MOBIVITY HOLDINGS CORP.
Form 10-Q
May 14, 2018

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to __________

Commission file number 000-53851

Mobivity Holdings Corp.

(Exact Name of Registrant as Specified in Its Charter)

Nevada 26-3439095

(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

55 N. Arizona Place, Suite 310

Chandler, Arizona 85225

(Address of Principal Executive Offices & Zip Code)

(877) 282-7660

(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 8, 2018, the registrant had 39,057,573 shares of common stock issued and outstanding.

MOBIVITY HOLDINGS CORP.

TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Mobivity Holdings Corp.

Condensed Consolidated Balance Sheets

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current assets		
Cash	$ 419,373	$ 460,059
Accounts receivable, net of allowance for doubtful accounts of $1,189 and $2,280, respectively	1,457,634	885,743
Other current assets	202,412	209,536
Total current assets	2,079,419	1,555,338
Goodwill	803,118	803,118
Intangible assets, net	600,296	676,436
Accounts receivable, long term	824,272	-
Other assets	91,124	88,916
TOTAL ASSETS	$ 4,398,229	$ 3,123,808
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,148,953	$ 1,096,003
Accrued interest	15,083	1,168
Accrued and deferred personnel compensation	761,805	590,500
Deferred revenue and customer deposits	1,602,711	1,429,266
Notes payable, net - current maturities	170,592	2,236,224
Other current liabilities	429,789	226,355
Total current liabilities	4,128,933	5,579,516
Non-current liabilities		
Notes payable, net - long term	1,423,495	180,810
Other long term liabilities	582,626	-
Total non-current liabilities	2,006,121	180,810
Total liabilities	6,135,054	5,760,326
Commitments and Contingencies (See Note 9)		
Stockholders' equity		
	39,058	37,025

Common stock, $0.001 par value; 100,000,000 shares authorized; 39,057,573 and 37,025,140, shares issued and outstanding		
Equity payable	100,862	100,862
Additional paid-in capital	80,325,094	77,910,842
Accumulated other comprehensive loss	(78,379)	(65,764)
Accumulated deficit	(82,123,460)	(80,619,483)
Total stockholders' equity	(1,736,825)	(2,636,518)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,398,229	$ 3,123,808

See accompanying notes to these unaudited condensed consolidated financial statements.

1

Table of Contents

Mobivity Holdings Corp.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

	Three Months Ended March 31, 2018	2017
Revenues		
Revenues	$ 3,693,328	$ 2,113,283
Cost of revenues	793,389	557,388
Gross profit	2,899,939	1,555,895
Operating expenses		
General and administrative	1,248,343	1,015,418
Sales and marketing	1,461,580	1,208,785
Engineering, research, and development	1,531,598	589,322
Depreciation and amortization	96,970	68,746
Total operating expenses	4,338,491	2,882,271
Loss from operations	(1,438,552)	(1,326,376)
Other income/(expense)		
Interest income	456	904
Interest expense	(57,489)	(21,106)
Gain on sale of fixed assets	(8,722)	-
Foreign currency (loss) gain	330	(2,648)
Total other income/(expense)	(65,425)	(22,850)
Loss before income taxes	(1,503,977)	(1,349,226)
Income tax expense	-	-
Net loss	(1,503,977)	(1,349,226)
Other comprehensive loss, net of income tax		
Foreign currency translation adjustments	(12,615)	(5,221)
Comprehensive loss	$ (1,516,592)	$ (1,354,447)
Net loss per share - basic and diluted	$ (0.04)	$ (0.04)
Weighted average number of shares		
during the period - basic and diluted	38,018,733	36,388,997

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Mobivity Holdings Corp.

Consolidated Statement of Stockholders' Equity

	Common Stock		Equity	Additional	Accumulated Other	Accumulated	Total Stockholders'
	Shares	Dollars	Payable	Paid-in Capital	Comprehensive Loss	Deficit	Equity (Deficit)
Balance, December 31, 2016	36,388,997	$ 36,389	$ 100,862	$ 76,698,383	$ (32,999)	$ (74,673,471)	2,129,164
Issuance of common stock for options exercised	152,085	152	-	82,646	-	-	82,798
Issuance of common stock for restricted stock awards	484,058	484	-	(484)	-	-	-
Stock based compensation	-	-	-	1,130,297	-	-	1,130,297
Foreign currency translation adjustment	-	-	-	-	(32,765)	-	(32,765)
Net loss	-	-	-	-	-	(5,946,012)	(5,946,012)
Balance, December 31, 2017	37,025,140	$ 37,025	$ 100,862	$ 77,910,842	$ (65,764)	$ (80,619,483)	$ (2,636,518)
Issuance of common stock for warrant conversion	2,018,125	2,018	-	2,151,829	-	-	2,153,847
Issuance of common stock for cashless warrant conversion	1,808	2	-	(2)	-	-	-
Issuance of common stock	12,500	13	-	9,582	-	-	9,595

for options exercised							
Stock based compensation	-	-	-	252,843	-	-	252,843
Foreign currency translation adjustment	-	-	-	-	(12,615)	-	(12,615)
Net loss	-	-	-	-	-	(1,503,977)	(1,503,977)
Balance, March 31, 2018	39,057,573	$ 39,058	$ 100,862	$ 80,325,094	$ (78,379)	$ (82,123,460)	$ (1,736,825)

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Mobivity Holdings Corp.

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended March 31, 2018	2017
OPERATING ACTIVITIES		
Net loss	$ (1,503,977)	$ (1,349,226)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	-	(9,787)
Amortization of deferred financing costs	-	4,245
Stock-based compensation	252,842	337,417
Amortization of debt discount	7,786	-
Loss on disposal of fixed assets	8,722	-
Depreciation and amortization expense	96,970	68,746
Adjustments due to ASC 606	(713,568)	-
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	265,936	1,140,079
Other current assets	4,151	(42,760)
Other assets	264	225
Accounts payable	41,690	(59,548)
Accrued interest	13,915	1,999
Accrued and deferred personnel compensation	149,156	(93,297)
Other liabilities - non-current	58,474	-
Other liabilities - current	(185,652)	(8,529)
Deferred revenue and customer deposits	166,750	247,289
Net cash provided by (used in) operating activities	(1,336,541)	236,853
INVESTING ACTIVITIES		
Purchases of equipment	(18,078)	(2,490)
Cash paid for patent	-	(6,549)
Capitalized software development costs	(13,948)	(246,178)
Net cash used in investing activities	(32,026)	(255,217)
FINANCING ACTIVITIES		
Payments on notes payable	(1,902,947)	-
Deferred financing costs	-	(15,000)
Proceeds from notes payable	1,080,000	53,051

Proceeds from issuance of common stock, net of issuance costs	2,163,443	-
Net cash provided by financing activities	1,340,496	38,051
Effect of foreign currency translation on cash flow	(12,615)	(1,152)
Net change in cash	(40,686)	18,535
Cash at beginning of period	460,059	1,188,485
Cash at end of period	$ 419,373	$ 1,207,020
Supplemental disclosures:		
Cash paid during period for:		
Interest	$ 57,489	$ 52,960
Non cash investing and financing activities:		
Issuance of common stock for cashless exercise	$ 2	$ -

See accompanying notes to these unaudited condensed consolidated financial statements.

