

Payment Data Systems

Fourth Quarter 2015 Results

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CORPORATE PARTICIPANTS

Michael Long - *Chairman and Chief Executive Officer*

Louis Hoch - *President and Chief Operating Officer*

Habib Yunus - *Chief Financial Officer*

Julie MacMedan - *Investor Relations*

PRESENTATION

Operator

Good afternoon, and welcome to the Payment Data Systems Fourth Quarter 2015 Results. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your telephone keypad, to withdraw your question, please press "*" then "2." Please note this event is being recorded.

I would now like to turn the presentation over to Julie MacMedan, Investor Relations for Payment Data. Please go ahead.

Julie MacMedan

Thank you, Amy, and welcome to all of you who have joined us for today's call to discuss Payment Data Systems' fourth quarter 2015 financial results. Our earnings release, which we issued earlier this afternoon, is available on our investor relations website at paymentdata.com/invest under "Press Releases."

I'm here today with Michael Long, Chairman and CEO; Louis Hoch, President and COO; and Habib Yunus, CFO. On today's call, management will provide prepared remarks, and then we will open up the call to your questions as well as answer questions that have been emailed to us by investors.

Before we begin, I'd like to remind you that comments on today's call will include forward-looking statements. Forward-looking statements can be identified by the use of such words as estimate, anticipate, expect, believe, intend, may, will, should, seek, approximate or plan, or the negative of those words and phrases or similar words and phrases. Forward-looking statements by their nature involve estimates, projections, goals, forecasts and assumptions and are subject to risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

These forward-looking statements speak only as of the date of this conference call and should not be relied upon as predictions of future events. Payment Data Systems expressly disclaims any obligation or undertaking to update or revise any forward-looking statements made today to reflect any change in Payment Data Systems's expectations with regard thereto or any other changes in events, conditions or circumstances on which any such statement is based, except as required by law. Please refer to our SEC filings and our Investor Relations website for additional information.

And with that, I would now like to turn the call over to Michael Long, Chairman and CEO of Payment Data Systems. Michael?

Michael Long

Thank you, Julie. Welcome, everyone, and thank you for joining us on the call today. Over the past year, we have had a number of exciting developments at Payment Data Systems, and with our progress and listing on NASDAQ, we decided it was time to begin conducting quarterly conference calls with investors, as a way of adding context and transparency to our financials and to our operations.

Following my remarks, Louis Hoch, our President and Chief Operating Officer, will review our technology solutions and growth strategies in more detail; and our CFO, Habib Yunus, will close the call with a review of our financials. Since this is our first conference call as a public company, I would like to provide some background for those of you who may not be familiar with us.

Let's start with who Payment Data Systems is today. Simply stated, we are a leading integrated provider of payment solutions. We are organized as two operating entities, Payment Data Systems and FiCentive. It is through these two entities that we operate processing platforms for ACH, credit card and prepaid cards to deliver convenient world-class payment solutions and service to our clients.

We have a 17-year history as a company, and during that time we have built longstanding and valuable relationships with premier banking institutions such as Fifth-Third Bank, Sunrise Bank and Wells Fargo. We serve unmet needs in a fast-growing market that demands secure, adaptive and convenient payments and prepaid products. And because of the customization and innovation we provide in meeting these needs, we have created a loyal base of customers that Louis will tell you about in a few minutes.

At this point, I'd like to spend a few moments on our two operating entities and review for you the major differences. I'll start first with Payment Data. Payment Data has continued to innovate and grow the technology in its products and service offerings for our merchant processing platform that is used for both ACH and credit cards.

As an example, we have a tremendous amount of data that flows through our system, and our plan is to continue to develop products and services based on this data to benefit our customers. Using this data, we launched, in October, our new eCheck verification product, which helps merchants prevent returned checks prior to processing, and therefore reduces the number of returned items.

