

Zacks Small-Cap Research

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Recruiter.Com

(NASDAQ: RCRT)

Recruiter.com Continues its Strong Growth Ending 2021 Up 161% Despite Year End Stumble

Based on a blended enterprise value to sales multiple of its peers of 5.8 times, and using a 30% discount due to potential dilution, we believe the stock is worth \$9.45 per share.

Current Price (04/01/22) \$2.47
Valuation \$9.45

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 this year. Its staffing business will continue to decline as a percent of revenues as 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 \$1.96
One-Year Return (%) -71.4
Beta -1.5
Average Daily Volume (sh) 71,785

Shares Outstanding (mil) 14.8
Market Capitalization (\$mil) \$36.6
Short Interest Ratio (days) 0.5
Institutional Ownership (%) 10
Insider Ownership (%) 17

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

5-Yr. Historical Growth Rates
Sales (%) 166
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS N/A
P/E using 2022 Estimate N/A
P/E using 2023 Estimate N/A

Risk Level Above Average
Type of Stock Small Blend
Industry IT Services

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	8.4 A	22.2 A
2022	7.0 E	8.0 E	9.0 E	10.4 E	34.4 E
2023					50.0 E

GAAP EPS

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	-\$1.48 A	-\$4.11 A	\$0.16 A	-\$3.21 A	-\$8.76 A
2021	-\$2.40 A	\$0.60 A	-\$0.56 A	-\$0.41 A	-\$1.90 A
2022	-\$0.39 E	-\$0.34 E	-\$0.31 E	-\$0.27 E	-\$1.32 E
2023					-\$0.74 E

Recruiter.com Gets Off to a Slower Start in 2022 as Recruiters Need to Redeploy

2022 starts with challenges for Recruiter.com as it works to redeploy recruiters to new customers. In Q4 the company took a reserve for a collection problem with a partner and as a result was required by the auditors to stop recognizing revenues from this partner and is now in litigation to collect. While some of the moneys owed may be ultimately collected, for the time being it a reserve was taken for bad debt.

Specifically, Recruiter.com is currently pursuing two related collections matters against BKR Strategy Group. Starting in the third quarter of 2021, BKR Strategy Group subcontracted Recruiter.com to perform on-demand recruiter services on behalf of BKR Strategy Group's clients. Although payments for services rendered were initially received in a timely fashion, BKR Strategy Group's balance grew throughout the third and fourth quarters of 2021. This led to BKR Strategy Group executing a promissory note with a payment schedule for \$500,000 on November 30, 2021. After failing to meet the payment schedule and after repeated attempts to collect the balance due, Recruiter.com filed two lawsuits against BKR Strategy Group on February 18, 2022, the first, to collect on unpaid invoices and the second, to enforce the promissory note, for a total sum of \$1,400,000.

In Q4 the company was unable to recognize revenues from this partner of about \$600,000 but had to pay for the services provided reducing gross margins well below the norm. We expect to see some lost revenues in Q1 also with the added costs. All work was stopped for this partner in January, but it will take some time to redeploy recruiters to new customers, and some momentum will be lost in its recruiter on demand business. As a result, we are reducing estimates for 2022. Another issue is this also reduces the cash available to the company and as it is in a cash flow negative position, we expect it to seek to raise cash soon.

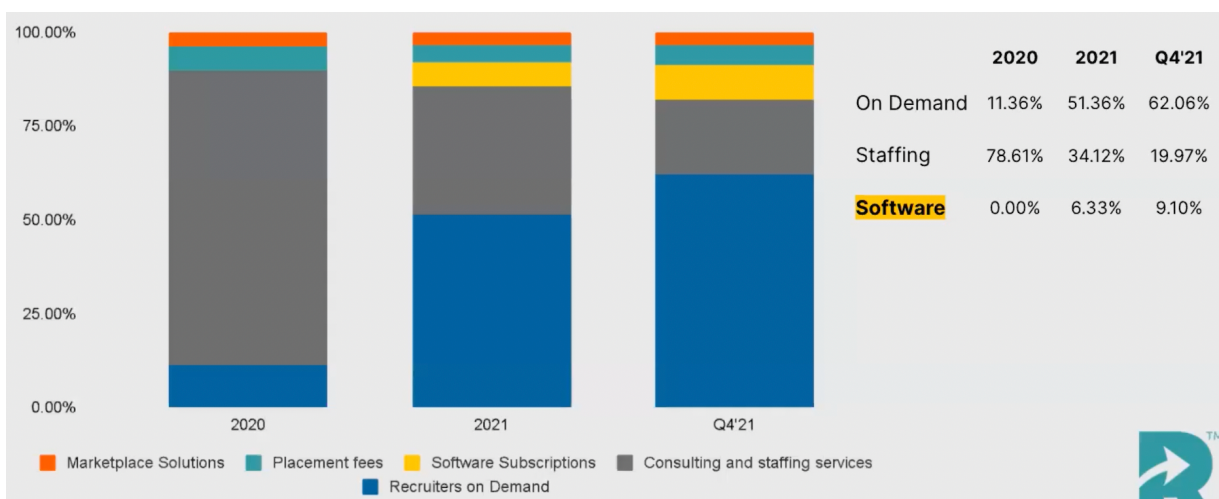
Despite this, 2022 is expected to be another year of excellent growth for Recruiter.com even without any new acquisitions. The market for recruiting services remains strong, the labor market continues to suffer from a lack of employees, and recruiters are the second most sought after job position that needs filling today. Recruiter.com fills that need by providing recruiters on demand for employers as well as software and services to help in-house recruitment. So far the company has seen no slowdown in industry demand and continued marketing efforts have increased awareness of the availability of the Recruiter on Demand model.

