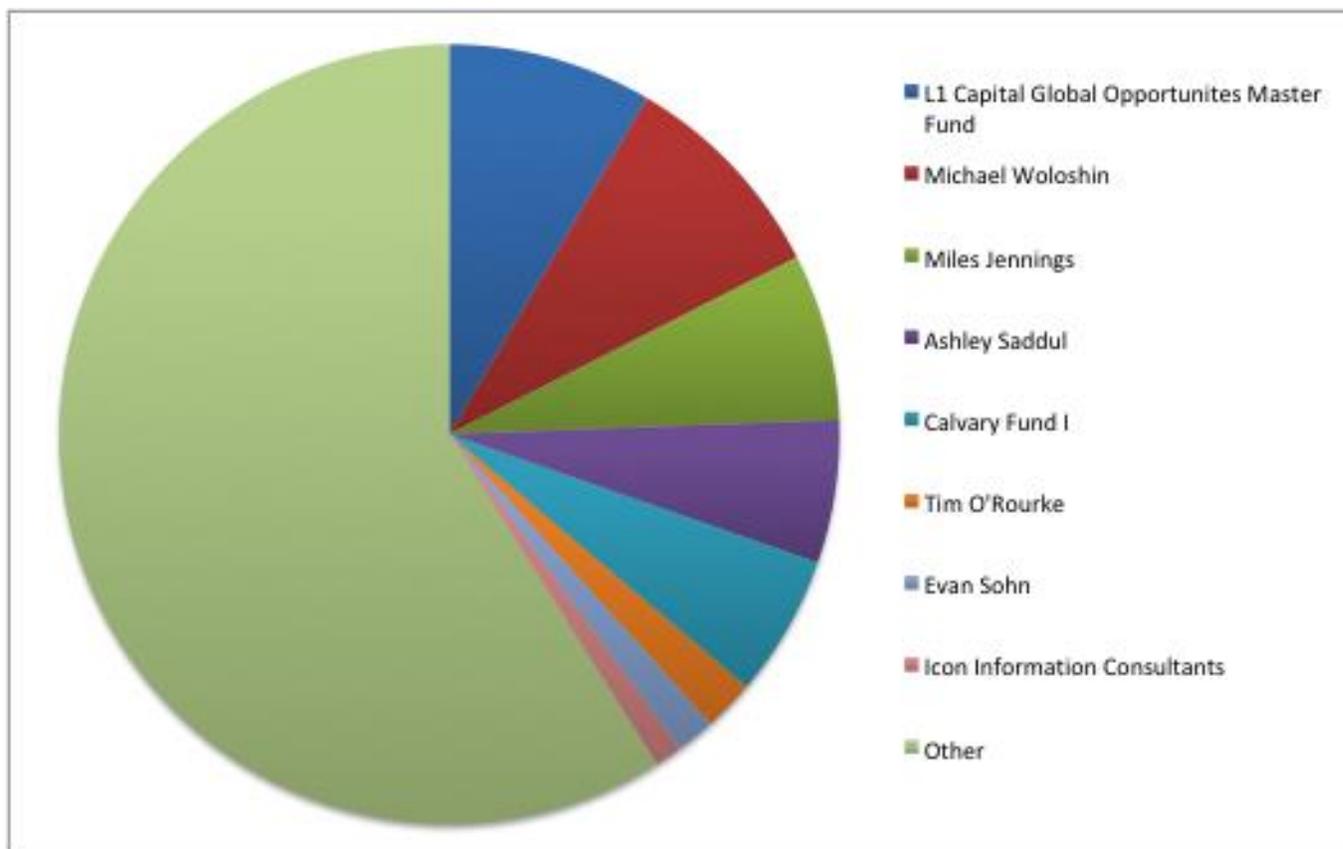
Company Platform	Ticker	Calendar Revenue 2022E	Calendar Revenue 2021E	LTM	EBIDTA Margin	EV/Sales 2022E	EV/Sales 2021E	LTM	Included in Average	Enterprise Value
DoorDash	DASH	5,910	4,820	4,560	-11%	11.9	14.5	15.4	y	70,040
Grubhub	GRUB	2,520	2,170	3,140	-8%	6.4	7.5	5.2	y	16,190
EBAY	EBAY	11,020	10,420	11,660	30%	3.8	4.0	3.6	y	41,459
Match Group	MTCH	3,630	3,000	2,830	32%	11.9	14.4	15.3	y	43,230
Paychex	PAYX	NA	4,300	4,210	42%	NA	10.4	10.6	y	44,830
TriNet	TNET	1,180	1,150	4,370	10%	5.8	5.9	1.6	y	6,820
Uber	UBER	24,450	16,760	14,840	-18%	3.7	5.4	6.1	y	90,260
Upstart	UPST	1,130	785	634	16%	17.6	25.3	31.3	n	19,880
Workday	WDAY	6,090	5,110	4,670	4%	11.5	13.7	14.9	y	69,800
						7.8	9.5	9.1		47,829
<b>Staffing and Recruiting</b>										
Adecco Group	ADEN.SW	26,020	23,934	24,418	NA	0.3	0.4	0.4	y	8,972
Hudson Global	HSO	196	165	146	1%	0.3	0.4	0.4	y	58
Kforce Inc.	KFRC	1,620	1,570	1,520	7%	1.0	1.1	1.1	y	1,700
Korn Ferry	KFY	NA	2,317	2,050	8%	NA	1.9	2.1	y	4,340
Robert Half	RHI	6,970	6,390	6,000	12%	1.8	2.0	2.1	y	12,740
ZipRecruiter	ZIP	847	717	635	5%	3.5	4.2	4.7	y	3,000
<b>Average</b>						1.7	1.6	1.8		53,930