Table of Contents

Mobivity Holdings Corp.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Nature of Operations and Basis of Presentation

Mobivity Holdings Corp. (the “Company” or “we”) is in the business of developing and operating proprietary platforms over which brands and enterprises can conduct national and localized, data-driven mobile marketing campaigns. Our proprietary platforms, consisting of software available to phones, tablets, PCs, and Point of Sale (“POS”) systems, allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to consumers via mobile phones, mobile smartphone applications, and dynamically printed receipt content. On January 15, 2016, we completed the acquisition of LiveLenz Inc., a Nova Scotia corporation (“LiveLenz”), a wholly-owned subsidiary. We generate revenue by charging the resellers, brands and enterprises a per-message transactional fee, through fixed or variable software licensing fees, or via advertising fees.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on April 11, 2018.

In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of our condensed consolidated financial statements as of March 31, 2018, and for the three months ended March 31, 2018 and 2017. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the operating results for the full year ending December 31, 2018.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates used are those related to stock-based compensation, asset impairments, the valuation and useful lives of depreciable tangible and certain intangible assets, the fair value of common stock used in acquisitions of businesses, the fair value of assets and liabilities acquired in acquisitions of businesses, and the valuation allowance of deferred tax assets. Management believes that these estimates are reasonable; however, actual results may differ from these estimates.

Accounts Receivable, Allowance for Doubtful Accounts and Concentrations

Accounts receivable are carried at their estimated collectible amounts. We grant unsecured credit to substantially all of our customers. Ongoing credit evaluations are performed and potential credit losses are charged to operations at the time the account receivable is estimated to be uncollectible. Since we cannot necessarily predict future changes in the financial stability of our customers, we cannot guarantee that our reserves will continue to be adequate.

As of March 31, 2018 and December 31, 2017, we recorded an allowance for doubtful accounts of $1,189 and $2,280 respectively.

Goodwill and Intangible Assets

Goodwill is tested for impairment at a minimum on an annual basis. Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit's carrying value is compared to its fair value. The fair values of the reporting units are estimated using market and discounted cash flow approaches. Goodwill is

Table of Contents

considered impaired if the carrying value of the reporting unit exceeds its fair value. The discounted cash flow approach uses expected future operating results. Failure to achieve these expected results may cause a future impairment of goodwill at the reporting unit.

Intangible assets consist of patents and trademarks, purchased customer contracts, purchased customer and merchant relationships, purchased trade names, purchased technology, non-compete agreements, and software development costs. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from one to twenty years. No significant residual value is estimated for intangible assets.

Software Development Costs

Software development costs include direct costs incurred for internally developed products and payments made to independent software developers and/or contract engineers. The Company accounts for software development costs in accordance with the FASB guidance for the costs of computer software to be sold, leased, or otherwise marketed ("ASC Subtopic 985-20"). Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses technical design documentation and integration documentation, or the completed and tested product design and working model. Software development costs are capitalized once technological feasibility of a product is established and such costs are determined to be recoverable against future revenues. Technological feasibility is evaluated on a project-by-project basis. Amounts related to software development that are not capitalized are charged immediately to the appropriate expense account. Amounts that are considered 'research and development' that are not capitalized are immediately charged to engineering, research, and development expense.

Capitalized costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Commencing upon product release, capitalized software development costs are amortized to "Amortization Expense - Development" based on the straight-line method over a twenty-four month period.

The Company evaluates the future recoverability of capitalized software development costs on an annual basis. For products that have been released in prior years, the primary evaluation criterion is ongoing relations with the customer.

Impairment of Long-Lived Assets

We evaluate long-lived assets (including intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the undiscounted future net cash flow the asset is expected to generate.

Foreign Currency Translation

The Company translates the financial statements of its foreign subsidiary from the local (functional) currency into US Dollars using the year or reporting period end or average exchange rates in accordance with the requirements of Accounting Standards Codification subtopic 830-10, Foreign Currency Matters ("ASC 830-10"). Assets and liabilities of these subsidiaries were translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average rates in effect for the periods presented. The cumulative translation adjustment is included in the accumulated other comprehensive gain (loss) within shareholders' equity. Foreign currency transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the unaudited Condensed Consolidated Statements of Income and Comprehensive Income.

Revenue Recognition and Concentrations

Our re•ceipt and re•ach and customer relationship management are hosted solutions. We generate revenue from licensing our software to clients in our software as a service model, per-message and per-minute transactional fees, and customized professional services. We recognize license/subscription fees over the period of the contract, service fees as the services are performed, and per-message or per-minute transaction revenue when the transaction takes place. We recognize revenue at the time that the services are rendered, the selling price is fixed, and collection is reasonably assured, provided no significant obligations remain. We consider authoritative guidance on multiple deliverables in determining whether each deliverable represents a separate unit of accounting. Some customers are billed on a month-to-month basis with no contractual term and are collected by credit card. Revenue is recognized at the time that the services are rendered and the selling price is fixed with a set range of plans. Cash received in advance of the performance of services is recorded as deferred revenue.

During the three months ended March 31, 2018, two customers accounted for 66% of our revenues. During the three months ended March 31, 2017, one customer accounted for 69% of our revenues.

Table of Contents

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. We are required to record all components of comprehensive income (loss) in the consolidated financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive income (loss). For the three months ended March 31, 2018 and 2017, the comprehensive loss was $1,516,592 and $1,354,447, respectively.

Net Loss Per Common Share

Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During the three months ended March 31, 2018 and 2017, we had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive.

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

Accounting standards promulgated by the FASB are subject to change. Changes in such standards may have an impact on the Company's future financial statements. The following are a summary of recent accounting developments.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company elected to early adopt the new guidance in the second quarter of fiscal year 2016 which requires us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The primary impact of adoption was the recognition of additional stock compensation expense and paid-in capital for all periods in fiscal year 2016. Additional amendments to the recognition of excess tax benefits, accounting for income taxes and minimum statutory withholding tax requirements had no impact to retained earnings as of January 1, 2016, where the cumulative effect of these changes are required to be recorded. We have elected to account for forfeitures as they occur to determine the amount of compensation cost to be recognized in each period.

