July 17, 2018

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

ShiftPixy, Inc. (PIXY-NASDAQ)

PIXY: Reports Gross Billings of $60.2 Million, Up 119% and EPS Loss of $0.06, Exceeding Estimates

We believe the stock could be worth $8.54 per share based on an industry average of 1.1 EV to gross sales for calendar year 2018 if sales targets are met and using fully diluted shares.

Current Price (07/16/18)	$3.33
Valuation	**8.54**

OUTLOOK

ShiftPixy is a start-up providing staffing services for the gig economy. Focusing first on the restaurant and hospitality vertical, the company serves as the employer of a customer's staff thereby alleviating the business of almost all human resource management related tasks. It is has introduced a novel, easy to use app, which allows establishments to keep track of workers' hours and scheduling as well as giving employers and employees a Match.com-like platform to fill shift openings. **It is at a $241 million annual gross billing run rate** and continues to roll out services in a number of large dense cities throughout the US.

SUMMARY DATA

52-Week High	**$10.32**
52-Week Low	**$2.00**
One-Year Return (%)	**-65.0**
Beta	**N/A**
Average Daily Volume (sh)	**2,052,099**
Shares Outstanding (mil)	**29**
Market Capitalization ($mil)	**$96**
Short Interest Ratio (days)	**3.1**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**45**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2018 Estimate	**N/M**
P/E using 2019 Estimate	**N/M**
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Internet-Software**

ZACKS ESTIMATES

Gross Billings
(in millions of $)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2016	$1.0 A	$2.8 A	$13.3 A	$33.6 A	$50.7 A
2017	$35.0 A	$30.8 A	$27.5 A	$33.1 A	$126 A
2018	$40.2 A	$48.6 A	$60.2 A	$66.2 E	$215 E
2019					$310 E

EPS (GAAP)

	Q1 (Nov)	Q2 (Feb)	Q3 (May)	Q4 (Aug)	Year (Aug)
2016	-$0.01 A	-$0.01 A	$0.00 A	-$0.05 A	-$0.07 A
2017	$0.01 R	-$0.04 R	-$0.11 R	-$0.13 R	-$0.28 A
2018	-$0.12 A	-$0.09 A	-$0.06 A	-$0.06 E	-$0.33 E
2019					-$0.20 E

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

© Copyright 2018, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

Q3 Earnings Report

ShiftPixy reported earnings for its FY 2018 Q3 quarter ending May 31, 2018. Q3 gross billings came in at $60.2 million versus $27.5 million a year ago, up 119%, in the middle of the company's guidance. Revenues beat our estimates at $9.4 million versus $4.6 million last year, up 103%. Revenue was again 16% of gross billings as it was in Q2, but down a percentage point from a year ago. In the quarter 92% of revenues came from California. The two biggest areas of this 8% were Texas and Arizona. Pennsylvania will grow as a percent of revenues as the company just onboarded a customer with 27 franchise locations of one of the country's largest pizza brands.

Gross margin came in at 2.5%, higher than last year. Last year's margin was restated from 3.2% to 2.3% as costs were spread ratably across the year. Gross margin was also up sequentially from the 1.8% in February.

Operating expenses were $3.4 million versus 3.6 million with the decline coming from product development, which the company now capitalizes.

The operating loss was $1.8 million versus $3.0 million a year ago.

With no interest expense and no taxes, this loss resulted in an EPS loss of $0.06. This compares with a restated loss of $0.11 a year ago. Primary shares outstanding increased only 8%.

During the quarter the company continued to expand beyond restaurants adding Zion Delivery Service who provides deliveries as a contractor to Amazon and others. It also added an office in Chicago. Since the May quarter ended the company added 14 new customers with 337 employees and generating an expected $12.3 million of gross billings per year. That makes total of 7,979 shifters in the workforce now.

ShiftPixy continues to make progress with its app's capabilities and expects to be able to provide customers with scheduling functionality, as well as letting onboarded employees look at shift opportunities, by this summer. In the fall, people outside the customer base will be able to seek opportunities in the network.

