



Elephant Talk Communications Corp.

Notes from company meeting: Positive cash flow, \$12 million in new debt, and NYSE compliance all contributing to strong 2015 outlook. Lowering estimates slightly but we remain positive.

Management meeting positive: We met with ET's management (Steven van der Velden - CEO) and came away with a continued optimistic long-term view on the company. Management did not comment on current business, but we believe it is on track to meet our new estimates this quarter (for Q4 revenues of \$8.1 million and EPS of \$(0.01)).

Large potential opportunities: The company reiterated that the market for its MVNOs software remains large. As the company has already invested significantly in the development of its telecommunications software (over \$70 million), we expect it should realize significant leverage from revenue growth. The company currently has 3.5 million subscribers on its software and this is expected to grow as current contracts expand and the company gains new contracts.

Mobile and Security sales strong: In Q3, the company once again had high growth in its mobile and security business (+46% y-o-y). We expect that Q4 will show similar high growth as its Iusacell contract continues to ramp up.

Q3 EBITDA again positive: Q3 EBITDA was \$1.1 million (up from \$0.6 million in Q2), which was inline with its guidance to achieve "sequential quarterly increases in both revenue and Adjusted EBITDA" in 2014. We note that EBITDA has been improving steadily since 2013, and we expect this to continue in 2015.

Guidance achievable: We believe ET's guidance to have "sequential quarterly increases in both revenue and Adjusted EBITDA" in 2014 is achievable given its recent positive results.

Lowering 2014 estimates slightly: We are lowering our 2014 estimates for revenue to \$29 million, from \$30 million, and for EPS to \$(0.08) from \$(0.07).

Though slower than expected, Iusacell contract should drive 2015: ET's Iusacell contract started in Q3 2013 and was expected to have ~1.5 million mobile subscribers by the end of 2013 but only had ~0.6 million mobile subscribers. The company currently has ~1.75 million subs, with an additional ~2.5 million subs currently being added. The company's prior guidance was to have Iusacell's 8 million subscribers by the end of the year as the company's progress should improve in Q4 (though unfortunately ET has stated that it will no longer be providing subs by contract detail going forward). We do not believe AT&T's [T - Not Rated] pending purchase of Iusacell (for \$2.5 billion) will have any effect on near term migration of subs.

New debt and regained compliance favorable: ET's financial losses, tight liquidity (though it has just raised \$12 million in new debt), and long sales cycles may present additional challenges. However, with improvement in its recent results, ET should continue to win new contracts and improve profitability given its technology and key mobile telecom relationships. The company recently regained listing compliance with the NYSE.

Current valuation attractive: Maintaining our BUY rating and \$2.00 price target, which reflects a forward P/E of 33x our 2016 EPS estimate of \$0.06. This P/E multiple is ~66% above the 2014 forward peer group median for telecommunication software companies to account for ET's much higher near term growth potential.

Company Description

Based in Schiphol, Netherlands, Elephant Talk Communications is an international provider of business software and services to the telecommunications and financial services industries.

COMPANY UPDATE

Rating: Buy

Ticker: ETAK

Price: \$0.84

Target: \$2.00

United States
Technology

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Stock Data

Exchange:	NYSE
52-week Range:	\$0.71 – 1.79
Shares Outstanding (million):	150
Market cap (\$million):	\$126
EV (\$million):	\$133
Debt (\$million):	\$8
Cash (\$million):	\$1
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	103
Short Interest (million shares):	1.2
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	2014E (Cur.)	2014E (Old)	2015E (Cur.)	2015E (Old)
Q1 Mar	6A		9E	11E
Q2 Jun	7A		10E	11E
Q3 Sep	7A		10E	12E
Q4 Dec	8E	10E	11E	12E
Total	29E	30E	40E	45E
EV/Revs	4.6x		3.3x	

Earnings per Share (pro forma)

	2014E (Cur.)	2014E (Old)	2015E (Cur.)	2015E (Old)
Q1 Mar	(0.03)A		(0.01)E	0.00E
Q2 Jun	(0.03)A		0.00E	
Q3 Sep	(0.02)A		0.00E	0.01E
Q4 Dec	(0.01)E	0.00E	0.01E	
Total	(0.08)E	(0.07)E	0.00E	0.02E
P/E	N/A		N/A	