In May 2014, the FASB issued ASU 2014-09 regarding ASC Topic 606, “Revenue from Contracts with Customers.” ASU 2014-09 provides principles for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 to defer the effective date by one year with early adoption permitted as of the original effective date. ASU 2014-09 will be effective for our fiscal year beginning January 1, 2018 unless we elect the earlier date of January 1, 2017. In addition, the FASB issued ASU 2016-08, ASU 2016-10, and ASU 2016-12 in March 2016, April 2016, and May 2016, respectively, to help provide interpretive clarifications on the new guidance in ASC Topic 606. The Company is currently evaluating the accounting, transition, and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which removes the second step of the two-step goodwill impairment test. Under ASU 2017-04, an entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019; early adoption is permitted for interim or annual goodwill impairment tests performed

on testing dates after January 1, 2017. The Company is currently in the process of evaluating the impact of adopting ASU 2017-04 and cannot currently estimate the financial statement impact of adoption.

3. New Accounting Standards

Revenue from Contracts with Customers.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (“ASC 606”), which creates a single source of revenue guidance under U.S. GAAP for all companies in all industries and replaces most existing revenue recognition guidance in U.S. GAAP. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services.

Our transition to ASC 606 represents a change in accounting principle. ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled for the exchange of those goods or services.

The Company adopted the new standard in the first quarter of its fiscal 2018, using the modified retrospective method. The Company implemented internal controls and key system functionality to enable the preparation of financial information on adoption. The most significant impacts of the adoption of ASC 606 to the Company relate to the acceleration of revenue recognition for sales of custom products subject to a non-cancellable customer purchase orders.

The new standard will primarily impact the Company’s revenue recognition for software arrangements. In this area, the new standard will accelerate the recognition of revenue. The table below details both the current and expected revenue recognition timing in these areas:

Software arrangements:	Past revenue standard	New ASC 606 revenue standard
Perpetual software licenses	Upfront	Upfront
Enterprise license agreements	Ratable	Upfront

Software support	Ratable	Ratable
SaaS	Ratable	Ratable

The adoption of ASC 606 has an impact on the Company's Consolidated Statements of Operations and Consolidated Balance Sheets but has no impact on cash provided by or used in operating, financing, or investing activities on the Consolidated Statements of Cash Flows.

Table of Contents

Financial Statement Impact of Transition to ASC 606

As noted above, we transitioned to ASC 606 using the modified retrospective method on January 1, 2018. The cumulative effect of this transition to applicable contracts with customers that were not completed as of January 1, 2018 was recorded as an adjustment to stockholders' equity as of that date. As a result of applying the modified retrospective method to transition to ASC 606, the following adjustments were made to the consolidated balance sheet as of January 1, 2018:

	December 31, 2017 As Reported	Adjustments due to ASC 606	Adjusted January 1, 2018
ASSETS			
Current assets			
Cash	$ 460,059	$ -	$ 460,059
Accounts receivable, net of allowance for doubtful accounts of $2,280 and $2,280, respectively	885,743	544,599	1,430,342
Other current assets	209,536	-	209,536
Total current assets	1,555,338	544,599	2,099,937
Goodwill	803,118	-	803,118
Intangible assets, net	676,436	-	676,436
Accounts receivable, long term	-	424,023	424,023
Other assets	88,916	-	88,916
TOTAL ASSETS	$ 3,123,808	$ 968,622	$ 4,092,430
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 1,096,003	$ -	$ 1,096,003
Accrued interest	1,168	-	1,168
Accrued and deferred personnel compensation	590,500	-	590,500
Deferred revenue and customer deposits	1,429,266	-	1,429,266
Notes payable, net - current maturities	2,236,224	-	2,236,224
Other current liabilities	226,355	191,121	417,476
Total current liabilities	5,579,516	191,121	5,770,637
Non-current liabilities			
Notes payable, net - long term	180,810	-	180,810
Other long term liabilities	-	150,477	150,477
Total non-current liabilities	180,810	150,477	331,287
Total liabilities	5,760,326	341,598	6,101,924
Commitments and Contingencies (See Note 9)			
Stockholders' equity			

Common stock, $0.001 par value; 100,000,000 shares authorized;			
37,025,140 and 37,025,140, shares issued and outstanding	37,025	-	37,025
Equity payable	100,862	-	100,862
Additional paid-in capital	77,910,842	-	77,910,842
Accumulated other comprehensive loss	(65,764)	-	(65,764)
Accumulated deficit	(80,619,483)	627,024	(79,992,459)
Total stockholders' equity	(2,636,518)	627,024	(2,009,494)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,123,808	$ 968,622	$ 4,092,430

9

Table of Contents

The following tables reflect the impact of adoption of ASC 606 on our condensed consolidated statements of operations for the three months ended March 31, 2018 and our condensed consolidated balance sheet as of March 31, 2018 and the amounts as if the Previous Standards were in effect (“Amounts Under Previous Standards”):

Condensed Consolidated Statement of Operations

	Three Months Ended March 31, 2018		
	As reported	Total Adjustments Under ASC 606	Amounts Under Previous Standards
Revenues			
Revenues	$ 3,693,328	$ 1,648,731	$ 2,044,597
Cost of revenues	793,389	-	793,389
Gross profit	2,899,939	1,648,731	1,251,208
Operating expenses			
General and administrative	1,248,343	93,516	1,154,827
Sales and marketing	1,461,580	-	1,461,580
Engineering, research, and development	1,531,598	841,647	689,951
Depreciation and amortization	96,970	-	96,970
Total operating expenses	4,338,491	935,163	3,403,328
Gain (loss) from operations	(1,438,552)	713,568	(2,152,120)
Other income/(expense)			
Interest income	456	-	456
Interest expense	(57,489)	-	(57,489)
Gain on sale of fixed assets	(8,722)	-	(8,722)
Foreign currency (loss) gain	330	-	330
Total other income/(expense)	(65,425)	-	(65,425)
Loss before income taxes	(1,503,977)	713,568	(2,217,545)
Income tax expense			
Net loss	(1,503,977)	713,568	(2,217,545)
Other comprehensive loss, net of income tax			
Foreign currency translation adjustments	(12,615)	-	(12,615)
Comprehensive loss	$ (1,516,592)	$ 713,568	$ (2,230,160)
Net loss per share - basic and diluted	$ (0.04)	$ 0.02	$ (0.06)
Weighted average number of shares during the period - basic and diluted	38,018,733	38,018,733	38,018,733

