



FlexShopper Reports 2019 Third Quarter Financial Results; Net Revenues of \$22.3 million, up 52.4%, with Adjusted EBITDA of \$3.2 Million and Record Net Income of \$1.4 Million

November 4, 2019

Gross Margin Expands to 37% Compared With 30% in the Prior Year Quarter

BOCA RATON, Fla., Nov. 04, 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 third quarter and first nine months of 2019, highlighted by continued growth in originations, revenues and profitability. Improved lease portfolio performance enabled gross margin expansion, driving significant growth in Net Income and Adjusted EBITDA.

Results for the Quarter Ended September 30, 2019 vs. Quarter Ended September 30, 2018¹:

- Net lease revenues and fees¹ increased 52.4% to \$22.3 million from \$14.6 million.
- Gross lease originations increased \$4.7 million, an increase of 37.9%, to \$17.1 million from \$12.4 million.
- Lease originations increased to 36,531, up 25.2% from 29,185.
- The average origination value increased to \$468 from \$424.
- Net income was \$1.4 million compared to a net loss of \$(2.7) million.
- Net income attributable to common stockholders was \$0.8 million, or \$0.04 per diluted share, compared to \$(3.3) million, or \$(0.56) per diluted share.
- Gross Profit increased 84.4% to \$8.2 million from \$4.5 million.
- Adjusted EBITDA² increased to \$3.2 million compared to \$(1.0) million.

Results for the Nine Months Ended September 30, 2019 vs. Nine Months Ended September 30, 2018¹:

- Net lease revenues and fees rose 52.7% to \$64 million from \$41.9 million.
- Gross lease originations increased \$13.9 million, an increase of 45.0%, to \$44.7 million from \$30.8 million.
- Lease originations increased to 95,731, an increase of 28.2% from 74,684.
- The average origination value increased to \$466 versus \$412.
- Net income was \$1.6 million compared to a net loss of \$(7.0) million.
- Net loss attributable to common shareholders was \$(0.02) million or \$(0.01) per diluted share, compared to \$(8.8) million, or \$(1.59) per diluted share.
- Gross Profit increased 64.5% to \$21 million from \$12.8 million.
- Adjusted EBITDA² increased to \$7.2 million compared to \$(2.3) million.

¹ 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.

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

Q3 2019 Highlights and Recent Developments

- **Continued growth in originations.** FlexShopper originated gross leases valued at \$17.1 million in Q3 2019, which was an improvement of 37.9% from the prior year quarter. The increase was driven by the combination of increased gross lease count and average lease value. For the third quarter of 2019, FlexShopper originated a total of 36,531 gross leases, representing an increase of 25.2% compared with the prior year period, while the average lease value of \$468 was up from \$424 in 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.
- **The Company's B2B channel, consisting primarily of lease originations through third-party retail stores, continued to account for an increasing proportion of total originations.** Through the first nine months of 2019, retail store lease originations were 30% of total gross lease origination dollars and delivered 18,307 new customers compared with 3,163 in the same period last year.
- **The Company's average cost to acquire a new customer of \$67 in Q3 2019 continued to decrease on a year over year basis, compared to \$133 for the same period in 2018.** As planned, marketing expense increased to \$0.9 million in Q3 2019 from \$0.3 million in Q2 2019 as the Company increased its marketing activity during the back to school shopping season. Q3 2019 marketing expense compared favorably with \$1.6 million in the year-ago period. The Company continues to expect a sequential increase in marketing expense supporting B2C originations in Q4 2019.

- **Improved lease portfolio performance resulting from B2B retail channel growth.** Leases originated in the Company's B2B retail channel historically experience lower delinquency rates than the B2C channel. This positively impacted Gross Profit which increased approximately 700 basis points during Q3 2019 to 37% compared with the same period last year.

Rich House, CEO, commented, "I am delighted to have joined FlexShopper at such an exciting time. Brad has set a high bar in growing the company from its inception five years ago to where it is today. 2019 has been an inflection year for the company and I look forward to continuing that momentum. We have expanded our retail channel significantly and that has translated into a substantial increase in margins and bottom line results. We see ample avenues to continue our growth as we look forward to closing out the year with what has historically been our busiest quarter in terms of originations."