We have revised 2022 estimates downward to reflect a slow start to the year. We now expect revenues of \$34.4 million versus \$22.2 million in 2021, or growth of 55% compared with the 161% growth just reported for 2021. Recruiter.com now trades at an enterprise value of \$38 million, or an EV/2022 Sales of 1.1x times compared to the blended multiple of 5.8 times of its peers. We believe growth, expanding margins, and more analyst coverage, could increase the stock's appeal and cause price appreciation.

The Revenue Mix Shifted Significantly in 2021

For the 2021 year, revenues at Recruiter.com grew to \$22.2 million, up 161% for the year. The Recruiter on Demand business grew to \$11.4 million compared to slightly less than a million last year. Software subscriptions added \$1.4 million in new revenues to 2021; this offering was not introduced until Q2 2021. As shown in the chart below, the lower margin staffing business, which was 79% of 2020 revenues was less than 20% of the product mix in the Q4 2021.

Table 1. Revenue Mix By Product



Source: Recruiter.com

Primarily because of this product mix shift, gross margin for the year was 33% versus 28% last year. Gross margin dollars grew 308% on only 160% revenue growth as the business shifted away from staffing to a higher margin platform model.

Operating expenses, excluding impairment expense, grew to \$21.7 million, versus \$9.1 million last year due primarily to acquisitions. This increase was due to higher product development and general and administrative expense. Amortization of intangibles expense rose to \$2.7 million from \$687 thousand due to multiple acquisitions. Bad debt expense was \$928 thousand for the year compared to only \$12,000 the year before. The increase in bad debt expense primarily relates to a one-time reserve of \$650,000 due to BKR Strategy Group's lack of payment.

Pretax and net loss was \$16.3 million versus \$17.0 million in 2020. On a non-GAAP basis, it was \$14.7 million versus \$13.8 million in 2020. Loss per share was \$1.90 versus \$8.74. Non-GAAP that would have been a loss of \$1.25 compared to a loss of \$1.70. The average shares outstanding increased to 8.6 million compared to 1.9 million a year ago. Adjusted EBITDA for the year was a loss of \$5.4 million compared to a loss of \$2.8 million in 2020.

Q4 2021 Results

Revenues for Q4 2021 came in at \$8.3 million versus \$2.3 million in Q4 2020. This is growth of 258% versus the year ago quarter and was completely organic. Most of the upside came in revenues from its core Recruiter on Demand platform, which contributed 62% of revenue in Q4 and grew to \$5.2 million in revenues versus \$500,000 in revenues in Q4 2020. Software subscriptions added \$762,000 to revenues in the quarter and it is a business that only launched in Q2 of 2021 and contributes approximately 90% gross margins compared to a company average closer to 35%. Revenues this quarter were dampened by an accounts receivable collection problem reduced revenues and decreasing margins, or revenues would have been even higher.

Gross margin dollars grew 249%, and the gross margin declined to 31.3% from 32.1%. This decrease in gross margin was primarily due to bad debt. Specifically, the company had to expense all of the costs related to one (now former) client, but couldn't recognize all of the corresponding revenue. Without that issue, the company claims margins remained steady. Management also indicated collection problems continued into

Q1, affecting revenues. Since identifying collections problems the company has reviewed and tightened up its customer financial controls and checks and balances on extending credit to customers.

Operating expenses grew 273% to \$8.6 million, and operating losses went from 67% of sales to 72%. The biggest increase in spending was in G&A, which increased \$4.8 million and contained approximately \$650,000 in expenses from the extraordinary bad debt expense and \$1.3 million more in stock-based compensation.

Other income was \$51,000 versus an expense of \$6.1 million a year ago. Interest expense was income of \$51,000 versus \$892,000 of which only \$65,400 cash interest was paid in 2021. The remaining items were all one-time non-cash adjustments.

The company paid no taxes and the net loss was \$6.0 million versus \$7.7 million. Adjusted EBITDA for Q4 2021 was a negative \$2.2 million compared to a negative \$816,982 a year ago. The share count averaged approximately 14.4 million for the quarter, up 12 million shares from a year ago.