Table of Contents

Condensed Consolidated Balance Sheet

	March 31, 2018 As Reported	Total Adjustments Under ASC 606	Amounts Under Previous Standards
ASSETS			
Current assets			
Cash	$ 419,373	$ -	$ 419,373
Accounts receivable, net of allowance for doubtful accounts of $1,189 and $1,189, respectively	1,457,634	(824,459)	633,175
Other current assets	202,412	-	202,412
Total current assets	2,079,419	(824,459)	1,254,960
Goodwill	803,118	-	803,118
Intangible assets, net	600,296	-	600,296
Accounts receivable, long term	824,272	(824,272)	-
Other assets	91,124	-	91,124
TOTAL ASSETS	$ 4,398,229	$ (1,648,731)	$ 2,749,498
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 1,148,953	$ -	$ 1,148,953
Accrued interest	15,083	-	15,083
Accrued and deferred personnel compensation	761,805	-	761,805
Deferred revenue and customer deposits	1,602,711	-	1,602,711
Notes payable, net - current maturities	170,592	-	170,592
Other current liabilities	429,789	(411,011)	18,778
Total current liabilities	4,128,933	(411,011)	3,717,922
Non-current liabilities			
Notes payable, net - long term	1,423,495	-	1,423,495
Other long term liabilities	582,626	(524,152)	58,474
Total non-current liabilities	2,006,121	(524,152)	1,481,969
Total liabilities	6,135,054	(935,163)	5,199,891
Commitments and Contingencies (See Note 9)			
Stockholders' equity			
Common stock, $0.001 par value; 100,000,000 shares authorized; 39,057,573 and 39,057,573, shares issued and outstanding	39,058	-	39,058
Equity payable	100,862	-	100,862
Additional paid-in capital	80,325,094	-	80,325,094
Accumulated other comprehensive loss	(78,379)	-	(78,379)
Accumulated deficit	(82,123,460)	(713,568)	(82,837,028)
Total stockholders' equity	(1,736,825)	(713,568)	(2,450,393)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,398,229	$ (1,648,731)	$ 2,749,498

4. Goodwill and Purchased Intangibles

Goodwill

The carrying value of goodwill at March 31, 2018 and December 31, 2017 was $803,118.

Table of Contents

Intangible assets

The following table presents details of our purchased intangible assets as of March 31, 2018 and December 31, 2017:

	Balance at December 31, 2017	Additions	Impairments	Amortization	Fx and Other	Balance at March 31, 2018
Patents and trademarks	$ 118,178	$ -	$ -	$ (2,872)	$ (368)	$ 114,938
Customer and merchant relationships	153,448	-	-	(6,138)	-	147,310
Trade name	41,033	-	-	(1,659)	(34)	39,340
	$ 312,659	$ -	$ -	$ (10,669)	$ (402)	$ 301,588

The intangible assets are being amortized on a straight-line basis over their estimated useful lives of one to twenty years.

Amortization expense for intangible assets was $10,669 and $10,751 for the three months ended March 31, 2018 and 2017, respectively.

The estimated future amortization expense of our intangible assets as of March 31, 2018 is as follows:

Year ending December 31,	Amount
2018	$ 27,794
2019	43,160
2020	43,116
2021	40,148
2022	40,148
Thereafter	107,222
Total	$ 301,588

5. Software Development Costs

The Company has capitalized certain costs for software developed or obtained for internal use during the application development stage as it relates to specific contracts. The amounts capitalized include external direct costs of services used in developing internal-use software and for payroll and payroll-related costs of employees directly associated with the development activities.

The following table presents details of our software development costs as of March 31, 2018 and December 31, 2017:

	Balance at December 31, 2017	Additions	Amortization	Balance at March 31, 2018
Software Development Costs	$ 363,777	$ 13,946	$ (79,015)	$ 298,708
	$ 363,777	$ 13,946	$ (79,015)	$ 298,708

Software development costs are being amortized on a straight-line basis over their estimated useful life of two years.

Amortization expense for software development costs was $79,016 and $51,048 for the three months ended March 31, 2018 and 2017, respectively.

The estimated future amortization expense of software development costs as of March 31, 2018 is as follows:

Year ending December 31,	Amount
2018	$ 283,833
2019	14,875
2020	-
2021	-
2022	-
Thereafter	-
Total	$ 298,708

12

Table of Contents

6. Notes Payable and Interest Expense

The following table presents details of our notes payable as of March 31, 2018 and December 31, 2017:

Facility	Maturity	Interest Rate	Balance at March 31, 2018	Balance at December 31, 2017
BDC Term Loan	December 15, 2018	12%	$ 348,939	$ 358,466
ACOA Note	May 1, 2021	-	165,149	175,632
SVB Working Capital Line of Credit Facility	March 30, 2018	Variable	-	1,882,936
Related Party Note	March 31, 2020	15%	1,080,000	-
Total Debt			1,594,088	2,417,034
Debt discount			-	7,786
Less current portion			(170,593)	(2,244,010)
Long-term debt, net of current portion			$ 1,423,495	$ 180,810

BDC Term Loan

On January 8, 2016, Livelenz, a wholly-owned subsidiary of the Company, entered into an amendment of their original loan agreement dated August 26, 2011 with the Business Development Bank of Canada (“BDC”). Under this agreement the loan will mature, and the commitments will terminate on December 15, 2018.

ACOA Note

On April 29, 2016, Livelenz, a wholly-owned subsidiary of the Company, entered into an amendment of the original agreement dated December 2, 2014 with the Atlantic Canada Opportunities Agency (“ACOA”). Under this agreement the note will mature, repayments began on June 1, 2016, and the commitments will terminate on May 1, 2021.

SVB Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank (“SVB”) to provide up to $2 million to finance our general working capital needs. The Facility is funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on Facility borrowings is calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. As of March 31, 2018, this Facility was paid off and closed.

Under the terms of the Facility, the Company is obligated to pay a commitment fee on the available unused amount of the Facility commitments equal to 0.5% per annum.

The Company capitalized debt issuance costs of $42,287 as of March 31, 2017 related to the Facility, which have been amortized on a straight-line basis to interest expense over the two-year term of the Facility. As of March 31, 2018, the Company has fully amortized these costs.

Interest Expense

Interest expense was $57,489 and $21,106 during the three months ended March 31, 2018 and 2017, respectively.

7. Stockholders' Equity

Common Stock

2017

On June 27, 2017, the Company issued 61,980 shares of our common stock, at a price of $0.48 per share, for the gross proceeds of $29,750 in conjunction with one employee that exercised vested stock options.

On July 17, 2017, the Company issued 263,731 shares of our common stock to four board members in accordance with their restricted stock unit agreements.

Table of Contents

On August 22, 2017, the Company issued 4,688 shares of our common stock, at a price of $0.41 per share, for the gross proceeds of $1,922 in conjunction with one employee that exercised vested stock options.

On August 30, 2017, the Company issued 37,500 shares of our common stock, at a price of $0.75 per share, for the gross proceeds of $28,125 in conjunction with one employee that exercised vested stock options.

On November 30, 2017, we issued 220,327 shares of our common stock to two former board members in accordance with their restricted stock unit agreements.

On December 21, 2017, we issued 47,917 shares of our common stock, at a price of $0.48 per share, for the gross proceeds of $23,000 in conjunction with one employee that exercised vested stock options.

