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Zacks Small-Cap Research

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Chicken Soup For The Soul Entertainment (CSSE-NASDAQ)

CSSE Closes Deal and Reveals Q1 Pro Forma Revenues With Sony's Crackle of $13.5 Million

We believe that CSSE stock should be valued at the average multiples of its peers. Using 2020 EBITDA of $30 million and revenues of $105 million, the stock could be worth $16.68 per share.

Current Price (05/17/19)	$8.35
Valuation	**$16.68**

OUTLOOK

Chicken Soup for the Soul Entertainment has just closed a joint venture with Sony's Crackle AVOD channel. This venture should 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. Crackle itself generated $72 million in gross billings in 2018 and grew its Q1 revenues at 52% to $10.9 million.

SUMMARY DATA

52-Week High	**$12.36**
52-Week Low	**$7.36**
One-Year Return (%)	**-7.7**
Beta	**1.3**
Average Daily Volume (sh)	**20,697**
Shares Outstanding (mil)	**12.0**
Market Capitalization ($mil)	**$100**
Short Interest Ratio (days)	**21.5**
Institutional Ownership (%)	**19**
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	**55.7**
P/E using 2020 Estimate	**27.8**
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	$2.5 A	$9.1 E	$24.5 E	$34.0 E	$70.1 E
2020					$105 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	-$0.09 A	-$0.12 A	-$0.01 A	$0.04 A	-$0.16 A
2019	-$0.28 A	-$0.18 E	$0.15 E	$0.32 E	$0.15 E
2020					$0.30 E

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WHAT'S NEW

Pre-Crackle Earnings Miss Expectations, But No One Cares

For Q1 2019, revenues were $2.5 million versus $6.0 million a year ago, down 58%. 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*. However, no one cares, because the all that matters now is how the Crackle+ joint venture affects the company's earnings going forward.

Q1 2019 Results

In Q1, only five episodes of *Animal Tales* were booked as revenue for $300,000 and another five episodes of *Animal Tales* have already been booked in Q2. 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. Having Crackle+ as an option has made the optimization decision much more complicated. CSSE still expects revenues from television and short form production for the year to exceed 2018 revenues of $10.2 million. This means in the last two quarters of the year revenues should exceed $9.6 million.

Revenues from television and film distribution were down year over year to $1.5 million versus $3.2 million a year ago. This business varies seasonally and is affected by the success of films. In last year's quarter the company had one hit that it owned that contributed $1.7 million all by itself. While CSSE typically has one major owned movie released per quarter, in this year's quarter it held over *The Man Who Killed Don Quixote* to April 10th in the hopes timing would be more auspicious. Box Office Mojo says it grossed $345,000 so far at the US box office, and the company expects considerable additional revenues from streaming.

Online networks grew 11% year over year in the seasonally weak first quarter.

With such low revenues, gross margin before amortization of the film library declined from 73% to 57% for the quarter. After amortization gross margin was down from 43% to 22%.

Operating expenses grew $3.2 million, up 17%. The increase was due to consulting fees and increased payroll.

Other income this year was $526,000 versus $67,000 last year. Of the $526,000, $398,000 was one-time acquisition related costs.

The company reversed $438,000 in taxes, versus a payment of $336,000 last year. CSSE has a tax loss carry forward of approximately $11.2 million.

Net loss for the year was $2.8 million versus a loss of $562,000 on a GAAP basis. After paying the preferred stock dividend, the loss for the first quarter of 2019 was $3.2 million.

The GAAP EPS loss for the year was $0.28 versus $0.09 a year ago. On a non-GAAP basis with one-time items and stock based compensation removed the EPS loss was **$0.23 in Q1 2019 versus $0.07 in Q1 2018**. Shares outstanding increased to 12.0 million versus 9.4 million last year or 27%. Last year's share count was restated and reduced due to the acquisition of A+. We expect the rest of 2018 share count numbers to be also restated down.

EBITDA for the quarter was a loss of $940,000 versus a positive $1.6 million a year ago.

