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Zacks Small-Cap Research

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Chicken Soup For The Soul Entertainment (CSSE-NASDAQ)

CSSE Joint Ventures With Sony's Crackle AVOD; Easily Doubling the Company's Revenues

We believe that CSSE stock should be valued at the average multiples of its peers. Using 2019 EBITDA of $16 million and revenues of $65 million, the stock could be worth $15.47 per share.

Current Price (04/02/19)	$10.52
Valuation	**$15.47**

OUTLOOK

Chicken Soup for the Soul Entertainment has just agreed to joint venture with Sony's Crackle AVOD channel. This venture is expected to easily double CSSE's revenues and possible far exceed that. The JV, named Crackle +, it expected be EBITDA positive from the onset and result in the company achieving 25% EBITDA margins. The deal is expected to close in May.

SUMMARY DATA

52-Week High	**$12.36**
52-Week Low	**$6.54**
One-Year Return (%)	**51.1**
Beta	**1.5**
Average Daily Volume (sh)	**103,862**
Shares Outstanding (mil)	**12.0**
Market Capitalization ($mil)	**$126.2**
Short Interest Ratio (days)	**24.5**
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	**N/M**
P/E using 2019 Estimate	**N/M**
P/E using 2020 Estimate	**117**
Zacks Rank	**N/A**

Risk Level	**High**
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)
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	$12.1 A	$27.8 A
2019	$10.3 E	$7.8 E	$22.0 E	$25.0 E	$65.1 E
2020					$77.0 E

GAAP EPS

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.01 A	-$0.08 A	-$0.05 A	$1.93 A	$2.23 A
2018	-$0.05 A	-$0.12 A	-$0.01 A	$0.01 A	-$0.16 A
2019	-$0.04 E	-$0.31 E	$0.11 E	$0.12 E	-$0.06 E
2020					$0.09 E

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WHAT'S NEW

Simultaneously with reporting Q4 and 2018 earnings, Chicken Soup for the Soul Entertainment announced it had struck a deal with Sony to combine Sony's Crackle AVOD service with CSSE's online business. This push to be a large player in AVOD is because CSSE believes that AVOD, or advertising supported video on demand, is the future, as a generation used to everything being free, grows into the majority. While there may be a space for a limited number subscription services, there should be an even larger market for free and easily accessible content.

Crackle is one of the top two AVOD channels (with PlutoTV) and growing, although it has been rumored to have losses of as much as $30 million per year. The deal, which is expected to close by May, will initially be wholly owned by CSSE. Next year Sony will have to decide whether to take 49% ownership or cash for its part. Both companies will contribute their online channel, content, and technology platforms. Crackle Plus will have more than 38,500 hours of programming; more than 90 content partnerships; more than 1.3 billion minutes of content streamed per month; and an offering of more than 100 networks, both AVOD and SVOD, including networks owned by Crackle Plus and third party networks distributed via Pivotshare. Sony will receive 4 million warrants of CSSE at various exercise prices from $8.13 to $11.61. Sony had been trying to sell Crackle for some time, but in the end decided to accept CSSE's proposal, as it wants to keep a position in the industry without managing the business or suffering losses. Chicken Soup for the Soul Entertainment is taking over management of the total operations and has structured the venture to be EBITDA positive right off the bat by identifying synergies and eliminating certain of Crackle's money-losing operations. Crackle is based in Los Angeles and currently employees about 100 people.



Revenues and losses for Crackle have not been revealed, we believe that PlutoTV may have generated about $160 million in sales in 2018 with 12 million viewers per month, although we have little confidence in these numbers. The joint venture, Crackle Plus, could be in the $130 million revenue range with its total network size of 10 million viewers per month of CSSE plus Crackle owned and operated networks and users of Crackle's ad representation network. If that were so, it would dwarf the $28 million in revenues CSSE reported for 2018. The only comment management made is that the deal could double CSSE's total revenues. Given the way the joint venture is structured it appears that management again crafted a financial win for the

company. With a much lesser contribution, CSSE bought into a business that Sony management mulled selling 51% of at a $200 million valuation back in 2014 according to an email leaked as part of the massive Sony Pictures hack. With Crackle, CSSE management believes the total company can achieve an EBITDA of 25% in 2019. In 2018, CSSE's adjusted EBITDA was $11.3 million. There is a wide range of revenue possibilities for CSSE in 2019. If we take the low end of the range as the company's statement that it could double revenues, that would be $56 million in revenues, virtually where we were before the joint venture was announced. If we say Crackle Plus is $100 million in revenues, and could add ¾ of that this year this would add another $70 million in 2019 revenues for a top end of the range at $156 million.

