



## FlexShopper Reports 2019 Second Quarter Financial Results; Net Lease Revenues Rose 51.9% with Adjusted EBITDA of \$1.7 Million

August 12, 2019

### FlexShopper Virtual LTO Checkout Option Now Available at More than 1,200 Retail Partner Locations

BOCA RATON, Fla., Aug. 12, 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 both the second quarter and first six months of 2019, highlighted by continued growth in originations, revenues and Adjusted EBITDA.

#### Results for the Quarter Ended June 30, 2019 vs. Quarter Ended June 30, 2018<sup>1</sup>:

- Net lease revenues and fees<sup>1</sup> increased 51.9% to \$19.9 million from \$13.1 million.
- FlexShopper originated 29,252 gross leases, up 24.6% from 23,474.
- Gross lease originations increased \$4.0 million, an increase of 43.4%, to \$13.2 million from \$9.2 million.
- The average origination value increased to \$452 from \$393.
- Net loss decreased to \$(0.3) million compared with net loss of \$(2.0) million.
- Net loss attributable to common stockholders declined to \$(0.9) million, or \$(0.05) per diluted share, compared to \$(2.6) million, or \$(0.48) per diluted share.
- Gross Profit increased 37.9% to \$5.9 million from \$4.3 million.
- Adjusted EBITDA increased to \$1.7 million compared to \$(0.4) million.

#### Results for the Six Months Ended June 30, 2019 vs. Six Months Ended June 30, 2018<sup>1</sup>:

- Net lease revenues and fees rose 52.8% to \$41.7 million from \$27.3 million.
- Lease originations increased from 45,517 to 59,245, for an increase of 30.2%.
- Gross lease originations increased \$9.3 million, an increase of 50.5%, to \$27.7 million from \$18.4 million.
- The average origination value advanced to \$467 versus \$404.
- Net income posted positive at \$0.2 million compared to a net loss of \$(4.3) million.
- Net loss attributable to common shareholders decreased to \$(1.0) million or \$(0.06) per diluted share, compared to \$(5.5) million, or \$(1.03) per diluted share.
- Gross Profit increased 53.9% to \$12.8 million from \$8.3 million.
- Adjusted EBITDA<sup>2</sup> grew to \$4.1 million compared to \$(1.3) million.

<sup>1</sup> Beginning with Q1 2019 financial results, the Company 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.

<sup>2</sup> Adjusted EBITDA is a non-GAAP financial measure. Refer to the definitions and reconciliations of this measure under "Non-GAAP Measures."

#### Q2 2019 Highlights and Recent Developments

- **Continued growth in originations.** FlexShopper originated 29,252 gross leases in Q2 2019, representing an increase of 24.6% compared with the prior year period. Growth continued to be driven by the combination of 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, increased 776% compared to the same period last year.** In addition, retail store lease originations increased from 6.7% of total originations in the second quarter of 2018 to 24.5% of originations in the second quarter of 2019. Leases acquired through the Company's B2B retail channel have significantly lower acquisition costs than the Company's direct to consumer, or B2C, channel.
- **The Company's average cost to acquire a new customer continued to decrease in the second quarter of 2019, reaching a new quarterly low of \$58, compared to \$167 for the same period in 2018.** The Company continues to optimize its marketing expense, which declined from \$1.3 million in Q2 2018 to \$0.3 million in Q2 2019. For the six months ended June 30, 2019, marketing expense was \$1.2 million compared with \$2.4 million in the same period last year.
- **Completed roll-outs with two B2B partners.** During Q2, the Company completed the rollout of its integrationless, mobile app-based LTO checkout option at more than 560 additional retail locations between two new retail partners.
- **Business model continuing to gain leverage.** Gross Profit increased 37.9% during Q2 2019 resulting in \$712,038 of

operating income compared to an operating loss of \$929,568 for the same period last year. Gross Profit increased 53.9% for the six months ended June 30, 2019 resulting in operating income of \$2.4 million compared to an operating loss of \$2.3 million for the same period last year.

Brad Bernstein, CEO, commented on the Company's success, saying "Following strong first quarter results, we are very pleased to record another quarter of solidly-positive Adjusted EBITDA. All of our channels are contributing to our lease origination growth and we are particularly excited about our recent accelerated growth in our B2B in-store channel. Omnichannel growth, combined with our strong repeat business, continues to translate into increases in Gross Profit, which is growing at a faster rate than our expenses; this has led to our improved bottom line performance and illustrates the operating leverage of our model. We are very focused on efficiently increasing lease originations across all of our channels which ultimately enhances the leverage in our business."