The company's new metered product that insures restaurant employees making deliveries continues to attract interest. Many restaurants, which have outsourced delivery, have reported examples of brand destruction, as these third parties do not provide the level of customer care restaurants desire. The ShiftPixy solution allows these establishments to send their own employees economically as they only pay for insurance while the employee is out on a delivery.

Forecasts

We are raising our forecasts due to this better than expected quarter as well as the fact that the company raised needed capital with debt rather than equity keeping the share count steady. In the conference call management also reported that June sales were up 14% sequentially from May, leading us to believe business continues to grow as expected. We are raising FY 2018 to $215 million in gross billings, $34 million in revenues, and an EPS loss of $0.33.

For FY 2019 we are raising gross billings to a conservative $310 million, revenues to $50 million and EPS loss of $0.20. Given the capital raise of $8.4 million plus potential for the exercise of 3.3 million warrants that are in the money, we believe the company has the ability to raise sufficient cash to see it through to cash breakeven.

Capital Raise

On June 4 the company completed a private placement of 8% senior secured convertible notes and warrants to institutional investors raising $9 million of gross proceeds. Concurrently with the sale of the notes, the company sold **warrants to purchase 1,004,016 shares** of common stock at an **exercise price of $2.49** per share. The net proceeds from the transactions was approximately $8,434,000 and will be used for mobile application development and support, IT and HR platform development and support, working capital and for general corporate purposes.

INVESTMENT THESIS

- ShiftPixy is taking a unique approach to solving the human resource management problems of the gig economy. Its solution is to have its customers move their workers over to be employed by ShiftPixy, which then acts as a staffing agency for the customer. By pooling the employees of many smaller companies, ShiftPixy can administrate the human resource management function with economies of scale. In return for providing insurance, payroll processing, benefits, and compliance services these enterprises pay ShiftPixy a fee based on their payroll, that is much less than the cost of doing these functions in-house.

- ShiftPixy is first targeting the underserved restaurant and hospitality industry vertical, particularly small, and medium businesses (SMBs) with 100-500 employees. These companies are the main victims of increasing regulation. ShiftPixy currently serves about 100 clients who utilize over 3,000 workers in California. We believe there are three million restaurant and hospitality entities with under 500 employees in the US and we estimate this vertical market size is $3 billion in service fee revenue, or $30 billion in gross billings including wages.

- By pooling customers' work forces together ShiftPixy not only affords its clients with lower overall prices due larger buying power (as with worker's comp and health insurance), it also alleviates the need for clients to understand and correctly comply with increasingly complex state and federal employment regulations which are particularly onerous for employers with many part time workers.

- Another differentiator for ShiftPixy is its mobile app that has been launched and is rolling out capabilities. It is being used now to onboard new employees. By the end of this summer, the company expects it will be able to facilitates scheduling between restaurants and shift workers by matching qualified workers to shifts, while giving workers access to their schedules and earnings in real-time. Later it will also create a social job-seeking network for matching job openings with workers. Like a match.com it will let employers find shift workers to fill available hours and workers to find jobs. This can be used not only to fill temp or shift work but as a resource for permanent hires. Since all the workers in the network are already employees of ShiftPixy, a restaurant can get a fill in or even hire someone without any additional paperwork or onboarding.

- ShiftPixy is working to further develop its custom cloud platform and continue its geographic roll out from Southern California, New York, Austin, and Orlando, to Chicago in May. Next target areas are San Francisco, Dallas, Atlanta, Philadelphia, and Las Vegas. These locations more than 53% of all enterprises with 50 or more employees in its targeted sector.

- Management has significant experience in managing a number of staffing and insurance companies targeted at small business and created ShiftPixy to address the unique needs of the emerging gig economy.

- Based on its rapid ramp and a comparable multiple of 1.1 times enterprise value to calendar gross billings we believe the company could be worth $274 million or $8.54 per share.

