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Zacks Small-Cap Research

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Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Chicken Soup For The Soul Entertainment (CSSE-NASDAQ)

CSSE Buys Remaining 25.1% of A+ to Save $5 Million Per Year

We believe that CSSE stock should be valued at the average multiples of its peers. Using 2019 EBITDA of $28 million and revenues of $40 million, the stock could be worth $21.50 per share.

Current Price (01/01/19)	$7.52
Valuation	**$21.50**

OUTLOOK

Chicken Soup for the Soul Entertainment is moving from a producer of original content, to focus on building a network of OTT video on demand channels. Its bought Pivotshare, the YouTube of subscription based streaming channels, which will give it the technology platform to launch its own SVOD channels. Its acquisition should save CSSE $1 million in costs per year and it should save $5 million per year by today's buy of the rest of A+. We now expect $49 million in revenues and $28 million in adjusted EBITDA in 2019.

SUMMARY DATA

52-Week High	**$10.99**
52-Week Low	**$6.54**
One-Year Return (%)	**-17.0**
Beta	**1.5**
Average Daily Volume (sh)	**22,394**
Shares Outstanding (mil)	**12.1**
Market Capitalization ($mil)	**$91.0**
Short Interest Ratio (days)	**15.0**
Institutional Ownership (%)	**18**
Insider Ownership (%)	**73**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**4.0**
P/E using 2018 Estimate	**15.0**
P/E using 2019 Estimate	**7.1**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small Value**
Industry	**Broadcast-Radio/TV**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	$1.1 A	$1.2 A	$0.1 A	$5.7 A	$1.5 A
2017	$1.4 A	$0.8 A	$0.0 A	$8.7 A	$11.0 A
2018	$6.0 A	$3.1 A	$6.6 A	$20.6 E	$36.3 E
2019					$49.1 E

GAAP EPS

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	$0.03 A	$0.01 A	-$0.12 A	$0.18 A	$0.09 A
2017	-$0.01 A	-$0.08 A	-$0.05 A	$2.05 A	$2.23 A
2018	-$0.05 A	-$0.12 A	-$0.01 A	$0.68 E	$0.50 E
2019					$1.06 E

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WHAT'S NEW

CSSE Buys Remaining 25.1% of A+ at a $15 Million Valuation to Save $5 Million Per Year

On December 28, 2018, Chicken Soup for the Soul Entertainment purchased the remaining portion of A+ it did not own from the three remaining A+ shareholders. This was comprised of Class A stock in CSSE as follows: (a) 322,275 shares of Class A common stock valued at $2,691,000 to Ashton Kutcher; (b) 14,012 shares valued at $117,000 to Evan Beard; (c) 14,012 shares valued at $117,000 to Kendall Dabaghi totally $2.925 million in stock. The value of CSSE shares was calculated at $8.35 per share. These shares will be locked up for 18 months. The remaining cost was paid by the company by reducing approximately $3.3 million of advances owed by A + to CSSE. There will be a number of intracompany adjustments to CSSE's balance sheet and we expect the company to file pro forma income statements and balance sheets due to this purchase.

The cost savings of approximately $5.1 million expected in 2019 is in cost of revenues and we have adjusted our model accordingly. We now expect gross margin to increase to 78% in 2019 from an estimated 63% in 2018 and increase profitability and EBITDA. With the additional 350,000 shares and increased net income, we are increasing our 2019 EPS estimate to $1.06 per share and EBITDA to $28.6 million, up 62% year over year.

New CSSE Show *Chicken Soup for the Soul's Animal Tales* to Air On Saturday

On December 21, 2018, The CW, in association with Litton Entertainment, announced the addition of **Chicken Soup for the Soul's Animal Tales** to its educational and informational **ONE MAGNIFICENT MORNING** Saturday morning line-up, premiering January 5, 2019 (8:00am–11:00am ET/PT). Hosted by Eva LaRue, **Animal Tales** centers around the love for animals and the impact they have on lives. Each episode uncovers stories about amazing and inspiring people from around the world who go above and beyond to care for, love, help, and defend animals everywhere. Viewers will meet animal rescue teams and dedicated animal advocates helping lost pets find forever homes, and even meet some of the incredible pets serving and assisting people in need, including military K9s and therapy animals. Animal Tales is on at 10:00-10:30 AM EST.



The show will consist of 15 half-hour episodes and is sponsored by Chicken Soup for the Soul Pet Food and American Humane, the country's first national humane organization. Chicken Soup for the Soul Pet Food makes a complete line of super premium dog and cat food, and American Humane has previously sponsored content with CSS Entertainment.