Balance Sheet

The company ended the December 2021 quarter with \$2.6 million in cash, a current ratio of 1.2, working capital of \$1.3 million and debt of \$4.4 million. Its cash flow (not including changes in working capital) for year was a negative \$8.5 compared to a negative \$3.0 million in 2020 and \$2.2 in Q4 2021. The shares outstanding as of March 15, 2022 were 14,784,821. Currently the company has about \$1.3 million in cash expenses per month. So, at 40% gross margins and it could reach cash flow breakeven at \$10 million in quarterly revenues which is a possibility as soon as the December quarter or shortly thereafter.

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.
- As a former 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 \$38 million, Recruiter.com is trading at an EV/2022 Sales of 1.1x times compared to the blended multiple of 5.8 times of its peers. We believe growth, expanding margins, and more analyst coverage, could increase the stock's appeal and cause price appreciation.

OVERVIEW

Recruiter.com Group, Inc. headquartered in NYC, was founded in 2015, and has approximately 73 full time employees, over 150 recruiter-on-demand 1099 contractors, and about 69 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	Dec. 31, 2021
Recruiters on Demand	184,975	46,856	234,590	499,683	957,479	1,796,948	3,437,706	5,201,263
Consulting and staffing services	1,913,394	1,576,662	1,521,826	1,672,171	2,072,446	2,157,658	1,665,160	1,673,989
Permanent placement fees	137,627	153,140	131,744	95,193	39,966	188,196	403,059	460,569
Software subscriptions	-	-	-	-	-	175,790	465,112	762,451
Marketplace solutions	77,127	76,756	104,007	(113,084)	94,654	62,302	286,845	282,519
Total	2,313,123	1,853,414	1,992,167	2,153,963	3,164,545	4,380,894	6,257,882	8,380,791

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

- **Recruiters on Demand (51% 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 (34% 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 (6% 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.

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:

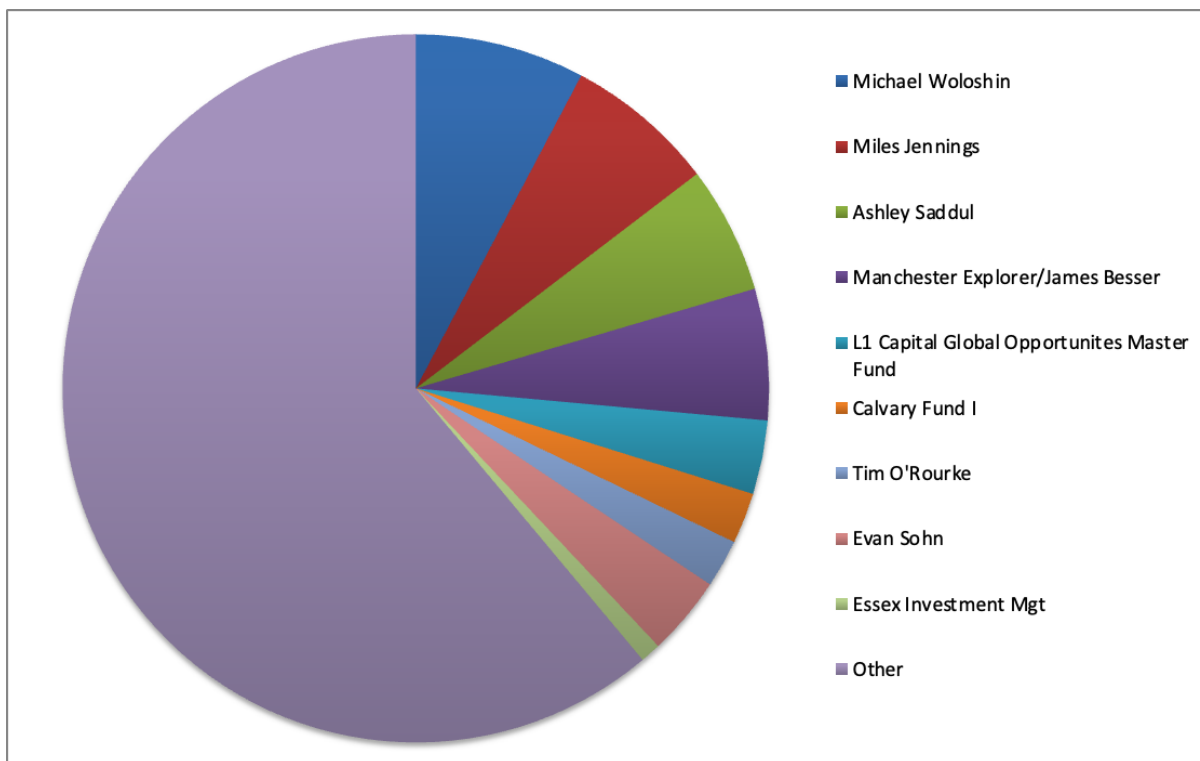
Company	Ticker	Calendar	Calendar	LTM	EBIDTA Margin	EV/Sales		LTM	Enterprise Value
		Revenue 2023E	Revenue 2022E			2023E	2022E		
Platform									
DoorDash	DASH	7,300	5,920	4,890	-7%	5.3	6.6	7.9	38,800
EBAY	EBAY	10,920	10,400	10,420	33%	3.3	3.5	3.5	36,000
Match Group	MTCH	4,170	3,520	2,980	31%	8.2	9.7	11.5	34,200
Paychex	PAYX	NA	4,900	4,330	43%	NA	10.2	11.5	49,940
TriNet	TNET	1,270	1,170	4,540	11%	5.0	5.4	1.4	6,340
Uber	UBER	33,720	27,460	17,450	-17%	2.3	2.8	4.4	77,150
Upstart	UPST	1,890	1,400	852	18%	4.8	6.5	10.8	9,164
Workday	WDAY	7,440	6,200	5,140	4%	7.9	9.5	11.5	59,115
Average						5.3	6.8	7.8	38,839
Staffing and Recruiting									
Adecco Group	ADEN.SW	24,570	23,480	20,950	5%	0.3	0.3	0.4	7,334
Hudson Global	HSOON	212	196	169	3%	0.4	0.5	0.5	91
Kforce Inc.	KFRC	1,810	1,700	1,580	7%	0.9	0.9	1.0	1,612
Korn Ferry	KFY	NA	2,717	2,460	14%	NA	1.2	1.3	3,200
Robert Half	RHI	7,730	7,300	6,460	12%	1.6	1.7	1.9	12,230
ZipRecruiter	ZIP	893	893	741	4%	2.8	2.8	3.4	2,533
Average						1.2	1.2	1.4	4,500