Revising Forecasts

It is very difficult to model out the next two years for CSSE given a dearth of reliable information about Crackle and the fact that the only way we will find out anything about their revenue level and business model is when the company reports the June 2019 quarter. Until then, we can only make some guesses. For now we are hypothesizing that the company will deemphasize its content production business, however it already has a number of shows booked in Q1, has had all its series renewed, and has at least two new shows launching in 2019, so we find it difficult to project lower revenues in that business that in 2018. In distribution, we now see that CSSE grew that business $2.4 million last year, and we can hope it will grow by the same this year. Then the remainder is the unknown Crackle Plus. We had expected $7.5 million from CSSE, so adding another $30 million for three quarters of the Crackle addition seems very conservative given rumors of the company's size. So total revenues come add to $65 million for the year. Applying a 25% EBITDA results in an initial estimate of a loss of $0.06 per share and EBITDA of $16.2 million. For 2020 we are starting with $77 million and EPS of $0.09. We however expect the company to continue to acquire companies, which will again change these numbers.

Q4 Earnings Miss Expectations, But Revenues Just Move to 2019

For the quarter revenues were $12.1 million versus $8.7 million a year ago, up 38% with the biggest contribution to the increase being from having a full year of Screen Media revenues. Revenues and earnings missed expectations as the company carried over significant revenue opportunities for its original series *Going From Broke*, *Chicken Soup for the Soul's Hidden Heroes* season 4, and *Chicken Soup for the Soul's Animal Tales* into 2019. Given its new Crackle Plus joint venture, the company is now evaluating the economics of airing its content through Crackle Plus in addition to cable, broadcast TV, and other online distribution opportunities.

In the 2018 year revenues were generated by:

- Nine episodes of ***Chicken Soup for the Soul's Hidden Heroes*** season three, airing on The CW Network, the production of season four, and revenue relating to international distribution for seasons one, two and three.
- Three episodes of ***Vacation Rental Potential*** season one airing on A&E and FYI networks, and ten episodes of *Vacation Rental Potential* season two airing on A&E and FYI networks which began in January 2019.
- ***Going from Broke***, the first of two episodic series executive produced by Ashton Kutcher
- Four episodes of *Chicken Soup for the Soul's Animal Tales* airing on the CW Network, which also began in January 2019.
- *Being Dad* streaming on Netflix

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Chicken Soup for the Soul Entertainment	Q4 2017 31-Dec	Q4 2018 31-Dec	2017	2018
Television & Short-form Video Production	$5.2	$5.4	$7.2	$10.2
Yr-to-yr Growth	NA	4%	-6%	40%
Television & Film Distribution	2.9	5.4	2.9	13.2
Yr-to-yr Growth	NA	84%	NA	349%
Online Networks	0.6	1.2	0.8	4.4
Yr-to-yr Growth	NA	117%	100%	454%
Total revenue	**8.7**	**12.1**	**11.0**	**27.8**
Yr-to-yr Growth	53%	38%	35%	153%

The acquisitions of both Screen Media (in television and film distribution) and Pivotshare (in online networks) were responsible for the majority of the revenue growth for both the year and the quarter, but even a restrained content production business grew 40% for the year. According to the 10K Screen Media did $10.8 million in revenues in calendar year 2017 and CSSE was able to grow that organically to $13.2 million in 2018, or 22%.

Gross margin before amortization of the film library grew nicely from 76% to 82% for the quarter and from 71% to 76% for the year. After amortization gross margin was down from 57% to 56% in the quarter and 58% to 52% for the year.

Operating expenses grew $3.2 million, or 125% in the quarter and 222% or $9.5 million for the year. The increase was due primarily from payroll and outside services from the Screen Media acquisition.

Eliminating one-time charges, other expenses declined $140,000 in the quarter and $831,000 for the year, as interest expense declined.

There was $874,000 in taxes paid despite a loss, as IRS rules versus GAAP reporting did not line up for the calendar year. Last year the company had an $182,000 tax benefit. CSSE has a tax loss carry forward of approximately $9.5 million.

Net loss for the year was $845,000 versus a gain of $23.3 million on a GAAP basis for the year and profit of $826,000 for the quarter versus a profit of $24.6 million for the fourth quarter. After paying the preferred stock dividend, the loss for the year was $2.0 million in 2018. For the quarter, the company recorded a profit of $136,000.

The GAAP EPS loss for the year was $0.16 versus $2.31 a year ago. On a non-GAAP basis with one-time items and stock based compensation removed EPS was $0.02 in 2018 versus $0.21 in the 2017 year. For the quarter the non-GAAP EPS was $0.16 versus $0.24 a year ago.

Management however runs its business on EBITDA and **for the year adjusted EBITDA was $11.3 million versus $4.0 million in the 2017 year**. For the quarter, EBITDA was $6.1 million versus $3.5 million a year ago. While this was below expectations, it was caused by pushing TV series delivery into Q1 and Q2 2019 instead as the game plan shifted to the venture with Crackle.

New Hires

In preparation for a larger company and with the Crackle JV in mind, on March 19, 2019 Chicken Soup for the Soul Entertainment announced three new hires:

- **Philippe Guelton** as EVP of Chicken Soup for the Soul Entertainment, and president of VOD networks.