Pro Forma Results

Management gave us a first look at the Crackle+ joint venture by giving out some pro forma numbers for the first quarter. Crackle generates revenues in two ways, by ads being placed on its owned and operated channel, for which is receives 100% of the revenue and for placing ads on other people's channels, for which it keeps approximately 20% of gross billings. In Q1, CSSE claims that **Crackle generated $15.9 million in gross billings resulting in $10.9 million in revenue for Q1 2019, up 52% year over year**. The owned and operated business, which we believe is 90% of revenues, grew 33% year over year, while the ad network revenues doubled. **For the 2018 year, Crackle generated $72 million in gross billings and "at least" 2/3 of that in revenues, or $48 million**.

Events After March 31, 2019

On April 8, 2019 the company sold 80,000 shares of Series A Preferred Stock, at a price of $25.00 per share for a net $1.9 million and sold another 159,5050 shares on April 22, 2019 for a net $3.7 million.

Revising Forecasts

2019

For now we are hypothesizing that the company will deemphasize its content production business, however it already has a number of shows booked, 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 $46 million for two and a half quarters of the Crackle addition seems very conservative. Management said that Crackle did $72 million in gross billings and revenues were "at least 2/3" or $48 million. So we are taking the $48 million, and growing it 33% and adding it for the period CSSE owns Crackle. Our new revenue estimate for CSSE for 2019 is $70 million in revenues, diluted EPS of $0.15, and $18 million in EBITDA.

2020

In the 2020 May 15th to November 15th time period, Sony has to make a decision whether to keep 49% of the equity in Crackle+ or take $40 million in preferred stock from CSSE. Our assumption in forecasting is that Sony will make that decision on May 15th and will keep the equity, at which point earnings at CSSE will be reduced by minority interest. It is difficult to forecast what that portion of earnings for the Crackle+ business will be so we have guessitmated by taking out half of 30% of earnings for the year.

For 2020 we are starting with $105 million revenues. This assumes that the online business only grow 20% for the year, which we imagine to be conservative. Our first cut at EPS is $0.30 per share and EBITDA of $30 million.

KEY POINTS

- Chicken Soup for the Soul Entertainment newly announced joint venture with Sony's Crackle OTT channel could propel it over the $70 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 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 $70 million due to the impending closing of the Crackle Plus joint venture, and more information on its contribution. Our valuation for the company is $16.68 per share, but that will be revised even further 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 addition of its joint venture with Sony's Crackle has launched 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* that has been moved into the joint venture Crackle+.

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 9.4 times EV/EBITDA. Using our estimate for EBITDA in 2019 of $18 million and the industry average, CSSE could be worth $167 million, or $13.90 per share. Using 2020 EBITDA of $30 million and shares of 16 million, that would be **$17.35 per share.**

Looking at it from enterprise value to sales, the group trades at an average of 4.0 times estimated 2020 sales. Using this CSSE could be worth $262 million enterprise value or **$16.00 per share**. An average of the two 2020 numbers is **$16.68 per share.**

Company	Ticker	Revenue 2020E	Revenue 2019E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2020E	Enterprise Value / Sales LTM	EV/ EBITDA	Included Average?	Enterprise Value
DISH	DISH	$11,540	$12,410	$13,350	$2,760	2.6x	2.3x	11.0x	y	30,410
Entertainment One	ENTMF	NA	$1,377	$1,377	$242	NA	2.0x	11.2x	y	2,720
DHX Media	DHXM	NA	$320	$321	$75	NA	0.5x	2.3x	y	173
Gaia	GAIA	$73	$55	$47	-$27	2.1x	3.2x	-5.6x	y	152
Lionsgate	LGF-A	$3,870	$3,810	$3,810	$465	1.6x	1.6x	13.2x	y	6,130
Netflix	NFLX	$24,980	$20,200	$16,610	$1,710	6.2x	9.3x	90.6x	y	154,970
Roku	ROKU	$1,400	$1,050	$813	-$10	6.7x	11.5x	-978.0x	y	9,340
WWE	WWE	$1,300	$1	$925	$156	4.7x	6.7x	39.5x	y	6,160
Average					**745.1**	**4.0x**	**4.3x**	**9.4x**		**$29,128**