I am proud to report that our focus on innovation and delivery of world-class payments processing technology for our customers drove record results across all key operating metrics in 2015, and for the first time we exceeded the \$3 billion in total dollars processed in a year and 14 million transactions processed in a year.

Now for a bit on FiCentive, our prepaid card operations. At the end of 2014, we jump-started our prepaid card business with our acquisition of Akimbo. This acquisition provided a number of benefits for us by adding a highly talented technical staff of industry subject matter experts and marketing personnel. We also acquired an innovative cardholder service platform with new and significant prepaid card front-end technology, including mobile applications.

In 2015, as part of our overall strategy, we integrated Akimbo's consumer-facing applications with FiCentive's processing platform, which resulted in a highly adaptive and powerful new technology. We now offer a comprehensive and complete end-to-end solution for prepaid and incentive cards that delivers what customers want; speed, mobility and anywhere anytime access. As such, we expect our prepaid and incentive card business to be a significant growth driver for us in the coming future.

Now, let's get back to a broader view of the combined operating entities. Given our long-term growth plans and the momentum in our business, we invested significantly in listing our company on the NASDAQ Stock Market in August of last year to increase our visibility and

appeal to institutional investors, broaden our shareholder base, provide us with better liquidity, and ultimately contribute to increasing shareholder value.

As part of the listing process, we enhanced our governance by adding to the board two new independent directors, Miguel Chapa and Kirk Taylor. Mr. Chapa brings us 17 years of experience building successful companies in the entertainment, service and food industries. He has extensive expertise in business, strategic planning and financial analysis. Mr. Taylor, who serves as a Chairman of our Audit Committee, is a certified public accountant and brings us more than 20 years of experience focused on management, accounting and finance. We expect to benefit tremendously from each board members' expertise, as we continue to execute our long-term growth strategy.

In summary, this is truly an exciting time to be in the payment space. The rapid growth of ecommerce, online mobile payments and new alternative payment methods are driving significant change in the payments market. Electronic payments, including payments made with cards and ACH, now collectively exceed 85% of all non-cash payments. There has been an explosion in mobile payment options, such as Apple Pay and others, as well as chip-based card EMV technology initiatives led by Europay, MasterCard and VISA to reduce fraud, which is driving merchants to rapidly adopt contactless point-of-sales terminals or EMV terminals. As never before, merchants need to manage this complexity to thrive, and are looking at payments and payment innovators much more strategically than in the past.

Payment providers such as ourselves, that can innovate and partner with merchants, banks and vendors to help them transition in this dynamic environment, will be the winners in this increasingly complex landscape. We combine technology leadership with best-in-class processing and highly innovative products and services, designed to serve the growing needs of our customers.

And with that, I would like to introduce Louis Hoch, our President and COO, for a more detailed discussion of our technology leadership and how we meet the needs of our customers. Louis?

Louis Hoch

Thank you, Michael. We are very excited about all the new opportunities for growth in the payment space and how we have positioned our company for leadership. In our view, it has become increasingly hard for new entrants in the payment space to secure the necessary bank sponsorships, which provides a strong barrier to entry and a competitive advantage for us. With that said, the strength of our company lies in our proprietary technology that enables us to provide custom solutions for prepaid card issuance and processing and merchant payment acceptance.

For today's call, I want to highlight three solutions we view as competitive advantages for Payment Data: first, our hosted payments page solution; second, our data analytics innovation for ACH processing; and third, our new prepaid and incentive card offerings. I will close my remarks with a discussion of our growth strategy and outlook. We offer secure custom solutions in the payment space, building exactly what our customers want, offering a high level of customer service and helping them comply with regulatory and security requirements. One of our customizable offerings is our hosted, or cloud-based, payments page.

Our hosted payments page is a solution that is scalable, secure and token-based, and is applicable to numerous industry verticals and customer segments. Many of our customers look

to outsource their payments page, primarily because they do not have large technology teams or the capabilities to comply with payment security regulations.