2018

On February 7, 2018, the Company issued 12,500 shares of our common stock, at a price of $0.78 per share, for the gross proceeds of $9,595 in conjunction with one employee that exercised vested stock options.

On February 23, 2018, the Company issued 1,808 shares of our common stock in a cashless transaction related to a 25,000 warrant exercise.

During the three months ended March 31, 2018, the Company issued 2,018,125 shares of common stock for $2,018,125 related to the exercise of certain warrants.

As of March 31, 2018, and December 31, 2017 we had an equity payable balance of $100,862 and $100,862, respectively.

Stock-based Plans

Stock Option Activity

The following table summarizes stock option activity for the year ended December 31, 2017 and for the three months ended March 31, 2018:

	Options
Outstanding at December 31, 2016	5,757,880
Granted	3,027,500
Exercised	(152,085)
Forfeit/canceled	(1,451,053)
Expired	(363,294)
Outstanding at December 31, 2017	6,818,948
Granted	300,000
Exercised	(12,500)
Forfeit/canceled	(666,227)
Expired	(26,043)
Outstanding at March 31, 2018	6,414,178

The weighted average exercise price of stock options granted during the period was $0.72 and the related weighted average grant date fair value was $0.52 per share.

2017

On March 23, 2017, the Company granted seven employees a total of 322,500 options to purchase shares of the Company common stock at the closing price as of March 23, 2017 of $0.72 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until March 23, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 86% and an option value of $0.52 was $167,700.

On May 15, 2017, the Company granted eight employees a total of 2,105,000 options to purchase shares of the Company common stock at the closing price as of May 15, 2017 of $0.60 per share. The options vest 25% on the first anniversary of the grant, then equally in 36

14

monthly installments thereafter and are exercisable until May 15, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 85% and an option value of $0.43 was $905,150.

On June 28, 2017, the Company granted two employees a total of 150,000 options to purchase shares of the Company common stock at the closing price as of June 28, 2017 of $0.76 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until June 28, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 86% and an option value of $0.55 was $82,500.

On August 14, 2017, the Company granted two employees a total of 165,000 options to purchase shares of the Company common stock at the closing price as of August 14, 2017 of $0.895 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until August 14, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 86% and an option value of $0.65 was $107,250.

On November 30, 2017, the Company granted fifteen employees a total of 285,000 options to purchase shares of the Company common stock at the closing price as of November 30, 2017 of $1.15 per share. The options vest 25% on the first anniversary of the grant, then equally in 36 monthly installments thereafter and are exercisable until November 30, 2027. The total estimated value using the Black-Scholes Model, based on a volatility rate of 84% and an option value of $0.82 was $235,452.

2018

On March 26, 2018, the Company granted one employee a total of 300,000 options to purchase shares of the Company common stock at the closing price as of March 26, 2018 of $1.10 per share. The Option Shares will vest ratably over forty-eight (48) months. and are exercisable until March 26, 2028. The total estimated value using the Black-Scholes Model, based on a volatility rate of 102% and an option fair value of $.88 was $265,575.

On February 7, 2018, the Company issued 12,500 shares of our common stock, at a price of $0.78 per share, for the gross proceeds of $9,595 in conjunction with one employee that exercised vested stock options.

Stock-Based Compensation Expense from Stock Options and Warrants

The impact on our results of operations of recording stock-based compensation expense for the three months ended March 31, 2018 and 2017 were as follows:

	Three Months Ended March 31,	
	2018	2017
General and administrative	$ 125,118	$ 222,543
Sales and marketing	68,480	59,822
Engineering, research, and development	28,699	(7,472)
	$ 222,296	$ 274,893

Valuation Assumptions

The fair value of each stock option award was calculated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used for the three months ended March 31, 2018 and 2017.

	Three Months Ended March 31,	
	2018	2017
Risk-free interest rate	2.68%	2.04%
Expected life (years)	6.00	6.00
Expected dividend yield	-	-
Expected volatility	101.94%	85.63%

The risk-free interest rate assumption is based upon published interest rates appropriate for the expected life of our employee stock options.

The expected life of the stock options represents the weighted-average period that the stock options are expected to remain outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards.

15

Table of Contents

The dividend yield assumption is based on our history of not paying dividends and no future expectations of dividend payouts.

The expected volatility in 2018 and 2017 is based on the historical publicly traded price of our common stock.

Restricted stock units

The following table summarizes restricted stock unit activity under our stock-based plans for the year ended December 31, 2017 and for the three months ended March 31, 2018:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2016	994,417	$ 0.72	0.08	$ 731,845
Awarded	199,513	$ 0.73	0.70	$ -
Released	(484,058)	$ -	-	$ -
Canceled/forfeited/expired	(47,072)	$ 0.72	-	$ -
Outstanding at December 31, 2017	662,800	$ 0.72	0.70	$ 795,360
Awarded	-	$ -	-	$ -
Released	-	$ -	-	$ -
Canceled/forfeited/expired	-	$ -	-	$ -
Outstanding at March 31, 2018	662,800	$ 0.33	0.75	$ 516,984
Expected to vest at March 31, 2018	662,800	$ -	-	$ 516,984
Vested at March 31, 2018	417,770	$ -	-	$ 325,861
Unvested at March 31, 2018	245,030	$ -	-	$ 191,123
Unrecognized expense at March 31, 2018	$ 162,687			

2017

On March 23, 2017 the Company granted five independent directors a total of 112,845 restricted stock units. The units were valued at $81,248, or $0.72 per share, based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning March 23,2017. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) March 23, 2020, (B) a change in control of the Company, and (C) the termination of the director’s service with the

Company.

On May 15, 2017 the Company granted the Chairman of the Board 1,000,000 performance stock units. The units were valued at $600,000 or $0.60 per share, based on the closing stock price on the date of grant. These units vest upon meeting certain performance criteria. The Company expects that these units will be fully vested by December 31, 2017.

On May 19, 2017 the Company granted four independent directors a total of 86,668 restricted stock units. The units were valued at $65,001 or $0.75 per share, based on the closing stock price on the date of grant. All units vest equally in 12 monthly installments beginning May 19, 2017. The shares of Common Stock associated with the Restricted Stock Unit evidenced by this Agreement will be issued to the director upon the earliest to occur of (A) May 19, 2020, (B) a change in control of the Company, and (C) the termination of the director's service with the Company.

Stock Based Compensation from Restricted Stock

The impact on our results of operations of recording stock-based compensation expense for restricted stock units for the three months ended March 31, 2018 and 2017 was as follows:

	Three Months Ended March 31,	
	2018	2017
General and administrative	$ 30,546	$ 62,524
	$ 30,546	$ 62,524

As of March 31, 2018, there was unearned restricted stock unit compensation as described in the tables above. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel all or a portion of the remaining unearned restricted unit compensation expense. Future unearned restricted unit compensation will increase to the extent we grant additional equity awards.