OVERVIEW

ShiftPixy, Inc. was founded in 2015 as a temporary staffing company. It contracted with clients who employ numerous part-time shift workers and alleviated their burdens by moving their employees over to ShiftPixy. Its customers are primarily restaurants and hospitality enterprises in California. The company has been expanding its services to fulfill the needs of this unique vertical market and plans to develop its own platform to handle not only HR management, insurance, payroll and compliance, but provide an easy to use, fully integrated mobile system to hire, onboard, schedule and share part time employees among all its customers. With this approach, the customer offloads the entire employee related administrative burden to ShiftPixy and the part-time employees have the ability to manage schedules and increase wages by working at multiple restaurants owned by different entities because they all are now employees of ShiftPixy. The company has found great success in California as it pays lower worker's comp insurance rates as a large company with many employees, than its smaller customers can. It also has better buying power for health insurance and other benefits. Customers also rely on it to navigate through the complex state and federal employment regulations. In particular ACA reporting compliance is a nightmare for companies with many part time and shift workers and requires much more administrative time than in white-collar industries with salaried employees typically served by PEOs. Add this to the extremely high turnover found in this vertical requiring more hiring and onboarding, it is no wonder these companies are embracing the ShiftPixy solution.

FINANCIALS

There has been some confusion as what the company defines as gross billings, net revenues, and cost of goods. The following explanation is taken from the company's filings and can be used to compare and contrast it with other staffing companies and PEOs. There are extreme inconsistencies as to how companies in these businesses report revenues, but there are new requirements being implemented to make companies report in the manner ShiftPixy currently does. While other companies report a variety of net and gross numbers on the revenue line, the gross margins being reported by all should be similar.

Revenue Recognition

The company's revenues are primarily attributable to fees for providing staffing solutions and PEO services. The company recognizes revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) the product has been shipped or the services have been rendered to the customer; (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

Gross billings are primarily based on:

- the payroll cost of our worksite employees;
- the employer portion of payroll-related taxes;
- employee benefit programs;
- workers' compensation insurance coverage and
- admin fees and delivery fees, which are the fees charged to clients for providing payroll processing and temporary staffing services.

Net revenues exclude the payroll cost of website employees component of gross billings. With respect to employer payroll taxes, employee benefit programs, workers' compensation insurance, ShiftPixy believes it is the primary obligor, has latitude in establishing price, selecting suppliers, and determining the service specifications and, as such, the gross billings for those components are included as net revenues. Net revenues are recognized ratably over the payroll period as worksite employees perform their service at the client worksite.

Consistent with revenue recognition policy, direct costs do not include the payroll cost of our worksite employees. Cost of revenue is primarily comprised of all other costs related to our worksite employees, such

as the employer portion of payroll-related taxes, employee benefit plan premiums and workers' compensation insurance costs.

VALUATION

As a start-up we believe that ShiftPixy should be valued first on gross billings to enterprise value focusing on later years. While it reports revenue on a gross basis like a staffing company, we believe its value proposition is much higher and it should be able to command higher fees for its services as it fulfills a customer's needs more like a technology company and a PEO. Given this, we believe given the company's growth prospects, its unique product offering, and it long term potential for higher margins it should initially trade at the high end of valuation for staffing companies. Its staffing company competitors are much larger companies and are trading in a range of 0.2-1.5 enterprise value to sales with an average of 0.8 times estimated 2018 calendar year sales. However it is evolving into a SaaS/PEO type company, which has the potential for higher EBITDA margins and thus valuations. These companies trade at an average valuation of 7.1 times EV/EBITDA.

Using a calendar year estimate for gross billings in 2018 of $249 million and 1.1 times enterprise value to sales, ShiftPixy could be worth $274 million by 2019 or $8.54 per share using a fully diluted share count of 32.2 million shares.

Additionally as ShiftPixy adds features and capabilities equal to or surpassing competitors like TriNet, its margins could warrant even higher valuation multiples.

