

NASDAQ FPAY

# FlexShopper®

The Omni-Channel Lease-to-Own  
Provider for Consumers and Businesses

## Investor Presentation March 2020



# Safe Harbor Statement & Use on Non-GAAP Information

## Forward Looking Statements:

This presentation includes forward-looking statements that are made pursuant to the "safe harbor" provisions of the private securities litigation reform act of 1995. Forward-looking statements reflect our current views with respect to future events and involve inherent risks and uncertainties which could cause actual results to differ materially from our historical experience and present expectations or projections as a result of various factors, including those risks and uncertainties described in the risk factors and in management's discussion and analysis of financial condition and results of operations sections of the prospectus included in our registration statement on Form S-1 (No. 333-226823) and the Company's most recently filed annual report on form 10-k and subsequently filed quarterly reports on form 10-q, each filed with the Securities and Exchange Commission. One can find many (but not all) of these statements by looking for terms such as "believe," "expect," "hope," "project," "may," "will," "should," "would," "could," "seek," "intend," "plan," "estimate," "anticipate" and similar terms. All statements other than statements of historical facts included in this presentation, including statements regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements.

We urge you to consider those risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which represent our estimates and assumptions only as of the date hereof. Except as required by law, we undertake no obligation to update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. We anticipate that subsequent events and developments will cause our views to change.

In this presentation, we refer to information regarding potential markets and other industry data. We believe that all such information has been obtained from reliable sources that are customarily relied upon by companies in our industry. However, we have not independently verified any such information.

## Use of Non-GAAP Financial Information

This presentation includes calculations not calculated or presented in accordance with US GAAP. We believe these non-GAAP measures provide useful supplemental information for period-to-period comparisons of our business and can assist investors and others in understanding and evaluating our operating results. However, these non-GAAP measures should not be considered in isolation or as an alternative to any measures of financial performance calculated and presented in accordance with GAAP. Other companies may calculate this non-GAAP measure differently than we do.

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. Additionally, Adjusted EBITDA is a non-GAAP financial measure. Refer to the definitions 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.

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# FlexShopper®

We facilitate both sides of consumers' Lease-to-Own purchases

## FOR CONSUMERS (B2C)

We give non-prime consumers immediate purchasing power to shop for **what they want, where they want** by completing a simple application, online or in-store.

## FOR RETAILERS (B2B)

We increase their sales with non-prime retail customers who do not qualify for traditional credit and **"SAVE THE SALE"** with our lease-to-own programs.



# Large Addressable Virtual Lease-to-Own (vLTO) Market Opportunity

- For over 60 years, customers went to physical LTO store locations
- Lease-to-Own transactions occurring outside of traditional brick and mortar rent-to-own stores created the virtual LTO (vLTO) market



\*Per Wall Street Research

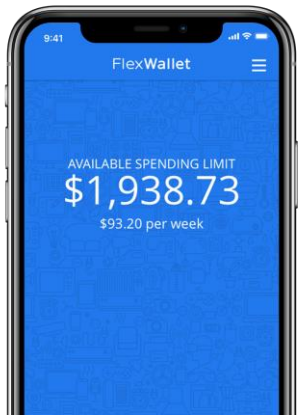
# The Only Omni-Channel LTO Provider

Allows retailers to reach an incremental, untapped market and “save the sale” with consumers that do not qualify for traditional credit