In 2018 we believe the company delivered:

- nine episodes of Chicken Soup for the Soul's Hidden Heroes from Season 3
- three episodes of Vacation Rental Potential from Season 1
- 10 episodes of Vacation Rental Potential Season 2
- 10 episodes of Going From Broke Season 1
- 17 episodes for Chicken Soup for the Soul's Hidden Heroes Season 4
- four episodes of its new show, Chicken Soup for the Soul's Animal Tales which begins to air this Saturday.

The company expects to announce three more new shows for 2019.

KEY POINTS

- Chicken Soup for the Soul Entertainment began with a **creative business model** with built in profits from providing TV channels with **free or very low cost, high quality** content. It has now moved to the business of content distribution and streaming video through the acquisitions of Screen Media and Pivotshare.

- CSSE produced original content and corporate advertisers or foundations fund production of its shows in exchange for either making their product part of the story or promoting an idea they endorse. With the success of *Vacation Rental Potential* sponsored by HomeAway, the company had a marquee property to entice new sponsors of new shows. The sponsors attracted by its new show *Going From Broke*, confirm this.

- Since these shows are paid for by advertisers in advance of production, and producers are hired on a flat fee basis, the company already has a profit locked it before production starts. It can then offer the content to television channels free. These channels then make their money by selling ads while taking no financial production risk on the content. This novel arrangement has produced demand for Chicken Soup provided content.

- The Chicken Soup brand and track record assure participants of high quality family friendly content with a positive message.

- The company plans to deliver at least 60 half hour episodes of shows in 2018. As the company only books revenues upon delivery of completed episodes, it will book the majority of its revenue in Q4 of 2018 due to the delivery schedules.

- Its unique business model affords high margins and high EBITDA, which will be used to create and purchase more content. It has the capacity to reach $36 million in sales with approximately 29 employees plus a 10% management fee to the parent company as all production work is outsourced. Screen Media added 20 of those employees and Pivotshare is adding four.

- Through the acquisitions of Screen Media and Pivotshare, CSSE can leverage its content. It can add its content to channels that offer free content supported by ads, and may add a premium paid

for service without ads. With capital CSSE hope to rapidly return Screen Media to its previous $20 million in revenues.

- Pivotshare has added a platform to rapidly launch streaming channels while cutting costs for CSSE by bring outsourced functions in-house. The company expects the acquisition to save it $1 million per year in expenses.

- By buying the remainder of A+ that it didn't own, CSSE expects to save $5 million per year in cost of goods increasing gross margin even higher than its already lofty rate.

- We are expecting 2018 revenues of $36 million and estimating 2019 revenues at $49 million. Using both enterprise value to sales and EV to EBITDA, our valuation for the company is $21.50 per share.

OVERVIEW

Chicken Soup for the Soul Entertainment (CSSE) was founded in 2015 as a company separate from the Chicken Soup for the Soul parent company that focuses on books. It went public on NASDAQ on July 17, 2017 as a Reg A+ deal, raising $30 million. CSSE has a license to use the Chicken Soup for the Soul brand and its content for use in video. It focuses on family friendly content with a positive message that is sold to cable and network television channels. The company produced with its first television series *Hidden Heroes* starting in 2015. *Hidden Heroes* is now in its third season and is currently running on *The CW* network, and was just renewed for a fourth season. In 2017, the company delivered Season 3 of *Hidden Heroes* and the first season of *Vacation Rental Potential*, and finished *Being Dad* (a parenting show). *Vacation Rental Potential* was a hit and has already been renewed for a second season. *Going From Broke* is in production, and a new show *Chicken Soup for the Soul Animal Tales* begins to air this Saturday. With the acquisition of Screen Media the company is now also able to distribute its own content saving a 30% distribution fee, and later stream it on OTT increasing profitability for its created content. Pivotshare adds the capability of easily launching subscription-based channels and purchasing 100% of A+ should save another $5 million per year. The company has seven OTT streaming channels: *A Plus, Popcornflix, Popcornflix Kids, Popcornflix Comedy, Espanolflix, Frightpix*, and *Truli.*

VALUATION

We believe that Chicken Soup for the Soup Entertainment should be valued on EBITDA. There are few public comps to value the company against and it believes the closest comp is WWE. WWE's last 12 month adjusted OIBDA was $160-170 million and it is trading at EV/OIBDA of 30.4 times 2018 OIBDA.

If we take out Gaia (which has negative EBITDA,) Roku, (which is at breakeven), Netflix and WWE, (which are outliers,) out of the average, these companies trade at an average valuation of 13.9 times EV/EBITDA. Using our estimate for EBITDA in 2019 of $28.6 million and the industry average, CSSE could be worth $400 million, or $33 per share.