Specifically, the Payment Card Industry, or PCI, Data Security Standard is a mandatory requirement for all companies that process, store or transmit card information. We provide a secure cloud-based environment for our customers, removing the compliance risk from the merchant, so they can focus on their business. A crucial industry vertical for this solution is churches and charitable organizations, and we work with more than 500 of these today.

Recently, we announced an agreement with Spark Development Network, the creator of Rock RMS, as their premier payments partner for their customers. Rock RMS powers internal ministry sites and user portals, manages external church websites, and all aspects of ministry data and record keeping. We believe that Rock is well-positioned to become the industry leader in church management systems.

As a premier partner, we will support getting donations and offer payment processing solutions for church member communities, including ACH and credit and debit card processing. We look forward to a mutually beneficial relationship with Rock RMS, including the potential for co-branding and other marketing innovations in the future. With our strong proprietary technical solutions and a seasoned development staff, in 2016 we plan to expand into new industry verticals such as medical and dental clinics, additional non-profit segments, and property management and homeowners associations. We look forward to reporting more on these opportunities in future calls.

As Michael mentioned, we continue to innovate in ACH processing by leveraging our big data analysis solutions to help merchants reduce risk and maintain compliance with processing regulations. Our new ACH fraud prevention service is called eCheck verification. This is an ACH account inquiry web service that allows merchants to perform real-time research on consumer and business accounts in order to determine the risk of a return transaction for customers based upon their previous transaction history. We are pleased with the rapid adoption of our new eCheck verification service.

For the merchants that have utilized our new service, it has significantly reduced their return rates and has also provided us with a new high-margin source of revenue. As we noted in our press release earlier today, although eCheck verification generates lower gross revenue than a returned check fee, each eCheck verification transaction has a higher gross margin and is more profitable than returned check fees.

As a result, our gross margins remain intact even though our total revenues are impacted by the shift in revenue. ACH processing continues to be our core business and we have a strong pipeline for new business that we expect will generate significant year-over-year revenue growth for us in the second half of 2016.

In the prepaid sector, we are leveraging the talented Akimbo technology and product teams to launch new prepaid and incentive card products. In 2015, we introduced our Akimbo Now payment service and the associated API that allows businesses and application developers to send virtual gift cards by email.

We also launched Stream Prepaid MasterCard, which is an ideal solution for businesses such as insurance companies that make real-time payments to individuals. Most recently, we announced Apple Pay support for the Akimbo prepaid MasterCard. Our goal is to help

businesses use our prepaid card platform to deliver real-time payments, such as rebates, rewards and incentives to cardholders.

A great example of this is our recently announced relationship with the company C2Go. C2Go is an electronic payment solution provider to businesses and individuals, participating in today's increasingly variable workforce. Their solution is currently targeted to the hospitality and attractions industry in Las Vegas.

Using the C2Go platform, restaurants, attractions, night clubs, shows and special events can compensate concierges, street marketing teams, event planners and taxi drivers for referrals to their venues. The venues move funds directly to member's C2Go cards in real-time. With our funding, C2Go will expand their commission services in the Las Vegas market and will accelerate growth into new workforce solutions for independent contractors and freelance workers.

As part of the agreement, C2Go will co-brand Akimbo Prepaid MasterCard, and FiCentive will launch C2Go-branded mobile and web applications by leveraging the existing Akimbo platform. This is a big win for us. We expect the addition of the C2Go cardholders to more than double the number of Akimbo card users by the end of 2016.

This agreement is a great example of the opportunities ahead for additional co-branded relationships with our customers. With Akimbo we have built one of the most innovative consumer reloadable card programs in the market today, and we look forward to continuing to develop and grow our prepaid platform.

Overall, 2015 was a year of significant accomplishments that position Payment Data for long-term growth. We see tremendous opportunity in serving customers through our flexible platform that addresses growing demands in today's society for convenient, contactless payments.

