

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 8, 2021

FlexShopper, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or other jurisdiction
of incorporation)

001-37945

(Commission File Number)

20-5456087

(IRS Employer
Identification No.)

901 Yamato Road, Suite 260
Boca Raton, Florida

(Address of principal executive offices) (Zip Code)

33431

Registrant's telephone number, including area code: (855) 353-9289

(Former Name or Former Address, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, par value \$0.0001 per share | FPAY | The Nasdaq Stock Market LLC |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

CURRENT REPORT ON FORM 8-K

FlexShopper, Inc. (the “Company”)

March 8, 2021

Item 2.02. Results of Operations and Financial Condition.

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, 2020, highlighted by growth in net revenue and orginations. A copy of the press release is furnished with this report as Exhibit 99.1. Such information, including the Exhibit attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(a) Exhibits. The exhibit listed in the following Exhibit Index is filed as part of this current report.

Exhibit No. Description

99.1 [Press Release issued by FlexShopper, Inc. on March 8, 2021.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FLEXSHOPPER, INC.

Date: March 8, 2021

By: /s/ Richard House, Jr.
Richard House, Jr.
Chief Executive Officer



FlexShopper, Inc. Reports 2020 Fourth Quarter and Year End Financial Results

Q4 2020 Net Revenues Up 25.3% to \$28.1 million

Lease Merchandise, net, Up 37.8% at December 31, 2020 Compared With Prior Year

BOCA RATON, Fla., March 8, 2021 (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 fiscal year ended December 31, 2020, highlighted by continued growth in lease activity from repeat customers, along with new customer additions.

Results for Quarter Ended December 31, 2020 vs. Quarter Ended December 31, 2019:

- Total net revenues and fees increased 25.3% to \$28.1 million from \$22.4 million
- Originated 71,350 gross leases, up 26.5% from 56,391; average origination value increased by 8.7% to \$464
- Gross lease originations increased \$8.9 million, or 37.3%, to \$33.1 million from \$24.1 million
- Net loss of \$(419) thousand compared with net loss of \$(1.0) million
- Net loss attributable to common stockholders of \$(1.0) million, or \$(0.05) per diluted share, compared to net loss of \$(1.6) million, or \$(0.09) per diluted share
- Gross profit increased 46.7% to \$11.1 million from \$7.5 million
- Adjusted EBITDA¹ increased to \$2.6 million compared to \$1.1 million

Results for Twelve Months Ended December 31, 2020 vs. Twelve Months Ended December 31, 2019:

- Total net revenues and fees increased 15% to \$102.1 million from \$88.8 million
- Originated 188,554 gross leases, up 23.95% from 152,122; average origination value increased by 3.4% to \$468
- Gross lease originations increased \$19.4 million, or 28.2%, to \$88.2 million from \$68.8 million
- Net loss of \$(340) thousand compared with net income of \$577 thousand
- Net loss attributable to common stockholders, inclusive of deemed dividend expense of \$0.7 million in Q1, of \$(3.5) million, or \$(0.17) per diluted share, compared to \$(1.9) million, or \$(0.11) per diluted share in the prior year, which included no deemed dividend expense
- Gross profit increased 23.7% to \$35.4 million from \$28.6 million
- Adjusted EBITDA¹ improved to \$8.7 million from \$8.4 million
- Lease merchandise, net, of \$42.8 million at December 31, 2020 increased 37.8%

¹ Adjusted EBITDA is a non-GAAP financial measure. Refer to the definition and reconciliation of this measure under "Non-GAAP Measures".

Fourth Quarter 2020 Highlights and Recent Developments

- **Pilot program with a national retailer has been expanded from one state to four states.** Following a successful introduction, the program will expand to three additional states as of March 15th.
- **Credit facility maturity extended along with important modifications.** The Company's credit facility was extended until April 1, 2024 and included eligibility and covenant modifications which improve liquidity.
- **Origination growth continuing into 2021.** The strong origination growth experienced in the fourth quarter has continued into 2021, with originations rising 23% in January and February combined, compared with the same two-month period in 2020.
- **Leases originated in the fourth quarter driving favorable results in the first months of 2021.** Adjusted EBITDA for January 2021 was approximately \$1.59 million.
- **Repeat customer trends continue to be favorable.** During 2020, the Company originated \$37.7 million from existing customers, representing approximately 43% of total gross lease originations. This compared with \$27.4 million repeat customer leases in 2019, or 38% of total existing gross lease originations.