Looking at it from enterprise value to sales, the group trades at an average of 3.3 times estimated 2019 sales. Using this CSSE could be worth $112 million enterprise value or $9.72 per share. An average of these two numbers is **$21.50 per share.**

Company	Ticker	Revenue 2019E	Revenue 2018E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2019E	Enterprise Value / Sales LTM	EV/ EBITDA	Included Average?	Enterprise Value
DISH	DISH	$12,700	$13,590	$13,800	$2,810	2.0x	1.8x	9.0x	y	25,400
Entertainment One	ENTMF	NA	NA	$1,370	$138	NA	1.9x	19.2x	y	2,650
DHX Media	DHXM	NA	NA	$331	$58	NA	2.6x	14.9x	y	869
Gaia	GAIA	$75	$44	$40	-$24	2.0x	3.7x	-6.1x	y	149
Lionsgate	LGF-A	$3,997	$3,834	$4,020	$476	1.5x	1.5x	12.3x	y	5,870
Netflix	NFLX	$19,870	$15,820	$14,890	$1,710	5.9x	7.9x	68.4x	y	116,940
Roku	ROKU	$984	$728	$655	-$3	3.2x	4.7x	-1151.9x	y	3,110
WWE	WWE	$1,020	$912	$869	$151	5.5x	6.4x	37.1x	y	5,600
Average					**737.8**	**3.3x**	**3.5x**	**13.9x**		**$22,141**

	Revenue 2019E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2019E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Chicken Soup	**$49**	**$18**	**29.6**	**3.3x**	**3.5x**	**$62**	**$163**

Conclusion of Enterprise Value	**$112,461,810**
Market Value	**$117,089,418**
Shares Outstanding	12,050,299
Price per Share	**$9.72**

Streaming OTT channels are of great interest and being launched almost daily. There are high valuations for these companies in the private markets and in M&A. As an example, on July 30, AMC bought RLJ Entertainment for an enterprise value of $274 million or 3xs trailing twelve-month revenues or 21.6 times its $12.7 million in trailing adjusted EBITDA. RLJ Entertainment's SVOD Acorn TV and UMC (Urban Movie Channel) have over 820,000 subscribers, and in the June quarter subscribers were up 49% from a year ago. Revenues in the quarter were $9.4 million from the streaming business.

