



FlexShopper Reports 2019 First Quarter Financial Results; Total Revenues Up 53.8% With Adjusted EBITDA of \$2.3 Million and Net Income of \$504,000

May 7, 2019

Retail Store Pilot Expands to 400+ Store Rollout

BOCA RATON, Fla., May 07, 2019 (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 March 31, 2019, highlighted by continued revenue growth coupled with positive net income (before preferred stock dividend expense).

Results for Quarter Ended March 31, 2019 vs. Quarter Ended March 31, 2018¹:

- Total revenues increased 53.8% from \$14.8 million to \$22.7 million, calculated on a basis consistent with the 2019 adoption of ASC 842 related to lease accounting
- FlexShopper originated 29,972 gross leases, up 36.0% from 22,035
- Gross lease originations increased 54.7% from \$9.1 million to \$14.1 million
- Net income of \$0.5 million, compared with net loss of (\$2.3) million
- Net loss attributable to common stockholders declined to (\$0.1) million, compared to (\$2.9) million
- Gross Profit² increased 70.7% from \$4.0 million to \$6.9 million
- Adjusted EBITDA² was \$2.3 million compared to (\$0.9) million

¹ Beginning with current period financial results, the Company has adopted a new accounting standard which requires revenues to be reported net of bad debt expense. The Company has retroactively adopted the provisions of the new accounting standard to prior periods in order to provide an accurate comparison.

² Gross Profit and Adjusted EBITDA are non-GAAP financial measures. Refer to the definitions and reconciliations of these measures under "Non-GAAP Measures".

Q1 2019 Highlights and Recent Developments

- **Continued growth in originations.** FlexShopper originated 29,972 gross leases in Q1 2019, representing a gain of 36.0% compared with the prior year period. Growth was driven by continued improvement in repeat customer activity along with strong growth in the Company's B2B channel.
- **Lease originations through third party retail stores, the Company's B2B channel, grew 214.3% compared to the same period last year.** In addition, retail store lease originations increased from 11.0% of total originations in the first quarter of 2018 to 26.4% of originations in the first quarter of 2019.
- **The Company's average cost to acquire a new customer continued to decrease in the first quarter of 2019 to its lowest amount for any fiscal quarter at \$93, compared to \$154 for the same period in 2018.** This decrease is the result of continued optimization of the Company's marketing and underwriting strategies, combined with increased lease originations through retail partners. Leases acquired through the Company's B2B retail channel have significantly lower acquisition costs than its direct to consumer, or B2C, channels.
- **A retail store pilot has expanded to more than 400 stores.** With this expansion and exclusive relationship, the Company's "save the sale" LTO program is in over 1,100 stores nationwide. This rollout reaffirms the merits of the Company's mobile LTO technology, which provides a quick and seamless process for retailers and consumers to transact on an LTO basis.
- **Strong bottom line results shown by net income (before preferred dividends) exceeding \$500,000.** Driven by the combination of strong top line growth and operating expense control, the Company reported its first-ever profitable quarter with net income of approximately \$504,000. Adjusted EBITDA was also positive at \$2.3 million.

Brad Bernstein, CEO, stated, "The first quarter of 2019 truly marks an inflection point for FlexShopper as we reported the first profitable quarter in our history. This quarter reflects a combination of many factors coming together, including lease origination growth, continued repeat business, significant increases in our retail store, B2B business and cost controls. We are successfully fulfilling the company's original vision of being the pure play, omnichannel virtual LTO Company. I am gratified to see the hard work of our team members and our company's innovation to meet consumers' and retailers' needs, translate into the excellent bottom-line results we reported in Q1."

2019 Outlook

The Company is updating its guidance for 2019.

	Current Guidance	Previous Guidance
2019 Gross Lease Originations	> \$70 million	> \$70 million
2019 Gross Revenue	> \$110 million	> \$110 million
2019 Gross Profit	> \$25.5 million	> \$25.0 million
2019 Adjusted EBITDA	> \$4.0 million	> \$3.5 million

The Company's guidance for Gross Lease Originations, Gross Revenue, 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, 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: Wednesday, May 8, 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 or by clicking on the conference call link: <https://78449.themediaframe.com/dataconf/productusers/fpay/mediaframe/30251/index1.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 March 31,	
	2019	2018
Revenues:		
Lease revenues and fees, net	\$ 21,784,779	\$ 14,161,578
Lease merchandise sold	946,618	614,518
Total revenues	22,731,397	14,776,096
Costs and expenses:		
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	15,277,939	10,407,746
Cost of lease merchandise sold	565,007	333,763
Marketing	848,546	1,168,950
Salaries and benefits	1,758,087	2,179,376
Operating expenses	2,596,282	2,038,938
Total costs and expenses	21,045,861	16,128,773
Operating income/(loss)	1,685,536	(1,352,677)
Interest expense including amortization of debt issuance costs	1,181,993	933,667
Net income/(loss)	503,543	(2,286,344)
Dividends on Series 2 Convertible Preferred Shares	609,168	603,680
Net loss attributable to common shareholders	\$ (105,625)	\$ (2,890,024)
Basic and diluted (loss) per common share:		
Net loss	\$ (0.01)	\$ (0.55)
WEIGHTED AVERAGE COMMON SHARES:		
Basic and diluted	17,650,847	5,294,501

**FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS**

	March 31, 2019 (unaudited)	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,647,056	\$ 6,141,210
Accounts receivable, net	6,510,338	6,375,963
Prepaid expenses	335,484	317,160
Lease merchandise, net	28,181,941	32,364,697
Total current assets	37,674,819	45,199,030
 PROPERTY AND EQUIPMENT, net	 3,497,073	 3,336,664
 OTHER ASSETS, net	 149,852	 90,621
	\$ 41,321,744	\$ 48,626,315
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of loan payable under credit agreement to beneficial shareholder net of \$222,526 at 2019 and \$167,483 at 2018 of unamortized issuance costs	\$ 18,372,922	\$ 14,252,717
Accounts payable	3,105,990	8,317,216
Accrued payroll and related taxes	195,530	393,095
Promissory notes to related parties net of \$32,574 at 2019 and \$0 at 2018 of unamortized issuance costs	3,762,526	1,814,771
Accrued expenses	1,012,131	1,335,505
Lease liability – current portion	94,249	-
Total current liabilities	26,543,348	26,113,304
 Loan payable under credit agreement to beneficial shareholder net of \$54,869 at 2019 and \$164,752 at 2018 of unamortized issuance costs and current portion	4,530,310	14,020,335
Promissory notes to related parties net of \$22,001 at 2019 and \$0 at 2018 of unamortized issuance costs and current portion	1,164,789	-
Lease liabilities less current portion	37,202	-
Total liabilities	32,275,649	40,133,639
 STOCKHOLDERS' EQUITY		
Series 1 Convertible Preferred Stock, \$0.001 par value- authorized 250,000 shares, issued and outstanding 171,191 shares at 2019 and 239,405 shares at \$5.00 stated value at 2018	855,955	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 shares, issued and outstanding: 17,666,193 shares at 2019 and 17,579,870 at 2018	1,767	1,758
Additional paid in capital	34,465,425	34,074,488
Accumulated deficit	(48,229,052)	(48,732,595)
Total stockholders' equity	9,046,095	8,492,676
	\$ 41,321,744	\$ 48,626,315

**FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2019 and 2018
(unaudited)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 503,543	\$ (2,286,344)
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities:		
Depreciation and impairment of lease merchandise	15,277,939	10,407,746
Other depreciation and amortization	584,968	568,078
Compensation expense related to issuance of stock options and warrants	36,729	49,702
Interest in kind added to promissory notes balance	167,119	-
Provision for doubtful accounts	7,344,944	5,175,318
Changes in operating assets and liabilities:		

Accounts receivable	(7,479,319)	(4,690,455)
Prepaid expenses and other	(17,624)	(361,718)
Lease merchandise	(11,095,183)	(7,947,647)
Security deposits	(60,000)	-
Accounts payable	(5,211,226)	(2,704,981)
Accrued payroll and related taxes	(197,565)	(229,283)
Accrued expenses	(320,979)	(3,774)
Net cash used in operating activities	(466,654)	(2,023,358)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment, including capitalized software costs	(553,184)	(307,340)
Net cash used in investing activities	(553,184)	(307,340)

CASH FLOWS FROM FINANCING ACTIVITIES

Refund of equity issuance related costs	13,147	-
Proceeds from promissory notes, net of fees	2,940,000	3,465,000
Proceeds from loan payable under credit agreement	1,241,328	1,550,000
Repayment of loan payable under credit agreement	(6,665,989)	(5,855,000)
Repayment of installment loan	(2,802)	-
Net cash used in financing activities	(2,474,316)	(840,000)

INCREASE/(DECREASE) IN CASH	(3,494,154)	(3,170,698)
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CASH, beginning of period	6,141,210	4,968,915
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CASH, end of period	\$ 2,647,056	\$ 1,798,217
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Supplemental cash flow information:

Interest paid	\$ 993,544	\$ 754,276
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Non-cash financing activities:

Conversion of preferred stock to common stock	\$ 341,070	-
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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.

Key performance metrics for the three months ended March 31, 2019 and 2018 are as follows:

	Three months ended March 31,			
	2019	2018	\$ Change	% Change
Gross Profit:				
Gross lease revenues and fees	\$ 29,129,723	\$ 19,336,896	\$ 9,792,827	50.6
Lease merchandise sold	946,618	614,518	332,100	54.0
Gross Revenue	30,076,341	19,951,414	10,124,927	50.8
Provision for doubtful accounts and revenue adjustments	(7,344,944)	(5,175,318)	(2,169,626)	41.9
Net revenues	22,731,397	14,776,096	7,955,301	53.8
Cost of merchandise sold	(565,007)	(333,763)	(231,244)	69.3
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	(15,277,939)	(10,407,746)	(4,870,193)	46.8
Gross Profit	\$ 6,888,451	\$ 4,034,587	\$ 2,853,864	70.7
Gross profit margin	30 %	27 %		

Gross Profit represents GAAP revenue less the provision for doubtful accounts and cost of leased inventory and inventory sold. Gross Profit provides us with an understanding of the results from the primary operations of our business. We use 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.

	Three months ended March 31,			
	2019	2018	\$ Change	% Change
Adjusted EBITDA:				
Net income/(loss)	\$ 503,543	\$ (2,286,344)	\$ 2,789,887	-
Amortization of debt costs	60,265	132,404	(72,139)	(54.5)

Other amortization and depreciation	524,703	435,674	89,029	20.4
Interest expense	1,121,728	801,263	320,465	40.0
Stock compensation	25,529	49,702	(24,173)	(48.6)
Non recurring product/infrastructure expenses	92,297	-	92,297	-
Adjusted EBITDA	\$ 2,328,065	\$ (867,301)*	\$ 3,195,366	-

Adjusted EBITDA represents net income before interest, stock-based compensation, taxes, depreciation (other than depreciation of leased inventory), 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.

The Company refers to Gross Profit and Adjusted EBITDA in the above tables as the Company uses these measures to evaluate operating performance and to make strategic decisions about the Company. Management believes that 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. ([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](#)) 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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