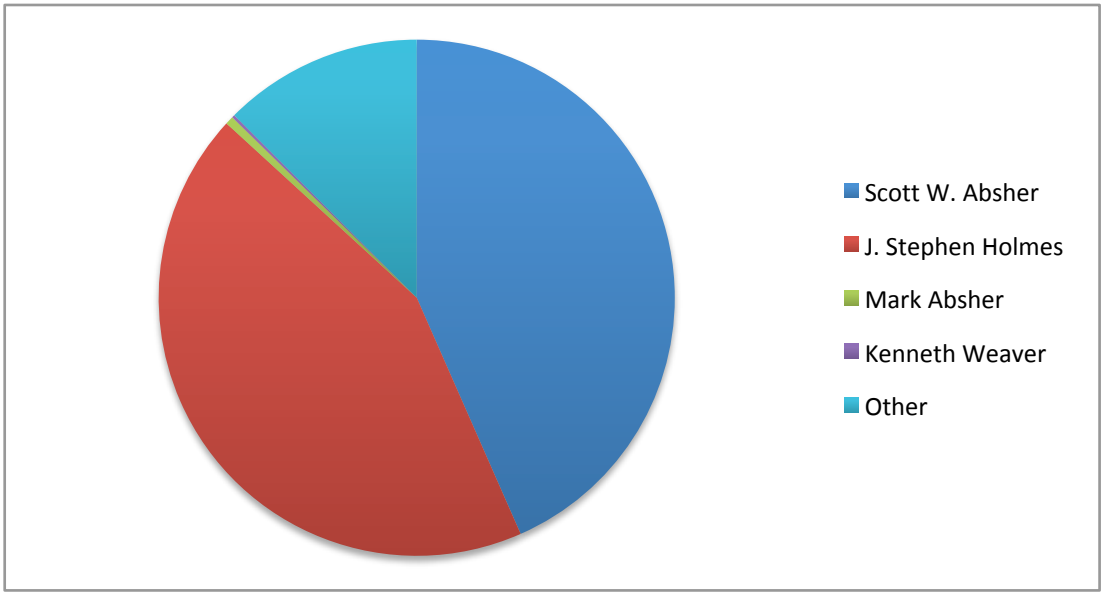
Company	Ticker	Revenue 2018E	LTM	EBIDTA Margin	Enterprise Value / Sales 2018E	LTM	Included in Average?	Enterprise Value
AMN Healthcare Services, Inc.	AMN	2,160	2,020	12%	1.5	1.6	y	3,240
Cross Country Healthcare, Inc.	CCRN	866	868	5%	0.6	0.6	y	510
GEE Group, Inc.	JOB	177	178	5%	0.6	0.6	y	100
Insperity, Inc.	NSP	3,760	3,430	5%	1.0	1.1	y	3,740
Kelly Services, Inc. Class A	KELYA	5,690	5,450	2%	0.2	0.2	y	903
Kforce Inc.	KFRC	1,420	1,370	6%	0.7	0.7	y	993
ManpowerGroup Inc.	MAN	23,270	21,800	4%	0.3	0.3	y	6,110
ASGN Inc.	ASGN	3,310	2,680	11%	1.4	1.8	y	4,770
Randstad Holding NV	RANJY	NA	27,260	4%	NA	0.4	n	12,070
Robert Half International Inc.	RHI	5,580	5,270	11%	1.4	1.5	y	7,740
Staffing 360 Solutions, Inc.	STAF	261	208	2%	0.3	0.4	y	75
TrueBlue, Inc.	TBI	2,480	2,490	5%	0.5	0.5	y	1,180
Average				6.1%	0.8	0.8		2,669