EBITDA* (US\$ million)

	2014E (Cur.)	2014E (Old)	2015E (Cur.)	2015E (Old)
Q1 Mar	0.3A		3.3E	4.1E
Q2 Jun	0.6A		4.0E	4.3E
Q3 Sep	1.1A		4.3E	5.2E
Q4 Dec	3.0E	3.9E	5.4E	5.1E
Total	5.0E	5.9E	17.1E	18.6E
EV/EBITDA	27x		8x	

*EBITDA defined as earnings before interest, taxes, depreciation, and amortization.

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 6.

Exhibit 1: Elephant Talk Stock Price (Five Years)



Source: Nasdaq.com

Exhibit 2: Consensus Expectations

	Revenue (mils)			EPS	
	2014E	2015E		2014E	2015E
Q1 Mar	\$6.5A	\$11.2E	Q1 Mar	\$(0.03)A	\$0.00E
Q2 Jun	\$6.9A	\$12.3E	Q2 Jun	\$(0.03)A	\$0.00E
Q3 Sep	\$7.3A	\$13.2E	Q3 Sep	\$(0.02)A	\$0.02E
Q4 Dec	\$9.8E	\$13.9E	Q4 Dec	\$(0.01)E	\$0.01E
Total	\$30.5E	\$50.5E	Total	\$(0.08)E	\$0.03E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Thomson Reuters, and Ascendant Capital Markets estimates

FINANCIAL MODEL
Elephant Talk Communications Corp.