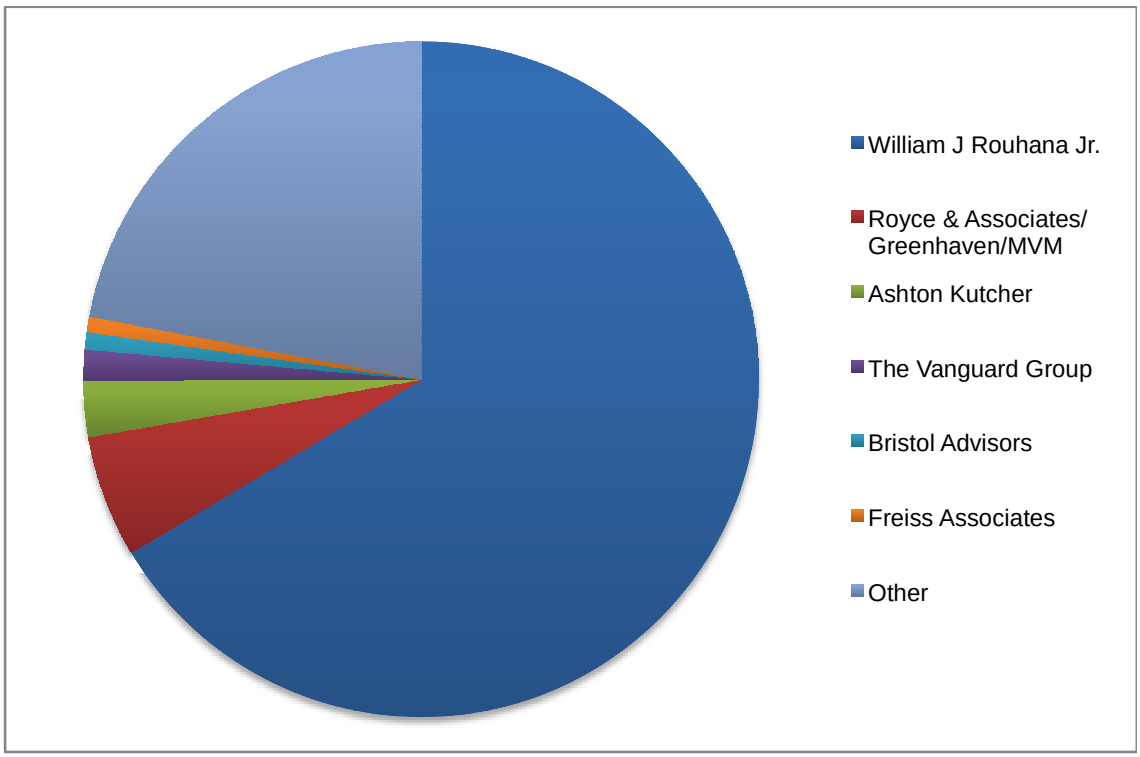
RISKS

- The company is new and to date has only five series that have been produced. There is no assurance the company will be able to continue to find sponsors to support it unique business model and fund the production of shows.
- Third party producers hired may not be able to produce high quality shows with the budget afforded or may not complete contracts. Production schedules may also slip and shows may not be booked in the quarters they are expected.
- Other producers may copy CSSE's model in order to offer free or very low priced content.
- Its acquisition of Screen Media may not play out as expected and requires capital investment to grow.
- The company may find it difficult to fund production in advance of payments by the networks and experience cash flow disruptions requiring the company to take on debt.
- The ownership structure gives common shareholders little say in the governance of the company. CEO Bill Rouhana controls most the total voting power through ownership of class B common stock, with each class B share entitled to 10 votes.
- The stock has very low float making it difficult to accumulate or sell stock.

- Revenues for the company still fall mostly in the fourth quarter making financials difficult to forecast. Also the majority of revenues come from a few large sales, which are difficult to predict, both as to when they are signed, as well as when they will be delivered creating a wide range of revenue possible in any given quarter.

OWNERSHIP

Shares showed for Ashton Kutcher are based on the A+ transactions shares only. He has additional stock in CSSE, but that amount is not public information.