Our strategies for long-term value creation are twofold. They include organic growth and growth through acquisitions. First, organic growth. We plan to continue to expand our payment processing business with custom solutions for new industry verticals. We also plan to increase prepaid card sales by leveraging our powerful Akimbo user interface and our corporate incentive prepaid platform. As I mentioned, we are very excited about our sales pipeline and we expect to see significant revenue growth in the second half of 2016.

Second, acquisitions. We will selectively evaluate strategic acquisitions that enhance or bring additional products and services into our current model, with a goal of achieving cost savings by leveraging our existing infrastructure as well as generating additional opportunities to cross-sell, creating opportunities to engage new clients. We will also evaluate both card portfolios and merchant portfolios, and that those acquisitions could be accretive. We are excited about the growth prospects for 2016 and beyond and we look forward to reporting our progress on future calls.

With that, I would like to turn it over to Habib Yunus, our CFO to review our financial results.

Habib Yunus

Thank you, Louis. As Michael alluded, 2015 marked a record year for Payment Data Systems. Our transaction processing results drove revenues to a new high of \$14.4 million, up about 7.5% from 2014. Our revenues reflected growth in all business lines – ACH, credit card processing and prepaid cards.

Our gross margin also improved this year; it went to \$5 million, or 35% of revenues, which was a 19% increase from \$4.2 million, or 31% of revenues a year ago. The 330 basis point improvement in gross margin was largely due to the introduction of a higher margin product that I will discuss in a minute.

Now, turning to operating expenses; 2015 marked an investment year for us as we positioned Payment Data Systems for long term growth. Our investment focus in 2015 centered on four areas; technology, sales, customer service and capital market visibility. During 2015, we nearly doubled our workforce and spent more than \$700,000 on development of new software to prepare us for future growth.

Operating income was \$947,000 compared to \$2.3 million a year ago. The downturn was due to higher SG&A expenses reflecting investments in our growth, higher non-cash stock compensation expense, one-time expenses related to the Akimbo acquisition, and listing on NASDAQ. And finally, higher amortization expense from the assets that we acquired for Akimbo in December 2014.

Adjusted EBITDA was \$2.9 million, or 20% of revenues, up 12% from \$2.6 million, or 19% of revenues last year. Adjusted EBITDA excludes non-cash stock compensation expense, deferred tax, acquisition cost and professional fees related to non-recurring items. You can refer to our press release for reconciliation from EBITDA to GAAP operating income.

In 2015, we reported net income of \$1 million, or \$0.08 per diluted share. This is compared to \$3.8 million, or \$0.41 per diluted share last year. The difference is generally due to higher expenses in 2015 that I discussed, as well as the release of a \$1.6 million deferred tax allowance last year.

Now, turning to the fourth quarter of 2015, we reported revenues of \$3.7 million, down about 3% from the fourth quarter last year. Although we had record credit card processing volumes they were offset by a decline in ACH volumes. Also as Louis mentioned, the eCheck verification service improves quality of merchants and we expect it to continue to provide an attractive revenue stream. Although each eCheck verification transaction has lower gross revenue than a returned check fee, each transaction has a higher gross margin and is more profitable than return check fees.

As a result, our gross margins remain largely intact, even though our total revenues were slightly down. We expect this to continue, and have a small negative impact on our top-line revenue growth going forward. We have a strong sales pipeline for new ACH business and we expect to generate year-over-year revenue growth in the second half of 2016.

Continuing on the fourth quarter, gross margins of \$1.4 million or 38% of revenues were the same as the fourth quarter of last year.

Operating income was \$137,000 compared to \$931,000 a year ago. This reflects higher SG&A to support our growth, including higher non-cash compensation expense, and the associated amortization of those deferred stock grants and higher amortization costs from the assets acquired from Akimbo.

Adjusted EBITDA was about \$671,000 compared to \$1 million in the fourth quarter of last year. Net income in the fourth quarter was \$165,000 or \$0.01 per diluted share compared to \$2.5 million or \$0.27 per diluted share in the fourth quarter of last year.