Income Statement (\$ mils)	Mar-12	Jun-12	Sep-12	Dec-12	2012	Mar-13	Jun-13	Sep-13	Dec-13	2013	Mar-14	Jun-14	Sep-14	Dec-14	2014	Mar-15	Jun-15	Sep-15	Dec-15	2015
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	8.581	7.085	6.699	6.837	29.202	6.597	4.994	5.205	6.032	22.827	6.480	6.912	7.299	8.119	28.809	8.934	9.754	10.463	11.275	40.426
Cost of Revenues	6.889	5.185	4.604	4.141	20.819	3.548	1.466	1.080	1.055	7.149	0.983	0.829	0.849	0.812	3.473	0.804	0.878	0.942	0.902	3.526
Gross Profit	1.692	1.900	2.096	2.695	8.383	3.048	3.529	4.125	4.976	15.678	5.496	6.083	6.450	7.307	25.336	8.130	8.876	9.521	10.373	36.900
Selling, general and administrative	4.570	4.565	4.222	4.527	17.884	4.497	4.478	4.210	7.710	20.894	5.976	7.433	6.227	5.277	24.913	5.807	5.853	6.173	5.976	23.808
Non-cash compensation	1.692	1.539	1.709	1.362	6.302	1.411	2.995	1.233		5.639					0.000					0.000
Depreciation and amortization	1.278	1.225	1.263	1.944	5.710	1.320	1.836	1.544	1.901	6.601	2.008	1.928	1.900	1.800	7.637	2.000	2.000	2.000	2.000	8.000
Restructuring and other					0.000					0.000					0.000					0.000
Total operating expenses	7.540	7.329	7.194	7.833	29.897	7.228	9.309	6.987	9.611	33.135	7.984	9.361	8.127	7.077	32.550	7.807	7.853	8.173	7.976	31.808
Operating income (loss)	(5.848)	(5.429)	(5.099)	(5.138)	(21.514)	(4.180)	(5.780)	(2.862)	(4.635)	(17.456)	(2.488)	(3.278)	(1.677)	0.230	(7.213)	0.323	1.024	1.348	2.397	5.092
Interest income (expense)	0.007	(0.662)	(0.735)	(0.764)	(2.154)	(0.958)	(0.692)	(0.407)	(1.223)	(3.280)	(1.295)	(1.442)	(1.585)	(1.509)	(5.831)	(1.451)	(1.456)	(1.456)	(1.456)	(5.818)
Other income (expense)	(0.163)	1.197	0.453	(0.663)	0.825	0.000	(1.221)	0.085	(0.460)	(1.596)	(0.207)	0.107	0.824	0.000	0.724	0.000	0.000	0.000	0.000	0.000
Income before income taxes	(6.005)	(4.894)	(5.380)	(6.564)	(22.843)	(5.138)	(7.693)	(3.184)	(6.317)	(22.332)	(3.991)	(4.613)	(2.438)	(1.279)	(12.321)	(1.128)	(0.432)	(0.107)	0.942	(0.726)
Income taxes	0.000	0.097	0.095	0.097	0.289	0.000	0.000	0.042	(0.242)	(0.200)	0.135	(0.002)	(0.045)	(0.026)	0.063	(0.011)	(0.004)	(0.001)	0.009	(0.007)
Net income (loss)	(6.005)	(4.991)	(5.475)	(6.661)	(23.132)	(5.138)	(7.693)	(3.226)	(6.076)	(22.132)	(4.126)	(4.611)	(2.393)	(1.254)	(12.383)	(1.117)	(0.427)	(0.106)	0.932	(0.719)
Nonrecurring/noncash adjustments					0.000					0.000					0.000					0.000
Net income (pro forma)	(6.005)	(4.991)	(5.475)	(6.661)	(23.132)	(5.138)	(7.693)	(3.226)	(6.076)	(22.132)	(4.126)	(4.611)	(2.393)	(1.254)	(12.383)	(1.117)	(0.427)	(0.106)	0.932	(0.719)
EBITDA	(2.878)	(2.665)	(2.126)	(1.832)	(9.501)	(1.449)	(0.949)	(0.085)	0.143	(2.340)	0.292	0.553	1.085	3.030	4.960	3.323	4.024	4.348	5.397	17.092