- **David Fannon** has been promoted to EVP of distribution for Chicken Soup for the Soul Entertainment, and president of Screen Media.
- **George Lansbury** as EVP of content strategy for Chicken Soup for the Soul Entertainment, and president of Chicken Soup for the Soul Entertainment originals.

KEY POINTS

- Chicken Soup for the Soul Entertainment newly announced joint venture with Sony's Crackle OTT channel could propel it over the $65 million revenue mark this year. If all goes to plan, the company hopes to earn 25% EBITDA margins by cutting unprofitable activities such as content production at Crackle, as well as redundancies.

- The company will however continue to expand its original content production with a model that locks in profits even before production starts by selling a series to a sponsor that will cover production costs. CSSE produces 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. The Chicken Soup brand and track record assure participants of high quality family friendly content with a positive message.

- With its own distribution through Screen Media and an SVOD technology platform through Pivotshare, CSSE can leverage its even content further.

- By buying the remainder of A+ that it didn't own, CSSE expects to save $5 million per year in 2019 and beyond in cost of goods, increasing gross margin even higher than its already lofty rate.

- We are raising 2019 revenue estimates to $65 million due to the impending closing of the Crackle Plus joint venture. Our valuation for the company is $15.47 per share, but that will be revised when we get more information on Crackle as the company reports future quarters.

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 fourth season and is currently running on *The CW* network. In 2017, the company delivered the first season of *Vacation Rental Potential*, and finished *Being Dad* (a parenting show). *Vacation Rental Potential* was a hit and is in its second season. A new series *Chicken Soup for the Soul Animal Tales* began to air this January. *Going From Broke* is also ready to launch. With the acquisition of Screen Media, the company is now distributes its own content saving a 30% distribution fee, and can stream it on OTT increasing profitability for its created content. Pivotshare had added the capability of easily launching subscription-based channels and the December purchase of the remaining portion of A+ should save CSSE another $5 million per year. The pending completion of a joint venture with Sony's Crackle will launch the company into the big leagues as an entity in the top two with PlutoTV in AVOD. The company has seven OTT streaming channels: *A Plus, Popcornflix, Popcornflix Kids, Popcornflix Comedy, Espanolflix, Frightpix*, and *Truli* which will be moved into the joint venture Crackle Plus.

VALUATION

We believe that Chicken Soup for the Soup Entertainment should be valued on EBITDA. If we take out Gaia (which has negative EBITDA,) Roku, (which is near breakeven), Netflix and WWE, (which are outliers,) out of the average, these companies trade at an average valuation of 9.6 times EV/EBITDA. Using our estimate for EBITDA in 2019 of $16.2 million and the industry average, CSSE could be worth $155 million, or $12.95 per share.

Looking at it from enterprise value to sales, the group trades at an average of 4.4 times estimated 2019 sales. Using this CSSE could be worth $216 million enterprise value or $18.00 per share. An average of these two numbers is **$15.47 per share.**

	Ticker	Revenue			TTM	Enterprise Value / Sales		EV/	Included	Enterprise
Company		2019E	2018E	LTM	EBITDA	2019E	LTM	EBITDA	Average?	Value
DISH	DISH	$12,410	$13,620	$13,620	$2,870	2.3x	2.1x	9.9x	y	28,370
Entertainment One	ENTMF	NA	$1,377	$1,377	$242	NA	1.9x	11.0x	y	2,670
DHX Media	DHXM	NA	$327	$327	$65	NA	0.6x	3.2x	y	206
Gaia	GAIA	$56	$44	$44	-$29	2.6x	3.3x	-5.0x	y	146
Lionsgate	LGF-A	$3,870	$3,810	$3,810	$465	1.7x	1.7x	14.1x	y	6,570
Netflix	NFLX	$20,210	$15,790	$15,790	$1,690	8.3x	10.6x	98.9x	y	167,110
Roku	ROKU	$1,020	$743	$743	-$7	7.4x	10.2x	-1081.4x	y	7,570
WWE	WWE	$1,030	$930	$930	$152	6.5x	7.2x	43.9x	y	6,680
Average					**756.6**	**4.8x**	**4.4x**	**9.6x**		**$30,378**

	Revenue		TTM	Enterprise Value / Sales		Valuation Range	
	2019E	LTM	EBITDA	2019E	LTM	Low	High
Chicken Soup	**$65**	**$28**	**11.3**	**4.8x**	**4.4x**	**$121**	**$312**

Conclusion of Enterprise Value	**$216,426,577**
Market Value	**$215,296,222**
Shares Outstanding	11,970,743
Price per Share	**$17.99**

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 2018, 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.