## 2019 Outlook

The Company is updating its guidance for 2019.

	Current Guidance	Previous Guidance
2019 Gross Lease Originations	> \$72 million	> \$70 million
2019 Gross Revenue	> \$112 million	> \$110 million
2019 Gross Profit	> \$26.5 million	> \$25.5 million
2019 Adjusted EBITDA	> \$5.0 million	> \$4.0 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, Adjusted EBITDA is a non-GAAP financial measure. Refer to the definition of this measure 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, August 13, 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/31688/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 June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
<b>Revenues:</b>				
Lease revenues and fees, net	\$ 19,901,156	\$ 13,104,990	\$ 41,685,935	\$ 27,266,568
Lease merchandise sold	763,184	487,830	1,709,802	1,102,348
Total revenues	20,664,340	13,592,820	43,395,737	28,368,916
<b>Costs and expenses:</b>				
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	14,260,308	8,987,412	29,538,247	19,395,158
Cost of lease merchandise sold	498,838	324,705	1,063,845	658,468
Marketing	314,229	1,260,237	1,162,775	2,429,187
Salaries and benefits	2,037,081	2,031,788	3,795,168	4,211,164
Operating expenses	2,841,846	1,918,246	5,438,128	3,957,184
<b>Total costs and expenses</b>	<b>19,952,302</b>	<b>14,522,388</b>	<b>40,998,163</b>	<b>30,651,161</b>
<b>Operating income/(loss)</b>	<b>712,038</b>	<b>(929,568 )</b>	<b>2,397,574</b>	<b>(2,282,245 )</b>

Interest expense including amortization of debt issuance costs	1,021,984	1,045,338	2,203,977	1,979,005
<b>Net income/(loss)</b>	(309,946 )	(1,974,906 )	193,597	(4,261,250 )
Dividends on Series 2 Convertible Preferred Shares	609,282	604,824	1,218,450	1,208,504
<b>Net loss attributable to common shareholders</b>	\$ (919,228 )	\$ (2,579,730 )	\$ (1,024,853 )	\$ (5,469,754 )
<b>Basic and diluted (loss) per common share:</b>				
Net loss	\$ (0.05 )	\$ (0.48 )	\$ (0.06 )	\$ (1.03 )
<b>WEIGHTED AVERAGE COMMON SHARES:</b>				
Basic and diluted	17,666,193	5,368,390	17,658,562	5,331,445

**FLEXSHOPPER, INC.  
CONSOLIDATED BALANCE SHEETS**

	June 30, 2019 (unaudited)	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 2,791,829	\$ 6,141,210
Accounts receivable, net	6,897,421	6,375,963
Prepaid expenses	517,139	317,160
Lease merchandise, net	24,425,167	32,364,697
Total current assets	34,631,556	45,199,030
 PROPERTY AND EQUIPMENT, net	 5,266,219	 3,336,664
 OTHER ASSETS, net	 129,884	 90,621
	<b>\$ 40,027,659</b>	<b>\$ 48,626,315</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of loan payable under credit agreement to beneficial shareholder net of \$0 at 2019 and \$167,483 at 2018 of unamortized issuance costs	\$ -	\$ 14,252,717
Accounts payable	2,571,890	8,317,216
Accrued payroll and related taxes	364,659	393,095
Promissory notes to related parties net of \$13,333 at 2019 and \$0 at 2018 of unamortized issuance costs	1,053,114	1,814,771
Accrued expenses	799,468	1,335,505
Lease liability - current portion	224,998	-
Total current liabilities	5,014,129	26,113,304
 Loan payable under credit agreement to beneficial shareholder net of \$226,963 at 2019 and \$164,752 at 2018 of unamortized issuance costs and current portion	 20,480,678	 14,020,335
Promissory notes to related parties net of \$33,103 at 2019 and \$0 at 2018 of unamortized issuance costs and current portion	3,716,896	-
Lease liabilities less current portion	1,734,564	-
Total liabilities	30,946,267	40,133,639
 <b>STOCKHOLDERS' EQUITY</b>		
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 2018 at \$5.00 stated value	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 shares at 2018	1,767	1,758
Additional paid in capital	34,810,668	34,074,488
Accumulated deficit	(48,538,998 )	(48,732,595 )
Total stockholders' equity	9,081,392	8,492,676
	<b>\$ 40,027,659</b>	<b>\$ 48,626,315</b>