Shares, Basic	110.7	111.2	111.6	112.1	111.3	112.7	118.3	134.4	134.4	126.3	141.8	146.5	149.5	149.6	146.8	150.1	150.6	151.1	151.6	150.8
Shares, Diluted	110.7	111.2	111.6	112.1	111.4	112.7	118.7	134.4	134.4	128.1	141.8	146.5	149.5	150.5	147.0	151.0	151.5	152.0	152.5	151.7
EPS Basic (Pro forma)	(\$0.05)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.21)	(\$0.05)	(\$0.07)	(\$0.02)	(\$0.05)	(\$0.18)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.08)	(\$0.01)	(\$0.00)	(\$0.00)	\$0.01	(\$0.00)
EPS Diluted (Pro forma)	(\$0.05)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.21)	(\$0.05)	(\$0.06)	(\$0.02)	(\$0.05)	(\$0.17)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.08)	(\$0.01)	(\$0.00)	(\$0.00)	\$0.01	(\$0.00)
Margins																				
Gross margin	19.7%	26.8%	31.3%	39.4%	28.7%	46.2%	70.7%	79.2%	82.5%	68.7%	84.8%	88.0%	88.4%	90.0%	87.9%	91.0%	91.0%	91.0%	92.0%	91.3%
Selling, general and administrative	53.3%	64.4%	63.0%	66.2%	61.2%	68.2%	89.7%	80.9%	127.8%	91.5%	92.2%	107.5%	85.3%	65.0%	86.5%	65.0%	60.0%	59.0%	53.0%	58.9%
Non-cash compensation	19.7%	21.7%	25.5%	19.9%	21.6%	21.4%	60.0%	23.7%	0.0%	24.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation and amortization	14.9%	17.3%	18.9%	28.4%	19.6%	20.0%	36.8%	29.7%	31.5%	26.9%	31.0%	27.9%	26.0%	22.2%	26.5%	22.4%	20.5%	19.1%	17.7%	19.8%
Operating margin	-68.2%	-76.6%	-76.1%	-75.1%	-73.7%	-63.4%	-115.7%	-55.0%	-76.8%	-76.5%	-38.4%	-47.4%	-23.0%	2.8%	-25.0%	3.6%	10.5%	12.9%	21.3%	12.6%
Tax rate, GAAP	0.0%	-2.0%	-1.8%	-1.5%	-1.3%	0.0%	0.0%	-1.3%	3.8%	0.9%	-3.4%	0.0%	1.8%	2.0%	-0.5%	1.0%	1.0%	1.0%	1.0%	1.0%
Net margin	-70.0%	-70.4%	-81.7%	-97.4%	-79.2%	-77.9%	-154.0%	-62.0%	-100.7%	-97.0%	-63.7%	-66.7%	-32.8%	-15.4%	-43.0%	-12.5%	-4.4%	-1.0%	8.3%	-1.8%
YY % change																				
Total Revenue	1%	-9%	-14%	-16%	-9%	-23%	-30%	-22%	-12%	-22%	-2%	38%	40%	35%	26%	38%	41%	43%	39%	40%
Gross margin	78%	541%	162%	84%	139%	80%	86%	97%	85%	87%	80%	72%	56%	47%	62%	48%	46%	48%	42%	46%
Selling, general and administrative	34%	19%	-2%	-10%	8%	-2%	-2%	0%	70%	17%	33%	66%	48%	-32%	19%	-3%	-21%	-1%	13%	-4%
Non-cash compensation	50%	-24%	-30%	12%	-8%	-17%	95%	-28%	-100%	-11%	-100%	-100%	-100%	#DIV/0!	-100%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Depreciation and amortization	-2%	-8%	-7%	54%	9%	3%	50%	22%	-2%	16%	52%	5%	23%	-5%	16%	0%	4%	5%	11%	5%
Operating income (loss)	19%	-21%	-30%	-22%	-16%	-29%	6%	-44%	-10%	-19%	-40%	-43%	-41%	-105%	-59%	-113%	-131%	-180%	944%	-171%
Net income (loss)	27%	-26%	-25%	1%	-9%	-14%	54%	-41%	-9%	-4%	-20%	-40%	-26%	-79%	-44%	-73%	-91%	-96%	-174%	-94%
EPS Diluted (Pro forma)	11%	-33%	-27%	2%	-14%	-16%	44%	-51%	-24%	-17%	-36%	-51%	-33%	-82%	-51%	-75%	-91%	-96%	-173%	-94%