Rich House, CEO, stated, "We closed 2020 with excellent momentum as our originations in the fourth quarter grew 37.3%, resulting in year-end a Net Merchandise balance of \$42.8 million, which was similarly up 37.8%. Our asset quality continued to be solid and with our recently extended credit facility, we believe we are well-positioned to continue our growth. Subsequent to year end, we expanded our pilot program with a national retailer and now are a payment option in four states with them. We are also continuing to focus on securing additional retail partners and are optimistic regarding the progress of those discussions."

Mr. House continued, "Against the challenging backdrop that 2020 posed for everyone, our business proved its resilience as our underwriting remained solid. Additionally, our FlexShopper platform continues to be a key differentiator for our business by providing our partners a robust direct to consumer option alongside our integrationless payment option in their stores and on their websites. We took a methodical approach during the pandemic and, after thorough data analysis, resumed our emphasis on growth. In addition to growing originations with new customers, we are also having good success driving repeat business which leads to expanding margins. Combined with our return on capital framework, we expect this strategy to drive increased value for FlexShopper."

Additionally, Adjusted EBITDA is a non-GAAP financial measure. Refer to the definition of this measure under "Non-GAAP Measures."

Conference Call Details

Date: Tuesday, March 9, 2021

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/43735/index1.html>. An audio replay of the call will be archived on the Company's website.

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the three months ended December 31, | | For the twelve months ended December 31, | |
|--|--|-----------------------|---|-----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | |
| Lease revenues and fees, net | 26,950,434 | 21,378,164 | 96,939,767 | 85,331,360 |
| Lease merchandise sold | 1,191,139 | 1,083,653 | 5,144,747 | 3,458,529 |
| Total revenues | 28,141,573 | 22,461,817 | 102,084,514 | 88,789,889 |
| Costs and expenses: | | | | |
| Cost of lease revenues, consisting of depreciation and impairment of lease merchandise | 16,326,208 | 14,152,683 | 63,308,210 | 57,939,899 |
| Cost of lease merchandise sold | 739,281 | 760,792 | 3,424,880 | 2,282,036 |
| Marketing | 2,260,152 | 1,618,065 | 5,880,063 | 3,649,292 |
| Salaries and benefits | 3,116,073 | 2,484,537 | 10,440,693 | 8,469,334 |
| Operating expenses | 4,367,210 | 3,188,853 | 14,404,953 | 11,345,091 |
| Total costs and expenses | 26,808,924 | 22,204,930 | 97,458,799 | 83,685,652 |
| Operating income | 1,332,649 | 256,887 | 4,625,715 | 5,104,237 |
| Interest expense including amortization of debt issuance costs | 1,088,478 | 1,044,651 | 4,302,561 | 4,310,422 |
| Income/(loss) before income taxes | 244,171 | (787,764) | 323,154 | 793,815 |
| Provision for income taxes | 663,050 | 216,400 | 663,050 | 216,400 |
| Net income/(loss) | (418,879) | (1,004,164) | (339,896) | 577,415 |
| Deemed dividend from exchange offer of warrants | - | - | 713,212 | - |
| Dividends on Series 2 Convertible Preferred Shares | 609,771 | 609,717 | 2,438,988 | 2,437,884 |
| Net income/(loss) attributable to common shareholders | \$ (1,028,650) | \$ (1,613,881) | \$ (3,492,096) | \$ (1,860,469) |
| Basic and diluted (loss) per common share: | | | | |
| Basic and diluted | \$ (0.05) | \$ (0.09) | \$ (0.17) | \$ (0.11) |
| WEIGHTED AVERAGE COMMON SHARES: | | | | |
| Basic and diluted | 21,359,912 | 17,704,865 | 20,995,349 | 17,672,156 |