	Revenue 2020E	Revenue LTM	TTM EBITDA	Enterprise Value / Sales 2020E	Enterprise Value / Sales LTM	Valuation Range Low	Valuation Range High
Chicken Soup	**$105**	**$24**	**8.7**	**4.0x**	**4.3x**	**$105**	**$418**

Conclusion of Enterprise Value	**$261,710,563**
Market Value	**$257,406,095**
Diluted Shares Outstanding	16,097,000
Price per Share	**$15.99**

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

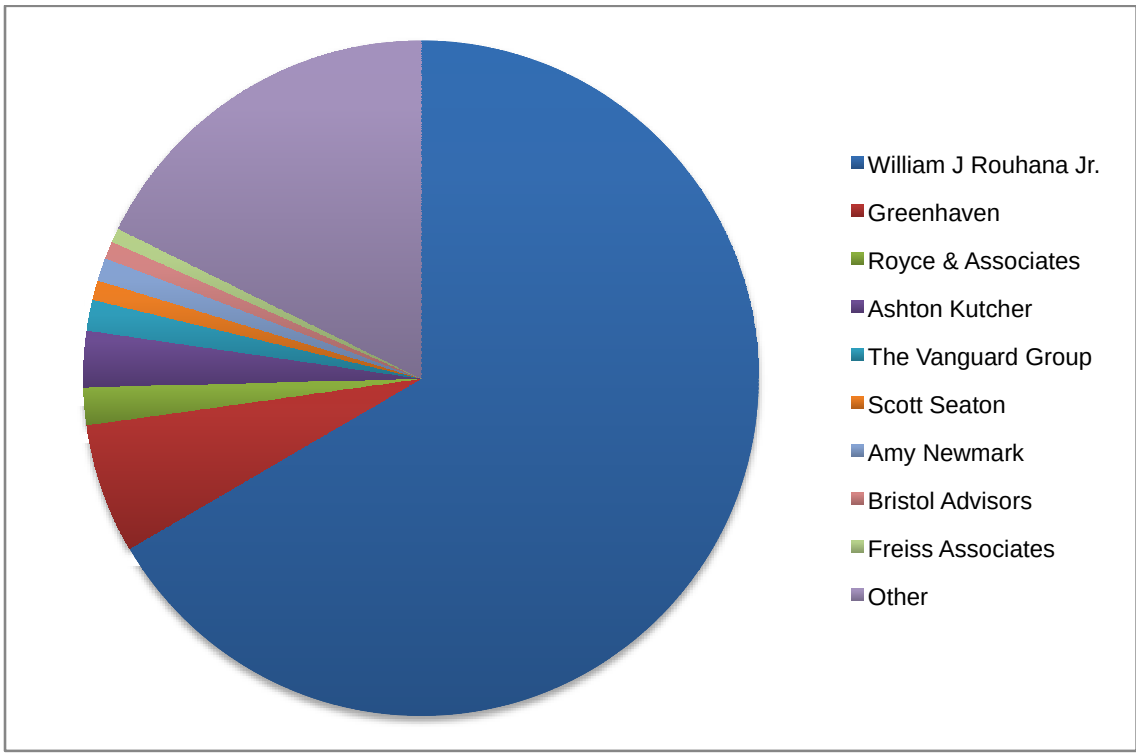
- The company is new and to date has only five series that have been produced. There is no assurance the company will be able to continue to find sponsors to support it unique business model and fund the production of shows.

