



FlexShopper, Inc. Reports 2018 Second Quarter Financial Results Highlighted by 40% Growth in Lease Originations and 14% Revenue Growth

August 6, 2018

Company Rolls Out Its Lease-to-Own Program to National Retailer's 726 Corporate Stores

BOCA RATON, Fla., Aug. 06, 2018 (GLOBE NEWSWIRE) -- FlexShopper, Inc. (Nasdaq:FPAY) ("FlexShopper"), a leading national online lease-to-own ("LTO") retailer and LTO payment solution provider, today announced its financial results for the quarter ended June 30, 2018, highlighted by record second quarter revenue results.

Results for Three Months Ended June 30, 2018 vs. Three Months Ended June 30, 2017:

- Total revenues increased 14.3% from \$16.7 million to \$19.1 million
- Lease originations increased from 16,722 to 23,488 or 40%
- Net loss increased to \$2.0 million compared to a net loss of \$1.6 million
- Net loss attributable to common shareholders increased to \$2.6 million or \$0.48 per diluted share compared to \$2.1 million or \$0.40 per diluted share

Results for Six Months Ended June 30, 2018 vs. Six Months Ended June 30, 2017:

- Total revenues increased 14.4% from \$34.1 million to \$39.0 million
- Lease originations increased from 35,238 to 45,559 or 29%
- Net loss increased to \$4.3 million compared to a net loss of \$2.6 million
- Net loss attributable to common shareholders increased to \$5.5 million or \$1.03 per diluted share compared to \$3.7 million or \$0.70 per diluted share
- Adjusted Gross Profit¹ increased 13.5% from \$7.3 million to \$8.3 million
- Adjusted EBITDA¹ was (\$1.3) million compared to (\$0.7) million

¹Adjusted Gross Profit and Adjusted EBITDA are non-GAAP financial measures. Refer to the definitions and reconciliations of these measures under "Non-GAAP Measures".

Other Highlights and Recent Developments

- Company launched its largest retail rollout to 726 retail stores, accelerating its B2B2C business.
- Received a Notice of Allowance from the United States Patent and Trademark Office (USPTO) for its patent application directed to a system that enables e-commerce servers the ability to complete LTO transactions through their e-commerce websites.
- Launched jewelry on FlexShopper.com featuring a selection of 30,000 items from Overstock; we believe this could be a significant growth opportunity.

Brad Bernstein, CEO, stated, "We are pleased to report another quarter of continued revenue growth and achieving significant milestones, including our largest national retail rollout encompassing 726 locations. The retail rollout has been executed quickly and seamlessly utilizing our mobile application that requires no integration into the retailer's point of sale system. With this rollout we are excited to see our B2B2C business accelerate. We anticipate additional retail adoption with this "integrationless" methodology. In addition, our online B2C business remains strong, posting 40.5% lease origination growth for the quarter. Much of this growth is attributable to our digital marketing channel which we continue to expand with its increasing efficiency. Lastly, in connection to our LTO Payment Method at checkout on e-commerce websites, we received a notice of allowance from the United States Patent and Trademark Office (USPTO) for our patent application directed to a system that enables e-commerce servers the ability to complete LTO transactions through their e-commerce websites. We believe this patent will constitute a significant differentiator for us in the LTO industry."

We are exploring various financing options to provide additional equity capital to continue to grow our business. For further information, please refer to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 6, 2018.

Conference Call Details

Date: Tuesday, August 7, 2018
Time: 3:00 p.m. Eastern Time

Participant Dial-In Numbers:

Domestic callers: (877) 407-3944
International callers: (412) 902-0038

Access by Webcast

The call will also be simultaneously webcast over the Internet via the "Investor" section of the Company's website at www.flexshopper.com or by clicking on the conference call link: <http://flexshopper.equisolvewebcast.com/q2-2018>. An audio replay of the call will be archived on the Company's website.