With total revenues for Recruiter.com estimated at \$34.4 million for 2022 and with 82% comes from platform revenues and other and 18% from staffing we get a blended multiple of 5.8 times enterprise value to sales that results in a market value of \$200 million, and a stock price of \$13.50, using the fully diluted share count of 14.8 million shares. Even if we give a discount of 30% expecting dilution from a capital raise and the current stumble in momentum, the stock would still be worth \$9.45 per share.

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 having 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. We expect the company will need to do another capital raise this year. 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.
- The company is trying to collect \$1.4 million it is owed by a partner. There is no assurance all or any of this can be collected.

OWNERSHIP



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, 2021	Mar 31, 2022E	Jun. 30, 2022E	Sept. 31, 2022E	Dec. 31, 2022E	2020	2021	2022E	2023E
Revenue	\$ 2,313,123	\$ 1,853,414	\$ 1,992,167	\$ 2,344,188	\$ 3,164,545	\$ 4,380,894	\$ 6,257,882	\$ 8,380,791	\$ 7,006,486	\$ 7,984,157	\$ 8,959,815	\$ 10,403,288	\$ 8,502,892	\$ 22,184,112	\$ 34,353,746	\$ 50,000,000
Yr-Yr Growth	1316.5%	-6.0%	2.4%	22.3%	36.8%	136.4%	214.1%	257.5%	121.4%	82.2%	104.5%	37.9%	41.8%	160.9%	54.9%	45.5%
Cost of revenue	1,751,196	1,418,242	1,377,523	1,591,402	2,254,910	2,946,084	3,953,660	5,754,735	4,764,411	5,030,019	5,286,291	5,929,874	6,138,363	14,909,389	21,010,594	25,000,000
Gross profit	561,927	435,172	614,644	752,786	909,635	1,434,810	2,304,222	2,626,056	2,242,076	2,954,138	3,673,524	4,473,414	2,364,529	7,274,723	13,343,152	25,000,000
	24.3%	23.5%	30.9%	32.1%	28.7%	32.8%	36.8%	31.3%	32.0%	37.0%	41.0%	43.0%	27.8%	32.8%	38.6%	50.0%
Operating expenses:																
Sales and marketing	25,243	15,068	22,357	20,236	57,543	75,006	138,442	201,222	200,000	200,000	200,000	210,000	82,904	472,213	810,000	1,000,000
Product development	83,093	57,401	79,663	79,355	70,660	75,004	465,141	541,628	570,000	650,000	700,000	850,000	299,512	1,152,433	2,770,000	2,800,000
Amortization of intangibles	159,173	159,173	184,172	184,173	159,173	675,095	842,934	1,063,806	1,000,000	1,000,000	1,000,000	1,000,000	686,691	2,741,008	4,000,000	4,000,000
Impairment expense	0	0	0	0	0	0	2,530,325	0	0	0	0	0	0	2,530,325	0	0
General and administrative	2,148,943	1,628,362	2,223,312	2,035,068	2,545,905	3,062,997	4,882,762	6,832,431	6,182,431	6,200,000	6,400,000	6,400,000	8,033,685	17,323,695	25,182,431	29,000,000
Total operating expenses	2,416,452	1,858,004	2,509,504	2,318,832	2,833,281	3,887,702	8,859,604	8,639,087	7,952,431	8,050,000	8,300,000	8,460,000	9,102,792	24,219,674	32,762,431	36,800,000
Loss from operations	(1,854,525)	(1,422,832)	(1,894,860)	(1,566,046)	(1,923,646)	(2,452,892)	(6,555,382)	(6,013,031)	(5,710,355)	(5,095,862)	(4,626,476)	(3,986,586)	(6,738,263)	(16,944,951)	(19,419,279)	(11,800,000)