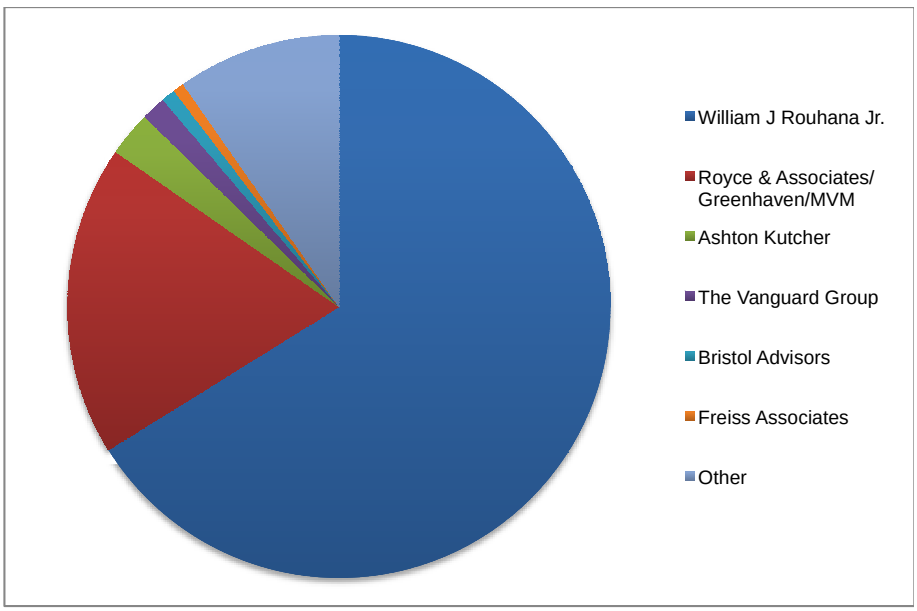
This January, Viacom purchased PlutoTV, an AVOD, for $340 million. PlutoTV is rumored to have generated $160 million in sales in 2018 and exited December at $200 million run rate. This would be approximately two times trailing 12-month sales or 1.7 times the run rate. Pluto TV is averaging 12 million engaged viewers a month, compared with 10 million at the soon to be formed Crackle Plus. Using the same ratio of revenue to user, Crackle may have generated as much as $130 million in revenues last year. At the same ratio of enterprise value to sales, Crackle Plus itself would be worth $260 million.

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. The addition of Crackle operation, details of which are unknown provides even more uncertainty as to CSSE's future profitability.

