
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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): November 13, 2018

Commission file number: 0-22773

NETSOL TECHNOLOGIES, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA
(State or other Jurisdiction
of Incorporation or Organization)

95-4627685
(I.R.S. Employer NO.)

23975 Park Sorrento, Suite 250, Calabasas, CA 91302
(Address of principal executive offices) (Zip Code)
(818) 222-9195 / (818) 222-9197
(Issuer's telephone/facsimile numbers, including area code)

Item 2.02 Results of Operations and Financial Condition.

On November 13, 2018, NetSol Technologies, Inc issued a press release announcing results of operations and financial conditions for the quarter ended September 30, 2018. The press release is furnished as Exhibit 99.1 to this Form 8-K.

The information in this report 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.

Exhibits

99.1 [News Release dated November 13, 2018](#)

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.

NETSOL TECHNOLOGIES, INC.

Date: November 13, 2018

/s/ Najeeb Ghauri

NAJEEB GHOURI

Chief Executive Officer

Date: November 13, 2018

/s/ Roger Almond

ROGER ALMOND

Chief Financial Officer



NETSOL Technologies Reports Fiscal First Quarter 2019 Financial Results

Year-Over-Year Revenue Growth of 27% to \$16.4 Million and EPS Increase to \$0.08 from \$(0.03) in Q1 2018 Driven by Major Contract Wins in China During the Quarter, Providing Catalyst for Fiscal 2019

CALABASAS, Calif., November 13, 2018 – **NETSOL Technologies, Inc. (NASDAQ: NTWK)**, a global business services and enterprise application solutions provider, reported results for the fiscal first quarter ended September 30, 2018.

First Quarter and Recent Operational Highlights

- Secured a five-year contract valued at roughly \$30 million with a European tier-one global auto captive to implement both NFS Ascent™ Retail and Wholesale platforms in China.
- Secured a multi-million-dollar contract with major American multinational automaker to implement Ascent Retail platform in China.
- Selected by Speed Leasing to implement LeasePak Cloud™ SaaS platform and mAccount platform, powered by the NFS Digital™ suite.
- NFS Ascent went live in South Africa, a new market, with a German auto manufacturing giant as part of the ongoing international deployment associated with previously announced 12-country, \$110 million contract.
- Received “First-Rate and Best-Selling Finance and Leasing Solution Provider” award at the China Leasing Summit 2018 for the sixth consecutive year.
- Commenced data migration project for an existing customer, which is expected to generate approximately \$500,000 in additional revenues over the next few months.
- Established a new subsidiary and set up an additional office in London to support future growth for NFS Ascent in the European market.

Fiscal First Quarter 2019 Financial Results

Total net revenues for the first quarter of fiscal 2019 were \$16.4 million, compared with \$12.8 million in the prior year period. The increase in total net revenues was primarily due to an increase in total license fees of \$5.6 million and an increase of total maintenance fees of \$163,000, which were offset by a decrease in total services revenues of \$2.2 million.

- Total license fees were \$6.0 million, compared with \$370,000 in the prior year period.
- Total maintenance fees were \$3.7 million, compared with \$3.6 million in the prior year period.
- Total services revenues were \$6.7 million, compared with \$8.9 million in the prior year period.

Gross profit for the first quarter of fiscal 2019 was \$8.2 million (or 50.2% of net revenues), compared to \$4.8 million (or 37.5% of net revenues) in the first quarter of fiscal 2018. The increase in gross profit as a percentage of net revenues was primarily due to an increase in total revenues of \$3.6 million, which was offset by a minor increase in cost of revenues of \$152,000.

Operating expenses for the first quarter of fiscal 2019 increased 12% to \$6.6 million (or 40.5% of net revenues) from \$5.9 million (or 46.3% of net revenues) for the first quarter of fiscal 2018. The increase in operating expenses was primarily due to increases in salaries and wages, research and development and general and administrative expenses, which were offset by decreases in selling and marketing expenses, depreciation, and professional services.

GAAP net income attributable to NETSOL for the first quarter of fiscal 2019 totaled \$963,000 or \$0.08 per diluted share, an improvement from net loss of \$369,000 or \$(0.03) per diluted share in the first quarter of fiscal 2018.

Non-GAAP adjusted EBITDA for the first quarter of fiscal 2019 totaled \$2.2 million or \$0.19 per diluted share, an improvement from \$970,000 or \$0.09 per diluted share in the first quarter of fiscal 2018 (see note regarding “Use of Non-GAAP Financial Measures,” below for further discussion of this non-GAAP measure).