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Revenues:				
Lease revenues and fees	\$ 18,588,477	\$ 16,363,033	\$ 37,925,373	\$ 33,313,925
Lease merchandise sold	487,830	324,227	1,102,348	814,952
Total revenues	19,076,307	16,687,260	39,027,721	34,128,877
Costs and expenses:				
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	8,987,412	8,126,839	19,395,158	16,587,622
Cost of lease merchandise sold	324,705	226,310	658,468	535,928
Provision for doubtful accounts	5,483,487	4,759,879	10,658,805	9,675,629
Marketing	1,260,237	818,609	2,429,187	1,630,791
Salaries and benefits	2,031,788	1,898,005	4,211,164	3,666,157
Operating expenses	1,918,246	1,869,317	3,957,184	3,542,969
Total costs and expenses	20,005,875	17,698,959	41,309,966	35,639,096
Operating loss	(929,568)	(1,011,699)	(2,282,245)	(1,510,219)
Interest expense including amortization of debt issuance costs	1,045,338	551,304	1,979,005	1,107,295
Net loss	(1,974,906)	(1,563,003)	(4,261,250)	(2,617,514)
Dividends on Series 2 Convertible Preferred Shares	604,824	560,236	1,208,504	1,109,036
Net loss attributable to common shareholders	\$ (2,579,730)	(2,123,239)	(5,469,754)	(3,726,550)
Basic and diluted (loss) per common share:				
Net loss	\$ (0.48)	\$ (0.40)	\$ (1.03)	\$ (0.70)
WEIGHTED AVERAGE COMMON SHARES:				
Basic and diluted	5,368,390	5,290,670	5,331,445	5,288,975

FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,055,948	\$ 4,968,915
Accounts receivable, net	4,104,683	4,259,468
Prepaid expenses	382,758	321,035
Lease merchandise, net	17,806,583	21,415,322
Total current assets	24,349,972	30,964,740
PROPERTY AND EQUIPMENT, net	3,073,049	2,948,164
OTHER ASSETS, net	94,185	95,722

\$ 27,517,206 \$ 34,008,626

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current portion of loan payable under credit agreement to beneficial shareholder net of \$449,226 at 2018 and \$118,404 at 2017 of unamortized issuance costs	\$ 14,402,123	\$ 14,094,096
Accounts payable	4,513,971	7,702,145
Accrued payroll and related taxes	365,514	404,346
Promissory notes	3,500,000	-
Accrued expenses	767,921	786,095
Total current liabilities	23,549,529	22,986,682
Loan payable under credit agreement to beneficial shareholder net of \$40,839 at June 30, 2018 and \$39,468 at Dec 31, 2017 of unamortized issuance costs and current portion	1,309,284	4,698,032
Total liabilities	24,858,813	27,684,714

STOCKHOLDERS' EQUITY

Series 1 Convertible Preferred Stock, \$0.001 par value- authorized 250,000 shares, issued and outstanding 239,405 shares at \$5.00 stated value	1,197,025	1,197,025
Series 2 Convertible Preferred Stock, \$0.001 par value- authorized 25,000 shares, issued and outstanding 21,952 shares at \$1,000 stated value	21,952,000	21,952,000
Common stock, \$0.0001 par value- authorized 15,000,000 shares, issued and outstanding 5,469,501 shares as of 2018 and 5,294,501 as of 2017	547	529
Additional paid in capital	23,041,404	22,445,691
Accumulated deficit	(43,532,583)	(39,271,333)
Total stockholders' equity	2,658,393	6,323,912
	\$ 27,517,206	\$ 34,008,626

FLEXSHOPPER, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2018 and 2017
(unaudited)

	2018		2017	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$ (4,261,250	)	\$ (2,617,514)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and impairment of lease merchandise	19,395,158		16,587,622	
Other depreciation and amortization	1,191,510		1,002,644	
Compensation expense related to issuance of stock options	72,481		42,211	
Provision for doubtful accounts	10,658,805		9,675,629	
Changes in operating assets and liabilities:				
Accounts receivable	(10,504,020	)	(9,885,543)
Prepaid expenses and other	(60,167	)	(110,749)
Lease merchandise	(15,786,419	)	(11,532,939)
Security deposits	-		(5,928)
Accounts payable	(3,188,174	)	(1,337,021)
Accrued payroll and related taxes	(38,832	)	(25,312)
Accrued expenses	108,198		80,570	
Net cash (used in) provided by operating activities	(2,412,710	)	1,873,670	
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment, including capitalized software costs	(1,021,551	)	(979,562)
Net cash (used in) investing activities	(1,021,551	)	(979,562)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from exercise of stock options	-		15,000	
Proceeds from exercise of warrants	1,750		-	
Proceeds from promissory notes	3,465,000		-	