## B2B Channels

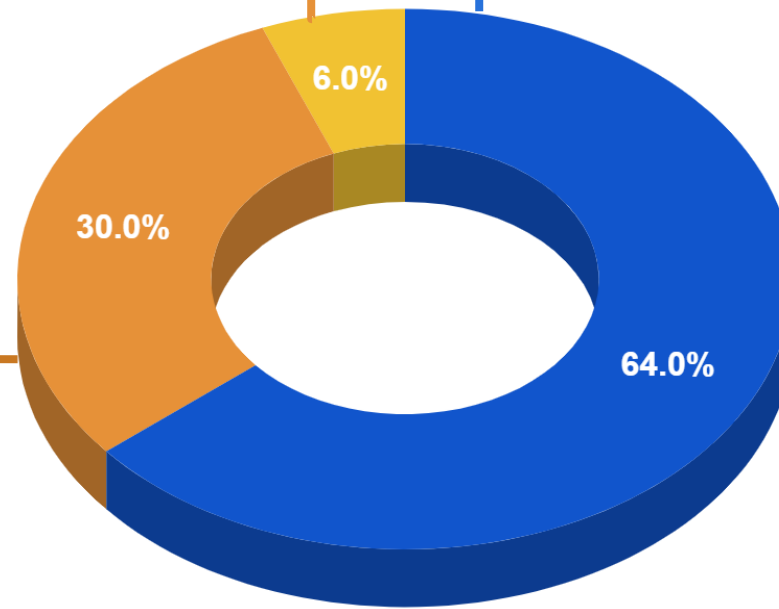
Patented Payment Method

FlexShopper as a payment option on retailers' ecommerce sites



In-Store **SAVE THE SALE**

Digital mobile payment solution for POS



Percentage of Gross Lease Originations (\$), YTD Dec 31<sup>st</sup> 2019

## B2C Channel

Online Marketplace

Retailers' products on **FlexShopper.com**



# FlexShopper is a Leader in vLTO

## Product Overview

- 52-week term lease-to-own product
- Weekly payments debited via automatic ACH from customer's bank account
- Customers can save money with attractive early payoff options
- Customer can choose to return the merchandise to FlexShopper at any time