**FLEXSHOPPER, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the six months ended June 30, 2019 and 2018**  
**(unaudited)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income/(loss)	\$ 193,597	\$ (4,261,250 )
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Depreciation and impairment of lease merchandise	29,538,247	19,395,158
Other depreciation and amortization	1,237,143	1,191,510
Compensation expense related to issuance of stock options and warrants	371,972	72,481
Provision for doubtful accounts	15,774,830	10,658,805
Changes in operating assets and liabilities:		
Accounts receivable	(16,296,288 )	(10,504,020 )
Prepaid expenses and other	(198,666 )	(60,167 )
Lease merchandise	(21,598,717 )	(15,786,419 )
Security deposits	(40,801 )	-
Accounts payable	(5,745,326 )	(3,188,174 )
Accrued payroll and related taxes	(28,436 )	(38,832 )
Accrued expenses	(511,712 )	108,198
Net cash used in operating activities	(2,695,843 )	(2,412,710 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment, including capitalized software costs	(1,105,122 )	(1,021,551 )
Net cash used in investing activities	(1,105,122 )	(1,021,551 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refund of equity issuance related costs	23,147	-
Proceeds from exercise of warrants	-	1,750
Proceeds from promissory notes, net of fees	3,440,000	3,465,000
Repayment of promissory note	(500,000 )	-
Proceeds from loan payable under credit agreement	1,358,343	3,550,000
Repayment of loan payable under credit agreement	(9,255,988 )	(6,420,852 )
Repayment of installment loan	(5,604 )	(5,604 )
Debt issuance related costs	-	(69,000 )
Net cash (used in) provided by financing activities	(4,940,102 )	521,294
<b>DECREASE IN CASH</b>	(3,349,381 )	(2,912,967 )
<b>CASH, beginning of period</b>	6,141,210	4,968,915
<b>CASH, end of period</b>	\$ 2,791,829	\$ 2,055,948
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 1,936,218	\$ 1,422,484
<b>Non-cash financing activities:</b>		
Conversion of preferred stock to common stock	\$ 341,070	-

**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 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.

Key performance metrics for the three months ended June 30, 2019 and 2018 were as follows:

	Three months ended June 30,			
	2019	2018	\$ Change	% Change
<b>Adjusted EBITDA:</b>				
Net income/(loss)	\$ (309,946 )	\$ (1,974,906 )	\$ 1,664,960	84.3
Amortization of debt costs	58,569	160,903	(102,334 )	(63.6 )

Other amortization and depreciation	593,605	462,530	131,075	28.3
Interest expense	963,415	884,435	78,980	8.9
Stock compensation	303,243	22,779	280,464	1,231.2
Non-recurring product/infrastructure expenses	134,814	-	134,814	-
Adjusted EBITDA	\$ 1,743,699	\$ (444,259 )	\$ 2,187,958	-

Key performance metrics for the six months ended June 30, 2019 and 2018 were as follows:

	Six months ended June 30,			
	2019	2018	\$ Change	% Change
<b>Adjusted EBITDA:</b>				
Net income/(loss)	\$ 193,597	\$ (4,261,250 )	\$ 4,454,847	-
Amortization of debt costs	118,834	293,307	(174,473 )	(59.5 )
Other amortization and depreciation	1,118,308	898,204	220,104	24.5
Interest expense	2,085,143	1,685,698	399,445	23.7
Stock compensation	328,772	72,481	256,291	353.6
Non recurring product/infrastructure expenses	227,111	-	227,111	-
Adjusted EBITDA	\$ 4,071,765	\$ (1,311,560 )	\$ 5,156,214	-

The Company refers to Adjusted EBITDA in the above tables 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.

#### About FlexShopper

FlexShopper, Inc. 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](http://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 21E of the Securities Exchange Act of 1934. These statements include the Company's financial guidance for fiscal year 2019 appearing under “2019 Outlook” above. 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 U.S. federal securities laws.

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FlexShopper, Inc.

**FlexShopper**

Source: FlexShopper, Inc.