

FlexShopper®

FlexShopper, Inc. Reports 2024 First Quarter and Year End Financial Results

May 13, 2024

BOCA RATON, Fla., May 13, 2024 (GLOBE NEWSWIRE) -- FlexShopper, Inc. (Nasdaq:FPAY) ("FlexShopper"), a leading national online lease-to-own ("LTO") retailer and payment solution provider for underserved consumers, today announced its financial results for the quarter ended March 31, 2024.

Results for Quarter Ended March 31, 2024, vs. Quarter Ended March 31, 2023:

- Total fundings decreased 1.1% to \$26.0 million from \$26.3 million
- Total revenues increased 10.1% to \$33.9 million from \$30.8 million
- Gross profit increased 30.9% to \$17.8 million from \$13.6 million
- Adjusted EBITDA¹ increased by \$1.2 million to \$7.6 million from \$6.4 million
- Operating income increased 19.0% to \$5.0 million from \$4.2 million
- Net loss attributable to common stockholders of \$(1.3) million, or \$(0.06) per diluted share, compared to net loss attributable to common stockholders of \$(1.2) million, or \$(0.06) per diluted share
- Core earnings¹ increased 64.7% to a gain of \$354 thousand from a gain of \$215 thousand

Conference Call and Webcast Details

Conference call

Date: Tuesday, May 14, 2024

Time: 8:00 a.m. Eastern Time

Participant Dial-In Numbers:

Domestic callers: (877) 407-2988

International callers: +1 (201) 389-0923

Webcast: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=rigoYWk3>

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:

<https://hd.choruscall.com/InComm/?callme=true&passcode=13730035&h=true&info=company&r=true&B=6>

An audio replay of the call will be archived on the Company's website.

¹ Adjusted EBITDA and core earnings are a non-GAAP financial measure. Refer to the definition and reconciliation of these measures under "Non-GAAP Measures".

FLEXSHOPPER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

For the three months ended
March 31,

2024

2023

Revenues:

| | | | | |
|--|----|-------------------|----|-------------------|
| Lease revenues and fees, net | \$ | 25,833,736 | \$ | 24,714,158 |
| Loan revenues and fees, net of changes in fair value | | 7,331,277 | | 6,071,617 |
| Retail revenues | | 779,860 | | - |
| Total revenues | | <u>33,944,873</u> | | <u>30,785,775</u> |

Costs and expenses:

| | | | | |
|--|--|-------------------|--|-------------------|
| Depreciation and impairment of lease merchandise | | 14,685,863 | | 15,345,788 |
| Loan origination costs and fees | | 821,827 | | 1,833,627 |
| Cost of retail revenues | | 611,204 | | - |
| Marketing | | 1,765,572 | | 1,099,189 |
| Salaries and benefits | | 4,083,918 | | 2,726,890 |
| Operating expenses | | 6,932,507 | | 5,627,708 |
| Total costs and expenses | | <u>28,900,891</u> | | <u>26,633,202</u> |

Operating income

| | | | | |
|--|--|-----------|--|-----------|
| | | 5,043,982 | | 4,152,573 |
|--|--|-----------|--|-----------|

| | | | | |
|--|--|------------------|--|------------------|
| Interest expense including amortization of debt issuance costs | | 5,315,094 | | 4,531,327 |
| Loss before income taxes | | (271,112) | | (378,754) |
| Benefit from income taxes | | 56,933 | | 148,539 |
| Net loss | | <u>(214,179)</u> | | <u>(230,215)</u> |

| | | | | |
|--|----|--------------------|----|--------------------|
| Dividends on Series 2 Convertible Preferred Shares | | 1,069,456 | | 972,233 |
| Net loss attributable to common and Series 1 Convertible Preferred shareholders | \$ | <u>(1,283,635)</u> | \$ | <u>(1,202,448)</u> |

Basic and diluted loss per common share:

| | | | | |
|---------|----|--------|----|--------|
| Basic | \$ | (0.06) | \$ | (0.06) |
| Diluted | \$ | (0.06) | \$ | (0.06) |

WEIGHTED AVERAGE COMMON SHARES:

| | | | | |
|---------|--|------------|--|------------|
| Basic | | 21,586,019 | | 21,751,304 |
| Diluted | | 21,586,019 | | 21,751,304 |