We have a strong balance sheet with \$4.1 million in cash and no debt. We also generated significant cash flow. In 2015, we generated cash flow from operations of \$2.1 million. This provides us with the financial flexibility to capitalize on new growth opportunities, such as the announcement that Louis mentioned of the partnership with C2GO. We are very excited about the investment and the potential growth to be generated by C2GO.

In closing, 2015 marked a year of record revenues for Payment Data. We also made significant investments to support our future growth and increase our capital markets visibility.

Despite lower profitability this year, we generated cash flow from operations of \$2.1 million and delivered higher adjusted EBITDA versus last year. With a long history in the payment processing business, we've built a powerful platform that provides a recurring revenue stream from loyal customers. We are excited about the tremendous growth opportunities ahead, and we look forward to sharing our progress with you throughout the year.

We've been meeting with many investors and analysts to help educate the investment community about our business. We look forward to seeing many of you at upcoming conferences, starting with the Sidoti Conference in New York next Thursday on March 31 and the B. Riley conference in L.A. in May.

Operator, we will now turn the call over for questions.

QUESTION AND ANSWER

Operator

Thank you. To ask a question, you may press "*" then "1" on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys, to withdraw your question, please press "*" then "2." At this time, we will pause momentarily to assemble our roster.

The first question is from Brian Kinstlinger at Maxim Group.

Brian Kinstlinger

Hi, thanks for taking my question. Can you talk about...

Habib Yunus

Hi, Brian.

Brian Kinstlinger

Hi, how are you Habib? Can you talk about how your company is positioned to benefit from the shift to new technology you talked about, like chips or Apple Pay? How are you positioned in that market?

Louis Hoch

Well, we just announced that we are the first to implement Apple Pay for prepaid cards and that's important. To do that, we had to implement technology that's called tokenization for authorizations, and that generates basically unique card numbers every time a transaction is

processed. That same platform will allow us to implement other mobile wallets like Samsung Pay and Android Pay, both of which are on our development...product development roadmap, neither of which we've committed to a timeframe yet. But we think that contactless payments are important. We have a vision that in the near future consumers will have the opportunity to decline plastic. In other words, you could register for a card and choose to have it sent directly to your mobile phone and we are positioning ourselves to be the first to do that as well.

Brian Kinstlinger

Great. And then also, you talked about your new verification product that was launched in October, I think. Can you talk about how much revenue you expect to generate from this product in '16, and then maybe go through how much revenue you generated in '15, from check returns, and how much that business might be down, given that mix shift that you've talked about?

Louis Hoch

We don't break out our numbers by product type, so we are not willing to do that. But we can tell you that we announced our check verification service in September of last year. We created that product based upon new regulatory requirements for lower return rates to help our merchants succeed in that environment. The first month that we implemented it, 33% of our customer base chose to adopt it so we are seeing some success there, and we think that will continue.

Brian Kinstlinger

Great. Last question I have is, can you talk about what you are doing to raise product awareness for Akimbo?

Louis Hoch

Akimbo, we are doing a little bit through the web, traditional type of web advertising, but we actually see more impact coming from partners that have a captive card holder base, and our customer base that they can leverage the Akimbo platform through. And a good example would be C2GO that had an existing cardholder base, and they chose to implement the Akimbo card.

Brian Kinstlinger

Great. Thank you so much.

Louis Hoch

Thank you.

Habib Yunus

Thank you.

Operator

The next question is from William Gibson at Roth Capital Partners.

William Gibson

Hi, could you share the breakdown between Payment Data last year and FiCentive?

Habib Yunus

This is Habib. Yes, as Louis mentioned with Brian, we don't separately state by business lines right now or by subsidiaries, we just provide consolidated results.

William Gibson

Yes, which do you expect to grow faster this year?

Habib Yunus

On a percentage growth, we expect the prepaid side to grow explosively. On the dollar side, we expect that the merchant side, in which we include ACH and credit processing, to be bigger in terms of dollars, just because it's already a bigger piece of the business.