Operating margin	-80%	-77%	-95%	-67%	-61%	-56%	-105%	-72%	-82%	-64%	-52%	-38%	-79%	-76%	-57%	-24%
Other income:																
Interest expense	(44,206)	(203,874)	(882,235)	(891,798)	(1,427,588)	(1,592,822)	(167,728)	51,088	0	0	0	0	(2,022,113)	(3,137,050)	0	0
Initial derivative expense	0	(3,340,354)	0	0	(3,585,963)	0	0	0	0	0	0	0	(3,340,354)	(3,585,963)	0	0
Change in der val due to anti-dil adj	0	(2,642,175)	0	0	0	0	0	0	0	0	0	0	(2,642,175)	0	0	0
Change in FV of derivative liab	(565,088)	(339,088)	4,210,526	(5,964,611)	628,621	7,574,750	(887,791)	0	0	0	0	0	(2,658,261)	7,315,580	0	0
Forgiveness of debt income	0	(339,088)	0	715,265	24,925	0	0	0	0	0	0	0	376,177	24,925	0	0
Grant income	0	7,262	3,506	0	3,382	0	0	0	0	0	3,000	0	10,768	3,382	3,000	3,000
Net recog gain (loss) on mkt securities	(18,786)	46	(1,519)	(2,157)	223	(757)	(890)	0	0	0	0	0	(22,416)	(1,424)	0	0
Other expense	0	0	0	0	0	0	(38,285)	29,191	0	0	0	0	0	(9,094)	0	0
Total other income	(628,080)	(6,518,383)	3,330,278	(6,143,301)	(4,356,420)	5,981,171	(1,094,694)	80,279	0	0	3,000	0	(10,298,574)	610,336	3,000	3,000
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)	(5,932,752)	(5,710,355)	(5,095,862)	(4,623,476)	(3,986,586)	(17,036,837)	(16,334,615)	(19,416,279)	(11,797,000)
Provision for income taxes	0	0	0	0	0	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)	(5,932,752)	(5,710,355)	(5,095,862)	(4,623,476)	(3,986,586)	(17,036,837)	(16,334,615)	(19,416,279)	(11,797,000)
Stock-based compensation	940,972	709,230	995,811	566,759	654,907	960,334	1,928,646	1,857,088	1,800,000	1,800,000	1,800,000	\$ 1,800,000	3,212,772	5,400,975	7,200,000	7,500,000
Non-GAAP net income	(957,759)	(3,552,389)	(1,777,778)	(1,175,820)	(2,668,020)	(3,065,380)	(2,302,424)	(3,425,664)	(3,910,355)	(3,295,862)	(2,823,476)	(2,186,586)	(13,824,065)	(14,661,813)	(12,216,279)	(4,297,000)
EPS - basic	\$ (1.48)	\$ (4.11)	\$ 0.70	\$ (3.21)	\$ (2.40)	\$ 0.99	\$ (0.56)	\$ (0.41)	\$ (0.39)	\$ (0.34)	\$ (0.31)	\$ (0.27)	\$ (8.74)	\$ (1.90)	\$ (1.32)	\$ (0.74)
EPS - diluted	\$ (1.48)	\$ (4.11)	\$ (0.32)	\$ (3.21)	\$ (2.40)	\$ (0.69)	\$ (0.56)	\$ (0.41)	\$ (0.39)	\$ (0.34)	\$ (0.31)	\$ (0.27)	\$ (8.74)	\$ (1.90)	\$ (1.32)	\$ (0.74)
Non-GAAP EPS	\$ (0.57)	\$ (1.84)	\$ (0.87)	\$ (0.49)	\$ (1.02)	\$ (0.52)	\$ (0.17)	\$ (0.24)	\$ (0.27)	\$ (0.22)	\$ (0.19)	\$ (0.15)	\$ (7.09)	\$ (1.70)	\$ (0.83)	\$ (0.27)
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	14,600,000	14,784,821	14,800,000	14,800,000	1,949,463	8,601,159	14,746,205	16,000,000
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	14,600,000	14,784,821	14,800,000	14,800,000	1,949,463	8,601,159	14,746,205	16,000,000
Adjusted EBITDA	(761,628)	(546,083)	(712,601)	(616,982)	(1,088,710)	(776,168)	(1,259,473)	(2,169,796)	(2,912,267)	(2,307,774)	(1,835,388)	(1,198,498)	(2,837,294)	(5,294,147)	(8,253,927)	(637,648)

