FlexShopper®

FlexShopper, Inc. Reports 2018 Third Quarter Financial Results Highlighted by 90% Growth in Lease Originations and 27% Revenue Growth

November 5, 2018

Company Provides 2019 Guidance

BOCA RATON, Fla., Nov. 05, 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 September 30, 2018, highlighted by record third quarter revenue and lease originations.

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

- Total revenues increased 27.3% from $16.5 million to $21.0 million
- Gross lease originations increased from $6.5 million to $12.4 million, or 90%
- Net loss increased to $2.7 million compared to a net loss of $1.7 million
- Net loss attributable to common shareholders increased to $3.3 million, or $0.56 per diluted share, compared to $2.3 million, or $0.44 per diluted share

Results for Nine Months Ended September 30, 2018 vs. Nine Months Ended September 30, 2017:

- Total revenues increased 18.6% from $50.6 million to $60.0 million
- Gross lease originations increased from $20.9 million to $30.8 million, or 47.3%
- Net loss increased to $7.0 million compared to a net loss of $4.3 million
- Net loss attributable to common shareholders increased to $8.8 million, or $1.59 per diluted share, compared to $6.1 million, or $1.14 per diluted share
- Adjusted Gross Profit[1] increased 19.1% from $10.7 million to $12.8 million
- Adjusted EBITDA[1] was ($2.3) million compared to ($1.5) 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 Highlights and Recent Developments

- **In the third quarter of 2018, our average cost to acquire a new customer was at its lowest ever at $133 compared to $249 for the same quarter last year.** This decrease is the result of continued optimization of our marketing and underwriting strategies combined with increased lease originations through retail partners. While marketing expense increased compared to the same period last year, our investments in marketing at targeted acquisition costs drives revenues and gross profits in future periods and are within the Company's budget.
- **Initiated cost reduction plan with up to $1.4 million in annualized cash savings**. This includes personnel reductions made in October. The cost reductions and continued lease origination growth are part of the Company's proactive plan to become EBITDA positive and profitable.
- **Strong increase in lease originations continued through October.** October gross lease originations were $5.0 million, an increase of 82.6% from $2.7 million during the same period in 2017. Cumulative gross lease originations for the ten months ended October 31, 2018 were $35.8 million representing a 51.4% increase from $23.6 million in the same period in 2017.
- **Company launched its largest retail rollout to 730 retail stores, accelerating its B2B2C business**. This rollout successfully demonstrated our "integrationless" mobile application technology, which provides a quick and seamless process for retailers and consumers to transact on an LTO basis. Our technology does not require integration into the retailer's point of sale and enables retailers to get paid instantly at the point of sale.
- **Received a Patent from the United States Patent and Trademark Office (USPTO).** The patent is for a system that enables e-commerce servers to complete LTO transactions through their e-commerce websites.

Brad Bernstein, CEO, stated, "We are pleased to report another quarter of continued revenue and lease origination growth. In the third quarter, the combination of well-executed underwriting and marketing initiatives and increased retail lease originations resulted in our lowest customer acquisition costs ever. With our recent $10 million growth capital raise and continued strong momentum through October, we are ready to execute for the holiday season, during which we typically originate up to 35% of our annual lease originations. We are excited, as our record lease originations are expected to translate into revenues and gross profits in future periods and give us the confidence to provide financial guidance for 2019."

Financial Outlook – FY 2018 and FY2019 Guidance

	Current Guidance
Gross Lease Originations	> $52 million (FY 2018)
Gross Revenue	> $105 million (FY 2019)
Adjusted Gross Profit	> $24 million (FY 2019)
Adjusted EBITDA	> $3 million (FY 2019)

The Company's guidance for Gross Lease Originations, Gross Revenue, Adjusted Gross Profit and Adjusted EBITDA are forward-looking statements. They are subject to various risks and uncertainties that could cause the Company's actual results to differ materially from the anticipated targets. There can be no assurance the Company will meet these financial projections. See the cautionary information about forward-looking statements in the "Forward-Looking Statements" section of this press release. Additionally, Adjusted Gross Profit and Adjusted EBITDA are non-GAAP financial measures. Refer to the definitions of these measures under "Non-GAAP Measures," but note that information reconciling forward-looking non-GAAP measures to GAAP measures is not available without unreasonable effort.