## Asset Level Illustrative Economics

1. Customer wants to lease a product

Value to Customer  
**= 1.0x**

2. ACH-secured Lease-to-Own purchasing option

Future Value to FPAY  
**= 2.3x**

3. Assumes some customers utilize early payment option

Discounted Value to FPAY  
**= 2.1x**

4. Bad-Debt Assumption of ~30% or (0.7x)

Net Value to FPAY  
**= 1.45x 45% Return**

## Product Categories



Electronics



Tires



Furniture



Jewelry



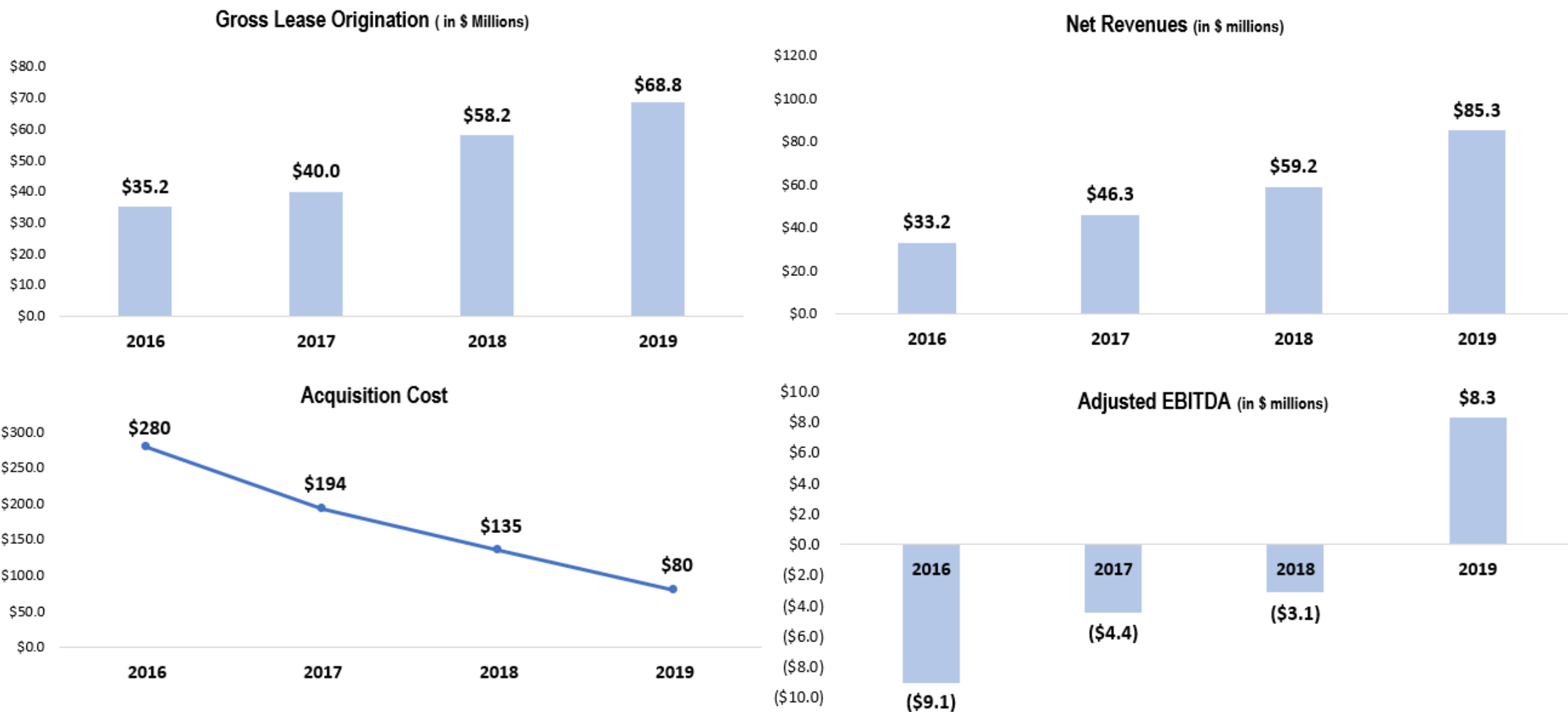
Appliances



Mobile



# Scale and Operating Leverage Drive Profitability



Twelve Months Ended December 31<sup>st</sup> 2019

# Company Strategy

## Uniquely Positioned Business Model

- No brick and mortar stores or inventory
- Selection of 200,000+ items on FlexShopper.com, the largest LTO marketplace
- Asset level IRR of >100%
- Highly repeat customer base

## B2C Channel

- Lower customer acquisition costs through continued marketing optimization
- Improve order rates
- Expand base of repeat customers

## B2B Channels

- Formalized retailer outreach program led by veteran sales team
- Heavily promote mobile “integrationless” in-store solutions along with omnichannel capabilities
- Continue to innovate with technology to provide best in class retailer and consumer experiences



# FlexShopper<sup>®</sup>

## Financials



# Use of Non GAAP Financial and Adjusted Results

Management believes that Adjusted EBITDA, provides relevant and useful information which is widely used by analysts, investors and competitors in our industry in assessing performance.

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. Adjusted EBITDA may be useful to an investor in evaluating our operating performance and liquidity because this measure:

- is widely used by investors to measure a company's operating performance without regard to items excluded from the calculation of such measure, which can vary substantially from company to company;
- is a financial measurement that is used by rating agencies, lenders and other parties to evaluate our credit worthiness; and
- is used by our management for various purposes, including as a measure of performance and as a basis for strategic planning and forecasting.

Adjusted EBITDA is a supplemental measure of FlexShopper's performance that is neither required by, nor presented in accordance with, GAAP. Adjusted EBITDA should not be considered as a substitute for GAAP metrics such as operating loss, net income or any other performance measures derived in accordance with GAAP.

## 2020 Guidance

2020 Guidance	
Revenue	> \$100M
Gross Profit	> \$35M
Adjusted EBITDA	> \$11M
Originations	> \$82M

# Financial Summary - Management View

Dollars in thousands (\$000s)									Sample Lease
Income Statement	1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	
<b>Gross Revenue*</b>	\$ 19,617	\$ 18,752	\$ 20,656	\$ 24,280	\$ 29,511	\$ 28,595	\$ 31,775	\$ 31,464	<b>1,988</b>
Allowance for Bad Debt	(5,175)	(5,483)	(5,905)	(6,675)	(7,345)	(8,430)	(9,300)	(9,763)	
<b>Net Revenue</b>	\$ 14,442	\$ 13,268	\$ 14,751	\$ 17,605	\$ 22,166	\$ 20,166	\$ 22,475	\$ 21,701	<b>1,430</b>
COGS**	(10,408)	(8,987)	(10,290)	(10,954)	15,278	14,260	14,249	14,153	<b>1,000</b>
<b>Gross Profit</b>	\$ 4,034	\$ 4,281	\$ 4,461	\$ 6,650	\$ 6,888	\$ 5,905	\$ 8,226	\$ 7,548	<b>430</b>
Marketing	(1,169)	(1,264)	(1,594)	(3,020)	(849)	(314)	(868)	(1,618)	
Salaries and Benefits	(2,179)	(2,032)	(2,187)	(2,398)	(1,758)	(2,037)	(2,190)	(2,485)	
Other Operating Expenses	(1,553)	(1,429)	(1,689)	(2,042)	(1,954)	(1,810)	(1,990)	(2,393)	
<b>Total Operating Expenses</b>	\$ (4,901)	\$ (4,725)	\$ (5,470)	\$ (7,460)	\$ (4,560)	\$ (4,161)	\$ (5,048)	\$ (6,496)	
<b>Pre-Marketing Adjusted EBITDA</b>	\$ 302	\$ 820	\$ 585	\$ 2,210	\$ 3,177	\$ 2,058	\$ 4,046	\$ 4,878	
<b>Adjusted EBITDA</b>	\$ (867)	\$ (444)	\$ (1,009)	\$ (810)	\$ 2,328	\$ 1,744	\$ 3,177	\$ 1,052	
Depreciation & Amortization	\$ (568)	\$ (624)	\$ (658)	\$ (559)	\$ (585)	\$ (652)	\$ (643)	\$ (644)	
Interest Expense	(801)	(884)	(894)	(1,082)	(1,122)	(963)	(950)	(950)	
Stock Compensation	(50)	(23)	(29)	(32)	(26)	(303)	(117)	(150)	
Loss on extinguishment of debt			(127)						
Non recurring product/infrastructure expense					(92)	(135)	(79)	(96)	
<b>Earnings Before Tax</b>	\$ (2,286)	\$ (1,975)	\$ (2,717)	\$ (2,483)	\$ 504	\$ (310)	\$ 1,388	\$ (788)	