If we project total revenues for Recruiter.com in 2021 at \$21 million and estimate that 53% comes from platform revenues and 48% from staffing we get a blended multiple of 5.75 times enterprise value to sales that results in a market value of \$121 million, and a stock price of \$8.40, using the fully diluted share count of 14.4 million shares.

## RISKS

- The staffing and recruitment market is experiencing extraordinary times and the past two years are not representative of general trends. While the company is has huge demand now, and an economic downturn could reduce hiring needs and growth prospects for Recruiter.com.
- The company is cash flow negative and unprofitable and there is no assurance it will not remain so and need further cash to sustain its business. This cash need could cause shareholder dilution if it raised by selling equity.
- The economics of hiring could change making Recruiter.com's model less competitive versus alternatives.
- The company competes with much larger and well-financed companies. Customers are often hesitant to work with small money losing operations.

## OWNERSHIP



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## MANAGEMENT

### **Evan Sohn**

Chairman and CEO

Evan has served as CEO since July 1, 2020, and Chairman since April 2019. He has a history in high growth technology startups that have led to acquisitions, including Logix by IMS Health in 1999, Omnipod by MessageLabs in 2006, MessageLabs by Symantec in 2010, Global Bay by VeriFone in 2013, and Poynt by GoDaddy in 2020. Evan holds seven patents in telecommunications, mobile education, medical instrumentation, and medical data capture. He earned a BS in Computer Information Systems and Management from the NYU Stern School of Business in 1989.

### **Miles Jennings**

Founder and President

Miles has been President and COO since July 1, 2020. Prior to that, he served as CEO of Recruiter.com and CEO of publicly traded Truli Technologies, and its hiring platform development subsidiary, VocaWorks, before its merger with Recruiter.com. Earlier, Miles pioneered socially enabled websites and tools for the recruitment industry and created many of the industry's first and most significant social media groups. He also worked in management and sales roles at Modis, an Adecco division, and Indeed.com. He earned a BA in Philosophy at Trinity College in 1999.

### **Judy Krandel, CFA**

Chief Financial Officer

Judy has served as CFO since June 25, 2020. From November 2016 until December 2019, she served as the CFO and then Senior Business Development Consultant for PeerStream, Inc. From March 2012 until November 2016, Judy was a portfolio manager for Juniper Investment Company, a small-cap hedge fund. Judy spent the earlier part of her career as an equity analyst and portfolio manager focusing on small-cap public equities. She currently sits on the board of directors of Lincoln First Bancorp. She earned a BS in Finance from the Wharton School of the University of Pennsylvania in 1987 and an MBA in finance and accounting from The Booth School of Business of the University of Chicago in 1991 and is a CFA.