- 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 and the Crackle+ joint venture 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 production 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 business model and 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 2018 31-Mar	Q2 2018 30-Jun	Q3 2018 30-Sep	Q4 2018 31-Dec	Q1 2019 31-Mar	Q2 2019E 30-Jun	Q3 2019E 30-Sep	Q4 2019E 31-Dec	2017	2018	2019E	2020E
Television & Short-form Video Production	$2.2	$0.3	$2.3	$5.4	$0.3	$0.3	$3.5	$7.0	$7.2	$10.2	$11.1	$13.0
Yr-to-yr Growth	66%	-56%	NA	3%	-85%	5%	53%	31%	-6%	40%	10%	17%
Television & Film Distribution	3.2	2.0	2.5	5.4	1.5	2.8	4.0	5.0	2.9	13.2	13.3	17.0
Yr-to-yr Growth	NA	NA	NA	84%	-55%	38%	59%	-7%	NA	349%	1%	28%
Online Networks	0.6	0.7	1.8	1.3	0.7	6.0	17.0	22.0	0.8	4.4	45.7	75.0
Yr-to-yr Growth	631%	689%	3591%	122%	17%	728%	850%	1637%	100%	454%	937%	64%
Total revenue	**6.1**	**3.1**	**6.6**	**12.0**	**2.5**	**9.1**	**24.5**	**34.0**	**11.0**	**27.8**	**70.1**	**105.0**
Yr-to-yr Growth	329%	286%	13483%	38%	-58%	198%	272%	183%	35%	153%	153%	168%
Less returns and allowances	(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	5.8	2.9	6.5	11.7	2.2	9.0	24.4	33.6	10.7	26.9	69.1	103.9
Cost of revenue without amortization	1.7	0.6	1.4	2.2	0.8	2.7	7.6	10.0	2.9	5.9	21.0	33.0
Gross Margin w/o amortization	4.4	2.4	5.1	9.9	1.4	6.4	17.0	24.0	7.8	21.0	49.2	72.0
Gross Margin %	73%	80%	78%	82%	57%	71%	69%	71%	71%	76%	70%	69%
Amortization of film library	1.5	1.2	1.0	2.8	0.9	2.0	2.0	3.0	1.4	6.5	7.9	10.0
Total cost of revenue	3.1	1.8	2.5	5.0	1.6	4.7	9.6	13.0	4.2	12.3	28.9	43.0
Gross profit	2.640	1.148	4.0	6.7	0.6	4.3	14.8	20.6	6.4	14.5	40.2	60.9
Gross Margin %	43%	38%	61%	56%	22%	47%	60%	60%	58%	52%	57%	58%
Operating expenses:												
SG&A (Ex-stock based comp)	2.395	1.9	1.8	3.7	2.6	5.0	7.3	8.0	2.6	9.8	22.9	32.0
Stock-based compensation	0.254	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.6	1.0	1.2	1.5
Amortization	0.024	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.0	0.3	0.8	0.8
Management and license fees due to affiliate	0.571	0.3	0.6	1.2	0.2	0.9	2.5	3.4	1.1	2.7	7.0	10.5
Total operating expenses	3.245	2.4	2.9	5.2	3.2	6.2	10.3	12.0	4.3	13.7	31.9	44.8
Operating income:	(0.605)	(1.2)	1.1	1.5	(2.7)	(1.9)	4.5	8.5	2.2	0.8	8.3	16.1