2019 Outlook

The Company is updating its guidance for 2019.

	Current Guidance	Previous Guidance
2019 Gross Lease Originations	> \$72 million	> \$72 million
2019 Gross Revenue	> \$115 million	> \$112 million
2019 Gross Profit	> \$27.5 million	> \$26.5 million
2019 Adjusted EBITDA	> \$8.0 million	> \$5.0 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, November 5, 2019
Time: 9:00 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/33102/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 September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Revenues:				
Lease revenues and fees, net	\$ 22,267,261	\$ 14,609,409	\$ 63,953,196	\$ 41,875,977
Lease merchandise sold	665,074	490,208	2,374,876	1,592,556
Total revenues	<u>22,932,335</u>	<u>15,099,617</u>	<u>66,328,072</u>	<u>43,468,533</u>
Costs and expenses:				
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	14,248,969	10,289,709	43,787,216	29,684,867
Cost of lease merchandise sold	457,399	349,209	1,521,244	1,007,677
Marketing	868,452	1,596,322	2,031,227	4,025,509
Salaries and benefits	2,189,629	2,186,835	5,984,797	6,397,999

Operating expenses	2,718,110	2,206,496	8,156,238	6,163,680
Total costs and expenses	<u>20,482,559</u>	<u>16,628,571</u>	<u>61,480,722</u>	<u>47,279,732</u>
Operating income/(loss)	2,449,776	(1,528,954)	4,847,350	(3,811,199)
Loss on extinguishment of debt	-	126,622	-	126,622
Interest expense including amortization of debt issuance costs	1,061,794	1,061,827	3,265,771	3,040,832
Net income/(loss)	<u>1,387,982</u>	<u>(2,717,403)</u>	<u>1,581,579</u>	<u>(6,978,653)</u>
Dividends on Series 2 Convertible Preferred Shares	609,717	609,168	1,828,167	1,817,672
Net income/(loss) attributable to common shareholders	<u>\$ 778,265</u>	<u>\$ (3,326,571)</u>	<u>\$ (246,588)</u>	<u>\$ (8,796,325)</u>
Basic and diluted (loss) per common share:				
Basic	\$ 0.04	\$ (0.56)	\$ (0.01)	\$ (1.59)
Diluted	<u>\$ 0.04</u>	<u>\$ (0.56)</u>	<u>\$ (0.01)</u>	<u>\$ (1.59)</u>
WEIGHTED AVERAGE COMMON SHARES:				
Basic	17,666,193	5,950,161	17,661,134	5,539,815
Diluted	<u>19,798,386</u>	<u>5,950,161</u>	<u>17,661,134</u>	<u>5,539,815</u>

**FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS**

	September 30, 2019 (unaudited)	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,172,362	\$ 6,141,210
Accounts receivable, net	7,976,580	6,375,963
Prepaid expenses	609,605	317,160
Lease merchandise, net	<u>24,341,616</u>	<u>32,364,697</u>
Total current assets	36,100,163	45,199,030
 PROPERTY AND EQUIPMENT, net	 5,271,812	 3,336,664
 OTHER ASSETS, net	 <u>86,980</u>	 <u>90,621</u>
	<u>\$ 41,458,955</u>	<u>\$ 48,626,315</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
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	2,660,561	8,317,216
Accrued payroll and related taxes	232,086	393,095
Promissory notes to related parties net of \$9,333 at 2019 and \$0 at 2018 of unamortized issuance costs, including accrued interest	1,062,810	1,814,771
Accrued expenses	886,028	1,335,505
Lease liability - current portion	<u>121,858</u>	<u>-</u>
Total current liabilities	4,963,343	26,113,304
 Loan payable under credit agreement to beneficial shareholder net of \$367,346 at 2019 and \$164,752 at 2018 of unamortized issuance costs and current portion	 20,233,281	 14,020,335