### **Xuan Smith**

Chief Technology Officer

Xuan joined Recruiter.com in March 2021 through the acquisition of Upsider, where he was the CTO and co-founder. Upsider is an Artificial Intelligence Platform that adds more data, intelligence, and automation into the candidate sourcing process. Before founding Upsider, Xuan spent almost a decade as an engineering leader and technical architect at PWC, Appirio (now WiPro), and Deloitte. He is a product-focused engineer and serial founder with deep experience in large-scale data platforms, machine learning, and building strategic products. Xuan earned a BS in Computer Science at Stanford University in 2008.

### **Ashley Saddul**

Founder and Chief Web Officer

Ashley has been Chief Web Officer since July 2021 after being CTO since August 2010. Before founding Recruiter.com, Ashley spent over a decade as a web application development leader and architect. Prior

positions include technology management at Simpli, a search startup that was acquired, and at Bank of America. He is a graduate of Murdoch University from Perth, Australia, and earned a BS in Computer Science and Mathematics in 1992.

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## **BOARD OF DIRECTORS**

### **Evan Sohn**

Chairman and CEO

### **Miles Jennings**

Founder and President

### **Deborah Leff**

Deborah was appointed to the Board on August 31, 2020. She worked at IBM from October 2012 to December 2020 and most recently held the position of Global Industry CTO for Data Science and AI. Deborah has experience with successfully implementing artificial intelligence and machine learning projects to drive strategic outcomes. She has built and run global sales teams and brings experience and expertise in sales management and sales execution.

### **Steve Pemberton**

Chief Human Resources Officer at Workhuman

Steve has been Chief Human Resources Officer (CHRO) at Workhuman since December of 2017. Before that he was a Chief Diversity Officer and Walgreens and Monster Worldwide. He earned his undergraduate and a MA in Sociology from Boston College in 1989.

### **Wallace Ruiz**

CFO Inuvo (NYSE:INUV)

Wally was appointed to the board on May 24, 2018. He has been the CFO of Inuvo, Inc. (NYSE: INUV) since June 2010. Wally is a CPA and earned a BS in Computer Science from St. John's University and an MBA from Columbia University.

### **Douglas Roth**

Managing Director Investments CT Innovations

Douglas has served on the board since February 2018. He has been a Director and Investment Manager at Connecticut Innovations, Inc., since 2011 and is responsible for sourcing new investment opportunities, and serving on the boards of portfolio companies. He earned a BA in Economics and Mathematics (1991) as well as a MS in Electrical Engineering (1994) from Boston University. He also has an MBA in entrepreneurial and strategic management from the Wharton School of the University of Pennsylvania earned in 2003.

## Tim O'Rourke

COO Icon Information Consultants, LP

Tim has served on the board since March 31, 2019, when Recruiter.com purchased certain assets from Genesys, a company owned by Icon. He has been Managing Director of Icon Information Consultants, a human capital solutions provider of consulting, payroll, and professional services and a Genesys shareholder, since February 2001. He earned a BS in Electrical Engineering from the University of Houston.

## Robert Heath

Executive Vice President at RPX Corporation

Bob joined RPX in 2011 and was CFO from 2015 to May 2017; he is now an EVP. During his tenure at RPX, Bob was a principal architect of some of the industry's most significant syndicated licensing transactions. Before RPX, he was head of Strategy and Acquisitions for Technicolor, where he oversaw an acquisition and divestiture program that refocused the company. Prior to Technicolor, Bob served as COO and CFO at iBahn, an Internet service provider. Bob was a technology investment banker at Kidder Peabody, SG Warburg, and Robertson Stephens. Bob earned an MBA from the University of Chicago Booth School of Business in 1991 and his AB in Philosophy from Harvard in 1982.

