

April 16, 2019



Professional Diversity Network, Inc. Reports Fiscal Year 2018 Financial Results

CHICAGO, April 16, 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 year ended December 31, 2018.

Fiscal Year 2018 Financial Highlights:

- Net loss from continuing operations was \$14.6 million for the year ended December 31, 2018, a decrease of 32.5% from \$21.6 million for the year ended December 31, 2017.
- Total costs and expenses was \$24.6 million for the year ended December 31, 2018, a 37.5% decrease compared to \$39.3 million for the year ended December 31, 2017.
- From January 9, 2019 to April 2, 2019, the Company sold an aggregate of 232,515 shares of its common stock at a purchase price ranging from \$1.146 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 annual report, the Company has received an aggregate gross proceeds of \$479,931 under this private placement.

Michael Wang, Chairman and CEO of Professional Diversity Network, said, "In the year 2018, we have made great efforts on rebranding our business and conducted rigorous cost control to reduce losses. As a result, our net loss from continuing operations decreased 7 million or 32.5% from the year ended December 31, 2017. "

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."

Fiscal Year 2018 Financial Results

Revenue

For the year ended December 31, 2018, IPDN reported total revenue of \$8.5 million, a 47.4% decrease from \$16.1 million for the year ended December 31, 2017. The decrease is mainly the result of management's focus on reduction in sales and operations workforce as a means to cost savings and rebranding the business.

Costs and Expenses

Total costs and expenses was \$24.6 million for the year ended December 31, 2018, a 37.5% decrease compared to \$39.3 million for the year ended December 31, 2017. This decrease is primarily the result of decrease in impairment charge of \$6.6 million or 44.9%, combined with \$3.6 million or 31.0% decrease in general and administrative expenses, and \$3.3 million or 45.4% decrease in sales and marketing expenses.

Net Loss

Net loss for the year ended December 31, 2018 was \$15.1 million or \$3.29 per share - compared to a net loss of \$22.3 million, or \$5.68 per share, for the year ended December 31, 2017.

Net Loss from Continuing Operations

Net loss from continuing operations was \$14.6 million for the year ended December 31, 2018, a decrease of 32.5% from \$21.6 million for the year ended December 31, 2017. The changes were primarily attributable to a \$6.6 million decrease in impairment charge taken against NAPW Network, and reduction of revenue by \$7.6 million year over year at NAPW Network and China Operations. Reduction of year over year net loss from continuing operations was also caused by continuing efforts to reduce sales and marketing and general administrative expenses.

Cash and Financial Position

As of December 31, 2018, the Company had cash and cash equivalents of \$1.4 million, compared to \$2.9 million as of December 31, 2017. The Company had a working capital deficiency of \$3.4 million as of December 31, 2018, compared to a working capital deficiency of \$1.1 million as of December 31, 2017.

Net cash used in operating activities in continuing operations was \$5.0 million for the year ended December 31, 2018, and net cash used in operating activities in continuing operations was 6.4 million for the year ended December 31, 2017.

