

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

3PEA INTERNATIONAL, INC.

Form: 8-K

Date Filed: 2018-12-07

Corporate Issuer CIK: 1496443

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 7, 2018

3PEA INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

000-54123

(Commission file number)

95-4550154

(I.R.S. Employer Identification Number)

**1700 W Horizon Ridge Parkway, Suite 200,
Henderson, Nevada 89012**

(Address of principal executive offices) (Zip Code)

(702) 453-2221

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒ x

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. "

Item 7.01 Regulation FD Disclosure

On December 7th, 2018 3PEA International, Inc. (the "Company") updated and added information to the investor presentation originally posted on November 21, 2018 on the Investor Relations section of its website, which is located at <https://3pea.com/investor-relations>. A copy of the investor presentation is attached as Exhibit 99.1 to this Current Report on Form 8-K ("Investor Presentation"). On December 7th, 2018, the Company started making presentations to investors of the updated Investor Presentation.

The Investor Presentation includes financial information not prepared in accordance with generally accepted accounting principles ("Non-GAAP Financial Measures"). The Company believes that the Non-GAAP Financial Measures provide investors additional ways to view our operations, when considered with both our GAAP results and the reconciliation to net income and net cash provided by operating activities, which we believe provide a more complete understanding of our business than could be obtained absent this disclosure. We believe the Non-GAAP Financial Measures also provide investors a useful tool to assess shareholder value.

By filing this Current Report on Form 8-K and furnishing the information contained herein, the Company makes no admission as to the materiality of any information in this report that is required to be disclosed solely by reason of Regulation FD.

The information contained in the Investor Presentation is summary information that is intended to be considered in the context of the Company's Securities and Exchange Commission ("SEC") filings and other public announcements that the Company may make, by press release or otherwise, from time to time. The Company undertakes no duty or obligation to publicly update or revise the information contained in this report, although it may do so from time to time as its management believes is warranted. Any such updating may be made through the filing of other reports or documents with the SEC, through press releases or through other public disclosure.

In accordance with General Instruction B-2 of Form 8-K, the information set forth in or incorporated by reference into this Item 7.01 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
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99.1	<u>Investor Presentation Slideshow dated December 2018</u>
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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

3PEA INTERNATIONAL, INC.

Date: December 7th, 2018

By: /s/ Mark Newcomer

By: Mark Newcomer, Chief Executive Officer



Investor Presentation

December 2018

NASDAQ: TPNL

IMPORTANT NOTICES

FORWARD LOOKING STATEMENTS AND USE OF NON-GAAP FINANCIAL INFORMATION. This presentation may include "forward-looking statements." To the extent that the information presented in this presentation discusses financial projections, information, or expectations about the Company's business plans, results of operations, returns on equity, markets, or otherwise makes statements about future events, such statements are forward-looking. Such forward-looking statements can be identified by the use of words such as "should," "may," "intends," "anticipates," "believes," "estimates," "projects," "forecasts," "expects," "plans," and "proposes." Although the Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. You are urged to carefully review and consider any cautionary statements and other disclosures, including the statements made under the heading "Risk Factors" and elsewhere our 2017 Form 10-K. Forward-looking statements speak only as of the date of the document in which they are contained, and the Company does not undertake any duty to update any forward-looking statements except as may be required by law. This presentation also includes adjusted EBITDA, a non-GAAP financial measure, that is not prepared in accordance with, nor an alternative to, financial measures prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). In addition, adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similarly-titled measures presented by other companies. A reconciliation of these measures to the most directly comparable GAAP measure is included in the Appendix to this presentation.

- Vertically integrated payment solutions company providing prepaid card programs and payment processing services under the PaySign® brand for corporate, consumer and government applications
- Real time payment processing with 99.999% uptime
- A leading provider to the domestic plasma industry with excellent returns on capital and a long growth runway
- High growth company with plans to heavily expand its operations within the life sciences market (including pharma co-pay and clinical trial payments) and general purpose reloadable (GPR) card markets
- Over 2.0 million card users on 3PEA's payment platform (PaySign®)
- Revenue grew at 39.4% CAGR since 2015
- Recently up-listed to Nasdaq Capital Market (August 10, 2018)

3PEA is a vertically integrated provider of innovative prepaid card programs and payment processing services