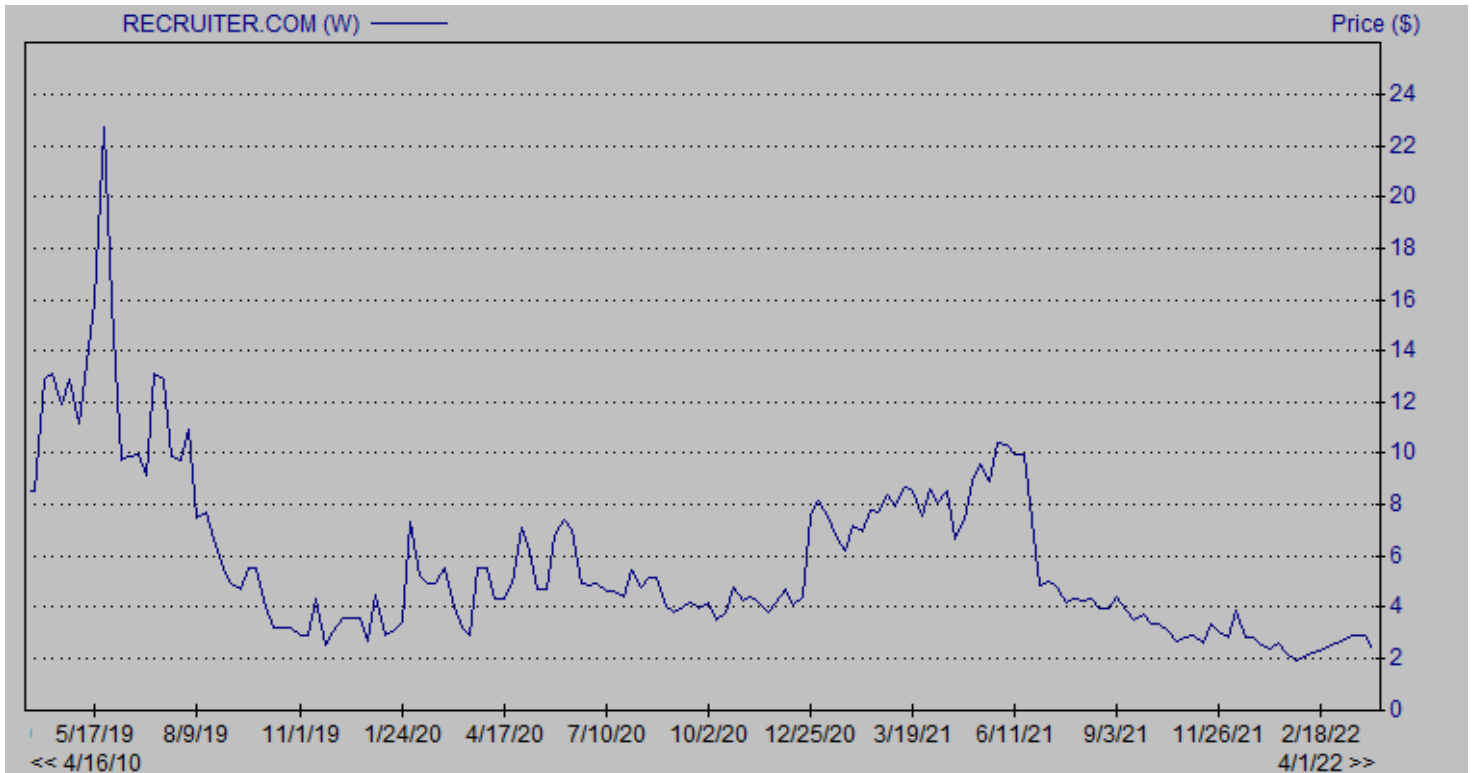
BALANCE SHEET

	Dec. 31, 2021	Sept. 30, 2021	Qtr-Qtr %	Dec. 31, 2020	Yr-Yr %
Current assets:					
Cash	\$ 2,584,062	\$ 5,346,769	-51.7%	\$ 99,906	2486.5%
Accounts receivable, net	5,650,668	5,160,642	9.5%	942,842	499.3%
Accounts receivable - related parties	49,033	26,081	88.0%	41,124	19.2%
Prepaid expenses and other current assets	546,079	287,778	89.8%	167,045	226.9%
Investments - marketable securities	0	0	0.0%	1,424	-100.0%
Total current assets	8,829,842	10,821,270	-18.4%	1,252,341	605.1%
Property and equipment, net	481	770	-37.5%	1,635	-70.6%
Right of use asset - related party	0	0	0.0%	140,642	-100.0%
Intangible assets, net	9,741,832	9,362,993	4.0%	795,864	1124.1%
Goodwill	7,718,842	9,161,486	-15.7%	3,517,315	119.5%
Total assets	26,290,997	29,346,519	-10.4%	5,707,797	360.6%
Current liabilities:					
Accounts payable	1,121,510	813,051	37.9%	616,421	81.9%
Accounts payable - related parties	163,672	106,968	53.0%	779,928	-79.0%
Accrued expenses	1,285,339	1,023,298	25.6%	423,237	203.7%
Accrued expenses - related party	0	0	0.0%	8,000	-100.0%
Accrued compensation	1,551,162	321,158	383.0%	617,067	151.4%
Accrued compensation - related party	0	116,000	-100.0%	122,500	-100.0%
Accrued interest	19,726	34,502	-42.8%	60,404	-67.3%
Contingent consideration for acquisitions	578,591	2,375,763	-75.6%	0	NA
Liability on sale of future revenues, net	0	0	0.0%	8,185	-100.0%
Deferred payroll taxes	81,728	23,333	250.3%	159,032	-48.6%
Other liabilities	17,333	17,333	0.0%	14,493	19.6%
Loans payable - current portion	1,712,387	1,752,094	-2.3%	28,249	5961.8%
Convertible notes payable, net	0	0	0.0%	1,905,826	-100.0%