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 2018 31-Dec	Q1 2019E 31-Mar	Q2 2019E 30-Jun	Q3 2019E 30-Sep	Q4 2019E 31-Dec	2017	2018	2019E	2020E
Television & Short-form Video Production	$1.3	$0.7	$0.0	$5.2	$2.1	$0.3	$2.3	$5.4	$5.0	$0.0	$3.0	$5.0	$7.2	$10.2	$13.0	$15.0
Yr-to-yr Growth	NA	NA	NA	NA	60%	-56%	NA	4%	135%	-100%	NA	NA	-6%	40%	28%	15%
Television & Film Distribution	0.0	0.0	0.0	2.9	3.2	2.0	2.5	5.4	3.8	2.8	4.0	5.0	2.9	13.2	15.6	17.0
Yr-to-yr Growth	NA	NA	NA	NA	NA	NA	NA	84%	NA	NA	NA	-7%	NA	349%	18%	9%
Online Networks	0.1	0.1	0.0	0.6	0.7	0.7	1.8	1.2	1.5	5.0	15.0	15.0	0.8	4.4	36.5	45.0
Yr-to-yr Growth	NA	NA	NA	NA	667%	689%	3591%	117%	127%	590%	738%	1114%	100%	454%	727%	23%
Total revenue	**1.4**	**0.8**	**0.0**	**8.7**	**6.0**	**3.1**	**6.6**	**12.1**	**10.3**	**7.8**	**22.0**	**25.0**	**11.0**	**27.8**	**65.1**	**77.0**
Yr-to-yr Growth	27%	-31%	-64%	53%	326%	286%	13483%	38%	71%	155%	234%	107%	35%	153%	135%	96%
Less returns and allowances	0.0	0.0	0.0	(0.3)	(0.3)	(0.1)	(0.1)	(0.3)	(0.3)	(0.2)	(0.2)	(0.5)	(0.3)	(0.9)	(1.1)	(1.1)
Net Revenue	1.4	0.8	0.0	8.40	5.7	2.9	6.5	11.7	10.0	7.7	21.9	24.6	10.7	26.9	64.0	75.9
Cost of revenue without amortization	0.5	0.3	0.0	2.1	1.6	0.6	1.4	2.2	1.1	2.3	6.7	7.0	2.9	5.9	17.1	21.2
Gross Margin w/o amortization	0.9	0.5	0.0	6.7	4.4	2.4	5.1	9.9	9.2	5.5	15.3	18.0	7.8	21.0	48.0	55.8
Gross Margin %	67%	60%	100%	76%	73%	80%	78%	82%	90%	71%	70%	72%	71%	76%	74%	72%
Amortization of film library	0.0	0.0	0.0	1.4	1.5	1.2	1.0	2.8	2.8	2.0	2.0	3.0	1.4	6.5	9.8	10.0
Total cost of revenue	0.5	0.3	0.0	3.4	3.1	1.8	2.5	5.0	3.9	4.3	8.7	10.0	4.2	12.3	26.9	31.2
Gross profit	0.9	0.5	0.0	5.0	2.6	1.148	4.0	6.7	6.1	3.4	13.2	14.6	6.4	14.5	37.2	44.7
Gross Margin %	67%	60%	100%	57%	43%	38%	61%	56%	59%	43%	60%	58%	58%	52%	57%	58%
Operating expenses:																
SG&A (Ex-stock based comp)	0.1	0.4	0.5	1.5	1.9	1.9	1.8	4.2	4.2	6.2	6.5	7.4	2.6	9.8	24.3	27.0
Stock-based compensation	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.6	1.0	1.2	1.5
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.0	0.3	0.6	0.7
Management and license fees due to affiliate	0.1	0.1	0.0	0.8	0.6	0.3	0.6	1.2	1.0	0.8	2.2	2.5	1.1	2.7	6.5	7.7
Total operating expenses	0.4	0.634	0.7	2.5	2.8	2.4	2.9	5.7	5.6	7.3	9.2	10.4	4.3	13.7	32.6	36.9
Operating income:	0.541	(0.162)	-0.6	2.4	(0.2)	(1.2)	1.1	1.1	0.4	(3.9)	4.0	4.2	2.2	0.8	4.5	7.8
Operating margin	38.2%	-20.5%	-1335.1%	27.8%	-2.6%	-40.3%	17.3%	8.8%	4.3%	-50.1%	18.1%	16.8%	19.6%	2.8%	7.0%	10.2%
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	0.0	0.0	0.0	0.1	0.1