Proceeds from loan payable under credit agreement	3,550,000	-	
Repayment of loan payable under credit agreement	(6,420,852)	)	(788,207)
Repayment of installment loan	(5,604))	-
Debt issuance related costs	(69,000))	-
Net cash provided by (used in) financing activities	521,294		(773,207)
 (DECREASE)/INCREASE IN CASH	 (2,912,967	)	120,901
 CASH, beginning of period	 4,968,915		 5,412,495
 CASH, end of period	 \$ 2,055,948		 \$ 5,533,396

Non-GAAP Measures

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

	Six Months ended June 30,			
Adjusted Gross Profit	2018	2017	\$ Change	% Change
Net revenues	\$ 39,027,721	\$ 34,128,877	\$ 4,898,844	14.4
Less: provision for doubtful accounts	10,658,805	9,675,629	983,176	10.2
Cost of merchandise sold	658,468	535,928	122,540	22.9
Adjusted net revenues	27,710,448	23,917,320	3,793,128	15.9
Less: Cost of lease revenue and merchandise sold	19,395,158	16,587,622	2,807,536	16.9
Adjusted gross profit	\$ 8,315,290	\$ 7,329,698	\$ 985,592	13.5
 Net revenues as a percentage of cost of lease revenue	 143	 %	 144	 %

	Six Months ended June 30,			
Adjusted EBITDA	2018	2017	\$ Change	% Change
Net Loss	\$ (4,261,250	) \$ (2,617,514	) \$ 1,643,736	(62.8)
Add back: depreciation (excluding leased inventory), amortization, interest and stock-based compensation	2,949,690	1,915,341	1,034,349	54.0
Adjusted EBITDA	\$ (1,311,560	) \$ (702,173	) \$ 609,387	(86.8)

We refer to Adjusted Gross Profit and Adjusted EBITDA in the above tables as we use these measures to evaluate our operating performance and make strategic decisions about the Company. Management believes that Adjusted Gross Profit and Adjusted EBITDA provide relevant and useful information which is widely used by analysts, investors and competitors in our industry in assessing performance.

Adjusted Gross Profit represents GAAP revenue less the provision for doubtful accounts and cost of leased inventory and inventory sold. Adjusted Gross Profit provides us with an understanding of the results from the primary operations of our business. We use Adjusted Gross Profit to evaluate our period-over-period operating performance. This measure may be useful to an investor in evaluating the underlying operating performance of our business.

About FlexShopper

FlexShopper, LLC, a wholly owned subsidiary of FlexShopper, Inc. ([EPAY](#)), is a financial and technology company that provides brand name electronics, home furnishings and other durable goods to consumers on a lease-to-own (LTO) basis through its e-commerce marketplace ([www.FlexShopper.com](#)) and patent pending LTO payment method. FlexShopper also provides LTO technology platforms to retailers and e-retailers to facilitate transactions with consumers that want to acquire their products, but do not have sufficient cash or credit. FlexShopper approves consumers utilizing its proprietary consumer screening model, collects from consumers under an LTO contract and funds the LTO transactions by paying merchants for the goods.

Forward-Looking Statements

All statements in this release that are not based on historical fact are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as “believe,” “expect,” “may,” “will,” “should,” “could,” “seek,” “intend,” “plan,” “goal,” “estimate,” “anticipate,” or other comparable terms. Examples of forward-looking statements include, among others, statements we make regarding the expansion of our lease-to-own program; expectations concerning our partnerships with retail partners; investments in, and the success of, our underwriting technology and risk analytics platform; our ability to collect payments due from customers; expected future operating results and; expectations concerning our business strategy. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, as a result of various factors including, among others, the following: our limited operating history, limited cash and history of losses; our ability to obtain adequate financing to fund our business operations in the future; the failure to successfully manage and grow our FlexShopper.com e-commerce platform; our

ability to maintain compliance with financial covenants under our credit agreement; our dependence on the success of our third-party retail partners and our continued relationships with them; our compliance with various federal, state and local laws and regulations, including those related to consumer protection; the failure to protect the integrity and security of customer and employee information; and the other risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of our Annual Report on Form 10-K and subsequently file Quarterly Reports on Form 10-Q. The forward-looking statements made in this release speak only as of the date of this release, and FlexShopper assumes no obligation to update any such forward-looking statements to reflect actual results or changes in expectations, except as otherwise required by law.

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