

May 20, 2019



Professional Diversity Network, Inc. Reports First Quarter 2019 Financial Results

CHICAGO, May 20, 2019 (GLOBE NEWSWIRE) -- Professional Diversity Network, Inc. (NASDAQ:IPDN), ("IPDN" or the "Company"), a global developer and operator of online and in-person networks that provides access to networking, training, educational and employment opportunities for diverse individuals, today announced its financial results for the quarter ended March 31, 2019.

First Quarter 2019 Financial Highlights:

- Net loss from continuing operations was \$1.1 million for the quarter ended March 31, 2019, a decrease of 37.3% from \$1.8 million for the quarter ended March 31, 2018.
- Total costs and expenses were \$2.6 million for the quarter ended March 31, 2019, a 42.2% decrease compared to \$4.4 million for the quarter ended March 31, 2018.
- From April 1, 2019 to April 2, 2019, the Company sold an aggregate of 28,552 shares of its common stock at a purchase price ranging from \$3.70 to \$3.85 per share, representing 120% of the closing price the trading day immediately prior to the date of subscription. As of the date of this quarterly report, the Company has received an aggregate gross proceeds of \$107,036 under this private placement.

Michael Wang, Chairman and CEO of Professional Diversity Network, said, "While the Company continued to sustain losses, we see positive momentum on our efforts in reducing costs and overheads. The beginning of 2019 marks the fifth consecutive quarter that we successfully reduce losses."

Mr. Wang continued, "This year we will continue enhancing our diversity recruitment and women's networking segments and expanding our China business to increase shareholder value and move toward sustainable profitability."

First Quarter 2019 Financial Results

Revenue

For the quarter ended March 31, 2019, IPDN reported total revenue of \$1.3 million, a 41.8% decrease from \$2.3 million for the quarter ended March 31, 2018. The decrease is mainly the result of management's focus on reduction in sales and operations workforce as a means to improved efficiencies and operational effectiveness while rebranding the business.

Costs and Expenses

Total costs and expenses were \$2.6 million for the quarter ended March 31, 2019, a 42.2% decrease compared to \$4.4 million for the quarter ended March 31, 2018. The decrease is primarily the result of \$992,000 or 42.2% decrease in general and administrative expenses, a \$459,000 or 67.5% decrease in depreciation and amortization expenses, and a \$312,000, or 28.5% decrease in sales and marketing expenses.

Net Loss

Net loss for the quarter ended March 31, 2019 was \$1.2 million or \$0.23 per share - compared to a net loss of \$2.0 million, or \$0.48 per share, for the quarter ended March 31, 2018.

Net Loss from Continuing Operations

Net loss from continuing operations was \$1.1 million for the quarter ended March 31, 2019, a decrease of 37.3% from \$1.8 million for the quarter ended March 31, 2018. The \$680,000 decrease in net loss was primarily driven by \$992,000 decrease in general and administrative expenses, a \$459,000 decrease in depreciation and amortization expenses, and a \$312,000 decrease in sales and marketing expenses, partially offset by a \$756,000 decrease in

revenues from membership fees, related services at the NAPW segment.

Cash and Financial Position

As of March 31, 2019, the Company had cash and cash equivalents of \$0.8 million, compared to \$1.4 million as of December 31, 2018. The Company had a working capital deficiency of \$4.3 million as of March 31, 2019, compared to a working capital deficiency of \$3.4 million as of December 31, 2018.

Net cash used in operating activities in continuing operations was \$1.0 million for the quarter ended March 31, 2019, and net cash used in operating activities in continuing operations was 1.6 million for the quarter ended March 31, 2018.

Professional Diversity Network, Inc. CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(Unaudited)	
Current Assets:		
Cash and cash equivalents (Amounts related to variable interest entity of \$341,800 and \$683,043 as of March 31, 2019 and December 31, 2018, respectively)	\$ 793,863	\$ 1,441,607
Accounts receivable, net	446,368	816,698
Incremental direct costs	48,154	20,797
Prepaid expenses and other current assets	482,879	350,906
Current assets from discontinued operations	26,539	126,270
Total current assets	<u>1,797,803</u>	<u>2,756,278</u>
Property and equipment, net	67,273	83,608
Capitalized technology, net	169,626	194,833
Goodwill	339,451	339,451
Intangible assets, net	837,774	1,020,942
Right-of-use assets	353,486	-
Merchant reserve	760,849	760,849
Security deposits	90,574	82,139
Total assets	<u>\$ 4,416,836</u>	<u>\$ 5,238,100</u>
Current Liabilities:		
Accounts payable	\$ 1,676,620	\$ 1,843,688
Accrued expenses	1,063,914	989,626
Deferred revenue	2,254,170	2,460,436
Note Payable – related party	207,118	500,000
Line of Credit – related party	292,882	-
Lease liability, current portion	300,456	-
Current liabilities from discontinued operations	303,794	346,528
Total current liabilities	<u>6,098,954</u>	<u>6,140,278</u>
Deferred tax liability	122,824	194,786
Deferred rent	-	13,742
Other liabilities	84	82
Lease liability, non-current portion	60,910	-
Long-term liabilities from discontinued operations	-	-
Total liabilities	<u>6,282,772</u>	<u>6,348,888</u>
Commitments and contingencies		

Stockholders' Equity

Common stock, \$0.01 par value; 45,000,000 shares authorized; 5,060,176 shares and 4,856,213 shares issued as of March 31, 2019 and December 31, 2018, respectively; and 5,059,128 shares and 4,855,165 shares outstanding as of March 31, 2019 and December 31, 2018, respectively