Source: Company reports and Ascendant Capital Markets estimates.

Elephant Talk Communications Corp.

Balance Sheet (\$ mils)	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and equivalents	3,119	4,052	4,344	1,233	0,571	2,980	6,085	1,252	3,918	0,829	1,177	8,068	9,044	10,239	11,724	14,277
Restricted cash	1,963	2,613	1,789	1,231	0,665	0,483	0,496	0,192	0,192	0,192	0,170	0,170	0,170	0,170	0,170	0,170
Financing receivables	6,484															
Accounts receivable, net	8,146	5,676	4,378	5,124	4,502	3,408	4,173	5,977	6,262	8,224	6,754	6,765	7,445	8,129	8,719	9,396
Prepaid expenses and other	2,251	1,810	1,663	1,821	2,343	2,194	2,532	2,254	2,148	2,620	2,319	2,724	2,998	3,273	3,511	3,783
Deferred income taxes																
Total current assets	21,964	14,151	12,175	9,409	8,081	9,065	13,286	9,675	12,520	11,865	10,420	17,727	19,656	21,810	24,124	27,625
Property and equipment, net	13,968	13,103	13,395	13,088	12,674	17,065	18,663	19,786	19,955	20,712	19,604	19,392	19,692	19,992	20,292	20,592
Intangibles, net	12,764	11,434	10,971	10,503	9,496	9,967	9,413	8,671	7,903	7,123	6,001	6,101	7,401	5,701	4,001	2,301
Goodwill	3,252	3,062	3,133	3,437	3,330	3,381	3,708	3,773	3,769	3,741	3,490	3,490	3,490	3,490	3,490	3,490
Deferred taxes and financing costs																
Due from related parties	0,461	1,002	1,043									0,000	0,000	0,000	0,000	0,000
Other	1,829	1,878	1,844	1,038	0,898	0,621	1,383	1,412	1,358	1,288	1,094	1,094	1,094	1,094	1,094	1,094
Total assets	54,237	44,631	42,561	37,476	34,479	40,100	46,453	43,317	45,505	44,729	40,609	47,804	51,333	52,087	53,001	55,102
Liabilities and stockholders' equity																
Accounts payable	7,329	4,475	5,641	5,139	5,739	4,810	4,905	2,587	2,419	2,306	2,063	2,424	5,360	5,853	6,278	6,765
Accrued expenses	4,296	3,758	4,211	4,121	4,150	6,566	5,816	4,961	5,937	6,593	5,805	6,818	7,503	8,192	8,787	9,469
Deferred revenue	0,338	0,141	0,102	0,253	0,282	0,482	0,428	0,143	0,204	0,164	0,127	0,127	0,127	0,127	0,127	0,127
Conversion feature and warrants																
Deferred income taxes and other												0,000	0,000	0,000	0,000	0,000
Overdraft	0,321	0,331	0,340	0,350	0,359	0,370	0,381	0,391	0,402	0,414	0,425	0,425	0,500	0,500	0,500	0,500
Short term debt	1,018	1,326	2,594	4,030	5,663	1,938	1,230	3,299	4,123	2,861	2,790	2,790	2,790	2,790	2,790	2,790
Total current liabilities	13,302	10,031	12,888	13,893	16,192	14,166	12,760	11,381	13,086	12,338	11,211	12,584	16,280	17,462	18,482	19,651
Other long term liabilities						0,869	0,594									
Deferred income taxes and other	0,175	0,165										0,000	0,250	0,250	0,250	0,250
Due to related parties	0,524	0,534	0,545	0,556	0,567	0,579	0,590	0,602	0,614	0,627		0,000	0,700	0,700	0,700	0,700
Conversion feature and warrants	2,696	1,469	0,852	0,312	0,452	5,291	4,116	1,974	2,184	2,145	2,248	2,248	2,248	2,248	2,248	2,248
Long term debt	5,254	5,104	3,898	2,565	1,084	4,478	5,625		5,343	8,140	4,925	12,000	12,000	12,000	12,000	12,000
Total other liabilities	8,649	7,273	5,294	3,433	2,103	6,739	9,778	8,201	8,141	10,912	7,173	14,248	15,198	15,198	15,198	15,198
Minority interest	0,182	0,173	0,175	0,176	0,174	0,174	0,179	0,145	0,145	0,144	0,134	0,134	0,134	0,134	0,134	0,134
Common stock	218,512	220,331	222,260	223,966	225,903	236,378	243,294	248,712	253,384	255,328	260,617	260,617	260,617	260,617	260,617	260,617
Retained earnings	(186,134)	(191,124)	(196,599)	(203,260)	(208,398)	(216,091)	(219,316)	(225,392)	(229,518)	(234,115)	(236,522)	(237,775)	(238,892)	(239,320)	(239,426)	(238,494)
Accumulated other comprehensive i	(0,274)	(2,053)	(1,459)	(0,732)	(1,494)	(1,267)	(0,243)	0,270	0,268	0,122	(2,004)	(2,004)	(2,004)	(2,004)	(2,004)	(2,004)
Treasury stock												0,000	0,000	0,000	0,000	0,000
Other												0,000	0,000	0,000	0,000	0,000
Total stockholders' equity	32,286	27,327	24,378	20,149	16,184	19,194	23,914	23,735	24,278	21,479	22,225	20,971	19,854	19,427	19,321	20,253
Total stockholders' equity and liabil	\$54,237	\$44,631	\$42,561	\$37,476	\$34,479	\$40,100	\$46,453	\$43,317	\$45,505	\$44,729	\$40,609	\$47,804	\$51,333	\$52,087	\$53,001	\$55,102