Refundable deposit on preferred stock purchase	285,000	285,000	0.0%	285,000	0.0%
Warrant derivative liability	0	0	0.0%	11,537,997	-100.0%
Lease liability - current portion - related party	0	0	0.0%	73,378	-100.0%
Deferred revenue	746,449	677,506	10.2%	51,537	1348.4%
Total current liabilities	7,562,897	7,546,006	0.2%	16,691,254	-54.7%
Lease liability - long term portion - related party	0	0	0.0%	67,264	-100.0%
Loans payable - long term portion	2,637,875	3,167,586	-16.7%	73,541	3486.9%
Total liabilities	10,200,772	10,713,592	-4.8%	16,832,059	-39.4%
Stockholders' (Deficit):					
Common stock	1,457	1,439	1.3%	220	562.3%
Shares to be issued for acquisitions	59	59	0.0%	0	NA
Additional paid-in capital	66,948,340	63,558,308	5.3%	23,400,408	186.1%
Accumulated deficit	(50,859,640)	(44,926,888)	13.2%	(34,525,025)	47.3%
Total stockholders' (deficit)	16,090,225	18,632,927	-13.6%	(11,124,262)	-244.6%
Total liabilities and stockholders' (deficit)	26,290,997	29,346,519	-10.4%	5,707,797	360.6%
Series D Preferred Stock [Member]					
Stockholders' (Deficit):					
Preferred stock value	0	0	0.0%	54	-100.0%
Series E Preferred Stock [Member]					
Stockholders' (Deficit):					
Preferred stock value	9	9	0.0%	74	-87.8%
Series F Preferred Stock [Member]					
Stockholders' (Deficit):					
Preferred stock value	0	0	0.0%	\$ 7	-100.0%
Cash	\$ 2,584,062	\$ 5,346,769	-51.7%	\$ 99,906	2486.5%
Current ratio	1.2	1.4	-18.6%	0.1	1456.1%
Working capital	1,266,945	3,275,264	-61.3%	(15,438,913)	-108.2%
DSO	93	117	-20.3%	40	129.7%
Debt	4,350,262	4,919,680	-11.6%	2,007,616	116.7%
Debt as a % of assets	16.5%	16.8%	-1.3%	35.2%	-53.0%