Operating margin	-10.0%	-40.3%	17.3%	12.5%	-106.4%	-20.6%	18.5%	25.1%	19.6%	2.8%	11.9%	15.3%
Other income:												
Interest income	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	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1.2)	(0.4)	(0.6)	(1.1)
Acquisition related costs	(0.0)	0.0	(0.2)	(0.2)	(0.4)	0.0	0.0	0.0	(2.2)	(0.4)	(0.4)	0.0
Gain from Acquisition	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	(0.067)	(0.1)	(0.3)	(0.3)	(0.526)	(0.1)	(0.1)	(0.1)	20.9	(0.7)	(0.5)	(1.1)
Income before income taxes	(0.7)	(1.3)	0.8	1.2	(3.2)	(2.0)	4.4	8.4	23.1	0.0	7.8	15.0
Pretax Margin	-11.0%	-43.4%	12.7%	10.1%	-127.2%	-22.0%	18.0%	24.8%	210.4%	0.1%	11.1%	14.3%
Income taxes	0.2	0.1	0.5	0.1	(0.4)	(0.6)	1.1	2.4	(0.2)	0.9	2.5	4.5
Tax rate	-32%	-6%	61%	6%	14%	30%	26%	29%	-1%	3011%	32%	30%
Profit before non-controlling												10.5
Minority income												(2.3)
Net income	(0.885)	(1.4)	0.3	1.148	(2.8)	(1.4)	3.3	6.0	23.3	(0.845)	5.3	8.3
Yr-over-Yr	562%	101%	-162%	-95%	213%	0%	907%	424%	2881%	-104%	-727%	56%
Preferred dividend	0.0	0.0	0.4	0.7	0.6	0.7	0.9	0.9	0.0	1.1	3.0	3.5
Net income to common shareholders	(0.9)	(1.4)	(0.1)	0.458	(3.4)	(2.1)	2.4	5.2	23.3	(2.0)	2.3	4.8
Stk based compensation	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	(0.0)	0.0	(0.2)	1.5	0.4	0.0	0.0	0.0	(21.8)	1.3	0.4	-
Non-GAAP Income	(0.7)	(1.2)	(0.0)	2.2	(2.8)	(1.9)	2.6	5.5	2.1	0.3	3.6	6.3
Yr-over-Yr	78414%	282%	-89%	-22%	309%	63%	-7163%	152%	-9%	-88%	1327%	75%
Net income per share:												
Primary EPS	(0.09)	(0.12)	(0.01)	0.04	(0.28)	(0.18)	0.20	0.43	2.31	(0.16)	0.19	0.40
Diluted EPS	**(0.08)**	**(0.12)**	**(0.01)**	**0.04**	**(0.28)**	**(0.14)**	**0.15**	**0.32**	**2.28**	**(0.16)**	**0.15**	**0.30**
Non-GAAP EPS	(0.07)	(0.10)	(0.00)	0.18	(0.23)	(0.16)	0.22	0.45	0.21	0.02	0.24	0.39
	75493%	202%	-90%	-23%	222%	57%	-6920%	146%				
Shares												
Basic	9.4	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	3.9%	26.6%	11.2%	0.8%	27.1%	3.6%	3.6%	2.5%	13.9%	19.2%	0%	0%
Diluted	11.6	11.8	11.8	11.9	12.1	14.7	16.1	16.1	10.2	12.0	14.8	16.1
Yr-over-Yr	28.0%	29.3%	14%	-5%	4.1%	24.7%	36%	35%	13.7%	17.3%	23%	9%
GAAP Adjusted EBITDA	1.649	0.411	3.117	6.123	(0.940)	1.432	3.117	13.088	4.0	11.3	18.2	30.4
EBITDA Margin									36.4%	40.7%	26%	29%