Balance Sheet Drivers

	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	26%	26%	25%	27%	36%	44%	49%	37%	9%	40%	34%	34%	34%	34%	34%	34%
Accounts payable as % of total rev	85%	63%	84%	75%	87%	96%	94%	43%	11%	36%	30%	30%	60%	60%	60%	60%
Accrued expenses as % of total rev	50%	53%	63%	60%	63%	131%	112%	82%	26%	102%	84%	84%	84%	84%	84%	84%
Activity Ratios																
A/R Days Sales Outstanding	85	72	59	67	61	61	72	89	87	107	83	75	75	75	75	75
A/P Days Payable	96	78	110	112	146	295	409	221	221	250	219	269	600	600	600	675
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$0.29	\$0.25	\$0.22	\$0.18	\$0.14	\$0.16	\$0.18	\$0.18	\$0.17	\$0.15	\$0.15	\$0.14	\$0.13	\$0.13	\$0.13	\$0.13
Cash per Share (diluted)	\$0.05	\$0.06	\$0.05	\$0.02	\$0.01	\$0.03	\$0.05	\$0.01	\$0.03	\$0.01	\$0.01	\$0.05	\$0.06	\$0.07	\$0.08	\$0.09
Net cash per Share (diluted)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.04)	(\$0.05)	\$0.01	\$0.00	(\$0.06)	(\$0.04)	(\$0.07)	(\$0.05)	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.01)

Source: Company reports and Ascendant Capital Markets estimates

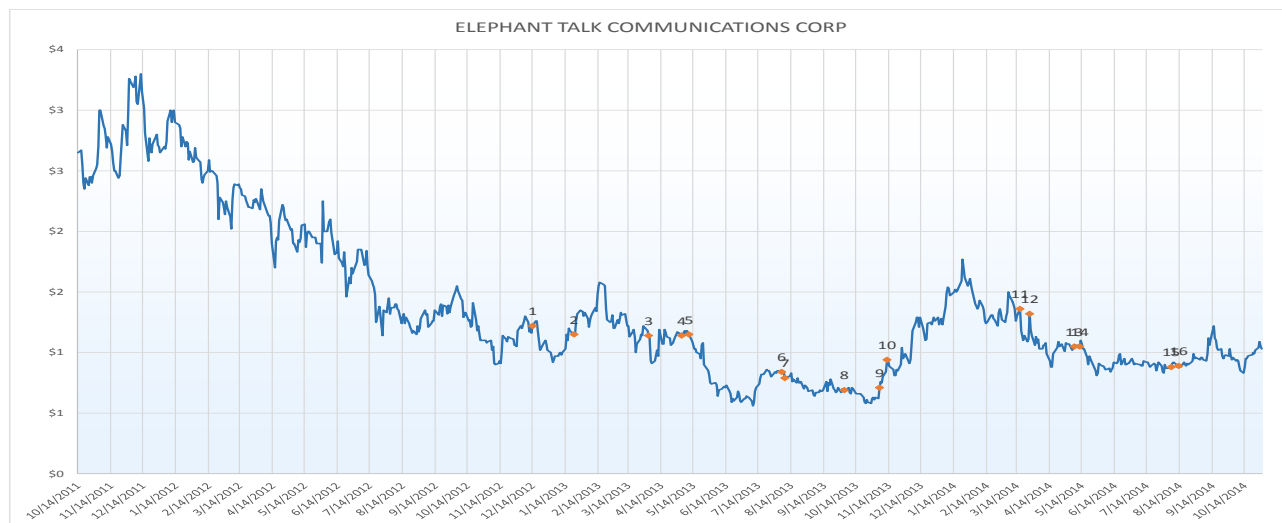
Elephant Talk Communications Corp.