Conference Call Details
Date: Monday, November 5, 2018
Time: 10:00 a.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: https://78449.themediaframe.com/dataconf/productusers/fpay/mediaframe/27326/indexl.html. 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 September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
Revenues:				
Lease revenues and fees	$ 20,514,492	$ 16,144,184	$ 58,439,865	$ 49,458,109
Lease merchandise sold	490,208	359,656	1,592,556	1,174,608
Total revenues	21,004,700	16,503,840	60,032,421	50,632,717
Costs and expenses:				
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	10,289,709	8,146,293	29,684,867	24,733,915
Cost of lease merchandise sold	349,209	280,130	1,007,677	816,058
Provision for doubtful accounts	5,905,083	4,681,832	16,563,888	14,357,461
Marketing	1,596,322	994,576	4,025,509	2,625,367
Salaries and benefits	2,186,835	1,900,925	6,397,999	5,567,082
Operating expenses	2,206,496	1,723,309	6,163,680	5,266,278
Total costs and expenses	22,533,654	17,727,065	63,843,620	53,366,161
Operating loss	(1,528,954)	(1,223,225)	(3,811,199)	(2,733,444)
Loss on extinguishment of debt	126,622	-	126,622	-
Interest expense including amortization of debt issuance costs	1,061,827	504,392	3,040,832	1,611,687
Net loss	(2,717,403)	(1,727,617)	(6,978,653)	(4,345,131)
Dividends on Series 2 Convertible Preferred Shares	609,168	603,680	1,817,672	1,712,716
Net loss attributable to common shareholders	$ (3,326,571)	$ (2,331,297)	$ (8,796,325)	$ (6,057,847)
Basic and diluted (loss) per common share:				
Net loss	$ (0.56)	$ (0.44)	$ (1.59)	$ (1.14)
WEIGHTED AVERAGE COMMON SHARES:				
Basic and diluted	5,950,161	5,292,281	5,539,815	5,290,077

FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash	$ 7,282,103	$ 4,968,915
Accounts receivable, net	4,815,676	4,259,468
Prepaid expenses	182,189	321,035
Lease merchandise, net	18,326,430	21,415,322
Total current assets	30,606,398	30,964,740
PROPERTY AND EQUIPMENT, net	3,313,109	2,948,164
OTHER ASSETS, net	91,390	95,722
	$ 34,010,897	$ 34,008,626
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of loan payable under credit agreement to beneficial shareholder net of $89,180 at 2018 and $118,404 at 2017 of unamortized issuance costs	$ 3,580,330	$ 14,094,096
Accounts payable	5,928,893	7,702,145
Accrued payroll and related taxes	225,081	404,346
Promissory notes	1,750,000	-
Accrued expenses	858,863	786,095
Total current liabilities	12,343,167	22,986,682
Loan payable under credit agreement to beneficial shareholder net of $264,633 at 2018 and $39,468 at 2017 of unamortized issuance costs and current portion	10,624,240	4,698,032
Total liabilities	22,967,407	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 25,000,000 shares, issued and outstanding 17,579,870 shares at 2018 and 5,294,501 at 2017	1,758	529
Additional paid in capital	34,142,693	22,445,691
Accumulated deficit	(46,249,986)	(39,271,333)
Total stockholders' equity	11,043,490	6,323,912
	$ 34,010,897	$ 34,008,626

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2018 and 2017
(unaudited)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,978,653)	$ (4,345,131)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and impairment of lease merchandise	29,684,866	24,733,916
Other depreciation and amortization	1,850,452	1,536,491
Compensation expense related to issuance of stock options	101,025	64,896
Provision for doubtful accounts	16,563,888	14,357,461
Loss on debt extinguishment	126,622	-
Changes in operating assets and liabilities:		
Accounts receivable	(17,120,096)	(15,570,400)

