



## FlexShopper, Inc. Reports 2018 Fourth Quarter and Full-Year Financial Results; FY 2018 Lease Originations Up 45.8%, Driving Revenue Growth of 26.4%

March 11, 2019

### Company Updates 2019 Guidance

BOCA RATON, Fla., March 11, 2019 (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 and year ended December 31, 2018, highlighted by record revenue and lease originations.

#### Results for Quarter Ended December 31, 2018 vs. Quarter Ended December 31, 2017:

- Total revenues increased 50.5% from \$16.4 million to \$24.7 million
- Gross lease originations increased 44.1% from \$19.0 million to \$27.4 million
- Net loss declined to \$2.5 million compared to a net loss of \$4.0 million
- Net loss attributable to common stockholders declined to \$3.1 million, or \$0.36 per diluted share, compared to \$4.6 million, or \$0.87 per diluted share
- Adjusted Gross Profit<sup>1</sup> increased 40.5% from \$4.7 million to \$6.7 million
- Adjusted EBITDA<sup>1</sup> was (\$0.8) million compared to (\$2.9) million

#### Results for the Full Year Ended December 31, 2018 vs. Full Year Ended December 31, 2017:

- Total revenues increased 26.4% from \$67.0 million to \$84.7 million
- Gross lease originations increased 45.8% from \$40.0 million to \$58.2 million
- Net loss increased to \$9.5 million compared to a net loss of \$8.3 million
- Net loss attributable to common shareholders increased to \$11.9 million, or \$1.39 per diluted share, compared to \$10.6 million, or \$2.01 per diluted share
- Adjusted Gross Profit<sup>1</sup> increased 25.7% from \$15.5 million to \$19.4 million
- Adjusted EBITDA<sup>1</sup> was (\$3.1) million compared to (\$4.4) million

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

#### 2018 Highlights and Recent Developments

- **In 2018, our average cost to acquire a new customer was at its lowest for any fiscal year at \$135 compared to \$194 for 2017.** 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.
- **We added 67% more new customers in 2018 than we added in 2017.** For all of 2018, we added 52,295 new customers, up from 31,406 in 2017. These new customers ultimately expand our returning customer base and our revenue potential going forward.
- **We continue to build a strong base of repeat customers.** Repeat customers continue to be a growing segment of our business and represented approximately 58% of lease originations in 2018 proving that our offering resonates with consumers.
- **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 system and enables retailers to get paid instantly at the point of sale.
- **Launched a new pilot of our LTO "save the sale" program with another tire and auto service retailer with a 400+ store footprint across multiple states.** This rollout reaffirms the merits of our mobile LTO technology that provides a quick and seamless process for retailers and consumers to transact on an LTO basis.
- **Continued strong growth and focus on cost controls has allowed us to scale operations and close in on positive**

**Adjusted EBITDA and profitability.** 2018 was a record and pivotal year for lease originations. Since our leases generate revenues, gross profit and cash for periods within the 12 months subsequent to their origination date, we expect to report our first Adjusted EBITDA positive quarter for the quarter ending March 31, 2019.

- **Received a Patent from the United States Patent and Trademark Office (USPTO).** FlexShopper was granted U.S. Patent Number 10,089,682 by the USPTO, on October 2, 2018, for its system that enables e-commerce servers to complete LTO transactions through their e-commerce websites.
- **Received an Indication from the USPTO that a Pending Patent Application is Sufficient for Patenting.** FlexShopper has also received a notice of allowance from the USPTO for systems that enable retailer devices to complete LTO transactions through their retailer web pages, as well as systems that further enable consumer devices to modify received retailer web pages to indicate LTO payments in association with transaction-eligible products as part of LTO transactions through the retailer web pages.

Brad Bernstein, CEO, stated, "We are pleased to report record revenues in 2018, driven by continued lease origination growth. For the full year, we originated 139,949 gross leases with an average origination value of \$416, compared with 97,073 leases with an average origination value of \$411 last year. Both new and repeat customer demand was strong, and we finished 2018 with an excellent holiday season, positioning us well for 2019. In 2018 we were also able to control our operating expenses, which grew at a much lower rate than revenues and adjusted gross profit. With these factors in mind, we are updating our financial guidance for 2019."

