FlexShopper

FlexShopper Reports 2017 Third Quarter Financial Results Highlighted by 34% Increase in Revenue

November 14, 2017

BOCA RATON, Fla., Nov. 14, 2017 (GLOBE NEWSWIRE) -- FlexShopper, Inc. (Nasdaq:FPAY) ("FlexShopper" or the "Company"), a leading national online lease-to-own ("LTO") retailer and LTO payment solution provider, today announced its financial results for the quarter ended September 30, 2017, highlighted by record third quarter revenue.

Management Commentary

Brad Bernstein, CEO, stated, "We are working to maximize the benefits of FlexShopper's unique position as the only online "pure play" lease-to-own company in advance of the strongest seasonal period for our B2C business segment. We were pleased to report a quarter of both significant revenue growth and narrowing losses compared to the same period from last year. We were proactive in maintaining a streamlined marketing focus and have begun capitalizing on fourth quarter demand with a faster e-commerce site and enhanced user experience, currently generating quarter over quarter increases in lease originations. In addition, our underwriting initiatives are paying off with an enhanced and tested model providing 21% higher online approval rates. We are excited and well positioned to accelerate the promotion of FlexShopper products and services across a variety of sales channels this holiday season."

Financial Highlights for the Three Months Ended September 30, 2017 vs. Three Months Ended September 30, 2016:

- Total revenues increased 34% to $16.5 million from $12.3 million
- Net loss decreased to $1.7 million compared to a net loss of $2.6 million
- Net loss attributable to common shareholders decreased to $2.3 million or $0.44 per diluted share compared to $3.2 million or $0.60 per diluted share
- Adjusted Gross Profit(1) increased 8.9% to $3.4 million from $3.1 million
- Adjusted EBITDA(1) improved to ($0.8) million from ($1.8) million

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

Other Operating Highlights and Recent Developments

- Continued diversification of products leased including more furniture with addition of retailers such as Walmart and Overstock.com to FlexShopper's e-commerce marketplace
- Appointed David Blum, formerly of Babbel and eharmony.com, as Chief Marketing Officer to lead the Company's marketing team in continued optimization of customer acquisition costs and scaling across all channels
- Created and launched an automated pay per click advertising platform utilizing campaign segmentation and machine learning bid adjustments; FlexShopper is beginning to scale with this platform at its targeted customer acquisition cost.
- In recognition of its dedication to customers, FlexShopper received an A+ rating from the Better Business Bureau.

Upcoming Investor Relations Activities

- In coordination with FlexShopper's efforts to raise the Company's corporate profile, CEO Brad Bernstein and CFO Russell Heiser will be attending KeyBanc's Consumer Conference in early December.

Non-GAAP Measures

The Company regularly reviews a number of metrics, including the following key metrics, to evaluate its business, measure its performance, identify trends affecting its business, formulate financial projections and make strategic decisions.

	Three Months ended September 30,			
Adjusted Gross Profit	2017	2016	$ Change	% Change
Lease revenues and fees	$ 16,144,184	$ 12,072,493	$ 4,071,691	33.7
Lease merchandise sold	359,656	255,431	104,225	40.8
Less: Cost of merchandise sold	280,130	182,879	97,251	53.2
Less: Provision for doubtful accounts	4,681,832	3,501,023	1,180,809	33.7
Net revenues	11,541,878	8,644,022	2,897,856	33.5
Less: Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	8,146,293	5,525,701	2,620,592	47.4

Adjusted gross profit	$ 3,395,585	$ 3,118,321	$ 277,264	8.9
Gross profit margin	29 %	36 %		
Net revenues as a percentage of cost of lease revenue	140 %	155 %		

Adjusted EBITDA	Three Months ended September 30, 2017	2016	$ Change	% Change
Net Loss	$ (1,727,617)	$ (2,613,492)	$ 885,875	(33.9)
Add back: Amortization of debt costs	118,404	118,404	-	-
Add back: Other amortization and depreciation	415,443	295,386	120,057	40.6
Add back: Interest expense	385,989	340,955	45,034	13.2
Add back: Stock compensation	22,685	45,863	(23,178)	(50.5)
Adjusted EBITDA	$ (785,096)*	$ (1,812,884)*	$ 1,027,788	(56.7)

Financial Review for Nine Months Ended September 30, 2017 vs. Nine Months Ended September 30, 2016:

- Total revenues increased 52% to $50.6 million from $33.3 million
- Net loss decreased to $4.3 million compared to a net loss of $8.8 million
- Net loss attributable to common shareholders decreased to $6.1 million or $1.14 per diluted share compared to $9.4 million or $1.80 per diluted share
- Adjusted Gross Profit(1) increased 61% to $10.7 million from $6.7 million
- Adjusted EBITDA(1) improved to ($1.5) million from ($6.4) million

Key performance metrics for the nine months ended September 30, 2017 are as follows:

Adjusted Gross Profit	Nine Months ended September 30, 2017	2016	$ Change	% Change
Lease revenues and fees	$ 49,458,109	$ 32,505,343	$ 16,952,766	52.1
Lease merchandise sold	1,174,608	747,747	426,861	57.0
Less: Cost of merchandise sold	816,058	498,594	317,464	63.7
Less: Provision for doubtful accounts	14,357,461	9,260,469	5,096,992	55.0
Net revenues	35,459,198	23,494,027	11,965,171	50.9
Less: Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	24,733,915	16,817,016	7,916,899	47.1
Adjusted gross profit	$ 10,725,283	$ 6,677,011	$ 4,048,272	60.6
Gross profit margin	30 %	28 %		
Net revenues as a percentage of cost of lease revenue	142 %	139 %		

Adjusted EBITDA	Nine Months ended September 30, 2017	2016	$ Change	% Change
Net Loss	$ (4,345,131)	$ (8,759,916)	$ 4,414,785	(50.4)
Add back: Amortization of debt costs	355,212	332,900	22,312	6.7
Add back: Other amortization and depreciation	1,181,279	778,125	403,154	51.8
Add back: Interest expense	1,256,475	1,112,642	143,833	12.9

Add back: Stock compensation	64,896	124,244	(59,348)	(47.8)
Adjusted EBITDA	$ (1,487,269)*	$ (6,412,005)*	$ 4,924,736	(76.8)

* Represents loss

The Company refers to Adjusted Gross Profit and Adjusted EBITDA in the above tables as it uses these measures to evaluate its 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 its 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 its business. The Company uses Adjusted Gross Profit to evaluate its period-over-period operating performance. This measure may be useful to an investor in evaluating the underlying operating performance of its business.

About FlexShopper

FlexShopper, LLC, a wholly owned subsidiary of FlexShopper, Inc. (FPAY), 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. Follow us on Facebook or Twitter @FlexShopper.

Forward-Looking Statements

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995.

Certain statements in this press release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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 those risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of the Company's most recently filed Annual Report on Form 10-K and its subsequently filed Quarterly Reports on Form 10-Q. The Company urges you to consider those risks and uncertainties in evaluating its forward-looking statements. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by the federal securities laws, the Company disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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