

August 4, 2016



## Inuvo Reports First Half and Second Quarter 2016 Results

LITTLE ROCK, AR -- (Marketwired) -- 08/04/16 -- Inuvo, Inc. (NYSE MKT: INUV), an advertising technology and digital publishing company, today announced financial results for the six months and three months ended June 30, 2016.

### ***First Half and Second Quarter 2016 Financial Highlights***

- 2016 first half revenue totaled \$34.4 million, an increase of 14% year-over-year.
- Adjusted EBITDA for the first half of 2016 was \$1.6 million.
- 2016 second quarter revenue totaled \$15.6 million, a 6.5% decrease year-over-year.
- Adjusted EBITDA for the second quarter of 2016 was \$282 thousand.
- GAAP net loss for the second quarter of 2016 was \$575 thousand or \$0.02 net loss per share.
- Cash balance at June 30, 2016 was \$4.0 million.
- There was no bank debt at June 30, 2016.

"The second quarter was unusually soft, the result of changes in advertiser demand which now appear to be remedied." stated Rich Howe, Chairman and CEO of Inuvo. "On an Adjusted EBITDA basis, we delivered \$282 thousand and the current revenue trend suggests the second half of the year should improve sequentially. "

The Inuvo business is managed along two segments, the Partner Network and the Owned and Operated Network. The Partner Network facilitates transactions between advertisers and our partners' websites and applications. The Owned and Operated Network designs, builds and markets mobile-ready consumer websites and applications mainly under the ALOT brand. Both segments utilize the company's ad delivery software as a service (SaaS) technologies.

### ***Financial results for the three-month period ended June 30, 2016***

Net revenues for the three months ended June 30, 2016, were \$15.6 million compared to \$16.7 million for the three months ended June 30, 2015. Revenue in our Partner Network was \$4.7 million in the second quarter of 2016 compared to \$9.3 million in the same quarter last year. The reason for the lower revenue in the Partner Network is due to lower demand from advertisers, in part the result of uncertainty surrounding the sale of an advertising partner, the result of which was fewer transactions and a reduction in the revenue received for ads we delivered. Revenue in our Owned and Operated Network was \$10.9 million in the second quarter of 2016 compared to \$7.4 million in the same quarter last year. The increased revenue in the Owned & Operated Network is from additional advertisements served to a growing user base of our owned and operated web properties. The increase in advertisements served and users was due in part to increased

marketing of our owned and operated web properties and expanded verticals and content. Operating expenses increased from \$9.1 million in the second quarter of 2015 to \$12.3 million in the same quarter this year, due primarily to higher marketing expenses commensurate with growth within the Owned and Operated Network.

For the quarter ended June 30, 2016, GAAP net loss was \$575 thousand or \$0.02 net loss per share compared to \$445 thousand net income, or \$0.02 net income per diluted share, for the quarter ended June 30, 2015.

### ***Balance Sheet as of June 30, 2016***

At June 30, 2016, cash and cash equivalents totaled \$4.0 million and there was no bank debt.

### ***Conference Call Information***

Date: Thursday, August 4, 2016

Time: 4:30 p.m. ET

Domestic Dial-in number: 1-877-723-9520

International Dial-in number: 1-719-325-4762

Live webcast: <http://public.viavid.com/index.php?id=120590>

In addition, the call will be webcast on the Investor Relations section of the Company's website at [http://investor.inuvo.com/events\\_and\\_presentations](http://investor.inuvo.com/events_and_presentations) where it will also be archived for 45 days. A telephone replay will be available through August 18, 2016. To access the replay, please dial 1-877-870-5176 (domestic) or 1-858-384-5517 (international). At the system prompt, enter the code 7777724 followed by the # sign. You will then be prompted for your name, company and phone number. Playback will then automatically begin.