## INCOME STATEMENT

	March 31, 2020	Jun. 30, 2020	Sept. 30, 2020	Dec. 31, 2020	March 31, 2021	Jun. 30, 2021	Sept. 30, 2021	Dec. 31, 2021E	2020	2021E	2022E
Revenue	\$ 2,313,123	\$ 1,853,414	\$ 1,992,167	\$ 2,344,188	\$ 3,164,545	\$ 4,380,894	\$ 6,257,882	\$ 7,200,000	\$ 8,502,892	\$ 21,003,321	\$ 40,000,000
Yr-Yr Growth	1316.5%	-6.0%	2.4%	22.3%	36.8%	136.4%	214.1%	207.1%	41.8%	147.0%	90.4%
Cost of revenue	1,751,196	1,418,242	1,377,523	1,591,402	2,254,910	2,946,084	3,953,660	4,450,000	6,138,363	13,604,654	24,000,000
Gross profit	561,927	435,172	614,644	752,786	909,635	1,434,810	2,304,222	2,750,000	2,364,529	7,398,667	16,000,000
	24.3%	23.5%	30.9%	32.1%	28.7%	32.8%	36.8%	38.2%	27.8%	35.2%	40.0%
<b>Operating expenses:</b>											
Sales and marketing	25,243	15,068	22,357	20,236	57,543	75,006	138,442	140,000	82,904	410,991	750,000
Product development	83,093	57,401	79,663	79,355	70,660	75,004	465,141	500,000	299,512	1,110,805	2,500,000
Amortization of intangibles	159,173	159,173	184,172	184,173	159,173	675,095	842,934	900,000	686,691	2,577,202	3,600,000
Impairment expense		0	0	0	0	0	2,530,325	0	0	2,530,325	0
General and administrative	2,148,943	1,626,362	2,223,312	2,035,068	2,545,905	3,062,597	4,882,762	9,000,000	8,033,685	19,491,264	25,000,000
Total operating expenses	2,416,452	1,858,004	2,509,504	2,318,832	2,833,281	3,887,702	8,859,604	10,540,000	9,102,792	26,120,587	31,850,000
Loss from operations	(1,854,525)	(1,422,832)	(1,894,860)	(1,566,046)	(1,923,646)	(2,452,892)	(6,555,382)	(7,790,000)	(6,738,263)	(18,721,920)	(15,850,000)
Operating margin	-80%	-77%	-95%	-67%	-61%	-56%	-105%	-108%	-79%	-89%	-40%
<b>Other income:</b>											
Interest expense	(44,206)	(203,874)	(882,235)	(891,798)	(1,427,588)	(1,592,822)	(167,728)	(76,000)	(2,022,113)	(3,264,138)	(235,000)
Initial derivative expense	0	(3,340,554)	0	0	(3,585,983)	0	0	0	(3,340,554)	(3,585,983)	0
Change in der value due to anti-dil adjs	0	(2,642,175)	0	0	0	0	0	0	(2,642,175)	0	0