interest expense	(0.476)	(0.6)	(0.1)	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(1.2)	(0.4)	(0.8)	(1.6)
Acquisition related costs	0.0	0.0	0.0	(2.2)	(0.0)	-	(0.2)	(0.2)	0.0	0.0	0.0	0.0	(2.2)	(0.4)	0.0	0.0
Gain from Acquisition	0.0	0.0	0.0	24.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.3	0.0	0.0	0.0
Total other income	(0.5)	(0.6)	(0.1)	22.1	(0.1)	(0.1)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	20.9	(0.7)	(0.7)	(1.5)
Income before income taxes	0.065	(0.7)	(0.8)	24.5	(0.2)	(1.3)	0.8	0.8	0.3	(4.1)	3.8	4.0	23.1	0.0	3.8	6.3
Pretax Margin	4.6%	-93.2%	-1585.9%	281.5%	-3.8%	-43.4%	12.7%	6.4%	2.6%	-52.5%	17.3%	16.0%	210.4%	0.1%	5.9%	8.2%
Income taxes	0.199	(0.0)	(0.2)	(0.1)	0.3	0.1	0.5	(0.1)	0.1	(1.2)	1.1	1.2	(0.2)	0.9	1.2	1.9
Tax rate	304%	5%	36%	0%	-148%	-6%	61%	-7%	30%	30%	30%	30%	-1%	3011%	31%	30%
Net income	(0.134)	(0.7)	(0.5)	24.6	(0.6)	(1.4)	0.3	0.826	0.2	(2.9)	2.7	2.8	23.3	(0.845)	2.6	4.4
Yr-over-Yr	-159%	-1413%	-52%	1451%	321%	101%	-162%	-97%	-133%	104%	720%	240%	2881%	-104%	-411%	68%
Preferred dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.7	0.7	0.8	0.9	0.9	0.0	1.1	3.3	3.0
Net income to common shareholders	(0.1)	(0.7)	(0.5)	24.6	(0.6)	(1.4)	(0.1)	0.136	(0.5)	(3.7)	1.8	1.9	23.3	(2.0)	(0.7)	1.4
Stk based compensation	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.6	1.0	1.0	1.5
One-time expenses	-	0.2	0.0	(22.0)	(0.0)	0.0	(0.2)	1.5	-	-	-	-	(21.8)	1.3	-	-
Non-GAAP Income	(0.0)	(0.3)	(0.3)	2.8	(0.4)	(1.2)	(0.0)	1.8	(0.3)	(3.4)	2.0	2.2	2.1	0.3	0.3	2.9
Yr-over-Yr	-100%	-335%	NM	71%	40964%	282%	-89%	-34%	-18%	195%	-5439%	20%	-9%	-88%	15%	901%
Net income per share:																
Primary EPS	(0.01)	(0.08)	(0.05)	2.13	(0.05)	(0.12)	(0.01)	0.01	0.02	(0.31)	0.15	0.16	2.31	(0.16)	(0.06)	0.12
Diluted EPS	**(0.01)**	**(0.08)**	**(0.05)**	**1.97**	**(0.05)**	**(0.12)**	**(0.01)**	**0.01**	**(0.04)**	**(0.25)**	**0.11**	**0.12**	**2.28**	**(0.16)**	**(0.04)**	**0.09**
Non-GAAP EPS	(0.00)	(0.03)	(0.03)	0.24	(0.03)	(0.10)	(0.00)	0.16	(0.02)	(0.29)	0.17	0.18	0.21	0.02	0.02	0.18
	-100%	-325%	-183%	35%	31966%	202%	-90%	-34%	-21%	185%	-5262%	17%				
Shares																
Basic	9.1	9.1	10.4	11.6	11.6	11.6	11.6	11.7	12.0	12.0	12.0	12.0	10.1	12.0	12.0	12.0
Yr-over-Yr	3.5%	4.3%	17%	28%	28.1%	26.6%	11.2%	0.8%	3.1%	3.4%	3.4%	2.4%	13.9%	19.2%	0%	0%
Diluted	9.1	9.1	10.4	12.5	11.6	11.8	11.8	11.9	12.2	14.9	16.2	16.2	10.2	12.0	14.9	16.2
Yr-over-Yr	3.0%	4.3%	17%	36%	28.0%	29.3%	14%	-5%	5.2%	25.7%	37%	36%	13.7%	17.3%	24%	9%
GAAP Adjusted EBITDA	0.693	0.166	(0.341)	3.5	1.699	0.411	3.117	6.073	1.699	(1.641)	3.117	7.938	4.0	11.3	16.2	20.0
EBITDA Margin													36.4%	40.7%	25%	26%