\*Lease revenue plus lease merchandise sold net of cost of lease merchandise sold

\*\* Lease depreciation net of lease revenue rebates

# Income Statement

	For the 12 Months Ended December 31,		
	2019	2018	2017
Lease revenues and fees, net	\$85,331,360	\$59,219,472	\$46,276,924
Lease merchandise sold	3,458,529	2,269,708	1,634,233
<b>Total Revenues</b>	<b>88,789,889</b>	<b>61,489,180</b>	<b>47,911,157</b>
Cost of lease revenues, consisting of depreciation and impairment of lease merchandise	57,939,899	40,639,232	31,453,246
Cost of lease merchandise sold	2,282,036	1,423,526	998,800
Marketing	3,649,292	7,046,812	6,094,330
Salaries and benefits	8,469,334	8,796,011	7,862,714
Other operating expenses	11,345,091	8,761,815	7,664,566
Total Costs and Expenses	83,685,652	66,667,396	54,073,656
<b>OPERATING INCOME / (LOSS)</b>	<b>5,104,237</b>	<b>(5,178,216)</b>	<b>(6,162,499)</b>
Loss on extinguishment of debt	-	126,622	-
Interest expense including amortization of debt issuance costs	4,310,422	4,156,424	2,168,262
Provision for income taxes	216,400	-	-
<b>NET INCOME / (LOSS)</b>	<b>577,415</b>	<b>(9,461,262)</b>	<b>(8,330,761)</b>
Cumulative dividends on Series 2 Convertible Preferred Shares	2,437,884	2,426,840	2,316,396
Net loss attributable to common shareholders	(1,860,469)	(11,888,102)	(10,647,157)
Basic (loss) per common share	(0.11)	(1.39)	(1.59)
Diluted (loss) per common share	(0.11)	(1.39)	(1.59)
Basic shares	17,672,156	8,574,569	5,290,944
Diluted shares	17,672,156	8,574,569	5,290,944
<b>Adjusted EBITDA</b>			
Net Income / (Loss)	577,415	(9,461,262)	(8,330,761)
Provision for income taxes	216,400	-	-
Amortization of debt costs	324,686	511,085	473,616
Other amortization and depreciation	2,199,737	1,914,084	1,616,964
Loss on extinguishment of debt	-	126,622	-
Interest expense	3,985,736	3,645,339	1,694,645
Stock compensation	595,833	133,428	113,952
Non recurring product/infrastructure expenses	401,896	-	-
<b>Adjusted EBITDA</b>	<b>8,301,703</b>	<b>(3,130,704)</b>	<b>(4,431,584)</b>