Promissory notes to related parties net of \$28,966 at 2019 and \$0 at 2018 of unamortized issuance costs and current portion	3,721,034	-
Lease liabilities less current portion	1,913,171	-
Total liabilities	30,830,829	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 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	34,969,420	34,074,488
Accumulated deficit	(47,151,016)	(48,732,595)
Total stockholders' equity	10,628,126	8,492,676
	<u>\$ 41,458,955</u>	<u>\$ 48,626,315</u>

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2019 and 2018
(unaudited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 1,581,579	\$ (6,978,653)
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Depreciation and impairment of lease merchandise	43,787,216	29,684,866
Other depreciation and amortization	1,879,935	1,850,452
Compensation expense related to issuance of stock options and warrants	530,724	101,025
Provision for doubtful accounts	25,075,156	16,563,888
Loss on debt extinguishment	-	126,622
Changes in operating assets and liabilities:		
Accounts receivable	(26,675,773)	(17,120,096)
Prepaid expenses and other	(290,556)	141,126
Lease merchandise	(35,764,135)	(26,595,974)
Security deposits	1,334	2,025
Accounts payable	(5,656,655)	(1,560,609)
Accrued payroll and related taxes	(161,009)	(179,265)
Accrued expenses	(317,173)	128,766
Net cash provided by (used in) operating activities	<u>3,990,643</u>	<u>(3,835,827)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, including capitalized software costs	(1,664,580)	(1,752,095)
Net cash used in investing activities	<u>(1,664,580)</u>	<u>(1,752,095)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment under finance lease obligation	(1,243)	-
Refund of equity issuance related costs	23,147	-
Proceeds from exercise of warrants	-	1,750
Proceeds from public offering	-	10,007,500
Equity issuance related costs	-	(862,810)
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	2,523,828	5,185,000
Repayment of loan payable under credit agreement	(10,528,488)	(9,786,487)

Repayment of installment loan	(8,405)	(8,405)
Debt issuance related costs	(243,750)	(100,438)
Net cash (used in) provided by financing activities	(5,294,911)	7,901,110
 (DECREASE)/INCREASE IN CASH	 (2,968,848)	 2,313,188
 CASH, beginning of period	 6,141,210	 4,968,915
 CASH, end of period	 \$ 3,172,362	 \$ 7,282,103
Supplemental cash flow information:		
Interest paid	\$ 2,700,709	\$ 2,104,110
Non-cash financing activities:		
Issuance of common stock and warrants to extinguishment debt and accrued interest	-	\$ 2,089,266
Accrued equity issuance costs	-	\$ 160,000
Warrants issued for debt issuance costs	-	\$ 523,250
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 September 30, 2019 and 2018 were as follows:

	Three months ended September 30,		\$ Change	% Change
	2019	2018		
Adjusted EBITDA:				
Net income/(loss)	\$ 1,387,982	\$ (2,717,403)	\$ 4,105,385	-
Amortization of debt costs	111,506	167,689	(56,183)	(33.5)
Other amortization and depreciation	531,289	491,252	40,037	8.1
Loss on debt extinguishment	-	126,622	(126,622)	-
Interest expense	950,288	894,138	56,150	6.3
Stock compensation	117,134	28,544	88,590	310.4
Non-recurring product/infrastructure expenses	79,272	-	79,272	-
Adjusted EBITDA	\$ 3,177,471	\$ (1,009,158)	\$ 4,186,629	-

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

	Nine months ended September 30,		\$ Change	% Change
	2019	2018		
Adjusted EBITDA:				
Net income/(loss)	\$ 1,581,579	\$ (6,978,653)	\$ 8,560,232	-
Amortization of debt costs	230,340	460,996	(230,656)	(50.0)
Other amortization and depreciation	1,649,597	1,389,456	260,141	18.7
Loss on debt extinguishment	-	126,622	(126,622)	-
Interest expense	3,035,431	2,579,836	455,595	17.7
Stock compensation	445,906	101,025	344,881	341.4
Non-recurring product/infrastructure expenses	306,383	-	306,383	-
Adjusted EBITDA	\$ 7,249,236	\$ (2,320,718)	\$ 9,569,954	-

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) 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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Source: FlexShopper, Inc.