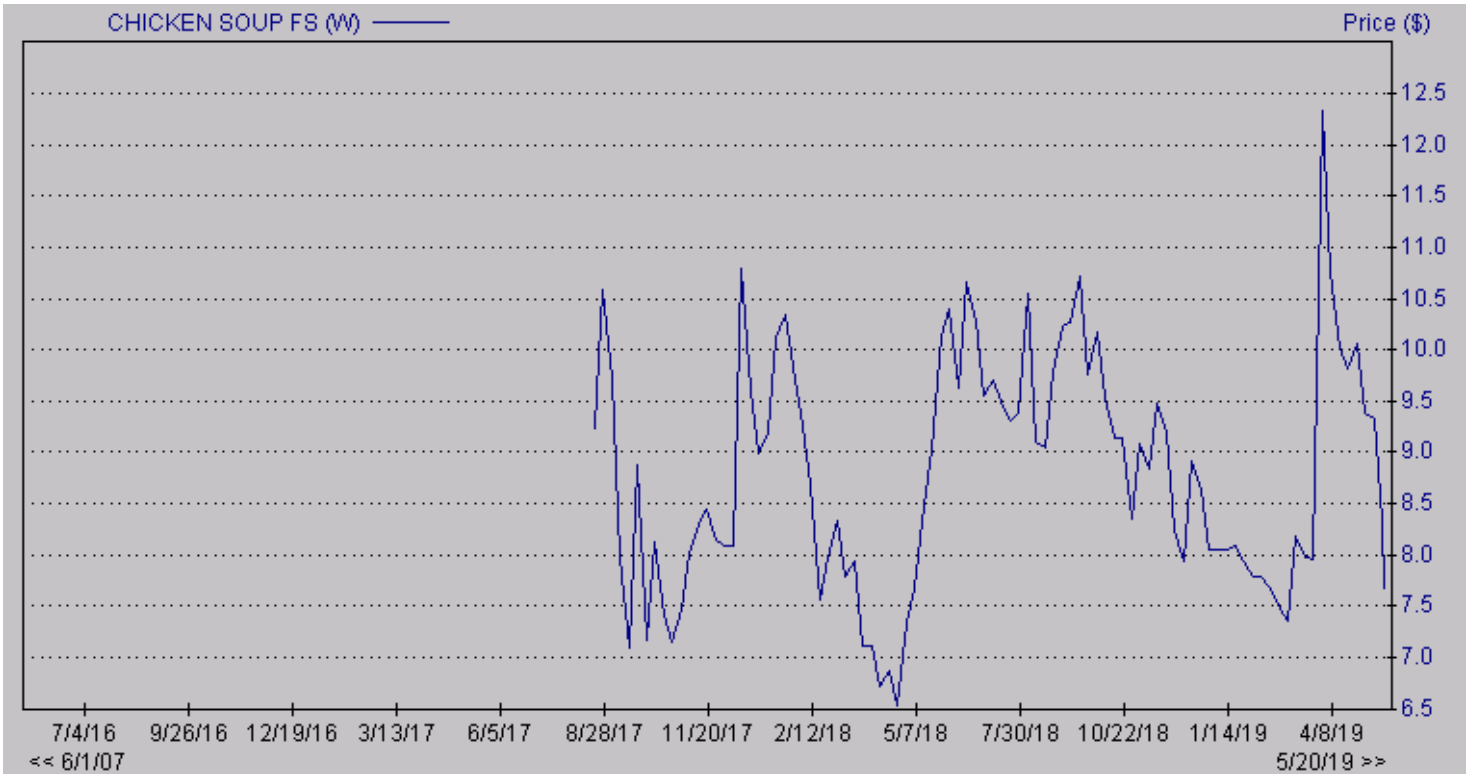
BALANCE SHEET

	Mar 31, 2019	Dec 31, 2018	Qtr-Qtr % Change	Mar 31, 2018	Yr-Yr % Change
Assets					
Cash and cash equivalents	$3,043,110	$6,451,758	-52.8%	$1,751,689	74%
Restricted cash	$750,000	750,000	0.0%	$0	NM
Accounts receivable, net	10,305,684	12,841,099	-19.7%	8,432,155	22%
Prepaid expenses	358,384	218,736	63.8%	239,637	50%
Inventory, net	286,601	262,068	9.4%	317,203	-10%
Goodwill	2,537,079	2,537,079	0.0%	0	NA
Indefinate lived intangible assets	12,163,943	12,163,943	0.0%	0	NA
Intangible assets, net	2,780,505	2,971,637	-6.4%	0	NA
Intangible asset - video content license	0	0	NM	5,000,000	-100%
Prepaid distribution fees	0	0	NM	1,846,529	-100%
Other intangible asset	0	0	NM	125,000	-100%
Popcornflix film rights and other assets	0	0	NM	7,174,548	-100%
Film library, net	27,287,110	25,338,502	7.7%	22,258,060	23%
Due from affiliated companies	3,198,936	1,213,436	163.6%	6,003,404	-47%
Programming costs, net	12,876,296	12,790,489	0.7%	7,869,441	64%
Deferred tax asset	917,000	452,000	102.9%	0	NM
Other assets, net	337,362	356,221	-5.3%	275,954	22%
Total assets	76,842,010	78,346,968	-1.9%	61,293,620	25%
Liabilities					
Current maturities of senior secured term loan	**1,000,000**	**1,000,000**	0.0%	**0**	NM
Senior secured term loan & revolving LOC, net	**6,347,578**	**6,582,113**	-3.6%	**0**	NM
Senior secured note payable to related party, net	**0**	**0**	0.0%	**1,700,000**	-100%
Accounts payable and accrued expenses	3,860,127	5,078,805	-24.0%	1,272,923	203%
Accrued programming costs	0	0	0.0%	591,326	-100%
Film library acquisition obligation	2,988,850	2,715,600	10.1%	185,600	1510%
Accrued participation costs	1,507,124	1,539,139	-2.1%	2,487,759	-39%
Other liabilities	64,107	414,506	-84.5%	148,110	-57%
Deferred tax liability, net	0	0	0.0%	552,000	-100%
Deferred revenue	12,938	6,469	100.0%	0	NM
Total liabilities	15,780,724	17,336,632	-9.0%	6,937,718	127%
Stockholder's equity					
Preferred stock	106	92	15.2%	0	NM
Class A Common stock	421	421	0.0%	375	12%
Class B Common stock	782	782	0.0%	786	-1%
Additional paid-in capital	62,788,256	59,360,583	5.8%	32,578,694	93%
Retained earnings	(1,095,550)	2,281,187	-148.0%	21,776,047	-105%
Class A common stock held in treasury	(632,729)	(632,729)	0.0%	0	NM
Total stockholders' equity	61,061,286	61,010,336	0.1%	54,355,902	12%
Total liabilities and stockholders' equity	76,842,010	78,346,968	-1.9%	61,293,620	25%
Cash as % of assets	4%	8%	-51.9%	3%	39%
Cash per share	$0.33	$0.59	-43.7%	$0.17	97%
Debt	$7,347,578	$7,582,113	-3.1%	$1,700,000	332%
Debt % of assets	8%	8%	-1.7%	3%	198%