Cash Flow Statement (\$ mils)	Mar-12	Jun-12	Sep-12	Dec-12	2012	Mar-13	Jun-13	Sep-13	Dec-13	2013	Mar-14	Jun-14	Sep-14	Dec-14	2014	Mar-15	Jun-15	Sep-15	Dec-15	2015	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(6.005)	(4.991)	(5.475)	(6.661)	(23.132)	(5.138)	(7.266)	(3.652)	(6.076)	(22.132)	(4.126)	(4.611)	(2.393)	(1.254)	(12.383)	(1.117)	(0.427)	(0.106)	0.932	(0.719)	
Depreciation	1.278	1.225	1.263	1.944	5.710	1.320	1.836	1.544	1.901	6.601	2.008	1.928	1.900	1.900	7.737	0.300	0.300	0.300	0.300	1.200	
Amortization					0.000					0.000					(0.100)	1.700	1.700	1.700	1.700	6.800	
Provision for accounts receivable	0.144	(0.028)	0.194	(0.192)	0.117	0.006	(0.074)	0.091	(0.000)	0.022	0.001	0.018	(0.030)		(0.011)					0.000	
Stock comp	1.692	1.539	1.693	1.378	6.302	1.411	2.995	1.233	2.876	8.515	0.772	1.903	0.862	1.000	4.537	1.000	1.000	1.000	1.000	4.000	
Other compensation	0.025	(0.025)			0.000					0.000					0.000					0.000	
Minority interest					0.000					0.000					0.000					0.000	
Impairment and other gains/losses				1.061	1.061				2.005	2.005	(0.003)	(0.068)	(0.430)		(0.502)					0.000	
Amortization of shares expense					0.000					0.000				(1.000)	(1.000)	(1.000)	(1.000)	(1.000)	(1.000)	(4.000)	
Change in fair value of warrant liabilities				(2.387)	(2.387)	0.768	1.299	0.601	(1.311)	1.358	0.210	(0.039)	0.103	0.000	0.275	0.000	0.000	0.000	0.000	0.000	
Amortization of debt and deferred financing				1.621	1.621					0.249	1.021	1.138	0.735		2.894					0.000	
Acquisition and JV expense	0.163	0.029	0.164	0.145	0.502					0.000					0.000					0.000	
Other				(1.040)	(1.040)			0.042	0.261	0.302					0.000	(3.000)				(3.000)	
Changes in operating assets and liabilities:																					
Accounts receivable	(1.632)	2.124	1.236	(0.436)	1.293	0.480	1.200	(0.625)	(1.137)	(0.083)	(0.293)	(2.036)	0.962	(0.011)	(1.378)	(0.679)	(0.684)	(0.590)	(0.677)	(2.630)	
Prepaid expenses & other current	(0.679)	0.358	0.191	(0.118)	(0.247)	(0.549)	0.142	(0.260)	1.254	0.587	0.166	(0.512)	0.244	(0.405)	(0.507)	(0.274)	(0.275)	(0.238)	(0.272)	(1.059)	
Accounts payable	2.558	(2.556)	0.936	(0.666)	0.273	0.758	(1.000)	(1.788)	(1.385)	(3.415)	0.320	(0.109)	0.152	0.360	0.723	2.937	0.492	0.425	0.487	4.341	
Accrued expenses	0.368	0.318	0.260	0.068	1.014	0.602	(0.126)	0.492	(0.828)	0.141	0.644	1.267	(0.417)	1.014	2.507	0.685	0.689	0.595	0.682	2.651	
Deferred revenue	0.200	(0.189)	(0.047)	0.150	0.115	0.039	0.208	(0.069)	(0.296)	(0.119)	0.060	(0.043)	(0.029)	0.000	(0.012)	0.000	0.000	0.000	0.000	0.000	
Income tax payable and other					0.000					0.000					0.000	0.250	0.000	0.000	0.000	0.250	
Net cash (used in) provided by	(1.887)	(2.196)	0.415	(5.132)	(8.799)	(0.303)	(0.787)	(2.392)	(2.486)	(5.968)	0.778	(1.163)	1.661	1.504	2.780	0.802	1.795	2.086	3.152	7.834	
Cash flow from investing activities																					
Purchases of property and equipment	(0.890)	(0.727)	(0.479)	(0.129)	(2.225)	(0.604)	(1.659)	(1.846)	(1.790)	(5.898)	(1.803)	(2.120)	(1.688)	(1.688)	(7.299)	(0.600)	(0.600)	(0.600)	(0.600)	(2.400)	
Restricted cash	(0.256)	(2.183)	0.842	1.597	0.000					0.000					0.000	0.000	0.000	0.000	0.000	0.000	