Financials

Price (12/4/2018)	\$3.60
52 Week Range	\$0.62 – \$5.33
Market Cap	\$167.2MM
Shares Outstanding	46.4MM
Debt	\$0
Cash (09/30/18)	\$4.3MM
TTM Revenue ⁽¹⁾	\$21.2MM
FY 2017 Revenue	\$15.2MM

⁽¹⁾ Trailing Twelve Months Revenue as of September 30, 2018



Vertically Integrated Business



Record of Historical Growth



Captive Audience to Grow Organically



High Client Retention



Clean Capital Structure
with No Debt



Large Market Opportunity
in an Industry with High
Barriers to Entry

Mark Newcomer, *President, CEO, and Vice Chairman of the Board of Directors*

- Co-founded the Company in 2001
- Driving force behind the Company's significant growth and strategic direction
- Shaping the future of the business as a premier prepaid card services leader, delivering a strong value proposition for clients and over 2 million cardholders; oversees all financial, operational, technological and strategic decisions for the company, including: technology investments, the evaluation of strategic acquisitions, new product development and the formation and cultivation of third-party relationships
- Served on the X-9 committee which developed standards for the electronic payments industry alongside IBM, Diebold, First Data, KPMG, MasterCard, Mellon Bank, Visa, Wells Fargo, the Federal Reserve and others
- Attended Cal-Poly San Luis Obispo where he majored in Bio-Science

Daniel Spence, *Chief Technology Officer and Director*

- Co-founded the Company in 2001
- 30+ years of senior IT experience
- Prior experience includes Director of Technology Planning at the Associated Press, Project Manager of implementation of Medicare Easyclaim for ANZ Bank in Australia, Coca-Cola Business Operations & Business analyst for Australia Post

Mark Attinger, *Chief Financial Officer*

- 30+ years of experience in Financial Services and BPO industries with concentration in Finance, Operations and executive leadership
- Prior experience includes CEO and CFO of Zxerex, CEO of Affina, and Vice President at American Express and Vice President at NextCard
- Bachelor of Science in Finance, minor in Accounting; and Masters in Business Administration (MBA) both from Brigham Young University

Joan Herman, *Chief Operating Officer and Director*

- 30+ years of industry experience
- Previously at Sunrise Banks as Senior Vice President, Payments Division where she led the new prepaid business
- Prior experience includes various management positions in operations, product development and sales and marketing at UMB Bank, Heartland Bank, and Boatmen's Bank
- Board member of the Network Branded Prepaid Card Association and serves as Treasurer

Robert Strobo, *General Counsel, Chief Legal Officer and Secretary*

- 13+ years of legal experience in non-traditional banking
- Previously at Republic Bank & Trust Company (Louisville, KY) as Deputy General Counsel and Vice President where he managed all legal affairs for Republic's non-traditional bank programs, including payments, small-dollar consumer lending, commercial lending and tax related products
- B.A. in Psychology and Philosophy from the University of Kentucky and J.D. from DePaul University College of Law in Chicago, Illinois

Eric Trudeau, *Chief Compliance Officer*

- 20 years of experience working in the card industry, focusing on prepaid and credit products
- Previously with Global Cash Card, Inc., Sunrise Banks and Meta Payment Systems (a division of Meta Bank)
- Certified member (CAMS) of the Association of Certified Anti-Money Laundering Specialists.
- Bachelor of Science Degree from South Dakota University

Egon Kardum, *Chief Information Officer*

- 30+ years experience in various technical roles providing enterprise IT services at several global companies
- Former Associate Director, Hosting Solutions. Bristol-Myers Squibb
- Former Manager of Server Technology, The Associated Press

Dana Barciz, *Chief Marketing Officer*

- 25+ years experience in various marketing roles within the Fintech industry
- Former Senior Product Marketing Manager at Fiserv
- Former Vice President, Marketing, NYSE Governance Services

Dan Henry, Chairman of the Board

- Former CEO of NetSpend (2008-2013). Grew annual revenue from \$129M to \$351M, with over 2.4 million cardholder accounts. NetSpend acquired by Total System Services (NYSE: TSS) for \$1.4B
- Co-founder, Former President and Chief Operations Officer and Director at Euronet Worldwide (NASDAQ: EFTT). A leader in secure electronic financial transaction processing. Current market cap: \$4.9B
- Sits on Board of The Brinks Company (NYSE: BCO), CARD Corporation (Card.com), RxSavings Solutions, Balance Innovations and Align Income Share Fund
- Received a B.S. in Business Administration with majors in Finance, Economics and Real Estate from the University of Missouri, Columbia