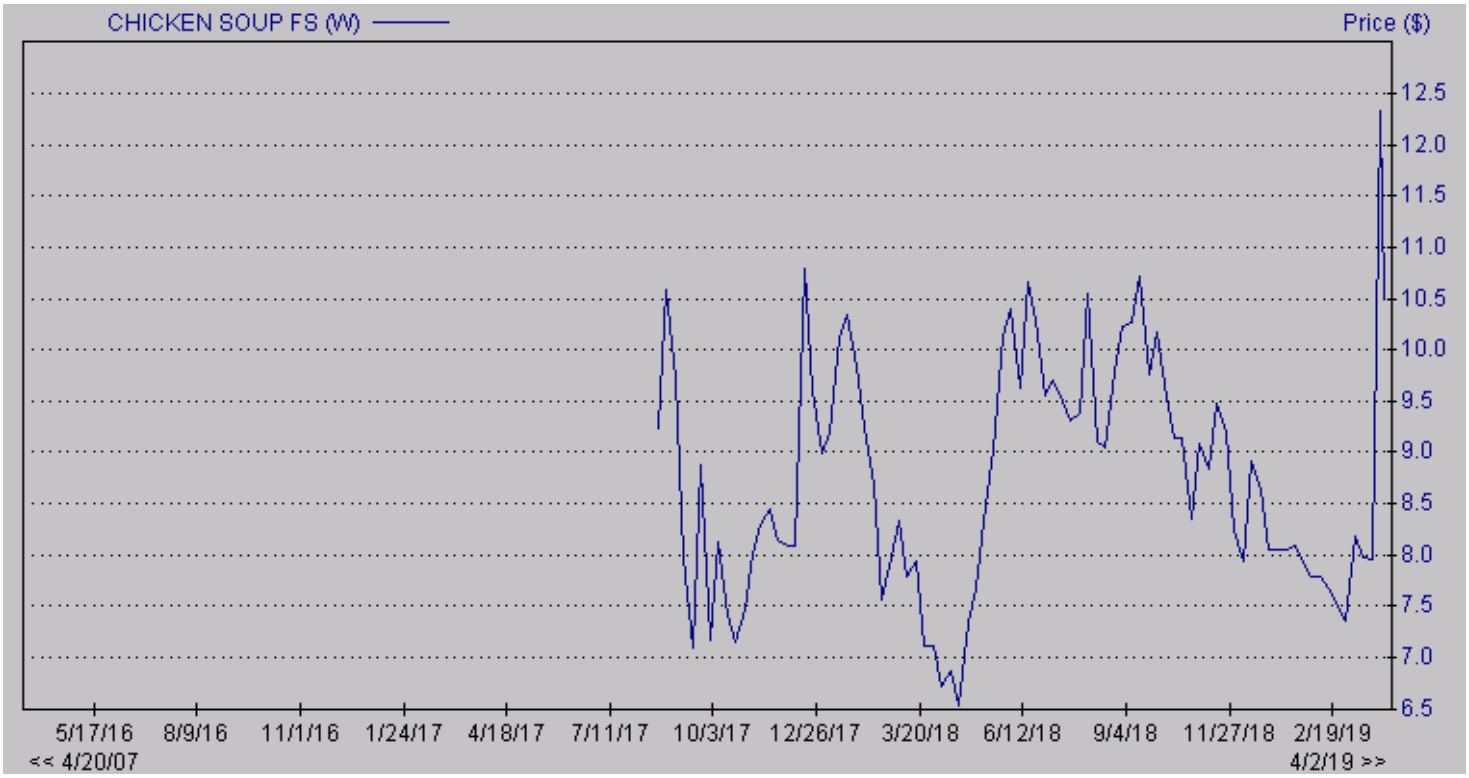
BALANCE SHEET

	Dec 31, 2018	Sept 30, 2018	Qtr-Qtr % Change	Dec 31, 2017	Yr-Yr % Change
Assets					
Cash and cash equivalents	$6,451,758	$11,511,534	-44.0%	$2,172,985	197%
Restricted cash	750,000	750,000	0.0%	0	NM
Accounts receivable, net	12,841,099	8,783,079	46.2%	8,058,352	59%
Prepaid expenses	218,736	425,267	-48.6%	228,145	-4%
Inventory, net	262,068	291,667	-10.1%	368,964	-29%
Goodwill	2,537,079	NA	NA	1,236,760	105%
Indefinate lived intangible assets	12,163,943	NA	NA	12,163,943	0%
Intangible assets, net	2,971,637	NA	NA	198,495	1397%
Intangible asset - video content license		5,000,000			
Prepaid distribution fees		1,728,425			
Other intangible asset		4,373,139			
Popcornflix film rights and other assets		7,174,548			
Film library, net	25,338,502	25,120,465	0.9%	22,655,645	12%
Due from affiliated companies	1,213,436	6,713,467	-81.9%	0	NM
Programming costs, net	12,790,489	9,767,574	30.9%	7,651,145	67%
Deferred tax asset	452,000	NA	NA	825,000	-45%
Other assets, net	356,221	410,105	-13.1%	503,622	-29%
Total assets	78,346,968	82,049,270	-4.5%	56,063,056	40%
Liabilities					
Current maturities of senior secured term loan	**1,000,000**	**0**	**NM**	**0**	**NM**
Senior secured term loan & revolving LOC, net	**6,582,113**	**6,883,926**	-4.4%	**0**	**0%**
Senior secured note payable to related party, net	**0**	**0**	0.0%	**1,500,000**	**-100%**
Accounts payable and accrued expenses	5,078,805	2,273,970	123.3%	1,109,534	358%
Accrued programming costs	0	0	0.0%	375,761	-100%
Film library acquisition obligation	2,715,600	2,501,100	8.6%	663,400	309%
Accrued participation costs	1,539,139	1,961,384	-21.5%	2,620,417	-41%
Due to affiliated companies	0	0	0.0%	3,127,021	-100%
Other liabilities	414,506	449,451	-7.8%	144,534	187%
Deferred tax liability, net	0	1,112,000	-100.0%	0	0%
Deferred revenue	6,469	634,800	-99.0%	515,000	-99%
Total liabilities	17,336,632	15,816,631	9.6%	10,055,667	72%
Stockholder's equity					
Preferred stock	92	78	17.9%	0	NM
Class A Common stock	421	385	9.4%	409	3%
Class B Common stock	782	782	0.0%	786	-1%
Additional paid-in capital	59,360,583	46,196,504	28.5%	36,584,575	62%
Retained earnings	2,281,187	20,667,619	-89.0%	9,421,619	-76%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	0	NM
Total stockholders' equity	61,010,336	66,232,639	-7.9%	46,007,389	33%
Total liabilities and stockholders' equity	78,346,968	82,049,270	-4.5%	56,063,056	40%
Quick Ratio	NA	NA		NA	
Working Capital	NA	NA		NA	
Cash as % of assets	8%	14%	-41.3%	4%	112%
Cash per share	$0.59	$1.27	-53.6%	$0.17	239%
Debt	$7,582,113	$6,883,926	10.1%	$1,500,000	405%
Debt % of assets	8%	8%	0.1%	3%	214%