### ***About Inuvo, Inc.***

Inuvo®, Inc. (NYSE MKT: INUV) is an advertising technology and digital publishing business that serves hundreds of millions of income generating ads monthly across a network of websites and apps serving desktop, tablet and mobile devices. To learn more about Inuvo, please visit [www.inuvo.com](http://www.inuvo.com) or download our app for [Apple iPhone](#) or for [Android](#).

### ***Forward-looking Statements***

This press release contains certain forward-looking statements that are based upon current expectations and involve certain risks and uncertainties within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words or expressions such as "anticipate," "plan," "will," "intend," "believe" or "expect" or variations of such words and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including, without limitation, statements made with respect to expectations with respect to our lack of profitable operating history, changes in our business, potential need for additional capital, fluctuations in demand; changes to economic growth in the U.S. economy; and

government policies and regulations, including, but not limited to those affecting the Internet, all as set forth in our Annual Report on Form 10-K for the year ended December 31, 2015 and our most recent Form 10-Q. All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of Inuvo and are difficult to predict. Inuvo undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

**INUVO, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<i>(Unaudited)</i>	
	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	<u>                    </u>	<u>                    </u>
Assets		
Current assets		
Cash	\$ 3,974,793	\$ 4,257,204
Accounts receivable, net	5,316,043	7,001,337
Unbilled revenue	8,385	16,154
Prepaid expenses and other current assets	<u>412,749</u>	<u>345,752</u>
Total current assets	9,711,970	11,620,447
Property and equipment, net	1,846,632	1,805,561
Other assets		
Goodwill	5,760,808	5,760,808
Intangible assets, net	8,805,996	9,320,951
Other assets	<u>29,229</u>	<u>224,759</u>
Total other assets	<u>14,596,033</u>	<u>15,306,518</u>
Total assets	<u><u>\$ 26,154,635</u></u>	<u><u>\$ 28,732,526</u></u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	7,416,600	10,080,315
Accrued expenses and other current liabilities	<u>2,853,143</u>	<u>3,169,445</u>
Total current liabilities	10,269,743	13,249,760
Long-term liabilities		
Deferred tax liability	3,799,600	3,799,600
Other long-term liabilities	<u>350,905</u>	<u>722,722</u>
Total long-term liabilities	4,150,505	4,522,322
Total stockholders' equity	<u>11,734,387</u>	<u>10,960,444</u>
Total liabilities and stockholders' equity	<u><u>\$ 26,154,635</u></u>	<u><u>\$ 28,732,526</u></u>

**INUVO, INC.**  
**CONSOLIDATED STATEMENTS OF (LOSS) INCOME**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net revenue	\$ 15,648,912	\$ 16,727,810	34,379,361	\$ 30,148,757
Cost of revenue	<u>3,971,086</u>	<u>7,092,744</u>	<u>8,256,356</u>	<u>13,161,963</u>
Gross profit	11,677,826	9,635,066	26,123,005	16,986,794
Operating expenses				
Marketing costs	9,408,411	6,583,262	20,474,077	11,505,408
Compensation	1,577,950	1,341,453	3,322,718	2,532,510
Selling, general and administrative	<u>1,298,310</u>	<u>1,178,539</u>	<u>2,530,048</u>	<u>2,166,305</u>
Total operating expenses	<u>12,284,671</u>	<u>9,103,254</u>	<u>26,326,843</u>	<u>16,204,223</u>
Operating (loss) income	(606,845 )	531,812	(203,838 )	782,571
Interest expense, net	<u>(22,447 )</u>	<u>(37,412 )</u>	<u>(46,055 )</u>	<u>(88,573 )</u>
(Loss) Income from continuing operations before taxes	(629,292 )	494,400	(249,893 )	693,998
Income tax benefit (expense)	<u>56,221</u>	<u>(34,700 )</u>	<u>48,986</u>	<u>371,753</u>
Net (loss) income from continuing operations	(573,071 )	459,700	(200,907 )	1,065,751
Net (loss) income from discontinued operations	<u>(1,757 )</u>	<u>(14,692 )</u>	<u>353</u>	<u>5,567</u>
Net (loss) income	(574,828 )	445,008	(200,554 )	1,071,318
Earnings per share, basic and diluted				
From continuing operations	\$ (0.02 )	\$ 0.02	\$ (0.01 )	\$ 0.04
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (loss) income	<u>\$ (0.02 )</u>	<u>\$ 0.02</u>	<u>\$ (0.01 )</u>	<u>\$ 0.04</u>
Weighted average shares outstanding				
Basic	24,567,752	24,268,364	24,474,474	24,178,037
Diluted	24,567,752	24,689,110	24,474,474	24,432,837