Change in fair value of derivative liability	(565,088)	(339,088)	4,210,526	(5,964,611)	628,621	7,574,750	(887,791)	0	(2,658,261)	7,315,580	0
Forgiveness of debt income	0	(339,088)	0	715,265	24,925	0	0	0	376,177	24,925	0
Grant income	0	7,262	3,506	0	3,382	0	0	0	10,768	3,382	6,382
Net recog gain (loss) on mkt securities	(18,786)	46	(1,519)	(2,157)	223	(757)	(890)	0	(22,416)	(1,424)	0
Other expense	0	0	0	0	0	0	(38,285)	0	0	(38,285)	0
Total other income	(628,080)	(6,518,383)	3,330,278	(6,143,301)	(4,356,420)	5,981,171	(1,094,694)	(76,000)	(10,298,574)	454,057	(228,618)
Income before income taxes	(2,482,605)	(7,941,215)	1,435,418	(7,709,347)	(6,280,066)	3,528,279	(7,650,076)	(7,866,000)	(17,036,837)	(18,267,863)	(16,078,618)
Provision for income taxes	0	0	0	0	0	0	0	0	0	0	0
Net Income	(2,482,605)	(7,941,215)	1,435,418	(7,709,347)	(6,280,066)	3,528,279	(7,650,076)	(7,866,000)	(17,036,837)	(18,267,863)	(16,078,618)
Stock-based compensation	940,972	709,230	995,811	566,759	654,907	960,334	1,928,646	\$ 2,500,000	3,212,772	6,043,887	5,075,575
Non-GAAP net income	(957,759)	(3,552,389)	(1,777,778)	(1,175,820)	(2,668,020)	(3,085,380)	(2,302,424)	(5,366,000)	(13,824,065)	(15,952,149)	(11,003,043)
<b>EPS - basic</b>	<b>\$ (1.48)</b>	<b>\$ (4.11)</b>	<b>\$ 0.70</b>	<b>\$ (3.21)</b>	<b>\$ (2.40)</b>	<b>\$ 0.99</b>	<b>\$ (0.56)</b>	<b>\$ (0.55)</b>	<b>\$ (8.74)</b>	<b>\$ (2.45)</b>	<b>\$ (1.12)</b>
EPS - diluted	\$ (1.48)	\$ (4.11)	\$ (0.32)	\$ (3.21)	\$ (2.40)	\$ (0.69)	\$ (0.56)	\$ (0.55)	\$ (8.74)	\$ (2.31)	\$ (1.12)
Non-GAAP EPS	\$ (0.57)	\$ (1.84)	\$ (0.87)	\$ (0.49)	\$ (1.02)	\$ (0.52)	\$ (0.17)	\$ (0.37)	\$ (7.09)	\$ (2.14)	\$ (0.76)
Shares - basic	1,672,902	1,933,812	2,050,977	2,400,000	2,614,923	3,560,745	13,592,644	14,394,329	1,949,463	7,450,095	14,400,000
Shares - diluted	1,672,902	1,933,812	8,780,886	2,400,000	2,614,923	5,879,481	13,592,644	14,394,329	1,949,463	7,913,842	14,400,000