Table of Contents

Warrants Issued to Investors and Placement Agents

At March 31, 2018, we have warrants to purchase 2,511,039 shares of common stock at $1.20 per share and 605,185 at $1.00 per share, respectively, which are outstanding. Of this amount, warrants to purchase 964,789 shares expire in 2018, warrants to purchase 1,558,356 shares expire in 2019, and warrants to purchase 813,125 shares expire in 2020.

8. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which requires us to develop our own assumptions. This hierarchy requires companies to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure certain financial assets and liabilities at fair value.

The following table presents assets that are measured and recognized at fair value as of March 31, 2018 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	$ -	$ -	$ 803,118	$ -
Intangibles, net (non-recurring)	$ -	$ -	$ 600,296	$ -

The following table presents assets that are measured and recognized at fair value as of December 31, 2017 on a recurring and non-recurring basis:

Description	Level 1	Level 2	Level 3	Gains (Losses)
Goodwill (non-recurring)	$ -	$ -	$ 803,118	$ -
Intangibles, net (non-recurring)	$ -	$ -	$ 676,436	$ -

9. Commitments and Contingencies

Litigation

As of the date of this report, there are no pending legal proceedings to which we or our properties are subject.

10. Related Party Transactions

As discussed previously, we conducted the private placement of our securities during the three months ended March 31, 2017 for the gross proceeds of $1,953,600. One officer and one director of the company participated in the private placement investing a total of $1,025,000, resulting in 1,708,333 common stock shares.

During February 2018, we commenced an offer to certain investors, officers and directors of the Company of up to $750,000 in Unsecured Promissory Notes (individually, a “Note” and collectively, the “Notes”). Each Note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum and the principal and accrued interest is due and payable no later than March 31, 2020. The Company may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty. As of the date of this report, the Note investments of $1,080,000 have been received from certain investors, officers and directors of the Company. The Note offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

11. Subsequent Events

There were no subsequent events through the date that the financial statements were issued.

Table of Contents

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains “forward-looking statements” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements Such forward-looking statements include statements about our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” or “will,” and s expressions or variations. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those risks disclosed under the caption “Risk Factors” included in our 2017 annual report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on April 11, 2018 and in our subsequent filings with the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Overview

Mobivity Holdings Corp. (the “Company” or “we”) is in the business of developing and operating proprietary platforms over which brands and enterprises can conduct national and localized, data-driven marketing campaigns. Our proprietary platforms, consisting of software available to phones, tablets, PCs, and Point-of-Sale (“POS”) systems, allow resellers, brands and enterprises to market their products and services to consumers through text messages sent directly to the consumers via mobile phones, mobile smartphone applications, and dynamically printed receipt content. We generate revenue by charging the resellers, brands and enterprises a per-message transactional fee, through fixed or variable software licensing fees, or via advertising fees. We help personal care, restaurant and retail brands realize their strategy of growing their business by increasing customer frequency, engagement and spend. Mobivity's analytics services and products provide solutions that allow brands to take validated marketing actions across all channels, based on real customer behavior to create personalized, relevant, localized and targeted campaigns. With national clients such as Subway, Sonic, Chick-fil-A, and Baskin-Robbins, Mobivity's goal is to unlock the power of internal and external customer data to create a system that provides data driven insight to continually adapt and enhance communications with customers.

According to the U.S. Census Bureau, only 7% of commerce in the US occurs online which means 93% is still happening in the physical world. We believe that brands, and in particular restaurant and retail brands, need a better way to tie marketing activities to customer purchases, and then use the information to build a more relevant, personal experience for each customer, at a local and national level. Mobivity is giving brands the ability to connect (and measure) marketing communications in the physical world by unlocking POS and mobile data and marrying it with other traditional tactics to create a closed loop: in some cases increasing response rates from 0.05% to 5% (or greater); improving online advertising conversion by 10X; and increasing revenue per ad by more than 2.5X.

Mobivity’s solution addresses the offline marketing problem and makes personalized marketing automation possible for offline commerce. Digital marketing is highly dynamic and personally targeted. According to studies published by McKinsey & Company, Point Drive, and the National Advertising Institute, targeted advertising generates conversion rates more than eleven times higher than non-targeted advertising, more than double the revenue per advertisement, and is 250% more efficient than non-targeted advertising. Combined with purchase data and analytics gathered by Mobivity’s products and platforms, Mobivity customers are able to quickly transform traditionally low marketing campaign response rates to exponentially higher response rates.

re•currency

Mobivity's re•currency platform (formerly “SmartSuite”) unlocks valuable POS and mobile data to help transform customer transactions into actionable and attributable marketing insights. Our technology provides transactional data, in real-time, that uncovers market-basket information and attributes both online and traditional promotions. The re•currency platform is comprised of re•capture, re•cognition (formerly “SmartAnalytics”), re•ceipt (formerly “SmartReceipt”), re•ach (formerly “SmartMessenger”), and re•up (formerly “SmartScore”).

re•capture

Mobivity’s re•currency begins with re•capture, which can capture, normalize, integrate, and store transaction data for almost any POS system. This provides a clean useful dataset upon which to predict and influence your customers’ buying behavior and deliver basket-level insights to your business.

Table of Contents

re•cognition

Mobivity's re•cognition is comprised of various reporting and analytics tools to uncover patterns in the buying behaviors of consumers and leverages that data to suggest pricing optimizations, and guide marketing campaigns.

re•ceipt

Mobivity's re•ceipt unlocks the power of transactional data to create relevant and timely customer messages. Both clients and agencies are using re•ceipt to drive better results and make decisions around offers, promotions, and customer engagement through the medium of the printed receipt. Our re•ceipt solution enables our customers with the ability to control the content on receipts printed from their point of sale, or POS system. re•ceipt is a software application that is installed on the POS, or directly onto receipt printer platforms, such as Epson's OmniLink product, which dynamically controls what is printed on receipts such as coupons, announcements, or other calls-to-action, such as invitations to participate in a survey. re•ceipt includes a web-based interface where users can design receipt content and implement business rules to dictate what receipt content is printed in particular situations. All receipt content is also transmitted to re•ceipt's server back-end for storage and analysis via re•cognition.

re•ach

Mobivity's re•ach transforms standard SMS messaging into a data-driven marketing medium. Mobivity's re•ach tracks and measures offer effectiveness at a more granular level than anything available in the industry, allowing clients to create smarter offers and drive higher redemption rates. Our proprietary platform connects to all wireless carriers so that any consumer, on any wireless service (for example, Verizon), can join our customer's SMS mobile marketing campaign. Once the consumer has subscribed to our customer's SMS mobile marketing campaign, our Web-based software solution serves as a tool by which our customers can initiate messages and other communications back to their subscribed consumers, as well as configure and administer their mobile marketing campaigns.

re•up

Mobivity's re•up aids marketing to align focusing its attention on engaging the customer and trying to change their buying behavior. re•up allows clients to begin including, and rewarding, employee behavior as a key method to effect customer behavior and drive more revenue. By focusing on small changes - upsizing drinks, adding desserts, and promoting limited time offers - employees can have a dramatic impact on sales.