At September 30, 2018, cash and cash equivalents were \$20.4 million, an increase from \$8.6 million at September 30, 2017.

Management Commentary

“In the first quarter we produced solid operational and financial results, building upon the momentum established in the latter half of fiscal 2018,” said NETSOL Co-Founder, Chairman and Chief Executive Officer Najeeb Ghauri. “Most notably, we grew our topline 28% in Q1, which was driven by a major increase in license fees as part of the initial revenue recognition from some major contract wins during the quarter. Moreover, thanks to the inherent leverage in our operating model, we generated impressive gross profit and margin improvement leading to our fourth consecutive quarter of profitability. With the majority of our cost reductions and necessary restructuring now behind us, we’re primed to continue building on this initial quarterly growth as a leaner, more focused organization. Looking ahead, we remain confident in our ability to drive double-digit topline growth through fiscal 2019. At the same time, we remain focused on maintaining our consistent profitability as we scale our business, which should ultimately result in superior returns to our shareholders over the long term.”

Sales Outlook

“While we are executing on the large, multi-year deployments from contracts we’ve recently secured, we are also seeing the pace of new opportunities continue at a level that will allow us to meet or exceed our existing growth forecasts for the fiscal year,” added President and Head of Sales Naeem Ghauri. “Additionally, we have embarked on a number of product-specific innovations that will allow our customers to take their business to even greater heights. More specifically, we are looking at evolving traditional finance products into new areas like ride and car sharing models and are also evaluating and testing emerging technologies like blockchain that have tremendous potential to become an integral part of our future ecosystem.”

Conference Call

NETSOL Technologies management will hold a conference call today (November 13, 2018) at 9:00 a.m. Eastern time (6:00 a.m. Pacific time) to discuss these financial results. A question and answer session will follow management's presentation.

U.S. dial-in: 1-877-407-0789

International dial-in: 1-201-689-8562

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios at 1-949-574-3860.

The conference call will be broadcasted live and available for replay [here](#) and via the Investor Relations section of NETSOL's [website](#).

A replay of the conference call will be available after 12:00 p.m. Eastern time on the same day through November 27, 2018.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Replay ID: 13683893

About NETSOL Technologies

NETSOL Technologies, Inc. (NASDAQ: NTWK) is a worldwide provider of IT and enterprise software solutions primarily serving the global Leasing and Finance industry. The company's suite of applications is backed by 40 years of domain expertise and supported by a committed team of approximately 1,350 professionals placed in eight strategically located support and delivery centers throughout the world. NFS, LeasePak, LeaseSoft or NFS Ascent – help companies transform their Finance and Leasing operations, providing a fully automated asset-based finance solution covering the complete leasing and finance lifecycle.

Forward-Looking Statements

Certain statements in this press release are forward-looking in nature, including, but not limited to, expected net revenue and the demand for and sales lifecycle of NFS Ascent and the benefit of certain cost savings undertaken in the past fiscal year, and accordingly, are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The words "expects," "anticipates," variations of such words, and similar expressions, identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, but their absence does not mean that the statement is not forward-looking. These statements are not guarantees of future performance and are subject to certain risks, uncertainties, and assumptions that are difficult to predict. Factors that could affect the Company's actual results include the progress and costs of the development of products and services and the timing of the market acceptance. The subject Companies expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances upon which any statement is based.

Use of Non-GAAP Financial Measures

The reconciliation of Adjusted EBITDA to net income, the most comparable financial measure based upon GAAP, as well as a further explanation of adjusted EBITDA, is included in the financial tables in Schedule 4 of this press release.

Investor Relations Contact:

Matt Glover and Tom Colton

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949-574-3860

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NETSOL Technologies, Inc. and Subsidiaries
Schedule 1: Consolidated Balance Sheets