Company	Ticker	Calendar Revenue 2018E	LTM	EBIDTA Margin	Enterprise Value / Sales 2018E	LTM	Included in Average?	Enterprise Value
Match Group	MTCH	1,680	1,440	31%	7.2	8.4	y	12,040
Paychex	PAYX	3446	3,380	42%	7.1	7.3	y	24,630
TriNet	TNET	860	831	31%	4.6	4.8	y	3,960
Workday	WDAY	2,700	2,280	-7%	9.6	11.4	y	25,950
Average				24.1%	7.1	7.9		16,645

RISKS

- The company is an early stage company and has just reported an annual gross billing run-rate of $241 million. It is very difficult to project revenue and net income with such a short operating history.
- The company is entering a mature industry and it may be difficult to dislodge entrenched competitors. Some of these competitors are multi-billion companies with much greater resources and proven track record for customers.
- Part of the company's selling point is to enable customers to lessen the burden of the Affordable Care Act, which has a reasonable possibility of being repealed and/or replaced. In the tax bill about to be passed the individual mandate has been eliminated. In addition, possible changes laws regulating documenting workers as citizens such as eVerify could also impact business.
- The restaurant industry is notorious for rapid turnover and using undocumented workers for staff particularly in California. New government regulations could put further burdens in management of this workforce. Also being a largely cash business, clients may subject ShiftPixy to risk in tax reporting issues.
- As ShiftPixy expands geographically to other states, its offering may not be as compelling in those states compared with California as the economic savings may not be the same due to different pricing for salaries and insurance and different regulatory burdens.
- ShiftPixy must be careful in managing its risk from its customer base. Restaurants operate on very thin margins and have the highest risk for failure of any industry.
- The company is not yet profitable nor cash flow breakeven. It may need to raise more capital to sustain it to profitability.

OWNERSHIP



INCOME STATEMENT

	Q1 Nov 30, 2016R	Q2 Feb 28, 2017R	Q3 May 31, 2017R	Q4 Aug 31, 2017	Q1 Nov 30, 2017	Q2 Feb 28, 2018	Q3 May 31, 2018	Q4 Aug 31, 2018E	FY 2015	FY 2016	FY 2017	FY 2018E	FY 2019E
Gross billings	**$35.000**	**$30.758**	**$27.457**	**$33.176**	**40.200**	**48.600**	**60.200**	**66.220**	**$0.078**	**$50.672**	**$126.391**	**$215.220**	**$310.000**
Yr-to-Yr Growth	3465%	1010%	106%	-1%	15%	58%	119%	100%		NM	149%	70%	44%
Adjustment to gross billings	29.500	25.350	22.828	28.469	33.600	40.800	50.825	55.625	0.060	42.211	106.147	180.851	260.400
Net Revenue	$5.682	$5.409	$4.628	$4.707	$6.512	$7.886	$9.375	$10.595	$0.018	$8.461	$20.244	$34.369	$49.600
Yr-to-Yr Growth	12633%	1538%	111%	-20%	15%	46%	103%	125%		47687%	139%	70%	44%
Net Rev as % of Gross Billing	16%	18%	17%	14%	16%	16%	16%	16%	23%	17%	16%	16%	16%
Cost of goods	3.731	4.303	3.993	4.525	5.267	7.006	7.826	8.900	0.012	6.944	16.552	28.999	42.000
Gross margin	1.951	1.106	0.635	0.182	1.245	0.880	1.550	1.695	0.006	1.516	3.692	5.370	7.600
Percent of gross billings	5.6%	3.6%	2.3%	0.5%	3.1%	1.8%	2.6%	2.6%	7.8%	3.0%	2.9%	2.5%	2.5%
Percent of revenues	34.3%	20.4%	13.7%	3.9%	19.1%	11.2%	16.5%	16.0%	34.2%	17.9%	18.2%	15.6%	15.3%
Payroll	0.93	0.91	1.083	NA	1.25	1.37	1.38	1.40	NA	NA	NA	5.405	5.838
Commissions	0.10	0.20	0.202	NA	0.27	0.34	0.46	0.47	NA	NA	NA	1.543	2.006
Professional Fees	0.17	0.28	0.629	NA	0.49	0.51	0.42	0.43	NA	NA	NA	1.848	2.000
Sales and Marketing	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.020	2.710	NA	NA
Product development	0.000	0.000	0.658	NA	1.900	0.486	0.000	0.000	0	0.317	2.695	2.386	0.000
Customer support	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.557	1.455	NA	NA
General and administrative	0.369	0.675	1.015	2.264	0.672	0.892	1.105	1.200	0.060	1.478	4.324	3.869	4.063
Total operating expenses	1.573	2.066	3.588	3.957	4.587	3.598	3.367	3.500	0.060	3.371	11.184	15.052	13.907
Operating income	0.378	(0.960)	(2.953)	(3.775)	(3.342)	(2.718)	(1.817)	(1.805)	(0.054)	(1.855)	(7.492)	(9.682)	(6.307)
Operating margin	7%	-18%	-64%	-80%	-8.3%	-34.5%	-19.4%	-17.0%	-303%	-22%	-37%	-28%	-13%
Interest expense				0.000	0.000	0.000	0.000	0.053	0.000	0.000	0.000	0.053	0.640
Total other income	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.053	0.640
Net Income	0.378	(0.960)	(2.953)	(3.775)	(3.342)	(2.500)	(1.817)	(1.805)	(0.054)	(1.855)	(7.492)	(9.629)	(5.667)
Net loss per share	**$ 0.01**	**$ (0.04)**	**$ (0.11)**	**$ (0.13)**	**$ (0.12)**	**$ (0.09)**	**$ (0.06)**	**$ (0.06)**	**$ (0.00)**	**$ (0.07)**	**$ (0.28)**	**$ (0.33)**	**$ (0.20)**
Shares outstanding	26.2	26.2	26.6	28.8	28.8	28.8	28.8	28.8	24.1	25.6	26.8	28.8	28.8
Yr-to-Yr Growth	2%	2%	4%	12%	10%	10%	8%	0%		NM	4%	8%	0%
Fully diluted shares	27.0	28.5	29.8	32.1	31.3	32.2	32.7	33.7					
Adjusted EBITDA	0.394	(0.944)	(2.893)	(3.715)	(3.207)	(2.412)	(1.388)	(1.375)		(1.827)	(7.158)	(8.382)	(5.167)