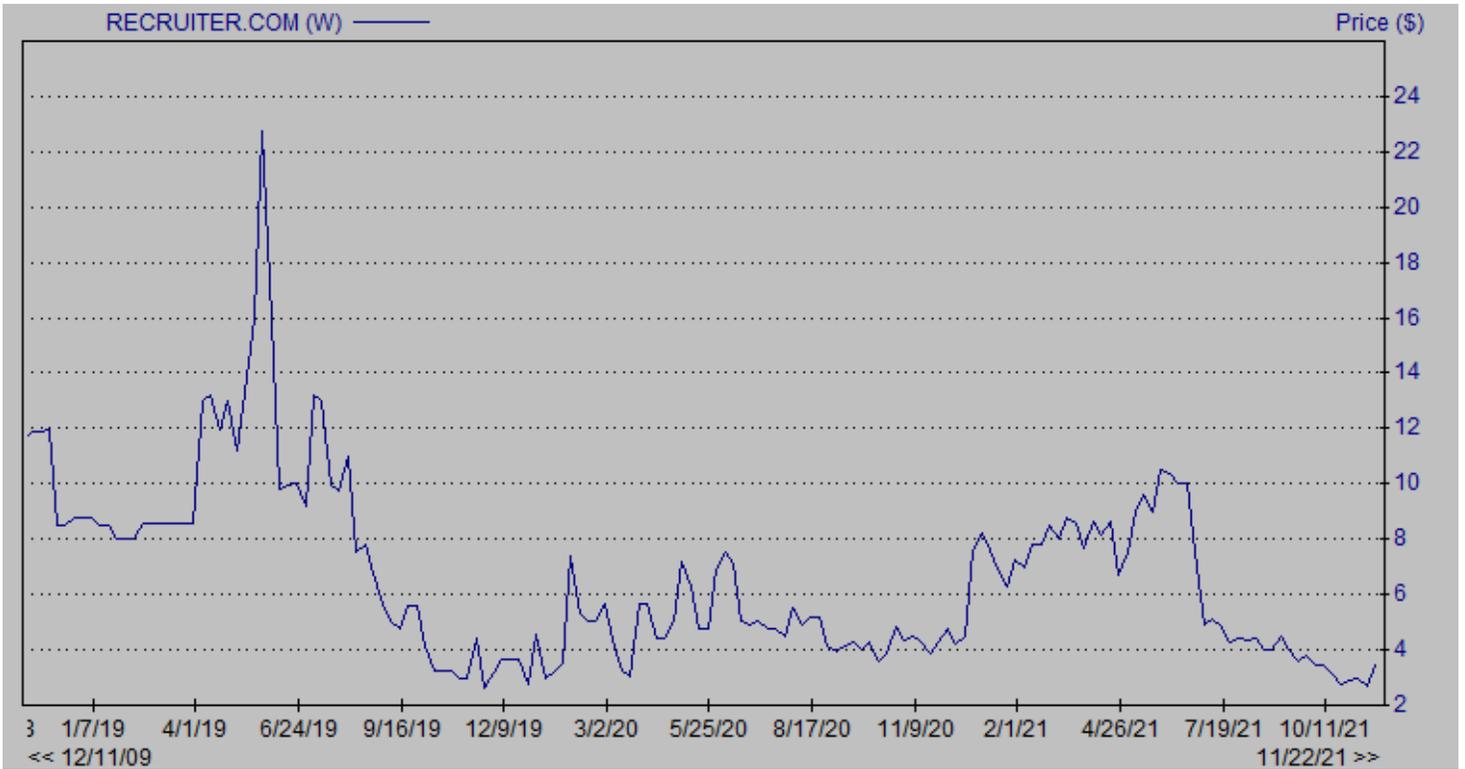
## BALANCE SHEET

	Sept. 30, 2021	Jun. 30, 2021	Qtr-Qtr %	Sept. 30, 2020	Yr-Yr %
<b>Current assets:</b>					
Cash	\$ 5,346,769	\$ 86,898	6052.9%	\$ 581,458	819.5%
Accounts receivable, net	5,160,642	2,916,391	77.0%	712,179	624.6%
Accounts receivable - related parties	26,081	46,726	-44.2%	13,744	89.8%
Prepaid expenses and other current assets	287,778	353,374	-18.6%	72,553	296.6%
Investments - marketable securities	0	890	-100.0%	7,498	-100.0%
Total current assets	10,821,270	3,404,279	217.9%	1,387,432	679.9%
Property and equipment, net	770	1,058	-27.2%	1,924	-60.0%
Right of use asset - related party	0	103,953	-100.0%	158,987	-100.0%
Deferred offering costs	0	473,896	-100.0%	0	NA
Intangible assets, net	9,362,993	5,645,009	65.9%	980,036	855.4%
Goodwill	9,161,486	4,929,897	85.8%	3,517,315	160.5%
Total assets	29,346,519	14,558,092	101.6%	6,045,694	385.4%
<b>Current liabilities:</b>					
Accounts payable	813,051	1,168,155	-30.4%	321,462	152.9%
Accounts payable - related parties	106,968	1,194,821	-91.0%	719,869	-85.1%
Accrued expenses	1,023,298	827,612	23.6%	365,053	180.3%
Accrued expenses - related party	0	9,647	-100.0%	0	NA
Accrued compensation	321,158	1,192,888	-73.1%	522,418	-38.5%
Accrued compensation - related party	116,000	116,000	0.0%	0	NA
Accrued interest	34,502	376,272	-90.8%	73,871	-53.3%
Contingent consideration for acquisitions	2,375,763	2,000,118	18.8%	0	NA
Liability on sale of future revenues, net	0	0	0.0%	101,916	-100.0%
Deferred payroll taxes	23,333	159,032	-85.3%	94,457	-75.3%
Other liabilities	17,333	14,493	19.6%	38,493	-55.0%
Loans payable - current portion	<b>1,752,094</b>	<b>30,653</b>	5615.9%	<b>27,784</b>	6206.1%