Sale of short-term investments					0.000					0.000					0.000					0.000	
Acquisitions				0.036	0.036					0.000					0.000					0.000	
Loans to related party	(0.449)	(0.625)	(0.033)	(0.099)	(1.207)					0.000					0.000	0.700	0.000	0.000	0.000	0.700	
Loans to 3rd party	(0.122)	(0.095)	(0.033)	0.139	(0.111)		(0.125)	(0.039)	(0.164)	(0.164)					0.000					0.000	
Other					0.000					0.000					0.000	0.000	0.000	0.000	0.000	0.000	
Net cash used in investing activities	(1.717)	(3.631)	0.297	1.544	(3.507)	(0.604)	(1.659)	(1.971)	(1.828)	(6.062)	(1.803)	(2.120)	(1.688)	(1.688)	(7.299)	0.100	(0.600)	(0.600)	(0.600)	(1.700)	
Cash flow from financing activities																					
Issuance of debt		8.000			8.000		2.033	7.215	0.000	9.249				7.075	7.075	0.075	0.000	0.000	0.000	0.075	
Repayment of debt		(0.388)	(0.577)	2.181	1.216	(0.405)	(8.085)	0.000	(0.152)	(8.642)					0.000					0.000	
Issuance of stock				0.000	0.000		12.225	0.000	12.225	12.225	4.093	0.190	0.004	0.000	4.287	0.000	0.000	0.000	0.000	0.000	
Proceeds from stock option exercise	0.694	0.048	0.148	0.192	1.082	0.014	0.047	0.019	0.502	0.581					0.000					0.000	
Deferred financing costs	(0.050)	(0.410)	(0.084)	0.000	(0.543)	0.557	(1.264)	(0.655)	0.742	(0.620)	(0.090)		(0.093)		(0.183)					0.000	
Other				(2.274)	(2.274)			0.742	(1.255)	(0.513)					0.000					0.000	
Dividends and distributions					0.000					0.000					0.000					0.000	
Cash provided by (used in) financing	0.644	7.250	(0.512)	0.099	7.481	0.166	4.955	7.322	(0.162)	12.280	4.003	0.190	(0.089)	7.075	11.179	0.075	0.000	0.000	0.000	0.075	
Effect of exchange rate on cash	0.069	(0.491)	0.093	0.377	0.049	0.079	(0.101)	0.146	(0.356)	(0.232)	(0.313)	0.004	0.464		0.156					0.000	
Net increase (decrease) in cash	(\$2.891)	\$0.933	\$0.293	(\$3.111)	(\$4.776)	(\$0.663)	\$2.409	\$3.106	(\$4.833)	\$0.019	\$2.666	(\$3.089)	\$0.347	\$6.891	\$6.815	\$0.976	\$1.195	\$1.486	\$2.552	\$6.209	
Beginning cash and equivalents	\$6.010	\$3.119	\$4.052	\$4.344	\$6.010	\$1.233	\$0.571	\$2.980	\$6.085	\$1.233	\$1.252	\$3.918	\$0.829	\$1.177	\$1.252	\$8.068	\$9.044	\$10.239	\$11.724	\$14.277	
Ending cash and equivalents	\$3.119	\$4.052	\$4.344	\$1.233	\$1.233	\$0.571	\$2.980	\$6.085	\$1.252	\$1.252	\$3.918	\$0.829	\$1.177	\$8.068	\$8.068	\$9.044	\$10.239	\$11.724	\$14.277	\$14.277	

Source: Company reports and Ascendant Capital Markets estimates

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Report	Report Date	Rating	Price Target
1	12/14/2012	B	2.00
2	1/22/2013	B	2.00
3	4/2/2013	B	2.00
4	5/3/2013	B	2.00
5	5/10/2013	B	2.00
6	8/5/2013	B	2.00
7	8/8/2013	B	2.00
8	10/3/2013	B	2.00
9	11/5/2013	B	2.00
10	11/12/2013	B	2.00
11	3/17/14	B	2.00
12	3/26/14	B	2.00
13	5/7/2014	B	2.00
14	5/12/2014	B	2.00
15	8/6/2014	B	2.00
16	8/13/14	B	2.00

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Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 6, 2014)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	52	75%	9	17%
Hold	15	22%	0	0%
Sell	2	3%	0	0%
Total	69	100%	9	13%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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