Professional Diversity Network, Inc. and Subsidiaries **CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2018	2017
Current Assets:		
Cash and cash equivalents (Amount related to variable interest entity of \$683,043, and \$1,671,378 in 2018 and 2017, respectively)	\$ 1,441,607	\$ 2,926,088
Accounts receivable, net	816,698	905,723
Incremental direct costs	20,797	145,292
Prepaid expenses and other current assets	350,906	478,379
Current assets from discontinued operations	126,270	1,180,099
Total current assets	2,756,278	5,635,581
Property and equipment, net	83,608	221,184
Capitalized technology, net	194,833	153,381
Goodwill	339,451	5,590,150
Intangible assets, net	1,020,942	6,264,706
Merchant reserve	760,849	760,849
Security deposits	82,139	225,957
Long-term assets from discontinued operations	-	137,114
Total assets	\$ 5,238,100	\$ 18,988,922
Current Liabilities:		
Accounts payable	\$ 1,843,688	\$ 1,120,444
Accrued expenses	989,626	1,166,214
Deferred revenue	2,460,436	4,004,015
Note Payable – related party	500,000	-
Current liabilities from discontinued operations	346,528	484,524
Total current liabilities	6,140,278	6,775,197
Deferred tax liability	194,786	1,803,519
Deferred rent	13,742	56,082
Other liabilities	82	52,321
Total liabilities	6,348,888	8,687,119
Commitments and contingencies		
Stockholders' Equity		
Common stock, \$0.01 par value, 45,000,000 shares authorized, 4,856,213 shares and 3,963,864 shares issued as of December 31, 2018 and 2017, respectively, and 4,855,165 and 3,962,816 shares outstanding as of December 31, 2018 and 2017, respectively	48,562	39,639
Additional paid in capital	83,728,903	80,016,218
Accumulated other comprehensive income	(24,340)	28,848
Accumulated deficit	(84,826,796)	(69,745,785)
Treasury stock, at cost; 1,048 shares at December 31, 2018 and 2017	(37,117)	(37,117)
Total stockholders' equity	(1,110,788)	10,301,803
Total liabilities and stockholders' equity	\$ 5,238,100	\$ 18,988,922

Professional Diversity Network, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year Ended December 31,	
	2018	2017
Revenues:		
Membership fees and related services	\$ 4,991,950	\$ 9,371,843
Recruitment services	2,571,935	2,578,597
Product sales and other	19,239	100,289
Education and training	606,557	3,776,546
Consumer advertising and marketing solutions	262,946	252,980
Total revenues	<u>8,452,627</u>	<u>16,080,255</u>
Costs and expenses:		
Cost of revenues	1,612,858	2,693,408
Sales and marketing	3,969,508	7,269,001
General and administrative	8,016,716	11,612,024
Litigation settlement	342,472	155,216
Impairment charge	8,047,090	14,611,040
Depreciation and amortization	2,617,774	3,007,664
Total costs and expenses	<u>24,606,418</u>	<u>39,348,353</u>
Loss from operations	<u>(16,153,791)</u>	<u>(23,268,098)</u>
Other (expense) income		
Interest expense	(4,637)	(12,399)
Interest and other income	299	8,165
Other income (expense)	<u>22,558</u>	<u>8,421</u>
Other income, net	<u>18,220</u>	<u>4,187</u>
Loss before income tax expense (benefit)	(16,135,571)	(23,263,911)
Income tax expense (benefit)	(1,563,712)	(1,687,370)
Loss from continuing operations	(14,571,859)	(21,576,541)
Loss from discontinued operations (net of tax benefit of \$52,340, and net of tax benefit of \$58,144 in 2018 and 2017, respectively), including gain on sale of \$63,687 in 2018	(509,153)	(711,008)
Net loss	<u>\$ (15,081,012)</u>	<u>(22,287,549)</u>
Other comprehensive loss:		
Foreign currency translation adjustment	(53,188)	28,848
Comprehensive loss	<u>\$ (15,134,200)</u>	<u>(22,258,701)</u>
Basic and diluted loss per share:		
Continuing operations	\$ (3.18)	\$ (5.50)
Discontinued operations	\$ (0.11)	\$ (0.18)
Net loss	<u>\$ (3.29)</u>	<u>\$ (5.68)</u>
Weighted average outstanding shares used in computing net loss per common share:		
Basic and diluted	<u>4,578,834</u>	<u>3,920,849</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:

	Year Ended December 31,	
	2018	2017
	(in thousands)	
Loss from Continuing Operations	\$ (14,572)	\$ (21,577)
Stock-based compensation expense	800	900
Impairment charge	8,047	14,611
Depreciation and amortization	2,618	3,008
Litigation settlement	342	155
Interest Expense	5	12
Interest and other income	-	(8)
Income tax expense (benefit)	(1,564)	(1,687)
Adjusted EBITDA	<u>\$ (4,324)</u>	<u>\$ (4,586)</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.