Convertible notes payable, net	<b>0</b>	<b>4,154,697</b>	-100.0%	<b>928,450</b>	-100.0%
Refundable deposit on preferred stock purchase	285,000	285,000	0.0%	285,000	0.0%
Warrant derivative liability	0	8,921,615	-100.0%	5,573,386	-100.0%
Lease liability - current portion - related party	0	73,378	-100.0%	73,378	-100.0%
Deferred revenue	677,506	476,920	42.1%	78,977	757.9%
Total current liabilities	7,546,006	21,001,301	-64.1%	9,204,514	-18.0%
Lease liability - long term portion - related party	0	30,575	-100.0%	85,609	-100.0%
Loans payable - long term portion	<b>3,167,586</b>	<b>33,965</b>	9226.0%	<b>454,553</b>	596.9%
Total liabilities	10,713,592	21,065,841	-49.1%	9,744,676	9.9%
<b>Stockholders' (Deficit):</b>					
Common stock	1,439	377	281.7%	513	180.5%
Shares to be issued for acquisitions	59	0	NA	0	NA
Additional paid-in capital	63,558,308	30,768,568	106.6%	22,776,960	179.0%
Accumulated deficit	(44,926,888)	(37,276,812)	20.5%	(26,476,590)	69.7%
Total stockholders' (deficit)	18,632,927	(6,507,749)	-386.3%	(3,698,982)	-603.7%
Total liabilities and stockholders' (deficit)	29,346,519	14,558,092	101.6%	6,045,694	385.4%
Series D Preferred Stock [Member]					
<b>Stockholders' (Deficit):</b>					
Preferred stock value	0	39	-100.0%	54	-100.0%
Series E Preferred Stock [Member]					
<b>Stockholders' (Deficit):</b>					
Preferred stock value	9	74	-87.8%	74	-87.8%
Series F Preferred Stock [Member]					
<b>Stockholders' (Deficit):</b>					
Preferred stock value	0	5	-100.0%	7	-100.0%
Cash	\$ 5,346,769	\$ 86,898	6052.9%	\$ 581,458	819.5%
Current ratio	1.4	0.2	784.7%	0.2	851.4%
Working capital	3,275,264	(17,597,022)	-118.6%	(7,817,082)	-141.9%
Debt	4,919,680	4,219,315	16.6%	1,410,787	248.7%
Debt as a % of assets	16.8%	29.0%	-42.2%	23.3%	-28.2%