Dennis Triplett, Director

- 35+ years in the banking industry including serving as the President and CEO of two banks in the Midwest
- Former CEO of Healthcare Services at UMB Bank, N.A. a leading provider of healthcare payment solutions including health savings account (HSAs), health care spending accounts and payments technology

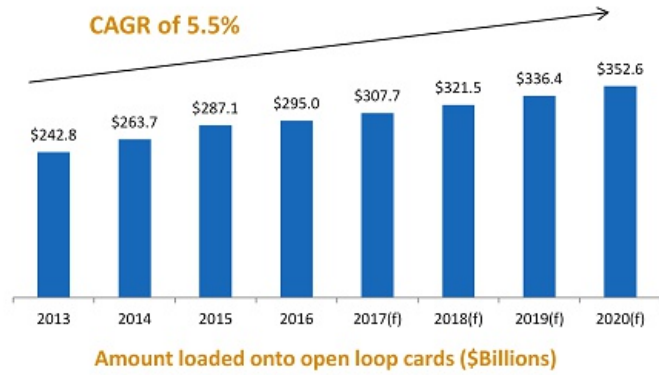
Quinn Williams, Director

- 30+ years of legal experience focusing on mergers and acquisitions, public and private securities offerings, and venture capital transaction
- Serves as corporate counsel for numerous public/private companies and was formerly general counsel and board member of Swensen's Inc.
- Mr. Williams is a shareholder with Greenberg Traurig LLP and admitted to the Bar in New York and Arizona

Bruce A. Mina, Director

- 30+ years of experience as a Certified Public accountant
- Founder and Managing member of Mina Llano Higgins Group, LLP
- Former CFO of Coal Brick Oven Pizzeria, Inc.
- Currently CFO for Academy of Aviation in Long Island, NY

How big is the open loop prepaid card market in the U.S.?



Source: Mercator Advisory Group



3PEA's payments platform has allowed 3PEA to significantly expand its operations



The PaySign® payments platform was built on modern cross-platform architecture, which has allowed 3PEA to significantly expand its operational capabilities through its flexibility, scalability and ease of customization



Real time payments with 99.999% uptime. Delivers cost benefits and revenue building opportunities to partners. Significantly reduces the time and cost related to card program development and customization



Allows 3PEA to quickly design and implement easy-to-use solutions tailored to the unique requirements of the customer



Equipped to facilitate EMV (EuroPay, MasterCard & Visa) smart card payment system (Chip and PIN) payments on a global basis



Meets PCI-DSS 2.0 compliance standards



Card Programs

- ✓ Allows companies to launch their own customized incentive and rewards program to their customers, target markets, agents, and employees through pre-paid card solutions
- ✓ Allows for flexibility, customer response and creativity
- ✓ Leveraging existing cardholder base to higher margin debit cards



Card Lifecycle Management

- ✓ Card design & approval
- ✓ Production
- ✓ Packaging
- ✓ Distribution
- ✓ Payment processing
- ✓ Personalization
- ✓ Inventory & security controls
- ✓ Fraud Detection & Compliance
- ✓ Renewals
- ✓ Lost/stolen card management
- ✓ Replacement



Competitive Strengths

- ✓ Fully staffed 24/7/365, in-house customer service department utilizing bilingual customer service agents, Interactive Voice Response, SMS alerts, two-way SMS messaging and an interactive mobile app
- ✓ Significant cost advantages and increased flexibility due to being both a processor and program manager creating a business with high barriers to entry
- ✓ Providing a complete life cycle solution for prepaid card programs and payment processing

3PEA offers virtual
and traditional
payment solutions
to companies across
diverse industries



PLASMA DONOR COMPENSATION

- Plasma donations have grown rapidly in the U.S., reflecting a 10.1% CAGR from 2012 – 2017
- 3PEA is an industry leader currently with ~ 33% market share of U.S Plasma centers compensating donors via pre-paid cards