**FLEXSHOPPER, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

| | March 31, 2024 | December 31, 2023 |
|---|---------------------------|------------------------------|
| | (unaudited) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 5,593,750 | \$ 4,413,130 |
| Lease receivables, net | 49,316,032 | 44,795,090 |
| Loan receivables at fair value | 39,457,230 | 35,794,290 |
| Prepaid expenses and other assets | 3,308,255 | 3,300,677 |
| Lease merchandise, net | 25,896,510 | 29,131,440 |
| Total current assets | <u>123,571,777</u> | <u>117,434,627</u> |
| Property and equipment, net | 9,588,238 | 9,308,859 |
| Right of use asset, net | 1,190,482 | 1,237,010 |
| Intangible assets, net | 12,948,971 | 13,391,305 |
| Other assets, net | 2,313,988 | 2,175,215 |
| Deferred tax asset, net | 13,000,294 | 12,943,361 |
| Total assets | <u>\$ 162,613,750</u> | <u>\$ 156,490,377</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 3,370,054 | \$ 7,139,848 |
| Accrued payroll and related taxes | 700,208 | 578,197 |
| Promissory notes to related parties, including accrued interest | 198,398 | 198,624 |
| Accrued expenses | 4,498,602 | 3,972,397 |

| | | |
|---|------------------|-------------------|
| Lease liability - current portion | 253,936 | 245,052 |
| Total current liabilities | <u>9,021,198</u> | <u>12,134,118</u> |
| Loan payable under credit agreement to beneficial shareholder, net of unamortized issuance costs of \$1,500,000 at March 31, 2024 and \$70,780 at December 31, 2023 | 105,566,690 | 96,384,220 |
| Promissory notes to related parties, net of unamortized issuance cost of \$535,256 at March 31, 2024 and \$649,953 at December 31, 2023, and net of current portion | 10,214,744 | 10,100,047 |
| Loan payable under Basepoint credit agreement, net of unamortized issuance costs of \$83,347 at March 31, 2024 and \$92,963 at December 31, 2023 | 7,329,258 | 7,319,641 |
| Lease liabilities, net of current portion | <u>1,254,239</u> | <u>1,321,578</u> |
| Total liabilities | 133,386,129 | 127,259,604 |

STOCKHOLDERS' EQUITY

| | | |
|--|---------------------|---------------------|
| Series 1 Convertible Preferred Stock, \$0.001 par value - authorized 250,000 shares, issued and outstanding 170,332 shares at \$5.00 stated value | 851,660 | 851,660 |
| 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 40,000,000 shares, issued and outstanding 21,752,304 shares at March 31, 2024 and 21,752,304 shares at December 31, 2023 | 2,176 | 2,176 |
| Treasury shares, at cost - 169,447 shares at March 31, 2024 and 164,029 shares at December 31, 2023 | (172,855) | (166,757) |
| Additional paid in capital | 42,633,019 | 42,415,894 |
| Accumulated deficit | <u>(36,038,379)</u> | <u>(35,824,200)</u> |
| Total stockholders' equity | <u>29,227,621</u> | <u>29,230,773</u> |
| | \$ 162,613,750 | \$ 156,490,377 |

FLEXSHOPPER, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2024 and 2023
(unaudited)

| | <u>2024</u> | <u>2023</u> |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (214,179) | \$ (230,215) |
| Adjustments to reconcile net loss to net cash (used in)/provided by operating activities: | | |
| Depreciation and impairment of lease merchandise | 14,685,863 | 15,345,788 |
| Other depreciation and amortization | 2,315,487 | 1,826,157 |
| Amortization of debt issuance costs | 195,095 | 70,367 |
| Amortization of discount on the promissory note related to acquisition | - | 59,239 |
| Compensation expense related to stock-based compensation | 217,125 | 420,748 |
| Provision for doubtful accounts | 9,484,049 | 11,238,415 |
| Interest in kind added to promissory notes balance | - | 1,351 |
| Deferred income tax | (56,933) | (148,539) |
| Net changes in the fair value of loans receivables at fair value | (4,211,396) | (984,652) |
| Changes in operating assets and liabilities: | | |
| Lease receivables | (14,004,991) | (12,852,307) |
| Loans receivables at fair value | 548,456 | 4,599,208 |
| Prepaid expenses and other assets | (19,349) | 576,689 |
| Lease merchandise | (11,450,933) | (10,703,452) |
| Purchase consideration payable related to acquisition | - | 141,275 |
| Lease liabilities | (9,665) | (6,032) |
| Accounts payable | (3,769,794) | (2,668,765) |
| Accrued payroll and related taxes | 122,011 | 254,550 |
| Accrued expenses | <u>525,976</u> | <u>(1,340,486)</u> |
| Net cash (used in)/provided by operating activities | <u>(5,643,178)</u> | <u>5,599,339</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment, including capitalized software costs | (1,815,091) | (1,753,800) |
| Purchases of data costs | <u>(464,441)</u> | <u>(169,082)</u> |
| Net cash used in investing activities | <u>(2,279,532)</u> | <u>(1,922,882)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |

| | | |
|--|------------------|------------------|
| Proceeds from loan payable under credit agreement | 10,611,690 | 2,750,000 |
| Repayment of loan payable under credit agreement | - | (2,575,000) |
| Debt issuance related costs | (1,500,000) | - |
| Proceeds from exercise of stock options | - | 1,185 |
| Principal payment under finance lease obligation | (2,262) | (2,526) |
| Repayment of purchase consideration payable related to acquisition | - | (153,938) |
| Purchases of treasury stock | (6,098) | - |
| Net cash provided by financing activities | <u>9,103,330</u> | <u>19,721</u> |
| | | |
| INCREASE IN CASH | 1,180,620 | 3,696,178 |
| | | |
| CASH, beginning of period | <u>4,413,130</u> | <u>6,173,349</u> |
| | | |
| CASH, end of period | \$ 5,593,750 | \$ 9,869,527 |
| | | |
| Supplemental cash flow information: | | |
| Interest paid | \$ 5,057,635 | \$ 3,867,982 |

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.

Adjusted EBITDA represents net income before interest, stock-based compensation, taxes, depreciation (other than depreciation of leased merchandise), amortization, and one-time or non-recurring items. We believe that Adjusted EBITDA provides us with an understanding of one aspect of earnings before the impact of investing and financing charges and income taxes.

Core earnings represents the GAAP net earnings/ (loss) adjusted for "special items" that we view as extraordinary, unusual, or non-recurring in nature or which we believe do not reflect our core business activities.

Key performance metrics for the three months ended March 31, 2024 and 2023 are as follows:

| | Three months ended March 31, | | | |
|--|---------------------------------|---------------------|---------------------|-------------|
| | 2024 | 2023 | \$ Change | % Change |
| Adjusted EBITDA: | | | | |
| Net loss | \$ (214,179) | \$ (230,215) | \$ 16,036 | (7.0) |
| Income taxes | (56,933) | (148,539) | 91,606 | (61.7) |
| Amortization of debt issuance costs | 195,095 | 70,367 | 124,728 | 177.3 |
| Amortization of discount on the promissory note related to acquisition | - | 59,239 | (59,239) | (100.0) |
| Other amortization and depreciation | 2,315,487 | 1,826,157 | 489,330 | 26.8 |
| Interest expense | 5,119,999 | 4,401,721 | 718,278 | 16.3 |
| Stock-based compensation | 217,125 | 420,748 | (203,623) | (48.4) |
| Adjusted EBITDA | <u>\$ 7,576,594</u> | <u>\$ 6,399,478</u> | <u>\$ 1,177,116</u> | <u>18.4</u> |

| | Three months ended March 31, | | | |
|--|---------------------------------|-------------------|-------------------|-------------|
| | 2024 | 2023 | \$ Change | % Change |
| Core earnings: | | | | |
| GAAP results- Net loss | \$ (214,179) | \$ (230,215) | \$ 16,036 | (7.0) |
| Acquired intangible assets amortization | 442,334 | 442,334 | - | - |
| Non recurring employment expenses | 126,144 | 2,826 | 123,318 | 4,364.7 |
| Non-GAAP adjusted results- Core earnings | <u>\$ 354,299</u> | <u>\$ 214,945</u> | <u>\$ 139,354</u> | <u>64.8</u> |

The Company refers to Adjusted EBITDA in the above table as the Company uses this measure to evaluate operating performance and to make strategic decisions about the Company. Management believes that Adjusted EBITDA provides relevant and useful information which is widely used by analysts, investors and competitors in its industry in assessing performance.

The Company refers to Core earnings in the above table as the Company uses this additional measurement to assist our executive team in comparing our performance on a more consistent basis for purposes of business decision-making by removing the impact of certain items management believes do not directly reflect our core operations.

About FlexShopper

FlexShopper, Inc. (FPAY) is a financial technology company that provides electronics, home furnishings and other durable goods to underserved consumers on a lease-to-own (LTO) basis through its patented e-commerce marketplace (www.FlexShopper.com). FlexShopper also provides LTO and loan technology platforms to a growing number of retailers and e-retailers to facilitate transactions with consumers without access to traditional financing.

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 expectations of lease originations, 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 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 filed 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.

Contact:

FlexShopper, Inc.
Investor Relations
ir@flexshopper.com

FlexShopper, Inc.

The logo for FlexShopper, featuring the word "FlexShopper" in a blue, sans-serif font with a registered trademark symbol (®) at the end.

Source: FlexShopper, Inc.