Company Strategy

Our objective is to build an industry-leading Software-as-a-Service (SaaS) product that connects consumers to merchants and brands. The key elements to our strategy are:

Exploit the competitive advantages and operating leverage of our technology platform.

The core of our business is our proprietary re•capture POS technology. Several years of development went into designing re•capture such that the process of intercepting POS data and performing actions, such as controlling the receipt printer with receipt is scalable, portable to a wide variety of POS platforms, and does not impact performance factors including the print speed of a typical receipt printer. Furthermore, we believe the transmission of POS data to Mobivity's cloud-based data stores presents a very competitive and innovative method of enabling POS data access. Additionally, we believe that our re•ach platform is more advanced than technologies offered by our competitors and provides us with a significant competitive advantage. With more than ten years of development, we believe that our platform operates SMS text messaging transactions at a "least cost" relative to competitors while also being capable of supporting SMS text messaging transactional volume necessary to support our goal of several thousand end users. Leveraging our re•cognition platform with re•ach allows for full attribution of SMS offers, which we believe is a unique combination of both SMS text messaging and POS data.

Evolve our sales and customer support infrastructure to uniquely serve very large customer implementations such as franchise-based brands who operate a large number of locations.

Over the past few years we have focused our efforts on the development of our technology and solutions with the goal of selling and supporting small and medium-sized businesses. Going forward, we intend to increase significantly our investments in sales and customer support resources tailored to selling to customers that operate franchise brands. Today we support more than 30,000 merchant locations globally.

Acquire complementary businesses and technologies.

We will continue to search and identify unique opportunities which we believe will enhance our product features and functionality, revenue goals, and technology. We intend to target companies with some or all of the following characteristics: (1) an established revenue base; (2) strong pipeline and growth prospects; (3) break-even or positive cash flow; (4) opportunities for substantial expense

Table of Contents

reductions through integration into our platform; (5) strong sales teams; and (6) technology and services that further build out and differentiate our platform. Our acquisitions have historically been consummated through the issuance of a combination of our common stock and cash.

Build our intellectual property portfolio.

We currently have seven issued patents that we believe have significant potential application in the technology industry. We plan to continue our investment in building a strong intellectual property portfolio.

While these are the key elements of our current strategy, there can be no guarantees that our strategy will not change or that our strategy will be successful.

Recent Events

2017 Customer Contract Renewal and Expansion

On June 30, 2017 we renewed and expanded our partnership with one of our largest customers to foster additional customer engagement and long-term growth through utilization of the Mobivity SMART platform. With personalized customer communications via text/social messaging (re•ach), and optimized business performance (re•cognition), we have crafted a complete and self-optimizing solution for increasing customer acquisition, frequency and spend.

The renewed and expanded partnership utilizes the Mobivity platform for all of our customer’s locations for a term of 5 years, and includes a co-marketing commitment from both companies to ensure the continued growth in consumer subscribers to the program. The 5-year term includes a six-figure monthly minimum commitment that is prepaid to Mobivity on an annual basis.

Working Capital Line of Credit Facility

In March 2016, we entered into a Working Capital Line of Credit Facility (the “Facility”) with Silicon Valley Bank (“SVB”) to provide up to $2 million to finance our general working capital needs. This Facility was funded based on cash on deposit balances and advances against our accounts receivable based on customer invoicing. Interest on this Facility borrowings was calculated at rates between the prime rate minus 1.75% and prime rate plus 3.75% based on the borrowing base formula used at the time of borrowing. The Facility contains standard events of default, including payment defaults, breaches of representations, breaches of affirmative or negative covenants, and bankruptcy. As of March 31, 2018, this Facility was paid off and closed.

2018 Warrant Exercise

Between January 19, 2018 and March 31, 2018, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders will be permitted to exercise their warrants at a reduced exercise price for a period expiring on March 31, 2018. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 5,134,349 shares of our common stock at exercise prices of $1.00 and $1.20 per share. Pursuant to the offer, warrant holders exercised warrants to purchase 1,898,015 shares of our common stock, resulting in additional capital of $1,898,015. We undertook this limited-time warrant exercise price reduction in order to raise additional capital without incurring further potential dilution to our stockholders. In addition, through the warrant holders’ acceptance of our offer, we could significantly reduce the number of outstanding warrants and thereby simplify our capital structure. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

Unsecured Promissory Note Investments in 2018

During February 2018, we conducted a private placement of Unsecured Promissory Notes (individually, a “Note” and collectively, the “Notes”) in the aggregate principal amount of $1,080,000 to certain investors, officers, and directors of the Company. Each Note bears interest on the unpaid balance at the rate of fifteen percent (15%) per annum and the principal and accrued interest is due and payable no later than March 30, 2020. We may prepay any of the Notes without notice, subject to a two percent (2%) pre-payment penalty. The Note offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

Results of Operations

Revenues

Revenues consist primarily of a suite of products under the re•currency platform (formerly “SmartSuite”). The re•currency platform is comprised of re•capture, re•cognition (formerly “SmartAnalytics”), re•ceipt (formerly “SmartReceipt”), re•ach (formerly

20

Table of Contents

“SmartMessenger”), re•up (formerly “SmartScore”), advertising model revenues which are paid on a per coupon redemption basis, and other revenues.

Revenues for the three months ended March 31, 2018 were $3,693,328, an increase of $1,580,045, or 75%, compared to the same period in 2017. This increase is primarily due to the recognition of revenue under ASC 606 of $1,648,731 during the three months ended March 31, 2018.

Cost of Revenues

Cost of revenues consist primarily of cloud-based software licensing fees, short code maintenance expenses, personnel related expenses, and other expenses.

Cost of revenues for the three months ended March 31, 2018 was $793,389, a increase of $236,001, or 42%, compared to the same period in 2017. This increase is primarily due to higher SMS and application costs associated with messaging fees and surcharges charged by text messaging carriers.

General and Administrative

General and administrative expenses consist primarily of salaries and personnel related expenses, consulting costs and other expenses.

General and administrative expenses increased $232,925, or 23%, during the three months ended March 31, 2018 compared to the same period in 2017. The increase in general and administrative expense was primarily due to an increase in personnel and share based compensation expenses.

Sales and Marketing

Sales and marketing expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses

Sales and marketing expenses increased $252,795, or 21%, during the three months ended March 31, 2018 compared to the same period in 2017. The increase was primarily due to higher personnel and share based compensation expenses.