FLEXSHOPPER, INC.
CONSOLIDATED BALANCE SHEETS

| | <u>December 31,</u> 2020 | <u>December 31,</u> 2019 |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | \$ 8,541,232 | \$ 6,868,472 |
| Accounts receivable, net | 10,032,714 | 8,272,332 |
| Prepaid expenses | 869,081 | 672,242 |
| Lease merchandise, net | 42,822,340 | 31,063,104 |
| Total current assets | 62,265,367 | 46,876,150 |
| PROPERTY AND EQUIPMENT, net | 5,911,696 | 5,260,407 |
| OTHER ASSETS, net | 72,316 | 78,335 |
| Total assets | \$ 68,249,379 | \$ 52,214,892 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 7,907,619 | \$ 4,567,889 |
| Accrued payroll and related taxes | 352,102 | 513,267 |
| Current portion of promissory notes to related parties, net of \$8,276 at 2020 and \$5,333 at 2019 of unamortized issuance costs, including accrued interest | 4,815,546 | 1,067,740 |
| Current portion of promissory note – Paycheck Protection Program | 1,184,952 | - |
| Accrued expenses | 2,646,800 | 1,372,901 |
| Lease liability - current portion | 160,726 | 27,726 |
| Total current liabilities | 17,067,745 | 7,549,523 |
| Loan payable under credit agreement to beneficial shareholder, net of \$61,617 at 2020 and \$281,138 at 2019 of unamortized issuance costs and current portion | 37,134,009 | 28,904,738 |
| Promissory notes to related parties, net of \$24,828 at 2019 of unamortized issuance costs and current portion | - | 3,725,172 |
| Promissory note – Paycheck Protection Program, net of current portion | 741,787 | - |
| Accrued payroll and related taxes net of current portion | 204,437 | - |
| Lease liabilities less current portion | 1,947,355 | 2,067,184 |
| Total liabilities | 57,095,333 | 42,246,617 |
| STOCKHOLDERS' EQUITY | | |
| Series 1 Convertible Preferred Stock, \$0.001 par value - designated 250,000 shares, issued and outstanding 170,332 shares at 2020 and 171,191 shares at 2019 at \$5.00 stated value | 851,660 | 855,955 |
| Series 2 Convertible Preferred Stock, \$0.001 par value - designated 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 21,359,945 shares at 2020 and 17,783,960 shares at 2019 | 2,136 | 1,779 |
| Additional paid in capital | 36,843,326 | 35,313,721 |
| Accumulated deficit | (48,495,076) | (48,155,180) |
| Total stockholders' equity | 11,154,046 | 9,968,275 |
| | \$ 68,249,379 | \$ 52,214,892 |