## CASH FLOW

	3 mo Mar. 31, 2020	3 mo Jun. 30, 2020	3 mo Sept. 30, 2020	3 mo Dec. 31, 2020	Year 2020	3 mo Mar. 31, 2021	3 mo Jun. 30, 2021	3 mo Sept. 30, 2021
<b>Cash Flows from Operating Activities</b>								
Net loss	(2,482,605)	(7,941,215)	1,435,418	(8,048,435)	(17,036,837)	(6,280,066)	3,528,279	(7,650,076)
<b>Adjustments to reconcile net loss to net cash used in operating activities</b>								
Depreciation and amortization expense	159,461	159,462	184,461	184,461	687,845	159,461	675,384	843,222
Bad debt expense	11,250	750	0	0	12,000	16,963	41,763	20,579
Gain on forgiveness of debt	0	0	0	(376,177)	(376,177)	(24,925)	0	0
Equity based compensation expense	870,722	779,480	995,811	566,759	3,212,772	502,407	1,112,834	1,928,646
Recognized loss on marketable securities	18,786	(46)	1,519	2,157	22,416	(223)	757	890
Marketable securities distributed as compensation	0	0	0	3,917	3,917	0	0	0
Expenses paid through financings	0	32,500	0	0	32,500	0	0	0
Loan principal paid directly through grant	0	(5,964)	(2,889)	0	(8,853)	(2,992)	0	0
Amortization of debt discount and debt costs	31,976	182,909	814,997	810,863	1,840,745	1,309,212	1,176,899	17,049
Warrant modification expense	0	0	0	0	0	0	0	12,624
Initial derivative expense	0	3,340,554	0	0	3,340,554	3,585,983	0	0
Change in derivative value due to anti-dilution adj	0	2,642,175	0	0	2,642,175	0	0	0
Change in fair value of derivative liability	565,088	339,088	(4,210,526)	5,964,611	2,658,261	(628,621)	(7,574,750)	887,791
Impairment expense	0	0	0	0	0	0	0	2,530,325
Change in fair value of earn-out liability	0	0	0	0	0	0	0	102,116
<b>Changes in operating assets and liabilities:</b>								
(Increase) decrease in accounts receivable	9,749	10,215	106,528	(221,259)	(94,767)	(854,522)	(1,177,753)	(1,485,110)
Increase in accounts receivable - related parties	(5,942)	(4,173)	10,115	(36,784)	(36,784)	(3,259)	(2,343)	20,645
(Increase) decrease in prepaid expenses and other	(19,954)	289,005	(243,101)	(94,492)	(68,542)	28,923	(215,252)	132,506
Increase in accounts payable and accrued liabilities	387,823	(506,187)	118,364	626,895	626,895	643,270	1,256,763	(1,257,606)
Increase in accounts payable and accrued liabilities - related parties	324,073	(220,350)	(172,356)	4,770	(63,863)	136,448	273,592	(1,097,500)
Decrease in deferred payroll taxes	0	0	0	0	0	0	0	(135,699)
Increase in other liabilities	51,780	(2,226)	83,396	40,575	173,525	0	0	2,840
Increase (decrease) in deferred revenue	(15,434)	(43,351)	(7,712)	(27,440)	(93,937)	87,845	337,538	31,441
Net cash used in operating activities	(93,227)	(947,374)	(885,975)	(599,579)	(2,526,155)	(1,324,096)	(566,289)	(5,095,317)
<b>Cash Flows from Investing Activities</b>								
Proceeds from sale of marketable securities	14,955	2,054	0	0	17,009	0	0	0
Cash paid for customer contracts	0	0	(50,000)	0	(50,000)	0	0	0
Cash and receivables acquired	0	0	0	0	0	0	220,153	10,702
Cash paid for acquisitions	0	0	0	0	0	(249,983)	0	(2,054,545)
Net cash (used) provided by investing activities	14,955	2,054	(50,000)	0	(32,991)	(249,983)	220,153	(2,043,843)
<b>Cash Flows from Financing Activities</b>								
Proceeds from notes	0	398,545	0	0	398,545	0	250,000	0
Proceeds from convertible notes	0	2,226,000	0	250,000	2,476,000	2,153,200	0	0
Deferred offering costs	0	0	0	0	0	0	(473,896)	395,858
Payments of notes	(4,984)	(2,412)	(3,759)	(6,752)	(17,907)	(5,767)	(5,426)	(144,938)
Advances on receivables	180,778	0	0	0	180,778	0	0	0
Repayments of advances on receivables	0	(112,622)	(68,156)	0	(180,778)	0	0	0
Repayments of sale of future revenues	(127,241)	(134,625)	(141,751)	(125,221)	(528,838)	(10,904)	0	0
Proceeds from sale of common stock & warrants	0	0	0	0	0	0	0	13,800,000
Offering costs	0	0	0	0	0	0	0	(1,651,889)
Deposit on purchase of preferred stock	25,000	0	(25,000)	0	0	0	0	0
Proceeds from sales of preferred stock	0	0	25,000	0	25,000	0	0	0
Net cash provided by financing activities	73,553	2,374,886	(213,666)	118,027	2,352,800	2,136,529	(229,322)	12,399,031
Net increase (decrease) in cash	(4,719)	1,429,566	(1,149,641)	(481,552)	(206,346)	562,450	(575,458)	5,259,871
Cash, beginning of period	306,252	301,533	1,731,099	581,458	306,252	99,906	662,356	86,898
Cash, end of period	301,533	1,731,099	581,458	99,906	99,906	662,356	86,898	5,346,769
Cash Flow	(825,322)	(470,307)	(781,209)	(891,844)	(2,968,682)	(1,362,801)	(1,038,834)	(3,939,275)
Free cash flow	(825,322)	(470,307)	(831,209)	(891,844)	(3,018,682)	(1,612,784)	(818,681)	(5,993,820)

# HISTORICAL STOCK PRICE



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