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	3 mo Dec. 31, 2021	Year 2021
Cash Flows from Operating Activities										
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)	(5,932,752)	(16,334,615)
Adjustments to reconcile net loss to net cash used in operating activities										
Depreciation and amortization expense	159,461	159,462	184,461	184,461	687,845	159,461	675,384	843,222	1,064,095	2,742,162
Bad debt expense	11,250	750	0	0	12,000	16,963	41,763	20,579	848,542	927,847
Gain on forgiveness of debt	0	0	0	(376,177)	(376,177)	(24,925)	0	0	0	(24,925)
Equity based compensation expense	870,722	779,480	995,811	566,759	3,212,772	502,407	1,112,834	1,928,646	1,857,088	5,400,975
Recognized loss on marketable securities	18,786	(46)	1,519	2,157	22,416	(223)	757	890	0	1,424
Marketable securities distributed as compensation	0	0	0	3,917	3,917	0	0	0	0	0
Expenses paid through financings	0	32,500	0	0	32,500	0	0	0	0	0
Loan principal paid directly through grant	0	(5,964)	(2,889)	0	(8,853)	(2,992)	0	0	0	(2,992)
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	0	2,503,160
Warrant modification expense	0	0	0	0	0	0	0	12,624	0	12,624
Initial derivative expense	0	3,340,554	0	0	3,340,554	3,585,983	0	0	0	3,585,983
Change in derivative value due to anti-dilution adj	0	2,642,175	0	0	2,642,175	0	0	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	0	(7,315,580)
Impairment expense	0	0	0	0	0	0	0	2,530,325	0	2,530,325
Change in fair value of earn-out liability	0	0	0	0	0	0	0	102,116	(66,822)	35,294
Changes in operating assets and liabilities:										
(Increase) decrease in accounts receivable	9,749	10,215	106,528	(221,259)	(94,767)	(854,522)	(1,177,753)	(1,485,110)	(1,173,283)	(4,690,668)
Increase in accounts receivable - related parties	(5,942)	(4,173)	10,115	(36,784)	(36,784)	(3,259)	(2,343)	20,645	(22,952)	(7,909)
(Increase) decrease in prepaid expenses and other	(19,954)	289,005	(243,101)	(94,492)	(68,542)	28,923	(215,252)	132,506	(20,919)	(74,742)
Increase in AP and accrued liabilities	387,823	(506,187)	118,364	626,895	626,895	643,270	1,256,763	(1,257,606)	1,349,019	1,991,446
Increase in AP & accrued liabilities - related parties	324,073	(220,350)	(172,356)	4,770	(63,863)	136,448	273,592	(1,097,500)	(59,296)	(746,756)
Decrease in deferred payroll taxes	0	0	0	0	0	0	0	(135,699)	58,395	(77,304)
Increase in other liabilities	51,780	(2,226)	83,396	40,575	173,525	0	0	2,840	0	2,840
Increase (decrease) in deferred revenue	(15,434)	(43,351)	(7,712)	(27,440)	(93,937)	87,845	337,538	31,441	68,943	525,767
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)	(2,029,942)	(9,015,644)
Cash Flows from Investing Activities										
Proceeds from sale of marketable securities	14,955	2,054	0	0	17,009	0	0	0	0	0
Cash paid for customer contracts	0	0	(50,000)	0	(50,000)	0	0	0	0	0
Cash and receivables acquired	0	0	0	0	0	0	220,153	10,702	(230,855)	0
Cash paid for acquisitions	0	0	0	0	0	(249,983)	0	(2,054,545)	65,570	(2,238,958)
Net cash (used) provided by investing activities	14,955	2,054	(50,000)	0	(32,991)	(249,983)	220,153	(2,043,843)	(165,285)	(2,238,958)
Cash Flows from Financing Activities										
Proceeds from notes	0	398,545	0	0	398,545	0	250,000	0	0	250,000
Proceeds from convertible notes	0	2,226,000	0	250,000	2,476,000	2,153,200	0	0	0	2,153,200
Deferred offering costs	0	0	0	0	0	0	(473,896)	395,858	0	(78,038)
Payments of notes	(4,984)	(2,412)	(3,759)	(6,752)	(17,907)	(5,767)	(5,426)	(144,938)	(567,480)	(723,611)
Advances on receivables	180,778	0	0	0	180,778	0	0	0	0	0
Repayments of advances on receivables	0	(112,622)	(68,156)	0	(180,778)	0	0	0	0	0
Repayments of sale of future revenues	(127,241)	(134,625)	(141,751)	(125,221)	(528,838)	(10,904)	0	0	0	(10,904)
Proceeds from sale of common stock & warrants	0	0	0	0	0	0	0	13,800,000	0	13,800,000
Offering costs	0	0	0	0	0	0	0	(1,651,889)	0	(1,651,889)
Deposit on purchase of preferred stock	25,000	0	(25,000)	0	0	0	0	0	0	0
Proceeds from sales of preferred stock	0	0	25,000	0	25,000	0	0	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	(567,480)	13,738,758
Net increase (decrease) in cash	(4,719)	1,429,566	(1,149,641)	(481,552)	(206,346)	562,450	(575,458)	5,259,871	(2,762,707)	2,484,156
Cash, beginning of period	306,252	301,533	1,731,099	581,458	306,252	99,906	662,356	86,898	5,346,769	99,906
Cash, end of period	301,533	1,731,099	581,458	99,906	99,906	662,356	86,898	5,346,769	2,584,062	2,584,062
Cash Flow	(825,322)	(470,307)	(781,209)	(891,844)	(2,968,682)	(1,362,801)	(1,038,834)	(3,939,275)	(2,163,027)	(8,503,937)
Free cash flow	(825,322)	(470,307)	(781,209)	(891,844)	(2,968,682)	(1,362,801)	(1,038,834)	(5,993,820)	(2,163,027)	(10,742,895)
Supplemental disclosures of cash flow information:										
Cash paid during the period for interest	38,721	47,717	63,746	172,067	235,813	63,746	95,579	16,255	65,400	240,980
Cash paid during the period for income taxes	0	0	0	0	0	0	0	0	0	0

HISTORICAL STOCK PRICE



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