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, 2018	3 Mo Ended Jun 30, 2018	3 Mo Ended Sep 30, 2018	3 Mo Ended Dec 31, 2018	Year 2018	3 Mo Ended Mar 31, 2019
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)	(2,773,430)
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	215,847
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	61,798
Amortization of deferred financing costs	40,859	21,876	21,871	-	-	43,747	-	14,290	21,435	21,436	57,161	25,823
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	205,623
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	871,126
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	300,403
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	(465,000)
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)	2,235,012
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	(135,279)
Inventory	-	-	-	-	(25,656)	(25,656)	51,761	(159,920)	185,457	29,598	106,896	(24,533)
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)	(147,605)
Film library		-	-	-	(1,094,363)	(1,094,363)	(1,056,556)	(2,902,872)	(2,161,907)	(3,020,953)	(9,142,288)	(2,819,734)
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	(1,218,678)
Film library acquisition obligation	-	-	-	-	(60,200)	(60,200)	(477,800)	2,055,000	260,500	214,500	2,052,200	273,250
Accrued participation costs	-	-	-	-	482,435	482,435	(132,659)	38,275	(564,650)	(422,244)	(1,081,278)	(32,015)
Other liabilities	-	-	-	-	(66,314)	(66,314)	3,577	(42,728)	344,069	(34,944)	269,974	(350,400)
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)	6,469
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)	(3,771,323)
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)	(1,985,500)
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)	(1,985,500)
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)	(260,358)
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)	(288,160)
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	3,500,000
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)	(603,307)
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	2,348,175
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	(3,408,648)
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	12,261,534	2,172,985	7,201,758
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	7,450,818	7,201,758	3,793,110
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	117,453
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	(1,557,810)
Free cash flow	1,342,416	(86,035)	986,160	(289,118)	1,491,946	2,102,953	2,437,173	527,826	3,036,425	5,298,348	11,299,772	(1,557,810)

HISTORICAL STOCK PRICE



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