INCOME STATEMENT

Chicken Soup for the Soul Entertainment	Q1 2017 31-Mar	Q2 2017 30-Jun	Q3 2017 30-Sep	Q4 2017 31-Dec	Q1 2018 31-Mar	Q2 2018 30-Jun	Q3 2018 30-Sep	Q4 2018E 31-Dec	2016	2017	2018E	2019E
Television & Short-form Video Production	$1.3	$0.7	$0.0	$5.2	$2.1	$0.3	$2.3	$13.3	$7.7	$7.2	$18.0	$22.5
Yr-to-yr Growth	NA	NA	NA	NA	60%	-56%	NA	NA	412%	-6%	148%	25%
Television & Film Distribution	0.0	0.0	0.0	2.9	3.2	2.0	2.5	5.5	0.0	2.9	13.3	19.0
Yr-to-yr Growth	NA	NA	NA	NA	NA	NA	NA	87%	NA	NA	352%	43%
Online Networks	0.1	0.1	0.0	0.6	0.7	0.7	1.8	1.8	0.4	0.8	5.0	7.5
Yr-to-yr Growth	NA	NA	NA	NA	667%	689%	3591%	216%	NM	100%	525%	51%
Total revenue	**1.4**	**0.8**	**0.0**	**8.7**	**6.0**	**3.1**	**6.6**	**20.6**	**8.1**	**11.0**	**36.3**	**49.0**
Yr-to-yr Growth	27%	-31%	-64%	53%	326%	286%	13483%	136%	439%	35%	230%	35%
Less returns and allowances	0.0	0.0	0.0	(0.3)	(0.3)	(0.1)	(0.1)	(0.4)	0.0	(0.3)	(0.9)	(1.0)
Net Revenue	1.4	0.8	0.0	8.40	5.7	2.9	6.5	20.2	8.1	10.7	35.4	48.0
Cost of revenue without amortization	0.5	0.3	0.0	2.6	1.6	0.6	1.4	3.9	3.2	4.7	7.6	5.1
Gross Margin w/o amortization	0.9	0.5	0.0	6.2	4.4	2.4	5.1	16.7	5.0	5.9	28.7	43.9
Gross Margin %	67%	60%	100%	71%	73%	80%	78%	81%	61%	54%	79%	90%
Amortization of film library	0.0	0.0	0.0	1.4	1.5	1.2	1.0	1.2	0.0	0.0	4.9	4.8
Total cost of revenue	0.5	0.3	0.0	3.9	3.1	1.8	2.5	5.1	3.2	4.7	12.5	9.9
Gross profit	0.9	0.5	0.0	4.5	2.6	1.148	4.0	15.1	5.0	5.9	22.9	38.0
Gross Margin %	67%	60%	100%	51%	43%	38%	61%	74%	61%	54%	63%	78%
Operating expenses:												
SG&A (Ex-stock based comp)	0.1	0.4	0.5	1.5	1.9	1.9	1.8	2.1	0.8	2.6	7.7	9.3
Stock-based compensation	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	1.5	0.6	1.0	1.2
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.3	0.6
Management and license fees due to affiliate	0.1	0.1	0.0	0.8	0.6	0.3	0.6	2.1	0.8	1.1	3.6	4.9
Total operating expenses	0.4	0.634	0.7	2.5	2.8	2.4	2.9	4.5	3.2	4.3	12.6	15.9
Operating income:	0.541	(0.162)	-0.6	1.9	(0.2)	(1.2)	1.1	10.6	1.8	1.7	10.3	22.1
Operating margin	38.2%	-20.5%	-1335.1%	22.1%	-2.6%	-40.3%	17.3%	51.5%	21.9%	15.1%	28.4%	45.2%
Other income:	-0.476											
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
interest expense	(0.476)	(0.6)	(0.1)	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.6)	(1.2)	(0.4)	(0.8)
Acquisition related costs	0.0	0.0	0.0	(2.2)	(0.0)	-	(0.2)	(0.1)	0.0	(2.2)	(0.3)	0.0
Gain from Acquisition	0.0	0.0	0.0	24.3	0.0	0.0	0.0	0.0	0.0	24.3	0.0	0.0
Total other income	(0.5)	(0.6)	(0.1)	22.1	(0.1)	(0.1)	(0.3)	(0.2)	(0.6)	20.9	(0.7)	(0.7)
Income before income taxes	0.065	(0.7)	(0.8)	24.0	(0.2)	(1.328)	0.837	10.4	1.2	22.6	9.7	21.4
Pretax Margin	4.6%	-93.2%	-1585.9%	275.8%	-3.8%	-43.4%	12.7%	50.5%	15.0%	205.9%	26.6%	43.7%
Income taxes	0.199	(0.0)	(0.2)	(0.1)	0.3	0.1	0.5	2.0	0.4	(0.2)	2.9	6.5
Tax rate	304%	5%	36%	0%	-148%	-6%	61%	19%	36%	-1%	30%	30%
Net income	(0.134)	(0.7)	(0.5)	24.1	(0.6)	(1.4)	0.3	8.4	0.8	22.8	6.8	14.9
Yr-over-Yr	-159%	-1413%	-52%	1419%	321%	101%	-162%	-65%	-204%	2817%	-70%	121%
Preferred dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.0	0.0	0.9	2.1
Net income to common shareholders	(0.1)	(0.7)	(0.5)	24.1	(0.6)	(1.4)	(0.1)	8.0	0.8	22.8	5.9	12.8
Stk based compensation	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	1.5	0.6	1.0	1.0
One-time expenses	-	0.2	0.0	(22.0)	(0.0)	0.0	(0.2)	(0.1)	0.0	(21.8)	(0.3)	-
Non-GAAP Income	(0.0)	(0.3)	(0.3)	2.3	(0.4)	(1.2)	(0.0)	8.1	2.3	1.6	6.5	13.8
Yr-over-Yr	-100%	-335%	NM	40%	40964%	282%	-89%	258%	-689%	-30%	303%	111%
Net income per share:												
Primary EPS	**(0.01)**	**(0.08)**	**(0.05)**	**2.08**	**(0.05)**	**(0.12)**	**(0.01)**	**0.68**	**0.09**	**2.26**	**0.50**	**1.06**
Non-GAAP EPS	(0.00)	(0.03)	(0.03)	0.20	(0.03)	(0.10)	(0.00)	0.69	0.26	0.16	0.56	1.12
	-100%	-325%	-183%	11%	31966%	202%	-90%	255%				
Shares												
Basic	9.1	9.1	10.4	11.6	11.6	11.6	11.6	11.7	8.8	10.1	11.6	12.1
Yr-over-Yr	3.5%	4.3%	17%	28%	28.1%	26.6%	11.2%	0.8%	0.9%	13.9%	15.4%	4%
Diluted	9.1	9.1	10.4	12.5	11.6	11.8	11.8	11.9	9.0	10.2	11.8	12.3
Yr-over-Yr	3.0%	4.3%	17%	36%	28.0%	29.3%	14%	-5%	2.7%	13.7%	15.3%	4%
GAAP Adjusted EBITDA	0.693	0.166	(0.341)	27.8	1.699	0.411	3.117	12.418	3.8	28.3	17.6	28.6
									NA	650%	-38%	62%