Prepaid expenses and other	141,126	13,255
Lease merchandise	(26,595,974)	(17,315,091)
Security deposits	2,025	(10,207)
Accounts payable	(1,560,609)	(1,188,200)
Accrued payroll and related taxes	(179,265)	(147,388)
Accrued expenses	128,766	44,386
Net cash (used in) provided by operating activities	(3,835,827)	2,173,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, including capitalized software costs	(1,752,095)	(1,487,441)
Net cash (used in) investing activities	(1,752,095)	(1,487,441)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	-	15,000
Proceeds from exercise of warrants	1,750	-
Proceeds from public offering	10,007,500	-
Equity issuance related costs	(862,810)	-
Proceeds from promissory notes	3,465,000	-
Proceeds from loan payable under credit agreement	5,185,000	-
Repayment of loan payable under credit agreement	(9,786,487)	(2,288,207)
Repayment of installment loan	(8,405)	-
Debt issuance related costs	(100,438)	-
Net cash provided by (used in) financing activities	7,901,110	(2,273,207)
INCREASE/(DECREASE) IN CASH	2,313,188	(1,586,660)
CASH, beginning of period	4,968,915	5,412,495
CASH, end of period	$ 7,282,103	$ 3,825,835
Supplemental cash flow information:		
Interest paid	$ 2,104,110	$ 1,179,826
Non-cash		
Issuance of common stock and warrants to extinguishment debt and accrued interest	$ 2,089,266	-
Accrued equity issuance costs	$ 160,000	-
Accrued equity issuance costs	$ 523,250	-

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.

	Three months ended September 30, 2018	2017	$ Change	% Change
Adjusted Gross Profit:				
Lease revenues and fees	$ 20,514,492	$ 16,144,184	$ 4,370,308	27.1
Lease merchandise sold	490,208	359,656	130,552	36.3
Cost of merchandise sold	(349,209)	(280,130)	(69,079)	24.7
Provision for doubtful accounts	(5,905,083)	(4,681,832)	(1,223,251)	26.1
Net revenues	14,750,408	11,541,878	3,208,530	27.8
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	(10,289,709)	(8,146,293)	(2,143,416)	26.3
Adjusted Gross Profit	$ 4,460,699	$ 3,395,585	$ 1,065,114	31.4
Gross profit margin	30 %	29 %		
Net revenues as a percentage of cost of lease revenue	143 %	140 %		

	Nine months ended September 30, 2018	2017	$ Change	% Change

Adjusted Gross Profit:				
Lease revenues and fees	$ 58,439,865	$ 49,458,109	$ 8,981,756	18.2
Lease merchandise sold	1,592,556	1,174,608	417,948	35.6
Cost of merchandise sold	(1,007,677)	(816,058)	(191,619)	23.5
Provision for doubtful accounts	(16,563,888)	(14,357,461)	(2,206,427)	15.4
Net revenues	42,460,856	35,459,198	7,001,658	19.7
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	(29,684,867)	(24,733,915)	(4,950,952)	20.0
Adjusted Gross Profit	$ 12,775,989	$ 10,725,283	$ 2,050,706	19.1
Gross profit margin	30 %	30 %		
Net revenues as a percentage of cost of lease revenue	143 %	142 %		

	Three months ended September 30, 2018	2017	$ Change	% Change
Adjusted EBITDA:				
Net loss	$ (2,717,403)	$ (1,727,617)	$ (989,786)	57.3
Amortization of debt costs	167,689	118,404	49,285	41.6
Other amortization and depreciation	491,252	415,443	75,809	18.2
Loss on debt extinguishment	126,622	-	126,622	-
Interest expense	894,138	385,989	508,149	131.6
Stock compensation	28,544	22,685	5,859	25.8
Adjusted EBITDA	$ (1,009,158)*	$ (785,096)*	$ (224,062)	28.5

	Nine months ended September 30, 2018	2017	$ Change	% Change
Adjusted EBITDA:				
Net loss	$ (6,978,653)	$ (4,345,131)	$ (2,633,522)	60.6
Amortization of debt costs	460,996	355,212	105,784	29.8
Other amortization and depreciation	1,389,456	1,181,279	208,177	17.6
Loss on debt extinguishment	126,622	-	126,622	-
Interest expense	2,579,836	1,256,475	1,323,361	105.3
Stock compensation	101,025	64,896	36,129	55.7
Adjusted EBITDA	$ (2,320,718)*	$ (1,487,269)*	$ (833,449)	56.0

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. (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.

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. These statements include the Company’s financial guidance for fiscal year 2019. 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 during the holiday season, 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 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.

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