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	3 Mo Ended Dec 31, 2018	Year 2018
Operating activities:											
Net income	781,133	(133,646)	(698,786)	(522,639)	22,436,354	21,081,283	(562,453)	(1,433,282)	324,852	825,911	(844,972)
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	216,896	953,688
Amortization of programming costs	3,155,668	474,206	320,717	-	2,178,476	2,973,399	770,401	80,100	658,716	1,243,229	2,752,446
Amortization of deferred financing costs	40,859	21,876	21,871	-	-	43,747	-	14,290	21,435	21,436	57,161
Amortization of debt discount	383,712	364,311	441,582	59,940	-	865,833	-	-	-	-	-
Amortization of fixed assets &acq intangibles	-	-	-	-	9,819	9,819	13,033	13,033	13,034	287,886	326,986
Amortization of film library	-	-	-	-	1,378,869	1,378,869	1,454,140	1,168,392	1,033,983	2,802,916	6,459,431
Amortization of acquired assets							-	-	125,452	(125,452)	-
Bad debt expense	-	-	-	-	112,568	112,568	87,632	52,519	(140,151)	1,222,032	1,222,032
Provision for returns and allowances	-	-	-	-	-	-	-	445,994	268,512	(714,506)	-
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)	(487,000)	(725,000)	295,000	73,000	487,000	(482,000)	373,000
Change in operating assets and liabilities:											
Trade accounts receivable	(151,417)	(915,487)	(645,437)	532,169	(3,835,548)	(4,864,303)	(461,435)	318,444	(1,281,327)	(4,565,546)	(5,989,864)
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)	206,530	38,546
Inventory	-	-	-	-	(25,656)	(25,656)	51,761	(159,920)	185,457	29,598	106,896
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)	(4,266,144)	(8,267,551)
Film library		-	-	-	(1,094,363)	(1,094,363)	(1,056,556)	(2,902,872)	(2,161,907)	(3,020,953)	(9,142,288)
Popcornflix film rights and other assets				-	-	-	(10,605)	-	-	10,605	-
Prepaid distribution fees	(592,786)	(1,680,534)	137,784	72,684	1,470,066	-	46,277	97,351	20,754	(164,382)	-
Other assets	-	-	-	-	(463,822)	(463,822)	41,000	(91,643)	56,863	89,049	95,269
Accounts payable and accrued expenses	671,338	(287,399)	487,618	(498,167)	(384,931)	(682,879)	268,534	(83,861)	413,402	2,768,068	3,366,143
Film library acquisition obligation	-	-	-	-	(60,200)	(60,200)	(477,800)	2,055,000	260,500	214,500	2,052,200
Accrued participation costs	-	-	-	-	482,435	482,435	(132,659)	38,275	(564,650)	(422,244)	(1,081,278)
Other liabilities	-	-	-	-	(66,314)	(66,314)	3,577	(42,728)	344,069	(34,944)	269,974
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)	(628,331)	(508,531)
Net cash provided by operating activities	(2,479,473)	(2,858,210)	(383,884)	(3,352,067)	(4,203,374)	(10,797,535)	(715,582)	(859,045)	(1,700,239)	(4,485,846)	(7,760,712)
Investing activities:											
Payment for business acquisition, net	-	-	-	-	(4,683,814)	(4,683,814)	-	-	40,310	150,277	190,587
Purchase of video content license from affiliate	(5,000,000)	(798,572)	798,572	-	-	-	125,225	(125,225)	-	-	-
Increase in due from affiliated companies	-	-	-	-	-	(4,192,921)	-	(614,906)	30,068	(3,755,620)	(4,340,458)
Net cash used in investing activities	(5,000,000)	(798,572)	798,572	-	(8,876,735)	(8,876,735)	125,225	(740,131)	70,378	(3,605,343)	(4,149,871)
Cash flows from financing activities:											
Proceeds from revolving credit facility, related	-	-	-	-	-	4,825,000	-	200,000	-	-	200,000
Repayments of revolving credit facility, related	-	-	-	-	-	(6,805,000)	-	(1,700,000)	-	-	(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)	(250,000)	(583,334)
Proceeds from revolving credit facility	4,530,000	3,225,000	100,000	-	(3,325,000)	-	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)	3,671,456	-	-	-	-	-	-
Payment of stock issuance cost	(197,600)	-	(17,500)	17,500	(2,949,805)	(2,949,805)	-	(1,114,779)	(146,869)	(694,745)	(1,956,393)
Payment of deferred financing costs	-	-	-	-	-	-	-	(313,258)	(37,500)	(40,956)	(391,714)
Proceeds from Series A preferred stock	-	-	-	-	-	-	-	15,000,000	1,092,680	3,519,758	19,612,438
Common stock repurchases in treasury	-	-	-	-	-	-	-	(632,729)	-	-	(632,729)
Dividends paid to common stockholders									(5,182,549)	-	(5,182,549)
Dividends paid to preferred stockholders									(422,779)	(503,584)	(926,363)
Payment of stock issuance cost in private placements	-	925,662	(925,662)	-	-	-	-	-	-	-	-
Proceeds from notes payable	2,970,000	-	2,030,000	-	-	2,030,000	-	-	-	8,500,000	8,500,000
Repayments of notes payable	-	-	-	(4,082,000)	-	(4,082,000)	-	-	7,500,000	(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	7,151,456	21,334,943	170,000	18,685,901	(4,947,018)	3,280,473	16,939,356
Net change - cash	503,169	(486,120)	980,204	9,075,242	(5,928,653)	1,660,673	(420,357)	17,086,725	(6,576,879)	(4,810,716)	5,028,773
Cash, beginning of quarter	4,078	507,247	21,127	1,001,331	10,076,573	512,313	4,147,920	3,727,563	20,814,288	12,262,475	2,172,985
Cash, end of period	507,247	21,127	1,001,331	10,076,573	4,147,920	2,172,986	3,727,563	20,814,288	14,237,409	7,451,759	7,201,758
Supplemental information:											
Interest paid	110,092	80,309	147,896	61,429	8,414	298,048	16,268	54,081	57,329	155,654	267,064
Income taxes paid	-	-	52,000	-	-	52,000	-	-	-	-	-
					-					-	
Cash Flow	6,342,416	712,537	187,588	(289,118)	1,491,946	2,102,953	2,311,948	653,051	3,036,425	5,298,348	11,299,772
Free cash flow	1,342,416	(86,035)	986,160	(289,118)	(7,384,789)	(6,773,782)	2,437,173	(87,080)	3,106,803	1,693,005	7,149,901

HISTORICAL STOCK PRICE



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