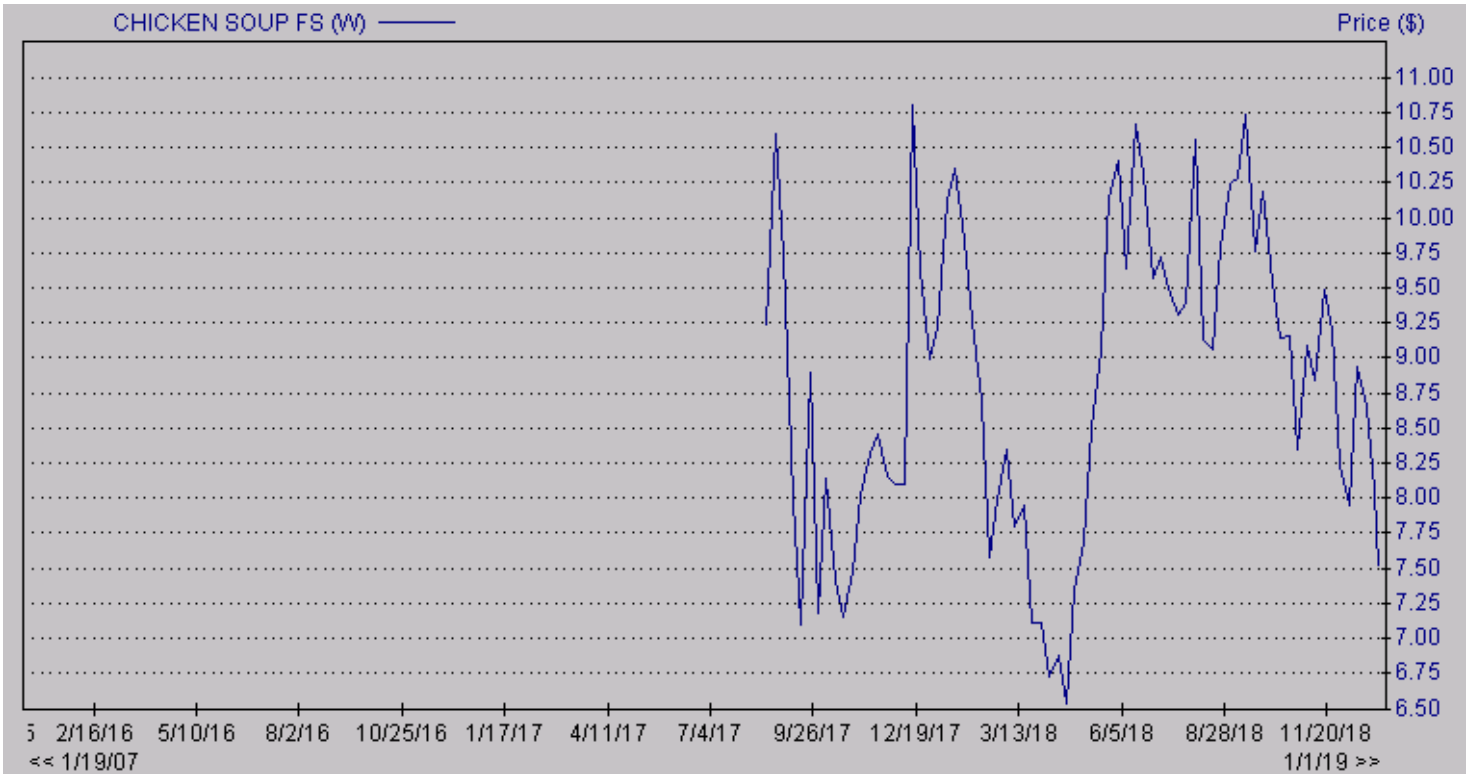
BALANCE SHEET

	Sept 30, 2018	June 30, 2018	Qtr-Qtr % Change	Sept 30, 2017	Yr-Yr % Change
Assets					
Cash and cash equivalents	$11,511,534	$18,208,439	-36.8%	$10,076,573	14.2%
Restricted cash	$750,000	$629,975	19.1%	$0	NM
Accounts receivable, net	8,783,079	7,615,198	15.3%	1,180,173	644.2%
Prepaid expenses	425,267	247,345	71.9%	1,410,357	-69.8%
Inventory, net	291,667	477,123	-38.9%	0	NM
Intangible asset - video content license	5,000,000	5,000,000	0.0%	5,000,000	0.0%
Prepaid distribution fees	1,728,425	1,749,178	-1.2%	2,062,852	-16.2%
Other intangible asset	4,373,139	125,000	3398.5%	0	NM
Popcornflix film rights and other assets	7,174,548	7,174,548	0.0%	0	NM
Film library, net	25,120,465	23,992,541	4.7%	0	NM
Due from affiliated companies	6,713,467	6,743,535	-0.4%	5,043,973	33.1%
Programming costs, net	9,767,574	8,879,282	10.0%	8,599,082	13.6%
Other assets, net	410,105	320,627	27.9%	0	NM
Total assets	82,049,270	81,162,791	1.1%	33,373,010	145.9%
Liabilities					
Senior secured note payable, net	**6,883,926**	**7,115,616**	-3.3%	**0**	NM
Accounts payable and accrued expenses	2,273,970	1,418,991	60.3%	566,883	301.1%
Accrued programming costs	0	48,833	-100.0%	1,562,520	-100.0%
Film library acquisition obligation	2,501,100	2,240,600	11.6%	0	NM
Accrued participation costs	1,961,384	2,526,033	-22.4%	0	NM
Other liabilities	449,451	105,382	326.5%	0	NM
Deferred tax liability, net	1,112,000	625,000	77.9%	201,000	453.2%
Deferred revenue	634,800	900,000	-29.5%	1,052,500	-39.7%
Total liabilities	15,816,631	14,980,455	5.6%	3,481,903	354.3%
Stockholder's equity					
Preferred stock	78	60	30.0%	0	NM
Class A Common stock	385	379	1.6%	350	10.0%
Class B Common stock	782	782	0.0%	807	-3.1%
Additional paid-in capital	46,196,504	46,471,079	-0.6%	31,696,017	45.7%
Retained earnings	20,667,619	20,342,765	1.6%	(1,806,067)	-1244.3%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	0	NM
Total stockholders' equity	66,232,639	66,182,336	0.1%	29,891,107	121.6%
Total liabilities and stockholders' equity	82,049,270	81,162,791	1.1%	33,373,010	145.9%
Quick Ratio	NA	NA		NA	
Working Capital	NA	NA		NA	
Cash as % of assets	14%	22%	-37.5%	30%	-53.5%
Cash per share	$1.27	$1.99	-36.2%	$0.87	46.2%
Debt	$6,883,926	$7,115,616	-3.3%	$0.00	NM
Debt % of assets	8%	9%	-4.3%	0%	NM