**By Segment:**

Net revenue				
Partner Network	\$ 4,746,148	\$ 9,284,038	\$ 10,021,405	\$ 16,857,418
Owned and Operated Network	<u>10,902,764</u>	<u>7,443,772</u>	<u>24,357,956</u>	<u>13,291,339</u>
Total	<u>\$ 15,648,912</u>	<u>\$ 16,727,810</u>	<u>\$ 34,379,361</u>	<u>\$ 30,148,757</u>
Gross profit				
Partner Network	\$ 796,968	\$ 2,209,021	\$ 1,820,333	\$ 3,729,916
Owned and Operated Network	<u>10,880,858</u>	<u>7,426,045</u>	<u>24,302,672</u>	<u>13,256,878</u>
Total	<u>\$ 11,677,826</u>	<u>\$ 9,635,066</u>	<u>\$ 26,123,005</u>	<u>\$ 16,986,794</u>

### **Non-GAAP Financial Measures**

In addition to disclosing financial results in accordance with United States generally accepted accounting principles ("GAAP"), our earnings release contains the non-GAAP financial measure "Adjusted EBITDA".

Adjusted EBITDA is not a measure of performance defined in accordance with GAAP. However, management believes that Adjusted EBITDA is useful to investors in evaluating the Company's performance because Adjusted EBITDA is a commonly used financial analysis tool for measuring and comparing companies in the Company's industry in areas of operating performance.

Management believes that the disclosure of Adjusted EBITDA offers an additional view of the Company's operations that, when coupled with the GAAP results and the reconciliation to GAAP net (loss) income, provides a more complete understanding of the Company's results of operations and the factors and trends affecting the Company's business.

### **INUVO, INC.**

#### **RECONCILIATION OF (LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE TAXES TO ADJUSTED EBITDA**

*(Unaudited)*

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
(Loss) Income from continuing operations before taxes	\$ (629,292)	\$ 494,400	\$ (249,893)	\$ 693,998
Interest expense, net	22,447	37,412	46,055	88,573
Depreciation	327,200	214,046	633,468	386,428
Amortization	234,294	258,156	468,588	456,657

Stock-based compensation	<u>327,110</u>	<u>82,750</u>	<u>686,448</u>	<u>134,674</u>
Adjusted EBITDA	<u>\$ 281,759</u>	<u>\$ 1,086,764</u>	<u>\$ 1,584,666</u>	<u>\$ 1,760,330</u>

#### Reconciliation of (Loss) Income from Continuing Operations before Taxes to Adjusted EBITDA

We present Adjusted EBITDA as a supplemental measure of our performance. We defined Adjusted EBITDA as net (loss) income from continuing operations before taxes plus (i) interest expense, net, (ii) depreciation, (iii) amortization, and (iv) stock-based compensation. These further adjustments are itemized above. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same or similar to some of the adjustments in the presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Inuvo, Inc.  
Wally Ruiz  
Chief Financial Officer  
501-205-8397

[Email Contact](#)

or

Investor Relations  
Capital Markets Group  
PH: 914-669-0222

[Email Contact](#)

[www.CapMarketsGroup.com](http://www.CapMarketsGroup.com)

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