#### Financial Outlook – Guidance

	Current Guidance	Previous Guidance
2019 Gross Lease Originations	> \$70 million	> --
2019 Gross Revenue	> \$110 million	> \$105 million
2019 Adjusted Gross Profit	> \$25 million	> \$24 million
2019 Adjusted EBITDA	> \$3.5 million	> \$3 million

Bernstein continued, "We are also pleased to report that Howard Dvorkin has been named as Chairman of the Board. As we previously reported, Howard brings a strong knowledge base in consumer finance, particularly the subprime segment, and significant business experience through a portfolio of companies."

"I am delighted to assume the role of Chairman of the Board of FlexShopper, Inc. where I see an exciting opportunity to continue to penetrate the \$25 billion lease-to-own market with FlexShopper's innovative technology and omnichannel approach for consumers and retailers." said Dvorkin. "I look forward to applying my knowledge of the non prime consumer segment and my network for the benefit of the company and its shareholders."

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: Tuesday, March 12, 2019  
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](http://www.flexshopper.com) or by clicking on the conference call link: <https://78449.themediaframe.com/dataconf/productusers/fpay/mediaframe/29063/index1.html>. An audio replay of the call will be archived on the Company's website.

#### FLEXSHOPPER, INC. CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended December 31,	
	2018	2017
<b>Revenues:</b>		
Lease revenues and fees	\$ 82,458,661	\$ 65,412,131
Lease merchandise sold	2,269,708	1,634,233
Total revenues	84,728,369	67,046,364

**Costs and expenses:**

Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	40,639,232	31,453,246
Cost of lease merchandise sold	1,423,526	998,800
Provision for doubtful accounts	23,239,189	19,135,207
Marketing	7,046,812	6,094,330
Salaries and benefits	8,796,011	7,862,714
Other operating expenses	8,761,815	7,664,566
Total costs and expenses	89,906,585	73,208,863

**Operating loss** (5,178,216 ) (6,162,499 )

Loss on extinguishment of debt	126,622	-
Interest expense including amortization of debt issuance costs	4,156,424	2,168,262

**Net loss** (9,461,262 ) (8,330,761 )

Dividends on Series 2 Convertible Preferred Stock	2,426,840	2,316,396
<b>Net loss attributable to common stockholders</b>	<b>\$ (11,888,102 )</b>	<b>\$ (10,647,157 )</b>

**Basic and diluted (loss) per common share:**

Net loss \$ (1.39 ) \$ (2.01 )

Weighted average common shares outstanding:		
Basic and diluted	8,574,569	5,290,944

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

	December 31, 2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 6,141,210	\$ 4,968,915
Accounts receivable, net	6,375,963	4,259,468
Prepaid expenses	317,160	321,035
Lease merchandise, net	32,364,697	21,415,322
Total current assets	45,199,030	30,964,740
 PROPERTY AND EQUIPMENT, net	 3,336,664	 2,948,164
 OTHER ASSETS, net	 90,621	 95,722
	<b>\$ 48,626,315</b>	<b>\$ 34,008,626</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of loan payable under credit agreement to beneficial shareholder net of \$167,483 at 2018 and \$118,404 at 2017 of unamortized issuance costs	\$ 14,252,717	\$ 14,094,096
Accounts payable	8,317,216	7,702,145
Accrued payroll and related taxes	393,095	404,346
Promissory notes to related parties, including interest of \$64,771	1,814,771	-
Accrued expenses	1,335,505	786,095
Total current liabilities	26,113,304	22,986,682
 Loan payable under credit agreement to beneficial shareholder net of \$164,752 at 2018 and \$39,468 at 2017 of unamortized issuance costs and current portion	 14,020,335	 4,698,032
Total liabilities	40,133,639	27,684,714
 <b>STOCKHOLDERS' EQUITY</b>		