BALANCE SHEET

On June 4 the company completed a private placement of 8% senior secured convertible notes and warrants **to purchase 1,004,016 shares** of common stock at an **exercise price of $2.49** per share. The net proceeds from these transactions were approximately $8,434,000.

	May 31, 2018	February 28, 2018	Qtr-Qtr % Change	May 31, 2017	Yr-Yr % Change
Assets:					
Cash and cash equivalents	$ 1,187,386	$ 904,421	31%	$ 511,267	31%
Accounts receivable	307,847	191,910	60%	155,995	60%
Prepaid expenses	2,205,741	2,780,159	-21%	404,820	-21%
Other current assets	177,712	33,279	434%	17,470	434%
Total current assets	3,878,686	3,909,769	-1%	1,089,552	-1%
Fixed assets	1,086,282	1,061,901	2%	304,413	2%
Deposits and other	137,980	158,415	-13%	93,183	-13%
Total Assets	5,102,948	5,130,085	-1%	1,487,148	-1%
Current Liabilities:					
Accounts payable	850,225	1,359,927	-37%	578,105	-37%
Payroll related liabilities	5,374,954	3,329,263	61%	1,178,545	61%
Other current liabiliities	795,192	688,311	16%	370,228	16%
Total current liabilities	7,020,371	5,377,501	31%	2,126,878	31%
Total Liabilities	7,020,371	5,377,501	31%	2,126,878	31%
Stockholders' Equity					
Common Stock	2,881	2,881	0%	2,664	0%
Additional paid in capital	15,357,342	15,210,030	1%	3,735,891	1%
Accumulated deficit	(17,277,646)	(15,460,327)	12%	(4,378,285)	12%
Total Stockholders' Equity	(1,917,423)	(247,416)	675%	(639,730)	675%
Total Liabilities and Stockholders' Equity	5,102,948	5,130,085	-1%	1,487,148	-1%
Net cash	$1,187,386	$904,421	31%	$511,267	31%
Current and quick ratios	0.6	0.7	-24%	0.5	-24%
Cash as % of assets	23%	18%	32%	34%	32%
Working Capital	(3,141,685)	(1,467,732)	114%	(1,037,326)	114%