Engineering, Research & Development

Engineering, research & development costs include salaries, stock based compensation expenses, travel, consulting costs, and other expenses.

Engineering, research & development expenses increased $942,276, or 160%, during the three months ended March 31, 2018 compared to the same period in 2017. The increase was primarily due to an increase in personnel related costs as compared to 2017 to support the Company's growth.

Depreciation and Amortization

Depreciation and amortization expense consists of depreciation on our equipment and amortization of our intangible assets. Depreciation and amortization expense increased $28,224 or 41%, during the three months ended March 31, 2018 compared to the same period in 2017.

Interest Expense

Interest expense consists of stated or implied interest expense on our notes payable, amortization of note discounts, and amortization of deferred financing costs. Interest expense increased $36,383, or 172%, during the three months ended March 31, 2018 compared to the same period in 2017. The increase in interest expense for the three months ended March 31, 2018 is primarily related to interest on notes payable for the Livelenz subsidiary and borrowings against the Facility.

Foreign Currency

The Company's financial results are impacted by volatility in the Canadian/U.S. Dollar exchange rate. The average U.S. Dollar exchange rate for three months ended March 31, 2018 and 2017 was $1 Canadian equals $0.78 and $0.75

U.S. Dollars, respectively. The Company's functional or measurement currency is the U.S. Dollar. Based on a U.S. Dollar functional currency, the following are the key areas impacted by foreign currency volatility:

Table of Contents

- The Company sells products primarily in U.S. Dollars; therefore, reported revenues are not highly impacted by foreign currency volatility.
- A portion of the Company's expenses are incurred in Canadian Dollars and therefore fluctuate in U.S. Dollars as the U.S. Dollar varies. A weaker U.S. Dollar results in an increase in translated expenses, and a stronger U.S. Dollar results in a decrease.
- Changes in foreign currency rates also impact the translated value of the Company's working capital that is held in Canadian Dollars. Foreign exchange rate fluctuations result in foreign exchange gains or losses based upon movement in the translated value of Canadian working capital into U.S. Dollars.

The change in foreign currency was a loss of $931 and $4,120 for the three months ended March 31, 2018 and 2017, respectively.

Liquidity and Capital Resources

As of March 31, 2018, we had current assets of $2,079,419, including $419,373 in cash, and current liabilities of $4,128,934, resulting in a working capital deficit of $2,049,515. During the three months ended March 31, 2018 we conducted a private placement of Notes in the aggregate principal amount of $1,080,000, which are due March 30, 2020, and received gross proceeds of $2,018,125 from the exercise of warrants.

We believe as of the date of this report, we have the working capital on hand, along with our expected cash flow from operations, to fund our current level of operations at least through the end of the next fiscal year. However, there can be no assurance that we will not require additional capital. If we require additional capital, we will seek to obtain additional working capital through the sale of our securities and, if available, bank lines of credit. However, there can be no assurance we will be able to obtain access to capital as and when needed and, if so, the terms of any available financing may not be subject to commercially reasonable terms.

Cash Flows

	Three Months Ended March 31,	
	2018	2017
Net cash provided by (used in):		
Operating activities	$ (1,336,541)	$ 236,853
Investing activities	(32,026)	(255,217)

Financing activities	1,340,496	38,051
Effect of foreign currency translation on cash flow	(12,615)	(1,152)
Net change in cash	$ (40,686)	$ 18,535

Operating Activities

We used cash from operating activities totaling $1,336,543 during the three months ended March 31, 2018 and provided cash of $236,853 during the three months ended March 31, 2017. The operating activities included non-cash items related to the stock based compensation of $252,842 and the adjustments related to ASC 606 of $713.

Investing Activities

We used $32,026 for investing activities during the three months ended March 31, 2018 consisted of $18,078 in purchased equipment and $13,948 of capitalized software development costs.

Financing Activities

Financing activities provided $1,340,496 for the three months ended March 31, 2018 includes payments on notes payable of $1,902,947, net proceeds from notes payable of $1,080,000, and proceeds from the issuance of common stock of $2,163,443.

Critical Accounting Policies and Estimates

Refer to Note 2, “Summary of Significant Accounting Polices,” in the accompanying notes to the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

22

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are a smaller reporting company as defined by section 10(f)(1) of Regulation S-K. As such, we are not required to provide the information set forth in this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that as of March 31, 2018 our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are party to certain legal proceedings that arise in the ordinary course and are incidental to our business. There are currently no such pending proceedings to which we are a party that our management believes will have a material adverse effect on the Company’s consolidated financial position or results of operations. However, future events or circumstances, currently unknown to management, will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on our consolidated financial position, liquidity or results of operations in any future reporting periods.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on April 11, 2018 includes detailed discussions of our risk factors under the headings “Part I, Item 1A. Risk Factors” and “Part II, Item 1A. Risk Factors” respectively. You should carefully consider the risk factors discussed in our Annual Report on Form 10-K and Quarterly Report on Form 10-Q, as well as the other information in this report, which could materially harm our business, financial condition, results of operations, or the value of our common shares.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Between January 19, 2018 and March 31, 2018, we conducted an offer to the holders of our outstanding common stock purchase warrants pursuant to which our warrant holders will be permitted to exercise their warrants at a reduced exercise price for a period expiring on March 31, 2018. At the commencement of the warrant offer, there were warrants outstanding that entitled their holders to purchase 5,134,349 shares of our common stock at exercise prices of $1.00 and $1.20 per share. Pursuant to the offer, warrant holders exercised warrants to purchase 1,898,015 shares of our common stock, resulting in additional capital of $1,898,015. We undertook this limited-time warrant exercise price reduction in order to raise additional capital without incurring further potential dilution to our stockholders. In addition, through the warrant holders’ acceptance of our offer, we could significantly reduce the number of outstanding warrants and thereby simplify our capital structure. The warrant offer was conducted by our management and there were no commissions paid by us in connection with the solicitation.

During the quarter ended March 31, 2018, we issued 12,500 shares of our common stock, at a price of $0.78 per share, for the gross proceeds of $9,595 in conjunction with one employee that exercised vested stock options, and we issued 1,808 shares of our common stock in a cashless transaction related to a 25,000 warrant exercise.

All of the aforementioned shares were issued pursuant to section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder.

Table of Contents

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by Chief Executive Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
31.2	Certification by Chief Financial Officer pursuant to Section 302 of Sarbanes Oxley Act of 2002 *
32.1	Certification Pursuant to 18 U.S.C. Section 1350 *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Definition Linkbase Document *
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document *

* Filed electronically herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

		Mobivity Holdings Corp.
Date: May 14, 2018	By:	/s/ Dennis Becker Dennis Becker Chairman and Chief Executive Officer (Principal Executive Officer)
Date: May 14, 2018	By:	/s/ Charles B. Mathews Charles B. Mathews Chief Financial Officer (Principal Accounting Officer)