CASH FLOW

	Year 2016	3 Mo Ended Mar 31, 2017	3 Mo Ended Jun 30, 2017	3 Mo Ended Sep 30, 2017	3 Mo Ended Dec 31, 2017	Year 2017	3 Mo Ended Mar 31, 2108	3 Mo Ended Jun 30, 2018	3 Mo Ended Sep 30, 2018
Operating activities:									
Net income	781,133	(133,646)	(698,786)	(522,639)	24,144,569	22,789,498	(562,453)	(1,433,282)	324,852
Adjustments to reconcile net income to net cash provided by operating activities:									
Share-based compensation	1,542,044	132,790	159,401	182,581	163,486	638,258	254,195	239,005	243,592
Amortization of programming costs	3,155,668	474,206	320,717	-	2,178,476	2,973,399	770,401	80,100	658,716
Amortization of deferred financing costs	40,859	21,876	21,871	-	-	43,747	-	14,290	21,435
Amortization of debt discount	383,712	364,311	441,582	59,940	-	865,833	-	-	-
Amortization of leasehold improvements	-	-	-	-	9,819	9,819	13,033	13,033	13,034
Amortization of film library	-	-	-	-	1,378,869	1,378,869	1,454,140	1,168,392	1,033,983
Amortization of acquired assets							-	-	125,452
Bad debt expense	-	-	-	-	112,568	112,568	87,632	52,519	(140,151)
Provision for returns and allowances	-	-	-	-	-		-	445,994	268,512
Impairment of programming costs	-	-	-	-	21,121	21,121	-	-	-
Loss on debt extinguishment	-	-	24,803	-	-	24,803	-	-	-
Gain on purchase of Screen Media		-	-	-	(24,321,747)	(24,321,747)	-	-	-
Deferred income taxes	439,000	(147,000)	(82,000)	(9,000)	56,000	(182,000)	295,000	73,000	487,000
Change in operating assets and liabilities:									
Trade accounts receivable	(151,417)	(915,487)	(645,437)	532,169	(4,585,096)	(5,613,851)	(461,435)	318,444	(1,281,327)
Prepaid expenses and other current assets	(200,199)	(148,366)	(470,172)	(575,422)	1,357,932	163,972	(11,492)	(7,708)	(148,784)
Inventory	-	-	-	-	(25,656)	(25,656)	51,761	(159,920)	185,457
Programming costs	(5,120,254)	(913,532)	(834,266)	(2,546,713)	(2,438,419)	(6,732,930)	(773,132)	(1,632,434)	(1,595,841)
Film library		-	-	-	(1,094,363)	(1,094,363)	(1,056,556)	(2,902,872)	(2,161,907)
Popcornflix film rights and other assets				-	-	-	(10,605)	-	-
Prepaid distribution fees	(592,786)	(1,680,534)	137,784	72,684	170,045	(1,300,021)	46,277	97,351	20,754
Other assets	-	-	-	-	(184,838)	(184,838)	41,000	(91,643)	56,863
Accounts payable and accrued expenses	671,338	(287,399)	487,618	(498,167)	(298,245)	(596,193)	268,534	(83,861)	413,402
Film library acquisition obligation	-	-	-	-	(60,200)	(60,200)	(477,800)	2,055,000	260,500
Accrued participation costs	-	-	-	-	482,435	482,435	(132,659)	38,275	(564,650)
Other liabilities	-	-	-	-	(66,313)	(66,313)	3,577	(42,728)	344,069
Income taxes payable	-	346,000	3,000	(250,000)	(99,000)	-	-	-	-
Deferred revenues	(3,428,571)	28,571	750,001	202,500	(537,500)	443,572	(515,000)	900,000	(265,200)
Net cash provided by operating activities	(2,479,473)	(2,858,210)	(383,884)	(3,352,067)	(3,636,057)	(10,230,218)	(715,582)	(859,045)	(1,700,239)