# Balance Sheet

For the Periods Ended

	December 31, 2019	December 31, 2018	December 31, 2017
Cash	\$6,868,472	\$6,141,210	\$4,968,915
Accounts receivable, net	8,272,332	6,375,963	4,259,468
Prepaid expenses	672,242	317,160	321,035
Lease merchandise, net	31,063,104	32,364,697	21,415,322
Total current assets	46,876,150	45,199,030	30,964,740
PROPERTY AND EQUIPMENT, net	5,260,407	3,336,664	2,948,164
OTHER ASSETS, net	78,335	90,621	95,722
Total assets	52,214,892	48,626,315	34,008,626
Current portion of loan payable under credit agreement to beneficial shareholder net of \$0 at 2019 and \$167,483 at 2018 and \$118,404 at 2017 of unamortized issuance costs	-	14,252,717	14,094,096
Accounts payable	4,567,889	8,317,216	7,702,145
Accrued payroll and related taxes	513,267	393,095	404,346
Promissory notes net of \$5,333 at 2019 and \$0 at 2018 of unamortized issuance costs	1,067,740	1,814,771	-
Accrued expenses	1,372,901	1,335,505	786,095
Lease liability – current portion	27,726	-	-
Total current liabilities	7,549,523	26,113,304	22,986,682
Loan payable under credit agreement to beneficial shareholder net of \$281,138 at 2019 and \$164,752 at 2018 and \$39,468 at 2017 of unamortized issuance costs and current portion	28,904,738	14,020,335	4,698,032
Promissory notes net of \$28,966 at 2019 and \$0 at 2018 of unamortized issuance costs and current portion	3,725,172	-	-
Lease liabilities less current portion	2,067,184	-	-
Total liabilities	42,246,617	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 171,191 and 239,405 and 243,065 shares at \$5.00 stated value	855,955	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	21,952,000
Common stock, \$0.0001 par value- authorized 40,000,000 shares, issued and outstanding 17,666,193 at 2019 and 17,579,870 shares at 2018 and 5,294,501 at 2017	1,779	1,758	529
Additional paid in capital	35,313,721	34,074,488	22,445,691
Accumulated deficit	(48,155,180)	(48,732,595)	(39,271,333)
Total stockholders' equity	9,968,275	8,492,676	6,323,912
Total liabilities and stockholder's equity	52,214,892	48,626,315	34,008,626



# Cash Flow Statement

For the 12 Months Ended December 31,

	2019	2018	2017
Net Income / (Loss)	577,415	(9,461,262)	(8,330,761)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and impairment of lease merchandise	58,253,095	40,639,232	31,453,246
Other depreciation and amortization	2,524,422	2,410,537	2,090,581
Compensation expense related to issuance of stock options and warrants	723,394	133,428	113,952
Provision for doubtful/uncollectible accounts	34,838,046	23,239,189	19,135,207
Loss on debt extinguishment	-	126,622	-
Interest in kind added to promissory notes balance	73,073	64,771	-
Interest in kind added to credit agreement balance	170,550	248,535	-
Accounts receivable	(36,734,415)	(25,355,684)	(21,212,888)
Prepaid expenses and other	(352,710)	6,844	32,296
Lease merchandise	(56,951,502)	(51,588,607)	(34,298,108)
Security deposits	9,210	2,025	(10,206)
Accounts payable	(3,814,098)	827,715	3,784,397
Accrued payroll and related taxes	120,172	(11,251)	108,013
Accrued expenses	93,887	557,648	535,437
<b>Net cash (used in) provided by operating activities</b>	<b>(469,461)</b>	<b>(18,160,258)</b>	<b>(6,598,834)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment, including capitalized software costs	(2,241,172)	(2,284,876)	(2,021,538)
<b>Net cash (used in) investing activities</b>	<b>(2,241,172)</b>	<b>(2,284,876)</b>	<b>(2,021,538)</b>
Proceeds from exercise of stock options	69,406	-	15,000
Principal payment under finance lease obligation	(2,527)	-	-
Proceeds from exercise of warrants	43,875	1,750	-
Proceeds from promissory notes, net	2,940,000	3,465,000	-
Proceeds from loan payable under credit agreement	12,396,078	19,366,359	10,450,000
Proceeds from public offering	-	10,007,500	-
Equity issuance related costs	61,509	(1,123,419)	-
Repayment of loan payable under credit agreement	(11,815,488)	(9,959,607)	(2,288,208)
Repayment of installment loan	(11,208)	(11,208)	-
Debt issuance related costs	(243,750)	(128,946)	-
<b>Net cash provided by (used in) financing activities</b>	<b>3,437,895</b>	<b>21,617,429</b>	<b>8,176,792</b>
<b>(DECREASE)/INCREASE IN CASH</b>	<b>727,262</b>	<b>1,172,295</b>	<b>(443,580)</b>
CASH, beginning of period	6,141,210	4,968,915	5,412,495
CASH, end of period	6,868,472	6,141,210	4,968,915



## 4Q 2019 Capitalization Table

<b>Common Shares Outstanding</b>	17,783,960
<b>Preferred Shares Series 1 (as converted to Common)</b>	218,104
<b>Preferred Shares Series 2 (as converted to Common)</b>	5,679,616
<b>Warrants (WAEP \$1.43)</b>	7,460,970
<b>Options (WAEP \$1.72)</b>	2,004,151