William Gibson

Okay, that makes sense. And could you give us, just one other question, a little more color on the potential acquisition candidates or universe, size of business you are looking for a number of candidates, that sort of thing?

Louis Hoch

Well, the interesting thing in our industry is that there are two types of acquisitions that are possible for us. One, which is very probable in our industry, is that there are portfolios of merchant accounts that are available for purchase. Easy way to understand that is like when a bank buys a book of mortgages from another bank, and they just start servicing them. So we are looking at portfolios that we can bring on to our network and be transparent to the merchants and then go back and cross-sell to that customer base.

We are also looking at strategic acquisitions that are within our industry that could be prepaid card program managers. That could be other payment companies that are operating at more of a sales function rather than an infrastructure level like us, that we could receive a new product or service that would complement our existing customer base, but more importantly bring in that base...that product, that we can get some economies of cost. A lot of companies that operate at a sales level, they are working with a company like ours already and maybe paying \$0.10 a transaction for it. And once they come into our network, our cost would be around \$0.03, so there is some financial synergy as well.

William Gibson

Good. Thank you.

Operator

The next question comes from Gregg Hillman at First Wilshire Securities Management.

Gregg Hillman

Yes, hi. Good afternoon. Could you talk about the C2GO? Which quarter do you think it will become material to your company? How do you think that will cash out?

Louis Hoch

We hope to see some good results from C2GO in the second half of the year. They do have an existing cardholder base that we are going to be moving to our cards. And now they have the capital to attack the market the second half of the year, and again, we are excited about that relationship.

Gregg Hillman

Okay, good. Can you talk about the order of magnitude for that or you would rather just be quiet about it for now?

Louis Hoch

Well, other than what we've already said, we think it will double our existing cardholder base of Akimbo. So it made sense for us to make the \$200,000 loan to them which converts into equity later on after they pay the loan. And so, it will help you understand maybe a magnitude there, we put up some money because we were sure of it.

Gregg Hillman

Okay, good. Yes, Habib, about this stock-based comp, it was a line item for the December quarter, it looks like \$300,000, was that a good run rate going forward for the quarter?

Habib Yunus

Let me just check. Yes, I think that should be pretty accurate, we actually had stock divested in the end of December 2015, so that amount will go down slightly in the first quarter and that will be a pretty consistent run rate because we didn't issue anything of significance really during 2015. 2015, we just issued a few shares, relatively compared to the overall expense, to directors and employees. So going forward, I would say, right around that. It was \$310,000 in the fourth quarter of '15 and probably right around that or just a little bit less would be our run rate going forward.

Gregg Hillman

Okay, and then Louis, for that precedent last time you did on the Spark Network for serving churches, how important is that, do you think that would be material or when will that kick in and what kind of hopes do you have for that in your church business? Will that just replace existing business or is that totally new business?

Louis Hoch

It's going to be both. The interesting thing about Rock RMS is that it's open-source which really works well with a lot of churches because they don't have a lot of money to spend. And the technology is just amazing. And so we think they are really well-positioned to capture a large amount of churches and we are integrated into them. So once a church downloads the software, they are going to instantly see that we are connected. We've already received, in the last few weeks, about five inquiries to come on to our network and we really like it how they are marketing their product. And again, we like the cost structure for the church and it fits well with our vision of providing reasonably priced services for churches and charities.

Gregg Hillman

Do you think you could do other partnerships on the order of magnitude of C2GO in the year, other big affiliate marketing type programs for the Akimbo card or other services?

Louis Hoch

Yes, definitely and you will see us announce some in the future.

Gregg Hillman

Okay, that's good. That's all I got. Thank you very much.

Louis Hoch

Thanks, Gregg.

Operator

The next question is from Jeff Kobylarz at Diamond Bridge Capital.

Jeff Kobylarz

Hi, guys. Thanks for having the call. Question about the other expenses, the \$713,000 in the fourth quarter, is roughly \$700,000 a quarter, is that the new run rate for those expenses?