	50,602	48,562
Additional paid in capital	84,108,048	83,728,903
Accumulated other comprehensive loss	(1,305)	(24,340)
Accumulated deficit	(85,986,164)	(84,826,796)
Treasury stock, at cost; 1,048 shares at March 31, 2019 and December 31, 2018	(37,117)	(37,117)
Total stockholders' equity	<u>(1,865,936)</u>	<u>(1,110,788)</u>
Total liabilities and stockholders' equity	<u>\$ 4,416,836</u>	<u>\$ 5,238,100</u>

Professional Diversity Network, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)

	Three Months Ended March 31,	
	<u>2019</u>	<u>2018</u>
Revenues:		
Membership fees and related services	\$ 829,420	\$ 1,612,221
Recruitment services	474,260	621,415
Product sales and other	2,812	3,657
Education and training	4,069	6,471
Consumer advertising and marketing solutions	35,716	69,734
Total revenues	<u>1,346,277</u>	<u>2,313,498</u>
Costs and expenses:		
Cost of revenues	187,581	285,833
Sales and marketing	780,747	1,093,124
General and administrative	1,358,556	2,351,931
Depreciation and amortization	221,422	679,761
Total costs and expenses	<u>2,548,306</u>	<u>4,410,649</u>
Loss from operations	<u>(1,202,029)</u>	<u>(2,097,151)</u>
Other (expense) income		
Interest expense	(8,133)	-
Interest and other income	-	890
Other income (expense)	-	22,558
Other income, net	<u>(8,133)</u>	<u>23,448</u>
Loss before income tax expense (benefit)	(1,210,162)	(2,073,703)
Income tax expense (benefit)	<u>(65,633)</u>	<u>(249,050)</u>
Loss from continuing operations	(1,144,529)	(1,824,653)
Loss from discontinued operations (net of tax benefit of \$1,211, and \$35,036, in the three months ended March 31, 2019 and 2018, respectively)	<u>(14,840)</u>	<u>(209,760)</u>
Net loss	<u>(1,159,369)</u>	<u>(2,034,413)</u>

Other comprehensive loss:	(1,159,369)	(2,034,413)
Foreign currency translation adjustment	23,035	76,708
Comprehensive loss	<u>\$ (1,136,334)</u>	<u>\$ (1,957,705)</u>
Basic and diluted loss per share:		
Continuing operations	(0.23)	(0.43)
Discontinued operations	(0.00)	(0.05)
Net loss	<u>\$ (0.23)</u>	<u>\$ (0.48)</u>
Weighted average outstanding shares used in computing net loss per common share:		
Basic and diluted	<u>4,969,230</u>	<u>4,221,620</u>

We believe Adjusted EBITDA provides a meaningful representation of our operating performance that provides useful information to investors regarding our financial condition and results of operations. Adjusted EBITDA is commonly used by financial analysts and others to measure operating performance. Furthermore, management believes that this non-GAAP financial measure may provide investors with additional meaningful comparisons between current results and results of prior periods as they are expected to be reflective of our core ongoing business. However, while we consider Adjusted EBITDA to be an important measure of operating performance, Adjusted EBITDA and other non-GAAP financial measures have limitations, and investors should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Further, Adjusted EBITDA, as we define it, may not be comparable to EBITDA, or similarly titled measures, as defined by other companies.

The following table provides a reconciliation of Net Loss from continuing operations to Adjusted EBITDA, the most directly comparable GAAP measure reported in our consolidated financial statements:

	Three Months Ended	
	March 31,	
	2019	2018
	(in thousands)	
Loss from Continuing Operations	\$ (1,145)	\$ (1,825)
Stock-based compensation expense	8	118
Depreciation and amortization	221	680
Interest Expense	8	-
Interest and other income	-	(1)
Income tax expense (benefit)	(66)	(249)
Adjusted EBITDA	<u>\$ (974)</u>	<u>\$ (1,277)</u>

About Professional Diversity Network

Professional Diversity Network, Inc. (NASDAQ: IPDN) is a global developer and operator of online and in-person networks that provides access to networking, training, educational and employment opportunities for diverse professionals. We operate subsidiaries in the United States and China including International Association of Women (IAW), which is one of the largest, most recognized networking organizations of professional women in the country, spanning more than 200 industries and professions. Through an online platform and our relationship recruitment affinity groups, we provide our employer clients a means to identify and acquire diverse talent and assist them with their efforts to comply with the Equal Employment Opportunity Office of Federal Contract Compliance Program. Our mission is to utilize the collective strength of our affiliate companies, members, partners and unique proprietary platform to be the standard in business diversity recruiting, networking and professional development for women, minorities, veterans, LGBT and disabled persons globally.

Forward-Looking Statements

This press release contains certain forward-looking statements based on our current expectations, forecasts and assumptions that involve risks and uncertainties. This release does not constitute an offer to sell or a solicitation of offers to buy any securities of any entity. Forward-looking statements in this release are based on information available to us as of the date hereof. Our actual results may differ materially from those stated or implied in such forward-looking statements, due to risks and uncertainties associated with our business, which include the risk factors disclosed in our most recently filed Annual Report on Form 10-K and in our subsequent filings with the

Securities and Exchange Commission. Forward-looking statements include statements regarding our expectations, beliefs, intentions or strategies regarding the future and can be identified by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "should," and "would" or similar words. We assume no obligation to update the information included in this press release, whether as a result of new information, future events or otherwise. Our most recently filed Annual Report on Form 10-K, together with this press release and the financial information contained herein, are available on our website, www.prodivnet.com. Please click on "Investor Relations."

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Source: Professional Diversity Network, Inc.