PHARMACEUTICAL PROGRAMS

- 3PEA works with major pharmaceutical marketing companies to provide:
 - Co-Pay Assistance Programs
 - Buy and Bill Programs
 - Pharmaceutical Rebates



CORPORATE INCENTIVES

- 3PEA delivers effective loyalty, incentive and rewards programs that motivate and inspire consumer action



CONSUMER REBATES

- 3PEA's rebate programs drive revenue and increase loyalty



General Purpose Reloadable Card Market

- 3PEA has a growing user base of over 2M cardholders
- Currently, 3PEA's cardholders cannot directly deposit funds onto their pre-paid cards
- 3PEA's debit card will allow cardholders to use their card as a true banking resource, allowing for direct deposits from employers, government agencies and others, as well as deposit cash through National Reload Networks
 - Bill Pay
 - Card to Card Transfer
 - Purchase Cushion
 - Opt-in Overdraft
 - Savings Purse



Additional Corporate Incentive Programs

- Solutions for corporate incentives that recognize, motivate and reward consumers, employees and agents
 - Customer rebates
 - Customer loyalty programs
 - Employee bonuses and expenses
 - Sales channels (rewards, commissions, etc.)

3PEA plans to heavily expand its operations into the general purpose reloadable card market & corporate incentive program business



Clinical Trials

- 3PEA will offer Clinical Research Organizations (CROs) a patient reimbursement and compensation solution designed to improve patient engagement and retention while streamlining administration



Insurance and Legal Settlement

- 3PEA provides innovative payment solutions for the legal and insurance industries
- 3PEA's PaySign® payment solution replaces paper checks, eliminating un-cashed checks, insufficient funds or lengthy bank reconciliation



Payroll

- Payroll solution reduces administration costs and streamlines operations for companies looking to provide an efficient payment method for employees not currently participating in direct deposit
- Payroll card participation provides considerable cost savings by eliminating the distribution of checks to employees



Government Payments

- Federal and local governments, education institutions, and other public sector organizations are constantly looking to improve efficiency and reduce costs; 3PEA's programs provide an effective way to reduce costs when dealing with disbursements of public benefits or internal payments

3PEA believes it is positioned for strategic growth



Growth Strategy



Organic Growth

- Strong organic growth through increasing current plasma donation customer base and pharmaceutical co-pay programs
- Expand its business operations through corporate incentive and GPR debit card programs



New Markets and Customers

- Leverage deep industry relationships and experience
- Capitalize on state-of-the-art PaySign® payment processing platform



Innovate and Enhance Offerings

- Card offering to incorporate general purpose reloadable debit cards
- Leverage vertically integrated end-to-end processing platform

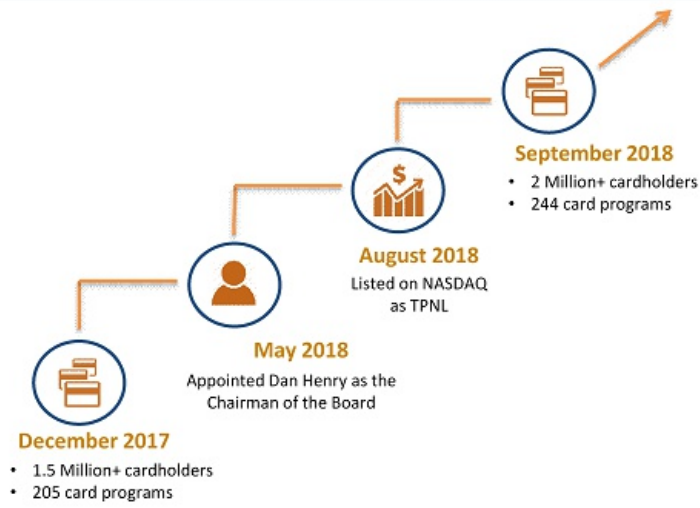


Strategic Acquisitions

- Pursue acquisition candidates that have long standing reputations, a corporate culture of innovation, and demonstrated growth and profitability

Q3 2018
revenue and
earnings grew
60% YOY

Recent Milestones



Competitive Advantages

What sets 3PEA apart from competitors?



3PEA International

- End-to-end solution – vertically integrated payments processor & prepaid debit card program manager
- Responsive, fully-staffed, in-house bi-lingual customer service department
- Customizable payment solutions to meet customers' needs
- Program changes are quickly implemented
- Offers a suite of value added services

Vs.