FLEXSHOPPER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss)/ income | \$ (339,896) | \$ 577,415 |
| Adjustments to reconcile net (loss)/ income to net cash used in operating activities: | | |
| Depreciation and impairment of lease merchandise | 63,308,210 | 58,253,095 |
| Other depreciation and amortization | 2,577,084 | 2,524,422 |
| Compensation expense related to issuance of stock options and warrants | 1,388,755 | 723,394 |
| Provision for doubtful accounts | (31,930,714) | 34,838,046 |
| Interest in kind added to promissory notes balance | 13,388 | - |
| Payment of interest in kind under promissory notes | - | 73,073 |
| Payment of interest in kind under credit agreement | - | 170,550 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 30,170,332 | (36,734,415) |
| Prepaid expenses and other | (195,104) | (352,710) |
| Lease merchandise | (75,067,446) | (56,951,502) |
| Security deposits | 2,943 | 9,210 |
| Accounts payable | 3,339,730 | (3,814,098) |
| Lease liabilities | 198,528 | (124,319) |
| Accrued payroll and related taxes | 43,271 | 120,172 |
| Accrued expenses | 1,283,372 | 218,206 |
| Net cash used in operating activities | <u>(5,207,547)</u> | <u>(469,461)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment, including capitalized software costs | (3,098,194) | (2,241,172) |
| Net cash used in investing activities | <u>(3,098,194)</u> | <u>(2,241,172)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loan payable under credit agreement | 15,033,000 | 12,396,078 |
| Repayment of loan payable under credit agreement | (7,023,250) | (11,815,488) |
| Proceeds from promissory notes to related parties, net of fees | - | 3,440,000 |
| Proceeds from promissory notes- Paycheck Protection Program, net of fees | 1,914,100 | - |
| Repayment of promissory note | - | (500,000) |
| Principal payment under finance lease obligation | (6,664) | (2,527) |
| Refund of equity issuance related costs | - | 61,509 |
| Proceeds from exercise of warrants | 131,250 | 43,875 |
| Proceeds from exercise of stock options | 5,662 | 69,406 |
| Repayment of installment loan | (11,207) | (11,208) |
| Debt issuance related costs | (64,390) | (243,750) |
| Net cash provided by financing activities | <u>9,978,501</u> | <u>3,437,895</u> |
| INCREASE IN CASH | 1,672,760 | 727,262 |
| CASH, beginning of period | 6,868,472 | 6,141,210 |
| CASH, end of period | <u>\$ 8,541,232</u> | <u>\$ 6,868,472</u> |

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 and twelve months ended December 31, 2020 and 2019 were as follows:

| | Three months ended December 31, | | \$ Change | % Change |
|--|-------------------------------------|---------------------|---------------------|---------------|
| | 2020 | 2019 | | |
| Adjusted EBITDA: | | | | |
| Net loss | (418,879) | (1,004,164) | 585,285 | (58.3) |
| Provision for income taxes | 663,050 | 216,400 | 446,650 | 206.4 |
| Amortization of debt costs | 71,514 | 94,346 | (22,832) | (24.2) |
| Other amortization and depreciation | 615,881 | 550,140 | 65,741 | 11.9 |
| Interest expense, excluding amortization of debt costs | 1,016,964 | 950,305 | 66,659 | 7.0 |
| Stock compensation | 188,020 | 149,927 | 38,093 | 25.4 |
| Product/infrastructure expense | 17,457 | 95,513 | (78,056) | (81.7) |
| Warrants compensation-consulting agreement | - | 84,361 | (84,361) | (100.0) |
| Executive separation agreement | 396,090 | - | 396,090 | - |
| Adjusted EBITDA | <u>\$ 2,550,097</u> | <u>\$ 1,136,828</u> | <u>\$ 1,413,269</u> | <u>124.32</u> |
| | | | | |
| | Twelve months ended December 31, | | \$ Change | % Change |
| | 2020 | 2019 | | |
| Adjusted EBITDA: | | | | |
| Net (loss) / income | (339,896) | 577,415 | (917,311) | (158.9) |
| Provision for income taxes | 663,050 | 216,400 | 446,650 | 206.4 |
| Amortization of debt costs | 305,797 | 324,686 | (18,889) | (5.8) |
| Other amortization and depreciation | 2,271,287 | 2,199,737 | 71,550 | 3.3 |
| Interest expense, excluding amortization of debt costs | 3,996,764 | 3,985,736 | 11,028 | 0.3 |
| Stock compensation | 981,261 | 595,833 | 385,428 | 64.7 |
| Product/infrastructure expense | 299,287 | 401,896 | (102,609) | (25.5) |
| Warrants compensation-consulting agreement | 139,480 | 127,561 | 11,919 | 9.3 |
| Executive separation agreement | 396,090 | - | 396,090 | - |
| Adjusted EBITDA | <u>\$ 8,713,120</u> | <u>\$ 8,429,264</u> | <u>\$ 283,856</u> | <u>3.4</u> |

The Company refers to Adjusted EBITDA in the above table 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, 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.

Contact:

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The Equity Group
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FlexShopper, Inc.
Investor Relations
ir@flexshopper.com

FlexShopper®

FlexShopper, Inc.