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 40,000,000 and 15,000,000 shares, issued and outstanding: 17,579,870 shares at 2018 and 5,294,501 at 2017	1,758	529
Additional paid in capital	34,074,488	22,445,691
Accumulated deficit	(48,732,595)	(39,271,333)
Total stockholders' equity	8,492,676	6,323,912
	\$ 48,626,315	\$ 34,008,626

**FLEXSHOPPER, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the years ended December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,461,262)	\$ (8,330,761)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and impairment of lease merchandise	40,639,232	31,453,246
Other depreciation and amortization	2,410,537	2,090,581
Compensation expense related to issuance of stock options	133,428	113,952
Provision for doubtful accounts	23,239,189	19,135,207
Loss on debt extinguishment	126,622	-
Payment of interest in kind under promissory notes	64,771	-
Payment of interest in kind under credit agreement	248,535	-
Changes in operating assets and liabilities:		
Accounts receivable	(25,355,684)	(21,212,888)
Prepaid expenses and other	6,844	32,296
Lease merchandise	(51,588,607)	(34,298,108)
Security deposits	2,025	(10,206)
Accounts payable	827,715	3,784,397
Accrued payroll and related taxes	(11,251)	108,013
Accrued expenses	557,648	535,437
Net cash (used in) operating activities	(18,160,258)	(6,598,834)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment, including capitalized software costs	(2,284,876)	(2,021,538)
Net cash (used in) investing activities	(2,284,876)	(2,021,538)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options	-	15,000
Proceeds from exercise of warrants	1,750	-
Proceeds from public offering	10,007,500	-
Costs incurred from public offering	(1,123,419)	-
Proceeds from promissory notes	3,465,000	-
Proceeds from loan payable under credit agreement	19,366,359	10,450,000
Repayment of loan payable under credit agreement	(9,959,607)	(2,288,208)
Repayment of installment loan	(11,208)	-
Debt issuance related costs	(128,946)	-
Net cash provided by financing activities	21,617,429	8,176,792
<b>INCREASE/(DECREASE) IN CASH</b>	<b>1,172,295</b>	<b>(443,580)</b>
CASH, beginning of year	4,968,915	5,412,495
CASH, end of year	\$ 6,141,210	\$ 4,968,915
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 2,806,285	\$ 1,649,795

#### Non-cash financing activities:

Issuance of common stock and warrants to extinguish debt and accrued interest	\$ 2,089,266	\$ -
Conversion of preferred stock to common stock	\$ -	\$ 18,300
Warrants issued for debt issuance costs	\$ 523,251	\$ -

#### 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.

	Year ended December 31,			
<b>Adjusted Gross Profit</b>	2018	2017	\$ Change	% Change
Lease revenues and fees	\$ 82,458,661	\$ 65,412,131	\$ 17,046,530	26.1
Lease merchandise sold	2,269,708	1,634,233	635,475	38.9
Cost of merchandise sold	(1,423,526 )	(998,800 )	(424,726 )	42.5
Provision for doubtful accounts	(23,239,189 )	(19,135,207 )	(4,103,982 )	21.4
Net revenues	60,065,654	46,912,357	13,153,297	28.0
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	(40,639,232 )	(31,453,246 )	(9,185,986 )	29.2
Adjusted Gross Profit	\$ 19,426,422	\$ 15,459,111	\$ 3,967,311	25.7
Gross profit margin	32	% 33	%	

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.

	Year ended December 31,			
<b>Adjusted EBITDA</b>	2018	2017	\$ Change	% Change
Net Loss	\$ (9,461,262 )	\$ (8,330,761 )	\$ (1,130,501 )	(13.6 )
Amortization of debt costs	511,085	473,616	37,469	7.9
Other amortization and depreciation	1,914,084	1,616,964	297,120	18.4
Interest expense, excluding amortization of debt costs	3,645,339	1,694,645	1,950,694	115.1
Loss on debt extinguishment	126,622	-	126,622	-
Stock compensation	133,428	113,952	19,476	17.1
Adjusted EBITDA	\$ (3,130,704 )	\$ (4,431,584 )	\$ 1,300,880	(29.4 )

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.

#### 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](#)) as well as its patented and patent pending systems. 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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FlexShopper, Inc.