Investing activities:									
Payment for business acquisition, net	-	-	-	-	(4,683,814)	(4,683,814)	-	-	40,310
Purchase of video content license from affiliate	(5,000,000)	(798,572)	798,572	-	-	-	125,225	(125,225)	-
Increase in due from affiliated companies	-	-	-	-	-	-	-	(614,906)	30,068
Net cash used in investing activities	(5,000,000)	(798,572)	798,572	-	(4,683,814)	(4,683,814)	125,225	(740,131)	70,378
Cash flows from financing activities:									
Proceeds from revolving credit facility, related	-	-	-	-	-	-	-	200,000	-
Repayments of revolving credit facility, related	-	-	-	-	-	-	-	(1,700,000)	-
Proceeds from sr secured term loan and revolv.	-	-	-	-	-	-	-	7,500,000	(7,500,000)
Repayments of sr secured loan and revolver	-	-	-	-	-	-	-	(83,333)	(250,001)
Proceeds from revolving credit facility	4,530,000	3,225,000	100,000	-	1,500,000	4,825,000	200,000	(200,000)	-
Repayments of revolving credit facility	(1,050,000)	(980,000)	(1,325,000)	(4,500,000)	-	(6,805,000)	-	-	-
Prepayment of deferred financing cost	(84,606)	-	-	-	-	-	(30,000)	30,000	-
Due from affiliated companies	739,039	-	(709,488)	(2,961,968)	(1,084,656)	(4,756,112)	-	-	-
Payment of stock issuance cost	(197,600)	-	(17,500)	17,500	(2,330,824)	(2,330,824)	-	(1,114,779)	(146,869)
Payment of deferred financing costs	-	-	-	-	-	-	-	(313,258)	(37,500)
Proceeds from Series A preferred stock	-	-	-	-	-	-	-	15,000,000	1,092,680
Common stock repurchases in treasury	-	-	-	-	-	-	-	(632,729)	-
Dividends paid to common stockholders									(5,182,549)
Dividends paid to preferred stockholders									(422,779)
Payment of stock issuance cost in private placements	-	925,662	(925,662)	-	(618,980)	(618,980)	-	-	-
Proceeds from notes payable	2,970,000	-	2,030,000	-	-	2,030,000	-	-	-
Repayments of notes payable	-	-	-	(4,082,000)	-	(4,082,000)	-	-	7,500,000
Proceeds from common stock in IPO	1,075,809	-	1,413,166	22,540,377	2,949,805	26,903,348	-	-	-
Proceeds from common stock in Private Plac.		-	-	1,413,400	-	1,413,400	-	-	-
Net cash provided by financing activities	7,982,642	3,170,662	565,516	12,427,309	415,345	16,578,832	170,000	18,685,901	(4,947,018)
Net change - cash	503,169	(486,120)	980,204	9,075,242	(7,904,526)	1,664,800	(420,357)	17,086,725	(6,576,879)
Cash, beginning of quarter	4,078	507,247	21,127	1,001,331	10,076,573	507,247	2,172,047	1,751,690	18,838,415
Cash, end of period	507,247	21,127	1,001,331	10,076,573	2,172,047	2,172,047	1,751,690	18,838,415	12,261,536
Supplemental information:									
Interest paid	110,092	80,309	147,896	61,429	8,414	298,048	16,268	54,081	57,329
Income taxes paid	-	-	52,000	-	-	52,000	-	-	-
Cash Flow	6,342,416	712,537	187,588	(289,118)	3,743,161	4,354,168	2,311,948	653,051	3,036,425
Free cash flow	1,342,416	(86,035)	986,160	(289,118)	(940,653)	(329,646)	2,437,173	(87,080)	3,106,803

HISTORICAL STOCK PRICE



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