| | As of September 30, 2018 | As of June 30, 2018 |
|---|-----------------------------|------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 20,435,744 | \$ 22,088,853 |
| Accounts receivable, net of allowance of \$600,833 and \$610,061 | 7,487,381 | 12,775,461 |
| Accounts receivable, net - related party | 3,039,320 | 3,374,272 |
| Revenues in excess of billings | 13,335,529 | 14,285,778 |
| Revenues in excess of billings - related party | 70,250 | - |
| Convertible note receivable - related party | 2,881,500 | 2,123,500 |
| Other current assets | 3,438,861 | 2,703,032 |
| Total current assets | 50,688,585 | 57,350,896 |
| Revenues in excess of billings, net - long term | - | 1,206,669 |
| Property and equipment, net | 15,650,128 | 16,165,491 |
| Long term investment | 2,958,692 | 3,217,162 |
| Other assets | 54,936 | 70,299 |
| Intangible assets, net | 11,465,925 | 12,247,196 |
| Goodwill | 9,516,568 | 9,516,568 |
| Total assets | \$ 90,334,834 | \$ 99,774,281 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 7,153,778 | \$ 7,873,809 |
| Current portion of loans and obligations under capitalized leases | 8,433,675 | 8,595,919 |
| Unearned revenues | 4,913,731 | 5,949,581 |
| Common stock to be issued | 88,324 | 88,324 |
| Total current liabilities | 20,589,508 | 22,507,633 |
| Loans and obligations under capitalized leases; less current maturities | 296,680 | 330,596 |
| Total liabilities | 20,886,188 | 22,838,229 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value; 500,000 shares authorized; | - | - |
| Common stock, \$.01 par value; 14,500,000 shares authorized; 11,782,360 shares issued and 11,576,507 outstanding as of September 30, 2018 and 11,708,469 shares issued and 11,502,616 outstanding as of June 30, 2018 | 117,824 | 117,085 |
| Additional paid-in-capital | 126,918,319 | 126,479,147 |
| Treasury stock (At cost, 205,853 shares and 205,853 shares as of September 30, 2018 and June 30, 2018, respectively) | (1,205,024) | (1,205,024) |
| Accumulated deficit | (42,827,708) | (37,994,502) |
| Stock subscription receivable | (221,000) | (221,000) |
| Other comprehensive loss | (24,649,274) | (24,386,071) |
| Total NetSol stockholders' equity | 58,133,137 | 62,789,635 |
| Non-controlling interest | 11,315,509 | 14,146,417 |
| Total stockholders' equity | 69,448,646 | 76,936,052 |
| Total liabilities and stockholders' equity | \$ 90,334,834 | \$ 99,774,281 |

NETSOL Technologies, Inc. and Subsidiaries
Schedule 2: Consolidated Statement of Operations

| | For the Three Months Ended September 30, | |
|--|---|--------------|
| | 2018 | 2017 |
| Net Revenues: | | |
| License fees | \$ 5,956,113 | \$ 326,066 |
| Maintenance fees | 3,638,327 | 3,473,725 |
| Services | 6,418,634 | 7,017,737 |
| License fees - related party | - | 44,408 |
| Maintenance fees - related party | 101,349 | 102,963 |
| Services - related party | 282,122 | 1,853,877 |
| Total net revenues | 16,396,545 | 12,818,776 |
| Cost of revenues: | | |
| Salaries and consultants | 5,020,562 | 5,464,160 |
| Travel | 1,151,997 | 513,112 |
| Depreciation and amortization | 937,604 | 1,173,113 |
| Other | 1,048,324 | 856,582 |
| Total cost of revenues | 8,158,487 | 8,006,967 |
| Gross profit | 8,238,058 | 4,811,809 |
| Operating expenses: | | |
| Selling and marketing | 1,701,326 | 1,711,296 |
| Depreciation and amortization | 212,232 | 245,873 |
| Provision for bad debts | - | - |
| General and administrative | 4,406,720 | 3,787,558 |
| Research and development cost | 318,155 | 185,085 |
| Total operating expenses | 6,638,433 | 5,929,812 |
| Income (loss) from operations | 1,599,625 | (1,118,003) |
| Other income and (expenses) | | |
| Gain (loss) on sale of assets | 52,294 | (7,130) |
| Interest expense | (99,434) | (118,071) |
| Interest income | 248,964 | 136,911 |
| Gain on foreign currency exchange transactions | 10,912 | 1,016,362 |
| Share of net loss from equity investment | (299,691) | (67,562) |
| Other income (expense) | 5,379 | 1,099 |
| Total other income (expenses) | (81,576) | 961,609 |
| Net income (loss) before income taxes | 1,518,049 | (156,394) |
| Income tax provision | (236,914) | (24,871) |
| Net income (loss) | 1,281,135 | (181,265) |
| Non-controlling interest | (318,546) | (188,233) |
| Net income (loss) attributable to NetSol | \$ 962,589 | \$ (369,498) |
| Net income (loss) per share: | | |
| Net income (loss) per common share | | |
| Basic | \$ 0.08 | \$ (0.03) |
| Diluted | \$ 0.08 | \$ (0.03) |
| Weighted average number of shares outstanding | | |
| Basic | 11,502,616 | 11,099,113 |
| Diluted | 11,507,730 | 11,099,113 |