Alternate Solutions

- Either a prepaid card program manager OR a payment processor
- Complicated customer service solution since the system is not fully integrated (multiple parties involved in the process)
- Lengthy time to market and high cost to develop customized programs
- Program changes are either unavailable or extremely expensive
- Middlemen
- Value added services cost prohibitive



3PEA's Revenue Sources



Administration and Usage Fees

Charged to corporate clients when programs are created, distributed or reloaded



Maintenance & Administration Fees

Charged to cardholder for monthly maintenance or inactivity



Program Maintenance & Management Fees

Charged to corporate clients for ongoing program maintenance



Transaction Fees

Paid by cardholder for purchases, declines, ATM withdrawals / inquiries & inactivity



Software Development and Consulting Service Fees

Software development and consulting service fees are charged to Corporate clients for card program implementation

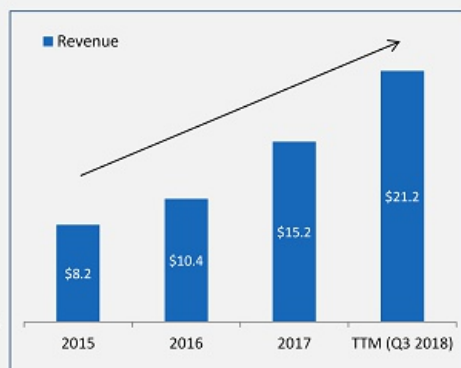


Interchange Fees

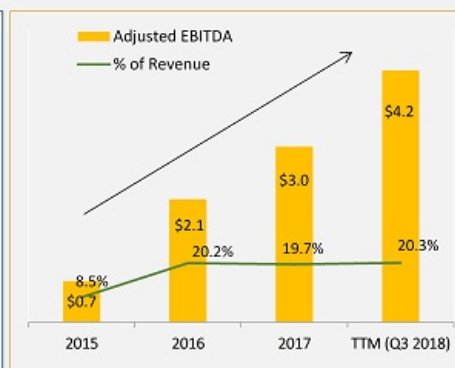
Fees paid by the applicable networks and passed through by our card issuing banks when prepaid cards are used in a purchase

High Revenue Capture

3PEA has experienced strong year-over-year growth and increasing gross and net margins through both cost reductions and the addition of higher margin revenue sources



3PEA's YoY Revenue \$Millions



3PEA's Adjusted EBITDA \$Millions

Balance Sheet

- Current Ratio is 1.22
- No Debt
- Book Value increased \$2.8 million or 57.8%

Balance Sheet	Sep 30, 2018	Dec 31, 2017
Cash	\$4,299,570	\$2,748,313
Cash Restricted	20,436,369	14,416,444
Other Current Assets	1,494,366	738,312
Total Current Assets	26,230,305	17,903,069
Non Current Assets	2,897,348	2,499,510
Total Assets	29,127,653	20,402,579
Accounts Payable and Accrued Liabilities	1,052,438	1,145,083
Customer Card Funding	20,436,369	14,416,444
Total Liabilities	21,488,807	15,561,527
Total Stockholders Equity	7,638,846	4,841,052
Total Liabilities & Stockholders Equity	\$29,127,653	\$20,402,579



Vertically Integrated Business



Record of Historical Growth



Captive Audience to Grow
Organically & Inorganically



High Client Retention



Clean Capital Structure
with No Debt



Large Market Opportunity
in an Industry with High
Barriers to Entry

Appendix A

Reconciliation of annual and
TTM (Q3 2018) Net Income to
adjusted EBITDA

	Year Ended December 31,			TTM
	2015	2016	2017	(Q3 2018)
Net income (loss) attributable to 3PEA	\$(2,410,337)	\$1,400,799	\$1,791,141	\$2,475,203
Depreciation and amortization	362,712	572,320	876,191	931,399
Interest expense	45,683	77,107	31,623	-
Provision for income taxes	-	-	6,000	3,000
Stock-based compensation	202,550	92,939	308,696	826,159
Other income (expense) – Legal settlement	2,500,000	-	-	-
Adjusted EBITDA	\$700,608	\$2,143,165	\$3,013,651	\$4,235,761

Contact Information

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