Habib Yunus

That's right, yes. In the MD&A, we will break that out in the 10-K, but the majority of it is salaries. And yes, that's probably going to be a pretty consistent number going forward.

Jeff Kobylarz

Okay. And then you talked about revenue for 2016 during the call it was said that in the second half, revenues will be up significantly. Can you quantify? Is that like over 10% or any way to get any more color about second half revenues?

Michael Long

We are not publicly announcing any type of projections at this point.

Jeff Kobylarz

Okay, alright. As far as acquisitions, can you say any size of acquisition that you would go no greater than?

Michael Long

I can tell you we are actively pursuing portfolios, so we are reviewing them currently. So hopefully you will see us do one of those this year. As for acquiring a company or strategic acquisition, we are currently not reviewing any, but we are very open-minded to that.

Jeff Kobylarz

Alright. Thanks very much.

Operator

The next question is from Ryan Fisher, private investor.

Ryan Fisher

Hi, guys. How are you doing?

Habib Yunus

Hi, Ryan.

Ryan Fisher

So looks like gross margins recovered in Q4 are up to the high 30s. Is that a rate that you guys feel like you can maintain in '16 or are we going to see more volatility in gross margins like we did in '15?

Habib Yunus

Well, I think it should be pretty consistent going forward. Part of the reason was, we are talking about the change in the natural rules, and so with the introduction of the eCheck verification service, we are able to recover our margins even with a little bit lower revenue with this higher margin product. So I think we expect margins to stay pretty consistent going forward.

Ryan Fisher

Okay. And then in regards to the Akimbo acquisition, I assume that was not profitable in '15. Would that be fair to say?

Louis Hoch

It wasn't, and it turned out to be by design. We decided to invest more into that platform. If we would have left it as is and just assimilated it, it would have. But we saw a whole bunch of opportunities including Apple Pay and C2Go that required us to expend a lot of expenses to build the system up even beyond where it was.

Ryan Fisher

Okay, so I assume that's the \$785,000 for property and equipment on the cash flow statement. Would that be going to Akimbo?

Louis Hoch

That's right, some of it was equipment. We acquired some new hardware, but the majority of it was internal software development. So that was integration of Akimbo into our platform, as well as some new products, like the Akimbo Now product, the Apple Pay integration, the Akimbo Gift Card. So we spent a lot of internal resources and money to bring Akimbo into the platform and to really get Akimbo ready for some explosive growth going forward.

Ryan Fisher

Okay. So in terms of 2016, do you think Akimbo is still going to lose money or is it going to be breakeven or profitable, or you are going to be on that side?

Louis Hoch

I think it will contribute this year.

Ryan Fisher

Okay. And then piggybacking on some of the other questions about the acquisitions, given where the stock price currently is and your cash flow, you guys are trading at basically under 10 times cash flow. Have you guys given any thoughts to just buying back your own stock instead of taking on a risky acquisition or what's the mentality on that?

Habib Yunus

Well, definitely. It's something that we've considered and something that the Board looks at often, but the Board has to decide what's the best uses of our cash. It's definitely an option.

Ryan Fisher

Okay. Alright, thanks, guys.

Operator

The next question is from Ronald Nisser, private investor.

Ronald Nisser

Good afternoon, gentlemen. I have two questions that I'd like to see someone comment on. You mentioned the food industry. Everybody has to eat and what I'm seeing is there is a lot of NFC, near field communication, -enabled vending machines coming off the assembly lines and I'm wondering if Payment Data Systems can process and handle the NFC payments in the seeable future. That's question one. And the second question, after you ponder this, could Payment Data Systems provide a quick alternative back up path to the Automatic Clearing House when a merchant or bank's payment system is hacked? I'll listen in. And thank you for the time.