CASH FLOW

	3 Months Ending May 31, 2018	3 Months Ending Feb 28, 2018	3 Months Ending Nov 30, 2017	Year Ending Aug 31, 2017	3 Months Ending Aug 31, 2017	3 Months Ending May 31, 2017	3 Months Ending Feb 29, 2017 (Restated)	3 Months Ending Nov 30, 2016 (Restated)
Net Income	(1,817,319)	$ (2,718,883)	$ (3,341,217)	$ (7,491,990)	$ (3,957,122)	$ (2,952,615)	$ (960,352)	$ 378,099
Adjustments to reconcile net loss to net cash used in operating activities:								
Depreciation	59,342	57,949	17,695	65,369	16,348	16,348	16,348	16,325
Stock issued for services	75,000	3,114	47,240	329,645	44,645	285,000	0	0
Stock-based compensation	72,311	26,800	70,296	43,415	0	43,415	0	0
Changes in assets and liabilities:								
Accounts recievable	(115,937)	279,279	(42,399)	(372,352)	(272,795)	(32,758)	214,554	(281,353)
Prepaid expenses	574,418	114,917	(207,888)	(2,344,192)	(2,282,368)	595,032	(359,679)	(297,177)
Other current assets	(144,433)	(16,916)	(447)	57,566	1,554	66,541	(5,806)	(4,723)
Other assets	20,435	(8,935)	(23,000)	(21,867)	(33,297)	39,357	(39,357)	11,430
Accounts payable	(509,702)	(413,391)	612,844	334,027	582,369	140,300	287,473	(676,115)
Payroll related liabilities	2,045,691	1,034,001	(93,192)	1,665,739	540,160	690,328	220,154	215,097
Other current liabilities	106,881	546,236	(136,907)	157,713	(486,318)	197,765	458,526	(12,260)
Net Cash Used In Operating Activities	366,687	(1,095,829)	(3,096,975)	(7,576,927)	(5,846,824)	(911,287)	(168,139)	(650,677)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchase of fixed assets	(83,722)	(822,075)	(27,405)	(4,661)	0	0	0	(4,661)
Net Cash Used In Investing Activities	(83,722)	(822,075)	(27,405)	(4,661)	0	0	0	(4,661)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Proceeds from issuance of common stock, net	50,000	0	0	10,887,261	9,509,761	850,500	527,000	0
Proceeds from issuance of common stock with warrants	0	0	0	1,577,500	1,577,500	0	0	0
Proceeds from exercise of warrants	(50,000)	0	50,000	145,000	145,000	0	0	0
Net Cash Provided By Financing Activities	0	0	50,000	12,609,761	11,232,261	850,500	527,000	0
Net Increase in Cash	282,965	(1,917,904)	(3,074,380)	5,028,173	5,385,437	(60,787)	358,861	(655,338)
Cash - Beginning of Period	904,421	2,822,325	5,896,705	868,532	511,267	572,055	213,194	868,532
Cash - End of Period	1,187,386	904,421	2,822,325	5,896,705	5,896,704	511,268	572,055	213,194
Operating cash flow	(1,685,666)	(2,634,134)	(3,253,226)	(7,383,206)	(3,940,774)	(2,892,852)	(944,004)	394,424
Free cash flow	(1,769,388)	(3,456,209)	(3,280,631)	(7,387,867)	(3,940,774)	(2,892,852)	(944,004)	389,763

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Lisa Thompson, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.