NETSOL Technologies, Inc. and Subsidiaries
Schedule 3: Consolidated Statement of Cash Flows

| | For the Three Months Ended September 30, | |
|--|---|---------------------|
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 1,281,135 | \$ (181,265) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 1,149,836 | 1,418,986 |
| Share of net loss from investment under equity method | 299,691 | 67,562 |
| (Gain) loss on sale of assets | (52,294) | 7,130 |
| Stock based compensation | 432,048 | 439,308 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 5,136,381 | (903,730) |
| Accounts receivable - related party | 284,869 | (1,251,994) |
| Revenues in excess of billing | (6,347,196) | (3,230,619) |
| Revenues in excess of billing - related party | (70,102) | (130) |
| Other current assets | (571,246) | (478,390) |
| Accounts payable and accrued expenses | (680,147) | 231,645 |
| Unearned revenue | (1,202,420) | (270,743) |
| Net cash used in operating activities | (339,445) | (4,152,240) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (563,413) | (328,163) |
| Sales of property and equipment | 184,032 | 116,023 |
| Convertible note receivable - related party | (758,000) | (500,000) |
| Net cash used in investing activities | (1,137,381) | (712,140) |
| Cash flows from financing activities: | | |
| Proceeds from the exercise of stock options and warrants | - | 162,385 |
| Proceeds from exercise of subsidiary options | 2,650 | - |
| Purchase of treasury stock | - | (500,663) |
| Proceeds from bank loans | 119,895 | - |
| Payments on capital lease obligations and loans - net | (179,237) | (148,707) |
| Net cash used in financing activities | (56,692) | (486,985) |
| Effect of exchange rate changes | (119,591) | (266,774) |
| Net decrease in cash and cash equivalents | (1,653,109) | (5,618,139) |
| Cash and cash equivalents at beginning of the period | 22,088,853 | 14,172,954 |
| Cash and cash equivalents at end of period | \$ 20,435,744 | \$ 8,554,815 |

NETSOL Technologies, Inc. and Subsidiaries
Schedule 4: Reconciliation to GAAP

| | Three Months Ended September 30, 2018 | Three Months Ended September 30, 2017 |
|---|---|---|
| Net Income (loss) before preferred dividend, per GAAP | \$ 962,589 | \$ (369,498) |
| Non-controlling interest | 318,546 | 188,233 |
| Income taxes | 236,914 | 24,871 |
| Depreciation and amortization | 1,149,836 | 1,418,986 |
| Interest expense | 99,434 | 118,071 |
| Interest (income) | (248,964) | (136,911) |
| EBITDA | \$ 2,518,355 | \$ 1,243,752 |
| Add back: | | |
| Non-cash stock-based compensation | 432,048 | 427,809 |
| Adjusted EBITDA, gross | \$ 2,950,403 | \$ 1,671,561 |
| Less non-controlling interest (a) | (752,669) | (701,864) |
| Adjusted EBITDA, net | \$ 2,197,734 | \$ 969,697 |
| Weighted Average number of shares outstanding | | |
| Basic | 11,502,616 | 11,099,113 |
| Diluted | 11,507,730 | 11,130,824 |
| Basic adjusted EBITDA | \$ 0.19 | \$ 0.09 |
| Diluted adjusted EBITDA | \$ 0.19 | \$ 0.09 |

(a)The reconciliation of adjusted EBITDA of non-controlling interest to net income attributable to non-controlling interest is as follows

| | | |
|---|------------|------------|
| Net Income attributable to non-controlling interest | \$ 318,546 | \$ 188,233 |
| Income Taxes | 70,543 | 10,478 |
| Depreciation and amortization | 365,854 | 467,182 |
| Interest expense | 32,690 | 39,072 |
| Interest (income) | (66,868) | (45,157) |
| EBITDA | \$ 720,765 | \$ 659,808 |
| Add back: | | |
| Non-cash stock-based compensation | 31,904 | 42,056 |
| Adjusted EBITDA of non-controlling interest | \$ 752,669 | \$ 701,864 |