Louis Hoch

Hi, Ron, the first question, near field communication, we are already set up to do that, not only as an acquirer or as a payment processor, but through Apple Pay, we already do it. In fact, I recently used my phone on a vending machine using my Akimbo Card.

Ronald Nisser

Alright.

Louis Hoch

And your second question, can you repeat that for us?

Ronald Nisser

Yes. Could Payment Data Systems provide a quick alternative back up path through the Automatic Clearing House when a merchant's or bank's payment system has been hacked? It seems like hack attacks are everywhere and are increasing.

Louis Hoch

I don't know if I have the answer to that, Ron. Every hack is different, and what's compromised, and the solution that individual merchant takes to recover is up to them.

Ronald Nisser

Okay. I just feel like your back office operation might be able to come up with an alternative quick plan for somebody that's been hacked. And I just thought I'd throw that in. I know that you are still under development and deployment stage of many things and it seems to me that from my experience, working in the railroad industry handling inbound and outbound traffic that near field communication, a.k.a. radio-frequency identification, will streamline anything and everything in the electronic build payment processing and handling loop. Are you going to place more emphasis on NFC? And can you use an NFC-enabled phone, a card, and a card swipe device on a smartphone to enhance security?

Louis Hoch

Well, we are definitely focused on making sure that we get our cards into every mobile wallet option that's viable. Right now, there are three of them, there's Apple Pay, Samsung Pay and Google Pay, and the way they deliver the transactions are a little bit different in each case. But through those three implementations, we'll definitely cover the majority of the transactions through our prepaid card offerings.

Ronald Nisser

Outstanding. One other thing, I worked in a back office where we had to interchange inbound, outbound traffic and I found out that being in a back office you are out of sight, out of mind to most people. Are you working on any way to advertise your operations from a back office that tends to be out of sight, thus out of mind, of investors? That will be my last question. I'll listen in.

Louis Hoch

I think you asked about advertising our company and reaching out to more investors, that's two different things, but we'll address both. Our management team, since we've been on NASDAQ, has been meeting with a lot of banks, a lot of investors, and a lot of analysts. Our story has been very well received.

As for products and services and just general awareness to gain customers, we are definitely focused on that. We are trying to leverage companies that can help us in that case. Like a good

example would be Rock RMS. They are out there, they are out there creating customers, they are what we call a technology integrator, and they bring us the customers. And we really don't have to spend anything on marketing for that or even sales.

And so we love that model, we love when companies come to us and they have a thousand potential cardholders and they want to do a card program. They already have a relationship with those customers. We love those, because we are able to create cardholders without spending a lot of marketing dollars. So you'll see a lot of us doing a lot of things to raise shareholder awareness. You'll see our products and services come out a lot in the marketplace through technology integrators/resellers. And you'll see us do a little bit more than we have in the past to advertise our products and services directly.

Ronald Nisser

Outstanding. One other thing you mentioned, the non-profit organizations. Are we still connected to Shelby Systems in any way, shape or form?

Michael Long

Yes, we are.

Louis Hoch

We are connected to their platform. And you'll see some more news about it in the 10-K. Our referral contract with them expired in February, but again, all the customers that they brought to us have direct agreements with us so we are not really worried about that.

Ronald Nisser

All right, sir, thank you very much. Keep playing hardball. And I'll be watching you on a daily basis on the internet each time I can. So have a good evening and thanks for your time and answers.

Louis Hoch

Thanks, Ron.

Operator

We have no further questions from the live Q&A participants. I will now turn the call over to Julie MacMedan to ask the questions that were emailed to management. Julie?

Julie MacMedan

Thanks, Amy. Actually a lot of those questions were covered in our Q&A session today, so I'm just going to turn the call back to Michael for closing remarks. Michael?

CONCLUSION

Michael Long

Thanks, very much, Julie. And we'd like to thank everyone who participated on the call today. We'll encourage you to give us a call at your earliest convenience to answer any additional questions you may have. It's been a real pleasure for me and the management team. Wish you all a great day and a great weekend. Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.